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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 9, 2022

Company name: TENMA CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 7958

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Scheduled date of filing quarterly securities report: November 11, 2022

Scheduled date of commencing dividend payments: December 9, 2022

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 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	%
Six months ended September 30, 2022	45,054	15.8	552	(37.1)	1,064	(6.9)	405	(28.8)
Six months ended September 30, 2021	38,895	11.1	878	12.8	1,143	21.6	569	100.6

(Note) Comprehensive income: Six months ended September 30, 2022: ¥7,130 million [169.9 %]

Six months ended September 30, 2021: ¥2,642 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	18.33	-
Six months ended September 30, 2021	24.78	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	101,515	78,963	77.8	3,589.73
As of March 31, 2022	93,984	73,197	77.9	3,299.10

(Reference) Equity: As of September 30, 2022: ¥78,963 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	-	40.00			
Fiscal year ending March 31, 2023 (Forecast)			-	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 attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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 six months ended September 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):
September 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:
September 30, 2022: 3,316,229 shares
March 31, 2022: 3,126,076 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2022: 22,106,906 shares
Six months ended September 30, 2021: 22,960,132 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 outlook for the world economy during the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022) was increasingly uncertain amid the prolonged Ukrainian problem, due to a combination of factors, including the continuously strong upward pressure on prices, particularly for energy and food products, and rapid policy rate hikes to tame inflation.

In the Japanese economy, although there are concerns that the world economy will slow down, the economy as a whole is expected to recover, driven by increased capital investment and service consumption, as well as a recovery in inbound demand as a result of Japan's accelerated efforts to normalize economic activity, although lagging behind the U.S. and Europe, and monetary easing, which is likely to continue.

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 45,054 million yen (115.8% year on-year), operating profit amounted to 552 million yen (62.9% year on-year), ordinary profit amounted to 1,064 million yen (93.1% year on-year), and profit attributable to owners of parent amounted to 405 million yen (71.2% 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 a slow recovery in consumption of consumer goods, as consumers remained strongly budget-minded amid soaring prices. In the field of industrial synthetic resin products, sales turned slightly upward as the impact of semiconductor shortages and other factors gradually eased.

Regarding profits, in addition to lower sales in the field of household synthetic resin products and related products, there were further increases in raw material prices after the price revision was implemented in the previous fiscal year. Consequently, profits were lower than in the same period of the previous fiscal year.

As a result, net sales for this segment amounted to 9,689 million yen (95.1% year on-year), and segment loss (operating loss) amounted to 104 million yen (segment profit of 317 million yen in the same period of the previous fiscal year).

(China)

In the field of household synthetic resin products and related products, sales decreased due to the effects of the lockdown in Shanghai and other areas, which also caused logistics to stagnate. On the other hand, in the field of industrial synthetic resin products, despite the impact of the novel coronavirus infection (COVID-19) pandemic, sales increased due to a general recovery in production activities at several business partners, the contribution of production transfers from Southeast Asia by some business partners, in addition to the effect of the weak yen.

As in Japan, profits were higher than in the same period of the previous year due to higher sales in the field of industrial synthetic resin products, which offset the impact of higher raw material prices in the field of household synthetic resin products and related products.

As a result, net sales amounted to 11,729 million yen (124.2% year on-year), and segment income (operating profit) amounted to 465 million yen (109.2% year on-year.)

(Southeast Asia)

Although there were differences by region, sales increased due to the recovery in production activities of many business partners as a result of the easing of supply shortages of electronic components and other products, in addition to the effect of the weak yen, as was the case in China.

Profits exceeded those of the same period of the previous fiscal year due to increased sales, which offset the increase in labor costs incurred in response to increased production.

As a result, net sales amounted to 23,636 million yen (122.7% year on-year), and segment income (operating profit) amounted to 797 million yen (113.3% year on-year.)

(2) Explanation on Financial Position

(Assets)

The total assets at the end of the second quarter ended September 30, 2022 increased by 7,531 million yen compared to the end of the previous fiscal year to 101,515 million yen. This was due to increases in cash and deposits by 2,989 million yen, buildings and structures, net by 1,782 million yen, and raw materials and supplies by 769 million yen, respectively.

(Liabilities)

The total liabilities at the end of the second quarter ended September 30, 2022 increased by 1,765 million yen compared to the end of the previous fiscal year to 22,552 million yen. This was due to increases in lease liabilities by 337 million yen, notes and accounts payable - trade by 208 million yen, and income taxes payable by 171 million yen, respectively.

(Net assets)

The total net assets at the end of the second quarter ended September 30, 2022 increased by 5,766 million yen compared to the end of the previous fiscal year to 78,963 million yen. This was due to increases in foreign currency translation adjustment by 6,875 million yen, and treasury shares, a deduction item, by 431 million yen, even though retained earnings decreased by 528 million yen.

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

Profits for the first half of the fiscal year ending March 31, 2023 exceeded those in the consolidated financial results forecast announced on May 12, 2022. For details, please refer to the “Notice of Differences Between Consolidated Financial Results Forecast and Actual Results for the First Half of the Fiscal Year Ending March 31, 2023” separately announced today (November 9, 2022).

The full year consolidated financial results forecast remains unchanged from those announced on May 12, 2022 as the ongoing fluctuations in foreign exchange rates and raw material prices will have a significant impact on the consolidated financial results.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	27,364,663	30,353,341
Notes and accounts receivable - trade	17,104,604	17,404,527
Merchandise and finished goods	3,474,046	3,637,087
Work in process	711,353	729,828
Raw materials and supplies	4,802,790	5,572,247
Other	1,700,291	2,045,257
Allowance for doubtful accounts	(1,979)	(1,101)
Total current assets	55,155,769	59,741,186
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,368,387	15,150,468
Machinery, equipment and vehicles, net	8,585,269	9,024,273
Right of use assets	3,153,764	3,465,354
Other	4,093,904	4,129,050
Total property, plant and equipment	29,201,324	31,769,145
Intangible assets	2,595,040	2,826,389
Investments and other assets		
Investment securities	4,032,851	4,025,432
Retirement benefit asset	2,214,175	2,238,608
Deferred tax assets	141,179	172,658
Other	650,950	749,304
Allowance for doubtful accounts	(6,903)	(7,659)
Total investments and other assets	7,032,253	7,178,343
Total non-current assets	38,828,616	41,773,878
Total assets	93,984,385	101,515,064

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,478,595	9,686,886
Income taxes payable	372,621	543,936
Provision for bonuses	826,783	981,358
Provision for taxes related expenses	128,895	156,106
Provision for loss on liquidation of subsidiaries and associates	6,844	873
Provision for loss on litigation	—	25,000
Provision for loss on business liquidation	—	51,000
Other	4,022,871	4,640,449
Total current liabilities	14,836,609	16,085,608
Non-current liabilities		
Long-term accounts payable - other	22,531	13,632
Provision for share awards for directors (and other officers)	62,118	70,579
Retirement benefit liability	318,787	382,129
Lease liabilities	3,146,876	3,484,344
Asset retirement obligations	522,367	616,312
Deferred tax liabilities	1,812,871	1,834,594
Provision for business restructuring	65,254	65,254
Total non-current liabilities	5,950,804	6,466,844
Total liabilities	20,787,413	22,552,452
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	39,068,778
Treasury shares	(5,591,856)	(6,023,345)
Total shareholders' equity	68,086,815	67,127,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	996,970	911,562
Foreign currency translation adjustment	3,328,466	10,203,596
Remeasurements of defined benefit plans	784,648	720,066
Total accumulated other comprehensive income	5,110,083	11,835,224
Non-controlling interests	74	84
Total net assets	73,196,972	78,962,612
Total liabilities and net assets	93,984,385	101,515,064

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	38,894,567	45,053,569
Cost of sales	32,501,683	38,843,337
Gross profit	6,392,884	6,210,232
Selling, general and administrative expenses	5,514,881	5,658,053
Operating profit	878,003	552,179
Non-operating income		
Interest income	62,642	83,909
Dividend income	62,275	65,816
Share of profit of entities accounted for using equity method	7,484	6,683
Foreign exchange gains	129,191	329,178
Other	67,491	110,584
Total non-operating income	329,082	596,171
Non-operating expenses		
Interest expenses	58,148	60,079
Other	6,336	24,551
Total non-operating expenses	64,484	84,629
Ordinary profit	1,142,602	1,063,720
Extraordinary income		
Gain on sale of non-current assets	16,141	13,503
Settlement income	—	105,000
Total extraordinary income	16,141	118,503
Extraordinary losses		
Loss on sale of non-current assets	2,427	467
Loss on retirement of non-current assets	20,625	9,236
Loss on liquidation of subsidiaries and associates	—	5,331
Provision for loss on litigation	—	25,000
Provision for loss on business liquidation	—	51,000
Loss on valuation of shares of subsidiaries and associates	37,566	—
Loss related to COVID19	—	116,294
Total extraordinary losses	60,618	207,328
Profit before income taxes	1,098,125	974,895
Income taxes	529,278	569,637
Profit	568,847	405,258
Profit (loss) attributable to non-controlling interests	2	(0)
Profit attributable to owners of parent	568,845	405,258

Quarterly Consolidated Statements of Comprehensive Income

Six months ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	568,847	405,258
Other comprehensive income		
Valuation difference on available-for-sale securities	97,550	(85,407)
Foreign currency translation adjustment	2,016,819	6,811,225
Remeasurements of defined benefit plans, net of tax	(57,096)	(64,582)
Share of other comprehensive income of entities accounted for using equity method	16,167	63,915
Total other comprehensive income	2,073,440	6,725,150
Comprehensive income	2,642,287	7,130,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,642,282	7,130,398
Comprehensive income attributable to non-controlling interests	5	10

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes to Quarterly Consolidated Balance Sheets)

Not applicable.

(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 190,000 shares of its common stock for a total amount of 431 million yen during the six months ended September 30, 2022, resulting in an increase in treasury shares of the same amount.

Consequently, treasury shares amounted to 6,023 million yen at the end of the six months ended September 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 second quarter ended September 30, 2022, and multiplying the profit before income taxes for the six months ended September 30, 2022 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 six months ended September 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	10,190,612	9,441,193	19,262,762	38,894,567
Inter-segment net sales or transfers	44,797	108,077	69	152,943
Total	10,235,409	9,549,269	19,262,831	39,047,510
Segment income	316,740	426,043	704,016	1,446,799

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 six months ended September 30, 2021
Total reportable segment	1,446,799
Inter-segment eliminations	17,500
Corporate expenses*	(586,296)
Operating profit in Quarterly Consolidated Statements of Income	878,003

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

For the six months ended September 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	9,688,510	11,728,628	23,636,431	45,053,569
Inter-segment net sales or transfers	44,082	216,712	5,330	266,124
Total	9,732,592	11,945,340	23,641,761	45,319,693
Segment income (loss)	(103,634)	465,301	797,426	1,159,093

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 six months ended September 30, 2022
Total reportable segment	1,159,093
Inter-segment eliminations	5,893
Corporate expenses*	(612,807)
Operating profit in Quarterly Consolidated Statements of Income	552,179

* 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 six months ended September 30, 2021

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	10,176,642	—	10,176,642
China	9,441,193	—	9,441,193
Southeast Asia	19,262,762	—	19,262,762
Revenue from contracts with customers	38,880,596	—	38,880,596
Other	—	13,971	13,971
Net sales to outside customers	38,880,596	13,971	38,894,567

* Other indicates the real-estate rental business.

For the six months ended September 30, 2022

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	9,673,065	—	9,673,065
China	11,728,628	—	11,728,628
Southeast Asia	23,636,431	—	23,636,431
Revenue from contracts with customers	45,038,124	—	45,038,124
Other	—	15,445	15,445
Net sales to outside customers	45,038,124	15,445	45,053,569

* Other indicates the real-estate rental business.