

Consolidated Financial Results for the Nine Months Ended December 31, 2015 [Japanese GAAP]



February 2, 2016

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: February 12, 2016
 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, 2015 (April 1, 2015 to December 31, 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	%
Nine months ended December 31, 2015	32,125	5.9	2,081	(10.4)	2,124	(23.7)	1,263	(27.4)
December 31, 2014	30,341	5.1	2,322	4.9	2,783	16.0	1,740	22.9

(Note) Comprehensive income: Nine months ended December 31, 2015: ¥1,196 million [(61.9%)]

Nine months ended December 31, 2014: ¥3,139 million [16.1%]

	Net income per share	Diluted net income per share
Nine months ended December 31, 2015	Yen 37.33	Yen -
December 31, 2014	51.39	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2015	52,757	41,384	75.1
As of March 31, 2015	54,371	41,371	72.7

(Reference) Equity: As of December 31, 2015: ¥39,609 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2015	-	10.00	-	21.00	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):
 - December 31, 2015: 34,536,635 shares
 - March 31, 2015: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2015: 673,775 shares
 - March 31, 2015: 673,077 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2015: 33,863,273 shares
 - Nine months ended December 31, 2014: 33,865,330 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 nine months ended December 31, 2015, while the economy of the developed countries mainly in the U.S. continued on a recovery track, the economic outlook remains uncertain, due to factors such as the economic slowdown in China and emerging countries and a drastic fall in crude oil price.

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, 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 nine months ended December 31, 2015, amounted to ¥32,125 million (up ¥1,784 million, or 5.9%, 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 operating income of ¥2,081 million (down ¥241 million, or 10.4%, year on year), ordinary income of ¥2,124 million (down ¥658 million, or 23.7%, year on year), and profit attributable to owners of parent of ¥1,263 million (down ¥476 million, or 27.4%, year on year).

Performance by segments is as follows.

(Japan)

Net sales amounted to ¥19,106 million (up ¥3 million, or 0.0%, year on year), and segment income (operating income) to ¥3,202 million (down ¥425 million, or 11.7%, year on year).

Net sales increased, mainly due to expanded sales in the transportation market including station buildings and railway cars. Net sales of wireless products mainly for the educational market were 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 ¥3,092 million (up ¥894 million, or 40.7%, year on year), and segment income (operating income) to ¥82 million (up ¥87 million, year on year).

Net sales rose in in-rail car communication systems for subway systems in Washington D.C., and also in intercoms for government sectors in the United States and Central America. In addition, the robust sales of desktop amplifiers for the BGM market led to an increase in net sales and segment income.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,889 million (up ¥47 million, or 1.2%, year on year), and segment income (operating income) to ¥401 million (down ¥119 million, or 22.9%, year on year).

Although there was a decrease in net sales due to the weakening of Euro, sales to sports-related facilities in France grew. In addition, despite the increase in sales to government sectors in the Middle East, segment income decreased due to a rising cost ratio and other factors.

(Asia & Pacific)

Net sales amounted to ¥4,570 million (up ¥556 million, or 13.9%, year on year), and segment income (operating income) to ¥558 million (up ¥25 million, or 4.7%, year on year).

Net sales and segment income increased, due to favorable sales of local products in Indonesia and Malaysia, as well as robust sales in Vietnam and Thailand.

(China & East Asia)

Net sales amounted to ¥1,466 million (up ¥282 million, or 23.9%, year on year), and segment income (operating income) to ¥342 million (up ¥176 million, or 105.8%, year on year).

Net sales and segment income increased due to robust sales in Taiwan and Hong Kong, increased sales of local products for commercial facilities and schools in China, and effects of the weakening of the yen.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2015 decreased ¥1,613 million from the end of the previous fiscal year to ¥52,757 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 decrease in accounts payable – other.

(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 Nine Months ended December 31, 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 by an effective tax rate that was reasonably estimated by applying tax effect accounting to income before income taxes 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 quarterly consolidated financial statements and consolidated financial statements for the nine months ended December 31, 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 December 31, 2015
Assets		
Current assets		
Cash and deposits	16,034	14,992
Notes and accounts receivable – trade	11,170	8,057
Securities	2,300	3,200
Merchandise and finished goods	5,869	6,135
Work in process	750	1,060
Raw materials and supplies	2,536	2,330
Other	1,262	1,824
Allowance for doubtful accounts	(138)	(111)
Total current assets	39,785	37,489
Non-current assets		
Property, plant and equipment	6,682	6,549
Intangible assets	1,427	1,443
Investments and other assets		
Investment securities	5,714	6,378
Investments and other assets, gross	772	898
Allowance for doubtful accounts	(10)	(2)
Total investments and other assets	6,476	7,274
Total non-current assets	14,585	15,268
Total assets	54,371	52,757
Liabilities		
Current liabilities		
Notes and accounts payable – trade	4,478	3,653
Short-term loans payable	1,011	1,298
Income taxes payable	611	238
Provision	344	204
Other	2,405	1,711
Total current liabilities	8,851	7,106
Non-current liabilities		
Net defined benefit liability	2,633	2,515
Other	1,514	1,751
Total non-current liabilities	4,148	4,266
Total liabilities	12,999	11,373
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	23,881	24,095
Treasury shares	(392)	(393)
Total shareholders' equity	35,635	35,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,301	3,743
Foreign currency translation adjustment	559	(42)
Remeasurements of defined benefit plans	17	59
Total accumulated other comprehensive income	3,879	3,760
Non-controlling interests	1,857	1,775
Total net assets	41,371	41,384
Total liabilities and net assets	54,371	52,757

(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, 2014	For the nine months ended December 31, 2015
Net sales	30,341	32,125
Cost of sales	16,653	18,537
Gross profit	13,688	13,587
Selling, general and administrative expenses	11,365	11,506
Operating income	2,322	2,081
Non-operating income		
Interest income	21	29
Dividend income	63	66
Foreign exchange gains	298	-
Other	106	97
Total non-operating income	488	193
Non-operating expenses		
Interest expenses	15	17
Foreign exchange losses	-	110
Other	12	21
Total non-operating expenses	28	149
Ordinary income	2,783	2,124
Extraordinary income		
Gain on sales of non-current assets	42	-
Total extraordinary income	42	-
Income before income taxes	2,826	2,124
Income taxes	897	648
Profit	1,928	1,476
Profit attributable to non-controlling interests	188	212
Profit attributable to owners of parent	1,740	1,263

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2014	For the nine months ended December 31, 2015
Profit	1,928	1,476
Other comprehensive income		
Valuation difference on available-for-sale securities	1,016	441
Foreign currency translation adjustment	30	(765)
Remeasurements of defined benefit plans, net of tax	163	44
Total other comprehensive income	1,210	(279)
Comprehensive income	3,139	1,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,840	1,145
Comprehensive income attributable to non-controlling interests	299	50

(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.

(Segment information)

I. For the nine months ended December 31, 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	19,103	2,198	3,841	4,014	1,183	30,341	-	30,341
Inter-segment net sales or transfers	4,700	21	6	3,334	2,478	10,541	(10,541)	-
Total	23,803	2,220	3,848	7,348	3,661	40,882	(10,541)	30,341
Segment income (loss) (Operating income (loss))	3,628	(5)	520	533	166	4,843	(2,520)	2,322

(Note) The adjustment for segment income of negative ¥2,520 million includes elimination of inter-segment transactions of negative ¥111 million and corporate expenses in the amount of negative ¥2,408 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 nine months ended December 31, 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	19,106	3,092	3,889	4,570	1,466	32,125	-	32,125
Inter-segment net sales or transfers	4,879	10	3	3,385	2,859	11,137	(11,137)	-
Total	23,986	3,103	3,892	7,955	4,325	43,263	(11,137)	32,125
Segment income (Operating income)	3,202	82	401	558	342	4,588	(2,506)	2,081

- (Notes) 1. The adjustment for segment income of negative ¥2,506 million includes elimination of inter-segment transactions of negative ¥37 million and corporate expenses in the amount of negative ¥2,469 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 & Africa" is also used for the nine months ended December 31, 2014 as for the nine months ended December 31, 2015.