

Financial Results for the Fiscal Year Ended October 31, 2015 [Japan GAAP] (Consolidated)

Date: December 9, 2015
 Company: Tomoe Engineering Co., Ltd. and Subsidiaries
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
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 Date of Dividend Payment: January 29, 2016
 Date of Financial Statement: January 28, 2016
 Preparation of Supplementary Explanatory Materials for Annual Operating Results: Yes
 Briefing Session for Annual Operating Results: Yes (for institutional investors)

* Any fractional sums less than one million (or one thousand) yen are disregarded

1. Consolidated Financial Results for the Year Ended October 31, 2015

(1) Results of Operation (Consolidated)

(Percent: change from the previous year)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2015	39,354	-3.3	1,387	8.9	1,703	4.5
Year Ended October 31, 2014	40,714	6.6	1,273	-16.0	1,629	-3.0

(Note) Comprehensive income

Fiscal year ended October 31, 2015: 1,239 million yen (-10.9%)

Fiscal year ended October 31, 2014: 1,390 million yen (-3.4%)

	Net Income		Net Income per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Return on Sales
	(Millions of Yen)	(Percent)	(Yen)	(Yen)	(Percent)	(Percent)	(Percent)
Year Ended October 31, 2015	1,028	-6.7	103. ⁰⁸	-	4.2	5.0	3.5
Year Ended October 31, 2014	1,103	31.1	110. ⁵⁴	-	4.7	4.8	3.1

(Reference) Equity in earnings (loss) of unconsolidated subsidiaries and affiliates

Fiscal year ended October 31, 2015: None

Fiscal year ended October 31, 2014: None

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B / A) (Percent)	Net Assets per Share (Yen)
Year Ended October 31, 2015	34,341	25,200	73.4	2,525. ⁴⁷
Year Ended October 31, 2014	33,817	23,943	70.8	2,399. ⁵³

(Reference) Net assets

Fiscal year ended October 31, 2015: 25,200 million yen

Fiscal year ended October 31, 2014: 23,943 million yen

(3) Cash Flows (Consolidated)

(Millions of Yen)

	Net Cash Provided (Used) by Operating Activities	Net Cash Provided (Used) by Investing Activities	Net Cash Provided (Used) by Financing Activities	Consolidated Cash and Cash Equivalent as of Year-end
Year Ended October 31, 2015	(73)	(51)	(449)	5,295
Year Ended October 31, 2014	525	(710)	(1,562)	5,661

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
Year Ending October 31, 2014	-	22.50	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2015	-	22.50	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2016 (Prospect)	-	22.50	-	22. ⁵⁰	45. ⁰⁰

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
Year Ending October 31, 2014	449	40.7	1.9
Year Ending October 31, 2015	449	43.7	1.8
Year Ending October 31, 2016 (Prospect)		68.0	

3. Forecast for the Year Ending October 31, 2016 (Consolidated)

(Percent: Change from the previous year for the full business year and 6-month period)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Six-month Period	20,600	2.6	710	-24.0	710	-38.9
Full Business Year	41,800	6.2	1,320	-4.9	1,330	-21.9

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
Six-month Period	350	-62.1	35. ⁰⁸
Full Business Year	660	-35.8	66. ¹⁴

Notes

- (1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): Yes

Elimination: Interstella Plastics (Shenzhen) Co., Ltd.

- (2) Changes of the principles, procedures, and representation of the accounting policies

1) Change due to revision of accounting standard: Existing

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

For details, please refer to (Changes in accounting policies) of (5) [Notes for Consolidated Financial Statements] of 4. [Consolidated Financial Statements] on page 20

- (3) Number of outstanding shares (Common stock)

1) Number of outstanding shares at year-end (including treasury stocks)

At October 31, 2015: 10,533,200 shares At October 31, 2014: 10,533,200 shares

2) Number of treasury stocks at year-end

At October 31, 2015: 554,667 shares At October 31, 2014: 554,667 shares

3) Number of average shares

At October 31, 2015: 9,978,533 shares At October 31, 2014: 9,978,566 shares

*Presentation Concerning Implementation of Audit Procedures

This financial report is exempt from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company has not completed the audit procedures for financial statements based on the Financial Instruments and Exchange Act.

*Explanations for appropriate use of the earnings forecast and other special instructions

The forward-looking statements such as a forecast of our financial results described herein are based on the information currently available to us and certain assumptions that we believe are reasonable. Actual results could differ materially due to various factors. For assumptions of the forecasts and necessary precautions, refer to (1) [Analysis of Operating Results] of 1. [Operating Results and Financial Condition], on page 5.

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1. Operating Results and Financial Condition

(1) Analysis of Operating Results

[1] General condition of the current consolidated fiscal year

General operating results

During the consolidated fiscal year, Japan's economy was supported by the economic recovery in the United States and other advanced countries, a rebound in exports, and the gradual improvement of the employment and income situation, and personal consumption improved briskly. More recently, however, the pace of the recovery has slackened against the backdrop of widening moves by firms to pull back from capital investment, as uncertainty regarding the business outlook has grown stronger. Overseas, the U.S. economy has maintained its recovery trend. On the other hand, beginning with China, the economies of newly developing countries continue to slow, and as the economies of resource-producing countries weaken further under the influence of low crude oil prices, an opaque situation persists.

As a result of the above, full-year consolidated net sales for the Tomoe Engineering Group fell 3.3% from the previous consolidated fiscal year to 39,354 million yen. In the Machinery & Equipment Business, net sales of equipment and construction were off, while in the Chemical Products Business net sales for the domestic plastics sector also decreased. With respect to earnings, operating income was 1,387 million yen, 8.9% up from the previous consolidated fiscal year, with the growth in sales of highly profitable components and repair services in the machinery business being a principal factor. Furthermore, an increase in foreign exchange gains contributed to ordinary income, which came to 1,703 million yen, 4.5% up from the previous consolidated fiscal year. On the other hand, net income was 1,028 million yen, 6.7% down from the previous consolidated fiscal year, despite the reporting of a gain on sales of investment securities and other in extraordinary income, as the Tomoe Engineering Group reported an asset impairment write-off of consolidated subsidiary noncurrent assets in extraordinary losses.

[Summary by business segment]

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the fiscal year were 9,428 million yen, 7.6% down compared with the previous fiscal year, because of lower sales of machinery, equipment and construction for domestic public sector demand and overseas demand and reduced sales of machinery for domestic private sector demand.

From an earnings aspect, operating income came to 277 million yen, 75.6% up compared with the previous fiscal year. Although net sales for the business as a whole contracted, earnings were boosted mainly by the growth in sales of highly profitable components and repair services for domestic public sector demand.

(Chemical Products Business)

In the Chemical Products Business, sales in the industrial materials sector for additive for use in aluminum alloy, and housing and construction applications, and sales in the electronics materials sector of transport trays for semiconductor manufacturing applications remained strong, but sales in the domestic plastics sector of commodity and high-performance plastics decreased. As a result, full-year consolidated net sales were 29,925 million yen, 1.9% down from the previous fiscal year.

With respect to earnings, operating income was 1,110 million yen, 0.5% down from the same period one year earlier. Factors behind this performance included the decline in net sales of the domestic plastics sector, and the declining profitability because of a contraction in sales in the plastic compounding business in Shenzhen, China.

[2] Outlook for the next fiscal year (November 1, 2015 - October 31, 2016)

During the fiscal year ending in October 2016, Japan's economy is forecast to continue its slow-motion recovery, even though firms are expected to maintain restraints on production in conjunction with inventory adjustments. Exports are projected to increase gradually, supported by the recovery of the economies in advanced countries

including the U.S., while investments in plant and equipment will enjoy a turn-around and increase, mainly because of upgrade investments against the backdrop of strong corporate earnings, and personal consumption will remain brisk, lifted by improvement in the employment and income situation. On the other hand, overseas the U.S. and advanced country economies in areas such as the euro zone are improving steadily, but the deceleration of China's economy, and slowing trend that is evident in newly developing country economies because of the slump in resource prices including the price of oil, is expected to continue, and the outlook for the environment surrounding the Tomoe Engineering Group is expected to remain uncertain.

Given such conditions, in the Machinery & Equipment Business we expect overseas sales for North and South America oil wells to decline. Because we expect domestic sales of our low power centrifugal separators for public sector demand, as well as sales to industries such as chemicals, foods, and pharmaceuticals for private sector demand, to grow as we work to rebuild our Asian markets, however, we project consolidated net sales to reach 10,970 million yen, 16.3% up compared with the previous year, and operating income to be 310 million yen, 11.9% up compared with the previous year. In the Chemical Products Business, domestically we expect growth in sales of graphite products in the advanced materials sector, and we also see higher sales of resin raw materials and higher sales of products at Tomoe Engineering (Hong Kong) and a recovery in the performance of the Shenzhen plastic compounding business in China. As a result, although we project consolidated net sales of 30,830 million yen, 3.0% up compared with the previous year, we project operating income to come to 1,010 million yen, 9.0% down compared with the previous year, because of the inability to absorb the increase in selling, general and administrative expenses related to our domestic and Shenzhen plastic compounding business.

As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 2016, we project net sales to grow by 6.2% to 41,800 million yen, operating income to decrease by 4.9% to 1,320 million yen, and ordinary income to decrease by 21.9% to 1,330 million yen because we do not anticipate gains on foreign exchange that contributed to the income in the previous year. Because we do not anticipate any special factors, including extraordinary income or losses, we project net income attributable to the shareholders of the parent company to decrease by 35.8% to 660 million yen.

The operating results forecasts for the next period described above are based on information available to the Company at the time the forecasts were prepared and assumptions judged to be reasonable. Actual operating results might differ from these forecasts depending upon changes in domestic and international financial and economic conditions, the supply and demand situation, various risk factors and other uncertainties.

(2) Analysis of Financial Condition

[1] Assets, Liabilities, and Net Assets

Assets at the end of the current consolidated fiscal year were 34,341 million yen, up 523 million or 1.5% from the balance at the end of the previous consolidated fiscal year, reflecting lower cash and deposits and guarantee deposit, and increase in notes and accounts receivable-trade and asset for retirement benefits.

Liabilities were 9,140 million yen, down 733 million yen or 7.4% from the end of the previous consolidated fiscal year, mainly because of lower payables, income taxes payable and advances received.

Net assets were 25,200 million yen, 1,256 million yen or 5.2% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of retained earnings reported at the current consolidated net income, and an increase in the translation adjustments account associated with overseas subsidiaries, which was affected by the depreciation of the yen.

As a result of the above changes, the equity ratio at the end of the consolidated fiscal year rose by 2.6 points compared with the end of the previous consolidated fiscal year to 73.4%.

[2] Cash Flow Status

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year decreased by 366 million yen to 5,295 million yen from the previous consolidated fiscal year. Status of each cash flow and their factors during the current consolidated fiscal year are as follows:

(Net Cash Provided by (Used in) Operating Activities)

Net cash provided by operating activities was 73 million yen (525 million yen provided during the previous consolidated fiscal year). Income before income taxes and minority interests was 1,685 million yen, and notes and accounts receivable-trade increased by 367 million yen, inventory increased by 349 million yen, and income taxes paid were 872 million yen.

(Net Cash Provided by (Used in) Investing Activities)

Because purchases of plant, property and equipment were 419 million yen, and proceeds from sales of investment securities were 156 million yen, and proceeds from lower guarantee deposits were 215 million yen, the net amount of cash used in investing activities was 51 million yen (710 million yen used during the previous consolidated fiscal year).

(Net Cash Provided by (Used in) Financing Activities)

Net cash used in financing activities was 449 million yen (1,562 million yen used during the previous consolidated fiscal year), mainly for the payment of cash dividends of 449 million yen.

The trends in cash flow indices are as follows:

Trends in cash flow indices

	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2013	Year Ended October 31, 2014	Year Ended October 31, 2015
Equity Ratio (Percent)	64.5	66.0	69.8	70.8	73.4
Equity Ratio Based on Market Value (Percent)	42.5	39.7	46.6	51.7	44.3
Debt-repayment to Cash Flow Ratio (Years)	0.3	0.8	1.7	0.2	-
Interest Coverage Ratio (Percent)	258.7	115.8	35.6	74.5	-

Equity ratio: Net assets / Total assets

Equity ratio based on market value: Market capitalization of shares / Total assets

Debt-repayment to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payment

(Note)

1. All indices are calculated on the basis of consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow refers to net cash provided by (used in) operating activities.
4. Interest-bearing debt refers to all debt reported on the consolidated balance sheet for which interest is being paid.
5. The debt-repayment to cash flow ratio and interest coverage ratio for the year ended October 31, 2015 are not shown because they were negative.

(3) Basic Policy for Profit Sharing and Dividends for Fiscal 2015 and 2016

As its basic policy, the Tomoe Engineering Group will “implement appropriate, stable dividends by seeking to increase internal reserves to reinforce our financial position and corporate strength, and by considering consolidated operating results, the group’s medium-term business strategy and other factors in a comprehensive manner.”

Based on the above policy, we plan to pay a dividend of 45 yen per share, including the dividend of 22.5 yen per share for the consolidated fiscal year ending on October 31, 2015, and the interim dividend of 22.5 yen per share.

For the dividend for the next consolidated fiscal year, we plan to pay 45 yen per share (including an interim dividend per share of 22.5 yen), based on consideration of the outlook for consolidated operating results.

(4) Risk Factors in Business

The key areas of business risks of our group that might have significant influence on investors’ decision are as follows. The following judgments are made based on the business information at the end of the current consolidated fiscal year, although some forward-looking statements are contained.

[1] Influence of Foreign Exchange Fluctuation

Businesses of our group include exports and import in foreign currencies, and exchange rate fluctuations may affect the values after translation into yen. Operating results and financial condition of our group might be affected by the range of foreign exchange fluctuation although we make efforts to minimize exchange fluctuation risks by entering into forward exchange contracts. Since our group has overseas subsidiaries, we prepare financial statements in foreign currencies. In preparing consolidated financial statements, there is a risk associated with exchange fluctuation when converting into yen equivalent.

[2] Potential Risk of Overseas Activities

Our group is engaged in marketing and manufacturing overseas, focusing on China and other Southeast Asian countries. Our group will monitor the local situations with the greatest care and take appropriate actions on a timely basis. However, our group’s operating results and financial condition might be affected by unforeseen circumstances arising from local political conditions, governments, legal restrictions, taxation systems, customs, etc.

[3] Risk Associated with Quality of Goods and Products

The products of our group are manufactured by paying due attention based on systematic quality control. The products that require technical development might cause risk of having cost of repair and replacement. Also, since our group is not directly involved in manufacturing of many of imported raw materials, defects that our group is not directly associated with may occur and we might be obligated to cease sales and collect such materials. Although we are prepared to take prompt and appropriate actions to cope with the risks involved in quality of manufactured products and commercial goods, it may affect our group’s operating results and financial condition to the extent of the problem.

[4] Risks of New Investment

Our group is in a quest to pursue high-value-added business all the time. To do this, we must take measures such as aggressive investment in some situations; however, these measures may involve higher potential risks than conventional business risks. Even though we take such sufficient preparations and measures, some unexpected events may result in affecting operating results and financial condition of our group.

[5] Risks when a Natural Disaster Occurs

Our group is implementing various risk measures, including seismic performance improvements to buildings and structures (including rental properties), preparation of emergency response procedures, data backup enhancements and the introduction of a system to confirm executive and employee safety, and working to prepare a business contingency plan (BCP). Although we are implementing such measures, however, there is a possibility our production capacity or sales capabilities might be substantially reduced by the occurrence of a large-scale natural disaster to which we cannot respond, and business opportunities could be lost and our operating results and financial position might be affected as a result.

2. Management Policy

(1) Basic Management Philosophy

Our basic management philosophy is to contribute to society and provide a good quality of life to people involved through growth and development of our company with spirit of creation and entrepreneurship and to provide our customers with high level of technologies and excellent products. Guided by this policy, we shall be engaged in the manufacture and sale of machinery based primarily on solid-liquid separation techniques and importation of unique and specialty raw materials for chemical industry.

(2) Target Management Indices

Rather than just aiming for a volume growth, in our Machinery & Equipment Business we always try to develop and sell products that require specialized technology, while in our Chemical Products Business we seek to handle unique, high value-added products that demand expertise, even if their market is not so large. To pursue these goals, we regard improvement of profitability as our primary management goal. As a management indicator for meeting these goals, we give highest priority to ordinary income, which directly expresses the nature and change of profitability.

(3) Mid- and Long-term Management Strategy

The long-term management strategy of Machinery & Equipment Business is to develop new products, reduce manufacturing cost, and expand business overseas, and that of Chemical Products Business is to discover unique new commercial products, to seek new customers and to deploy business aggressively for overseas markets.

To achieve continuous progress on our basic strategy, in November 2014 we formulated the Tenth Mid-term Management Plan "Target 2016" (from November 1, 2014 to October 31, 2016). The plan is devoted mainly to implementing measures based on the following policies after newly identifying the ideal approach to allocating management resources and capturing market share. More specifically, in the Machinery & Equipment Business, we will expand foreign sales centered on North and South America, China and Southeast Asia, while increasing domestic sales of our low-power, energy-saving centrifuge. In the Chemical Products Business, we set key strategies to increase overseas sales by developing new markets and new commercial products mainly in Southeast Asian market, and to maintain our market share of the existing business by implementing measures to meet customer needs. The forecasted consolidated operating results for the fiscal year ending October 2016, the final year of our medium-term management plan period, are shown at the beginning of these financial results. Although we find ourselves at this time in circumstances under which we must anticipate a substantial contraction of our business for oil wells in the North and South America markets, which are being affected by the deterioration of the external environment, including the decline in crude oil prices, the Tomoe Engineering Group will continue to aggressively address these various management challenges and move forward to improve its operating results.

(4) Challenges to be Addressed

Although firms can be seen to be maintaining controls on production in conjunction with inventory adjustments, Japan's economy is expected to maintain its slow-motion recovery. Exports are being supported by the economic recovery in the United States and other advanced countries and are rising gradually, while capital investment also has reversed course and will pick up, mainly for upgrade investments, against the backdrop of strong corporate earnings. Moreover, personal consumption is expected to remain brisk, supported by

improvement in the employment and income situation. Overseas, even as the economies in the U.S. and other advanced countries including the euro zone are recovering steadily, the slowdown trend in the economies of newly developing countries is expected to continue because of the deceleration of China's economy and depressed prices for resources, including the price of oil, and the future of the environment surrounding the Tomoe Engineering Group is expected to remain shrouded by opaque conditions. In addition, the Tomoe Engineering Group recognizes that given such circumstances, achieving growth in its overseas businesses is a priority issue, and in the Machinery & Equipment Business we will concentrate our energies on rebuilding operations by reviewing our organization in the Asian market, working to further strengthen our agent policy and developing markets other than oil wells through our U.S. subsidiary. In the Chemical Products Business, we will focus on expansion of our business territory through efforts to create new markets and commercial products mainly in Southeast Asia, which is expected to grow. In Tomoe's resin plastic compounding business at its subsidiary in Shenzhen, China, the Company will undertake a rebuilding effort aimed at reinvigorating operating results by specializing in products such as commodity plastics, and devoting more efforts to retaining existing customers and acquiring new customers and broadening the market., and will further strive to restore operating results through the development of measures to boost production efficiency.

To steadily execute these issues, the Company's policy is to train the human resources who will be responsible for the Company's globalization, and work to achieve sustained growth in both of the Company's businesses and bolster its capacity to generate stable earnings, by promoting management policies based on Tomoe's 10th Medium-Term Management Plan.

In the future we will strive to ensure management in full compliance with the letter and spirit of the law and improve corporate ethics, and from a risk management perspective we will maintain efforts to create and enhance business contingency plans that envisage large-scale natural disasters.

3. Basic Approach to the Selection of Accounting Standards

At the present time the Tomoe Engineering Group has adopted Japan GAAP, based on factors such as comparability between firms, and the Group's policy concerning the application of IFRS will be to respond while referring to outside trends and other considerations.

4. Consolidated Financial Statements

(1) Balance Sheets

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Assets		
Current Assets		
Cash and Deposits	5,661,622	5,295,280
Notes and Accounts Receivable-Trade	14,321,437	14,575,274
Merchandise and Finished Goods	2,834,556	2,883,186
Work in Process	1,193,440	1,428,858
Raw Materials and Supplies	772,969	814,139
Deferred Tax Assets	579,233	415,636
Others	225,244	170,571
Allowance for Doubtful Accounts	-5,251	-5,309
Total Current Assets	25,583,252	25,577,638
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,742,339	4,414,855
Accumulated Depreciation	-1,533,884	-1,554,623
Buildings and Structures, Net	1,208,455	2,860,232
Machinery, Equipment and Vehicles	4,045,863	4,105,001
Accumulated Depreciation	-3,346,731	-3,469,389
Machinery, Equipment and Vehicles, Net	699,131	635,612
Land	930,711	1,934,976
Construction in progress	2,581,210	120
Others	1,102,854	1,094,481
Accumulated Depreciation	-977,538	-1,004,257
Others, Net	125,316	90,223
Total Property, Plant and Equipment	5,544,824	5,521,164
Intangible Assets	451,969	362,505
Investments and Other Assets		
Investment Securities	1,255,543	1,189,880
Guarantee Deposits	243,293	83,645
Net Defined Benefit Assets	596,943	1,506,899
Deferred Tax Assets	36,616	-
Others	128,527	122,346
Allowance for Doubtful Accounts	-22,995	-22,775
Total Investments and Other Assets	2,237,928	2,879,996
Total Noncurrent Assets	8,234,723	8,763,665
Total Assets	33,817,976	34,341,304

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	5,970,933	5,836,44
Accounts Payable-Others	535,396	557,504
Income Taxes Payable	543,046	182,965
Advances Received	431,020	105,602
Provision for Bonuses	731,676	701,392
Provision for Directors' Bonuses	36,900	42,374
Allowance for Product Warranty	223,618	122,478
Others	305,463	269,841
Total Current Liabilities	8,778,056	7,818,605
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	18,680	5,460
Net Defined Benefit Liabilities	48,646	54,052
Deferred Tax Liabilities	1,028,769	1,262,702
Total Noncurrent Liabilities	1,096,096	1,322,214
Total Liabilities	9,874,153	9,140,820
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	21,267,920	22,313,936
Treasury Stock	-363,591	-363,591
Total Shareholders' Equity	23,448,949	24,494,965
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	305,484	330,518
Deferred Gains or Losses on Hedges	1,272	748
Foreign Currency Translation Adjustment	311,609	415,072
Total Adjustment on Net Defined Benefit	-123,493	-40,820
Total Accumulated Other Comprehensive Income	494,873	705,518
Total Net Assets	23,943,822	25,200,484
Total Liabilities and Net Assets	33,817,976	34,341,304

(2) Consolidated Statements of Income

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Net Sales	40,714,627	39,354,572
Cost of Sales	33,075,863	31,541,093
Gross Profit	7,638,764	7,813,479
Selling, General and Administrative Expenses	6,365,315	6,426,114
Operating Income	1,273,448	1,387,365
Non-Operating Income		
Interest income	20,369	14,047
Dividends Income	122,927	26,557
Rent Income	9,100	6,932
Foreign Exchange Gains	178,251	257,943
Others	54,854	33,268
Total Non-Operating Income	385,503	338,750
Non-Operating Expenses		
Interest Expenses	6,639	454
Commission Paid	9,475	9,500
Sales Discount	5,457	5,668
Others	8,025	7,148
Total Non-Operating Expenses	29,597	22,770
Ordinary Income	1,629,354	1,703,344
Extraordinary Income		
Gain on Sales of Noncurrent Assets	3,784	27,383
Gain on Sales of Investment Securities	13,791	58,703
Gain on Negative Goodwill	145,132	-
Gain on Liquidation of Affiliated Company	-	16,859
Total Extraordinary Income	162,708	102,946
Extraordinary Losses		
Loss on Sales of Noncurrent Assets	2,034	-
Loss on Retirement of Noncurrent Assets	7,220	-
Loss on Impairment	-	120,646
Total Extraordinary Losses	9,255	120,646
Income before Income Taxes and Minority Interests	1,782,807	1,685,644
Income Taxes-Current	820,640	519,874
Income Taxes-Deferred	-132,776	137,177
Total Income Taxes	687,863	657,052
Income before Minority Interests	1,094,944	1,028,591
Minority Interests Income	-8,089	-
Net Income	1,103,033	1,028,591

Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Income before Minority Interests	1,094,944	1,028,591
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	94,164	25,033
Deferred Gains or Losses on Hedges	693	-523
Foreign Currency Translation Adjustment	200,751	103,462
Adjustment on Net Defined Benefit	-	82,672
Total Other Comprehensive Income	295,608	210,645
Comprehensive Income	1,390,552	1,239,237
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,387,656	1,239,237
Comprehensive Income attributable to Minority Interests	2,896	-

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (Year Ended October 31, 2014)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	20,838,441	-363,462	23,019,599
Changes during This Fiscal Year					
Cash Dividend Paid			-673,554		-673,554
Net Income			1,103,033		1,103,033
Issued Shares Reacquired				-128	-128
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	429,479	-128	429,350
Surplus during This Fiscal Year	1,061,210	1,483,410	21,267,920	-363,591	23,448,949

	Accumulated Other Comprehensive Income					Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income		
Surplus during Previous Fiscal Year	211,320	578	121,844	—	333,743	222,130	23,575,473
Changes during This Fiscal Year							
Cash Dividend Paid							-673,554
Net Income							1,103,033
Issued Shares Reacquired							-128
Total (Net) Amount Changed (Except Shareholders' Equity)	94,164	693	189,765	-123,493	161,129	-222,130	-61,001
Total Amount Changed	94,164	693	189,765	-123,493	161,129	-222,130	368,349
Surplus during This Fiscal Year	305,484	1,272	311,609	-123,493	494,873	—	23,943,822

Current Consolidated Fiscal Year (Year Ended October 31, 2015)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	21,267,920	-363,591	23,448,949
Cumulative Effect of Accounting Changes			466,457		466,457
Surplus Reflecting Accounting Changes	1,061,210	1,483,410	21,734,378	-363,591	23,915,407
Changes during This Fiscal Year					
Cash Dividend Paid			-449,033		-449,033
Net Income			1,028,591		1,028,591
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	579,557	—	579,557
Surplus during This Fiscal Year	1,061,210	1,483,410	22,313,936	-363,591	24,494,965

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income	
Surplus during Previous Fiscal Year	305,484	1,272	311,609	-123,493	494,873	23,943,822
Cumulative Effect of Accounting Changes						466,457
Surplus Reflecting Accounting Changes	305,484	1,272	311,609	-123,493	494,873	24,410,280
Changes during This Fiscal Year						
Cash Dividend Paid						-449,033
Net Income						1,028,591
Total (Net) Amount Changed (Except Shareholders' Equity)	25,033	-523	103,462	82,672	210,645	210,645
Total Amount Changed	25,033	-523	103,462	82,672	210,645	790,203
Surplus during This Fiscal Year	330,518	748	415,072	-40,820	705,518	25,200,484

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,782,807	1,685,644
Depreciation and Amortization	425,118	444,518
Increase (Decrease) in Provision for Bonuses	(22,635)	(32,360)
Increase (Decrease) in Provision for Directors' Bonuses	1,187	5,473
Increase (Decrease) in Allowance for Product Warranty	43,420	(101,140)
Increase (Decrease) in Net Defined Benefit Liability	493	4,893
Decrease (Increase) in Net Defined Benefit Asset	(111,891)	(65,760)
Increase (Decrease) in Provision for Directors' Retirement Benefits	-	(13,220)
Increase (Decrease) in Allowance for Doubtful Accounts	(20,038)	(162)
Interests and Dividends Income	(143,297)	(40,605)
Interest Expenses	6,639	454
Foreign Exchange Losses (Gains)	(48,807)	(34,092)
Loss (Gain) on Sales of Investment Securities	(13,791)	(58,703)
Gain (Loss) on Negative Goodwill	(145,132)	-
Loss (Gain) on Liquidation of Affiliated Company	-	(16,859)
Loss on Impairment	-	120,646
Loss (Gain) on Sales of Noncurrent Assets	(1,749)	(27,383)
Loss on Retirement of Noncurrent Assets	7,220	-
Decrease (Increase) in Notes and Accounts Receivable-Trade	(1,669,136)	(367,977)
Decrease (Increase) in Inventories	333,587	(349,869)
Increase (Decrease) in Notes and Accounts Payable-Trade	(136,860)	(56,535)
Increase (Decrease) in Accounts Payable-Others	(20,552)	41,709
Increase (Decrease) in Advances Received	352,296	(364,900)
Increase (Decrease) in Accrued Consumption Taxes	41,079	(43,448)
Others, Net	(15,706)	26,397
Sub total	644,253	756,717
Interests and Dividends Income Received	146,785	42,225
Interest Expenses Paid	(7,055)	(454)
Income Taxes Paid	(258,343)	(872,427)
Net Cash Provided by (Used in) Operating Activities	525,638	(73,939)

(Thousands of Yen)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(4,300,000)	(3,200,000)
Proceeds from Withdrawal of Time Deposits	4,300,000	3,200,000
Purchase of Property, Plant and Equipment	(564,310)	(419,792)
Proceeds from Sales of Property, Plant and Equipment	8,727	51,888
Purchase of Intangible Fixed Assets	(126,478)	(34,999)
Purchase of Investment Securities	(15,901)	(16,845)
Proceeds from Sales of Investment Securities	44,019	156,049
Payments of Loans Receivable	(6,386)	(3,240)
Collection of Loans Receivable	2,007	3,068
Guarantee Deposits (Increase)	2,384	215,734
Others, Net	(54,234)	(3,684)
Net Cash Provided by (Used in) Investment Activities	(710,172)	(51,822)
Net Cash Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	(751,299)	-
Repayment of Long-Term Loans	(56,534)	-
Repayments of Lease Obligations	(775)	-
Purchase of Stock from Minority Shareholders	(79,894)	-
Purchase of Treasury Stock	(128)	-
Cash Dividends Paid	(673,554)	(449,033)
Net Cash Provided by (Used in) Financing Activities	(1,562,188)	(449,033)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	236,498	208,452
Net Increase (Decrease) in Cash and Cash Equivalents	(1,510,223)	(366,342)
Cash and Cash Equivalents at Beginning of Period	7,171,846	5,661,622
Cash and Cash Equivalents at End of This Fiscal Year	5,661,622	5,295,280

(5) Notes for Consolidated Financial Statements

(Notes for premise of going concern)

There are no pertinent matters to report.

(Changes in accounting principles)

Beginning from the first quarter consolidated accounting period, the Company has applied the *Accounting Standard for Retirement Benefits* (Accounting Standards Board of Japan (ASBJ) Statement No. 26, referred to below as “the Retirement Benefit Accounting Standard”) and the *Implementation Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, referred to below as “the Retirement Benefits Implementation Guidance”) under the provisions in the main clauses of Article 35 of the *Accounting Standard for Retirement Benefits* and Article 67 of the *Guidance on Accounting Standard for Retirement Benefits*. The Company has revised its calculation methods for retirement benefit obligations and service costs, and together with changing its method for attributing projected retirement benefits to periods from the straight-line basis to the benefit formula basis, also has revised its method for determining the discount rate, from a method based on the number of years approximate to the expected average remaining working lives of employees, to a method that uses a single weighted average discount rate reflecting the estimated retirement benefit payment periods and amount per each estimated retirement benefit payment period.

To apply the *Accounting Standard for Retirement Benefits*, the Company has recognized the effect of this revision to its calculation methods for retirement benefit obligations and service costs by adjusting the balance of retained earnings at the beginning of the current consolidated fiscal year in accordance with the transitional provisions set forth in paragraph 37 of the *Accounting Standard for Retirement Benefits*.

As a result, net defined benefit assets increased by ¥725,010,000 yen, and retained earnings increased by ¥466,457,000 yen, as of the beginning of the current consolidated fiscal year. The effect of this change on the current consolidated fiscal year earnings is not material.

(Additional information)

With the promulgation of the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) and the Act for Partial Revision of the Income Tax Act Etc. (Act No. 9 of 2015) on March 31, 2015, Japan’s corporate tax rate and business tax rate will be reduced in the consolidated fiscal year beginning on or after April 1, 2015. In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 35.64% applied in the past to 33.06% for temporary differences expected to be eliminated in the consolidated fiscal year that begins on November 1, 2015, and to 32.26% for temporary differences expected to be eliminated in the consolidated fiscal years that begin from November 1, 2016.

As a result, deferred tax liabilities (the amount after deducting deferred tax assets) have been reduced by 102,415,000 yen. In addition, income taxes-deferred reported for the current consolidated fiscal year decreased by 89,791,000 yen, valuation difference on available-for-sale securities increased by 14,631,000 yen and deferred gains or losses on hedges increased by 28,000 yen, and total adjustment on net defined benefit decreased by 2,036,000 yen.

(Segment information)

1. Summary of reporting segments

TOMOE Engineering Co., Ltd. has established two operational headquarters. These operational headquarters are developing their business activities by planning comprehensive domestic and overseas strategies for the respective manufactured and commercial products they handle.

We therefore have assumed these two businesses, referred to as the "Machinery & Equipment Business" and the "Chemical Products Business", as our company reporting segments. The Machinery & Equipment Business mainly manufactures and sells centrifuge decanters, and the Chemical Products Business mainly manufactures, stocks and sells chemical industry products.

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

2. Method for calculating amounts of net sales, income or loss, assets, liabilities and other items for each reporting segment

The accounting methods for reporting segments are identical to the accounting methods adopted for preparation of the consolidated financial statements.

3. Information concerning the amount of net sales, income or loss, assets, liabilities and other items for each reporting segment

Previous Consolidated Fiscal Year (Year Ended October 31, 2014)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	10,204,351	30,510,276	40,714,627	0	40,714,627
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	10,204,351	30,510,276	40,714,627	0	40,714,627
Segment Income	157,852	1,115,596	1,273,448	0	1,273,448
Segment Assets	9,141,508	15,178,953	24,320,461	9,497,514	33,817,976
Other Items					
Depreciation & Amortization Increase in Property, Plant & Equipment and Intangible Assets	331,764	93,353	425,118	0	425,118
	499,154	66,382	565,536	66,4100	631,946

(Notes)

1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.
2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2015)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	9,428,743	29,925,829	39,354,572	0	39,354,572
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	9,428,743	29,925,829	39,354,572	0	39,354,572
Segment Income	277,115	1,110,250	1,387,365	0	1,387,365
Segment Assets	10,847,484	17,007,658	27,855,143	6,486,161	34,341,304
Other Items					
Depreciation & Amortization Increase in Property, Plant & Equipment and Intangible Assets	324,469	120,049	444,518	0	444,518
	242,854	195,246	438,101	0	438,101

(Notes)

1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.

2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

(Related information)

Previous Consolidated Fiscal Year (Year Ended October 31, 2014)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales

(Thousands of Yen)

Japan	Asia	Others	Total
33,239,806	6,263,736	1,211,084	40,714,627

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment

(Thousands of Yen)

Japan	Asia	Others	Total
5,033,485	192,041	319,298	5,544,824

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2015)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales (Thousands of Yen)

Japan	Asia	Others	Total
32,109,163	5,358,191	1,887,218	39,354,572

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment (Thousands of Yen)

Japan	Asia	Others	Total
5,157,870	182,690	180,604	5,521,164

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

(Information concerning impairment losses on fixed assets by reporting segment)

Previous Consolidated Fiscal Year (Year Ended October 31, 2014)

There are no pertinent matters to report.

Current Consolidated Fiscal Year (Year Ended October 31, 2015)

(Thousands of Yen)

	Reported segments			Elimination at the Company	Total
	Machinery & Equipment Business	Chemical Products Business	Subtotal		
Impairment loss	120,646	0	120,646	0	120,646

(Information concerning amortization of goodwill and unamortized balances by reporting segment)

There are no pertinent matters to report.

(Information concerning gain on negative goodwill by reporting segment)

Previous Consolidated Fiscal Year (Year Ended October 31, 2014)

The Tomoe Engineering Group had a gain on negative goodwill in the Chemical Products Business in conjunction with the acquisition of the stock of Interstella Plastics (Shenzhen) Co., Ltd., a consolidated subsidiary of Tomoe Engineering, which was owned by another company. The reported amount of the gain on negative goodwill as a result of this acquisition was 145,132,000 yen.

Current Consolidated Fiscal Year (Year Ended October 31, 2015)

There are no pertinent matters to report.

(Per Share Information)

	Year Ended October 31, 2014	Year Ended October 31, 2015
Net Asset per Share	¥2,399. ⁵³	¥2,525. ⁴⁷
Net Income per Share	¥110. ⁵⁴	¥03. ⁰⁸

(Note 1) Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

(Note 2) Calculation basis for net income per share are as follows:

	Year Ended October 31, 2014	Year Ended October 31, 2015
Net Income for this Fiscal Year (thousands of yen)	1,103,033	1,028,591
Net Income for Common Stock (thousands of yen)	1,103,033	1,028,591
Average number of Common Stock during the Fiscal Year	9,978,566	9,978,533

(Note3) Calculation basis for net asset per share are as follows:

	Year Ended October 31, 2014	Year Ended October 31, 2015
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	23,943,822	25,200,484
Net Asset for Common Stock (thousands of yen)	23,943,822	25,200,484
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,533	9,978,533

(Significant subsequent events)

None