

Olympus' Corporate Governance

Basic Stance toward Corporate Governance

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." In accordance with this philosophy, 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. This philosophy also drives us to establish, implement, and continuously improve systems for ensuring the appropriateness and reliability of financial reports and the effectiveness and efficiency of operations.

Olympus is 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 (revised in June 2018), and, in principle, we are complying with and have implemented measures based on the principles of the code. Through such efforts, we seek to ensure effective corporate governance based on our fiduciary duty to shareholders; our responsibilities to 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 who 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.

With regard to the composition of the Board of Directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors, regardless of nationalities, ethnicities, and genders of its members. 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.

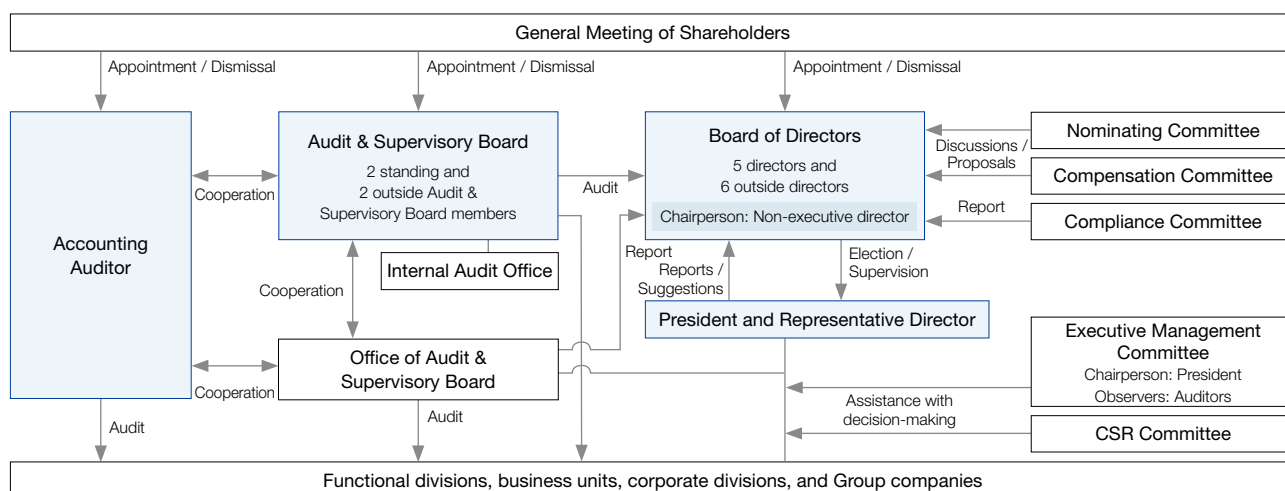
Voluntarily Established Committees

Olympus has adopted the Company with the 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 26, 2018)

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	26 times
Results-linked remuneration	Yes

Corporate Governance Structure



Overview of Each Board and Committee

Name	Chairperson	Outline	Times conducted (FY2018)
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).	26
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).	30
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.	9
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.	8
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

Composition of Committees

Name	Position	Nominating Committee (5)	Compensation Committee*1 (5)	Compliance Committee*2 (5)
Hiroyuki Sasa	President	○	○	
Kiichi Hirata	Director	○	○	
Sumitaka Fujita	Outside director (Chairman)		○ (Chairperson)	
Takayuki Katayama	Outside director		○	
Susumu Kaminaga	Outside director		○	○ (Chairperson)
Michijiro Kikawa	Outside director	○ (Chairperson)		
Tetsuo Iwamura	Outside director	○		○
Yasumasa Masuda	Outside director	○		

*1 Election of chairman through mutual voting at the first meeting of the Compensation Committee.

*2 In addition to the two members described above, the members of the Compliance Committee also include the Chief Compliance Officer and external members.

Corporate Governance

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 26 times in FY2018)	
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.	26/26	
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.	23/26	
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.	26/26	
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.	26/26	
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.	20/20	
Yasumasa Masuda*	Mr. Masuda was appointed so that his extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. may be applied to the Company's management.	Appointed from FY2019	

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 26 times in FY2018)	Audit & Supervisory Board (Met 30 times in FY2018)
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.	23/26	27/30
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.	24/26	29/30

* Independent officers

Process for Appointment of Directors and Audit & Supervisory Board Members

When selecting candidates for the position of director, the Nominating Committee discusses and interviews director candidates while referencing appointment standards and provides opinions and advice to the Board of Directors. Based on such opinions and advice, director candidates are selected by the Board of Directors, and directors are appointed by a resolution at the general meeting of shareholders.

When selecting candidates for the position of Audit & Supervisory Board member, the Nominating Committee receives

input from the Audit & Supervisory Board and then discusses and interviews auditor candidates while referencing appointment standards and, after obtaining the consent of the Audit & Supervisory Board, provides opinions and advice to the Board of Directors. Based on such opinions and advice, Audit & Supervisory Board member candidates are decided by the Board of Directors, and Audit & Supervisory Board members are appointed by a resolution at the general meeting of shareholders.

Development and Selection of Successors for the President

The president recognizes that the development of successors is among their most important duties and takes steps to foster executive officers as successor candidates. The Nominating Committee monitors the development process and provides any necessary advice. As for selecting the successor, the

Nominating Committee discusses whether the candidates, including those from outside the Company, are suited for the position of president and provides opinions and advice to the Board of Directors. Thereafter the successor is decided by the Board of Directors.

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_2018.pdf

Strengthening of Audit and Supervisory Functions

Olympus has adopted the Company with the 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. In addition, Audit & Supervisory Board members will voice opinions to the Board of Directors with regard to important matters pertaining to management decisions as they deem necessary while overseeing the Company's management systems. Moreover, outside Audit & Supervisory Board members offer input based on their respective areas of specialty while working to enhance the management oversight function.

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 fiscal year, the Board of Directors verifies the appropriateness of individual holdings through a comprehensive evaluation of factors, including the purpose of a given holding and the benefits and risks associated with said holding. Those holdings that are deemed unsuitable will be downsized.

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.

Stocks Held for Purposes Other Than Pure Investment

	FY2016	FY2017	FY2018
Number of holdings	64	57	48
Amounts of holdings (billions of yen)	68.0	27.9	26.9

Initiatives for Strengthening Corporate Governance System (Changes)

Structure of Board of Directors	Internal Control / Compliance	Corporate Officer Compensation
<p>Prior to institution of new management team</p> <ul style="list-style-type: none"> Directors: 15 (3 of whom were outside directors) 		
<p>April 2012, institution of new management team</p> <ul style="list-style-type: none"> Directors: 11 (6 of whom were outside directors) 	<p>April 2012–</p> <ul style="list-style-type: none"> Chief compliance officer appointed Compliance committee chaired by outside director established Internal whistle-blower system that is Compliance Helpline (external) enhanced 	<p>June 2013</p> <ul style="list-style-type: none"> Stock option system introduced
<p>June 2016</p> <ul style="list-style-type: none"> Directors: 13 (8 of whom were outside directors) 		
<p>June 2015</p> <ul style="list-style-type: none"> Directors: 10 (5 of whom were outside directors) 		
<p>June 2016–Present</p> <ul style="list-style-type: none"> Directors: 11 (6 of whom are outside directors) 	<p>April 2016–</p> <ul style="list-style-type: none"> Internal Control Department established 	<p>June 2017</p> <ul style="list-style-type: none"> Restricted share and performance-linked share-based compensation systems introduced

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.

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 institutes annual analyses and evaluations of the overall effectiveness of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed. These evaluations have been held every year since fiscal 2015, and the fiscal 2018 evaluation was the fourth such evaluation.



[Evaluation Results for Effectiveness of the Board of Directors: https://www.olympus-global.com/company/governance/board.html](https://www.olympus-global.com/company/governance/board.html)

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 (11) and Audit & Supervisory Board member (4), 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 2017 (1) More active discussions, particularly with regard to the ideal form of global management (including the ideal form of the Board of Directors) (2) Methods for incorporating a wider range of viewpoints into committees (Nominating Committee and Compensation Committee)	Status of Improvement in Fiscal 2018 (1) Discussions were conducted among members of the Board of Directors, achieving a certain degree of improvement, but the ideal form of global management will be an important topic for ongoing discussions going forward. (2) Following discussions held among members of the Board of Directors in September 2017, one additional internal director and one additional outside director were appointed to the Nominating Committee and the Compensation Committee, respectively, bringing the membership of each committee to five.

Issue Identified in Fiscal 2018

Accomplishment of ideal form of global management

The issue listed to the left was identified in fiscal 2018, and ongoing discussions will be held with regard to this issue. 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.

Status of Responses to Issues Identified through Evaluation of Board of Directors

Operation of the Board of Directors	Relationship with Shareholders and Other Investors	Promotion of Diversity within the Company
June 2016– More extensive discussion on important medium-to-long-term issues June 2017– • Revision of agenda items for Board of Directors' meetings and delegation of authority for certain items to executive officers • Improvement of proposal and report documents • Entrenchment of practice of reviewing materials prior to meetings and enhancement of pre-meeting explanations to secure time for discussions	June 2016– Development of framework for periodically relaying capital markets' evaluations of Olympus to the Board of Directors	June 2017– Appointment of non-Japanese senior managers of subsidiaries in the Americas and Europe as executive officers to reinforce global executive management team

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 2018

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)	430	255	146	29	—	5
Audit & Supervisory Board members*	56	56	—	—	—	3
Outside officers	110	110	—	—	—	9

* 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, other expenses, and share of profit (loss) of investments accounted for using equity method) 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:	Long-term incentives	Restricted share compensation	6%	50%
		Performance-linked share-based compensation	19%	
Total			100%	

Note: Ratios of variable 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 2019.

Calculation Method for Director Bonuses

1 Total Value of Remuneration = [(Consolidated operating income (excluding other income, other expenses, and share of profit (loss) of investments accounted for using equity method) in fiscal 2019 – ¥30.0 billion) × 0.22474% × (Total sum of "officer points" for all applicable directors ÷ 663) (rounded to the nearest ¥10,000)

2 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.

1 Total Value of Shares to Be Issued = [(Total net income over three-year period – ¥145.9 billion) × 0.047682% + (Average net sales growth over three-year period – 3.2%) × ¥932,343,750] × (Total sum of "officer points" for all applicable directors ÷ 663)

2 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)

3 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

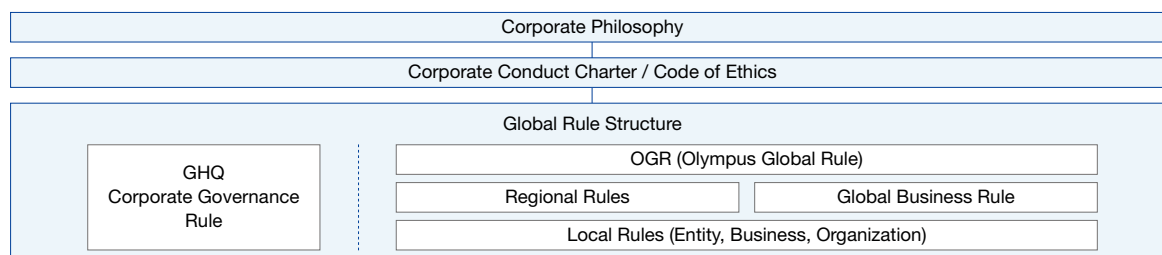
to establish and maintain a risk management system at the Olympus Group. Moreover, pursuant to the internal Rules on Risk Management and Crisis Response, each department in charge in the Company and the subsidiaries shall be aware of risks and take preventative measures, and the Company has a framework 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 The Company has defined the Group's fiscal rules, which lay down the fiscal policy that is the cornerstone of the Olympus Group's financial management, and is strengthening the governance of the Group in fiscal terms while controlling and managing funds, foreign exchange, and transactions with financial institutions for the entire Group, including subsidiaries.

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, integrated 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 for 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 2018.

Activity	Times conducted	Details
Conferences on results for institutional investors and analysts	4	Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts
Investor Day	1	Events featuring explanations of the growth strategies of each business and product exhibitions
Facility tours and study sessions	1	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)	5	Participation in and meetings at conferences held by securities companies in Japan and overseas
Meetings for individual investors	4	Meetings held at branch offices of securities companies and online
Individual meetings with institutional investors and analysts	Approx. 400	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 / FY2017: "Award for Excellence"



Inclusion in ESG Indexes (As of July 2018)

- 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 (As of August 31, 2018)



Message from the Chief Compliance Officer (CCO)



Caroline West
Chief Compliance Officer

Our most recent fiscal year saw steady progress toward our 16CSP goals. Collaboration and communication were key for the team this year, exemplified by the launch of “Compliance Square”—a collaborative tool to support the sharing of materials and best practices across the regional groups. Progress was also achieved throughout the different regions. Enhancement of the China Compliance program was a key focus, with employee training and engagement being key components of that effort. The Japan Compliance team engaged the business in risk

assessment process, designed to assure that the differing risks of the entities were identified and addressed. Europe / Middle East / Africa focused on developing a compliance monitoring plan and preparing for the new General Data Protection Regulation (GDPR). The Asia Pacific region advanced the program through strategic staffing, enhanced training and a strong focus on developing the country programs in the diverse region. Finally, the Americas worked in collaboration with the business to enhance the oversight and management of third-party distributors.

Going forward, in alignment with our global Core Values, Compliance is committed to supporting Olympus’ efforts to act with integrity as we earn the trust of our stakeholders. We are also mindful of the important role we can play in assuring agility. As such, we will always “do the right thing, the right way” without sacrificing efficiency and responsiveness.

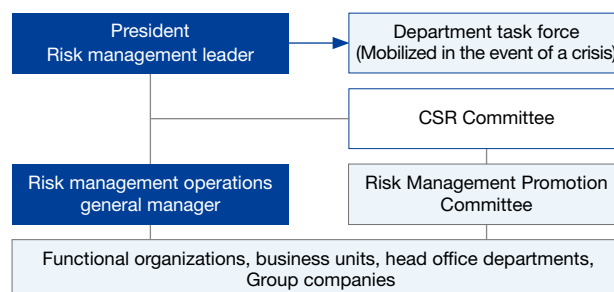
Risk Management

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

In relation to the single-fiscal-year activity themes defined based on the strategies for that year, the Olympus Group will evaluate risks in line with uniform standards to facilitate the efficient and effective formulation of priority measures. A system is in place to track and periodically monitor progress with regard to priority measures identified as Group-level themes. The Group has also begun efforts to standardize risk management processes to ensure that processes carried out for region-specific activity themes are consistent across the Group. These initiatives make it possible to improve the accuracy of efforts to appropriately control risks on a Groupwide basis by utilizing shared risk assessment and incident information based on uniform standards.



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.

Countermeasures for large-scale earthquakes in Japan included e-learning programs for all employees as well as disaster response drills carried out by both management and frontline employees to guarantee that we can furnish a smooth initial response to emergency situations. We are in the process of enhancing the business continuity plans that detail restoration processes in all business fields.

Major Business Risks

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

CSR Management

Basic Policy Regarding CSR

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

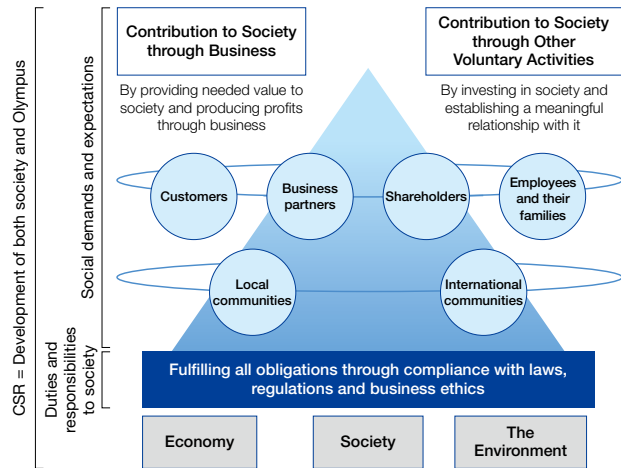
We believe that to justify the continuing existence of Olympus as a company and contribute to making people's lives healthier, safer, and more fulfilling, we must fulfill our responsibilities through dialogue with all stakeholders (persons and organizations with whom we interact through our business activities), including customers, suppliers, shareholders and investors, as well as employees and their families, local communities,* and the international community.*

* Local communities and the international community include general citizens, NGOs, NPOs, the government, and international organizations.



CSR activities:
<https://www.olympus-global.com/csr/>

CSR Concept of the Olympus Group



CSR Promotion Structure

To enhance its CSR structure, Olympus established the CSR Committee in FY2011. Under the umbrella of this CSR Committee, Olympus has set up a number of promotion committees to plan and advance individual CSR-related initiatives. The CSR Committee is chaired by the CSR division manager and its 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



Procurement Activities (Supply Chain)

The Olympus Group aims to strengthen supply chain management (SCM) 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. 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. Based on these two principles for procurement activities, Olympus strives to create and strengthen good relationships with its suppliers through fair, just, and transparent transactions.

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. In fiscal 2018, 855 representatives from 520 suppliers participated and we explained compliance matters.
Supplier survey	Once a year, Olympus conducts a web-based survey of its main suppliers in Japan and overseas. In fiscal 2018, a survey was conducted on roughly 1,000 companies, including overseas suppliers. Responses were received from approximately 95% of participants.

Quality and Safety

Olympus has established its Olympus Group Quality Policy based on the Olympus Group Corporate Philosophy and the Olympus Group Corporate Conduct Charter. The policy was revised in October 2017 to define the Group's basic policy direction in activities aimed at improving quality and safety, and to define a code of conduct to ensure the utmost focus on quality, which defines the fundamental direction of the Group's quality activities to provide products and services for society that are beneficial, safe, and of high quality.

In fiscal 2019, we have been focusing on greater employee

Olympus Group Quality Policy

The Olympus Group will pursue value that is genuinely wanted by our customers, act with the utmost focus on quality, and will sustainably deliver safe products and services that are useful to society. To this end, the Olympus Group will continue to maintain and improve the effectiveness of its quality management system in full conformance with regulatory requirements.

awareness of quality and improvements in business operations to ensure products that are safe and of high quality and to strengthen the product-related statutory compliance process.

Code of Conduct for Ensuring the Utmost Focus on Quality

1. Customer-Centric Approach

We will keep our customers and patients in mind, fully focus on their safety and needs, and act in a sincere manner.

2. Ensuring Compliance with Laws, Regulations, and Social Norms

We will strive to fully and correctly understand and comply with all relevant laws, regulations, and social norms, as this understanding and compliance forms the foundation for the delivery of safe, reliable products and services to our customers and patients.

3. Constant Quest for Quality

We will never be content with the status quo when it comes to the quality of all relevant business processes, which will boost the safety and quality of our products and services.

4. Appropriate Communication

We will provide useful and accurate information in an appropriate manner to our customers and patients in order to ensure their safety and peace of mind.

Personal Information Protection

Olympus protects personal information concerning all of its stakeholders, including its customers, using appropriate methods and, in order for proper handling to be performed, clarifies its policies relating to information protection in the Olympus Group Code of Ethics.

With regard to the creation of a personal information database in Japan, in addition to incorporating a system for obtaining the prior approval of the administrator in each department, we utilize a personal information management register and work to improve the register's accuracy.

Moreover, we inspect the register on a regular basis to better understand the actual situation with regard to the management of personal information. Requests for the disclosure, correction, or deletion of personal information from customers are accepted at a predetermined point of contact. In response to the enforcement of the EU's General Data Protection Regulation (GDPR) in May 2018, we reinforced personal information protection measures by forming a joint protection scheme coordinated among the regional headquarters in Europe, the Americas, and Asia and Oceania.

Disclosure of Medical Business Information

Ethics Committee

Developing and manufacturing medical equipment such as endoscopes, Olympus held an Ethical Committee meeting and assessed propriety from the points of view of ethics, science, and reliability as well as conflicts of interest in its medical research to respond to the "Ethical Guidelines for Medical and Health Research Involving Human Subjects" that came into effect in April 2015. We ensured the independence of the Committee by having it comprise internal and external experts not directly involved in the research. The scope of the assessment included all of the medical research conducted by the Company and Group Companies in Japan to which the ethical guidelines apply. We disclose the Committee's rules, register and summary of proceedings via registration on the Ethical Review Committee Reporting System of the Japan Agency for Medical Research and Development (AMED).

Transparency Guidelines

With the advances in medical technology in recent years, medical equipment is being used in the diagnosis and treatment of a growing number of patients and has become a major contributor to the health and welfare of people. On the other hand, efforts to develop new technologies, launch products on the market, and optimize their use after launch require coordinated efforts with various people in the medical industry. In paying the expenses incurred, it is essential not only to comply with the relevant laws and regulations, the Olympus Group Corporate Conduct Charter, and regulations in the medical equipment industry, but also to increase the transparency of these transactions.

Olympus has established "Transparency Guidelines for Relations between Corporate Activities and Medical Institutions and Other Organizations" described below and is working to ensure and increase transparency based on disclosure of information on payments made to medical institutions and personnel in accordance with the guidelines.



Ethics Committee:

<https://www.olympus-global.com/csr/effort/ethic/>



Transparency Guidelines:

<https://www.olympus-global.com/csr/effort/transparency/>

Environmental Management

Basic Policy Regarding Environment

Placing great importance on reducing environmental impacts throughout product life cycles, Olympus is actively working to improve the environmental performance of its products, facilities, and logistics processes.

Olympus Group Environmental Policy

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." Following this philosophy, the Olympus Group respects people's security and health and the natural mechanisms that realize this. We will contribute to the realization of a sustainable society and sound environment by working to make the environment and economy compatible in our business operations.

- 1. Participation by All**
Each employee enriches their understanding of environmental activities and each one of us will participate in the environmental activities conducted in consideration of the local features.
- 2. Promotion of Environmental Management**
We will maintain the environmental management system and mechanism on a global scale so that we can continuously improve our environmental activities.
- 3. Compliance with Laws, Regulations, and Social Norms**
We will fully comply with the laws and regulations, agreements with our stakeholders, and our voluntary standards in respect to the environment.
- 4. Reduction of Environmental Impact**
Toward the solution of environmental issues, prevention of pollution, sustainable resource use, climate change mitigation and adaptation, and protection of biodiversity, we will reduce environmental impact through our products, services and business activities.
- 5. Development of Technologies to Foster Harmony with the Environment**
We will develop the technologies that contribute to environmental protection and will make use of the results in our manufacturing processes, products and services.
- 6. Attributing Importance to Environmental Communication**
We will proactively dispatch information about our environmental activities within and outside Olympus to deepen mutual understanding with our stakeholders.

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 pre-defined 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. In June 2018, all group business sites certified with ISO 14001 completed their certification update to ISO 14001:2015, the revised certification for 2015.



Promotion of Environmental Management:
https://www.olympus-global.com/csr/download/pdf/csr_db_2018_49_53.pdf

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



Reinforcement of Environmental Governance

Olympus has established an "Environmental Information Management System" to efficiently gather and share environmental performance data throughout the Group, including data on energy use and energy-saving efforts made across global sites.

To ensure progress in environmental management, it is essential to monitor environmental efforts and legal compliance at each business site, as well as to have the means to quickly and accurately grasp the massive amounts of data related to energy consumption and water use, the volumes of waste

generated, chemical substances that are emitted and transferred, and environmental costs. Our "Environmental Information Management System" enables us to view environmental activity results at global sites in a timely manner, assess the progress of our environmental policy, identify any issues, and implement countermeasures for those issues. We are promoting environmental risk countermeasures while helping improve environmental performance.

Management of Environmental Risks

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.

The advance of global warming is causing more frequent cases of extreme weather. As concluded by the Paris Agreement, climate change is a serious environmental factor that can have a serious impact on business activities. We experience this as business continuation risks deriving from climate change. For example, we might experience increases in business costs due to tougher CO₂ reduction regulations in different countries, emissions trading, and carbon taxes.

Or our supply chain may be cut off by ever-more destructive natural disasters, such as typhoons and floods.

As countermeasures against these risks, we are working to improve energy use efficiency, increase our use of renewable energy, and broaden our range of suppliers. Water risk, which is a global concern, is another factor that may have an impact on our business operations through increases in business costs due to reinforcement of wastewater regulations and water shortages—although the scope of those impacts may be limited. We are now establishing business sites in areas where water is abundant and reducing water use in our business activities as a way of hedging the risks. To monitor wastewater, we appoint wastewater facility managers and regularly measure our wastewater volumes.

Olympus also sees the business opportunities presented by environmental risks and actively develops and sells environmentally conscious products as well as products that contribute to the resolution of environmental issues accordingly.

Summary of Results of Activities in Fiscal 2018

	Priority Policy	Targets	Measures	Results
Promotion of environmental management	Enhancement of environmental governance system	Reinforcement of environmental governance system at global level	<ul style="list-style-type: none"> Respond to ISO 14001 revisions 	<ul style="list-style-type: none"> Completed updating to ISO 14001: 2015 certification at eight domestic business sites Provided practical training for environmental promotion officers and Environmental Secretariat (24 people) Provided training for auditors on the revised ISO standard (130 persons).
	Environmental risk reduction activities	Continue to improve the process to comply with environmental laws	<ul style="list-style-type: none"> Improved wastewater management Examined compliance with environmental laws and regulations at non-manufacturing sites 	<ul style="list-style-type: none"> Completed pollution prevention process inspections at 30 global production sites On-site inspection of compliance with environmental laws and regulations at six domestic non-manufacturing sites Continue to improve the environmental regulatory compliance process for products and facilities
		HCFCs risk countermeasures Replacement planning and implementation	Identify HCFC-containing devices and create replacement plan	Completed HCFC-containing device survey at each global site and completed replacement planning
Environmental initiatives throughout product life cycles	Product-related initiatives	Create Olympus eco-products	<ul style="list-style-type: none"> Implement environmentally conscious designs tailored to each product's characteristics 	<ul style="list-style-type: none"> Created environmentally conscious products at all business units (12 new products, 584 products in total)
	Facility-related initiatives	Energy consumption rate: 7.73% or more reduction in FY2021 (relative to FY2013; in Japan) Water use rate: Improved relative to FY2017 Waste discharge rate: Improved relative to FY2017	Continue manufacturing improvement activities	<ul style="list-style-type: none"> Energy consumption rate: Improved 6.6% Water use rate: 5.9% Waste discharge rate: 0.0% (same as previous year)
	Environmental contribution activities	Environmental contribution activities under theme of "Water Circulation—Protection of Forests, Rivers, and Oceans"	<ul style="list-style-type: none"> Conduct environmental contribution activities at global sites Conduct activities under the theme of "Ocean Legacy Project" 	<ul style="list-style-type: none"> Conducted river cleanup and community greenification activities at bases worldwide Continued coral planting and nature school (2 times) initiatives

Participation in the Environmental Reporting Platform Development Pilot Project

To reinforce communication with stakeholders, since 2014 Olympus has been a member of the Environmental Reporting Platform Development Pilot Project led by the Ministry of the Environment. Investors are recently placing more importance on environmental, social, and governance (ESG) information to make sound investment decisions. In light of this, the Ministry of the Environment established the ESG Dialogue Platform, with a trial phase starting in 2013. The platform is designed to disclose and share ESG information on the environment and enable interactions between corporations and investors to create a framework in which environment-conscious companies are acknowledged and appropriately assessed and invested in.

Olympus will use this project to reach out to investors and stakeholders and incorporate their ideas in its business with the aim of further improving its corporate value.