

# Consolidated Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]



November 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: November 14, 2016  
 Scheduled date of commencing dividend payments: December 2, 2016  
 Availability of supplementary briefing material on quarterly financial results: Yes  
 Schedule of quarterly financial results briefing session: Yes (for institutional investors)

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

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (April 1, 2016 to September 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	%
Six months ended September 30, 2016	19,432	(7.5)	744	(38.1)	674	(46.8)	230	(66.8)
Six months ended September 30, 2015	21,008	11.0	1,201	2.3	1,269	(8.3)	694	(16.4)

(Note) Comprehensive income: Six months ended September 30, 2016: ¥(1,077) million [-%]

Six months ended September 30, 2015: ¥433 million [(64.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	6.82	-
Six months ended September 30, 2015	20.52	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	50,173	39,970	76.3
As of March 31, 2016	52,865	41,572	75.0

(Reference) Equity: As of September 30, 2016: ¥38,292 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	-	10.00			
Fiscal year ending March 31, 2017 (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, 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
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: 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, 2016: 34,536,635 shares
    - March 31, 2016: 34,536,635 shares
  - 2) Total number of treasury shares at the end of the period:
    - September 30, 2016: 673,984 shares
    - March 31, 2016: 673,877 shares
  - 3) Average number of shares during the period:
    - Six months ended September 30, 2016: 33,862,630 shares
    - Six months ended September 30, 2015: 33,863,387 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.

The Company plans to hold a financial results briefing session for institutional investors on Thursday, November 17, 2016. The materials that will be distributed at the briefing 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, 2016, while the U.S. and Europe's economy showed signs of recovery, the economic growth of China continues to be slow. In Japan, although the personal consumption has increased steadily, the economic outlook remains uncertain due to factors such as the continuing appreciation of yen.

In such an environment, we have focused on creating products and services that contribute to security and safety in the society in order to realize our corporate value "Smiles for the Public." While continuing to promote development, production and sales in the five global regions, we have strived to further increase the speed of developing new products which meet the expectation of society.

Net sales during the six months ended September 30, 2016, amounted to ¥19,432 million (down ¥1,575 million, or 7.5%, year on year). Factors such as the decrease in net sales led to operating income of ¥744 million (down ¥457 million, or 38.1%, year on year), ordinary income of ¥674 million (down ¥594 million, or 46.8%, year on year), and profit attributable to owners of parent of ¥230 million (down ¥463 million, or 66.8%, year on year).

Performance by segments is as follows.

#### (Japan)

Net sales amounted to ¥11,725 million (down ¥717 million, or 5.8%, year on year), and segment income (operating income) to ¥1,679 million (down ¥309 million, or 15.6%, 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 of security products, despite increases in sales of broadcasting systems to the educational market and speakers for the market of disaster reduction and prevention for the municipalities.

#### (The Americas)

Net sales amounted to ¥1,605 million (down ¥394 million, or 19.7%, year on year), and segment income (operating income) to ¥24 million (down ¥17 million, or 41.5%, 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 during the same period of the previous year, despite robust sales of infrared wireless microphone systems to the educational market in Canada.

#### (Europe, Middle East & Africa)

Net sales amounted to ¥2,247 million (down ¥314 million, or 12.3%, year on year), and segment income (operating income) to ¥151 million (down ¥98 million, or 39.4%, year on year).

Net sales decreased due to intensified competitions on sales of emergency broadcasting systems and effects of the appreciation of yen as well as the depreciation of euro in Europe, despite an increase in sales of broadcasting systems to airports in South Africa. Segment income also decreased due to an increase in selling, general and administrative expenses for expansion of sales channels.

#### (Asia & Pacific)

Net sales amounted to ¥3,086 million (up ¥35 million, or 1.2%, year on year), and segment income (operating income) to ¥339 million (down ¥17 million, or 5.0%, year on year).

Sales of local products such as digital power amplifiers increased. Net sales increased only slightly due to effects of the appreciation of yen, despite robust sales in Indonesia and Vietnam, and an increase in sales for station buildings in Thailand. Segment income decreased due to a slight increase in net sales and the rise in cost ratio.

(China & East Asia)

Net sales amounted to ¥767 million (down ¥185 million, or 19.4%, year on year), and segment income (operating income) to ¥144 million (down ¥47 million, or 24.8%, year on year).

Net sales and segment income decreased due mainly to lower sales in China, despite robust sales in Taiwan and Hong Kong, centered on sales of broadcasting systems to commercial facilities.

## (2) Explanation of Financial Position

### (i) Assets, Liabilities and Net Assets

Total assets at the end of the end of the six months ended September 30, 2016 decreased ¥2,691 million from the end of the previous fiscal year to ¥50,173 million. Assets decreased due mainly to a decrease in notes and accounts receivable – trade. Decreases in liabilities and net assets are mainly attributable to a decrease in notes and accounts payable – trade, and a decrease in foreign currency translation adjustment associated with the appreciation of yen.

### (ii) Cash Flows

Cash and cash equivalents at the end of the six months ended September 30, 2016 (hereinafter “cash”) decreased ¥621 million from the end of the previous fiscal year to ¥17,291 million. The status of cash flows and their contributing factors during the period under review are as follows:

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥997 million. This was mainly attributable to ¥674 million of profit before income taxes, depreciation of ¥434 million, decrease of ¥1,820 million in notes and accounts receivable – trade, increase of ¥748 million in inventories, and decrease of ¥446 million in notes and accounts payable – trade, as well as ¥343 million of income taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities amounted to ¥370 million. This was mainly attributable to a decrease of ¥354 million in cash due to the purchase of manufacturing equipment and equipment for the headquarters.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to ¥296 million. This was mainly attributable to ¥406 million of cash dividends paid.

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

The financial results forecast for the fiscal year ending March 31, 2017 announced on August 2, 2016 in “Notice Regarding Revision of Financial Results Forecasts” have not been revised.

## 2. Matters Concerning Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Six Months Ended September 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 ended June 30, 2016. Accordingly, the Company changed the depreciation method for 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 six months ended September 30, 2016.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	15,283	14,588
Notes and accounts receivable - trade	9,827	7,681
Securities	3,500	3,500
Merchandise and finished goods	5,473	5,328
Work in process	1,003	1,169
Raw materials and supplies	2,303	2,339
Other	1,075	1,204
Allowance for doubtful accounts	(90)	(49)
<b>Total current assets</b>	<b>38,376</b>	<b>35,762</b>
Non-current assets		
Property, plant and equipment	6,547	6,292
Intangible assets	1,512	1,449
Investments and other assets		
Investment securities	5,600	5,840
Investments and other assets, gross	866	852
Allowance for doubtful accounts	(37)	(24)
<b>Total investments and other assets</b>	<b>6,429</b>	<b>6,668</b>
<b>Total non-current assets</b>	<b>14,489</b>	<b>14,410</b>
<b>Total assets</b>	<b>52,865</b>	<b>50,173</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,616	2,975
Short-term loans payable	1,083	1,189
Income taxes payable	211	217
Provision	210	174
Other	1,962	1,439
<b>Total current liabilities</b>	<b>7,083</b>	<b>5,997</b>
Non-current liabilities		
Net defined benefit liability	2,791	2,723
Other	1,416	1,482
<b>Total non-current liabilities</b>	<b>4,208</b>	<b>4,206</b>
<b>Total liabilities</b>	<b>11,292</b>	<b>10,203</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	24,925	24,749
Treasury shares	(393)	(393)
<b>Total shareholders' equity</b>	<b>36,678</b>	<b>36,502</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,273	3,440
Foreign currency translation adjustment	(155)	(1,561)
Remeasurements of defined benefit plans	(129)	(88)
<b>Total accumulated other comprehensive income</b>	<b>2,989</b>	<b>1,789</b>
Non-controlling interests	1,905	1,678
<b>Total net assets</b>	<b>41,572</b>	<b>39,970</b>
<b>Total liabilities and net assets</b>	<b>52,865</b>	<b>50,173</b>

(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, 2015	For the six months ended September 30, 2016
Net sales	21,008	19,432
Cost of sales	12,225	11,040
Gross profit	8,783	8,392
Selling, general and administrative expenses	7,581	7,647
Operating profit	1,201	744
Non-operating income		
Interest income	22	15
Dividend income	35	35
Insurance and dividend income	25	25
Other	54	40
Total non-operating income	138	116
Non-operating expenses		
Interest expenses	11	12
Foreign exchange losses	51	166
Other	7	7
Total non-operating expenses	70	186
Ordinary income	1,269	674
Profit before income taxes	1,269	674
Income taxes	415	263
Profit	853	410
Profit attributable to non-controlling interests	158	179
Profit attributable to owners of parent	694	230



Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Profit	853	410
Other comprehensive income		
Valuation difference on available-for-sale securities	(298)	166
Foreign currency translation adjustment	(152)	(1,692)
Remeasurements of defined benefit plans, net of tax	31	37
Total other comprehensive income	(420)	(1,487)
Comprehensive income	433	(1,077)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	274	(969)
Comprehensive income attributable to non-controlling interests	158	(108)

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,269	674
Depreciation	438	434
Increase (decrease) in net defined benefit liability	(14)	20
Interest and dividend income	(58)	(51)
Foreign exchange losses (gains)	(1)	136
Interest expenses	11	12
Increase (decrease) in provision for product warranties	(138)	-
Decrease (increase) in notes and accounts receivable - trade	3,087	1,820
Decrease (increase) in inventories	(314)	(748)
Increase (decrease) in notes and accounts payable – trade	(1,132)	(446)
Increase (decrease) in accounts payable	(361)	(243)
Other, net	(642)	(306)
Subtotal	2,144	1,301
Interest and dividend income received	58	50
Interest expenses paid	(5)	(11)
Income taxes (paid) refund	(645)	(343)
Net cash provided by (used in) operating activities	1,551	997
<b>Cash flows from investing activities</b>		
Payments into time deposits	(242)	(366)
Proceeds from withdrawal of time deposits	219	362
Purchase of property, plant and equipment	(264)	(149)
Proceeds from sales of property, plant and equipment	1	3
Purchase of intangible assets	(195)	(204)
Collection of loans receivable	0	0
Other, net	37	(15)
Net cash provided by (used in) investing activities	(444)	(370)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	113	206
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	0	0
Repayments of finance lease obligations	(33)	(39)
Cash dividends paid	(710)	(406)
Dividends paid to non-controlling interests	(58)	(57)
Net cash provided by (used in) financing activities	(688)	(296)
Effect of exchange rate change on cash and cash equivalents	(101)	(952)
Net increase (decrease) in cash and cash equivalents	317	(621)
Cash and cash equivalents at beginning of period	17,594	17,913
Cash and cash equivalents at end of period	17,912	17,291

(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.

(Segment information)

[Segment information]

I. For the six months ended September 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	12,442	2,000	2,561	3,051	953	21,008	-	21,008
Inter-segment net sales or transfers	3,268	9	2	2,299	1,918	7,499	(7,499)	-
Total	15,710	2,009	2,564	5,350	2,872	28,508	(7,499)	21,008
Segment income (Operating income)	1,988	42	249	357	191	2,830	(1,628)	1,201

(Note) The adjustment for segment income of negative ¥1,628 million includes elimination of inter-segment transactions of negative ¥46 million and corporate expenses in the amount of negative ¥1,581 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 six months ended September 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	11,725	1,605	2,247	3,086	767	19,432	-	19,432
Inter-segment net sales or transfers	2,853	13	4	1,933	1,824	6,629	(6,629)	-
Total	14,578	1,619	2,252	5,019	2,592	26,062	(6,629)	19,432
Segment income (Operating income)	1,679	24	151	339	144	2,338	(1,594)	744

(Note) The adjustment for segment income of negative ¥1,594 million includes elimination of inter-segment transactions of ¥105 million and corporate expenses in the amount of negative ¥1,700 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.