

Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]



August 4, 2020

Company name: TOA Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 6809

URL: <https://www.toa.jp/>

Representative: Kazuhiro Takeuchi, President, CEO

Contact: Keigo Yoshida, General Manager of Accounting & Financial Department

Scheduled date of filing quarterly securities report: August 6, 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 Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Three months ended	Million yen %	Million yen %	Million yen %	Million yen %
June 30, 2020	8,460 (6.8)	(286) -	(313) -	(378) -
June 30, 2019	9,080 3.3	203 406.8	257 75.1	31 -

(Note) Comprehensive income: Three months ended June 30, 2020: ¥(803) million [- %]

Three months ended June 30, 2019: ¥302 million [- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	(11.41)	-
June 30, 2019	0.94	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	56,803	42,290	71.2
As of March 31, 2020	58,653	44,780	72.9

(Reference) Equity: As of June 30, 2020: ¥40,437 million

As of March 31, 2020: ¥42,756 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	yen -	yen 10.00	yen -	yen 16.00	yen 26.00
Fiscal year ending March 31, 2021	-	-	-	-	-
Fiscal year ending March 31, 2021 (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, 2020: Stable dividend ¥20, Performance-based dividend ¥2, Commemorative dividend ¥4
 Dividends for the fiscal year ending March 31, 2021 (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, 2020” on May 13, 2020.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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	40,500	(10.1)	700	(79.8)	750	(79.0)	600	(71.0)	18.45

(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: 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):

June 30, 2020: 34,536,635 shares

March 31, 2020: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2020: 2,047,174 shares

March 31, 2020: 657,114 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2020: 33,146,326 shares

Three months ended June 30, 2019: 33,861,974 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review.....	4
(1) Explanation of Operating Results.....	4
(2) Explanation of Financial Position	5
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	5
2. Quarterly Consolidated Financial Statements and Primary Notes.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income.....	8
Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Notes to the Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption).....	10
(Notes in the case of significant changes in shareholders' equity).....	10
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)	10
(Segment information)	10

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

(1) Explanation of Operating Results

During the three months ended June 30, 2020, the global spread of the novel coronavirus (COVID-19) had an enormous impact on the global economy. In addition, the outlook for the U.S.-China trade frictions still remained uncertain. It is expected that the difficult situation will continue.

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 as a specialized manufacturer with strength in “Audio notification capabilities,” we continuously work to enhance and upgrade our product lineup. We released a new series of “Hands-free Personal PA Systems” that deliver clear and easy-to-hear sounds while maintaining social distance. In addition, in order to help reduce overcrowding and improve services, we started to provide extended functions, “Occupancy Counter” and “Traffic Counter,” using AI that can be used with network cameras of our security camera system, “TRIFORA Series.” We thus engaged in various activities to propose solutions in order to play a role in communication in the new society and lifestyles. We also introduced and launched a new system platform as a digital tool to improve the efficiency of our marketing activities in five regions around the world.

However, as the entire Group was affected by the spread of COVID-19, net sales during the three months ended June 30, 2020 were ¥8,460 million (down ¥619 million, or 6.8%, year on year). In terms of profits, although selling, general and administrative expenses decreased, operating profit was negative ¥286 million (down ¥490 million year on year), ordinary profit was negative ¥313 million (down ¥570 million year on year), and profit attributable to owners of parent was negative ¥378 million (down ¥409 million year on year).

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥5,102 million (down ¥156 million, or 3.0%, year on year), and segment profit (operating profit) to ¥709 million (down ¥85 million, or 10.8%, year on year).

Net sales and segment profit decreased due mainly to sluggish sales of audio equipment attributable primarily to stagnant economic activities, despite an increase in the delivery of products for railway cars.

(Asia & Pacific)

Net sales amounted to ¥1,646 million (down ¥34 million, or 2.1%, year on year), and segment profit (operating profit) to ¥225 million (down ¥84 million, or 27.2%, year on year).

Net sales and profit of the entire segment decreased due mainly to a decline in large-scale projects in Thailand, despite robust sales in Indonesia and Vietnam.

(Europe, Middle East & Africa)

Net sales amounted to ¥975 million (down ¥168 million, or 14.8%, year on year), and segment profit (operating profit) to ¥64 million (down ¥63 million, or 49.7%, year on year).

Net sales and segment profit decreased due to the impact of stagnant economic activities in Europe and a decline in large-scale projects.

(The Americas)

Net sales amounted to ¥434 million (down ¥131 million, or 23.2%, year on year), and segment profit (operating profit) to ¥17 million (down ¥56 million, or 76.9%, year on year).

Net sales and segment profit decreased due mainly to sluggish sales of audio equipment to the retailers in the Americas and a decline in large-scale projects.

(China & East Asia)

Net sales amounted to ¥302 million (down ¥127 million, or 29.7%, year on year), and segment profit (operating profit) to ¥2 million (down ¥55 million, or 95.7%, year on year).

Net sales and segment profit decreased due to sluggish sales in China, despite progress of deliveries of large-scale projects including those for the airport in Hong Kong and robust sales in Taiwan.

(2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2020 decreased ¥1,850 million from the end of the previous fiscal year to ¥56,803 million. Assets decreased due mainly to decreases in notes and accounts receivable - trade as well as securities. The decrease in liabilities and net assets is mainly attributable to a decrease in retained earnings due to cash dividends paid and a purchase of treasury shares.

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

The financial results forecast for the fiscal year ending March 31, 2021 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	15,610	16,142
Notes and accounts receivable - trade	10,312	7,601
Securities	1,200	—
Merchandise and finished goods	6,845	7,328
Work in process	1,045	1,130
Raw materials and supplies	3,065	3,450
Other	880	1,252
Allowance for doubtful accounts	(75)	(47)
Total current assets	<u>38,885</u>	<u>36,858</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,237	6,188
Other	4,342	4,389
Total property, plant and equipment	<u>10,579</u>	<u>10,578</u>
Intangible assets	1,599	1,517
Investments and other assets		
Investment securities	6,163	6,469
Other	1,426	1,379
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	<u>7,589</u>	<u>7,848</u>
Total non-current assets	<u>19,768</u>	<u>19,944</u>
Total assets	<u>58,653</u>	<u>56,803</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,409	3,486
Short-term borrowings	1,915	2,913
Income taxes payable	332	101
Provisions	176	107
Other	3,348	3,251
Total current liabilities	<u>9,183</u>	<u>9,859</u>
Non-current liabilities		
Retirement benefit liability	2,841	2,758
Other	1,848	1,895
Total non-current liabilities	<u>4,689</u>	<u>4,653</u>
Total liabilities	<u>13,872</u>	<u>14,512</u>

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	5,058	5,058
Retained earnings	30,236	29,175
Treasury shares	(385)	(1,390)
Total shareholders' equity	<u>40,189</u>	<u>38,123</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,682	3,898
Foreign currency translation adjustment	(1,009)	(1,480)
Remeasurements of defined benefit plans	(104)	(103)
Total accumulated other comprehensive income	<u>2,567</u>	<u>2,314</u>
Non-controlling interests	2,024	1,852
Total net assets	<u>44,780</u>	<u>42,290</u>
Total liabilities and net assets	<u>58,653</u>	<u>56,803</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	9,080	8,460
Cost of sales	4,931	5,001
Gross profit	4,148	3,458
Selling, general and administrative expenses	3,945	3,745
Operating profit (loss)	203	(286)
Non-operating income		
Interest income	4	3
Dividend income	45	50
Other	40	41
Total non-operating income	90	94
Non-operating expenses		
Interest expenses	14	18
Foreign exchange losses	19	95
Share of loss of entities accounted for using equity method	—	0
Other	2	6
Total non-operating expenses	35	121
Ordinary profit (loss)	257	(313)
Extraordinary losses		
Dismantlement expenses	—	11
Total extraordinary losses	—	11
Profit (loss) before income taxes	257	(324)
Income taxes	115	49
Profit (loss)	142	(373)
Profit attributable to non-controlling interests	110	4
Profit (loss) attributable to owners of parent	31	(378)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit (loss)	142	(373)
Other comprehensive income		
Valuation difference on available-for-sale securities	146	215
Foreign currency translation adjustment	9	(648)
Share of other comprehensive income of entities accounted for using equity method	—	0
Remeasurements of defined benefit plans, net of tax	3	3
Total other comprehensive income	159	(429)
Comprehensive income	302	(803)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	165	(631)
Comprehensive income attributable to non-controlling interests	137	(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)

The Company acquired 1,390,000 treasury shares based on a resolution at the meeting of the Board of Directors held on May 13, 2020. As a result, treasury shares increased by ¥1,004 million in the three months ended June 30, 2020, and treasury shares amounted to ¥1,390 million as of June 30, 2020.

(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.

(Segment information)

[Segment information]

I. For the three months ended June 30, 2019

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Statements of Income (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	5,259	1,681	1,144	565	429	9,080	-	9,080
Inter-segment net sales or transfers	1,101	32	2	1	4	1,142	(1,142)	-
Total	6,360	1,713	1,147	566	433	10,222	(1,142)	9,080
Segment profit	795	309	128	73	57	1,365	(1,162)	203

(Notes) 1. The adjustment for segment profit of negative ¥1,162 million includes elimination of inter-segment transactions of ¥38 million and corporate expenses in the amount of negative ¥1,200 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 statements of income.

II. For the three months ended June 30, 2020

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Statements of Income (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	5,102	1,646	975	434	302	8,460	-	8,460
Inter-segment net sales or transfers	861	17	5	0	4	888	(888)	-
Total	5,963	1,664	981	434	306	9,349	(888)	8,460
Segment profit	709	225	64	17	2	1,019	(1,306)	(286)

(Notes) 1. The adjustment for segment profit of negative ¥1,306 million includes elimination of inter-segment transactions of negative ¥40 million and corporate expenses in the amount of negative ¥1,266 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 loss in quarterly consolidated statements of income.