

Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 7, 2023

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: November 10, 2023
 Scheduled date of commencing dividend payments: December 4, 2023
 Availability of supplementary briefing material on quarterly financial results: Available
 Holding of quarterly financial results briefing session: Scheduled (For Institutional Investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Net profit attributable to parent company shareholders	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	29,335	8.0	3,163	73.2	3,411	52.8	2,150	46.7
September 30, 2022	27,162	13.8	1,826	(14.4)	2,232	(0.1)	1,465	7.5

Note: Comprehensive income Six months ended September 30, 2023: ¥2,428 million [(54.3)%]
 Six months ended September 30, 2022: ¥5,313 million [221.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	78.30	78.23
September 30, 2022	53.43	53.38

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	71,153	34,453	48.3
As of March 31, 2023	69,418	32,574	46.8

Reference: Equity As of September 30, 2023: ¥34,375 million
 As of March 31, 2023: ¥32,502 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, 2023	-	15.00	-	20.00	35.00
Fiscal year ending March 31, 2024	-	15.00			
Fiscal year ending March 31, 2024 (Forecast)			-	20.00	35.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to parent company shareholders		Basic earnings per share
Full period	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	62,000	5.0	7,800	4.3	7,450	(2.5)	5,110	(7.5)	186.15

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):
September 30, 2023: 27,845,208 shares
March 31, 2023: 27,845,208 shares
 - 2) Total number of treasury stock at the end of the period:
September 30, 2023: 361,067 shares
March 31, 2023: 393,687 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2023: 27,462,316 shares
Six months ended September 30, 2022: 27,430,231 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 six months ended September 30, 2023, the outlook for the global economy remained uncertain due to such factors as the prolonged situation in Ukraine, rising interest rates and prices primarily in Europe and the U.S., a slowdown in the Chinese economy, and the impact of exchange rate fluctuations.

Amid such circumstances, A&D HOLON Holdings Company, Limited (the “Company”), and its subsidiaries (collectively, the “Group”), under a medium-term management plan for fiscal 2022 to 2024, have been implementing measures to strengthen each business unit’s initiatives and to enhance group synergies to respond flexibly to changes in the external environment during the six months under review. Particularly in the Semiconductor-related Business, which is positioned as a growth driver, despite the semiconductor market itself still showing some weakness, demand for the Group’s products remained robust, resulting in significant year-on-year increases in both sales and profit. In the Medical and Healthcare Equipment Business, despite a year-on-year decrease in sales due to the significant impact of foreign exchange, profit increased year-on-year due to continuous efforts to reduce costs and contain SG&A expenses. Meanwhile, in the Measuring and Weighing Equipment Business, both sales and profit decreased year-on-year especially due to the significant impact of slowdown of demand for capital investment especially in overseas.

As a result, net sales for the six months ended September 30, 2023, were ¥29,335 million (up 8.0% year-on-year), operating profit was ¥3,163 million (up 73.2% year-on-year), ordinary profit was ¥3,411 million (up 52.8% year-on-year), and net profit attributable to parent company shareholders was ¥2,150 million (up 46.7% year-on-year).

Business results by segment are as follows.

1) Semiconductor-related Business

Sales increased significantly year-on-year, due to continuous robust orders and our efforts of having met customers’ demand in both manufacturing and shipping without any request for an extension to the deadline for back orders. In addition to existing efforts to boost profitability, improvements in productivity and cost reduction by Group-unit procurement led to a substantial year-on-year increase in profit.

As a result, net sales in the Semiconductor-related Business were ¥5,674 million (up 114.2% year-on-year) and operating profit was ¥2,163 million (up 155.8% year-on-year).

2) Medical and Healthcare Equipment Business

In Japan, while demand for blood pressure monitors for nursing care in hospitals shifted to a recovery trend, demand for home-use blood pressure monitors for large customers slowed, leading to a decrease in sales. Profit increased due to a reduction in transportation costs for overseas markets.

In the Americas, sales increased, mainly for large projects, with demand remaining strong for home-use blood pressure monitors in the U.S. Profit also increased due to reductions in transportation costs and with a good product mix.

In Europe, although sales increased on a local currency basis with a recovery in demand for blood pressure monitors, both yen-translated sales and profit decreased due to the impact of foreign exchange.

As a result, net sales in the Medical and Healthcare Equipment Business were ¥11,173 million (down 1.6% year-on-year) and operating profit was ¥2,203 million (up 11.9% year-on-year).

3) Measuring and Weighing Equipment Business

In Japan, both sales and profit increased due to a rise in demand for measuring instruments caused by a steady level of industrial capital investment and a contribution made by shipments of large testing equipment.

In the Americas, a reactionary decline from the special demand for mainstay weighing instruments in the previous fiscal year had an impact and sales of measurement, control and simulation systems (DSP systems) remained sluggish due to slowing capital investment demand, leading to a decrease in both sales and profit.

In Asia and Oceania, both sales and profit decreased due to slowing demand for measuring instruments in China and for weighing instruments in India.

As a result, net sales in the Measuring and Weighing Equipment Business were ¥12,488 million (down 5.1% year-on-year) and operating profit was ¥361 million (down 55.7% year-on-year).

(2) Financial Position

(Assets, liabilities and net assets)

Total assets as of September 30, 2023, were ¥71,153 million, an increase of ¥1,735 million compared to the end of the previous fiscal year. This was mainly due to an increase in current assets of ¥1,592 million, resulting from factors such as increases in cash and deposits and in products.

Total liabilities as of September 30, 2023, were ¥36,700 million, a decrease of ¥143 million compared to the end of the previous fiscal year. This was primarily due to an increase of ¥449 million in current liabilities resulting from an increase of short-term borrowings and a decrease of ¥592 million in fixed liabilities resulting from a decrease of long-term borrowings.

Net assets as of September 30, 2023, were ¥34,453 million, an increase of ¥1,878 million compared to the end of the previous fiscal year. This was primarily driven by an increase of ¥1,606 million in shareholders' equity due to an increase in retained earnings.

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

There are no changes from the consolidated financial results forecast announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	15,003	16,274
Notes and accounts receivable and contract assets	15,284	15,367
Products	8,941	9,843
Unfinished goods	5,047	5,194
Raw materials and supplies	6,278	6,260
Other	2,173	1,431
Allowance for doubtful accounts	(67)	(118)
Total current assets	52,660	54,253
Fixed assets		
Tangible fixed assets		
Land	5,099	5,168
Other, net	7,168	7,271
Total tangible fixed assets	12,267	12,439
Intangible fixed assets		
Goodwill	35	12
Other	1,433	1,362
Total intangible fixed assets	1,468	1,374
Investments, etc.	3,021	3,086
Total fixed assets	16,757	16,899
Total assets	69,418	71,153
Liabilities		
Current liabilities		
Notes and accounts payable	4,971	5,248
Short-term borrowings	14,731	15,664
Long-term borrowings to be repaid within one year	2,118	1,630
Accrued corporate taxes, etc.	1,515	1,123
Provision for bonuses	1,398	1,424
Provision for product warranties	212	291
Other	6,254	6,268
Total current liabilities	31,202	31,652
Fixed liabilities		
Long-term borrowings	3,292	2,658
Provision for retirement benefits for directors (and other officers)	—	122
Provision for product warranties	54	75
Retirement benefit liabilities	1,064	1,062
Provision for share-based remuneration for directors (and other officers)	92	82
Other	1,135	1,045
Total fixed liabilities	5,640	5,047
Total liabilities	36,843	36,700

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	6,388	6,388
Share capital surplus	8,319	8,319
Retained earnings	19,142	20,738
Treasury shares	(172)	(162)
Total shareholders' equity	33,677	35,283
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	31	34
Foreign currency translation adjustments	(1,250)	(961)
Accumulated adjustment on retirement benefits	43	19
Total accumulated other comprehensive income	(1,175)	(907)
Non-controlling interests	72	77
Total net assets	32,574	34,453
Total liabilities and net assets	69,418	71,153

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	27,162	29,335
Cost of sales	15,965	16,503
Gross profit	11,197	12,832
Selling, general and administrative expenses	9,370	9,669
Operating profit (loss)	1,826	3,163
Non-operating income		
Interest income	94	109
Foreign exchange gains	353	293
Rental income from land and buildings	24	24
Other	64	73
Total non-operating income	537	500
Non-operating expenses		
Interest expenses	106	202
Other	24	49
Total non-operating expenses	131	252
Ordinary profit (loss)	2,232	3,411
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on sales of fixed assets	0	—
Loss on retirement of fixed assets	0	8
Loss on valuation of investment securities	4	—
Total extraordinary loss	5	8
Net profit (loss) before taxes	2,227	3,404
Corporate tax, resident income tax and business taxes	955	1,245
Corporate tax adjustments	(198)	(0)
Total corporate taxes	756	1,244
Profit (loss)	1,470	2,159
Net profit attributable to non-controlling interests	5	9
Net profit (loss) attributable to parent company shareholders	1,465	2,150

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit (loss)	1,470	2,159
Other comprehensive income		
Unrealized gains on other marketable securities	(5)	3
Foreign currency translation adjustments	3,894	289
Adjustment related to retirement benefits	(46)	(23)
Total other comprehensive income	3,842	268
Comprehensive income	5,313	2,428
(Breakdown)		
Comprehensive income attributable to parent company shareholders	5,301	2,418
Comprehensive income attributable to non-controlling interests	11	10

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

(Application of IAS 12 Income Taxes)

For our overseas consolidated subsidiaries that have adopted the International Financial Reporting Standards (IFRS), we have applied the IAS 12 Income Taxes (amended in May 2021) from the beginning of the three months ended June 30, 2023. With this application, the accounting treatment upon initial recognition for transactions that generate equal taxable temporary differences and deductible temporary differences at the time of the transaction has been clarified. Deferred tax liabilities and deferred tax assets are recognized for these taxable temporary differences and deductible temporary differences, respectively, in the Quarterly Consolidated Balance Sheets.

The impact on the quarterly consolidated financial statements due to this change in accounting policy is minimal.

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

	For the six months ended September 30, 2023
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 second quarter, and multiplying profit before taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2022

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Semiconductor-related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	2,648	—	—	—	2,648
Inter-segment net sales or transfers	—	—	—	—	—
Total	2,648	—	—	—	2,648
Segment profit (loss)	845	—	—	—	845

	Medical and Healthcare Equipment Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	2,791	4,296	4,026	245	11,359
Inter-segment net sales or transfers	5,454	0	0	4,676	10,132
Total	8,246	4,296	4,026	4,922	21,492
Segment profit (loss)	1,219	(29)	527	252	1,969

	Measuring and Weighing Equipment Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	7,002	3,118	470	2,562	13,153	—	27,162
Inter-segment net sales or transfers	1,949	211	0	1,653	3,815	(13,948)	—
Total	8,951	3,329	471	4,216	16,969	(13,948)	27,162
Segment profit (loss)	76	370	52	317	817	(1,805)	1,826

Notes: 1. The adjustment of ¥(1,805) million in segment profit (loss) includes corporate expenses of ¥(873) million not allocated to reportable segments and elimination of unrealized gains on inventories in inter-segment transactions of ¥(927) million. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit (loss) is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

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

Not applicable.

II. For the six months ended September 30, 2023

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Semiconductor-related Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	5,674	—	—	—	5,674
Inter-segment net sales or transfers	—	—	—	—	—
Total	5,674	—	—	—	5,674
Segment profit (loss)	2,163	—	—	—	2,163

	Medical and Healthcare Equipment Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	2,555	4,561	3,877	178	11,173
Inter-segment net sales or transfers	5,829	0	9	4,109	9,949
Total	8,385	4,561	3,887	4,288	21,123
Segment profit (loss)	1,395	276	284	246	2,203

	Measuring and Weighing Equipment Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	7,835	2,006	287	2,358	12,488	—	29,335
Inter-segment net sales or transfers	1,334	182	—	1,366	2,883	(12,833)	—
Total	9,170	2,189	287	3,724	15,371	(12,833)	29,335
Segment profit (loss)	185	26	(34)	184	361	(1,566)	3,163

Notes: 1. The adjustment of ¥(1,566) million in segment profit (loss) includes corporate expenses of ¥(874) million not allocated to reportable segments and elimination of unrealized gains on inventories in inter-segment transactions of ¥(718) million. Corporate expenses are primarily general and administrative expenses for management departments.

2. Segment profit (loss) is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

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

Not applicable.