

# Corporate Governance

## Basic Policy on Corporate Governance

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities. We call this aim “Social IN” and make it the core philosophy that underlies all of our

activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

## Corporate Governance Structure

The Board of Directors consists of 13 members, including a majority of 8 outside directors. In principle, the Board of Directors meets once per month and strives to make timely decisions regarding the Company’s business strategies and other important management matters and to exercise appropriate oversight of business execution. A corporate officer other than the president (the chairman of the board) chairs meetings of the Board of Directors. Olympus expects the 8 outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Olympus has adopted an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of the executive officers. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restraints are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers.

## Overview of the Corporate Governance Structure

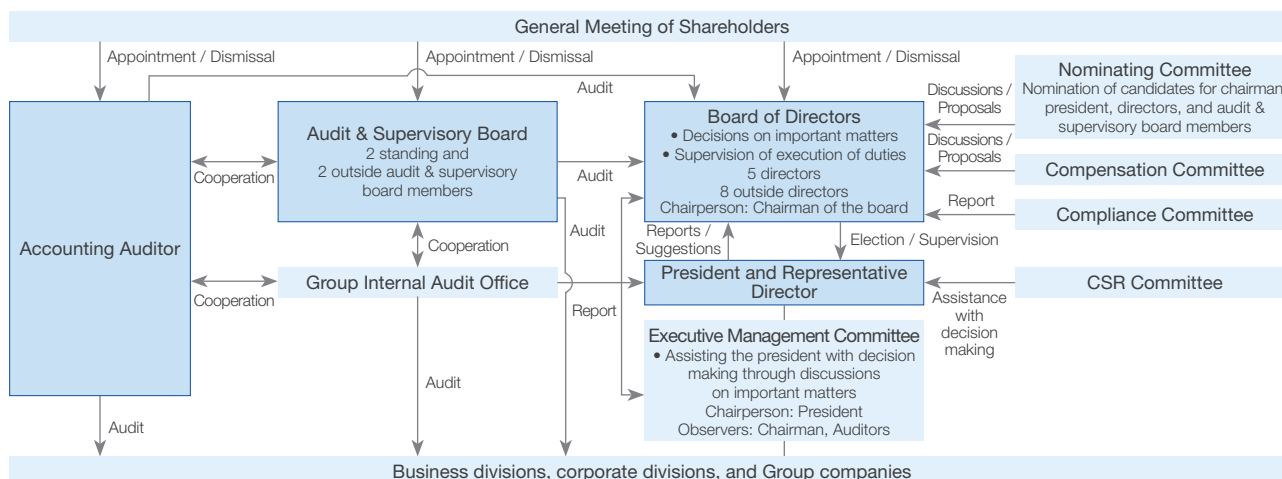
(As of June 26, 2014)

Format	Audit & Supervisory Board system
Adoption of executive officer system	Yes
Directors	13
Of whom outside directors	8
Term of directors	1 year
Audit & supervisory board members	4
Of whom outside audit & supervisory board members	2
Independent officers	9
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	19 times
Results-linked remuneration	Yes

## Major Management Decisions Made in Fiscal 2014

Decisions	Details
Establishment of Sony Olympus Medical Solutions Inc.	Establishment of Medical Business joint venture company as part of business and capital alliance with Sony Corporation
Introduction of stock option system for corporate officer compensation	Provision of stock options to directors, excluding outside directors, and executive officers
Issuance of new shares through public offering and disposal of treasury stock	Procurement of capital to extent of ¥112.6 billion from overseas markets
Dissolution of Olympus Biotech Corporation	Withdrawal from biologics business

## Corporate Governance Structure



## Composition of Committees and Position of the Chairman

	Number of Members	Internal Directors	Outside Directors	Chairman (of the Committee)
Board of Directors	13	5	8 (7 independent directors)	Chairman
Nominating Committee	3	1	2	Outside Director
Compensation Committee	3	1	2	Outside Director
Compliance Committee	5	—	3	Outside Director

## Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing 8 outside directors, representing a majority of its 13 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside audit & supervisory board members out of the 4 audit & supervisory board members.

Olympus has designated 7 outside directors, representing a majority of the members of the Board of Directors, and 2 outside audit & supervisory board members as independent officers pursuant to the rules for listed companies stipulated by the Tokyo Stock Exchange.

Outside Directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 19 times in fiscal 2014)	
Takuya Goto <sup>(*)</sup>	Mr. Goto was appointed so that his extensive experience and diverse knowledge as a business manager at Kao Corporation may be applied to the Company's management.	19/19	
Shiro Hiruta <sup>(*)</sup>	Mr. Hiruta was appointed so that his extensive experience and diverse knowledge as a business manager at Asahi Kasei Corporation may be applied to the Company's management.	19/19	
Sumitaka Fujita <sup>(*)</sup>	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	19/19	
Motoyoshi Nishikawa <sup>(*)</sup>	Mr. Nishikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation) as well as his diverse knowledge as an attorney may be applied to the Company's management.	19/19	
Hikari Imai <sup>(*)</sup>	Mr. Imai was appointed so that his extensive experience and diverse knowledge as a business manager at Merrill Lynch Japan Securities Co., Ltd., and RECOF Corporation may be applied to the Company's management.	19/19	
Kiyotaka Fujii <sup>(*)</sup>	Mr. Fujii was appointed so that his extensive experience and diverse knowledge as a business manager at Cadence Design Systems, Japan, SAP Japan Co., Ltd., LVJ Group K.K., Eastgate Group, Inc., Better Place Japan Co., Ltd., and Hailo Network Japan Co., Ltd., may be applied to the Company's management.	19/19	
Keiko Unotoro <sup>(*)</sup>	Ms. Unotoro was appointed so that her extensive experience and diverse knowledge acquired from working at the Japan Fair Trade Commission may be applied to the Company's management.	15/15	
Masaru Kato	Mr. Kato was appointed so that his extensive experience and diverse knowledge as a business manager at Sony Corporation may be applied to the Company's management.	Appointed from fiscal 2015 (June, 2014)	

Outside Audit & Supervisory Board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Board of Directors (Met 19 times in fiscal 2014)	Audit & Supervisory Board (Met 33 times in fiscal 2014)
Nobuo Nagoya <sup>(*)</sup>	Mr. Nagoya was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	19/19	33/33
Katsuya Natori <sup>(*)</sup>	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	17/19	28/33

\* Independent officers

## Strengthening of Audit and Supervisory Functions

Olympus is a company with the Audit & Supervisory Board system. Two of the four audit & supervisory board members are outside audit & supervisory board members. One of the two standing audit & supervisory board members was recruited from outside Olympus to guarantee the strength of supervisory functions. Olympus has established the Corporate Auditors' Office to support audit & supervisory board members and assigned full-time employees to assist with their work. In principle, the Audit

& Supervisory Board, like the Board of Directors, meets once per month.

In accordance with the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standard, the audit & supervisory board members attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In principle, they exchange opinions with the representative director four times per year.

## Corporate Officer Compensation

The upper limits for the monthly compensation of directors and audit & supervisory board members as well as director bonuses are decided at the general meeting of shareholders.

Director compensation is decided by the Board of Directors in accordance with the Director Compensation Guidelines based on the recommendations of the Compensation

Committee, which is comprised of a majority of highly independent outside directors. Audit & supervisory board member compensation is decided by the Audit & Supervisory Board in the same manner. Bonuses and stock options are not paid to audit & supervisory board members to maintain their standing as independent from business execution.

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / audit & supervisory board members
		Base	Bonuses	Stock options	Retirement benefits	
Directors (excluding outside directors)	379	288	53	38	—	5
Audit & supervisory board members (excluding outside audit & supervisory board members)	56	56	—	—	—	2
Outside officers	105	105	—	—	—	10

- ### Policies for Determining Corporate Officer Compensation Amount and Calculation Method

Compensation for directors, excluding outside directors, includes monthly salaries, bonuses, and stock options. Outside directors only receive monthly salaries and are not eligible for bonuses or stock options. In fiscal 2015, the Company will introduce income-linked bonuses for directors to build a stronger link between the Company's performance and directors' bonuses.

#### Calculation Method for Income-Linked Bonuses

The following formulas will be used for calculating the compensation to be paid to directors in fiscal 2015.

- #### Total value of remuneration

Total value of remuneration =  
 $((\text{Consolidated operating income in fiscal 2015} - \text{¥15.0 billion}) \times 0.0658\% + (\text{Consolidated net income in fiscal 2015} - \text{¥1.0 billion}) \times 0.0655\%) \times (\text{Total sum of "officer points" for all applicable directors} \div 96)$   
 (rounded to the nearest ¥10,000)

- #### Individual compensation

Individual compensation =  
 $\text{Total value of remuneration} \div \text{Total sum of "officer points" for all applicable directors} \times \text{"Officer points" of individual director}$

Each director receives individual compensation as a portion of the total value of remuneration calculated in [1](#) above that is proportionate to the director's individual score of "officer points" as shown below (rounded to the nearest ¥10,000).

#### Officer Points

Chairman	President and Representative Director	Director, Vice President	Director, Senior Executive Managing Officer	Director, Executive Managing Officers	Director, Managing Officers
24	28	20	16	12	9

## Internal Controls

Framework to ensure compliance with applicable laws and regulations as well as the Articles of Incorporation of directors and employees when performing their duties:

- ### Compliance Committee

The Company shall establish the Compliance Committee chaired by an outside director as a body to oversee and improve the compliance system.

- ### CSR Committee

Olympus shall set up the CSR Committee chaired by the president and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

- ### Group Internal Audit Office

Olympus shall establish the Group Internal Audit Office to directly report to the president. The Group Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, periodically conduct internal audits of all business operations with respect to compliance with laws and regulations, the Articles of Incorporation, internal rules and regulations, the appropriateness of business execution procedures and details, and other matters.

### Systems and measures to manage risks of losses:

- 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 internal approval procedures.
- 2 The Company shall manage risks, such as those relating to quality, product safety, export control, information security, occupational health and safety, the environment, and disasters, by defining responsible divisions, establishing internal corporate regulations and standards, and implementing related education and training.
- 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 rules on risk management, each business division shall be aware of risks and take preventative measures, and the Company shall develop a framework that enables prompt actions in the event of an emergency. In the event of an earthquake, fire, other natural disaster, accident, corporate ethics violation, or occurrence of another high-risk incident, the business divisions shall make immediate reports to the president, members of the CSR Committee, and other relevant individuals through the Risk Management Department. Response measures will then be decided by the president.

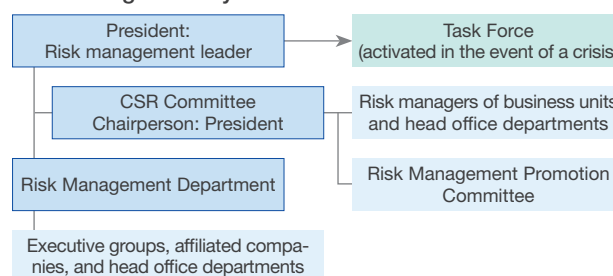
### Framework to ensure the effective performance of duties by directors:

- 1 The Board of Directors shall develop medium- and long-term corporate strategic plans in order to clarify the Company's business objectives and realize efficient resource allocation based on the yearly business plans. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the progress of the Company's yearly business plan.
- 2 The Board of Directors shall determine the separation of duties among the representative director, other operating directors in charge of business execution, and executive officers and supervise their execution of their duties.
- 3 With the exception of matters deliberated on at meetings of the Board of Directors, the representative director shall only make decisions about significant matters after discussing these matters 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 corporate officer, and establish an appropriate and effective system for the performance of duties.

## Risk Management Structure

Olympus has identified one of the functions of the CSR Committee, which is headed by the president, as managing risks, and the committee thus works to reduce exposure to risks and prevent their actualization as part of its normal operations. The Company has also put into place systems for responding to serious risks should they be realized. In addition, to further strengthen the Company's risk management structure, the Risk Management Bureau was revised and renamed the Risk Management Department in October 2012.

### Risk Management System



## Investor Relations Activities

The following investor relations activities were conducted in fiscal 2014.

Activity	Times conducted	Details
Conference on results for institutional investors and analysts	4	Meetings held quarterly (May, August, November, and February) to explain topics from the period, focused on financial performance and forecasts
Facility tours	3	Tours of plants, repair centers, training centers, and other facilities
Conference call for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshow	5	Meetings for institutional investors in which the president and other related officers visit overseas sites
Meetings for individual investors	3	Meetings held at branch offices of securities companies
Uploading of IR information to Company website	As required	Posting of financial results and other timely disclosure materials, intellectual property reports, and fact books as well as information on CSR and environmental activities