

Notification of the Formulation of Medium-Term Management Plan



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Company Name: TOA Corporation

Representative: Kazuhiro Takeuchi, President, CEO

(Code number 6809, Tokyo Stock Exchange)

Contact: Masato Hotta, Director & Executive Manager of Corporate Planning Division

With this notice please be informed that, with the goal of achieving further growth and ongoing corporate value improvement, we have completed the formulation of a “Medium-Term Management Plan” (hereinafter “Mid-term Plan”), to be in effect from the fiscal year starting March, 2019 through the fiscal year ending March, 2021.

1. Mid-term Plan Summary

The TOA Group has set forth one of its corporate values as “Smiles for the Public,” an effort we describe as helping to build “a society where everyone has something to smile about.” Our efforts focus on places where the public gathers, where we aim to make people happier (and to give them reasons to smile) by offering the values of “reassurance,” “reliability” and “emotion.”

In order to realize this goal, our Mid-term Plan implemented from April 2015 through March 2018 called for us to divide our world market into five separate regions, promoting a “local production, local consumption” operational strategy in each region geared toward achieving operational independence among the “5 TOAs in the world.”

Additionally, we have been revising our business model to move “from hardware-oriented to service-oriented systems,” no longer merely supplying good physical products, but also strengthening our solutions-based business by bundling these products with software and services—a new business model that our customers recognize as creating and offering new value.

Following through with these changes, the current Mid-term Plan aims at a “for customers, only one” approach to customer service. And to further strengthen such “connections with customers,” we intend to meet the various issues and needs unique to each region and market by leveraging our strength as a specialist manufacturer in “audio notification capabilities,” and from our own perspective initiate changes to move us toward the values of “reassurance,” “reliability” and “emotion.”

Concretely, taking advantage of the results of our move “from hardware-oriented to

service-oriented systems,” which we have so far continued to promote, we have realized connections with our customers in terms of both “goods” and “people” by making our products more IoT-compatible as well as by deploying sales and engineering strategies closely matched to customer needs. Furthermore, we have not only improved the circumstances in which customers can continuously use our products with peace of mind, we have also promoted a business environment that is constantly creating and providing ideal solutions for their various applications.

Additionally, we are strengthening our marketing functions in each region in an attempt to further accelerate the development of products capable of meeting specific needs and expanding sales channels in each regional market, thereby realizing the operational independence of each of the “5 TOAs in the world.”

Through such growth and such achievements, we have earned social recognition as a company that is achieving our “Smiles for the Public” corporate value, and we continue aiming to “become a company with a strong brand,” as customers expect.

2. Mid-term Plan Objectives

	FY Ending March, 2021
Consolidated Net Sales	¥53 billion
Consolidated Operating Profit	¥4.3 billion
Consolidated Ordinary Profit	¥4.4 billion
Profit attributable to owners of parent	¥2.7 billion

3. Efforts Within This Mid-term Plan Directed Toward Sustainable Corporate Value Improvement

This Mid-term Plan is a three-year plan that will run from fiscal 2018 through fiscal 2020 with the objective of achieving sustained improvement of corporate value.

Toward this purpose, we have been working on the domains described below, aiming at the potential to grow and develop together with our customers, shareholders, business partners, employees, and other stakeholders as a “public institution of society” by strengthening our improvement efforts in the areas of Environment, Society and Governance (ESG) with an integrated perspective:

(1) Clarification of Business Domains

Toward achieving our company corporate value of “Smiles for the Public,” we are reorienting our business domains to the following realms to better clarify our orientation around the values of “reassurance,” “reliability” and “emotion” that our core “audio notification capabilities” can provide to society.

<Public Safety>

In the realm of “Public Safety,” in order to allow people to spend their daily lives with peace of mind, we endeavor to protect as many people as possible from natural disasters, crime, accidents, and other public dangers, working to provide solutions that will help achieve security and safety in society.

<Public Communication>

In the realm of “Public Communication,” in order to build trust among people in everyday life, we overcome disparities of time, space, language and age, offering solutions for more convenient, more comfortable social communication.

<Public Space Design>

In the realm of “Public Space Design,” toward the goal of stirring people’s hearts and emotions, from everyday small pleasures to extraordinary experiences, we provide solutions that achieve the kind of spatial performance capable of enriching people's minds.

(2) Enrichment of Corporate Governance

[1] Basic Philosophy

At this company, to all stakeholders, by pursuing sound and transparent corporate management underpinned by thorough legal compliance, we remain committed to ensuring long-term and continuous corporate value as one of our most important and permanent management tasks. In order to further strengthen corporate governance, we will aggressively emphasize and reinforce accountability among all stakeholders, including efforts to ensure prompt and appropriate disclosure of relevant information.

[2] Increasing the Number of Independent Outside Directors

On June 24, 2015, the company appointed an independent outside director. The function of this independent outside director is to bring specialized and expert knowledge and skills to bear in actively providing advice, suggestions, and proposals to assist in the overall management of the company, thereby strengthening the decision-making and supervisory functions of our management.

Regarding the number of independent outside directors, with the goal of ensuring sustained mid- and long-term growth for the company, after repeated consideration of candidates capable of enhancing the decision-making and supervisory functions of management, it was decided that starting this fiscal year, along with the current independent outside director, we will invite an additional person to fill the role of independent outside director, resulting in two such individuals filling the role going

forward.

(3) Development of Human Resources

Toward achieving sustainable improvement of corporate value, we feel it essential to cultivate human resources capable of having vision and acting on their own initiative, and to inculcate employees with the objectives of such improvement.

To implement these objectives, the Mid-term Plan also prioritizes investment in “human resource development,” with relevant initiatives including: the active recruitment of personnel who share our corporate values; the introduction of a multi-track personnel system that allows employees to sketch out their own careers; and the promotion of evaluation and other systems that encourage and take advantage of diversity.

(4) Working-Style Reforms

“Working-style reform” is a priority issue for our company, and toward the goal of every employee being able to achieve our corporate values, we regard it as fundamentally important to create an environment in which employees feel motivated to pursue their work. To this end, starting last year, in fiscal 2017, through a management-labor collaboration we launched a project to restructure the way we work, and within this Mid-term Plan, too, initiatives like “team play converting diversity into power” and “radical elimination of wasted effort” are being put into place to help promote workplaces that are easier and more motivating to work in.

(5) Building the “Knowledge Square” New Business Creation Site

We are currently in the process of redeveloping our Takarazuka R&D Center (located in Takarazuka City, Hyogo Prefecture), which has long served as our research and development base, and there we plan to construct a business creation-oriented facility called “Knowledge Square.”

Along with further strengthening R&D functions, our aim is to engender new value by creating “a place of connection” with all stakeholders. Additionally, transforming our overall work style to encourage more lively employee activity will also support and contribute to our “working-style reform” efforts.

Our Takarazuka R&D Center is mainly used by our R&D Department at present, and our redevelopment plan calls for the new construction of a research and development facility within this approximately 21,000m² site.

Other redevelopment efforts focus on global environmental protection, including more use of natural lighting, improving air conditioning efficiency through heat insulation measures, the use of solar panels, and measures to re-use rainwater.

Construction began in March of 2018, and once the new building is completed in December of 2020, it will serve as a base for creating new value and new business, thus driving further growth for the TOA Group.

(6) Capital Policies

We regard enhancement of profit sharing among shareholders as a top management priority, and on a basis of stable dividends, we endeavor to return profits to our shareholders to the greatest extent that business results allow.

Regarding the distribution of surplus funds, taking into consideration business performance on the basis that an annual dividend of ¥20 shall be maintained, we determine the dividend by comprehensively considering a balance between that dividend and internal reserves, while setting a consolidated dividend payout ratio of 35% as a guideline, thus enabling sustainable growth.

We will also examine options like acquisition and retirement of treasury stocks, and the introduction of a stock compensation system, as capital policies intended to increase shareholder value.

With regard to internal reserves, we will secure a stable management foundation over the long term, while actively investing in R&D to increase our competitiveness and strengthen our financial standing toward improving our corporate value.