

## **Q&A Highlights: H.U. Group IR Day 2022 LTS Segment**

Date: December 9, 2022

Q-1

- Your CAGR to date is 4 percent. What are your efforts to achieve medium-term goal of 6 percent?

A-1

- First of all, in terms of the market environment, we believe that the treatment strategies of core hospitals with 300 or more beds, which are our main customers, are changing and they are becoming more matched to personalized medicine. In other words, the genome fields including genomic testing for cancer, which is one of our growth drivers, is expected to expand along with the development of personalized medicine. We will firmly grasp the needs of such changes in treatment strategies and link them to our growth.
- In addition, as a strategy to increase hospital customers, we will further expand the market for on-site business through comprehensive proposals that combine IVD, LTS, and HS. Currently, cases acquired through group proposals are increasing.
- On the other hand, with regard to general practitioners, Japanese government is focusing on popularization of family doctor system. The number of general practitioners is increasing, and we will accelerate our efforts to attract more general practitioners by proposing ICT tools to local medical associations that can differentiate us from our competitors, especially in large and medium-sized cities such as the Kanto, Kansai regions and Fukuoka, where there is large demand for medical services.

Q-2

- Please tell us about the difficulties you faced in setting up the new central lab and what are the features that other companies can't imitate.

A-2

- The hardest part was to consolidate the Hachioji Laboratories, which had been scattered in five locations, into one site. We think it is worth noting that the various certifications and accreditations for testing quality were obtained in Akiruno as well, while maintaining the same level at Hachioji Laboratories.
- Full operation of automated line on the first floor is also a challenge, but we are

currently working to bring the quality closer to 100 percent. For example, there are various types of specimen tubes, and we are trying to fully automate the process of sorting them, which used to be done manually. In addition, we are also aiming to automate various checking process such as whether sample volume is sufficient or not, the status of coagulation, and other properties. These quality improvements are taking time, and the verification is being conducted repeatedly on an ongoing basis.

Q-3

- From the beginning, you said "processing capacity of up to 300,000 IDs per day." Can you give us an idea of the number of specimens testing conducted by "AkirunoCube" as well as the number of specimens nationwide?

A-3

- First, the number of IDs is not equal to the number of specimens; one ID can be two or three in one requisition. We use a factor of 1.5 to 2, so even 300,000 IDs can be 600,000 specimens.
- In the past, Hachioji handled 140,000 to 150,000 IDs on a typical day.
- While there are about 200,000 IDs handled nationwide per day.

Q-4

- Please tell us about the growth of your base business, as COVID-19 has made it difficult to see growth.

A-3

- The base business, excluding COVID-19-related sales, has grown at a CAGR of more than 4 percent since the first half of FY 2019.

Q-5

- The lab probably has a headcount of about 700, how much can this be reduced? Also, what current stage of the reduction?

A-5

- In terms of staffing system, we hope to reduce by about 40 percent through the automation of testing system at the Akiruno Lab's reception process.
- At the present time, we are operating in parallel with Hachioji Laboratories and have not yet seen any major changes.