

## Financial Results for the Second Quarter Ended April 30, 2014 [Japan GAAP] (Consolidated)

Date: June 4, 2014  
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309  
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 Date to report Consolidated Quarterly Financial Statement: June 12, 2014  
 Date for Dividend Payment: July 7, 2014  
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Yes  
 Briefing Session for Quarterly Operating Results: Yes (for institutional investors)

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

### 1. Consolidated Financial Data for the Second Quarter Ended April 30, 2014

(1) Results of Operation (Consolidated) (Percent: Change from the same quarter of the previous year)

	Net Sales		Operating Income		Ordinary Income	
	Millions of Yen	Percent	Millions of Yen	Percent	Millions of Yen	Percent
Quarter Ended April 30, 2014	19,957	3.0	846	-15.2	1,024	-4.8
Quarter Ended April 30, 2013	19,370	-8.4	998	-29.7	1,075	-28.8

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended April 30, 2014	774	22.6	77. <sup>61</sup>	-
Quarter Ended April 30, 2013	631	-37.7	63. <sup>30</sup>	-

(Note) Comprehensive income

Second Quarter ended April 30, 2014: 838 million yen (-24.2%) Second Quarter ended April 30, 2013: 1,107 million yen (-3.2%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended April 30, 2014	33,196	23,740	71.5
Year Ended October 31, 2013	33,477	23,575	69.8

(Reference) Net assets

Second Quarter ended April 30, 2014: 23,740 million yen Year Ended October 31, 2013: 23,353 million yen

### 2. Dividend Status

(Record Date)	Annual Dividend (Yen)				
	First Quarter	Interim Term	Third Quarter	End of Fiscal Year	Annual
Year Ended October 31, 2013	-	0.00	-	45. <sup>00</sup>	45. <sup>00</sup>
Year Ending October 31, 2014	-	22.50	-	45. <sup>00</sup>	45. <sup>00</sup>
Year Ending October 31, 2014 (Prospect)	-	-	-	22. <sup>00</sup>	45. <sup>00</sup>

(Note) Revisions since the most recently released dividend projection: None

### 3. Forecast for Earnings for the Year Ending October 31, 2014 (Consolidated)

(Percent: change from the previous year for full business year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Full Business Year	41,300	8.2	1,930	27.3	2,050	22.0

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,200	42.7	120. <sup>26</sup>

(Note) Revisions since the most recently released dividend projection: None

#### \* Others

(1) Significant changes in subsidiaries during this quarter (Changes in specific subsidiaries in conjunction with a change in the scope of consolidation): None

Number of new subsidiaries: \_\_\_ (Company names):

Number of eliminated subsidiaries: \_\_\_ (Company names):

(2) Adoption of simplified accounting method and the specific accounting method: None

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

1) Change due to revision of accounting standard: None

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(4) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares as of quarter-end and year-end (including treasury stocks)

At April 30, 2014: 10,533,200 shares At October 31, 2013: 10,533,200 shares

2) Number of treasury stocks as of quarter-end and year-end

At April 30, 2014: 554,667 shares At October 31, 2013: 554,592 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2014: 9,978,599 shares At April 30, 2013: 9,978,617 shares

\*Disclosure concerning status of implementation of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed a quarterly review procedure 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. Please refer to the Financial Results for the Quarter (Attachments) on page 3, (3) [Qualitative Information on Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast and matters to note when using forward-looking statements.

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## 1. Qualitative Information on Quarterly Consolidated Operating Results

### (1) Qualitative Information on Consolidated Operating Results

#### [General operating results]

During the second quarter under review, Japan's economy maintained its gradual recovery trend spurred by a variety of factors and the government's economic and monetary policies, including improved corporate performance and a recovery in personal consumption despite a decline following rush demand associated with the consumption tax hike. Overseas, even as the U.S. economy showed signs of a recovery, as the economic recovery in Europe appeared to be pausing, and as the economic growth of China and other newly developing countries slowed down, the future remained shrouded by opaque conditions.

Given these circumstances, in the Machinery & Equipment Business domestic net sales of machinery rose, but domestic net sales of components and repair services for the public sector were off, and overseas net sales of machinery, components and repair services for the private sector declined. In the Chemical Products Business, net sales in the domestic plastics sector were lackluster but net sales in the domestic fine chemicals, advanced materials and industrial materials sectors, all remained strong. In terms of earnings during the period, while profits were lower in the Machinery & Equipment Business, earnings in the Chemical Products Business increased, primarily reflecting the higher sales. The Tomoe Engineering Group also reported extraordinary income as a result of dividends received from unconsolidated subsidiaries and the acquisition of a minority interest pertaining to the resin plastic compounding business acquired 100% ownership in Shenzhen, China.

As a result of the above, net sales for the Tomoe Engineering Group for the consolidated second quarter rose 3.0% from the same period last year to 19,957 million yen. Operating income was 846 million yen, 15.2% down from the same period of the prior year, ordinary income was 1,024 million yen, 4.8% down from the same period of the prior year, and net income was 774 million yen, 22.6% up from the same period one year earlier.

#### [Operating results by segment]

##### (Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the year-to-date period were 5,034 million yen, 8.3% down from the same period last year. Net sales of machinery for domestic public sector demand remained steady, but net sales of machinery for domestic public sector demand, components and repair services in overseas markets, and machinery in North America, all decreased.

From an earnings aspect, because of the decline in net sales of all of the Tomoe Engineering Group's businesses, and the reporting of projects with lower profitability on net sales of machinery, components and repair services for overseas markets compared with the year-ago period, the operating loss was 299 million yen, 52.5% down from the same period one year ago.

##### (Chemical Products Business)

In the Chemical Products Business, sales in the plastics sector of commodity plastics including imported wood decreased. On the other hand, sales of UV curing resin in the fine chemicals sector, sales in the advanced materials sector of ceramic for use in semiconductor manufacturing, sales in the industrial materials sector for housing and construction applications were brisk. As a result, consolidated net sales for the quarter were 14,923 million yen, 7.5% up from the same period one year ago.

With respect to earnings, operating income was driven by the growth in net sales for products such as commercial products with comparatively high margins in the advanced materials sector and the industrial material market, and amounted to 547 million yen, 48.3% up from the same period one year earlier.

(2) Qualitative Information on Consolidated Financial Position:

**[Assets, Liabilities, and Net Assets]**

Total assets as of the end of the consolidated second quarter under review were 33,196 million yen, down 0.8% or 281 million yen from the end of the previous consolidated fiscal year. This mainly reflected a reduction of 487 million yen in cash and deposits because of repayments of loans and dividend payments, among other changes, and a decrease of 138 million yen in inventories.

Liabilities were 9,456 million yen, down 4.5% or 446 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 442 million yen in payables and a decrease of 260 million yen in loans.

Net assets stood at 23,740 million yen, 164 million yen or 0.7% up from the end of the previous consolidated fiscal year. This mainly reflected a 325 million yen increase in retained earnings.

As a result of the above changes, the equity ratio at the end of the consolidated second quarter under review rose by 1.7 points compared with the end of the previous consolidated fiscal year to 71.5%.

**[Cash Flow Status]**

Cash and cash equivalents as of the end of the consolidated second quarter under review decreased by 2,387 million yen to 4,783 million yen from the end of the previous consolidated fiscal year. The status of each consolidated cash flow and their factors during the second quarter are as follows:

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

Cash flow used in operating activities was 799 million yen (increase in cash flow used by 247 million yen from the same consolidated quarter of the previous year). Income before income taxes and minority interests was 1,161 million yen, and notes and accounts payable-trade decreased by 473 million yen.

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

Net cash used in investing activities was 2,460 million yen (decrease in cash flow used by 702 million yen from the same consolidated quarter of the previous year), mainly for the disbursements to time deposits and the difference from refund of 1,900 million yen.

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

Cash flow used in financing activities was 825 million yen (increase in cash flow used by 472 million yen from the same consolidated quarter of the previous year), mainly for the payment of cash dividends of 449 million yen.

(3) Qualitative Information on Consolidated Earnings Forecast:

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending in October 2014 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2013 [Japan GAAP] (Consolidated)" released on December 12, 2013.

**2. Matters Concerning Summary Information (Other)**

(1) Changes to material subsidiaries during the quarterly consolidated period under review: None

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: None.

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements: None.

### 3. Consolidated Financial Statement

#### (1) Consolidated Quarterly Balance Sheets (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2013)	End of Second Quarter (April 30, 2014)
<b>Current Assets</b>		
Cash and Deposits	7,171,846	6,683,856
Notes and Accounts Receivable-Trade	12,639,632	12,681,710
Merchandise and Finished Goods	3,231,590	3,146,770
Work in Process	888,624	757,782
Raw Materials and Supplies	988,780	1,066,418
Deferred Tax Assets	405,172	394,292
Others	249,739	235,648
Allowance for Doubtful Accounts	-7,053	-3,573
<b>Total Current Assets</b>	<b>25,568,332</b>	<b>24,962,906</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	2,434,925	2,722,924
Accumulated Depreciation	-1,479,133	-1,494,027
Buildings and Structures, Net	955,791	1,228,896
Machinery, Equipment and Vehicles	3,867,792	3,910,338
Accumulated Depreciation	-3,136,674	-3,204,116
Machinery, Equipment and Vehicles, Net	731,117	706,221
Land	920,536	930,335
Lease Assets	9,867	-
Accumulated Depreciation	-9,538	-
Lease Assets, Net	328	-
Construction in progress	2,583,008	2,525,108
Others	1,035,492	1,079,349
Accumulated Depreciation	-959,869	-956,803
Others, Net	75,623	122,546
<b>Total Property, Plant and Equipment</b>	<b>5,266,406</b>	<b>5,513,108</b>
Intangible Assets	511,391	500,684
Investments and Other Assets		
Investment Securities	1,126,177	1,115,014
Guarantee Deposits	251,735	246,653
Deferred Tax Assets	23,456	22,484
Others	771,667	875,687
Allowance for Doubtful Accounts	-41,232	-40,251
<b>Total Investments and Other Assets</b>	<b>2,131,805</b>	<b>2,219,588</b>
<b>Total Noncurrent Assets</b>	<b>7,909,602</b>	<b>8,233,381</b>
<b>Total Assets</b>	<b>33,477,935</b>	<b>33,196,287</b>

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2013)	End of Second Quarter (April 30, 2014)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	6,096,703	5,654,446
Short-Term Loans Payable	731,535	514,677
Lease Obligations	775	-
Accounts Payable-Others	614,544	543,942
Income Taxes Payable	32,292	344,792
Advances Received	77,347	218,684
Provision for Bonuses	751,650	699,679
Provision for Directors' Bonuses	35,713	25,281
Allowance for Product Warranty	180,198	122,672
Others	278,980	245,528
<b>Total Current Liabilities</b>	<b>8,799,742</b>	<b>8,369,705</b>
<b>Noncurrent Liabilities</b>		
Long-Term Loans Payable	43,668	-
Provision for Retirement Benefits	47,538	54,253
Provision for Directors' Retirement Benefits	18,680	18,680
Deferred Tax Liabilities	992,832	1,013,438
<b>Total Noncurrent Liabilities</b>	<b>1,102,719</b>	<b>1,086,372</b>
<b>Total Liabilities</b>	<b>9,902,461</b>	<b>9,456,077</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	20,838,441	21,163,881
Treasury Stock	-363,462	-363,591
<b>Total Shareholders' Equity</b>	<b>23,019,599</b>	<b>23,344,909</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	211,320	198,044
Deferred Gains or Losses on Hedges	578	168
Foreign Currency Translation Adjustment	121,844	197,086
<b>Total Valuation and Translation Adjustments</b>	<b>333,743</b>	<b>395,300</b>
<b>Minority Interests</b>	<b>222,130</b>	<b>-</b>
<b>Total Net Assets</b>	<b>23,575,473</b>	<b>23,740,210</b>
<b>Total Liabilities and Net Assets</b>	<b>33,477,935</b>	<b>33,196,287</b>

(2) Consolidated Quarterly Statements of Income & Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2013	Second Quarter Ended April 30, 2014
<b>Net Sales</b>	19,370,202	19,957,177
<b>Cost of Sales</b>	15,307,013	15,928,366
<b>Gross Profit</b>	4,063,189	4,028,811
<b>Selling, General and Administrative Expenses</b>	3,065,178	3,182,628
<b>Operating Income</b>	998,010	846,183
<b>Non-Operating Income</b>		
Interest Income	8,912	9,459
Dividends Income	6,751	108,677
Rent Income	4,752	4,820
Foreign Exchange Gains	52,118	48,403
Others	27,764	25,727
<b>Total Non-Operating Income</b>	100,300	197,088
<b>Non-Operating Expenses</b>		
Interest Expenses	6,482	4,795
Loss on Sales of Notes Payable	33	-
Commission Paid	7,987	7,963
Sales Discount	4,384	2,946
Others	3,589	3,074
<b>Total Non-Operating Expenses</b>	22,478	18,779
<b>Ordinary Income</b>	1,075,832	1,024,492
<b>Extraordinary Income</b>		
Gain on Sales of Investment Securities	1,098	-
Gain on Negative Goodwill	-	145,132
<b>Total Extraordinary Income</b>	1,098	145,132
<b>Extraordinary Losses</b>		
Loss Retirement of Noncurrent Assets	4,412	5,991
Loss on Sales of Noncurrent Assets	-	2,034
<b>Total Extraordinary Losses</b>	4,412	8,026
Income before Income Taxes and Minority Interests	1,072,517	1,161,597
Income Taxes-Current	252,528	357,290
Income Taxes-Deferred	232,287	37,919
<b>Total Income Taxes</b>	484,816	395,210
<b>Income before Minority Interests</b>	587,701	766,387
<b>Minority Interests in Income or Loss (-)</b>	-43,922	-8,089
<b>Net Income (Loss)</b>	631,624	774,476

Consolidated Quarterly Statements of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2013	Second Quarter Ended April 30, 2014
Income before Minority Interests	587,701	766,387
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	145,020	-13,275
Deferred Gains or Losses on Hedges	-341	-410
Foreign Currency Translation Adjustment	374,749	86,228
Total Other Comprehensive Income	519,428	72,542
<b>Comprehensive Income</b>	<b>1,107,129</b>	<b>838,930</b>
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,087,810	836,033
Comprehensive Income attributable to Minority Interests	19,319	2,896

**(3) Consolidated Quarterly Statements of Cash Flows**

(Thousands of Yen)

	<b>Second Quarter Ended April 30, 2013</b>	<b>Second Quarter Ended April 30, 2014</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes and Minority Interests	1,072,517	1,161,597
Depreciation and Amortization	191,319	195,325
Increase (Decrease) in Provision for Bonuses	(443,160)	(53,017)
Increase (Decrease) in Provision for Directors' Bonuses	(46,587)	(10,431)
Increase (Decrease) in Allowance for Product Warranty	32,137	(57,525)
Increase (Decrease) in Provision for Retirement Benefits	8,506	6,465
Increase (Decrease) in Provision for Directors' Retirement Benefits	(10,920)	-
Increase (Decrease) in Allowance for Doubtful Accounts	(6,943)	(4,460)
Interest and Dividends Income	(15,664)	(118,136)
Interest Expenses	6,482	4,795
Foreign Exchange Losses (Gains)	(60,570)	(18,596)
Loss (Gain) on Sales of Investment Securities	(1,098)	-
Gain on Negative Goodwill	-	(145,132)
Loss (Gain) on Sales of Noncurrent Assets	-	2,034
Loss on Retirement of Noncurrent Assets	4,412	5,991
Decrease (Increase) in Notes and Accounts Receivable-Trade	1,717,146	(7,172)
Decrease (Increase) in Inventories	512,826	172,484
Increase (Decrease) in Notes and Accounts Payable-Trade	(1,749,930)	(473,092)
Increase (Decrease) in Accounts Payable-Others	(101,310)	2,398
Increase (Decrease) in Advances Received	(22,633)	140,771
Increase (Decrease) in Accrued Consumption Taxes	124,001	(15,659)
Others, Net	(84,306)	(119,527)
Sub total	1,126,224	669,111
Interests and Dividends Income Received	14,615	121,295
Interest Expenses Paid	(7,128)	(5,219)
Income Taxes Paid (-) or Returned	(581,409)	14,691
Net Cash Provided by (Used in) Operating Activities	552,301	799,879

(Thousands of Yen)

	Second Quarter Ended April 30, 2013	Second Quarter Ended April 30, 2014
<b>Net Cash Provided by (Used in) Investing Activities</b>		
Deposit of Time Deposits	(3,800,000)	(4,300,000)
Proceeds from Withdrawal of Time Deposits	700,000	2,400,000
Purchase of Property, Plant and Equipment	(105,938)	(388,387)
Proceeds from Sales of Property, Plant and Equipment	50	-
Purchase of Intangible Assets	(26,439)	(113,726)
Purchase of Investment Securities	(61,798)	(7,323)
Proceeds from Sales of Investment Securities	7,483	-
Payments of Loans Receivable	(2,610)	(2,190)
Collection of Loans Receivable	1,847	1,026
Guarantee Deposits (Increase)	127,907	2,248
Others, Net	(3,771)	(52,469)
Net Cash Provided by (Used in) Investment Activities	(3,163,270)	(2,460,823)
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Net Increase (Decrease) in Short-Term Loans Payable	55,314	(238,955)
Repayments of Lease Obligations	(4,904)	(775)
Repayments of Long-Term Loans	(4,210)	(56,534)
Purchase of Stock from Minority Shareholders	-	(79,894)
Purchase of Treasury Stock	(68)	(128)
Cash Dividends Paid	(399,146)	(449,037)
Net Cash Provided by (Used in) Financing Activities	(353,015)	(825,326)
Effect of Exchange Rate Change on Cash and Cash Equivalents	290,250	98,280
Net Increase (Decrease) in Cash and Cash Equivalents	(2,673,734)	(2,387,989)
Cash and Cash Equivalents at Beginning of Period	7,463,174	7,171,846
Cash and Cash Equivalents at End of Period	4,789,440	4,783,856

#### (4) Note on Going Concern Assumption

None.

#### (5) Segment Information, etc.

【Segment Information】

Second Quarter Ended April 30, 2013

1 Information Pertaining to the Amount of Net sales or Net Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	5,486,848	13,883,353	19,370,202	19,370,202
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,486,848	13,883,353	19,370,202	19,370,202
Segment Profit	629,242	368,768	998,010	998,010

(Note) The total amount of segment profit is identical to the operating income reported on the Quarter Statements of Consolidated Income.

Second Quarter Ended April 30, 2014

1 Information Pertaining to the Amount of Net sales or Net Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	5,034,130	14,923,047	19,957,177	19,957,177
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,034,130	14,923,047	19,957,177	19,957,177
Segment Profit	299,170	547,012	846,183	846,183

(Note) The total amount of segment profit is identical to the operating income reported on the Quarter Statements of Consolidated Income.

2 Information concerning impairment loss on noncurrent assets, goodwill, and other items by reporting segment

(Material gain on negative goodwill)

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 Co., Ltd., a consolidated subsidiary of Tomoe Engineering, which was owned by another company. The reported amount of the gain on negative goodwill in the consolidated second quarter under review as a result of this acquisition was 145,132,000 yen.

#### (6) Notes for Significant Changes in Shareholder's Equity

None

#### 4. Overseas Net Sales (Supplemental Information)

##### Second Quarter Ended April 30, 2013

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,419,013	482,720	2,901,734
II. Consolidated Net Sales	-	-	19,370,202
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.5	2.5	15.0

(Notes)

1. Areas including countries or regions are determined based on their degree of geographical proximity.
2. Main countries or regions included in the areas:
  - (1) Asia: China, Korea, Taiwan and Indonesia
  - (2) Other regions: America and Europe
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.

##### Second Quarter Ended April 30, 2014

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,677,356	476,629	3,153,985
II. Consolidated Net Sales	-	-	19,957,177
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	13.4	2.4	15.8

(Notes)

1. Areas including countries or regions are determined based on their degree of geographical proximity.
2. Main countries or regions included in the areas:
  - (1) Asia: China, Korea, Taiwan and Indonesia
  - (2) Other regions: America and Europe
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.