TRANSLATION FOR REFERENCE PURPOSSE ONLY

Investigation Report

Summary Version

January 20, 2012

Olympus Corporation
Non-Director Management Liability Investigation Committee

TRANSLATION FOR REFERENCE PURPOSSE ONLY

January 20, 2012

To: Olympus Corporation Board of Directors

Olympus Corporation Non-Director Management Liability Investigation Committee

Commission Chairman	Akira Watanabe	[seal:] Attorney-at-law, Akira Watanabe
Commissioner	Atsushi Toki	[seal:] Atsushi Toki
Commissioner	Yoichiro Yamato	[seal:] Attorney-at-law, Yoichiro Yamato

TRANSLATION FOR REFERENCE PURPOSSE ONLY

Table of Contents

I. Outline of the Investigation

1. Background to the Establishment of the Non-Director Management Liability Investigation Committee

(1) Establishment of the Third Party Committee and the Submission of the Investigation Report

At the Board of Directors' meeting on October 14, 2011, Olympus Corporation (hereinafter referred to as "Olympus") removed from the positions of representative director and president and executive officer, Michael Christopher Woodford (hereinafter referred to as "Woodford." Note that honorifics and job titles are omitted with respect to people's names in this Report), who had been pointing out obscurities in the transactions conducted by Olympus in the past in its acquisition projects. Subsequently, however, the voices of shareholders and others were raised questioning the validity and demanding clarification of ① the payment of fees to the financial advisor (hereinafter referred to as "FA") in the acquisition of Gyrus Group PLC (hereinafter referred to as "Gyrus"), and ② the acquisitions and subsequent recognition of impairment losses of Altis Co., Ltd. (hereinafter referred to as "Altis"), NEWS CHEF Inc. (hereinafter referred to as "NEWS CHEF") and Humalabo Co., Ltd. (hereinafter referred to as "Humalabo," and together with Altis and NEWS CHEF referred to as the "Three Domestic Companies").

Accordingly, in order to fulfill its accountability to shareholders and other stakeholders regarding the above-noted facts, and to seek recommendations, etc. for the improvement of the corporate governance regime etc., on November 1, 2011, Olympus established an investigation committee, composed of 5 attorneys-at-law and 1 certified public accountant who have no vested interest in Olympus (Chairman: Tatsuo Kainaka, attorney-at-law. Hereinafter referred to as the "Third Party Committee.")

Subsequently, since it was discovered that the posting of losses in connection with securities investments etc. had been deferred from around the 1990s, Olympus also commissioned the Third Party Committee to investigate the facts regarding said deferred posting of losses.

On December 6, 2011, the Third Party Committee submitted its investigation report (hereinafter referred to as the "Third Party Committee's Investigation Report") on each of the commissioned work noted above.

(2) Shareholders' Claim to File Suit Against Current and Former Directors

On November 9, 2011, Olympus received from its shareholders a claim to file suit to pursue the liability of current and former directors (hereinafter referred to simply as "directors") who are judged to be liable regarding the acquisitions of Gyrus and the Three Domestic Companies.

(3) Shareholders’ Claim to File Suit Against Corporate Auditors and Auditing Firms and Those Who Occupied Those Positions

On November 18, 2011, Olympus received from its shareholders a claim to file suit to pursue the liability of corporate auditors and accounting auditors and those who occupied those positions (hereinafter, corporate auditors and those who occupied those positions are referred to simply as “corporate auditors,” accounting auditors and those who occupied that position are referred to simply as “accounting auditors” or “auditors”) who are liable for the deferred posting of losses as well as the acquisitions of Gyrus and the Three Domestic Companies, in addition to the covering of those losses, and for the response to suspicions regarding unlawful actions pointed out by Woodford.

(4) Establishment of the Director Liability Investigation Committee and the Submission of the Investigation Report

On December 7, 2011, the Board of Corporate Auditors of Olympus established the Director Liability Investigation Committee composed of 3 attorneys-at-law who have no vested interest in Olympus or Olympus’ directors (chairman commissioner: Kazuo Tezuka, attorney-at-law) (hereinafter referred to as “Director Liability Investigation Committee”), in order to clarify whether or not there were actions falling under violations of the duty of due care of a prudent manager, etc. with respect to the performance of duties on the part of the directors regarding the Series of Problems.

On January 7, 2012, the Director Liability Investigation Committee submitted its investigation report (hereinafter referred to as the “Director Liability Investigation Committee’s Investigation Report”).

(5) Establishment of the Non-Director Management Liability Investigation Committee

On December 7, 2011, the Board of Directors of Olympus established the Non-Director Management Liability Investigation Committee composed of three attorneys-at-law who have no vested interest in Olympus or Olympus’ non-director management (commission chairman: Akira Watanabe. Hereinafter referred to as “this Committee”), in order to have an investigation committee whose independence has been assured conduct an investigation on whether or not there were actions falling under violations of the duty of due care of a prudent manager, etc. with respect to the performance of duties on the part of the corporate auditors, auditing firms, and executive officers or former executive officers (hereinafter referred to simply as “executive officers.” Also, corporate auditors, auditing firms, and executive officers, as well as those who occupied those positions, are collectively referred to as “Non-Director Management”) and to clarify the liability of Non-Director Management regarding the Series of Problems.

2. Amendment of Securities Reports, etc. by Olympus and Addition of Commissioned Work

On December 14, 2011, after this Committee began its investigation, Olympus submitted to the Kanto Regional Finance Bureau an amended report of the securities reports, etc. with respect to the settlement of accounts in past fiscal years from the fiscal year ending March 2007 to the fiscal year ending March 2011.

As a result, the Board of Directors of Olympus requested this Committee to also include an investigation and review on whether or not there were acts falling under violations of the duty of due care of a prudent manager, etc. on the part of Non-Director Management in their performance of duties concerning the problem of the dividend distributions of surplus money etc. that were implemented after April 1, 2007, and the additional work was commissioned.

3. Composition of This Committee

(1) Composition

The composition of this Committee is as follows. None of the committee members have any vested interest in Olympus or in Olympus' Non-Director Management.

Chairman Commissioner:	Akira Watanabe	(attorney-at-law)
Commissioner:	Atsushi Toki	(attorney-at-law)
Commissioner:	Yoichiro Yamato	(attorney-at-law)

(2) Assistants

This Committee appointed the following 6 attorneys-at-law from the Seiwa Meitetsu Law Office (Keiko Tashiro, Naoki Iida, Satoshi Nishimura, Sachiko Murase, Tomoko Hirai, and Narumi Yamashita) and 4 certified public accountants as assistants, and had them assist in this investigation. None of these assistants have any vested interest in Olympus or in Olympus' Non-Director Management.

4. Purpose of Investigation and Reviews

The purpose of the investigation and review commissioned to this Committee by the Board of Directors of Olympus is to provide the judgment of this Committee on whether or not it would be appropriate for Olympus to file suit to pursue liability against Non-Director Management based on the investigation and review from the legal aspects, as well as the results of said investigation and review, on whether or not there were acts falling under violations of the duty of due care of a prudent manager, etc., on the part of Non-Director Management in their performance of duties with respect to the problems in ① and ② below.

Notation

① The deferred posting of losses related to securities investments etc. from around the 1990s by Olympus centered mainly around the method of using the acquisitions of Gyrus in addition to Altis, NEWS CHEF, and Humalabo that was reported in the Third Party Committee's Investigation Report, and the associated Series of Problems (hereinafter referred to as the "Series of Problems")

② The problem of the dividend distributions of surplus money that Olympus implemented after April 1, 2007 (hereinafter referred to as "the Problem of the Dividend Distributions of Surplus Money")

End

II. Method of Investigation and Review, Scope and Subject People

1. Method of Investigation and Review

(1) Investigation of Facts

In view of the background that led to the establishment of the above-noted Director Liability Investigation Committee and the Non-Director Management Liability Investigation Committee, as well as the time constraints in terms of the time limit for addressing the aforementioned claim to file suit by Olympus' shareholders, this Committee decided to proceed with respect to the Series of Problems in ①, that as a general rule, the investigation and review would be premised on the facts that were recognized in the Third Party Committee's Investigation Report as well as the facts recognized in the Director Liability Investigation Committee, and the results of the review of the directors' violations of the duty of due care of a prudent manager, and with respect to the Problem of the Dividend Distributions of Surplus Money in ②, that as a general rule, the investigation and review would be premised on the amounts and figures listed in the amended report of the securities reports, etc. for the fiscal year ending March 2007 (139th Term) to the fiscal year ending March 2011 (143rd Term) that were submitted to the Kanto Regional Finance Bureau on December 14, 2011 (a further amendment was submitted on December 26, 2011), as well as the facts recognized by the Director Liability Investigation Committee and the results of the review of the directors' violations of the duty of due care of a prudent manager, and proceeded with each investigation and review.

Of course, with respect to Olympus' Non-Director Management, in light of this Committee's duty of reviewing and determining whether or not there is liability on the part of Non-Director Management and whether or not it would be appropriate to file suit to pursue liability, this Committee conducted interviews of Non-Director Management (excluding those who were deceased). Specifically, among those in Non-Director Management listed later who were subject to this investigation, for those in which it was considered necessary, we conducted interviews through meetings, while at the same time, others in Non-Director Management were asked for their opinions through written inquiries. However, because this Committee was not able to receive disclosure of internal documents, such as audit plans and audit work papers, with some exceptions, from KPMG AZSA LLC (hereinafter referred to as "KPMG AZSA LLC") and Ernst & Young ShinNihon LLC (hereinafter referred to as "Ernst & Young ShinNihon LLC"), which were subjects of this investigation, we have not been able to sufficiently confirm the content, as well as their knowledge, and their evaluation of the specific investigations of Olympus on the part of both auditing firms. For that reason, in this report, our judgment on whether or not there were violations of the duty of due care of a prudent manager etc. is premised on the events and documents that we were able to confirm as a result of the investigation.

Also, this Committee conducted investigations of the facts that were insufficiently recognized by the Third Party Committee's Report and the Director Liability Investigation Committee in making the judgment on whether or not there is liability on the part of Non-Director Management and whether or not it would be appropriate to file suit to pursue liability, as well as investigations that were considered reasonably necessary for performing the commissioned work. Specifically, we reviewed and analyzed documents that were submitted by Olympus to the Third Party Committee and the Director Liability Investigation Committee and other documents, and a total of 19 interviews were conducted of Olympus' directors, corporate auditors, employees (including executive officers) as well as accounting auditors (including those who have retired or resigned).

(2) Review Concerning the Liability of Non-Director Management

In parallel with the investigation of (1), this Committee performed the work of reviewing and judging whether or not there is liability as Non-Director Management and whether or not it would be appropriate to file suit to pursue liability regarding the Series of Problems and the Problem of the Dividend Distributions of Surplus Money. Specifically, we reviewed and analyzed court cases, etc., in which violations of the duty of due care of a prudent manager on the part of Non-Director Management were questioned, and searched legal principles in suits that pursued the liability of Non-Director Management, and based on the facts that were recognized in (1), made the judgment on whether or not there is liability on the part of Non-Director Management, and regarding the Series of Problems, we reviewed and judged the damages incurred by Olympus with legally sufficient cause for which the Non-Director Management should be held liable.

2. Scope of Investigation and Review

In investigating and reviewing the commissioned work, this Committee mainly investigated and reviewed the following items.

(1) Whether or not there were violations of the duty of due care of a prudent manager on the part of Non-Director Management regarding the formulation and maintenance of the Loss Separation Scheme

(2) Whether or not there were violations of the duty of due care of a prudent manager on the part of Non-Director Management for the Loss Separation Settlement Scheme

① Whether or not there were violations of the duty of due care of a prudent manager regarding the acquisition of shares in the Three Domestic Companies

② Whether or not there were violations of the duty of due care of a prudent manager regarding payment of the FA fee in connection with the Gyrus acquisition

(3) Whether or not there were violations of the duty of due care of a prudent manager on the part of Non-Director Management regarding the handling of matters after media coverage, etc. about suspicions regarding the Three Domestic Companies and the Gyrus problem (hereinafter referred to as "Emergence of Suspicions")

(4) Whether or not there is liability on the part of Non-Director Management regarding the dividend distributions of surplus money, etc. that were implemented after April 1, 2007

(5) Whether or not there were violations of the duty of due care of a prudent manager, etc. on the part of Non-Director Management regarding the misrepresentations in securities reports, etc. that were submitted after the fiscal year ending March 2007

(6) Violations of the duty of due care of a prudent manager, etc. on the part of Non-Director Management and damages

(7) Individual liability of Non-Director Management and whether or not it would be appropriate to pursue liability

3. Those Subject to the Investigation and Review

The scope of those in Non-Director Management who are subject to the investigation by this Committee on whether or not there were violations of the duty of due care of a prudent manager and whether or not they are liable, are the Non-Director Management of Olympus and those who served in the position of Non-Director Management of said company subsequent to the day of the closing of the general shareholders' meeting that was held in June 1997.

III. Outline of This Incident

1. Execution of the separation of losses in financial instruments and maintenance of separated state

In the beginning of 1990, due to the bursting of the so-called bubble economy, because Olympus incurred unrealized losses in the financial assets it held at the time, it planned to recover those unrealized losses, and while it purchased financial instruments, such as derivatives, which had higher risk and higher returns, they fell short of expectations, and resulted in further increases in unrealized losses.

Under such circumstances, the mark-to-market accounting standards were to be introduced for financial instruments from the fiscal year ending March 2001, in which a market value basis would be adopted to replace the acquisition cost basis up to that time, and Olympus faced a situation in which it would have to post as a valuation loss the massive unrealized losses that had expanded to roughly 95 billion yen by 1998, if a marked-to-market valuation were to be applied to the financial assets it held.

In order to avoid such a situation, Hideo Yamada (hereinafter referred to as “Yamada”) and Hisashi Mori (hereinafter referred to as “Mori”), who were employees in the Finance Division, served as the central figures in which Olympus received advice from outside consultants, and from around March 1998, devised and executed a scheme to provide substantial money of as much as approximately 135 billion yen to funds that were not subject to Olympus’ consolidated accounting, to have Olympus sell the financial instruments carrying unrealized losses for amounts that corresponded to book value, and by transferring them off the books, separated the unrealized losses without having them surface (hereinafter referred to as the “Loss Separation Scheme”). As for methods to provide money to Receiver Funds that would acquire the financial instruments carrying unrealized losses, they adopted the methods of ① having banks make loans to the Receiver Funds, etc., using Olympus’ deposits, etc., as collateral, and ② Olympus investing in business investment funds, etc., and having money flow from those funds to the Receiver Funds. Such Loss Separation Scheme was executed by an extremely limited number of employees who belonged to the Finance Division at that time, by the last day of the fiscal year ending March 2001 at the latest, when the mark-to-market accounting standards for financial instruments were introduced, and was also subsequently maintained by those limited employees and the directors who were in charge of the Finance Division (hereinafter referred to as the “Directors Involved”). The facts of said loss separation and the status of unrealized losses were reported periodically only to successive top management etc. as well as to some of the officers, including Minoru Ota (hereinafter referred to as “Ota”), who was a corporate auditor at that time, and were not reported to the other directors or corporate auditors. Also, the Loss Separation Scheme not only had an extremely complex structure, such as being operated by using multiple overseas funds, but also employed devious cover-up operations by the Directors Involved that were coordinated with outside collaborators, and remained a closed scheme, so to speak, that was intentionally hidden by the Directors and Others Involved, so that for a period as long as over 10 years after that, not even the auditing firm knew about it, let alone the directors, corporate auditors (excluding Ota) or employees outside the Finance Division.

2. Actions in preparation for the settlement of the separation of financial assets

The Directors Involved had considered that the losses that had been separated from Olympus in such ways would have to be settled eventually, and as the method for doing so, they thought of attempting to settle said separated losses by means of a method in which at the time of acquiring other companies’ shares of stock, etc.

in corporate acquisition projects, by adding the portion of losses that was separated in the Loss Separation Scheme to the value of said assets, or by paying large amounts of fees to the FA at the time of such acquisitions, said portion that was added or the fee amounts would subsequently be posted under assets such as "goodwill," etc., and would gradually be amortized and posted as expenses over the amortization period in terms of accounting (hereinafter referred to as the "Loss Separation Settlement Scheme"); in this way, they thought of attempting to settle the losses that were separated. What was carried out as the execution of this scheme was the purchase of shares in the Three Domestic Companies of Altis, NEWS CHEF, and Humalabo, and the purchase of the Warrant Purchase Rights and the Preferred Shares in Gyrus that were paid as the FA fee that accompanied the acquisition of said company (hereinafter referred to collectively as the "Loss Separation Settlement Actions").

A portion of the purchase of shares in the Three Domestic Companies (approximately 72 billion yen) and the purchase of the Warrant Purchase Rights and the Preferred Shares in Gyrus that were paid as the FA fee in connection with the Gyrus acquisition (approximately 62 billion yen), were both conducted following a resolution of the Board of Directors, and could have become an opportunity for the directors and corporate auditors in attendance at the Board of Directors' meeting other than the Directors Involved to discover the facts of the aforementioned loss separation, but in either opportunity, the other directors failed to detect the purpose behind the purchase of shares in the Three Domestic Companies or the payment of the FA fee that accompanied the Gyrus acquisition; they approved the same based on the explanation of the Directors Involved, and the corporate auditors did not make any objections in particular. Notably, from December 2008 to around June 2009, the accounting auditor made an extraordinary indication of matters to the corporate auditors to the effect that the acquisition price for the shares in the Three Domestic Companies and the FA fee that accompanied the Gyrus acquisition were too high, and that judging from economic rationality with respect to these transactions, there was the risk of violations of the duty of due care of a prudent manager; nevertheless, the corporate auditors and others did not consider it to be a serious situation, and subsequently in March 2010, a Board of Directors' meeting resolution was passed authorizing the purchase of the Preferred Shares that were granted as the FA fee that accompanied the Gyrus acquisition for the huge amount of 620 million dollars, and the corporate auditors did not make any objections in particular. As a result, the Directors and Others Involved succeeded in settling the off-book losses by having a total of approximately 135 billion yen be made to flow back to Olympus via the off-book funds.

For that reason, interest and fees were generated in the formulation of the Loss Separation Scheme and its maintenance from the time the losses were separated until they were settled, while at the same time, mainly as a result of fees, etc., having been paid to the collaborators, etc., who were involved in the management of the Funds in the settlement of the loss separation, Olympus incurred a large amount of losses that it will be unable to recover (approximately 28 billion yen), while in conjunction, due to the financial statements not having been prepared properly, it led to the dividend distributions of surplus money and the acquisitions of treasury stock that were in excess of the distributable amount.

3. The Subsequent History

In July 2011, there was media coverage in some magazines concerning suspicions with respect to the point that the acquisition price for the shares in the Three Domestic Companies and the acquisition price for Gyrus including the purchase of the Preferred Shares were huge amounts. The Representative Director at the time, Woodford, who learned about this from an acquaintance, took action such as to independently commission an outside accounting firm to conduct an investigation, and when he presented to the directors and others that there were suspicions, a resolution was passed to remove him from the position of representative director at the Board of Directors' meeting that was held on October 14, 2011.

Subsequently, Woodford announced these suspicions to the mass media, and the stock price plummeted as social criticism of Olympus increased. With these events serving as momentum, a Third Party Committee was established at Olympus made up of independent third parties, and in the process of the investigations of said Committee, the aforementioned facts were revealed, and such is the outline of this incident.

IV. Whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the formulation and maintenance of the Loss Separation Scheme

1. The duty of due care of a prudent manager on the part of the corporate auditors regarding the discovery of the Loss Separation Scheme

(1) The duty of due care of a prudent manager on the part of the corporate auditors

The formulation and maintenance of the Loss Separation Scheme, by themselves, not only make it extremely difficult for Olympus to carry out the settlement of accounts in a proper manner, as well as cause misrepresentations to be generated in the company's securities reports, etc., but also generate unnecessary burdens for Olympus (the interest and fees, etc. that are incurred due to loans by the funds for the formulation and maintenance of the Loss Separation Scheme).

Therefore, the corporate auditors who knew or could have found out that the formulation and maintenance of the Loss Separation Scheme would be carried out had the duty to respond by stopping or correcting such actions or states, and the act of violating that duty and approving (tacitly approving) them or leaving them unattended is a violation of the duty of due care of a prudent manager on the part of the corporate auditors.

(2) Liability of former corporate auditor Ota

During his tenure as Head of the Accounting Department (October 1990 to May 2001), Ota (who had joined the company in April 1965) received reports that there were large losses that had not been announced, and was aware that these still existed during his tenure as a corporate auditor (June 2001 to June 2004). Also, Ota could have easily obtained information regarding the Loss Separation Scheme by receiving reports on the unrealized losses in financial assets during his tenure as a corporate auditor.

Notwithstanding, Ota neglected to do this, and did not conduct any investigative reports, so he violated the duty of due care of a prudent manager as a corporate auditor.

(3) Regarding the other corporate auditors

The Loss Separation Scheme executed by the Participants and others was deviously covered up, as already noted, and it can be said that the corporate auditors other than Ota did not know the facts and were additionally unable to find out, so on this point, violations of the duty of due care of a prudent manager cannot be acknowledged.

2. Whether or not there were violations of the duty of due care of a prudent manager regarding audits of the internal control system

Even if the corporate auditors were unable to find out about the formulation and maintenance of the Loss Separation Scheme, they bore the duty to audit whether the directors had properly formulated an internal control system and whether it was in operation, but considering circumstances such as that a certain risk management system had been formulated at Olympus consisting of the segregation of authority etc. with respect to the management of financial assets based on the Asset Management Standards, that reports were being made to the officers in charge regarding its operational status, that the Audit Office and Compliance Office had been established, and that basic policies for an internal control system had been formulated by the Board of Directors and was in operation, it can be said that a reasonable internal control system had been formulated. Also, the corporate auditors, in addition to attending the Board of Directors' meetings, had performed numerous audits regarding the preparedness, effectiveness, and reasonableness of the internal control system as prioritized audit items, but there were no special circumstances found that would make one suspect inadequacy or insufficiency.

Therefore, violations of the duty of due care of a prudent manager cannot be acknowledged on the part of the corporate auditors other than Ota regarding the audit of an internal control system.

V. Whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the acquisition of shares in the Three Domestic Companies

1. The facts that serve as the premise in determining liability

The settlement scheme that used the Three Domestic Companies was for the purchase of overvalued shares based on unfeasible and exaggerated business plans, and to apply that money to the settlement of losses.

(1) Establishment of GCNVV

At the Management Meeting and Board of Directors' meeting that were held on January 28, 2000, Olympus decided to establish a business investment fund (amount of investment: 30 billion yen, period: 10 years) for the purpose of creating new businesses, and executed an agreement dated March 1 of the same year (hereinafter referred to as the "Agreement Dated March 1, 2000") to establish the business investment fund G.C. New Vision Ventures L.P. (hereinafter referred to as "GCNVV"), with Olympus and Genesis Venture Capital Series Ltd., as the limited partners, and GCI Cayman Limited (hereinafter referred to as "GCI Cayman") as the general partner.

Note that a Board to Review Business Investments was established in-house in order to review investment projects using said business fund.

(2) Acquisition of shares by GCNVV

At the Board of Business Investment meeting on March 9, 2006, it is purported that there was a proposal from GCI Cayman to make a focused investment in the Three Domestic Companies, and according to the document entitled "Report on Review Results" dated March 16, 2006, there is a statement that the acquisition of shares in the three Domestic Companies by GCNVV was approved as follows.

	Number of Shares to be Acquired (Shares)	Unit Price (thousands of yen)	Expected Acquisition Amount (millions of yen)
Altis	760	5,790	4,400.4
NEWS CHEF	400	4,450	1,780
Humalabo	320	14,375	4,600

Subsequently, acquisitions were made by GCNVV of shares in the Three Domestic Companies under the same content as shown above. Even in comparison with the acquisition prices by GCNVV in the year 2005, Altis (5.789 million yen) is approximately 115 times the acquisition unit price in December 2005 (50,000 yen), NEWS CHEF (4.45 million yen) is approximately 22 times the acquisition unit price in March 2005 (200,000 yen), and Humalabo (14.375 million yen) is approximately 287 times the acquisition unit price in July 2005 (50,000 yen), and said acquisition prices had become amounts that represent a steep rise in value over a short period of time.

(3) Midterm Termination of GCNVV

The accounting treatment concerning business investment funds would be changed from the fiscal year ending March 2007, so that the equity method would be applied to GCNVV itself as well as the Three Domestic Companies, and the method would be changed to one in which they would be directly incorporated into consolidated accounting; in accordance with this, it was decided to terminate before maturity the Agreement Dated March 1, 2000 noted above. Due to said termination, the shares in the Three Domestic Companies held by GCNVV were acquired by Olympus at the book value in which GCNVV made the investment.

(4) Resolution for the additional purchase of shares by Olympus

At the Board of Directors' meeting held on the February 22, 2008, a proposal was made for Olympus to purchase additional shares in the Three Domestic Companies to turn them into subsidiaries and each was approved and passed.

In the proposal document for the Board of Directors' meeting, there is a statement that "we are in the process of requesting an outside stock price valuation" with respect to the value of the shares in the Three Domestic Companies, and subsequently, Olympus received from the Isaka CPA Office a document entitled "Report on the Calculation of Shareholder Value" dated February 29, 2008, but there was no evidence found that an after-the-fact confirmation had been made of said calculation report by the 4 corporate auditors (Tadao Imai (hereinafter referred to as "Imai"), Katsuo Komatsu (hereinafter referred to as "Komatsu"), Makoto Shimada (hereinafter referred to as "Shimada"), and Yasuo Nakamura (hereinafter referred to as "Nakamura").

	Additional Shares to be Purchased (Shares)	Expected Unit Price (thousands of yen)	Expected Acquisition Amount (millions of yen)
Altis	1,030~2,180	5,790~9,616	5,964~20,963
NEWS CHEF	1,001~2,050	4,450~9,683	4,454~19,850
Humalabo	570~880	14,375~23,370	8,194~20,556

From the background above, the 71.6 billion yen that Olympus and GCNVV paid as the purchase price for the shares in the Three Domestic Companies was mainly used for settlement of the separated losses.

(5) Indications, etc. by KPMG AZSA LLC

Note that the 4 corporate auditors (Tadahiko Amemiya (hereinafter referred to as "Amemiya"), Imai, Shimada, and Nakamura) at the time of the mid-term audit report (November 6, 2006) for the fiscal year ending March 2007 (139th Term), and the 4 corporate auditors (Imai, Komatsu, Shimada, and Nakamura) at the time of the mid-term audit report (November 26, 2007) for the fiscal year ending March 2008 (140th Term), received from KPMG AZSA LLC indications that there were problems with the investment process for shares in the Three Domestic Companies, and that the investment amount for the Three Domestic Companies was enormous and a risk factor.

2. Whether or not there were violations of the duty of due care of a prudent manager

(1) Regarding the acquisition of shares by GCNVV in March 2006

A. Whether or not there were violations of the duty of due care of a prudent manager regarding audits of the performance of duties on the part of directors

The 4 corporate auditors at that time (Amemiya, Imai, Shimada, and Nakamura) attended Board of Directors' meetings and Board of Corporate Auditors' meetings, exchanged opinions with directors based on annual audit plans, heard reports from accounting auditors, etc., and conducted appropriate audits, in addition to which, no special circumstances were found in which they could have otherwise found out about any violations of the duty of due care of a prudent manager on the part of the Participants and People Who Knew. Accordingly, it cannot be acknowledged that there were violations of the duty of due care of a prudent manager on the part of the above-noted 4 corporate auditors with respect to the fact that they were unable to discover the illegal acts of the Participants and People Who Knew.

B. Whether or not there were violations of the duty of due care of a prudent manager regarding audits of the internal control system

At the time of March 2006, a reasonable internal control system had been formulated at Olympus, and with respect to those directors other than the Participants and People Who Knew, it is purported that no violation of duties were found with respect to their duty to monitor their own formulation and operation of the internal control system, and the formulation and operation of the internal control system of other directors.

It cannot be acknowledged that there were other particular circumstances in which the corporate auditors could have discovered inadequacies in the internal control system in the process of audits.

Accordingly, violations of the duty of due care of a prudent manager on the part of the above-noted 4 corporate auditors cannot be acknowledged with respect to auditing the internal control system.

(2) Regarding the resolution approving the acquisition of shares at the Board of Directors' Meeting held on February 22, 2008

With respect to the acquisition of shares in the Three Domestic Companies, its acquisition amount was an extremely large figure, amounting to a maximum of 61.379 billion yen in total, and the effect on the financial foundation etc. of Olympus was recognized to be extremely large; in contrast, there is no evidence that a sufficient review was made of the necessity for the acquisitions (turning them into subsidiaries), and the price was extremely optimistic as well, having accepted without question valuations that were based on business plans for which sufficient reviews were not made as to their feasibility, and it cannot be judged that a sufficient review was made regarding the risks in the event they underperformed.

In addition, of the 4 corporate auditors at that time (Imai, Komatsu, Shimada, and Nakamura), 3 of them (Komatsu, Shimada, and Nakamura) had received a report from KPMG AZSA LLC to the effect that there were problems with the investment on the occasion of the mid-term audit report for the 139th Term on November 6, 2006, and further, the above-noted 4 corporate auditors had received the indication on the occasion of the mid-term outline audit report for the 140th Term on November 26, 2007 as well that the investment amount for the Three Domestic Companies was enormous, and that it was a large risk factor.

Nevertheless, no facts were found that the 4 corporate auditors made any objections or requested further investigation, etc., nor were any facts found that they made after-the-fact confirmation of the external calculation document for which calculations had been requested, so they did not exercise the proper audit authority, and violations of the duty of due care of a prudent manager can be acknowledged.

VI. Whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the payment of the FA fee in connection with the Gyrus acquisition

1. The facts that serve as the premise in determining liability

The settlement scheme that used the Gyrus acquisition was to pay a substantial FA fee to Axes America, LLC (hereinafter referred to as "AXES"), which was the FA, and to apply the same to the settlement of losses; specifically, ① the FA fee would be paid, not just in cash, but also with stock options and Warrant Purchase Rights, ② the Warrant Purchase Rights would be re-purchased for a high price, while the stock options would be exchanged for dividend preferred shares (hereinafter referred to as "Preferred Shares"), and ③ the Preferred Shares would be re-purchased for a high price.

(1) Execution of the FA Agreement and Revised FA Agreement and the approval resolution

On June 12, 2006, Olympus executed with AXES a Financial Advisor Agreement (hereinafter referred to as the "FA Agreement"), and on June 21, 2007, executed an agreement that revised the same (hereinafter referred to as the "Revised FA Agreement"). The Revised FA Agreement stipulated the contingency fee (Completion Fee) to be, in the case the purchase price was 2 billion dollars, ① 5% of the acquisition amount (of which 15% would be cash (maximum 12 million dollars), and the remainder would be stock options in the Acquisition Vehicle) and ② the Warrant Purchase Rights.

At the Board of Directors' meeting held on November 19, 2007, a resolution was passed approving the acquisition of Gyrus and the execution of the accompanying FA Agreement.

Subsequently, on February 14, 2008, Olympus executed with AXES a Call Option Agreement, and the issuer of the stock options was changed from the Acquisition Vehicle to Gyrus, and in June 2008, Gyrus' stock options were assigned from AXES to Axam investments Ltd. (hereinafter referred to as "AXAM"), together with the Warrant Purchase Rights.

(2) Receipt of KPMG AZSA LLC's Summary Audit Report for the fiscal year ending March 2008

In May 2008, the corporate auditors received from KPMG AZSA LLC "the Summary Audit Report for the 140th Term." Approximately 19 billion yen was listed in said report as the FA fee in connection with the Gyrus acquisition.

(3) The Board of Directors' meeting resolution approving the issuance of the Preferred Shares and the purchase of the Warrant Purchase Rights

Approvals were made at the Board of Directors' meeting held on September 26, 2008 that the stock options portion of the completion fee would be paid with the Preferred Shares issued by Gyrus (issue face price approximately 177 million dollars (approximately 17.7 billion yen), and that the Warrant Purchase Rights would be purchased for 50 million dollars (approximately 5 billion yen).

Olympus paid to AXAM 50 million dollars (approximately 5 billion yen) as the purchase price for the Warrant Purchase Rights on September 30, 2008.

(4) The Board of Directors' approval regarding the purchase of the Preferred Shares (the First Time)

An approval was made at the Board of Directors' meeting held on November 28, 2008 that the Preferred Shared would be purchased for between 530 million dollars (approximately 53 billion yen) to 590 million dollars (approximately 59 billion yen) (hereinafter referred to as the "Initial Purchase Resolution").

(5) Problems pointed out by KPMG AZSA LLC

In December 2008, KPMG AZSA LLC indicated to the Board of Corporate Auditors its concern that perhaps the FA fee in connection with the Gyrus acquisition was too high, and on April 23, 2009, a notification was submitted stating the items of concern noted above (hereinafter referred to as the "Communication Letter").

In response, the Board of Corporate Auditors requested an investigation by outside experts, which included an attorney-at-law and a certified public accountant (hereinafter referred to as the "2009 Committee"), and on the 17th of the same month, a report was submitted from the 2009 Committee (hereinafter referred to as the "2009 Committee's Report") which was to the effect that circumstances could not be found to an extent that would allow them to judge that there were violations of the duty of due care of a prudent manager on the part of the directors regarding the actions from the execution of the FA Agreement to the replacement of stock options with the Preferred Shares and the purchase of the Warrant Purchase Rights. However, said report states no opinions regarding the valuation of the Preferred Shares.

On the same day, the Board of Corporate Auditors submitted to KPMG AZSA LLC a document (hereinafter referred to as the "Board of Corporate Auditors Report") which stated that as the position of the Board of Corporate Auditors, the conclusion had been reached that "fraudulent or unlawful actions could not be found in the transactions themselves, and that violations of the duty of due care of a prudent manager or procedural errors on the part of the directors could not be acknowledged."

In response, KPMG AZSA LLC issued on May 20, 2009, an unqualified clean opinion for both the non-consolidated and consolidated audit results for the fiscal year ending March 2009.

(6) Withdrawal of the resolution approving the purchase of the Preferred Shares

On June 1, 2009, a request was made from KPMG AZSA LLC for the withdrawal, etc. of the Initial Purchase Resolution as a condition for the formal submission of the audit report, and on the 5th of the same month, the withdrawal of the Initial Purchase Resolution was approved at the Board of Directors' meeting.

Subsequently, at the regular shareholders' meeting held in June 2009, the accounting auditor was changed from KPMG AZSA LLC to Ernst & Young ShinNihon LLC, but the size of the re-purchase price of the Preferred Shares was not considered a problem between Olympus and Ernst & Young ShinNihon LLC; rather, the issue became whether the entire difference between the book value and the re-purchase price could be posted as goodwill.

(7) The Board of Directors' approval regarding the purchase of the Preferred Shares for 620 million dollars

An approval was made at the Board of Directors' meeting held on March 19, 2010 that Olympus' finance subsidiary in England, Olympus Finance UK Ltd. (hereinafter referred to as "OFUK"), would be made to purchase from AXAM the Preferred Shares for 620 million dollars (approximately 62 billion yen). 3 corporate auditors (Komatsu, Shimada, and Nakamura) attended said Board of Directors' meeting. Note that Imai was absent from said Board of Directors' meeting, but had received an explanation of this agenda item from Mori on the day preceding the Board of Directors' meeting, and had approved the content of the agenda item.

The explanation was given that the grounds for the purchase price were that the median was adopted between the 724 million dollars (approximately 72.4 billion yen) asserted by AXAM and the 519 million dollars (approximately 51.9 billion yen) asserted by Olympus.

Based on the above-noted Board of Directors' meeting resolution, on March 25, 2010, OFUK paid to AXAM 620 million dollars (approximately 62 billion yen) and purchased the Preferred Shares.

Through the foregoing course of events, the 50 million dollars (approximately 5 billion yen) for the purchase of the Warrant Purchase Rights and the 620 million dollars (approximately 62 billion yen) for the purchase of the Preferred Shares that Olympus and OFUK paid to AXAM were mainly used for the settlement of the separated losses.

2. Whether or not there were violations of the duty of due care of a prudent manager

(1) Regarding whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors in the Board of Directors' meeting resolution of November 19, 2007 regarding the execution of the agreement with the FA

No special circumstances can be acknowledged in which it can be said that the 4 corporate auditors (Imai, Komatsu, Shimada, and Nakamura) could have found out about Yamada and Mori's purpose of using the payment of the FA fee in connection with the Gyrus acquisition for the settlement of the loss separation.

Also, regarding the business judgment concerning the execution of the FA Agreement, no circumstances were found to an extent in which it can be acknowledged that the process of recognizing facts as well as the process of inference of the judgment based on the same and its content were unreasonable or that there were careless errors.

Therefore, violations of the duty of due care of a prudent manager on the part of the 4 corporate auditors cannot be acknowledged regarding their audit of the directors' performance of duties.

(2) Regarding whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the facts that became known through the Summary Audit Report for the fiscal year ending March 2008

It was clear that the FA fee of approximately 19 billion yen in connection with the Gyrus acquisition listed in the "Summary Audit Report for the 140th Term" exceeded the price of the FA fee that was approved at the Board of Directors' meeting on November 19, 2007 (5 percent of the acquisition price. Approximately 11 billion yen), so according to the decision-making standards of Olympus' Board of Directors, it was also necessary to present the matter again at a Board of Directors' meeting.

However, since the 4 corporate auditors did not exercise the necessary audit authority, violations of the duty of due care of a prudent manager can be acknowledged.

(3) Regarding whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors in the Board of Directors' meeting resolution of September 26, 2008 regarding the purchase of the Warrant Purchase Rights and the issuance of the Preferred Shares

Notwithstanding that the value of the stock options was supposed to be approximately 8.5 billion yen (=acquisition amount of approximately 200 billion yen X 5 percent X 85 percent), the face value of the Preferred Shares which were to be issued in their place was 177 million dollars (approximately 17.7 billion yen), and notwithstanding that the Warrant Purchase Rights were strictly an incidental fee, its price was as much as approximately 5 billion yen or so.

Therefore, the 4 corporate auditors had the duty to exercise the proper audit authority, such as to confirm the necessity of issuing the Preferred Shares in place of stock options or of acquiring the Warrant Purchase Rights, to secure the assessment of experts regarding the value of the stock options, Preferred Shares, and Warrants, and to seek explanations at the Board of Directors' meeting regarding the act of trying to grant Preferred Shares that were significantly more expensive than the original fee, but since they did not exercise this authority, violations of the duty of due care of a prudent manager can be acknowledged.

(4) Regarding whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors in the Board of Directors' meeting resolution of March 19, 2010 regarding the purchase of the Preferred Shares

The Purchase Resolution was one that attempted to purchase the Preferred Shares for more than 3.5 times the issue price (177 million dollars. Approximately 17.7 billion yen), and was a transaction in the extremely large amount of 620 million dollars (approximately 62 billion yen). Moreover, it had passed through an extraordinary process in which a resolution that had once been approved was withdrawn.

In addition, the 4 corporate auditors had received detailed indications from KPMG AZSA LLC between December 2008 and June 2009 regarding their concern that the FA fee in connection with the Gyrus acquisition was unreasonably excessive, and they were aware, or at least could have found out, that the 2009 Committee's Report had not made a judgment regarding the valuation of the Preferred Shares.

Regardless of the same, the 4 corporate auditors did not seek a review of the necessity to purchase the Preferred Shares or verification of even the fairness of the price; they did not exercise the proper audit authority, and violations of the duty of due care of a prudent manager can be acknowledged.

VII. Whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the handling of matters after Woodford pointed out suspicions

1. Regarding the liability of Yamada

Even though he was aware of the illegality regarding the Three Domestic Companies and the FA fee in connection with the Gyrus acquisition, Yamada did not try to hold discussions by bringing up the matter at a Board of Directors' meeting, even after suspicions regarding the illegality of the FA fee in connection with the Gyrus acquisition were pointed out by Woodford after September 2011; he induced the corporate auditors not to harbor doubts about the suspicions pointed out by Woodford regarding the illegality of the Three Domestic Companies and the FA fee in connection with the Gyrus acquisition, and covered up the illegal acts. From the above, it is clear that Yamada's actions violate the duty to resolve illegal acts without concealing them, and violations of the duty of due care of a prudent manager can be acknowledged on the part of Yamada.

However, since Yamada resigned as a director in June 2011 and was appointed as a corporate auditor, he is subject to the judgment of this Committee regarding liability, but since said actions are also included in the pursuit of liability by the Director Liability Investigation Committee, this Committee will acknowledge Yamada's liability but will exclude him from the pursuit of liability.

2. Regarding the liability of the other corporate auditors (Imai, Shimada, and Nakamura)

Imai, Shimada, and Nakamura attended the Board of Directors' meeting held on October 14, 2011, in which it was resolved to remove Woodford from his position of representative director, but did not state any particular objections or opinions regarding said resolution.

The reason was that they did not feel a sense of discomfort with the explanation by Tsuyoshi Kikukawa and others, and had doubts about the suitability of Woodford as president; with respect to the illegality that had been pointed out, they held the opinion that they wanted to have the executive side properly handle the matter. On this point, the argument made by the above-noted 3 corporate auditors is that since Woodford's position as a director would remain even if he were removed from his position of representative director, it was not as though his removal would immediately lead to a concealment of the suspicions, and they perceived that the pointing out of suspicions by Woodford and his removal from the position of representative director were separate issues; since it cannot be acknowledged that the argument is unreasonable, it cannot be said that the corporate auditors who were not aware of the facts of the loss deferral (Imai, Shimada, and Nakamura) violated the duty of due care of a prudent manager.

VIII. Whether or not there were violations of the duty of due care of a prudent manager, etc. regarding dividend distributions of surplus money, etc.

1. Whether or not there were violations of the duty of due care of a prudent manager on the part of the corporate auditors

After the Series of Problems were identified, Olympus revised the settlement of accounts in past fiscal years, as a result of which, it was identified that the dividend distributions of surplus money and the acquisition of treasury stock that were implemented after April 1, 2007, had all been done in excess of the distributable amounts.

On this point, the corporate auditors who had occupied their positions from the fiscal year ending March 2008 to the fiscal year ending March 2011 (Imai, Komatsu, Shimada, and Nakamura) had overlooked the illegality of the resolutions to acquire shares in the Three Domestic Companies or to purchase the Warrant Purchase Rights and Preferred Shares that were paid as the FA fee in connection with the Gyrus acquisition, regardless of the fact that their prices had been excessive.

However, in order to say that there were violations of the duty of due care of a prudent manager on the part of the corporate auditors regarding the dividend distributions of surplus money, etc., the circumstances that are interpreted to be necessary are that they neglected to exercise the proper audit authority even though they knew or could have found out that the balance sheets that were the basis for the distributable amount were in error, or facts that would generate suspicions about their validity, and in order to do so, it must be acknowledged that they could have found out that the accounting treatment was inappropriate, and that the statements in the balance sheet were incorrect. In this matter, considering that the accounting auditors had each issued unqualified clean opinions regarding the above-noted accounting treatment, the interpretation can be made that it was unavoidable for the corporate auditors to have trusted that the accounting treatment had been done properly.

Therefore, since the statement cannot be made to the extent that the 4 corporate auditors noted above could have found out that the statements in the balance sheets were incorrect, violations of the duty of due care of a prudent manager cannot be acknowledged.

2. Whether or not there were violations of the duty of due care of a prudent manager on the part of the accounting auditors

Audits by accounting auditors under the Companies Act and audits under the Financial Instruments and Exchange Act are to be conducted under the same audit standards as a general rule, so with respect to violations of the duty of due care of a prudent manager on the part of accounting auditors regarding illegal dividend distributions of surplus money, it is as listed under "IX. Whether or not there were violations of the duty of due care on the part of the auditing firms regarding misrepresentations in the securities reports, etc."

IX. Whether or not there were violations of the duty of due care on the part of the auditing firms regarding misrepresentations in the securities reports, etc.

1. Substance of the duty of due care on the part of the auditors

An auditors' duty is to audit whether the financial statements of the company are being prepared lawfully and properly, and to state opinions (Article 193-2 of the Financial Instruments and Exchange Act, Article 396 of the Companies Act), and the discovery of fraudulent acts is not purported to be a direct purpose.

However, unless confirmation is made for fraud or errors that may have significant effects on the validity of financial statements, the statement of opinion on its validity would be meaningless, so an auditor must accurately verify the audit risk of the company being audited, and when unnatural signs appear in the financial statements, should carefully conduct the audit, while keeping in view the risk of fraud, and bears the duty to implement audit procedures that should normally be implemented based on auditing standards, the guidelines of the Japanese Institute of Certified Public Accountants, and generally accepted auditing practices, etc. with the due care of a prudent manager.

2. Whether or not there were violations of the duty of due care of a prudent manager regarding the formulation and maintenance of the Loss Separation Scheme

The Loss Separation Scheme adopted the methods of ① using Olympus' deposits, etc., at LGT Bank in Liechtenstein AG (hereinafter referred to as "LGT Bank"), Commerzbank International Trust (Singapore) Ltd. (hereinafter referred to as "Commerzbank"), and Societe General (hereinafter referred to as "SG Bank") to serve as collateral, and having each of these banks make loans to overseas Receiver Funds, etc., and ② Olympus investing in funds such as PS Global Investable Markets-O (hereinafter referred to as "GIM"), SG Bond Plus Fund (hereinafter referred to as "SG Bond"), and GCNVV, and making money flow from these Funds to the Receiver Funds etc. in the form of investments, loans, or bond loans.

KPMG AZSA LCC, which was Olympus' auditor at that time, was unable to find out the facts about the collaterals pledged on deposits, etc., because with respect to ①, in-house authorization procedures had not been followed on the fact that Olympus had collaterals pledged on its deposits, etc., and the agreements had been concealed as well, in addition to which the balance certificates obtained from each bank did not contain statements showing collaterals, etc. Also, with respect to ②, it was unable to learn the facts about the outflow of capital to the Receiver Funds, etc. because the investment reports or balance certificates that were obtained from each fund did not contain statements of investments or loans made to the Receiver Funds, in addition to which there were no statements indicating the facts of the bond loans, etc.

It can be said that in each audit noted above by KPMG AZSA LLC, it implemented audit procedures that should normally be implemented, and violations of the duty of due care of a prudent manager cannot be acknowledged with respect to the fact that it could not discover the formulation and maintenance of the Loss Separation Scheme.

Note that KPMG AZSA LLC had come to the understanding there was no collateral from the balance certificates sent by each bank in its own letter forms that listed only the balance, and although it did not make further inquiries, examples of foreign financial institutions responding in their own letter forms cannot said to be rare, so it can be said that it was unavoidable to trust that it would be normal for financial institutions to include statements if collaterals had been pledged on the subject assets.

3. Regarding the Execution of the Loss Settlement Scheme

(1) Settlement of accounts for the fiscal year ending March 2007

With respect to the shares of the Three Domestic Companies that were acquired for a total of approximately 10.8 billion yen in March 2006 by GCNVV, which was included in Olympus' consolidated accounting at that time, Olympus recognized a total of approximately 8.6 billion yen as goodwill at the end of the half-year period ending September 2006 due to the change in accounting standards.

It becomes an issue that KPMG AZSA LLC did not perceive the signs of fraud on this point and acknowledged the posting of said goodwill, but because Olympus' shareholdings in the Three Domestic Companies were small and the management control was weak, when considering facts such as that there were limits to document collection and other audits, that the acquisition of shares in the Three Domestic Companies was an investment in new businesses for Olympus in which the company's judgment would basically be respected regarding the feasibility of the business plans and the reasonableness of the investment judgment, and that KPMG AZSA LLC had conducted interviews with the departments in charge and audits of the progress management, etc., of the business plans, violations of the duty of due care of a prudent manager cannot be acknowledged on the part of KPMG AZSA LLC.

(2) Settlement of accounts for the fiscal year ending March 2008

A. Acquisition of shares in the Three Domestic Companies

Based on the resolution of the Board of Directors' meeting held on February 22, 2008, Olympus acquired shares in the Three Domestic Companies on March 26th of the same year for a total of 47.1 billion yen. With the resulting increase in the shareholding ratio, they changed from being affiliated companies under the equity method into consolidated subsidiaries, and because of this, Olympus posted goodwill of 54.5 billion yen for the Three Domestic Companies in total.

KPMG AZSA LLC made confirmations of the business content of the Three Domestic Companies and the preconditions of their business plans and conducted visiting audits etc., and confirmed that there were no unreasonable points in the decision-making process nor in the purpose of investment and the decision process for the investment price, etc., after which it decided to trust them for the time being and to accept the posting of goodwill, considering the investment decision, including the price, as a business judgment item, and to carefully observe any subsequent divergence between the plan and the actual performance, and to have them recognize an impairment loss on the goodwill at an appropriate time. The statement cannot be made to the extent that such judgments on the part of KPMG AZSA LLC were unreasonable, and on this point, violations of the duty of due care cannot be acknowledged.

B. FA fee in connection with the Gyrus acquisition

Based on the Revised FA Agreement, Olympus granted to AXES stock options and Warrant Purchase Rights in Gyrus, while at the same time, it paid 12 million dollars as the cash portion of the completion fee on November 26 of the same year. Due to this, with respect to the completion fee of 12 million dollars and the valuation of 177 million dollars for the stock options (19.9 billion yen in total), it posted them as an investment suspense account in its non-consolidated settlement of accounts, and as goodwill in its consolidated settlement of accounts.

Using option evaluation models, KPMG AZSA LLC confirmed the reasonableness of the price calculation results of the stock options calculated by Olympus. As a result, while the FA fee exceeded 5 percent of the acquisition price, it allowed the accounting treatment noted above because the agreement had originally contemplated that the strike price would be calculated based on the market price, and because it had not been able to obtain any impressions to form an opinion in terms of an audit at that stage with respect to the size of the acquisition fee amount, since the transaction amount of the acquisition, etc., including FA fee had not been finalized in the fiscal year ending March 2008 and was being given provisional treatment.

It cannot be said that the audit procedures and judgment noted above by KPMG AZSA LLC were unreasonable as an accounting audit, and violations of the duty of due care cannot be acknowledged.

(3) Settlement of accounts for the fiscal year ending March 2009

A. Content of the execution of the Loss Settlement Scheme and the status of audit by KPMG AZSA LLC

Olympus' wholly-owned subsidiary, Olympus Finance Hong Kong Ltd., acquired shares in the Three Domestic Companies on April 26, 2008 for a total of 13.7 billion yen. Also, Olympus purchased from AXAM the Warrant Purchase Rights for 50 million dollars (5.3 billion yen) on September 30 of the same year, while it also issued to AXAM the Preferred Shares in Gyrus in place of the stock options.

Since the prices were abnormally high for both the acquisition of shares in the Three Domestic Companies and the FA fee in connection with the Gyrus acquisition, KPMG AZSA LLC conducted interviews of managers, requested an operational audit on the part of the corporate auditors, issued the Communication Letter, and obtained the 2009 Committee's Report and the Board of Corporate Auditors' Report, in addition to which it had the entire amount regarding the Three Domestic Companies, with the exception of the 4.8 billion yen for Altis, and the entire amount that exceeded 5 percent regarding the FA fee in connection with the Gyrus acquisition be recognized as an impairment loss, after which they issued the unqualified clean opinion.

B. Whether or not there were violations of the duty of due care

First, there are no points that can be acknowledged to be particularly unreasonable in having judged that the company's accounting treatment was proper, after having it recognize a one-time impairment loss of goodwill to proper levels.

Next, it is inferred that KPMG AZSA LLC became aware of signs of fraud regarding the purchase of the Three Domestic Companies and the FA fee in connection with the Gyrus acquisition, but the 2009 Committee was composed of an attorney-at-law and a certified public accountant who had no vested interest in Olympus, and there were no outward circumstances that would make one suspect the fairness of the content of the opinion. Also, when KPMG AZSA LLC met with the 2009 Committee, they urged considerations regarding the necessity for a re-investigation, but nevertheless, circumstances can be acknowledged that neither the 2009 Committee nor the corporate auditors expressed any particular intention to do so.

Under such circumstances, notwithstanding that the 2009 Committee, who were independent experts, and the corporate auditors, whose duty was to audit illegalities, had reached the legal decision that there were no illegal acts on the part of the directors, if KPMG AZSA LLC were not to issue an opinion on the basis that such decision was unreasonable, or if it were to issue a qualified clean opinion, as a result, it would bear the risk of being pursued in its liability for non-performance of duties by Olympus, and in some cases, be pursued in its liability by shareholders and stakeholders as well. However, the interpretation cannot be made that the law has expectations to the extent that it requires the discovery of fraudulent or illegal acts to an extent in which such risks are borne by auditing firms, whose duty is to conduct accounting audits.

Therefore, violations of the duty of due care cannot be acknowledged on the part of KPMG AZSA LLC in having issued an unqualified clean opinion regarding the settlement of accounts for the fiscal year ending March 2009.

Note that KPMG AZSA LLC alluded to a notification based on Article 193-3 of the Financial Instruments and Exchange Act in the process of its auditing procedures, but since Olympus had subsequently decided to properly recognize a one-time impairment loss of goodwill, and the risks of having a material impact in securing the appropriateness of the financial statements were significantly reduced, and since the interpretation can be made that there is no requirement under the law to the extent in which an auditor, which is not a legal expert, should determine that there was fraud and make a notification based on said Article regardless of the fact that a legal expert who had no vested interest in Olympus had made the judgment that it was legal, from the above, violations of the duty of due care cannot be acknowledged with respect to not having actually made a notification based on said Article.

(4) Settlement of accounts for the fiscal year ending March 2010

Based on the Purchase Resolution, Olympus acquired the Preferred Shares for 62 billion yen, and posted goodwill of 41.2 billion yen at the end of the fiscal year ending March 2010. On this point, at the end of the fiscal year ending March 2009, KPMG AZSA LLC had Olympus recognize an impairment loss of goodwill in the amount of 15.5 billion yen that exceeded 5 percent of the acquisition price set forth in the Revised FA Agreement based on the understanding that the Preferred Shares were part of the FA fee in connection with the Gyrus acquisition; nevertheless, Ernst & Young ShinNihon LLC acknowledged the posting of goodwill of as much as 41.2 billion yen, and the issue becomes ① whether or not the succession was handled properly, and ② whether or not there were any problems in Ernst & Young ShinNihon LLC allowing the posting of goodwill while it remained unaware of an anomaly in the transaction regarding the purchase of the Preferred Shares.

A. Whether the succession was handled properly

First, the succession between KPMG AZSA LLC and Ernst & Young ShinNihon LLC was handled in accordance with the Auditing Standards Committee Statement Number 33, "Change of Auditors." KPMG AZSA LCC refused to make an explanation or to disclose documents regarding the valuation of the Preferred Shares or the reasonableness of the purchase amount, but on this point as well, it cannot be said to have been inappropriate because the interpretation can be made that they fall under items regarding "the decision process in forming a final opinion," which are stated to be exempt from succession under Paragraph 16 of said Statement, so it cannot be said that there were violations of the duty of due care regarding the succession.

B. Whether there were any problems in Ernst & Young ShinNihon LLC allowing the posting of goodwill while it remained unaware of an anomaly in the transaction regarding the purchase of the Preferred Shares

Regarding the background leading to the issuance of the Preferred Shares, it had at least received an explanation from Mori that the necessity to turn Gyrus into a wholly-owned subsidiary had arisen due to circumstances on Olympus' side, and that they were issued as consideration for having AXAM give up any capital gains due to the re-listing of Gyrus, for which the statement cannot be made to the extent that it was unnatural, and additionally, opinions had been issued in the 2009 Committee's Report and in the Board of Corporate Auditors' Report that there were no illegalities regarding the procedures for its issuance, and based on this, KPMG AZSA LLC had also issued an unqualified clean opinion; from this, it can be said that it was unavoidable that it did not recognize an anomaly in the transaction regarding the issuance of the Preferred Shares.

Also, while the decision for the purchase of shares falls under items of business judgment including the decision on its price, there are no procedural problems that can be acknowledged, in addition to which, since Ernst & Young ShinNihon LLC had perceived the value of the Preferred Shares to be nearly 60 billion yen from the beginning, it did not perceive the acquisition amount to the extent of being an abnormally high amount, and the statement cannot be made to the extent that it was unreasonable for it to have perceived that the matter fell under business judgment as an amount that was decided through negotiations with a third party. Moreover, unlike corporate auditors, whose duty is to audit illegalities, auditors have the duty to conduct accounting audits, so the statement cannot be made to the extent that there were careless errors with respect to the fact that Ernst & Young ShinNihon LLC did not perceive the Purchase Resolution to be an unreasonable one that deviated from business judgment.

With respect to the fact that it had newly allowed the posting of 41.2 billion yen in goodwill that accompanied the purchase of the Preferred Shares as well, that it acknowledged the posting of goodwill within the range of the excess earning power in Olympus' surgical business through the Gyrus acquisition cannot be said to be unreasonable in terms of an accounting treatment.

Therefore, with respect to Ernst & Young ShinNihon LLC having acknowledged the posting of goodwill of 41.2 billion yen, which is an amount corresponding to consideration for the acquisition, without having recognized an anomaly in the transaction of the purchase of the Preferred Shares, violations of the duty of due care cannot be acknowledged on the part of Ernst & Young ShinNihon LLC.

X. Regarding the liability of the executive officers

While executive officers have the duty of good faith as employees, regarding the Series of Problems, no fraudulent or inappropriate actions in the performance of duties could be acknowledged in any of them.

XI. Violations of the duty of due care of a prudent manager, etc. on the part of the corporate auditors and damages

1. Damages due to actions by Ota (maintenance of the Loss Separation Scheme)

Olympus maintained the State of Loss Separation through actions such as receiving money from banks by pledging its assets as third party collateral and injecting them into the Receiver Funds, or receiving investments into the Exposed Funds (GIM, SG Bond, GCNVV) and injecting them into the Receiver Funds; during that time, interest was paid to banks, and fund management fees were paid to managers of the Exposed Funds and Pass-Through Funds.

The following money that was generated as the Interest and the Fund Management Fees during the period from July 2001 (Heisei 13), when Ota was appointed as a corporate auditor, until June 2004 (Heisei 16), when he resigned, can be acknowledged to be the damages with legally sufficient cause due to his violations of the duty of due care of a prudent manager.

(1) The Interest

Total interest of 1,133,022,033 yen to LGT Bank, Commerzbank and SC Bank.

(2) The Fund Management Fees, etc.

A. Management fees for GIM and SG Bond

Total 1,720,585,466 yen.

B. Management fee for NEO

The management fee of 217,018,524 yen, which corresponds to 194/295, the ratio of funds that was injected into Quick Progress Co., Ltd. (hereinafter referred to as “QP”) out of the money held by NEO Strategic Venture, L.P. (hereinafter referred to as “NEO”).

C. The loss separation portion of the GCNVV management fee, etc.

The management fee of 654,935,147 yen, which corresponds to 240/350, the ratio of funds that was injected into QP out of the investment in GCNVV.

(3) Total damages due to actions by Ota

Total 3,725,561,170 yen.

2. Damages due to actions by Imai, Komatsu, Shimada, and Nakamura (Loss Separation Settlement Scheme)

In the settlement, etc., of the State of Loss Separation, fees were paid as below to outside collaborators (persons in charge at banks and managers of Pass-Through Funds), etc., in the Loss Separation and its settlement, but these were not made to flow back to Olympus, and damages have been generated at least in said amounts.

(1) Damages from payments made in the name of the money to purchase additional shares in the Three Domestic Companies

① 1,259,250,000 yen that was paid in September 2008 from Neo to Gurdon Overseas S.A (the fund in which the outside collaborator Gerhard Walch (hereinafter referred to as “Walch”) was involved).

② 950,000,000 yen that was paid in December 2008 from TEAO Limited to Nayland Overseas S.A (the fund in which the outside collaborator Walch was involved).

Total 2,209,250,000 yen.

(2) Damages from payments made to AXAM in the name of the money to purchase Gyrus’ Preferred Shares

① 1,080,066,963 yen that was paid in April 2010 from GPA Investments Ltd. to the outside collaborator, Akio Nakagawa.

② 1,367,442,825 yen that was paid in June 2010 from Easterside Investments Limited to the outside collaborator, Chan.

Total 2,447,509,788 yen.

(3) Total damages due to the actions of Imai, Komatsu, Shimada, and Nakamura

Total 4,656,759,788 yen (joint-and-several liability).

End

Exhibit

List of corporate auditors who were not found to be liable

Number	Name
1	Tadahiko Amemiya
2	Seiya Ikoma
3	Hitoshi Komata
4	Hiroshi Kawashima
5	Yoshio Kunihisa

* The judgment was made that it would be reasonable to delegate the pursuit of liability to the Director Liability Investigation Committee for Hideo Yamada as a former director.

List of auditing firms that were not found to be liable

Number	
1	KPMG AZSA LLC
2	Ernst & Young ShinNihon LLC

List of executive officers who were not found to be liable

Number	Name
1	Kazuo Ichikawa
2	Yusuke Kojima
3	Masao Kuribayashi
4	Toshiaki Gomi
5	Akinobu Yokoo
6	Takashi Saito
7	Koichi Karaki
8	Yasuhiro Ueda
9	Norio Saito
10	Hitoshi Kawada
11	Yoshihiko Masakawa
12	Naohiko Kawamata
13	Hiroyuki Sasa
14	Atsushi Nishikawa
15	Yasuo Yoda
16	Gumz, F. Mark
17	Masanori Nakajima
18	Akira Kubota
19	Yasuo Takeuchi
20	Nobuyuki Koga
21	Shigeo Hayashi
22	Akihiro Taguchi
23	Haruo Ogawa
24	Il Seok Bang