Healthcare Business Strategy

Healthcare & Service Business Unit

Koji Nagatomi
Healthcare Market in Asia

Accelerating growth unaffected by economic conditions

<table>
<thead>
<tr>
<th>Population Growth</th>
<th>Income Growth</th>
<th>Aging Population</th>
<th>Changes in Disease Patterns</th>
</tr>
</thead>
</table>

Growth of Asia’s healthcare spending

(Source) OECD, World Bank, Mitsui's forecasts

**Growth of Asia’s healthcare spending (USD bil)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East Asia + China + India</td>
<td>710</td>
<td>3,100</td>
</tr>
</tbody>
</table>

*Source: OECD, World Bank, Mitsui’s forecasts*
Healthcare Market in Asia

Significant shortage of hospitals (no. of beds)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD Average</td>
<td>4.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.9</td>
</tr>
<tr>
<td>India</td>
<td>0.7</td>
</tr>
<tr>
<td>China</td>
<td>2.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.8</td>
</tr>
</tbody>
</table>

(Source) METI, Government of Singapore, World Bank, OECD
Hospital Business Management in Asia

Management Structure

- Challenge/Lever ① Increasing Revenue (unit price x no. of patients)
- Challenge/Lever ② Optimizing Cost
- Challenge/Lever ③ M&A · Increasing No. of Beds

Increased volume and quality of care
Maximized value of medical services

Problems can be solved utilizing business knowhow

Doctors

Strategic problem solving from a management perspective

Trust and expectations

Patients

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Mitsui’s Resources in Hospital Business

Progress in management participation and expansion of human resources

1. **Platform**
   - Developing a large and strong platform by participating in management of hospital businesses, such as IHH.

2. **Professionals**
   - Expanding human resource including industry experts and professional managers.

3. **Network**
   - Connection with industry experts, increasing new business opportunities.

Understand the key success factor of hospital business and acquire the position to proactively pull the lever to increase business value

※Refer to appendix for company summaries
IHH as Core Platform

IHH (Fortis included) Data

Presence in 12 countries
Malaysia, Turkey, Singapore, India, Brunei, Holland, Bulgaria, Macedonia, UAE, China (including HK), Mauritius, Sri Lanka

Total no. of hospital beds 15,000 beds

※Comparison between listed private hospitals in Asia (based on proprietary research)
Track Record in Hospital Business ①

【Our focus since initial investment in 2011】
- Formulating a growth strategy
- Supporting geographical expansion
- Formulating and executing capital strategies
- Strengthening IHH’s management base

EBITDA has increased 3X within 7 years after joining the management of IHH

【Progress of IHH’s EBITDA】

- 2011/12: 218 USD mil
- 2018/12: 613 USD mil

3,500 beds (16 Hospitals)
Over 15,000 beds (83 Hospitals)

Equity Participation
Became the Largest Shareholder
Track Record in Hospital Business ②

Columbia Asia
A hospital group targeting middle-income patients

- Developing a management structure
- Formulating strategy to increase revenue (unit price × no. of patients)
- Optimizing cost
- Strengthening PDCA cycle management

EBITDA increased 3X within 3 years of participation

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【Our focus since initial investment in 2016】
- Developing a management structure
- Formulating strategy to increase revenue (unit price × no. of patients)
- Optimizing cost
- Strengthening PDCA cycle management

【Progress of CLA’s EBITDA】

<table>
<thead>
<tr>
<th>Year</th>
<th>Beds</th>
<th>Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/3</td>
<td>2,300</td>
<td>27</td>
</tr>
<tr>
<td>2019/3</td>
<td>2,600</td>
<td>28</td>
</tr>
</tbody>
</table>

EBITDA increased 3X within 3 years of participation

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Growth strategies centered on the hospital business

- Identify demand-driven business opportunities through participation in hospital business which is a “place” representing a miniature version of the healthcare industry
- Leverage neutrality as a trading company and take an active position in multiple businesses

Regional expansion
China and India

Functional expansion
Business spin-out

New business expansion
Leverage data
Growth Strategy 1. Expansion into China and India

- Growth of healthcare spending in China and India
  (Unit: US$ bn)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>560</td>
<td>50</td>
</tr>
<tr>
<td>China</td>
<td>1,900</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>480</td>
<td></td>
</tr>
</tbody>
</table>

- Platform expansion through acquisition of Fortis and its PMI
- New partner strategy

- Expanding business through IHH
- Entered into a MOU with China Resources Enterprise, one of China’s largest companies

- New partner strategy through IHH

- Entered into a MOU with China Resources Enterprise, one of China’s largest companies

- [IHH’s geographical presence]
  - Bohai Bay Economic Rim Zone (Beijing and others)
  - Central China (includes Chengdu)
  - Pearl River Delta (includes Hong Kong)
  - Yangtze River Delta (includes Shanghai)
  - Northern region (includes New Delhi)
  - Eastern region (includes Calcutta)
  - Western Region (includes Mumbai)
  - Southern region (includes Bengaluru)

(Source) OECD, World Bank, Mitsui’s forecasts
Growth Strategy 2. Business spin-out

- Strengthening and expanding ancillary businesses of hospitals
- Promoting further growth through appropriately timed spin-outs
Growth Strategy 3. Leveraging medical data

◆ Build a medical data platform centered on IHH and leverage such data

Strengths of IHH

<table>
<thead>
<tr>
<th>Volume of Data</th>
<th>Value of Data</th>
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<tbody>
<tr>
<td>Approx. 600,000 inpatients and approx. 6 mil outpatients per annum.</td>
<td>Enhance operational efficiency and improve quality of care</td>
</tr>
</tbody>
</table>

Vision

Asia’s Largest Medical Data Platform
Quantitative goals and action plans

【Changes in Mitsui’s equity proportional EBITDA of hospitals and ancillary businesses】
(Not including new investments)

(Unit: ¥bn)

<table>
<thead>
<tr>
<th></th>
<th>FY19/3 Actual</th>
<th>FY 20/3 Plan</th>
<th>FY 23/3 estimate</th>
<th>FY 28/3 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Mitsui's</td>
<td>22.0</td>
<td>38.0</td>
<td>59.0</td>
<td></td>
</tr>
<tr>
<td>EBITDA of hospitals</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>and ancillary</td>
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</tr>
<tr>
<td>businesses</td>
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<tr>
<td>(Not including new</td>
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<tr>
<td>investments)</td>
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</tbody>
</table>

CAGR 16%

Expansion of business base
(Asia)

(China, India)

Improving margin of existing businesses through
business integration ・ PMI

Spin-out of ancillary businesses

Business expansion through
creation of data platforms
360° business innovation.
Appendix

◆ Main equity affiliates

**IHH Healthcare Bhd. (IHH)**

IHH is one of Asia’s largest private hospital groups operating a total of 83 hospitals and providing approx. 15,000 hospital beds. Its corporate umbrella includes Singapore and Turkey’s largest private hospital groups Parkway and Acibadem, as well as Pantai and Fortis which are the second largest private hospital groups in Malaysia and India respectively. Mitsui owns 32.9% of the group as of FY 3/19 period end.

**DaVita Care**

DaVita Care operates dialysis clinics in China and South East Asia. The group aims to expand and improve the quality of medical services in Asia by applying what DaVita as the largest dialysis clinic group in the US learned through its operations. Mitsui owns 20.0% as of FY3/19 period end.

**PHC**

PHC is a healthcare company with leading market shares in multiple segments including blood glucose monitoring devices (largest in Japan; third largest globally); electronic medical recording devices (largest in Japan); pharmaceutical refrigerators for research institutions (largest in Japan; second largest globally) and has presence and a distribution network in over 125 countries around the globe. Mitsui owns 21.8% as of FY 3/19 period end.

**Columbia Asia**

Columbia Asia is a hospital group providing high quality medical services to the middle-income population in Asia where rapid growth is anticipated. The group provides approx. 2,600 hospital beds to patients in 28 hospitals and 1 clinic. Mitsui owns 26.1% as of FY 19/3 period end.