

TERAOKA SEISAKUSHO CO., LTD.

INTERIM REPORT

The six-month period ended September 30, 2016

Consolidated Balance Sheets

September 30, 2016 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars
	September 30	March 31	September 30
ASSETS			
Current Assets:			
Cash and time deposits	¥7,160	¥6,856	\$70,806
Notes and accounts receivable:			
Trade	5,862	5,668	57,970
Less: Allowance for doubtful accounts	(7)	(7)	(65)
Inventories	3,860	4,347	38,175
Deferred income taxes	316	341	3,121
Other current assets	184	550	1,823
Total current assets	17,375	17,755	171,830
Property, Plant and Equipment:			
Land	4,015	4,052	39,708
Buildings and structures	11,319	11,614	111,936
Machinery and equipment	24,352	24,658	240,816
Construction in progress	60	69	597
	39,746	40,393	393,057
Less: Accumulated depreciation	(29,307)	(29,124)	(289,825)
Property, plant and equipment, net	10,439	11,269	103,232
Intangible Assets	426	477	4,214
Investments and Other Assets:			
Investments in securities	3,799	3,735	37,570
Deferred income taxes	7	7	73
Net defined benefit asset	61	26	601
Other	180	226	1,775
Less: Allowance for doubtful accounts	(0)	(0)	(0)
Total investments and other assets	4,047	3,994	40,019
Total assets	¥32,287	¥33,495	\$319,295

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

	Millions of yen		Thousands of U.S. dollars
	<u>September 30</u>	<u>March 31</u>	<u>September 30</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes and accounts payable:			
Trade	¥3,027	¥3,267	\$29,934
Short-term borrowings	4	4	37
Accrued income taxes	19	16	188
Accrued expenses	450	457	4,454
Other current liabilities	588	750	5,818
Total current liabilities	<u>4,088</u>	<u>4,494</u>	<u>40,431</u>
Long-term Liabilities:			
Net defined benefit liability	26	29	258
Deferred liabilities taxes	620	597	6,127
Asset retirement obligations	294	294	2,909
Other	113	118	1,115
Total long-term liabilities	<u>1,053</u>	<u>1,038</u>	<u>10,409</u>
Total liabilities	<u>5,141</u>	<u>5,532</u>	<u>50,840</u>
NET ASSETS			
Stockholders' Equity:			
Common stock:	5,057	5,057	50,011
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2016 and 26,687,955 shares as of March 31, 2016, respectively			
Additional paid-in capital	4,644	4,644	45,926
Retained earnings	16,312	16,410	161,316
Less: Treasury stock, at cost	(462)	(137)	(4,572)
Total stockholders' equity	<u>25,551</u>	<u>25,974</u>	<u>252,681</u>
Accumulated other comprehensive income			
Unrealized gains on securities	1,693	1,653	16,743
Foreign currency translation adjustments	(59)	384	(580)
Remeasurements of defined benefit plans	(39)	(48)	(389)
Total accumulated other comprehensive income	<u>1,595</u>	<u>1,989</u>	<u>15,774</u>
Total net assets	<u>27,146</u>	<u>27,963</u>	<u>268,455</u>
Total liabilities and net assets	<u>¥32,287</u>	<u>¥33,495</u>	<u>\$319,295</u>

Consolidated Statements of Income

For the six-month period ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net Sales	¥10,254	¥11,000	\$101,404
Cost of Sales	7,433	7,904	73,511
Gross profit	2,821	3,096	27,893
Selling, General and Administrative Expenses	2,310	2,389	22,842
Operating income	511	707	5,051
Other Income and Expenses:			
Interest and dividend income	46	43	454
Interest expenses	(0)	(1)	(1)
Foreign exchange gains (losses), net	(564)	24	(5,574)
Gain on sales of investment securities	—	139	—
Other, net	80	(22)	790
	(438)	183	(4,331)
Income before income taxes	73	890	720
Income taxes	39	252	384
Net income	¥34	¥638	\$336
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	34	638	336
Per Share of Common Stock:			
	Yen	Yen	US Dollars
Net income	¥1.30	¥24.26	\$0.01
Cash dividends	5.00	6.00	0.05

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income	¥34	¥638	\$336
Other Comprehensive Income			
Unrealized gains on securities	40	(130)	394
Foreign currency translation adjustments	(443)	(29)	(4,376)
Remeasurements of defined benefit plans, net of tax	9	(67)	87
Total other comprehensive income	(394)	(226)	(3,895)
Comprehensive Income	(¥360)	¥412	(\$3,559)
Total comprehensive income attributable to:			
Comprehensive income attributable to owner of parent	(¥360)	¥412	(\$3,559)
Comprehensive income attributable to non-controlling interests	—	—	—

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

Consolidated Statements of Changes in Net Assets

For the six-month period ended September 30, 2016 and 2015

	Millions of Yen									
	Stockholders' Equity					Accumulated Other Comprehensive Income				Total Net Assets
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Total Stockholders' Equity	Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	
Balance at April 1, 2015	¥5,057	¥4,644	¥15,973	(¥137)	¥25,537	¥1,682	¥688	¥361	¥2,731	
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

	Millions of Yen									
	Stockholders' Equity					Accumulated Other Comprehensive Income				Total Net Assets
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Total Stockholders' Equity	Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	
Balance at April 1, 2016	¥5,057	¥4,644	¥16,410	(¥137)	¥25,974	¥1,653	¥384	(¥48)	¥1,989	
Cash dividends paid	—	—	(132)	—	(132)	—	—	—	—	(132)
Net income	—	—	34	—	34	—	—	—	—	34
Purchase of treasury stock	—	—	—	(325)	(325)	—	—	—	—	(325)
Net changes of items other than Stockholders' equity	—	—	—	—	—	40	(443)	9	(394)	(394)
Total changes of items during the period	—	—	(98)	(325)	(423)	40	(443)	9	(394)	(817)
Balance at September 30, 2016	¥5,057	¥4,644	¥16,312	(¥462)	¥25,551	¥1,693	(¥59)	(¥39)	¥1,595	¥27,146

	Thousands of U.S. dollars									
	Stockholders' Equity					Accumulated Other Comprehensive Income				Total Net Assets
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Total Stockholders' Equity	Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	
Balance at April 1, 2016	\$50,011	\$45,926	\$162,282	(\$1,358)	\$256,861	\$16,349	\$3,796	(\$476)	\$19,669	
Cash dividends paid	—	—	(1,302)	—	(1,302)	—	—	—	—	(1,302)
Net income	—	—	336	—	336	—	—	—	—	336
Purchase of treasury stock	—	—	—	(3,214)	(3,214)	—	—	—	—	(3,214)
Net changes of items other than Stockholders' equity	—	—	—	—	—	394	(4,376)	87	(3,895)	(3,895)
Total changes of items during the period	—	—	(966)	(3,214)	(4,180)	394	(4,376)	87	(3,895)	(8,075)
Balance at September 30, 2016	\$50,011	\$45,926	\$161,316	(\$4,572)	\$252,681	\$16,743	(\$580)	(\$389)	\$15,774	\$268,455

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, 2016 and 2015

	Millions of yen		Thousands of
	2016	2015	2016
Operating Activities:			
Income before income taxes	¥73	¥890	\$720
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	426	476	4,212
Gain on sales of investment securities	—	(139)	—
Increase (decrease) in allowance for doubtful accounts	(0)	(1)	(0)
Increase (decrease) in net defined benefit liability	(3)	(65)	(31)
Interest and dividends income	(46)	(43)	(454)
Interest expenses	0	1	1
Foreign exchange losses (gains)	434	14	4,291
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(232)	(219)	(2,290)
(Increase) decrease in inventories	420	(55)	4,152
Increase (decrease) in notes and accounts payable	(209)	(484)	(2,068)
Other, net	34	156	337
Subtotal	897	531	8,870
Interest and dividends income received	46	43	454
Interest expenses paid	(0)	(1)	(1)
Income taxes (paid) refund	210	(435)	2,072
Net cash provided by operating activities	1,153	138	11,395
Investing Activities:			
Payment for purchases of property, plant and equipment	(140)	(163)	(1,384)
Payment for purchases of intangible assets	(15)	(124)	(144)
Payment for purchases of investment in securities	(1)	(1)	(14)
Proceeds from sales of investment securities	—	214	—
Decrease (increase) in time deposits	—	63	—
Net cash used in investing activities	(156)	(11)	(1,542)
Financing Activities:			
Dividends paid	(132)	(132)	(1,302)
Purchase of treasury shares	(325)	(0)	(3,214)
Net cash used in financing activities	(457)	(132)	(4,516)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(203)	(25)	(2,007)
Net Increase (Decrease) in Cash and Cash Equivalents	337	(30)	3,330
Cash and Cash Equivalents at Beginning of Period	6,536	6,035	64,639
Cash and Cash Equivalents at End of Period	¥6,873	¥6,005	\$67,969

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, 2016, which was ¥101.12 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, 2016 and 2015, amounted to ¥13million (US\$ 129 thousand) and ¥17 million respectively.

Corporate Information

(as of September 30, 2016)

Head Office	4-22, Hiromachi 1-chome Shinagawa-ku, Tokyo 140-8711, Japan Tel: 81-3-3491-1141 Fax: 81-3-3491-1286
Founded	February 11, 1921
Paid-in Capital	¥5,057 million
Stockholders	3,079
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	476 (Consolidated:657)
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	http://www.teraokatape.co.jp