

Consolidated Financial Results
for the Nine Months Ended December 31, 2023
[Japanese GAAP]



February 7, 2024

Company name: Toshiba Tec Corporation

Stock exchange listing: Tokyo

Code number: 6588

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

Representative: Hironobu Nishikori

President and CEO

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Scheduled date of filing quarterly securities report: February 8, 2024

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, 2023 (April 1, 2023 to December 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	%
Nine months ended December 31, 2023	396,719	5.9	9,463	(19.8)	6,412	(35.5)	(14,716)	-
December 31, 2022	374,470	14.0	11,804	36.2	9,937	23.0	(2,005)	-

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ (10,722)million [-%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	(269.95)	-
December 31, 2022	(36.23)	-

(Note) Diluted earnings per share 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, 2023	300,638	80,402	24.4
March 31, 2023	310,692	102,206	31.0

(Reference) Equity: As of December 31, 2023: ¥ 73,342 million

As of March 31, 2023: ¥ 96,195 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, 2023	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2024	-	20.00	-		
Fiscal year ending March 31, 2024 (Forecast)				25.00	45.00

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

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	545,000	6.7	18,000	11.9	15,000	14.1	0	-	0.00

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(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 8 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: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(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, 2023: 57,629,140 shares
 March 31, 2023: 57,629,140 shares

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

December 31, 2023: 4,699,489 shares
 March 31, 2023: 2,281,668 shares

3) Average number of shares during the period:

Nine months ended December 31, 2023: 54,513,589 shares
 Nine months ended December 31, 2022: 55,339,982 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	2
(1) Operating results	2
(2) Financial condition	3
(3) Consolidated financial results forecast and other forward-looking information	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income (For the nine months)	6
Quarterly Consolidated Statement of Comprehensive Income (For the nine months)	7
(3) Notes to the quarterly consolidated financial statements	8
Notes on going concern assumption	8
Notes in the event of significant amount changes in shareholders' equity	8
Accounting policies adopted specially for the preparation of quarterly consolidated financial statements	8
Additional information	8
Segment information, etc.	9
Significant subsequent events	10

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

(1) Operating results

The world economy during the nine months ended December 31, 2023 picked up moderately overall, as the normalization of economic activities progressed after the COVID-19 pandemic receded. However, the outlook still remained uncertain due mainly to price rises, ongoing monetary tightening overseas, China's economic slowdown, and the heightened geopolitical risks.

Amid such conditions, Toshiba Tec Corporation (the "Company") and its subsidiaries (collectively, the "Group") have been pursuing the Basic Policy of the FY23-25 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 toward sustainable growth. At the same time, the Group has strived to contribute to the resolution of social issues by executing business transformation and corporate transformation.

In the nine months ended December 31, 2023, net sales were ¥396,719 million (up 6% year on year) due mainly to increased sales of POS systems for the domestic market and multifunction peripherals (MFPs), and the impact of foreign exchange rates. On the profit front, despite the profitability of MFPs improved significantly and the improvement in profit and loss of POS systems for the domestic market, while the profit and loss of POS systems for the overseas markets deteriorated significantly, resulting in operating profit of 9,463 million yen (down 20% year on year) and ordinary profit of 6,412 million yen (down 36% year on year). And on the loss attributable to owners of parent front, the reversal of deferred tax assets at some overseas subsidiaries under the Retail Solutions Business Group and other factors, resulting in ¥14,716 million (compared with loss attributable to owners of parent of ¥2,005 million in the same period of the previous fiscal year).

Results of reportable segments for the nine months ended December 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 intensifying competition with peers continues, the business group has worked on expanding its solution business through the global retail platform "ELERA" and strategic partnership, boosting recurring revenue business, and investing in retail innovation to expand new businesses (strengthening digital human resources, ELERA Evolution, enhancing co-creation opportunities, and strengthening partner collaboration).

Sales of POS systems for the domestic market increased due to efforts to expand sales mainly of self-checkout systems, payment terminals, and smart receipts, as well as efforts to revise selling prices, despite continued harsh conditions reflecting soaring raw material prices, rising prices, and other factors.

The extent of the decline in sales of POS systems for overseas markets expanded, due mainly to a decrease in sales of hardware and software in the United States, primarily to major customers, and a decrease in sales of hardware in Europe, and other factors, amid a decline in demand caused by a delay in the timing of investment by customers due to an increase in uncertainty about overseas market conditions.

Sales of auto ID systems for the domestic market increased, primarily due to an increase in the number of units sold of barcode printers thanks to strong sales of mobile printers and entry models.

As a result, net sales of the Retail Solutions Business Group were ¥223,960 million (up 3% year on year). The business group recorded operating loss of ¥388 million (operating profit of ¥6,151 million in the same period of the previous fiscal year), reflecting the deterioration in profit and loss in overseas markets due to a decrease in sales of POS systems and an increase in research expenses, etc. for future growth, despite an improvement in profit and loss from POS systems for the domestic market.

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 declining printing volume due to

post-COVID-19 work style reforms and office DX promotion and intensifying competition with peers continue, the business group focused on increasing basic earnings power of core business. At the same time, the business group worked on developing the auto ID business, document and data solutions, and customer support business 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, and other regions, reflecting a recovery from product supply disruptions and increased selling prices.

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

Sales of inkjet heads decreased due mainly to decreased sales to overseas customers.

As a result, net sales in the Workplace Solutions Business Group were ¥176,104 million (up 11% year on year). Operating profit for the business group soared to ¥9,852 million (up 74% 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 effects of structural reform and structural transformation implemented so far, etc.

(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, 2024 decreased by ¥10,054 million from the end of the previous fiscal year to ¥300,638 million. This was mainly because cash and deposits, notes and accounts receivable - trade, and contract assets, and work in process in current assets and “Other” in investments and other assets declined by 2,760 million, ¥3,938 million, ¥1,030 million, and ¥12,099 million, respectively, although merchandise and finished goods, raw materials and supplies, and “Other” in current assets increased by ¥5,565 million, ¥1,895 million and ¥2,500 million, respectively.

Liabilities increased by ¥11,749 million from the end of the previous fiscal year to ¥220,235 million. This was mainly because notes and accounts payable - trade and current portion of long-term borrowings in current liabilities and long-term borrowings in non-current liabilities increased by ¥7,644 million, ¥2,900 million, and ¥7,064 million, respectively, although “Other” in current liabilities declined by ¥5,420 million.

Net assets decreased by ¥21,803million from the end of the previous fiscal year to ¥80,402 million. This was primarily due to a decrease in retained earnings owing to the recording of loss attributable to owners of parent of ¥14,716 million, the payment of dividends of ¥2,165 million, and a decrease due to additional purchase of treasury shares of ¥8,686 million, although foreign currency translation adjustment, and non-controlling interests increased by ¥3,179 million and ¥1,073 million, respectively.

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

Based on the consolidated operating results for the nine months ended December 31, 2023, the Company has revised its consolidated financial results forecast for the full fiscal year.

For details, please refer to the “Notice of revision to the consolidated financial results forecast for the fiscal year ended March 31, 2024” separately announced today (February 7, 2024).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	42,687	39,927
Group deposits paid	1,137	1,203
Notes and accounts receivable - trade, and contract assets	74,293	70,355
Merchandise and finished goods	37,616	43,181
Work in process	5,967	4,937
Raw materials and supplies	11,884	13,779
Other	28,173	30,673
Allowance for doubtful accounts	(1,185)	(1,309)
Total current assets	200,575	202,749
Non-current assets		
Property, plant and equipment	45,173	45,379
Intangible assets		
Goodwill	557	404
Other	10,528	10,350
Total intangible assets	11,086	10,754
Investments and other assets		
Other	54,266	42,167
Allowance for doubtful accounts	(408)	(412)
Total investments and other assets	53,857	41,754
Total non-current assets	110,117	97,888
Total assets	310,692	300,638

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,167	61,811
Short-term borrowings	1,779	2,233
Current portion of long-term borrowings	–	2,900
Income taxes payable	5,177	5,503
Other	89,421	84,001
Total current liabilities	150,546	156,449
Non-current liabilities		
Long-term borrowings	2,581	9,645
Retirement benefit liability	28,722	28,554
Other	26,636	25,586
Total non-current liabilities	57,940	63,785
Total liabilities	208,486	220,235
Net assets		
Shareholders' equity		
Share capital	39,970	39,970
Capital surplus	902	950
Retained earnings	40,017	23,136
Treasury shares	(4,695)	(13,381)
Total shareholders' equity	76,195	50,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,525	1,270
Deferred gains or losses on hedges	(40)	(43)
Foreign currency translation adjustment	18,131	21,310
Minimum pension liability adjustments	(212)	(175)
Remeasurements of defined benefit plans	595	303
Total accumulated other comprehensive income	19,999	22,666
Share acquisition rights	43	19
Non-controlling interests	5,966	7,040
Total net assets	102,206	80,402
Total liabilities and net assets	310,692	300,638

(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, 2022	For the nine months ended December 31, 2023
Net sales	374,470	396,719
Cost of sales	227,292	235,697
Gross profit	147,177	161,021
Selling, general and administrative expenses	135,373	151,558
Operating profit	11,804	9,463
Non-operating income		
Interest income	216	363
Dividend income	75	79
Gain on valuation of derivatives	466	-
Other	355	256
Total non-operating income	1,114	699
Non-operating expenses		
Interest expenses	419	425
Foreign exchange losses	1,220	1,690
Other	1,341	1,634
Total non-operating expenses	2,981	3,750
Ordinary profit	9,937	6,412
Extraordinary income		
Gain on sale of investment securities	-	63
Total extraordinary income	-	63
Extraordinary losses		
Loss on sale of investment securities	-	9
Loss on valuation of investment securities	608	80
Restructuring cost	182	423
Loss on reversal of foreign currency translation adjustment due to liquidation of overseas subsidiaries	392	-
Loss on litigation	6,900	-
Total extraordinary losses	8,084	513
Profit before income taxes	1,852	5,962
Income taxes	4,595	19,490
Loss	(2,742)	(13,528)
Profit (loss) attributable to non-controlling interests	(737)	1,187
Loss attributable to owners of parent	(2,005)	(14,716)

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

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Loss	(2,742)	(13,528)
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	(254)
Deferred gains or losses on hedges	(49)	(3)
Foreign currency translation adjustment	1,111	3,319
Minimum pension liability adjustment	(21)	37
Remeasurements of defined benefit plans, net of tax	(615)	(291)
Total other comprehensive income	384	2,806
Comprehensive income	(2,357)	(10,722)
Comprehensive income attributable to		
Owners of parent	(1,958)	(12,049)
Non-controlling interests	(399)	1,327

(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

Purchase of treasury shares

Pursuant to a resolution at the board of directors' meeting held on August 7, 2023, the Company purchased 2,444,293 treasury shares for ¥8,738 million during the nine months ended December 31, 2023.

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, 2024 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.

Additional information

At the end of the third quarter of the fiscal year ending March 31, 2024, as a result of careful assessment of the recoverability of deferred tax assets due to the deterioration in financial results amid a decline in demand caused by a delay in the timing of investment by customers due to an increase in uncertainty about market conditions at some U.S. subsidiaries under the Retail Solutions Business Group, a portion of deferred tax assets of ¥15,204 million was reversed and the same amount was recorded as Income taxes - deferred.

Income taxes-deferred are included in income taxes.

Segment information, etc.

I 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.

II Nine months ended December 31, 2023

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	223,854	172,864	396,719	—	396,719
Intersegment sales and transfers	105	3,239	3,344	(3,344)	—
Total	223,960	176,104	400,064	(3,344)	396,719
Segment profit (loss)	(388)	9,852	9,463	—	9,463

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

***Supplementary information**

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Average exchange rate (Yen to the US dollar)	135.72	142.87
Average exchange rate (Yen to the euro)	140.30	154.99

Significant subsequent events

Conclusion of an Absorption-type Company Split agreement with a joint venture

On May 19, 2023, the Company and Ricoh Company, Ltd. (hereinafter "Ricoh") resolved at the Board of Directors of both companies to conclude an agreement to set the terms and conditions for integrating businesses (hereinafter the "Integration Agreement") regarding the development and manufacturing of MFPs, etc. by necessary procedures such as company split to be separately agreed upon by the two companies (hereinafter the "Business Integration"). The Board of Directors of both companies also resolved to conclude a shareholders agreement related to the Business Integration (hereinafter the "Shareholders Agreement"). On the same day, the two companies concluded these agreements.

Then, in order to implement the Business Integration, on February 6, 2024, the Board of Directors of the Company resolved to conclude the absorption-type split agreement (hereinafter, the "Toshiba Tec Absorption-type Split Agreement") between the Company and Ricoh Technologies Company, Ltd. (hereinafter, the "Joint Venture") On the same day, the Company concluded the Toshiba Tec Absorption-type Split Agreement.

The absorption-type split of Ricoh to implement the Business Integration is hereinafter referred to as the "Ricoh Absorption-type Split," and the absorption-type split agreement between Ricoh and the Joint Venture is hereinafter referred to as the "Ricoh Absorption-type Split Agreement." Furthermore, the Ricoh Absorption-type Split and the Toshiba Tec Absorption-type Split are hereinafter collectively referred to as the "Absorption-type Split," and the Ricoh Absorption-type Split Agreement and the Toshiba Tec Absorption-type Split Agreement are hereinafter collectively referred to as the "Absorption-type Split Agreement."

1. Summary of the Business Integration

(1) Method of the Business Integration

The Business Integration covers MFPs' development and the manufacturing operations of the two companies in Japan and overseas. This coverage is hereinafter collectively referred to as the "Business." The Business is, furthermore, hereinafter specified as "Ricoh's Business" and "Toshiba Tec's Business." The Business Integration will be implemented mainly by an absorption-type split in order to succeed Ricoh's Business and Toshiba Tec's Business to the "Joint Venture", a subsidiary company of Ricoh in Japan.

The investment ratio in the Joint Venture after the Business Integration shall be 85% by Ricoh and 15% by the Company.

(2) Details of the allotment related to the Absorption-type Split

The Joint Venture will allot and deliver 55 common shares newly issued by the Joint Venture to Ricoh as consideration for the Joint Venture's assumption of rights and obligations upon the Ricoh Absorption-type Split becoming effective and 45 common shares newly issued by the Joint Venture to the Company as consideration for the Joint Venture's assumption of rights and obligations upon the Toshiba Tec Absorption-type Split becoming effective.

(3) Schedule of the Business Integration

Both companies' Board of Directors to approve the conclusion of the Integration Agreement and the Shareholders Agreement	May 19, 2023
Conclusion of the Integration Agreement and the Shareholders Agreement	May 19, 2023
Both companies' Board of Directors to approve the conclusion of the Absorption-type Split Agreement	Feb 6, 2024
Conclusion of the Absorption-type Split Agreement	Feb 6, 2024
Effective date of the Absorption-type Split	July 1, 2024

(Note 1) Both the Ricoh Absorption-type Split and the Toshiba Tec Absorption-type Split will be conducted as a simplified absorption-type split under Article 784, Paragraph 2 of the Companies Act, without obtaining approval at the shareholders' meetings of both companies.

(Note 2) The implementation of the Business Integration is subject to the conditions that, among others, all procedures under the competition laws (including procedures such as notifications and obtaining clearances, etc.) and notifications and other procedures under foreign investment regulations in Japan and other countries or regions have been completed, and no event has occurred or been found that has or may have a material adverse effect on the assets, business, financial condition, operating results or

cash flow status or other value of the Business of both companies.

(Note 3) The above schedule is the schedule as of today and is subject to change upon consultation between the two companies in the course of the procedures for the Business Integration, depending on the obtainment of permits and approvals from the relevant authorities or for other reasons.

(4) Relationships between two companies

Capital	None in particular
Personnel	None in particular
Business	The Company has contracted Ricoh to manufacture MFPs' options.
Status as a related party	None in particular

(5) Outline of the successor company in absorption-type split (the Joint Venture) (as of March 31, 2022*)

(1) Trade name	Ricoh Technologies Company, Ltd.	
(2) Address	2-7-1, Izumi, Ebina Kanagawa, Japan	
(3) Representative name	Mikio Ishibashi, President and CEO	
(4) Principal business	Development, design, and sales of office equipment, optical equipment, printing-related peripheral equipment, and those consumables, etc.	
(5) Capital stock	10 million yen	
(6) Date established	December 19, 2012	
(7) Total Shares Issued	200	
(8) Accounting Date	March 31	
(9) Number of Employees	494	
(10) Major Customers	Ricoh Company, Ltd.	
(11) Main Bank	None	
(12) Major Shareholders and Percentage of Shares Held	Ricoh Company, Ltd.	100%
(13) Relationships with two companies		
Capital	100% invested by Ricoh Company, Ltd.	
Personnel	3 Directors (out of 3) and 2 auditors (out of 2) from Ricoh Company, Ltd.	
Business	Consignment of design and businesses from Ricoh Company, Ltd. Original Equipment Manufacturing to the Company	
Status as a related party	Related parties of Ricoh Company, Ltd	

2. Outline of the splitting businesses

Nature of business of the division to be split

Ricoh	The Company
Development, manufacturing and Original Equipment Manufacturing of MFPs, Printers, and those related peripheral equipment and consumables	Development, manufacturing of MFPs, Auto ID system, and those related products

3. Reportable segments in which the divested business was included

Workplace Solutions Business Group

4. Status after the Absorption-type Split.

(1) Trade name	ETRIA CO., LTD.
(2) Address	Yokohama Kanagawa, Japan
(3) Representative name	Katsunori Nakata, President and CEO
(4) Principal business	Development, production and sales of office equipment, industrial equipment and optical equipment, and peripheral equipment and consumables, etc.
(5) Capital stock	500 million yen
(6) Accounting Date	March 31

5. Future outlook

The impact of the Absorption-type Split and the Business Partnership on the consolidated business results of both companies for the fiscal year ending March 2024 is insignificant.