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## Consolidated Financial Results for the Third Quarter Ended December 31, 2022 [Japanese GAAP]

January 30, 2023

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

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Director

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Scheduled date of filing quarterly securities report: February 13, 2023

Scheduled date of commencing dividend payments: -

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 Third quarter Ended December 31, 2022 (April 01, 2022 to December 31, 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	%
Third quarter ended December 31, 2022	14,528	(12.4)	(1,161)	-	(891)	-	(651)	-
December 31, 2021	16,583	7.5	15	-	215	-	48	-

(Note) Comprehensive income: Third quarter ended December 31, 2022: ¥ (368) million [ -% ]  
Third quarter ended December 31, 2021: ¥ 89 million [ -% ]

	Basic earnings per share	Diluted earnings per share
Third quarter ended	Yen	Yen
December 31, 2022	(25.72)	-
December 31, 2021	1.91	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2022	36,007	28,518	79.2
March 31, 2022	37,443	29,089	77.7

(Reference) Equity: As of December 31, 2022: ¥ 28,518 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: No

## 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 third quarter ended December 31, 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):

December 31, 2022: 26,687,955 shares

March 31, 2022: 26,687,955 shares

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

December 31, 2022: 1,356,004 shares

March 31, 2022: 1,355,908 shares

##### 3) Average number of shares during the period:

Third quarter ended December 31, 2022: 25,331,999 shares

Third quarter ended December 31, 2021: 25,332,314 shares

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the third quarter ended December 31, 2022 (from April 1, 2022 to December 31, 2022), the Japanese economy was affected by the depreciation of the yen, which started the period at 122 yen to the dollar but hit the 150-yen level in October for the first time in 32 years. Increases in raw material prices driven by the cheap yen and rising resource prices weighed on business confidence. Accordingly, the Short-Term Economic Survey of Enterprises in Japan (Tankan) conducted by the Bank of Japan for December showed that the diffusion index (DI) of large companies in the manufacturing industry had deteriorated for four consecutive terms.

Meanwhile, turning our attention to the global economy, the US and Europe saw an apparent economic slowdown as the globally rising cost of living continued to put pressure on household budgets, despite a recovery in consumption of services and strong demand for capital investment. In China, the zero-COVID policy was relaxed in December, but with its real GDP growing by 2.9% year on year in the three months to December, its real GDP growth of 3.0% for the full year of 2022 was well below the government's target of around 5.5%.

Within the context of this economic environment, the Group focused on correcting the undershooting of the plan up to the second quarter by deepening existing businesses while seeking new businesses. However, net sales declined significantly year on year as the Group was seriously impacted by the sluggish demand in the Chinese market, one of our target sales markets.

We improved profitability through price hikes and cost reductions, mainly in selling, general and administrative expenses, and have offered the prospect of clearing long-term non-moving inventory. The profit situation, however, proved extremely challenging, impacted mainly by the depreciating yen and the ensuing rise in raw material prices, further increases in fuel costs. Also, the cost of sales remained high as a reduction in production volume due to the lower-than-targeted operating rate of the new production line, as well as the declining net sales, made it difficult to recover the fixed costs.

As a result, net sales for the third quarter ended December 31, 2022 were 14,528 million yen (down 12.4% year on year). Operating loss was 1,161 million yen (operating profit of 15 million yen in the same period of the previous fiscal year). Ordinary loss was 891 million yen (ordinary profit of 215 million yen in the same period of the previous fiscal year) despite foreign exchange gains from monetary claims denominated in foreign currencies of 176 million yen recorded under non-operating income. Loss attributable to shareholders of the parent company was 651 million yen (profit attributable to shareholders of the parent company of 48 million yen in the same period of the previous fiscal year).

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 1,958 million yen (down 9.4% year on year).

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

Unfavorable market conditions stemming from China's COVID policy, etc. and an associated decline in exports to China, as well as to inventory adjustments for lower production of automobiles accompanying the global semiconductor IC chip supply shortage and other factors resulted in sluggish sales of electronic equipment tapes. As a result, the category's net sales were 7,217 million yen (down 20.4% year on year).

#### (Other industrial tapes)

Despite contributions of increases in office mail order sales, as well as sales of polyethylene cloth tapes for construction and civil engineering, the category's net sales were 5,352 million yen (down 0.1% year on year).

#### (Reference) Sales performance

(Million yen)

Adhesive tape business by category	For the third quarter ended December 31, 2021		For the third quarter ended December 31, 2022		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	[196] 2,160	13.0%	[135] 1,958	13.5%	(202)	-9.4%
Electrical insulation and electronic equipment tapes	[4,295] 9,065	54.7%	[3,759] 7,217	49.7%	(1,848)	-20.4%
Other industrial tapes	[193] 5,357	32.3%	[361] 5,352	36.8%	(4)	-0.1%
Total	[4,685] 16,583	100.0%	[4,256] 14,528	100.0%	(2,055)	-12.4%

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

## (2) Explanation of Financial Position

### Assets, Liabilities and Net Assets

Total assets at the end of the third quarter under review were 36,007 million yen, down 3.8% from the end of the previous fiscal year.

Current assets were 17,148 million yen, down 5.8% from the end of the previous fiscal year. This was primarily due to a decrease in trade receivables.

Non-current assets were 18,859 million yen, down 2.0% from the end of the previous fiscal year. This was primarily due to the recording of depreciation.

Total liabilities at the end of the third quarter under review were 7,488 million yen, down 10.4% from the end of the previous fiscal year.

Current liabilities were 5,658 million yen, down 10.8% from the end of the previous fiscal year. This was primarily due to a decrease in liabilities related to facilities.

Non-current liabilities were 1,830 million yen, down 9.0% 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 third quarter under review were 28,518 million yen, down 2.0% from the end of the previous fiscal year. This was primarily due to the recording of loss attributable to shareholders of the parent company and dividends of surplus.

As a result of the above, the capital adequacy ratio was 79.2% (77.7% at the end of the previous fiscal year).

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

Given unfavorable market conditions in China and uncertainties about the future trends of raw material and fuel prices, we will revise the financial results forecast for the fiscal year ending March 31, 2023, which was announced on October 21, 2022, as soon as we have reexamined our outlook for the fourth quarter, taking into consideration the financial results for the first nine months of the fiscal year.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
<b>Assets</b>		
Current assets		
Cash and deposits	5,470	4,607
Notes receivable - trade	1,450	1,479
Electronically recorded monetary claims - operating	1,426	1,888
Accounts receivable - trade	4,176	2,944
Merchandise and finished goods	2,470	2,462
Work in process	1,322	1,683
Raw materials and supplies	1,165	1,665
Other	728	427
Allowance for doubtful accounts	(9)	(9)
Total current assets	18,202	17,148
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,735	15,019
Accumulated depreciation	(9,132)	(9,579)
Buildings and structures, net	5,603	5,439
Machinery, equipment and vehicles	23,008	23,259
Accumulated depreciation	(18,646)	(19,256)
Machinery, equipment and vehicles, net	4,361	4,002
Land	4,098	4,106
Leased assets	269	269
Accumulated depreciation	(94)	(107)
Leased assets, net	175	161
Construction in progress	177	446
Other	2,303	2,335
Accumulated depreciation	(1,865)	(1,981)
Other, net	438	354
Total property, plant and equipment	14,854	14,511
Intangible assets	397	345
Investments and other assets		
Investment securities	2,870	2,843
Deferred tax assets	5	5
Retirement benefit asset	979	971
Other	133	182
Total investments and other assets	3,988	4,002
Total non-current assets	19,240	18,859
Total assets	37,443	36,007

(Million yen)

	As of March 31,2022	As of December 31,2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	1,250	1,356
Electronically recorded obligations - operating	2,456	2,739
Short-term borrowings	60	78
Lease liabilities	19	19
Income taxes payable	159	92
Accrued expenses	485	363
Other	1,909	1,008
<b>Total current liabilities</b>	<b>6,341</b>	<b>5,658</b>
<b>Non-current liabilities</b>		
Long-term borrowings	724	708
Lease liabilities	171	156
Deferred tax liabilities	407	260
Provision for repairs	1	4
Retirement benefit liability	77	62
Asset retirement obligations	508	508
Long-term accounts payable - other	56	56
Other	65	72
<b>Total non-current liabilities</b>	<b>2,012</b>	<b>1,830</b>
<b>Total liabilities</b>	<b>8,353</b>	<b>7,488</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	17,632	16,777
Treasury shares	(462)	(462)
<b>Total shareholders' equity</b>	<b>26,870</b>	<b>26,016</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,098	1,096
Foreign currency translation adjustment	622	984
Remeasurements of defined benefit plans	497	422
<b>Total accumulated other comprehensive income</b>	<b>2,219</b>	<b>2,502</b>
<b>Total net assets</b>	<b>29,089</b>	<b>28,518</b>
<b>Total liabilities and net assets</b>	<b>37,443</b>	<b>36,007</b>

Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Million yen)

	For the third quarter ended December 31,2021	For the third quarter ended December 31,2022
Net sales	16,583	14,528
Cost of sales	13,024	12,268
Gross profit	3,559	2,259
Selling, general and administrative expenses	3,543	3,420
Operating profit (loss)	15	(1,161)
Non-operating income		
Interest income	2	4
Dividend income	67	77
Foreign exchange gains	93	176
Other	68	90
Total non-operating income	233	349
Non-operating expenses		
Office relocation expenses	10	-
Rental expenses on real estate	-	35
Cost to deal with COVID	9	26
Other	13	17
Total non-operating expenses	32	79
Ordinary profit (loss)	215	(891)
Extraordinary income		
Gain on sale of non-current assets	-	150
Gain on sale of investment securities	3	3
Total extraordinary income	3	154
Profit (loss) before income taxes	219	(737)
Income taxes	171	(86)
Profit (loss)	48	(651)
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to shareholders of the parent company	48	(651)



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

(Million yen)

	For the third quarter ended December 31,2021	For the third quarter ended December 31,2022
Profit (loss)	48	(651)
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	(2)
Foreign currency translation adjustment	169	361
Remeasurements of defined benefit plans, net of tax	(88)	(75)
Total other comprehensive income	41	283
Comprehensive income	89	(368)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of the parent company	89	(368)
Comprehensive income attributable to non-controlling interests	-	-

### (3) 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 third 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 of the current consolidated fiscal year 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.