Consolidated Financial Results
for the Nine Months Ended December 31, 2021
[Japanese GAAP]

FASF MEMBERSHIP

February 07, 2022

Company name: TOSHIBA TEC CORPORATION
Stock exchange listing: Tokyo
Code number: 6588
URL: https://www.toshibatec.co.jp/
Representative: Hironobu Nishikori President and CEO
Contact: Akira Abe Senior Manager of Corporate Communications Division
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Scheduled date of filing quarterly securities report: February 09, 2022
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: No
Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	328,525	11.8	8,664	171.0	8,076	220.3	6,193	-
December 31, 2020	293,927	(19.7)	3,197	(76.1)	2,521	(79.8)	(3,374)	-

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 6,610 million [-%]
Nine months ended December 31, 2020: ¥ (5,164) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	112.55	112.52
December 31, 2020	(61.34)	-

(Note) Diluted earnings per share for the nine months ended December 31, 2020 is not presented even though The Company has issued potential shares, because basic earnings per share was net loss.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2021	301,158	114,450	36.0
March 31, 2021	289,313	109,862	35.5

(Reference) Equity: As of December 31, 2021: ¥ 108,335 million
As of March 31, 2021: ¥ 102,710 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	0.00	-	20.00	20.00
Fiscal year ending March 31, 2022	-	20.00	-		
Fiscal year ending March 31, 2022 (Forecast)				20.00	40.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% 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	445,000	9.7	15,000	81.5	12,000	66.8	8,000	12.3	145.38

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
New - (Company name:)
Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to the quarterly consolidated financial statements (Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)” on page 9 of this report.

(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: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to the quarterly consolidated financial statements (Changes in accounting policies)” on page 10 of this report.

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2021: 57,629,140 shares
March 31, 2021: 57,629,140 shares

2) Total number of treasury shares at the end of the period:
December 31, 2021: 2,596,268 shares
March 31, 2021: 2,616,163 shares

3) Average number of shares during the period:
Nine months ended December 31, 2021: 55,024,780 shares
Nine months ended December 31, 2020: 55,003,891 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Explanation for the proper use of earnings forecasts)
Financial results forecasts are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be the Company’s guarantee that they will be achieved. Actual results may significantly vary due to a variety of factors. For the assumptions used as the basis for the earnings forecasts and precautions regarding the use of the earnings forecasts, 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 this report.

Table of Contents of Attachments

1. Qualitative information on the financial results for the period under review

(1) Operating results

The world economy for the nine months ended December 31, 2021 continued to face severe circumstances. The economy did not fully recover under the impact of the resurgence of COVID-19, limitations on supply and other factors despite being on a recovery track owing mainly to the diffusion of COVID-19 vaccines and economic measures.

Amid such conditions, TOSHIBA TEC CORPORATION (the “Company”) and its subsidiaries (collectively, the “Group”) set forth the Basic Policy of the FY21-23 Mid-term Business Plan (MTBP), “After the structural reform and transformation, accelerate concentrated investment in the growth field to become a solutions partner by utilizing data effectively.” Under the basic policy, the Group has focused its energy on carrying out various measures to develop its business. At the same time, as a solutions partner that helps solve issues in the domains of stores, offices, logistics and manufacturing, the Group has promoted initiatives to achieve the Sustainable Development Goals (SDGs) together with customers and strived to contribute to realizing a sustainable society.

In the nine months ended December 31, 2021, the impact of the COVID-19 pandemic continued, and the Group was affected by tight supply-demand balance and soaring prices in components and international cargo transportation. However, as economic activities showed more strength compared to the same period of the previous fiscal year, net sales recovered to ¥328,525 million (up 12% year on year). Meanwhile, on the profit front, the Group recorded operating profit of ¥8,664 million (up 171% year on year), ordinary profit of ¥8,076 million (up 220% year on year), and profit attributable to owners of parent of ¥6,193 million (loss attributable to owners of parent of ¥3,374 million in the same period of the previous fiscal year).

Results of reportable segments for the nine months ended December 31, 2021 were as follows.

Retail Solutions Business Group

The Retail Solutions Business Group handles POS systems for domestic and overseas markets, auto ID systems for domestic market, and related products. Amid a severe business environment in which the impact of the spread of COVID-19 and intensifying competition with peers continue, the business group has worked on various initiatives under the basic policy of “Aim at becoming a global top solutions partner in the distribution industry.” These initiatives include concentrated investment in growth fields (data services, next generation stores, payment, and Supply Chain Management (SCM)), business expansion through strategic partnership, and the expansion of service business in overseas markets.

Sales of POS systems for domestic market rose as a result of efforts focused on expanding sales mainly of payment terminals, self-ordering systems, smart receipts by taking into account measures against COVID-19, amid a downturn in the investment appetite of retail and restaurant businesses.

Sales of POS systems for overseas markets increased as sales remained robust in each region.

Sales of auto ID systems for domestic market declined as sales of barcode printers fell due in part to tight supply-demand balance of components.

As a result, net sales of the Retail Solutions Business Group was ¥197,086 million (up 9% year on year). Operating profit of the business group was ¥8,245 million (down 8% year on year) due in part to the impact of tight supply-demand balance of components despite the increase in net sales.

Workplace Solutions Business Group

The Workplace Solutions Business Group handles multifunction peripherals (MFPs) for domestic and overseas markets, auto ID systems for overseas markets, inkjet heads for domestic and overseas markets, and related products. Amid a severe business environment in which the impact of the spread of COVID-19 and intensifying competition with peers continue, the business group simultaneously reinforced “Customer touch points functions” and “Overall business structure,” and built a robust and streamlined global operation structure to focus on achieving its targets. At the same time, the business group worked on strengthening Document Management System (DMS)/Enterprise Contents Management (ECM) solutions, the auto ID business, the cloud solutions platform, and other measures.

Sales of MFPs rose as a result of increased sales in the Americas, Europe, Asia and other overseas regions.

Sales of auto ID systems for overseas markets increased as a result of increased sales in the Americas, Europe, Asia and other overseas regions.

Sales of inkjet heads increased due to increased sales to domestic and overseas customers.

As a result, net sales in the Workplace Solutions Business Group was ¥134,291 million (up 17% year on year). Operating profit for the business group improved to ¥419 million (operating loss of ¥5,759 million in the same period of the previous fiscal year) due mainly to the increase in net sales despite being affected by tight supply-demand balance and soaring prices in components and international cargo transportation.

(Note) An auto ID system is a system that uses hardware and software devices to recognize and manage data content by automatically scanning barcode and RFID tag data.

(2) Financial condition

Assets at the end of the third quarter of the fiscal year ending March 31, 2022 increased by ¥11,845 million from the end of the previous fiscal year to ¥301,158 million. This was mainly because merchandise and finished goods as well as raw materials and supplies increased by ¥6,288 million and ¥4,923 million, respectively, although “Other” in current assets declined by ¥1,290 million.

Liabilities increased by ¥7,258 million from the end of the previous fiscal year to ¥186,708 million. This was mainly because notes and accounts payable – trade increased by ¥12,357 million, although “Other” in current liabilities declined by ¥4,712 million.

Net assets rose by ¥4,587 million from the end of the previous fiscal year to ¥114,450 million. This was primarily due to an increase in retained earnings of ¥6,193 million owing to the recording of profit attributable to owners of parent, a decrease of ¥2,200 million due to payment of dividends, and a decrease in non-controlling interests of ¥1,028 million.

(3) Consolidated financial results forecast and other forward-looking information

The Company revised its consolidated financial results forecast for the fiscal year ending March 31, 2022 announced on November 8, 2021 as follows.

Revision to consolidated financial results forecasts for the fiscal year ending March 31, 2022

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previously announced forecast (A)	440,000	15,000	12,000	7,000	127.22
Revised forecast (B)	445,000	15,000	12,000	8,000	145.38
Change (B)-(A)	5,000	－	－	1,000	－
Change (%)	1.1	－	－	14.3	－
Reference: results of the previous fiscal year (ended March 31, 2021)	405,694	8,263	7,193	7,126	129.55

Revision to consolidated sales forecasts by segment for the fiscal year ending March 31, 2022

(Million yen)

	Previously announced forecast (A)	Revised forecast (B)	Change (B)-(A)	Change (%)	Reference: results of the previous fiscal year (ended March 31, 2021)
Retail Solutions	270,000	267,000	(3,000)	(1.1)	248,470
Workplace Solutions	175,000	183,000	8,000	4.6	158,925
Eliminations	(5,000)	(5,000)	－	－	(1,701)
Net sales	440,000	445,000	5,000	1.1	405,694

(Note) Figures for the fiscal year ended March 31, 2021 shown above have been reclassified into new segment categories effective from the fiscal year ending March 31, 2022.

Revision to consolidated operating profit forecasts by segment for the fiscal year ending March 31, 2022

(Million yen)

	Previously announced forecast (A)	Revised forecast (B)	Change (B)-(A)	Change (%)	Reference: results of the previous fiscal year (ended March 31, 2021)
Retail Solutions	15,000	12,500	(2,500)	(16.7)	13,741
Workplace Solutions	0	2,500	2,500	―	(5,477)
Operating profit	15,000	15,000	―	―	8,263

(Note) Figures for the fiscal year ended March 31, 2021 shown above have been reclassified into new segment categories effective from the fiscal year ending March 31, 2022.

Net sales of the Retail Solutions Business Group have been revised downward due mainly to the impact of the tight supply-demand balance of components in domestic market being more expanded than expected and the rapid spread of the new variant of COVID-19 (the Omicron variant) infection since January 2022, that economic activity may be greatly limited again. On the other hand, net sales of the Workplace Solutions Business Group have been revised upward due to factors including the sales of MFPs and other products remaining stronger than expected and the weakening of the Japanese yen. As a result, net sales of the Group were revised upward as stated above.

Primarily in line with the revisions to net sales, operating profit of the Retail Solutions Business Group has been revised downward. On the other hand, operating profit of the Workplace Solutions Business Group has been revised upward. As a result, operating profit of the Group has been left unchanged from the previously announced forecast. Profit attributable to owners of parent has been revised upward as stated above as it trended higher than expected as a result of factors including the recording of gain on sale of investment securities in extraordinary income due to the sale of strategic shareholdings in the nine months ended December 31, 2021.

The reference exchange rates used in the consolidated financial results forecast for the fiscal year ending March 31, 2022 are ¥111.96 to the US dollar and ¥130.22 to the euro.

*Financial results forecasts are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be the Company’s guarantee that they will be achieved. Actual results may significantly vary due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Current assets		
Cash and deposits	42,179	46,343
Group deposits paid	10,064	8,186
Notes and accounts receivable - trade	63,928	-
Notes and accounts receivable - trade, and contract assets	-	64,464
Merchandise and finished goods	31,582	37,870
Work in process	4,376	6,003
Raw materials and supplies	6,944	11,867
Other	24,115	22,825
Allowance for doubtful accounts	(1,394)	(1,402)
Total current assets	181,797	196,159
Non-current assets		
Property, plant and equipment	45,168	42,544
Intangible assets		
Goodwill	1,633	1,133
Other	9,876	9,364
Total intangible assets	11,510	10,498
Investments and other assets		
Other	50,929	52,044
Allowance for doubtful accounts	(91)	(88)
Total investments and other assets	50,837	51,955
Total non-current assets	107,516	104,999
Total assets	289,313	301,158

(Million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,509	60,866
Short-term borrowings	542	742
Income taxes payable	1,375	3,106
Other	74,918	70,206
Total current liabilities	125,346	134,921
Non-current liabilities		
Long-term borrowings	1,019	1,019
Retirement benefit liability	26,624	25,180
Other	26,460	25,586
Total non-current liabilities	54,104	51,787
Total liabilities	179,450	186,708
Net assets		
Shareholders' equity		
Share capital	39,970	39,970
Capital surplus	57	107
Retained earnings	52,616	56,788
Treasury shares	(5,372)	(5,336)
Total shareholders' equity	87,273	91,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,681	1,579
Deferred gains or losses on hedges	(16)	7
Foreign currency translation adjustment	10,805	12,505
Minimum pension liability adjustments	(832)	(840)
Remeasurements of defined benefit plans	3,799	3,552
Total accumulated other comprehensive income	15,436	16,804
Share acquisition rights	57	48
Non-controlling interests	7,094	6,066
Total net assets	109,862	114,450
Total liabilities and net assets	289,313	301,158

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	293,927	328,525
Cost of sales	177,614	196,648
Gross profit	116,313	131,877
Selling, general and administrative expenses	113,115	123,212
Operating profit	3,197	8,664
Non-operating income		
Interest income	201	290
Dividend income	43	44
Gain on valuation of derivatives	-	468
Foreign exchange gains	739	-
Other	382	274
Total non-operating income	1,366	1,077
Non-operating expenses		
Interest expenses	406	347
Loss on valuation of derivatives	288	-
Foreign exchange losses	-	458
Other	1,348	859
Total non-operating expenses	2,043	1,665
Ordinary profit	2,521	8,076
Extraordinary income		
Gain on sale of investment securities	-	223
Reversal of environmental expenses	284	-
Total extraordinary income	284	223
Extraordinary losses		
Loss on sale of investment securities	-	1
Restructuring cost	7,203	867
Total extraordinary losses	7,203	869
Profit (loss) before income taxes	(4,397)	7,430
Income taxes	595	2,428
Profit (loss)	(4,993)	5,002
Loss attributable to non-controlling interests	(1,618)	(1,191)
Profit (loss) attributable to owners of parent	(3,374)	6,193

Quarterly Consolidated Statement of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit (loss)	(4,993)	5,002
Other comprehensive income		
Valuation difference on available-for-sale securities	168	(102)
Deferred gains or losses on hedges	(5)	24
Foreign currency translation adjustment	(455)	1,940
Minimum pension liability adjustment	(138)	(8)
Remeasurements of defined benefit plans, net of tax	259	(246)
Total other comprehensive income	(171)	1,608
Comprehensive income	(5,164)	6,610
Comprehensive income attributable to		
Owners of parent	(3,373)	7,560
Non-controlling interests	(1,791)	(949)

(3) Notes to the quarterly consolidated financial statements

Notes on going concern assumption

Not applicable

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

Not applicable

Accounting policies adopted specially for the preparation of quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting for profit before income taxes for the consolidated fiscal year including the third quarter under review and multiplying profit before income taxes by the estimated effective tax rate.

Provided, however, that if calculation using the estimated effective tax rate turns out to be significantly unreasonable, calculations are made pursuant to Paragraph 15 (Method of using the statutory effective tax rate) of the Implementation Guidance on Tax Effect Accounting for Interim Financial Statements (Accounting Standards Board of Japan (ASBJ) Guidance No. 29, February 16, 2018), according to the provisions of Paragraph 19 of the Implementation Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14, March 31, 2020).

Income taxes – deferred are included in income taxes.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Standard") and other standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. Under the standard, the Company recognizes revenue when control over promised goods or services are transferred to customers at an amount expected to be received in exchange for the goods or services.

Major changes resulting from the application of the Revenue Recognition Standard, etc. are as follows:

- For contracts for commissioned software, etc. specified by the customer, to which the completed contract method was previously applied, we have changed to a new method regarding the contracts for which performance obligations are fulfilled over a certain period of time. Under the new method, we estimate the progress status of fulfilment of performance obligations and recognize revenue over a certain period of time based on the progress status.
- Regarding some of the transactions of consumables and transactions with the Company's agents, for which revenue was previously recognized at the time of shipment, we have changed to a new method. Under the new method, we recognize revenue when control over merchandise and finished goods are transferred, or primarily at the point of the delivery of merchandise and finished goods.
- While we previously applied the method of processing sales rebates and other types of consideration paid to the Company's agents or customers as selling, general and administrative expenses, we have changed to a new method to deduct the amount from net sales.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Standard, etc. The cumulative impact of retrospectively applying the new accounting policy before the beginning of the first quarter of the fiscal year ending March 31, 2022 has been added to or subtracted from retained earnings at the beginning of the said first quarter, and the new accounting policy is applied from the balance at the beginning of the said period.

As a result, retained earnings at the beginning of the period increased by ¥179 million by reflecting the cumulative impact in net assets at the beginning of the first quarter of the fiscal year ending March 31, 2022.

Compared to the previous method, for the nine months ended December 31, 2021, net sales and cost of sales increased by ¥400 million and ¥818 million, respectively, while selling, general and administrative expenses decreased by ¥251 million. Operating profit, ordinary profit and profit before income taxes decreased by ¥166 million, respectively.

Due to the application of the Revenue Recognition Standard, etc., notes and accounts receivable – trade, which had been presented under current assets in the consolidated balance sheet for the previous fiscal year, are included in notes and accounts receivable - trade, and contract assets from the first quarter of the fiscal year ending March 31, 2022.

In line with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous consolidated fiscal year have not been reclassified by the new presentation method.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Fair Value Measurement Standard") and other standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. In line with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy provided by the Fair Value Measurement Standard, etc. prospectively. This does not affect the quarterly consolidated financial statements.

Additional information

Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

Regarding the transition to the group tax sharing system provided for in Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, the Company and some of its domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of tax laws prior to the amendments, based on the treatments stipulated in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 39, March 31, 2020), instead of applying the provision of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).

Segment information

Ⅰ Nine months ended December 31, 2020

Amounts of net sales, profitor loss by reportable segment

(Million yen)

	Reportable segments			Adjustment	Consolidated amount (Note)
	Retail Solutions	Workplace Solutions	Total		
Net sales					
Sales to external customers	180,797	113,129	293,927	―	293,927
Intersegment sales and transfers	58	1,175	1,234	(1,234)	―
Total	180,856	114,305	295,161	(1,234)	293,927
Segment profit (loss)	8,956	(5,759)	3,197	―	3,197

(Note) Segment profit (loss) corresponds with operating profit in the quarterly consolidated statement of income.

Ⅱ Nine months ended December 31, 2021

1. Amounts of net sales, profit or loss by reportable segment

(Million yen)

	Reportable segments			Adjustment	Consolidated amount (Note)
	Retail Solutions	Workplace Solutions	Total		
Net sales					
Sales to external customers	197,025	131,499	328,525	―	328,525
Intersegment sales and transfers	60	2,791	2,851	(2,851)	―
Total	197,086	134,291	331,377	(2,851)	328,525
Segment profit	8,245	419	8,664	―	8,664

(Note) Segment profit corresponds with operating profit in the quarterly consolidated statement of income.

2. Changes in reportable segment, etc.

Changes in reportable segment categories

From the first quarter of the fiscal year ending March 31, 2022, the Company has renamed the Printing Solutions Business Group as the Workplace Solutions Business Group. The MFP business for the Japanese market formerly included in the Retail Solutions Business Group has been transferred to the Workplace Solutions Business Group.

Segment information for the nine months ended December 31, 2020 disclosed above have been prepared based on the reportable segment categories for the nine months ended December 31, 2021.

Application of Accounting Standard for Revenue Recognition, etc.

As stated in “Changes in accounting policies” above, the Company has applied the Revenue Recognition Standard, etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022 and changed the accounting method of revenue recognition. Accordingly, the method of calculating profit or loss by reportable segment has been changed in the same manner.

Due to the change, compared to the previous method, net sales of the Retail Solutions Business Group for the nine months ended December 31, 2021 increased by ¥284 million and its segment profit decreased by ¥176 million, while net sales of the Workplace Solutions Business Group increased by ¥115 million and its segment profit increased by ¥10 million.

*Supplementary information

	Nine months ended December 31,2020	Nine months ended December 31,2021
Average exchange rate (Yen to the US dollar)	106.13	110.97
Average exchange rate (Yen to the euro)	121.79	130.87

Significant subsequent events

Capital and business alliance and disposal of treasury shares through third-party allotment

The Company resolved at its Board of Directors meeting held on December 23, 2021 to conclude a capital and business alliance agreement (hereinafter referred to as the "Agreement" and the capital and business alliance based on the Agreement is referred to as the "Alliance") with Digital Garage, Inc. (hereinafter, "Digital Garage"), and signed the Agreement on December 23, 2021.

In addition, the Company also resolved at the same Board of Directors meeting to dispose of its treasury shares through third-party allotment with Digital Garage as the allottee (the "Disposal"), as stated in "2. Disposal of treasury shares through third-party allotment" below based on the Agreement.

The payment of funds for the Disposal has been completed on January 11, 2022.

1. Capital and business alliance

(1) The background and objectives of the Alliance

There is a growing demand for new values achieving the improvements of both consumers' convenience and distributors' productivity in the retail market, the target of the Company's Retail Solutions Business Group, where significant business environmental changes are taking place. Under such circumstance, the Company is aiming to become a global top solutions partner, who is capable of solving customer issues with data utilization and providing values both inside and outside Japan by looking at the issues through the eyes of customers. In addition, the Company is striving to provide new solutions in collaboration with its customers and partners with the aim of realization of efficient business operation through Digital Transformation (DX) by defining "Data service" focusing on purchase data, "Next generation stores" (Note), "Payment" contributing to cashless society and "SCM"as 4 focused business domains.

(Note) The "Next generation stores" domain refers to solutions and technology domains relating to the next-generation retail stores that improve productivity and achieve a frictionless customer experience, such as unmanned payment stores, for instance.

As for the data service and payment areas, we believe that it is important for us to enhance payment services by utilizing FinTech to increase our competitive advantages and also to realize effective advertising appealing to each consumer by connecting purchase data which retailers possess with SNS through expansion of digital marketing which uses various digital technology, such as purchase data and SNS.

As one of Japan's largest payment system providers handling over 3 trillion yen in annual payment transaction, Digital Garage provides a diversity of comprehensive payment platforms in its Financial Technology (FT) segment and aims to expand the amount of transaction by supporting payment to its investee companies and accelerating assistance of advertising, DX and CRM to its merchants under the new group strategy of "DG FinTech Shift" to integrate payments and data. Digital Garage has a strength in developing digital marketing strategy in the Marketing Technology (MT) segment by offering seamless marketing solutions throughout the digital and the real world by promoting comprehensive digital marketing designed to merge digital and real and conducting digital marketing businesses with various data utilization. The business development of Digital Garage aiming to integrate payments and data has high affinity with the Company's policy as mentioned above such as enhancement of its digital marketing domain. In the payment service domain, in December 2018 the Company already established TD Payment Corporation (TDP), a joint venture with DG Financial Technology (formerly VeriTrans), which is a subsidiary of Digital Garage. Since its establishment, TDP has been marketing and offering new multiple payment solutions for POS systems by utilizing FinTech.

For the Company to drive the aforementioned policy in the Retail Solutions Business Group, the Company needs to further accelerate the business alliance with Digital Garage by deploying more concrete initiatives. We believe that mutual exploitation of management resources, such as technologies and human resources engaging in the payment business and digital marketing domain, is very useful and we can increase corporate values by doing so. We have also come to the conclusion that we need to execute a capital tie-up to ensure the development and strengthening of long term cooperative relationship between the two companies. Accordingly, the Company concluded the Agreement with Digital Garage to push forward with the business alliance with Digital Garage, and decided to acquire the shares of Digital Garage through the disposal of treasury stock by third-party allotment conducted by Digital Garage with the Company as its allottee, and the Company also decided to dispose of its treasury shares by third-party allotment with Digital Garage as its allottee.

(2) The details of the capital alliance

(a) The Company allotted Digital Garage 295,000 shares of its common stock (or 0.51% of the total number of its shares issued; rounded to the second decimal places; hereinafter the same applies to shareholding ratios) through the Disposal.

(b) Digital Garage also acquired the Company’s shares separately from the above.

(c) Meanwhile, the Company subscribed for 949,500 shares of common stock of Digital Garage (or 2.00% of the total number of its shares issued) through the disposal of treasury shares by third-party allotment.

(d) The total amount of (a) the Disposal and (b) share acquisition by Digital Garage is nearly equivalent to (c) the total amount of disposal of treasury shares by Digital Garage.

(3) The details of the business alliance

In line with the purpose stated in “(1) The background and objectives of the Alliance” above, the Company and Digital Garage engage in a business alliance as follows.

(a) Payment business

(i) Strengthen and expand payment services operated through TDP and other channels by integrating the payment services of Toshiba Tec and DG Financial Technology, Inc. through its optimization and efficiency.

(ii) Develop further collaboration in the payment service area by enhancing payment methods and strengthening sales channel and sales structure.

(iii) Establish more stable operation of payment center by working out the best cooperative framework and structure, in light of optimal resource allocation.

(b) Digital marketing service

(i) Promote digital marketing service jointly in the retail business domain.

(ii) Promote comprehensive digital marketing, such as big data utilization including huge amount of payment data mentioned in the above item (a), development of sales promotion platforms and CRM, to be targeted for the retail media, such as cart POS, smartphone POS and digital signage, which Toshiba Tec is offering.

(4) The outline of the counterparty of the capital and business alliance

(i)	Name	Digital Garage, Inc.
(ii)	Location	3-5-7 Ebisu Minami, Shibuya-ku, Tokyo
(iii)	Title and name of representative	Kaoru Hayashi, President Executive Officer and Group CEO
(iv)	Business line	Main businesses of the Digital Garage group (Digital Garage and its subsidiaries and associates): Financial Technology Segment Marketing Technology Segment Incubation Technology Segment Long-term Incubation Segment
(v)	Capital	¥7,675 million (as of September 30, 2021)

2. Disposal of treasury shares through third-party allotment

(1) The outline of the disposal

(i)	Deadline for disposal	January 11, 2022
(ii)	Number of shares for disposal	295,000 shares of common stock
(iii)	Amount of disposal	¥4,585 per share
(iv)	Funds to be procured	¥1,352,575,000
(v)	Method of disposal	Third-party allotment
(vi)	Counterparty	Digital Garage, Inc.

(2) The background and objectives of the disposal

As stated in "1. Capital and business alliance, (1) The background and objectives of the Alliance" above, the Disposal is conducted as part of the Alliance. The Disposal is considered to ensure the development and strengthening of long term cooperative relationship between the two companies. In addition, the Company believes that the development and strengthening of a cooperative relationship with Digital Garage will be conducive to improving the Company's corporate value over the medium to long term as well as to enhancing the interest of existing shareholders.

(3) Funds to be procured, their use and schedule of payment

1) Funds to be procured

(i)	Total payment amount	¥1,352,575,000
(ii)	Estimated issuance cost	¥5,000,000
(iii)	Difference (estimated funds acquired)	¥1,347,575,000

(Notes) 1. The total payment amount, estimated issuance cost and difference (estimated funds acquired) are derived from the Disposal. The estimated issuance cost mainly consists of advisory fees and expenses for preparing documents including the securities registration statement.

2. The estimated issuance cost does not include consumption taxes.

2) Specific use of funds to be procured

Funding through the Disposal is conducted as part of the Alliance. The funds procured will be used to realize the early achievement of synergy effect from the Alliance with Digital Garage, and are planned to be allocated to various measures related to (i) payment service and (ii) digital marketing service in the period from April 2022 through March 2027 as listed in the chart below. Meanwhile, the Company used funds on hand instead of the funds procured to acquire shares in Digital Garage.

Specific use	Amount	Payment schedule
(i) Sales expense and system development cost for payment service	¥1.1 billion	April 2022 through March 2027
(ii) Sales expense and system development cost for digital marketing service	¥0.2 billion	April 2022 through March 2027
Total	¥1.3 billion	

(i) Consists of expenses on sales of payment services including credit card payment, code-scanning payment, e-commerce payment, as well as system development cost.

(ii) Consists of expenses on the operation and sales of touch point applications and devices (various media including cloud-based discount coupon distribution service, shopping apps, POS systems using shopping carts and smartphones, and signage) that serve as customer contact points in digital marketing that harnesses purchase data, social media, etc., as well as related system development cost.