

Financial Results for the Third Quarter Ended July 31, 2019 [Japan GAAP] (Consolidated)

Date: August 30, 2019
 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
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 Date to report Quarterly Consolidated Financial Statement: September 6, 2019
 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, 2019

(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, 2019	31,158	2.4	1,850	18.0	1,878	18.9
Quarter Ended July 31, 2018	30,435	3.5	1,568	17.9	1,580	18.6

	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, 2019	1,268	21.5	127. ⁰⁹	—
Quarter Ended July 31, 2018	1,043	20.9	104. ⁵⁸	—

(Note) Comprehensive income

Third Quarter ended July 31, 2019: 1,089 million yen (3.0%) Third Quarter ended July 31, 2018: 1,057 million yen (-14.2%)

(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, 2019	37,220	28,486	76.5
Year Ended October 31, 2018	37,331	27,876	74.7

(Reference) Net assets

Third Quarter ended July 31, 2019: 28,486 million yen Year Ended October 31, 2018: 27,876 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, 2018	—	22. ⁵⁰	—	24. ⁵⁰	47. ⁰⁰
Year Ending October 31, 2019	—	23. ⁵⁰	—		
Year Ending October 31, 2019(Prospect)				23. ⁵⁰	47. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2019 (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	42,200	-0.4	2,300	-3.3	2,300	-1.5

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,500	-0.9	150. ³³

(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, 2019: 10,533,200 shares

At October 31, 2018: 10,533,200 shares

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

At July 31, 2019: 554,861 shares

At October 31, 2018: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2019: 9,978,339 shares

At July 31, 2018: 9,978,378 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 was supported by vigorous demand for personal consumption and capital investment and maintained its moderate recovery trend, despite weaker exports resulting from the economic slowdown overseas in areas such as China and Europe. Overseas, however, despite the steady growth of the U.S. economy, Europe's economy continued to be sluggish and the growth rate of China's economy remained slack. In the months ahead, the rising sense of uncertainty surrounding the global economy resulting from circumstances such as further heightened trade friction between the U.S. and China, Great Britain's pending withdrawal from the EU, and aggravation of Japan-Korea relations will require careful attention.

Given these circumstances, net sales for the Tomoe Engineering Group for the third quarter consolidated year-to-date period increased 2.4% from the same period last year to 31,158 million yen, reflecting increase of net sales in the Machinery & Equipment Business despite lower net sales in the Chemical Product Business. From the earnings aspect, operating income was 1,850 million yen, 18.0% up from the same period last year because of higher profit in the Machinery & Equipment Businesses, while ordinary income came to 1,878 million yen, 18.9% up from the same period last year. Net income attributable to owners of the parent was 1,268 million yen, 21.5% 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 machinery for domestic private sector demand, components and repair services for domestic public sector demand, and works in all fields decreased, but on the other hand net sales of components and repair services for domestic private sector demand, and machinery, components and repair services for overseas demand were robust. As a result, net sales for consolidated third quarter year-to-date period were 8,243 million yen, 14.7% up from the same period last year.

With respect to earnings, operating income was 748 million yen, 328.4% up from the same period of the prior year, mainly because of increased profits in the field of components and repair services for overseas which had high margins.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials for housing and construction applications in the industrial materials sector increased, but on the other hand net sales of transport materials for semiconductor manufacturing applications in the electronics materials sector, and ceramics products for semiconductor fabrication equipment in the advanced materials sector decreased. As a result, net sales for consolidated third quarter year-to-date period were 22,914 million yen, 1.4% down from the same period last year.

With respect to earnings, operating income was 1,102 million yen, 20.9% down from the same period of the prior year, because of decreased income and declined gross-profit margin.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated third quarter under review were 37,220 million yen, decreased by 111 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase in cash and deposits, and electronically recorded monetary claims, and a decrease in notes and accounts receivable—trade.

Liabilities were 8,733 million yen, decreased by 722 million yen from the end of the previous consolidated fiscal year, mainly because of an increase in advances received, and allowance for product warranty, and a decrease in income tax payable and provision for bonuses.

Net assets stood at 28,486 million yen, increased by 610 million from the end of the previous consolidated fiscal year. This mainly reflected an increase in retained earnings recorded under quarterly net income attributable to owners of the parent.

As a result of the above changes, the equity ratio at the end of the consolidated third quarter under review increased by 1.8 points compared with the end of the previous consolidated fiscal year to 76.5%.

(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, 2019 that were announced in the “Notice on changes in earnings forecast” released on May 31, 2019.

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

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2018)	End of Third Quarter (July 31, 2019)
Current Assets		
Cash and Deposits	9,354,256	10,713,956
Notes and Accounts Receivable-Trade	11,834,551	10,000,298
Electronically Recorded Monetary Claims	2,183,842	2,488,101
Merchandise and Finished Goods	3,685,115	3,397,129
Work in Process	981,660	1,112,862
Raw Materials and Supplies	667,846	886,355
Others	183,711	309,363
Allowance for Doubtful Accounts	-67,114	-63,625
Total Current Assets	28,823,870	28,844,442
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,459,308	4,482,498
Accumulated Depreciation	-1,831,356	-1,924,154
Buildings and Structures, Net	2,627,951	2,558,343
Machinery, Equipment and Vehicles	3,697,837	3,780,664
Accumulated Depreciation	-3,304,595	-3,298,601
Machinery, Equipment and Vehicles, Net	393,242	482,063
Land	1,931,089	1,930,708
Construction in progress	10,606	7,867
Others	980,958	1,014,610
Accumulated Depreciation	-901,758	-939,397
Others, Net	79,199	75,213
Total Property, Plant and Equipment	5,042,089	5,054,196
Intangible Assets	109,792	108,313
Investments and Other Assets		
Investment Securities	1,374,561	1,241,467
Guarantee Deposits	340,386	343,210
Net Defined Benefit Assets	1,554,938	1,567,033
Deferred Tax Assets	16,436	4,017
Others	92,654	80,310
Allowance for Doubtful Accounts	-22,871	-22,881
Total Investments and Other Assets	3,356,107	3,213,157
Total Noncurrent Assets	8,507,988	8,375,667
Total Assets	37,331,859	37,220,110