August 12, 2022

Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (Under Japanese GAAP)

Company name: ASAHI INTECC CO., LTD.
Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 7747
URL: http://www.asahi-intecc.co.jp/
Representative: Masahiko Miyata, President & CEO
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Scheduled date of annual general meeting of shareholders: September 29, 2022
Scheduled date of commencing dividend payments: September 30, 2022
Scheduled date of filing annual securities report: September 30, 2022
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit excluding goodwill amortization, etc.		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	77,748	26.4	16,893	30.5	15,239	19.1	16,326	23.7	10,857	8.7
June 30, 2021	61,507	8.8	12,944	2.8	12,795	2.8	13,196	7.2	9,984	8.8

Note: Comprehensive income For the fiscal year ended June 30, 2022: ¥17,297 million (60.9%)
For the fiscal year ended June 30, 2021: ¥10,753 million (16.2%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2022	40.01	40.00	10.2	12.1	19.6
June 30, 2021	38.25	38.07	12.1	12.6	20.8

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended June 30, 2022: ¥– million
For the fiscal year ended June 30, 2021: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2022	155,127	121,130	77.0	439.80
June 30, 2021	115,427	92,938	80.5	349.18

Reference: Equity
As of June 30, 2022: ¥119,459 million
As of June 30, 2021: ¥92,868 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
June 30, 2022	17,302	-18,703	11,368	32,321
June 30, 2021	8,920	-16,327	10,110	21,358

2. Dividends

	Annual dividends per share					Total dividends (total)	Payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
June 30, 2021	–	0.00	–	11.26	11.26	2,994	30.0	3.6
June 30, 2022	–	0.00	–	11.99	11.99	3,256	30.0	3.0
Fiscal year ending June 30, 2023 (Forecast)	–	0.00	–	13.71	13.71		30.0	

3. Consolidated financial results forecast for the fiscal year ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit excluding goodwill amortization, etc.		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (cumulative)	44,507	18.0	9,164	2.9	8,249	1.8	8,246	-4.0	5,866	-8.1	21.60
Full year	89,339	14.9	19,163	13.4	17,433	14.4	17,423	6.7	12,405	14.3	45.67

(Note) Operating profit excluding goodwill amortization, etc. = Operating profit + amount of goodwill amortization, etc.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: -
Excluded: -

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	271,633,600 shares
As of June 30, 2021	265,972,800 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	7,878 shares
As of June 30, 2021	7,878 shares

(iii) Average number of shares during the period

Fiscal year ended June 30, 2022	271,393,929 shares
Fiscal year ended June 30, 2021	261,066,829 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	63,474	24.7	10,965	33.5	13,186	48.4	9,524	41.4
June 30, 2021	50,892	7.3	8,214	-17.1	8,884	-11.6	6,734	-14.7

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
June 30, 2022	35.09	35.08
June 30, 2021	25.80	25.68

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2022	120,870	86,212	71.3	317.39
June 30, 2021	91,428	67,194	73.4	252.48

Reference: Equity
As of June 30, 2022: ¥86,212 million
As of June 30, 2021: ¥67,149 million

* Financial results reports are exempt from review by certified public accountants or an audit corporation.
* Proper use of earnings forecasts, and other special matters

  Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. Overview of operating results, etc. (4) Future outlook” on pages 5 and 6 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

Table of contents of the attached materials

1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

ASAHI INTECC CO., LTD. (the Company) has formulated the following four basic policies in the new medium-term management plan "ASAHI Going Beyond 1000" with a purpose of consolidated net sales exceeding 100 billion yen by the fiscal year ending June 30, 2026, aiming to improve the quality of life of patients and doctors through ultimate pursuit of minimally invasive treatment, and worked to build a business portfolio for further growth in a long term with an eye toward the next 10 years.

1) Strategic development of the global market and expansion of affected areas and treatment areas

2) Creating new businesses in global niche markets

3) Develop R&D and production system optimized for global expansion

4) Establish management structure for sustainable growth

To develop the business portfolio, we will continue to advance strategic development of the global market and expansion of affected areas and treatment areas as a culmination of the basic strategy we have taken thus far and reinforce the revenue base of existing businesses. We are also creating new businesses in global niche markets by making ongoing investments for future growth aiming to increase our presence in the global market and further increase our corporate value. As the business foundation to support these growth strategies, we will advance development of an R&D and production system optimized for global expansion and seek to establish a management structure for sustainable growth.

During the fiscal year under review, our measures for realizing the above included the following:

1) We acquired four companies in July 2021, namely A-Traction Inc. (Japan: for advancing the adoption of robotics; the company name changed to ASAHI SURGICAL ROBOTICS CO., LTD. in August 1, 2021), KARDIA S.R.L (Italy: a local distributor for advancing the shift to direct sales), Pathways Medical Corporation (the U.S.: for acquiring the technology to form electrical wiring with an ultra-thin film on the surface of guide wires), and Rev. 1 Engineering, Inc. (the U.S.: a design and development support company for enhancing ODM and OEM).

2) We entered into a sales alliance agreement to sell a new model of brain aneurysm embolization coils of KANEKA CORPORATION in the U.S. market.

3) We realized a shift to the Prime Market.

4) We opened the Tokyo Training Center for the purpose of providing operational training opportunities of a next-generation surgery support robot.

5) We transferred the ODM and OEM businesses in the medical device field to Filmecc Co., Ltd., our wholly owned consolidated subsidiary for the purpose of active advancement of these businesses.

6) We established a joint venture company for the purpose of conducting a walking training service business.

7) We entered into an exclusive domestic sales agreement with Olympus Corporation for the endoscope treatment dilator "Tornus ES" developed by the Asahi Intecc Group in the biliary and pancreatic fields.

Also in the future, we will aim to enhance corporate value by promoting growth strategies based on the medium-term management plan in a steady manner.

In addition, although the Device Division, etc. at our consolidated subsidiary, TOYOFLEX CEBU CORPORATION (hereinafter, Cebu Factory) suffered damage from Typhoon No. 22 that directly hit the Philippines on December 16, 2021, operations restarted successively from mid-January. In the fiscal year under review, a part of losses related to damage from this typhoon was recorded as extraordinary losses. However, there was no significant impact on the operating results of the entire Asahi Intecc Group for the fiscal year under review.

Under these circumstances, net sales of the Asahi Intecc Group for the fiscal year under review amounted to 77,748 million yen (an increase of 26.4% year on year), thanks to a significant increase in overseas net sales primarily in Europe and China mainly due to a year-on-year recovery trend of the market size which shrunk due to the impact of COVID-19, weaker yen, an increase in the market needs, benefits from acquisition of multiple companies, and promotion of direct sales in Germany.

Gross profit totaled 51,082 million yen (an increase of 23.2% year on year), due to the increase in net sales.

Operating profit was 15,239 million yen (an increase of 19.1% year on year), despite an increase in selling, general and administrative expenses, such as an increase in sales-related expenses associated with net sales growth in the overseas market and the promotion of direct sales, expenses of target companies and an increase in goodwill amortization associated with realization of the acquisitions, and an increase in R&D expenses for reinforcing development.

Ordinary profit was 16,326 million yen (an increase of 23.7% year on year) due to an increase in foreign exchange gains.

Profit attributable to owners of parent was 10,857 million yen (an increase of 8.7% year on year) due to extraordinary income from gain on step acquisitions of 615 million yen and recording of 609 million yen as extraordinary loss associated with the typhoon disaster at the Cebu Factory.

Foreign exchange rates used for the fiscal year under review were as follows:

117.46 yen per U.S. dollar (106.58 yen for the same period of the previous fiscal year, up 10.2%)

132.15 yen per euro (127.06 yen for the same period of the previous fiscal year, up 4.0%)

18.18 yen per Chinese yuan (16.12 yen for the same period of the previous fiscal year, up 12.8%)

3.51 yen per Thai baht (3.45 yen for the same period of the previous fiscal year, up 1.7%)

The operating results for each segment are outlined below.

<Medical Division>

In the Medical Division, net sales increased thanks to a significant increase in overseas net sales primarily in Europe and China due to a year-on-year recovery trend of the market size which shrunk due to the impact of COVID-19, weaker yen, benefits from acquisition of multiple companies, and promotion of direct sales in Germany.

In the domestic market, net sales remained flat mainly due to reductions of reimbursement prices as well as returns in connection with the shift to direct sales and a decrease in OEM transactions for gastrointestinal products, though PCI guide wires and catheters for treatment in the cardiovascular field, peripheral vascular products and neurovascular products were steady.

In the overseas market, we experienced very strong results in all regions, primarily for PCI guide wires and penetration catheters in the cardiovascular field, mainly thanks to a year-on-year recovery trend of the market size which shrunk due to the impact of COVID-19, weaker yen, growth of net sales due to benefits from acquisition of KARDIA S.R.L. and Rev 1. Engineering, Inc., and promotion of direct sales in Germany. Also in the non-cardiovascular field, we experienced strong results, mainly for neurovascular products, peripheral vascular products, and OEM products. The impact of deterioration of the Russia and Ukraine situation is immaterial.

As a result, net sales totaled 68,345 million yen (an increase of 28.8% year on year).

Segment profit amounted to 14,052 million yen (an increase of 2.6% year on year).

<Device Division>

In the Device Division, net sales increased mainly due to growth of the market needs resulting from the recovering impact of COVID-19. The impact of damage to the Cebu Factory from a disaster is immaterial.

As for medical components, net sales decreased in the domestic market. However, in the overseas market, net sales increased mainly due to increases in transactions of cardiovascular inspection catheter components and cardiovascular ultrasonic catheter components for the U.S. companies.

As for industrial components, net sales decreased due to a decrease in construction-related and automobile-related transactions both in the domestic and overseas markets, despite strong results for leisure-related transactions in the overseas market.

As a result, net sales totaled 9,403 million yen (an increase of 11.4% year on year).

Segment profit amounted to 5,327 million yen (an increase of 59.0% year on year), due to an increase in external net sales and intersegment transactions.

(2) Overview of financial position for the fiscal year under review

As for assets for the fiscal year under review, total assets amounted to 155,127 million yen, an increase of 39,700 million yen from the end of the previous fiscal year. This was mainly due to increases of 10,962 million yen in cash and deposits, 3,877 million yen in notes and accounts receivable – trade, 3,948 million yen in buildings and structures, 5,650 million yen in goodwill, and 2,367 million yen in investment securities.

As for liabilities, total liabilities amounted to 33,996 million yen, an increase of 11,507 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,485 million yen in notes and accounts payable – trade, 1,222 million yen in short-term borrowings, 1,116 million yen in income taxes payable, and 2,913 million yen in long-term borrowings.

As for net assets, total net assets amounted to 121,130 million yen, an increase of 28,192 million yen from the end of the previous fiscal year. This was mainly due to increases of 6,213 million yen in share capital and 6,210 million yen in capital surplus resulting from equity financing through the issuance of stock acquisition rights for the purpose of funding for M&As and capital investment as well as an increase of 7,863 million yen in retained earnings.

(3) Overview of cash flows for the fiscal year under review

The balance of cash and cash equivalents (hereinafter, “net cash”) during the fiscal year under review was 32,321 million yen (an increase of 51.3% year on year).

The status of cash flow and their factors during the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 17,302 million yen (an increase of 8,381 million yen). This was mainly due to profit before income taxes of 15,730 million yen and depreciation of 6,439 million yen, despite a 1,624 million yen increase in trade receivables, a 3,260 million yen increase in inventories, and income taxes paid of 3,436 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 18,703 million yen (an increase of 2,375 million yen). This was mainly due to purchase of property, plant and equipment of 7,981 million yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 6,934 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 11,368 million yen (an increase of 1,257 million yen). This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of 12,383 million yen and proceeds from long-term borrowings of 5,262 million yen, despite a 1,550 million yen decrease in short-term borrowings and dividends paid of 2,994 million yen.

(4) Future outlook

The Company formulated the following four basic policies for the purpose of exceeding 100 billion yen in consolidated net sales under the new medium-term management plan “ASAHI Going Beyond 1000.”

1) Strategic development of the global market and expansion of affected areas and treatment areas

2) Creating new businesses in global niche markets

3) Develop R&D and production system optimized for global expansion

4) Establish management structure for sustainable growth

Under this plan, to develop the business portfolio, we will continue to advance strategic development of the global market and expansion of affected areas and treatment areas as a culmination of the basic strategy we have taken thus far and reinforce the revenue base of existing businesses. We are also creating new businesses in global niche markets by making ongoing investments for future growth aiming to increase our presence in the global market and further increase our corporate value. As the business foundation to support these growth strategies, we will advance development of an R&D and production system optimized for global expansion, and seek to establish a management structure for sustainable growth.

The business forecast for the fiscal year ending June 30, 2023 assumes that the number of intravascular catheter treatment cases relating to the COVID-19 infection, which has been on a recovery trend since the previous fiscal year, will recover to almost the previous level, except in some regions such as China and other Asian countries. The trend of the number of cases is based on assumptions and therefore may significantly differ depending on factors such as situations of the spread of COVID-19 and trends of the number of treatments for waiting cases.

(Million yen)

	Fiscal year ended June 30, 2022	Fiscal year ending June 30, 2023	Increase (Decrease)	Increase (Decrease) (%)
Net sales	77,748	89,339	11,590	14.9
Operating profit excluding goodwill amortization,etc.	16,893	19,163	2,269	13.4
Operating profit	15,239	17,433	2,194	14.4
Ordinary profit	16,326	17,423	1,097	6.7
Profit attributable to owners of parent	10,857	12,405	1,548	14.3

<Net sales>

(Medical Division)

In the Medical Division, despite the negative impact of factors such as reductions of reimbursement prices in Japan, net sales are expected to increase mainly in the overseas market, thanks to the assumption that the number of cases, which decreased due to the spread of COVID-19, will recover to almost the previous level except in some regions such as China and other Asian countries, benefits of weaker yen continuing from the previous fiscal year, and other factors.

In the domestic market, net sales are expected to decrease mainly due to the full-year application of revision of reimbursement prices, despite an expected growth of gastrointestinal products in the non-cardiovascular field.

In the overseas market, net sales are expected to increase in both the cardiovascular field and the non-cardiovascular field in all regions mainly due to the assumption that the number of cases, which decreased due to the spread of COVID-19, will recover to almost the normal level except in some regions such as China and other Asian countries and benefits of weaker yen continuing from the previous fiscal year. In the cardiovascular field, we assume that PCI guide wires and penetration catheters will grow in all regions. We will continue to make efforts to increase the market share of PCI guide wires in the U.S. market by utilizing direct sales. In the European market, we aim to increase net sales by expanding sales in Germany, France and Italy where we conduct direct sales and increasing distributor sales to Eastern Europe region. In the Chinese market, we will continue steady efforts to increase net sales through, for example, rebuilding of the distributor network in line with a strategic response to the centralized bidding system, though impacted by a decrease in the number of cases due to the impact of the spread of COVID-19.

In the non-cardiovascular field, we expect that net sales will increase in all categories of neurovascular, peripheral vascular and abdominal vascular products. In the U.S. market, we plan to launch sales of

“CROSSLEAD,” a new product of peripheral vascular guide wires from the first quarter, aiming to increase market share in the future.

In the ODM and OEM fields, net sales will decrease in Japan due to a decrease in endoscope-related transactions. Meanwhile, in the overseas market, we expect an increase in net sales by strengthening the ODM and OEM businesses mainly in the U.S. Thus, it is expected to be strong as a whole.

As the number of cases of intravascular catheter treatment is affected by the status of the spread of COVID-19, restrictions on the hospital side, changes in the environment of medical workers, and other factors, trends in net sales may be affected in line with case trends.

(Device Division)

In the Device Division, net sales of both medical components and industrial components are expected to increase.

As for medical components, net sales are expected to increase due to growth of cardiovascular inspection catheter components for the U.S. and abdominal vascular system catheter components in proportion to trends of clients.

As for industrial components, net sales are expected to increase due to continuing steady results of leisure-related transactions in the overseas market.

<Gross profit>

Gross profit is expected to increase in proportion to an increase in revenue. Gross profit margin is expected to decrease mainly due to a surge in raw materials such as platinum, currency movements, and a rise in wages at manufacturing factories.

<Selling, general and administrative expenses>

As for selling, general and administrative expenses, we plan to continue active prior investments for maintaining and further expanding future growth. We assume increases in R&D expenses, operating expenses for strengthening sales and marketing activities, sales-linked expenses, and personnel expenses for structural reinforcement.

<Non-operating income/expenses and extraordinary income/losses>

We do not expect any transactions having significant impact on non-operating income or expenses and extraordinary income or losses.

This business forecast assumes foreign exchange rates of 127.00 yen per U.S. dollar, 135.00 yen per euro, 19.00 yen per Chinese yuan, and 3.90 yen per Thai baht.

(5) Basic policy on profit distribution and dividends for the fiscal year under review and next fiscal year

(Basic policy on profit distribution)

We conduct business operations on a global scale and always aim to enhance corporate value. We recognize that returning some of our profits from business activities to shareholders is one of our important issues and adopt the basic policy of stable and continual distribution of dividends in consideration of consolidated financial results and other factors from a long-term perspective.

As a basic policy, we distribute dividends of surplus once a year as the year-end dividend. The decision on dividends is made by the general meeting of shareholders. However, the Articles of Incorporation stipulates that by a resolution of the Board of Directors, interim dividends provided for in Article 454, Paragraph 5 of the Companies Act may be distributed to shareholders or registered pledgees of shares listed or recorded in the final shareholder register as of December 31 every year.

We calculate the amount of dividends based on a long-term perspective and in comprehensive consideration of consolidated financial results for the fiscal year under review, future outlooks, the level of internal reserves, etc., targeting consolidated dividend payout ratio of 30.0%.

Internal reserves will be used for R&D and capital investment indispensable for future growth and thus, we will make efforts to increase business performance and strengthen the financial position.

(Profit distribution for the fiscal year under review and next fiscal year)

Based on the above policy, we decided to pay 11.99 yen as the annual dividend for the fiscal year under review (consolidated dividend payout ratio of 30.0%). We plan to propose this matter at the 46th Annual General Meeting of Shareholders to be held on September 29, 2022 and based on the resolution, the formal decision will be made and the payment will be executed.

In addition, based on the above policy, we plan to pay 13.71 yen as the annual dividend for the next fiscal year (consolidated dividend payout ratio of 30.0%).

Dividends of surplus whose record date falls in the fiscal year under review are as follows:

Resolution date	Total amount of dividends	Dividend per share
September 29, 2022 Resolution at Annual General Meeting of Shareholders	3,256 million yen	11.99 yen

2. Basic policy on selection of accounting standards

The Group’s policy is to prepare consolidated financial statements in accordance with Japanese GAAP for the time being, taking into consideration the comparability of consolidated financial statement from period to period and from company to company.

As for the application of International Financial Reporting Standards (IFRS), the Group’s policy is to take appropriate measures in consideration of various domestic and international circumstances.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (June 30, 2021)	Current consolidated fiscal year (June 30, 2022)
Assets		
Current assets		
Cash and deposits	21,358	32,321
Notes and accounts receivable - trade	10,110	13,987
Electronically recorded monetary claims - operating	1,575	1,607
Merchandise and finished goods	5,389	7,294
Work in process	7,818	12,493
Raw materials and supplies	6,699	7,168
Other	8,215	4,933
Allowance for doubtful accounts	-34	-196
Total current assets	61,132	79,609
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,419	31,800
Accumulated depreciation	-6,669	-10,101
Buildings and structures, net	17,749	21,698
Machinery, equipment and vehicles	23,287	27,324
Accumulated depreciation	-14,743	-18,060
Machinery, equipment and vehicles, net	8,543	9,263
Land	6,150	6,381
Construction in progress	3,673	3,905
Other	10,695	10,062
Accumulated depreciation	-6,021	-5,749
Other, net	4,673	4,313
Total property, plant and equipment	40,790	45,561
Intangible assets		
Goodwill	2,549	8,200
Other	3,714	11,157
Total intangible assets	6,264	19,358
Investments and other assets		
Investment securities	4,685	7,052
Shares of subsidiaries and associates	200	205
Deferred tax assets	396	611
Other	2,030	2,815
Allowance for doubtful accounts	-74	-86
Total investments and other assets	7,238	10,598
Total non-current assets	54,294	75,517
Total assets	115,427	155,127

(Million yen)

	Previous consolidated fiscal year (June 30, 2021)	Current consolidated fiscal year (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,694	3,180
Electronically recorded obligations - operating	594	700
Short-term borrowings	4,593	5,815
Accounts payable - other	1,825	1,726
Income taxes payable	1,811	2,927
Provision for bonuses	1,160	1,371
Other	2,992	5,039
Total current liabilities	14,672	20,761
Non-current liabilities		
Long-term borrowings	3,450	6,364
Deferred tax liabilities	1,447	3,703
Provision for retirement benefits for directors (and other officers)	20	20
Retirement benefit liability	1,846	2,033
Other	1,050	1,112
Total non-current liabilities	7,816	13,234
Total liabilities	22,488	33,996
Net assets		
Shareholders' equity		
Share capital	12,647	18,860
Capital surplus	15,517	21,727
Retained earnings	61,155	69,018
Treasury shares	-7	-7
Total shareholders' equity	89,312	109,599
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,767	1,872
Foreign currency translation adjustment	1,868	7,898
Remeasurements of defined benefit plans	-79	89
Total accumulated other comprehensive income	3,556	9,860
Share acquisition rights	44	–
Non-controlling interests	25	1,670
Total net assets	92,938	121,130
Total liabilities and net assets	115,427	155,127

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Net sales	61,507	77,748
Cost of sales	20,039	26,666
Gross profit	41,468	51,082
Selling, general and administrative expenses		
Freight-out	1,973	2,893
Provision of allowance for doubtful accounts	9	8
Salaries, wages and bonuses	6,697	7,885
Remuneration for directors (and other officers)	663	687
Provision for bonuses	619	705
Retirement benefit expenses	241	239
Depreciation	1,070	1,846
Research and development expenses	7,524	8,869
Other	9,874	12,707
Total selling, general and administrative expenses	28,673	35,843
Operating profit	12,795	15,239
Non-operating income		
Interest income	11	24
Dividend income	55	71
Foreign exchange gains	360	983
Other	239	381
Total non-operating income	666	1,460
Non-operating expenses		
Interest expenses	99	141
Loss on sale and retirement of non-current assets	82	–
Provision of allowance for doubtful accounts	–	105
Share issuance costs	49	82
Other	33	43
Total non-operating expenses	265	373
Ordinary profit	13,196	16,326
Extraordinary income		
Gain on step acquisitions	–	615
Gain on reversal of asset retirement obligations	114	–
Total extraordinary income	114	615
Extraordinary losses		
Loss on valuation of investment securities	95	445
Loss on disaster	–	609
Loss on valuation of shares of subsidiaries and associates	–	156
Compensation expenses for sales commission fee	80	–
Other	2	–
Total extraordinary losses	177	1,211
Profit before income taxes	13,132	15,730
Income taxes - current	3,489	4,688
Income taxes - deferred	-342	49
Total income taxes	3,146	4,738
Profit	9,986	10,992
Profit attributable to non-controlling interests	1	134
Profit attributable to owners of parent	9,984	10,857

Consolidated statement of comprehensive income

(Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Profit	9,986	10,992
Other comprehensive income		
Valuation difference on available-for-sale securities	613	104
Foreign currency translation adjustment	58	6,030
Remeasurements of defined benefit plans, net of tax	95	169
Total other comprehensive income*	767	6,304
Comprehensive income	10,753	17,297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,751	17,162
Comprehensive income attributable to non-controlling interests	1	134

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,403	9,295	53,466	-7	69,158
Restated balance	6,403	9,295	53,466	-7	69,158
Changes during period					
Issuance of new shares	6,243	6,243			12,487
Dividends of surplus			-2,295		-2,295
Profit attributable to owners of parent			9,984		9,984
Purchase of shares of consolidated subsidiaries		-22			-22
Net changes in items other than shareholders' equity					
Total changes during period	6,243	6,221	7,688	–	20,154
Balance at end of period	12,647	15,517	61,155	-7	89,312

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,154	1,809	-175	2,788	4	23	71,975
Restated balance	1,154	1,809	-175	2,788	4	23	71,975
Changes during period							
Issuance of new shares							12,487
Dividends of surplus							-2,295
Profit attributable to owners of parent							9,984
Purchase of shares of consolidated subsidiaries							-22
Net changes in items other than shareholders' equity	613	58	95	767	39	1	808
Total changes during period	613	58	95	767	39	1	20,963
Balance at end of period	1,767	1,868	-79	3,556	44	25	92,938

Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,647	15,517	61,155	-7	89,312
Restated balance	12,647	15,517	61,155	-7	89,312
Changes during period					
Issuance of new shares	6,213	6,213			12,427
Dividends of surplus			-2,994		-2,994
Profit attributable to owners of parent			10,857		10,857
Purchase of shares of consolidated subsidiaries		-3			-3
Net changes in items other than shareholders' equity					
Total changes during period	6,213	6,210	7,863	–	20,286
Balance at end of period	18,860	21,727	69,018	-7	109,599

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,767	1,868	-79	3,556	44	25	92,938
Restated balance	1,767	1,868	-79	3,556	44	25	92,938
Changes during period							
Issuance of new shares							12,427
Dividends of surplus							-2,994
Profit attributable to owners of parent							10,857
Purchase of shares of consolidated subsidiaries							-3
Net changes in items other than shareholders' equity	104	6,030	169	6,304	-44	1,645	7,905
Total changes during period	104	6,030	169	6,304	-44	1,645	28,192
Balance at end of period	1,872	7,898	89	9,860	–	1,670	121,130

(4) Consolidated statement of cash flows

(Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	13,132	15,730
Depreciation	4,819	6,439
Increase (decrease) in allowance for doubtful accounts	21	160
Increase (decrease) in provision for bonuses	652	136
Increase (decrease) in retirement benefit liability	292	187
Interest and dividend income	-66	-96
Interest expenses	99	141
Amortization of goodwill	149	1,034
Loss (gain) on valuation of investment securities	95	445
Decrease (increase) in trade receivables	-2,754	-1,624
Decrease (increase) in inventories	-2,387	-3,260
Increase (decrease) in trade payables	-199	1,189
Increase (decrease) in accounts payable - other	199	-223
Decrease (increase) in accounts receivable - other	-211	471
Other, net	-1,028	73
Subtotal	12,814	20,805
Interest and dividends received	66	95
Interest paid	-133	-162
Income taxes paid	-3,827	-3,436
Net cash provided by (used in) operating activities	8,920	17,302

(Million yen)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Cash flows from investing activities		
Purchase of investment securities	-466	-2,656
Purchase of property, plant and equipment	-9,906	-7,981
Purchase of intangible assets	-1,582	-579
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-3,690	-6,934
Other, net	-680	-551
Net cash provided by (used in) investing activities	-16,327	-18,703
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,550	-1,550
Proceeds from long-term borrowings	–	5,262
Repayments of long-term borrowings	-1,549	-1,603
Dividends paid	-2,295	-2,994
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,447	12,383
Repayments of lease liabilities	-98	-125
Other, net	57	-4
Net cash provided by (used in) financing activities	10,110	11,368
Effect of exchange rate change on cash and cash equivalents	100	995
Net increase (decrease) in cash and cash equivalents	2,804	10,962
Cash and cash equivalents at beginning of period	18,554	21,358
Cash and cash equivalents at end of period*1	21,358	32,321

(5) Notes to consolidated financial statements

(Note on entity's ability to continue as going concern)

Not applicable.

(Significant accounting policies for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 18

(2) Names of major consolidated subsidiaries

ASAHI INTECC THAILAND CO., LTD.

Filmecc Co., Ltd.

ASAHI INTECC USA, INC.

ASAHI INTECC HANOI CO., LTD.

ASAHI INTECC J-Sales CO., LTD.

ASAHI INTECC SCIENTIFIC (Beijing) Co., Ltd.

TOYOFLEX CEBU CORPORATION

ASAHI INTECC EUROPE B.V.

From the fiscal year under review, ASAHI SURGICAL ROBOTICS CO., LTD. and Pathways Medical Corporation were included in the scope of consolidation through the acquisition of shares; KARDIA S.R.L. was included in the scope of consolidation through the acquisition of quotas; and furthermore, Rev. 1 Engineering, Inc. was included in the scope of consolidation through the acquisition of shares by our subsidiary ASAHI INTECC USA, INC.

(3) Names of non-consolidated subsidiaries

Nihon Chemical Coat Co., Ltd.

FICUS Co., Ltd.

walkey Inc.

Reason for exclusion from the scope of consolidation

The three non-consolidated subsidiaries are small in size, and the total assets, net sales, profit or loss (the Company's share), retained earnings (the Company's share), etc. of these companies do not have a material impact on the consolidated financial statements.

2. Application of the equity method

Non-consolidated subsidiaries not accounted for using the equity method

Nihon Chemical Coat Co., Ltd.

FICUS Co., Ltd.

walkey Inc.

Reason for not applying the equity method

As for the three non-consolidated subsidiaries not accounted for using the equity method, the impact of excluding them from the scope of equity method on the consolidated financial statements is minimal given their profit or loss (the Company's share), retained earnings (the Company's share), etc., and the impact is immaterial as a whole.

3. Fiscal years of consolidated subsidiaries

Out of the Company's consolidated subsidiaries, ASAHI INTECC SCIENTIFIC (Beijing) Co., Ltd. and ASAHI INTECC CIS LLC end their fiscal years on December 31.

When preparing the consolidated financial statements, financial statements based on a provisional settlement of accounts conducted as of the consolidated fiscal year-end are used for these companies.

4. Accounting policies

(1) Basis and method of valuation of important assets

Securities

a) Securities

Securities to be held to maturity

Cost method

Available-for-sale securities

Securities other than shares that do not have a market value

Measured at fair value based on market prices at fiscal year-end

(Valuation differences are reported as a component of net assets. The cost of securities sold is calculated using the moving-average method.)

Shares that do not have a market value

Measured at cost using the moving-average method

b) Inventories

Merchandise and finished goods, work in process, and raw materials

Measured at cost, primarily determined by the periodic average method

(The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

Supplies

Measured at cost, determined by the last purchase price method

(The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

(2) Method of depreciation and amortization of important depreciable and amortizable assets

a) Property, plant and equipment (excluding leased assets)

Depreciated mainly using the straight-line method.

The range of useful lives is as follows:

Buildings and structures	15 to 47 years
Machinery, equipment and vehicles	5 to 10 years

b) Intangible assets

Amortized using the straight-line method.

The Company and its consolidated subsidiaries in Japan amortize software for internal use over the expected useful life within respective companies (five years).

c) Leased assets

Amortized using the straight-line method based on the assumption that the useful lives are equivalent to the lease terms and the residual value is zero.

Leased assets are presented as part of “other” under “property, plant and equipment.”

(3) Basis for recording important provisions

a) Allowance for doubtful accounts

At the Company and its consolidated subsidiaries in Japan, allowance for doubtful accounts is provided for possible losses arising from bad debts at an amount determined based on the historical default rates for general receivables, and an individual estimate of uncollectible amounts for specific doubtful receivables from customers experiencing financial difficulties.

At overseas consolidated subsidiaries, allowance for doubtful accounts is provided at an amount determined based on an individual estimate of uncollectible amounts.

b) Provision for bonuses

Provision for bonuses is recorded at an estimated amount attributable to the fiscal year under review to provide for future bonus payments to employees.

c) Provision for retirement benefits for directors (and other officers)

The Company abolished the officer retirement benefit system in September 2005. The balance of provision for retirement benefits for directors (and other officers) as of the end of the fiscal year under review is the estimated amount to be paid to officers who were in office when the system was abolished. The payments will be made when each officer retires.

(4) Basis for accounting treatments on retirement benefit

Retirement benefit liability is recorded at an estimated amount of retirement benefit obligations and pension assets as of the end of the fiscal year under review to provide for future retirement benefits to employees.

(i) Method for attributing estimated retirement benefits to individual periods of service

In calculating the retirement benefit obligations, the benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the fiscal year under review.

(ii) Calculation of actuarial gain or loss and prior service cost

Actuarial gain or loss is amortized from the following fiscal year on a straight-line basis over a certain period shorter than the average remaining years of service of the eligible employees at the time of the gain or loss arising during each fiscal year (primarily five years).

As for prior service cost, prior service cost incurred at certain overseas consolidated subsidiaries are expensed immediately during the fiscal year in which the cost was incurred.

(iii) Adoption of short-cut method at small companies, etc.

Certain consolidated subsidiaries apply the short-cut method when calculating retirement benefit liability and retirement benefit expenses, under which the amount of retirement benefit that must be paid if employees retire for personal reasons at the end of the fiscal year is deemed to be the amount of retirement benefit obligations.

(5) Significant revenue and expense recognition standards

The details of main performance obligations in main businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries and the usual timing of fulfillment of the performance obligation (the usual timing of revenue recognition) are as follows.

The Medical Division mainly engages in sales of medical products and the Device Division mainly engages in sales of industrial products. Regarding sales of these products, revenue is mainly recognized when goods and products are each delivered to a customer, because at such time, legal ownership, physical possession, material risk associated with ownership, and economic value of those goods and products are transferred to the customer and the right to receive payment is finalized.

The consideration under sales contracts of the Group's products is generally received within one to three months after delivery of products to a customer based on contracts with customers and does not include significant financial elements.

(6) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of the consolidated fiscal year and resulting exchange gains and losses are included in net profit or loss. Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rate prevailing on the respective fiscal year-ends of those subsidiaries. Income and expenses are translated at the average rate of exchange during the fiscal year and resulting translation adjustments are included in net assets as foreign currency translation adjustment under accumulated other comprehensive income.

(7) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over five to twenty years.

(8) Scope of funds in the consolidated statement of cash flows

These funds include cash on hand, deposits that can be withdrawn on demand, and short-term investments that can be easily converted into cash and bear only minor risks with respect to fluctuation of value with their redemption deadline arriving within three months from the acquisition date.

(Significant accounting estimates)

(Evaluation of goodwill)

1. Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

	Previous consolidated fiscal year	Current consolidated fiscal year
Goodwill	2,549 million yen	8,200 million yen
Other intangible assets	313 million yen	8,128 million yen

2. Information on details of significant accounting estimates related to identified items

Goodwill of 8,200 million yen (5.3% of total assets) and other intangible assets of 8,128 million yen (5.2% of total assets) recorded in the Group's consolidated financial statements as of the end of the fiscal year under review include goodwill and intangible assets related to ASAHI Medical Technologies, Inc. which was acquired as a subsidiary in July 2018 as well as goodwill and intangible assets related to four companies, namely ASAHI SURGICAL ROBOTICS CO., LTD., KARDIA S.R.L., Pathways Medical Corporation and Rev1. Engineering, Inc., which were newly acquired as subsidiaries during the fiscal year under review.

The Group considers said goodwill as excess earnings power expected from future business development of the acquired companies and synergistic effects within the Group. The business plans used for calculating share value, which is a basis for evaluation of goodwill, includes significant assumptions such as future sales estimates and schedules until products under development are released. In addition, determining discount rates requires highly specialized expertise. Evaluation of intangible assets includes significant assumptions such as the aforementioned business plans and discount rates as well as customer attrition rates related to customer-related assets and loyalty rates related to technology assets. After confirming future sales estimates and the state of progress toward product releases based on said assumptions, the Group identifies the existence of any signs of impairment on goodwill and intangible assets. If any sign of impairment is determined to exist, the Group determines the necessity of recognition of impairment loss.

Assumptions used for said accounting estimates and determination are based on information available at the end of the fiscal year under review. Occurrence of any event that requires revision to assumptions such as future business plans, customer attrition rates, and loyalty rates may significantly affect evaluation of goodwill and intangible assets in the consolidated financial statements for the next fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020. Hereinafter, "Revenue Recognition Accounting Standard"), etc. at the beginning of the fiscal year under review and recognizes revenue at the amount expected to be received in exchange for the promised goods or services at the time when control of those goods or services is transferred to customers.

The Company has applied the alternative treatment stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition and recognizes revenue from domestic sales of goods or products upon their shipment, if the period of time from shipment to transfer of control of those goods or products to a customer is normal.

Regarding application of the Revenue Recognition Accounting Standard, etc., the Company follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year under review has been added to or subtracted from retained earnings at the beginning of the fiscal year under review and the new accounting policy has been applied from the beginning balance of said fiscal year.

However, in accordance with the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy was not retroactively applied to contracts in which almost all revenues are recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review. There is no cumulative effect of retroactive application of the new accounting policy prior to the beginning of the fiscal year under review.

As a result, there is no impact on net sales and operating profit for the fiscal year under review. There is also no impact on ordinary profit, profit, and the beginning balance of retained earnings.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019. Hereinafter, “Fair Value Measurement Accounting Standard”), etc. at the beginning of the fiscal year under review. The Company prospectively applies the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc., in accordance with Paragraph 19 of the Fair Value Measurement Accounting Standard and transitional treatment stipulated in Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019). There is no impact on the consolidated financial statements.

(Changes in presentation)

(Consolidated statement of income)

“Loss on sale and retirement of non-current assets” under “non-operating expense,” which was presented separately for the previous fiscal year, is included in “other” under “non-operating expenses” from the current fiscal year, due to a decline in financial materiality.

(Additional information)

(Impact of the spread of COVID-19)

As for the impact of the spread of COVID-19, the decrease in the number of cases is gradually trending toward a recovery, except in some regions such as China and other Asian countries.

In light of these circumstances, the Company has made accounting estimates regarding application of impairment on fixed assets and recoverability of deferred tax assets for the fiscal year under review under the assumption that the impact on the Company’s financial results will be limited.

(Business combinations)

1. Business combination through acquisition

(1) Overview of business combination

(i) Name and description of business of the acquired company

Company name: A-Traction Inc. (Hereinafter, “A-Traction”)

Description of business: Development of laparoscopic surgery support robots

(ii) Main reasons and basis for the business combination

A-Traction is a certified venture of the National Cancer Center working on the development of laparoscopic surgery support robots based on needs from clinical practice. Until now, A-Traction and the Group have had a cooperative relationship from development to manufacturing. Wires, the core competence of the Group, are applied as drive wires for the hands of these surgical robots and play an important role.

Based on a unique concept, the laparoscopic surgery support robot developed by A-Traction is a robot that specializes in the functions of assistants who support the surgeon, such as by securing the surgeon’s field of view and the traction of organs as well as by maintaining tension. The most prominent feature is that the surgeon himself/herself can operate this robot while performing normal laparoscopic surgery. Centering on TaTME (Note) of the rectum, this robot can be applied to a wide range of fields such as the gastrointestinal system including the colon as well as gynecology. It is expected that laparoscopic surgery can be performed more safely and that the number of assistants involved in surgery can be significantly reduced. Therefore, the robot can be effective in resolving the shortage of doctors and curbing medical expenses.

In recent years, laparoscopic surgery, which reduces the burden on patients and shortens the length of hospitalization, has become widespread in surgical operations for gastrointestinal tumors due to advancements in surgical instruments and technology, and surgical wounds have become smaller than in open surgery. In recent years, there has been an increase in the number of cases of surgery using laparoscopic surgery support robots that accurately reproduce the movements of human hands and enable more precise surgery. While the “da Vinci” system of Intuitive Surgical of the United States is increasing its global share as a laparoscopic surgery support robot, domestic and overseas robot manufacturers have been competing in development from the viewpoint of patent expiration date. The laparoscopic surgery support robot of A-Traction is a robot that specializes in the function of an assistant who supports the surgeon with a unique concept that is completely different from these other manufacturers.

For the time being, it is assumed that A-Traction will develop, manufacture, and sell this robot, and the Group will directly supply disposable consumables such as forceps required when using this robot to medical institutions.

In the future, by fusing A-Traction’s robotics technology with the technology and know-how in the medical device field that the Group possesses, in addition to the spread of this robot expanding, not only in the gastrointestinal field but also other areas of medical care, the possibility of realizing a new, epoch-making medical robot will be heightened. The Group believes that realizing such will lead it to contribute to the spread of minimally invasive treatment that reduces the burden of patients and medical institutions as well as the reduction of medical expenses. Consequently, we have acquired the shares of A-Traction on July 1, 2021.

The Group has a medium- to long-term strategy of “expanding affected/treatment areas” and “creating new businesses.” By making A-Traction a subsidiary, we will continue to make efforts to help improve the quality of life (QOL) of patients and spread minimally invasive treatment products in a wide range of fields.

(Note) TaTME (transanal total mesorectal excision) is a surgical procedure to remove a rectal tumor by approaching both the abdominal side and the anal side. By excising the lesion around the anus, which is difficult only from the abdominal side, it is possible to improve the curability of the cancer and preserve the anus depending on the location of the tumor and the degree of infiltration, which contributes to the improvement of the patient's QOL.

(iii) Business combination date: July 1, 2021

(iv) Legal form of business combination: Acquisition of shares

(v) Company name after combination: A-Traction Inc. (Changed to ASAHI SURGICAL ROBOTICS CO., LTD. on August 1, 2021)

(vi) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination date: 14.70%

Percentage of voting rights additionally acquired on the business combination date: 85.30%

Percentage of voting rights after acquisition: 100.00%

(vii) Main grounds for determining the acquired company

The Company acquired 100% of the voting rights through share acquisition in exchange for cash.

(2) Period of financial results of the acquired company included in the consolidated statement of income for the fiscal year

From July 1, 2021 to June 30, 2022

(3) Breakdown of acquisition cost of the acquired company and consideration by type

Fair value on the business combination date of A-Traction held immediately before the business combination:	702 million yen
Consideration for acquisition (cash):	2,680 million yen
Acquisition cost:	3,383 million yen

As a milestone in response to the achievement of certain conditions in the future, payments of up to 860 million yen may occur by December 2023. If additional payment of consideration for acquisition is required, the acquisition cost is adjusted by deeming that the payment has been made upon the acquisition and the amounts of goodwill and goodwill amortization will be adjusted.

(4) Difference between acquisition cost of the acquired company and total acquisition cost for each transaction leading to acquisition

Gain on step acquisitions of 615 million yen

(5) Amount of goodwill generated, reason for generation, amortization method and amortization period

(i) Amount of goodwill generated: 3,089 million yen

(ii) Reason for generation: Mainly due to excess earning power expected from future business development

(iii) Amortization method and amortization period: Straight-line amortization over 10 years

2. Business combination through acquisition

(1) Overview of business combination

(i) Name and description of business of the acquired company

Company name: KARDIA S.R.L. (Hereinafter, "KARDIA")

Description of business: Purchase, wholesale and leasing (excluding financial leasing) of medical and healthcare materials, clinical and laboratory equipment and clinical analysis laboratories, IT products and hardware

(ii) Main reasons and basis for the business combination

KARDIA has a long-standing partnership with the Company as a distributor of the Group in the Italian market since 1996, and directly sells interventional (intravascular catheter treatment) devices for the cardiovascular, peripheral, and neurovascular fields. It also undertakes installation of catheter operating rooms in hospitals and the management and purchase of products used.

The Group concluded the acquisition of quotas on July 1, 2021 in response to the intent of transferring of quota from KARDIA and its shareholders, as it contributes to the purpose of the Group to start direct sales in the Italian market.

Italy plays a leading role in percutaneous coronary intervention (PCI) treatment (Note 1) in the European market as chronic total occlusion (CTO) (Note 2) treatment is particularly popular in Italy. In Italy, KARDIA sells a wide range of interventional devices such as guide wires for the cardiovascular, peripheral and neurovascular areas and catheter products of the Group. Other than the Group's devices, it handles several innovative technologies such as Patent Foremen Ovale (PFO) closure devices and transcatheter mitral valve repair (TMVr) device for the cardiovascular system and stent retrievers used for thrombectomy in the neurovascular field. In addition to distributing products, KARDIA also undertakes contracts to set up catheter operating rooms, and for a long time has comprehensively earned a high level of trust from doctors.

KARDIA will retain the current management team, with the founders of the company being involved in management for the time being, and will not make major organizational changes.

The Group has set "expanding affected / treatment areas" as a medium- to long-term strategy, and in Europe / the Middle East and Asian regions, it is promoting to develop an optimal sales and distribution network in each region. In Europe / the Middle East, Italy will be positioned as a direct sales region following France and Germany, and by making KARDIA a subsidiary, about 30% of sales in the European / Middle Eastern market will be direct sales.

In welcoming KARDIA, which plays a leading role in PCI treatment in Italy, as an Asahi Intecc Group Company, the Company will continue to further enhance the Group's presence and expand its market share by providing higher-value marketing and services through collaboration between the two companies.

(Note 1) PCI treatment: One of the treatments for diseases such as angina pectoris and myocardial infarction that occur when the blood vessels (coronary arteries) of the heart are clogged or narrowed by cholesterol. A thin tube called a catheter is inserted into a blood vessel from the base of the wrist or foot to widen the narrowed blood vessel for treatment.

(Note 2) CTO: A lesion that is completely occluded for a long time. Although such lesions were in the area of surgery (bypass surgery) in the past, PCI treatment (minimally invasive treatment in the cardiovascular field) is the mainstream in Japan currently because the Company succeeded in developing PCI guide wire that can also be used for the CTO.

(iii) Business combination date: July 1, 2021

(iv) Legal form of business combination: Acquisition of quota

(v) Company name after combination: KARDIA S.R.L.

(vi) Proportion of quota acquired

Proportion of quota held after the acquisition: 70.00%

(vii) Main grounds for determining the acquired company

The Company acquired 70% of the quota in exchange for cash.

(2) Period of financial results of the acquired company included in the consolidated statement of income for the fiscal year

From July 1, 2021 to June 30, 2022

(3) Breakdown of acquisition cost of the acquired company and consideration by type

Consideration for acquisition (cash):	28,000 thousand euros (3,690 million yen)
Acquisition cost:	28,000 thousand euros (3,690 million yen)

As a milestone in response to the achievement of certain conditions in the future, payments of up to 12,000 thousand euros (1,578 million yen) may occur by July 2026. If additional payment of consideration for acquisition is required, the acquisition cost is adjusted by deeming that the payment has been made upon the acquisition and the amounts of goodwill and goodwill amortization will be adjusted.

(4) Amount of goodwill generated, reason for generation, amortization method and amortization period

(i) Amount of goodwill generated: 3,255 thousand euros (428 million yen)

(ii) Reason for generation: Mainly due to excess earning power expected from future business development

(iii) Amortization method and amortization period: Straight-line amortization over five years

(5) Amount allocated to intangible assets other than goodwill and amortization method and period by major type

Customer-related assets:	3,892 million yen	Straight-line amortization over 15 years

3. Business combination through acquisition

(1) Overview of business combination

(i) Name and description of business of the acquired company

Company name: Pathways Medical Corporation (Hereinafter, Pathways Medical)

Description of business: Research and development of guide wire with sensor utilizing a thin film electrical conductor technology

(ii) Main reasons and basis for the business combination

Pathways Medical is a U.S. company that possesses unique technology related to electrical wiring which can be formed on the surface of guide wires, etc.

The Company acquired the shares of Pathways Medical on July 1, 2021 with the aim of applying its technology to the stroke smart guide wire (Note 1) that the Company has been developing jointly with SENSOME in France.

Pathways Medical has the technology to form electrical wiring with an ultra-thin film on the surface of guide wires, etc. and a unique technology for connecting the wiring to sensors. In 2019, it completed the first-in-man study on the guide wire equipped with the sensor, and the technical feasibility has been proved.

By using the technology of Pathways Medical, a very thin and uniform film can be laminated on thin and curved surfaces, such as those found on guide wires or catheters. When a conductive layer is formed, pattern etching with a laser can realize electrical wiring with a high degree of freedom and accuracy. In general, as the guide wire that attaches the sensor requires the transmission of electrical signals and power, the structure is often such that the wire is passed through the pipe. Therefore, there is a demerit that the basic performance as a guide wire such as torque, rigidity, and strength is significantly reduced.

On the other hand, the surface wiring, which is the technology of Pathways Medical, has few design restrictions and can fully satisfy the basic performance as a guide wire because there is no need to change the basic structure of the wire and the wiring can be formed with an ultra-thin film.

Therefore, it is possible to realize a stroke smart guide wire that maintains the same level of torque (rotation trackability), which is the Company’s strength, as the normal guide wire and to commercialize it with a competitive advantage.

By making Pathways Medical a subsidiary, the Group will incorporate these technological capabilities under its umbrella, which will lead to the strengthening of the development of guide wires and catheters with sensors centered on smart guide wires (Note 2). The Company believes that this will lead to the realization and expansion of the Group’s new medium- to long-term business areas, as it will be possible to apply these technological capabilities to new and epoch-making products. The Group has set “expanding affected / treatment areas” and “creating new businesses” as its medium- to long-term strategies. By making Pathways Medical a subsidiary, the Company will continue to strive to promote digitizing medical care and help spread minimally invasive treatment products in a wide range of fields and improve the quality of life of patients.

(Note 1) An epoch-making neuro guide wire that makes it possible to identify the properties of blood clots causing cerebral infarction by combining the sensor technology of SENSOME in France and guide wire technology of the Company.

(Note 2) General term for the wires with advanced functions added to conventional products by combining guide wires with sensors and energy technology.

(iii) Business combination date: July 1, 2021

(iv) Legal form of business combination: Acquisition of shares

(v) Company name after combination: Pathways Medical Corporation

(vi) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 100.00%

(vii) Main grounds for determining the acquired company

The Company acquired 100% of the voting rights through share acquisition in exchange for cash.

(2) Period of financial results of the acquired company included in the consolidated statement of income for the fiscal year

From July 1, 2021 to June 30, 2022

(3) Breakdown of acquisition cost of the acquired company and consideration by type

Consideration for acquisition (cash):	23,000 thousand US dollars (2,555 million yen)
Acquisition cost:	23,000 thousand US dollars (2,555 million yen)

As a milestone, 2,000 thousand US dollars (244 million yen) have been paid.

As a milestone in response to the achievement of certain conditions in the future, payments of up to 5,000 thousand US dollars may occur by July 2023. If additional payment of consideration for acquisition is required, the acquisition cost is adjusted by deeming that the payment has been made upon the acquisition and the amounts of goodwill and goodwill amortization will be adjusted.

(4) Amount of goodwill generated, reason for generation, amortization method and amortization period

(i) Amount of goodwill generated: 4,074 thousand US dollars (498 million yen)

(ii) Reason for generation: Mainly due to excess earning power expected from future business development

(iii) Amortization method and amortization period: Straight-line amortization over 15 years

(5) Amount allocated to intangible assets other than goodwill and amortization method and period by major type

Technology assets:	2,642 million yen	Straight-line amortization over 10-15 years

4. Business combination through acquisition

(1) Overview of business combination

(i) Name and description of business of the acquired company

Company name: Rev. 1 Engineering, Inc. (Hereinafter, “Rev. 1”)

Description of business: Contracting business of design and development of medical devices

(ii) Main reasons and basis for the business combination

Established by former engineers from major medical device manufacturers, Rev. 1 undertakes design and development of medical devices, mainly in interventions (Note), in the U.S. market.

The Company acquired the shares of Rev. 1 on July 1, 2021, with the aim of expanding its original equipment manufacturer (OEM) business in the U.S. market.

Rev. 1 has been entrusted with business from design and development of interventional products to manufacturing of prototypes by various major medical device manufacturers, and possesses design and development know-how of a wide range of interventional products such as cutting-edge catheters. By making Rev. 1 a subsidiary, the Group will incorporate said know-how under its umbrella, which will lead to the strengthening of catheter development, and by utilizing the Group’s manufacturing bases, Rev. 1’s existing business will be expanded from design and development contracts to manufacturing. In addition, because it is close to the Group’s U.S. R&D base, the ease of cooperation would be also an advantage. Accordingly, the Company expects that it will be possible to expand its OEM business mainly in the U.S. market.

The Group has set “expanding affected / treatment areas” and “creating new businesses” as its medium- to long-term strategies. By making Rev. 1 a subsidiary, the Company will continue to strive to help spread minimally invasive treatment products in a wide range of fields and improve the quality of life of patients.

(Note) Intervention: A general term for treatment methods inserting catheters into blood vessels for diseases such as cardiovascular, brain, peripheral, and abdominal fields.

(iii) Business combination date: July 1, 2021

(iv) Legal form of business combination: Acquisition of shares

(v) Company name after combination: Rev. 1 Engineering, Inc.

(vi) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 100.00%

(vii) Main grounds for determining the acquired company

The Group acquired 100% of the voting rights through share acquisition in exchange for cash.

(2) Period of financial results of the acquired company included in the consolidated statement of income for the fiscal year

From July 1, 2021 to June 30, 2022

(3) Breakdown of acquisition cost of the acquired company and consideration by type

Consideration for acquisition (cash):	26,920 thousand US dollars (2,976 million yen)
Acquisition cost:	26,920 thousand US dollars (2,976 million yen)

(4) Amount of goodwill generated, reason for generation, amortization method and amortization period

(i) Amount of goodwill generated: 19,465 thousand US dollars (2,152 million yen)

(ii) Reason for generation: Mainly due to excess earning power expected from future business development

(iii) Amortization method and amortization period: Straight-line amortization over five years

(5) Amount allocated to intangible assets other than goodwill and amortization method and period by major type

Customer-related assets:	843 million yen	Straight-line amortization over seven years

(Revenue recognition)

(1) Disaggregation of revenue from contracts with customers

1. Breakdown by type

Current consolidated fiscal year (From July 1, 2021 to June 30, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	50,772	–	50,772
Non-cardiovascular	11,784	–	11,784
OEM	5,788	–	5,788
Medical Components	–	5,013	5,013
Industrial Components	–	4,389	4,389
Total	68,345	9,403	77,748

2. Breakdown by region

Current consolidated fiscal year (From July 1, 2021 to June 30, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	14,554	3,044	17,599
North America	14,035	2,969	17,004
Europe	16,441	464	16,905
China	14,951	299	15,251
Others	8,362	2,626	10,988
Total	68,345	9,403	77,748

(2) Disaggregation of revenue from contracts with customers

Useful information in understanding revenue is as presented in "(Significant accounting policies for preparation of consolidated financial statements), 4. Accounting policies, (5) Significant revenue and expense recognition standards."

(3) Information on relationship of fulfillment of performance obligations based on contracts with customers with cash flow generated from said contracts and the amount and period of revenue expected to be recognized in the next and subsequent fiscal years from contracts with customers' existing at the end of the fiscal year under review

Balance of contract liabilities, etc.

(Million yen)

	Fiscal year under review
Contract liabilities (beginning balance)	282
Contract liabilities (ending balance)	2,541

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and subject to periodical reviews by the Board of Directors to determine allocation of management resources and evaluate business performance.

The Group has established operating divisions by business area to conduct integrated business activities from development to manufacturing and sales. Based on these operating divisions, the Medical Division and the Device Division have been established as two reportable segments.

The Medical Division engages in development, manufacturing and sales of our own brand products and OEM products in the medical device field and the Device Division engages in development, manufacturing and sales of components and other products in the medical device and industrial device fields.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable segment

The accounting method for the reported business segments is generally the same as the method stated in "significant accounting policies for preparation of consolidated financial statements."

Profit of reportable segments is based on operating profit.

Transactions with other segments are mainly based on market prices and manufacturing costs.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable segment
Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)

(Million yen)

	Reportable segment			Adjustments (Note 1)	Per consolidated financial statements (Note 2)
	Medical Division	Device Division	Total		
Net sales					
Revenues from external customers	53,068	8,438	61,507	–	61,507
Transactions with other segments	249	5,665	5,915	-5,915	–
Total	53,317	14,104	67,422	-5,915	61,507
Segment profit	13,700	3,349	17,049	-4,254	12,795
Segment assets	76,018	23,643	99,662	15,764	115,427
Other items					
Depreciation	3,129	1,342	4,472	346	4,819
Increase in property, plant and equipment and intangible assets	4,099	6,015	10,114	1,649	11,764

Notes: 1. Adjustments are as follows:
(i) The adjustment to segment profit includes corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
(ii) The adjustment to segment assets includes intersegment elimination of 101 million yen and corporate assets that are not allocated to each reportable segment of 15,663 million yen.
(iii) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to each segment.
(iv) The adjustment to increase in property, plant and equipment and intangible assets includes an increase of corporate assets that do not belong to any reportable segment such as payment relating to building of an enterprise system (SAP).
2. Segment profit is adjusted with the operating profit in the consolidated statement of income.

Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)

(Million yen)

	Reportable segment			Adjustments (Note 1)	Per consolidated financial statements (Note 2)
	Medical Division	Device Division	Total		
Net sales					
Revenues from external customers	68,345	9,403	77,748	–	77,748
Transactions with other segments	–	13,903	13,903	-13,903	–
Total	68,345	23,306	91,652	-13,903	77,748
Segment profit	14,052	5,327	19,379	-4,140	15,239
Segment assets	104,513	33,472	137,986	17,140	155,127
Other items					
Depreciation	3,737	2,421	6,159	280	6,439
Increase in property, plant and equipment and intangible assets	5,713	2,959	8,672	261	8,933

Notes: 1. Adjustments are as follows:

(i) The adjustment to segment profit includes corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

(ii) The adjustment to segment assets includes intersegment elimination of 260 million yen and corporate assets that are not allocated to each reportable segment of 16,880 million yen.

(iii) The adjustment to increase in property, plant and equipment and intangible assets includes an increase of corporate assets that do not belong to any reportable segment such as payment relating to building of an enterprise system (SAP).

2. Segment profit is adjusted with the operating profit in the consolidated statement of income.

3. Basis of allocation for non-current assets to each segment is different from that for related depreciation.

[Information associated with reportable segments]

Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)

1. Information for each product or service

   This is omitted as the same information is disclosed in the segment information section.

2. Information for each region

   (1) Net sales

(Million yen)

Japan	U.S.	Europe	China	Others	Total
18,127	12,845	10,516	10,074	9,944	61,507

Note: Net sales are classified by countries or regions based on the location of customers.

   (2) Property, plant and equipment

(Million yen)

Japan	Thailand	Vietnam	Philippines	Others	Total
18,594	10,430	4,479	7,015	271	40,790

3. Information for each of main customers

   Not applicable.

Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)

1. Information for each product or service

   (1) Net sales

   This is omitted as the same information is disclosed in the segment information section.

2. Information for each region

   (1) Net sales

(Million yen)

Japan	U.S.	Europe	China	Others	Total
17,599	16,622	16,905	15,251	11,370	77,748

Note: Net sales are classified by countries or regions based on the location of customers.

(Changes in presentation)

As for “Europe / Middle East” and “Asia,” which were presented separately for the previous fiscal year, “Middle East” and “Asia” are included in “Others” due to a decline in financial materiality in line with an increase in consolidated subsidiaries. As a result, 1,005 million yen for the Middle East presented in “Europe / Middle East” for the previous fiscal year, 6,651 million yen presented in “Asia,” and 2,287 million yen presented in “Others” were restated to be included in 9,944 million yen of “Others.”

(2) Property, plant and equipment

(Million yen)

Japan	Thailand	Vietnam	Philippines	Others	Total
18,473	12,665	5,260	8,091	1,070	45,561

3. Information for each of main customers

Not applicable.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Not applicable.

[Amortization and unamortized balance of goodwill for each reportable segment]

Previous consolidated fiscal year (From July 1, 2020 to June 30, 2021)

(Million yen)

	Reportable segment			Unallocated amounts and elimination	Total
	Medical Division	Device Division	Subtotal		
Amortization during the period	149	–	149	–	149
Balance at end of the period	2,549	–	2,549	–	2,549

Current consolidated fiscal year under review (From July 1, 2021 to June 30, 2022)

(Million yen)

	Reportable segment			Unallocated amounts and elimination	Total
	Medical Division	Device Division	Subtotal		
Amortization during the period	1,034	–	1,034	–	1,034
Balance at end of the period	8,200	–	8,200	–	8,200

[Information about gain on bargain purchase for each reportable segment]

Not applicable.

(Per share information)

	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Net assets per share	349.18 yen	439.80 yen
Basic earnings per share	38.25 yen	40.01 yen
Diluted earnings per share	38.07 yen	40.00 yen

Note: The basis for calculating basic earnings per share and diluted earnings per share is as follows.

Items	Previous consolidated fiscal year (from July 1, 2020 to June 30, 2021)	Current consolidated fiscal year (from July 1, 2021 to June 30, 2022)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	9,984	10,857
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent regarding common stock (million yen)	9,984	10,857
Average number of common stock during the period (thousand shares)	261,066	271,393
Diluted earnings per share		
Increase in common stock (thousand shares)	1,190	87
(of which, stock acquisition rights) (thousand shares)	(1,190)	(87)
An outline of potential shares not included in the calculation of diluted earnings per share because they do not have dilutive effects	–	–

(Significant Subsequent Events)

Not applicable.