

Consolidated Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]



February 3, 2020

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6809
 URL: <https://www.toa.jp/>
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 Scheduled date of filing quarterly securities report: February 13, 2020
 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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(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, 2019	31,229	(3.7)	1,807	(26.3)	1,968	(25.4)	1,095	(30.3)
December 31, 2018	32,422	8.1	2,453	41.5	2,639	44.8	1,571	56.9

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥1,264 million [-%]

Nine months ended December 31, 2018: ¥(482) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	32.35	-
December 31, 2018	46.42	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	58,506	46,043	74.3
As of March 31, 2019	57,742	45,689	74.8

(Reference) Equity: As of December 31, 2019: ¥43,442million

As of March 31, 2019: ¥43,207 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	yen	yen	yen	yen	yen
Fiscal year ending March 31, 2019	-	10.00	-	16.00	26.00
Fiscal year ending March 31, 2020 (Forecast)	-	10.00	-	10.00	20.00

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

Breakdown of the dividends for the fiscal year ended March 31, 2019: Stable dividend ¥20, Performance-based dividend ¥6

Dividends for the fiscal year ending March 31, 2020 (Forecast) will be determined by taking into account the performances on stable dividend of ¥20, aiming at a consolidated dividend payout ratio of 35%, as announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” on May 8, 2019.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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	49,000	5.7	4,000	2.5	4,100	0.0	2,450	(2.2)	72.35

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

* Notes:

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

(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):

December 31, 2019: 34,536,635 shares

March 31, 2019: 34,536,635 shares

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

December 31, 2019: 657,113 shares

March 31, 2019: 674,539 shares

3) Average number of shares during the period:

Nine months ended December 31, 2019: 33,872,174 shares

Nine months ended December 31, 2018: 33,862,242 shares

* These quarterly financial results are outside the scope of quarterly review by a certified public accountant or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

Forecasts presented herein are the current prospects based on information currently available and contain elements of uncertainty. Actual results may therefore differ from the above forecasts due to subsequent changes in the circumstances.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the nine months ended December 31, 2019, the overall global economic outlook remains unable to shake off the mood of uncertainty, partly due to the economic slowdowns in various countries caused by the U.S-China trade frictions and uncertainty in the UK after its withdrawal from the EU, and due attention must be continuously paid to the trends.

In such an environment, we engage in activities to further strengthen our “connection with our customers” through interactions with both people and goods in order to realize our corporate value “Smiles for the Public.” In the domestic market, using our unique perspective with strength in “Audio notification capabilities,” we continuously work to enhance and upgrade our product lineup, whereby introducing new products that have especially incorporated AI and IoT technologies to the market. Furthermore, we are continuing to strengthen our marketing function in five regions around the world, and further accelerate product development and expand sales channels to meet the specific needs of each market.

As a result, net sales during the nine months ended December 31, 2019 amounted to ¥31,229 million (down ¥1,193 million, or 3.7%, year on year). As for profits, as selling, general and administrative expenses increased, operating profit amounted to ¥1,807 million (down ¥645 million, or 26.3%, year on year), ordinary profit to ¥1,968 million (down ¥671 million, or 25.4%, year on year), and profit attributable to owners of parent to ¥1,095 million (down ¥475 million, or 30.3%, year on year).

Performance by segment is as follows.

Effective from the three months ended June 30, 2019, the accounting method for reportable segments has changed. As a result of this change, comparison was made with the figures for the same period of the previous fiscal year recalculated to reflect the new segmentation. For details, see the Segment Information below.

(Japan)

Net sales amounted to ¥19,611 million (down ¥299 million, or 1.5%, year on year), and segment profit (operating profit) to ¥3,982 million (down ¥34 million, or 0.9%, year on year).

Sales of “Horn Array Speakers” and “Slim Array Speakers for Disaster Prevention” to municipalities increased, which have been well accepted in the disaster reduction and prevention markets. Net sales and segment profit decreased due to factors including change of delivery date for railway car projects that we have received orders, despite stable sales of video equipment.

(Asia & Pacific)

Net sales amounted to ¥5,456 million (up ¥109 million, or 2.0%, year on year), and segment profit (operating profit) to ¥995 million (up ¥16 million, or 1.7%, year on year).

Net sales and segment profit increased due to the progress of delivery of subway projects and others for the transportation infrastructure markets in Thailand and delivery of a large number of projects to the government and public sector demand in Indonesia.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,317 million (down ¥875 million, or 20.9%, year on year), and segment profit (operating profit) to ¥439 million (down ¥378 million, or 46.3%, year on year).

Net sales and segment profit decreased due to the decline in sales caused by the slowdown of the economies in Europe and the Middle East in addition to the appreciation of yen and a decline in large-scale projects.

(The Americas)

Net sales amounted to ¥1,571 million (down ¥90 million, or 5.4%, year on year), and segment profit (operating profit) to ¥88 million (down ¥116 million, or 56.9%, year on year).

Net sales decreased due to the sluggish sales of audio equipment to the retailers in the Americas. Segment profit decreased due to a decrease in sales and an increase in selling, general and administrative expenses.

(China & East Asia)

Net sales amounted to ¥1,271 million (down ¥36 million, or 2.8%, year on year), and segment profit (operating profit) to ¥175 million (down ¥29 million, or 14.3%, year on year).

Net sales and segment profit decreased due mainly to the decline in large-scale projects across the segment, despite the progress of deliveries of large-scale projects including those for airports in China.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2019 increased ¥763 million from the end of the previous fiscal year to ¥58,506 million. Assets increased due mainly to an increase in property, plant and equipment, despite decreases in cash and deposits as well as in notes and accounts receivable – trade. The increase in liabilities and net assets is mainly attributable to an increase in short-term borrowings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

The financial results forecast for the fiscal year ending March 31, 2020 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” on May 8, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	17,014	14,692
Notes and accounts receivable - trade	10,305	8,034
Securities	3,500	3,500
Merchandise and finished goods	6,175	7,366
Work in process	846	1,288
Raw materials and supplies	2,994	3,232
Other	671	1,302
Allowance for doubtful accounts	(85)	(58)
Total current assets	41,423	39,358
Non-current assets		
Property, plant and equipment	7,747	9,999
Intangible assets	1,703	1,472
Investments and other assets		
Investment securities	5,524	6,263
Investments and other assets, gross	1,345	1,414
Allowance for doubtful accounts	(1)	(0)
Total investments and other assets	6,869	7,676
Total non-current assets	16,319	19,148
Total assets	57,742	58,506
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,066	3,624
Short-term borrowings	934	1,553
Income taxes payable	417	159
Provisions	182	259
Other	2,472	2,356
Total current liabilities	8,073	7,953
Non-current liabilities		
Retirement benefit liability	2,625	2,652
Other	1,354	1,856
Total non-current liabilities	3,979	4,509
Total liabilities	12,053	12,463

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	6,866	6,879
Retained earnings	29,050	29,265
Treasury shares	(394)	(385)
Total shareholders' equity	40,802	41,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,250	3,760
Foreign currency translation adjustment	(868)	(1,393)
Remeasurements of defined benefit plans	23	34
Total accumulated other comprehensive income	2,404	2,402
Non-controlling interests	2,481	2,600
Total net assets	45,689	46,043
Total liabilities and net assets	57,742	58,506

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	32,422	31,229
Cost of sales	18,129	17,272
Gross profit	14,292	13,956
Selling, general and administrative expenses	11,839	12,148
Operating profit	2,453	1,807
Non-operating income		
Interest income	41	29
Dividend income	88	95
Foreign exchange gains	—	5
Other	118	89
Total non-operating income	248	219
Non-operating expenses		
Interest expenses	32	50
Foreign exchange losses	16	—
Other	11	8
Total non-operating expenses	61	58
Ordinary profit	2,639	1,968
Extraordinary losses		
Dismantlement expenses	—	48
Total extraordinary losses	—	48
Profit before income taxes	2,639	1,919
Income taxes	736	562
Profit	1,903	1,357
Profit attributable to non-controlling interests	331	261
Profit attributable to owners of parent	1,571	1,095

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	1,903	1,357
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,062)	510
Foreign currency translation adjustment	(310)	(616)
Remeasurements of defined benefit plans, net of tax	(13)	13
Total other comprehensive income	(2,385)	(93)
Comprehensive income	(482)	1,264
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(750)	1,093
Comprehensive income attributable to non-controlling interests	267	171

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

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

- Calculation of tax expense

The Company calculates tax expense by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to profit before income taxes for the fiscal year under review.

(Changes in accounting policies)

The overseas consolidated subsidiaries that adopt International Financial Reporting Standards (IFRS) have applied IFRS 16 "Leases" from the three months ended June 30, 2019. Accordingly, for lessee's lease transactions, assets and liabilities are recognized for all leases, in principle.

As a result, property, plant and equipment increased by ¥472 million and other under current liabilities and non-current liabilities increased by ¥476 million respectively at the beginning of the three months ended June 30, 2019. This change in accounting policy gave little impact on the profit (loss) for the nine months ended December 31, 2019.

(Segment information)

[Segment information]

I. For the nine months ended December 31, 2018

Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	19,911	5,347	4,193	1,661	1,308	32,422	-	32,422
Inter-segment net sales or transfers	2,754	79	9	11	14	2,870	(2,870)	-
Total	22,666	5,427	4,202	1,673	1,322	35,292	(2,870)	32,422
Segment profit	4,017	979	818	205	204	6,225	(3,771)	2,453

(Notes) 1. The adjustment for segment profit of negative ¥3,771 million includes elimination of inter-segment transactions of ¥14 million and corporate expenses in the amount of negative ¥3,786 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the headquarters divisions which are not attributable to a reportable segment.

2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

II. For the nine months ended December 31, 2019

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	19,611	5,456	3,317	1,571	1,271	31,229	-	31,229
Inter-segment net sales or transfers	2,988	84	11	7	26	3,118	(3,118)	-
Total	22,600	5,541	3,329	1,578	1,298	34,347	(3,118)	31,229
Segment profit	3,982	995	439	88	175	5,681	(3,874)	1,807

(Notes) 1. The adjustment for segment profit of negative ¥3,874 million includes elimination of inter-segment transactions of ¥44 million and corporate expenses in the amount of negative ¥3,918 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the headquarters divisions which are not attributable to a reportable segment.

2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

2. Changes in reportable segments, etc.

Effective from the three months ended June 30, 2019, the production function was shifted from the Asia & Pacific segment and the China & East Asia segment to the Japan segment, and the sales function of railway car equipment was shifted from the Americas segment to the Japan segment in order to better define the Company-oriented functions and the segmentation classification.

Furthermore, the Company's operating transactions for each segment were included in the results to gain a better understanding of the performance of the Asia & Pacific segment, the Europe, Middle East & Africa segment, the Americas segment, and the China & East Asia segment.

As a result of this change, the segment information for the same period of the previous fiscal year was prepared to reflect the new segmentation.