Olympus Corporation (the “Company”) adopted a resolution to partial amendments to the articles of incorporation at the General Meeting of Shareholders held on June 25, 2019. The Company transitioned from a company with an Audit & Supervisory Board to a company with a Three Committees Board Structure on the same day.

**Expected Effects of Shifting to a Three Committees Board Structure**

1. **Acceleration of Management Decision Making and Business Execution Functions**
   
   Functions are separated based on the basic principle of “separation of corporate oversight and business execution” in a “company with a three committees board structure.” The Board of Directors focus on deciding important matters on core managerial elements and overseeing business management. The Company will seek to accelerate management decision-making and execution by delegating more authority to executive officers concerning matters related to daily business execution.

2. **Reinforced Supervisory Function in Management**
   
   The Company will establish three committees: nominating committee, compensation committee, and audit committee, which consist of a majority of independent outside directors; supervise management through the functions of each committee; and build a more appropriate management supervisory system.

3. **Increased Transparency in Management**
   
   The nominating committee will consist of a majority of independent outside directors who will decide candidates for directors, while the compensation committee will consist of a majority of independent outside directors who will decide remuneration of directors and executive officers. These committees will improve the transparency of director and executive officer assignment and remuneration decisions. The Company will seek to further increase its management transparency to domestic and foreign stakeholders.

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**Corporate Governance Structure (Before Shifting to a Three Committees Board Structure)**

**Corporate Governance Structure (After Shifting to a Three Committees Board Structure)**
Olympus’ Corporate Governance

Basic Stance toward Corporate Governance

All our activities are based on our corporate philosophy, “Making people’s lives healthier, safer and more fulfilling.” In accordance with this philosophy, we will work for our shareholders and other stakeholders in order to realize ongoing corporate growth and medium-to-long-term improvements in corporate value. This philosophy also drives us to establish, implement, and continuously improve systems for ensuring the effectiveness and efficiency of operations and the appropriateness and reliability of financial reports.

The Company is continuously strengthening its corporate governance system, positioning this task as a top management priority. In addition, we endorse the goals of Japan’s Corporate Governance Code, which was formulated in March 2015 (revised in June 2018), and, in principle, we are complying with and have implemented measures based on the principles of the code. Through such efforts, we seek to ensure effective corporate governance based on our fiduciary duty to shareholders; our responsibilities to customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.

Corporate Governance Structure

Basic Corporate Governance Policies

In order to enhance the oversight functions of the Board of Directors, which is memberson by a majority of independent outside directors, the Company fills the position of chairman of the Board of Directors with an independent outside director in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee, Compensation Committee, and Audit Committee consist of a majority of independent outside directors and are also chaired by such directors.

With regard to the composition of the Board of Directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors, regardless of nationalities, ethnicities, and genders of its members. 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 the Corporate Governance Structure

The Board of Directors consists of 15 members, nine of whom are independent outside directors. Term of directors continue for one year. The Board of Directors convenes at least once every three months and when needed to determine basic management policies, matters relating to the internal control system, and other important matters, and monitors the execution of the duties of directors and executive officers, etc. The Board of Directors is chaired by Sumitaka Fujita, an independent outside director.

In the exercise of supervisory functions at the Board of Directors, the 15 outside directors are expected to bring their specialist knowledge to bear on management. The Company proactively provides directors with information to enable the effective execution of their roles and duties. Outside directors of the Company may at all times when needed or when considered appropriate request clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to create systems to ensure the soundness of management.

The three committees comprised of the Nominating, Compensation, and Audit Committees, each consisting in the majority of independent outside directors, determine director candidates (Nominating Committee) and the remunerations of directors and executive officers (Compensation Committee), and audit the execution of the duties of directors and executive officers (Audit Committee). In addition, the Company has voluntarily established the Compliance Committee chaired by an independent outside director as a body to supervise and improve the compliance system of the Olympus Group.

The articles of incorporation stipulate that directors of the Company are appointed by a majority vote of the General Meeting of Shareholders with at least one-third of shareholders eligible to exercise voting rights in attendance and that resolutions on appointments are not adopted by cumulative voting.

Overview of the Corporate Governance Structure (As of June 25, 2019)

- Directors 15
  - Of whom, outside directors 10
  - Of whom, appointed as independent outside directors 2
  - Term of directors 1 year
- Executive officers 5
- Adoption of corporate officer system Yes
- Performance-linked remuneration Yes

Structure of Board of Directors

Position | Name
--- | ---
Directors (5) | Yasuo Takeuchi, Hiroyuki Sasa, Tatsuki Kishimoto, Yasumasa Masuda, Masashi Shimizu
Outside Directors (10) | Sumitaka Fujita (Chairman), Takayuki Katayama, Susumu Kaminaga, Michijiro Kikawa, Tetsuo Iwamura, Yasumasa Masuda, Katsuya Natori, Atsushi Iwasaki, D. Robert Hale, Jim C. Beasley

Composition of Committees

Position | Name
--- | ---
Chairman of Nominating Committee | Yasuo Takeuchi
Chairman of Compensation Committee | Hiroyuki Sasa
Chairman of Audit Committee | Tatsuki Kishimoto
Chairman of Compliance Committee | Sumitaka Fujita
Chairman of Executive Committee | Yasumasa Masuda
Chairman of Group Executive Committee | Katsuya Natori
Chairman of Parent Company Executive Committee | Atsushi Iwasaki
Chairman of Representative Executive Officer Committee | D. Robert Hale
Chairman of Outside Committee | Jim C. Beasley

Composition of the Compliance Committee

Position | Name
--- | ---
Independent Outside Director | Yasumasa Masuda, Masashi Shimizu
Outside Committee member | Yuchiro Hinozuki
Chief Compliance Officer | Caroline Saito
Group Compliance, Deloitte

Corporate Governance Policy:

https://www.olympus-global.com/company/governancepolicy.html
Olympus’ Corporate Governance

Outside Directors

The Company has strengthened the corporate governance structure by appointing 10 outside directors, representing more than half of its 15 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. 9 of the 10 outside directors are independent officers.

<table>
<thead>
<tr>
<th>Outside directors</th>
<th>Reason for appointment</th>
<th>Attendance at meetings of the Board of Directors (Met 28 times in FY2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumitaka Fujita*</td>
<td>Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at SDPC Corporation may be applied to the Company's management.</td>
<td>26/26</td>
</tr>
<tr>
<td>Takeyuki Kato*</td>
<td>Mr. Kato was appointed so that his extensive experience and diverse knowledge as a business manager at Tepco Limited may be applied to the Company’s management.</td>
<td>27/27</td>
</tr>
<tr>
<td>Sachin Kharatagi*</td>
<td>Mr. Kharatagi was appointed so that his extensive experience and diverse knowledge as a business manager at Sanmachi Precision Products Co., Ltd. may be applied to the Company’s management.</td>
<td>26/26</td>
</tr>
<tr>
<td>Michinobu Kikawa*</td>
<td>Mr. Kikawa was appointed so that his extensive experience and diverse knowledge as a business manager of Hitachi Construction Machinery Co., Ltd. may be applied to the Company’s management.</td>
<td>26/26</td>
</tr>
<tr>
<td>Tetsuhiro Konno*</td>
<td>Mr. Konno was appointed so that his extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd. may be applied to the Company’s management.</td>
<td>26/26</td>
</tr>
<tr>
<td>Yasuyuki Morita*</td>
<td>Mr. Morita was appointed so that his extensive experience and diverse knowledge as a business manager at Advantix Pharma Inc. may be applied to the Company’s management.</td>
<td>21/21*</td>
</tr>
<tr>
<td>Katuya Nakam*</td>
<td>Mr. Nakam was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microwave, Inc., Fast Reitaking Co., Ltd., and BBD Global Ltd., as well as his diverse knowledge as an attorney may be applied to the Company’s management.</td>
<td>27/27</td>
</tr>
<tr>
<td>Tatsuhiko Iwakura*</td>
<td>Mr. Iwakura was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company’s management.</td>
<td>25/25</td>
</tr>
<tr>
<td>D. Robert Hale*</td>
<td>Mr. Hale was appointed to reflect in the management of the Company the rich experience as partner at Kikuchi &amp; Associates, as well as in the Company’s management consultant in multiple industries, as an investor in the healthcare industry, and as an advisor in supporting the formation of global companies.</td>
<td>Position as of June 2019</td>
</tr>
<tr>
<td>Jim C. Beasley*</td>
<td>Mr. Beasley was appointed to reflect in the management of the Company the rich experience as senior executive and board member at Medtronic, Inc.</td>
<td>Position as of June 2019</td>
</tr>
</tbody>
</table>

Support Systems for Directors

The Company arranges for, and covers the cost of, external training sessions for directors to acquire basic knowledge necessary for the performance of directors’ duties with a view to deepening directors’ understanding of their roles and responsibilities.

To support the effective execution of the roles and duties of outside directors, the Company works proactively to provide outside directors with information and distributes documents and gives explanations prior to Board of Directors’ meetings.

In addition, the Company provides training for newly inaugurated outside directors, comprising visits to the Company’s major business bases such as business offices and factories, etc., briefing sessions, and business study sessions to promote the acquisition of knowledge concerning the Company.

Outside directors of the Company may at all times when needed or when considered appropriate require clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to create systems to ensure the soundness of management.

Process for Appointment of Directors

The Nominating Committee shall deliberate director candidates while making reference to the selection criteria, hold interviews, and determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.

Development and Selection of Successors for the President

The Nominating Committee establishes a succession plan for the President and reviews it periodically. As for determining the successor, the Nominating Committee discusses whether the candidates, including outside candidates, have qualifications that are suitable for the President, and provides opinions and advice to the Board of Directors. Thereafter, the successor is decided by the Board of Directors.

Independence Criteria

The Company has established its “Criteria for Independence of Outside Officers” as described below in order to clarify its policy on the independence of Outside Officers.

(Criteria for Independence of Outside Officers)
1. In any of the past 10 fiscal years, the Outside Officer has not directly received more than ¥10 million in remuneration (excluding remuneration from the Company to Officers) or other assets from the Company and the Company’s affiliates (hereinafter, collectively the “Group”). If the Outside Officer is a consultant, accounting expert or legal expert, the organization to which he or she belongs has not received more than ¥10 million in remuneration or similar from the Group.
2. During the past ten-year period, the Outside Officer has not been an Operating Director, Executive Officer, Corporate Officer or employee of the rank of General Manager or above at the Group.
3. The Outside Officer is not financially dependent on a person who falls under the categories of 1. or 2. above.
4. The Outside Officer is not a spouse of, or a relative within the third degree of kinship of, a Director, Operating Director, Corporate Officer or employee of the rank of General Manager or above at the Group.
5. The Outside Officer does not belong to an auditing firm that conducts statutory audits of the Group.
6. In addition to each of the above items, the Outside Officer does not have any significant interest that casts doubt on his or her independence.

Policies for Holding Stocks for Purposes Other Than Pure Investment and Exercise of Related Voting Rights

The Company holds shares of listed stock for purposes other than pure investment in cases in which such holdings have been deemed viable for contributing to improved corporate value over the medium to long term after verifying the medium- to long-term economic rationality of such holdings and the outlook for the future. Each fiscal year, the Board of Directors verifies the appropriateness of individual holdings through a comprehensive evaluation of factors, including the purpose of a given holding and the benefits and risks associated with said holding. Those holdings that are deemed unsuitable will be downsized.

The Company exercises its rights as a shareholder in relation to stocks held for purposes other than pure investment by voting on all applicable proposals. In this voting, the Company decides whether to vote in favor of or against each proposal based on the circumstances surrounding the management of the company in question as evaluated from the perspective of improving the corporate value of this company over the medium to long term.

<table>
<thead>
<tr>
<th>Stocks Held for Purposes Other Than Pure Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of holdings</td>
</tr>
<tr>
<td>FY2016</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>64</td>
</tr>
<tr>
<td>Amounts of holdings (billions of yen)</td>
</tr>
<tr>
<td>68.0</td>
</tr>
</tbody>
</table>

https://www.olympus-global.com/company/governance/policy.html
Olympus’ Corporate Governance

Initiatives for Realizing Effective Corporate Governance

The Company has continuously strengthened its corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

Evaluation Results Regarding the Effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors and improve corporate value, the Company institutes annual analyses and evaluations of the overall effectiveness of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed. These evaluations have been held every year since 2015, and this time, the evaluation was the fifth such evaluation.

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 Compliance Committee) and their relationships with investors and shareholders. This questionnaire was distributed to each director (11) and Audit & Supervisory Board member (4) (Fiscal 2019), and the Company received answers from all of the respondents. With these replies from 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.

Evaluation Items, Issues, and Status of Improvement

1. Fulfilling Functions of the Board of Directors

Evaluations are divided into the major directors, impartial and appropriate decision-making by the two (1): Discussion was thoroughly made and (2) There is no clear difference of viewpoints, and discussions can be further deepened, depending on agenda items.

2. Operation of the Board of Directors in the Past One Year

Regarding the operation of the Board of Directors, the frequency of the meetings is appropriate and sufficient time discussion is secured. Discussions are open and active and are made from a perspective based on the global management framework. Moreover, although there has been an improvement in coordination of agenda items and contents of original materials, issues should be more organized and clarified in materials, which is mentioned as an issue to be addressed.

3. Important Committees

Although each committee, Nominating Committee, Compensation Committee and Compliance Committee, appropriately fulfills expected roles, there were some cases where further provision of information was needed for discussion of the Committee.

4. Size / Composition of the Board of Directors

Support for Audit & Supervisory Board members is sufficiently provided, and the presence of Audit & Supervisory Board members should be more organized and clarified in materials, which is mentioned as an issue to be addressed.

5. Roles of Audit & Supervisory Board members

Support for Audit & Supervisory Board members is sufficiently provided, and the presence of Audit & Supervisory Board members contribute to enhancing the effectiveness of the Board of Directors.

6. Relationship with investors and shareholders

The Board of Directors is appropriately provided information on the capital market. Although the Company’s long-term competitive advantages are communicated to the capital market, further enhancement is desired.

Future Initiatives Based on the Evaluation Result of the Effectiveness of the Board of Directors

Based on the evaluation of the Board of Directors for the fifth such evaluation, the Board of Directors discussed future initiatives. As a result, the Board concluded that issues to be addressed are to further advance separation of execution and supervision, to create a framework where the Board members can concentrate on important management issues and strategic discussion, and to aim for a higher level business execution and supervisory system. The Board also confirmed that discussions of the Company’s initiatives for sustainability and risk management including environmental and social issues should be further deepened considering priority.

The Board made a transition to a Company with a three committees board structure on June 25, 2019. We are determined to further proceed with the separation of execution and supervision, accelerate decision making on business execution, further reinforce governance, and enhance transparency. Moreover, the Board of Directors of the Company will further heighten the effectiveness of the Board of Directors by planning and implementing response measures as to each of the aforementioned issues.

Executive Compensation

Our basic policy for executive compensation is to provide compensation that is appropriate based on the duties of officers and that instills in them a strong commitment to maximizing corporate value so that the Company may live up to shareholder expectations. Based on said policy, the Compensation Committee focuses on appropriately setting the compensation portion linked to short and mid- and long-term performance, and decides officers’ compensation.

Executive Compensation in Fiscal 2019

<table>
<thead>
<tr>
<th>Position</th>
<th>Total value of remuneration (¥ million)</th>
<th>Total compensation by type (¥ million)</th>
<th>Number of directors / Audit &amp; Supervisory Board members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding outside directors)</td>
<td>377</td>
<td>262</td>
<td>95</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members (excluding outside audit &amp; supervisory board members)</td>
<td>56</td>
<td>56</td>
<td>—</td>
</tr>
<tr>
<td>Outside officers</td>
<td>110</td>
<td>110</td>
<td>—</td>
</tr>
</tbody>
</table>

* The above-stated outside officers include one outside officer who retired at the time of the 150th Annual General Meeting of Shareholders held on June 26, 2019.

Remuneration Composition

The remuneration of remuneration of directors and executive officers is prescribed for each of the following categories. The combined maximum remuneration limit for restricted share compensation and performance-linked stock remuneration is per year 550 million yen and 600,000 shares.

■ Composition of Category 1 Remuneration

The category 1 executive remuneration consists of a monthly remuneration, bonus payments as a short-term incentive system, and restricted share compensation and performance-linked stock remuneration as long-term incentive systems.

The Company made a transition to a Company with a three committees board structure on June 25, 2019. We are determined to further proceed with the separation of execution and supervision, accelerate decision making on business execution, further reinforce governance, and enhance transparency. Moreover, the Board of Directors of the Company will further heighten the effectiveness of the Board of Directors by planning and implementing response measures as to each of the aforementioned issues.

■ Composition of Category 2 Remuneration

The category 2 executive remuneration consists of a monthly remuneration, bonus payments as a short-term incentive system, and performance-linked stock remuneration as long-term incentive system and pension plan contributions. Monthly remunerations are decided on an individual basis in accordance with the role and responsibility of the subject position. Bonus total payment amounts are determined by combining the consolidated performance compensation (calculated based on consolidated business results) and the personal assessment category (assessed and calculated based on the attainment of financial and non-financial targets in the position holder’s area of responsibility). Additionally, the restricted share compensation, contingent on the position holder’s continuing in the position as executive officer of the Company for a certain period, and the performance-linked stock remuneration, contingent on the attainment of predetermined targets, is intended as an incentive to promote sustained enterprise value enhancement and to promote value sharing with shareholders, as an arrangement to award the Company’s common shares in addition to eligible executives’ monthly remuneration and bonus.

■ Composition of Category 3 Remuneration

The category 3 executive remuneration consists of the monthly remuneration, without payment of bonus, restricted share compensation, and performance-linked stock remuneration.
Olympus’ Corporate Governance

Internal Controls

All our activities are based on our corporate philosophy, “Making people’s lives healthier, safer and more fulfilling.” The Company, based on this basic concept, should prepare and operate a framework which ensures the effectiveness and efficiency of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, “the Olympus Group”), and make continuous improvements.

10 Items for Establishing a Framework as Basic Policy for Our Internal Control System

1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of the its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

2. Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company

3. Regulations and other framework relating to managing risks

4. Framework to ensure the effectiveness of audits by Executive Officers of the Company and Directors of its subsidiaries

5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries

6. Framework for matters related to employees whose assignment is to assist in the duties of Audit Committee of the Company, and matters related to the independence of those employees from the Executive Officers of the Company, and matters related to ensuring the effectiveness of instructions from Audit Committee of the Company to those employees

Global Framework of Internal Rules

The Company has established a platform for managing internal rules in order to ensure the ongoing improvement of management quality from the perspective of global governance and management.

Basic Policy on 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, integrated 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 also valuable to the target recipients. Furthermore, as a large portion of the Company’s shareholders are not Japanese, we provide English-language versions for the majority of these information disclosures.

Investor Relations (IR) Activities

The following investor relations activities were conducted in fiscal 2019.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Times conducted</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conferences on results for institutional investors and analysts</td>
<td>4</td>
<td>Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts</td>
</tr>
<tr>
<td>Investor Day / IR event</td>
<td>2</td>
<td>Events featuring explanations of the Company’s business strategies, growth strategies, and product exhibitions</td>
</tr>
<tr>
<td>New product and technology briefings</td>
<td>1</td>
<td>Briefings concerning the Company’s new products and technology</td>
</tr>
<tr>
<td>Conference calls for overseas institutional investors</td>
<td>4</td>
<td>Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter</td>
</tr>
<tr>
<td>Overseas IR roadshows</td>
<td>7</td>
<td>Meetings for institutional investors in which the president and the CFO visit overseas sites</td>
</tr>
<tr>
<td>Conferences held by securities companies (including overseas conferences)</td>
<td>5</td>
<td>Participation in and meetings at conferences held by securities companies in Japan and overseas</td>
</tr>
<tr>
<td>Meetings for individual investors</td>
<td>7</td>
<td>Meetings held at branch offices of securities companies and events for individual investors</td>
</tr>
<tr>
<td>Individual meetings with institutional investors and analysts</td>
<td>Approx. 450</td>
<td>Individual meetings held with the president, the CFO, and/or investor relations division representatives (including meetings conducted at overseas IR roadshows and conferences)</td>
</tr>
</tbody>
</table>