

Q&A Highlights: H.U. Group IR Day 2022 HS Segment

Date: December 9, 2022

Q-1

- The synergies between SRL and Fujirebio have not attracted much attention so far, even though they have been part of the same group for some time, what is the reason? Also, how effective are they currently?

A-1

- In the past, each company had its own sales targets, which were not group-oriented but rather individually optimized. However, as current CEO Takeuchi pursues synergies, he has promoted initiatives to gradually eliminate vertical organization, which has made it easier to cooperate within the group.
- Currently, we are especially proposing to each other's existing clients.
- There are significant group synergies in entering new areas as a HS business. The reason why HS is able to acquire customers in Hokkaido and Tohoku where they had not yet entered in a short period of time was because SRL and Fujirebio have already developed their business networks and built the foundation.

Q-2

- I have the impression that amid rising labor costs, you are pulling back from the labor-intensive business, such as central supply room. Should we expect that future sales to remain flat and profit margins to improve?

A-2

- Rather than withdrawing existing sterilization business, we will review contracts and make price negotiation to secure profits.
- At the same time, we will promote DX (digital transformation) to eliminate manual works and labor-intensive tasks and allocate the freed-up resources to highly profitable and specialized businesses related to operating rooms to generate sales and profits.
- In addition to this, we will expand the recurring business and products/consumables sales.
- As a conclusion, focusing on the existing core business, we will expand to other businesses surrounding sterilization, while making negotiations to ensure profitability, rather than backing out.

Q-3

- I would like to know more about progress of new business development and future prospects of HS business.

A-3

- In the business environment facing labor shortage and fierce competition, we will achieve a profit-oriented and sustainable business by switching third-party hired temporary employees to direct employment part-timers.
- Also, we aim to expand the recurring business linked with DX and services to the operating room and its related services.