

## Financial Results for the First Quarter Ended January 31, 2014 [Japan GAAP] (Consolidated)

Date: March 7, 2014  
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309  
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 Date to report Consolidated Quarterly Financial Statement: March 14, 2014  
 Date for Dividend Payment: Not applicable to financial quarters.  
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Not prepared for financial quarters.  
 Briefing Session for Quarterly Operating Results: Not planned.

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

### 1. Consolidated Financial Data for the First Quarter Ended January 31, 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 January 31, 2014	9,106	7.2	119	11.1	284	67.6
Quarter Ended January 31, 2013	8,498	-11.1	107	-68.4	169	-55.7

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended January 31, 2014	263	207.3	26. <sup>41</sup>	-
Quarter Ended January 31, 2013	85	-75.0	8. <sup>60</sup>	-

(Note) Comprehensive income

First Quarter ended January 31, 2014: 441 million yen (27.0%) First Quarter ended January 31, 2013: 347 million yen (-9.2%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended January 31, 2014	32,786	23,485	71.2
Year Ended October 31, 2013	33,477	23,575	69.8

(Reference) Net assets

First Quarter ended January 31, 2014: 23,331 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	-				
Year Ending October 31, 2014 (Prospect)		22.50	-	22. <sup>50</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: 2<sup>nd</sup> Quarter YTD - change from the same quarter of the previous year;  
Full Business Year - change from the previous Full Business Year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
2 <sup>nd</sup> Quarter YTD	20,700	6.9	1,050	5.2	1,160	7.8
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
2 <sup>nd</sup> Quarter YTD	690	9.2	69. <sup>15</sup>
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 January 31, 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 January 31, 2014: 554,592 shares At October 31, 2013: 554,592 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2014: 9,978,608 shares At January 31, 2013: 9,978,625 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]

Supported by a variety of factors and the government's economic and monetary policies, Japan's economy maintained its gradual recovery trend during the first quarter, including improved corporate performance and a recovery in personal consumption. Nevertheless, the future remained shrouded by opaque conditions. In addition to the partial curtailment of the monetary easing program in the United States and the slowdown in the economies of China and other newly developing countries, there remains an inherent risk of an economic downturn being triggered by concerns such as a temporary slump in demand in Japan as a result of the looming consumption tax hike.

Given these circumstances, in the Machinery & Equipment Business net sales of components and repair services for the domestic public sector rose, but net sales of machinery, components and repair services for domestic private sector demand were off. 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, as well as sales of high performance resins and other products in Hong Kong, 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 in Shenzhen, China.

As a result of the above, net sales for the Tomoe Engineering Group for the consolidated first quarter rose 11.1% from the same period last year to 9,106 million yen. Operating income was 119 million yen, 11.1% up from the same period of the prior year, ordinary income was 284 million yen, 67.6% up from the same period of the prior year, and net income was 263 million yen, 207.3% 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 1,544 million yen, 0.4% down from the same period last year. Net sales of components and repair services for domestic public sector demand as well as net sales of machinery in overseas markets other than North America remained steady, but net sales of machinery, components and repair services for domestic private sector demand 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 137 million yen, 122.2% 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 and sales of high performance resins in Hong Kong were brisk. As a result, consolidated net sales for the quarter were 7,561 million yen, 8.8% 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 high performance resins in Hong Kong, and amounted to 257 million yen, 51.7% 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 first quarter under review were 32,786 million yen, down 2.1% or 691 million yen from the end of the previous consolidated fiscal year. This mainly reflected a reduction of 1,570 million yen in cash and deposits because of provision for bonuses and dividend payments, among other changes, and a decrease of 316 million yen in notes and accounts receivable-trade.

Liabilities were 9,300 million yen, down 6.1% or 601 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 328 million yen in payables and a decrease of 375 million yen in provision for bonuses.

Net assets stood at 23,485 million yen, 90 million yen or 0.4% down from the end of the previous consolidated fiscal year. This mainly reflected quarterly net income of 263 million yen, a decrease by 185 million yen in retained earnings because of a dividend payment of 449 million yen and a 133 million yen increase in the translation adjustments account.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review rose by 1.4 points compared with the end of the previous consolidated fiscal year to 71.2%.

**[Cash Flow Status]**

Cash and cash equivalents as of the end of the consolidated first quarter under review decreased by 3,970 million yen to 3,201 million yen from the end of the previous consolidated fiscal year. The status of each consolidated cash flow and their factors during the first quarter are as follows:

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

Cash flow used in operating activities was 918 million yen (increase in cash flow used by 358 million yen from the same consolidated quarter of the previous year). Income before income taxes and minority interests was 343 million yen, and notes and accounts receivable-trade decreased by 376 million yen. Inventory, however, expanded by 783 million yen, and notes and accounts payable-trade decreased by 380 million yen

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

Net cash used in investing activities was 2,789 million yen (increase in cash flow used by 860 million yen from the same consolidated quarter of the previous year), mainly for the disbursements to time deposits of 2,400 million yen.

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

Cash flow used in financing activities was 409 million yen (increase in cash flow used by 5 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 (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2013)	End of First Quarter (January 31, 2014)
<b>Current Assets</b>		
Cash and Deposits	7,171,846	5,601,520
Notes and Accounts Receivable-Trade	12,639,632	12,323,267
Merchandise and Finished Goods	3,231,590	3,490,056
Work in Process	888,624	1,280,593
Raw Materials and Supplies	988,780	1,186,632
Deferred Tax Assets	405,172	351,058
Others	249,739	324,835
Allowance for Doubtful Accounts	-7,053	-3,425
<b>Total Current Assets</b>	<b>25,568,332</b>	<b>24,554,539</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	2,434,925	2,533,560
Accumulated Depreciation	-1,479,133	-1,495,475
Buildings and Structures, Net	955,791	1,038,085
Machinery, Equipment and Vehicles	3,867,792	3,968,812
Accumulated Depreciation	-3,136,674	-3,239,547
Machinery, Equipment and Vehicles, Net	731,117	729,265
Land	920,536	930,572
Lease Assets	9,867	-
Accumulated Depreciation	-9,538	-
Lease Assets, Net	328	-
Construction in progress	2,583,008	2,679,558
Others	1,035,492	1,077,027
Accumulated Depreciation	-959,869	-976,392
Others, Net	75,623	100,634
<b>Total Property, Plant and Equipment</b>	<b>5,266,406</b>	<b>5,478,115</b>
Intangible Assets	511,391	495,845
Investments and Other Assets		
Investment Securities	1,126,177	1,177,020
Guarantee Deposits	251,735	249,794
Deferred Tax Assets	23,456	22,947
Others	771,667	849,312
Allowance for Doubtful Accounts	-41,232	-41,230
<b>Total Investments and Other Assets</b>	<b>2,131,805</b>	<b>2,257,845</b>
<b>Total Noncurrent Assets</b>	<b>7,909,602</b>	<b>8,231,806</b>
<b>Total Assets</b>	<b>33,477,935</b>	<b>32,786,345</b>

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October 31, 2013)</b>	<b>End of First Quarter (January 31, 2014)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	6,096,703	5,768,272
Short-Term Loans Payable	731,535	855,270
Lease Obligations	775	102
Accounts Payable-Others	614,544	538,566
Income Taxes Payable	32,292	21,119
Advances Received	77,347	132,624
Provision for Bonuses	751,650	376,586
Provision for Directors' Bonuses	35,713	13,695
Allowance for Product Warranty	180,198	173,256
Others	278,980	287,110
<b>Total Current Liabilities</b>	<b>8,799,742</b>	<b>8,166,604</b>
<b>Noncurrent Liabilities</b>		
Long-Term Loans Payable	43,668	44,596
Provision for Retirement Benefits	47,538	51,831
Provision for Directors' Retirement Benefits	18,680	18,680
Deferred Tax Liabilities	992,832	1,019,285
<b>Total Noncurrent Liabilities</b>	<b>1,102,719</b>	<b>1,134,393</b>
<b>Total Liabilities</b>	<b>9,902,461</b>	<b>9,300,998</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	20,652,964
Treasury Stock	-363,462	-363,462
<b>Total Shareholders' Equity</b>	<b>23,019,599</b>	<b>22,834,121</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	211,320	241,857
Deferred Gains or Losses on Hedges	578	-196
Foreign Currency Translation Adjustment	121,844	255,759
<b>Total Valuation and Translation Adjustments</b>	<b>333,743</b>	<b>497,420</b>
<b>Minority Interests</b>	<b>222,130</b>	<b>153,805</b>
<b>Total Net Assets</b>	<b>23,575,473</b>	<b>23,485,347</b>
<b>Total Liabilities and Net Assets</b>	<b>33,477,935</b>	<b>32,786,345</b>



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

Consolidated Quarterly Statements of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2013	First Quarter Ended January 31, 2014
<b>Net Sales</b>	8,498,147	9,106,222
<b>Cost of Sales</b>	6,807,795	7,400,845
<b>Gross Profit</b>	1,690,352	1,705,376
<b>Selling, General and Administrative Expenses</b>	1,582,806	1,585,893
<b>Operating Income</b>	107,546	119,483
<b>Non-Operating Income</b>		
Interest Income	4,536	4,779
Dividends Income	5,729	107,879
Rent Income	2,377	2,410
Foreign Exchange Gains	44,714	45,273
Others	14,167	12,373
<b>Total Non-Operating Income</b>	71,525	172,716
<b>Non-Operating Expenses</b>		
Interest Expenses	3,399	3,170
Loss on Sales of Notes Payable	17	-
Sales Discount	3,258	1,391
Others	2,515	2,866
<b>Total Non-Operating Expenses</b>	9,190	7,428
<b>Ordinary Income</b>	169,881	284,770
<b>Extraordinary Income</b>		
Gain on Negative Goodwill	-	58,962
<b>Total Extraordinary Income</b>	-	58,962
Income before Income Taxes and Minority Interests	169,881	343,732
Income Taxes-Current	12,645	15,551
Income Taxes-Deferred	95,655	65,487
<b>Total Income Taxes</b>	108,300	81,038
<b>Income before Minority Interests</b>	61,580	262,694
<b>Minority Interests in Income or Loss (-)</b>	-24,193	-865
<b>Net Income (Loss)</b>	85,773	263,560

Consolidated Quarterly Statements of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2013	First Quarter Ended January 31, 2014
Income before Minority Interests	61,580	262,694
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	74,919	30,537
Deferred Gains or Losses on Hedges	-819	-775
Foreign Currency Translation Adjustment	211,657	148,834
Total Other Comprehensive Income	285,757	178,595
<b>Comprehensive Income</b>	<b>347,337</b>	<b>441,289</b>
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	335,235	427,236
Comprehensive Income attributable to Minority Interests	12,102	14,052

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

(Thousands of Yen)

	First Quarter Ended January 31, 2013	First Quarter Ended January 31, 2014
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes and Minority Interests	169,881	343,732
Depreciation and Amortization	92,651	86,305
Increase (Decrease) in Provision for Bonuses	(681,034)	(376,992)
Increase (Decrease) in Provision for Directors' Bonuses	(53,964)	(22,017)
Increase (Decrease) in Allowance for Product Warranty	(62,907)	(6,941)
Increase (Decrease) in Provision for Retirement Benefits	4,463	3,861
Increase (Decrease) in Provision for Directors' Retirement Benefits	(10,920)	-
Increase (Decrease) in Allowance for Doubtful Accounts	(5,802)	(3,629)
Interest and Dividends Income	(10,266)	(112,659)
Interest Expenses	3,399	3,170
Foreign Exchange Losses (Gains)	(38,065)	(19,526)
Gain on Negative Goodwill	-	(58,962)
Decrease (Increase) in Notes and Accounts Receivable-Trade	2,060,694	376,413
Decrease (Increase) in Inventories	(717,278)	(783,937)
Increase (Decrease) in Notes and Accounts Payable-Trade	(754,973)	(380,545)
Increase (Decrease) in Accounts Payable-Others	(43,924)	(13,681)
Increase (Decrease) in Advances Received	4,344	54,315
Increase (Decrease) in Accrued Consumption Taxes	26,325	(87,845)
Others, Net	32,865	62,250
Sub total	15,487	(936,688)
Interests and Dividends Income Received	10,043	115,276
Interest Expenses Paid	(4,075)	(2,996)
Income Taxes Paid (-) or Returned	(581,196)	(93,988)
Net Cash Provided by (Used in) Operating Activities	(559,741)	(918,396)
<b>Net Cash Provided by (Used in) Investing Activities</b>		
Deposit of Time Deposits	(3,700,000)	(2,400,000)
Purchase of Property, Plant and Equipment	(33,338)	(264,733)
Purchase of Intangible Assets	(102)	(70,535)
Purchase of Investment Securities	(4,095)	(4,242)
Payments of Loans Receivable	(2,040)	(630)
Collection of Loans Receivable	1,573	745
Guarantee Deposits (Increase)	89,821	1,386
Others, Net	(1,522)	(51,615)
Net Cash Provided by (Used in) Investment Activities	(3,649,702)	(2,789,624)

(Thousands of Yen)

	<b>First Quarter Ended January 31, 2013</b>	<b>First Quarter Ended January 31, 2014</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Net Increase (Decrease) in Short-Term Loans Payable	-	66,471
Repayments of Long-Term Loans	(2,130)	(2,451)
Repayments of Lease Obligations	(2,583)	(673)
Purchase of Stock from Minority Shareholders	-	(23,416)
Purchase of Treasury Stock	(68)	-
Cash Dividends Paid	(399,146)	(449,037)
Net Cash Provided by (Used in) Financing Activities	(403,928)	(409,106)
Effect of Exchange Rate Change on Cash and Cash Equivalents	164,640	146,803
Net Increase (Decrease) in Cash and Cash Equivalents	(4,448,732)	(3,970,325)
Cash and Cash Equivalents at Beginning of Period	7,463,174	7,171,846
Cash and Cash Equivalents at End of Period	3,014,441	3,201,520

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

None.

**(5) Segment Information, etc.****【Segment Information】**

First Quarter Ended January 31, 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	1,550,214	6,947,933	8,498,147	8,498,147
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,550,214	6,947,933	8,498,147	8,498,147
Segment Profit	-62,053	169,599	107,546	107,546

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

First Quarter Ended January 31, 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	1,544,442	7,561,780	9,106,222	9,106,222
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,544,442	7,561,780	9,106,222	9,106,222
Segment Profit	-137,877	257,360	119,483	119,483

(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)

During the first quarter consolidated accounting period, 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 first quarter under review as a result of this acquisition was 58,962,000 yen.

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

None

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

##### First Quarter Ended January 31, 2013

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,067,410	252,697	1,320,108
II. Consolidated Net Sales	-	-	8,498,147
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.6	3.0	15.5

(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.

##### First Quarter Ended January 31, 2014

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,461,944	207,955	1,669,900
II. Consolidated Net Sales	-	-	9,106,222
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	16.1	2.3	18.3

(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.