

# Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 4, 2022

Company name: A&D HOLON Holdings Company, Limited  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 7745  
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 Scheduled date of filing quarterly securities report: August 10, 2022  
 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, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to parent company shareholders	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	11,981	3.8	(219)	-	(1)	-	(159)	-
June 30, 2021	11,541	17.8	847	292.3	956	244.9	570	584.0

Note: Comprehensive income Three months ended June 30, 2022: ¥4,354 million [419.6%]

Three months ended June 30, 2021: ¥837 million [42.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	(5.83)	-
June 30, 2021	27.64	27.58

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	64,530	31,062	47.9
As of March 31, 2022	59,239	27,041	40.8

Reference: Equity As of June 30, 2022: ¥30,931 million

As of March 31, 2022: ¥24,155 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, 2022	-	10.00	-	15.00	25.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		15.00	-	15.00	30.00

Note: Revision to the forecast for dividends announced most recently: No

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period, or corresponding quarter of previous year.)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to parent company shareholders		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2nd quarter (cumulative)	24,300	1.8	1,980	(7.2)	1,920	(14.1)	1,300	(4.7)	47.40
Full period	53,800	4.0	6,000	9.2	5,870	4.7	3,990	11.6	145.48

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

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)" on page 8 of the Appendix.
- (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, 2022: 27,845,208 shares  
March 31, 2022: 22,601,400 shares
  - 2) Total number of treasury stock at the end of the period:  
June 30, 2022: 419,727 shares  
March 31, 2022: 1,919,070 shares
  - 3) Average number of shares during the period:  
Three months ended June 30, 2022: 27,425,731 shares  
Three months ended June 30, 2021: 20,628,230 shares

Note: The total number of treasury stock at the end of the period and the total number of treasury stock which has been eliminated when calculating the average number of shares during the period include the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust properties of 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

### (1) Business Results

During the three months ended June 30, 2022, the Japanese economy continued to show signs of gradual rally against the backdrop of the easing of various restrictions imposed on people's activities as the COVID-19 pandemic settles down and the steady recovery of the global economy centered on the U.S. and European countries. However, the outlook remains uncertain due to such factors as rebound of infectious diseases due to the new variant, global supply shortages and price increases of semiconductors and other components, spikes in material prices resulting from lingering Russia-Ukraine crisis, disrupted and sluggish economic activity due to China's zero-Covid policy, in addition to the concerns about a slowdown in business recovery due to inflationary pressure, etc.

Amid such circumstances, A&D HOLON Holdings Company, Limited (the "Company"), and its subsidiaries (collectively, the "Group") started a new group formation on April 1 this year and has set up several subcommittees and started activities to maximize the effects of the reorganization. In addition, we have sought to differentiate ourselves from our competitors by responding to the diverse and changing needs of clients and society through ongoing, active investment.

In the Group, the measurement and weighing instruments business remained steady against the backdrop of the recovery of the global economy. In the medical and healthcare business, yen-translated net sales increased partly due to the impact of the weaker yen, although there were signs of a decline in consumer purchasing appetite due to concerns about global inflation, especially in the U.S. In addition, the semiconductor-related business, to which a segment was added due to the group reorganization, posted lower sales and profits due to delays in export flights. As a result, although sales increased compared to the same period of the previous year, the sharp depreciation of the yen caused an increase in the cost of sales associated with the elimination of unrealized gains on inventories, which pushed down profit significantly.

As a result, net sales for the three months ended June 30, 2022 were ¥11,981 million (up 3.8% year-on-year), operating loss was ¥219 million (operating profit of ¥847 million for the same period of the previous year), ordinary loss was ¥1 million (ordinary profit of ¥956 million for the same period of the previous year), and net loss attributable to parent company shareholders was ¥159 million (net profit attributable to parent company shareholders of ¥570 million for the same period of the previous year)

Business results by segment are as follows.

From the first quarter of the fiscal year ending March 31, 2023, the reportable segments have been changed, and comparisons and analyzes shown for the three months ended June 30, 2022 are reclassified reportable segments.

#### 1) Measurement and Weighing Instruments Business

In Japan, sales decreased due to some delays in a large-scale project, but loss decreased as a result of efforts to reduce costs and improve production efficiency.

In the Americas, both sales and profit increased, driven by the progress in the production of measurement and control simulation systems (DSP systems) which we received orders in the previous fiscal year, in addition to the continued popularity of mainstay weighing instruments.

In Europe, both sales and profit increased, driven by the effort for expanding market share of weighing instruments.

In Asia and Oceania, both sales and profit increased, driven by the significant growth in sales of weighing instruments in South Korea and metal detectors and checkweighers in India, in addition to the recovery in demand for other products and in other regions.

As a result, net sales in the measurement and weighing instruments business were ¥5,653 million (up 5.3% year-on-year) and operating profit was ¥272 million (up 1,774.9% year-on-year).

## 2) Semiconductor-Related Business

In the semiconductor-related business, which was separated from the measurement and weighing instruments business due to the group reorganization, the backlog of orders has increased significantly, and the number of inquiries is also active, indicating the strong performance of the semiconductor inspection equipment market, although both sales and profit decreased due to delays in air shipment for export products.

As a result, net sales in the semiconductor-related business were ¥1,186 million (down 4.8% year-on-year) and operating profit was ¥322 million (down 20.8% year-on-year).

## 3) Medical and Healthcare Business

In Japan, demand for home-use blood pressure monitors remained strong, and sales of medical equipment remained steady, leading to increases in both sales and profits.

In the Americas, although a large-scale project continued in the U.S., consumer awareness changed due to concerns about inflation, and sales on a local currency basis fell below the results for the same period of the previous fiscal year. Profit also decreased due to the impact of soaring transportation costs to the U.S., including air shipment.

In Europe, although sales decreased in Russia due to the impact of the Russia-Ukraine crisis, profit remained at the same level as the same period of the previous year due to efforts to control expenses.

As a result, net sales in the medical and healthcare business were ¥5,141 million (up 4.4% year-on-year) and operating profit was ¥792 million (up 10.0% year-on-year).

## (2) Financial Position

(Assets, liabilities and net assets)

Total assets as of June 30, 2022 were ¥64,530 million, an increase of ¥5,291 million compared to the end of the previous fiscal year. This was mainly due to an increase in current assets of ¥4,747 million due to an increase in inventories due to the effect of the depreciation of the yen and the effects of longer transportation period caused by supply chain disruptions.

Total liabilities as of June 30, 2022 were ¥33,468 million, an increase of ¥1,269 million compared to the end of the previous fiscal year. This was primarily due to an increase of ¥1,609 million in current liabilities resulting from increases of short-term borrowings.

Net assets as of June 30, 2022 were ¥31,062 million, an increase of ¥4,021 million compared to the end of the previous fiscal year. This was driven by an increase of ¥4,500 million in accumulated other comprehensive income which is due to changes in foreign currency translation adjustments as well as an increase of ¥2,274 million in shareholders' equity and a decrease of ¥2,753 million on non-controlling interests due to the management integration implemented on April 1, 2022.

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

There are no changes from the consolidated financial results forecast announced on May 12, 2022.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	11,882	13,718
Notes and accounts receivable and contract assets	14,114	12,763
Products	7,337	9,957
Unfinished goods	4,019	4,690
Raw materials and supplies	5,225	5,855
Other	1,440	1,814
Allowance for doubtful accounts	(73)	(105)
Total current assets	43,946	48,694
Fixed assets		
Tangible fixed assets		
Land	5,073	5,116
Other, net	6,308	6,518
Total tangible fixed assets	11,382	11,634
Intangible fixed assets		
Goodwill	123	102
Other	1,353	1,449
Total intangible fixed assets	1,476	1,552
Investments, etc.	2,433	2,649
Total fixed assets	15,292	15,836
Total assets	59,239	64,530
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	5,141	5,619
Short-term borrowings	12,029	13,589
Long-term borrowings to be repaid within one year	2,543	2,323
Accrued corporate taxes, etc.	759	362
Provision for bonuses	1,260	788
Provision for product warranties	183	193
Other	4,285	4,933
Total current liabilities	26,202	27,811
Fixed liabilities		
Corporate bonds	500	500
Long-term borrowings	3,813	3,333
Provision for product warranties	49	87
Retirement benefit liabilities	1,034	1,060
Provision for share-based remuneration for directors (and other officers)	83	88
Other	514	586
Total fixed liabilities	5,995	5,656
Total liabilities	32,198	33,468

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	6,388	6,388
Share capital surplus	6,413	8,318
Retained earnings	14,367	13,873
Treasury shares	(1,044)	(181)
Total shareholders' equity	26,125	28,400
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	26	22
Foreign currency translation adjustments	(2,278)	2,249
Accumulated adjustment on retirement benefits	282	259
Total accumulated other comprehensive income	(1,969)	2,531
Non-controlling interests	2,885	131
Total net assets	27,041	31,062
Total liabilities and net assets	59,239	64,530

(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 ended June 30, 2021	For the three months ended June 30, 2022
Net sales	11,541	11,981
Cost of sales	6,329	7,604
Gross profit	5,211	4,376
Selling, general and administrative expenses	4,364	4,596
Operating profit (loss)	847	(219)
Non-operating income		
Interest income	13	48
Foreign exchange gains	27	171
Subsidy income	116	—
Rental income from land and buildings	9	12
Other	27	42
Total non-operating income	195	274
Non-operating expenses		
Interest expenses	33	44
Settlement package	44	—
Other	7	11
Total non-operating expenses	85	55
Ordinary profit (loss)	956	(1)
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on retirement of fixed assets	0	0
Loss on valuation of investment securities	—	4
Total extraordinary loss	0	5
Net profit (loss) before taxes	957	(6)
Corporate tax, resident income tax and business taxes	240	205
Corporate tax adjustments	17	(57)
Total corporate taxes	258	147
Profit (loss)	698	(153)
Net profit (loss) attributable to non-controlling interests	128	6
Net profit (loss) attributable to parent company shareholders	570	(159)



Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit (loss)	698	(153)
Other comprehensive income		
Unrealized gains on other marketable securities	0	(4)
Foreign currency translation adjustments	163	4,535
Adjustment related to retirement benefits	(24)	(23)
Total other comprehensive income	139	4,507
Comprehensive income	837	4,354
(Breakdown)		
Comprehensive income attributable to parent company shareholders	707	4,340
Comprehensive income attributable to non-controlling interests	130	13

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

The Share Exchange was conducted through a share exchange in which the Company is the wholly-owning parent company resulting from the share exchange and HOLON Co., Ltd. is the wholly-owned subsidiary resulting from the share exchange, effective April 1, 2022. As a result, share capital surplus increased ¥1,905 million and treasury shares decreased ¥862 million.

(Changes in accounting policies)

(Application of the Accounting Standards Codification “Leases” Topic 842)

Our consolidated subsidiaries that have adopted U.S. GAAP have applied the Accounting Standards Codification “Leases” Topic 842 (hereinafter the “ASC Topic 842”) from the beginning of the first quarter of the fiscal year ending March 31, 2023. Accordingly, the subsidiaries recognize all lease transactions by the lessee as assets and liabilities on the consolidated balance sheet, in principle. In applying the ASC Topic 842, we have adopted the method of recognizing the cumulative effect of the application of the accounting standard, which is permitted as the transitional treatment, on the date of initial application.

With the application of the accounting standard, at the beginning of the first quarter of the fiscal year ending March 31, 2023, “other (net)” under tangible fixed assets increased ¥65 million, “other” under current liabilities increased ¥12 million, and “other” under fixed liabilities increased ¥53 million. The impact of the application of the accounting standard on quarterly consolidated statements of income is immaterial for the three months ended June 30, 2022.

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

	For the three months ended June 30, 2022
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, and multiplying profit before taxes by the estimated effective tax rate.

(Additional information)

Effective from the first quarter of the fiscal year ending March 31, 2023, the Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system. In accordance with this change, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021. hereinafter “PITF No. 42”) regarding accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied. In accordance with Paragraph 32 (1) of PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy upon the application of PITF No. 42.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2021

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	3,307	822	212	1,027	5,369
Inter-segment net sales and transfers	587	52	—	606	1,247
Total	3,894	875	212	1,634	6,616
Segment profit (loss)	(184)	81	(0)	117	14

	Semiconductor-Related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	1,245	—	—	—	1,245
Inter-segment net sales and transfers	—	—	—	—	—
Total	1,245	—	—	—	1,245
Segment profit (loss)	407	—	—	—	407

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	1,254	1,817	1,687	166	4,925	—	11,541
Inter-segment net sales and transfers	1,877	3	4	1,538	3,423	(4,670)	—
Total	3,131	1,820	1,691	1,705	8,349	(4,670)	11,541
Segment profit (loss)	535	45	130	8	720	(294)	847

Note: 1. The adjustment of ¥ (294) million in segment profit (loss) includes corporate expenses of ¥ (407) million not allocated to any segments. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit (loss) have been 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

II. For the three months ended June 30, 2022

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	3,069	1,171	230	1,181	5,653
Inter-segment net sales and transfers	1,029	18	0	917	1,965
Total	4,099	1,189	231	2,098	7,619
Segment profit (loss)	(15)	102	10	175	272

	Semiconductor-Related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	1,186	—	—	—	1,186
Inter-segment net sales and transfers	—	—	—	—	—
Total	1,186	—	—	—	1,186
Segment profit (loss)	322	—	—	—	322

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	1,490	1,993	1,524	132	5,141	—	11,981
Inter-segment net sales and transfers	2,596	0	0	2,322	4,920	(6,885)	—
Total	4,087	1,993	1,524	2,455	10,061	(6,885)	11,981
Segment profit (loss)	652	(116)	131	124	792	(1,607)	(219)

Note: 1. The adjustment of ¥ (1,607) million in segment profit (loss) includes corporate expenses of ¥ (456) million not allocated to any segments and ¥ (1,027) million of elimination of unrealized gains on inventories. Corporate expenses are primarily general and administrative expenses for management departments.

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

## 2. Disclosure of changes, etc. in reportable segments

From the first quarter of the fiscal year ending March 31, 2023, the semiconductor-related business that was included in the measurement and weighing instruments business was separated due to the group restructuring on April 1, 2022. The reportable segments have been changed from the previous "measurement and weighing instruments business" and "medical and healthcare business" to "measurement and weighing instruments business", "medical and healthcare business" and "semiconductor-related business".

In this regard, segment information for the previous consolidated fiscal year are the information prepared based on the reclassified reportable segments.

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

Not applicable.

### (Business Combinations)

(Share exchange between the Company and HOLON Co., Ltd. and transition to holding company structure)

Upon approval at extraordinary shareholders meetings of the respective companies, the Company and HOLON Co., Ltd. ("HOLON") conducted a share exchange (the "Share Exchange") as of April 1, 2022. At the same time, to ensure the transition of the Group into a holding company structure, a company split (the "Absorption-Type Company Split"), in which the Company was the splitting company and A&D Company, Limited((formerly known as A&D Split Preparatory Company, Limited) the "New A&D") was the succeeding company, was conducted (the "Management Integration," referring to this entire procedure).

## 1. Purpose of Management Integration

The Management Integration is aimed at making it possible resolve tasks to be addressed by aligning the direction of the group more than before and creating a structure that can rapidly respond to the changing business environment while utilizing the strengths of the Company and HOLON. Specifically, by creating a holding company structure through the Management Integration, the companies will endeavor to strengthen the group strategy function, effectively use group management resources, and maximize value for stakeholders. Additionally, the Company and HOLON, which entered into a parent-subsidary relationship in 2018 and have mainly interacted in regard to technical matters, believe the Management Integration will lead to the achievement of synergies in such areas as purchase functions, production equipment and greater use of overseas operations, not just in technical matters, such as joint research and development.

## 2. Outline of Share Exchange

### (1) Legal form of Share Exchange

The Share Exchange was conducted through a share exchange in which the Company is the wholly-owning parent company resulting from the share exchange and HOLON is the wholly-owned subsidiary resulting from the share exchange.

## (2) Share Exchange Ratio

	Company (wholly-owning parent company resulting from share exchange)	HOLON (wholly-owned subsidiary resulting from share exchange)
Share Exchange Ratio	1	3.60

Note: A total of 6,743,808 common shares in the Company were delivered through the Share Exchange. The Company allocated part of the treasury shares it holds. The breakdown of the allotment is as follows:

- 1) Number of common shares newly issued: 5,243,808
- 2) Number of treasury shares allocated: 1,500,000

## (3) Basis for Share Exchange Ratio

In deciding the share exchange ratio, the Company and HOLON selected Plutus Consulting Co., Ltd. (“Plutus”) and Yamada Consulting Group Co., Ltd. (Yamada Consulting) as their respective financial advisors.

Plutus performed the calculation using market price analysis because the Company’s and HOLON’s common shares are both listed on financial instruments exchanges and therefore have market prices, discounted cash flow analysis (“DCF Analysis”) in order to reflect future business activities in the valuation, and comparable company analysis because it is possible to infer the share value through comparison to similar companies as there are listed companies that are comparable to the Companies. Plutus took the outcomes of these analyses from comprehensive angles in calculating the share exchange ratio.

Yamada Consulting performed the calculation by using the market price analysis because the companies are listed on financial instrument exchanges and therefore have market prices, DCF Analysis in order to reflect future business activities in the valuation, and comparable company analysis because it is possible to infer that share value through comparison to similar companies as there are multiple listed companies that are comparable to the Company and Holon.

The share exchange ratio was decided through negotiation between the parties, with the above analyses used as guides.

## (4) Outline of Company to Become Wholly-Owning Parent Company Resulting from Share Exchange (as of March 31, 2022)

Name	A&D Company, Ltd.
Address	3-23-14, Higashi Ikebukuro, Toshima-ku, Tokyo
Position and name of representative	President & CEO, Yasunobu Morishima
Business details	Research, development, manufacturing and distribution of electronic measuring instruments, industrial scales, electronic balances, electronic medical instruments, testing machines, and other applied electronic equipment
Stated capital	¥6,388 million
End of fiscal year	March 31

(5) Outline of Counterparty Company of Share Exchange (as of March 31, 2022)

Name	HOLON Co., Ltd.
Address	5-40-1 Kamisuna-cho, Tachikawa-shi, Tokyo
Position and name of representative	Representative Director and President, Hao Zhang
Business details	Development, manufacture, and distribution of semiconductor electron beam measurement and inspection equipment
Stated capital	¥1,764 million
End of fiscal year	March 31

(6) Outline of Accounting

The accounting in line with the Share Exchange will be processed as transactions with non-controlling interests as stated in the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 (Revised 2019), January 16, 2019) (hereinafter, the “Business Combinations Standard”) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 (Revised 2019), January 16, 2019) (hereinafter, the “Accounting Standard for Business Divestitures”). No goodwill or negative goodwill results therefrom.

(7) Matters Listed in Case of Additional Acquisition of Subsidiary Shares

Cost of the acquisition of the acquired company and the breakdown thereof

Consideration for the acquisition Common shares ¥6,163 million

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Cost of acquisition ¥6,163 million

(8) Matters Related to Changes in the Company’s Equity in Transactions with Non-controlling Interests

1) Major factors in the change in share capital surplus

Additional acquisition of subsidiary shares

2) Amount of share capital surplus decreased due to transactions with non-controlling interests

¥3,395 million

3. Outline of Absorption-Type Company Split

(1) Legal form of Absorption-Type Company Split

The Absorption-Type Company Split was conducted through an absorption-type company split in which the Company was the splitting company and New A&D, a wholly-owned subsidiary of the Company, was the succeeding company.

(2) Shares Issued Upon Company Split and Allotment

In conducting the Absorption-Type Company Split, New A&D issued 225,000 common shares and allotted all of them to the Company, the splitting company, as consideration for the business transferred through the Absorption-Type Company Split.

(3) Basis of Calculation for Number of Shares Allotted

As all of the shares to be issued by New A&D in conducting the Absorption-Type Company Split will be allotted to the Company, no valuation has been conducted by a third-party valuation agency. The number of shares to be allotted was decided by taking account of such factors as stated capital of New A&D.

(4) Company Name After Absorption-Type Company Split

The Company has changed its trade name to A&D HOLON Holdings Company, Limited. New A&D was renamed A&D Company, Ltd., which was the former trade name of the Company.

(5) Handling of Share Options and Bonds Share Options Relating to Absorption-Type Company Split

The Company has issued share options, but the handling thereof will not be changed due to the Absorption-Type Company Split. Additionally, the Company has not issued any bonds with share options.

(6) Business Divisions Split

All businesses of the Company, excluding the group management and administration business and the asset management business

(7) Assets and Liabilities of the Split Business Divisions (as of March 31, 2022)

Assets (Million yen)		Liabilities (Million yen)	
Items	Book value	Items	Book value
Current assets	16,986	Current liabilities	7,645
Fixed assets	14,445	Fixed liabilities	744
Total	31,432	Total	8,389

(8) Outline of Succeeding Company in Absorption-Type Company Split (as of March 31, 2022)

Name	A&D Split Preparatory Company, Limited
Address	3-23-14, Higashi Ikebukuro, Toshima-ku, Tokyo
Position and name of representative	Representative Director, Yasunobu Morishima
Business details	Research, development, manufacturing and distribution of electronic measuring instruments, industrial scales, electronic balances, electronic medical instruments, testing machines, and other applied electronic equipment
Stated capital	¥50 million
End of fiscal year	March 31

(9) Outline of Accounting

The accounting in line with the Absorption-Type Company Split was processed as transactions under common control in accordance with the “Business Combinations Standard” and the “Accounting Standard for Business Divestitures.”

(Significant subsequent events)

(Merger among consolidated subsidiaries)

At a July 26, 2022 meeting, Board of Directors of A&D Company, Ltd., our consolidated subsidiary, voted to approve to carry out an absorption-type merger between its subsidiaries and change the trade name



of the surviving company.

### 1. Reason of Merger

The merger is aimed at strengthening the Group's competitiveness and improving profitability by unifying the business management system and further improving efficiency through the effective use of human resources.

### 2. Outline of Merger

#### (1) Schedule

July 20, 2022 Resolution date of Board of Directors regarding the merger (company concerned to the absorption-type merger)

July 20, 2022 Execution date of contract

July 26, 2022 Resolution date of Board of Directors regarding the merger (A&D Company, Ltd.)

July 26, 2022 Resolution date of the General Meeting of Shareholders (company concerned to the absorption-type merger)

January 1, 2023 Date of the merger (effective date) and date of trade name change

#### (2) Method of Merger

The merger is an absorption-type merger wherein KENSEI KOGYO Co., Ltd. will be the surviving company and Litra Co., LTD and ORIENTEC CORPORATION will be the absorbed companies.

#### (3) Details of Allotments Relating to Merger

As all the companies are wholly owned subsidiary of the Company, there will be no consideration for the merger nor will there be an increase or decrease in the amount of capital.

#### (4) Status of Succeeding Assets and Liabilities

At the date of the merger (effective date), the surviving company plans to inherit all assets, liabilities and rights and obligations of the absorbed companies.

### 3. Profile of Companies Concerned to the Absorption-Type Merger (as of July 26, 2022)

	Surviving Company	Absorbed Company	Absorbed Company
Name	KENSEI KOGYO Co., Ltd.	Litra Co., LTD	ORIENTEC CORPORATION.
Address	4210-15 Takasai, Shimotsuma-shi, Ibaraki	7-5 Harajuku, Hidaka-shi, Saitama	161 Hanzawa Shinden, Fukaya-shi, Saitama
Position and name of representative	Shinichi Watanabe Representative Director	Kazunori Hatanaka Representative Director and President	Hiroshige Uehara Representative Director and President

Business details	Manufacturing and distribution of electronic balances, electronic medical instruments, and precision machine parts	Manufacturing of load cells, indicators, electronic balances, industrial scale, checkweighers, and other applied electronic equipment	Manufacturing of various material testing machines, automobile-related testing equipment, various semiconductor manufacturing equipment, and signal/waveform analysis equipment
Date of Establishment	September 1955	June 1985	December 1954
Stated capital	¥81 million	¥200 million	¥268 million
End of fiscal year	March 31	March 31	March 31
Major Shareholders and holding ratio	A&D Company, Ltd. 100%	A&D Company, Ltd. 100%	A&D Company, Ltd. 100%

#### 4. Conditions after the Absorption-Type Merger (planned)

Trade name	A&D Manufacturing, Limited
Business details	Manufacturing of electronic measuring instruments, industrial scales, electronic balances, electronic medical instruments, testing machines, and other applied electronic equipment
Address	4210-15 Takasai, Shimotsuma-shi, Ibaraki
Position and name of representative	Eisuke Ogaku, Representative Director
Stated capital	¥81 million
End of fiscal year	March 31

#### 5. Outline of the Accounting Treatment to be Carried Out

The Company plans to process the accounting as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 (Revised 2019), January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 (Revised 2019), January 16, 2019).

As the merger is to be one of consolidated subsidiaries, the effect on the consolidated business results of A&D HOLON Holdings Company, Limited will be negligible.