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## Consolidated Financial Results for the Second Quarter Ended September 30, 2022 [Japanese GAAP]

October 28, 2022

Company name: TERAOKA SEISAKUSHO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4987

URL: <https://www.teraokatape.co.jp>

Representative: Kenichi Tsuji

Representative Director & President

Contact: Nobuhisa Ishizaki

Director

Phone: 03-3491-1141

Scheduled date of filing quarterly securities report: November 14, 2022

Scheduled date of commencing dividend payments: December 01, 2022

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Second Quarter Ended September 30, 2022 (April 01, 2022 to September 30, 2022)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter ended September 30, 2022	9,503	(12.8)	(805)	-	(487)	-	(346)	-
September 30, 2021	10,902	12.7	122	-	204	-	57	-

(Note) Comprehensive income: Second quarter ended September 30, 2022: ¥ 159 million [ 218.6%]  
Second quarter ended September 30, 2021: ¥ 50 million [ -%]

	Basic earnings per share	Diluted earnings per share
Second quarter ended September 30, 2022	Yen (13.69)	Yen -
September 30, 2021	2.27	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2022	Million yen 36,305	Million yen 29,122	80.2%
March 31, 2022	37,443	29,089	77.7

(Reference) Equity: As of September 30, 2022: ¥ 29,122 million  
As of March 31, 2022: ¥ 29,089 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	5.00	-	5.00	10.00
Fiscal year ending March 31, 2023	-	3.00			
Fiscal year ending March 31, 2023 (Forecast)			-	5.00	8.00

(Note) Revision to the forecast for dividends announced most recently: Yes

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	22,200	(1.4)	100	(25.9)	350	(5.5)	400	145.8	15.79

(Note) Revision to the financial results forecast announced most recently: No

### \* Notes:

(1) Changes in significant subsidiaries during the second quarter ended September 30, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name: )

Exclusion: - (Company name: )

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2022: 26,687,955 shares

March 31, 2022: 26,687,955 shares

2) Total number of treasury shares at the end of the period:

September 30, 2022: 1,355,970 shares

March 31, 2022: 1,355,908 shares

3) Average number of shares during the period:

Second quarter ended September 30, 2022: 25,332,011 shares

Second quarter September 30, 2021: 25,332,396 shares

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the second quarter ended September 30, 2022 (from April 1, 2022 to September 30, 2022), the Japanese economy, between April to June, witnessed a recovery in consumer spending, centering on the restaurant industry and retail and leisure facilities, backed by the easing of behavioral restrictions after new cases of COVID-19 plateaued. However, from July onward, stifled by the rapidly-spreading “Seventh wave” of COVID-19, consumption of services lagged and the pace of recovery slowed down.

Additionally, in September, the US dollar soared to historic highs against the Japanese yen, reaching 140 yen to the dollar. As a result, while exporting companies benefited from increased exports and profit improvement, for the majority of companies a weak yen has become a factor for increasing costs reflecting the soaring prices of imports. Accordingly, the Short-Term Economic Survey of Enterprises in Japan (Tankan) conducted by the Bank of Japan showed that the diffusion index (DI) of large companies in the manufacturing industry had deteriorated for three consecutive terms.

Meanwhile, turning our attention to the global economy, following the concerns for the energy supply stemming from Russia’s invasion of Ukraine, the US Consumer Price Index (CPI) increased by 8.2% year on year in September, putting pressure on household income. In China, the slowdown of the smartphone market continued and the number of smartphones shipped during the six months from January to June 2022 fell 20 percent year on year, as a result of which, a ten-year low is forecasted for the full year of 2022. Furthermore, with China’s continuing zero-COVID policy and tensions running high in Taiwan, the outlook has become increasingly uncertain.

Various geopolitical risks, including the unexpected fluctuations in foreign exchange, are becoming more prevalent and in such a business environment, the Group entered the second year of its third medium-term business plan, which spans five years (from April 2021 to March 2026) and ends in fiscal 2025. Despite our efforts, namely, to partially revise our strategies, strengthen the coordination between the sales, research, and production divisions, and focus on deepening existing businesses while seeking new businesses, net sales declined significantly year on year due to the effects of the sluggish demand in the Chinese market, one of our target sales market.

Additionally, while we made efforts to improve profitability through price hikes and cost reductions, mainly in selling, general and administrative expenses, the rapidly-depreciating yen and the ensuing rise in raw material prices, further increases in fuel costs and purchased goods, declining net sales, as well as the delays in the stable operation of the new production line and the resulting reduction in production volume caused manufacturing costs to rise. Moreover, the profit situation also proved extremely challenging, as a result of the significant rise in cost of sales, due in part to our failure to eliminate valuation losses on long-term non-moving inventory.

As a result, net sales for the second quarter ended September 30, 2022 were 9,503 million yen (down 12.8% year on year). Operating loss was 805 million yen (operating profit of 122 million yen in the same period of the previous fiscal year). Ordinary loss was 487 million yen (ordinary profit of 204 million yen in the same period of the previous fiscal year) despite foreign exchange gains from monetary claims denominated in foreign currencies of 264 million yen recorded under non-operating income. Loss attributable to shareholders of the parent company was 346 million yen (profit attributable to shareholders of the parent company of 57 million yen in the same period of the previous fiscal year) despite a gain on sale of non-current assets of 150 million yen recorded under extraordinary income.

The Group engages in the manufacture and sale of adhesive tapes. Net sales by product category are as presented below.

#### (Packing tapes)

Sales at home improvement stores were sluggish due to conservative spending by consumers in light of the rising cost of living. As a result, the category’s net sales were 1,233 million yen (down 13.2% year on year).

#### (Electrical insulation and electronic equipment tapes)

Despite foreign exchange gains due to a weak yen being a positive factor for export products, production adjustments of automobiles, smartphones, and other products accompanying the Chinese lockdowns and global IC chip supply shortage resulted in sluggish sales of electronic equipment tapes. As a result, the category’s net sales were 4,816 million yen (down 18.3% year on year).

#### (Other industrial tapes)

Similar to the situation with packing tapes, home improvement store and office mail order sales, as well as sales of polyethylene cloth tapes for construction and civil engineering were sluggish due to conservative spending by consumers in light of the rising cost of living. As a result, the category’s net sales were 3,453 million yen (down 3.8% year on year).

(Reference) Sales performance

(Million yen)

Adhesive tape business by category	For the second quarter ended September 30, 2021		For the second quarter ended September 30, 2022		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	[132] 1,420	13.0%	[69] 1,233	13.0%	(187)	-13.2%
Electrical insulation and electronic equipment tapes	[2,799] 5,893	54.1%	[2,610] 4,816	50.7%	(1,077)	-18.3%
Other industrial tapes	[147] 3,588	32.9%	[100] 3,453	36.3%	(134)	-3.8%
Total	[3,079] 10,902	100.0%	[2,780] 9,503	100.0%	(1,398)	-12.8%

(Note) Figures in brackets [ ] indicate overseas net sales.

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review were 36,305 million yen, down 3.0% from the end of the previous fiscal year.

Current assets were 16,961 million yen, down 6.8% from the end of the previous fiscal year. This was primarily due to a decrease in trade receivables accompanying the decrease in net sales.

Non-current assets were 19,344 million yen, up 0.5% from the end of the previous fiscal year. This was primarily due to an increase in construction in progress due to capital investment.

Total liabilities at the end of the second quarter under review were 7,182 million yen, down 14.0% from the end of the previous fiscal year.

Current liabilities were 5,224 million yen, down 17.6% from the end of the previous fiscal year. This was primarily due to a decrease in liabilities related to facilities.

Non-current liabilities were 1,958 million yen, down 2.7% from the end of the previous fiscal year. This was primarily due to a decrease in deferred tax liabilities.

Total net assets at the end of the second quarter under review were 29,122 million yen, up 0.1% from the end of the previous fiscal year. This was primarily due to an increase in foreign currency translation adjustment.

As a result of the above, the capital adequacy ratio was 80.2% (77.7% at the end of the previous fiscal year).

### 2) Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of the second quarter under review were 5,031 million yen, up 217 million yen from the end of the previous fiscal year.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 865 million yen (87 million yen provided in the previous fiscal year). This was primarily due to the collection of trade receivables.

#### (Cash flows from investing activities)

Net cash used in investing activities was 670 million yen (1,197 million yen used in the previous fiscal year). This was primarily due to the purchase of property, plant and equipment.

#### (Cash flows from financing activities)

Net cash used in financing activities was 60 million yen (47 million yen used in the previous fiscal year). This was primarily due to the payment of dividends.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending March 31, 2023, which was announced on May 26, 2022 has been revised. For details, please refer to the “Notice Regarding Revision to the Consolidated Financial Results Forecast,” which was announced on October 21, 2022.

2.Quarterly Consolidated Financial Statements

(1)Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
<b>Assets</b>		
Current assets		
Cash and deposits	5,470	5,222
Notes receivable - trade	1,450	1,259
Electronically recorded monetary claims - operating	1,426	1,551
Accounts receivable - trade	4,176	3,122
Merchandise and finished goods	2,470	2,463
Work in process	1,322	1,636
Raw materials and supplies	1,165	1,429
Other	728	284
Allowance for doubtful accounts	(9)	(9)
Total current assets	18,202	16,961
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,735	15,344
Accumulated depreciation	(9,132)	(9,634)
Buildings and structures, net	5,603	5,710
Machinery, equipment and vehicles	23,008	23,692
Accumulated depreciation	(18,646)	(19,394)
Machinery, equipment and vehicles, net	4,361	4,298
Land	4,098	4,144
Leased assets	269	269
Accumulated depreciation	(94)	(103)
Leased assets, net	175	166
Construction in progress	177	372
Other	2,303	2,350
Accumulated depreciation	(1,865)	(1,968)
Other, net	438	381
Total property, plant and equipment	14,854	15,074
Intangible assets	397	362
Investments and other assets		
Investment securities	2,870	2,727
Deferred tax assets	5	5
Retirement benefit asset	979	974
Other	133	200
Total investments and other assets	3,988	3,907
Total non-current assets	19,240	19,344
Total assets	37,443	36,305

(Million yen)

	As of March 31,2022	As of September 30,2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,250	1,243
Electronically recorded obligations - operating	2,456	2,274
Short-term borrowings	60	123
Lease liabilities	19	19
Income taxes payable	159	46
Accrued expenses	485	446
Other	1,909	1,070
Total current liabilities	6,341	5,224
Non-current liabilities		
Long-term borrowings	724	713
Lease liabilities	171	161
Deferred tax liabilities	407	352
Provision for repairs	1	3
Retirement benefit liability	77	88
Asset retirement obligations	508	508
Long-term accounts payable - other	56	56
Other	65	72
Total non-current liabilities	2,012	1,958
Total liabilities	8,353	7,182
Net assets		
Shareholders' equity		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	17,632	17,158
Treasury shares	(462)	(462)
Total shareholders' equity	26,870	26,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	976
Foreign currency translation adjustment	622	1,301
Remeasurements of defined benefit plans	497	447
Total accumulated other comprehensive income	2,219	2,725
Total net assets	29,089	29,122
Total liabilities and net assets	37,443	36,305

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

**Quarterly Consolidated Statements of Income (For the second quarter)**

(Million yen)

	For the second quarter ended September 30,2021	For the second quarter ended September 30,2022
Net sales	10,902	9,503
Cost of sales	8,414	8,037
Gross profit	2,487	1,466
Selling, general and administrative expenses	2,364	2,272
Operating profit (loss)	122	(805)
Non-operating income		
Interest income	1	1
Dividend income	37	44
Foreign exchange gains	33	264
Other	29	63
Total non-operating income	103	373
Non-operating expenses		
Office relocation expenses	9	-
Rental expenses on real estate	-	23
Cost to deal with COVID	4	21
Other	7	9
Total non-operating expenses	21	54
Ordinary profit (loss)	204	(487)
Extraordinary income		
Gain on sale of non-current assets	-	150
Gain on sale of investment securities	3	-
Total extraordinary income	3	150
Profit (loss) before income taxes	208	(336)
Income taxes	151	10
Profit (loss)	57	(346)
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to shareholders of the parent company	57	(346)

**Quarterly Consolidated Statements of Comprehensive Income (For the second quarter)**

(Million yen)

	For the second quarter ended September 30,2021	For the second quarter ended September 30,2022
Profit (loss)	57	(346)
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(122)
Foreign currency translation adjustment	50	679
Remeasurements of defined benefit plans, net of tax	(59)	(50)
Total other comprehensive income	(7)	506
Comprehensive income	50	159
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of the parent company	50	159
Comprehensive income attributable to non-controlling interests	-	-

## Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the second quarter ended September 30,2021	For the second quarter ended September 30,2022
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	208	(336)
Depreciation	462	686
Loss on retirement of non-current assets	3	0
Increase (decrease) in retirement benefit liability	(77)	(71)
Interest and dividend income	(39)	(45)
Interest expenses	1	4
Foreign exchange losses (gains)	12	(100)
Decrease (increase) in trade receivables	274	1,204
Decrease (increase) in inventories	(492)	(372)
Increase (decrease) in trade payables	(91)	(304)
Loss (gain) on sale of investment securities	(3)	-
Loss (gain) on sale of non-current assets	-	(150)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(140)	318
Other, net	(15)	159
Subtotal	102	992
Interest and dividends received	39	45
Interest paid	(1)	(4)
Income taxes refund (paid)	(53)	(168)
Net cash provided by (used in) operating activities	87	865
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,352)	(1,407)
Proceeds from sale of property, plant and equipment	-	162
Purchase of intangible assets	(320)	-
Purchase of investment securities	(1)	(15)
Proceeds from sale of investment securities	17	-
Decrease (increase) in time deposits	459	590
Net cash provided by (used in) investing activities	(1,197)	(670)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	80	85
Proceeds from long-term borrowings	110	-
Repayments of long-term borrowings	-	(10)
Dividends paid	(227)	(126)
Purchase of treasury shares	(0)	(0)
Other, net	(9)	(8)
Net cash provided by (used in) financing activities	(47)	(60)
Effect of exchange rate change on cash and cash equivalents	33	84
Net increase (decrease) in cash and cash equivalents	(1,124)	217
Cash and cash equivalents at beginning of period	7,780	4,813
Cash and cash equivalents at end of period	6,656	5,031

#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate expected to be imposed on profit before income taxes (after tax effect accounting) for the consolidated fiscal year, in which the second quarter under review is included, and multiplying this estimated effective tax rate by the quarterly profit before income taxes. However, in cases where the estimated effective tax rate cannot be used, the statutory effective tax rate is used. Income taxes – deferred is included under income taxes.

(Changes in accounting policies)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the first quarter under review and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the quarterly consolidated financial statements.