

TERAOKA SEISAKUSHO CO., LTD.

INTERIM REPORT

The six-month period ended September 30, 2020

Consolidated Balance Sheets

September 30, 2020 and March 31, 2020

	Millions of yen		Thousands of
	September 30	March 31	U.S. dollars
ASSETS			September 30
Current Assets:			
Cash and time deposits	¥8,959	¥9,807	\$84,670
Notes and accounts receivable - trade	4,753	5,708	44,924
Electronically recorded monetary claims - operating	937	1,035	8,852
Less: Allowance for doubtful accounts	(8)	(8)	(74)
Merchandise and finished goods	1,878	1,813	17,746
Work in process	1,102	1,121	10,411
Raw materials and supplies	854	912	8,069
Other	388	458	3,674
Total current assets	18,863	20,846	178,272
Property, Plant and Equipment:			
Buildings and structures	12,018	11,940	113,585
Machinery, equipment and vehicle	20,343	22,335	192,258
Land	4,024	4,034	38,030
Leased assets	269	269	2,547
Construction in progress	954	893	9,019
Other	2,233	2,248	21,099
	39,841	41,719	376,538
Less: Accumulated depreciation	(28,499)	(30,396)	(269,342)
Property, plant and equipment, net	11,342	11,323	107,196
Intangible Assets	89	111	840
Investments and Other Assets:			
Investments in securities	2,778	2,600	26,256
Deferred income taxes	131	97	1,242
Other	145	166	1,363
Less: Allowance for doubtful accounts	(3)	(3)	(28)
Total investments and other assets	3,051	2,860	28,833
Total assets	¥33,345	¥35,140	\$315,141

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 STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes and accounts payable - trade	¥1,353	¥1,298	\$12,791
Electronically recorded obligations - operating	1,894	2,583	17,896
Lease obligations	19	19	183
Accrued income taxes	43	53	406
Accrued expenses	430	508	4,068
Other	1,047	1,659	9,889
Total current liabilities	4,786	6,120	45,233
Long-term Liabilities:			
Lease obligations	200	211	1,895
Deferred liabilities taxes	34	38	322
Provision for environmental measures	316	316	2,982
Net defined benefit liability	88	104	832
Asset retirement obligations	304	304	2,875
Long-term accounts payable - other	57	57	536
Other	59	51	553
Total long-term liabilities	1,058	1,081	9,995
Total liabilities	5,844	7,201	55,228
NET ASSETS			
Stockholders' Equity:			
Common stock:	5,057	5,057	47,794
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2020 and 26,687,955 shares as of March 31, 2020, respectively			
Additional paid-in capital	4,644	4,644	43,890
Retained earnings	17,424	17,935	164,677
Less: Treasury stock, at cost	(463)	(462)	(4,373)
Total stockholders' equity	26,662	27,174	251,988
Accumulated other comprehensive income			
Unrealized gains on securities	895	764	8,458
Foreign currency translation adjustments	55	137	520
Remeasurements of defined benefit plans	(111)	(136)	(1,053)
Total accumulated other comprehensive income	839	765	7,925
Total net assets	27,501	27,939	259,913
Total liabilities and net assets	¥33,345	¥35,140	\$315,141

Consolidated Statements of Income

For the six-month period ended September 30, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net Sales	¥9,672	¥11,299	\$91,409
Cost of Sales	7,709	8,574	72,856
Gross profit	1,963	2,725	18,553
Selling, General and Administrative Expenses	2,375	2,648	22,450
Operating income	(412)	77	(3,897)
Other Income and Expenses:			
Interest income	6	6	60
Dividend income	48	51	451
Foreign exchange gains (losses), net	(109)	(157)	(1,034)
Loss on retirement of non-current assets	(21)	(0)	(198)
Gain on sales of investment securities	—	248	—
Other, net	19	15	185
	(57)	163	(536)
Income before income taxes	(469)	240	(4,433)
Income taxes	(84)	128	(798)
Net income	(¥385)	¥112	(\$3,635)
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	(385)	112	(3,635)
Per Share of Common Stock:			
	Yen	Yen	US Dollars
Net income	(¥15.18)	¥4.41	(\$0.14)
Cash dividends	3.00	5.00	0.03

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

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income	(¥385)	¥112	(\$3,635)
Other Comprehensive Income			
Unrealized gains on securities	131	(295)	1,238
Foreign currency translation adjustments	(83)	(176)	(781)
Remeasurements of defined benefit plans, net of tax	25	1	238
Total other comprehensive income	73	(470)	695
Comprehensive Income	(¥312)	(¥358)	(\$2,940)
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	(¥312)	(¥358)	(\$2,940)
Comprehensive income attributable to non-controlling interests	—	—	—

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

Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating Activities:			
Income before income taxes	(¥469)	¥240	(\$4,433)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	409	478	3,870
Loss on retirement of non-current assets	21	0	198
Loss (gain) on sales of investment securities	—	(248)	—
Increase (decrease) in allowance for doubtful accounts	—	(0)	—
Increase (decrease) in net defined benefit liability	20	(3)	188
Interest and dividends income	(54)	(57)	(511)
Foreign exchange losses (gains)	93	100	878
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	1,044	343	9,870
(Increase) decrease in inventories	0	223	2
Increase (decrease) in notes and accounts payable	(627)	80	(5,929)
Other, net	(218)	(111)	(2,060)
Subtotal	219	1,045	2,073
Interest and dividends income received	54	57	511
Income taxes (paid) refund	(17)	(155)	(164)
Net cash provided by operating activities	256	947	2,420
Investing Activities:			
Purchase of property, plant and equipment	(916)	(653)	(8,658)
Payments for retirement of property, plant and equipment	(10)	—	(99)
Purchase of intangible assets	(2)	(24)	(15)
Purchase of investment securities	(1)	(2)	(13)
Proceeds from sales of investment securities	—	286	—
Decrease (increase) in time deposits	(55)	(111)	(521)
Net cash used in investing activities	(984)	(504)	(9,306)
Financing Activities:			
Dividends paid	(127)	(127)	(1,197)
Payment for acquisition of treasury stock	(0)	(0)	(0)
Other, net	(10)	(9)	(92)
Net cash used in financing activities	(137)	(136)	(1,289)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(24)	(56)	(229)
Net Increase (Decrease) in Cash and Cash Equivalents	(889)	251	(8,404)
Cash and Cash Equivalents at Beginning of Period	9,192	8,960	86,873
Cash and Cash Equivalents at End of Period	¥8,303	¥9,211	\$78,469

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, 2020, which was ¥105.81 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, 2020 and 2019, amounted to ¥9million (US\$ 84 thousand) and ¥4 million respectively.

Corporate Information

(as of September 30, 2020)

Head Office	4-22, Hiromachi 1-chome Shinagawa-ku, Tokyo 140-8711, Japan Tel: 81-3-3491-1141 Fax: 81-3-3491-1143
Founded	February 11, 1921
Paid-in Capital	¥5,057 million
Stockholders	3,628
Stock Listing	Tokyo Stock Exchange, 2 nd Section
Transfer Agency	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome Chiyoda-ku, Tokyo 100-8212, Japan
Employees	540 (Consolidated:730)
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	https://www.teraokatape.co.jp