

# H.U. GROUP / IR DAY 2021

## **HS BUSINESS: STRATEGY AND KEY UPDATES**

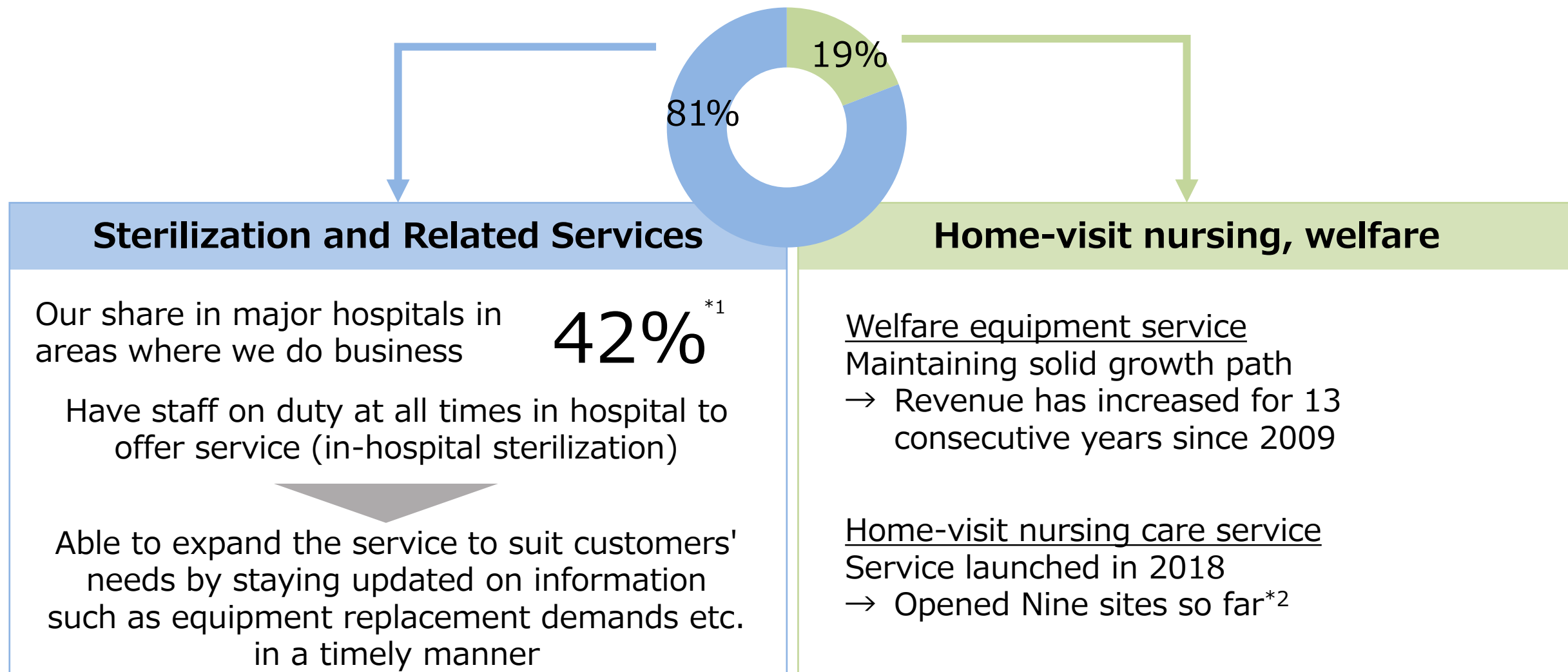
---

December 8<sup>th</sup> , 2021

Naoki Kitamura

# HS Segment Outline and Our Strength

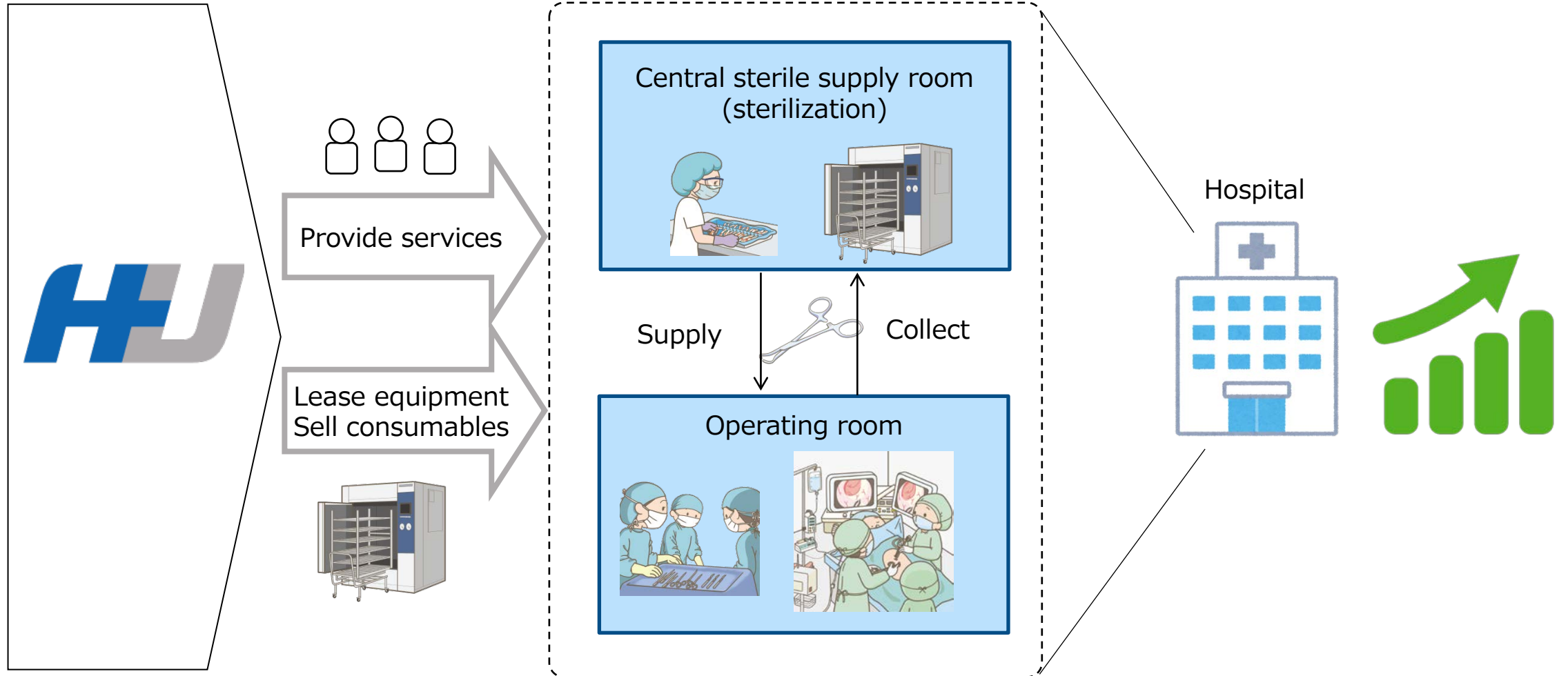
## HS segment Net Sales Breakdown for the first half of FY2021



\*1 Our share in hospitals with 500 or more beds located in any of the 25 prefectures with our footprint

\*2 As of December 2021

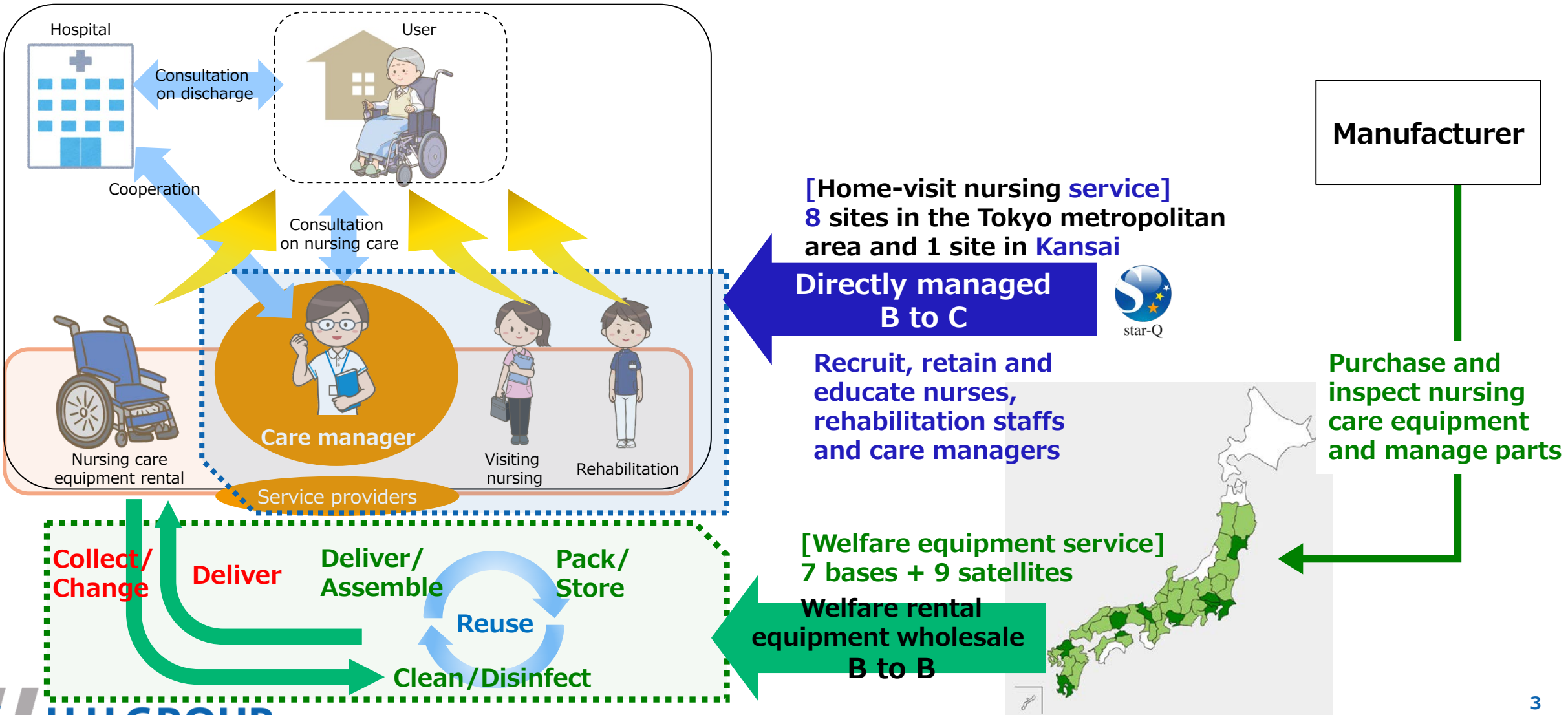
# What we do: Sterilization and Related Services



- Expand the scope of services with a focus on having staff on duty at all times in hospital to offer service  
→ Contribute to streamlining hospital management

# What we do: Home-visit Nursing, Welfare Services

Support users who needs home care services in terms of both BtoB and BtoC



# Similarities, Issues and Prerequisites for Growth

## Similarities between the two businesses

They maintain solid growth with a focus on "reuse" against the backdrop of the current demographics, medical demand and other factors

## Common issues between the two businesses

How to change and streamline the labor-intensive operations and stimulate growth?

## Prerequisites for change and growth

### **DX** Digital Transformation

Implement it in a digital-first manner to change the business process and business model



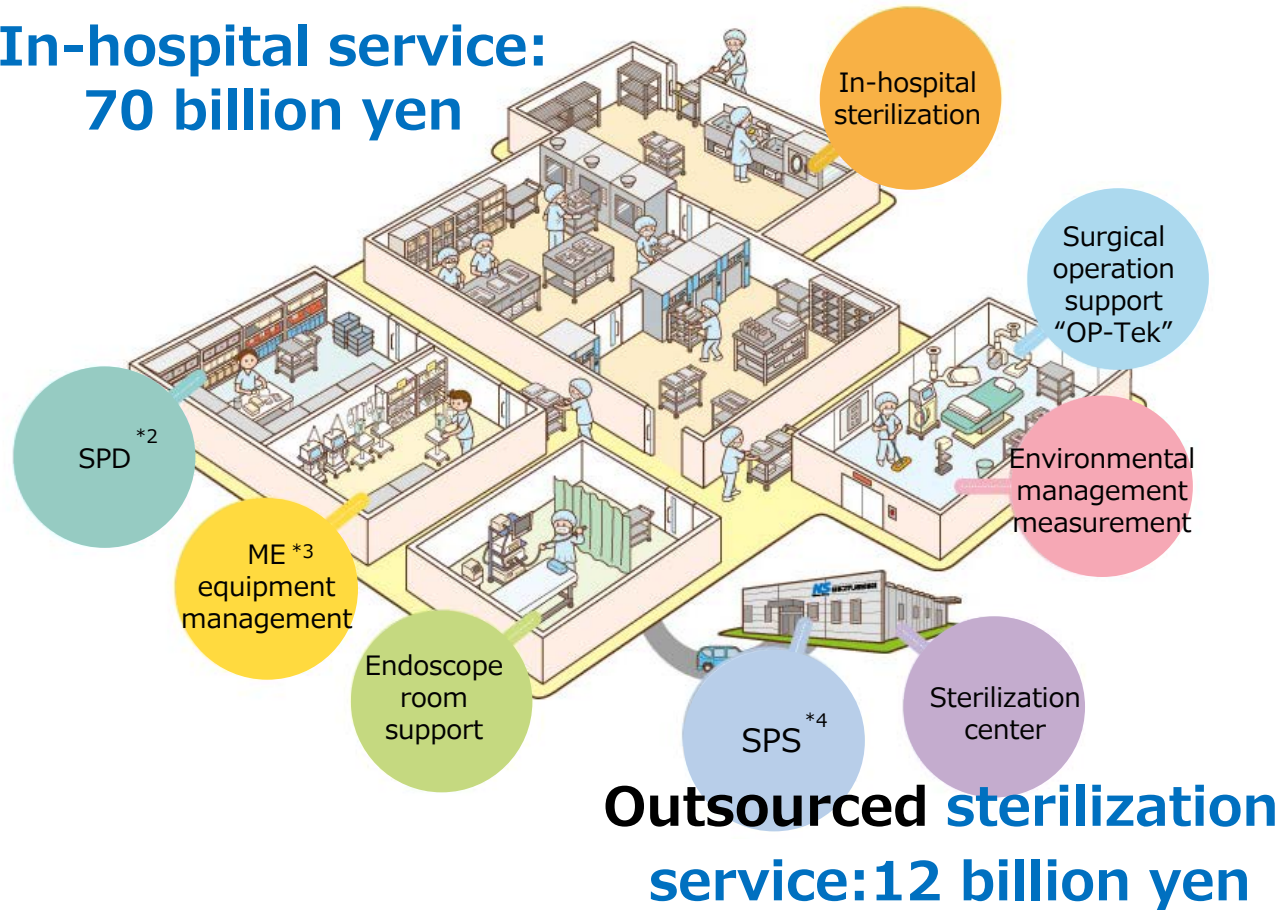
# Sterilization and Related Services

---

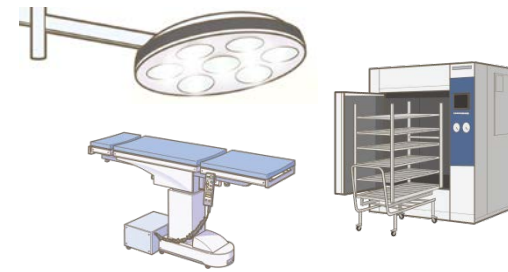
# Market Size of Sterilization and Related Services

**Total addressable market worth over 100 billion yen if related services are added to the main services and product sales**

**In-hospital service:  
70 billion yen**



**Related equipment:  
9 billion yen**



**Consumables:  
10 billion yen**



**+ α**

# Key Initiatives for Growth

## (1) In-hospital services

Areas yet to expand to

- Expansion to **Hokkaido and Tohoku area**

Areas already in service

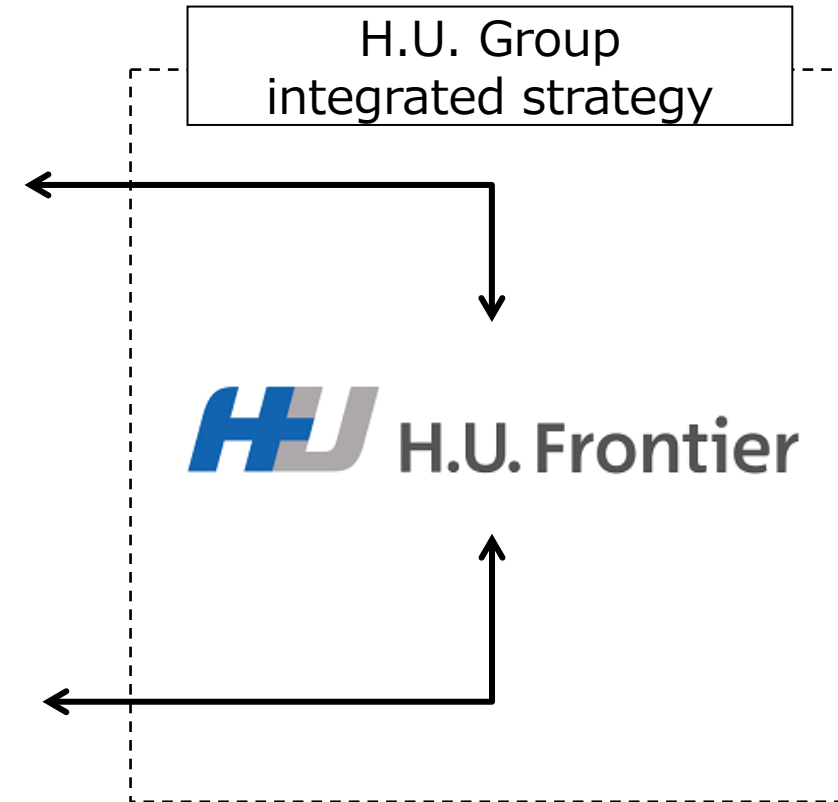
- New customers  
→ Target large-sized hospitals
- Existing customers  
→ Expand the scope of services

## (2) Outsourced sterilization services

- ✓ Suit the needs from mid-to-small sized hospitals (offer a set of sterilization + product sales + SPS\*)
- ✓ Cultivate demand for sterilization for non-medical industries

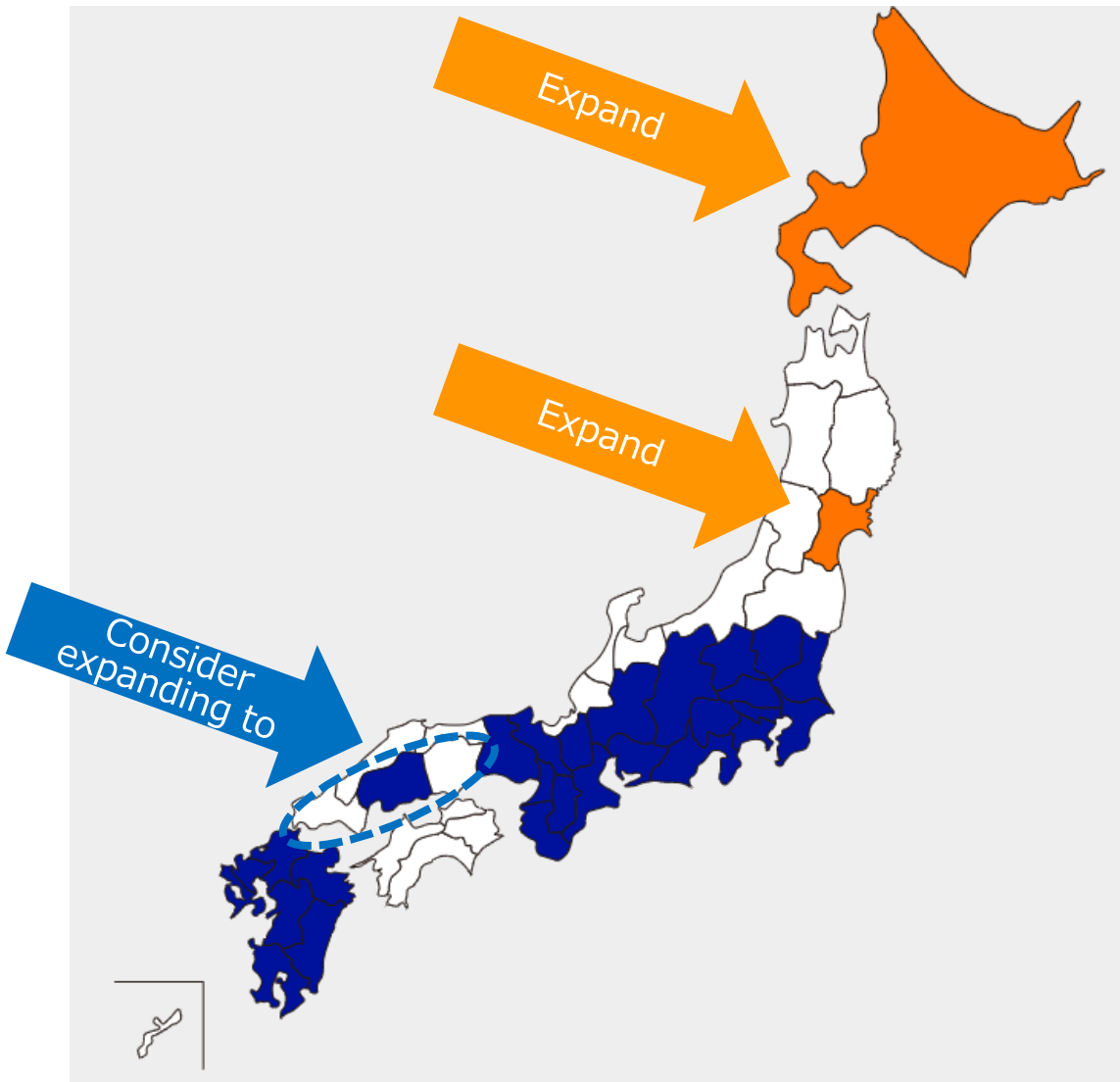
## (3) Development of new services

- ✓ Mainly expand into operating room-related services.





# (1) In-hospital Services : New Areas & New Customers



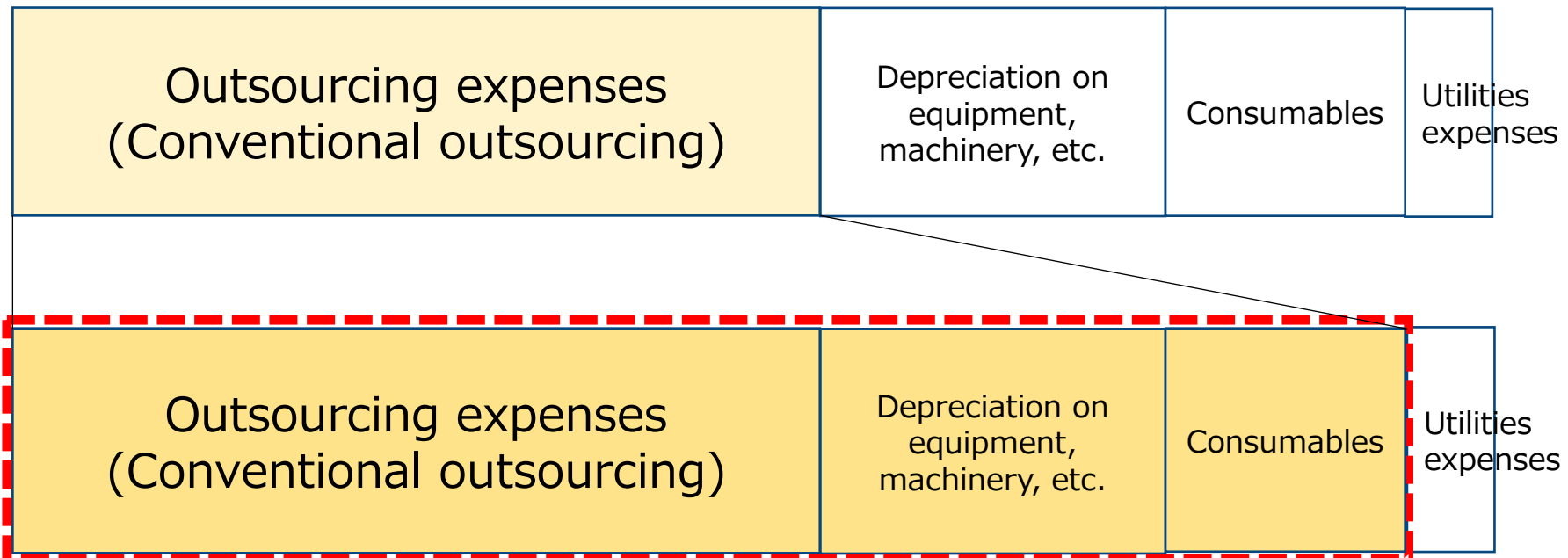
- Our share in large-sized hospitals in the areas we are already in business with  
→ **42%** (89 facilities)
  - Our share in the market including the areas we are yet to expand to
    - ✓ Large-sized hospitals with 500 or more beds (290\*<sup>1</sup> nationwide)  
→ **31%** (89 facilities)
    - ✓ Advanced treatment hospitals (87\*<sup>2</sup> nationwide)  
→ **33%** (29 facilities)
- ▼
- By expansion into Hokkaido and Tohoku, we aim to reach **40% or more** share in the total market including the areas we are yet to expand to

# (1) In-hospital Services : Existing Customers

## Service expansion

- Combine services for sterilization-related equipment, consumables and others.
- Hospitals: Reduce equipment investments and the operating costs for sterilization divisions
- H.U.: Conclude long-term agreements (single year → multi-year)

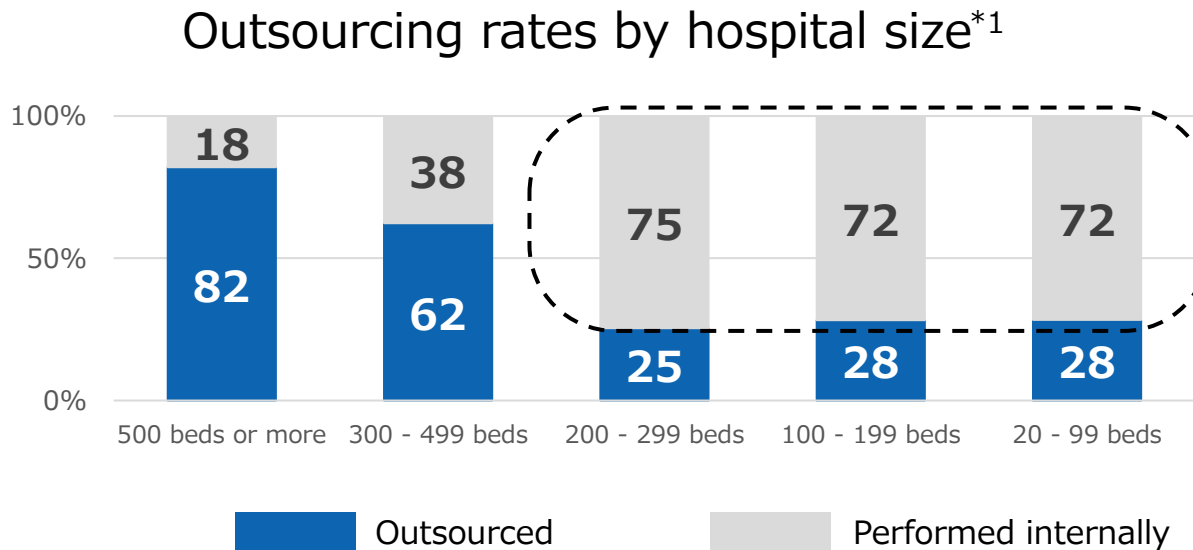
Expand the scope of provision of services within the extent that the operating cost for sterilization (central sterile supply rooms) can afford.



## (2) Outsourced Sterilization Services

### Target small-to-mid sized hospitals

- Target small-to-mid sized hospitals with lower outsourcing rates, assuming the future separation of medical functions
- Demand may rise once primary disinfection rule is deregulated.  
(Used items must be decontaminated before being carried out of the hospital)



#### Acute phase hospitals

✓ Due to concentrating of surgical operations to large-sized hospitals, the need for large-sized equipment shrinks

Needs for outsourced sterilization

#### Chronic phase hospitals

(fewer operations)

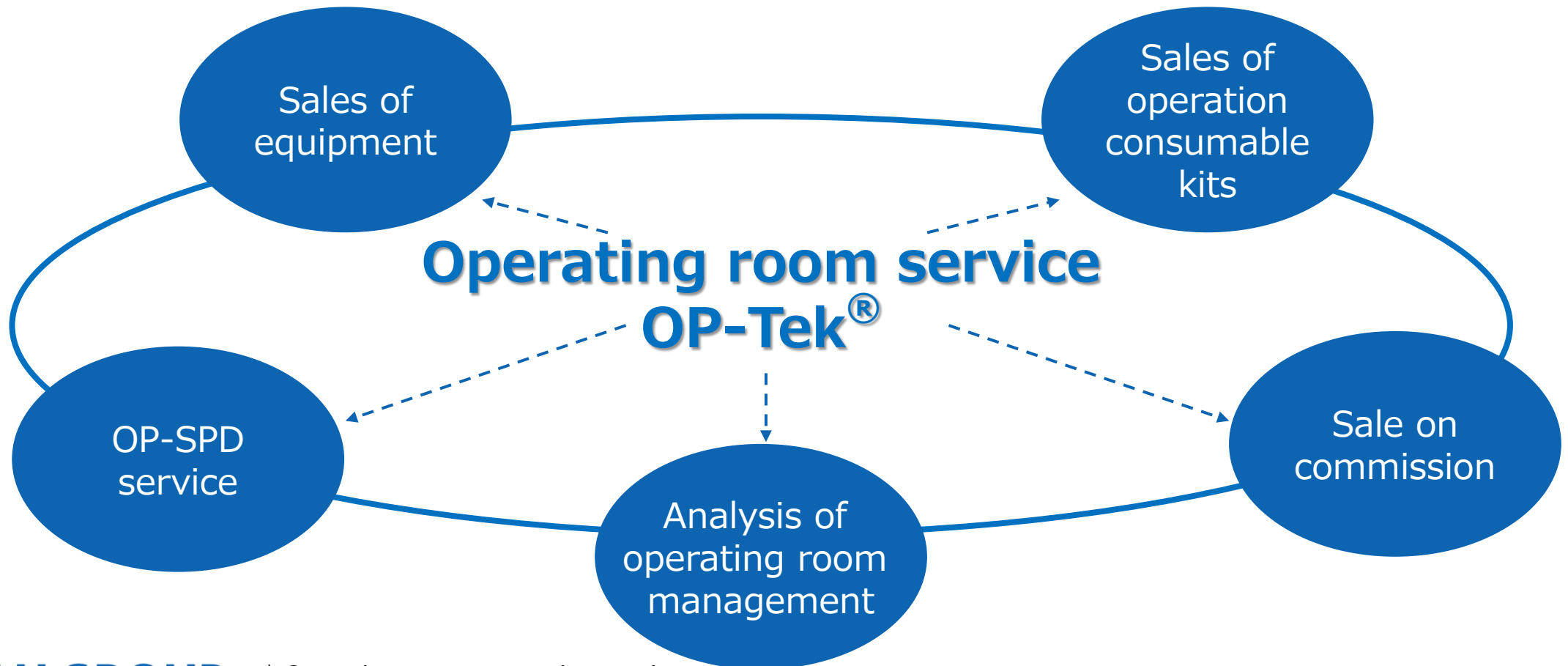
✓ Demand for out-of-hospital SPD\*2 as well as outsourced sterilization

Explore potential needs in depth

### (3) Development of New Services

#### Expand the operating room business

- Expand services with a focus on the operating room service which is already outsourced to us.
- Contribute to reduction of hospitals' initial investments and nurses' jobs.



# Home-visit nursing, welfare

---

# Market Size of Home-visit Nursing, Welfare Business

Total addressable market will sum up to one trillion yen if the rental of nursing care equipment and home-visit nursing are combined

**Rental of welfare equipment**  
**400 billion yen** \*1



Welfare equipment rental wholesale  
account for **100 billion yen**

**Home-visit nursing**  
**630 billion yen** \*2



The market expected to grow and exceed  
**750 billion yen** by 2025.

→ **Because of an increase in the elderly population, the market will keep expanding until around 2040**

\*1 Our estimation based on the monthly report on statistics about nursing care benefits, etc. issued in April 2021

\*2 Our estimation based on surveys on nursing care benefits and expenses for visiting nursing

# Key Initiatives for Growth: Welfare Equipment Service

- (1) Set up a Tokyo branch which has functions such as sales office, warehouse and maintenance base (using formerly Fujirebio's distribution warehouse)
- (2) Strengthen sales functions to acquire new clients
- (3) Aggressive investment for automation



Flow of cleaning and maintaining equipment



Fully automatic  
wheelchair  
disinfection, washing  
and drying machine



Multipurpose  
washer



Multipurpose  
drier



Fully automatic plastic  
bag sealing machine

# Key Initiatives for Growth : Home-visit Nursing Service (1)

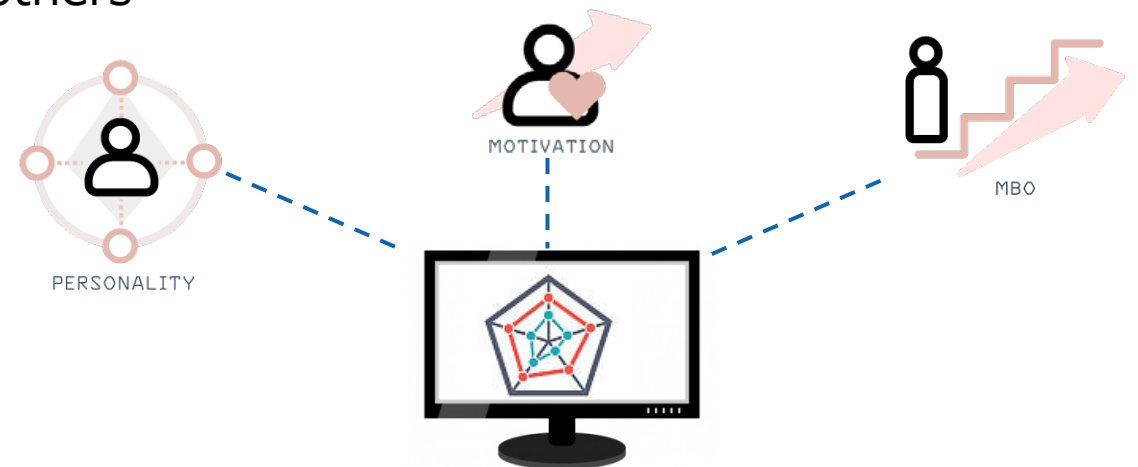
- Establish human resources management which encompasses the recruitment and education of nurses, and build regional models to facilitate regional dominance strategies

Issues in human resources management  
(recruitment - education - retention)

- Difficult to stay informed of individuals' skills and evaluation (this mainly involves the use of paper documents)
- Hard to engage and motivate staff more
- Cumbersome administrative work

Establish a shared system for talent management

Centralize the management of staff members' skills, status of their training, careers, goals and others

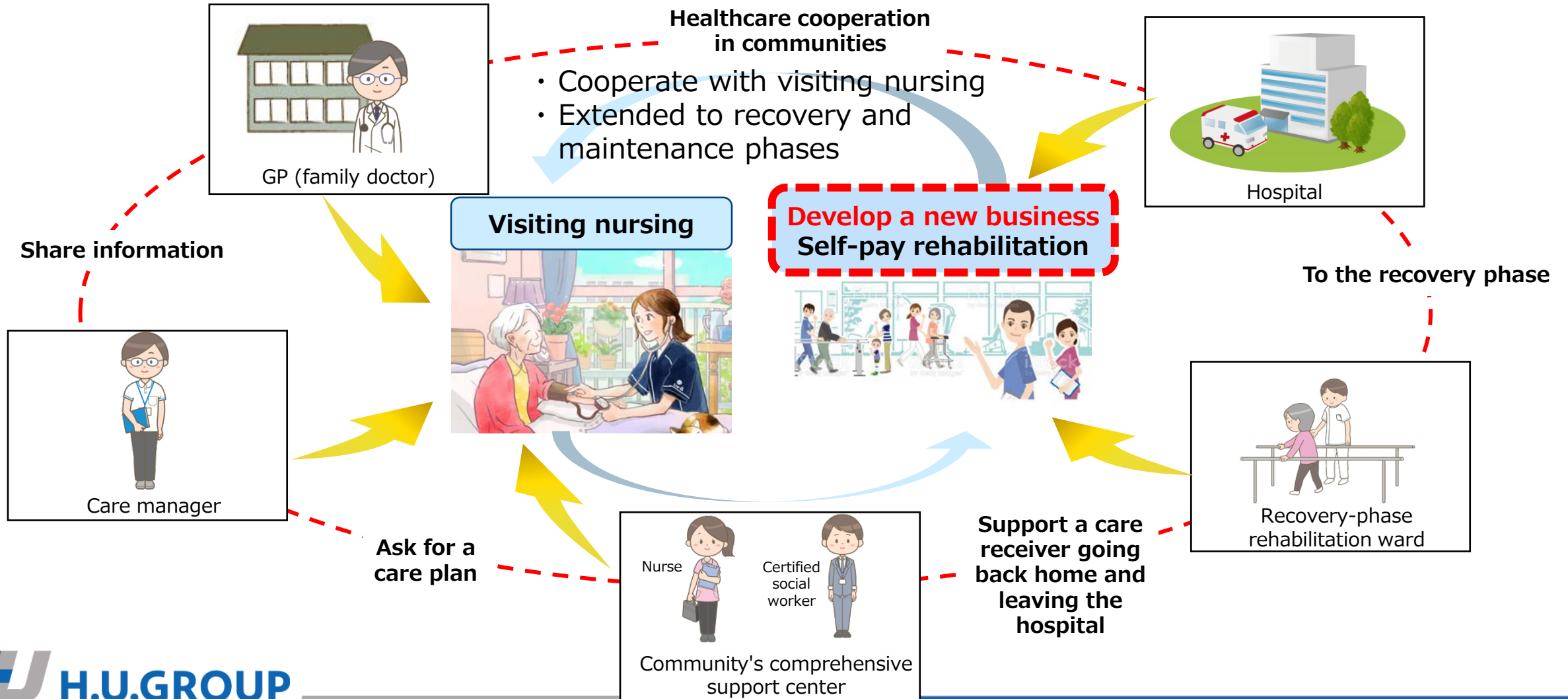


→ Deepen the **regional dominance strategies** based on the regional models established (and proactively consider alliance with other players)



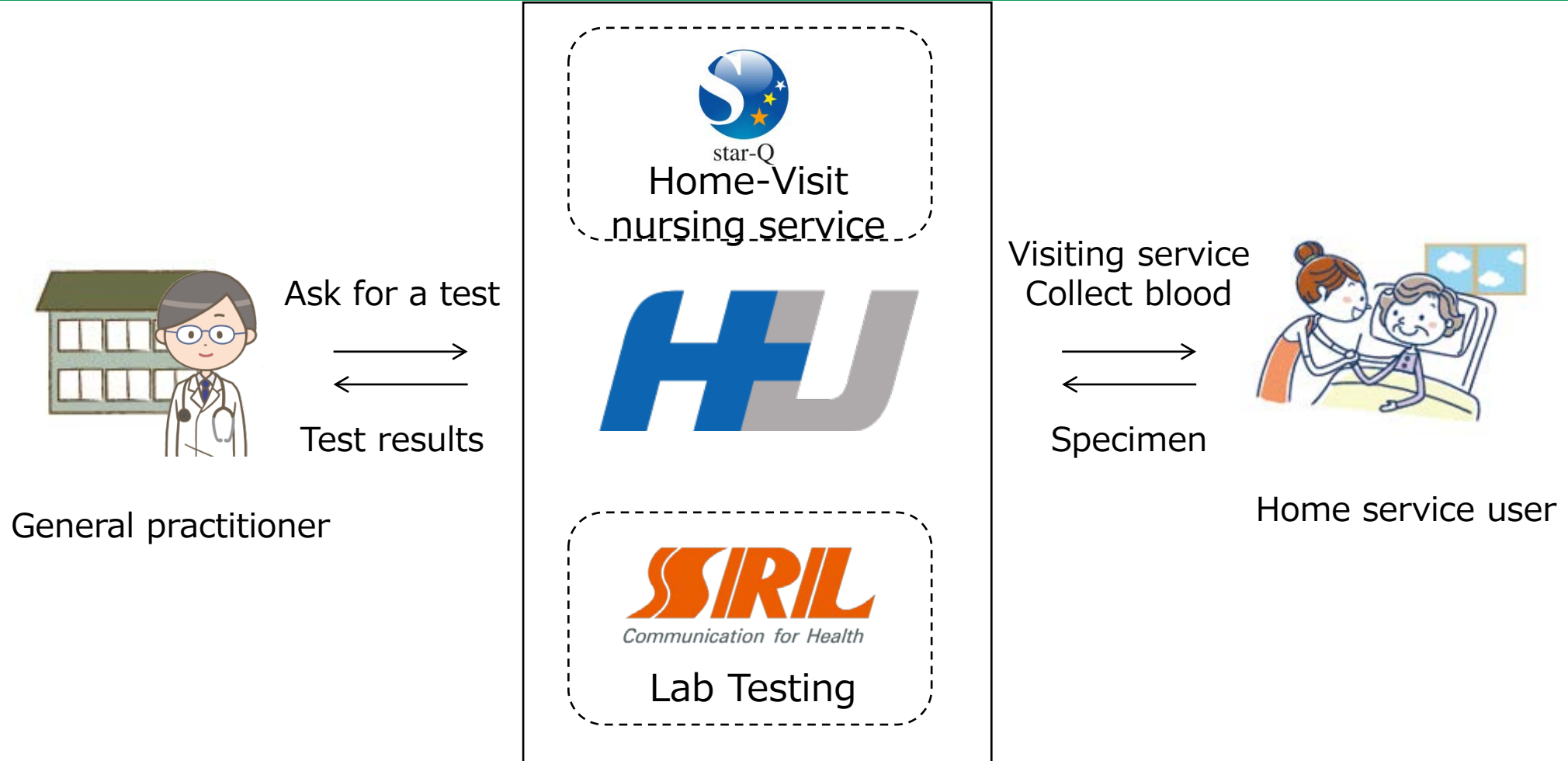
# Key Initiatives for Growth : Home-visit Nursing Service (2)

- Enter the market of self-pay rehabilitation in pursuit of seamless cooperation between nursing and rehabilitation
  - Provide rehabilitation services free from insurance restrictions (in terms of frequency, period and degree)



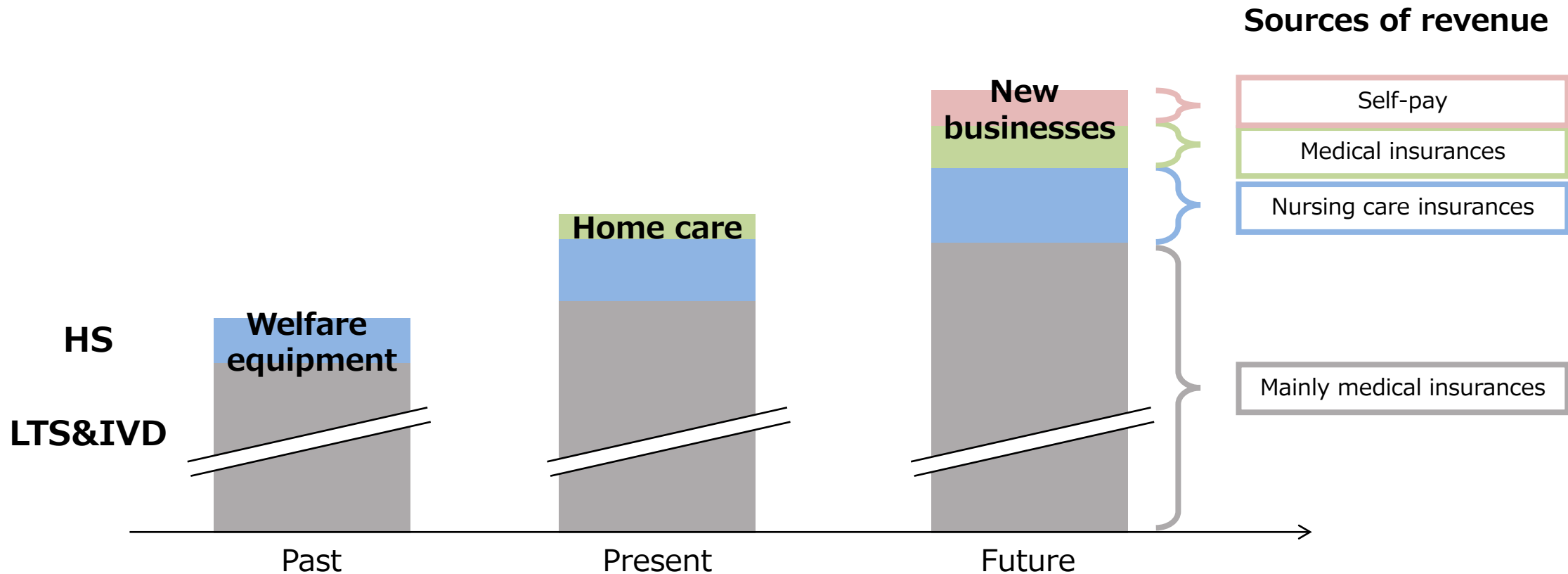
# Key Initiatives for Growth : Home-visit Nursing Service (3)

- Visiting Blood Collection service: This service has been made possible by cooperation with our LTS business



# Future Outlook of Home-Visit Nursing, Welfare Business

- The services will be expanded from nursing care to healthcare and to self-pay care
- Diversifying the sources of revenue for further growth



# Promotion of DX

---

# Introduce Video Manuals and Cloud-based Video Recording

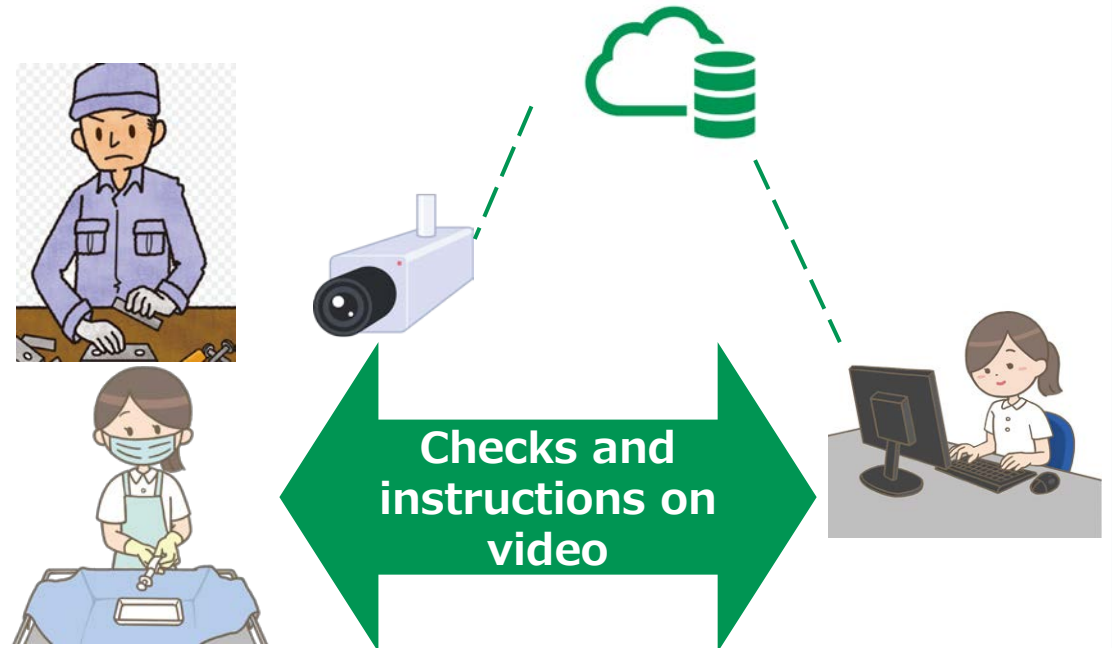
## Introduction of video manuals

- ✓ Use videos and other means to standardize and visualize the knowhow and knowledge dependent on individuals' skills  
→ Make them intangible assets
- ✓ Facilitate new employee training at worksites  
→ Man-hours in on-the-job training can be reduced



## Introduction of cloud-based video recording

- ✓ Makes it possible to check practice and give instructions on a remote basis  
→ In the future, the video analysis should lead to improvements in work



# Example of a New DX-based Business Model

- ✓ Build an OMO model and deploy DX to rehabilitation and enhance comprehensive service offering

## Online instructions in training

- Individualized teaching online
- Release videos of voluntary training
- Record of meals and activities
- Training recording system (game-like elements)



## Facility service

- Physical function test
- Manual therapy by a professional therapist
- Rehabilitation equipment available only at dedicated facilities
- Chance to get to know an insurance service

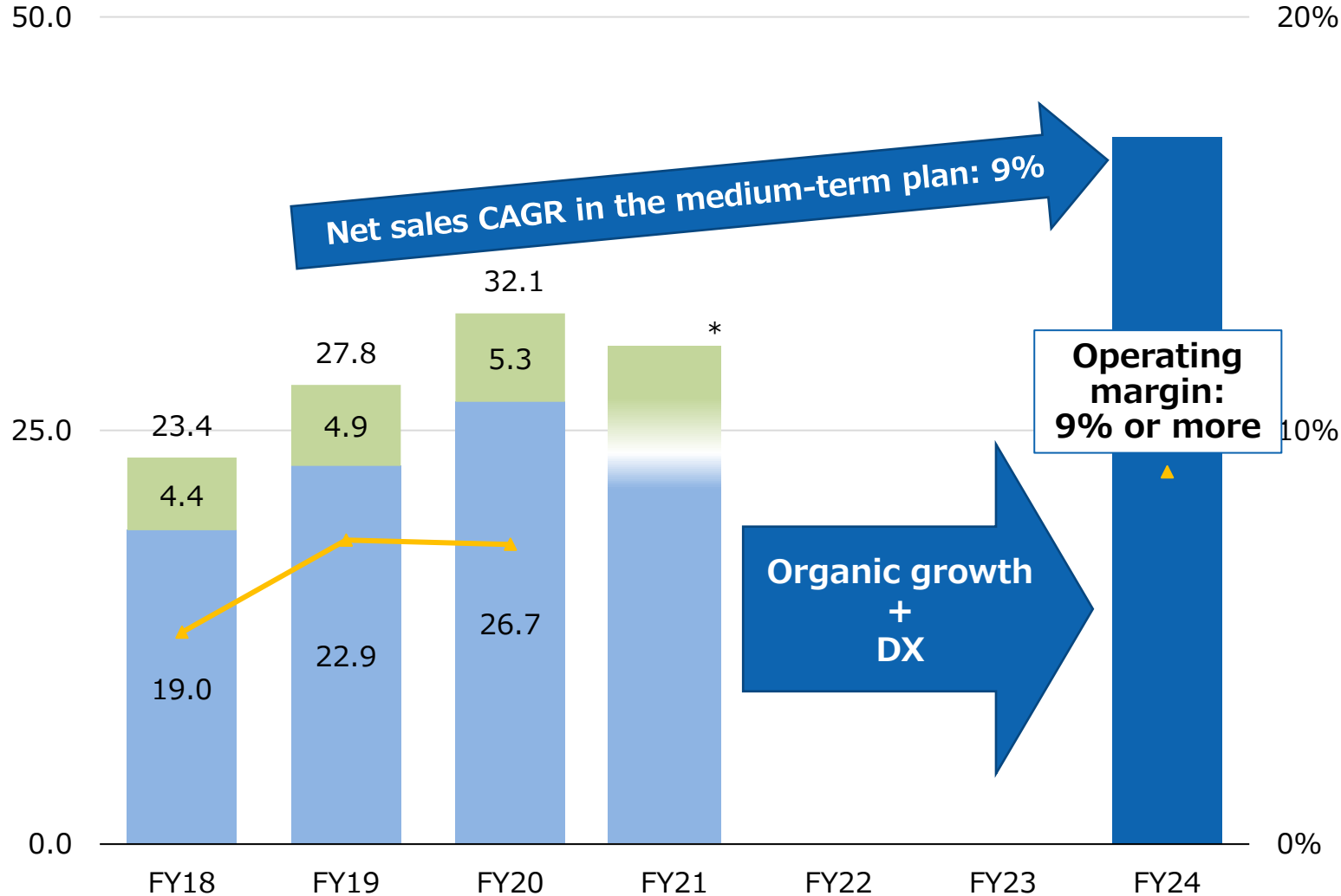


**One Merges with One**

# In Closing

(Sales: Billion yen)

(Operating margin: %)



Become the  
third pillar of  
the H.U. Group

■ Sterilization and Related Services   
 ■ Home-visit nursing, welfare   
 ▲ Operating margin

\* Including impact from the adaption of revenue recognition criteria