

Corporate Governance

Basic Stance toward Corporate Governance

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities. We call this aim “Social IN” and have made it the corporate philosophy that underlies all of our activities.

Based on this, the Company has established systems to ensure that the Olympus Group operates effectively and efficiently and that its financial reports are appropriate and reliable, and is pursuing ongoing improvements to these systems. At the same time, we realize that incorporating the diverse values and expectations of society into management is

important to fulfilling our corporate social responsibility (CSR). For this reason, we actively communicate with a wide range of stakeholders with the aim of fulfilling our responsibility to society while also continuing to grow together sustainably with it. Furthermore, the Board of Directors and other members of management conduct periodic inspections to ensure that all corporate officers and employees adhere to Olympus’ Corporate Conduct Charter, which is based on our corporate philosophy. In this manner, we work to cultivate a corporate culture that is respectful toward the rights and position of stakeholders as well as good business ethics.

Corporate Governance Structure

• Basic Corporate Governance Policies

Olympus fills the position of chairman of the Board of Directors with a director that does not have business execution responsibilities in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee and the Compensation Committee, both of which were established voluntarily by the Company, consist of a majority of highly independent outside directors and are also chaired by such directors.

When selecting directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors as a whole. We also secure sufficient time for meetings of the Board of Directors to ensure that all directors are able to fulfill their duties and responsibilities.

• Overview of Corporate Governance Structure

The Board of Directors consists of 10 members, half of which are outside directors. In principle, the Board of Directors meets once per month and approves important management proposals made by the president, the highest authority for executive management, while exercising appropriate oversight of business execution. The term of directors is set at one year to allow their performance to be evaluated on a yearly basis and to clarify responsibility for this performance. Olympus expects the five 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, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Olympus employs 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. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restraints are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers. The Executive Management Committee, in principle, convenes three times a month in order to aid the president in making important management decisions through discussion of these matters. This committee consists of members including the president and heads of functional organizations. Also, audit & supervisory board members and the Chief Compliance Officer (CCO) attend meetings of this committee as observers, thereby further reinforcing the oversight function for business execution divisions.

• Voluntarily Established Committees

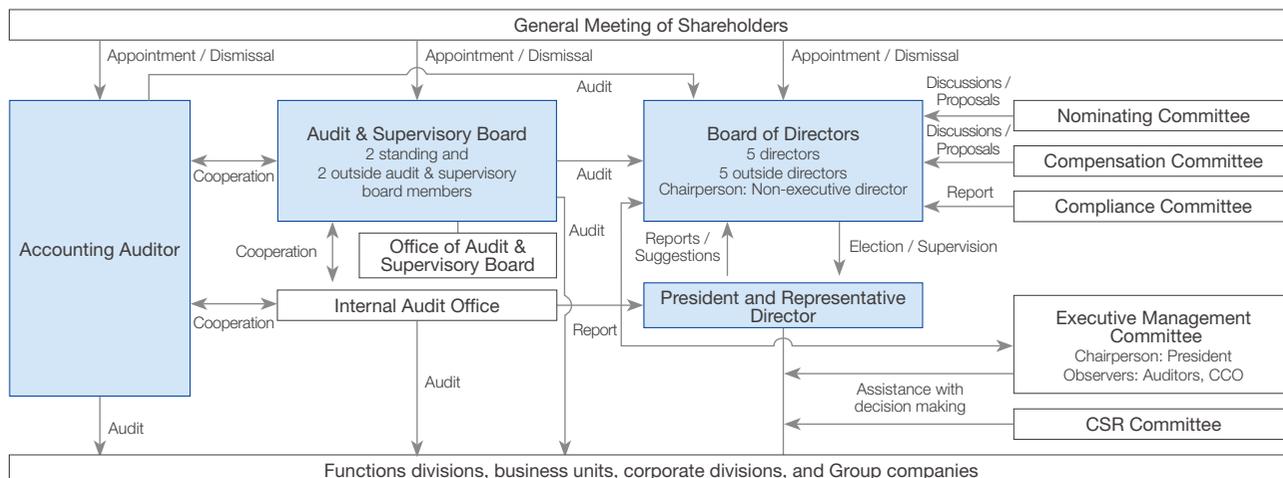
Olympus has adopted the Company with Audit & Supervisory Board system for its governance system, but has also incorporated aspects of the Company with Nominating Committee, etc., system by pursuing voluntary improvements in governance functions through the establishment of its independent Nominating Committee and Compensation Committee. Furthermore, the Compliance Committee, which is chaired by an outside director, was established as a body to oversee and improve the compliance system.

Overview of the Corporate Governance Structure

(As of June 26, 2015)

Format	Audit & Supervisory Board system
Adoption of executive officer system	Yes
Directors	10
Of whom, outside directors	5
Term of directors	1 year
Audit & supervisory board members	4
Of whom, outside audit & supervisory board members	2
Independent officers	7
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	17 times
Results-linked remuneration	Yes

Corporate Governance Structure



Composition of Committees and Position of the Chairman

	Number of members	Internal directors	Outside directors	Chairman (of the Committee)
Board of Directors	10	5	5 (5 independent directors)	Non-executive director
Nominating Committee	3	1	2	Outside director
Compensation Committee	3	1	2	Outside director
Compliance Committee	4	—	2	Outside director

Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing 5 outside directors, representing half of its 10 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 audit & supervisory board members out of the 4 audit & supervisory board members.

Outside directors and audit & supervisory board members

receive reports from the Group's Internal Audit Office about internal audits at Board of Directors' meetings. Outside audit & supervisory board members also receive reports from both the Internal Audit Office and the accounting auditor at Audit & Supervisory Board meetings. In addition, outside audit & supervisory board members meet with staff from the Internal Audit Office and the accounting auditor to share opinions and otherwise coordinate their efforts. Furthermore, all 5 outside directors are independent directors and both audit & supervisory board members are independent auditors.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 17 times in fiscal 2015)	
Takuya Goto*	Mr. Goto was appointed so that his extensive experience and diverse knowledge as a business manager at Kao Corporation may be applied to the Company's management.	17/17	
Shiro Hiruta*	Mr. Hiruta was appointed so that his extensive experience and diverse knowledge as a business manager at Asahi Kasei Corporation may be applied to the Company's management.	17/17	
Sumitaka Fujita*	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	17/17	
Motoyoshi Nishikawa*	Mr. Nishikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation) as well as his diverse knowledge as an attorney may be applied to the Company's management.	17/17	
Keiko Unotoro*	Ms. Unotoro was appointed so that her extensive experience and diverse knowledge acquired from working at the Japan Fair Trade Commission may be applied to the Company's management.	17/17	

Outside audit & supervisory board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Board of Directors (Met 17 times in fiscal 2015)	Audit & Supervisory Board (Met 26 times in fiscal 2015)
Nobuo Nagoya*	Mr. Nagoya was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	17/17	26/26
Katsuya Natori*	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	16/17	26/26

* Independent officers

Strengthening of Audit and Supervisory Functions

Olympus is a company with the Audit & Supervisory Board system. Two of the four audit & supervisory board members are outside audit & supervisory board members. One of the two standing audit & supervisory board members was recruited from outside Olympus to guarantee the strength of supervisory functions. Olympus has established the office of Audit & Supervisory Board to support audit & supervisory board members and assigned full-time employees to assist

with their work. In principle, the Audit & Supervisory Board, like the Board of Directors, meets once per month.

In accordance with the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standard, the audit & supervisory board members attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In principle, they exchange opinions with the representative director four times per year.

Corporate Officer Compensation

The upper limits for the monthly compensation of directors and audit & supervisory board members as well as director bonuses are decided at the general meeting of shareholders.

Director compensation is decided by the Board of Directors in accordance with the Director Compensation Guidelines based on the recommendations of the Compensation

Committee, which is comprised of a majority of highly independent outside directors. Audit & supervisory board member compensation is decided by the Audit & Supervisory Board in the same manner. Bonuses and stock options are not paid to audit & supervisory board members to maintain their standing as independent from business execution.

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / audit & supervisory board members
		Base	Bonuses	Stock options	Retirement benefits	
Directors (excluding outside directors)	369	273	50	47	—	5
Audit & supervisory board members (excluding outside audit & supervisory board members)	56	56	—	—	—	2
Outside officers	120	120	—	—	—	11

• Policies for Determining Corporate Officer Compensation Amount and Calculation Method

Compensation for directors, excluding outside directors, includes monthly salaries, bonuses, and stock options. Outside directors only receive monthly salaries and are not eligible for bonuses or stock options. In fiscal 2015, the Company will introduce income-linked bonuses for directors to build a stronger link between the Company's performance and directors' bonuses.

Calculation Method for Income-Linked Bonuses

The following formulas will be used for calculating the compensation to be paid to directors in fiscal 2016.

1 Total value of remuneration

Total value of remuneration =
 $((\text{Consolidated operating income in fiscal 2016} - \text{¥15.0 billion}) \times 0.0544\% + (\text{Consolidated net income in fiscal 2016} - \text{¥1.0 billion}) \times 0.0458\%) \times (\text{Total sum of "officer points" for all applicable directors} \div 96)$
 (rounded to the nearest ¥10,000)

2 Individual compensation

Individual compensation =
 $\text{Total value of remuneration} \div \text{Total sum of "officer points" for all applicable directors} \times \text{"Officer points" of individual director}$

Each director receives individual compensation as a portion of the total value of remuneration calculated in **1** above that is proportionate to the director's individual score of "officer points" as shown below (rounded to the nearest ¥10,000).

Officer Points

Chairman	President and Representative Director	Director, Vice President	Director, Senior Executive Managing Officer	Director, Executive Managing Officer	Director, Managing Officer
24	28	20	16	12	9

Internal Controls

Framework to ensure the compliance by directors and employees of the Company and its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation:

- **Compliance Committee**

The Company shall establish the Compliance Committee chaired by an outside director as a body to oversee and improve the compliance system.

- **CSR Committee**

Olympus shall set up the CSR Committee with the president responsible for CSR and chaired by the officer in charge of CSR, and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

- **Internal Audit Office**

Olympus shall establish the Internal Audit Office to directly report to the president. The Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, conduct internal audits of the Company and its domestic subsidiaries with respect to compliance with laws and regulations, the Articles of Incorporation, internal rules and regulations, the appropriateness of business execution procedures and details, and other matters.

Rules relating to the risk management of the Company and its subsidiaries in the event of loss and other circumstances:

- 1 The Company shall manage its business risks of the Olympus Group based on thorough discussions held at meetings of the Board of Directors and the Executive Management Committee, among other meetings, and appropriate internal approval procedures.
- 2 The Company shall manage risks, such as those relating to quality, product safety, export control, information security, occupational health and safety, the environment, and disasters, by defining responsible divisions, establishing internal corporate regulations and standards, working for preventive risk management as the Olympus Group, and implementing related education and training.
- 3 The CSR Committee shall report and deliberate on plans and measures in relation to risk management and make

efforts to establish and maintain a risk management system at the Olympus Group. Moreover, pursuant to the internal Rules on Risk Management and Crisis Response, each department in charge in the Company and the subsidiaries shall be aware of risks and take preventative measures, and the Company has a framework that enables prompt actions in the event of an emergency. In the event of an earthquake, fire, other natural disaster, accident, corporate ethics violation, or occurrence of another high-risk incident, the department in charge shall make immediate reports to the president, other members of the Executive Management Committee, and relevant people. Response measures will then be decided by the president.

Framework to ensure the effective performance of duties by directors of the Company and its subsidiaries:

- 1 The Board of Directors shall approve medium- and long-term corporate strategic plans in which the business objectives of the Olympus Group are set forth, and action plans for these, which are called annual business plans. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the status of the Company's annual business plan.
- 2 The Board of Directors shall determine the separation of duties among the president and other operating directors and approve the separation of duties of executive officers. In addition, the Board of Directors shall receive reports on their duties as performed.
- 3 Based on internal corporate regulations including the internal rules on approval procedures and organizational matters, the Board of Directors shall approve the management organization and the separation of duties as well as the responsibility and authority of each representative director, other operating director, executive officer, and receive reports from major management organizations on their duties as performed.
- 4 To ensure efficient execution of duties by directors of the subsidiaries, the Company has established Group Finance Control Rules and introduced a cash management system for Japan, America, Europe, and Asia.

Risk Management Structure

Olympus has identified one of the functions of the CSR Committee, which establishes the president as being responsible for CSR and is chaired by the officer in charge of CSR, as managing risks, and the committee thus works to reduce exposure to risks and prevent their actualization as part of its normal operations. The Company has also put into place systems for responding to serious risks should they be realized. In addition, to further strengthen the Company's risk management structure, the Risk Management Bureau was revised and renamed the Risk Management Department in October 2012.

Risk Management System



Basic Policies for Information Disclosure

In addition to conducting appropriate disclosure as mandated by laws and regulations, the Company also strives to transmit information in various forms on its own accord in order to ensure the transparency and impartiality of decision making and realize effective governance. These forms include Olympus' corporate website, annual reports, and shareholder newsletters as well as voluntarily released timely disclosure documents. In issuing these communications, directors take care to ensure that all information disclosed is not only easy to understand but is also valuable to the target recipients. Furthermore, as a large portion of the Company's shareholders are not Japanese, we provide English-language versions of the majority of these information disclosures.

• Communication with Stakeholders

At Olympus, the president, director in charge of finance, heads of businesses, outside directors, and other members of management actively engage in communication with

shareholders, and we have installed systems for incorporating shareholder feedback into management. Moreover, top-level managers explain the Company's management policies directly to shareholders at the general meeting of shareholders as well as during shareholder interviews. We also provide clear and easy-to-understand explanations on these policies at financial results briefings, through annual reports, and on Olympus' corporate website.

Furthermore, to protect the rights of shareholders, convocation notices for the general meeting of shareholders are sent at the earliest date possible and are made to include a comprehensive range of information. In addition, English-language versions of convocation notices are uploaded onto the Company's corporate website, and we take other steps to guarantee that such information is provided fairly to all shareholders, including those overseas, and thereby ensure that shareholders have ample information and sufficient time to properly exercise their voting rights.

Investor Relations (IR) Activities

The following investor relations activities were conducted in fiscal 2015.

Activity	Times conducted	Details
Conference on results for institutional investors and analysts	4	Meetings held quarterly (May, August, November, and February) to explain topics from the period, focused on financial performance and forecasts
Facility tours and study sessions	3	Tours and study sessions of plants, repair centers, training centers, and other facilities
Conference call for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshow	5	Meetings for institutional investors in which the president and CFO visit overseas sites
Meetings for individual investors	11	Meetings held at branch offices of securities companies
Uploading of IR information to corporate website	As required	Posting of financial results and other timely disclosure materials, intellectual property reports, and fact books as well as information on CSR and environmental activities

Response to the Corporate Governance Code

Following the 2014 revision of the government's Japan Revitalization Strategy, the Corporate Governance Code was established in March 2015 as a compilation of principles for effective corporate governance by listed companies.

Since the institution of the new management team in 2012, Olympus has continued to strengthen its corporate governance systems, positioning this as a top management priority. In light of the establishment of the code,

Olympus expressed its endorsement and newly formulated the Basic Policy for Corporate Governance based on the code. We then quickly set about implementing the code's principles.

The Basic Policy for Corporate Governance can be viewed in its entirety on the Company's corporate website and in its corporate governance reports.

WEB Basic Policy for Corporate Governance:
<http://www.olympus-global.com/en/ir/policy/governance/>

Evaluation Results Regarding Effectiveness of Board of Directors

To increase the overall effectiveness of the Board of Directors and improve corporate value, the Company institutes analyses and evaluations of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed.

WEB Evaluation of Effectiveness of the Board of Directors:
<http://www.olympus-global.com/en/ir/policy/governance/>

Method of Evaluation

In cooperation with an external consulting firm, the Company prepared a questionnaire on the effectiveness of its Board of Directors and individual committees (Nominating Committee, Compensation Committee), and their relationships with investors and shareholders. This questionnaire was distributed to each director and audit & supervisory board member, and the Company received answers from all of the respondents. With these replies from the directors and audit & supervisory board members as well as feedback from the external consulting firm, the Company did an analysis and evaluation regarding the effectiveness of its Board of Directors.

Main items in the questionnaire for the evaluation of Board Of Directors

1. Composition of the Board of Directors	6. Support system for outside directors
2. General operation of the Board of Directors	7. Roles and expectations of the audit & supervisory board members
3. Composition and roles of individual committees (Nominating Committee, Compensation Committee)	8. Relationship with investors and shareholders
4. General operation of the Nominating Committee	9. Governance system, effectiveness of the Board of Directors in general
5. General operation of the Compensation Committee	

Results of Analysis and Evaluation of the Effectiveness of the Board of Directors

As a result, the Company confirmed that adequate support, such as briefings prior to board meetings and Olympus facility tours conducted for outside directors and audit & supervisory board members to further their understanding of the Company, had led to active discussions at board meetings involving audit & supervisory board members, where outside directors with a wide range of experience and expertise had previously been in the majority. It also confirmed that individual committees (Nominating Committee, Compensation Committee) had properly fulfilled their required roles. Based on the abovementioned analysis results and others, the Board of Directors of the Company evaluated that the effectiveness of the board had been sufficiently established for the purposes of approving important managerial matters and properly supervising business operations.

Meanwhile, the Board of Directors of the Company acknowledged that their discussions had a relative tendency to focus on time-critical significant issues, such as dealing with risks, improving the corporate governance structure, and responding to compliance issues. It also acknowledged that in its relationships with investors and shareholders, it had made efforts to communicate the Company's long-term competitive advantage and status of improvement in the corporate governance structure, and that there had been a lack of systematic and organized feedback to the Board of Directors of the Company in terms of evaluations by its investors and shareholders.

Issues for the Future and How to Address them Based on Analysis and Evaluation

Based on the analysis and evaluation stated above, the Company intends to focus on and address the following issues in particular.

More complete discussions on medium- and long-term managerial issues at board meetings	We will hold more complete discussions on medium- and long-term managerial issues at board meetings. In particular, we will formulate a new medium-term management plan this fiscal year and will hold more complete discussions on significant issues based on the state of medium- and long-term competition in business operations as well as on market trends in the course of formulating the plan. In addition, as part of such efforts, in relation to the Executive Management Committee, we will also consider review of the Board of Directors' agenda.
Enhanced feedback to the board on evaluations of the Company by the capital market (investors and shareholders)	We will provide the Board of Directors of the Company with systematic and organized feedback from the capital market (investors and shareholders), including evaluations of the Company by individual investors and shareholders and reports on overall IR activities as well as the executor side's analysis and policy on how to respond.