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February 14, 2023

Consolidated Financial Results for the Six Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: ASAHI INTECC CO., LTD.
 Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 7747
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 Scheduled date of filing quarterly report: February 14, 2023
 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 six months ended December 31, 2022 (from July 1, 2022 to December 31, 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	%
Six months ended										
December 31, 2022	45,435	20.5	10,901	22.4	9,951	22.8	9,621	11.9	7,473	17.0
December 31, 2021	37,702	33.2	8,902	42.2	8,106	31.0	8,595	41.0	6,385	43.5

Note: Comprehensive income For the six months ended December 31, 2022: ¥7,115 million (-2.0%)
 For the six months ended December 31, 2021: ¥7,264 million (57.1%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2022	27.52	—
December 31, 2021	23.54	23.53

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 six months ended December 31, 2021 have been retroactively adjusted.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
December 31, 2022	159,431	124,985	77.3
June 30, 2022	155,127	121,130	77.0

Reference: Equity
 As of December 31, 2022: ¥123,243 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	–	0.00			
Fiscal year ending June 30, 2023 (Forecast)			–	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
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 December 31, 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 December 31, 2022	7,878 shares
As of June 30, 2022	7,878 shares

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

Six months ended December 31, 2022	271,625,722 shares
Six months ended December 31, 2021	271,165,915 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 six months ended December 31, 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
- 4) We concluded a transfer agreement to acquire the shares of LAKE R&D Inc. (making it a non-consolidated subsidiary)

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 six months ended December 31, 2022 amounted to 45,435 million yen (an increase of 20.5% 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 30,040 million yen (an increase of 20.0% year on year), due to the increase in net sales.

Operating profit was 9,951 million yen (an increase of 22.8% 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 9,621 million yen (an increase of 11.9% year on year) despite an increase in foreign exchange losses.

Profit attributable to owners of parent was 7,473 million yen (an increase of 17.0% year on year), mainly due to recording of 305 million yen as disaster insurance income associated with the typhoon disaster at the Cebu Factory and a decrease in loss due to the disaster at the Cebu Factory, despite a 615 million yen decrease in gain on step acquisitions.

Foreign exchange rates used for the six months ended December 31, 2022:

- 139.97 yen per U.S. dollar (111.91 yen for the same period of the previous fiscal year, up 25.1%)
- 141.84 yen per euro (129.96 yen for the same period of the previous fiscal year, up 9.1%)
- 20.03 yen per Chinese yuan (17.40 yen for the same period of the previous fiscal year, up 15.1%)
- 3.85 yen per Thai baht (3.38 yen for the same period of the previous fiscal year, up 13.9%)

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, net sales increased as the cardiovascular field performed very strongly in all regions, primarily for PCI guide wires and penetration catheters, and also in the non-cardiovascular field, strong results were observed in regions other than China, which experienced a decrease in sales due to inventory adjustments by distributors.

As a result, net sales totaled 39,695 million yen (an increase of 19.8% year on year).

Segment profit amounted to 8,705 million yen (an increase of 15.9% year on year).

<Device Division>

In the Device Division, net sales significantly increased primarily for medical components, mainly due to growth of the market needs following a recovery from the impact of COVID-19 and weaker yen.

As for medical components, net sales remained flat in the domestic market mainly due to inventory adjustments by distributors. However, in the overseas market, net sales increased mainly due to increases in transactions of cardiovascular ultrasonic catheter components and cardiovascular inspection 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 5,740 million yen (an increase of 26.0% year on year).

Segment profit amounted to 3,389 million yen (an increase of 31.7% year on year), due to an increase in external net sales and intersegment transactions.

(2) Explanation of financial position

As of December 31, 2022, total assets amounted to 159,431 million yen, an increase of 4,303 million yen from the end of the previous fiscal year.

This was mainly due to increases of 2,274 million yen in cash and deposits, 932 million yen in merchandise and finished goods, and 1,061 million yen in other property, plant and equipment.

As for liabilities, total liabilities amounted to 34,445 million yen, an increase of 449 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,701 million yen in short-term borrowings, despite decreases of 624 million yen in notes and accounts payable – trade, 454 million yen in other current liabilities, and 223 million yen in long-term borrowings.

As for net assets, total net assets amounted to 124,985 million yen, an increase of 3,854 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,217 million yen in retained earnings, despite a decrease of 461 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 six months ended December 31, 2021 are presented compared with said figures as retroactively adjusted.

(3) Explanation of forecasts including consolidated results forecast

Net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the six months ended December 31, 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 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 trend in the number of cases following China's lifting of its zero-COVID policy and uncertain currency movements.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (June 30, 2022)	Six months under review (December 31, 2022)
Assets		
Current assets		
Cash and deposits	32,321	34,596
Notes and accounts receivable - trade	13,987	14,615
Electronically recorded monetary claims - operating	1,607	1,605
Securities	—	2,000
Merchandise and finished goods	7,294	8,226
Work in process	12,493	12,773
Raw materials and supplies	7,168	7,189
Other	4,933	4,526
Allowance for doubtful accounts	-196	-221
Total current assets	79,609	85,311
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,698	21,318
Other, net	23,863	24,925
Total property, plant and equipment	45,561	46,244
Intangible assets		
Goodwill	8,200	7,832
Other	11,157	10,548
Total intangible assets	19,358	18,381
Investments and other assets	10,598	9,494
Total non-current assets	75,517	74,119
Total assets	155,127	159,431

(Million yen)

	Previous consolidated fiscal year (June 30, 2022)	Six months under review (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,180	2,555
Electronically recorded obligations - operating	700	767
Short-term borrowings	5,815	7,517
Income taxes payable	2,927	2,874
Provision for bonuses	1,371	1,307
Other	6,766	6,312
Total current liabilities	20,761	21,334
Non-current liabilities		
Long-term borrowings	6,364	6,140
Provision for retirement benefits for directors (and other officers)	20	19
Retirement benefit liability	2,033	2,151
Other	4,816	4,798
Total non-current liabilities	13,234	13,110
Total liabilities	33,996	34,445
Net assets		
Shareholders' equity		
Share capital	18,860	18,860
Capital surplus	21,727	21,727
Retained earnings	69,018	73,235
Treasury shares	-7	-7
Total shareholders' equity	109,599	113,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,872	1,900
Foreign currency translation adjustment	7,898	7,437
Remeasurements of defined benefit plans	89	88
Total accumulated other comprehensive income	9,860	9,427
Non-controlling interests	1,670	1,741
Total net assets	121,130	124,985
Total liabilities and net assets	155,127	159,431

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

For the six months ended December 31

(Million yen)

	Previous six month period (from July 1, 2021 to December 31, 2021)	Six months under review (from July 1, 2022 to December 31, 2022)
Net sales	37,702	45,435
Cost of sales	12,678	15,395
Gross profit	25,023	30,040
Selling, general and administrative expenses	16,917	20,088
Operating profit	8,106	9,951
Non-operating income		
Interest income	8	12
Dividend income	26	32
Foreign exchange gains	475	–
Other	159	65
Total non-operating income	670	110
Non-operating expenses		
Interest expenses	69	103
Foreign exchange losses	–	265
Share issuance costs	82	–
Other	30	72
Total non-operating expenses	182	440
Ordinary profit	8,595	9,621
Extraordinary income		
Gain on step acquisitions	615	–
Disaster insurance income	–	305
Total extraordinary income	615	305
Extraordinary losses		
Loss on valuation of investment securities	137	71
Loss on disaster	249	–
Loss on valuation of golf club membership	–	1
Total extraordinary losses	386	72
Profit before income taxes	8,824	9,854
Income taxes - current	2,439	2,613
Income taxes - deferred	-73	-308
Total income taxes	2,365	2,305
Profit	6,458	7,548
Profit attributable to non-controlling interests	72	75
Profit attributable to owners of parent	6,385	7,473

Quarterly consolidated statement of comprehensive income

For the six months ended December 31

(Million yen)

	Previous six month period (from July 1, 2021 to December 31, 2021)	Six months under review (from July 1, 2022 to December 31, 2022)
Profit	6,458	7,548
Other comprehensive income		
Valuation difference on available-for-sale securities	452	28
Foreign currency translation adjustment	343	-461
Remeasurements of defined benefit plans, net of tax	10	-0
Total other comprehensive income	806	-433
Comprehensive income	7,264	7,115
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,192	7,042
Comprehensive income attributable to non-controlling interests	72	73

(3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous six month period (from July 1, 2021 to December 31, 2021)	Six months under review (from July 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	8,824	9,854
Depreciation	3,194	3,711
Increase (decrease) in provision for bonuses	-61	-59
Interest expenses	69	103
Amortization of goodwill	496	595
Disaster insurance income	-	-305
Decrease (increase) in trade receivables	-804	-838
Decrease (increase) in inventories	-1,181	-1,457
Increase (decrease) in trade payables	421	-555
Decrease (increase) in consumption taxes refund receivable	470	728
Increase (decrease) in accounts payable - other	-589	-143
Decrease (increase) in accounts receivable - other	431	224
Other, net	16	-675
Subtotal	11,287	11,181
Interest and dividends received	35	45
Interest paid	-51	-196
Proceeds from insurance income	-	305
Income taxes paid	-1,544	-2,671
Net cash provided by (used in) operating activities	9,727	8,665
Cash flows from investing activities		
Purchase of property, plant and equipment	-4,021	-3,407
Purchase of intangible assets	-137	-244
Purchase of investment securities	-97	-194
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-6,929	-
Other, net	4	-1,016
Net cash provided by (used in) investing activities	-11,182	-4,862
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,550	1,995
Proceeds from long-term borrowings	5,262	-
Repayments of long-term borrowings	-312	-245
Dividends paid	-2,994	-3,256
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,383	-
Repayments of lease liabilities	-76	-71
Other, net	-4	-
Net cash provided by (used in) financing activities	12,708	-1,577
Effect of exchange rate change on cash and cash equivalents	70	49
Net increase (decrease) in cash and cash equivalents	11,323	2,274
Cash and cash equivalents at beginning of period	21,358	32,321
Cash and cash equivalents at end of period	32,682	34,596

(4) 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 December 31, 2022 increased by 390 million yen, 96 million yen, and 293 million yen, respectively.

The impact on profit for the six months ended December 31, 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. Six months ended December 31, 2021 (from July 1, 2021 to December 31, 2021)

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	33,146	4,555	37,702	–	37,702
Transactions with other segments	–	6,534	6,534	-6,534	–
Total	33,146	11,090	44,236	-6,534	37,702
Segment profit	7,509	2,573	10,082	-1,975	8,106

- 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 six months ended December 31, 2021 have been retroactively adjusted.

II. Six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

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	39,695	5,740	45,435	–	45,435
Transactions with other segments	–	7,655	7,655	-7,655	–
Total	39,695	13,396	53,091	-7,655	45,435
Segment profit	8,705	3,389	12,094	-2,142	9,951

- 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 second 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 six months ended December 31, 2022.

As a result, the amount of provisionally calculated goodwill of 884 thousand US dollars (101 million yen) increased by 1,190 thousand US dollars (136 million yen) to 2,074 thousand US dollars (238 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 (195 million yen) and 510 thousand US dollars (58 million yen), respectively.

The impact on the quarterly consolidated statement of income for the six months ended December 31, 2021 is immaterial.

(Revenue recognition)

Disaggregation of revenue from contracts with customers

(1) Breakdown by type

Six months ended December 31, 2021 (from July 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	25,141	–	25,141
Non-cardiovascular	5,200	–	5,200
OEM	2,803	–	2,803
Medical Components	–	2,285	2,285
Industrial Components	–	2,270	2,270
Total	33,146	4,555	37,702

Six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	30,096	–	30,096
Non-cardiovascular	6,048	–	6,048
OEM	3,550	–	3,550
Medical Components	–	3,450	3,450
Industrial Components	–	2,290	2,290
Total	39,695	5,740	45,435

(2) Breakdown by region

Six months ended December 31, 2021 (from July 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	7,253	1,588	8,842
North America	6,610	1,395	8,005
Europe	7,517	221	7,738
China	7,687	127	7,814
Others	4,076	1,223	5,300
Total	33,146	4,555	37,702

Six months ended December 31, 2022 (from July 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	6,600	1,427	8,027
North America	8,845	2,190	11,036
Europe	8,643	188	8,832
China	9,889	283	10,172
Others	5,716	1,650	7,367
Total	39,695	5,740	45,435

(Significant subsequent events)

Not applicable.