

Corporate Governance

Basic Concept of Corporate Governance

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." Following this philosophy, we aim to improve our company's continuous development and medium- and long-term corporate value for all stakeholders, including shareholders. 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. We are continuously strengthening our 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 an effective corporate governance structure based on our fiduciary duty to shareholders; our responsibilities to customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.

 **Corporate Governance Policy (Basic Concept)**

<https://www.olympus-global.com/company/governance/policy.html>

Basic Corporate Governance Policies

Olympus transitioned from a company with Audit & Supervisory Board to a company with Nominating Committee, etc., in June

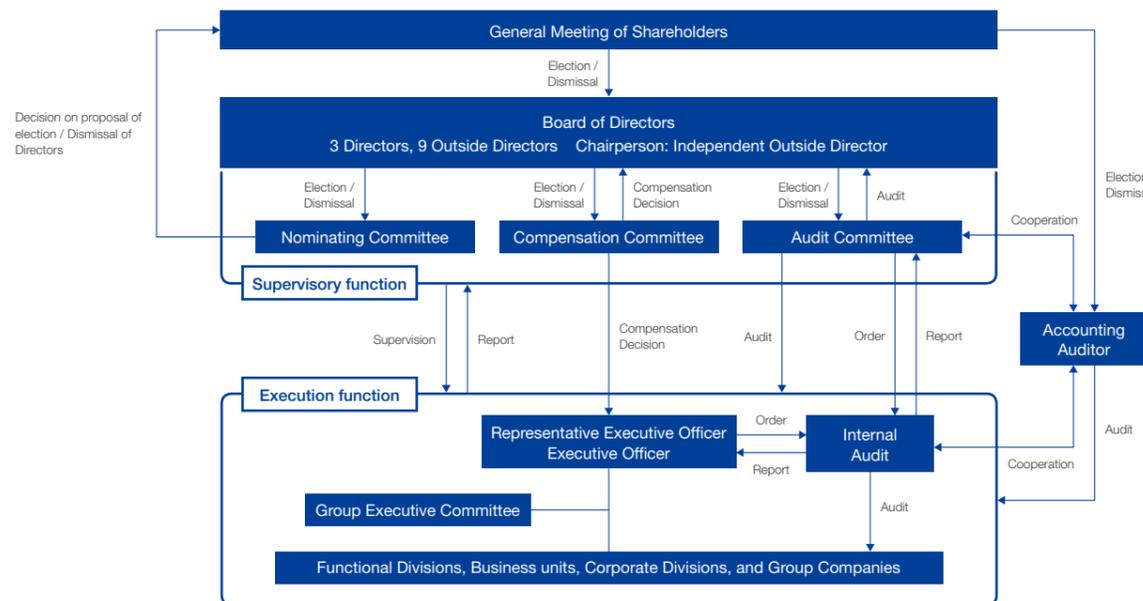
2019 in order to accelerate decision-making in business execution, strengthen corporate governance, and further enhance transparency. In order to enhance the oversight functions of the Board of Directors, which is comprised of a majority of independent outside directors, we fill the position of chairperson 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, we consider the diversity of experience, knowledge, and skills of the Board of Directors, regardless of the 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 (As of July 30, 2020)

Directors	12
Of whom, outside directors	9
Of whom, appointed as independent outside directors	8
Term of directors	1 year
Executive officers	5
Adoption of corporate officer system	Yes
Performance-linked remuneration	Yes

Corporate Governance Structure



Overview of the Corporate Governance Structure

The Board of Directors is composed of 12 members, of whom 9 are outside directors (8 are independent outside directors). The term of directors is 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, who is an independent outside director. In the exercise of supervisory functions at the Board of Directors, the 9 outside directors are expected to bring their specialist knowledge to bear on management.

Olympus proactively provides directors with information to enable the effective execution of their roles and duties. Outside directors of Olympus 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.

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).

The articles of incorporation stipulate that directors of Olympus 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 Each Board and Committee

Name	Chairperson	Outline	Members
Board of Directors	Independent outside director	The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and supervises directors and executive officers, in the execution of their duties. (Meets at least once every three months and when needed.)	<ul style="list-style-type: none"> Sumitaka Fujita (Chairman) Yasuo Takeuchi Stefan Kaufmann Nobuyuki Koga Susumu Kaminaga Michijiro Kikawa Tetsuo Iwamura Yasumasa Masuda Katsuya Natori Atsushi Iwasaki D. Robert Hale Jimmy C. Beasley
Nominating Committee	Independent outside director	The Nominating Committee shall deliberate matters related to human resources at the director and executive officer level, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors. The Nominating Committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairperson.	<ul style="list-style-type: none"> Sumitaka Fujita (Chairman) Yasuo Takeuchi Tetsuo Iwamura Yasumasa Masuda D. Robert Hale
Compensation Committee	Independent outside director	The Compensation Committee shall deliberate matters related to compensation of directors and executive officers, and prescribe policy in relation to determining the details of compensation, etc., in accordance with the policy, determine the contents of compensation, etc., for individuals. The Compensation Committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairperson.	<ul style="list-style-type: none"> Susumu Kaminaga (Chairman) Tetsuo Iwamura Yasumasa Masuda Jimmy C. Beasley
Audit Committee	Independent outside director	<p>The Audit Committee shall carry out the following duties.</p> <ol style="list-style-type: none"> 1) Auditing the execution of duties by executive officers and directors, and creating audit reports 2) Determining the content of proposals relating to the appointment, dismissal, and non-reappointment of accounting auditors 3) Other duties prescribed by law or by the Articles of Incorporation, and other matters recognized as necessary by the Audit Committee <p>The Audit Committee consists of at least three individuals selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairperson. Moreover, at least one member shall be an individual who possesses extensive knowledge related to finance and accounting.</p>	<ul style="list-style-type: none"> Katsuya Natori (Chairman) Nobuyuki Koga Michijiro Kikawa Atsushi Iwasaki
Group Executive Committee	Representative Executive Officer	<p>In the Group Executive Committee, the Representative Executive Officer and executive officers deliberate on critical matters concerning business execution for the entire Olympus Group as entrusted by the Board of Directors, and provide support on the decision-making of executive officers so as to prevent decisions being made based solely on the discretion of an executive officer.</p> <p>Each executive officer reports on and shares the status of execution of business and functions under their jurisdiction to ensure the effectiveness of the committee as a body for monitoring the execution of business and functions of the entire Olympus Group. (Meets at least once a month and when needed.)</p>	<ul style="list-style-type: none"> Yasuo Takeuchi (Chairman) Nacho Abia Akihiro Taguchi Chikashi Takeda Stefan Kaufmann

Corporate Governance

Outside Directors

Olympus has strengthened the corporate governance structure by appointing 9 outside directors, representing more than half of its 12 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, 8 of the 9 outside directors are independent officers.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 18 times in FY2020)	Attendance at meetings of the committees*1 (FY2020)
Sumitaka Fujita	Mr. Fujita has extensive experience and diverse knowledge as a business manager at ITOCHU Corporation and served as outside director and outside auditor at other companies. Since Mr. Fujita took the post of outside director of Olympus in April 2012, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Compensation Committee. Since June 2018, he has been leading the Board of Directors as the chairman of the Board of Directors of Olympus. Furthermore, after the transition to a company with Nominating Committee, etc., in June 2019, as the chairman of the Nominating Committee, he facilitated decisions on an agenda item to elect directors in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10/10
Susumu Kaminaga	Mr. Kaminaga has extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products, Co., Ltd. and served as Representative Director and other roles at other companies. Since Mr. Kaminaga took the post of outside director of Olympus in June 2016, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Compliance Committee and Compensation Committee. Since the transition to a company with Nominating Committee, etc., in June 2019, he has been taking charge of the operation of the Compensation Committee as the chairman since February 2020 in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Compensation Committee: 11/11
Michijiro Kikawa	Mr. Kikawa has extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd. and served as director at Hitachi, Ltd. Since Mr. Kikawa took the post of outside director of Olympus in June 2016, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee. Since the transition to a company with Nominating Committee, etc., in June 2019, he has been supervising the business execution of executive officers of Olympus as a member of the Audit Committee in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Audit Committee: 17/17
Tetsuo Iwamura	Mr. Iwamura has extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd. Since Mr. Iwamura took the post of outside director of Olympus in June 2017, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee and Compliance Committee. After the transition to a company with Nominating Committee, etc., in June 2019, as a member of the Nominating Committee, he facilitated decisions on an agenda item to elect directors in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10/10
Yasumasa Masuda	Mr. Masuda has extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. and served as independent non-executive officer at the Deloitte Tohmatsu Group. Since Mr. Masuda took the post of outside director of Olympus in June 2018, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee. After the transition to a company with Nominating Committee, etc., in June 2019, as a member of the Nominating Committee and the Compensation Committee, he facilitated decisions on an agenda item to elect directors, and decided directors' compensation in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10 / 10 Compensation Committee: 11/11
Katsuya Natori	Mr. Natori has extensive experience and diverse knowledge as a lawyer and served as director and supervisory director at other companies. Since taking the post of Audit & Supervisory Board member of Olympus in April 2012, Mr. Natori has been auditing/supervising the business execution of Olympus at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the directors and the executive officers of Olympus as the chairman of the Audit Committee, in addition to supervising business execution of Olympus on the Board of Directors.	17/18*1	Audit Committee: 17/17
Atsushi Iwasaki	Mr. Iwasaki has extensive experience and diverse knowledge as a certified public accountant and served as outside director and outside auditor at other companies. Since taking the post of Audit & Supervisory Board Member of Olympus in June 2016, Mr. Iwasaki has been auditing/supervising the business execution of Olympus at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the directors and the executive officers of Olympus as a member of the Audit Committee in addition to supervising business execution of Olympus on the Board of Directors.	16/18*1	Audit Committee: 15/17
D. Robert Hale	Mr. Hale is a partner of ValueAct Capital Management L.P. (VCM), one of Olympus' shareholders. He has a track record of helping global companies transform themselves with his knowledge of the global capital markets and the healthcare industry as a business management consultant and investor with experiences in diverse industries. Since Mr. Hale took the post of outside director of Olympus in June 2019, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the Nominating Committee. Since he serves as a partner at VAC, which is one of Olympus' shareholders, Olympus also believes that he will contribute to the enhancement of Olympus' corporate value by reflecting shareholders' voices in the business management of Olympus.	13/13*2	Nominating Committee: 10/10
Jimmy C. Beasley	Mr. Beasley has global business experience from over 30 years at the C. R. Bard Group, one of the leading global companies in the medical equipment industry and has abundant experience and deep insight as a member of management. Since Mr. Beasley took the post of outside director of Olympus in June 2019, he has been giving guidance/advice to the business management of Olympus on the Board of Directors.	13/13*2	Compensation Committee: 11/11

*1 Since Olympus transitioned from a company with an Audit & Supervisory Board to a company with Nominating Committee, etc. by the resolution of the 151st Ordinary General Meeting of Shareholders held on June 25, 2019, "Attendance at meetings of the committees" (Nominating Committee, Compensation Committee and Audit Committee) shows the status of attendance at the meetings held from June 25, 2019 onward. In addition, since Katsuya Natori and Atsushi Iwasaki were Audit & Supervisory Board members until the conclusion of the said General Meeting of Shareholders, their attendance at meetings of the Board of Directors includes attendance as Audit & Supervisory Board members.

*2 Since D. Robert Hale and Jimmy C. Beasley assumed the office of Director at the 151st Ordinary General Meeting of Shareholders held on June 25, 2019, their attendance at meetings of the Board of Directors reflects the status of attendance after they assumed their post.

Support Systems for Directors

Olympus established the Board of Directors Office as a dedicated organization to support the execution of duties of outside directors as well as the effective and vigorous activities of the Board of Directors, Nominating Committee and Compensation Committee.

To support the effective execution of the roles and duties of outside directors, Olympus works proactively to provide outside directors with information and distributes documents prior to Board of Directors' meetings while setting an opportunity for the explanation of agendas in advance as necessary and working to stimulate discussions in Board of Directors' meetings.

Olympus provides training for newly inaugurated outside directors, including outside directors, comprising visits to our major business bases such as business offices and factories, etc., and business study sessions such as briefing sessions, directors presentations, and technical result presentations to promote the acquisition of knowledge concerning Olympus. Furthermore, Olympus 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.

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 role of President, and provides opinions and advice to the Board of Directors. Thereafter, the successor is decided by the Board of Directors.

Independence Criteria

Olympus 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 Olympus to officers) or other assets from Olympus and Olympus' 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 Olympus 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 a company that falls under the following categories.

- (i) In any of the past 10 fiscal years, the monetary amount of the relevant company's transactions with Olympus group has been more than 2% of the consolidated revenue of either Olympus or Olympus group
- (ii) The relevant company is a principal shareholder of Olympus (holding more than 5% of the total number of voting rights of Olympus directly or indirectly; the same shall apply hereinafter)
- (iii) Olympus group is a principal shareholder of the relevant company
- (iv) The relevant company has substantive interests in Olympus group (as a main bank, consultant, etc.)
- (v) Olympus group and the relevant company have a relationship in which they mutually dispatch and appoint directors

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 Olympus group.
5. The outside officer does not belong to an auditing firm that conducts statutory audits of Olympus 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.

Corporate Governance Policy (Corporate Governance Report)

<https://www.olympus-global.com/company/governance/policy.html>

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

Olympus 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.

Olympus 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, Olympus decides whether to vote in favor of or against each proposal based on the circumstances surrounding the management of Olympus in question as evaluated from the perspective of improving the corporate value of Olympus over the medium to long term.

Corporate Governance

Stocks Held for Purposes Other Than Pure Investment

	FY2017	FY2018	FY2019	FY2020
Number of holdings	57	48	37	29
Amounts of holdings (billions of yen)	27.9	26.9	18.9	14.4

Initiatives for Realizing Effective Corporate Governance

We have been continuously strengthening our corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

Evaluation of Effectiveness of the Board of Directors

Since 2015, we have been conducting evaluation of the effectiveness, etc., of the Board of Directors & the Nominating Committee, Compensation Committee, and Compliance Committee centering on directors' and Audit & Supervisory Board members' self-evaluations by way of a questionnaire form, and has been sharing problems to enhance the effectiveness and promoting improvements.

As the fiscal year 2019 evaluation of the Board of Directors' effectiveness is the first evaluation since the change of the organizational design, we have conducted it in cooperation with an external consulting firm to confirm whether we have established an appropriate governance structure as a company with Nominating Committee, etc., and produced operational results, and to objectively identify matters to be improved, etc., that can enhance the effectiveness of the Board of Directors and each committee (Nominating Committee, Compensation Committee, and Audit Committee).

Evaluation Results for Effectiveness of the Board of Directors

<https://www.olympus-global.com/company/governance/board.html>

Method of Evaluation

The evaluation was conducted by questionnaires and interviews with 15 directors (in fiscal year 2019), and the Board of Directors held discussions based on the analysis results. The questionnaire was conducted based on the knowledge of the external consultants in order to understand whether or not the directors and committees are aware of the issues regarding the composition, operation, and agenda of the committees. The interview was also conducted by an external consultant with the purpose of objectively grasping the direction needed for further improving effectiveness based on the results of the questionnaire. After that, the Board of Directors discussed measures to improve the effectiveness of the Board of Directors, based on the analysis results compiled by the external consultant.

Outline of Analysis and Evaluation Results

As a result of analysis and evaluation, we identified the following:

- We have confirmed that the Board of Directors of Olympus shares an awareness of sustainable growth and medium- to long-term corporate value enhancement while directors

understand the corporate philosophy and management strategies and hold in-depth and constructive discussions based on a relationship of mutual trust and alertness created with the executive side.

- One achievement of the governance reform is that Olympus has firmly implemented a structure where 50% or more of the directors are outside directors, one of whom serves as the chairperson, and the Board of Directors effectively fulfills its management supervision functions.
- Since the transition to a company with Nominating Committee, etc., a new governance structure has been appropriately constructed and operated with cooperation from outside professionals whenever necessary (e.g., the committees have fulfilled their respective job responsibilities relating to nomination, compensation and auditing).
- We have confirmed that efforts have been made to enhance the Board of Directors' functions through various operational measures and improvement activities, regardless of whether they are related to Board operations (e.g., for feedback [opinions] given by outside directors, the Board chairperson effectively notifies the executive side of the results of discussions at meetings held among outside directors only).

In summary, although there are still some issues that the Board of Directors and each committee must solve to further enhance their effectiveness, they are considered to be effectively functioning to help Olympus steadily grow, leap forward, and become a truly global medtech company.

Future Initiatives based on the Evaluation Results of the Effectiveness of the Board of Directors

To help Olympus leap forward and become a truly global medtech company and to further contribute to sustainable growth and medium- and long-term corporate value enhancement, the Board of Directors and each Committee of Olympus will implement the following measures.

- I Aim to improve management performance even more in terms of quality and speed by having the executive side better understand the viewpoints of the supervisory side and gain management viewpoints (e.g., clarification of the respective job responsibilities of the executive side and the supervisory side, improvement of the quality of strategic discussions at the Board of Directors' meetings, and increased opportunities for the executive officers to directly listen to directors' opinions).
- II Board composition: To consider business strategies from multiple perspectives more than ever before, the Nominating Committee and the Board of Directors will continuously work to ensure not only global diversity but also gender diversity. It enables us to identify necessary experience and expertise in consideration of factors such as the business characteristics and management strategies, and to hold more in-depth discussions at meetings.
- III Continuously devise new ways of conducting operations to enable the Board of Directors and each committee to make the best strategic and operational decisions in business areas for which they bear long-term responsibilities (e.g., monitoring of strategically important issues, and enhancement of global risk management as a prerequisite for an effective supervisory structure).

Officer Compensation

Basic Policy for Officer Compensation

At the Company as a company with Nominating Committee, etc., the Compensation Committee, which is composed of a majority of independent outside directors, discusses/determines policy to determine compensations, etc., of the Company's Directors and Executive Officers on an individual basis, details of compensation, etc. and compensation rules.

Our basic policy regarding officer compensation is to make officers have a strong sense of awareness that maximize the corporate value and meet shareholders' expectation, and reward their responsibilities with suitable and appropriate treatments. Based on said policy, the Compensation Committee focuses on appropriately setting the compensation portion linked to short-term, medium- to long-term performance, and decides officer compensation.

Officer Compensation in Fiscal Year 2020

Position	Total amount of compensation, etc. (¥ million)	Total compensation by type (¥ million)			Number of subject officers	
		Basic compensation	Bonus	Stock compensation		
Directors	Inside directors	468	384	78	6	10
	Outside directors	131	131	—	—	12
Executive officers		140	85	42	13	3

Notes: 1. By the resolution of the 151st Ordinary General Meeting of Shareholders on June 25, 2019, Olympus made a transition from a company with Audit & Supervisory Board to a company with Nominating Committee, etc. The compensation of those who were Audit & Supervisory Board members prior to the transition is included under the abovementioned directors.
 2. The compensation of executive officers who also serve as directors is included under directors.
 3. The aforementioned inside directors include the three inside directors who retired at the close of the 151st General Meeting of Shareholders on June 25, 2019.

Revision of Officer Compensation System

The Compensation Committee has been advancing discussions based on a direction that will place more emphasis on long-term incentive compensation. In line with the corporate strategy of aiming at a global medtech company announced in November 2019, the Compensation Committee has held numerous discussions on a new executive compensation system.

For the purpose of providing information and supporting discussions from an objective and professional standpoint, Pay Governance LLC, a globally expanding independent compensation consultancy has been hired as an external advisor. We then completed the consideration process for a new compensation system that will provide incentives to promote management from a medium- to long-term perspective and continuously improve Olympus' corporate value.

As a result, we introduced a new officer compensation system, which increases the ratio of long-term incentives (LTI), on April 1, 2020.

Compensation Level

An appropriate compensation level is established commensurate with roles/responsibilities considering objective outside data, evaluation data, economic environment, industry trends, and management status to establish a competitive compensation level that enables Olympus to secure and retain outstanding human resources. Specifically, the compensation levels of global medtech companies and the compensation levels of medtech companies in the country the officer is from are set as benchmarks, and the compensation level will be determined annually by making a relative comparison.

Compensation Structure

Directors

Given a position that supervises business management, compensation for directors is paid by fixed compensation as basic salary (BS). In addition, as directors contribute to creation of corporate value at various points of contact with the Board of Directors, each committee, and the execution side, non-performance linked stock compensation is paid to directors for creating corporate value. The stock compensation here is to be subsequent grant-type restricted stock compensation (RSU: restricted stock unit), and the right to which will be defined at retirement for those directors who live in Japan. Stock rights will be defined on an individual basis in accordance with a general method of stock compensation in each region for those directors who do not live in Japan.



Notes: 1. The above table shows a compensation ratio by type for directors who are from Japan. As for directors who are not from Japan, a payment level of RSU is the same as directors who are from Japan, but the compensation ratio by type is different because of difference in total compensation.
 2. For those who double as executive officers, cash compensation paid for management and supervisory functions performed as director is separate from the compensation of executive officers for those who are natives of Japan. For those who are not natives of Japan, cash compensation paid for management and supervisory functions performed as director is included in compensation of executive officer. In addition, for those who double as executive officer, RSU is set for compensation of executive officer. Therefore, RSU as director's compensation shall not be paid.

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Executive Officers

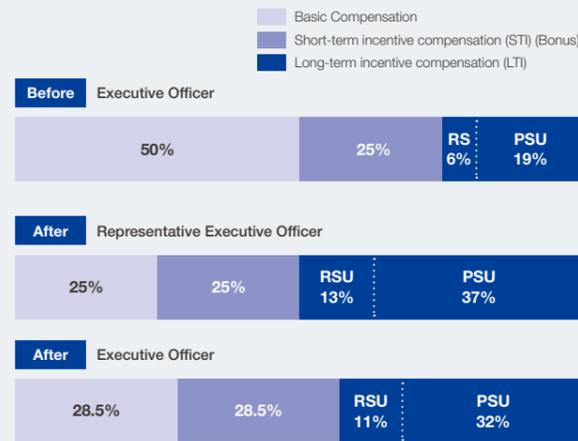
In order to achieve our management strategy and to create corporate value, it is essential that we have a compensation system that ensures that we have capable management personnel and that they can fully demonstrate their abilities. To this end, we have decided on a new compensation system based on the following concepts.

1. Establish a more powerful incentive program which can compete with global medtech companies
2. Establish an incentive program which is consistent with the corporate strategy
3. Establish a program that focuses on value creation and performance evaluation utilizing long-term incentive (LTI) compensation
4. Pay a competitive basic compensation compared to leading Japanese global companies
5. Ensure the sound management of incentives by putting claw-back clauses and shareholding guidelines in place
6. Enhance the motivation of executive officers by setting challenging and achievable targets

While a standardized, global compensation system is desirable for compensation design for executive officers that are responsible for global management, differences in compensation levels by region make it difficult to attract and retain talented executives with Japan's pay levels. As such the compensation structure of all executive officers will be the same. However, actual compensation levels are determined by taking into account differences in pay levels in the country of origin of the executive officer.

Compensation for executive officers is to be a combination of basic compensation, a fixed compensation (BS: base salary), short-term incentive compensation which is linked to business results by every fiscal year (STI: short-term incentive), and long-term incentive compensation (LTI: long-term incentive). LTI consists of subsequent grant-type restricted stock compensation (RSU: restricted stock unit) and performance-linked stock compensation (PSU: performance share unit). The composition ratio is shown in the table to the right.

If an unexpected event significantly affects compensation calculation, the Compensation Committee has the discretion to revise or review the compensation details that contribute to the creation of corporate value. The COVID-19 pandemic is expected to have a significant impact on the company's medical and other fields and the corporate strategy in fiscal year 2021. Therefore, the Compensation Committee judges that it is necessary to adjust the compensation level described in the preceding paragraph. When the impact of COVID-19 on the corporate strategy and business in fiscal year 2021 becomes more clear, the compensation details for that fiscal year will be considered, and promptly disclosed in an appropriate manner.



Notes: 1. The above table shows the compensation ratio by type of compensation paid for the role of executive officer, and it does not include compensation paid for the role of supervision of a person who doubles as a director.
2. For those who are not natives of Japan, one-time payments, severance pay, housing allowances, pensions, etc. are established for making adjustments to the previous compensation agreements on an individual basis.

Evaluation Index and Evaluation Weight of Short-term Incentive Compensation (STI)

Item	Index	Weight
Companywide results	Revenue	30%
	Operating profit	50%
Strategic goals	Common to all executive officers	20%

Note: Strategic goals are non-financial goals for the current fiscal year, which are selected from among important management issues and measures, and evaluated for level of achievement.

Evaluation Index and Evaluation Weight of Performance-linked Stock Compensation (PSU)

Item	Index	Weight
Corporate strategy	Operating margin	40%
	ROIC	15%
	EPS growth rate	15%
Shareholder value	Relative TSR	20%
Social value	ESG	10%

Notes: 1. Shareholder value is an evaluation of the Company's TSR (total shareholder return) in comparison with 20 global medtech companies.
2. Social value is evaluated based on the Dow Jones Sustainability Index (DJSI), the world's leading ESG investment index.

Internal Controls

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling."

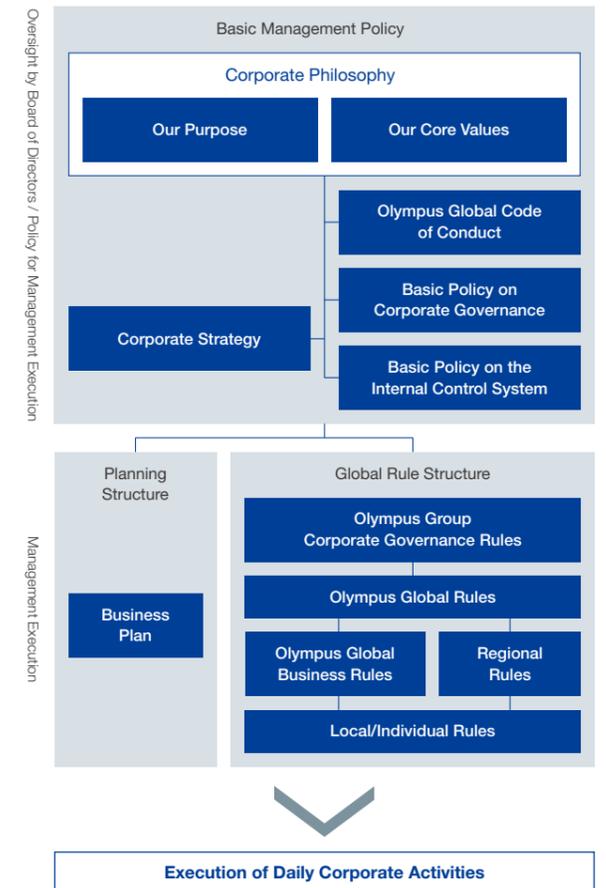
The Company, based on this basic concept, shall prepare and operate a framework which ensures the effectiveness and efficiency of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, "the Olympus Group"), and make continuous improvements.

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

1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of 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 of loss of the Olympus Group
4. Framework to ensure the effective performance of duties 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
7. Framework regarding reports by Directors (except those who are members of the Audit Committee), executive officers and employees of the Company to the Audit Committee of the company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit Committee of the Company
8. Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made
9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by the Audit Committee members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties
10. Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

Framework of Corporate Philosophy

The Olympus Group specifies the Basic Management Policies within the Framework of Corporate Philosophy, positioning its Corporate Philosophy at the top. The concrete guidelines for business execution are then compiled into two structures: Planning and Global Rules.



Basic Policy on the Internal Control System

<https://www.olympus-global.com/company/governance/control.html>