

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/>
 Representative: Kazuhiro Takeuchi, President, CEO
 Contact: Keigo Yoshida, General Manager of Accounting & Financial Department
 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	4
(1) Explanation of Operating Results.....	4
(2) Explanation of Financial Position	5
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information	5
2. Quarterly Consolidated Financial Statements and Primary Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income.....	8
Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Notes to the Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption).....	10
(Notes in the case of significant changes in shareholders' equity).....	10
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)	10
(Changes in accounting policies)	10
(Segment information)	11

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.