

**TERAOKA SEISAKUSHO CO., LTD.**

# **INTERIM REPORT**

The six-month period ended September 30, 2017

**Consolidated Balance Sheets**

September 31, 2017 and March 31, 2017

	Millions of yen		Thousands of U.S. dollars
	September 30	March 31	September 30
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits	¥8,512	¥8,223	\$75,504
Notes and accounts receivable - trade	6,014	5,583	53,346
Electronically recorded monetary claims - operating	900	549	7,983
Less: Allowance for doubtful accounts	(7)	(7)	(62)
Inventories	3,492	3,965	30,972
Deferred income taxes	292	324	2,587
Other current assets	282	354	2,503
Total current assets	19,485	18,991	172,833
<b>Property, Plant and Equipment:</b>			
Land	4,052	4,051	35,944
Buildings and structures	11,700	11,645	103,781
Machinery and equipment	24,899	24,792	220,851
Leased assets	269	269	2,390
Construction in progress	88	97	777
	41,008	40,854	363,743
Less: Accumulated depreciation	(30,067)	(29,782)	(266,694)
Property, plant and equipment, net	10,941	11,072	97,049
<b>Intangible Assets</b>	330	366	2,930
<b>Investments and Other Assets:</b>			
Investments in securities	4,420	3,893	39,204
Deferred income taxes	7	7	63
Net defined benefit asset	84	88	746
Other	197	226	1,741
Less: Allowance for doubtful accounts	(3)	(3)	(29)
Total investments and other assets	4,705	4,211	41,725
Total assets	¥35,461	¥34,640	\$314,537

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
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Notes and accounts payable - trade	¥1,232	¥1,226	\$10,924
Electronically recorded obligations - operating	2,377	2,482	21,083
Short-term borrowings	4	4	38
Lease obligations	19	19	172
Accrued income taxes	238	176	2,112
Accrued expenses	549	484	4,869
Other current liabilities	631	693	5,596
Total current liabilities	5,050	5,084	44,794
<b>Long-term Liabilities:</b>			
Lease obligations	259	268	2,294
Deferred liabilities taxes	702	545	6,225
Provision for environmental measures	316	316	2,799
Net defined benefit liability	33	31	296
Asset retirement obligations	293	293	2,597
Long-term accounts payable	56	57	503
Other	52	52	461
Total long-term liabilities	1,711	1,562	15,175
Total liabilities	6,761	6,646	59,969
<b>NET ASSETS</b>			
<b>Stockholders' Equity:</b>			
Common stock:	5,057	5,057	44,857
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2017 and 26,687,955 shares as of March 31, 2017, respectively			
Additional paid-in capital	4,644	4,644	41,192
Retained earnings	17,058	16,768	151,307
Less: Treasury stock, at cost	(462)	(462)	(4,102)
Total stockholders' equity	26,297	26,007	233,254
<b>Accumulated other comprehensive income</b>			
Unrealized gains on securities	2,039	1,669	18,086
Foreign currency translation adjustments	367	322	3,254
Remeasurements of defined benefit plans	(3)	(4)	(26)
Total accumulated other comprehensive income	2,403	1,987	21,314
Total net assets	28,700	27,994	254,568
Total liabilities and net assets	¥35,461	¥34,640	\$314,537

**Consolidated Statements of Income**

For the six-month period ended September 30, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
<b>Net Sales</b>	<b>¥11,347</b>	¥10,254	<b>\$100,654</b>
<b>Cost of Sales</b>	<b>8,319</b>	7,433	<b>73,793</b>
Gross profit	<b>3,028</b>	2,821	<b>26,861</b>
<b>Selling, General and Administrative Expenses</b>	<b>2,387</b>	2,310	<b>21,170</b>
Operating income	<b>641</b>	511	<b>5,691</b>
<b>Other Income and Expenses:</b>			
Interest and dividend income	<b>50</b>	46	<b>445</b>
Interest expenses	<b>(0)</b>	(0)	<b>(1)</b>
Foreign exchange gains (losses), net	<b>(1)</b>	(564)	<b>(14)</b>
Amortization of initial cost of business	<b>(13)</b>	(13)	<b>(112)</b>
Other, net	<b>16</b>	93	<b>143</b>
	<b>52</b>	(438)	<b>461</b>
Income before income taxes	<b>693</b>	73	<b>6,152</b>
<b>Income taxes</b>	<b>250</b>	39	<b>2,226</b>
Net income	<b>¥443</b>	¥34	<b>\$3,926</b>
Profit attributable to non-controlling interests	-	-	-
Profit attributable to owners of parent	<b>443</b>	34	<b>3,926</b>
<b>Per Share of Common Stock:</b>			
	Yen	Yen	US Dollars
Net income	<b>¥17.47</b>	¥1.30	<b>\$0.15</b>
Cash dividends	<b>6.00</b>	5.00	<b>0.05</b>

*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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income	<b>¥443</b>	¥34	<b>\$3,926</b>
<b>Other Comprehensive Income</b>			
Unrealized gains on securities	<b>369</b>	40	<b>3,274</b>
Foreign currency translation adjustments	<b>45</b>	(443)	<b>403</b>
Remeasurements of defined benefit plans, net of tax	<b>1</b>	9	<b>6</b>
Total other comprehensive income	<b>415</b>	(394)	<b>3,683</b>
Comprehensive Income	<b>¥858</b>	(¥360)	<b>\$7,609</b>
<b>Total comprehensive income attributable to:</b>			
Comprehensive income attributable to owner of parent	<b>¥858</b>	(¥360)	<b>\$7,609</b>
Comprehensive income attributable to non-controlling interests	—	—	—

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**Consolidated Statements of Changes in Net Assets**

For the six-month period ended September 30, 2017 and 2016

	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	
<b>Balance at April 1, 2016</b>	¥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)
<b>Balance at September 30, 2016</b>	¥5,057	¥4,644	¥16,312	(¥462)	¥25,551	¥1,693	(¥59)	(¥39)	¥1,595	¥27,146

<b>Balance at April 1, 2017</b>	¥5,057	¥4,644	¥16,768	(¥462)	¥26,007	¥1,669	¥322	(¥4)	¥1,987	¥27,994
Cash dividends paid	—	—	(152)	—	(152)	—	—	—	—	(152)
Net income	—	—	443	—	443	—	—	—	—	443
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes of items other than Stockholders' equity	—	—	—	—	—	369	45	1	415	415
Total changes of items during the period	—	—	291	(0)	291	369	45	1	415	706
<b>Balance at September 30, 2017</b>	¥5,057	¥4,644	¥17,058	(¥462)	¥26,297	¥2,039	¥367	(¥3)	¥2,403	¥28,700

	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	
<b>Balance at April 1, 2017</b>	\$44,857	\$41,192	\$148,729	(\$4,101)	\$230,677	\$14,812	\$2,851	(\$32)	\$17,631	
Cash dividends paid	—	—	(1,348)	—	(1,348)	—	—	—	—	(1,348)
Net income	—	—	3,926	—	3,926	—	—	—	—	3,926
Purchase of treasury stock	—	—	—	(1)	(1)	—	—	—	—	(1)
Net changes of items other than Stockholders' equity	—	—	—	—	—	3,274	403	6	3,683	3,683
Total changes of items during the period	—	—	2,578	(1)	2,577	3,274	403	6	3,683	6,260
<b>Balance at September 30, 2017</b>	\$44,857	\$41,192	\$151,307	(\$4,102)	\$233,254	\$18,086	\$3,254	(\$26)	\$21,314	\$254,568

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, 2017 and 2016

	Millions of yen		Thousands of
	2017	2016	2017
<b>Operating Activities:</b>			
Income before income taxes	<b>¥693</b>	¥73	<b>\$6,152</b>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	<b>418</b>	426	<b>3,705</b>
Increase (decrease) in allowance for doubtful accounts	—	(0)	—
Increase (decrease) in net defined benefit liability	<b>7</b>	(3)	<b>60</b>
Interest and dividends income	<b>(50)</b>	(46)	<b>(445)</b>
Interest expenses	<b>0</b>	0	<b>1</b>
Foreign exchange losses (gains)	<b>(1)</b>	434	<b>(5)</b>
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	<b>(781)</b>	(232)	<b>(6,926)</b>
(Increase) decrease in inventories	<b>474</b>	420	<b>4,201</b>
Increase (decrease) in notes and accounts payable	<b>(100)</b>	(209)	<b>(890)</b>
Other, net	<b>267</b>	34	<b>2,366</b>
<b>Subtotal</b>	<b>927</b>	897	<b>8,219</b>
Interest and dividends income received	<b>50</b>	46	<b>445</b>
Interest expenses paid	<b>(0)</b>	(0)	<b>(1)</b>
Income taxes (paid) refund	<b>(130)</b>	210	<b>(1,149)</b>
<b>Net cash provided by operating activities</b>	<b>847</b>	1,153	<b>7,514</b>
<b>Investing Activities:</b>			
Payment for purchases of property, plant and equipment	<b>(379)</b>	(140)	<b>(3,363)</b>
Payment for purchases of intangible assets	<b>(29)</b>	(15)	<b>(255)</b>
Payment for purchases of investment in securities	<b>(1)</b>	(1)	<b>(13)</b>
<b>Net cash used in investing activities</b>	<b>(409)</b>	(156)	<b>(3,631)</b>
<b>Financing Activities:</b>			
Payment for acquisition of treasury stock	<b>(0)</b>	(325)	<b>(1)</b>
Dividends paid	<b>(152)</b>	(132)	<b>(1,348)</b>
Other, net	<b>(15)</b>	—	<b>(129)</b>
<b>Net cash used in financing activities</b>	<b>(167)</b>	(457)	<b>(1,478)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>19</b>	(203)	<b>165</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>290</b>	337	<b>2,570</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>7,905</b>	6,536	<b>70,118</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥8,195</b>	¥6,873	<b>\$72,688</b>

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

## Notes to Consolidated Financial Statements

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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, 2017, which was ¥112.74 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, 2017 and 2016, amounted to ¥3million (US\$ 28 thousand) and ¥13 million respectively.

### Corporate Information

(as of September 30, 2017)

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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	3,027
Stock Listing	Tokyo Stock Exchange, 2 <sup>nd</sup> Section
Transfer Agency	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome Chiyoda-ku, Tokyo 100-8212, Japan
Employees	480 (Consolidated:671)
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	<a href="http://www.teraokatape.co.jp">http://www.teraokatape.co.jp</a>