



Discussion: OMRON x JMDC toward Evolution



Senior General Manager,
Data Solution Business HQ and
Senior General Manager,
Innovation Exploring Initiative HQ

Hidetaka Ishihara

President and CEO,
Representative Director,
JMDC Inc.

Ryo Noguchi

Outcomes of Collaboration to Accelerate Solutions Business and Expectations for Both Sides

— OMRON and JMDC concluded a capital/business tie-up agreement in February 2022 and JMDC joined the OMRON Group in October 2023. Please share your respective expectations regarding this partnership.

Ishihara: We are truly thankful that JMDC joined the Group. JMDC is a company that develops solutions using data and has generated great value in the healthcare field. On the

other hand, OMRON's business is focused on manufacturing, but we aim to evolve into a company that offers value through solutions that provide services in addition to products. This means that we intend to first help JMDC realize considerable growth, and then link this to the growth of the OMRON Group. To achieve this, we will take a "give and give" approach to JMDC. We want it to use our Group assets freely to achieve a high level of growth that it would not be able to realize alone. The growth of JMDC is directly connected to the sales and profit growth of the OMRON Group. As we gain a better understanding of skills and capabilities possessed by JMDC, we will evolve and become able to provide customers with business and value that differ from what we could offer before. In the medium- to long-term, we also think it will help OMRON's corporate culture to change for the better. Taking a long-term perspective, I think this collaboration will create a ripple effect that will have a huge impact on the Group.

Noguchi: Thank you for expecting so much of us. We see OMRON as an incredibly reliable partner and shareholder. You respect our autonomy and independence and since starting the capital/business tie-up, we have built a strong relationship of trust. At JMDC, we will first work to achieve firm growth, while also incorporating OMRON's corporate culture so we can fully benefit from the positive effects. The way our mutual perspectives are in alignment is very reassuring and I look forward to furthering our collaboration.

Ishihara: I think a big part of why our perspectives align is that our visions for healthcare are focused on the same area. Over half a century, OMRON HEALTHCARE has built up a blood pressure monitor business that has a share of over

50% of the global market. However, in order to realize our goal of eliminating events of cardiovascular disease (Zero Event), we need to find a way to encourage changes in the behavior of patients. We think the key to this is data. JMDC gathers a wide variety of healthcare data in large volumes and uses it to prevent the worsening of medical conditions. It is the strongest and most appropriate partner for realizing our Zero Events vision and that is why we wanted to work together.

Noguchi: Our mission is "A healthy and prosperous life for all people" and we aim to realize this through data and information and communication technology (ICT). OMRON's assets are a good fit for achieving this mission. We want to get closer to solving these social issues.

— How do you plan to grow existing businesses through the collaboration?

Noguchi: In regard to which of OMRON's assets we can use to grow our business, we would like to engage in the development of new services and devices that combine OMRON HEALTHCARE's devices with our data and solutions. Also, the Health & Productivity Management Alliance we are currently advancing together will be extremely important for JMDC going forward in regard to expanding into the corporate health field. Furthermore, OMRON also engages in an extremely wide range of business areas other than healthcare, so we would like to realize growth by working together on the challenge of applying JMDC's data science and data solution capabilities in these areas. We would also like to use OMRON's diverse global footprint to accelerate the global development of JMDC.



Ishihara: The assets we could use together in the healthcare field were clear from the very start of the collaboration. What is becoming clearer as we advance the collaboration into non-healthcare fields is the interest in healthcare among non-healthcare customers and the size of the challenge in regard to data usage. The former is because every industry is beginning to focus on the health of its people while the latter is because data use is a key technology in regards to advancing digital transformation (DX). I feel that the data usage expertise that JMDC has accumulated in the healthcare field is a strong asset that can potentially be used in a wide range of non-healthcare fields.

Business Growth Realized Through the Health & Productivity Management Alliance

— Collaboration between OMRON and JMDC started with the Health & Productivity Management Alliance. Please share some examples of how this alliance has created business growth.

Noguchi: JMDC's business started with the handling of data from health insurance associations and then providing support for its use within those associations. Health insurance associations still account for a large part of our business and we currently handle the data of about 19 million people a month for over 400 associations. The next stage will be to expand our business into the corporate human resources field. As the number of working-age people falls due to population decline and the aging of society, extending the healthy life expectancy of employees will lead to greater profitability in the future. More companies are advocating health and productivity management and the importance of human capital, so we want to engage the corporate health business field. For JMDC, entering the corporate human resources field is a

challenge but our activities as part of the Health & Productivity Management Alliance with OMRON have increased our opportunities to provide services to companies. For example, we are receiving enquiries from companies we have not interacted with before. This is an important initiative for our business growth, and we have great expectations.

Ishihara: The alliance started because OMRON did not have any healthcare business assets that we could offer companies, but JMDC has solutions that can promote the health of individuals based on data analysis. Therefore, by working together, we can approach member companies with confidence. We truly complement each other.

Evolving 4BC to a Combination of Products and Services through the DSB

— Please tell us about the Data Solution Business HQ (DSB), which was established in December 2023 as an organization under the direct supervision of the President and CEO.

Ishihara: OMRON originally comprised four business companies (BCs) but we have established the DSB as a fifth. As it is a BC, it naturally has a commitment to generate sales and profits. It will work to create its own sales and profits in the same way as the other four BCs, but it also has another unique role. This is to drive the evolution of the four BCs toward a business model that combines "products and services." In other words, the DSB has a "vertical" role that involves the realization of growth through the creation of its own data solution business and a "horizontal" role that involves leading the business model transformation of the other four BCs. These two roles are what makes it unique. OMRON's business models have traditionally focused on manufacturing and selling products, and although we have

always had access to huge volumes of data, we have not moved beyond the provision of product value. We intend to dramatically change this situation.

Noguchi: It has an important role.

Ishihara: Since our establishment, the OMRON Principles have included that "creating a better society through our business." We are facing an "optimization challenge" in which we have to find ways to balance economic growth with global environmental conservation, the super-aging of society, and efforts to overcome labor shortages. There are limits to the solutions that can be achieved through the provision of product value alone. Data will be the key to overcoming this challenge. Specifically, we will use data to explore optimal solutions, as well as to create solutions through repeated "Try & Learn." This will result in value for customers and turn our business into services. The role of the DSB will be to drive these initiatives at a high cycle. During the period of our current long-term vision, SF2030, we will attain social recognition by evolving to business models that combine products and services on a Group-wide basis. This will raise the proportion of total sales accounted for by the Data Solution Business from about 20% to 30%. That is what we are envisioning. Considering the above, it is likely that JMDC's sales and profits will occupy a significant portion of the Group's overall results. We are determined to make the DSB into an organization that can lead the Group forward by further accelerating the growth of JMDC and driving the transformation of the OMRON Group's business models.

Noguchi: It is an ambitious vision. We will work to realize the firm growth of JMDC so we can make a contribution.

— From the DSB's perspective, what kind of growth do you want to see at JMDC?

Ishihara: We want JMDC's first priority to be the growth of

its own business. It is already recording sales at levels of over JPY 40.0 billion and its performance in terms of profit margins is exceptional. If we can grow these to two or three times the current levels, then the impact of JMDC alone will be considerable. Additionally, we are combining the assets of both JMDC and OMRON to create new businesses. For example, we are currently collaborating over a corporate health business, and I am confident that this will contribute to the considerable further growth of JMDC. We want to lead the creation of a large framework, like the Health & Productivity Management Alliance, while working together to strongly cultivate preventive medicine and health promotion markets. We are also collaborating in the social systems and industrial automation sectors to advance the use of data in the DX of social infrastructure and in the realization of carbon neutrality of manufacturing industry. As part of this initiative, data science teams from JMDC are participating in each of OMRON's businesses to support business model evolution. It is still early, but we are already seeing considerable results. After seeing JMDC create value by demonstrating its data usage capabilities in fields other

than healthcare, I feel reassured that it still has plenty of growth potential.

Noguchi: Providing support in non-healthcare fields has also had positive effects on JMDC, including increasing the size of our data science team. As we engage in a wider range of fields, we are able to incorporate people with more acute expertise into the team. The addition of these personnel has also made our existing engagement in the healthcare field more dynamic and enhanced our ability to take on new initiatives. I think this is a very positive result of the collaboration.

Ishihara: I am glad to hear that. At the start of the collaboration, we were worried that the data scientists who joined JMDC to work in healthcare would not be motivated to engage in initiatives in different areas.

Noguchi: It is true that we have many members whose ambitions lie in healthcare, but being able to deepen knowledge and engage in a wider range of initiatives by participating in OMRON projects is by no means a negative.

Ishihara: I am impressed at how the data scientists take on the challenges in front of them with a sense of curiosity and

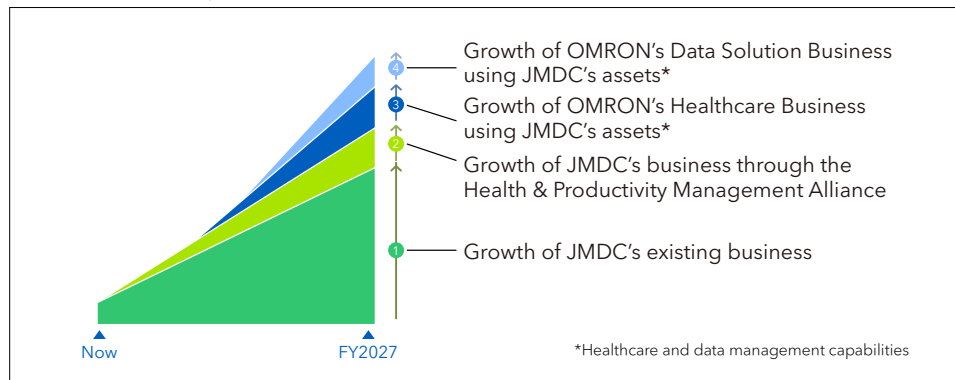
a forward-looking attitude. They also show a hunger to solve problems using data. They actively take part in our discussions regarding any field. I think this sense of togetherness is really special.

Using Data to Raise Productivity with the Aim of Solving Social Issues

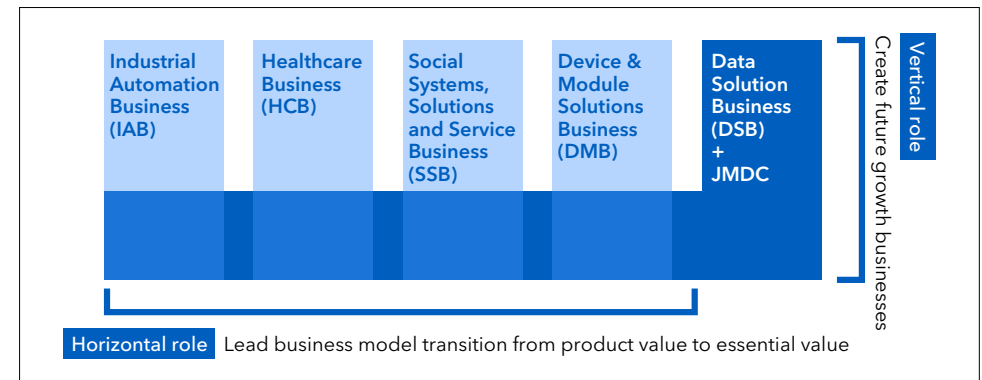
— The DSB has established five business fields where it will aim to create the next growth businesses. One of these is the Smart management and service (M&S) solutions. Please describe the current situation in this field. Also, what is your evaluation of the current state of the collaboration with JMDC?

Ishihara: The smart M&S solutions has its basis in the repair and maintenance business that OMRON FIELD ENGINEERING Co., Ltd. (OFE) has been engaged in for a long time. We are currently tackling how to raise productivity using data, how to create greater value through management services that go beyond just repairs and maintenance, and how to deliver this value to customers. It

Business Growth Projection



Role of the Data Solution Business (DSB)



is one of the projects that is progressing extremely smoothly, and we are already seeing big results. For example, our past records concerning enquiries for customers represent a huge volume of data and they contain knowledge accumulated over many years of experience, such as “For this kind of case, you should do this.” Previously, the handling of this operation was just left to the relevant staff, but now, we have started using this data comprehensively to raise productivity. It looks like this initiative will lead to the saving of at least 1000 man-hours per year at a certain contact center. If we can roll it out at other locations, we will raise productivity across the entire OMRON Group and the results will be incredible. At the same time, we are starting work on the development of services for raising the net sales and profit margins of customers through the implementation of digitalization at their business sites. Four or five data scientists from JMDC are involved in both of these initiatives. There has been a great response and we are already getting enquiries from multiple customers. We want to advance the development of these services and realize social applications as quickly as possible.



Noguchi: It's really amazing. It is also having a positive impact on our data scientists. It is truly a win-win situation. I think we are advancing extremely well-made projects together.

Ishihara: It really is win-win. To supplement the areas in which we do not have capabilities, we have to ask external partners for help. In this case, we can pay JMDC the appropriate price for services without any cash outflow from the Group, and this leads to JMDC investing in new personnel. That leads to making the data science team bigger, enabling it to support OMRON in other projects. I think it is generating a positive spiral.

— Please explain how the solutions businesses created by OMRON and JMDC are differentiated from other companies.

Ishihara: Even before the OMRON and JMDC collaboration, OMRON had a significant advantage due to being a conglomerate carrying out business in a wide range of fields. This is mainly because data usage is not just limited to one field. The value provided by solutions needs to cover multiple fields. For example, the use of data concerning peoples' health and lifestyle habits should not be confined to just the healthcare field. Also, something that happens often is that we will make a proposal in a certain field, such as social systems, and the customer will then request a comprehensive proposal that includes various solutions from across the OMRON Group, including areas such as automation and healthcare. If we only pursued data use in a single field, then we would not see this kind of broadening of scope. The importance of business that provides solutions combining products and services is being recognized by many manufacturing businesses, but there are not so many companies that can use data to provide solutions that have social applications in multiple fields. So that is a major point of differentiation.

Noguchi: At JMDC, we do not have any experience of manufacturing products, such as devices, but our strong point is that we possess various internal assets, including knowledge and expertise, particularly in the healthcare field, and we know how to monetize these. Another of our major strengths is the large volumes and variety of healthcare data we have accumulated. Even if you have various solutions or plan to create them, nothing can begin without the data. This is where a lot of healthcare services trip up. We handle the data of about 19 million people and about seven million of them use our PHR service. I think there are places where these capabilities overlap with OMRON's abilities as a conglomerate to provide products in a wide range of fields. There are virtually no other organizations that can offer both of these businesses, so that is a point of differentiation.

Ishihara: One of the things that I think makes us a good combination is that at OMRON, with our history of providing products, we tend to take a product-oriented approach that starts with how a product will be used, while JMDC, which is not a manufacturing business, takes a customer-oriented approach that starts by looking at how a problem can be solved. The combination of these two differing approaches provides an excellent stimulus.

Driving the Growth of the Data Solution Business

— JMDC's business results are growing smoothly but there has been feedback saying that it should be receiving a higher evaluation of its intrinsic value from the markets. What are your views on this point? Additionally, what action do you plan to take?

Noguchi: Our business itself is growing vigorously and there are strong signs that this growth will continue going forward, so it is important that the markets receive a correct understanding of our value. Due to the COVID-19



pandemic, we have not had many opportunities to speak with investors directly, so this year we are taking steps such as going on a tour to provide explanations to investors, including overseas investors, in person. We feel that we have not conveyed the current state of the Japanese health tech market sufficiently to overseas investors. Therefore, we will strive to enhance information provision so that they can understand the sound growth potential of our business.

Ishihara: After two and a half years of collaboration with JMDC, I am only now fully understanding the essence of JMDC's business. There is a wide range of stakeholders in the healthcare industry, including data owners, service providers and receivers, and parties who bear the expenses, and regulations also differ between countries. The variety and volume of the data handled by JMDC is also literally growing day by day, and the scope of its business model is broad. This is difficult enough for Japanese investors to understand so it must be even more challenging for overseas investors. I think dialogue will be extremely important to ensuring a correct understanding of JMDC's intrinsic value.

Noguchi: JMDC's asset is the healthcare data itself. We can find out in detail what kind of ailments patients of different ages or genders are suffering from and what treatments they are receiving. This data is essential to refining judgements. During the COVID-19 pandemic, various undertakings between pharmaceutical companies took a DX route, so using data and making it more visual became extremely important for refining judgements.

— Additionally, it cannot be said for certain that evaluations of OMRON's corporate value incorporate the effects of synergies with JMDC. What kind of challenges and initiatives do OMRON need to take on?

Ishihara: There are limits to the extent that synergies can be

represented quantitatively in business results, so they are not always appreciated. We need to find ways to generate visible results as quickly as possible. The smart M&S solutions is beginning to produce visible results. Steady progress is being made on the development of new services that coordinate JMDC's medical data with OMRON's healthcare vitals data. The immediate challenge is to reflect this achievement in business results so that it can be converted into a sense that OMRON is growing. Then the next big challenge is to create ripples that will spread across the entire Group. If we do not create a situation in which a noticeably large proportion of OMRON's net sales are accounted for by products combined with services, then the fundamental evolution of our business will not be reflected in market evaluations. Therefore, we will create a Group-wide data solutions business model that brings together the four BCs. I think that will be our greatest challenge.

Outlook: Aiming to Develop Higher Dimension Solutions After Joining the Group

— From JMDC's perspective, what kind of company is OMRON? Also, please describe the growth scenarios you are envisioning as a member of the OMRON Group and your expectations regarding OMRON.

Noguchi: We see OMRON as a partner we can really rely on. As we collaborate on shifting from product value to a combination of products and services, we are creating win-win situations. While the growth of our own business is our first priority, we will work to connect this growth to the growth of the OMRON Group.

Ishihara: From my perspective, JMDC is extremely thorough in handling information and practicing compliance, possibly because its business involves handling sensitive information about people's health. It is very serious, in a good way.

Furthermore, it is agile at using information to develop services and it provides customers with value at an exceptional speed. I think this sense of speed and a culture of just trying things out first are extremely positive. It contains many members who engage in business with sincerity and focus on trying new things, and I think it is on the same wavelength as the organization the DSB is aiming to become. I look forward to taking on challenges and growing together.

Noguchi: OMRON is surprisingly eager to add JMDC's characteristics to its own. It has a culture of taking on new challenges while also working with an understanding that it is important to produce results. We look forward to continuing our collaboration.

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