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## LEAD

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### **"Whole team development" - A way to keep bringing greater value to the market**

Greetings to all our stockholders and investors. Let me begin by expressing, on behalf of TOA, our deepest gratitude for your ongoing patronage and support.

As of March 2016 (the first year of our current mid-term management plan that runs FY 3/2016-3/2018), sales reached a record high, but profits themselves were down compared to the previous term. Since the start of fiscal 2016 we've been renewing our approaches and systems to engage a new "Whole team development" initiative, an approach designed to let us conduct development efforts with a better sense of speed and timing. We've also continued the steady promotion of previous initiatives including "5 TOAs in the world" and the "Product-Oriented to Service-Oriented" policy referred to in the mid-term management plan.



A handwritten signature in dark ink, appearing to be 'K. Kato'.

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## Settlement for the Previous Term and Mid-Term Management Plan

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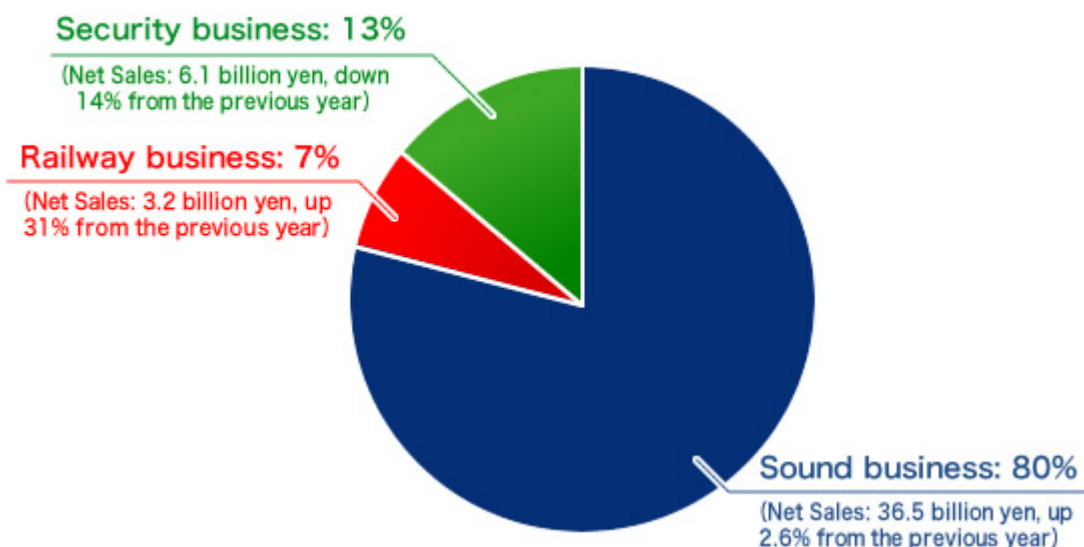
### **- Can you summarize TOA's results from the previous term (ended in March 2016)?**

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The previous term (ended in March 2016) showed an increase in earnings but decline in profits. Our railway business overseas did well as that market has continued to grow, and while this did contribute to increased earnings, the relatively lower profitability of that sector, compared to sound and security business, helped to push down profitability overall. We did anticipate this and tried to cover for it, but particularly in the security field our major efforts with analog cameras ran into some unexpectedly fierce competition that prevented us from achieving our projected numbers.

In this current term (through March 2017), we are, of course, working to boost our sound business sales both domestically and internationally, but reflecting on our experience last year we'll be releasing new analog camera products aimed at reclaiming some of that market, while also working on our network camera products at the same time. We also predict that the railway business will continue to expand globally, and we expect improved sales and profits there as well.

Sales composition ratio for FY2015 ended March 31, 2016



- What's the ideal corporate form, like "5 TOAs in the world" and the "Product-Oriented to Service-Oriented" initiative, that are part of the current mid-term management plan?

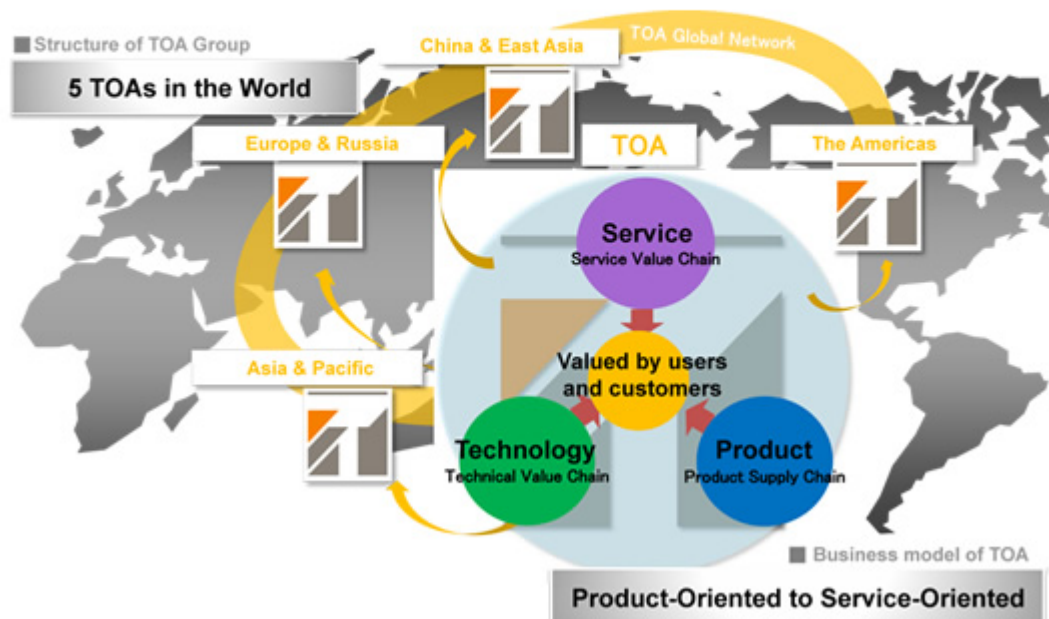
The first one, "5 TOAs in the world," aims to divide our markets into five regions including Japan, the Americas, Europe, Middle East & Africa, Asia & Pacific, and China & East Asia, so that we can focus very specific and thorough market development strategies in each one.

Regarding the Europe, Middle East & Africa, in February 2016 we opened a branch office in the Netherlands with the aim of gaining a stronger foothold in the three Benelux nations. In the Asia & Pacific, local products are now accounting for over half of sales and have become a source of profitability. And, having done some very thorough research on how microphones and amps are used in Islamic mosques, we've developed a mosque-oriented amplifier that has gotten some very good attention, and we'll be using this to help us cultivate that market even further.

As for the "Product-Oriented to Service-Oriented" initiative, our basic thinking is to bundle software and maintenance services into our products as a way of creating new value that will be appreciated by our customers. For example, we might analyze the way customers move through a store from entrance to cash register, then use this data to create opportunities to convey pinpointed product information potentially leading to new sales that might not otherwise have occurred. It's because we're TOA, with our strong capabilities in sound and video, that we're able to offer these kinds of solutions-oriented proposals. I think it's also crucial to be able to get these proposals out with a sense of urgency so they can be implemented in a timely manner and with a "sense of speed."

## Ideal corporate form

Continuing to be a strong company that offers  
irreplaceable value to human social life.



### Toward development with a sense of speed

#### - What initiatives are underway to promote that kind of speedier development with a greater sense of urgency?

I like to frame it not just as "speedy," but more specifically as having a good "sense of speed." Being speedy is just about shortening development time, whereas offering this "sense of speed" is more about offering the thing that's needed with the right kind of timing. It doesn't matter how good your product is if you release it at the wrong time, because it won't hold any interest. That's why I've issued instructions to the effect that once we've met with a customer to suss out their needs, we need to be able to present them with a concrete proposal within three months or less.

To create this kind of development with such a sense of speed, we've started sending our development engineers out to meet with clients directly. Seeing for themselves what problems those clients need solved will give them ideas on the spot, and the task then is to actualize those ideas in the shortest timeframe possible. It was very well received, for example, when we were able to present one of our clients with the trial product for a ceiling mounted speaker within three months of our initial discussions.

I would also mention that in April 2016 we combined our three Development Divisions—audio, security, and engineering—into a single Research and Development Division. This will allow us, with every new project, to assemble teams with the best diversity of members to tackle whatever the development effort calls for. Already this has promoted a great deal more interaction among development staff. We've already started to hear from a lot of them how they "had no idea that so much interesting technology already exists within TOA." To further support this kind of interaction we've also refurbished a whole floor of our Takarazuka R&D center building to serve as a meeting space where people can come and go as they please to gather and discuss things.

It's not just people in the development department alone who are involved in development. Our sales staff, for example, is in daily contact with our customer companies, and they're out there feeling the market directly, so they're just as essential to the process. Sales staff should also have a feeling of working as a member of the development team to generate information feedback that can lead to timely product development. Even beyond that, I want us to embrace a "Whole team development" approach in which all of our employees are always observing and thinking about

how TOA products are being used in real living and working situations, and how those products might be changed or improved. Everyone can contribute to this "Whole team development."

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## Optimizing SCM

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### - What's the role of TOA's new Supply Chain Planning Department?

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Supply chain management, or SCM, is about optimizing the flow of parts and materials, from procurement through manufacture, distribution, stocking and sale, in order to shorten delivery times. The objective is mainly to manage all the small gaps of time that creep in between the various aspects of operation so they don't cause delays in the process as a whole. This in turn improves both cash flow and management efficiency. There's a tendency to think of SCM as pertaining mainly to distribution and production, but really it's important to understand it as it applies to the whole process, all the way from procurement through sales. We set up the new Supply Chain Planning Department to oversee the planning and execution of our SCM policies. Our goal is to do a thorough study and analysis of where time lags are occurring in each process from procurement through sales, and then use that information to build and operate the most optimal supply chain.



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## Promising Markets & Fields

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### - The current term has reached the halfway mark of the mid-term management plan. What fields seem most promising in that light?

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To begin with, there's the field of disaster reduction and prevention management. Using our expertise in "audio notification capabilities," we'll continue to promote products like our "horn array speakers," which can deliver clear announcements at up to two to three times the distance of conventional speakers, and our "IP-based notification system," which delivers information through IP networking to provide warnings about earthquakes and tsunamis. In a similar vein, we're also working on a type of speaker that can deliver clear sound even in heavy rainstorms.

Next would be railways. In growing markets at the moment we're mainly working on announcement, display and camera systems for use in train cars, but going forward we'll also be leveraging our extensive experience with train stations and similar facilities to work on announcement systems and surveillance cameras developed specially for such facilities. This is one market we think still has a lot of potential for expansion.

Interms of new fields, we're also looking at welfare and disability-related fields. Japan's new "Act on the Elimination of Discrimination Against Persons with Disabilities" took effect in April 2016. We've worked on welfare and disability-related products before, but we see this new law as an opportunity to consider what we, as an audio and video specialist manufacturer, can do to help people with disabilities live their lives with as much ease as non-disabled people. We feel it's an opportunity-our duty even-to take the next steps toward developing those kinds of products.



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## A Personal Question

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**- Well, you seem to be in pretty good spirits these days! Is there anything else on your mind you'd like to share with us?**

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About three years ago, in the middle of a heat wave, I was on the golf course with a gentleman who was already in his eighties, but there he was strolling happily around all eighteen holes in the blistering heat, and it was all I could do to even keep up! It was a bit of a wake-up call that I'd let myself get out of shape, so I immediately set myself on a regular program of exercise walking.

These days I set aside time to do it after dinner, trying to walk 20 or 25 kilometers a week, shooting for 100 kilometers or more a month. My persistence has paid off gradually: I don't get out of breath anymore, and I don't get colds, either. I feel a lot better. I've come to understand how really important it is to come to work with a healthy body. And by walking instead of driving all the time, I've started seeing so much more along the way-shops I'd never noticed before, people doing things, the feel of the town-and I've found that very renewing. I had no idea how enjoyable walking could be, and I'm definitely going to keep doing it!

