



In April 2012, the new management team signed a commitment to compliance declaration, and Olympus transitioned to a new management system in which the business execution function and supervision function are clearly segregated. We asked Chairman Yasuyuki Kimoto about corporate governance at the reborn Olympus and outstanding governance issues.

Q1

Three months have passed since you became chairman of Olympus in April. How do you view your role at Olympus in consideration of your previous experience?

I joined The Sumitomo Bank (now Sumitomo Mitsui Banking Corporation) in 1971. After retiring from the bank as a director, in 2006 I became president and representative director of Japan Research Institute. I spent more than two-thirds of my 36-year career at the bank in work related to overseas operations. In Europe, I served as president and chaired the board of directors of a locally incorporated bank. Banking has traditionally been a regulated industry. I served for many years in overseas countries where deregulation and liberalization have advanced further than in Japan, and have accumulated wide-ranging experience which allows me to better forecast how the Japanese market will change in the coming years. I have also been involved in large-scale organizational reform, and my experience includes starting up organizations from scratch on several occasions. I consider my mission to be to apply these experiences in leading Olympus to rebirth and renewal.

Olympus is now in a period of unprecedented turbulence. If we examine Olympus employees and products, it is clear that Olympus has a broad range of products, many of which are not suited to mass production, and as a result has a diverse portfolio of technologies and many talented employees who have mastered them. Since there are no problems with Olympus businesses themselves, I think the best approach is for the employees to carry on with work as before. However, it is necessary to rebuild corporate governance nearly from scratch. To that end, the most important thing is to establish a framework in which people go about their business as usual rather than relying on a new scheme, and I

consider this to be the most important task for the Board of Directors.

The members of the Board of Directors will work in unison to establish a corporate governance system for a rebirth of Olympus that will ensure management that is highly appropriate and transparent by the standards of society, not biased by some internal logic of Olympus.



Q2 In the new corporate governance system, Olympus has clearly segregated business execution and supervision. How do the roles of the chairman and president differ under the new system?

The division of roles of the chairman and president is crystal clear in Olympus' current system. The president controls the overall conduct of business at Olympus.

The main roles of the chairman are to chair and lead the Board of Directors and to take the initiative in supervising and overseeing the execution of duties by the inside directors and executive officers from a standpoint independent of management. The position is not chairman of Olympus, but rather chairman of the Board of Directors, a supervisory function. Accordingly, the chairman does not have right of representation and does not directly participate in decisions pertaining to business execution. The responsibilities of the chairman of the Board of Directors include participating as an observer and expressing opinions at meetings of the Executive Management Committee, the body that makes decisions about business execution. In addition, I personally believe that it is important for the chairman to be a good adviser to the president. I also believe that the most important job of the chairman is to support the work of the president, and I hope to fulfill that role.

Under the new corporate governance system, we aim to regain the trust of our stakeholders and improve corporate value.

Q3 One finding in the investigative report of the Third Party Committee is that the Board of Directors was not fulfilling its oversight responsibility. What improvements in this area have been made with regard to the new corporate governance system?

We acknowledge the Third Party Committee's finding that previous Board of Directors did not function adequately, despite institutional sufficiency, with respect to the internal control environment, risk assessment and response, information communication and monitoring, and failed in their supervision function, which is at the center of corporate governance and internal control.

Under the new corporate governance system, the composition of the Board of Directors has been completely transformed. A system has been established to ensure an environment in which management supervision can be fully realized by having outside directors highly independent from management account for a majority of six of the eleven directors. Furthermore, since the outside directors appointed by the Nominating Committee express opinions grounded

in a clear recognition of issues and a sense of responsibility, I believe that the management supervision function, the most important proposition for the Board of Directors, will be fully executed.

By attaining synergy between the internal code of ethics and measures to strengthen the compliance system, we will lead the development of Olympus into a company that can promise to restore stakeholder trust and improve corporate value as quickly as possible. I encourage our stakeholders to have high expectations for the future.

Q4

The Board of Directors manages and supervises the execution of business. Please describe specific management and supervision measures.

In the new corporate governance system, the Board of Directors has the right to vote on important matters raised at the Executive Management Committee. That is to say, since a process has been established by which decisions on management strategy and other important management matters are made by approval of the Board of Directors, a mechanism is in place to ensure management soundness.

In addition, the Board of Directors has requested reporting on matters decided by the Executive Management Committee and president. Since failure to report and lack of communication are causes of governance malfunction, the Board of Directors will engage in ongoing improvements of the governance system, focusing on functional enhancement of information communication and monitoring.

Highly rational and transparent management will support the sound growth of Olympus.

Q5

What is your assessment of the functioning of the current Board of Directors three months after its formation?

Although board meetings at large corporations tend to be conducted as a formality, active discussion takes place at Olympus Board of Directors meetings. Board members express opinions openly, in part because they are keenly aware



of the problems facing Olympus, and I think that Olympus has one of the most spirited and active boards of any Japanese company.

Having a highly reliable corporate governance system in place, the Board of Directors must shift to the next task: offering constructive commentary on the direction Olympus should take in the future. Since the Board has many members who bring a wealth of experience and keen insight as business managers, I believe that high expectations of Olympus are warranted.

Q6

What are your thoughts on the management issues facing the reborn Olympus?

Olympus is the world's only manufacturer with the development and manufacturing technologies that can meet the diversity of needs for endoscope products, ranging from diagnosis to therapy, and I consider it a tremendous company with proven worldwide competitive strength.

Since taking office, I have visited a variety of production sites, learned about the work performed there, and had conversations with many employees. Without exception, I feel the employees who work in production take pride in their work and enjoy making things. Given such circumstances, the Back to Basics policy set forth in the medium-term vision is by no means a tall order. To the contrary, I am convinced that we can achieve ample business growth provided employees throughout the Group further build on and develop the work they have performed heretofore at their workplaces. These visits filled me with the strong belief that the future of Olympus is bright.

At the same time, one of the business execution tasks is to ensure financial health by rebuilding the business portfolio, reviewing cost structures, and improving the equity ratio, among others. Financial soundness can only be achieved through the steady, step-by-step continuation of these measures. Although it will take time for such measures to produce visible results, we will deliver those results without fail, and I encourage our stakeholders to have high expectations in this regard.

**Q7**

Do you have a message for Olympus stakeholders and what are your aspirations as chairman of the Board of Directors?

Olympus has an overwhelmingly high market share and has set the global standard for medical endoscopes. I believe that the management of Olympus should above all fulfill its responsibility toward the worldwide medical profession and those who seek health and that corporate governance should function to that end. Through the pursuit of highly rational and transparent management under a corporate governance system in which the business execution and supervision functions are clearly segregated, it will become possible for Olympus to achieve stable growth and demonstrate its true corporate value. I believe that this will lead to the restoration of public confidence and, by extension, lead to meeting the expectations of our stakeholders.

As an Olympus director, I have a fiduciary duty and duty of loyalty toward Olympus, and I have absolutely no intention of placing the interests of creditors over the interest of our shareholders. Olympus has responsibility to continue to grow for the benefit of the health and happiness of people around the world and the interest of shareholders. By developing a highly reliable corporate governance system and practicing fair and open investor relations, we will give rise to a new Olympus that proudly and unashamedly demonstrates its value to the world. I request the continued support and encouragement of our stakeholders in the coming years.