

April 11, 2012

To Our Shareholders

OLYMPUS CORPORATION

**Supplementary Explanation of Rationale regarding Items to be Proposed at  
Extraordinary Shareholders' Meeting**

We have been informed that the proxy voting advisory company Institutional Shareholder Services K.K. ("ISS") has made recommendations that shareholders vote against certain agenda items to be proposed at the upcoming Extraordinary Shareholders' Meeting of OLYMPUS CORPORATION (the "Company").

We have carefully examined ISS's reasons for recommending voting against these proposals, but find that the opinions contained in these recommendations show some biases. We would therefore like strongly to oppose these recommendations, and also to provide supplementary explanation of our rationale regarding the proposals that the Company has made.

We sincerely ask that all shareholders and investors once again review the Notice Regarding the Convocation of the Extraordinary General Meeting of Shareholders and this supplementary explanation when making a final decision regarding the exercise of your voting rights.

The agenda items for which ISS has recommended "no" votes are as follows:

- 1st Agenda: Approval of the Corrected Financial Statements for the 143<sup>rd</sup> Term  
(from April 1, 2010 to March 31, 2011)
- 2nd Agenda: Approval of the Corrected Financial Statements for the 142<sup>nd</sup> Term  
(from April 1, 2009 to March 31, 2010)
- 3rd Agenda: Approval of the Corrected Financial Statements for the 141<sup>st</sup> Term  
(from April 1, 2008 to March 31, 2009)
- 4th Agenda: Approval of the Corrected Financial Statements for the 140<sup>th</sup> Term  
(from April 1, 2007 to March 31, 2008)
- 5th Agenda: Approval of the Corrected Financial Statements for the 139<sup>th</sup> Term  
(from April 1, 2006 to March 31, 2007)
- 6th Agenda: Election of Eleven Directors  
(Candidate No. 1: Kimoto, Yasuyuki; No. 2: Sasa, Hiroyuki;  
No. 3: Fujizuka, Hideaki)

7th Agenda: Election of Four Corporate Auditors  
(Candidate No. 2: Shimizu, Masashi)

## 1st Agenda to 5th Agenda: Approval of the Corrected Financial Statements for the 139<sup>th</sup> to 143<sup>rd</sup> Terms

Main point of ISS's objection:

These proposals seek the approval of corrected financial statements, which is inappropriate because the results of investigations by regulators are not yet complete, and ISS therefore recommends votes against the proposals.

### Supplementary Explanation from OLYMPUS:

The Company has already received the report of the highly independent Third Party Committee, has revised previously submitted annual securities reports (*yuuka-shoken-houkokusho*) and related documents, has had those documents reviewed by an independent auditor, and has appropriately corrected its past financial statements.

These proposals are in accordance with the already corrected annual securities reports and related documents, and seek shareholder approvals for retroactive corrections to past financial statements under the Company Law. ISS has omitted from its assertions an explanation of these past steps and its negative recommendation is based purely upon speculation, and therefore we strongly object to the views expressed therein.

## 6th Agenda: Election of Eleven Directors

ISS has recommended votes against the candidates for Directors in the three shaded rows below:

Candidate No.	Name	Rep	Company Classification	ISS Classification	Outsider Notes	ISS Rec.
1	Kimoto, Yasuyuki		Insider	Insider	—	AGAINST
2	Sasa, Hiroyuki	✓	Insider	Insider	—	AGAINST
3	Fujizuka, Hideaki		Insider	Insider	—	AGAINST
4	Takeuchi, Yasuo		Insider	Insider	—	FOR
5	Hayashi, Shigeo		Insider	Insider	—	FOR

6	Goto, Takuya		Independent Outsider	Independent Outsider	Takuya Goto is a former president and executive chairman of Kao Corp.	FOR
7	Hiruta, Shiro		Independent Outsider	Independent Outsider	Shiro Hiruta is a former president and current senior advisor to Asahi Kasei Corp.	FOR
8	Fujita, Sumitaka		Independent Outsider	Independent Outsider	Sumitaka Fujita is a former executive director of general trading house Itochu Corp.	FOR
9	Nishikawa, Motoyoshi		Independent Outsider	Independent Outsider	Motoyoshi Nishikawa, a former executive director of Nippon Steel Corp, is an attorney-at-law.	FOR
10	Imai, Hikari		Independent Outsider	Independent Outsider	Hikari Imai has served as the president of Recof Corp. since 2008.	FOR
11	Fujii, Kiyotaka		Independent Outsider	Independent Outsider	Kiyotaka Fujii, a former McKinsey consultant, is the president of Better Place Japan.	FOR

(1) Main point of ISS's objection (Candidate No. 1: Kimoto, Yasuyuki; Candidate No. 3: Fujizuka, Hideaki):

- The appointment of former executives of main banks raises concerns that bank interests will be prioritized over shareholder interests.

#### **Supplementary Explanation from OLYMPUS:**

##### **Board composition includes a majority of fully independent Outside Directors**

In order to strengthen the Company's corporate governance, the slate of 11 candidates for the positions of director being proposed to the Extraordinary General Meeting of Shareholders includes a majority of six outside directors who are fully independent of the Company. ISS has recommended votes against candidates Yasuyuki Kimoto and Hideaki Fujizuka, who are candidates for the position of internal Director, while the candidates for Outside Director include no persons with past bank affiliations.

Under this new structure, therefore, the Company's corporate governance function will be fully deployed when the Board of Directors decides on major issues including capital increases and business tie-ups. If all of the Outside Directors, who constitute a majority of the Board and are fully independent with no conflicts of interest arising from bank relationships, object to the proposal, the Board resolution will not be resolved.

In addition, if candidates for internal directorships Kimoto and Fujizuka are elected as Directors of the Company, they will owe a duty of care and duty of loyalty in the performance of their duties, and in the event that in the performance of their duties they were to give priority to the interests of the banks with which they were formerly affiliated over those of the

Company, their responsibility as a Director will immediately be called into question. We therefore consider it extremely unlikely that either person would engage in any such actions.

Finally, to reemphasize, Messrs. Kimoto and Fujizuka are being proposed as internal Directors, not as Outside Directors.

(2) Main point of ISS's objection (Candidate No. 2: Sasa, Hiroyuki):

- Sasa's work experience does not appear appropriate for the president of Olympus at a time when the firm is faced with enormous tasks ranging from restructuring and financial stabilization to restoration of investor trust.
- No information about the strategy the new board is to implement has been announced, making it difficult for shareholders to evaluate the leadership and aptitude of Sasa as company president, who will not be up for reelection for the next 14 months once elected at this extraordinary shareholders' meeting.

**Supplementary Explanation from OLYMPUS:**

Mr. Sasa's career spans 30 years in the Company's core Medical Business, and in recent years he has been deeply involved in the management of this core business. As posted on the Company's Internet site and included in the "Introduction of Candidate for President and Representative Director" on Page 3 of the enclosed "New Management Structure," Mr. Sasa has outlined the management agenda and policies that he would pursue as the new President, and Mr. Sasa is proactively pursuing a dialogue between top management and shareholders.

ISS's objection makes no mention whatsoever of Mr. Sasa's many years of business experience nor of his activities with shareholders since being nominated as a candidate for director, and abstractly calls into question his management capabilities with no concrete basis for those doubts. ISS has also pointed out that a specific management strategy going forward has yet to be fully disclosed, but in light of the fact that he is currently merely a *candidate* for Director, it is not rational at this time to cite this lack of a full explanation regarding specific management strategy, which, as a candidate, he cannot yet be expected to have formulated concretely, as a reason for opposing Mr. Sasa's election.

The Company's management strategy going forward will first be deliberated and determined by the new management elected at the Extraordinary General Meeting of Shareholders, and thereafter the Company will announce that strategy. To repeat, the slate of candidates being proposed as directors consists of a majority of fully independent Outside Directors. Mr. Sasa and the other main directors who will carry out the Company's business will do so appropriately, under the supervision of a majority of fully independent outside

directors, and will diligently continue to pursue dialogue with shareholders. We are therefore confident that appropriate management decisions can be expected with a view to the maximization of Olympus's corporate value and the common interest of shareholders.

**7th Agenda: Election of Four Corporate Auditors**

ISS has recommended votes against the candidate for Corporate Auditor in the one shaded row below:

Candidate No.	Name	Company Classification	ISS Classification	Outsider Note	ISS Rec.
1	Saito, Takashi	Insider	Insider	—	FOR
2	Shimizu, Masashi	Insider	Insider	—	AGAINST
3	Nagoya, Nobuo	Independent Outsider	Independent Outsider	Chief, Nagoya CPA Office	FOR
4	Natori, Katsuya	Independent Outsider	Independent Outsider	Chief, Natori Law Office (to present)	FOR

Main point of ISS's objection:

- The nominee is from the major shareholder which failed to supervise Olympus appropriately, casting doubt over the aptitude of Shimizu as a statutory auditor who is expected to supervise management.

**Supplementary Explanation from OLYMPUS:**

Although his career to date has been at a life insurance company, Mr. Shimizu will audit the Company as one of the Full-Time Corporate Auditors, not as an independent Outside Auditor. Including a person from outside the Company as a Full-Time Corporate Auditor is intended to strengthen the internal audit structure. Mr. Shimizu will be rigorous in the execution of his duties as a Full-Time Corporate Auditor.

In addition, Candidates No. 3, Nobuo Nagoya, and No. 4, Katsuya Natori, are both candidates for Outside Corporate Auditor, and neither of these candidates has special interests with the Company. If the proposed candidates are approved, the Board of Corporate Auditors will be made up of four Corporate Auditors, with two being Outside Corporate Auditors and two being Full-Time Corporate Auditors.

We politely request that you review carefully these supplementary explanations when exercising your voting rights.

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