

Consolidated Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]



February 4, 2019

Company name: TOA Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6809
 URL: <https://www.toa.jp/>
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 Scheduled date of filing quarterly securities report: February 14, 2019
 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 Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2018	32,422	8.1	2,453	41.5	2,639	44.8	1,571	56.9
December 31, 2017	29,986	2.2	1,734	29.0	1,823	23.5	1,001	29.1

(Note) Comprehensive income: Nine months ended December 31, 2018: ¥(482) million [-%]
 Nine months ended December 31, 2017: ¥2,624 million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2018	46.42	-
December 31, 2017	29.58	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	55,593	44,447	75.5
As of March 31, 2018	57,824	45,786	75.2

(Reference) Equity: As of December 31, 2018: ¥41,973million
 As of March 31, 2018: ¥43,502 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, 2018	-	10.00	-	13.00	23.00
Fiscal year ending March 31, 2019	-	10.00	-		
Fiscal year ending March 31, 2019 (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, 2018: Stable dividend ¥20, Performance-based dividend ¥3

Dividends for the fiscal year ending March 31, 2019 (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, 2018” on May 2, 2018.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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	47,000	6.4	3,400	(3.2)	3,500	(1.7)	2,150	0.5	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: No

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, 2018: 34,536,635 shares

March 31, 2018: 34,536,635 shares

2) Total number of treasury shares at the end of the period:

December 31, 2018: 674,450 shares

March 31, 2018: 674,280 shares

3) Average number of shares during the period:

Nine months ended December 31, 2018: 33,862,242 shares

Nine months ended December 31, 2017: 33,862,467 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.

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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, 2018, while the Japanese economy continued its moderate recovery trend backed by improvements in corporate earnings and the situation of employment and income, the overall outlook remains unclear, with trade issues affecting the global economy and uncertainty persisting in overseas economies.

In such an environment, we launched our new “medium-term management plan” from the fiscal year ending March 31, 2019 in order to realize our corporate value “Smiles for the Public.” In the domestic market, we have created and presented original solutions suited to customer applications, such as the new “Multi-language Broadcasting Services” system, to meet facilities’ expanding infrastructure needs with the growth of inbound demand. Furthermore, we are continuing to accelerate product development and expand sales channels to meet the specific needs of overseas markets.

As a result, net sales during the nine months ended December 31, 2018 amounted to ¥32,422 million (up ¥2,436 million, or 8.1%, year on year). As for profits, operating profit amounted to ¥2,453 million (up ¥718 million, or 41.5%, year on year), ordinary profit to ¥2,639 million (up ¥816 million, or 44.8%, year on year), and profit attributable to owners of parent to ¥1,571 million (up ¥570 million, or 56.9%, year on year).

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥18,710 million (up ¥883 million, or 5.0%, year on year), and segment profit (operating profit) to ¥3,499 million (up ¥253 million, or 7.8%, year on year).

Despite lower sales for disaster reduction and prevention markets, sales in commercial facilities and transportation infrastructure markets increased. Net sales increased with the delivery of new products such as video equipment. Consequently, segment profit increased.

(Asia & Pacific)

Net sales amounted to ¥5,349 million (up ¥429 million, or 8.7%, year on year), and segment profit (operating profit) to ¥771 million (up ¥213 million, or 38.3%, year on year).

Net sales and segment profit increased due mainly to the development of distribution channels in Indonesia and robust sales of large transaction items in Thailand, as well as an increase in sales for the government sector in Vietnam.

(Europe, Middle East & Africa)

Net sales amounted to ¥4,193 million (up ¥725 million, or 20.9%, year on year), and segment profit (operating profit) to ¥531 million (up ¥214 million, or 67.7%, year on year).

Net sales and segment profit increased due to robust sales of emergency broadcasting systems, etc. in European countries, as well as sales of large transaction items for Egypt.

(The Americas)

Net sales amounted to ¥2,859 million (up ¥113 million, or 4.1%, year on year), and segment profit (operating profit) to ¥198 million (up ¥126 million, or 176.5%, year on year).

Despite lower sales of audio equipment in the U.S. and Canada, net sales for railway cars increased. Segment profit increased partly due to an improvement in cost ratio.

(China & East Asia)

Net sales amounted to ¥1,310 million (up ¥284 million, or 27.7%, year on year), and segment profit (operating profit) to ¥165 million (down ¥4 million, or 2.4%, year on year).

Although net sales increased mainly due to large transactions for airports and new distribution expansion in China, and sales in Taiwan were robust, segment profit decreased due to an increase of operating expenses.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2018 decreased ¥2,230 million from the end of the previous fiscal year to ¥55,593 million. Assets decreased due mainly to a decrease in notes and accounts receivable – trade, and the revaluation of investment securities, despite an increase in property, plant and equipment. The decrease in liabilities and net assets is mainly attributable to a decrease in the 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, 2019 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	16,958	16,004
Notes and accounts receivable - trade	10,759	8,921
Securities	3,500	3,500
Merchandise and finished goods	5,607	6,616
Work in process	818	937
Raw materials and supplies	2,658	3,056
Other	666	1,115
Allowance for doubtful accounts	(93)	(65)
Total current assets	40,875	40,086
Non-current assets		
Property, plant and equipment	6,519	7,718
Intangible assets		
Goodwill	306	575
Other	1,329	1,193
Total intangible assets	1,635	1,769
Investments and other assets		
Investment securities	7,577	4,591
Investments and other assets, gross	1,219	1,430
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	8,794	6,019
Total non-current assets	16,949	15,507
Total assets	57,824	55,593
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,906	3,682
Short-term loans payable	852	1,132
Income taxes payable	468	212
Provision	197	246
Other	2,238	2,038
Total current liabilities	7,663	7,312
Non-current liabilities		
Net defined benefit liability	2,704	2,718
Other	1,669	1,114
Total non-current liabilities	4,374	3,832
Total liabilities	12,037	11,145

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	27,324	28,117
Treasury shares	(393)	(394)
Total shareholders' equity	39,077	39,869
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,668	2,606
Foreign currency translation adjustment	(253)	(498)
Remeasurements of defined benefit plans	11	(3)
Total accumulated other comprehensive income	4,425	2,103
Non-controlling interests	2,283	2,474
Total net assets	45,786	44,447
Total liabilities and net assets	57,824	55,593

(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, 2017	For the nine months ended December 31, 2018
Net sales	29,986	32,422
Cost of sales	16,901	18,129
Gross profit	13,084	14,292
Selling, general and administrative expenses	11,350	11,839
Operating profit	1,734	2,453
Non-operating income		
Interest income	25	41
Dividend income	74	88
Other	71	118
Total non-operating income	171	248
Non-operating expenses		
Interest expenses	21	32
Foreign exchange losses	40	16
Other	20	11
Total non-operating expenses	81	61
Ordinary profit	1,823	2,639
Profit before income taxes	1,823	2,639
Income taxes	593	736
Profit	1,229	1,903
Profit attributable to non-controlling interests	228	331
Profit attributable to owners of parent	1,001	1,571

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Profit	1,229	1,903
Other comprehensive income		
Valuation difference on available-for-sale securities	1,157	(2,062)
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	292	(310)
Remeasurements of defined benefit plans, net of tax	(55)	(13)
Total other comprehensive income	1,394	(2,385)
Comprehensive income	2,624	(482)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,384	(750)
Comprehensive income attributable to non-controlling interests	239	267

(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.

(Additional information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Following the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year, deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in non-current liabilities.

(Segment information)

[Segment information]

From the first quarter of the fiscal year, presentation order of the reportable segment has changed. Accordingly, presentation order of the reportable segment for the third quarter of the previous fiscal year has changed as well.

I. For the nine months ended December 31, 2017

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	17,826	4,919	3,467	2,746	1,026	29,986	-	29,986
Inter-segment net sales or transfers	4,482	2,818	2	37	2,695	10,035	(10,035)	-
Total	22,309	7,737	3,469	2,783	3,721	40,022	(10,035)	29,986
Segment profit	3,246	557	317	71	169	4,362	(2,628)	1,734

(Notes) 1. The adjustment for segment profit of negative ¥2,628 million includes elimination of inter-segment transactions of negative ¥94 million and corporate expenses in the amount of negative ¥2,534 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the Company's Administration Division which are not attributable to a reportable segment.

2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

II. For the nine months ended December 31, 2018

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	18,710	5,349	4,193	2,859	1,310	32,422	-	32,422
Inter-segment net sales or transfers	5,076	2,923	3	33	2,698	10,735	(10,735)	-
Total	23,786	8,272	4,197	2,892	4,008	43,158	(10,735)	32,422
Segment profit	3,499	771	531	198	165	5,167	(2,714)	2,453

- (Notes) 1. The adjustment for segment profit of negative ¥2,714 million includes elimination of inter-segment transactions of negative ¥19 million and corporate expenses in the amount of negative ¥2,695 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the Company's Administration Division which are not attributable to a reportable segment.
2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.