

Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]



August 6, 2020

Company name: A&D Company, Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7745
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 Scheduled date of filing quarterly securities report: August 7, 2020
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	9,798	(8.3)	216	173.4	277	-	83	-
June 30, 2019	10,690	13.2	79	-	(22)	-	(211)	-

Note: Comprehensive income Three months ended June 30, 2020: ¥586 million [-%]

Three months ended June 30, 2019: ¥(319) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2020	Yen 4.04	Yen 3.96
June 30, 2019	(10.32)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	49,375	18,936	35.3
As of March 31, 2020	49,302	18,576	34.9

Reference: Equity As of June 30, 2020: ¥17,435 million

As of March 31, 2020: ¥17,203 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 10.00	Yen -	Yen 10.00	Yen 20.00
Fiscal year ending March 31, 2021	-	-	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	10.00	-	10.00	20.00

Note: Revision to the forecast for dividends announced most recently: Yes

For the dividends forecast, please refer to the “Notice Regarding the Financial Results Forecast and the Dividends Forecast for the Fiscal Year Ending March 31, 2021” announced today (August 6, 2020).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to parent company shareholders		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	43,700	(11.2)	1,130	(69.5)	1,070	(68.8)	560	(64.5)	27.15

Note: Revision to the financial results forecast announced most recently: Yes

For the financial results forecast, please refer to the “Notice Regarding the Financial Results Forecast and the Dividends Forecast for the Fiscal Year Ending March 31, 2021” announced today (August 6, 2020).

* 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: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury stock):
June 30, 2020: 22,579,700 shares
March 31, 2020: 22,579,700 shares
 - 2) Total number of treasury stock at the end of the period:
June 30, 2020: 1,951,360 shares
March 31, 2020: 1,951,360 shares
 - 3) Average number of shares during the period:
Three months ended June 30, 2020: 20,628,340 shares
Three months ended June 30, 2019: 20,488,365 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 Custody Bank of Japan, Ltd. (former Trust & Custody Services Bank, Ltd.) (Trust E Account) as trust assets for the stock benefit trust system.

* These consolidated financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation of the proper use of financial results forecasts and other notes

Forward-looking statements in this document, including financial results forecasts, are based on information available and certain assumptions deemed reasonable by the Company at present, and the Company does not guarantee their achievement. Actual business results, etc., may differ significantly due to various factors.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Business Results	2
(2) Financial Position	3
(3) Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	
Three Months Ended June 30	6
Quarterly Consolidated Statements of Comprehensive Income	
Three Months Ended June 30	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)..	8
(Additional information).....	8
(Segment information, etc.)	9

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Business Results

Regarding the economic environment surrounding A&D Company, Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) during the three months ended June 30, 2020 in Japan, the economy fell sharply owing to voluntary restraint of nonessential and non-urgent outings in response to the declaration of a state of emergency, lost demand in inbound tourism, etc. due to the impact of the spread of COVID-19. Overseas economic activities have also been restricted in various ways, but with certain differences among countries and regions. Currently, economic activities have resumed on the assumption that we should co-exist with COVID-19. However, capital investment and demand for consumption were not expected to return to the size they used to be before the spread of COVID-19. Furthermore, there was also a concern about the second wave of the spread of the infection, making it difficult to clear up the uncertainty about the future.

Amid such circumstances, the Group responded to the needs of society while looking after the health and safety of our business partners and employees through the promotion of telework, etc. In addition, as sales were expected to decline, we inevitably took measures such as personnel cutbacks and reduced workdays in some countries, and also strived to efficiently manage costs related to sales activities and investment in development.

As a result, net sales for the three months ended June 30, 2020 were ¥9,798 million (down 8.3% year-on-year), operating profit was ¥216 million (up 173.4% year-on-year), ordinary profit was ¥277 million (ordinary loss of ¥22 million in the previous corresponding period), and profit attributable to parent company shareholders was ¥83 million (loss attributable to parent company shareholders of ¥211 million in the previous corresponding period).

Business results by segment are as follows.

1) Measurement and Weighing Instruments Business

In Japan, although sales related to semiconductor instruments of HOLON CO., LTD. increased, sales of measurement instruments and measurement and control simulation systems (DSP systems) decreased significantly as business operators’ capital investment in general was restrained or postponed. However, profit increased as a result of efforts to reduce various costs.

In the Americas, both sales and profit decreased significantly due to the impact of the postponement of many projects related to measurement and control simulation systems (DSP systems). However, as a result of personnel cutbacks and cost reductions, the amount of loss decreased year on year.

In Asia and Oceania, sales decreased despite continued strong sales of metal detectors and checkweighers in Australia as we were barely able to perform our business activities earlier in the period in India due to the impact of the lockdown and demand for other products and in other regions also diminished. Although we cut costs, and reduced personnel in some countries where it was necessary, profit also declined.

As a result, net sales in the measurement and weighing instruments business was ¥5,704 million (down 11.2% year-on-year) and operating profit was ¥194 million (up 138.5% year-on-year).

2) Medical and Healthcare Business

In Japan, sales slightly decreased due to a decline in sales of products for professional use as a result of cancelled or postponed capital investments despite stronger demand for blood pressure monitors for household use, etc. attributable to the heightened awareness of health. Meanwhile, we managed to maintain profit through efforts for cost reductions.

In the Americas, sales significantly increased owing to strong sales of blood pressure monitors and other products in Canada in addition to continued large-scale projects in the United States. Cost reductions increased profit significantly as well.

In Europe, sales decreased primarily due to temporarily limited economic activities in Russia, but profit increased as a result of personnel cutbacks and cost reductions.

As a result, net sales in the medical and healthcare business were ¥4,094 million (down 4.0% year-on-year) and operating profit was ¥721 million (up 77.3% year-on-year).

(2) Financial Position

(Assets, liabilities and net assets)

Total assets as of June 30, 2020 were ¥49,375 million, an increase of ¥72 million and almost the same level compared to the end of the previous fiscal year. This is due to an increase of ¥545 million in fixed assets mainly owing to an increase in tangible fixed assets, etc. resulting from a land purchase at HOLON CO., LTD., our consolidated subsidiary, while current assets decreased by ¥472 million mainly owing to a decrease in bills and accounts receivable, etc. in line with a decrease in net sales.

Total liabilities as of June 30, 2020 were ¥30,438 million, a decrease of ¥287 million compared to the end of the previous fiscal year. This is due to a decrease of ¥313 million in current liabilities mainly owing to decreases in bills and accounts payable, provision for bonuses, accrued corporate taxes, etc. Fixed liabilities remained almost the same with an increase of ¥25 million compared to the end of the previous fiscal year.

Net assets as of June 30, 2020 were ¥18,936 million, an increase of ¥360 million compared to the end of the previous fiscal year. This was attributable to an increase of ¥358 million in accumulated other comprehensive income primarily resulting from a change in foreign currency translation adjustments, while shareholders' equity decreased by ¥126 million mainly owing to cash dividends paid.

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

We disclosed financial results forecast, which was undetermined at the time of announcement of the Consolidated Financial Results for the Year Ended March 31, 2020 on May 20, 2020. For details, please refer to the "Notice Regarding the Financial Results Forecast and the Dividends Forecast for the Fiscal Year Ending March 31, 2021" separately announced today.

As for a medium-term management plan, we will postpone its announcement as it is even more difficult to give a medium-term outlook than a single fiscal year outlook. We will give the matter a careful consideration, and will announce the plan when it becomes possible to provide the medium-term outlook.

2. Quarterly Consolidated Financial Statements and Primary Notes
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	9,756	10,661
Bills and accounts receivable	13,719	11,784
Marketable securities	280	—
Products	6,081	6,491
Unfinished goods	2,643	2,690
Raw materials and supplies	3,109	3,221
Other	759	1,030
Allowance for doubtful accounts	(81)	(82)
Total current assets	36,269	35,797
Fixed assets		
Tangible fixed assets		
Land	4,476	5,055
Other, net	4,898	4,735
Total tangible fixed assets	9,374	9,791
Intangible fixed assets		
Goodwill	316	281
Other	1,552	1,532
Total intangible fixed assets	1,869	1,813
Investments, etc.	1,789	1,973
Total fixed assets	13,033	13,578
Total assets	49,302	49,375
Liabilities		
Current liabilities		
Bills and accounts payable	4,513	3,854
Short-term debt	11,136	11,663
Long-term borrowings to be repaid within one year	2,869	3,094
Accrued corporate taxes, etc.	542	318
Provision for bonuses	1,084	641
Provision for product warranties	177	175
Other	3,545	3,807
Total current liabilities	23,869	23,555
Fixed liabilities		
Corporate bonds	500	500
Long-term debt	4,415	4,420
Provision for product warranties	58	61
Debt related to retirement benefits	1,021	1,038
Provision for directors' share benefits	60	64
Other	802	798
Total fixed liabilities	6,857	6,883
Total liabilities	30,726	30,438

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Common stock	6,388	6,388
Capital surplus	6,442	6,442
Retained earnings	8,586	8,460
Treasury stock	(1,056)	(1,056)
Total shareholders' equity	20,361	20,234
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	14	20
Foreign currency translation adjustments	(3,529)	(3,152)
Accumulated adjustment on retirement benefits	357	333
Total accumulated other comprehensive income	(3,157)	(2,798)
Share acquisition rights	10	10
Non-controlling shareholders' equity	1,362	1,490
Total net assets	18,576	18,936
Total liabilities and net assets	49,302	49,375

(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, 2019	For the three months ended June 30, 2020
Net sales	10,690	9,798
Cost of sales	6,077	5,486
Gross profit	4,612	4,312
Selling, general and administrative expenses	4,533	4,096
Operating profit	79	216
Non-operating income		
Interest income	13	17
Investment gain on equity method	2	—
Exchange gain	—	65
Subsidy income	—	27
Rent received	7	9
Other	31	12
Total non-operating income	55	133
Non-operating expenses		
Interest expense	61	44
Exchange loss	42	—
Commission for syndicated loans	30	—
Other	23	27
Total non-operating expenses	156	71
Ordinary profit (loss)	(22)	277
Extraordinary income		
Gain on sale of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on sale of fixed assets	0	—
Loss on disposal of fixed assets	12	0
Total extraordinary loss	13	0
Profit (loss) before taxes	(34)	277
Corporate, inhabitant and business taxes	221	244
Corporate tax adjustments	(164)	(194)
Total corporate taxes	57	50
Profit (loss)	(92)	227
Profit attributable to non-controlling shareholders' equity	119	143
Profit (loss) attributable to parent company shareholders	(211)	83

Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Profit (loss)	(92)	227
Other comprehensive income		
Unrealized gains on other marketable securities	(3)	5
Foreign currency translation adjustments	(187)	378
Adjustment related to retirement benefits	(33)	(24)
Equity equivalent for equity method affiliates	(1)	—
Total other comprehensive income	(226)	359
Comprehensive income	(319)	586
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(432)	442
Comprehensive income attributable to non-controlling shareholders' equity	113	144

(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.

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

	For the three months ended June 30, 2020
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 under review, and multiplying profit before taxes by the estimated effective tax rate thus obtained.

(Additional information)

(Impact of COVID-19 on accounting estimates)

In the three months ended June 30, 2020, there was no significant change in the accounting estimates of the impact of COVID-19 on the future financial results of the Group, which were presented in Additional Information in the Annual Securities Report for the fiscal year ended March 31, 2020.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2019

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

(Million yen)

	Measurement and Weighing Instruments Business				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
Net sales to outside customers	4,768	653	191	811	6,425
Inter-segment net sales or transfers	539	33	6	654	1,233
Total	5,308	686	198	1,465	7,659
Segment profit (loss)	69	(72)	(14)	98	81

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	1,023	1,523	1,634	82	4,264	-	10,690
Inter-segment net sales or transfers	2,118	5	5	1,677	3,806	(5,040)	-
Total	3,142	1,528	1,639	1,760	8,071	(5,040)	10,690
Segment profit (loss)	375	(146)	71	106	406	(409)	79

Notes: 1. The adjustment of ¥(409) million in segment profit (loss) includes corporate expenses of ¥(381) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

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

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

Not applicable.

II. For the three months ended June 30, 2020

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	4,347	499	147	711	5,704
Inter-segment net sales or transfers	603	15	6	555	1,180
Total	4,950	514	153	1,266	6,885
Segment profit (loss)	199	(35)	(4)	35	194

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	941	1,746	1,332	73	4,094	-	9,798
Inter-segment net sales or transfers	2,118	0	1	1,600	3,720	(4,901)	-
Total	3,060	1,747	1,334	1,673	7,814	(4,901)	9,798
Segment profit (loss)	380	75	153	111	721	(699)	216

Notes: 1. The adjustment of ¥(699) million in segment profit (loss) includes corporate expenses of ¥(435) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

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

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

Not applicable.