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Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]

November 07, 2018

Company name: TOSHIBA TEC CORPORATION

Stock exchange listing: Tokyo

Code number: 6588

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

Representative: Takayuki Ikeda

President and CEO

Contact: Takashi Mizuno

Senior Manager of Corporate Communications Division

Phone: 03-6830-9151

Scheduled date of filing quarterly securities report: November 09, 2018

Scheduled date of commencing dividend payments: December 03, 2018

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 Six Months Ended September 30, 2018 (April 01, 2018 to September 30, 2018)

(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	%
Six months ended September 30, 2018	236,071	(2.9)	7,184	(30.9)	5,897	(38.2)	4,307	(16.4)
September 30, 2017	243,218	(0.1)	10,392	61.3	9,535	26.1	5,150	19.5

(Note) Comprehensive income: Six months ended September 30, 2018: ¥ 5,002 million [(29.4)%]

Six months ended September 30, 2017: ¥ 7,085 million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	78.38		78.27	
September 30, 2017	93.73		93.63	

(Note) The Company carried out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018. Accordingly, the figures for basic earnings per share and diluted earnings per share have been calculated assuming that the stock split was executed at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	
	Million yen		Million yen		%	
As of September 30, 2018	277,708		96,098		31.1	
March 31, 2018	282,630		93,215		29.2	

(Reference) Equity: As of September 30, 2018: ¥ 86,247 million

As of March 31, 2018: ¥ 82,518 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, 2018	-	3.00	-	5.00	8.00
Fiscal year ending March 31, 2019	-	4.00			
Fiscal year ending March 31, 2019 (Forecast)			-	20.00	-

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

The Company carried out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018. Accordingly, the amount of the year-end dividend per share for the year ending March 31, 2019 (Forecast) takes this share consolidation into account and disclosure of the total annual dividends per share is described as "-". For details, please refer to "Dividends and consolidated earnings forecasts after the share consolidation".

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019(April 01, 2018 to March 31, 2019)

(% 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	500,000	(2.6)	18,000	(26.7)	15,000	(34.1)	8,000	(54.3)	145.61

(Note) Revision to the financial results forecast announced most recently: No

Basic earnings per share for consolidated earnings forecasts for the year ending March 31, 2019 (Forecast) takes the share consolidation into account. For details, please refer to "Dividends and consolidated earnings forecasts after the share consolidation".

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2018

(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

(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

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

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

September 30, 2018: 57,629,140 shares

March 31, 2018: 57,629,140 shares

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

September 30, 2018: 2,669,178 shares

March 31, 2018: 2,688,267 shares

3) Average number of shares during the period:

Six months ended September 30, 2018: 54,950,335 shares

Six months ended September 30, 2017: 54,945,183 shares

(Note)The Company carried out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018. Accordingly, the figures for total number of issued shares (common shares), total number of treasury shares at the end of the period, and average number of shares during the period have been calculated assuming that the stock split was executed at the beginning of the previous fiscal year.

*(Dividends and consolidated earnings forecasts after the share consolidation)

At the 93th Annual General Meeting of Shareholders of TOSHIBA TEC CORPORATION held on June 26, 2018, it was approved to carry out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018.

Accordingly, The Company carried out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018.

On the assumption that share consolidation is not carried out, dividends and consolidated earnings forecasts for the year ending March 31, 2019 are as follows:

(1) Dividends forecasts for the year ending March 31, 2019

Dividends per share

Year-end : 4 yen

(2) Consolidated earnings forecasts for the year ending March 31, 2019

Basic earnings per share

Full year : 29.12 yen

Quarterly Consolidated Financial Statement
Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	57,355	46,910
Group Deposits Paid	-	10,000
Notes and accounts receivable - trade	67,996	57,429
Merchandise and finished goods	32,885	33,384
Work in process	1,525	1,306
Raw materials and supplies	6,758	7,393
Other	32,775	34,309
Allowance for doubtful accounts	(1,925)	(1,818)
Total current assets	197,373	188,915
Non-current assets		
Property, plant and equipment	28,090	28,647
Intangible assets		
Goodwill	4,083	3,863
Other	9,052	9,141
Total intangible assets	13,135	13,004
Investments and other assets		
Other	44,138	47,240
Allowance for doubtful accounts	(107)	(99)
Total investments and other assets	44,030	47,141
Total non-current assets	85,257	88,792
Total assets	282,630	277,708

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	59,604	57,951
Short-term loans payable	304	296
Income taxes payable	4,771	3,356
Other	75,218	70,389
Total current liabilities	139,898	131,994
Non-current liabilities		
Net defined benefit liability	35,779	35,643
Other	13,737	13,972
Total non-current liabilities	49,516	49,615
Total liabilities	189,415	181,610
Net assets		
Shareholders' equity		
Capital stock	39,970	39,970
Capital surplus	12	-
Retained earnings	35,861	39,480
Treasury shares	(5,507)	(5,471)
Total shareholders' equity	70,337	73,980
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,181	2,078
Deferred gains or losses on hedges	(22)	10
Foreign currency translation adjustment	10,207	10,155
Minimum pension liability adjustment	(655)	(555)
Remeasurements of defined benefit plans	468	578
Total accumulated other comprehensive income	12,180	12,267
Subscription rights to shares	153	147
Non-controlling interests	10,543	9,702
Total net assets	93,215	96,098
Total liabilities and net assets	282,630	277,708

Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income (For the six months)

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	243,218	236,071
Cost of sales	143,109	138,153
Gross profit	100,108	97,918
Selling, general and administrative expenses	89,715	90,733
Operating profit	10,392	7,184
Non-operating income		
Interest income	270	180
Dividend income	67	24
Foreign exchange gains	-	824
Other	127	177
Total non-operating income	464	1,206
Non-operating expenses		
Interest expenses	293	176
Loss on valuation of derivatives	201	1,388
Foreign exchange losses	4	-
Loss on sales and retirement of non-current assets	39	73
Other	782	855
Total non-operating expenses	1,321	2,493
Ordinary profit	9,535	5,897
Extraordinary income		
Gain on sales of investment securities	-	506
Total extraordinary income	-	506
Extraordinary losses		
Restructuring cost	110	-
Total extraordinary losses	110	-
Profit before income taxes	9,424	6,403
Income taxes	4,085	2,125
Profit	5,339	4,278
Profit (loss) attributable to non-controlling interests	188	(28)
Profit attributable to owners of parent	5,150	4,307

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

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	5,339	4,278
Other comprehensive income		
Valuation difference on available-for-sale securities	321	(103)
Deferred gains or losses on hedges	11	32
Foreign currency translation adjustment	1,265	476
Minimum pension liability adjustment	(54)	208
Remeasurements of defined benefit plans, net of tax	202	110
Total other comprehensive income	1,746	724
Comprehensive income	7,085	5,002
Comprehensive income attributable to		
Owners of parent	6,757	4,393
Non-controlling interests	328	608

Quarterly Consolidated Statement of Cash Flows (For the six months)

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	9,424	6,403
Depreciation and amortization	7,075	7,042
Increase (decrease) in allowance for doubtful accounts	(557)	(180)
Increase (decrease) in net defined benefit liability	(6)	(239)
Interest and dividend income	(337)	(204)
Interest expenses	293	176
Loss (gain) on sales and retirement of property, plant and equipment	39	73
Restructuring cost	110	-
Loss (gain) on sales of investment securities	-	(506)
Decrease (increase) in notes and accounts receivable - trade	5,727	12,496
Decrease (increase) in inventories	(6,648)	228
Increase (decrease) in notes and accounts payable - trade	484	(4,588)
Other, net	(1,257)	(6,459)
Subtotal	14,348	14,242
Interest and dividend income received	323	226
Interest expenses paid	(293)	(200)
Income taxes paid	(4,516)	(4,387)
Net cash provided by (used in) operating activities	9,862	9,880
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,559)	(5,487)
Proceeds from sales of property, plant and equipment	53	39
Purchase of intangible assets	(1,900)	(1,157)
Purchase of investment securities	(6)	(6)
Net decrease (increase) in short-term loans receivable	(1)	0
Proceeds from sales of investment securities	-	631
Payments of long-term loans receivable	(4)	(0)
Collection of long-term loans receivable	6	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(667)
Other, net	(61)	160
Net cash provided by (used in) investing activities	(5,474)	(6,481)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(686)	(7)
Repayments of finance lease obligations	(1,536)	(1,649)
Purchase of treasury shares	(11)	(7)
Cash dividends paid	(549)	(1,373)
Dividends paid to non-controlling interests	(421)	(749)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1,495)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(3,206)	(5,285)
Effect of exchange rate change on cash and cash equivalents	1,549	1,441
Net increase (decrease) in cash and cash equivalents	2,730	(444)
Cash and cash equivalents at beginning of period	46,129	57,355
Cash and cash equivalents at end of period	48,859	56,911

Notes to Quarterly Consolidated Financial Statement

(Changes in Accounting Policy)

TOSHIBA TEC CORPORATION Group's subsidiaries reporting under IFRS and US GAAP have applied IFRS 15 and ASU 2014-09 "Revenue from Contracts with Customers" from the three months ended June 30, 2018.

The impact of this change on profit or loss for the six months ended September 30, 2018 is insignificant.

The Group has adopted the approach of recognizing the cumulative effect of applying this standard at the date of initial application as permitted by transitional method of IFRS 15 and ASU 2014-09.

(Additional Information)

TOSHIBA TEC CORPORATION has applied the ASBJ Statement No.28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, Deferred tax assets were classified as Investments and other assets, and Deferred tax liabilities were classified as Non-current liabilities.