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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 8, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7958
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 Scheduled date of filing quarterly securities report: August 10, 2022
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded off.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	21,914	9.2	398	(49.8)	567	(40.3)	332	(35.7)
Three months ended June 30, 2021	20,069	9.1	793	36.3	951	17.0	517	9.3

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 3,163 million [14.8 %]

Three months ended June 30, 2021: ¥ 2,755 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	14.99	-
Three months ended June 30, 2021	22.45	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2022	96,759	75,268	77.8	3,403.15
As of March 31, 2022	93,984	73,197	77.9	3,299.10

(Reference) Equity: As of June 30, 2022: ¥ 75,268 million

As of March 31, 2022: ¥ 73,197 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen 40.00	Yen -	Yen 42.00	Yen 82.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		40.00	-	40.00	80.00

(Note) Revision of dividend forecast from recently announced figures: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2022	46,000	18.3	400	(54.4)	400	(65.0)	300	(47.3)	13.52
Full year	100,000	20.9	2,500	26.9	2,500	2.9	1,900	79.5	85.64

(Note) Revision of results forecast from recently announced figures: No

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)” on page 8 of the Attachments.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 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):
 - June 30, 2022: 25,313,026 shares
 - March 31, 2022: 25,313,026 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2022: 3,195,749 shares
 - March 31, 2022: 3,126,076 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2022: 22,161,514 shares
 - Three months ended June 30, 2021: 23,015,682 shares

(Note) The Company's shares owned by the stock granting trust for Officers are included in the treasury shares to be deducted in the calculation of total number of treasury shares at the end of the period.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to "1. Qualitative Information on the Financial Results for the Period Under Review, (3) Consolidated Financial Results Forecast and Other Forward-Looking Information" on page 3 of the Attachments for the assumptions underlying the forecasts and precautions when using the forecasts.

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1. Qualitative Information on the Financial Results for the Period Under Review

(1) Explanation on Operating Results

The world economy during the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) recovered moderately, partly due to the entrenchment of policies for coexistence with coronavirus, although energy and food prices soared mainly due to the prolonged Ukrainian problem.

In the Japanese economy, many companies are currently benefiting from the depreciation of the yen, and corporate performance is generally trending toward improvement. However, the impact of shortages of parts and semiconductors and soaring raw material prices still continues, and the novel coronavirus infection (COVID-19) shows no signs of coming to an end, leaving the future of the economy uncertain.

In these circumstances, the Group proceeded with building a foundation for the achievement of the mid- to long-term growth strategy based on the “Third Medium-term Management Plan” released in May 2021. Meanwhile, the Company strived to maintain flexible production systems in response to the conditions of each region and customer.

As a result, net sales amounted to 21,914 million yen (109.2% year on-year), operating profit amounted to 398 million yen (50.2% year on-year), ordinary profit amounted to 567 million yen (59.7% year on-year), and profit attributable to owners of parent amounted to 332 million yen (64.3% year on-year).

Operating results by segment are as follows.

(Japan)

In the field of household synthetic resin products and related products, sales decreased due to limited movement in consumer goods, although there were signs of a recovery in overall personal consumption. In the field of industrial synthetic resin products, sales also decreased due to production adjustments of business partners in the vehicle-related sector caused by shortages of semiconductors, among others.

Regarding profits, in addition to lower sales, raw material prices for the field of household synthetic resin products and related products rose sharply, and electricity, fuel, and freight costs also soared. Furthermore, unit import prices rose due to the depreciation of the yen and other factors. Consequently, profits were lower than in the same period of the previous fiscal year.

As a result, net sales for this segment amounted to 5,158 million yen (91.1% year on-year), and segment income (operating profit) amounted to 140 million yen (34.0% year on-year.)

(China)

The period of the Chinese subsidiaries to be consolidated in the first quarter of the current fiscal year was from January to March, before the full impact of the lockdown in Shanghai. In the field of industrial synthetic resin products, sales increased due to the recovery of production activities at several business partners, the contribution of production transfers from Southeast Asia by some business partners, and the reflection of surging raw material prices in selling prices. On the other hand, in the field of household synthetic resin products and related products, the impact of the COVID-19 pandemic remained deep-rooted, and both real stores and e-commerce sales struggled, resulting in a decrease in sales.

Profits were lower than in the same period of the previous fiscal year, due to the increase in the Chinese yuan-denominated payments resulting from the appreciation of the Chinese yuan against the U.S. dollar, the main transaction currency, as well as soaring raw material prices in the field of household synthetic resin products and related products.

As a result, net sales amounted to 5,266 million yen (117.1% year on-year), and segment income (operating profit) amounted to 89 million yen (52.5% year on-year.)

(Southeast Asia)

The period of the Southeast Asian subsidiaries to be consolidated in the first quarter of the current fiscal year was from January to March. In the field of industrial synthetic resin products, although there were some impacts from the shortage of semiconductors and other factors, many business partners turned to recovery production, and as in China, sales increased partly due to the reflection of surging raw material prices in selling prices .

Profits were lower than in the same period of the previous year, partly as a result of being forced to experience inefficient production in response to changes in production plans, including recovery production by business partners.

As a result, net sales amounted to 11,490 million yen (116.0% year on-year), and segment income (operating profit) amounted to 478 million yen (89.3% year on-year.)

(2) Explanation on Financial Position

(Assets)

The total assets at the end of the three months ended June 30, 2022 increased by 2,774 million yen compared to the end of the previous fiscal year to 96,759 million yen. This was due to increases in cash and deposits by 794 million yen, construction in progress included in “Other” under property, plant and equipment by 528 million yen, and buildings and structures, net by 316 million yen, respectively.

(Liabilities)

The total liabilities at the end of the three months ended June 30, 2022 increased by 703 million yen compared to the end of the previous fiscal year to 21,490 million yen. This was due to increases in advances received included in “Other” under current liabilities by 145 million yen, and accrued consumption taxes by 112 million yen, respectively.

(Net assets)

The total net assets at the end of the three months ended June 30, 2022 increased by 2,071 million yen compared to the end of the previous fiscal year to 75,268 million yen. This was due to increases in foreign currency translation adjustment by 2,918 million yen, treasury stock, a deduction item, by 159 million yen, even though retained earnings decreased by 601 million yen.

(3) Consolidated Financial Results Forecast and Other Forward-Looking Information

Since consolidated performance at this point is generally progressing within expectations, there are no revisions to the consolidated financial results forecast for the fiscal year ending March 31, 2023, which was announced on May 12, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	27,364,663	28,158,589
Notes and accounts receivable - trade	17,104,604	17,010,268
Merchandise and finished goods	3,474,046	3,681,564
Work in process	711,353	763,223
Raw materials and supplies	4,802,790	5,059,323
Other	1,700,291	1,899,193
Allowance for doubtful accounts	(1,979)	(1,428)
Total current assets	55,155,769	56,570,731
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,368,387	13,684,636
Machinery, equipment and vehicles, net	8,585,269	8,729,313
Right of use assets	3,153,764	3,235,200
Other	4,093,904	4,786,923
Total property, plant and equipment	29,201,324	30,436,073
Intangible assets	2,595,040	2,690,149
Investments and other assets		
Investment securities	4,032,851	3,988,916
Retirement benefit asset	2,214,175	2,225,404
Deferred tax assets	141,179	155,115
Other	650,950	699,452
Allowance for doubtful accounts	(6,903)	(7,239)
Total investments and other assets	7,032,253	7,061,648
Total non-current assets	38,828,616	40,187,870
Total assets	93,984,385	96,758,601

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,478,595	9,313,772
Income taxes payable	372,621	363,802
Provision for bonuses	826,783	890,142
Provision for taxes related expenses	128,895	138,584
Provision for loss on liquidation of subsidiaries and affiliates	6,844	4,178
Other	4,022,871	4,672,860
Total current liabilities	14,836,609	15,383,339
Non-current liabilities		
Long-term accounts payable - other	22,531	16,260
Provision for share awards for directors (and other officers)	62,118	74,284
Retirement benefit liability	318,787	350,261
Lease liabilities	3,146,876	3,244,400
Asset retirement obligations	522,367	557,479
Deferred tax liabilities	1,812,871	1,798,870
Provision for business restructuring	65,254	65,254
Total non-current liabilities	5,950,804	6,106,809
Total liabilities	20,787,413	21,490,148
Net assets		
Shareholders' equity		
Share capital	19,225,350	19,225,350
Capital surplus	14,856,522	14,856,522
Retained earnings	39,596,800	38,995,660
Treasury shares	(5,591,856)	(5,750,397)
Total shareholders' equity	68,086,815	67,327,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	996,970	942,781
Foreign currency translation adjustment	3,328,466	6,246,102
Remeasurements of defined benefit plans	784,648	752,358
Total accumulated other comprehensive income	5,110,083	7,941,241
Non-controlling interests	74	78
Total net assets	73,196,972	75,268,453
Total liabilities and net assets	93,984,385	96,758,601

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	20,069,330	21,914,049
Cost of sales	16,373,152	18,635,566
Gross profit	3,696,177	3,278,484
Selling, general and administrative expenses	2,903,169	2,880,653
Operating profit	793,008	397,831
Non-operating income		
Interest income	30,353	34,138
Dividend income	59,181	62,707
Foreign exchange gains	115,428	69,017
Other	37,633	43,544
Total non-operating income	242,595	209,407
Non-operating expenses		
Interest expenses	75,393	29,717
Share of loss of entities accounted for using equity method	7,094	83
Other	2,097	10,001
Total non-operating expenses	84,584	39,801
Ordinary profit	951,019	567,437
Extraordinary income		
Gain on sale of non-current assets	5,330	5,050
Total extraordinary income	5,330	5,050
Extraordinary losses		
Loss on sale of non-current assets	212	—
Loss on retirement of non-current assets	0	8,994
Loss related to COVID19	—	34,812
Loss on liquidation of subsidiaries and associates	—	5,331
Loss on valuation of shares of subsidiaries and associates	37,566	—
Total extraordinary losses	37,778	49,137
Profit before income taxes	918,570	523,351
Income taxes	401,777	191,210
Profit	516,793	332,140
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	516,792	332,140

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	516,793	332,140
Other comprehensive income		
Valuation difference on available-for-sale securities	92,042	(54,188)
Foreign currency translation adjustment	2,158,386	2,894,601
Remeasurements of defined benefit plans, net of tax	(28,549)	(32,290)
Share of other comprehensive income of entities accounted for using equity method	15,972	23,039
Total other comprehensive income	2,237,851	2,831,161
Comprehensive income	2,754,644	3,163,302
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,754,640	3,163,298
Comprehensive income attributable to non-controlling interests	4	4

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes to Quarterly Consolidated Balance Sheets)

Contingent liabilities

The Company received from the third-party committee its investigation report on March 13, 2020. The report stated that offering bribes or suspected actions related to tax inspections, etc., to foreign public officials were carried out by an overseas subsidiary of the Company (in regard to the investigation report (the published version), the Company had released on April 2, 2020.) We aim to restore the trust of our stakeholders and society by addressing the measures to prevent the issue disclosed on May 1, 2020 from recurring as urgent management issues. Regarding this issue, on May 23, 2022, the Company, its former officers, and its employee were indicted by the Tokyo District Public Prosecutors Office for violation of the Unfair Competition Prevention Act (the crime of bribing foreign public officials). However, the amounts of a financial penalty and other fines being imposed are unknown at this point in time and it is difficult to reasonably estimate the amount of financial impact, therefore, it is not reflected in the quarterly consolidated financial statements. Also, there is a possibility of a financial penalty and other fines being imposed in the countries where overseas subsidiaries of the Company are located. However, it is difficult to reasonably estimate the amount of financial impact at this point in time as related legal procedures include many uncertainties and complicated elements, therefore, it is not reflected in the quarterly consolidated financial statements.

(Notes in the event of significant changes in the amount of shareholders' equity)

(Purchase of own shares)

As a result of the purchase of own shares on the market based on the provisions of Article 156 of the Companies Act as applied by replacing the terms and phrases pursuant to the provisions of Article 165-3 of the same act, which was resolved at the Board of Directors meeting held on May 12, 2022, the Company acquired 69,600 shares of its common stock for a total amount of 158 million yen during the three months ended June 30, 2022, resulting in an increase in treasury shares of the same amount.

Consequently, treasury shares amounted to 5,750 million yen at the end of the three months ended June 30, 2022.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the current fiscal year, including the first quarter, and multiplying the profit before income taxes for the quarter by the estimated effective tax rate.

(Changes in accounting policies)

Not applicable.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

The spread of COVID-19 is the event that widely influences the economy and business activities; it is difficult to reasonably forecast when COVID-19 will be resolved, and the impact to the future business performance of the Group at this point in time. Regarding estimation of collectability for deferred tax assets and impairment of non-current assets, they are analyzed and assessed based on currently available external sources. As a result, we assume that the impact to the future business performance of the Group is limited and are working on accounting estimates.

The impact of the spread of COVID-19 is highly uncertain, and therefore, in the event of a change in the assumption mentioned above, it may impact the financial condition and operating results of the Group.

(Significant subsequent events)

Not applicable.

(Segment information, etc.)

[Segment information]

For the three months ended June 30, 2021

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment			Total
	Japan	China	Southeast Asia	
Net sales				
Net sales to outside customers	5,664,169	4,498,456	9,906,705	20,069,330
Inter-segment net sales or transfers	22,827	53,536	69	76,432
Total	5,686,996	4,551,991	9,906,774	20,145,762
Segment income	409,811	169,030	535,749	1,114,590

2. Difference between the total reportable segment and the amount recorded in quarterly consolidated statements of income, and description of said difference (comparability adjustment)

(Thousand yen)

Income	For the three months ended June 30, 2021
Total reportable segment	1,114,590
Inter-segment eliminations	8,208
Corporate expenses*	(329,790)
Operating profit in Quarterly Consolidated Statements of Income	793,008

* Corporate expenses are mainly the expenses of the head office's management department which does not belong to a reportable segment.

For the three months ended June 30, 2022

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment			Total
	Japan	China	Southeast Asia	
Net sales				
Net sales to outside customers	5,157,884	5,266,078	11,490,087	21,914,049
Inter-segment net sales or transfers	21,339	118,037	1,271	140,647
Total	5,179,223	5,384,115	11,491,359	22,054,696
Segment income	139,518	88,773	478,378	706,669

2. Difference between the total reportable segment and the amount recorded in quarterly consolidated statements of income, and description of said difference (comparability adjustment)

(Thousand yen)

Income	For the three months ended June 30, 2022
Total reportable segment	706,669
Inter-segment eliminations	19,985
Corporate expenses*	(328,823)
Operating profit in Quarterly Consolidated Statements of Income	397,831

* Corporate expenses are mainly the expenses of the head office's management department which does not belong to a reportable segment.

(Revenue Recognition related)

Broken-down information of revenue from contracts with customers

For the three months ended June 30, 2021

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	5,657,183	—	5,657,183
China	4,498,456	—	4,498,456
Southeast Asia	9,906,705	—	9,906,705
Revenue from contracts with customers	20,062,344	—	20,062,344
Other	—	6,986	6,986
Net sales to outside customers	20,062,344	6,986	20,069,330

* Other indicates the real-estate rental business.

For the three months ended June 30, 2022

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	5,150,162	—	5,150,162
China	5,266,078	—	5,266,078
Southeast Asia	11,490,087	—	11,490,087
Revenue from contracts with customers	21,906,328	—	21,906,328
Other	—	7,722	7,722
Net sales to outside customers	21,906,328	7,722	21,914,049

* Other indicates the real-estate rental business.