

Financial Results for the First Quarter Ended January 31, 2024 [Japan GAAP] (Consolidated)

Date: March 14, 2024
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: Prime Market, Tokyo Stock Exchange
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Date to report Quarterly Consolidated Financial Statement: March 15, 2024

Date for Dividend Payment: Not applicable to this financial quarter

Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: 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, 2024

(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, 2024	12,138	9.1	1,120	100.5	1,163	111.3
Quarter Ended January 31, 2023	11,128	11.7	558	5.7	550	-1.6

	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 January 31, 2024	807	106.8	80. ⁹⁴	-
Quarter Ended January 31, 2023	390	-43.4	39. ¹⁵	-

(Note) Comprehensive income

First Quarter ended January 31, 2024: 790 million yen (660.4%) First Quarter ended January 31, 2023: 103 million yen (-85.3%)

(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, 2024	47,743	36,924	77.3
Year Ended October 31, 2023	49,007	36,832	75.2

(Reference) Net assets

First Quarter ended January 31, 2024: 36,924 million yen Year Ended October 31, 2023: 36,832 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, 2023	-	40. ⁰⁰	-	70. ⁰⁰	110. ⁰⁰
Year Ending October 31, 2024	-				
Year Ending October 31, 2024 (Prospect)		60. ⁰⁰	-	60. ⁰⁰	120. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2024 (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	51,800	4.4	4,180	3.3	4,200	2.1

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	2,930	7.2	293. ⁶⁴

(Note) Revisions since the most recently released earnings forecast: 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 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: 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 January 31, 2024: 10,533,200 shares At October 31, 2023: 10,533,200 shares

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

At January 31, 2024: 554,940 shares At October 31, 2023: 554,940 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2024: 9,978,260 shares At January 31, 2023: 9,978,260 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, the growth rate of Japan's economy leveled off on sluggish personal consumption, despite growth in capital investment and exports. On the other hand, overseas, the Chinese economy remained weak, and the European economy continued to stagnate, whereas the U.S. economy remained brisk.

Given these circumstances, the Tomoe Engineering Group leverages its global business base and network, versatile knowledge and diversity to create value and achieve sustainable growth. At the end of last year, the Group has revised the target upward for the fiscal year ending October 31, 2025, the final year of the current Mid-term Business Plan "For Sustainable Future (November 2022 - October 2025), and is undertaking activities to further enhance its corporate value.

Net sales for the Tomoe Engineering Group for the consolidated first quarter were 12,138 million yen, up 9.1% from the same period of a year earlier, reflecting increase in net sales for both the Machinery & Equipment Business and the Chemical Products Business. With respect to earnings, operating income was 1,120 million yen, up 100.5% from the same period of a year earlier because of higher profits in both Businesses, while ordinary income increased 111.3% year on year to 1,163 million yen. Net income attributable to owners of the parent increased 106.8% year on year to 807 million yen.

Operating results by respective segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales for the consolidated first quarter under review were 2,467 million yen, up 35.9% from the same period of a year earlier, reflecting growth in net sales of components and repair services, and net sales for domestic public sector demand as a whole, and in addition, net sales of machinery, components and repair services for domestic private sector demand remained steady, despite a decrease in net sales of machinery for overseas markets.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction work	Components and repair services	TOTAL
Public sector	January, 2023	19	150	418	588
	January, 2024	53	284	497	836
	Difference	34	134	79	247
Private sector	January, 2023	132	0	362	494
	January, 2024	231	0	403	635
	Difference	99	0	41	141
Overseas markets	January, 2023	285	0	446	732
	January, 2024	184	0	810	995
	Difference	-100	0	363	262
TOTAL	January, 2023	436	150	1,227	1,815
	January, 2024	470	284	1,712	2,467
	Difference	33	134	484	651

With respect to earnings, operating income turned to a profit of 224 million yen from a loss of 301 million yen in the same period of a year earlier, reflecting highly profitable components and repair services mainly for overseas markets.

(Chemical Products Business)

In the Chemical Products Business, net sales for the consolidated first quarter under review were 9,671 million yen, up 3.9% from the same period of a year earlier. This reflected growth in net sales of materials for semiconductor manufacturing devices in advanced materials sector, materials mainly for motor vehicles and building in the mineral products sector, and materials for coating applications in the chemical products sector, whereas net sales of the synthetic resin related products in general and materials for semiconductor assembling devices in the electronic materials sector were sluggish.

(Millions of Yen)

	January, 2023	January, 2024	Difference
Synthetic resin sector	1,373	1,185	-188
Industrial materials sector	1,437	1,528	91
Mineral products sector	1,462	1,690	228
Chemical products sector	2,123	2,251	127
Advanced materials sector	1,407	1,674	267
Electronic materials sector	1,415	1,246	-168
Other products (foreign liquor)	93	94	1
Total	9,312	9,671	358

With respect to earnings during the period, operating income increased 4.1% up from the same period of a year earlier to 895 million yen because of favorable growth in net sales.

(2) Analysis of Financial Condition

Current assets at the end of the consolidated first quarter under review were 47,743 million yen, down 2.6% or 1,263 million yen from the balance at the end of the previous consolidated fiscal year. This mainly reflected a decrease in cash and deposits, whereas work in process and electronically recorded monetary claims increased.

Liabilities were 10,818 million yen, down 11.1% or 1,355 million yen from the balance at the end of the previous consolidated fiscal year, reflecting a decrease in provision for bonuses and income taxes payable, despite higher contract liabilities.

Net assets stood at 36,924 million yen, down 0.2% or 91 million yen from the balance at the end of the previous consolidated fiscal year. This mainly reflected an increase in valuation difference on available-for-sale securities, despite a decrease in 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 from the balance at the end of the previous consolidated fiscal year to 77.3%.

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

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending in October 31, 2024 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2023 [Japan GAAP] (Consolidated)" released on December 14, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2023)	End of First Quarter (January 31, 2024)
Current Assets		
Cash and Deposits	13,519,519	11,505,139
Notes, Accounts Receivable-Trade and Contract Assets	13,053,566	12,690,501
Electronically Recorded Monetary Claims	4,534,946	4,863,047
Merchandise and Finished Goods	5,023,516	5,121,168
Work in Process	1,413,836	1,870,405
Raw Materials and Supplies	1,118,239	1,252,721
Others	442,065	423,334
Allowance for Doubtful Accounts	-75,966	-72,109
Total Current Assets	39,029,723	37,654,209
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,142,178	5,073,775
Accumulated Depreciation	-2,361,073	-2,331,303
Buildings and Structures, Net	2,781,104	2,742,471
Machinery, Equipment and Vehicles	4,276,421	4,372,674
Accumulated Depreciation	-3,947,522	-4,068,047
Machinery, Equipment and Vehicles, Net	328,898	304,626
Land	2,304,322	2,303,816
Others	1,173,898	1,195,643
Accumulated Depreciation	-1,093,060	-1,099,391
Others, Net	80,837	96,251
Total Property, Plant and Equipment	5,495,162	5,447,166
Intangible Assets	135,706	125,532
Investments and Other Assets		
Investment Securities	1,461,804	1,628,124
Guarantee Deposits	555,604	553,783
Net Defined Benefit Assets	2,235,326	2,249,408
Deferred Tax Assets	11,981	7,026
Others	103,258	100,025
Allowance for Doubtful Accounts	-21,551	-21,550
Total Investments and Other Assets	4,346,423	4,516,817
Total Noncurrent Assets	9,977,293	10,089,517
Total Assets	49,007,016	47,743,726

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2023)	End of First Quarter (January 31, 2024)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,348,081	4,205,359
Electronically Recorded Monetary Debt	2,286,828	2,377,441
Accounts Payable-Others	808,811	768,999
Income Taxes Payable	731,645	60,572
Contract Liabilities	483,376	933,843
Provision for Bonuses	1,791,344	658,390
Provision for Directors' Bonuses	110,816	30,900
Allowance for Product Warranty	190,085	160,886
Others	608,366	426,512
Total Current Liabilities	11,359,356	9,622,906
Noncurrent Liabilities		
Net Defined Benefit Liabilities	86,239	87,538
Deferred Tax Liabilities	728,469	1,108,361
Total Noncurrent Liabilities	814,709	1,195,900
Total Liabilities	12,174,065	10,818,807
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	32,937,306	33,046,505
Treasury Stock	-364,148	-364,148
Total Shareholders' Equity	35,117,778	35,226,976
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	505,132	622,739
Deferred Gains or Losses on Hedges	3,928	10,010
Foreign Currency Translation Adjustment	904,168	773,879
Total Adjustment on Net Defined Benefit	301,944	291,313
Total Accumulated Other Comprehensive Income	1,715,173	1,697,942
Total Net Assets	36,832,951	36,924,919
Total Liabilities and Net Assets	49,007,016	47,743,726

(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, 2023	First Quarter Ended January 31, 2024
Net Sales	11,128,301	12,138,823
Cost of Sales	8,552,576	8,850,144
<i>Gross Profit</i>	2,575,724	3,288,678
Selling, General and Administrative Expenses	2,017,012	2,168,345
<i>Operating Income</i>	558,712	1,120,333
Non-Operating Income		
Interest Income	3,443	8,046
Dividends Income	16,983	19,075
Rent Income	2,007	2,007
Foreign Exchange Gain	—	12,721
Others	7,800	3,479
<i>Total Non-Operating Income</i>	30,235	45,330
Non-Operating Expenses		
Interest Expenses	213	186
Commission Paid	756	756
Guarantee Commission	306	750
Foreign Exchange Loss	36,834	—
Others	186	274
<i>Total Non-Operating Expenses</i>	38,297	1,966
<i>Ordinary Income</i>	550,650	1,163,696
Extraordinary Profits		
Profit on Sales of Investment Securities	242	3,334
<i>Total Extraordinary Profits</i>	242	3,334
Income before Income Taxes and Minority Interests	550,893	1,167,031
Income Taxes-Current	9,628	24,170
Income Taxes-Deferred	150,649	335,183
<i>Total Income Taxes</i>	160,277	359,354
<i>Net Income</i>	390,615	807,677
<i>Net Income Attributable to Owners of the Parent</i>	390,615	807,677

Quarterly Consolidated Statement of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2023	First Quarter Ended January 31, 2024
Net Income	390,615	807,677
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	25,598	117,606
Deferred Gains or Losses (-) on Hedges	-29,638	6,081
Foreign Currency Translation Adjustment	-273,960	-130,288
Net Defined Benefit	-8,657	-10,631
Total Other Comprehensive Income	-286,658	-17,231
Comprehensive Income	103,957	790,445
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	103,957	790,445

(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 presentation method)

(Quarterly consolidated statement of income)

Since guarantee commission, which has been included in others under non-operating expenses in the first quarter of the previous consolidated fiscal year increased in quantitative materiality, we present it separately beginning from the first quarter of the current consolidated fiscal year under review. To reflect this change of presentation method, in the Quarterly Consolidated Statements of Income for the first quarter of the previous consolidated fiscal year, we have reclassified the 493,000 yen shown in others under non-operating expenses as 306,000 yen in guarantee commission and 186,000 yen in others.

(Segment information, etc.)

[Segment information]

First Quarter Ended January 31, 2023

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	1,815,614	9,312,686	11,128,301	11,128,301
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,815,614	9,312,686	11,128,301	11,128,301
Segment Profit or Loss (-)	-301,544	860,257	558,712	558,712

(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, 2024

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	2,467,431	9,671,391	12,138,823	12,138,823
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	2,467,431	9,671,391	12,138,823	12,138,823
Segment Profit or Loss (-)	224,688	895,644	1,120,333	1,120,333

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