

Corporate Governance

Characteristics of Corporate Governance at Olympus

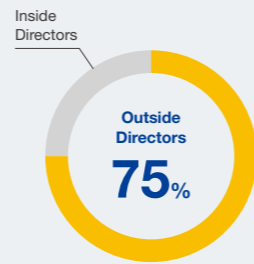
1 Building a Corporate Governance System Appropriate for a Global Medtech Company

- 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 chairperson 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 chairperson of each committee is an independent outside director
- Each committee is composed of a majority of independent outside directors
- The chairperson of the Board of Directors participates in the Group Executive Committee as an observer
- 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



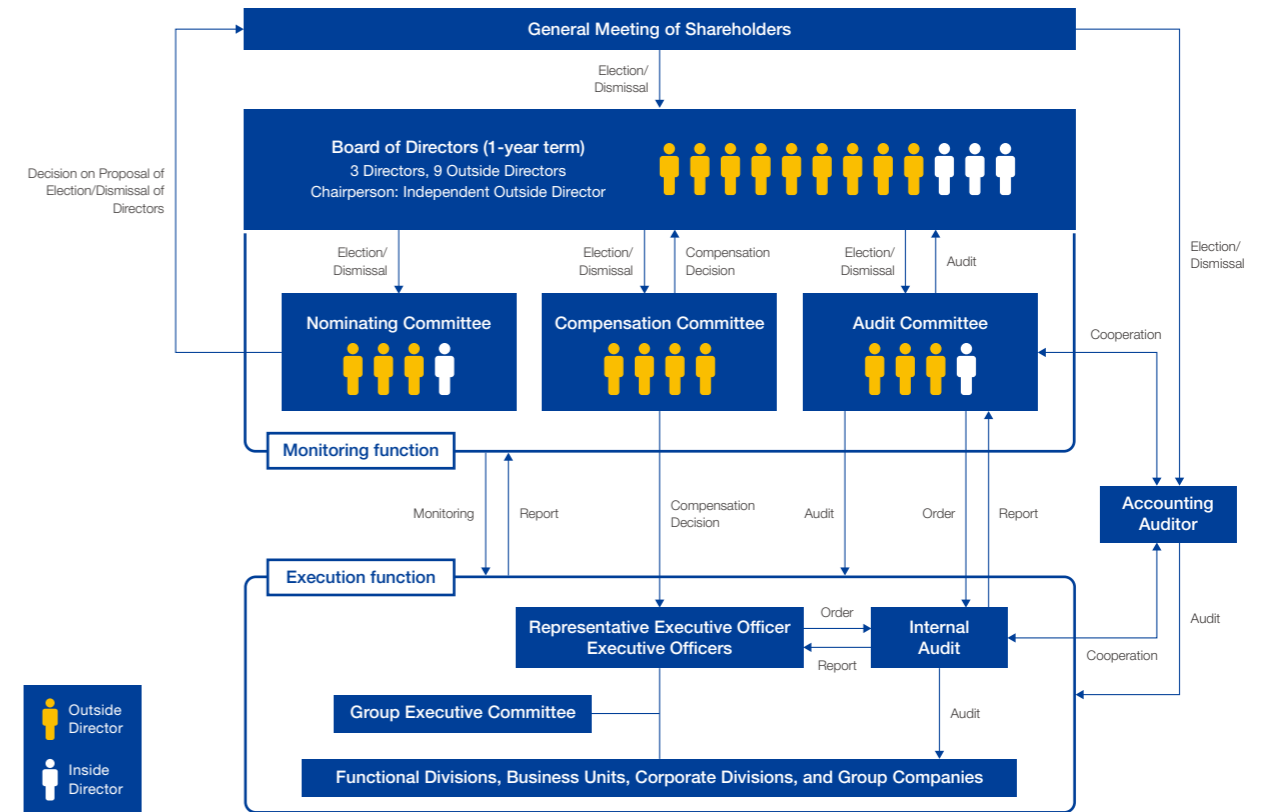
*1 All are independent outside directors.

Diversity on the Board of Directors

Non-Japanese directors > 4/12

Female directors > 1/12

Corporate Governance Structure (As of June 24, 2022)



Changes in the Corporate Governance

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
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.			
Chairperson 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	Outside 9/ Inside 3	Outside 8/ Inside 3	Outside 9/ Inside 3	Outside 9/ Inside 3
Female	-		1			-			1			
Nationalities other than Japanese	1	-			-			3			4	
Committees	Voluntarily established a Nominating Committee, Compensation Committee, and Compliance Committee Members: Majority are outside directors Committee chairpersons: Outside directors								Established a Nominating Committee, Compensation Committee, and Audit Committee*2 Members: Majority are independent outside directors Committee chairpersons: 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 for the sustainable development of Olympus 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 are complying with Japan's Corporate Governance Code, which was formulated by the TSE in June 2015 (revised in June 2021), 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.

 **Our 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 shall determine basic management policy, matters related to the internal control system, and other important matters, and monitor 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 (Chairperson) • Yasuo Takeuchi • Tetsuo Iwamura • Yasumasa Masuda • D. Robert Hale • Jimmy C. Beasley • Sachiko Ichikawa • Yasushi Shingai • Kohei Kan • Gary John Pruden • 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 (Chairperson) • Yasuo Takeuchi • D. Robert Hale • Yasushi Shingai
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"> • Tetsuo Iwamura (Chairperson) • Jimmy C. Beasley • Yasushi Shingai • Gary John Pruden
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 (Chairperson) • Sachiko Ichikawa • Kohei Kan • Nobuyuki Koga
Group Executive Committee	In the Group Executive Committee, the Representative Executive Officer and executive officers shall 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 (Chairperson) • Nacho Abia • Andre Roggan • Tetsuo Kobayashi • Chikashi Takeda • Stefan Kaufmann

The Member Composition of the Board of Directors

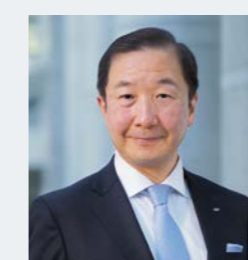
With regard to the composition of the Board of Directors, we consider the diversity of experience, knowledge, and skills of the Board of Directors, regardless of the nationalities, ethnicities, and genders of its members. The directors shall secure sufficient time as members of the Board of Directors 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 12 members, of whom nine

are independent outside directors. In addition, of those 12 directors, four are non-Japanese, and one is female. This composition is based on a consideration for human resource requirements to becoming the global medtech company that Olympus aims to be, which includes having abundant experience and insight in corporate management, finance, and international business deployment, as well as diversity in internationality and gender.

Name	Date 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	○	●	●				●	●
Tetsuo Iwamura	June 2017	○	●	●		●			
Yasumasa Masuda	June 2018	○	●	●	●			●	
D. Robert Hale	June 2019	○	●	●	●			●	
Jimmy C. Beasley	June 2019	○	●	●	●				
Sachiko Ichikawa	June 2021	○		●				●	●
Yasushi Shingai	June 2022	○	●	●				●	
Kohei Kan	June 2022	○		●				●	●
Gary John Pruden	June 2022	○	●	●	●				
Stefan Kaufmann	June 2019			●	●				
Nobuyuki Koga	June 2019				●	●			

Notes: 1. The above table does not indicate all the expertise/experiences the directors have.
2. As a company with an Audit & Supervisory Board before the transition to a company with a Nominating Committee, etc., Nobuyuki Koga was appointed as a member of the Company's Audit & Supervisory Board in 2017.

Message from a Newly Appointed Outside Director



Yasushi Shingai
Outside Director

My encounters with Olympus began when I was a child. I have good memories of buying and taking pictures with a half-size Olympus PEN camera and an OM-1 single-lens reflex (SLR) camera to document my travels. Now, Olympus has been working to change for the future without being bound by the past since 2019. Even though its historic camera business had been sold, I empathize with the decision to focus management resources on medtech and transform the Company. Because of this, along with Olympus' Our Purpose, which is closely linked with sustainability, of "making people's lives healthier, safer and more fulfilling," I felt that I wanted to contribute to Olympus as an outside director.

We are now in an era in which companies are being asked what kind of society they want to develop and what their goals are. What is required of corporate management in these times is to review the values, products,

and services they provide from an outside-in perspective by mulling over the external environment, rather than from an inside-out perspective by starting with the products and services it owns and asking the world about them. At the same time, it is about gaining an insight into the future and backcasting that insight to prepare for what we have to do in the present. Together with the executive team, I will consider what we need to do now and both formulate and monitor the execution of the strategy for 10 or 30 years into the future.

In my opinion, the stakeholder model is very important for managing a company. With customers at the center, there is a triangle around them of employees, society in general, and shareholders. I am completely committed to fulfilling responsibilities to these stakeholders in a well-balanced manner at a high level, while also fulfilling my obligations so that Olympus' corporate value can grow sustainably over the long term.

Message from a Newly Appointed Outside Director



Kohei Kan
Outside Director

In my role as an outside director, I intend to draw on my experiences gained from performing audits on global companies as a certified public accountant working for an audit corporation. In an increasingly globalized world, I believe that it is even more important to be aware of the risks facing Olympus subsidiaries especially those overseas, by using global control systems based on a collaborative approach to both internal and external audits.

Currently, I am also serving as a board member of the International Federation of Accountants. Interest in corporate sustainability is increasing worldwide and is being reflected in active discussions about the disclosure of non-financial as well as corporate financial data, including the processes used to provide assurance on that information. Disclosure is important not only as a way of responding to demands for both

financial and non-financial data, but I believe it is also important as a process that enables employees to truly understand how their efforts are creating value for society. I am looking forward to making my own contributions in this area.

Olympus is a company with a 100-year history. Instead of merely relying on that vast history, however, Olympus is responding to a rapidly changing business environment by resolutely striving to transform itself into a global medtech company. At a recent meeting with Olympus employees, I was given the impression that Olympus is moving forward with globalization and diversity, rapidly implementing changes in order to achieve its goals, and successfully producing results. I am happy to have this opportunity to serve as an outside director for such a company, and am determined to contribute to its continuing growth and success.

Message from a Newly Appointed Outside Director



Gary John Pruden
Outside Director

I had my first colonoscopy when I was 50 years old and they discovered an adenoma. I was told that if I had waited another year to get checked, there was a good chance I may not have survived. Now I am a colonoscopy frequent flyer, so I go every year and know that a scope from Olympus, both then and now, saved my life. I have been grateful to Olympus for its efforts to advance technology and improve the use of endoscopes.

After retiring from Johnson & Johnson, I realized my interests were mainly in innovation that makes a difference in patients' lives and globalization. Within some markets around the world, medical care can often be inadequate and training for doctors is needed. Because of this, I see using innovation and globalization to improve healthcare outcomes and expand healthcare opportunities as key goals for Olympus.

While in-house development is important to incorporate new ideas, so are inorganic growth opportunities in licensing new technology. Generating new ideas and business strategy is about insight, creating a roadmap and choosing what opportunities to go for, where to differentiate, and how to compete. In licensing and acquisition, it's necessary to approach success by both taking on challenges and sometimes taking risks.

In conclusion, I am convinced Olympus' technology is changing patients' lives and creating better outcomes. To carry on this momentum, we will listen to executive officers' opinions and patients' voices, work together with them, and support Olympus through its challenges as it leads into the future toward improved outcomes for patients.

Activities of the Board of Directors and Committees in Fiscal Year 2022

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	12/12	11/11	—	—
Sumitaka Fujita	12/12	11/11	—	—
Susumu Kaminaga	12/12	—	11/11	—
Tetsuo Iwamura	12/12	11/11	11/11	—
Yasumasa Masuda	12/12	2/2	4/4	18/18
Atsushi Iwasaki	10/12	—	—	24/24
D. Robert Hale	12/12	11/11	—	—
Jimmy C. Beasley	12/12	—	11/11	—
Sachiko Ichikawa	9/9	—	—	18/18
Stefan Kaufmann	12/12	—	—	—
Nobuyuki Koga	12/12	—	—	24/24

Notes: 1. Attendance of Ms. Sachiko Ichikawa at the meetings of the Board of Directors is based on those held after her appointment as a director on June 24, 2021.
 2. Attendance of Mr. Yasumasa Masuda at the meetings of the Nominating Committee and the Compensation Committee is based on those held during his term of office as a member until June 24, 2021.
 3. Attendance of Mr. Yasumasa Masuda and Ms. Sachiko Ichikawa at the meetings of the Audit Committee is based on those held after their appointment as members on June 24, 2021.
 4. As Mr. Yasushi Shingai, Mr. Kohei Kan, and Mr. Gary John Pruden were appointed directors in June 2022, they did not attend the meetings of the Board of Directors or those of the other Committees in fiscal year 2022.

Name	Activities
Board of Directors	<ul style="list-style-type: none"> The Chairperson of the Board of Directors conducted a review of the proceedings of the Board of Directors up to the previous meeting and those of each committee meeting and reported on matters 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, a corporate strategy discussion meeting was 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 Olympus In determining candidates for director, the Nominating Committee, with the help of external consultants, held discussions and interviews in accordance with the selection criteria and made decisions that ensure management transparency as well as achieve sustainable growth and increase corporate value. The committee took into account the composition of the Board of Directors, giving consideration to diversity, including global awareness, gender, work experience, and age, as well as the balance of experience, knowledge, and skills 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 Olympus
Compensation Committee*	<ul style="list-style-type: none"> Reviewed results of performance-linked compensation in fiscal year 2021 and determined amount to be paid Reviewed compensation content to further improve compensation system Determined compensation for fiscal year 2022 as well as reviewed results of performance-linked compensation and determined amount to be paid after the end of the fiscal year Determined compensation policy for fiscal year 2023
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 2021 to May 2022

Corporate Governance

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 provides 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 a dedicated organization of "Secretary to the Board" 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 directors, comprising visits to

our major business bases such as business offices and factories, etc., and business study sessions such as briefing sessions, product demonstrations, and technical result presentations to promote the acquisition of knowledge concerning Olympus. Furthermore, Olympus holds meetings between newly inaugurated directors and executive officers to promote understanding of executive thinking and awareness of issues, and to deepen understanding of the roles and responsibilities of an Olympus director. Finally, Olympus covers the cost for directors to acquire the requisite knowledge necessary for the performance of their duties.

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, executive officer appointments 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 appointments.

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.

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 of the Board of Directors and an overview of the results has been made public. The Company is promoting management reform based on the *Transform Olympus* corporate transformation plan for making the leap forward to becoming a truly global medtech company. As part of this reform, Olympus has moved to a company with a Nominating Committee, etc., to enhance management monitoring functions. Also, the evaluation of the Board of Directors in fiscal year 2021 identified that "in order to contribute to the enhancement of Olympus' corporate value through cooperation with the executives, the responsibilities of the Board of Directors will be to: (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 broad and strategic perspective; and (iii) support the promotion of measures for the growth of Olympus as a truly global medtech company." Based on the analysis and evaluation results for fiscal year 2022, we will

continue our efforts in the current fiscal year to further enhance effectiveness.

Agenda of the Board of Directors in Fiscal Year 2022

We are expanding the delegation of authority to the executives 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 2022 was as follows.

- Items related to the Olympus' basic management policy (corporate strategy, business plans and forecasts, basic policy on the internal control system, etc.)
- Items related to corporate governance (status of policy shareholdings, internal audit plan, risk management, IR activity status report, status report of information security and quality control, evaluation of the effectiveness of the Board of Directors, executive officer structure for the next fiscal year, status report on individual businesses, etc.)
- Items related to the activities of individual committees (Audit Committee auditing plan report, items for discussion at the Compensation Committee, and other business items shared by committees)

Outside of the issues, the Chairperson of the Board of Directors reported on matters to be deliberated at the Group Executive Committee after each meeting and executive officers regularly reported on execution status. Separately from regular meetings of the Board of Directors, a corporate strategy discussion meeting was held on the state of progress and issues in the corporate strategy as well as on topics in the business plan.

Evaluation Results for Effectiveness of the Board of Directors

Much progress has been seen in the initiatives for fiscal year 2022. In particular, we confirmed that the "Culture of Board of Directors" is being fostered in which "under the mutually trusting relations between monitoring and execution, the executives are promoting swift decision-making in the management to adapt execution to the changes in the environment, and the Board of

Directors is fostering a relationship through providing advisory functions and management oversight functions from broad and strategic perspectives to support the improvement of management quality through constructive discussions with executives." Olympus believes that sustaining such "Culture of Board of Directors" is the foundation needed for the Board of Directors to fulfill its responsibilities, and we will strive to enhance the corporate value of Olympus by continuing to adapt the responsibility of the Board of Directors to changes in the business environment and management issues each time, as well as the optimal composition and operation of Board of Directors.

Evaluation Results for Effectiveness of the Board of Directors

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

Initiatives for Fiscal Year 2022	Assessment of Response
<ul style="list-style-type: none"> • In implementing corporate strategy, further deepen discussions on proposals such as for quality and R&D as main important agenda items for the Board of Directors. 	<ul style="list-style-type: none"> • Strengthening of the monitoring and execution functions under the leadership of the Chairperson of the Board and the CEO, who are cooperating closely with each other based on a mutually trusting relationship, while the foundations for fulfilling the responsibilities of the Board of Directors are being laid. • Certain improvements were verified in establishing and refining the agenda of the Board of Directors' meetings, bringing awareness of areas that should be entrusted with executives and priority areas that require monitoring by the Board of Directors. • A certain degree of progress was made in strengthening cooperation among committees, with each committee reporting to the Board of Directors the contents of its deliberations as appropriate. • Effective implementation of the "Board Succession Plan" aiming to realize the corporate strategy, and an increase in diversity for the composition of the Board of Directors.
<ul style="list-style-type: none"> • Strive to organize and present specific issues in the Board of Directors' relevant agenda items and share the importance, complexity, and broad significance of such issues. 	
<ul style="list-style-type: none"> • Strengthen cooperation between the three committees (Nominating Committee, Compensation Committee, and Audit Committee) and the Board of Directors. 	
<ul style="list-style-type: none"> • Ensure the sustainable operation of the "Board Succession Plan." 	



Fostering and sustaining a "Culture of Board of Directors" is the foundation for Board of Directors to fulfill its responsibilities.

Initiatives for Fiscal Year 2023

- Deliberate on the agenda of the Board of Directors in a more systemic manner in relation to corporate strategy by working together with the chairperson, the CEO, and secretariat, to properly narrow down the agenda and timely response to environmental changes, among other things.
- With regard to executive officers' reports on the status of their business execution, while focusing on evolving into a global medtech company, efforts will be made to put emphasis on the focus points of the Board of Directors, which are fostered as a common understanding through mutual feedback on monitoring and execution, based on the priorities of management issues, as well as monitoring items that the Board of Directors attaches importance to.
- The Nominating Committee, Compensation Committee, Audit Committee, and the Board of Directors shall make reasonably necessary efforts based on priority issues while further strengthening cooperation.

Corporate Governance

Officer Compensation

Basic Policy for Officer Compensation

At Olympus, our Compensation Committee, a majority of which is comprised of independent outside directors, discusses and determines the compensation policy used to govern and reward our directors and executive officers (“officers”). Our basic policy regarding officer compensation is to make officers have a strong sense of awareness that maximizes the corporate value and meet stakeholders’ expectations, and reward their responsibilities with suitable and appropriate treatments. Based on the 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

Each officer’s compensation level is set to commensurate with their roles/responsibilities, evaluation of competitive market data, economic environment, and company and individual performance in order to enable Olympus to attract, retain and motivate executives. Specifically, the compensation levels of global medtech companies and 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.

Officer Compensation in Fiscal Year 2022

Position	Total amount of compensation (¥ million)	Total compensation by type (¥ million)			Number of subject officers
		Base salary	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors	Inside directors	919	514	224	3
	Outside directors	138	116	—	10
Executive officers		666	282	234	150

Notes: 1. BS shows the amount paid for fiscal year 2022. Performance-linked compensation, etc. show the amounts of STI compensation for the applicable period, fiscal year 2022 (paid in July 2022), and non-monetary compensation, etc. shows the amount of LTI compensation to be recorded as expenses for fiscal year 2022. PSU of ¥227 million is only recorded in non-monetary compensation, etc. and is not recorded in performance-linked compensation, etc.
 2. There are two other executive officers who concurrently hold a position as director in addition to the three executive officers mentioned above. Compensation, etc. of the two are included in compensation for inside directors.
 3. The Company does not pay performance-linked compensation to directors who do not concurrently hold a position as executive officer.
 4. The aforementioned outside directors include the two outside directors who retired at the close of fiscal year 2021 General Meeting of Shareholders held on June 24, 2021.
 5. One outside director has requested to decline his compensation and the Compensation Committee has decided not to pay the compensation to the director. However, the director is included in the number of outside directors mentioned above.

Compensation Structure for Directors

Taking into consideration roles and responsibilities, compensation for directors is paid by fixed compensation as BS. To address the concept that directors and investors share interests, service-vested stock compensation is also granted. The stock compensation here is to be RSU, the right to which will be defined at retirement for those directors who are residents of 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 are non-residents of Japan. For further sharing interests with investors through promoting the holding of shares, we decided to increase the amount for both

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 work duties.
- 2. Short-term incentive (STI):** Cash compensation intended to reward executives for driving actual business performance results every fiscal year. STI allows officers to earn cash compensation equal to 0% to 200% of their target bonus opportunity, based on the achievement of financial and non-financial performance measures.
- 3. Long-term incentive (LTI):**
 - Restricted stock (RS):** An equity award with a service based vesting period over three years and aligned to Olympus’ stock price volatility. Restriction on share transfer is lifted after expiration of the transfer restriction period (applicable until those paid at the beginning of fiscal year 2020).
 - Restricted stock unit (RSU)—grant-type restricted stock compensation:** A type of service-vested stock compensation 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 pre-defined period.
 - Performance share unit (PSU)—performance-linked stock compensation:** An equity award with pre-defined performance-based conditions and paid out in shares of Company stock after the performance period is completed. The compensation paid is calculated as a ratio between 0% and 200% relating to reaching the target after three years.

Japanese and non-Japanese residents from ¥3 million in the fiscal year 2022, to ¥6 million. The number of shares to be given will be calculated based on the share price at the time of

BS 71–85%	RSU 15–29%
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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 who concurrently holding a position as executive officer, cash compensation paid for management and monitoring 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 monitoring functions performed as a director is included in compensation of an executive officer. In addition, for those who concurrently holding a position as executive officer, RSU is set for compensation of executive officer. Therefore, RSU as a director’s compensation shall not be paid.

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 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 LTI compensation
4. Set a compensation level considering the stage of development to become a global medtech company—a hybrid mix of “Global labor market” and “Home”
5. Ensure the sound management of incentives by putting clawback clauses and shareholding guidelines in place
6. Enhance the motivation of executive officers by setting challenging and achievable targets

Note: As composition for executive officers, shifts from a Japanese-centered composition to a global composition, the Compensation Committee resolved in December 2021 to revise the details as above because “the provision of competitive BS in comparison with major Japanese global companies” stipulated that the fourth item in the philosophy was not being met.

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 BS, a fixed compensation, STI compensation which is linked to business results by every fiscal year, and LTI compensation. Focusing on achieving corporate strategy aimed at enhancing medium- to long-term corporate value and shareholder value, the ratio of performance-linked compensation, particularly LTI compensation, was raised, and the standard amount of STI compensation and LTI compensation was set. LTI compensation consists of RSU and PSU.

A clawback clause has been set up to deter the management (executive officers) from reckless investments and improper accounting. Shareholding guidelines are established to share interests between investors and management.

Changes in the Compensation Structure for Executive Officers

FY2020

Executive Officer

BS 50%	STI 25%	LTI 25%
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Note: Executive officers who are non-residents of 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

Chief 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).

Having taken into consideration the compensation levels of global medtech companies, the compensation structure has been changed to higher the ratios of STI compensation, which is performance-linked compensation, and LTI compensation, which is stock compensation.



FY2023

Chief Executive Officer

BS 19%	STI 24%	LTI 57%
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Executive Officer

BS 24%	STI 28%	LTI 48%
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Note: Executive officers who are non-residents of Japan will also be provided with shares for LTI compensation.

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

Corporate Governance

Compensation of Executive Officers for Fiscal Year 2022 and Fiscal Year 2023

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 LTI compensation. Subsequently, amid a business environment that had changed drastically due to the spread of COVID-19 and other factors, the Compensation Committee examined the optimal compensation for executive officers to improve corporate value as well as to maintain and improve the motivation of executive officers.

Regarding the composition of compensation for executive officers, in fiscal year 2023, the Company will increase the ratio of STI compensation, which is performance-linked compensation, and LTI compensation, which is stock compensation, taking into consideration the compensation level of global medtech companies. Given the uncertain and variable business environment, the ratio of subsequent grant-type, RSU was set at 40% and PSU at 60% to ensure an ideal ratio of shares to the total amount of compensation.

FY2022 (Results)

Chief 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 monitoring 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 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).

FY2023

Chief Executive Officer

BS	STI	RSU	PSU
19%	24%	23%	34%

Executive Officer

BS	STI	RSU	PSU
24%	28%	19%	29%

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 monitoring 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.)

Short-term Incentive (STI)

A performance-linked compensation in line with a single year's financial targets and important issues facing the entire Company, in which targets are commonly set for all executive officers. The compensation is payable at a ratio of 0% to 200% in proportion to achieving the targets. The financial indicators are revenue and operating margin to assess growth and efficiency. Since it is important to steadily implement long-term and strategic initiatives within each fiscal year, we also deem strategic goals to be indicators.

FY2022 (Result: Payment rate 132.5%)

Index	Weight	Target value	Actual value	Achievement rate	Payment rate
Revenue ^{*1}	30%	¥785.7 billion	¥801.1 billion	142.4%	42.7%
Operating margin ^{*1}	40%	17.5%	19.3%	172%	68.8%
Strategic goals ^{*2}	30%	—	—	70%	21%

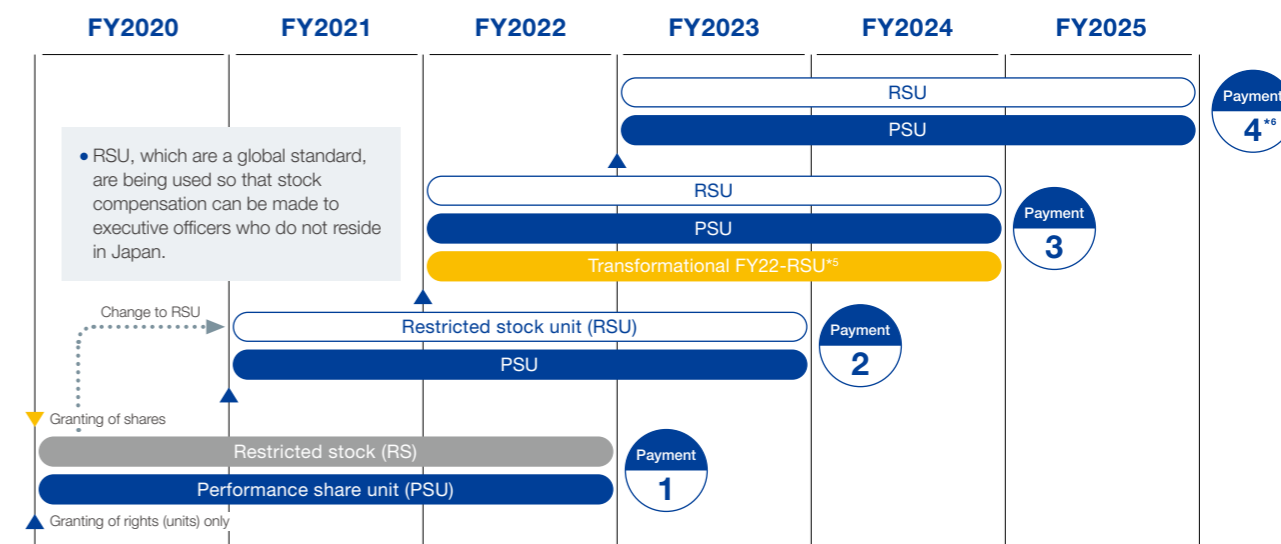
FY2023

Index	Weight	Target
Revenue ^{*3}	30%	¥968.0 billion
Operating margin ^{*3}	40%	20.9%
Strategic goals ^{*4}	30%	Items set based on issues facing the entire Company

^{*1} Revenue is calculated from the figure after foreign exchange adjustment and operating margin is calculated from operating profit after adjustments that deduct other income from and add other expenses to operating profit.
^{*2} Target items were set on the following important companywide initiatives for fiscal year 2022, announced on May 7, 2021, and set as common goals for all executive officers. The payment rate for the achievement rate of each target was set from the lower limit of 0% to the upper limit of 200%.
 • Deepening profitable growth strategy in the Medical Business
 • Further improvement of efficiency and effectiveness through *Transform Olympus*
 • Continued steady investment in product development for future growth
^{*3} At the time of the evaluation, revenue is calculated from the figure after foreign exchange adjustment and operating margin is calculated from operating profit after adjustments that deduct other income from and add other expenses to operating profit.
^{*4} Having set the target items relating to the important initiatives to be tackled companywide for fiscal year 2023, as shown below, which was announced on May 11, 2022, and are deemed common goals for all executive officers. An evaluation table for payment curve between 0% and 200% is set for each item.
 • Focus on diseases on which we can have a market-leading impact
 • Shape the future by investing in new ways to elevate the standard of care
 • Enable our organization to better execute globally and at pace

Long-term Incentive (LTI)

From fiscal year 2021, RSU and PSU are being utilized. Executive officers, including those who are non-residents of Japan, are granted rights (units) that correspond to a pre-defined amount of total compensation, and which are payable as actual shares after completion of pre-defined period.



^{*5} Although the payment rate was 0% for those PSU for which fiscal year 2021 was the final fiscal year of the evaluation period, we recognized that the COVID-19 pandemic was having a major impact on the business environment and produced effects through fiscal year 2022 and beyond. The Compensation Committee believed it was 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 were, therefore, paying out a "Transformational FY22-RSU."
^{*6} From fiscal year 2023, payment type of RSU was changed to 1/3 payable as actual shares after each year.

Performance Share Unit (PSU)

FY2022 (Results)

Index	Weight	Target value	Actual value	Payment rate
Total Profit for applicable period ^{*7}	70%	¥221.7 billion	¥225.1 billion	94.5%
Average rate of revenue growth over applicable period ^{*8}	30%	6.5%	5.67%	

^{*7} Regarding the total profit for the applicable period, to evaluate the achievement rate, the target value did not change and the value adjusted by deducting the one-time costs due to the divestiture of the Imaging Business from the companywide actual value was used as the actual value.
^{*8} For revenue growth, the achievement rate was evaluated using the target value of the companywide revenue, excluding that of the Imaging Business.

FY2023

Index	Weight
Operating margin	40%
ROIC	15%
EPS growth rate	15%
Relative TSR ^{*9}	20%
ESG ^{*10}	10%

FY2024

Index	Weight
Operating profit	40%
Relative TSR ^{*9}	40%
ESG ^{*10}	20%

FY2025

Index	Weight
Operating profit	20%
Relative TSR ^{*9}	60%
ESG ^{*10}	20%

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"

Rationale for Changes

• Having determined that relative TSR is appropriate as an indicator for evaluating the corporate value and shareholder value, judged it appropriate to increase relative TSR ratio to further enhance corporate value and shareholder value

^{*9} The peer group consists of the following 20 companies in Japan, Europe, and the U.S. that are "manufacturers whose business portfolio includes medical devices" or "manufacturers classified in the healthcare category of the GICS code."
 Abbott Laboratories; Thermo Fisher Scientific Inc.; Medtronic plc; Koninklijke Philips N.V.; Danaher Corporation; Asahi Kasei Corporation; Becton, Dickinson and Company; Siemens Healthineers AG; Stryker Corporation; Baxter International Inc.; Boston Scientific Corporation; Zimmer Biomet Holdings, Inc.; Terumo Corporation; Agilent Technologies, Inc.; HOYA Corporation; Smith & Nephew plc; Edwards Lifesciences Corporation; Intuitive Surgical, Inc.; STERIS plc; Sysmex Corporation
^{*10} Evaluation based on the Dow Jones Sustainability Index (DJSI), which is a global representative ESG investment index. In light of the business characteristics of Olympus, the DJSI is set as an evaluation index for the reasons given below. In addition, with the goal of meeting global standards in all areas of ESG, an evaluation table was set with an emphasis on the DJSI that will be achieved in the third year, in consideration of the results of the first and second years.
 • The DJSI provides comprehensive coverage of overall corporate activities.
 • The breadth of coverage in the evaluation area contrasts with the expectations of a broad range of stakeholders.
 • The DJSI is a highly reliable external evaluation organization and ensures transparency and fairness.