



I am President Ogino, of the Healthcare business at OMRON.

Today, I would like to present the strategies for HCB.

Our start in the healthcare business was in 1961. Our founder believed that if you looked at disease treatment as a process incorporating measurement, diagnosis and treatment, it would be possible to apply automation control technologies to support health management and treatment. He created the field of Health Engineering to develop a healthcare industry that applied control technologies.

Positioning of HCB

Positioned as a key domain alongside FA, even within the 4 focus domains

Factory Automation



Healthcare



Mobility



Energy Management



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It has been 56 years since the inception of this business. It has grown gradually over time to become one of the OMRON group's core focus domains.

Healthcare Business (HCB) Mission

**To Help Realize Healthy and
Comfortable Lives for
People around the World**

All for Healthcare

Globally, we have approximately 4,400 employees, all of whom embrace the mission we show here: “To help realize healthy and comfortable lives for people around the world”. This mission is what underpins our activities.

Social Issues Within Healthcare

Social changes in developed and developing countries have led to new challenges in healthcare, driving severe increases in medical expenditures

Social change



Middle class expanding in both developed and developing countries



Population aging in developed countries

New challenges



Increase in lifestyle diseases



Widening gap between life expectancy and healthy life expectancy

Social issues



Rising medical expenditures

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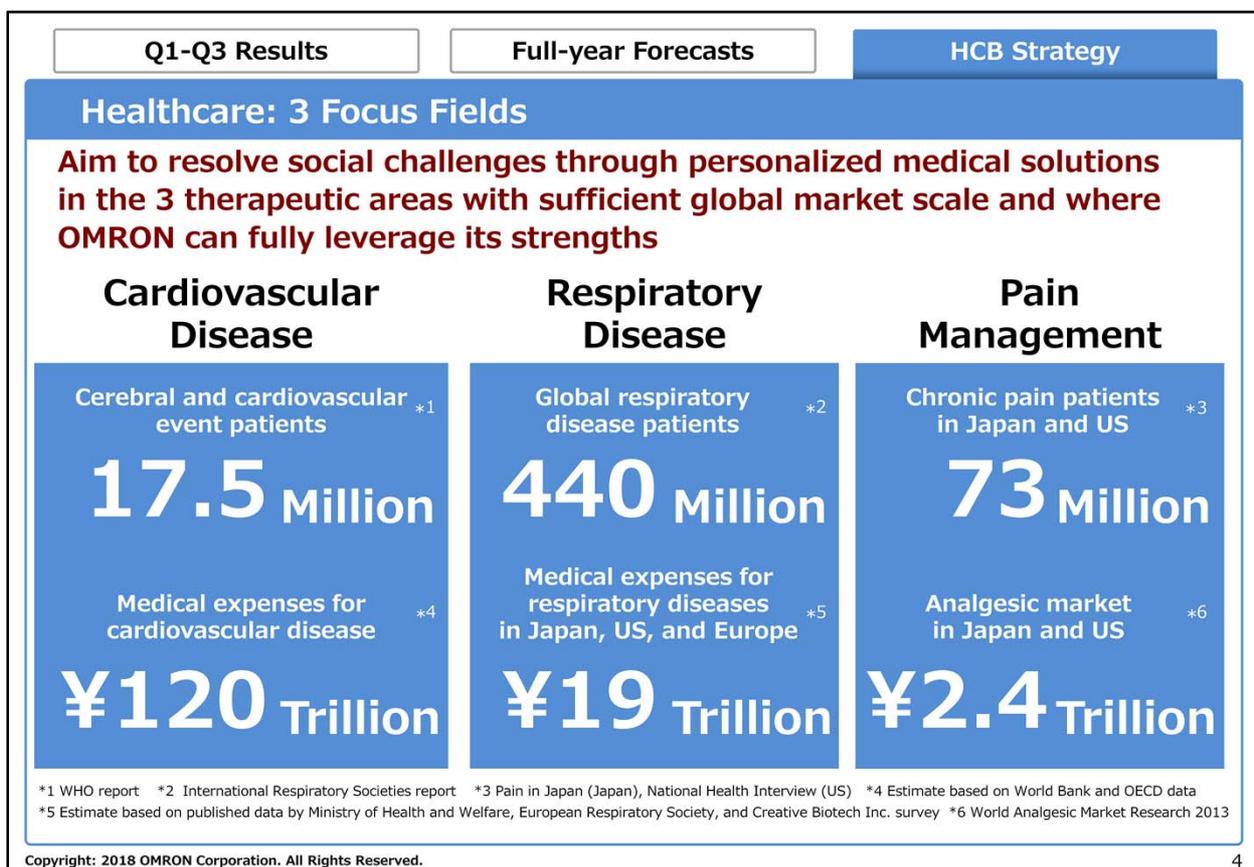
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Until recently, longevity was generally considered to be a personal aspiration. However, longer life expectancy is now considered to be more of a social issue. In developing countries, rising incomes and the emergence of a middle class has led to increased incidence of hypertension, diabetes, hyperlipidemia and other lifestyle diseases. Patient numbers are increasing.

In developed countries, there is more of a focus on healthy life expectancy and the gap between healthy life expectancy and overall life expectancy. This gap coming at the end of peoples' lives is associated with many health challenges.

As a result of all of this, medical expenditures have been rising globally, a major social issue.

OMRON Healthcare is focused on finding solutions to such social issues.



Of the major social issues in healthcare, we have chosen to focus on 3 key fields: Cardiovascular disease, Respiratory disease and Pain management.

Hypertension is a leading cause of cardiovascular disease, particularly strokes and heart attacks. On an annual basis, 17.5 million patients suffer cerebral and cardiac events. Estimated global expenditure in this field totals ¥120 trillion.

The primary form of respiratory disease is asthma. An estimated 440 million people suffer from asthma globally. This is also a condition that is exacerbated by economic development as industrialization leads to a deterioration in air quality. The number of patients is increasing globally.

Longer life expectancies have led to a greater need for pain management. Many elderly people with orthopedic conditions are living with chronic pain as a part of their daily lives. Total expenditures for pain management, including oral and topical analgesics for Japan and the US alone total ¥2.4 trillion. Treatments in this area range from oral compounds to the use of devices like those provided by OMRON.

Against the backdrop of rising medical expenditures, OMRON is focusing on contributing to these three fields: cardiovascular disease, respiratory disease and pain management.

Q1-Q3 Results Full-year Forecasts **HCB Strategy**

Healthcare: Basic Strategies

Reinforcement of 3 Core Categories

- Blood Pressure Monitor**
- Nebulizer**
- Pain Management**

Initiatives to Promote
Zero Cerebral and Cardiovascular Events

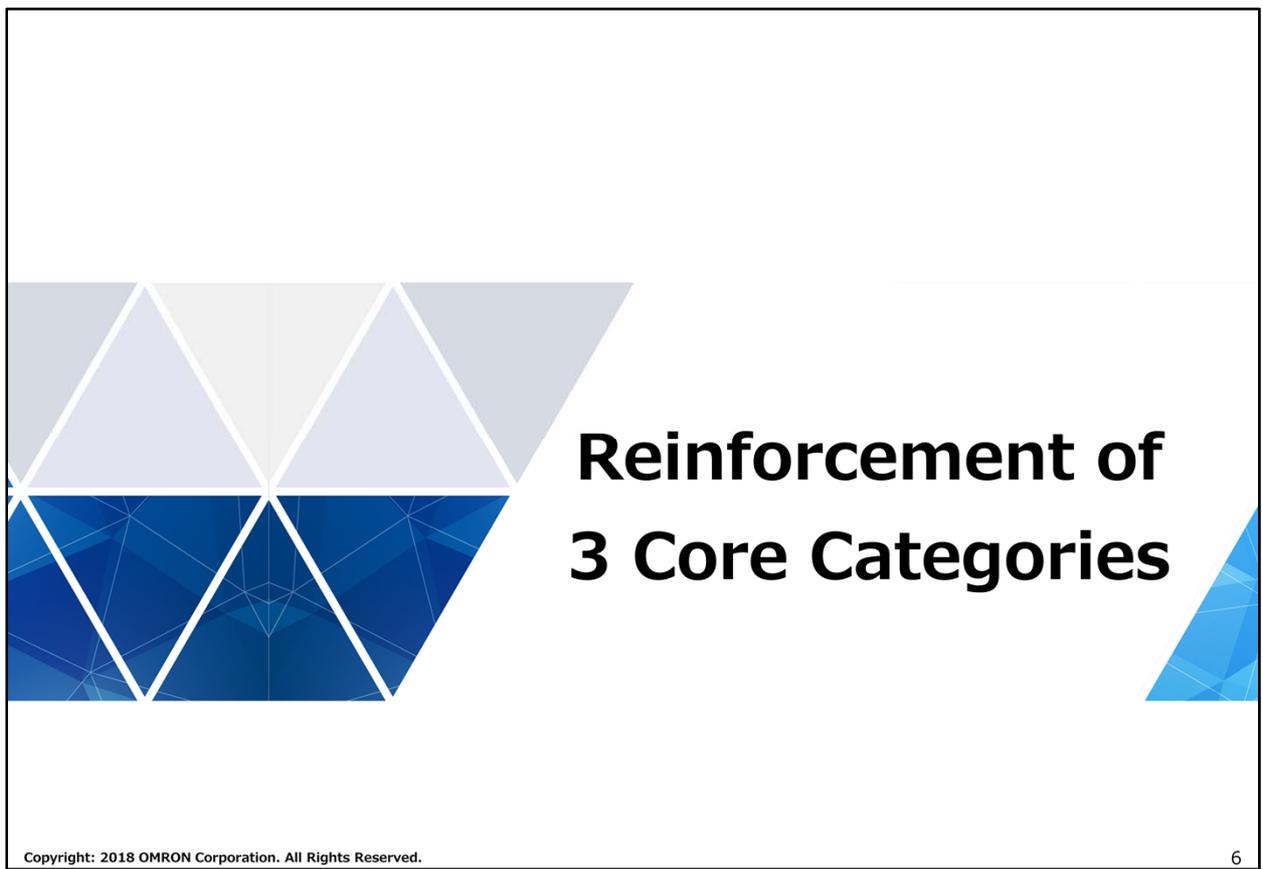
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I will start with our basic strategies: to enhance the 3 core categories and, going forward, to develop service businesses.

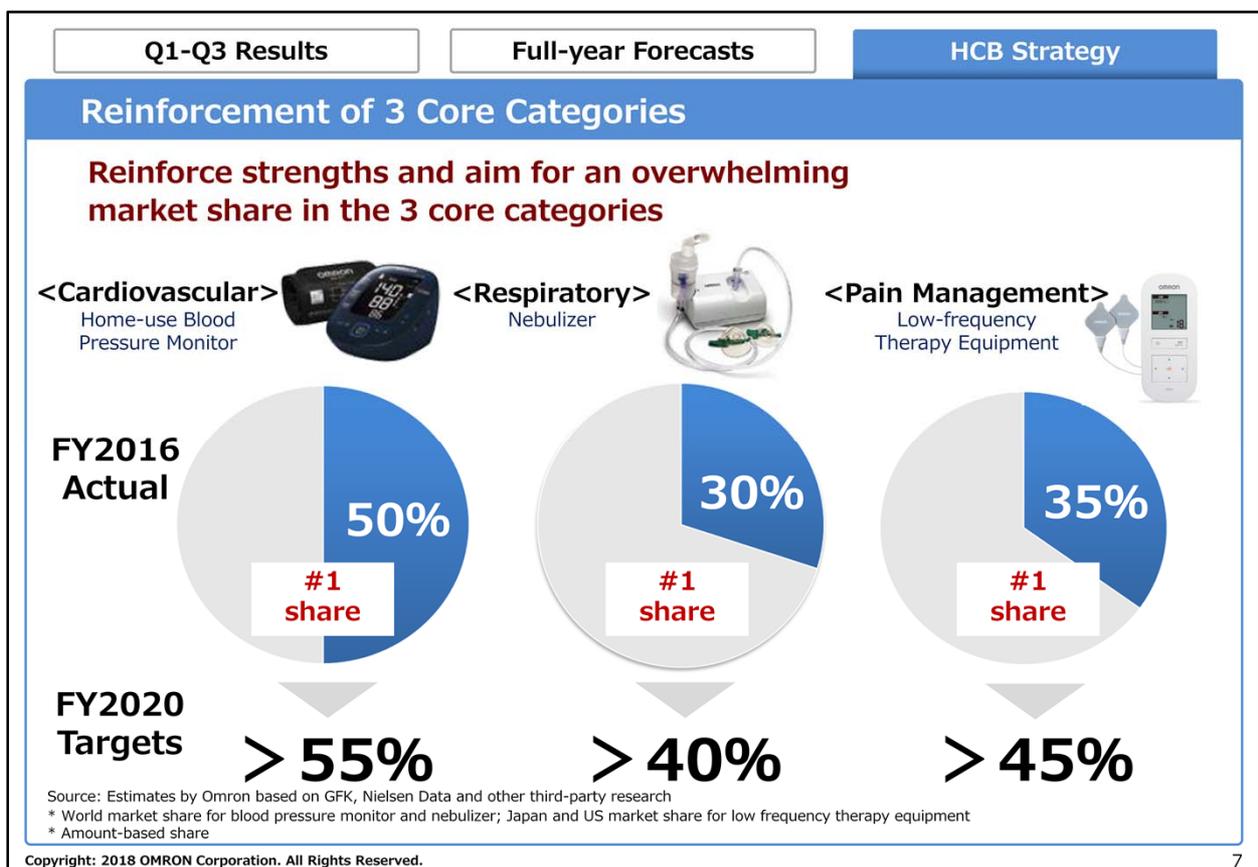
First, the 3 core categories. I will start with the cardiovascular field. In this field, blood pressure is a key indicator. The BPM business is a core category for OMRON. In asthma treatments, nebulizers are a key device that deliver drugs to the lungs of patients suffering asthma attacks. For pain management, OMRON provides low frequency therapy devices that ease chronic pain. These are the core devices for the 3 focus fields. Our strategy here is to reinforce the core categories to continue to grow revenues.

We are also aiming to develop service businesses. To date, we had contributed to cardiovascular health by selling BPMs, which led to a reduction in hypertension patients. We are now reaching the stage where the accumulated data can be leveraged to do more. Rather than simply measuring blood pressure, the data can be used to prevent major cardiac events. We are developing service businesses in this area.

These are the two basic strategies for HCB.

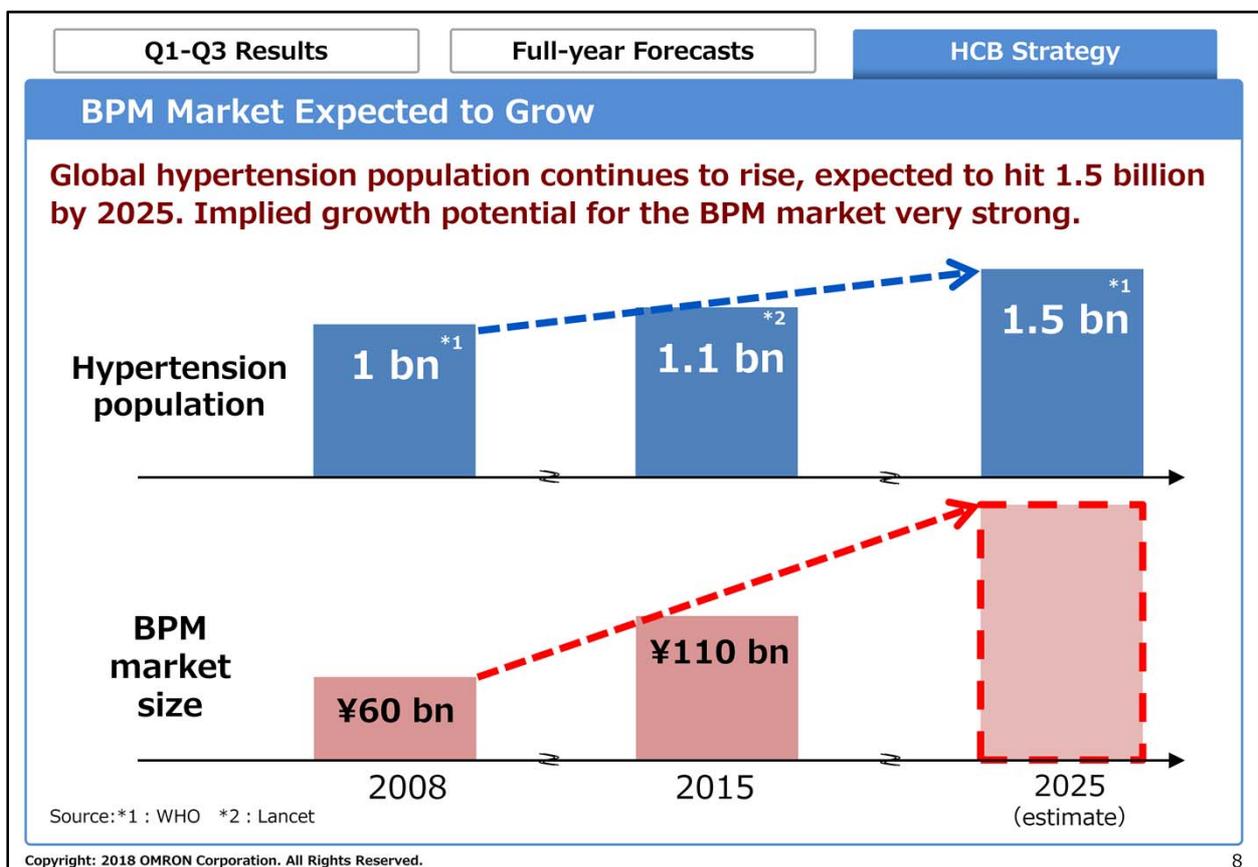


I will first discuss the reinforcement of the 3 core categories.



The three core categories are: home-use BPMs for cardiovascular, nebulizers for respiratory and low-frequency treatment equipment for pain management. For the first two product categories, we hold very high market shares on a global basis. In pain management, we hold major shares in markets such as Japan and the US.

We aim to further raise our market shares to further solidify our dominant position.



Using BPMs as an example, we show the backdrop to our expectation for further share growth.

As noted earlier, hypertension patient numbers continue to increase, on the back of economic development in emerging economies and the aging of the population in developed countries. Although it is not a positive development, it is likely that we will continue to see the number of hypertension patients increase. Some suggest that hypertension patients could hit 1.5 billion by the year 2025. Given that hypertension patients need BPMs, there is plenty of room for further growth in the BPM market.

OMRON's Strengths

The medical device business requires the ability to meet rigorous standards. OMRON has 3 key strengths, as a result of a 40 year-plus track record in the BPM business.

- 1. Significant regulatory expertise, ability to secure approvals (barrier to entry for others)**
- 2. Well trusted by medical practitioners based on high degree of performance accuracy**
- 3. Established channel network**

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In addition to growth in the underlying market, let us look at our competitive strengths, given the emergence of new entrants, particularly from emerging markets. We highlight 3 strengths.

The BPMs, nebulizers and low frequency therapy equipment we develop and sell are medical devices. As such, they are subject to a regulatory approvals process as set out in the first strength. For BPMs in particular, as set out in the second strength, doctors use blood pressure data as the basis for making decisions about a patient's condition such as adjusting prescriptions. As such, being well trusted for accuracy is very important.

The third strength is our established retail presence. Our long history of operations from 1961 has allowed us to develop a robust global retail network over time, which we consider to be yet another strength.

Strength 1. Regulatory Expertise (Barrier to Entry)

OMRON products sold in 117 countries, 90 of which have a product approval process. OMRON has met the safety and efficacy requirements of regulators in each country.



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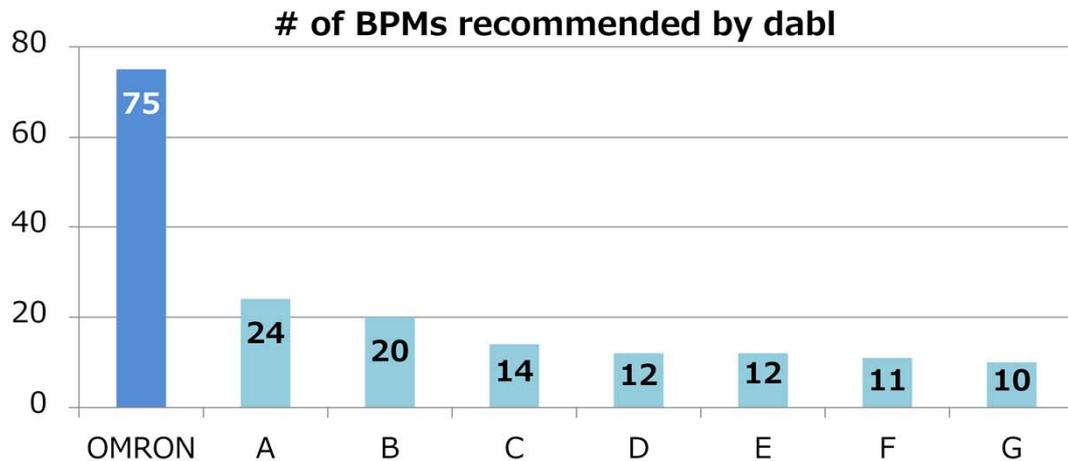
With regard to regulatory approvals, our BPMs are medical devices. As such, they are subject to regulatory approval, under the auspices of the Pharmaceutical Affairs Law in Japan, or the FDA in the US. We must seek approval in each country. We already sell our BPMs in 117 countries, of which 90 require specific approval. In each of the 90 countries where we sought approval, we have built up significant regulatory expertise necessary to do so. This is a significant strategic advantage.

For the developing countries, which currently do not have their own approvals process, we would expect to the gradual development of local regulatory approvals processes. Given this, we believe our substantial expertise is a major strength as we strive for further growth. We believe it would be very challenging for new players to try to catch up in this area.

Next slide please.

Strength 2. Trusted by Medical Practitioners

Many papers have been written assessing the accuracy of OMRON BPMs. OMRON has the highest number of recommendations from dabl, a third-party resource used by doctors in evaluating BPMs.



Based on database search by Omron.

Search preconditions: Upper Arm Devices & Wrist Devices for Self-measurement of Blood Pressure, from dabl Educational Trust

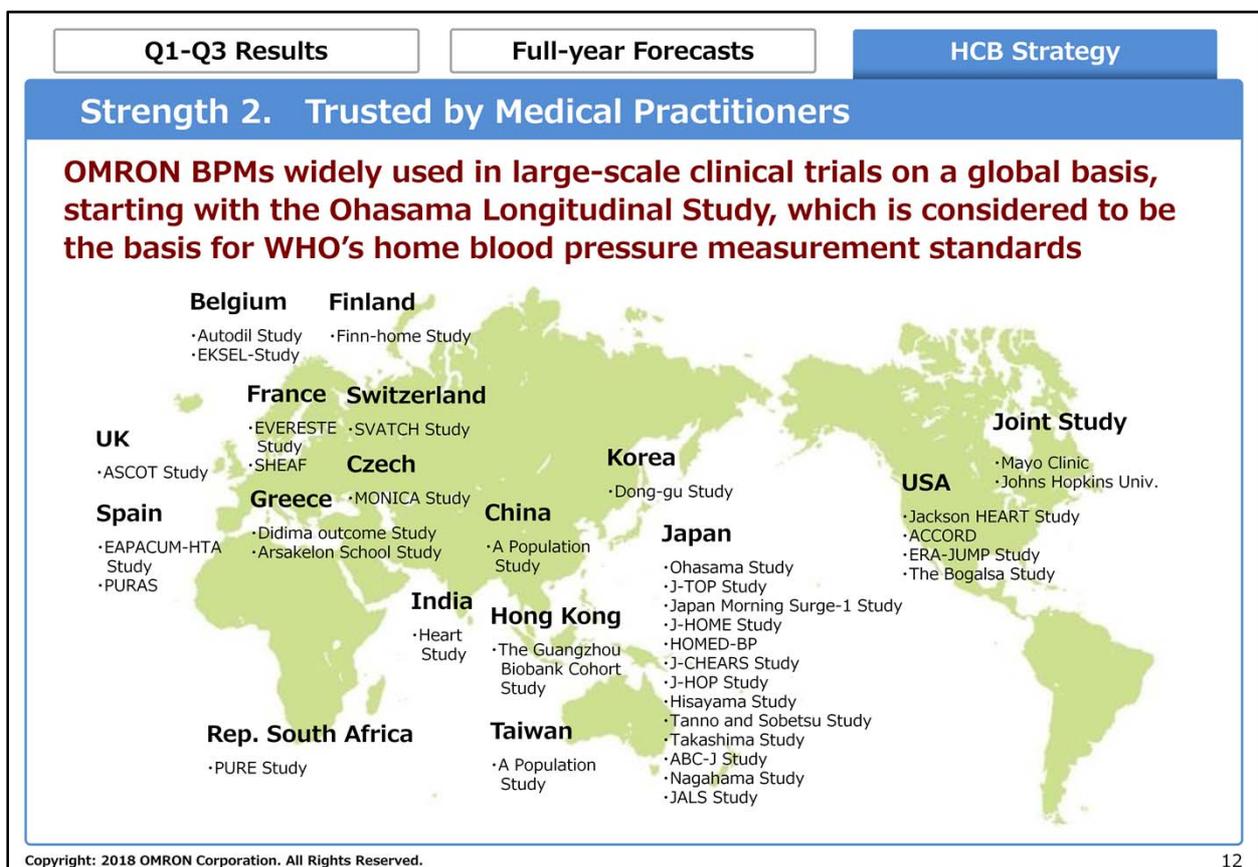
Searched on March 2016

Note: Only showing results for manufacturers with more than 5 registered devices

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This looks at the number of recommendations by dabl Educational Trust, a third-party reference resource created by doctors to evaluate BPMs. dabl seeks to identify products that have the ability to operate with a high degree of operational accuracy. Of those players evaluated by dabl, as we show in the chart on the far left, OMRON has a very high number of 75 recommendations, significantly higher than our peers. This reflects our position of being well trusted for accuracy on a global basis.



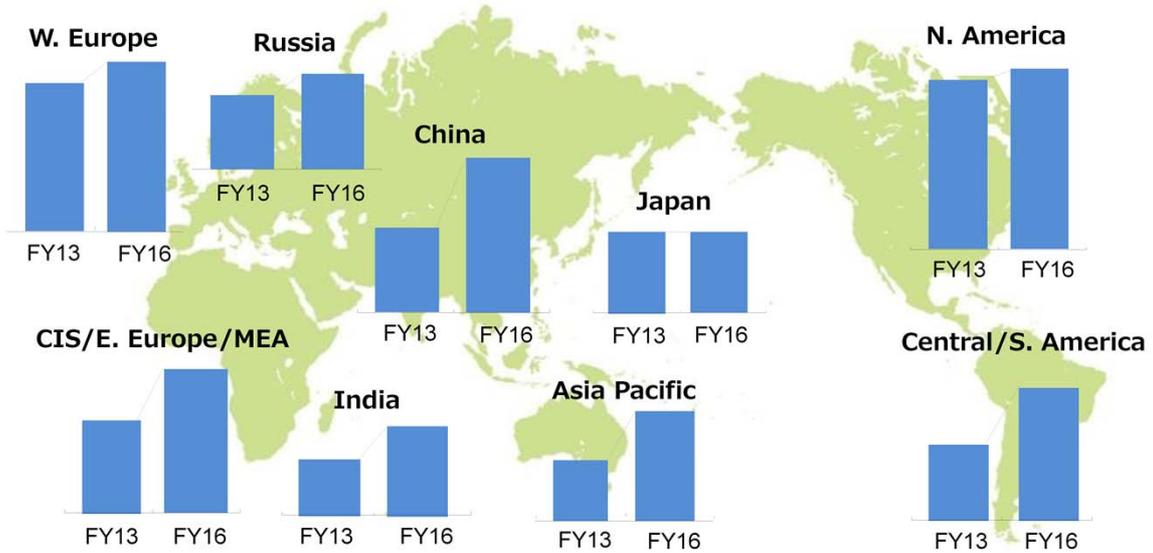
Because of this, there are many cohort studies that highlight the accuracy of OMRON's BPMs in many geographies. Perhaps the most rigorous is the Ohasama longitudinal study conducted in the Tohoku region of Japan, which used OMRON's BPMs. As a result of being used for this large-scale study, our BPM's were used to determine the WHO standards for blood pressure. Many global studies now use OMRON BPMs. In other words, our data readings have become the de facto standard for medical practitioners.

With regard to the first two strengths highlighted in the previous slide, this kind of superiority is not something that can be developed overnight, but is rather the result of many years of sustained development.

We aim to further improve our market shares by leveraging these strengths.

Strength 3. Established Channels (Expanding retail footprint)

**Increasing the number of retailers, primarily in emerging markets
(FY13 360,000 -> FY16 460,000)**



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With regard to our retail presence, we currently sell product in 117 countries around the world, through 460,000 stores. We have expanded our sales network in order to provide easy access to our products for consumers.

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Strength 3. Established Channels (Expanding Online Channel)

OMRON dominates rankings for BPMs on Amazon

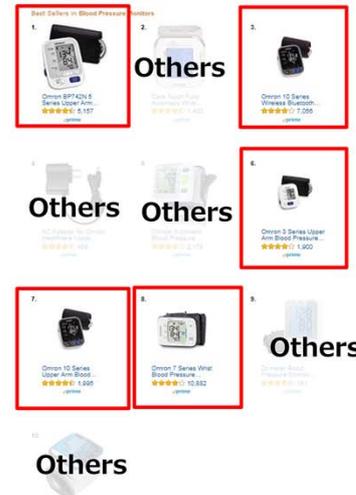
(As of 19 January 2018)

Amazon.co.jp



8 of Top 10 are OMRON products

Amazon.com



5 of Top 10 are OMRON products

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More recently, we have seen the emergence of a significant online market which is growing rapidly.

We are very well positioned in online, including Amazon Japan and Amazon.com. We have been able to leverage the strength of our brand, developed over a significant period of time to be the number 1 supplier in the online channels, with many of our products cited as highly recommended.

Although we are seeing changes in retail channels, we continue to be the choice of consumers based on the superiority we have in regulatory expertise and the high degree of trust doctors have in our readings.

These strengths should allow us to continue to raise share in growing markets, as we roll out new products and grow our business.



Zero Cerebral and Cardiovascular Events

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Next, Zero Events.

Our Vision for the Cardiovascular Domain



OMRON Healthcare is Going for Zero.
We aim to eliminate cerebral and cardiac events,
such as stroke or heart attacks,
that can lead to fatalities or being bedridden.

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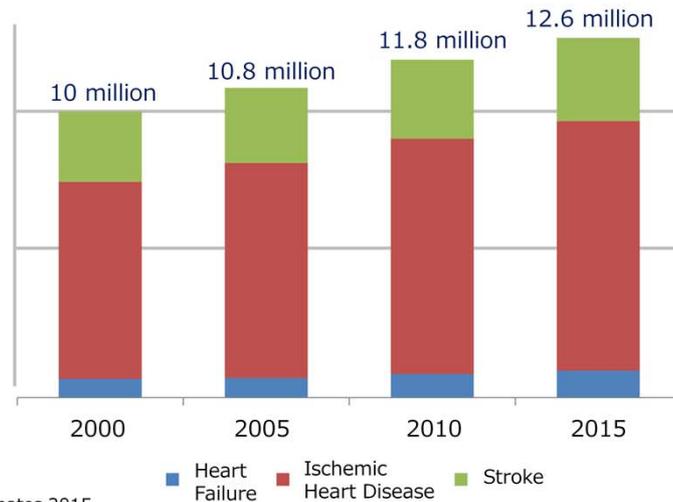
As noted earlier, we have historically contributed to the treatment of hypertension by selling BPMs and developing products appropriate for home use. More recently, we have developed a new goal, going beyond simply selling BPMs to provide services that aim to minimize the incidence of cerebral and cardiac events.

We are now focused on developing new businesses under the goal of Zero Events.

Cerebral and Cardiac Event Fatalities

Number of deaths from cerebral and cardiac events continues to rise

Cerebral/Cardiac Event Fatalities (Global)*1

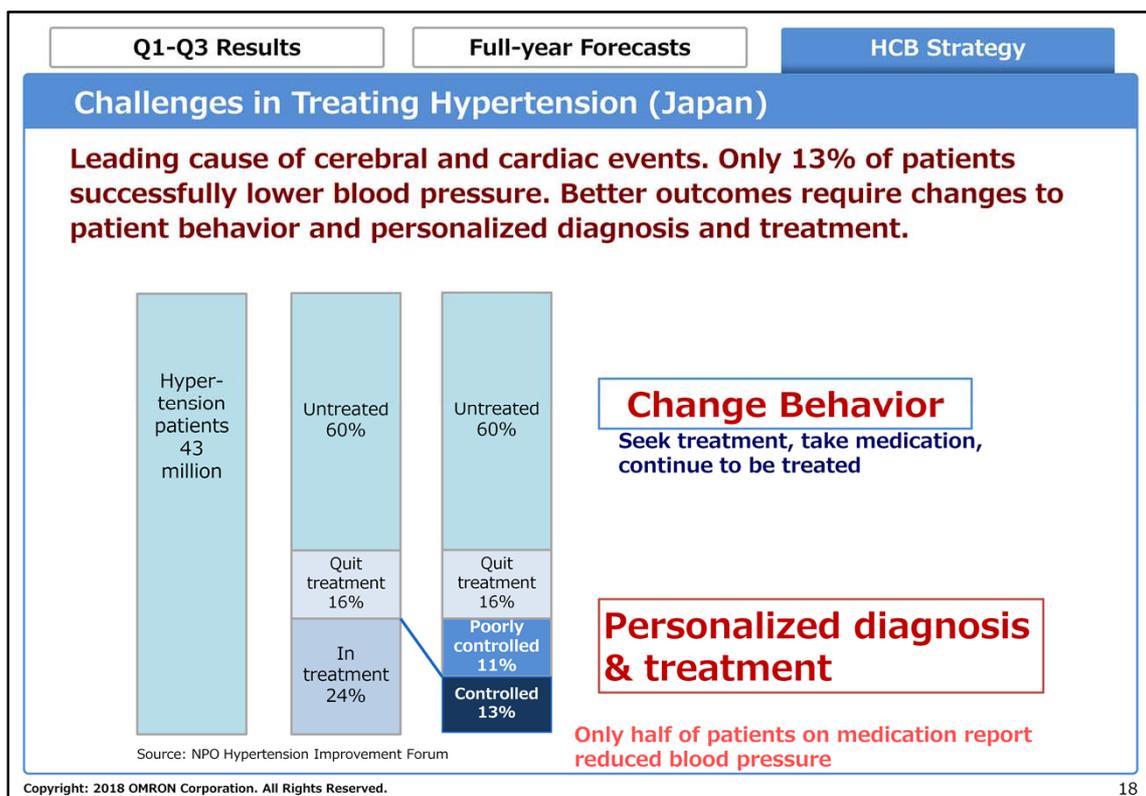


*1:WHO Global Health Estimates 2015

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Earlier, I touched upon how the BPM market has been growing on the back of an increase in patient numbers. Unfortunately, the number of fatalities from strokes or cardiac events has continued to rise. So far, it has not been possible to halt the rising fatalities.



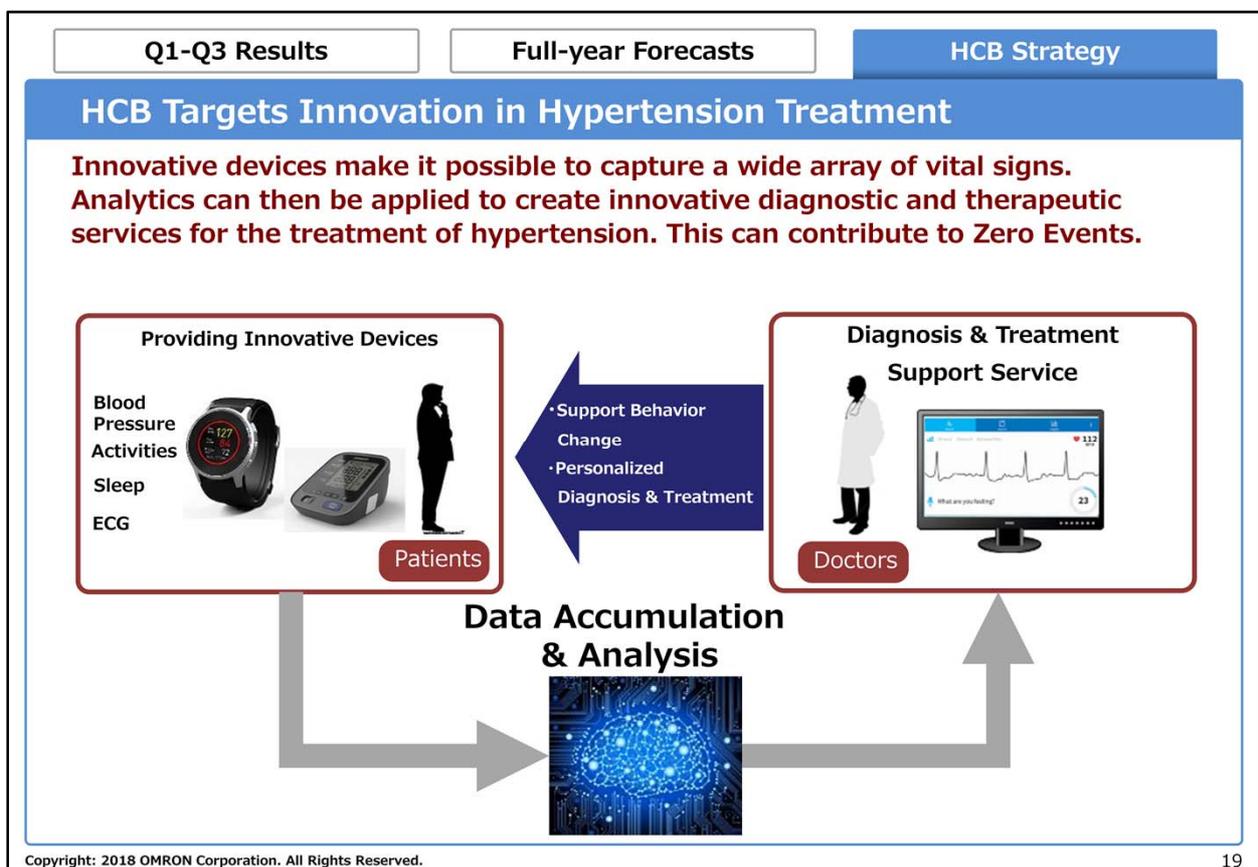
We look at the reasons why this is the case, using Japan as an example. The hypertension population in Japan is estimated at 43 million but only 13% are being successfully treated with medications to control blood pressure. Achieving Zero Events is impossible unless we can address this fact.

What we are trying to do is to offer services that can change patient behaviors. The first is to ensure that patients that become aware that they have high blood pressure seek proper treatment. Other behavioral changes are to have such patients regularly take blood pressure readings and to ensure compliance in taking medications.

By providing services that support changes in behavior, we hope to increase the number of hypertension patients that are successfully able to control their blood pressure.

We also hope to contribute by providing personalized diagnosis and treatment. Hypertension itself is not a disease but a syndrome, in which the high blood pressure is a symptom of other conditions. There are many potential causes of high blood pressure, such as high blood viscosity, hardened arteries or heart problems. Therefore, in order to lower blood pressure, you must first identify the cause of the high blood pressure. Lower blood pressure is contingent on prescribing the correct medication

to address the root cause. Some of you may believe that controlling blood pressure is simply a matter of taking medication, but in fact, proper treatment requires personalized treatment.



OMRON is able to capture a broad array of vital signs using a variety of wearable devices, not just conventional blood pressure readings but readings of blood pressure post-activity or during sleep, or upon waking. We are also able to factor in new types of vital signs such as ECG. By analyzing such new data for a given individual, we believe it should be possible to tailor a treatment program, including identifying the correct medication, so that it best suits the individual's needs. We are currently developing this type of service.

We believe the analytical process is an ongoing and iterative process, so that even after lowering blood pressure using medication, we could subsequently modify a treatment program, where the next step might be to aim for a change in behavior that incorporates more exercise or a reduction of salt in the diet. We aim to develop this type of service as well.

First Steps for New Hypertension Treatment (with AliveCor)

Achieve Zero Events with new devices that capture a wider variety of vital sign and behavioral data to enhance diagnosis and provide more sophisticated treatment

AliveCor's Strengths

- Mobile cardiograph unit (FDA-cleared) to detect atrial fibrillation



- Remote monitoring platform for cardiologists and patients



OMRON's Strengths

- Development capability

Integrated tubeless cuff-type BPM (Launched Mar. 2017)



Example of a New Device

Wearable BPM (In development for US launch in 2018)



- Algorithm

- Diagnostic algorithm
- Optimal dosing algorithm



Collaboration

- Developing **ECG+BPM** (Plan to seek FDA approval)

Example of a New Device



- Develop service platform that uses **ECG+BP Data** (Plan to seek FDA approval)

New Service

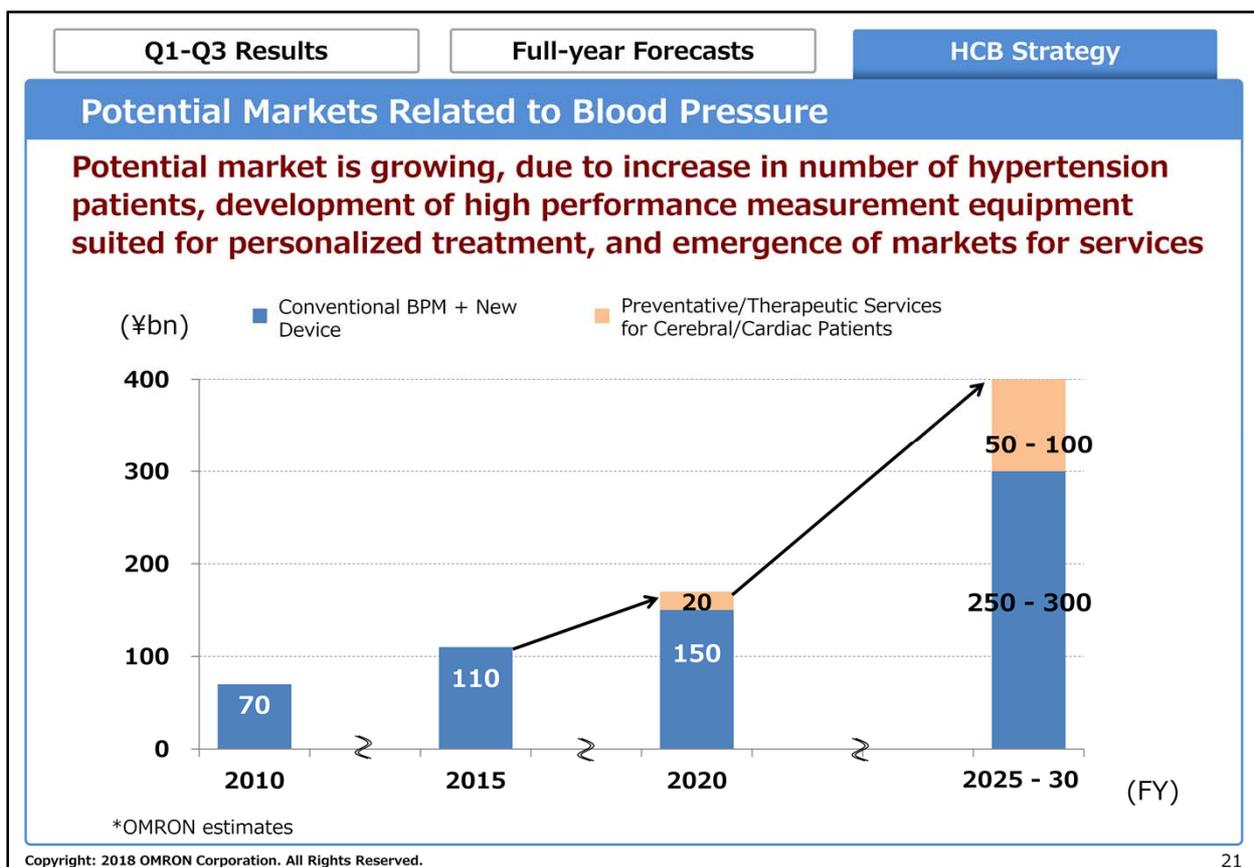


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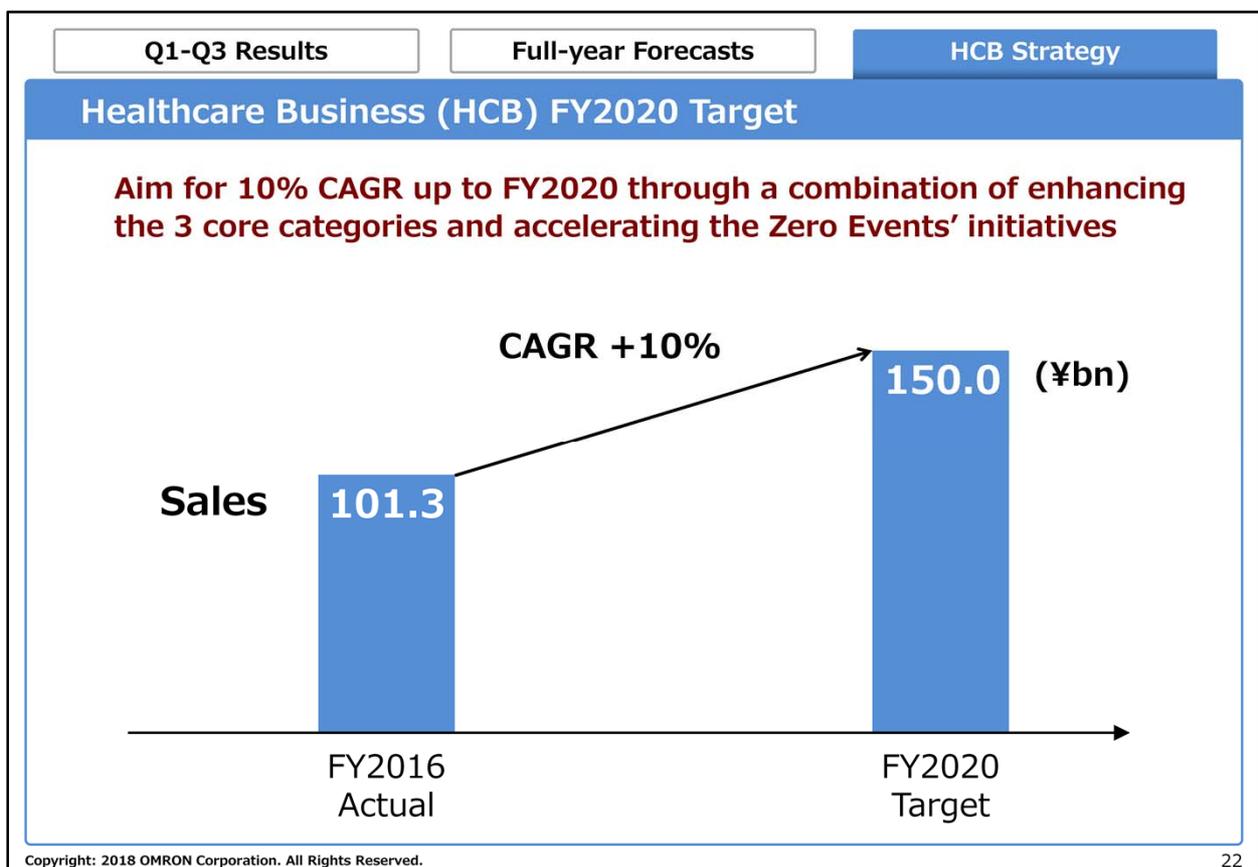
In order to enhance the value of such services, we entered into an alliance with AliveCor. AliveCor has strengths in home ECG measurement and analytics, designed to reduce the incidence of cardiac events. They provide a number of services, based on home ECG readings.

OMRON is focused on reducing events through the use of BPMs. We believe AliveCor is the only player globally to have this scale of home ECG data. Going forward, we aim to incorporate ECG measurement into our BPMs. By simultaneously capturing blood pressure and ECG readings, we aim to provide enhanced treatment with better outcomes for patients. We believe this will get us close to Zero Events.



Doing so will allow us to grow our business. As noted earlier, BPM equipment sales volumes will grow in line with patient population growth. If we see increased adoption of home ECG equipment, that will also contribute to higher revenues. For BPMs, there is still room for growth as we see continued improvements in penetration for home measurement equipment, and also a move to have each individual patient have their own home-use measurement equipment. Therefore, growth potential on a volume basis for BPMs is still very high. On top of growth in the patient population, the migration from hospital-only readings to home readings and a shift to each individual having their own equipment should support significant market growth.

As I noted earlier, new services using data analytics of vital signs, will also contribute to a larger market, as it shortens the lead time necessary to identify the appropriate medication or treatment program for a given individual. We believe such services will also support revenue growth for OMRON.



As discussed, the 3 core categories of BPMs, nebulizers and low-frequency therapy equipment, are the basis for the current business. We are focused on reinforcing these businesses. Also, as we enhance these businesses, we aim to also develop new service businesses. We are targeting net sales of ¥150 billion by FY2020.

Thank you.