

**OLYMPUS**

Your Vision, Our Future

# OLYMPUS Investor Day 2017

# Business Process Reengineering

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September 13, 2017

*16CSP*

# Disclaimer

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# Background for 16CSP and Business Process Reengineering Project

## 16CSP

**Strengthen foundations and develop an aggressive business portfolio for sustainable growth**

**Become leading global player in medical field**

### 16CSP Priority Strategies

Take action to grow businesses

Acquire necessary management resources in a timely manner and fully leverage these resources

Advance forward-looking preparation to realize continued growth

Pursue further business efficiency improvements

Enhance management on global and Groupwide basis

Strengthen Quality/Regulatory Assurance and Internal control, promote strict compliance

## Business Process Reengineering

### Goal

**Ensure accomplishment of 16CSP strategies and robust growth thereafter by operational efficiency and productivity in strengthening management and business infrastructure**

# Management and Business Base Issues to Be Addressed in Accomplishing 16CSP Strategies

Optimize business process management and management and business infrastructure, currently optimized for individual businesses and regions, from a global, Groupwide perspective to improve operational efficiency and productivity while also reinforcing management systems and governance in order to make Olympus a stronger and more productive company

Reform Approaches	Current Issues
To make business and management platform more robust and efficient	<ul style="list-style-type: none"><li>• Optimization of business processes for individual regions, businesses, and functions</li><li>• Optimization of IT systems for individual businesses and functions</li><li>• Dispersion and redundancy of standard corporate processes among regions and functions</li></ul>
To implement governance systems to sustain high profitability	<ul style="list-style-type: none"><li>• Clarification and thoroughness of Companywide management resource allocation standards</li><li>• Thoroughness and commitment of all organizations to targets, KPIs, and profitability</li></ul>
To build stronger and more effective corporate organization and human resource management systems	<ul style="list-style-type: none"><li>• Reinforcement and streamlining of global governance systems</li><li>• Optimal allocation of human resources and construction of related systems</li></ul>
To transform cultural DNA and working styles	<ul style="list-style-type: none"><li>• Improvement of innovation and reform awareness</li></ul>

# Vision to Be Achieved through Business Process Reengineering Project

Realize highly efficient and highly value-added operations on a level worthy of our status as the greatest “Business to Specialist” Company and cultivate a corporate culture and constitution that continuously evolves and grows with the Company and its employees through structural reforms and awareness and corporate culture reforms

## 【Structural Reforms】

Function enhancement  
and efficiency  
improvement

### <Reform Approaches>

- To make business and management platform more robust and efficient
- To implement governance systems to sustain high profitability
- To build stronger and more effective corporate organization and human resource management systems



## 【Awareness and Corporate Culture Reforms】

### <Reform Approach>

- To transform cultural DNA and working styles (entrench culture of constant, voluntary improvement)

# Overview of Issues and Business Process Reengineering Project①

Advance reforms through four approaches via Groupwide effort exceeding boundaries of businesses, functions, and regions

Reform Approaches	Priority Measures	Initiatives
To make business and management more robust and efficient	Improvement of process productivity	<ul style="list-style-type: none"><li>■ Improve development management and efficiency</li><li>■ Enhance and streamline sales and marketing processes</li><li>■ Standardize, consolidate, and streamline corporate business processes</li></ul>
	Visualization and full utilization of information	<ul style="list-style-type: none"><li>■ Consolidate IT platforms based on optimized business processes</li><li>■ Standardize and integrate ICT systems on a global basis</li></ul>

# Overview of Issues and Business Process Reengineering Project②

Advance reforms through four approaches via Groupwide effort exceeding boundaries of businesses, functions, and regions

Reform Approaches	Priority Measures	Initiatives
<b>To implement governance systems to sustain high profitability</b>	<b>Maximization of investment efficiency</b>	<ul style="list-style-type: none"><li>■ Practice selection and concentration with regard to R&amp;D themes</li><li>■ Strengthen product lifecycle management with emphasis placed on total costs and optimize lineups based on product portfolios</li><li>■ Thoroughly manage expenses versus benefits of IT investments</li></ul>
	<b>Increased emphasize on profitability</b>	<ul style="list-style-type: none"><li>■ Reinforce governance systems for sustaining high profitability through globally systematized target management and performance monitoring</li></ul>

# Overview of Issues and Business Process Reengineering Project③

Advance reforms through four approaches via Groupwide effort exceeding boundaries of businesses, functions, and regions

Reform Approaches	Priority Measures	Initiatives
To build stronger and more effective corporate organization and human resource management systems	Reinforcement of organizational capabilities	<ul style="list-style-type: none"> <li>Reinforcement of matrix organization structure</li> <li>Clarify roles of regions, businesses, and functions to build stronger and more effective corporate organization</li> <li>Optimize and streamline organizational structure</li> </ul>
	Full utilization of human resources	<ul style="list-style-type: none"> <li>Global utilization of human resources</li> <li>Enhance global human resource management</li> <li>Construct systems for optimal assignment of human resources</li> </ul>
To transform cultural DNA and working styles	Corporate culture of ongoing growth	<ul style="list-style-type: none"> <li>Cultivation of change-oriented mind-set</li> <li>Cultivate change-oriented mind-set and frameworks through awareness reforms targeting all employees</li> <li>Improve efficiency through working style reforms</li> </ul>



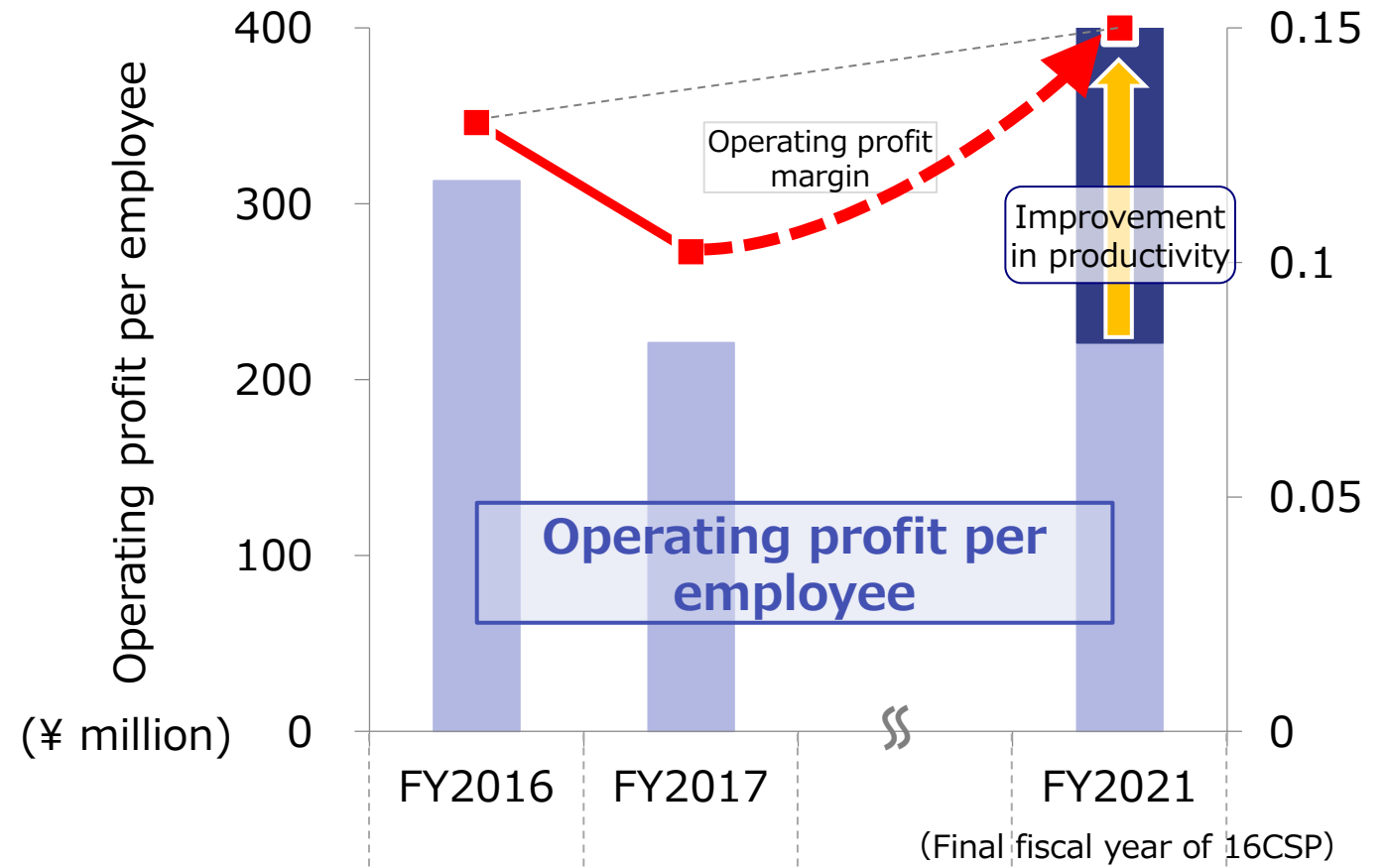
# 16CSP Strategies and Business Process Reengineering Benefits

Accomplish 16CSP targets (operating profit margin) through implementation of 16CSP strategies and productivity improvement via BRP

Note: Operating profit per employee is used as the indicator for productivity.

Four-Year Period Ending with Fiscal 2021 (FY2017 → FY2021)

Over 90% improvement in productivity (Operating profit per employee)  
Higher sales and operational efficiency



Operating profit margin	13%	10%	→	Over 15%
Operating profit per employee(¥ million)	310	220	→	Over 420

# 16CSP Strategies and Business Process Reengineering Benefits

## 【16CSP Operating Profit Margin Targets】

FY2016	...	FY2021	Improve ment	Breakdown of Operating Profit Margin Improvement	
12%	...	15%	+3pts.	Manufacturing productivity improvement	+ 1pts.
				Process productivity improvement	+ 2pts.

**Increase operating margin by 5 pts. (from fiscal 2017) by fiscal 2021 through sales growth and cost structure improvement**

FY2017	FY2021	Improv ement	Breakdown of Operating Profit Margin Improvement		Initiatives
<b>10%</b>	<b>15%</b>	<b>+5pts.</b>	Manufacturing productivity improvement	+ 1pts.	<ul style="list-style-type: none"> <li>Optimization of global manufacturing structure from a long-term perspective</li> </ul>
			R&D productivity improvement	<b>+ 2pts.</b>	<ul style="list-style-type: none"> <li>Increase development speed</li> <li>Select R&amp;D themes based on ROI and allocate appropriate resources</li> </ul>
			Sales and marketing productivity improvement	<b>+ 1.5pts.</b>	<ul style="list-style-type: none"> <li>Reinforce sales and marketing functions</li> <li>Increase sales and process productivity</li> </ul>
			Standard corporate process productivity improvement	<b>+ 0.5pts.</b>	<ul style="list-style-type: none"> <li>Strengthen functions, increase efficiency, and reduce costs</li> </ul>

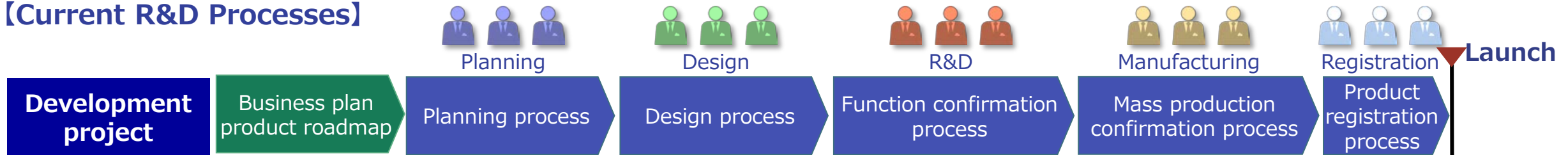
# Example of Initiatives①

	<b>Initiative</b>	<b>Enhance R&amp;D capabilities and improve efficiency and productivity</b>	
	<b>Initiative Owner</b>	<ul style="list-style-type: none"><li>■ Haruo Ogawa [Chief Technology Officer (CTO)]</li></ul>	
<b>Principal Initiatives</b>		<u>Practice selection and concentration with regard to R&amp;D themes</u> <ul style="list-style-type: none"><li>■ <b>Evaluate and prioritize R&amp;D themes</b><ul style="list-style-type: none"><li>✓ Enhance frameworks and processes for evaluating themes</li><li>✓ Evaluate and prioritize themes</li><li>✓ Allocate appropriate resources to innovative R&amp;D themes</li></ul></li></ul>	Select R&D themes based on ROI Allocate appropriate resources
		<u>Improve development management and efficiency</u> <ul style="list-style-type: none"><li>■ <b>Enhance and standardize all processes spanning from product planning to launch and strengthen management</b><ul style="list-style-type: none"><li>✓ Standardize and enhance process management and development resource management</li><li>✓ Promote inter-function resource reallocations and appropriately allocate development resources</li></ul></li></ul>	Increase development speed
	<b>Benefits</b>	<ul style="list-style-type: none"><li>■ Ratio of R&amp;D expenditures to revenue: Reduction of 2.0 pts. [FY2017→FY2021]</li></ul>	

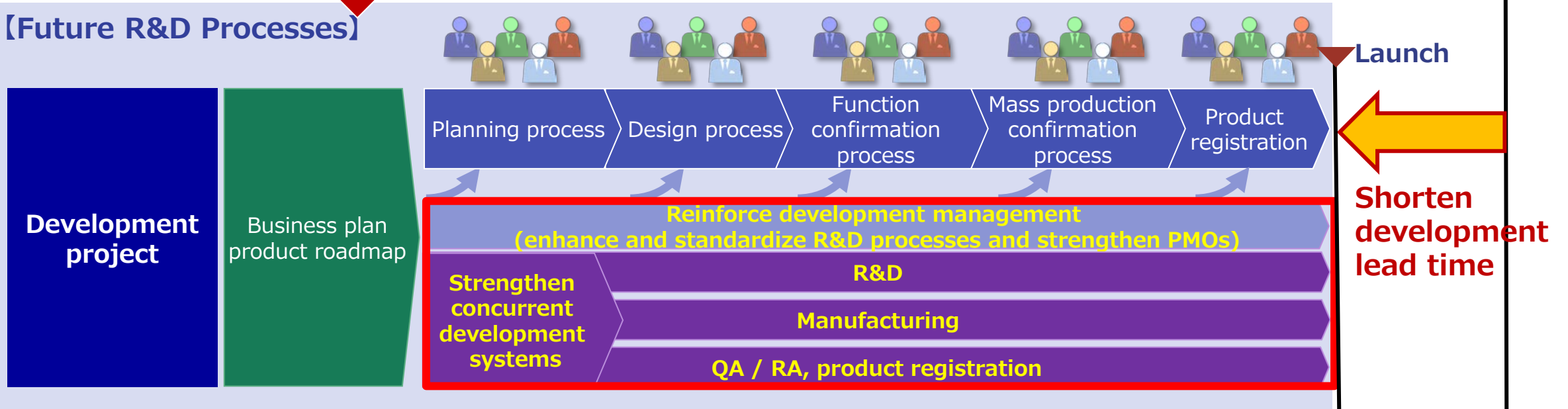
# Improvement of Development Management and Efficiency

Increase development speed and efficiency by reinforcement of development management and concurrent development systems

## 【Current R&D Processes】



## 【Future R&D Processes】



# Example of Initiatives ②

	<b>Initiative</b>	<b>Enhance and improve efficiency of sales and marketing processes</b>
	<b>Initiative Owner</b>	<ul style="list-style-type: none"><li>■ Akihiro Taguchi [Head of Sales &amp; Marketing Group (CSMO)]</li></ul>
	<b>Principal Initiatives</b>	<p><u>Step up customer relations management</u></p> <ul style="list-style-type: none"><li>■ <b>Strengthen sales process governance on a global scale</b><ul style="list-style-type: none"><li>✓ Improve productivity through standardization, visualization, and monitoring of sales processes</li></ul></li><li>■ <b>Reinforce and improve efficiency of sales and marketing functions on a global basis</b><ul style="list-style-type: none"><li>✓ Strengthen account management</li><li>✓ Bolster sales training</li></ul></li></ul> <p><u>Improve productivity of sales promotion activities</u></p> <ul style="list-style-type: none"><li>■ Pursue optimization and efficiency improvements with regard to global sales promotion activities and materials</li><li>■ Globally standardize sales support processes</li></ul>
	<b>Benefits</b>	<ul style="list-style-type: none"><li>■ Ratio of sales and marketing expenses to revenue: Reduction of 1.5 pts. [FY2017→FY2021]</li></ul>

Reinforce sales and marketing functions  
Increase sales and process productivity

# Example of Initiatives ③

	<b>Initiative</b>	<b>Improve productivity of corporate business processes</b>
	<b>Initiative Owner</b>	<ul style="list-style-type: none"><li>■ Yasushi Sakai [Chief Improvement Officer (CIO)] and others</li></ul>
	<b>Principal Initiatives</b>	<p><u>Refine business and management base and infrastructure</u></p> <ul style="list-style-type: none"><li>■ Globally standardize master data and business processes</li><li>■ Standardize and integrate IT platforms and optimize related expenses on a global basis</li></ul> <p><u>Enhance and streamline supply chain</u></p> <ul style="list-style-type: none"><li>■ Strengthen product lifecycle management (optimize processes encompassing sales, production, and service conclusion)</li></ul> <p><u>Enhance and improve productivity of corporate service processes</u></p> <ul style="list-style-type: none"><li>■ Promote shared services to improve efficiency</li><li>■ Reduce expenses by consolidating indirect material purchasing</li></ul>
	<b>Benefits</b>	<ul style="list-style-type: none"><li>■ Ratio of corporate and other expenses to revenue : Reduction of 0.5pt. [FY2017→FY2021]</li></ul>

Strengthen functions, increase efficiency  
Reduce costs

# Promotion System

Construct a solid global promotion system and perform thorough progress monitoring on a monthly basis

## BPR Project Structure

GHQ

JP

US

EU

APAC

## Composition

BPR Project Monthly monitoring

Monitoring of each initiative

Steering Committee



- BUs, Functional Departments, and regional (US, EU, APAC) Heads

Project Owner



- Chief Improvement Officer (CIO)

PMOs



- Comprised of dedicated BPR organizations and global BPR staff

Initiative Owner



- Member of Executive Management Committee

Project Leader



- General Manager Level

Project Member



- Cross-function membership comprised of representatives from each function

# Business Process Reengineering Road Map

Generate benefits in phases; maximize benefits while pursuing further improvement to realize continuous growth





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# EMBRACE CHANGE

## OLYMPUS BPR-Project



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