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Olympus Corporation

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The status of corporate governance of the Company is as set out below.

I Basic concepts of corporate governance, capital structure, corporate attributes, and other basic information

1. Basic concepts

The Company has formulated basic concepts and policies concerning corporate governance in the "Basic Policy on Corporate Governance" set forth below.

Basic Policy on Corporate Governance

Our Corporate Philosophy
All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling". Following this philosophy, we aim to improve our company’s continuous development and mid- and long-term corporate value for all stakeholders, including shareholders.

Basic Idea Regarding Corporate Governance
Based on our fiduciary responsibility to shareholders and our responsibility to stakeholders including clients, employees and local communities, etc. as well as the above corporate philosophy, our company has implemented basically the principles of the Corporate Governance Code and developed this policy with the aim of realizing effective corporate governance.

1. Securing Shareholders’ Rights and Equality
(1) Our company respects shareholders’ rights and secures their substantial equality.

(2) Our company takes appropriate steps to improve the environment pertaining to the exercise of rights at the general meeting of shareholders.

(3) If it is judged that listed shares will contribute to the improvement of our group’s corporate value in the mid- to long-term, then, upon verifying the economic rationality and the future prospects for the mid- to long-term, our company will hold the listed shares. Every year, the board of directors will verify the suitability of ownership considering comprehensively the purpose of holding, the benefits associated with holding and the risks, and gradually reduce shares that we judged not to be suitable for possession. In order to exercise shareholders’ rights regarding policy shareholdings, our company will exercise its voting rights on all agenda items, and from the viewpoint of improving the mid- to long-term corporate value of an enterprise issuing such shares, will consider said enterprise’s financial condition and decide appropriately about whether to approve or disapprove each agenda item.

(4) In the case of conducting related party transactions, our company and its subsidiaries are required to obtain the approval of the board of directors of each company in accordance with the “Job Authority Rules” and any other related rules. Its subsidiaries are required to report to our company after obtaining approval from the regional headquarters.

2. Cooperation with Stakeholders other than Shareholders
Under our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." our company endeavors to cooperate as appropriate with various stakeholders including employees, clients, business connections, creditors and local communities.

Our company will present its values regarding appropriate cooperation with stakeholders, respect for their interests, and ethics for sound business activities, and stipulate and implement a code of conduct to be complied with by such members. Specifically, we have formulated the “Corporate Philosophy” and the “Our Behaviors” as a code of conduct for all groups, and have widely disseminated them among all officers and employees who belong to our company groups.

As a supervisor responsible for compliance-related matters, we have appointed a Chief Compliance Officer (CCO). As an advisory organ for the board of directors, we have established a Compliance Committee that is chaired by an independent outside director and is comprised of the CCO and outside committee members. Furthermore, we have established an internal compliance-related reporting system, the “Compliance Helpline,” operated by an internal reporting desk and an external reporting desk

managed by an outside attorney, and regularly report the status of use thereof to the board of directors through the above Compliance Committee.

3. Complete Information Disclosure and Secured Transparency

Under the basic concept for all corporate activities, our corporate philosophy, "Making people's lives healthier, safer and more fulfilling.", our company will disclose corporate information, such as management policy, financial condition, status of business activities and CSR activities in a fair, timely, appropriate and active manner for the purpose of obtaining all stakeholders' correct understanding and trust.

4. Responsibility of the Board of Directors, etc.

(1) Role of the Board of Directors

The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and supervises directors and executive officers, in the execution of their duties.

(2) Qualification of Directors and Auditors

Having high ethical standards as well as the experience, knowledge and ability required to create mid- to long-term corporate value, our directors spend a sufficient amount of time for the board of directors in order to fulfill their own obligations and responsibilities.

(3) Diversity of the Board of Directors

Our company considers the diversity of the composition of board of directors in terms of experience, knowledge and ability, etc. regardless of nationality, race, and gender.

(4) Scale of the Board of Directors

Based on our group's scale and business lines, we maintain an appropriate number of members, fifteen or fewer persons, as stipulated in the Articles of Incorporation, in order to effectively and efficiently exercise the functions of the board of directors.

(5) Independent Outside Director

From the viewpoint of increasing the supervisory functions of the board of directors, more than half of the directors are independent outside directors. The independence standards are set forth by the Nominating Committee.

(6) Chairman of the Board of Directors

For the purpose of securing the separation of executive and supervisory function, an independent outside director serves as the chairman of the board of directors.

(7) Committees for nomination, compensation and audit

The Board of Directors shall set up a Nominating Committee, Compensation Committee and Audit Committee.

Nominating Committee

- The Nominating Committee shall deliberate matters related to human resources at the director and executive officer level, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.
- The nominating committee consists of three or more committee members selected from among the directors by the board of directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairman.

Compensation Committee

- The Compensation Committee shall deliberate matters related to compensation of directors and executive officers, and prescribe policy in relation to determining the details of compensation, etc., and in accordance with the policy, determine the contents of compensation, etc. for individuals.
- The compensation committee consists of three or more committee members selected from among the directors by the board of directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairman.

Audit Committee

- The Audit Committee shall carry out the following duties.
  1) Auditing the execution of duties by executive officers and directors, and creating audit reports
  2) Determining the content of proposals relating to the appointment, dismissal and non-reappointment of accounting auditors
  3) Other duties prescribed by law or by the Articles of Incorporation, and other matters recognized as necessary by the Audit Committee
- The Audit Committee shall consist of at least three individuals selected from among the directors by the Board of Directors, of whom more than half shall be independent outside directors. The chairman of the committee shall be an independent outside

director. Moreover, at least one member shall be an individual who possesses extensive knowledge related to financial and accounting.

(8) Appointment Process of the Directors
The Nominating Committee shall deliberate director candidates while making reference to the selection criteria, hold interviews, and determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.

(9) Fostering and Deciding the President's Successor
The Nominating Committee establishes a succession plan for the President, and reviews it periodically.
As for determining the successor, the nominating committee discusses whether the candidates, including outside candidates, have qualifications that are suitable for the President, and provides opinions and advice to the board of directors. Thereafter, the successor is decided by the board of directors.

(10) Compensation System
Regarding officers' compensation (directors and executive officers), the basic policy is to provide compensation that is suited to their duties, and to increase the awareness among the officers in order to: "Meet expectations of various stakeholders including shareholders by aiming to maximize corporate values." Based on said policy, the Compensation Committee focuses on appropriately setting the compensation ratio linked to short and mid- and long-term performance, and decides officers' compensation.

(11) Management of the Board of Directors Meeting
For the purpose of deciding on important matters and supervising business operations, agenda items for, time of, and the frequency of holding the board of directors meeting are set in order to facilitate necessary and sufficient discussion. In order to facilitate constructive discussions and the exchange of opinions at the board of directors meeting, materials are sent regarding matters to be discussed and matters to be reported at the board of directors meeting in consideration of the time required for the attendees to prepare for the board of directors meeting. Moreover, the board of directors meeting schedule and expected agenda items are prepared in advance.

(12) Assembly for Independent Outside Directors Only
Aiming at information exchange and knowledge sharing, our company will hold an assembly for only independent outside directors as needed.

(13) Evaluation of the Board of Directors Meeting
Every year, the effectiveness of the board of directors is analyzed and evaluated including a third party's perspectives, and an overview of the evaluation result is released.

(14) Information Acquisition and Support System
1) Our company endeavors to actively provide the directors with information helpful for effectively fulfilling their roles and duties.

2) The outside directors of the Company may, whenever deemed necessary or appropriate, request an explanation or report from internal directors, executive officers or employees, or request the submission of internal materials.

3) Our Company shall set up an office provided with suitable personnel, etc., so that the Nominating Committee, Compensation Committee, Audit Committee and any other committees can execute their duties appropriately.

(15) Improvement through Study of the Directors
The directors endeavor to improve themselves including by acquiring and updating, etc. their knowledge in order to fulfill their roles and duties. Our company provides newly-appointed outside directors with various programs for acquiring knowledge concerning our company, including tours to our company' business office and factory, as well as study groups on our business, etc.

5. Interaction with Shareholders
For the purpose of our company's continuous development and improvement of mid- to long-term corporate value, the board of directors have stipulated and announced the Policy for Improving the System and Initiatives for Promoting Constructive Interactions with Shareholders.

Policy for Improving the System and Initiatives for Promoting Constructive Interactions with Shareholders

1) Basic policy
For the purpose of our company's continuous development and improvement of mid- to long-term corporate value, our company, centering on the president and the financial officer, actively conducts constructive interactions with shareholders. The IR function assists such initiatives through internal information exchange and improving the system for providing shareholders' opinions as feedback, etc. to the upper management team.

2) Policy for Interactions by the President and Financial Officer

The President and the financial officer play a central role in conducting overall interactions with shareholders toward the realization of constructive interactions. Specifically, the President and the financial officer will proactively establish opportunities for direct interactions with shareholders by conducting the following in addition to individual interviews with shareholders: briefing sessions for every quarterly settlement, small meetings, telephone conferences with overseas investors, domestic and international road shows on a regular basis, and participation in conferences held by securities firms, etc.

3) Policy for IR Activities by the IR Function

By putting the IR function in charge of IR activities, our company actively implements IR activities toward solid interactions with shareholders. Specifically, in addition to conducting individual interviews at any time as requested by shareholders, our company will regularly implement IR events, such as briefing sessions for individual investors and facility tours. Moreover, we will actively provide information to shareholders through the website, integrated reports, business reports for shareholders and the Convocation of the General Meeting of Shareholders, etc.

4) Policy for internal information exchange

The IR function, as needed, exchanges information with the Corporate Strategy and Planning, Internal Control, the Treasury, the Accounting, and the Legal Affairs functions etc. on a daily basis, and establishes a project team if necessary, in order to build a coordinated collaboration system. Moreover, the IR function reports shareholders' opinions and concerns obtained from interactions with shareholders centering on institutional investors at the Group Executive Committee as well as the board of directors meeting, if necessary. Thereafter, the contents of such opinions and concerns will be discussed.

5) Policy for Insider Information Management when Interacting with Shareholders

In accordance with the "Regulations for Insider Trading Prevention," insider information is strictly managed. When interacting with shareholders, the IR function issues a reminder to the person in charge of the interaction, thereby preventing the divulgence of insider information.

6) Revision and Abolition of this Policy

Revision and abolition of this Policy shall be subject to a resolution of the board of directors.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

• Principle 4-11 Prior conditions to ensure the effectiveness of the board of directors and board of auditors

The Board of Directors of the Company consists of 15 members including nine independent outside directors. The composition of the board disregards nationality, race, or gender, with each member having extensive knowledge and rich experience in business management, finance, and international business development, rendering board members highly diverse. Each board member contributes significantly to the Company's enterprise value enhancement, such that the Board of Directors is considered functional and effective by the Company.

[Disclosure based on the Principles of the Corporate Governance Code]

• Principle 1-4 Policy shareholdings

In line with the Company's Basic Policy for Corporate Governance, the board of directors gives comprehensive consideration to the returns and risks of its holdings, verifying the necessity of holdings for each individual issue, and progressively sells shares which it is not rational to hold. As of the end of March 2016 the Company held 64 issues worth 68 billion yen. This was reduced to 57 issues worth 27.9 billion yen at the end of March 2017, 48 issues worth 26.9 billion yen by the end of March 2018 and further decreased to 37 issues worth 18.9 billion yen at the end of March 2019.

The Company's policy regarding possession of listed shares as a policy measure and the criteria for exercise of voting rights for such policy shareholdings is stated in 1.3 of the Basic Policy for Corporate Governance, for your reference.

• Principle 1-7 Related party transactions

Information concerning the framework of procedures when the Company and the Company's subsidiaries conduct transactions with related parties is available in the section "Basic Policy on Corporate Governance," sub-section 1.-(4).

• Principle 2-6. Exercising the functions of corporate pension asset owners

Regarding the corporate pension fund of the Company, the Asset Management Committee, which is charged with deliberations and proposals concerning the investment management of pension assets, submits proposal to various conference bodies, such as the Governing Board and the Representatives Committee, where proposals are deliberated upon and after verification of the appropriateness thereof executed by the Olympus corporate pension fund.

The Olympus corporate pension fund is subject to investment trust and pension insurance arrangements in accordance with policies and portfolios approved by the Asset Management Committee and the Representatives Committee. The actual fund management is mandated to a financial institution, with the investment status including stewardship activities being subject to quarterly monitoring in regular operations briefing sessions.

The Asset Management Committee and the Representatives Committee consist of persons from the fields of human resources, accounting, and finance who have specialist expertise in the subject functions, as well as employee representatives, forming a framework capable of verifying the sound operations of the pension funds from the perspectives of professional expertise and beneficiary protection.

• Principle 3-1 Complete information disclosure

In addition to appropriate disclosure based on laws and regulations, the Company voluntarily disseminates the following information in order to ensure transparency and fairness in decision-making and to realize effective corporate governance.

(i) Corporate Philosophy and Corporate Strategy of the Company are published on the Company website and in comprehensive reports available for reference.

Corporate Philosophy
https://www.olympus-global.com/company/philosophy/philosophy.html
Corporate Strategy
https://www.olympus-global.com/company/philosophy/strategy.html

(ii) As set out in the above section 1 “Basic Concepts,” based on the respective principles of the corporate governance code, the Company has formulated as its “Basic Policy on Corporate Governance” basic concepts and basic policies concerning corporate governance, which are available for reference.

(iii) At the Company, the remuneration of directors is determined by the Compensation Committee, which is chaired by an independent outside director and whose members consist in the majority of independent outside directors. The Compensation Committee holds deliberations on the linkage with short-term and medium-term business results in relation to the performance-linked remuneration element, including the composition of bonuses and remuneration in stocks, and conducts reviews each time the medium-term management plan is rolled forward.

The remunerations of senior management members (meaning executive officers concurrently serving as directors; the same applies in the following.) are as stated above.

(iv) At the Company, proposals for director candidate nominations and dismissals are determined by the Nominating Committee, which is chaired by an independent outside director and whose members consist in the majority of independent outside directors. Elections of senior executive officers are determined through interviews attended by the president and outside directors of the Nominating Committee.

(v) The reasons for the election of each director are described in the reference documentation to proposals for the election of directors, which is part of the convocation notice of the annual general meeting of shareholders.

Notice Regarding the Convocation of the General Meeting of Shareholders For the 151st Term
https://www.olympus-global.com/ir/stock/pdf/meeting151p_02.pdf

• Supplementary principle 4-1-1 Scope of delegation to the management team

Based on the Company’s policy of segregation of business execution and supervision, matters to be referred to the Board of Directors are set forth in the Board of Directors Regulations and the Standards for Referrals and Reports to the Board of Directors, respectively determined by the Board of Directors. These matters concern basic policies of management, including statutory matters and matters set out in the articles of incorporation, etc., as well as important matters related to management, such as the medium and long-term management plans. The management board executes business operations in accordance with the basic management policies and the management plans determined by the Board of Directors.

• Principle 4-9 Qualifications and standards for independent judgments by independent Outside Directors

The Board of Directors determines criteria for ensuring the independence of independent outside directors, which are stated in this report, section II. 1. “Matters pertaining to organization structure and organization management, etc.,” sub-section “Matters pertaining to Independent Officers.” The Nominating Committee, which consists in the majority of independent outside directors, assesses the independence of candidates, thereby ensuring practical effectiveness, and at the same time verifies that the selected candidates can be expected to contribute to the Board of Directors.

• Supplementary principle 4-11-1 Balance, diversity and scale for the Board of Directors, and policies and procedures for election of the Directors

Policies and procedures concerning the Board of Directors' balance, diversity, size, and the appointment of directors are stated in the section on “Basic Policy on Corporate Governance,” sub-section “4. Duties of the Board of Directors, etc.”

• Supplementary principle 4-11-2 Situation of concurrent posts for Directors and Auditors

Directors’ status as concurrently serving officers of other listed companies is disclosed annually as reference document to the notice of convocation of the annual general meeting of shareholders (in the case of candidates) and in business reports (in the case of persons employed at the end of the business year).

Notice Regarding the Convocation of the General Meeting of Shareholders For the 151st Term
https://www.olympus-global.com/ir/stock/pdf/meeting151p_02.pdf

• Supplementary principle 4-11-3 Self-evaluation for the Board of Directors

At the Board of Directors of the Company, each director and Audit & Supervisory Board member conducts each year a self-assessment. Additionally, an analysis and assessment of the effectiveness of the Board of Directors overall is conducted, including from a third-party perspective. An overview of the assessment results of the Board of Directors is published on the website of the Company.

Board of Directors
https://www.olympus-global.com/company/governance/board.html

• Supplementary principle 4-14-2 Training policy for Directors and Auditors

The Company provides training for directors and Audit & Supervisory Board members. For newly inaugurated directors including outside officers, training includes visits to the Company’s major business bases such as business offices and factories, etc., briefing

sessions, and business study sessions, based on a policy of promoting the acquisition of knowledge about the Company. Additionally, it is a policy of the Company to arrange for, and cover the cost of, external training sessions for directors to acquire basic knowledge necessary for the performance of directors' duties with a view to deepening directors' understanding of their roles and responsibilities.

• Principle 5-1 Policy concerning constructive dialogue with shareholders
Policies concerning the creation of frameworks and efforts to promote the constructive dialogue with shareholders are described in the section "Basic Policy on Corporate Governance," sub-section "5. Interaction with Shareholders."

2. Capital structure

Foreign shareholder ratio	More than 30%

[Main shareholders]

Name	Number of shares held (shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust accounts)	35,321,100	10.35
State Street Bank and Trust Company 505010	19,392,800	5.68
Japan Trustee Services Bank, Ltd. (trust accounts)	18,237,500	5.34
Sony Corporation	17,243,950	5.05
Nippon Life Insurance Company	13,286,618	3.89
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust)	11,404,000	3.34
MUFG Bank, Ltd.	10,880,586	3.19
State Street Bank and Trust Company 505223	8,958,065	2.62
Japan Trustee Services Bank, Ltd. (trust accounts 5)	5,845,100	1.71
Goldman Sachs & Co. regular account	5,830,751	1.71

Controlling shareholders (excluding parent company)	―――
Parent company	None

Supplementary information

―――

3. Corporate attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Industry type	Precision instruments
Number of group employees at the end of the previous fiscal year	1,000 or more
Consolidated sales in the previous fiscal year	100 billion yen to under 1 trillion yen
Number of consolidated subsidiaries at the end of the previous fiscal year	50 to 99

4. Guidance on measures to protect minority shareholders when conducting transactions with controlling shareholders

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5. Other special circumstances that may have significant impact on corporate governance

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II Business management organization and other corporate governance structures related to business decisions, execution, and supervision

1. Matters pertaining to organ structure and organization management, etc.

Organizational form	A Company with a Three Committees Board Structure

[Directors]

Number of directors pursuant to the articles of incorporation	15
Tenures of directors pursuant to the articles of incorporation	1 year
Chairman of the Board of Directors	Outside directors
Number of directors	15

[Outside directors] Updated

Number of outside directors	10
Number of outside directors designated independent officers	9

Company relationships (1)

Name	Attribute	Relationship with the Company*										
		A	b	c	d	e	f	g	h	i	j	k
Sumitaka Fujita	From another company								○			
Takayuki Katayama	From another company											
Susumu Kaminaga	From another company											
Michijiro Kikawa	From another company											
Tetsuo Iwamura	From another company											
Yasumasa Masuda	From another company											
Katsuya Natori	From another company								○			
Atsushi Iwasaki	From another company											
D. Robert Hale	From another company							○				
Jimmy C. Beasley	From another company											

*** Item selection concerning company relationships**
*** Marked "○" if recently or currently applicable to the person in question and marked "△" if previously applicable.**
*** Marked "●" if recently or currently applicable to a relative and marked "▲" if previously applicable.**

a. Business executive of a listed company or its subsidiary
b. Business executive or non-managing executive officer of a listed company's parent
c. Business executive of a listed company's affiliate or subsidiary
d. Person whose main transaction counterparty is a listed company or a business executive thereof
e. Main transaction counterparty of a listed company or a business executive thereof
f. Consultant, accounting expert, or legal expert deriving from a listed company large financial gains or other property (other than officers' remuneration)
g. Main shareholder of a listed company (if that shareholder is a corporation, a business executive thereof)
h. Business executive (only the person in question) of a transaction counterparty of a listed company (other than items d, e, and f)
i. Business executive of an entity in a relationship of mutual employment as outside officers (only the person in question)
j. Business executive of a recipient of a donation from a listed company (only the person in question)
k. Other

Company relationships (2)

Name	Committee affiliation			Independent officer	Supplementary explanation concerning applicable items	Reasons for appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Sumitaka Fujita	○			○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Itochu Corporation. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Takayuki Katayama		○		○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Teijin Limited. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Susumu Kaminaga		○		○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Sumitomo Precision Products Co., Ltd. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Michijiro Kikawa			○	○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Hitachi Construction Machinery Co., Ltd. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Tetsuo Iwamura	○			○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Honda Motor Co., Ltd. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Yasumasa Masuda	○	○		○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager at Astellas Pharma Inc. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Katsuya Natori			○	○	———	To reflect on the management of the Company the rich experience and broad knowledge gained as manager as well as legal counsel at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Atsushi Iwasaki			○	○	———	To reflect on the management of the Company the rich experience and broad knowledge as certified public accountant. The appointed person meets the independence criteria and is therefore designated as an independent officer.
D. Robert Hale	○				———	To reflect in the management of the Company the rich experience as partner at ValueAct Capital Management L.P, a shareholder of the Company, as experienced management consultant in multiple industries, as investor in global capital markets, as well as knowledge in the healthcare industry, and experience in supporting the transformation of global companies.
Jimmy C. Beasley		○		○	———	To reflect on the management of the Company the rich experience and broad knowledge management board member at CR Bard Group. The appointed person meets the independence criteria and is therefore designated as an independent officer.

[Committees] Updated

Committee compositions and chairman attributes

	Total number of members	Number of full-time members	Number of internal directors	Number of outside directors	Chairman
Nominating Committee	5	0	1	4	Outside director
Compensation Committee	4	0	0	4	Outside director
Audit Committee	5	2	2	3	Outside director

[Executive officers]

Number of executive officers	5

Concurrently held positions

Name	Representative authority	Concurrent position as director			Concurrent position as employee
			Nomination committee member	Compensation committee member	
Yasuo Takeuchi	Yes	Yes	○	×	No
Akihiro Taguchi	No	No	×	×	No
Haruo Ogawa	No	No	×	×	No
Yasushi Sakai	No	No	×	×	No
Stefan Kaufmann	No	Yes	×	×	No

[Audit framework]

Directors and employees assigned to assist with the duties of the Audit Committee	Yes

Matters concerning relevant directors' and employees' independence from executive officers

The Company assigns employees to assist full-time in the duties of the Audit Committee. Additionally, employees can be deployed in dual roles as needed. Moreover, the Company establishes rules and regulations and ensures in the following ways the independence from executive officers and the effectiveness of instructions to employees who assist in the Audit Committee's duties.
(1) Directors (excepting Audit Committee members), executive officers, and employees shall with respect to employees who are to assist in the Audit Committee's duties issue no instructions and order concerning such assistance.
(2) Appointment and dismissal, transfer, salary, and personnel assessment, etc., of employees who are to assist in the Audit Committee's duties are decided after obtaining the consent of the Audit Committee.

Cooperation of Audit Committee, accounting auditor, and internal audit department

During the current fiscal year, outside directors and outside Audit & Supervisory Board members have at the meetings of the Board of Directors received reports on internal audits by the audit office. Furthermore, outside Audit & Supervisory Board members have at Audit & Supervisory Board meetings received reports respectively from the audit office and the accounting auditor, and have held opinion exchanges with the audit office and the accounting auditor, and have in other ways engaged in cooperation. Moreover, outside directors and outside Audit & Supervisory Board members receive through the meetings of the Board of Directors regular reports from the Compliance Committee.
The Annual General Meeting of Shareholders held on June 25, 2019, resolved on a change to the articles of incorporation to provide for the installation of a Company with a Three Committees Board Structure, etc., resulting in the transition of the Company to a Company with a Three Committees Board Structure as of the same date. Necessary mutual cooperation as described above among outside directors, internal audit, the Audit Committee, and the accounting auditor, etc., will be promoted also under the changed system.

[Independent officers] Updated

Number of independent officers	9

Other matters concerning independent officers

Out of the 10 outside directors of the Company, nine are designated independent officers. No special interest relation exists between outside directors and the Company.

Concepts concerning the functions and roles of outside directors and their election by the Company are as follows.

Outside directors Sumitaka Fujita, Takayuki Katayama, Susumu Kaminaga, Michijiro Kikawa, Tetsuo Iwamura, Yasumasa Masuda, D. Robert Hale, and Jimmy C. Beasley have been elected to reflect in the management of the Company their rich experience and broad knowledge gained as business managers.

Outside director Katsuya Natori has been elected to exercise audits and supervision of the Company's management using his rich experience and broad knowledge gained as a business manager and lawyer.

Outside director Atsushi Iwasaki, who as a certified public accountant owns significant expertise in the fields of finance and accounting, has been elected to exercise audits and supervision of the Company's management using his rich experience and broad knowledge.

In order to enable directors to fully discharge their expected functions, the Company has entered with directors (excluding managing executive officers, etc.) into agreements based on article 427(1) of the Companies Act which limit the indemnification liability pursuant to article 423(1) of the Companies Act, such that the indemnification liability under the said agreements corresponds to the statutory minimum indemnification liability amount.

[Concepts concerning the independence of outside officers]

The Company has established the following "Criteria concerning the independence of outside officers" to clarify the concepts of outside officers' independence.

(Criteria concerning the independence of outside officers)

1. No remuneration (excluding officer remunerations from the Company) or other property was directly received from the Company or an affiliate of the Company in any of the last 10 years (collectively, the "Group") in an amount exceeding 10 million yen. If the person in question is a consultant, accounting professional, or legal specialist, no affiliated organization of the person in question has received from the Group a remuneration or other payment in excess of 10 million yen.

2. In the last 10 years, the person in question has held no position as managing executive officer, executive officer, executive officer, or as employee in a position as division head or higher in a company that meets any of the following conditions.
   (1) In any fiscal year of the past 10 years, the transaction amount with the Group exceeds 2% of consolidated sales on either side.
   (2) A large shareholder of the Company (directly or indirectly holding more than 5% of the total voting rights of the Company. The same applies in the following.).
   (3) The Group is a large shareholder.
   (4) Effectively an interested party in relation to the Group (main bank, consultant, etc.)
   (5) A relation of mutual exchange of board directors exists.

3. The livelihood of the person in question is not predicated on a person corresponding to items 1 or 2 above.

4. The person in question is not the spouse or a relative up to the third degree of a director, managing executive officer, executive officer, or of an employee holding a position at the Group as division head or above.

5. The person in question does not belong to an audit firm that conducts statutory audits of the Group.

6. Further to the foregoing items, the person in question has no relation as an interested party that renders independence doubtful.

[Incentives]

Implementation status of incentives for directors and executive officers	Introduction of a performance linked remuneration system

Supplementary explanation of relevant items

The remunerations of directors (except for non-executive internal directors and outside directors) and executive officers, etc., consist of a monthly remuneration, bonus awards as a short-term incentive system, and transfer-restricted stock remuneration and performance-linked stock remuneration as a long-term incentive system. The monthly remuneration consists of a directors' basic remuneration (paid only to directors) and an executives' basic remuneration. The latter is determined based on graded remuneration amounts which are set in accordance with the role and responsibility of the subject position.

Stock option awardees	

Supplementary explanation of relevant items

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[Remunerations of directors and executive officers]

Disclosure status (remuneration of individual director)	Individual remuneration is partially disclosed
Disclosure status (remuneration of individual executive officer)	Individual remuneration is not disclosed

Supplementary explanation of relevant items

Contents of remunerations of officers

(1) Total amount of remunerations, etc., by officer category, total amount by type of remuneration, etc., and number of eligible officers (unit: thousand yen)

Officer category	Total amount of remuneration, etc.	Base remuneration	Bonus	Stock remuneration	Retirement benefits	Number of eligible officers
Directors (excluding outside directors)	376,734	261,960	94,520	20,254	-	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	56,400	56,400	-	-	-	2
Outside officers	109,560	109,560	-	-	-	9

Note:

1. By resolution of the 151st Annual General Meeting of Shareholders held on June 25, 2019, the Company has transitioned from the previous Audit & Supervisory Board system to a Company with a Three Committees Board Structure.
2. The above-stated outside officers include one outside officer who retired at the time of the 150th Annual General Meeting of Shareholders held on June 26, 2018.

(2) Total amount of remuneration, etc., of persons whose total remuneration, etc., exceeds 100 million yen (unit: thousand yen)

Name	Officer category	Company category	Total amount of remuneration, etc.	Base remuneration	Bonus	Stock remuneration	Retirement benefits
Hiroyuki Sasa	Director	Submitting company	119,155	82,800	29,940	6,415	-

Availability of policy for determining remuneration amount or the calculation method	Available

Disclosure content of policy for determining remuneration amount or the calculation method

Regarding corporate officers' remuneration, the Company has a basic policy of strongly impressing the importance of striving to maximize enterprise value and meeting shareholder expectations, and to award remunerations appropriate for such duty.

[Compensation Committee]
Policies regarding the determination of the remuneration of directors and executive officers as well as individual remunerations are deliberated on by the Compensation Committee, comprised of at least three members with the majority being independent outside directors, and are reported to the Board of Directors. Specific subjects of deliberation are policies for determining the remunerations, etc., of individual directors and executive officers (types of remunerations paid for each position of directors and executive officers; composition ratios for each type of remuneration; and indicators for performance-linked remunerations), the content of the remunerations, etc., of individual directors and executive officers (individual amounts of fixed remunerations, individual calculation methods of variable remunerations, and individual content of non-monetary remunerations), and matters concerning regulations for the remuneration of directors and executive officers.
By resolution of the 151st Annual General Meeting of Shareholders held on June 25, 2019, the Company has transitioned from the previous Audit & Supervisory Board system to a Company with a Three Committees Board Structure. While the Company has in recent years maintained an Audit & Supervisory Board system, the Board of Directors has established an optional Compensation Committee comprised of at least three members who are in the majority independent outside directors appointed from among the directors. The Compensation Committee deliberates on matters relating to the remuneration of directors, etc., and offers opinions and counsel to the Board of Directors, which the Board of Directors has adopted as much as possible in passing its resolutions.

[Remuneration composition]
The composition of remunerations of directors and executive officers is prescribed for each of the following categories. The combined maximum remuneration limit for transfer-restricted stock remunerations and performance linked stock remunerations is per year 500 million yen and 600,000 shares.

Category 1	Category 2	Category 3
Yasuo Takeuchi Akihiro Taguchi Haruo Ogawa Yasushi Sakai	Stefan Kaufmann	Non-executive internal directors and outside director

a. Composition of category 1 remuneration
The category 1 corporate officer remuneration consists of a monthly remuneration, bonus payments as a short-term incentive system, and transfer-restricted stock remuneration and performance-linked stock remuneration as long-term incentive systems. The monthly remuneration distinguishes between directors' base remuneration (paid only to directors) and executive officers' base remuneration. The latter is determined based on graded remuneration amounts which are set in accordance with the role and responsibility of the subject position. Bonus total payment amounts are determined by combining the consolidated performance category (calculated based on consolidated business results) and the personal assessment category (assessed and calculated based on the attainment of financial and non-financial targets in the position holder's area of responsibility). With 50% of the executive officers' annual base remuneration as the standard amount, remuneration can fluctuates from zero to 200% of the standard amount. Additionally, the transfer-restricted stock remuneration, contingent on the position holder's continuing in the position as director of the Company for a certain period, and the performance-linked stock remuneration, contingent on the attainment of a predetermined performance target, aim at sustainable improvements of enterprise value. Both are arrangements to award in addition to eligible corporate officers' monthly remuneration and bonus the Company's common shares as remuneration with the objective of promoting value sharing with shareholders. The standard for transfer-restricted stock remuneration is 6% of executive officers' annual base remuneration. For the performance-linked stock remuneration the standard is 19% with a fluctuation range from zero to 150% of the standard.

b. Composition of category 2 remuneration
The category 2 corporate officer remuneration consists of a monthly remuneration, with bonus payments as a short-term incentive system, and with performance-linked stock remuneration and pension plan contributions as long-term incentive system. Monthly remunerations are decided on an individual basis in accordance with the role and responsibility of the subject position. Bonus total payment amounts are determined by combining the consolidated performance category (calculated based on consolidated business results), the personal assessment category (assessed and calculated based on the attainment of financial and non-financial targets in the position holder's area of responsibility), and the fixed category. Standard amounts are determined individually. The consolidated business results category can range from zero to 220% and the individual assessment category from zero to 130% of the standard amount. Additionally, the performance-linked stock remuneration, contingent on the attainment of predetermined targets, is intended as an incentive to promote sustained enterprise value enhancement and to promote value sharing with shareholders, as an arrangement to award the Company's common shares in addition to eligible corporate officers' monthly remuneration and bonus. The standards for performance-linked stock remunerations are determined individually, with remunerations allowed to fluctuate in the range between zero and 150% of the standard. Category 2 corporate officers are not eligible to receive transfer restricted stock remunerations.

c. Composition of category 3 remuneration
The category 3 corporate officer remuneration consists only of the monthly remuneration, without payment of bonus, transfer restricted stock remuneration, and performance-linked stock remuneration.

[Short-term incentive system]
Bonuses are comprised of the consolidated performance category and the individual assessment category (composition ratios are set for each position). For consolidated performance, consolidated operating income (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) has been selected as performance indicator, with the objective of strengthening the linkage with income for the subject period. Specifically, after the end of the Annual General Meeting of Shareholders scheduled for June 2020, the payment amounts for the consolidated performance category will be finalized in accordance with the following method.

a. Target
Consolidated operating income (excluding other income and expenditure and excluding equity-method equity in investment gains and losses): 94.0 billion yen

b. Payment amounts
Payment amounts of category 1 corporate officers correspond to i) consolidated operating income for fiscal year 2019 stated in the securities report for the 152nd business year scheduled to be submitted in June 2020 (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) less 30 billion yen, thereof 0.12347% (zero yen in case consolidated operating income falls short of 30 billion yen), plus a defined adjustment in accordance with the change in the number of eligible corporate officers, or ii) the individual payment limit amount, whichever amount is smaller. The specific calculation formula concerning the total payment amount of i) is as follows.
Total payment amount (yen) = (Fiscal year 2019 consolidated operating income (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) -30 billion yen) × 0.12347%
× (Total of individual points of eligible directors and executive officers ÷ 7,902) (rounded off to units of 10,000 yen)
Payment amounts of category 2 corporate officers correspond to i) consolidated operating income for fiscal year 2019 stated in the securities report for the 152nd business year scheduled to be submitted in June 2020 (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) less 70.5 billion yen, thereof 0.00037234% (The conversion from yen to euro is included in the coefficient stated above. Zero euro in case consolidated operating income falls short of 70.5 billion yen.), plus a defined adjustment in accordance with the change in the number of eligible corporate officers, or ii) the individual payment limit amount, whichever is smaller. The specific calculation formula concerning the total payment amount of i) is as follows.
Total payment amount (euro) = (Fiscal year 2019 consolidated operating income (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) -70.5 billion yen) ×0.00037234%
× (Total of individual points of eligible directors and executive officers ÷875) (rounded off to units of 100 euro)

c. Individual payment amounts
Individual payment amounts to officers correspond to the amounts obtained by proportionate allocation of the total payment amount calculated for each category based on item b. above in accordance with the individual points determined for each individual (Category 1 is rounded off to units of 10,000 yen; category 2 is rounded off to units of 100 euros).

Category 1				Category 2
Yasuo Takeuchi	Akihiro Taguchi	Haruo Ogawa	Yasushi Sakai	Stefan Kaufmann
3,870	1,470	1,470	1,092	875

The specific calculation formula for individual payment amounts is as follows.
Individual payment amount = Total payment amount by category ÷ Total of individual points of eligible corporate officers × Individual points
Out of the short-term incentive remuneration, the maximum amount of individual payments to each corporate officer pertaining to the consolidated performance results category is as follows.
Yasuo Takeuchi 77.4 million yen
Akihiro Taguchi 29.4 million yen
Haruo Ogawa 29.4 million yen
Yasushi Sakai 21.8 million yen
Stefan Kaufmann 192.5 thousand euro

d. Targets and results for the short-term incentive system indicator in the most recent fiscal year
For the 151st business year the performance indicator was fiscal year 2018 consolidated operating income (excluding other income and expenditure and excluding equity-method equity in investment gains and losses) as stated in the securities report. With a target of 89.0 billion yen, the actual result was 72.1 billion yen.

[Long-term incentive system (performance-linked stock remuneration）]
The performance-linked stock remuneration of the long-term intensive system is intended to stimulate the motivation to increase medium to long-term business growth and profitability and to reward the results of such efforts. As performance indicator for a target period of three fiscal years, (1) the average rate of sales growth over the target period and (2) the combined total net income attributable to owners of the parent company (“net income”) for the target period have been adopted. Depending on the

degree of target attainment at the end of the target period, the Company awards the number of common shares of the Company corresponding to the subject amount adjusted in the range between 0 and 150%. Specifically, after the end of the Annual General Meeting of Shareholders scheduled to be held in June 2022, the number of shares to be awarded is finalized according to the following method.

a. Target
Total net income attributable to the parent ("net income") for the target period: 221.7 billion yen
Average rate of sales growth for the target period: 5.4%

b. Payment amount
The payment amount corresponds to the aggregate total of fiscal year 2019 net income stated in the 152nd securities report to be submitted in June 2020; fiscal year 2020 net income stated in the 153rd securities report to be submitted in June 2021, and fiscal year 2021 net income stated in the 154th securities report to be submitted in June 2022, less 110.8 billion yen, multiplied by 0.046219567% (zero yen if the aggregate net income for the three fiscal years falls short of 110.8 billion yen), and the average growth rate of sales with respect to sales in fiscal year 2019 stated in the securities report for the 152nd business year scheduled to be submitted June 2020 compared with sales in fiscal year 2018 stated in the securities report for the 151st business year, sales in fiscal year 2020 stated in the securities report for the 153rd business year scheduled to be submitted June 2021 compared with sales in fiscal year 2019 stated in the securities report for the 152nd business year, and sales in fiscal year 2021 stated in the securities report for the 154th business year scheduled to be submitted June 2022 compared with sales in fiscal year 2020 stated in the securities report for the 153rd business year, reduced by 2.7%, and multiplied by 813,611,111 yen (zero yen if the average growth rate of sales for the three fiscal years is 2.7% or less), plus a defined adjustment in accordance with the change in the number of eligible corporate officers. The specific calculation formula is as follows.
Total payment amount = {(Three fiscal years' aggregate net income - 110.8 billion yen) x 0.042219567%
+ (Three fiscal years' average sales growth rate - 2.7%) × 813,611,111 yen}
× (sum of the individual points of eligible directors and executive officers ÷ 7, 323)

c. Numbers of shares to be awarded
The total number of shares to be awarded corresponds to the payment amount calculated pursuant to item b. above divided by the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day before the resolution of the Company's Compensation Committee concerning the allotment of common shares of the Company (if no trade is closed on that day, the closing price on the nearest previous day applies.).

d. Number of shares to be paid individually
The number of shares to be paid individually to individual officers corresponds to the number of total shares to be paid calculated pursuant to item c. above, apportioned in accordance with the number of points determined for each officer.

Yasuo Takeuchi	Akihiro Taguchi	Haruo Ogawa	Yasushi Sakai	Stefan Kaufmann
2,903	1,575	1,57	1,170	100

Number of individually paid shares = Total number of paid shares ÷ Sum of individual points of eligible corporate officers × Individual points
However, if an eligible corporate officer is a non-resident, a corresponding cash amount will be paid instead of shares.
The upper limits for cash payments and share awards to each officer are as follows.

Yasuo Takeuchi	43.6 million yen	195,000 shares
Akihiro Taguchi	23.7 million yen	105,800 shares
Haruo Ogawa	23.7 million yen	105,800 shares
Yasushi Sakai	17.6 million yen	78,600 shares
Stefan Kaufmann	1.5 million yen	6,700 shares

e. Indicator targets and results in recent fiscal years concerning performance-linked stock remuneration under the long-term incentive system
The performance-linked stock remuneration under the long-term incentive system was introduced by resolution of the 149th Annual General Meeting of Shareholders held on June 28, 2017. The targets set for performance-linked stock remuneration referencing fiscal year 2017 as the first year of the target period have been set at an average sales growth ratio of 6.2% for the target period and at 259.1 billion yen in net income for the target period. Since the target period (three fiscal years) has not yet ended, final results are not available. Similarly, the targets for performance-linked stock remuneration with fiscal year 2018 as the first fiscal year of the target period have been set at an average sales growth rate of 6.4% for the target period and at 291.9 billion yen in net income for the target period. Since the target period (three fiscal years) has not yet ended, final results are not available.

[Support systems for outside directors] Updated

To support the effective execution of the roles and duties of outside directors, the Company works proactively to provide outside directors with information and distributes documents and gives explanations prior to Board of Directors' meetings.
Additionally, the Company provides training for directors and newly inaugurated directors including outside officers, comprising visits to the Company's major business bases such as business offices and factories, etc., briefing sessions, and business study sessions, based on a policy of promoting knowledge acquisition about the Company. Additionally, the Company arranges for, and covers the cost of, external training sessions for directors to acquire basic knowledge necessary for the performance of directors' duties with a view to deepening directors' understanding of their roles and responsibilities.

2. Matters related to functions such as business execution, audit and supervision, personnel nomination, and determination of remuneration, etc. (Outline of the current corporate governance structure)

The Company has been working to enhance management speed and supervisory functions by shifting to a Company with a Three Committees Board Structure and by having the Board of Directors focus on decisions on important matters at the core of management and management supervision. Steps are being taken to accelerate management decision making and execution through the wide-ranging delegation of authorities to executive officers in relation to day-to-day business execution.

The Board of Directors consists of 15 directors, including a majority of 10 outside directors, thereof 9 independent outside directors. Tenures of directors continue for one year. The Board of Directors convenes once every three months and when needed. The Board of Directors determines matters related to basic policies of management and internal control systems and other important matters, and monitors the execution of the duties of directors and executive officers, etc. The Board of Directors is chaired by an independent outside director. In the exercise of supervisory functions at the Board of Directors, the 10 outside directors are expected to bring their specialist knowledge to bear on management. The Company proactively provides directors with information to enable the effective execution of their roles and duties. Outside directors of the Company may at all times when needed or when considered appropriate require clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to create systems to ensure the soundness of management.

The member structure of the Board of Directors is shown below. The chairman of the Board of Directors is Sumitaka Fujita.

Directors
Yasuo Takeuchi, Hiroyuki Sasa, Stefan Kaufmann, Noboyuki Koga, Masashi Shimizu

Outside directors
Sumitaka Fujita, Takayuki Katayama, Susumu Kaminaga, Michijiro Kikawa, Tetsuo Iwamura, Yasumasa Masuda, Katsuya Natori, Atsushi Iwasaki, D. Robert Hale, Jimmy C. Beasley

Executive officers are comprised of the following five persons: Chief Executive Officer, Chief Operating Officer, Chief Technology Officer, Chief Financial Officer, and Chief Administrative Officer, who accelerate and streamline the decision-making system in the Group and centrally manage risk management across the Group.

In addition, the three committees comprised of the Nomination-, Compensation-, and Audit Committees, each consisting in the majority of independent outside directors, determine director candidates (Nomination Committee) and the remunerations of directors and executive officers (Compensation Committee), and audit the execution of the duties of directors and executive officers (Audit Committee). The members of each committee are as follows.

Nominating Committee	Chairman:	Sumitaka Fujita (Independent outside director)
	Members:	Tetsuo Iwamura, Yasumasa Masuda (Independent outside directors) D. Robert Hale (Outside director) Yasuo Takeuchi (Director)
Compensation Committee	Chairman:	Susumu Kaminaga (Independent outside director)
	Members:	Yasumasa Masuda, Takayuki Katayama, Jimmy C. Beasley (Independent outside directors)
Audit Committee	Chairman:	Katsuya Natori (Independent outside director)
	Members:	Michijiro Kikawa, Atsushi Iwasaki (Independent outside directors) Noboyuki Koga, Masashi Shimizu (Directors)

In order to enable directors to fully discharge their expected functions, the Company has entered with directors (excluding executive officers, etc.) into agreements based on article 427(1) of the Companies Act which limit the indemnification liability pursuant to article 423(1) of the Companies Act, such that the indemnification liability under the said agreements corresponds to the statutory minimum indemnification liability amount.

[Resolution requirements for appointments of directors]
The articles of incorporation stipulate that directors of the Company are appointed by majority vote of the General Meeting of Shareholders with at least one-third of shareholders eligible to exercise voting rights in attendance and that resolutions on appointments are not adopted by cumulative voting.

[Matters for resolution by the General Meeting of Shareholders which can be resolved on by the Board of Directors]
The articles of incorporation stipulate that the Company is able to acquire its own shares by resolution of the Board of Directors in accordance with the provisions of article 165, paragraph 2, of the Companies Act, in order to execute flexible capital policies in response to changes in the business environment.

Furthermore, the articles of incorporation stipulate that the Board of Directors may pay interim dividends with September 30 of each year as the base date in order to flexibly return earnings to shareholders.

The articles of incorporation stipulate that in order to enable directors and executive officers to fully discharge their expected functions, the Company can pursuant to article 426(1) of the Companies Act, in cases where the statutory requirements are satisfied, exempt directors (including former directors) and executive officers (including former executive officers) from the indemnity liability pursuant to article 423(1) of the Companies Act, limited to the balance of the indemnity liability amount reduced by the statutory minimum liability amount.

[Requirements for special resolutions of the general meeting of shareholders]
The articles of incorporation stipulate that in order to facilitate the operations of the general meeting of shareholders by relaxing the quorum requirements for special resolutions of general meetings of shareholders pursuant to article 309(2) of the Companies Act, special resolutions of the general meetings of shareholders are adopted by a vote of two-thirds or higher of shareholders in attendance who hold one-third of voting rights.

3. Reasons for choosing the current corporate governance structure

The Annual General Meeting of Shareholders held on June 25, 2019, resolved on a change to the articles of incorporation to provide for the installation of a Company with a Three Committees Board Structure, etc., resulting in the transition of the Company to a Company with a Three Committees Board Structure as of the same date.
In so doing, the Company aims to achieve accelerated decision making on business execution, governance strengthening, and further enhanced transparency, targeting significant advancement as a truly global medical technology company.

1) Acceleration of management decision making and business execution functions
Functions are separated based on the basic principle of “separation of corporate oversight and business execution” in a “company with a three committees board structure”. The board of directors focus on deciding important matters on core managerial elements and overseeing business management. The Company will seek to accelerate management decision-making and execution by delegating more authority to executive officers concerning matters related to daily business execution.

2) Reinforced supervisory function in management
The Company will establish three committees; nominating committee, compensation committee and audit committee, which consist of a majority of highly independent outside directors, supervise management through the functions of each committee, and build more appropriate management supervisory system.

3) Increased transparency in management
The nominating committee will consist of a majority of highly independent outside directors who will decide candidates for directors, while the compensation committee will consist of a majority of highly independent outside directors will decide remuneration of directors and executive officers.
These committees will improve the transparency of director and executive officer assignment and remuneration decisions. The Company will seek to further increase its management transparency to domestic and foreign stakeholders.

III State of implementation of measures concerning shareholders and other stakeholders

1. Status of efforts at activating general meetings of shareholders and facilitating voting rights exercise

	Supplementary explanation
Advance dispatch of convocation notices of general meetings of shareholders	Shipped three weeks before the general meeting of shareholders. Additionally, a few days before shipment a PDF version of the convocation notice will be published electronically on the Company website, TDnet, and the electronic voting platform for voting rights.
Off-peak scheduling of General Meetings of Shareholders	Voting rights can be exercised electronically by using the Company's designated voting rights exercise website or electronic voting platform.
Electronic voting rights exercise	An English translation of the convocation notice is available on the Internet (on the electronic voting rights exercise platform and the Company website). Moreover, rights can be exercised electronically by using the Company's designated voting rights exercise website or the electronic voting platform.
Provision of English convocation (outline) notices	The full-text English translation of the convocation notice is available on the Internet (on the electronic voting rights exercise platform and the Company website).
Other matters	The full text of the convocation notice and resolution notice is published on the Internet (on the electronic voting rights exercise platform and the Company website). In order to gain the understanding of shareholders, visuals are used to illustrate the matters reported in general meetings of shareholders. These materials are also published on the Internet (Company website).

2. IR related activities

	Supplementary explanations	Availability of explanations from the representative
Disclosure policy creation and publication	The Company publishes its "Information Disclosure Policy" on the Company website. In addition, in accordance with its information disclosure policy, the Company has established information disclosure frameworks, disclosure standards, and pertinent information management regulations, as well as Information Disclosure Regulations for timely and appropriate information disclosure.	
Regular briefing sessions for individual investors	Briefings for individual investors are held several times a year and information is disseminated through the Company website.	No
Regular briefing sessions for analysts and institutional investors	Further to financial results briefings held four times a year (May, August, November, and February) focusing on financial results and financial forecasts, briefings on management strategies are held as appropriate.	Yes
Regular briefing sessions for international investors	In addition to proactively scheduling conferences and interviews with international institutional investors, the president and the executives in charge visit overseas institutional investors several times a year for financial results briefings and other meetings.	Yes
Publication of IR materials on the Company website	The Company publishes financial results information and other timely disclosure materials, annual reports, shareholder communications, securities reports or quarterly reports, intellectual property reports, fact books, and reports on CSR and environmental activities.	
IR Department (Officer)	The Company maintains an IR department.	

3. Status of efforts at the integration of stakeholder viewpoints

	Supplementary explanations
Regulations on the integration of stakeholder viewpoints based on internal regulations, etc.	The Group has established the “Olympus Group Charter of Corporate Behavior” and the “Olympus Group Code of Conduct,” which expressly prescribe behavior in accordance with laws and regulations and high ethical standards as well as fair and honest corporate conduct in relationships with customers, business partners, shareholders, employees, and local communities, etc.
Implementation of environmental protection activities, CSR activities, etc.	The Group, based on its management philosophy of “Making people's lives healthier, safer, and more fulfilling,” strives to respond to all stakeholder expectations at a high level, acts as a good corporate citizen, and aims to achieve sustainable growth together with society. Specifically, the Company holds procurement policy briefings once a year for major domestic suppliers of the Company’s businesses in order to share Olympus Group's management strategy and procurement policy. Furthermore, in environmental activities, reducing the environmental burden throughout the entire product life cycle is regarded as an important issue by the “Olympus Group Environmental Policy.” Consequently, the Company engages in a range of activities to contribute to societies internationally and in urban and local settings by engaging in environmental improvement activities surrounding production, business sites, and logistics. Additionally, reviews have been initiated on ways for the Company to contribute to the Sustainable Development Goals promulgated by the United Nations. Detailed information is available in the CSR Data Book (Japanese and English versions) issued once a year and published on the Company website. (https://www.olympus-global.com/csr/).
Formulation of policies concerning the provision of information to stakeholders	In order to be correctly understood and trusted by all stakeholders, the Group has established the “Olympus Group Charter of Corporate Behavior” which prescribes the fair, timely, and appropriate disclosure of corporate information such as management policies, the status of business activities, and CSR activities.

IV Matters concerning internal control systems, etc.

1. Basic concepts on internal control systems and maintenance status

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling".
The Company, based on this basic concept, shall prepare and operate a framework which ensures the effectiveness and efficiency of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, “the Olympus Group”), and make continuous improvements.

1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of the its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

(1) In order to ensure a system in which Executive Officers and employees of the Olympus Group perform their duties in compliance with applicable laws and regulations as well as the Articles of Incorporation, the Company shall establish the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Ethics and internal corporate regulations, and shall instill the policies and facilitate initiatives to raise awareness of compliance in Olympus Group through continuing education and other measures.

(2) The Company shall establish the Compliance Committee chaired by an Outside Director as a body to supervise and improve the compliance system of the Olympus Group. It shall also establish a compliance promotion system by appointing an officer in charge of compliance (“Chief Compliance Officer”) and establishing a function in charge of group-wide compliance. The function in charge of group-wide compliance shall be responsible for activities toward the improvement of the group compliance system based on the Global Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a compliance helpline inside and outside the Company for consultation or provision of information on compliance related issues so that any employee, when suspecting there is or may be a violation of laws and regulations, etc., may make a report.

(3) The president shall be the person responsible for CSR at the Company, and shall determine the content, set objectives and conduct evaluations for CSR activities. Furthermore, beginning with instilling a strong sense of ethics, the Company shall drive initiatives to be in line with the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Ethics.

(4) The Company shall set up an internal audit function reporting directly to the president. Based on the Internal Audit Rules, the internal audit function shall conduct audits to verify the effectiveness of the various processes for risk management, control and governance. The internal audit function shall report the results of internal audits to the president of the Company, the Board of Directors, and the Audit Committee.

(5) In order to ensure the fairness of operations of subsidiaries, the Company shall dispatch Directors and Audit & Supervisory Board Members to major subsidiaries and request them to obtain the Company’s approval for significant matters of subsidiaries based on the Job Authority Rules and any other related rules.

(6) In order to ensure the appropriateness and reliability of financial reporting of the Olympus Group, the Internal Audit function shall continue to conduct improvement activities by regularly evaluating its efforts and operations to ensure that control activities relating to financial reporting function effectively under the internal control system.

(7) The Company shall be responsible for working with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety. The Olympus Group continuously shall conduct measures for excluding anti-social forces and prepare relevant rules and regulations in order to maintain its social responsibility to exclude anti-social forces.

2. Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company

(1) Pursuant to laws and regulations and the internal rules on document management, the Company shall maintain and manage documents or electronic data.

(2) Directors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time based on the internal rules on document management.

3. Regulations and other framework relating to managing risks of loss of the Olympus Group

(1) The Company shall manage its business risks of the Olympus Group based on due deliberations held at meetings of the Board of Directors and the Group Executive Committee, among other meetings, and appropriate operation of the internal approval procedure.
The Board of Directors shall determine basic management policy, matters related to the internal control system, other important matters and important matters related to business execution, as well as deciding matters to delegate to executive officers. Also, for important matters not decided by the Board of Directors, executive officers shall make a decision, and make a report to the Board of Directors.

(2) The Company shall manage risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters by designating functions in charge, establishing internal corporate regulations, working for preventive risk management as the Olympus Group, and implementing education and training.

(3) Based on the Internal Control Rules and other related rules, the Company shall prevent the emergence of serious risks resulting from the business activities of the Olympus Group, and shall create, operate appropriately, and manage a risk management system to minimize damage in the event of such risks emerging.
Moreover, pursuant to the Rules on Risk Management and Crisis Response, each function in charge in the Olympus Group shall be aware of risks and take preventative measures, and the Company has a framework which enables prompt actions in the event of an emergency. In the event of a violation of corporate ethics, or an earthquake, fire or accident, the function in charge shall make immediate reports to the executive officers and relevant people. The final determination in such circumstance shall be made by the President.

4. Framework to ensure the effective performance of duties by Executive Officers of the Company and Directors of 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. The Board of Directors shall decide on other important matters, and delegate except matters that should be resolved by the Board of Directors to executive officers in order to enhance efficient and agile decision-making on the execution of business. In addition, the Board of Directors shall receive reports, at least once a quarter, on business performance in order to evaluate the status of the Company's annual business plan, and supervise executive officers' performance of duties.

(2) The Board of Directors shall determine the assignment of duties among the Executive Officers. In addition, the Board of Directors shall receive, at least once a quarter, reports on their duties as performed.

(3) Based on the Job Authority Rules, Organization Rules, and other related rules, the Board of Directors shall approve the responsibilities and authorities of major job ranks. Based on internal corporate regulations 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 of the Representative Director, other Operating Directors and Executive Officers, and receive reports from major management organizations on their duties as performed.

(4) With the establishment of Treasury Control Framework, which regulate financial policies as a base for financial operations of the Olympus Group, the Company strengthens the governance of the Olympus Group from a financial aspect, and oversees and manages funding, foreign exchange, and transactions with financial institutions for the Olympus Group including the subsidiaries.

5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries

(1) After the Company has clarified the management criteria of subsidiaries by means of the Affiliated Company Management Rules and other related rules, the presidents of the regional headquarters shall conduct reviews of the situation faced by management, and periodically report the results of the reviews to the president of the Company.

(2) The Company shall ensure receiving reports as appropriate and in a timely manner from the subsidiaries in accordance with the Global Consolidated Accounting Control Framework to ensure that the Company will remain accurately informed of financial position and results of operation of the Olympus Group, and appropriately maintain and manage the consolidated accounting policies.

6. Framework for matters related to employees whose assignment is to assist in the duties of Audit Committee of the Company, and matters related to the independence of those employees from the executive officers of the Company, and matters related to ensuring the effectiveness of instructions from Audit Committee of the Company to those employees
The Company shall allocate a dedicated employee who will assist with the Audit Committee' duties. In addition, the Company shall set forth internal corporate regulations to ensure independence from execution as stated below, and ensure effectiveness of directions from the Audit Committee to such employees.

(1) While employees who have been assigned to assist in the duties of the Audit Committee assist in those duties, directors (excluding Audit Committee members), executive officers and employees, etc. shall not give them commands or instructions.

(2) The appointment, dismissal, transfer, wage or personnel evaluation of employees who are assisting the Audit Committee with their duties shall be decided only after obtaining the approval of the Audit Committee.

7. Framework regarding reports by Directors (except those who are members of the Audit Committee), executive officers and employees of the Company to the Audit Committee of the company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit Committee of the Company

(1) Directors (except those who are members of the Audit Committee), executive officers and employees of the Company, as well as directors, Audit and Supervisory Board members and employees of subsidiaries shall promptly, and either directly or via the relevant function, submit a report to the Audit Committee of the Company in cases where it becomes known that there has been a significant violation of laws or regulations or of the Articles of Incorporation; or when it becomes known that there has been wrongdoing; or when it becomes known that there is risk of substantial harm to the Company. In other cases where the Audit Committee requests a report from an executive officer or employee, etc. of the Olympus Group, in accordance with laws and regulations, or Audit Committee Rules etc., the executive officer or employee in question shall promptly report to the Audit Committee.

(2) In case any material compliance issue arises in the Olympus Group, the Chief Compliance Officer shall make reports on details and other matters to the Board of Directors in accordance with the Rules for Compliance Helpline Operation. Reports on details of issues reported and results of investigations shall also be made regularly to the Audit Committee.

(3) The Internal Audit function of the Company shall regularly report the status of internal audit in the Olympus Group to the Audit Committee of the Company. In addition, the Chief Compliance Officer shall report the status concerning compliance to the Audit Committee as necessary.

8. Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made
The Company shall set forth internal corporate regulations and shall not impose any unfair treatment (including de-facto measures such as restricting the personnel to engage in duties, or assigning the personnel solely to work on chores, in addition to measures of personnel affairs such as dismissal, demotion, pay cut and other disciplinary actions and disadvantageous transfer) to any personnel who have made a report on the grounds of having made a report to the Audit Committee.

9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by the Audit Committee members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties
The Company shall set forth internal corporate regulations. When an advance payment or reimbursement of expenses is requested for execution of duties of Audit Committee members, the Company shall promptly process disbursement except for such case that the expense is obviously deemed unnecessary for execution of duties by Audit Committee members.

10. Other systems to ensure the effectiveness of audit by the Audit Committee of the Company

(1) Directors, executive officers and employees of the Company and Directors and employees of the subsidiaries shall ensure effectiveness of the audit by cooperating with the Audit Committee for investigations by interviews and on-site inspections.

(2) The Company shall ensure that it provides the Audit Committee with opportunities to sufficiently exchange opinions with Directors, Executive Officers, Accounting Auditors and any other personnel necessary.

(3) The Company shall ensure that the Audit Committee is permitted to have its members attend important meetings, and that they have an opportunity to state their opinion.

(4) The Audit Committee and an internal audit function shall work closely, and the Audit Committee are allowed to exercise authority to give instructions and make commands to the internal audit function as necessary.

(5) The Company shall ensure that it provides the Audit Committee with, upon their request, opportunities of collaboration between the Audit Committee and Audit & Supervisory Board Members of the subsidiaries and collecting information from employees of the subsidiaries.

2. Elimination of organized crime - Basic concepts and their maintenance

The Company has in the basic policies of its internal control system defined policies against organized crime and has established frameworks for systematic counteraction. Specifically, the Company has establish an internal communication network, cooperates with lawyers and the police force, and takes preventive measures by joining specialized organizations, along with information gathering and training activities. Additionally, the Company works to constantly and completely shield itself by stipulating in agreements with business partners the exclusion of organized crime.

V Other matters Updated

1. Adoption of takeover defense measures

Adoption of takeover defense measure	None

Supplementary explanation of relevant items

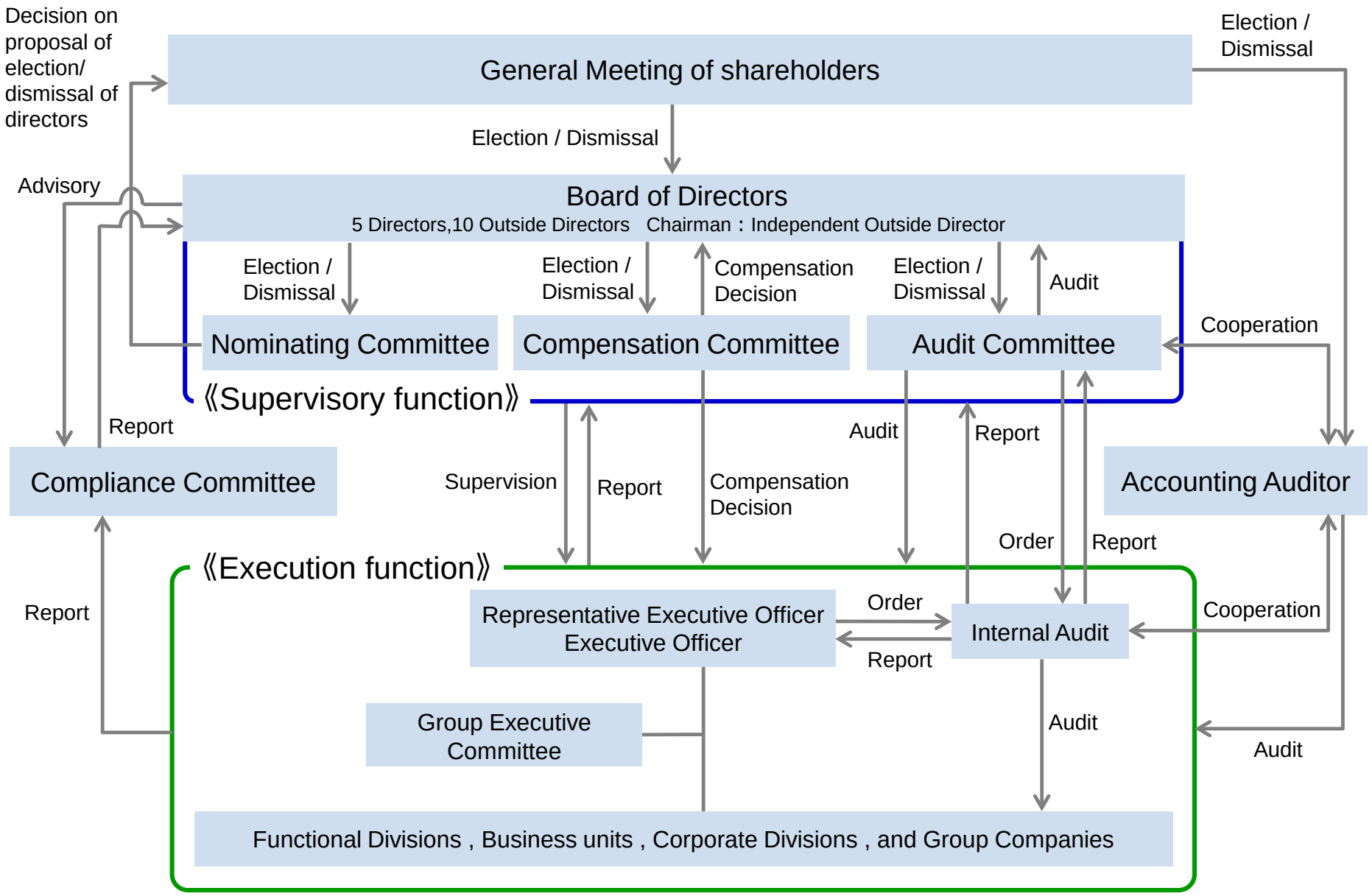
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2. Other matters concerning the corporate governance structure, etc.

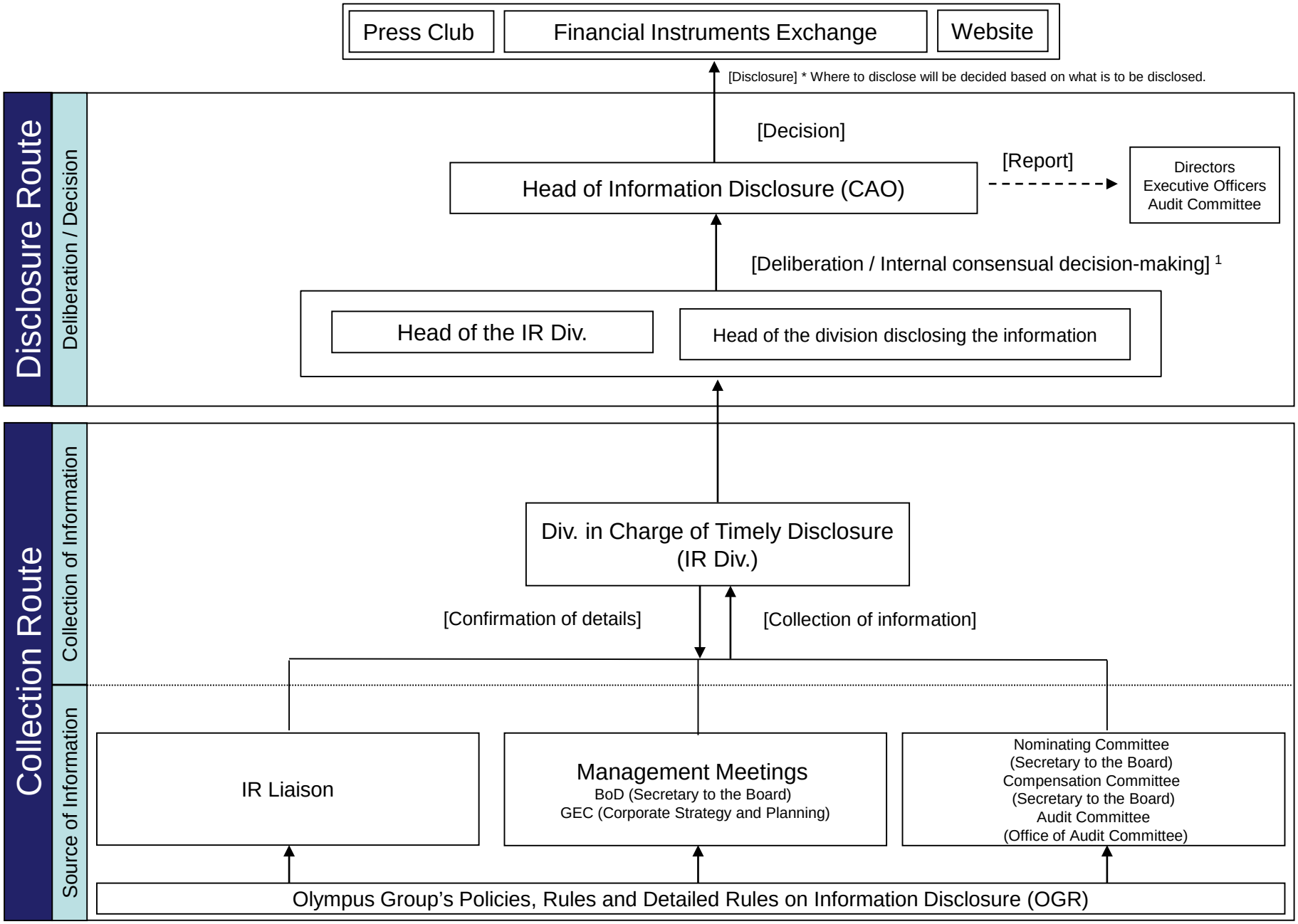
In disclosing information, Olympus shall comply with the laws and the Financial Instruments Exchange rules and shall disclose information in compliance therewith. Olympus shall also proactively disclose those information which may have a material impact on its corporate value evaluation in accordance with the Article 27-36 of the Financial Instruments and Exchange Act (so-called “Fair Disclosure Rules”) and the Internal Information Disclosure Criteria regardless whether such disclosure is not required by the laws or the rules. To this end, we have established “Rules on Information Disclosure” and “Detailed Rules on Information Disclosure” as company rules, and set out specific duties and procedures for information disclosure.

Based on the “Information Disclosure Flow”, information for disclosure is aggregated from the IR liaison (a person in each function/operating division who is in charge of the information disclosure as appointed by the IR Division) and the secretariats of the management meetings (i.e., the board of directors meeting and Group Executive Committee) and other committees, etc. and whether or not to disclose is determined by the head of Information Disclosure (CAO) after deliberations with the head of the IR division and the head of the division disclosing the information.

Corporate Governance Structure



Information Disclosure Flow



1. When the case meets any of the Consensual Decision-Making Criteria in the Internal Information Disclosure Criteria, or when the case is not set forth in the Internal Information Disclosure Criteria and the head of the IR div. finds it necessary.