

Financial Results for the Second Quarter Ended April 30, 2024 [Japan GAAP] (Consolidated)

Date: June 12, 2024
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
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Date to report Quarterly Consolidated Financial Statement: June 14, 2024

Date for Dividend Payment: July 8, 2024

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 Second Quarter Ended April 30, 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 April 30, 2024	26,580	10.0	2,958	43.4	3,007	44.9
Quarter Ended April 30, 2023	24,155	9.9	2,062	14.5	2,075	10.4

	Net Income Attributable to Owners of the Parent		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended April 30, 2024	2,138	51.0	214. ³¹	-
Quarter Ended April 30, 2023	1,416	-11.3	141. ⁹¹	-

(Note) Comprehensive income

Second Quarter ended April 30, 2024: 2,306 million yen (85.9%) Second Quarter ended April 30, 2023: 1,240 million yen (-29.6%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended April 30, 2024	50,905	38,440	75.5
Year Ended October 31, 2023	49,007	36,832	75.2

(Reference) Net assets

Second Quarter ended April 30, 2024: 38,440 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	-	63. ⁰⁰	-	-	-
Year Ending October 31, 2024 (Prospect)	-	-	-	63. ⁰⁰	126. 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	52,780	6.3	4,540	12.2	4,600	11.8

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	3,130	14.5	313. ⁶⁸

(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) Change 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 April 30, 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 April 30, 2024: 554,940 shares At October 31, 2023: 554,940 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2024: 9,978,260 shares At April 30, 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 4, (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 second quarter of the current consolidated fiscal year, Japan's economy showed negative growth at the beginning of this period against the backdrop of stagnant personal consumption, and depressed capital investment and exports. On the other hand, overseas, the U.S. economy remained strong despite its lower growth rate, while the Chinese economy showed the slow pace of recovery, and the European economy continued to show deceleration in growth rate.

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 second quarter were 26,580 million yen, up 10.0% from the same period of a year earlier, reflecting an increase in net sales for both the Machinery & Equipment Business and the Chemical Products Business. With respect to earnings, operating income was 2,958 million yen, up 43.4% from the same period of a year earlier because of higher profits in both Businesses, while ordinary income increased 44.9% year on year to 3,007 million yen. Net income attributable to owners of the parent increased 51.0% year on year to 2,138 million yen.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales for the consolidated second quarter under review were 7,302 million yen, up 25.9% from the same period of a year earlier, reflecting growth in net sales of equipment and construction works and components and repair services, despite sluggish growth in net sales of machinery for domestic public sector demand, and in addition, substantial growth in net sales for domestic private sector demand as a whole, and in net sales of components and repair services for overseas markets which carried over from the previous fiscal year.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	April, 2023	343	422	1,791	2,556
	April, 2024	231	748	2,104	3,085
	Difference	-111	326	313	528
Private sector	April, 2023	219	2	975	1,197
	April, 2024	432	300	1,017	1,750
	Difference	213	297	41	552
Overseas markets	April, 2023	915	87	1,041	2,043
	April, 2024	967	0	1,499	2,466
	Difference	52	-86	458	423
TOTAL	April, 2023	1,478	512	3,807	5,798
	April, 2024	1,632	1,049	4,620	7,302
	Difference	154	537	813	1,504

With respect to earnings, operating income was 1,179 million yen, up 259.6% from the same period of a year earlier, mainly reflecting growth in net sales of highly profitable components and repair services.

(Chemical Products Business)

In the Chemical Products Business, net sales for the consolidated second quarter under review were 19,277 million yen, up 5.0% 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 building and fireproof in industrial materials sector, materials mainly for building and motor vehicles in mineral products sector, and materials for coating applications in chemical products sector, whereas net sales of synthetic resin related products in general and materials for semiconductor assembling devices in electronic materials sector were sluggish.

(Millions of Yen)

	April, 2023	April, 2024	Difference
Synthetic resin sector	2,582	2,401	-180
Industrial materials sector	2,983	3,225	242
Mineral products sector	2,897	3,178	281
Chemical products sector	4,224	4,494	270
Advanced materials sector	3,016	3,421	404
Electronic materials sector	2,518	2,427	-91
Other products (foreign liquor)	134	128	-5
Total	18,357	19,277	920

With respect to earnings during the period, operating income was 1,779 million yen, up 2.5% from the same period of a year earlier, reflecting strong sales.

(2) Analysis of Financial Condition

[1] Assets, Liabilities, and Net Assets

Assets at the end of the consolidated second quarter under review were 50,905 million yen, increased by 1,898 million yen from the end of the previous consolidated fiscal year. This reflected an increase in cash and deposits, and merchandise and finished goods, despite a decrease in notes, accounts receivable-trade and contract assets, and raw materials and supplies.

Liabilities were 12,464 million yen, increased by 290 million yen from the end of the previous consolidated fiscal year, because of an increase in notes, accounts payable-trade and electronically recorded monetary debt, despite a decrease in provision for bonuses and accounts payable-others.

Net assets stood at 38,440 million yen, increased by 1,607 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 second quarter under review increased 0.3 point to 75.5, from the end of the previous consolidated fiscal year.

[2] Cash Flow Status

Cash and cash equivalents (“cash”) at the end of the consolidated second quarter under review decreased by 2,738 million yen from the end of the previous consolidated fiscal year to 10,780 million yen, reflecting cash flow used by investment activities and financing activities respectively, despite cash flow provided by operating activities. The status of each consolidated cash flow and their factors during the second quarter are as follows:

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

Net cash provided by operating activities during the consolidated second quarter under review totaled 1,912 million yen. This reflected an increase in income before income taxes and minority interests of 3,092 million yen, and notes and accounts payable-trade of 623 million yen, despite an increase in inventory of 537 million yen, and a decrease in provision for bonuses of 453 million yen. Net cash provided by operating activities came to 1,620 million yen compared to 292 million yen provided during the consolidated second quarter of the previous fiscal year.

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

Net cash used in investing activities during the consolidated second quarter under review came to 4,014 million yen. This reflected purchase of time deposits of 4,000 million yen, despite proceeds from sales of investment securities of 89 million yen. Net cash used in investing activities increased to 3,723 million yen compared to 291 million yen used during the consolidated second quarter of the previous fiscal year.

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

Net cash used in financing activities during the consolidated second quarter under review came to 698 million yen. This reflected the payment of cash dividends of 698 million yen. Net cash used in financing activities increased to 419 million yen compared to 279 million yen used during the consolidated second quarter of the previous fiscal year.

(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, 2024 that were announced in the “Notice of Revision of Earnings Forecast” released on June 7, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2023)	End of Second Quarter (April 31, 2024)
Current Assets		
Cash and Deposits	13,519,519	14,780,810
Notes, Accounts Receivable-Trade and Contract Assets	13,053,566	12,814,856
Electronically Recorded Monetary Claims	4,534,946	4,739,232
Merchandise and Finished Goods	5,023,516	5,619,922
Work in Process	1,413,836	1,447,612
Raw Materials and Supplies	1,118,239	1,057,097
Others	442,065	449,185
Allowance for Doubtful Accounts	-75,966	-76,841
Total Current Assets	39,029,723	40,831,876
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,142,178	5,151,957
Accumulated Depreciation	-2,361,073	-2,433,639
Buildings and Structures, Net	2,781,104	2,718,318
Machinery, Equipment and Vehicles	4,276,421	4,313,485
Accumulated Depreciation	-3,947,522	-4,007,277
Machinery, Equipment and Vehicles, Net	328,898	306,208
Land	2,304,322	2,304,436
Others	1,173,898	1,204,724
Accumulated Depreciation	-1,093,060	-1,110,683
Others, Net	80,837	94,040
Total Property, Plant and Equipment	5,495,162	5,423,004
Intangible Assets	135,706	120,420
Investments and Other Assets		
Investment Securities	1,461,804	1,618,635
Guarantee Deposits	555,604	557,596
Net Defined Benefit Assets	2,235,326	2,263,950
Deferred Tax Assets	11,981	10,449
Others	103,258	101,118
Allowance for Doubtful Accounts	-21,551	-21,650
Total Investments and Other Assets	4,346,423	4,530,101
Total Noncurrent Assets	9,977,293	10,073,526
Total Assets	49,007,016	50,905,402

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2023)	End of Second Quarter (April 31, 2024)
<u>Liabilities</u>		
Current Liabilities		
Notes and Accounts Payable-Trade	4,348,081	4,711,602
Electronically Recorded Monetary Debt	2,286,828	2,570,063
Accounts Payable-Others	808,811	737,928
Income Taxes Payable	731,645	879,433
Contract Liabilities	483,376	578,532
Provision for Bonuses	1,791,344	1,338,549
Provision for Directors' Bonuses	110,816	65,109
Allowance for Product Warranty	190,085	192,806
Others	608,366	378,120
Total Current Liabilities	11,359,356	11,452,146
Noncurrent Liabilities		
Net Defined Benefit Liabilities	86,239	90,522
Deferred Tax Liabilities	728,469	921,826
Total Noncurrent Liabilities	814,709	1,012,349
Total Liabilities	12,174,065	12,464,495
<u>Net Assets</u>		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	32,937,306	34,377,234
Treasury Stock	-364,148	-364,148
Total Shareholders' Equity	35,117,778	36,557,705
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	505,132	637,415
Deferred Gains or Losses on Hedges	3,928	20,677
Foreign Currency Translation Adjustment	904,168	944,426
Total Adjustment on Net Defined Benefit	301,944	280,681
Total Accumulated Other Comprehensive Income	1,715,173	1,883,200
Total Net Assets	36,832,951	38,440,906
Total Liabilities and Net Assets	49,007,016	50,905,402

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

Quarterly Consolidated Statement of Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2023	Second Quarter Ended April 30, 2024
Net Sales	24,155,024	26,580,326
Cost of Sales	17,960,161	19,228,655
Gross Profit	6,194,863	7,351,670
Selling, General and Administrative Expenses	4,131,874	4,393,460
Operating Income	2,062,988	2,958,210
Non-Operating Income		
Interest Income	7,105	10,355
Dividends Income	20,838	23,071
Rent Income	4,015	4,015
Foreign Exchange Gain	—	11,484
Others	24,850	10,585
Total Non-Operating Income	56,809	59,510
Non-Operating Expenses		
Interest Expenses	360	368
Commission Paid	7,487	7,495
Guarantee Commission	480	1,272
Foreign Exchange Loss	35,068	—
Others	903	941
Total Non-Operating Expenses	44,300	10,078
Ordinary Income	2,075,497	3,007,642
Extraordinary Profits		
Profit on Sales of Investment Securities	11,907	57,706
Gain on Sales of Shares of Affiliated Companies	—	27,506
Total Extraordinary Profits	11,907	85,213
Income before Income Taxes and Minority Interests	2,087,405	3,092,855
Income Taxes-Current	489,039	817,762
Income Taxes-Deferred	182,310	136,687
Total Income Taxes	671,350	954,449
Net Income	1,416,054	2,138,405
Net Income Attributable to Owners of the Parent	1,416,054	2,138,405

Quarterly Consolidated Statement of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2023	Second Quarter Ended April 30, 2024
Net Income	1,416,054	2,138,405
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	74,020	132,283
Deferred Gains or Losses (-) on Hedges	-4,563	16,749
Foreign Currency Translation Adjustment	-227,420	40,258
Net Defined Benefit	-17,315	-21,263
Total Other Comprehensive Income	-175,278	168,027
Comprehensive Income	1,240,776	2,306,433
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	1,240,776	2,306,433

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2023	Second Quarter Ended April 30, 2024
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes	2,087,405	3,092,855
Depreciation and Amortization	187,919	169,766
Increase (Decrease) in Provision for Bonuses	(359,308)	(453,051)
Increase (Decrease) in Provision for Directors' Bonuses	(51,223)	(45,707)
Increase (Decrease) in Allowance for Product Warranty	(54,872)	2,721
Increase (Decrease) in Provision for Directors' Retirement Benefits	(5,460)	—
Increase (Decrease) in Net Defined Benefit Liability	2,555	4,282
Decrease (Increase) in Net Defined Benefit Asset	(27,558)	(28,624)
Increase (Decrease) in Allowance for Doubtful Accounts	(8,772)	105
Interests and Dividends Income	(27,944)	(33,426)
Interest Expenses	360	368
Foreign Exchange Loss (Gain)	101,572	(60,177)
Loss on Sales of Investment Securities (Gain)	(11,907)	(57,706)
Loss on Sales of Shares of Affiliated Companies (Gain)	—	(27,506)
Decrease (Increase) in Notes, Accounts Receivable-Trade and Contract Assets	(1,052,373)	66,569
Decrease (Increase) in Inventories	(563,362)	(537,122)
Decrease (Increase) in Advance Payment	(224,121)	18,211
Increase (Decrease) in Notes and Accounts Payable-Trade	58,844	623,602
Increase (Decrease) in Accounts Payable-Others	49,638	(18,240)
Increase (Decrease) in Contract Liabilities	601,189	93,426
Increase (Decrease) in Consumption Taxes Payable	344,430	(223,902)
Others, Net	(53,045)	(31,762)
Sub Total	993,964	2,554,683
Interests and Dividends Income Received	28,124	34,861
Interest Expenses Paid	(367)	(376)
Income Taxes Returned (Paid)	(729,560)	(676,281)
Net Cash Provided by (Used in) Operating Activities	292,160	1,912,886

(Thousands of Yen)

	Second Quarter Ended April 30, 2023	Second Quarter Ended April 30, 2024
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(4,200,000)	(4,000,000)
Withdrawal from Time Deposits	4,000,000	—
Purchase of Property, Plant and Equipment	(71,134)	(98,609)
Purchase of Intangible Fixed Assets	(35,704)	(35,213)
Purchase of Investment Securities	(803)	(528)
Proceeds from Sales of Investment Securities	21,213	89,880
Proceeds from Sales of Share of Affiliated Companies	—	31,506
Payments of Loans Receivable	(5,886)	(300)
Collection of Loans Receivable	360	3,768
Guarantee Deposits (Increase)	747	(1,474)
Others, Net	(5)	(3,664)
Net Cash Provided by (Used in) Investment Activities	(291,214)	(4,014,634)
Net Cash Provided by (Used in) Financing Activities		
Cash Dividends Paid	(279,391)	(698,478)
Net Cash Provided by (Used in) Financing Activities	(279,391)	(698,478)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	(124,637)	61,516
Net Increase (Decrease) in Cash and Cash Equivalents	(403,081)	(2,738,709)
Cash and Cash Equivalents at Beginning of Period	10,732,583	13,519,519
Cash and Cash Equivalents at End of This Quarter	10,329,501	10,780,810

(4) 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)

(Notes to Quarterly Consolidated Statements of Income)

Since guarantee commission, which has been included in others under non-operating expenses in the second 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 second quarter of the previous consolidated fiscal year, we have reclassified the 1,383,000 yen shown in others under non-operating expenses as 480,000 yen in guarantee commission and 903,000 yen in others.

(Segment information, etc.)

[Segment information]

Second Quarter Ended April 30, 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	5,798,007	18,357,017	24,155,024	24,155,024
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,798,007	18,357,017	24,155,024	24,155,024
Segment Profit	327,858	1,735,130	2,062,988	2,062,988

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

Second Quarter Ended April 30, 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	7,302,491	19,277,835	26,580,326	26,580,326
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	7,302,491	19,277,835	26,580,326	26,580,326
Segment Profit	1,179,081	1,779,129	2,958,210	2,958,210

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