

## **Basic Policy on the Internal Control System**

The Company refers to the concept of assimilating, as members, with society, sharing values with other members of society, and making people's lives healthy and happy by proposing new values through business activities as "Social IN," and identifies the concept as the leading motive lying behind all our activities.

The Board of Directors, based on this basic concept, shall prepare and operate a framework which ensures the appropriateness and reliability of financial reporting and effectiveness and efficiency of operations, and make continuous improvements with its application.

### **(1) Framework to ensure the compliance by Directors and employees, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation**

- 1) In order to ensure a system in which Directors and employees perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation, the Board of Directors shall establish the Olympus Group's Charter of Corporate Behavior and Olympus Group's Code of Conduct and other basic policies and internal corporate regulations.
- 2) The Board of Directors shall establish the Compliance Committee chaired by an Outside Director as a body to supervise and improve the compliance system. It shall also establish a compliance promotion system by appointing an officer in charge of compliance ("Chief Compliance Officer") and establishing a department in charge of group-wide compliance. The department in charge of group-wide compliance shall be responsible for activities toward the improvement of the group compliance system based on the Global Compliance Management System. Furthermore, it shall continuously conduct education of Directors and employees and measures relating to assessment. It shall establish a helpline for consultation or provision of information on compliance related issues and develop a system to report contents, etc. of such issues, if they arise, to the Board of Directors and the Board of Corporate Auditors.
- 3) The Company shall set up a CSR Committee chaired by the President and regularly hold meetings to set the contents of measures and objectives for and evaluate CSR activities. The Committee shall develop high ethical standards and promote measures to realize the Olympus Group's Charter of Corporate Behavior and Olympus Group's Code of Conduct .
- 4) The Company shall establish the Internal Audit Office that directly reports to the President. The Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, conduct internal audit of the businesses of the Company in general on a regular basis with regard to the status of their compliance with laws and regulations, the articles of incorporation, and internal rules and regulations, the appropriateness of the business execution procedures and results, etc.

- 5) In order to ensure the appropriateness and reliability of financial reporting, the Audit Office shall continue to conduct improvement activities by regularly evaluating its efforts and operations to ensure that control activities relating to financial reporting function effectively under the internal control system.
- 6) The Administration Department shall be responsible for working with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety. The Company continuously shall conduct measures for excluding anti-social forces and prescribe rules and regulations relating it in order to hold its social responsibility to exclude anti-social forces.

**(2) Framework regarding the maintenance of records and management of information in relation to performance of duties by Directors**

- 1) Pursuant to applicable laws and regulations and internal corporate regulations including the internal rules on document management, etc., the Company shall maintain and manage documents or electronic data.
- 2) Directors and Corporate Auditors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time.

**(3) Rules relating to the risk management in the event of loss and other circumstances**

- 1) The Company shall manage its business risks based on thorough discussions held at meetings of the Board of Directors and the executive management committee, among other meetings, and appropriate operation of the internal approval procedure.
- 2) The Company shall manage risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters by establishing divisions in charge, establishing internal corporate regulations and standards, and through implementing education and training, among others.
- 3) The CSR Committee shall report and deliberate on plans and measures in relation to risk management, and make efforts to establish and maintain a risk management system. Moreover, pursuant to the internal rule on risk management, each operational department shall be aware of risks and take preventative measures, and the Company shall develop a framework which enables prompt actions in the event of an emergency. In the event of a disaster including earthquakes, fire and accidents, and occurrence of incidents of great risks, such as the violation of corporate ethics, etc., the operational departments shall, through a risk management Department as a window, make immediate reports to the President, other members of the CSR Committee and relevant people. The final determination in such circumstance shall be made by the President.

**(4) Framework to ensure the effective performance of duties by Directors**

- 1) The Board of Directors shall develop medium- and long-term Corporate Strategic Plans in order to clarify the Company's business objectives and achieve efficient resource allocation based on its annual business plan as determined each business year. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the status of the Company's annual business

plan.

- 2) The Board of Directors shall determine the separation of duties among the Representative Director, other Operating Directors and Executive Officers and supervise with respect to their duties as performed.
- 3) The Representative Director shall make a decision about significant matters except for board meeting agendas after discussing at meetings of the executive management committee.
- 4) Based on internal corporate regulations including the internal rules on approval procedures and organizational matters, the Board of Directors shall determine the management organization and the separation of duties as well as the responsibility and authority of each of the Representative Director, other Operating Directors and Executive Officers, and establish a fair and effective system for performance of duties.

**(5) System to ensure the fairness of operations of the Company and its subsidiaries**

- 1) The Company shall make the contents of Olympus Group's Charter of Corporate Behavior widespread among subsidiaries and promote enhanced awareness of compliance among the Group.
- 2) Pursuant to the internal rule on management of subsidiaries and affiliates, the Company shall clearly provide for management standards applied to its subsidiaries and promote Olympus Group's enhancement and development by providing guidance and training to its subsidiaries.
- 3) The Company shall dispatch Directors and Corporate Auditors to major subsidiaries to ensure the fairness of operations of subsidiaries by requesting them to obtain the Company's approval for significant matters based on Olympus Group's internal control rule on approval procedures.
- 4) The Internal Audit Office of the Company shall conduct internal audits on its subsidiaries based on the annual audit plan approved by the Board of Directors and report the audit results to the Representative Director, the Board of Directors and the Board of Corporate Auditors of the Company. The Company shall establish an internal audit department for conducting audits at its major subsidiaries.

**(6) Matters relating to employees that assist the Corporate Auditors upon the request of such Corporate Auditor for assistance and matters relating to independence of the relevant employees from Directors**

- 1) The Company will establish the office of Corporate Auditors and allocate personnel who will assist with the Corporate Auditors' duties. In order to assist with Corporate Auditors' duties, such personnel shall not receive directions or guidance from any Directors.
- 2) Appointment, dismissal, transfers, wages and personnel evaluation, etc. of employees, who should assist with Corporate Auditors' duties, shall be determined after obtaining the approval of the Board of Corporate Auditors, and the independence of such employees from Directors shall be ensured.

**(7) Framework regarding reports by Directors and employees to Corporate Auditors, and other reports to the Corporate Auditors**

Directors shall make reports to the Board of Corporate Auditors pursuant to relevant laws and regulations. Corporate Auditors may request reports from Directors and employees based on relevant laws

and regulations, the Rules of the Board of Corporate Auditors and the Corporate Auditors' Audit Standard, which are both established by the Board of Corporate Auditors.

**(8) Other systems to ensure the effectiveness of audit by Corporate Auditors**

- 1) Corporate Auditors shall conduct investigations on Directors, employees and subsidiaries through hearings or visiting audits, to ensure the effectiveness of its audit.
- 2) Corporate Auditors shall hold regular meetings with Directors as well as with each head of department, and exchange opinions regarding significant audit related issues.
- 3) The Internal Audit Office shall ensure close exchange of information and coordination with Corporate Auditors of the Company and its major subsidiaries and Accounting Auditors with regard to, among others, internal audit plans and results.