

Home Care and Rehabilitation Equipment Industry's Market and Economic Status Survey '06

Since the implementation of the Long-Term Care Insurance System in the year 2000, public interest in home care and rehabilitation equipment has dramatically increased, along with the number of users. In line with these trends, the functions and designs of such equipment is being improved and made new, which also greatly benefits the aged and physically-challenged to gain greater independence and to participate in society.

In 2006, however, the revision of the Long-Term Care Insurance System and the enforcement of a law to support the independence of disabled persons imposed a negative impact on the sales of companies in the home care and rehabilitation equipment related fields. Under these circumstances, it is now believed that the market for such equipment has reached a turning point.

On the other hand, as the aging of our society progresses, the number of elderly persons who require nursing care continues to rise. Accordingly, securing human resources in the social welfare provider services field has become one of the greatest concerns in our country, in addition to recovery of our economy. Therefore, it is now imperative for us to put forth greater effort into development and dissemination of home care and rehabilitation equipment which supports independence and social participation of the elderly and physically challenged.

The Health and Welfare Information Association has conducted a survey by polling 101 exhibitors that participated in H.C.R. 2006. The purpose of this survey was to study and analyze how these exhibitors view the current and future situation, and also to explore ways to expand, develop and disseminate the domestic home care and rehabilitation equipment market. In conducting this survey, we set following goals to achieve:

1. To identify and organize current market trends based on the questionnaire and results from past research and statistics.
2. To analyze future marketing strategies and predict future market trends based on interviews and results from the questionnaire.

The Social-System Policy Department of the Mitsubishi Research Institute, Inc. collected and analyzed the data.

We would like to express our sincere gratitude to the 102 companies that provided us with valuable data concerning the situation of their business operations and future strategies.

The results of the questionnaire indicate that respondents are pursuing ways to expand business in order to survive through a transitional period in the home care and rehabilitation equipment market.

In the meantime, due to the progression of the elderly population, people's needs and expectations of home care and rehabilitation equipment are also expanding.

It is our hope that this survey will assist those in the home care and rehabilitation equipment industry to discern the current situation, identify challenging issues that need to be confronted and continue to endeavor to develop and disseminate such equipment without letting the changes in the market environment interrupt them more than necessary.

Major Results of the Survey

1) Attributes of Companies in the Home Care and Rehabilitation Equipment Industry

More than half of the companies engaging in the Home Care and Rehabilitation Equipment business are small- to medium-sized enterprises with capitals of less than 100 million yen, whose annual sales are less than 400 million yen and the number of employees are less than ten.

2) Sales Trends

Total sales for the 2005 fiscal year for all the respondents were approximately 101.7 billion yen. The amount for the 2006 fiscal year is expected to be 125.7 billion yen, a 23.5% increase from the previous year. While 2 to 3 categories such as the bed-related products are seeing a decline in sales, there are other categories that are expected to see increases, such as the mobility equipment and home remodeling related categories.

At the company level, they assume that their businesses will resume a recovery trend by around the fiscal year 2008 after going through a period of adjustment for a couple of years due to the revision of the Long-Term Care Insurance System.

3) Comparison of the current business performance with the period during the first year after implementation of the Long-Term Care Insurance System.

Among the rental equipment, product categories which showed a ration of increased sales were Position Changing Aids: 50.0%, Walkers: 33.3%, Wheelchair Related Goods: 31.3%, and Mobile Lifts: 21.4%, respectively. On the other hand, product categories with a decrease in sales were Tracking Devices for wandering elderly with dementia: 16.7% and Wheelchairs: 7.1%.

In terms of equipment being purchased, product categories that showed an increase in sales are Bathing Related Products: 44.4%, Toilet Seats: 40.0%, and Incontinence Care Aids : 33.3%. At the same time, product categories with a decrease in sales were Portable Bath Tubs: 50.0% and slings for mobile lifts: 20.0%.

4) Revision of the Long-Term Care Insurance System and Business Strategies

40% of respondents reported that they reevaluated their merchandising strategies in order to respond to the revision of the Long-Term Care Insurance System. The majority indicated that they reevaluated their strategies and reported that they “expanded their home remodeling business”, “improved product quality” and “began doing business in the field of prevention

of the nursing care .” In regard to pricing, although more than half of the companies responded that they had “expanded low-price product lines,” there were also more than 30% that indicated that they had “expanded high-price product lines .”

Only one-third of the companies responded that they had reevaluated their sales strategies. Among them, the majority of responses included “expanding sales routes, seeking new customers and developing alternative products.

Additionally, there are some companies that are venturing into developing new lines of products aimed at the private market regardless of the Long-Term Care Insurance System, which we have not seen in the market up to now.

5) Business Strategies for the Overseas Market

With respect to business strategies aimed toward the overseas market, 23.8 % of the companies responded that they are willing to expand their business to make inroads into foreign markets and 32.7 % responded that they are observing the current situation with keen interest. These figures indicate that more than half of the companies responded are positive about business overseas. Among these respondents, 70.8% are thinking about entering into Asian markets, while as much as 40% are also considering the U.S. and European markets.

6) Other Notable Trends

In keeping up with the changes in the home care and rehabilitation equipment industry, a growing number of companies are forming partnerships, collaborations, and acquiring companies. Such trends are particularly significant for medium sized, as well as major companies. In addition to the movements looking at the future development of the domestic market, there are some movements looking for development of oversea businesses by acquiring local companies or making capital tie-ups with local companies.

Market Trends in the Home Care and Rehabilitation Equipment Industry and Survey Results of Business Conditions

A total of 102 companies completed the company questionnaire survey for the 2006 fiscal year which was less than that of the fiscal year 2000. The reason for the decline is attributed to the fact that many companies are currently forced to reexamine their business objectives, and that it is difficult for them to predict the future development of business and sales. So the number of companies responded to the questionnaire decreased. On the contrary, companies that did respond to the survey have a relatively clear vision of their business outlook or they have presumably completed the revising of their business strategies to a certain extent. Therefore, it is necessary to take these factors into account when analyzing the results of this survey.

1. MARKET SCALE OF THE HOME CARE AND REHABILITATION EQUIPMENT INDUSTRY

(1) Changes in sales figures of respondents

In order to evaluate the market trends in the home care and rehabilitation equipment market, we compiled the valid responses (of 95 companies) regarding their sales, such as actual sales figures for FY 2005, projected sales for FY 2006 and target sales for FY 2008 in Chart 1 below.

Total sales figures for FY 2005 of the companies that responded were approximately 101.7 billion yen and the total amount of projected sales for FY 2006 was approximately 125.7 billion. The rate of increase for FY 2006 is 124%, against the amount for FY 2005 being set at an index of 100. Although there are 2 to 3 categories such as the bed related that projected a decrease in sales compared to the previous year due to the impact of the revisions of the Long-Term Care Insurance System, the market on the whole is expecting a certain degree of growth.

The total target sales for FY 2008 is 170.3 billion yen. The individual companies that forecasted a minus growth for the FY 2006 are expecting a recovery for the FY 2008. Therefore, the rate of increase for FY 2008 against the FY 2005 for the market as a whole will be 167%. The home care and rehabilitation equipment industry as a whole envisages resuming a recovery trend toward FY 2008 after going through a period of adjustment from the fiscal year 2005 to 2006.

(Please note that the figures shown below are tallies of the respondent companies which were arranged by product category for the purpose of this survey only. Therefore, the figures are by no means indicative of the scale of the market as a whole. Our objective was to gain insight on future trends of the market with a focus on the future sales assumptions made by the companies surveyed, rather than the market as a whole.)

Chart 1 Business Trends in the Home Care and Rehabilitation Equipment Industry Market

(Figures are in millions of Japanese yen)

	Reference Figures	Performance		Future Targets			
	FY 2000	FY 2005 (Actual Sales)		FY 2006 (Projected Sales)		FY 2008 (Target Sales)	
Home Care & Rehabilitation Equipment Categories	Total Sales	Total Sales	Rate of Increase (FY 2000 = 100)	Total Sales	Rate of Increase (FY 2005 = 100)	Total Sales	Rate of Increase (FY 2005 = 100)
Mobility/ Mobility Aids	3,693	3,995	108.2	4,743	118.7	4,810	120.4
Bed Related	58,894	54,360	92.3	45,064	82.9	58,545	107.7
Bathing Related	427	529	123.8	653	123.4	745	140.8
Toilet/Diaper Related	4,217	4,715	111.8	4,649	98.6	6,035	128.0
Daily Living Aids	2,839	3,078	108.4	2,564	83.3	3,266	106.1
Communication Equipment	327	317	96.9	356	112.3	865	272.9
Equipment for Construction/Home	5,010	5,872	117.2	6,489	110.5	8,303	141.4
Rehabilitation Equipment *				20		50	
Artificial limbs & Orthopedic products **	477	450	94.4	460	102.2	500	111.1
Casualty Prevention Products for Elderly & Physically Challenged**		1		3	300.0	5	500.0
Equipment for Institutions	684	428	62.6	683	159.5	1,005	234.9
Management Information Systems for Home Care & Institutional Services	2,898	1,814	62.6	1,930	106.4	1,961	108.1
Care Prevention Products		1,173		2,066	176.1	4,152	354.0
Publications/Information on Social Welfare	6	6	102.6	9	150.0	25	416.7
Others	15,730	25,010	159.0	56,010	224.0	80,032	320.0
TOTAL	95,202	101,748		125,697	123.5	170,300	167.4

< Notes:>

*Only one company for this category responded and there were no responses for FY 2005.

** Only one company for this category responded.

As the number of companies filled in the sales figures for FY 2006 and FY 2008 were less than those of FY 2005, estimated figures were calculated to create a corresponding comparison. The statistics were calculated by totaling the 2005 fiscal year figures (by category) to obtain a weighted average by multiplying the sales growth rate by the sales figures for FY 2005 (of those companies that responded).

Reference figures for FY 2000 are values that are calculated by dividing the actual total sales for FY 2005 by the categorical rate of increase from FY 2000, which were estimated according to the market research conducted by JASPA.

2. CURRENT PERFORMANCE OF COMPANIES IN THE HOME CARE AND REHABILITATION EQUIPMENT INDUSTRY IN COMPARISON TO THE FIRST YEAR AFTER IMPLEMENTATION OF LONG-TERM CARE INSURANCE

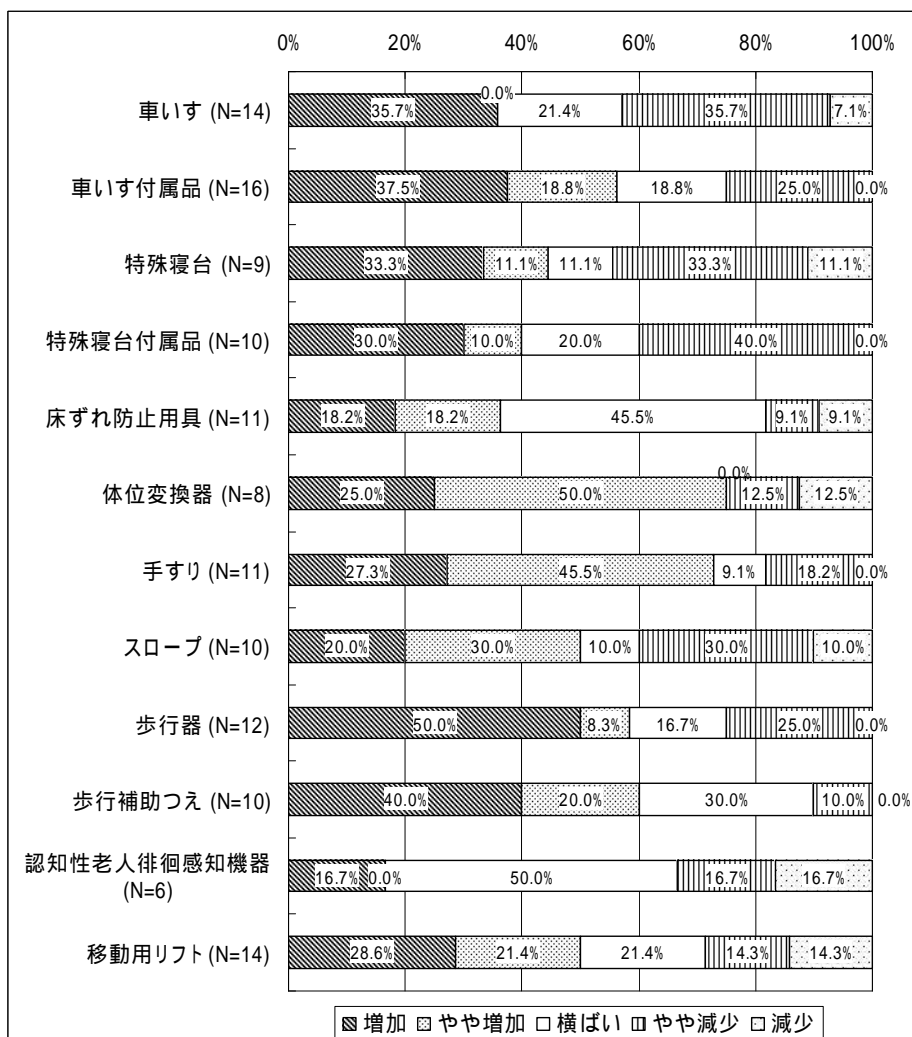
(1) The current business performance compared to the period during the first year after the Long-Term Care Insurance System was implemented. (Rental Equipment)

*Note: This “ratio” was calculated by subtracting the number of respondents that reported that they did not have good sales results and responded with either "Decreased" or "Slightly Decreased" from the number of companies that responded that they had improved sales results, and responded with either "Increased" or "Slightly Increased".

Among the rental equipment, product categories that showed a “ratio” (see note* above) of improved sales performance were: Wheelchair related products (31.3 points); Bed Sore Prevention Aids (18.2 points); Position Changing Aids (50.0 points); Handrails (54.5 points); Slopes (10.0 points); Walkers (33.3 points); Canes (50.0 points) and Transfer Lifts (21.4 points).

On the other hand, product categories with a declining sales performance ratio were Wheelchairs (-7.1 points) and Tracking Device for wandering elderly with dementia (-16.7 points). With respect to Care Beds and Care Bed Related Products, the results showed that the numbers of companies that responded with both positive and negative responses were equal and there were clear distinctions between them.

Chart 2: Current Performance of Companies in Comparison to the First Year After Implementation of Long-Term Care Insurance System (Rental Equipment Covered)



車いす : Wheelchairs

車いす付属品 : Wheelchair Related

特殊寝台 : Care Beds

特殊寝台付属品 : Care Bed Related

床ずれ防止用具 : Bed Sore Prevention Aids

体位変換器 : Position Changing Aids

手すり : Handrails

スロープ : Slopes

歩行器 : Walkers

歩行補助つえ : Canes

認知性老人徘徊感知機器 : Tracking Device for Wandering Elderly with Dementia

移動用リフト : Mobile Lifts

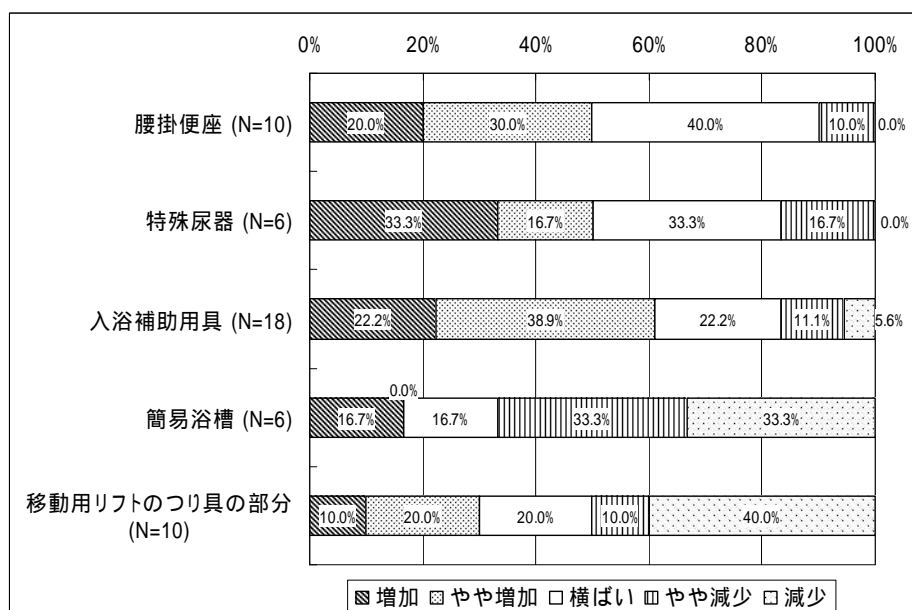
増加 : Increased / やや増加 : Slightly Increased/ 横ばい : Leveled off/ やや減少 : Slightly Decreased/ 減少 : Decreased

(2) Home Care & Rehabilitation Equipment Categories Covered Under Reimbursement Plan

Among the home care and rehabilitation equipment under reimbursement plan, product categories with improved sales performance “ratios” (see note* above) were Toilet Seats (40.0 points), Incontinence Care Aids (33.3 points), and Bathing Support Aids (44.4 points). On the other hand product categories with a decline in sales performance ratios (see note* above) were Portable Bath Tubs (-50.0 points) and Lift Slings (-20.0 points).

Chart 3: Comparison of Current Performance with that of the First Year After Implementation of Long-Term Care Insurance System

(Home Care & Rehabilitation Equipment Categories Covered Under Reimbursement Plan)



腰掛便座： Toilet Seats

特殊尿器： Incontinence Care Aids

入浴補助用具： Bathing Support Aids

簡易浴槽： Portable Bath Tubs

移動用リフトの釣具の部分： Slings for Mobile Lifts

増加： Increased / やや増加： Slightly Increased / 横ばい： Levelled off /

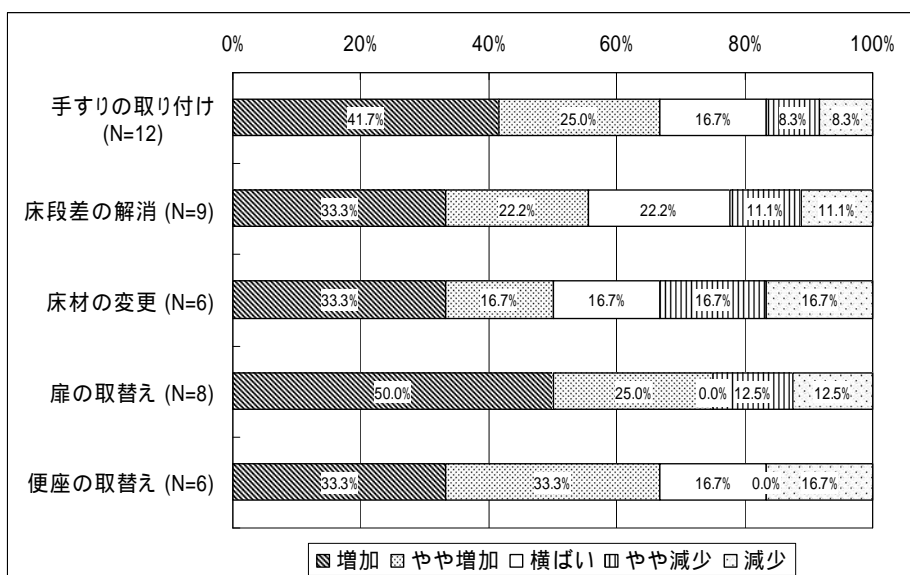
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(3) Home Remodeling

Categories with an improved sales performance “ratio” (see note* above) are: “Install handrails” (50.0 points), “Replace doors” (50.0 points), and “Change toilet seats” (50.0 points). There were no companies that responded with a negative response in this category.

Chart 4: Comparison of Current Performance with that of the First Year After Implementation of Long-Term Care Insurance System

(Home Care & Rehabilitation Equipment Categories Covered Under Reimbursement Plan)



手すりの取り付け： Install handrails

床段差の解消： Make Floors Barrier Free

床材の変更： Change Flooring

扉の取替え： Replace Doors

便座の取替え： Change Toilet Seats

増加： Increased / やや増加： Slightly Increased/ 横ばい： Leveled off/ やや減少： Slightly Decreased/ 減少： Decreased

Analysis of the Results

In 2006, the Long-Term Care Insurance System was revised. One of the guidelines included in the revision was based on the concept of encouraging persons to be self-reliant with moderate care levels by setting a limit in providing home care and rehabilitation equipment to such persons. Additionally, in 2006, Korea started preparing to enforce a Long-Term Care Insurance System and the market for home care and rehabilitation equipment was established in China. These movements are influencing companies in the industry that have improved their business under this Insurance System to reexamine their business objectives. Only a few product categories like care beds were asked to change specifically by this revision. But as this business takes up the large portion of the industry, it appears that the industry as a whole was urged to reevaluate their business .

The survey showed signs of changes in the business climate of the industry. The followings are things to consider regarding the results.

(1) Trends in Sales Performance

Manufacturers of beds and rental equipment companies (including rental wholesalers) were influenced by the revision of the Long-Term Care Insurance System to the greatest extent. These companies are currently reevaluating their business plans in view of the possibility that their business will decline for a year or two from FY 2006. Many companies are expecting that their business will regain its upward trend within a couple of years to the level of FY 2005 with a growing number of people in need of care. Therefore, it seems that a number of companies are eager to enter new areas of business where they can expect growth by launching new businesses or by advancing new product development until their business recovers.

At present, the small- and medium-sized companies are not able to make any plans for the future. It appears that many such companies are waiting to see what growth strategies the big enterprises will take next.

(2) Developing New Business

As home care and rehabilitation equipment manufacturers are having a hard time developing new products at the present time, some of them are considering collaborating with companies in other industries in order to reexamine or strengthen their sales channels.

Distributors like rental wholesalers are divided into two groups. One group is considering adding to the company's selling advantage by exploring new areas outside the rental equipment business, such as home services. The other group is bolstering their market power by strengthening collaboration with medical institutions. In contrast to the large enterprises that expand business nationwide, local companies based on the prefecture level are gaining market share. This promotes some companies to pursue community-based services

to expand the range of their business.

(3) Entering the Foreign Market

The approach to enter the foreign business market differs greatly even among the big enterprises. Many companies commented that the most prospective markets are China and Korea, however, only a few of them have actually entered into those markets. Even among the larger companies, there were some responses that they were not even considering developing business in the overseas market for the foreseeable future.

REHACARE 2006 lost a large number of exhibitors from Japan in comparison to that of REHACARE 2005, as the Japanese government gave up its subsidy program to encourage companies to participate in foreign market trade shows. There appears to be only a few companies that are willing to enter foreign markets such as the Western markets, in particular.

In regard to companies that plan to extend their businesses into overseas markets, it is assumed that they will continue to search for potential partners overseas for the near future.