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February 14, 2024

Consolidated Financial Results for the Six Months Ended December 31, 2023 (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, 2024
 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, 2023 (from July 1, 2023 to December 31, 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	%
Six months ended										
December 31, 2023	54,341	19.6	14,484	32.9	13,498	35.6	13,471	40.0	9,820	31.4
December 31, 2022	45,435	20.5	10,901	22.4	9,951	22.8	9,621	11.9	7,473	17.0

Note: Comprehensive income For the six months ended December 31, 2023: ¥9,700 million (36.3%)
 For the six months ended December 31, 2022: ¥7,115 million (-2.0%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	36.15	—
December 31, 2022	27.52	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
December 31, 2023	169,091	138,783	81.6
June 30, 2023	172,644	134,300	76.6

Reference: Equity
 As of December 31, 2023: ¥138,050 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	–	0.00			
Fiscal year ending June 30, 2024 (Forecast)			–	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
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 December 31, 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 December 31, 2023	7,955 shares
As of June 30, 2023	7,912 shares

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

Six months ended December 31, 2023	271,625,670 shares
Six months ended December 31, 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 six months ended on December 31, 2023 amounted to 54,341 million yen (an increase of 19.6% 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 the virtually eliminated impact of the spread of COVID-19, the exchange rate impact of higher foreign currencies, an increase in the market needs, and concentrated orders from the distributors and others.

Gross profit totaled 35,191 million yen (an increase of 17.1% year on year), due to the increase in net sales.

Operating profit was 13,498 million yen (an increase of 35.6% 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 13,471 million yen (an increase of 40.0% year on year) mainly due to an increase in miscellaneous income and a decrease in foreign exchange losses.

Profit attributable to owners of parent was 9,820 million yen (an increase of 31.4% year on year), despite a decrease in disaster insurance income.

Foreign exchange rates used for the six months ended December 31, 2023:

146.35 yen per U.S. dollar (139.97 yen for the same period of the previous fiscal year, up 4.6%)

158.20 yen per euro (141.84 yen for the same period of the previous fiscal year, up 11.5%)

20.20 yen per Chinese yuan (20.03 yen for the same period of the previous fiscal year, up 0.8%)

4.14 yen per Thai baht (3.85 yen for the same period of the previous fiscal year, up 7.5%)

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 almost no more 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 strong results, particularly for PCI guide wires, in the cardiovascular field. Additionally, we were able to deliver the first installation of the “ANSUR” surgery support robot.

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

The cardiovascular field performed strongly, primarily for PCI guide wires and penetration catheters. In Europe (Eastern Europe) and China, we experienced growing number of concentrated orders, including advance orders, from the distributors and others, however, net sales increased in all regions even excluding these transactions.

In the non-cardiovascular field, net sales increased mainly due to an increase in all areas of the Chinese market, as well as an increase in the U.S. market stemming from the effects of new product launches of “CROSSLEAD” and “CROSSWALK,” our peripheral vascular products.

Net sales from OEM transactions increased, mainly due to the growth of new transactions in the cardiovascular field in the U.S.

As a result, net sales totaled 48,369 million yen (an increase of 21.9% year on year).

Segment profit amounted to 13,198 million yen (an increase of 51.6% year on year).

<Device Division>

In the Device Division, net sales increased primarily for medical components.

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 increased.

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

As a result, net sales totaled 5,972 million yen (an increase of 4.0% year on year).

Segment profit amounted to 2,607 million yen (a decrease of 23.1% year on year), due to a decrease in intersegment transactions.

(2) Explanation of financial position

As of December 31, 2023, total assets amounted to 169,091 million yen, a decrease of 3,553 million yen from the end of the previous fiscal year.

This was mainly due to decreases of 1,298 million yen in merchandise and finished goods, 2,000 million yen in securities, and 2,376 million yen in cash and deposits, despite an increase of 2,943 million yen in notes and accounts receivable - trade.

As for liabilities, total liabilities amounted to 30,307 million yen, a decrease of 8,036 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2,761 million yen in short-term borrowings and 3,804 million yen in long-term borrowings.

As for net assets, total net assets amounted to 138,783 million yen, an increase of 4,483 million yen from the end of the previous fiscal year. This was mainly due to an increase of 5,887 million yen in retained earnings.

(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, 2023 all achieved strong results, primarily due to stronger sales for the Medical Division in the Chinese and Asian markets compared to initial forecasts and delayed incurrence of selling, general and administrative expenses, in addition to the impact of higher foreign currencies. However, the Company has not revised the consolidated results forecasts for the full year of the fiscal year ending June 30, 2024 from those announced on August 14, 2023, as it is difficult to forecast currency movements and net sales from distributors in the Medical Division due to volatility from quarter to quarter of transactions, while the Company anticipates that there is a risk of gross profit margin being lower than initially expected, and that some of delayed selling, general and administrative expenses will be incurred in the second half.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (June 30, 2023)	Six months under review (December 31, 2023)
Assets		
Current assets		
Cash and deposits	34,884	32,508
Notes and accounts receivable - trade	14,678	17,622
Electronically recorded monetary claims - operating	1,728	1,879
Securities	2,000	-
Merchandise and finished goods	10,077	8,778
Work in process	13,473	12,888
Raw materials and supplies	7,807	8,328
Other	5,842	5,603
Allowance for doubtful accounts	-231	-226
Total current assets	90,261	87,384
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,623	23,735
Other, net	32,059	31,026
Total property, plant and equipment	53,683	54,762
Intangible assets		
Goodwill	7,737	7,083
Other	10,632	9,890
Total intangible assets	18,369	16,974
Investments and other assets	10,329	9,970
Total non-current assets	82,383	81,707
Total assets	172,644	169,091

(Million yen)

	Previous consolidated fiscal year (June 30, 2023)	Six months under review (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,856	2,219
Electronically recorded obligations - operating	883	1,012
Short-term borrowings	10,361	7,600
Income taxes payable	2,309	3,019
Provision for bonuses	1,784	1,500
Other	8,119	6,610
Total current liabilities	26,316	21,963
Non-current liabilities		
Long-term borrowings	3,892	88
Provision for retirement benefits for directors (and other officers)	19	19
Retirement benefit liability	2,496	2,669
Other	5,620	5,566
Total non-current liabilities	12,028	8,344
Total liabilities	38,344	30,307
Net assets		
Shareholders' equity		
Share capital	18,860	18,860
Capital surplus	21,727	21,754
Retained earnings	78,867	84,754
Treasury shares	-7	-7
Total shareholders' equity	119,448	125,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,033	1,938
Foreign currency translation adjustment	10,867	10,794
Remeasurements of defined benefit plans	-36	-45
Total accumulated other comprehensive income	12,864	12,687
Non-controlling interests	1,987	732
Total net assets	134,300	138,783
Total liabilities and net assets	172,644	169,091

(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, 2022 to December 31, 2022)	Six months under review (from July 1, 2023 to December 31, 2023)
Net sales	45,435	54,341
Cost of sales	15,395	19,150
Gross profit	30,040	35,191
Selling, general and administrative expenses	20,088	21,693
Operating profit	9,951	13,498
Non-operating income		
Interest income	12	58
Dividend income	32	35
Other	65	206
Total non-operating income	110	301
Non-operating expenses		
Interest expenses	103	152
Foreign exchange losses	265	106
Other	72	69
Total non-operating expenses	440	328
Ordinary profit	9,621	13,471
Extraordinary income		
Disaster insurance income	305	–
Total extraordinary income	305	–
Extraordinary losses		
Loss on valuation of investment securities	71	99
Loss on valuation of golf club membership	1	–
Other	–	0
Total extraordinary losses	72	99
Profit before income taxes	9,854	13,371
Income taxes – current	2,613	3,138
Income taxes – deferred	-308	355
Total income taxes	2,305	3,494
Profit	7,548	9,876
Profit attributable to non-controlling interests	75	56
Profit attributable to owners of parent	7,473	9,820

Quarterly consolidated statement of comprehensive income
For the six months ended December 31

(Million yen)

	Previous six month period (from July 1, 2022 to December 31, 2022)	Six months under review (from July 1, 2023 to December 31, 2023)
Profit	7,548	9,876
Other comprehensive income		
Valuation difference on available-for-sale securities	28	-94
Foreign currency translation adjustment	-461	-73
Remeasurements of defined benefit plans, net of tax	-0	-8
Total other comprehensive income	-433	-176
Comprehensive income	7,115	9,700
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,042	9,643
Comprehensive income attributable to non-controlling interests	73	56

(3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous six month period (from July 1, 2022 to December 31, 2022)	Six months under review (from July 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	9,854	13,371
Depreciation	3,711	4,154
Increase (decrease) in provision for bonuses	-59	-283
Interest expenses	103	152
Amortization of goodwill	595	605
Disaster insurance income	-305	-
Decrease (increase) in trade receivables	-838	-3,204
Decrease (increase) in inventories	-1,457	1,492
Increase (decrease) in trade payables	-555	-528
Decrease (increase) in consumption taxes refund receivable	728	844
Increase (decrease) in accounts payable - other	-143	-502
Decrease (increase) in accounts receivable – other	224	52
Other, net	-675	-435
Subtotal	11,181	15,718
Interest and dividends received	45	87
Interest paid	-196	-61
Proceeds from insurance income	305	-
Income taxes paid	-2,671	-3,127
Net cash provided by (used in) operating activities	8,665	12,617

(Million yen)

	Previous six month period (from July 1, 2022 to December 31, 2022)	Six months under review (from July 1, 2023 to December 31, 2023)
Cash flows from investing activities		
Proceeds from redemption of securities	–	2,000
Purchase of property, plant and equipment	-3,407	-4,275
Purchase of intangible assets	-244	-141
Purchase of investment securities	-194	-159
Other, net	-1,016	-452
Net cash provided by (used in) investing activities	-4,862	-3,029
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,995	-6,307
Repayments of long-term borrowings	-245	-120
Dividends paid	-3,256	-3,933
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	-1,346
Repayments of lease liabilities	-71	-142
Other, net	–	-0
Net cash provided by (used in) financing activities	-1,577	-11,850
Effect of exchange rate change on cash and cash equivalents	49	-114
Net increase (decrease) in cash and cash equivalents	2,274	-2,376
Cash and cash equivalents at beginning of period	32,321	34,884
Cash and cash equivalents at end of period	34,596	32,508

(4) 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 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.

II Six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)
 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	48,369	5,972	54,341	–	54,341
Transactions with other segments	–	6,761	6,761	-6,761	–
Total	48,369	12,733	61,103	-6,761	54,341
Segment profit	13,198	2,607	15,805	-2,307	13,498

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

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

Six months ended December 31, 2023 (From July 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Cardiovascular	36,300	–	36,300
Non-cardiovascular	7,635	–	7,635
OEM	4,434	–	4,434
Medical Components	–	3,857	3,857
Industrial Components	–	2,114	2,114
Total	48,369	5,972	54,341

(2) Breakdown by region

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

Six months ended December 31, 2023 (From July 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment		
	Medical Division	Device Division	Total
Japan	7,247	1,430	8,678
North America	10,604	2,208	12,813
Europe	11,243	188	11,431
China	12,182	298	12,481
Others	7,091	1,845	8,937
Total	48,369	5,972	54,341

(Significant subsequent events)

Not applicable.