

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 10, 2022

Company name: Toshiba Tec Corporation

Stock exchange listing: Tokyo

Code number: 6588

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Scheduled date of filing quarterly securities report: August 10, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 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	%
Three months ended								
June 30, 2022	109,299	2.1	203	(93.8)	(2,253)	-	(2,161)	-
June 30, 2021	107,097	26.9	3,299	-	2,739	-	2,691	-

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 1,476 million [(31.9)%]

Three months ended June 30, 2021: ¥ 2,169 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	(39.07)	-
June 30, 2021	48.92	48.91

(Note) Diluted earnings per share for the three months ended June 30, 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			
June 30, 2022	319,915	117,456	35.1
March 31, 2022	310,256	117,662	36.1

(Reference) Equity: As of June 30, 2022: ¥ 112,240 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	-				
Fiscal year ending March 31, 2023 (Forecast)		20.00	-	30.00	50.00

(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	450,000	1.1	18,000	55.6	15,500	52.0	8,000	48.7	145.21

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 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 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: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to the quarterly consolidated financial statements (Changes in accounting policies)” on page 8 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):

June 30, 2022: 57,629,140 shares

March 31, 2022: 57,629,140 shares

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

June 30, 2022: 2,300,783 shares

March 31, 2022: 2,301,938 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 55,328,546 shares

Three months ended June 30, 2021: 55,012,633 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.

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

(1) Operating results

The world economy for the three months ended June 30, 2022 was generally on a recovery track due to progress in balancing economic activities with measures taken to prevent COVID-19 infection in various countries. However, the economy did not reach a full-fledged recovery due to the unpredictable future outlook of 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 three months ended June 30, 2022, although sales of POS systems for the domestic market decreased due to the prolonged impact of COVID-19 and other factors, sales of multifunction peripherals (MFPs) for the overseas market increased due to the impact of foreign exchange rates and other factors, resulting in net sales of ¥109,299 million (up 2% year on year). Meanwhile, on the profit front, profitability in the Retail Solutions Business Group deteriorated due to lower sales of POS systems for the domestic market, tight supply-demand balance and soaring prices in components and international cargo transportation, the increase in “Selling, general and administrative expenses” due to the impact of exchange rate fluctuations and the positive implementation of digital transformation, etc. resulted in operating profit of ¥203 million (down 94% year on year), “Loss on valuation of derivatives” associated with exchange rate fluctuations and “Foreign withholding tax” associated with dividend payments at overseas subsidiary as non-operating expenses resulted in ordinary loss of ¥2,253 million (ordinary profit of ¥2,739 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥2,161 million (profit attributable to owners of parent of ¥2,691 million in the same period of the previous fiscal year).

Results of reportable segments for the three months ended June 30, 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 focused on expanding sales mainly of payment terminals, self-ordering systems, smart receipts by taking into account measures against COVID-19. However, sales declined due to a continued downturn in the investment appetite of retail and restaurant businesses affected by the prolonged COVID-19 pandemic, rising prices, and other factors.

Sales of POS systems for overseas markets increased as a result of the steady sales in the Americas, Europe regions due to the impact of foreign exchange rates and other factors.

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

As a result, net sales of the Retail Solutions Business Group were ¥63,435 million (down 2% year on year). Operating profit of the business group was ¥72 million (down 98% year on year) due to lower sales in addition to 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 the steady sales in the Americas, Europe, Asia, and other overseas regions as a result of changing transportation method or route and focusing on product supply response such as aggressive design changing and adoption of alternative components, despite the tight supply-demand balance in components and international cargo transportation.

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

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

As a result, net sales in the Workplace Solutions Business Group were ¥46,774 million (up 8% year on year). Operating profit for the business group improved to ¥131 million (operating loss of ¥143 million in the same period of the previous fiscal year) due mainly to the increase in net sales despite being affected by tight supply-demand balance and soaring prices in components and international cargo transportation, and the negative impact of foreign exchange rates.

(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 first quarter of the fiscal year ending March 31, 2023 increased by ¥9,659 million from the end of the previous fiscal year to ¥319,915 million. This was mainly because merchandise and finished goods, work in process, and raw materials and supplies in current assets and “Other” in investments and other assets increased by ¥5,962 million, ¥2,150 million, ¥2,797 million, and ¥3,307 million, respectively, although notes and accounts receivable - trade, and contract assets in current assets declined by ¥5,180 million.

Liabilities increased by ¥9,864 million from the end of the previous fiscal year to ¥202,458 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 ¥2,265 million, ¥1,533 million, ¥4,254 million, and ¥1,593 million, respectively.

Net assets decreased by ¥206 million from the end of the previous fiscal year to ¥117,456 million. This was primarily due to a decrease in retained earnings of ¥2,161 million owing to the recording of loss attributable to owners of parent, a decrease of ¥1,106 million due to payment of dividends, a decrease in valuation difference on available-for-sale securities of ¥552 million and a decrease in non-controlling interests of ¥495 million, although foreign currency translation adjustment increased by ¥4,436 million.

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

The Company has no revision to its consolidated financial results forecast for the fiscal year ending March 31, 2023 which was announced on May 11, 2022, at the time of the announcement of the financial results for the fiscal year ended March 31, 2022.

(The reference exchange rates used in the consolidated financial results forecast for the fiscal year ending March 31, 2023 are ¥120 to the US dollar and ¥135 to the euro.)

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	38,645	34,699
Group deposits paid	8,073	10,115
Notes and accounts receivable - trade, and contract assets	70,846	65,666
Merchandise and finished goods	34,806	40,768
Work in process	5,635	7,785
Raw materials and supplies	14,047	16,844
Other	23,363	25,101
Allowance for doubtful accounts	(1,414)	(1,389)
Total current assets	194,004	199,592
Non-current assets		
Property, plant and equipment	43,764	44,945
Intangible assets		
Goodwill	1,026	941
Other	10,196	9,865
Total intangible assets	11,223	10,806
Investments and other assets		
Other	61,351	64,658
Allowance for doubtful accounts	(87)	(87)
Total investments and other assets	61,264	64,571
Total non-current assets	116,252	120,322
Total assets	310,256	319,915

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,341	55,606
Short-term borrowings	859	911
Income taxes payable	2,846	4,379
Other	79,967	84,221
Total current liabilities	137,014	145,119
Non-current liabilities		
Long-term borrowings	1,043	1,090
Retirement benefit liability	29,565	29,684
Other	24,970	26,563
Total non-current liabilities	55,579	57,338
Total liabilities	192,594	202,458
Net assets		
Shareholders' equity		
Share capital	39,970	39,970
Capital surplus	854	855
Retained earnings	55,977	52,708
Treasury shares	(4,733)	(4,732)
Total shareholders' equity	92,068	88,803
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,626	1,073
Deferred gains or losses on hedges	12	(76)
Foreign currency translation adjustment	15,819	20,255
Minimum pension liability adjustments	(694)	(724)
Remeasurements of defined benefit plans	3,114	2,909
Total accumulated other comprehensive income	19,877	23,437
Share acquisition rights	48	43
Non-controlling interests	5,667	5,171
Total net assets	117,662	117,456
Total liabilities and net assets	310,256	319,915

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income (For the three months)

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	107,097	109,299
Cost of sales	64,594	66,775
Gross profit	42,503	42,524
Selling, general and administrative expenses	39,204	42,320
Operating profit	3,299	203
Non-operating income		
Interest income	81	54
Dividend income	21	55
Gain on valuation of derivatives	289	-
Foreign exchange gains	-	203
Other	90	90
Total non-operating income	482	405
Non-operating expenses		
Interest expenses	123	112
Loss on valuation of derivatives	-	1,050
Foreign exchange losses	521	-
Foreign withholding tax	175	1,249
Other	221	449
Total non-operating expenses	1,042	2,862
Ordinary profit (loss)	2,739	(2,253)
Extraordinary losses		
Restructuring cost	58	22
Total extraordinary losses	58	22
Profit (loss) before income taxes	2,680	(2,275)
Income taxes	495	256
Profit (loss)	2,184	(2,531)
Loss attributable to non-controlling interests	(507)	(369)
Profit (loss) attributable to owners of parent	2,691	(2,161)

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

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit (loss)	2,184	(2,531)
Other comprehensive income		
Valuation difference on available-for-sale securities	(144)	(552)
Deferred gains or losses on hedges	17	(88)
Foreign currency translation adjustment	204	4,884
Minimum pension liability adjustment	(9)	(29)
Remeasurements of defined benefit plans, net of tax	(82)	(205)
Total other comprehensive income	(14)	4,008
Comprehensive income	2,169	1,476
Comprehensive income attributable to		
Owners of parent	2,645	1,397
Non-controlling interests	(475)	79

(3) Notes to the quarterly consolidated financial statements

Notes on going concern assumption

Not applicable

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

Not applicable

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

Calculation of tax expenses

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

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

Income taxes – deferred are included in income taxes.

Changes in accounting policies

Application of Accounting Standard for 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

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 Balance Sheet

Litigations, etc.

The Company and a domestic subsidiary received a petition for order of provisional disposition and a complaint for patent infringement in June 2021 and a petition for order of provisional disposition in February 2022, filed by Teraoka Seiko Co., Ltd. in the Tokyo District Court for infringement of its patent rights related to semi-self checkout. (Hereinafter, the “Litigations, etc.”)

On the other hand, the Company filed several petitions for provisional disposition with the Tokyo District Court, with Teraoka Seiko Co., Ltd. and its group company DIGI I's Ltd. as debtors, based on the patent rights held by the Company. The Company has been taking appropriate measures after carefully examining the details of the case. However, the court has actively encouraged to settle for both plaintiffs and defendants, and since July 2022, the Company has begun settlement negotiations with the plaintiffs in an effort to reach a resolution. As negotiations are currently ongoing, the details of the case are not disclosed.

There is a possibility that payment will be made as a result of a settlement or trial in the future, and that the Group's business performance may be affected. Since the negotiations are confirming the facts recognized by both parties, the trial is still ongoing, and the results of similar patent disputes that have occurred in the past have varied, it is difficult to infer the results of the Litigations, etc. by referring to them. As a result, it is difficult to reasonably estimate the amount of the impact at this time, and no provision has been recorded at the end of the first quarter of the fiscal year ending March 31, 2023.

Segment information**I Three months ended June 30, 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	64,908	42,189	107,097	—	107,097
Intersegment sales and transfers	20	976	997	(997)	—
Total	64,928	43,165	108,094	(997)	107,097
Segment profit (loss)	3,442	(143)	3,299	—	3,299

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

II Three months ended June 30, 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	63,421	45,878	109,299	—	109,299
Intersegment sales and transfers	13	895	909	(909)	—
Total	63,435	46,774	110,209	(909)	109,299
Segment profit	72	131	203	—	203

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

***Supplementary information**

	Three months ended June 30, 2021	Three months ended June 30, 2022
Average exchange rate (Yen to the US dollar)	109.79	126.51
Average exchange rate (Yen to the euro)	131.84	136.75