

CxO Messages

Under 16CSP, Olympus put forth the policy of sharing values and strategies on a global and Groupwide basis, and it plans to strengthen management from these perspectives.

In this section, we will take a look at messages from each of the corporate officers who make up the CxO system overseeing this management. Each officer will explain their strategies and the role they intend to play in their area of responsibility.



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Message from the CFO

We will fully utilize our management resources while pursuing efficiency and promoting Group management based on global thinking.

Yasuo Takeuchi

Director, Vice President and Chief Financial Officer

Financial

▶ Role of the CFO in Overseeing the Regional Axis and Groupwide Operations

Generally speaking, the CFO of a company is expected to function as a sort of intermediary, forming a link between the president and business execution divisions. At Olympus, however, the CFO is also tasked with overseeing global management. The Company operates its business based on a matrix style operational structure. Although not clearly indicated, this structure also contains a regional axis of operations. Each region has its own administrative practices, laws, and rules,

and its own regional management oversees activities with this regard. And, of course, the regional axis is linked to the business and function axes. My role as CFO is to oversee the regional axis. To elaborate, we have a business unit structure for advancing business strategies on a global scale. It is my responsibility to ensure the effective management and operation of this structure in order to fully utilize our management resources.

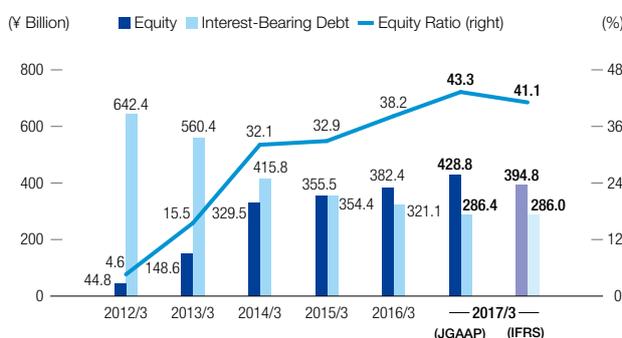
Review of Financial and Capital Strategies in Fiscal 2017

Progress of the Financial and Capital Strategies of 16CSP

Over the past five years, our primary focus has been the improvement of Olympus' financial position. We have thus moved ahead with initiatives centered on reconstructing management, emphasizing the improvement of return on equity (ROE) and equity capital through this process. Although the equity ratio had plummeted to 4.6% on March 31, 2012, following the series of scandals, the reductions to interest-bearing debt and other improvements to our financial position achieved through these activities led the equity ratio to climb above 40% on March 31, 2017. In this manner, we are making strong progress toward the target of over 50% described in 16CSP. The ongoing improvement of our financial position has contributed to a rise in the Company's credit ratings, with Rating and Investment Information, Inc., upgrading its issuer rating for Olympus to A-. Credit ratings are crucial to being able to easily procure funds from global capital markets. Accordingly, we seek to improve our ratings, and we are drafting and implementing financial strategies with an increased emphasis on procurement costs and on limiting capital costs. Moreover, we are balancing overseas assets and liabilities to instill an added degree of resilience to foreign exchange rate fluctuations into our financial position.

We aim to improve ROE by heightening profitability and effectively utilizing capital. In fiscal 2017, ROE was 19% (JGAAP), exceeding our target of 15% due in part to the recording of extraordinary income. Conversely, EBITDA, an indicator of business growth potential, showed negative growth due to the impacts of foreign exchange influences while the operating margin, a KPI of business profitability, showed a similar decline. Both indicators were relatively unchanged year on year when the impacts of foreign exchange influences are excluded.

Equity / Interest-Bearing Debt / Equity Ratio

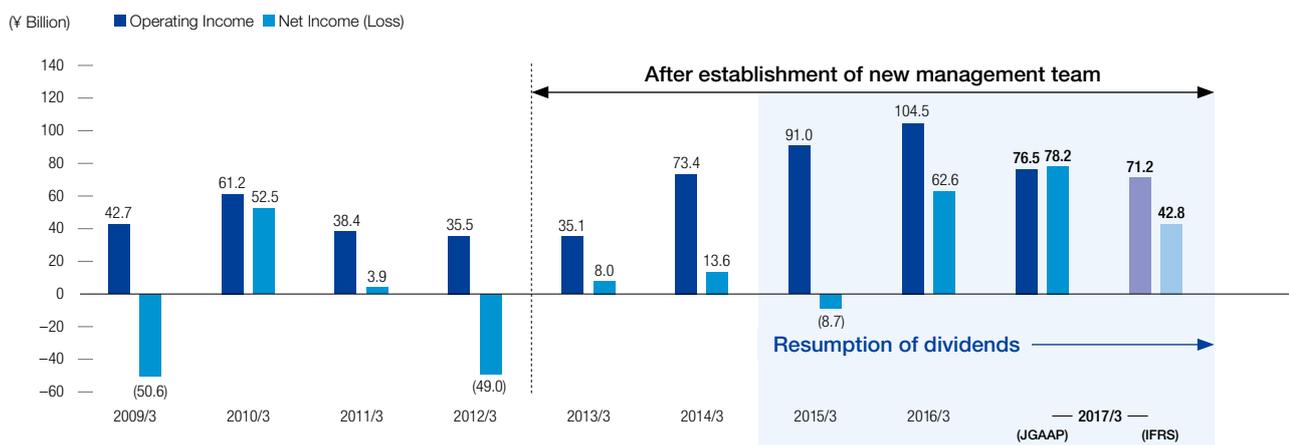


Shareholder Returns

It was in fiscal 2015 that we resumed dividend payments after having refrained from making payments during the prior three years. We have continued to raise dividend payments each year thereafter. In fiscal 2017, we issued dividend payments of ¥28 per share, ¥11 higher than in fiscal 2016, making for a dividend payout ratio of 12%. The constitution of Olympus is currently such that it is effective in generating income. The basis for this claim can be seen in the consistently strong performance of the Medical Business, the fact that we now have an idea when we will be able to eliminate risks for extraordinary losses, and the Company's ability to rewrite its record for net income in two consecutive years. In 16CSP, we put forth our

intent to target a total return ratio of 30% while prioritizing financial base reinforcement and growth investments. However, it is not as though we see the level of 30% as sufficient. Rather, we plan to increase shareholder returns in conjunction with the improvement of equity capital. We do not believe that there is one exact level that is ideal for the dividend payout ratio. It is instead important to determine what investments the Company needs to make at any given time and to decide the appropriate dividend payout ratio based on the priorities at that time. The most effective use of capital will vary from time to time. It will therefore be necessary to consider the balance between various potential capital uses as we seek to issue returns that live up to shareholders' expectations.

Consolidated Performance



Performance in Fiscal 2017 and Highlights of Financial and Capital Strategies

In fiscal 2017, sales and income were down year on year due to the impacts of the strong yen. However, year-on-year increases of 2% were posted for both net sales and operating income when foreign exchange influences are excluded. Earnings continued to be driven by the mainstay Medical Business. However, perhaps a more significant highlight of our performance in fiscal 2017 was that the Imaging Business, which has represented an ongoing challenge for management, was able to achieve full-year operating income for the first time in seven years. In addition, we reviewed the stocks held by the Company for purposes other than pure investment, choosing to sell several of these stocks, including our holding in Terumo Corporation. These sales generated extraordinary income. Combined with the benefits of lower tax expenses, this extraordinary income contributed to our achieving net income of ¥78.2 billion (JGAAP), breaking previous records for the second consecutive year.

In regard to management resource allocations, we prioritized the allocation of resources to the Medical Business and other growth fields. In addition, we have nearly completed the reorganization of non-core business domains, and we now have a clear vision of when the reorganization will be complete. R&D

expenditures were conducted selectively by carefully discerning the anticipated benefits of each investment. Expenditures of this nature outside of the Medical Business were therefore lower than in the previous fiscal year. For capital expenditures, our policy is to aggressively invest in the augmentation of manufacturing equipment and repair bases centered on the Medical Business. In fiscal 2017, capital expenditures were conducted to expand and renovate the buildings of the Aomori and Vietnam factories, which primarily manufacture endotherapy devices. Looking ahead, we plan to reorganize, consolidate, and establish repair bases in Europe, the United States, and other overseas regions.

The basic strategy of 16CSP is to target organic growth. However, we will also proactively examine potential mergers and acquisitions as necessary to facilitate and accelerate the advancement strategies. In the surgical device field, for example, we are stepping up efforts to achieve our lofty goal of double-digit growth, despite the presence of European and U.S. rivals that have a larger market share than Olympus. The acquisition of Image Stream Medical, Inc. (acquisition cost of approximately ¥9.0 billion), of the United States, which was announced in April 2017, was a strategic move taken to enhance our ability to compete with our European and U.S. rivals.

Capital Cost and ROE Policies

In 16CSP, we define four important management indicators based on which quantitative performance is to be evaluated. These indicators are ROE, the operating margin, the growth rate of EBITDA, and the equity ratio. The underlying principle behind our decision to set these indicators is for us to maintain ROE of 15% over the long term through earnest business reforms to improve profitability and asset efficiency, even as our financial leverage decreases due to efforts to ensure financial soundness. The target figure of 15% for ROE represents a level that will exceed our capital costs after financial soundness has been achieved through an appropriate capital structure. In addition, this is the level that Olympus will have to reach in order to stand shoulder-to-shoulder with other global medical equipment manufacturers and continue growing indefinitely.

Moreover, we believe that responding to the expectations of our shareholders and other stakeholders, and pursuing a balanced increase in the differing types of value sought by shareholders, customers, employees, and business partners, will in turn lead to improved corporate value. Sustained improvements in corporate value will require that we continue to generate returns that meet the expectations of our stakeholders while maintaining financial soundness, thereby ensuring that Olympus is a company that can grow its business in an ongoing manner over the medium-to-long term. Based on this premise, we will practice management that emphasizes the four management indicators I just mentioned, the perspectives they represent, and the balance among them with the aim of improving corporate value.

Management Emphasizing ROE

ROE 15%		$\frac{\text{Net income}}{\text{Equity capital}}$		<ul style="list-style-type: none"> Achieve ROE level necessary to compete with global companies and realize ongoing growth Improve profitability and capital efficiency (growth potential) to maintain ROE of 15% over long term 	
			FY2016 (Results)	FY2017 (Results)	FY2021 (Targets)
Profitability	$\frac{\text{Ratio of net income to net sales}}{= \frac{\text{Net income}}{\text{Net sales}}}$		7.8%	10.5%	Approx. 10% <ul style="list-style-type: none"> Increase operating margin Improve balance of other income and expenses
Asset efficiency	$\frac{\text{Total asset turnover}}{= \frac{\text{Net sales}}{\text{Total assets}}}$		0.8 times	0.8 times	Approx. 0.9 times <ul style="list-style-type: none"> Increase net sales Improve business asset efficiency Improve corporate asset efficiency
Financial leverage	$\frac{\text{Total assets}}{\text{Equity capital}}$		2.6 times	2.3 times	Approx. 2.0 times <ul style="list-style-type: none"> Manage financial leverage Conduct BS-based management

Tasks to Be Accomplished in Surviving Global Competition

I am keenly aware of how vital it will be to emphasize global thinking in our endeavors going forward if we are to achieve sustainable growth. In addition, we will need to create a transnational organizational structure and fully utilize our management resources with maximum efficiency on a global scale. The ideal form for Olympus' organization should see an appropriate amount of authority delegated to overseas



subsidiaries while the head office manages and controls global operations. In other words, rather than simply reinforcing headquarters functions for domestic operations, we will need to globally strengthen headquarters functions. We cannot create an ideal organization with headquarters functions run entirely by Japanese people without an understanding of the cultures and thought processes of specific countries. For example, it is important that we work to appoint individuals of non-Japanese nationalities, aiming to have such individuals come to represent a certain portion of the management team of our Tokyo head office within the next several years. If we cannot accomplish this, we will be unable to realize the thinking and make the decisions that will be necessary to compete on the global stage. The Board of Directors at Olympus has changed greatly over the past five years, as has our style of business operation. Diversity will no doubt be incredibly important going forward. As we practice global and Groupwide management going forward, I will seek to fulfill the role of promoting diversity.

Voluntary Adoption of International Financial Reporting Standards (IFRS) in Fiscal 2018

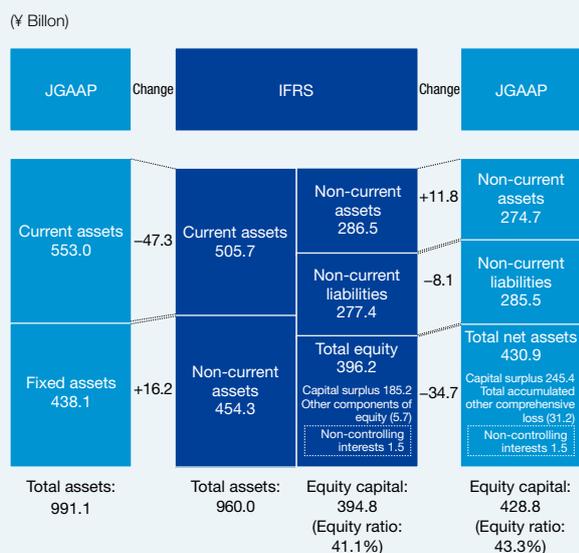
Impact on the Consolidated Statements of Operations for Fiscal 2017

- IFRS operating profit ¥5.3 billion lower than JGAAP operating income
- IFRS profit attributable to owners of parent ¥35.4 billion lower than JGAAP net income attributable to owners of the parent

(¥ Billion)	FY2017 (Results)		Change	Major Reasons for Differences
	JGAAP	IFRS		
Revenue (IFRS) / Net sales (JGAAP)	748.1	740.6	-7.5	1. Deduction of certain promotion expenses
Operating profit (IFRS) / Operating income (JGAAP)	76.5	71.2	-5.3	2. Reclassification of line items 3. Stop on amortization of goodwill 4. Recording of R&D expenditures as assets 5. Change in method of calculating retirement benefits
Profit before tax (IFRS) / Income before provision for income taxes (JGAAP)	81.7	62.5	-19.2	6. Impacts of 3.-5. above and effects of gains on sales of investment securities being recorded under total accumulated other comprehensive income instead of comprehensive loss
Profit attributable to owners of parent (IFRS) / Net income attributable to owners of the parent (JGAAP)	78.2	42.8	-35.4	7. Impacts of 6. above and tax expense adjustments related to differences from JGAAP

Impact on the Consolidated Balance Sheets for Fiscal 2017

- Consolidated total assets: ¥31.0 billion lower
- Consolidated equity capital: ¥34.0 billion lower (equity ratio 2 pts. lower)





Message from the CCO

In pursuit of unsurpassed integrity, I continuously aim to enhance global compliance programs and practices; nurture the trust of our stakeholders; and ensure the Company always does the right thing, the right way.

Caroline West
Chief Compliance Officer

Compliance

Role under 16CSP

- Establishing and enforcing policies, procedures and directives.
- Strengthening our global compliance framework, harmonizing requirements among regions, and adapting programs for local use.
- Providing continuous education and embedding Compliance in all facets of Olympus' businesses and activities.

Tasks and Measures

- Recognizing and adapting to regional differences; different challenges, laws, cultures, and different levels of compliance risk.
- Embedding Compliance in all facets of Olympus' businesses and activities.
- Monitoring compliance risks and preventing potential violations of the law.

I assumed the role of Global Chief Compliance Officer for Olympus Corporation in April 2016, confident in the Company's commitment to supporting integrity in all of its business activities.

Over the past year, we made progress in globalizing our compliance efforts, including enhancing our collaboration and communication among compliance professionals in the regions. We have developed and launched a quarterly global department newsletter, and established a centralized platform where the regions can collaborate and efficiently share materials and best practices. We hold quarterly meetings at different regional sites in order to assure that the regional teams understand that they are part of a truly global network. We have sponsored internal training that has brought department members to other regions for learning. We established a Global Compliance Operations team which provides support to all of the regions and enables the regions to further harmonize compliance globally where appropriate, while still respecting the cultural and business structure differences that can alter the manner of implementation.

Our aim to partner with the businesses has also progressed, as have our efforts to establish mechanisms to integrate compliance in everyday business activities. By proactively partnering with the businesses, we can continue to educate our colleagues on compliance policies, help them identify areas of risk, and establish the resources and guidance needed within

their areas of responsibility. This strong partnership with the businesses will enable us to work together to solve problems before they happen.

Initiatives we are working on this year that will help advance our compliance goals include implementing a more standardized compliance risk assessment tool; leveraging our capabilities to aggregate data and standardize reporting; improving our monitoring capabilities; and reviewing and enhancing methods to allow concerns to be reported. I am pleased with the progress thus far and am confident that we will experience continued success as we set our sights on new goals.

Global Compliance PDCA Cycle





Message from the CMAO

Leveraging Olympus' highly specialized capabilities, we will seek to create and communicate value from both medical and scientific perspectives. This is how we will contribute to the ongoing development of medicine and to the maximization of value for customers through our products and services.

Koji Ando

Head of Medical Affairs Office

Medical Affairs

Role under 16CSP

- Maximize product and service value by establishing and proving viability of medical evidence, providing efficient and high-quality medical training, and supporting the academic activities of medical and research associations
- Collaborate with healthcare professionals in a highly ethical and transparent manner to contribute to the ongoing development of medicine



Tasks and Measures

- Focus on creating medical evidence and proving economic benefits for the medical field in developed countries looking to limit annual social welfare spending and on providing efficient and high-quality training to help enhance the medical systems of emerging countries
- Optimize global resources to improve efficiency and growth potential of the Medical Business

Medical Affairs Core Competencies—Medical Evidence Establishment, Healthcare Professionals Training, and Support for Academic Activities

Endoscopic medicine is an area of the medical field in which Japan leads the world. Olympus is committed to aiding in the early diagnosis of cancer and contributing to the realization of minimally invasive therapies that place lower physical burdens on patients. We are going about this by developing and spreading the use of endoscopes. Olympus' medical affairs function assists in these efforts by providing three core competencies. The first of these competencies is the establishment of medical evidence. Today, we are witnessing such changes in social trends as a reluctance to devote government funds to healthcare spending and patients' becoming more involved in choosing their treatment methods. Amidst these trends, it is becoming increasingly more important for us to be able to prove the medical value of our products and services and solicit the economic benefits they provide for the medical field. Accordingly, we are advancing clinical research to demonstrate the high medical and efficiency benefits of our products and services with medical evidence. We thereby aim to help create medical environments that offer safety and peace of mind to patients around the world.

The second core competency is the provision of training opportunities for healthcare professionals in order to contribute to higher quality of life for patients. The number of endoscopists in Japan is around 30,000 while the country has a total population of 120 million. Conversely, Indonesia has a population of 250 million people, but only about 500 endoscopists. The training opportunities we proactively offer to healthcare professionals in emerging countries help cultivate endoscopists. We view these activities as an important duty that Olympus must fulfill as a

leading global endoscope manufacturer to help patients live at peace and in good health. In order to properly fulfill this duty, it is also crucial for us to support the academic activities of medical and research associations in order to standardize and spread the techniques necessary for developing and refining endoscopic examination and treatment procedures. Providing this support is our third medical affairs function core competency.

Maximizing Value for Patients

At Olympus, we seek to develop a deep understanding of the unmet medical needs of healthcare professionals from both medical and scientific perspectives. For this reason, the Company employs individuals with physician, veterinarian, and nurse qualifications as well as individuals with specialized knowledge on disease trends and statistics. The insight of these employees is utilized on a global basis to enable Olympus to exercise high levels of specialization. The evolution of medical device technologies differs from the development of pharmaceuticals as new medical devices can fundamentally change how people in the medical field practice their craft. Cutting-edge technology development, equipment enhancements, and new procedure creation are thus carried out through a collaborative process between healthcare professionals and companies. Olympus is therefore working to establish and maintain frameworks for impartial and highly transparent collaboration with healthcare professionals in order to ensure that its activities are always supported by the trust of society. We have a history of collaboration with academia spanning over half a century. By leveraging the expertise gained over the course of this history, we aim to play a leading role in maximizing the value for patients that is born out of the development and spread of endoscopic medicine.



Message from the CQO

Listen to customer feedback, constantly seek value that customers truly needed, accurately understand and comply with related product regulations, and continue to provide high-quality products and services to customers.

Ken Yoshimasu

Head of Quality & Regulatory Group

Quality

Role under 16CSP

- We will establish quality management systems on a Groupwide basis and roll out measures with regard to quality assurance (QA) and regulatory assurance (RA) while striving to improve product quality at all bases



Tasks and Measures

- With the aim of strengthening the compliance systems as well as the QA and RA systems of the Olympus Group in order to maintain customer satisfaction, we will make active efforts to reinforce each work process and establish foundations to support these processes
- To improve product quality and comply with legal regulations in each business, it is especially imperative for us to formulate specific improvement plans for each function and base and have those functions and bases press on with said plans

Fulfilling Our Mission to Provide Safe, Effective, and High-Quality Products and Services

We have established the Olympus Group Quality Policy with a view to providing safe, effective, and high-quality products and services to society by clearly defining the quality activities based on “Social IN,” our corporate philosophy. This policy is disseminated via quality management systems to all functions and facilities within the Olympus group.

Our basic approach for quality management systems involves listening to customer feedback and responding to the true needs of our customers. We are focusing on accurately understanding and complying with the applicable regulations on a global basis to continue to provide safe and effective products as well as on providing necessary information to our customers in a prompt and appropriate manner. To this end, each employee is responsible for the quality of his or her own work as well as for helping maintain a high standard of quality within the Group. Accordingly, employees should ask themselves such questions as “Is the quality of my work sufficient?” “Is there room for improvement?” and “Why?” In order to provide safe products and top-quality services, it is important for each employee to have the self-awareness to respond to internal and external information with integrity and continue to refine that approach. We believe that such a high level of awareness is the best way to create high-quality products and maintain the assurance and trust from our stakeholders.

To realize our goals, we have strengthened our quality assurance and regulatory assurance functions—from both organizational and quality and regulatory perspectives—in line

with 16CSP. Increased human resources centering on the Quality and Regulatory Division in the medical business will strengthen regulatory compliance, product registration function and post-market surveillance safety management. Also from technology development to manufacturing and post-market activities, each process, rule, and procedure is under continuous monitoring for revision and improvements and will contribute to the overall improvement of the quality management system as a whole.

With each employee having a strong awareness of the Olympus Group Quality Policy and actively participating in improvement plans, we will continue to provide high-quality products and services to our customers.

Olympus Group Quality Policy

The Olympus Group will listen to the voices of our customers based on our “Social IN” corporate philosophy, which provides the basis for all corporate activities, and will constantly pursue true value to continue to provide customers with high-quality products and services.

1. We will take actions always from the viewpoint of our customers.
2. We will listen to the requests from our customers and look for their true needs and provide them with high-quality products that are useful for society.
3. We will comply with the related laws, regulations, social norms, and the in-house criteria to ensure the safety and security of our products and services for our customers.
4. We will establish a quality management system to pursue higher quality in all our business processes and make continual improvements, thereby winning more trust of our customers and increasing their satisfaction.
5. We will provide information about the quality and safety of our products and services to our customers in a prompt and appropriate manner.



Message from the CIO

We will support Olympus' management through structural reforms (reinforcement and streamlining of functions) as well as awareness and corporate culture reforms, thereby bolstering our business base and core strengths to support Olympus' management and win out against global competition. This is how we will contribute to sustainable growth.

Yasushi Sakai

Chief Improvement Officer

Improvement

Role under 16CSP

- Realize highly efficient and high-value-added operations on a level worthy of our status as the greatest "Business to Specialist" Company and establish a corporate culture that continuously evolves and grows with the Company and its employees



Tasks and Measures

- Make improvements to business and management structures, governance contributing to profitability, corporate organizations and human resource management systems, and awareness and corporate culture necessary to achieving targets
- Review all processes and systems for every function and region from a Companywide perspective to eliminate inefficiencies, reinforce functions, and cultivate a mind-set oriented toward change in order to bolster our business base and core strengths to win out against global competition

Mission of Bolstering Business Base and Core Strengths for Winning Out against Global Competition

Olympus strives to become a top-tier medical device company. As the highest authority for work process innovation, my role in accomplishing this goal will be to bolster our business base and core strengths, which includes such important infrastructure elements as IT and supply chain management. A business base and core strengths that enable us to win out against global competition will be essential to sustainable growth. We will also need to develop a business platform from which employees can carry out highly efficient and high-value-added operations. My mission is thus to establish a corporate culture that continuously evolves and grows with the Company and its employees.

Reason behind Timing of Business Process Reengineering

Olympus' business environment is transforming at breakneck speed, as indicated by the changes in market needs and structures and accelerated technological innovation. The expansion of our business scale and the ongoing implementation of more rigorous regulatory affair requirements are causing a continuous increase in the workload we must manage. In addition, the intensification of competition is, for example, placing additional pressure on us to introduce new products on a shorter cycle. Based on this reality, it will be vital for us to establish a business base for supporting the rapid reinforcement of management and business structures and swifter decision-making procedures. We will also need to foster core strengths that address the increasing load of ever more complex procedures. Accomplishing these tasks will be absolutely essential to achieving our targets.

Start of Business Process Reengineering Project Targeting Further Growth in July 2016

In July 2016, we started the Business Process Reengineering Project (BPR) project with the aim of bolstering our business base and core strengths. Realizing the importance of accurately understanding the issues we face, we began by conducting a study to analyze the current situation at Olympus from the perspectives of productivity and organizational structure. This study revealed that, compared with major competitors, we were overemphasizing individual optimization in terms of productivity in several cases and that our organizational structure's complexity and other features were slowing down decision making. Based on our newfound understanding of the Company's situation, we identified issues warranting improvement, which can be broadly classified into four areas. The first area is to make our business and management platform more robust and efficient. In this area, we will adopt an overall optimization perspective in reinventing the operating processes and IT systems that were originally developed from an individual optimization perspective in order to increase management speed and efficiency. The second area is to implement governance systems to sustain high profitability. By systematizing and tracking performance in relation to targets and key performance indicators, we will operate our business with an even higher focus on profitability. Further improvements in profitability will be pursued through careful investment prioritization and management that emphasizes total costs. The third area is to build stronger and more effective corporate organizations and human resource management systems. From this perspective, we will seek to accelerate management through the development

of efficient organizations and the clear separation of roles and responsibilities. At the same time, we will build frameworks for the cultivation and optimal positioning of human resources, our greatest management resource. The fourth area is to transform our cultural DNA and working styles. Accordingly, we will be reforming our cultural DNA in order to foster powerful core strengths that can continue evolving.

We have identified and are implementing specific business process reengineering initiatives for addressing issues in these four areas. These initiatives include those promising short-term benefits that will be carried out over the first half of the period of 16CSP as well as those that will be advanced over the medium-to-long term to realize benefits over this time frame. Each of these initiatives will need to be successfully completed if Olympus is to continue growing in the difficult operating environment to be faced going forward.

The system necessary for advancing the BPR project has been put in place. For example, a steering committee comprising members from around the world has been established to promote reforms on a global scale. In addition, the members of the Executive Management Committee have been placed in charge of specific initiatives as “initiative owners,” adding an increased element of responsibility to the project through strong

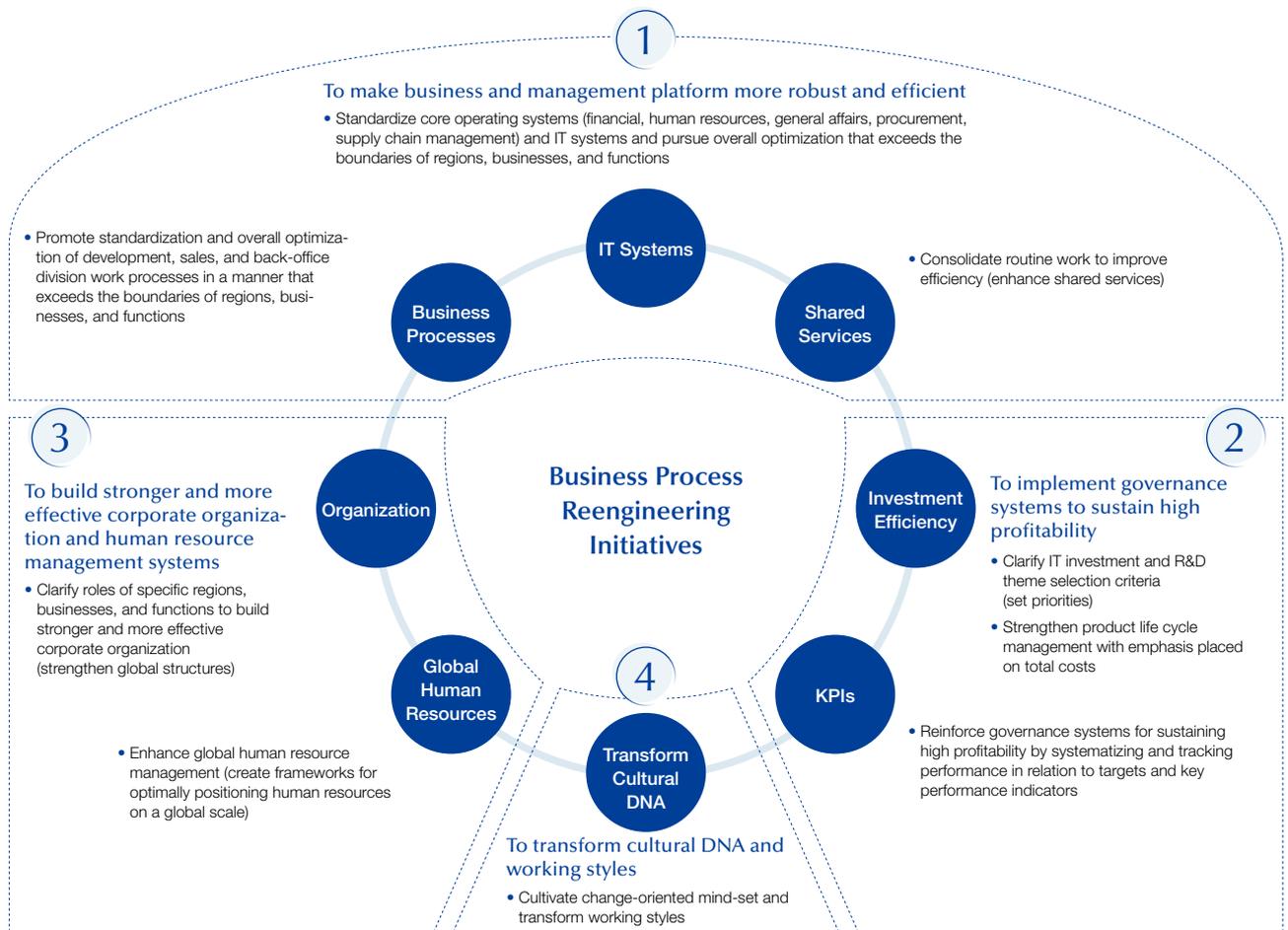
leadership. Dedicated organizations in charge of promoting business process reengineering initiatives have been created to support the implementation of the project’s various initiatives and carefully monitor progress based on clear targets. With this system in place, the initiatives of the BPR project will be carried out under a sound governance framework and the strong leadership of the owners and leaders.

Ongoing Evolution and Growth of Corporate Culture

Olympus is committed to completing the BPR project to accomplish the targets of 16CSP. In addition, we aim to realize highly efficient and high-value-added operations on a level worthy of our status as the greatest “Business to Specialist” Company and establish a corporate culture that continuously evolves and grows with the Company and its employees.

The foundation for completing the BPR project will be formed through the establishment of a new corporate culture and organizational cultures. Reforming the awareness of all employees will be crucial to this undertaking. Luckily, Olympus employees view the project as an opportunity for growth and are also strongly committed to carrying out this project while remaining aware of the dangers surrounding us and as acting as a united One Olympus.

Business Process Reengineering Initiatives





Message from the CAO

I have been charged with responsibility for our administrative functions, giving me jurisdiction over Olympus' human resource, legal affairs, and facility management functions. Managing these functions in an optimal manner across all regions of operation, I will seek to contribute to the realization of our vision of always being the greatest "Business to Specialist" Company.

Kiichi Hirata

Chief Administrative Officer

Administrative

Role under 16CSP

- **Human resource function:**
Optimize positioning of human resources on a global basis and work toward vision contained in management strategy
- **Legal affairs function:**
Address legal requirements, manage risks, and reinforce crisis response systems to facilitate Groupwide business expansion and growth
- **Facility management function:**
Strengthen facility management systems from a global perspective considering the facilities of various functions connected to business expansion and growth



Tasks and Measures

- **Human resource function:**
Consolidate management of human resource information and fill important function positions with optimal human resources from a global management perspective
- **Legal affairs function:**
Develop human resources and strengthen organizations to enhance strategic legal affairs functions, manage legal risks at both the global and regional levels, and reinforce internal controls
- **Facility management function:**
Continuously cultivate specialized human resources and develop IT systems from a medium-to-long-term perspective to further strengthen global facility management

Olympus' Vision Realized by Optimally Positioning Human Resources through Global Human Resource Strategies

More than 30,000 people work at Olympus, and we realize that there will be no growth for the Company if each and every one of these employees is unable to exercise their talents to the fullest. We fixed this issue, however, with the shift to a matrix style of business operation during fiscal 2016. This move collected the human resources and training personnel who had been dispersed among different functions into a single division, creating a system that allows for HR functions to be exerted on a cross-organizational basis. As a result, we are now able to more thoroughly utilize our human resources for maximizing Company success.

Olympus is expected to produce innovative minds and deliver impeccable levels of quality to contribute to society by making people's lives healthier, safer, and more fulfilling around the world. To help achieve this objective, we strive to help heighten the skills and specialized talents of the people who work at Olympus while actively providing them with opportunities to gain experience and exercise the strengths they have accumulated. Moreover, it is our goal to ensure that employees can feel pride, knowing that their ideas and successes make direct contributions to the Company and to society. Such a favorable work environment will create a virtuous cycle. We therefore aim to establish a human resource function that can contribute to the generation of such a cycle by implementing human resource strategies and measures not only at domestic affiliates but also on a global and Groupwide basis.

Optimal Global Management by Legal Affairs and Facility Management Functions

At the same time, we will enhance the global legal affairs function to allow for more flexible responses to operating environment changes while also facilitating Groupwide management of legal risks (information collection, analysis, and response) and strategic responses to legal crises. Based on such management and responses, we will offer legal advice and support with regard to both management strategies and business strategies. For the facility management function, we will adopt a medium-to-long-term perspective toward developing the R&D and manufacturing function bases that will underpin our efforts to provide Olympus quality on a global scale. From this perspective, we will forge ahead with the installation of the necessary equipment and infrastructure for realizing the Group's vision.

Currently, more than 70% of sales come from overseas, and I therefore feel that Olympus is the type of company that can grow by developing its business from a global standpoint. Accordingly, work related to human resources and general affairs is now able to spread outside the borders of Japan. As such, neither individuals nor the Company will be able to grow if we remain satisfied to let "someone else" handle matters overseas. Looking ahead, we remain committed to making Olympus into a truly global company, which will also be important to further expanding the range of customers who choose it.



Message from the CTO

Olympus will further build upon its core competencies while implementing a core technology management strategy in order to breed business innovation that gives form to dreams with new ideas and technologies. Through these efforts, we will create value for customers the likes of which have never been seen before.

Haruo Ogawa

Chief Technology Officer / Head of R&D Group

Technology

Role under 16CSP

- Create, strengthen, and utilize core technologies and construct cross-Company technology platforms capable of supporting these core technologies
- Optimize and standardize upstream to downstream product development processes and increase development efficiency
- Strategically develop human resources capable of supporting the above efforts and build a lively working environment

Tasks and Measures

- Address the appearance of the so-called “innovator’s dilemmas” resulting from new technological revolutions and improve development efficiency by adapting technologies for use in other fields
- Move away from previous Japan-centric R&D activities to advance global R&D activities that incorporate bases in Europe and the United States

Improvement of Development Efficiency in Existing Businesses

The improvement of development efficiency is an important task to be addressed with regard to research and development and will thus be crucial to the process reform project. One specific measure with this regard will be the prioritization of R&D themes. To facilitate this process, we will set return on investment as a KPI and assign priorities to themes that are of strategic importance. At the same time, we will move ahead with the standardization of work processes. By clarifying the issues we face with regard to upstream development element technologies and production technologies and prioritizing the resolution of these issues, we will target massive improvements in efficiency at the product development phase. I expect that these efforts will be able to shave a couple of percentage points off of the ratio of R&D expenditures to sales in existing businesses during the final year of 16CSP.

Innovation That Does Not Lag behind New Technological Revolutions

The money saved by improving development efficiency will be designated as our “innovation budget,” which we will use to fund cutting-edge development projects for driving further growth. Furthermore, we plan to establish, relatively quickly, an organization for determining the innovations that will be necessary for Olympus’ future. In this organization, we will assemble

a team of Company engineers with expertise in advanced technologies in the pursuit of innovation.

The 16CSP defines five core technology groups based on customer workflows. Olympus currently boasts strength with regard to group I, which consists of autofocus and other technologies, and group II, which comprises 4K and 3D technologies. In fact, we have a portfolio of around 18,000 patents in these two areas. Conversely, groups III, IV, and V all represent areas in which we must strengthen our capabilities going forward. In group III, for example, we aim to use AI technologies to increase the ability of our products to recognize and analyze images retrieved via endoscopes or other devices. Our focus in group IV will be the utilization of robotics technologies for endoscopic and laparoscopic surgery. Meanwhile, we will take advantage of ICT and IoT technologies in group V to log data from medical devices and analyze this data to potentially create solutions businesses that provide customers with valuable information. In these undertakings, it will be crucial for us to form outside alliances with regard to AI, robotics, and IoT technologies. If our innovation activities lag behind new technological revolutions, we will face massive risks in the future. For this reason, we will not limit ourselves to internal efforts. Rather, we will devote funds as necessary to rapidly accelerate the pace of our global R&D activities.

Core Technology Groups Arranged from the Perspective of Workflows to Create Customer Value





Message from the CMO

The Manufacturing Group will achieve competitiveness in terms of its products, technologies, techniques, management frameworks, human resources, and organizational capacities on a global basis to establish Olympus as the world's No. 1 medical equipment manufacturing group.

Shigeo Hayashi

Head of Manufacturing Group

Manufacture

Role under 16CSP

- Create global production structure with a view to 10 years from now and enhance technological and on-site capabilities to achieve the value required by business divisions with regard to quality, costs, and delivery



Tasks and Measures

- Build strong, global manufacturing functions to address operating environment changes, risks, and threats and thereby ensure Olympus can reliably supply products that satisfy customers

Creation of a Global Production System and Enhancement of Repair Bases with a View to 10 Years from Now

Under 16CSP, the Manufacturing Group will pursue globally optimized production* by building upon its core competencies at all production bases with a view to 10 years from now.

Olympus aims to maintain the dominating No. 1 position of its gastrointestinal endoscopes and other high-value-added products. We will accomplish this goal by reinforcing our product creation capabilities through the integration of development and manufacturing. As one facet of these activities, we will enhance factories utilizing labor-intensive models in Asia and other regions to bolster production capacity and heighten cost competitiveness for mass-produced items.

Based on this approach, we undertook the redevelopment of the three Tohoku factories in Japan, and these efforts have already contributed to an increase in production capacity of roughly 30%. Our medical device production system in Nagano was also strengthened. Overseas, we commenced construction of a new building at the Vietnam plant to further guarantee a stable supply of mass-produced items. In addition, production bases in Canada were reorganized to make way for the establishment of a new industrial field-product factory that we began building in this country. Repair bases are also being enhanced. Europe saw the start of operations of the new building at our repair base in Portugal. Meanwhile, in the United States we started constructing a new base in Bartlett, Tennessee, which will be our second base in this country after the one in San Jose, California. In this manner, we have been making smooth progress in reinforcing our global network of production and repair bases.

* Globally optimized production: Production at the most rational manufacturing sites based on comprehensive judgments that take into account the costs, tax systems and legal systems, logistics, procurement, labor resources, site core technologies, and other characteristics of each region and country

Augmentation of Massive Strength of Technological and On-Site Capabilities

Creating truly competitive products requires us to differentiate our products from those of competitors in terms of functionality, quality, cost, and other factors. We continue to augment technological and on-site capabilities for exactly this purpose.

In regard to our technological capabilities, we are differentiating ourselves from our rivals by incorporating our unique material development and processing techniques into production equipment developed by the Company. The combination of this equipment and the sophisticated minute adjustment techniques of our highly skilled engineers will make for a product creation prowess that the competition will never be able to imitate. As for our on-site capabilities, we are promoting the ongoing cultivation of frameworks and on-site cultures that allow operating sites to implement self-improvements. This objective will be accomplished by utilizing our plant consulting and human resource development methodologies based on the 5Ss (sort, set in order, shine, standardize, and sustain) and the Toyota Production System. No matter how technologies may advance, it will always be people that find issues and implement improvements on-site. Product creation at Olympus is underpinned by our people.

Going forward, we will seek to respond to the changing operating environment by stepping up initiatives to ensure safe and reliable products by prioritizing quality, address the shrinking workforce in Japan, and establish business continuity plans with provisions for earthquakes and other disasters. Furthermore, we will strive to establish Olympus as the world's No. 1 medical equipment manufacturing group so that we can continue to supply products and services that satisfy customers in a timely manner.



Message from the CSMO

For Olympus, a “Business to Specialist” Company, we will seek to develop sales and marketing functions that are capable of realizing strong sales capabilities by understanding the needs of specialists and swiftly providing the value and solutions sought by these customers.

Akihiro Taguchi

Head of Sales & Marketing Group /
Medical Business Managing Officer

Sales & Marketing

Role under 16CSP

- Cultivate sales force members who are specialists at sales to strengthen sales and marketing functions in order to contribute to the accomplishment of 16CSP earnings targets in each business so that Olympus can always be the greatest “Business to Specialist” Company

Tasks and Measures

- Enhance sales capabilities to facilitate the “Business to Specialist” operations of each business and seek to ensure the rigorous compliance expected of a global company
- Formulate standards for sales procedures that promote uniform processes on a global scale in order to improve sales productivity and increase the amount of sales per sales force member

Cultivation of Sales Specialists to Realize Strong Sales Capabilities

Two years have passed since the establishment of the sales and marketing functional organization, and our mission is now clearer than ever. Looking at potential future megatrends, we can anticipate the continuation of population aging and birth rate declines, global curtailment of healthcare expenses, implementation of more stringent regulations in various countries, and advances in ICT and the IoT. There can thus be no doubt that our operating environment will be changing and growing more complex. The point of origin for Olympus, its fundamental strengths, can be found in its technological capabilities and its product prowess. However, the coming era will differ from those prior to it in that simply making superior products will not be a guarantee of sales. Rather, in the coming era, companies will need strong sales capabilities so that the value of their products can be effectively explained to customers. For this reason, our sales forces will need to be able to develop an understanding of the needs of specialists in order to swiftly provide the value and solutions sought by these customers. In this manner, we must realize strong sales capabilities by having the members of our sales forces raise their own capabilities to become specialists themselves.

Improvement of Sales Productivity through the Standardization of Global Procedures

As our operating environment changes and becomes more complex, the range of tasks we must handle will increase. This situation will necessitate that we improve productivity, given Olympus’ focus on organic growth. We therefore set up 16 working groups, which are charged with the task of heightening the amount of sales per sales force member. With this clear mission in mind, we will formulate shared global standards for sales procedures to pursue improved productivity.

Good customer management is crucial to effectively understanding customers and providing the value they seek, and this rings true for any business. However, the definition of customers is not fixed. In Olympus’ Medical Business, for example, although its main customers used to be healthcare practitioners, group purchasing organizations (GPOs) and integrated delivery networks (IDNs) are now becoming increasingly important types of customers in North America. As new customers emerge, it is necessary for our customer management practices to evolve to meet the differing needs of these customers. At the same time, the Medical Business is branching out from its installation-based model, which centers on endoscopes, to also adopt a procedure-based model, which focuses on endotherapy devices. We will therefore need to maintain an understanding of circumstances related to customers in both businesses. In the installation-based model, it is important to be aware of annual budget situations, including the execution of budgets. Meanwhile, the procedure-based model requires that we possess information on the procedures used at specific hospitals and departments, the frequency with which these procedures are performed, and the number of procedures to be conducted in the future. In light of these differing needs, it is absolutely essential that we pursue standardization on a global basis to increase overall efficiency. This standardization should not be limited to customer management. Global standardization is also necessary with regard to procedures for tracking performance indicators and sales activities; managing demo products, loaners, and other assets; and strengthening sales force skills to cater to specialists. If we are able to achieve this standardization, it will no doubt contribute to strong sales capabilities for each member of our sales force as well as for the entire Company, which will be united under the One Olympus concept.