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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 10, 2023

Company name: TENMA CORPORATION
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7958
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 Scheduled date of file quarterly securities report: February 14, 2023
 Scheduled date of commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 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 owners of parent	
	Millions yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	73,751	22.7	1,744	46.7	2,527	61.6	1,611	108.9
December 31, 2021	60,084	12.1	1,189	(30.3)	1,564	(12.7)	771	9.0

Note: Comprehensive income: For the nine months ended December 31, 2022: ¥10,525 million [284.0 %]
 For the nine months ended December 31, 2021: ¥2,741 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	73.06	-
December 31, 2021	33.76	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	107,842	81,187	75.3	3,714.48
March 31, 2022	93,984	73,197	77.9	3,299.10

Reference: Equity: As of December 31, 2022: ¥81,187 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)				42.00	82.00

Note: Revision of dividend forecast from recently announced figures: Yes

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	102,000	23.3	3,100	57.3	3,900	60.5	3,100	192.9	141.00

Note: Revision of results forecast from recently announced figures: Yes

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022 (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 reasons: 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)
 - As of December 31, 2022: 25,313,026 shares
 - As of March 31, 2022: 25,313,026 shares
 - 2) Total number of treasury shares at the end of the period
 - As of December 31, 2022: 3,456,049 shares
 - As of March 31, 2022: 3,126,076 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2022: 22,045,078 shares
 - Nine months ended December 31, 2021: 22,835,515 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022) increasingly slowed down against the backdrop of acceleration of inflation, mainly due to the prolonged Ukraine problem, and policy rate hikes to tame inflation. In addition, as China was making a substantial policy shift from the zero-COVID policy to a living with COVID policy, there was a renewed spread of novel coronavirus infections (COVID-19), and the outlook remained uncertain.

In the Japanese economy, in addition to the expansion of demand for services including those for inbound tourists, corporate capital investment is expected to increase. There is also room for an increase in automobile production due to improved supply and demand for semiconductors, and the economy as a whole is expected to recover.

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 and strengthen production systems.

As a result, net sales amounted to 73,751 million yen (122.7% year on-year), operating profit amounted to 1,744 million yen (146.7% year on-year), ordinary profit amounted to 2,527 million yen (161.6% year on-year), and profit attributable to owners of parent amounted to 1,611 million yen (208.9% year on-year).

Operating results by segment are as follows.

(Japan)

In the field of household synthetic resin products and related products, sales decreased as the recovery in consumption of consumer goods remained slow amid soaring prices, although there were signs of recovery in demand for services including those for inbound tourists. In the field of industrial synthetic resin products, sales increased only slightly as it took time to resolve the shortage of semiconductors and other issues.

Profits were lower than in the same period of the previous fiscal year as sales in the field of household synthetic resin products and related products decreased, raw material prices remained high, electricity costs increased, etc.

As a result, net sales for this segment amounted to 15,124 million yen (96.7% year on-year), and segment loss (operating loss) amounted to 88 million yen (segment profit of 493 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 impact of COVID-19 pandemic, which also caused logistics to stagnate. On the other hand, in the field of industrial synthetic resin products, sales increased significantly due to a general recovery in production activities at several business partners in addition to the effect of the weak yen.

As in Japan, profits were much 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 19,412 million yen (126.9% year on-year), and segment income (operating profit) amounted to 1,075 million yen (143.5% year on-year).

(Southeast Asia)

Sales increased in all three countries, Thailand, Vietnam, and Indonesia, 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 significantly exceeded those of the same period of the previous fiscal year due to increased sales and the elimination of most of the inefficient production systems, such as lower utilization of the plants of the Company caused by production adjustments at the suppliers during the COVID-19 pandemic.

As a result, net sales amounted to 39,214 million yen (134.5% year on-year), and segment income (operating profit) amounted to 1,674 million yen (206.9% year on-year).

(2) Explanation on Financial Position

(Assets)

The total assets at the end of the third quarter ended December 31, 2022 increased by 13,858 million yen compared to the end of the previous fiscal year to 107,842 million yen. This was due to increases in notes and accounts receivable - trade by 5,108 million yen, cash and deposits by 4,102 million yen, and buildings and structures, net by 1,706 million yen, respectively.

(Liabilities)

The total liabilities at the end of the third quarter ended December 31, 2022 increased by 5,868 million yen compared to the end of the previous fiscal year to 26,655 million yen. This was due to increases in notes and accounts payable - trade by 3,254 million yen and other under current liabilities by 1,624 million yen, respectively.

(Net assets)

The total net assets at the end of the third quarter ended December 31, 2022 increased by 7,990 million yen compared to the end of the previous fiscal year to 81,187 million yen. This was due to increases in foreign currency translation adjustment by 8,507 million yen and treasury shares, a deduction item, by 721 million yen, respectively.

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

For the consolidated financial results forecast for the fiscal year ending March 31, 2023, please refer to the “Notice of Revision of Full-Year Results Forecast and Revision of Dividend Forecast (Dividend Increase) for the Fiscal Year Ending March 31, 2023” announced today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	27,364,663	31,466,195
Notes and accounts receivable - trade	17,104,604	22,212,512
Merchandise and finished goods	3,474,046	3,538,050
Work in process	711,353	779,005
Raw materials and supplies	4,802,790	4,859,054
Other	1,700,291	2,171,834
Allowance for doubtful accounts	(1,979)	(1,108)
Total current assets	55,155,769	65,025,543
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,368,387	15,074,865
Machinery, equipment and vehicles, net	8,585,269	9,242,641
Right of use assets	3,153,764	3,525,890
Other	4,093,904	4,169,562
Total property, plant and equipment	29,201,324	32,012,958
Intangible assets	2,595,040	2,884,932
Investments and other assets		
Investment securities	4,032,851	4,712,293
Retirement benefit asset	2,214,175	2,250,737
Deferred tax assets	141,179	189,768
Other	650,950	773,887
Allowance for doubtful accounts	(6,903)	(7,827)
Total investments and other assets	7,032,253	7,918,857
Total non-current assets	38,828,616	42,816,747
Total assets	93,984,385	107,842,290

(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,478,595	12,733,069
Income taxes payable	372,621	560,313
Provision for bonuses	826,783	970,138
Provision for taxes related expenses	128,895	24,786
Provision for loss on liquidation of subsidiaries and associates	6,844	—
Provision for loss on business liquidation	—	48,600
Other	4,022,871	5,646,646
Total current liabilities	14,836,609	19,983,552
Non-current liabilities		
Long-term accounts payable - other	22,531	13,632
Provision for share awards for directors (and other officers)	62,118	74,750
Retirement benefit liability	318,787	394,716
Lease liabilities	3,146,876	3,552,289
Asset retirement obligations	522,367	657,635
Deferred tax liabilities	1,812,871	1,913,135
Provision for business restructuring	65,254	65,254
Total non-current liabilities	5,950,804	6,671,412
Total liabilities	20,787,413	26,654,964
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	39,392,844
Treasury shares	(5,591,856)	(6,312,434)
Total shareholders' equity	68,086,815	67,162,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	996,970	1,501,960
Foreign currency translation adjustment	3,328,466	11,835,221
Remeasurements of defined benefit plans	784,648	687,774
Total accumulated other comprehensive income	5,110,083	14,024,955
Non-controlling interests	74	89
Total net assets	73,196,972	81,187,326
Total liabilities and net assets	93,984,385	107,842,290

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended December 31

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	60,083,846	73,750,591
Cost of sales	50,674,218	63,335,726
Gross profit	9,409,628	10,414,865
Selling, general and administrative expenses	8,220,787	8,670,400
Operating profit	1,188,841	1,744,465
Non-operating income		
Interest income	98,796	151,083
Dividend income	121,700	129,588
Share of profit of entities accounted for using equity method	16,814	43,860
Foreign exchange gains	130,114	345,562
Other	104,645	224,317
Total non-operating income	472,070	894,410
Non-operating expenses		
Interest expenses	86,760	92,166
Other	9,916	19,440
Total non-operating expenses	96,676	111,606
Ordinary profit	1,564,235	2,527,268
Extraordinary income		
Gain on sale of non-current assets	24,732	26,610
Settlement income	—	105,000
Reversal of provision for business restructuring	709	—
Provision for taxes related expenses	—	124,632
Total extraordinary income	25,441	256,242
Extraordinary losses		
Loss on sale of non-current assets	2,552	826
Loss on retirement of non-current assets	22,036	10,794
Loss on liquidation of subsidiaries and associates	—	7,882
Provision for loss on litigation	—	25,000
Provision for loss on business liquidation	—	51,000
Loss related to COVID19	83,011	119,208
Loss on valuation of shares of subsidiaries and associates	37,566	—
Total extraordinary losses	145,166	214,710
Profit before income taxes	1,444,510	2,568,800
Income taxes	673,599	958,242
Profit	770,911	1,610,558
Profit attributable to non-controlling interests	2	2
Profit attributable to owners of parent	770,908	1,610,556

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended December 31

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	770,911	1,610,558
Other comprehensive income		
Valuation difference on available-for-sale securities	(70,694)	504,990
Foreign currency translation adjustment	2,099,385	8,422,089
Remeasurements of defined benefit plans, net of tax	(85,642)	(96,874)
Share of other comprehensive income of entities accounted for using equity method	27,221	84,680
Total other comprehensive income	1,970,270	8,914,885
Comprehensive income	2,741,181	10,525,443
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,741,174	10,525,428
Comprehensive income attributable to non-controlling interests	7	15

(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)

(Acquisition of treasury shares)

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 165-3 of the same act, which was resolved at the Board of Directors meeting held on May 12, 2022, the Company acquired 329,700 shares of its common stock for a total amount of 720 million yen during the nine months ended December 31, 2022, resulting in an increase in treasury shares of the same amount.

Consequently, treasury shares amounted to 6,312 million yen at the end of the nine months ended December 31, 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 third quarter ended December 31, 2022, and multiplying the profit before income taxes for the nine months ended December 31, 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 nine months ended December 31, 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	15,641,715	15,294,344	29,147,787	60,083,846
Inter-segment net sales or transfers	67,197	192,823	95	260,115
Total	15,708,912	15,487,167	29,147,882	60,343,961
Segment income	493,411	748,892	808,896	2,051,199

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 nine months ended December 31, 2021
Total reportable segment	2,051,199
Inter-segment eliminations	28,003
Corporate expenses*	(890,361)
Operating profit in Quarterly Consolidated Statements of Income	1,188,841

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

For the nine months ended December 31, 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	15,124,438	19,411,919	39,214,234	73,750,591
Inter-segment net sales or transfers	62,569	316,075	12,396	391,040
Total	15,187,007	19,727,994	39,226,629	74,141,631
Segment income (loss)	(88,227)	1,074,901	1,673,654	2,660,328

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 nine months ended December 31, 2022
Total reportable segment	2,660,328
Inter-segment eliminations	2,762
Corporate expenses*	(918,625)
Operating profit in Quarterly Consolidated Statements of Income	1,744,465

* 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 nine months ended December 31, 2021

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	15,620,483	—	15,620,483
China	15,294,344	—	15,294,344
Southeast Asia	29,147,787	—	29,147,787
Revenue from contracts with customers	60,062,614	—	60,062,614
Other	—	21,232	21,232
Net sales to outside customers	60,062,614	21,232	60,083,846

* Other indicates the real-estate rental business.

For the nine months ended December 31, 2022

(Thousand yen)

	Synthetic resin product related business	Other*	Total
Japan	15,101,270	—	15,101,270
China	19,411,919	—	19,411,919
Southeast Asia	39,214,234	—	39,214,234
Revenue from contracts with customers	73,727,423	—	73,727,423
Other	—	23,168	23,168
Net sales to outside customers	73,727,423	23,168	73,750,591

* Other indicates the real-estate rental business.