

Financial Results for the Fiscal Year Ended October 31, 2022

[Japan GAAP] (Consolidated)

Date: December 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 of Annual Shareholders Meeting: January 27, 2022
 Date of Dividend Payment: January 30, 2022
 Date of Financial Statement: January 27, 2022
 Preparation of Supplementary Explanatory Materials for Annual Operating Results: Yes
 Briefing Session for Annual Operating Results: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Year Ended October 31, 2022

(1) Results of Operation (Consolidated) (Percent: change from the previous year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2022	45,588	-	3,299	16.0	3,421	17.8
Year Ended October 31, 2021	45,132	15.1	2,843	25.8	2,905	26.6

(Note) Comprehensive income

Fiscal year ended October 31, 2022: 3,045 million yen (14.2%)

Fiscal year ended October 31, 2021: 2,666 million yen (109.0%)

	Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity (Percent)	Return on Assets (Percent)	Return on Sales (Percent)
	(Millions of Yen)	(Percent)					
Year Ended October 31, 2022	2,659	26.1	266. ⁵³	-	8.0	7.7	7.2
Year Ended October 31, 2021	2,108	37.6	211. ³⁰	-	6.9	7.1	6.3

(Reference) Equity in earnings (loss) of unconsolidated subsidiaries and affiliates

Fiscal year ended October 31, 2022: None

Fiscal year ended October 31, 2021: None

(Note) We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) such from the beginning of the fiscal year ending October 31, 2022, 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)	Net Assets per Share (Yen)
Year Ended October 31, 2022	45,742	34,387	75.2	3,446. ²⁷
Year Ended October 31, 2021	43,254	31,841	73.6	3,191. ⁰⁷

(Reference) Net assets

Fiscal year ended October 31, 2022: 34,387 million yen

Fiscal year ended October 31, 2021: 31,841 million yen

(3) Cash Flows (Consolidated)

(Millions of Yen)

	Net Cash Provided (Used) by Operating Activities	Net Cash Provided (Used) by Investing Activities	Net Cash Provided (Used) by Financing Activities	Consolidated Cash and Cash Equivalent as of Year-end
Year Ended October 31, 2022	(1,739)	60	(498)	10,732
Year Ended October 31, 2021	2,142	(977)	(494)	12,607

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
Year Ending October 31, 2021	-	25. ⁰⁰	-	25. ⁰⁰	50. ⁰⁰
Year Ending October 31, 2022	-	25. ⁰⁰	-	28. ⁰⁰	53. ⁰⁰
Year Ending October 31, 2023 (Prospect)	-	28. ⁰⁰	-	28. ⁰⁰	56. ⁰⁰

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
Year Ending October 31, 2021	498	23.7	1.6
Year Ending October 31, 2022	528	19.9	1.6
Year Ending October 31, 2023 (Prospect)		27.4	

3. Forecast for the Year Ending October 31, 2023 (Consolidated)

(Percent: Change from the previous year for the full business year and 6-month period)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Full Business Year	47,380	3.9	2,940	-10.9	2,970	-13.2

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
Full Business Year	2,040	-23.3	204. ⁴⁴

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) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
1) Changes in accounting principles due to revision of accounting standard: Yes
2) Other changes in accounting principles than the above 1): None
3) Change in accounting estimates: None
4) Retrospective restatements: None
- (3) Number of outstanding shares (Common stock)
1) Number of outstanding shares at year-end (including treasury stocks)
At October 31, 2022: 10,533,200 shares At October 31, 2021: 10,533,200 shares
2) Number of treasury stocks at year-end
At October 31, 2022: 554,940 shares At October 31, 2021: 554,911 shares
3) Number of average shares
At October 31, 2022: 9,978,269 shares At October 31, 2021: 9,978,307 shares

*This financial report is exempt from the 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 the assumptions that we believe are reasonable. Actual results could differ materially due to various factors.

For the operating results forecast, refer to [(4) Outlook for the Next Fiscal Year] of [1. Overview of Operating Results, etc.] on page 5.

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1. Overview of Operating Results

(1) Overview Concerning Current Operating Results

During the consolidated fiscal year under review, after getting off to a good start at the beginning of the year, Japan's economy leveled off on factors including a resurgence of COVID-19 infections. Later, although the economy temporarily recovered, it recently has shifted to negative growth mainly due to sluggish personal consumption and increased imports. On the other hand, overseas, the U.S. economy remained strong despite a slowdown, the Chinese economy is on a decelerating trend because of lockdowns, and the European economy's growth rate has slowed.

Given these circumstances, full-year net sales for the Tomoe Engineering Group were 45,588 million yen. With respect to earnings during the period, operating income was 3,299 million yen, 16.0% up from the previous consolidated fiscal year because of higher income in the Chemical Products Business, while ordinary income came to 3,421 million yen, 17.8% up from the previous consolidated fiscal year. Net income attributable to owners of the parent was 2,659 million yen, 26.1% up from the previous consolidated fiscal year reflecting a gain derived from sales of noncurrent assets. The figures for net sales revised due to the effect of the change of the revenue recognition standard decreased 6,743 million yen in the Chemical Products Business and 20 million yen in the Machinery & Equipment Business respectively.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery and Equipment Business, despite growth in net sales of machinery for domestic public sector demand, net sales of equipment and construction works, and components and repair services declined. Net sales of machinery for domestic private sector demand were stagnant, despite steady growth in net sales of equipment and construction works, and components and repair services. Net sales of machinery for overseas markets sharply declined and net sales of components and repair services also remained low.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	October, 2021 (previous standard)	710	1,419	2,686	4,815
	October, 2022 (new standard)	884	995	2,643	4,523
	October, 2022 (previous standard) *	887	1,009	2,643	4,540
Private sector	October, 2021 (previous standard)	669	4	2,044	2,719
	October, 2022 (new standard)	562	129	2,201	2,892
	October, 2022 (previous standard) *	563	129	2,201	2,894
Overseas markets	October, 2021 (previous standard)	2,167	0	2,619	4,787
	October, 2022 (new standard)	1,595	0	2,344	3,939
	October, 2022 (previous standard) *	1,598	0	2,344	3,942
TOTAL	October, 2021 (previous standard)	3,547	1,424	7,350	12,322
	October, 2022 (new standard)	3,042	1,124	7,189	11,356
	October, 2022 (previous standard) *	3,049	1,138	7,189	11,377

*For net sales in the fiscal year 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 increased 1.9% year on year to 903 million yen mainly because the profitability of machinery and components and repair services for the domestic public sector improved.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials mainly for building and fireproof in the industrial materials and mineral products sectors, 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)

	October, 2021 (previous standard)	October, 2022 (new standard)	October, 2022 (previous standard) *
Synthetic resin sector	8,430	5,274	10,439
Industrial materials sector	5,011	5,996	6,265
Mineral products sector	4,257	4,907	4,908
Chemical products sector	7,106	8,142	8,930
Advanced materials sector	3,643	4,207	4,645
Electronic materials sector	4,095	5,451	5,535
Other products (foreign liquor)	265	252	252
Total	32,809	34,232	40,976

*For net sales in the fiscal year 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 was 2,396 million yen, 22.5% up from the previous fiscal year because of increased gross-profit margin in all sectors.

(2) Overview Concerning Current Financial Condition

Current assets at the end of the consolidated fiscal year were 35,980 million yen, up 2,575 million from the balance at the end of the previous consolidated fiscal year, reflecting increase in merchandise and finished goods, despite decrease in cash and deposits. Noncurrent assets decreased 87 million yen from the end of the previous fiscal year to 9,762 million yen mainly because guarantee deposits increased but investment securities decreased.

Liabilities decreased 58 million yen from the end of the previous consolidated fiscal year to 11,354 million yen mainly because notes and accounts payable-trade and provision for bonuses increased but allowance for product warranty, deferred tax liabilities, and electronically recorded monetary debt decreased.

Net assets stood at 34,387 million yen, up 2,546 million yen from the end of the previous consolidated fiscal year. This mainly reflected increase in retained earnings recorded under net income attributable to owners of the parent reported at the current consolidated net income.

As a result of the above changes, the equity ratio at the end of the consolidated fiscal year increased by 1.6 point to 75.2% from 73.6% at the end of the previous consolidated fiscal year.

(3) Overview Concerning Current Cash Flow

Cash and cash equivalents ("cash") as of the end of the current consolidated fiscal year decreased by 1,874 million yen from the end of the previous consolidated fiscal year to 10,732 million yen, reflecting expenditures for both operating and financing activities, despite positive cash flow provided by investment activities. The status of each consolidated cash flow and their factors during the current consolidated fiscal year are as follows:

(Net Cash Provided by (Used in) Operating Activities)

Net cash used in operating activities was 1,739 million yen. This was because, although there was an increase in cash mainly due to income before income taxes and minority interests of 3,885 million yen and cash retention from depreciation and amortization of 376 million yen, the decrease in funds resulting from an increase in inventories of 2,405 million yen and an increase in notes, accounts receivable-trade and contract assets of 1,529 million yen, as well as from payment of income taxes of 1,201 million yen, was larger. Net cash used was 1,739 million yen, as compared to 2,142 million yen provided in the previous consolidated fiscal year.

(Net Cash Provided by (Used in) Investing Activities)

Net cash provided by investing activities in the consolidated fiscal year under review was 60 million yen. This reflected the increase in cash resulting from sales of property, plant and equipment of 496 million yen, despite 240 million yen cash used in purchase of property, plant and equipment and an increase in guarantee deposits of 150 million yen. Furthermore, in comparison to the cash outflow of 977 million yen in the previous consolidated fiscal year, there was a cash inflow of 60 million yen. Net cash provided was 60 million yen as compared to 977 million yen used in the previous consolidated fiscal year.

(Net Cash Provided by (Used in) Financing Activities)

Net cash used in financing activities was 498 million yen mainly for the payment of cash dividends in 498 million yen. Net cash used was increased by 4 million yen as compared to 493 million yen in the previous consolidated fiscal year.

Trends in cash flow indices

	Year Ended October 31, 2018	Year Ended October 31, 2019	Year Ended October 31, 2020	Year Ended October 31, 2021	Year Ended October 31, 2022
Equity Ratio (Percent)	74.7	73.9	77.2	73.6	75.2
Equity Ratio Based on Market Value (Percent)	58.3	60.3	50.4	52.5	51.5
Debt-repayment to Cash Flow Ratio (Years)	0.0	0.0	0.1	0.0	—
Interest Coverage Ratio (Percent)	68.9	114.8	93.0	884.0	—

Equity ratio: Net assets/ Total assets

Equity ratio based on market value: Market capitalization of shares / Total assets

Debt-repayment to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow /Interest payment

(Notes)

1. All indices are calculated on the basis of consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow refers to net cash provided by (used in) operating activities.
4. Interest-bearing debt refers to all debt reported on the consolidated balance sheet for which interest is being paid.
5. Beginning from the start of the Fiscal Year ended October 31, 2019, the Company has applied the *Partial Amendments to Accounting Standard for Tax Effect Accounting* (Accounting Standards Board of Japan Statement No. 28). Such Accounting Standard has been applied retroactively to the Financial Results for the Fiscal Year ended October 31, 2018.
6. The debt-repayment to cash flow ratio and interest coverage ratio for the fiscal year ended October 31, 2022, are not stated because of negative operating cash.

(4) Outlook for the Next Fiscal Year (November 1, 2022 - October 31, 2023)

In the consolidated fiscal year ending October 31, 2023, Japan's economy is expected to face an uncertain situation on factors including reduced automobile production due to the global semiconductor shortage, shortages of raw materials and components, soaring resource and energy prices, rising logistics costs, inflation concerns and rising U.S. interest rates, sharp exchange rate fluctuations, prolongation of the Russia-Ukraine war, and China's zero-COVID policy. In addition, overseas, due to this sort of backdrop, the European and Chinese economies are expected to continue slowing down.

The fiscal year ending October 31, 2023, is the first year of Tomoe Engineering's 13th medium-term business plan, For Sustainable Future (November 2022—October 2025). To achieve the targets and realize further growth, the Company will move forward with various undertakings. In the Machinery & Equipment Business, it will press ahead with expanding its overseas business by, for example, not only working to increase profitability through promotion of production system reform but also working to strengthen its sales activities in the Chinese market and sales capabilities in the U.S. market and developing new markets. Furthermore, the Company will promote approaches for the Sustainable Development Goals (SDGs) and decarbonization mainly by entering the renewable energy sector by, for example, proceeding with development of binary power generation equipment. We estimate that consolidated net sales will increase 19.8% year on year to 13,610 million yen. As for operating profit, since the Company expects selling, general and administrative expenses (SG&A) to increase mainly due to research and development of AI control systems and binary power generation equipment, which will both contribute to future growth, it expects operating profit to decrease 2.6% year on year to 880 million yen. In the Chemical Products Business, Tomoe Engineering will focus not only on expanding its business in Southeast Asia, which centers on its Thai subsidiary, but on expanding into and locating new suppliers in various countries in Europe, where the Czech Republic is its base. In addition, it will pursue product development relating to such fields as the renewable energy sector, including wind power generation as an approach for the SDGs and decarbonization, and the field of electric vehicles and the power semiconductors that support them. We estimate that consolidated net sales will decrease 1.4% year on year to 33,770 million yen. Regarding operating profit, since the Company expects SG&A relating to business development, which contributes to future growth and was curbed in the previous fiscal year, to increase, it expects operating profit to decrease 14.1% year on year to 2,060 million yen.

As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 31, 2023, we project net sales of 47,380 million yen 3.9% up from the previous fiscal year, operating income to decrease by 10.9% to 2,940 million yen, ordinary income to decrease by 13.2% to 2,970 million yen, and net income attributable to the shareholders of the parent company to decrease by 23.3% to 2,040 million yen.

The operating results forecasts for the next period described above are based on information available to the Company at the time the forecasts were prepared and assumptions judged to be reasonable. Actual operating results might differ from these forecasts depending upon changes in domestic and international financial and economic conditions, the supply and demand situation, various risk factors and other uncertainties.

(5) Basic Policy for Profit Sharing and Dividends for Fiscal 2022 and 2023

As its basic policy, the Tomoe Engineering Group will “implement appropriate, stable dividends by seeking to increase internal reserves to reinforce our financial position and corporate strength, and by considering consolidated operating results, the group’s medium-term business strategy and other factors in a comprehensive manner.

Based on the above policy, we plan to pay a dividend of 28.0 yen per share increased by 3.0 yen per share from the previous consolidated fiscal year (annual dividend of 53.0 yen) at the end of the consolidated fiscal year ending on October 31, 2022, considering of our financial position and operating results for this fiscal year and the outlook in future.

We also plan to pay annual dividend of 56.0 yen per share (including interim dividend of 28.0 yen) at the end of the consolidated fiscal year ending on October 31, 2023, to return the profit to stockholders, considering of our financial position and operating results for the consolidated fiscal year and outlook in future.

2. Basic Approach to the Selection of Accounting Standards

At the present time the Tomoe Engineering Group has adopted Japan GAAP, based on factors such as comparability between firms, and the Group’s policy concerning the application of IFRS will be to respond while referring to outside trends and other considerations.

3. Consolidated Financial Statements and Main Notes

(1) Balance Sheets

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Assets		
Current Assets		
Cash and Deposits	12,607,490	10,732,583
Notes and Accounts Receivable-Trade	11,694,334	–
Notes, Accounts Receivable-Trade and Contract Assets	–	13,297,252
Electronically Recorded Monetary Claims	3,279,411	3,466,717
Merchandise and Finished Goods	3,589,851	5,839,927
Work in Process	1,290,848	1,282,752
Raw Materials and Supplies	743,778	1,120,659
Others	263,549	323,406
Allowance for Doubtful Accounts	-64,455	-83,122
Total Current Assets	33,404,810	35,980,178
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,236,376	5,144,878
Accumulated Depreciation	-2,183,281	-2,209,570
Buildings and Structures, Net	3,053,095	2,935,308
Machinery, Equipment and Vehicles	3,992,687	4,298,347
Accumulated Depreciation	-3,555,668	-3,820,079
Machinery, Equipment and Vehicles, Net	437,019	478,268
Land	2,302,076	2,304,010
Construction in progress	16,246	17,347
Others	1,097,469	1,139,081
Accumulated Depreciation	-995,989	-1,049,820
Others, Net	101,480	89,261
Total Property, Plant and Equipment	5,909,917	5,824,196
Intangible Assets	81,073	86,835
Investments and Other Assets		
Investment Securities	1,425,438	1,306,889
Guarantee Deposits	402,260	563,224
Net Defined Benefit Assets	1,956,842	1,908,244
Deferred Tax Assets	13,508	6,291
Others	82,045	88,304
Allowance for Doubtful Accounts	-21,892	-21,892
Total Investments and Other Assets	3,858,203	3,851,061
Total Noncurrent Assets	9,849,194	9,762,093
Total Assets	43,254,004	45,742,272

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,208,592	4,582,839
Electronically Recorded Monetary Debt	2,306,052	2,238,380
Accounts Payable-Others	685,729	744,644
Income Taxes Payable	775,198	769,585
Advances Received	308,942	–
Contract Liabilities	–	291,848
Provision for Bonuses	1,406,031	1,507,631
Provision for Directors' Bonuses	80,979	103,889
Allowance for Product Warranty	363,270	200,287
Others	536,079	236,306
Total Current Liabilities	10,670,876	10,675,412
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	67,772	74,120
Deferred Tax Liabilities	668,441	599,474
Total Noncurrent Liabilities	741,673	679,055
Total Liabilities	11,412,550	11,354,468
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	30,882,276
Treasury Stock	-364,081	-364,148
Total Shareholders' Equity	30,902,234	33,062,747
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	450,885	362,745
Deferred Gains or Losses on Hedges	7,785	11,637
Foreign Currency Translation Adjustment	213,842	801,149
Total Adjustment on Net Defined Benefit	266,705	149,523
Total Accumulated Other Comprehensive Income	939,220	1,325,056
Total Net Assets	31,841,454	34,387,804
Total Liabilities and Net Assets	43,254,004	45,742,272

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Sales	45,132,616	45,588,955
Cost of Sales	35,017,477	34,495,083
Gross Profit	10,115,138	11,093,872
Selling, General and Administrative Expenses	7,271,456	7,794,015
Operating Income	2,843,681	3,299,857
Non-Operating Income		
Interest income	2,526	2,898
Dividends Income	33,951	44,330
Rent Income	7,407	7,641
Foreign Exchange Gain	5,775	41,347
Others	34,646	42,793
Total Non-Operating Income	84,308	139,011
Non-Operating Expenses		
Interest Expenses	2,423	5,024
Commission Paid	9,000	9,000
Guarantee Commission	2,181	1,816
Sales Discount	6,423	—
Others	2,740	1,145
Total Non-Operating Expenses	22,769	16,985
Ordinary Income	2,905,220	3,421,883
Extraordinary Profits		
Profit on Sales of Noncurrent Assets	—	460,715
Profit on Sales of Investment Securities	23,927	6,772
Gain on Liquidation of Affiliated Company	62,996	—
Total Extraordinary Profits	86,924	467,488
Extraordinary Losses		
Loss on Retirement of Noncurrent Assets	—	4,368
Total Extraordinary Losses	—	4,368
Income before Income Taxes	2,992,144	3,885,003
Income Taxes-Current	1,002,048	1,198,064
Income Taxes-Deferred	-118,272	27,444
Total Income Taxes	883,775	1,225,509
Net Income	2,108,369	2,659,494
Net Income Attributable to Owners of the Parent	2,108,369	2,659,494

Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Income	2,108,369	2,659,494
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	143,429	-88,140
Deferred Gains or Losses on Hedges	9,352	3,852
Foreign Currency Translation Adjustment	120,987	587,307
Adjustment on Net Defined Benefit	284,602	-117,182
Total Other Comprehensive Income	558,371	385,836
Comprehensive Income	2,666,741	3,045,330
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	2,666,741	3,045,330

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (Year Ended October 31, 2021)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	27,107,252	-363,977	29,287,895
Changes during This Fiscal Year					
Cash Dividend Paid			-493,926		-493,926
Net Income Attributable to Owners of the Parent			2,108,369		2,108,369
Acquisition of Treasury Stock				-104	-104
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	1,614,443	-104	1,614,338
Surplus during This Fiscal Year	1,061,210	1,483,410	28,721,695	-364,081	30,902,234

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income	
Surplus during Previous Fiscal Year	307,456	-1,566	92,854	-17,896	380,848	29,668,743
Changes during This Fiscal Year						
Cash Dividend Paid						-493,926
Net Income Attributable to Owners of the Parent						2,108,369
Acquisition of Treasury Stock						-104
Total (Net) Amount Changed (Except Shareholders' Equity)	143,429	9,352	120,987	284,602	558,371	558,371
Total Amount Changed	143,429	9,352	120,987	284,602	558,371	2,172,710
Surplus during This Fiscal Year	450,885	7,785	213,842	266,705	939,220	31,841,454

Current Consolidated Fiscal Year (Year Ended October 31, 2022)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	28,721,695	-364,081	30,902,234
Changes during This Fiscal Year					
Cash Dividend Paid			-498,913		-498,913
Net Income Attributable to Owners of the Parent			2,659,494		2,659,494
Acquisition of Treasury Stock				-66	-66
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	2,160,580	-66	2,160,513
Surplus during This Fiscal Year	1,061,210	1,483,410	30,882,276	-364,148	33,062,747

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income	
Surplus during Previous Fiscal Year	450,885	7,785	213,842	266,705	939,220	31,841,454
Changes during This Fiscal Year						
Cash Dividend Paid						-498,913
Net Income Attributable to Owners of the Parent						2,659,494
Acquisition of Treasury Stock						-66
Total (Net) Amount Changed (Except Shareholders' Equity)	-88,140	3,852	587,307	-117,182	385,836	385,836
Total Amount Changed	-88,140	3,852	587,307	-117,182	385,836	2,546,349
Surplus during This Fiscal Year	362,745	11,637	801,149	149,523	1,325,056	34,387,804

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	2,992,144	3,885,003
Depreciation and Amortization	381,053	376,133
Increase (Decrease) in Provision for Bonuses	173,525	97,204
Increase (Decrease) in Provision for Directors' Bonuses	19,424	22,910
Increase (Decrease) in Allowance for Product Warranty	126,846	(162,983)
Increase (Decrease) in Net Defined Benefit Liability	(3,446)	6,348
Decrease (Increase) in Net Defined Benefit Asset	(46,703)	(55,794)
Increase (Decrease) in Allowance for Doubtful Accounts	(186)	159
Interests and Dividends Income	(36,478)	(47,229)
Interest Expenses	2,423	5,024
Foreign Exchange Losses (Gains)	4,283	(76,347)
Loss (Gain) on Sales of Investment Securities	(23,927)	(6,772)
Loss (Gain) on Liquidation of Affiliated Company	(62,996)	—
Decrease (Increase) in Notes and Accounts Receivable-Trade	(2,330,535)	—
Decrease (Increase) in Notes, Accounts Receivable-Trade and Contract Assets	—	(1,529,064)
Decrease (Increase) in Inventories	(212,962)	(2,405,711)
Increase (Decrease) in Notes and Accounts Payable-Trade	1,287,448	123,878
Loss (Gain) on Sales of Noncurrent Assets	—	(460,715)
Loss on Retirement of Noncurrent Assets	—	4,368
Increase (Decrease) in Accounts Payable-Others	47,728	69,382
Increase (Decrease) in Advances Received	104,809	—
Increase (Decrease) in Contract Liabilities	—	(22,116)
Increase (Decrease) in Unpaid Consumption Tax	97,343	(355,681)
Others, Net	28,609	(47,543)
Sub total	2,548,406	(579,545)
Interests and Dividends Income Received	36,483	46,354
Interest Expenses Paid	(2,423)	(5,024)
Income Taxes Paid	(439,615)	(1,201,371)
Net Cash Provided by (Used in) Operating Activities	2,142,851	(1,739,586)

(Thousands of Yen)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(8,000,000)	(8,000,000)
Proceeds from Withdrawal of Time Deposits	8,000,000	8,000,000
Purchase of Property, Plant and Equipment	(1,003,970)	(240,384)
Proceeds from Sales of Property, Plant and Equipment	9,265	496,002
Purchase of Intangible Fixed Assets	(6,883)	(39,571)
Purchase of Investment Securities	(19,752)	(14,591)
Proceeds from Sales of Investment Securities	47,889	12,484
Payments of Loans Receivable	(4,615)	(1,080)
Collection of Loans Receivable	2,510	970
Guarantee Deposits (Increase)	(1,278)	(150,253)
Others, Net	(342)	(3,095)
Net Cash Provided by (Used in) Investment Activities	(977,177)	60,480
Net Cash Provided by (Used in) Financing Activities		
Acquisition of Treasury Stock	(104)	(66)
Cash Dividends Paid	(493,926)	(498,913)
Net Cash Provided by (Used in) Financing Activities	(494,030)	(498,980)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	78,294	303,179
Net Increase (Decrease) in Cash and Cash Equivalents	749,936	(1,874,906)
Cash and Cash Equivalents at Beginning of Period	11,857,553	12,607,490
Cash and Cash Equivalents at End of This Fiscal Year	12,607,490	10,732,583

(5) Notes for Consolidated Financial Statements

(Notes for premise of going concern)

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 fiscal year 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 arrangement 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 provision 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 fiscal year has been added to or subtracted from the retained earnings at the beginning of the consolidated fiscal year 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 fiscal year under review.

As a result, in the current consolidated fiscal year, net sales decreased 6,764,426,000 yen, cost of sales decreased 6,763,285,000 yen, operating income decreased 1,141,000 yen, and ordinary income and income before income taxes and minority interests increased 9,066,000 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 fiscal year. In addition, the advances received that were shown under current assets are shown included in contract liabilities. Increase (decrease) in notes and accounts receivable-trade, which was shown in net cash provided by (used in) operating activities in the consolidated statement of cash flows for the previous consolidated fiscal year, is shown included in increase (decrease) in notes, accounts receivable-trade and contract assets from the consolidated fiscal year under review, and increase (decrease) in advances received is shown included in increase (decrease) 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 fiscal year 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 consolidated financial statements.

(Change in presentation method)

(Consolidated statements of income)

Since guarantee commission, which has been included in others under non-operating expenses in the previous consolidated fiscal year increased in quantitative materiality, we present it separately beginning from the consolidated fiscal year under review. To reflect this change of presentation method, in the Consolidated Statements of Income for the previous consolidated fiscal year, we have reclassified the 4,921,000 yen shown in others under non-operating expenses as 2,181,000 yen in guarantee commission and 2,740, 000 yen in others.

(Segment information)

1. Summary of reporting segments

TOMOE Engineering Co., Ltd. has established two operational headquarters. These operational headquarters are developing their business activities by planning comprehensive domestic and overseas strategies for the respective manufactured and commercial products they handle.

We therefore have assumed these two businesses, referred to as the "Machinery & Equipment Business" and the "Chemical Products Business", as our company reporting segments. The Machinery & Equipment Business mainly manufactures and sells centrifuge decanters, and the Chemical Products Business mainly manufactures, stocks and sells chemical industry products.

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

2. Method for calculating amounts of net sales, income or loss, assets, liabilities and other items for each reporting segment

The accounting methods for reporting segments are identical to the accounting methods adopted for preparation of the consolidated financial statements.

3. Information concerning the amount of net sales, income or loss, assets, liabilities and other items for each reporting segment

Previous Consolidated Fiscal Year (Year Ended October 31, 2021)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	12,322,687	32,809,928	45,132,616	—	45,132,616
Internal Sales Among Segments or Amount Transferred	—	—	—	—	—
Total	12,322,687	32,809,928	45,132,616	—	45,132,616
Segment Income	886,670	1,957,011	2,843,681	—	2,843,681
Segment Assets	9,754,839	19,465,236	29,220,075	14,033,929	43,254,004
Other Items					
Depreciation & Amortization	295,162	85,891	381,053	—	381,053
Increase in Property, Plant & Equipment and Intangible Assets	496,977	525,946	1,022,924	—	1,022,924

(Notes) 1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.

2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2022)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	11,356,602	34,232,353	45,588,955	—	45,588,955
Internal Sales Among Segments or Amount Transferred	—	—	—	—	—
Total	11,356,602	34,232,353	45,588,955	—	45,588,955
Segment Income	903,091	2,396,765	3,299,857	—	3,299,857
Segment Assets	10,121,315	23,580,482	33,701,798	12,040,473	45,742,272
Other Items					
Depreciation & Amortization	286,660	89,473	376,133	—	376,133
Increase in Property, Plant & Equipment and Intangible Assets	141,245	122,948	264,194	—	264,194

(Notes) 1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.

2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

(Related information)

Previous Consolidated Fiscal Year (Year Ended October 31, 2021)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales (Thousands of Yen)

Japan	Asia	Others	Total
35,324,321	8,852,085	956,209	45,132,616

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment (Thousands of Yen)

Japan	Asia	Others	Total
5,535,095	249,165	125,655	5,909,917

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2022)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales (Thousands of Yen)

Japan	Asia	Others	Total
35,209,128	8,698,369	1,681,457	45,588,955

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment (Thousands of Yen)

Japan	Asia	Others	Total
5,366,341	314,545	143,309	5,824,196

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

(Information concerning impairment losses on fixed assets by reporting segment)

There are no pertinent matters to report.

(Information concerning amortization of goodwill and unamortized balances by reporting segment)

There are no pertinent matters to report.

(Information concerning gain on negative goodwill by reporting segment)

There are no pertinent matters to report.

(Per Share Information)

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Asset per Share	¥3,191. ⁰⁷	¥3,446. ²⁷
Net Income per Share	¥211. ³⁰	¥266. ⁵³

(Note 1) Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

(Note 2) Calculation basis for net income per share are as follows:

	Year Ended October 31, 2021	Year Ended October 31, 2022
Net Income for this Fiscal Year (thousands of yen)	2,108,369	2,659,494
Net Income for Common Stock (thousands of yen)	2,108,369	2,659,494
Average number of Common Stock during the Fiscal Year	9,978,307	9,978,269

(Note3) Calculation basis for net asset per share are as follows:

	Year Ended October 31, 2021	Year Ended October 31, 2022
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	31,841,454	34,387,804
Net Asset for Common Stock (thousands of yen)	31,841,454	34,387,804
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,289	9,978,260

(Significant subsequent events)

None

4. Other Notes

(1) Changes of Officers (effective January 27, 2023)

1. Change of President (Representative Director)

1) Candidate scheduled to be appointed as President (Representative Director)

Name	New Position	Current Position
Akitomo Tamai	President (Representative Director)	Senior Managing Director and General Manager, Machinery & Equipment Div.

2) President (Representative Director) scheduled to retire

Name	Current Position
Hitoshi Yamamoto	President (Representative Director)

(To be appointed as Advisor at the Company)

2. Changes of Directors' Positions accompanied with the above change

Name	New Position	Current Position
Akiyoshi Shinoda	Managing Director and Executive Officer, Machinery & Equipment Div.	Managing Director, Chemical Products Div.
Tetsuyuki Azuma	Managing Director and Executive Officer, Chemical Products Div.	Director and Deputy General Manager, Chemical Products Div. (Advanced Materials, Industrial Materials and Mineral Products Sectors)

3. Candidate for Director to be newly appointed (excluding the directors serving as Audit & Supervisory Committee Members)

Name	New Position	Current Position
Kazuyuki Kitta	Director and Executive Officer (Accounting and Corporate Planning Departments, serving as Accounting Manager)	Accounting Manager

4. Candidates for Directors serving as Audit & Supervisory Committee Members

Name	New Position	Current Position
Toshiaki Yakura	Director serving as Audit & Supervisory Committee Members	Director (Accounting and Corporate Planning Departments)
Rei Sugihara	Director serving as Audit & Supervisory Committee Members (Outside Director)	Lawyer Partner Lawyer at Kasumi Sogo Law Office Outside Auditor at Tachikawa Corporation Director serving as Audit & Supervisory Committee Members at Ushio Inc. (Outside Director)

5. Directors scheduled to retire

Name	Current Position
Toshiaki Yakura	Director (Accounting and Corporate Planning Departments)
Katsuhiko Ito	Director (President, Representative Director, Tomoe Machinery Services, Inc.)
Atsushi Sada	Director (Deputy General Manager, Machinery & Equipment Div. (in charge of Production), and Sagami Plant Manager)
Sakae Fujii	Director (Deputy General manager, Chemical Products Div. (Chemical Products, Electronic Materials, and Synthetic Resin Sectors))
Michiaki Sugiura	Director and Deputy General Manager, Machinery & Equipment Div. (Environmental Equipment & Overseas Market Sales Dept.)
Masayoshi Fukasawa	Director serving as Audit & Supervisory Committee Members
Makoto Nakamura	Director serving as Audit & Supervisory Committee Members (Outside Director)

6) Candidate for Substitute Director serving as Audit & Supervisory Committee Member

Name	New Position	Current Position
Takashi Sato	Substitute Director serving as Audit & Supervisory Committee Member (Outside Director)	Certified Tax Accountant

7) Substitute Director serving as Audit & Supervisory Committee Member scheduled to retire

Name	Current Position
Minoru Imai	Substitute Director serving as Audit & Supervisory Committee Member (Outside Director)