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Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)



November 2, 2023

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 Listing: Tokyo Stock Exchange
 Securities code: 6809
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 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 4, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended								
September 30, 2023	21,891	7.8	693	–	1,191	161.0	739	17.5
September 30, 2022	20,307	7.2	45	(93.9)	456	(44.4)	629	36.6

Note: Comprehensive income For the six months ended September 30, 2023: ¥2,402 million [(1.9)%]
 For the six months ended September 30, 2022: ¥2,450 million [8.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	22.98	–
September 30, 2022	19.32	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	64,538	50,392	73.4
March 31, 2023	63,905	48,764	72.4

Reference: Equity
 As of September 30, 2023: ¥47,342 million
 As of March 31, 2023: ¥46,242 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, 2023	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2024	–	20.00			
Fiscal year ending March 31, 2024 (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, 2023: Stable dividend ¥40

Dividends for the fiscal year ending March 31, 2024 (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, 2023” on May 2, 2023.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	49,000	8.6	2,800	63.4	3,300	56.8	1,600	(9.4)	49.73

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 September 30, 2023	34,136,635 shares
As of March 31, 2023	34,136,635 shares

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

As of September 30, 2023	1,954,924 shares
As of March 31, 2023	1,970,633 shares

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

Six months ended September 30, 2023	32,171,126 shares
Six months ended September 30, 2022	32,552,711 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 Company plans to hold a financial results briefing session for institutional investors (through a live video link) on November 28, 2023. The video and the materials distributed at the session are scheduled to be posted on our website promptly after the session.

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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, 2023, in the environment surrounding TOA Corporation (hereinafter “the Company”) and its subsidiaries (collectively, the “Group”), due to various developments in Japan such as the Government changing the category of COVID-19 under the Infectious Diseases Control Act to Category 5, social and economic activities proceeded to go back to normal. In addition, the recovery in inbound demand, an increasing appetite for capital investment and other factors have led to a trend of moderate recovery in the business economy. On the other hand, rising prices of raw materials and increase in the price of goods, geopolitical risk caused by the unstable international situation, as well as rapid fluctuations in foreign exchange markets, increase in interest rates, slowdown in economic growth of China 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 experience through sound that customers choose.

During the six months ended September 30, 2023, in Japan, we started to provide the beta version service of “YUTTE,” which allows simple-to-use voice generation for broadcast announcements that works by inputting text on a PC. We have introduced this service on a trial basis at tourist facilities and public transport facilities, and it is enabling users to easily announce timely information in ways suited to a variety of locations and uses. In addition, we have enhanced the lineup of the broadcasting system “IP Audio Series” which can be controlled by linking it to various systems on a network, and started providing an automatic broadcasting system through collaboration with other company’s products.

We are also leveraging an IT infrastructure platform to improve the efficiency of our marketing activities in five regions around the world through initiatives to achieve higher user satisfaction through services tailored to the market environments of various countries. Furthermore, we enhanced the content of our virtual online exhibition, which was held in the previous fiscal year and established “TOA CONNECT Showroom,” a permanent virtual online showroom.

In these circumstances, net sales during the six months ended September 30, 2023 were ¥21,891 million (up ¥1,584 million, or 7.8%, year on year). In terms of profits, operating expenses increased but operating profit was ¥693 million (up ¥647 million year on year), ordinary profit was ¥1,191 million (up ¥735 million, or 161.0%, year on year), and profit attributable to owners of parent was ¥739 million (up ¥110 million, or 17.5%, year on year), partly as a result of the impact of the price revision.

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥11,812 million (up ¥424 million, or 3.7%, year on year), and segment profit (operating profit) was ¥2,087 million (up ¥324 million, or 18.4%, year on year).

Although sales of products for railway cars in North America declined, sales of products for factories centered on semiconductors, hospitals, and the transport market grew, causing net sales for the entire segment, segment profit to increase.

(Asia & Pacific)

Net sales amounted to ¥4,638 million (up ¥465 million, or 11.2%, year on year), and segment profit (operating profit) was ¥818 million (up ¥170 million, or 26.2%, year on year).

In the Islamic world, sales to the religious market grew as a result of efforts to capture demand related to Ramadan. In addition, progress was made on deliveries to large-scale urban development projects in Vietnam and the educational market in Thailand. As a result of that and other factors, net sales for the entire segment increased, and segment profit rose.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,119 million (up ¥532 million, or 20.6%, year on year), and segment profit (operating profit) was ¥404 million (up ¥188 million, or 87.4%, year on year).

Sales were solid in Europe, and progress was made on deliveries to a national library in the UK, and to hospitals in Southern Africa. This and other factors caused net sales for the entire segment and segment profit to increase.

(The Americas)

Net sales amounted to ¥1,287 million (up ¥132 million, or 11.5%, year on year), and segment profit (operating profit) was ¥83 million (up ¥93 million year on year).

Progress was made on deliveries to government agencies and the educational market in the United States and to hospitals and the educational market in Canada. As a result of that and other factors, net sales for the entire segment increased, and segment profit rose.

(China & East Asia)

Net sales amounted to ¥1,033 million (up ¥29 million, or 2.9%, year on year), and segment profit (operating profit) was ¥89 million (up ¥2 million, or 2.9%, year on year).

Sales were solid in China and Hong Kong due to market recovery, and progress was made on deliveries to museums and the educational market in China. This and other factors caused net sales to increase. Progress was made on deliveries to factories, particularly for semiconductors, in Taiwan. However, as a result of the reactive lull caused by deliveries to major sports facilities in the six months ended September 30, 2022, net sales declined. Net sales for the entire segment increased and segment profit rose, partly as a result of the impact of currency fluctuations.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets at the end of the six months ended September 30, 2023 increased by ¥632 million from the end of the previous fiscal year to ¥64,538 million. Assets increased due mainly to an increase in inventories, despite a decrease in trade receivables, etc. Liabilities and net assets increased due mainly to an increase in foreign currency translation adjustment, despite a decrease in short-term borrowings, etc.

(ii) Cash Flows

As of September 30, 2023, cash and cash equivalents (hereinafter “net cash”) increased by ¥280 million from the end of the previous fiscal year to ¥14,679 million. Net cash provided by operating activities amounted to ¥1,328 million, net cash provided by investing activities amounted to ¥105 million, and net cash used in financing activities amounted to ¥2,053 million. Net cash also increased due to the effect of exchange rate change on cash and cash equivalents. The status of cash flows and their contributing factors during the six months ended September 30, 2023 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,328 million. This was mainly attributable to a ¥1,395 million decrease in trade receivables, ¥1,191 million of profit before income taxes, despite factors such as a ¥1,138 million increase in inventories.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥105 million. This was mainly attributable to ¥970 million of payments into and withdrawal of time deposits, despite ¥447 million in purchase of non-current assets including production facilities and an IT infrastructure platform and ¥400 million in purchase of shares of subsidiaries and associates.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,053 million. This was mainly attributable to ¥1,038 million decrease in short-term borrowings, ¥642 million of dividends paid, and ¥243 million of repayments of finance lease liabilities.

(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, 2024, which was announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023,” 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	16,938	16,331
Notes and accounts receivable - trade, and contract assets	10,223	9,097
Merchandise and finished goods	8,423	10,338
Work in process	827	955
Raw materials and supplies	5,542	5,579
Other	979	1,114
Allowance for doubtful accounts	(81)	(81)
Total current assets	42,853	43,335
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,170	6,056
Other	4,523	4,764
Total property, plant and equipment	10,693	10,820
Intangible assets	1,859	1,798
Investments and other assets		
Investment securities	7,256	7,196
Other	1,242	1,387
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,498	8,582
Total non-current assets	21,051	21,202
Total assets	63,905	64,538

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,483	3,683
Short-term borrowings	2,706	1,747
Income taxes payable	641	266
Provisions	359	368
Other	2,604	2,624
Total current liabilities	9,796	8,689
Non-current liabilities		
Retirement benefit liability	2,924	3,077
Other	2,419	2,379
Total non-current liabilities	5,343	5,456
Total liabilities	15,140	14,145
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	5,045	5,048
Retained earnings	32,152	32,248
Treasury shares	(1,373)	(1,362)
Total shareholders' equity	41,103	41,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,444	4,130
Foreign currency translation adjustment	865	2,165
Remeasurements of defined benefit plans	(171)	(168)
Total accumulated other comprehensive income	5,138	6,127
Non-controlling interests	2,522	3,050
Total net assets	48,764	50,392
Total liabilities and net assets	63,905	64,538

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	20,307	21,891
Cost of sales	12,470	12,793
Gross profit	7,836	9,098
Selling, general and administrative expenses	7,790	8,404
Operating profit	45	693
Non-operating income		
Interest income	9	46
Dividend income	57	64
Foreign exchange gains	270	343
Share of profit of entities accounted for using equity method	0	6
Other	103	77
Total non-operating income	440	538
Non-operating expenses		
Interest expenses	26	31
Other	3	8
Total non-operating expenses	29	40
Ordinary profit	456	1,191
Extraordinary income		
Gain on sale of land	522	–
Total extraordinary income	522	–
Profit before income taxes	979	1,191
Income taxes	247	302
Profit	732	889
Profit attributable to non-controlling interests	103	149
Profit attributable to owners of parent	629	739

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	732	889
Other comprehensive income		
Valuation difference on available-for-sale securities	(519)	(313)
Foreign currency translation adjustment	2,245	1,825
Share of other comprehensive income of entities accounted for using equity method	0	0
Remeasurements of defined benefit plans, net of tax	(7)	1
Total other comprehensive income	1,718	1,513
Comprehensive income	2,450	2,402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,870	1,728
Comprehensive income attributable to non-controlling interests	579	674

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	979	1,191
Depreciation	714	777
Increase (decrease) in retirement benefit liability	(87)	99
Decrease (increase) in retirement benefit asset	–	(53)
Interest and dividend income	(66)	(110)
Foreign exchange losses (gains)	23	83
Share of loss (profit) of entities accounted for using equity method	(0)	(6)
Interest expenses	26	31
Loss (gain) on sale of non-current assets	(522)	–
Decrease (increase) in trade receivables	592	1,395
Decrease (increase) in inventories	(1,904)	(1,138)
Increase (decrease) in trade payables	84	29
Increase (decrease) in accounts payable - other	(110)	(107)
Other, net	(133)	(201)
Subtotal	(404)	1,992
Interest and dividends received	64	107
Interest paid	(29)	(35)
Income taxes refund (paid)	(378)	(735)
Net cash provided by (used in) operating activities	(748)	1,328
Cash flows from investing activities		
Payments into time deposits	(1,247)	(419)
Proceeds from withdrawal of time deposits	345	1,390
Purchase of property, plant and equipment	(379)	(280)
Proceeds from sale of property, plant and equipment	490	–
Purchase of intangible assets	(488)	(166)
Purchase of shares of subsidiaries and associates	–	(400)
Other, net	(21)	(18)
Net cash provided by (used in) investing activities	(1,301)	105
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	93	(1,038)
Purchase of treasury shares	(0)	(0)
Repayments of finance lease liabilities	(185)	(243)
Dividends paid	(324)	(642)
Dividends paid to non-controlling interests	(109)	(129)
Other, net	–	(0)
Net cash provided by (used in) financing activities	(526)	(2,053)
Effect of exchange rate change on cash and cash equivalents	1,067	899
Net increase (decrease) in cash and cash equivalents	(1,509)	280
Cash and cash equivalents at beginning of period	17,264	14,399
Cash and cash equivalents at end of period	15,755	14,679

**(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 current fiscal year.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 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	11,387	4,172	2,586	1,155	1,004	20,307	–	20,307
Inter-segment net sales or transfers	2,335	68	11	5	16	2,437	(2,437)	–
Total	13,723	4,241	2,598	1,161	1,021	22,744	(2,437)	20,307
Segment profit (loss)	1,762	648	215	(10)	87	2,703	(2,657)	45

(Notes) 1. The adjustment for segment profit of negative ¥2,657 million includes elimination of inter-segment transactions of negative ¥9 million and corporate expenses in the amount of negative ¥2,648 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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	11,812	4,638	3,119	1,287	1,033	21,891	–	21,891
Inter-segment net sales or transfers	2,491	67	12	11	10	2,593	(2,593)	–
Total	14,303	4,706	3,131	1,298	1,044	24,485	(2,593)	21,891
Segment profit (loss)	2,087	818	404	83	89	3,483	(2,789)	693

(Notes) 1. The adjustment for segment profit of negative ¥2,789 million includes elimination of inter-segment transactions of negative ¥31 million and corporate expenses in the amount of negative ¥2,758 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.