

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



February 6, 2023

Company name: Toshiba Tec Corporation

Stock exchange listing: Tokyo

Code number: 6588

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

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President and CEO

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Scheduled date of filing quarterly securities report: February 8, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	374,470	14.0	11,804	36.2	9,937	23.0	(2,005)	-
December 31, 2021	328,525	11.8	8,664	171.0	8,076	220.3	6,193	-

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ (2,357) million [-%]

Nine months ended December 31, 2021: ¥ 6,610 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	(36.23)	-
December 31, 2021	112.55	112.52

(Note) Diluted earnings per share for the nine months ended December 31, 2022 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
	Million yen	Million yen	%
As of December 31, 2022	311,747	112,600	34.6
March 31, 2022	310,256	117,662	36.1

(Reference) Equity: As of December 31, 2022: ¥ 107,862 million

As of March 31, 2022: ¥ 111,946 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, 2022	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2023	-	20.00	-		
Fiscal year ending March 31, 2023 (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, 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	510,000	14.5	14,000	21.0	11,500	12.8	(2,500)	-	(45.17)

(Note) Revision to the financial results forecast announced most recently: 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): 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, etc.)” on page 9 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, 2022: 57,629,140 shares

March 31, 2022: 57,629,140 shares

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

December 31, 2022: 2,281,191 shares

March 31, 2022: 2,301,938 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 55,339,982 shares

Nine months ended December 31, 2021: 55,024,780 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 4 of this report.

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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, 2022 appeared to be in a favorable climate for recovery with progress seen in balancing economic activities with measures taken to prevent COVID-19 infection in various countries. However, the economic outlook still remained uncertain due to the unpredictable effects of accelerated monetary tightening overseas, the Russian-Ukrainian problem, and economic activity restrictions in China, in addition to sharp price rises, soaring raw material prices, and supply restrictions.

Amid such conditions, Toshiba Tec Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) set forth the Basic Policy of the FY22-24 Mid-term Business Plan, “To become a global top solutions partner by generating new value through co-creation with the aim of contributing to the resolution of social issues.” 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, 2022, sales of POS systems for the overseas market and multifunction peripherals (MFPs) for the overseas market increased due mainly to the impact of foreign exchange rates and growth in the Americas, resulting in net sales of ¥374,470 million (up 14% year on year). On the profit front, although there were effects of tight supply-demand balance and soaring prices in components and international cargo transportation, profitability of MFPs improved, which resulted in operating profit of ¥11,804 million (up 36% year on year). However, “Foreign exchange losses” as non-operating expenses resulted in ordinary profit of ¥9,937 million (up 23% year on year), and “Loss on litigation” of ¥6,900 million related to a patent dispute as an extraordinary loss and other factors resulted in loss attributable to owners of parent of ¥2,005 million (profit attributable to owners of parent of ¥6,193 million in the same period of the previous fiscal year). For details of the patent dispute, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to the quarterly consolidated financial statements (Notes to Quarterly Consolidated Statement of Income) (Loss on litigation).”

Results of reportable segments for the nine months ended December 31, 2022 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 solution business expansion through the global common retail platform “ELERA” and strategic partnership, concentrated investment in growth fields (data services, next generation stores, payment, and Supply Chain Management (SCM)), and the expansion of service business in overseas markets.

Sales of POS systems for the domestic market declined due to a continued downturn in the investment appetite of retail and restaurant businesses affected by the prolonged COVID-19 pandemic, parts supply constraints, rising prices, and other factors. However, sales showed signs of recovery due to efforts to expand sales mainly of payment terminals, self-ordering systems, and smart receipts by taking into account measures against COVID-19, as well as efforts to revise selling prices.

Sales of POS systems for overseas markets increased due to the impact of foreign exchange rates, an increase in sales in the Americas, and other factors.

Sales of auto ID systems for the domestic market increased, primarily due to an increase in sales of barcode printers, mainly to specific customers.

As a result, net sales of the Retail Solutions Business Group were ¥218,413 million (up 11% year on year). Operating profit of the business group was ¥6,151 million (down 25% year on year) due to a deterioration in profit and loss of POS systems for the domestic market affected by the negative impact of the cost increase due to yen depreciation, and tight supply-demand balance and soaring prices in components.

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, tight supply-demand balance and soaring prices in components and international cargo transportation, declining printing volume due to post-COVID-19 work style reforms and office DX promotion, and intensifying competition with peers continue, the business group reinforced “Further strengthen our response capability to market changes” to focus on achieving its targets. At the same time, the business group worked on strengthening solutions including Document Management System (DMS), the auto ID business, the cloud solutions platform, and other measures in order to expand business in growth areas.

Sales of MFPs increased due to the impact of foreign exchange rates in addition to increased sales in the Americas, Europe, Asia, and other overseas regions as a result of focusing on changing transportation method or route, raising selling prices, and other efforts, despite the ongoing shortages in product supply caused by the tight supply-demand balance in international cargo transportation, while the effects of the shortage of components were mitigated.

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

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

As a result, net sales in the Workplace Solutions Business Group were ¥158,778 million (up 18% year on year). Operating profit for the business group improved to ¥5,652 million (up ¥5,233 million year on year) due to the increase in net sales resulting from the increased selling prices and other factors and vigorous efforts to reduce fixed costs, etc., in addition to progress of effect mitigation of the 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, 2023 increased by ¥1,491 million from the end of the previous fiscal year to ¥311,747 million. This was mainly because merchandise and finished goods and “Other” in current assets and “Other” in investments and other assets increased by ¥9,095 million, ¥5,982 million, ¥3,548 million, respectively, although cash and deposits, group deposits paid, and notes and accounts receivable - trade, and contract assets in current assets declined by ¥6,250 million, ¥6,955 million and ¥3,942 million, respectively.

Liabilities increased by ¥6,553 million from the end of the previous fiscal year to ¥199,147 million. This was mainly because notes and accounts payable - trade, income taxes payable, and “Other” in current liabilities and “Other” in non-current liabilities increased by ¥1,385 million, ¥1,245 million, ¥1,747 million, and ¥2,197 million, respectively.

Net assets decreased by ¥5,062 million from the end of the previous fiscal year to ¥112,600 million. This was primarily due to a decrease in retained earnings owing to the recording of loss attributable to owners of parent of ¥2,005 million and the payment of dividends of ¥2,213 million, a decrease in remeasurements of defined benefit plans of ¥615 million, and a decrease in non-controlling interests of ¥973 million, although foreign currency translation adjustment increased by ¥773 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, 2023 announced on November 10, 2022 as follows.

Revision to consolidated financial results forecasts for the fiscal year ending March 31, 2023

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previously announced forecast (A)	520,000	14,000	10,000	(2,500)	(45.17)
Revised forecast (B)	510,000	14,000	11,500	(2,500)	(45.17)
Change (B)-(A)	(10,000)	—	1,500	—	—
Change (%)	(1.9)	—	15.0	—	—
Reference: results of the previous fiscal year (ended March 31, 2022)	445,317	11,566	10,197	5,381	97.68

Revision to consolidated sales forecasts by segment for the fiscal year ending March 31, 2023

(Million yen)

	Previously announced forecast (A)	Revised forecast (B)	Change (B)-(A)	Change (%)	Reference: results of the previous fiscal year (ended March 31, 2022)
Retail Solutions	297,000	287,000	(10,000)	(3.4)	266,964
Workplace Solutions	228,000	228,000	—	—	182,129
Eliminations	(5,000)	(5,000)	—	—	(3,776)
Net sales	520,000	510,000	(10,000)	(1.9)	445,317

Revision to consolidated operating profit forecasts by segment for the fiscal year ending March 31, 2023

(Million yen)

	Previously announced forecast (A)	Revised forecast (B)	Change (B)-(A)	Change (%)	Reference: results of the previous fiscal year (ended March 31, 2022)
Retail Solutions	10,000	8,000	(2,000)	(20.0)	10,609
Workplace Solutions	4,000	6,000	2,000	50.0	957
Operating profit	14,000	14,000	—	—	11,566

Net sales of the Retail Solutions Business Group have been revised downward due mainly to the tendency of the restraint of investment by overseas customers and the impact of exchange rates, etc. 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 due to the improvements in international cargo transportation and the impact of exchange rates. As a result, operating profit of the Group remains unchanged from the previously announced forecast. Regarding ordinary profit, we had expected foreign exchange losses due to the sudden depreciation of the yen, but we expect an improvement from the previous announcement as the yen exchange rate has stabilized. Profit attributable to owners of parent remains unchanged from the previous announcement. Based on these factors, we have revised our consolidated financial results forecasts for the fiscal year ending March 31, 2023 as stated above.

The reference exchange rates used in the consolidated financial results forecast for the fiscal year ending March 31, 2023 are ¥134.54 to the US dollar and ¥139.55 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	38,645	32,395
Group deposits paid	8,073	1,118
Notes and accounts receivable - trade, and contract assets	70,846	66,904
Merchandise and finished goods	34,806	43,901
Work in process	5,635	6,278
Raw materials and supplies	14,047	13,458
Other	23,363	29,345
Allowance for doubtful accounts	(1,414)	(1,293)
Total current assets	194,004	192,108
Non-current assets		
Property, plant and equipment	43,764	44,576
Intangible assets		
Goodwill	1,026	666
Other	10,196	9,898
Total intangible assets	11,223	10,565
Investments and other assets		
Other	61,351	64,899
Allowance for doubtful accounts	(87)	(402)
Total investments and other assets	61,264	64,497
Total non-current assets	116,252	119,639
Total assets	310,256	311,747

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,341	54,726
Short-term borrowings	859	906
Income taxes payable	2,846	4,091
Other	79,967	81,714
Total current liabilities	137,014	141,439
Non-current liabilities		
Long-term borrowings	1,043	1,073
Retirement benefit liability	29,565	29,467
Other	24,970	27,167
Total non-current liabilities	55,579	57,708
Total liabilities	192,594	199,147
Net assets		
Shareholders' equity		
Share capital	39,970	39,970
Capital surplus	854	902
Retained earnings	55,977	51,758
Treasury shares	(4,733)	(4,693)
Total shareholders' equity	92,068	87,937
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,626	1,586
Deferred gains or losses on hedges	12	(37)
Foreign currency translation adjustment	15,819	16,592
Minimum pension liability adjustments	(694)	(716)
Remeasurements of defined benefit plans	3,114	2,499
Total accumulated other comprehensive income	19,877	19,924
Share acquisition rights	48	43
Non-controlling interests	5,667	4,693
Total net assets	117,662	112,600
Total liabilities and net assets	310,256	311,747

(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, 2021	For the nine months ended December 31, 2022
Net sales	328,525	374,470
Cost of sales	196,648	227,292
Gross profit	131,877	147,177
Selling, general and administrative expenses	123,212	135,373
Operating profit	8,664	11,804
Non-operating income		
Interest income	290	216
Dividend income	44	75
Gain on valuation of derivatives	468	466
Other	274	355
Total non-operating income	1,077	1,114
Non-operating expenses		
Interest expenses	347	419
Foreign exchange losses	458	1,220
Other	859	1,341
Total non-operating expenses	1,665	2,981
Ordinary profit	8,076	9,937
Extraordinary income		
Gain on sale of investment securities	223	-
Total extraordinary income	223	-
Extraordinary losses		
Loss on sale of investment securities	1	-
Loss on valuation of investment securities	-	608
Restructuring cost	867	182
Loss on reversal of foreign currency translation adjustment due to liquidation of overseas subsidiaries	-	392
Loss on litigation	-	6,900
Total extraordinary losses	869	8,084
Profit before income taxes	7,430	1,852
Income taxes	2,428	4,595
Profit (loss)	5,002	(2,742)
Loss attributable to non-controlling interests	(1,191)	(737)
Profit (loss) attributable to owners of parent	6,193	(2,005)

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

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit (loss)	5,002	(2,742)
Other comprehensive income		
Valuation difference on available-for-sale securities	(102)	(39)
Deferred gains or losses on hedges	24	(49)
Foreign currency translation adjustment	1,940	1,111
Minimum pension liability adjustment	(8)	(21)
Remeasurements of defined benefit plans, net of tax	(246)	(615)
Total other comprehensive income	1,608	384
Comprehensive income	6,610	(2,357)
Comprehensive income attributable to		
Owners of parent	7,560	(1,958)
Non-controlling interests	(949)	(399)

(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 ending March 31, 2023 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, etc.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the "Implementation Guidance on Fair Value Measurement Standard") from the beginning of the first quarter of the fiscal year ending March 31, 2023. In line with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard, the Company will apply the new accounting policy provided by the Implementation Guidance on Fair Value Measurement Standard prospectively. This does not affect the quarterly consolidated financial statements.

Additional information

Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

Effective from the first quarter of the fiscal year ending March 31, 2023, the Company and some of its domestic consolidated subsidiaries have shifted from the consolidated taxation system to the group tax sharing system. In accordance with this change, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021; hereinafter, the "Practical Solution No. 42"). In addition, in accordance with Paragraph 32 (1) of the Practical Solution No. 42, the Company has deemed that there is no impact of the change in accounting policy resulting from the application of the Practical Solution No. 42.

Notes to Quarterly Consolidated Statement of Income

Loss on litigation

The Company and a domestic subsidiary (hereinafter, the “Company, etc.”) received a complaint for patent infringement and a petition for order of provisional disposition in June 2021, as well as another petition for order of provisional disposition in February 2022, filed by Teraoka Seiko Co., Ltd. (hereinafter, the “Plaintiff”) in the Tokyo District Court for infringement of its patent rights related to semi-self checkout. (Hereinafter, these complaint and petitions are collectively referred to as the “Teraoka’s Complaint.”)

On the other hand, the Company filed several petitions for provisional disposition with the Tokyo District Court, with the Plaintiff and its group company DIGI I’s Ltd. as debtors, based on the patent rights held by the Company. (Hereinafter, these petitions are collectively referred to as the “Company’s Petitions.”) The Company has been taking appropriate measures after carefully examining the details of the Teraoka’s Complaint.

In the first quarter of the fiscal year ending March 31, 2023, the Tokyo District Court encouraged both the Plaintiff and the Company, etc. to seek a settlement, and since July 2022, the Company has been engaged in settlement negotiations with the Plaintiff in an effort to reach a resolution of the Teraoka’s Complaint and the Company’s Petitions. As a result, the Plaintiff and the Company reached an agreement to settle on November 30, 2022, and accordingly the Teraoka’s Complaint and the Company’s Petitions have been resolved.

In the second quarter of the fiscal year ending March 31, 2023, it became possible to reasonably estimate the amount deemed necessary as a settlement payment, hence provision for loss on litigation was recorded as an extraordinary loss to prepare for possible future losses. In the third quarter of the fiscal year ending March 31, 2023, as the Plaintiff and the Company reached an agreement to settle and the amount of loss on litigation was finalized, it is shown as Loss on litigation.

Segment information, etc.

I Nine months ended December 31, 2021

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.

II Nine months ended December 31, 2022

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	218,388	156,081	374,470	—	374,470
Intersegment sales and transfers	24	2,696	2,721	(2,721)	—
Total	218,413	158,778	377,192	(2,721)	374,470
Segment profit	6,151	5,652	11,804	—	11,804

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

***Supplementary information**

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Average exchange rate (Yen to the US dollar)	110.97	135.72
Average exchange rate (Yen to the euro)	130.87	140.30