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Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)



February 2, 2023

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 Listing: Tokyo Stock Exchange
 Securities code: 6809
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 Scheduled date to file quarterly securities report: February 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	31,554	8.3	612	(46.7)	867	(33.0)	880	9.5
December 31, 2021	29,128	3.8	1,148	32.3	1,294	32.1	803	56.3

Note: Comprehensive income For the nine months ended December 31, 2022: ¥3,169 million [(4.2)%]
 For the nine months ended December 31, 2021: ¥3,306 million [42.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	27.11	–
December 31, 2021	24.70	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	63,228	48,693	72.8
March 31, 2022	60,688	46,939	73.7

Reference: Equity

As of December 31, 2022: ¥46,053 million
 As of March 31, 2022: ¥44,720 million

2. Cash dividends

	Annual dividends per share				
	First quarter–end	Second quarter–end	Third quarter–end	Fiscal year–end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	10.00	20.00
Fiscal year ending March 31, 2023	–	20.00	–		
Fiscal year ending March 31, 2023 (Forecast)				20.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: None

Breakdown of the dividends for the fiscal year ended March 31, 2022: Stable dividend ¥20

Dividends for the fiscal year ending March 31, 2023 (Forecast) will be determined by taking into account the performances on stable dividend of ¥40, aiming at a consolidated dividend payout ratio of 45%, as announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” on May 2, 2022.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year–on–year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	45,500	11.3	2,100	(2.8)	2,200	(8.6)	1,700	15.9	52.48

Note: Revisions to the consolidated financial results forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	34,136,635 shares
As of March 31, 2022	34,536,635 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	1,970,613 shares
As of March 31, 2022	1,990,647 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	32,469,900 shares
Nine months ended December 31, 2021	32,534,367 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

- Forecasts presented herein are the current prospects based on information currently available and contain elements of uncertainty. Actual results may therefore differ from the forecasts due to subsequent changes in the circumstances.
- The supplementary materials on quarterly financial results are scheduled to be posted on our website.

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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, 2022, in the environment surrounding TOA Corporation (hereinafter “the Company”) and its subsidiaries (collectively, the “Group”), although the normalization of social and economic activities proceeded, partly due to widespread vaccination against COVID-19 and the easing of restrictions on movement, concerns over soaring costs of raw materials and components such as crude oil, natural gas, steel, and semiconductors, rises in shipping costs, and rising geopolitical risk, primarily related to prolongation of the situation in Ukraine, as well as rapid fluctuations in foreign exchange markets and other factors mean that the outlook for the global economy still continues to be uncertain.

In such an environment, in order to achieve “Smiles for the Public,” which is our corporate value, we have set forth our management vision targeting 2030, “Dr. Sound—becoming a professional organization that improves sound in society.” We aim to create the value of reassurance, reliability, and emotion as a reliable partner that realizes, along with our customers, a cycle of identifying, solving, and improving social issues through the continuous provision of “good sound experiences” that customers choose.

Specifically, in order to establish a “connected business” that provides value at various points of contact with customers, in addition to offering a “Remote Maintenance Service” that supports stable operation of broadcasting through early response to equipment malfunctions and centralized management of facilities, we have expanded and launched the “IP Audio Series,” which can be linked to various systems on a network and perform automatic broadcasting linked to IoT sensors and AI-based sensing. For large commercial facilities, we also conduct initiatives for sound improvement and spatial design to engage each individual customer’s five senses with our “audio” based approach, which is aimed at providing new value. Furthermore, we will deepen cooperation with local government entities and different industries, and contribute to the realization of sustainable society through demonstration test projects using audio and video, with a focus on such issues as regional revitalization and safe and secure urban development.

We also launched operations of an IT system platform to improve the efficiency of our marketing activities in five regions around the world, as part of our initiatives to achieve higher user satisfaction through services tailored to each market environment.

As a result, net sales during the nine months ended December 31, 2022 were ¥31,554 million (up ¥2,426 million, or 8.3%, year on year). Profit suffered from soaring costs of raw materials and an increase in shipping costs and other operating expenses. Operating profit was ¥612 million (down ¥536 million, or 46.7%, year on year), ordinary profit was ¥867 million (down ¥427 million, or 33.0%, year on year), and profit attributable to owners of parent was ¥880 million (up ¥76 million, or 9.5%, year on year), partly as a result of gain on sale of land.

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥18,070 million (down ¥94 million, or 0.5%, year on year), and segment profit (operating profit) was ¥3,027 million (down ¥459 million, or 13.2%, year on year).

Sales of products for railway cars and warehouses and distribution centers grew, but sales to airport facilities and the disaster reduction and prevention markets fell, and net sales of the entire segment decreased.

Segment profit decreased due to soaring costs of raw materials and an increase in shipping costs and other operating expenses, as well as the decrease in net sales.

(Asia & Pacific)

Net sales amounted to ¥6,157 million (up ¥1,657 million, or 36.8%, year on year), and segment profit (operating profit) was ¥1,088 million (up ¥357 million, or 48.8%, year on year).

In the Islamic world, particularly in Indonesia, sales to the religious market grew as a result of efforts to capture demand related to Ramadan, etc. In addition, progress was made on deliveries to commercial facilities in Malaysia, and on deliveries to government agencies in Vietnam. As a result, net sales for the entire segment increased, and segment profit rose.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,961 million (up ¥615 million, or 18.4%, year on year), and segment profit (operating profit) was ¥371 million (down ¥105 million, or 22.1%, year on year).

In the United Kingdom, progress was made on deliveries to office building complexes, in South Africa, progress was made on deliveries to factories, and in the Middle East, sales were also solid, including progress in deliveries to religious facilities in Saudi Arabia, causing net sales for the entire segment to increase.

Although net sales increased, the increase in operating expenses caused segment profit to decrease.

(The Americas)

Net sales amounted to ¥1,834 million (up ¥182 million, or 11.1%, year on year), and segment profit (operating profit) was ¥68 million (down ¥88 million, or 56.5%, year on year).

Despite factors such as a decrease in sales in the United States due to product supply delays caused by the impact of container shortages, etc. and a decrease in sales to the educational market in Canada, net sales for the entire segment increased, partly as a result of the impact of currency fluctuations.

Although net sales increased, the increase in operating expenses caused segment profit to decrease.

(China & East Asia)

Net sales amounted to ¥1,530 million (up ¥65 million, or 4.4%, year on year), and segment profit (operating profit) was ¥126 million (down ¥66 million, or 34.5%, year on year).

In China, sales decreased owing to the impact of lockdowns caused by another surge in COVID-19 cases, but progress was made on deliveries to major sports facilities and factories, particularly for semiconductors, in Taiwan. As a result of these and other factors, sales increased. Net sales for the entire segment increased, partly as a result of the impact of currency fluctuations.

Although net sales increased, the increase in operating expenses caused segment profit to decrease.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2022 increased ¥2,540 million from the end of the previous fiscal year to ¥63,228 million. Assets increased due mainly to an increase in inventories, despite a decrease in cash and deposits, etc. Liabilities and net assets increased due mainly to an increase in foreign currency translation adjustment.

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

The Company has revised its initial financial results forecast for the fiscal year ending March 31, 2023, which was announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022,” in light of recent performance trends and other factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	17,910	15,695
Notes and accounts receivable - trade, and contract assets	9,149	9,150
Merchandise and finished goods	6,931	9,159
Work in process	973	1,112
Raw materials and supplies	4,718	6,061
Other	804	1,336
Allowance for doubtful accounts	(77)	(63)
Total current assets	40,410	42,452
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,190	6,209
Other	4,096	4,586
Total property, plant and equipment	10,287	10,795
Intangible assets	1,709	1,969
Investments and other assets		
Investment securities	7,230	6,826
Other	1,051	1,185
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,280	8,011
Total non-current assets	20,277	20,776
Total assets	60,688	63,228

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,827	4,101
Short-term borrowings	2,161	2,290
Income taxes payable	384	237
Provisions	188	269
Other	2,503	2,757
Total current liabilities	9,065	9,656
Non-current liabilities		
Retirement benefit liability	2,558	2,554
Other	2,124	2,324
Total non-current liabilities	4,683	4,879
Total liabilities	13,749	14,535
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	5,065	5,045
Retained earnings	31,618	31,266
Treasury shares	(1,352)	(1,373)
Total shareholders' equity	40,611	40,218
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,426	4,145
Foreign currency translation adjustment	(306)	1,717
Remeasurements of defined benefit plans	(12)	(27)
Total accumulated other comprehensive income	4,108	5,835
Non-controlling interests	2,219	2,639
Total net assets	46,939	48,693
Total liabilities and net assets	60,688	63,228

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	29,128	31,554
Cost of sales	16,735	19,029
Gross profit	12,392	12,525
Selling, general and administrative expenses	11,243	11,912
Operating profit	1,148	612
Non-operating income		
Interest income	11	10
Dividend income	103	112
Foreign exchange gains	–	63
Share of profit of entities accounted for using equity method	1	1
Other	78	140
Total non-operating income	195	328
Non-operating expenses		
Interest expenses	30	41
Foreign exchange losses	6	–
Loss on retirement of non-current assets	4	22
Other	8	10
Total non-operating expenses	49	74
Ordinary profit	1,294	867
Extraordinary income		
Gain on sale of land	–	522
Gain on reversal of foreign currency translation adjustment	19	–
Total extraordinary income	19	522
Profit before income taxes	1,314	1,390
Income taxes	412	380
Profit	901	1,009
Profit attributable to non-controlling interests	98	128
Profit attributable to owners of parent	803	880

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	901	1,009
Other comprehensive income		
Valuation difference on available-for-sale securities	1,644	(281)
Foreign currency translation adjustment	779	2,454
Share of other comprehensive income of entities accounted for using equity method	0	0
Remeasurements of defined benefit plans, net of tax	(19)	(13)
Total other comprehensive income	2,404	2,159
Comprehensive income	3,306	3,169
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,993	2,607
Comprehensive income attributable to non-controlling interests	313	561

(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 repurchased 400,000 shares of treasury shares based on a resolution of the Board of Directors meeting held on November 1, 2022.

The Company also cancelled 400,000 shares of treasury shares on November 15, 2022 based on the same resolution of the Board of Directors.

As a result, treasury shares increased by ¥20 million, capital surplus decreased by ¥20 million, and retained earnings decreased by ¥352 million during the nine months ended December 31, 2022, resulting in treasury shares of ¥1,373 million, capital surplus of ¥5,045 million, and retained earnings of ¥31,266 million at the end of the third quarter of the current fiscal year.

(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 current fiscal year.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Millions of 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	18,165	4,499	3,345	1,651	1,465	29,128	–	29,128
Inter-segment net sales or transfers	2,458	86	13	11	22	2,592	(2,592)	–
Total	20,623	4,586	3,359	1,663	1,488	31,721	(2,592)	29,128
Segment profit	3,487	731	476	157	192	5,044	(3,896)	1,148

(Notes) 1. The adjustment for segment profit of negative ¥3,896 million includes elimination of inter-segment transactions of negative ¥13 million and corporate expenses in the amount of negative ¥3,882 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Millions of 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	18,070	6,157	3,961	1,834	1,530	31,554	–	31,554
Inter-segment net sales or transfers	3,595	145	16	10	22	3,790	(3,790)	–
Total	21,666	6,302	3,978	1,844	1,553	35,345	(3,790)	31,554
Segment profit	3,027	1,088	371	68	126	4,681	(4,069)	612

(Notes) 1. The adjustment for segment profit of negative ¥4,069 million includes elimination of inter-segment transactions of negative ¥33 million and corporate expenses in the amount of negative ¥4,035 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.