
LEAD

Polishing Our Strengths as a Specialist Manufacturer

- Striving Toward Becoming a Unique Manufacturer -

To all of our shareholders and investors, we at TOA wish to thank you for your dedicated support, and we hope this greeting finds you in good health and prosperity.

On June 28, 2017, TOA welcomed Kazuhiro Takeuchi to a new post as President and CEO. Since our founding in 1934, TOA has been dedicated to a philosophy of “selling sound, not equipment,” and over the years this philosophy has guided us in becoming an expert manufacturer specializing in sound and video components. While the period ending March 2017 has unfortunately shown decreases in both revenue and profits, we have nonetheless been making steady progress on many of the initiatives called for in our current medium-term management plan (March 2016 to March 2018), among them a move “Product-Oriented to Service-Oriented” and “5 TOAs for the world.” Under a new organization, we now endeavor to further refine the strengths we’ve cultivated as a sound and video specialist manufacturer and to achieve speedier, more timely product supply.



K. Takeuchi

Performance Results for March 2017

- Please brief us on overall performance for the previous period ending March 2017.

During the previous period, we saw overseas sales influenced by fluctuating currency exchange rates, as well as delivery date changes for railway car business orders already concluded and sluggish domestic security equipment sales, all of which contributed to reduced revenues and profits.

We have adjusted the financial projections in the mid-term plan downward accordingly, but on the positive side, over the past two years we’ve been moving steadily forward with various initiatives called for in that plan, among them efforts to boost corporate value, to change some of the ways we do business, and to continue deploying our 5-region global strategy. Based on these results, we should be in a position to recoup our investments by the final period of the current mid-term plan (March 2018).

Specifically, we will be introducing numerous new products to the market, most centering on our core sound business, and through these we expect to increase revenue by ¥2 billion yen in Japan and by ¥2.5 billion yen abroad. In Japan, new services like multilingual broadcasting, remote viewing service and others will give a solid boost to financial performance, while overseas we will launch new products aimed at expanding sales of public address/emergency broadcast system. In the security field, we will concentrate on network cameras as well as on new high-quality analog cameras. As for the railway cars business, we can expect continued global growth in that market, and we anticipate improvement in both sales and profits.

What Kind of Company Should TOA Be?

- As a newly appointed company president, one of your roles is to speed growth. How is TOA approaching that effort?

I believe it's important to capitalize on our strengths as a specialist manufacturer of sound and video components to create products unique to TOA and bring these to the market quickly. To that end, we must use our perspective and expertise to identify problems in sound and video areas that are usually overlooked. We must stay in daily and constant communication with our customers, not only listening carefully to their voices to hear what they need, but also going into the field to visit their sites and see real things for ourselves. We are then in a position to put our imaginations to work to suss out their hidden needs. It is, in another words, important to cultivate our powers of observation and insight when it comes to our customers and potential business opportunities.

We also must increase the speed with which we bring products to market. This will require once again reviewing our entire process from development to delivery. We need manufacturing that considers where and how products will be used, and which can thereby eliminate unnecessary workmanship and effort.

We must always be talking with customers, observing their actual worksites and what they're really dealing with, while at the same time taking note of changes happening in the world in general. What do they need? What issues are they facing? What problems do they have? We must think about what we can do to overcome these, and then show our solutions to the world in concrete terms. I think good results will flow naturally if this process is carried out in a thorough-going manner.

- What changes to TOA's business are happening as part of the move from "Product-Oriented to Service-Oriented" initiatives called for in the current mid-term plan?

Throughout our history, we've been very good at creating and manufacturing products that are well designed around our customers' demands. Our megaphones and trumpet speakers, for example, once dominated the market, such that even today many people still have an image of TOA as that kind of company. Now, though, as customer needs continue to diversify, we need to change how we manufacture and how we sell. Namely, we need more people to understand our long-held self-identification as "a provider of sound, not equipment," and based on that open up new markets for ourselves. This is the idea underlying the phrase "Product-Oriented to Service-Oriented."

These days we're seeing an expansion of "sharing economy" business models, and our own sound and video industry is no exception. For example, if the goal is to sound a siren in the event of an emergency, or to broadcast fixed announcements at specific times, it may not be necessary for each individual building to have its own set of equipment for handling these. Offering customers conditions that allow broadcasts to be initiated automatically simply by inputting information on required audio and broadcast times into a computer is just one concrete example of selling such customers something more akin to a "service" than mere "products."

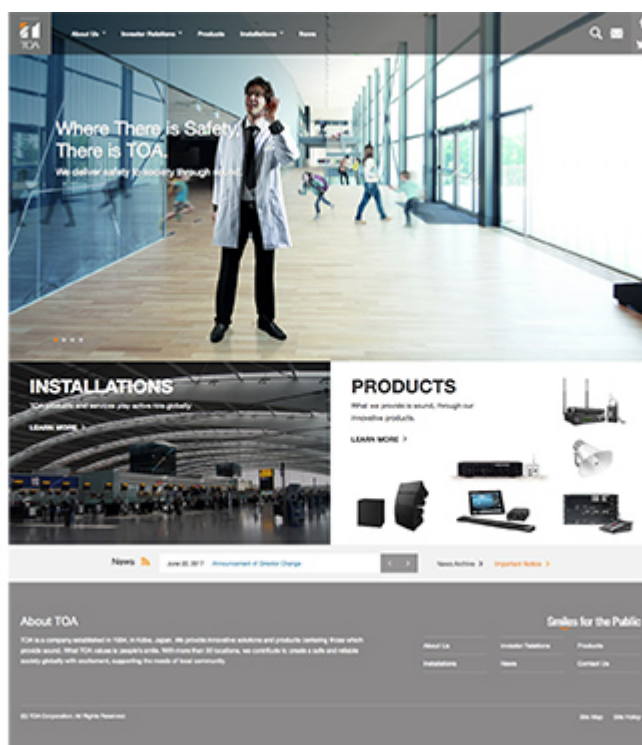
We also see many new business opportunities to be had by incorporating advancing technologies like artificial intelligence ("AI") and the so-called "Internet of Things" ("IoT").

Directions in Overseas Development

- About 40% of TOA's business comes through its operations abroad. How is the company extending itself into each region to further develop its "5 TOAs in the World" policy?

The aim of "5 TOAs in the World" is to divide the world market into five regions—Japan, the Americas, Europe, Middle East & Africa, Asia & Pacific, and China & East Asia—then cultivate the markets in each region using specific regional strategies. Earlier I mentioned the idea of going to places in person, listening to people's voices, looking closely at real markets, and having the insight to envision what these might need. This approach holds true for our global markets just as it does for our domestic ones. On one hand, we're developing products that meet regional needs and sending these into regional markets, but at the same time we're also creating advanced-technology platforms at our Japan headquarters and then having our regional teams arrange them as they see fit into specifically localized products.

Going forward, I want us to be thinking strategically about which of our strengths can be leveraged most successfully in each of the four TOA regions abroad, and based on that understanding develop our organization in ways that bring us together and help us grow as a unified TOA Group. It's also true, however, that with certain exceptions, the TOA brand is not as well-known abroad as it is in Japan. As one effort to change this, we've created a promotional campaign around a new mascot, "Dr. Sound," which aims to boost the effectiveness of the TOA brand by reinforcing our image as "expert sound consultants" who can offer useful advice on how to achieve better sound.



As TOA's New President, CEO

- How do you think you should change TOA in the coming years?

I joined TOA in 1981, and from that time on I worked mostly out in the sales field. What I always had in mind during my sales activities was to never fail to have customers' needs deployed in products. I enjoyed coming up with ideas to help them solve their problems and then working with our development division to put those solutions into concrete products. These days, though, I think many of our employees are a little too cautious in embracing such challenges. But it's time to cultivate an environment that will let each of us in TOA grow by taking up new challenges and

trying new things. To that end, I would like to create more opportunities and better conditions for more fruitful discussions and exchanges of ideas, unhindered by organizational or hierarchical relationships.

- What are your aspirations as the new head of the TOA leadership?

I think one of my roles is to protect the unique business TOA has built over the past eighty-plus years and capitalize on those achievements to increase the number of truly new products not yet seen in the world. We can expect markets like disaster reduction & prevention and anti-crime measures to continue growing, and we are also coming up on a number of world-class sporting events that will also bring in new business. My goal is to help us further refine our capabilities as a specialist manufacturer of sound and video components so that we can grasp and run with these many new opportunities as effectively as possible.



PERSONAL INTERVIEW

- Do you have a personal motto?

Yes. My personal motto is “Do it now.” Ever since I joined the company, I always tried to act on my thoughts and ideas immediately, and that became my approach to work. Even when (or maybe “because”) it seemed difficult, I always just thought, “No point in worrying, let’s just try it!” In doing so, the road often opened ahead of me and became clear, even if it hadn’t been before.

- How do you spend your days off?

I enjoy playing golf. It’s refreshing to get out in the open, in the middle of nature, and there’s nothing better than getting some good distance on the ball. In my younger years I would look forward to golfing about once every three months, but even now I often drop the family off to do the shopping and head over to the local driving range.

