

Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]



May 11, 2023

Company name: Toshiba Tec Corporation

Stock exchange listing: Tokyo

Code number: 6588

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

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Scheduled date of Annual General Meeting of Shareholders: June 30, 2023

Scheduled date of commencing dividend payments: June 9, 2023

Scheduled date of filing annual securities report: June 30, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

President and CEO

General Manager of Corporate Communications Division

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	510,767	14.7	16,078	39.0	13,149	28.9	(13,745)	-
March 31, 2022	445,317	9.8	11,566	40.0	10,197	41.8	5,381	(24.5)

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ (12,749) million [-%]
Fiscal year ended March 31, 2022: ¥ 8,473 million [(40.0)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2023	(248.37)	-	(13.2)	4.2	3.1
March 31, 2022	97.68	97.65	5.0	3.4	2.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million
Fiscal year ended March 31, 2022: ¥ - million

(Note) Diluted earnings per share for the fiscal year ended March 31, 2023 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	Net assets per share
	Million yen	Million yen	%	Yen
As of				
March 31, 2023	310,692	102,206	31.0	1,738.02
March 31, 2022	310,256	117,662	36.1	2,023.35

(Reference) Equity: As of March 31, 2023: ¥ 96,195 million

As of March 31, 2022: ¥ 111,946 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended				
March 31, 2023	15,106	(12,117)	(8,103)	43,815
March 31, 2022	10,037	(14,184)	(5,496)	46,709

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	-	20.00	-	20.00	40.00	2,207	40.9	2.1
March 31, 2023	-	20.00	-	20.00	40.00	2,213	-	2.1
Fiscal year ending March 31, 2024 (Forecast)	-	20.00	-	25.00	45.00		35.6	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	520,000	1.8	18,000	11.9	15,000	14.1	7,000	-	126.48

(Note) For details of consolidated financial results forecast for the fiscal year ending March 31, 2024, please refer to “1. Summary of consolidated business results, etc. (4) Future outlook” on page 5 of this report.

*Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
 Exclusion: - (Company name:)

(2) 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 “3. Consolidated Financial Statements and Notes (5) Notes to the consolidated financial statements (Changes in accounting policies)” on page 14 of this report.

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2023: 57,629,140 shares

March 31, 2022: 57,629,140 shares

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

March 31, 2023: 2,281,668 shares

March 31, 2022: 2,301,938 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2023: 55,341,901 shares

Fiscal year ended March 31, 2022: 55,091,175 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	230,912	(0.7)	(10,073)	-	5,884	62.5	(8,064)	-
March 31, 2022	232,428	7.4	778	-	3,622	179.1	471	(94.4)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	(145.72)	-
March 31, 2022	8.56	8.56

(Note) Diluted earnings per share for the fiscal year ended March 31, 2023 is not presented even though the Company has issued potential shares, because basic earnings per share was net loss.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	196,123	72,951	37.2	1,317.27
March 31, 2022	196,081	83,289	42.5	1,504.52

(Reference) Equity: As of March 31, 2023: ¥ 72,907 million
As of March 31, 2022: ¥ 83,240 million

*Financial results reports are exempt from the audit 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. Summary of consolidated business results, etc. (4) Future outlook" on page 5 of this report.

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1. Summary of consolidated business results, etc.

(1) Summary of consolidated business results etc. for the period under review

Consolidated business results for the fiscal year ended March 31, 2023

The world economy for the fiscal year ended March 31, 2023 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 partly to the effects of accelerated monetary tightening overseas and the Russian-Ukrainian problem, 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 fiscal year ended March 31, 2023, 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 ¥510,767 million (up 15% 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 ¥16,078 million (up 39% year on year), and ordinary profit of ¥13,149 million (up 29% year on year). However, the recognition of “Loss on litigation” related to a patent dispute as an extraordinary loss, a partial reversal of deferred tax assets and other factors resulted in loss attributable to owners of parent of ¥13,745 million (compared with profit attributable to owners of parent of ¥5,381 million in the previous fiscal year). For details of the patent dispute, please refer to “3. Consolidated Financial Statements and Notes (5) Notes to the consolidated financial statements (Notes to the consolidated statement of income) (Loss on litigation).”

Regarding the year-end dividend for the fiscal year ended March 31, 2023, as a result of comprehensive consideration of the above business results, the business environment, stable dividend payments and other factors, the Company has decided to pay a dividend of ¥20 per share, the same amount as the year-end dividend for the previous fiscal year. We would like to seek approval of shareholders.

Results of reportable segments for the fiscal year ended March 31, 2023 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 under continued harsh conditions reflecting parts supply constraints, rising prices, and other factors, despite a recovery trend in the investment appetite in the retail and restaurant businesses. 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 ¥296,951 million (up 11% year on year). Operating profit of the business group was ¥9,196 million (down 13% 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 strong 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 ¥217,672 million (up 20% year on year). Operating profit for the business group improved to ¥6,882 million (up ¥5,924 million year on year) due to the increase in net sales resulting from recovery from product supply disruptions, 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

Status of Assets, Liabilities and Net Assets

Assets at the end of the fiscal year ended March 31, 2023 increased by ¥436 million from the end of the previous fiscal year to ¥310,692 million. This was mainly because cash and deposits, notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and “other” in current assets increased by ¥4,042 million, ¥3,447 million, ¥2,810 million and ¥4,810 million, respectively, although group deposits paid in current assets, and deferred tax assets in investments and other assets declined by ¥6,936 million and ¥6,872 million, respectively.

Liabilities increased by ¥15,892 million from the end of the previous fiscal year to ¥208,486 million. This was mainly because accounts payable - other, income taxes payable, unearned revenue, “other” in current liabilities, and “other” in non-current liabilities increased by ¥5,581 million, ¥2,331 million, ¥2,129 million, ¥1,557 million, and ¥2,984 million, respectively.

Net assets decreased by ¥15,456 million from the end of the previous fiscal year to ¥102,206 million. This was primarily due to a decrease in retained earnings owing to the recording of loss attributable to owners of parent of ¥13,745 million, the payment of dividends of ¥2,213 million, and a decrease in remeasurements of defined benefit plans of ¥2,519 million, although foreign currency translation adjustment increased by ¥2,312 million.

(3) Overview of cash flows

Status of cash flows

An overview of cash flows during the fiscal year ended March 31, 2023 is as follows.

Net cash provided by operating activities was ¥15,106 million (compared with an inflow of ¥10,037 million in the previous fiscal year), reflecting profit before income taxes of ¥4,710 million and depreciation and amortization totaling ¥16,755 million, partly offset by income taxes paid of ¥6,251 million, offset by.

Net cash used in investing activities was ¥12,117 million (compared with an outflow of ¥14,184 million in the previous fiscal year), reflecting outlays for purchase of property, plant and equipment and intangible assets, purchase of investment securities and other outflows.

As a result of the above, free cash flow amounted to an inflow of ¥2,989 million (compared with an outflow of ¥4,147 million in the previous fiscal year).

Net cash used in financing activities was ¥8,103 million (compared with an outflow of ¥5,496 million in the previous fiscal year), reflecting repayments of finance lease liabilities, dividends paid, and other factors.

As a result of the above, the balance of Group funding in the fiscal year ended March 31, 2023 (cash and cash equivalents in the consolidated statement of cash flows) declined by ¥2,894 million from the end of the previous fiscal year to ¥43,815 million.

Source of Group capital and capital liquidity

Needed funding is secured internally by the Group from retained earnings, and basic liquidity is secured through autonomous funding generated by reduction of assets and increased rates of asset efficiency; funds are procured from financial institutions and other sources as needed.

Outlook for cash flows in the next fiscal year

In operating and investing activities, the Company will work to generate free cash flow mainly by increasing earnings and improving the efficiency of its cash conversion cycle (CCC) and of its investments.

Trends in cash flow indicators

Fiscal year ended	March 2019	March 2020	March 2021	March 2022	March 2023
Capital adequacy ratio	33.0%	30.3%	35.5%	36.1%	31.0%
Capital adequacy ratio based on market value	61.4%	64.8%	77.1%	87.6%	69.7%
Debt redemption years	0.5 years	1.3 years	2.9 years	2.5 years	1.8 years
Interest Coverage Ratio	50.6	40.7	18.2	20.0	29.0

(Notes) Capital adequacy ratio: Equity / Total assets

Capital adequacy ratio based on market value: Market capitalization / Total assets

Market capitalization = Stock market price × (Total number of issued shares - Number of treasury shares)

Debt redemption years: Interest-bearing debt / Cash flows from operating activities

Interest Coverage Ratio: Cash flows from operating activities / Interest expense

*In all cases, calculations are based on consolidated-basis financial values.

*Interest-bearing debt refers to all of those obligations recorded in the consolidated balance sheets that are subject to interest payments.

Interest payments are stated as “interest paid” in the consolidated statement of cash flows.

(4) Future outlook

Despite the expectation of gradual recovery on the back of economic stimulus measures around the world and other effects, prospects for the global economy are expected remain uncertain due in part to the impact of monetary tightening overseas, soaring raw material prices, the prolonged Russia-Ukraine conflict and other issues.

Against this backdrop, and in line with its basic policy, “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,” the Group will work in concert to take a range of measures toward sustainable growth.

Specifically, the Group will work on building an ecosystem through co-creation with partners by leveraging its physical assets, namely its global customer base and sales and maintenance networks, to propose highly value-added solutions with the aim of contributing to the resolution of social issues, as well as enhancing corporate value.

Major policies for each reportable segment in the fiscal year ending March 31, 2024 are as follows.

Retail Solutions Business Group

In order to expand marketing of mainstay products, such as POS systems for domestic and overseas markets, auto ID systems for the domestic market and related products in these fields, and to provide total solutions through promotion of Digital Transformation (DX) products, the Group will accelerate the strengthening of cooperation of our global resources.

Specifically, the Group will proceed with co-creation with partners and reinforce its global development system to accelerate solution development, tailor sales and marketing to regional markets, boost recurring revenue business, optimize marketing service networks, and strengthen global cooperation in each measure, thereby improving profitability, expanding new business areas, and acquiring new customers. Furthermore, the group aim to find solution partners with advanced IT technologies, develop new solutions, and create future technologies by utilizing the Innovation & Incubation hub to be established in Dallas, Texas in 2022.

Workplace Solutions Business Group

We plan to expand sales of our mainstay MFPs in overseas and domestic markets, auto ID systems in overseas markets, and inkjet heads in domestic and overseas markets, as well as related products. We will likewise work to construct a robust, lean global operational network and bolster earnings structures by developing and launching strategic new products, tailoring sales and marketing to local regions, optimizing marketing service networks and strengthening businesses in emerging countries, to position us to provide total solutions leveraging a wide range of product groups and markets.

The consolidated financial results forecast for the fiscal year ending March 31, 2024, based on the above policies, is as follows.

Consolidated	Net sales	520.0	billion yen
	Operating profit	18.0	billion yen
	Ordinary profit	15.0	billion yen
	Profit attributable to owners of parent	7.0	billion yen

The above performance forecasts assume average exchange rates of ¥130 to the dollar and ¥140 to the euro for the fiscal year ending March 31, 2024.

* 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. Basic approach to selection of accounting standards

To ensure creative growth, the Group has set a basic policy for rigorous financial discipline and will work to centralize operational administration and information disclosure based on unified global rules as well as strengthen financial governance. To speed up these activities, and to further facilitate cross-border comparisons of financial information in capital markets, the Group plans to voluntarily adopt the International Financial Reporting Standards (IFRS); the timing of this transition is now under discussion.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	38,645	42,687
Group deposits paid	8,073	1,137
Notes and accounts receivable - trade, and contract assets	70,846	74,293
Merchandise and finished goods	34,806	37,616
Work in process	5,635	5,967
Raw materials and supplies	14,047	11,884
Other	23,363	28,173
Allowance for doubtful accounts	(1,414)	(1,185)
Total current assets	194,004	200,575
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,712	26,785
Accumulated depreciation	(19,523)	(20,658)
Buildings and structures, net	6,189	6,126
Machinery, equipment and vehicles	53,582	58,582
Accumulated depreciation	(43,902)	(48,046)
Machinery, equipment and vehicles, net	9,680	10,536
Tools, furniture and fixtures	40,322	40,468
Accumulated depreciation	(35,760)	(35,528)
Tools, furniture and fixtures, net	4,562	4,940
Land	1,272	1,275
Leased assets	37,285	46,756
Accumulated depreciation	(17,456)	(25,504)
Leased assets, net	19,829	21,252
Construction in progress	2,231	1,041
Total property, plant and equipment	43,764	45,173
Intangible assets		
Goodwill	1,026	557
Customer relationship assets	301	213
Other	9,894	10,315
Total intangible assets	11,223	11,086
Investments and other assets		
Investment securities	11,214	11,103
Retirement benefit asset	9,534	8,748
Deferred tax assets	28,006	21,134
Other	12,595	13,279
Allowance for doubtful accounts	(87)	(408)
Total investments and other assets	61,264	53,857
Total non-current assets	116,252	110,117
Total assets	310,256	310,692

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,341	54,167
Short-term borrowings	859	1,779
Lease liabilities	6,464	6,652
Accounts payable - other	22,578	28,159
Income taxes payable	2,846	5,177
Unearned revenue	17,188	19,317
Other	33,735	35,292
Total current liabilities	137,014	150,546
Non-current liabilities		
Long-term borrowings	1,043	2,581
Lease liabilities	17,121	15,804
Retirement benefit liability	29,565	28,722
Other	7,848	10,832
Total non-current liabilities	55,579	57,940
Total liabilities	192,594	208,486
Net assets		
Shareholders' equity		
Share capital	39,970	39,970
Capital surplus	854	902
Retained earnings	55,977	40,017
Treasury shares	(4,733)	(4,695)
Total shareholders' equity	92,068	76,195
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,626	1,525
Deferred gains or losses on hedges	12	(40)
Foreign currency translation adjustment	15,819	18,131
Minimum pension liability adjustments	(694)	(212)
Remeasurements of defined benefit plans	3,114	595
Total accumulated other comprehensive income	19,877	19,999
Share acquisition rights	48	43
Non-controlling interests	5,667	5,966
Total net assets	117,662	102,206
Total liabilities and net assets	310,256	310,692

(2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	445,317	510,767
Cost of sales	269,369	311,115
Gross profit	175,948	199,651
Selling, general and administrative expenses	164,381	183,572
Operating profit	11,566	16,078
Non-operating income		
Interest income	375	332
Dividend income	46	76
Gain on valuation of derivatives	413	86
Other	331	509
Total non-operating income	1,167	1,005
Non-operating expenses		
Interest expenses	488	584
Foreign exchange losses	691	1,487
Loss on sale and retirement of non-current assets	39	107
Commission expenses	233	405
Other	1,082	1,349
Total non-operating expenses	2,536	3,934
Ordinary profit	10,197	13,149
Extraordinary income		
Gain on sale of investment securities	286	45
Total extraordinary income	286	45
Extraordinary losses		
Impairment loss of noncurrent assets	23	-
Loss on sale of investment securities	1	-
Loss on valuation of investment securities	-	819
Restructuring cost	1,333	371
Loss on reversal of foreign currency translation adjustment due to liquidation of overseas subsidiaries	-	392
Loss on litigation	-	6,900
Total extraordinary losses	1,359	8,484
Profit before income taxes	9,124	4,710
Income taxes - current	4,462	8,141
Income taxes - deferred	1,234	9,848
Total income taxes	5,696	17,989
Profit (loss)	3,428	(13,279)
Profit (loss) attributable to non-controlling interests	(1,953)	466
Profit (loss) attributable to owners of parent	5,381	(13,745)

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit (loss)	3,428	(13,279)
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	(100)
Deferred gains or losses on hedges	29	(52)
Foreign currency translation adjustment	5,617	2,720
Minimum pension liability adjustment	137	482
Remeasurements of defined benefit plans, net of tax	(684)	(2,519)
Total other comprehensive income	5,045	529
Comprehensive income	8,473	(12,749)
Comprehensive income attributable to		
Owners of parent	9,822	(13,623)
Non-controlling interests	(1,348)	874

(3) Consolidated Statement of Changes in Net Assets
For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	39,970	57	52,616	(5,372)	87,273
Cumulative effects of changes in accounting policies			179		179
Restated balance	39,970	57	52,796	(5,372)	87,452
Changes during period					
Dividends of surplus			(2,200)		(2,200)
Profit attributable to owners of parent			5,381		5,381
Purchase of treasury shares				(12)	(12)
Disposal of treasury shares		796		651	1,448
Net changes in items other than shareholders' equity					
Total changes during period	–	796	3,180	638	4,616
Balance at end of period	39,970	854	55,977	(4,733)	92,068

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minimum pension liability adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,681	(16)	10,805	(832)	3,799	15,436	57	7,094	109,862
Cumulative effects of changes in accounting policies									179
Restated balance	1,681	(16)	10,805	(832)	3,799	15,436	57	7,094	110,042
Changes during period									
Dividends of surplus									(2,200)
Profit attributable to owners of parent									5,381
Purchase of treasury shares									(12)
Disposal of treasury shares									1,448
Net changes in items other than shareholders' equity	(54)	29	5,013	137	(684)	4,440	(8)	(1,427)	3,004
Total changes during period	(54)	29	5,013	137	(684)	4,440	(8)	(1,427)	7,620
Balance at end of period	1,626	12	15,819	(694)	3,114	19,877	48	5,667	117,662

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	39,970	854	55,977	(4,733)	92,068
Cumulative effects of changes in accounting policies					-
Restated balance	39,970	854	55,977	(4,733)	92,068
Changes during period					
Dividends of surplus			(2,213)		(2,213)
Profit (loss) attributable to owners of parent			(13,745)		(13,745)
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		47		45	92
Net changes in items other than shareholders' equity					
Total changes during period	-	47	(15,959)	38	(15,873)
Balance at end of period	39,970	902	40,017	(4,695)	76,195

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minimum pension liability adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,626	12	15,819	(694)	3,114	19,877	48	5,667	117,662
Cumulative effects of changes in accounting policies									-
Restated balance	1,626	12	15,819	(694)	3,114	19,877	48	5,667	117,662
Changes during period									
Dividends of surplus									(2,213)
Profit (loss) attributable to owners of parent									(13,745)
Purchase of treasury shares									(6)
Disposal of treasury shares									92
Net changes in items other than shareholders' equity	(100)	(52)	2,312	482	(2,519)	121	(4)	299	416
Total changes during period	(100)	(52)	2,312	482	(2,519)	121	(4)	299	(15,456)
Balance at end of period	1,525	(40)	18,131	(212)	595	19,999	43	5,966	102,206

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,124	4,710
Depreciation and amortization	15,469	16,755
Loss (gain) on sale of investment securities	(284)	(45)
Impairment loss of noncurrent assets	23	-
Loss (gain) on valuation of investment securities	-	819
Restructuring cost	1,333	371
Loss on reversal of foreign currency translation adjustment due to liquidation of overseas subsidiaries	-	392
Loss on litigation	-	6,900
Interest and dividend income	(422)	(408)
Interest expenses	488	584
Loss (gain) on sale and retirement of non-current assets	39	107
Increase (decrease) in allowance for doubtful accounts	(67)	(22)
Increase (decrease) in retirement benefit liability	(3,210)	(3,967)
Decrease (increase) in trade receivables	1,179	1,620
Decrease (increase) in inventories	(8,813)	1,991
Increase (decrease) in trade payables	(1,314)	(4,710)
Other, net	187	9
Subtotal	13,733	25,108
Interest and dividends received	435	404
Interest paid	(501)	(520)
Payment for extra retirement payments	(843)	(958)
Payments for loss on litigation	-	(3,500)
Income taxes paid	(4,810)	(6,251)
Income taxes refund	2,023	824
Net cash provided by (used in) operating activities	10,037	15,106
Cash flows from investing activities		
Payments into time deposits	-	(0)
Proceeds from withdrawal of time deposits	477	-
Purchase of property, plant and equipment	(6,846)	(8,331)
Proceeds from sale of property, plant and equipment	201	239
Purchase of intangible assets	(2,619)	(2,673)
Purchase of investment securities	(6,255)	(950)
Proceeds from sale of investment securities	358	80
Net decrease (increase) in short-term loans receivable	11	3
Long-term loan advances	(0)	(0)
Proceeds from collection of long-term loans receivable	4	4
Payments for acquisition of businesses	(29)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(531)
Other, net	511	42
Net cash provided by (used in) investing activities	(14,184)	(12,117)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(598)	388
Repayments of finance lease liabilities	(4,793)	(7,679)
Proceeds from long-term borrowings	825	2,541
Repayments of long-term borrowings	(76)	(559)
Purchase of treasury shares	(12)	(6)
Proceeds from sale of treasury shares	1,439	-
Dividends paid	(2,200)	(2,213)
Dividends paid to non-controlling interests	(79)	(574)
Net cash provided by (used in) financing activities	(5,496)	(8,103)
Effect of exchange rate change on cash and cash equivalents	4,601	2,219
Net increase (decrease) in cash and cash equivalents	(5,043)	(2,894)
Cash and cash equivalents at beginning of period	51,753	46,709
Cash and cash equivalents at end of period	46,709	43,815

(5)Notes to the consolidated financial statements

Notes on going concern assumption

Not applicable

Changes in accounting policies

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 fiscal year ended 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 consolidated financial statements.

Additional information

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

Effective from the fiscal year ended 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 the 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 ended 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 ended 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 ended 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

1. Outline of reportable segments

(1) Determination of reportable segments

The Company's reportable segments are the business units for which the Company is able to obtain respective financial information separately for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate the Group's business results.

In order to take a leading role in the business environment and enable the Company to provide all customers with solutions that are one step ahead, the Group has decided to add two new reporting segments, the "Retail Solutions Business Group" and the "Workplace Solutions Business Group," through a separated classification of business management structure by product and service.

(2) Type of products and services belonging to each reportable segment

The Retail Solutions Business Group develops, manufactures, sells, and maintains POS systems for domestic and overseas markets, auto ID systems for domestic market, and related products.

The Workplace Solutions Business Group develops, manufactures, sells, and maintains multifunction peripherals (MFPs) for domestic and overseas markets, auto ID systems for overseas markets, inkjet heads for domestic and overseas markets, and related products.

2. Method of calculation of the amounts of net sales, profit or loss, assets and others by reportable segment

The accounting treatment methods used for reportable business segments are generally the same as the accounting treatment methods used in the compilation of the consolidated financial statements. Intersegment sales and transfers are based on actual market prices.

3. Amounts of net sales, profit or loss, assets and others by reportable segment

I Fiscal year ended March 31, 2022

(Million yen)

	Reportable segments			Adjustment (Note) 1	Consolidated amount (Note) 2
	Retail Solutions	Workplace Solutions	Total		
Net sales					
Sales to external customers	266,884	178,433	445,317	—	445,317
Intersegment sales and transfers	79	3,696	3,776	(3,776)	—
Total	266,964	182,129	449,094	(3,776)	445,317
Segment profit	10,609	957	11,566	—	11,566
Segment assets	143,794	148,296	292,091	18,165	310,256
Other items					
Depreciation and amortization	3,626	11,176	14,802	—	14,802
Amortization of goodwill	—	666	666	—	666
Increase in property, plant and equipment and intangible assets	4,370	10,508	14,879	—	14,879

(Notes) 1. Adjustments totaling ¥18,165 million in segment assets chiefly comprise surplus operating funds (cash) and long-term investment funding (investment securities, etc.) at companies submitting reports.

2. Segment profit corresponds with operating profit in the consolidated statement of income.

II Fiscal year ended March 31, 2023

(Million yen)

	Reportable segments			Adjustment (Note) 1	Consolidated amount (Note) 2
	Retail Solutions	Workplace Solutions	Total		
Net sales					
Sales to external customers	296,915	213,851	510,767	—	510,767
Intersegment sales and transfers	36	3,820	3,857	(3,857)	—
Total	296,951	217,672	514,624	(3,857)	510,767
Segment profit	9,196	6,882	16,078	—	16,078
Segment assets	138,275	154,675	292,950	17,741	310,692
Other items					
Depreciation and amortization	4,125	12,084	16,210	—	16,210
Amortization of goodwill	—	544	544	—	544
Increase in property, plant and equipment and intangible assets	5,185	12,365	17,550	—	17,550

(Notes) 1. Adjustments totaling ¥17,741 million in segment assets chiefly comprise surplus operating funds (cash) and long-term investment funding (investment securities, etc.) at companies submitting reports.

2. Segment profit corresponds with operating profit in the consolidated statement of income.

Per share information

For the fiscal year ended March 31, 2022		For the fiscal year ended March 31, 2023	
Net assets per share	2,023.35 yen	Net assets per share	1,738.02 yen
Basic earnings per share	97.68 yen	Basic earnings per share (loss)	(248.37) yen
Diluted earnings per share	97.65 yen	Diluted earnings per share	—

(Note) 1. Diluted earnings per share for the fiscal year ended March 31, 2023 is not presented even though the Company has issued potential shares, because basic earnings per share was net loss.

2. The bases for calculation of earnings per share (loss) and diluted earnings per share are as follows.

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit (loss) attributable to owners of parent (million yen)	5,381	(13,745)
Amount not attributable to common stockholders (million yen)	—	—
Profit (loss) attributable to owners of parent related to common stock (million yen)	5,381	(13,745)
Weighted average number of common shares outstanding during the period (thousands of shares)	55,091	55,341
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	—	—
Increase in common shares (thousands of shares)	16	—
(Share acquisition rights (thousands of shares))	(16)	(—)
Overview of dilutive stock not included in calculations of dilutive earnings per share due to the absence of dilutive effect	—	—

Significant subsequent events

Not applicable

*Notes considered immaterial to presentation of financial results statements have been omitted in disclosures.

4. Supplementary information

(1) Changes in information about financial results

[Consolidated]

(Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Net sales	445,317	510,767	520,000
Year-on-year change	110%	115%	102%
Operating profit	11,566	16,078	18,000
Year-on-year change	140%	139%	112%
Ordinary profit	10,197	13,149	15,000
Year-on-year change	142%	129%	114%
Profit (loss) attributable to owners of parent	5,381	(13,745)	7,000
Year-on-year change	75%	—	—
Basic earnings per share (loss) (yen)	97.68	(248.37)	126.48
Number of consolidated subsidiaries	69	67	undecided

Average exchange rate (Yen to the US dollar)	112.05	135.11	130.00
Average exchange rate (Yen to the euro)	130.54	140.86	140.00

[Non-consolidated]

(Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Net sales	232,428	230,912
Year-on-year change	107%	99%
Operating profit (loss)	778	(10,073)
Year-on-year change	—	—
Ordinary profit	3,622	5,884
Year-on-year change	279%	163%
Profit (loss)	471	(8,064)
Year-on-year change	6%	—
Annual dividend per share (yen)	40.00	40.00
Basic earnings per share (loss) (yen)	8.56	(145.72)

(2) Changes in reportable segment information

[Consolidated net sales]

(Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Retail Solutions Business Group	266,964	296,951	307,000
Year-on-year change	107%	111%	103%
Workplace Solutions Business Group	182,129	217,672	218,000
Year-on-year change	115%	120%	100%
Subtotal	449,094	514,624	525,000
Elimination	(3,776)	(3,857)	(5,000)
Total	445,317	510,767	520,000
Year-on-year change	110%	115%	102%

(Note) Net sales for each business are included in “Intersegment sales and transfers.”

[Consolidated operating profit]

(Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Retail Solutions Business Group	10,609	9,196	11,000
Operating profit margin	4.0%	3.1%	3.6%
Workplace Solutions Business Group	957	6,882	7,000
Operating profit margin	0.5%	3.2%	3.2%
Total	11,566	16,078	18,000
Operating profit margin	2.6%	3.1%	3.5%

(3) Changes in net sales by destination market

[Changes in net sales by destination market / Consolidated] (Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Japan	178,906	174,524
Percentage of consolidated net sales	40%	34%
Americas	137,114	183,988
Percentage of consolidated net sales	31%	36%
Europe	84,539	94,948
Percentage of consolidated net sales	19%	19%
Other	44,757	57,304
Percentage of consolidated net sales	10%	11%
Total	445,317	510,767
Percentage of consolidated net sales	100%	100%

(4) Changes in proportion of overseas production by value

[Changes in proportion of overseas production by value / Consolidated]

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Overseas ratio	77%	73%

(5) Changes in resource inputs

[Increase in property, plant and equipment and intangible assets / Consolidated] (Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Consolidated	14,879	17,550	21,000
Year-on-year change	100%	118%	120%

[Research and development expenses / Consolidated] (Million yen)

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Consolidated	21,949	24,531	29,000
Net sales ratio	4.9%	4.8%	5.6%
Year-on-year change	101%	112%	118%

[Number of employees at the end of the fiscal year / Consolidated]

Description	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023	For the fiscal year ending March 31, 2024 (Forecast)
Consolidated	18,539	18,906	19,400
Year-on-year change	28	367	494