

Dialogue between Vice President and Senior Managing Director

3-3

We will continue to actively challenge the global market by adhering to our integrated production system and hands-on approach.

"Only one" technology and "number one" products from two businesses, Medical and Device

— Tell me about how you joined Asahi Intecc and the business you have been involved in.

Miyata: As the second son of the founder, I learned about the business by working part-time since I was a student. After officially joining the company as a regular employee, I have been involved in all aspects of the value chain, including development, production, quality assurance and claims processing. Around the year 2000, I was assigned to a factory in Thailand to build a manufacturing plant for medical devices, and I and only three to four staff started it up and worked to build a mass production system. Currently, as the General Manager of the Device Business Division, I am in charge of all development, production, and sales of the device business. The President is in charge of sales, and I, as the Vice President, am in charge of production, including factories, and we manage the whole company while each assumes separate

responsibilities.

Kato: I joined the company mid-career in 1992 in charge of medical device development and have been involved in the launch of the medical device business. Around the year 2000, I was assigned to the Thailand factory to start up the manufacturing plant exclusively for medical devices. At that time, there was a medical manufacturing line in the device factory, and I worked on the medical device assembly, etc. For setting up the dedicated medical plant, we introduced sterilizers and built a system to manufacture finished products in about two and a half years. Currently, as the General Manager of the Medical Division, I am in charge of the overall management of the whole medical business, focusing on production and development.

Miyata: At the time of setting up of the Thailand factory, the founder, the former president of the company, took the lead and transferred all of the device business processes from Japan to the Thailand factory. The layout of the Thailand factory was patchy, as the factory was



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General Manager of
Medical Division
Tadakazu Kato

Executive Vice President
and COO
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Dialogue between Vice President and Senior Managing Director

3-3



built in stages, first with ropes and then with assemblies. Rather than building a large factory and then filling the inside like the equipment industry, I think the company was working in line with the founder's policy of "As for the transfer, it is better to do it carefully one by one." I think that this way of doing things is part of Asahi Intecc's uniqueness, which still prevails today.

—Both of you are in charge of the management of the

manufacturing plant, so you have something in common so far. Currently, Mr. Miyata is in charge of the device business processing from the materials to the in-process stage, and Mr. Kato will take it over and is in charge of the medical business covering the in-process to the finished product.

Kato: Recently, the Medical Division has transferred all important processes from the materials/raw materials to the in-process stages of manufacturing medical devices to the Device Division. This has made it possible to clearly separate the roles of the two of us, thereby clarifying the functions and roles of the two divisions. At the medical plant, we conduct product design, processing, assembly, and sterilization, mainly with the components and work-in-progress received from the Device Division to finish them. And the Device Division consistently undertakes everything from materials and raw materials to parts processing.

A good blend of the two functions makes a "number one" product with a high "only one" quality.

Miyata: We are able to produce medical equipment in an integrated manner like this. It is an attractive feature of Asahi Intecc that other companies don't have. Major manufacturers procure component materials from many suppliers, but Asahi Intecc procures raw materials such as stainless steel lumps and resins to manufacture component materials in-house. Materials are processed to be suitable for the products, then passed to the

Medical Division, where processed materials are assembled. What realizes our company's "only one" product is our technical ability to trace information from doctors back to upstream processes and materialize it. I think that led to the superiority of Asahi Intecc products.

The key to the success of our mother factory in Thailand is a corporate culture in which management and employees work together
Field-based strength during floods and the COVID-19 pandemic

—Our factories are located in Thailand, Hanoi and Cebu, and the Thailand factory is positioned as the mother factory. Although we are in a special situation where the mother factory is located overseas, there have been few quality problems, and it seems to have been operating smoothly even during the COVID-19 pandemic. What is the secret?

Miyata: Yes, our mother factory is now located in Thailand, not in Japan. As the company decided that it would focus on R&D activities in Japan and establish production processes in Thailand, the Thailand factory needs to secure a certain level of quality for products. I think it was our company's friendly and family corporate culture that enabled us to do that.

At the time of starting up of the plant, many trainees from Thailand, sometimes dozens, came to our Headquarters

Dialogue between Vice President and Senior Managing Director

3-3

in Seto City, Aichi Prefecture. Since then, whenever I travel to Thailand on business, I am willing to communicate with Thai employees in detail. Another reason is that our team is united. For example, the Thailand factory has received support from business travelers and dispatched employees from Japan from product launch to project completion.

At the Thailand factory, the employees themselves make various suggestions. We often talk about more efficient methods and ways to achieve quality stability among Japanese people, but at the Thailand factory, good ideas come more quickly from local employees, too. In terms of maintenance, production of jigs and tools, and process design, decisions are made more quickly in Thailand than Japan.

At present, we transfer the technology and know-how from the Thailand factory to the Hanoi factory, and from the Hanoi factory to the Cebu factory. I think there is a culture of passing down technology from Japan to the mother factory in Thailand and on to the next factory.

Kato: I think this is because management members such as Vice President Miyata and myself have experience working in overseas factories and have some understanding of their country's culture and ideas. In addition, while other manufacturing companies have only production engineers in their production plants, Asahi Intecc places the equipment team and production technology team in its production plants, with about 150 members for the Medical Division in the Thailand factory and the Hanoi factory alone. The key to success is that

we make various improvements and developments with so many people on a daily basis.

—What do you think is the reason why we have made good progress even during the COVID-19 pandemic?

Miyata: I think we have a strong sense of responsibility for handling medical devices and a sense of mission to steadily deliver them to customers. During the COVID-19 pandemic, it was difficult to travel to and from overseas factories, but the employees who had watched and learned what we did are now inheriting the Asahi Intecc culture. The local people are highly motivated and have a sense of mission. I feel it's a sign that the culture is rooted.

Kato: Mr. Miyata and I, as well as employees from Japan, often participate in parties held by locals, so we feel very close to them.

Miyata: Since I was a student, I have learned from the behaviors of the founder, the former president. When I visited Thailand on a business trip for the first time with the founder, Thailand was in the middle of a coup. Even when the coup took place and tanks appeared in the city, the founder did not hesitate to travel to Thailand, and I felt that the person in charge had to go there under any circumstances. I think people in our company have inherited a culture where if something happens, we will fly there right away to check for ourselves.

—The close relationship between the executives and the site and the fact that they go to the site themselves lead to Asahi Intecc's uniqueness, and I think value creation is possible based on that.

Miyata: I think so. At the time of the Thai flood, I wanted to check it with my own eyes, so I went there right away. At that time, Thai employees worked hard to load



I Dialogue between Vice President and Senior Managing Director

3-3

sandbags around the factory and evacuate important products to the second floor, even though their lives and homes were in a difficult situation due to the flood. Eventually, everything in the factory was submerged in water, but I thought it was important to act with the desire to protect the factory, and I was very happy about such feelings of all of them. Thanks to the Thai people who worked really hard and didn't give up, we were able to restore the plant very quickly. In addition, when the Thailand factory was closed, Thai employees moved in their hundreds to Hanoi and Japan to support the replacement production at full capacity. We concentrated on the production of medical products and component products that could only be produced by Asahi Intecc. We really worked together globally to cope with the difficult situation. As a result, we became more and more united. As another benefit, we were able to transfer the high skills of the Thailand plant to the Hanoi plant. We have been able to overcome the recent typhoon disaster at our Cebu factory in 2021 with the solidarity and cooperation of local employees. Typhoon damage in Cebu was also severe, but I think we were able to respond calmly because we had the experience of flooding in Thailand.

Kato: I think the decision was made quickly because Asahi Intecc is a family-owned company.

Miyata: Given what the management would never have known if they had been in Japan, I think that we can make

appropriate decisions because the management is in the field. It might be Asahi Intecc's ability to do that.

—Even during the COVID-19 pandemic, I think we were able to respond to production needs without stopping production or delaying delivery times during the lockdown.

Miyata: When the lockdown hit overseas, most companies temporarily suspended operations of their local factories. In our case, when a lockdown hit, we received a report for the situation and a call from local people saying, "As long as we stay here and do not go out, we can operate the factory, so we want to keep producing." I refused their request twice because I didn't want my employees to have such a hard time, and I didn't want them to take such a risk. But, a few hours after, I received a call from the overseas plant saying, "We have already taken care of securing a place to stay, a bed and a shower, so let us do it." If they go that far, I can't refuse them anymore. I think it's the field-based strength. Appropriate decisions can be made only at the field. I cannot know in Japan. We have the belief that if we can't get through, we'll do it ourselves, which has penetrated the field, and I think that's what Asahi Intecc is all about. That's why we were able to continue production and supply. I really appreciate the local members.

— It's a real story very unique to our company. I think it is the culture and climate that has been

accumulated over many years. On a slightly different note, do you think it is important to have a certain amount of spare capacity when dealing with risks such as BCP?

Miyata: Yes, I think it is important to have spare capacity. Mr. Kato is also aware of how many development themes are currently being developed in parallel, so I think he is



Dialogue between Vice President and Senior Managing Director

3-3



always conscious of a manufacturing line that can cover future production needs. In order for us to be able to launch a new product line as soon as it is approved, we still have to have enough space in the factory and spare capacity in production facilities. Having that kind of spare room and capacity work well when something happens.

Kato: We cannot start production as soon as the equipment of the factory is completed. For example, in

our case, production of medical equipment requires clean rooms. It takes about 10 months to build a clean room, and then we have to install equipment there and verify the quality. The longer the line, the longer it takes. After that, production starts, but in our case, the production process covered by automation is small, so we need to hire more people and train them. Therefore, it is not uncommon for us to take more than five years from start-up to operation. If we don't prepare well in advance, we might run out of capacity even after having taken orders.

Enhance the integrated production system by tirelessly improving the skills of employees and automating the system, leading to an increase in added value

—Mr. Miyata is also dealing with labor issues. Do you have any difficulties with the pressure to raise wages?

Miyata: I honestly believe that a wage increase in tune with the development of the country where we operate would be a good thing for our local employees from the perspective of economic development in that market. However, we need to think about how our company will maintain the profit margins while watching the trend of wage increases. For this, it is important for each factory to take responsibility for adding value, such as by further promoting automation, which Mr. Kato is currently working on.

Kato: Now, the Thailand factory is ahead of Japan in terms of facility development. As each factory strives to add value, we are improving the skills of our employees. The skill level of Thai employees is equal to or higher than that of Japanese employees, and everyone is working with passion towards their goals. Wages are up compared to 20 years ago, but skills are also up, so added value has increased considerably. And, by promoting automation, we will be able to reduce the number of employees required for production, which will result in an increase in added value. We plan to further promote automation.

Miyata: Our company's goal of automation is not to automate all processes, but to achieve uniform quality. Core technologies are manually handled by skilled experts. It's like automating things anyone can do and passing them to the hands of skilled workers. In order to improve the theme of the development projects and to increase the added value, we have to make the equipment by our own hands because it needs to be customized. Our company, for example, acquired Meisen, Ltd. in 2015. Meisen is highly skilled and the only one company capable of producing highly functional twistors handled by our company. Like this, having such an excellent equipment manufacturing company as a Group company, we are realizing in-house manufacturing in Thailand. It is one of Asahi Intecc's management obsessions to make everything self-produced.

— In-house manufacturing is our basic policy, and

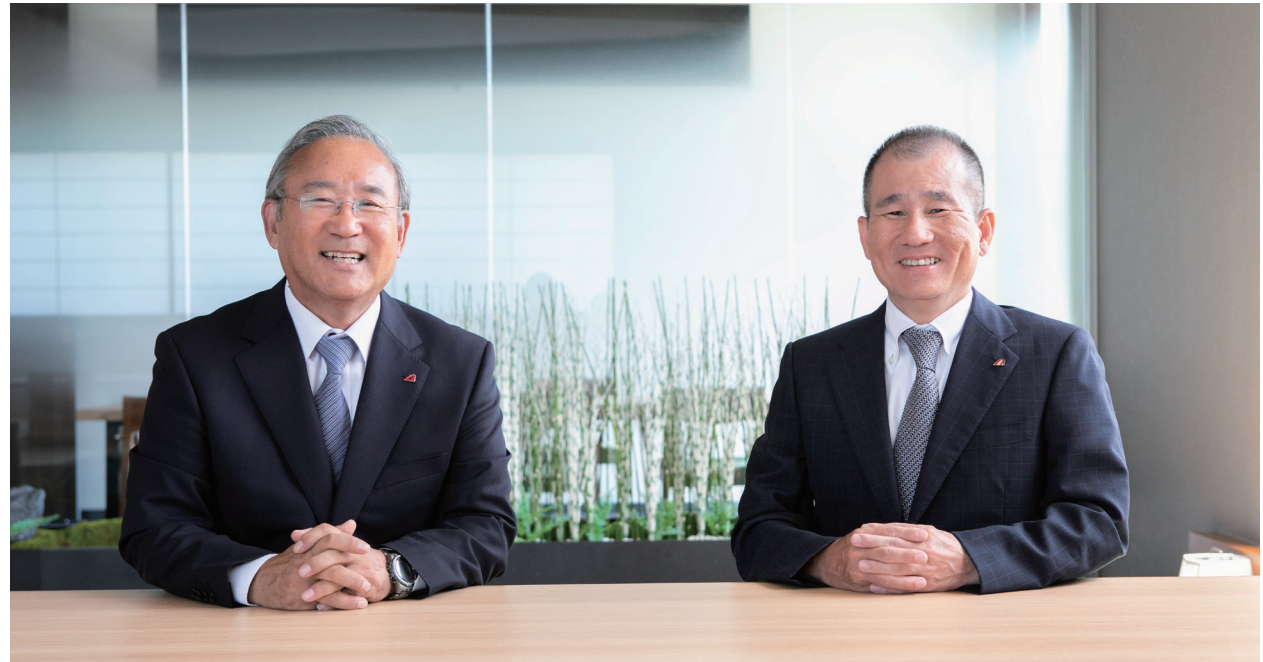
Dialogue between Vice President and Senior Managing Director

3-3

capital investment is necessary because spare capacity is always needed. Also, even if wages increase, you think that automation of facilities will lead to an increase in added value in the medium to long term, don't you?

Kato: Yes. At the Thailand factory, we have been working hard to recruit and train our employees. This has enabled us to develop in-house manufacturing of our facilities, thanks to the availability of highly skilled personnel at the manufacturing site and the improved ability of the factory.

Miyata: We can deal with BCP because we have been prepared. Even if we are damaged by a disaster, we are ready to restart quickly and to respond when something happens to our clients. We also make daily efforts to reduce cost ratios while making investments. The main difference between our company and other manufacturing companies is that we make products in an integrated manner from raw materials to finished products. Manufacturing from raw materials means that the inventory volume of the previous process will increase, and we need to manage the length of the project and work in progress. A company dealing with medical devices is a life support industry, so we believe that our mission is not to run out of stock in order to meet a deadline. It is also possible to incorporate our company's unique know-how and technology into products because all the production process is operated in-house.



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— What do you think about the next stage?

Kato: I think the manufacturing in emerging countries is one of the challenges. In addition, as the COVID-19 pandemic has ended and demand has increased, domestic demand will need to be expanded because productivity and sales capacity will increase rapidly. Looking at the trends of the times, I would like to reinforce the production system in our Group, including production overseas. Asahi Intecc is a medical device manufacturer, and I believe that stable production and quality are important as a base and

the foundation of our corporate value.

Miyata: We will promote measures to improve production efficiency, such as automation. Although it is difficult to make change all at once because it requires upfront investment, we are determined to make improvements in the medium to long term and continue to respond to the ever-increasing need for medical devices overseas by actively providing our company's unique products.

〈Interviewer: Mizuho Ito, Director, General Manager of Administration Division, Asahi Intecc Co., Ltd.〉