

Financial Results for the First Quarter Ended January 31, 2022 [Japan GAAP] (Consolidated)

Date: March 14, 2022
 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: March 16, 2022
 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: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Data for the First Quarter Ended January 31, 2022

(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, 2022	9,960	-	528	-18.6	559
Quarter Ended January 31, 2021	10,606	11.4	649	21.6	675	25.0

	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, 2022	689	38.6	69. ¹⁴
Quarter Ended January 31, 2021	497	40.0	49. ⁹⁰	-

(Note) Comprehensive income

First Quarter ended January 31, 2022: 708 million yen (20.4%) First Quarter ended January 31, 2021: 588 million yen (59.2%)

(Note) We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of the consolidated first quarter under review, and the figures for the fiscal year ending October 31, 2022, are figures after applying the said accounting standard. Because a significant impact on net sales arises, the year-on-year percentage change in net sales is not shown.

(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, 2022	42,672	32,300	75.7
Year Ended October 31, 2021	43,254	31,841	73.6

(Reference) Net assets

First Quarter ended January 31, 2022: 32,300 million yen Year Ended October 31, 2021: 31,841 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, 2021	-	25. ⁰⁰	-	25. ⁰⁰	50. ⁰⁰
Year Ending October 31, 2022 (Prospect)	-	25. ⁰⁰	-	25. ⁰⁰	50. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2022 (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	39,650	-	2,390	-16.0	2,400	-17.4

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,960	-7.0	196. ⁴³

(Note) Revisions since the most recently released earnings forecast: None

We have applied Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter under review, and the forecasts are based on the said accounting standard. Because a significant impact on net sales arises, the percentage change against the net sales result for the fiscal year ended October 31, 2021, before application of the said standard, is not shown.

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 the specific accounting method to create quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and retrospective restatements.

1) Changes in accounting policies due to revision of accounting standard: Yes

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

Please refer to the Attachments for the details on page 8, (3) [Notes on Quarterly Consolidated Financial Statements] 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 January 31, 2022: 10,533,200 shares At October 31, 2021: 10,533,200 shares

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

At January 31, 2022: 554,911 shares At October 31, 2021: 554,911 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2022: 9,978,289 shares At January 31, 2021: 9,978,339 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 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.

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1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

During the first quarter of the current consolidated fiscal year, Japan's economy recorded positive growth as personal consumption recovered rapidly and capital investment and exports started to increase. However, at present, there are growing fears of a slowdown occurring because of a rapid spread of infections from the Omicron variant. On the other hand, overseas, whereas the U.S. economy has sustained its strength, the growth rates in the Chinese and European economies have slowed.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter were 9,960 million yen. From an earnings aspect, operating income was 528 million yen, 18.6% down from the same period last year because of lower income in the Machinery & Equipment Business, while ordinary income came to 559 million yen, 17.1% down from the same period last year. Net income attributable to owners of the parent was 689 million yen, 38.6% up from the same period last year reflecting appropriation of profit on sales of noncurrent assets.

As for the effect on net sales due to the change of the revenue recognition standard, net sales increased 182 million yen in the Machinery & Equipment Business and decreased 1,585 million yen in the Chemical Products Business.

Operating results by respective segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of machinery, equipment and construction for domestic public sector demand expanded, but net sales of machinery for domestic private sector and overseas markets, and components and repair services for all fields were stagnant.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	January, 2021 (previous standard)	16	22	561	600
	January, 2022 (new standard)	173	218	466	859
	January, 2022 (previous standard) *	116	111	466	694
Private sector	January, 2021 (previous standard)	146	0	455	602
	January, 2022 (new standard)	17	17	421	457
	January, 2022 (previous standard) *	17	0	421	439
Overseas markets	January, 2021 (previous standard)	895	0	736	1,632
	January, 2022 (new standard)	150	0	457	607
	January, 2022 (previous standard) *	150	0	457	607
TOTAL	January, 2021 (previous standard)	1,059	22	1,753	2,835
	January, 2022 (new standard)	341	236	1,345	1,923
	January, 2022 (previous standard) *	284	111	1,345	1,741

*For net sales in the consolidated quarter under review, the asterisk mark indicates the figure revised due to the effect of the change of the revenue recognition standard.

With respect to earnings, operating income turned to a loss of 36 million yen from profit of 110 million yen in the same period last year because net sales of machinery for domestic private sector and overseas markets, and components and repair services for all fields were stagnant.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials mainly for building and fireproof in the industrial materials sector, materials for paint and ink applications in the fine chemical products sector, and materials for semiconductor manufacturing devices in the electronic materials sector, and of all other sectors expanded.

(Millions of Yen)

	January, 2021 (previous standard)	January, 2022 (new standard)	January, 2022 (previous standard) *
Synthetic resin sector	1,949	1,159	2,357
Industrial materials sector	1,223	1,494	1,598
Mineral products sector	1,022	1,193	1,193
Chemical products sector	1,634	1,938	2,113
Advanced materials sector	849	919	1,021
Electronic materials sector	1,015	1,246	1,253
Other products (foreign liquor)	79	85	85
Total	7,770	8,037	9,623

*For net sales in the consolidated quarter under review, the asterisk mark indicates the figure revised due to the effect of the change of the revenue recognition standard.

With respect to earnings during the period, operating income was 565 million yen, 5.0% up from the same period one year earlier, reflecting strong sales in all sectors.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 42,672 million yen, down 1.3% or 581 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase in merchandise and finished goods and work in process, and a decrease in cash and deposits, and investment securities.

Liabilities were 10,371 million yen, down 9.1% or 1,040 million yen from the end of the previous consolidated fiscal year, mainly because of higher contract liabilities compared to advance received at the end of the previous consolidated fiscal year, and a decrease in provision for bonuses and income tax payable.

Net assets stood at 32,300 million yen, 459 million yen or 1.4% up from the end of the previous consolidated fiscal year. This mainly reflected a decrease in valuation difference on available-for-sale securities, and an increase in retained earnings and foreign currency translation adjustment.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review increased by 2.1 point compared with the end of the previous consolidated fiscal year to 75.7%.

(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, 2022 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2021 [Japan GAAP] (Consolidated)" released on December 14, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2021)	End of First Quarter (January 31, 2022)
Current Assets		
Cash and Deposits	12,607,490	10,581,230
Notes and Accounts Receivable-Trade	11,694,334	–
Notes, Accounts Receivable-Trade and Contract Assets	–	11,685,930
Electronically Recorded Monetary Claims	3,279,411	3,613,072
Merchandise and Finished Goods	3,589,851	4,281,486
Work in Process	1,290,848	1,641,941
Raw Materials and Supplies	743,778	1,012,234
Others	263,549	231,052
Allowance for Doubtful Accounts	-64,455	-66,217
Total Current Assets	33,404,810	32,980,732
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,236,376	5,059,453
Accumulated Depreciation	-2,183,281	-2,067,288
Buildings and Structures, Net	3,053,095	2,992,165
Machinery, Equipment and Vehicles	3,992,687	4,038,325
Accumulated Depreciation	-3,555,668	-3,623,444
Machinery, Equipment and Vehicles, Net	437,019	414,880
Land	2,302,076	2,302,064
Construction in Progress	16,246	27,697
Others	1,097,469	1,105,510
Accumulated Depreciation	-995,989	-1,011,849
Others, Net	101,480	93,660
Total Property, Plant and Equipment	5,909,917	5,830,468
Intangible Assets	81,073	72,186
Investments and Other Assets		
Investment Securities	1,425,438	1,351,728
Guarantee Deposits	402,260	402,925
Net Defined Benefit Assets	1,956,842	1,970,556
Deferred Tax Assets	13,508	4,095
Others	82,045	81,993
Allowance for Doubtful Accounts	-21,892	-21,892
Total Investments and Other Assets	3,858,203	3,789,407
Total Noncurrent Assets	9,849,194	9,692,061
Total Assets	43,254,004	42,672,793

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2021)	End of First Quarter (January 31, 2022)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,208,592	4,463,899
Electronically Recorded Monetary Debt	2,306,052	2,405,647
Accounts Payable-Others	685,729	692,046
Income Taxes Payable	775,198	41,967
Advances Received	308,942	-
Contract Liabilities	-	626,112
Provision for Bonuses	1,406,031	502,960
Provision for Directors' Bonuses	80,979	19,594
Allowance for Product Warranty	363,270	334,459
Others	536,079	274,765
Total Current Liabilities	10,670,876	9,361,453
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	67,772	69,057
Deferred Tax Liabilities	668,441	936,019
Total Noncurrent Liabilities	741,673	1,010,537
Total Liabilities	11,412,550	10,371,991
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	28,721,695	29,162,134
Treasury Stock	-364,081	-364,081
Total Shareholders' Equity	30,902,234	31,342,672
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	450,885	396,155
Deferred Gains or Losses on Hedges	7,785	2,699
Foreign Currency Translation Adjustment	213,842	303,758
Total Adjustment on Net Defined Benefit	266,705	255,517
Total Accumulated Other Comprehensive Income	939,220	958,130
Total Net Assets	31,841,454	32,300,802
Total Liabilities and Net Assets	43,254,004	42,672,793

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

Quarterly Consolidated Statement of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2021	First Quarter Ended January 31, 2022
Net Sales	10,606,041	9,960,706
Cost of Sales	8,155,451	7,553,873
<i>Gross Profit</i>	2,450,589	2,406,832
Selling, General and Administrative Expenses	1,801,104	1,878,013
<i>Operating Income</i>	649,485	528,819
Non-Operating Income		
Interest Income	685	383
Dividends Income	11,359	14,191
Rent Income	1,829	1,851
Foreign Exchange Gains	8,125	2,623
Others	6,921	13,498
<i>Total Non-Operating Income</i>	28,921	32,549
Non-Operating Expenses		
Interest Expenses	554	536
Commission Paid	756	756
Sales Discount	1,553	–
Others	484	541
<i>Total Non-Operating Expenses</i>	3,348	1,834
<i>Ordinary Income</i>	675,057	559,534
Extraordinary Profits		
Profit on Sales of Noncurrent Assets	–	456,447
Profit on Sales of Investment Securities	23,927	–
<i>Total Extraordinary Profits</i>	23,927	456,447
Income before Income Taxes and Minority Interests	698,985	1,015,981
Income Taxes-Current	11,810	17,823
Income Taxes-Deferred	189,252	308,263
<i>Total Income Taxes</i>	201,063	326,086
<i>Net Income</i>	497,922	689,895
<i>Net Income Attributable to Owners of the Parent</i>	497,922	689,895

Quarterly Consolidated Statement of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2021	First Quarter Ended January 31, 2022
Net Income	497,922	689,895
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	78,657	-54,730
Deferred Gains or Losses (-) on Hedges	2,433	-5,086
Foreign Currency Translation Adjustment	12,790	89,916
Net Defined Benefit	-3,212	-11,188
Total Other Comprehensive Income	90,668	18,910
Comprehensive Income	588,590	708,805
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	588,590	708,805

(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 policies)

(Application of Accounting Standard for Revenue Recognition)

We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; hereinafter referred to as Accounting Standard for Revenue Recognition) from the beginning of the consolidated first quarter under review, and when control of the promised goods or services is transferred to the customer, we recognize as revenue the amount expected to be received in exchange for the said goods or services. As a result, for recognition of revenue, mainly the following changes have arisen.

1) Performance obligation identification and transaction price allocation

Regarding construction contracts that include machinery sales and construction, we have changed to the method of allocating transaction prices on the basis of standalone selling prices after recognizing the performance obligations relating to machinery sales and construction as separate performance obligations, and then recognizing revenue when each of the performance obligations is satisfied.

2) Revenue recognition for construction contracts

In the past, regarding construction contracts for which the outcomes of the construction activities were deemed certain during the courses of the activities, we applied the percentage-of-completion method, and for other construction contracts, we applied the completed-contract method. However, we have changed to the method of recognizing revenue over a specified period of time as the performance obligations are satisfied. Furthermore, regarding construction for which the percent complete relating to satisfying the performance obligation cannot reasonably be estimated, we recognize revenue based on the completed-contract method.

3) Revenue recognition for agent transactions

Regarding transactions for which it is judged that the Company's performance obligations in the contracts with customers are agent services to make arrangements for goods or services to be provided by other principals, we record revenue on a net basis by offsetting net sales to customers that were formerly recorded on a gross basis with the corresponding costs of sales.

4) Sales discounts

Sales discounts, which we formerly included in non-operating expenses, are deducted from net sales.

Regarding application of Accounting Standard for Revenue Recognition, we comply with the transitional treatment prescribed in the Article 84 proviso of Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the consolidated first quarter under review has been added to or subtracted from the retained earnings at the beginning of the said quarter under review, and we apply the new accounting policy beginning from the relevant balance at the beginning of the period. However, applying the method prescribed in Article 86 of Accounting Standard for Revenue Recognition, we have not retroactively applied the new accounting policy to contracts for which almost all the revenue amounts were recognized in compliance with the prior treatment until before the beginning of the consolidated first quarter under review.

As a result, in the first quarter of the current consolidated fiscal year, while net sales decreased 1,403,601,000 yen and cost of sales decreased 1,434,459,000 yen, operating income increased 30,858,000 yen, and ordinary income and income before income taxes and minority interests both increased 32,927,000 yen.

Because we applied Accounting Standard for Revenue Recognition, the notes and accounts receivable-trade that were shown under current assets in the consolidated balance sheet for the previous consolidated fiscal year are shown included in notes and accounts receivable - trade, and contract assets beginning from the consolidated first quarter under review. In addition, the advances received that were shown under current assets are shown included in contract liabilities. Furthermore, in compliance with the transitional treatment prescribed in Article 89-2 of Accounting Standard for Revenue Recognition, for the previous consolidated fiscal year, we have not performed a restatement by using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

We have applied Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; hereinafter referred to as Accounting Standard for Fair Value Measurement) from the beginning of the consolidated first quarter under review, and in compliance with the transitional treatment prescribed in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10), we will in the future apply the new accounting policy prescribed by Accounting Standard for Fair Value Measurement. Furthermore, there is no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

First Quarter Ended January 31, 2021

Information Pertaining to the Amount of Net Sales, Profit or 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	2,835,613	7,770,427	10,606,041	10,606,041
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	2,835,613	7,770,427	10,606,041	10,606,041
Segment Profit	110,686	538,798	649,485	649,485

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

First Quarter Ended January 31, 2022

Information Pertaining to the Amount of Net Sales, Profit or 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	1,923,534	8,037,171	9,960,706	9,960,706
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,923,534	8,037,171	9,960,706	9,960,706
Segment Profit or Loss (-)	-36,694	565,514	528,819	528,819

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