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Supplementary Materials on Shares / Quota Investment and Capital Investment Project

April 12, 2021

(Securities code: 7747

First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange)



Expansion of Business Area





Priority Measures of Growth Strategy

Establish business portfolio to achieve sales revenue of 100 billion yen





Acquisition of Quota of KARDIA

Promoting Direct Sales in the European / Middle Eastern Market



About 30 % of sales in the European / Middle Eastern market will be direct sales



Overview of KARDIA S.R.L

Company name	KARDIA S.R.L	
Description of main business	 Distributor of Asahi Intecc Group's products for the cardiovascular, peripheral, and neurovascular fields. Sales of a wide range of interventional devices such as transcatheter mitral valve repair (TMVr) device for the cardiovascular system and stent retrievers for the neurovascular field other than Asahi Intecc Group's devices Undertaking installation of catheter operating rooms in hospitals 	
Date of establishment	July 20, 1993	
Location	MILANO(MI) VIA CORMONS 18 CAP 20151	
Representative	PORETTI EZIO, Chairman of the Board of Directors LONGONI GIOVANNI, Managing Director	
Capital	100,000 euros (12 million yen)	

*Convert one euro into 129.15 yen

Italy plays a leading role in percutaneous coronary intervention (PCI) treatment in the European market as chronic total occlusion (CTO) treatment is particularly popular in Italy

KARDIA has comprehensively earned a high level of trust from doctors for a long time and has a long-standing partnership with Asahi Intecc as a distributor of Asahi Intecc Group since 1996



Acquisition of Quota of KARDIA

Quota to Be Acquired and Acquisition Price

Proportion of quota to be acquired,

acquisition price and quota ownership before and after acquisition>

Proportion of quota held before change	0%
Proportion of quota to be acquired	70%
Acquisition price	28,000 thousand euros (3,616 million yen) As a milestone in response to the achievement of certain conditions in the future, payments of up to 12,000 thousand euros (1,550 million yen) may occur by July, 2026
Amount of goodwill, etc.	Currently under discussion with the audit firm, amount of goodwill, etc. has not been fixed. For goodwill and other intangible asset, the amount is expected to be about 2.5 to 2.7 billion yen and the amortization period is expected to be about 5 years
Proportion of quota held after change	70%

*Convert one euro into 129.15 yen

Acquisition of Shares of Pathways Medical Strengthen Profitability of Existing Business and Create New Business



Strengthen Profitability of Existing Business

6

Create New Business



Acquisition of Shares of Pathways Medical Target Area of New Business



Value that (1) customers want, (2) competitors cannot offer, and (3) we can offer



Create new business through technological innovation

Acquisition of Shares of Pathways Medical Initiatives for Next-Generation Smart Treatment





Acquisition of Shares of Pathways Medical Joint Development of Stroke Smart Guide Wire

Signed investment contract and joint development agreement with Sensome, a French medical device company



Joint development of new stroke smart guide wire useful for endovascular treatment

SENS



Acquisition of Shares of Pathways Medical Selection of Optimal Device by Discriminating Properties of Blood Clot



Equipping identification sensor of blood clot on wire

The appropriate treatment depends on the type of blood clot

- Red blood clot is soft, brittle, and easy to scatter
- White blood clot is hard, sticky and difficult to recover

Knowing the type of blood clot in advance will enable quick and safe treatment After sensor wire and tablet communicate by Bluetooth, AI judges "blood" "white blood clot" "mixed blood clot" "red blood clot" and classifies and displays





Acquisition of Shares of Pathways Medical Realization of Stroke Smart Guide Wire

By forming conductive layer of an ultra-thin film on the thin curved surface of the guide wire, make it possible to maintain basic performance as a guide wire such as torque, rigidity, and strength



SENS



Acquisition of Shares of Pathways Medical Technological Advantage



Integrated Thin film conductor technology

- Possible to form an electric circuit freely by laminating very thin and uniform electrical conduction / insulating film on fine and curved surfaces, such as those found on guide wires or catheters.
- Possible to reduce the thickness of all electrical elements



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



Acquisition of Shares of Pathways Medical Medicin Expansion of Diversity due to Integration of Technologies

Strengthen the development of guide wires and catheters with sensors to promote the realization of next-generation smart treatment



Realization and expansion of new business areas such as robotics of next-generation smart treatment



Overview of Pathways Medical Corporation

<Company overview>

Company name	Pathways Medical Corporation	
Description of main business	Research and development of guide wire with sensor utilizing a thin film electrical conductor technology	
Date of establishment	March 11, 2020	
Location	1013 Centre Road Suite 403S Wilmington, New Castle, Delaware 19805, United States of America	
Representative	Nitin Patil, Chief Executive Officer	
Capital	12,501 thousand US dollars (1,328 million yen)	

* Convert one US dollar into 106.25 yen

< Company 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, completed the first-in-man study on the guide wire equipped with the sensor, and the technical feasibility has been proved



Acquisition of Shares of Pathways Medical Shares to Be Acquired and Acquisition Price

<Number of shares to be acquired,

acquisition price and share ownership before and after acquisition>

Number of shares held before change	0 share (Number of voting rights: 0) (Percentage of voting rights held: 0%)		
Shares to be acquired	1,000,000 shares (Number of voting rights: 1,000,000)		
Acquisition price	Lump Sum 23,000 thousand US dollars (2,444 million yen) As a milestone in response to the achievement of certain conditions in the future, payments of up to 7,000 thousand US dollars (744 million yen) may occur by July, 2023		
Amount of goodwill, etc.	Currently under discussion with the audit firm, amount of goodwill, etc. has not been fixed. For goodwill and patent rights, the amount is expected to be about 1.9 billion yen and the amortization period is expected to be about 10 years		
Number of shares held after change	1,000,000 shares (Number of voting rights: 1,000,000) (Percentage of voting rights held: 100.00%)		

* Convert one US dollar into 106.25 yen

Customer request



Design and development

Prototype

Input summary

Mass production

Mass production

Design verification Process validation

Business expansion with M&A

- 1. By making Rev. 1 a subsidiary, which has a wide range of design and development know-how of interventional product especially cutting edge catheters, etc. it leads to strengthening the development of catheters.
- 2. By utilizing Asahi Intecc Group's manufacturing bases, it will be possible to contract from design development to manufacturing about the existing business of Rev. 1 company, whose main business has been mainly design development contract

Expect to expand OEM business centering on the US market



Overview of Rev. 1 Engineering

<Company overview>

Company name	Rev. 1 Engineering, Inc.		
Description of main business	Contracting business of design and development of medical devices		
Date of establishment	November 2, 2009		
Location	41693 Date St, Murrieta, CA 92562, United States of America		
Representative	Eric Johnson, Chief Executive Officer		
Capital	459 thousand US dollars (48 million yen)		

*Convert one US dollar into 106.25 yen

<Company characteristics>

Established by former engineers from major medical device manufacturers

Being entrusted with business from design and development of interventional products to manufacturing of prototypes by various major medical device manufacturers in the US market

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

Located close to the Asahi Intecc Group's R&D base in the United States, making it easy to collaborate



Acquisition of Shares of Rev. 1Engineering Shares to Be Acquired and Acquisition Price

<Number of shares to be acquired,

acquisition price and share ownership before and after acquisition>

Number of shares held before change	0 share (Number of voting rights: 0) (Percentage of voting rights held: 0%)		
Shares to be acquired	800,000 shares (Number of voting rights: 800,000)		
Acquisition price	27,446 thousand US dollars (2,916million yen)		
Amount of goodwill, etc.	Currently under discussion with the audit firm, amount of goodwill, etc. has not been fixed yet. For goodwill, etc., the amount is expected to be about 2.4 to 2.6 billion yen and the amortization period is expected to be about 5 years		
Number of shares held after change	800,000 shares (Number of voting rights: 800,000) (Percentage of voting rights held: 100.00%)		
	* Convert one US dollar into 106.25 yen		



Aim for robotization in next-generation smart treatment



< Background >

- •As to gastrointestinal tumor surgery, laparoscopic surgery which can reduce the burden on patients and shorten the length of hospital stay, has become widespread
- The number of laparoscopic surgery by laparoscopic surgery support robots that accurately reproduce the movements of human hands and enable more precise surgery has increased recently

In surgery in the large intestine and gynecology fields centered on TaTME, specializing in the function of assistants to support the surgeon with a unique concept, such as securing the surgeon's field of view, pulling the organ and maintaining tension

Spread of minimally-invasive treatment products in a wide range of fields

Improve patient QOL(Quality of Life)

(Note) TaTME (transanal total mesorectal excision)

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 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.



Acquisition of Shares of A-Traction Inc. (Subsidiary Company)



Resolved to make A-Traction Inc. a wholly-owned consolidated subsidiary by acquiring whole shares

<History to date>

Date	History	
April 26, 2019	Acquired 3,500 Class C Shares of A-Traction Inc. (approx. 15%)	
February 14, 2020	Concluded a basic agreement on application of pharmaceutical affairs and commissioned manufacturing of replacement parts for laparoscopic surgery support robots	
March 11, 2021	Resolved to make A-Traction Inc. a wholly-owned consolidated subsidiary by acquiring whole shares and concluded contract (Execution of share transfer: July 1, 2021)	

<Points for judgement>

- Laparoscopic surgery can reduce the burden on patients compared to conventional laparotomy that coincides with our mission to contribute to the spread of minimally invasive treatments
- By fusing both company's technologies and our know-how in the medical device field, the possibility of realizing a new epoch-making medical robot to other areas of medical care (including intervention) will be heightened
- Cadaver test was conducted in December 2020, and the prospect of practicality of the robot was confirmed



Overview of A-Traction Inc.

<Company overview>

Company name	A-Traction Inc. (Venture certified by National Cancer Center)		
Description of main business	Development of laparoscopic surgery support robots		
Date of establishment	August 7, 2015		
Location	Lab. 1, NEXT Medical Device Innovation Center, National Cancer Center Hospital East, 6-5-1, Kashiwanoha, Kashiwa-shi, Chiba, Japan		
Representative	CEO Takehiro Ando		
Capital	976 million yen (including capital surplus)		
Number of employees	8 (excluding officers)		

< Company characteristics >

A group of experts in each field related to robot development and manufacturing Various ages (20s - 60s) and backgrounds

- Possible to handle consistently not only development but also manufacturing
- A sense of speed unique to medical ventures



Acquisition of Shares of A-Traction Shares to Be Acquired and Acquisition Price

<Number of shares to be acquired,

acquisition price and share ownership before and after acquisition>

Number of shares held before change	3,500 shares (Number of voting rights: 3,500) (Percentage of voting rights held: 14.94%)		
Shares to be acquired	20,330 shares and 1,030 share acquisition rights (Number of voting rights: 20,330)		
Acquisition price	Lump Sum 2,680 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.		
Amount of goodwill, etc.	Currently under discussion with the audit firm, amount of goodwill, etc. has not been fixed yet. For goodwill, etc., the amount is expected to be about 3.1 billion yen and the amortization period is expected to be about 10 years		
Number of shares held after change	23,830 shares (Number of voting rights: 23,830) (Percentage of voting rights held: 100.00%)		



Construction of New Building (Expansion of R&D Base, etc.) on the Premises of Global Headquarters / R&D Center

< Purpose of Construction of New Building>

Improving the working environment to realize sustainable business activities

- As R&D type manufacturing company, it would be difficult to work away from materials and equipment centering on R&D functions, therefore, it is necessary to prepare an on-site type infrastructure
- Prepare the infrastructure that is commensurate with the growth envisioning for the next 10 years

Enhancement of R&D environment

• Enhance the R&D environment in order to strengthen and accelerate development in new business areas such as gastrointestinal, robotics (including smart treatment) and neurovascular field in addition to the development of vascular products, which is the conventional business area

Preparation for production functions in emergency from a viewpoint of BCP

• Taking advantage of the lessons learned from the experiences of production suspension and transportation difficulties in overseas factories, install a clean room in the new building and prepare functions that can take part in production in an emergency

Reshoring of Manufacturing Spirit

- It is difficult to send domestic engineers to overseas as business trips and assignments due to COVID-19
- By installing prototype line that supports a wide variety of products and equipment that enables small-lot production and creating an environment where it is possible to experience the overseas mass production process in a simulated manner, promote the training of domestic engineers

<Summary of New Building>

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Location	3-104, etc. Akatsuki-cho, Seoto-shi, Aichi (On the premises of Asahi Intecc Global Headquarters and R&D Center)	Total floor area	16,200㎡
Structure	Heavy gauge steel structure One floor under ground and seven floors above ground	Investment amount	About 5 billion yen
Building area	2,800m [*]	Schedule of construction	January, 2022 Scheduled to start construction November, 2023 Scheduled to be completed



Land Acquisition in Osaka R&D Center / New Building Construction in Tohoku R&D Center

Osaka R&D Center

[Base of core technology development]

- Promoting the construction of new building for expanding core technology research
- By acquiring leased land, aim to further expand the R&D system

Tohoku R&D Center [Base of precision processing technology development]

- Construction of new R&D building
- Strengthening the development of mold and injection molding technology

Strengthening of core technology and precision processing technology, a source of competitiveness



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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