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November 11, 2022

Consolidated Financial Results for the Three Months Ended September 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 7747
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 Scheduled date of filing quarterly report: November 11, 2022
 Scheduled date of commencing dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit excluding goodwill amortization, etc.		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended										
September 30, 2022	22,658	25.0	5,166	24.4	4,686	24.7	4,967	30.7	4,049	21.5
September 30, 2021	18,120	25.8	4,154	16.3	3,759	6.4	3,801	9.1	3,333	28.6

Note: Comprehensive income For the three months ended September 30, 2022: ¥4,591 million (44.9%)
 For the three months ended September 30, 2021: ¥3,169 million (62.3%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2022	14.91	–
September 30, 2021	12.31	12.30

Note: In the third quarter of the previous fiscal year, the Company finalized the provisional accounting treatment for a business combination. As a result, figures for the three months ended September 30, 2021 have been retroactively adjusted.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
September 30, 2022	154,763	122,462	78.0
June 30, 2022	155,127	121,130	77.0

Reference: Equity
 As of September 30, 2022: ¥120,754 million
 As of June 30, 2022: ¥119,459 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended June 30, 2022	Yen –	Yen 0.00	Yen –	Yen 11.99	Yen 11.99
Fiscal year ending June 30, 2023	–				
Fiscal year ending June 30, 2023 (Forecast)		0.00	–	13.71	13.71

Note: Revisions to dividend forecasts announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending June 30, 2023 (from 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

Notes: 1. Operating profit excluding goodwill amortization, etc. = Operating profit + amount of goodwill amortization, etc.
2. Revisions to financial results forecast announced most recently: None

*** 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) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common stock)

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

As of September 30, 2022	271,633,600 shares
As of June 30, 2022	271,633,600 shares

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

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

(iii) Average number of shares during the period (cumulative)

Three months ended September 30, 2022	271,625,722 shares
Three months ended September 30, 2021	270,706,109 shares

* Quarterly financial results reports are exempt from quarterly 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. Qualitative information on results for the quarter under review (3) Explanation of forecasts including consolidated results forecast" on page 4 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. Qualitative information on results for the quarter under review

(1) Explanation of operating results

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 three months ended September 30, 2022, our measures for realizing the above included the following:

- 1) We concluded a basic agreement with Penumbra, Inc. (U.S.) for the exclusive sales of a peripheral vascular thrombus aspiration device in the Japanese market
- 2) We concluded an exclusive sales agreement with Dingke Medical Technology (Suzhou) Co., Ltd. for sales of the “DK Score Coronary Scoring Balloon Dilatation Catheter” in the Chinese market
- 3) We issued the “Integrated Report 2022” for the first time as the Group

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.

Under these circumstances, net sales of the Asahi Intecc Group for the fiscal year under review amounted to 22,658 million yen (an increase of 25.0% year on year), thanks to a significant increase in overseas net sales mainly due to a year-on-year recovery trend of the market size which shrunk due to the impact of COVID-19, weaker yen, and an increase in the market needs.

Gross profit totaled 14,814 million yen (an increase of 23.7% year on year), due to the increase in net sales.

Operating profit was 4,686 million yen (an increase of 24.7% 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 and reinforcement of sales promotion in the overseas market as well as an increase in R&D expenses for reinforcing development.

Ordinary profit was 4,967 million yen (an increase of 30.7% year on year) due to an increase in foreign exchange gains.

Profit attributable to owners of parent was 4,049 million yen (an increase of 21.5% year on year) due to recording of 305 million yen as disaster insurance income associated with the typhoon disaster at the Cebu Factory, despite a decrease in extraordinary income from gain on step acquisitions of 615 million yen.

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

- 138.38 yen per U.S. dollar (110.10 yen for the same period of the previous fiscal year, up 25.7%)
- 139.34 yen per euro (129.83 yen for the same period of the previous fiscal year, up 7.3%)
- 20.19 yen per Chinese yuan (17.02 yen for the same period of the previous fiscal year, up 18.6%)
- 3.80 yen per Thai baht (3.35 yen for the same period of the previous fiscal year, up 13.4%)

The operating results for each segment are outlined below.

<Medical Division>

In the Medical Division, net sales increased due to a year-on-year recovery trend of the market size which shrunk due to the impact of COVID-19, weaker yen, and growth of market needs primarily in the overseas market.

In the domestic market, net sales decreased due to reductions of reimbursement prices and a decrease in OEM transactions.

In the overseas market, we experienced very strong results in all regions, primarily for PCI guide wires and penetration catheters in the cardiovascular field. Also in the non-cardiovascular field, we experienced strong results with an increase in gastrointestinal and abdominal vascular products primarily in Europe, etc.

As a result, net sales totaled 19,736 million yen (an increase of 24.1% year on year).

Segment profit amounted to 4,006 million yen (an increase of 12.6% year on year).

<Device Division>

In the Device Division, net sales increased primarily for medical components mainly due to growth of the market needs resulting from the receding impact of COVID-19.

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 remained flat due to a decrease in construction-related and OA equipment-related transactions in the domestic market, despite strong results for leisure-related transactions in the overseas market.

As a result, net sales totaled 2,921 million yen (an increase of 31.8% year on year).

Segment profit amounted to 1,842 million yen (an increase of 53.8% year on year), due to an increase in external net sales and intersegment transactions.

(2) Explanation of financial position

As of September 30, 2022, total assets amounted to 154,763 million yen, a decrease of 363 million yen from the end of the previous fiscal year.

This was mainly due to a decrease of 4,930 million yen in cash and deposits despite of increases of 1,107 million yen in notes and accounts receivable – trade, 551 million yen in merchandise and finished goods, 283 million yen in work in process, and 1,242 million yen in investments and other assets.

As for liabilities, total liabilities amounted to 32,301 million yen, a decrease of 1,694 million yen from the end of the previous fiscal year. This was mainly due to decreases of 640 million yen in notes and accounts payable – trade and 911 million yen in income taxes payable.

As for net assets, total net assets amounted to 122,462 million yen, an increase of 1,331 million yen from the end of the previous fiscal year. This was mainly due to increases of 792 million yen in retained earnings and 409 million yen in foreign currency translation adjustment.

In the third quarter of the previous fiscal year, the Company finalized the provisional accounting treatment for a business combination. As a result, figures for the three months ended September 30, 2021 are presented compared with said figures as retroactively adjusted.

(3) Explanation of forecasts including consolidated results forecast

Operating profit, ordinary profit, and profit attributable to owners of parent for the three months ended September 30, 2022 achieved strong results compared to initial forecasts due to the weaker yen. However, the Company has not revised the consolidated results forecasts for the cumulative second quarter and the full year of the fiscal year ending June 30, 2023 from those announced on August 12, 2022, taking into consideration a combination of factors including the status of the spread of COVID-19 and currency movements remaining uncertain.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (June 30, 2022)	Three months under review (September 30, 2022)
Assets		
Current assets		
Cash and deposits	32,321	27,390
Notes and accounts receivable - trade	13,987	15,095
Electronically recorded monetary claims - operating	1,607	1,480
Merchandise and finished goods	7,294	7,845
Work in process	12,493	12,776
Raw materials and supplies	7,168	7,185
Other	4,933	5,588
Allowance for doubtful accounts	-196	-230
Total current assets	79,609	77,132
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,698	21,547
Other, net	23,863	24,777
Total property, plant and equipment	45,561	46,325
Intangible assets		
Goodwill	8,200	8,333
Other	11,157	11,131
Total intangible assets	19,358	19,465
Investments and other assets	10,598	11,840
Total non-current assets	75,517	77,631
Total assets	155,127	154,763

(Million yen)

	Previous consolidated fiscal year (June 30, 2022)	Three months under review (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,180	2,539
Electronically recorded obligations - operating	700	792
Short-term borrowings	5,815	6,019
Income taxes payable	2,927	2,015
Provision for bonuses	1,371	1,196
Other	6,766	6,025
Total current liabilities	20,761	18,589
Non-current liabilities		
Long-term borrowings	6,364	6,586
Provision for retirement benefits for directors (and other officers)	20	19
Retirement benefit liability	2,033	2,083
Other	4,816	5,022
Total non-current liabilities	13,234	13,711
Total liabilities	33,996	32,301
Net assets		
Shareholders' equity		
Share capital	18,860	18,860
Capital surplus	21,727	21,727
Retained earnings	69,018	69,810
Treasury shares	-7	-7
Total shareholders' equity	109,599	110,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,872	1,965
Foreign currency translation adjustment	7,898	8,308
Remeasurements of defined benefit plans	89	88
Total accumulated other comprehensive income	9,860	10,363
Non-controlling interests	1,670	1,707
Total net assets	121,130	122,462
Total liabilities and net assets	155,127	154,763

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

For the three months ended September 30

(Million yen)

	Previous three month period (from July 1, 2021 to September 30, 2021)	Three months under review (from July 1, 2022 to September 30, 2022)
Net sales	18,120	22,658
Cost of sales	6,142	7,843
Gross profit	11,978	14,814
Selling, general and administrative expenses	8,218	10,128
Operating profit	3,759	4,686
Non-operating income		
Interest income	3	4
Dividend income	3	3
Foreign exchange gains	118	288
Other	58	50
Total non-operating income	183	347
Non-operating expenses		
Interest expenses	36	53
Other	105	13
Total non-operating expenses	141	66
Ordinary profit	3,801	4,967
Extraordinary income		
Gain on step acquisitions	615	–
Disaster insurance income	–	305
Total extraordinary income	615	305
Extraordinary losses		
Loss on valuation of investment securities	65	71
Total extraordinary losses	65	71
Profit before income taxes	4,351	5,201
Income taxes - current	926	1,428
Income taxes - deferred	55	-315
Total income taxes	982	1,112
Profit	3,368	4,089
Profit attributable to non-controlling interests	35	40
Profit attributable to owners of parent	3,333	4,049

Quarterly consolidated statement of comprehensive income
For the three months ended September 30

(Million yen)

	Previous three month period (from July 1, 2021 to September 30, 2021)	Three months under review (from July 1, 2022 to September 30, 2022)
Profit	3,368	4,089
Other comprehensive income		
Valuation difference on available-for-sale securities	654	93
Foreign currency translation adjustment	-862	409
Remeasurements of defined benefit plans, net of tax	8	-1
Total other comprehensive income	-199	502
Comprehensive income	3,169	4,591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,134	4,552
Comprehensive income attributable to non-controlling interests	35	39

(3) Notes to quarterly consolidated financial statements
(Note on entity's ability to continue as going concern)

Not applicable.

(Changes in accounting policies)

(Application of US GAAP Accounting Standards Update (ASU) No. 2016-02 "Leases")

At certain overseas consolidated subsidiaries that use the US GAAP, the US GAAP Accounting Standards Update (ASU) No. 2016-02 "Leases" has been applied from the beginning of the first quarter of the fiscal year under review. As a result of this change, all leases are, in principle, recorded as assets or liabilities on the balance sheet for lease transactions in which these consolidated subsidiaries are the lessee. In applying this update, the Company has used the method in which it recognizes the cumulative effect of application as of the application commencement date as permitted by the transitional measures.

As a result, "other" under "property, plant and equipment," "other" under "current liabilities," and "other" under "non-current liabilities" as of September 30, 2022 increased by 446 million yen, 121 million yen, and 325 million yen, respectively.

The impact on profit for the three months ended September 30, 2022 is immaterial.

(Additional information)

As for the impact of the spread of COVID-19, there has been no significant change from the details provided in additional information of the annual securities report for the previous fiscal year.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I. Three months ended September 30, 2021 (from July 1, 2021 to September 30, 2021)

1. Disclosure of sales and profit (loss) for each reportable segment

(Million yen)

	Reportable segment			Adjustments (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Medical Division	Device Division	Total		
Net sales					
Revenues from external customers	15,903	2,217	18,120	–	18,120
Transactions with other segments	–	2,964	2,964	-2,964	–
Total	15,903	5,182	21,085	-2,964	18,120
Segment profit	3,557	1,198	4,755	-995	3,759

- Notes:
1. 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.
 2. Segment profit is adjusted with the operating profit in the quarterly consolidated statement of income.
 3. In the third quarter of the previous fiscal year, the Company finalized the provisional accounting treatment for a business combination. As a result, figures for the three months ended September 30, 2021 have been retroactively adjusted.

2. Disclosure of impairment loss on non-current assets, goodwill, etc. for each reportable segment

(Significant changes in the amount of goodwill)

In the Medical Division, a total of four companies, including A-Traction Inc. (current ASAHI SURGICAL ROBOTICS CO., LTD.), were included in the scope of consolidation from the first quarter of the fiscal year under review due to the acquisition of shares, etc. The increase in the amount of goodwill from this event was 5,702 million yen.

This increase in the amount of goodwill is the figure that resulted from reflecting the finalized content of the provisional accounting treatment for the business combination in the third quarter of the previous fiscal year.

II. Three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

1. Disclosure of sales and profit (loss) for each reportable segment

(Million yen)

	Reportable segment			Adjustments (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Medical Division	Device Division	Total		
Net sales					
Revenues from external customers	19,736	2,921	22,658	–	22,658
Transactions with other segments	–	4,076	4,076	-4,076	–
Total	19,736	6,998	26,735	-4,076	22,658
Segment profit	4,006	1,842	5,848	-1,162	4,686

- Notes:
1. 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.
 2. Segment profit is adjusted with the operating profit in the quarterly consolidated statement of income.

(Business combinations)

(Finalization of the provisional accounting treatment for a business combination)

The Company applied a provisional accounting treatment in the first quarter of the previous fiscal year for the business combination with Pathways Medical Corporation on July 1, 2021. However, this accounting treatment was finalized in the third quarter of the previous fiscal year. In line with the finalization of this provisional accounting treatment, a significant revision was reflected in the initial allocation amounts of acquisition costs included in comparison information of the quarterly consolidated financial statements for the three months ended September 30, 2022.

As a result, the amount of provisionally calculated goodwill of 884 thousand US dollars (99 million yen) increased by 1,190 thousand US dollars (133 million yen) to 2,074 thousand US dollars (232 million yen) due to the finalization of the accounting treatment. The increase in the amount of goodwill is due to the decrease in intangible assets and non-current liabilities of 1,700 thousand US dollars (190 million yen) and 510 thousand US dollars (57 million yen), respectively.

The impact on the quarterly consolidated statement of income for the three months ended September 30, 2021 is immaterial.

(Revenue recognition)

Disaggregation of revenue from contracts with customers

(1) Breakdown by type

Three months ended September 30, 2021 (from July 1, 2021 to September 30, 2021)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	11,945	–	11,945
Non-cardiovascular	2,512	–	2,512
OEM	1,445	–	1,445
Medical Components	–	1,068	1,068
Industrial Components	–	1,148	1,148
Total	15,903	2,217	18,120

Three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	15,361	–	15,361
Non-cardiovascular	2,753	–	2,753
OEM	1,622	–	1,622
Medical Components	–	1,808	1,808
Industrial Components	–	1,113	1,113
Total	19,736	2,921	22,658

(2) Breakdown by region

Three months ended September 30, 2021 (from July 1, 2021 to September 30, 2021)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	3,375	794	4,170
North America	3,285	628	3,913
Europe	3,399	126	3,525
China	3,912	46	3,958
Others	1,929	622	2,552
Total	15,903	2,217	18,120

Three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	3,144	664	3,808
North America	4,251	1,228	5,480
Europe	4,389	77	4,466
China	5,204	154	5,359
Others	2,747	796	3,543
Total	19,736	2,921	22,658

(Significant subsequent events)

Not applicable.