

**TERAOKA SEISAKUSHO CO., LTD.**

# **INTERIM REPORT**

The six-month period ended September 30, 2018

**Consolidated Balance Sheets**

September 31, 2018 and March 31, 2018

	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	¥9,154	¥9,077	\$80,598
Notes and accounts receivable - trade	6,292	5,909	55,394
Electronically recorded monetary claims - operating	1,150	1,013	10,122
Less: Allowance for doubtful accounts	(9)	(9)	(80)
Inventories	4,165	3,711	36,671
Other current assets	284	308	2,502
Total current assets	21,036	20,009	185,207
<b>Property, Plant and Equipment:</b>			
Land	4,055	4,032	35,702
Buildings and structures	11,959	11,549	105,288
Machinery and equipment	24,946	24,763	219,633
Leased assets	269	269	2,372
Construction in progress	125	285	1,102
	41,354	40,898	364,097
Less: Accumulated depreciation	(30,427)	(30,101)	(267,888)
Property, plant and equipment, net	10,927	10,797	96,209
<b>Intangible Assets</b>	234	285	2,060
<b>Investments and Other Assets:</b>			
Investments in securities	3,714	4,134	32,701
Deferred income taxes	0	0	2
Net defined benefit asset	182	177	1,599
Other	156	174	1,375
Less: Allowance for doubtful accounts	(1)	(1)	(6)
Total investments and other assets	4,051	4,484	35,671
Total assets	¥36,248	¥35,575	\$319,147

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	¥1,355	¥1,294	\$11,929
Electronically recorded obligations - operating	2,613	2,455	23,006
Lease obligations	19	19	171
Accrued income taxes	326	203	2,870
Accrued expenses	602	560	5,298
Other current liabilities	769	953	6,773
Total current liabilities	5,684	5,484	50,047
<b>Long-term Liabilities:</b>			
Lease obligations	239	249	2,107
Deferred liabilities taxes	291	396	2,566
Provision for environmental measures	316	316	2,778
Net defined benefit liability	45	40	394
Asset retirement obligations	297	297	2,614
Long-term accounts payable	57	57	499
Other	52	50	461
Total long-term liabilities	1,297	1,405	11,419
Total liabilities	6,981	6,889	61,466
<b>NET ASSETS</b>			
<b>Stockholders' Equity:</b>			
Common stock:	5,057	5,057	44,525
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2018 and 26,687,955 shares as of March 31, 2018, respectively			
Additional paid-in capital	4,644	4,644	40,887
Retained earnings	18,056	17,385	158,980
Less: Treasury stock, at cost	(462)	(462)	(4,073)
Total stockholders' equity	27,295	26,624	240,319
<b>Accumulated other comprehensive income</b>			
Unrealized gains on securities	1,559	1,847	13,733
Foreign currency translation adjustments	360	151	3,167
Remeasurements of defined benefit plans	53	64	462
Total accumulated other comprehensive income	1,972	2,062	17,362
Total net assets	29,267	28,686	257,681
Total liabilities and net assets	¥36,248	¥35,575	\$319,147

**Consolidated Statements of Income**

For the six-month period ended September 30, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Net Sales</b>	<b>¥11,915</b>	¥11,347	<b>\$104,912</b>
<b>Cost of Sales</b>	<b>8,364</b>	8,319	<b>73,643</b>
Gross profit	<b>3,551</b>	3,028	<b>31,269</b>
<b>Selling, General and Administrative Expenses</b>	<b>2,598</b>	2,387	<b>22,875</b>
Operating income	<b>953</b>	641	<b>8,394</b>
<b>Other Income and Expenses:</b>			
Interest and dividend income	<b>51</b>	50	<b>454</b>
Interest expenses	—	(0)	—
Foreign exchange gains (losses), net	<b>149</b>	(1)	<b>1,309</b>
Amortization of business commencement expenses	—	(13)	—
Loss on retirement of non-current assets	<b>(24)</b>	—	<b>(215)</b>
Other, net	<b>26</b>	16	<b>234</b>
	<b>202</b>	52	<b>1,782</b>
Income before income taxes	<b>1,155</b>	693	<b>10,176</b>
<b>Income taxes</b>	<b>332</b>	250	<b>2,922</b>
Net income	<b>¥823</b>	¥443	<b>\$7,254</b>
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	<b>823</b>	443	<b>7,254</b>
<b>Per Share of Common Stock:</b>			
	Yen	Yen	US Dollars
Net income	<b>¥32.52</b>	¥17.47	<b>\$0.29</b>
Cash dividends	<b>9.00</b>	6.00	<b>0.08</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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income	<b>¥823</b>	¥443	<b>\$7,254</b>
<b>Other Comprehensive Income</b>			
Unrealized gains on securities	<b>(288)</b>	369	<b>(2,536)</b>
Foreign currency translation adjustments	<b>209</b>	45	<b>1,839</b>
Remeasurements of defined benefit plans, net of tax	<b>(11)</b>	1	<b>(105)</b>
Total other comprehensive income	<b>(90)</b>	415	<b>(802)</b>
Comprehensive Income	<b>¥733</b>	¥858	<b>\$6,452</b>
<b>Total comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent	<b>¥733</b>	¥858	<b>\$6,452</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, 2018 and 2017

	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, 2017</b>										
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

<b>Balance at April 1, 2018</b>	¥5,057	¥4,644	¥17,385	(¥462)	¥26,624	¥1,847	¥151	¥64	¥2,062	¥28,686
Cash dividends paid	—	—	(152)	—	(152)	—	—	—	—	(152)
Net income	—	—	823	—	823	—	—	—	—	823
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes of items other than Stockholders' equity	—	—	—	—	—	(288)	209	(11)	(90)	(90)
Total changes of items during the period	—	—	671	(0)	671	(288)	209	(11)	(90)	581
<b>Balance at September 30, 2018</b>	¥5,057	¥4,644	¥18,056	(¥462)	¥27,295	¥1,559	¥360	¥53	¥1,972	¥29,267

	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, 2018</b>										
Cash dividends paid	—	—	(1,338)	—	(1,338)	—	—	—	—	(1,338)
Net income	—	—	7,254	—	7,254	—	—	—	—	7,254
Purchase of treasury stock	—	—	—	(1)	(1)	—	—	—	—	(1)
Net changes of items other than Stockholders' equity	—	—	—	—	—	(2,536)	1,839	(105)	(802)	(802)
Total changes of items during the period	—	—	5,916	(1)	5,915	(2,536)	1,839	(105)	(802)	5,113
<b>Balance at September 30, 2018</b>	\$44,525	\$40,887	\$158,980	(\$4,073)	\$240,319	\$13,733	\$3,167	\$462	\$17,362	\$257,681

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Operating Activities:</b>			
Income before income taxes	¥1,155	¥693	\$10,176
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	447	418	3,934
Loss on retirement of non-current assets	24	—	215
Increase (decrease) in allowance for doubtful accounts	(0)	—	(1)
Increase (decrease) in net defined benefit liability	(17)	7	(146)
Interest and dividends income	(51)	(50)	(454)
Interest expenses	—	0	—
Foreign exchange losses (gains)	(57)	(1)	(501)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(493)	(781)	(4,343)
(Increase) decrease in inventories	(424)	474	(3,736)
Increase (decrease) in notes and accounts payable	197	(100)	1,737
Other, net	47	267	409
<b>Subtotal</b>	<b>828</b>	<b>927</b>	<b>7,290</b>
Interest and dividends income received	51	50	454
Interest expenses paid	—	(0)	—
Income taxes (paid) refund	(167)	(130)	(1,476)
<b>Net cash provided by operating activities</b>	<b>712</b>	<b>847</b>	<b>6,268</b>
<b>Investing Activities:</b>			
Purchase of property, plant and equipment	(555)	(379)	(4,887)
Payments for retirement of property, plant and equipment	(24)	—	(208)
Purchase of intangible assets	(11)	(29)	(100)
Purchase of investment securities	(1)	(1)	(11)
Decrease (increase) in time deposits	(98)	—	(863)
<b>Net cash used in investing activities</b>	<b>(689)</b>	<b>(409)</b>	<b>(6,069)</b>
<b>Financing Activities:</b>			
Dividends paid	(152)	(152)	(1,338)
Payment for acquisition of treasury stock	(0)	(0)	(1)
Other, net	(10)	(15)	(85)
<b>Net cash used in financing activities</b>	<b>(162)</b>	<b>(167)</b>	<b>(1,424)</b>
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>91</b>	<b>19</b>	<b>803</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(48)</b>	<b>290</b>	<b>(422)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>8,725</b>	<b>7,905</b>	<b>76,819</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥8,677</b>	<b>¥8,195</b>	<b>\$76,397</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, 2018, which was ¥113.58 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, 2018 and 2017, amounted to ¥11million (US\$ 99 thousand) and ¥3 million respectively.

### Corporate Information

(as of September 30, 2018)

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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	2,989
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	500 (Consolidated:691)
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	<a href="https://www.teraokatape.co.jp">https://www.teraokatape.co.jp</a>