

## Philips Japan, Ltd.

Since the beginning of their business in the 19<sup>th</sup> century, Philips has expanded to over 100 countries and evolved with the times. It continues to lead the world's health-tech industry in the current IoT age. We interviewed Hiroyuki Tsutsumi, President & CEO of Philips Japan, Ltd. about the initiatives of the company which offer various solutions in the rapidly aging Japanese market and are attracting attention from around the globe.

### Evolving under the keyword “connect”

Philips aims to improve the lives of three billion people around the world through its products and services by 2025. The Japanese corporation changed its name from Philips Electronics Japan, Ltd. to Philips Japan, Ltd. in October 2017, and drastically changed its direction in order to become the world's top health-tech company.

Breaking away from its long-established history as a company of electronics such as audio equipment, TVs and lighting, Philips Japan is now evolving from a company that sells “products” to a company that offers IoT healthcare “solutions” under the keyword “connect.” Connecting a wide range of equipment and locations such as hospitals, communities and remote areas will greatly change the lives of people if achieved. Philips Japan developed its own cloud platform (Philips HealthSuite Digital Platform) to support health throughout the cycle of life, from support for healthy living to prevention, treatment, diagnosis and home care, which demonstrates its motivation for the increasing use of IoT.

## PHILIPS

### “Prevention” is important in increasing Japan's healthy population

Japan is the world's third largest medical market and the third most important market in the world for Philips. Due to urbanization and depopulation in rural areas, the shortage of

health professionals is severe in some areas, and the efficient use of IT and digital technology on site is indispensable. President Tsutsumi praises Japan as “having the world's top-class IT infrastructure” and expects large market growth in the future.

He also emphasizes the speed to increase the number of healthy people in Japan through prevention. This will not only reduce the risk of disease but also help reduce the government's medical expenses and consolidate the budget.

For example, in the field of oral care, Philips offers sonic electronic toothbrushes. Electronic toothbrushes are used by 70-80% of the population in Europe and North America, compared to around 20-30% in Japan. Philips Japan aims to increase their use in the country.

These electronic toothbrushes are also becoming “connected.” From September 2017, Philips' main product, Sonicare, can be connected to PCs or smartphones via Bluetooth, allowing users to check for unbrushed teeth and make use of data acquired from dental treatment. An application for children allows them to learn the correct way of brushing teeth by having fun through use of a monitor.

Similarly, this “connecting” is also used to prevent sleep apnea syndrome. Philips' sleep breathing disorder treatment device (CPAP) is useful for at-home treatment of this disease suffered by four million people in Japan. From January 2018, all at-home sleep data is stored on HealthSuite Digital Platform, enabling Philips to offer accurate information to patients and doctors.



Mr. Tsutsumi, President & CEO of Philips Japan, Ltd.

## Japanese companies are partners

In addition to selling products, Philips also conducts procurement in Japan with many of its transactions with small and medium-sized enterprises. Procured parts are used for Philips brand products, which are then exported from Japan abroad. Philips has used the business matching services of Japan Medical Manufacturing Technology Commons to actively discover and engage in business with promising medium and small-sized Japanese companies.

Philips also develops new software in Japan. One example is an MRI application, for which 30% of basic development is conducted in Japan before being put into practical use abroad.

Thus, Philips puts emphasis on partnerships with Japanese companies. Mr. Tsutsumi says, “We are also hopeful for JETRO to introduce Japanese companies as potential partners.” He also wants more Japanese companies to use Philips. “If they can accelerate their overseas expansion using the Philips’ brand and network, we can build a win-win relationship and make products together that will spread from Japan to the world,” he says.



## Advancing projects with subsidies from the Japanese government

In fiscal year 2016, Philips was selected to participate in the Subsidy Program for Global Innovation Centers by the Ministry of Economy, Trade and Industry and JETRO, and conducted two research and development projects with subsidies from the Japanese government. In one of them, the “Research and Development of Remote Intensive Care Patient Management Program.”

The company established an R&D center within Showa University and conducted experimental studies on its program that enables doctors in a control center to monitor the status of patients (biometric data, medication history, etc.) who are in ICU beds in hospitals at remote locations.

The other project is the development of a “remote pathology support (digital pathology)” system, which connects multiple hospitals through a network. The sheer shortage of pathologists, who examine diseased tissues and cells—such as those taken from cancer patients—with a microscope and give diagnoses, is a serious problem in Japan. This system is expected to promote inter-regional medical cooperation and improve the quality of medical care through involvement of multiple pathologists.

President Tsutsumi thinks, “The US is advanced in both fields on an international level, but Japan has a different method and there is potential for it to offer its products to the world. This doesn’t mean that Japan is behind but that we can complement each other.” Philips aims to realize this through these subsidized projects.

The digital pathology project went smoothly and was approved under the Pharmaceutical Affairs Law in December 2017. The system is expected to reduce the workload of about 1,700 pathologists currently engaged in actual pathological diagnosis work around Japan, and many people in the medical field have high

hopes for it.

### Recruitment—challenge in Japan

Mr. Tsutsumi says one of the challenges in Japan is the recruitment of human resources. For Philips, which has 74 offices around Japan—including through its affiliate Philips Respironics—and leases 1,500 cars in the countryside, it is indispensable to recruit doctors, nurses, radiological technicians and IT

personnel, but it has not been easy. As the available pool of human resources is concentrated in Tokyo, he says he constantly feels the difficulty of recruiting new personnel outside of Tokyo. As the top health-tech company, Philips will continue to develop sustainable business and work on training human resources to create innovation from Japan.

(December 2017 interview)

### Company history

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1891	Start of business as a manufacturer of carbon filament lamps
1912	Launch of initial stock offering in the Netherlands
1952	Establishment of joint venture company Matsushita Electronics Corporation by Philips Incandescent Lamp Manufacturing, Ltd. (headquartered in the Netherlands) and Matsushita Electric Industrial, Co. Ltd.
1953	Nippon Electronics Development Co., Ltd. begins importing Philips products to Japan, marking the start of Philips in Japan
1990	Merger of Japan Philips, Ltd. and Philips, Ltd. into Japan Philips, Ltd.
2005	Merger of Japan Philips, Ltd. and Philips Medical Systems, Ltd. into Philips Electronics Japan, Ltd.
2010	Fuji Respironics Co., Ltd. changes its name to Philips Respironics GK
2017	Philips Electronics Japan, Ltd. changes its name to Philips Japan, Ltd.

### Philips Japan, Ltd.

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Establishment:	1953
Parent Company:	Royal Philips
Capital stock:	3 billion yen
Address:	Philips Building, 2-13-37 Konan, Minato-ku, Tokyo 108-8507
URL:	<a href="https://www.philips.co.jp/">https://www.philips.co.jp/</a>

### JETRO's support

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- Arrangement of meetings with the Japanese government and governmental institutions
- Arrangement of meetings with municipalities
- Offer of governmental subsidies
- Investment Advisor Assignment System by State Ministers