OLYMPUS Investor Day 2017

Business Process Reengineering

Yasushi Sakai
Chief Improvement Officer (CIO)
Olympus Corporation
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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
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.

<table>
<thead>
<tr>
<th>Reform Approaches</th>
<th>Current Issues</th>
</tr>
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</table>
| To make business and management platform more robust and efficient | • Optimization of business processes for individual regions, businesses, and functions  
• Optimization of IT systems for individual businesses and functions  
• Dispersion and redundancy of standard corporate processes among regions and functions  
• Clarification and thoroughness of Companywide management resource allocation standards  
• Thoroughness and commitment of all organizations to targets, KPIs, and profitability  
• Reinforcement and streamlining of global governance systems  
• Optimal allocation of human resources and construction of related systems  
• Improvement of innovation and reform awareness |

To implement governance systems to sustain high profitability

To build stronger and more effective corporate organization and human resource management systems

To transform cultural DNA and working styles
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 Project

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

<table>
<thead>
<tr>
<th>Reform Approaches</th>
<th>Priority Measures</th>
<th>Initiatives</th>
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<tbody>
<tr>
<td>To make business and management more robust and efficient</td>
<td>Improvement of process productivity</td>
<td>- Improve development management and efficiency</td>
</tr>
<tr>
<td>Visualisation and full utilization of information</td>
<td>Groupwide optimization of business processes</td>
<td>- Enhance and streamline sales and marketing processes</td>
</tr>
<tr>
<td></td>
<td>Groupwide optimization of IT systems</td>
<td>- Standardize, consolidate, and streamline corporate business processes</td>
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Advance reforms through four approaches via Groupwide effort exceeding boundaries of businesses, functions, and regions.

- Improve development management and efficiency
- Enhance and streamline sales and marketing processes
- Standardize, consolidate, and streamline corporate business processes
- Consolidate IT platforms based on optimized business processes
- Standardize and integrate ICT systems on a global basis
## Overview of Issues and Business Process Reengineering Project

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<td>Maximization of investment efficiency</td>
<td>Practice selection and concentration with regard to R&amp;D themes</td>
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<td>Increased selection and concentration</td>
<td>Strengthen product lifecycle management with emphasis placed on total costs and optimize lineups based on product portfolios</td>
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<td>Increased emphasize on profitability</td>
<td>Thoroughly manage expenses versus benefits of IT investments</td>
</tr>
<tr>
<td></td>
<td>Enhancement of profit management</td>
<td>Reinforce governance systems for sustaining high profitability through globally systematized target management and performance monitoring</td>
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# Overview of Issues and Business Process Reengineering Project

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

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<td>Reinforcement of matrix organization structure</td>
<td>▪ Clarify roles of regions, businesses, and functions to build stronger and more effective corporate organization</td>
</tr>
<tr>
<td>and human resource management systems</td>
<td>Global utilization of human resources</td>
<td>▪ Optimize and streamline organizational structure</td>
</tr>
<tr>
<td>To transform cultural DNA and working styles</td>
<td>Cultivation of change-oriented mind-set</td>
<td>▪ Enhance global human resource management</td>
</tr>
<tr>
<td>Corporate culture of ongoing growth</td>
<td></td>
<td>▪ Construct systems for optimal assignment of human resources</td>
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<td>▪ Cultivate change-oriented mind-set and frameworks through awareness reforms targeting all employees</td>
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<td>▪ Improve efficiency through working style reforms</td>
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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

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating profit margin</th>
<th>Operating profit per employee (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>13%</td>
<td>310</td>
</tr>
<tr>
<td>FY2017</td>
<td>10%</td>
<td>220</td>
</tr>
<tr>
<td>FY2021</td>
<td>Over 15%</td>
<td>Over 420</td>
</tr>
</tbody>
</table>

Improvement in productivity

Operating profit per employee
# 16CSP Strategies and Business Process Reengineering Benefits

## [16CSP Operating Profit Margin Targets]

<table>
<thead>
<tr>
<th>FY2016</th>
<th>…</th>
<th>FY2021</th>
<th>Improvement</th>
<th>Breakdown of Operating Profit Margin Improvement</th>
</tr>
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<tbody>
<tr>
<td>12%</td>
<td>…</td>
<td>15%</td>
<td>+3pts.</td>
<td>Manufacturing productivity improvement + 1pts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Process productivity improvement + 2pts.</td>
</tr>
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<tr>
<th>FY2017</th>
<th>FY2021</th>
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<tbody>
<tr>
<td>10%</td>
<td>15%</td>
<td>+5pts.</td>
<td>Manufacturing productivity improvement + 1pts.</td>
<td>• Optimization of global manufacturing structure from a long-term perspective</td>
</tr>
</tbody>
</table>
|        |        |             | R&D productivity improvement + 2pts.         | • Increase development speed  
|        |        |             |                                               | • Select R&D themes based on ROI and allocate appropriate resources |
|        |        |             | Sales and marketing productivity improvement + 1.5pts. | • Reinforce sales and marketing functions  
|        |        |             |                                               | • Increase sales and process productivity |
|        |        |             | Standard corporate process productivity improvement + 0.5pts. | • Strengthen functions, increase efficiency, and reduce costs |

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

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Enhance R&amp;D capabilities and improve efficiency and productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiative Owner</td>
<td>Haruo Ogawa [Chief Technology Officer (CTO)]</td>
</tr>
</tbody>
</table>

**Practice selection and concentration with regard to R&D themes**

- **Evaluate and prioritize R&D themes**
  - Enhance frameworks and processes for evaluating themes
  - Evaluate and prioritize themes
  - Allocate appropriate resources to innovative R&D themes

**Improve development management and efficiency**

- **Enhance and standardize all processes spanning from product planning to launch and strengthen management**
  - Standardize and enhance process management and development resource management
  - Promote inter-function resource reallocations and appropriately allocate development resources

**Benefits**

- Ratio of R&D expenditures to revenue: Reduction of 2.0 pts. [FY2017→FY2021]

Select R&D themes based on ROI
Allocate appropriate resources

Increase development speed
Improvement of Development Management and Efficiency

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

**[Current R&D Processes]**
- Planning process
- Design process
- Function confirmation process
- Mass production confirmation process
- Product registration process

**[Future R&D Processes]**
- Planning process
- Design process
- Function confirmation process
- Mass production confirmation process
- Product registration process

- Reinforce development management (enhance and standardize R&D processes and strengthen PMOs)
- Strengthen concurrent development systems
- R&D
- Manufacturing
- QA / RA, product registration

Shorten development lead time
### Example of Initiatives ②

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Enhance and improve efficiency of sales and marketing processes</th>
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<tr>
<td>Initiative Owner</td>
<td>Akihiro Taguchi [Head of Sales &amp; Marketing Group (CSMO)]</td>
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#### Principal Initiatives

- **Step up customer relations management**
  - Strengthen sales process governance on a global scale
    - Improve productivity through standardization, visualization, and monitoring of sales processes
  - Reinforce and improve efficiency of sales and marketing functions on a global basis
    - Strengthen account management
    - Bolster sales training

- **Improve productivity of sales promotion activities**
  - Pursue optimization and efficiency improvements with regard to global sales promotion activities and materials
  - Globally standardize sales support processes

#### Benefits

- Ratio of sales and marketing expenses to revenue: Reduction of 1.5 pts. [FY2017→FY2021]
<table>
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<th>Initiative Owner</th>
<th>Improve productivity of corporate business processes</th>
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<td>Yasushi Sakai [Chief Improvement Officer (CIO)] and others</td>
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**Principal Initiatives**

- Refine business and management base and infrastructure
  - Globally standardize master data and business processes
  - Standardize and integrate IT platforms and optimize related expenses on a global basis

- Enhance and streamline supply chain
  - Strengthen product lifecycle management (optimize processes encompassing sales, production, and service conclusion)

- Enhance and improve productivity of corporate service processes
  - Promote shared services to improve efficiency
  - Reduce expenses by consolidating indirect material purchasing

**Benefits**

- Ratio of corporate and other expenses to revenue: Reduction of 0.5pt. [FY2017→FY2021]

**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**

- Steering Committee
- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**GHQ**

- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**JP**

- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**US**

- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**EU**

- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**APAC**

- Project Owner
- PMOs
- Initiative Owner
- Project Leader
- Project Member

**Composition**

- BUs, Functional Departments, and regional (US, EU, APAC) Heads
- Chief Improvement Officer (CIO)
- Comprised of dedicated BPR organizations and global BPR staff
- Member of Executive Management Committee
- General Manager Level
- 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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- Continuous improvement
- Continuous enhancement
- Continuous implementation and improvement

2017/9/13 No data copy / No data transfer permitted
EMBRACE CHANGE

OLYMPUS BPR-Project