

Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



November 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: November 12, 2020
 Scheduled date of commencing dividend payments: December 7, 2020
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule 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, 2020 (April 1, 2020 to September 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	%
Six months ended September 30, 2020	22,019	(3.5)	1,487	57.5	1,511	96.1	1,146	526.6
September 30, 2019	22,826	8.7	944	170.7	771	92.0	182	(40.2)

Note: Comprehensive income Six months ended September 30, 2020: ¥1,166 million [-%]
 Six months ended September 30, 2019: ¥(6) million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	55.57		54.34	
September 30, 2019	8.93		8.69	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	51,655	20,538	34.8
As of March 31, 2020	49,302	18,576	34.9

Reference: Equity As of September 30, 2020: ¥17,977 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	-	10.00			
Fiscal year ending March 31, 2021 (Forecast)			-	10.00	20.00

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

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	46,400	(5.7)	3,500	(5.4)	3,450	0.5	2,360	49.7	114.41

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

For the financial results forecast, please refer to the "Notice Regarding Revision of Financial Results Forecast for the Fiscal Year Ending March 31, 2021" announced today (November 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):
September 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:
September 30, 2020: 1,951,360 shares
March 31, 2020: 1,951,360 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2020: 20,628,340 shares
Six months ended September 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.

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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 six months ended September 30, 2020 in Japan, economic activities which had been sluggish due to the impact of the spread of COVID-19 headed toward recovery, following the lifting of the state of emergency. The speed of recovery, however, remains moderate, with lingering uncertainties over the future. Outside Japan, although recovery has been seen in China, infections are continuing across Europe and the Americas, and economic activities have been limited.

Amid such circumstances, the Group promoted its sales activities by utilizing telework and online meetings, etc. in order to ensure the health and safety of our customers, business partners and employees. In addition, as sales were expected to decline, we strove to curb fixed costs, while promoting activities to reduce products costs.

As a result, net sales for the six months ended September 30, 2020 were ¥22,019 million (down 3.5% year-on-year), operating profit was ¥1,487 million (up 57.5% year-on-year), ordinary profit was ¥1,511 million (up 96.1% year-on-year), and profit attributable to parent company shareholders was ¥1,146 million (up 526.6% year-on-year).

Business results by segment are as follows.

1) Measurement and Weighing Instruments Business

In Japan, orders were sluggish in measurement and control simulation systems (DSP systems) due to the impact of COVID-19, but sales grew as a result of steady production of the projects that we acquired in the previous fiscal year. However, in semiconductor manufacturing-related instruments, HOLON CO., LTD. recorded a year-on-year decrease in sales, although in line with the forecast. In addition, sales also decreased in weighing instruments due to lower demand. As a result, despite efforts to reduce costs, we recorded decreased sales and profit year-on-year due to a substantial decline in net sales.

In the Americas, sales stagnated due to the impact of COVID-19, but we returned to a positive result in profit as a result of efforts to reduce costs.

In Asia and Oceania, sales decreased due to lower demand in South Korea as a result of the impact of COVID-19, and restrained business activities in India due to the prolonged lockdown, although sales increased in Australia as our solutions that combine metal detectors and checkweighers with weighing instruments were well received by the market.

As a result, net sales in the measurement and weighing instruments business were ¥12,486 million (down 11.5% year-on-year) and operating profit was ¥576 million (down 27.9% year-on-year).

2) Medical and Healthcare Business

In Japan, both sales and profit increased significantly as demand for non-contact thermometers increased due to the spread of COVID-19.

In the Americas, sales significantly increased owing to strong sales of blood pressure monitors and health scales with communication function spurred by increased demand for remote medical care, in addition to continued shipments of large-scale projects in the United States.

In Europe, sales increased in the United Kingdom due to strong e-commerce. In Russia, although sales grew on a local currency basis, yen equivalent sales decreased due to the strong yen against Russian ruble as compared to the previous year. Meanwhile, profit increased as a result of efforts to reduce costs.

As a result, net sales in the medical and healthcare business were ¥9,533 million (up 9.3% year-on-year) and operating profit was ¥1,991 million (up 135.0% year-on-year).

(2) Financial Position

(Assets, liabilities and net assets)

Total assets as of September 30, 2020 were ¥51,655 million, an increase of ¥2,352 million compared to the end of the previous fiscal year. This is due to an increase of ¥663 million in fixed assets mainly resulting from a land purchase at HOLON CO., LTD., a consolidated subsidiary of the Company, for the construction of a new office building, in addition to an increase of ¥1,688 million in current assets mainly owing to an increase in cash and deposits resulting from capital increase by way of issuance of new stocks conducted by the said company.

Total liabilities as of September 30, 2020 were ¥31,116 million, an increase of ¥389 million compared to the end of the previous fiscal year. This is due to an increase of ¥122 million in current liabilities mainly owing to an increase in short-term debt, in addition to an increase of ¥266 million in fixed liabilities mainly owing to an increase in long-term debt.

Net assets as of September 30, 2020 were ¥20,538 million, an increase of ¥1,962 million compared to the end of the previous fiscal year. This was mainly attributable to an increase of ¥936 million in retained earnings, in addition to an increase of ¥1,188 million in non-controlling shareholders' equity.

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

In view of recent business trends and other factors, the Company revised its consolidated financial results forecast for the fiscal year ending March 31, 2021 that was announced on August 6, 2020. For details, please refer to the "Notice Regarding Revision of Financial Results Forecast for the Fiscal Year Ending March 31, 2021" separately announced today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	9,756	13,176
Bills and accounts receivable	13,719	11,734
Marketable securities	280	—
Products	6,081	6,247
Unfinished goods	2,643	2,575
Raw materials and supplies	3,109	3,449
Other	759	849
Allowance for doubtful accounts	(81)	(75)
Total current assets	36,269	37,958
Fixed assets		
Tangible fixed assets		
Land	4,476	5,056
Other, net	4,898	4,895
Total tangible fixed assets	9,374	9,952
Intangible fixed assets		
Goodwill	316	255
Other	1,552	1,453
Total intangible fixed assets	1,869	1,708
Investments, etc.	1,789	2,035
Total fixed assets	13,033	13,696
Total assets	49,302	51,655
Liabilities		
Current liabilities		
Bills and accounts payable	4,513	3,990
Short-term debt	11,136	12,004
Long-term borrowings to be repaid within one year	2,869	2,911
Accrued corporate taxes, etc.	542	482
Provision for bonuses	1,084	1,112
Provision for product warranties	177	187
Other	3,545	3,302
Total current liabilities	23,869	23,991
Fixed liabilities		
Corporate bonds	500	500
Long-term debt	4,415	4,688
Provision for product warranties	58	43
Debt related to retirement benefits	1,021	1,041
Provision for directors' share benefits	60	68
Other	802	782
Total fixed liabilities	6,857	7,124
Total liabilities	30,726	31,116

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Common stock	6,388	6,388
Capital surplus	6,442	6,413
Retained earnings	8,586	9,523
Treasury stock	(1,056)	(1,056)
Total shareholders' equity	20,361	21,269
Accumulated other comprehensive income		
Unrealized gains on other marketable securities	14	20
Foreign currency translation adjustments	(3,529)	(3,620)
Accumulated adjustment on retirement benefits	357	308
Total accumulated other comprehensive income	(3,157)	(3,291)
Share acquisition rights	10	10
Non-controlling shareholders' equity	1,362	2,551
Total net assets	18,576	20,538
Total liabilities and net assets	49,302	51,655

(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, 2019	For the six months ended September 30, 2020
Net sales	22,826	22,019
Cost of sales	12,788	12,221
Gross profit	10,038	9,797
Selling, general and administrative expenses	9,093	8,310
Operating profit	944	1,487
Non-operating income		
Interest income	26	27
Investment gain on equity method	3	—
Exchange gain	—	14
Subsidy income	—	59
Rent received	16	19
Other	48	57
Total non-operating income	95	178
Non-operating expenses		
Interest expense	120	86
Exchange loss	74	—
Other	73	67
Total non-operating expenses	268	154
Ordinary profit	771	1,511
Extraordinary income		
Gain on sale of fixed assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Loss on sale of fixed assets	0	0
Loss on disposal of fixed assets	13	2
Loss on valuation of investment securities	1	—
Total extraordinary loss	15	2
Profit before taxes	756	1,510
Corporate, inhabitant and business taxes	440	481
Corporate tax adjustments	(133)	(271)
Total corporate taxes	307	210
Profit	449	1,300
Profit attributable to non-controlling shareholders' equity	266	154
Profit attributable to parent company shareholders	182	1,146

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit	449	1,300
Other comprehensive income		
Unrealized gains on other marketable securities	(1)	6
Foreign currency translation adjustments	(384)	(90)
Adjustment related to retirement benefits	(67)	(49)
Equity equivalent for equity method affiliates	(1)	—
Total other comprehensive income	(455)	(133)
Comprehensive income	(6)	1,166
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(262)	1,012
Comprehensive income attributable to non-controlling shareholders' equity	256	154

(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 six months ended September 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 second 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)

The Group has been affected by the spread of COVID-19, in the form of declined demand due to stagnant economic activities caused by measures to combat COVID-19 in each country. Due to such circumstances, accounting estimates were made based on an assumption that, although demand will continue to decline during the current fiscal year, it will gradually recover toward the fiscal year-end, with the containment of infections and resumption of economic activities in each region.

Under the aforementioned assumption, the Company makes accounting estimates such as recoverability of deferred tax assets.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 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	10,692	1,478	414	1,522	14,107
Inter-segment net sales or transfers	1,084	82	18	1,213	2,398
Total	11,777	1,560	433	2,735	16,506
Segment profit (loss)	715	(30)	(20)	134	799

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	2,272	2,936	3,335	173	8,718	-	22,826
Inter-segment net sales or transfers	4,200	5	12	3,092	7,312	(9,710)	-
Total	6,473	2,942	3,348	3,266	16,030	(9,710)	22,826
Segment profit (loss)	780	(205)	114	158	847	(702)	944

Notes: 1. The adjustment of ¥(702) million in segment profit (loss) includes corporate expenses of ¥(787) 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 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, 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	9,302	1,334	336	1,513	12,486
Inter-segment net sales or transfers	1,166	65	17	1,076	2,325
Total	10,469	1,399	353	2,589	14,811
Segment profit	472	8	7	88	576

	Medical and Healthcare Business					Adjustment (Note 1)	Consolidation (Note 2)
	Japan	Americas	Europe	Asia and Oceania	Total		
Net sales							
Net sales to outside customers	2,665	3,578	3,126	163	9,533	-	22,019
Inter-segment net sales or transfers	4,521	2	2	3,471	7,998	(10,324)	-
Total	7,187	3,580	3,128	3,635	17,531	(10,324)	22,019
Segment profit	1,192	156	405	236	1,991	(1,080)	1,487

Notes: 1. The adjustment of ¥(1,080) million in segment profit includes corporate expenses of ¥(819) million not allocated to reportable segments. Corporate expenses are primarily general and administrative expenses for management departments.

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

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

Not applicable.