Consolidated Financial Results
for the Six Months Ended September 30, 2021
[Japanese GAAP]

November 2, 2021

Company name: TOA Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 6809
URL: https://www.toa.jp/
Representative: TAKEUCHI Kazuhiro, President, CEO
Contact: YOSHIDA Keigo, General Manager of Accounting & Financial Department
Scheduled date of filing quarterly securities report: November 12, 2021
Scheduled date of commencing dividend payments: December 2, 2021
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: Yes (Only in the form of a video posted on the Company's website.)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	18,937	7.2	748	-	822	-	460	-
September 30, 2020	17,666	(14.9)	(32)	-	53	(95.8)	(155)	-

(Note) Comprehensive income: Six months ended September 30, 2021: ¥2,267 million [297.5 %]
Six months ended September 30, 2020: ¥570 million [(30.6) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	14.15	-
September 30, 2020	(4.74)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	60,584	48,096	76.2
As of March 31, 2021	58,572	46,365	75.8

(Reference) Equity: As of September 30, 2021: ¥46,176 million
As of March 31, 2021: ¥44,402 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, 2021	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2022	-	10.00			
Fiscal year ending March 31, 2022 (Forecast)			-	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, 2021: Stable dividend ¥20
Dividends for the fiscal year ending March 31, 2022 (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, 2021" on May 7, 2021.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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	42,000	3.5	2,550	11.2	2,600	1.6	1,700	6.5	52.23

(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):
September 30, 2021: 34,536,635 shares
March 31, 2021: 34,536,635 shares

2) Total number of treasury shares at the end of the period:
September 30, 2021: 1,990,616 shares
March 31, 2021: 2,017,212 shares

3) Average number of shares during the period:
Six months ended September 30, 2021: 32,528,522 shares
Six months ended September 30, 2020: 32,826,435 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.
- The Company plans to post a financial results briefing video and a supplementary briefing material on financial results on its website.

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

(1) Explanation of Operating Results

During the six months ended September 30, 2021, the environment surrounding TOA Corporation (hereinafter "the Company") and its subsidiaries (collectively, the "Group") remains severe due to the spread of coronavirus disease (hereinafter "COVID-19") and recovery has been delayed in some areas with cities being locked down and economic activities being restricted intermittently. In many areas, however, restrictions on activities have been eased due to factors, such as the rising vaccination rates, and the economy continues on a recovery track.

In such an environment, in an effort to realize our corporate value "Smiles for the Public," we formulated a new management vision targeting 2030, "Dr. Sound—becoming a professional organization that improves sound in society." We will aim to create the value of reassurance, reliability, and emotion as a reliable partner that will realize along with our customers a cycle of identifying, solving, and improving social issues through the continuous provision of "good sound experiences" that customers will choose. In the domestic market, we are expanding our product lineup of audio equipment and visual equipment, which are the foundation of our profitability and competitiveness. At the same time, we have started our efforts to solve social issues through co-creation with various companies in order to offer new value. Overseas, we are strengthening our sales activities and increasing their efficiency as we see signs of recovery in socio-economic activities.

As a result, net sales during the six months ended September 30, 2021 were ¥18,937 million (up ¥1,271 million, or 7.2%, year on year). Profits showed year-on-year improvement at all levels due to an improvement in the cost ratio and a decrease in selling, general and administrative expenses. Operating profit was ¥748 million (up ¥780 million year on year), ordinary profit was ¥822 million (up ¥768 million year on year), and profit attributable to owners of parent was ¥460 million (up ¥616 million year on year).

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥11,543 million (up ¥5 million, or 0.0%, year on year), and segment profit (operating profit) to ¥2,224 million (up ¥325 million, or 17.2%, year on year).

Net sales of the entire segment were flat due to an increase in sales of products for airport facilities and sales to the education market despite a decrease in sales of products for railway cars.

Segment profit increased due to improvement in the cost ratios for domestic sales and sales of products for railway cars and a decrease in selling, general and administrative expenses.

(Asia & Pacific)

Net sales amounted to ¥3,186 million (up ¥391 million, or 14.0%, year on year), and segment profit (operating profit) to ¥508 million (up ¥80 million, or 18.9%, year on year).

In Thailand, net sales decreased due to factors, such as impact of delays in construction attributable to the spread of COVID-19, despite the progress in delivering large-scale projects for railway facilities. In Vietnam, sales grew thanks to the progress in delivering large-scale projects for public offices. In Indonesia and Malaysia, the delivery of large-scale projects for public offices progressed and sales of audio equipment to the religious market were solid. As a result, net sales for the entire segment increased.

Segment profit increased due to the increase in net sales despite deterioration in the cost ratio and an increase in selling, general and administrative expenses.

(Europe, Middle East & Africa)

Net sales amounted to ¥2,153 million (up ¥300 million, or 16.2%, year on year), and segment profit (operating profit) to ¥290 million (up ¥157 million, or 118.6%, year on year).

Net sales increased due mainly to progress in delivering large-scale projects in the United Kingdom and South Africa, robust sales in Europe and Middle East, and the impact of yen depreciation.

Segment profit increased due to the increase in net sales and an improvement in the cost ratio despite an increase in selling, general and administrative expenses.

(The Americas)

Net sales amounted to ¥1,082 million (up ¥294 million, or 37.4%, year on year), and segment profit (operating profit) to ¥98 million (up ¥93 million year on year).

In the United States, net sales increased as the spread of COVID-19 peaked and economic activities showed signs of recovery, which resulted in robust sales of audio equipment for retailers. In Canada, net sales increased as sales to the education market grew.

Segment profit increased due to the increase in net sales despite deterioration in the cost ratio and an increase in selling, general and administrative expenses.

(China & East Asia)

Net sales amounted to ¥971 million (up ¥278 million, or 40.3%, year on year), and segment profit (operating profit) to ¥130 million (up ¥76 million, or 140.9%, year on year).

As the spread of COVID-19 slowed down, net sales in Taiwan and China increased due mainly to delivery of multiple large-scale projects, for plant markets in Taiwan, and for education and other markets in China. In Hong Kong, net sales decreased year on year because of the delivery of multiple large-scale projects in the previous fiscal year, while sales were solid in Taiwan and China. As a result, net sales for the entire segment increased.

Segment profit increased due to the increase in net sales and an improvement in the cost ratio despite an increase in selling, general and administrative expenses.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets at the end of the six months ended September 30, 2021 increased ¥2,011 million from the end of the previous fiscal year to ¥60,584 million. Assets increased due mainly to increases in cash and deposits as well as revaluation of investment securities, despite a decrease in notes and accounts receivable - trade. The increase in liabilities and net assets is mainly attributable to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment as a result of yen depreciation.

(ii) Cash Flows

Cash and cash equivalents at the end of the six months ended September 30, 2021 (hereinafter “cash”) increased by ¥800 million from the end of the previous fiscal year to ¥17,069 million. The status of cash flows and their contributing factors during the six months ended September 30, 2021 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,937 million. This was mainly attributable to ¥841 million of profit before income taxes, ¥699 million of depreciation, a ¥1,089 million decrease in trade receivables, a ¥509 million decrease in accounts payable - other, and ¥178 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥776 million. This was mainly attributable to ¥874 million of payments into time deposits, ¥124 million of purchase of property, plant and equipment, and ¥331 million of proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥779 million. This was mainly attributable to ¥324 million of dividends paid, ¥251 million of repayments of finance lease obligations, and ¥142 million of repayments to non-controlling shareholders.

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

The financial results forecast for the fiscal year ending March 31, 2022 has not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	16,838	18,208
Notes and accounts receivable - trade	9,095	-
Notes and accounts receivable - trade, and contract assets	-	8,115
Merchandise and finished goods	6,242	6,153
Work in process	554	843
Raw materials and supplies	2,916	3,221
Other	728	622
Allowance for doubtful accounts	(53)	(54)
Total current assets	36,322	37,111
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,443	6,303
Other	4,305	4,232
Total property, plant and equipment	10,749	10,536
Intangible assets	1,347	1,377
Investments and other assets		
Investment securities	9,073	10,441
Other	1,081	1,118
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	10,154	11,559
Total non-current assets	22,250	23,472
Total assets	58,572	60,584

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,704	2,833
Short-term borrowings	1,271	1,341
Income taxes payable	261	359
Provisions	187	212
Other	2,335	1,905
Total current liabilities	6,759	6,651
Non-current liabilities		
Retirement benefit liability	2,504	2,521
Other	2,943	3,313
Total non-current liabilities	5,447	5,835
Total liabilities	12,207	12,487
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	5,061	5,065
Retained earnings	30,819	30,939
Treasury shares	(1,370)	(1,352)
Total shareholders' equity	39,790	39,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,708	6,661
Foreign currency translation adjustment	(1,168)	(476)
Remeasurements of defined benefit plans	72	58
Total accumulated other comprehensive income	4,611	6,243
Non-controlling interests	1,962	1,920
Total net assets	46,365	48,096
Total liabilities and net assets	58,572	60,584

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	17,666	18,937
Cost of sales	10,288	10,823
Gross profit	7,377	8,114
Selling, general and administrative expenses	7,409	7,365
Operating profit (loss)	(32)	748
Non-operating income		
Interest income	14	7
Dividend income	50	51
Subsidy income	78	-
Share of profit of entities accounted for using equity method	-	2
Other	75	64
Total non-operating income	218	126
Non-operating expenses		
Interest expenses	35	21
Foreign exchange losses	89	23
Share of loss of entities accounted for using equity method	3	-
Other	5	7
Total non-operating expenses	133	52
Ordinary profit	53	822
Extraordinary income		
Reversal of foreign currency translation adjustment	-	19
Total extraordinary income	-	19
Extraordinary losses		
Dismantlement expenses	11	-
Total extraordinary losses	11	-
Profit before income taxes	42	841
Income taxes	163	298
Profit (loss)	(121)	543
Profit attributable to non-controlling interests	34	82
Profit (loss) attributable to owners of parent	(155)	460

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit (loss)	(121)	543
Other comprehensive income		
Valuation difference on available-for-sale securities	1,057	952
Foreign currency translation adjustment	(369)	784
Share of other comprehensive income of entities accounted for using equity method	0	0
Remeasurements of defined benefit plans, net of tax	4	(12)
Total other comprehensive income	691	1,724
Comprehensive income	570	2,267
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	590	2,091
Comprehensive income attributable to non-controlling interests	(20)	175

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	42	841
Depreciation	704	699
Increase (decrease) in retirement benefit liability	(40)	(21)
Interest and dividend income	(64)	(59)
Foreign exchange losses (gains)	(16)	(47)
Share of loss (profit) of entities accounted for using equity method	3	(2)
Interest expenses	35	21
Subsidy income	(78)	-
Gain on reversal of foreign currency translation adjustment	-	(19)
Decrease (increase) in trade receivables	3,137	1,089
Decrease (increase) in inventories	(266)	(173)
Increase (decrease) in trade payables	(1,265)	69
Increase (decrease) in accounts payable - other	(206)	(509)
Other, net	(303)	186
Subtotal	1,680	2,076
Interest and dividends received	73	59
Interest paid	(33)	(20)
Subsidies received	72	-
Income taxes refund (paid)	(327)	(178)
Net cash provided by (used in) operating activities	1,464	1,937
Cash flows from investing activities		
Payments into time deposits	(411)	(874)
Proceeds from withdrawal of time deposits	447	331
Purchase of property, plant and equipment	(459)	(124)
Proceeds from sale of property, plant and equipment	8	0
Purchase of intangible assets	(153)	(96)
Other, net	(7)	(12)
Net cash provided by (used in) investing activities	(575)	(776)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	162	37
Purchase of treasury shares	(1,004)	(0)
Repayments of finance lease obligations	(164)	(251)
Dividends paid	(682)	(324)
Dividends paid to non-controlling interests	(30)	(98)
Repayments to non-controlling shareholders	-	(142)
Net cash provided by (used in) financing activities	(1,719)	(779)
Effect of exchange rate change on cash and cash equivalents	(145)	418
Net increase (decrease) in cash and cash equivalents	(975)	800
Cash and cash equivalents at beginning of period	16,108	16,268
Cash and cash equivalents at end of period	15,132	17,069

(4) 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)
(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company adopted the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") and other standards from the beginning of the three months ended June 30, 2021. Accordingly, the Company now recognizes revenue at an amount expected to be received in exchange for a promised good or service at a time when control over such good or service was transferred to a customer. Main changes attributable to the adoption are as follows:
(1) Consideration payable to a customer

The Company had previously accounted for consideration payable to a customer as selling, general and administrative expenses, but after the change, the Company treats it as a reduction from the transaction price.
(2) Performance obligation satisfied over time

With regard to contracts for which the Company had recognized revenue at a point in time, for contracts whose control over an asset is transferred to a customer over time, the Company changed the method and now recognizes revenue over time as a performance obligation to transfer control to a customer is satisfied. Progress in satisfying a performance obligation is measured based on the ratio of costs incurred by the end of each reporting period to total costs expected.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect in the case the new accounting policy was retrospectively applied prior to the beginning of the three months ended June 30, 2021 was adjusted in the balance of retained earnings at the beginning of the period, when the Company applied the new accounting policy. However, pursuant to the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company did not retrospectively apply the new accounting policy to contracts for which almost all revenue had already been recognized before the beginning of the three months ended June 30, 2021 according to the previous treatment. In addition, pursuant to the method prescribed in proviso (1) of Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounted for changes in contracts made prior to the beginning of the three months ended June 30, 2021 based on contract terms that reflect all changes and adjusted the cumulative effect in retained earnings at the beginning of the three months ended June 30, 2021.

As a result, net sales during the six months ended September 30, 2021 increased by ¥83 million, cost of sales increased by ¥140 million, while selling, general and administrative expenses decreased by ¥89 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥31 million, respectively. In addition, the balance of retained earnings as of the beginning of the period decreased by ¥17 million.

As the Company adopted the Revenue Recognition Accounting Standard, etc., notes and accounts receivable - trade, that had been presented under current liabilities in the consolidated balance sheets as of March 31, 2021, have been included in notes and accounts receivable – trade, and contract assets from the three months ended June 30, 2021. Pursuant to the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not reclassified the figures for the fiscal year ended March 31, 2021 according to the new presentation method.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”) and other standards from the beginning of the three months ended June 30, 2021. Pursuant to the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. There is no impact on the quarterly consolidated financial statements.

(Segment information)

[Segment information]

I. For the six months ended September 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	11,538	2,794	1,852	787	692	17,666	-	17,666
Inter-segment net sales or transfers	1,410	33	9	2	12	1,468	(1,468)	-
Total	12,948	2,828	1,862	790	705	19,134	(1,468)	17,666
Segment profit	1,898	428	133	4	54	2,518	(2,550)	(32)

(Notes) 1. The adjustment for segment profit of negative ¥2,550 million includes elimination of inter-segment transactions of ¥0 million and corporate expenses in the amount of negative ¥2,551 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 the quarterly consolidated statements of income.

II. For the six months ended September 30, 2021

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	11,543	3,186	2,153	1,082	971	18,937	-	18,937
Inter-segment net sales or transfers	1,603	50	9	7	13	1,683	(1,683)	-
Total	13,147	3,237	2,162	1,089	984	20,621	(1,683)	18,937
Segment profit	2,224	508	290	98	130	3,252	(2,503)	748

(Notes) 1. The adjustment for segment profit of negative ¥2,503 million includes elimination of inter-segment transactions of ¥20 million and corporate expenses in the amount of negative ¥2,524 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 the quarterly consolidated statements of income.

3. Changes in reportable segment, etc.

As stated in “Changes in accounting policies,” the Company adopted the Revenue Recognition Accounting Standard, etc. from the beginning of the three months ended June 30, 2021 and changed the accounting methods related to revenue recognition. The Company therefore changed the method of measuring profit or loss of business segments.

As a result of this change, net sales and segment profit in the Japan segment during the six months ended September 30, 2021 increased by ¥83 million and ¥31 million, respectively, compared to the figures that would have been obtained with the former method.