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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 9, 2024

Company name: TENMA CORPORATION
Stock exchange listing: Tokyo Stock Exchange
Code number: 7958

URL: <https://www.tenmacorp.co.jp>

Representative: Hirohiko Hirono, President and Representative Director

Contact: Takashi Sudo, Corporate Officer and General Manager of Finance & Accounts Department

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Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on financial results: None

Schedule of 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, 2024 (April 1, 2024 to June 30, 2024)

(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, 2024	23,534	(6.1)	329	(56.2)	694	(41.5)	451	(58.0)
June 30, 2023	25,051	14.3	751	88.7	1,187	109.2	1,075	223.5

(Note) Comprehensive income: Three months ended June 30, 2024: ¥2,733 million [12.9%]

Three months ended June 30, 2023: ¥2,421 million [(23.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	21.69	–
June 30, 2023	49.53	–

(Note) In the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations, and each figure for the first three months ended June 30, 2023 reflects the finalized content of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2024	104,255	81,883	78.5	3,983.51
March 31, 2024	101,921	81,063	79.5	3,871.02

(Reference) Equity: As of June 30, 2024: ¥81,882 million

As of March 31, 2024: ¥81,063 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen —	Yen 40.00	Yen —	Yen 42.00	Yen 82.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (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, 2025 (April 1, 2024 to March 31, 2025)

(% 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, 2024	47,000	(0.6)	500	(46.6)	1,000	(42.6)	900	(34.9)	43.71
Full year	100,000	7.6	2,200	61.6	2,800	(29.7)	3,500	13.2	172.42

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

In accordance with the resolution at the Board of Directors meeting held on May 10, 2024, the Company acquired its treasury shares. The impact of the acquisition of treasury shares has been taken into account in calculating “Basic earnings per share” of the revisions to consolidated financial results forecasts for the fiscal year ending March 31, 2025. Please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Notes in the event of significant changes in the amount of shareholders’ equity) (Acquisition of treasury shares)” on page 8 of the Attachments. for the acquisition of treasury shares.

* Notes:

(1) Significant changes in the scope of consolidation during the period: 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, (Notes to 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: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Notes to changes in accounting policies)” on page 8 of the Attachments.

(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, 2024:	22,313,026 shares
March 31, 2024:	24,313,026 shares

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

June 30, 2024:	1,757,653 shares
March 31, 2024:	3,371,945 shares

3) Average number of shares during the period:

Three months ended June 30, 2024: 20,788,740 shares

Three months ended June 30, 2023: 21,695,901 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.

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or audit firms: None

* 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. Overview of Business Results, etc., (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. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

The world economy during the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024), remained uncertain due to the protracted situation in Ukraine, growing tensions in the Middle East and trends in the Chinese economy, although personal consumption in Europe and the U.S. remained strong due to easing inflationary pressure.

In the Japanese economy, despite concerns about the impact of factors such as price hikes on personal consumption, private-sector capital investment was strong and there were signs of a gradual recovery due to factors such as expanding inbound demand.

Under these circumstances, in May 2024, the Group formed its “Fourth Medium-Term Management Plan” for the three-year period ending March 31, 2027, and is proceeding with the implementation of three major measures ((1) Promotion of various measures to materiality, (2) Change of business portfolio, and (3) Reconstruction of unprofitable business domain) under the basic policy of “Increasing enterprise value by promoting sustainable management.”

As a result, net sales amounted to 23,534 million yen (down 6.1% year on year), operating profit amounted to 329 million yen (down 56.2% year on year), ordinary profit amounted to 694 million yen (down 41.5% year on year), and profit attributable to owners of parent amounted to 451 million yen (down 58.0% year on year).

In the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations, and figures for the first three months ended June 30, 2023 reflect the finalized content of the provisional accounting treatment.

Operating results by segment are as follows.

(Japan)

In the field of household synthetic resin products and related products, while the recovery of personal consumption stalled due to factors including price hikes, sales increased due to efforts to expand sales of new products and strengthen EC sales measures. In the field of industrial synthetic resin products, sales also increased due to robust sales of electrical and electronics related products on the back of strong private-sector capital investment.

Profits improved significantly due to increased sales and efforts to improve procurement activities and production efficiency, as well as efforts to optimize logistics.

As a result, net sales for this segment amounted to 5,469 million yen (up 4.5% year on year), and segment profit (operating profit) amounted to 298 million yen (up 80.9% year on year).

(China)

In the field of industrial synthetic resin products, sales decreased significantly due to factors that include the effects of a shift in production to Southeast Asia and manufacturing adjustments by business partners. In the field of household synthetic resin products and related products, sales declined slightly as personal consumption remained sluggish.

Profits fell below those in the same period of the previous fiscal year due to the significant impact of declining sales, despite continued efforts to improve production efficiency in part by revamping the personnel structure and adopting automation.

As a result, net sales amounted to 4,525 million yen (down 18.7% year on year), and segment profit (operating profit) amounted to 93 million yen (down 72.7% year on year).

(Southeast Asia)

In the field of industrial synthetic resin products, ongoing production adjustments made by customers have led to a decrease in sales, and although there were signs of a recovery around the middle of the previous fiscal year, sales declined significantly from the impact resulting from these continued production adjustments.

Profits fell below those in the same period of the previous fiscal year due to the impact of lower sales, despite efforts to reduce costs by streamlining production and staffing adjustments.

As a result, net sales amounted to 12,992 million yen (down 8.8% year on year), and segment profit (operating profit) amounted to 317 million yen (down 50.2% year on year).

(North America)

In May 2023, we newly acquired shares in TENMA PLASTIC MEXICO, S.A. DE C.V., which manufactures automobile parts in Mexico, as well as in its parent company Tenma America Corporation, which sells automobile parts in the United States of America, and were included in the scope of consolidation from the third quarter of the previous fiscal year. In North America, the Group mainly manufactures and sells safety-related automobile parts. Net sales for this segment amounted to 547 million yen.

In terms of profit, the segment loss (operating loss) was 54 million yen due to increased costs caused by wage increases and other factors.

(2) Overview of Financial Position for the Period Under Review

(Assets)

The total assets at the end of this first quarter increased by 2,334 million yen compared to the end of the previous fiscal year to 104,255 million yen. This was mainly due to increases in notes and accounts receivable - trade by 1,137 million yen and cash and deposits by 526 million yen.

(Liabilities)

The total liabilities at the end of this first quarter increased by 1,515 million yen compared to the end of the previous fiscal year to 22,373 million yen. This was mainly due to increases in other current liabilities by 1,189 million yen and notes and accounts payable - trade by 408 million yen.

(Net assets)

The total net assets at the end of this first quarter increased by 819 million yen compared to the end of the previous fiscal year to 81,883 million yen. This was due mainly to an increase of 2,027 million yen in foreign currency translation adjustment, despite a decrease of 4,045 million yen in capital surplus due to cancellation of treasury shares and a decrease in treasury shares, a deduction item, of 3,075 million yen.

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

Regarding the financial results forecasts for the fiscal year ending March 31, 2025, the forecasts are changed from the consolidated financial results forecasts announced on May 10, 2024. For details, please refer to the “Announcement concerning Revisions to consolidated financial results forecasts for the second quarter and full year ending March 31, 2025” announced on August 9, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	29,839,839	30,366,287
Notes and accounts receivable - trade	17,353,495	18,490,690
Merchandise and finished goods	3,516,965	3,526,749
Work in process	696,186	842,781
Raw materials and supplies	4,738,130	4,736,573
Other	1,746,516	1,854,756
Allowance for doubtful accounts	(9,229)	(9,553)
Total current assets	57,881,901	59,808,284
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,521,560	14,600,069
Machinery, equipment and vehicles, net	9,586,821	9,548,818
Right-of-use assets, net	2,874,400	2,600,435
Other, net	4,753,528	5,256,810
Total property, plant and equipment	31,736,309	32,006,132
Intangible assets		
Goodwill	-	257,767
Other	3,415,789	3,576,523
Total intangible assets	3,415,789	3,834,290
Investments and other assets		
Investment securities	4,029,795	3,967,236
Retirement benefit asset	3,666,542	3,674,990
Deferred tax assets	370,794	362,230
Other	827,896	610,001
Allowance for doubtful accounts	(7,575)	(7,827)
Total investments and other assets	8,887,452	8,606,630
Total non-current assets	44,039,550	44,447,052
Total assets	101,921,451	104,255,336

(Thousand yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,901,655	9,309,786
Income taxes payable	348,194	452,759
Provision for bonuses	853,963	841,084
Provision for taxes related expenses	5,119	5,462
Other	4,187,092	5,375,958
Total current liabilities	14,296,023	15,985,050
Non-current liabilities		
Long-term accounts payable - other	2,615	2,615
Provision for share awards for directors (and other officers)	131,778	138,837
Provision for share awards for employees	4,264	4,264
Retirement benefit liability	493,377	538,414
Lease liabilities	2,862,949	2,613,073
Asset retirement obligations	711,614	757,477
Deferred tax liabilities	2,290,912	2,268,508
Provision for business restructuring	64,584	64,548
Total non-current liabilities	6,562,093	6,387,736
Total liabilities	20,858,116	22,372,786
Net assets		
Shareholders' equity		
Share capital	19,225,350	19,225,350
Capital surplus	12,984,521	8,939,483
Retained earnings	41,897,599	41,424,931
Treasury shares	(6,713,659)	(3,638,803)
Total shareholders' equity	67,393,811	65,950,960
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,384,245	1,666,513
Foreign currency translation adjustment	10,826,530	12,853,639
Remeasurements of defined benefit plans	1,458,657	1,411,341
Total accumulated other comprehensive income	13,669,431	15,931,493
Non-controlling interests	94	96
Total net assets	81,063,335	81,882,550
Total liabilities and net assets	101,921,451	104,255,336

(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, 2023	For the three months ended June 30, 2024
Net sales	25,050,945	23,534,112
Cost of sales	21,336,998	20,176,624
Gross profit	3,713,948	3,357,488
Selling, general and administrative expenses	2,963,360	3,028,749
Operating profit	750,587	328,739
Non-operating income		
Interest income	119,574	93,361
Dividend income	68,746	38,633
Share of profit of entities accounted for using equity method	26,912	39,926
Foreign exchange gains	230,738	239,631
Other	33,407	26,773
Total non-operating income	479,377	438,324
Non-operating expenses		
Interest expenses	31,675	53,187
Depreciation	–	7,746
Other	11,304	11,875
Total non-operating expenses	42,980	72,807
Ordinary profit	1,186,984	694,255
Extraordinary income		
Gain on sale of non-current assets	37,252	19,574
Gain on bargain purchase	136,876	–
Total extraordinary income	174,129	19,574
Extraordinary losses		
Loss on sale of non-current assets	105	1,292
Loss on retirement of non-current assets	5,020	9,412
Total extraordinary losses	5,125	10,704
Profit before income taxes	1,355,988	703,125
Income taxes - current	275,996	368,171
Income taxes - deferred	5,456	(116,030)
Total income taxes	281,452	252,140
Profit	1,074,536	450,985
Profit (loss) attributable to non-controlling interests	0	(1)
Profit attributable to owners of parent	1,074,536	450,986

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,074,536	450,985
Other comprehensive income		
Valuation difference on available-for-sale securities	436,189	282,269
Foreign currency translation adjustment	923,955	2,025,238
Remeasurements of defined benefit plans, net of tax	(39,783)	(47,316)
Share of other comprehensive income of entities accounted for using equity method	26,496	22,264
Total other comprehensive income	1,346,858	2,282,455
Comprehensive income	2,421,394	2,733,439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,421,390	2,733,437
Comprehensive income attributable to non-controlling interests	4	2

(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 10, 2024, the Company acquired 385,500 shares of its common stock for a total amount of 970 million yen during the three months ended June 30, 2024 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 10, 2024, the Company cancelled 2,000,000 shares of treasury shares on May 31, 2024.

As a result of the above, capital surplus decreased by 4,045 million yen and treasury shares decreased by 3,075 million yen during the three months ended June 30, 2024. Consequently, at the end of the three months ended June 30, 2024, capital surplus amounted to 8,939 million yen and treasury shares amounted to 3,639 million yen.

(Significant changes in the scope of consolidation during the period)

Not applicable.

PT HYUK JIN INDONESIA was included in the scope of consolidation in the first quarter ended June 30, 2024.

(Notes to 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 this third quarter, and multiplying the profit before income taxes for the three months ended June 30, 2024 by the estimated effective tax rate.

(Notes to changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Implementation Guidance of 2022"). The change in the accounting policy has no impact on the quarterly consolidated financial statements.

In addition, the Revised Implementation Guidance of 2022 on the amendment revising the treatment of the deferral for tax purposes of gains or losses arising from the sale of shares in subsidiaries between consolidated companies has been applied from the beginning of the first quarter of the current fiscal year. The change in the accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. The change in the accounting policy has no impact on the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

(Significant subsequent events)

(Dissolution and liquidation of consolidated subsidiaries)

The Company announced that it resolved to dissolve PRINCIA CO., LTD (“PRINCIA”), a consolidated subsidiary at a meeting of the Board of Directors held on July 26, 2024.

(1) Reasons for the dissolution

The Group is reorganizing its offices to improve asset efficiency and reduce management costs. However, transactions via PRINCIA have been declining in recent years, and we have only performed financial functions such as lending funds to Group companies exclusively. Therefore, we have decided to dissolve PRINCIA because of the need to consolidate financial assets overseas at the head office and improve asset efficiency.

(2) Overview of the subsidiary

(i) Name	PRINCIA CO., LTD.
(ii) Address	15/F., O.T.B.Building, No.259-265 Des Voeux Road Central, Hong Kong.
(iii) Job title/name of representative	Director / Hirohiko Hirono
(iv) Description of business	Loans to trade and Group companies
(v) Common stock	HK\$2 million, US\$13 million
(vi) Date of establishment	September 30, 1993
(vii) Major shareholders and shareholding ratio	The Company 100%

(3) Schedule of dissolution and liquidation

July 26, 2024	Resolution to dissolve the subsidiary concerned
November 2024	Completion of liquidation (scheduled)

(4) Status of the subsidiary

Total assets	US\$13,252 thousand
Net assets	US\$13,250 thousand

(5) Future outlook

In the fiscal year ending March 31, 2025, we expect to record a gain of 1,118 million yen on reversal of foreign currency translation adjustments as a result of reversal of foreign currency translation adjustments recorded in our consolidated balance sheets as a gain on liquidation of subsidiaries and an extraordinary gain. The amount of extraordinary income recorded will fluctuate depending on the level of exchange rates up to the date of completion of the liquidation process.

(Notes to quarterly consolidated statement of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,123,928	1,201,418
Amortization of goodwill	—	3,312

(Notes to segment information, etc.)
[Segment information]

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	North America	
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. In the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations, and figures for the first three months ended June 30, 2023 reflect the finalized content of the provisional accounting treatment. The amount of gain on bargain purchase recorded due to this matter is 136,876 thousand yen. Since the gain on bargain purchase is recorded in extraordinary income, it is not included in the segment profit above.

4. Information regarding changes, etc. to reportable segments

Not applicable.

For the three months ended June 30, 2024

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

(Thousand yen)

	Reportable segment				Total
	Japan	China	Southeast Asia	North America	
Net sales					
Net sales to outside customers	5,469,315	4,524,900	12,992,447	547,449	23,534,112
Inter-segment net sales or transfers	84,171	83,366	21,722	–	189,259
Total	5,553,486	4,608,266	13,014,169	547,449	23,723,371
Segment profit (loss)	298,271	93,442	316,855	(54,475)	654,094

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, 2024
Total reportable segment	654,094
Inter-segment eliminations	7,853
Corporate expenses*	(333,209)
Operating profit in Quarterly Consolidated Statements of Income	328,739

* 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 changes in amount of goodwill)

In Southeast Asia, goodwill arose as a result of PT HYUK JIN INDONESIA becoming a consolidated subsidiary in the first quarter ended June 30, 2024. The increase in the amount of goodwill caused by this event was 270,629 thousand yen.

4. Information regarding changes, etc. to reportable segments

With the inclusion of Tenma America Corporation and TENMA PLASTIC MEXICO, S.A. DE C.V. in the scope of consolidation from the first quarter ended June 30, 2023, starting in the third quarter ended December 31, 2023, the segment classifications were changed from the previous three classifications of "Japan," "China," and "Southeast Asia" to the four classifications of "Japan," "China," "Southeast Asia," and "North America."

Furthermore, segment information for the three months ended June 30, 2023 has been created and disclosed according to the reportable segments following the changes.

(Business combinations)

The Company resolved at its Board of Directors meeting held on March 3, 2023 to acquire all the shares of PT HYUK JIN INDONESIA (hereinafter referred to as “HJI Co”), a manufacturer of die molds in Indonesia, and to turn it into a subsidiary, and entered into a share purchase agreement (hereinafter referred to as “the Agreement”). The Company concluded the acquisition of the shares of the said company on April 19, 2023 pursuant to the Agreement.

1. Overview of business combinations

(1) Reason for acquisition of shares

As a plastic molding and processing manufacturer, the Company manufactures high quality products in in-house product business and contract-manufactured product business. “Expansion of business areas” was one business strategy in our Third Medium-term Management Plan, formulated in May 2021, and we have proceeded with developing the die mold business as a concrete measure.

To accelerate the realization of this strategy, we decided that it would be effective to incorporate a die mold manufacturer into the Group, and decided to acquire the shares.

HJI Co is a well-respected die mold manufacture inside and outside Indonesia and it has provided high quality die molds for industries including automobiles and electronic equipment. The company also contributes to community development and is socially responsible. Through this acquisition, the Company will be able to incorporate the skills of die mold manufacturing and manufacturing know-how possessed by HJI Co, as well as human resource development and capacity into the Group, and increase our competitiveness as a plastic molding and processing manufacturer.

(2) Name, Business Activities, and Capital of company to be transferred

Name	PT HYUK JIN INDONESIA
Business Activities	Die mold industry (printing press) and domestic marketing of its output
Capital	IDR 7,680,000,000

(3) Counterparty for the acquisition of shares

Hyuk Jin Co., Ltd. and two individual shareholders

(4) Number of shares to be acquired

Number of shares acquired	4,000 shares
Ratio of equity interest after acquisition	100%

(5) Schedule

Date of conclusion of share purchase agreement	March 3, 2023
Effective date of share transfer	April 19, 2023

(6) Amount of acquisition cost

The acquisition cost remains undisclosed following discussions with the other party.

2. Period of earnings of the acquiree included in the quarterly consolidated statements of income

January 1, 2024 to March 31, 2024

3. Amount of goodwill recognized

(1) Amount of goodwill recognized

270,629 thousand yen

(2) Reason for recognition

The difference is recorded as goodwill, mainly because the fair value of net asset of the acquiree at the time of the business combination was less than the acquisition cost.

(3) Method and period of amortization

Straight-line method over twenty years