

# Consolidated Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]



February 6, 2020

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: February 13, 2020  
 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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	35,016	3.6	1,935	82.8	1,824	91.8	440	(16.9)
December 31, 2018	33,798	14.2	1,058	51.7	951	30.8	530	45.2

Note: Comprehensive income Nine months ended December 31, 2019: ¥813 million [-%]  
 Nine months ended December 31, 2018: ¥72 million [(84.4)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	21.51	21.46
December 31, 2018	25.88	25.79

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	50,560	18,309	33.7
As of March 31, 2019	50,981	18,090	33.6

Reference: Equity As of December 31, 2019: ¥17,041 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	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: 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):  
December 31, 2019: 22,579,700 shares  
March 31, 2019: 22,579,700 shares
  - 2) Total number of treasury stock at the end of the period:  
December 31, 2019: 2,091,335 shares  
March 31, 2019: 2,091,335 shares
  - 3) Average number of shares during the period:  
Nine months ended December 31, 2019: 20,488,365 shares  
Nine months ended December 31, 2018: 20,488,418 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 nine months ended December 31, 2019, although corporate earnings remained on a firm footing in Japan, the future remains uncertain due to a slowdown in external demand triggered by deteriorating relations with South Korea and trade friction between the United States and China, as well as a reactionary decline in consumption in Japan after the last-minute surge in demand in advance of the domestic consumption tax hike from October and other issues outside Japan such as rising tension in the Middle East and the withdrawal of the United Kingdom from the EU.

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 nine months ended December 31, 2019 were ¥35,016 million (up 3.6% year-on-year), operating profit was ¥1,935 million (up 82.8% year-on-year), ordinary profit was ¥1,824 million (up 91.8% year-on-year), and profit attributable to parent company shareholders was ¥440 million (down 16.9% 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 of checkweighers and X-ray inspection devices 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 of metal detectors and checkweighers among weighing instruments were stagnant, and we also saw a decline in sales of the measurement and control simulation systems (DSP systems). However, profits improved as we could acquire high-margin projects.

In Asia and Oceania, both sales and profits declined due to a slowdown in the special demand for metal detectors, checkweighers and testing equipment in Australia and South Korea that we enjoyed in the previous corresponding period.

As a result, sales in the measurement and weighing instruments business were ¥21,779 million (up 5.3% year-on-year) and operating profit was ¥1,466 million (up 37.9% year-on-year).

#### 2) Medical and Healthcare Business

In Japan, while sales fell for household-use healthcare instruments, primarily fully automatic blood pressure monitors, which 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 due to continued shipments for a large-scale project in the United States and strong sales mainly of blood glucose meters in Canada. In addition to the increased sales, cost saving effects also contributed to an increase in profits.

In Europe, although sales increased mainly for blood pressure monitors for household use in Russia, profits declined due to increased selling expenses incurred due to aggressive advertising activities.

As a result, net sales in the medical and healthcare business were ¥13,237 million (up 0.9% year-on-year) and operating profit was ¥1,445 million (down 0.1% year-on-year).

### (2) Financial Position

(Assets, liabilities and net assets)

Total assets as of December 31, 2019 were ¥50,560 million, a decrease of ¥420 million compared to the end of the previous fiscal year. This is due to a decrease of ¥254 million in current assets, mainly bills and accounts receivable, and a decrease of ¥166 million in fixed assets, mainly owing to a decrease in software under intangible fixed assets and a decrease in deferred tax assets under investments, etc.

Total liabilities as of December 31, 2019 were ¥32,251 million, a decrease of ¥639 million compared to the end of the previous fiscal year. This is due to an increase in long-term debt and an increase of ¥1,047 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 ¥1,686 million mainly due to decreases in bills and accounts payable and provision for bonuses.

Net assets as of December 31, 2019 were ¥18,309 million, an increase of ¥218 million compared to the end of the previous fiscal year. This was primarily attributable to an increase in non-controlling shareholders’ equity.

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

The Company has not changed its consolidated financial results forecast announced on November 7, 2019.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	8,412	9,599
Bills and accounts receivable	14,659	12,493
Products	6,999	7,451
Unfinished goods	2,834	3,169
Raw materials and supplies	3,513	3,290
Other	926	982
Allowance for doubtful accounts	(203)	(101)
Total current assets	37,141	36,886
Fixed assets		
Tangible fixed assets		
Land	4,172	4,511
Other, net	5,198	5,124
Total tangible fixed assets	9,370	9,636
Intangible fixed assets		
Goodwill	416	315
Other	1,846	1,648
Total intangible fixed assets	2,262	1,964
Investments, etc.	2,206	2,073
Total fixed assets	13,840	13,674
Total assets	50,981	50,560
<b>Liabilities</b>		
Current liabilities		
Bills and accounts payable	5,398	4,434
Short-term debt	11,980	12,052
Long-term borrowings to be repaid within one year	3,162	3,097
Accrued corporate taxes, etc.	619	495
Provision for bonuses	1,136	554
Provision for product warranties	155	185
Other	4,339	4,287
Total current liabilities	26,794	25,107
Fixed liabilities		
Corporate bonds	505	500
Long-term debt	4,035	4,690
Provision for product warranties	64	57
Debt related to retirement benefits	941	974
Provision for directors' share benefits	41	48
Other	507	872
Total fixed liabilities	6,096	7,143
Total liabilities	32,890	32,251

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Common stock	6,388	6,388
Capital surplus	6,412	6,394
Retained earnings	7,406	7,431
Treasury stock	(1,136)	(1,136)
Total shareholders' equity	19,070	19,077
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	21	25
Foreign currency translation adjustments	(2,526)	(2,524)
Accumulated adjustment on retirement benefits	564	463
Total accumulated other comprehensive income	(1,939)	(2,036)
Share acquisition rights	11	11
Non-controlling shareholders' equity	948	1,256
Total net assets	18,090	18,309
Total liabilities and net assets	50,981	50,560

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	33,798	35,016
Cost of sales	19,441	19,557
Gross profit	14,357	15,458
Selling, general and administrative expenses	13,298	13,523
Operating profit	1,058	1,935
Non-operating income		
Interest income	44	35
Investment gain on equity method	91	5
Exchange gain	-	7
Rent received	23	25
Other	135	69
Total non-operating income	294	143
Non-operating expenses		
Interest expense	171	173
Exchange loss	130	-
Other	99	80
Total non-operating expenses	401	253
Ordinary profit	951	1,824
Extraordinary income		
Gain on step acquisitions	498	-
Gain on sale of fixed assets	2	1
Total extraordinary income	500	1
Extraordinary loss		
Loss on sale of fixed assets	4	0
Loss on disposal of fixed assets	2	14
Impairment loss	461	-
Loss on valuation of investment securities	9	1
Total extraordinary loss	477	16
Profit before taxes	974	1,809
Corporate, inhabitant and business taxes	361	729
Corporate tax adjustments	17	161
Total corporate taxes	379	891
Profit	595	917
Profit attributable to non-controlling shareholders' equity	64	476
Profit attributable to parent company shareholders	530	440



Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	595	917
Other comprehensive income		
Unrealized gains on other marketable securities	(6)	3
Foreign currency translation adjustments	(443)	(6)
Adjustment related to retirement benefits	(71)	(101)
Equity equivalent for equity method affiliates	(0)	0
Total other comprehensive income	(522)	(104)
Comprehensive income	72	813
(Breakdown)		
Comprehensive income attributable to parent company shareholders	8	344
Comprehensive income attributable to non-controlling shareholders' equity	64	468

(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 nine months ended December 31, 2019 is immaterial.

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

	For the nine months ended December 31, 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 third quarter under review, and multiplying profit before taxes by the estimated effective tax rate thus obtained.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 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	14,854	2,534	643	2,652	20,685
Inter-segment net sales or transfers	1,999	142	29	1,944	4,116
Total	16,853	2,677	673	4,596	24,802
Segment profit (loss)	945	(112)	(34)	264	1,063

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	3,581	3,924	5,338	268	13,113	-	33,798
Inter-segment net sales or transfers	6,210	1	0	4,806	11,019	(15,135)	-
Total	9,792	3,926	5,338	5,075	24,132	(15,135)	33,798
Segment profit (loss)	968	(238)	328	387	1,446	(1,450)	1,058

Notes: 1. The adjustment of ¥(1,450) million in segment profit (loss) includes corporate expenses of ¥(1,143) 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 nine months ended December 31, 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	16,369	2,456	663	2,289	21,779
Inter-segment net sales or transfers	1,669	127	34	1,755	3,587
Total	18,038	2,584	698	4,044	25,366
Segment profit (loss)	1,237	69	(18)	177	1,466

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	3,116	4,406	5,459	255	13,237	-	35,016
Inter-segment net sales or transfers	6,205	15	20	4,352	10,593	(14,180)	-
Total	9,321	4,422	5,479	4,607	23,830	(14,180)	35,016
Segment profit (loss)	1,107	(120)	279	178	1,445	(976)	1,935

Notes: 1. The adjustment of ¥(976) million in segment profit (loss) includes corporate expenses of ¥(1,170) 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

Not applicable.