

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



August 6, 2019

Company name: A&D Company, Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 7745

URL: <https://www.aandd.jp/>

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Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

## 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 parent company shareholders |   |
|--------------------|-------------|------|------------------|---|-----------------|---|--|---|
| Three months ended | Million yen | %    | Million yen      | % | Million yen     | % | Million yen  | % |
| June 30, 2019      | 10,690      | 13.2 | 79               | - | (22)            | - | (211)  | - |
| June 30, 2018      | 9,442       | 8.9  | (281)            | - | (269)           | - | (235)  | - |

Note: Comprehensive income Three months ended June30, 2019: ¥(319) million [-%]

Three months ended June30, 2018: ¥(372) million [-%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen                      | Yen                        |
| June 30, 2019      | (10.32)                  | -                          |
| June 30, 2018      | (11.51)                  | -                          |

(2) Consolidated Financial Position

|                      | Total assets | Net assets  | Equity ratio |
|----------------------|--------------|-------------|--------------|
|                      | Million yen  | Million yen | %            |
| As of June 30, 2019  | 50,550       | 17,533      | 32.6         |
| As of March 31, 2019 | 50,981       | 18,090      | 33.6         |

Reference: Equity As of June 30, 2019: ¥16,489 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 |
|  | Yen              | Yen             | Yen             | Yen      | Yen   |
| Fiscal year ended March 31, 2019             | -                | 7.00            | -               | 10.00    | 17.00 |
| Fiscal year ending March 31, 2020            | -                |                 |                 |          |       |
| Fiscal year ending March 31, 2020 (Forecast) |                  | 10.00           | -               | 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                      |
| First half (cumulative) | 24,600      | 17.1 | 1,240            | 255.5 | 1,060           | 164.0 | 80   | (73.8) | 3.91                     |
| Full year               | 53,500      | 10.7 | 4,000            | 45.4  | 3,680           | 37.1  | 2,250  | 18.4   | 109.82                   |

Note: Revision to the financial results forecast announced most recently: No

#### \* 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):  
June 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:  
June 30, 2019: 2,091,335 shares  
March 31, 2019: 2,091,335 shares
  - 3) Average number of shares during the period:  
Three months ended June 30, 2019: 20,488,365 shares  
Three months ended June 30, 2018: 20,488,420 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 three months ended June 30, 2019 in Japan, there were concerns over the future such as decline in consumer spending due to the consumption tax hike scheduled for October and pension problems. However, recent corporate performance remained robust.

In the global economy, the future remains uncertain not only due to growing concerns about peaking out of the strong United States economy triggered by trade friction with China, but also due to the United Kingdom’s Brexit issue and the situation in the Middle East, etc.

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 in development in growth sectors.

As a result, net sales for the three months ended June 30, 2019 were ¥10,690 million (up 13.2% year-on-year), operating profit was ¥79 million (operating loss of ¥281 million in the previous corresponding period), ordinary loss was ¥22 million (ordinary loss of ¥269 million in the previous corresponding period), and loss attributable to parent company shareholders was ¥211 million (loss attributable to parent company shareholders of ¥235 million in the previous corresponding period).

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 subsidiary in the previous fiscal year recorded a significant increase, and sales of products such as heat stroke index monitors and hygrometer also grew. In the measurement and control simulation systems (DSP systems), while there were strong items such as powertrain test bench, etc., the overall sales struggled and decreased year on year.

In the Americas, both sales and profit decreased due to stagnating sales of metal detectors and checkweighers in weighing instruments, as well as weakened orders for measurement and control simulation systems (DSP systems).

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

As a result, net sales in the measurement and weighing instruments business was ¥6,425 million (up 11.4% year-on-year) and operating profit was ¥81 million (operating loss of ¥3 million in the previous corresponding period).

#### 2) Medical and Healthcare Business

In Japan, strong sales of fully automatic blood pressure monitors for professional use and contributions from sales of a new product in blood pressure monitors for household use increased sales year on year. In addition, the improvement of cost ratio increased profit.

In the Americas, sales increased owing to continuous shipments of large-scale order received in the United States and strong sales of blood pressure monitors and other products in Canada.

In Europe, profit increased due to sales growth mainly in blood pressure monitors for household use in Russia and successful reduction of cost.

As a result, net sales in the medical and healthcare business were ¥4,264 million (up 16.0% year-on-year) and operating profit was ¥406 million (up 451.1% year-on-year).

## (2) Financial Position

(Assets, liabilities and net assets)

Total assets as of June 30, 2019 were ¥50,550 million, a decrease of ¥431 million compared to the end of the previous fiscal year. This is due to a decrease of ¥813 million in current assets owing to a decrease in bills and accounts receivable, etc. despite increases in cash and deposits and inventory. Also, this is due to an increase of ¥382 million in fixed assets resulting from an increase in property, plant and equipment, etc. mainly attributable to a right-of-use asset newly recorded as a result of changes in accounting standards at overseas subsidiaries.

Total liabilities as of June 30, 2019 were ¥33,016 million, an increase of ¥125 million compared to the end of the previous fiscal year. This is due to an increase of ¥468 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 overseas subsidiaries despite a decrease of ¥342 million in current liabilities resulting from a decrease in accrued corporate taxes, etc.

Net assets as of June 30, 2019 were ¥17,533 million, a decrease of ¥556 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥419 million in shareholders’ equity due mainly to a decrease in retained earnings resulting from loss attributable to parent company shareholders and cash dividends paid, and a decline in foreign currency translation adjustments, etc. resulting in a decrease of ¥221 million in accumulated other comprehensive income.

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

The Company has not changed its consolidated financial results forecast announced on May 10, 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 |
|---|----------------------|---------------------|
| <b>Assets</b>                                     |                      |                     |
| Current assets                                    |                      |                     |
| Cash and deposits                                 | 8,412                | 9,533               |
| Bills and accounts receivable                     | 14,659               | 11,881              |
| Products  | 6,999                | 7,581               |
| Unfinished goods                                  | 2,834                | 3,127               |
| Raw materials and supplies                        | 3,513                | 3,418               |
| Other   | 926                  | 994                 |
| Allowance for doubtful accounts                   | (203)                | (209)               |
| Total current assets                              | 37,141               | 36,327              |
| Fixed assets                                      |                      |                     |
| Tangible fixed assets                             |                      |                     |
| Land  | 4,172                | 4,501               |
| Other, net  | 5,198                | 5,209               |
| Total tangible fixed assets                       | 9,370                | 9,711               |
| Intangible fixed assets                           |                      |                     |
| Goodwill  | 416                  | 381                 |
| Other   | 1,846                | 1,780               |
| Total intangible fixed assets                     | 2,262                | 2,162               |
| Investments, etc.                                 | 2,206                | 2,348               |
| Total fixed assets                                | 13,840               | 14,222              |
| Total assets                                      | 50,981               | 50,550              |
| <b>Liabilities</b>                                |                      |                     |
| Current liabilities                               |                      |                     |
| Bills and accounts payable                        | 5,398                | 5,081               |
| Short-term debt                                   | 11,980               | 12,690              |
| Long-term borrowings to be repaid within one year | 3,162                | 3,127               |
| Accrued corporate taxes, etc.                     | 619                  | 282                 |
| Provision for bonuses                             | 1,136                | 665                 |
| Provision for product warranties                  | 155                  | 159                 |
| Other   | 4,339                | 4,444               |
| Total current liabilities                         | 26,794               | 26,451              |
| Fixed liabilities                                 |                      |                     |
| Corporate bonds                                   | 505                  | 505                 |
| Long-term debt                                    | 4,035                | 4,201               |
| Provision for product warranties                  | 64                   | 51                  |
| Debt related to retirement benefits               | 941                  | 933                 |
| Provision for directors' share benefits           | 41                   | 46                  |
| Other   | 507                  | 826                 |
| Total fixed liabilities                           | 6,096                | 6,564               |
| Total liabilities                                 | 32,890               | 33,016              |

(Million yen)

|   | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| Net assets                                      |                      |                     |
| Shareholders' equity                            |                      |                     |
| Common stock                                    | 6,388                | 6,388               |
| Capital surplus                                 | 6,412                | 6,412               |
| Retained earnings                               | 7,406                | 6,987               |
| Treasury stock                                  | (1,136)              | (1,136)             |
| Total shareholders' equity                      | 19,070               | 18,651              |
| Accumulated other comprehensive income          |                      |                     |
| Unrealized gains on other marketable securities | 21                   | 18                  |
| Foreign currency translation adjustments        | (2,526)              | (2,710)             |
| Accumulated adjustment on retirement benefits   | 564                  | 531                 |
| Total accumulated other comprehensive income    | (1,939)              | (2,161)             |
| Share acquisition rights                        | 11                   | 11                  |
| Non-controlling shareholders' equity            | 948                  | 1,032               |
| Total net assets                                | 18,090               | 17,533              |
| Total liabilities and net assets                | 50,981               | 50,550              |

(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<br>ended June 30, 2018 | For the three months<br>ended June 30, 2019 |
|---|---|---|
| Net sales   | 9,442                                       | 10,690                                      |
| Cost of sales   | 5,348                                       | 6,077                                       |
| Gross profit  | 4,094                                       | 4,612                                       |
| Selling, general and administrative expenses                | 4,375                                       | 4,533                                       |
| Operating profit (loss)                                     | (281)                                       | 79  |
| Non-operating income  |   |   |
| Interest income   | 19  | 13  |
| Investment gain on equity method                            | 84  | 2   |
| Rent received   | 7   | 7   |
| Other   | 30  | 31  |
| Total non-operating income                                  | 142   | 55  |
| Non-operating expenses                                      |   |   |
| Interest expense  | 52  | 61  |
| Exchange loss   | 47  | 42  |
| Commission for syndicated loans                             | -   | 30  |
| Other   | 29  | 23  |
| Total non-operating expenses                                | 129   | 156   |
| Ordinary loss   | (269)                                       | (22)  |
| Extraordinary income  |   |   |
| Gain on step acquisitions                                   | 498   | -   |
| Gain on sale of fixed assets                                | 0   | 0   |
| Total extraordinary income                                  | 498   | 0   |
| Extraordinary loss  |   |   |
| Loss on sale of fixed assets                                | 3   | 0   |
| Loss on disposal of fixed assets                            | 0   | 12  |
| Impairment loss   | 461   | -   |
| Loss on valuation of investment securities                  | 9   | -   |
| Total extraordinary loss                                    | 474   | 13  |
| Loss before taxes   | (244)                                       | (34)  |
| Corporate, inhabitant and business taxes                    | 57  | 221   |
| Corporate tax adjustments                                   | (70)  | (164)                                       |
| Total corporate taxes                                       | (12)  | 57  |
| Loss  | (232)                                       | (92)  |
| Profit attributable to non-controlling shareholders' equity | 3   | 119   |
| Loss attributable to parent company shareholders            | (235)                                       | (211)                                       |



Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Million yen)

|  | For the three months<br>ended June 30, 2018 | For the three months<br>ended June 30, 2019 |
|--|---|---|
| Loss   | (232)                                       | (92)  |
| Other comprehensive income   |   |   |
| Unrealized gains on other marketable securities                              | 2   | (3)   |
| Foreign currency translation adjustments                                     | (118)                                       | (187)                                       |
| Adjustment related to retirement benefits                                    | (23)  | (33)  |
| Equity equivalent for equity method affiliates                               | (0)   | (1)   |
| Total other comprehensive income   | (140)                                       | (226)                                       |
| Comprehensive income   | (372)                                       | (319)                                       |
| (Breakdown)  |   |   |
| Comprehensive income attributable to parent company<br>shareholders          | (375)                                       | (432)                                       |
| Comprehensive income attributable to non-controlling<br>shareholders' equity | 2   | 113   |

(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.

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

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

|                             | For the three months ended June 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 first quarter under review, and multiplying profit before taxes by the estimated effective tax rate thus obtained. |

(Segment information, etc.)

[Segment information]

I. For the three months ended June 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       | 3,906   | 750      | 203    | 907              | 5,767 |
| Inter-segment net sales or transfers | 594   | 26       | 7      | 641              | 1,269 |
| Total                                | 4,500   | 776      | 211    | 1,548            | 7,036 |
| Segment profit (loss)                | 23  | (96)     | (12)   | 82               | (3)   |

|                                      | Medical and Healthcare Business |          |        |                  |       | Adjustment<br>(Note 1) | Consolidation<br>(Note 2) |
|--------------------------------------|---------------------------------|----------|--------|------------------|-------|------------------------|---------------------------|
|                                      | Japan                           | Americas | Europe | Asia and Oceania | Total |                        |                           |
| Net sales                            |                                 |          |        |                  |       |                        |                           |
| Net sales to outside customers       | 1,008                           | 1,073    | 1,489  | 104              | 3,675 | -                      | 9,442                     |
| Inter-segment net sales or transfers | 1,304                           | -        | -      | 1,277            | 2,581 | (3,851)                | -                         |
| Total                                | 2,312                           | 1,073    | 1,489  | 1,381            | 6,257 | (3,851)                | 9,442                     |
| Segment profit (loss)                | 178                             | (151)    | (15)   | 62               | 73    | (352)                  | (281)                     |

Notes: 1. The adjustment of ¥(352) million in segment profit (loss) includes corporate expenses of ¥(395) 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 for the three months ended June 30, 2019.

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. The balance of goodwill is ¥383 million.

II. For the three months ended June 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       | 4,768   | 653      | 191    | 811              | 6,425 |
| Inter-segment net sales or transfers | 539   | 33       | 6      | 654              | 1,233 |
| Total                                | 5,308   | 686      | 198    | 1,465            | 7,659 |
| Segment profit (loss)                | 69  | (72)     | (14)   | 98               | 81    |

|                                      | Medical and Healthcare Business |          |        |                  |       | Adjustment<br>(Note 1) | Consolidation<br>(Note 2) |
|--------------------------------------|---------------------------------|----------|--------|------------------|-------|------------------------|---------------------------|
|                                      | Japan                           | Americas | Europe | Asia and Oceania | Total |                        |                           |
| Net sales                            |                                 |          |        |                  |       |                        |                           |
| Net sales to outside customers       | 1,023                           | 1,523    | 1,634  | 82               | 4,264 | -                      | 10,690                    |
| Inter-segment net sales or transfers | 2,118                           | 5        | 5      | 1,677            | 3,806 | (5,040)                | -                         |
| Total                                | 3,142                           | 1,528    | 1,639  | 1,760            | 8,071 | (5,040)                | 10,690                    |
| Segment profit (loss)                | 375                             | (146)    | 71     | 106              | 406   | (409)                  | 79                        |

Notes: 1. The adjustment of ¥(409) million in segment profit (loss) includes corporate expenses of ¥(381) 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.