

Financial Results for the First Quarter Ended January 31, 2016 [Japan GAAP] (Consolidated)

Date: February 29, 2016
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
 Head Office: 5-15, Kitashinagawa 5-chome, Shinagawa-ku, Tokyo, Japan
 President: Hitoshi Yamamoto
 Investor Relations Contacts: Toshiaki Yakura, Director, General Manager of Accounting Division, Tel: (03) 3442-5127
 Date to report Quarterly Consolidated Financial Statement: March 14, 2016
 Date for Dividend Payment: Not applicable to this financial quarter
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Not prepared
 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, 2016

(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, 2016	8,912	-6.9	109	-62.0	111	-76.8
Quarter Ended January 31, 2015	9,572	5.1	287	140.6	481	69.2

	Net Income Attributable to Owners of the Parent		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended January 31, 2016	29	-92.4	2. ⁹³	-
Quarter Ended January 31, 2015	383	45.5	38. ⁴³	-

(Note) Comprehensive income

First Quarter ended January 31, 2016: -51 million yen (—%) First Quarter ended January 31, 2015: 615 million yen (39.5%)

(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, 2016	34,147	24,924	73.0
Year Ended October 31, 2015	34,341	25,200	73.4

(Reference) Net assets

First Quarter ended January 31, 2016: 24,924 million yen Year Ended October 31, 2015: 25,200 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, 2015	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2016	-				
Year Ending October 31, 2016 (Prospect)		22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰

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

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

(Percent 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 nd Quarter YTD	20,600	2.6	710	-24.0	710	-38.9
Full Business Year	41,800	6.2	1,320	-4.9	1,300	-21.9

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
2 nd Quarter YTD	350	-62.1	35. ⁰⁸
Full Business Year	660	-35.8	66. ¹⁴

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

Notes

(1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes 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: Existing

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

For more information, please refer to (3) [Changes in accounting principles, changes in accounting estimates and retrospective restatements] of 2. [Matters Concerning Summary Information (Notes)] on page 4.

(4) Number of outstanding shares (Common stock)

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

At January 31, 2016: 10,533,200 shares At October 31, 2015: 10,533,200 shares

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

At January 31, 2016: 554,667 shares At October 31, 2015: 554,667 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2016: 9,978,533 shares At January 31, 2015: 9,978,533 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) [Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

Table of Contents (Supporting Data)

1. Qualitative Information on Quarterly Consolidated Operating Results.....	2
(1) Analysis of Operating Results.....	2
(2) Analysis of Financial Condition.....	3
(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast.....	3
2. Matters Concerning Summary Information (Notes).....	4
(1) Changes to material subsidiaries during the consolidated cumulative first quarter.....	4
(2) Application of special accounting method in the preparation of quarterly consolidated financial statements.....	4
(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements...4	
3. Quarterly Consolidated Financial Statement.....	5
(1) Quarterly Consolidated Balance Sheet.	5
(2) Quarterly Consolidated Statements of Income & Quarterly Consolidated Statements of Comprehensive Income.....	7
Quarterly Consolidated Statements of Income.....	7
Quarterly Consolidated Statements of Comprehensive Income.....	8
(3) Notes for Quarterly Consolidated Financial Statements.....	9
(Note for premise of going concern).....	9
(Notes for significant changes in shareholder's equity).....	9
(Segment information)	9
4. Overseas Net Sales (Supplemental Information).....	10

1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

Although Japan's economy was supported to a certain extent during the first quarter by an increase in capital investment against the backdrop of improved corporate earnings, this was undercut by a sharp drop in stock prices and the appreciation of the yen, two factors that weakened corporate business sentiment and dampened consumer confidence, and the recovery generally lacked strength. Overseas, in addition to the sluggishness evident in the U.S. economy, which earlier had acted as an engine for growth, and the continuing economic slowdown in newly developing countries including China, the economies of resource-producing countries deteriorated under the impact of the slide in crude oil prices, and the outlook for the global economy remained opaque.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter slipped 6.9% from the same period last year to 8,912 million yen mainly because of decreasing sales in the Machinery & Equipment Business. From an earnings aspect, profits were higher in the Chemical Products Business, but operating income was 109 million yen, 62.0% down from the previous consolidated fiscal year against the backdrop of lower net sales in the Machinery & Equipment Business, while ordinary income came to 111 million yen, 76.8% down from the previous consolidated fiscal year because of a decrease in foreign exchange gains. Profit attributable to owners of the parent was 29 million yen, 92.4% down from the previous consolidated fiscal year.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the year-to-date period were 1,307 million yen, 32.9% down from the same period last year. Net sales of equipment and construction for China expanded, and net sales of machinery for domestic public sector demand and net sales of components and repair services for private sector demand remained steady. Net sales of machinery for North America oil wells were lower, however, and in addition net sales of components and repair services for domestic public sector demand stagnated.

With respect to earnings during the period, income was affected by the decline of net sales in all of Tomoe's businesses, and operating income fell from the operating income of 56 million yen reported in the same period one year ago to a loss of 277 million yen.

(Chemical Products Business)

In the Chemical Products Business, net sales of resin raw materials and UV curing resin for inks, two products we began handling in the fine chemicals sector, as well as net sales of electrodes for ferroalloy manufacturing applications in the industrial materials sector, materials for automotive and housing and construction applications, and ceramics products for semiconductor equipment manufacturing in the advanced materials sector, all remained strong. On the other hand, net sales of resin raw materials for the domestic plastics sector, transport trays for semiconductor manufacturing applications in the electronics materials sector, and resin raw materials and products at Tomoe Engineering (Hong Kong) decreased. As a result, consolidated net sales for the first quarter were 7,604 million yen, 0.2% down from the same period last year.

With respect to earnings, operating income was driven by the growth in net sales for products in the industrial materials sector and advanced materials sector, which have comparatively high margins, and amounted to 386 million yen, 67.6% up from the same period one year earlier.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 34,147 million yen, down 0.6% or 193 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase of 980 million yen in inventory, and a decrease of 1,095 million yen in notes and accounts receivable–trade.

Liabilities were 9,222 million yen, up 0.9% or 82 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 167 million yen in income tax payable, a decrease of 398 million yen in provision for Bonuses, an increase of 375 million yen in notes and accounts payable-trade, an increase of 182 million yen in advances received, and an increase of 66 million yen in accounts payable-others.

Net assets stood at 24,924 million yen, 275 million yen or 1.1% down from the end of the previous consolidated fiscal year. This mainly reflected quarterly profit attributable to owners of the parent of 29 million yen, a decrease by 195 million yen in retained earnings because of a dividend payment of 224 million yen, a decrease of 58 million yen in valuation difference on available-for-sale securities, and a 31 million yen decrease 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 decreased by 0.4 point compared with the end of the previous consolidated fiscal year to 73.0%.

(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending in October 31, 2016 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2015 [Japan GAAP] (Consolidated)” released on December 9, 2015.

2. Matters Concerning Summary Information (Notes)

(1) Changes to material subsidiaries during the consolidated cumulative first quarter:

There are no pertinent matters to report.

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements:

There are no pertinent matters to report.

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements:

Beginning from the first quarter consolidated accounting period, the Company has applied the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21), the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22) and the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7), and has changed the presentation of “Net income” and the presentation from “Minority interests” to “Non-controlling interests”. To reflect this change in reporting method, the Company has made reclassifications to its quarterly consolidated financial statements and consolidated financial statements for the first quarter of the prior consolidated fiscal year and the prior consolidated fiscal year.

3. Quarterly Consolidated Financial Statement

(1) Quarterly Consolidated Balance Sheets (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2015)	End of First Quarter (January 31, 2016)
Current Assets		
Cash and Deposits	5,295,280	5,459,645
Notes and Accounts Receivable-Trade	14,575,274	13,480,053
Merchandise and Finished Goods	2,883,186	3,072,022
Work in Process	1,428,858	2,031,349
Raw Materials and Supplies	814,139	1,003,583
Deferred Tax Assets	415,636	336,526
Others	170,571	174,788
Allowance for Doubtful Accounts	-5,309	-8,054
Total Current Assets	25,577,638	25,549,915
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,414,855	4,413,963
Accumulated Depreciation	-1,554,623	-1,584,497
Buildings and Structures, Net	2,860,232	2,829,465
Machinery, Equipment and Vehicles	4,105,001	4,060,040
Accumulated Depreciation	-3,469,389	-3,457,401
Machinery, Equipment and Vehicles, Net	635,612	602,638
Land	1,934,976	1,935,016
Others	1,094,601	1,076,530
Accumulated Depreciation	-1,004,257	-992,999
Others, Net	90,343	83,530
Total Property, Plant and Equipment	5,521,164	5,450,651
Intangible Assets	362,505	343,847
Investments and Other Assets		
Investment Securities	1,189,880	1,108,742
Guarantee Deposits	83,645	82,687
Net Defined Benefit Assets	1,506,899	1,517,028
Others	122,346	118,706
Allowance for Doubtful Accounts	-22,775	-23,724
Total Investments and Other Assets	2,879,996	2,803,441
Total Noncurrent Assets	8,763,665	8,597,941
Total Assets	34,341,304	34,147,856

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2015)	End of First Quarter (January 31, 2016)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	5,836,44	6,211,979
Accounts Payable-Others	557,504	624,468
Income Taxes Payable	182,965	15,403
Advances Received	105,602	288,089
Provision for Bonuses	701,392	302,488
Provision for Directors' Bonuses	42,374	9,651
Allowance for Product Warranty	122,478	140,802
Others	269,841	333,072
Total Current Liabilities	7,818,605	7,925,955
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	54,052	55,217
Deferred Tax Liabilities	1,262,702	1,236,265
Total Noncurrent Liabilities	1,322,214	1,296,942
Total Liabilities	9,140,820	9,222,898
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	22,313,936	22,118,675
Treasury Stock	-363,591	-363,591
Total Shareholders' Equity	24,494,965	24,299,704
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	330,518	271,518
Deferred Gains or Losses on Hedges	748	289
Foreign Currency Translation Adjustment	415,072	383,989
Total Adjustment on Net Defined Benefit	-40,820	-30,543
Total Accumulated Other Comprehensive Income	705,518	625,253
Total Net Assets	25,200,484	24,924,957
Total Liabilities and Net Assets	34,341,304	34,147,856

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

Quarterly Consolidated Statements of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2015	First Quarter Ended January 31, 2016
Net Sales	9,572,181	8,912,467
Cost of Sales	7,633,464	7,280,715
Gross Profit	1,938,716	1,631,752
Selling, General and Administrative Expenses	1,651,265	1,522,623
Operating Income	287,451	109,129
Non-Operating Income		
Interest Income	5,036	1,721
Dividends Income	9,540	9,295
Rent Income	1,758	1,707
Foreign Exchange Gains	168,578	-
Others	12,974	4,020
Total Non-Operating Income	197,888	16,745
Non-Operating Expenses		
Interest Expenses	427	51
Commission Paid	756	756
Sales Discount	1,522	1,531
Foreign Exchange Losses	-	10,358
Others	701	1,232
Total Non-Operating Expenses	3,407	13,931
Ordinary Income	481,932	111,943
Extraordinary Income		
Gain on Sales of Noncurrent Assets	15,814	-
Total Extraordinary Income	15,814	-
Income before Income Taxes and Minority Interests	497,746	111,943
Income Taxes-Current	36,219	7,325
Income Taxes-Deferred	78,031	75,362
Total Income Taxes	114,251	82,687
Net Income	383,495	29,255
Net Income Attributable to Owners of the Parent	383,495	29,255

Quarterly Consolidated Statements of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2015	First Quarter Ended January 31, 2016
Net Income	383,495	29,255
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	57,752	-58,999
Deferred Gains or Losses (-) on Hedges	-919	-459
Foreign Currency Translation Adjustment	173,476	-31,082
Net Defined Benefit	2,000	10,276
Total Other Comprehensive Income	232,310	-80,265
Comprehensive Income	615,806	-51,009
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	615,806	-51,009

(3) Notes on Quarterly Consolidated Financial Statements

(Note for premise of going concern)

There are no pertinent matters to report.

(Notes for significant changes in shareholder's equity)

There are no pertinent matters to report.

(Segment Information, etc.)

First Quarter Ended January 31, 2015

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	1,948,883	7,623,297	9,572,181	9,572,181
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,948,883	7,623,297	9,572,181	9,572,181
Segment Profit	56,965	230,485	287,451	287,451

(Note) The total amount of segment profit is identical to the operating income reported on the Quarterly Consolidated Statements of 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 First Quarter under review as a result of this acquisition was 145,132,000 yen.

First Quarter Ended January 31, 2016

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	1,307,719	7,604,748	8,912,467	8,912,467
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,307,719	7,604,748	8,912,467	8,912,467
Segment Profit or Loss (-)	-277,117	386,246	109,129	109,129

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

4. Overseas Net Sales (Supplemental Information)

First Quarter Ended January 31, 2015

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,183,785	881,320	2,065,105
II. Consolidated Net Sales	-	-	9,572,181
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.4	9.2	21.6

(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, 2016

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,311,212	322,515	1,633,728
II. Consolidated Net Sales	-	-	8,912,467
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	14.7	3.6	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.