

# Financial Results for the Third Quarter Ended July 31, 2018 [Japan GAAP] (Consolidated)

Date: August 31, 2018  
 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, 2018  
 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, 2018

(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, 2018 | 30,435          | 3.5     | 1,568            | 17.9    | 1,580           | 18.6    |
| Quarter Ended July 31, 2017 | 29,393          | 3.6     | 1,330            | 21.9    | 1,332           | 46.4    |

|                             | 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, 2018 | 1,043   | 20.9    | 104. <sup>58</sup>   | —  |
| Quarter Ended July 31, 2017 | 863   | 95.4    | 86. <sup>53</sup>    | —  |

(Note) Comprehensive income

Third Quarter ended July 31, 2018: 1,057 million yen (-14.2%) Third Quarter ended July 31, 2017: 1,232 million yen (—%)

(2) Financial Condition (Consolidated)

|                             | Total Assets (A)<br>(Millions of Yen) | Net Assets (B)<br>(Millions of Yen) | Net Assets Ratio<br>(B) / (A) (Percent) |
|-----------------------------|---------------------------------------|-------------------------------------|---|
| Quarter Ended July 31, 2018 | 37,085                                | 27,617                              | 74.5                                    |
| Year Ended October 31, 2017 | 36,580                                | 27,008                              | 73.8                                    |

(Reference) Net assets

Third Quarter ended July 31, 2018: 27,617 million yen Year Ended October 31, 2017: 27,008 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, 2017            | —                     | 22. <sup>50</sup> | —             | 22. <sup>50</sup>  | 45. <sup>00</sup> |
| Year Ending October 31, 2018           | —                     | 22. <sup>50</sup> | —             |                    |                   |
| Year Ending October 31, 2018(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, 2018 (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 | 43,000            | 4.6       | 2,190             | -0.4      | 2,200             | -0.9      |

|                    | Net Income Attributable to Owners of the Parent |           | Net Income per Share |
|--------------------|---|-----------|----------------------|
|                    | (Millions of Yen)                               | (Percent) | Yen                  |
| Full Business Year | 1,490   | -0.9      | 149. <sup>32</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: None

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(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, 2018: 10,533,200 shares

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

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

At July 31, 2018: 554,861 shares

At October 31, 2017: 554,817 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2018: 9,978,378 shares

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

\*The quarterly earnings report is exempt from the quarterly review by certified public accountant or audit firm..

\*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 third quarter consolidated year-to-date period, Japan's economy maintained its gradual recovery trend sustained by briskly moving exports and a shift towards rising personal consumption, as the steady pace of capital investment continued as well, despite a slowdown in momentum recognized during the second quarter. On the other hand, while conditions overseas improved steadily as a whole against the backdrop of the U.S. economy's ongoing expansionary trend, Europe's gradual economic recovery, and the brisk Asian economic picture including China, circumstances such as the imposition of tariffs by the United States and the retaliatory response by China and the EU, the depreciation of newly developing country currencies, and higher oil prices made close observation necessary.

Given these circumstances, net sales for the Tomoe Engineering Group for the third quarter consolidated year-to-date period increased 3.5% from the same period last year to 30,435 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 1,568 million yen, 17.9% 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 1,580 million yen, 18.6% up from the same period last year. Net income attributable to owners of the parent was 1,043 million yen, 20.9% up from the same period last year.

Operating results by segment were as follows.

### (Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of components and repair services for domestic public sector demand, and net sales of the whole products and services for domestic private sector demand, and machinery, equipment and works for overseas markets increased. As a result, net sales for the third quarter consolidated year-to-date period were 7,184 million yen, 9.4% up from the same period last year.

From an earnings aspect, operating income was 174 million yen, 197.3% up from the same period last year, because of increased profit from all sections of the high-margin components and repair services, and machinery, equipment and works.

### (Chemical Products Business)

In the Chemical Products Business, net sales of materials for motor vehicles, housing and construction applications in the industrial materials sector, transport materials for semiconductor manufacturing applications in the electronics materials sector, and net sales of businesses based in Hong Kong and Thailand all were robust. As a result, net sales for the third quarter consolidated year-to-date period were 23,250 million yen, 1.9% up from the same period last year.

With respect to earnings, operating income was 1,393 million yen, 9.6% up from the same period last year, driven by the growth in net sales for products in the industrial materials sector and the electronics materials sector which had comparatively high margins, and the advanced materials sector which improved profitability.

## (2) Analysis of Financial Condition

Total assets as of the end of the consolidated third quarter under review were 37,085 million yen, up 1.4% or 504 million yen from the end of the previous consolidated fiscal year. This mainly reflected a decrease of 2,144 million yen in notes and accounts receivable-trade, and an increase of 823 million yen in electronically recorded monetary claims, an increase of 618 million yen in cash and deposits, an increase of 592 million yen in merchandise and finished goods, and an increase of 519 million yen in work in process.

Liabilities were 9,467 million yen, up 1.1% or 104 million yen from the end of the previous consolidated fiscal year, mainly because of an increase of 270 million yen in advances received, an increase of 149 million yen in electronically recorded monetary debt, and an increase of 145 million yen in notes and accounts payable-trade, a decrease of 389 million yen in income tax payable, and a decrease of 354 million yen in provision for Bonuses.

Net assets stood at 27,617 million yen, 608 million yen or 2.3% up from the end of the previous consolidated fiscal year, mainly because of an increase of 594 million yen in retained earnings.

As a result of the above changes, the equity ratio at the end of the consolidated third quarter under review increased by 0.7 points compared with the end of the previous consolidated fiscal year to 74.5%.

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

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending October 31, 2018 that were announced in the "Notice on changes in earnings forecast" released on May 29, 2018.

2. Quarterly Consolidated Financial Statement and Notes  
(1) Quarterly Consolidated Balance Sheets (Third Quarter)

(Thousands of Yen)

| Assets                                     | End of Previous Year<br>(October. 31, 2017) | End of Third Quarter<br>(July 31, 2018) |
|--|---|---|
| <b>Current Assets</b>                      |   |   |
| Cash and Deposits                          | 7,893,336                                   | 8,511,385                               |
| Notes and Accounts Receivable-Trade        | 12,423,898                                  | 10,279,382                              |
| Electronically Recorded Monetary Claims    | 1,823,085                                   | 2,646,822                               |
| Merchandise and Finished Goods             | 3,045,330                                   | 3,638,130                               |
| Work in Process                            | 1,121,215                                   | 1,641,126                               |
| Raw Materials and Supplies                 | 626,777                                     | 950,154                                 |
| Deferred Tax Assets                        | 551,335                                     | 424,969                                 |
| Others                                     | 169,602                                     | 212,094                                 |
| Allowance for Doubtful Accounts            | -5,793                                      | -30,963                                 |
| <b>Total Current Assets</b>                | <b>27,648,788</b>                           | <b>28,273,103</b>                       |
| <b>Noncurrent Assets</b>                   |   |   |
| Property, Plant and Equipment              |   |   |
| Buildings and Structures                   | 4,447,596                                   | 4,451,240                               |
| Accumulated Depreciation                   | -1,714,451                                  | -1,798,948                              |
| Buildings and Structures, Net              | 2,733,144                                   | 2,652,292                               |
| Machinery, Equipment and Vehicles          | 3,753,847                                   | 3,693,592                               |
| Accumulated Depreciation                   | -3,339,171                                  | -3,296,411                              |
| Machinery, Equipment and Vehicles, Net     | 414,676                                     | 397,180                                 |
| Land                                       | 1,931,034                                   | 1,930,885                               |
| Construction in progress                   | —   | 14,626                                  |
| Others                                     | 999,146                                     | 979,600                                 |
| Accumulated Depreciation                   | -914,964                                    | -897,408                                |
| Others, Net                                | 84,181                                      | 82,191                                  |
| <b>Total Property, Plant and Equipment</b> | <b>5,163,038</b>                            | <b>5,077,176</b>                        |
| Intangible Assets                          | 186,343                                     | 140,167                                 |
| Investments and Other Assets               |   |   |
| Investment Securities                      | 1,520,735                                   | 1,517,389                               |
| Guarantee Deposits                         | 293,537                                     | 292,110                                 |
| Net Defined Benefit Assets                 | 1,693,578                                   | 1,714,184                               |
| Others                                     | 101,325                                     | 94,488                                  |
| Allowance for Doubtful Accounts            | -26,386                                     | -23,425                                 |
| <b>Total Investments and Other Assets</b>  | <b>3,582,791</b>                            | <b>3,594,747</b>                        |
| <b>Total Noncurrent Assets</b>             | <b>8,932,172</b>                            | <b>8,812,090</b>                        |
| <b>Total Assets</b>                        | <b>36,580,961</b>                           | <b>37,085,193</b>                       |

(Thousands of Yen)

| <b>Liabilities and Net Assets</b>                     | <b>End of Previous Year<br/>(October 31, 2017)</b> | <b>End of Third Quarter<br/>(July 31, 2018)</b> |
|---|--|---|
| <b>Liabilities</b>                                    |  |   |
| <b>Current Liabilities</b>                            |  |   |
| Notes and Accounts Payable-Trade                      | 4,090,419  | 4,235,512                                       |
| Electronically Recorded Monetary Debt                 | 1,665,615  | 1,815,510                                       |
| Accounts Payable-Others                               | 520,046  | 586,479   |
| Income Taxes Payable                                  | 437,430  | 47,774  |
| Advances Received                                     | 57,481   | 327,816   |
| Provision for Bonuses                                 | 982,841  | 628,452   |
| Provision for Directors' Bonuses                      | 64,678   | 47,918  |
| Allowance for Product Warranty                        | 185,258  | 110,090   |
| Others  | 189,552  | 293,983   |
| <b>Total Current Liabilities</b>                      | <b>8,193,325</b>                                   | <b>8,093,539</b>                                |
| <b>Noncurrent Liabilities</b>                         |  |   |
| Provision for Directors' Retirement Benefits          | 5,460  | 5,460   |
| Net Defined Benefit Liabilities                       | 57,498   | 60,004  |
| Deferred Tax Liabilities                              | 1,315,959  | 1,308,891                                       |
| <b>Total Noncurrent Liabilities</b>                   | <b>1,378,918</b>                                   | <b>1,374,356</b>                                |
| <b>Total Liabilities</b>                              | <b>9,572,243</b>                                   | <b>9,467,895</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                                     | 23,889,646   | 24,484,111                                      |
| Treasury Stock  | -363,876   | -363,977  |
| <b>Total Shareholders' Equity</b>                     | <b>26,070,389</b>                                  | <b>26,664,754</b>                               |
| <b>Accumulated Other Comprehensive Income</b>         |  |   |
| Valuation Difference on Available-for-Sale Securities | 551,039  | 536,247   |
| Deferred Gains or Losses on Hedges                    | 2,508  | 883   |
| Foreign Currency Translation Adjustment               | 214,564  | 194,015   |
| Total Adjustment on Net Defined Benefit               | 170,216  | 221,397   |
| <b>Total Accumulated Other Comprehensive Income</b>   | <b>938,328</b>                                     | <b>952,544</b>                                  |
| <b>Total Net Assets</b>                               | <b>27,008,718</b>                                  | <b>27,617,298</b>                               |
| <b>Total Liabilities and Net Assets</b>               | <b>36,580,961</b>                                  | <b>37,085,193</b>                               |

(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<br>July 31, 2017 | Third Quarter Ended<br>July 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| <b>Net Sales</b>                                    | 29,393,184                           | 30,435,173                           |
| <b>Cost of Sales</b>                                | 23,184,857                           | 23,739,674                           |
| <b>Gross Profit</b>                                 | 6,208,326                            | 6,695,499                            |
| <b>Selling, General and Administrative Expenses</b> | 4,878,126                            | 5,127,424                            |
| <b>Operating Income</b>                             | 1,330,199                            | 1,568,074                            |
| <b>Non-Operating Income</b>                         |                                      |                                      |
| Interest Income                                     | 1,170                                | 2,253                                |
| Dividends Income                                    | 25,932                               | 29,819                               |
| Rent Income   | 5,123                                | 5,463                                |
| Others  | 15,451                               | 29,873                               |
| <b>Total Non-Operating Income</b>                   | 47,678                               | 67,410                               |
| <b>Non-Operating Expenses</b>                       |                                      |                                      |
| Interest Expenses                                   | 14,508                               | 21,690                               |
| Commission Paid                                     | 8,243                                | 8,243                                |
| Sales Discount                                      | 4,628                                | 4,347                                |
| Foreign Exchange Losses                             | 12,847                               | 18,755                               |
| Others  | 5,273                                | 2,381                                |
| <b>Total Non-Operating Expenses</b>                 | 45,502                               | 55,418                               |
| <b>Ordinary Income</b>                              | 1,332,376                            | 1,580,066                            |
| <b>Extraordinary Income</b>                         |                                      |                                      |
| Gain on Sales of Investment Securities              | 8,524                                | —                                    |
| <b>Total Extraordinary Income</b>                   | 8,524                                | —                                    |
| Income before Income Taxes                          | 1,340,900                            | 1,580,066                            |
| Income Taxes-Current                                | 391,667                              | 433,110                              |
| Income Taxes-Deferred                               | 85,788                               | 103,463                              |
| <b>Total Income Taxes</b>                           | 477,455                              | 536,574                              |
| <b>Net Income</b>                                   | 863,444                              | 1,043,492                            |
| <b>Net Income</b>                                   |                                      |                                      |
| <b>Attributable to Owners of the Parent</b>         | 863,444                              | 1,043,492                            |

Quarterly Consolidated Statements of Comprehensive Income (Third Quarter)

(Thousands of Yen)

|  | Third Quarter Ended<br>July 31, 2017 | Third Quarter Ended<br>July 31, 2018 |
|--|--------------------------------------|--------------------------------------|
| Net Income   | 863,444                              | 1,043,492                            |
| Other Comprehensive Income                                   |                                      |                                      |
| Valuation Difference on Available-for-sale Securities        | 192,994                              | -14,791                              |
| Deferred Gains or Losses (-) on Hedges                       | 17,767                               | -1,624                               |
| Foreign Currency Translation Adjustment                      | 93,591                               | -20,549                              |
| Adjustment on Net Defined Benefit                            | 65,131                               | 51,180                               |
| Total Other Comprehensive Income                             | 369,484                              | 14,215                               |
| <b>Comprehensive Income</b>                                  | 1,232,929                            | 1,057,708                            |
| (Breakdown)  |                                      |                                      |
| Comprehensive Income Attributable<br>to Owners of the Parent | 1,232,929                            | 1,057,708                            |

### (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.)

[Segment Information]

#### I Third Quarter Ended July 31, 2017

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.

#### II Third Quarter Ended July 31, 2018

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                     | 7,184,407                      | 23,250,765                 | 30,435,173 | 30,435,173  |
| Internal Net Sales among Segments or Amount Transferred | —                              | —                          | —          | —           |
| Total   | 7,184,407                      | 23,250,765                 | 30,435,173 | 30,435,173  |
| Segment Profit  | 174,646                        | 1,393,428                  | 1,568,074  | 1,568,074   |

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