Consolidated Financial Results
for the Nine Months Ended December 31, 2021
[Japanese GAAP]

February 2, 2022

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: February 14, 2022
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
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, 2021 (April 1, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	29,128	3.8	1,148	32.3	1,294	32.1	803	56.3
December 31, 2020	28,074	(10.1)	868	(52.0)	980	(50.2)	514	(53.1)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥3,306 million [42.8%]
Nine months ended December 31, 2020: ¥2,314 million [83.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	24.70	-
December 31, 2020	15.71	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	63,404	48,809	73.7
As of March 31, 2021	58,572	46,365	75.8

(Reference) Equity: As of December 31, 2021: ¥46,750 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):
December 31, 2021: 34,536,635 shares
March 31, 2021: 34,536,635 shares

2) Total number of treasury shares at the end of the period:
December 31, 2021: 1,990,647 shares
March 31, 2021: 2,017,212 shares

3) Average number of shares during the period:
Nine months ended December 31, 2021: 32,534,367 shares
Nine months ended December 31, 2020: 32,723,736 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 supplementary briefing material on quarterly 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 nine months ended December 31, 2021, although the environment surrounding TOA Corporation (hereinafter "the Company") and its subsidiaries (collectively, the "Group") remains severe due to the effect of coronavirus disease (hereinafter "COVID-19"), thanks to rising vaccination rates, the global economy continued on a recovery track despite difficulties. However, concerns over another surge in COVID-19 cases with the spread of variants, soaring costs of raw materials and components such as crude oil, natural gas, steel, and semiconductors, and rises in shipping costs mean that close attention must be paid with regard the outlook for the global economy.

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, in order to offer new value, we are proceeding with efforts to solve social issues by furthering levels of co-creation and cooperation among industry, academia, and government agencies. Overseas, we are strengthening our sales activities and increasing their efficiency as we see signs of recovery in socioeconomic activities.

As a result, net sales during the nine months ended December 31, 2021 were ¥29,128 million (up ¥1,053 million, or 3.8%, year on year). Profits showed year-on-year improvement at all levels thanks to the increase in net sales despite a rise in the cost ratio due to soaring costs of raw materials and components, and an increase in selling, general and administrative expenses. Operating profit was ¥1,148 million (up ¥280 million, or 32.3%, year on year), ordinary profit was ¥1,294 million (up ¥314 million, or 32.1%, year on year), and profit attributable to owners of parent was ¥803 million (up ¥289 million, or 56.3%, year on year).

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥18,165 million (down ¥538 million, or 2.9%, year on year), and segment profit (operating profit) to ¥3,487 million (down ¥227 million, or 6.1%, year on year).

Sales to the education market increased and there was progress in the delivering of large-scale projects for airport facilities. Further, net sales of visual equipment also increased by capturing the demand for street-crime prevention, etc. However, sales of products for railway cars decreased and net sales of the entire segment decreased.

Segment profit decreased due to the decrease in net sales.

(Asia & Pacific)

Net sales amounted to ¥4,499 million (up ¥273 million, or 6.5%, year on year), and segment profit (operating profit) to ¥731 million (up ¥45 million, or 6.7%, year on year).

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, causing net sales to increase. In Thailand and Vietnam, although there was progress in the delivery of large-scale projects, net sales decreased due to factors, such as the impact of delays in construction attributable to the spread of COVID-19. As a result, net sales for the entire segment increased.

Segment profit increased due to the increase in net sales.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,345 million (up ¥509 million, or 18.0%, year on year), and segment profit (operating profit) to ¥476 million (up ¥293 million, or 160.4%, year on year).

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

Segment profit increased due to the increase in net sales.

(The Americas)

Net sales amounted to ¥1,651 million (up ¥418 million, or 34.0%, year on year), and segment profit (operating profit) to ¥157 million (up ¥130 million, or 485.4%, year on year).

In the United States, net sales increased as delivery of large-scale projects for commercial facilities progressed. In Canada, net sales increased as sales to the education market grew.

Segment profit increased due to the increase in net sales.

(China & East Asia)

Net sales amounted to ¥1,465 million (up ¥389 million, or 36.2%, year on year), and segment profit (operating profit) to ¥192 million (up ¥101 million, or 111.2%, year on year).

In Taiwan, delivery of projects for large-scale sports facilities and plant markets progressed, while in China there was delivery of multiple large-scale projects for education and other markets. Net sales for the entire segment increased despite a decrease in net sales for Hong Kong.

Segment profit increased due to the increase in net sales.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2021 increased ¥4,831 million from the end of the previous fiscal year to ¥63,404 million. Assets increased due mainly to increases in inventories as well as a revaluation of investment securities. The increase in liabilities and net assets is mainly attributable to an increase in trade payables and an increase in valuation difference on available-for-sale securities.

(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 December 31, 2021
Assets		
Current assets		
Cash and deposits	16,838	17,115
Notes and accounts receivable - trade	9,095	-
Notes and accounts receivable - trade, and contract assets	-	9,039
Merchandise and finished goods	6,242	6,842
Work in process	554	977
Raw materials and supplies	2,916	4,117
Other	728	1,042
Allowance for doubtful accounts	(53)	(68)
Total current assets	36,322	39,065
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,443	6,224
Other	4,305	4,103
Total property, plant and equipment	10,749	10,328
Intangible assets	1,347	1,419
Investments and other assets		
Investment securities	9,073	11,438
Other	1,081	1,152
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	10,154	12,590
Total non-current assets	22,250	24,338
Total assets	58,572	63,404

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,704	4,137
Short-term borrowings	1,271	1,597
Income taxes payable	261	297
Provisions	187	271
Other	2,335	2,207
Total current liabilities	6,759	8,511
Non-current liabilities		
Retirement benefit liability	2,504	2,532
Other	2,943	3,551
Total non-current liabilities	5,447	6,083
Total liabilities	12,207	14,595
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	5,061	5,065
Retained earnings	30,819	30,955
Treasury shares	(1,370)	(1,352)
Total shareholders' equity	39,790	39,948
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,708	7,353
Foreign currency translation adjustment	(1,168)	(603)
Remeasurements of defined benefit plans	72	52
Total accumulated other comprehensive income	4,611	6,802
Non-controlling interests	1,962	2,058
Total net assets	46,365	48,809
Total liabilities and net assets	58,572	63,404

(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, 2020	For the nine months ended December 31, 2021
Net sales	28,074	29,128
Cost of sales	16,078	16,735
Gross profit	11,996	12,392
Selling, general and administrative expenses	11,127	11,243
Operating profit	868	1,148
Non-operating income		
Interest income	16	11
Dividend income	99	103
Share of profit of entities accounted for using equity method	2	1
Subsidy income	113	—
Other	86	78
Total non-operating income	319	195
Non-operating expenses		
Interest expenses	51	30
Foreign exchange losses	142	6
Other	13	12
Total non-operating expenses	207	49
Ordinary profit	980	1,294
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	969	1,314
Income taxes	372	412
Profit	596	901
Profit attributable to non-controlling interests	82	98
Profit attributable to owners of parent	514	803

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	596	901
Other comprehensive income		
Valuation difference on available-for-sale securities	2,133	1,644
Foreign currency translation adjustment	(420)	779
Share of other comprehensive income of entities accounted for using equity method	0	0
Remeasurements of defined benefit plans, net of tax	5	(19)
Total other comprehensive income	1,718	2,404
Comprehensive income	2,314	3,306
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,352	2,993
Comprehensive income attributable to non-controlling interests	(37)	313

(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)
(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 nine months ended December 31, 2021 increased by ¥62 million, cost of sales increased by ¥179 million, while selling, general and administrative expenses decreased by ¥122 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥4 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 nine months ended December 31, 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	18,703	4,225	2,836	1,232	1,076	28,074	-	28,074
Inter-segment net sales or transfers	1,972	51	8	4	17	2,054	(2,054)	-
Total	20,676	4,277	2,844	1,236	1,094	30,128	(2,054)	28,074
Segment profit	3,714	685	183	26	91	4,700	(3,832)	868

(Notes) 1. The adjustment for segment profit of negative ¥3,832 million includes elimination of inter-segment transactions of ¥2 million and corporate expenses in the amount of negative ¥3,834 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, 2021

1. 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	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 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 nine months ended December 31, 2021 increased by ¥62 million and ¥4 million, respectively, compared to the figures that would have been obtained with the former method.