

**OLYMPUS**

Your Vision, Our Future

# **MANAGEMENT STRATEGY**

## **Olympus Group**

**Michael Woodford, President and COO**  
**Thursday 12 May 2011**

**WELCOME  
AND  
INTRODUCTION**

# CAREER – 30 YEARS WITH OLYMPUS

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- ◆ Joined Olympus' UK subsidiary, KeyMed, in 1981 as a Salesman in the Medical Division
- ◆ Progressed to National Sales Manager, Sales Director, and Managing Director of Olympus KeyMed by age of 29
- ◆ In 2001, became responsible for Olympus Industrial America, later expanded to include the Surgical business (in 2005)
- ◆ October 2004 became Board member of OMSC in Tokyo
- ◆ January 2005 appointed Executive Managing Director of Olympus Medical Systems Europa (OMSE)
- ◆ April 2008 - Executive Managing Director of Olympus Europa Holding, with responsibility for all European business areas (Medical, Industrial, Life Science and Consumer Products)
- ◆ President of Olympus Corporation in Japan, 1 April 2011

# EXPERIENCE/KNOWLEDGE AND MISSION

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## Experience/Knowledge

- ◆ A wide variety of management positions within Olympus (almost every aspect of our business)
- ◆ Successfully consolidated businesses and reduced costs in both the USA and Europe, despite its diverse cultures, customs and languages
- ◆ Practical working knowledge of our products and customers - ability to understand the needs of the company and its customers

## Mission

- ◆ Sustained profit growth over the long term
- ◆ Aim to transcend business and national boundaries to reinforce a global business foundation, strengthen our competitiveness, and maximise our corporate value

# **CORPORATE REFORMATION**

## **‘ONE OLYMPUS – ONE COMPANY’**

### **OLYMPUS EUROPE: A PROVEN EXAMPLE**

# CORPORATE REFORMATION IN EUROPE

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## 'ONE OLYMPUS – ONE COMPANY'



- ◆ 50 countries across Europe
- ◆ Over 100 countries including MEA, Russia and former USSR States
- ◆ Multiple languages
- ◆ Different cultures
- ◆ Varied management styles

# CORPORATE REFORMATION IN EUROPE

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## ‘ONE OLYMPUS – ONE COMPANY’

### ◆ What was achieved through ‘One Company’ approach:

- Opportunity for efficiency with smaller, less complex headquarter organisation with the abolition of the separate company structures
- Lean infrastructure & processes – shorten reaction time & increase flexibility, particularly when dealing with subsidiaries
- Increased speed, transparency and accountability
- Elimination of duplicated functions
- Reduce general operating expenses, allowing focus of investment in R&D and Manufacturing



# CORPORATE REFORMATION IN EUROPE

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## ‘ONE OLYMPUS – ONE COMPANY’



- ◆ **The result** – a dramatic reduction in SG&A expenses was achieved

# **PRESIDENT'S DIRECTIONS**

# Local Customer, Global Business

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## President's Directions

### Local Customer, Global Business

1. Measure, Challenge & Improve
2. Pay Attention to the Detail
3. Recognise the Individual's Contribution
4. Take Personal Ownership

Michael Woodford, President  
OLYMPUS CORPORATION

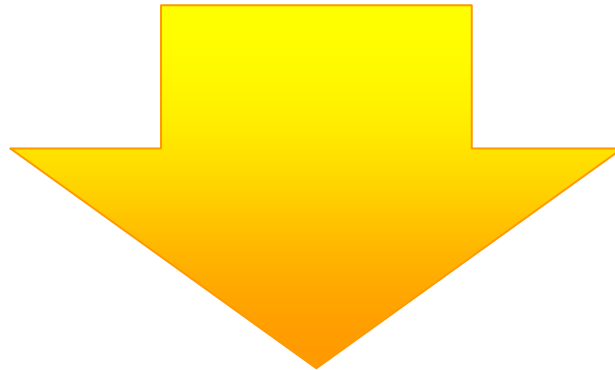
# What does it mean?

# NEW MANAGEMENT STRUCTURE

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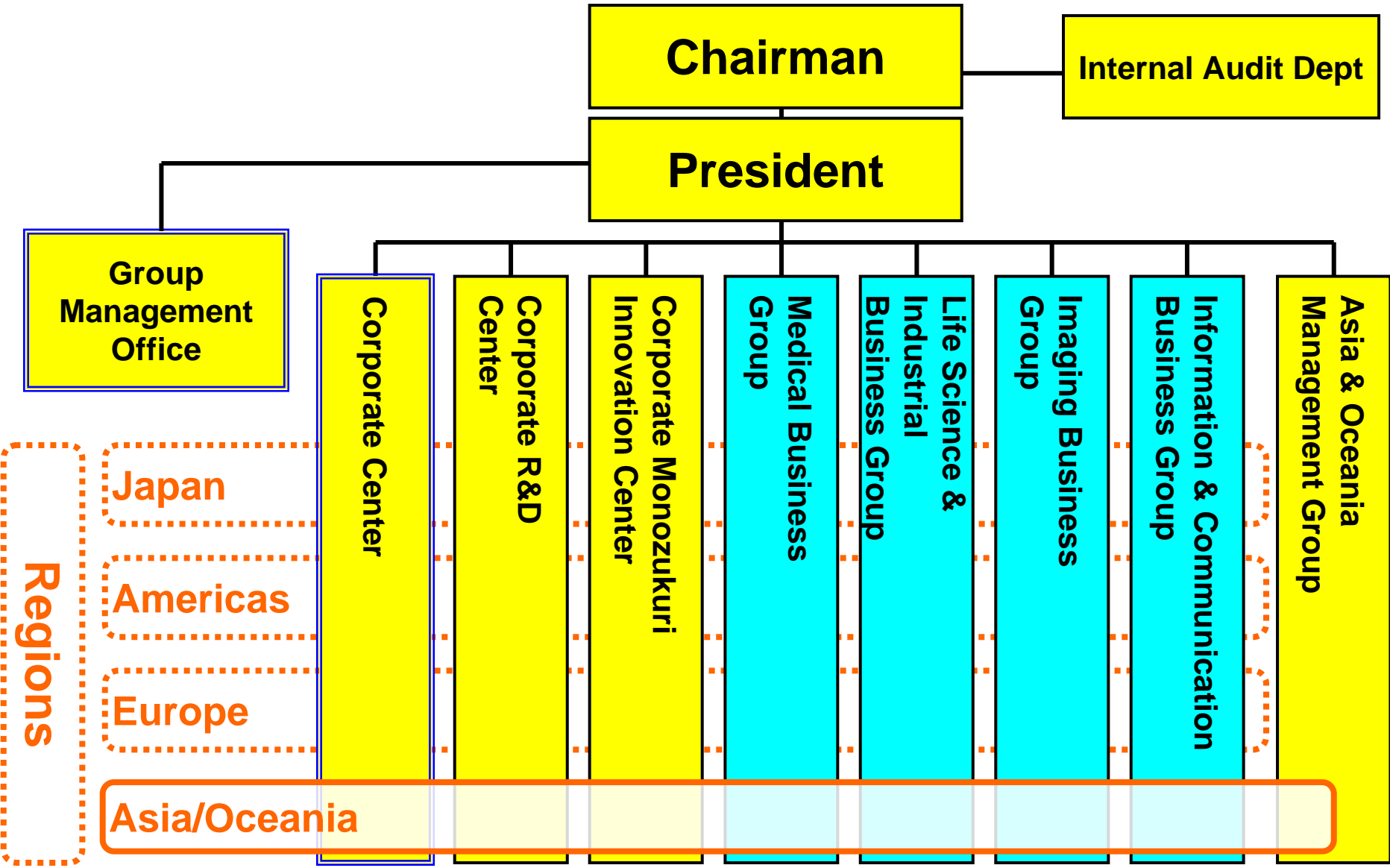
## Advancing to the Next Stage of Globalisation

- ◆ Continuation of the Corporate Strategic Plan
- ◆ Transformation to a globally competitive business structure
- ◆ Strengthen business presence in the emerging markets



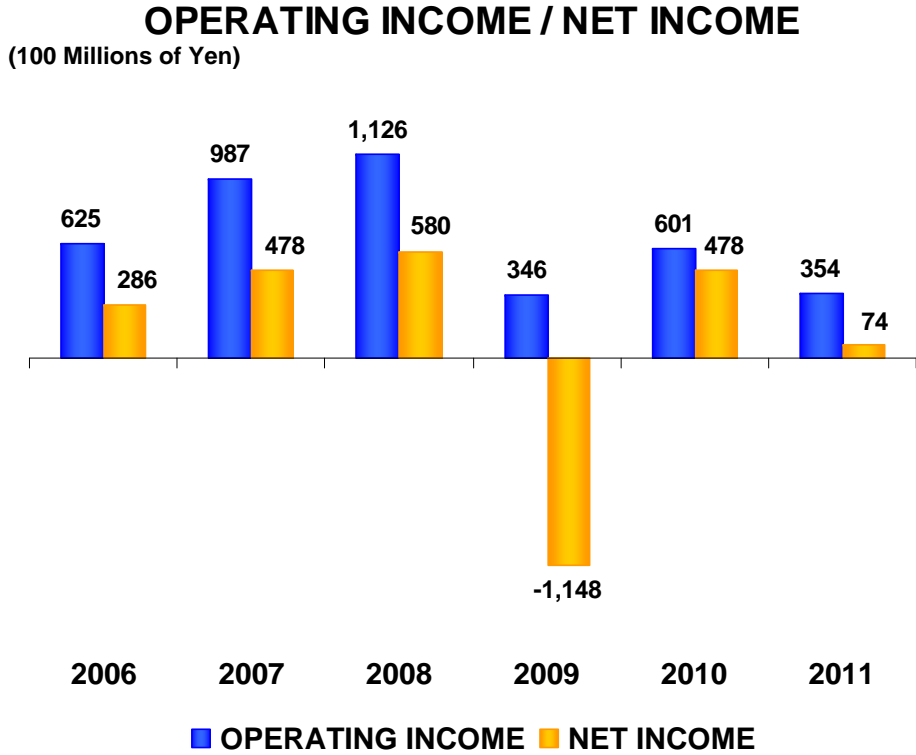
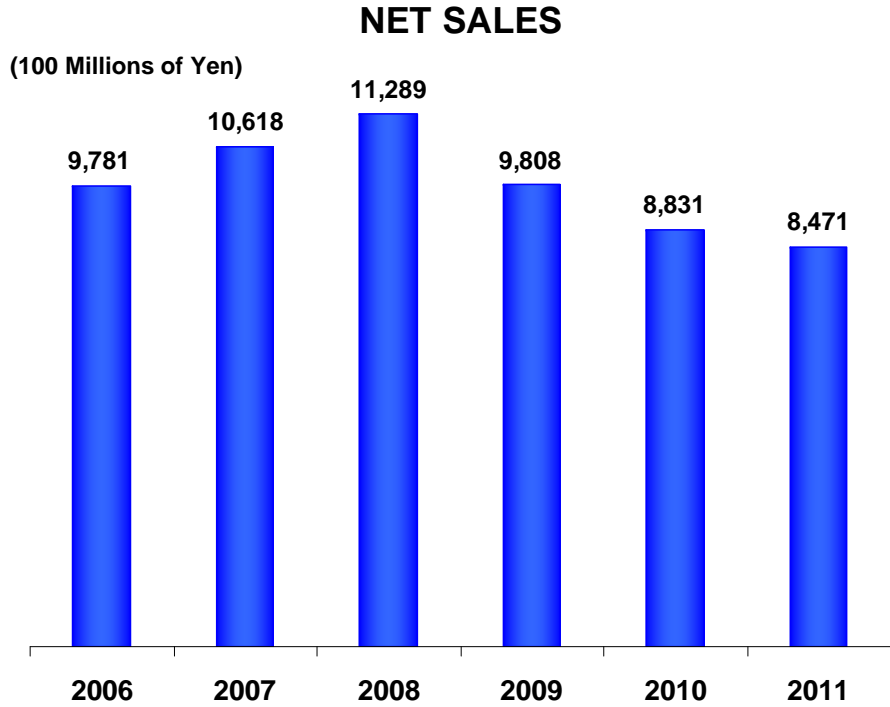
**Aim to reinforce our global management structure**

# NEW MANAGEMENT STRUCTURE



# **FUNDAMENTAL ISSUES AND PRIORITIES**

# FINANCIAL RESULTS – FY ENDED 2011



# FUNDAMENTAL ISSUES

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- ◆ Resume 'back to normal' operation following Great East Japan Earthquake
- ◆ Reverse trend of increasing SG&A costs
- ◆ Imaging business – the way forward
- ◆ Address the structure of the group – needs to be much leaner and value-adding
- ◆ The right people in the right positions – energise the business
- ◆ Implement proven management initiatives that improve performance and profitability - need for 'levelling up' across the worldwide group
- ◆ Urgent need to deliver profit improvement and thereby address investors' concerns

# IMMEDIATE PRIORITIES

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## ◆ Medical Business

### – Early recovery from Great East Japan Earthquake

- Latent demand for minimally-invasive medical devices is high, making a medium-term impact avoidable
- Status of Production Sites in Tohoku Region:

Production Site	Main Product	Current Operating Status
<b>Aomori</b>	<b>Endo-therapy products</b>	<b><u>All have resumed normal operations</u></b>  Some production activities are being adjusted due to the impact of parts procurement
<b>Aizu (Fukushima)</b>	<b>Gastrointestinal endoscope</b>	
<b>Shirakawa (Fukushima)</b>	<b>Endoscope-related system (processors, light sources, etc)</b>	

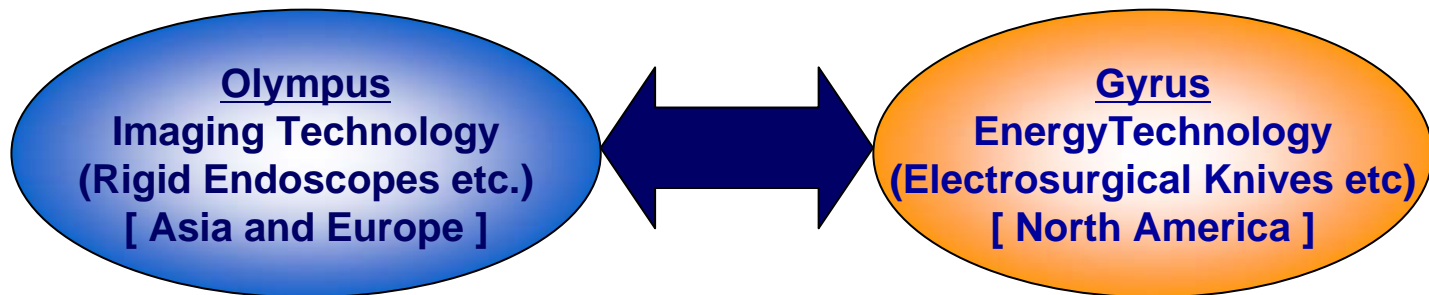
# IMMEDIATE PRIORITIES

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## ◆ Medical Business

### – Acceleration of growth in areas that are high-growth drivers

- Expansion of Surgical Business:



- Growth in emerging markets:

‘Asia & Oceania Management Group’ was newly formed in April 2011

⇒ Pursuing regional strategy and building business infrastructure

# IMMEDIATE PRIORITIES

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## ◆ Imaging Business – the way forward

- **Building a management structure that can create sustainable profits**
  - Improvement in supply chain and inventory control
  - Cost Cutting 20 Initiative
- **Strengthening of product appeal**
  - Product development harnessing the strength of our optical technology
  - Future expansion of high value-added products range:



Expand line up of Micro Four Thirds  
'PEN' Series  
*Expansion of high value-added  
features and accessories*



High-end compact 'XZ-1'  
Mount SLR 'ZUIKO' lens



High-power compact 'SZ-30MR'  
16-megapixel CMOS sensor, 24x optical  
zoom, full HD video

# **‘COST CUTTING 20’**

**MEASURE, CHALLENGE & IMPROVE**



# 'COST CUTTING 20' – THE OBJECTIVE

- ◆ Improve profitability of the business, particularly through a reduction in SG&A expenses

(Million Yen)

	2006	2007	2008	2009	2010	2011
(Net Sales)	978,127	1,061,786	1,128,875	980,803	883,086	847,105
(SG&A Expenses)	295,706	351,554	396,856	426,636	348,095	352,234
(R&D Costs)	45,935	55,531	65,928	70,010	61,850	67,286
<b>SG&amp;A Expenses (excluding R&amp;D Costs)</b>	<b>249,771</b>	<b>296,023</b>	<b>330,928</b>	<b>356,626</b>	<b>286,245</b>	<b>284,948</b>
<b>% of Sales</b>	<b>25.5%</b>	<b>27.9%</b>	<b>29.3%</b>	<b>36.4%</b>	<b>32.4%</b>	<b>33.6%</b>

Source: Olympus Annual Report 2010 and OT Finance



# 'COST CUTTING 20' TARGET

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Reduce global SG&A/sales ratio, excluding R&D costs, by **20%**, by the end of the 10CSP period (2015)

FY Ended 2011: **34%**



FY Ended 2015: **27%**



# 'COST CUTTING 20' TARGET

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- ◆ Based on FY Ended 2011 sales, reduction in annual costs in FY Ended 2015 equivalent to 570 Oku
- ◆ Conservative target – achieve half the above savings in four years:

**300 Oku !**



# 'COST CUTTING 20' – IMMEDIATE ACTIONS

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1. Headcount – freeze numbers and challenge every recruitment or replacement request
2. Salaries – controls on increases from the centre
3. Improve profitability of US business to European levels
4. SG&A Review – aggressive line-by-line scrutiny



**ENERGISE THE BUSINESS:  
‘THE RIGHT PEOPLE IN THE  
RIGHT POSITIONS’**

# **ENERGISE THE BUSINESS:**

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## **'THE RIGHT PEOPLE IN THE RIGHT POSITIONS'**

### **◆ Global Co-ordination and Delivery**

- M C Woodford (in addition to being President and COO) as Executive Chairman of OEH and OCA – chair Board Meetings in Europe & USA

This will allow detail of global policies (salary, headcount, SG&A, pricing, treasury) to be implemented in practice

# **ENERGISE THE BUSINESS:**

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## **'THE RIGHT PEOPLE IN THE RIGHT POSITIONS'**

### **◆ KEY APPOINTMENTS EFFECTIVE 1 APRIL 2011**

New President of Global Imaging Business

New President of Global Life Science (Micro & Industrial)

New President of Imaging Business in the Americas

New President of the Medical Business in the Americas

New President of Manufacturing in the Americas

New Global Business Improvement Officer – 'Cost Cutting 20'

# **CLOSING SUMMARY**

# CLOSING SUMMARY

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- ◆ A strong Medical Business producing 700 Oku profit
- ◆ After FX adjustment, the Medical Business profits and sales both grew by 10% last year
- ◆ Major new product introductions in mainline Medical and Surgical arena
- ◆ Strengthening Microscopy and Industrial business
- ◆ Recovering Imaging Business
- ◆ ‘Cost Cutting 20’ – a global level playing field with a new lean structure for the future **300 Oku** cost reduction by 2015 beginning immediately, with incremental benefits thereafter

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# **MANAGEMENT STRATEGY**

## **Olympus Group**

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