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Long-Term Management Vision and Medium-Term Management Plan

## Long-Term Management Vision and Medium-Term Management Plan

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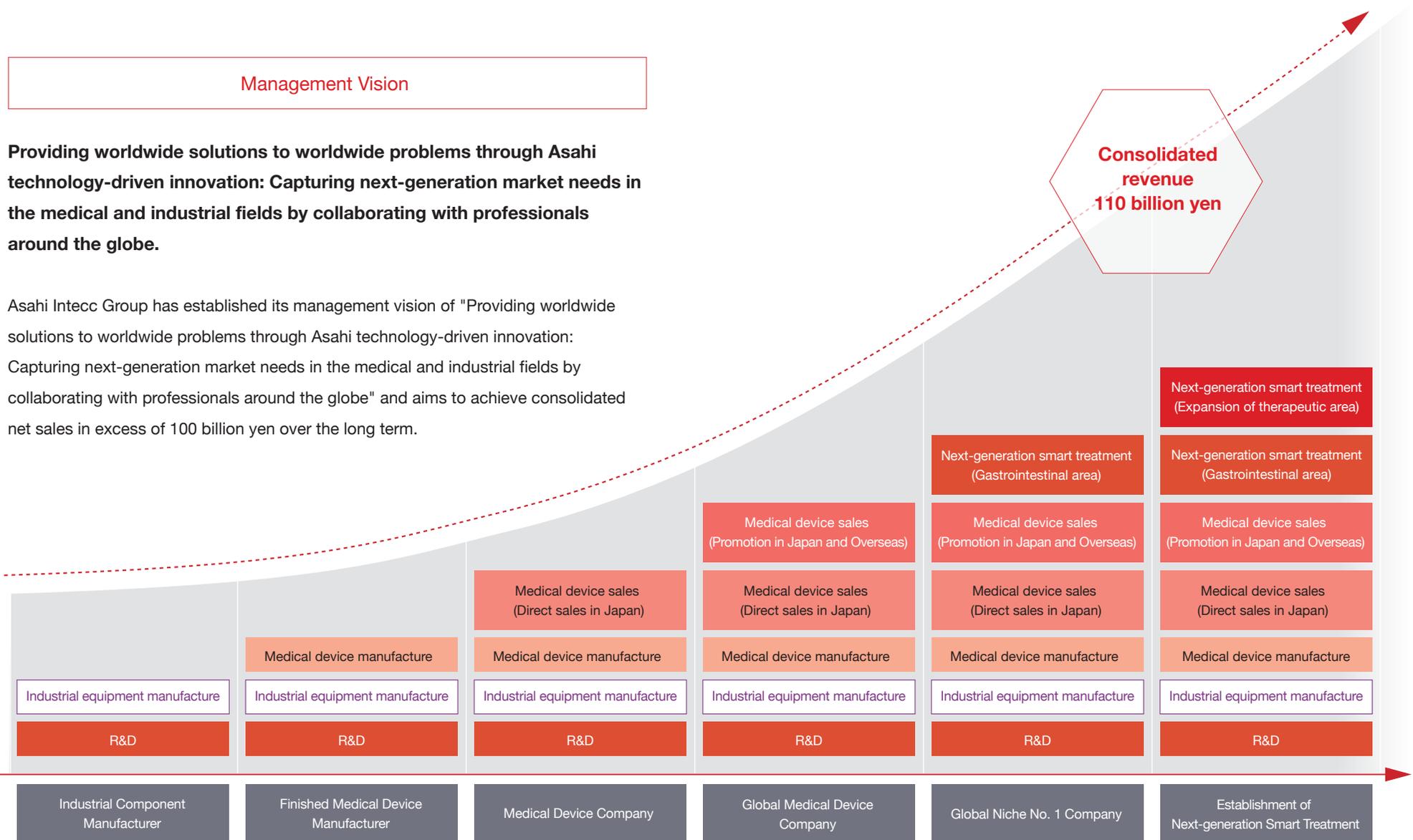


# Long-term Management Vision

## Management Vision

**Providing worldwide solutions to worldwide problems through Asahi technology-driven innovation: Capturing next-generation market needs in the medical and industrial fields by collaborating with professionals around the globe.**

Asahi Intecc Group has established its management vision of "Providing worldwide solutions to worldwide problems through Asahi technology-driven innovation: Capturing next-generation market needs in the medical and industrial fields by collaborating with professionals around the globe" and aims to achieve consolidated net sales in excess of 100 billion yen over the long term.



**Consolidated revenue 110 billion yen**

R&D	R&D	R&D	R&D	R&D	R&D
Industrial equipment manufacture					
Medical device manufacture					
Medical device sales (Direct sales in Japan)					
Medical device sales (Promotion in Japan and Overseas)	Medical device sales (Promotion in Japan and Overseas)	Medical device sales (Promotion in Japan and Overseas)	Medical device sales (Promotion in Japan and Overseas)	Medical device sales (Promotion in Japan and Overseas)	Medical device sales (Promotion in Japan and Overseas)
Next-generation smart treatment (Expansion of therapeutic area)					

Industrial Component Manufacturer	Finished Medical Device Manufacturer	Medical Device Company	Global Medical Device Company	Global Niche No. 1 Company	Establishment of Next-generation Smart Treatment
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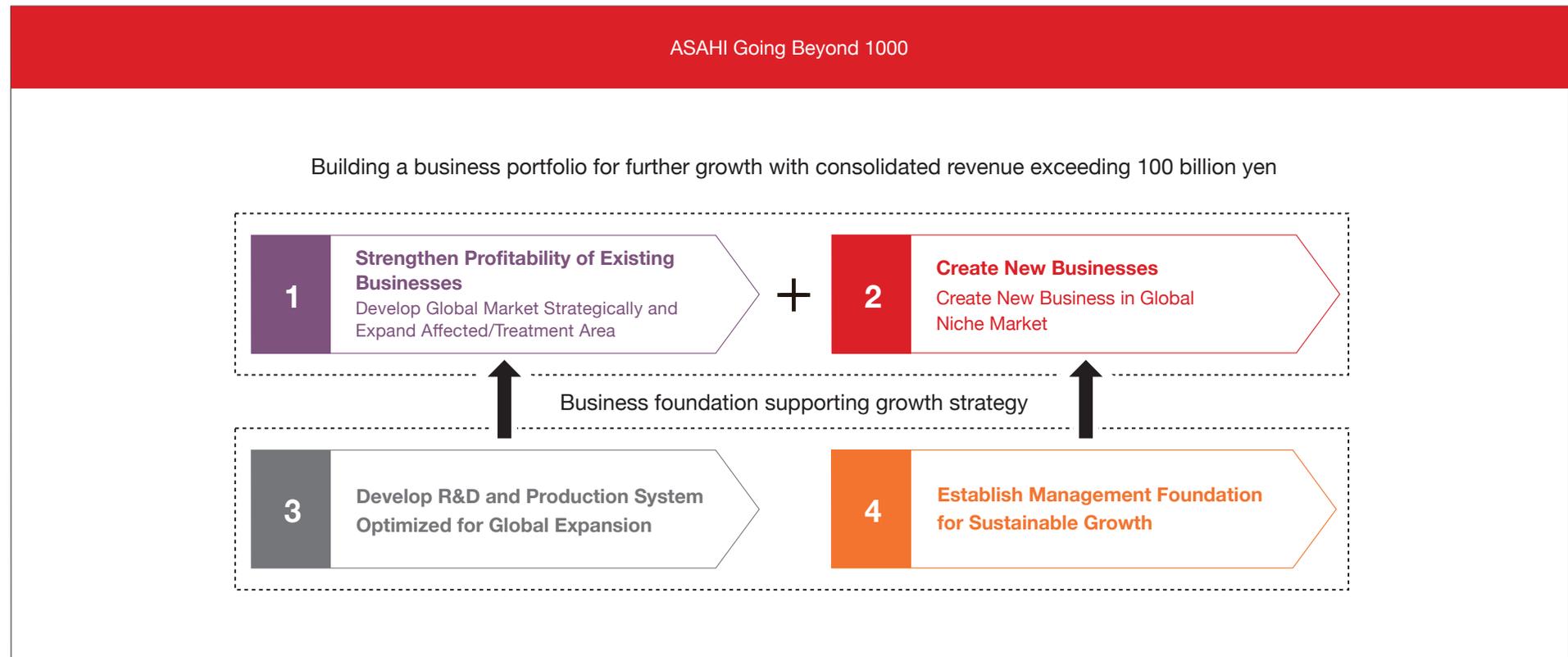
# Medium-Term Management Plan "ASAHI Going Beyond 1000"

Looking ahead 10 years into the future, we have clarified our vision for future growth in the medium to long term.

We, Asahi Intecc Group, are promoting "Develop Global Market Strategically and Expand Affected/Treatment Area" to build a business portfolio for further growth with consolidated revenue exceeding 100 billion yen based on our Medium-Term Management Plan "ASAHI Going Beyond 1000 " for the five years to the FYE June 2026. By consolidating our basic strategy to date, strengthening

the earnings base of our existing businesses, and continuing to invest in future growth, we have realized our aim to "Create New Business in a Global Niche Market." In this way, we aim to strengthen our company's presence in global niche markets and further enhance our corporate value. As a business foundation to support our growth strategy, we have worked to "Develop R&D and

Production System Optimized for Global Expansion" and "Establish Management Foundation for Sustainable Growth." Going forward, we aim to expand our corporate value by steadily advancing our growth strategy based on the Medium-Term Management Plan.



Medium-Term Management Plan "ASAHI Going Beyond 1000"

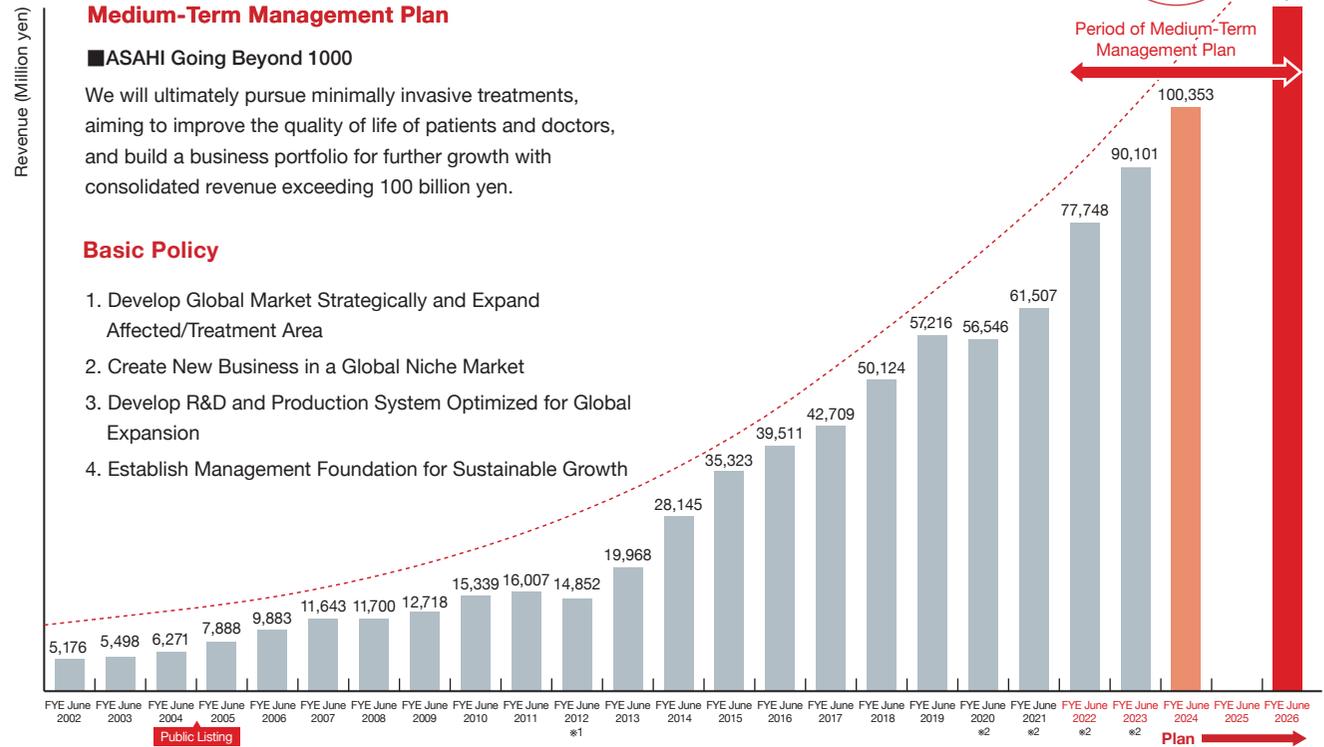
**We aim to expand our corporate value by steadily advancing our growth strategy through ambidextrous management.**

Our Group has set a revenue target of 110 billion yen for the FYE June 2026 in its Medium-Term Management Plan "ASAHI Going Beyond 1000." During the period of the Medium-Term Management Plan, it is the non-cardiovascular segment of the existing business that will drive sales growth.

The non-cardiovascular segment comprises peripheral blood vessels, neurovascular, abdominal blood vessels, and gastrointestinal areas, as well as ODM and OEM businesses. It is a growing market on a global scale, as well as a market in which our Group has much room to expand its market share through the development of new products. By aggressively developing new products and strengthening global sales activities, we will work to achieve the targets set in the Medium-Term Management Plan.

We place importance on new businesses as a business area that will drive continued growth after the period of the Medium-Term Management Plan, and we are working on a variety of businesses, including the robotics field, to sow seeds for this purpose.

Asahi Intecc Group will continue to focus on ambidextrous management of strengthening profitability of existing businesses and creating new businesses to be a company that can continue to grow 10 to 20 years from now.



**Medium-Term Management Plan**

**ASAHI Going Beyond 1000**

We will ultimately pursue minimally invasive treatments, aiming to improve the quality of life of patients and doctors, and build a business portfolio for further growth with consolidated revenue exceeding 100 billion yen.

**Basic Policy**

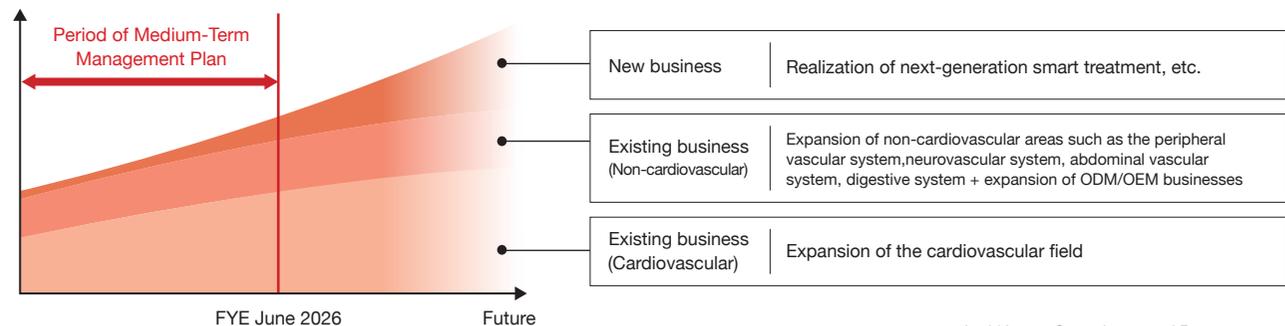
1. Develop Global Market Strategically and Expand Affected/Treatment Area
2. Create New Business in a Global Niche Market
3. Develop R&D and Production System Optimized for Global Expansion
4. Establish Management Foundation for Sustainable Growth

ASAHI Going Beyond 1000

Five-Year Plan from FYE June 2022 to FYE June 2026

\*1 In the FYE June 2012, net sales and profits temporarily declined because our consolidated subsidiary ASAHI INTECC THAILAND CO., LTD., which is our Group's main plant, temporarily suspended operations and was forced to reduce production owing to the Thai floods.

\*2 Owing to the COVID-19 pandemic, the number of cases has decreased from the usual level.



Medium-Term Management Plan "ASAHI Going Beyond 1000"

Basic Policy

1

# Develop Global Market Strategically and Expand Affected/Treatment Area



## Develop Global Market Strategically

Asahi Intecc Group currently sells products to 118 countries and regions around the world. The number of cases of intravascular diseases for which our Group products are used is expected to continue to grow on a global scale, particularly in emerging countries. Amid this backdrop, we will strengthen our earnings base on a global scale by further enhancing our sales and marketing functions in each region.

### Japan

**Strengthen profit structure through direct sales system**  
**Actively launch new products despite the impact of falling medical device reimbursement prices**

In Japan, we sell our own brand products directly to hospitals, etc., and we are working to gain market share. We are also actively promoting the introduction of new products in the non-cardiovascular field, utilizing our direct sales system to sell other companies' products and strengthening our own brand products in the digestive field.

In addition, we have started sales of products in the robotics field to create new businesses and will strive to expand our revenues and business areas.

### U.S.

**Reinforce sales by leveraging the direct sales system**  
**Enhance products in the peripheral vascular field to increase profits**

In the U.S., we sell our own-brand products directly to hospitals. Positioning peripheral vascular systems and cerebrovascular systems in the non-cardiovascular field as priority markets, we will actively launch new products and further enhance our marketing and sales functions to enable us to grasp market trends more quickly in close contact with physicians who are end customers in order to further promote sales and expand our market share. We will actively expand our ODM and OEM business and strive to further increase earnings, besides our own-brand products.

### EU

**Gain high market share through community-based agencies**  
**Aim to increase revenues by gradually shifting to direct marketing**

In the European market, we have gained a high market share mainly in the cardiovascular area through direct sales and through several agencies who are closely involved in the field. In some regions of the European market, we are gradually shifting to direct marketing -- in France in July 2019, in Germany in January 2021, and in Italy in July 2021. Through these activities, we will continue to expand our market share and earnings.

### China

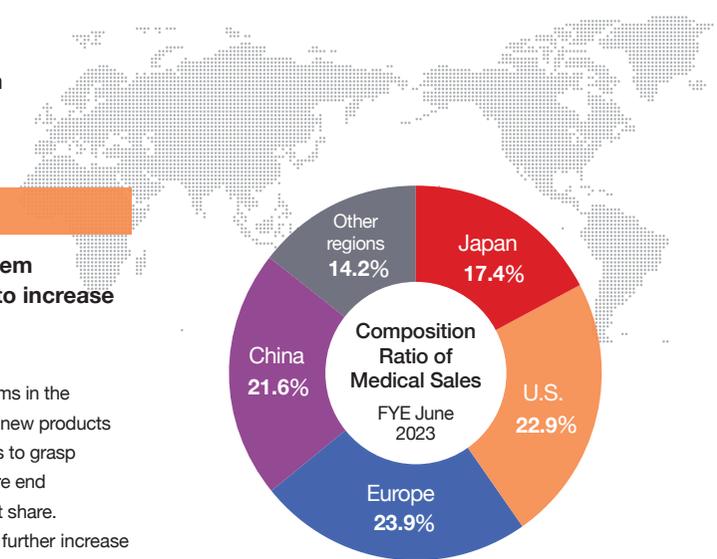
**The spread of PCI treatment has led to a surge in cases, particularly in inland areas**  
**Seek to expand share in the booming Chinese market**

In China, we sell products through local agencies. The number of cases in both cardiovascular and non-cardiovascular areas is increasing steadily, mainly in the inland areas, and the China market is expected to experience particularly high growth and development in the global market. Despite the ongoing changes in the business environment, including the introduction of a bidding system, we will continue to strive to further expand earnings in light of market conditions by introducing new products, enhancing marketing and sales activities, and strengthening the backup system closely linked to local agencies.

### Other Regions

**Continue to strengthen sales structure, focusing on emerging markets with growth potential**

In Asia, the Middle East, Oceania, South America, and other regions, we are strengthening our sales structure with community-based local agencies, mainly in emerging countries with growth potential. In some regions, we have moved to direct marketing. By continuing these strategies, we aim to further increase earnings in both the cardiovascular and non-cardiovascular sectors.



Medium-Term Management Plan "ASAHI Going Beyond 1000"

Basic Policy

1

# Develop Global Market Strategically and Expand Affected/Treatment Area



## Expand Affected/Treatment Area

### "Number One" Product Strategy

In the field of our mainstay PCI guide wires in the cardiovascular field, we will focus on the development of products for CTO that are difficult to treat, but in which our technology has strengths. In addition, we will strive to expand the lineup of products for the treatment of common lesions, thereby solidifying our overall "Number One" position. In addition, we will further strengthen and expand our product lineup in the catheter field in order to establish a second and third mainstay product after PCI guide wires. In addition, we will continue to promote measures to strengthen product development not only in the cardiovascular fields but also in non-cardiovascular fields such as the peripheral vascular system, cerebrovascular system, abdominal vascular system and digestive system. In the non-cardiovascular fields, we will expand new products by laterally applying the technologies cultivated in the cardiovascular fields. At the same time, we will strengthen our sales structure, especially overseas, to gain market share on a global scale.

### "Only One" Product Strategy

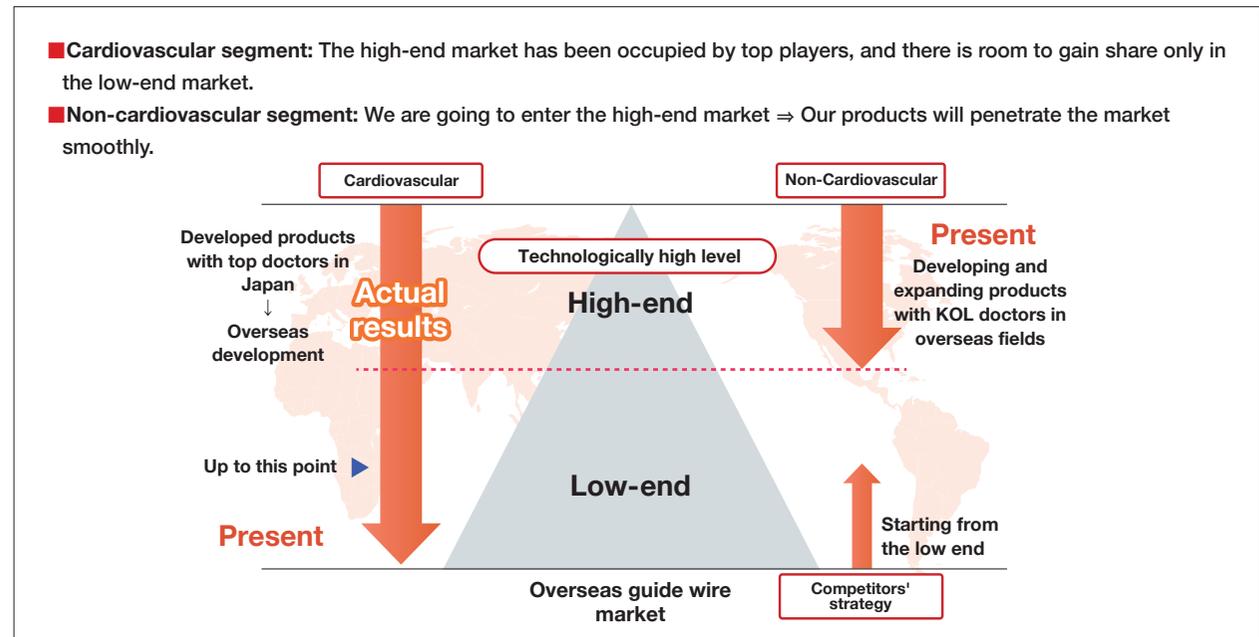
Currently, PCI treatment for CTOs, which are considered difficult to treat, is not absolutely perfect even in Japan, which is an advanced country in PCI treatment, and bypass surgery is still used in some cases mainly in overseas markets. Amid this backdrop, Asahi Intecc Group has developed and

marketed products necessary for minimally invasive treatments such as PCI guide wires and penetration catheters, which have a high product advantage unmatched by other companies and are capable of CTO treatment, and have contributed to expanding the selection rate of PCI treatment in the CTO field. As an R&D-oriented company, we will continue to develop

products that retain new functions using advanced technologies, such as plasma guide wire (cardiovascular system and peripheral vascular system) and stroke smart guide wire (cerebrovascular system), and contribute to the spread and development of minimally invasive treatments.

### Guide Wire Strategy

Why non-cardiovascular products, unlike cardiovascular products, can increase market share

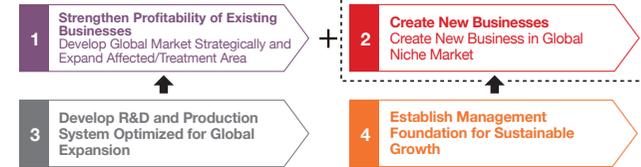


Medium-Term Management Plan "ASAHI Going Beyond 1000"

Basic Policy

# 2

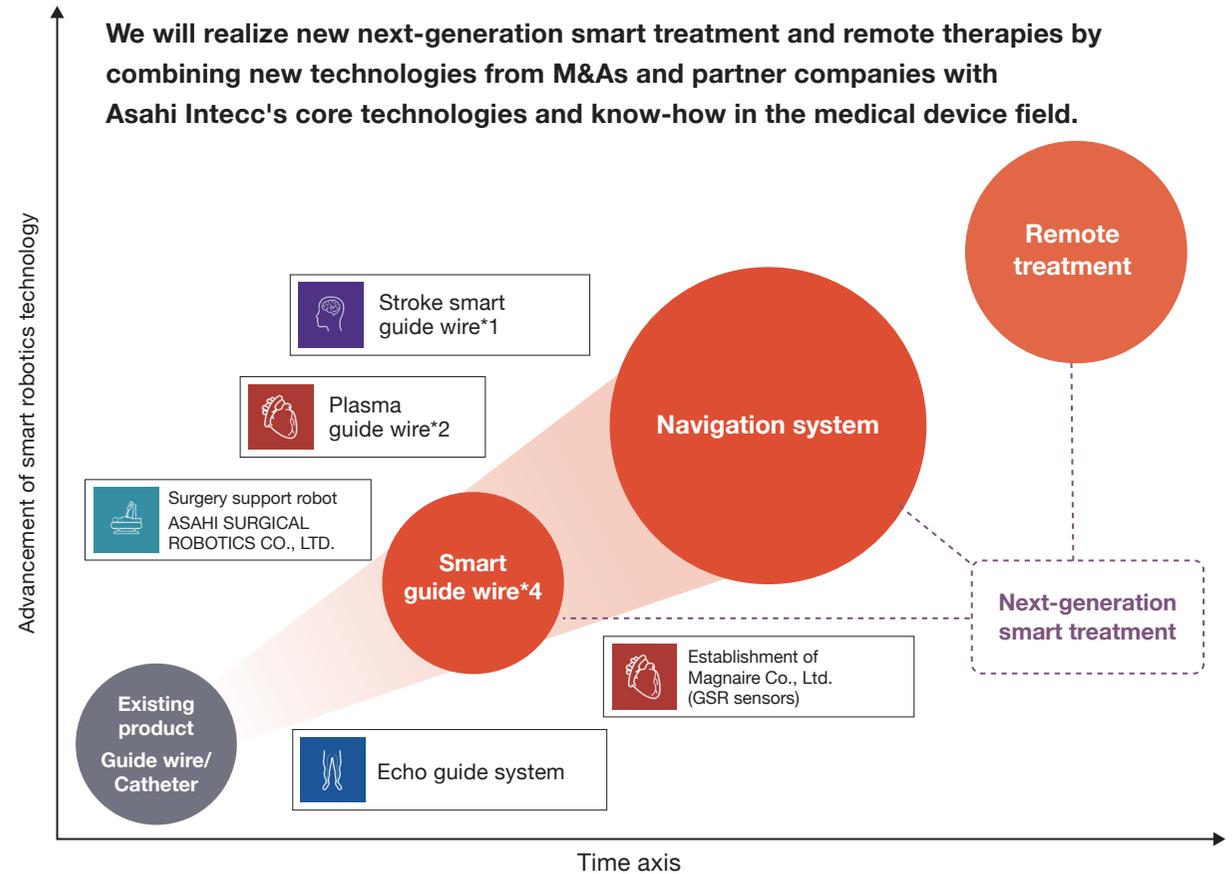
## Create New Business in Global Niche Market



As an R&D-oriented company, Asahi Intecc Group has advanced and highly unique material processing technologies based on four core technologies. In addition to these technologies, we have established an integrated production system from raw materials to products, which enables us to develop and manufacture products with unique materials and functions. This is a strength unique to our Group, which engages in both the industrial equipment field and the medical device field, and is a major factor in differentiating the Group from competitors in the medical device field in terms of cost and technology.

In order to win global competition and continue to grow and prosper as a company with consolidated revenue exceeding 100 billion yen, we recognize the necessity to set the measures that will be the foundation of our business from now, and have begun to advance into new fields such as the gastrointestinal, neurovascular and robotics fields by strengthening our Group's advanced technological capabilities.

In addition, when we require the fusion of our technologies with new ones, we are more active in promoting strategic alliances with leading partners, including the introduction of new technologies from outside, by making full use of technological alliances, M&As, and minority investment. By creating new businesses in global niche markets, we will strive to strengthen our business portfolio and aim to become a company with sustainable global growth.



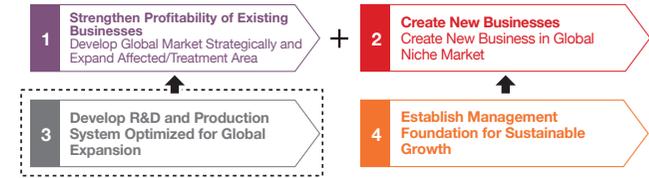
\*1 Refers to an innovative guide wire that makes it possible to identify the nature and composition of the thrombus resulting from a cerebral infarction by adding the sensor technology of Sensome SAS, French company to our guide wire.  
 \*2 Refers to an innovative guide wire that enables to passage hard thrombosed lesions by generating plasma energy from the tip of guide wire, and also enables even inexperienced surgeons to perform CTO\*3 treatment, which used to require a high level of skill on the part of the surgeons.  
 \*3 CTO (chronic total occlusion) is a condition in which the blood vessels are completely blocked and left for a long time. Among catheter treatment cases, it has been considered very difficult to treat.  
 \*4 This is a generic term for innovative guidewires that add functional value to our guide wires by adding new technologies such as the Smart Stroke Guidewire and Plasma Guidewire mentioned above.

Medium-Term Management Plan "ASAHI Going Beyond 1000"

Basic Policy

3

# Develop R&D and Production System Optimized for Global Expansion



Currently, Asahi Intecc Group specializes in R&D and prototyping in Japan, and in principle transfers mass production to overseas consolidated subsidiaries.

For the R&D activities in Japan, we have constructed a new building on the premises of the Group's main R&D base in Seto Factory, and in 2018 we developed an R&D environment identical to a clinical setting. In February 2022, we opened our Tokyo R&D Center for further strengthening R&D functions, and we are scheduled to build a new building at the Global Headquarters and R&D Center (Seto City, Aichi Prefecture) in June 2024.

As for the globalization of the R&D, at Asahi Intecc USA, Inc., our consolidated subsidiary, which is a direct sales base in the U.S., we have built an R&D structure that is able

to reflect the needs and feedback of doctors, our core customers, directly in our products, even at the prototype level. We are expanding the R&D bases at another consolidated subsidiary, ASAHI INTECC THAILAND CO., LTD. (Thailand factory), which enables us to promote more proactive improvement of existing products, including the examination of product specifications. Furthermore, at ASAHI INTECC HANOI CO., LTD. (our Hanoi factory), we will continue to improve our research and development functions with a focus on factory development. For production, we have established the integrated production system from materials to finished product, which is one of the Group's strengths, in overseas factories (ASAHI INTECC THAILAND CO., LTD. [Thailand factory],

ASAHI INTECC HANOI CO., LTD. [Hanoi factory], and TOYOFLEX CEBU CORPORATION [Cebu factory]). In this context, from the perspectives of risk management and BCP\*, we are optimizing production bases across the entire Group by enabling all three factories to manufacture the same products so that in the event of one or more factories ceasing operation due to local factors or otherwise, another factory can cover the majority of the lost production. Going forward, we intend to support our Group's growth strategy by building and expanding R&D bases and production systems that are ideal for global expansion.

\*BCP (Business Continuity Planning): A plan of a company to set out appropriate activities and methods and means for business continuity in emergencies such as a natural disaster, a large fire, or a terrorist attack, to minimize the damage to business assets and enable continuation or early restoration of the core business

## Expansion and decentralization of production capacity across the Group



Japan

- Center for R&D
- Maintain an emergency production backup system
- Construct a new building at the Global Headquarters and R&D Center to expand development functions

Based on country risk, the same products can be produced at these three factories.



Thailand Factory

**ASAHI INTECC THAILAND CO.,LTD.**

- Decentralize production to Hanoi/Cebu Factory
- Support the launch of Hanoi/Cebu Factory



Hanoi Factory

**ASAHI INTECC HANOI CO.,LTD.**

- Accept decentralized production from Thailand Factory
- Start-up a new plant to expand production
- Transfer production to Cebu Plant



Cebu Factory

**TOYOFLEX CEBU CORPORATION**

- Acquired as BCP (Business Continuity Plan)
- Establish production systems not only in the industrial equipment field but also in the medical device field
- Currently launching mass production of finished medical devices

**Directly deliver products to customers worldwide**

- Expand overseas sales warehouses
- Optimize supply chain movement and build a timely supply system

Medium-Term Management Plan "ASAHI Going Beyond 1000"

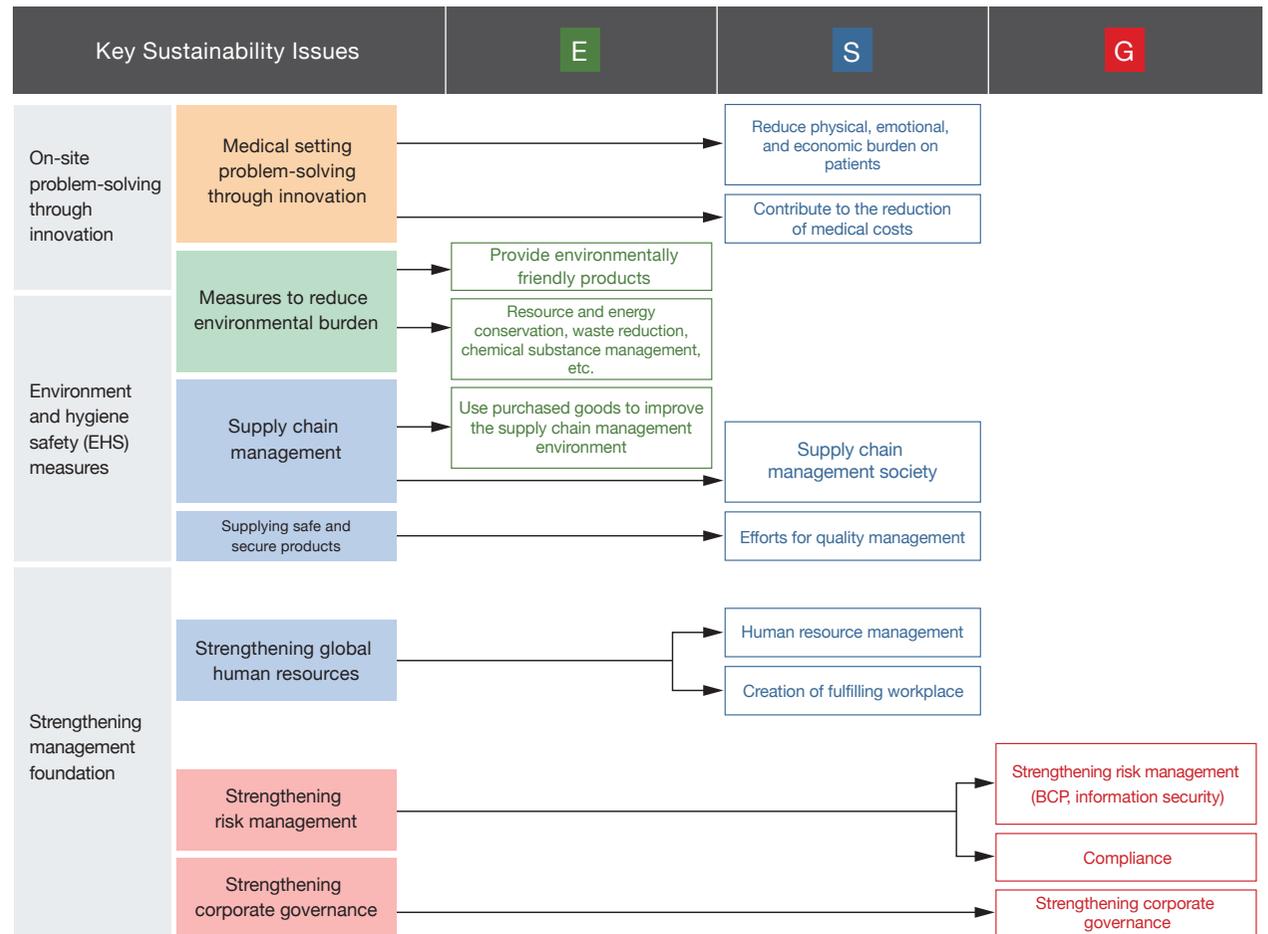
Basic Policy

# 4

## Establish Management Foundation for Sustainable Growth



The demand for minimally invasive treatments that are less burdensome, both physically and economically, is increasing on a global scale owing to population aging around the world, especially in developed countries, and economic growth in emerging countries, and mainly in emerging economies the number of catheterization cases is increasing. Under such circumstances, Asahi Intecc Group aims to solve issues on the site by developing, manufacturing, and selling innovative medical devices using our unique technologies and to improve the quality of life (QOL) of patients all over the world. Amid increasing risk events such as large-scale natural disasters and pandemics, our Group is working to strengthen its risk management, including its Business Continuity Plan (BCP) as a global medical device company that supplies products to medical facilities around the world. We will respond to environmental and human rights regulations around the world by looking at the entire supply chain. Considering the impact that these changes may have on Asahi Intecc Group's business environment, we have examined key issues regarding sustainability. By addressing these key issues in terms of both growth strategy and the strengthening of the management base, we aim to realize sustainability of society and our Group. As the importance of sustainability increases worldwide, the megatrends that may affect our business are constantly changing, and we will review the key issues accordingly.



## Dialogue between Vice President and Senior Managing Director

# 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



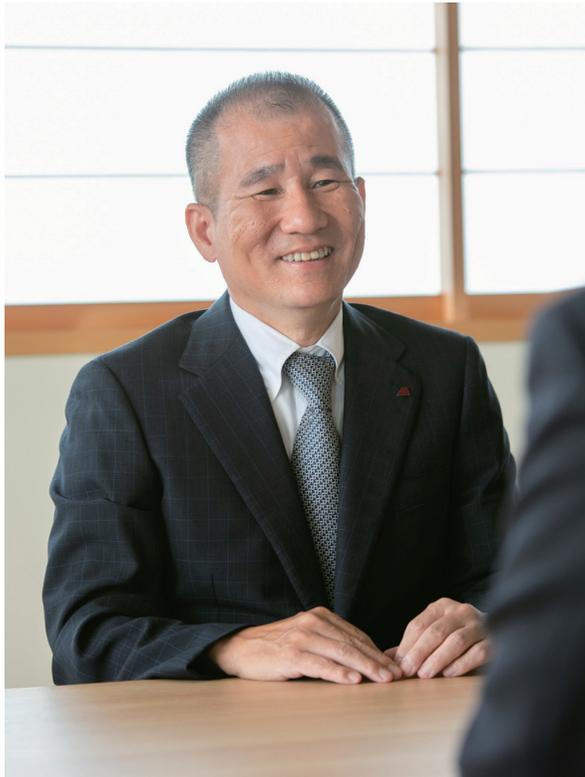
Senior Executive Director  
General Manager of  
Medical Division  
**Tadakazu Kato**

Executive Vice President  
and COO  
General Manager of Device  
Business Division  
**Kenji Miyata**

Global Headquarters and R&D Center

## 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



## 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 twisters 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

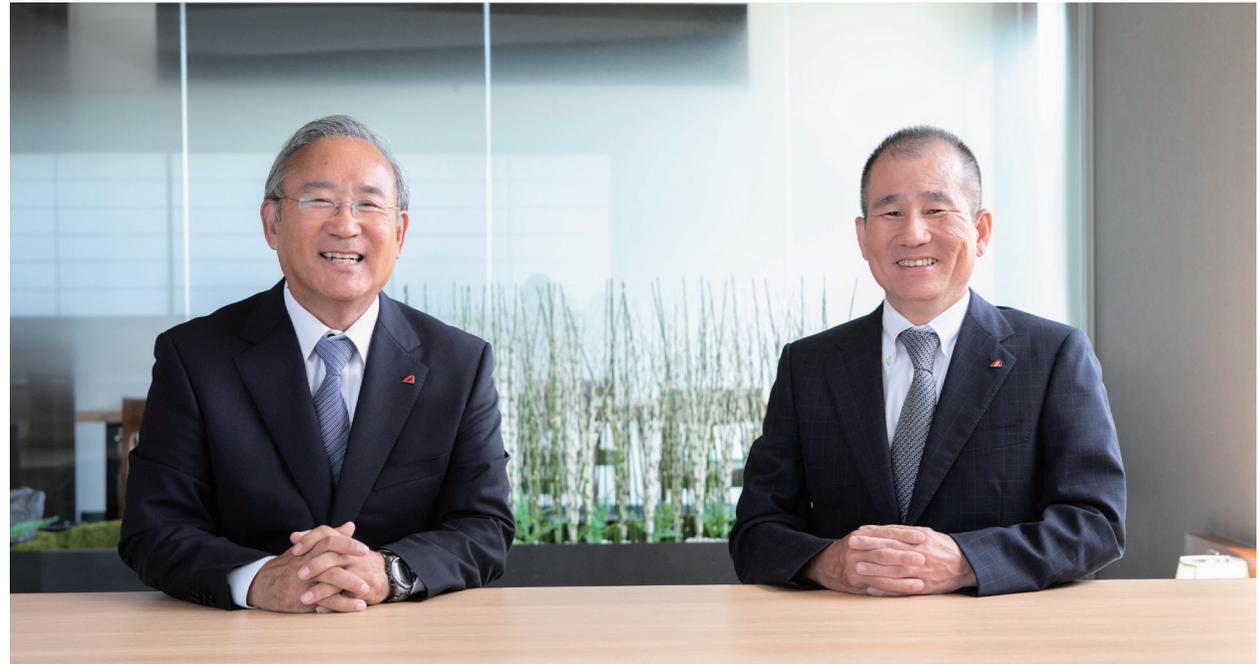
## Dialogue between Vice President and Senior Managing Director

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**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.



Global Headquarters and R&amp;D Center

### — 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.〉