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News Release

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Announcement on Significant Deficiencies in Internal Control That Must Be Disclosed in Regard to Financial Reporting

This is to inform you that we had significant deficiencies that must be disclosed, as stated in the internal control report for the fiscal year ended March 2012. The details are as follows.

1. Details of significant deficiencies that must be disclosed and the reason why we failed to correct them by the end of the fiscal year

Associated with the postponement in recording losses from securities investments and other matters, as well as the plan to solve this problem, which were implemented by Olympus Corporation over past fiscal years, we filed a correction report in regard to our past financial reports and quarterly report for the first quarter of the fiscal year ended March, 2012. As this issue was caused by ineffective functioning of the Board of Directors and the Board of Corporate Auditors, which should supervise or audit the management's operations, our corporate culture, the lack of compliance awareness and flaws in the whistle-blowing system, we decided that they fell into the category of significant deficiencies that must be disclosed. After this issue was discovered, we failed to confirm the effectiveness of the operation because a sufficient improvement and evaluation period was not secured by the end of the relevant fiscal year.

As pointed out by our accounting auditor, we corrected multiple errors in the closing of accounts for the relevant fiscal year. This was due to insufficient verification of figures on our part, and by our consolidated subsidiaries, to prepare accurate financial figures, as well as due to our inadequate monitoring of reporting materials from our consolidated subsidiaries. We decided that there were significant deficiencies that must be disclosed in the closing and financial reporting processes to evaluate from the company-wide perspective. We failed to correct these deficiencies by the end of the fiscal year because they were identified in the year-end audit.

Furthermore, we found a fact that the control environment of our Korean subsidiary was damaged by its former representative director. We failed to correct the deficiencies in the control environment of the subsidiary by the end of the relevant fiscal year due to time constraints, although we had been deeply committed to the investigation of this matter after it was brought to light by a whistle-blower, an employee of the subsidiary. The former representative director was dismissed in June as we intend to review the internal management system of the subsidiary, as well as enhance monitoring and supervision by the parent company.

2. Policy to Correct Significant Deficiencies That Must Be Disclosed

Olympus Corporation will restructure management structures and mechanisms and enhance corporate governance and compliance functions. We will correct the deficiencies in the closing and financial reporting processes by improving systems and ensuring the implementation of the closing procedures.

(1) Correction Policy

(i) Enhance the corporate governance system

(A) Clearly separate execution and supervision

(a) Appoint highly independent outside directors to account for over half of the members of the Board of Directors.

(b) The Board of Directors shall be chaired by an individual other than the president (which means the chairman of the company).

- (c) The execution of operations by operating officers shall be supervised by the Board of Directors, in addition to mutual supervision by individual directors.
- (B) Strengthen the power and functionality of the supervisory body for the execution body
 - (a) An independent committee, a majority of whose members are outside directors, shall be voluntarily established and be in charge of the nomination of candidates for directors, corporate auditors, chairman and president, as well as determine remuneration for directors.
 - (b) A maximum term of office for the president, a maximum length of time for which an executive director is assigned to a department and an upper age limit shall be established.
 - (c) The rules including the one to submit a matter to a board meeting shall be reviewed and thoroughly implemented.
- (C) Ensure fairness in electing outside directors and corporate auditors and expand their roles and functions
 - (a) Clarify the requirements and standards for election with emphasis on independence and objectivity in nominating candidates for outside directors and corporate auditors.
 - (b) One of the full-time corporate auditors shall be brought from outside the company. To support the outside corporate auditor, staff members of Corporate Auditors' Office shall be enhanced and increased.
- (D) Proactively disclose information

Any information deemed useful from the perspective of investors shall be disclosed in a timely and proactive manner.

(ii) Review the compliance system

- (A) Change the management's mindset to compliance and enhance accountability
 - (a) The "Olympus Group Corporate Behavior Charter" and the "Olympus Group Code of Conduct" shall be reviewed while "Global Compliance Guidelines" shall be established.
 - (b) The management shall declare a compliance commitment.
 - (c) The progress of compliance promotion shall be disclosed to the public.
- (B) Put a system in place to further enhance the promotion of compliance
 - (a) A "Compliance Committee," chaired by an outside director, shall be established.
 - (b) A Chief Compliance Officer (CCO) shall be appointed, subject to periodic rotation.
 - (c) The compliance organization shall be enhanced and expanded.
- (C) Raise and thoroughly maintain compliance awareness
 - (a) Compliance education shall be enhanced and expanded at all levels.
 - (b) A compliance awareness survey shall be conducted on a regular basis.
- (D) Enhance and expand the whistle-blowing system
 - (a) A contact point for whistle-blowing shall be established, enhanced and expanded, for example by providing an external contact point.
 - (b) Clarify the obligation that an individual who has learned of a wrongdoing should report the matter by being a "whistleblower."

3. Impact on the Consolidated Financial Statements and Other Matters

The necessary corrections to the above-stated significant deficiencies that must be disclosed have no impact on the consolidated and non-consolidated financial statements for the fiscal year ended March 2012, which have already been released, as they were properly corrected in the account closing process.

4. Audit Opinion in Audit Report on Financial Statements

An unqualified opinion is issued.

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