

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



November 7, 2019

Company name: A&D Company, Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 7745  
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 Scheduled date of filing quarterly securities report: November 12, 2019  
 Scheduled date of commencing dividend payments: December 9, 2019  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors)

(Amounts of less than one million yen are truncated.)

## 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 parent company shareholders	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2019	22,826	8.7	944	170.7	771	92.0	182	(40.2)
September 30, 2018	21,003	10.0	348	10.7	401	11.1	305	75.3

Note: Comprehensive income Six months ended September 30, 2019: ¥(6) million [-%]  
 Six months ended September 30, 2018: ¥249 million [91.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2019	Yen 8.93	Yen 8.69
September 30, 2018	14.93	14.89

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	48,942	17,847	34.0
As of March 31, 2019	50,981	18,090	33.6

Reference: Equity As of September 30, 2019: ¥16,660 million  
 As of March 31, 2019: ¥17,131 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 7.00	Yen -	Yen 10.00	Yen 17.00
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

### 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 parent company shareholders		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	50,000	3.4	3,200	16.3	2,900	8.1	1,720	(9.5)	83.95

Note: Revision to the financial results forecast announced most recently: Yes

#### \* Notes:

- (1) Changes in significant subsidiaries during the period under review: No  
(Changes in specified subsidiaries accompanying changes to the scope of consolidation)  
New: - companies (Company name) - ; Excluded: - companies (Company name) -
  - (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 stock)
    - 1) Total number of issued shares at the end of the period (including treasury stock):  
September 30, 2019: 22,579,700 shares  
March 31, 2019: 22,579,700 shares
    - 2) Total number of treasury stock at the end of the period:  
September 30, 2019: 2,091,335 shares  
March 31, 2019: 2,091,335 shares
    - 3) Average number of shares during the period:  
Six months ended September 30, 2019: 20,488,365 shares  
Six months ended September 30, 2018: 20,488,419 shares  
Note: The number of treasury stock eliminated when calculating the total number of treasury stock at the end of the period and the average number of shares during the period includes the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets for the stock benefit trust system.
- \* These consolidated financial results are outside the scope of quarterly review by certified public accountants or audit corporations.
- \* Explanation of the proper use of financial results forecasts and other notes  
Forward-looking statements in this document, including financial results forecasts, are based on information available and certain assumptions deemed reasonable by the Company at present, and the Company does not guarantee their achievement. Actual business results, etc., may differ significantly due to various factors.

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

### (1) Business Results

Regarding the economic environment surrounding A&D Company, Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) during the six months ended September 30, 2019, although corporate earnings remained on a firm footing in Japan, the future remains uncertain with a slowdown in external demand triggered by deteriorating relations with South Korea and trade friction between the United States and China, as well as concerns of a decline in consumer activity upon the domestic consumption tax hike from October, and chaos outside Japan such as the United Kingdom’s Brexit issue and the situation in the Middle East.

Amid such circumstances, the Group focused on developing new products and cultivating new markets to respond to diverse and changing needs among customers and society. In addition, the Group strived to differentiate its products from those of competitors through ongoing active investments to develop growth sectors.

As a result, net sales for the six months ended September 30, 2019 were ¥22,826 million (up 8.7% year-on-year), operating profit was ¥944 million (up 170.7% year-on-year), ordinary profit was ¥771 million (up 92.0% year-on-year), and profit attributable to parent company shareholders was ¥182 million (down 40.2% year-on-year).

Business results by segment are as follows.

#### 1) Measurement and Weighing Instruments Business

In Japan, sales related to semiconductor instruments of HOLON CO., LTD., which became a consolidated subsidiary in the previous fiscal year recorded a significant increase, and sales and profits of indicators and scales also grew. In measurement and control simulation systems (DSP systems), while there were strong items such as the powertrain test bench, etc., overall sales struggled and decreased year on year.

In the Americas, sales were stagnant due to lackluster performance of metal detectors and checkweighers in weighing instruments, and also because a large-scale order for measurement and control simulation systems (DSP systems) did not lead to commensurate sales.

In Asia and Oceania, although sales of metal detectors and checkweighers in Australia remained strong from the previous fiscal year on a local currency basis, sales decreased due to the trend toward appreciation of the yen and the settlement of special demand for testing equipment in South Korea in the previous corresponding period.

As a result, net sales in the measurement and weighing instruments business were ¥14,107 million (up 7.9% year-on-year) and operating profit was ¥799 million (up 19.5% year-on-year).

#### 2) Medical and Healthcare Business

In Japan, while sales fell for household-use healthcare instruments, primarily activity monitors and fully automatic blood pressure monitors that had experienced special demand in the previous fiscal year, profit grew for professional-use products due to favorable sales mainly of blood pressure monitors for nursing use.

In the Americas, sales increased significantly as shipments continued for a large-scale project in the United States and strong sales mainly of blood glucose meters in Canada.

In Europe, sales increased mainly for blood pressure monitors for household use in Russia.

As a result, net sales in the medical and healthcare business were ¥8,718 million (up 10.0% year-on-year) and operating profit was ¥847 million (up 12.9% year-on-year).

## (2) Financial Position

(Assets, liabilities and net assets)

Total assets as of September 30, 2019 were ¥48,942 million, a decrease of ¥2,039 million compared to the end of the previous fiscal year. This is due to an increase of ¥115 million in fixed assets resulting from an increase in property, plant and equipment mainly attributable to a right-of-use asset newly recorded as a result of changes in accounting standards at overseas subsidiaries and other factors, while there was a decrease of ¥2,155 million in current assets, mainly bills and accounts receivable.

Total liabilities as of September 30, 2019 were ¥31,095 million, a decrease of ¥1,795 million compared to the end of the previous fiscal year. This is due to an increase in long-term debt and an increase of ¥885 million in fixed liabilities mainly owing to an increase in lease obligations in “other” under fixed liabilities in line with the changes in accounting standards at subsidiaries that adopt International Financial Reporting Standards, while current liabilities decreased by ¥2,681 million mainly due to a decrease in bills and accounts payable and short-term debt.

Net assets as of September 30, 2019 were ¥17,847 million, a decrease of ¥243 million compared to the end of the previous fiscal year. This was primarily attributable to a decline in foreign currency translation adjustments, etc. resulting in a decrease of ¥445 million in accumulated other comprehensive income.

## (3) Consolidated Financial Results Forecast and Other Forward-looking Information

In view of recent business trends and other factors, the Company revised its consolidated financial results forecast for the fiscal year ending March 31, 2020 that was announced on May 10, 2019. For details, please see the “Notice Regarding Difference Between Financial Results Forecast and Financial Results for the Six Months Ended September 30, 2019 and Revision of Full-year Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020,” separately announced today.

## 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	8,412	8,651
Bills and accounts receivable	14,659	11,924
Products	6,999	7,425
Unfinished goods	2,834	3,115
Raw materials and supplies	3,513	3,241
Other	926	836
Allowance for doubtful accounts	(203)	(208)
Total current assets	37,141	34,986
Fixed assets		
Tangible fixed assets		
Land	4,172	4,483
Other, net	5,198	5,101
Total tangible fixed assets	9,370	9,585
Intangible fixed assets		
Goodwill	416	348
Other	1,846	1,707
Total intangible fixed assets	2,262	2,055
Investments, etc.	2,206	2,315
Total fixed assets	13,840	13,956
Total assets	50,981	48,942
<b>Liabilities</b>		
Current liabilities		
Bills and accounts payable	5,398	4,104
Short-term debt	11,980	11,491
Long-term borrowings to be repaid within one year	3,162	3,098
Accrued corporate taxes, etc.	619	451
Provision for bonuses	1,136	1,166
Provision for product warranties	155	169
Other	4,339	3,631
Total current liabilities	26,794	24,113
Fixed liabilities		
Corporate bonds	505	500
Long-term debt	4,035	4,646
Provision for product warranties	64	53
Debt related to retirement benefits	941	931
Provision for directors' share benefits	41	50
Other	507	799
Total fixed liabilities	6,096	6,982
Total liabilities	32,890	31,095

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Common stock	6,388	6,388
Capital surplus	6,412	6,412
Retained earnings	7,406	7,381
Treasury stock	(1,136)	(1,136)
Total shareholders' equity	19,070	19,045
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	21	20
Foreign currency translation adjustments	(2,526)	(2,902)
Accumulated adjustment on retirement benefits	564	497
Total accumulated other comprehensive income	(1,939)	(2,385)
Share acquisition rights	11	11
Non-controlling shareholders' equity	948	1,175
Total net assets	18,090	17,847
Total liabilities and net assets	50,981	48,942

## (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	21,003	22,826
Cost of sales	11,890	12,788
Gross profit	9,112	10,038
Selling, general and administrative expenses	8,763	9,093
Operating profit	348	944
Non-operating income		
Interest income	34	26
Investment gain on equity method	86	3
Rent received	15	16
Other	107	48
Total non-operating income	244	95
Non-operating expenses		
Interest expense	109	120
Exchange loss	15	74
Other	67	73
Total non-operating expenses	192	268
Ordinary profit	401	771
Extraordinary income		
Gain on step acquisitions	498	-
Gain on sale of fixed assets	1	0
Total extraordinary income	500	0
Extraordinary loss		
Loss on sale of fixed assets	3	0
Loss on disposal of fixed assets	0	13
Impairment loss	461	-
Loss on valuation of investment securities	9	1
Total extraordinary loss	474	15
Profit before taxes	427	756
Corporate, inhabitant and business taxes	217	440
Corporate tax adjustments	(131)	(133)
Total corporate taxes	86	307
Profit	340	449
Profit attributable to non-controlling shareholders' equity	35	266
Profit attributable to parent company shareholders	305	182

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	340	449
Other comprehensive income		
Unrealized gains on other marketable securities	4	(1)
Foreign currency translation adjustments	(48)	(384)
Adjustment related to retirement benefits	(47)	(67)
Equity equivalent for equity method affiliates	0	(1)
Total other comprehensive income	(91)	(455)
Comprehensive income	249	(6)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	212	(262)
Comprehensive income attributable to non-controlling shareholders' equity	37	256

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of IFRS 16 "Leases")

Subsidiaries applying International Financial Reporting Standards have applied International Financial Reporting Standards 16 "Leases" (hereinafter referred to as "IFRS 16") from the beginning of the first quarter ended June 30, 2019.

As a result, with regard to lease transactions as lessee, in principle, for all leases, right-of-use assets and lease obligations are recognized, and depreciation of the right-of-use assets and interest expenses on the lease obligations are recorded.

Regarding the application of IFRS 16, a method recognized as a transitional treatment is applied, in which the cumulative impact of applying this standard is recognized at the date of initial application.

In line with the application of this standard, as of the beginning of the first quarter ended June 30, 2019, right-of-use assets included in "other, net" under tangible fixed assets and the total amount of lease obligations included in "other" under current liabilities and fixed liabilities increased by ¥569 million, respectively.

The impact of this change on the profit and loss of the six months ended September 30, 2019 is immaterial.

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

	For the six months ended September 30, 2019
Calculation of tax expenses	Tax expenses for certain consolidated subsidiaries are calculated by reasonably estimating the effective tax rate after tax effect accounting to be applied to profit before taxes for the fiscal year, which includes the second quarter under review, and multiplying profit before taxes by the estimated effective tax rate thus obtained.

(Segment information, etc.)  
 [Segment information]

I. For the six months ended September 30, 2018

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

(Million yen)

	Measurement and Weighing Instruments Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	9,210	1,663	411	1,791	13,076
Inter-segment net sales or transfers	1,379	91	19	1,308	2,798
Total	10,590	1,754	430	3,100	15,875
Segment profit (loss)	581	(71)	(29)	188	668

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	2,274	2,292	3,179	179	7,926	-	21,003
Inter-segment net sales or transfers	3,938	-	-	3,153	7,091	(9,890)	-
Total	6,212	2,292	3,179	3,333	15,018	(9,890)	21,003
Segment profit (loss)	570	(164)	109	236	750	(1,070)	348

Notes: 1. The adjustment of ¥(1,070) million in segment profit (loss) includes corporate expenses of ¥(764) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statements of income.

2. Information on impairment loss or goodwill, etc., for fixed assets by reportable segment  
 (Significant changes in amount of goodwill)

In the measurement and weighing instruments business, due to the additional acquisition of shares in HOLON CO., LTD., a former equity method affiliate, the said company has been included in the scope of consolidation as a consolidated subsidiary, with a deemed acquisition date of June 30, 2018. The amount of increase in goodwill as a result of this consolidation is ¥844 million.

As a result of careful consideration of the recoverability of goodwill based on the future business plans, etc., of HOLON CO., LTD., goodwill has been reduced to the recoverable amount and an impairment loss of ¥461 million has been recorded.

II. For the six months ended September 30, 2019

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

(Million yen)

	Measurement and Weighing Instruments Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	10,692	1,478	414	1,522	14,107
Inter-segment net sales or transfers	1,084	82	18	1,213	2,398
Total	11,777	1,560	433	2,735	16,506
Segment profit (loss)	715	(30)	(20)	134	799

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	2,272	2,936	3,335	173	8,718	-	22,826
Inter-segment net sales or transfers	4,200	5	12	3,092	7,312	(9,710)	-
Total	6,473	2,942	3,348	3,266	16,030	(9,710)	22,826
Segment profit (loss)	780	(205)	114	158	847	(702)	944

Notes: 1. The adjustment of ¥(702) million in segment profit (loss) includes corporate expenses of ¥(787) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit (loss) is adjusted with operating loss on the consolidated statements of income.

2. Information on impairment loss or goodwill, etc., for fixed assets by reportable segment

Not applicable.