

# Financial Results for the Third Quarter Ended July 31, 2017 [Japan GAAP] (Consolidated)

Date: August 31, 2017  
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309  
 (URL: [http://www.tomo-e.co.jp/index\\_e.html](http://www.tomo-e.co.jp/index_e.html))  
 Stock exchange listing: 1<sup>st</sup> Section, Tokyo Stock Exchange  
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 Date to report Quarterly Consolidated Financial Statement: September 11, 2017  
 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 Third Quarter Ended July 31, 2017

(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 July 31, 2017	29,393	3.6	1,300	21.9	1,332	46.4
Quarter Ended July 31, 2016	28,373	-1.9	1,091	60.3	910	-10.5

	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 July 31, 2017	863	95.4	86. <sup>53</sup>	—
Quarter Ended July 31, 2016	441	-43.0	44. <sup>29</sup>	—

(Note) Comprehensive income

Third Quarter ended July 31, 2017: 1,232 million yen (- %) Third Quarter ended July 31, 2016: 50 million yen (-95.2%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended July 31, 2017	34,454	25,959	75.3
Year Ended October 31, 2016	34,792	25,173	72.4

(Reference) Net assets

Third Quarter ended July 31, 2017: 25,959 million yen Year Ended October 31, 2016: 25,173 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, 2016	—	22. <sup>50</sup>	—	22. <sup>50</sup>	45. <sup>00</sup>
Year Ending October 31, 2017	—	22. <sup>50</sup>	—	—	—
Year Ending October 31, 2017(Prospect)	—	—	—	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, 2017 (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)
Full Business Year	40,400	3.1	1,790	-9.1	1,780	-0.0

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,180	21.8	118. <sup>25</sup>

(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 the supporting document on page 8, (3) [Notes on Quarterly Consolidated Financial Statements (Changes in accounting principles)] of 2 [Quarterly Consolidated Financial Statements and Notes].

(4) Number of outstanding shares (Common stock)

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

At July 31, 2017: 10,533,200 shares                      At October 31, 2016: 10,533,200 shares

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

At July 31, 2017: 554,817 shares                      At October 31, 2016: 554,667 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2017: 9,978,431 shares                      At July 31, 2016: 9,978,533 shares

\*The quarterly earnings report is exempt from the quarterly review procedure.

\*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 Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

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# 1. Qualitative Information on Quarterly Consolidated Operating Results

## (1) Analysis of Operating Results

During the consolidated third quarter year-to-date period, Japan's economy on the whole remained on the upturn, owing to a pickup in personal consumption and capital investment, and an upward trend in spending on public works projects, although growth in exports slowed down. Overseas economies also remained firm, in the context of an ongoing gradual recovery of the US economy, and stable growth of the Chinese economy.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated third quarter increased 3.6% from the same period last year to 29,393 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 1,330 million yen, 21.9% up from the same period last year because of higher income in both the Machinery & Equipment Business and Chemical Products Business, while ordinary income came to 1,332 million yen, 46.4% up from the same period last year because foreign exchange losses were lower. Net income attributable to owners of the parent was 863 million yen, 95.4% up from the same period last year because of no impairment loss for consolidated subsidiary fixed assets recorded in the previous fiscal year.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of machinery, equipment and works, and components and repair services for domestic public sector demand, and net sales of machinery for domestic private sector demand, and equipment and works for overseas markets decreased, but on the other hand net sales of machinery, components and repair services for overseas markets increased. As a result, net sales for consolidated cumulative third quarter were 6,566 million yen, 1.1% up from the same period last year.

From an earnings aspect, operating income turned to 58 million yen profit from 128 million yen loss for the same period last year, mainly because of increased profit from components and repair services for overseas markets, and improved profitability in sales for domestic public sector demand.

(Chemical Products Business)

In the Chemical Products Business, net sales of resin raw materials in the domestic plastics sector, and UV curing resin and flame retardant in the fine chemicals sector decreased, but on the other hand net sales of materials for housing and construction applications in the industrial materials sector and net sales of transport trays for semiconductor manufacturing applications in the electronics materials sector were robust, and the Shenzhen plastic compounding business exhibited a recovery trend. As a result, net sales for consolidated cumulative third quarter were 22,826 million yen, 4.3% up from the same period last year.

With respect to earnings, operating income was driven by increased net sales for entire business, and amounted to 1,271 million yen, 4.2% up from the same period one year earlier.

## (2) Analysis of Financial Condition

Total assets as of the end of the consolidated third quarter under review were 34,454 million yen, down 1.0% or 337 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase of 385 million yen in merchandise and finished goods, an increase of 284 million yen in investment securities, and a reduction of 1,206 million yen in notes and accounts receivable-trade.

Liabilities were 8,495 million yen, down 11.7% or 1,122 million yen from the end of the previous consolidated fiscal year, mainly because of an increase of 205 million yen in notes and accounts payable-trade, a decrease of 625 million yen in income tax payable, and a decrease of 267 million yen in provision for Bonuses.

Net assets stood at 25,959 million yen, 785 million yen or 3.1% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of 416 million yen in retained earnings, an increase of 192 million yen in valuation difference on available-for-sale securities, and an increase of 93 million yen in foreign currency translation adjustment.

As a result of the above changes, the equity ratio at the end of the consolidated third quarter under review increased by 2.9 points compared with the end of the previous consolidated fiscal year to 75.3%.

## (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 October 31, 2017 that were announced in the "Notice on changes in earnings forecast" released on April 20, 2017.

## 2. Quarterly Consolidated Financial Statement and Notes

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

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2016)	End of Third Quarter (July 31, 2017)
<b>Current Assets</b>		
Cash and Deposits	8,056,223	7,900,794
Notes and Accounts Receivable-Trade	11,618,030	10,411,406
Electronically Recorded Monetary Claims	1,702,590	1,858,077
Merchandise and Finished Goods	2,746,735	3,132,700
Work in Process	1,166,982	1,245,621
Raw Materials and Supplies	595,198	850,718
Deferred Tax Assets	500,420	375,460
Others	282,133	213,670
Allowance for Doubtful Accounts	-4,645	-4,710
<b>Total Current Assets</b>	26,663,670	25,983,738
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	4,316,576	4,441,936
Accumulated Depreciation	-1,592,835	-1,680,049
Buildings and Structures, Net	2,723,740	2,761,887
Machinery, Equipment and Vehicles	3,659,243	3,701,205
Accumulated Depreciation	-3,215,574	-3,293,078
Machinery, Equipment and Vehicles, Net	443,669	408,127
Land	1,931,071	1,930,983
Construction in progress	96,763	-
Others	983,261	1,037,439
Accumulated Depreciation	-919,694	-942,531
Others, Net	63,567	94,907
<b>Total Property, Plant and Equipment</b>	5,258,812	5,195,906
Intangible Assets	304,807	212,534
Investments and Other Assets		
Investment Securities	1,149,211	1,433,224
Guarantee Deposits	89,809	292,839
Net Defined Benefit Assets	1,242,576	1,259,361
Others	110,849	104,240
Allowance for Doubtful Accounts	-27,664	-27,292
<b>Total Investments and Other Assets</b>	2,564,783	3,062,373
<b>Total Noncurrent Assets</b>	8,128,402	8,470,814
<b>Total Assets</b>	34,792,072	34,454,552

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October 31, 2016)</b>	<b>End of Third Quarter (July 31, 2017)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	3,667,658	3,873,162
Electronically Recorded Monetary Debt	1,891,465	1,674,046
Accounts Payable-Others	558,442	496,310
Income Taxes Payable	632,403	7,283
Advances Received	333,999	274,464
Provision for Bonuses	802,914	535,474
Provision for Directors' Bonuses	50,352	43,111
Allowance for Product Warranty	107,349	141,371
Others	424,583	224,888
<b>Total Current Liabilities</b>	8,469,170	7,270,112
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	56,135	55,263
Deferred Tax Liabilities	1,087,402	1,164,528
<b>Total Noncurrent Liabilities</b>	1,148,998	1,225,251
<b>Total Liabilities</b>	9,618,169	8,495,364
<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	22,833,826	23,249,912
Treasury Stock	-363,591	-363,876
<b>Total Shareholders' Equity</b>	25,014,855	25,430,655
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	299,418	492,413
Deferred Gains or Losses on Hedges	-17,813	-46
Foreign Currency Translation Adjustment	90,213	183,805
Total Adjustment on Net Defined Benefit	-212,770	-147,639
<b>Total Accumulated Other Comprehensive Income</b>	159,048	528,532
<b>Total Net Assets</b>	25,173,903	25,959,188
<b>Total Liabilities and Net Assets</b>	34,792,072	34,454,552

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

Quarterly Consolidated Statements of Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2016	Third Quarter Ended July 31, 2017
<b>Net Sales</b>	28,373,250	29,393,184
<b>Cost of Sales</b>	22,707,208	23,184,857
<b>Gross Profit</b>	5,666,042	6,208,326
<b>Selling, General and Administrative Expenses</b>	4,574,857	4,878,126
<b>Operating Income</b>	1,091,185	1,330,199
<b>Non-Operating Income</b>		
Interest Income	5,375	1,170
Dividends Income	23,491	25,932
Rent Income	5,123	5,123
Others	17,964	15,451
<b>Total Non-Operating Income</b>	51,955	47,678
<b>Non-Operating Expenses</b>		
Interest Expenses	1,892	14,508
Commission Paid	8,752	8,243
Sales Discount	4,120	4,628
Foreign Exchange Losses	213,796	12,847
Others	4,350	5,273
<b>Total Non-Operating Expenses</b>	232,912	45,502
<b>Ordinary Income</b>	910,228	1,332,376
<b>Extraordinary Income</b>		
Gain on Sales of Investment Securities	—	8,524
<b>Total Extraordinary Income</b>	—	8,524
<b>Extraordinary Expenses</b>		
Loss on Impairment	102,082	—
<b>Total Extraordinary Expenses</b>	102,082	—
Income before Income Taxes	808,146	1,340,900
Income Taxes-Current	367,777	391,667
Income Taxes-Deferred	-1,539	85,788
<b>Total Income Taxes</b>	366,237	477,455
<b>Net Income</b>	441,908	863,444
<b>Net Income Attributable to Owners of the Parent</b>	441,908	863,444

Quarterly Consolidated Statements of Comprehensive Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2016	Third Quarter Ended July 31, 2017
Net Income	441,908	863,444
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-111,132	192,994
Deferred Gains or Losses (-) on Hedges	-20,744	17,767
Foreign Currency Translation Adjustment	-290,140	93,591
Adjustment on Net Defined Benefit	30,587	65,131
Total Other Comprehensive Income	-391,429	369,484
<b>Comprehensive Income</b>	50,478	1,232,929
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	50,478	1,232,929

### **(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.

(Changes in accounting principles)

Beginning from the first quarter consolidated accounting period, the Company has applied the *Implementation Guidance on Recoverability of Deferred Tax Assets* (Accounting Standards Board of Japan Financial Accounting Standards Implementation Guidance No. 26; referred to below as the *Recoverability Implementation Guidance*), and has partially revised the method of accounting treatment concerning the recoverability of deferred tax assets.

In applying the *Recoverability Implementation Guidance*, the Company has added the difference between the amount of deferred tax assets and deferred tax liabilities when it applied the provisions corresponding to paragraph 49 (3) ① through ③ of the *Recoverability Implementation Guidance* at the beginning of the first quarter consolidated accounting period, and the amount of deferred tax assets and deferred tax liabilities at the end of the prior consolidated fiscal year, to retained earnings at the beginning of the first quarter consolidated accounting period, in accordance with the transitional treatment provided in paragraph (4) 49 of the *Recoverability Implementation Guidance*.

The effect of this change on the reported amount at the beginning of the first quarter consolidated accounting period is not material.

(Segment Information, etc.)

**Third Quarter Ended July 31, 2016**

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	6,495,949	21,877,301	28,373,250	28,373,250
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	6,495,949	21,877,301	28,373,250	28,373,250
Segment Profit or Loss (-)	-128,783	1,219,969	1,091,185	1,091,185

(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  
(Loss on Impairment Concerning Noncurrent Assets)

The Tomoe Engineering Group booked loss on impairment concerning noncurrent assets in the Chemical Products Business. The reported amount of the loss on impairment in the consolidated third quarter under review was 102,082,000 yen.

**Third Quarter Ended July 31, 2017**

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	6,566,765	22,826,418	29,393,184	29,393,184
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	6,566,765	22,826,418	29,393,184	29,393,184
Segment Profit	58,734	1,271,464	1,330,199	1,330,199

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

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

#### Third Quarter Ended July 31, 2016

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	3,807,537	711,616	4,519,154
II. Consolidated Net Sales	—	—	28,373,250
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	13.4	2.5	15.9

(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, Thailand and Vietnam
  - (2) Other regions: America and Egypt
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.

#### Third Quarter Ended July 31, 2017

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	4,799,818	946,805	5,746,623
II. Consolidated Net Sales	—	—	29,393,184
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	16.3	3.2	19.6

(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, Thailand, Vietnam, Indonesia and Iran
  - (2) Other regions: America and Egypt
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.