Rebuilding Trust: The First 100 Days
We would like to offer our humble apologies for the enormous concern and inconvenience experienced by our stakeholders as a result of prior financial irregularities. At Olympus, we take such matters very seriously, and we are working to restore the trust of our stakeholders and society through the timely disclosure of information, primarily through news releases and updates on our website.

On April 20, 2012, Olympus established a new management team at a special general meeting of shareholders. We have compiled this report in our efforts toward total transparency. The report provides stakeholders with a consolidated record of the events leading up to the discovery of the irregularities. It also outlines the initiatives we have put in place during the first 100 days of new management. We are committed to preventing similar events in the future and rebuilding the company and your trust.

After the publication of this report, we will continue to apprise you of our efforts through updates on our website and the release of our next Corporate Social Responsibility (CSR) Report in December 2012.

We welcome your comments regarding this report as well as any concerns you continue to have about our company. Thank you for giving us the opportunity to earn back your trust as we move forward.

Hiroyuki Sasa
President and Representative Director, Olympus Corporation

Commitment to Compliance
Olympus Corporation

At Olympus Corporation, we sincerely regret that past financial accounting misconduct has caused our customers and society enormous difficulties and undermined stakeholder confidence. With this in mind, and in keeping with our company’s “Social IN” philosophy, the new management team hereby declares our commitment as follows:

To regain stakeholder trust and to enhance corporate value, Olympus’ management is committed to complying with all laws and regulations and respecting social norms at all times.

In the effort to achieve sustainable growth, the management team reaffirms the importance of laws, regulations and social norms and will work to foster a corporate culture where each employee, as a member of the Olympus Group, will consider what is right and act in accordance with our company’s guiding principles.

We will thoroughly investigate any violations to this commitment, past or present, taking corrective actions and implementing preventive measures as necessary.

By transforming our organization, we aim to create new value for society, to improve communication with all stakeholders, and to increase the transparency of our decision making.

We reaffirm our basic mission of creating value for society through innovative technology, quality products and unparalleled service, and we pledge that all employees of the Olympus Group will make a concerted effort to help people worldwide lead healthier and more fulfilling lives.

Hiroyuki Sasa
President and Representative Director, Olympus Corporation

Editorial Policy

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[Contact]
E-mail: csr_info@ot.olympus.co.jp

[Scope of Report]
Olympus Corporation, consolidated subsidiaries, affiliated companies

[Period]
October 2011–July 2012

Note: Some of the information contained in this report refers to dates outside of this time period.

This report was based on information available at the date of publication. For the most current information, please refer to the latest disclosure documents available on our company website.

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Medium-Term Vision Toward Realization of a New Olympus

Olympus Corporation has adopted a new five-year, medium-term vision, starting in fiscal year 2012. The new vision aims to return the company to the basic founding values of Olympus. Our goal is to make a fresh start and regain the trust of our stakeholders, build our company anew, and enhance corporate value.

Corporate Management Policies (Overview)

Under the new management structure, we have designated three corporate management policies: “Back to Basics,” “One Olympus,” and “Profitable Growth.” We aim to achieve growth with profitability by adopting “Back to Basics” as the principle behind all our actions and strategies. We will make a concerted effort to share values and goals among our employees around the world to build “One Olympus.”

Basic Strategies (Overview)

Using the new management policies as a foundation, we will implement the following strategies to rebuild Olympus and create new corporate value:

1. Rebuild our business portfolio and optimize the allocation of our management resources
2. Review our cost structures
3. Restore our financial health
4. Restructure our governance

Information about our medium-term vision toward the realization of a new Olympus can be found on the following website:

Building a new, transparent future

I have a deep respect and admiration for Olympus. We are the only company in the world that has research, development and manufacturing capabilities to provide increasingly effective endoscopy solutions for assisting health care professionals with the diagnosis and treatment of their patients. We also have established a global competitive edge in our other core business areas.

I became Chairman of Olympus in April 2012. Since then, I have visited various Olympus facilities to learn about the Company’s activities and have talked with as many employees as possible. I learned that the Company’s original mission, “To contribute to the betterment of society through the development of quality products and solutions,” is firmly rooted, as a universal value, across the employee base. In this company, where employees take pride in their jobs and appreciate the art of designing and manufacturing products, “monozukuri,” I am thoroughly convinced that our business growth and renewal is fully achievable.

To begin our reform efforts, a new management team, including myself, has taken action to regain shareholder confidence. We have completely replaced the old management structure with a totally new organization committed to moving Olympus forward. As described in this report, we are also implementing reforms in the areas of governance and compliance. With the establishment of sincere and highly transparent corporate management, I believe we will continue to realize healthy growth and the maximization of our corporate value. It may take some time but I believe that Olympus is well on its way to regaining the full confidence and complete trust of our current and potential customers, suppliers and shareholders.

On behalf of the entire Olympus Group, I pledge that we will continue to move forward, guided by a renewed commitment to ethical conduct, until our actions have convinced you, our stakeholders, that Olympus has moved beyond our recent issues and is once again worthy of your complete confidence and trust.

Yasuyuki Kimoto
Chairman
I believe that our shareholders, customers, suppliers, employees and their families, and the general public, feel a sense of betrayal as a result of the recent misconduct. I have directly experienced the anger that this situation has engendered.

A company cannot undertake quality business activities unless it has the understanding, confidence and support of its stakeholders and society. Olympus shattered this relationship through its own shortcomings and became the focus of public mistrust as a consequence. I regret the enormous disruption and concern experienced by so many people.

In the past, Olympus has shown weaknesses in the areas of corporate governance and compliance. Vital information has been monopolized by only a few executives and divisions, and our decision-making processes have been gravely deficient in transparency and good faith. Obviously, this situation led to a lack of accountability. Why did this situation occur? I attribute the errors of judgment made by the previous management team to a flawed perception of society, which led in turn to the distortion of the standards on which management decision-making was based.

I believe that we must take another look at the criteria and judgment standards that we need to apply when making decisions, and ensure that those standards are shared by everyone in our organization, from the new management team to front-line workers. As the leader of approximately 40,000 employees comprising the Olympus Group, I will make the following two pledges to ensure that our management decision making is in keeping with the values of society.

First, we will build a corporate culture in which all decisions are based on fairness, transparency and good faith. We will rebuild our governance and compliance structures, correct the distortions in our values and restore the founding principles of our company by applying the amended Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct, together with the Compliance Commitment declared by the management team.

Second, Olympus will continue to supply products and services that contribute to human health and happiness. The mission that has guided our activities under our “Social IN” management philosophy is to offer new value through business while becoming involved in society and sharing values. We will renew our awareness of this fundamental mission, and we will do everything in our power to provide products and services that help people enjoy healthy and happy lives.

Olympus is ready to begin its journey toward restoring your trust. If you believe that there is more that we can or should do, please tell us. I promise that we will listen to your input and use it to help us in our rebuilding efforts.

We look forward to your support and thank you for your patience.
Information Concerning the Financial Misconduct

Delays in Reporting of Past Losses, Loss Elimination Schemes

After the collapse of the bubble economy, Olympus incurred massive unrealized losses as a result of its investments in financial assets. By the second half of the 1990s, those losses had reached almost ¥100 billion. To avoid the discovery of these unrealized losses, the company followed the introduction of market value accounting for financial assets. Olympus transferred the financial assets on which it had incurred unrealized losses up to the year ended March 2000 to multiple funds (receiver funds) at their book value. This had the effect of removing these assets from the consolidated balance sheet and delaying their inclusion in the accounts.

Starting in 2007, a small group of Olympus executives sought to dispose of the losses by supplying a total of ¥135 billion to eliminate the receiver funds, using methods that included (1) the acquisition of three domestic subsidiaries, Altis, News Chef and Humalabo, from the receiver funds at inflated prices, (2) the payment of advisory fees when Gyrus Group PLC was acquired, (3) the treatment of “goodwill” in connection with Gyrus and the three domestic subsidiaries in the accounts as assets.

Discovery of Financial Misconduct and Appointment of the Third Party Committee

On October 14, 2011, Mr. Michael Woodford, who had raised concerns about the lack of transparency in past transactions at a meeting of the Board of Directors, was dismissed from his posts as Representative Director, President and CEO. However, media reports questioned the appropriateness of the acquisition of the three domestic subsidiaries and the subsequent treatment of the impairment of those assets. Questions were also asked about other matters, including payments to advisors in reliance on the Gyrus acquisition. Stakeholders demanded that Olympus explain the situation. This led to the formation of a Third Party Committee on November 1, 2011, consisting of attorneys and certified public accountants with no conflicts of interest with Olympus. The Third Party Committee was commissioned by the company to investigate whether past acquisitions had involved inappropriate actions, and whether there had been unsound management decisions. During this investigative process, it was discovered that accounting for past losses had been delayed, and that the acquisitions in question had been used to eliminate the aforementioned unrealized losses. The Third Party Committee was then asked to investigate the circumstances surrounding the delays in accounting for individual losses.

< Chronology of the Schemes >

1990s
- Losses on investment in financial assets expand following the collapse of the bubble economy, reaching almost ¥100 billion by the second half of the 1990s.
- A scheme is developed by a small group of Olympus executives to conceal unrealized losses by moving them off the balance sheet. By the year ended March 2000, unrealized losses on the affected financial assets had been separated from the consolidated accounts by transferring them to multiple funds at book values.

Around 1998
- Market value accounting is introduced, effective from financial years starting in or after April 2000.
- The off-balance-sheet losses are eliminated through the purchase of three domestic subsidiaries from the receiver funds at inflated prices, and through transactions relating to the acquisition of Gyrus, including the payment of a large financial advisory fee and the purchase of dividend preferred stock.
- The issue of sizable expenditure on the acquisition of the three domestic subsidiaries and Gyrus comes to light.

2008–2010
- On November 1, the Third Party Committee is appointed by Olympus to investigate past acquisitions.
- On November 6, the investigation report is received from the Third Party Committee. In addition to reporting the facts, including delays in accounting for losses in previous financial years, the Committee also provides recommendations on related matters, including the need to improve governance and take steps to prevent recurrences.

2011
- On December 7, the company establishes the Management Reform Committee, Director Liability Investigation Committee and Non-Director Liability Investigation Committee.
- On December 14, amended financial statements and quarterly reports are submitted.
- On December 21, Olympus becomes the subject of criminal investigations by the Tokyo District Public Prosecutor’s Office, the Tokyo Metropolitan Police Department and the Securities and Exchange Surveillance Commission.
- On January 7, a report is received from the Director Management Liability Investigation Committee. On January 8, a suit for damages is lodged in the Tokyo District Court seeking to establish the liability of past and current directors.
- On January 16, the report of the Non-Director Liability Investigation Committee is received, and on January 17 a suit for damages is lodged in the Tokyo District Court seeking to establish the liability of past and present corporate auditors.
- On January 17, the Nomination Committee is established to nominate candidate directors and corporate auditors for election at a special general meeting of shareholders.
- On January 20, a demand for payment of a listing agreement violation penalty amounting to ¥10 million is received from the Tokyo Stock Exchange.
- On January 21, Olympus is designated by the Tokyo Stock Exchange as a “security on alert.”
- On March 7, the Tokyo District Public Prosecutor’s Office files charges on suspicion that Olympus has violated the Securities and Exchange Act and the Financial Instruments and Exchange Act (fraudulent financial reporting). Indictment documents are received on March 28.
- On April 20, a special general meeting of shareholders is convened. A new management team is appointed and all members of the old management team resign.

[Market value accounting] With this accounting system, assets and liabilities are assessed at market values at the end of each accounting period, and these values are reflected in the financial statements. In Japan, financial instruments were traditionally valued at acquisition prices (book values), but market value accounting has been applied since financial years starting in or after April 2000 (in or after April 2001 for certain types of financial assets).

[Outline of loss separation] Olympus used the receiver funds to purchase financial instruments and other assets affected by losses at book value, using money supplied in various ways. For example, Olympus arranged for banks to provide the receiver funds with loans secured by the company’s deposits and other assets, or money was supplied to the receiver funds from business investment funds established by the company.

[Outline of loss elimination] A total of ¥135 billion was paid to the receiver funds. This amount consisted of approximately ¥72 billion for the acquisition of the three domestic subsidiaries, and approximately ¥63 billion for fees relating to the acquisition of Gyrus.

[Members of the Third Party Committee]
Chairperson: Tatsuo Kainaka
- Attorney at Law, former judge of the Supreme Court, former Superintendent Public Prosecutor of the Tokyo High Public Prosecutor’s Office
Member: Hideki Nakagome
- Attorney at Law, former Chief Justice of the Nagoya High Court
Member: Tomoyoshi Arta
- Attorney at Law, former Superintendent Public Prosecutor of the Fukusuka High Public Prosecutor’s Office
Member: Osamu Sudo
- Attorney at Law
Member: Eiji Katayama
- Attorney at Law
Member: Katsuki Takiguchi
- Certified Public Accountant
Investigation Report by the Third Party Committee

Olympus cooperated fully with the investigation by the Third Party Committee and did everything in its power, including the provision of information, to uncover the truth about these events. The report received from the Third Party Committee on December 6, 2011 identified various facts, including actions to delay accounting for losses and dispose of losses. The Committee also commented on the following matters.

■ Involvement with Antisocial Elements

The Third Party Committee found no evidence that antisocial elements were involved in actions relating to the disposition of losses, or that any individual had misappropriated funds.

■ Need for Improvement of Corporate Governance

The Third Party Committee found that the Olympus Board of Directors failed to carry out its supervisory responsibilities as the hub of corporate governance, and that the Board of Corporate Auditors failed to investigate and scrutinize activities thoroughly. The Committee therefore called for urgent improvements in these areas.

■ Causes of Situation, Preventive Measures

The Third Party Committee found that the actions concerned had been carried out in secret by a small group of senior executives under the direction of top management, that the actions had been skillfully concealed, and that almost none of the required information had been provided to the Board of Directors or Board of Corporate Auditors. This situation was attributed to a corporate culture that was dominated by one person with additional problems relating to the attitudes of corporate officers. As a result there was no freedom to express opinions or concerns. The Third Party Committee also found that the various corporate departments were not fulfilling their responsibilities as stipulated in the Companies Act. It therefore provided recommendations that included the replacement of corporate officers, an in-depth review of the company’s approach to corporate governance, and the reinforcement of management oversight.

Actions in Response to the Report of the Third Party Committee

[1] Establishment of the Liability Investigation Committees and Actions Based on Findings

On December 7, 2011, the day after it received the report of the Third Party Committee, Olympus established the Director Liability Investigation Committee and Non-Director Liability Investigation Committee to examine the legal liabilities of present and former directors, corporate auditors, executive officers and accounting auditors in relation to the misconduct. To ensure the independence of both committees, all members were individuals who had no conflicts of interest concerning Olympus. Olympus worked closely and in good faith with both of these committees.

The two committees submitted their reports on January 7 and January 16, 2012, respectively. They concluded that 19 current and former directors and five current and former corporate auditors had legal exposure based on their conduct. Having received these reports, the Olympus Board of Corporate Auditors resolved that it would be appropriate to pursue the liabilities of the 19 directors, and on January 8, a lawsuit was filed claiming compensation of up to ¥3,610 million. The Board of Directors similarly resolved that it would be appropriate to pursue the liabilities of the five current and former auditors, and on January 17 a lawsuit claiming compensation of up to ¥1,000 million was filed.

Settlement with Mr. Michael Woodford

Mr. Woodford filed a claim for compensation against Olympus in a British Employment Tribunal on the grounds that actions by Olympus, including the dismissal of Mr. Woodford from his posts as Representative Director, President and Chief Executive Officer, constituted unfair dismissal under the British Employment Rights Act of 1996.

On May 29, 2012, the parties agreed to a settlement under which Mr. Woodford would withdraw his employment tribunal claim, while Olympus would pay a cash settlement of 10 million pounds sterling (approximately ¥1,245 million). This agreed settlement ended all disputes between Mr. Woodford and Olympus concerning the dismissal of Mr. Woodford and other matters.
[2] Establishment of Management Reform Committee

After the financial misconduct, Olympus immediately established two internal teams to scrutinize its governance and vision, reformed its management structure and reviewed its business activities. On December 7, 2011, the Board of Directors resolved to establish a Management Reform Committee consisting of outside experts with no Olympus-related conflicts of interest. Its tasks were to examine and communicate discussions within the company before reports and proposals are submitted to general meetings of shareholders. This committee commenced its deliberations in December.

Measures to Prevent Recurrences

The investigation report of the Third Party Committee identified areas of weakness and recommended measures to prevent recurrences. Based on this report, the internal scrutiny teams examined the issues from the viewpoints of strengthening the corporate governance structure, improving internal control systems, and reviewing compliance systems. With advice from the Management Reform Committee, they formulated the following preventive measures designed to ensure that incidents of this type would never happen again.

1. Strengthen Corporate Governance Structure
   - Clear separation of executive and supervisory functions
   - Reinforcement of supervisory authority and functions over executive functions
   - Fairness in selection of outside directors and corporate auditors, and expansion of the roles and functions of outside directors and corporate auditors
   - Active disclosure of information

2. Improve Internal Control Systems
   - Improvement of internal checks and balances
   - Appropriate management of business investments, subsidiaries and affiliated companies
   - Prevention of fraudulent activities through improvements to human resource management systems
   - Enhancement of internal audits

3. Review Compliance Systems
   - Improvement of management team’s compliance awareness, and establishment of clear accountability
   - Establishment of systems to support further reinforcement of compliance promotion
   - Fostering of consistent awareness of compliance
   - Improvement of whistle-blowing systems

Designation as “Security on Alert,” Violation of Financial Instruments and Exchange Act

On January 21, 2012, the Tokyo Stock Exchange designated Olympus shares as a “security on alert.” In addition, Olympus received a notice demanding payment for a listing agreement violation, the penalty of which amounted to ¥10 million. Moving forward, Olympus will be required to submit a “Written Confirmation of Internal Management System” detailing the status of its internal management systems and other matters to the Tokyo Stock Exchange every year. The designation will be lifted if the Tokyo Stock Exchange determines, on the basis of these reports, that there are no problems with Olympus’ internal management systems.

On March 6, 2012, the Securities and Exchange Surveillance Commission filed charges with the Tokyo District Public Prosecutor’s Office on suspicion that Olympus had violated the Securities and Exchange Act and the Financial Instruments and Exchange Act (submission of fraudulent financial reports). On March 7, 2012, Olympus received notice from a prosecutor in the Tokyo District Public Prosecutor’s Office that it had been indicted according to the facts stated in the original charges.

On April 13, 2012, the Securities and Exchange Surveillance Commission gave notice to the Prime Minister and the Commissioner of the Financial Services Agency that it would be issuing a surcharge payment order. On July 11, 2012, Olympus was informed by the Financial Services Agency that a decision had been made to issue a surcharge payment order. In accordance with this decision and the payment order, Olympus paid a surcharge of ¥191,819,994 to the national treasury.

[Security on Alert]

This designation is applied to a company that is at risk of delisting from the public exchange for various reasons, such as the inclusion of fraudulent information in financial reports. After investigation, if it is found that the situation does not warrant delisting but that there is a strong need for improvements in the company’s internal management systems, the company receives this designation.

If a company is designated as a “Security on Alert,” it must submit a “Written Confirmation of Internal Management System” detailing information about internal management systems and other matters to the stock exchange after the lapse of each year following the designation. The designation will be lifted if the stock exchange finds on the basis of this written confirmation that there are no issues relating to the company’s internal management systems or other matters.

(Reuters) - The Tokyo Stock Exchange Group, Inc. has updated its “Security on Alert” list, which includes companies that are at risk of delisting. Companies on the list are required to submit a written confirmation of internal management systems and other matters to the stock exchange after the lapse of each year following the designation.

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[Members of the Management Reform Committee]

Kazuo Kawakami
Attorney-at-law, former Chief Prosecutor, Trial Division, Supreme Public Prosecutor’s Office
Motoyoshi Nishikawa
Attorney-at-law, former Managing Director, Nippon Steel Corporation
Shiro Hiruta
Senior Adviser, Asahi Kasei Corporation
Reinforcement of Corporate Governance Structure and Improvement of Internal Control Systems

Changes to Corporate Governance Structure

By adopting an executive officer system, Olympus has established a governance structure which separates the functions of executive officers, who are responsible for the performance of business operations, and directors, who are responsible for management decision making and the supervision of the performance of operations. Based on lessons learned, Olympus has further clarified this separation of roles and strengthened its supervisory functions.

Six highly independent outside directors make up the majority of the 11-member Olympus Board of Directors. In principle, the Board of Directors meets once a month to allow timely decision making on important aspects of management, such as management strategies. It also effectively supervises the performance of business operations by executive officers. The Chairman, who cannot be the President, serves as Chairman of the Board of Directors. Independence and objectivity are key requirements for the nomination of outside directors. Individual directors apply their expertise to the management of Olympus through the decision making and supervisory activities of the Board of Directors. Upper limits have been set for the terms of office and ages of the President and senior executive managing officers.

< Corporate Governance Structure (Extract) >

Strengthening the Functions of the Corporate Auditors and Board of Corporate Auditors

To ensure that audits are conducted fairly, Olympus has invited a person from outside the Olympus organization to become one of its two Standing Corporate Auditors, in addition to the two Outside Corporate Auditors. To provide support for the Corporate Auditors, the number of staff in the Corporate Auditors’ Office has been increased.

A Message from the Non-Olympus Standing Corporate Auditor

Masashi Shimizu
Former General Manager, Financial Inspection Department, Nippon Life Insurance Company

Corporate Auditors are responsible for the establishment of a quality corporate governance system capable of ensuring public confidence in the company. In view of the issues identified by the Third Party Committee, Olympus has assembled a team of Corporate Auditors with expertise in law, accounting, taxation and financial management, as well as business operations, to audit the performance of its business operations fairly and independently. The Corporate Auditors will strive to build a sound and transparent governance structure to ensure that the recent financial misconduct is never repeated.

Improvement of Internal Control Systems

Olympus has initiated a project to strengthen its internal control systems. The first step will be to clarify the position of each head office unit and its checks and balances. Additionally, Olympus will build stronger mechanisms, review rules and ensure that those rules are consistently applied. Olympus will also develop a structure to provide comprehensive control of subsidiaries, affiliated companies and business investments, which will also be monitored under newly adopted guidelines. Finally, the staff involved in internal audits will be increased, and there will be closer collaboration between audits by Corporate Auditors and audits by certified public accountants.
Fostering a Compliance-Oriented Corporate Culture

The Management Team’s Commitment to Compliance

On May 22, 2012, Olympus announced that its management team had adopted a Commitment to Compliance to prevent future misconduct by reforming management attitudes toward compliance and establishing clear accountability. This commitment is a pledge by the management team to apply our management philosophy with high ethical standards.

In formulating the commitment, we sought the opinions of the Executive Committee, which is responsible for executive management oversight. We also included views from outside directors and academic experts. The commitment was made public in the form of a document signed by Hiroyuki Sasa as Representative Director, President and Chief Executive Officer.

Through this commitment, we have pledged to make compliance our first priority, to go back to our basics as a company that provides value to society through its innovative technology, quality products and services, and contributions to human health and happiness. (The text of the management team’s Commitment to Compliance can be found on Page 1.)

Promoting Compliance and Clarifying Responsibilities

In April 2012, Olympus appointed a Chief Compliance Officer (CCO) whose task is to clarify compliance-related responsibilities. The company also established a Compliance Committee chaired by an outside director to advise the Board of Directors on measures that can strengthen compliance activities on a global basis. The committee met for the first time on June 7, 2012 to analyze issues and discuss initiatives.

On May 10, 2012, Olympus held a global compliance meeting for compliance officers from regional headquarters, including overseas regional headquarters. The purpose of this meeting was to examine the global and regional implementation of compliance-related policies and measures, and to identify issues. Olympus will continue to hold these meetings at quarterly intervals. Policies and measures put forward at the meetings will be implemented according to the organizational structure in each region. Within Japan, this role will be carried out by the Compliance Promotion Committee. Based on situations discussed and issues raised at the meetings, the CCO will regularly report to the Compliance Committee on the compliance situation of the Olympus Group as a whole.

Compliance Committee Members

Chairperson .... Motyoshi Nishikawa (Outside Director)
Member ........ Kiyotaka Fuji (Outside Director)
Member .......... Yoichiro Hamabe (Outside Committee Member, Attorney-at-law)
Member ........ Masahito Kitamura (Chief Compliance Officer)

Compliance officers from Europe, the Americas, Asia and Japan attended the first global compliance meeting, which was held in Tokyo on May 10, 2012. The second meeting was held in Pennsylvania, U.S.A., on July 30, 2012.

A Message from the Chairperson of the Compliance Committee

Motoyoshi Nishikawa
Outside Director

While these have been extraordinarily challenging times for Olympus, a range of initiatives are being implemented to strengthen our compliance. This is no time for half-measures or half-hearted efforts. I am told that Olympus was traditionally a company in which people could discuss matters freely and harmoniously. All employees need to be keenly aware of the fact that compliance is essential to the survival of their company. They must also strive to bring back a corporate culture based on the free flow of views and ideas. Above all, employees must immediately report any matters that cause them the slightest concern directly to their supervisors, who must take all such matters seriously and ensure that they are fully investigated.

As chairperson of the Compliance Committee, I intend to work with the utmost diligence to restore confidence in Olympus through the creation, application and administration of compliance systems.
Enhancement of Integrity Hotline Systems

In the past, employees wishing to report issues in Japan could submit their concerns via a point of contact within the company using the Compliance Hotline. In May 2012, an external point of contact was established to allow employees to speak to an attorney outside of the company. This new system provides greater assurance of anonymity, since the attorney providing the service will never, without the approval of the whistle-blower, divulge any information that could be used to identify the individual to staff within the company.

Olympus has further enhanced the system by adopting corporate regulations which require all matters reported by whistle-blowers to be fully investigated. It also requires employees to make every effort to report any concerns. Olympus has also expanded access to this system to include employees of suppliers that deal directly with Olympus Group companies in Japan.

Additionally, Olympus is providing education for the staff who administer the internal contact point. Activities include participation in outside seminars, study sessions organized in cooperation with the attorney in charge of the external whistle-blower contact point, and preparation for qualification as Certified Business Ethics Experts under the system administered by the Association of Certified Business Ethics Experts of Japan.

Note: Separate compliance and integrity hotline and helpline systems have been established in each region worldwide.

Revision of Management Philosophy and Corporate Conduct Charter

As part of our efforts to build compliance awareness, we have revised the Olympus Group Management Philosophy, the Olympus Corporate Conduct Charter and the Olympus Group Code of Conduct.

The basic concepts behind our “Social IN” management philosophy remain unchanged, but we have redefined the “Three INs” to achieve consistency with the Corporate Conduct Charter.

We regard the Corporate Conduct Charter as the most important source of guidance for all members of the Olympus Group, from directors to employees. This Charter reflects the social responsibility principles required under the latest international guidelines, including the 2011 OECD Guidelines for Multinational Enterprises, ISO 26000 (guidance on social responsibility), the 10 principles of the United Nations Global Compact, and the 2010 edition of the Charter of Corporate Behavior of the KEIDANREN (Japan Business Federation).

The actual revision process began with a two-day retreat for a task force consisting of 30 key employees from Olympus Group workplaces in Japan. This was followed by a half-day session of intensive discussions. As a result, an initial draft was developed and this formed the basis for draft proposals, in which the views of employees of Olympus Group companies in Europe, the Americas and Asia were also reflected. Olympus then sought the opinions of outside experts, including specialists in business ethics and law. After deliberations by the Executive Committee, the new charter was ratified by the Board of Directors and adopted on June 20, 2012.

The Code of Conduct was also revised to achieve consistency with the Corporate Conduct Charter. The revised version reflects the social responsibility principles stipulated in the latest international guidelines and provides clear guidance on “the day-to-day” for individual employees.

(Information about the management philosophy and Corporate Conduct Charter can be found on Page 12.)
Enhancement of Compliance Education

Olympus has employed various activities to enhance CSR and compliance education, including the distribution of CSR guidebooks and compliance cards, as well as e-learning, group seminars and more. We are determined to avoid future misconduct and build a new Olympus by further improving compliance education, including education about related laws and regulations.

Management Messages and Dialogue

Olympus has continually reiterated the importance of compliance to its employees in communications via the intranet, including the President’s statement announcing the appointment of the new management team as well as subsequent messages about their compliance commitment. In addition, the President and CCO are working to ensure that a consistent compliance environment and a culture of openness are created in our workplaces. Part of that effort includes holding “town meetings” for various groups, including the Olympus Group Corporate Conduct Charter task force, corporate executives, and staff in overseas subsidiaries. We will continue to reinforce our commitment to compliance via messages from our management team, as well as direct dialog with employees.

Rank-Specific Education

The President stressed the importance of compliance in a speech he gave at an executive forum held when the new management team took office. There was also a presentation by the CCO concerning compliance initiatives. On July 20, 2012, Dr. Yoshinari Koyama, Professor of Business Administration, College of Economics, Kanto Gakuin University, presented a lecture on the subject of “Business Misconduct and Compliance” for Olympus’ management-level personnel, including directors, auditors, executive officers and division managers. There will be further training for management-level personnel in October. We will also provide training to meet the needs of employees at each level, including newly promoted personnel and new employees.

Note: The above activity is limited to Japan. Local activities will be developed at each regional headquarters.

Function-Based Education

Specialized, function-specific training, including attendance at lectures by outside experts and group seminars conducted by external organizations, is being provided for corporate staff whose tasks require higher levels of knowledge and awareness, such as employees staffing the helpline, and members of the Compliance Promotion Committee. In addition, we have implemented ongoing training programs to educate relevant staff about laws and regulations relating to various aspects of our business, including CSR procurement, trade controls and the prevention of fraudulent transaction practices.

Note: The above activity is limited to Japan. Local activities will be developed at each regional headquarters.

< Laws/Regulations Targeted for Prioritized Compliance Reinforcement Efforts >

<table>
<thead>
<tr>
<th>Jurisdictional Category</th>
<th>Name of Law/Regulation, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese laws and regulations</td>
<td>• Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act)</td>
</tr>
<tr>
<td></td>
<td>• Antitrust Act</td>
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<tr>
<td></td>
<td>• Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontracting Law)</td>
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<tr>
<td></td>
<td>• National Public Service Ethics Act, code of ethics for public servants</td>
</tr>
<tr>
<td></td>
<td>• Fair competition rules</td>
</tr>
<tr>
<td>Overseas laws and regulations</td>
<td>• Laws and regulations relating to bribery</td>
</tr>
<tr>
<td></td>
<td>• Laws and regulations relating to unfair competition</td>
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<tr>
<td></td>
<td>• Laws and regulations relating to antiscollusive elements</td>
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</tbody>
</table>

Training for Directors and Employees

Since July 9, 2012 we have provided compliance-related e-learning for officers and employees, focusing primarily on the amended Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct. Starting in October, we will conduct a series of training programs on CSR, including compliance. E-learning about specific laws, regulations and social norms will also be provided.

Note: The above activity is limited to Japan. Local activities will be developed at each regional headquarters.

< Main Education Activities Since the Establishment of the New Management Team (Activities in Japan) >

<table>
<thead>
<tr>
<th>Period</th>
<th>Attendees</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>As required from April onwards</td>
<td>All employees</td>
<td>President’s message via intranet</td>
</tr>
<tr>
<td></td>
<td>Executives</td>
<td>President’s presentation on compliance organization</td>
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<tr>
<td></td>
<td>Helpline contact point staff</td>
<td>Seminar for helpline contact point staff</td>
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<tr>
<td></td>
<td>Workplace representatives</td>
<td>Meeting between Corporate Conduct Charter formulation task team and CCO</td>
</tr>
<tr>
<td></td>
<td>Relevant divisions</td>
<td>Trade-related education (seminars for each division)</td>
</tr>
<tr>
<td></td>
<td>All employees</td>
<td>President’s presentation</td>
</tr>
<tr>
<td></td>
<td>Executives</td>
<td>E-learning about mental health</td>
</tr>
<tr>
<td></td>
<td>Compliance Promotion Committee</td>
<td>CCO’s presentation</td>
</tr>
<tr>
<td>As required from May onwards</td>
<td>Relevant divisions</td>
<td>Divisional seminars about the prevention of fraudulent business practices</td>
</tr>
<tr>
<td></td>
<td>All employees</td>
<td>Environment-related e-learning (regulations on chemical substances)</td>
</tr>
<tr>
<td></td>
<td>Executives</td>
<td>E-learning about the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors</td>
</tr>
<tr>
<td></td>
<td>President’s presentation</td>
<td>E-learning about information security/privacy of personal information</td>
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<tr>
<td></td>
<td>All employees</td>
<td>E-learning about compliance</td>
</tr>
<tr>
<td></td>
<td>Executives</td>
<td>President and CCO town meeting</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>Lectures by outside experts</td>
</tr>
</tbody>
</table>
The Olympus Group strives to realize better health and happiness for people by being integral members of society, sharing common values, and proposing new values through its business activities. This “Social IN” concept is key to the basic Olympus philosophy underlying all our activities. Social IN comes from Social Value IN the Company, a concept of incorporating social values into the Company’s activities.

We aim to establish firm ties with society through INtegrity, INnovation and INvolvement.

Guided by the fundamental concept of “Social IN” and a keen awareness of our responsibilities as a corporate member of society, and as a company on which diverse people with different cultures and value systems depend, the Olympus Group continues to provide value to society by enhancing people’s lives through the products and solutions that we design and deliver.

At the Olympus Group, we are committed to conducting our affairs with a strong sense of ethics, and accordingly, will strictly comply with all relevant laws and regulations. We have revised the Olympus Corporate Conduct Charter to serve as the basis for making appropriate decisions and taking responsible actions. All members of the management team and all employees of the Olympus Group hereby pledge to act in accordance with the new Corporate Conduct Charter in their global corporate activities.

1. Adherence to High Ethical Standards
   - We will prioritize the spirit of compliance under any circumstances and will never tolerate any action that violates laws and regulations, social norms or internal rules.
   - We will create an environment within the organization where no concern pertaining to compliance will be ignored. Moreover, we will implement training and provide guidance to all parties concerned.
   - We will consistently oppose any antisocial force or organization posing a threat to the order and safety of civil society and completely dissociate ourselves from any relation with them.

2. Respect for Human Rights
   - In all corporate activities, the Olympus Group will respect all internationally recognized human rights and will prohibit forced labor, child labor or discrimination based on race, beliefs, gender, age, social position, family lineage, nationality, ethnicity, religion or disability.

3. Delivering Innovative Value
   - Olympus strives to play an integral role in helping people around the world lead healthier and more fulfilling lives. To enhance people’s lives, the Olympus Group will continue to offer innovative value.
   - To that aim, we constantly seek to provide safe, high-quality products and services that engender loyalty and affection for our brand and that are meaningful to society, while taking sufficiently stringent measures to protect customers’ information.

4. Working Environments with Vitality
   - The Olympus Group will provide a safe and healthy working environment where individuality and diversity are respected and personal development is fostered. This environment will allow employees to strive for the highest level of skill and knowledge, and enable the innovative creation of value sought by society.
   - We will aim to create working environments with a high level of transparency in management, to share information without seeking to hide or obfuscate unfavorable truths, and an atmosphere in which free and vigorous discussion is encouraged.

5. Harmony with the Environment
   - Respecting the importance of people’s safety and health and the essential role of nature in supporting their lives, the Olympus Group will contribute to a healthy environment and pursue sustainable development of society through business activities and technological developments that are in harmony with nature.

6. Contribution to Society
   - The Olympus Group is always mindful of the impact our decisions have on stakeholders and society, and we will actively seek out the voices of stakeholders, including customers, business partners, shareholders, employees and communities, and sincerely respond to their questions, concerns and needs.
   - The Olympus Group regards itself as a citizen in each of the communities where employees live and work, and we recognize the importance of supporting community organizations, programs and activities. Additionally, we will always respect the culture and practices of the countries and regions where the Group engages in business.

Adopted on June 20, 2012
Third-Party Opinions

We asked independent experts to express their views on the recent misconduct and our subsequent response. Below are their opinions which we highly regard. These opinions will be fully considered by the entire Olympus Group as we move forward to regain our reputation as a company that can justify the trust and expectations of all stakeholders.

Hiroshi Ishida  
Associate Professor, Kwansei Gakuin University  
Executive Director, Caux Round Table Japan

Hiroshi Ishida was born in Tokyo in 1966. After graduating with a degree in economics from Seijo University, he worked for the Industrial Bank of Japan in market dealing, planning and other areas. He has been active in the Caux Round Table Japan since October 2000 and became the organization’s Executive Director in 2006. Mr. Ishida is also an associate professor at Kwansei Gakuin University.

Since the discovery of the misconduct involving the concealment of huge losses, all Olympus Group employees have been working in complete solidarity under the leadership of the new President, Mr. Sasa, with a determination to do everything necessary to restore the trust of society. I admire that and would like to offer my sincere encouragement. Yet at the same time I would also like to present some advice from the perspective of business ethics.

I believe that the issues that have come to light as a result of the scandals should not be attributed solely to problems in the management decision-making process. Rather, the global Olympus Group employees should accept ownership of the problems and work relentlessly to identify the fundamental causes.

First and foremost, all Olympus Group employees should share values concerning the question of why Olympus exists. To achieve this sharing of values, the following advice should be taken to heart.

1) Maintain a commitment to appropriate conduct that goes beyond mere compliance with laws and regulations.
   The Olympus Group should not assume that it is enough simply to include compliance training in its educational programs.

2) Disclose decision-making processes from the viewpoints of transparency and accountability.
   The Olympus Group should engage in serious dialog with stakeholders about the extent to which management decision-making processes can be disclosed. It should also be aware that its own logic may not apply to the outside world.

3) Achieve a balance between “excellent” and “good.”
   The Olympus Group has announced its management team’s Commitment to Compliance and revised its Corporate Conduct Charter. It must now ensure that these concepts are fully understood and consistently applied by all group employees. It must also provide a clear roadmap indicating what needs to be done to build Olympus into a company that is not only excellent, but also good.

Luigi Colantuoni  
Chief Representative for North-East Asia, Total  
President, Total Trading International S.A., Tokyo Branch

Luigi Colantuoni graduated in Chemical Engineering at the University of Napoli, Italy in 1979 and received the INSEAD MBA in Fontanabue, France in 1985. After working as Managing Director of Atotech Japan, Vice President of Atotech Far East, and CEO of Sartomer, he became Total’s Chief Representative for North-East Asia and President of Total Trading International S.A., Tokyo Branch. Mr. Colantuoni is also a board member of the French Chamber of Commerce and Industry in Japan and a member of the French government’s advisory committee on international trade.

I would like to share some considerations with all employees of Olympus, as I have lived thirteen years in Japan during a total of three different assignments and I have had plenty of opportunities to admire and respect the Japanese people, their abilities and their values.

What has happened in your company in recent times may have shocked many of you, created mistrust in management, led to doubts about the future of the company and given you feelings of sadness and uncertainty.

This is all behind, and I am sure that each staff of Olympus, all its executives have only one goal now: restoring an excellent corporate governance and apply it in an exemplary way worldwide.

Good corporate governance has two aspects: the hardware, as a clear set of rules, globally, to which each entity of the group complies, following a well defined code of conduct, where professional ethics is the cornerstone; and the software, as corporate values based on honesty and transparency, in good as in difficult times.

It is with an attitude of deep humility and with great humanity that the whole workforce of Olympus will emerge from the troublesome period, regain the confidence of each stakeholder, capitalize on the success of its products and set an example worldwide of how a corporation can learn from past mistakes and restore an image of excellence.

I trust you share this vision and I am convinced you will work in this way to make it happen.

Olympus will then emerge stronger than ever.
SUSPENSION FROM THE GLOBAL COMPACT. However, we firmly misconduct and was forced to accept your application for tion. It was with profound regret that I learned of the recent development of the corporate community and globaliza- tion of its goals.

Olympus is a signatory to the United Nations Global Compact, the purpose of which is to promote the sound recovery and renewal efforts. This record of initiatives over a 100-day period describes the measures put into effect by Olympus as it takes the first steps toward the realiza- tion of that goal.

I would like to make a few comments on the occasion of the publication of this CSR Report, which is a record of the efforts made by Olympus to rebuild trust over a 100-day period.

Olympus has reflected deeply on the recent misconduct and taken steps to prevent recurrences, including the ap- pointment of a Chief Compliance Officer. It has also rad- ically restructured its governance systems as part of its recovery and renewal efforts. This record of initiatives over a 100-day period describes the measures put into effect by Olympus as it takes the first steps toward the realiza- tion of its goals.

Olympus is a signatory to the United Nations Global Compact, the purpose of which is to promote the sound development of the corporate community and globaliza- tion. It was with profound regret that I learned of the recent misconduct and was forced to accept your application for suspension from the Global Compact. However, we firmly believe that Olympus will eventually be able to return to the Global Compact. We see your efforts to restore your reputa- tion as evidence of your commitment to work in good faith toward the realization of CSR-based management in accordance with the 10 principles of the United Nations Global Compact, which span the four areas of human rights, labor, the environment and the prevention of cor- ruption. CSR-based management depends above all on leadership from the top, but sustained effort at the work- place level is also crucial. Global enterprises in particular need to monitor and respond to new global trends and the unique needs of individual regions. The Global Compact Japan Network, to which 160 Japanese companies belong, will be ready to assist Olympus from these various perspectives when it is ready to return to the Compact.

I look forward to the emergence of a new Olympus with confidence in your ability to move forward toward the achievement of that goal.
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