

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]



May 10, 2019

Company name: A&D Company, Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7745
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 Scheduled date of Annual General Meeting of Shareholders: June 25, 2019
 Scheduled date of filing annual securities report: June 26, 2019
 Scheduled date of commencing dividend payments: June 26, 2019
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 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	%
Fiscal year ended March 31, 2019	48,344	9.6	2,751	15.7	2,683	15.0	1,900	3.9
March 31, 2018	44,120	9.8	2,378	109.8	2,332	111.1	1,827	283.0

Note: Comprehensive income Fiscal year ended March 31, 2019: ¥1,761 million [24.3%]

Fiscal year ended March 31, 2018: ¥1,417 million [30.0%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended March 31, 2019	Yen 92.74	Yen 92.36	% 11.5	% 5.5	% 5.7
March 31, 2018	89.22	89.01	12.0	5.1	5.4

Reference: Investment gains (losses) on equity method

Fiscal year ended March 31, 2019: ¥93 million

Fiscal year ended March 31, 2018: ¥50 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of March 31, 2019	Million yen 50,981	Million yen 18,090	% 33.6	Yen 836.13
As of March 31, 2018	47,048	15,939	33.6	771.84

Reference: Equity As of March 31, 2019: ¥17,131 million

As of March 31, 2018: ¥15,813 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2019	Million yen 2,237	Million yen (1,454)	Million yen (329)	Million yen 7,527
March 31, 2018	4,112	(1,516)	(1,399)	7,191

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	-	5.00	-	7.00	12.00	249	13.5	1.6
March 31, 2019	-	7.00	-	10.00	17.00	354	18.3	2.1
Fiscal year ending March 31, 2020 (Forecast)	-	10.00	-	10.00	20.00		18.2	

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

* Notes:

- (1) Changes in significant subsidiaries during the period under review: Yes
(Changes in specified subsidiaries accompanying changes to the scope of consolidation)
New: 1 company (Company name) HOLON CO., LTD.; Excluded: - companies (Company name) -
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury stock):
March 31, 2019: 22,579,700 shares
March 31, 2018: 22,579,700 shares
 - 2) Total number of treasury stock at the end of the period:
March 31, 2019: 2,091,335 shares
March 31, 2018: 2,091,280 shares
 - 3) Average number of shares during the period:
Fiscal year ended March 31, 2019: 20,488,405 shares
Fiscal year ended March 31, 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 audit 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 to the Company at the time of publication. Actual business results, etc., may differ significantly due to various factors. For matters regarding financial results forecasts, please refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of the Appendix to this report.

Table of Contents

1. Overview of Business Results, etc.	2
(1) Overview of Business Results for the Period Under Review	2
(2) Overview of Financial Position for the Period Under Review	3
(3) Overview of Cash Flows for the Period Under Review	3
(4) Future Outlook	4
2. Basic Stance Concerning Choice of Accounting Standards	5
3. Consolidated Financial Statements and Primary Notes.....	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statements of Changes in Net Assets	10
(4) Consolidated Statements of Cash Flows	12
(5) Notes to Consolidated Financial Statements	14
(Notes on going concern assumption)	14
(Changes in scope of consolidation or application of equity method)	14
(Changes in the method of presentation).....	14
(Segment information, etc.)	15
(Business combinations, etc.)	18
(Per share information)	19
(Significant subsequent events)	20
4. Others	20
Changes in Officers and Directors	20

1. Overview of Business Results, etc.

(1) Overview of Business Results for Period Under Review

The economic environment surrounding A&D Company, Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) during the fiscal year ended March 31, 2019 in Japan continued gradual recovery, supported by robust corporate earnings and capital investment, while showing the labor shortage stemming from a decline in the productive population and higher logistics expenses, as well as negative factors including frequent occurrence of natural disasters.

On the other hand, outside Japan, there are many concerns, including the trade war between the United States and China caused by protectionist trade policies of the Trump administration, the slowdown of the Chinese economy, as well as the United Kingdom’s Brexit issue and the rejection of immigrants in Europe.

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 growth segments.

As a result, net sales for the fiscal year ended March 31, 2019 were ¥48,344 million (up 9.6% year-on-year), operating profit was ¥2,751 million (up 15.7% year-on-year), ordinary profit was ¥2,683 million (up 15.0% year-on-year), and profit attributable to parent company shareholders was ¥1,900 million (up 3.9% year-on-year).

Business results by segment are as follows.

1) Measurement and Weighing Instruments Business

In Japan, sales related to semiconductor instruments improved mainly because HOLON CO., LTD. became a subsidiary in addition to a significant increase in order intake of electron beam related units, and sales of measurement and control simulation systems (DSP systems) also grew against a backdrop of active capital investment and other factors in the automobile industry, while sales of weighing instruments remained robust primarily in the metal detector and industrial measurement instrument areas. In addition, as a result of keeping the growth rate of selling, general and administrative expenses, including research and development expenses, below that of net sales, profits also increased significantly.

In the Americas, although in weighing instruments, overall sales increased slightly year on year owing to contributions from sales of metal detectors, checkweighers and industrial measurement instruments, both sales and profit of DSP systems dropped primarily because order intake could not reach the same level as in the previous fiscal year.

In Asia and Oceania, in addition to bigger share in scale industry as well as stronger sales of a wide range of products in South Korea, special demand for metal detectors and checkweighers in Australia caused sales to rise.

As a result, net sales in the measurement and weighing instruments business was ¥29,896 million (up 12.1% year-on-year) and operating profit was ¥2,491 million (up 47.4% year-on-year).

2) Medical and Healthcare Business

In Japan, together with strong sales of medical instruments as a whole, the recovery in demand from a large-scale customer, for which demand had dropped during the previous fiscal year, caused sales of healthcare instruments to increase.

In the Americas, sales increased due to a large-scale order received in the United States such as blood pressure monitors. However, profits declined due to the fact that this was a low-margin sale, and that bad debts were written off.

In Europe, sales increased thanks to a review of the sales structure in the United Kingdom. Although in Russia, the competition in the blood pressure monitor market has intensified due to the entrance of competitors, aggressive promotional sales activities resulted in a rise in net sales on the local currency basis.

However, due to the year-on-year rise in the value of the Japanese yen against the Russian ruble, sales and profit in yen terms remained at the same level as in the previous fiscal year.

As a result, net sales in the medical and healthcare business were ¥18,448 million (up 5.7% year-on-year) and operating profit was ¥1,965 million (down 7.4% year-on-year).

(2) Overview of Financial Position for the Period Under Review

The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (“ASBJ”) Statement No. 28, February 16, 2018), etc., have been applied from the beginning of the fiscal year ended March 31, 2019. The accounting standard, etc. have been applied retrospectively to figures for the previous fiscal year for comparison and analysis in these explanations on financial position.

Total assets as of March 31, 2019 were ¥50,981 million, an increase of ¥3,933 million compared to the end of the previous fiscal year. This is due to an increase of ¥3,566 million in current assets mainly owing to increases in bills and accounts receivable as well as inventory, and an increase of ¥366 million in fixed assets, especially in deferred tax assets under investments, etc.

Total liabilities as of March 31, 2019 were ¥32,890 million, an increase of ¥1,782 million compared to the end of the previous fiscal year. This is primarily attributable to an increase of ¥1,143 million in current liabilities owing to increases in bills and accounts payable, and an increase of ¥638 million in fixed liabilities mainly caused by an increase in corporate bonds.

Net assets as of March 31, 2019 were ¥18,090 million, an increase of ¥2,151 million compared to the end of the previous fiscal year. This was primarily attributable to a decrease of ¥299 million in accumulated other comprehensive income due mainly to a decline in foreign currency translation adjustments, while shareholders’ equity increased by ¥1,616 million due to profit attributable to parent company shareholders, and non-controlling shareholders’ equity increased by ¥822 million primarily because HOLON CO., LTD. became a subsidiary.

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as “cash”) as of March 31, 2019 amounted to ¥7,527 million (up 4.7% year-on-year), resulting from ¥2,237 million provided by operating activities, ¥1,454 million used in investing activities, ¥329 million used in financing activities, and ¥(117) million in effect of exchange rate change on cash and cash equivalents.

Overview of Cash Flows as of March 31, 2019 and the factors are as follows.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥2,237 million (down 45.6% year-on-year). This is mainly attributable to an increase of ¥1,238 million in inventory and income taxes paid of ¥742 million, while profit before income tax and depreciation amounted to ¥2,711 million and ¥1,712 million, respectively.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,454 million (down 4.1% year-on-year). This is mainly attributable to purchase of property, plant and equipment of ¥955 million, and purchase of intangible assets of ¥521 million.

3) Cash from financing activities

Net cash used in financing activities amounted to ¥329 million (down 76.5% year-on-year). This is mainly attributable to repayments of long-term loans payable of ¥3,587 million and cash dividends paid of ¥292 million, despite proceeds from long-term loans payable of ¥3,475 million.

(Reference) Cash flow indicators by year

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity ratio (%)	33.4	32.4	32.4	33.6	33.6
Equity ratio based on fair value (%)	22.4	19.0	20.4	28.7	30.7
Ratio of interest-bearing debts to operating cash flow (year)	17.6	6.8	8.7	4.7	8.8
Interest coverage ratio (times)	4.5	13.8	13.3	21.7	9.6

Equity ratio:

Equity capital / Total assets

Equity ratio based on fair value:

Total market value of shares / Total assets

Ratio of interest-bearing debt to operating cash flow:

Interest-bearing debts / Operating cash flow

Interest coverage ratio:

Operating cash flow / Interest paid

(Note 1) The indicators were calculated using consolidated financial figures.

(Note 2) The total market value of shares was calculated based on total number of issued shares excluding treasury stock.

(Note 3) Operating cash flow is the figure of net cash provided by (used in) operating.

(Note 4) Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid. Interest paid is the interest expenses paid shown in the Consolidated Statements of Cash Flows.

(4) Future Outlook

The business performance in Japan is expected to remain on a moderate recovery trend. On the other hand, outside Japan, there are a number of concerns including the trade war between the United States and China, the United Kingdom's Brexit, and increases in crude oil prices caused by the trade embargo against Iran, as well as many factors that may adversely affect the global economy and exchange rates. Consequently, each company is expected to be required to act more cautiously.

In these circumstances, while striving to further hone its technology, cultivate new markets and attract new customers, the Group moves toward further cost saving by standardizing products such as testing equipment and systems as well as reinforcing overseas production. Additionally, the Group is united as a whole in its commitment to efficiently using selling, general and administrative expenses and to improving performance, while promoting more effective research and development investments.

1) Measurement and Weighing Instruments Business

As for the DSP systems, while taking advantage of the Group's collective strengths to reinforce support and service structures, the Company further focuses its efforts on understanding users' needs through closer communications with them and continues to develop the effective manufacturing and sales structures.

As for the weighing instruments, the Company strives to promote development of high-value added products and increase its market shares through concentration of global resources.

In the electron beam related business, our sight is set to improve its operating performance in the semiconductor market that is expected to stay in a prosperous condition for the time being by generating synergy effects between the Company and HOLON CO., LTD, which became a subsidiary during the fiscal year under review.

2) Medical and Healthcare Business

As for the weighing instruments and blood monitors for professional use and healthcare instruments for household use, the Company makes efforts to grasp and respond to users' needs from the global viewpoint, continuing to offer the products that work hand-in-hand with healthcare management services and expand such product lines.

As for the healthcare instruments, the Company strives to further improve quality and productivity, as well

as strengthen its international competitiveness.

From the factors outlined above, the consolidated financial results forecasts for the next fiscal year are ¥53,500 million in net sales, ¥4,000 million in operating profit, ¥3,680 million in ordinary profit, and ¥2,250 million in profit attributable to parent company shareholders.

The exchange rates used as assumption in the financial results forecasts are ¥110 against the U.S. dollar and ¥1.7 against the Russian ruble.

2. Basic Stance Concerning Choice of Accounting Standards

Regarding the timing of application of International Financial Reporting Standards (IFRS), the Group continues discussions in consideration of the several situations.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	8,016	8,412
Bills and accounts receivable	12,980	14,659
Marketable securities	50	-
Products	6,359	6,999
Unfinished goods	2,255	2,834
Raw materials and supplies	3,168	3,513
Other	827	926
Allowance for doubtful accounts	(83)	(203)
Total current assets	33,574	37,141
Fixed assets		
Tangible fixed assets		
Buildings and structures	8,098	8,362
Accumulated depreciation	(4,867)	(5,207)
Buildings and structures, net	3,231	3,154
Machinery, equipment and vehicles	2,345	2,246
Accumulated depreciation	(1,993)	(1,887)
Machinery, equipment and vehicles, net	352	358
Tools, furniture and fixtures	6,729	7,384
Accumulated depreciation	(5,896)	(6,346)
Tools, furniture and fixtures, net	832	1,038
Land	4,099	4,172
Leased assets	727	667
Accumulated depreciation	(358)	(363)
Leased assets, net	368	303
Construction in progress	213	342
Total tangible fixed assets	9,097	9,370
Intangible fixed assets		
Goodwill	146	416
Trademark right	218	144
Software	1,756	1,611
Leased assets	3	2
Other	60	88
Total intangible fixed assets	2,186	2,262
Investments, etc.		
Investment securities	547	168
Deferred tax assets	1,125	1,415
Other	947	629
Allowance for doubtful accounts	(430)	(7)
Total investments, etc.	2,189	2,206
Total fixed assets	13,473	13,840
Total assets	47,048	50,981

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Bills and accounts payable	4,738	5,398
Short-term debt	12,193	11,980
Long-term borrowings to be repaid within one year	3,110	3,162
Lease obligations	200	175
Accrued corporate taxes, etc.	337	619
Provision for bonuses	957	1,136
Provision for product warranties	142	155
Other	3,969	4,164
Total current liabilities	25,650	26,794
Fixed liabilities		
Corporate bonds	15	505
Long-term debt	3,929	4,035
Lease obligations	209	149
Provision for product warranties	89	64
Debt related to retirement benefits	847	941
Provision for directors' share benefits	25	41
Asset retirement obligations	28	28
Other	313	329
Total fixed liabilities	5,458	6,096
Total liabilities	31,108	32,890
Net assets		
Shareholders' equity		
Common stock	6,388	6,388
Capital surplus	6,404	6,412
Retained earnings	5,798	7,406
Treasury stock	(1,136)	(1,136)
Total shareholders' equity	17,454	19,070
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	25	21
Foreign currency translation adjustments	(2,307)	(2,526)
Accumulated adjustment on retirement benefits	642	564
Total accumulated other comprehensive income	(1,640)	(1,939)
Share acquisition rights	-	11
Non-controlling shareholders' equity	125	948
Total net assets	15,939	18,090
Total liabilities and net assets	47,048	50,981

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net sales	44,120	48,344
Cost of sales	24,972	27,513
Gross profit	19,148	20,830
Selling, general and administrative expenses	16,769	18,079
Operating profit	2,378	2,751
Non-operating income		
Interest income	47	57
Dividend income	7	16
Investment gain on equity method	50	93
Insurance income	-	43
Rent received	29	30
Other	134	114
Total non-operating income	270	355
Non-operating expenses		
Interest expense	192	235
Sales discounts	18	17
Exchange loss	14	70
Settlement package	42	-
Other	49	99
Total non-operating expenses	316	423
Ordinary profit	2,332	2,683
Extraordinary income		
Gain on step acquisitions	-	498
Gain on sale of fixed assets	2	19
Total extraordinary income	2	517
Extraordinary loss		
Loss on sale of fixed assets	0	4
Loss on disposal of fixed assets	1	13
Impairment loss	-	461
Loss on valuation of investment securities	-	9
Total extraordinary loss	2	489
Profit before taxes	2,332	2,711
Corporate, inhabitant and business taxes	709	874
Corporate tax adjustments	(222)	(226)
Total corporate taxes	487	648
Profit	1,845	2,063
Profit attributable to non-controlling shareholders' equity	17	163
Profit attributable to parent company shareholders	1,827	1,900

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Profit	1,845	2,063
Other comprehensive income		
Unrealized gains on other marketable securities	7	(3)
Foreign currency translation adjustments	(392)	(220)
Adjustment related to retirement benefits	(41)	(77)
Equity equivalent for equity method affiliates	(0)	(0)
Total other comprehensive income	(427)	(301)
Comprehensive income	1,417	1,761
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,400	1,600
Comprehensive income attributable to non-controlling shareholders' equity	17	161

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2018

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	6,388	6,404	4,220	(1,136)	15,876
Changes of items during period					
Dividends of surplus			(249)		(249)
Profit attributable to parent company shareholders			1,827		1,827
Purchase of treasury stock					—
Change in parent company's equity due to transactions with non-controlling shareholders					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,578	—	1,578
Balance at end of current period	6,388	6,404	5,798	(1,136)	17,454

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling shareholders' equity	Total net assets
	Unrealized gains on other marketable securities	Foreign currency translation adjustment	Accumulated adjustment on retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of current period	18	(1,915)	683	(1,213)	—	109	14,772
Changes of items during period							
Dividends of surplus							(249)
Profit attributable to parent company shareholders							1,827
Purchase of treasury stock							—
Change in parent company's equity due to transactions with non-controlling shareholders							—
Net changes of items other than shareholders' equity	7	(392)	(41)	(427)	—	15	(411)
Total changes of items during period	7	(392)	(41)	(427)	—	15	1,166
Balance at end of current period	25	(2,307)	642	(1,640)	—	125	15,939

For the fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	6,388	6,404	5,798	(1,136)	17,454
Changes of items during period					
Dividends of surplus			(291)		(291)
Profit attributable to parent company shareholders			1,900		1,900
Purchase of treasury stock				(0)	(0)
Change in parent company's equity due to transactions with non-controlling shareholders		8			8
Net changes of items other than shareholders' equity					
Total changes of items during period	—	8	1,608	(0)	1,616
Balance at end of current period	6,388	6,412	7,406	(1,136)	19,070

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling shareholders' equity	Total net assets
	Unrealized gains on other marketable securities	Foreign currency translation adjustment	Accumulated adjustment on retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of current period	25	(2,307)	642	(1,640)	—	125	15,939
Changes of items during period							
Dividends of surplus							(291)
Profit attributable to parent company shareholders							1,900
Purchase of treasury stock							(0)
Change in parent company's equity due to transactions with non-controlling shareholders						664	672
Net changes of items other than shareholders' equity	(3)	(218)	(77)	(299)	11	158	(130)
Total changes of items during period	(3)	(218)	(77)	(299)	11	822	2,151
Balance at end of current period	21	(2,526)	564	(1,939)	11	948	18,090

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,332	2,711
Depreciation	1,555	1,712
Amortization of goodwill	56	115
Amortization of trademark right	64	57
Loss (gain) on step acquisitions	—	(498)
Impairment loss of goodwill	—	461
Increase (decrease) in allowance for doubtful accounts	(15)	(299)
Interest and dividend income	(55)	(73)
Interest expenses	192	235
Insurance income	—	(43)
Loss (gain) on sales of non-current assets	(1)	(14)
Loss on retirement of non-current assets	1	13
Decrease (increase) in notes and accounts receivable – trade	(1,149)	(744)
Decrease (increase) in inventories	(236)	(1,238)
Increase (decrease) in notes and accounts payable - trade	1,000	243
Increase (decrease) in provision for bonuses	85	143
Increase (decrease) in provision for benefits for founder	(100)	—
Increase (decrease) in provision for product warranties	45	(27)
Increase (decrease) in net defined benefit liability	(74)	(124)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	17	16
Settlement package	42	—
Other, net	1,218	472
Subtotal	4,978	3,119
Interest and dividend income received	75	91
Interest expenses paid	(189)	(232)
Proceeds from insurance income	—	43
Settlement package received	—	(42)
Income taxes paid	(751)	(742)
Net cash provided by (used in) operating activities	4,112	2,237
Cash flows from investing activities		
Payments into time deposits	(630)	(621)
Proceeds from withdrawal of time deposits	712	574
Purchase of property, plant and equipment	(997)	(955)
Proceeds from sales of property, plant and equipment	6	20
Purchase of intangible assets	(664)	(521)
Purchase of investment securities	(1)	(1)
Proceeds from redemption of securities	—	50
Collection of loans receivable	79	2
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(4)
Payments for transfer of business	(26)	—
Other, net	5	2
Net cash provided by (used in) investing activities	(1,516)	(1,454)

(Million yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(559)	(262)
Proceeds from long-term loans payable	2,915	3,475
Repayments of long-term loans payable	(3,397)	(3,587)
Proceeds from issuance of bonds	—	500
Redemption of bonds	(10)	(10)
Repayments of lease obligations	(246)	(223)
Proceeds from sale and leaseback transactions	149	85
Proceeds from issuance of share acquisition rights	—	11
Purchase of treasury stock	—	(0)
Cash dividends paid	(250)	(292)
Dividends paid to non-controlling shareholders	(1)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(21)
Net cash provided by (used in) financing activities	(1,399)	(329)
Effect of exchange rate change on cash and cash equivalents	(75)	(117)
Net increase (decrease) in cash and cash equivalents	1,121	335
Cash and cash equivalents at beginning of period	6,070	7,191
Cash and cash equivalents at end of period	7,191	7,527

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in scope of consolidation or application of equity method)

During the first quarter ended June 30, 2018, the Company acquired additional shares in HOLON CO., LTD., which was a former equity method affiliate. As a result, the said company was consolidated effective June 30, 2018.

(Changes in the method of presentation)

(Changes in relation to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

In relation to the application of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as the “Partial Amendments of Tax Effect Accounting Standard”) from the beginning of the consolidated fiscal year under review, the method of presentation was changed to present deferred tax assets under “investments, etc.” and deferred tax liabilities under “fixed liabilities”, respectively.

As a result, in the consolidated balance sheets for the previous consolidated fiscal year, “deferred tax assets” of ¥856 million under “current assets” and “deferred tax liabilities” of ¥4 million included in “other” under “current liabilities” are presented by including them in “deferred tax assets” of ¥1,125 million under “investments, etc.” and in “other” of ¥313 million under “fixed liabilities”, respectively.

In addition, deferred tax assets and deferred tax liabilities are offset in the same taxable entity. Accordingly, the total assets decreased by ¥39 million compared to the figure before the change.

(Segment information, etc.)

1. Summary of reportable segments

Reportable segments of the Group are components of the Group about which separate financial statement is available that is evaluated regularly at the Board of Directors' meetings in deciding how to allocate the management resources and in assessing performance. The Group manufactures and distributes measurement and weighing instruments as well as medical and healthcare instruments. In Japan, the Company and its subsidiaries are in charge. Outside Japan, overseas subsidiaries in the Americas (the United States and Canada), Europe (the United Kingdom, Germany, Russia), Asia and Oceania (China, South Korea, India, Australia, Vietnam) are in charge of each region. Each of the overseas subsidiaries is an independent management unit, develops each region's comprehensive strategies for the products handled and operates its business activities.

Accordingly, the Group consists of regional segments on a basis of production of the products handled ("measurement and weighing instruments" and "medical and healthcare instruments") and its sales system, classifying its reportable segments into "Japan", "the Americas", "Europe" and "Asia and Oceania" by two product lines. The main products under each product line are as below.

Product line	Main products
Measurement and Weighing Instruments Business	Measurement and control simulation systems, noise and vibration comparators, A/D and D/A converters, electron guns, testing equipment, electronic balances, weight scales, bench scales, commercial scales, counting scales, weighing systems, indicators, load cells, checkweighers, metal detectors, industrial measurement instruments, hydraulic testing equipment, emission measurement instruments, etc.
Medical and Healthcare Business	Digital blood pressure monitors for household use, blood pressure monitoring systems, fully automatic blood pressure monitors, precision health scales, ultrasonic nebulizers, etc.

2. Method of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting method used for reporting segments is generally the same as stated in "Important Matters That Form the Basis for Preparing Consolidated Financial Statements."

Reporting segment profit (loss) figures are based on operating profit (loss).

Inter-segment sales and transfers are based on market prices.

3. Information on net sales, profit (loss), assets and other items by reportable segment

For the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Million yen)

	Measurement and Weighing Instruments Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	18,710	3,736	935	3,291	26,674
Inter-segment net sales or transfers	2,623	141	75	2,772	5,613
Total	21,334	3,878	1,011	6,064	32,288
Segment profit (loss)	1,226	175	16	271	1,690
Segment assets	33,721	2,694	711	4,200	41,327
Other items					
Depreciation	1,040	32	7	71	1,151
Amortization of goodwill	21	20	-	-	42
Impairment loss	-	-	-	-	-
Increases in tangible and intangible fixed assets	1,159	87	7	159	1,413

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	4,992	4,772	7,286	394	17,445	-	44,120
Inter-segment net sales or transfers	6,896	-	-	5,093	11,990	(17,603)	-
Total	11,888	4,772	7,286	5,488	29,435	(17,603)	44,120
Segment profit (loss)	1,493	5	486	137	2,122	(1,434)	2,378
Segment assets	5,502	2,623	4,621	2,737	15,484	(9,763)	47,048
Other items							
Depreciation	234	20	97	62	415	52	1,620
Amortization of goodwill	-	13	-	-	13	-	56
Impairment loss	-	-	-	-	-	-	-
Increases in tangible and intangible fixed assets	234	82	58	43	419	74	1,907

Notes: 1. (1) The adjustment of ¥(1,434) million in segment profit (loss) includes corporate expenses of ¥(1,542) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

(2) The adjustment of ¥(9,763) million in segment assets includes eliminations of inter-segment transactions of ¥(13,686) million and corporate assets of ¥3,923 million not allocated to reportable segments.

(3) The adjustment of ¥74 million in increases in tangible and intangible fixed assets is primarily capital expenditures for our main systems.

(4) Depreciation and increases in tangible and intangible fixed assets include amortization of long-term prepaid expenses and increases in the said expenses.

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

3. In relation to the application of Partial Amendments of Tax Effect Accounting Standard from the beginning of the consolidated fiscal year under review, the Company retrospectively applied the said Accounting Standard to segment assets for the previous consolidated fiscal year.

For the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Measurement and Weighing Instruments Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	22,130	3,483	882	3,400	29,896
Inter-segment net sales or transfers	2,601	181	43	2,616	5,442
Total	24,731	3,664	926	6,016	35,338
Segment profit (loss)	2,411	(144)	(31)	255	2,491
Segment assets	36,445	2,602	771	4,354	44,174
Other items					
Depreciation	1,226	44	8	64	1,344
Amortization of goodwill	79	20	-	-	99
Impairment loss	461	-	-	-	461
Increases in tangible and intangible fixed assets	859	107	11	296	1,276

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	5,058	5,754	7,283	351	18,448	-	48,344
Inter-segment net sales or transfers	8,289	7	0	6,384	14,682	(20,125)	-
Total	13,348	5,761	7,284	6,736	33,130	(20,125)	48,344
Segment profit (loss)	1,486	(400)	432	447	1,965	(1,706)	2,751
Segment assets	6,759	3,167	4,526	3,128	17,580	(10,773)	50,981
Other items							
Depreciation	189	26	96	65	378	47	1,770
Amortization of goodwill	-	16	-	-	16	-	115
Impairment loss	-	-	-	-	-	-	461
Increases in tangible and intangible fixed assets	218	18	56	60	353	46	1,676

Notes: 1. (1) The adjustment of ¥(1,706) million in segment profit (loss) includes corporate expenses of ¥(1,618) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

(2) The adjustment of ¥(10,773) million in segment assets includes eliminations of inter-segment transactions of ¥(14,514) million and corporate assets of ¥3,741 million not allocated to reportable segments.

(3) The adjustment of ¥46 million in increases in tangible and intangible fixed assets is primarily capital expenditures for our main systems.

(4) Depreciation and increases in tangible and intangible fixed assets include amortization of long-term prepaid expenses and increases in the said expenses.

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

4. Information on impairment loss of fixed assets or goodwill, etc. 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.

(Business combinations, etc.)

Business combination through acquisition

(1) Summary of business combination

1) Name and business of acquiree

Name of acquiree: HOLON CO., LTD.

Business: Development and manufacturing of semiconductor electron beam measurement and testing equipment

2) Main reason for business combination

To maximize use of both companies' resources toward further improvement in corporate value of both companies.

3) Date of business combination

June 29, 2018

4) Legal form of business combination

Share acquisition by cash

5) Name of entity after business combination

Unchanged.

6) Ratio of voting rights acquired

Voting rights held prior to business combination: 30.58%

Additional voting rights acquired on date of business combination: 20.42%

Voting rights after acquisition: 51.00%

7) Grounds for determining acquirer

The Company's acquisition of shares with cash as consideration.

(2) Period of the acquiree's financial results included in the consolidated statements of income for the period under review

From July 1, 2018 to March 31, 2019. As the acquiree was the Company's equity method affiliate, business results from April 1, 2018 to June 30, 2018 are recorded as investment gain on equity method.

(3) Breakdown of acquisition cost and type of consideration of acquiree

Fair value on the date of business combination of HOLON CO., LTD. held prior to business combination ¥939 million

Fair value of common stock of HOLON CO., LTD. acquired on the date of business combination ¥627 million

Acquisition cost ¥1,567 million

(4) Difference between total acquisition cost of acquiree and sum of acquisition costs of individual transactions up to the acquisition date

Gain on step acquisitions of ¥498 million was incurred.

(5) Amount, reason for incurrence, amortization method and amortization period for goodwill

1) Amount of goodwill

¥844 million

2) Reason for incurrence

As the acquisition cost exceeded the net amount of assets accepted and liabilities assumed, the excess amount has been recorded as goodwill.

3) Amortization method and amortization period

Amortization via the straight-line method over five years

A portion of goodwill has been reduced to the recoverable amount, and the said amount of reduction has been recorded as an impairment loss.

(Per share information)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net assets per share	¥771.84	¥836.13
Basic earnings per share	¥89.22	¥92.74
Diluted earnings per share	¥89.01	¥92.36

(Note) 1. The basis for the calculation of net assets per share is as follows.

	As of March 31, 2018	As of March 31, 2019
Total net assets (Million yen)	15,939	18,090
Amounts deducted from total net assets (Million yen)	125	959
(Of which, share acquisition rights)	(—)	(11)
(Of which, non-controlling shareholders' equity)	(125)	(948)
Net assets as of the end of the period relating to common stock (Million yen)	15,813	17,131
Number of shares of common stock as of the end of the period used to calculate net assets per share (Thousand shares)	20,488	20,488

2. The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Basic earnings per share		
Profit attributable to parent company shareholders (Million yen)	1,827	1,900
Amounts not attributable to common shareholders (Million yen)	—	—
Profit attributable to parent company shareholders relating to common stock (Million yen)	1,827	1,900
Average number of shares of common stock during the period (Thousand shares)	20,488	20,488
Diluted earnings per share		
Adjustment to profit attributable to parent company shareholders (Million yen)	—	—
Increase in number of shares of common stock (Thousand shares)	47	85
(Of which, share acquisition rights (Thousand shares))	(47)	(85)
Overview of potential shares not included in the calculation of diluted earnings per share due to lack of dilutive effect	—	—

3. The Company's own stock held in the Trust, which is included in "treasury stock" under shareholder's equity, is deducted from average number of shares of common stock when calculating basic earnings per share. It is also deducted from total number of issued shares at the end of the period when calculating net assets per share.

In the calculation of basic earnings per share, average number of the deducted treasury stock during the period is 335 thousand shares for both the previous consolidated fiscal year and the consolidated fiscal year

under review. In the calculation of net assets per share, number of the deducted treasury stock as of the end of the period is 335 thousand shares for both the previous consolidated fiscal year and the consolidated fiscal year under review.

(Significant subsequent events)

Not applicable.

4. Others

Changes in Officers and Directors

(1) Changes in Representatives
Not applicable.

(2) Changes in other officers
Once the content of the disclosure is determined, it will be disclosed separately.