

Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



November 1, 2018

Company name: TOA Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6809
 URL: <https://www.toa.jp/>
 Representative: Kazuhiro Takeuchi, President, CEO
 Contact: Keigo Yoshida, General Manager of Accounting & Financial Department
 Scheduled date of filing quarterly securities report: November 14, 2018
 Scheduled date of commencing dividend payments: December 4, 2018
 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, 2018 (April 1, 2018 to September 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2018	20,113	4.3	1,182	38.4	1,362	48.0	710	66.4
September 30, 2017	19,281	(0.8)	853	14.7	921	36.5	426	84.8

(Note) Comprehensive income: Six months ended September 30, 2018: ¥439 million [(48.1) %]

Six months ended September 30, 2017: ¥846 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2018	Yen 20.97	Yen -
September 30, 2017	12.60	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	56,845	45,707	76.3
As of March 31, 2018	57,824	45,786	75.2

(Reference) Equity: As of September 30, 2018: ¥43,387 million

As of March 31, 2018: ¥43,502 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, 2018	-	10.00	-	13.00	23.00
Fiscal year ending March 31, 2019	-	10.00	-	-	-
Fiscal year ending March 31, 2019 (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, 2018: Stable dividend ¥20, Performance-based dividend ¥3

Dividends for the fiscal year ending March 31, 2019 (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, 2018” on May 2, 2018.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	47,000	6.4	3,400	(3.2)	3,500	(1.7)	2,150	0.5	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: No

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, 2018: 34,536,635 shares

March 31, 2018: 34,536,635 shares

2) Total number of treasury shares at the end of the period:

September 30, 2018: 674,443 shares

March 31, 2018: 674,280 shares

3) Average number of shares during the period:

Six months ended September 30, 2018: 33,862,269 shares

Six months ended September 30, 2017: 33,862,504 shares

* These quarterly financial results are outside the scope of quarterly review by a certified public accountant or an audit corporation.

* 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 21, 2018. The materials that will be distributed at the briefing are scheduled to be posted 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, 2018, while the Japanese economy continued its moderate recovery trend backed by improvements in corporate earnings and employment situation, and Asian economy continued robust growth and the U.S. economy also continued to recover overseas, the overall global economic outlook remains uncertain, partly due to concerns over trade friction between the U.S. and China.

In such an environment, we have newly launched our “medium-term management plan” from the fiscal year ending March 31, 2019 in order to realize our corporate value “Smiles for the Public.” In the domestic market, we have been expanding our product with “audio notification capabilities” at its core, including delivering the new system “Multi-language Broadcasting Services” that is expected to meet the growing inbound demand. Furthermore, we are continuing on accelerating product development that meets each market needs in each overseas region, as well as enhancing sales channel.

As a result, net sales during the six months ended September 30, 2018 amounted to ¥20,113 million (up ¥832 million, or 4.3%, year on year). As for profits, operating profit amounted to ¥1,182 million (up ¥328 million, or 38.4%, year on year), ordinary profit to ¥1,362 million (up ¥441 million, or 48.0%, year on year), and profit attributable to owners of parent to ¥710 million (up ¥283 million, or 66.4%, year on year).

Performance by segment is as follows.

(Japan)

Net sales amounted to ¥11,540 million (up ¥271 million, or 2.4%, year on year), and segment profit (operating profit) to ¥1,977 million (up ¥50 million, or 2.6%, year on year).

Despite lower sales for disaster reduction and prevention markets, sales for commercial facilities, accommodation facilities and in transportation infrastructure market increased. New product delivery such as video equipment, etc. which was launched in the previous fiscal year progressed, leading to an increase in net sales. Consequently, segment profit increased.

(Asia & Pacific)

Net sales amounted to ¥3,571 million (up ¥282 million, or 8.6%, year on year), and segment profit (operating profit) to ¥515 million (up ¥173 million, or 50.8%, year on year).

Net sales and segment profit increased due mainly to robust sales in Indonesia and Malaysia, and increase of net sales for airport facilities and government sectors in Vietnam.

(Europe, Middle East & Africa)

Net sales amounted to ¥2,541 million (up ¥247 million, or 10.8%, year on year), and segment profit (operating profit) to ¥329 million (up ¥165 million, or 100.2%, year on year).

Net sales and segment profit increased due to robust sales of emergency broadcasting systems, etc. in European countries including Germany and France.

(The Americas)

Net sales amounted to ¥1,676 million (down ¥128 million, or 7.1%, year on year), and segment profit (operating profit) to ¥43 million (up ¥11 million, or 37.8%, year on year).

Net sales decreased due to a delay in sales for railway cars in the U.S. and lower sales of audio equipment in the educational market in Canada. However, segment profit increased due to an improvement in cost ratio.

(China & East Asia)

Net sales amounted to ¥783 million (up ¥158 million, or 25.4%, year on year), and segment profit (operating profit) to ¥50 million (down ¥56 million, or 52.8%, year on year).

Although net sales increased mainly due to large transactions for airports and new distribution expansion in China, and sales in Taiwan and Hong Kong were robust, segment profit decreased due to an increase of operating expenses.

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets at the end of the six months ended September 30, 2018 decreased ¥978 million from the end of the previous fiscal year to ¥56,845 million. Assets decreased due mainly to a decrease in notes and accounts receivable – trade. Decrease in liabilities and net assets are mainly attributable to a decrease in notes and accounts payable – trade.

(ii) Cash Flows

Cash and cash equivalents at the end of the six months ended September 30, 2018 (hereinafter “cash”) increased by ¥452 million from the end of the previous fiscal year to ¥20,122 million. The status of cash flows and their contributing factors during the six months ended September 30, 2018 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,348 million. This was mainly attributable to ¥1,362 million of profit before income taxes, depreciation of ¥499 million, a decrease of ¥3,004 million in notes and accounts receivable – trade, an increase of ¥1,243 million in inventories, and a decrease of ¥947 million in notes and accounts payable – trade, as well as ¥567 million of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥497 million. This was mainly attributable to the purchase of manufacturing equipment and information equipment that amounted to ¥408 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥71 million. This was mainly attributable to ¥439 million of cash dividends paid, despite an increase in short-term loans payable.

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

The financial results forecast for the fiscal year ending March 31, 2019 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	16,958	17,478
Notes and accounts receivable - trade	10,759	7,649
Securities	3,500	3,500
Merchandise and finished goods	5,607	6,180
Work in process	818	979
Raw materials and supplies	2,658	2,906
Other	666	858
Allowance for doubtful accounts	(93)	(59)
Total current assets	40,875	39,493
Non-current assets		
Property, plant and equipment	6,519	6,505
Intangible assets		
Goodwill	306	571
Other	1,329	1,228
Total intangible assets	1,635	1,799
Investments and other assets		
Investment securities	7,577	7,784
Investments and other assets, gross	1,219	1,265
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	8,794	9,046
Total non-current assets	16,949	17,352
Total assets	57,824	56,845
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,906	2,883
Short-term loans payable	852	1,317
Income taxes payable	468	317
Provision	197	198
Other	2,238	1,738
Total current liabilities	7,663	6,454
Non-current liabilities		
Net defined benefit liability	2,704	2,734
Other	1,669	1,949
Total non-current liabilities	4,374	4,683
Total liabilities	12,037	11,137

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	5,279	5,279
Capital surplus	6,866	6,866
Retained earnings	27,324	27,594
Treasury shares	(393)	(394)
Total shareholders' equity	39,077	39,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,668	4,823
Foreign currency translation adjustment	(253)	(777)
Remeasurements of defined benefit plans	11	(5)
Total accumulated other comprehensive income	4,425	4,040
Non-controlling interests	2,283	2,320
Total net assets	45,786	45,707
Total liabilities and net assets	57,824	56,845

(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, 2017	For the six months ended September 30, 2018
Net sales	19,281	20,113
Cost of sales	10,954	11,169
Gross profit	8,326	8,944
Selling, general and administrative expenses	7,472	7,761
Operating profit	853	1,182
Non-operating income		
Interest income	18	28
Dividend income	37	45
Insurance and dividend income	26	26
Foreign exchange gains	—	24
Other	31	79
Total non-operating income	114	204
Non-operating expenses		
Interest expenses	14	19
Foreign exchange losses	22	—
Other	9	3
Total non-operating expenses	46	23
Ordinary profit	921	1,362
Profit before income taxes	921	1,362
Income taxes	340	427
Profit	580	935
Profit attributable to non-controlling interests	153	225
Profit attributable to owners of parent	426	710

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	580	935
Other comprehensive income		
Valuation difference on available-for-sale securities	276	155
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	26	(637)
Remeasurements of defined benefit plans, net of tax	(37)	(14)
Total other comprehensive income	265	(496)
Comprehensive income	846	439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	710	325
Comprehensive income attributable to non-controlling interests	135	113

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	921	1,362
Depreciation	430	499
Increase (decrease) in net defined benefit liability	76	27
Interest and dividend income	(55)	(73)
Foreign exchange losses (gains)	11	(33)
Interest expenses	14	19
Decrease (increase) in notes and accounts receivable – trade	1,851	3,004
Decrease (increase) in inventories	(610)	(1,243)
Increase (decrease) in notes and accounts payable – trade	(432)	(947)
Increase (decrease) in accounts payable - other	(232)	(268)
Other, net	(204)	(488)
Subtotal	1,769	1,858
Interest and dividend income received	56	75
Interest expenses paid	(14)	(17)
Income taxes (paid) refund	(533)	(567)
Net cash provided by (used in) operating activities	1,277	1,348
Cash flows from investing activities		
Payments into time deposits	(387)	(555)
Proceeds from withdrawal of time deposits	442	473
Purchase of property, plant and equipment	(183)	(242)
Proceeds from sales of property, plant and equipment	–	0
Purchase of intangible assets	(221)	(166)
Other, net	(17)	(6)
Net cash provided by (used in) investing activities	(366)	(497)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(453)	490
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	0	0
Repayments of finance lease obligations	(0)	(25)
Cash dividends paid	(405)	(439)
Dividends paid to non-controlling interests	(48)	(96)
Net cash provided by (used in) financing activities	(909)	(71)
Effect of exchange rate change on cash and cash equivalents	27	(327)
Net increase (decrease) in cash and cash equivalents	29	452
Cash and cash equivalents at beginning of period	19,161	19,670
Cash and cash equivalents at end of period	19,191	20,122

(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.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

- Calculation of tax expense

The Company calculates tax expense 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.

(Additional information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Following the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year, deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in non-current liabilities.

(Segment information)

[Segment information]

From the first quarter of the fiscal year, presentation order of the reportable segment has changed. Accordingly, presentation order of the reportable segment for the second quarter of the previous fiscal year has changed as well.

I. For the six months ended September 30, 2017

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	11,268	3,289	2,293	1,804	624	19,281	-	19,281
Inter-segment net sales or transfers	3,039	1,719	1	26	1,808	6,595	(6,595)	-
Total	14,308	5,008	2,294	1,831	2,433	25,876	(6,595)	19,281
Segment profit	1,926	341	164	31	107	2,571	(1,718)	853

(Notes) 1. The adjustment for segment profit of negative ¥1,718 million includes elimination of inter-segment transactions of negative ¥54 million and corporate expenses in the amount of negative ¥1,663 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. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

II. For the six months ended September 30, 2018

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

(Million yen)

	Reportable segment						Adjustment (Note) 1	Amount recorded in Quarterly Consolidated Financial Statements (Note) 2
	Japan	Asia & Pacific	Europe, Middle East & Africa	The Americas	China & East Asia	Total		
Net sales								
Net sales to outside customers	11,540	3,571	2,541	1,676	783	20,113	-	20,113
Inter-segment net sales or transfers	3,405	1,808	3	19	1,785	7,021	(7,021)	-
Total	14,945	5,379	2,544	1,696	2,568	27,134	(7,021)	20,113
Segment profit	1,977	515	329	43	50	2,916	(1,734)	1,182

(Notes) 1. The adjustment for segment profit of negative ¥1,734 million includes elimination of inter-segment transactions of ¥20 million and corporate expenses in the amount of negative ¥1,755 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. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.