

Consolidated Financial Results for the Six Months Ended September 30, 2015 [Japanese GAAP]



November 4, 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: November 13, 2015
 Scheduled date of commencing dividend payments: December 2, 2015
 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, 2015 (April 1, 2015 to September 30, 2015)

(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, 2015	21,008	11.0	1,201	2.3	1,269	(8.3)	694	(16.4)
September 30, 2014	18,929	3.0	1,175	0.3	1,385	2.7	831	18.3

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

Six months ended September 30, 2014: ¥1,209 million [(37.7%)]

	Net income per share	Diluted net income per share
Six months ended September 30, 2015	Yen 20.52	Yen -
September 30, 2014	24.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2015	51,610	40,960	75.7
As of March 31, 2015	54,371	41,371	72.7

(Reference) Equity: As of September 30, 2015: ¥39,077 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	-	10.00			
Fiscal year ending March 31, 2016 (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, 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 year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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):
 - September 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:
 - September 30, 2015: 673,472 shares
 - March 31, 2015: 673,077 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2015: 33,863,387 shares
 - Six months ended September 30, 2014: 33,865,482 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 Wednesday, November 18, 2015. The materials that will be distributed at the briefing are scheduled to be published 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, 2015, there was a moderate recovery trend in the environment surrounding the Group, backed by factors such as steady improvement in corporate earnings in Japan. Looking overseas, while the U.S. economy continued on a recovery track and there were signs of an economic upturn in Europe, the economic outlook remains uncertain, due to factors such as the impact of the economic slowdown in China on the world economy.

In such an environment, we are striving to expand our businesses by enhancing our solution-based business structure, which not only provides high-quality products but also offers additional elements such as supplementary software and services, in order to realize “Smiles for the Public,” which is our corporate value. Furthermore, in the first half of the fiscal year, we focused on carrying out marketing initiatives and product development locally, in order to accelerate the “local production, local consumption” business model in each of the five global regions.

Net sales during the six months ended September 30, 2015, amounted to ¥21,008 million (up ¥2,079 million, or 11.0%, year on year). With regard to profit, despite a rising cost ratio and an increase in selling, general and administrative expenses, the increase in net sales led to operating income of ¥1,201 million (up ¥26 million, or 2.3%, year on year), ordinary income of ¥1,269 million (down ¥115 million, or 8.3%, year on year), and profit attributable to owners of parent of ¥694 million (down ¥136 million, or 16.4%, year on year).

Performance by segments is as follows.

(Japan)

Net sales amounted to ¥12,442 million (up ¥456 million, or 3.8%, year on year), and segment income (operating income) to ¥1,988 million (down ¥83 million, or 4.0%, year on year).

Net sales increased, mainly due to expanded sales in the transportation market including station buildings and railway cars. Centering on wireless products, net sales in the educational market was also robust. However, segment income decreased, led by a rising cost ratio due to the weakening of the yen and other factors.

(The Americas)

Net sales amounted to ¥2,000 million (up ¥839 million, or 72.4%, year on year), and segment income (operating income) to ¥42 million (up ¥69 million, year on year).

Net sales and segment income rose due to increased sales of railway cars for subway systems such as those in Washington D.C. and New York, and increased sales of intercoms for government sectors in the United States and Central America.

(Europe, Middle East & Africa)

Net sales amounted to ¥2,561 million (up ¥138 million, or 5.7%, year on year), and segment income (operating income) to ¥249 million (down ¥28 million, or 10.2%, year on year).

Although sales to sports-related facilities in France, sales to government sectors in the Middle East, and sales to station buildings in South Africa all grew, a rising cost ratio and other factors led to lower segment income.

(Asia & Pacific)

Net sales amounted to ¥3,051 million (up ¥444 million, or 17.1%, year on year), and segment income (operating income) to ¥357 million (up ¥54 million, or 18.2%, year on year).

Net sales and segment income increased, largely due to increased sales of local products centered on

Indonesia, as well as robust sales in Malaysia, Vietnam, and Thailand.

(China & East Asia)

Net sales amounted to ¥953 million (up ¥199 million, or 26.4%, year on year), and segment income (operating income) to ¥191 million (up ¥92 million, or 92.5%, year on year).

Net sales and segment income increased, mostly due to robust sales in the Taiwan and Hong Kong region, increased sales of local products in China, and effects of the weakening of the yen.

(2) Explanation of Financial Position

I. Assets, Liabilities, and Net Assets

Total assets at the end of the six months ended September 30, 2015 decreased ¥2,761 million from the end of the previous fiscal year to ¥51,610 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.

II. Cash Flows

Cash and cash equivalents (hereinafter “funds”) at the end of the six months ended September 30, 2015 increased ¥317 million from the end of the previous fiscal year to ¥17,912 million. Cash flows for the fiscal year under review and the reasons for them are described below according to the type of activities.

(Cash flows from operating activities)

Funds provided by operating activities amounted to ¥1,551 million, due to a ¥1,269 million increase in income before income taxes, depreciation of ¥438 million, a ¥3,087 million decrease in notes and accounts receivable – trade, a negative ¥314 million increase in inventories, a negative ¥1,132 million decrease in notes and accounts payable – trade, income taxes paid of negative ¥645 million, and other factors.

(Cash flows from investing activities)

Funds used in investing activities totaled ¥444 million, mainly due to a ¥460 million purchase of manufacturing equipment and equipment for the headquarters.

(Cash flows from financial activities)

Funds used in financial activities amounted to ¥688 million, mainly due to cash dividends paid of ¥710 million.

(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 Six Months ended September 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 first quarter of the fiscal year ending March 31, 2016, 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. Accordingly, the Company 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 six months ended September 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 September 30, 2015
Assets		
Current assets		
Cash and deposits	16,034	16,184
Notes and accounts receivable – trade	11,170	8,058
Securities	2,300	2,500
Merchandise and finished goods	5,869	5,834
Work in process	750	1,016
Raw materials and supplies	2,536	2,575
Other	1,262	1,321
Allowance for doubtful accounts	(138)	(132)
Total current assets	39,785	37,359
Non-current assets		
Property, plant and equipment	6,682	6,678
Intangible assets	1,427	1,417
Investments and other assets		
Investment securities	5,714	5,304
Investments and other assets, gross	772	853
Allowance for doubtful accounts	(10)	(2)
Total investments and other assets	6,476	6,155
Total non-current assets	14,585	14,250
Total assets	54,371	51,610
Liabilities		
Current liabilities		
Notes and accounts payable – trade	4,478	3,323
Short-term loans payable	1,011	1,127
Income taxes payable	611	374
Provision	344	214
Other	2,405	1,643
Total current liabilities	8,851	6,683
Non-current liabilities		
Net defined benefit liability	2,633	2,551
Other	1,514	1,414
Total non-current liabilities	4,148	3,966
Total liabilities	12,999	10,649
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	23,881	23,864
Treasury shares	(392)	(392)
Total shareholders' equity	35,635	35,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,301	3,002
Foreign currency translation adjustment	559	407
Remeasurements of defined benefit plans	17	49
Total accumulated other comprehensive income	3,879	3,459
Non-controlling interests	1,857	1,882
Total net assets	41,371	40,960
Total liabilities and net assets	54,371	51,610

(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, 2014	For the six months ended September 30, 2015
Net sales	18,929	21,008
Cost of sales	10,377	12,225
Gross profit	8,552	8,783
Selling, general and administrative expenses	7,377	7,581
Operating income	1,175	1,201
Non-operating income		
Interest income	14	22
Dividend income	37	35
Foreign exchange gains	91	-
Other	84	80
Total non-operating income	228	138
Non-operating expenses		
Interest expenses	8	11
Foreign exchange losses	-	51
Other	9	7
Total non-operating expenses	18	70
Ordinary income	1,385	1,269
Extraordinary income		
Gain on sales of non-current assets	42	-
Total extraordinary income	42	-
Income before income taxes	1,427	1,269
Income taxes	468	415
Profit	959	853
Profit attributable to non-controlling interests	127	158
Profit attributable to owners of parent	831	694

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2014	For the six months ended September 30, 2015
Profit	959	853
Other comprehensive income		
Valuation difference on available-for-sale securities	572	(298)
Foreign currency translation adjustment	(473)	(152)
Remeasurements of defined benefit plans, net of tax	151	31
Total other comprehensive income	249	(420)
Comprehensive income	1,209	433
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,093	274
Comprehensive income attributable to non-controlling interests	115	158

(3) Quarterly Consolidated Statements of Cash Flows
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2014	For the six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes	1,427	1,269
Depreciation	389	438
Increase (decrease) in net defined benefit liability	(0)	(14)
Interest and dividend income	(51)	(58)
Foreign exchange losses (gains)	48	(1)
Interest expenses	8	11
Increase (decrease) in provision for product warranties	(1)	(138)
Loss (gain) on sales of non-current assets	(42)	-
Decrease (increase) in notes and accounts receivable – trade	2,224	3,087
Decrease (increase) in inventories	(1,067)	(314)
Increase (decrease) in notes and accounts payable – trade	(360)	(1,132)
Increase (decrease) in accounts payable – other	(168)	(361)
Other, net	(375)	(642)
Subtotal	2,028	2,144
Interest and dividend income received	52	58
Interest expenses paid	(5)	(5)
Income taxes (paid) refund	(790)	(645)
Net cash provided by (used in) operating activities	1,285	1,551
Cash flows from investing activities		
Payments into time deposits	(221)	(242)
Proceeds from withdrawal of time deposits	263	219
Purchase of property, plant and equipment	(192)	(264)
Proceeds from sales of property, plant and equipment	170	1
Purchase of intangible assets	(156)	(195)
Collection of loans receivable	0	0
Other, net	(11)	37
Net cash provided by (used in) investing activities	(146)	(444)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	167	113
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	-	0
Repayments of finance lease obligations	(33)	(33)
Cash dividends paid	(608)	(710)
Dividends paid to non-controlling interests	(56)	(58)
Net cash provided by (used in) financing activities	(531)	(688)
Effect of exchange rate change on cash and cash equivalents	(204)	(101)
Net increase (decrease) in cash and cash equivalents	402	317
Cash and cash equivalents at beginning of period	15,296	17,594
Cash and cash equivalents at end of period	15,698	17,912

(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)

I. For the six months ended September 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	11,985	1,160	2,423	2,606	754	18,929	-	18,929
Inter-segment net sales or transfers	2,988	11	3	2,049	1,578	6,631	(6,631)	-
Total	14,974	1,172	2,426	4,655	2,332	25,561	(6,631)	18,929
Segment income (loss) (Operating income (loss))	2,072	(27)	277	302	99	2,725	(1,549)	1,175

(Note) The adjustment for segment income of negative ¥1,549 million includes elimination of inter-segment transactions of negative ¥72 million and corporate expenses in the amount of negative ¥1,476 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, 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	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

- (Notes) 1. 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.
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 six months ended September 30, 2014 as for the six months ended September 30, 2015.