Investigation Report

December 6, 2011

Olympus Corporation  Third Party Committee
December 6, 2011

To Olympus Corporation

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<tr>
<td>21C</td>
<td>Twenty First Century Global Fixed Income Fund Ltd.</td>
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<td>NEWS CHEF</td>
<td>Neo Strategic Venture, L.P.</td>
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<td>OAM</td>
<td>News Chef INC. Inc.</td>
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<td>OBA</td>
<td>Olympus Asset Management Ltd.</td>
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<td>OBCC</td>
<td>Olympus Biotech Corporation</td>
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<td>OCA</td>
<td>Olympus Business Creation Corporation</td>
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<td>OFHK</td>
<td>Olympus Corporation of Americas</td>
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<td>OFUK</td>
<td>Olympus Finance Hong Kong Ltd.</td>
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<td>OUKA</td>
<td>Olympus Finance UK Ltd.</td>
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<td>OVC</td>
<td>Olympus UK Acquisition Limited</td>
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<td>QP</td>
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<td>Quick Progress Co. Ltd.</td>
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<td>SB</td>
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<td>SBi</td>
<td>Small Bone Innovations, Inc.</td>
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<td>SG</td>
<td>Societe Generale</td>
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<td>TEAO</td>
<td>TEAO Limited</td>
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<td>Axes Japan</td>
<td>Axes (Japan) Securities Co., Ltd.</td>
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<td>Altis</td>
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<td>Olympus</td>
<td>Olympus Corporation</td>
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<td>Commerzbank</td>
<td>Commerzbank International Trust (Singapore) Ltd.</td>
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<td>General Partner</td>
<td>General Partner (General Partner)</td>
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<td>Gyrus</td>
<td>Gyrus Group PLC</td>
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<tr>
<td>Humalabo</td>
<td>Humalabo Co., Ltd.</td>
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<tr>
<td>Limited Partner</td>
<td>Limited Partner (Limited Partner)</td>
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<tr>
<td>Three Domestic Companies</td>
<td>Altis/Humalabo/News Chef INC.</td>
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I Outline of the Investigation

1. Background of the formation of the Third Party Committee

(1) The Olympus Corporation (hereinafter referred to as “Olympus”), at the Board of Directors’ Meeting held on October 14, 2011, removed from the office of representative director, and president and executive director, Michael Christopher Woodford (hereinafter referred to as “Woodford.” In this Report, honorifics and job titles are omitted with respect to persons’ names), who had been pointing out for some time the murky transactions conducted by Olympus. However, even afterwards, the shareholders, etc. of Olympus voiced suspicions with respect to the appropriateness of (i) the payment by Olympus to the financial advisor (hereinafter referred to as “FA”) in the acquisition of Gyrus Group PLC (hereinafter referred to as “Gyrus”), and (ii) the acquisitions and subsequent recognition of impairment losses of Altis Co., Ltd. (hereinafter referred to as “Altis”), Humalabo Co., Ltd. (hereinafter referred to as “Humalabo”), and News Chef Inc. (hereinafter referred to as “News Chef,” and together with Altis and Humalabo referred to as “Three Domestic Companies”). They demanded an investigation of the situation amidst the sharp fall of the Olympus share price.

(2) Thereupon, Olympus, in seeking to conduct a strict and thorough investigation by an independent investigative committee to find out whether or not there was any fraudulent or inappropriate conduct or unreasonable business judgment with respect to all of the transactions from the planning to the execution of the acquisitions of Gyrus and the Three Domestic Companies, to achieve accountability with the investors, shareholders, business alliances and the other stakeholders, and to receive proposals for the improvement and enhancement of the corporate governance regime as well as to receive proposals regarding indications and improvement measures on other areas that should be improved in the structure and management of Olympus, requested the appointment of five lawyers and one certified public accountant who had no conflicts of interest with Olympus as commissioners, and established the Third Party Committee (hereinafter referred to as “Committee”) on November 1, 2011 (“Notice of the establishment of the ‘Third Party Committee’” in the Olympus release dated November 1, 2011).

2. Olympus Press Release and Amendment of the Commissioned Work

(1) Olympus Press Release

After the investigation by the Committee had commenced, on November 8, 2011, in the press release entitled “Notice concerning the deferral in posting past losses” Olympus announced that in the course of the cooperation by the Committee with respect to the investigation, it had been discovered that it had been engaging in a deferral of posting losses related to securities investments since the 1990s, and that the fee paid to the FA for the acquisition of Gyrus, the funds for the repurchase of preferred shares, and the funds for the acquisitions of the Three Domestic Companies had been used, among other things, to settle the unrealized losses in invested securities, etc. due to the deferral in posting losses, through a method of circulating the money around among several Funds (“Notice concerning the deferral in posting past losses,” an Olympus release dated November 8, 2011).
(2) Amendment to the Commissioned Work
On November 8, 2011, following the press release concerning the loss deferral, Olympus requested that the Committee expressly include in the investigations the facts concerning the loss deferral as well (“Notice on the expansion of the target of investigation by the Third Party Committee and personnel changes,” an Olympus release dated November 8, 2011), so that aside from the investigation of facts and the assessment of whether or not there were any fraudulent or inappropriate conduct or unreasonable business judgment on the part of Olympus in relation to any of the transactions during the time period from the planning to the execution of the acquisitions of Gyrus and the Three Domestic Companies, investigations concerning fraudulent or inappropriate transactions on the part of Olympus suspected to be involved with the above were added to the commissioned work.

3. Committee Members
The Committee is made up of the following members.

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
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<tr>
<td>Commission Chair</td>
<td>Tatsuo Kainaka (Attorney at Law, former judge of the Supreme Court, former Superintendent Public Prosecutor of the Tokyo High Public Prosecutors’ Office)</td>
</tr>
<tr>
<td>Commissioner</td>
<td>Hideki Nakagome (Attorney at Law, former Chief Justice of the Nagoya High Court)</td>
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<tr>
<td>Commissioner</td>
<td>Tomoyoshi Arita (Attorney at Law, former Superintendent Public Prosecutor of the Fukuoka High Public Prosecutors’ Office)</td>
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<td>Commissioner</td>
<td>Osamu Sudo (Attorney at Law)</td>
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<tr>
<td>Commissioner</td>
<td>Eiji Katayama (Attorney at Law)</td>
</tr>
<tr>
<td>Commissioner</td>
<td>Katsuaki Takiguchi (Certified Public Accountant)</td>
</tr>
</tbody>
</table>

In addition, the Committee appointed the following persons as assistants and had them assist in the investigations.

Investigation Committee Assistants
- Takusho Sogo Law Office  
  (Attorneys at Law Kazuyuki Fujikawa and Hitoshi Fukase)
- Fuji Partnership Law Office  
  (Attorney at Law Masaki Iwabuchi)
- City-Yuwa Partners  
  (Attorneys at Law Michio Masaki, Masahiro Terada, Hiroyasu Horimoto, Hitoshi Sakai, and Mika Yanagisawa)
- Sudo & Takai  
  (Attorneys at Law Kenji Akiha and Futoshi Nakamizo)
- Abe, Ikubo & Katayama  
  (Attorney at Law Masahiro Otsuki, Foreign Law Lawyer Chizuko Nakandakari, Attorneys at Law Toshiyasu Suzuki, Gaku Iida, Naomi Okamoto and Emiko Maki)
- Deloitte Tomatsu FAS Co., Ltd.
4. Purpose of the Investigation

The purpose of the investigation by the Committee is to find out whether or not there was any fraudulent or inappropriate conduct or unreasonable business judgment on the part of Olympus in the transactions during the time from the planning to the execution of the acquisitions of Gyrus and the Three Domestic Companies and other related transactions; to provide a proposal to improve and enhance the corporate governance regime; and based on the outcome of the investigation, to point out any area to improve in the structure and management, etc. of Olympus in the light of the responsibility of Olympus as a listed company to the investors, shareholders, business alliances and other stakeholders (“Notice of the establishment of the ‘Third Party Committee’,” an Olympus release dated November 1, 2011).

The Committee purports only to perform the commissioned work to satisfy the preceding purpose of the investigation strictly from a neutral and fair standpoint, but not to determine whether or not there are personal legal liabilities or management responsibilities of persons who have been involved in the loss deferral and the unrealized loss settlement, or to prosecute them.

II Method and Scope of the Investigation

1. Investigation Method

The Committee looked into and analyzed the securities investments of the 1990s, the Olympus internal documents during the time from the planning to the execution of the acquisitions of Gyrus and the Three Domestic Companies (including those documents retrieved by computer forensics listed in Attachment 1), rules for internal decision making, etc., the audit summary report prepared by the accounting auditors and submitted to Olympus, the agreements executed with FAs for the acquisition of Gyrus, and documents, etc. submitted by the financial institutions that had business with Olympus and its related parties. The Committee also conducted interviews a total of 189 times, beginning with the executives and regular employees of Olympus (including those who have already retired) and, where necessary, the accounting auditors who conducted audits of the accountings of past fiscal years, the persons in charge at the companies that were involved in the securities investments on the part of Olympus and the acquisitions of Gyrus and the Three Domestic Companies, etc., and the certified public accountants, etc. who provided the business valuation in relation to the acquisitions of the Three Domestic Companies.

2. Scope of the Investigation

(1) Central scope of the Investigation

A. Investigation of the situation of the loss deferral and the settlement of losses

As is explained in the preceding Background of the formation of the Committee and the Purpose of the Investigation, the subject matter is that Olympus
had deferred losses related to the investment securities, etc. since the 1990s, and used the acquisition projects of the Three Domestic Companies and Gyrus as a means to settle them. From this, the Committee set as the first central scope of the investigation to be a clarification of the situation regarding the loss deferral and the settlement of losses by Olympus. Namely, as to the loss deferral, the Committee investigated the background leading to Olympus carrying the unrealized losses, the background of how it came to start the said loss deferral, and the overall perspective of the loss deferral scheme (as is explained later in the Report, the loss was separated from Olympus by using several Funds). Also, as to the loss settlement, the Committee investigated the actual situation with regard to the acquisitions of the Three Domestic Companies and Gyrus and the overall perspective of the loss settlement scheme (as is explained later in this Report, the losses were settled through a back-flow of proceeds from the stock with respect to the Three Domestic Companies, and the FA fee that had been converted to proceeds from the warrants and Dividend Preferred Shares with respect to Gyrus, each into several Funds).

The Committee then investigated the monetary impact on the accounting treatment at Olympus that such facts discovered in the investigation would have.

**B. Olympus Corporate Governance Regime**

Next, this case is characterized by the fact that the loss deferral was not discovered over a long period. On this point, the possibility that there might be some problem in the corporate governance and internal control of Olympus was considered.

With this, the Committee set as the second central scope of the investigation to learn the status of the corporate governance and internal control of Olympus.

**(2) Other scopes of the Investigation**

As to whether or not there were similar transactions, the investigation was conducted by focusing on the characteristics of the loss disposition scheme (Attachment 2).

**A. Features of the loss disposition scheme**

The loss disposition scheme is characterized by Olympus’ selling the assets that incurred losses to the Funds, etc. set up by Olympus itself, and subsequently, providing the financing needed to dispose of the losses under the cover of company acquisitions. More specifically, there was the situation of providing financing to the Funds by acquiring the venture businesses owned by the Funds at a substantially higher price than their real value, and the situation of making the funds flow back by paying substantially high fees to a third party who acted as the intermediate in the acquisition. In either of the cases, goodwill had been booked at Olympus, and subsequently, a large amount of losses were incurred through the recognition of depreciation/impairment losses.
B. Focal points of the investigation

From the characteristics above, with respect to transactions in which a large amount of goodwill was booked, or impairment losses generated, the Investigation was carried out with a focus on the background of the generation of goodwill and the status of the recognition of impairment loss, the fairness of the share purchase prices (including the FA fees), the target business of the acquisition and the reasonableness of the other company’s value (including the FA fees), and whether or not there were similar processing in transactions with the related Funds, etc.

C. Companies subject to the investigation and summary of investigation results

(A) ITX Corporation (hereinafter referred to as “ITX”)

The process by which Olympus purchased ITX shares --- the shares being temporarily held in the Fund, New Investments Ltd. Class Fund IT Ventures (hereinafter referred to as “ITV”), which was used in the scheme for Gyrus and the Three Domestic Companies, and a large amount of goodwill (approximately 21.6 billion yen as of the end of March 2007) being generated --- make it similar to the Gyrus and the Three Domestic Companies scheme. Therefore, transactions with ITV and the process of booking goodwill were investigated.

ITV had purchased ITX shares in the amount of 10 billion yen in March 2000, when Olympus began making investments in ITX. Initially, although it was also thought that the profits in the listing of the stock would be used to cover the deferred losses, because the stock price stagnated and did not increase in value, the result was a loss of 6.3 billion yen of the investment amount. For details, please refer to Section 11 of Part III.

(B) Olympus Finance Hong Kong Ltd. (hereinafter referred to as “OFH.” Current company name: Olympus Corporation of Asia Pacific Limited)

OFH is a 100 percent subsidiary of Olympus, and it had been providing funding to the loss disposition scheme through the Fund in which OFH made investments (PS Global Investable Markets-O (hereinafter referred to as “GIM”).

On the other hand, OFH had acquired ITX shares, and from the fact that the ITX stock was recognized as an impairment loss at the time, the ITX stock price declined and was subsequently sold to Olympus. The ITX stock transaction at OFH is considered a stock acquisition during the process in which Olympus transitioned ITX into a 100 percent subsidiary. Furthermore, with respect to the transaction of the ITX stock, while it was initially contemplated that the profits in the listing of the stock would be used to cover losses, as described in (A), the result was for the stock price to stagnate. Because of this, OFH went into excessive debt in the fiscal year ending March 2007 due to the recognition of impairment loss of ITX stock. For details, please refer to Part IV.

(C) Eye Power Sports Co., Ltd. (hereinafter referred to as “EPS”)

With respect to the Three Domestic Companies, Isaka CPA Office performed the stock value calculation. In addition to giving them a valuation significantly higher than their real value, it was recognized as an impairment loss immediately after the acquisition. With respect to EPS as well,
the said Firm performed the stock value calculation, so it was made subject to the investigation centering on the fairness of the acquisition value.

Per the investigation results, Olympus had purchased the EPS stock at 560 million yen from ITV, which was used in the loss disposition scheme, and was recognized as an impairment loss in the account settlement period following the acquisition. On the other hand, the acquisition value for EPS stock at ITV was 200 million yen, and while a gain of 360 million yen has been booked on its sale, there is a possibility that the gain on this sale was used to cover losses. For details, please refer to Part IV.

(D) Olympus Business Creation Corporation (hereinafter referred to as “OBCC”)

When OBCC received a transfer of a series of businesses from Olympus and ITX related to the creation of new businesses, it received by transfer the affiliated companies (investment destinations). There are similarities to the said case in that the affiliated companies (investment destinations) had increased, and that they were investments in venture businesses similar to the Three Domestic Companies. Therefore, we investigated whether or not there were transactions with the Funds related to the loss disposition scheme. For details, please refer to Part IV.

Furthermore, EPS shares are currently held by OBCC, but reviews were separately conducted under (C) above.

(E) Olympus Biotech Corporation (hereinafter referred to as “OBA”)

OBA, which Olympus established, received a transfer of the OP-1 business from Stryker Biotech (hereinafter referred to as “SB”), a third party. With respect to this transaction, OBA posted in its books long-term prepaid expenses of 25 million dollars (approximately 2 billion yen. Conversion at 1 dollar = 80 yen) to an investment advisory firm that made the introduction, and it is scheduled for depreciation up to the year 2018.

Therefore, we investigated whether or not the depreciation of said long-term prepaid expenses was a payment of the FA fees, As a result of the investigation, however, it is considered that there is no relevance with the loss disposition scheme. For details, please refer to Attachment 3.

D. Summary of investigation procedures and investigation results on completeness in relation to whether or not there were other, similar transactions

The following investigations were performed on whether or not there were other similar transactions in addition to the above.

(A) Review of fluctuations of the past 5 years with respect to goodwill for which impairment losses or depreciation had been recognized
- Fluctuations in the balance of goodwill (Attachment 4)
- Detailed description of investigations of the balance of goodwill (Attachment 5)

(B) Review of fluctuations of the past 5 years with respect to the balances of investments in securities and affiliated companies, and the recognition of impairment losses
- Fluctuations in the balance of the investment accounts of Olympus (Attachment 6)
- Fluctuations in the balance of the investment accounts of OFH (Attachment 7)
- Fluctuations in the balance of the investment accounts of ITX (Attachment 8)
- Fluctuations in the balance of the investment accounts of OBCC (Attachment 9)
Detailed descriptions of investigations of the balances of investment accounts (Attachment 10)

(C) On whether or not there were other companies for which Isaka CPA Office performed stock value calculations, and analyses of the contents of said value calculations

(D) Review of deposit accounts (including foreign banks and negotiable certificates of deposit)

Because deposit accounts and government bonds had been used in the loss disposition scheme, as an investigation of similar transactions, the existence or nonexistence of deposits provided as collateral or with restrictions on withdrawals will be ascertained.

Please refer to the written contents of the balance confirmation letter obtained by the auditors in 2 (2) and (3) of Part IV.

(E) Major outside-company participants and collaborators in the loss disposition scheme

With respect to affiliated persons outside the company who have been recognized or presumed to have participated or collaborated in the loss disposition scheme, using computer forensics investigations (Attachment 1), a search of incoming and outgoing emails and attached files of those who were involved, etc. within the company was conducted, the findings viewed, and a verification of whether or not there was involvement in or recognition of fraudulent or inappropriate conduct was undertaken.

Outside of the Three Domestic Companies and EPS, a letter of opinion from Isaka CPA Office was obtained at the time of receiving the preferred shares of Small Bone Innovations, Inc. (hereinafter referred to as “SBi”) regarding the conditions on the preferred shares. However, as a result of the investigation, because there are no records at SBi of the invested money being invested towards other Funds and so forth, it cannot be acknowledged that it was relevant to the loss disposition scheme. For details, please refer to descriptions of SBi in Part IV, and matters on the value calculations, etc. on the part of Isaka CPA Office (Attachment 11).

III Facts Found through the Investigation

1. Management of financial assets in the 1980s

   (1) Management of financial assets in the early 1980s

   In the early 1980s and in regard to financial assets, Olympus was managing financial products with relatively low risk such as transactions with repurchase agreements, Japanese government bonds, foreign government bonds, and promising stocks for which an increase in value was anticipated. In addition to said management having been dispersed among multiple securities firms and managed under their discretion, with respect to one part, it was managed by the same company’s Treasury Group in the Accounting Department itself.

   (2) Management of financial assets in the mid-1980s

   Following the September 1985 Plaza Accord, the value of the yen began to rise sharply against the dollar, and low-interest-rate policies culminated in the bubble economy.
In these economic circumstances, many Japanese companies engaged in so-called finance management techniques, actively managing surplus funds and surplus assets to boost profits. It was a time when such management methods were in vogue.

(3) Deployment of aggressive management strategies under President Shimoyama

Toshiro Shimoyama (hereinafter, “Shimoyama”) became president and representative officer of Olympus in January 1984, and he remained president until June 1993. The sharp rise in the value of the yen that began in 1985 was causing an urgent problem for Olympus: its operating profit was falling. In FY1985, Olympus had an operating profit of 6.8 billion yen on sales of 128.6 billion yen, but in FY1986 operating dropped by more than half to about 3.1 billion on sales of 120.9 billion yen.

Faced with this big drop in operating profit, then-president Shimoyama determined it would be difficult to improve operating profit right away through the company's main business alone, so he hammered out a plan to boost operating profit in non-operating areas. It was this point that marked the big change in Olympus' methods for managing its financial assets.

At the May 20, 1987 meeting of the management committee, it was decided to “pursue active financial management policies that would aim to manage surplus funds for maximum effectiveness, while using appropriate risk management.” Regarding the management of financial assets, the “funds management guidelines” formulated at that time stated “the strengthening of financial functions is an important topic for our company,” and dealt for the most part with in-house management.

(4) Department in charge of management and persons in charge

In this section, as a matter convenience, we will summarize and discuss the departments and individuals in charge of managing financial assets in the mid-1980s (Attachment 12).

A. Departments in charge of management

a. From the mid-1980s through March 1997

In the mid-1980s, it was the Treasury Group in the Accounting Department that was responsible for the management of financial assets; the Accounting Department, along with the Administration Department and other headquarters departments was directly answerable to the president.

At that time, the Accounting Department was divided into the Accounting Group and the Treasury Group, each of which had 7 or 8 employees. Only a small coterie within the Treasury Group, however, was in charge of financial asset management: one clerk, his supervisor, the Section Manager and the Division Manager. Beginning in October 1990, the name, Treasury Group in the Accounting Department was changed to the Finance Group of the Accounting Department.

b. From April 1997 to March 2001

In April 1997 there was a reorganization, and the financial assets management functions that had until that time been assigned to the Accounting Department were given to the charge of the Financial Planning Group within the Administration and Finance Department. As before, all of these headquarters departments were under the direct purview of the president.
The Financial Planning Group generally consisted of about 4 members. The staff responsible for management of financial assets were Hideo Yamada (hereinafter, “Yamada”), Hisashi Mori (hereinafter, “Mori”), Makoto Nakatsu, (hereinafter, “Nakatsu”), and one or two others.

c. From April 2001 to March 2006

In the corporate reorganization / reform of April 2001, headquarters functions -- general affairs, personnel, finance and accounting -- were gathered together within the “Corporate Center.” General affairs and finance were placed within the center's operations control office, and came under the direct supervision, not of the president, but of the Corporate Center manager.

Management of financial assets was reassigned from the Administration and Finance Group to the renamed Finance Group in the Finance Department and the Financial Planning Group in the Finance Department. These groups each consisted of about 10 people, but the persons responsible for management of financial assets remained Yamada, Mori, Nakatsu and one or two others.

d. From April 2006 to March 2011

In April 2006, management of financial assets transferred from the Finance Department to Management Planning Headquarters, which Mori became head of in June 2005; within those headquarters it was the responsibility of the Investment Management Group of the Financial Strategy Department; this group's name was later changed to the Funds Group. These groups generally consisted of three or four people, including Yamada, Mori, Nakatsu and one or two others.

B. Persons in charge

A. Masatoshi Kishimoto (hereinafter “Kishimoto”)

Headed the Accounting Department from May 1987 to September 1990. In June 1993 he became president of Olympus.

B. Hideo Yamada

In October 1980, Yamada was transferred from Aizu Olympus Co. to the Treasury Group in the Accounting Department at Olympus Corp., but he actually started working at his new group in December 1980. After Yamada was transferred to this group, he remained consistently involved with the management of financial assets.

In January 1989, Yamada became Group Leader of the Treasury Group in the Accounting Department; when the group's name changed to Finance Group in the Accounting Department, he remained Group Leader of that group. After that, in April 1994 he became deputy head of the Accounting Department, and in April 1997 he became head of the Administration and Finance Department.

In July 2001, Yamada took office as deputy head of the Operations Supervision Office, and in April 2002 he became head of the Administration Supervision Office, with responsibility for the Finance Department. After that, from April 2003 to March 2009, Yamada was head of the Corporate Center.
From April 2006 to September 2007 he was a member of the board of directors responsible for accounting and planning.

C. Minoru Ota (hereinafter, “Ota”)

Ota joined the company in April 1965 and worked in the Treasury Section of the Accounting Department through October 1971. In January 1978, he was transferred back to the Accounting Group in the Accounting Department, where he was the person in charge until September 1982.

In September 1982, Ota became Group Leader of the Accounting Department Accounting Group, and from October 1990 to May 2001 he was head of the Accounting Department. In June 2001, he became Standing Corporate Auditor, and in June 2004 he retired.

D. Hisashi Mori

Mori joined the company in 1981, worked in the Personnel Department and elsewhere, and in June 1987 he was transferred to the Treasury Group of the Accounting Department, where he remained until March 1997. The group name, however, was changed to Finance Group of the Accounting Department. From April 1, 1997 he became Group Leader of the Finance Group of the Administration and Finance Department, and in April 1998 through March 2000 he was head of the Administration and Finance Department. From April 2000 to March 2001 he was Group Leader of the Financial Planning Group in the Administration and Finance Department, and from October 2000 to June 2001 he was Deputy Head of the Administration and Finance Department. From July 2001 to March 2002 he was head of the Finance Department. In April 2002, he became head of the General Business Planning Office, where he continued to work even after its name was changed to Management Planning Headquarters. He was later named to the posts of General Business Planning Office head, and head of Management Planning Headquarters, a post he filled from June 2005 to March 2011. Beginning in April 2006, financial asset management functions were the responsibility of the Investment Management Group of the Financial Strategy Department and the Funds Group, which were both part of the Management Planning Headquarters headed by Mori.

From 1987 when he joined the Treasury Group in the Accounting Department, Mori worked directly under Yamada in the area of financial asset management. Mori studied business management at Hitotsubashi University and New York University, so he had knowledge of finance, and he was able to speak as an equal with financial institutions. Consequently, he was active in the area of financial asset management.

E. Makoto Nakatsuka

From the time Nakatsuka joined the company in April 1981 until December 1985, he worked in the Treasury Group of the Accounting Department. After that he was seconded to Omachi Olympus, but in March 1988 he returned to the Treasury Group of the Accounting Department, where he worked until September 1990. From October 1990 to March 1997 he was a person-in-charge in the Finance Group of the Accounting Department.

Afterward, from April 1997 to March 2000 he was Group Leader of the Financial Planning Group in the Administration and Finance Department, and from April 2000 to May 2002 he was Group Leader of the Finance Group in the Administration and Finance Department, which during that interval changed its name to Finance Group in the Finance Department.
From April 2002 to March 2006, Nakatsuka was head of the Finance Department, and from April 2006 to May 2008 he headed the Management Planning Headquarters Financial Strategy Team, which newly took charge of financial asset management.

(5) Description of financial asset management in the late 1980s

Regarding the management of financial assets, beginning around 1985, Olympus supplemented the safe financial products it had used previously with bonds, foreign government bonds, stock futures, bond futures and other instruments.

Later, at the end of the 1980s, Olympus began managing its financial assets using still other instruments such as interest-rate swaps, currency swaps and structured instruments that included derivatives of these underlying instruments, as well as Nikkei stock index futures and related structured instruments.

Also in the late 1980s, Olympus began to manage assets using specified money trusts and Specified fund trusts (hereinafter, “tokkin”). When Olympus first started using “tokkin,” it worked with Japanese brokerage(s) with which it had a long-standing relationship.

2. Incurring and increase of losses due to financial asset management

(1) Incurring of losses due to financial management

The so-called “bubble economy” burst in 1990, and the Nikkei stock index lost about half its value in less than a year, falling from a high of 38,000 yen in late 1989 to below 20,000 yen in late 1990. It was around that time that Olympus began to suffer losses from its management of financial assets. It thought it could use “tokkin” and other instruments to recover such losses, and it began to increase its “tokkin” management activity.

(2) Increase of losses due to management

A. Increase of losses

As Olympus tried to recover its growing losses from management of financial assets—to prevent unrealized losses stemming from Basket type lower of cost and market method investing—it increased its activity in “tokkin”. This is shown clearly and specifically by the amounts of money involved: the company's accounts for the fiscal year ending March 1990 show a balance of 3.6 billion yen, rising to 9.7 billion yen in March 1991, and then expanding rapidly to about 46.6 billion yen in the fiscal year ending March 1992. From that time until the fiscal year ending in March 1997, the company's balance of Specified fund trusts was about 45 billion yen to 47 billion yen.

In this way, Olympus' losses on its management of financial assets continued to increase. While the precise amounts are unclear, as of 1995 the amount of unrealized losses had grown to the scale of tens of billions of yen.
B. Measures to make up for losses
As a response to mounting losses on management of financial assets, Olympus devised a plan to recover its large losses by using derivatives and other financial instruments that, while risky, promised high returns.
To cover its losses in the immediate future, it became an active purchaser of financial products that promised to deliver years' worth of interest in advance; what happened, though, is that these were high-risk instruments, and if they showed losses at maturity, the advance interest was also added to the losses, making the losses even larger. In the end, these products made the losses even worse. At that time, the avid sellers of such high-risk financial products were foreign brokerages, and Olympus was shifting its management business from domestic brokerages to foreign brokerages. Incidentally, Yamada, the person in charge of managing Olympus' financial assets around that time, began doing business with a foreign brokerage where his old friend Akio Nakagawa worked.

C. Persons in charge and management reports
From the latter half of the 1990s, these two men would select the financial products to be purchased. When Ota was in charge of the Accounting Department, they would seek his approval for purchases; basically, though, Ota would simply approve Yamada and Mori's asset management decisions. Later, when Yamada became head of the Administration and Finance Department in April 1997, Mori, who would in July 2000 become head of the Finance Department, was Group Leader of the department's Finance Group; together they were literally like “two men with three legs” directing the management of Olympus' financial assets. The Yamada/Mori team formed a regime responsible for decisions about the management of financial assets, and in June 2003 when Yamada became a member of the Board of Directors, this system continued. Under the direction of these two individuals, Nakatsuka and a few others in the Finance Group of the Accounting Department were responsible for the management and administration of financial products.
Yamada and Mori met regularly with the board member in charge of accounting, about once a month for a reporting meeting on management of financial assets, including “tokkin”.

3 Change of President to Kishimoto and the handover of management losses in financial assets
(1) Change to President Kishimoto
Kishimoto became president of Olympus in June 1993, succeeding Shimoyama.
The term of Kishimoto's presidency was the period during which Olympus embraced its losses on management of financial assets, and a period during which the losses increased. This was a period in which the company attempted to recover its growing losses by increasing profits through self-management of “tokkin” and other instruments, as well as outsourcing funds management to domestic brokerages and foreign brokerages.
During the period of Shimoyama's presidency, Olympus was on an expansionary path, with goals of achieving 1 trillion yen in sales, with 60% of total sales deriving from new businesses. However, the business expansion and asset management that were based on these expansion plans ending in failure. At that point, Kishimoto instituted a stern management stance covering management of the company as a whole, not just the management of financial assets. Kishimoto's newly forged management guidelines aimed at achieving a more muscular corporate structure by eliminating waste, focused on core businesses, cost-reduction and enhanced efficiency.

(2) Handover of losses in financial asset management
When Kishimoto assumed office as president in June 1993, both Shimoyama and Yamada briefed him regarding the losses Olympus was facing from management of financial assets, and this situation was handed on.

Regarding the losses that had been suffered to that date, Kishimoto's position was that they must be recovered, but he had no particular concrete policies to achieve that. Kishimoto spoke frequently with securities companies and experts, and he took the stance that he wanted the Finance Department to make proposals on how to recover the losses. Basically, however, he left the question of what to do about the losses on management of financial assets up to the Finance Department; he did not initiate more radical solutions.

4 Shift in the loss disposition scheme under President Kishimoto
(1) Momentum for a shift in the loss disposition scheme
During Kishimoto's tenure as president, as discussed above, Olympus policy on the giant losses it was facing from management of financial assets was simply to postpone dealing with them.

However, the continuation of this policy of postponement itself became difficult to sustain. This came to a head when the policy of valuing financial products on an Acquisition cost basis was changed to a Market Value Basis. Details of this change will be discussed in Item (2) below, but this change in accounting standards for financial products began to be discussed around 1997. Information about the change to mark-to-market accounting was first brought to Olympus' attention by its accounting auditors, the Asahi Auditing Corporation (Azusa Audit Limited Liability Corporation. Hereafter, two audit corporations combined and are known as KPMG AZSA LLC.) By early 1998 at the latest, Olympus was aware of this.

(2) Change in the accounting standard
Previously, Japanese corporations customarily used Acquisition cost basis. It was accepted that they could choose to apply either a cost basis or a lower of cost or market method basis for financial products, for securities with a market value determined on an exchange, and the same choice for basket methods (evaluation method that views each trust agreement as a single financial unit) for specified money trusts (“tokkin”) and Specified fund trusts (“fantora”).
Additionally, Regarding the evaluation of financial products under the Acquisition cost basis, if the market value at term-end was clearly below book value, with little prospect of recovery, it was required that the value of such instruments be marked down to the market value (so-called mandatory reduction in value). As far as what constituted a “clear” decline in market value, the generally accepted accounting practice was a benchmark of 50%.

However, with the increasing pressure for globalization of securities/financial markets and accounting standards, as well as other changes in the corporate management environment, new standards were being readied for the accounting treatment of financial products for the purpose of improving transparency of corporate accounting. The “Discussion Points for Accounting Disposition Standards for Financial Products” were introduced in June 1997, followed in October 1998 by the “Opinion Paper on the Establishment of Accounting Standards for Financial Products” (the first public proposal of the current Accounting Standards No. 10 “Accounting Standards for Financial Products”). These were followed in January 1999 by the official publication of the “Opinion Paper on the Establishment of Accounting Standards for Financial Products.” All of these were necessary preparations for the implementation of these accounting standards in the business year beginning on or after April 1, 2000.

These accounting standards for financial products specified that marketable securities held for trading purposes, and any other marketable securities for which a current market value could be determined should be recorded on the balance sheet at market value. This meant that specified money trusts, Specified fund trusts, and derivative transactions held for investment purposes for which a market value could be determined, had to be held at market value.

Olympus would have to apply these accounting standards in the fiscal year beginning on or after April 1, 2000, meaning the fiscal year ending March 31, 2001. It would have to record marketable securities held for trading purposes at market value, meaning it would have to reflect its unrealized losses as losses in that fiscal year. Regarding other marketable securities as well, it would be required to record these at their market value and re-enter them as part of its capital (only market value disclosure in FY3/01). In cases in which the market value of specific financial products had clearly fallen, with little prospect of recovery, it would have to post impairment losses (mandatory reduction in value) on its profit/loss statement for as a lump sum for the current fiscal year.

(3) Request of the accounting auditors

In its audit summary report submitted to the company at the completion of its audit, KPMG AZSA LLC requested, in view of the pending introduction of new financial accounting standards for financial instruments, that the management and the audit committee begin planned disposition of unrealized losses on Specified fund trusts starting the period from March 1998.

In its interim earnings statement for September 1999, Olympus decided to embark on a solution aimed at ensuring the restoration of financial health regarding funds management using Specified fund trusts and swap contracts, recording, before the contracts were dissolved, a total of 16.8 billion yen in valuation losses (14.1 billion yen on Specified fund trusts, and 2.8 billion yen on swaps; ultimately the company dissolved these contracts in the period of March 2000, recording 17 billion yen in extraordinary losses.).
The above-mentioned recording of the losses above on Specified fund trusts and swap contracts was compelled at the behest of the accounting auditor, as will be detailed in Item 5-5-1-A below.

(4) Formulation of the Loss Separation Scheme

A. Review of the Loss Disposition Scheme

Under these circumstances, Olympus had to make market valuations of its financial assets, and it was directly confronted with a situation in which it would have to take valuation losses on an enormous sum of unrealized losses totaling 95 billion yen around 1998.

Faced with this situation, Yamada and Mori consulted with foreign and domestic brokerages about the formulation of means to avert this situation. As before, however, they were unable to discover any truly breakthrough measures.

It was at this juncture that Yamada and Mori each respectively worked with Akio Nakagawa of Axes (Japan) Securities Co., Ltd. (hereinafter, “Nakagawa”) and Hajime Sagawa of Axes America (hereinafter, “Sagawa”), both of whom they had previously worked with in investment activities, and initiated concrete thinking about how to use “tobashi” on financial products with unrealized losses using funds that were not recorded on Olympus' consolidated financial statements.

B. Creation of Funds

Yamada and Mori of Olympus asked Sagawa and Nakagawa to set up “tobashi” Receiver funds that would not be recorded on Olympus' consolidated financial statements. Based on these requests from Olympus, by March 1998 Sagawa and Nakagawa established the Cayman-based Central Forest Corp. fund (hereinafter, “CFC”).

C. Raising money for purchases

Around that same time, Yamada and Mori were introduced by Nobumasa Yokoo (hereinafter, “Yokoo”) of Global Company (GC)—which had hitherto advised Olympus on investment activities—to senior executives of LGT Bank in Liechtenstein AG (hereinafter, “LGT Bank”). This was how the mechanism was formulated for the procurement of the money needed for the receiver fund(s) to purchase the financial products with unrealized losses at book value from the Olympus “tokkin” accounts, etc. In other words, under this scheme, in order to purchase at book value financial products with unrealized losses from the Olympus “tokkin” accounts, etc., a sum of money would be needed equivalent in value to the total unrealized losses on the financial products to be purchased. To receive these funds, Olympus would deposit at LGT Bank Japanese government bonds as collateral, for which it would receive financing from LGT Bank, which it would use for its purposes.
Under this scheme, Mori approached LGT Bank saying funds were needed for a collateral finance scheme for the secret acquisition of a European company. He received LGT Bank's approval.

Olympus deposited 20.9 billion yen in government bonds with LGT Bank from April to September 1998, completing preparations for the Receiver Fund's acquisition of the financial instruments with unrealized losses.

In this way, the Receiver Fund, through the funds received from LGT Bank, was able to purchase at book value the financial products with unrealized losses from the Specified fund trusts that were dissolved in March, 1998.

The incidents described in Section 3-2-(4)-B. and C. will be discussed in Item 3-6 below.

D. Sudden deployment of the Loss Separation Scheme

As stated in a press release dated October 7, 1999 and titled “Regarding the Revision of Earnings Forecasts, Extraordinary Losses and Losses on the Sale of Marketable Securities,” [Olympus] “plans to put in order its “tokkin,” swaps, etc. on a planned basis fiscal year ending March, 2001 (citation note/2001).” Based on the expectation that mandatory application of market valuation for financial products would be instituted for “tokkin” and swaps in March 2001, and facing that situation, a scheme was prepared for the separation of financial products with unrealized losses. It was recommending that preparations for such a loss separation scheme be steadily advanced, and the first such scheme was completed by September 1998. After that, as discussed above, KPMG AZSA LLC was told in September 1999 that the illicit practice of “tobashi” had been discovered, and that based on a firm promise that a Basket type lower of cost and market method would be applied in the interim financial statements, that the plans to that point would be accelerated by one year, and that all financial products with unrealized losses held by Specified fund trusts to be dissolved by the fiscal year ending March, 2000 and would be rapidly transferred to Receiver funds.

For further details, see sections 3-7, 3-8 and 3-9, below.

E. Framework of the Loss Settlement Scheme

a. Thus, starting in September 1998, Yamada and Mori hurried to structure the loss separation scheme, but they did not actually have a clear vision of how the separated losses could be eliminated.

Broadly speaking, the loss disposition schemes vaguely sketched by Yamada and Mori fall into two categories:

The first would-be methods where, when major changes were made in the company's business structure or form (e.g., when the loss-making imaging business was sold), losses from the previously described separation scheme could be eliminated as part of the transformation process.
In the other scheme, when large sums of money were to be moved for an anticipated corporate acquisition, the losses described above could be buried in those fund flows.

b. In accounting terms, losses eliminated by these means, if Olympus acquired goodwill or other depreciable assets through the process of carrying out the preceding methods, it could add the separated losses based on the separation scheme to those assets, and then later depreciate the watered assets over the permitted number of years. In other words, the losses would not be booked as losses; they would be converted to assets, and then converted to costs in the form of depreciation of depreciable assets. In this way, separated losses could be eliminated.

**F. Those who were involved in the formulation of the Loss Separation Scheme**

As should be clear from the discussion above, the scheme to dispose of unrealized losses on financial assets that had ballooned to just under 100 billion yen as of around September 1998 was formulated primarily by Yamada, who was then Head of Department of the Administration and Finance Department, and Mori, who worked under him.

Yamada and Mori briefed president Kishimoto—who prior to becoming president had worked as a board member on the financial asset management loss problem—on the formulation and execution of the loss separation scheme described above, and received his approval. Also, when loss separation schemes were carried out, these loss separation schemes had to be communicated to Accounting Department Head of Department Ota, because they were obviously matters that exerted influence on accounting operations.

**5. Change to President Kikukawa and continuation of the loss disposition scheme**

(1) The company's situation and new management policies

President Kishimoto's successor was Tsuyoshi Kikukawa (hereinafter “Kikukawa”), who took up the post of Olympus president in June 2001.

Soon after becoming president, Kikukawa published management policies covering five years starting in April 2002 (document entitled “1134PBOMF,” dated November 1, 2001). In this document, Kikukawa published targets of 1 trillion yen sales and 110 billion yen operating income. There were five guidelines presented as issues for attainment of these goals, one of which was for Olympus to escape its dependence on endoscopes by seeking growth through reinvestment in existing businesses while at the same time creating new businesses. Thus, Olympus would seek to develop new businesses within its medical business. Active advances into new business areas would become a pillar of the Olympus management strategy.

(2) Continuation of loss disposition schemes and the handover to Kikukawa

A. As described above, in 1998 Yamada and Mori proposed, prepared and formulated—with the acquiescence of Accounting
Head of Department Ota and president Kishimoto—the above-described loss separation schemes, and around September 1998 they initiated them. After that and after the “’tobashi’” was discovered by the accounting auditors in September 1999, it proceeded at a rapid pace under the direction of Yamada and Mori. Kikukawa became aware of the existence and execution of the above-described loss separation schemes before he became president, but after he became managing director in charge of parent company accounting in June 1999. At the latest, he became aware of the facts described above by January 2000. This is described below.

B. Olympus held enormous unrealized losses on its financial assets, and it was worried this might be discovered. The fact that illicit accounting was being used as “’tobashi’” for these unrealized losses was an extremely grave negative legacy for the management of the company. Obviously, this must have been a top-priority management issue for the board members responsible that they must have known about.

In addition, the facts surrounding the existence and execution of the above-described loss disposition scheme must have been a huge problem for Yamada as well, within his own sphere of responsibility. Because he regarded it as his most pressing challenge as a manager, in the interim earnings report of September 1999 he was aware that the board member in charge would obviously also have to know about the settlement procedures needed for the reporting of the extraordinary losses.

Moreover, through the instructions of KPMG AZSA LLC, the facts of the “’tobashi’” transactions were discovered on September 30, 1999. Based on the facts contained in the press release of October 7, stating that some part of Olympus’ unrealized losses would be reported as extraordinary losses, some time around September 1999, it is inferred that Yamada himself must have briefed Kikukawa on the facts surrounding the existence and execution of the loss separation scheme. At the Olympus management conference of January 28, 2000, there was discussion of the establishment of the Business Investment Funds that would form a key element of the loss separation scheme; GC was introduced as the company that would manage the fund(s) as an ally of LGT Bank. At this management conference, it was Kikukawa who stood as the proponent of this matter, and Yamada, as finance chief, who explained the Business Investment Fund scheme. Before this Business Investment Fund was established, it was meant to be aimed at the development of new businesses, but Yamada and Mori set it up to use it as part of their plan for the loss separation scheme. Yamada and Mori explained to Kikukawa the details of the scheme(s) needed for the plan described above, and received his understanding. Consequently, there is no doubt that as of that time, Kikukawa was aware of the facts surrounding the existence and execution of the loss separation scheme.

C. Based on these facts, Kikukawa acknowledges that, by January 2000 at the latest, he was aware of the facts surrounding the existence and execution of the loss separation scheme described above.

(3) Periodic reports to the management
A. As discussed in detail below, when Olympus moved in the direction of executing the loss separation scheme(s) on its unrealized losses, or at the very least when Kikukawa became president in June 2001, Yamada and Mori gave direct,
periodic reports about twice a year to meetings in which the three—Kishimoto, Kikukawa and Ota—participated, regarding the status of unrealized losses on financial assets administered in the funds that had been separated from Olympus through the loss disposition schemes described above. Shimoyama also received periodic reports. From this we can only conclude that, aside from Yamada and Mori, these four who received the periodic reports—Shimoyama, Kishimoto, Kikukawa and Ota—were aware of the existence and execution of the loss separation scheme. At this point, the reason Shimoyama received periodic briefings separate from the three, including Kishimoto, is that at that time, Shimoyama was a part-time director and he received reports on days when he was at work.

B. One example of such a periodic report is the document entitled “135PB Management Report” dated September 12, 2003, prepared by the head of the Finance Department and addressed to four people—Shimoyama, Kishimoto, Kikukawa and Ota—as evidenced by the names “Director Shimoyama,” “Chairman Kishimoto,” “President Kikukawa,” and “Auditor Ota” on the cover. The report includes categories for “deposits,” “bonds,” “investment trusts,” and “disbursements,” with figures for “balance(s),” “unrealized losses,” and “change from previous period.” The categories are subdivided: “deposits” into “SG deposits (21C, Proper, GV),” “bonds” into “government bonds (CFC),” “investment trusts” into “GIM (Teao, GCNS),” and “disbursements” into “GCNV (QP),” etc. Attachment 17 and Attachment 19 show the receiver funds and other details. Looking at this would give an overview of the management status and unrealized losses of the financial assets with the unrealized losses at a glance.

This means that Shimoyama, Kishimoto, Kikukawa and Ota were keeping a regular watch on the status of the unrealized losses and the administration of the funds that included the unrealized losses.

Incidentally, this periodic report was prepared by the person in charge of management in the Finance Department under the direction of Yamada and Mori. This person in charge prepared the periodic report based on reports, both written and oral, regarding the current state of the various funds that he received from the person (people) in charge of administering the separated Receiver funds based on the scheme described above. The materials collected for the purpose of preparing the periodic reports described above were destroyed after the reports in question were delivered to the individuals discussed above.

The periodic report described above was dated September 12, 2003, but data from the computer of the fund manager who prepared the report indicate it was prepared around the time of its publication date, and offer no evidence that it was subsequently altered.

In addition to these periodic reports, Yamada and Mori briefed president Kikukawa about the disposal of the unrealized losses whenever necessary.
6. Preparation of the loss separation scheme

(1) The loss separation scheme
Yamada and Mori gathered opinions from consultants and the like outside the company, and arranged that funds not carried on Olympus' consolidated accounts would purchase, at book value, financial products with enormous unrealized losses. In this way, they proposed to prevent these unrealized losses from coming to light (loss separation scheme). To execute this loss separation scheme would require the use of funds to receive the transfer of financial products with unrealized losses that are not carried on the company's consolidated accounts (hereinafter, “Receiver funds”). Also, these Receiver funds would have to possess sums of money equivalent to the book value of the financial instruments to be purchased. To supply the Receiver funds with money, Yamada and Mori caused the bank to finance the Receiver funds by 1) using Olympus deposits, etc., as collateral, and establishing Business Investment Funds at Olympus, and 2) providing monies from these funds to the Receiver funds.

It is possible to divide the loss separation scheme devised by Yamada and Mori into three parts: 1) the route through which funds were obtained from LGT Bank (hereinafter, “the European route”); 2) the route through which funds were initially obtained from Commerzbank International Trust (Singapore) Ltd. (hereinafter, “Commerzbank”) (hereinafter, “the Singapore route”); and 3) the route through which funds were obtained from Business Investment Funds established within Olympus (hereinafter “the domestic route”).

(2) Preparation of Receiver funds
Yamada and Mori asked Sagawa and Nakagawa to set up “‘tobashi’” Receiver funds that would not be recorded on Olympus' consolidated financial statements. As a result, the Receiver funds CFC and Quick Progress Co. (hereinafter, “QP”) came into existence by March 1998 at the latest.

(3) Financing - loans from LGT Bank, etc.
A. Start of transactions with LGT Bank, etc.
Yamada and Mori, having received Yokoo's introduction to LGT Bank executives, planned to apply for financing, and Mori applied for financing for companies specified by Olympus for the secret acquisition of a European company. In 1998 Olympus deposited Japanese government bonds with LGT Bank as collateral for this financing. Yamada and Mori initiated the transactions between Olympus and LGT Bank by depositing about 21 billion yen in Japanese government bonds at LGT Bank by September 1998.

B. Increase in the transaction balance with LGT Bank and decrease in the “tokkin” balance
Olympus started its interaction with LGT Bank with the 21 billion yen in Japanese government bonds mentioned above (later its
deposits would switch to short-term government securities); its balance rose to 25 billion by the interim fiscal year ending September 1999, and to 35 billion yen by end-March 2000. Starting in the fiscal year ending September 2000, Olympus broadened its pool of investment targets to include the class fund investment products set up and administered by LGT Bank. By end-March 2000, apart from its investments in Japanese government bonds and short-term government securities, it invested a total of about 35 billion yen in the class fund GIM, including investment from OAM (about 20 billion yen).

On the other hand, at about the same time, the balance of Olympus' “tokkin” accounts was declining.

C. Loans with assets held in accounts as collateral (account collateral loans)

In response to requests from Olympus, LGT Bank loaned about 18 billion yen to CFC in 1998, its first loan collateralized by the assets in Olympus' accounts (hereinafter, “account collateral loans”). At that time, Olympus and LGT Bank concluded a General Deed of Pledge and Declaration of Assignment covering the cash, marketable securities and other assets held in Olympus' name at LGT Bank, and meant to collateralize current and future credits to CFC (a document signed by Kishimoto as Olympus' representative, and by Nakatsuka as CFC's representative was dated July 14, 2003, as a renewal when the repayment period for the CFC financing was extending to July 2003). When this General Deed of Pledge and Declaration of Assignment was signed, LGT Bank established a 30 billion yen credit facility for CFC; in addition to the initial loan of about 18 billion described above, by end-1998 it lent another sum of about 12 billion (bringing the total to about 30 billion yen) to CFC.

Also through the Singapore route and in 1999, Olympus obtained from Commerzbank a loan of about 45 billion collateralized by its own deposits to a special purpose company (later this was converted to a loan of about 60 billion in bonds). From there, this money was routed to CFC through the Twenty-First Century Global Fixed Income Fund Ltd. (hereinafter, “21C”) and other funds created by Olympus.

It was in this way that Olympus, while holding assets on its balance sheet in the form of deposits, Japanese government bonds, etc., was able to convert those same balance sheet assets to cash by using them as collateral for loans, and release funds to the Receiver funds. The Receiver funds that received the funds were able to use those funds to purchase—either from Olympus or from funds it established—financial assets with unrealized losses at the book value of those assets.

(4) Financing -- Money from Business Investment Funds

Based on advice from consultants and others, Yamada and Mori had Olympus establish Business Investment Funds, separate from the Europe and Singapore routes, and conceived of schemes through which funds could be provided to those funds, so that those
funds could provide funds to the Receiver funds. The Business Investment Fund that was established on March 1, 2000 for this purpose was G.C. New Vision Ventures, L.P. (hereinafter “GCNVV”). GCNVV was a fund in which Olympus and Genesis Venture Capital Series 1 Ltd. (hereinafter “GV”) were limited partners. GV invested 5 billion yen, GCI Cayman Co. (hereinafter “GCI Cayman”), as General Partner, invested 100 million yen, and Olympus invested 30 billion yen. GV received funds via the Europe route and the Singapore route, and GCI Cayman put up the Initial Management Fee, so that ultimately, Olympus provided all of GCNVV's funding. GCNVV used part of the funds to invest in venture companies, and while the amounts varied over time, it supplied about 30 billion yen to QP.

7 The loss separation scheme (the Europe route)

(1) Participants

A. Inside Olympus

The persons inside Olympus who participated in the Europe route were Yamada, Mori, Kishimoto and Kikukawa. Additionally, Nakatsuka and one staffer from the finance group were involved with day-to-day practicalities, such as bank transmission instructions and verifying fund management reports from LGT Bank and the various funds.

In July 2003, Kishimoto and Kikukawa, as representatives of Olympus, signed the agreement for the extension (to July 2008) of the account-collateralized loan (30 billion yen) to CFC. At the same time, Kishimoto, as then-chairman of Olympus, signed the General Deed of Pledge and Declaration of Assignment with LGT Bank. Kikukawa, as president of Olympus, signed the same document as a witness that Kishimoto had the proper authority to offer the Olympus assets as collateral.

B. Outside Olympus

(A) Outside Olympus, participants in this European route included GC, its affiliated company Global Company Investment (hereinafter “GCI”), and GCI Cayman. These three companies, which were used in business from 1998 to 2004, were established by Yokoo, who had a background with major brokerage(s) and who had close dealings with Yamada from that time.

(B) At LGT Bank there were Gerhard Walch (hereinafter “Walch”) and his successor Peter Grueter (hereinafter “Grueter”).
This committee made efforts to contact Walch and Grueter, but were unsuccessful as of the time this report was prepared. Walch retired from LGT Bank some years ago, and Grueter retired from LGT Bank in November 2011.

(2) Formation of the funds and the transfer of money
A. Formation of the funds
(a) Receiver funds CFC and QP were formed no later than 1998.
(b) Apart from CFC and QP, the Europe route also involved the following funds:
   a. PS Global Investable Markets-O (GIM)
      One of the investment products, called class funds formed and administered by LGT Bank Group for which management was outsourced to New Investment Ltd. (in the Cayman Islands), which is a LGT Group management company. Olympus invested in this fund through accounts it opened at LGT Bank (in other words, it had investment units in this fund).
   b. TEAO Limited (hereinafter, “TEAO”).
      Special purpose company established in the Caymans in March 2000. Yamada was director, and TEAO invested 30 billion yen in Neo Strategic Venture, L.P. (hereinafter, “Neo”).
   c. Neo Strategic Venture, L.P.
      An exempted limited partnership established in the Caymans on March 15, 2000; General Partner was GCI Cayman, and TEAO was limited partner. The fund establishment contract was signed by Yokoo for GCI Cayman and by Yamada for TEAO.
      GCI Cayman invested 10 million yen, and TEAO invested 30 billion yen. As part of the contract, however, 1.5% of the limited partner's investment (30 billion yen) was to be paid on the investment date as the Initial Management Fee to the General Partner, GCI Cayman, and the General Partner was able to use that Initial Management Fee to cover its own 10 million yen investment. Consequently, GCI Cayman was able to become not just a partner, but General Partner, without investing any of its own money.
   d. New Investments Ltd. Class Fund IT Ventures (ITV)
      A class fund like GIM, formed and administered by LGT Bank Group. Management was outsourced to New Investments Ltd. This fund invested in ITX, the three Japanese companies in this case, and several other venture companies in Japan.
B. The transfer of money

(a) Movement of funds as a prerequisite for loss separation
Regarding the flow of funds through the Receiver funds CFC and QP, this committee's investigation was unable to capture the overall perspective. However, based on the supposition that CFC and QP both received transferred losses, as shown below, it is clear they must have received sufficient funds to pay the book value.

(b) Flow of funds to CFC and QP
a. Flow of funds to CFC
By the end of 1998, LGT Bank made a total of about 30 billion yen in loans (account-collateralized loans) to CFC, collateralized by 30 billion yen in deposits Olympus had made in accounts it had opened at LGT Bank. In this way, about 30 billion yen in funds flowed to CFC, and according to materials from the finance person in charge at that time, in March 2000 CFC also received about 12 billion yen from QP, about 19.3 billion yen from 21C, and about 8 billion yen from Proper.

b. Flow of funds to Neo
Separate from the 30 billion yen in account-collateralized loans in Item a. above, Olympus and its subsidiary Olympus Asset Management Ltd. (hereinafter, “OAM”) invested in GIM through accounts each had opened at LGT Bank. In both cases the actual investment date was March 17, 2000; Olympus bought 150,000 GIM investment units for about 15 billion, and OAM bought 200,000 investment units for about 20 billion yen, creating a pool of about 35 billion yen in funds at GIM as of that time. After that, GIM paid 31 billion yen to purchase corporate bonds TEAO issued on March 21, 2000. TEAO took this money and invested 30 billion yen in Neo, which was formed on the same day, so 30 billion yen of the roughly 35 billion yen pooled at GIM flowed to Neo.

c. Flow of funds from Neo to ITV and QP
Of the 30 billion yen that flowed to Neo, about 10.1 billion yen was used by Neo to invest in ITV on March 22, 2000; ITV used this money to buy ITX shares (9,323 shares). In addition, on the 23rd and 24th of the same month, Neo sent a total of 19.4 billion yen to QP, and QP deposited these funds in accounts opened in its own name at Hong Kong bank(s).

d. Flow of funds between Neo and QP
Funds continued to flow between Neo and QP even after the events of c. above. Between November 2005 and March 2006 alone, QP received above 44.5 billion yen from Neo alone (in the same period, flows from QP to Neo were no more than about 8.6 billion yen.)

See Attachment 13, regarding the flow of funds used for loss separation via the Europe route.
8. The loss separation scheme, Part 2 (the Singapore route)

(1) Participants

A. Inside Olympus

This was formulated primarily by Yamada and his subordinate Mori. In addition, one person in charge in the Finance Department—under the direction of Mori and others—was responsible for practical matters connected to the operation of the loss separation scheme.

The persons inside Olympus who participated in the Singapore route were Yamada and Mori. In addition, as with the Europe route, Nakatsuka and one other staffer inside the Finance Group also participated.

B. Outside Olympus

Around 1998, Yamada and Mori were searching for sources of funds for the receiver funds; Nakagawa introduced them to Commerzbank's Singapore branch, where they got to know Chan, who was working there. Yamada and Mori concocted a scheme whereby Olympus would make time deposits at Commerzbank, which would then use these deposits as collateral for loans to a special purpose company, and that SPC would supply funds to 21C; this scheme was enacted in or around early 2000.

After that, Chan left Commerzbank in 2000 and moved to Societe Generale (hereinafter “SG”); he left SG in 2004 to start his own company.

(2) Formation of the funds and the transfer of money

A. Formation of the funds

The Singapore route involved the following funds and special purpose companies (SPC).

(a) SG Bond Plus Fund (hereinafter “SG Bond”).

An exempted limited partnership established in the Caymans in February 2005. The investment manager was Strategic Growth Asset Management, owned by Chan. Olympus invested 60 billion yen in this fund.

(b) Hillmore East (hereinafter “Hillmore”).

A special purpose company formed to receive loans collateralized by Olympus deposits at Commerzbank (Singapore).

(c) Easterside Investments Limited (hereinafter “Easterside”).

A special purpose company resident in the (U.K.) Virginia Islands [sic] to receive loans collateralized by Olympus deposits at SG's Singapore branch. After Olympus invested in
SG Bond, it borrowed from SG Bond the bonds this fund had invested in, and converted them to cash.

(d) 21C

A fund formed in the Caymans; Mori was director. Received funds from Hillmore and Easterside, and passed them along to CFC and Proper.

(e) Other funds

Aside from the funds and special purpose companies described above, other entities involved in the Singapore route loss separation scheme included Proper, the Caymans-based fund GV, Global Target SPC (hereinafter “GT”), Dynamic Dragon II SPC (hereinafter “DD”), and Creative Dragon SPC (hereinafter “CD”).

B. The transfer of money prior to investment with respect to SG Bond

(a) The transfer of money from Olympus to Hillmore and Easterside

During the period from the fiscal year ending March 2000 to the half-year ending September 2004, Olympus held the following term deposits at Commerzbank (Singapore) and SG’s Singapore branch (itemized financial statements).

<table>
<thead>
<tr>
<th>Time</th>
<th>Depository</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2000</td>
<td>Commerzbank</td>
<td>¥30,618,250,000</td>
</tr>
<tr>
<td>As of Sept. 30, 2000</td>
<td>Commerzbank</td>
<td>¥45,621,962,778</td>
</tr>
<tr>
<td>As of March 31, 2001</td>
<td>Commerzbank</td>
<td>¥15,000,012,778</td>
</tr>
<tr>
<td></td>
<td></td>
<td>¥30,000,055,556</td>
</tr>
<tr>
<td>As of Sept. 30, 2001</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of March 31, 2002</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of Sept. 30, 2002</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of March 31, 2003</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of Sept. 30, 2003</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of March 31, 2004</td>
<td>SG</td>
<td>¥45,000,000,000</td>
</tr>
<tr>
<td>As of Sept. 30, 2004</td>
<td>SG</td>
<td>¥55,000,000,000</td>
</tr>
</tbody>
</table>

Yamada and Mori, from some point in time after October 1999, instructed Hillmore—a special purpose company effectively controlled by Yamada and Mori—to borrow up to the loan limit amount using as collateral time deposits held by Olympus at Commerzbank. Thereafter, when Chan changed jobs to SG in 2000, Yamada and Mori moved Olympus’ time deposits to SG and modified the scheme by instructing Easterside, a newly established fund, to borrow using this as collateral. As a result of the above, from 2000 to 2004, approximately 30.6 billion to
approximately 55.0 billion in money was transferred first to Hillmore and later to Easterside.

The interest spread between the deposit interest rate and loan interest rate on these deposit secured loans from Commerzbank and SG is from 0.25 to 0.5 percent, and the costs arising from said interest spread were covered by payments from 21C, a fund that Mori et al. established in accordance with the laws of the British Cayman Islands.

(b) Funds transfers from Hillmore and Easterside to 21C

Hillmore and Easterside transferred money, obtained from financing secured by Olympus’ time deposits to 21C by lending to 21C or by bonds (medium-term note) underwritten by 21C (correlation chart made by the person in charge in the Finance Department).

Regarding the transfer of money from Easterside to 21C, at least around March 2001, a method was being used whereby Easterside would lend to 21C. Thereafter, however, a method came to be used whereby Easterside would underwrite bonds issued by 21C.

(c) Money transfers from 21C to Proper and Central Forest Corp.

Using money obtained through financing from Easterside, 21C transferred 20 billion yen to Proper and 19.3 billion yen to CFC, respectively, by underwriting bonds issued by Proper and CFC, which had been established by Yamada and Mori.

In addition, 8 billion yen of the 20 billion yen transferred from 21C to Proper was then transferred from Proper to CFC by means of Proper underwriting CFC-issued bonds (correlation chart made by the person in charge in the Finance Department).

(d) Money transfers from Proper and CFC to GV

Proper and CFC each underwrote bonds issued by GV. By doing this, 4 billion yen from Proper and 5.1 billion yen from CFC was transferred to GV, respectively (correlation chart made by the person in charge in the Finance Department).

When GCNV was established in March 2000, GV became a limited partner along with Olympus and invested 5 billion yen in GCNV. This money, however, is recognized as having been paid from the 9.1 billion yen transferred from Proper and CFC.

C. The transfer of money subsequent to investment with respect to SG Bond

In February 2005, Olympus invested 60 billion yen in the SG Bond that Chan created as a fund for investment purposes, and 60 billion yen was transferred from Olympus to the SG Bond (schedule of purchase/sale transactions for the SG Bond)

Thereafter, the SG Bond used the 60 billion yen investment from Olympus to invest in bonds equivalent to approximately 60 billion yen on the market and loaned this bond portfolio to Easterside. Then Easterside converted the bonds borrowed from the SG Bond into cash by selling them on the market and used the money
thereby obtained to repay the loan from SG, which was secured by Olympus’ time deposits. This completed the shift from a loan separation scheme using time deposits to a loan separation scheme using investments in funds.

In addition, the amount of the approximately 60 billion yen transferred from the SG Bond to Easterside that exceeded the amount of the loan repayment to SG was transferred from Easterside to 21C.

Regarding the loan from the SG Bond to Easterside, Easterside was obligated to pay an annual loan fee of 0.1 percent and interest on the borrowed bonds, but the expenses paid by Easterside under said obligation were covered by the interest on the bonds paid by 21C to Easterside.

(3) Diagram of the loss separation scheme of the Singapore route
Attachment 14 shows a diagram of the Singapore route loss separation scheme.

9. Loss Separation Scheme, Part 3 (the domestic route)

(1) Participants

A. Inside Olympus
The persons involved at Olympus were Yamada and Mori.

B. Outside Olympus
The person outside Olympus involved in the above-mentioned scheme was Yokoo. Also, GC, which was established by Yokoo et al., and affiliates GCI and GCI Cayman were involved. Yokoo had a relationship with LGT Bank and received fees from LGT Bank based on the transaction volume of customers whom he introduced. Olympus began transactions with LGT Bank based on Yokoo’s introduction, and by September 1989, had purchased approximately 21 billion yen in interest-bearing government bonds from LGT Bank.

Yokoo, in 1999 after introducing LGT Bank in this way, approached Olympus about establishing a Business Investment Fund.

GCI Cayman was a wholly owned subsidiary of GC, which Yokoo established. GC transferred all of its equity interest in GCI Cayman, however, to a fund owned by LGT Bank immediately after GCI Cayman was established. Thereafter, in June 2004, GCI acquired all of GCI Cayman. Effective management of GCI Cayman was being conducted by GC or GCI even when the fund owned by LGT Bank acquired the entire equity interest.
(2) Establishment of the Funds and the transfer of money

A. Review/decision within Olympus

Upon receiving the proposal from Yokoo to establish a Business Investment Fund, Olympus examined the establishment of a Business Investment Fund at a management meeting held on January 28, 2000, under the agenda item “Classification of liquidity on hand by purpose and methods of management,” and approved establishment of a Business Investment Fund (Management Meeting Minutes dated January 28, 2000). The officer in charge of this topic was Kikukawa, and the person who explained it was Yamada, who was the Head of Department of the Administration and Finance Department (Management Meeting Materials dated January 28, 2000).

At the Board of Directors’ Meeting that occurred on the same date, a proposal was made titled, “Establishment of a Business Investment Fund and Money Management by Borrowing,” and the establishment of a Business Investment Fund was approved (Board of Directors’ Meeting Minutes dated January 28, 2000).

Thereafter, upon the agreement of Kikukawa, who was the Head of Department in charge of administration, finance, and accounting, and Ota, who was the Head of Department of the Accounting Department, President Kishimoto approved, on February 24, 2000, the decision approval form generated by Yamada and Mori to purchase a Business Investment Fund for 30.0 billion yen from late February to early March 2000 (Decision Approval Form dated February 24, 2000).

The purpose of establishing a Business Investment Fund was outwardly to “explore and support (new) business creation through business plans, acquisition of technology/business information, partnership, and so forth; establishment of an investment regime using outside resources, improvement of the speed for business entrepreneurs, and acquisition of capital gains as a result of investment” (Management Meeting Materials dated January 28, 2000). However, the true purpose was to use this in the loss disposition scheme.

B. Agreement to establish Business Investment Funds

On March 1, 2000, an agreement was signed to establish Business Investment Fund GCNVV with GV—a fund controlled by Olympus and Nakagawa—as limited partner, and GCI Cayman as General Partner. Based on said agreement, Olympus invested 30 billion yen on March 14, 2000.

The following is a summary of the contents of the agreement to establish Business Investment Fund GCNVV. (Exempted Limited Partnership Agreement dated March 1, 2000).

**Noted**

**Name of fund:** GCNVV  
**Parties to the Agreement:**  
Limited Partners: Olympus and GV  
General Partner: GCI Cayman  
**Investment amounts:**  
Olympus 30 billion yen
GV  5 billion yen
GCI Cayman  0.1 billion yen

(GCI Cayman’s investment is offset by the Initial Management Fee and money was not actually
dispensed.)

Date of establishment: March 1, 2000
Accounts settlement date: December 31
Term: 10 years (with the possibility of a 2-year extension)
Initial Management Fee: 1.5 percent of the investment of the limited partners (0.525 billion yen)
Management fee: 0.25 percent of the net asset value on the record date (record dates occur four times
per year, for a
total of 1 percent per year)

Division of profits and losses upon expiry of the agreement:

Upon expiry of the agreement, net asset value was calculated for each investment target, and if the
price was higher than the time of purchase, the difference was regarded as a profit; 90 percent of the
profit was received by the limited partners and 10 percent by the General Partner.

Upon expiry of the agreement, net asset value was calculated for each investment target, and if the
price was lower than at the time of purchase, the difference was regarded as a loss, and 100 percent of
the difference was paid by the limited partners.

C. Repayment due to redemption before maturity

In March 2006, Olympus received 6 billion yen, or 20 percent of the investment, as redemption before
maturity from GCNVV. Likewise, limited partner GV and General Partner GCI Cayman also received
redemption before maturity of 1 billion yen and 20 million yen, or 20 percent of their investments,
respectively.

(3) Determining the investment destination and the report from the General Partner to Olympus

In principle, General Partner GCI Cayman was able to decide on where to invest the Business Investment
Fund. However, under the agreement to establish the Business Investment Fund, the General Partner was
required, before making investments, to notify the limited partners in writing regarding the name of the
company in which an investment would be made, the investment amount, and the nature of the investment.
In addition, if an amount exceeding 20 percent of the fund’s net asset value was to be invested, advance
approval of a majority of the limited partners was required. Consequently, Olympus had the final investment
decision-making right (Exempted Limited Partnership Agreement dated March 1, 2000).
Therefore, normal selection of investment destinations was done by General Partner GCI Cayman. However, in addition to written notification, if the investment amount was large—even below the above-mentioned limit amount—a description of the investment was given in advance to Yamada, Mori, et al. of Olympus.

In order to examine investment deals within Olympus, a committee was set up directly under the President. Kikukawa assumed the position of chairperson when said committee was first established, and the members comprising the committee are said to have been the Management Planning Department, Accounting Department, and Administration and Finance Department. Therefore, Yamada, Mori, et al. participated in said committee.

Yokoo et al. of General Partner GCI Cayman made a Business Investment Fund management report in writing every quarter to limited partner Olympus regarding investment destinations, investment description, and investment amounts. Thereafter, in addition to written reports on the Business Investment Fund management, GCI Cayman started to report verbally to the Business Investment Committee. In this way, upon receiving a Business Investment Fund management report from GCI Cayman, Yamada or Mori would report to the Board of Directors on the management of the Business Investment Fund.

In addition, the General Partner sent an annual report and annual investment information each fiscal year to limited partners such as Olympus.

GCNVV invested in more than 30 venture companies from 2000 to around 2005.

(4) Money transfer to QP

GCNVV made remittances to QP under the pretext that they were for short-term money management. QP, which was a Receiver Fund, received the transfer of unrealized losses originally held by Olympus at the time in September 2001, and it carried losses of approximately 32 billion yen (QP memo prepared by someone in charge in the Finance Department).

Limited partner Olympus signed an agreement dated March 1, 2000 with General Partner GCI Cayman. Regarding remittances to QP, which was carrying such losses. It contained provisions such as the fact that 30 billion yen (this amount was to change as necessary) would be remitted to QP at the request of Olympus for use in short-term money management, and if a problem arose as a result of remittance to QP because so-called due diligence was not done for this remittance, Olympus would take responsibility (agreement dated March 1, 2000).

In addition, a note promising payment was issued by QP for the remittance to QP from GCNVV. The QP note was signed by Director Mori (QP-issued note dated March 28, 2000).

Attachment 15 shows the history of the remittance from GCNVV to QP and the refund thereof.

The remittance from GCNVV to QP, at that time in March 2000, was made to a QP account that had been opened at a bank in Hong Kong.
Thereafter, however, the remittance destination was changed to a QP account opened at LGT Bank (remittance instructions data in the possession of GCI Cayman).

Remittances from QP to GCNVV, in principle, were frequently made around December 20, before GCNVV’s fiscal year end date of December 31. This was in order to disguise the remittances as money that GCNVV held as deposits on fiscal year end date December 31 so that the accountant in charge of auditing GCNVV’s accounts would not question the remittances to QP. However, for fiscal 2003, fiscal 2004, and fiscal 2005, the remittances from QP ending up occurring after the December 31 fiscal year end date. Even in that case, however, the accountant did not question this if deposits could be confirmed as of the time of the audit.

In this way, the money remitted to QP was advanced through CFC and so forth to other funds with different fiscal year ends and were used for purposes such as creating evidence of holding cash in the said fund.

(5) Scheme diagram concerning the domestic route (use of the Business Investment Fund)
Attachment 16 shows a diagram of the scheme for the domestic route (using a Business Investment Fund).

10. Summary of the loss separation scheme
Thus, Olympus transferred losses of approximately 64 billion yen to Receiver Fund CFC and, likewise, approximately 32 billion yen to QP, thereby separating unrealized losses from its consolidated financial statements (Attachment 17).

However, Olympus procured money by account-secured loans, so they had to be repaid at some point, and money invested in the funds also had to be reimbursed. Therefore, Yamada and Mori talked with consultants and came to think that they would circulate money by methods such as Olympus paying high prices for venture companies purchased by the funds at low prices, or paying fees to funds in connection with large M&A deals and then flowing back this money. Consequently, when the debit and credit balance of the funds involved in the loss disposition scheme was settled, the money paid in excess by Olympus would be turned into assets such as goodwill and expensed as amortization of depreciable assets, thereby gradually settling the losses.

11. Looking for ways to settle losses
Yamada and Mori thus developed the loss separation scheme. This, however, merely changed the valuation losses on financial instruments to secret loans to banks and so forth; and in any case, these had to be settled at some point. One method found was to cover the losses by gains on the price of ITX stock.
ITX is a company engaged in information and communication services. Olympus investment in ITX began by Olympus acquiring 5 billion yen in stock from Nissho Iwai Co., Ltd. (hereinafter referred to as “Nissho Iwai;” said company later became Sojitz Corporation) in March 2000 for the purpose especially of starting up new businesses and acquiring strategic partner[s] in the information equipment business. However, from Olympus’ initial investment, ITV separately invested 10 billion yen, and apart from the business purpose of investment, there was also an intention of realizing gains on a rise in the price of ITX stock due to its exchange listing and using this to cover the losses separated in the loss separation scheme. However, contrary to what was initially thought, after the stock listing, the share price stagnated, resulting in 6.3 billion yen of the 10 billion yen investment being lost. In addition—it is expected that even GV and Proper—which held ITX shares along the way, incurred losses, and came to be covered by the loss disposition scheme. Ultimately, ITX could not be used in the loss disposition scheme.

The background of this is as follows:

(1) The fiscal year ending March 2000 ~ The fiscal year ending March 2002

Olympus signed a stock transfer agreement dated March 31, 2000 with Nissho Iwai and acquired 4,662 shares worth 5 billion yen. Simultaneously with the ITX stock acquisition by Olympus, ITV, a fund used in the loss disposition scheme, acquired 9,323 shares of ITX for 10 billion yen.

In September 2000, OAM signed a stock transfer agreement with Nissho Iwai and acquired 1,000 shares of ITX worth 1.9 billion yen. The ITX shares that OAM acquired in this transaction were transferred to OFH in the process of corporate reorganization. They were ultimately sold to Olympus. GCNVV also acquired 1,200 shares of ITX worth 2.3 billion yen. In December 2001, ITX was listed on the NASDAQ Japan market (currently the JASDAQ market). Contrary to initial expectations, however, the share price stagnated, and in the fiscal year ending March 2002, an impairment loss of 1.3 billion yen was recorded at OAM, while 2.7 billion yen was recorded at GCNVV. In addition, GCNVV—which held 5 billion yen in EB bonds that could be converted into ITX shares issued by Phoenics Corporation Limited—sold 2.3 billion yen of the EB bonds to GV for 3.9 billion yen in October 2000 and recorded a sales gain of 1.6 billion yen. The EB bonds were to be redeemed before maturity with ITX stock if ITX stock became listed, so in conjunction with the ITX stock listing, GCNVV acquired 4,800 shares and GV acquired 4,200 shares of ITX stock. GV sold 3,300 shares of ITX stock by June 2002 (3,000 of which were sold to Proper) and incurred a loss of 2.3 billion yen (document entitled “Cash Flow 20031” prepared by someone in charge at the Finance Department). The sale timing, buyer, sale amount, and so forth for the remaining 900 shares and the 3,000 shares of ITX stock held by Proper are not known at the current time.
(2) **The fiscal year ending March 2003 ~ the fiscal year ending March 2004**

Olympus signed a stock transfer agreement with Nissho Iwai in January 2003 and acquired 100,200 shares of ITX stock for 9.3 billion yen. In addition, GCNVV sold 7,200 shares of ITX stock to Olympus. As a result of this stock transfer, 1.5 billion yen was recorded as a loss from the sale of ITX stock. Olympus’s additional acquisition of ITX stock, however, caused ITX to become an affiliated company of Olympus, and Olympus recorded an impairment loss of 4.1 billion yen at Olympus and 0.4 billion yen at OFH for the ITX stock.

(3) **The fiscal year ending March 2005 – The fiscal year ending March 2006**

Olympus made a tender offer in September 2004 to acquire 171,160 shares of ITX stock for 2 billion yen and made ITX a subsidiary. In addition, in November 2004, OFH acquired 14,530 shares of ITX stock for 1.7 billion yen from the U.S. subsidiary of the Sojitz Group, and in March 2005, Olympus acquired 15,000 shares for 2.8 billion yen, and OFH acquired 12,000 shares for 2.2 billion yen; furthermore, in September 2005, OFH acquired 20,000 shares for 5.6 billion yen, and in March 2006, Olympus acquired 24,000 shares for 5.2 billion yen. Olympus, by acquiring 15,500 shares of ITX stock from ITV (“Bank in Lichtenstein,” “LGT Class Fund” in the Board of Directors Report), finished holding ITX stock through ITV by the end of March 2006. Other than the 10 billion yen initially invested, ITV purchased and sold ITX stock until the sale to Olympus in the year ending March 2006. Although it is impossible to calculate an accurate loss amount on the initial investment amount, according to calculations based on certain assumptions in Attachment 18, “Tally of ITX Stock Losses at ITV,” total losses of 6.3 billion yen were incurred on the initial investment amount of 10 billion yen, namely, 5.4 billion yen from the sale in March 2005 and 0.9 billion yen from the sales in September 2005 and March 2006.

(4) **The fiscal year ending March 2007 – The fiscal year ending March 2011**

ITX executed an allocation of new shares to a third party in September 2007, and Olympus took 150,000 shares at 10 billion yen. In addition, Olympus purchased all of the shares of ITX held by OFH in order to centralize management in ITX. Because of the slump in the stock price, an impairment loss of 6.6 billion yen was recorded at OFH in the year ending March 2007, and an impairment loss of 39.5 billion yen was recorded at Olympus in the year ending March 2009.

As a result of the tender offer in December 2010 and share exchange in March 2011, Olympus ultimately acquired all of the shares of ITX stock and made ITX a wholly owned subsidiary.

12. Deployment of new businesses and its use as a loss settlement scheme

(1) **Investment status of the Business Investment Funds**

GCNVV, which was established in March 2000, loaned a large portion of money to QP while also
trying to find ventures that had technology. By around 2005, it had invested in more than 30 companies (“Business Investment Fund Management Report” in the Board of Directors’ Meeting Materials for said period).

The status of investments by GCNVV was reported every three months by GCNVV to the Business Investment Committee (which was also called the Business Investment Review Committee) set up by Olympus.

The Business Investment Committee consisted of one chairperson and four to six committee members (several from the finance and management planning field, several from the technical field), and the first chairperson was Kikukawa. A different director acted as chairperson for the six months from September 2002 to March 2003, and Yamada acted as the chairperson from March 2003 until the committee was disbanded. Committee members were replaced annually, but Mori was a member for the entire time from when the Business Investment Committee was launched until it was disbanded.

Items reported by GCNVV at Business Investment Committee meetings were reported to the Board of Directors irregularly (however, in many cases, materials were distributed to meeting attendees in advance, thereby using a “written report method” and omitting verbal explanations on the day of a meeting.)

It appears that investments by GCNVV in various venture companies were not done for the sole purpose of covering losses, but for the purpose of Olympus creating new businesses and pure investment. However, Yamada and Mori took this as a good opportunity for the loss settlement scheme. While a snap judgment cannot be made that it was because of this, companies in which GCNVV invested were of low relevance to Olympus’ business, and the investments had serious difficulty in business and frequently went bankrupt or dormant. This enlarged GCNVV’s losses every year.

(2) Excavation of the Three Domestic Companies

Under such circumstances, from 2003 through 2005, the Three Domestic Companies were found by GCNVV, i.e., Altis, Humalabo, and News Chef (these three companies have changed their trade names, but both before and after changing their trade names, they are referred to as “Altis,” “Humalabo,” and “News Chef,” respectively.).

The following is a summary of the businesses of the Three Domestic Companies:

• Altis
  Altis is a company involved in the business of disposing of and recycling plastic infectious medical waste (syringes, etc.). Used syringes that are discarded by medical institutions are put into the proprietary collection containers that the company manufactures and sells. After sterilizing the collection containers by using sterilization devices, they are transported to oil conversion plants and recycled into fuel oil and so forth.

• Humalabo
  Humalabo is a company involved in the business of selling processed foods and so forth using shiitake mushroom mycelium culture extract. Shiitake mushroom mycelium culture extract is said to activate the immune system, have an anti-tumor effect,
have an anti-viral effect, restore impaired liver function, have an anti-allergenic effect, etc.

- **News Chef**

  News Chef is a company involved in the development and sale of microwave cooking containers (light pressure containers) and in the sale of foods in a set with said containers. With these containers, it is possible to cook without a flame and with little oil.

(3) **Formulation of the loss settlement scheme using the Three Domestic Companies**

For the Three Domestic Companies, compared with other investments, and for the following primary reasons, Yamada, Mori, and Yokoo *et al.* decided it would be easy to explain the relevance to Olympus’s business and that business growth could be expected. Yokoo, at a Business Investment Committee meeting, enthusiastically explained the future potential of the businesses of the Three Domestic Companies and tried to sell them on the idea.

- **Altis**

  The main clients are medical institutions, and since Olympus has business relationships with many medical institutions through the endoscope business, etc. in which it holds a high share, these existing business relationships could be used to sell the company’s business to medical institutions. Fast, high growth could be expected.

- **Humalabo**

  The health foods market is enormous, and the health foods that this company sells help liver function. Given that the market for those with impaired liver function is also large, in a broad sense, it is related to the medical businesses in which Olympus is involved.

- **NEWS**

  Because of the increase in the elderly population and double income households, the market for individual meals is growing. It is believed that demand for prepared foods will also grow, so using the microwave will contribute to health in terms of being able to cut the amount of oil. In a broad sense, this is related to the medical businesses in which Olympus is involved.

From 2005 through 2008, while explaining that high growth could be expected for the Three Domestic Companies, Yamada and Mori generally used the following method to post gains of stock sales to funds carrying unrealized losses, plan to settle part of the separated losses, and gradually move toward execution.

1. Neo and its subsidiary fund, ITV, underwrite a capital increase from the Three Domestic Companies at a low price of around 50,000-200,000 yen per share.
2. Write a business plan that achieves high growth for the Three Domestic Companies.
③ Based on this business plan, Olympus purchased the shares of the Three Domestic Companies from Neo and ITV at the exorbitant price of 4 million yen to more than 20 million yen per share. Neo and ITV can receive large-sum gains on the stock sales, and some of the losses carried by the funds are settled by circulating money to other funds involved in the loss separation scheme in order to transfer the gains.
④ Meanwhile, after purchasing shares of the Three Domestic Companies at a high price, Olympus records the difference from the actual corporate value of the Three Domestic Companies as goodwill or impairment losses. Thus, the separated losses are recorded after being transformed into goodwill, and they can be accounted for publicly.
⑤ Olympus pretends it has nothing to do with the purchase of shares from Neo and ITV by placing them in other funds in the interim.

(4) Settlement of losses using the Three Domestic Companies
A. Investments into the Three Domestic Companies from Neo, etc.
From 2003 through 2005, Neo and ITV made the following investments and acquired shares in the Three Domestic Companies based on this sort of loss settlement scheme.

<table>
<thead>
<tr>
<th>Target company</th>
<th>Timing</th>
<th>Acquired by</th>
<th>Unit price (one share)</th>
<th>Number of shares</th>
<th>Investment amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altis</td>
<td>Dec. 2005</td>
<td>Neo</td>
<td>¥50,000</td>
<td>2,880 shares</td>
<td>¥144 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Dec. 2005</td>
<td>Neo</td>
<td>¥50,000</td>
<td>60 shares</td>
<td>¥3 million</td>
</tr>
<tr>
<td>Humalabo</td>
<td>July 2005</td>
<td>Neo</td>
<td>¥50,000</td>
<td>1,200 shares</td>
<td>¥60 million</td>
</tr>
<tr>
<td>News Chef</td>
<td>Dec. 2003</td>
<td>Neo</td>
<td>¥200,000</td>
<td>250 shares</td>
<td>¥50 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Apr. 2004</td>
<td>ITV</td>
<td>¥200,000</td>
<td>1,000 shares</td>
<td>¥200 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Aug. 2004</td>
<td>ITV</td>
<td>¥200,000</td>
<td>500 shares</td>
<td>¥100 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Mar. 2005</td>
<td>ITV</td>
<td>¥200,000</td>
<td>500 shares</td>
<td>¥100 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Dec. 2005</td>
<td>Neo</td>
<td>¥200,000</td>
<td>200 shares</td>
<td>¥40 million</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>¥697 million</td>
</tr>
</tbody>
</table>

B. Stock purchase by GCNVV, etc.
(a) Status of stock purchases
In March 2006, GCNVV, DD, and GT purchased shares of the Three Domestic Companies from Neo and ITV as follows.

<table>
<thead>
<tr>
<th>Target company</th>
<th>Seller</th>
<th>Buyer</th>
<th>Unit price (one share)</th>
<th>Number of shares</th>
<th>Purchase/sale amount</th>
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<tbody>
<tr>
<td>Altis</td>
<td>Neo</td>
<td>GCNVV</td>
<td>¥5,790,000</td>
<td>760 shares</td>
<td>¥4,400.4 million</td>
</tr>
<tr>
<td>&quot;</td>
<td>Neo</td>
<td>DD</td>
<td>¥5,570,000</td>
<td>530 shares</td>
<td>¥2,952.1 million</td>
</tr>
</tbody>
</table>
(b) Consideration of stock purchases within Olympus

The following describes the consideration of the above-mentioned stock purchases within Olympus.

The stock purchases by DD and GT were not brought up in any meeting because it was not known within the company that both funds were Olympus’s funds in the first place.

In addition, the stock purchases by GCNVV reach approximately 10.8 billion yen. There is no evidence, however, that the pros and cons of purchasing stock in the Three Domestic Companies by GCNVV were discussed as a single agenda item at any Board of Directors’ Meeting or Management Implementation Committee Meeting at Olympus.

Next, regarding the exchange in the GCNVV Business Investment Committee established by Olympus, on March 9, 2006, a Business Investment Committee meeting was held in which investment in the Three Domestic Companies was discussed. Subsequently, on March 16, a document stating that an investment would be made in the Three Domestic Companies was sent from the chairperson of the Business Investment Review Committee.

In short, at the Business Investment Committee meeting on March 9, GC—the effective manager of GCNVV (the General Partner in the Exempted Limited Partnership Agreement for GCNVV is GCI Cayman, but GCI Cayman is managed by GC)—proposed that Olympus invest heavily in the Three Domestic Companies because GC believed that the business value of the Three Domestic Companies was very large. In response to this proposal, at a Business Investment Committee meeting on the same date, it was decided to “give positive consideration with the aim of creating new businesses and succeeding in businesses” (cited from the Business Investment Committee Report dated March 9, 2006).

In addition, Yamada, who was the chairperson at that time, wrote in a document entitled “Report on Review Results” dated March 16, 2006—prepared in the name of the Business Investment Review Committee Chairperson—that investing in the Three Domestic Companies had been approved, even though there was no evidence of any consideration or approval given by the committee at that time.

The following is an outline of the document entitled “Report on Review Results.”

•Altis
  Number of shares to be acquired: 760 shares
  Acquisition amount: 4,400,400,000 yen
  Percentage of shares held: 20.0% (cumulative 38.9%)
  Investment purpose: Position as the Company’s (Author’s note: Olympus; hereinafter the same)
medical related environmental business. Strengthen the brand as a leading environmentally aware manufacturer by entering the collection and recycling business now when producer responsibility for waste is growing,

- **Humalabo**
  Number of shares to be acquired: 320 shares  
  Acquisition amount: 4,600,000,000 yen  
  Percentage of shares held: 20.0% (cumulative 32.5%)  
  Investment purpose: Position as a health business related to the Company’s medical business. Seek synergies with bio-business, keeping in mind pharmaceutical approvals for the future.

- **News Chef**
  Number of shares to be acquired: 400 shares  
  Acquisition amount: 1,780,000,000 yen  
  Percentage of shares held: 11.1% (cumulative 38.9%)  
  Investment purpose: Position as a new business of the Company and ITX. Aim to create health businesses related to other peripheral businesses in the future.

Although there is no evidence of any consideration, review, or approval from March 9 to 16, “Investment Proposal Review Materials” dated March 16, 2006 were drafted showing business overviews and business plans of the Three Domestic Companies. In these materials, after consideration and partial revision on the Olympus side of the business plans drafted by the Three Domestic Companies, the business value of Altis was calculated as 22.0 billion yen, the business value of Humalabo at 23.0 billion yen, and the business value of News Chef at 16.0 billion yen. The following is an outline of the plan figures on which each of the business values is based.

<table>
<thead>
<tr>
<th>Altis</th>
<th>(Unit: million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>705</td>
</tr>
<tr>
<td>Operating income</td>
<td>Δ178</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>Δ179</td>
</tr>
<tr>
<td>Current income</td>
<td>Δ179</td>
</tr>
<tr>
<td>Total assets</td>
<td>978</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>460</td>
</tr>
<tr>
<td>Total equity</td>
<td>518</td>
</tr>
</tbody>
</table>
Likewise, a document dated March 16, 2006 titled “Calculation of Venture Company Business Value” was drafted by Isaka CPA Office, and therein, based on the business plan of each company, the business plans were revised as necessary. Altis’s business value was calculated at 20.4 ~ 37.0 billion yen, Humalabo’s business value at 16.7 ~ 30.6 billion yen, and News Chef’s business value at 17.1 ~ 30.6 billion yen.

Understandably, the said document starts by making statements such as, “We used only the business plans of companies subject to valuation received from your company and information that is obtainable from generally acknowledged public information sources. This document is dependent on these alone and has not been independently verified or confirmed.”

In addition, Isaka CPA Office received instructions from Olympus to do its best not to change the business plans on which the valuations were based, and calculations were done under this condition. Therefore, the values were estimated high as requested by Olympus.
### Alcis

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>705</td>
<td>3,169</td>
<td>8,812</td>
<td>16,109</td>
<td>24,448</td>
<td>29,374</td>
<td>29,374</td>
</tr>
<tr>
<td>Operating income</td>
<td>Δ178</td>
<td>486</td>
<td>2,069</td>
<td>4,340</td>
<td>7,089</td>
<td>8,801</td>
<td>9,067</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>Δ178</td>
<td>486</td>
<td>2,069</td>
<td>4,340</td>
<td>7,089</td>
<td>8,801</td>
<td>9,067</td>
</tr>
<tr>
<td>Net income</td>
<td>Δ179</td>
<td>396</td>
<td>1,198</td>
<td>2,512</td>
<td>4,104</td>
<td>5,095</td>
<td>5,250</td>
</tr>
</tbody>
</table>

*When calculating business value, revisions were not made to the business plan.*

### Humalabo

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,091</td>
<td>5,741</td>
<td>26,491</td>
<td>57,024</td>
<td>80,024</td>
</tr>
<tr>
<td>Operating income</td>
<td>52</td>
<td>2,445</td>
<td>17,054</td>
<td>40,329</td>
<td>59,511</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>47</td>
<td>2,438</td>
<td>17,054</td>
<td>40,322</td>
<td>59,511</td>
</tr>
<tr>
<td>Net income</td>
<td>28</td>
<td>1,463</td>
<td>10,232</td>
<td>24,193</td>
<td>35,706</td>
</tr>
</tbody>
</table>

* After making “revisions to parts of the business plan based on a successful scenario that are thought to be overly optimistic,” it is indicated that “The nutritional supplements business segment of leading health food company FANCL Corporation has sales and operating income of 31,131 million yen and 4,638 million yen…. If sales of a single product surpass 20 billion in five years, we believe that it would be a sufficiently successful scenario.” Also, “Likewise, we believe that it would be a sufficiently successful scenario to achieve the operating profit margins of FANCL, which has expanded its cosmetics business since more than 30 years ago and been involved in nutritional supplements within the context of an efficient organization.” The business value has been calculated “assuming that sales in the business plan for 2007 will be achieved in three year and the business plan for 2008 in five years, and using the operating profit margin in this segment of FANCL as the ordinary profit margin for the companies subject to valuation, and that the ordinary profit two and four years later is the same as the figures for one and three years later.”

### News Chef

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>48</td>
<td>14,649</td>
<td>59,712</td>
<td>77,704</td>
<td>97,798</td>
</tr>
<tr>
<td>Operating income</td>
<td>Δ198</td>
<td>1,336</td>
<td>6,460</td>
<td>8,412</td>
<td>13,783</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>Δ204</td>
<td>1,330</td>
<td>6,456</td>
<td>8,410</td>
<td>13,783</td>
</tr>
<tr>
<td>Net income</td>
<td>Δ204</td>
<td>758</td>
<td>3,680</td>
<td>4,794</td>
<td>7,856</td>
</tr>
</tbody>
</table>

* After making “revisions to parts of the business plan based on a successful scenario that are thought to be overly optimistic,” it is indicated that “The Life & Living” segment of Asahi Kasei Corporation has sales of 591 million yen (comprised mostly of Saran wrap, but also including Ziplock, etc.)
(omitted) points out that “If sales for the stand-alone product business exceed 10 billion after 5 years, we will consider this an adequately successful scenario”, “Given the fact that sales of the Rock Field Co., Ltd. for household dishes, this being a listed company in the household meal replacement business, are higher than 40 billion, if sales of the chilled business exceed 40 billion after 5 years, we will similarly consider this an adequately successful scenario”, etc., and “assuming that we will achieve the sales and profit in the business plans for 2007 after 3 years and for 2008 after 5 years, and that the ordinary profit after 2 years and after 4 years will be of 5 years before that”, and has conducted business value trial calculations. In addition, it is also stated that “Although the company’s assumed profit rate is extremely high, we have not made any revisions for this”.

In this manner, one can conclude that the “Trial Calculation of the Value of Venture Company Businesses” by the Isaka CPA Office undertook a trial calculation of the business value for the Three Domestic Companies based on a successful scenario, after positing a variety of qualifications. In addition, as concerns Humalabo and News Chef from the very beginning the figures for the business plans differed between the “Trial Calculation of the Value of the Venture Company Business” and the “Materials for Examining the Investment Proposal”.

There is no sign that due diligence about Three Domestic Companies was conducted at GCNVV or Olympus at the time of the above-mentioned stock acquisition.

**C. Midterm Termination of the Agreement for GCNVV**

Owing to the changes in accounting standards in 2007, along with the fact that the Funds became subject to consolidated settlement, the need arose for Olympus to directly incorporate GCNVV and its major investments into the consolidated settlement. However, when GCNVV and its major investors are directly incorporated into the consolidated settlement, it was foreseen by Olympus’ auditing firm that the auditors’ oversight of GCNVV would grow stronger, and concern arose that the loss deferment utilizing QP would be revealed.

Because of this, Yamada and Mori decided to cancel in mid-course the agreement for GCNVV without waiting for its expiration date in 2010, and after holding discussions with Yokoo of GC, they terminated in mid-term the agreement for GCNVV (Termination Agreement of G.C New Vision Ventures L.P. dated September 21, 2007).

This way, Olympus and GCI Cayman ending up subscribing spot trade for the shares of the investors that had been held by GCNVV, and among these the shares of the Three Domestic Companies were included in Olympus’ assets at GCNVV’s acquisition book value.

At this time, GCI Cayman, the general partner of GCNVV, received fees of approximately 1.7 billion yen as the fee for the mid-term termination of the agreement, the completion fee, etc. (Memorandum for Termination Agreement of G.C New Vision Ventures L.P. dated September 21, 2007).

Concerning the above-mentioned mid-term termination of the agreement for GCNVV, although this was reported at the Management Implementation Meeting on July 20, 2007, there is no sign that this was placed on the agenda of a Board of Directors meeting.
D. Share purchases by Olympus etc.

(A) Circumstances of share purchases

In March 2008, after it undertook the mid-term termination of the agreement for GCNVV, Olympus purchased shares of the Three Domestic Companies from Neo, OFH and ITV, and in addition OFH purchased shares of the Three Domestic Companies from DD and GT, and Olympus purchased this at the same amount from OFH. The history of share transactions believed to be related to settlement of losses is as follows.

Owing to this, funds of approximately 31.9 billion yen flowed into Neo, of 15.2 billion yen flowed into ITV, of approximately 9.6 billion yen has flowed into DD and of approximately 4.1 billion yen flowed into GT.

<table>
<thead>
<tr>
<th>Target company</th>
<th>Seller</th>
<th>Purchaser</th>
<th>Unit price (1 share)</th>
<th>Number of shares</th>
<th>Transaction amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altis</td>
<td>Neo</td>
<td>Olympus</td>
<td>11,000,000 Yen</td>
<td>1,650 shares</td>
<td>18.150 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>DD</td>
<td>OFH</td>
<td>10,500,000 Yen</td>
<td>530 shares</td>
<td>5.565 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>OFH</td>
<td>Olympus</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>Humalabo</td>
<td>Neo</td>
<td>Olympus</td>
<td>20,500,000 Yen</td>
<td>670 shares</td>
<td>13.735 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>GT</td>
<td>OFH</td>
<td>19,500,000 Yen</td>
<td>210 shares</td>
<td>495 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>OFH</td>
<td>Olympus</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>News</td>
<td>ITV</td>
<td>Olympus</td>
<td>9,500,000 Yen</td>
<td>1,600 shares</td>
<td>15.200 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>DD</td>
<td>OFH</td>
<td>9,000,000 Yen</td>
<td>450 shares</td>
<td>450 billion yen</td>
</tr>
<tr>
<td>**</td>
<td>OFH</td>
<td>Olympus</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td></td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
</tbody>
</table>

* Only the transaction at the first stage has been totaled for the transactions in two stages for DD → OFH → Olympus.

(B) Circumstances of the examination inside Olympus concerning share purchases

Deliberation was undertaken about the share purchases of the Three Domestic Companies by Olympus at the Management Implementation Meeting held on February 8, 2008, and at the site of the 999th Board of Directors Meeting held on February 22 of the same year (summary of the Management Implementation Meeting, materials for the Board of Directors Meeting, minutes of the Board of Directors Meeting).

The same proposal materials were used at both the Management Implementation Meeting, materials for the Board of Directors Meeting, and the contents are to the effect that [Olympus] will make increased purchases of the shares of the Three Domestic Companies up to over 67 percent as indicated below, and turn them into subsidiaries.

The time scheduled for deliberation at the Management Implementation Meeting was set at 1 hour and 30 minutes, and the time scheduled for deliberation at the Board of Directors Meeting was set at 75 minutes (the actual deliberation time is unclear).

<table>
<thead>
<tr>
<th>Current State</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares (shares)</td>
<td>Ratio (Thousand Yen)</td>
</tr>
<tr>
<td>Number of additionally purchased shares (shares)</td>
<td>Cumulative investment amount (million yen)</td>
</tr>
<tr>
<td>Altis</td>
<td>1,594</td>
</tr>
</tbody>
</table>
The proposal materials have assumed that the profit and loss plans, which serve as the premise of the above-mentioned proposals, are as follows (the gist is shown). The following profit and loss plans have been downgraded to a great extent from the business plans that served as the premise when GCNVV undertook share purchases from Neo and IVT [sic] in March 2008, but no account that mentions this can be found in the proposal materials.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>631</td>
<td>4,405</td>
<td>7,824</td>
<td>13,796</td>
<td>19,375</td>
</tr>
<tr>
<td>Operating profit</td>
<td>12</td>
<td>1,498</td>
<td>2,561</td>
<td>5,180</td>
<td>7,006</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>Δ5</td>
<td>1,481</td>
<td>2,561</td>
<td>5,180</td>
<td>7,006</td>
</tr>
<tr>
<td>Current net income</td>
<td>Δ5</td>
<td>1,225</td>
<td>1,537</td>
<td>3,108</td>
<td>4,204</td>
</tr>
<tr>
<td>Humalabo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,109</td>
<td>9,614</td>
<td>17,897</td>
<td>21,822</td>
<td>26,937</td>
</tr>
<tr>
<td>Operating profit</td>
<td>152</td>
<td>4,258</td>
<td>8,105</td>
<td>11,529</td>
<td>14,478</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>92</td>
<td>4,230</td>
<td>8,080</td>
<td>11,504</td>
<td>14,453</td>
</tr>
<tr>
<td>Current net income</td>
<td>52</td>
<td>2,411</td>
<td>4,606</td>
<td>6,557</td>
<td>8,238</td>
</tr>
<tr>
<td>News Chef</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,679</td>
<td>10,545</td>
<td>22,701</td>
<td>35,710</td>
<td>42,230</td>
</tr>
<tr>
<td>Operating profit</td>
<td>187</td>
<td>3,336</td>
<td>7,672</td>
<td>11,237</td>
<td>13,529</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>4</td>
<td>3,180</td>
<td>7,561</td>
<td>11,145</td>
<td>13,437</td>
</tr>
<tr>
<td>Current net income</td>
<td>4</td>
<td>3,133</td>
<td>4,310</td>
<td>6,353</td>
<td>7,659</td>
</tr>
</tbody>
</table>

Then, the proposal materials carry out a trial calculation of the stock value of the Three Domestic Companies, with the premise being the above-mentioned business plans.
- Altis DCF 32.1 billion yen, PER 26.1 billion yen, average 29.1 billion yen
- Humalabo DCF 50.3 billion yen, PER 46.1 billion yen, average 48.2 billion yen
- News DCF 45.5 billion yen, PER 43.1 billion yen, average 44.3 billion yen

In addition, the proposal materials have assumed that the calculated value, which is obtained by adding 30 percent of the control right premium to the above-mentioned average values, is the upper limit of the stock value in the case of Altis, and have carefully reviewed the plan contents and assumed that 80 percent of the above-mentioned average value is the upper limit of the stock value in the cases of Humalabo and News, and have calculated as indicated above the estimated amount for acquisition based on that.

At the time of the above-mentioned proposal, there is no sign that due diligence about Three Domestic Companies was conducted at Olympus.

The Board of Directors voted to approve unanimously and without dissent the above agenda items, and no sign that questions were raised about the agenda items can be found from the minutes of the Board of Directors Meeting. Although it appears that cautious opinions like those indicated below were expressed from the attendees, ultimately there were no persons who voiced opposition until the end in response to the explanations provided by Mori, et al, and they ending up approving the proposal.

- I thought Altis was an interesting business, but that the other 2 companies had nothing to do with Olympus. So I stated how about discussing the purchase of shares separately, rather than 3 companies at the same time, but according to Mori, the owner of the 3 shares are the same for the 3 companies, so that there is no option of buying just 1 company, and that there are business opportunities for microwave ovens with the aging society.
- I thought that the price was strange, and pointed it out, but according to Mori, they were aiming for listing, so that I thought it could be done, if done well.
- There was an explanation that the shareholder would dispose of the shares to others, so that a decision was necessary under this timing, and it was quite a hurried story, and moreover it had to be a package of the 3 domestic companies. I had trust in Corporate (Mori), and that if our colleague Mori were to make such a statement, then it could not be helped.
- In the end, the chairman (Kikukawa) asked, would that be all right, and since there were no opinions of absolute opposition, it was approved.

There is a statement in the above-mentioned proposal materials that “an outside stock value calculation is being requested” as concerns the stock value of the Three Domestic Companies.

On this point, Olympus has received a “Stock Value Calculation Report” dated February 29, 2008 from the Isaka CPA Office, as concerns the Three Domestic Companies.

In this document, with the premise being the following business plans of each company (the gist is shown; the profit and loss plan is the same the figures of the above-mentioned proposal materials), and by employing the DCF method, a trial calculation has been done that the stock value of Altis is 33.547 billion yen – 46.962 billion yen, the stock value of Humalabo is

A disclaimer to the same effect as that in the “Trial Calculation of the Value of Venture Company Businesses” dated March 16, 2008 has been clearly indicated at the start of the same document.

**Altis**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<td>2,561</td>
<td>5,180</td>
<td>7,006</td>
</tr>
<tr>
<td>Current net income</td>
<td>∆5</td>
<td>1,225</td>
<td>1,537</td>
<td>3,108</td>
<td>4,204</td>
</tr>
<tr>
<td>Total assets</td>
<td>881</td>
<td>1,739</td>
<td>4,534</td>
<td>9,048</td>
<td>15,035</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>755</td>
<td>388</td>
<td>1,645</td>
<td>3,052</td>
<td>4,835</td>
</tr>
<tr>
<td>Total capital</td>
<td>126</td>
<td>1,351</td>
<td>2,889</td>
<td>5,996</td>
<td>10,200</td>
</tr>
</tbody>
</table>

**Humalabo**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<td>8,105</td>
<td>11,529</td>
<td>14,478</td>
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<tr>
<td>Ordinary profit</td>
<td>92</td>
<td>4,230</td>
<td>8,080</td>
<td>11,504</td>
<td>14,453</td>
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<td>Current net income</td>
<td>52</td>
<td>2,411</td>
<td>4,606</td>
<td>6,557</td>
<td>8,238</td>
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<tr>
<td>Total assets</td>
<td>1,955</td>
<td>5,409</td>
<td>12,253</td>
<td>20,584</td>
<td>30,487</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,677</td>
<td>2,720</td>
<td>4,958</td>
<td>6,732</td>
<td>8,396</td>
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<tr>
<td>Total capital</td>
<td>278</td>
<td>2,689</td>
<td>7,295</td>
<td>13,852</td>
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</table>

**News Chef**

<table>
<thead>
<tr>
<th></th>
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<th>2010</th>
<th>2011</th>
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<td>Sales</td>
<td>2,679</td>
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<td>Operating profit</td>
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<td>3,336</td>
<td>7,672</td>
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<tr>
<td>Ordinary profit</td>
<td>4</td>
<td>3,180</td>
<td>7,561</td>
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<td>Current net income</td>
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<td>3,133</td>
<td>4,310</td>
<td>6,353</td>
<td>7,569</td>
</tr>
<tr>
<td>Total assets</td>
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<td>Total liabilities</td>
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<tr>
<td>Total capital</td>
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<td>2,001</td>
<td>6,311</td>
<td>12,664</td>
<td>20,323</td>
</tr>
</tbody>
</table>

* This differs from the “Trial Calculation of the Value of Venture Company Businesses” dated March 16, 2008, and no revision of the business plan has been carried out.
(5) Back-flow of the proceeds from the sale of stock obtained by Neo, et al and partial settlement of the losses of the Funds

A. Back-flow of the proceeds from the sale of stock

The funds obtained by Neo et al from the sale of stock is generally a flow like that indicated below, and the funds were moved into several other Funds, and they ultimately flowed back to Olympus while settlement of the losses of Funds that had incurred losses was carried out.

B. Flow of the payment for the shares of the Three Domestic Companies that Neo and ITV sold to Olympus

(A) Movement of funds from Neo to Olympus by way of QP and CFC

Neo sold shares of the Three Domestic Companies to Olympus on March 26, 2008 and obtained approximately 31.9 billion yen (Neo’s Statement of Account dated April 1, 2008 issued by LGT Bank), and after it received this, it remitted on the same date 30.4 billion yen to QP (Neo’s Statement of account dated April 1, 2008 issued by LGT Bank). Using these funds, QP remitted approximately 30.4 billion yen to CFC in March of the same year, and CFC remitted 30.3 billion yen to LGT Bank in March of the same year. After receiving this, LGT Bank paid approximately 35.1 billion yen to Olympus as a reimbursement from bank deposits (the document entitled “Notice of Arrival of Remittances” dated June 4, 2008).

(B) Movement of funds from ITV to Neo

ITV sold shares of the Three Domestic Companies to Olympus in March 2008 and obtained approximately 15.2 billion yen (Olympus’ Financial Authorization for which the decision date is March 24, 2008). These funds of approximately 15.2 billion yen comprise one part of the approximately 15.7 billion yen that ITV paid to Neo in March 2008 at the time it redeemed the financing (Neo’s Statement of account dated April 1, 2008 issued by LGT Bank). These funds of approximately 15.7 billion yen comprise one part of the approximately 18.2 billion yen that was redeemed from Neo to TEAO. TEAO used this approximately 18.2 billion yen and remitted 16.2 billion yen to GIM, a Class Fund of LGT Bank. GIM used these funds as capital funds, and redeemed 15.9 billion yen in September 2008 for Olympus (the document entitled “Notice of Arrival of Foreign Remittances” dated September 12, 2008).

C. Flow of the payment for the shares of the Three Domestic Companies that DD and GT sold to OFH (Olympus)

(A) Movement of funds from DD and GT to Easterside

DD and GT sold shares of the Three Domestic Companies to OFH in March 2008, and obtained approximately 9.6 billion yen and approximately 4.1 billion yen, respectively, and around April 2008, they redeemed investment from Easterside, and paid approximately 9.6 billion yen and approximately 4.1 billion yen, respectively, to Easterside (Request for Redemption dated April 23, 2008 (DD portion), Request for
Redemption dated April 23, 2008 (GT portion)).

(B) Movement of funds from Easterside to CD
Easterside undertook investment of approximately 14 billion yen in CD, based on the approximately 13.7 billion yen received from DD and GT (Unaudited Annual Accounts current as of June 30, 2010 related to Easterside).

(C) Movement of funds from CD to GPA Investments Ltd. (hereinafter, “GPAI”)
CD paid approximately a total of 129.6 million dollars (assuming approximately 105 Yen per 1 dollar, the foreign exchange rate around June 2008, this became approximately 13.6 billion yen) to GPAI, by subscribing an Equity Participation Note and Promissory Note issued by GPAI, in June 2008 (Equity Participation Note dated June 27, 2008 issued by GPAI, and the Note dated June 30 of the same year issued by GPAI).

(D) Movement of funds from GPAI to CFC, TEAO, the Funds related to LGT Bank and OFH
The approximately 13.6 billion yen remitted from CD to GPAI was a portion of the 17.5 billion yen remitted from GPAI to CFC, on October 8 and October 17, 2008, and CFC used these funds and remitted approximately 16.4 billion yen to TEAO in October 2008. This 16.4 billion yen was a portion of the 17.2 billion yen that TEAO remitted to GIM, which is a Fund related to LGT Bank, and GIM used approximately 17.2 billion yen thereof as capital funds and redeemed approximately 21 billion yen to OFH in October 2008 (the document entitled “Notice of Arrival of Foreign Remittances” dated October 27, 2008).

D. Exchanges with KPMG AZSA LLC
In December 2008, KPMG AZSA LLC indicated to the Olympus Board of Auditors in connection with the purchase of the Three Domestic Companies that there were doubts about the rationality of the decision given the fact that the acquisition price for those shares was markedly high, and there were no results for the Three Domestic Companies, that this was a payment to investment funds, etc. At this time, this expensive fee payment for the FA that accompanied the Gyrus purchase discussed below was also pointed out. Although KPMG AZSA LLC did not accept Olympus’ explanation, in the end in March 2009 it undertook recognition of an impairment loss of 55.7 billion yen for the goodwill of the Three Domestic Companies, which is discussed below, and in addition an unqualified opinion was finally submitted due to the fact that Olympus submitted a committee report by outside experts that concluded that these transactions could not be termed violations of the law.

However, the fact that such major problems had been occurring was not reported to the Board of Directors.

(6) Summary
As indicated above, owing to the fact that Olympus purchased shares of the Three Domestic Companies at a markedly high price from Neo, et al, a portion of the losses that had
been hidden by the loss separation scheme were covered, and in addition the hidden losses were included in the assets as the goodwill of the Three Domestic Companies on Olympus’ financial statements.

Then, based on the above background, Olympus undertook a major recognition of impairment losses of 55.7 billion yen for the goodwill of the Three Domestic Countries for the fiscal year ending 2009. In addition, Olympus undertook recognition of impairment losses of 1.3 billion yen for the fiscal year ending March 2010. By this means, Olympus undertook final recognition of a portion of the losses that had been hidden.

13. Large acquisition project in the Medical Business segment and the use thereof as a Settlement Scheme

(1) Outline of the loss settlement scheme using the acquisition of Gyrus

In February 2008, Olympus purchased Gyrus, which is a medical device manufacturer in England. In connection with the purchase of Gyrus, a huge sum of money was paid from Olympus to the FA from June 2006 until March 2010, and a portion thereof was allocated to the settlement of losses that had been separated. Then, in March 2011, all of the losses were settled by the termination of the agreement for SG Bond, which utilized said money.

In the loss settlement scheme, which utilized the Gyrus purchase devised by Yamada and Mori, specifically, first of all Olympus took the following path:

1. In the contract with the FA, it granted stock options and warrants in addition to cash as the fee, after which
2. It exchanged the stock options for dividend preferred shares, and in addition purchased the warrants at a high price, and furthermore
3. by purchasing the preferred stock at an amount of 620 million dollars, it paid to the FA (or the corporation to which the rights to exercise the stock options and warrants had been transferred from the FA) funds equivalent to approximately 30 percent of the purchase price as a consequence, and
4. a portion of those funds paid to the FA were returned to Olympus via several Funds.

A detailed account is provided below about the history of the Gyrus purchase and the background until when the losses were settled.

(2) Business expansion strategy through M&A and the scheme to cover investment losses

Around the start of 2000, Olympus, which had been sensing that it had reached an impasse in the growth of existing businesses like cameras, endoscopes and microscopes, was examining expansion of business by M&A. At a Management Implementation Meeting on October 17, 2003, it had each company propose candidates for the target companies, and then examined closely the target companies (materials of the Management Implementation Meeting on October 17, 2003).

When the Olympus Medical Business Department had been studying the purchase of medical device manufacturers, Yamada and Mori, who had been groping for a conclusion to the loss settlement scheme, told Nakagawa, who had set up Axes Japan Securities KK (hereinafter, “Axes Japan”) after his service at domestic and foreign securities companies and was employed as its President and CEO, that they wanted him to introduce companies that were suitable for performing business investments.
Yamada, who had been involved in Olympus’ financial affairs from around 1980, had become acquainted with Nakagawa, who was employed at a foreign-owned securities company, in the course of managing the company’s funds, and deepened his friendship with Sagawa, who was Nakagawa’s colleague, through Nakagawa. In addition, Mori had joined them by the time of the establishment of Axes Japan, and Yamada, Mori, Nakagawa and Sagawa had deepened their fellowship. Sagawa established Axes America LLC (dissolved on March 12, 2008; hereinafter, “Axes”) pursuant to the laws of the State of Delaware in 1997, but Nakagawa and Sagawa had been investing in both Axes and Axes Japan.

(3) Acquisition of Gyrus and grant of stock options and warrants as FA fee

A. Execution of the FA Agreement

In 2004, based on an introduction by Sagawa, Yamada and Mori visited U.S.-based medical device manufacturer Company A along with Nakagawa, and met with the COO and others of said company, but negotiations with said company were broken off before long.

Accordingly, Olympus decided to negotiate in earnest with the U.S.-based medical device manufacturer Company B (hereinafter, “Company B”). Company B was an outstanding company that had been manufacturing and selling effective medical devices, but at that time it was under pressure financially, so the chances of a business partnership with Olympus had increased. Accordingly, Olympus concluded a Financial Advisor Contract (hereinafter, “FA Agreement”) with Axes on June 5, 2006 (FA Agreement dated June 5, 2006). Given that Company B’s purchase price was enormous, Yamada and Mori had been thinking from the outset of settling the separated losses by utilizing this purchase, and had been discussing with Sagawa utilizing a portion of the fee to be paid to Axes, the financial advisor (the FA fee), for covering the losses.

B. Contents of the FA Agreement

(A) Summary

A summary of the FA Agreement that Olympus concluded with Axes is as follows (FA Agreement dated June 5, 2006). Kikukawa signed the contract as the representative of Olympus, and Sagawa signed it as the representative of Axes. This FA Agreement was chiefly drafted with receiving partial transfer of Company B’s business (endoscope-related business) in mind.

- Fees
  - Basic fee
    - 3 million dollars: Payment at contract conclusion (the payment was completed on June 16, 2006)
    - 2 million dollars: Payment one year after the date of conclusion (however, this would be allocated to the completion fee; the payment was completed on July 6, 2007)
Completion fee
This was set as 1 percent of the purchase price, of which 20 percent was to be paid in cash, and the remaining 80 percent to be paid by stock options for the purchase vehicle (the corporation that succeeded to the assets of the target company) based on the following calculation formula.

1) 4.9 percent of the total number of shares issued by the purchase vehicle
2) The method for calculating the exercise price of the stock options would be as follows.

\[
\frac{(A \times 80\%)}{B} - \frac{C}{D}
\]

A: Purchase price
B: Total number of shares issued by the purchase vehicle
C: 1% x 80% of the purchase amount
D: Number of common shares of the purchase vehicle that is the target of the options

Necessary expenses
5 million dollars of funds for allocation to the payment of necessary expenses would be paid temporarily to the Disbursement Fund. After that, 1 million dollars would be paid on each occasion in response to reasonable requirements. Axes would disclose a breakdown of the necessary expenses promptly in response to Olympus’ request, and in the event that there is a balance in the temporary expenses at the time of the termination of the contract, that balance would be returned to Olympus (payment completed along with the 3 million dollars of the basic fee as of June 16, 2006).

About stock options
a. The purpose for which stock options are provided
The FA Agreement used a portion of the completion fee as stock options of the purchase vehicle, which succeeded to the assets of the target company, but the true intent whereby consideration other than cash was established as the fee in this manner was to delay the realization of the fees. In other words, said stock options assume that the options have value owing to the fact that the business is successful after purchase, and were established with the intention of having the stock options exercised by Axes when relisting or funds procurement is done subsequently, and then buying back the conversion or shares on the market. It was agreed beforehand with Axes that the funds paid from Olympus to Axes through the means of this series of acts would be utilized for covering losses, and Yamada, Mori et al wanted to utilize even more funds for covering losses by buying back the shares at a high price.

However, Yamada and Mori had been explaining inside the company since it was estimated that the consideration for purchase would be about 600 billion yen to 700 billion yen, stock
options would be granted with the purpose of having not only Olympus but also Axes become a joint investor given the fact that there were limits to funds procurement by Olympus alone.

b. Calculation formula for the exercise price of stock options

The grounds of the calculation formula for the exercise price of stock options are as follows.

\[
\text{Exercise price} = \frac{A \times 80\%}{B} - \frac{C}{D}
\]

- A: Purchase price
- B: Total number of shares issued by the purchase vehicle
- C: 1\% × 80\% of the purchase amount
- D: Number of common shares of the purchase vehicle that is the target of the options

A stock opinion is a right whereby [the holder] can acquire stocks at a pre-established price (the exercise price) within a fixed period of time, and thus the more inexpensive the exercise price becomes relative to the market value of the stock, the more its value as a stock option rises.

Accordingly, in the FA Agreement, first of all ① the criteria for calculating the market value of the shares to be delivered (the shares of the purchase vehicle) was established, after which ② the amount obtained by subtracting the benefits granted to the stock option holder from there was set as the exercise price.

Specifically, ① the stock's market value per 1 share was set as the amount obtained by dividing 80\% of the purchase price by the total number of shares issued. This was due to the fact that ordinarily the stock value increases due to a premium due to the purchase at the time of purchase, and given this the figure obtained by subtracting 20\% from the purchase price, and then dividing this by the total number of shares issued was regarded as the fair market value per 1 share.

Based on that, ② since an amount equivalent to 80\% of the completion fee of 1\% of the purchase price was granted as a benefit to Axes, [Olympus] decided to subtract from the market value calculated by ① the amount obtained by dividing the total amount of stock options (80\% of 1\% of the purchase price) by the number of options (4.9\% of the total number of shares issued by the purchase vehicle), and set this as the exercise price.

c. Proportion of stock options

In the FA Agreement, the number of shares that are the target of stock options has been set at 4.9\% of the total number of shares issued, but the proportion of said stock options relative to the total number of shares issued is merely what has been set optionally, and no particular significance is found in this.

(C) Implementation of payment

On June 16, 2006, Olympus paid to Axes 3 million dollars as a retainer fee out of the basic fee pursuant to the FA Agreement. In addition, on the same date, it paid 5 million dollars temporarily as necessary expenses. Moreover, on July 6, 2007, it paid to Axes 2 million dollars, which was the balance of the basic fee.
(D) Final paper decision

At Olympus, on May 31, 2006, a hard copy final decision was made concerning the conclusion of the FA Agreement for which Axes served as the financial advisor for M&A (Final Paper Decision dated May 13, 2006). It was decided that electronic approval would not be utilized for this approval, the reason being that “we are making information control doubly sure”, and it was decided that the necessary in-house approval procedures would be implemented on each such occasion at the stage where a M&A case was taking concrete shape. The seals of Kikugawa, Yamada and Mori are on the final decision document. From the standpoint of maintaining secrecy, only a portion of the people inside Olympus were aware of the matters related to the purchase or investment, and there has been no discussion in particular at the subsequent Board of Directors meetings, etc., about the fact that the contents of the FA Agreement had been approved by only 3 persons by means of a hard copy final decision.

A domestic law firm has undertaken a legal verification of the FA Agreement from Olympus’ standpoint.

C. Execution of the revised FA Agreement

After the conclusion of the FA Agreement with Axes, Olympus had continued purchase negotiations chiefly with Company B, whereupon from the end of 2006 to the start of 2007, there was an approach about a business partnership from the FA of Gyrus addressed directly to the head of Olympus’ Medical Business Division

Given the fact that Olympus was engaged in ongoing negotiations with Company B, it did not immediately embark on contract negotiations with Gyrus, but in due course it was notified by Company B that it had no intention to sell its business, so negotiations with Gyrus began in earnest.

However, compared to its estimate of 600 billion to 700 billion yen as the purchase price of Company B, it was estimated that the purchase price of Gyrus would be about 200 billion yen, which was far lower than the former. Given the fact that the amount that could be utilized for covering losses in the event that the purchase price was lower ending up being lower than the estimate according to the initial FA Agreement, along with the fact that the target company had changed, Yamada and Mori discussed the matter with Sagawa, and revised the FA Agreement, with the date being June 21, 2007 (hereinafter, said revised contract is referred to as the “revised FA Agreement”).

Inside Olympus, Yamada and Mori explained the reasons for this revised FA Agreement as being due to the following changes in circumstances: ① The purchase negotiations had run aground, and the need to assemble an expert team had arisen; ② The fees for these experts are also included in the fee pursuant to the revised FA Agreement; and ③ Since companies with a small and medium scale had been added to the purchase targets, a need to establish the fee amounts in accordance with the purchase scale had arisen.

D. Contents of the revised FA Agreement

(a) Summary of the revised FA Agreement

The content of the revised FA Agreement is as follows (revised FA Agreement dated June
21, 2007). Kikukawa signed the contract as the representative of Olympus, and Sagawa signed it as the representative of Axes. At the time of the conclusion of this contract, there was no law firm that reviewed the contract from Olympus’s position.

- Fees

  ① Basic fee

  The fact that it had already been paid (3 million dollars and 2 million dollars) according to the original contract was confirmed.

  ② Completion fee

  (i) Cash

  Of the completion fee calculated on the proportions noted in the table below, those proportions are paid as cash compensation (for example, in the event that the purchase price is 2 billion dollars, 5 percent of 2 billion dollars is the completion fee, of which 15 percent will end up being paid in cash as cash compensation).

<table>
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<tr>
<th>Consideration</th>
<th>Completion fee</th>
<th>Cash compensation amount</th>
<th>Minimum cash compensation amount</th>
<th>Maximum cash compensation amount</th>
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<td>Higher than 5 billion dollars</td>
<td>2.5%</td>
<td>10%</td>
<td>15 million dollars</td>
<td>20 million dollars</td>
</tr>
<tr>
<td>Between 2.5 billion dollars and 5 billion dollars</td>
<td>3.75%</td>
<td>12.5%</td>
<td>12 million dollars</td>
<td>15 million dollars</td>
</tr>
<tr>
<td>Between 1 billion dollars and 2.5 billion dollars</td>
<td>5%</td>
<td>15%</td>
<td>10 million dollars</td>
<td>12 million dollars</td>
</tr>
<tr>
<td>Less than 1 billion dollars</td>
<td>6.25%</td>
<td>17.5%</td>
<td>5 million dollars</td>
<td>10 million dollars</td>
</tr>
</tbody>
</table>

  (ii) Stock options

  Next, Of the completion fee calculated based on the proportions noted in the table above, the portion other than the cash compensation is paid by stock options for a 9.9 percent portion of the total number of shares issued by the corporation (the purchase vehicle (the Issuer in this Contract)), which succeeds to the assets of the target company.

  The method for calculating the exercise price of the stock options is as follows.

  \[
  X = C/Y
  \]

  \(X\): a) In the case of a public company, 80 percent of the average of the stock price 30 days prior to the announcement of the purchase
b) In the case of a non-public company, the amount obtained by dividing 70 percent of the purchase price by the total number of shares issued

C: The amount obtained by deducting the cash compensation from the completion fee
Y: Number of common shares of the purchase vehicle that is the target of the options

(iii) Warrant
The right (warrant) to purchase new share subscription rights with the upper limit set as whichever amount is less, 20 percent of the total number of shares issued by the purchase vehicle, or an issue value of 200 million dollars, is granted. The period for the exercise of the right shall be within 6 months of the establishment of the purchase.

- Necessary expenses
  2 million dollars of funds for allocation to the payment of necessary expenses is paid temporarily to the Disbursement Fund. After that, 1 million dollars is paid on each occasion in response to reasonable requirements. As in the case of the FA Agreement, Axes will disclose a breakdown of the necessary expenses promptly in response to Olympus’ request, and in the event that there is a balance in the temporary expenses at the time of the termination of the contract, that balance will be returned to Olympus.

(B) About stock options
In the revised FA Agreement as well, Yamada and Mori assumed that the shares will have value subsequently, and established the granting of stock options as one part of the fee. In the revised FA Agreement, the proportion at which the stock options are granted is higher than the FA Agreement (in the FA Agreement, it was 4.9 percent of the total number of shares issued by the purchase vehicle, whereas it has become 9.9 percent [in the revised FA Agreement]), but this is based on the notion that granting more stock options to the FA would result in a large benefit if only for the FA.

The basic approach in the calculation formula for the exercise price of the stock options in the revised FA Agreement is the same as that in the FA Agreement. However, whereas the FA Agreement had in mind a non-public company as the purchase target, given the fact that Gyrus was a public company, in the revised FA Agreement some changes in the content were applied to the calculation formula for the exercise price of the stock options.

Specifically, it has been assumed that the market value of the stock is the figure obtained by subtracting 20 percent from the average value of the stock price 30 days prior to the announcement of the purchase. Although Gyrus prior to purchase was a public company, the only shareholder after purchase would be the purchase vehicle, and it would become a non-public company, so this was the aim of taking into consideration the fact that the premium for the liquidity of the stock would disappear (it would no longer be possible to transfer the stock freely), and the amount would be reduced to that extent. There were a variety of approaches possible concerning the rate at which the amount was reduced, but in the revised FA Agreement it was decided that 20 percent would be subtracted from the average price.
On the other hand, it was decided that in those cases where the purchase target company was a non-public company, the market value per 1 share would be calculated by dividing the amount obtained by reducing the purchase value by a certain extent by the total number of shares issued by the purchase vehicle, based on the same idea as the FA Agreement, but the rate of reduction of the market value was set at 30 percent, which was greater than in the FA Agreement, in order to raise the value of the stock options further.

Although there was a possibility that the shareholder would change due to the transfer of the stock options, no restrictions on transfer have been established in the revised FA Agreement.

(C) Aim in granting the warrant

Because the warrant is a right to receive allocation of new share subscription rights, it is similar to a stock option insofar as after allocation it is possible to acquire stocks by paying in. The aim of granting rights of the same kind as a stock option in this manner as a warrant is that since it was thought the scale of Gyrus was small compared to Company B, and there was a possibility that the losses would not be settled even if the fees established according to the purchase price were utilized for covering the losses, so they increased the number of options so that it would be possible to utilize more funds for covering the losses. If this derived from the feeling of Yamada and Mori that they wanted to set up a contract that paid to Axes still more funds to increase the funds that could be utilized paid for covering losses, the economic effect would not change if they granted more stock options, but they felt that there was a possibility that this would arouse suspicion if they established these blantly, so they decided to include terms to the effect that warrants would be granted separately.

E. Written approval of the revised FA Agreement

At the time of the conclusion of the revised FA Agreement as well, there was only a hard copy final decision dated the same date as the conclusion of the Contract, which had the seals of Kikukawa, Yamada and Mori, there was no prior resolution of the Board of Directors. In the hard copy final decision, it is stated that “It is proposed that when actively promoting this M&A, we revise the Financial Advisor Contract with AXAM (note by party quoting this document: this means Axes), which is currently being concluded, as follows, and that we aim at speeding up the deployment”, and “contracts with the legal advisor, independent accountant, investment banker, etc. and restructuring team” be done is newly added to the business contents of the FA (Final Paper Decision dated June 21, 2007).

F. Selection of experts

Olympus selected an overseas FA and a legal advisor for conducting the actual work in addition to Axes. These experts were selected from numerous candidates by Mori, who visited local offices along with Sagawa. At the time of appointment, the standpoint of taking charge of the actual work of M&A was emphasized, and Olympus’ true intent was not conveyed to the overseas FA and legal advisor.

The contractual relationship with the overseas FA and legal advisor was with Axes, and the fees were also paid from the necessary expenses paid from Olympus to Axes. However, when the Contract was concluded with Axes, there was a request from the FA to Olympus that it
wanted Olympus to provide a guarantee of liabilities, so Olympus inserted a document to the effect that it would provide such a guarantee.

**G. Regarding the necessary expenses**

In the FA Agreement, 5 million dollars was to be paid at the time of contracting as the necessary expenses, and in addition 1 million dollars was to be paid additionally as need dictated. In addition, in the revised FA Agreement, 2 million dollars was to be paid at the time of contracting.

In reality, on June 16, 2006, 5 million dollars was paid from Olympus to Axes as a temporary payment, along with 3 million dollars, which was one part of the basic fee. Moreover, on February 8, 2008, 2 million dollars was paid additionally as the temporary payment.

Concerning these necessary expenses, in both the FA Agreement and the revised FA Agreement, Axes was to submit a breakdown related to the necessary expenses promptly when there was a request from Olympus, and the breakdowns for expenses received from Axes have survived inside Olympus.

According to the breakdowns of expenses that have survived inside Olympus, from the necessary expenses, first of all, on July 3, 2006, 3 million dollars was paid to Axes Japan, and it has been assumed that this was paid pursuant to the Contract between Axes and Axes Japan. In addition, the fees for the legal advisor and overseas FA that are incurred occasionally have been paid from the necessary expenses. In addition, the lodging expenses, etc., for the son of Olympus’ outside director, who had a multifaceted network and who had been cooperating mainly in the selection of a business partner, were paid from here.

Moreover, according to Axes’ Settlement Reports, 2,094,900 dollars was paid from Axes to the overseas FA at the time of the announcement of the Gyrus purchase in 2007, and 6,475,331 dollars was paid from Axes to the overseas FA at the time of the establishment of the purchase in 2008 (Axes’ 2007 Fiscal Year Settlement Report and 2008 Fiscal Year Settlement Report).

In addition, in both the FA Agreement and the revised FA Agreement, it was stipulated that if there remained a balance in the temporary payments at the termination of the contract, it was to be returned to Olympus. According to the disclosed materials, ultimately on September 25, 2008, the balance of 325,835 dollars (approximately 300,000 dollars) was returned to Olympus.

**H. Determination of Gyrus acquisition price**

Olympus was considering purchasing Gyrus by the method of a scheme of arrangement, which is a procedure based on the Companies Act of England (The purchase procedure based on the Companies Act of England (Section 425 of the Companies Act). This is a procedure for acquiring 100 percent of the shares with the consideration being the granting of economic benefits such as cash or loan notes, with the requirement that a special resolution at the General Shareholders meeting is obtained.) Accordingly, on September 21, 2007, Olympus made a
proposal to the effect that it would purchase the shares from Gyrus at 550 pence per share, in view of the fact that the stock value of Gyrus at that time was 417 pence. When it did so, this was rejected by Gyrus, which said that it could not agree to the purchase at this price since the current stock price did not reflect accurately the company’s fundamental value (said letter addressed to Olympus that was prepared by Gyrus dated October 5, 2007). Gyrus stated that it could not agree to the sale unless it was a price that reflected the stock value after corporate merger, not the current stock value.

The overseas FA on the Olympus side was of the opinion that if the synergy after the corporate merger was reflected in the stock price as Gyrus’ was insisting, it would be 673 pence per 1 share, and even if the synergy were estimated conservatively taking it to be 626 pence was acceptable. Accordingly, after considering said views as well, as a result of repeated discussions with Gyrus, agreement was reached that it would purchase them at 630 pence. Although said price was 43 percent higher than the average stock price in the 6-month period prior to the purchase announcement, there is a Written Opinion by the overseas FA stating that one can conclude that purchasing the shares at 630 pence is fair from a financial standpoint (said Written Opinion prepared by the overseas FA dated November 19, 2007).

After that, Olympus decided that it would undertake due diligence related to financial affairs, tax affairs and legal affairs of Gyrus by experts, and purchase Gyrus shares at 630 pence per 1 share.

I. Board of Directors’ approvals on the Gyrus acquisition, the FA agreement, and the revised FA agreement

A Board of Directors meeting was convened on November 19, 2007, and at the same Board of Directors meeting a proposal was made about the purchase of Gyrus, and was approved. The specific proposal contents are as indicated below (materials of the Board of Directors meeting dated November 19, 2007).

① 100 percent of the shares of Gyrus, which is a corporation listed on the London Securities Exchange (England), will be acquired, and it will be made into a subsidiary. The purchase price is approximately 935 million pounds (approximately 215 billion yen).

② For the purpose of this purchase, a 100 percent subsidiary of Olympus (Olympus UK Acquisition Limited; hereinafter “OUKA”), which will serve as the direct purchasing agent, will be established in England.

③ For OUKA, investment or lending equivalent to the necessary purchase amount will be implemented.

④ As the purchase funds, borrowing of funds with an upper limit of 250 billion yen from banks will be implemented.

⑤ At the time of the purchase, an Agent Service Contract will be concluded with Axes and an overseas FA (according to the minutes of the Board of Directors meeting, the parties with which the Agent Service Contract in ⑤ was to be concluded were both Axes and the overseas FA).

However, it was decided that the decisions about the details such as the contract terms and payment procedures of the Agent Service Contract in ⑤ would be entrusted to the President.
Since originally the Board of Directors had favored the development of surgical devices, which were in a peripheral field from endoscopes, the business content of Gyrus and the purchase price became the primary focus of interest, while there were almost no discussions on the issues of who the FA was or the size of the remuneration, as being ancillary topics. Since there was little experience of large overseas M&A, while the remuneration may have seemed a little high, there were no means for making the judgment, and was not made a special issue. Also, there were no special objections to the fact that Axes was selected as FA, since meetings with the COO of the U.S.-based medical equipment manufacturer, Company A, had actually been made possible through Sagawa, and the negotiation had progressed.

On receiving the approval in the Board of Directors meeting, on the same day, the contract for implementing the scheme of arrangement with Gyrus (Implementation Agreement) was concluded, and the timely disclosures to the Tokyo Stock Market and the London Stock Market were made.

J. Fee payment based on the revised FA Agreement

Given that it was decided that the final purchase price of Gyrus was 965 million pounds (approximately 206.3 billion yen) (the difference in the price compared with the one at the time of the proposal to the Board of Directors meeting is due to the number of shares and the fluctuations of the exchange rate), on November 26, 2007, Olympus paid 12 million dollars as the Completion Fee to Axes, pursuant to the revised FA Agreement.

K. Completion of Gyrus acquisition (Approval of the courts of England, delisting of stock)

On January 31, 2008, a judgment was rendered by an English court that the series of purchase procedures was legal, and on February 1 of the same year, approval registration pursuant to the judgment by that English court was undertaken, and the listing of Gyrus on the London market was abolished. Subsequently, on February 14, 2008, Olympus undertook payments to Gyrus’ shareholders, and the purchase procedures were completed.

L. Execution of the Call Option Agreement

On February 14, 2008, an Agreement with contents that specified the contract conditions related to the stock options due to the revised FA Agreement was concluded between Olympus and Axes (“Call Option Agreement” dated February 14, 2008). A law firm located in the Cayman Islands drafted this agreement. According to the revised FA Agreement, the company issuing the stock options was supposed to be the purchase vehicle (OUKA), whereas in this Agreement Gyrus was established as the stock issuing company, and the execution period was set as the 5-year period from the conclusion of this Agreement.

In addition, Axes’ rights and obligations in the revised FA Agreement had been transferable to third parties, but in reality Gyrus’ stock options issued to Axes pursuant to the revised FA Agreement were transferred for 24 million dollars from Axes to the Axam Investments Ltd. (hereinafter, “Axam”), a Cayman corporation, along with the warrants in June 2008 (Axes’ 2008 Fiscal Year Settlement Report). Axam is a Cayman
corporation that was established by Sagawa on November 19, 2007, in order to receive the funds to be paid from Olympus along with the purchase of Gyrus, as one part of the loss settlement scheme.

M. Report on the completion of the Gyrus acquisition at the Board of Directors meeting

After the purchase of Gyrus was completed on February 14, 2008, on February 22 of the same year, at a Board of Directors meeting, a report was made about the fact that the purchase of Gyrus had been completed, the purchase amount (approximately 965 million pounds), and the agent service fees to the various advisors (however, since there was no direct contractual relationship with the overseas FA and legal advisor, which had been retained through Axes, there is no description about the fees of the two offices) (minutes of the Board of Directors meeting dated February 22, 2008).

As concerns the payments to Axes, at this point in time, pursuant to the revised FA Agreement, there was reported that 12 million dollars (15 percent of the fee) had already been paid on November 26, 2007, and that negotiations were underway about the remaining 85 percent of the fee and warrants, including the payment method.

(4) Capital restructuring of Gyrus, and the accompanying grant of dividend preferred shares and repurchase of warrants

A. Execution of mutual understanding regarding Cash Settlement of Option

Immediately after the purchase of Gyrus, the operations department promoted an examination of the capital restructuring of Gyrus, but in this process, there was advice from the auditing firm that if Olympus were to hold 100 percent of the shares of Gyrus (including stock options), it could be subject to the application of the special tax system for restructuring within a group, so Olympus ending up purchasing the stock options and warrants that it had granted to Axes.

After that, a Letter Agreement (hereinafter, “Cash Settlement of Option”) to the effect that settling with cash the stock options at $11.645 per 1 option, with a deadline of August 31, 2008, could be sought from either of the parties to the Agreement, was concluded on March 31, 2008 between Olympus and Axes (the “Cash Settlement of Option” dated March 31, 2008). The signer for Olympus was Kikukawa. Given that the total number of shares that were the target of the stock options that had been granted to Axes was 15,198,034 shares, the fact that the stock options held a value equivalent to 176,981,106 dollars overall assumed a form to be acknowledged by said Cash Settlement of Option.

There is no sign that the conclusion of the Cash Settlement of Option was approved at a Board of Directors meeting, and it is believed that this was decided by Kikukawa based on the fact that it was resolved that “Decisions about the details such as the contract terms and payment
procedures will be entrusted to the President”, when the contents of the revised FA Agreement were approved at the Board of Directors meeting on November 19, 2007 (minutes of the Board of Directors meeting dated November 19, 2007).

At this time, the market valuation of the stock options was examined by Olympus’ Accounting Department, and a valuation of approximately 177 million dollars based on the exchange rate at that time was calculated (trial calculation sheet prepared by the person in charge at the Accounting Department). However, although the basic approach to the value of stock options is that it is the difference between the exercise price thereof and the share market value, in the internal study materials, after the purchase, the share market value of Gyrus, which had become a non-public company, was not calculated fairly, and instead the share market value had been calculated by mistakenly regarding it as 630 pence per 1 share, which was the purchase price at the time of the Gyrus purchase (the amount obtained by multiplying the pre-purchase average market price by a large amount of premiums). This is the chief reason why the valuation of the stock options was increased up to approximately 177 million dollars. As concerns the assessment of the stock options, there is a possibility that Olympus’ Accounting Department undertook consultations with outside experts, but there is no sign that an assessment by an outside expert was formally requested.

Pursuant to the above-mentioned Cash Settlement of Option, a letter dated June 16, 2008 to the effect that the rights for cash settlement would be exercised, along with the details of the transfer recipient, was delivered from Axam, which had already received the transfer of the stock options from Axes. However, the stock options had actually been replaced subsequently by dividend preferred shares, and at this time no cash settlement was undertaken.

In August 2008, a Letter Agreement was exchanged with Axes, and it was agreed that the deadline for exercising the warrant would be extending from within 6 months to within 9 months after the completion of the purchase of Gyrus, and in addition notification was made by Axes to the effect that the warrants would be transferred to Axam as of June 9, 2008 (“Amendment to the Engagement Letter in respect of Warrants” dated August 11, 2008). There is a description in the same Letter to the effect that a Letter Agreement dated January 24, 2008 had been separately concluded as concerns the granting of warrants to Axes, but when an inquiry was made to Olympus it replied that it could not confirm the existence of this Letter Agreement.

B. Review regarding the capital restructuring of Gyrus

On April 25, 2008, at a Board of Directors meeting, Olympus undertook an examination of the capital restructuring of Gyrus after purchase (minutes of the Board of Directors meeting dated April 25, 2008). The basic framework is as follows, and of this ① was approved.

① The shares of Gyrus held by Olympus UK Acquisition Limited (OUKA), which was established as a company whose purpose is the holding of shares for the purchase, will be moved to Olympus by the method of payback by capital reduction.

② The shares of the subsidiaries in each country held by Gyrus will be transferred to the subsidiaries in each country of Olympus. As far as the United States subsidiary of Gyrus is
concerned, Olympus Corporation of Americas (hereinafter, “OCA”), the United States subsidiary of Gyrus, will borrow the sales price from Gyrus, and will pay this to Gyrus.

Through the series of restructurings, Gyrus will enjoy a profit on the sale of shares (including the lending to OCA), so this profit on sale will be moved promptly to Olympus, by the method of payback by capital reduction.

In addition, at the Board of Directors meeting on July 4, 2008, as concerns the capital restructuring of Gyrus, and above were both approved, and as concerns the timing of the restructuring, it was determined that The transfer of Gyrus shares to Olympus was already implemented as of June 5, The transfer of the shares of Gyrus’ subsidiaries to Olympus’ subsidiaries was slated for implementation on July 31, and The capital reduction of Gyrus was slated for implementation at the end of September (after the completion of the restructuring procedure) and the end of January 2009 (after the confirmation of the settlement). (Minutes of the Board of Directors meeting dated July 4, 2008).

C. Review regarding the counter value on the purchase of stock options

After the need to purchase stock options arose, the person in charge at Olympus sought from KPMG and the overseas law office an analysis of the merits and demerits of the following 4 options: Settlement by cash; Settlement by loan note (the promissory note used for financing) issued by OCA when it undertakes borrowing from Olympus; Settlement by dividend preferred shares (regarded as a “liability” in England) of Gyrus; or Gyrus would issue a loan note instead of Olympus. In the analysis sheet submitted by KPMG and the overseas law office, of these options, settlement by cash was recommending as “Clearly ‘cleanest’ way for Olympus to deal with.” (Clearly the “cleanest” method for Olympus to handle [this]) (draft of the analysis sheet dated July 31, 2008 that was prepared by KPMG and the overseas law office).

However, Yamada and Mori had believed when examining the handling of the stock options that if they ending up doing a cash settlement, the value of the stock options would be fixed, and the monetary amount to be paid to Axes would be completed thereby, so they wanted to change to something whose value would rise more. Since they had such a feeling, a scheme involving not cash settlement but rather the granting of dividend preferred shares of Gyrus was selected, but Yamada and Mori explained that “If Axes should receive an item whose value is clear, such as cash or a loan note, taxes would immediately be assessed on it in the United States, so it has said that it does not want anything like that. We need to give them something else.”

Under Section 151 of the Companies Act of England (Companies Act of 1985) at the time of the Gyrus purchase, it is prohibited for a company (both public and non-public) to provide monetary assistance for decreasing or extinguishing the obligations that it bears for a purchase, towards an individual or corporation that purchases the shares of said company, and the question of whether or not Gyrus’ granting of dividend preferred shares to Axam for Olympus violates this could become a point at dispute. Accordingly, when a request was made to the
D. Issuance of dividend preferred shares, and the resolution of the Board of Directors on the purchase of warrants

On September 26, 2008, at a Board of Directors meeting, a motion to the effect that instead of stock options, dividend preferred shares (issue face value 176,981,106 dollars) of Gyrus would be issued to the FA on September 30, 2008, and a motion to the effect that warrants with a value of 50 million dollars would be purchased on the same day (minutes of the Board of Directors meeting dated September 26, 2008, materials of the same Board of Directors meeting). A proposal was made as follows concerning the contents of the dividend preferred shares.

“There are no voting rights. Along with this restructuring of Company G, it will not be subject to distribution of profits for the approximately 160 billion yen of profit from the sale of stock that is generated at GGL (note by party quoting this document: this is the abbreviation of Gyrus Group Limited). However, a dividend of 85% of the earnings (after tax deductions) generated from the remaining financial assets after a capital decrease will be received.”

This dividend rate of 85 percent of after-tax earnings was set based on the results of Mori’s investigation, which held that an annual rate of return on equity of about 10 percent is acceptable in the United States, and based on a back calculation, which held that since a dividend of approximately 17.7 million dollars annually will be undertaken for the dividend preferred shares with an issue price of approximately 177 million dollars, it was acceptable to set the dividend rate at some percent of the earnings of Gyrus.

An in-house examination about the assessment of the warrants as well was conducted in Accounting (trial calculation sheet prepared by the person in charge in Accounting), but there is no sign that a formal assessment was requested from an outside expert. In the in-house examination, an assessment was made that the warrants have a value of approximately 200 million dollars, but the background about how it was agreed that the amount of purchase would be 50 million dollars is not clear.

At the Board of Directors meeting, the other Directors attending had at that time no questions about Mori’s explanation relating to the stock options and warrants, and felt that from the start the agenda item itself of the FA fees was an ancillary matter accompanying the purchase of Gyrus, so their recollections relating to the contents of the proposal are slim at this point.
E. Execution of the Share Subscription Agreement and the Supplement to Share Subscription Agreement

Through the above-mentioned approval by the Board of Directors meeting, a Share Subscription Agreement dated September 30, 2008 relating to the granting of preferred stock (issue face value of US $176,981,106) to Axam and the purchase of warrants from Axam, between Olympus, Gyrus and Axam, was concluded (“Share Subscription Agreement” dated September 30, 2008). The signers were Sagawa (Axam side), Mori (Gyrus side) and Kikukawa (Olympus side). On the Olympus side, the overseas law office undertook a legal review.

The contents of the dividend preferred shares issued by Gyrus based on the Share Subscription Agreement are as follows:

- There are no voting rights.
- Has the right to receive a dividend of 85 percent of the balance obtained by deducting miscellaneous expenses the amount equivalent to taxes (28 percent) from the interest revenue generated from Gyrus’ cash and deposits and internal lending.
- Cannot be transferred to a third party other than the Olympus Groups without the consent of Gyrus.
- In principle, there is no right to receive dividends during the payback of Gyrus’ capital.

However, a Supplement to the Share Subscription Agreement dated October 3, 2008, was concluded immediately after the above-mentioned Share Subscription Agreement, was concluded in the form of a letter, and it was stated that Gyrus could not engage in the following conduct without Axam’s prior written consent (“Supplement to Share Subscription Agreement” dated October 3, 2008).

- A major change in the contents or scope of the business that it had been engaged in at the time of the Share Subscription Agreement (material change)
- Conclusion, modification or cancellation of the Agreement at terms and conditions other than the usual trade terms and conditions.
- Disposal or the granting of option rights or preemptive rights for the assets held by Gyrus at terms and conditions other than the usual trade terms and conditions for the business that it had been engaged in at the time of the Share Subscription Agreement
- New transactions or changes in transactions between Gyrus and (i) the Olympus Group or (ii) the officers, etc. of the Olympus Group

The contents of said Supplement (hereinafter “veto right provisions”) were not explained at the Board of Directors meeting, and approval was not obtained either. The signers were the same as those for the Share Subscription Agreement (Kikukawa signed on the Olympus side).

At that time, if a capital reduction had been implemented for Gyrus, Gyrus’ interest revenue and dividend amount would decrease, and the result would be that the value of the dividend preferred shares would end up decreasing, so Mori wanted to include the above-
mentioned veto right provisions in the Agreement. Therefore, the veto right provisions had been incorporated into the draft of the initial Share Subscription Agreement. However, based on consultations with an attorney, the person in charge at Olympus deleted said provisions from the draft immediately before the signing, so there was a request from Axam, which noticed this, that it be re-incorporated therein immediately after the conclusion of the Share Subscription Agreement. Accordingly, Mori immediately obtained Kikukawa’s signature, and returned the Supplement to Axam.

As described below, a plan for a capital reduction for Gyrus had not been incorporated in the assessment of the dividend preferred shares when there was a request from Axam for the purchase of dividend preferred shares, and in fact Axam exercised its veto right against Olympus, which wanted to implement a capital reduction, so one can conclude that the conclusion of the above-mentioned Supplement brought about an increase in the value of the dividend preferred shares.

(5) Purchase of the dividend preferred shares for 620 million dollars

A. Request to purchase the dividend preferred shares by Axam and the valuation of the dividend preferred shares

A letter dated November 25, 2008 was sent from Axam, and it sought either consent for the transfer of the Share Subscription Agreement itself to a third party, or the purchase of dividend preferred shares. A value assessment calculation by Axam itself, and a Written Calculation of Value Assessment that was obtained from a third party (the assessor is unknown), had been attached to the same letter (the valuation was estimated at 530 million dollars to 590 million dollars).

Mori had this purchase demand executed based on a prior agreement with Axam, but Mori gave a false explanation inside the company that losses had occurred in Axam’s other assets due to the effects of the Lehman shock, so Axam was in need of cash, as the background for the fact that the purchase demand had been made suddenly.

On November 26, 2008, the following day, a Written Assessment of the dividend preferred shares by a securities company (“Concerning the Assessment of the Preferred Stock of the Gyrus Group Limited” dated November 26, 2008, prepared by the securities company) was submitted to Olympus, and the valuation in the same Written Assessment was 556,977,318 dollars. Gyrus at that time was a financial assets holding company that only held loan claims against the United States subsidiary, English subsidiary and Australian subsidiary of Olympus, but in the securities company’s Written Assessment it was assumed that a certain cash flow based on the fixed interest from these loan claims would continue in perpetuity, and it assumed that this was the valuation of the dividend preferred shares based on the current value of the amount of dividends paid to Axam.

B. Approval to purchase the dividend preferred shares at the Board of Directors meeting

At the Board of Directors meeting on November 28, 2008, a proposal was made to the effect that all of Gyrus’ dividend preferred shares would be purchased, for the three reasons of prevention of outflow of cash due to dividends, simplification of the restructuring inside the group, and avoidance of resale to third parties, and at the Board of Directors meeting the same proposal was approved without objections (minutes of the Board of Directors meeting dated November 28, 2008). The purchase amount approved at this time was 530 million dollars to 590
million dollars, based on the Written Calculation of Value Assessment and the Written Assessment submitted from Axam, and the purchase period was the middle of December 2008.

The outflow of cash due to a dividend had been scheduled for the point in time when preferred stock was issued 2 months before that, and the simplification of the restructuring inside the group is also the reason why a veto right based on the above-mentioned veto right provisions had been granted to Axam. In addition, in the Share Subscription Agreement, it had been stated that it was not possible to transfer the preferred stock to a third party other than the Olympus group without the consent of Gyrus. However, at the Board of Directors meeting, there was no one who regarded as problematic either the above-mentioned purchase reason or purchase amount, and the other Directors trusted that an assessment by a third party had been done as concerns the purchase amount, and even though the purchase amount was extremely high, they believed that the transfer of the dividend preferred shares to a third party was more of a concern, and approved the purchase.

Despite the fact that the purchase had been approved as indicated above, the reason why no purchase had been implemented within the year was due to the accounting-based reason that dividend preferred shares is acknowledged as a “liability” in England, and although it had been assessed at book value in the accounting in Japan (approximately 177 million dollars), when the preferred stock was purchased for an amount near 600 million dollars, it was necessary to include the difference with the book value as a loss all at once (“Financial and Accounting Examination of the Various Schemes Related to Preferred Stock” dated December 12, 2008 prepared by the Accounting Department). Mori directed the Accounting Department to examine whether or not it was possible to make the dividend preferred shares as “assets (equity)” rather than a “liability”, and to make the difference with the purchase amount goodwill, and on the other hand ordered the continuation of the purchase negotiations for the dividend preferred shares with Axam.

C. Exchanges with KPMG AZSA LLC

In December 2008, concerns about the payment of the FA fees related to the Gyrus purchase were conveyed from KPMG AZSA LLC to the Board of Auditors, and an exchange of opinions was undertaken between the two sides (minutes of the Board of Auditors meeting dated December 18, 2008). Owing to this, the Board of Auditors undertook an interview of Yamada, Mori and the other persons concerned, and moreover held discussions on several occasions with KPMG AZSA LLC. However, the approval of the same auditing firm was not obtained.

That being the case, on April 23, 2009, a Notice was submitted from KPMG AZSA LLC wherein there were noted the specific matters of concern about two points, ① an in-house examination related to the payment of the exorbitant advisory fees, and ② the question of whether or not the examination related to the suitability of the payee, etc. was adequate, as matters thought important in particular in connection with the execution of the auditors’ duties.

In response to this, a Board of Auditors meeting undertook a resolution to the effect that an investigation report would be solicited from three outside experts, Attorney Shinsuke Matsumoto, C.P.A. Kaori Takahashi and University professor Juro Nakagawa (minutes of the Board of Auditors meeting dated May 9, 2008 [translator’s note: apparently should be “2009”]). Then, on May 17, 2009, approximately 1 week after the same resolution, a written report from the same outside experts (hereinafter, 2009 Committee Report) was submitted to a Board of Auditors meeting, and as a result of the deliberations based on this undertaken by the Board of Auditors meeting, a response to the effect
that a conclusion had been reached that “No illicit or illegal conduct has been found in the transaction itself, and no violation of the Directors’ obligation for the due care of a prudent manager or procedural flaws have been found” as the opinion of the Board of Auditors meeting (“Concerning the Report” dated May 17, 2009 addressed to KPMG AZSA LLC from the Board of Auditors meeting).

On receiving this, KPMG AZSA LLC ending up issuing an unqualified opinion for both Olympus alone and consolidated in the audit results for the fiscal year ending March 2009.

Then, at the Board of Directors meeting on May 25, 2009, the Settlement Report for the fiscal year ending March 2009 was approved, but nothing about the background as described above was ever reported by the Board of Auditors.

In addition, in July 2009, the term of the Agreement with KPMG AZSA LLC expired, after which the auditing firm was changed to Ernst & Young ShinNihon LLC (hereinafter, “ShinNihon LLC”).

D. Rescission of the resolution to purchase the dividend preferred shares

At a Board of Directors meeting on June 5, 2009, approval was granted for the withdrawal of the proposal for purchase, for the reason that agreement had still not been reached about the purchase amount (minutes of the Board of Directors meeting dated June 5, 2009). There is an account in the minutes to the effect that negotiations about the amount would be undertaken in the future so that the purchase amount would approach as closely as possible the book value of the dividend preferred shares (approximately 177 million dollars).

It was an anomaly even at Olympus for it to go to the trouble to revoke an approval resolution once it had been passed, but this was because there was a request from KPMG AZSA LLC, which regarded the exorbitant advisor fee as a problem, that it wanted Olympus to revoke the resolution approving the purchase. However, the other Directors in attendance were completely unaware of the interactions with KPMG AZSA LLC, and of the fact that the 2009 Committee Report had been submitted, and agreed to the revocation of the resolution approving the purchase, while expecting re-negotiations and without harboring any doubts.

E. Review regarding the accounting treatment in the purchase of the dividend preferred shares

From January to March 2010, meetings about the accounting treatment in the event that the dividend preferred shares was bought back were held between Olympus’ Accounting Department and ShinNihon LLC.

Accordingly, with the occasion being the change of the dividend preferred shares from fixed liabilities to shareholders’ equity, advice was given to the effect that dividends to Axam had still not been paid constituted the grounds, and to the effect that in the event that the dividends were not paid, a legal opinion of an attorney about whether or not there was a possibility that the preferred stock would be converted to common stock should be obtained as a supplement.

After the above-mentioned discussions with the auditing firm, Mori requested from Sagawa that an e-mail to the effect that “The dividends have not been paid” be sent, and an e-mail with the same content was sent from Sagawa on February 4, 2010. In response to this, Mori issued a reply to the effect that he wanted to discuss the handling of the dividends as well in the negotiations about the dividend preferred shares.
In addition, concerning the attorney’s written opinion, Mori acquired a memorandum from an attorney to the effect that “Although there exist no provisions in English law that permit conversion to common stock, there is also a possibility that there will be no choice but to accede in the event that the other party has asserted this. In addition, although there still exist no precedents in English law that permit conversion to common stock, that does not mean that there is absolutely no possibility of this in the future” (“Re: Gyrus Group Limited”, a memorandum dated February 19, 2010 prepared by the attorney).

On March 12, 2010, a Management Implementation Meeting was held, and at a preliminary examination meeting of ShinNihon LLC, a report was made to the effect that transfer of the dividend preferred shares from fixed liabilities to shareholders’ equity was approved. In addition, as concerns the timing of the transfer, there was an explanation to the effect that according to Ernst & Young’s opinion about the IFRIC Interpretation Guidelines, the following two ways were possible as concerns the treatment of the reclassification from financial liabilities to equity financial products (notes used for the Management Implementation Meeting dated March 12, 2010 prepared by Mori).

1. Re-measure the liabilities at fair value (market value) as of the time of the re-classification deadline, and acknowledge the profits and losses and transfer the re-measured amount to assets.
2. Do not undertake re-measurement, and transfer to assets at the book value of the liabilities as of the time of the re-classification deadline.

However, from the settlement period starting from July 2010 (the 144th period), treatment by 2 would not be permitted, and it would involve the treatment in 1.

The majority opinion of the examination meeting was that re-measurement should be done at the market value, but it stated that in the event that the company asserted the adoption of 2 in writing by July 2010, it was not possible to reject the adoption of this assertion at the present point in time.

In this manner, the issuance of the auditing firm’s opinion that if it is was prior to the business year that began in July 2010, it was possible to transfer at book value the dividend preferred shares from liabilities to assets became the decisive factor for executing promptly a purchase of dividend preferred shares.

F. Approval to purchase the dividend preferred shares at a Board of Directors meeting, execution of the purchase agreement and the implementation thereof

(A) Report about the circumstances of the purchase of dividend preferred shares

At a Board of Directors meeting on February 26, 2010, the following report was made by Mori (minutes of the Board of Directors meeting dated February 26, 2010, materials of the same Board of Directors meeting).

- To the effect that Axam had been asserting that it would not approve a capital reduction of Gyrus, pursuant to the Supplement to the Share Subscription Agreement
- To the effect that payment of the dividend had been stopped in response to the non-approval of the capital reduction (approximately 27 million dollars current as of the end of December 2009)
- To the effect that he had been examining with ShinNihon LLC a method for transferring the dividend preferred shares from fixed liabilities to the minority shareholder portion, by recognizing voting rights for the same, etc.

In addition, it was reported that as the measures for handling this in the future,
negotiations would be undertaken with Axam about the revision of the conditions of the dividend preferred shares (the preference for dividends would be reduced in return for granting voting rights equivalent to the veto right held by Axam, etc.), and that a situation of breach of the agreement owing to the stoppage of dividend payment would be avoided, and at the same time transfer from fixed liabilities to minority shareholders’ equity would be undertaken. In the Board of Directors meeting, Mori explained that he wanted to purchase the dividend preferred shares by the end of March, in order to eliminate as soon as possible the situation of breach of the agreement owing to the stoppage of payment of dividends, but in response to this, at the Board of Directors meeting, the only matter debated was the fact that “if we aim at a purchase by the end of March, wouldn’t it be better to approve beforehand purchasing within the scope of a certain amount at this Board of Directors meeting?”

(B) E-mail from Axam urging the purchase of dividend preferred shares

On March 17, 2010, after it was confirmed that there was a prospect that transferring the dividend preferred shares from fixed liabilities to equity interests would be approved by ShinNihon LLC, an e-mail requesting the purchase of dividend preferred shares was again received from Axam. At the time of the initial purchase request in November 2008, the assessment of dividend preferred shares by Axam was 530 million dollars to 590 million dollars, but the assessment of dividend preferred shares had been raised to approximately 724 million dollars in March 2010. Mori had initially believed that even if the cash necessary for terminating the agreement for the SG Bonds was somewhat lacking, it would be acceptable to include the deficit in the losses, but he had intending to eliminate the losses at one fell swoop by inflating the amount further, and this involved the task of setting the final purchase amount at 620 million dollars, by using the excuse of negotiations about the amount with Axam.

(C) Approval of the purchase of dividend preferred shares

At a Board of Directors meeting on March 19, 2010, it was reported that reclassification would be conducted for the dividend preferred shares at book value from the fixed liabilities to the equity interests, and that due to this, it would be possible to include as goodwill the difference between the purchase price and the book value of the dividend preferred shares, and that the accounting treatment of these was possible if the purchase was implemented in the current period (the 142nd period), and the approval of ShinNihon LLC had also been obtained (minutes of the Board of Directors meeting dated March 19, 2010, materials of the same Board of Directors meeting).

In addition, concerning the price for acquiring the dividend preferred shares, it was reported that in response to Axam’s assertion that this was approximately 724 million dollars, Olympus’ assertion was that it was 519 million dollars, and thus there was a huge gap, and this had been decided at 620 million dollars, which was between the two parties’ assertions, and an explanation was given as the reason for this decision that since Axam held veto right towards matters that were important in terms of the operation of Gyrus, the dividend preferred shares was equivalent to 50 percent of the corporation value of Gyrus (net asset value), and after adding a control premium of 30 percent this became 620 million dollars. In response to this explanation, there was chiefly a confirmation of the fact that there were no problems with the accounting treatment and a question about the reasonableness of a control premium of 30 percent from the other Directors, but finally the implementation of the purchase was approved unanimously with no objection.

The series of events involving the problems in terms of the accounting treatment of the dividend preferred shares, the fact that a method for resolving these was proposed by the auditing firm, and that the purchase was necessary immediately since this could no longer be done from
the 144th period on, was not something that Mori had originally been planning all along, and the purchasing of the dividend preferred shares at the high price of 620 million dollars all at once was a result to which unanticipated circumstances were added as well.

(D) Conclusions of the dividend preferred shares purchase agreement (Agreement for the sale and purchase of shares in Gyrus Group Limited)

Through the approval of the above-mentioned Board of Directors meeting, on March 22, 2010, a dividend preferred shares purchase agreement was concluded (“Agreement for the sale and purchase of shares in Gyrus Group Limited” dated March 22, 2010). In connection with implementing the remittances from two banks, two copies of the Agreement exist given the fact that the amount was divided into 410 million dollars and 210 million dollars. The signatories of the same Agreement were Sagawa (Axam side), Kikukawa (Olympus side) and Mori and 1 other person (the side of Olympus Finance UK Ltd. (hereinafter, “OFUK”), which served as the buyer of the dividend preferred shares), and on the Olympus side, the overseas law office conducted a legal review.

(E) Report about the implementation of the purchase of the dividend preferred shares

At the Board of Directors meeting on March 26, 2010, a report was made to the effect that the dividend preferred shares purchase agreement was concluded on March 22, that the remittances had been completed on March 25, and the Share Transfer Form had been received on March 26 (minutes of the Board of Directors meeting dated March 26, 2010).

(F) Deregistration of Axam

On June 30, 2010, three months after the above-mentioned purchase of the dividend preferred shares was implemented, the registration in the Cayman Islands of Axam, whose purpose was completed, was cancelled.

(6) Summary of the payment amounts to Axes, Axam and Axes Japan

If the above known facts are taken as the premise, the fees and necessary expenses paid to Axes and Axam, as well as the net amounts received by Axes, Axam and Axes Japan, at the time of the Gyrus purchase, are as indicated below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Recipient</th>
<th>Amount (million dollars)</th>
<th>Yen currency at that time (100 million yen)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 16, 2006</td>
<td>Axes</td>
<td>3</td>
<td>3</td>
<td>Basic fee pursuant to the FA Agreement</td>
</tr>
<tr>
<td>June 16, 2006</td>
<td>Axes</td>
<td>5</td>
<td>6</td>
<td>Payment of necessary expenses pursuant to the FA Agreement. Of which, 3 million dollars were paid to Axes Japan on July 3, 2006, and the remaining 2 million dollars had also been allocated to the overseas FA, etc.</td>
</tr>
<tr>
<td>June 18, 2007</td>
<td>Axes</td>
<td>2</td>
<td>2</td>
<td>Basic fee pursuant to the FA Agreement</td>
</tr>
</tbody>
</table>
### Disbursement Summary

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Capital funds</th>
<th>Amount (million dollars)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 26, 2007</td>
<td>Axes</td>
<td></td>
<td>12</td>
<td>Payment of cash portion of the completion fee pursuant to the FA Agreement. Of which, 8.50 million dollars were allocated to the payment of overseas FA, etc.</td>
</tr>
<tr>
<td>February 8, 2008</td>
<td>Axes</td>
<td></td>
<td>2</td>
<td>Payment of necessary expenses pursuant to the FA Agreement. Of which, 1.7 million dollars were allocated to the payment of overseas FA, etc.</td>
</tr>
<tr>
<td>September 26, 2008</td>
<td>Olympus</td>
<td>▲0.3</td>
<td>▲0.3</td>
<td>The unpaid portion of the necessary expenses was returned from Axes</td>
</tr>
<tr>
<td>September 30, 2008</td>
<td>Axam</td>
<td>50</td>
<td>53</td>
<td>Purchase of warrants</td>
</tr>
<tr>
<td>March 23 – March 25, 2010</td>
<td>Axam</td>
<td>620</td>
<td>579</td>
<td>Purchase of dividend preferred shares (payment in three installments)</td>
</tr>
<tr>
<td>Total (①)</td>
<td></td>
<td></td>
<td>Approximately 693.7</td>
<td>657.7</td>
</tr>
</tbody>
</table>

#### [② Amounts paid from Axes to the overseas FA, legal advisor, et al]

<table>
<thead>
<tr>
<th>Capital funds</th>
<th>Amount (million dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From among the necessary expenses paid on June 16, 2006</td>
<td>2</td>
</tr>
<tr>
<td>From among the completion fee paid on November 26, 2007</td>
<td>8.5</td>
</tr>
<tr>
<td>From among the necessary expenses paid on February 8, 2008</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total (②)</strong></td>
<td><strong>Approximately 12.2</strong></td>
</tr>
</tbody>
</table>

#### [③ Net amounts received by Axes and Axes Japan (① - ②)]

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Amount (million dollars)</th>
<th>Yen currency at that time (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axes</td>
<td>8.5</td>
<td>8.8</td>
</tr>
<tr>
<td>Axes Japan</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Axam</td>
<td>670</td>
<td>632</td>
</tr>
<tr>
<td><strong>Total (① - ②)</strong></td>
<td><strong>Approximately 681.5</strong></td>
<td><strong>Approximately 643.8</strong></td>
</tr>
</tbody>
</table>

As is noted in (7) A. below, the 670 million dollars paid to Axam was utilized for loss settlement, and flowed back to Olympus via numerous Funds.

On the other hand, the total of approximately 11.5 million dollars (approximately 1.18 billion yen) received by Axes and Axes Japan has not been utilized for loss settlement, and it is believed that they were received as the FA fees for the two companies, which is equivalent to 0.57 percent of the Gyrus purchase amount (approximately 965 million pounds, or approximately 206.3 billion in Yen currency at the time of the purchase).
In June 2008, Axam paid to Axes 24 million dollars as the consideration for the transfer of stock options and warrants, but these 24 million dollars served as the capital funds from GPAI to Axam.

(7) Final disposition of payment amounts ~Completion of the loss settlement scheme~

A. The transfer of money from Axam to Olympus

(A) Related Funds and the relationship between them

Concerning the purchase price of 620 million dollars for the dividend preferred shares, the Funds that were used for moving funds from Axam to Olympus were GPAI, CD, Easterside and SG Bond. The relationship between Olympus, and SG Bond and Easterside, whose premise was the movement of funds, was that Olympus invested 60 billion yen in SG Bond, and SG Bond then lent bonds equivalent to approximately 60 billion yen to Easterside. In addition, the prior relationship between Easterside, CD, GPAI and Axam was as follows: ① Easterside undertook financing in CD; ② CD undertook lending to GPAI in the form of accepting the issue of an Equity Participation Note and Promissory Note; and ③ GPAI undertook lending to Axam in the form of accepting the issue of an Equity Participation Note. In other words, the movement of funds was conducted in the form of redemption of the Equity Participation Note and Promissory Note between Funds, payback of investment and return of the bonds, etc.

Concerning the purchase price of 50 million dollars for the warrants, it is believed that GPAI, 21C, Easterside and SG Bond were used for the movement of funds from Axam to Olympus. The relationship between Easterside, 21C and GPAI was as follows: ① Easterside undertook lending to 21C in the form of accepting the issue of a Medium Term Note; and ② 21C undertook lending to GPAI. The movement of funds from GPAI to SG Bond was conducted in the form of repayment of the money lent, re-purchase of the Note and return of the bonds.

A Fund Relationship Chart is shown below in simplified fashion, and in addition there is a detailed description of the flow of specific funds.
(B) Movement of funds from Axam to GPAI
Axam redeemed the Equity Participation Note, which had been issued to GPAI, on March 31, 2010. By this means, approximately 623 million dollars in cash moved from Axam to GPAI.

(C) Movement of funds from GPAI to CD
Between April 1 and 16, 2010, GPAI paid a total of 622,013,68.52 [translator’s note: One digit missing] dollars in cash to CD, by redeeming the Equity Participation Note and Promissory Note issued by GPAI (Receipts and Payment Schedule dated April 26, 2010 relating to CD).

(D) Movement of funds from CD to Easterside
Concerning the approximately 622 million dollars in cash moved from GPAI to CD, although this was applied to the payback of the investment from CD to Easterside, the method involved was as follows: ① The bonds (the same or a similar issue as the bonds that Easterside had borrowed from SG Bond) purchased on the market by CD had been issued in kind with a portion of the cash received from GPAI, and in addition ② the remaining cash received from GPAI was paid to Easterside. By this means, approximately 29 billion yen was moved around August 2010, and approximately 29 billion yen was moved around March 2011 also, from CD to Easterside (Unaudited Annual Accounts current as of June 30, 2010 relating to Easterside). CD allocated a portion of the cash received from GPAI to the purchase of bonds, and the issue of
the actuals for said bonds to Easterside was based on the intention that Easterside would ultimately move funds to SG Bond in the form of return of the bonds.

(E) Movement of funds from Easterside to SG Bond

Concerning the movement of funds from Easterside to SG Bond, this took the form of a return of the bonds that had been borrowed from SG Bond, and specifically ① The actuals of the bonds (the same or a similar issue as the bonds that Easterside had borrowed from SG Bond) that Easterside had additionally purchased on the market with a part of the cash received from CD, and ② the actuals of the bonds received from CD were delivered to SG Bond, and in addition ③ cash settlement was carried out for the bonds of a portion of the issue that could not be purchased on the market. By this means, approximately 31 billion yen was moved around August 2010, and approximately 31 billion yen was moved around March 2011, respectively to SG Bond.

(F) Movement of funds from SG Bond to Olympus

SG Bond undertook the payback of the investment to Olympus, based on selling the actuals of the bonds whose return was accepted from Easterside and converting this to cash, and Olympus received approximately 31.569 billion yen on September 22, 2010, and approximately 31.569 billion yen on March 24, 2011, respectively (the document addressed to Olympus dated September 21, 2010 prepared by Strategy Growth Asset Management, the document entitled “Notice of Arrival of Remittances” dated September 24, 2010 prepared by Mitsui Sumitomo Bank KK, the document addressed to Olympus dated March 23, 2011, and the document entitled “Notice of Arrival of Remittances” dated March 25, 2011).

(G) Movement of funds from GPAI to Easterside through 21C

Concerning the 50 million dollars for the purchase price for the warrants, which was paid from Olympus to Axam in September 2008, the funds were moved from Axam to GPAI in October 2008, and of these approximately 38.89 million dollars was remitted from GPAI to 21C in February 2009 as repayment of 21C’s loans to GPAI. 21C had issued a Medium Term Note with a face value of 51.760,000 billion yen to Easterside, but it appears that it re-purchased said Note at 4.1 billion yen based on the funds received, and it is believed that this 4.1 billion yen that flowed to Easterside was allocated to the above-described movement of funds of approximately 62 billion yen from Easterside to SG Bond (Unaudited Annual Accounts current as of June 30, 2010 relating to Easterside).

(H) Summary of the movement of funds

As indicated above, concerning the 620 million dollars for the purchase price of the dividend preferred shares, which was paid from Olympus to Axam in March 2010, this money was returned to Olympus after passing through GPAI, 21C, Easterside and SG Bond, respectively.

In addition, concerning the 50 million dollars for the purchase price of the warrants, which was paid from Olympus to Axam in September 2008, it is believed that this money was returned to Olympus after passing through GPAI, 21C, Easterside and SG Bond, respectively.
B. Accounting treatment of the payment amount ~ Use of goodwill~

In terms of the accounting of the loss settlement scheme, it was crucial for Yamada and Mori that the huge outlays for the payments related to the series of FA fees and the purchase of dividend preferred shares not be manifested all at once as losses, and as indicated below Yamada and Mori tried to carry out a write-off in stages by utilizing goodwill.

Yamada and Mori attempted initially to include as goodwill based on consolidation all of the basic and completion fees paid to Axes and Axam, the book value of the stock options granted and the warrant payment price up to the fiscal year ending March 2009. However, in fact, it was pointed out by KPMG AZSA LLC that of the FA fees, the characteristics as consideration was lacking for the portion exceeding 5 percent of the Gyrus purchase amount (approximately 206.3 billion yen), and based on discussions between the two parties 15.5 billion yen of the FA fees was included as a loss from prior period adjustment, in the fiscal year ending March 2009.

In addition, as discussed above, the dividend preferred shares had initially been acknowledged as “fixed liabilities” based on consolidation, but when the purchase of the dividend preferred shares was conducted for a high amount in that manner, the difference between the purchase amount and the book value would end up being included as a loss. Given this fact, Yamada and Mori obtained the approval of ShinNihon LLC, and undertook treatment by transferring this to equity at a book value of 16.5 billion yen (177 million dollars). Then, accounting treatment was undertaken for the purchase of the dividend preferred shares by regarding it as a capital transaction that was completely separate from the Gyrus purchase transaction, and of the difference of 41.4 billion yen between the consideration of 57.9 billion yen (620 million dollars) and the book value of 16.5 billion yen (177 million dollars) for the dividend preferred shares, 41.2 billion yen was included as goodwill, and 200 million yen was included as a foreign currency translation adjustment.

In addition, please see Number 4, 5 for the specifics related to the inclusion of the goodwill.

14. Summary of loss settlements

By the above means, Olympus settled the losses that were separated by the loss separation scheme. Its overview is illustrated in Attachment 19.

15. Regarding the involvement of Kishimoto and Kikukawa

(1) Regarding Kishimoto

A. After the collapse of the bubble economy in 1990, Kishimoto was appointed President in 1993, when the stock market was sluggish, but from the start of his term in office he had acknowledged the investment loss on financial assets that Olympus was burdened with at the time. At that time, Yamada, who was the leader of the Finance Group in the Accounting Department, repeatedly approached Kishimoto for consultations about the treatment of the investment loss from the middle of the 1990s, and proposed that it should be publicly announced, but the response of Kishimoto was that “We will wait, because the losses will decrease if the market recovers, and we can turn things around”.

In May 1995, when the investment loss had grown to an immense sum, when it was announced that Kikukawa would be appointed a Managing Director in charge of finance affairs,
Yamada visited Kishimoto in the President’s office, who was fully aware of the facts of that investment loss and the actual state of its treatment, and when he asked Kishimoto, “I think that it simply won’t do for me not to talk with Mr. Kikukawa about that (the immense losses), but when and based on what timing should I talk to him?”, Kishimoto replied, “I will judge the timing and discuss it with him”.

B. In addition, when the Agreement for the account collateral loan to CFC, which had been concluded between Olympus and LGT Bank, and was the core part of the loss separation scheme, was extending to July 2003, Kishimoto, in his capacity as Chairman of Olympus, signed along with Kikukawa, the President, on the Loan Agreement after extension (the borrower was CFC) and the Comprehensive Agreement for Establishing Revolving Collateral, and in addition he also signed the document for verifying that Olympus had the legitimate authority to provide its property as collateral based on the same Agreement.

C. Kishimoto has denied that he was aware of this matter, but in light of the above his cognizance of the facts is clear.

(2) Regarding Kikukawa

A. Kikukawa experienced the inclusion of special losses in the fiscal year ending September 1999 immediately after he was appointed Executive Director in charge of financial affairs, but within that year at the very latest he learned that Olympus was carrying unrealized losses that had not been made public and that it had been engaged in various “tobashi” in order to defer these, and also learned about the loss separation and settlement schemes, based on directives and messages from Kishimoto and reports from Yamada.

B. Several days before the Management Meeting convened on January 28, 2000, the classification of assets by purpose of use and a basic portfolio of financial assets were proposed (the document entitled “Classification of Liquidity on Hand by Use and Operating Methods”), but this was in order to undertake investment in financial assets and business investment Funds, in order to allocate the huge amount of funds required for realizing the loss separation and settlement schemes. Kikukawa, who had received a full explanation beforehand from Mori, the drafter, was aware of this.

C. When Olympus purchased the stock of the Three Domestic Companies from Neo, OFH and ITV from March 2008, Yamada reported to Kikukawa that the business value of the Three Domestic Companies had been assessed at a rather high amount, whereupon Kikukawa stated “Let’s move ahead based on this”, “We absolutely must do something about the Three Domestic Companies. I will also cooperate with you”, and “If things go well, the losses will decrease by a large amount, won’t it”, and thus expressed a stance of actively addressing the resolution of the pending matter on his own.

D. Concerning the Gyrus purchase, Yamada and Mori had reported to Kikukawa, the President, point by point in accordance with the progress of the situation. Around September 2008, when they
examined how Olympus could purchase the dividend preferred shares of Gyrus for a large amount of money from Axes, which had issued it, Kikukawa asked Yamada and Mori, “What do you think? Can it all be eliminated?”, and then at the end of their discussion, he spoke his mind by saying “It will be nice if this were the end”. The fact that Kikukawa, as the President, was hoping from his heart for the realization of this scheme in order to eliminate the largest dark shadow over Olympus was expressed.

IV Analysis and Review of the Financial Effect based on the Facts Identified in our Investigation

1. Outline of the loss disposition scheme as seen in terms of accounting
   (1) Coming up with the required money for the separation of losses
       Olympus did the following: ① Undertake deposits, government bonds, etc. in a foreign bank, and implement investment to the Funds; ② Contract a loan with the foreign bank off the books, with these deposits and government bonds as the security; ③ Create Funds or purchase bonds with these funds; and ④ Lend these purchased bonds to the Funds, and then sell them on the market by means of these Funds, and obtain the payment made. By means of the above process, Olympus raised the funds for having the Funds purchase at book value the financial products, etc. that carried unrealized losses.

   (2) Separation of losses into the Funds
       With the funds raised by (1), the Funds purchased at book value the financial products, etc. that were carrying the unrealized losses held by Olympus. By this means, the losses were moved to the Funds, but the since the Funds fell outside the scope of consolidated accounting, Olympus’ unrealized losses disappeared.

   (3) Covering of the losses transferred into the Funds
       The Funds acquired some stock or another and either sold it at a high amount to Olympus, or devised a method whereby the fees to the FA (the consideration for acquiring dividend preferred shares or warrants) paid by Olympus in the purchase of overseas corporations flowed back to the Funds, to which the losses had been transferred, and thus the losses carried by the Funds were settled.

   (4) Settlement of the loss separation scheme
       Olympus settled the loans and lending transactions by means of these back-flowed funds, cancelled the agreements for the deposits or Funds that had been established at the outset, and received the redemption thereof.

   (5) Awareness of losses
       The consideration for acquiring stock and the FA fees expending by Olympus in order to cover the losses of the Funds was included in the goodwill on the consolidated balance sheet of Olympus, and was to be gradually written off over a period of 10 to 20 years. Owing to this, the initially separated losses appeared as expenses on the consolidated balance sheet of Olympus,
and were recognized.

(2') The losses are transferred

(2) Purchase of financial products

OL Company

(1) Raising of funds

Deposits, government bonds, Funds

(1') Transfer of funds

(4') Cancellation of agreement and redemption

(3) Payment of consideration for stock acquisition and consideration for dividend

(4) Repayment of funds

Funds

Movement of funds

Transfer of losses

(5) The losses are indirectly transferred as goodwill

2. The Europe route and the Singapore route

(1) Starting point of the loss separation scheme

The funds of the Europe route and the Singapore route were utilized as the point of departure for this settlement separation scheme, and superficially it was included in the balance sheet as Olympus’ deposits or investment securities.

Olympus took out loans off the books with the deposits at the Commerzbank, SG, LGT Bank, etc. as collateral, and organized Funds with these funds or organized separate Funds with the funds invested in such Funds as SG Bond, New Investments Limited, etc., and then undertook "tobashi" for the financial products carrying unrealized losses in these Funds, and thereby formed the loss separation scheme.

(2) The Europe route

A. Accounting treatment

The funds for the Europe route began as investments in Japanese government bonds from 1998. Finally, in Olympus’ Settlement, 35 billion yen of the funds of the Europe route were included as negotiable securities (government short-term securities) from the fiscal year ending March 2001 to the fiscal year ending March 2004, and as deposits (LGT Bank) from the fiscal year ending March 2005 on, and the other 15.2 billion yen were included as investment securities (New Investments Limited) from the fiscal year ending March 2000, respectively.

The deposits in LGT Bank were transferred to Olympus’ savings account at Mitsui Sumitomo Bank in the fiscal year ending March 2009 (LGT Bank deposit voucher dated June 4, 2008).

The investment securities (New Investments Limited) were assessed at market value based on the balance certificate acquired from LGT Bank at the time of the settlement, and the difference between the acquisition price and the market value was included in the Net Assets as the valuation difference for other negotiable securities, by the application of the financial products accounting standards from the fiscal year ending March 2001 on. At the time of the
cancellation of the agreement in the fiscal year ending March 2009, there was a deposit of 15.9 billion yen at Olympus, and proceeds from agreement cancellation of a difference of 700 million yen with the book value of 15.2 billion yen were included (deposit voucher for the cancellation money of New Investments Limited dated September 12, 2008).

[Changes in the balance of Olympus’ deposits, etc. used for the separation scheme for losses (Europe route)①]

<table>
<thead>
<tr>
<th>Business year</th>
<th>Account item</th>
<th>Financial institution, etc.</th>
<th>Acquisition cost</th>
<th>Book value (market value)</th>
<th>Valuation difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2001</td>
<td>Negotiable securities</td>
<td>Government securities</td>
<td>short-term</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2002</td>
<td>Negotiable securities</td>
<td>Government securities</td>
<td>short-term</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2003</td>
<td>Negotiable securities</td>
<td>Government securities</td>
<td>short-term</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2004</td>
<td>Negotiable securities</td>
<td>Government securities</td>
<td>short-term</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2005</td>
<td>Deposits</td>
<td>LGT Bank</td>
<td></td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2006</td>
<td>Deposits</td>
<td>LGT Bank</td>
<td></td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>March 2007</td>
<td>Deposits</td>
<td>LGT Bank</td>
<td></td>
<td>350</td>
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</tr>
<tr>
<td>March 2008</td>
<td>Deposits</td>
<td>LGT Bank</td>
<td></td>
<td>350</td>
<td>350</td>
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</tbody>
</table>

[Changes in the balance of Olympus’ deposits, etc. used for the separation scheme for losses (Europe route)②]

<table>
<thead>
<tr>
<th>Business year</th>
<th>Account item</th>
<th>Financial institution, etc.</th>
<th>Acquisition cost</th>
<th>Book value (market value)</th>
<th>Valuation difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2000</td>
<td>Negotiable securities</td>
<td>LGT Portfolio</td>
<td>152</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2001</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
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<tr>
<td>March 2002</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
<td>153</td>
<td>0</td>
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<tr>
<td>March 2003</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
<td>154</td>
<td>1</td>
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<tr>
<td>March 2004</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
<td>155</td>
<td>2</td>
</tr>
<tr>
<td>March 2005</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
<td>156</td>
<td>3</td>
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<tr>
<td>March 2006</td>
<td>Investment securities</td>
<td>New Limited Investments</td>
<td>152</td>
<td>157</td>
<td>4</td>
</tr>
</tbody>
</table>
B. Contents of the cooperative consultations with the accounting auditors

New Investments Limited is an investment trust for investing with the focus on domestic bonds, and a breakdown of the type of property constituting the investment assets and the market value materials, etc., had been obtained in connection with the circumstances of operation. Although a detailed account of the investment assets, such as the individual issues, had not been offered, it had been requested by the accounting auditors that the individual issues be additionally disclosed.

As a result, from the fiscal year ending March 2007, the shares of the main assets were disclosed, and the accounting auditors examined the ratings, etc. of the individual investment assets, and assessed that the valuation of said investment trust was not unreasonable. Although the acquisition cost and market value of the investment assets by issue had not been disclosed, the accounting auditors indicated in the Audit Summary Report that it was necessary to continue to request the disclosure of additional information.

The shares of New Investments Limited’s main assets are as indicated below. Here, the majority of the funds at New Investments Limited had been moved as an investment in TEAO, but in the Investment Report no account of the investment in TEAO can be found.

<table>
<thead>
<tr>
<th>Shares of New Investments Limited’s main assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
</tr>
<tr>
<td>AIG</td>
</tr>
<tr>
<td>BNG</td>
</tr>
<tr>
<td>Norddeutche [sic] Bank</td>
</tr>
<tr>
<td>Japan32</td>
</tr>
<tr>
<td>Japan209</td>
</tr>
<tr>
<td>Japan201</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Rabobank Nederland NV</td>
</tr>
<tr>
<td>Swedbank Hypotek</td>
</tr>
<tr>
<td>Portugal</td>
</tr>
</tbody>
</table>

C. Written contents of the balance confirmation letter obtained by the accounting auditors

The balance confirmation letter for LGT Bank requested response concerning matters related to withdrawal restrictions such as the circumstances of the establishment of collateral of deposits, in
the prescribed standard form of the accounting auditors, but the response was in the form of a foreign bank prescribed by the other party, and there was no description about whether or not there was any collateral therein.

Concerning the short-term government securities and New Investments Limited in the fiscal year ending March 2001, there is a record in the audit work papers that a balance confirmation letter was sent and recovered, but the balance confirmation letter itself has not been preserved as an audit work paper, and the contents are unknown.

(3) The Singapore route
A. Accounting treatment
In Olympus’ Settlement, the funds of the Singapore route were included as deposits of Commerzbank and SG, from the fiscal year ending March 2000 until the fiscal year ending March 2004, and were included as investment securities (SG Bond) from the fiscal year ending March 2005 on.

The investment securities (SG Bond) were assessed at market value based on the Investment Report acquired from the Funds at settlement, and the difference between the acquisition price and the market value was included in the Net Assets as the valuation difference for other negotiable securities. At the time of the cancellation of the agreement in the fiscal year ending March 2011, there was a deposit of 63.1 billion yen at Olympus, and proceeds from agreement cancellation of a difference of 3.1 billion yen with the book value of 60 billion yen were included (deposit voucher for the cancellation money of SG Bond dated September 22, 2010, deposit voucher for the cancellation money of SG Bond dated March 25, 2011).

[Changes in the balance of Olympus’ deposits, etc. used for the separation scheme for losses (Singapore route)]

<table>
<thead>
<tr>
<th>Business year</th>
<th>Account item</th>
<th>Financial institution, etc.</th>
<th>Acquisition cost</th>
<th>Book value (market value)</th>
<th>Valuation difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2000</td>
<td>Deposits</td>
<td>Commerzbank</td>
<td>306</td>
<td>306</td>
<td>-</td>
</tr>
<tr>
<td>March 2001</td>
<td>Deposits</td>
<td>Commerzbank</td>
<td>150</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Deposits</td>
<td>SG</td>
<td>300</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>March 2002</td>
<td>Deposits</td>
<td>SG</td>
<td>450</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>March 2003</td>
<td>Deposits</td>
<td>SG</td>
<td>450</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>March 2004</td>
<td>Deposits</td>
<td>SG</td>
<td>450</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>March 2005</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>602</td>
<td>602</td>
<td>2</td>
</tr>
<tr>
<td>March 2006</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>593</td>
<td>593</td>
<td>▲7</td>
</tr>
<tr>
<td>March 2007</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>603</td>
<td>603</td>
<td>3</td>
</tr>
<tr>
<td>March 2008</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>606</td>
<td>606</td>
<td>6</td>
</tr>
<tr>
<td>March 2009</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>614</td>
<td>614</td>
<td>14</td>
</tr>
<tr>
<td>March 2010</td>
<td>Investment securities</td>
<td>SG Bond</td>
<td>618</td>
<td>618</td>
<td>18</td>
</tr>
</tbody>
</table>

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B. Contents of the cooperative consultations with the accounting auditors

SG Bond is an investment trust for investing with the focus on bonds and debentures, and there was an indication from the accounting auditors in the Audit Summary Report that given the fact as well that the investment amount was large at 60 billion yen, it was necessary to acquire detailed information about the investment issues, etc., and to accurately comprehend the circumstances of investment.

As a result, the acquisition cost and market value by share have been disclosed individually from the place of investment from the fiscal year ending March 2007, and they were invested as highly rated credits in accordance with Olympus’ policies.

SG Bond’s main investment assets are as indicated below, and SG Bond loaned said bonds to Easterside, sold said bonds in Easterside, and moved the funds to other Funds.

[Main investment assets of SG Bond (fiscal year ending March 2009)]

<table>
<thead>
<tr>
<th>Issue</th>
<th>(100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIG</td>
<td>133</td>
</tr>
<tr>
<td>Landwirtschaftliche Rentenbank</td>
<td>131</td>
</tr>
<tr>
<td>Development Bank of Japan</td>
<td>114</td>
</tr>
<tr>
<td>European Lnvt Bank</td>
<td>99</td>
</tr>
<tr>
<td>Cie Financement Foncier</td>
<td>30</td>
</tr>
<tr>
<td>Japan Finance Corp for Municipal</td>
<td>40</td>
</tr>
<tr>
<td>Toyota Motor Credit Corp</td>
<td>8</td>
</tr>
<tr>
<td>General Electric</td>
<td>30</td>
</tr>
<tr>
<td>Dexia Municipal Agency</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total for bonds and debentures</strong></td>
<td><strong>605</strong></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>5</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>4</td>
</tr>
<tr>
<td><strong>Assets total</strong></td>
<td><strong>614</strong></td>
</tr>
</tbody>
</table>

C. Written content of the balance confirmation letter obtained by the accounting auditors

(A) Prior to the fiscal year ending March 2003 (Commerzbank deposits, SG deposits)

The balance confirmation letter requested response concerning matters related to withdrawal restrictions such as the circumstances of the establishment of collateral of deposits, in the prescribed standard form of the accounting auditors, but the response was in the form of a foreign bank prescribed by the other party, and there was no description about whether or not there was any collateral therein.

(B) Fiscal year ending March 2004 (SG deposits)

The accounting auditors changed the form of the balance confirmation letter for overseas financial institutions in the fiscal year ending March 2004. In the form after the changes, matters related to withdrawal restrictions such as the circumstances of the establishment of collateral...
were not indicated clearly in the matters for response, and it was a format that sought comments in the event there were matters of special note. Although there is a form for confirming matters related to withdrawal restrictions, the accounting auditors viewed the results of the risk evaluation procedure, and did not use said form. As a result, there was no description in the collected confirmation letters about whether or not there was collateral.

(C) From the fiscal year ending March 2005 on (SG Bond)
Up to the fiscal year ending March 2008, the balance confirmation letters had only been sent to the investors in the Funds. Given that it identified improper risks concerning the investment assessment in the fiscal year ending March 2009, it issued a balance confirmation letter to Commerzbank International Trust, the custodian for SG Bond, in addition to the investor.

In the balance confirmation letter to the investors in SG Bond, the presence or absence of purchase conditions such as the establishment of collateral and the credits held, etc. were taken to be the matters for response. In the one to Commerzbank International Trust, anything related to matters of special mention were taken to be the matters for response, in addition to the balance of SG Bond, which had become a safe deposit, etc. As a result, there was no description in the balance confirmation letter about whether or not there were collateral provision or loan credits.

3. The timeline with respect to the acquisition of stocks in the Three Domestic Companies
   (1) Summary of the transfer of money and accounting treatment
   A. The transfer of money
   The Three Domestic Companies had the Funds acquire their shares, and they were used for the loss settlement scheme in the form of having them sold to Olympus at a high value.

   Olympus first of all invested 30 billion yen in GCNVV, the business investment Fund, and had GCNVV acquire the shares of the Three Domestic Companies with these funds (the consideration was 10.8 billion yen). After that, Olympus cancelled the agreement with GCNVV, and subscribed to the shares of the Three Domestic Companies at book value.

   Moreover, Olympus additionally acquired shares of the Three Domestic Companies in March and April 2008, and moved funds constituting a total of 71.6 billion yen to the Funds as the recipient of transfer of the losses. If the acquisition of shares in the Three Domestic Companies by GCNVV and Olympus is put in order, it was as shown in the table below (payment voucher for underwriting the capital increase for News Chef dated May 22, 2006, payment voucher for underwriting the capital increase for Altis dated May 22, 2006, payment vouchers for acquiring shares of the Three Domestic Companies (from Tensho Limited) dated September 20, 2007 and November 20, 2007, payment voucher for underwriting the capital increase for Altis dated December 20, 2007, payment vouchers for acquiring shares of the Three Domestic Companies (from ITV and Neo) dated March 25, 2008, payment voucher for acquiring shares of Humalabo (from OFH) dated March 28, 2008, payment vouchers for acquiring shares of the Three Domestic Companies (from DD and GT) dated September 25, 2008).
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (100 million yen)</th>
<th>Acquired by</th>
<th>Acquired from</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 17, 2006</td>
<td>18</td>
<td>GCNVV</td>
<td>ITV</td>
<td>Acquisition of shares in the Three Domestic Companies through GCNVV</td>
</tr>
<tr>
<td>March 23, 2006</td>
<td>90</td>
<td>GCNVV</td>
<td>Neo</td>
<td>Acquisition of shares in the Three Domestic Companies through GCNVV</td>
</tr>
<tr>
<td>March 26, 2008</td>
<td>471</td>
<td>Olympus</td>
<td>Neo ITV</td>
<td>Increase in the purchase of shares, for the purpose creating subsidiaries</td>
</tr>
<tr>
<td>April 25, 2008</td>
<td>137</td>
<td>OFH</td>
<td>DD GT</td>
<td>Increase in the purchase of shares, for the purpose creating subsidiaries (* Finally sold at book value to Olympus)</td>
</tr>
<tr>
<td>Total of the back-flow amount</td>
<td>716</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 2005 – December 2005</td>
<td>2</td>
<td>GCNVV</td>
<td>Capital increase</td>
<td></td>
</tr>
<tr>
<td>May 22, 2006</td>
<td>3</td>
<td>Olympus</td>
<td>Capital increase</td>
<td>Olympus direct investment</td>
</tr>
<tr>
<td>September 10, 2007</td>
<td>2</td>
<td>Olympus</td>
<td>Tensho Limited</td>
<td>Increase in the purchase of shares</td>
</tr>
<tr>
<td>November 20, 2007</td>
<td>3</td>
<td>Olympus</td>
<td>Tensho Limited</td>
<td>Increase in the purchase of shares</td>
</tr>
<tr>
<td>December 20, 2007</td>
<td>2</td>
<td>Olympus</td>
<td>Capital increase</td>
<td>Olympus direct investment</td>
</tr>
<tr>
<td>March 27, 2008</td>
<td>4</td>
<td>OFH</td>
<td>Capital increase</td>
<td>Direct investment through OFH (* Finally sold at 600 million yen to Olympus)</td>
</tr>
<tr>
<td>Other investment amount</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment amount</td>
<td>732</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**B. Summary of accounting treatment**

The consideration for acquisition of shares in the Three Domestic Companies paid out by Olympus was included in the goodwill on Olympus’ consolidated balance sheet, and was slated to be written off in 10 years.

However, at the end of the fiscal year ending in March 2009, Olympus decided that there was no longer any prospect for extra earnings due to the deterioration of the economic environment, and it carried out a one-time write-off of goodwill of 55.7 billion yen on a consolidated basis, and then carried out a one-time write-off of goodwill of 1.3 billion yen in the fiscal year ending March 2010 as well. As a result, a portion of the losses that it had transferred to the Funds ending up appearing on Olympus’ financial statements.
The changes in the balance of the affiliate shares and goodwill of the Three Domestic Companies at Olympus are as follows.

<table>
<thead>
<tr>
<th>Item</th>
<th>Period ending in 03/2007</th>
<th>Period ending in 03/2008</th>
<th>Period ending in 03/2009</th>
<th>Period ending in 03/2010</th>
<th>Period ending in 03/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affiliate shares (unconsolidated)</td>
<td>A</td>
<td>Book value at the start of the period</td>
<td>-</td>
<td>3</td>
<td>597</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Amount of increase during the period</td>
<td>3</td>
<td>594</td>
<td>137</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Valuation loss</td>
<td>-</td>
<td>-</td>
<td>686</td>
</tr>
<tr>
<td></td>
<td>A+B–C</td>
<td>Book value after subtraction</td>
<td>3</td>
<td>597</td>
<td>48</td>
</tr>
<tr>
<td>Goodwill (Consolidated)</td>
<td>A</td>
<td>Book value at the start of the period</td>
<td>-</td>
<td>-</td>
<td>543</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Amount of increase during the period</td>
<td>-</td>
<td>545</td>
<td>136</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Write-off amount</td>
<td>-</td>
<td>2</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Impairment loss amount</td>
<td>-</td>
<td>-</td>
<td>557</td>
</tr>
<tr>
<td></td>
<td>A+ B–C</td>
<td>Book value after subtraction</td>
<td>-</td>
<td>543</td>
<td>48</td>
</tr>
</tbody>
</table>

Owing to these one-time write-offs of goodwill, the goodwill balance of the Three Domestic Companies that had been included at the end of the fiscal year ending in March 2011 had become 2.6 billion yen.

In this manner, the actual state of the acquisition of shares in the Three Domestic Companies amounted to nothing more than circulating funds between Olympus and the Funds within the scheme, in order to settle the losses that had been separated from Olympus and whose treatment had been deferred. Therefore, the inclusion itself of the goodwill at the point in time of the purchase of the shares in the Three Domestic Companies was inadmissable.

Consolidated BS adjusted amount related to the Three Domestic Companies

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance of Altis goodwill that has not been written off</td>
<td>▲26</td>
</tr>
</tbody>
</table>

(2) Accounting treatment in the fiscal year ending March 2007
A. Facts of Occurrence
In May 2006, Olympus decided to underwrite a capital increase for two of the Three Domestic Companies, with the aim being to raise credit strength and accelerate business expansion by directly investing in the Three Domestic Companies, and invested 100 million yen in News Chef and 200 million yen in Altis.

B. Relation to the loss disposition scheme
There is no relationship to the loss settlement scheme.
C. Accounting treatment

(A) Accounting treatment

Since the Three Domestic Companies fall under the rubric of affiliates that are indirectly held through GCNVV, the equity method was applied with April 1, 2006 as the day regarded as the acquisition date.

Owing to this, of the net profit and loss for the current period for the Three Domestic Companies, a total of 2.2 billion yen for the 300 million yen, which is the amount corresponding to Olympus’ equity, and the 1.9 billion yen, which is the amount corresponding to the goodwill write-off, were included as investment loss on equity method.

[Journalizing by application of the equity method for the Three Domestic Companies]

<table>
<thead>
<tr>
<th>Period</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period ending in March 2007</td>
<td>Losses on equity method: 22</td>
<td>Affiliate shares: 22</td>
</tr>
</tbody>
</table>

(B) Content of discussions with the accounting auditors

In the Audit Summary Report for the fiscal year ending in March 2007, at the time of the assessment of the elimination difference of investment (the amount corresponding to goodwill), there is a note to the effect that it is necessary to pay due attention to the progress of the business plan, etc.

(3) Accounting treatment in the fiscal year ending March 2008

A. Facts of Occurrence

In August 2007, Olympus subscribed by actuals to the shares of the Three Domestic Companies (11 billion yen) and loans (3.1 billion yen) held by GCNVV, in order to cancel the agreement with GCNVV.

In addition, it additionally acquired shares of the Three Domestic Companies in September 2007 and November 2007, and moreover decided in February 2008 to acquire management rights for the Three Domestic Companies, and to increase the purchase of the shares in each company up to more than 67 percent, in order to start up the business of each company in earnest, and additionally purchased 47.1 billion yen of shares in the Three Domestic Companies on March 26, 2008.

B. Relation to the loss disposition scheme

The regulations for Funds were strengthened from the fiscal year ending in March 2007, and as a consequence business investment Funds attracted attention and there was concern that the scheme involving the remittance of funds to QP would come to light, so it was decided to cancel the agreement with GCNVV.

In addition, owing to the acquisition of shares by Olympus, funds in the amount of 31.9 billion yen flowed to Neo, and funds in the amount of 15.2 billion yen flowed to ITV, funds in the amount of 47.1 billion yen flowed back to Funds that carried unrealized losses.

C. Accounting treatment

(A) Accounting treatment

a. The agreement for GCNVV was cancelled at the end of August 2007, and it was liquidated in September of the same year. A summary of the accounting treatment is as follows.
(a) The assets to which Olympus subscribed were 11 billion yen of shares, 3.1 billion yen of loans and 600 million yen of other shares and loans of the Three Domestic Companies held by GCNVV, and Olympus assumed these at book value.

(b) The assets to which Olympus did not subscribe were sold to GCI, and the difference of 400 million yen between GCNVV’s book value and the GCI valuation was included as a valuation loss at Olympus.

(c) Of the 1.7 billion yen in fees to be paid to GCI, 900 million yen was included as the accrued amount payable that was in deficit in the case of GCNVV’s 700 million yen of cash and deposits, after which payment was undertaken (payment voucher for the GCNVV agreement cancellation fee dated October 31, 2007).

[Treatment during actual receipt of GCNVV assets purchased]

<table>
<thead>
<tr>
<th>Period</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affiliate shares:</td>
<td>Investment:</td>
</tr>
<tr>
<td></td>
<td>110</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Affiliate loans:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other assets:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-operating expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(cancellation money):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-operating expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(valuation loss):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

b. Along with the increase in the shareholding in the Three Domestic Companies, from the fiscal year ending in March 2008, the Three Domestic Companies were transitioning from affiliated companies to which the equity method was applied to consolidated subsidiaries, and accompanying this a total of 54.5 billion yen of goodwill was included for the Three Domestic Companies. The dates regarded as the acquisition dates were set as October 1, 2007 for Altis and March 31, 2008 for News Chef and Humalabo, and the number of years of write-off of goodwill was set at 10 years for all Three Domestic Companies.

From the start of the period until the dates regarded as the acquisition dates of each company, they were being treated as companies to which the equity method was applied to consolidated subsidiaries, and losses of 2.4 billion yen based on the equity method were included, as the total for 800 million for the amount equivalent to Olympus’ equity and 1.7 billion yen as the amount corresponding to its goodwill write-off. In addition, the losses of 2.2 billion yen based on the equity method included in the fiscal year ending in March 2007 were assumed as the balance of the retained earnings at the start of the period.

It cost a valuation difference of 1.6 billion yen for sale of the Nihon Ecologia shares held by News Chef (see (5) below).

[Consolidated journalizing for the transition from the equity method to consolidation for the Three Domestic Companies]

<table>
<thead>
<tr>
<th>Period</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital surplus:</td>
<td>Affiliate shares:</td>
</tr>
<tr>
<td></td>
<td>27</td>
<td>595</td>
</tr>
<tr>
<td></td>
<td>Retained earnings:</td>
<td>Small shareholders’ equity:</td>
</tr>
<tr>
<td></td>
<td>▲38</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Balance of the retained</td>
<td></td>
</tr>
<tr>
<td></td>
<td>earnings at the start of the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>period:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Valuation difference:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goodwill:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>545</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equity in earnings of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>affiliates:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>
(B) Content of discussions with the accounting auditors

In the Audit Summary Report for the fiscal year ending in March 2008, the point that the acquisition unit of the Three Domestic Companies in the same period had become a higher amount than the acquisition unit in the past was pointed out, and there was a note to the effect that an examination was being conducted about the reasonableness of the acquisition cost, by interviews of the managers, perusal of third party written assessments, interviews relating to the general circumstances of business and the reasonableness of the long-term plans, and the implementation of visiting audits to each company.

(4) Accounting treatment in the fiscal year ending March 2009

A. Facts of Occurrence

In April 2008, Olympus acquired additional shares in the Three Domestic Companies. The breakdown of the acquisitions is 4.1 billion yen from GT and 9.6 billion yen from DD.

Olympus’ shareholding in the Three Domestic Companies at the end of the fiscal year ending in March 2009 was 95.9 percent in Altis, 87.3 percent in Humalabo and 95.4 percent in News Chef, and there were no changes in the status thereof at the end of the fiscal year ending in March 2011 either, but the two companies GC and GCI held the remaining shares in all of these companies.

In addition, at the end of the fiscal year ending in March 2009, it was assumed that there was no longer any prospect for excess earning ability of the Three Domestic Companies due to the deterioration of the economic environment, and 68.6 billion yen for a valuation loss for affiliate shares was included singly (non-consolidated settlement) for all Three Domestic Companies, and a one-time write-off treatment of goodwill of 55.7 billion yen was undertaken on a consolidated basis (consolidated settlement).

B. Relationship to the loss disposition scheme

As in the case of the fiscal year ending in March 2008, acquisition of shares in the fiscal year ending in March 2009 was carried out with the means being the movement of funds in the amount of 4.1 billion yen to GT and funds in the amount of 9.6 billion yen to DD, which were the Funds related to the series of schemes, and as a result of this funds in the amount of 13.7 billion yen flowed back to the Funds.

In addition, owing to the valuation loss for affiliate shares one-time write-off of goodwill at the end of the period, a portion of the investment losses from past finance management techniques, which had been carried out by a series of schemes, ending up being realized.

C. Accounting treatment

(A) Accounting treatment

a. Olympus was involved with the consolidation of the Three Domestic Companies as subsidiaries in the fiscal year ending March 2008, but the acquisition of the shares of with the Three Domestic Companies in the fiscal year ending March 2009 was treated as an additional acquisition, and was included as goodwill of 13.6 billion yen.
b. In addition, it was assumed that there was no longer any prospect for excess earning ability due to the deterioration of the economic environment at the end of the fiscal year ending in March 2009, and 68.6 billion yen for a valuation loss for affiliate shares was included, and a one-time write-off treatment of goodwill of 55.7 billion yen was undertaken along with said treatment on a consolidated basis.

[Non-consolidated for the Three Domestic Companies]

<table>
<thead>
<tr>
<th>Period ending in March 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit Side (100 million yen)</td>
</tr>
<tr>
<td>Valuation loss on affiliate shares: 686</td>
</tr>
</tbody>
</table>

[Consolidated for the Three Domestic Companies]

<table>
<thead>
<tr>
<th>Period ending in March 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit Side (100 million yen)</td>
</tr>
<tr>
<td>Goodwill write-off cost: 557</td>
</tr>
</tbody>
</table>

c. Olympus conducted a corporate value assessment for the Three Domestic Companies, and the result was that a corporate value of 4.8 billion yen was estimated for Altis for the reason that synergistic effects with Olympus’ main businesses were anticipated, and impairment loss treatment for the full amount of the book value was not carried, but after that in the fiscal year ending in March 2010, 1.8 billion yen for the valuation loss for affiliate shares was included based on Olympus’ non-consolidated settlement, and 1.3 billion yen was included for the treatment by a one-time write-off of goodwill along with said treatment on a consolidated basis.

Concerning the grouping of the impairment losses for goodwill, the Three Domestic Businesses were taken to be independent businesses for the reason that they are new businesses, and an examination of the impairment losses was carried out based on individual units.

(B) Content of discussions with the accounting auditors

Around December 2008, KPMG AZSA LLC determined that a divergence had arisen between the plans and results of the Three Domestic Companies, and requested that Olympus obtain an assessment by a third party and examine the impairment loss treatment. In response to this, Olympus made a request to an outside institution and obtained a written business assessment, but KPMG AZSA LLC deemed this insufficient, and requested again that Olympus obtain a written assessment from another outside institution. In the written assessment obtained based on this, there was a judgment that impairment loss treatment was necessary only in the case of Humalabo, and no impairment loss treatment was required for Altis and News Chef.

Accordingly, at KPMG AZSA LLC, in-house specialists were used to study the business plans and methods of calculation, etc., but as a result of this it was determined that impairment loss treatment should be implemented for all Three Domestic Companies, and as the result of
repeated discussions with Olympus, impairment loss treatment was done for all of the goodwill for Humalabo and News Chef, and 4.8 billion yen of goodwill was left for Altis since it was thought that there was a possibility that results might recover in the future.

The following 2 points are noted in a communication letter sent on April 23, 2009 from KPMG AZSA LLC to the Board of Auditors:

- The necessity of impairment loss treatment for the shares and goodwill of the Three Domestic Companies
- The question of whether or not prudent examination had been conducted by Board of Directors meetings, etc. about the acquisition of shares as a transaction with economic rationality

After receiving the above-mentioned report, Olympus’ Board of Auditors requested from an outside third party an investigation relating to the managerial decision to acquire each stock and the process of examination thereof, as concerns the acquisition of each stock of the Three Domestic Companies, but this did not result in the elucidation of the scheme involving the series of “tobashi”, and it concluded that it was not possible to find circumstances to the extent that they could be evaluated that there had been illegalities or improprieties in the Board of Directors, or violations of the Directors’ obligation for the due care of a prudent manager (Audit Summary Report for the fiscal year ending in March 2009).

See Number 5. 5 (1) A. (E) and B. about the actual state of audits in the fiscal year ending in March 2009 and the evaluation thereof including the above points.

(5) Other

A. Loans and allowance for bad debts of Olympus with respect to the Three Domestic Companies

From the time of the purchase of the Three Domestic Companies on, the amount of the excess debts of the Three Domestic Companies and the amount of the lending from Olympus to the Three Domestic Companies have increased. The net assets of the Three Domestic Companies were excess debts of a total 1.2 billion yen as of the end of the fiscal year ending in March 2008, but this had swollen to excess debts of a total 11.2 billion yen as of the end of the fiscal year ending in March 2011. In linkage with this, the lending from Olympus to the Three Domestic Companies was 2.1 billion yen as of the end of the fiscal year ending in March 2008, whereas it had ballooned to 13.5 billion yen as of the end of the fiscal year ending in March 2011.

Of the Three Domestic Companies, Olympus included a bad debt reserve for the lending to Humalabo and News Chef, based on the conclusion that it was not possible to recover the amount corresponding to the excess debts.

On the other hand, Altis also had excess debts, but these were not included in the bad loan reserve for lending. This was aligned with the fact that the impairment loss had not been acknowledged up to the full amount of the book value concerning the affiliate shares and goodwill.

The changes in the lending to and bad loan reserves for the Three Domestic Companies are as indicated below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Period ending in 03/2008</th>
<th>Period ending in 03/2009</th>
<th>Period ending in 03/2010</th>
<th>Period ending in 03/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altis Loans</td>
<td>5</td>
<td>9</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Net assets</td>
<td>2 (***)</td>
<td>▲3</td>
<td>▲10</td>
<td>▲18</td>
</tr>
<tr>
<td>Bad loan reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Company</td>
<td>Loans</td>
<td>Net assets</td>
<td>Bad loan reserve</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
<td>------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td>Humalabo</td>
<td>12 24 32 47</td>
<td>1 (**) 7 22 44</td>
<td>- 9(<em>) 24(</em>) 44</td>
<td></td>
</tr>
<tr>
<td>News Chef</td>
<td>4 30 44 57</td>
<td>15(**) 10 29 51</td>
<td>- 17(*) 29 51</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21 63 98 135</td>
<td>12 20 61 112</td>
<td>- 26 53 94</td>
<td></td>
</tr>
</tbody>
</table>

Source: Statement about Loans, examination materials for the bad loan reserve, Audit Results Report

* The bad loan reserve has assumed a substantial excess debt amount obtained by adding the unrecoverable assets of the three companies to the amount corresponding to excess debt. Owing to this, a bad loan reserve greater than the amount corresponding to excess debt has been included.

** For the net assets in the fiscal year ending in March 2008, the net assets in the settlement period of the Three Domestic Companies respectively have been included.

B. Sale of the shares of Japan Ecologia from News Chef INC. to Olympus

In the fiscal year ending March 2008, News Chef sold shares in Nihon Ecologia to Olympus for 1.8 billion yen, and has included as proceeds from sale of 1.7 billion yen.

In Olympus’ consolidated settlement, although 1.7 billion for said proceeds from the sale have been eliminated as unrealized earnings, News Chief had acquired Nihon Ecologia stock for 135 million yen in the fiscal year ending in March 2008, so this resulted in the movement of 1.7 billion yen from Olympus to News Chef. In addition, Olympus included a valuation loss on investment securities of a total amount of 1.8 billion yen for the amount invested in the fiscal year ending March 2010, which was two fiscal years after it acquired said stock.

The purpose of the above-mentioned stock transaction was to settle the excess debt of News Chef by including the proceeds from the sale of Nihon Ecologia stock, and to avoid the inclusion of a bad loan reserve based on Olympus’ non-consolidated settlement.

In the fiscal year ending March 2011, Nihon Ecologia was an Olympus affiliate to which the equity method is not applied.

[The series of transactions related to Nihon Ecologia shares]

<table>
<thead>
<tr>
<th>Period ending in March 2008</th>
<th>Month and year</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2007</td>
<td>News Chef invested 75 million yen in Nihon Ecologia</td>
</tr>
<tr>
<td></td>
<td>August 2007</td>
<td>News Chef purchased 60 million yen of shares in Nihon Ecologia from GCNVV</td>
</tr>
</tbody>
</table>
C. Review of the Stock Value Valuation Reports

(A) Acquisition of the Shareholder Value Assessment Reports

At Olympus, a request was made twice to the Isaka CPA Office at the time of the investment in the Three Domestic Companies, and it acquired the Shareholder Value Assessment Reports of each company.

Initially, it acquired in March 2006 the “Trial Calculation of the Value of Venture Company Businesses” dated March 16, 2006, when GCNVV was investing in the Three Domestic Companies, and it next acquired in February 2008 the “Shareholder Value Calculation Report” dated February 29, 2008, when Olympus was promoting the switch to subsidiaries, for the purpose of canceling the agreement with GCNVV and starting up the business of each company in earnest.

Olympus reported in a Board of Directors meeting the range of the purchase prices of the Three Domestic Companies, and obtained approval to acquire the shares, based on the figures of this Shareholder Value Calculation Report.

(B) Problems in terms of value calculation

a. The examination of the business plan was inadequate

Concerning the assessment of corporate value, the general practice is to verify the appropriateness of the business plans of the corporation in question through interviews of management, and to revise the figures and undertake a calculation of corporate value.

However, the Isaka CPA Office received from Olympus a strong request that it did not want it to touch the figures of the business plan concerning price calculation, so it did not implement the interviews of management, and it did a value calculation with the figures of the business plan presented by Olympus as is except for some partial revisions.

In addition, in the case of a venture corporation, the degree of uncertainty as regards the future is high, so it is necessary to prepare several scenarios about the changes of market scale in the future, and to predict the probability of occurrence of each scenario and to examine the calculation of corporate value on a weighted basis.

However, the annual average growth rate in the business plans of the Three Domestic Companies, which used as their premise the “Shareholder Value Calculation Report” of February 2008, trending in the prediction period at approximately 90 percent – 135 percent in sales and at approximately 190 percent – 400 percent in operating profit, and this diverged greatly from the past results in each case; these were optimistic figures with no clear foundation.

b. The grasp of the actual situation was inadequate

On verifying the suitability of the business plan, Olympus had not carried out due diligence for financial affairs and legal affairs, and the situation was one in which the actual situation of the corporation was not being properly grasped. The basic materials (Articles of
Incorporation, Register, Shareholders’ Register, etc.) had not been provided, and the grasp of the actual situation was inadequate.

(C) Conclusion

As indicated above, although the figures in the business plan were extremely optimistic, the fact that their appropriateness was not examined, and no procedures for revising it were undertaken, that no study of multiple scenarios was done, and only a single and optimistic scenario was used as the criterion, and that the grasp of the actual situation at the companies that were the target of assessment was inadequate may have led to the over-estimation of the corporate value of the companies that were the target of the assessment.

4 The timeline with respect to GCNVV

(1) Accounting treatment during the fiscal year ending March 2000 ~ fiscal year ending March 2005

A. Facts of Occurrence

In 2000, Olympus was in a state where its R&D efforts were not coming to fruition in the form of new business. GC, with which Olympus was connected through management of surplus assets, started up this business; the concept was that Olympus would provide people, things and money, and the result was GCNVV.

At the Board of Directors meeting of January 28, 2000, Olympus decided to invest 30 billion yen in GCNVV; on March 1 an Exempted Limited Partnership Agreement was concluded, and on March 14th the 30 billion yen was delivered to GCNVV.

[Outline of business investment fund]

<table>
<thead>
<tr>
<th>Fund name</th>
<th>G.C. New Vision Ventures, L.P. (GCNVV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General partner</td>
<td>GCI (Cayman) Limited (amount invested: 100 million yen)</td>
</tr>
<tr>
<td>Limited partner</td>
<td>Olympus (amount invested: 30 billion yen)</td>
</tr>
<tr>
<td>Limited partner</td>
<td>Genesis Venture Capital Series1 Ltd. (amount invested: 5 billion yen)</td>
</tr>
<tr>
<td>Contract period</td>
<td>10 years, from March 2000 - March 2010 (2-year extension possible)</td>
</tr>
</tbody>
</table>

At the same time as its investment in GCNVV, a Business Investment Committee (also called the Business Investment Investigation Committee) was formed, with Kikukawa as chairman; the members were the heads of the management planning department, accounting department, general affairs / finance department and heads of other departments with connections to specific projects.

B. Relation to the loss disposition scheme

GCNVV, in addition to its purpose of the creation of new business, was also formed as part of a plan to generate cash needed for the "tobashi" of past losses.
Most of the funds available to GCNVV (about 30 billion yen) was transferred to QP in the form of the purchase of a QP note, in order to transfer to QP part of the losses suffered by Olympus.

C. Accounting treatment

(A) Accounting treatment
a. Olympus recorded its 30 billion yen investment in GCNVV as an investment in the fiscal year ending March 2000 (documentary evidence of payment of investment to GCNVV dated March 14, 2000).

[Disposition at time of investment in GCNVV]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2000</td>
<td>Investment 300</td>
<td>Cash 300</td>
</tr>
</tbody>
</table>

b. GCNVV's profits/losses, management fees, valuation gains/losses on marketable securities, etc. began to be recorded on Olympus' non-consolidated financial statements in the fiscal year ending March 2001; between the fiscal year ending March 2000 and the fiscal year ending March 2005, the balance of GCNVV’s capital shrank to 6 billion yen.

Beginning in the fiscal year ending March 2003, even for assets valued at their purchase price, Olympus recorded the value of its holdings in GCNVV by calculating their real value, as their net asset price times its holding ratio; this is what it recorded as valuation losses on investment marketable securities.

However, for items acquired by GCNVV within the past two years, it calculated real value based on the most recent purchase price.

[GCNVV recording of gains/losses]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative for fiscal year ending March 2001 to fiscal year ending March 2005</td>
<td>Non-operating costs 39</td>
<td>Non-operating revenues 9</td>
</tr>
<tr>
<td></td>
<td>Losses on investment marketable securities 30</td>
<td>Investment 60</td>
</tr>
</tbody>
</table>

(B) Content of discussions with the accounting auditors
Because the investment was large at 30 billion yen, with the potential to have a significant impact on Olympus' management results and financial situation, the Audit Summary Report for Fiscal year ending March 2000 stated there was a need for Olympus to consider the necessity of stating its valuation losses for this investment target.

Regarding the large investment in QP, because this was recorded in GCNVV's financial statements as deposits and short-term investments, there was no need for special discussion.
(2) Accounting treatment in the fiscal year ending March 2006

A. Facts of Occurrence
At the Business Investment Committee meeting of March 9, 2006, because the business value of the Three Domestic Companies was very large, GC proposed that they be considered priority investments. Subsequently, through the business planning of the Business Investment Committee, and an investigative process that included evaluation of the enterprise value and the Isaka CPA Office's "Venture Company Enterprise Value Estimate," the investments were approved on March 16, 2006, and investments were made through GCNVV in Altis (equity ratio 38.9%), News Chef (38.9%) and Humalabo (32.5%).

At the Business Investment Committee meeting of March 9, 2006, regarding the handling of liquid funds that made up most of the assets of the Funds, consideration was given to repayment based on investment ratios; on the 24th, portions of the Funds were redeemed (20% of total investment), and on the 30th 6 billion yen was returned to Olympus, and on April 3rd, 1 billion yen was repaid to GV.

B. Relation to loss disposition scheme
From 2003 to 2005, ways were sought for using these Three Domestic Companies to cover losses; in March 2006, the three companies bought stocks through GCNVV, causing 10.8 billion yen to flow to funds with unrealized losses: 9 billion yen to Neo and 1.8 billion yen to ITV.

C. Accounting treatment
(A) Accounting treatment
a. Olympus showed the losses generated at GCNVV in its parent-company financial statements for the fiscal year ending March 2006.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2006</td>
<td>Non-operating costs 7 Valuation loss on investment marketable securities 3</td>
<td>Investment 10</td>
</tr>
</tbody>
</table>

b. In the fiscal year ending March 2006, investors in GCNVV received a uniform 20% refund of their investments, and Olympus received a 6 billion yen refund of its investment. As a result, the balance of its investment in GCNVV was reduced to 17 billion yen as of the end of the fiscal year ending March 2006.
(B) Content of discussions with the accounting auditors

The Audit Summary Report for the fiscal year ending March 2006 said the evaluation of Fund investment targets must be handled in accordance with rules on impairment losses, and the asset efficiency of the overall Funds must be considered.

At the same time, there was the impact exerted on the world at large through the illicit actions using the Funds, and it became clear that the standard of actual control had to be specifically applied, and Olympus decided to handle the business investment funds as affiliated companies, but based on importance they were separated from the group of consolidated or equity-method affiliates.

(3) Accounting treatment in the fiscal year ending March 2007

A. Facts of Occurrence

GCNVV's limited partner, GV, dissolved the Fund in February 2007.

B. Relation to the loss disposition scheme

It is unclear why GV was dissolved.

C. Accounting treatment

(A) Accounting treatment

In the fiscal year ending March 2007 there was a change in the accounting treatment of business investment funds, requiring that either the Fund or the investment target(s), whichever was larger, be carried on the consolidated financial statements, using equity-method rules.

For this reason, GCNVV was recorded on the consolidated financial statements as a non-consolidated subsidiary, using the equity method, starting in the fiscal year ending March 2007. In terms of accounting treatment, parent gains/losses stemming from GCNVV gains/losses were converted to equity-method gains/losses on the consolidated statements.

[Reporting of GCNVV gains/losses]
(B) Content of discussions with the accounting auditors
GCNVV purchased the Three Domestic Companies (Altis/Humalabo/News Chef), so the impact on consolidated [results] increased, and the equity method was applied.

(4) Accounting treatment in the fiscal year ending March 2008
A Facts of Occurrence
The accounting treatment of business investment funds changed in the fiscal year ending March 2007, and it was required that consolidated results statements reflect either GCNVV or its investment targets, whichever was larger, through application of the equity method; it was decided that the advantages of using GCNVV for this purpose had decreased, so in July 2007 it was decided that GCNVV would be liquidated before the end of its term.

Olympus bought additional shares in Altis/Humalabo/News Chef in September and November 2007; then in February 2008 it acquired a controlling interest in the Three Domestic Companies. To launch the business of the three companies in earnest, it decided to increase its stake in each company to 67% or more; on March 27, 2008 it purchased 47.1 billion yen of shares in the Three Domestic Companies.

By the time GCNVV was liquidated (end of August 2007), transfers of capital and gains/losses were as follows; the liquidation was completed in September 2007.

[GCNVV transfers of funds] ※: Excludes transfers of funds to/from QP

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
<th>Amount (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Revenues from provision of capital</td>
<td>351</td>
</tr>
<tr>
<td>Investments</td>
<td>Purchases of investment marketable securities etc.</td>
<td>▲249</td>
</tr>
<tr>
<td></td>
<td>Sales of investment marketable securities</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Payments for loans etc.</td>
<td>▲56</td>
</tr>
<tr>
<td></td>
<td>Income from repayment of loans etc.</td>
<td>7</td>
</tr>
<tr>
<td>Dissolution</td>
<td>Monies returned due to partial (20%) dissolution (Olympus portion)</td>
<td>▲60</td>
</tr>
<tr>
<td></td>
<td>Monies returned due to partial (20%) dissolution (GV portion)</td>
<td>▲10</td>
</tr>
<tr>
<td></td>
<td>Return of capital due to complete dissolution of GV</td>
<td>▲22</td>
</tr>
<tr>
<td>Management compensation etc.</td>
<td>Management fees etc.</td>
<td>▲26</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Balance of cash and deposits end-Aug 2007</td>
<td></td>
<td>8 [1]</td>
</tr>
</tbody>
</table>

Disposition of cash and deposits at time of liquidation (below)
Within Olympus portion shown in Figure [1] above [2]=[1]x240/240

Olympus portion of cash and deposits performance incentives etc. ▲17 [3]

Olympus additional payments accounts payable ▲9 [4]=[2]+[3]

Source: GCNVV accounting ledgers, Annual Report

<table>
<thead>
<tr>
<th>[GCNVV profit/loss payments (Olympus equity-method share)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Management gains/losses</td>
</tr>
<tr>
<td>Interest received</td>
</tr>
<tr>
<td>Valuation losses on investment marketable securities</td>
</tr>
<tr>
<td>Additions to reserves against loan losses</td>
</tr>
<tr>
<td>Management compensation etc.</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Surplus profits end-Aug 2007 (Olympus portion)</td>
</tr>
</tbody>
</table>

Source: GCNVV account ledgers, Annual Report

Figures below describe changes in Olympus' equity

| Olympus investment original investment                    | 300 [2]                                   |
| Partial dissolution 20% of investment returned            | ▲60 [3]=[2]x20%                           |
| Olympus' share of losses end-Aug 2007 profit surplus      | ▲80 [1]                                   |

Source: GCNVV account ledgers, Annual Report

**B Relation to the loss disposition scheme**

Business investment funds became a center of attention starting in the fiscal year ending March 2007, and GCNVV was dissolved due to concerns that the scheme of funds transfers to QP would be discovered.

**C Accounting treatment**

(A) Accounting treatment

a. Olympus reported 400 million yen in GCNVV losses for a five-month period through end of August 2007. As of end of August 2007, the balance of its investment in GCNVV was 16 billion yen.
b. GCNVV was dissolved in September 2007.

B Content of discussion with the accounting auditors

In the Audit Summary Report for the first half of the fiscal year ending March 2008, it was recorded that GCNVV had been dissolved in September 2007, before its term was up, because equity-method accounting had been applied to an important affiliated company starting the year before, and its limited partner had been dissolved, leaving only the capital provided by the general partner and Olympus.

5. The timeline with respect to the Gyrus acquisition

(1) The transfer of money and accounting treatment

A. The transfer of money

Olympus used SG Bond Plus Fund for "tobashi" of part of the losses it suffered as the result of failures in financial management techniques in the 1990s. To cover up losses to which “tobashi” had been used, Olympus and OFUK purchased warrants attached to FA and dividend preferred shares in association with the Gyrus acquisition; ultimately Olympus planned to use Funds for back-flow of funds.

In connection with the series of Gyrus acquisitions, Olympus paid 687 million dollars in compensation to Axes and Axam, some of which was used to cover the "tobashi" losses. Movements of funds between Olympus, Axes and Axam are described below. Regarding flows of funds from Axam to other Funds, please see Section 3-8.

<table>
<thead>
<tr>
<th>Date</th>
<th>Recipient</th>
<th>Amount (million dollars)</th>
<th>Yen equivalent (100 million yen)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 16, 2006</td>
<td>Axes</td>
<td>3</td>
<td>3</td>
<td>Basic compensation under FA Agreement</td>
</tr>
<tr>
<td>June 16, 2006</td>
<td>Axes</td>
<td>5</td>
<td>6</td>
<td>Payment of necessary costs based on FA Agreement. Of the total, 3 million dollars was paid on July 3, 2006 by Axes to Axes Japan; the remaining 2 million dollars was assigned to foreign FA etc. payments.</td>
</tr>
<tr>
<td>June 18, 2007</td>
<td>Axes</td>
<td>2</td>
<td>2</td>
<td>Basic payments based on FA Agreement(s)</td>
</tr>
<tr>
<td>Date</td>
<td>Entity</td>
<td>Pages</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>November 26, 2007</td>
<td>Axes</td>
<td>12</td>
<td>Cash portion of completion fee based on revised FA Agreement. Of the total, about 8.5 million dollars assigned to foreign FA etc. payments.</td>
<td></td>
</tr>
<tr>
<td>February 8, 2008</td>
<td>Axes</td>
<td>2</td>
<td>Payment of necessary costs based on revised FA Agreement. Of the total, about 1.7 million dollars assigned to foreign FA etc. payments.</td>
<td></td>
</tr>
<tr>
<td>September 16, 2008</td>
<td>Olympus</td>
<td>▲0.3 ▲0.3</td>
<td>Unused portion of necessary costs returned by Axes</td>
<td></td>
</tr>
<tr>
<td>September 30, 2008</td>
<td>Axam</td>
<td>50</td>
<td>Purchase of warrants</td>
<td></td>
</tr>
<tr>
<td>March 23 ~ March 25, 2010</td>
<td>Axam</td>
<td>620 579</td>
<td>Buy-back of dividend preferred shares (divided into three payments)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>about 693.7 657.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**B. Accounting treatment**

The table below shows developments in goodwill related to the Gyrus acquisition, as recorded by the Olympus Accounting Department in the file "Goodwill materials arranged_20111205 20 hour revised."
Developments in consolidated goodwill related to the Gyrus acquisition  

<table>
<thead>
<tr>
<th></th>
<th>Main portion</th>
<th>FA commissions portion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic compensation / performance incentives</td>
<td>Warrants</td>
<td>stock options / preferred dividend shares</td>
</tr>
<tr>
<td>Fiscal year ending March 2008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New issues</td>
<td>1,492</td>
<td>13 Note 2</td>
<td>177 Note 2</td>
</tr>
<tr>
<td>Write-off</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Balance (end-March 08)</td>
<td>1,492</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Fiscal year ending March 2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Issues</td>
<td>2</td>
<td>0</td>
<td>53 Note 3</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>▲14</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Write-off</td>
<td>▲84</td>
<td>▲0</td>
<td>▲1</td>
</tr>
<tr>
<td>Impairment losses, etc.</td>
<td>0</td>
<td>0</td>
<td>▲36 Note</td>
</tr>
<tr>
<td>Currency exchange adjustments</td>
<td>▲143</td>
<td>▲2</td>
<td>▲4</td>
</tr>
<tr>
<td>Balance as of the end of Fiscal year ending March 2009</td>
<td>1,254</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Fiscal year ending March 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Issues</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Write-offs</td>
<td>▲64</td>
<td>▲0</td>
<td>▲1</td>
</tr>
<tr>
<td>Impairment losses, etc.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Currency exchange adjustments</td>
<td>▲68</td>
<td>▲1</td>
<td>1</td>
</tr>
<tr>
<td>Balance as of the end of Fiscal year ending March 2010</td>
<td>1,122</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Fiscal year ending March 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Issues</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>▲59</td>
<td>▲0</td>
<td>(1)</td>
</tr>
<tr>
<td>Impairment losses, etc.</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Currency exchange adjustments</td>
<td>▲109</td>
<td>▲1</td>
<td>(3)</td>
</tr>
<tr>
<td>Balance as of end of Fiscal year ending March 2011</td>
<td>955</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: "Goodwill materials arranged_20111205 20 hour revised."

Note 1: At the time of the Gyrus acquisition, 149.2 billion yen in goodwill was recorded, the difference between the 206.3 billion yen acquisition price and the net asset value received.

Note 2: Stock option portion cash received as basic compensation was 12 million dollars (1.3 billion yen), and performance incentives 177 million dollars (17.7 billion yen), for a total of 19 billion yen.

Note 3: Money paid for warrant purchases (50 million dollars, 5.3 billion yen) and activities funds paid (200 million yen) were recorded as a total 5.5 billion yen in goodwill.

Note 4: Of the 24.5 billion yen in compensation paid through Fiscal year ending March 2009, 15.5 billion yen, the amount exceeding 5% of the purchase price, was recorded as an amending loss amount for the preceding fiscal year. In the table, comparisons of book value for warrants and stock options at the time of acquisition are assigned pro rata to the revised profit/loss figures for the previous fiscal year.

Note 5: OFUK paid 620 million dollars (57.9 billion yen) for the purchase of dividend preferred shares, with a book value of 16.5 billion yen; 41.2 billion yen of the 41.4 billion yen difference was added to goodwill, and 200 million yen was recorded as a currency exchange adjustment.
Of the goodwill reported in conjunction with the Gyrus acquisition, the amount handled as FA compensation is estimated at 40 billion yen as of end-March 2011; the reporting of goodwill at the time of the acquisition does not recognize how much of this total was used to cover past losses, because of the paucity [of data] on the actual situation regarding advisory compensation.

Compensation to financial and legal advisors was all included within the compensation paid to Axes, so Olympus is unable to accurately grasp the true amount of advisory compensation. For this reason, if the amount of money exchanged for real advisory services is seen as the 800 million yen cash (the Completion Fee cash portion and activity costs), excluding warrants and stock options, the remaining 39 billion yen should be handled as losses.

(2) Accounting treatment in the fiscal year ending March 2007

A. Facts of Occurrence

On May 31, 2006, Olympus decided to conclude an FA Agreement with Axes, and on June 5, it concluded an FA Agreement with Axes. Basic compensation was 5 million dollars (3 million dollars at time of contract signing, 2 million dollars one year after contract date), with completion fee set at 1% of the acquisition price (20% of which was to be paid in cash, and 80% in stock options in the acquisition vehicle).

B. Relation to the loss disposition scheme

Olympus concluded an FA Agreement with Axes, and planned to pay part of the compensation in the form of stock options. As part of this plan, Olympus intending to cover losses by paying high prices to buy back the shares issued as the options were exercised, causing a large amount of money to flow back to the Fund.

C. Accounting treatment

a. On June 16, 2006, Olympus paid 3 million dollars (300 million yen) in cash as basic compensation to Axes, which received accounting treatment as shown below. This basic compensation was payment for research related to the acquisition, and cannot be clearly shown to be compensation related to the acquisition itself, so it was treated not as compensation for the acquisition but as a cost generated at that time.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2007</td>
<td>Commission for operations 3</td>
<td>Cash/deposit 3</td>
</tr>
</tbody>
</table>
b. On the same day, Olympus paid Axes 5 million dollars (600 million yen) cash as operational funds, which received accounting treatment as follows. 1.7 million dollars (200 million yen) of the total was treated as advance payment because the actual service had not yet been completed.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2007</td>
<td>Commission for operations 4</td>
<td>Cash/deposit 6</td>
</tr>
<tr>
<td></td>
<td>Advance payment 2</td>
<td></td>
</tr>
</tbody>
</table>

(3) Accounting treatment in the fiscal year ending March 2008

A. Facts of Occurrence

On June 21, 2007, Olympus concluded an amending FA Agreement with Axes. In the amending FA Agreement, basic compensation remained the same at 5 million dollars, but for the Completion Fee a fee table was introduced, with fees based on the scale of acquisitions; ultimately the value was set at 5% of acquisition costs (of which 15% would be paid in cash, and 85% in stock options for Gyrus shares); warrants were also granted to Axes.

On November 26, 2007, Olympus paid Axes 12 million dollars cash as the Completion Fee. The acquisition was to take place February 1, 2008, but according to the agreement the Completion Fee was to be paid within five business days of the public announcement of the acquisition transaction, and so the Completion Fee payment was made in November 2007.

The Olympus acquisition of Gyrus was carried out on February 1, 2008. The total acquisition price was 225.3 billion Yen, of which approximately 965 million dollars (about 206.3 billion yen) was paid for the acquisition of the shares, and about 19 billion yen was paid to advisors etc. as incidental costs. Olympus concluded a stock options agreement with Axes on February 14, 2008. This was to make the stock options conditions described in the amending FA Agreement more concrete; the entity issuing the shares would be Gyrus, not the acquisition vehicle.

B. Relation to the loss disposition scheme

As part of the overall loss disposition scheme, the acquisition of Gyrus was used to make up "tobashi" losses that used SG Bond. Gyrus was smaller than the initially contemplated acquisition target (600 ~ 700 billion yen), and so the amount of money that could be used for covering losses was also smaller, so the FA Agreement was amending, with the introduction of a fee table that would allow the amount of the Completion Fee to vary depending on the scale of the acquisition. In addition, stock options and warrants were added, with the aim of redirecting more money toward covering losses.
C. Accounting treatment
   A. Accounting treatment
   a. On June 18, 2007, Olympus paid Axes the remaining 2 million dollars in basic compensation, which received the following accounting treatment at the parent company.

   [Non-consolidated]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Commission for operations 2</td>
<td>Cash/deposit 2</td>
</tr>
</tbody>
</table>

   b. On November 26, 2007, Olympus paid Axes 12 million dollars (1.3 billion yen) in cash as part of the Completion Fee, which received the following accounting treatment. At this time, the parent company reported the Completion Fee as part of payment for the acquisition, but in the consolidated results it was reported as goodwill.

   [Non-consolidated]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Investment in progress 13</td>
<td>Cash/deposit 13</td>
</tr>
</tbody>
</table>

   [Consolidated]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Goodwill 13</td>
<td>Investment in progress 13</td>
</tr>
</tbody>
</table>

c. On February 1, 2008, OUKA purchased Gyrus for 965 million pounds (about 206.3 billion yen; 630 pence per share). Olympus gave this transaction the following accounting treatment in its parent-company financial statements. Of the total acquisition price, 149.2 billion yen was reported in the consolidated accounts as goodwill.

   [Non-consolidated]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Shares of affiliated company 2,063</td>
<td>Investment in progress 2,063</td>
</tr>
</tbody>
</table>

d. In the March 31, 2008 adjustments to accounts, the 177 million dollars (17.7 billion yen) stock option portion of the the Completion Fee received the following accounting treatment.

   [Non-consolidated]

   The 177 million dollars (17.7 billion yen) in stock options granted as the Completion Fee were treated as incidental costs of the Gyrus acquisition, and recorded as an investment in progress by the parent company.
[Non-consolidated]

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Investment in progress 177</td>
<td>Accounts payable 177</td>
</tr>
</tbody>
</table>

[Consolidated]

The amount shown as an investment in progress above was transferred to goodwill in the consolidated accounts.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2008</td>
<td>Goodwill 177</td>
<td>Investment in progress 177</td>
</tr>
</tbody>
</table>

B. Content of discussions with the accounting auditors

19 billion yen (1.3 billion yen + 17.7 billion yen) was recorded as compensation to advisors in the fiscal year ending March 2008. Olympus informed the auditing firm that it had become reluctant to pay because the amount of compensation had grown too large, and the auditing firm shared the impression that the amount was very large. Receiving from Olympus the explanation that this compensation had risen to levels not initially envisioned, the accounting auditor declared that such a possibility could not be ruled out completely, and ultimately issued an unqualified opinion.

(4) Accounting treatment in the fiscal year ending March 2009

A. Facts of Occurrence

On June 16, 2008, Olympus received correspondence from Axam requesting cash settlement of stock options.

At its September 26, 2008 Board of Directors meeting, Olympus decided to compensate Axam with Gyrus dividend preferred shares rather than cash for the stock options for which Axam had requested cash settlement; Olympus decided, however, to pay cash to buy back the warrants. Based on these decisions, Olympus purchased the warrants held by Axam for 50 million dollars in cash (about 5.3 billion yen).

Based on this decision of the Board of Directors, dividend preferred shares were granted to Axam on September 30; however, at the November 28 meeting of the Board of Directors it was decided to buy these back. In this decision, the planned purchase value of the dividend preferred shares was 530 million dollars to 590 million dollars.

B. Relation to the loss disposition scheme

In order to cover a larger amount of losses, it was necessary to set the stock option price high; to achieve that, it was decided to exchange the stock options for dividend preferred shares rather than cash.
C. Accounting treatment

(A) Accounting treatment

a. When Gyrus issued dividend preferred shares to Axam, Olympus and Gyrus gave the transaction the following accounting treatment.

[Olympus]
Olympus paid Gyrus 177 million dollars in cash (18.6 billion yen) to settle stock options shown as accounts payable.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Accounts payable 177</td>
<td>Cash 186</td>
</tr>
<tr>
<td></td>
<td>Currency exchange adjustment 9</td>
<td></td>
</tr>
</tbody>
</table>

[Gyrus]
Gyrus' cash position increased, through a process that involved the receipt of cash from Olympus, for which it issued dividend preferred shares. Gyrus was paying a certain percentage of its profits each term to Axam in the form of dividend preferred shares, with a strong aspect of interest paid, which it reported as liabilities under the long-term borrowings item.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Cash 186</td>
<td>Long-term borrowing 186</td>
</tr>
</tbody>
</table>

b. On September 30, 2008, Olympus paid cash to buy 50 million dollars (5.3 billion yen) of warrants from Axam, with the following accounting treatment.

[Non-consolidated]
The parent company, considering this compensation portion to be expenses incidental to the Gyrus acquisition, reported it as an investment in progress.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Investment in progress 53</td>
<td>Cash 53</td>
</tr>
</tbody>
</table>

[Consolidated]
In the consolidated accounts, this sum was treated as goodwill.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>106</td>
</tr>
</tbody>
</table>
c. The 2 million dollars (200 million yen) in operational funds paid to Axes was reported by the parent company in the fiscal year ending March 2009 as an investment in progress. The advance itself is reported as having been paid on February 6, 2008, but was subsequently converted to an investment in progress in the following term, as shown below.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Investment in progress 2</td>
<td>Advance payment  2</td>
</tr>
</tbody>
</table>

[Consolidated]

The amount shown of the investment in progress above was transferred to goodwill in the consolidated accounts.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Goodwill 2</td>
<td>Investment in progress  2</td>
</tr>
</tbody>
</table>

d. At the end of Fiscal year ending March 2009, the following adjustment in accounts was made, adjusting the amount of losses in the preceding fiscal year.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Adjusted loss in preceding FY 155 (Extraordinary loss)</td>
<td>Investment in progress  155</td>
</tr>
</tbody>
</table>

Of the investment in progress items reported as incidental costs connected with the compensation for the Gyrus acquisition, the amount exceeding 5% of the acquisition cost (15.5 billion yen) was recognized as an impairment loss. In the consolidated accounts, for accounting purposes this was treated as a reduction of goodwill, as shown below.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2009</td>
<td>Adjusted loss in preceding FY 155 (Extraordinary loss)</td>
<td>Goodwill 155</td>
</tr>
</tbody>
</table>

107
(B) Content of discussions with the accounting auditors

The distribution of the acquisition cost of the Gyrus acquisition was not completed in the fiscal year ending March 2008, so temporary measures were implemented, but the distribution of the acquisition cost was completed in the fiscal year ending March 2009, so final measures were implemented.

Regarding cooperation with the auditing firm KPMG AZSA LLC in the fiscal year ending March 2009, please see 13(5)C through E and (7)B of Section III below.

KPMG AZSA LLC was the main accounting auditor for Olympus until the fiscal year ending March 2009, but Ernst & Young ShinNihon LLC took over that role starting in the fiscal year ending March 2010.

(5) Accounting treatment in the fiscal year ending March 2010

A. Facts of Occurrence

At its Board of Directors meeting of November 28, 2008, Olympus decided to buy back Gyrus dividend preferred shares from Axam, but this decision was rescinded by the Board of Directors meeting of June 5, 2009.

Olympus' request that Axam reduce its stake in Gyrus was turned down, so the termination of dividend payments to Axam was reported to the Board of Directors on February 26, 2010. To buy back dividend preferred shares, which were recorded as fixed liabilities, at a price higher than their issue/book value would require recognition of redemption losses. To prevent this, the dividend preferred shares were transferred from fixed liabilities to minority interests, and it was reported to the Board of Directors that the difference from the book value would have to be recognized as goodwill.

At the Board of Directors meeting of March 19, 2010, it was decided that OFUK would purchase, for 620 million dollars (57.9 billion yen), the Gyrus dividend preferred shares held by Axam. Axam was asking 724 million dollars, but Olympus offered 519 million dollars; ultimately it was reported to the Board of Directors that the amount had been settled at the median value of 620 million dollars.

B. Relation to the loss disposition scheme

To create the outward appearance of the stoppage of dividend payments, Mori decided the dividend preferred shares should be reported as capital. As shown above, if the dividend preferred shares were reported as fixed liabilities, Olympus' purchases at a price exceeding the issue/book value would require recognition of a redemption loss; to prevent this, prior arrangements were made to convert them to capital.

The value of the dividend preferred shares was boosted from 177 million dollars to 620 million dollars, and Olympus would pay that price, to cover the unrealized losses that had been transferred to the Fund(s).
**C Accounting treatment**

**(A) Accounting treatment**

a. The trigger for the decision not to pay dividends on the Gyrus dividend preferred shares, was the following accounting treatment converting 177 million dollars (16.5 billion yen) in Gyrus long-term borrowings to capital.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2010</td>
<td>Long-term borrowing 165</td>
<td>Capital 165</td>
</tr>
</tbody>
</table>

b. On March 31, 2010, OFUK purchased dividend preferred shares from Axam for 620 million dollars (57.9 billion yen) in cash. Consequently, the following accounting measures were taken at OFUK and Olympus, and the acquisition compensation increased.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2010</td>
<td>Shares of affiliated company 579 (Gyrus shares)</td>
<td>Cash/deposits 579</td>
</tr>
</tbody>
</table>

**[Consolidated]**

In the consolidated accounts, the difference between the 620 million dollar (57.9 billion yen) acquisition value and the 177 million dollars (16.5 billion yen) initial book value was recorded mainly as goodwill.

<table>
<thead>
<tr>
<th>Term</th>
<th>Debit Side (100 million yen)</th>
<th>Credit Side (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending March 2010</td>
<td>Capital 165</td>
<td>Shares of affiliated company 579 (Gyrus shares)</td>
</tr>
<tr>
<td></td>
<td>Goodwill 412</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Currency exchange adjustment 2</td>
<td></td>
</tr>
</tbody>
</table>

**(B) Content of discussions with the accounting auditors**

Based on consultations with Ernst & Young ShinNihon LLC, Olympus carried out its transformation of fixed liabilities to capital, triggered by the decision to stop dividend payments on Gyrus dividend preferred shares. The accounting auditors did not approve the straight restatement of the dividend preferred shares, which were originally reported as liabilities, to the capital section; they said that if such a restatement were going to be made, some form of justification was necessary. For this reason, Olympus sought outside legal counsel, and it had a memo drawn up dated February 19, 2010 stating there was
concern about the possibility that if notice were given that dividends would not be paid in the U.K., [the dividend preferred shares] could be converted to ordinary shares; this was used as the justification for the accounting treatment of the transformation to capital.

For accounting purposes, the transaction in which Olympus bought dividend preferred shares from Axam for 620 million dollars was viewed as a completely separate capital transaction from the original acquisition of Gyrus. As a result, the 443 million dollars (41.2 billion yen) difference between the 177 million dollars initial book value of the dividend preferred shares and the 620 million dollars acquisition price was recorded as additional goodwill.

6. Other related transactions of importance

(1) OFH

A. Company outline

OFH (original name: Olympus Corporation of Asia Pacific Limited.) was founded in June 2004 as a holding company with financial capabilities. After its founding, the ITX shares, ITX convertible bonds and other instruments held by OHC, as well as the investment in GIM that was used for funds back-flow in the LTG scheme (the book value of OFH's investment in GIM was about 20.8 billion yen) were transferred to OFH.

Subsequently, the price of ITX shares fell, causing valuation losses on the ITX shares and ITX convertible bonds held by OFH, and in the fiscal year ending March 2007 OFH fell into a state of excess liability. The ITX shares were sold in the fiscal year ending March 2008 in the process of Olympus making a wholly owned subsidiary. The book value of the investment in GIM was recovered in October 2008 (funds influx about 20.9 billion yen. OFH Financial Statements).

[| Item | Fiscal year ending March 2007 | Fiscal year ending March 2008 | Fiscal year ending March 2009 | Fiscal year ending March 2010 | Fiscal year ending March 2011 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>487</td>
<td>401</td>
<td>435</td>
<td>433</td>
<td>357</td>
</tr>
<tr>
<td>(Cash)</td>
<td>4</td>
<td>108</td>
<td>360</td>
<td>326</td>
<td>242</td>
</tr>
<tr>
<td>(Investments)</td>
<td>433</td>
<td>235</td>
<td>19</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>(Borrowings)</td>
<td>583</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>400</td>
</tr>
<tr>
<td>Net assets</td>
<td>(99)</td>
<td>(109)</td>
<td>(74)</td>
<td>(76)</td>
<td>(47)</td>
</tr>
<tr>
<td>Net profit</td>
<td>(72)</td>
<td>(61)</td>
<td>(10)</td>
<td>(7)</td>
<td>4</td>
</tr>
</tbody>
</table>

※1 Not including shares in subsidiaries
Source: OFH financial statements (Hong Kong Financial Reporting Standards)

B. Investment in ITX stock

For an outline of Olympus' investment in ITX shares, see 11 of Section III.
C. Investment accounts of OFH
Regarding the OFH account, please see Appendix 7, OFH investment account balance.

D. Relevance with the acquisitions of stocks in the Three Domestic Companies
In the scheme to buy shares in the Three Domestic Companies (Altis/Humalabo/News Chef), OFH acted as buyer in the acquisition of shares from related Funds (see table below, and also Attachment 20: Developments in Stock Ownership of the Three Companies, by Shareholder). In April 2008, OFH bought shares in the three companies from GT and DD in an amount equal to the amount of shares in the three companies it sold to Olympus in September 2008; OFH recorded no profit or loss on the sale. In May 2006 OFH acted as underwriter for a Humalabo capital increase, and it sold the shares to Olympus in March 2008, for which it recorded a 200 million yen profit.

<p>| OFH purchases / sales of shares in the Three Domestic Companies involved in this incident (Altis/Humalabo/News Chef) | (Unit: 100 million yen) |</p>
<table>
<thead>
<tr>
<th>Shares purchased</th>
<th>Seller</th>
<th>Buyer</th>
<th>Transaction date</th>
<th># of shares</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humalabo</td>
<td>GT</td>
<td>OFH</td>
<td>Apr 08</td>
<td>210</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>OFH</td>
<td>Olympus</td>
<td>Sept 08</td>
<td>210</td>
<td>41</td>
</tr>
<tr>
<td>Capital increase</td>
<td>OFH</td>
<td>Olympus</td>
<td>May 06</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>OFH</td>
<td>Olympus</td>
<td>Mar 08</td>
<td>30</td>
<td>6</td>
</tr>
<tr>
<td>Altis</td>
<td>DD</td>
<td>OFH</td>
<td>Apr 08</td>
<td>530</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>OFH</td>
<td>Olympus</td>
<td>Sept 08</td>
<td>530</td>
<td>56</td>
</tr>
<tr>
<td>News Chef</td>
<td>DD</td>
<td>OFH</td>
<td>Apr 08</td>
<td>450</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>OFH</td>
<td>Olympus</td>
<td>Sept 08</td>
<td>450</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Table of Developments in Shareholders of the Three Companies

(2) EPS
A. the fiscal year ending March 2008 and the fiscal year ending March 2009
(A) Facts of Occurrence
From May to August 2007, Olympus purchased all shares of EPS. Its counterparties in this purchase included ITV, and the purchase price was 560 million yen (EPS share purchase agreement (seller: ITV, Buyer: Olympus) and proof of payment). In connection with the acquisition of EPS shares, a share price estimate report was obtained from the Isaka CPA Office, and the price paid was within the valuation range contained in this report. ITV had paid 200 million yen for the EPS shares (ITV Annual Report (Dec 31, 2005), and sold them for 560 million yen, earning a capital gain of 360 million yen.
Counterparties in purchases of EPS shares

<table>
<thead>
<tr>
<th>Month of purchase</th>
<th>Counterparty</th>
<th># of shares (1,000)</th>
<th>Percentage</th>
<th>Price per share (Yen)</th>
<th>Amount</th>
<th>Seller's cost (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 07</td>
<td>GCI Limited</td>
<td>40</td>
<td>7.4%</td>
<td>2800</td>
<td>1.1</td>
<td>Not known</td>
</tr>
<tr>
<td>July 07</td>
<td>GCNVV</td>
<td>200</td>
<td>37.0%</td>
<td>2800</td>
<td>5.6</td>
<td>2</td>
</tr>
<tr>
<td>Aug 07</td>
<td>ITV</td>
<td>200</td>
<td>37.0%</td>
<td>2800</td>
<td>5.6</td>
<td>2</td>
</tr>
<tr>
<td>May 07</td>
<td>Others</td>
<td>100</td>
<td>18.5%</td>
<td>2800</td>
<td>2.8</td>
<td>Not known</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>540</td>
<td>100%</td>
<td>2800</td>
<td>15.1</td>
<td></td>
</tr>
</tbody>
</table>

(Sources: Stock transfer agreements, ITV annual report, GCNVV 2007 Revenue from Investment Securities Cost of Sales)

After Olympus made EPS a wholly owned subsidiary, it increased EPS' capital by 310 million yen in September 2007.

(B) Accounting treatment

In the fiscal year ending March 2009, the year after Olympus bought EPS shares, it took an impairment loss on its acquisition costs (1.8 billion yen), including the capital increase it underwrote in September 2007. It stated its reasons for taking the impairment loss as, "business start-up will apparently take much longer than initially planned," and "recovery looks likely to take time" (EPS impairment loss consideration materials).

B. The fiscal year ending March 2011

(A) Facts of Occurrence

In July 2010, Olympus sold Olympus Visual Communications (hereinafter, "OVC"; name changed from EPS) to OBCC (a subsidiary founded in May 2010 by Olympus and ITX to group together new businesses and foster investment targets under a single umbrella) for 240 million yen. In conjunction with this sale, Olympus sought an evaluation from an external organization different from the Isaka CPA Office it had used in the fiscal year ending March 2008.

(B) Accounting treatment

In the fiscal year ending March 2011, after the purchase of OVC shares, OBCC took an impairment loss on the purchase value (240 million yen).
7. Other (Important matters that are not related to the loss disposition scheme, but were discovered during the course of the investigation)

(1) OBCC

A. Company outline
OBCC was founded on May 21, 2010 by Olympus and ITX to group together new businesses and foster investment targets under a single umbrella. Olympus held 80% of the equity, and ITX 20%. After OBCC was founded it purchased investment marketable securities from Olympus and ITX through business transfers. In conjunction with these transfers, Olympus sought evaluations from a third-party organization (different from the one it used for its acquisitions of the Three Domestic Companies.

B Main investment destinations
The main investment destinations are listed in Attachment 9: OBCC Investment Account Balance Developments. For more information on Olympus' investment destination EPS, see Item 6 (2) above.

(2) SBi

A. Facts of Occurrence
(A) History of investment underwriting
The history of Olympus' investment underwriting in SBi is as follows.

<table>
<thead>
<tr>
<th>Year/month</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 09</td>
<td>When it was considering entering the field of orthopedic surgery, an investment advisor introduced its subsidiary SBi. SBi sounded out Olympus regarding possible investment, as a potential strategic partner in a sales alliance. Olympus viewed this alliance as a positive opportunity to build its network and information-gathering in the field of orthopedic surgery, and decided to give consideration to underwriting an investment.</td>
</tr>
<tr>
<td>Feb 10</td>
<td>A Management Implementation Meeting made the purchase decision. Isaka CPA Office gave Olympus a paper on the suitability of the terms of the preferred shares</td>
</tr>
<tr>
<td>Mar 10</td>
<td>Olympus underwrote and paid for SBi's Series E preferred shares.</td>
</tr>
</tbody>
</table>

(B) Terms of the capital underwriting (SBi SeriesE preferred shares purchase agreement)

Summary

<table>
<thead>
<tr>
<th>Terms</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment amount</td>
<td>12 million dollars (1.1 billion yen)</td>
</tr>
<tr>
<td># of shares</td>
<td>6.89 million shares (equity ratio: 3.58%)</td>
</tr>
</tbody>
</table>
B. Relevance of the investment in SBi to the Loss Disposition Scheme

The investment in SBi is a negotiated transaction between SBi and Olympus Terumo Biomaterials Corporation. In the cash flow calculation document of SBi, there is no evidence that the investment was routed to transactions of financial products such as Fund investments, and there is no evidence of the back-flow of money into Funds, etc.

8. Analysis of the effect that the facts identified in the investigation had on the Olympus consolidated financial statements

(1) Fluctuations in the loss amounts that were separated

With the Loss Separation Scheme firmed up, around 1999 ~ 2000, when most of the unrealized loss owned by Olympus is thought to have been separated, the amount of loss separated was 96 billion yen, and in 2003 it was 117.7 billion yen.

Subsequently, through the expansion of loss through failures in new investments in the destination Fund of separated losses, loss on sale of ITX shares, payment of remuneration to collaborators of the scheme operation, generation of continued external outflow of fund management costs etc., the losses expanded. As a result, out of the acquisition amount for the Three Domestic Companies, the acquisition amount of 63.2 billion yen for the warrants and dividend preferred shares that were paid in connection with the Gyrus acquisition, together with the 71.6 billion yen that flowed to the destination Fund of separated losses, a total of 134.8 billion yen, was applied to the scheme maintenance cost, etc, in addition to the loss of 117.7 billion yen noted above that was subjected to “tobashi” through the loss separation scheme.

(2) Accounting treatment

As noted earlier, financial products, etc. that carried unrealized loss owned by Olympus were to be purchased at book value by a Fund outside the scope of consolidation, thereby transferring the loss, but said purchase capital was made available out of deposits that Olympus had established separately, or from investments into separate Funds. Also, the acquisition price for the shares of the Three Domestic Companies that Olympus paid, and the acquisition price for the warrants and dividend preferred shares that were paid in connection with the Gyrus acquisition, flowed back to the deposits and Funds that were the source from which the aforementioned purchase capital was made available, via the destination Fund of transferred losses.

The reality of this series of transactions is that it was no more than the circulation of money between Olympus and the Funds within the scheme, in order to compensate for the deferred loss and to settle the scheme. Therefore, in the process of these transactions, after cancelling the goodwill that was recognized in the Olympus consolidated financial statements and their amortization and impairment loss processing, in each business year in which actual losses were generated, there was the need to either post a valuation loss or an allowance with respect to the deposits/ Funds, or to consolidate the Fund and incorporate the loss, in the case that the Fund that intermediated in the scheme was deemed to be close to Olympus, in consideration of
the need for consolidation according to the “Applicable guidelines concerning the decision on the extent of subsidiaries and affiliated companies in consolidated financial statements”.

(3) Analysis of the effect on the Olympus consolidated financial statements (effect on the consolidated net assets as of the end of March 2011)

Because the deposits and Funds that became the source out of which money was made available for the loss separation scheme were all dissolved and redeemed as of the end of March 2011, the series of loss separation schemes is considered to have been settled at the end of the same term.

On the other hand, the unamortized balance on goodwill of 41.6 billion yen at the end of the same fiscal year that was generated by the acquisition of the shares of the Three Domestic Companies and the warrants/dividend preferred shares concerning Gyrus, is thought to correspond to the portion that had not been processed out of the losses receiving off-balance sheet treatment. The breakdown of said unamortized balance is as follows:

<table>
<thead>
<tr>
<th>End of March 2011</th>
<th>Amount (100 Million Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortized balance of goodwill of the Three Domestic Companies (Altis)</td>
<td>26</td>
</tr>
<tr>
<td>Unamortized balance of goodwill associated with Gyrus (dividend preferred shares)</td>
<td>380</td>
</tr>
<tr>
<td>Unamortized balance of goodwill associated with Gyrus (warrants)</td>
<td>10</td>
</tr>
</tbody>
</table>

V. The basic structure and reality of corporate governance and internal control

1. Regarding the basic structure of corporate governance and internal control

   (1) Regarding the composition of corporate bodies

   At Olympus, in addition to there having been the Board of Directors, the auditors, and the Board of Auditors composed of the auditors, the appointed accounting firms were KPMG AZSA LLC up to June 26, 2009, and subsequently, Ernst & Young ShinNihon LLC.

   In addition, as corporate bodies that were established voluntarily, there were the Management Committee, the Board of Managing Directors, and the Management Implementation Committee, although the time periods of their establishment are varied.

   (2) Management structure reform of April 2001

   A reform of management structure was conducted in April 2001 at Olympus. Its main contents were i) the reforming of the Board of Directors, ii) the introduction of the Executive Officer System, and iii) the introduction of the Company System.

   A. Reforming the Board of Directors

   Before the management structure reform of the year 2001, the Board of Directors was composed of approximately 20 directors, including multiple directors who were responsible for operations, and since
deliberations and decisions were made on items that had been reviewed beforehand by the Board of Managing Directors, the situation was one in which deliberations of substance were difficult to hold. Accordingly, Olympus reduced the number of directors to 10, in order to activate the Board of Directors by engaging them in deliberations of substance, and in an aim to fulfill the original functions of the Board of Directors.

Also, the Management Committee, which was intending to serve concurrently with the Board of Directors, was eliminated. Further, the Board of Managing Directors that had been placed under the Board of Directors until that point, was eliminated, and for the purpose of separating the function of the execution of operations from the Board of Directors, a Management Implementation Committee composed of a small number of members, was established. In the Management Implementation Committee, deliberations were held on items that, while not considered Board of Directors agenda items, were related to the execution of operations that were to be decided by the President according to the Settlement Regulations, and were to support the President’s decision making.

In addition, up until then, all officers whose terms had ending were appointed as advisers, and there existed an advisers’ system in which positions were held at Olympus for an average of 10 years, but this was also eliminated.

B. Introduction of the Executive Officer System

With the management structure reform in the year 2001, there was a separation of the management strategy/decision-making function and the operational execution function, and for the purpose of reinforcing the operational execution function, the Executive Officer System was introduced. The Executive Officers were elected by the Board of Directors, and under its supervision, and according to the direction of the President, they were positioned as the people in charge of sharing in the execution of operations, and they were to conduct the strategic proposal and execution of departments for which they were responsible.

C. Introduction of the Company System

The Company System was introduced, and the business departments were divided into companies by businesses at the same time that the staff departments were re-organized.

With this, the Image Company, Medical Company, and Industrial Equipment Company were established as three companies at the same time that the Research and Development Center and the Corporate Center were established. With this, the so-called Headquarters Departments of Management Strategy, Management Auditing, Human Resources, Accounting, Finance, Administration, etc., were placed within the Corporate Center, and placed under the direction of the Center Manager.

(3) Details of each corporate body

A. The Board of Directors

(A) Status until the year 2001

Until the management structure reform was carried out in the year 2001, the Board of Directors, was composed of approximately 20 directors and was held approximately 20 times a year. With regard to the attendance of each director, while the attendance of 1 or 2 directors who were thought to be stationed overseas had less than 50% attendance, the attendance was generally 90 to 100%. The attendance of the auditors to the Board of Directors meetings was also 90 to 100%.
(B) Status after the year 2001

The number of directors from 2001 to June 2003 was 10, but in the regular shareholders’ meeting in June 2003, this was increased to 12. Subsequently, in the regular shareholders’ meeting in June 2005, there was an increase of 2 outside directors, for a total of 14, after which in the regular shareholders’ meeting of June 2006, this was increased by 1, for a total of 15, up to the present.

The Board of Directors’ meeting in accordance with Article 4 of the Board of Directors’ Regulations is held once a month, in addition to its being called as necessary. The number of times the Board of Directors’ meeting was held in the 5 years from the end of June 2001 to June 2006 was 26 to 36 times a year, and on average, they were held 2 to 3 times a month. The attendance of the directors to the Board of Directors’ meetings was generally 90 to 100%, with the exception of approximately 4% for 1 outside director who was elected in June 2005. Also, the attendance of the auditors to the Board of Directors’ meeting was that all 4 auditors had more than 90% attendance, and many had 100% attendance.

After June 2006, in the event the Board of Directors’ meeting was to be called as frequently as it had been previously, the outside auditor would have problems attending, the number of meetings held was reduced to 17 or 19 times a year. Regarding the attendance of the directors to the Board of Directors’ meeting, there was 1 person who had been elected as an outside director for 2 years from the end of June 2006 to June 2008, whose attendance was 11% and 16%, and 1 other director had a low attendance in the 50% range, but the other directors and the outside directors for other periods, with the exception of those who were stationed overseas, had nearly 90% or 100% attendance. The attendance of the auditors to the Board of Directors’ meeting was also nearly 100%.

B. The Board of Auditors

Olympus previously elected 4 auditors, and the Board of Auditors had been composed of 4 auditors. Article 8 of the Board of Auditors’ Regulations stipulates that as a general rule, the Board of Auditors’ meeting is to be held once a month, and that it is to be otherwise held at any time as necessary.

The Board of Auditors’ meeting was held 16 times in the year 1998, but after the year 1999, it was held around 25 times, and there are 3 years in which they were held more than 34 times.

The attendance of auditors to the Board of Auditors’ meeting after the year 1998 was generally 100%, with the exception of an auditor who died during his term, and even when there were absences, the attendance was over 90%.

The monitoring by the Board of Auditors will be discussed later.
C. The Management Committee
Until it was abolished in 2001, the Management Committee was a voluntary organization that was established under the President. In addition to the Management Committee being composed of all members of the Board of Directors and the Board of Auditors, it was possible for those designated by the President to become members. According to Article 1 of the Management Committee Regulations, the Management Committee was stipulated as the corporate body for providing and exchanging information on the policies that were decided on by the Board of Managing Directors and the important management issues in the operations of each department that responded to those policies. However, in actuality, as listed in the Exhibit to said Regulations, the Management Committee concurrently served as the Board of Directors, and was making decisions regarding agenda items that were to be deliberated at the Board of Directors’ Meeting.

The meeting minutes from that time were prepared and preserved, not as the minutes of the Board of Directors’ Meeting, but as the minutes of the Management Committee.

According to Article 4 of the Management Committee Regulations, as a general rule, the Management Committee was to be held on the 4th Friday every month, but in actuality it was held at a rate of about twice a month.

The Management Committee had essentially become something resembling a briefing session for items that were deliberated and decided at the Board of Managing Directors, and had the tendency to remain a venue for holding formal deliberations.

D. The Board of Managing Directors
Until it was abolished in the year 2001 due to the management structure reform, the Board of Managing Directors was a voluntarily established branch. The Board of Managing Directors was composed of directors above Managing Directors and non-titled directors who were in charge of business divisions, and according to Article 4 of the Board of Managing Directors’ Regulations, as a general rule, it was to be held 3 times each month on the 1st, 2nd, and 3rd Fridays.

According to Article 1 of the Board of Managing Directors’ Regulations, the Board of Managing Directors provided and exchanged information on the most important management items, while at the same time, it was positioned as the corporate body for engaging in the highest decision-making on basic policies of management, management principles, and general management strategy. The agenda items to be deliberated by the Board of Managing Directors were not limited to basic policies of the company or business plans, but included the calling agenda items of the general shareholders’ meetings, the issuance of new shares, and the acquisition of real estate and transactions of large amounts and other important items relating to management.

E. The Management Implementation Committee
The Management Implementation Committee was a newly established voluntary branch under the management structure revision of the year 2001.

Based on Article 2 of the Management Implementation Committee Regulations, the Management Implementation Committee is currently composed of the Chairman, President, Vice President, and Group Presidents, but until Group Presidents were established in the year 2011, its members were the Presidents of subsidiaries, each Company President, and Center Managers. The Management Implementation Committee was composed of 7 or 8 people, on average.

According to Article 4 of the Management Implementation Committee Regulations, as a general rule, the Management Implementation Committee was to be held 3 times each month, on the 2nd, 3rd, and 4th Fridays.
According to Article 1 of the Management Implementation Committee Regulations, the Management Implementation Committee was stipulated to have the purpose of assisting in the decision making by the President, through deliberations of important items of management, and that it would not perform decision making, but essentially, based on the discussions of each member, decisions were made on the agenda items, and as one of its purposes was established to prevent the unilateral decisions of the President.

The agenda items of the Management Implementation Committee are, among the execution of operations determined by the President, those items that are to be established by the Settlement Regulations. This, unlike the deliberations and decisions on Board of Directors agenda items of the Board of Managing Directors, was in order to prevent as much as possible the holding of deliberations simultaneously with the Board of Directors and to deliberate on items related to important execution of operations that were not items to be resolved by the Board of Directors.

(4) Basic policy of the internal control system

Regarding the so-called policy of the internal control system, set forth in Article 362, Paragraph 4, Section 6 of the Companies Act, Olympus decided on and established the same in the Board of Directors’ meeting held on May 9, 2006.

The maintenance status of each corporate body set forth in the basic policy of the internal control system is stated below.

A. System to ensure that the performance of duties of the directors and employees are in compliance with laws and regulations as well as the Articles of Incorporation

The basic policy of Olympus’ internal control system sets forth i) the establishment of the Olympus Group Charter of Corporate Conduct and the Olympus Group Code of Conduct; ii) establishment of the Compliance Office and implementation of continuous engagement concerning compliance; iii) establishment of the Help Line and the establishment of a whistleblower system.

Of these, with respect to the Olympus Group Charter of Corporate Conduct and the Charter of Conduct within the Olympus Group Code of Conduct, their contents were written on the Olympus Group Compliance Card, which was distributed to all Group officers and regular employees who were required to carry it at all times. Also, with regard to the Code of Conduct, the entire text was listed in the pocket planner distributed to officers and regular employees. This can also be read on the Home Page.

Next, the Compliance Office conducts training on compliance through e-Learning several times a year, in a continuous effort concerning compliance through training, etc., for officers and regular employees.

Further, the Help Line was established in November 2005, and a whistleblower system was also established for consultations and whistle blowing over the Help Line to the Board of Directors and Board of Auditors. This whistleblowing system and others will be discussed later.

B. System with respect to the preservation and management of information concerning the performance of duties of the directors

The basic policy of the internal control system sets forth that i) in accordance with laws and regulations, as
well as corporate regulations, such as the Document Management Regulations, etc., documents or electromagnetic information are to be preserved and managed; ii) and that directors and auditors can read at all times important documents, such as the minutes of the Board of Directors’ meetings.

Document Management Regulations have been established at Olympus, and in said Regulations, the preservation and management are set forth for the Articles of Incorporation, the minutes of general shareholders’ meetings, the minutes of Board of Directors’ meetings, contracts regarding important rights and obligations, commercial books, and authorization documents, etc. With respect to documents not stipulated in said Regulations, the person in charge of document management in each department was to decide on the preservation period, and then were to be preserved accordingly. In this way, while the Document Management Regulations were prepared, the preservation and management status of authorization documents, as described later in 2 (4) B of Section V, were not without problems.

Regarding the minutes of the Board of Directors’ meetings, a system was established in which directors and auditors could read them at all times. In contrast, with respect to authorization documents, the status was such that a director could not read on their computers those authorization documents that were drafted by a department other than the one in which said director was in charge of, and in which said director was not included in the authorization route. With respect to auditors, while the standing auditors were able to read all authorization documents on their computers, in contrast, no such system was available for outside auditors. However, the handling was such that as a general rule, in the event there was a request from a director or auditor to read the authorization document, they were disclosed through files, etc.

C. Regulations concerning the management of risk of loss and other systems

The basic policy of the internal control system stipulates i) the establishment of a system in which responses could be made promptly according to Risk Management Regulations; and ii) the regular holding of a Risk Management Committee.

At Olympus, based on the basic policy of the internal control system, the Risk Management Regulations were established, and based on said Regulations, a response system was established in the event risks actually occurred. Also, the Risk Management Committee was established, and is held periodically. With respect to risk evaluation, etc., there are problems, as described later in 2 (2) of Section V.

D. System to ensure that the performance of duties of the directors is carried out efficiently

The basic policy of the internal control system stipulates that i) the Board of Directors is to formulate the basic management plan, while at the same time, it would set forth the business plan for that fiscal year every year; ii) the Board of Directors is to receive reports every month regarding performance, etc., in order to make evaluations with respect to the targets established in the basic management plan and fiscal year business plan; iii) the Board of Directors is to decide on the division of duties of the Representative Director and other Executive Directors of Operations, etc., and by preparing the Settlement Regulations, to prepare a system for appropriate and efficient performance of duties.

At Olympus, to the extent that confirmations are made through the minutes of the Board of Directors’ meetings and the material distributed at the Board of Directors’ meetings, both i) or iii) above have been carried out.
E. System to ensure the propriety of operations in the business group composed of Olympus and its subsidiaries

The basic policy of the internal control system sets forth that i) Olympus should dispatch directors and auditors to major subsidiaries, and that the major subsidiaries should seek Olympus’ approval on important matters; ii) Olympus should aim for permeation of the content of the Olympus Charter of Corporate Conduct with respect to its subsidiaries, and promote the reinforcement of compliance awareness; iii) the Audit Office shall perform audits based on the audit plan, and report such results to the President and Board of Directors, and an internal auditing department should be established in the major subsidiaries and that audits should be performed.

With regard to i) above, through the monthly organizational chart and the minutes of the Board of Directors’ meetings, it can be seen that things have been handled in accordance with the basic policy of the internal control system. With regard to ii) above, by distributing to all officers and regular employees of subsidiaries as well, the Compliance Card that lists the Olympus Group Charter of Corporate Conduct, it can be seen that an attempt was made for the permeation of the content of said Charter, and that the reinforcement of compliance awareness within the Group is being promoted.

With regard to iii) above, the Olympus Audit Office performs audits according to the basic policy of the internal control system, but with regard to this, there are problems, as stated later.

F. In the event an auditor seeks to place an employee to assist in his duties, matters concerning said employee, and matters concerning the independence of the employee from the directors

The basic policy of the internal control system stipulates that the auditors and the Board of Auditors can seek assistance from the staff of the Audit Office, and that in such event, said staff would not receive directions or orders from the directors. Olympus established the Auditors’ Office as of April 1, 2007, and originally allocated 2 staff members, but later, allocated 4 or 5 staff members. However, all of the staff of the Auditors’ Office held concurrent positions.

The staff of the Auditors’ Office would receive instructions, etc. from the auditors, and on the occasion of carrying out said instructions, they neither made reports to the directors of the auditors’ instructions, etc., nor received directions or orders from the directors, and carried out the instruction of the auditors. However, regulations or measures had not been established to actively prevent situations in which the staff of the Auditors’ Office would receive directions or orders from the directors.

Also, the basic policy of the internal control system stipulates that, as necessary, selected employees are to be allocated to assist auditors, and that the appointment, transfer, wages and personnel evaluations are to be decided after obtaining the consent of the Board of Auditors, and that their independence from directors is to be secured. At Olympus, there were no staff dedicated to assisting auditors until April 2011, but said staff was first allocated in April 2011. Regarding the securing of independence from the Board of Directors of the dedicated staff and the staff serving concurrent positions, Article 16 of the Auditors’ Auditing Standards includes the obligation to make efforts, as well as items for consideration, but there are no clear stipulations to put these into effect. However, according to the minutes of the Board of Auditors’ meetings, at the time of
appointment as a staff member of the Auditors’ Office, it can be seen that the consent of the Board of Auditors was obtained in advance. Also, while there are no clear stipulations, regarding the personnel evaluation of duties performed as a staff member of the Auditors’ Office, the handling by the Board of Auditors is actually performed.

On this point also, as described later in 2 (5) C of Section V, there are problems.

G. System for directors and employees to make reports to the auditors, and other systems concerning reporting to the auditors

The basic policy of the internal control system stipulates that the directors are to make reports to the Board of Auditors, and that the auditors can request reports from directors and employees.

According to the minutes of the Board of Auditors’ meetings, at Olympus, there are reports being made from directors to the Board of Auditors. Also, while there are no circumstances in particular to indicating that the auditors could not request reports from directors and employees, on this point, there are problems as described later in 2 (5) B of Section V.

H. Other systems to ensure that auditors’ audits are carried out effectively

The basic policy of the internal control system sets forth that auditors are to conduct investigations through interviews and visitations, etc., and that the Board of Auditors is to hold meetings periodically with management, and exchange opinions, and to hold periodic meetings to exchange opinions with accounting auditors, etc.

At Olympus, the auditors conduct audits through interviews and visitations, etc., but on this point, there are problems as described later in 2 (5) B or D of Section V.

According to the minutes of the Board of Auditors’ meetings, it can be seen that the Board of Auditors periodically exchanged opinions with the management and the accounting auditors, etc.

2. The reality of corporate governance and internal control, and the evaluation thereof

(1) Regarding the control environment

A. Monopolization of the Finance Department by a specific minority

Generally, since the Finance Department procures and manages money in significant amounts, it is a department where the potential risk for the occurrence of misconduct is high. In the case where the Finance Department is managed over long periods by specific people or those under their control, not only does the possibility of misconduct increase, but the risk of the same being hidden is high.

At Olympus, Yamada and Mori, who belonged to the Treasury Group in the Accounting Department in the latter half of the 1980s, were responsible for finances at a working level and later were responsible for the function of finances. Yamada, in particular, continued to be in a position to control the Finance Department until he became Vice President and was appointed standing auditor in June 2011. For the appointment status of Yamada and Mori, refer to the appointment status of managerial positions in Exhibit 21. It was extremely dangerous that the management operations of an abundance of money during the bubble and post-bubble
periods were monopolized by a small number of people in charge who had professional knowledge of financial management techniques, and the control environment of Olympus that allowed such concentration of power had many problems.

B. Ineffectiveness of a check-and-balance function in Corporate Departments

Before April 2001, Olympus had not established a department for managing corporate functions, but in April 2001, the Corporate Center that would manage a part of the corporate functions was established. As of November 2011, the Corporate Center established multiple Headquarters, Management Headquarters, Management Divisions, etc. as subsidiary organizations, and through them, managed the Administration Department, Finance Department, Legal Affairs Department, Human Resources Department, Accounting Department, Logistics Promotion Department, IT Development Department, and various branch offices, etc.

Yamada had been appointed the Head of the Administration and Finance Department from April 1997 to June 2001, before the Corporate Center was established, while Mori was appointed the Head of the Finance Department from July 2001, when the Administration Department and the Finance Department were separated, until March 2002. Subsequently, Yamada was appointed Corporate Center Manager from April 2003 to March 2009, and Mori from April 2009 to March 2011. Also, Yamada served as the Head of the Audit Office from April 2002 to March 2003, and after April 2003, was the Officer in charge of the Audit Office, and was serving concurrently as the Corporate Center Manager.

According to the “Division of Duties arranged by Organization” set forth by the company, the Corporate Center was expected to support the efficiency of the business operation of each company and center from the viewpoint of company-wide optimization, while at the same time implementing efforts to achieve the maximization of corporate value, and to play a role in resolving management challenges on a global basis. However, since Yamada and Mori, who were from the Finance Department, had been appointed the Corporate Center Manager for a long time, the Corporate Center lost independence with respect to the Finance Department, from which the Center Manager had originated, and its organizational structure was such that it could not sufficiently exercise a check-and-balance function to avoid losing corporate value. From such circumstances, the system was such that the fraudulent conduct connected with the fabrication that was carried out by the Finance Department this time would not be discovered for a long time, or if discovered was covered up.

Yamada served concurrent positions over a long period, as the Head of the Audit Office and the Head of the Administration Management Division, as well as the Corporate Center Manager and the Officer in charge of audits. According to the “Division of Duties arranged by Organization”, the Audit Office is required to conduct monitoring of the management system of the entire company and groups, system for corporate ethics and compliance, and monitoring from the viewpoints of accounting/ finance/ taxation. However, the person in charge of the Audit Office and the Officer in charge were serving concurrent positions with other departments, so that internal audits could not be performed while maintaining independence with respect to the departments that were being concurrently served, and sufficient check-and-balance functions were not exercised.
C. Absence of job rotations

Job rotations are generally implemented for the purpose of human resources training, but it serves to prevent the negative effects of having only specific people be continuously in charge of specific operations; in other words, it eliminates the difficulty for others to comprehend the nature of the operational content on the part of specific people, allows for an early discovery of concealed misconduct, and has the effect of preventing fraudulent conduct from taking place. In the event that job rotation is not implemented with regard to operations having high risk, even if the misconduct is being carried out and concealed by people in charge of said operation, the opportunity for the organization to notice this is lost, and there is a risk that the concealment would continue for a long time. Especially in cases where employees who are trusted within the company engage in misconduct, or become conspirators in misconduct, there is the risk that the scale of the misconduct would expand, or that the period of concealment would be extended. In the case where misconduct is carried out by managers, since it is difficult on a practical level for the manager himself to continue the cover-up, oftentimes, employees who are normally reliable are made to be conspirators, and are instructed to cover up the facts of the misconduct.

At Olympus, from the standpoint of human resources training, each department conducts job rotations independently, and the Human Resources Department has periodically proposed personnel transfers to the Human Resources Committee with regard to a portion of people in management who have been located in the same department over a long period time. However, there were no company-wide rules concerning job rotations, and the approach to rotations was left to each department.

With regard to the Finance Department and Accounting Department, job rotation is being performed within the same work types within Group Companies, including overseas, and there were some people who were placed in the same department for long periods, among which some were in the same department for several decades. In particular, the Group Leader of the Treasury Group in the Finance Department has been in charge of money management in the same department since entering the company in 1991. The reason for this is believed to be that the operations in the Finance Department and Accounting Department are of a high level of expertise, and require long-term operational experience. However, when the same person within the same department continues to be in charge of specific operations, as a result, it becomes easier for misconduct accompanied by long-term concealment to occur. If the operation involves the movement of monies, such as the management of cash and cash-equivalents, securities, etc., it has an especially high risk for the occurrence of misconduct. Based on that the fact that job rotation had not been established, and because there actually are people who are placed for long periods in the Finance Department, where money management is undertaken, from the perspective of internal control, the system at Olympus cannot escape the evaluation that it was vulnerable to the risk of misconduct.

D. Reluctance concerning the disclosure of financial information to the outside

To parties of interest outside of a corporation, the disclosure of information by a corporation is extremely important to its understanding. By having the actual state of management observed by many people, corporations that are active in its disclosure of information will, as a result, add a sense of tension to management activities, and increase the corporation’s autonomy. Conversely, corporations that are reluctant in their disclosure of information, tend to engage in behavior to avoid disclosing as much as possible the
information that would be unfavorable if known externally, and the weakening of the control environment progresses, through the formation of a potential tendency toward concealment.

Although it is unclear when this began as a general rule, the Olympus Finance Department had taken the stance of not disclosing information, other than information of which disclosure was required by law, even with financial institutions with which it had transactions. On the one hand, while this has the meaning of making the provision of information fair to the parties of interest surrounding the corporation, it is also a way of thinking that leads to the reluctance of disclosure, where items not required by law would not be disclosed. It can be said that such a way of thinking weakened the monitoring by parties of interest including financial institutions, and prevented the formation of a transparent organizational culture.

E. That the deliberations of the Board of Directors had become a mere formality

At Olympus’ Board of Directors meetings, many questions were issued by each director, and there were relatively active discussions. There were no changes in particular to this situation before and after outside directors were elected at the regular shareholders meeting on June 2005, and the situation had been that way previously. On the other hand, there were situations where, depending on the outside director, they would hesitate in asking questions, from lack of knowledge regarding management.

In this way, while there were instances of relatively active questioning and debate at the Board of Directors’ meetings, at the time of making final resolutions, as a general rule, there was no adoption of a voting method such as a raising of hands, where approvals and disapprovals would clearly be seen, and decisions were made through the single voice of the chairman without a debate.

Also, especially regarding M&A projects, on the day of the Board of Directors meeting, there were replacements of agenda items, and the Board of Directors’ Meeting Material were distributed and recovered during the same day. For this reason, outside directors and those directors who were not members of the Management Implementation Committee were not able to sufficiently read the material for agenda items that were replaced on the same day, and it was difficult to hold discussions and make a decision after sufficiently understanding the projects for said agenda items. Further, when there were questions about agenda items that were replaced on the same day, the management would respond that “this item was adequately discussed at the Management Implementation Committee”, and a sufficient response was not made by the management.

(2) Regarding the evaluation and handling of risk

A. The lack of risk evaluation capabilities in relation to misconduct by managers

Under the leadership of the CSR Headquarters Risk Management Office, in July 2010, an “Investigation of Corporate Risk” was implemented. This was implemented in relation to a grand total of 243 people, including 27 officers (directors, executive officers), 21 people in the class of Business Department Managers and Headquarter Managers, 195 people in the class of Heads of Departments (representatives of domestic affiliated companies, Risk Management Promotion Committee members, representatives of overseas bases). The results were reported to the Board of Directors and the Board of Auditors. Similar investigations of risk were conducted in 2004 and 2007. The following were raised among the risks that were identified in the
investigation, as items having significant damages and effects:

- "Accounting problems (account-rigging, improper account processing, etc.)"
- "Concealment and falsification of problem information"
- "False reports to regulatory agencies, etc."

In said “Investigation of Corporate Risk,” these were not recognized as risks that needed to be handled as a priority. The reason was that there was no awareness that any falsification of significance would take place, and that if such were to take place, it would be no more than a minor misconduct by employees, so its importance was underestimated.

However, the risk above can occur in any corporation, and when this becomes exposed, the damage to corporations caused by rumors could often become serious. In the case that the above risks were exposed under the involvement of managers, there is even the possibility that the effect at the time of detection could become fatal to the corporation. When considered in this way, with respect to the risks noted above, at the very least, a response should have been made with the help of experts to identify the motivations, opportunities, and methodologies in cases of misconduct involving managers.

In risk management, it is extremely important to anticipate the worst-case scenario, but in the “Investigation of Corporate Risk,” the risks were underestimated with the conviction that misconduct by managers could not happen. Under such circumstances, at Olympus, it would not have been possible for an opportunity to arise to verify how a system of governance and internal control with respect to misconduct by managers would be designed and operated, and the identification of the above risks in the “Investigation of Corporate Risk” ending without being put to use. This suggests that the risk evaluation capabilities at Olympus were inadequate, and it should be stated that it had become a barrier towards establishing appropriate internal control and attempting to operate it continuously.

**B. Regarding the evaluation and handling of risk concerning internal control related to financial reporting**

The incidence of misconduct in account processing is among the risks that should be handled with internal controls regarding financial reports. Included in such misconduct are the ignorance or invalidation of internal control by managers. On this point, the “basic framework of internal control” that is required in the internal control and reporting system based on the Financial Instruments and Exchange Act states, “There are instances in which managers will ignore or make ineffective internal control for purposes of misconduct. However, if the managers have built within the organization appropriate internal control for the entire company, or at the level of operations processing, since multiple people will be involved in such facts, the execution of such actions by managers would become considerably difficult, and as a result, it can be expected that it would have a corresponding restrictive effect on the actions of the manager himself”, and it indicates that appropriate internal control should be established that would have restrictive effects on the fraudulent invalidation of internal control by managers. It is required that such risks be identified, proper responsive measures be taken, and that control activities and its monitoring be carried out after fulfilling appropriate information and communication functions.
On this point, in the risk evaluation of the internal control concerning financial reporting at Olympus, the risk of misconduct by managers had never been identified as a direct target of evaluation, and there had never been an undertaking to figure out what kind of control had been prepared/operated to respond to said risks, nor to evaluate its effectiveness.

The evaluation of risk in internal control concerning financial reporting is an indispensible substantive component. From the fact that misconduct by managers, whose degree of effect as risks are large, had not been identified, it must be said that the entire evaluation of internal control concerning financial reporting placed excessive emphasis on the risks presented by employees, particularly the risk of error rather than misconduct, and in view of the purpose of evaluating the effectiveness of control in relation to material misstatements concerning financial reporting, it must be said that the entire evaluation of internal control is a mere formality.

(3) Regarding control activities

In order to execute financial operations with transparency, the division of duties is indispensible. Also, from the principle of the division of duties, the following 3 functions must be independent of each other.

1. Execution of financial transactions (so-called Front Function);
2. Monitoring of the actual state of financial transactions (Middle function);
3. Recording of financial transactions (Back Function)

Independence as is used here means a conscious independence in executing operations between functions, and means that the Middle and Back Functions do not have a conscious bias (bias) with respect to the Front Function, and will comprehend and record the actual situation with a fair and universal attitude. As typical situations that could violate conscious independence, cases where the 3 functions above are all performed by the same person, or cases where the person in charge of the Middle Function receives a consciously strong influence from the person in charge of the Front Function (such as the relationship between a former superior and subordinate) can be noted. Regarding money management by the Finance Department, the Treasury Group in the Finance Department as the Front conducted money management through the repurchase of stock, etc., and the Planning Management Group conducted the mark-to-market valuation and the bookkeeping as the Middle and Back Office. In said system, the money management and its mark-to-market valuation are completed within the Finance Department alone, and an objective assessment of the actual state is not made by an independent department. While the money management and mark-to-market valuation are done by separate teams within the Finance Department, since both are under the supervision of the Head of the Finance Department, it is a system of division of duties in which fraudulent invalidation could be undertaken by the Head of the Finance Department or someone in a higher position. Under such a system, in cases where serious losses are incurred in management transactions that were directed to be executed by the Head of the Finance Department or someone in a higher position, there is a problem with internal control, from the point that it would give the Head of the Finance Department or someone in a higher position the motivation and opportunity to cover up said losses.

In addition, regarding funding, the Treasury Group in the Finance Department handled negotiations with financial institutions as the Front, and engaged in the execution of agreements related to funding, received mail from financial institutions, such as interest notes, etc., obtained certificates of balance, and cross-checked the books. On this point, similar to the money management noted above, the Front and Middle
Functions were both conducted within the same department, and questions remain on the independence of both functions.

(4) Regarding information and communication

A. Closed Nature of the internal Compliance Help Line

At Olympus, a Compliance Help Line was introduced beginning in 2005. Said Help Line was a whistleblower system through e-mail, telephone and other methods regarding acts, etc., that potentially violated laws and regulations, as well as the Code of Conduct. The Help Line was established with the purpose of nurturing an open workplace environment, discovering and correcting misconduct in its early stages, and maintaining healthy corporate activities. With regard to the Help Line, awareness on the part of officers and regular employees had been promoted through the establishment of operational regulations, etc. The design of the system is such that matters reported to the Help Line were received by the Compliance Office, and material facts were reported to the President through the officer in charge.

On average, about 6 cases per year are reported through the Hot Line. These are mainly reports by general employees. The contents reported are mainly in connection with troubles in the workplace, and there have been 4 cases concerning misconduct reported to date. The content were the private use of company equipment, fraudulent billing of expenses, and claims for fictitious expenses.

The Help Line’s reporting destination is limited to the Compliance Office. However, if the content of the report were matters related to the Compliance Office, or matters involving the superiors of the Compliance Office, including managers, it could be expected that the whistleblower would hesitate in making the report. Therefore, from the standpoint of protecting the whistleblower and of properly responding to reports, a whistleblower consultation desk should also be established, with a direct connection to a more independent corporate body, such as outside officers, auditors, external organizations (such as law offices). On this point, a proposal to establish an external whistleblower consultation desk was submitted by the person in charge of the system design (Compliance Office), and was further proposed multiple times by the Board of Auditors. However, since Yamada strongly opposed this, the Compliance Help Line had no route outside, and became one that was closed within the organization alone.

Also, said Help Line accepts anonymous reports. However, for matters that require investigation, it seeks the name of the whistleblower in beginning the investigation. In the past, regarding a fraudulent account processing matter that was reported, in a matter involving the processing of fictitious sales slips for which there was an anonymous report, in preparing to begin the investigation, a request was made for the person’s name, but was firmly refused, and the report itself had been withdrawn.

After this matter became known within the company, it is said the usage of the Help Line decreased dramatically, and it is believed that the original function of the internal whistleblower system (an internal self-cleansing mechanism for misconduct) was significantly damaged.
B. Lack of comprehensiveness in the management of circular approval documents

Presently, within the company, as electronic circular approval systems, there exist the human resources circular approval system and the financial circular approval system. The former has been in operation since October 2004, and handles approvals related to personnel changes. The latter has been in operation since October 2001, and handles approvals on matters that involve financial expenditures.

The electronic financial circular approval system is not comprehensive in the following areas. In other words, even with matters that are subject to the electronic financial circular approval system, matters which are highly confidential are approved and settled on paper, and matters for paper settlement are outside the scope of the electronic financial circular approval system, and the circular approval document is stored in the recipient department. This is because said company’s “Settlement Regulations” (settlement procedures) allow for approval document forms and electronic settlement. At the Management Strategy Department, there were multiple matters that were settled on paper after the introduction of the electronic financial circular approval system. However, to the extent that said department made investigations, as of November 16, 2011 there were only 4 cases for which paper circular approval documents remained, and the others have been disposed of.

The fact that the circular approval documents have been disposed of is itself a violation of the obligation to preserve documents during the document preservation period of said company, and is a problem, but the problems are not restricted to that. This fact makes it difficult for monitoring organizations such as the auditors or the Audit Office to make after-the-fact verifications comprehensively, on whether the approval procedures or its content were reasonable or not. Also, the fact that internal approval matters cannot be overseen in a unified manner makes the independent monitoring by auditors’ audits and internal audits extremely inefficient.

(5) Monitoring

This company is a “Company with a Board of Auditors” under the Companies Act, and the auditing of internal organizations is done by ① audit by the Board of Auditors composed of standing and outside auditors (hereinafter called “auditors’ audits”), and ② audit by the Audit Office that belongs to the executive organization (hereinafter called “internal audit”).

A. Lack of Independence

Said company’s Board of Auditors was composed from the past by 2 standing auditors and 2 outside auditors. Those employees (or officers) in the company that have a long history of service have been appointed standing auditors. Both standing auditors and outside auditors were appointed by the designation and recommendation of the Representative Director at the time of appointment, and it is difficult to say whether conscious independence is guaranteed from the Representative Director who made the recommendation, either in form or in substance. There are currently 2 outside auditors, but 1 was a classmate of the President from high school, and the other was from a corporation (Nidec Copal Corporation) that had
delivered products to Olympus. Therefore, it is difficult to say whether or not conscious independence was guaranteed for the outside auditors from the Representative Director, either in form or in substance.

On the other hand, with respect to the Audit Office that conducted internal audits, from April 2002 to March 2009, the positions of Head of the Audit Office, the Head of the Finance Department, and the Head of the Accounting Department were supervised by Yamada. After April 2009, the positions of the Head of the Finance Department and the Head of the Accounting Department were supervised by Mori as the Corporate Center Manager, and Mori continued to be placed under the influence of Yamada, who was his superior. When the internal audit function is supervised by the same person as the finance/accounting functions, the independence of the internal audit function is damaged, and it is believed that there were physical or conscious restrictions against the internal audit function.

As noted above, the auditing function in Olympus, in other words the independence of the auditors’ audits and internal audits, was in a state where its independence was not guaranteed either in form or in substance.

B. Deficiency in professional knowledge and experience

From the year 2000 to the present, among those who were appointed Auditor, Yamada and Ota were the only 2 that had professional knowledge in the finance and accounting fields. Also, there were no consulting agreements entered with professionals in the accounting/auditing, or legal fields.

From this deficiency in knowledge and experience in the finance/accounting fields, for agenda items that were brought to the Board of Directors by the finance/accounting departments, there were no doubts raised or deep questions asked as to the credibility of the explanations by the departments in charge. With regard to the reports, etc. that were submitted by the accounting auditors, for similar reasons, no doubts were raised. With respect to the outside auditors, similarly with the standing auditors, due to a deficiency in accounting knowledge and experience, there were limits to the audit activities in the finance/accounting fields.

On the other hand, the Head of the Audit Office that conducted internal audits had an accounting background, and had knowledge in accounting. However, when viewing the Audit Section as a whole, there was a deficiency in professional knowledge, and the audit activities in relation to the Corporate departments, such as Management Planning, Finance, Accounting, etc., were conducted in a passive attitude, in comparison with audit activities for actual work departments, such as sales offices, production bases, major domestic subsidiaries, etc.

Specifically, subjects of visitations for internal audits are decided and conducted at a frequency of about once in 3 years, mainly with respect to sales offices, production bases, and major domestic subsidiaries, etc. In addition to this, special audits (such as the investigation of suspicions of embezzlement by subsidiary managers), which are presented as individual themes by the Representative Director or officers in charge of audits, are conducted non-routinely. However, the frequency of audits for Corporate departments, such as Management Planning, Finance, Accounting, etc., is significantly fewer in comparison with the sales divisions, etc. As an example, the last time an internal audit was conducted for the Finance Department was 7 years ago (the fiscal year ending March 2005), and has not been conducted since.
An internal audit is the act of objectively assessing management conditions with respect to risks related to management in general, or to objectively verify whether problems have already occurred, and is extremely important for the prevention/early discovery of misconduct. However, at least in the following areas, internal audits by the current Audit Office are insufficient in their functions.

- As a result of the report items of internal audit activities being selected by the President, it is not that the problem points are reported to the Board of Auditors without omission;
- Audit reports on operations (internal) are not reported to the Board of Directors, so that as a result, information that is necessary for the Board of Directors, including outside directors, to exercise their audit function is restricted.

As noted above, the audit function in Olympus, in other words, the auditors’ audits and internal audits, are not functioning adequately as regard the Corporate departments, such as Management Planning, Finance, Accounting, etc., due to a lack of professional knowledge.

C. Shortage of auditor staff
With respect to implementing auditors’ audits, in addition to the deficiency of professional knowledge/experience noted above, there was also a shortage of auditing staff.

In the auditors’ audits, the Auditors’ Office, a department to assist the Auditors, has been established, and as of November 2011, there were 4 people allocated. However, of those, there is only 1 dedicated staff, and the 3 remaining serve concurrent positions (1 serving concurrently with Administration, 2 serving concurrently with the Audit Office). The standing auditors conduct audits, based on the annual audit plan, mainly with respect to sales offices, production bases, and major subsidiaries (excluding overseas). The audit method in visiting audits is for the standing auditor to conduct interviews based on the material prepared beforehand by the department receiving the audit, and the accompanying auditors staff would assist in note-taking and the like. Due to a shortage of auditing staff, substantive tests, such as the inspection of original documents in the form of account ledgers, agreements, etc., are not being performed.

As noted above, in the auditors’ audits in Olympus, sufficient audit activities are not being performed, due to the shortage of auditing staff.

D. Overlapping roles of auditors’ audits and internal audits, and lack of mutual cooperation
As noted above, the standing auditors perform visiting audits with a target frequency of about once every 2 years based on the annual audit plan, mainly with respect to sales offices, production bases, and major domestic subsidiaries. As an example, in the previous fiscal year (fiscal year ending March 2011), visiting audits were performed for the Shirakawa Office, Sapporo Branch Office, Nagoya Branch Office, Osaka Branch Office, Hiroshima Branch Office, Fukuoka Branch office, Olympus Intellectual Property Service Co., Ltd., Altis, Humalabo, News Chef, Okaya Olympus Co., Ltd., Olympus Optotechnology Co., Ltd., Olympus Engineering Co., Ltd. The results of the visiting audits were compiled as the “Visiting Audit Report” for each term by the Board of Auditors, and reported to the Representative Director. On the other
hand, the interview investigation with respect to directors is about once a year, the interview investigation with respect to Executive Officers is about once every 2 years, and each interview is held over only about 1~2 hours.

Similarly, in internal audits, an interview audit plan is formulated, and based on the plan, visiting audits are performed with respect to sales offices, production bases, and domestic and overseas subsidiaries. For example, in the previous fiscal year (the fiscal year ending March 2011), visiting audits were performed through auditors’ audits for the Sapporo Branch Office, Olympus Intellectual Property Service Co., Ltd., Okaya Olympus Co., Ltd., but visiting audits were performed for said sales offices and subsidiaries in internal audits as well. Letting alone the point that clear cooperation cannot be seen between the two in the selection of target facilities for internal audits, but a clear division of roles cannot be seen in the visiting audit activities between the two.

The purpose of the auditors’ audits is to “audit the performance of duties by directors,” and the purpose of the internal audits is the independent evaluation activity in executive functions. In Olympus, the main region of the auditor’s audit activity overlaps with the internal audits, and on the other hand, the activity to “audit the performance of duties by directors” is insufficient.

E. That J-SOX evaluations had become a mere formality

Regarding the results of the J-SOX evaluation of Olympus, material weaknesses was not discovered from the time it began in the fiscal year ending March 2009. However, in the background of the occurrence of the current fabrication, it is believed that there were the following problems, and it is thought that substantive internal control was not undertaken and that it had become a mere formality.

(A) Regarding the risk management system related to J-SOX

According to the evaluation sheet for “Company-wide Control (General)”, it was confirmed that with respect to the risks associated with financial reporting and its control, a system was being prepared by the Management Planning Headquarters J-SOX Promotion Office. Also, a risk control matrix for each operational process had been prepared, and with respect to the risks and its control, it had been evaluated through the “operational status evaluation records” evaluation sheet.

However, no particular consideration was made at the time a risk evaluation was undertaken with respect to the risks concerning misconduct by managers such as “Problems in Accounting (account-rigging/improper account processing),” “Concealment/falsification of Problem Information,” “False reports to regulatory agencies, etc.” that were identified as having high damages/degree of impact while the frequency of occurrence was low, as a result of the “Investigation of Corporate Risk” conducted in July 2010, or with respect to the status that the Finance Department was monopolized over a long period by a specific minority, etc. In this way, the results of the company-wide risk evaluation were not put to use, and the internal control for regions with high risk were not evaluated sufficiently.

(B) Regarding administrative authority and the division of duties

According to the evaluation sheet for “Company-wide Control (General)”, it was confirmed that the roles and responsibilities of individuals within the organization, the duties and authority of each position, and decision-making standards were clearly set forth in the “Organizational Management Regulations,” “Human
Resources Approval Regulations,” “Regulations For Appointing and Dismissing Positions,” and “Division of Duties,” and that for operational processes, the control procedures were performed appropriately through the evaluation sheet for “Operational Status Evaluation Records”.

However, regarding the point of whether appropriate administrative authority and division of duties had been set forth in order to utilize a check-and-balance function, this was not evaluated in J-SOX. As a result, in regard to the Finance Department, a specific minority was in charge for a long time without personnel rotation, and moreover, the mark-to-market valuation of the results of money management by Finance was completed within the Finance Department, and although the check-and-balance by other departments such as the Accounting Department did not function, the situation was not discovered, and it is believed that for that reason, the act of concealment concerning this incident could not be discovered.

(C) Regarding operating procedures

According to the evaluation sheet for “Company-wide Control (General),” it was confirmed that documents were properly prepared for operational procedures that were standardized based on the system set forth in “General Principles for Standardization,” and that with respect to document maintenance, they were properly managed.

However, with respect to circular approval documents settled on paper, a situation had arisen in which those documents that were still within their document preservation periods had been disposed of, and confirmation had not been made on the management status of whether operations were being conducted according to established operational procedures. As a result, a situation continued in which it was difficult for the approval procedures through circular approval documents settled on paper and the appropriateness of its content to be subject to monitoring, and it is believed that the long-term cover-up concerning this incident could not be discovered.

(D) Regarding the internal whistleblower system

According to the evaluation sheet for “Company-wide Control (General),” the establishment status of the Compliance Help Line (internal whistleblower consultation desk), and the presence of regulations concerning the protection of whistleblowers had been confirmed. Also, the operational status of notifications to the employees of the Compliance Help Line had been confirmed.

Problems regarding the foregoing were not specifically recognized, and the fact that the Compliance Help Line had been established internally, and that changes in its status such as the dramatic decrease in its use were not considered at the time of evaluation. From these circumstances, substantive evaluation was not undertaken at the time of the evaluation for company-wide internal control, and it is believed that it had not been discovered that the internal whistleblower system was not in a condition to function effectively.

(E) Regarding the operation of the Board of Auditors

According to the evaluation sheet for “Company-wide Control (General),” it had been confirmed that the “Board of Auditors Regulations,” “Auditors’ Auditing Standards Document” concerning the operation of the Board of Auditors had been prepared. Also, it was confirmed that the preparation and preservation of the minutes of the Board of Auditors had been undertaken by the Executive Office, and that the system concerning the collaboration between the internal auditors/accounting auditors had been prepared and implemented.

Generally, for the Board of Auditors to be properly managed, and for the functions expected of the Board of Auditors to be exercised, it is necessary for people who have a high degree of independence with respect to managers, as well as professional ability, to be appointed as auditors. However, at Olympus, the
independence of auditors or the presence of the ability to fulfill an auditor’s function were not subject to the evaluation of company-wide internal control, and for that reason, it is believed that the lack of expertise of the Board of Auditors could not be discovered in the evaluation of company-wide internal control.

(F) Regarding internal audits

According to the evaluation sheet for “Company-wide Control (General),” it had been confirmed that a system for the internal audits was set forth in the “Internal Audit Regulations,” “Detailed Rules for Internal Audits”, and that internal audits were performed based on the “Activity Implementation Planning Document”, and that “Audit Reports” were being prepared.

However, in the evaluation of company-wide internal control, evaluations with respect to the independence of internal audits and whether the selection of audit subjects had been made based on risk identification results had not been made. Based on such circumstances, Yamada, who was the Corporate Center Manager, was the officer in charge of the Audit Office, and it had not been recognized in the evaluation of company-wide internal control that there was the possibility of an obstruction to the independence of the internal audit function, and that the selection of audit subjects was not being made based on risk identification results. From this, it is believed that the insufficiency of the frequency of audits with respect to Corporate departments such as the Finance Department could not be discovered, and was not improved.

(6) Evaluation concerning the effectiveness of internal control

Not only has Olympus established statutory outside auditors, but it has introduced the appointment of outside directors and the executive officer system, and the establishment of the CSR Committee, in addition to introducing many mechanisms such as the evaluation report of internal control under the Financial Instruments and Exchange Act and the basic policy for internal control under the Companies Act. Therefore, from an outward appearance, internal control seems to be healthy and functioning effectively. However, in actuality, it remains a formality.

The reason they fell into such a state is that the indifference of the other departments regarding the expertise held by the Corporate functions, such as the Finance Department, had turned the Finance Department into holy ground. And a system came into being in which the check functions through the independent and objective viewpoints from outside the company could not be exercised. As a result, various defects in terms of internal control, such as the inappropriate division of duties within the Corporate functions, long-term appointments of positions of responsibility by the same person within the Finance Department, design defects of the Compliance Hotline, immature internal audits, continued without being corrected.

In order for Olympus to escape from the current state of dysfunction in its governance, it must wipe away the indifference towards other departments that has spread internally within Olympus. For that purpose, a continuation of the effort to convey each other’s thoughts and the effort to understand the same is critical, and in other words, it is indispensable to acknowledge again the roles and responsibilities given to each, and then to improve the awareness of managerial accountability and to conduct independent monitoring with respect to business management. While making those improvements, it is necessary to deal with the reality that there is the possibility of misconduct, especially one in which the management and senior management level can carry out misconduct and moreover that they may cover it up. Specifically, there is an urgent need for a company-wide management system with respect to the risk of misconduct, including the handling of the risk of misconduct by managers and senior management levels, and an internal auditing system with a high level of professional ability and independence.
3. The reality of the supervision by the Board of Directors regarding the Incident

(1) The relationship, etc., between the Board of Directors and other related corporate bodies

At Olympus, until the end of March 2001, the Board of Directors and the Management Committee were generally unified, and the proceedings of the Board of Directors’ meetings were divided and recorded in the minutes of the Board of Directors’ meetings and the minutes of the Management Committee meetings (only formal items such as the resolution results were recorded in the minutes of the Board of Directors’ meetings, while the contents of deliberations were recorded in the minutes of the Management Committee meetings.) Board of Directors meetings concerning fiscal year-end settlements and end of half-year settlements were held independently. When the Board of Directors’ meeting and Management Committee meeting were held as one entity, the Executive Office in charge was the Management Planning Department, and when the Board of Directors’ meeting was held independently, it was the Administration and Finance Department.

The Board of Managing Directors existed as a subsidiary organization of the Board of Directors or the Management Committee. Its membership was restricted to directors above Managing Director and non-titled directors who were in charge of business departments. As a temporal order, it had been decided that among the items that were discussed in the Board of Managing Directors, those items that were required to pass the resolution of the Board of Directors according to the Settlement Regulations etc. would be raised to the Board of Directors or the Management Committee and then resolved. Since the Board of Managing Directors were composed of persons of higher rank than the members of the Board of Directors or the Management Committee, there were in fact no instances of the decisions of the Board of Managing Directors being overturned by the Board of Directors or the Management Committee (the Board of Directors’ meetings and the Management Committee meetings were attended by non-titled directors that were not in charge of business departments and auditors in addition to the members of the Board of Managing Directors, but there were no instances of the decisions of the Board of Managing Directors having been overturned by them.) Therefore, essentially, the Board of Managing Directors had become the highest decision-making corporate body for day-to-day execution of operations.

After April 2001, the Board of Directors’ meetings were always held independently, and as its subsidiary organization, the Management Implementation Committee was established in place of the Board of Managing Directors.

On matters of candidates for directors and the remuneration of individual directors etc., the President made such decisions without consulting other officers (however, in recent years, it seems that Yamada, who was in charge of Corporate, had been involved to a certain point), so that the decision-making authority on matters of personnel/ remuneration, etc., concerning directors belonged exclusively to the President.

(2) Supervision at the time of posting extraordinary losses in the half-year fiscal year ending September 1999 and the fiscal year ending March 2000

A. Status of internal settlement procedures

The discussion concerning the posting of extraordinary losses at Olympus was first held at the Board of Managing Directors’ meeting, and later, were held at the Board of Directors’ meeting or the Management Committee meeting

(A) Board of Managing Directors

At the 508th Board of Managing Directors’ meeting held on October 1, 1999, Ota, as the explainer, and Kikukawa, as the officer in charge, attended, and the annual performance forecast was submitted and deliberations were held, in response to the appreciation of the Yen (Minutes of the Board of Managing
Directors’ meeting dated October 1, 1999). In connection with this response to the appreciation of the Yen, the matter of posting the extraordinary losses of the half-year fiscal year ending September 1999 was also raised (at this point, there was no intention of posting the entire 16.8 billion yen, and it was planned to post only a part of it). The material was distributed beforehand. The agenda item was this item only, and the time for deliberation was 2 hours 20 minutes. In the <Questions> column of these minutes, a statement reads, “The way of thinking of 1/3: in consideration of how to hold functions, 1/3” and in the <Settlement> column, a statement reads, “With respect to non-operating, we are thinking of doing the negative assets from the past over a period of 3 years, but if this were to be done immediately, there is the possibility of red-ink.” Just from viewing the minutes of the Board of Directors’ Meeting, to be described later, the conclusion was that with respect to the losses that were explained at this time, it was decided to post it in a lump sum during that term, but at the time of the Board of Managing Directors’ meeting, as noted above, while the loss was recognized, they were trying to defer a part of it. Of course, there is nothing documented to recognize at what point the Finance Department or the Accounting Department had become aware of the losses noted above, or whether there was an awareness of losses above the amount of 16.8 billion yen.

At the 509th Board of Managing Directors’ meeting that was held on October 8, 1999, regarding the press release concerning the posting of extraordinary losses of 16.8 billion yen that was carried out the previous day, there were reports to the effect that “The comments had turned into that of the approval having been made by the President. We projected the image of an incompetent company handling management,” etc. and also, in the 513th Board of Managing Directors’ meeting that was held on November 12 of that year, it was reported that the current term profit for the First Half of Fiscal Year 1999 would be minus 11.3 billion yen, but just from viewing the minutes, both were reported in a detached manner, and it does not seem that special discussions were held.

As in the statements by the attendees below, in the 508th Board of Directors’ meeting, the discussion was focused on the response to the appreciation of the Yen. With regard to the posting of extraordinary losses, the attendees seemed to have been surprised by the amount, but they did not pursue this deeper.

- At that time in 1999, there was already a system of business departments in place, so that profits were managed by each business department. Also, indirect departments such as Finance and Accounting were completely separate departments from the business departments. As a result, the system had become one that was vertically divided, where each paid attention to its own charge, and with regard to items under the charge of others, at best, they were respected, but at worst, we were lacking in the ability to perform checks. Finance and Accounting in particular were heavy in technical content, and for someone coming from the business department, it was not well understood, but on the other hand, among those that were in charge of Finance and Accounting, there were many experts who continued to be exclusively in charge of Finance and Accounting, and since they were also consulting with auditing firms, for better or worse, we had completely trusted them.

- At the Board of Managing Directors’ meetings, in addition to the directors above Managing Director, representatives of each business department attended, and they mainly discussed how to operate each business. If the agenda was about easily understood items (ex. Camera), there was much enthusiasm, but there was not much enthusiasm about items involving Finance and Accounting. To
note, the situation was not one in which there was a chilling effect due to pressure from the President or internal factions etc., and obstacles to discussions had not developed.

- The directors composing the Board of Managing Directors’, at that time in 1999, were mostly those with sales and technology backgrounds, other than the officer in charge (or explainer), and there were almost none who had experience in Finance and Accounting.

- I don’t think the Board of Managing Directors approved the introduction of the performance-based pay system or the Flex system right away, but basically, I think it was extremely rare that items submitted for approval would not be approved.

- At the 508th Board of Managing Directors’ meeting, there were heated discussions about the response to the appreciation of the Yen, since it was directly connected to business.

- In contrast, with respect to the posting of extraordinary losses, we were surprised by the amount. I believe someone asked if that was the full amount, but my memory is not certain. We did not think at all that there were further losses incurred, and I don’t think there were very extensive questions.

- I don’t think the Finance Department was blamed for incurring a large amount of non-operating losses, or that they were questioned persistently. I have no memory that the officer in charge or persons in charge received any punishment. However, I think that the rules concerning money management became somewhat stricter afterwards.

- Technical problems, such as the posting of extraordinary losses, were decided by the Finance Department and Accounting Department in consultation with the auditing firm, and since they were decided from the viewpoint of professionals, we hesitated from questioning or interfering with them.

- The 1990s were a period in which many large corporations were posting large losses from financial management techniques. So, when we received the report that a huge amount of extraordinary losses would be posted from failures in financial management techniques, we only thought that Olympus, similar to other corporations, had failures in its financial management technique, and did not think that it was such a problematic issue.

(B) Board of Directors or Management Committee

At the 780th Board of Directors’ meeting held on October 7, 1999, Kishimoto, the chairman, explained that because of the poor performance due to the significant appreciation of the Yen and the posting of extraordinary losses accompanying adjustments in specified fund trusts etc., the performance forecast for the current term would be amended and that the interim dividend would be deferred, and when approval was requested, it was approved and passed with no objections from any attendees (minutes of the Board of Directors’ meeting, dated October 7, 1999). The material was distributed beforehand. The agenda had 8 items, including this matter, and the time required was 1 hour.

In the 385th Management Committee meeting that was held as one unit with said Board of Directors’ meeting, a proposal was made by Kikukawa, who was the officer in charge as well as the explainer, regarding the mid-term settlement for the First Half of the 132nd Term, and it was approved (minutes of the Management Committee meeting, dated October 7, 1999). The material was distributed beforehand. There was an explanation from Ota that the 16.8 billion yen would be posted as extraordinary losses, and from Yamada were the explanations regarding the extraordinary losses, that “an overall disclosure would be sought by March 2001”, and that “we wish to perform a lump-sum processing at this time,” and from Shimoyama also, “we had proceeded with improvements in financial assets in a planned manner, but under
the current circumstance of the appreciation of the Yen, we have doubts in terms of our strength to carry it forward to the next term and beyond, and we wish to amortize it (allocation and amortization) at once.” As to the questions at this time, one question raised was, “Does this mean that it now became apparent?” (Response is unknown). To the question, “Is this all for the processing of ‘tokkin’?” the response was that “This is all.”

At the 782nd Board of Directors’ meeting held on November 11, 1999, in other words, the Board of Directors’ meeting for the mid-term settlement of the First Half of the 132nd Term, Kishimoto, the chairman, requested approval of the Profit and Loss Statement etc. for said First Half, in which the extraordinary loss was posted, and this, too, was approved and passed with no objections from anyone present, and further, at the 791st Board of Directors’ meeting held on April 28, 2000, in other words, the Board of Directors’ Meeting for the fiscal year-end settlement for the 132nd Term, Kishimoto, the chairman, requested approval of the Profit and Loss Statements etc. for said term, in which the extraordinary loss was posted, but this was also approved and passed with no objections from anyone present. In these Board of Directors’ meetings, there are no indications in the minutes that there were new discussions regarding the posting of extraordinary losses noted above in making the resolution (as noted above, the Board of Directors’ meetings for the fiscal year-end settlement and mid-term settlement were held independently).

As noted below, at the 780th Board of Directors’ meeting (concurrent with the 385th Management Committee meeting), while there were some questions about the reasons for posting the huge amount of extraordinary losses mainly from the non-titled directors who did not attend the Board of Managing Directors meeting, the matter was not pursued in particular. In addition, with respect to the circumstances in which it was decided not to post the entire amount of the 16.8 billion yen in the current term at the time of the 508th Board of Managing Directors’ meeting, but was decided to be posted in its entirety at the time of the 780th Board of Directors’ meeting (concurrent with the 385th Management Committee meeting), the attendees were satisfied with the explanation of Shimoyama and others, and the matter was not discussed in particular. The following are the statements of the attendees:

- As for the manner of making decisions at the Board of Directors’ meeting, there was first an explanation of the resolution item by the director in charge or someone at the level of Head of the Department in charge, after which there were questions and answers, and later, the chairman would confirm, such as, would this be all right, and unless there were clear opposing views, such as, I object, all of the directors would have been deemed to have approved.

- Since the Board of Managing Directors was essentially the highest decision-making corporate body for day-to-day execution of operations, among items that were raised by the Board of Managing Directors, I don’t think there were any resolution items that were not approved by the Board of Directors. However, at the Board of Directors’ meeting, before a resolution, there were instances in which auditors and others who had not attended the Board of Managing Directors’ meeting would ask questions and request confirmation.

- I believe that there were questions raised by those who did not attend the Board of Managing Directors’ meeting as to why the extraordinary loss would be posted in the current period, and whether this was all for the processing of “tokkin”, but I do not think it was in an accusing or pursuing manner.

- With respect to the reason that the entire amount of 16.8 billion yen would be posted in the current term, which was not the case at the time of the 508th Board of Managing Directors Meeting, but was
decided at the time of the 780th Board of Directors Meeting (concurrent with the 385th Management Committee meeting), I had understood that to be the case from statements by Shimoyama and others.

- Questions about the posting of the extraordinary loss were raised at the Board of Directors’ meeting (concurrent with the Management Committee meeting) at the time it was posted, but I have no memory of it being discussed again at the subsequent Board of Directors’ meeting for the mid-term settlement or the Board of Directors’ meeting for the fiscal year-end settlement.

(3) Supervision concerning the acquisition of shares in the Three Domestic Companies

A. Status of internal settlement procedures

The status of the internal settlement procedures associated with the investment in the Three Domestic Companies (Altis, News Chef, and Humalabo) by Olympus or the business investment fund (GCNVV) in which it invested, is as follows:

(A) The Acquisition of Shares of the Three Domestic Companies by GCNVV

There are no indications that the propriety of the investment was raised as an issue at the Board of Directors’ meeting or the Management Implementation Committee meeting.

At the Business Investment Committee, during the same committee meeting held on March 9, 2006, GCI, which was the manager of GCNVV, proposed that Olympus make a heavy investment, since the Three Domestic Companies had businesses with an extremely high business value. On receiving this proposal, at the Business Investment Committee of the same day, a decision was made to the effect that for the purpose of creating new businesses and for the success of the business, they would consider the matter positively (minutes of the Business Investment Committee, dated March 9, 2006). The attendees from the Olympus side at that time were Yamada, Mori, Nakatsuka, and 2 others.

Dated March 16, 2006, under the name of the Chairman of the Business Investment Review Committee (the chairman at that time was Yamada), a document entitled “Report on Review Results” was prepared, and an approval was obtained in the investment of a total of approximately 10.8 billion yen for the Three Domestic Companies. No documents have been found that indicate that other members of the Business Investment Committee made any declaration of intent to the effect that they approved or agreed with the acquisition of the Three Domestic Companies by GCNVV.

(B) The Acquisition of Shares of the Three Domestic Companies by Olympus

Regarding the acquisition of shares of the Three Domestic Companies by Olympus, this was discussed as an agenda item at the Management Implementation Committee meeting held on February 8, 2008 (minutes of the Management Implementation Committee meeting, dated February 8, 2008) and the 999th Board of Directors’ meeting held on February 22 of that year (minutes of the Board of Directors’ meeting, dated February 22, 2008).

The proposal document was common to both, and it was proposed that holdings in the shares of the Three Domestic Companies would be increased to over 67%, and that they would be turned into subsidiaries. The material for the Board of Directors’ meeting was distributed beforehand. The time scheduled for discussion was 75 minutes (the actual discussion time is unknown.)

This agenda item was approved and passed without any objections from the attendees, and from the minutes of the Board of Directors’ meeting, there are no indications that questions were raised regarding this agenda item.

As in the statements of the attendees below, at said Board of Directors’ meeting, there seems to have been cautious opinions voiced by the attendees, but in the end, there were none who stated active opposition to the
explanations made by Mori and others, and the matter was approved:

- I thought Altis was an interesting business, but that the other 2 companies had nothing to do with Olympus. So I stated how about discussing the purchase of shares separately, rather than 3 companies at the same time, but according to Mori, the owner of the 3 shares are the same for the 3 companies, so that there is no option of buying just 1 company, and that there are business opportunities for microwave ovens with the aging society.
- I thought that the price was strange, and pointed it out, but according to Mori, they were aiming for listing, so that I thought it could be done, if done well.
- There was an explanation that the shareholder would dispose of the shares to others, so that a decision was necessary under this timing, and it was quite a hurried matter, and moreover it had to be a package of the 3 domestic companies. I had trust in Corporate (Mori), and that if our colleague Mori were to make such a statement, then it could not be helped.
- In the end, the chairman (Kikukawa) asked, would that be all right, and since there were no opinions of absolute opposition, it was approved.

(4) Supervision concerning the acquisition of Gyrus
A. Status of internal settlement procedures

The status of internal settlement procedures for the acquisition of Gyrus by Olympus and the payment of the advisory fee (FA fee) accompanying this are as follows.

(A) Paper authorization dated May 31, 2006

With this, authorization was obtained to execute a Financial Advisor Agreement (FA Agreement) with Axes (paper authorization document dated May 31, 2006.)

This authorization was performed only among 3 people, Kikukawa, Yamada, and Mori, and at this point, the other directors did not participate in the decision-making for the execution of the FA Agreement.

(B) Paper authorization dated June 21, 2007

With this, authorization was obtained to the effect that an agreement would be made to amend the FA Agreement that was executed with Axes on June 5, 2006 (paper authorization document dated June 21, 2007).

This authorization was also performed only among 3 people, Kikukawa, Yamada, and Mori, and at this point, the other directors did not participate in the decision-making to execute an agreement to amend the FA Agreement.

(C) 994th Board of Directors’ meeting held on November 19, 2007

Resolutions were made on the acquisition of Gyrus, and the establishment of the purchase vehicle accompanying this, investment and financing of the acquisition capital for the purchase vehicle, and the establishment of a commitment line for funding the acquisition capital, and the execution of the FA Agreement with Axes (after amendment) (minutes of the Board of Directors’ meeting dated November 19, 2007).
The Board of Directors’ meeting material regarding the acquisition of Gyrus was distributed on the day of the Board of Directors’ meeting. The agenda items of that day were all related to the acquisition of Gyrus, and the discussion time was 1 hour 40 minutes.

Each of these agenda items were approved and passed without any objections from any of the attendees, and there are no indications that questions were raised regarding the agenda items from the minutes of the Board of Directors’ meeting.

(D) 999th Board of Directors’ meeting held on February 22, 2008

Mori reported on the status of progress on the Gyrus acquisition (minutes of the Board of Directors’ meeting dated February 22, 2008). The specific items reported were the progression up to the completion of the acquisition of Gyrus, the total amount of the acquisition, establishment of the purchase vehicle, funding of the acquisition capital and the delegation of FA services.

It was explained that with respect to the delegation of FA services, the fee for Axes, the FA, was 5% of the acquisition amount, of which the cash payment portion of 15% amounting to 12 million dollars (approximately 1.33 billion yen) would be paid on November 26, 2007, and that with respect to the balance amounting to 85% and the warrants, that negotiations were being held with Axes, which included the payment method.

The Board of Directors’ meeting material regarding the Gyrus acquisition status report was distributed on the day of the Board of Directors’ meeting. The time scheduled for this report was 15 minutes (the actual reporting time is unknown).

(E) 1001st Board of Directors’ meeting held on April 25, 2008

Resolutions were made regarding the capital reorganization of Gyrus after its acquisition (minutes of the Board of Directors’ meeting dated April 25, 2008). Specifically, decisions were made to transfer Olympus’ loan to the purchase vehicle into stocks through the Debt Equity Swap method, to change the organizational form of the purchase vehicle from a limited liability company to an unlimited liability company (in order to speedily take capital reduction procedures as mentioned later), and to transfer the Gyrus shares that the purchase vehicle owns to Olympus through the method of a capital reduction.

These agenda items were approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that questions were raised regarding the agenda items. The time scheduled for discussion of the agenda items was 10 minutes (the actual discussion time is unknown).

(F) 1009th Board of Directors’ meeting held on September 26, 2008

It was resolved that in exchange for the stock options that were granted to Axes as the FA fee based on the amended FA Agreement, the dividend preferred shares of Gyrus (issuance face value 176,981,106 dollars) would be issued to Axes, and also that the warrant purchase rights granted to Axes as the FA fee would be purchased by Olympus for 50,000,000 dollars (minutes of the Board of Directors’ meeting dated September 26, 2008).

The agenda item noted above regarding payment of the FA fee was added to the agenda on the day of the Board of Directors’ meeting, and the Board of Directors’ meeting material was also distributed on the day of the Board of Directors Meeting.

These agenda items were approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that questions were raised regarding the agenda items. The time scheduled for discussion of the agenda items was 15 minutes (the actual discussion time is unknown).
(G) 1012th Board of Directors’ meeting held on November 28, 2008

It was resolved that the dividend preferred shares of Gyrus owned by Axam would be purchased by OFH (minutes of the Board of Directors’ meeting dated November 28, 2008). Its content was that the purchase price would be 530 million ~ 590 million dollars, and that the purchase date would be mid-December 2008. The reason for purchasing the dividend preferred shares were that ① the outflow of cash going forward, based on the dividend conditions of Gyrus’ dividend preferred shares would be retained within the Group; ② by repurchasing the Gyrus dividend preferred shares from outside shareholders, the re-organization within the Group would be made easier; ③ the sale of Gyrus’ divided preferred shares to third parties could be prevented.

The agenda item noted above regarding the purchase of the dividend preferred shares of Gyrus was added to the agenda on the day of the Board of Directors Meeting, and the Board of Directors’ meeting material was also distributed on the day of the Board of Directors’ meeting.

This agenda item was approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that there were questions regarding the agenda item. The time scheduled for discussion of the agenda items was 20 minutes (the actual discussion time is unknown).

(H) 1022nd Board of Directors Meeting held on June 5, 2009

The resolution was made to the effect that the decision to repurchase Gyrus’ dividend preferred shares at the 1012th Board of Directors Meeting held on November 28, 2008 would be cancelled (minutes of the Board of Directors’ meeting dated June 5, 2009).

The Board of Directors’ meeting material on the agenda item above was distributed on the day of the Board of Directors Meeting.

This agenda item was approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that there were questions regarding the agenda item. The time scheduled for discussion of the agenda items was 10 minutes (the actual discussion time is unknown).

(I) 1033rd Board of Directors Meeting held on February 26, 2010

The resolution was made to approve the conditions of the repurchase negotiation for the dividend preferred shares from Axam (minutes of the Board of Directors’ meeting dated February 26, 2010). The approved repurchase condition was that the dividend preferred shares would be purchased by the end of March 2010, with the upper limit being the sum of the appraised value of Axam’s dividend preferred shares and the amount of unpaid dividends.

The agenda item noted above was added to the agenda on the day of the Board of Directors’ meeting, and the Board of Directors’ meeting material was also distributed on the day of the Board of Directors’ meeting.

This agenda item was approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that there were questions regarding the agenda item. The time scheduled for discussion of the agenda items was 10 minutes (the actual discussion time is unknown).

(J) 1034th Board of Directors Meeting held on March 19, 2010

A resolution was made to the effect that the Gyrus divided preferred shares owned by Axam would be repurchased for 620 million dollars (minutes of the Board of Directors’ meeting dated March 19, 2010).

The Board of Directors’ meeting material on the agenda item above was distributed on the day of the Board of Directors Meeting.
This agenda item was approved and passed without any objections from those present, and there are no indications from the Board of Directors’ meeting minutes that there were questions regarding the agenda item. The time scheduled for discussion of the agenda items was 30 minutes (the actual discussion time is unknown).

B. Summary

While there were active discussions regarding the acquisition price of Gyrus at the time of the Board of Directors resolution regarding the Gyrus acquisition on November 19, 2007, with respect to the FA fee, which was set at 5% of the acquisition price, there was no awareness that it was high (otherwise, there is no memory that there were discussions about the FA fee). On the point that 15% of the FA fee would be cash compensation and the remaining 85% would be a stock option, with the explanation from Mori that this was to make the cash outlay small, no specific doubts were raised. The impression on Mori’s side, who was the explainer of the agenda item, was that there were no directors who doubted the acquisition scheme, acquisition price, selection of the FA or its fee at said Board of Directors’ meeting, and that there were no special discussions about the size of the FA fee.

Also, at the Board of Directors’ meeting of September 26, 2008, in connection with the resolution to the effect that dividend preferred shares would be granted to Axes instead of stock options, there were those who did not remember the substance of the explanation of the agenda item or the content of the dividend preferred shares that would be granted, and it is unknown if these were explained or not.

On November 28, 2008, a resolution was made to the effect of repurchasing the Gyrus dividend preferred shares, but as for Mori who explained the agenda item, there were none who expressed doubt about the reason for the repurchase that was explained or the repurchase price, and among the directors in attendance, the same awareness as Mori was expressed, so that there were none who expressed any special objection to the repurchase at the time of the resolution, since the range for the appraisal value of the dividend preferred shares prepared by external people were indicated regarding the repurchase price, and from concerns that the dividend preferred shares would be assigned to a third party, and that dividends of as much as 85% of Gyrus’ profit after taxes would continue.

In the end, at the Board of Directors Meeting on March 19, 2010, it was approved that the dividend preferred shares would be repurchased from Axam for 620 million dollars.

At the Board of Directors Meeting on that same day, Mori explained that the dividend preferred shares would be transferred from fixed liabilities to equity interests at book value, and that with this, the difference between the purchase price and book value of the dividend preferred shares could be posted as goodwill, and that this account processing had been approved by Ernst & Young ShinNihon LLC on the condition that they be done within that fiscal year (by the 31st of that month).

Also, regarding the purchase price of the dividend preferred shares, Mori made the following explanation. In the end, the 620 million dollars (55.8 billion yen) that was agreed with Axam is the median value between the 724 million dollars asserted by Axam and the 519 million dollars asserted by Olympus. The Olympus side was based on the approach that “Axam, which owns Gyrus’ dividend preferred shares, has the right of
veto on the important items of Gyrus’ management, so as the so-called joint investor, it has a 50% interest in the business value of Gyrus.” 50% of Gyrus’ net asset value of 945 million dollars (472.5 million dollars) as of the end of December 2009, to which a control premium of 10% was added, calculates to 519 million dollars. To which, Axam’s assertion is based on the approach that the “owner of the dividend preferred shares has the right to 85% of the net asset value after taxes (tax rate of 28%)”. 85% of the net asset value of 945 million dollars after taxes \((1-28\%)=72\%\) is 578 million dollars, and adding a control premium of 20% would make 694 million dollars, and further the unpaid dividend of 30 million dollars would be added to make 724 million dollars. The 620 million dollars agreed upon with Axam, if based on the approach of the Olympus side, would mean 50% of the net asset value of 945 million dollars (472.5 million dollars) to which a control premium of 30% had been added.

After receiving the above explanation from Mori, between the directors in attendance and Mori, there was mainly confirmation that there were no problems with the account processing, and the reasonability of the control premium of 30%, after which the agenda item was approved and passed without any objections from those present.

(5) Evaluation of the supervision by the Board of Directors regarding the Incident

A. Relationship between the Board of Directors and other related corporate bodies

By the end of March 2001, the Board of Directors and the Management Committee had generally become one entity, and its presence had become unclear. Also, the Board of Managing Directors, which should have been its subsidiary organization, had essentially become the highest decision-making organization for day-to-day execution of operations, so the Board of Directors had become a mere formality. While the Board of Managing Directors was composed of some of the directors, it was not composed of all of the directors, and the auditors did not attend. Therefore, in the Board of Managing Directors meeting, it was not as if all who were delegated by the shareholders could hold complete discussions or make decisions. As noted above, with respect to the Board of Directors up to the end of March 2001, it must be said that there were fundamental problems to begin with in the state of the corporate body and its relationship with other related corporate bodies.

B. Extreme sense of vertical division on the part of directors

In each director, an extreme sense of vertical division is visible, which matches the system in the company, in that they reviewed only areas that they were in charge of, and were indifferent to the areas charged to others. In corporations, in order to aim for efficiency in its functions and its business type, it is oftentimes the case that the independence of each function or each business department would be heightened. However, in the case of each director in a corporation with a Board of Directors, such person was not delegated only the area in charge by the shareholders, but rather, such person bears the duty of due care as a prudent manager.
and the duty of loyalty as a member of the Board of Directors in all areas of business in the company. Notwithstanding, because such a fundamental mind-set was lacking in the directors, they could not perform a check-and-balance function in areas of mutual responsibility, and as a result, the Board of Directors Meeting did not engage in complete discussions or healthy decision-making. For example, the stock acquisition price of the Three Domestic Companies and the amount of the advisory fee connected with the Gyrus acquisition are abnormally high from the basis of common sense, even without professional knowledge, and when these agenda items were brought to the Board of Directors meeting, there should have been thorough discussions, but there were none. Also, when the resolution to repurchase Gyrus’ dividend preferred shares was cancelled, there are no indications at all that there were any discussions in particular with respect to the exceptional circumstances of a resolution having been cancelled. These are manifestations of an extreme lack of interest on the part of the directors in areas handled by others. To note, currently, while the original business department system has since transitioned to the Company system, to a spin-off system, and further to a business group system, the trend of emphasizing the division of businesses and their independent accounting systems seems to continue on, but if each director only has the mind-set of vertical division, then there is the possibility that an unhealthy situation like the one noted above may still be continue within the Board of Directors.

C. Lack of diversity concerning the background of directors

It is also a problem that there was a lack of diversity in the background of the directors who composed the Board of Directors. For example, from 1999 to 2000, with the exception of the director in charge of finance and accounting, there were almost none who had experience in finance and accounting among the directors who composed the Board of Directors. For that reason, they were unable to figure out the entirety of unrealized losses, and there is the possibility that they easily permitted the deferral of losses. Originally, at the point of receiving a report on a large amount of non-operating losses, there should have been thorough discussions on its actual state, its cause, the necessity of disclosure, specific measures for resolution, or a check-and-balance and preventive measures to avoid recurrence, but there are no indications that that was done. Had there been a thorough effort to identify the cause at that point in time, the possibility cannot be denied that the entirety of the hidden loss could have been discovered, and also, if sufficient preventive measures had been taken, by amortizing it properly, it is thought that they could have regenerated a company with a healthy constitution.

D. Exclusivity on the part of the President in the decision-making authority of personnel matters/compensation etc concerning directors

The directors were not sufficiently independent of the President. In other words, at Olympus, the decision-making authority on personnel matters/compensation, etc. concerning directors had belonged exclusively to the President. Unless it is a company with committees, this case cannot be said to be rare, but the intentions of the President in mind, there is the possibility that complete discussions or healthy decision-making at Board of Director meetings were impaired. For example, in the deferral of losses from 1999 to 2000, or the acquisition of shares in the Three Domestic Companies or the acquisition of Gyrus, with regard to the fact that the President approved them, it is believed that others may have hesitated, and did not voice their
objections. Subsequently, when Woodford pointed out the Incident as an obvious scandal, and asked for the resignation of officers, such as Kikukawa, the directors did not verify the substance that was pointed out, and in siding with Kikukawa, who was the chairman, that they agreed to the dismissal of Woodford from the representative director position is a good example. However, what the directors should consider first is not the President, but the company and its shareholders. Therefore, if the directors only minded the intention of the President, and as a result, could not hold complete discussions that should have been held in the first place, and as a result, erroneous decision-making took place, then indeed, it would be putting the cart before the horse. At Olympus, from some point in time, outside directors seem to have been introduced, but it goes without saying that unless those with professional knowledge and high independence are elected as outside directors, they would not be able to exercise the role that they would be expected to fulfill.

E. Room for improvement in the Board of Directors’ Regulations, etc.

Concerning the acquisition of Gyrus, both the execution of the FA Agreement and the execution of the amending FA Agreement were carried out in the form of a paper authorization by only 3 people, Kikukawa, Yamada, and Mori, and the agreements were not brought before the Board of Directors before being executed; since the approval of the Board of Directors was obtained after the fact, it was placed afterwards. That they allowed such a thing could be said to be one factor in having made it easy to cover losses. In view of the high need for secrecy concerning M&A, the Board of Directors Regulations that allowed such after-the-fact approval cannot be immediately questioned, but based on the incident, it is hoped that improvements would be made to the Regulations, etc., or new rules created, so that this type of thing would not be allowed to happen again.

F. Summary

Essentially, It should be the case that the Board of Directors must decide on the execution of operations in corporate management, and to supervise the performance of duties of each director. Also, a director in a company with a Board of Directors, bears the duty of due care as a prudent manager and the duty of loyalty, and as a member of the Board of Directors, must attend Board of Directors’ meetings, and state opinions about the execution of operations in the company, and must take care that the company’s operations are being carried out appropriately. However, at Olympus, as noted above, for reasons such that the mind-set necessary of directors was lacking, it must be said that the supervisory responsibility that the Board of Directors had to fulfill as the center of the corporate governance had not been fulfilled.
4. The reality of the supervision by the Board of Auditors regarding the Incident, and the evaluation thereof

(1) The reality of the audits at the time of posting extraordinary losses in the half-year fiscal year ending September 1999, and the fiscal year ending March 2000

A. Matters pointed out, etc. by the accounting auditors

(A) Regarding the Audit Summary Report for the 130th Term

KPMG AZSA LLC submitted the Audit Summary Report for the 130th Term, dated May 29, 1998 to the Board of Auditors (the Audit Summary Report for the 130th Term). This report listed the outline of the audit that that auditing firm conducted on the 130th fiscal year of Olympus (April 1, 1997 to March 31, 1998) and on the results of the audit.

In that report, in the item entitled “Regarding Specified Fund Trust,” the content of the specified fund trust as of the end of March 1998, “balance (book value) 45,938 million yen”, “unrealized loss 6,916” are listed. This pointed out that as of the end of March 1998, there was an unrealized loss in the specified fund trust, and that that amount was 6,916 billion yen.

(B) Regarding the Outline Report on the Mid-term Audit for the 131st Term

KPMG AZSA LLC submitted the Outline Report on the Mid-term Audit for the 131st Term, dated November 27, 1998 to the Board of Auditors (the Outline Report on the Mid-term Audit for the 131st Term). This report listed the outline of the audit that that auditing firm conducted on the 131st business year of Olympus (April 1, 1998 to September 30, 1998) and on the results of the audit.

In that report, in the item entitled “Regarding Specified Fund Trust,” the content of the specified fund trust as of the end of September 1998, “balance (book value) 41,594 million yen”, “unrealized loss 13,000 million yen” are listed. This pointed out that as of the end of September 1998, there was an unrealized loss in the specified fund trust, and that that amount was 13 billion yen.

(C) Regarding the Audit Summary Report for the 131st Term

KPMG AZSA LLC submitted the Audit Summary Report for the 131st Term, dated May 14, 1999 to the Board of Auditors (the Audit Summary Report for the 131st Term). This report listed the outline of the audit that that auditing firm conducted on the 131st business year of Olympus (April 1, 1998 to March 31, 1999) and on the results of the audit.

In that report, in the item entitled “Regarding Specified Fund Trust,” the content of the specified fund trust as of the end of March 1999, “balance (book value) 29,343 million yen”, “unrealized loss 9,896 million yen” are listed. This pointed out that as of the end of March 1999, there was an unrealized loss in the specified fund trust, and that that amount was 9,896 billion yen.

(D) Regarding the Outline Report on the Mid-term Audit for the 132nd Term

KPMG AZSA LLC submitted the Outline Report on the Mid-term Audit for the 132nd Term, dated November 5, 1999 to the Board of Auditors (the Outline Report on the Mid-term Audit for the 132nd Term).
This report listed the outline of the audit that that auditing firm conducted on the 132nd business year of Olympus (April 1, 1999 to September 30, 1999) and on the results of the audit.

In that report, in the item entitled “Regarding Valuation Loss in Financial Assets,” it lists that the valuation loss in financial assets posted as an extraordinary loss in the half-year period ending September 1999 was 16.812 billion yen, and that its breakdown was 14.061 billion yen as a valuation loss accompanying the adoption of the basket type lower of cost or market method against the specified fund trust, and 2.75 billion yen as a swap valuation loss.

(E) Regarding the Audit Summary Report for the 132nd Term

KPMG AZSA LLC submitted the Audit Summary Report for the 132nd Term, dated May 16, 2000 to the Board of Auditors (the Audit Summary Report for the 132nd Term). This report listed the outline of the audit that that auditing firm conducted on the 132nd business year of Olympus (April 1, 1999 to March 31, 2000) and on the results of the audit.

In that report, in the item entitled “Regarding Liquidation Loss in Financial Assets,” the liquidation loss in financial assets posted as an extraordinary loss in the fiscal year ending March 2000 was 16.9995 billion yen, and that its breakdown was 14.031 billion yen as a liquidation loss accompanying the cancellation of a special fund trust agreement, and 2.964 billion yen as a liquidation loss accompanying the cancellation of a swap agreement.

B. Response, etc. of the Olympus Board of Auditors

(A) In the minutes of the Board of Auditors meetings, regarding the matters pointed out by the auditing firm above in A (A) or (C), regarding the unrealized losses of the specified fund trust, there are no records that its actual state, causes, need for disclosure, or specific measures were discussed.

(B) In the minutes of the Board of Auditors meetings, regarding the matters pointed out by the auditing firm above in A (D) or (E), there are no records that the legality of the accounting treatment of posting extraordinary losses at this point in time, the reasonableness of the calculation method of the amount posted as extraordinary losses, or whether there were any deferrals in the treatment of unrealized losses that should have originally been posted as a loss, were reviewed or confirmed.

(C) The reality of the audit system by the Board of Auditors at the time of 1999 to 2000 cannot be figured out, since the audit plans from that time no longer exist.

(2) Exchanges with KPMG AZSA LLC concerning the acquisition of shares in the Three Domestic Companies and advisory fees related to the acquisition of Gyrus, and the reality of the response of the Board of Auditors in relation to the matters pointed out by KPMG AZSA LLC

A. Cooperative consultations between KPMG AZSA LLC and the Board of Auditors

(A) KPMG AZSA LLC submitted to the Board of Auditors a report dated April 23, 2009 (hereinafter referred to as the “AZSA Report”), as described later, but in advance of its submission, requested the
following items from the Board of Auditors in December 2008:

- The current performance of the Three Domestic Companies is significantly different from their original business plans, and so we wish you to re-evaluate based on the current situation.
- We wish you to perform an evaluation not just of the accounting, but also the businesses.
- Present the breakdown of the Gyrus fee, and investigate whether this is a reasonable fee.

(B) Subsequent cooperative consultations between KPMG AZSA LLC and the Board of Auditors or the Auditors

- After the request noted above, and until the AZSA Report noted earlier was submitted, cooperative consultations took place over a total of 3 times between KPMG AZSA LLC and the Board of Auditors or the Auditors (the breakdown was 2 meetings with the Board of Auditors and 1 meeting with the 2 standing auditors).
- In the cooperative consultations noted above, KPMG AZSA LLC conveyed to the Board of Auditors that with respect to the Three Domestic Companies, the acquisition amount seemed to be extremely high and that an abnormal transaction seemed to be taking place, and that the fee in the case of the Gyrus acquisition also seemed to be too high, and that with respect to the transactions for the Three Domestic Companies and Gyrus, based on a judgment made on the basis of economic rationality, that there was the risk of a violation of the duty of due care as a prudent manager, so that while the accounting audit would be performed by the auditing firm, because an operational audit would be the scope of the auditors, they requested that the judgment be made as to whether the company was making a business judgment based on economic rationality.
- KPMG AZSA LLC also conveyed to the Board of Auditors that for the judgment noted above, it would be desirable to seek the opinions/judgment of third party professionals.

B. Submission of the AZSA Report and its contents

After the cooperative consultations noted above, KPMG AZSA LLC submitted the AZSA Report, dated April 23, 2009, to the Board of Auditors with the following summary content.

(A) In the accounting audit for the consolidated accounting year from April 1, 2008 to March 31, 2009 of Olympus, based on the Auditing Standards Committee Report Number 25, Paragraph 4, the following points were indicated as items that were considered important in connection with the performance of the duties of auditors.

- Regarding the acquisition of shares for the Three Domestic Companies, ① Review of the reasonableness of the acquisition cost, ② Review of the performance of the acquired company and the reasonableness of the payment recipient, etc.
- Regarding the advisory fee connected with the acquisition of Gyrus’ shares, ① Internal review concerning the payment of a high advisory fee, ② Review of the reasonableness of the payment recipient, etc.

(B) Out of these, regarding the item of review regarding the reasonableness of the acquisition price for acquiring shares of the Three Domestic Companies by Olympus, the following items were indicated.

- While the amount of the goodwill, which is the difference between the investment amount and the equity interest in net assets at the time of investment, with respect to the Three Domestic Companies is
extremely high, what were the internal review processes or discussions at the Board of Directors meetings with respect to the assessment of the shareholder value based on the mid-term business plan on the premise of an extremely high growth rate, and the acquisition risk at a high price?

- A part of the shares of the Three Domestic Companies was acquired in the fiscal year ending March 2006 through a fund in which Olympus invested, and the future earnings promised on the high growth rate that was the premise of the acquisition cost at that time, and the cash flow plan upon which it was based were actually not achieved, but regardless, at the time additional purchases were made in the fiscal year ending March 2008, the same shares were purchased at unit prices that were 1.4 ~ 2.1 times the acquisition unit price during the fiscal year ending March 2006, so what was the review process on the background of said purchase?

(C) The following items were indicated, as items of review regarding the performance of the acquired company and the reasonableness of the payment recipient, etc., in connection with the acquisition of shares of the Three Domestic Companies by Olympus:

- Only a short period of 1~3 years had elapsed since the Three Domestic Companies essentially began operations up to the time of additional purchases in March 2008, so that compared with the performance levels normally expected from the investment amount, they are thought to be companies without sufficient performance, and whether or not sufficient considerations were made of the possibility of their achieving the plan premised on high growth rates.

- Whether or not negotiations were held on the acquisition cost, premised on the fact that the greater part of the synergy effect, which was the decisive factor in the acquisition cost, depending on the credit and brand, human resources, sales routes, funds, R&D capabilities held by Olympus.

- While the acquisition capital for the Three Domestic Companies were paid to the investment fund that is the original shareholder, and while from this investment fund, there have been almost no investment to the Three Domestic Companies of capital or funds that exceed an amount equivalent to the capital reserve, and regardless of Olympus having made a significant investment, on the point that operational funds would have to be separately procured, a large risk would be borne on future uncertainty, and such being the case with the acquisition history, which is not normal, were there sufficient reviews, and were comparisons made on the merits of alternative plans, such as of increasing capital or that Olympus itself would launch the business?

(D) Next, regarding the acquisition of shares in Gyrus, the following items were indicated as items of review for paying the high advisory fee.

- Normally, the percentage of fees of foreign-capitalized investment banks is said to be within 1% of the transaction amount, and it must be said that the amount exceeding 12% of the acquisition price that Olympus bore is abnormally high; what was the review process that lead to the payment of this high of a fee, and what were the discussions in the Board of Directors meetings?

- Notwithstanding that in the resolution of the 994th Board of Directors’ meeting on November 19, 2007, a resolution had been passed that the fee would be 5% of the acquisition amount and the right to purchase share warrants, the final fee amount increased significantly from the original expectation, and while there were no check procedures implemented by the Legal Department or professionals such as General
Counsel etc., what were the review processes and discussions that lead to this result at the Board of Directors’ meetings?

(E) The following items were pointed out, as items of review regarding the reasonableness of the payment recipient etc. of the advisory fee in connection with the acquisition of shares of Gyrus:

- The party to the advisory agreement, Axes, is an extremely small securities firm with only several employees that has other companies handle the actual work of advisory services; why was a large amount decided to be paid to Axes, and why were no comparisons made with other companies providing M&A advisory services, and requests made to them? What was the review process that lead to this result and discussions at the Board of Directors’ meetings?
- In November 2008, as part of their advisory fee, Axes made a request to purchase preferred shares that Gyrus issued to Axam, and Olympus made a Board of Directors resolution to purchase this at a high price, but what was the review process for this necessity and the discussions at the Board of Directors’ meetings?

C. Response, etc. of the Olympus Board of Auditors

(A) On receiving the request from KPMG AZSA LLC, the Board of Auditors interviewed the Accounting Department, while at the same time, it interviewed Mori regarding the acquisition of shares from the Three Domestic Companies and the fee for purchasing Gyrus.

(B) In the interview of the Accounting Department, the following items were reported by that department.

- That they were considering requesting an evaluation of the business prospectus by a third party organization for the Three Domestic Companies, and for the plan to be re-drawn.
- That KPMG AZSA LLC stated to the Accounting Department that the fee for the Gyrus acquisition was too high and was not reasonable.

(C) In the interview of Mori, the following items were reported by Mori.

- That out of the fee for the Gyrus acquisition, with respect to the purchase of preferred shares, Axes did not want cash originally, so it was decided that a part of the fee would be delivered as preferred shares, but because the problem of subprime loans occurred, suddenly, they said they wanted it in cash, and that was negotiated.
- That if the preferred shares were to become permanently owned, we would be obligated to pay 20 billion yen to 2.5 billion yen each year, so that we would like to purchase this quickly.
- That with regard to the shares of the Three Domestic Companies, a re-evaluation was being requested externally.
- That in proceeding with the new businesses, it was based on making them profitable independently in 3 years, and settling cumulative losses in 5 years, so that he was considering re-examining the investment value of the 3 companies.

(D) In the Board of Auditors’ meeting of May 9, 2009, for the following points, it was decided to hold investigations and reviews, and on the 11th of the same month, a request was made to investigate and review these points to Shinsuke Matsumoto, Attorney; Kei Takahashi, Certified Public Accountant; and Juro Nakagawa, former professor at Tokyo Keizai University’s Graduate School of Economics (hereinafter, these 3 people are collectively called “The 2009 Committee”).
Regarding the acquisition of shares in the Three Domestic Companies, were there errors in Olympus’ business judgment?

Regarding the acquisition of Gyrus’ shares, were there errors in Olympus’ business judgment regarding the advisory fee paid to Axes?

(E) Regarding the items pointed out by KPMG AZSA LLC, there was no exchange of opinions regarding the legality of the execution of operations on the part of Olympus or the problems in the contractual content between the Board of Auditors and the internal Legal Department at Olympus.

D. The 2009 Committee Report

In responding to the request above, the 2009 Committee prepared a report dated May 17, 2009 (hereinafter, “2009 Committee Report”) and submitted it to Olympus. Its outline is as follows (note that the statements concerning the content of the “2009 Committee Report” below were summarized by this Committee and included herein).

(A) The 2009 Committee was requested to investigate and review whether there were illegal or fraudulent points regarding the acquisition of shares in each of the Three Domestic Companies and the payment of the advisory fee to Axes in the acquisition of the shares of Gyrus, and whether there were errors in the business judgment of Olympus directors in said payments.

(B) Method of Investigation

The Committee, from May 11, 2009 to the 17th of that month, reviewed documents that were disclosed by Olympus, and in the Third Party Committee that was held twice from 9:00 A.M. to 1:00 P.M. of the 14th of the same month, and from 7:00 P.M. of the 17th until 1:00 A.M. of the 18th of the same month, conducted interviews of Mori (then: Director and Executive Officer, Corporate Center Manager, and Head of the Management Planning Headquarters), other Olympus employees and KPMG AZSA LLC.

(C) Results of the Investigation

The Committee cautioned at the beginning of the report that, as a premise of the investigation, with regard to the facts and documents presented by Olympus or KPMG AZSA LLC, that it had not performed confirmation of facts or confirmation of the authenticity of material and documents through its own investigations, inspections, interviews etc., and on that point, it was not in a position to state any opinions regarding the accuracy of facts or the assessment of the evidence, and that because the period of the investigation was extremely limited, the disclosed documents (especially the English language agreement documents) could not be examined thoroughly, and that because the interview subjects were also extremely limited, there was a possibility that discoveries that could have been made if the disclosed documents were reviewed or interviews conducted over a wider range, or with more sufficient time, had not been made.

After which, the Committee summarized the results of the investigation, and its outline is as follows.
a. Regarding the acquisition of each of the shares of Altis, NEWS, and Humalabo, to the extent the Committee reviewed the disclosed documents and results of the interviews up to the point of preparing the report, no facts were found that would allow the evaluation that there were points of illegality or fraud on the part of the Olympus directors regarding the series of stock acquisitions in the Three Domestic Companies, or that the duty of due care as a prudent manager had been violated.

b. Regarding the advisory fee connected with acquisition of Gyrus shares, to the extent the Committee reviewed the disclosed documents and results of the interviews up to the point of preparing the report, no facts were found that would allow the evaluation that there were points of illegality or fraud on the part of the Olympus directors regarding the series of stock acquisitions in the Three Domestic Companies or that the duty of due care as a prudent manager had been violated.

(D) Regarding the important factors of judgment in the case of reviews in accordance with the principles of business judgment with respect to whether there were errors in the business judgment of Olympus

a. The outline of the items that the 2009 Committee point out as important factors of judgment with respect to whether there were errors in the business judgment of Olympus regarding the series of stock acquisitions in the Three Domestic Companies are as follows.

- Since Olympus was aiming to create new businesses through investment, and since there existed an investment purpose in which to position Altis as Olympus’ medical care-related environmental business, News Chef in the new business related to heath, and Humalabo in the health-related business that touched on the medical business, these investments matched Olympus’ management strategy.
- The procedures that a company generally performs in acquiring shares have been performed, from the formation of a business investment fund through Olympus’ investment, the acquisition of shares in the Three Domestic Companies through the business investment fund, the early cancellation of the business investment fund, to their subsequent transition into subsidiaries through a series of additional stock acquisitions.
- In settings that were recognized to be important in the series of stock acquisitions, an assessment of the business value of the Three Domestic Companies was made by an outside accountant (while the assessment of the business value above was based on the mid-term business plans that were prepared by each of the Three Domestic Companies, it can be confirmed that Olympus on its own carefully verified the market environments, business superiority, risks, etc. of the Three Domestic Companies, and evaluated the appropriateness of the business plans).
- Regarding the point that the acquisition in the fiscal year ending March 2008 was high in comparison with the acquisition price in the fiscal year ending March 2006, in view of the fact that it is normal that a control premium is added in turning them into subsidiaries, circumstances could not be found that would allow an evaluation of the matter as being extremely unreasonable on this point alone.
- Regarding the point that the assessment of shareholder value is not based on the amount of net assets of the Three Domestic Companies, since it is common for venture businesses not to base the assessment of corporate value on the amount of net assets, and on the point that the acquisition price was paid from
Olympus into the investment fund, since it is natural to pay the acquisition price to the seller to acquire controlling rights, circumstances could not be found that would allow an evaluation of the matter as being extremely unreasonable on these points alone.

- Nothing was observed from the disclosed documents to suggest that the directors aimed for private gain in their decision-making, and according to Olympus directors, there were no such circumstances.

b. The outline of the items that the Committee point out as important factors of judgment with respect to whether there were errors in the business judgment of Olympus regarding the advisory fee connected with acquisition of shares in Gyrus are as follows.

- Since private companies were included among the candidates for acquisition in the related medical market, Olympus needed an FA with strong connections in the medical-related M&A field, and the representative of Axes, Sagawa, had those connections. With respect to the fact that the fee amount increased in the amending agreement (in the 2009 Committee Report, the amending FA Agreement with Axes dated July 5, 2007 is referred to as the “Amending Agreement”. The same hereinafter.), the background was that the advisor system was enhanced, so the evaluation cannot be made that the matter was significantly unreasonable on that point alone.

- With respect to whether or not there were FAs in existence that had similar connections regarding candidates for acquisition that matched Olympus’ management strategy of that time could not be confirmed from the disclosed documents.

- At the time of execution of the original agreement (in the 2009 Committee Report, the FA Agreement with Axes dated June 5, 2006 is referred to as the “Original Agreement”. The same hereinafter.) and the amending agreement, of the FA fee, Olympus had placed emphasis on making the cash payment portion smaller.

- Regarding the stock options and warrants, at least at the time of executing each of the agreements noted above, the premise was that the acquired business would be made public, and because it was not expected that they would be purchased in the future, it was believed that there would not be a direct defrayment from Olympus.

- Regarding the stock options, according to the calculation formula of the options in the Amending Agreement, while they would continue to increase to the extent that Olympus’ acquisition amount would increase, at least at the time of the agreement, when premised on the predictive judgment of the directors regarding M&A, it is difficult to make the evaluation that they should have naturally made predictions with respect to a change of circumstances, such as an increase in the acquisition amount.

- Nothing was observed from the disclosed documents to suggest that the directors aimed for private gain in their decision-making, and according to Olympus directors, there were no such circumstances.
• As for the approval process of the original agreement and amended agreement, while it was decided by Kikukawa (then President), after having been deliberated by Mori and Yamada, without using an electronic approval system, the reason was the need to be thorough in information management.

• While the original agreement was checked by an outside lawyer, the amended agreement was not checked by an outside lawyer, but since it is normal for the amount of the fee itself to be outside the scope of a legal check, this point itself should not be overemphasized.

• While there are no signs that sufficient comparative reviews were done with other investment banks or consulting firms regarding the fee amount, regarding comparative reviews of competitive quotations in connection with other investment banks and consulting firms, even if such reviews had been done, the specific content of service would differ with each company, and the breakdown of the fee would vary, so it is fully to be expected that it would be difficult to uniformly compare fee amounts and decide on their superiority. Also, M&A transactions are generally extremely high in confidentiality, and in order to proceed quickly with negotiations while maintaining such matters in strict confidentiality, in actuality, there are many projects where comparative reviews are not done, so in view of the fact that Axes already existed as an FA that had connections with acquisition candidates that matched Olympus’ management strategy, it cannot be recognized that there were careless mistakes on the part of the directors, or that the matter was significantly unreasonable on the single point that such comparative reviews were not done.

• At the Board of Directors Meeting held on November 19, 2007, the acquisition of Gyrus was approved, and although it was done after-the-fact, the content of the original agreement and amended agreement were approved.

• In the business integration scheme to organically integrate at an early stage Gyrus’ organization in each region into the regional management companies of Olympus in each region, the possibility of taking the company public again in the future disappeared, and from the viewpoint of handling taxation in the reorganization scheme for the acquired business, the need arose to turn Gyrus into a 100% subsidiary or into a corresponding relationship. From this, with respect to the decision to replace the stock options with dividend preferred shares, and to purchase the warrants, the disappearance of the possibility of taking the company public again in the future and the handling of taxation in the reorganization scheme were a change of circumstances that accompanied the company-wide reorganization of Olympus, so it is difficult to make the evaluation that at the time of the original agreement and the amending agreement, they should have naturally predicted such a change of circumstances. The replacement of the stock options with dividend preferred shares, the adoption of the scheme for purchasing warrants, and the evaluation etc. of the dividend preferred shares were done after reviewing proposals from outside professionals, and prior approvals were obtained in the Board of Directors’ meetings. With respect to the purchase of dividend preferred shares, which is being negotiated with Axam, since the negotiations with Axam are ongoing, including the possibility of capital reduction, we cannot make an immediate decision regarding the valuation of the dividend preferred shares.
E. Response of the Board of Auditors upon receiving the 2009 Committee Report

(A) Upon receiving the 2009 Committee Report, the Board of Auditors submitted a document entitled “Regarding the Report” dated May 17, 2009 to KPMG AZSA LLC.

(B) The document above includes the history of having requested the investigation and review to the 2009 Committee, and the following conclusions.

“The Board of Auditors carefully confirmed and deliberated its content, and as a result, the position of the Board of Auditors is that we have reached the judgment that ‘fraudulent or illegal acts could not be found in the transactions themselves, and violations of the duty of due care as a prudent manager or procedural flaws on the part of the directors could not be found.’”

(C) The 2009 Committee Report added preliminary conditions and reached the conclusion with respect to the acquisition of shares in the Three Domestic Companies and the payment of the advisory fee, that they could not confirm that there were illegal or fraudulent points on the part of the Olympus directors, or were careless mistakes in the process of recognizing the facts that became the premise for making the judgment in acquiring said shares and paying the fee, or that circumstances could be found that would allow an evaluation of the matter as being extremely unreasonable, but the Olympus Board of Auditors, in putting out the conclusion above, added no preliminary conditions whatsoever.

(D) On receiving this opinion of the Board of Auditors, KPMG AZSA LLC issued an unqualified clean opinion as a result of the accounting audit of the 141st business year (April 1, 2008 to March 31, 2009). Between the time of the submission of the above document prepared by the Board of Auditors and the issuance of the opinion by KPMG AZSA LLC, there were no cooperative consultations held at all between the Board of Auditors and KPMG AZSA LLC.

(E) Then, at the Board of Directors’ meeting on May 25, 2009, the settlement report for the fiscal year ending March 2009 was made, but there were no reports at all on such history from the Board of Auditors.

3. Evaluation of the supervision by the Board of Auditors regarding the Incident

A. Problems in the response of the Board of Auditors regarding the Incident

The response of the Board of Auditors in (2) and (3) above must be evaluated to have been inappropriate on the following points.

(A) Despite the fact that large amounts of unrealized losses in the specified fund trust had been pointed out in the Audit Summary Report for Olympus’ 130th Term, Outline Report on the Mid-term Audit for Olympus’ 131st Term, and the Audit Summary Report for Olympus’ 131st Term prepared by KPMG AZSA LLC, no reviews were made on its actual state, its cause, need for disclosure, or specific measures for resolution.

(B) Despite the fact that it had been reported that Olympus posted large amounts of valuation losses in its financial assets as extraordinary losses in the Outline Report on the Mid-term Audit for Olympus’ 132nd Term and the Audit Summary Report for Olympus’ 132nd Term prepared by KPMG AZSA LLC, no reviews or confirmations were made on whether the accounting treatment of extraordinary losses at this point was legal, whether the calculation method of the amount posted as extraordinary losses was reasonable, and
whether there were any deferrals in the treatment of unrealized losses that should have originally been posted as a loss.

(C) Particularly, in view of the fact that the investment scheme for the Three Domestic Companies and the payment scheme for the excessive fee in connection with the Gyrus acquisition were proposed and executed with the purpose of covering the losses, whose processing was deferred to the March 2000 fiscal year settlement, and as a result increased further, the evaluation must be made that the attitude of the Board of Auditors in (A) and (B) above was problematic from the viewpoint of the duty of due care as a prudent manager with which the auditors are entrusted.

(D) From December 2008 onwards, the Olympus Board of Auditors were requested by KPMG AZSA LLC, which was the auditing firm at that time, to exercise its authority to conduct an operational audit regarding the acquisition of shares in the Three Domestic Companies and Gyrus, and requested an investigation and review by the 2009 Committee on May 11, 2009, but the 2009 Committee Report, in issuing its conclusions, requested that attention be paid to the fact that with regard to the facts and documents presented by Olympus, that it had not confirmed facts or confirmed the authenticity of material and documents through its own investigations, inspections, interviews etc., and on that point, it was not in a position to state any opinions regarding the accuracy of facts or the assessment of the evidence, and that because the period of the investigation was extremely limited, the disclosed documents (especially the English language contractual documents) could not be examined thoroughly, and that because the interview subjects were also extremely limited, there was a possibility that discoveries that could have been made if the disclosed documents were reviewed or interviews conducted over a wider range, or with more sufficient time, had not been made.

(E) In order to assess the business value of the Three Domestic Companies, it is essential to verify the business plans of the Three Domestic Companies, but on this point, the 2009 Committee Report only makes reference to the fact that Olympus had made verifications, and reached its conclusions without making its own verifications.

(F) Therefore, for the Board of Auditors to review the reasonableness of the conclusions of the 2009 Committee Report regarding the acquisition of shares in the Three Domestic Companies, it should have required a verification of the content of the business plans of the Three Domestic Companies on which said report was premised, but the Board of Auditors did not conduct such verification, and blindly accepted only the conclusions of said report, and unconditionally put out the conclusion that “fraudulent or illegal acts could not be found in the transactions themselves, and violations of the duty of due care as a prudent manager or procedural flaws on the part of the directors could not be found” in the stock acquisitions in the Three Domestic Companies.

(G) With respect to the business plans of the Three Domestic Companies, which served as the premise of the conclusions of the 2009 Committee Report, they must be evaluated as being too far removed from the actual state of the businesses of the Three Domestic Companies, and if the Board of Auditors had reviewed those business plans, the possibility cannot be denied that they could have pointed out that the price for acquiring the shares of the Three Domestic Companies was unreasonably high, and it must be said that the investigation and review by the Board of Auditors on this point was careless.

(H) Regarding the subsequent flow of the price for acquiring the Three Domestic Companies and the advisory fee, the 2009 Committee Report stated that the investigation was difficult, and excludes it from the factors of judgment, but the Board of Auditors reached its conclusion without making any reference to that
point. Regarding the flow of money, and setting aside the question of whether it was realistically possible to track this in the year 2009, supposing that it could have been analyzed, it should have been discovered that the price for share acquisitions or the advisory fee was being used to cover the unrealized losses of Olympus, and from the fact that this was not investigated at all, it must be said that the investigation and review by the Board of Auditors was insufficient.

(I) The responses on the part of the Board of Auditors could have been to seek opinions from outside the company, and other considerations could have been to request analysis from the internal Legal Department as to the legality of acts for executing operations on the part of Olympus or the reasonableness of the content of the executed agreements with respect to the points that were pointed out by KPMG AZSA LLC, or to exchange opinions with the internal Legal Department, but these actions were not undertaken.

Even though the work scope of the internal Legal Department at Olympus includes reviews of the legality of acts of executing operations and reviews of the contents of agreements, on the basis that such collaboration between internal organizations and the Board of Auditors cannot be seen at all, the investigation and review by the Board of Auditors must be evaluated to have been insufficient.

(J) On the acquisitions of the Three Domestic Companies and Gyrus, the Olympus Legal Department should have taken the lead to perform an audit of the acquisition, but this was not implemented at all. With respect to the agreements that were executed on the acquisition (including the one that was executed with the FA on the acquisition of Gyrus), before its execution, the internal Legal Department at Olympus should have made a thorough review of its contents in a position of independence from the internal departments that took the lead in the acquisition of the Three Domestic Companies and Gyrus, but such reviews were not made. Therefore, together with the problems in the response of the Olympus Board of Auditors regarding the acquisition of the Three Domestic Companies and Gyrus, it must be said that there were also problems in the response of the internal Legal Department of Olympus.

(K) Regarding the settlement for the fiscal year ending March 2009, KPMG AZSA LLC made serious indications regarding the rationality of transactions on the part of Olympus within said fiscal year, and since Olympus had been in a situation in which it had no choice but to immediately secure the 2009 Report, the Board of Auditors should have reported in detail the aforementioned history to the Board of Directors at the Board of Directors’ meeting held on May 25, 2009. However, the Board of Auditors did not report on this history at all, and it cannot be said that they fulfilled their duty as the Board of Auditors, and this was a problem.

B. Problems inherent in the system of the Board of Auditors

(A) As a reason for the Board of Auditors not having been able to fulfill its duty as noted above, it could be said that there were no auditors who had professional knowledge of accounting and finance, and were in an independent position from the execution of operations at Olympus. During the period from July 2004 to June 2011, there were no auditors with professional knowledge of accounting and finance, and while there were periods before and after it when there were auditors present who had knowledge of accounting and finance, such people had handled accounting and finance at Olympus before being appointed, and could not be expected to perform audits in an independent position. In addition, the system of the Auditors Office that
assisted the Board of Auditors was weak, and because there were no specialized staff members, or if there were, there were only a few, there were restrictions to audit work.

(B) For that reason, the Board of Auditors was not able to conduct effective interviews of persons in charge of accounting and finance at Olympus, based on its own knowledge and experience regarding the problem points that were pointed out in the AZSA Report, and in the discussions at the Board of Directors’ meetings, they were unable to state opinions from the aspects of accounting and finance.

(C) Even with respect to the selection of candidate auditors, the auditors reportedly received designations of candidates from Kikukawa (then president), so on this point as well, there remain doubts about the securing of the auditors’ independence in relation to the execution of operations at Olympus.

(D) At Olympus, as noted above, there were none who became auditors who had professional knowledge of accounting and finance, and moreover had independence from the execution of operations at Olympus, so the evaluation must be made that audits of the judgment of the people in charge of finance had not been functioning.

5. The reality of the audit of the Incident by the auditing firm, and the evaluation thereof

(1) The reality of the audit by KPMG AZSA LLC, and the evaluation thereof

A. The reality of the audit by KPMG AZSA LLC

(A) The position of an accounting auditor

KPMG AZSA LLC was in the position of Olympus’ accounting auditor (an auditor under the Companies Act and Financial Instruments and Exchange Act) during the period from November 1974 to June 2009.

(B) Original audit related to financial products

From the mid-1980s, Olympus had generated losses in the financial products that it held due to failures in finance management techniques, but as for the account processing of financial products by Olympus around that time, it had adopted the lower of cost or market method for securities that had a market price at an exchange, and the basket type cost method (valuation at cost where the entirety of one trust contract is considered one asset unit) for specified money trusts (so-called “tokkin”) and specified fund trusts (trust assets that allow the actual receipt of securities that are included in the trust asset at the time of cancellation, so-called fund trusts). While the basket type cost method does not question the difference between book value and market value with respect to individual financial products included in the trust asset related to specified money trusts or specified fund trusts, the trust asset is regarded as one basket, and a comparison is made of the total book value and total market value respectively, and as processing in terms of actual practice, when the total market value becomes less than 50% of the total book value, a write-down is made up to the market value. In said Account Processing Standards, in cases where the term-end total market value becomes significantly less than the total book value, and when its recovery cannot be expected, devaluation is to be made up to the total market value, and as an accounting practice, 50% was considered the guideline for a significant decrease of the market value. In order to avoid a write-down due to a 50% reduction of the total book value, there are cases in which securities whose market price has declined are acquired, and the
book value is intentionally lowered, but generally, it was believed that such actions were not to be allowed. Therefore, in terms of an audit, it should be said that there was a need to audit whether or not such improper acts to avoid write-downs were being performed.

Accordingly, with respect to specified fund trusts, KPMG AZSA LLC had secured market value information individually for each financial product held in the trust assets, and had figured out the total amount of unrealized losses carried in said trust assets. At the same time, on the occasion when the financial products held in the trust assets of the specified fund trusts were sold, in each occurrence, they were checking them against the market value information, and monitoring so that improper transactions would not be conducted.

(C) Audit from the half-year period ending September 1999 to the fiscal year ending March 2000
KPMG AZSA LLC had figured out one end of “tobashi” in its audit of the half-year period ending September 1999. The history of the discovery of this “tobashi” transaction and the response etc. after the discovery are as follows.

a. The discovery of so-called “tobashi”
KPMG AZSA LLC came in contact with information that “tobashi” was being done at Olympus in the morning of September 30, 1999. According to that information, Yamada and Mori were reportedly involved, and the name of the financial institution involved, and the amount etc. were revealed, and it was considered highly reliable. KPMG AZSA LLC then visited Olympus, and was met by Yamada, Mori, and Nakatsuka. Yamada and the others denied it at first, but as a result of persistent questioning, they eventually admitted to the fact of “tobashi”. According to the admission, financial products that carried unrealized losses that were in the specified fund trust were sold at book value to a fund involving someone affiliated with a foreign-capitalized securities firm, and the proceeds were obtained.

b. The processing of “Tobashi” transactions
With that, KPMG AZSA LLC made a request to Olympus to immediately cancel this, and to return the proceeds that Olympus had obtained as well as said financial products to the fund, since such “tobashi” was an illegal transaction. The reason that KPMG AZSA LLC said “immediately” was that because that day was September 30th, unless said illegal transaction were cancelled on that day, they would become obligated to point out the existence of the illegal transaction in the audit for the half-year period ending September 1999. In response to these requests, Olympus said such things as “President Kishimoto is on an overseas business trip, and cannot be reached”, and tried to avoid the refund procedure mentioned above, but as a result of the strong demand on the part of KPMG AZSA LLC that they would not tolerate illegal transactions, the refund procedure mentioned above was completed by 3:00 P.M. on September 30th, and this illegal transaction was cancelled.

The information related to said illegal transaction, such as the refund amount, the name of the fund, the bank account, etc. could not be revealed, since the preservation period for all of the evidence related to said illegal transaction had expired, and were disposed.

c. Audit after the processing of the “tobashi” transaction
KPMG AZSA LLC performed an audit of Olympus to find out whether they were carrying out other
similar illegal transactions such as “tobashi”. The result was that, illegal transactions such as “tobashi” were not being carried out in other specified money trusts or specified fund trusts.

However, at Olympus, after October 1998, arrangements had already been made for the receiver funds for “tobashi” and completed making an allowance for the purchase capital for said funds, and with each cancellation of specified money trusts and specified fund trusts, with respect to its entirety or a portion thereof, multiple “tobashi” transactions had been taking place. The evaluation of this point will be clarified later.

d. Response after auditing other incidents

After auditing other incidents, KPMG AZSA LLC, as a result of having them return the financial products connected with the “tobashi” with respect to the specified fund trusts in which the “tobashi” acts were discovered, since the total market value would have become 50% lower than the total book value according to the basket type cost method, they assessed the trust assets connected with said specified fund trust based on the market value.

Further, KPMG AZSA LLC considered it a problem that Olympus had engaged in illegal transactions using specified fund trusts, and requested that Olympus revise the method they had been using until then, the basket type cost method, to the basket type lower of cost or market method. Under this accounting treatment method, if the financial assets included in the trust assets connected with specified fund trusts were below book value, the entirety would be evaluated at market value, and would have the same result as applying the mark-to-market accounting standards on the total amount, and Olympus accepted this.

KPMG AZSA LLC also requested that Olympus settle its transactions in currency and interest swaps, which were also likely to become hotbeds for fraud, similar to the specified fund trusts, and Olympus was to settle such swap transactions by the fiscal year ending March 2000.

e. Settlement processing for the half-year period ending September 1999 by Olympus

Olympus decided to process accounting for specified fund trusts through the basket type lower of cost or market method, but at that point, because the specified fund trusts that were subject to such valuation had not been cancelled, in the settlement for the half-year period ending September 1999, they implemented the accounting treatment of posting a reserve fund, rather than a valuation loss.

These results were released on October 7, 1999 as the release dated the same day, “Regarding the revision of performance forecasts, extraordinary losses, and the loss on sale of securities”. The total amount of extraordinary losses that were revealed in this press release was 16.8 billion yen, but its breakdown was 12.5 billion yen in loss on cancellation of specified fund trusts, and 4.3 billion yen in loss on cancellation of currency swaps and interest swaps.

f. Accounting processing for the fiscal year ending March 2000

Based on the press release noted above, by March 2000, Olympus cancelled all specified fund trusts that it held, and the balance of specified fund trusts became zero. In this way, in the fiscal year ending March 2000, 16.995 billion yen was posted as the loss on liquidation of financial assets. Its breakdown was 14.031 billion yen in loss on liquidation of specified fund trusts, and 2.963 billion yen in loss on liquidation of swaps.
From September 1999 to March 2000, Olympus cancelled all specified fund trusts it held to date, and sold all financial products that the trust assets held. On that occasion, in the fiscal yer ending March 2000, it posted loss on liquidation of financial assets of an amount that somewhat exceeded the amount announced as unrealized losses on October 7, 1999.

(D) Audit from the fiscal year ending March 2001 to the fiscal year ending March 2008

Regarding the audit for financial products from the fiscal year ending March 2001 to the fiscal year ending March 2008, there were problems with the following procedures (to note, because the audit working papers, etc., prior to the fiscal year ending March 2001 are not preserved at KPMG AZSA LLC due to the expiration of their preservation period, we will not address the prior periods). During this period, the following procedures were taken to confirm balances on foreign currency deposits and short-term government securities.

a. In the audit for the fiscal yer ending March 2001, with regard to foreign currency deposits at Commerzbank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this inquiry form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, Commerzbank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

With regard to foreign currency deposits at SG, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this inquiry form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, SG sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

With regard to short-term government securities deposited at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this inquiry form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate in an unknown format, and KPMG AZSA LLC collated it with the term-end balance, but the original document of said balance confirmation letter has not been preserved.

b. In the audit for the fiscal yer ending March 2002, since there was no balance in the foreign currency deposit at Commerzbank, the balance confirmation letter was not sent. Subsequently, until the fiscal year ending March 2008, for similar reasons, the balance confirmation letter was not sent.

With regard to foreign currency deposits at SG, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this inquiry form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, SG sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

With regard to short-term government securities deposited at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this inquiry form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

c. In the audit for the fiscal year ending March 2003, with regard to the foreign currency deposits at SG, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an
attachment that included an example response that would list whether there was any collateral. In relation to this, SG sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

With regard to short-term government securities deposited at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

d. In the audit for the fiscal year ending March 2004, with regard to the foreign currency deposits at SG, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, SG sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

With regard to short-term government securities deposited at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

e. In the audit for the fiscal year ending March 2005, with regard to the foreign currency deposits at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

f. In the audit for the fiscal year ending March 2006, with regard to the foreign currency deposits at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

g. In the audit for the fiscal year ending March 2007, with regard to the foreign currency deposits at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate that listed only the balance, rather than the form that included the above-noted example response.

h. In the audit for the fiscal year ending March 2008, with regard to the foreign currency deposits at LGT Bank, the balance confirmation inquiry prescribed at KPMG AZSA LLC was made. In this form, there was an attachment that included an example response that would list whether there was any collateral. In relation to this, LGT Bank sent a balance certificate to KPMG AZSA LLC that listed only the balance, rather than the form that included the above-noted example response.

i. Revision in the confirmation form letter prescribed at KPMG AZSA LLC

From the fiscal year ending March 2004, in the confirmation form letter prescribed at KPMG AZSA LLC for overseas financial institutions, the column that requested a response regarding collateral and other restrictive conditions on deposits was itself deleted.
(E) Audit in the Term Ended March 2009

a. Awareness of the issues on the part of KPMG AZSA LLC in its audit

It was in December 2008 that KPMG AZSA LLC began activities in preparation for the audit for the fiscal year ending March 2009.

The awareness of issues on the part of KPMG AZSA LLC on this occasion was that with regard to the impairment loss of the investments in the Three Domestic Companies, the original business plan had expected high growth rates, and with the deterioration in the business environment, because the risk of impairment loss had become extremely high in terms of accounting, a review was made of the necessity for impairment loss, and because an additional payment of 5 billion yen was made in the fiscal year ending March 2008 with respect to the advisory fee connected with Gyrus, it was decided that it would be necessary to figure out its breakdown, and to verify the reasonableness of that payment.

Based on this awareness of the issues, KPMG AZSA LLC thought that it was necessary to not merely point out problems in terms of an accounting audit, but for the auditors to call attention by conducting an operational audit regarding the reasonableness of the execution of operations.

b. Cooperative consultations between KPMG AZSA LLC and the management

With respect to the audit for the fiscal year ending March 2008, KPMG AZSA LLC held cooperative consultations with Olympus’ management, based on its awareness of the issues noted above, and the 3 people that responded from management were, Kikukawa, Yamada, and Mori.

On the occasion of the cooperative consultations on December 5, 2008 with Yamada, who at that time was Senior Managing Director, KPMG AZSA LLC disclosed its awareness of the issues noted above, and especially regarding the investment in the Three Domestic Companies, it even took the step to assert the need for discussions by the Board of Directors.

After several cooperative consultations, and based on the visiting audit results of the Three Domestic Companies performed at the end of January 2009, KPMP AZSA LLC expressed strong concerns about the valuation of said Three Companies by Olympus, and pointed out the question of the reasonableness of the amounts for both the advisory fee and the purchase of the preferred shares, and even mentioned the possibility of a shareholders’ lawsuit.

On April 23, 2009, it made a request to Senior Managing Director Yamada for his cooperation in the audit, and requested that the announcement on the brief report on the settlement of accounts that was scheduled for May 12, 2009 not be held without having matched the recognition on the accounting treatment with KPMG AZSA LLC, and at the same time, conveyed that depending on the situation, Article 193 Paragraph 3 of the law could be invoked, and expressed that it questioned whether the company’s transactions were made under reasonable business judgment, and whether the duty of due care as a prudent manager was properly fulfilled, and that while it would properly process the accounting treatment for the current term concerning the purchase of said Three Companies at a high price and the payment of a high fee concerning the Gyrus acquisition, depending on the status of the investigations going forward, there were concerns that it may not be able to continue with the auditing agreement for the following year.

Later, KPMG AZSA LLC had a cooperative consultation with Kikukawa, Yamada, and Mori on May 7, 2009 regarding each of the problems noted above, and with regard to the resolution of November 2008 to purchase the preferred shares at a high price, stated “There are doubts about the propriety and reasonableness.
If it became high as a result, perhaps it is conceivable to file a suit against the counterparty. If the same kind of explanation as before were going to be repeated, then it would be difficult to continue the auditing agreement in the future. Also, the same applies to transactions with securities firms and investment funds whose backgrounds are not known.”, to which Yamada responded, “It is a big problem, and we would like to review how to respond. We wish to have you continue auditing, so we will consider a solution.” With regard to the indication that the fee was excessively high, Mori stated the position that since it was an obligation set forth in the agreement, it couldn’t be helped, but expressed the opinion that, “Filing a lawsuit would be one approach.” Later, on the occasion of having met with Mori on May 11th, Mori stated, “We would like you to continue with the audits, so please state the conditions for doing so. We understand that one would be the renewal of the management system, and that the other would be the handling with respect to the preferred shares, including legal arrangements. On the latter, since it would not make sense for the current management to bring suit, it would mean that the new management would file suit, and we are aware that both would be involved,” and KPMG AZSA LLC stated, “The management system is not an issue about which we could state what to do, but we are completely of the same opinion that it would not make sense for those who were involved in the transaction to bring suit (it would seemingly deny the transaction).”

c. Cooperative consultations between KPMG AZSA LLC and the Board of Auditors

On this point, since it is stated in detail in 4 (2) of Section V, in this section only the following points will be pointed out.

KPMG AZSA LLC urged the Board of Auditors to exercise its authority to perform an operational audit, on grounds of suspicion of the reasonableness of the investment in the Three Domestic Companies and of the amounts for both the advisor fee and the purchase of the preferred shares.

In response, the Board of Auditors had the 2009 Committee Report prepared through the course described previously, and based on its conclusion, put out the conclusion that there were no problems in the execution of operations on the part of the directors. On receiving the judgment of the Board of Auditors, KPMG AZSA LLC, based on the fact that the conflict of opinion that had existed with Olympus until then regarding problems in accounting had been resolved, issued an unqualified clean opinion with respect to the settlement of the fiscal year ending March 2009.

d. Subsequently, on May 21, 2009 Kikukawa and Yamada visited KPMG AZSA LLC, and unilaterally told them that “they would not be re-appointed as the auditing firm.”

(F) Audit of the Separation and Settlement Scheme

a. Location of the problem

The Separation and Settlement Schemes were realized when the deposits in overseas financial institutions and loans guaranteed with deposited government bonds etc. and investment funds intermediated by funds called SG Bond and GCNVV that were not subject to Olympus’ consolidated settlement, each flowed out from Olympus, and after going through multiple funds, finally flowed back to Olympus, so that the unrealized losses that Olympus had been carrying were transformed into amortized assets called goodwill that Olympus held.
In such schemes, the problem is whether there was a sufficient understanding of the reality of the situation in the course of audits, with respect to whether the use of funds that flowed out from Olympus was proper, or if the funds that flowed back to Olympus were based on proper transactions.

b. The reality of the audits

Regarding funds that flowed out, KPMG AZSA LLC secured balance certificates from holders of deposits and government bonds according to the KPMG AZSA LLC required forms. For the funds which were investment destinations, verifications were made for each fund of the investment destination and investment amounts. Since these funds were all excluded from Olympus’ consolidated settlement, mark-to-market accounting was not applicable to those investments, and the book value was listed in the account ledger, and KPMG AZSA LLC audited its valuation.

B. The evaluation of the audit by KPMG AZSA LLC

(A) Perspectives of the evaluation

The Loss Disposition Scheme is composed of the scheme for separating the loss, and the scheme for settling the loss connected with said separation. Of this, the gist of the loss separation scheme was to take the financial products in which Olympus carried unrealized losses, and using Olympus’ funds, to assign them at book value to funds that were not subject to Olympus’ consolidated settlement. In the scheme for settling the losses, with respect to the losses that were separated, said losses would be brought into the assets account, “goodwill,” and the assets that were padded in this way were posted as “goodwill,” and by becoming amortized as expenses through amortization of that goodwill and the balance becoming zero, the scheme would be completed.

Therefore, in order to discover the fraud that was hidden in these schemes, three perspectives can be considered; ① discovering transactions where financial products carrying unrealized losses are assigned at book value; ② discovering transactions where the purchase capital for said financial products flow out; ③ discovering the fraud in the process where assets whose losses had been padded are posted as goodwill.

(B) Discovery of “tobashi” transactions

a. The 1st perspective, in other words, the perspective of discovering transactions where financial products carrying unrealized losses are assigned at book value, was actually done by KPMG AZSA LLC in September 1999.

Using the discovery of “tobashi” on September 30, 1999 as momentum, until the press release of October 7, 1999, KPMG AZSA LLC diligently sorted out the financial assets carrying unrealized losses, while at the same time, they forced the cancellation of specified fund trusts and swap transactions, which they had identified as problems in the course of the audit up to that point. On this point, this merits evaluation as having wiped away the hotbed of “tobashi.”

b. In closely examining each case of sale transactions (transactions where financial products included in specified fund trusts were sold) that were conducted before and after the “tobashi” transaction that was discovered on September 30, 1999, KPMG AZSA LLC discovered that those transactions were all sales at prices that were close to the market price.
With respect to financial products that were assigned to the receiver fund based on the Loss Separation Scheme, this does not match the fact that unrealized losses at a level of several tens of billions of Yen were recognized to have been incurred. If the financial products included in the specified fund trusts had been sold at market value, it would hardly be possible for unrealized losses at a level of several tens of billions of Yen to have been transferred to the fund.

If that is the case, then the possibility arises that perhaps the “market value” on the occasion of the sale of these financial products may have had no connection to the actual situation. The suspicion arises that the “market value” information that Olympus obtained from the fund manager may not actually have been the market value, but a price that was made to be close to the book value by adding a fictitious price to the market value. On this point, the specified fund trusts held by Olympus were ones of high risk that included complex structured bonds, where many were difficult to determine their market value, while on the other hand, when the person in charge of management at Olympus obtained the market value information of financial products that were transferred to the receiver fund, it can be recognized that oftentimes, it would be done verbally, so in view of these facts, the possibility can be considered to be high that the market value information disclosed to KPMG AZSA LLC by Olympus (the market value information that was reportedly obtained from the other party’s funds manager) may have been distortions of fact. Even assuming that the market value information of financial products included in specified fund trusts obtained by KPMG AZSA LLC had all been issued by credible financial institutions, and moreover were all in written form, it must be said that the possibility is strong that an elaborate manipulation had been applied by Olympus in getting around it.

As noted above, if the market value information that KPMG AZSA LLC obtained in the audit that was performed after the “tobashi” transaction had been distorted from its actual state, it cannot be denied that it would have been difficult to figure out the entirety of the “tobashi,” regardless of how KPMG AZSA LLC may have performed the audit. In that case, it cannot be said that with regard to the audit that KPMG AZSA LLC performed after the discovery of the “tobashi” transaction, that it had not fulfilled its responsibility under the circumstances found above.

(C) Outflow of Purchase Capital
a. Rationalization for Outflow

The outflow of the Purchase Capital begins with the deposit into LGT Bank dated September 30, 1998. With respect to this deposit, in order to carry out the acquisition of a medical business in Europe in secrecy, a deposit account was opened at LGT Bank and the deposit was created in the name of serving as collateral to procure acquisition capital for the Fund that would be used for the acquisition. LGT Bank was satisfied with this explanation, and said bank accepted the deposit, and the fact is, it made a loan to the fund designated by Olympus.

When KPMG AZSA LLC received a similar explanation from Olympus regarding this fact, it is understandable that they would regard this explanation as being reasonable.

After establishing this deposit at LGT Bank, the previously stated depositing of government bonds and investing into funds were carried out, and this funding was applied to the purchase capital for financial
instruments carrying unrealized losses, but because Olympus’ explanations for these held the position that they were the purchase capital to develop medical businesses, and funding to develop new businesses, KPMG AZSA LLC understood them to be measures for achieving the management policies that Olympus had described, as referenced previously, and did not particularly question the explanations.

b. Auditing of the outflowing capital

As stated earlier, one of the sources of the purchase capital for financial instruments carrying unrealized losses were the deposits and the deposited government bonds at overseas financial institutions.

On this point, KPMG AZSA LLC sent to these financial institutions confirmation letters with balance confirmation forms prescribed by KPMG AZSA LLC, but the responses from financial institutions that received the inquiries all used the letterheads of the financial institutions and detailed balance statements, rather than the aforementioned balance confirmation form letters.

Moreover, the balance certificates that were sent by the overseas financial institutions to KPMG AZSA LLC all displayed only the balance of the deposit or the deposited short-term government bonds, and did not display information on whether there was any collateral or other conditions that would restrict a refund of the deposit, such was included in the balance confirmation form letter prescribed by KPMG AZSA LLC.

After receiving from each financial institution the balance certificates that did not include the aforementioned response on whether there was any collateral or other conditions that would restrict a refund, KPMG AZSA LLC did not take procedures to seek re-confirmation on whether there was any collateral or other conditions that would restrict a refund and take its stand on the perception that they were incomplete responses.

The following fact contributed to KPMG AZSA LLC having received balance certificates with such content. In other words, with respect to the sending of these balance certificates, Yamada had instructed Nakatsuka and other persons in charge to contact financial institutions to which inquiries would be made, that with regard to the balance inquiry from the auditing firm, there was no need to respond to the inquiry concerning collateral, etc.

The following points can also be pointed out regarding the fact that KPMG AZSA LLC did not undertake procedures to seek re-confirmation.

First of all, in the actual work of making balance inquiries to overseas banks at that time, even if written responses were sought on a comprehensive scope of items, it was frequently the case that responses would not be obtained for all items.

Secondly, the person in charge of deposits at the bank that would receive the inquiry for deposit balances would normally be familiar with whether there were any restrictions on the deposit, so that when they received an inquiry about deposit balances, including whether there were any restrictions, if said deposit had been provided as collateral, then it should be the case that they would try to respond by including such information, and it is not expected that the person in charge would intentionally make a false statement.

According to the foregoing, it is thought that it cannot be said that KPMG AZSA LLC not taking the procedure to seek re-confirmation contributed to the cover-up of the Loss Separation Scheme extending over a long period.
(D) Problems in posting goodwill

a. Location of the problem

In the Incident, with respect to the purchase of shares in the Three Domestic Companies and the payment of the fee, a large amount of goodwill was posted, and in terms of accounting, it becomes a problem whether the act itself of posting goodwill at the time of the purchase would be acceptable.

Under the current accounting standards concerning business combinations (hereinafter, “Business Combination Standards”), goodwill is defined as the difference that arises between the total amount paid as the acquisition cost, and the net amount divided into the assets acquired and the liabilities assumed from the acquired company, and generally, is regarded as the price of the excessive earning ability of the company/business that was acquired. Also, according to said standards, specific compensation/fees, etc. that were paid to outside advisors, etc., that qualify as consideration in the acquisition are included in the acquisition cost, and other amounts expending are stipulated to be treated as expenses at the time they are incurred.

b. Posting of goodwill concerning the Three Domestic Companies

With respect to the Three Domestic Companies, as the stock acquisition price that Olympus expending, 54.5 billion yen in the term ending March 2008, and 13.6 billion yen in the term ending March 2009, for a total of 68.1 billion yen are posted as goodwill.

The reality of the stock acquisition in the Three Domestic Companies was merely the circulation of money between Olympus and the funds to cover the loss that was deferred and to settle the scheme, so the act itself of posting goodwill at the time of the purchase is considered unacceptable.

However, in the audit by KPMG AZSA LLC for the fiscal year ending March 2008, while they made indications regarding the irregularity of the acquisition price, because they were not aware of the reality of the series of loss disposition schemes, as a result, they accepted Olympus’ accounting treatment of goodwill. In the fiscal year ending March 2009, which was the following term, KPMG AZSA LLC performed additional audit procedures with respect to the evaluation of goodwill, and demanded the one-time amortization of goodwill on grounds that the excessive earnings ability was gone, and after cooperative consultations, Olympus implemented a one-time amortization of 55.7 billion yen of goodwill with respect to the Three Domestic Companies in the fiscal year ending March 2009. Also, on April 23, 2009, KPMG AZSA LLC made a report to the Board of Auditors, “Items that are considered especially important concerning the performance of duties of the auditors”, on the need for impairment loss for goodwill and the reasonableness of the transaction amount. On receiving this, the Board of Auditors requested an external investigation concerning the performance of duties of the directors, and dated May 17, 2009, received the 2009 Committee Report to the effect that circumstances could not be found that would allow the evaluation that there were illegal or fraudulent points on the part of the directors regarding the payment of the FA fee.

When taking into consideration the irregularity of the transaction amount connected with the acquisition of the Three Domestic Companies, it is believed that additional procedures should have been taken to review the reasonableness of the large amount of goodwill, such as interviews of the accounting office that conducted the stock value evaluation, figuring out the reality of the Three Domestic Companies, and investigations of the seller of shares, etc. The acquisition of the shares in the 3 Domestic Companies was made in March 2008, which was the
the month for settlement of accounts at Olympus, and because from an outward appearance, it took the guise of a transaction at a price that was agreed upon with a third party, KPMG AZSA LLC was not able to deny the posting of goodwill in the fiscal year ending March 2008.

c. Posting of goodwill concerning the Gyrus acquisition

With respect to the Gyrus acquisition, 17.7 billion yen of stock options in Gyrus were issued to Axes as the FA fee at the time of the acquisition in the term ending March 2008, and in addition to the goodwill that was generated by the Gyrus stock acquisition, approximately 19 billion yen of goodwill was posted. Subsequently, in connection with FA fees, the following was posted as goodwill: approximately 5.5 billion yen from the purchase of warrants in the fiscal year ending March 2009; and 41.2 billion yen from the purchase of dividend preferred shares in the fiscal year ending March 2010. In these series of transactions, it is believed that the judgment was important as to what extent the large amount of FA fees would be included in goodwill.

Because KPMG AZSA LLC became suspicious about the reality of the large amount of FA fees that had reached a total of 24.5 billion yen including warrants, using as reference the views of the M&A professionals in their company, they instructed the company to expense out the portion exceeding 5% of the Gyrus acquisition price in the amount of 15.5 billion yen as losses from the prior-term adjustments. Notwithstanding the demand of KPMG AZSA LLC, Olympus did not disclose the details of the FA fee.

In September 2008, after negotiations with the FA, it was decided to transact an exchange of equal value of the stock options (appraised value 17.7 billion yen) with the dividend preferred shares issued by Gyrus, and it was resolved at the Board of Directors’ meeting to purchase said shares for 530 to 590 million dollars in November of the same year. When Olympus was questioned by the accounting auditors, who had become suspicious about the purchase price for the dividend preferred shares that significantly exceeded its issued book value of 17.7 billion yen, they received the explanation that while a resolution was made on its purchase because a purchase request had been made, in the end, they would negotiate to purchase them for an amount close to the issued book value, and in the end, it was decided that the book value for said dividend preferred shares would remain at 17.7 billion yen at the end of the fiscal year ending March 2009. Concerning the course of this as well, no improper points in particular can be found on the part of KPMG AZSA LLC’s response.

(E) Evaluation of having issued an unqualified clean opinion

As was made clear in the foregoing, KPMG AZSA LLC, notwithstanding that there was a major conflict of opinion regarding the accounting treatment at Olympus in the audit for the fiscal year ending March 2009, issued an unqualified clean opinion, and this point is evaluated as follows. In other words, prior to the unqualified clean opinion, they raised issues with respect to proper business judgment through such actions as urging the Board of Auditors to exercise their authority to conduct an operational audit, and hinting that Article 193 Paragraph 3 of the Financial Instruments and Exchange Act could be invoked. However, after the Board of Auditors put out its conclusion that there were no problems based on the 2009 Committee Report, that they put out an unqualified clean opinion without examining or reviewing its content is not without problems.
A. The reality of the audit by Ernst & Young ShinNihon LLC

(A) The position of an accounting auditor

Ernst & Young ShinNihon LLC was in the position of Olympus’ accounting auditor (an auditor based on the Companies Act and Financial Instruments and Exchange Act) from June 2009 to the present.

(B) Audit in the fiscal year ending March 2010

a. Initial Focus of Ernst & Young ShinNihon LLC

After being formally elected as the accounting auditor at Olympus’ regular shareholders’ meeting held in June 2009, around mid-July of the same year, Ernst & Young ShinNihon LLC obtained from Olympus the Audit Summary Report for the 141st Term (term ending March 2009) dated May 20, 2009 that the previous auditing firm KPMG AZSA LLC had prepared for Olympus.

In this Outline Report of the Audit, the following was mentioned regarding the advisory expense concerning the Gyrus acquisition.

(4) Advisory expense concerning the Gyrus stock acquisition

Your company has paid to Axes America LLC and Axam Investment Ltd an advisory fee (fee) concerning the Gyrus stock acquisition, but because there was additional expenditure of 50 million US$ in financial advisory fees in September 2008, the cumulative amount of the fee has become 24.547 billion yen (excluding prepaid fees of 3 Million US$), and has become an extremely high amount.

Also, as part of the fee, the following preferred shares of Gyrus Group Limited have been issued to Axam Investment Ltd dated September 30, 2008. After considering the content of said preferred shares, your company has decided to treat it as loans payable, and in the consolidated balance sheet, it has been posted as long-term loans payable (17.384 billion yen). Also, you have posted unpaid interest (1.120 billion yen) at the end of this consolidated fiscal year.

<table>
<thead>
<tr>
<th>Item</th>
<th>Content</th>
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<tbody>
<tr>
<td>Face Value</td>
<td>176,981,106 U.S. dollars</td>
</tr>
<tr>
<td>Number of Shares</td>
<td>176,981,106 Shares (@1 dollar)</td>
</tr>
<tr>
<td>Dividends</td>
<td>85% of balance after deducting various expenses and amount equivalent to tax (28%) from the interest generated from cash and deposits and internal loans</td>
</tr>
<tr>
<td>Voting Right</td>
<td>None</td>
</tr>
<tr>
<td>Other</td>
<td>Restriction on Assignment. Right to priority repayment (no rights on distribution of residual assets other than said repayment) of the paid-in amount (176,981,106 U.S.S.).</td>
</tr>
</tbody>
</table>
With respect to said preferred shares, the resolution was passed in the Board of Director’s meeting held on November 28, 2008 for your company to repurchase them (530 million U.S. dollars ~ 590 million U.S. dollars), but we have heard that as of today, said transaction has not been made. Note that in the case that an actual repurchase of the preferred shares is made, there is the need to carefully judge the characteristics of that transaction and its accounting treatment, and disclosure content.

Note that a report has been made to the Board of Auditors in the document dated April 23rd with respect to items that are considered important concerning the expenditure of the advisory fee (please refer to the items stipulated in Article 397, Paragraph 1 of the Companies Act, Part III-5).

The initial focus of Ernst & Young ShinNihon LLC, when they received this Outline Report of the Audit was as follows.

- In the consolidation of Olympus, “177 million dollars” is posted as long-term loans payable with respect to Gyrus’ dividend preferred shares.
- On the other hand, in the above-mentioned Audit Summary Report, it is stated that Olympus made a resolution on November 28, 2008 that it would repurchase Gyrus’ dividend preferred shares in a range between “530 million dollars~590 million dollars.” As grounds for the repurchase price, there is a third party’s price calculation valuation report, and in the 2009 Committee Report, the conclusion is reached that with respect to the course leading to the issuance of the dividend preferred shares, circumstances could not be found that would allow the evaluation that there was carelessness on the part of Olympus’ directors or that the directors’ judgment was significantly unreasonable.
- If that were the case, shouldn’t the amount posted for the long-term loans payable be higher?

However, there were also the circumstances of the resolution of November 28, 2008 concerning the repurchase of the dividend preferred shares having been cancelled on June 5, 2009, and explanations having been made from Olympus to Ernst & Young ShinNihon LLC that there was room for negotiations on the repurchase price of the dividend preferred shares, so for a short while after then, there were no cooperative consultations between Olympus and Ernst & Young ShinNihon LLC about the accounting treatment of the dividend preferred shares.

b. Cooperative consultations regarding the accounting treatment related to the repurchase of the Gyrus dividend preferred shares

Yamada and Mori visited Ernst & Young ShinNihon LLC for the year-end exchange of greetings at the end of December 2009, and on that occasion, conveyed that since the repurchase of dividend preferred shares was becoming specific, they would like to consult with Ernst & Young ShinNihon LLC regarding the accounting treatment. In response, several cooperative consultations were held between Olympus’ Accounting Department and Ernst & Young ShinNihon LLC from the beginning of 2010.

(a) Issues in accounting treatment

On the occasion of repurchasing the dividend preferred shares, with respect to the difference between the book value of 177 million dollars and the repurchase price, rather than posting it as a one-time loss, Olympus desired to post it under goodwill, and to amortize it over several years. From this, the following 2 points
became issues in terms of accounting treatment in the cooperative consultations between the Olympus Accounting Department and Ernst & Young ShinNihon LLC.

Issue ① Could the dividend preferred shares that were posted as fixed liabilities be transferred to equity interests at book value?

Issue ② Could the entire amount of the difference between the book value and the repurchase price of the dividend preferred shares be posted as goodwill?

(b) Content of Discussions (Regarding Issue ①)

In the cooperative consultations, Ernst & Young ShinNihon LLC gave the advice to the effect that as the trigger for changing the dividend preferred shares from fixed liabilities to shareholders’ equity, the grounds would be that dividends to Axam still had not been paid, and that an attorney’s legal opinion should be obtained as a supplement, on whether there was the possibility under U.K. Law for preferred shares to be converted to ordinary shares if dividends were not paid.

With respect to the legal opinion, Mori obtained an attorney’s memorandum on February 19, 2010 to the effect that “there are no stipulations in existence under U.K. Law that would allow conversion to ordinary shares, but if the other party were to make the assertion, that it was possible they would have to comply. Also, there are yet no precedents under U.K. Law that accepts the conversion to ordinary shares, but the future possibility cannot be entirely denied.” Subsequently, on March 12, 2010, the Olympus Management Implementation Committee meeting was held, and it was reported that Ernst & Young ShinNihon LLC had approved the transfer of the dividend preferred shares from fixed liabilities to equity interests in its preliminary review board.

Regarding the timing of the transfer, according to the opinion prepared by Ernst & Young in 2009 of the IFRIC Interpretation Guidelines, the explanation is given that the following 2 methods are possible with respect to a reclassification treatment from financial liabilities to an equity instrument.

① Liabilities are to be reassessed at market value as of the date of the reclassification, with the gain or loss to be recognized, and the reassessed price to be transferred to capital.

② No reassessment is to be made, and the transfer to be made at the book value of liabilities as of the date of the reclassification.

However, the opinion was stated that for the settlement period to start after July 2010 (fiscal year ending March 2012), treatment under ② would not be allowed, and would be treated under ①.

The opinion of the majority in the review board was that a reassessment should be made at market value, but if the company were to assert the adoption of ② in writing by July 2010, then as of the current time, Ernst & Young ShinNihon LLC reportedly could not deny such adoption as asserted. In response, Mori and Yamada decided as a safety net to execute the purchase of the dividend preferred shares during the fiscal year ending March 2010.

In this way, the fact that an opinion of the auditing firm was put out that it was possible to transfer the dividend preferred shares from liabilities to capital at book value, if it were up to the business year that started prior to July 2010, became the decisive factor in executing speedily the purchase of the dividend preferred shares.

(c) Content of the cooperative consultations and the results of the accounting treatment (Regarding Issue ②)
Ernst & Young ShinNihon LLC considered the repurchase of the dividend preferred shares to be a separate issue from the advisory fee to the FA. At the point in time when Ernst & Young ShinNihon LLC had been appointed the auditor, the dividend preferred shares had actually already been issued, and from the content of the preferred dividends, it was anticipated that the price of the dividend preferred shares would be considerably high.

For that reason, between Olympus and Ernst & Young ShinNihon LLC, in speaking of the relationship between the dividend preferred shares and its repurchase price, the problem was not the amount itself, but whether the entire amount of the difference between the book value and repurchase price could be posted as goodwill.

From this viewpoint, Ernst & Young ShinNihon LLC made the judgment that if the goodwill would fit within the range of the difference between the book value of the dividend preferred shares and the value of the surgery business field operated by Gyrus evaluated by the Discount Cash Flow method (DCF method), then it would be acceptable to post the entire amount of the difference as goodwill, and because the goodwill had actually fit within this range, the entire amount of the difference between the book value and the repurchase price was posted as goodwill (to be precise, the difference between the repurchase price of the dividend preferred shares of 57.9 billion yen and its book value of 16.5 billion yen was 41.4 billion yen, out of which 41.2 billion yen was posted as goodwill, and the remaining 200 million yen was posted as foreign currency translation adjustments).

(C) Audit for the Term ending March 2011

There were no items of special note in connection with the Loss Disposition Scheme in the audit for the term ending March 2011.

B. The evaluation of the audit by Ernst & Young ShinNihon LLC

While the fact exists that the money that flowed back to the fund through Axam from the repurchase of Gyrus’ dividend preferred shares executed in March 2010 was used to cover losses, on the part of Ernst & Young ShinNihon LLC, who was appointed as the auditor after the dividend preferred shares had been issued, and who bore the responsibility of auditing the propriety of accounting treatments related to the repurchase, from the viewpoint of making a discovery of the Loss Disposition Scheme, no circumstances were found that are particularly questionable in the auditing response mentioned previously in A (note that the issues regarding the change in auditors from KPMG AZSA LLC to Ernst & Young ShinNihon LLC is as stated in (3) below.) Of course, Ernst & Young ShinNihon LLC, after receiving the 2009 Committee Report, had also come to recognize that the dividend preferred shares were transacted in an exchange of equal value with the stock options that were granted as part of the FA fee, so it is believed that a more careful review and judgment should have been made in accordance with the reality of the dividend preferred shares from the viewpoint of whether it was reasonable to have included the large amount of the FA fee in goodwill, rather than simply judging the repurchase of the dividend preferred shares as an independent capital transaction and accepting its being posted as goodwill in a short-sighted manner.

(3) Issues in the change from KPMG AZSA LLC to Ernst & Young ShinNihon LLC

A. De facto dismissal of KPMG AZSA LLC

On May 21, 2009, Kikukawa himself went to KPMG AZSA LLC and conveyed that Olympus would not
be re-appointing it as the accounting auditor after June 2009.

As the fundamental reason that Olympus made a de facto dismissal of KPMG AZSA LLC, there was the conflict of opinions in terms of the accounting treatment over the business value of the Three Domestic Companies and the payment of fees to the FA for Gyrus, but even more so, that KPMG AZSA LLC was criticized for intervening in Olympus’ business decisions. With KPMG AZSA LLC pointing out that the acquisition amount of the Three Domestic Companies and the fee amount with respect to the FA for Gyrus were too high, the Olympus management regarded this as the accounting auditor overstepping its duties and meddling in management.

However, it was for the very reason that KPMG AZSA LLC recognized that its own suggestions exceeded the professional scope of an accounting auditor, that it had originally left the matter at urging the Board of Auditors to exercise its authority to conduct an operational audit, and when they saw that this did not yield results, they went so far as to suggest that the management of Kikukawa, Yamada, and Mori should resign on grounds that the governance at Olympus had become dysfunctional. On this point, they are to be evaluated as having fulfilled their duty as professionals.

B. Advances on the part of Olympus to Ernst & Young ShinNihon LLC

Prior to the de facto dismissal of KPMG AZSA LLC, in May 2009, Olympus made an approach to Ernst & Young ShinNihon LLC on its acceptance of appointment as accounting auditor.

Ernst & Young ShinNihon LLC responded that KPMG AZSA LLC’s issuing an unqualified clean opinion for the settlement of the term ending March 2009 would be the precondition, and that an internal review would be made under that premise. The Review Department listed 2 conditions for accepting the appointment, the unqualified clean opinion of KPMG AZSA LLC and a confirmation of the opinion of KPMG AZSA LLC.

With KPMG AZSA LLC issuing an unqualified clean opinion on May 20, 2009, Ernst & Young ShinNihon LLC accepted the appointment as accounting auditor.

C. Succession of audit work on the part of both auditing firms

On May 25, 2009, Olympus issued a press release on the change of accounting auditors. Both auditing firms began the succession procedures of Olympus’ audit work from June of that year. This succession was done in accordance with the Auditing Standards Committee Report Number 33 “Change of Auditors”, established by the Japanese Institute of Certified Public Accountants on March 30, 2006 (hereinafter referred to as “Committee Report Number 33”).

The succession was done by several attendees from both auditing firms on June 11, 2009. At the beginning, KPMG AZSA LLC asked Ernst & Young ShinNihon LLC, “Have you heard the reason for the dismissal?” Ernst & Young ShinNihon LLC responded that they had heard that there were 2 accounting issues. The exchange between the two auditing firms regarding the de facto dismissal of KPMG AZSA LLC was only this.
Before this meeting, on the occasion of the informal contact (first contact) between both auditing firms on May 14th, in the topic of discussion concerning the de facto dismissal, KPMG AZSA LLC explained to Ernst & Young ShinNihon LLC that there had been a conflict of opinion between KPMG AZSA LLC and Olympus regarding an accounting issue, and that it was entirely resolved at the end of the fiscal year, and on the occasion of such explanation, there was an explanation that KPMG AZSA LLC had made an impolite statement to Olympus, for which reason Kikukawa had been extremely angered, but it ending with neither auditing firm touching on this topic any further.

However, on the occasion of the formal succession, as noted above, with respect to the event that escaped from KPMG AZSA LLC during the first contact that suggested a clash between KPMG AZSA LLC and Olympus that exceeded a conflict of opinion over accounting, the succession was completed with neither side making it a topic of discussion.

D. The intent of Committee Report Number 33
The purpose of the Committee Report Number 33 is to provide practical work guidelines in the succession of audit work on the occasion of changing auditors, so there is no doubt that it clarifies the rules regarding the practical work in successions. In the section “VI Succession of work before executing the Audit Agreement”, the Report sets forth that the successor auditor must query “the predecessor auditor’s opinion regarding the reason for the change of auditors”, and that with respect to said question, the predecessor auditor “must respond sufficiently”; it was considered important that the predecessor auditor and successor auditor share the information regarding the change of auditors, and in addition, it is interpreted to include the intent to deter an arbitrary change of auditors by the company being audited.

E. Issues in this Change
The exchange of information between both auditing firms on the occasion of the succession regarding the “reasons for change of auditors” remained extremely formal and simple, and it must be said that it significantly undermines the intent mentioned above. On this point, both auditing firms have made statements that blame the other.

Under such circumstances, it is believed that a criticism would be unavoidable for not fulfilling the duties of an account auditor, who bears the duty of providing proper information on the corporation to shareholders, investors, and capital markets based on the Companies Act and Financial Instruments and Exchange Act.

6. Matters pointed out by Woodford
As stated above, the Schemes to defer losses etc. was not discovered by the Board of Directors, Board of Auditors or any of the auditors, or the auditing firm, from which systemic governance or check-and-balance
functions are expected, but came to be discovered through matters pointed out by Woodford.

After serving as the Representative Director etc. of U.K. companies that Olympus had turned into subsidiaries and other companies affiliated with Olympus, Woodford became an Executive Officer of Olympus in June 2008, President and Executive Officer of the same company in April 2011, and further, was appointed as the Representative Director/President/Executive Officer/COO of the same company in June of the same year.

On July 31st of the same year, Woodford obtained from an acquaintance a translation of an article in the August issue of FACTA entitled “Olympus “Reckless M&A” Mystery of Huge Losses” and due to this, became suspicious about the acquisition amount of the Three Domestic Companies (Altis, News Chef, Humalabo) and the advisory fee amount connected with the acquisition of Gyrus shares. With regard to the series of articles in FACTA, including this article, since Woodford was the person to sign the statement of accounts as the Representative Director, it was necessary to receive sufficient reports on the matter, including its background, so he questioned the truth of the FACTA articles to Kikukawa, Mori, and others, but he did not receive the responses that he had hoped for. Upon discovering that Kikukawa had instructed those around Woodford not to let Woodford know about said articles, he became even more suspicious, and from September of that year onwards, he often sent letters to Mori and others to confirm the facts regarding the M&A suspicions (However, the mailing itself was done not only to Mori, but also to all of the officers. They were also sent to Ernst & Young or to ShinNihon LLC through Mori, or by himself.).

Woodford, who even then could not receive sufficient explanations from said people, thought that since he had been appointed CEO at the Board of Directors’ meeting on the 30th of the same month, he could obtain the cooperation of the other officers and solve the M&A suspicions, but the other officers remained uncooperative.

Frustrated by the attitude of the management, on October 3rd of the same year, Woodford sent the necessary documents concerning the aforementioned advisory fee connected with the acquisition of Gyrus shares to PwC Legal LLP and requested an investigation, upon which PwC, in its interim report dated the 11th of the same month, reported, “We cannot be certain that improper acts took place, but considering the total amount of the fee that was paid and the several non-customary decisions that were made, at the current time, we cannot rule out the possibility that improper acts took place.”, “Further, there are other potential illegal acts, including improper accounting treatment and financial advice, and the violation of the duty of loyalty on the part of the directors.”

After such course of events, Woodford raised his suspicions regarding the aforementioned M&A to a certainty, and on the 11th of the same month, he sent to Kikukawa a letter demanding the resignation of Kikukawa and Mori (a letter entitled “Letter 6: A Serious Governance Issue Regarding Our Company’s M&A (Mergers and Acquisition) Activities” dated October 11, 2011) and attached an excerpt of the interim report noted above (However, the mailing itself was done not only to Kikukawa, but also to all of the officers, to Ernst & Young or to ShinNihon LLC and to general counsel). In response, Olympus held a special Board of Directors’ meeting on the 14th of the same month, and at said Board of Directors’ meeting, a motion was
proposed to dismiss Woodford as Representative Director/ President/ Executive Officer/ CEO, and as a result of the approvals from all of the directors in attendance, with the exception of Woodford himself, who was not granted a vote from having an interest in the motion, he was dismissed from the positions of Representative Director etc. of said company. Note that Woodford was also dismissed at the same time from all officer positions of said company’s subsidiaries and affiliated companies.

In response, Woodford returned to England on the same evening, and subsequently, made a request to the Serious Fraud Office for an investigation into the advisory fee amount concerning the aforementioned acquisition of Gyrus shares, and while he held consultations etc. with the investigative agencies of each country, he concurrently publicized the M&A suspicions to the mass media. Subsequently, Olympus decided to establish this Committee noted in the beginning, and the Incident was discovered.

VI Analysis on the cause for the Incident

The losses that are the issue in the Incident are due to the failure in finance management techniques a vortex of frantic efforts into which many companies were drawn when the bubble economy reached its peak.

Since the policy to devalue the dollar under the Plaza Accord on September 22, 1985, Olympus’ operating profit decreased, and it came up with a policy to earn non-operating profit for improvement.

At Olympus, in order to handle finance management techniques, a select group of few and talented people were formed in sequence in the headquarter departments centering around Kishimoto, Kikukawa, Ota, Yamada, Mori (the Accounting Group and the Treasury Group. After Kikukawa became president, the Management Planning Headquarters), and the authority to manage financial assets were concentrated with them, and all involvement by other departments was shut out. However, in 1990, with the bubble bursting, Olympus incurred a large amount of losses due to the management of financial assets.

The trend itself at that time, that cannot be said to be healthy, of manufacturers turning to financial management techniques in an attempt to produce profits in areas other than their core business should be reflected on, but the majority of leading companies that incurred a large amount of losses due to its failure in financial management techniques faced and accepted such failures, decided to recover the losses due to such failure under slogans such as “a return to the core business” and “selection and concentration”, actualized such losses through settlement of accounts in the 1990s, amending their balance sheets to accurately reflect the actual status of the company, and have now admirably regained their noble figure as leading companies.

On the other hand, Olympus formed a management structure that merely pursued management efficiency, such as the adoption of the corporate system, while at the same time maintained a system in which a single leader moved the organization under strong leadership over a long period of time, and under such system, not only did it continue to hide the existence of huge losses until the end of the 1990s, but used “tobashi” involving funds rather than to resolve the situation, even though there was an opportunity to do when the accounting standards were amending in 2000.
In other words, Olympus, in the mid-term ending September 1999, posted as extraordinary losses a total of 16.8 billion yen as the difference between the appraised value and book value of specified fund trusts and swaps, and eventually, in the term ending March 2000, it posted extraordinary losses of 17.0 billion yen as the loss on liquidation of cancelling specified fund trusts. However, in reality, it had approximately 96.0 billion yen at the end of September 1999 in unrealized losses that were unrecognized, and even after Kikukawa succeeded Kishimoto as President of Olympus on June 28, 2001, the aforementioned large amount of losses from financial asset management remained hidden as it was succeeded.

In order to match the accounting standards that was to be applied from the business year to start after April 2000, the aforementioned group came up with a loss disposition scheme ("tobashi") to separate the losses from financial asset management that the company carried off their balance sheets. This was to sell the financial assets with unrealized losses at book value by using funds etc. that were outside Olympus' consolidated accounting. On such occasion, it transferred the purchase capital for financial assets to the funds that would serve as receivers, through methods such as investments through intermediary funds of bank loans that were secured with its own deposits as collateral. However, the financial assets of the receiver funds that were subjected to "tobashi" were nearly worthless, and would eventually need to be settled. At such point, they took advantage of M&A, and under the guise of payments for company acquisitions and FA fees, which were significantly higher than normal, they came up with the money for dissolution and flowed them into the receiver funds, and settled such financial assets. Then, these purchase prices etc. were posted as goodwill on the consolidated balance sheet based on accounting treatments for company acquisitions, and were to be amortized over 10 ~ 20 years.

Not only is this a violation of the Financial Instruments and Exchange Act and the Companies Act, but is conduct that is not to be tolerated from a listed company that is responsible for providing accurate information to investors. If this type of conduct takes place, those within the company with knowledge of the reality of "tobashi" would dominate the center of the company and advance, and employees with autonomous and independent minds would not thrive. Moreover, said leaders completely dominated the departments centering around Human Resources and Finance, and only the Finance Department executed transactions with respect to the management of financial assets that was the cause of the losses in the case at issue (originally the Treasury Group in the Accounting Department), and because a system of operations was in place that allowed such people to act arbitrarily without consultation, in which they conducted verifications and even evaluations of the transaction results, the check-and-balance and supervision by other operational departments did not function at all.

The main cause that lead to the case at issue was this. The major factors are stated below.

1. It was handled and concealed by the top management

The case at issue was carried out in secret, lead by top management such as the President, Vice President, Managing Directors, and select executives that surrounded them. At Olympus, there was no risk management system in place that anticipated such misconduct would be carried out by the top management and executives of the company, and the monitoring function against such did not work. The core of management was corrupted, and the periphery was also contaminated, and the situation was one that could be described as the culmination of a salaried worker’s will power in a negative sense.
2. There was a problem in the corporate culture and mind

Top management had put in place a one-man system over a long time, and an atmosphere was cultivated in which objections were not allowed to be spoken. Past presidents had little awareness of transparency or governance, and one needed to be prepared to be cast out if they stated an objection, even when they were right (this is clear from the treatment of Woodford). A system for replacement of presidents had not been established among the officers, so it had become possible to occupy the position arbitrarily. There was little openness, and a corporate environment where opinions could not be freely stated had been formed, so that among the officers, the attitude of personalizing the corporation had spread, and the sense of the duty of loyalty to the shareholders was weak.

In actuality, the mindset of the officers had become stunted to the extent that the management and transfer of an enormous amount of funds and the incurring of enormous losses were not perceived to be issues. On the occasion of individual events (the occurrence of an enormous amount of loss disposition in the accounting, etc.), they did not investigate the cause of the occurrence of such event, determine the person responsible, or pursue accountability at all, and a system had formed in which the failure to do so was not considered to be a problem. It is inevitable to view the officers as having mindsets to try to sail through their duties “without problems” by looking only at the work they were in charge of and without rocking the boat, whenever they sensed that there may be a problem.

3. The method to conceal etc. was tactical

One of the reasons that this incident was not discovered for a long time was because the means for covering up the losses and “tobashi” did not leave behind documents or evidence, and was a method that was difficult to detect even internally, and means were taken to utilize outside funds and M&A, which made it generally hard to grasp, and further, the necessary information was barely provided, even to the Board of Directors or the Board of Auditors.

4. Each corporate body did not function as required under the Companies Act

When viewed from the aspect of governance under the Companies Act, corporate bodies that exist to check for misconduct are the Board of Directors, the Auditors and the Board of Auditors, and the auditing firm. Checking for misconduct where the top management itself is involved as in this case is generally difficult. However, in the case of Olympus, it must be said that such check functions were, unfortunately, extremely insufficient. When transactions were brought to the Board of Directors that when viewed with sound business sense should have been treated with due suspicion, such as in the acquisition of the Three Domestic Companies for a price that was extremely high compared with its actual status of business, and the payment of a huge FA fee that was beyond common sense regarding the Gyrus acquisition, although it was true that accurate information had not been provided, there are no records that a sufficient review was made. There were many yes men among the directors, and it must be considered that the Board of Directors had become a mere formality. With respect to the outside directors also, suitable people had not been elected, and they were not functioning.
The Board of Auditors had even further become a formality, suitable people had not been elected as auditors, including outside auditors, and there are no records of the Board of Auditors having stated objections to the business policy of the company; the top management deemed this to be all right, as they disliked matters to be pointed out.

5. The auditing firm did not function sufficiently

The auditing firm pointed out at one point that perhaps a part of the transaction in the case at issue was unreasonable, and while there was the possibility that the check function would work at that time, as described below, they simply relied on the opinion of a Committee of outside professionals that did not fulfill its original function, and in the end was unable to make the correct suggestion. The succession at the time the auditing firms were changed was insufficient, and the evaluation must be made that they were unable to sufficiently fulfill their duties.

6. The committee composed of outside professionals did not function sufficiently

In response to the matters pointed out by the auditing firm, the company formed a committee of outside professionals, and by securing a report that complied with the intentions of the top management, it tried to prevent the discovery of fraud. However, said report was incomplete and had many qualifying conditions, and was not to be trusted as the opinion of a fair and neutral third party. The Board of Auditors, and further, the auditing firm placed emphasis on the conclusion of this report alone, and did not conduct an intensive review of the content or its qualifying conditions. If such use of committees composed of outside professionals were to become widespread, investigations and reports by committees composed of outside professionals would not be trusted by anyone in the future. The members of committees composed of outside professionals should realize this as well.

7. The disclosure of information was insufficient

Based on the stipulations of the Financial Instruments and Exchange Act, listed companies are required to prepare and release securities reports at specified periods, and the purpose of preparing the same is for the public good and to protect investors. Also, based on the stock market’s listing regulations, listed companies are required to make timely disclosure of information for the use by investors in making investment decisions. On this point, with respect to the Three Domestic Companies, the individual disclosure made by Olympus has only been partial in terms of securities reports and timely disclosure to the Tokyo Stock Exchange. With respect to Gyrus, only a minimum disclosure has been made in the notes to the consolidated financial statements in the “Accounting Section” in terms of timely disclosure to the Tokyo Stock Exchange and securities reports, and almost no disclosure in the “Overview of Company” and “Status of Business” sections.

As noted above, Olympus did not reveal the full particulars of the case in its securities reports, and it cannot be said that they made requisite and sufficient disclosure for investors to make investment decisions.
8. HR rotation of the company did not function

Olympus put in place a system that made it possible for the same person to be in charge of the management of important assets and other operations over a long period, and moreover, it cannot be denied that having managed its personnel in such way (lack of job rotation) contributed to the case at issue. It should have sought human resources in a timely manner from outside the company, away from the personal connections or interests of the company, and in having them manage the financial aspects etc., it should have swept away the rubbish that might have accumulated until, but they did not, and it was when by chance, a foreigner president was elected, that this was realized. It was a serious flaw that a system had been maintained in which human resources, which should have been fair, was distorted, and those who shared secrets and were involved in the cover-up were treated favorably.

9. Lacking the sense of compliance

Taking losses off the balance sheet and covering it up by dissolving it over a long period are actions that lack an understanding of the meaning of compliance. It must be pointed out that there were problems in the sense of compliance and leadership on the part of past presidents, and that governance was lacking. At Olympus, a system had been maintained in which the intentional omission of due diligence in the acquisition of companies or checks by the Legal Department were not seen as problems, and within the corporation, organizations handling internal control or risk management were not independent, and the internal whistleblower system had not been properly established.

10. Existence of outside collaborators

In the case at issue, there were outside collaborators who knew that the financial processing was illegal, who gave counsel to corporate executives and provided assistance, and participated in the cover-up; the existence of such people was also a factor in the realization of the loss concealment scheme for a long period. In this way, the fraud of this case was not discovered until it was pointed out by the newly elected foreign president Woodford. Woodford raised his suspicions regarding the Transactions to top management and the Board of Directors. However, the Board of Directors responded by dismissing him, without conducting an investigation. The Olympus Board of Directors was not able to fulfill its check function, even here.

VII. Measures to prevent recurrence

1. Replacement of the old management

Kikukawa, Yamada, and Mori have already resigned, but the other officers who took part in the fraudulent accounting in one way or another, and the auditors who did not respond at all, while the auditing firm
pointed out the issues from 2008 to 2009 will be replaced. The directors at that time who processed the problematic case with a meeting lasting only 15 minutes, should also be replaced at the appropriate time.

2. **Analysis of the relationship between the auditing firm and the company**
   There is also a problem with the auditing firm that gave a clean opinion on the settlement for the term ending March 2010 while the succession had been insufficient, and the auditing firm should renew its awareness of the importance of its duties, and the company and auditing firm should build a relationship that should have been built in the first place.

3. **Pursuit of legal responsibility of those who were involved**
   Those who were involved in the illegal act have tarnished the trust of the shareholders and business partners, in addition to that of all Japanese corporations, and in taking this into account, it must be pointed out that their legal responsibility should be pursued.

4. **Establishment of a committee to renew corporate governance**
   Together with the measures above, a committee to renew governance centered on third parties should be established, and such committee should be made to thoroughly reexamine how the governance of Olympus should be.

5. **Establishment of a management supervision committee and management supervisor**
   As a measure unique to Olympus, where misconduct lead by top management extending over a long period, establishing a committee as noted above or a management supervisor with the same rank as the representative director for a certain period of time might be one method.

6. **Reinforcement of outside directors and outside auditors**
   Electing friends of the president or people connected with business partners as outside directors or outside auditors is to be stopped, and those who are truly suitable as outside officers are to be selected.

7. **Changing the mindset of new management**
   It is necessary for the new management to be aware of the weight of responsibility to one’s own corporation and to society, and to have a strong sense of ethics and compliance that rejects misconduct, and to continue to be aware of the importance of corporate governance and information disclosure.
   The directors and auditors must be aware of the weight of responsibility to one’s own corporation and to society, and should freely discuss what they think is questionable at the management meeting and the Board of Directors’ meeting without deferring to top management. The directors and auditors must have principles and must commit to deliberations with the preparedness to risk losing their positions, and must not easily compromise on matters to which they cannot agree. Doing so will truly benefit the company over the long term. The directors and auditors must not resort to self-preservation rather than “governance”.

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Also, when selecting the next candidates for top management, those who have such a sense of ethics and compliance should be elected.

8. Forming a compliant workplace environment and changing the mindset of officers and employees

Compliance and governance should be strictly enforced not just on Executive Officers, but also on their subordinate staff. Fear of rocking the boat and formalism should be eliminated, and personnel should be nurtured who can engage in honest debate, and it is important to create a working environment by establishing a code of conduct in the workplace.

9. Changing the mindset of auditors and the Board of Auditors

The auditors and Board of Auditors should be aware of the weight of responsibility to audit the execution of operations by directors. While it can be recognized that auditing was implemented to a certain degree, we cannot perceive the attitude to seriously engage in matters that are pointed out by the auditing firm. For example, regardless of the fact that issues had been pointed out to a certain extent in the interviews with the Board of Auditors before and after the fact, it blindly trusted in the report by outside professionals that had no value, and it did not even make a report to the Board of Directors. The Auditors and Board of Auditors should aim to truly benefit the company, must constantly maintain skepticism, thoroughly pursue the truth of transactions, and perform their duties from a fair position.

Further, in order to maintain the independence of the auditors, the Auditors Office is to be reinforced from the current full-time staff of only 1 person.

10. Disclosure of information

It is a serious flaw of disclosure that information was not disclosed that was beneficial to investors in understanding the actual status of Olympus’ investment activities in new businesses, and such was the case in the failure to make disclosure about the large amount of investment advisory fees in issue with respect to Gyrus, as well as about the amount of goodwill for the Three Domestic Companies which was extremely high. From the standpoint of a listed corporation, in the disclosure of corporate information, because the periodic disclosure of the actual state of management in the company has the function of increasing the transparency of management, and enhancing the autonomy of corporate activities, there is a need to give the corporate managers a feeling of tension with respect to management, and enhance the rationality of their decision-making, by informing shareholders and other stakeholders of the actual state of the corporation. In order to enhance management’s autonomy and self-cleansing function, and in order to recover the trust from stakeholders, it is extremely important to increase the transparency of management. Therefore, disclosure in accordance with the law is a matter course, and disclosure should be promoted based on whether it is important or beneficial to investors.

11. Reform of each system within Olympus

Important information is to be disclosed within the company, and a corporate culture or system for sharing the same is to be established. It is also necessary to reform the human resources system so that the same
person cannot occupy the same important post for a long time, and to adopt a mutual check-and-balance system. Further, in order to prevent the occurrence of misconduct by officers, an internal whistleblower system with an external consultation desk should be established.

The foregoing are items that are all too matter-of-fact. Currently, as discussions are held with respect to an amendment of the Companies Act, reviews are taking place on obligating the election of outside directors, and reexamining the requirements of outside directors etc., and strengthening the audit functions of auditors. Such reexamination of the system may contribute to the prevention of this type of incident in the future, but as can be seen in cases in the U.S., it must be remembered that it cannot completely prevent the occurrence of misconduct. In the end, as stated in the proposal above, the individual awareness of directors and auditors, and the serious performance of their duties are necessary.

VIII Conclusion

Due to the discovery of the fraudulent accounting over many years lead by top management, the credibility of Olympus has been tarnished. The extraordinariness of the misconduct in this case and course leading to its discovery delivered a blow to stakeholders such as the shareholders, good ordinary investors, and business partners, and it is extremely regrettable that it has affected in no small way the trust of many Japanese corporations that are engaged in honest management.

However, Olympus was originally a sound company with earnest employees and strong technical capabilities, and the misconduct was not carried out by the entire company. Olympus should remove the seat of disease centered on the old management, and literally renew itself in heart and mind.

END
APPENDIX
Computer Forensic Investigation

1. Overview of Computer Forensic Tasks

A computer forensic investigation consists of tasks that involve collecting and retaining electronic data while maintaining its admissibility as evidence, and inspecting the contents of the collected electronic data. To be specific, these tasks can be grouped into two main categories:

(1) Retention and recovery of data

Using special tools, the target data is collected and duplicated from PCs, file servers, and mail servers. In addition, data that has been deleted from them is recovered.

(2) Inspection of data

Data that has been retained and/or recovered is stored in a data inspection system, and refined into targeted data using keywords. The targeted data is then inspected.

2. Retention and Recovery of Data

We collected and retained electronic data (e-mail files) relating to 11 individuals who have been identified in the process of our investigation as either involved individuals, or potentially involved individuals (hereinafter referred to as “Targeted Individuals for Data Retention”). For the collection and retention of electronic data, we used FTK Imager Lite and EnCase Forensic. In addition, to recover files that have been deleted by users, we used EnCase Forensic and Forensic Toolkit® (FTK™).

Further, aside from the data mentioned above, data relating to accounting and approval that may possibly serve as material evidence in the case under investigation have been excluded from the data collection and retention process performed by the Committee, as Olympus has enabled us to inspect online the said accounting and approval data.

Table 1: Targeted Individuals for Data Retention, and a List of Data Retention Targets

<p>| No. | Targeted Individuals for Data Retention | Job Title (Note 2) | Data Retention Targets (Note 1) |  |
|-----|----------------------------------------|-------------------|--------------------------------|  |
|     |                                        |                   | PC (Note 3)                      |  |
|     |                                        |                   | Company Owned | Privately Owned | File Server | Mail Server (Note 4) (Note 5) |  |
|     |                                        |                   | Number of Units/ Control No. | Number of Units/Serial No. | Japan (Note 6) | Hong Kong | USA | UK |
| 1   | Tsuyoshi Kikukawa                      | Chairman          | 1 unit | ■■■■■ | Undisclosed | - | x | x | x |
| 2   | Hisashi Mori                           | Vice President    | 3 units | ■■■■■ | (Note 7) | 1 unit | ■■■■■ | x | x | x | - |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Targeted Individuals for Data Retention</th>
<th>Job Title (Note 2)</th>
<th>Number of Units/Control No.</th>
<th>Privately Owned Units/Serial No.</th>
<th>File Server Japan (Note 6)</th>
<th>Mail Server (Note 4) (Note 5)</th>
<th>PC (Note 3)</th>
<th>Company Owned</th>
<th>Privately Owned</th>
<th>File Server</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Hideo Yamada</td>
<td>Full-Time Auditor</td>
<td>1 unit</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Michael Christopher Woodford</td>
<td>Former President</td>
<td>2 units (Note 8)</td>
<td>Undisclosed</td>
<td>-</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Division Manager, Management Planning Headquarters Division</td>
<td>1 unit</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Executive Officer, and Division Manager, New Business Administration Headquarters Division</td>
<td>3 units</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Staff Member, Management Strategy Dept.</td>
<td>1 unit</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Makoto Nakatsuka</td>
<td>Director</td>
<td>3 units</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Head of Department, Finance Department</td>
<td>1 unit</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Head of Department, Human Resources Department</td>
<td>1 unit</td>
<td>Undisclosed</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Group Leader, Human Resources Department</td>
<td>1 unit</td>
<td>1 unit</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
</tbody>
</table>

Note 1: Data retention targets are denoted by the symbol “x,” while the symbol “-” indicates when no specific storage location has been set up for saving electronic data within the server, and therefore no data retention targets exist.

Note 2: The job titles of the Targeted Individuals for Data Retention are as of November 4, 2011.

Note 3: Company owned PCs have been collected and retained based on the PC control book that was generated from Olympus’ PC control system (output date: November 8, 2011). Note that we have also collected and retained the privately-owned PCs of Hisashi Mori and other individuals, whose names are denoted as “…,” after having obtained their consent.

Note 4: The Targeted Individuals for Data Retention who were seconded to Olympus’ Hong Kong subsidiary or U.S. subsidiary were issued a Hong Kong or U.S. e-mail address, as the case may be, and any e-mails sent or received through the said address have not been backed up within the e-mail server in Japan. Therefore, we retained also the backed up data for the [Lotus] Notes e-mail servers in Hong Kong and the U.S., assuming cases where the e-mails sent and received through [Lotus] Notes by the Targeted Individuals for Data Retention have been stored on the e-mail servers in Hong Kong and the U.S. In addition, since the backed up data for the electronic mails which were sent and received by Michael Christopher Woodford on a daily basis have been saved within the [Microsoft]
Exchange server set up in the U.K., we have retained the backed up data for the said mail server concerning Woodford.

Note 5: The e-mail back-up period targeted for data retention under each mail server is shown below:

<table>
<thead>
<tr>
<th>Sever Installation Location</th>
<th>E-Mail System</th>
<th>Back-Up Period Targeted for Data Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>[Lotus] Notes</td>
<td>From Sep. 1, 2007 to Nov. 8, 2011</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>[Lotus] Notes</td>
<td>Jun. 17, 2008 to Nov. 8, 2011</td>
</tr>
</tbody>
</table>

Note 6: Due to problems relating to the back-up function of Lotus Notes/Domino, which came to light during an internal investigation on February 10, 2010, as much as 70% of the data that was backed up between March 1, 2008 and February 23, 2010 was lost, and cannot be recovered. Note that care should be taken to provide prior notice, etc. to the product vendor upon the release of this report with regard to the aforesaid problems with Lotus Notes/Domino.

Note 7: The data that was saved on one of the company owned PCs loaned to Hisashi Mori (control no. ￭￭￭￭; hereinafter referred to as “Old PC”) was migrated to a new company owned PC (control no. ￭￭￭￭) by Olympus’ IT Support Group Service Desk on July 13, 2011, and was subsequently deleted from the Old PC on November 9, 2011 as part of the normal procedure performed upon PC lease expiry. As part of the investigation into the case under investigation, we have, after having collected and retained the Old PC, made an attempt to recover the deleted data using EnCase Forensic, but have confirmed that the data is unrecoverable.

Note 8: No company owned PC was loaned to Michael Christopher Woodford by Olympus in Japan. Instead, he was using two company owned PCs and one iPhone1 loaned by a U.K. subsidiary of Olympus, and we have collected and retained the said PCs/iPhone. However, upon Woodford returning the PCs and iPhone to the said subsidiary on October 17, 2011, the U.K. subsidiary reinstalled the operating system on the PCs, and reset the iPhone to its default factory settings. After making an attempt to recover the deleted data from the PCs and iPhone1, we have confirmed that the data is unrecoverable.

3. Inspection of Data

The data we retained and recovered was stored in the Nuix program, and then we browsed the stored data. Further, we performed the tasks described below with regard to the electronic data (e-mail files) of six of the Targeted Individuals for Data Retention who were found in the course of our investigation to have been deeply involved in the case under investigation (Tsuyoshi Kikukawa, Hisashi Mori, Hideo Yamada, ￭￭￭￭, Nakatsuka, and ￭￭￭￭; hereinafter collectively referred to as “Specified Targeted Individuals for Data Retention”):

- Retrieval of all e-mails that were exchanged between Designated Individuals and the Specified Targeted Individuals for Data Retention.
- Search for and inspection of e-mails (including all attachments) that contain pre-approved keywords.
- Inspection of electronic documents.
(1) Retrieval of all e-mails exchanged between Designated Individuals and the Specified Targeted Individuals for Data Retention.

We have retrieved the electronic data which contains all of the e-mails exchanged between certain outside individuals who were identified in the course of our investigation as having been involved in the case under investigation (hereinafter referred to as “Designated Individuals”) and the Specified Targeted Individuals for Data Retention. To retrieve these e-mails, we performed searches based on keywords, and used the e-mail addresses of the Designated Individuals that were identified in the e-mail review process.

Table 3: Quantities of E-Mails Exchanged Between the Specified Targeted Individuals for Data Retention and Designated Individuals

<table>
<thead>
<tr>
<th>No.</th>
<th>Specified Targeted Individuals for Data Retention</th>
<th>Designated Individuals (Note 1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Akio Nakagawa</td>
<td>Hajime Sagawa</td>
<td>Nobumasa Yokoo</td>
</tr>
<tr>
<td>1</td>
<td>Tsuyoshi Kikukawa</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Hisashi Mori</td>
<td>597</td>
<td>1,356</td>
</tr>
<tr>
<td>3</td>
<td>Hideo Yamada</td>
<td>97</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Makoto Nakatsuka</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>5</td>
<td>Shuntatsu Isaka</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Total</td>
<td>736</td>
<td>1,384</td>
</tr>
</tbody>
</table>

Note 1: E-mails that were received by or sent to more than one Specified Targeted Individual for Data Retention or Designated Individuals who have been counted overlappingly.

(2) Search for and inspection of e-mails (including all attachments) that contain pre-approved keywords.

We used certain keywords that were identified in the course of our investigation. The table below lists the commonly used keywords. For more detailed information, please refer to “List of Search Keywords” at the end of the current section.

Table 4: Search Keyword Categories

<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Description of Category</th>
<th>Keyword Example</th>
<th>Number of Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General</td>
<td>Keywords that are common to the categories “3 domestic companies involved in the case under investigation” and “Gyrus,” as well as general keywords that are assumed to have been used in connection with the case under investigation</td>
<td>Loss; make up for losses; mum’s the word; confidential; &quot;tobashi&quot;; goodwill; loss deferral, etc.</td>
<td>88</td>
</tr>
<tr>
<td>2</td>
<td>Gyrus</td>
<td>Keywords that are assumed to have been associated with the acquisition of Gyrus</td>
<td>Hajime Sagawa; AXES Japan; warrant; option; ■■■■■, etc.</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>Three Domestic Companies</td>
<td>Keywords that are assumed to have been associated with the acquisitions of three domestic companies – Altis, Humalabo and News Chef.</td>
<td>Business investment fund; Isaka, CPA; Altis; Humalabo; ■■■■■, etc.</td>
<td>24</td>
</tr>
<tr>
<td>No.</td>
<td>Targeted Individuals for Data Retention</td>
<td>Number of Searched E-Mails</td>
<td>Number of Keyword Hits (only for inspectable e-mails) (Note 1)</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------------</td>
<td>----------------------------</td>
<td>-------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PC</td>
<td>Server</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>Tsuyoshi Kikukawa</td>
<td>32</td>
<td>40,733</td>
<td>40,765</td>
</tr>
<tr>
<td>2</td>
<td>Hisashi Mori</td>
<td>90,264</td>
<td>54,125</td>
<td>144,389</td>
</tr>
<tr>
<td>3</td>
<td>Hideo Yamada</td>
<td>421</td>
<td>34,770</td>
<td>35,191</td>
</tr>
<tr>
<td>4</td>
<td>Michael Christopher Woodford</td>
<td>(Note 2)</td>
<td>5,060</td>
<td>5,060</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>52,063</td>
<td>68,359</td>
<td>120,422</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>84,167</td>
<td>21,956</td>
<td>106,123</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>0</td>
<td>1,647</td>
<td>1,647</td>
</tr>
<tr>
<td>8</td>
<td>Makoto Nakatsuka</td>
<td>0</td>
<td>10,256</td>
<td>10,256</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>785</td>
<td>54,904</td>
<td>55,689</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>26,036</td>
<td>44</td>
<td>26,080</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>4,669</td>
<td>42,463</td>
<td>47,132</td>
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<tr>
<td></td>
<td>Total</td>
<td>258,437</td>
<td>335,964</td>
<td>594,401</td>
</tr>
</tbody>
</table>

Note 1: E-mails that turned up as hits to more than one keyword have been counted overlappingly.

Note 2: Please refer to Note 8: Table 1 “Targeted Individuals for Data Retention, and a List of Data Retention Targets” under 2. “Retention and Recovery of Data” above with regard to Michael Woodford’s PCs above.

Note 3: We inspected only those e-mails received and sent by the Specified Targeted Individuals, and have excluded all e-mails of all Targeted Individuals for Data Retention who are not Specified Target Individuals for Data Retention.

Note 4: In view of the fact that the individuals whose names are denoted as “- - - - - -” were not involved in the acquisition of Gyrus Group PLC, we searched the e-mails of the aforesaid individuals using only the keyword “Three Domestic Companies,” and other keywords that fall under the “General” category, and inspected the contents of these e-mails.
### (3) Inspection of Electronic Documents

The quantities of the electronic document files and inspectable files that we retained corresponding to each of the Targeted Individuals for Data Retention are summarized in the table below:

<table>
<thead>
<tr>
<th>No.</th>
<th>Targeted Individuals for Data Retention</th>
<th>Number of Retained Electronic Files (Note 1)</th>
<th>Number of Inspectable Files (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>PC</td>
<td>Server</td>
</tr>
<tr>
<td>1</td>
<td>Tsuyoshi Kikukawa</td>
<td>2,245</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Hisashi Mori</td>
<td>7,907</td>
<td>1,510</td>
</tr>
<tr>
<td>3</td>
<td>Hideo Yamada</td>
<td>2218</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Michael Christopher Woodford</td>
<td>(Note 4)</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>13,360</td>
<td>1,055</td>
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<tr>
<td>6</td>
<td></td>
<td>5,383</td>
<td>917</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>1,652</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Makoto Nakatsuka</td>
<td>7,010</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>5,915</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>2,763</td>
<td>2,179</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>5,068</td>
<td>344</td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td>53,521</td>
<td>6,013</td>
</tr>
</tbody>
</table>

**Note 1:** The symbol “-” denotes when no specific storage location has been set up for saving electronic data within the server, and therefore no data retention targets exist.

**Note 2:** In inspecting electronic documents, we excluded the system files and binary files that facilitate systems operation, as they have no relevance to the case under investigation.

**Note 3:** We inspected only data contained in the electronic document files that were stored on the PCs and file servers of the Specified Targeted Individuals for Data Retention. Therefore, we have excluded any electronic document data that was stored on the PCs and file servers of those individuals who are not Specified Targeted Individuals for Data Protection.

**Note 4:** Please refer to Note 8: Table 1 “Targeted Individuals for Data Retention, and a List of Data Retention Targets” under 2. “Retention and Recovery of Data” above with regard to Michael Woodford’s PCs above.

**Note 5:** Files that are considered as containing the most significant information were found on this PC.
<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Keyword</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General</td>
<td>“21st Century”</td>
</tr>
<tr>
<td>2</td>
<td>General</td>
<td>“Akio Nakagawa”</td>
</tr>
<tr>
<td>3</td>
<td>General</td>
<td>“AXAM Investment Ltd.” OR “AXAM” OR “AIL”</td>
</tr>
<tr>
<td>4</td>
<td>General</td>
<td>“AXES America LLC”</td>
</tr>
<tr>
<td>5</td>
<td>General</td>
<td>“AXES Japan”</td>
</tr>
<tr>
<td>6</td>
<td>General</td>
<td>“Banque AIG CD”</td>
</tr>
<tr>
<td>7</td>
<td>General</td>
<td>“Commerzbank” OR “Commerz”</td>
</tr>
<tr>
<td>8</td>
<td>General</td>
<td>“Dynamic Dragon”</td>
</tr>
<tr>
<td>9</td>
<td>General</td>
<td>“EasterSide”</td>
</tr>
<tr>
<td>10</td>
<td>General</td>
<td>“Genesis”</td>
</tr>
<tr>
<td>11</td>
<td>General</td>
<td>“Global Target”</td>
</tr>
<tr>
<td>12</td>
<td>General</td>
<td>“Gyrus Group Limited” OR “Gyrus” OR “GGL” OR “[Company] G” OR “Gyrus”</td>
</tr>
<tr>
<td>13</td>
<td>General</td>
<td>“Hajime Sagawa”</td>
</tr>
<tr>
<td>14</td>
<td>General</td>
<td>“ING Bank Tokyo Branch”</td>
</tr>
<tr>
<td>15</td>
<td>General</td>
<td>“IT Ventures”</td>
</tr>
<tr>
<td>16</td>
<td>General</td>
<td>“Jim Sagawa”</td>
</tr>
<tr>
<td>17</td>
<td>General</td>
<td>“Kikukawa” AND “Mori”</td>
</tr>
<tr>
<td>18</td>
<td>General</td>
<td>“Kikukawa” AND “Yamada”</td>
</tr>
<tr>
<td>19</td>
<td>General</td>
<td>“LGT Bank” OR “Liechtenstein” OR “Liechtenstein Global Trust”</td>
</tr>
<tr>
<td>20</td>
<td>General</td>
<td>“Neo Strategic Fund”</td>
</tr>
<tr>
<td>21</td>
<td>General</td>
<td>“New Investments Limited”</td>
</tr>
<tr>
<td>22</td>
<td>General</td>
<td>“Ota” AND “Mori”</td>
</tr>
<tr>
<td>23</td>
<td>General</td>
<td>“Ota” AND “Yamada”</td>
</tr>
<tr>
<td>24</td>
<td>General</td>
<td>“Quick Progress”</td>
</tr>
<tr>
<td>25</td>
<td>General</td>
<td>“SG Bond Plus Fund”</td>
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<td>26</td>
<td>General</td>
<td>“Societe Generale”</td>
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<tr>
<td>27</td>
<td>General</td>
<td>“Teao”</td>
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<tr>
<td>28</td>
<td>General</td>
<td>“Woodford”</td>
</tr>
<tr>
<td>29</td>
<td>General</td>
<td>“Yamada” AND “Mori”</td>
</tr>
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<td>30</td>
<td>General</td>
<td>“Axes Japan”</td>
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<tr>
<td>31</td>
<td>General</td>
<td>“■■■■■” OR “■■■■■”</td>
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<tr>
<td>32</td>
<td>General</td>
<td>“Woodford”</td>
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<td>General</td>
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<td>Keyword</td>
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<td>34</td>
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<td>35</td>
<td>General</td>
<td>“■■■■■”</td>
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<tr>
<td>36</td>
<td>General</td>
<td>“Nakagawa” AND “AKIO”</td>
</tr>
<tr>
<td>37</td>
<td>General</td>
<td>“Kikukawa” AND “Yamada”</td>
</tr>
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<td>38</td>
<td>General</td>
<td>“Kikukawa” AND “Mori”</td>
</tr>
<tr>
<td>39</td>
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<td>“Sagawa” AND “Jim”</td>
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<td>“Sagawa” AND “Mori”</td>
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<td>“Yamada” AND “Mori”</td>
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<tr>
<td>42</td>
<td>General</td>
<td>“Ota” AND “Yamada”</td>
</tr>
<tr>
<td>43</td>
<td>General</td>
<td>“Ota” AND “Mori”</td>
</tr>
<tr>
<td>44</td>
<td>General</td>
<td>“Advisory Fee”</td>
</tr>
<tr>
<td>45</td>
<td>General</td>
<td>“corrupt”</td>
</tr>
<tr>
<td>46</td>
<td>General</td>
<td>“embezzl*” OR “misappropriat*”</td>
</tr>
<tr>
<td>47</td>
<td>General</td>
<td>“FA fee”</td>
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<tr>
<td>48</td>
<td>General</td>
<td>“fraud*” OR “illegal*”</td>
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<td>49</td>
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<tr>
<td>51</td>
<td>General</td>
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<td>52</td>
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<td>“off the record”</td>
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<td>53</td>
<td>General</td>
<td>“rebat*” OR “kickback”</td>
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<tr>
<td>54</td>
<td>General</td>
<td>“Olympus Hong Kong”</td>
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<td>goodwill AND “impairment loss”</td>
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<td>“rebate” OR “kickback”</td>
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<td>68</td>
<td>General</td>
<td>“zaiteku (speculative investment)” OR “massive losses” OR “bad debt” OR “massive fee”</td>
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<td>69</td>
<td>General</td>
<td>“specified fund trust” OR “specified money fund”</td>
</tr>
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<td>General</td>
<td>“market value accounting”</td>
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<td>General</td>
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<td>General</td>
<td>“beneficiary rights”</td>
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<td>General</td>
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<td>75</td>
<td>General</td>
<td>“loss” AND “make up for losses”</td>
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<td>76</td>
<td>General</td>
<td>“loss” AND “cover losses”</td>
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<td>General</td>
<td>“loss deferral”</td>
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<td>78</td>
<td>General</td>
<td>“Asahi Auditing Corporation” AND “loss” AND “approval”</td>
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<td>79</td>
<td>General</td>
<td>“special purpose company”</td>
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<td>80</td>
<td>General</td>
<td>“breach of trust” OR “aggravated breach of trust”</td>
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<tr>
<td>81</td>
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<tr>
<td>82</td>
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<td>“fraudulent” OR “unlawful”</td>
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<td>86</td>
<td>General</td>
<td>“corrupt practice”</td>
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<td>“accounts rigging” OR “cover-up” OR “hidden loss” OR “anti-social” OR “whistle-blowing” OR “fictitious”</td>
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<td>General</td>
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<td>89</td>
<td>Gyrus</td>
<td>“20 billion” OR “200 billion”</td>
</tr>
<tr>
<td>90</td>
<td>Gyrus</td>
<td>“Amendment to the Engagement Letter in respect of Warrants”</td>
</tr>
<tr>
<td>91</td>
<td>Gyrus</td>
<td>“Call Option”</td>
</tr>
<tr>
<td>92</td>
<td>Gyrus</td>
<td>“Cash Settlement of Option”</td>
</tr>
<tr>
<td>93</td>
<td>Gyrus</td>
<td>“ITX”</td>
</tr>
<tr>
<td>94</td>
<td>Gyrus</td>
<td>“■■■■” OR “■■■■”</td>
</tr>
<tr>
<td>95</td>
<td>Gyrus</td>
<td>“■■■■■■■■”</td>
</tr>
<tr>
<td>96</td>
<td>Gyrus</td>
<td>“■■■■■■■■” OR “■■■■”</td>
</tr>
<tr>
<td>97</td>
<td>Gyrus</td>
<td>“Olympus Finance Hong Kong Limited” OR “OFH”</td>
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<td>98</td>
<td>Gyrus</td>
<td>“Olympus Finance UK Limited”</td>
</tr>
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<td>Gyrus</td>
<td>“Olympus UK Acquisitions Limited” OR “OUKA”</td>
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<td>100</td>
<td>Gyrus</td>
<td>“Olympus UK Loan Notes Limited”</td>
</tr>
<tr>
<td>101</td>
<td>Gyrus</td>
<td>“■■■■” OR “■■■■■” OR “■■■■”</td>
</tr>
<tr>
<td>No.</td>
<td>Category</td>
<td>Keyword</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>102</td>
<td>Gyrus</td>
<td>“Project Gold” OR “PJ Gold”</td>
</tr>
<tr>
<td>103</td>
<td>Gyrus</td>
<td>“■■■” OR “■■■■■”</td>
</tr>
<tr>
<td>104</td>
<td>Gyrus</td>
<td>“Share Subscription Agreement”</td>
</tr>
<tr>
<td>105</td>
<td>Gyrus</td>
<td>“■■■■■” OR “■■■■”</td>
</tr>
<tr>
<td>106</td>
<td>Gyrus</td>
<td>“Valuation on Preferred Shares of Gyrus Group Limited”</td>
</tr>
<tr>
<td>107</td>
<td>Gyrus</td>
<td>“■■■■■” OR “■■■” OR “■■■” OR “■■■”</td>
</tr>
<tr>
<td>108</td>
<td>Gyrus</td>
<td>“■■■■”</td>
</tr>
<tr>
<td>109</td>
<td>Gyrus</td>
<td>“■■■■■” OR “■■■” OR “■■■”</td>
</tr>
<tr>
<td>110</td>
<td>Gyrus</td>
<td>“■■■■”</td>
</tr>
<tr>
<td>111</td>
<td>Gyrus</td>
<td>“biotech”</td>
</tr>
<tr>
<td>112</td>
<td>Gyrus</td>
<td>“repurchase of dividend preferred shares”</td>
</tr>
<tr>
<td>113</td>
<td>Gyrus</td>
<td>“■■”</td>
</tr>
<tr>
<td>114</td>
<td>Gyrus</td>
<td>“■■” AND “■■”</td>
</tr>
<tr>
<td>115</td>
<td>Gyrus</td>
<td>“■■■■■”</td>
</tr>
<tr>
<td>116</td>
<td>Gyrus</td>
<td>“■■■■■■■■■■■■”</td>
</tr>
<tr>
<td>117</td>
<td>Gyrus</td>
<td>“■■■■”</td>
</tr>
<tr>
<td>118</td>
<td>Gyrus</td>
<td>“share” AND “preferred” OR “option”</td>
</tr>
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<td>119</td>
<td>Gyrus</td>
<td>“■■■■■■■■■■■■”</td>
</tr>
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<td>120</td>
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<td>“■■” OR “■■■”</td>
</tr>
<tr>
<td>121</td>
<td>Gyrus</td>
<td>“Warrant” AND “Option”</td>
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<tr>
<td>122</td>
<td>Gyrus</td>
<td>“■■■■■■■■■■■■”</td>
</tr>
<tr>
<td>123</td>
<td>Gyrus</td>
<td>“■■■■■■■■■■■■” OR “■■■”</td>
</tr>
<tr>
<td>124</td>
<td>Gyrus</td>
<td>“warrant” AND “option”</td>
</tr>
<tr>
<td>125</td>
<td>Gyrus</td>
<td>“share” AND “preferred” AND “option”</td>
</tr>
<tr>
<td>126</td>
<td>Gyrus</td>
<td>“■■■” AND “■■■”</td>
</tr>
<tr>
<td>127</td>
<td>Three Domestic Companies</td>
<td>“Altis”</td>
</tr>
<tr>
<td>128</td>
<td>Three Domestic Companies</td>
<td>“Exempted Limited Partnership Agreement”</td>
</tr>
<tr>
<td>129</td>
<td>Three Domestic Companies</td>
<td>“Global Company” OR “GC” OR “GCI”</td>
</tr>
<tr>
<td>130</td>
<td>Three Domestic Companies</td>
<td>“■■■■■”</td>
</tr>
<tr>
<td>131</td>
<td>Three Domestic Companies</td>
<td>“Head of Agreement for Termination of GC New Vision Ventures L.P.”</td>
</tr>
<tr>
<td>132</td>
<td>Three Domestic Companies</td>
<td>“LGT Portfolio Management”</td>
</tr>
<tr>
<td>133</td>
<td>Three Domestic Companies</td>
<td>“News Chef”</td>
</tr>
<tr>
<td>134</td>
<td>Three Domestic Companies</td>
<td>“■■■■■■■■■■■”</td>
</tr>
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<td>“Shuichi Takayama”</td>
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<tr>
<td>No.</td>
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<td>Keyword</td>
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<td>-----</td>
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<tr>
<td>136</td>
<td>Three Domestic</td>
<td>“Shuntatsu Isaka”</td>
</tr>
<tr>
<td>137</td>
<td>Three Domestic</td>
<td>“Yokoo”</td>
</tr>
<tr>
<td>138</td>
<td>Three Domestic</td>
<td>“Altis”</td>
</tr>
<tr>
<td>139</td>
<td>Three Domestic</td>
<td>“◼◼◼” AND “◼◼◼”</td>
</tr>
<tr>
<td>140</td>
<td>Three Domestic</td>
<td>“Humalabo”</td>
</tr>
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<td>141</td>
<td>Three Domestic</td>
<td>“Isaka” AND “Shuntatsu”</td>
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<tr>
<td>142</td>
<td>Three Domestic</td>
<td>“Isaka CPA Office”</td>
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<td>143</td>
<td>Three Domestic</td>
<td>“◼◼”</td>
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<td>144</td>
<td>Three Domestic</td>
<td>“Yokoo”</td>
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<td>145</td>
<td>Three Domestic</td>
<td>“Takayama” AND “Shuichi”</td>
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<td>“Business Investment Committee”</td>
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<td>149</td>
<td>Three Domestic</td>
<td>“short term government securities”</td>
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<td>150</td>
<td>Three Domestic</td>
<td>“◼◼” AND “◼◼”</td>
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### Comparison of Similar Transactions

<table>
<thead>
<tr>
<th>Similar Transactions</th>
<th>Three Domestic Companies</th>
<th>Gyrus</th>
<th>ITX</th>
<th>OFH ※1</th>
<th>EPS</th>
<th>OBCC ※2</th>
<th>SBi</th>
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<tbody>
<tr>
<td>Acquisition of target at an unusually high price</td>
<td>○</td>
<td></td>
<td></td>
<td></td>
<td>○</td>
<td></td>
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<tr>
<td>Unusually high acquisition related fees</td>
<td></td>
<td>○</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of goodwill or invested amount</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock value calculation, etc. performed by Isaka CPA Office</td>
<td>○</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>○</td>
</tr>
<tr>
<td>Involvement of a Fund, etc.</td>
<td></td>
<td>○</td>
<td></td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Acquisition of venture capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>○</td>
<td></td>
</tr>
</tbody>
</table>

※1: OFH held shares of ITX in the past.  
※2: OBCC holds shares of EPS.
Acquisition of the OP-1 Business by OBA

Section 1 Findings

As a result of our investigation, we have acknowledged the facts that are described below in connection with the acquisition of the OP-1 business below. It should be noted that in preparing the descriptions of the facts below we have given consideration to the duty of confidentiality by which Olympus Corporation is bound with respect to the said acquisition.

1 Background to Negotiations for the Acquisition of OP-1 Assets (1): Proposal of a potential acquisition

In April 2010, Company X, which had been working closely with Olympus through the underwriting of securities for SBi, and other transactions (refer to Section 4.7(2) of the Investigation Report), approached Olympus with a proposal for the potential acquisition of OP-1 assets from Stryker Biotech (SB).

SB had been manufacturing and distributing bone morphogenetic protection-7 (BMP-7) (product name “OP-1”), which is a type of bone formation inducing protein, for which there are good prospects for future market growth. However, the company had been burdened with two problems. First, OP-1 received drug approval by the regulatory authorities in Europe, Australia and Canada. However, in the U.S., while SB received approval for the product for two medical conditions under the Humanitarian Device Exemption (HDE), which limits the number of cases treated with each approved drug to no more than 4,000 each year, SB’s application for Pre-Market Approval (PMA) concerning OP-1 was declined, therefore making it difficult to meet the expected volume of sales in the U.S. Second, in 2009 a charge had been brought by the U.S. DOJ against SB and some of its employees for allegedly engaging in activities to market OP-1 for use in purposes that were not in line with the uses given approval by the U.S. FDA.

Due to the above problems faced by SB, [Company X] had proposed an acquisition price that was thought to be relatively low, considering the amount of money that SB had already invested in the OP-1 business, and the total value of the company’s assets. Therefore, it was believed, at that time, that if OP-1 could eventually be granted a PMA, a large amount of profit would be generated from sales of the product. In addition, Company X had in the past successfully obtained a PMA by resolving certain issues that other companies were not able to handle. In light of these points, Olympus believed that, once SB cleared up the above mentioned problems, it would become more likely that the company would make a foray into the orthopedic surgery market, and a significant synergetic effect would be created between the company and Olympus Terumo Biomaterials Corp. (“OTB”) As a result, Olympus considered the proposed acquisition an attractive transaction.

2. Background to Negotiations for the Acquisition of OP-1 Assets (2): Discussions Concerning a Joint Venture (JV) Scheme

Olympus had decided to seek the services of a FA for the proposed acquisition, and on June 1, 2010 entered into a financial advisory agreement with a FA. By recommendation of the FA, Olympus hired a legal advisor, and began to
negotiate with Company X in specific terms for the acquisition of [OP-1] assets from SB.

The FA representing Olympus raised four areas of concerns that needed to be addressed in order to move ahead with the proposed acquisition of the OP-1 business from SB: (1) assessment of the risk that SB and certain of its employees under indictment may be convicted in the case brought against them by the DOJ; (2) assessment of the likelihood that OP-1 would receive a PMA through a resubmission of the application; (3) issues relating to the proper time frame for conducting negotiations with SB; and (4) the conditions for a joint venture proposed by Company X. The FA then set out a future course of action, which included performing a careful study of the above areas of concerns and establishing a policy for carrying out negotiations with Company X. It was also confirmed that, as far as a joint venture agreement was concerned, each joint venture partner would independently provide its own commitment, and would be able to ensure a return on the joint venture commensurate with the level of commitment.

On June 30, 2010, the FA representing Olympus visited Company X, and, over two days, held discussions with regard to the basic idea concerning the transaction scheme for the proposed acquisition. Among other things, the FA told the company that merely signing and closing the proposed acquisition would not mean that the transaction would be fruitful; rather, it would be considered a success only if OP-1 received a PMA, and therefore, the return on the joint venture would depend upon this point.

The proposed transaction was reported at a meeting of the Management Implementation Committee that was held on July 30, 2010, and approval was given for carrying out the due diligence process. In addition to the due diligence, a study was carried out to assess the possibility of obtaining a PMA for OP-1 (a consulting firm was hired to perform the study, and its results were positive), along with an assessment of the value of the shares of SBi offered [to Olympus] as collateral, as well as a credit check on Company X (performed by Kroll Consulting), and other necessary tasks. Subsequently, progress reports were made at meetings of the Management Implementation Committee that were held on August 20, August 27, September 17, and October 22, 2011 (based on the meeting agenda materials prepared for the Management Implementation Committee meetings).

At a meeting of the Board of Directors held on October 29, 2010, the proposed acquisition was reported, and approval was given for proceeding with the transaction. The transaction structure being proposed at this point was comprised of a joint venture between a special purpose company (SPC) funded by Olympus and Company X, an asset purchase agreement for the OP-1 business between the said joint venture and Stryker Corp., which is the parent company of SB, and a joint venture agreement, among other things. At the said meeting of the Board of Directors, it was indicated that the details of the said asset purchase agreement would be worked out, and measures would be implemented to ensure that the charges brought up by the DOJ [against SB and certain of its employees] would not have a negative impact on the joint venture.

3. Background to Negotiations for the Acquisition of OP-1 Assets (3): Discussions Concerning a Sole Ownership Scheme

On November 8 or November 9, 2001, the president of Olympus Corporation of The Americas (OCA), who had taken a negative stand since earlier on towards the proposed acquisition due to concerns over [SB’s trying] relations with the FDA, suggested to Tsuyoshi Kikukawa that Olympus should not proceed with the transaction. Kikukawa agreed with the said president, and decided that the Board of Directors would no longer discuss the proposed acquisition at its meetings going forward. Even though Hisashi Mori and the president of OTB (at that time) met with Kikukawa to persuade him to change his decision, they were not able to. The said president of OTB informed Company X, through the FA, of the change in Olympus’ policy towards the proposed acquisition.

In response to Olympus’ policy-changing decision above, Company X as well as Stryker Corporation, who at that time was facing an inevitable decision to lay off some of its staff before the end of the year or take other drastic measures if the proposed acquisition did not go through, pleaded with Olympus to reconsider its decision somehow. Company X was now changing its stance, indicating that it would no longer insist upon having a joint venture scheme, which, up to this point, the proposed acquisition had been contingent upon. Meanwhile, Olympus, in keeping with the
concerns raised by the president of OCA, held discussions with the FA, and, as a result, changed the transaction scheme so that, in lieu of a joint venture running the post-acquisition business as previously planned, Olympus would provide 100% of the required capital. In addition, it was internally agreed within Olympus that the company would take the necessary actions to ensure that the proper measures would be implemented to avoid any risks associated with the case brought up by the DOJ [against SB and certain of its employees].

It was determined, based on the opinion of Olympus’ legal advisor, that the risks associated with the DOJ’s case [against SB and certain of its employees] would be reduced to an acceptable level, considering that an asset purchase agreement would be underlying the proposed acquisition, and that the said purchase agreement would contain stipulations to the effect that any obligations relating to the DOJ case would be non-assumable. Therefore, Olympus consulted with Company X, the FA, and the legal advisor, and an agreement was reached among them such that the proposed acquisition would involve the previously planned joint venture scheme once again, as well as 100% of the required capital to be provided by Olympus. The above agreed upon details were then proposed to a meeting of the Board of Directors held on November 19, 2010, with the final proposal presented to a meeting of the said board held on November 26, 2010.

According to the overall transaction scheme that was finalized, it was decided that, instead of having a joint venture become the operator of the OP-1 business after the proposed acquisition, OBA, which would be 100% owned by Olympus, would become the operator and, after having entered into an asset purchase agreement [with SB], would pay a FA fee, etc. to Company X.

Section 2  Our Opinion

1 Concerns may be raised that Company X, who had originally proposed to Olympus the acquisition of the OP-1 business, may have possibly obtained an excessive gain in the form of a fee, etc., and, because of this possibility, there may be similarities between the above transaction and the acquisitions of the Three Domestic Companies and the acquisition of Gyrus.

2. However, in light of the background situation described in Section 1 above, particularly with regard to the following points, we believe that the above transaction differs from the acquisitions of the Three Domestic Companies and the acquisition of Gyrus:

① The OP-1 business, which was the target of the acquisition, despite the difficulty that had been experienced in obtaining a PMA in the U.S., had been approved in other regions, and therefore featured a product that appeared to have offered a very promising business prospect.

② The relationship between Olympus and Company X began when Olympus became interested in the products of SBi, a company under the control of Company X, which subsequently led to Olympus holding a minority interest in Company X, and the tie between the two companies had strengthened through this process. Therefore, there was nothing particularly unnatural about the background situation behind the development of their relationship.

③ Company X is a group of companies that are specialized in the orthopedic surgery sector, and had previously handled a transaction in which it successfully obtained a PMA after other firms had attempted but failed to do so.

④ The FA, or the legal advisor, both outsiders to Olympus, were involved in the process of designing the acquisition framework, and no evidence has come to light to suggest that Olympus and Company X had ignored these outside experts and single-handedly decided to use such scheme as described in the preceding section. In addition, the due diligence performed prior to the acquisition was carried out by external professionals to examine the tangible and intangible assets pertaining to the OP-1 business, the risks associated with the case brought up by the DOJ, the likelihood of obtaining a PMA, and other relevant aspects of the transaction.
The acquisition was approved within Olympus after internal discussions at six meetings of the Management Implementation Committee and two meetings of the Board of Directors. In addition, the company even ceased pursuing the transaction temporarily after the president of a subsidiary, Olympus Corporation of The Americas (OCA), advised against it.

In view of the foregoing, it could well be that the size of the payment that may have been ultimately paid to Company X through the scheme of the said acquisition, and other aspects of the transaction are controversial from an ex post objective point of view. Nonetheless, there are no grounds to believe that the acquisition had ever played a part in any scheme for the deferral of losses, or had any connection whatsoever to any loss deferral scheme.
Historical Changes in Outstanding Goodwill

(Unit: billion yen)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>March 31, 2011</th>
<th>Remarks</th>
<th>Subject to Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Telecom</td>
<td>24.9</td>
<td>23.0</td>
<td>21.1</td>
<td>19.2</td>
<td>17.3</td>
<td></td>
<td></td>
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<tr>
<td>ITX</td>
<td>21.6</td>
<td>19.3</td>
<td>0</td>
<td>0</td>
<td>2.0</td>
<td>Impairment loss</td>
<td></td>
</tr>
<tr>
<td>Broadleaf</td>
<td>14.5</td>
<td>13.7</td>
<td>11.9</td>
<td>0</td>
<td>0</td>
<td>Disposed</td>
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<td>Gyrus</td>
<td>0</td>
<td>168.3</td>
<td>132.0</td>
<td>160.0</td>
<td>135.3</td>
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<tr>
<td>Altis</td>
<td>0</td>
<td>21.6</td>
<td>4.8</td>
<td>3.0</td>
<td>2.6</td>
<td>Impairment loss</td>
<td></td>
</tr>
<tr>
<td>Humalabo</td>
<td>0</td>
<td>16.9</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Impairment loss</td>
<td></td>
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<tr>
<td>News Chef</td>
<td>0</td>
<td>15.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Impairment loss</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>17.7</td>
<td>21.2</td>
<td>10.8</td>
<td>11.9</td>
<td>18.2</td>
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<tr>
<td>Consolidated goodwill total:</td>
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<td>299.8</td>
<td>180.5</td>
<td>194.1</td>
<td>175.5</td>
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(Source: Statement of Principal Goodwill)

※ Based on the above data, we made inquiries, or examined relevant materials with regard to the acquired shares of IT Telecom and Broadleaf in order to procure information concerning the parties from which the shares were acquired, any report of third party opinions prepared at the time of each acquisition, and acquisition fees paid.
## Investigation Details Concerning Outstanding Goodwill

<table>
<thead>
<tr>
<th>Filtering source</th>
<th>Issue</th>
<th>Filtering Criteria</th>
<th>Counterparty from which Shares were Acquired</th>
<th>Third Party Opinion</th>
<th>Key Acquisition Fee, etc.</th>
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<td>ITX</td>
<td>IT Telecom</td>
<td>✗</td>
<td>Nichimen Inquiries</td>
<td>No</td>
<td>None Inquiries</td>
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</table>

We filtered Olympus’ outstanding goodwill to identify those stocks shown above, and made inquiries, or examined relevant materials concerning the parties from which the shares were acquired, any report of third party opinions prepared at the time of each acquisition, and acquisition fees paid.

Note that the above investigation details are as of December 2, 2011.

✓ The filtering process identified those stocks that showed a difference of 1 billion yen or more between each investee (issuer)’s year-end net assets corresponding to Olympus’ equity interest and the year-end book value of the said equity interest.
## Historical Changes in Olympus’ Outstanding Investments

(Unit: billion yen)

<table>
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<tr>
<th>Issue</th>
<th>Category</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>March 31, 2011</th>
<th>Remarks</th>
<th>Shares Subject to Investigation</th>
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<tbody>
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<td>SG Bond</td>
<td>Investment trust</td>
<td>60.3</td>
<td>60.6</td>
<td>61.4</td>
<td>61.8</td>
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<td>Redeemed (or cancelled)</td>
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<tr>
<td>GIM</td>
<td>Investment trust</td>
<td>15.8</td>
<td>15.9</td>
<td></td>
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<td>Redeemed (or cancelled)</td>
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<td>DIAM Word REIT Income Open</td>
<td>Investment trust</td>
<td>2.0</td>
<td>1.2</td>
<td>0.4</td>
<td>0.7</td>
<td>0.6</td>
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<td>GCNVV</td>
<td>Other affiliates</td>
<td>16.4</td>
<td></td>
<td></td>
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<td></td>
<td>Redeemed (or cancelled)</td>
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<tr>
<td>Others (including listed shares)</td>
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<td>72.9</td>
<td>67.3</td>
<td>44.0</td>
<td>56.7</td>
<td>52.0</td>
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<td>Investments in securities total:</td>
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<td>119.2</td>
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<td>Olympus Imaging</td>
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<td>40.0</td>
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<tr>
<td>ITX</td>
<td>Shares of affiliates (subsidiary)</td>
<td>39.1</td>
<td>52.6</td>
<td>13.1</td>
<td>13.1</td>
<td>20.0</td>
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</tr>
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<td>Olympus Medical Systems</td>
<td>Shares of affiliates (subsidiary)</td>
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<tr>
<td>Olympus USA Incorporated (OUI)</td>
<td>Shares of affiliates (subsidiary)</td>
<td>17.3</td>
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<td>174.2</td>
<td>174.2</td>
<td>196.9</td>
<td>Trade name changed from OUI</td>
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</tr>
<tr>
<td>Olympus Keymed Group Limited (OKG)</td>
<td>Shares of affiliates (subsidiary)</td>
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<td>10.6</td>
<td>10.6</td>
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<tr>
<td>OFH (currently OCAP)</td>
<td>Shares of affiliates (subsidiary)</td>
<td>2.7</td>
<td>3.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.7</td>
<td></td>
<td></td>
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<tr>
<td>IIEC II</td>
<td>Shares of affiliates (subsidiary)</td>
<td>2.5</td>
<td>3.8</td>
<td>2.5</td>
<td>3.3</td>
<td>4.5</td>
<td>Impairment loss recognized</td>
<td>×</td>
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<td>Olympus Microsystems America, Inc. (OMI)</td>
<td>Shares of affiliates (subsidiary)</td>
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<td>0.5</td>
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<td></td>
<td>Merged with MOVAZ (fiscal year ending March 2007); dissolved (fiscal year ending March 2010)</td>
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</table>

Exhibit 6
<table>
<thead>
<tr>
<th>Issue</th>
<th>Category</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>March 31, 2011</th>
<th>Remarks</th>
<th>Shares Subject to Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altis</td>
<td>Shares of affiliates (subsidiary)</td>
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<td>23.2</td>
<td>4.8</td>
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<td>3.0</td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>Humalabo</td>
<td>Shares of affiliates (subsidiary)</td>
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<td>19.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>News Chef</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>17.4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>EPS (currently OVC)</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>1.8</td>
<td>0</td>
<td>0</td>
<td></td>
<td>Impairment loss recognized; sold to OBCC</td>
<td>×</td>
</tr>
<tr>
<td>KS Olympus</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>7.0</td>
<td>7.0</td>
<td></td>
<td></td>
<td>Transformed into Olympus Medical Science Sales through a merger</td>
<td></td>
</tr>
<tr>
<td>FEED</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td>Sold to OBCC</td>
<td></td>
</tr>
<tr>
<td>Japan Medical Data Center</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>2.7</td>
<td>1.3</td>
<td>0</td>
<td></td>
<td>Sold to OBCC</td>
<td>×</td>
</tr>
<tr>
<td>Gyrus</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>67.3</td>
<td>67.4</td>
<td>49.9</td>
<td></td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>Iwaken</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td></td>
<td>5.3</td>
<td></td>
<td></td>
<td>Transformed into Olympus Medical Science Sales through a merger</td>
<td></td>
</tr>
<tr>
<td>Olympus Finance UK Limited (OFUK)</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td></td>
<td></td>
<td>5.3</td>
<td></td>
<td>Newly incorporated</td>
<td></td>
</tr>
<tr>
<td>OBCC</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.1</td>
<td>36.6 Impairment loss recognized</td>
<td></td>
</tr>
<tr>
<td>Olympus Medical Science Sales</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17.6</td>
<td>Newly incorporated</td>
<td></td>
</tr>
<tr>
<td>Olympus Korea Co., Ltd. (OKR)</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.3 Impairment loss recognized</td>
<td></td>
</tr>
<tr>
<td>OLYMPUS-CYTOR, INC</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>3.6</td>
<td>3.6</td>
<td>0</td>
<td>0</td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>Japan Ecologia</td>
<td>Shares of affiliates (subsidiary)</td>
<td></td>
<td>1.8</td>
<td>1.8</td>
<td>0</td>
<td>0</td>
<td>Impairment loss recognized</td>
<td>×</td>
</tr>
<tr>
<td>Olympus (China) Co., Ltd. (OCN)</td>
<td>Equity contribution to affiliates</td>
<td></td>
<td>8.7</td>
<td>8.7</td>
<td>8.7</td>
<td>8.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue</td>
<td>Category</td>
<td>March 31, 2007</td>
<td>March 31, 2008</td>
<td>March 31, 2009</td>
<td>March 31, 2010</td>
<td>March 31, 2011</td>
<td>Remarks</td>
<td>Shares Subject to Investigation</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>---------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Olympus Europe Holding GmbH (OEH)</td>
<td>Equity contribution to affiliates</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus Vietnam Co., Ltd. (OVNC)</td>
<td>Equity contribution to affiliates</td>
<td></td>
<td></td>
<td>1.3</td>
<td>1.3</td>
<td>2.3</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>4.6</td>
<td>3.0</td>
<td>4.1</td>
<td>4.2</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares of affiliates and equity contributions to affiliates total:</td>
<td></td>
<td>144.3</td>
<td>225.1</td>
<td>361.2</td>
<td>393.1</td>
<td>429.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Statement of Olympus’ Accounts)

* We filtered the data shown above to identify those stocks that satisfy all of the following criteria:
  * Investments in securities held by Olympus between the fiscal year ending March 2007 and the fiscal year ending March 2011 which showed either an impairment loss of 1 billion yen or more in the past, or a difference of 1 billion yen or more between each investee (issuer)’s net assets corresponding to Olympus’ equity interest and the book value of the said equity interest.
  * Stocks that were acquired from external parties in the fiscal year ending March 2000 and thereafter.
  * Stocks that are not listed on a stock exchange.
### Historical Changes in OFH’s Outstanding Investments

(Unit: billion yen)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Category</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>March 31, 2011</th>
<th>Remarks</th>
<th>Shares Subject to Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIM</td>
<td>Marketable securities</td>
<td>21.1</td>
<td>21.2</td>
<td></td>
<td></td>
<td></td>
<td>Redeemed</td>
<td></td>
</tr>
<tr>
<td>ITX</td>
<td>Marketable securities</td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Listed company at time of acquisition</td>
<td></td>
</tr>
<tr>
<td>ITX convertible bond</td>
<td>Marketable securities</td>
<td>10.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Redeemed</td>
<td></td>
</tr>
<tr>
<td>MQ One HD bond second series</td>
<td>Marketable securities</td>
<td>3.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Disposed</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Financial Group</td>
<td>Marketable securities</td>
<td>1.3</td>
<td>0.8</td>
<td>0.4</td>
<td>0.4</td>
<td></td>
<td>Listed company</td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Tokyo Financial Group</td>
<td>Marketable securities</td>
<td>1.4</td>
<td>0.9</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
<td>Listed company</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>Marketable securities</td>
<td>1.5</td>
<td>0.7</td>
<td>1.0</td>
<td>0.8</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>43.3</td>
<td>23.5</td>
<td>1.9</td>
<td>1.7</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus Asset Management Limited</td>
<td>Shares of subsidiaries</td>
<td></td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td></td>
<td>Information unavailable</td>
<td></td>
</tr>
<tr>
<td>Olympus Hong Kong and China Limited</td>
<td>Shares of subsidiaries</td>
<td></td>
<td>2.3</td>
<td>2.3</td>
<td>5.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>Shares of subsidiaries</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>0.6</td>
<td>5.8</td>
<td>5.8</td>
<td>9.2</td>
<td>12.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Statement of Investments in Securities)

※ By the end of the fiscal year ending March 2007, OFH had disposed all of its investments in securities, with the exception of its shares of subsidiaries. Therefore, we filtered the data concerning the investments in securities held by the company as of the year-end between the fiscal year ending March 2007 and the fiscal year ending March 2010 to identify those stocks that showed a loss of more than 1 billion on the disposal of shares. In addition, we filtered the above data to identify those shares of subsidiaries held by OFH that satisfy all of the following criteria:

- Investments in securities held by OFH between the fiscal year ending March 2007 and the fiscal year ending March 2011 which showed either an impairment loss of 1 billion yen or more in the past, or a difference of 1 billion yen or more between each investee (issuer)’s net assets corresponding to OFH’s equity interest and the book value of the said equity interest.
- Stocks that were acquired from external parties in the fiscal year ending March 2000 and thereafter.
- Stocks that are not listed on a stock exchange.
### Historical Changes in ITX’s Outstanding Investments

(Unit: billion yen)

<table>
<thead>
<tr>
<th>Issue</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>March 31, 2011</th>
<th>Remarks</th>
<th>Shares Subject to Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Telecom</td>
<td>39.5</td>
<td>39.6</td>
<td>30.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broadleaf</td>
<td>16.0</td>
<td>16.0</td>
<td>16.0</td>
<td></td>
<td></td>
<td>Merged with ITX</td>
<td>×</td>
</tr>
<tr>
<td>Atlux</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td></td>
<td></td>
<td>Merged with NOC Nippon Outsourcing Corporation</td>
<td></td>
</tr>
<tr>
<td>Quattro Media</td>
<td>1.1</td>
<td>1.1</td>
<td>0</td>
<td>0</td>
<td></td>
<td>Transferred to OBCC</td>
<td>×</td>
</tr>
<tr>
<td>ITX International Equity Corp</td>
<td>5.5</td>
<td>6.6</td>
<td>6.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ITX International Holdings, Inc.</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td></td>
<td>5.4</td>
<td>Merged</td>
<td></td>
</tr>
<tr>
<td>ITX E-Globaledge</td>
<td>1.8</td>
<td>1.5</td>
<td>1.5</td>
<td>3.7</td>
<td></td>
<td>Transferred to OBCC</td>
<td></td>
</tr>
<tr>
<td>NOC Nippon Outsourcing Corporation</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.9</td>
<td></td>
<td>Transferred to OBCC</td>
<td></td>
</tr>
<tr>
<td>NTT Vietnam</td>
<td>1.9</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td></td>
<td>Transferred to OBCC</td>
<td></td>
</tr>
<tr>
<td>USEN</td>
<td>1.2</td>
<td>0.7</td>
<td></td>
<td></td>
<td></td>
<td>Listed company</td>
<td></td>
</tr>
<tr>
<td>KS Olympus</td>
<td>2.9</td>
<td>2.9</td>
<td></td>
<td></td>
<td></td>
<td>Transformed into Olympus Medical Science Sales through a merger</td>
<td></td>
</tr>
<tr>
<td>DUAXES</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Disposed</td>
<td></td>
</tr>
<tr>
<td>Ai-Medic</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td></td>
<td></td>
<td>Transferred to OBCC</td>
<td>×</td>
</tr>
<tr>
<td>Soliste</td>
<td>1.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Became a subsidiary of ITX E-Globaledge</td>
<td></td>
</tr>
<tr>
<td>ITX Communications</td>
<td></td>
<td></td>
<td></td>
<td>1.5</td>
<td>1.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OBCC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>17.0</td>
<td>8.9</td>
<td>3.5</td>
<td>1.4</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90.6</strong></td>
<td><strong>87.4</strong></td>
<td><strong>65.9</strong></td>
<td><strong>17.9</strong></td>
<td><strong>6.0</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Declines in the Market Value of Marketable Securities)
We filtered the above data to identify those stocks that satisfy all of the following criteria:

- Investments in securities held by ITX between the fiscal year ending March 2007 and the fiscal year ending March 2011 which showed either an impairment loss of 1 billion yen or more in the past, or a difference of 1 billion yen or more between each investee (issuer)’s net assets corresponding to ITX’s equity interest and the book value of the said equity interest.
- Stocks that were acquired from external parties in the fiscal year ending March 2000 and thereafter.
- Stocks that are not listed on a stock exchange.
The table below presents the historical changes in OBCC’s outstanding investments (in billion yen) from March 31, 2007 to March 31, 2011. The decline column indicates the percentage decrease from the previous year, and remarks specify the acquisition source.

<table>
<thead>
<tr>
<th>Issue</th>
<th>March 31, 2007</th>
<th>March 31, 2008</th>
<th>March 31, 2009</th>
<th>March 31, 2010</th>
<th>Net assets as of March 31, 2011 corresponding to OBCC’s equity interest</th>
<th>Decline</th>
<th>Remarks</th>
<th>Shares Subject to Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Protections</td>
<td>1.5</td>
<td>0.4</td>
<td>-74%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FEED</td>
<td>1.2</td>
<td>0.5</td>
<td>-54%</td>
<td>Acquired from Olympus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ai-Medic</td>
<td>2.3</td>
<td>1.5</td>
<td>-37%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Globaledge</td>
<td>2.4</td>
<td>1.9</td>
<td>-21%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOC Nippon Outsourcing Corporation</td>
<td>2.6</td>
<td>2.0</td>
<td>-24%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable Networks AKITA</td>
<td>1.5</td>
<td>1.2</td>
<td>-21%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus Business Creation America</td>
<td>3.6</td>
<td>3.6</td>
<td>-1%</td>
<td>Acquired from ITX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>17.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OBCC was incorporated during the fiscal year ending March 2011, upon which it acquired marketable securities, etc. from Olympus or ITX. Therefore, there are no figures recorded prior to this time.

*We filtered the above data to identify those stocks that satisfy all of the following criteria:
• Investments in securities held by OBCC between the fiscal year ending March 2007 and the fiscal year ending March 2011 which showed either an impairment loss of 1 billion yen or more in the past, or a difference of 1 billion yen or more between each investee (issuer)’s net assets corresponding to OBCC’s equity interest and the book value of the said equity interest.
• Stocks that were acquired from external parties in the fiscal year ending March 2000 and thereafter.
• Stocks that are not listed on a stock exchange.

(Source: Marketable Securities Control Sheet (Fiscal year ending March 2011))

Exhibit 9
<table>
<thead>
<tr>
<th>Filtering Source</th>
<th>Issue</th>
<th>Filtering Criteria</th>
<th>Counterparty from which Shares were Acquired</th>
<th>Third Party Opinion</th>
<th>Key Acquisition Fee, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus</td>
<td>ITX</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 3-11 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>IIEC II (Alta Sens)</td>
<td>Impairment loss recognized</td>
<td>Capital increase provided to Alta Sens, and purchase of shares from Rockwell Scientific and others</td>
<td>Information unavailable</td>
<td>Information unavailable</td>
</tr>
<tr>
<td>Olympus</td>
<td>Altis</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-3 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>Humalabo</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-3 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>News Chef</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-3 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>OVC</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-6 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>Japan Medical Data Center</td>
<td>Impairment loss recognized</td>
<td>¥ 100 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>Gyrus</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-5 of the Investigation Report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus</td>
<td>OLYMPUS-CYTORI, Inc.</td>
<td>Impairment loss recognized</td>
<td>Merger with CYTORI, with a capital increase provided</td>
<td>Inspection of the Joint Venture Agreement dated Nov. 4, 2005</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 10
<table>
<thead>
<tr>
<th>Filtering Source</th>
<th>Issue</th>
<th>Filtering Criteria</th>
<th>Counterparty from which Shares were Acquired</th>
<th>Third Party Opinion</th>
<th>Key Acquisition Fee, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Counterparty</td>
<td>Investigation Method</td>
<td>Availability</td>
</tr>
<tr>
<td>Olympus</td>
<td>Japan Ecologia</td>
<td>Impairment loss recognized</td>
<td>Investigated pursuant to Section 4-6 of the Investigation Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFH</td>
<td>ITX convertible bond</td>
<td>Loss on disposal of securities recorded</td>
<td>Underwriting of the ITX bond issue</td>
<td>Inspection of the Purchase Agreement dated Jan. 20, 2003</td>
<td>-</td>
</tr>
<tr>
<td>ITX</td>
<td>IT Telecom</td>
<td>❌</td>
<td>Nichimen</td>
<td>Inquiries; no contracts, etc. available for inspection</td>
<td>No</td>
</tr>
<tr>
<td>ITX</td>
<td>Broadleaf</td>
<td>❌</td>
<td>Acquisition of shares from Tsubasa System, with a capital increase provided</td>
<td>Inspection of the Stock Transfer Agreement dated Jan. 15, 2006</td>
<td>Yes</td>
</tr>
<tr>
<td>ITX</td>
<td>Quattro Media</td>
<td>Impairment loss recognized</td>
<td>Split-off from a subsidiary, with a capital increase provided</td>
<td>Inspection of the Spin-off Plan dated Aug. 10, 2004</td>
<td>No</td>
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<tr>
<td>ITX</td>
<td>Ai-Medic</td>
<td>❌</td>
<td>Individual (owner)</td>
<td>Inspection of the Stock Transfer Agreement dated Jun. 26, 2007</td>
<td>No</td>
</tr>
<tr>
<td>OBCC</td>
<td>Net Protection</td>
<td>❌</td>
<td>Acquisition of shares from Nichifutsu Boeki and others, with a capital increase provided</td>
<td>Inquiries, and inspection of the Stock Transfer Agreement dated Oct. 29, 2001</td>
<td>No</td>
</tr>
</tbody>
</table>
We filtered the investments held by Olympus, OFH, ITX, and OBCC to identify those stocks shown above, and made inquiries, or examined relevant materials concerning the parties from which the shares were acquired, any report of third party opinions prepared at the time of each acquisition, and acquisition fees paid.

Note that the above investigation details are as of December 2, 2011.

※ The filtering process identified those stocks that showed a difference of 1 billion yen or more between each investee (issuer)'s year-end net assets corresponding to the equity interest of Olympus, OFH, ITX, or OBCC, and the year-end book value of the said equity interest.

※ 1: These shares were initially acquired by ITX from ITMCAP2000, UTEC I Limited Partnership, Tokyo Small and Medium Business Investment and Consultation Co., Ltd., NIF-one (I), and other shareholders of Japan Medical Data Center, and were subsequently transferred to Olympus.

※ 2, 3, 4: We were not able to obtain contracts, agreements, etc. with regard to the capital increase.
<table>
<thead>
<tr>
<th>Date of Release</th>
<th>Target of Stock Value Calculation, Etc.</th>
<th>Name of Report</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td>March 16, 2006</td>
<td>Altis</td>
<td>Venture Capital Business Valuation</td>
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<td></td>
<td>Humalabo</td>
<td>STOCK VALUE CALCULATION REPORT</td>
<td></td>
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<tr>
<td></td>
<td>NEWS</td>
<td>STOCK VALUE CALCULATION REPORT</td>
<td></td>
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<td>March 10, 2007</td>
<td>EPS</td>
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<td>February 29, 2008</td>
<td>Altis</td>
<td>STOCK VALUE CALCULATION REPORT</td>
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<td>February 29, 2008</td>
<td>Humalabo</td>
<td>STOCK VALUE CALCULATION REPORT</td>
<td></td>
</tr>
<tr>
<td>February 29, 2008</td>
<td>News Chef</td>
<td>STOCK VALUE CALCULATION REPORT</td>
<td></td>
</tr>
<tr>
<td>December 13, 2006</td>
<td>Creation of a joint venture through the integration of Olympus Biomaterial with the collagen business split off from Terumo Corporation.</td>
<td>Letter of Opinion</td>
<td>⊗ 1</td>
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<tr>
<td>October 2007</td>
<td>Valuation of a transaction involving the transfer of the “Nursing Pass” system business from Olympus Software Technology to NAIS Co., Ltd.</td>
<td>Letter of Opinion</td>
<td>⊗ 2</td>
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<td>June 25, 2009</td>
<td>Valuation of a transaction involving the transfer of the blood transfusion system business from Olympus Software Technology to Bio-Rad Laboratories, Inc.</td>
<td>Letter of Opinion</td>
<td>⊗ 3</td>
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<tr>
<td>March 12, 2010</td>
<td>Appropriateness of the terms and conditions to Series E Preferred Stock issued by SBi.</td>
<td>Report on the Small Bone Innovation. Inc. Series E Preferred Stock</td>
<td>⊗ 4</td>
</tr>
</tbody>
</table>
Since the party to the transaction is not a Fund, we have not carried out any further investigation.

Since the valuation was performed to analyze the price of a business transfer, we have not carried out any further investigation.

Please refer to the sub-section under Section 4 of the Investigation Report where accounting problems concerning SBi are discussed in connection with the facts identified in the investigation.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Role</th>
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<tbody>
<tr>
<td>Shimoyama</td>
<td>Director and Chairman (Apr. 2011 to date)</td>
</tr>
<tr>
<td>Kishimoto</td>
<td>Director in Charge of the Corporate Center (Apr. 2009 to Jun. 2011)</td>
</tr>
<tr>
<td>Kikukawa</td>
<td>Corporate Auditor (Jun. 2001 to Jun. 2004)</td>
</tr>
<tr>
<td>Yamada</td>
<td>Deputy Head of Department, Accounting Department (Apr. 1997 to Mar. 2001)</td>
</tr>
<tr>
<td>Ota</td>
<td>Head of Department, Group Leader, Financial Planning Group in the Finance Department (Apr. 2000 to Jun. 2001)</td>
</tr>
<tr>
<td>Nakatsuka</td>
<td>Head of Department, Finance Department (Apr. 2000 to Jun. 2001)</td>
</tr>
<tr>
<td>Head of Department, Treasury Group in the Accounting Department (Oct. 1990 to Mar. 1997)</td>
<td></td>
</tr>
</tbody>
</table>

*Exhibit 12*
Loss Separation Scheme (Europe Route)

Olympus

Banking transactions (Assets held: JPY70 billion)
(Bank deposits and depositing of government bonds/Funds
invested in the G.I.M.)

LGT Bank in Liechtenstein AG

G.I.M. JPY 35 billion

Bank deposits or Government bonds JPY 35 billion

Collateral

JPY 31 billion invested
in corporate bonds
(March 2000)

JPY 30 billion
equity contribution
(March 2000)

JPY 10.1 billion equity
contribution
(March 2000)

Account collateral loans
(Credit facility: JPY 30 billion) (1998)

TEAO

Olympus: 15 billion
OAM → OFH: 20 billion

Neo

JPY 30 billion
equity contribution
(March 2000)

JPY 19.4 billion
(March 2000)

JPY 44.5 billion
between Nov. 2005
and Mar. 2006
(JPY8.6 equity
contribution to
Neo)

ITV

CFC

JPY 12 billion
(March 2000)

JPY 32 billion
loss

JPY 8 billion
(March 2000)

 Proper

21C

JPY 64 billion
loss

Olympus

Banking transactions (Assets held: JPY70 billion)
(Bank deposits and depositing of government bonds/Funds
invested in the G.I.M.)
Exhibit 14

Loss Separation Scheme (Singapore Route)

Olympus

- JPY 60 billion equity contribution

SG Bond

- Approx. JPY 60 billion in bond lending

Easterside

- JPY 5 billion equity contribution
- JPY 3 billion equity contribution
- Approx. JPY 8 billion through lending or bond underwriting

DD

- JPY 4,954.6 million through the purchase of shares of Altis and NEWS CHEF

GT

- JPY 2,961 million from the purchase of shares of Humalabo

Neo

- JPY 20 billion through bond underwriting (as of March 2001)

21C

- JPY 19.3 billion through bond underwriting (as of March 2001)

Proper

- JPY 4 billion through bond underwriting (as of March 2001)

CPC

- JPY 8 billion through bond underwriting (as of March 2001)

GV

- JPY 5.1 billion through bond underwriting (as of March 2001)
## Exhibit 15

**Fund Transfers and Repayments between GCNVV and QP**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount of Fund Transfer to QP</th>
<th>Amount of Repayment from QP</th>
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<tbody>
<tr>
<td>March 17, 2000</td>
<td>32,000,000,000</td>
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<tr>
<td>March 28, 2000</td>
<td>2,000,000,000</td>
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<td>June 28, 2000</td>
<td>4,010,082,192</td>
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<td>December 18, 2000</td>
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<td>26,189,479,452</td>
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<td>January 22, 2001</td>
<td>26,500,000,000</td>
<td>26,642,882,191</td>
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<td>January 28, 2002</td>
<td>26,500,000,000</td>
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<tr>
<td>December 17, 2002</td>
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<td>26,617,979,452</td>
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<td>January 16, 2003</td>
<td>26,500,000,000</td>
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<td>November 28, 2003</td>
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<td>1,005,260,273</td>
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<td>January 9, 2004</td>
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<td>25,653,000,000</td>
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<tr>
<td>January 23, 2004</td>
<td>25,500,000,000</td>
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<td>July 2, 2004</td>
<td>2,005,409,836</td>
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<td>January 12, 2005</td>
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<td>23,637,532,786</td>
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<td>January 20, 2005</td>
<td>24,500,000,000</td>
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<td>November 15, 2005</td>
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<td>500,000,000</td>
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<td>January 10, 2006</td>
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<td>24,071,260,830</td>
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<td>January 23, 2006</td>
<td>24,000,000,000</td>
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<td>March 8, 2006</td>
<td>3,001,134,247</td>
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<td>March 10, 2006</td>
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<td>March 24, 2006</td>
<td>11,505,954,795</td>
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</tr>
<tr>
<td><strong>Sub-Total:</strong></td>
<td>185,500,000,000</td>
<td>186,344,036,328</td>
</tr>
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</table>
Exhibit 16

Loss Separation Scheme (Domestic Route)

- **General Partner**: GCI Cayman
  - JPY100 million equity contribution

- **Limited Partners**
  - Olympus
    - JPY30 billion equity contribution
  - Genesis
    - JPY5 billion equity contribution

- **GCNVV**
  - Approx. JPY 30 billion transferred and then repaid repeatedly
  - Funds invested

- **QP**
- 3 Domestic Companies
- Company A
- Company B
Loss Settlement Scheme

Notes: *1: On March 27, 2000, approx. JPY32 bil. was transferred from GCNVV to QP. Amounts between JPY 21 bil. and JPY 31 bil. flowed back and forth between GCNVV and QP on a regular basis.

*2: Please refer to Section 3-7(2) A (A). Items c and d in the Investigation Report with regard to other funds flowed between Neo and QP.
Summary of ITV’s Losses on ITX Shares

Summary of Losses:
Units: Million yen (unit for per share price figures: One thousand yen), and Shares (number of shares)

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Shares</th>
<th>Book Value Per Share Price</th>
<th>Per Share Disposal Price</th>
<th>Book Value Purchase Cost</th>
<th>Amount of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>March 2000</td>
<td>9,323</td>
<td>1,073</td>
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<td>9,999</td>
</tr>
<tr>
<td>Stock split</td>
<td>September 2001</td>
<td>18,646</td>
<td>536</td>
<td></td>
<td>9,999</td>
</tr>
<tr>
<td>Disposal</td>
<td>March 2005</td>
<td>15,500</td>
<td>536</td>
<td>185</td>
<td>5,438</td>
</tr>
<tr>
<td>Disposal</td>
<td>September 2005 and March 2006</td>
<td>3,146</td>
<td>536</td>
<td>243</td>
<td>921</td>
</tr>
</tbody>
</table>

※1: The initial number of shares of ITX Corporation initially purchased by ITV, the per share disposal price, and the book value purchase cost are based on information found in the “New Stock Offering Circular” released by ITX in November 2011.

※2: Effective September 15, 2001, ITX carried out a two-for-one stock split. In the above summary table, the number of shares has been doubled to reflect the stock split, and the book value per share price has been halved accordingly (according to the New Stock Offering Circular released by ITX in November 2011).

※3: Please refer to Numbered Item 2 under “Assumptions for Summary of Losses” below with regard to the number of shares disposed of in March 2005.

※4: The number of shares disposed of in September 2005 and March 2006 – 3,146 shares – represents the difference between the number of shares held by ITV after the stock split – 18,646 shares – and the number of shares disposed of in March 2005 – 15,500 shares.

※5: For further information on the per share disposal price in March 2005, September 2005 and March 2006, refer to Numbered Item 2 under “Assumptions for Summarizing Losses,” and “Calculation of the Per Share Disposal Price” below.

Assumptions for Summarizing Losses:
① To sum up the losses on ITV’s shares of ITX Corporation, we have included only those losses that were incurred on the shares that ITV initially invested in the fiscal year ending March 2000. Therefore, we have excluded any gains or losses incurred on any other shares of ITX Corporation that ITV may have purchased separately.

② As far as the number of shares that ITV disposed of in March 2005 is concerned, it is assumed that, as reported at a meeting of the Board of Directors held on September 22, 2005 (refer to the Board of Director Meeting Materials ②), 15,000 shares were sold to the Bank in Liechtenstein, and 5,000 shares to LGT Class Fund for a total of 15,500 shares. We assume, therefore, that the remaining shares that ITV held in TIX Corporation were sold in September 2005 and March 2006.

③ The per share disposal price used for calculating losses is assumed to be either the per share price effective in March 2005, September 2005, or March 2006 when Olympus and OFH purchased shares in ITX Corporation from unspecified outside parties other than through a tender offer. However, we are not certain to which company – Olympus or OFH - ITV sold its shares, as well as at what price these shares were sold. Therefore, we have used the average of the applicable per share prices during each period. The average per share price has been calculated as described below:

[Calculation of the Disposal Price (pursuant to Assumption ② above)]
### A. Calculation of the average disposal price for the shares sold in March 2005

Unit: Million yen; shares (number of shares)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Number of Shares</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus</td>
<td>15,000</td>
<td>2,775</td>
</tr>
<tr>
<td>OFH</td>
<td>12,000</td>
<td>2,232</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27,000</strong></td>
<td><strong>5,007</strong></td>
</tr>
</tbody>
</table>

Average per share price: 185 thousand yen

### B. Calculation of the average disposal price for the shares sold in September 2005 and March 2006

Unit: Million yen; shares (number of shares)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Number of Shares</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus</td>
<td>20,000</td>
<td>5,551</td>
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<td>OFH</td>
<td>24,000</td>
<td>5,160</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>44,000</strong></td>
<td><strong>10,711</strong></td>
</tr>
</tbody>
</table>

Average per share price: 243 thousand yen

※1: The quantities of shares purchased by Olympus and their values in March 2005 and March 2006 are based on the information stated in the transaction reports issued by Nomura Securities Co., Ltd.

※2: The quantities of shares purchased by OFH and their values in March 2005 and September 2005 are based on the information stated in the confirmations issued by Sky Ward Asia Limited.
Physical delivery of shares (shares of the Three Domestic Companies)

Oct. '07: JPY 0.9 bil.
March '08: JPY 15.2 bil.

Exhibit 19

OLYMPUS

Loss Settlement Scheme

May 2008: $30 mil.
June 2008: $34 mil.

Sept. '08: $50 mil.
Sept. '10: JPY 31.6 bil.
March '11: JPY 31.5 bil.

JPY 62.0 bil.
Apr. '10: $622 mil.
Jun '08: $69 mil.
investment, and $61 mil. loan

JPY 4.1 bil.
Apr. '08: JPY 18.2 bil.
Oct. '08: JPY 9.6 bil.

March '08: JPY 31.9 bil.
March '08: JPY 15.7 bil.
Oct. '08: JPY 17.2 bil.

April '08: JPY 30.4 bil.
March '08: JPY 30 bil.
June '08: JPY 35.1 bil.

Apr. '08: JPY 4.1 bil.
Apr. '08: JPY 9.6 bil.

May 2008: $30 mil.
June 2008: $34 mil.

Sept. '08: $50 mil.
Sept. '10: JPY 31.6 bil.
March '11: JPY 31.5 bil.

JPY 62.0 bil.
Apr. '10: $622 mil.
Jun '08: $69 mil.
investment, and $61 mil. loan

JPY 4.1 bil.
Apr. '08: JPY 18.2 bil.
Oct. '08: JPY 9.6 bil.

March '08: JPY 31.9 bil.
March '08: JPY 15.7 bil.
Oct. '08: JPY 17.2 bil.

April '08: JPY 30.4 bil.
March '08: JPY 30 bil.
June '08: JPY 35.1 bil.

Apr. '08: JPY 4.1 bil.
Apr. '08: JPY 9.6 bil.
### Historical Changes in the Equity Holdings in the Three Domestic Companies by Shareholder

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Altis</td>
<td>Olympus</td>
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<td>-</td>
<td></td>
<td>-</td>
<td>30</td>
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## Historical Changes in the Equity Holdings in the Three Domestic Companies by Shareholder
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Established in April 2001 as a control center for the Corporate divisions. Through various divisions, it supervises the Administration Department, Finance Department, Legal Department, Human Resources Department, Accounting Department, Advertising Department, Public Relations Division, and others.

July 2006: The Administration Division was abolished as of April 2006. Since then, the Business Support Headquarters Division has been responsible for planning and control, general affairs, finance, legal, and others.

The Finance and Accounting Department was abolished as of March 2002. In July 2001, the Finance Department and the Administration Department were established as separate departments under the control of the Operations Division.

In July 2008, the Finance and Accounting Department was abolished as of March 2008. Since then, the Finance Department and the Administration Department were established as separate departments under the control of the Operations Division.

Corporate Center

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Director in Charge of Management Planning

| Division Manager, Management Planning Headquarters Division |
|------------------|------------------------|
| Division Manager, Management Planning Headquarters Division | |
| Division Manager, Corporate and Management Planning Headquarters Division | |

Corporate Auditor

Director in Charge of the Audit Office

General Manager, Audit Office

Exhibit 21