

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 7, 2023

Company name: A&D HOLON Holdings Company, Limited

Stock exchange listing: Tokyo Stock Exchange

Code number: 7745

URL: <https://andholon.com>

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Scheduled date of filing quarterly securities report: February 14, 2023

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, 2022 (April 1, 2022 to December 31, 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	42,217	13.1	4,729	32.5	4,873	32.2	3,523	63.1
December 31, 2021	37,325	6.9	3,568	17.0	3,685	18.2	2,160	(2.7)

Note: Comprehensive income Nine months ended December 31, 2022: ¥4,624 million [59.7%]
 Nine months ended December 31, 2021: ¥2,895 million [15.4%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	128.43		128.31	
December 31, 2021	104.55		104.38	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	68,125	30,901	45.2
As of March 31, 2022	59,239	27,041	40.8

Reference: Equity As of December 31, 2022: ¥30,797 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	-	15.00	-		
Fiscal year ending March 31, 2023 (Forecast)				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
Full year	57,500	11.1	6,100	11.0	6,222	11.0	4,092	14.5	149.18

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):
December 31, 2022: 27,845,208 shares
March 31, 2022: 22,601,400 shares
 - 2) Total number of treasury stock at the end of the period:
December 31, 2022: 392,987 shares
March 31, 2022: 1,919,070 shares
 - 3) Average number of shares during the period:
Nine months ended December 31, 2022: 27,437,724 shares
Nine months ended December 31, 2021: 20,664,428 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 nine months ended December 31, 2022, the outlook for the Japanese and overseas economies remained uncertain due to such factors as high raw material prices and continued energy price hikes due to the prolonged situation in Ukraine, concerns about economic recession due to tight monetary policies taken by countries to curb rising prices, and significant fluctuations in exchange rates, although various restrictions on activities as a measure to prevent the spread of COVID-19 were gradually eased and economic activities began to normalize.

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, 2022, and have set up several subcommittees and worked on activities to maximize the creation of the reorganization effects. In addition, we have sought to differentiate ourselves from our competitors through ongoing, active investment in research and development to respond to the diverse and changing needs of clients and society.

In terms of an overview by business segment, the measurement and weighing instruments business remained steady against the backdrop of the recovery of the global economy. The medical and healthcare business maintained sales at the same level year-on-year on a local currency basis, mainly in Japan and the Americas, although there were signs of a decline in consumer purchasing appetite due to concerns about global inflation, especially in the U.S. In addition, yen-translated net sales for both businesses increased due to the impact of the weaker yen. The semiconductor-related business, which was added as a segment due to the group reorganization, posted increased both sales and profit due to strong orders since the previous fiscal year. An increase in the cost of sales associated with the elimination of unrealized gains on inventories that occurred in the six months ended September 30, 2022 was eased by the depreciation of the yen reaching its peak. The Company has been working continuously to minimize the impact of foreign exchange by optimizing inventory levels.

As a result, net sales for the nine months ended December 31, 2022, were ¥42,217 million (up 13.1% year-on-year), operating profit was ¥4,729 million (up 32.5% year-on-year), ordinary profit was ¥4,873 million (up 32.2% year-on-year), and net profit attributable to parent company shareholders was ¥3,523 million (up 63.1% year-on-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 analyses shown for the nine months ended December 31, 2022, are based on the reclassified reportable segments.

1) Measurement and Weighing Instruments Business

In Japan, while sales of measurement and control simulation systems (DSP systems) remained steady, the business saw little growth in sales of testing equipment and weighing instruments due to a shortage of parts and materials for certain products, preventing the achievement of planned production. However, profits increased through efforts to reduce costs and improve production efficiency.

In the Americas, sales grew due to special demand for general-purpose balances in addition to the continued popularity of mainstay weighing instruments. Additionally, both sales and profit significantly increased, driven by the progress in the production of DSP systems for which we received orders in the previous fiscal year.

In Asia and Oceania, both sales and profit increased, driven by the growth in sales of weighing instruments in Australia and South Korea and metal detectors and checkweighers in India.

As a result, net sales in the measurement and weighing instruments business were ¥19,871 million (up 11.8% year-on-year) and operating profit was ¥1,582 million (up 89.9% 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, orders received and inquiries increased on the back of strong demand in the semiconductor market, leading to sales.

As a result, net sales in the semiconductor-related business were ¥3,951 million (up 14.3% year-on-year) and operating profit was ¥1,254 million (up 17.8% year-on-year).

3) Medical and Healthcare Business

In Japan, while demand for home-use blood pressure monitors remained strong, demand for blood pressure monitors for nursing care in hospitals slowed. Due to this and other factors, sales were on par with the same period of the previous year, but profit increased due to efforts to reduce costs.

In the Americas, sales increased due to the continuation of a large-scale project in the U.S., growth in sales of home-use blood pressure monitors for general consumers in Canada, and the impact of the yen's depreciation. However, profit decreased due to the impact of soaring transportation costs to the U.S., including air shipment.

In Europe, although sales volume decreased in some areas, both yen-translated sales and profit increased due to the significant impact of the weaker yen.

As a result, net sales in the medical and healthcare business were ¥18,395 million (up 14.3% year-on-year) and operating profit was ¥3,824 million (up 20.0% year-on-year).

(2) Financial Position

(Assets, liabilities and net assets)

Total assets as of December 31, 2022, were ¥68,125 million, an increase of ¥8,886 million compared to the end of the previous fiscal year. This was mainly due to an increase in current assets of ¥8,099 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 December 31, 2022, were ¥37,224 million, an increase of ¥5,026 million compared to the end of the previous fiscal year. This was primarily due to an increase of ¥5,522 million in current liabilities resulting from increases of short-term borrowings due to such factors as advance procurement of materials caused by supply chain disruptions.

Net assets as of December 31, 2022, were ¥30,901 million, an increase of ¥3,860 million compared to the end of the previous fiscal year. This was driven by an increase of ¥1,089 million in accumulated other comprehensive income, which is due to changes in foreign currency translation adjustments as well as an increase of ¥5,551 million in shareholders' equity and a decrease of ¥2,780 million in 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 November 8, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	11,882	14,406
Notes and accounts receivable and contract assets	14,114	14,076
Products	7,337	9,087
Unfinished goods	4,019	6,141
Raw materials and supplies	5,225	6,494
Other	1,440	1,907
Allowance for doubtful accounts	(73)	(68)
Total current assets	43,946	52,045
Fixed assets		
Tangible fixed assets		
Land	5,073	5,110
Other, net	6,308	6,735
Total tangible fixed assets	11,382	11,846
Intangible fixed assets		
Goodwill	123	56
Other	1,353	1,481
Total intangible fixed assets	1,476	1,537
Investments, etc.	2,433	2,696
Total fixed assets	15,292	16,080
Total assets	59,239	68,125
Liabilities		
Current liabilities		
Notes and accounts payable	5,141	6,106
Short-term borrowings	12,029	14,841
Long-term borrowings to be repaid within one year	2,543	2,287
Accrued corporate taxes, etc.	759	817
Provision for bonuses	1,260	661
Provision for product warranties	183	212
Other	4,285	6,798
Total current liabilities	26,202	31,725
Fixed liabilities		
Corporate bonds	500	—
Long-term borrowings	3,813	3,394
Provision for product warranties	49	48
Retirement benefit liabilities	1,034	1,021
Provision for share-based remuneration for directors (and other officers)	83	84
Other	514	949
Total fixed liabilities	5,995	5,499
Total liabilities	32,198	37,224

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	6,388	6,388
Share capital surplus	6,413	8,318
Retained earnings	14,367	17,141
Treasury shares	(1,044)	(171)
Total shareholders' equity	26,125	31,677
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	26	25
Foreign currency translation adjustments	(2,278)	(1,117)
Accumulated adjustment on retirement benefits	282	212
Total accumulated other comprehensive income	(1,969)	(880)
Non-controlling interests	2,885	104
Total net assets	27,041	30,901
Total liabilities and net assets	59,239	68,125

(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, 2021	For the nine months ended December 31, 2022
Net sales	37,325	42,217
Cost of sales	20,984	23,432
Gross profit	16,340	18,785
Selling, general and administrative expenses	12,771	14,056
Operating profit	3,568	4,729
Non-operating income		
Interest income	53	138
Foreign exchange gains	39	86
Subsidy income	132	—
Rental income from land and buildings	33	37
Other	51	101
Total non-operating income	311	363
Non-operating expenses		
Interest expenses	104	189
Settlement package	44	—
Other	44	30
Total non-operating expenses	193	219
Ordinary profit	3,685	4,873
Extraordinary income		
Gain on sales of fixed assets	2	0
Total extraordinary income	2	0
Extraordinary loss		
Theft loss	65	—
Loss on sales of fixed assets	1	0
Loss on retirement of fixed assets	0	0
Loss on valuation of investment securities	—	4
Total extraordinary loss	67	5
Net profit before taxes	3,621	4,868
Corporate tax, resident income tax and business taxes	820	1,425
Corporate tax adjustments	332	(90)
Total corporate taxes	1,153	1,334
Profit	2,468	3,533
Net profit attributable to non-controlling interests	307	10
Net profit attributable to parent company shareholders	2,160	3,523

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	2,468	3,533
Other comprehensive income		
Unrealized gains on other marketable securities	3	(1)
Foreign currency translation adjustments	498	1,161
Adjustment related to retirement benefits	(74)	(69)
Total other comprehensive income	427	1,090
Comprehensive income	2,895	4,624
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,582	4,612
Comprehensive income attributable to non-controlling interests	312	11

(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. As of December 31, 2022, share capital surplus was ¥8,318 million and treasury shares were ¥171 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 nine months ended December 31, 2022.

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

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

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System)

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 nine months ended December 31, 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	11,218	2,683	696	3,178	17,776
Inter-segment net sales and transfers	2,429	177	0	2,006	4,613
Total	13,647	2,860	696	5,184	22,390
Segment profit	223	221	43	345	833

	Semiconductor-Related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	3,455	—	—	—	3,455
Inter-segment net sales and transfers	—	—	—	—	—
Total	3,455	—	—	—	3,455
Segment profit	1,065	—	—	—	1,065

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	4,202	5,482	6,012	394	16,092	—	37,325
Inter-segment net sales and transfers	7,628	10	4	5,808	13,452	(18,066)	—
Total	11,831	5,493	6,017	6,203	29,545	(18,066)	37,325
Segment profit	1,867	135	875	308	3,186	(1,516)	3,568

Notes: 1. The adjustment of ¥(1,516) million in segment profit includes corporate expenses of ¥(1,168) million not allocated to any segments. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit has 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 nine months ended December 31, 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	10,970	4,352	729	3,819	19,871
Inter-segment net sales and transfers	2,875	352	0	2,525	5,755
Total	13,846	4,705	730	6,344	25,626
Segment profit	541	486	102	451	1,582

	Semiconductor-Related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	3,951	—	—	—	3,951
Inter-segment net sales and transfers	—	—	—	—	—
Total	3,951	—	—	—	3,951
Segment profit	1,254	—	—	—	1,254

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	4,124	6,750	7,191	328	18,395	—	42,217
Inter-segment net sales and transfers	9,021	1	3	7,035	16,062	(21,817)	—
Total	13,146	6,751	7,194	7,364	34,457	(21,817)	42,217
Segment profit	2,307	31	1,243	242	3,824	(1,932)	4,729

Notes: 1. The adjustment of ¥(1,932) million in segment profit includes corporate expenses of ¥(1,300) million not allocated to any segments and ¥(696) million of elimination of unrealized gains on inventories. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit has been adjusted with operating profit 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 nine months ended December 31, 2021 is 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-subsidiary 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 was the wholly-owning parent company resulting from the share exchange and HOLON was 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, Ko Cho
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

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 issued by New A&D in conducting the Absorption-Type Company Split were allotted to the Company, no valuation has been conducted by a third-party valuation agency. The number of shares 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)

KENSEI KOGYO Co., Ltd., our consolidated subsidiary, merged with Litra Co., LTD. and ORIENTEC CORPORATION, also our consolidated subsidiaries, effective January 1, 2023 (hereinafter the “Merger”).

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 was an absorption-type merger wherein KENSEI KOGYO Co., Ltd. was the surviving company, and Litra Co., LTD. and ORIENTEC CORPORATION were the absorbed companies.

(3) Details of Allotments Relating to Merger

As all the companies were wholly owned subsidiaries of the Company, there was no consideration for the Merger nor was there 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 inherited all assets, liabilities and rights and obligations of the absorbed companies.

3. Profile of Companies Concerned to the Absorption-Type Merger (as of December 31, 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

Trade name	A&D Manufacturing Company, 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 was conducted among consolidated subsidiaries, the effect on the consolidated business results of A&D HOLON Holdings Company, Limited will be negligible.