

## Healthcare Business (HCB)

### To advance health and empower people worldwide to live life to the fullest

Managing Executive Officer President and CEO  
OMRON HEALTHCARE Co., Ltd.

**Ayumu Okada**



— You were appointed the president of the Healthcare Business (HCB) this year. What is your vision?

HCB's SF2030 vision is "Going for ZERO, Preventive Care for Health of Society." To address the social issue of preventing the onset of chronic disease events, we are working on 3 Zeros within these domains: "Zero cerebrovascular and cardiovascular events," "Zero aggravation of respiratory diseases," and "Zero restrictions of daily activities due to chronic pain." Worldwide, there are approximately 1.4 billion patients with hypertension, approximately 250 million with asthma, and approximately 1.5 billion with chronic pain. I believe that by promoting preventive medicine through our business, we can contribute to the creation of a society in which people around the world can live healthier and more comfortable lives.

— What are the strengths you have inherited from your predecessor? In terms of achieving sustainable growth, what do you perceive as the challenges?

I value the strong organizational capabilities that my predecessor has cultivated. It is a driving force toward one unified goal, while respecting individual freedom. I would like to further develop those strengths. I also inherited a robust global business, which is a hardware based business, centering on the cardiovascular disease management. Under SF2030, we are taking on the challenge of achieving a transformation of the business structure to one that emphasizes "product + experience" value. In promoting preventive medicine, solutions are needed that utilize vital data measured at home for diagnosis and treatment. For us to achieve this, we need to take a new approach. In addition to the development of new technologies and the evolution of services, we are also required to quickly respond to increasingly complex changes, including deregulation and geopolitical risks. We will further strengthen our organizational capabilities to swiftly respond to the

changes by equipping ourselves with skills for conceptualization, execution, business planning, and technology to create a business that emphasizes "product + experience" value.

— In fiscal 2022, net sales grew 6.9% year on year to ¥142.1 billion, while operating income declined 14% to ¥16 billion. What are the factors accounting for these results?

Consumer purchasing sentiment declined owing to increasing inflation worldwide and restrictions on travel from China during the COVID-19 pandemic. Despite these circumstances, we steadily captured the needs associated with growing health consciousness and quickly responded to improvements in logistics, resulting in steady net sales growth. The decline in operating income was a consequence of higher-than-expected costs for parts and materials and logistics, as well as continued investment for growth, such as in remote medical care.

— In SF 1st Stage, HCB is focusing its efforts on three business domains—"cardiovascular," "respiratory," and "pain management"—as well as "Remote Patient Monitoring(RPM) services." What can you tell us about each of HCB's businesses?

In the cardiovascular business, we are focusing on the development of devices and services such as blood pressure monitors with electrocardiographs (ECG) and portable ECGs that are useful for early detection and treatment of atrial fibrillation (AFib), which is a risk factor for stroke and often associated with hypertension. Through collaboration with our partners, we continue to strive to make ECG recording at home part of everyday culture. AliveCor, Inc., a U.S. company, and Tricog Health India Private Limited (Tricog), an Indian company, are among our partners. AliveCor is a developer of mobile ECGs that are easy to carry and can be used whenever one wishes. It provides support services for diagnosis and treatment of AFib via a remote monitoring platform

enabling physicians to monitor patients. Tricog provides cloud-based ECG analytical service. Blood pressure monitors with ECG are devices necessary for Going for ZERO, our vision under SF2030. We will focus on blood pressure monitors with ECG as the second pillar of devices alongside blood pressure monitors. Meanwhile, we are working to expand our device business in China and India, where further market expansion is expected due to economic growth and the increasing number of hypertensive patients in line with population aging. India, in particular, is thought to have 300 million hypertensive patients, and has high potential. The Indian blood pressure monitor market is expected to reach approximately 14 million units in fiscal 2030. However, the level of awareness of the importance of home blood pressure monitoring is low among both physicians and patients. The penetration rate of home blood pressure monitors remains at 5%. In response to this situation, our focus is on promoting home blood pressure monitoring. For patients, we hold in-store blood pressure measurement and awareness-raising events. For physicians, we are working with the Indian Medical Association to establish guidelines for home blood pressure monitoring. We also announced that we will establish a production facility in India. The new plant is scheduled to start operation in fiscal 2025.

In the respiratory business, net sales for fiscal 2022 were 133% of the plan due to a recovery in the nebulizer market, which had been affected by the COVID-19 pandemic, with brisk sales in Europe, South America, and Asia Pacific due to increased interest in respiratory diseases as a result of the pandemic. In China, where more than 100 million people suffer from respiratory diseases, we expanded our product lineup. The expansion included oxygen concentrators, for which there is a unique demand in China, in addition to the launch of a quiet nebulizer to meet the local needs, and an innovative wheezing sensor. In collaboration with pharmaceutical companies we have set up "Nebulizer Rooms" in major hospitals, utilizing

the medical channel, which is one of our strengths, to promote and raise awareness of nebulizers. Regarding pain management, we have started cultivating a new market in Japan, sports recovery, for use in post-exercise care, in addition to the existing TENS devices for shoulder and back pain relief. Sports recovery device is beginning to spread mainly among professional athletes, but we hope that in the future the general public will use it for care at home. We would also like to focus on electrotherapy bands to alleviate knee pain. Utilizing a network of regenerative medical startups, we are working to build a channel of orthopedic clinics and hospitals to sell these devices to their patients. It is estimated that 30 to 50 million people worldwide suffer from osteoarthritis of the knee, and we believe these devices will lead to an increase in healthy life expectancy, including the prevention of patients becoming bedridden.

Regarding RPM service, we launched VitalSight<sup>\*1</sup> in the U.S. in 2020, and Hypertension Plus<sup>\*2</sup> in the U.K. in 2021. These services are designed to prevent cardiovascular disease events by allowing physicians to continuously monitor blood pressure data measured by patients at home and intervene as needed. In the U.S., through verification of the

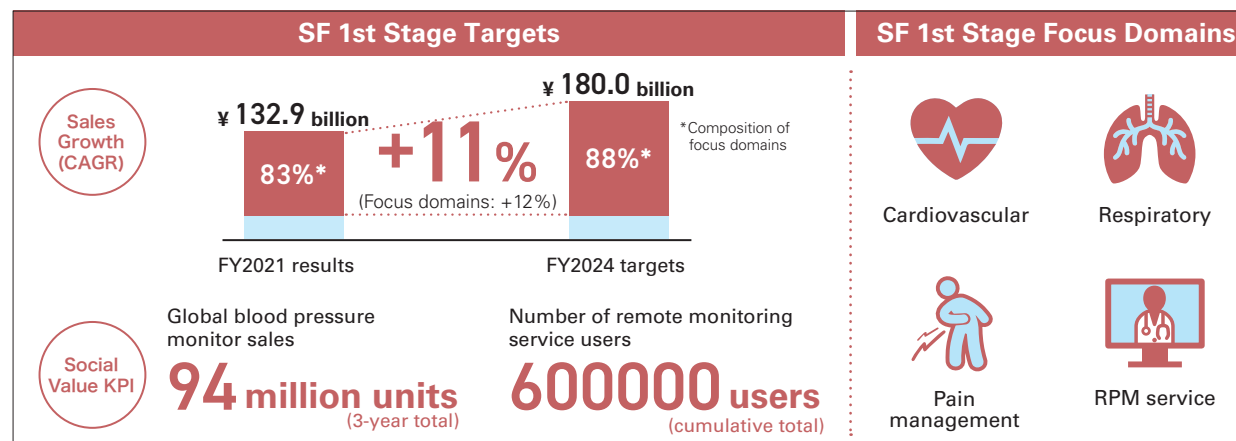
effectiveness of the treatment of the service users, the effect of blood pressure control was confirmed, with an average decrease of 7.8 points in systolic blood pressure. Moreover, 94% of the users are satisfied with the service. In fiscal 2022, we focused on maintaining the billable rate, one of the KFS of this business. In the U.S., the criterion for eligibility for reimbursement under insurance policies is a minimum number of measurements per month. Initially, we are concentrating on this point and establishing services to ensure that patients would meet this number. In the U.K., we are developing a system that is easy to use for medical professionals and reduces workload once introduced on site. Following the completion of development, which is scheduled for September 2023, we will work to increase the number of users.

<sup>\*1</sup> VitalSight: A remote monitoring service launched in North America in September 2020. Sharing patients' data measured at home with physicians realizes efficient and effective treatment.

<sup>\*2</sup> Hypertension Plus: A remote monitoring service launched in the U.K. in April 2021 that features recommendation of customized medication plans to patients, and uses blood pressure data measured at home.

— The RPM service appears to be one of the symbols of the transition to "product + experience" value businesses. I think it has a lot of potential as a business, but how do you see it developing in Japan?

At present, we are focusing on establishing services



in the U.S. and the U.K. as successful cases, thereby laying the foundation for a business model capable of generating profit. In Japan, we are working steadily with some hospitals and local governments to verify the effectiveness of RPM. We expect it to be included in the health management schemes of companies, organizations, and local governments, such as in medical checkups. The environment surrounding RPM services, such as insurance systems and medical systems, differs among countries and regions. However, we would like to create a business environment and expand our services in various countries in the future.

— How is HCB progressing with the social value KPIs set under SF 1st Stage?

HCB's social value KPIs under SF 1st Stage are global blood pressure monitor sales of 94 million units, a cumulative total for three years, and for remote monitoring services, our new initiatives, 600,000 service users. In fiscal 2022, the first year of SF 1st Stage, global blood pressure monitor sales totaled 22.06 million units, and the number of users of remote monitoring services grew steadily.

— Can you tell us about HCB's business plan for fiscal 2023 and prospects for medium- and long-term growth?

Our targets for fiscal 2023 are net sales of ¥146.0

billion and operating income of ¥17.0 billion yen, which we plan to achieve by reinforcing sales of devices, the foundation of our business, with a focus on blood pressure monitors. In fiscal 2022, facing logistics issues attributable to the COVID-19 pandemic, we concentrated our efforts on resolving the supply issues. In fiscal 2023, aiming for further growth, we are committed to ensuring the supply of products to our customers.

Specifically, in the cardiovascular business, we will strive to resume growth of our share of the global blood pressure monitor market. This year is the 50th anniversary of the launch of OMRON's first blood pressure monitor. We will also increase the number of countries where we sell blood pressure + ECG monitor and portable ECG, and spread the culture of home ECG recording.

The market of the respiratory business is growing, especially in India and China, having many patients. We will continue to focus on the introduction of products that meet market needs while increasing the recognition of nebulizers and strengthening the business through collaboration with pharmaceutical companies and medical professionals.

Regarding RPM, we will promote efforts to maintain the billable rate in the U.S. and establish a system in the U.K. that decreases the workload on healthcare professionals, and shift to the next stage where we see the scale up of the business.

— What do you consider to be HCB's advantages over its competitors?

I think HCB has three competitive advantages. Firstly, we have the know-how in obtaining regulatory approval as medical equipment. We sell medical devices in more than 130 countries, having obtained regulatory approval as medical equipment in 97 countries.

Secondly, we have earned the trust of the medical community. Home blood pressure readings are used by physicians as the basis for diagnosis and to determine the treatment policy for hypertension. We have enabled patients to monitor their blood pressure more easily and accurately at home. OMRON's blood pressure monitors are highly trusted by the medical community for their accuracy. Furthermore, we have been striving since the 1970s to promote greater awareness of the importance of home blood pressure monitoring and have developed blood pressure monitors while deepening the relationship with healthcare professionals. STRIDE BP (an international scientific non-profit organization founded by hypertension experts) lists 103 OMRON blood pressure monitor models as validated devices on its website (as of January 2023, survey by OMRON HEALTHCARE). Because physicians trust OMRON, users also trust OMRON products. I will cherish this trust that we have cultivated over the years, which is the source of our brand power.

Acquisition of regulatory approvals

97 countries

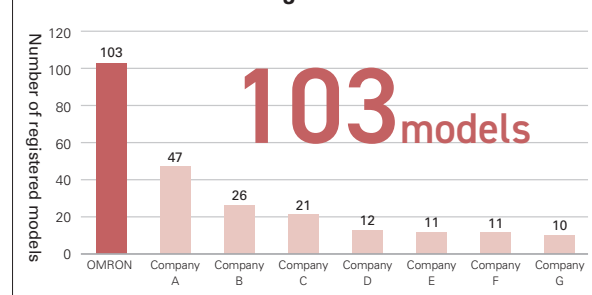
Over 130 countries and regions where OMRON health and medical equipment is sold

Global Sales Network

600000 sales channels

+160000 sales channels compared to fiscal 2015

Number of models that gained STRIDE BP validation



Thirdly, we have solid sales channels. We gained regulatory approval as medical equipment in each country and have developed business over the years. As a result, we now have a sales network comprising 600,000 sales channels worldwide, enabling us to deliver our products quickly and reliably. At the same time, “OMRON Connect,” a health management app for the customer base, is distributed in more than 130 countries and regions worldwide. We will create personalized insights for users and design algorithms to gather data from the customer base, both of which are essential for preventive medicine.

**— What do you think of the current revenue structure? Please share your thoughts, including on the future strategy.**

We will focus on our “capability of generating profit” based on our core businesses such as blood pressure monitors and nebulizers. Then, using the resources generated by the core businesses, we will invest in the creation of businesses that will have a social impact, such as innovative devices and services necessary to realize HCB’s vision under SF2030. We intend to create such a virtuous cycle. In emerging countries, the penetration rate of home blood pressure monitoring is still low, so activities to heighten awareness and presence in the healthcare sector are necessary. I expect we will continue investing in these areas for some time to further generate sales and profit.

On the other hand, our initiatives to achieve carbon neutrality, which is a social issue, constitute a criterion that consumers consider when choosing companies, products, and services. It is also a matter of corporate responsibility. We are working to establish carbon neutral production lines, make product packaging environmentally friendly, and design products that minimize power consumption. The Matsusaka Factory has started procurement within Japan of major parts for blood pressure monitors. This will reduce parts procurement lead times and reduce the amount of

storage space required, which is expected to result in a reduction of approximately 3.4 tons\*<sup>3</sup> in CO<sub>2</sub> emissions. We will vigorously invest in these measures as well.

\*<sup>3</sup> Based on calculations by OMRON HEALTHCARE

**— What transformations are needed to achieve SF2030? What assets and capabilities are necessary for sustainable growth?**

I would like to enhance HCB’s ability to anticipate and prepare for change as well as respond to change quickly and flexibly. To anticipate change, it is important to capture not only market data, but also the voice of the customer. We want to cultivate sensitivity that will enable us to find value in the voice of the customer. The data may not show it apparently, but I would like us to articulate it and create new value out of it. Moreover, the key to enhancing product planning as well as technical and sales capabilities is to cultivate the culture and atmosphere of the organization that anchors the business. For this purpose, we have formulated the “Global Human Resources Policy” that indicates the way forward for our employees. The keyword is “connect.” By transcending divisions and connecting more strongly, we would like to enhance our ability to anticipate change and flexibly, quickly, and effectively respond to change. Beyond that, I believe that we can see “OMRON becoming synonymous with chronic diseases management.”

**— OMRON is committed to high cycle management. What is HCB pursuing and what results have been achieved?**

Specifically, I would like to raise the level of HCB’s ability to set goals as an organization. For this purpose, rather than setting a solid achievable goal, we should set a medium to long-term goal that can lead to resolution of a social issue. It is important to have the ability to identify the bottlenecks along the path to achievement of the goal and to formulate a

scenario eliminating the bottlenecks.

For VitalSight, a RPM service in the U.S., we have defined the medium to long-term goal and the path to it. We review progress monthly and run the latest iteration of the “trial & learning” cycle. In addition, we have created an HCB version of the guide to high cycle management. In order to deepen employees’ understanding in preparation for implementation of high cycle management throughout HCB, all employees are engaged in ongoing discussions. I have had many discussions with managers in Japan and around the world. Stakeholders’ expectations of HCB are growing. We must foster a mindset among all employees that predisposes them to boldly take on challenges without fear of change or failure, and to share and learn from any failures as an organization. By doing so, I believe we will increase awareness of the need to attain higher goals, which will lead to the strengthening of both the organization and individuals.

**— Finally, as president, how do you aim to manage the organization?**

As I said at the outset, my aim is to enhance HCB’s ability to effectively respond to change and make HCB a stronger and more agile organization. I would like HCB to be a team whose diverse members with their different personalities and specialties advance boldly toward the same goal. Sharing the mission of helping people around the world be healthy, all of us at HCB can take pride in our work. I believe that it is the president’s job to help every employee realize their full potential. As for contributing to the resolution of social issues, I would like all our employees to experience this, and moreover to achieve growth of HCB as an organization.



**Case Initiatives in India**

India is estimated to have about 300 million hypertensive patients. The blood pressure monitor market is also projected to expand from 1.19 million units in fiscal 2020 to 14 million units in 2030, an approximately 12-fold increase. However, the use of home blood pressure readings in medical treatment and the practice of patients measuring their blood pressure at home have yet to become common practice, and the penetration rate of home blood pressure monitors is still only 5%. Moreover, about 80% of the medical institutions still use aneroid blood pressure monitor (aneroid blood pressure monitor that measure blood pressure by listening to arterial sounds called Korotkoff sounds with a stethoscope), and replacement demand for digital blood pressure monitors is expected. Therefore, we are taking on the challenge of publicizing home blood pressure monitoring and encouraging its mass adoption by promoting activities to raise awareness and product recognition for physicians and patients.

**OMRON Academy Supporting the Use of Home Blood Pressure Readings in Medical Treatment**

We are pursuing collaboration and dialogue to promote awareness among healthcare professionals of the importance of home blood pressure monitoring. Moreover, we are working with key opinion leaders to develop evidence-based guidelines derived from data obtained through home blood pressure monitoring among the Indian population so that home blood pressure readings can be used for hypertension diagnosis and treatment. Furthermore, we offer the OMRON Academy, an educational program for healthcare professionals, to highlight the importance of home blood pressure monitoring. We invite a key opinion leader as a lecturer for the OMRON Academy and raise awareness among the audience of the importance of home blood pressure monitoring in the treatment of hypertension, using original content

featuring data on Indians as teaching materials. In fiscal 2022, we held the OMRON Academy in 12 cities in which 2950 healthcare professionals participated.

**Experience Centers Promoting Home Blood Pressure through “Hands-on” Experience**

From 2018, OMRON began rolling out Experience Centers where customers can get hands-on experience of blood pressure measurement and other OMRON products and services, including guidance on how to use a nebulizer. Experience Centers are also equipped with customer service functions including repair. Starting from major cities, we are expanding the network of Experience Centers step by step to strengthen our points of contact with customers. There are three types of Experience Centers: an exclusive OMRON shop with all three functions of hands-on experience, service and pick-up; a shop-in-shop in a corner of a pharmacy or other location; and a mini-experience corner that focuses on hands-on experience and sales of products and provision of service. We have opened Experience Centers according to the needs of the area and the business environment. Approximately 26000 customers have visited Experience Centers. We address the different user needs and consumer behavior in each region in our marketing, having grasped these characteristics by listening directly to our customers. We plan to open 17 Experience Centers by fiscal 2023. By making it possible for customers to familiarize themselves with our products and services, and to experience the joy of selecting products and the satisfaction of the fastest repair service, we hope customers visiting Experience Centers will become lifelong OMRON fans.

OMRON Healthcare India  
**Gagan Saxena**



Exclusive OMRON shop in Ludhiana

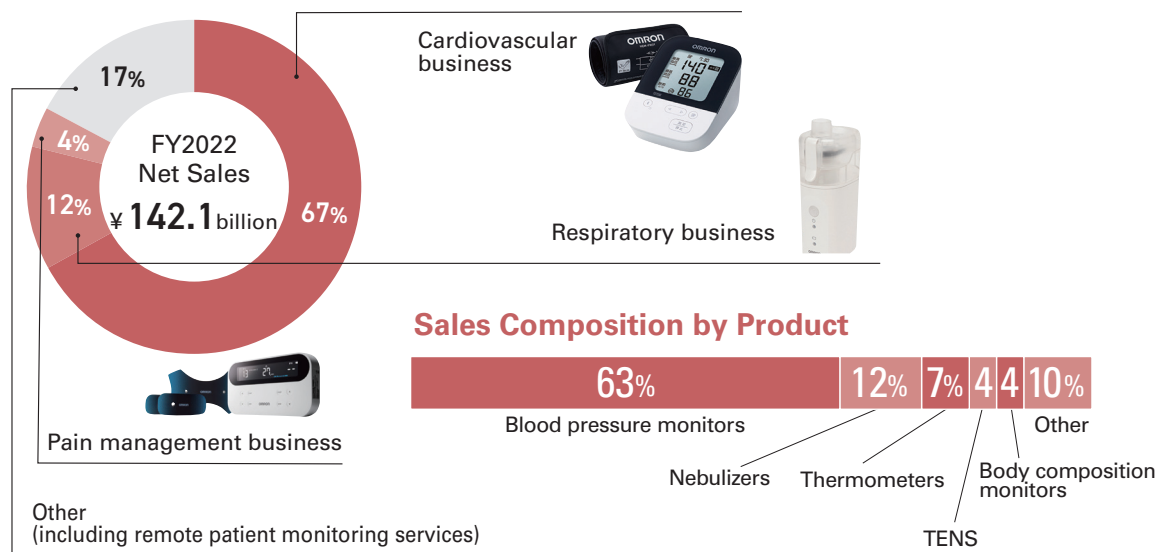


Exclusive OMRON shop in Gurgaon

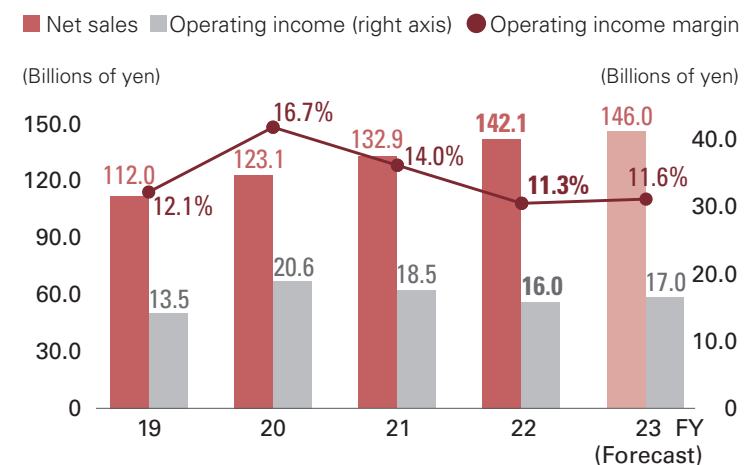


Shop-in-shop in Chennai

### Sales Composition by Business Domains



### Net Sales / Operating Income / Operating Income Margin



- R&D cost: ¥7.9 billion (results for fiscal 2022)
- Capital expenditure: ¥6.6 billion (results for fiscal 2022)
- Committed to doubling “energy productivity” with the Healthcare Business upon joining the EP100 international initiative (November 2022)
- Changed the packaging for thermometers from plastic to environmentally friendly paper package
- Implemented a Pharmacists Recommendation Model, an ECG-based medical consultation recommendation model, in cooperation with the Smart Health Care Association at dispensing pharmacies and drugstores
- Launched a blood pressure + ECG monitor and a portable ECG in Japan
- Collaboration with Tricog Health India Private Limited (Tricog), which develops and provides cloud-based ECG analytical service in India

- Net sales: ¥142.1 billion (+6.9% YoY)
- Operating income: ¥16.0 billion (-13.6% YoY)
- Cumulative global sales of blood pressure monitors: 22.06 million units (fiscal 2022)
- Number of remote patient monitoring service users: 75000
- Began development of a remote patient monitoring service utilizing Tricog’s cloud-based ECG analytical service and HCB’s ECGs.

- Contribute to advance health and empower people worldwide to live life to the fullest by creating eco-systems for preventive medicine to decrease the onset of chronic disease events



SDGs 3.4.1