Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

To Our Shareholders:

Disclosure on the Internet Accompanying the Notice of Convocation of the 46th Annual General Meeting of Shareholders

System to Ensure the Properness of Businesses

Basic Policy on the Control of the Company

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Equity

Notes to Non-consolidated Financial Statements

(from July 1, 2021 to June 30, 2022)

ASAHI INTECC CO., LTD.

The system to ensure the properness of businesses, basic policy on the control of the company, consolidated statement of changes in equity, notes to consolidated financial statements, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements are provided to shareholders by being posted on our website (http://www.asahi-intecc.co.jp/) based on laws and regulations and Article 14 of the Articles of Incorporation of the Company.

I. System to Ensure the Properness of Businesses

1. Outline of the resolution

At a meeting of the Board of Directors, the Company passed a resolution to adopt a company policy regarding the development of systems stipulated in Article 399-13, Paragraph 1, Item 1, (b) and (c) of the Companies Act (hereinafter, the "Internal Control Systems") for the corporate group comprising the Company and its subsidiaries (hereinafter, the "Group") as follows.

(1) System to ensure the execution of duties by the Group's Directors and employees complies with the laws and regulations as well as the Articles of Incorporation

1) Directors of the Company shall strive to establish a management structure that is highly transparent for all stakeholders, including its shareholders. Directors shall also ensure the execution of duties by Directors and employees complies with the laws and regulations, the Articles of Incorporation, and internal rules, and ensure such duties are executed efficiently.

2) The Company shall establish a Charter of Corporate Behavior to foster a corporate culture in which the Group's Directors and employees conduct business activities in compliance with the laws and regulations as well as the Articles of Incorporation. Each Director shall act in compliance with the Charter of Corporate Behavior to lead by example, while seeking to thoroughly instill its concept throughout the Group.

3) The Group's Directors and employees shall, if they discover an important fact regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation, or if they receive a report to that effect, immediately report their findings to the Company's Directors. In addition, Directors who are Audit and Supervisory Committee Members (hereinafter, the "Audit and Supervisory Committee Members") may, if they believe there is an issue with the Group's legal compliance system, state their opinion and request the formulation and implementation of improvement measures.

4) The Group shall not have any relationships with antisocial forces or similar organizations whatsoever, and shall ensure that the Group's Directors and employees are fully aware of the Group's determination to take a resolute stance against such forces as the entire organization. Moreover, the Group shall develop and operate systems to eliminate antisocial forces.

5) The Internal Audit Office, which reports directly to the President of the Company, shall monitor the effectiveness of the Group's Internal Control Systems and examine and verify the systems for ensuring compliance with the laws and regulations as well as the Articles of Incorporation.

6) As a reporting system in case someone discovers a fact regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation by the Group, the Company shall establish internal reporting regulations and operate an internal reporting system in which an external attorney directly receives the information. The Company shall report important matters notified through internal reporting to Directors including Audit and Supervisory Committee Members.

(2) System regarding the retention and management of information pertaining to the execution of duties by Directors

1) Pursuant to the confidential information handling regulations, the Company shall prescribe methods of handling information, authority required, and other details, and develop an information management system by assigning a specific rank to each piece of information, which must be observed by all officers and employees from Directors to temporary employees.

2) In the document storage regulations, the Company shall prescribe storage periods according to the importance of each document, and keep the documents available for perusal throughout the applicable period.

(3) Regulations and other systems regarding the management of risk of loss by the Group

1) The Board of Directors of the Company shall, in order to prevent risks that pose a material impact on the business execution by the Group and to manage losses that have occurred, develop crisis management rules, rules for managing related parties, and other various regulations, and develop an all-encompassing risk management system that covers the entire Group.

2) Pursuant to the regulations on administrative authority, each department shall appropriately perform ordinary risk management in relation to the everyday business execution at the Group within the scope of authority that has been granted.

3) Each department of the Administrative Division of the Company shall verify and confirm the status of risk management by each department of the Group based on expert knowledge and deep insight into various work processes. If they discover an issue, they shall report the findings to the Board of Directors.

4) If the Group suffers an unforeseen dire emergency, such as natural disaster, the Group shall establish a disaster response headquarters headed by the President of the Company. The headquarters shall oversee crisis management to prevent and mitigate damages.

(4) System to ensure efficiency in the execution of duties by the Group's Directors

1) The Company shall, as the basis to ensure efficiency in the execution of duties by Directors, hold regular meetings of the Board of Directors once a month and extraordinary meetings as needed. In addition, the Company shall hold meetings of the Business Liaison Committee once a month, whose participants are the Group's Directors (excluding Outside Directors) and the Company's Executive Officers, to discuss business execution.

2) Each year, the Board of Directors shall clearly establish the Group's business plan based on the management policy and management strategies. The Group's Directors (excluding non-executive Directors) shall execute business in accordance with the policies of the business plan.

3) With regard to business execution, the Group's Directors (excluding non-executive Directors) shall strive to execute business efficiently through means such as education, delegation of authority, and performance evaluations of employees pursuant to the organization rules, regulations on division of duties, regulations on administrative authority, and other regulations.

(5) System to ensure the properness of businesses of the Group

1) The Company shall, pursuant to the rules for managing related parties applicable to subsidiaries, require each subsidiary to request the Company's approval, report to the Company, or consult with the Company regarding important matters of the subsidiary. In addition, the Company shall develop a system in which important cases of subsidiaries are brought to the Board of Directors of the Company for deliberation, thereby ensuring the properness of businesses of subsidiaries.

2) The Company shall appoint officers in charge of Group companies who will be responsible for business execution at each subsidiary.

3) The Group's Directors shall, if they discover an important fact regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation at subsidiaries, immediately report their findings to the Company's Directors.

4) The Company's Audit and Supervisory Committee and Internal Audit Office shall conduct monitoring of subsidiaries as needed.

(6) Matters regarding Directors and employees assigned to assist the duties of the Audit and Supervisory Committee

The Audit and Supervisory Committee may provide instructions and orders necessary for performing their duties to employees assigned to the Internal Audit Office, who function as support staff to the Audit and Supervisory Committee.

(7) Matters regarding the independence of Directors and employees in the preceding (6) from other Directors (excluding Audit and Supervisory Committee Members), and matters regarding a system to ensure the effectiveness of instructions to Directors and employees in the preceding (6)

1) Support staff to the Audit and Supervisory Committee shall, when performing the supporting tasks instructed or ordered by the Audit and Supervisory Committee, perform their duties under the command of the Audit and Supervisory Committee and Audit and Supervisory Committee Members as employees who are independent from other Directors.

2) Evaluations, assignments, and transfers of support staff to the Audit and Supervisory Committee shall require a consent of the Audit and Supervisory Committee.

(8) System for the Group's Directors and employees to file a report to the Audit and Supervisory Committee

1) The Company's Directors and employees shall, if they discover a fact that would incur significant damage to the Company, or if they discover an important fact regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation, immediately report their findings to the Audit and Supervisory Committee.

2) Directors, Auditors, and employees of subsidiaries shall, if they discover a fact that would incur significant damage to the subsidiary, or if they discover an important fact regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation, immediately report their findings to a Director or employee of the Company. If the person who received the report is a Director or employee of the Company, the person shall immediately report their findings to the Audit and Supervisory Committee of the Company.

3) Directors and employees of the Company shall report scheduled dates of important meetings, events, audit visits by the Accounting Auditor, etc. to the Audit and Supervisory Committee.

(9) System to ensure those who filed a report will not be treated disadvantageously on the grounds of filing the report

1) The Group shall not treat any Director, Auditor, or employee of the Group who filed a report to the Audit and Supervisory Committee (hereinafter, the "Whistleblower") disadvantageously in their transfers, personnel evaluations, disciplinary actions, etc. on the grounds of filing the report.

2) If the Audit and Supervisory Committee requests a disclosure of reasons for a transfer, personnel evaluation, disciplinary action, etc. of a Whistleblower, the Group shall comply with the request.

(10) Procedures for advance payment or reimbursement of expenses that arise in relation to the execution of duties by Audit and Supervisory Committee Members, and other matters regarding the policy pertaining to the handling of expenses or obligations that arise in relation to the execution of the said duties

If an Audit and Supervisory Committee Member requests an advance payment of expenses that would arise in relation to the execution of their duties, reimbursement of expenses incurred, or repayment of obligations assumed, the Company shall comply with the request unless it can be proven that such expenses or obligations did not arise from the execution of duties of Audit and Supervisory Committee Members.

(11) Other systems to ensure the effectiveness of audits by the Audit and Supervisory Committee

1) All Directors (excluding Audit and Supervisory Committee Members) shall respond to requests by the Audit and Supervisory Committee for individual interviews, in which the Director shall report the state of compliance with Directors' duty of care and duty of loyalty, the laws and regulations, and the Articles of Incorporation. Furthermore, each Director shall sign an Attestation of the Execution of Directors' Duties to make a representation that they have performed their duties in good faith, and submit it to the Audit and Supervisory Committee at the end of each fiscal year.

2) Agenda of meetings of the Board of Directors shall be distributed to all Audit and Supervisory Committee Members prior to the day of the meeting of the Board of Directors, so that they can understand the details in advance.

3) Important cases other than agenda items at meetings of the Board of Directors shall be circulated to Audit and Supervisory Committee Members promptly after the approval.

2. Overview of the operation status of the system

The Company has developed Internal Control Systems in accordance with the abovementioned basic policy and is appropriately managing them. Main initiatives are as follows.

(1) Compliance system

1) The Group has set up the ASAHI Group Compliance Hotline as an internal reporting system to reveal and remedy any violation of laws and regulations and other compliance issues at the Group. Consultations and reports are accepted through internal and external contact points.

2) To facilitate the use of the internal reporting system, the internal reporting regulations clearly state that Whistleblowers will not be treated disadvantageously in any way on the grounds of filing a report pursuant to the regulations. The Group communicates this policy throughout the Group using the inhouse intranet and company newsletters.

(2) Risk management system

1) In accordance with the BCP basic policy, the Group has defined expected risks and carried out efforts to manage the risks. In addition, emergency responses have been determined under the crisis management rules in case of an emergency.

2) To prepare for unforeseen events such as disasters or accidents, the Group periodically conducts disaster drills, safety check system drills, and other training programs.

(3) Ensuring the properness of businesses of the Group

1) To ensure the properness of businesses of the Group, the administrative divisions of the Company have developed subsidiary management control systems. In addition to overseeing the management control of subsidiaries, the administrative divisions request subsidiaries to provide periodic reports on the business execution in accordance with the rules for managing related parties, and hold discussions on important cases.

2) The Group is clarifying and enhancing the reporting system for risk information including matters that would incur significant damage to the Company and important matters regarding compliance such as a violation of the laws and regulations or the Articles of Incorporation. In addition, the Board of Directors of the Company examines and discusses important cases that would affect the profit or loss of the Group.

3) The Internal Audit Office formulates audit implementation plans based on annual audit policies, conducts internal audits of each subsidiary, and performs efficient monitoring geared toward Group management.

(4) Execution of duties by Directors

1) The Board of Directors is comprised of ten Directors (excluding Audit and Supervisory Committee Members), three of whom are Outside Directors, as well as three Directors who are Audit and Supervisory Committee Members, two of whom are Outside Directors. They deliberate and make decisions on important matters stipulated in the laws and regulations or the Articles of Incorporation, as well as management issues.

2) Meetings of the Board of Directors were held 13 times during the fiscal year under review, in which deliberation on each agenda item and supervision of the status of business execution were conducted. Opinions were exchanged actively, ensuring the effectiveness of the decision-making and supervision.

(5) Execution of duties by the Audit and Supervisory Committee

1) Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings such as management meetings to verify the status of the development and operation of the Internal Control Systems.

2) The Audit and Supervisory Committee receives reports on internal audits conducted by the Internal Audit Office, and works in coordination with the Internal Audit Office to efficiently audit various business sites and subsidiaries.

3) The Audit and Supervisory Committee periodically holds liaison meetings with the Accounting Auditor to exchange information.

II. Basic Policy on the Control of the Company

1. Basic policy on the control of the Company

Shares in the Company, which is a listed company, may be traded at will by shareholders and investors. Even if a proposal for large-scale purchase of the Company's shares is made or a similar action is taken, the Company believes it should not be unilaterally denounced, and final decisions should be left to the shareholders' free will. However, recently in the Japanese capital market, a trend to force a proposal for large-scale purchase or a similar action without sufficient discussion is becoming more apparent.

The Company believes that those who control the decisions on the Company's financial and business policies must fully understand the Company's mission, various sources of its corporate value, and relationships of mutual trust with stakeholders who support the Company. Furthermore, those who take control must ensure and increase the Company's corporate value over the medium to long term, which in turn translates to the common interests of shareholders. Therefore, the Company believes that an entity conducting an inappropriate proposal for large-scale purchase or a similar action that may hinder the Company's corporate value and the common interests of shareholders is not fit to become an entity controlling the decisions on the Company's financial and business policies.

2. Initiatives to help realizing the basic policy

The Company is carrying out the following initiatives to increase its corporate value, which leads to the common interests of shareholders, over the medium to long term.

(1) Management mission

The Group's mission is to supply the world with one-and-only technologies and number one products in the fields of medical devices and industrial components as an R&D company so that, based on safety and reliability, we realize dreams and contribute to society as a whole. In particular, the Group's business in the medical device field mainly develops, manufactures, and sells minimally invasive treatment products that reduce pain by minimizing the size of wounds. The Group believes this is a significantly meaningful business, which alleviates the physical, mental, and financial burdens on patients while helping to curb medical costs. Going forward, the Group is committed to making a further growth as a company highly valued by both society and the markets, by continuing to be a company that contributes to society.

(2) The Company's strengths and sources of corporate value

The Company has focused on the development, manufacturing, and sales of ultra-fine stainless-steel wire ropes in the industrial device field since its founding in 1976, and has established the largest market share in Japan. In 1991, the Company entered the medical device field, and in 1992, became the first company in Japan to successfully launch PCI guide wires and guiding catheters for cardiovascular treatments, to be used in treatment of myocardial infarction. Furthermore, the Company also succeeded in the development of PCI guide wires for cardiovascular treatment that can be used for treatments in the chronic total occlusion (CTO) field, which had been a surgical field until then. The Company's PCI guide wires for cardiovascular treatment now maintains the largest share in the Japanese market. The key factor that has enabled the Company to continue growing is the technological expertise the Company has accumulated and fostered over the many years.

The main technological components at the core of the Company's technological expertise are four core technologies of wire drawing technology, wire forming technology, polymer coating technology, and torque technology. The Company's strength is its ability to manufacture products from raw materials without outsourcing based on these technologies. Moreover, our strength of handling everything from materials to finished products in-house is made possible because the Company has the industrial device field in its portfolio. Leveraging these strengths, we can quickly develop and offer products that meet the needs of physicians and other users.

Human resources who engage in R&D and product development, as well as sales and marketing structures and systems that accurately convey market needs to the development teams, are especially crucial for the Company to increase its corporate value. We believe their effects will be maximized if an only if we maintain management with strong leadership and prompt decision-making, productive corporate culture, and organic balance with stakeholders.

(3) Initiatives to strengthen corporate governance

The Company considers strengthening corporate governance as one of the key management issues, and has worked on increasing the transparency of management, enhancing supervisory functions, and providing appropriate incentives for increasing corporate value.

The Company introduced a remuneration for share purchase in 2005, as a type of remuneration linked to long-term business performance, and adopted a stock option plan in 2009. The Company has appointed multiple Outside Directors since 2013.

Furthermore, the Company made a partial amendment to the Articles of Incorporation at the 40th Annual General Meeting of Shareholders held on September 28, 2016 to transition into a company with an audit and supervisory committee. Five out of thirteen Directors in total (a ratio of 38.4%) are now independent Outside Directors, further enhancing the independence of the Board of Directors.

Moreover, in relation to the nomination of the Company's Directors and the remuneration of the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), the Company established a Compensation Advisory Committee in September 2019 for the purpose of further enhancing the corporate governance system by ensuring fairness and objectivity with appropriate involvement and advice from Outside Directors. The Committee's function was expanded in June 2020 to establish the Nomination and Compensation Advisory Committee.

3. Judgement of the Company's Board of Directors on the specific initiatives and reasons therefor

Special initiatives that help realizing the abovementioned basic policy are meant to ensure and increase the Company's corporate value, which leads to the common interests of shareholders, over the medium to long term. They are in line with the Company's basic policy and are not for the purpose of maintaining the positions of the Company's officers.

Consolidated Statement of Changes in Equity

(From July 1, 2021 to June 30, 2022)

(Million yen)

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

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

Notes to Consolidated Financial Statements

I. Significant accounting policies for preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries 18

(2) Names of significant consolidated subsidiaries

ASAHI INTECC THAILAND CO., LTD.
Filmecc Co., Ltd.
ASAHI INTECC USA, INC.
ASAHI INTECC HANOI CO., LTD.
ASAHI INTECC J-Sales CO., LTD.
ASAHI INTECC SCIENTIFIC (Beijing) Co., Ltd.
TOYOFLEX CEBU CORPORATION
ASAHI INTECC EUROPE B.V.

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

(3) Names of unconsolidated subsidiaries

Nihon Chemical Coat Co., Ltd.
FICUS Co., Ltd.
walkey Inc.

Reason for exclusion from the scope of consolidation

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

2. Application of the equity method

(1) Unconsolidated subsidiaries not accounted for using the equity method

Nihon Chemical Coat Co., Ltd.
FICUS Co., Ltd.
walkey Inc.

Reason for not applying the equity method

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

3. Fiscal years of consolidated subsidiaries

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

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

4. Accounting policies

(1) Basis and method of valuation of important assets

1) Basis and method of valuation of securities

a. Securities to be held to maturity

Cost method

b. Available-for-sale securities

Securities other than shares that do not have a market value

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

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

Shares that do not have a market value

Measured at cost using the moving-average method

2) Basis and method of valuation of inventories

a.Merchandise and finished goods, work in process, and raw materials	Measured at cost, primarily determined by the periodic average method (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)
b.Supplies	Measured at cost, determined by the last purchase price method (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

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

1) Tangible fixed assets (excluding leased assets)	Depreciated mainly using the straight-line method. The range of useful lives is as follows:	
	Buildings and structures	15 to 47 years
	Machinery, equipment and vehicles	5 to 10 years
2) Intangible assets	Amortized using the straight-line method. The Company and its consolidated subsidiaries in Japan amortize software for internal use over the expected useful life within respective companies (five years).	
3) Leased assets (Note)	Amortized using the straight-line method based on the assumption that the useful lives are equivalent to the lease terms and the residual value is zero.	

(Note) Leased assets are presented as part of other tangible fixed assets under tangible fixed assets.

(3) Basis for recording important provisions

1) Allowance for doubtful accounts

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

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

2) Provision for bonuses

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

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

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

(4) Basis for accounting treatments on retirement benefit

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

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

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

2) Calculation of actuarial gain or loss and prior service cost

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

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

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

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

(5) Significant revenue and expense recognition standards

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

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

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

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

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

(7) Amortization method and period of goodwill

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

II. Changes in Accounting Policies

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

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

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

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

However, in accordance with the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy was not retroactively applied to contracts in which almost all revenues are recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review.

There is no cumulative effect of retroactive application of the new accounting policy prior to the beginning of the fiscal year under review.

As a result, there is no impact on net sales and operating profit for the fiscal year under review. There is also no impact on ordinary profit and income before income taxes and others.

There is no impact on net assets per share and basic earnings per share for the fiscal year under review.

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

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

Notes on breakdown of financial instruments by fair value level are now provided in "VIII. Notes on Financial Instruments."

III. Changes in Presentation

(Consolidated Statement of Income)

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

IV. Notes on Accounting Estimates

(Evaluation of goodwill and other intangible assets)

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

	Fiscal year under review
Goodwill	8,200 million yen
Other intangible assets	8,128 million yen

2. Information on significant accounting estimates pertaining to the identified items

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

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

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

V. Additional Information

(Impact of the spread of COVID-19)

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

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

(Business combinations)

1. Business combination through acquisition

(1) Overview of business combination

1) Name and description of business of the acquired company

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

Description of business: Development of laparoscopic surgery support robots

2) Main reasons and basis for the business combination

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

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

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

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

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

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

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

3) Business combination date: July 1, 2021

4) Legal form of business combination: Acquisition of shares

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

6) Percentage of voting rights acquired

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

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

Percentage of voting rights after acquisition: 100.00%

7) Main grounds for determining the acquired company

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

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

From July 1, 2021 to June 30, 2022

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

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

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

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

Gain on step acquisitions of 615 million yen

(5) Breakdown and amount of main acquisition-related expenses

Advisory fee: 5 million yen

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

1) Amount of goodwill generated: 3,089 million yen

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

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

(7) Amount of assets accepted and liabilities assumed on the business combination date and their main breakdown

Current assets	275 million yen
Non-current assets	3,111 million yen
Total assets	3,387 million yen
Current liabilities	4 million yen
Non-current liabilities	– million yen
Total liabilities	4 million yen

2. Business combination through acquisition

(1) Overview of business combination

1) Name and description of business of the acquired company

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

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

2) Main reasons and basis for the business combination

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

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

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

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

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

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

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

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

3) Business combination date: July 1, 2021

4) Legal form of business combination: Acquisition of quota

5) Company name after combination: KARDIA S.R.L.

6) Proportion of quota acquired

Proportion of quota held after the acquisition: 70.00%

7) Main grounds for determining the acquired company

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

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

From July 1, 2021 to June 30, 2022

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

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

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

(4) Breakdown and amount of main acquisition-related expenses

Advisory fee: 33 million yen

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

1) Amount of goodwill generated: 3,255 thousand euros (428 million yen)
2) Reason for generation: Mainly due to excess earning power expected from future business development
3) Amortization method and amortization period: Straight-line amortization over five years

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

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

(7) Amount of assets accepted and liabilities assumed on the business combination date and their main breakdown

Current assets	2,183 million yen
Non-current assets	4,655 million yen
Total assets	6,838 million yen
Current liabilities	301 million yen
Non-current liabilities	1,457 million yen
Total liabilities	1,759 million yen

3. Business combination through acquisition

(1) Overview of business combination

1) Name and description of business of the acquired company

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

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

2) Main reasons and basis for the business combination

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

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

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

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

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

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

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

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

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

3) Business combination date: July 1, 2021

4) Legal form of business combination: Acquisition of shares

5) Company name after combination: Pathways Medical Corporation

6) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 100.00%

7) Main grounds for determining the acquired company

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

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

From July 1, 2021 to June 30, 2022

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

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

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

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

(4) Breakdown and amount of main acquisition-related expenses

Advisory fee: 86 million yen

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

1) Amount of goodwill generated: 4,074 thousand US dollars (498 million yen)
2) Reason for generation: Mainly due to excess earning power expected from future business development
3) Amortization method and amortization period: Straight-line amortization over 15 years

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

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

(7) Amount of assets accepted and liabilities assumed on the business combination date and their main breakdown

Current assets	0 million yen
Non-current assets	3,163 million yen
Total assets	3,163 million yen
Current liabilities	- million yen
Non-current liabilities	399 million yen
Total liabilities	399 million yen

4. Business combination through acquisition

(1) Overview of business combination

1) Name and description of business of the acquired company

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

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

2) Main reasons and basis for the business combination

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

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

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

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

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

3) Business combination date: July 1, 2021

4) Legal form of business combination: Acquisition of shares

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

6) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 100.00%

7) Main grounds for determining the acquired company

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

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

From July 1, 2021 to June 30, 2022

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

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

(4) Breakdown and amount of main acquisition-related expenses

Advisory fee: 124 million yen

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

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

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

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

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

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

(7) Amount of assets accepted and liabilities assumed on the business combination date and their main breakdown

Current assets	266 million yen
Non-current assets	3,028 million yen
Total assets	3,294 million yen
Current liabilities	58 million yen
Non-current liabilities	262 million yen
Total liabilities	321 million yen

VI. Notes on the Consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets	33,957 million yen

VII. Notes on the Consolidated Statement of Changes in Equity

1. Class and total number of shares issued	Common stock 271,633,600 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on September 29, 2021	Common stock	2,994	11.26	June 30, 2021	September 30, 2021

(2) Dividends whose record date falls in the current fiscal year and the effective date of dividend falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on September 29, 2022	Common stock	Retained earnings	3,256	11.99	June 30, 2022	September 30, 2022

VIII. Notes on Financial Instruments

1. State of financial instruments

(1) Policy for financial instruments

The Group's policy is to manage funds using low-risk financial instruments such as deposits and to procure funds primarily through bank loans. The Group uses derivative transactions to avoid the exchange rate fluctuation risk and interest rate fluctuation risk associated with borrowings, and does not engage in speculative transactions. Of note, the Group did not engage in derivative transactions during the fiscal year under review.

(2) Types of financial instruments and associated risks

Bills / accounts receivable and electronically recorded monetary claims – operating, which are trade receivables, are exposed to the customer credit risk. Trade receivables and trade payables denominated in foreign currencies are exposed to the currency exchange risk.

Shares and bonds that are investment securities are exposed to the market price fluctuation risk.

Bills payable / accounts payable, electronically recorded obligations – operating, and account payable-other, which are trade payables, all have due dates within one year and the liquidity risk (the risk of becoming unable to make payments on due dates) exists.

(3) Risk management system pertaining to financial instruments

1) Management of credit risk (risks related to business partners not fulfilling their contractual obligations and others)

The Company, in accordance with the credit management regulations, has developed a system to manage due dates and outstanding balances (credit limits) for each counterparty. Furthermore, when starting transactions with a new counterparty or revising a credit limit, the Company determines whether the credit limit is appropriate in light of the counterparty's credit status. In addition, the Company assesses the credit status of each major counterparty every fiscal year, and reviews the appropriateness of the credit limits based on the new credit status.

As for derivative transactions, the Company regards the credit risk as minimal, because counterparties are limited to financial institutions with high ratings.

2) Management of market risk (risks of fluctuations in exchange rates, interest rates, etc.)

A portion of exchange rate risk arising from loans to overseas subsidiaries is hedged by foreign currency-denominated borrowings.

All of the shares that are exposed to the market price fluctuation risk are shares of companies with which the Company has business relationships. The Company has developed a system to periodically assess their fair values to manage the risk.

The Company regards the credit risk on held-to-maturity bonds as minimal, because the Company holds bonds with high ratings only.

3) Management of liquidity risk pertaining to funds procurement (risk of becoming unable to make payments on due dates)

Trade payables and borrowings that contain a liquidity risk are managed by methods including the preparation of monthly cash flow plans, in addition to having each Group company keep track of due dates and outstanding balances for each counterparty.

2. Fair values of financial instruments

The carrying amounts, fair values, and their differences as of June 30, 2022 are as follows. The following table does not include shares that do not have market prices (Note). “Cash and deposit,” “bills / accounts receivable,” “electronically recorded monetary claims – operating,” “bills payable / accounts payable,” “electronically recorded obligations – operating,” “short-term debt,” “account payable-other,” and “accrued corporate tax, etc.” are omitted, because these items are settled within a short time frame and their fair values are thus approximately the same as their carrying amounts.

	Carrying amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
Investment securities			
Securities to be held to maturity	2,000	1,965	(34)
Available-for-sale securities	3,467	3,467	—
Total assets	5,467	5,433	(34)
Long-term debt	10,377	9,975	(401)
Total liabilities	10,377	9,975	(401)
Derivative transactions	—	—	—

(Note) Unlisted shares (carrying amount of 1,585 million yen) and shares of subsidiaries and associates (carrying amount of 205 million yen) are not included in the above table.

3. Breakdown of financial instruments by fair value level

Fair values of financial instruments are classified into the following three levels based on the observability and significance of inputs used when measuring such fair values.

Level 1 fair value: Fair values measured using (unadjusted) quoted prices for the same asset or liability in an active market

Level 2 fair value: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair values measured using significant unobservable inputs

When multiple inputs with a significant impact are used to measure fair value, such fair value is classified into the fair value measurement level with the lowest priority among the levels those inputs belong to.

(1) Financial assets and liabilities whose fair values are used as carrying amounts

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	3,467	—	—	3,467
Total assets	3,467	—	—	3,467

(2) Financial assets and liabilities whose fair values are not used as carrying amounts

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Securities to be held to maturity Bonds	—	1,965	—	1,965
Total assets	—	1,965	—	1,965
Long-term debt (including current portion)	—	9,975	—	9,975
Total liabilities	—	9,975	—	9,975

(Note) Valuation methods and inputs used to measure fair value

Assets

Securities and investment securities

Fair value of listed shares and bonds is measured using quoted prices. Because listed shares held by the Company are mostly traded on active markets, their fair value is classified into Level 1. Meanwhile, bonds mostly have low trading volume, and their prices are not deemed to be quoted prices on active markets. Accordingly, fair value of bonds is classified into Level 2.

Liabilities

Long-term debt

Fair value of long-term debt is classified into Level 2. It is measured at present value, calculated by discounting the sum of principal and interest using an assumed interest rate on equivalent new borrowings.

IX. Notes on Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

(1) Breakdown by product category

	Reportable segment (Million yen)		
	Medical Division	Device Division	Total
Cardiovascular	50,772	—	50,772
Non-cardiovascular	11,784	—	11,784
OEM	5,788	—	5,788
Medical components	—	5,013	5,013
Industrial components	—	4,389	4,389
Total	68,345	9,403	77,748

(2) Breakdown by geographical region

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

2. Underlying information for understanding revenue from contracts with customers

Underlying information for understanding revenue is as stated in “I. Significant accounting policies for preparation of consolidated financial statements, 4. Accounting policies, (5) Significant revenue and expense recognition standards.”

3. Relationship between satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and information on amounts and timing of revenue expected to be recognized in following fiscal years from contracts with customers existing as of the end of the fiscal year under review

(1) Balance of contract liabilities

	Balance of contract liabilities
Contract liabilities (beginning balance)	282 million yen
Contract liabilities (ending balance)	2,541 million yen

Contract liabilities are associated with advances received from customers. Contract liabilities are reduced as revenue is recognized.

The amount of revenue recognized during the fiscal year under review that was included in the beginning balance of contract liabilities was 282 million yen. The increase of 2,259 thousand yen in contract liabilities during the fiscal year under review owed to an increase in advances received.

(2) Transaction prices allocated to remaining performance obligations

Since the Group does not have any significant transactions with an initial estimated contract period of over one year, information on remaining performance obligations is omitted, applying a practical expedient. Consideration arising from contracts with customers does not contain any significant amount not included in transaction prices.

X. Notes on Per Share Information

Net assets per share	439.80 yen
Earnings per share	40.01 yen

XI. Notes on Significant Subsequent Events

Not applicable.

Non-consolidated Statement of Changes in Equity

(From July 1, 2021 to June 30, 2022)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of period	12,647	12,540	3,032	15,572	39	150	75	36,911
Changes during period								
Issuance of new shares	6,213	6,213		6,213				
Dividends of surplus								(2,994)
Reversal of reserve for tax purpose reduction entry						(2)		2
Net income								9,524
Net changes in items other than shareholders' equity								
Total changes during period	6,213	6,213	—	6,213	—	(2)	—	6,531
Balance at end of period	18,860	18,753	3,032	21,786	39	148	75	43,443

	Shareholders' equity			Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		
	Total retained earnings					
Balance at beginning of period	37,177	(7)	65,390	1,759	44	67,194
Changes during period						
Issuance of new shares			12,427			12,427
Dividends of surplus	(2,994)		(2,994)			(2,994)
Reversal of reserve for tax purpose reduction entry	—		—			—
Net income	9,524		9,524			9,524
Net changes in items other than shareholders' equity				105	(44)	61
Total changes during period	6,529	—	18,956	105	(44)	19,018
Balance at end of period	43,706	(7)	84,347	1,865	—	86,212

Notes to Non-consolidated Financial Statements

I. Notes on Significant Accounting Policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

1) Shares of subsidiaries

Measured at cost using the moving-average method

2) Securities to be held to maturity

Cost method

3) Available-for-sale securities

Securities other than shares that do not have a market value

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

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

Shares that do not have a market value

Measured at cost using the moving-average method

(2) Basis and method of valuation of inventories

1)Merchandise and finished goods, work in process, and raw materials	Measured at cost, primarily determined by the periodic average method (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)
2)Supplies	Measured at cost, determined by the last purchase price method (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

2. Method of depreciation and amortization of current assets

(1) Tangible fixed assets	Depreciated using the straight-line method. The range of useful lives is as follows: Buildings 15 to 47 years Machinery and equipment 7 to 10 years
(2) Intangible assets	Amortized using the straight-line method. The Company amortizes software for internal use over the expected useful life within respective companies (five years).

3. Basis for recording provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

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

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

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

2) Calculation of actuarial gain or loss

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

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

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

4. Significant revenue and expense recognition standards

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

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

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

5. Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of the fiscal year and resulting exchange gains and losses are included in net profit or loss.

6. Other significant accounting policies for preparation of non-consolidated financial statements

(1) Accounting treatments on retirement benefit

The basis for accounting treatments of unrecognized actuarial gain or loss in relation to retirement benefits differs from the basis for accounting treatments for this gain or loss in the consolidated financial statements.

II. Changes in Accounting Policies

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

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

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

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

However, in accordance with the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy was not retroactively applied to contracts in which almost all revenues are recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review.

There is no cumulative effect of retroactive application of the new accounting policy prior to the beginning of the fiscal year under review.

As a result, there is no impact on net sales and operating profit for the fiscal year under review. There is also no impact on ordinary profit and income before income taxes and others.

There is no impact on net assets per share and basic earnings per share for the fiscal year under review.

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

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

III. Notes on Changes in Presentation

(Non-consolidated Statement of Income)

"Loss on retirement of non-current assets" under "non-operating expense" (24 million yen in the fiscal year under review), which was presented separately for the previous fiscal year, is included in "other" under "non-operating expenses" from the current fiscal year, due to a decline in financial materiality.

IV. Notes on Accounting Estimates

(Significant accounting estimates for investment in subsidiaries and associates)

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

	Current fiscal year
Shares of subsidiaries and associates	8,613 million yen
Investments in capital of subsidiaries and associates	5,654 million yen
Short-term loans receivable from subsidiaries and associates	11,121 million yen
Long-term loans receivable from subsidiaries and associates	15,621 million yen

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

The acquisition price of shares and investments in capital of subsidiaries and associates is calculated with consideration for future excess earnings power based on the business plan expected at the time of acquisition. Excess earnings power includes the same significant assumptions as those for goodwill and other intangible assets recorded in the consolidated financial statements. The necessity for impairment of shares and investments in capital of subsidiaries and associates that do not have a market value is determined by comparing the acquisition price with the real value, and if the real value has declined significantly, impairment loss is recognized, except in cases in which its recoverability is supported by adequate evidence. In addition, for loans receivable from subsidiaries and associates, allowance for doubtful accounts is recorded for the amount that is estimated to be uncollectible based on a comprehensive review of the borrowers' ability to pay.

In determining the real value of shares and investments in capital of subsidiaries and associates that do not have a market value and the recoverability of loans receivable from subsidiaries and affiliates, the Company calculates the value with consideration for the future profit plans of subsidiaries and associates. However, in the event that it becomes necessary to revise future plans due to uncertain future changes in economic conditions, losses may be incurred in the financial statements of the following fiscal year as a result of recording impairment losses on shares and investments in capital of subsidiaries and associates and allowance for doubtful accounts for loans receivable from subsidiaries and associates.

V. Additional Information

(Impact of the spread of COVID-19)

Information on the impact of the spread of COVID-19 has been omitted as it has been presented in "Notes to Consolidated Financial Statements, V. Additional Information" in the consolidated financial statements.

(Business combinations)

Information on business combinations has been omitted as it has been presented in "Notes to Consolidated Financial Statements, V. Additional Information" in the consolidated financial statements.

VI. Notes on the Non-consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets	9,694 million yen

2. Receivables and payables for subsidiaries and associates

Short-term receivables	18,050 million yen
Short-term payables	15,050 million yen

VII. Notes on the Non-consolidated Statement of Income

Volume of transactions with subsidiaries and associates

Revenue	47,307 million yen
Purchases	26,941 million yen
Other operating transactions	1,989 million yen
Non-operating transactions	418 million yen

VIII. Notes on the Non-consolidated Statement of Changes in Equity

Class and number of treasury shares	Common stock 7,878 shares

IX. Notes on Tax Effect Accounting

Breakdown of major causes of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Income taxes payable	172 million yen
Provision for bonuses	236 million yen
Loss on valuation of inventories	51 million yen
Allowance for doubtful accounts	66 million yen
Provision for retirement benefits	364 million yen
Excess of depreciation	76 million yen
Loss on valuation of investment securities	616 million yen
Other	205 million yen
Subtotal of deferred tax assets	1,790 million yen
Valuation allowance	(700) million yen
Total deferred tax assets	1,089 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(628) million yen
Reserve for tax purpose reduction entry	(65) million yen
Total deferred tax liabilities	(693) million yen
Net deferred tax assets	396 million yen

X. Notes on Revenue Recognition

Useful information on disaggregation of revenue from contracts with customers has been omitted as it is identical to the content presented in “Notes to Consolidated Financial Statements (Notes on Revenue Recognition).”

XI. Notes on Transactions with Related Parties

1. Subsidiaries, etc.

Attribution	Company name	Percentage of voting rights, etc. held	Relationship with related party	Details of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Subsidiary	ASAHI INTECC THAILAND CO., LTD.	Direct 100. 0%	Manufacturing of the Company's products, etc. Provision of funding Interlocking officers	Compensated provision of raw materials, etc. (Note 1)	2,097	Accounts receivable - other	704
				Purchase, etc. of products and materials (Note 1)	16,535	Accounts payable - trade	5,803
				Loan of funds Recovery of funds Interest received (Note 2)	1,500 1,500 6	Short-term loans receivable	1,500
Subsidiary	ASAHI INTECC HANOI CO., LTD.	Direct 100. 0%	Manufacturing of the Company's products, etc. Provision of funding Interlocking officers	Compensated provision of raw materials, etc. (Note 1)	1,164	Accounts receivable - other	469
				Purchase, etc. of products and materials (Note 1)	7,321	Accounts payable - trade	2,533
				Loan of funds Recovery of funds Interest received (Note 2)	3,701 4,193 34	Short-term loans receivable	4,128
Subsidiary	ASAHI INTECC USA, INC.	Direct 100. 0%	Sales of the Company's products, etc. Provision of funding Interlocking officers	Sales of products, etc. (Note 1)	12,971	Accounts receivable - trade	5,027
				Interest received (Note 2)	92	Short-term loans receivable Long-term loans receivable	4,544 792
Subsidiary	ASAHI INTECC SCIENTIFIC (Beijing) Co., Ltd.	Direct 100. 0%	Sales of the Company's products, etc. Interlocking officers	Sales of products, etc. (Note 1)	14,203	Accounts receivable - trade	3,822

Attribution	Company name	Percentage of voting rights, etc. held	Relationship with related party	Details of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Subsi-diary	ASAHI INTECC J-Sales CO., LTD.	Direct 100. 0%	Sales of the Company's products, etc. Interlocking officers	Sales of products, etc. (Note 1)	9,921	Accounts receivable - trade	3,159
				Interest paid (Note 3)	20	Deposits received	4,695
Subsi-diary	Toyoflex Corporation	Direct 100. 0%	Provision of funding Interlocking officers	—	—	Long-term loans receivable	2,515
Subsi-diary	TOYOFLEX CEBU CORPORATION	Indirect 100. 0%	Provision of funding Interlocking officers	Loan of funds Interest received (Note 2)	4,300 58	Short-term loans receivable Long-term loans receivable	800 12,000
Subsi-diary	ASAHI INTECC EUROPE B.V.	Direct 100. 0%	Sales of the Company's products, etc. Interlocking officers	Sales of products, etc. (Note 1)	9,578	Accounts receivable - trade	2,888

Terms and conditions of transactions and policies on determination thereof

(Notes) 1. Transaction prices are determined by taking general market prices into consideration.

2. Interest rates for loans to subsidiaries are determined in a rational manner by taking market interest rates into consideration.

3. Loans to subsidiaries and deposits from subsidiaries are related to the CMS (cash management system), and interest rates are determined in a rational manner by taking market interest rates into consideration.

2. Officers and individual major shareholders, etc.

Type	Company, etc. name or party name	Percentage of voting rights, etc. held (owned)	Relationship with related party	Details of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Close relative of officer	Naohiko Miyata (Note 2)	Owning Direct 0. 2%	Advisor of the Company	Payment of remuneration for advisors	36	—	—
Officer	Masahiko Miyata	Owning Direct 2. 1%	President & CEO of the Company	Exercise of share acquisition rights (Note 3)	204	—	—
Officer	Kenji Miyata	Owning Direct 1. 9%	Executive Vice President and COO of the Company	Exercise of share acquisition rights (Note 3)	102	—	—
Officer	Makoto Nishiuchi	Owning Direct 0. 0%	Director of the Company	Exercise of share acquisition rights (Note 3)	16	—	—

(Notes) 1. Terms and conditions of transactions and policies on determination thereof
The amount of remuneration for advisors is determined by the Company's Board of Directors.
2. Mr. Naohiko Miyata is the father of President & CEO Masahiko Miyata and Executive Vice President and COO Kenji Miyata. He has been involved in corporate management and R&D as Chairman of the Company and provides guidance and advice to the Company based on his many years of experience, knowledge and extensive personal connections.
3. Resulting from the exercise of the third series of share acquisition rights granted in accordance with the resolution of the Board of Directors meeting held on August 12, 2014.

XII. Notes on Per Share Information

Net assets per share	317.39 yen
Basic earnings per share	35.09 yen

XIII. Notes on Significant Subsequent Events

Not applicable.