

TERAOKA SEISAKUSHO CO., LTD.

INTERIM REPORT

The six-month period ended September 30, 2019

Consolidated Balance Sheets

September 30, 2019 and March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	September 30	March 31	September 30
ASSETS			
Current Assets:			
Cash and time deposits	¥9,772	¥9,425	\$90,516
Notes and accounts receivable - trade	5,662	5,685	52,443
Electronically recorded monetary claims - operating	947	1,274	8,771
Less: Allowance for doubtful accounts	(8)	(8)	(69)
Merchandise and finished goods	1,610	1,715	14,910
Work in process	1,117	1,253	10,349
Raw materials and supplies	1,241	1,238	11,491
Other	361	355	3,349
Total current assets	20,702	20,937	191,760
Property, Plant and Equipment:			
Buildings and structures	11,883	11,949	110,065
Machinery, equipment and vehicle	22,436	22,488	207,822
Land	4,037	4,047	37,394
Leased assets	269	269	2,496
Construction in progress	457	172	4,235
Other	2,172	2,083	20,123
	41,254	41,008	382,135
Less: Accumulated depreciation	(30,519)	(30,226)	(282,697)
Property, plant and equipment, net	10,735	10,782	99,438
Intangible Assets	166	209	1,541
Investments and Other Assets:			
Investments in securities	3,119	3,579	28,888
Deferred income taxes	0	35	0
Net defined benefit asset	127	119	1,172
Other	169	193	1,568
Less: Allowance for doubtful accounts	(0)	(0)	(3)
Total investments and other assets	3,415	3,926	31,625
Total assets	¥35,018	¥35,854	\$324,364

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	¥1,361	¥1,263	\$12,604
Electronically recorded obligations - operating	2,578	2,603	23,877
Lease obligations	19	19	180
Accrued income taxes	143	191	1,328
Accrued expenses	484	593	4,484
Other	809	925	7,491
Total current liabilities	5,394	5,594	49,964
Long-term Liabilities:			
Lease obligations	220	230	2,037
Deferred liabilities taxes	141	284	1,305
Provision for environmental measures	316	316	2,923
Net defined benefit liability	45	43	420
Asset retirement obligations	301	301	2,789
Long-term accounts payable - other	57	57	525
Other	50	51	470
Total long-term liabilities	1,130	1,282	10,469
Total liabilities	6,524	6,876	60,433
NET ASSETS			
Stockholders' Equity:			
Common stock:	5,057	5,057	46,843
Authorized: 80,000,000 shares			
Issued: 26,687,955 shares as of September 30, 2019 and 26,687,955 shares as of March 31, 2019, respectively			
Additional paid-in capital	4,644	4,644	43,016
Retained earnings	18,024	18,039	166,958
Less: Treasury stock, at cost	(462)	(462)	(4,286)
Total stockholders' equity	27,263	27,278	252,531
Accumulated other comprehensive income			
Unrealized gains on securities	1,150	1,445	10,652
Foreign currency translation adjustments	87	263	809
Remeasurements of defined benefit plans	(6)	(8)	(61)
Total accumulated other comprehensive income	1,231	1,700	11,400
Total net assets	28,494	28,978	263,931
Total liabilities and net assets	¥35,018	¥35,854	\$324,364

Consolidated Statements of Income

For the six-month period ended September 30, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net Sales	¥11,299	¥11,915	\$104,661
Cost of Sales	8,574	8,364	79,417
Gross profit	2,725	3,551	25,244
Selling, General and Administrative Expenses	2,648	2,598	24,526
Operating income	77	953	718
Other Income and Expenses:			
Interest income	6	3	55
Dividend income	51	48	470
Foreign exchange gains (losses), net	(157)	149	(1,459)
Loss on retirement of non-current assets	(0)	(24)	(0)
Gain on sales of investment securities	248	-	2,294
Other, net	15	26	149
	163	202	1,509
Income before income taxes	240	1,155	2,227
Income taxes	128	332	1,192
Net income	¥112	¥823	\$1,035
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	112	823	1,035
Per Share of Common Stock:			
	Yen	Yen	US Dollars
Net income	¥4.41	¥32.52	\$0.04
Cash dividends	5.00	9.00	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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income	¥112	¥823	\$1,035
Other Comprehensive Income			
Unrealized gains on securities	(295)	(288)	(2,733)
Foreign currency translation adjustments	(176)	209	(1,634)
Remeasurements of defined benefit plans, net of tax	1	(11)	14
Total other comprehensive income	(470)	(90)	(4,353)
Comprehensive Income	(¥358)	¥733	(\$3,318)
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	(¥358)	¥733	(\$3,318)
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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating Activities:			
Income before income taxes	¥240	¥1,155	\$2,227
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	478	447	4,430
Loss on retirement of non-current assets	0	24	0
Loss (gain) on sales of investment securities	(248)	—	(2,294)
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(1)
Increase (decrease) in net defined benefit liability	(3)	(17)	(25)
Interest and dividends income	(57)	(51)	(525)
Foreign exchange losses (gains)	100	(57)	925
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	343	(493)	3,179
(Increase) decrease in inventories	223	(424)	2,067
Increase (decrease) in notes and accounts payable	80	197	740
Other, net	(111)	47	(1,036)
Subtotal	1,045	828	9,687
Interest and dividends income received	57	51	525
Income taxes (paid) refund	(155)	(167)	(1,435)
Net cash provided by operating activities	947	712	8,777
Investing Activities:			
Purchase of property, plant and equipment	(653)	(555)	(6,050)
Payments for retirement of property, plant and equipment	—	(24)	—
Purchase of intangible assets	(24)	(11)	(225)
Purchase of investment securities	(2)	(1)	(15)
Proceeds from sales of investment securities	286	—	2,646
Decrease (increase) in time deposits	(111)	(98)	(1,027)
Net cash used in investing activities	(504)	(689)	(4,671)
Financing Activities:			
Dividends paid	(127)	(152)	(1,173)
Payment for acquisition of treasury stock	(0)	(0)	(0)
Other, net	(9)	(10)	(90)
Net cash used in financing activities	(136)	(162)	(1,263)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(56)	91	(515)
Net Increase (Decrease) in Cash and Cash Equivalents	251	(48)	2,328
Cash and Cash Equivalents at Beginning of Period	8,960	8,725	82,990
Cash and Cash Equivalents at End of Period	¥9,211	¥8,677	\$85,318

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, 2019, which was ¥107.96 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, 2019 and 2018, amounted to ¥4million (US\$ 38 thousand) and ¥11 million respectively.

Corporate Information

(as of September 30, 2019)

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	3,592
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	545 (Consolidated:739)
Branch Offices	Tokyo, Osaka, Nagoya, and Seoul
Representative Office	Taipei
R&D Center	Tokyo
Factories	Ibaraki, Sano, Kannami
Website	https://www.teraokatape.co.jp