TERAOKA SEISAKUSHO CO., LTD.

INTERIM REPORT

The six-month period ended September 30, 2015

Teraoka Seisakusho Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

September 30, 2015 and March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	September 30	March 31	**September 30**
ASSETS			
Current Assets:			
Cash and time deposits	**¥6,316**	¥6,410	**$52,650**
Notes and accounts receivable:			
Trade	**6,228**	6,010	**51,914**
Less:Allowance for doubtful accounts	**(7)**	(8)	**(57)**
Inventories	**4,583**	4,529	**38,197**
Deferred income taxes	**361**	330	**3,009**
Other current assets	**334**	830	**2,788**
Total current assets	**17,815**	18,101	**148,501**
Property, Plant and Equipment:			
Land	**4,075**	4,076	**33,970**
Buildings and structures	**11,791**	11,753	**98,281**
Machinery and equipment	**24,859**	24,788	**207,212**
Construction in progress	**34**	131	**283**
	40,759	40,748	**339,746**
Less: Accumulated depreciation	**(28,807)**	(28,509)	**(240,125)**
Property, plant and equipment, net	**11,952**	12,239	**99,621**
Intangible Assets	**506**	438	**4,221**
Investments and Other Assets:			
Investments in securities	**3,607**	3,856	**30,062**
Deferred income taxes	**7**	41	**56**
Net defined benefit asset	**405**	376	**3,372**
Other	**254**	280	**2,123**
Less:Allowance for doubtful accounts	**(0)**	(0)	**(0)**
Total investments and other assets	**4,273**	4,553	**35,613**
Total assets	**¥34,546**	¥35,331	**$287,956**

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	September 30	March 31	**September 30**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Notes and accounts payable:			
Trade	**¥3,421**	¥3,906	**$28,513**
Short-term borrowings	**5**	5	**40**
Accrued income taxes	**317**	575	**2,646**
Accrued expenses	**513**	560	**4,274**
Other current liabilities	**638**	859	**5,316**
Total current liabilities	**4,894**	5,905	**40,789**
Long-term Liabilities:			
Net defined benefit liability	**26**	24	**214**
Deferred tax liabilities	**629**	707	**5,244**
Asset retirement obligations	**306**	309	**2,553**
Other	**143**	118	**1,189**
Total long-term liabilities	**1,104**	1,158	**9,200**
Total liabilities	**5,998**	7,063	**49,989**
NET ASSETS			
Stockholders' Equity:			
Common stock:			
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2015			
and March 31,2015, respectively	**5,057**	5,057	**42,153**
Additional paid-in capital	**4,644**	4,644	**38,710**
Retained earnings	**16,479**	15,973	**137,363**
Less: Treasury stock, at cost	**(137)**	(137)	**(1,144)**
Total stockholders' equity	**26,043**	25,537	**217,082**
Accumulated other comprehensive income			
Unrealized gains on securities	**1,552**	1,682	**12,936**
Foreign currency translation adjustments	**659**	688	**5,494**
Remeasurements of defined benefit plans	**294**	361	**2,455**
Total accumulated other comprehensive income	**2,505**	2,731	**20,885**
Total net assets	**28,548**	28,268	**237,967**
Total liabilities and net assets	**¥34,546**	¥35,331	**$287,956**

Teraoka Seisakusho Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

For the six-month period ended September 30, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net Sales	**¥11,000**	¥10,778	**$91,689**
Cost of Sales	**7,904**	8,246	**65,885**
Gross profit	**3,096**	2,532	**25,804**
Selling, General and Administrative Expenses	**2,389**	2,231	**19,910**
Operating income	**707**	301	**5,894**
Other Income and Expenses:			
Interest and dividend income	**43**	42	**363**
Interest expenses	**(1)**	(3)	**(7)**
Foreign exchange gains, net	**24**	347	**203**
Early extra retirement payments	**—**	(101)	
Gain on sales of investment securities	**139**	**—**	**1,159**
Other, net	**(22)**	0	**(186)**
	183	285	**1,532**
Income before income taxes	**890**	586	**7,426**
Income taxes	**252**	358	**2,101**
Net income before minority interests	**638**	228	**5,325**
Net income	**¥638**	¥228	**$5,325**

Per Share of Common Stock:

	Yen	Yen	US Dollars
Net income	**¥24.26**	¥8.65	**$0.20**
Cash dividends paid	**6.00**	5.00	**0.05**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Teraoka Seisakusho Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income before minority interests	**¥638**	¥228	**$5,325**
Other Comprehensive Income			
Unrealized gains on securities	**(130)**	307	**(1,088)**
Foreign currency translation adjustments	**(29)**	200	**(242)**
Remeasurements of defined benefit plans, before net of tax	**(67)**	(32)	**(555)**
Total other comprehensive income	**(226)**	475	**(1,885)**
Comprehensive Income	**¥412**	¥703	**$3,440**
Total comprehensive income attributable to:			
Owners of the parent	**¥412**	¥703	**$3,440**
Minority interests	—	—	—

The accompanying notes to consolidated financial statements are an integral part of these statements.

Teraoka Seisakusho Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Stockholders' Equity

For the six-month period ended September 30, 2015 and 2014

	Millions of Yen									
	Stockholders' Equity					Accumulated Other Comprehensive Income				
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Total Stockholders' Equity	Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Remeasure-ments of Defined Benefit Plans	Total Accumu-lated Other Comprehen-sive Income	Total Net Assets
Balance at April 1, 2014	¥5,057	¥4,644	¥15,251	(¥137)	¥24,815	¥1,122	¥168	¥172	¥1,462	¥26,277
Cumulative effect of changes in accounting policies	—	—	(40)	—	(40)	—	—	—	—	(40)
Balance at the beginning of current year reflected changes in accounting policies	5,057	4,644	15,211	(137)	24,775	1,122	168	172	1,462	26,237
Cash dividends paid	—	—	(132)	—	(132)	—	—	—	—	(132)
Net income	—	—	228	—	228	—	—	—	—	228
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes of items other than Stockholders' equity	—	—	—	—	—	307	200	(32)	475	475
Total changes of items during the period	—	—	96	(0)	96	307	200	(32)	475	571
Balance at September 30, 2014	¥5,057	¥4,644	¥15,307	(¥137)	¥24,871	¥1,429	¥368	¥140	¥1,937	¥26,808
Balance at April 1, 2015	¥5,057	¥4,644	¥15,973	(¥137)	¥25,537	¥1,682	¥688	¥361	¥2,731	¥28,268
Cash dividends paid	—	—	(132)	—	(132)	—	—	—	—	(132)
Net income	—	—	638	—	638	—	—	—	—	638
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes of items other than Stockholders' equity	—	—	—	—	—	(130)	(29)	(67)	(226)	(226)
Total changes of items during the period	—	—	506	(0)	506	(130)	(29)	(67)	(226)	280
Balance at September 30, 2015	¥5,057	¥4,644	¥16,479	(¥137)	¥26,043	¥1,552	¥659	¥294	¥2,505	¥28,548

	Thousands of U.S. dollars									
	Stockholders' Equity					Accumulated Other Comprehensive Income				
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Total Stockholders' Equity	Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Remeasure-ments of Defined Benefit Plans	Total Accumu-lated Other Comprehen-sive Income	Total Net Assets
Balance at April 1, 2015	$42,153	$38,710	$133,136	($1,143)	$212,856	$14,024	$5,736	$3,010	$22,770	$235,626
Cash dividends paid	—	—	(1,098)	—	(1,098)	—	—	—	—	(1,098)
Net income	—	—	5,325	—	5,325	—	—	—	—	5,325
Purchase of treasury stock	—	—	—	(1)	(1)	—	—	—	—	(1)
Net changes of items other than Stockholders' equity	—	—	—	—	—	(1,088)	(242)	(555)	(1,885)	(1,885)
Total changes of items during the period	—	—	4,227	(1)	4,226	(1,088)	(242)	(555)	(1,885)	2,341
Balance at September 30, 2015	$42,153	$38,710	$137,363	($1,144)	$217,082	$12,936	$5,494	$2,455	$20,885	$237,967

The accompanying notes to consolidated financial statements are an integral part of these statements.

Teraoka Seisakusho Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2015 and 2014

	Millions of yen		Thousands of
	2015	2014	**2015**
Operating Activities:			
Income (Loss) before income taxes	**¥890**	¥586	**$7,426**
Adjustments for:			
Depreciation and amortization	**476**	414	**3,964**
Gain on sales of investment securities	**(139)**	**—**	**(1,159)**
Increase (decrease) in allowance for doubtful accounts	**(1)**	(2)	**(8)**
Increase (decrease) in net defined benefit liability	**(65)**	(57)	**(541)**
Interest and dividends income	**(43)**	(42)	**(363)**
Interest expenses	**1**	3	**7**
Foreign exchange (gains) losses, net	**14**	(287)	**115**
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	**(219)**	(145)	**(1,827)**
(Increase) Decrease in inventories	**(55)**	15	**(462)**
Increase (Decrease) in notes and accounts payable	**(484)**	(344)	**(4,037)**
Other, net	**156**	188	**1,305**
Subtotal	**531**	329	**4,420**
Interest and dividends income received	**43**	42	**363**
Interest expenses paid	**(1)**	(3)	**(7)**
Income taxes (paid) refund	**(435)**	(131)	**(3,624)**
Net cash provided by operating activities	**138**	237	**1,152**
Investing Activities:			
Payment for purchases of property, plant and equipment	**(163)**	(85)	**(1,354)**
Payment for purchases of intangible assets	**(124)**	(88)	**(1,036)**
Payment for purchases of investment in securities	**(1)**	(1)	**(11)**
Proceeds from sales of investment securities	**214**	**—**	**1,781**
Decrease (Increase) in time deposits	**63**	(141)	**526**
Net cash used in investing activities	**(11)**	(315)	**(94)**
Financing Activities:			
Dividends paid	**(132)**	(132)	**(1,098)**
Increase(Decrease) in short-term borrowings	**—**	(250)	**—**
Otner, net	**(0)**	(0)	**(1)**
Net cash used in financing activities	**(132)**	(382)	**(1,099)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(25)**	125	**(212)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(30)**	(335)	**(253)**
Cash and Cash Equivalents at Beginning of Period	**6,035**	6,361	**50,310**
Cash and Cash Equivalents at End of Period	**¥6,005**	¥6,026	**$50,057**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. The translation of Yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at September 30, 2015, which was ¥119.97 to U.S.$1.

2. Consolidated subsidiaries
   Shin-ei Shoji Co., Ltd.
   Teraoka Seisakusho (Hong Kong) Co., Ltd.
   Teraoka Seisakusho (Shanghai) Co., Ltd.
   Teraoka Seisakusho (Shenzhen) Co., Ltd.
   PT. Teraoka Seisakusho Indonesia

3. Contingent liabilities in respect of trade notes and export bills discounted with banks with recourse in the ordinary course of business at September 30, 2015 and 2014, amounted to ¥17million (US$ 140 thousand) and ¥2 million respectively.

Corporate Information

(as of September 30, 2015)

Head Office	4-22, Hiromachi 1-chome Shinagawa-ku, Tokyo 140-8711, Japan Tel: 81-3-3491-1141 Fax: 81-3-3491-5316
Founded	February 11, 1921
Paid-in Capital	¥5,057 million
Stockholders	2,643
Stock Listing	Tokyo Stock Exchange, 2nd Section
Transfer Agency	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome Chiyoda-ku, Tokyo 100-8212, Japan
Employees	492（Consolidated:642）
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Sales Office	Sendai
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	http://www.teraokatape.co.jp