

# Japan Hospital Insights Survey Findings

## Summary materials

June 2025

These materials are intended to supplement a discussion with L.E.K. Consulting. These perspectives will, therefore, only be meaningful to those in attendance. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.



## Every year, L.E.K. surveys several hundred hospitals across the APAC region to understand their priorities and support medtech companies making key decisions

L.E.K. conducts an annual survey of several hundred decision-makers at key hospitals in the APAC region, including Japan, to better understand how key strategic priorities and purchasing behaviors are shifting

The survey addresses issues relating to the financial outlook of hospitals, top operating priorities in the next few years, the impact of digitalization on hospitals and their relationships with healthcare companies

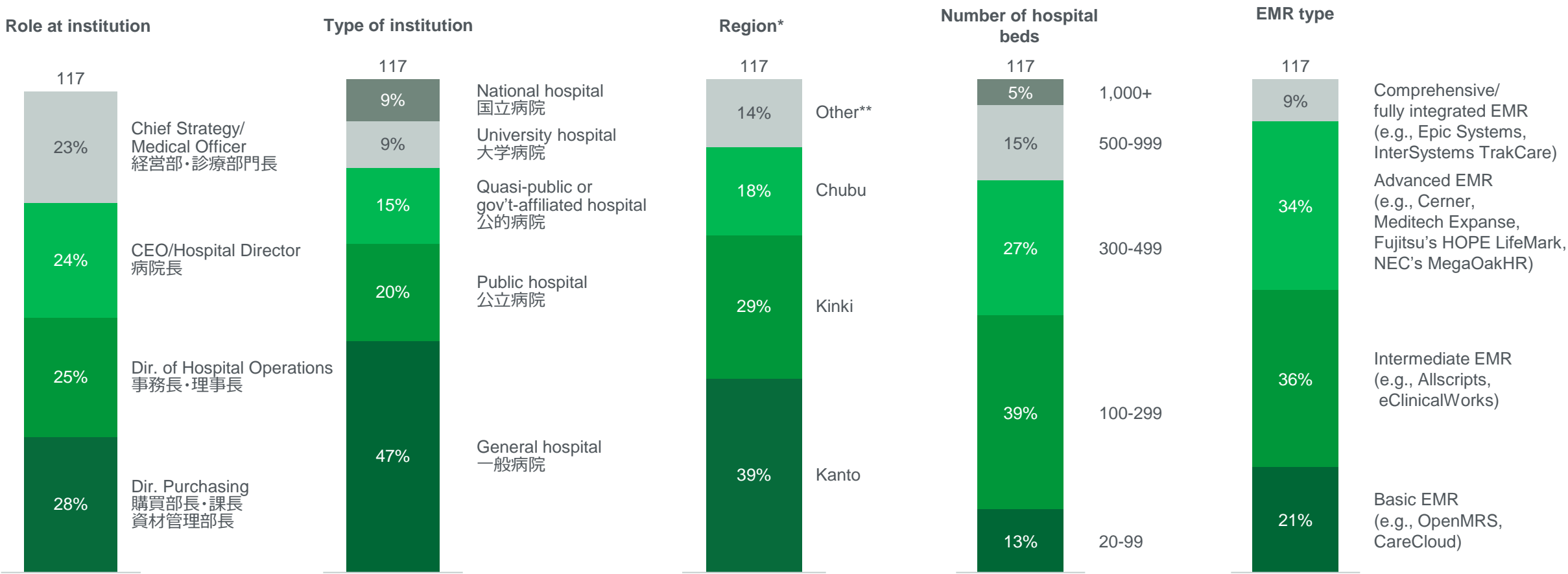


The insights gleaned from these surveys enable healthcare companies to make informed decisions, including:

- Which stakeholders to engage and how
- How to tailor their product and service value propositions to address hospitals' priorities
- How to leverage digital channel? and enhance their service offerings/engagement models

# L.E.K.'s 2025 hospital priorities survey included directors across hospital types, sizes and locations

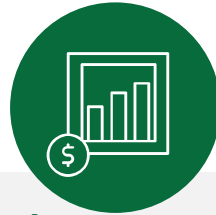
L.E.K. hospital priorities Japan survey respondent mix  
Percentage of respondents (N=117)



\* One expert reported more than 1 location of institution; \*\*Includes: Tohoku, Chugoku, Shikoku, Kyushu, Okinawa  
Source: L.E.K. 2025 APAC Hospital Priorities Survey



# Cost control remains a primary concern for hospitals in Japan; hospitals show strong focus on cost reduction in medical supplies and retention of clinical staff, with emerging interest in digital solutions



## Financial situation and outlook

- More than 60% of Japan's hospitals operate in the red, with profitability further deteriorating during the pandemic, particularly in acute care hospitals
- While budget structures are broadly similar across hospitals, smaller facilities face heavier clinical staff cost burdens
  - Larger hospitals are more inclined to increase spending in the next 12 months, especially on capex and medical supplies
- Larger hospitals are more optimistic about future profitability: 70% of those with 300+ beds expect EBITDA margins above 10%, versus less than 40% of smaller hospitals



## Strategic priorities

- Cost control, care standardization and workforce retention are key priorities
  - While larger hospitals prioritize digital investment and operational efficiency, smaller ones place greater emphasis on reducing medical supply costs
- Physician workstyle reform is progressing faster at larger hospitals, though they face challenges around solutions and know-how
- Digital health is broadly expected to improve care quality and efficiency, yet adoption is hindered by talent shortages and weak IT infrastructure

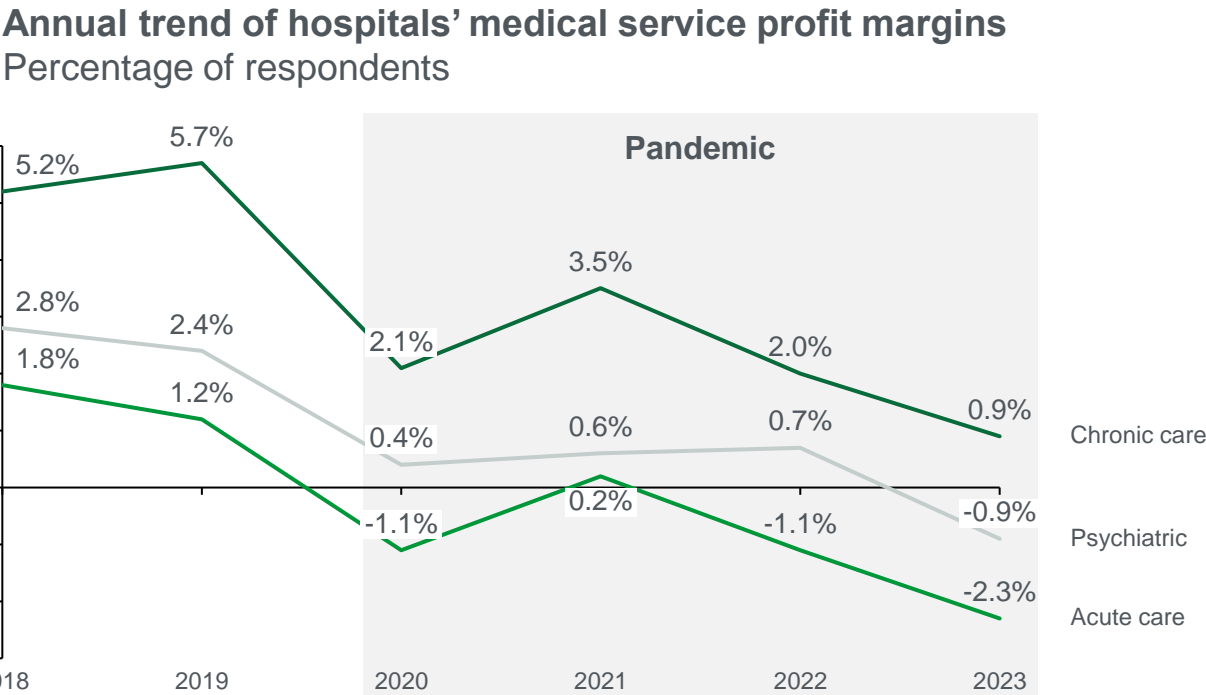
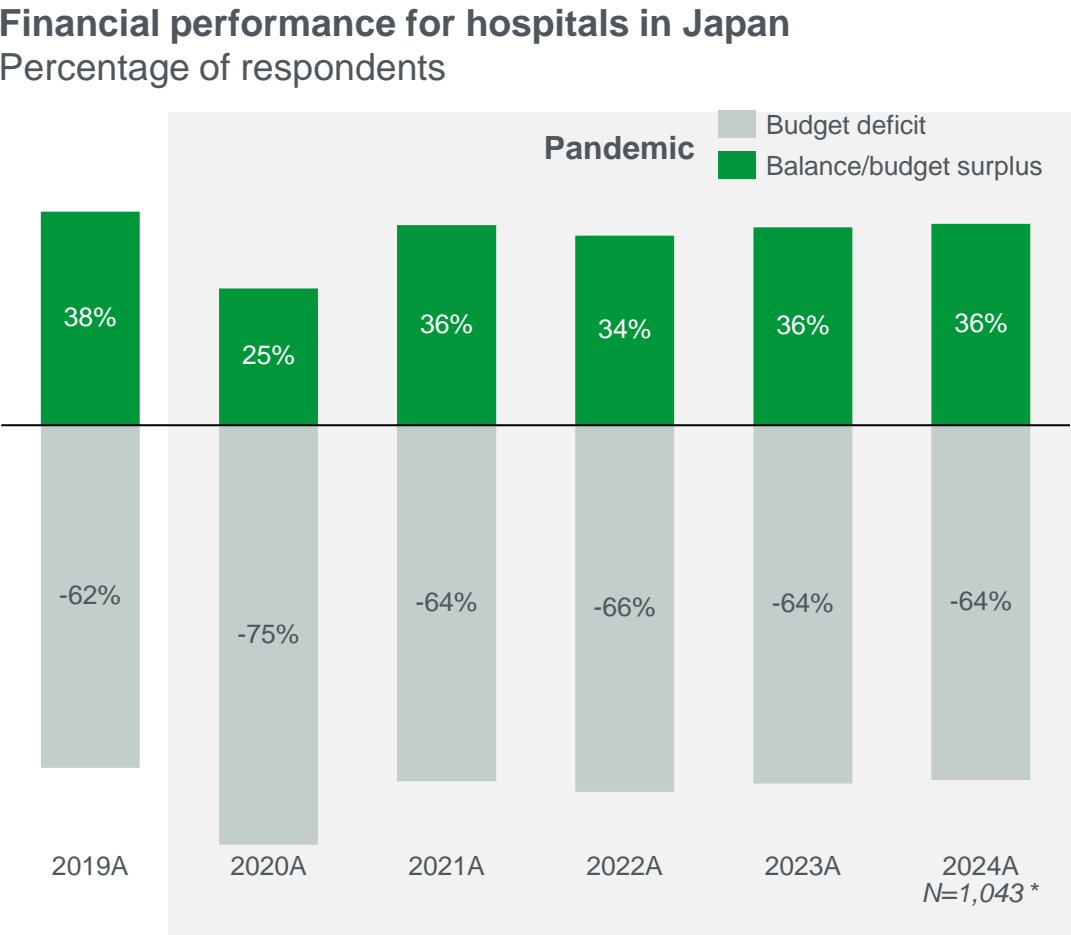


## Equipment purchasing and maintenance

- Manufacturer selection criteria are consistent across categories, with total cost as the top priority, followed by innovation
- Procurement is standardized mainly by limiting items and suppliers; consumables are most standardized
- Due to the weak yen, 85% of hospitals have adjusted procurement, with larger ones shifting toward domestic and refurbished products
- Higher-value equipment is more likely to be maintained externally; for high- and mid-cap devices, smaller hospitals show a stronger preference for outsourcing

Note: Capex = Capital expenditure, EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization  
Source: L.E.K. 2025 APAC Hospital Priorities Survey

# Over 60% of Japan’s medical institutions are constantly running deficits, with profitability worsening during the pandemic:- especially in acute care hospitals, where profitability is typically low



“... Operational costs are increasing at a pace that significantly exceeds revenue growth. Without prompt and effective intervention, the hospital-based healthcare system in our country risks serious deterioration ...”

:- Dr. Takao Aizawa, President of the Japan Hospital Association

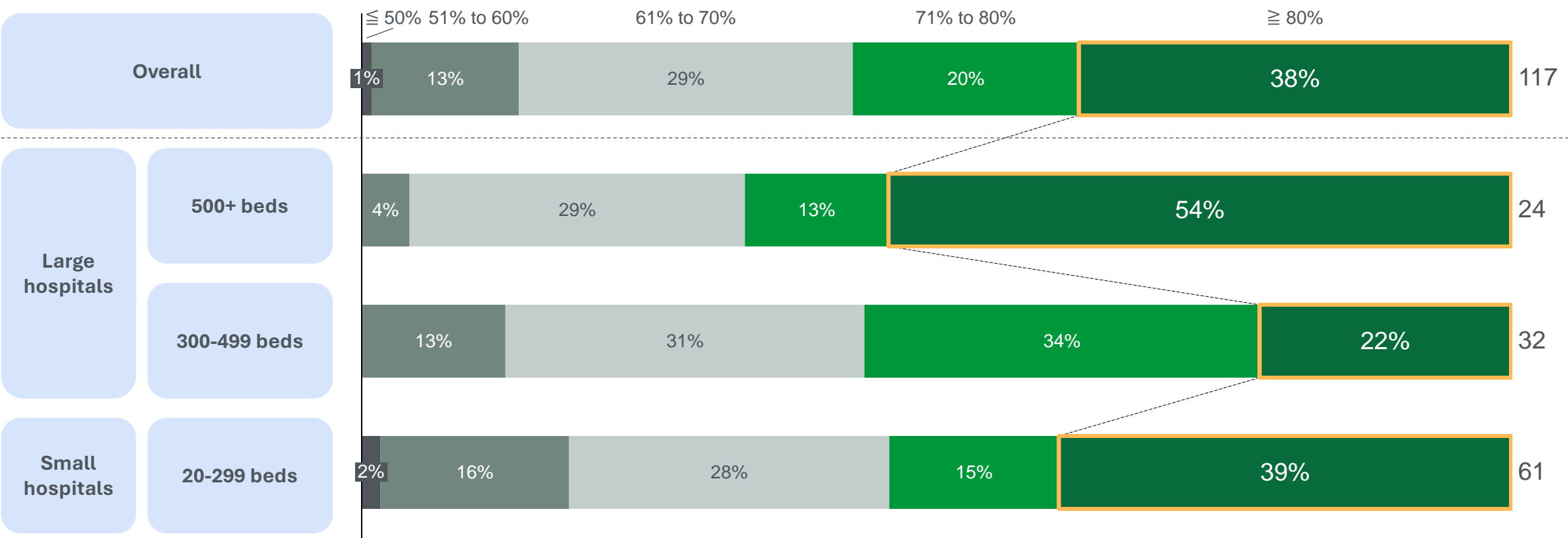
(press conference in January 2025)

\* Number of samples varies in each year of the survey

Source: Japan Hospital Association, The Asahi Shimbun Company, L.E.K. 2025 APAC Hospital Priorities Survey

Less than 40% of hospitals surpass the widely regarded breakeven bed occupancy rate of 80%, with the share tending to decline notably among midsize institutions (those with 300-499 beds)

Hospital bed occupancy rate, by size of hospitals (TTM)\*  
Percentage of respondents



Survey question 2: What is your hospital's average bed occupancy rate over the past 12 months (as a percentage of total licensed beds)?"

\*Note: TTM = trailing twelve months; BOR = bed occupancy rate

Source: Japan Medical Journal; L.E.K. 2025 APAC Hospital Priorities Survey

# While budget allocations are broadly similar across hospitals, smaller facilities face higher clinical staff cost burdens; larger ones are more likely to increase spending, especially on capex and medical supplies

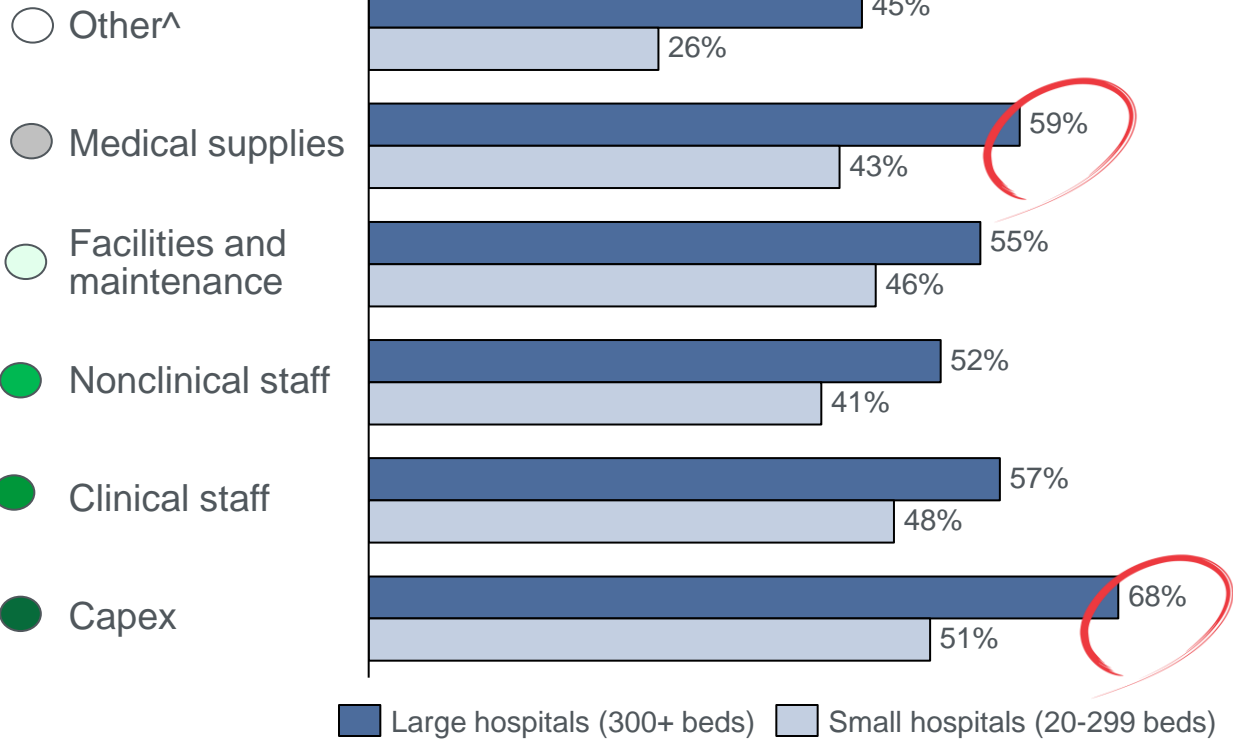
Hospital budget allocation (FY2024)\*

Percentage



Expected change in hospital expenditures (next 12 months)\*\*

Percentage of “Significant increase (+ >5%)” and “Moderate increase (+2%~5%)”



\*Survey question 9: What % of your hospital's total budget is allocated to the following categories in the current fiscal year^ includes marketing and community programs, among others

\*\* Survey Question 10: How do you anticipate your hospital's expenditure to change in the next 12 months?

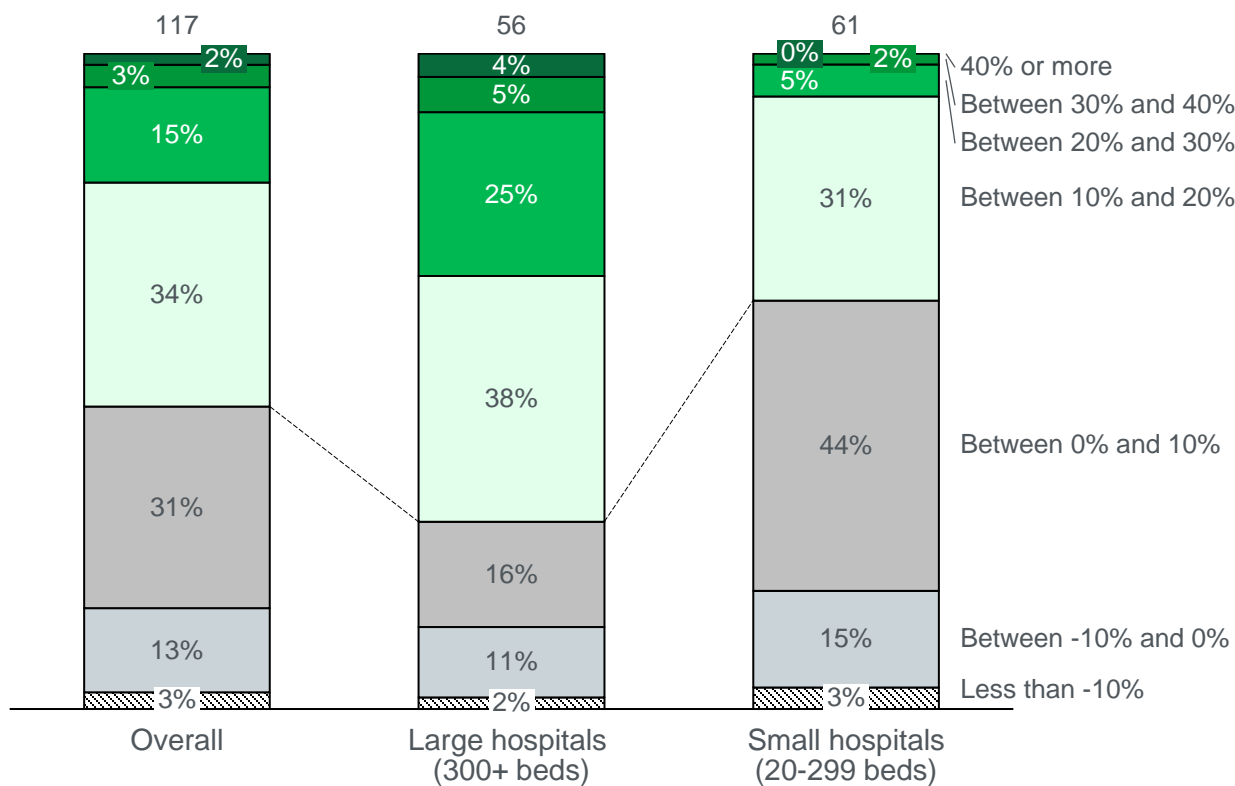
Note: Capex = capital expenditure; FY = fiscal year

Source: L.E.K. 2025 APAC Hospital Priorities Survey



# Larger facilities tend to be more optimistic about profitability over the next three years: 70% of those with 300+ beds expect EBITDA margins over 10%, compared to under 40% at smaller facilities

Expected EBITDA margin for hospitals in the next three years\*  
Percentage of respondents



Historic view: Expected EBITDA margin for hospitals in 2022  
Percentage of respondents



Hospitals are expecting improvements in their financial situations relative to the latest survey data from the MHLW, with more hospitals expecting to run a surplus and expectations for larger surpluses in the coming years

Survey Question 1: What do you expect your hospital's EBITDA margin to be in the next 3 years?  
Note: MHLW = Ministry of health, labor, and welfare  
Source: MHLW; L.E.K. 2025 APAC Hospital Priorities Survey

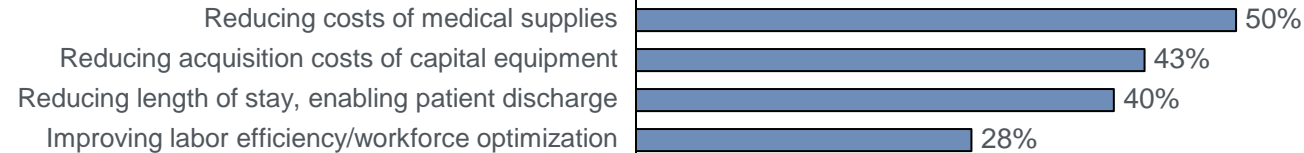


## Cost containment, care standardization and workforce retention are key strategic priorities, especially for smaller hospitals, while larger ones are more interested in digital investment and operational efficiency

### Importance of strategic priorities over the next three years\*

Percentage of respondents

#### Operational efficiency and cost management

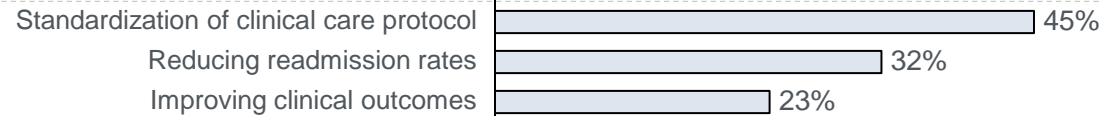


Relative importance by hospital size

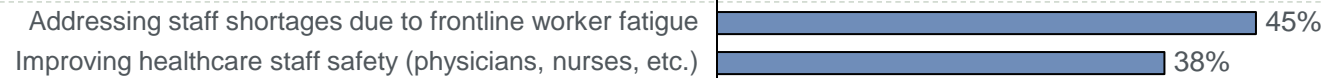
Large hospitals

Small hospitals

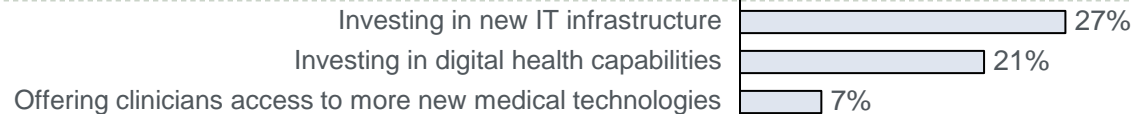
#### Clinical care and outcomes improvement



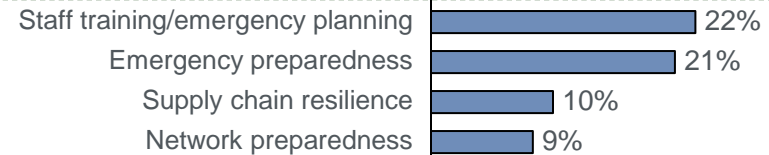
#### Healthcare staff well-being and safety



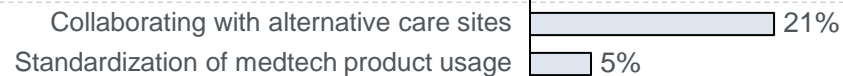
#### Technology and digital health investments



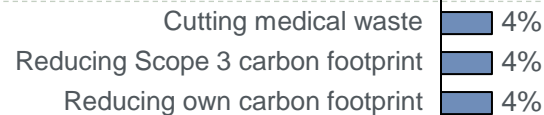
#### Emergency preparedness



#### Collaborative and integrated care delivery



#### Environmental and sustainability



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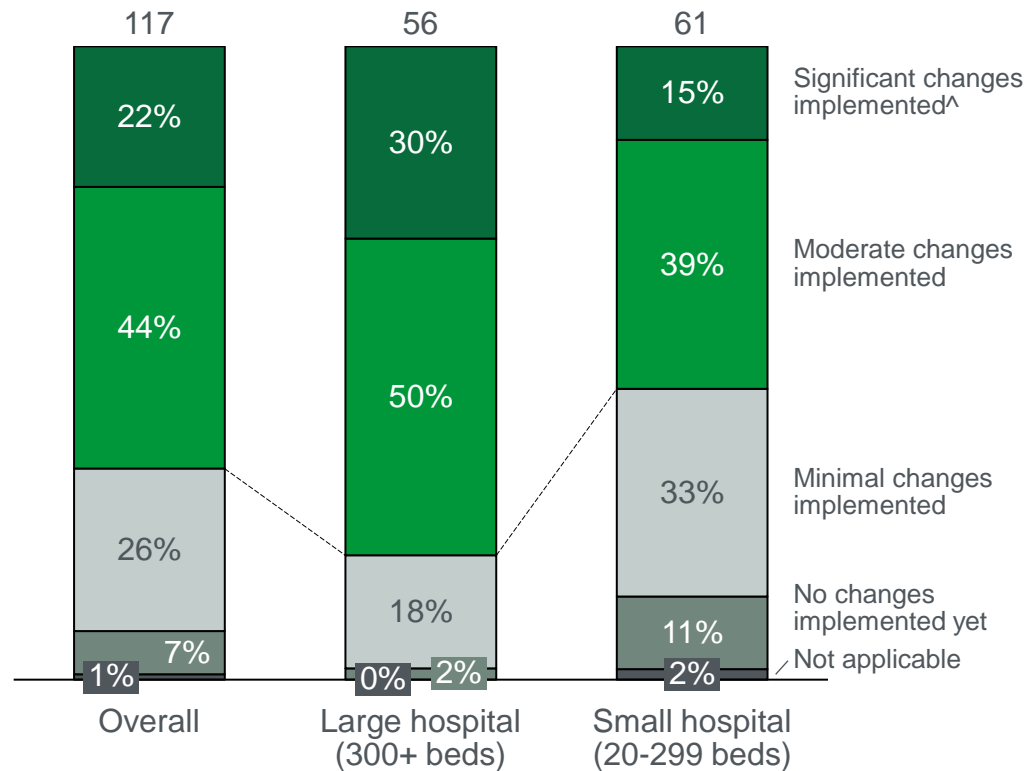
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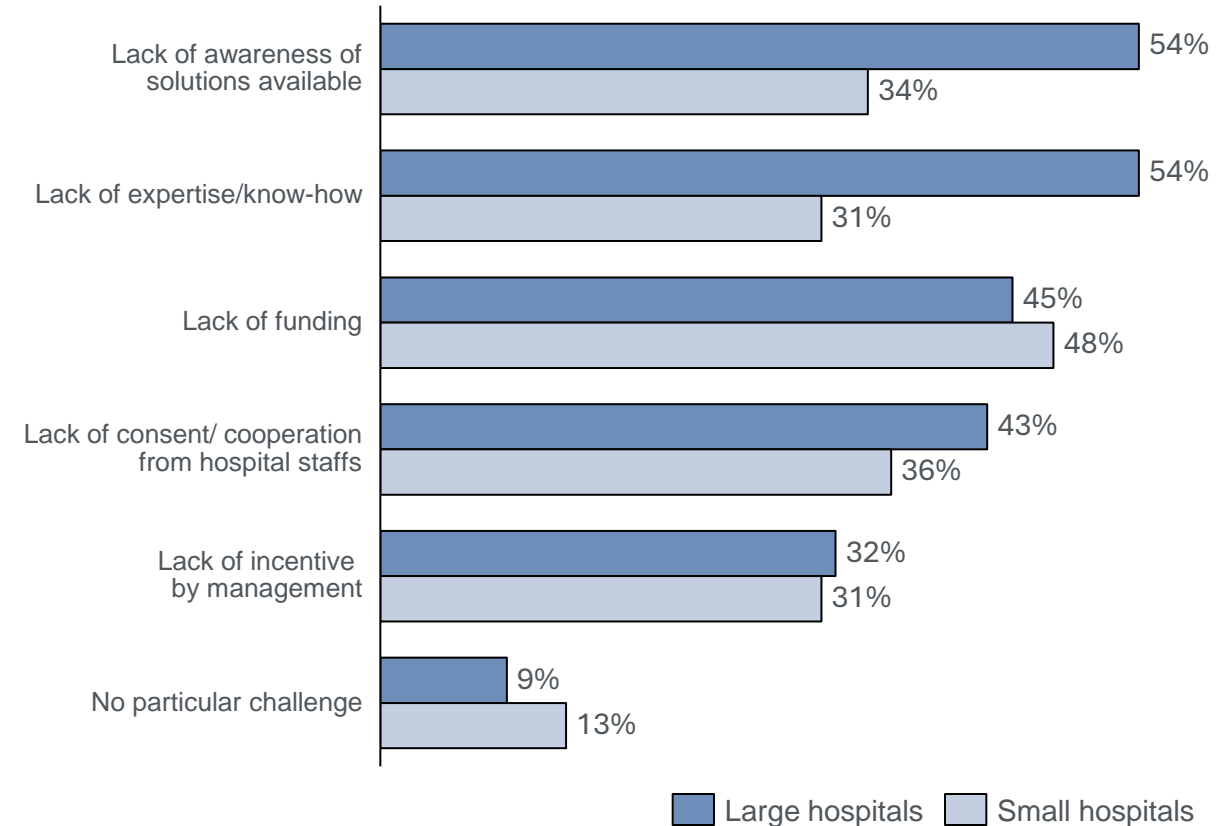
\*Survey question: How important are the following strategic priorities for your hospital over the next 3 years? (Please select top 5); \*\*0-299 beds; ^ 300+ beds  
Source: L.E.K. 2025 APAC Hospital Priorities Survey

## Physician workstyle reform is advancing faster at larger hospitals where lack of solutions and know-how is the main hurdle, while smaller facilities face funding constraints

**Workstyle reform response, by hospital size\***  
Percentage of respondents



**Key challenges in workstyle reform implementation\*\***  
Percentage of respondents



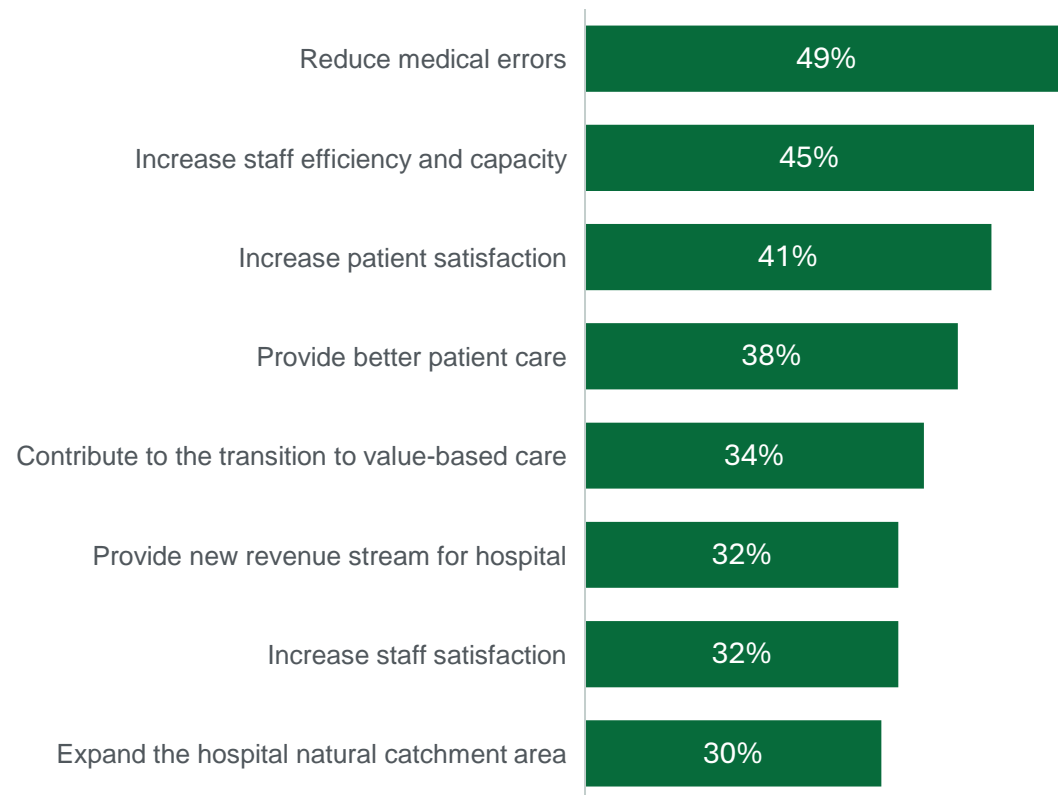
\* Survey question: How has your hospital responded to Japan's workstyle reform initiatives regarding healthcare staff working hours and conditions?; \*\*What challenges have you faced in implementing workstyle reforms for healthcare staff?; <sup>^</sup> E.g., reduced overtime, improved work-life balance

Source: L.E.K. 2025 APAC Hospital Priorities Survey

## Digital health solutions are widely expected to enhance care quality and operational efficiency; however, key adoption challenges include talent shortages and inadequate IT infrastructure

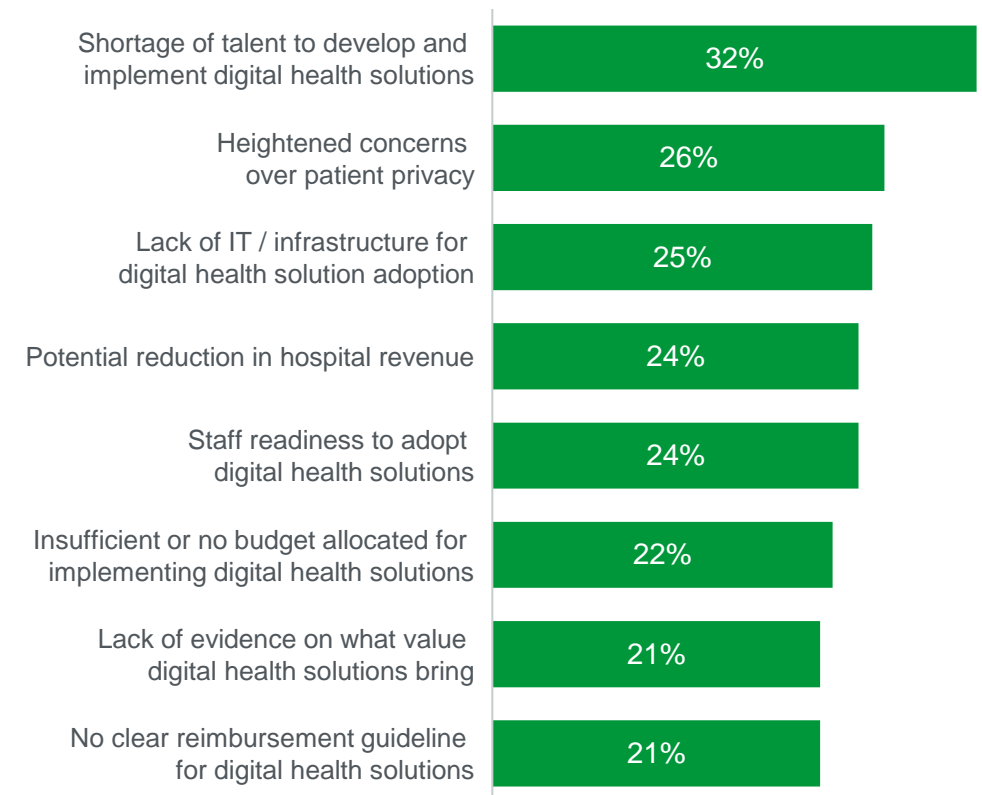
### Perceived value of digital health solutions\*

Percentage of respondents (choose top three that apply)



### Top concerns for digital health adoption\*\*

Percentage of respondents (choose top three that apply)

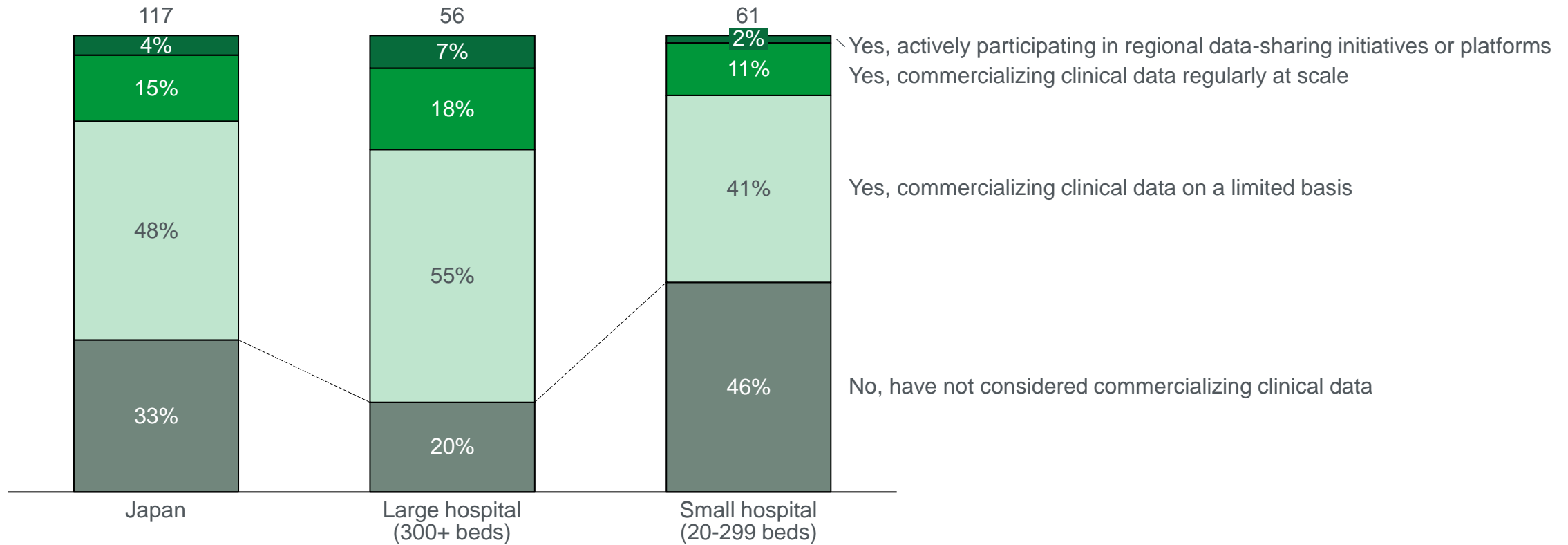


\*Survey questions: What value do you think digital health solutions will likely bring about for your hospital?; \*\*What are your concerns for digital health adoption?  
Source: L.E.K. 2025 APAC Hospital Priorities Survey

**Approximately 70% of hospitals are engaged to some extent in the monetization of clinical data, with both the scale and maturity of such efforts being significantly greater among larger institutions**

### Data monetization approach\*

Percentage of respondents

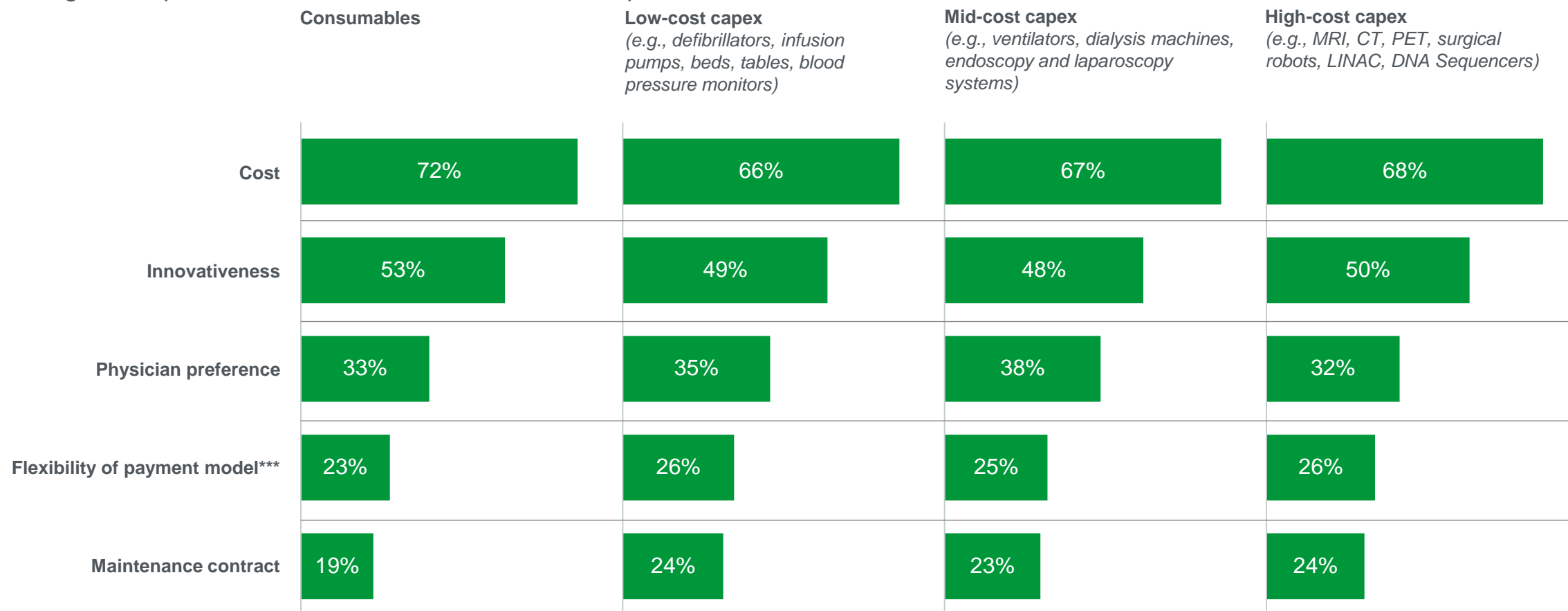


\*Survey question: Has your hospital considered commercializing clinical data (with patient consent or appropriately anonymized) available to pharmaceutical or Medtech companies for research, clinical trials, or other approved purposes?  
Source: L.E.K. 2025 APAC Hospital Priorities Survey; L.E.K. research and analysis

## Selection criteria for medtech manufacturers are broadly consistent across product categories, with total cost being the most critical factor, followed by a strong emphasis on product innovation

### Key selection factors for a medical device manufacturer\*

Percentage of respondents who ranked each item in the top two



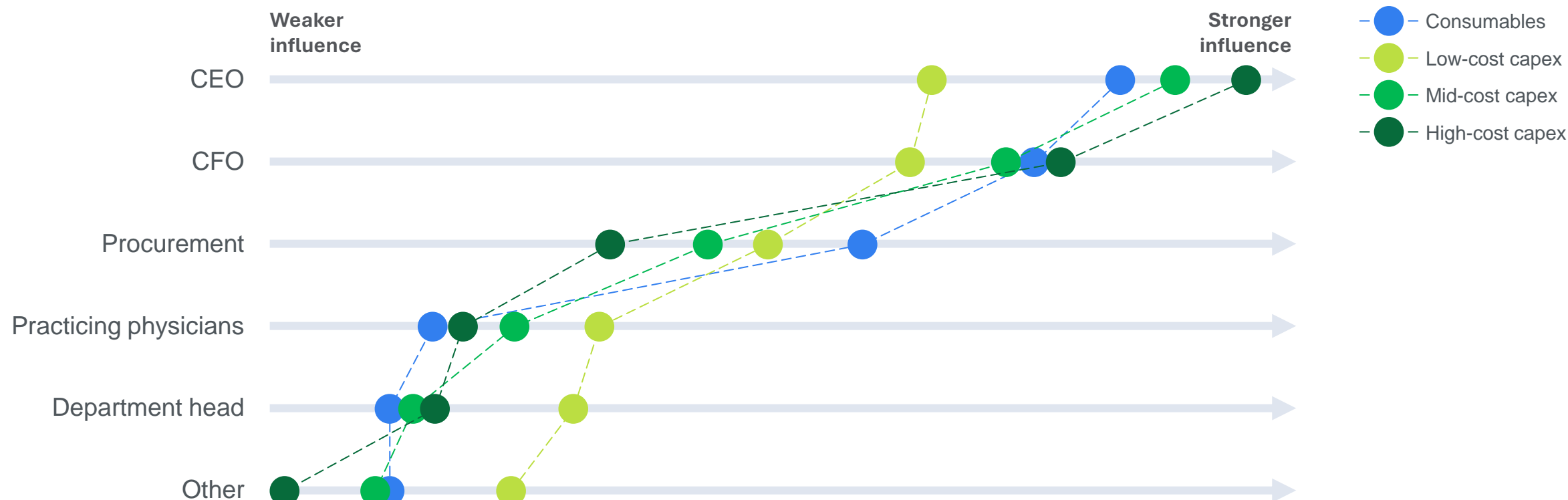
\*Survey question: When purchasing, rank the following items in order of importance when choosing a manufacturer.; \*\* 'Small hospitals' refers to hospitals with less than 300 beds; 'Large hospitals' refers to hospitals with more than 300 beds \*\*\*For example, availability of financing models, bundled payments, etc.)

Source: L.E.K. 2025 APAC Hospital Priorities Survey

# CEOs and CFOs exert strong influence over medical device procurement, with their roles becoming more prominent as equipment value increases

## Stakeholder influence in major capital purchase decisions\*

Degree of influence

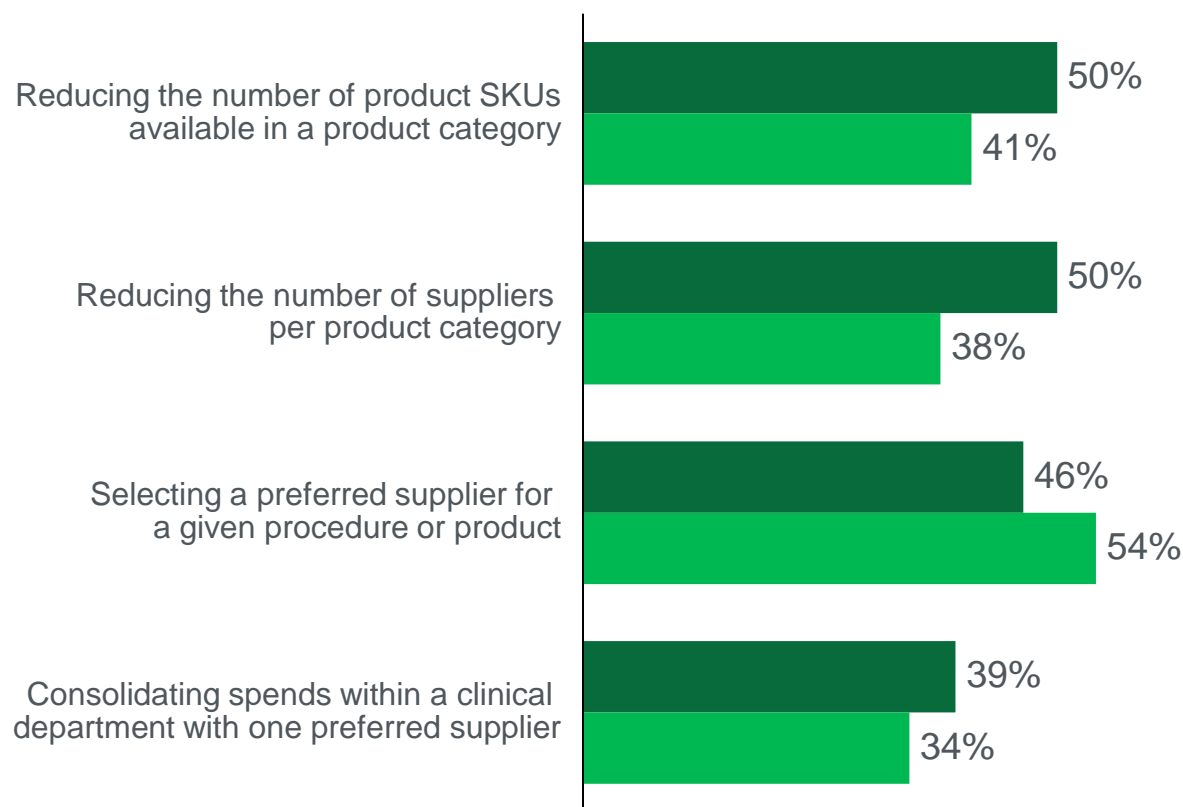


\*Survey question: When making a significant capital purchase, please rank the following stakeholders in terms of their influence on the decision-making process  
Source: L.E.K. 2025 APAC Hospital Priorities Survey

# Hospitals mainly standardize procurement by limiting items and suppliers; While consumables see the highest standardization, larger hospitals also focus on surgical tools, nonclinical supplies, etc.

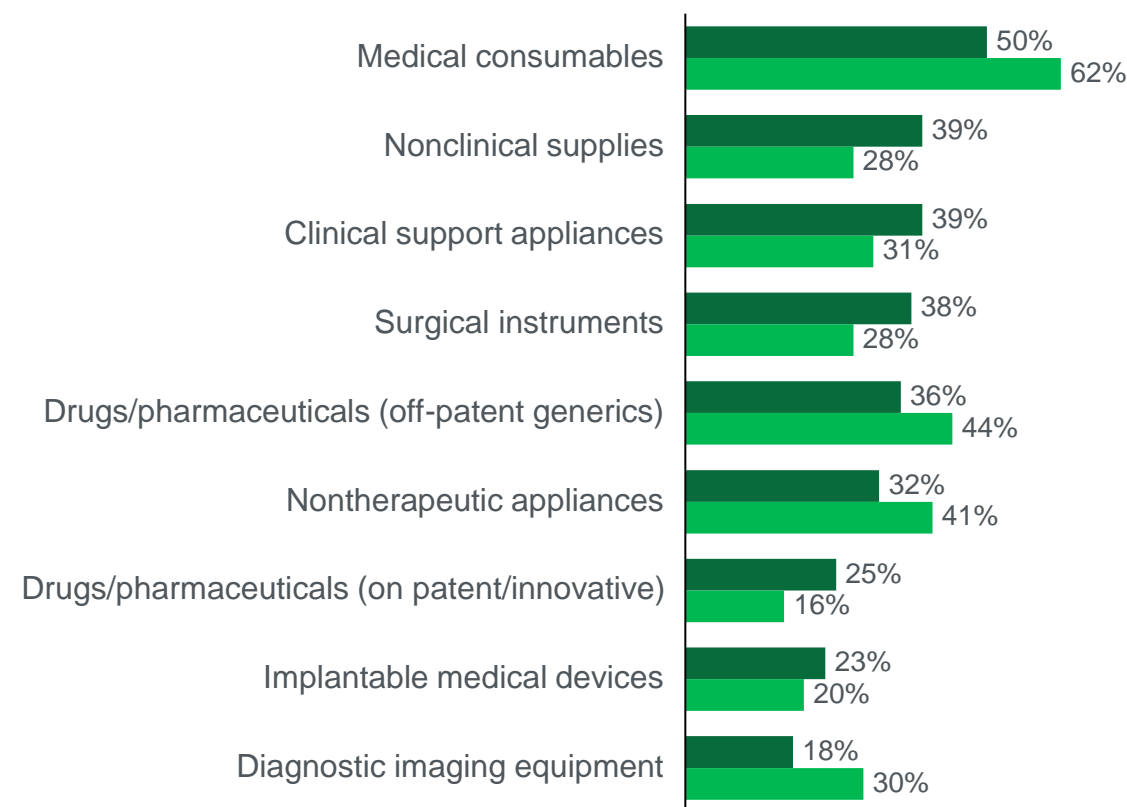
## Hospital approach for purchasing standardization\*

Percentage of respondents



## Items prioritized for standardized procurement\*

Percentage of respondents



\*Survey question: Describe below the approach your hospital is using to standardize the purchase of medical supplies/equipment; Select the top 3 medical supplies/devices your hospital is considering standardizing purchasing

Note: SKU =

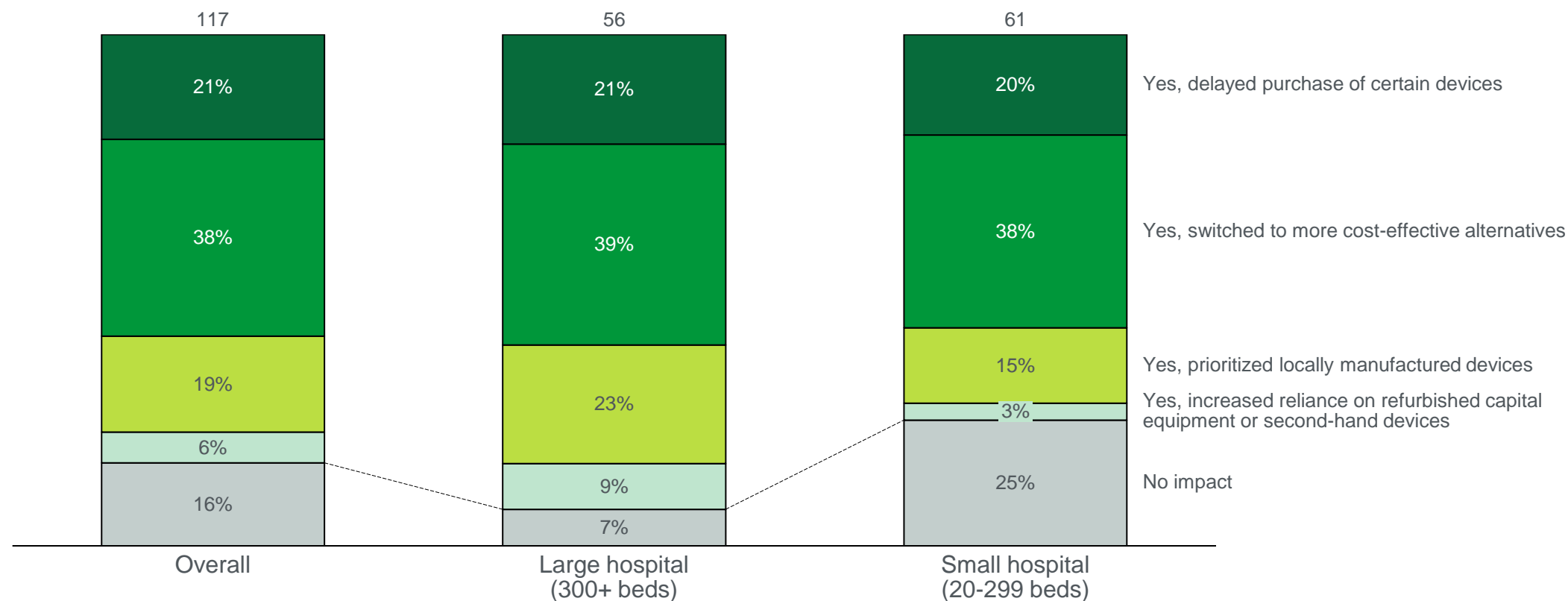
Source: L.E.K. 2025 APAC Hospital Priority Survey



## 85% of hospitals have revised their device procurement due to the weak yen, with larger hospitals notably shifting to domestic and refurbished products

### Impact of the weak Japanese yen on medical device selection\*

Percentage of respondents



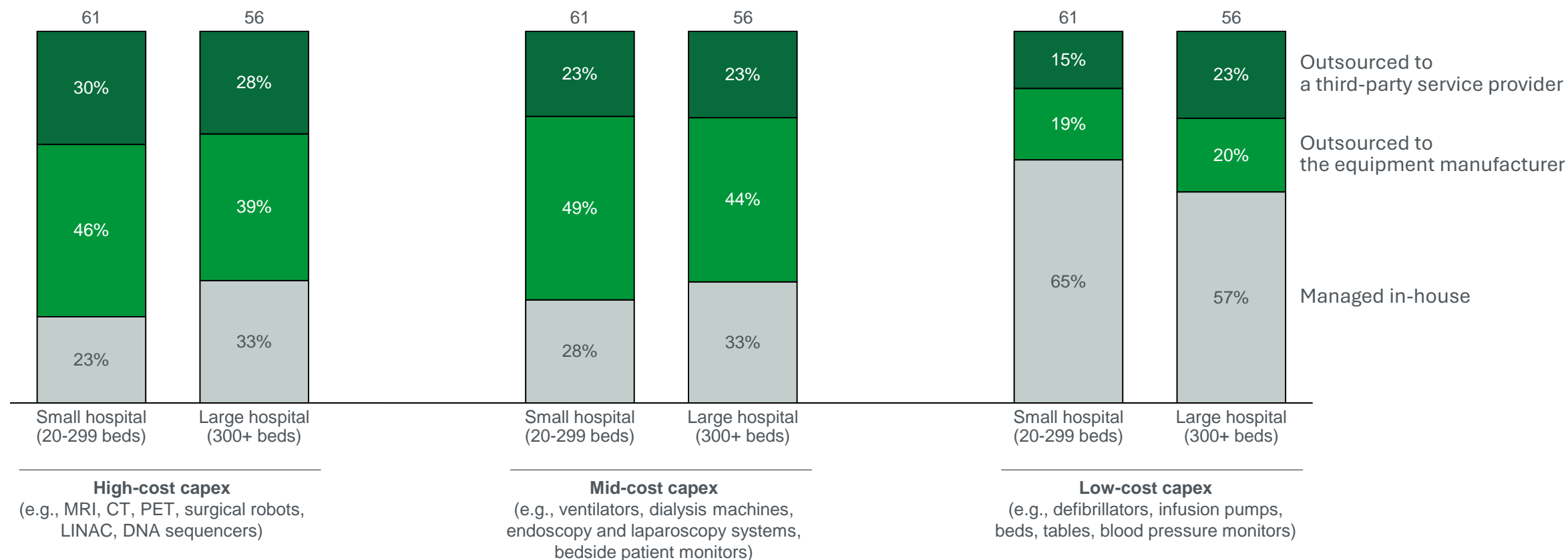
\*Survey question: Has the weak yen impacted your hospital's choice of medical devices?

Source: L.E.K. 2025 APAC Hospital Priorities Survey

## The higher the value of equipment, the greater the tendency to outsource maintenance; for high- and mid-cap equipment, small hospitals show a slightly stronger preference for outsourced maintenance

### Primary methods for managing hospital equipment maintenance, by hospital size\*

Percentage of respondents



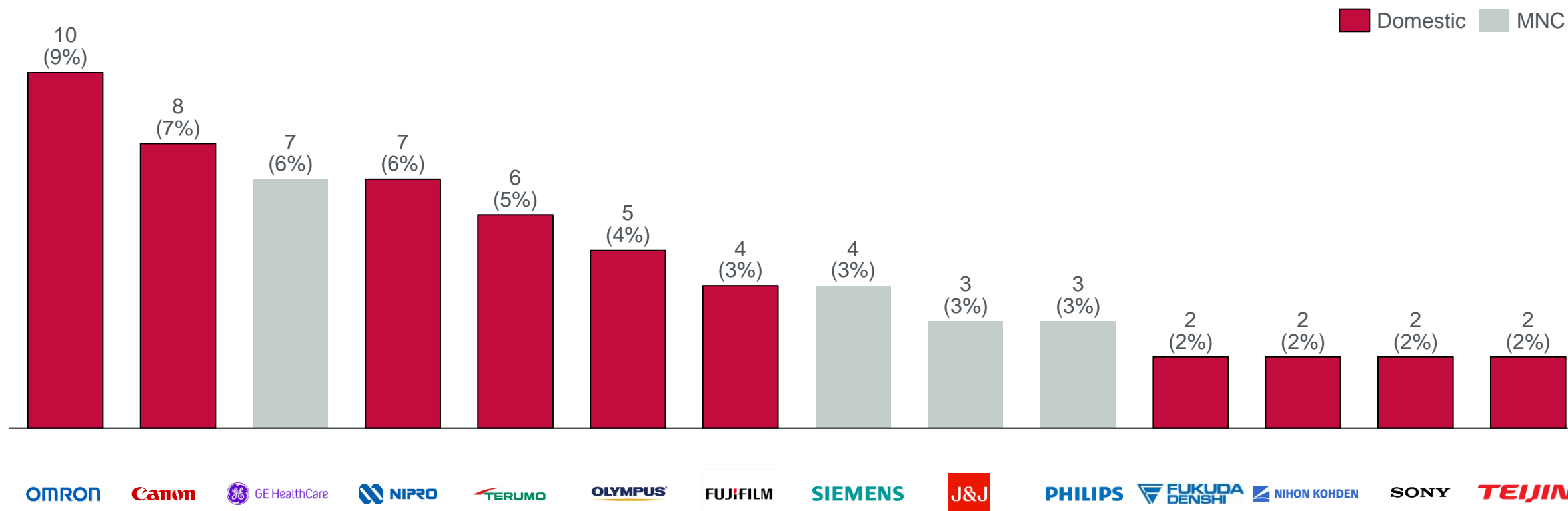
\*Survey question: How is the maintenance of capital equipment in hospitals mainly managed?

Source: L.E.K. 2025 APAC Hospital Priorities Survey

## Domestic medtech companies are largely considered the best providers of maintenance/support

### Preferred medical device manufacturer for maintenance and support services\*

Number of mentions (percentage of respondents)



\*Survey question: Which medical device manufacturers do you think excel at providing maintenance and support services for their products in a timely manner?, only brands mentioned more than once included  
Source: L.E.K. 2025 APAC Hospital Priorities Survey

Our MedTech practice is a recognized thought partner and trusted advisor to senior executives across the medtech industry



L.E.K.'s  
MedTech practice



Engaged with **9 of the top 10** largest medical device companies



Work across **all medical device categories** and the entire **value chain**



Completed **600+ engagements** in the Medtech industry



**Global network of 10,000+** healthcare **industry experts** and **thought leaders**



Experience across key customer segments including **IDNs** and **payers**



Deep experience with **corporate M&A strategy, acquisition screens** and **diligence**



**Creativity and energy** engagements in and outside of medtech

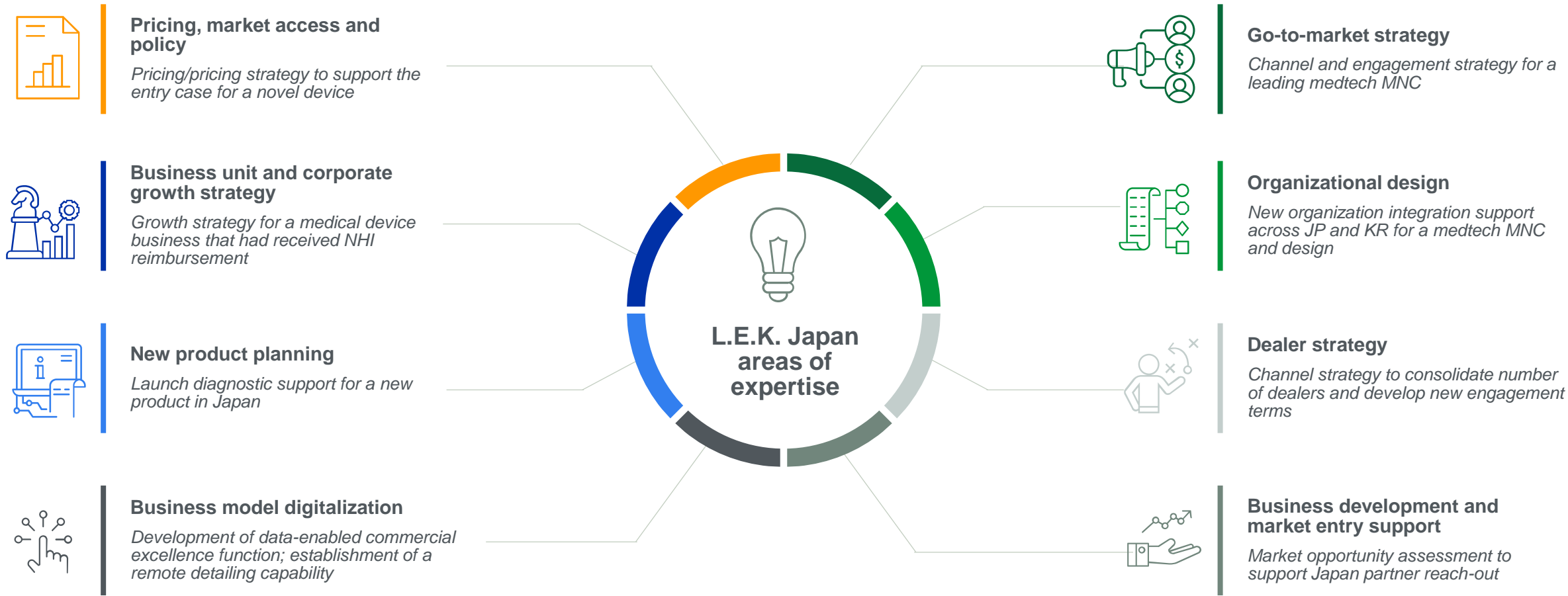


Customized and experienced team of **Ph.D.s, M.D.s, MBAs** and **industry experts** for each engagement

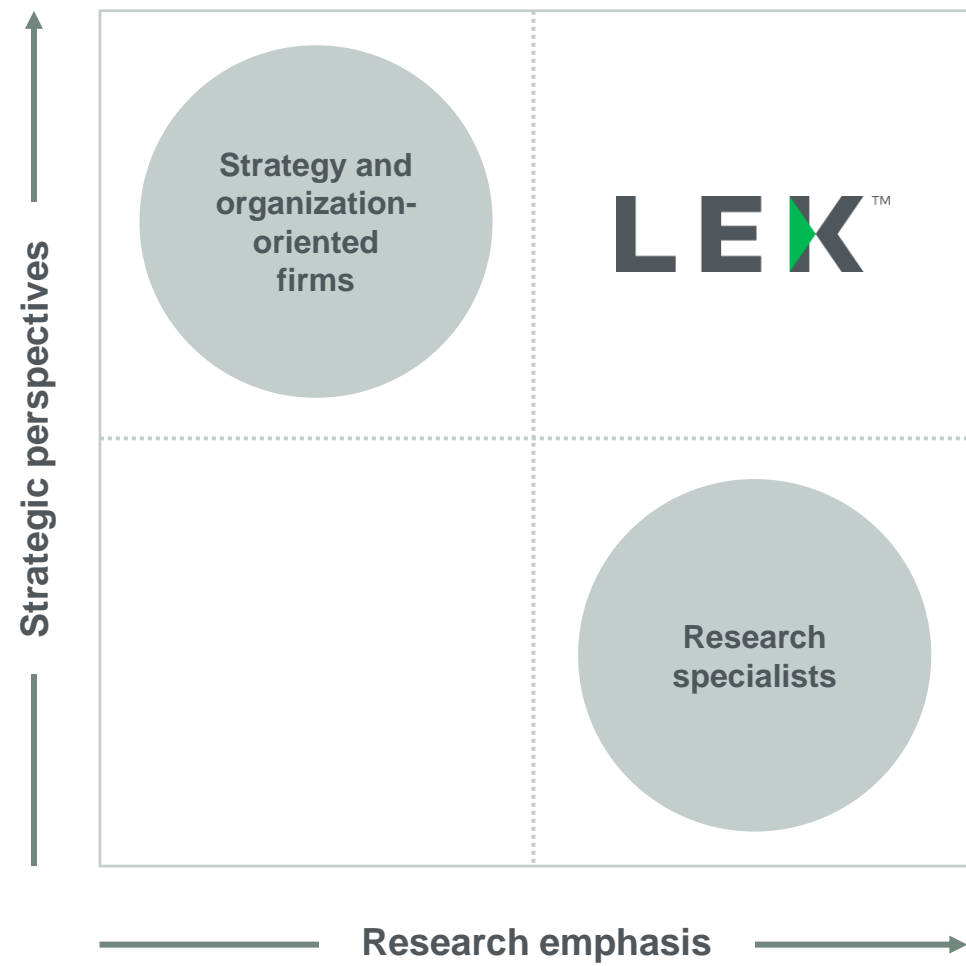


**Dedicated, “hands-on” Senior Team** that executes projects

We have deep experience assisting medtech players across a range of strategic issues in Japan  
(project examples shown in italics)



L.E.K. is a consulting firm uniquely positioned to deliver the strategic perspectives of a large strategy firm combined with the granular insights of a research specialist



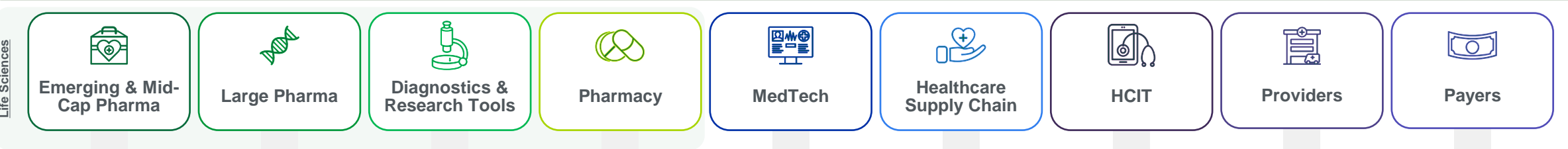
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- Hands-on senior team with deep expertise** L.E.K.'s partner-led execution model ensures depth of insights and an actionable strategy
- Fact-based approach** Data-driven and highly analytical approach leveraging world-class market insight capability; conclusions are based on facts, not conjecture or "prepackaged solutions"
- Industry thought leadership** High caliber team of Ph.D.'s, M.D.'s and MBAs regularly publishing insights and engaging with market leaders and innovative challengers
- Bias to action** Acknowledgment that solutions have no value unless they can be readily acted upon. Deep experience working with management teams to develop actionable strategic plans
- Speed and flexibility** L.E.K.'s heritage as a transaction advisor has created a working style enabling high-quality, rapid execution

# L.E.K. covers all parts of the healthcare ecosystem with deep expertise across all major practice areas

## L.E.K. healthcare sector overview

### L.E.K. vertical practices



### L.E.K. horizontal practices



### L.E.K. capabilities

- **Approximately 75** full-time healthcare-focused managing directors/partners globally across nine vertical and four horizontal practices
- **Hundreds of dedicated** healthcare consulting staff around the world (plus hundreds more in critical supporting functions)
- Global network of **10,000+** healthcare industry executives, experts, clinicians and thought leaders (for research and industry insights)
- **Hundreds of projects** per year with a diverse range of large-cap, mid-cap and private equity-backed clients
- Industry-leading **thought leadership and IP** (e.g., best-in-class methodologies, benchmarks, market fact-bases, industry surveys)
- Recognition as a leading advisor for **growth strategy, M&A support** and solving key **strategic and complex business issues**



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