

Consolidated Financial Results
for the Nine Months Ended December 31, 2016
[Japanese GAAP]



February 2, 2017

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 14, 2017
 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, 2016 (April 1, 2016 to December 31, 2016)

(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, 2016	29,327	(8.7)	1,344	(35.4)	1,477	(30.5)	775	(38.6)
December 31, 2015	32,125	5.9	2,081	(10.4)	2,124	(23.7)	1,263	(27.4)

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥(682) million [-%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2016	22.90	-
December 31, 2015	37.33	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	51,115	40,025	75.0
As of March 31, 2016	52,865	41,572	75.0

(Reference) Equity: As of December 31, 2016: ¥38,314 million

As of March 31, 2016: ¥39,667 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, 2016	-	10.00	-	12.00	22.00
Fiscal year ending March 31, 2017	-	10.00	-	-	-
Fiscal year ending March 31, 2017 (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, 2016: Stable dividend ¥20, Performance-based dividend ¥2

Dividends for the fiscal year ending March 31, 2017 (Forecast) will be determined by taking into account the performances on stable dividend of ¥20, aiming at a consolidated dividend payout ratio of 35%, as announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2016” on May 6, 2016.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	46,200	0.8	3,650	0.3	3,700	2.1	2,150	2.7	63.49

(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, 2016: 34,536,635 shares
 - March 31, 2016: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2016: 674,095 shares
 - March 31, 2016: 673,877 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2016: 33,862,620 shares
 - Nine months ended December 31, 2015: 33,863,273 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, 2016, while there were improvements in corporate earnings and employment situation in Japan, and the U.S. and Europe's economy also showed signs of moderate recovery, the economic outlook remains uncertain due to factors such as slowdown in China's economic growth and behavior of the new American administration.

In such an environment, we have focused on creating products and services that contribute to security and safety in the society in order to realize our corporate value "Smiles for the Public." While continuing to promote development, production and sales in the 5 global regions, we are striving to release new products in a timely manner by further increasing the speed of new products development.

Net sales during the nine months ended December 31, 2016 amounted to ¥29,327 million (down ¥2,797 million, or 8.7%, year on year). Operating income amounted to ¥1,344 million (down ¥736 million, or 35.4%, year on year), ordinary income to ¥1,477 million (down ¥647 million, or 30.5%, year on year), and profit attributable to owners of parent to ¥775 million (down ¥488 million, or 38.6%, year on year).

Performance by segments is as follows.

(Japan)

Net sales amounted to ¥18,150 million (down ¥956 million, or 5.0%, year on year), and segment income (operating income) to ¥2,906 million (down ¥296 million, or 9.3%, year on year).

Sales of broadcasting systems to the educational market and those to the market of disaster reduction and prevention for the municipalities increased. Net sales and segment income decreased due to lower sales of overall security products despite favorable sales of "Town Recorder," an outdoor camera-integrated recorder, and also due to lower sales in the transportation market including station buildings and railway cars.

(The Americas)

Net sales amounted to ¥2,428 million (down ¥664 million, or 21.5%, year on year), and segment income (operating income) to ¥44 million (down ¥38 million, or 46.5%, year on year).

Net sales and segment income decreased due to factors such as effects of the large-scale sales for railway cars in the United States during the same period of the previous year, despite an increase in net sales for government sectors and the educational market in the North and Central America.

(Europe, Middle East & Africa)

Net sales amounted to ¥3,289 million (down ¥599 million, or 15.4%, year on year), and segment income (operating income) to ¥253 million (down ¥147 million, or 36.8%, year on year).

Net sales decreased due to a decrease in net sales in Europe and the Middle East and effects of the appreciation of yen as well as the depreciation of euro, despite an increase in sales by virtue of large-scale sales for airports and expansion of sales channels in Africa. Segment income also decreased due to an increase in selling, general and administrative expenses for expansion of sales channels in Europe.

(Asia & Pacific)

Net sales amounted to ¥4,372 million (down ¥197 million, or 4.3%, year on year), and segment income (operating income) to ¥471 million (down ¥87 million, or 15.7%, year on year).

Sales of local products such as digital power amplifiers increased. Net sales and segment income decreased due to effects of the appreciation of yen, despite robust sales in Indonesia and Vietnam, and an increase in sales for station buildings in Thailand.

(China & East Asia)

Net sales amounted to ¥1,086 million (down ¥379 million, or 25.9%, year on year), and segment income (operating income) to ¥189 million (down ¥153 million, or 44.7%, year on year).

Net sales and segment income decreased due mainly to lower sales in China, despite robust sales in Taiwan, centered on sales of broadcasting systems to commercial facilities.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2016 decreased ¥1,749 million from the end of the previous fiscal year to ¥51,115 million. Assets decreased due mainly to a decrease in notes and accounts receivable – trade. Decreases in liabilities and net assets are mainly attributable to a decrease in notes and accounts payable – trade, and a decrease in foreign currency translation adjustment associated with the appreciation of yen.

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

The financial results forecast for the fiscal year ending March 31, 2017 announced on August 2, 2016 in “Notice Regarding Revision of Financial Results Forecasts” have not been revised.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2016

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 profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to profit 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)

Pursuant to an amendment to the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter ended June 30, 2016. Accordingly, the Company changed the depreciation method for buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

This change has no effect on operating income, ordinary income and profit before income taxes for the nine months ended December 31, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	15,283	14,677
Notes and accounts receivable - trade	9,827	7,725
Securities	3,500	3,500
Merchandise and finished goods	5,473	6,042
Work in process	1,003	1,078
Raw materials and supplies	2,303	2,342
Other	1,075	1,609
Allowance for doubtful accounts	(90)	(67)
Total current assets	38,376	36,908
Non-current assets		
Property, plant and equipment	6,547	6,224
Intangible assets	1,512	1,439
Investments and other assets		
Investment securities	5,600	5,684
Investments and other assets, gross	866	876
Allowance for doubtful accounts	(37)	(18)
Total investments and other assets	6,429	6,543
Total non-current assets	14,489	14,207
Total assets	52,865	51,115
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,616	3,501
Short-term loans payable	1,083	1,358
Income taxes payable	211	172
Provision	210	161
Other	1,962	1,758
Total current liabilities	7,083	6,953
Non-current liabilities		
Net defined benefit liability	2,791	2,705
Other	1,416	1,431
Total non-current liabilities	4,208	4,136
Total liabilities	11,292	11,089
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	24,925	24,955
Treasury shares	(393)	(393)
Total shareholders' equity	36,678	36,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,273	3,349
Deferred gains or losses on hedges	-	(2)
Foreign currency translation adjustment	(155)	(1,670)
Remeasurements of defined benefit plans	(129)	(68)
Total accumulated other comprehensive income	2,989	1,606
Non-controlling interests	1,905	1,711
Total net assets	41,572	40,025
Total liabilities and net assets	52,865	51,115

(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, 2015	For the nine months ended December 31, 2016
Net sales	32,125	29,327
Cost of sales	18,537	16,560
Gross profit	13,587	12,767
Selling, general and administrative expenses	11,506	11,422
Operating income	2,081	1,344
Non-operating income		
Interest income	29	23
Dividend income	66	79
Other	97	77
Total non-operating income	193	180
Non-operating expenses		
Interest expenses	17	18
Foreign exchange losses	110	15
Other	21	12
Total non-operating expenses	149	47
Ordinary income	2,124	1,477
Profit before income taxes	2,124	1,477
Income taxes	648	481
Profit	1,476	995
Profit attributable to non-controlling interests	212	219
Profit attributable to owners of parent	1,263	775

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Profit	1,476	995
Other comprehensive income		
Valuation difference on available-for-sale securities	441	75
Deferred gains or losses on hedges	-	(2)
Foreign currency translation adjustment	(765)	(1,808)
Remeasurements of defined benefit plans, net of tax	44	58
Total other comprehensive income	(279)	(1,677)
Comprehensive income	1,196	(682)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,145	(607)
Comprehensive income attributable to non-controlling interests	50	(74)

(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)

[Segment information]

I. For the nine months ended December 31, 2015

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	19,106	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

(Note) 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.

II. For the nine months ended December 31, 2016

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	18,150	2,428	3,289	4,372	1,086	29,327	-	29,327
Inter-segment net sales or transfers	4,299	20	4	2,837	2,607	9,770	(9,770)	-
Total	22,450	2,448	3,294	7,210	3,694	39,097	(9,770)	29,327
Segment income (Operating income)	2,906	44	253	471	189	3,864	(2,520)	1,344

(Note) The adjustment for segment income of negative ¥2,520 million includes elimination of inter-segment transactions of ¥41 million and corporate expenses in the amount of negative ¥2,562 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.