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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 10, 2023

Company name: TENMA CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 7958

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Scheduled date of filing quarterly securities report: August 10, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: None

Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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, 2023	25,051	14.3	751	88.7	1,187	109.2	1,088	227.7
June 30, 2022	21,914	9.2	398	(49.8)	567	(40.3)	332	(35.7)

(Note) Comprehensive income: Three months ended June 30, 2023: ¥2,443 million [(22.8) %]

Three months ended June 30, 2022: ¥3,163 million [14.8 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	50.17	–
June 30, 2022	14.99	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
June 30, 2023	102,133	79,451	77.8	3,680.74
March 31, 2023	102,802	78,310	76.2	3,603.34

(Reference) Equity: As of June 30, 2023: ¥79,451 million

As of March 31, 2023: ¥78,310 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 40.00	Yen —	Yen 42.00	Yen 82.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		40.00	—	42.00	82.00

(Note) Revision of dividend forecast from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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
Six months ending September 30, 2023	45,000	(0.1)	1,000	81.1	1,300	22.2	1,100	171.4	50.62
Full year	97,000	(5.0)	3,200	6.4	3,800	(0.0)	3,100	10.7	142.64

(Note) Revision of results forecast from recently announced figures: None

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

(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, 2023: 24,313,026 shares
March 31, 2023: 25,313,026 shares

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

June 30, 2023: 2,727,360 shares
March 31, 2023: 3,580,340 shares

3) Average number of shares during the period:

Three months ended June 30, 2023: 21,695,901 shares
Three months ended June 30, 2022: 22,161,514 shares

(Note) The Company's shares owned by the stock granting trust for Officers and employees 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, 2023 (from April 1, 2023 to June 30, 2023) remained uncertain, as the recovery of the Chinese economy slowed and in Europe and the U.S., central banks raised interest rates sharply to curb inflation, which had a negative impact on the real economy.

In the Japanese economy, although the upward trend in consumer prices continues, the overall economy is showing signs of recovery, due to factors including an improvement in business confidence in the automobile industry as a result of the easing of supply constraints on semiconductors, an improvement in consumer sentiment due to higher wages and stock prices, and a sharp recovery in inbound demand.

In these circumstances, the Group promoted building a foundation for achievement of the mid- to long-term growth strategy based on the “Third Medium-term Management Plan” released in May 2021. Meanwhile, the Group has been working to maintain and strengthen production systems.

As a result, net sales amounted to 25,051 million yen (up 14.3% year on year), operating profit amounted to 751 million yen (up 88.7% year on year), ordinary profit amounted to 1,187 million yen (up 109.2% year on year), and profit attributable to owners of parent amounted to 1,088 million yen (up 227.7% year on year).

Operating results by segment are as follows.

(Japan)

In the field of household synthetic resin products and related products, sales declined as the recovery in demand for consumer goods remained sluggish. In the field of industrial synthetic resin products, sales increased, driven by vehicle-related sales due to the easing of semiconductor supply constraints, etc.

Profits were higher than in the same period of the previous fiscal year, due in part to the effect of price revisions in the field of household synthetic resin products and related products.

As a result, net sales for this segment amounted to 5,235 million yen (up 1.5% year on year), and segment profit (operating profit) amounted to 165 million yen (up 18.2% year on year).

(China)

The subject period for consolidated accounting of Chinese subsidiaries in the first three months of the current fiscal year is from January to March, and in the previous fiscal year, the effects of the lockdown under the COVID-19 pandemic began to emerge, resulting in partial shutdowns of operations at business partners and the Company’s plants, as well as production adjustments by business partners. The same situation did not occur in the current fiscal year, and sales in the field of industrial synthetic resin products increased due to a reactionary increase. On the other hand, sales in the field of household synthetic resin products and related products declined due to the lack of improvement in the employment and income environment, and the lack of recovery in consumer sentiment.

Profits were higher than in the same period of the previous fiscal year due to improved production efficiency and ongoing efforts to curb labor and other costs.

As a result, net sales amounted to 5,567 million yen (up 5.7% year on year), and segment profit (operating profit) amounted to 342 million yen (up 285.0% year on year.)

(Southeast Asia)

The subject period for consolidated accounting of Southeast Asian subsidiaries in the first three months of the current fiscal year is from January to March, and although there were production adjustments due to the COVID-19 pandemic and procurement shortages of electronic components and other devices at business partners in the previous fiscal year, the same situation was not seen to the same extent in the current fiscal year, and sales in the field of industrial synthetic resin products increased significantly.

Profits were higher than in the same period of the previous fiscal year, mainly due to the increase in sales.

As a result, net sales amounted to 14,249 million yen (up 24.0% year on year), and segment profit (operating profit) amounted to 636 million yen (up 32.9% year on year.)

(2) Explanation on Financial Position

(Assets)

The total assets at the end of this first quarter decreased by 668 million yen compared to the end of the previous fiscal year to 102,133 million yen. This was due to factors including increases in investment securities by 1,016

million yen and raw materials and supplies by 522 million yen, as well as decreases in cash and deposits by 2,114 million yen and notes and accounts receivable - trade by 736 million yen.

(Liabilities)

The total liabilities at the end of this first quarter decreased by 1,809 million yen compared to the end of the previous fiscal year to 22,682 million yen. This was due to factors including a decrease in notes and accounts payable - trade by 1,151 million yen.

(Net assets)

The total net assets at the end of this first quarter increased by 1,141 million yen compared to the end of the previous fiscal year to 79,451 million yen. This was due to increases in treasury shares, a deduction item, by 1,371 million yen, foreign currency translation adjustment by 958 million yen, and valuation difference on available-for-sale securities by 436 million yen, while capital surplus decreased by 1,759 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, 2024, which was announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	30,677,991	28,563,831
Notes and accounts receivable - trade	19,787,672	19,051,758
Merchandise and finished goods	3,669,068	3,727,662
Work in process	688,595	698,263
Raw materials and supplies	5,077,348	5,599,765
Other	1,688,442	1,819,962
Allowance for doubtful accounts	(1,258)	(1,121)
Total current assets	61,587,858	59,460,120
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,305,325	14,428,826
Machinery, equipment and vehicles, net	8,928,151	8,986,148
Right-of-use assets, net	3,118,451	3,001,874
Other, net	3,674,909	3,807,882
Total property, plant and equipment	30,026,836	30,224,731
Intangible assets	2,736,059	2,772,119
Investments and other assets		
Investment securities	4,756,915	5,772,450
Retirement benefit asset	2,817,877	2,822,133
Deferred tax assets	177,474	179,851
Other	706,232	909,519
Allowance for doubtful accounts	(7,407)	(7,491)
Total investments and other assets	8,451,091	9,676,462
Total non-current assets	41,213,986	42,673,312
Total assets	102,801,844	102,133,432

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,791,252	10,640,155
Income taxes payable	608,039	417,612
Provision for bonuses	868,627	903,510
Provision for taxes related expenses	127,781	133,346
Provision for loss on business liquidation	32,840	1,920
Other	4,492,167	4,115,162
Total current liabilities	17,920,707	16,211,706
Non-current liabilities		
Long-term accounts payable - other	13,632	13,632
Provision for share awards for directors (and other officers)	108,326	118,139
Provision for share awards for employees	3,757	4,624
Retirement benefit liability	393,806	402,275
Lease liabilities	3,139,649	3,028,484
Asset retirement obligations	502,178	508,218
Deferred tax liabilities	2,344,388	2,330,333
Provision for business restructuring	64,994	64,675
Total non-current liabilities	6,570,730	6,470,380
Total liabilities	24,491,437	22,682,085
Net assets		
Shareholders' equity		
Share capital	19,225,350	19,225,350
Capital surplus	14,856,522	13,097,410
Retained earnings	40,582,374	40,756,650
Treasury shares	(6,592,755)	(5,221,736)
Total shareholders' equity	68,071,491	67,857,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,560,749	1,996,938
Foreign currency translation adjustment	7,636,873	8,595,219
Remeasurements of defined benefit plans	1,041,215	1,001,432
Total accumulated other comprehensive income	10,238,837	11,593,589
Non-controlling interests	79	83
Total net assets	78,310,407	79,451,346
Total liabilities and net assets	102,801,844	102,133,432

(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, 2022	For the three months ended June 30, 2023
Net sales	21,914,049	25,050,945
Cost of sales	18,635,566	21,336,998
Gross profit	3,278,484	3,713,948
Selling, general and administrative expenses	2,880,653	2,963,360
Operating profit	397,831	750,587
Non-operating income		
Interest income	34,138	119,574
Dividend income	62,707	68,746
Share of profit of entities accounted for using equity method	–	26,912
Foreign exchange gains	69,017	230,962
Other	43,544	33,407
Total non-operating income	209,407	479,601
Non-operating expenses		
Interest expenses	29,717	31,675
Share of loss of entities accounted for using equity method	83	–
Other	10,001	11,304
Total non-operating expenses	39,801	42,980
Ordinary profit	567,437	1,187,208
Extraordinary income		
Gain on sale of non-current assets	5,050	37,252
Gain on bargain purchase	–	143,418
Total extraordinary income	5,050	180,670
Extraordinary losses		
Loss on sale of non-current assets	–	105
Loss on retirement of non-current assets	8,994	5,020
Loss related to COVID-19	34,812	–
Loss on liquidation of subsidiaries and associates	5,331	–
Total extraordinary losses	49,137	5,125
Profit before income taxes	523,351	1,362,754
Income taxes	191,210	274,277
Profit	332,140	1,088,477
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	332,140	1,088,476

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	332,140	1,088,477
Other comprehensive income		
Valuation difference on available-for-sale securities	(54,188)	436,189
Foreign currency translation adjustment	2,894,601	931,854
Remeasurements of defined benefit plans, net of tax	(32,290)	(39,783)
Share of other comprehensive income of entities accounted for using equity method	23,039	26,496
Total other comprehensive income	2,831,161	1,354,756
Comprehensive income	3,163,302	2,443,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,163,298	2,443,229
Comprehensive income attributable to non-controlling interests	4	4

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

(Acquisition of treasury shares)

In accordance with the resolution at the Board of Directors meeting held on May 12, 2023, the Company acquired 146,900 shares of its common stock for a total amount of 388 million yen during the three months ended June 30, 2023 as a result of the acquisition of treasury 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, Paragraph 3 of the same act.

(Cancellation of treasury shares)

Based on the resolution at the Board of Directors meeting held on May 12, 2023, the Company cancelled 1,000,000 shares of treasury shares on May 31, 2023.

(Disposal of treasury shares)

At the Board of Directors meeting held on May 12, 2023, the Company resolved to dispose of treasury shares through third-party allotment in connection with the introduction and continuation of share-based remuneration plan. Based on this resolution, 220,000 shares of treasury shares were disposed of on May 30, 2023.

As a result of the above, capital surplus decreased by 1,759 million yen and treasury shares decreased by 1,371 million yen during the three months ended June 30, 2023. Consequently, at the end of the three months ended June 30, 2023, capital surplus amounted to 13,097 million yen and treasury shares amounted to 5,222 million yen.

(Changes in significant subsidiaries during the three months ended June 30, 2023)

Not applicable.

Although not applicable to changes in specified subsidiaries, Tenma America Corporation and Tenma Plastic Mexico, S.A. de C.V. are included in the scope of consolidation due to the acquisition of their shares during the three months ended June 30, 2023.

(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 three months ended June 30, 2023, and multiplying the profit before income taxes for the three months ended June 30, 2023 by the estimated effective tax rate.

(Changes in accounting policies)

Not applicable.

(Significant subsequent events)

Not applicable.

(Segment information, etc.)
[Segment information]

For the three months ended June 30, 2022

1. Information on net sales and profit (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 profit	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)

Profit	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.

3. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable.

For the three months ended June 30, 2023

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

(Thousand yen)

	Reportable segment			Total
	Japan	China	Southeast Asia	
Net sales				
Net sales to outside customers	5,234,501	5,567,237	14,249,207	25,050,945
Inter-segment net sales or transfers	47,672	115,029	37,561	200,262
Total	5,282,173	5,682,265	14,286,768	25,251,207
Segment profit	164,857	341,734	635,681	1,142,272

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)

Profit	For the three months ended June 30, 2023
Total reportable segment	1,142,272
Inter-segment eliminations	(1,389)
Corporate expenses*	(390,296)
Operating profit in Quarterly Consolidated Statements of Income	750,587

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

3. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment
(Significant gain on bargain purchase)

In North America, a gain on bargain purchase was recognized as Tenma America Corporation and Tenma Plastic Mexico, S.A. de C.V. became consolidated subsidiaries due to the acquisition of their shares. The amount of gain on bargain purchase recorded due to this matter is 143,418 thousand yen. Since the gain on bargain purchase is recorded in extraordinary income, it is not included in the segment profit above.