

Consolidated Financial Results for the Three Months Ended June 30, 2016 [Japanese GAAP]



August 2, 2016

Company name: TOA Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6809
 URL: <http://www.toa.co.jp/>
 Representative: Kenji Itani, Chairman and CEO
 Scheduled date of filing quarterly securities report: August 10, 2016
 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, 2016 (April 1, 2016 to June 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2016	8,142	(9.9)	(289)	-	(346)	-	(400)	-
June 30, 2015	9,036	13.3	(19)	-	28	107.8	(56)	-

(Note) Comprehensive income: Three months ended June 30, 2016: ¥(1,005) million [-%]

Three months ended June 30, 2015: ¥(200) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2016	(11.82)	-
June 30, 2015	(1.67)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2016	50,671	40,101	75.6
As of March 31, 2016	52,865	41,572	75.0

(Reference) Equity: As of June 30, 2016: ¥38,294 million

As of March 31, 2016: ¥39,667 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, 2016	-	10.00	-	12.00	22.00
Fiscal year ending March 31, 2017	-				
Fiscal year ending March 31, 2017 (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, 2016: Stable dividend ¥20, Performance-based dividend ¥2

Dividends for the fiscal year ending March 31, 2017 (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, 2016” on May 6, 2016.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half (Cumulative)	19,700	(6.2)	700	(41.8)	700	(44.9)	200	(71.2)	5.91
Full year	46,200	0.8	3,650	0.3	3,700	2.1	2,150	2.7	63.49

(Note) Revision to the financial results forecast announced most recently: Yes

* 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):
 - June 30, 2016: 34,536,635 shares
 - March 31, 2016: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2016: 674,038 shares
 - March 31, 2016: 673,877 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2016: 33,862,657 shares
 - Three months ended June 30, 2015: 33,863,513 shares

* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.

* 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.

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

(1) Explanation of Operating Results

During the three months ended June 30, 2016, while the U.S. economy continued its recovery trend, the economic outlook remains uncertain, due to factors such as the slowdown in economic growth in Europe and China and unstable movements in stock prices and foreign exchange rates in Japan.

In such an environment, we have continued to promote development, production and sales in the five global regions in order to realize our corporate value “Smiles for the Public.” By integrating product development that was previously carried out by three different divisions into a single department, we have raised flexibility and strived to further increase the speed of new product development.

Net sales during the three months ended June 30, 2016, amounted to ¥8,142 million (down ¥893 million, or 9.9%, year on year). Factors such as the decrease in net sales led to operating income of ¥(289) million (down ¥269 million year on year), ordinary income of ¥(346) million (down ¥374 million year on year), and profit attributable to owners of parent of ¥(400) million (down ¥343 million year on year).

Performance by segments is as follows.

(Japan)

Net sales amounted to ¥4,546 million (down ¥654 million, or 12.6%, year on year), and segment income (operating income) to ¥232 million (down ¥393 million, or 62.8%, year on year).

Net sales and segment income decreased due to effects of lower sales in the transportation market including station buildings and railway cars and lower sales of security products, despite robust sales in the educational market.

(The Americas)

Net sales amounted to ¥880 million (down ¥103 million, or 10.5%, year on year), and segment income (operating income) to ¥33 million (down ¥7 million, or 18.2%, year on year).

Net sales and segment income decreased due to factors such as effects of the large-scale sales for railway cars in the United States in the same period of the previous year.

(Europe, Middle East & Africa)

Net sales amounted to ¥1,076 million (down ¥142 million, or 11.7%, year on year), and segment income (operating income) to ¥62 million (down ¥76 million, or 54.8%, year on year).

Although sales in South Africa increased due to lower sales in Europe and the Middle East, and effects of foreign currency translations leading to reduced net sales and other factors, net sales and segment income decreased.

(Asia & Pacific)

Net sales amounted to ¥1,294 million (up ¥82 million, or 6.8%, year on year), and segment income (operating income) to ¥103 million (up ¥12 million, or 14.3%, year on year).

Net sales and segment income increased due to favorable sales of local products in Indonesia, Thailand and Vietnam, as well as higher sales of broadcasting systems to commercial facilities and government sectors.

(China & East Asia)

Net sales amounted to ¥345 million (down ¥75 million, or 18.0%, year on year), and segment income (operating income) to ¥111 million (up ¥25 million, or 30.0%, year on year).

Net sales decreased due to effects of the appreciation of the yen in addition to lower sales in China, despite robust sales mainly to commercial facilities in Taiwan and Hong Kong. Segment income increased

due to improvement in cost ratio for production plants.

(2) Explanation of Financial Position

Total assets at the end of the first quarter under review decreased ¥2,194 million from the end of the previous fiscal year to ¥50,671 million. The decrease in assets is mainly due to a decrease in notes and accounts receivable – trade. The decreases in liabilities and net assets are mainly attributable to a decrease in notes and accounts payable – trade and decrease in retained earnings due to cash dividends paid.

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

The financial results forecast for the six months ending September 30, 2016 and the fiscal year ending March 31, 2017 announced on May 6, 2016 have been revised based on the recent performance trends. For more information, please refer to “Notice Regarding Revision of Financial Results Forecasts” announced today (August 2, 2016).

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2016

There is no relevant information.

(2) Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements

- Calculation of tax expense

The Company calculates tax expenses 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.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

(Changes in Accounting Policies)

Pursuant to an amendment to the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter under review. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

This change has no effect on operating income, ordinary income and profit before income taxes for the three months ended June 30, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	15,283	15,016
Notes and accounts receivable - trade	9,827	6,819
Securities	3,500	3,500
Merchandise and finished goods	5,473	5,975
Work in process	1,003	1,229
Raw materials and supplies	2,303	2,332
Other	1,075	1,675
Allowance for doubtful accounts	(90)	(74)
Total current assets	38,376	36,475
Non-current assets		
Property, plant and equipment	6,547	6,408
Intangible assets	1,512	1,470
Investments and other assets		
Investment securities	5,600	5,482
Investments and other assets, gross	866	871
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	6,429	6,317
Total non-current assets	14,489	14,195
Total assets	52,865	50,671
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,616	3,120
Short-term loans payable	1,083	1,151
Income taxes payable	211	179
Provision	210	104
Other	1,962	1,847
Total current liabilities	7,083	6,403
Non-current liabilities		
Net defined benefit liability	2,791	2,804
Other	1,416	1,360
Total non-current liabilities	4,208	4,165
Total liabilities	11,292	10,569
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	24,925	24,118
Treasury shares	(393)	(393)
Total shareholders' equity	36,678	35,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,273	3,184
Foreign currency translation adjustment	(155)	(612)
Remeasurements of defined benefit plans	(129)	(149)
Total accumulated other comprehensive income	2,989	2,423
Non-controlling interests	1,905	1,807
Total net assets	41,572	40,101
Total liabilities and net assets	52,865	50,671

(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, 2015	For the three months ended June 30, 2016
Net sales	9,036	8,142
Cost of sales	5,284	4,542
Gross profit	3,751	3,600
Selling, general and administrative expenses	3,771	3,889
Operating loss	(19)	(289)
Non-operating income		
Interest income	8	6
Dividend income	34	34
Other	24	15
Total non-operating income	67	56
Non-operating expenses		
Interest expenses	6	6
Foreign exchange losses	10	102
Other	1	4
Total non-operating expenses	19	113
Ordinary income (loss)	28	(346)
Profit (loss) before income taxes	28	(346)
Income taxes	96	(6)
Loss	(68)	(340)
Profit (loss) attributable to non-controlling interests	(12)	60
Loss attributable to owners of parent	(56)	(400)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Loss	(68)	(340)
Other comprehensive income		
Valuation difference on available-for-sale securities	328	(88)
Foreign currency translation adjustment	(483)	(556)
Remeasurements of defined benefit plans, net of tax	23	(19)
Total other comprehensive income	(132)	(665)
Comprehensive income	(200)	(1,005)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(179)	(966)
Comprehensive income attributable to non-controlling interests	(20)	(38)

(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.

(Segment information)

[Segment information]

I. For the three months ended June 30, 2015

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

(Million yen)

	Reportable segment						Adjustment (Note)	Amount recorded in Quarterly Consolidated Financial Statements
	Japan	The Americas	Europe, Middle East & Africa	Asia & Pacific	China & East Asia	Total		
Net sales								
Net sales to outside customers	5,200	983	1,219	1,211	420	9,036	-	9,036
Inter-segment net sales or transfers	1,617	5	1	1,080	886	3,591	(3,591)	-
Total	6,817	988	1,220	2,292	1,307	12,627	(3,591)	9,036
Segment income (loss) (Operating income (loss))	625	40	139	90	86	982	(1,002)	(19)

(Note) The adjustment for segment income of negative ¥1,002 million includes elimination of inter-segment transactions of negative ¥145 million and corporate expenses in the amount of negative ¥856 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the Company's Administration Division which is not attributable to the reportable segment.

II. For the three months ended June 30, 2016

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

(Million yen)

	Reportable segment						Adjustment (Note)	Amount recorded in Quarterly Consolidated Financial Statements
	Japan	The Americas	Europe, Middle East & Africa	Asia & Pacific	China & East Asia	Total		
Net sales								
Net sales to outside customers	4,546	880	1,076	1,294	345	8,142	-	8,142
Inter-segment net sales or transfers	1,350	7	2	966	1,058	3,385	(3,385)	-
Total	5,896	887	1,079	2,260	1,403	11,528	(3,385)	8,142
Segment income (loss) (Operating income (loss))	232	33	62	103	111	544	(833)	(289)

(Note) The adjustment for segment income of negative ¥833 million includes elimination of inter-segment transactions of ¥58 million and corporate expenses in the amount of negative ¥892 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the Company's Administration Division which is not attributable to the reportable segment.