

# Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]



November 5, 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: November 14, 2019  
 Scheduled date of commencing dividend payments: December 3, 2019  
 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, 2019 (April 1, 2019 to September 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	%
Six months ended September 30, 2019	20,766	3.2	1,167	(1.2)	1,278	(6.2)	670	(5.6)
September 30, 2018	20,113	4.3	1,182	38.4	1,362	48.0	710	66.4

(Note) Comprehensive income: Six months ended September 30, 2019: ¥822 million [87.3 %]  
 Six months ended September 30, 2018: ¥439 million [(48.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	19.79	-
September 30, 2018	20.97	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	57,526	45,940	75.3
As of March 31, 2019	57,742	45,689	74.8

(Reference) Equity: As of September 30, 2019: ¥43,325 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
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2019	-	10.00	-	16.00	26.00
Fiscal year ending March 31, 2020	-	10.00	-	-	-
Fiscal year ending March 31, 2020 (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, 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
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):
    - September 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:
    - September 30, 2019: 656,986 shares
    - March 31, 2019: 674,539 shares
  - 3) Average number of shares during the period:
    - Six months ended September 30, 2019: 33,868,428 shares
    - Six months ended September 30, 2018: 33,862,269 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 Thursday, November 21, 2019. The materials that will be distributed at the briefing are scheduled to be posted on our website promptly after the session.

## 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) Quarterly Consolidated Statements of Cash Flows .....	10
(4) Notes to the Quarterly Consolidated Financial Statements .....	11
(Notes on going concern assumption).....	11
(Notes in the case of significant changes in shareholders' equity).....	11
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements) .....	11
(Changes in accounting policies) .....	11
(Segment information) .....	12

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

### (1) Explanation of Operating Results

During the six months ended September 30, 2019, the overall global economic outlook remains unable to shake off the mood of uncertainty, partly due to the economic slowdowns in various countries caused by the U.S-China trade frictions and complications associated with 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 with strength in “Audio notification capabilities,” we work to enhance our product lineup and introduce new products that have especially incorporated AI and IoT technologies to the market. 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 six months ended September 30, 2019 amounted to ¥20,766 million (up ¥652 million, or 3.2%, year on year). As for profits, as selling, general and administrative expenses increased, operating profit amounted to ¥1,167 million (down ¥14 million, or 1.2%, year on year), ordinary profit to ¥1,278 million (down ¥84 million, or 6.2%, year on year), and profit attributable to owners of parent to ¥670 million (down ¥39 million, or 5.6%, 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 ¥12,754 million (up ¥597 million, or 4.9%, year on year), and segment profit (operating profit) to ¥2,557 million (up ¥374 million, or 17.2%, year on year).

Sales of audio equipment and video equipment were robust, despite a decrease in the delivery of railway cars. Particularly, sales for disaster reduction and prevention markets and office building ancillary equipment market increased. As a result, net sales and segment profit increased.

#### (Asia & Pacific)

Net sales amounted to ¥3,812 million (up ¥243 million, or 6.8%, year on year), and segment profit (operating profit) to ¥711 million (up ¥31 million, or 4.6%, year on year).

Net sales and segment profit increased due to the progress in the delivery of large-scale projects for transportation infrastructure markets in Thailand and for the government and public sector demand in Indonesia.

#### (Europe, Middle East & Africa)

Net sales amounted to ¥2,329 million (down ¥211 million, or 8.3%, year on year), and segment profit (operating profit) to ¥296 million (down ¥253 million, or 46.0%, year on year).

Sales of audio equipment increased in the UK. On the other hand, overall 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 ¥1,052 million (down ¥11 million, or 1.1%, year on year), and segment profit (operating profit) to ¥62 million (down ¥67 million, or 52.1%, year on year).

Net sales and segment profit decreased due to lower sales in Canada, despite a progress in the delivery of large-scale projects for commercial facilities in the Americas.

(China & East Asia)

Net sales amounted to ¥816 million (up ¥35 million, or 4.5%, year on year), and segment profit (operating profit) to ¥115 million (up ¥18 million, or 19.2%, year on year).

In China, the delivery of large-scale projects for airports progressed and sales were robust mainly for the educational market. Sales in Taiwan also grew and net sales and segment profit increased.

## (2) Explanation of Financial Position

### (i) Assets, Liabilities and Net Assets

Total assets at the end of the six months ended September 30, 2019 decreased ¥216 million from the end of the previous fiscal year to ¥57,526 million. Assets decreased due mainly to a decrease in trade receivables, despite an increase in property, plant and equipment. The decrease in liabilities and net assets is mainly attributable to a decrease in trade payables.

### (ii) Cash Flows

Cash and cash equivalents at the end of the six months ended September 30, 2019 (hereinafter “cash”) decreased by ¥1,391 million from the end of the previous fiscal year to ¥18,268 million. The status of cash flows and their contributing factors during the six months ended September 30, 2019 are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥659 million. This was mainly attributable to ¥1,278 million of profit before income taxes, depreciation of ¥668 million, a decrease of ¥2,240 million in trade receivables, an increase of ¥1,158 million in inventories, a decrease of ¥1,111 million in trade payables, and ¥537 million of income taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,496 million. This was mainly attributable to the new construction of a research and development facility, etc. and the purchase of manufacturing equipment that amounted to ¥1,619 million.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to ¥360 million. This was mainly attributable to ¥541 million of cash dividends paid.

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

The financial results forecast for the fiscal year ending March 31, 2020 have not been revised from the initial forecast announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” on May 8, 2019.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	17,014	15,381
Notes and accounts receivable - trade	10,305	8,013
Securities	3,500	3,500
Merchandise and finished goods	6,175	6,838
Work in process	846	1,054
Raw materials and supplies	2,994	3,139
Other	671	868
Allowance for doubtful accounts	(85)	(61)
<b>Total current assets</b>	<b>41,423</b>	<b>38,734</b>
Non-current assets		
Property, plant and equipment	7,747	9,966
Intangible assets	1,703	1,521
Investments and other assets		
Investment securities	5,524	5,911
Investments and other assets, gross	1,345	1,392
Allowance for doubtful accounts	(1)	(0)
<b>Total investments and other assets</b>	<b>6,869</b>	<b>7,303</b>
<b>Total non-current assets</b>	<b>16,319</b>	<b>18,791</b>
<b>Total assets</b>	<b>57,742</b>	<b>57,526</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,066	2,930
Short-term borrowings	934	1,324
Income taxes payable	417	315
Provisions	182	189
Other	2,472	2,318
<b>Total current liabilities</b>	<b>8,073</b>	<b>7,078</b>
Non-current liabilities		
Retirement benefit liability	2,625	2,634
Other	1,354	1,872
<b>Total non-current liabilities</b>	<b>3,979</b>	<b>4,507</b>
<b>Total liabilities</b>	<b>12,053</b>	<b>11,586</b>

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	5,279	5,279
Capital surplus	6,866	6,879
Retained earnings	29,050	29,179
Treasury shares	(394)	(385)
Total shareholders' equity	40,802	40,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,250	3,523
Foreign currency translation adjustment	(868)	(1,182)
Remeasurements of defined benefit plans	23	30
Total accumulated other comprehensive income	2,404	2,371
Non-controlling interests	2,481	2,614
Total net assets	45,689	45,940
Total liabilities and net assets	57,742	57,526

(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, 2018	For the six months ended September 30, 2019
Net sales	20,113	20,766
Cost of sales	11,169	11,525
Gross profit	8,944	9,240
Selling, general and administrative expenses	7,761	8,072
Operating profit	1,182	1,167
Non-operating income		
Interest income	28	24
Dividend income	45	45
Foreign exchange gains	24	—
Other	105	84
Total non-operating income	204	154
Non-operating expenses		
Interest expenses	19	32
Foreign exchange losses	—	6
Other	3	5
Total non-operating expenses	23	43
Ordinary profit	1,362	1,278
Profit before income taxes	1,362	1,278
Income taxes	427	380
Profit	935	898
Profit attributable to non-controlling interests	225	227
Profit attributable to owners of parent	710	670



Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit	935	898
Other comprehensive income		
Valuation difference on available-for-sale securities	155	272
Foreign currency translation adjustment	(637)	(357)
Remeasurements of defined benefit plans, net of tax	(14)	8
Total other comprehensive income	(496)	(75)
Comprehensive income	439	822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	325	637
Comprehensive income attributable to non-controlling interests	113	185

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,362	1,278
Depreciation	499	668
Increase (decrease) in retirement benefit liability	27	21
Interest and dividend income	(73)	(70)
Foreign exchange losses (gains)	(33)	20
Interest expenses	19	32
Decrease (increase) in trade receivables	3,004	2,240
Decrease (increase) in inventories	(1,243)	(1,158)
Increase (decrease) in trade payables	(947)	(1,111)
Increase (decrease) in accounts payable - other	(268)	(249)
Other, net	(488)	(514)
Subtotal	1,858	1,158
Interest and dividends received	75	71
Interest paid	(17)	(33)
Income taxes (paid) refund	(567)	(537)
Net cash provided by (used in) operating activities	1,348	659
Cash flows from investing activities		
Payments into time deposits	(555)	(384)
Proceeds from withdrawal of time deposits	473	612
Purchase of property, plant and equipment	(242)	(1,619)
Proceeds from sales of property, plant and equipment	0	5
Purchase of intangible assets	(166)	(86)
Other, net	(6)	(23)
Net cash provided by (used in) investing activities	(497)	(1,496)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	490	413
Purchase of treasury shares	(0)	(0)
Proceeds from sales of treasury shares	0	—
Repayments of finance lease obligations	(25)	(153)
Dividends paid	(439)	(541)
Dividends paid to non-controlling interests	(96)	(78)
Net cash provided by (used in) financing activities	(71)	(360)
Effect of exchange rate change on cash and cash equivalents	(327)	(193)
Net increase (decrease) in cash and cash equivalents	452	(1,391)
Cash and cash equivalents at beginning of period	19,670	19,660
Cash and cash equivalents at end of period	20,122	18,268

#### (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.

(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 six months ended September 30, 2019.

(Segment information)

[Segment information]

I. 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	12,157	3,569	2,541	1,063	781	20,113	-	20,113
Inter-segment net sales or transfers	1,852	56	6	4	10	1,931	(1,931)	-
Total	14,009	3,625	2,547	1,068	792	22,044	(1,931)	20,113
Segment profit	2,183	680	549	130	96	3,640	(2,458)	1,182

(Notes) 1. The adjustment for segment profit of negative ¥2,458 million includes elimination of inter-segment transactions of ¥36 million and corporate expenses in the amount of negative ¥2,494 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 six months ended September 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	12,754	3,812	2,329	1,052	816	20,766	-	20,766
Inter-segment net sales or transfers	2,149	57	5	2	15	2,231	(2,231)	-
Total	14,904	3,870	2,335	1,055	832	22,998	(2,231)	20,766
Segment profit	2,557	711	296	62	115	3,744	(2,576)	1,167

(Notes) 1. The adjustment for segment profit of negative ¥2,576 million includes elimination of inter-segment transactions of ¥40 million and corporate expenses in the amount of negative ¥2,616 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.