

Basic Policy on Corporate Governance

Olympus as an active member of society that shares its values, seeks to contribute to people's health and happiness by proposing new value through its business endeavors. We call this aim "Social IN" and make it the core philosophy that underlies all of our activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

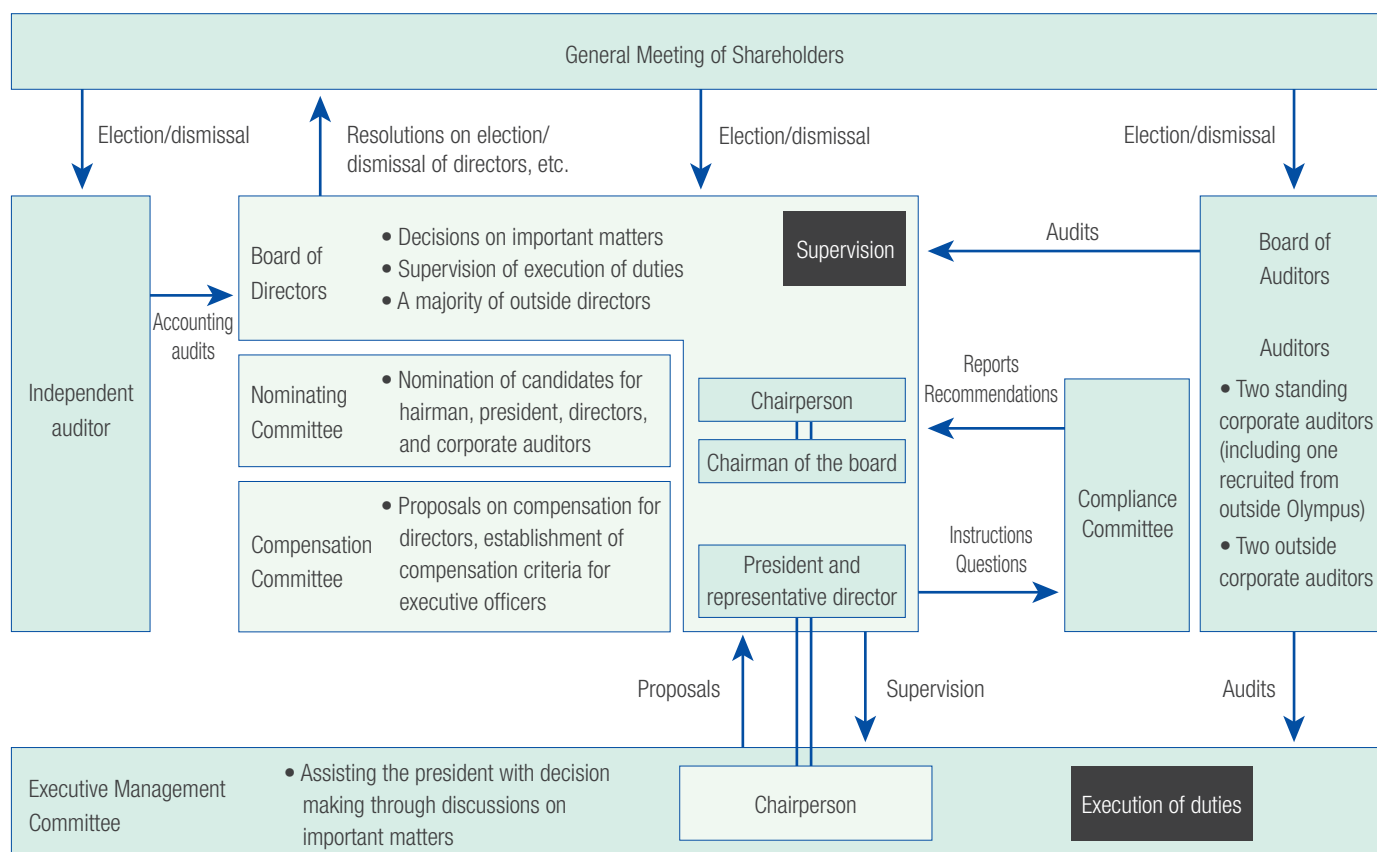
Corporate Governance Structure

The Board of Directors consists of 11 members, including a majority of 6 outside directors. In principle, the Board of Directors meets once per month, and strives to make timely decisions regarding Olympus' business strategies and other important management matters and to exercise appropriate oversight of business execution. A corporate

officer other than the president (the chairman of the board) chairs meetings of the Board of Directors. The term of office of directors is one year, and Olympus clarifies the responsibilities of directors by assessing their performance each year. Olympus expects the 6 outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, to strengthen corporate governance, Olympus has adopted an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of the executive officers, and has set a maximum tenure period for the president, a maximum tenure period for executive officers of business divisions, and a maximum age for corporate officers.

Olympus' Articles of Incorporation provide for a maximum of 15

Corporate Governance Structure (Summary)



directors, and nominations for directors are approved by a majority of voting rights of the shareholders present at the general meeting of shareholders where shareholders holding one third or more of the voting rights of shareholders are entitled to exercise voting rights.

Olympus' Executive Management Committee meets three times per month, in principle, to assist the president and chief operating officer (COO) with decision making by deliberating on important matters. The Executive Management Committee consists of the president, the managers of the business division and other organizations and the chief compliance officer (CCO), while the chairman of the board and the standing corporate auditors participate as observers.

Olympus has adopted a corporate auditor system. Two of the 4 corporate auditors are outside auditors. Of the 2 outside auditors, Mr. Nobuo Nagoya is a certified public accountant and has considerable knowledge of finance and accounting. One of the 2 standing auditors was recruited from outside Olympus. Olympus has established the Corporate Auditors' Office to support corporate auditors and assigned full-time employees to assist with their work. In principle, the Board of Auditors, like the Board of Directors, meets once per month. The corporate auditors attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In particular, in principle, they exchange opinions with the representative director four times per year. Furthermore, the corporate auditors receive periodic reports from independent auditors about matters such as the annual audit plan, matters related to the quarterly closing of accounts, and year-end audit reporting and exchange opinions with the independent auditors as necessary.

Olympus will voluntarily establish independent committees (the Nominating Committee and Compensation Committee) comprising a majority of outside directors who will share their views and offer advice to the Board of Directors concerning the nomination of candidates for director, corporate auditor, president, and chairman and the compensation of directors.

The Group Internal Audit Office, an internal audit organization of 19 members, evaluates the development and implementation of

internal controls, conducts compliance audits, systems audits, and other audits in accordance with an annual audit plan approved by the president, reports audit findings to the president and the Board of Directors, and also reports to the Board of Auditors.

As described above, Olympus seeks to enhance the management oversight function by appointing outside directors and outside auditors; it has enhanced the audit structure by establishing the Corporate Auditors' Office and the Internal Audit Office. Olympus believes that the current governance structure is an appropriate structure for Olympus.

➤ **Outside Directors and Outside Corporate Auditors**

Olympus has strengthened the corporate governance structure by appointing 6 outside directors out of its 11 directors and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside auditors out of the 4 corporate auditors.

Olympus has designated 6 outside directors and 2 outside corporate auditors as independent officers pursuant to the rules for listed companies stipulated by the Tokyo Stock Exchange.

➤ **Internal Controls**

Olympus seeks to contribute to people's health and happiness. We call this aim "Social IN" and make it the core philosophy that underlies all of our activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

1. Framework to ensure compliance with applicable laws and regulations as well as the Articles of Incorporation of directors and employees when performing their duties:
 - (a) In order to ensure a system whereby directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation, the Board of Directors shall establish

the Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct and other basic policies and internal corporate regulations.

- (b) The Board of Directors shall establish the Compliance Committee chaired by an outside director as a body to oversee and improve the compliance system. It shall also establish a compliance promotion system by appointing an officer in charge of compliance, CCO (chief compliance officer), and by creating a department in charge of Groupwide compliance. The department in charge of Groupwide compliance shall be responsible for the improvement of the Group compliance system based on Global Compliance Guidelines. Furthermore, it shall continue to educate directors and employees and implement measures relating to assessment. It shall establish a helpline for the purpose of consultation or requesting information on compliance-related issues and develop a system to report the details of such issues, if they arise, to the Board of Directors and the Board of Auditors.
- (c) Olympus shall set up a CSR Committee chaired by the president and regularly hold meetings to set objectives for and evaluate CSR activities. The Committee shall promote measures to realize the Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct in order to foster compliance with laws and regulations and high ethical standards.
- (d) Olympus shall establish the Group Internal Audit Office, to directly report to the President. The Group Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, periodically conduct internal audits of all business operations with respect to compliance with laws and regulations, the Articles of Incorporation, internal rules and regulations, and the appropriateness of business execution procedures and details, and other matters.
- (e) In order to ensure the appropriateness and reliability of financial reporting, the Group Audit Office shall conduct ongoing improvements by regularly evaluating its activities and operations to ensure that control functions relating to financial reporting work effectively under the internal control system.
- (f) The Administration Department shall be responsible for cooperating

with lawyers, the police, and other parties to systematically and resolutely deal with antisocial forces and organizations that threaten social order and safety.

- 2. Framework for the maintenance of records and management of information in relation to the execution of duties by directors
 - (a) Pursuant to applicable laws and regulations and internal corporate regulations, including the internal rules on document management, Olympus shall maintain and manage documents or electronic data.
 - (b) Directors and corporate auditors may access important documents, such as the minutes of a meeting of the Board of Directors and authorizations, at any time.

Risk Control Structure

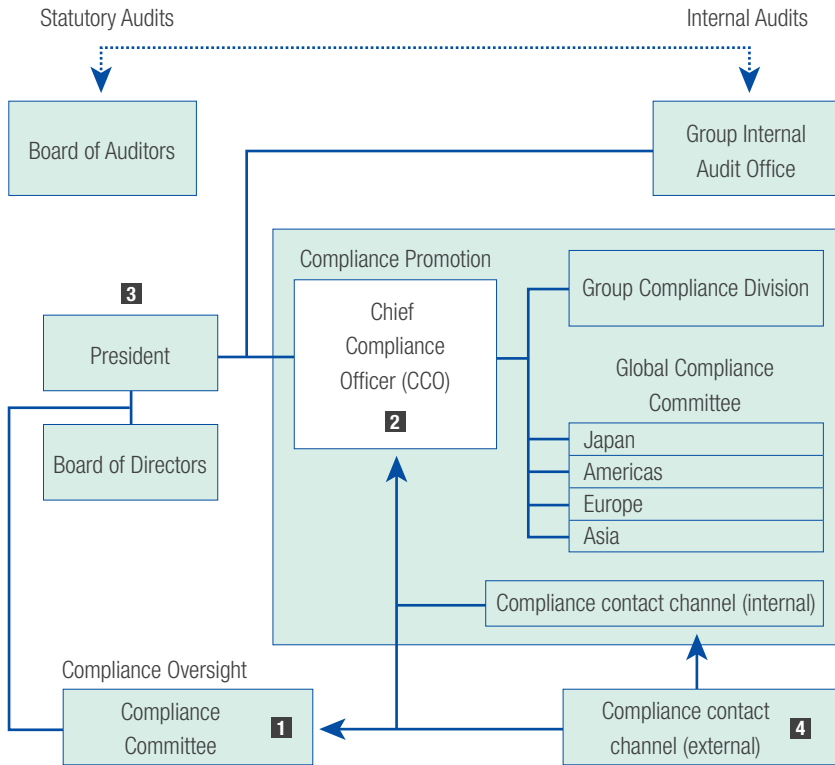
Olympus newly formed the CSR Committee in 2011 and is strengthening activities pertaining to risk management. Olympus has established risk management rules, a Risk Management Committee based on those rules, and made decisions on risk management policies and evaluation, verification, and procedural guidelines.

Furthermore, Olympus has set up a Risk Management Bureau with a full-time staff that collects and assesses information, formulates countermeasures, and ensures their effectiveness. In addition, each in-house company, business site, and affiliate has developed its own risk management structure. Should any risks arise that could have a significant impact on the maintenance of Olympus corporate value, such risks are immediately reported to the president and the Risk Management Committee, who determine appropriate countermeasures and ensure prompt resolution of the issue. Olympus is also developing a structure to minimize the impact on corporate value even in time of a developing crisis.

At the time of the Great East Japan Earthquake of March 2011, Olympus concentrated on implementing business continuity activities and was able to quickly restore operations. On the basis of this experience, Olympus is reviewing its disaster preparedness manual and business continuity plan (BCP).

Strengthening the Compliance System

Olympus will commence initiatives to raise compliance awareness and strengthen the compliance promotion system.



- 1** Establishment of a Compliance Committee chaired by an outside director
- 2** Appointment of a Chief Compliance Officer (CCO) and development of a compliance promotion organization
- 3** Compliance commitment declaration by the management team and enhancement of compliance education at all organizational levels
- 4** Upgrading of the internal compliance-related reporting system
Upgrading of the compliance helpline (external)

Measures to Remove the “Securities on Alert” Designation

Aiming to remove the designation within one year

Formation of an internal project team in March 2012

Future project team expansion to more than 100 staff members Groupwide

2012 Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	2013 Jan.	Feb.–May	
Internal system development period				Internal system implementation period						Review period		
Identification of improvement measures	System development			Implementation of improvement measures						Submission of internal confirmation document		
	Regulations development											