

# H.U. GROUP / IR DAY 2021

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

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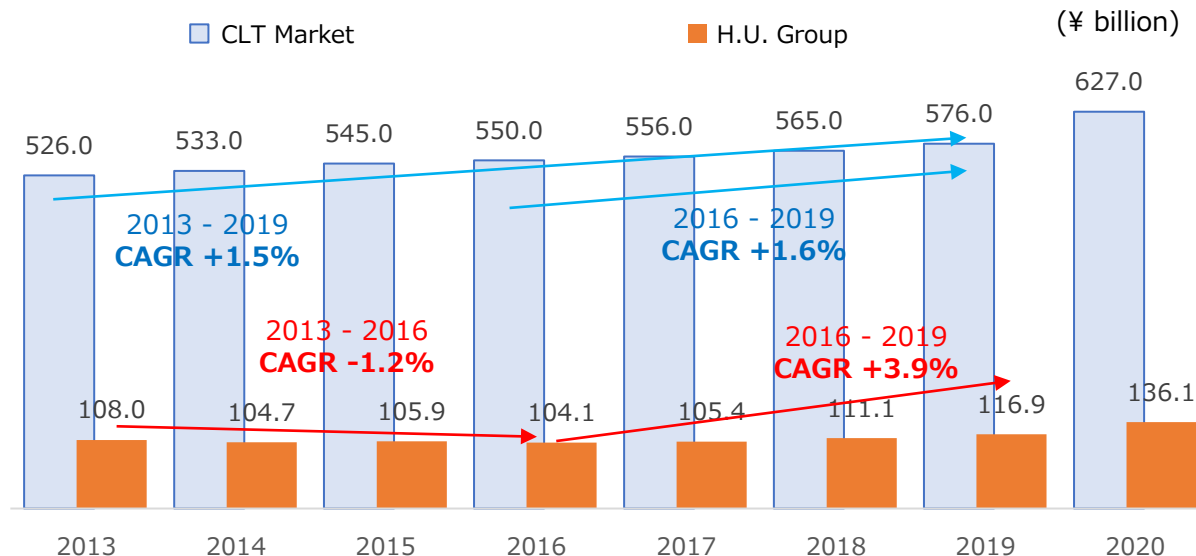
December 8<sup>th</sup>, 2021

Shunichi Higashi

# Business Environment of Domestic CLT Market

- H.U. Group exceeded the market growth at the pace of CAGR 3.9% (2016-2019) under the saturated market condition
- In 2020, COVID-19 uplifted the market, however the market continues to face challenges from medical environment changes

## Trend of Domestic CLT Market



Source: Yano Research Institute Ltd. *Clinical Laboratory Center Directory 2021*

# Business Environment Trends and Outlook

## Trends and Outlook

Japan's declining birth rate and aging population  
(Shrinking working age population)

Advances in cutting-edge healthcare technologies

Deterioration of public finance

Advances in IT technology

- Cutting-edge healthcare will be prioritized despite growing healthcare costs  
→ Specimen testing market is unlikely to grow substantially

- In the CLT market, there will still be downward pressure on prices  
→ Business survival will be difficult with a labor-intensive-type business model

- Reorganization of hospital wards will accelerate  
→ Fewer number of acute wards makes this environment more severe  
Shift to general practitioner/care at home

- Advances in integrated community healthcare
- Further creation of networks in the healthcare/nursing care/health sectors

## Our business direction

Lab reorganization and automation  
Optimization of logistics

Advanced medical fields  
(cancer genome/  
regenerative medicine)

Comprehensive service toward hospitals nationwide  
(LTS + IVD + sterilization)

GP market expansion  
+ digital solutions

Land and expand in preventive healthcare domain and community healthcare zones

# Medium-term Growth Strategies in LTS Business

## Lab reorganization and regional optimization nationwide

- Improve cost competitiveness and quality through the consolidation and automation of testing and build optimal lab network

## Optimization of logistics

- Collaborate with MEDIPAL HD by developing joint collection and distribution system

## Contribution to advanced medical fields

- Expand testing services in advanced medical fields (cancer genome, etc.)
- Create business opportunities through test development by Group companies

## Integration of Sales Forces

- H.U. Group integrated proposals/hybrid proposals
- Regional strategies and channel strategies

## Promotion of Healthcare × ICT

- Develop digital-based healthcare support services
- Focus on community healthcare demand

## Expansion of customer base/testing services

- Expand medical examination/preventive business
- Expand food and environmental testing business

**Medium-term Goal**  
**Solve medical and healthcare issues facing society through LTS business**  
**~ significant and sustainable growth~**

## **FY2024 targets**

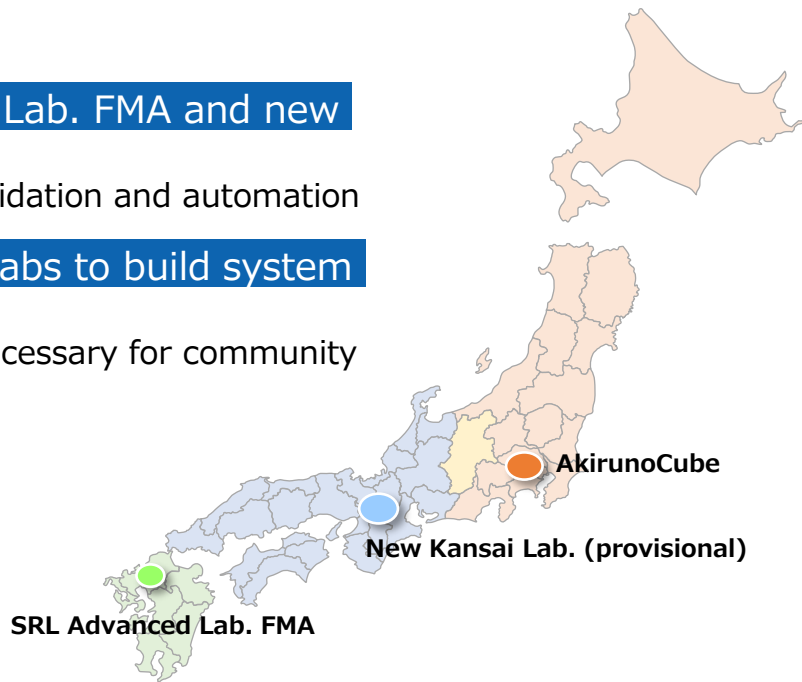
- Net sales CAGR: 6% or more
- EBITDA margin: 17% or more
- OP margin: 9% or more

# Reorganization and Regional Optimization of Labs Nationwide

Adapting to changes in the business environment, by optimizing testing system to meet community medical demand and also seeking to improve cost competitiveness and quality through consolidation and automation of testing at AkirunoCube, SRL Advanced Lab. FMA\* and the new Kansai Lab

## Basic Approach

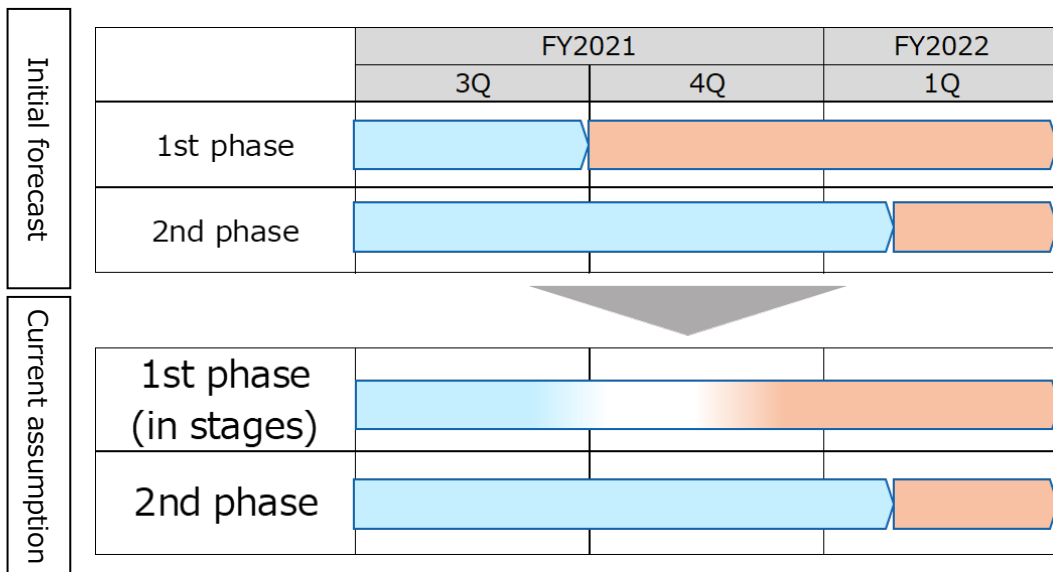
- Consolidate testing at AkirunoCube, SRL Advanced Lab. FMA and new Kansai Lab  
→ Improve cost competitiveness and quality through consolidation and automation
- Establish regional STAT (Short Turn Around Time) labs to build system which meets emergency testing needs  
→ Develop and thoroughly streamline the lab capabilities necessary for community healthcare
- Strengthen alliances with medical associations and small- to mid-sized testing centers  
→ Contribute to community healthcare through the development of healthcare networks with GP customers



# Launch of AkirunoCube

- After the 1st phase launches in January, operation will be expanded in stages
- Full operation of the 2nd phase will begin in May as planned
- FY2021 costs related to launch of AkirunoCube is also unchanged from initial forecast (offset by additional costs and expense timing)
- Total CAPEX for this project is unchanged as well

## Schedule



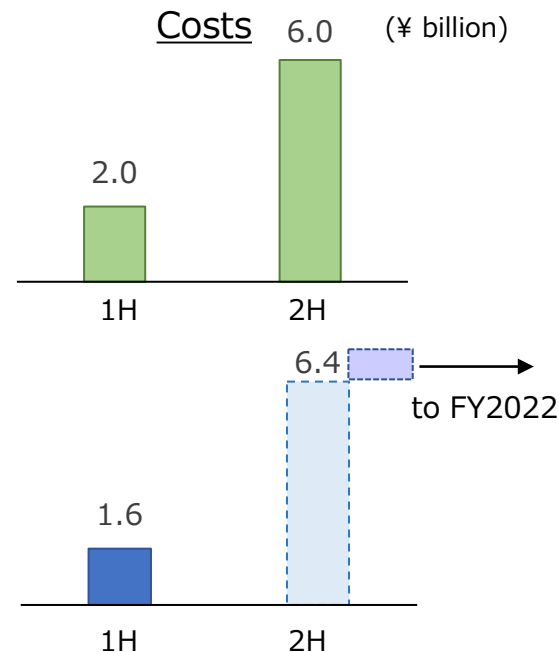
Validation period



In operation



## Costs



# Reorganization and Regional Optimization of Labs Nationwide (Example: establishment of SRL Advanced Lab. FMA)

Established SRL Advanced Lab. FMA in March 2020 through the integration of former SRL Fukuoka Laboratory and Fukuoka city Medical Association Testing Center. Improved customer services and also increased efficiency in terms of capabilities and cost



Fukuoka city Medical Association Testing Center  
(Fukuoka city/Sawara ward) (managed under contract)

## Integration of two labs

SRL Fukuoka Laboratory  
(Onojo city) (independently  
owned and managed lab)



- Creation of speedy testing system and enhancement of the variation test items
- Over 150,000 tests per day
- Automatic conveyance line has maximum length of 35 meters (one of largest in Western Japan)

Advanced Lab. FMA

Esoteric specimen will  
be sent to AkirunoCube

Build testing network with **ALF** as the core lab in Kyushu  
Provide regionally optimized testing system

● STAT lab

75 HC reduction as a result of streamlining

→ Seeking further post-merger synergies  
(Information system and logistics integration)

\* Compared with end of March 2019

# Improvement in Efficiency of Collection and Logistics (Alliance with MEDIPAL HD)

MEDIPAL HD and H.U. Group HD signed an agreement on the formation of a strategic business alliance in June 2020 aimed at leveraging the resources and capabilities of the two companies to optimize logistics

Sharing of warehouse infrastructure

Shift to online orders

Shared logistics

Current status

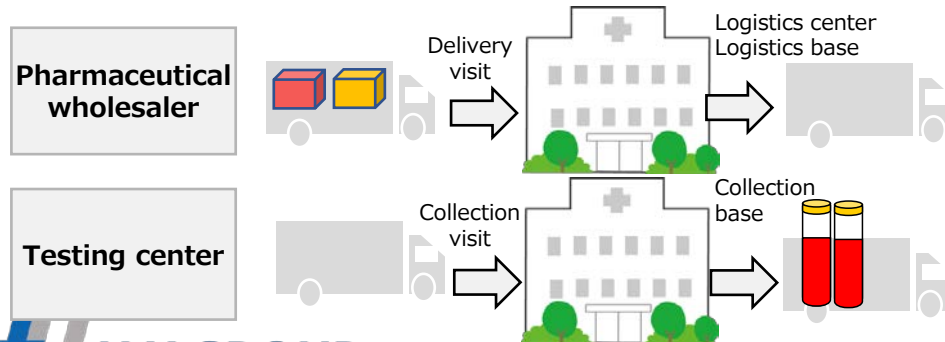
Transfer of warehouses nationwide will be completed by the end of the third quarter of FY21

Announced to SRL customers nationwide

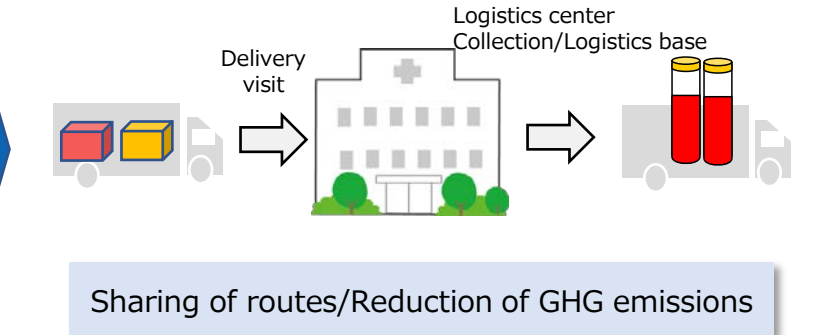
Discussions for feasibility study are ongoing

## Illustration of shared logistics

Before



After





# Growth Strategies in Advanced medical Domains

Genomic medicine is an area being championed by government and further promotion of whole genome sequencing has been announced and benefits for patients are anticipated. Continue efforts to expand testing services based on accurate assessment of government moves

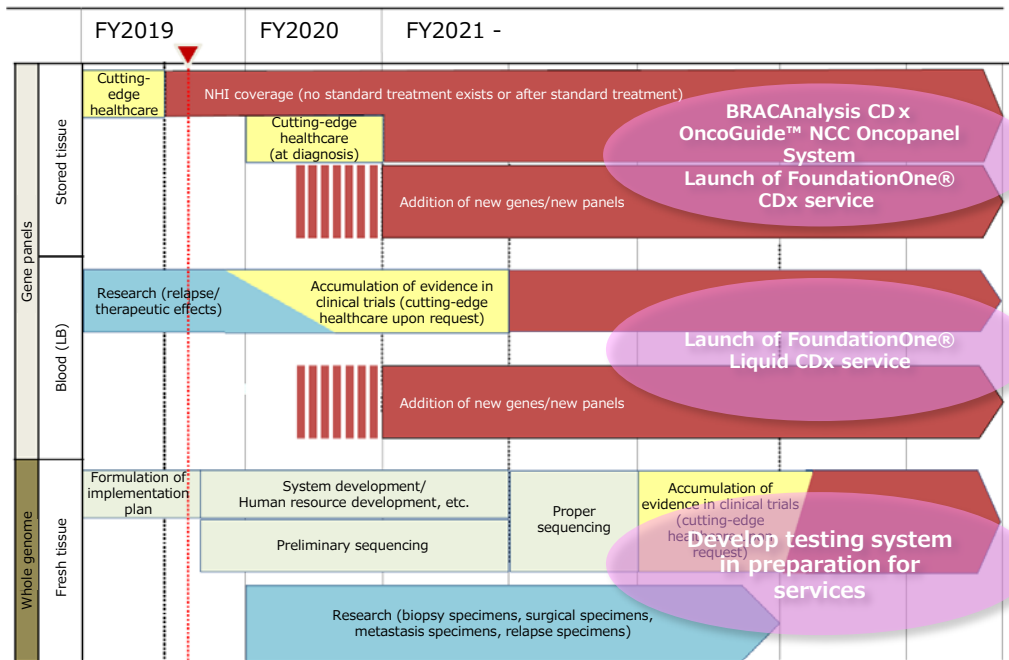
## Concentrate on advanced medical fields with high levels of healthcare demand

- There are high hopes for genomic medicine, not only in terms of patient returns but also in terms of research and drug discovery
- It is a field in which the speed of implementation in line with the work schedule is required and, knowledge, experience, technology and IT flexibility is also needed

## Optimization of product strategy

- It is important to assess product properties to enable provision of the optimal products at the optimal time
- Create a product portfolio in a multi-faceted manner, incorporating in-house production and outsourcing depending on the scale of revenue and profitability

Trend towards promotion of genomic medicine (projection)



Taken from Ministry of Health, Labour and Welfare materials for "Health, Medical Care and Nursing Care" meeting (7th meeting) of Council on Investments for the Future/Council for Advancing Structural Reform

# Our Whole Genome Sequencing Capabilities and Track Record

We're supporting whole genome analysis project in quality assurance system of genome analysis using Next Generation Sequencer (NGS)

## Establishment of analyzing system



Newly placed NGS at AkirunoCube for WGS

## Whole genome analysis project won by H.U. Group subsidiaries

領域	AMED 公募研究開発課題	研究代表者・分担研究者	所属	解析企業
1-7	患者還元	上野貴之 部長	がん研究会 有明病院	株式会社 Cancer Precision Medicine
1-7	患者還元	浦上研一 副所長・部長	県立静岡がんセンター	* エスアールエル・静岡がんセンター共同検査機構株式会社
1-7	患者還元	山本昇 副院長・科長	国立がん研究センター	タカラバイオ株式会社
1-7	患者還元	山本昇 副院長・科長	国立がん研究センター	* 株式会社エスアールエル
1-8	消化器がん	柴田龍弘 教授	東京大学/国立がん研究センター	* 株式会社エスアールエル
	分担：消化器がん	谷内田真一 教授	大阪大学	* 株式会社エスアールエル
	分担：消化器がん	渡邊雅之 先生	がん研究会 有明病院	株式会社 Cancer Precision Medicine
	分担：消化器がん	石川俊平 教授	東京大学	株式会社iLAC
	分担：消化器がん	三森功士 先生	九州大学	Genomedica 株式会社
1-9	血液がん	南谷泰仁 特定准教授	京都大学	* 株式会社エスアールエル
	血液がん	南谷泰仁 特定准教授	京都大学	タカラバイオ株式会社
1-10	小児がん	加藤元博 教授	東京大学	* 株式会社エスアールエル
		"	"	タカラバイオ株式会社
		"	"	株式会社 理研ジェネシス
1-11	希少がん	松田浩一 教授	東京大学	タカラバイオ株式会社
	分担：希少がん	鈴木啓道 分野長	国立がん研究センター	* 株式会社エスアールエル
	分担：希少がん	谷内田真一 教授	大阪大学	* 株式会社エスアールエル
	分担：希少がん	小笠原辰樹 先生	京都大学	タカラバイオ株式会社
1-12	婦人科がん	森誠一 先生	がん研究会 有明病院	株式会社 Cancer Precision Medicine
1-13	呼吸器がん	河野隆志 分野長	国立がん研究センター	タカラバイオ株式会社
			がん研究会 有明病院	株式会社 Cancer Precision Medicine
		藤井陽一 先生	京都大学	タカラバイオ株式会社

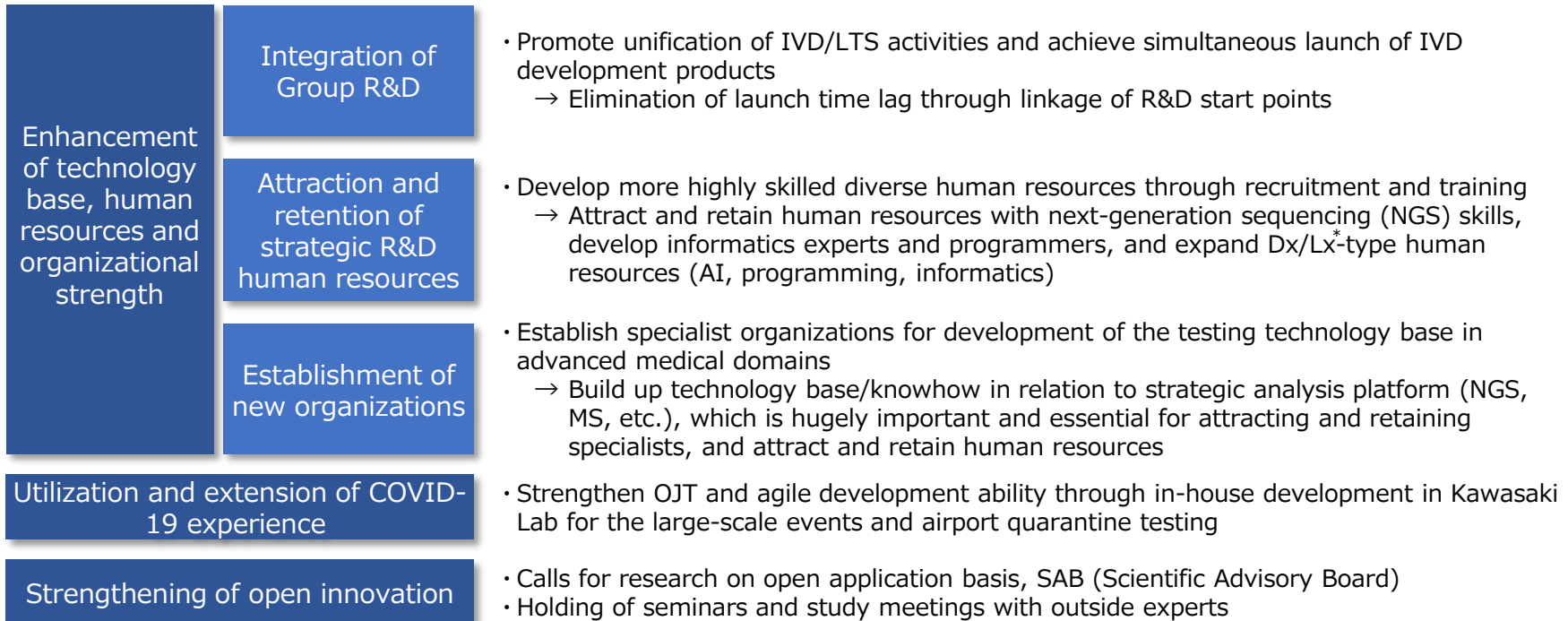
\*H.U. subsidiaries

List only in Japanese

<https://www.mhlw.go.jp/content/10901000/000855706.pdf>

# Our Initiatives for Advanced Healthcare and Technological Innovation

We continue focusing on maintaining and improving technological strength and organizational strength to enable adaptation to future advances in healthcare technology and rapidly changing external environment. Through this initiatives, we have a demonstrated track record of uniting as a Group during the COVID-19 crisis.



Integrated the sales organizations of the subsidiaries into H.U. Frontier (HUF) in October 2021 to further unify the Group sales system

Expanding H.U. Group's lineup of products and proposed services to accelerate sales growth



# Implementation of Integrated Group Sales

Accelerating growth through integrated Group strategy which combine H.U. Frontier, H.U. Research Institute, Ishinban, etc., based on reliable assessment of changes in the environment and customers needs

## Initiatives for sales growth

### H.U. Group integrated proposals

- ✓ Upselling measures combining IVD×LTS×HS

### Advanced medical domains

- ✓ Cancer genome sequencing, whole genome sequencing

### Healthcare x ICT

- ✓ Differentiation through E's Assist and WithWellness app

### Upselling by goods sales business

- ✓ POCT, instruments, reagents

+

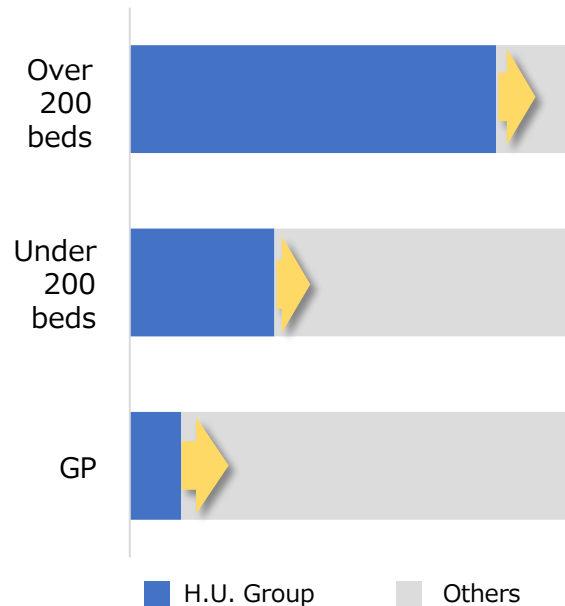
Response to  
Covid-19 →

- Expansion of existing business
- Creation of new pitching opportunities

- Expansion of hospital market
- Cultivation of local core hospitals

- Expansion of GP market
- Capturing of community healthcare demand

## Estimated market share of H.U. Group\*



\* Based on internal data

# Promotion of Healthcare x ICT

Expand WithWellness users by leveraging test data digital integration platform and "connecting" patient information at every stage from prevention to medical care and nursing care. Use of ICT services benefits medical institutions in both operational efficiency improvement and patient acquisition

## Patient

- |                         |  |
|-------------------------|--|
| Local government        | 1. MyNumber/Maternal and Child Health Handbook |
| Insured person          | 2. Lifestyle disease prevention app            |
| Workplace               | 3. Medical data management                     |
| Patient himself/herself | 4. Wearable (vital signs)                      |

Integration



## Clinic

- |                                |
|--------------------------------|
| 1. PHR integration (test data) |
| 2. Arrangement of appointments |
| 3. Medical questionnaire       |
| 4. Diagnostic support (AI)     |

Integration



PHR

Chooses medical institution which "connects"

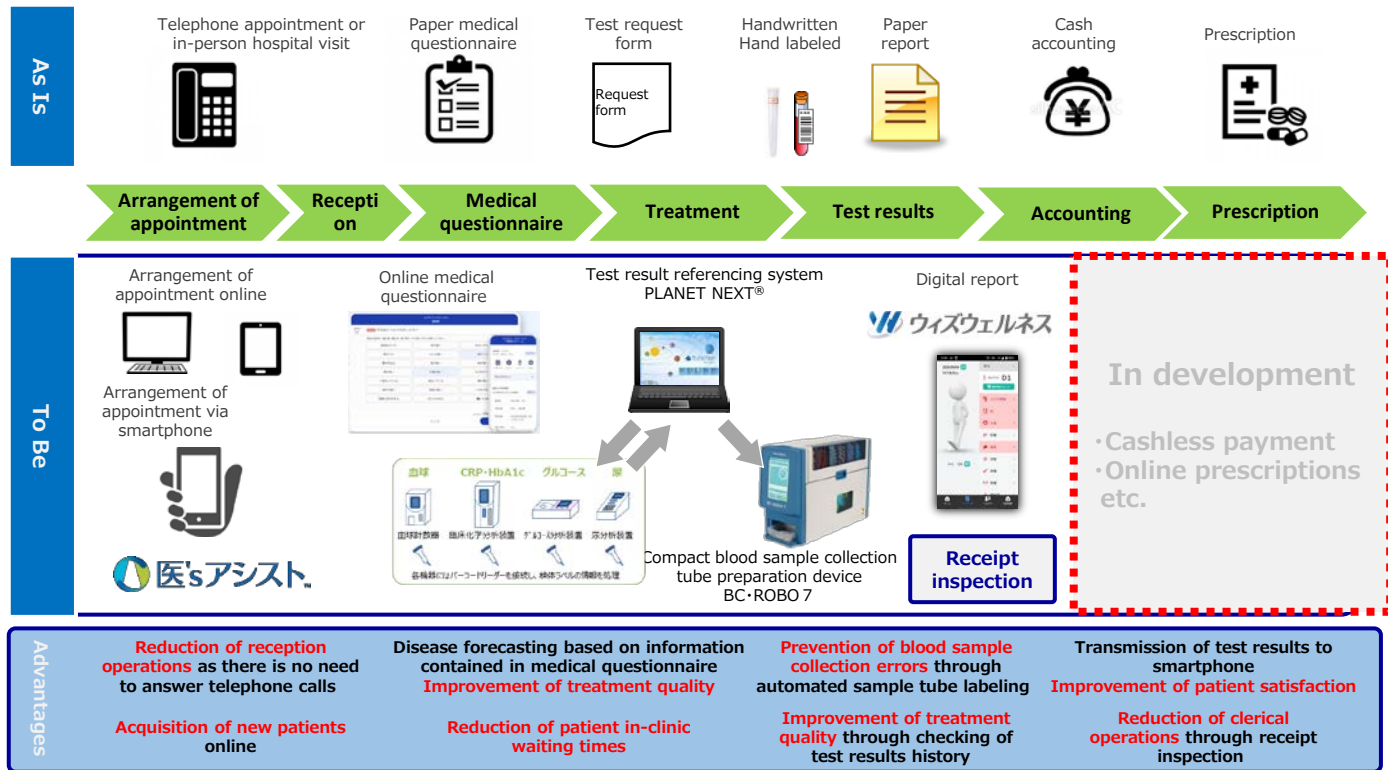
Expansion of GP customers through differentiation

EMR

Chosen by local residents

# Improvement of Efficiency through Cooperation of E's Assist and WithWellness

**E's Assist** is a system which provides medical institutions with operating support. **WithWellness** is an app which enables patients to carry around their medical data and test results with them. Contributing to improvement in treatment quality, efficiency and convenience through integration of H.U. Group's ICT services



One-stop solution covering every stage from arranging appointment to referencing test results