

Consolidated Financial Results for the Three Months Ended June 30, 2015 [Japanese GAAP]



August 3, 2015

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, 2015
 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, 2015 (April 1, 2015 to June 30, 2015)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|---|-----------------|--------|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2015 | 9,036 | 13.3 | (19) | - | 28 | 107.8 | (56) | - |
| June 30, 2014 | 7,977 | 4.4 | (23) | - | 13 | (95.5) | (88) | - |

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

Three months ended June 30, 2014: ¥86 million [(89.2%)]

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| Three months ended June 30, 2015 | Yen (1.67) | Yen - |
| June 30, 2014 | (2.62) | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2015 | 51,364 | 40,387 | 75.2 |
| As of March 31, 2015 | 54,371 | 41,371 | 72.7 |

(Reference) Equity: As of June 30, 2015: ¥38,623 million

As of March 31, 2015: ¥39,514 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2015 | Yen - | Yen 10.00 | Yen - | Yen 21.00 | Yen 31.00 |
| Fiscal year ending March 31, 2016 | - | - | - | - | - |
| Fiscal year ending March 31, 2016 (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, 2015: Stable dividend ¥20, Performance based dividend ¥11
 Dividends for the fiscal year ending March 31, 2016 (forecast), as announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2015” on May 7, 2015, will be determined by taking into account the performances on stable dividend of ¥20, aiming at a consolidated dividend payout ratio of 35%.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|------------|-------------|------|------------------|------|-----------------|-----|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 21,200 | 12.0 | 1,300 | 10.6 | 1,400 | 1.1 | 800 | (3.8) | 23.62 |
| Full year | 49,500 | 9.6 | 4,700 | 10.9 | 4,800 | 1.6 | 3,050 | 3.5 | 90.07 |

(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):
 - June 30, 2015: 34,536,635 shares
 - March 31, 2015: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2015: 673,172 shares
 - March 31, 2015: 673,077 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2015: 33,863,513 shares
 - Three months ended June 30, 2014: 33,865,635 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, 2015, there was a moderate recovery trend in the environment surrounding the Group, backed by factors such as improvement in corporate earnings and a pickup in personal consumption in Japan. Looking overseas, although the U.S. economy continued on a recovery track, there were signs of an economic slowdown in China and uncertainty about the economic outlook in Europe is increasing.

In such an environment, we are striving to expand our businesses by enhancing our solution-based business that not only provides fine products but also adds elements such as supplementary software and services in order to realize “Smiles for the Public,” which is our corporate value. Furthermore, we have strengthened our marketing function in order to accelerate the “local production, local consumption” business model in each of the five global regions.

Net sales during the three months ended June 30, 2015, amounted to ¥9,036 million (up ¥1,058 million, or 13.3%, year on year). With regard to profit, despite the increase in net sales, a rising cost ratio and an increase in selling, general and administrative expenses led to an operating income of negative ¥19 million (up ¥3 million year on year), ordinary income of ¥28 million (up ¥14 million, or 107.8%, year on year), and net income attributable to owners of parent of negative ¥56 million (up ¥32 million year on year).

Performance by segments is as follows.

(Japan)

Net sales amounted to ¥5,200 million (up ¥407 million, or 8.5%, year on year), and segment income (operating income) to ¥625 million (up ¥163 million, or 35.4%, year on year).

Net sales and segment income increased due mainly to expanded sales in the transportation market including station buildings and railway cars and robust sales in the disaster mitigation and prevention related market.

(The Americas)

Net sales amounted to ¥983 million (up ¥471 million, or 92.2%, year on year), and segment income (operating income) to ¥40 million (up ¥63 million, year on year).

Net sales and segment income increased due mainly to increased sales for railway cars and government sectors in the United States.

(Europe, Middle East & Africa)

Net sales amounted to ¥1,219 million (up ¥56 million, or 4.8%, year on year), and segment income (operating income) to ¥139 million (up ¥4 million, or 3.0%, year on year).

Despite sluggish sales in Europe, net sales and segment income increased due mainly to sales expansion of voice alarm system in the Middle East and South Africa.

(Asia & Pacific)

Net sales amounted to ¥1,211 million (up ¥42 million, or 3.7%, year on year), and segment income (operating income) to ¥90 million (down ¥40 million, or 30.7%, year on year).

Despite the impact of the delay in government budget execution in Indonesia, net sales increased due to robust sales in Thailand and Vietnam and the weakening of the yen. Segment income decreased due to an increase in selling, general and administrative expenses.

(China & East Asia)

Net sales amounted to ¥420 million (up ¥80 million, or 23.7%, year on year), and segment income (operating income) to ¥86 million (up ¥49 million, or 133.2%, year on year).

Net sales and segment income increased due to robust sales in the Taiwan and Hong Kong region, along

with increased sales due to weakening of the yen.

(2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2015 decreased ¥3,006 million from the end of the previous fiscal year to ¥51,364 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 a decrease in retained earnings due to cash dividend payments.

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

For the full year financial results forecast for the fiscal year ending March 31, 2016, no revisions have been made to the initial forecast announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2015.”

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months ended June 30, 2015

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 income before income taxes and minority interests by an effective tax rate that was reasonably estimated by applying tax effect accounting to income before income taxes and minority interests for the fiscal year under review.

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

(Changes in Accounting Policies)

Effective from the period under review, the Company adopted the Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) and others during the three months ended June 30, 2015, and has changed the presentation of net income and other related items, and the presentation of minority interests to non-controlling interests accordingly. To reflect this change in presentation, the reclassification of accounts has been made to the consolidated financial statements and the non-consolidated financial statements for the three months ended June 30, 2014 and the fiscal year ended March 31, 2015.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2015 | As of June 30, 2015 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,034 | 14,870 |
| Notes and accounts receivable - trade | 11,170 | 7,464 |
| Securities | 2,300 | 2,300 |
| Merchandise and finished goods | 5,869 | 6,728 |
| Work in process | 750 | 981 |
| Raw materials and supplies | 2,536 | 2,462 |
| Other | 1,262 | 1,623 |
| Allowance for doubtful accounts | (138) | (110) |
| Total current assets | 39,785 | 36,319 |
| Non-current assets | | |
| Property, plant and equipment | 6,682 | 6,613 |
| Intangible assets | 1,427 | 1,414 |
| Investments and other assets | | |
| Investment securities | 5,714 | 6,208 |
| Investments and other assets, gross | 772 | 818 |
| Allowance for doubtful accounts | (10) | (10) |
| Total investments and other assets | 6,476 | 7,016 |
| Total non-current assets | 14,585 | 15,044 |
| Total assets | 54,371 | 51,364 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,478 | 3,383 |
| Short-term loans payable | 1,011 | 1,072 |
| Income taxes payable | 611 | 211 |
| Provision | 344 | 249 |
| Other | 2,405 | 1,798 |
| Total current liabilities | 8,851 | 6,716 |
| Non-current liabilities | | |
| Net defined benefit liability | 2,633 | 2,569 |
| Other | 1,514 | 1,691 |
| Total non-current liabilities | 4,148 | 4,260 |
| Total liabilities | 12,999 | 10,977 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,279 | 5,279 |
| Capital surplus | 6,866 | 6,866 |
| Retained earnings | 23,881 | 23,113 |
| Treasury shares | (392) | (392) |
| Total shareholders' equity | 35,635 | 34,867 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,301 | 3,629 |
| Foreign currency translation adjustment | 559 | 85 |
| Remeasurements of defined benefit plans | 17 | 40 |
| Total accumulated other comprehensive income | 3,879 | 3,755 |
| Non-controlling interests | 1,857 | 1,764 |
| Total net assets | 41,371 | 40,387 |
| Total liabilities and net assets | 54,371 | 51,364 |

(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, 2014 | For the three months ended June 30, 2015 |
|---|---|---|
| Net sales | 7,977 | 9,036 |
| Cost of sales | 4,429 | 5,284 |
| Gross profit | 3,548 | 3,751 |
| Selling, general and administrative expenses | 3,571 | 3,771 |
| Operating loss | (23) | (19) |
| Non-operating income | | |
| Interest income | 4 | 8 |
| Dividend income | 36 | 34 |
| Other | 29 | 24 |
| Total non-operating income | 70 | 67 |
| Non-operating expenses | | |
| Interest expenses | 4 | 6 |
| Foreign exchange losses | 22 | 10 |
| Other | 7 | 1 |
| Total non-operating expenses | 34 | 19 |
| Ordinary income | 13 | 28 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 42 | - |
| Total extraordinary income | 42 | - |
| Income before income taxes and minority interests | 56 | 28 |
| Income taxes | 84 | 96 |
| Loss | (28) | (68) |
| Profit (loss) attributable to non-controlling interests | 59 | (12) |
| Loss attributable to owners of parent | (88) | (56) |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2014 | For the three months ended June 30, 2015 |
|--|---|---|
| Loss | (28) | (68) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 249 | 328 |
| Foreign currency translation adjustment | (265) | (483) |
| Remeasurements of defined benefit plans, net of tax | 131 | 23 |
| Total other comprehensive income | 115 | (132) |
| Comprehensive income | 86 | (200) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (4) | (179) |
| Comprehensive income attributable to non-controlling interests | 90 | (20) |

(3) Notes to 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)

I. For the three months ended June 30, 2014

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 | 4,793 | 511 | 1,163 | 1,169 | 340 | 7,977 | - | 7,977 |
| Inter-segment net sales or transfers | 1,253 | 2 | 1 | 982 | 697 | 2,937 | (2,937) | - |
| Total | 6,046 | 514 | 1,165 | 2,151 | 1,037 | 10,914 | (2,937) | 7,977 |
| Segment income (loss) (Operating income (loss)) | 462 | (22) | 135 | 130 | 36 | 742 | (765) | (23) |

(Note) The adjustment for segment income of negative ¥765 million includes elimination of inter-segment transactions of negative ¥14 million and corporate expenses in the amount of negative ¥750 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, 2015

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

(Million yen)

| | Reportable segment | | | | | | Adjustment (Note 1) | Amount recorded in Quarterly Consolidated Financial Statements |
|--|--------------------|-----------------|---|-------------------|----------------------|--------|------------------------|---|
| | Japan | The Americas | Europe, Middle East & Africa (Note 2) | 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) |

- (Notes) 1. 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 reportable segment.
2. From the three months ended June 30, 2015, the Company has changed the previous segment name of "Europe & Russia" to "Europe, Middle East & Africa." This change in segment name has no impact on segment information. In conjunction with this change, "Europe, Middle East and Africa" is also used for the three months ended June 30, 2014 as for the three months ended June 30, 2015.