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ASAHI INTECC

Notice Regarding Recording of Extraordinary Losses and Revision of Full-Year Financial Results Forecast [Supplementary Materials]

May 15, 2025

(Securities code: 7747 Prime of Tokyo Stock Exchange,
Premier of Nagoya Stock Exchange)

Financial Results Forecast for FYE June 2025

We expect to achieve the revenue and operating profit margins targets of our medium-term management plan one year ahead of schedule.

Revenue/Operating Income/Ordinary Income Upward Revision: Demand remains strong and improve the gross profit margin, etc.

Net Income Downward Revision : Extraordinary losses on impairment losses

【Reason for revisions】

< Revenue/Operating Income/Ordinary Income : Reason of the positive progress>

- Revenue : Demand remains strong both domestically and internationally mainly in Medical Division and the exchange rate fluctuation boosts revenue
- Gross profit margin (GPM) : Significant GPM improvement (65.1%⇒67.2%) in line with the productivity improvement
  - As we hold safety stock at our US base during the current fiscal year, we expect no impact from US tariffs.
- SGA : In Q4, we plan to pay year-end bonuses to employees. Actual results are expected to fall below the plan excluding year-end bonuses.
- Operating income : There was almost no impact from exchange rate fluctuations, and operating income increased significantly based on the above factors (increase in revenue and increase in GPM).
- Non-operating income/expenses : Increased in subsidy income and increased in foreign exchange losses

<Net income: Reason for the decrease>

- Extraordinary losses
  - Impairment losses, etc. (Please refer to P.3 onward)

<Dividends>

- Regarding the dividends, the forecasted dividend amount remains unchanged at 24.23 yen, with a forecasted consolidated dividend payout ratio of 58.2%

Exchange rate (Unit : JPY)	US $	EURO	CNY	BAHT
FY25/6 Revised plan	**148.61**	**161.88**	**20.49**	**4.38**
3Q YTD Results	**151.48**	**162.50**	**20.98**	**4.42**
4Q Budget Assumption	**140.00**	**160.00**	**19.00**	**4.25**
FY25/6 Former plan	**145.00**	**160.00**	**20.50**	**4.17**
FY24/6 Results	**149.39**	**161.48**	**20.64**	**4.17**

Earnings Forecast for FYE June 2025

	FYE June 2024 Results		FYE June 2025 Former Plan		FYE June 2025 Revised Plan					
							YoY		Compared to the former plan	
	Amount (Mil.Yen)	Ratio (%)	Amount (Mil.Yen)	Ratio(%)	Amount (Mil.Yen)	Ratio (%)	Changes (Mil.Yen)	Changes (%)	Changes (Mil.Yen)	Changes (%)
Revenue	107,547	100.0	116,737	100.0	119,160	100.0	+11,613	+10.8	+2,422	+2.1
Gross profit	69,053	64.2	76,032	65.1	80,056	67.2	+11,003	+15.9	+4,024	+5.3
Operating income excluding goodwill amortization,etc.	24,168	22.5	27,170	23.3	30,476	25.6	+6,308	+26.1	+3,305	+12.2
Operating income	22,135	20.6	25,210	21.6	28,859	24.2	+6,723	+30.4	+3,648	+14.5
Ordinary income	21,968	20.4	25,528	21.9	28,987	24.3	+7,019	+32.0	+3,458	+13.5
Net income attributable to parent company shareholders	15,808	14.7	18,803	16.1	11,314	9.5	-4,493	-28.4	-7,488	-39.8
EPS (Yen)	58.20	–	69.22	–	41.66	–	-16.54	-28.4	-27.56	-39.8 ※

EBITDA	31,856	29.6	35,391	30.3	38,682	32.5	+6,826	+21.4	+3,291	+9.3

※ EPS is calculated using the average number of shares outstanding during the third quarter of the fiscal year ending June 2025.

Exchange rate (Unit : JPY)	US＄	EURO	CNY	BAHT
FY25/6 Revised Plan	148.61	161.88	20.49	4.38
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FY24/6 Results	149.39	161.48	20.64	4.17

Recording of Extraordinary Losses and Revision of Full-Year Financial Results Forecast

Recorded extraordinary losses (including goodwill impairment losses) for Q3 of FYE June 2025 and revised consolidated financial results forecast announced on August 14, 2024

Background of the decision

- **In the course of formulating a new medium-term management plan (scheduled to be disclosed in August 2025), we conducted a more rigorous assessment of the future outlook, particularly in new business fields.**
- **We considered rising global risks triggered by the imposition of U.S. tariffs.**
- **We aimed to reassess our assumptions before presenting new growth strategies in the new medium-term management plan.**

The Board of Directors deliberated and decided to adequately deal with these matters.

Going forward

- Our Medical Division is expected to achieve stable growth over the medium to long term.
  - We remain committed to further strengthening our earnings base, where sales growth translates into high profitability, and to creating a cycle in which profits are reinvested to accelerate growth.
  - We will enhance our business structure and governance to improve the accuracy of business evaluations and the effectiveness of post-merger integration (PMI) processes, thereby further strengthening the functions and structure of our organization.

Details of Extraordinary Losses

Item	Q3 actual results	Q4 forecast	Total
Impairment losses	9,300	-	9,300
Loss on valuation of shares of subsidiaries and associates	210	-	210
Provision of allowance for doubtful accounts for subsidiaries and associates	461	-	461
Loss on valuation of investment securities	759	-	759
Total	10,730	-	10,730

Goodwill Impairment Losses: Total and Breakdown

Company name	Timing of M&A	Acquisition price	Overview	Impairment amount
ASAHI SURGICAL ROBOTICS CO., LTD. (Former A-Traction Inc.)	July 2021	JPY 2,680M	Development and manufacturing of surgery support robots	JPY 1,986M
Pathways Medical Corporation*1	July 2021	USD 30,000K (JPY 3,489M)	Technology related to electrical wiring which can be formed on the surface of guide wires, etc.	JPY 3,679M*2
Rev.1 Engineering, Inc.*1	July 2021	USD 27,010K (JPY 2,986M)	Undertaking of design and development of medical devices	JPY 1,642M
ASAHI Medical Technologies, Inc. (Former RetroVascular, Inc.)	July 2018	USD 26,868K (JPY 2,971M)	Technology related to plasma energy	JPY 1,991M
Total of 4 companies		JPY 12,128M		JPY 9,300M

*1: The acquisition price was converted using the exchange rate at the time of acquisition, while the impairment amount was converted using the exchange rate for Q3 YTD (one US dollar into 151.48 yen).
*2: Due to the impact of exchange rate fluctuations, the impairment amount exceeds the acquisition price.

ASAHI SURGICAL ROBOTICS CO., LTD.
(ASR: Former A-Traction Inc.)

Develops and manufactures surgery support robot ANSUR

M&A in July 2021

Company overview

[Name] A-Traction, Inc.
(Venture certified by the National Cancer Center Japan)

[Business] Development of laparoscopic surgery support robots

[Establishment] August 7, 2015

Technology

Robotics technology ⇒ ANSUR development

Characteristics

- A team of experts specializing in various fields related to robot development and manufacturing
  Diverse in age (20s to 60s) and backgrounds
- Capable of handling the entire process from development to manufacturing
- Agility unique to a medical venture

Surgery support robot
ANSUR

Background and details of impairment loss

- During a review of the ANSUR business plan, it was determined that actual business progress had diverged from the initial plan at the time of acquisition ⇒ Decision to book an impairment loss
  - Timing of pharmaceutical regulatory approval ⇒ Product launch was delayed by one year from the originally scheduled 2023.
  - 3 units have been sold to date, starting in FYE June 2024.
  - While the main unit itself does not have major issues, various requests for improvements have been raised regarding the associated consumables required during use, and we are currently addressing these.

  ⇒ In responding to these, we have recognized that continuous modifications and enhancements are necessary even after launch to meet needs in the field, which will impose the continuing burden of these adjustments. In light of this reality, we revised our forecast for future sales volume, which revealed a gap from the initial business plan at the time of acquisition.

ASAHI SURGICAL ROBOTICS CO., LTD. (ASR: Former A-Traction Inc.) ★

Issue analysis and future actions

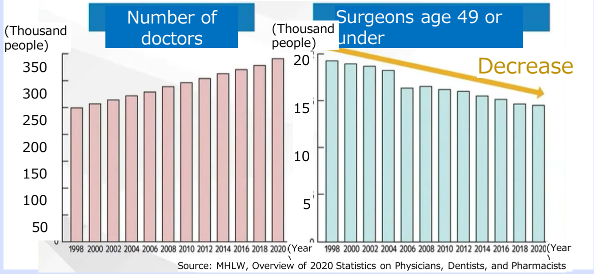
Surgery support robot

ANSUR

Demand from the field

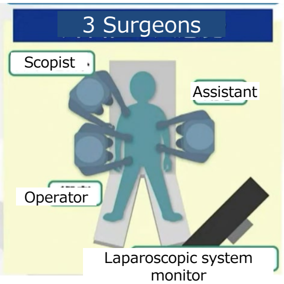
- Received high evaluations at academic conferences
- Attract interest from hospitals

[Environment surrounding doctors]

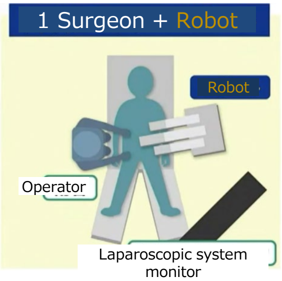


Source: MHLW, Overview of 2020 Statistics on Physicians, Dentists, and Pharmacists

The robot addresses challenges in the field, including the shortage of surgeons, and social needs for it remains high.
⇒ We will continue this business and promote the robot's adoption in medical settings.



Use of ANSUR



Financial statements of the acquired company

Assets
Liabilities
Net assets
Goodwill (consolidated)
Difference
Shares of subsidiary (non-consolidated)

Business plan of the acquired company

Total discounted present value

CF 1st year
CF 2nd year
CF 3rd year
CF 4th year
・・・・・

Pathways Medical Corporation

Possesses unique technology related to electrical wiring which can be formed on the surface of guide wires, etc.

M&A in July 2021

Company overview

[Name] Pathways Medical Corporation

[Business] Research and development of guide wire with sensor utilizing a thin film electrical conductor technology

[Establishment] March 11, 2020

Technology

Integrated thin film conductor technology ⇒
Development of stroke smart guide wires

Characteristics

- It 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.

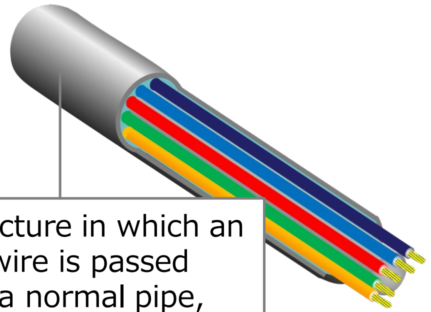
Background and details of impairment loss

- Although technology transfer and prototyping progressed smoothly after the acquisition,

  ⟷ It was determined during the productization phase that the technology was not suitable for mass production and commercialization due to technical constraints, and that applying the technology to SENSOME's products would be unrealistic.

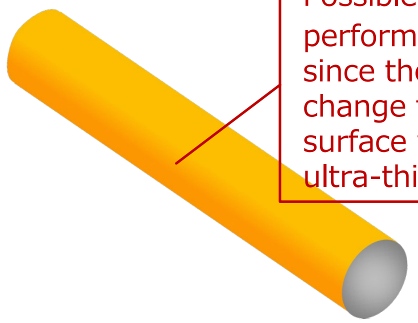
- Despite efforts to improve and refine the technology in recent years, we ultimately concluded that resolving the technical issues would be difficult.
- As the technology lacked potential for future value creation, we decided to book an impairment loss.

Conventional electrical wiring technology



In a structure in which an electric wire is passed through a normal pipe, the basic performance of the guide wire is significantly reduced

urface thin film wiring technology of Pathways Medic



Possible to keep the basic performance of guide wire since there is no need to change the basic structure of surface wiring and wiring with ultra-thin films can be formed

Rev.1 Engineering, Inc.

Undertakes design and development of medical devices, mainly in interventional products, in the U.S. market

M&A in July 2021

Company overview

[Name] Rev. 1 Engineering, Inc.
[Business] Contracting business of design and development of medical devices
[Establishment] November 2, 2009

Knowledge

Design and development know-how of a wide range of interventional products such as cutting-edge catheters

Characteristics

- Company established by former engineers from major medical device manufactures
- It has been entrusted with business from design and development of interventional products to manufacturing of prototypes by various major medical device manufacturers in the U.S. market.
- Proximity to the Group's U.S. R&D base enables a highly collaborative environment.

Background and details of impairment loss

- Although Rev.1 has undertaken development projects, etc. commissioned by the Group in recent years,

  ⇔ Mainly due to rising U.S interest rates, financing inflows into venture companies, Rev.1's main business partners, have deteriorated, resulting in a downward trend in development transactions with Rev.1 in recent years.

- During a review of the business plan in light of these circumstances, we determined that actual business progress had diverged from the initial plan at the time of acquisition and decided to book an impairment loss.

Issue analysis and future actions

We have been utilizing Rev.1 as a research and development arm through internal development commissions, and continue to do so.

Improve total recoverability

ASAHI Medical Technologies, Inc.（Former RetroVascular, Inc.）

Possesses advanced technology related to plasma energy

M&A in July 2018

Company overview

[Name] RetroVascular, Inc.
[Business] Life science development
[Establishment] March 27, 2006

Technology

Plasma energy technology
⇒ Realization of Plasma Wire System

Characteristics

- It conducts joint research and development with physicians to explore new PTCA treatment methods and corresponding medical devices.
- Aiming to further improve PTCA treatment outcomes, it is also developing plasma energy technology utilizing electrical energy, and is in the process of establishing foundational technologies.
- A hub for collecting and analyzing cutting-edge medical information

Background and details of impairment loss

- Although development of the Plasma Wire System is now largely complete,

⇔ During a review of the Plasma Wire System business plan, it was determined that actual business progress had diverged from the initial plan at the time of acquisition, leading to the decision to book an impairment loss.

- Plasma Wire System: A clinical trial for it had been scheduled in Japan in 2025.
  ⇔ The decision was made to cancel it based on future business plans.
- Plasma System: Exploratory trials revealed technical limitations in its applicability, such as difficulty in treating cases involving stents or calcified lesions.
  ⇔ We determined that continuing the business in its current form would be challenging.
- As a result of aiming for the development of a more refined medical device, the product launch was delayed, during which time the clinical needs for CTO treatment have increasingly been met by improvements and wider adoption of our existing products (such as PCI guide wires and penetration catheters).
- We have decided to book an impairment loss due to the difficulty in establishing a quantitative future plan.

Loss on Valuation of Shares of Subsidiaries and Associates, and Loss on Valuation of Investment Securities

Loss on valuation of shares of subsidiaries and associates, and provision of allowance for doubtful accounts for subsidiaries and associates

Loss on valuation of shares of subsidiaries and associates, and provision of allowance for doubtful accounts for subsidiaries and associates 671 million yen

For three non-consolidated subsidiaries, a valuation loss on shares and a provision for loans from the parent company were booked during Q3, resulting in the recording of extraordinary losses.

- LAKE R&D Inc., Nihon Chemical Coat Co., Ltd., and walkey Inc. (a joint venture), all of which are non-consolidated subsidiaries
  ⇒ Their sluggish net sales and inability to achieve the initially expected level of earnings resulted in the recording.
- Technical support to Group companies
  - LAKE R&D: Fields of gastroenterology, veterinary medicine, etc.
  - Nihon Chemical Coat: Resin technology

We will continue to work toward the recovery of business performance at these non-consolidated subsidiaries.

Loss on valuation of investment securities

Loss on valuation of investment securities 759 million yen

For unlisted shares, a valuation loss of 759 million yen was recorded in Q3.

- Unlisted shares held as investment securities for the purpose of business synergies
  ⇒ Based on the performance trends of the investee companies, we determined that the substantial value of the shares had declined, and booked a valuation loss.

As the shares are those of business partners with which we maintain synergistic relationships, we will continue holding them.

Caution Regarding Information Presented

All forward looking statements contained herein, including revenue forecasts, outlooks, and strategic plans, are based on the best currently available data; however, risk and uncertainty are involved in these statements.
Please note that actual results may differ greatly from plans presented here.

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