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November 14, 2023

Consolidated Financial Results for the Three Months Ended September 30, 2023 (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
 Inquiries: Mizuho Ito, Director, General Manager of Administration Division
 Telephone: +81-561-48-5551
 Scheduled date of filing quarterly report: November 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 three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

(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, 2023	28,713	26.7	8,534	65.2	8,045	71.6	8,168	64.4	6,076	50.1
September 30, 2022	22,658	25.0	5,166	24.4	4,686	24.7	4,967	30.7	4,049	21.5

Note: Comprehensive income For the three months ended September 30, 2023: ¥6,900 million (50.3%)
 For the three months ended September 30, 2022: ¥4,591 million (44.9%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	22.37	–
September 30, 2022	14.91	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
September 30, 2023	170,819	137,272	79.2
June 30, 2023	172,644	134,300	76.6

Reference: Equity

As of September 30, 2023: ¥135,238 million
 As of June 30, 2023: ¥132,312 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, 2023	Yen –	Yen 0.00	Yen –	Yen 14.48	Yen 14.48
Fiscal year ending June 30, 2024	–				
Fiscal year ending June 30, 2024 (Forecast)		0.00	–	16.43	16.43

Note: Revisions to dividend forecasts announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(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)	49,979	10.0	11,654	6.9	10,720	7.7	10,671	10.9	8,078	8.1	29.74
Full year	100,353	11.4	21,942	10.1	20,073	11.3	19,951	13.1	14,872	13.5	54.75

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: None

(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, 2023	271,633,600 shares
As of June 30, 2023	271,633,600 shares

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

As of September 30, 2023	7,912 shares
As of June 30, 2023	7,912 shares

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

Three months ended September 30, 2023	271,625,688 shares
Three months ended September 30, 2022	271,625,722 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 3 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

The Asahi Intecc Group (the Group) has formulated the following four basic policies in the medium-term management plan “ASAHI Going Beyond 1000” and worked to build a business portfolio for further growth, exceeding consolidated net sales of 100 billion yen.

- 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

We will aim to enhance corporate value by promoting these growth strategies in a steady manner, and will achieve consolidated net sales of 100 billion yen, a significant milestone, in the fiscal year under review.

Net sales of the Group for the three months ended on September 30, 2023 amounted to 28,713 million yen (an increase of 26.7% year on year), thanks mainly to a significant increase in overseas net sales due to factors such as the recovery and expansion of the market with emergence from the impact of spread of COVID-19, the impact of higher foreign currencies, an increase in the market needs, and concentrated order transactions from the distributors and others.

Gross profit totaled 18,624 million yen (an increase of 25.7% year on year), due to the increase in net sales.

Operating profit was 8,045 million yen (an increase of 71.6% year on year), despite an increase in selling, general and administrative expenses, such as an increase in sales-related expenses including expenses for sales promotion primarily in the overseas market and expenses associated with net sales growth as well as an increase in R&D expenses for reinforcing development.

Ordinary profit was 8,168 million yen (an increase of 64.4% year on year) despite a decrease in foreign exchange gains and other factors.

Profit attributable to owners of parent was 6,076 million yen (an increase of 50.1% year on year), despite a decrease in disaster insurance income.

Foreign exchange rates used for the fiscal year under review:

144.77 yen per U.S. dollar (138.38 yen for the same period of the previous fiscal year, up 4.6%)

157.28 yen per euro (139.34 yen for the same period of the previous fiscal year, up 12.9%)

19.95 yen per Chinese yuan (20.19 yen for the same period of the previous fiscal year, down 1.2%)

4.12 yen per Thai baht (3.80 yen for the same period of the previous fiscal year, up 8.4%)

The operating results for each segment are outlined below.

<Medical Division>

In the Medical Division, net sales increased mainly due to the recovery and expansion of the market with emergence from the impact of spread of COVID-19, the impact of higher foreign currencies, growth of market needs primarily in the overseas market, and concentrated order transactions from the distributors and others.

In the domestic market, net sales increased due to increased sales for gastrointestinal products and OEM transactions in the non-cardiovascular field, in addition to a strong results for the cardiovascular field.

In the overseas market, net sales increased in all regions in both of the cardiovascular and non-cardiovascular fields.

Net sales increased as the cardiovascular field performed very strongly, primarily for PCI guide wires and penetration catheters, and also in the non-cardiovascular field, we experienced an increase in peripheral vascular products in the U.S. market mainly due to the effects of new product launches of “CROSSLEAD” and “CROSSWALK,” our peripheral vascular products, strong results in abdominal vascular products in the Chinese market, and an increase of new transactions and strong results primarily in the U.S. in OEM transactions. In Europe (Eastern Europe) and China, we experienced growing number of concentrated order transactions, including advance orders, from the distributors and others, however, net sales increased in all regions even excluding these transactions.

As a result, net sales totaled 25,591 million yen (an increase of 29.7% year on year).

Segment profit amounted to 7,613 million yen (an increase of 90.0% 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, transactions of robotics-related and endoscope-related components increased in the domestic market. In the overseas market, transactions of cardiovascular ultrasonic catheter components for the U.S. companies and catheter components for peripheral treatment increased.

As for industrial components, net sales decreased mainly due to decreases in construction-related transactions in the domestic market and OA equipment-related transactions in the overseas market.

As a result, net sales totaled 3,121 million yen (an increase of 6.8% year on year).

Segment profit amounted to 1,573 million yen (a decrease of 14.6% year on year), due to a decrease in intersegment transactions.

(2) Explanation of financial position

As of September 30, 2023, total assets amounted to 170,819 million yen, a decrease of 1,825 million yen from the end of the previous fiscal year.

This was mainly due to decreases of 659 million yen in merchandise and finished goods, 271 million yen in work in process, and 4,210 million yen in cash and deposits, despite increases of 2,601 million yen in notes and accounts receivable - trade and 589 million yen in raw materials and supplies.

As for liabilities, total liabilities amounted to 33,547 million yen, a decrease of 4,796 million yen from the end of the previous fiscal year. This was mainly due to decreases of 213 million yen in notes and accounts payable – trade, 3,806 million yen in long-term borrowings, and 416 million yen in provision for bonuses, despite an increase of 180 million yen in short-term borrowings.

As for net assets, total net assets amounted to 137,272 million yen, an increase of 2,971 million yen from the end of the previous fiscal year. This was mainly due to increases of 2,143 million yen in retained earnings and 996 million yen in foreign currency translation adjustment.

(3) Explanation of forecasts including consolidated results forecast

Net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the three months ended September 30, 2023 saw strong results in sales in China compared to initial forecasts in addition to the impact of higher foreign currencies. However, the Company has not revised the consolidated results forecasts for the second quarter (cumulative) and full year of the fiscal year ending June 30, 2024 from those announced on August 14, 2023, taking into consideration a combination of factors including uncertain currency movements and forecast for trend in the number of cases in the Chinese market and delayed incurrence of selling, general and administrative expenses.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (June 30, 2023)	Three months under review (September 30, 2023)
Assets		
Current assets		
Cash and deposits	34,884	30,674
Notes and accounts receivable - trade	14,678	17,280
Electronically recorded monetary claims – operating	1,728	1,844
Securities	2,000	2,000
Merchandise and finished goods	10,077	9,418
Work in process	13,473	13,202
Raw materials and supplies	7,807	8,396
Other	5,842	6,561
Allowance for doubtful accounts	-231	-223
Total current assets	90,261	89,153
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,623	21,552
Other, net	32,059	32,273
Total property, plant and equipment	53,683	53,825
Intangible assets		
Goodwill	7,737	7,518
Other	10,632	10,415
Total intangible assets	18,369	17,933
Investments and other assets	10,329	9,907
Total non-current assets	82,383	81,666
Total assets	172,644	170,819

(Million yen)

	Previous consolidated fiscal year (June 30, 2023)	Three months under review (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,856	2,643
Electronically recorded obligations - operating	883	735
Short-term borrowings	10,361	10,542
Income taxes payable	2,309	2,218
Provision for bonuses	1,784	1,368
Other	8,119	7,690
Total current liabilities	26,316	25,198
Non-current liabilities		
Long-term borrowings	3,892	86
Provision for retirement benefits for directors (and other officers)	19	19
Retirement benefit liability	2,496	2,591
Other	5,620	5,651
Total non-current liabilities	12,028	8,348
Total liabilities	38,344	33,547
Net assets		
Shareholders' equity		
Share capital	18,860	18,860
Capital surplus	21,727	21,727
Retained earnings	78,867	81,011
Treasury shares	-7	-7
Total shareholders' equity	119,448	121,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,033	1,828
Foreign currency translation adjustment	10,867	11,864
Remeasurements of defined benefit plans	-36	-47
Total accumulated other comprehensive income	12,864	13,645
Non-controlling interests	1,987	2,034
Total net assets	134,300	137,272
Total liabilities and net assets	172,644	170,819

(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 months period (from July 1, 2022 to September 30, 2022)	Three months under review (from July 1, 2023 to September 30, 2023)
Net sales	22,658	28,713
Cost of sales	7,843	10,088
Gross profit	14,814	18,624
Selling, general and administrative expenses	10,128	10,579
Operating profit	4,686	8,045
Non-operating income		
Interest income	4	33
Dividend income	3	3
Foreign exchange gains	288	61
Other	50	131
Total non-operating income	347	230
Non-operating expenses		
Interest expenses	53	87
Other	13	19
Total non-operating expenses	66	107
Ordinary profit	4,967	8,168
Extraordinary income		
Disaster insurance income	305	–
Total extraordinary income	305	–
Extraordinary losses		
Loss on valuation of investment securities	71	–
Total extraordinary losses	71	–
Profit before income taxes	5,201	8,168
Income taxes - current	1,428	1,672
Income taxes - deferred	-315	376
Total income taxes	1,112	2,049
Profit	4,089	6,118
Profit attributable to non-controlling interests	40	42
Profit attributable to owners of parent	4,049	6,076

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

(Million yen)

	Previous three months period (from July 1, 2022 to September 30, 2022)	Three months under review (from July 1, 2023 to September 30, 2023)
Profit	4,089	6,118
Other comprehensive income		
Valuation difference on available-for-sale securities	93	-204
Foreign currency translation adjustment	409	996
Remeasurements of defined benefit plans, net of tax	-1	-10
Total other comprehensive income	502	781
Comprehensive income	4,591	6,900
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,552	6,855
Comprehensive income attributable to non-controlling interests	39	45

(3) Notes to quarterly consolidated financial statements
 (Note on entity's ability to continue as going concern)
 Not applicable.

(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, 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.

II Three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

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	25,591	3,121	28,713	–	28,713
Transactions with other segments	–	3,397	3,397	-3,397	–
Total	25,591	6,519	32,111	-3,397	28,713
Segment profit	7,613	1,573	9,186	-1,141	8,045

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.

(Revenue recognition)

Disaggregation of revenue from contracts with customers

(1) Breakdown by type

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

Three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	19,770	–	19,770
Non-cardiovascular	3,634	–	3,634
OEM	2,187	–	2,187
Medical Components	–	2,091	2,091
Industrial Components	–	1,029	1,029
Total	25,591	3,121	28,713

(2) Breakdown by region

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

Three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	3,404	685	4,090
North America	5,119	1,252	6,371
Europe	6,682	105	6,788
China	6,861	157	7,019
Others	3,523	919	4,443
Total	25,591	3,121	28,713

(Significant subsequent events)

Not applicable.