


## Olympus' Corporate Governance

### Basic Stance toward 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 value through its business activities. We call this corporate philosophy "Social IN" and have made it the underlying principle, for all of our activities. Guided by this principle, we will work for our shareholders and other stakeholders in order to realize ongoing corporate growth and medium-to-long-term improvements in corporate value.

Olympus has been continuously strengthening its 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, and we comply with and have implemented measures based on all of the principles of the code. Through such efforts, we seek to ensure effective corporate governance based on our fiduciary duty to shareholders; our responsibilities toward customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.



**Corporate Governance Policy:**  
<https://www.olympus-global.com/company/governance/policy.html>

### Corporate Governance Structure

#### Basic Corporate Governance Policies

In order to enhance the oversight functions of the Board of Directors, which is membered by a majority of highly independent outside directors, Olympus fills the position of chairman of the Board of Directors with a director that does not have business execution responsibilities in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee and the Compensation Committee, both of which were established voluntarily by the Company, consist of a majority of highly independent outside directors and are also chaired by such directors.

When selecting directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors as a whole. 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.

#### Overview of the Corporate Governance Structure

The Board of Directors consists of 11 members, six of whom are outside directors, representing a majority. In principle, the Board of Directors meets once per month and approves important management proposals made by the president, the highest authority for executive management, while exercising appropriate oversight of business execution. The position of chairman of the Board of Directors is filled by a director who does not have business execution responsibilities. The term of directors is set at one year to allow their performance to be evaluated on a yearly basis and to clarify responsibility for this performance. Olympus expects the six outside directors to apply their specialized expertise in management by engaging in decision making and oversight of 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 employs an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of 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. The Articles of Incorporation stipulate that the number of directors is not to exceed 15. Directors are to be appointed by a majority vote at the general meeting of shareholders when more than one-third of the shareholders able to exercise voting rights are in attendance.

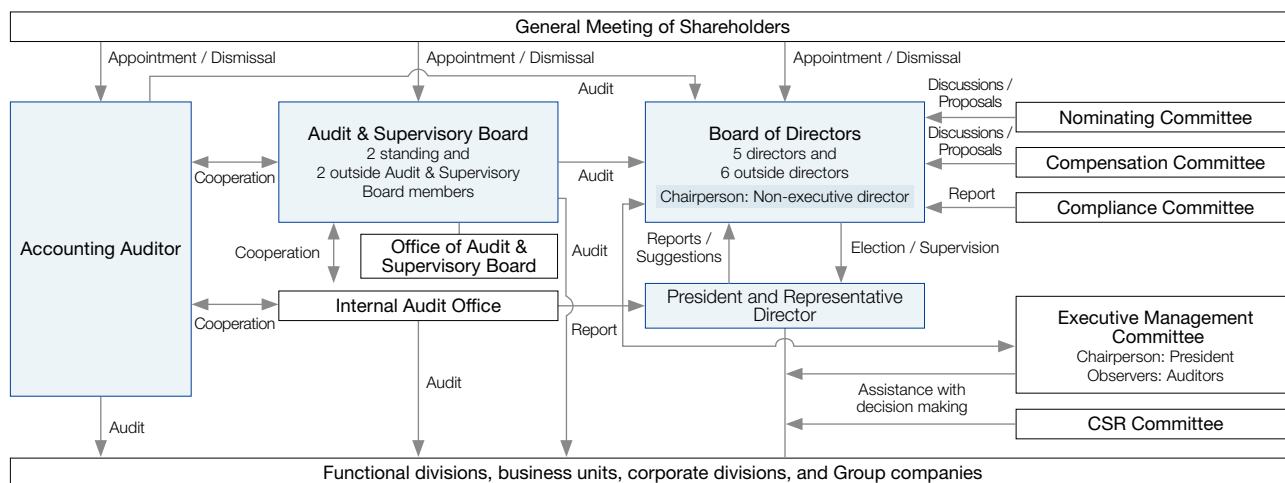
#### Voluntarily Established Committees

Olympus has adopted the Company with Board of Company Auditors system for its governance system but has also incorporated aspects of the Company with Nominating Committee, etc., system by actively pursuing voluntary improvements in governance functions through the establishment of its Nominating Committee and Compensation Committee. Furthermore, the Compliance Committee, which is chaired by an outside director, was established as a body to oversee and improve the compliance system.

#### Overview of the Corporate Governance Structure (As of June 28, 2017)

Format	Board of Company Auditors system
Adoption of executive officer system	Yes
Directors	11
Of whom, outside directors	6
Term of directors	1 year
Audit & Supervisory Board members	4
Of whom, outside Audit & Supervisory Board members	2
Independent officers	8
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	23 times
Results-linked remuneration	Yes

## Corporate Governance Structure



## Composition of Each Board and Committee

Name	Chairperson	Outline	Times conducted (FY2017)
Board of Directors	Non-executive director	The Board of Directors approves important management proposals made by the president, the highest authority for executive management, and exercises appropriate oversight of business execution (meets once per month, in principle).	23
Audit & Supervisory Board	Standing Audit & Supervisory Board member	The Audit & Supervisory Board monitors and supervises the execution of duties by directors and oversees the Company's management systems. It also shares opinions with the accounting auditor in relation to annual audit plans, matters pertaining to annual financial results, and year-end audit reports (meets once per month, in principle).	24
Executive Management Committee	President	The Executive Management Committee consists of members who include the president and heads of functional organizations as well as Audit & Supervisory Board members, who attend meetings of this committee as observers. These members discuss important management matters to aid the president in decisions related to these matters (meets three times a month, in principle).	46
Nominating Committee	Outside director	The Nominating Committee comprises at least three directors selected by the Board of Directors and discusses the nomination of directors and Audit & Supervisory Board members as well as matters related to human resources.	11
Compensation Committee	Outside director	The Compensation Committee is composed of at least three directors selected by the Board of Directors and discusses matters related to director compensation.	11
Compliance Committee	Outside director	The Compliance Committee examines important matters related to Group compliance and internal control systems as well as compliance-related matters for which the Board of Directors requests advice. The findings are reported to the Board of Directors.	4
CSR Committee	Executive officer	The CSR Committee checks and issues reports on CSR plans, measures, and initiative progress and also deliberates on matters as deemed necessary by the chairman. The results of these activities are reported to the president and the Executive Management Committee (meets twice a year, in principle).	2

## Policies for Holding Stocks for Purposes Other Than Pure Investment and Exercise of Related Voting Rights

The Company holds shares of listed stock for purposes other than pure investment in cases in which such holdings have been deemed viable for contributing to improved corporate value over the medium-to-long term after verifying the medium-to-long-term economic rationality of such holdings and the outlook for the future. Each year, the Board of Directors reviews major holdings of this nature and verifies the rationality and necessity of such holdings based on the risks and returns that can be expected from said holdings over the medium-to-long term.

Based on this verification, the Board of Directors reassesses the purpose and rationality of these holdings. The Company exercises its rights as a shareholder in relation to stocks held for purposes other than pure investment by voting on all applicable proposals. In this voting, the Company decides whether to vote in favor of or against each proposal based on the circumstances surrounding the management of the company in question as evaluated from the perspective of improving the corporate value of this company over the medium-to-long term.

## Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing six outside directors, representing more than half of its 11 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 two outside Audit & Supervisory Board members out of the four Audit & Supervisory Board members.

Outside directors and Audit & Supervisory Board members receive reports from the Group's Internal Audit Office about

internal audits at Board of Directors' meetings. Outside Audit & Supervisory Board members also receive reports from both the Internal Audit Office and the accounting auditor at Audit & Supervisory Board meetings. In addition, outside Audit & Supervisory Board members meet with staff from the Internal Audit Office and the accounting auditor to share opinions and otherwise coordinate their efforts. Furthermore, all six outside directors are independent directors and both outside Audit & Supervisory Board members are independent officers.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 23 times in FY2017)	
Shiro Hiruta*	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.	23/23	
Sumitaka Fujita*	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.	23/23	
Takayuki Katayama*	Mr. Katayama was appointed so that his extensive experience and diverse knowledge as a business manager at Teijin Limited may be applied to the Company's management.	17/18	
Susumu Kaminaga*	Mr. Kaminaga was appointed so that his extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products Co., Ltd., may be applied to the Company's management.	18/18	
Michijiro Kikawa*	Mr. Kikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd., may be applied to the Company's management.	18/18	
Tetsuo Iwamura*	Mr. Iwamura was appointed so that his extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd., may be applied to the Company's management.	Appointed from FY2018	

Outside Audit & Supervisory Board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Attendance at meetings of the Board of Directors (Met 23 times in FY2017)	Audit & Supervisory Board (Met 24 times in FY2017)
Katsuya Natori*	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.	23/23	24/24
Atsushi Iwasaki*	Mr. Iwasaki was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	16/18	16/17

\* Independent officers

## Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company has established its Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members in order to put forth clear policies for judging the independence of outside directors and outside Audit & Supervisory Board members. Prior to the decision by the Board of Directors, the Nominating Committee, which is

membered by a majority of outside directors, evaluates the independence of each candidate and provides its opinions and advice to the Board of Directors in order to aid in its decision.



**Corporate Governance Report:**  
[https://www.olympus-global.com/company/governance/pdf/report\\_of\\_corporate\\_governance\\_2017.pdf](https://www.olympus-global.com/company/governance/pdf/report_of_corporate_governance_2017.pdf)

## Strengthening of Audit and Supervisory Functions

Olympus has adopted the Company with Board of Company Auditors system. To guarantee the strength of monitoring functions, two of the four Audit & Supervisory Board members are outside Audit & Supervisory Board members. Olympus has established the Office of Audit & Supervisory Board 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, 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. Furthermore, the accounting auditor periodically provides explanations about annual audit plans, matters regarding quarterly financial statements, and year-end audit reports. Forums for exchanges of opinions are also held as necessary.

## Initiatives for Realizing Effective Corporate Governance

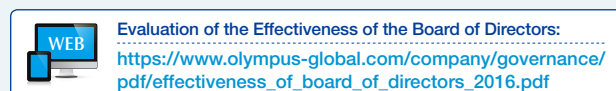
Since the institution of the new management team in 2012, Olympus has been continuously strengthening its corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

### Initiatives for Strengthening Corporate Governance System (Changes)

Structure of Board of Directors	Internal Control / Compliance	Corporate Officer Compensation
<b>Prior to institution of new management team</b> • Directors: 15 (3 of whom were outside directors)		
<b>April 2012, institution of new management team</b> • Directors: 11 (6 of whom were outside directors)	<b>April 2012–</b> • Chief compliance officer appointed • Compliance committee chaired by outside director established • Internal whistle-blower system that is Compliance Helpline (external)-enhanced	<b>June 2013</b> • Stock option system introduced
<b>June 2015</b> • Directors: 10 (5 of whom were outside directors)	<b>April 2016–</b> • Internal Control Department established	
<b>June 2016–Present</b> • Directors: 11 (6 of whom are outside directors)		<b>June 2017</b> • Restricted share and performance-linked share-based compensation systems introduced

### Evaluation Results Regarding the Effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors and improve corporate value, the Company has been instituting annual analyses and evaluations of the overall effectiveness of the Board of Directors since 2015. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed.



Evaluation of the Effectiveness of the Board of Directors:  
[https://www.olympus-global.com/company/governance/pdf/effectiveness\\_of\\_board\\_of\\_directors\\_2016.pdf](https://www.olympus-global.com/company/governance/pdf/effectiveness_of_board_of_directors_2016.pdf)

### Method of Evaluation

In cooperation with an external consulting firm, the Company prepared a questionnaire on the effectiveness of its Board of Directors and individual committees (Nominating Committee, Compensation Committee, and Compliance Committee) and their relationships with investors and shareholders. This questionnaire was distributed to each director and Audit & Supervisory Board member, and the Company received answers from all of the respondents. With these replies from directors and Audit & Supervisory Board members as well as feedback from the external consulting firm, the Company did an analysis and evaluation regarding the effectiveness of its Board of Directors.

### Evaluation Items, Issues, and Status of Improvement

Evaluation Items	
1. Fulfillment of the functions of the Board of Directors	4. Support system for outside directors
2. Composition and actual operation of the Board of Directors	5. Expectations for the roles of corporate auditors
3. Important committees	6. Relationships with investors and shareholders
Issues Identified in Fiscal 2016 <b>Operation of the Board of Directors</b> (1) Revision of agenda items for Board of Directors' meetings (2) Improvement of proposal and report documents (3) Operation procedure improvements  <b>Promotion of diversity within the Company</b> • Appointment of non-Japanese executive officers	Status of Improvement in Fiscal 2017 <b>Operation of the Board of Directors</b> (1) Revised rules of the Board of Directors to delegate authority for certain items to executive officers (2) Created and utilized templates to facilitate formulation of documents that are easy to understand while providing a sufficient level of information (3) Entrenched practice of reviewing materials prior to meetings, facilitated understanding through pre-meeting briefings, and limited explanations on Board of Directors' meeting days to main points to secure sufficient time for more in-depth discussions  <b>Promotion of diversity within the Company</b> • Appointed non-Japanese senior managers of subsidiaries in the Americas and Europe as executive officers to reinforce global executive management team

### Issues Identified in Fiscal 2017

- More active discussions, particularly with regard to the ideal form of global management (including the ideal form of the Board of Directors)
- Methods for incorporating a wider range of viewpoints into committees

The issues listed to the left were identified in fiscal 2017. The Board of Directors will pursue higher levels of effectiveness by formulating and instituting measures to address these issues while continuing to implement prior improvement measures.

## Corporate Officer Compensation

Our basic policy for corporate officer compensation is to provide compensation that is appropriate based on the duties of officers and that instills in them a strong commitment to maximizing corporate value so that the Company may live up to shareholder expectations.

### Corporate Officer Compensation in Fiscal 2017

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)	372	267	61	44	—	6
Audit & Supervisory Board members*	56	56	—	—	—	2
Outside officers	104	104	—	—	—	11

\* Excluding Outside Audit & Supervisory Board members

### Policies for Determining Corporate Officer Compensation and Calculation Methods

The Company introduced a performance-linked share-based compensation system in June 2017. Compensation for directors, excluding outside directors, comprises monthly salaries, bonuses provided as a short-term incentive plan, and restricted share and performance-linked share-based compensation provided as a long-term incentive plan. Monthly salaries are set according to the base compensation for each position and factors such as the degree of contribution to the Company by each individual director. The amount of the total bonus is decided upon taking into consideration consolidated operating income (excluding other income and other expenses) for the applicable fiscal year. Restricted share compensation is provided on the condition that the individual will continue to serve as a director of the Company over a predefined period, whereas performance-linked share-based compensation is linked to the achievement of predetermined performance targets. These systems issue common shares of the Company's stock to applicable directors as a form of compensation that is separate from monthly salaries and bonuses. The goals of these systems are to provide incentives for directors to work toward the ongoing improvement of

corporate value and to have directors further share value with shareholders. The total of restricted share compensation and performance-linked share-based compensation approved at the general meeting of shareholders for fiscal 2017 is up to ¥500 million and 150,000 shares, 82% of which will be attributable to performance-linked share-based compensation. Outside directors only receive monthly salaries and are not eligible for bonuses, restricted share compensation, or performance-linked share-based compensation. Audit & Supervisory Board members only receive monthly salaries, which are determined through discussion among Audit & Supervisory Board members, and are not eligible for bonuses, restricted share compensation, or performance-linked share-based compensation.

### Compensation of Directors (Excluding Outside Directors) by Type

Type of compensation		Ratio
Fixed compensation:	Monthly salaries	50%
	Short-term incentives Bonuses	25%
Variable compensation:	Restricted share compensation	6%
	Long-term incentives Performance-linked share-based compensation	19%
Total		100%

Note: Ratios of compensation by type assume 100% of all performance targets have been accomplished.

The following formulas will be used for calculating the compensation to be paid to directors in fiscal 2018.

#### Calculation Method for Director Bonuses

- Total Value of Remuneration = [(Consolidated operating income (excluding other income and other expenses) in fiscal 2018 – ¥30.0 billion) × 0.2706% × (Total sum of "officer points" for all applicable directors ÷ 663) (rounded to the nearest ¥10,000)]
- Individual Compensation = Total value of remuneration ÷ Total sum of "officer points" for all applicable directors × "Officer points" of individual director (rounded to the nearest ¥10,000)

#### Calculation Method for Performance-Linked Share-Based Compensation

Upon the conclusion of a defined three-year period, a number of common shares of the Company's stock will be issued to directors that is equivalent to a predetermined amount after that amount has been adjusted within the scope of 0%–150% based on the degree to which performance targets for the three-year period were accomplished.

- Total Value of Shares to Be Issued = [(Total net income over three-year period – ¥129.5 billion) × 0.053715% + (Average net sales growth over three-year period – 3.1%) × ¥962,419,355] × (Total sum of "officer points" for all applicable directors ÷ 663)
- Total Number of Shares to Be Issued  
The total number of shares to be issued will be determined by dividing the total value of shares to be issued calculated in 1. above by the closing price for common shares of the Company's stock on the Tokyo Stock Exchange on the day prior to the resolution by the Board of Directors on the allocation of said common shares of the Company's stock (if the stock exchange did not conduct transactions on this day, the closing price from the most recent day on which transactions were conducted will be used)
- Number of Shares to Be Issued to Individual Directors = Total number of shares to be issued ÷ Total sum of "officer points" for all applicable directors × "Officer points" of the individual

### Officer Points

Chairman	President and Representative Director	Director, Vice President	Director, Senior Executive Managing Officer	Director, Executive Managing Officer	Director, Managing Officer
165	210	147	108	90	76

## Internal Controls

Framework to ensure the compliance by directors and employees of the Company and its subsidiaries, in the performance of duties, to applicable laws and regulations as well as the Articles of Incorporation:

### 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 with the president responsible for CSR and chaired by the officer in charge of CSR, and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

### Internal Audit Office

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

Rules relating to the risk management of the Company and its subsidiaries in the event of loss and other circumstances:

- 1 The Company shall manage the business risks of the Olympus Group 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 rules, working for risk management as the Olympus Group, and implementing related education and training.

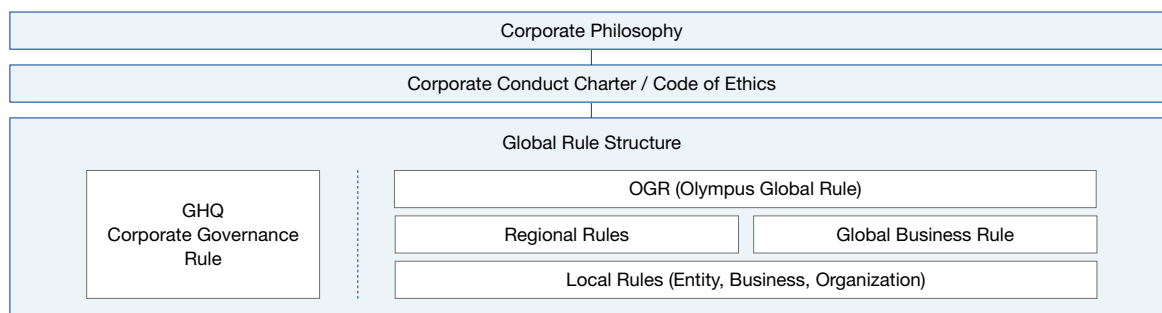
- 3 The CSR Committee shall report and deliberate on plans and measures in relation to risk management and make efforts to establish and maintain a risk management system at the Olympus Group. Moreover, pursuant to the internal Rules on Risk Management and Crisis Response, each department in charge in the Company and the subsidiaries shall be aware of risks and take preventative measures, and the Company has 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 department in charge shall make immediate reports to the president, other members of the Executive Management Committee, and relevant people. Response measures will then be decided by the president.

Framework to ensure the effective performance of duties by directors of the Company and its subsidiaries:

- 1 The Board of Directors shall approve medium- and long-term corporate strategic plans in which the business objectives of the Olympus Group are set forth, and action plans for these, which are called annual business plans. 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 president and other operating directors and approve the separation of duties of executive officers. In addition, the Board of Directors shall receive reports on their duties as performed.
- 3 Based on internal corporate rules including the internal rules on approval procedures and organizational matters, the Board of Directors shall approve the management organization and the separation of duties, as well as the responsibility and authority of each representative director, other operating director, and executive officer, and receive reports from major management organizations on their duties as performed.
- 4 To ensure efficient execution of duties by directors of the subsidiaries, the Company has established Group Finance Control Rules and introduced a cash management system for Japan, America, Europe, and Asia.

### Global Framework of Internal Rules

Olympus has established a platform for managing internal rules in order to ensure the ongoing improvement of management quality from the perspective of global governance and management.



## Basic Policy on Information Disclosure

In addition to conducting appropriate disclosure as mandated by laws and regulations, the Company also strives to transmit information in various forms on its own accord in order to ensure the transparency and impartiality of decision making and realize effective governance. These forms include Olympus' corporate website, annual reports, and shareholder newsletters as well as

voluntarily released timely disclosure documents. In issuing these communications, directors take care to ensure that all information disclosed is not only easy to understand but also valuable to the target recipients. Furthermore, as a large portion of the Company's shareholders are not Japanese, we provide English-language versions of the majority of these information disclosures.

### Communication with Stakeholders

Seeking to facilitate sustainable growth and medium-to-long-term improvements in corporate value, the president and the chief financial officer (CFO) play a central role in our proactive efforts to communicate with shareholders. Investor relations divisions support these efforts and create systems for sharing information within the Company and relaying input from shareholders to management.

Furthermore, to protect the rights of shareholders,

convocation notices for the general meeting of shareholders are sent at the earliest date possible and are made to include a comprehensive range of information. In addition, English-language versions of convocation notices are uploaded onto the Company's corporate website, and we take other steps to guarantee that such information is provided fairly to all shareholders, including those overseas, and thereby ensure that shareholders have ample information and sufficient time to properly exercise their voting rights.

## Investor Relations (IR) Activities

The following investor relations activities were conducted in fiscal 2017.

Activity	Times conducted	Details
Conferences on results for institutional investors and analysts	4	Meetings held quarterly to explain topics from the period, focused on financial performance and forecasts
Conference on governance	1	Meetings held by outside directors to explain governance-related issues
Facility tours and study sessions	4	Tours and study sessions of plants, repair centers, training centers, and other facilities
Conference calls for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshows	6	Meetings for institutional investors in which the president and the CFO visit overseas sites
Conferences held by securities companies (including overseas conferences)	9	Participation in and meetings at conferences held by securities companies in Japan and overseas
Meetings for individual investors	10	Meetings held at branch offices of securities companies
Individual meetings with institutional investors and analysts	652	Individual meetings held with the president, the CFO, and/or investor relations division representatives (including meetings conducted at overseas IR roadshows and conferences)

### Outside Evaluation

#### NIKKEI Annual Report Awards

- FY2014 / FY2015 / FY2016: "Award for Excellence"



#### ISS\* QualityScore

- Rated 1 overall and 1 in score by category as of June 3, 2017 (of 450 total companies, only 5 rated 1 overall)

\* Institutional Shareholder Services: Organization that provides corporate governance rating services for listed Japanese companies; the corporate governance risks of applicable Japanese companies are rated from 1 to 10 (with 1 being the best rating) based on disclosed information

#### Inclusion in ESG Indexes (As of July 2017)

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- Morningstar Socially Responsible Investment Index



#### CDP

- Scored A- in climate change by CDP, an international nongovernmental organization promoting the realization of a sustainable economy



# Compliance

## Promotion of Compliance

The Olympus Group strives to foster an environment within the organization in which no concern pertaining to compliance will be ignored, under any circumstances. At the same time, it maintains an understanding of the status of compliance systems and works to strengthen these systems. Realizing the immense responsibilities of the Company's Medical Business

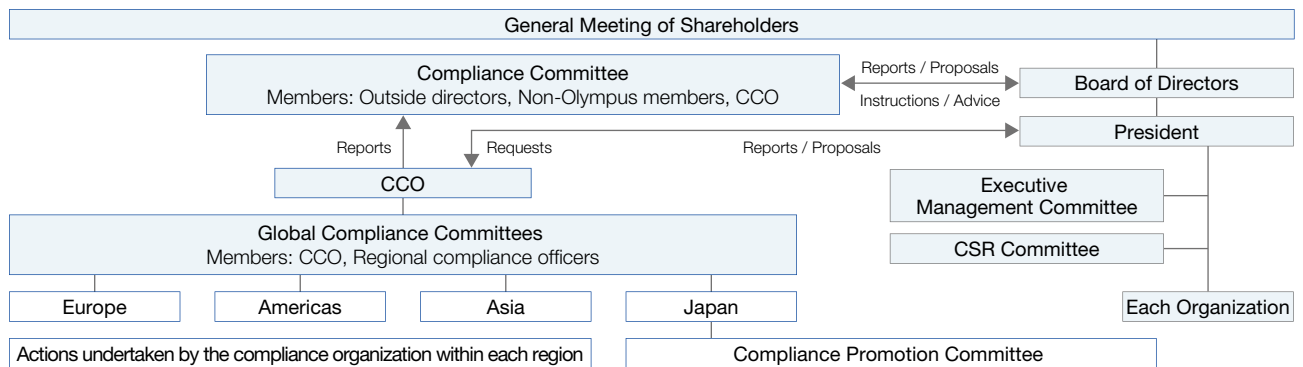
due to its provision of items related directly to people's lives, Olympus is committed to maintaining impeccable levels of product safety and quality. The Company has also established its own internal rules to ensure compliance with the various regulations in place in countries worldwide, and it is promoting awareness and conducting training with regard to these rules.

### Compliance Promotion Structure

Olympus has appointed a chief compliance officer (CCO) whose task is to clarify compliance-related responsibilities. We have also established the Compliance Committee, chaired by an outside director and consisting of the CCO and independent members, to advise the Board of Directors. The Compliance Committee works to strengthen compliance

initiatives through its meetings, which are normally held every quarter. Olympus holds quarterly meetings of Global Compliance Committees for compliance officers from each regional headquarters worldwide. The purpose of these committees is to implement compliance-related policies and measures, identify issues, and enforce countermeasures as required, both globally and regionally.

### Compliance Promotion System



## Emergence of Compliance Data Analytics

Data analytics is a fundamental element of an effective compliance program and Olympus Corporation of the Americas (OCA) is embarking on a strategy to implement and embed data analytics within compliance operations. Narrowing in on high-risk areas and harnessing leading technologies, the OCA Compliance Department is focused on and well-equipped to execute this plan. Key to the overall strategy is empowering and equipping compliance leadership with timely and actionable insights into complex data repositories. Developing dynamic, interactive, compelling, and accessible data visualizations will enable on-demand discovery of insightful information. Operationally, data analytics is useful in improving overall effectiveness and efficiency as it relates to compliance monitoring and testing capabilities. Utilizing data analytic technology, routine testing practices will be standardized and automated yielding significant gains in testing depth and coverage, and implementation of

continuous monitoring. While OCA is pioneering the emergence of compliance data analytics, looking ahead this strategy and model can be implemented in other regions.





## Risk Management

### Promotion of Risk Management

Olympus has established the internal Rules on Risk Management and Crisis Response based on which it develops global risk management systems to mitigate business risks.

#### Risk Management

The Olympus Group seeks to comprehensively identify the risks faced in its business activities. Initiatives to mitigate risks are implemented prioritizing those risks with the potential to severely impact operations, and periodic monitoring of the progress of these initiatives is carried out.

For its operations in Japan, Olympus has adopted a top-down approach toward reinforcing risk management. In Europe, we reconstructed risk management frameworks to conform to the requirements of our revised quality management systems. Measures for ensuring more effective risk management in the Americas included redesigning risk

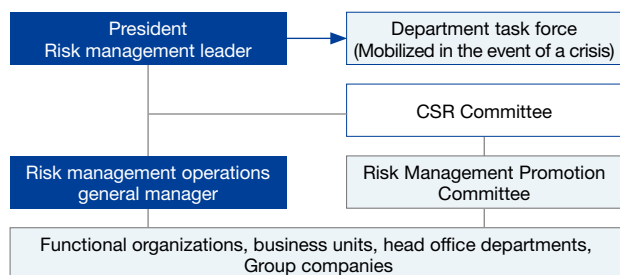
management promotion systems and risk assessment standards. As shared initiatives for both Europe and the Americas, we updated IT tools, established manuals, implemented training, and took other steps to enhance risk management.

#### Crisis Management

As crisis management measures, we continue to refine risk management processes and carry out training and drills to enhance preparedness for risks that threaten to have a particularly large impact on the Company, such as large-scale earthquakes and cyber-attacks.

A specific measure implemented in fiscal 2017 was a disaster response drill carried out by both management and frontline employees to guarantee that we can furnish a smooth initial response to emergency situations in Japan. Furthermore, our business continuity plan was reviewed and revised based on our overall experience with the April 2016 Kumamoto Prefecture earthquakes.

To strengthen the Company's resilience to cyber-attacks, we used our annual Information Security Month as an opportunity to globally distribute messages on the subject from senior management. In addition, information security events were held during this month, including targeted attack e-mail drills and training aimed at all officers and employees and carried out on an individual region basis.



### Major Business Risks

Risks and Potential Impacts	Risk Overview
Risks that impact earnings	<ul style="list-style-type: none"> <li>■ Risks associated with sales activities                             <ul style="list-style-type: none"> <li>• Medical Business: Unexpected operating environment changes or inability to obtain licenses and approvals in a timely manner</li> <li>• Scientific Solutions Business: Shrinking government budgets or reduced supply of systems for research</li> <li>• Imaging Business: Rapid market contractions that exceed anticipations</li> </ul> </li> <li>■ Risks associated with production and development activities                             <ul style="list-style-type: none"> <li>• Product defects or issues with new product development or intellectual property rights</li> </ul> </li> <li>■ Other general risks</li> </ul>
Risks that impact production activities, manufacturing, or supplies	<ul style="list-style-type: none"> <li>■ Risks associated with production and development activities                             <ul style="list-style-type: none"> <li>• Overseas production: Foreign exchange rate movements, destabilization of conditions at the national level, deterioration of public safety</li> <li>• Procurement: Procurement constraints for products or parts for which the Company is dependent on specific suppliers</li> </ul> </li> </ul>
Risks that impact performance or financial position	<ul style="list-style-type: none"> <li>■ Risks associated with business partnerships and development acquisitions</li> <li>■ Risks associated with leakage of information</li> <li>■ Risks associated with deferred posting of past losses</li> <li>■ Risks associated with internal control systems, etc.</li> <li>■ Risks relating to duodenoscopes in the United States</li> </ul>
Risks that impact financing	<ul style="list-style-type: none"> <li>■ Risks associated with financing</li> </ul>
Risks that restrict sales or marketing practices	<ul style="list-style-type: none"> <li>■ Risks relating to laws and regulations                             <ul style="list-style-type: none"> <li>• Changes in legal interpretations or applications affecting the healthcare industry</li> </ul> </li> </ul>
Risks that impact operations, financial position, performance, cash flows, or stock prices	<ul style="list-style-type: none"> <li>■ Risks relating to laws and regulations                             <ul style="list-style-type: none"> <li>• Restrictions on reimbursement under public health insurance or on access to government medical subsidies</li> <li>• Sanctions relating to violations of the Anti-kickback Act, the False Claims Act, or the Foreign Corrupt Practices Act of the United States</li> <li>• Prosecutions related to alleged violations for which deferred prosecution agreements were concluded</li> </ul> </li> </ul>

For more information, please refer to "Risk Information" beginning on page 85.

# CSR Management

## Approach to CSR

Through its CSR activities, the Olympus Group responds to the needs and expectations of society and fulfills its obligations and responsibilities.

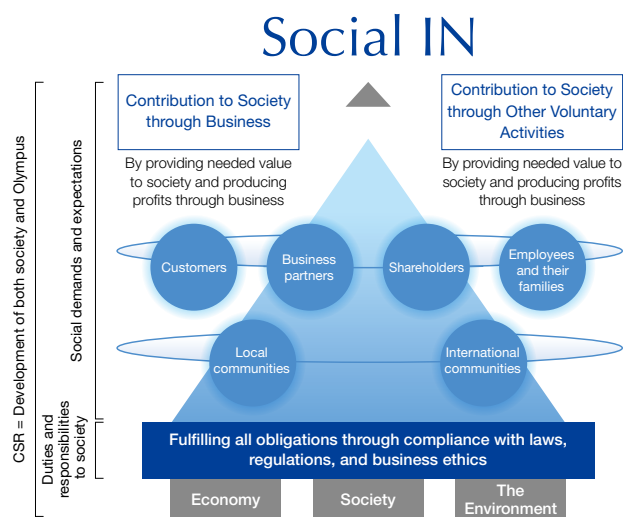
We believe that to justify the continuing existence of Olympus as a company and to help people enjoy healthier and happier lives, we must fulfill our responsibilities through dialogue with all stakeholders (persons and organizations with which we interact through our business activities), including customers, suppliers, shareholders and other investors, as well as employees and their families, local communities,\* and international communities.\*

\* Local communities and international communities include general citizens, NGOs, NPOs, and governments.



**Additional Information on CSR Activities:**  
<https://www.olympus-global.com/csr/>

## CSR Concept of the Olympus Group



## CSR Promotion Structure

To realize “Social IN,” our CSR-enhanced corporate philosophy, Olympus established the CSR Committee in fiscal 2010. Under the umbrella of this CSR Committee, the Company has set up a number of promotion committees to plan and advance individual CSR-related initiatives.

The CSR Committee meets at least twice a year and is chaired by Division Manager in charge of the CSR. Members include managers from each functional organization. Olympus aims to spread and entrench CSR throughout the Group by having the CSR Committee support the decisions made by the president, who is ultimately responsible for CSR, and overseeing the promotion and progress of important matters.

## CSR Committee and Promotion Committees



## CSR in Procurement Activities (Supply Chain)

### Policy on Procurement

The Olympus Group aims to strengthen supply chain management within the context of business continuity and sustainable value creation in its three business segments: the Medical Business, the Scientific Solutions Business, and the Imaging Business.

In 2005, Olympus formulated the Olympus Group Procurement Policy based on its “Social IN” corporate philosophy. Since then, Olympus has disclosed its basic stance on procurement both internally and externally through its website and training sessions, while strengthening compliance with laws, regulations, and social norms. We have also drawn up the “Request to Suppliers” as a guideline for complying with laws, regulations, and social norms, including respect for human

rights and the elimination of antisocial forces, prohibiting corruption and bribes, promoting fair and just transactions, and taking the environment into consideration.

### System and Framework

Share business strategies and procurement policy	Once a year, the Procurement Policy Meeting is held for the purpose of sharing the business strategies and procurement policy of the Olympus Group.
Supplier survey	Once a year, Olympus conducts a web-based survey of its main suppliers in Japan and overseas with which it has ongoing business transactions.

# Environmental Management

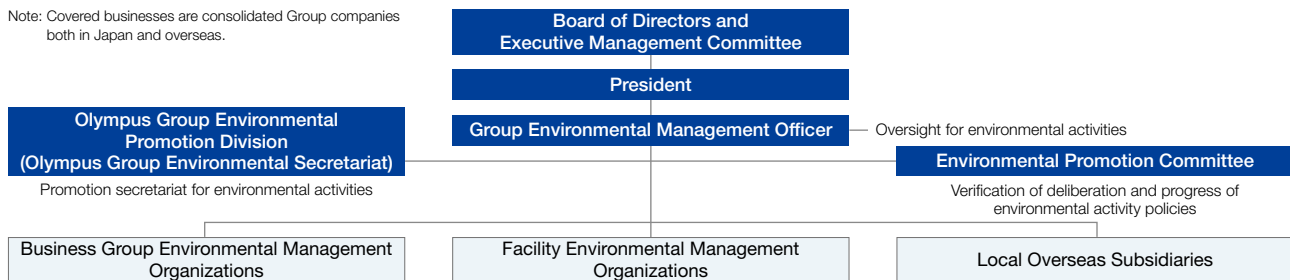
## System to Promote Environmental Management

We have established a unit to promote environmental management within each of our business units and Group companies, while the Olympus Group Environmental Promotion Division is tasked with fostering environmental management across the Group. Progress on these activities is reviewed by the Board of Directors and the Executive Management Committee, and measures are taken across the Group to achieve our predefined environmental targets.

Moreover, our major production facilities, as well as logistics and sales subsidiaries in Japan and overseas, have ISO 14001 certification, and we are continuously improving our environmental management system through audits and by other means.

**Promotion of Environmental Management:**  
[https://www.olympus-global.com/csr/download/pdf/csr\\_report\\_2017\\_56\\_59.pdf](https://www.olympus-global.com/csr/download/pdf/csr_report_2017_56_59.pdf)

Note: Covered businesses are consolidated Group companies both in Japan and overseas.



## Environmental Risk Management

Violations of laws and regulations related to chemical substances contained in products, effluent from production bases, and soil and groundwater contamination are serious environmental risks that can shut down operations, generate recovery costs, reduce corporate value, or otherwise affect Olympus' management. Therefore, we maintain and revise rules and regulations for regulatory compliance, educate environmental promoters, monitor and improve on-site operating practices, and work to reduce environmental risks.

Moreover, we are pursuing measures to combat climate change risks. These measures include keeping tabs on regulatory information on energy conservation and CO<sub>2</sub> reduction and addressing catastrophic floods attributable to the diversification of suppliers. Olympus also sees the business opportunities

presented by environmental risks and actively develops and sells eco-friendly products as well as products that contribute to the resolution of environmental issues accordingly.

<b>Control of Chemical Substances Used in Products</b>	The Company verifies that products do not contain environment-related substances in accordance with its control rules for environment-related substances used in Olympus Group products, which have been established based on the chemical substance regulations of each country of operation.
<b>Management of Wastewater</b>	In each of our businesses, we have installed a wastewater equipment manager and set voluntary standards stricter than the laws and regulations in each region. By routinely measuring water quality, we rigorously maintain water quality.
<b>Prevention of Soil and Groundwater Contamination</b>	In the redevelopment of our facilities, we are voluntarily investigating soil and groundwater. We are also taking countermeasures based on reports that have been presented to and consultations with government.

## Summary of Results of Activities in Fiscal 2017

	Priority Policy	Targets	Results	Future Plans
Promotion of environmental management	Enhancement of environmental governance system	Reinforcement of environmental governance system on global level	<ul style="list-style-type: none"> <li>Acquired ISO 14001:2015 certification at Olympus Logitex Co., Ltd., and Vietnam plant</li> <li>Trained ISO auditors (210 individuals)</li> </ul>	Implement environmental management system based on ISO 14001:2015
	Compliance with laws and regulations	Continued improvement of processes for complying with environmental laws	<ul style="list-style-type: none"> <li>Established global pollution control regulations</li> <li>Continued implementation of regulations related to products and facilities</li> <li>Conducted education programs on pollution control, chemical substance management, and waste management (41 participants in Japan)</li> </ul>	Improve processes for complying with environmental laws related to products and facilities on ongoing basis
Environmental initiatives throughout product life cycles	Product-related initiatives	Create Olympus Eco-Products	<ul style="list-style-type: none"> <li>Created eco-friendly products in all business areas (16 new products, 572 products in total)</li> </ul>	Continuously create eco-friendly products matched to business characteristics
	Facilities-related initiatives	Energy consumption rate: 7.73% or more reduction in FY2021 (relative to FY2013; in Japan)	<ul style="list-style-type: none"> <li>Energy consumption rate: Improved by 9%</li> <li>Implemented eco-friendly measures at new buildings at three Tohoku factories</li> </ul>	Reduce energy consumption rate through manufacturing improvements, introduction of energy-saving equipment and renewable energy systems, and other activities matched to regional characteristics
	Environmental contribution activities	Environmental contribution activities under theme of "Water Circulation—Protection of Forests, Rivers, and Oceans"	<ul style="list-style-type: none"> <li>Conducted river cleanup and community greenification activities at bases worldwide</li> <li>Continued coral planting and nature school (4 times) initiatives from fiscal 2017</li> </ul>	Advance ongoing environmental contribution activities

# Environmentally Conscious Technologies of the Olympus Group

The various environmentally conscious technologies are embedded in each stage of the life cycles of the Olympus products.



## Video System Center OTS-S200/OTV-S300

Downsizing the product and extending the life of the light source by using the LED light



## System Microscope BX53M Series

Low electricity consumption and extending life of light source by using the LED light



## Interchangeable Lens Camera OM-D E-M1 Mark II

Reducing electricity consumption in use and standby mode



## Handheld XRF Analyzer Vanta

Accurate and non-destructive alloy identification and element analysis for scrap sorting and hazardous elements screening of soil and consumer goods, etc.



## Industrial Videoscope IPLEX NX

High-quality images for enabling users to clearly identify trouble spots and defective areas of car engines, jet engines of airplanes and wind turbines etc.



## Purchasing green electricity by the subsidiaries in Europe

In Europe, OEKG and OKM and OSTE (Hamburg) have purchased the green electricity generated by solar energy, wind energy, and hydropower, etc. (The green electricity certificates)



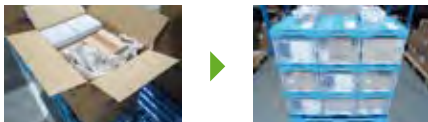
## Environmentally conscious buildings and equipment in each site

The environmental conscious buildings have been built and the environmental conscious equipment has been installed in the manufacturing sites, and renewable energy such as solar power and geothermal energy are being consumed in Olympus Group.



## Discontinuing use of cushioning material and carton boxes

Reducing the amount of packaging materials by discontinuing use of cushioning materials and carton boxes by using the folding returnable containers (only in Japan)



## Improving efficiency of transportation

Reducing transportation costs and emissions by changing transportation route of the trolley (mobile endoscopic workstation) made by OKM to Shanghai into the shorter one which directly goes to Shanghai from London not via OT (Tokyo).

