

Consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]



August 1, 2019

Company name: TOA Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 6809
 URL: <https://www.toa.jp/>
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 Scheduled date of filing quarterly securities report: August 9, 2019
 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 Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(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 | % |
| Three months ended June 30, 2019 | 9,080 | 3.3 | 203 | 406.8 | 257 | 75.1 | 31 | - |
| June 30, 2018 | 8,788 | 8.0 | 40 | - | 146 | - | (38) | - |

(Note) Comprehensive income: Three months ended June 30, 2019: ¥302 million [- %]
 Three months ended June 30, 2018: ¥(249) million [-%]

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2019 | 0.94 | - |
| June 30, 2018 | (1.13) | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2019 | 56,883 | 45,397 | 75.3 |
| As of March 31, 2019 | 57,742 | 45,689 | 74.8 |

(Reference) Equity: As of June 30, 2019: ¥42,830 million
 As of March 31, 2019: ¥43,207 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2019 | yen | yen | yen | yen | yen |
| Fiscal year ending March 31, 2019 | - | 10.00 | - | 16.00 | 26.00 |
| Fiscal year ending March 31, 2020 (Forecast) | - | 10.00 | - | 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, 2019: Stable dividend ¥20, Performance-based dividend ¥6

Dividends for the fiscal year ending March 31, 2020 (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, 2019” on May 8, 2019.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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 |
| First half (Cumulative) | 22,000 | 9.4 | 1,300 | 10.0 | 1,400 | 2.7 | 800 | 12.7 | 23.63 |
| Full year | 49,000 | 5.7 | 4,000 | 2.5 | 4,100 | 0.0 | 2,450 | (2.2) | 72.35 |

(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):
 - June 30, 2019: 34,536,635 shares
 - March 31, 2019: 34,536,635 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2019: 674,850 shares
 - March 31, 2019: 674,539 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2019: 33,861,974 shares
 - Three months ended June 30, 2018: 33,862,341 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.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the three months ended June 30, 2019, the overall global economic outlook remains unable to shake off the mood of uncertainty, partly due to issues involved in the U.S-China trade frictions and the withdrawal of the UK from the EU, and due attention must be continuously paid to the trends.

In such an environment, we engage in activities to further strengthen our “connection with our customers” through interactions with both people and goods in order to realize our corporate value “Smiles for the Public.” In the domestic market, using our unique perspective as a specialized manufacturer having strength in “Audio notification capabilities,” we have worked on the commercialization of our original technology for increasing sound clarity in public spaces. Furthermore, we are continuing to strengthen our marketing function in five regions around the world, further accelerate product development and expand sales channels to meet the specific needs of each market.

As a result, net sales during the three months ended June 30, 2019 amounted to ¥9,080 million (up ¥291 million, or 3.3%, year on year). As for profits, although selling, general and administrative expenses increased, operating profit amounted to ¥203 million (up ¥163 million, or 406.8%, year on year), ordinary profit to ¥257 million (up ¥110 million, or 75.1%, year on year), and profit attributable to owners of parent to ¥31 million (up ¥70 million year on year).

Performance by segment is as follows.

Effective from the three months ended June 30, 2019, the accounting method for reportable segments has changed. As a result of this change, comparison was made with the figures for the same period of the previous fiscal year recalculated to reflect the new segmentation. For details, see the Segment Information below.

(Japan)

Net sales amounted to ¥5,259 million (up ¥112 million, or 2.2%, year on year), and segment profit (operating profit) to ¥795 million (up ¥199 million, or 33.6%, year on year).

Sales for disaster reduction and prevention markets and transportation infrastructure markets increased, despite a decrease in the delivery of railway cars. Net sales and segment profit increased due mainly to robust sales of video equipment.

(Asia & Pacific)

Net sales amounted to ¥1,681 million (up ¥141 million, or 9.2%, year on year), and segment profit (operating profit) to ¥309 million (up ¥12 million, or 4.3%, year on year).

Net sales and segment profit increased due mainly to robust sales in Thailand and Indonesia, as well as an increase in sales for transportation infrastructure markets in Thailand.

(Europe, Middle East & Africa)

Net sales amounted to ¥1,144 million (down ¥72 million, or 6.0%, year on year), and segment profit (operating profit) to ¥128 million (down ¥69 million, or 35.2%, year on year).

Net sales and segment profit decreased due to a decline in large-scale transactions, in addition to a decrease in sales attributable to the appreciation of yen.

(The Americas)

Net sales amounted to ¥565 million (up ¥33 million, or 6.3%, year on year), and segment profit (operating profit) to ¥73 million (up ¥2 million, or 2.8%, year on year).

Net sales and segment profit increased due mainly to a progress in the delivery of large-scale projects for commercial facilities in the Americas.

(China & East Asia)

Net sales amounted to ¥429 million (up ¥76 million, or 21.5%, year on year), and segment profit (operating profit) to ¥57 million (down ¥0 million, or 0.4%, year on year).

Although net sales increased due mainly to a progress in the delivery of projects for airports in China and Hong Kong, segment profit decreased due to an increase in operating expenses.

(2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2019 decreased ¥859 million from the end of the previous fiscal year to ¥56,883 million. Assets decreased due mainly to a decrease in notes and accounts receivable – trade, despite an increase in property, plant and equipment. The decrease in liabilities and net assets is mainly attributable to a decrease in notes and accounts payable – trade, and a decrease in retained earnings due to cash dividends paid.

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

The financial results forecast for the six months ending September 30, 2019 and the fiscal year ending June 30, 2020 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 17,014 | 15,662 |
| Notes and accounts receivable - trade | 10,305 | 7,249 |
| Securities | 3,500 | 3,500 |
| Merchandise and finished goods | 6,175 | 6,971 |
| Work in process | 846 | 1,047 |
| Raw materials and supplies | 2,994 | 3,056 |
| Other | 671 | 1,153 |
| Allowance for doubtful accounts | (85) | (54) |
| Total current assets | 41,423 | 38,586 |
| Non-current assets | | |
| Property, plant and equipment | 7,747 | 9,586 |
| Intangible assets | 1,703 | 1,590 |
| Investments and other assets | | |
| Investment securities | 5,524 | 5,739 |
| Investments and other assets, gross | 1,345 | 1,382 |
| Allowance for doubtful accounts | (1) | (0) |
| Total investments and other assets | 6,869 | 7,120 |
| Total non-current assets | 16,319 | 18,297 |
| Total assets | 57,742 | 56,883 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,066 | 3,225 |
| Short-term borrowings | 934 | 857 |
| Income taxes payable | 417 | 175 |
| Provisions | 182 | 144 |
| Other | 2,472 | 2,647 |
| Total current liabilities | 8,073 | 7,049 |
| Non-current liabilities | | |
| Retirement benefit liability | 2,625 | 2,653 |
| Other | 1,354 | 1,782 |
| Total non-current liabilities | 3,979 | 4,436 |
| Total liabilities | 12,053 | 11,486 |

(Million yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,279 | 5,279 |
| Capital surplus | 6,866 | 6,866 |
| Retained earnings | 29,050 | 28,540 |
| Treasury shares | (394) | (394) |
| Total shareholders' equity | 40,802 | 40,292 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,250 | 3,396 |
| Foreign currency translation adjustment | (868) | (885) |
| Remeasurements of defined benefit plans | 23 | 26 |
| Total accumulated other comprehensive income | 2,404 | 2,538 |
| Non-controlling interests | 2,481 | 2,566 |
| Total net assets | 45,689 | 45,397 |
| Total liabilities and net assets | 57,742 | 56,883 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2018 | For the three months ended June 30, 2019 |
|--|---|---|
| Net sales | 8,788 | 9,080 |
| Cost of sales | 4,863 | 4,931 |
| Gross profit | 3,924 | 4,148 |
| Selling, general and administrative expenses | 3,884 | 3,945 |
| Operating profit | 40 | 203 |
| Non-operating income | | |
| Interest income | 7 | 4 |
| Dividend income | 44 | 45 |
| Foreign exchange gains | 22 | — |
| Other | 42 | 40 |
| Total non-operating income | 117 | 90 |
| Non-operating expenses | | |
| Interest expenses | 8 | 14 |
| Foreign exchange losses | — | 19 |
| Other | 2 | 2 |
| Total non-operating expenses | 10 | 35 |
| Ordinary profit | 146 | 257 |
| Profit before income taxes | 146 | 257 |
| Income taxes | 83 | 115 |
| Profit | 63 | 142 |
| Profit attributable to non-controlling interests | 101 | 110 |
| Profit (loss) attributable to owners of parent | (38) | 31 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2018 | For the three months ended June 30, 2019 |
|--|---|---|
| Profit | 63 | 142 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 265 | 146 |
| Foreign currency translation adjustment | (573) | 9 |
| Remeasurements of defined benefit plans, net of tax | (4) | 3 |
| Total other comprehensive income | (312) | 159 |
| Comprehensive income | (249) | 302 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (242) | 165 |
| Comprehensive income attributable to non-controlling interests | (6) | 137 |

(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.

(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.

(Changes in accounting policies)

The overseas consolidated subsidiaries that adopt International Financial Reporting Standards (IFRS) have applied IFRS 16 "Leases" from the three months ended June 30, 2019. Accordingly, for lessee's lease transactions, assets and liabilities are recognized for all leases, in principle.

As a result, property, plant and equipment increased by ¥472 million and other under current liabilities and non-current liabilities increased by ¥476 million respectively at the beginning of the three months ended June 30, 2019. This change in accounting policy gave little impact on the profit (loss) for the three months ended June 30, 2019.

(Segment information)

[Segment information]

I. For the three months ended June 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 | 5,146 | 1,539 | 1,217 | 532 | 353 | 8,788 | - | 8,788 |
| Inter-segment net sales or transfers | 749 | 30 | 2 | 2 | 6 | 791 | (791) | - |
| Total | 5,895 | 1,570 | 1,219 | 534 | 360 | 9,580 | (791) | 8,788 |
| Segment profit | 595 | 297 | 198 | 71 | 58 | 1,220 | (1,180) | 40 |

(Notes) 1. The adjustment for segment profit of negative ¥1,180 million includes elimination of inter-segment transactions of ¥31 million and corporate expenses in the amount of negative ¥1,212 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the headquarters divisions which are not attributable to a reportable segment.

2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

II. For the three months ended June 30, 2019

1. 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 | 5,259 | 1,681 | 1,144 | 565 | 429 | 9,080 | - | 9,080 |
| Inter-segment net sales or transfers | 1,101 | 32 | 2 | 1 | 4 | 1,142 | (1,142) | - |
| Total | 6,360 | 1,713 | 1,147 | 566 | 433 | 10,222 | (1,142) | 9,080 |
| Segment profit | 795 | 309 | 128 | 73 | 57 | 1,365 | (1,162) | 203 |

(Notes) 1. The adjustment for segment profit of negative ¥1,162 million includes elimination of inter-segment transactions of ¥38 million and corporate expenses in the amount of negative ¥1,200 million not previously allocated to the reportable segments. The relevant corporate expenses are mainly costs relating to the headquarters divisions which are not attributable to a reportable segment.

2. Segment profit has been adjusted with operating profit in quarterly consolidated financial statements.

2. Changes in reportable segments, etc.

Effective from the three months ended June 30, 2019, the production function was shifted from the Asia & Pacific segment and the China & East Asia segment to the Japan segment, and the sales function of railway car equipment was shifted from the Americas segment to the Japan segment in order to better define the Company-oriented functions and the segmentation classification.

Furthermore, the Company's operating transactions for each segment were included in the results to gain a better understanding of the performance of the Asia & Pacific segment, the Europe, Middle East & Africa segment, the Americas segment, and the China & East Asia segment.

As a result of this change, the segment information for the same period of the previous fiscal year was prepared to reflect the new segmentation.