

Corporate Governance

Characteristics of Corporate Governance at Olympus

1 Building a Corporate Governance System Appropriate for a Global Medtech Company

- From June 2019, we transitioned to a company with a Nominating Committee, etc. to accelerate management decision-making and business execution functions as well as to reinforce management monitoring functions

2 Highly Transparent and Effective Management

- The chairman of the Board of Directors is an independent outside director
- The majority of directors are outside directors, all of whom are independent
- Independent outside directors possess abundant experience and knowledge rich in diversity
- The chairman of each committee is an independent outside director
- Each committee is composed of a majority of independent outside directors
- Implemented efforts to improve effectiveness, such as prior explanations to independent outside directors, information sharing and mutual exchange of opinions through meetings only for independent outside directors, and the feeding back of results to executive officers

Outside Directors on the Board of Directors*1



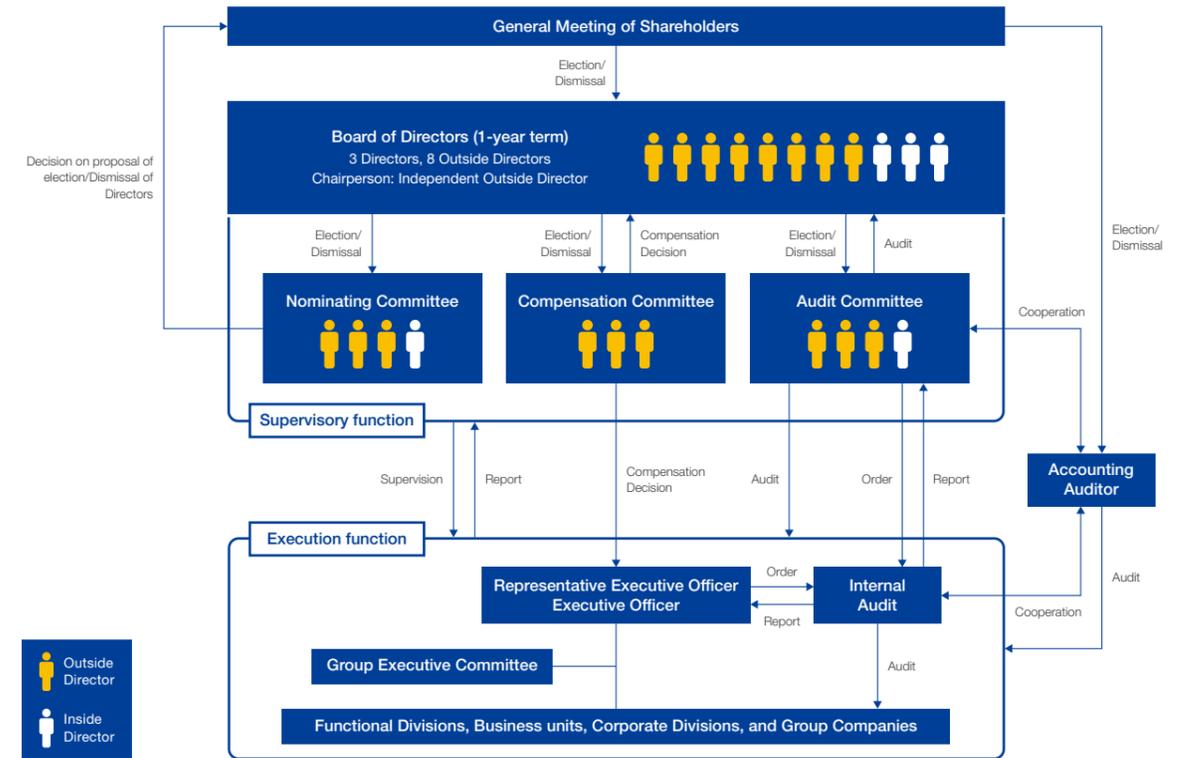
*1 All are independent outside directors.

Diversity on the Board of Directors

Non-Japanese directors **3/11**

Female directors **1/11**

Corporate Governance Structure (As of June 24, 2021)



Changes in the Corporate Governance

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
Chronology	<ul style="list-style-type: none"> Deferred recording of past losses discovered New management system launched 					<ul style="list-style-type: none"> Announcement of <i>Transform Olympus</i> corporate transformation plan 						
Management Plans	2010 Medium-Term Strategic Plan (10CSP) Advancing to the Next Stage of Globalization	Medium-Term Vision Stage of reconstructing management (recover trust and strengthen internal systems)				2016 Medium-Term Management Plan (16CSP) Sustainable growth stage (Strengthening the foundations of our business and developing a strong business portfolio)				Corporate Strategy Transforming into a truly global medtech company		
Management System	A company with an Audit & Supervisory Board								A company with a Nominating Committee, etc.			
Chairman of the Board	Directors				Independent outside directors							
Directors	More than half are outside directors											
Members	Outside 3/ Inside 12	Outside 6/ Inside 5	Outside 8/ Inside 5	Outside 5/ Inside 5	Outside 6/ Inside 5			Outside 10/ Inside 5	Outside 9/ Inside 3	Outside 8/ Inside 3		
Women	-		1			-			1			
Nationalities other than Japanese	1	-			-			3				
Committees	Voluntarily established a Nominating Committee, Compensation Committee, and Compliance Committee Members: Majority are outside directors Committee chairmans: Outside directors								Established a Nominating Committee, Compensation Committee, and Audit Committee*2 Members: Majority are independent outside directors Committee chairmans: Independent outside directors			

*1 Established Management Reform Committee, Director Liability Investigation Committee, Non-Director Liability Investigation Committee

*2 The Compliance Committee was established until July 2020.

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- to 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 2021), 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/pdf/basic_policy_for_corporate_governance_en.pdf

Overview of Board and Each Committee

Name	Outline	Members
Board of Directors	The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and monitors 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 Susumu Kaminaga Tetsuo Iwamura Yasumasa Masuda Atsushi Iwasaki D. Robert Hale Jimmy C. Beasley Sachiko Ichikawa Stefan Kaufmann Nobuyuki Koga
Nominating Committee	The Nominating Committee shall deliberate matters related to human resources at the director and executive officer levels, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.	<ul style="list-style-type: none"> Sumitaka Fujita (Chairman) Yasuo Takeuchi Tetsuo Iwamura D. Robert Hale
Compensation Committee	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., and in accordance with the policy, determine the contents of compensation, etc., for individuals.	<ul style="list-style-type: none"> Susumu Kaminaga (Chairman) Tetsuo Iwamura Jimmy C. Beasley
Audit Committee	The Audit Committee shall carry out the following duties. 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	<ul style="list-style-type: none"> Yasumasa Masuda (Chairman) Atsushi Iwasaki Sachiko Ichikawa Nobuyuki Koga
Group Executive Committee	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. 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.)	<ul style="list-style-type: none"> Yasuo Takeuchi (Chairman) Nacho Abia Akihiro Taguchi Chikashi Takeda Stefan Kaufmann

The Member Structure of the Board of 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. To ensure its effectiveness, the Board of Directors is currently composed of 11 members, of whom eight are independent

outside directors. In addition, of those 11 directors, three are non-Japanese, and one is female. With diverse human resources equipped with abundant experience and insight in corporate management, finance, and international business deployment, which are required of the global medtech company that Olympus aims to become, the Board is structured with consideration also given to internationality and gender.

Name	Year of appointment	Independence	Area Olympus expects the directors to display their capabilities in						
			Corporate Management	Overseas Business/Diversity	Healthcare Industry	Manufacturing/Development/Research	Legal/Risk Management	Finance/Accounting	ESG
Yasuo Takeuchi	Apr. 2012		●	●	●			●	
Sumitaka Fujita	Apr. 2012	○	●	●				●	●
Susumu Kaminaga	June 2016	○	●	●		●			
Tetsuo Iwamura	June 2017	○	●	●		●			
Yasumasa Masuda	June 2018	○	●	●	●			●	
Atsushi Iwasaki	June 2019	○						●	
D. Robert Hale	June 2019	○	●	●	●			●	
Jimmy C. Beasley	June 2019	○	●	●	●				
Sachiko Ichikawa	June 2021	○		●				●	●
Stefan Kaufmann	June 2019			●	●				
Nobuyuki Koga	June 2019					●	●		

Notes: 1. The above table does not indicate all the expertise/experiences the directors have.
 2. In 2019, Olympus transitioned to a company with a Nominating Committee, etc. As a company with an Audit & Supervisory Board, Atsushi Iwasaki and Nobuyuki Koga were appointed prior to the transition as members of the Company's Audit & Supervisory Board in 2016 and 2017, respectively.

Message from a Newly Appointed Outside Director



Sachiko Ichikawa
Outside Director

As a lawyer who specializes in corporate governance, I have been engaged in a variety of activities. Olympus was a company often seen in case studies relating to the deferred recording of past losses that came to light in 2011. Recently, I have the impression Olympus is earnestly engaged in a corporate transformation, based on its shift to a business portfolio centered on the Medical Business and the introduction of a job-based human resource management system. I am very pleased to have been given the opportunity to become an outside director of Olympus, which is striving to become a truly global medtech company.

If we look at social trends, ESG investment is expanding, Japan's Corporate Governance Code has been revised, and there is demand for appropriate responses to sustainability issues. Moving forward,

I would like to provide expertise for initiatives to increase, for example, gender diversity, and the enhancement of non-financial information disclosure.

In my role as an Audit Committee member, I will first carefully review the reports from the Internal Controls Department to verify whether risks are being properly controlled and monitored according to the risk map. Bearing in mind the limited resources available, I believe it is essential to obtain information on significant risks and prioritize responses.

I believe that Olympus has further growth potential due to its firm commitment and ability to deliver on its promises. As a member of the Board of Directors, I will do my utmost to contribute to the sustainable growth of Olympus and to the enhancement of its corporate value.

Activities of the Board of Directors and Committees in Fiscal Year 2021

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Nominating Committee	Attendance at meetings of the Compensation Committee	Attendance at meetings of the Audit Committee
Yasuo Takeuchi	18/18	12/12	—	—
Sumitaka Fujita	18/18	12/12	—	—
Susumu Kaminaga	18/18	—	11/11	—
Tetsuo Iwamura	18/18	12/12	11/11	—
Yasumasa Masuda	18/18	12/12	11/11	—
Atsushi Iwasaki	18/18	—	—	24/26
D. Robert Hale	18/18	12/12	—	—
Jimmy C. Beasley	18/18	—	11/11	—
Sachiko Ichikawa	—	—	—	—
Stefan Kaufmann	18/18	—	—	—
Nobuyuki Koga	18/18	—	—	26/26

Name	Activities
Board of Directors	<ul style="list-style-type: none"> The Chairman of the Board of Directors conducted a review of the proceedings of the Board of Directors up to the previous meeting and reported on matters to be deliberated at the Group Executive Committee As a regular agenda item, conducted execution status reports from executive officers Separately from regular meetings of the Board of Directors, corporate strategy meetings were held on the state of progress and issues in the corporate strategy and on topics in the business plan In an ongoing effort to improve the monitoring function while aiming for outside directors to mutually exchange information and share awareness, an Opinion Exchange Meeting for Outside Directors was held four times a year (once per quarter) as a regular meeting at which only outside directors participated, and an Executive Session was held after the conclusion of every Board of Directors' meeting
Nominating Committee	<ul style="list-style-type: none"> In considering the plan for the composition of the Board of Directors, the Nominating Committee created a matrix for the experience and knowledge required of directors of the Company In selecting candidates for director, the Nominating Committee held discussions and interviews in accordance with the selection criteria and made decisions Regarding the selection plan for executive officers, the Nominating Committee discussed their suitability and made decisions after a year-long selection process Regarding the succession plan for executive officers, the Nominating Committee discussed whether the candidates possessed the desired experience and knowledge in accordance with expected roles in the execution of duties at the Company
Compensation Committee*	<ul style="list-style-type: none"> Reviewed compensation for fiscal year 2021 following the beginning of the COVID-19 pandemic Reviewed compensation content to further improve compensation system Determined compensation for fiscal year 2021 Discussed compensation policy for fiscal year 2022
Audit Committee	<ul style="list-style-type: none"> In addition to maintaining an independent position and fair and unbiased attitude and auditing and overseeing the accounting auditor and internal audit function, the Audit Committee conducted effective, efficient audits by directly verifying the suitability and validity of the execution of duties by the directors and executive officers In addition to monitoring and evaluating whether the accounting auditor maintained an independent position and performed suitable audits, the Audit Committee received reports from the accounting auditor on the state of execution of its duties and requested explanations where necessary

Conducted mainly in an online environment, such as by utilizing a web conferencing system, to ensure safety from the COVID-19 pandemic for those attending and the effectiveness of each committee

*Activities from April 2020 to May 2021

Support Systems for Directors

To support the effective execution of the roles and duties of directors, Olympus works proactively to provide 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 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.

Olympus provides training for newly inaugurated 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.

Concepts Concerning the Independence of Outside Officers

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)

- 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.
- 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.
 - 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
 - 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)

- Olympus Group is a principal shareholder of the relevant company
- The relevant company has substantive interests in Olympus Group (as a main bank, consultant, etc.)
- Olympus Group and the relevant company have a relationship in which they mutually dispatch and appoint directors
- The outside officer is not financially dependent on a person who falls under the categories of 1. or 2. above.
- 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.
- The outside officer does not belong to an auditing firm that conducts statutory audits of Olympus Group.
- 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.

Process for Appointment of Directors and Executive Officers, Development and Selection of Successors for the CEO

Process for Appointment of Directors and Executive Officers

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.

In addition, elections of executive officers are determined by the Board of Directors after the Nominating Committee discusses whether the candidate has experience, insight, etc. appropriate for an executive officer and develops proposals for elections.

Development and Selection of Successors for the CEO

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

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 of the Company's directors and executive officers on an individual basis, details of compensation 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 stakeholders' 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.

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.

Components of Compensation

- 1. Base salary (BS):** Cash compensation in the form of fixed compensation that is paid monthly in accordance with the roles and responsibilities regarding performance of work duties.
- 2. Short-term incentive (STI):** Cash compensation intended to reward the drive to achieve business results every fiscal year. A type of performance-linked compensation paid at a rate between 0% and 200% in proportion to reaching financial and non-financial targets.
- 3. Long-term incentive (LTI):**
 - Restricted stock (RS):** A type of non-performance-linked stock compensation based on the tenure of three years that pays a set amount of total compensation as Company stock, which has a restriction on transfer of three years. Restriction on share transfer is lifted after expiration of the transfer restriction period (applicable until the beginning of fiscal year 2020).
 - Restricted stock unit (RSU)—grant-type restricted stock compensation:** A type of non-performance-linked stock compensation based on the tenure of three years that grants rights (units) corresponding to a set amount of total compensation to be paid as shares of Company stock (with one unit equal to one share) at the completion of the tenure period.
 - Performance share unit (PSU)—performance-linked stock compensation:** A type of performance-linked stock compensation which grants rights (units) corresponding to a set amount of total compensation to be paid as shares of Company stock. The compensation paid is calculated as a ratio between 0% and 200% relating to reaching the target after three years.

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. In addition, stock-based compensation will be set at ¥3 million for both Japanese

and non-Japanese residents. The number of shares to be given will be calculated based on the share price at the time of assumption of office at the General Meeting of Shareholders, and the number of shares will be given after vesting.

Compensation Structure for Executive Officers

In fiscal year 2020, in accordance with a corporate strategy of aiming to become a global medtech company, we established a new compensation system which was implemented at the beginning of fiscal year 2021. In order to achieve our corporate 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. The new compensation system, which was designed for fiscal year 2021 and later, was decided upon 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 base salary (BS) 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 base salary, a fixed compensation (BS), short-term incentive compensation which is linked to business results by every fiscal year (STI), and long-term incentive compensation (LTI). Focusing on achieving corporate strategies aimed at enhancing medium- to long-term corporate value and shareholder value, the ratio of performance-linked compensation, particularly long-term incentive compensation (LTI), was raised, and the standard amount of short-term incentive compensation (STI) and long-term incentive compensation (LTI) was set. LTI consists of restricted stock unit (RSU) and performance share unit (PSU).

Changes in the Compensation System for Executive Officers

FY2020

Executive Officer

BS 50%	STI 25%	LTI 25%
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Note: Executive officers who do not reside in Japan are not eligible for compensation through RSUs, and their compensation through PSUs will be paid in equivalent cash compensation instead of the shares themselves.

Setting up a new compensation system, in line with the corporate strategy of becoming a global medtech company.



FY2021, FY2022

Representative Executive Officer

BS 25%	STI 25%	LTI 50%
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Executive Officer

BS 28.5%	STI 28.5%	LTI 43%
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Note: Executive officers who are not residing in Japan will also be provided with shares for long-term incentive compensation (LTI).

1 Increasing the proportion of long-term incentives in line with the long-term corporate strategy

2 Setting challenging and achievable targets in accordance with the business environment and increasing the motivation of executive officers

Officer Compensation in Fiscal Year 2021

Position	Total amount of compensation (¥ million)	Total compensation by type (¥ million)			Number of subject officers	
		Base salary	Performance-linked compensation	Non-monetary compensation		
Directors	Inside directors	717	450	182	86	5
	Outside directors	149	129	—	20	10
Executive officers	431	191	173	67	3	

- Notes: 1. Base salary shows the amount paid for in fiscal year 2021. Performance-linked compensation shows the amounts of short-term incentive compensation for the applicable period, fiscal year 2021 (paid in July 2021), and non-monetary compensation shows the amount of long-term incentive compensation to be recorded as expenses for fiscal year 2021. Performance share unit (PSU) of ¥67 million is only recorded in non-monetary compensation and is not recorded in performance linked compensation.
2. There are two other executive officers (concurrently holding positions as directors) in addition to the three executive officers mentioned above, compensation of the two are included in compensation for directors.
3. The Company does not pay performance-linked compensation to directors who are not concurrently holding a position as an executive officer.
4. The aforementioned inside directors include the two inside directors who retired at the close of fiscal year 2020 General Meeting of Shareholders held on July 30, 2020. Outside directors include the one outside director who retired at the close of the same General Meeting of Shareholders.
5. One outside director has requested to decline his compensation and the Compensation Committee has decided to not pay the compensation to him. However, he is included in the number of outside directors mentioned above.

Compensation Structure for Directors

Given a position that supervises business management, compensation for directors is paid by fixed compensation as base salary (BS). In addition, as directors contribute to the 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 restricted stock unit (RSU), and the right to which will be

BS 81–91%	RSU 9–19%
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- Notes: 1. The above table shows a compensation ratio by type as to directors who are natives of Japan. As for directors who are not natives of Japan, a payment level of RSU is the same as directors who are from Japan, but a compensation ratio by type is different because of difference in total compensation.
2. For those concurrently holding a position as an executive officer, cash compensation paid for management and supervisory functions performed as a director is separate from compensation of an executive officer 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 a director is included in compensation of an executive officer. In addition, for those concurrently holding a position as an executive officer, RSU is set for compensation of an executive officer. Therefore, RSU as a director's compensation shall not be paid.

Compensation of Executive Officers for Fiscal Year 2021 and Fiscal Year 2022

The Company established a new compensation system in fiscal year 2020, in accordance with the corporate strategy of aiming to become a global medtech company, based on the direction of greater emphasis on long-term incentive compensation (LTI). However, while there were major changes in the business environment in fiscal year 2021 as a result of the COVID-19 pandemic, the Compensation Committee voted that the compensation details—an element of the Company's philosophy toward compensation to "increase the motivation of executive officers by setting challenging and achievable targets"—decided upon in fiscal year 2020, were not suitable

to the environment and would not lead to enhancement of shareholder value from the creation of corporate value. For this reason, we undertook a review of the fiscal year 2021 compensation details.

Taking into account the impact of the COVID-19 pandemic on the business environment in fiscal year 2022, the decision was made to revise short-term incentive compensation (STI) and long-term incentive compensation (LTI) of executive officers, and grant subsequent grant-type restricted stock compensation "Transformational FY22-RSU."

FY2021 (Results)

Representative Executive Officer

BS	STI	RSU	PSU
25%	25%	13%	37%

Executive Officer

BS	STI	RSU	PSU
28.5%	28.5%	11%	32%

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 is concurrently holding a position 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. (This is not included in the ratios shown in the figure above.)

FY2022

Representative Executive Officer

BS	STI	RSU	PSU
25%	25%	20%	30%

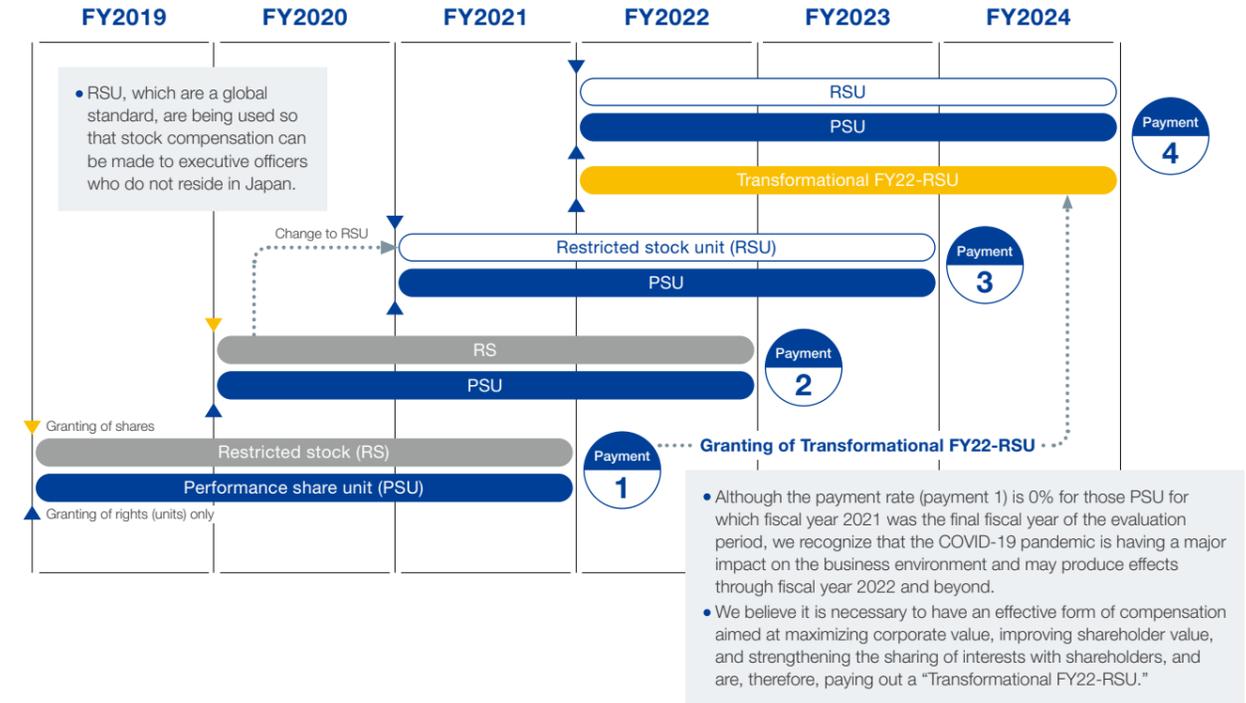
Executive Officer

BS	STI	RSU	PSU
28.5%	28.5%	17.2%	25.8%

Notes: 1. The above table shows a 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 is concurrently holding a position 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. (This is not included in the ratios shown in the figure above.)
3. For CEO and CTO only, additional "Transformational FY22-RSU" have been granted, corresponding to 18% of BS (This is not included in the ratios shown in the figure above.)

Long-term Incentive (LTI)

From fiscal year 2021, restricted stock unit (RSU) and performance share unit (PSU) are being utilized. Executive officers, including those who do not reside in Japan, are granted rights (units) that correspond to a fixed amount of total compensation, and which are payable as actual shares three years later.



• Although the payment rate (payment 1) is 0% for those PSU for which fiscal year 2021 was the final fiscal year of the evaluation period, we recognize that the COVID-19 pandemic is having a major impact on the business environment and may produce effects through fiscal year 2022 and beyond.
• We believe it is necessary to have an effective form of compensation aimed at maximizing corporate value, improving shareholder value, and strengthening the sharing of interests with shareholders, and are, therefore, paying out a "Transformational FY22-RSU."

Short-term Incentive (STI)

A form of linked compensation based on a single year's financial targets and important issues facing the entire Company, in which targets commonly set for all executive officers. The compensation is payable at a ratio of 0% to 200% in proportion to reaching targets.

FY2021 (Results)

<Initial setting>

Index	Weight
Revenue	30%
Operating profit	50%
Strategic goals	20%

<Targets and results after changes>

Index	Weight	Target value	Actual value	Achievement rate	Payment rate
Revenue	20%	¥669.5 billion	¥715.4 billion	107%	21.4%
General and administrative expenses	20%	¥384.2 billion	¥358.9 billion	120%	24.0%
Strategic goals	60%	—	—	111%	66.6%

FY2022

Index	Weight	Target
Revenue	30%	¥830.0 billion
Operating profit	40%	16.9%*1
Strategic goals	30%	Items set based on issues facing the entire Company

Rationale for Changes

- The COVID-19 pandemic has made it difficult to set targets for the initial financial indicators. Given this and the importance the Company places on corporate transformation, even in an uncertain environment, the Company increased the weight of strategic goals, which are non-financial indicators
- Since operating profit, which was set as a financial indicator, is greatly affected by the external environment, the Company set general and administrative expenses, which are closely related to operating profit, as an indicator instead

Rationale for Changes from Initial Setting

- Since it is important to have steady implementation of long-term and strategic initiatives within each fiscal year, the Compensation Committee has decided to increase the proportion of strategic goals among STI targets

Rationale for Changes

- In conjunction with the revision of fiscal year 2022 earnings forecasts (announced on August 5, 2021), certain changes have been made to the evaluation table and calculation method for revenue and operating profit

*1 For evaluations, operating margin, which is calculated from operating profit after adjustments that deduct other income and other expenses from operating profit, is used.

Performance Share Unit (PSU)

FY2020 (Results)

Index	Weight	Target value	Minimum value	Actual value	Payment rate
Total Profit for applicable period	70%	¥291.9 billion	¥145.9 billion	¥72.7 billion	0%
Average rate of revenue growth over applicable period	30%	6.4%	3.2%	0.2%	0%

FY2022

Index	Weight
Total Profit for applicable period	70%
Average rate of revenue growth over applicable period	30%

FY2023

Index	Weight
Operating margin	40%
ROIC	15%
EPS growth rate	15%
Relative TSR*2	20%
ESG*3	10%

FY2024

Index	Weight
Operating profit	40%
Relative TSR*2	40%
ESG*3	20%

Rationale for Changes

- To establish a new compensation system in fiscal year 2020, in line with the corporate strategy of aiming to become a global medtech company
- To set business indicators linked to target values in the corporate strategy based on the philosophy toward compensation of "an incentive program which is consistent with the corporate strategy"

Rationale for Changes

- To change the valuation indicators and their weights according to the business environment, based on the philosophy toward compensation of "an incentive program which is consistent with the corporate strategy"

*2 Evaluated in comparison with 20 global medtech companies.

*3 Evaluated based on the Dow Jones Sustainability Index (DJSI), the world's leading ESG investment index.

Corporate Governance

Initiatives for Enhancing Effective Corporate Governance

We have been continuously strengthening our corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities. Since 2015, we have been conducting evaluations of the effectiveness, etc. of the Board of Directors and an overview of the results has been made public. During the fiscal year 2020 evaluation of the Board of Directors, it was confirmed that we established appropriate governance structure as a company with Nominating Committee, etc., and produced operational results. We also objectively identified 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). Based on the analysis and evaluation results for fiscal year 2021, we will continue our efforts in the current fiscal year to further enhance effectiveness.

 **Evaluation Results for Effectiveness of the Board of Directors**
<https://www.olympus-global.com/company/governance/board.html>

Agenda of the Board of Directors in Fiscal Year 2021

We are expanding the delegation of authority to the execution of operations and addressing issues that should be discussed by the Board of Directors in a timely and appropriate manner.

The main agenda of the Board of Directors for fiscal year 2021 was as follows. We confirmed the progress of each agenda item and future initiative, and held active discussions.

Theme	Main Agenda
Items Related to the Corporate Strategy	<ul style="list-style-type: none"> Corporate strategy (divestiture of Imaging Business, etc.) and corporate transformation plan <i>Transform Olympus</i> Business plans and forecasts Status report on individual businesses and regions
Items Related to Corporate Governance	<ul style="list-style-type: none"> Policy for holding stocks Evaluation of the Board of Directors' effectiveness Audit & Supervisory Board audit plan report Items related to quality Internal audit plan Executive officer structure for the next fiscal year Internal controls Risk management
Others	<ul style="list-style-type: none"> Response to the COVID-19 pandemic Financial results, IR activity

Evaluation of the Effectiveness of the Board of Directors

Analysis and Evaluation Results for Fiscal Year 2021	Initiatives for Fiscal Year 2022
<ul style="list-style-type: none"> Trust in the executive team from the Board of Directors has been fostered and a common understanding has been formed that the Board of Directors should appropriately expand the delegation of authority to the execution of operations and further accelerate management decision-making. We have confirmed that the systemic foundation to support effective corporate governance is secured for the Board of Directors as a company with Nominating Committee, etc. In terms of operations, substantial efforts have been continuously made to improve the effectiveness of the Board of Directors, such as prior explanations to outside directors and information sharing and mutual exchange of opinions through meetings of outside directors. We identified the following responsibilities of the Board of Directors. "In order to contribute to the enhancement of Olympus' corporate value through cooperation with the executives, the Board of Directors will: (i) deepen the recognition and insight of the business environment and management issues through constructive discussions with the executives; (ii) effectively monitor management decision-making and execution from a strategic and broad perspective; and (iii) support the promotion of measures for the growth of Olympus as a truly global medtech company." 	<ul style="list-style-type: none"> Olympus will continue to promote initiatives to further deepen discussions on proposals such as quality and research as well as development as main important agenda items at the Board of Directors' meeting, which are important in implementing its corporate strategy to become a global medtech company. In light of the fact that it is important for the Board of Directors to understand the reality of management, including the issues of execution and the background of its history and corporate culture in monitoring management, the Board of Directors will strive to organize and present specific issues in relevant agenda items and share the importance, complexity, and broad significance of such issues in order to promote a comprehensive understanding, including a sensible understanding among the members of the Board of Directors. We will ensure the more effective operation of the three committees (Nominating Committee, Compensation Committee, and Audit Committee) and strengthen cooperation between those three committees and Board of Directors as a whole. In order to ensure the sustainable operation of the "Board Succession Plan", the Board of Directors shall clarify the optimum composition (skills matrix) for the Board of Directors to effectively fulfill its duties, and the Nominating Committee shall evaluate and appoint directors in a systematic manner for its realization, taking into account the corporate strategy and management issues at that time.

Internal Controls

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

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

- 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
- Framework regarding the maintenance of records and management of information in relation to performance of duties by executive officers of the Company
- Regulations and other framework relating to managing risks of loss of the Olympus Group
- Framework to ensure the effective performance of duties by executive officers of the Company and directors of its subsidiaries
- Framework for reporting to the Company on matters concerning execution of duties by the directors and employees of the subsidiaries
- Framework for matters related to employees whose assignment is to assist in the duties of the 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 the Audit Committee of the Company to those employees
- 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
- 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
- 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
- Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

 **Basic Policy on the Internal Control System**
<https://www.olympus-global.com/company/governance/control.html>

Status of Main Operations for Fiscal Year 2021

- Held meetings of the Global Compliance Leadership Team to identify key global measures under the direction of the Chief Compliance Officer
- To strengthen the promotion of ESG, ratings by an ESG evaluation organization as strategic goals were linked to part of the long-term incentive compensation in the evaluation index for performance share unit for executive officers
- Regularly and systematically held the meetings of the Group Executive Committee and the Board of Directors using online methods
- In response to the global COVID-19 pandemic, Olympus established the Covid-19 Global Task Force and the Central Task Force in Japan to implement cross-organizational and integrated responses
- The internal control rules were reviewed for the purpose of strengthening the risk management system, and the Risk Management Operation Rules were revised to clarify the process
- Directors, executive officers, corporate officers and employees of Olympus Group ensured the effectiveness of audits by the Audit Committee in order to cooperate with the Audit Committee for investigations by interviews and on-site inspections

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.

