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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 Updated

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 Concepts 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 "Olympus Global Code of Conduct" 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). Furthermore, we have established a global contact desk which can be available 24 hours a day in multiple languages for any employees and external stakeholders in addition to an appropriate internal compliance-related reporting system in each region as necessary. CCO reports the status of use thereof to the Audit Committee regularly and to the Board of Directors as necessary.

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

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, 15 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. for individuals, 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 CEO's Successor

The Nominating Committee establishes a succession plan for the CEO, 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 previously 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 Outside Directors Only

Aiming at information exchange and knowledge sharing, our company will hold an assembly for only 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 has 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 CEO and the CFO, 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 CEO and CFO

The CEO and the CFO play a central role in conducting overall interactions with shareholders toward the realization of constructive interactions. Specifically, the CEO and the CFO 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 by the IR Function
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 audit & supervisory board]
The Board of Directors of the Company consists of 12 members including eight 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 on Corporate Governance, the Board of Directors specifically gives comprehensive consideration to the benefits and risks of its holdings, verifying the necessity of holdings for each individual issue, and sells shares which are not reasonable 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, 37 issues worth 18.9 billion yen at the end of March 2019 and further decreased to 29 issues worth 14.4 billion yen at the end of March 2020.
• If a company that holds the Company's shares as stocks for purposes other than pure investment makes an offer to sell, etc., the sale cannot be prohibited.
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 on 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.
• Corporate Philosophy and Corporate Strategy of the Company are published on the Company website and in integrated 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
• 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.
• At the Company, the compensation 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 compensation element, including the composition of bonuses and compensation in stocks, and conducts reviews each time the Corporate Strategy is rolled forward.
The compensations of senior management members (meaning executive officers concurrently serving as directors; the same applies in the following.) are as stated above.
• At the Company, proposals for director candidate nominations and dismissals are determined by the
, which is chaired by an independent outside director and whose members consist in the majority of independent outside directors. Elections of senior corporate officers are determined through interviews attended by the president and outside directors of the Nominating Committee.
• 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 ordinary general meeting of shareholders.
Notice Regarding the Convocation of the General Meeting of Shareholders for the 152nd Term
https://www.olympus-global.com/ir/stock/pdf/meeting152p_03.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 consist of 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 Corporate Strategy The management board executes business operations in accordance with the basic management policies and the Corporate Strategy 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 detailed in this report, section II. 1. "Matters pertaining to organ structure and organization management, etc.," sub-section "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]
Balance and diversity for the Board of Directors, and policies and procedures for election of the Directors are stated in the section on "Basic Policy on Corporate Governance," sub-section "4. Responsibility of the Board of Directors, etc."

[Supplementary principle 4-11-2 Situation of concurrent posts for Directors and Audit & Supervisory Board Members]
Directors' status as concurrently serving officers of other listed companies is disclosed annually as reference document to the notice of convocation of the ordinary 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 152nd Term
https://www.olympus-global.com/ir/stock/pdf/meeting152p_03.pdf

[Supplementary principle 4-11-3 Self-evaluation for the Board of Directors]
At the Board of Directors of the Company, each director conducts each year a self-evaluation. Additionally, an analysis and evaluation of the effectiveness of the Board of Directors overall is conducted, including from a third-party perspective. Since 2015, the Company has implemented five evaluations thus far centered on the self-evaluations through a questionnaire, and is sharing problems to enhance the effectiveness and promoting improvements.

The overview of evaluations regarding the effectiveness of the Board of Directors during the term of office of directors in fiscal year 2019 is as follows.
・Evaluation method
Since it was the first evaluation after the transition to a company with Nominating Committee, etc., the Company has verified the results of the creation and operation of the governance structure, and in cooperation with an external consulting firm, implemented

a questionnaire and individual interviews for all directors in order to objectively understand matters for improvement, etc. to further increase the effectiveness of the Board of Directors and individual committees (Nominating Committee, Compensation Committee, and Compliance Committee).
After this, based on the results of the analysis of the questionnaires and interviews, measures to improve the effectiveness of the Board of Directors were discussed at board of directors meetings.

・Overview of results

The Company has recognized that directors sharing the awareness of aiming for sustainable growth and increasing corporate value in the medium to long term is a strength, and the Board of Directors is advancing voluntary initiatives to contribute to increasing corporate value. The Board of Directors has also assessed that the Company is steadily progressing toward becoming a truly global medtech company and functioning effectively. At the same time, they understood three points as issues to be addressed to further improve effectiveness.

1. Work to further increase the quality of management, and improve the speed of management.
2. Realize the optimal composition of directors for the Board of Directors from the standpoints of diversity and continuity.
3. Continuously make operational efforts to realize the best decision making and the further enhancement of Board of Directors' deliberations.

Based on the above, the Company is working to continuously improve in order to further contribute to sustainable growth and the increase of corporate value in the medium to long term.

An overview of the evaluation 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 Audit & Supervisory Board Members]
The Company provides training for directors. For newly inaugurated directors including outside directors, 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	30% or more

[Main shareholders]

Name	Number of shares held (shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust accounts)	156,516,300	12.17
Japan Trustee Services Bank, Ltd. (trust accounts)	73,254,300	5.70
STATE STREET BANK AND TRUST COMPANY 505010	64,740,284	5.04
JP MORGAN CHASE BANK 385632	64,077,200	4.98
Nippon Life Insurance Company	53,146,472	4.13
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust)	45,616,000	3.55
MUFG Bank, Ltd.	43,522,344	3.39
SSBTC CLIENT OMNIBUS ACCOUNT	26,511,299	2.06
MSCO CUSTOMER SECURITIES	23,347,386	1.82
Japan Trustee Services Bank, Ltd. (trust accounts 5)	22,627,600	1.76

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

Supplementary information

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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 Nominating Committee, etc.

[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	12

[Outside Directors]

Number of outside directors	9
Number of outside directors designated independent officers	8

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								△			
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											
David 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-operating director 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	○			○	———	Mr. Sumitaka Fujita has an extensive experience and diverse knowledge as a business manager at ITOCHU Corporation and served as Outside Director and Outside Auditor at other companies. Since Mr. Fujita took the post of Outside Director of the Company in April 2012, he has been giving guidance/advice to the business management of the Company at the Board of Directors. In addition, he contributed to the development of a transparent director compensation system as the Chairman of the Compensation Committee which was established voluntarily. Since June 2018, he has been leading the Board of Directors as the Chairman of the Board of Directors of the Company. Furthermore, after the transition to a company with Nominating Committee, etc., in June 2019, he facilitated decisions of contents of an agenda item to elect directors as the Chairman of the Nominating Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Fujita is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Susumu Kaminaga		○		○	———	Mr. Susumu Kaminaga has an extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products, Co., Ltd. and served as Representative Director, etc. at other companies. Since Mr. Kaminaga took the post of Outside Director of the Company in June 2016, he has been giving guidance/advice to the business management of the Company at the Board of Directors and the Compliance Committee voluntarily established. In addition, he has been serving as a member of the Compensation Committee since June 2017. Since the transition to a Company with Nominating Committee, etc., in June 2019, he has been taking charge of the operation of the Compensation Committee as the Chairman since February 2020 in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Kaminaga is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Michijiro Kikawa			○	○	———	Mr. Michijiro Kikawa has an extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd. and served as Director at Hitachi, Ltd. Since Mr. Kikawa took the post of Outside Director of

						the Company in June 2016, he has been giving guidance/advice to the business management of the Company at the Board of Directors and the Nominating Committee voluntarily established. In addition, he served as the Chairman of the Nominating Committee from June 2018 through June 2019. Since the transition to a company with Nominating Committee, etc., in June 2019, he has been supervising the business execution of Executive Officers of the Company as a member of the Audit Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Kikawa is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Tetsuo Iwamura	○	○		○	———	Mr. Tetsuo Iwamura has an extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd. Since Mr. Iwamura took the post of Outside Director of the Company in June 2017, he has been giving guidance/advice to the business management of the Company at the Board of Directors and the Nominating Committee and Compliance Committee voluntarily established. After the transition to a company with Nominating Committee, etc., in June 2019, he facilitated decisions of contents of an agenda item to elect directors as a member of the Nominating Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Iwamura is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Yasumasa Masuda	○	○		○	———	Mr. Yasumasa Masuda has an extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. and served as independent non-executive officer at the Deloitte Tohmatsu Group. Since Mr. Masuda took the post of Outside Director of the Company in June 2018, he has been giving guidance/advice to the business management of the Company at the Board of Directors and the Nominating Committee established voluntarily. After the transition to a company with Nominating Committee, etc., in June 2019, he facilitated decisions of contents of an agenda item to elect directors, and decided directors' compensations as a member of the Nominating Committee and the Compensation Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Masuda is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors.

						The appointed person meets the independence criteria and is therefore designated as an independent officer.
Katsuya Natori			○	○	———	Mr. Katsuya Natori has an extensive experience and diverse knowledge as a lawyer and served as Director and Supervisory Director at other companies. Since Mr. Natori took the post of Audit & Supervisory Board Member of the Company in April 2012, he has been auditing/supervising the business execution of the Company at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the Directors and the Executive Officers of the Company as the Chairman of the Audit Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Natori is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
Atsushi Iwasaki			○	○	———	Mr. Atsushi Iwasaki has an extensive experience and diverse knowledge as a certified public accountant and served as Outside Director and Outside Auditor at other companies. Since Mr. Iwasaki took the post of Audit & Supervisory Board Member of the Company in June 2016, he has been auditing/supervising the business execution of the Company at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the Directors and the Executive Officers of the Company as a member of the Audit Committee in addition to the supervision of the business execution of the Company at the Board of Directors. Taking these points into consideration, Mr. Iwasaki is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.
David Robert Hale	○				———	Mr. David Robert Hale is a partner of ValueAct Capital Management L.P. (hereinafter called VAC), one of the Company's shareholders. He has a track record of helping global companies transform themselves with his knowledge of the global capital markets and the healthcare industry, as a business management consultant and investor with experiences in diverse industries. Since Mr. Hale took the post of Outside Director of the Company in June 2019, he has been giving guidance/advice to the business management of the Company at the Board of Directors. In addition, he has participated in decisions on the evolution of the board as a member of the Nominating Committee. Taking these points into consideration, Mr. Hale is appointed so that he will contribute to the Company's sustainable

						growth through the Board of Directors. Since he serves as a partner at VAC, which is one of the Company's shareholders, the Company believes that he will contribute to the enhancement of the Company's corporate value by reflecting shareholders' voices into the business management of the Company.
Jimmy C. Beasley		○		○	———	Mr. Jimmy C. Beasley has a global business experience for over 30 years at the C. R. Bard Group, one of the leading global companies in the medical equipment industry and has an abundant experience and a deep insight as a member of the management. Since Mr. Beasley took the post of Outside Director of the Company in June 2019, he has been giving guidance/advice to the business management of the Company at the Board of Directors. In addition, he facilitated decisions of directors' compensations as a member of the Compensation Committee. Taking these points into consideration, Mr. Beasley is appointed so that he will contribute to the Company's sustainable growth through the Board of Directors. The appointed person meets the independence criteria and is therefore designated as an independent officer.

[Committees]

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	4	1	1	3	Outside director

[Executive officers]

Number of executive officers	5

Concurrently held positions

Name	Representative authority	Concurrent position as director			Concurrent position as employee
			Nominating committee member	Compensation committee member	
Yasuo Takeuchi	Yes	Yes	○	×	No
Akihiro Taguchi	No	No	×	×	No
Nacho Abia	No	No	×	×	No
Chikashi Takeda	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 shall allocate a dedicated employee who will assist with the Audit Committee's duties. Employees can be deployed in dual roles as needed. 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.

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

Audit Committee members have at Audit Committee meetings received reports respectively from the internal audit function and the accounting auditor, have held opinion exchanges with the internal audit function and the accounting auditor, and have in other ways engaged in cooperation. Moreover, Audit Committee members receive through the meetings of the Board of Directors regular reports from the Compliance Committee.

[Independent officers]

Number of independent officers	8

Other matters concerning independent officers

Out of the nine outside directors of the Company, eight 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, Susumu Kaminaga, Michijiro Kikawa, Tetsuo Iwamura, Yasumasa Masuda, David 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 operating directors, etc.) into agreements based on the provisions of Article 427, paragraph (1) of the Companies Act which limit the indemnification liability pursuant to Article 423, paragraph (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 Operating Director, Executive Officer, Corporate Officer, or as employee in a position as General Manager 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 revenue 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, Operating Director, Corporate Officer, or of an employee holding a position at the Group as General Manager 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 compensation system

Supplementary explanation of relevant items

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

Stock option awardees	

Supplementary explanation of relevant items

———

[Compensations of directors and executive officers]

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

Supplementary explanation of relevant items

Contents of compensations for officers

(1) Total amount of compensation, etc., by officer classification, total amount by type of compensation, etc., and number of eligible officers (unit: millions of yen)

Officer classification		Total amount of compensation, etc. (millions of yen)	Total compensation by type (millions of yen)			Number of eligible officers (persons)
			Basic compensation	Bonuses	Stock compensation	
Director	Inside	454	370	78	6	8
	Outside	124	124	–	–	10
	Total	578	494	78	6	18
Audit & Supervisory Board Member	Inside	14	14	–	–	2
	Outside	7	7	–	–	2
	Total	21	21	–	–	4
Executive Officer		140	85	42	13	3

Notes:

1. By resolution of the 151st Ordinary General Meeting of Shareholders held on June 25, 2019, the Company has transitioned from the previous Audit & Supervisory Board system to a company with Nominating Committee, etc.
2. Basic compensation shows the amount paid for the current fiscal year (152nd-term), Bonuses show bonus amounts for the applicable period, the current fiscal year (152nd-term) (to be paid in July 2020), and stock compensation shows the amount to be recorded as expenses for the current fiscal year (152nd-term).
3. There are two other Executive Officers (who double as Director) in addition to the three Executive Officers mentioned above, compensation, etc. of the two are included in compensation for Directors.
4. The Company does not pay bonuses to Directors who do not double as an Executive Officer.
5. The aforementioned Inside Directors include the three Inside Directors who retired at the close of the 151st-term Ordinary General Meeting of Shareholders on June 25, 2019.

6. Due to the spread of the COVID-19, as a negative impact is expected on the business results for the 153rd-term, while conserving cash-out of the Company, we considered the impact on the compensation measures of employees which are under study to implement on a global scale. As a result, the Compensation Committee decided on March 31, 2020 to reduce Executive Officers' short-term incentive compensation (Bonus) for the 152nd-term by 25%.

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

Name	Officer classification	Total amount of compensation, etc.	Base compensation	Bonus	Stock compensation
Yasuo Takeuchi	Director	130	91	30	10
Stefan Kaufmann	Director	207	158*	48	0.2

*The basic compensation includes the equivalent amount of housing and pension (20 million yen).

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

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

The Company's basic policy on compensation for officers is to provide compensation commensurate with its responsibilities based on a strong awareness of maximizing corporate value and meeting shareholder expectations.

[Philosophy on Compensation]
In order to achieve the objectives of our management strategy and to create corporate value, it is essential that we have a compensation system that ensures that we have capable management personnel and that they can fully demonstrate their abilities. To this end, we have decided on a new compensation system based on the following concepts.
• It will be a stronger incentive program that can begin to position our compensation in a comparable fashion to other global medtech companies.
• An incentive program that is consistent with the management strategy.
• Making use of long-term incentive compensation (LTI), this program focuses on value creation and performance evaluation.
• Competitive base salary will be paid compared to major global companies in Japan.
• Introduce claw-back provisions and shareholding guidelines to ensure sound management of incentives.
• Challenging and achievable goal setting improves the motivation of Executive Officers

[Compensation Committee]
The compensation policy and personal compensation for directors and Executive Officers are discussed and determined by the Compensation Committee, which consists of at least three members and a majority of members of the Independent Outside Director, and reported to the Board of Directors. Specifically, the Board of Directors and Executive Officer's personal compensation policy (type of compensation to be paid for each position of the Board of Directors and Executive Officer, composition ratio of each type of compensation, performance-linked compensation indicators), individual compensation content of directors and Executive Officers (individual amounts of fixed compensation, methods of calculating undefined compensation, and individual content of non-monetary compensation), and matters concerning compensation regulations of directors and Executive Officer are deliberated.

[Executive Officer Compensation Level]
• While a standardized, global compensation system is desirable for compensation design for executive officers who are responsible for global management, differences in compensation levels by region make it difficult to attract and retain talented executives by pay levels of Japan. As such all Executive Officers will be compensated within the same structure and ratio for base compensation (BS: Base Salary), short-term incentive compensation (STI), and long-term incentive compensation (LTI). However, actual compensation levels are determined by taking into account differences in pay levels in the country of origin of the Executive Officer. Base compensation for Executive Officers from Japan was set by comparing it with companies (peer groups) included in TOPIX500 in the medical or life science field. The total compensation also takes into account the pay ratio (the ratio of the median between CEO compensation and employee salary). A similar approach is used for executive officers whose country of origin is outside of Japan using appropriate local and regional benchmarks.
• Compensation levels for the peer group are verified using objective compensation survey data from external specialist organizations (such as Willis Towers Watson and others).

[Executive Officer Compensation Structure]
• Compensation for Executive Officers is a combination of fixed base compensation (BS), short-term incentive compensation (STI) linked to the current performance, and long-term incentive compensation (LTI).
• For executive officers who are not from Japan, lump-sum payments and severance pays are also set for each individual to make an adjustment with the previous compensation contracts, in addition to housing allowances and pensions, etc. The amount and conditions set for each individual will be resolved by the Compensation Committee. In addition, whether or not to pay severance pay at the time of retirement and the amount of allowance will be determined based on multiple conditions such as tenure, etc.
• Focusing on achieving management strategies aimed at enhancing medium-to long-term corporate value and shareholder value, the ratio of performance-linked compensation, particularly long-term incentive compensation, was raised for the CEO, and the ratio of short-term incentive compensation (STI), and long-term incentive compensation (LTI) against base compensation (BS) was set as follows.
BS:STI:LTI=1 (25%):1 (25%):2 (50%)
• With respect to Executive Officers other than the CEO, the following ratios were adopted based on the same concept.
BS:STI:LTI=1 (28.5%):1 (28.5%):1.5 (43%)
Note: The compensation structure up to the 152nd-term was BS:STI:LTI=1 (50%):0.5 (25%):0.5 (25%) for Executive Officers from Japan.

[Type of long-term incentive compensation (LTI)]
25% of long-term incentive compensation (LTI) is subsequent grant-type restricted stock compensation (RSU: Restricted Stock Unit) and 75% is performance-linked stock compensation (PSU: Performance Share Unit), and the evaluation period is three years respectively.
Notes:
1. Long-term incentive compensation (LTI) for the 152nd-term consisted of a 25% RS and a 75% PSU, but in consideration of the payment of stock compensation to non-residents in Japan, we selected RSU which is more general in Europe and North America instead of RS and made the LTI combination of RSU at 25% and PSU at 75% for the 153rd-term. We adopted the method that the number of shares (units) in RSU is calculated by the stock price at the time of start and such number of shares is given after vesting.

2. With regard to PSU up through the 152nd-term, amount of shares to be given was varied according to the target achievement levels, and the number of shares to be given was calculated for the amount at the stock price at the time of vesting. With respect to PSU for the 153rd-term, the number of shares (units) at the time when the target 100% is achieved at the start of the evaluation period is calculated based on the stock price at that time, and the number of shares to be given is calculated according to the target achievement level.

[Performance-linked compensation evaluation index]
i. Short-term incentive compensation (STI)
Revenue, operating profit, and strategic goals were used as STI indicators, and the composition ratio was as shown below.

Revenue	Operating profit	Strategic objectives
30%	50%	20%

a. Revenue: 30%
Sales growth is essential to achieve medium-to long-term operating profit targets and is set as an indicator.

b. Operating profit: 50%
Established as an indicator for continuing management with an emphasis on operating profit.

c. Strategic Objectives: 20%
Established important issues to all Executive Officers in particular, from among the non-financial targets.

ii. Long-term incentive compensation (LTI)
Operating margin, ROIC, EPS growth rate, relative TSR, and ESG as strategic goals are used as LTI indicators, and the composition ratio is as shown below.

Operating margin	ROIC	EPS Growth rate	Relative TSR	Strategic Target
40%	15%	15%	20%	10%

a. Operating margin: 40%
Operating margin, a financial guidance on management strategy is set as an indicator of performance evaluation.

b. ROIC: 15%
ROIC, a financial guidance on management strategy is set as an indicator of performance evaluation.

c. EPS Growth Rate: 15%
The EPS growth rate, a financial guidance on management strategy is set as an indicator of performance evaluation.

d. Relative TSR: 20%
Relative TSR is set as an indicator of performance evaluation. It is an important standard which makes long-term performance and pay align from the viewpoints of both shareholders and the executive management. The Company has established a list of twenty global medtech companies (companies with medical and life sciences-related operations) to measure our 3-year relative TSR performance.

e. Strategic Goals (ESG): 10%
They are used as an indicator for ESG, which is announced to be reinforced in its management strategy.
Index of DJSI (Dow Jones Sustainability Index is set as an evaluation index for the following reasons.
• It is a highly reliable external evaluation organization and ensures transparency and fairness.
• The breadth of coverage in the evaluation area contrasts with the expectations of a broad range of stakeholders.
• There is completeness of corporate activities as a whole.

[Performance-linked compensation evaluation table]
i. Upper and lower limits of performance-linked compensation
The upper limit of the evaluation table for respective indicators of performance of short-term incentive compensation (STI) and long-term incentive compensation (LTI) is 200% and the lower limit is 0%.
Notes:
1. For Executive Officers who are not from Japan, when it needs to make an adjustment with the previous compensation contracts, performance-linked compensation is set individually within the range of 0% to 200%.
2. The details of the evaluation table are not described in this report due to the COVID-19. When the impact of the spread of COVID-19 on the business strategy and business plan of the 153rd term becomes clearer, we will review the content of compensation for the 153rd-term and disclose the details along with the content.

ii. Evaluation table for each item of short-term incentive compensation (STI)
The Compensation Committee decided the 153rd-term STI evaluation table concept as follows.
a. Revenue evaluation table
• The payout curve of 0% to 200% payment is calculated based on the logic reasonably set in consideration of past performance trends and standard deviations, with 100% being paid for 100% achievement of the target.

b. Evaluation table of operating profit

• The payout curve of 0% to 200% payment is calculated based on the logic reasonably set in consideration of past performance trends and standard deviations, with 100% being paid for 100% achievement of the target.

c. Strategic objectives
We will set items for important company-wide issues in the 153rd term and set them as common goals for all executive officers.

iii. Evaluation table for each item of long-term incentive compensation (LTI)
a. Operating margin
• 100% will be paid if operating margin target, a financial guidance on management strategy is achieved.
• The payout curve of 0% to 200% payment is calculated based on the reasonably set logic by relative comparison with the peer group.

b. ROIC
• 100% will be paid if ROIC target, a financial guidance on management strategy is achieved.
• The payout curve of 0% to 200% payment is calculated based on the logic reasonably consistent with the payout curve of operating margin.

c. EPS growth rate
• 100% will be paid if EPS growth rate target, a financial guidance on management strategy is achieved.
• The payout curve of 0% to 200% payment is calculated based on the logic reasonably consistent with the payout curve of operating margin.

d. Relative TSR
• Twenty global medtech companies (companies with medical and life sciences-related operations) will be set as a peer group, and 100% will be paid if the rank of our TSR is located at 50%ile.
• The payout curve of 0% to 200% payment is calculated based on the logic reasonably set by relative comparison with the peer group.

e. ESG
• For indicators of ESGs, we refer to DJSI's Index.
DJSI ratings are "World Index (W)," "Asia Pacific Index (AP)," and "Non-Index (N)" from the top ranks. In the 151st-term, our company won Asia Pacific Index.
• Establish an assessment table that emphasizes Index to be acquired in the third year, considering the outcome in the first and second years, and set payment rates of 200%, 150%, 100%, 50%, and 0%.

[Level of compensation for directors]
In order to set the Directors' compensation at competitive compensation levels for securing and retaining talented personnel, the compensation level shall be 50%ile-75%ile level compared with the role responsibilities and the peer group in each residence.

• Full-time Non-Operating Director (resident in Japan)	1 person
• Part-time Non-Operating Director (resident in Japan)	7 people
• Part-time Non-Operating Director (Non-resident in Japan)	2 persons
• Executive Officers who double as Director	2 persons

Compensation levels for each peer group are confirmed using objective compensation survey data from external specialist organizations (such as Willis Towers Watson and others).
Note: One of the two part-time non-operating directors (non-resident in Japan) has requested to decline his compensation and decision of not paying the compensation to him has been made.

[Compensation Structure of Directors]
• Non-Operating directors perform supervisory functions at various points of contact with the Board of Directors, each Committee, and executive officers, and contribute to the creation of corporate value. As a result, in addition to cash compensation (base compensation) for supervisory functions, non-performance-linked stock compensation is granted as compensation for the creation of corporate value.
• Stock-based compensation for Non-Operating Directors shall be subsequent grant-type restricted stock compensation (RSU), and the rights of Japanese residents will be vested upon retirement. The vesting of rights of non-residents in Japan shall be established individually in accordance with the general method of stock-based compensation for non-operating directors in each region.
• Stock-based compensation will be set at 3 million yen for both Japanese and non-Japanese residents. The number of shares to be given will be calculated based on the share price at the time of assumption of office at the General Meeting of Shareholders, and the number of shares will be given after vesting.
• The Chairman of the Board of Directors Meeting receives a Chairman allowance on top of the base salary.
• For Executive Officers from Japan who also serve as directors, cash compensation for the management and supervisory function as directors will be paid separately, in addition to executive officer compensation. For Executive Officers who are not from Japan, cash compensation for management and supervisory functions as directors will be included in the executive officer compensation.

[Shareholding Guidelines]
Shareholding Guidelines are established to share interests between investors and the management (Executive Officers).
Shareholding Guidelines shall be as follows.
• For CEO, at least three times as much as the base salary.

• For other Executive Officers, at least 1 time as much as the base salary.
We will review the ratio of long-term incentive compensation (LTI), and consider the necessity of reviewing the Shareholding Guidelines when the compensation structure is to be changed.

[Clawback clause]
A clawback clause has been set up to deter the management (Executive Officers) from reckless investments and improper accounting. Clawback is subject to short-term incentive compensation (STI) and long-term incentive compensation (LTI) for Executive Officers. The clawback will be turned on in the following cases.
• An event that requires the refund of the difference between the amount of compensation that have been paid and the amount of compensation that should have been paid caused by a revelation that the information prerequisites for compensation is incorrect or different.
• An event requiring the return of the amount of compensation already paid as a kind of sanctions in the event of a violation of obligation, etc. The final decision on the application of clawback to individual events is made by the Compensation Committee and reported to the Board of Directors.

[Discretion of the Compensation Committee and response to the COVID-19]
• In an unexpected event that significantly affects compensation calculation, the Compensation Committee has the discretion to revise or review the compensation details that contribute to the creation of corporate value.
• The spread of the COVID-19 is expected to have a significant impact on the Company's medical and other business and management strategies for the 153rd-term. Therefore, the Compensation Committee judges that it is necessary to adjust the compensation level described in the preceding paragraph. When the impact by the spread of the COVID-19 on the business strategy and business of the 153rd term becomes clearer, compensation details for the 153rd-term are to be considered again, and to be disclosed in an appropriate manner immediately after the consideration.

[Support systems for outside directors]

• The Company established the Board of Directors Office as a dedicated organization to support the execution of duties of outside directors as well as the effective and vigorous activities of the Board of Directors, Nominating Committee and Compensation Committee.
• 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 prior to board of directors meetings while setting an opportunity for the explanation of agendas in advance as necessary and working to stimulate discussions in board of directors meetings.
Additionally, the Company provides training for newly inaugurated directors including outside officers, comprising visits to the Company's major business bases such as business offices and factories, etc., and business study sessions such as briefing sessions, directors presentations, and technical result presentations 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 compensation, 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 Nominating Committee, etc. 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.

[Supervision]
• The Board of Directors consists of 12 directors, including a majority of nine outside directors, thereof eight 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 nine 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.
• Aiming for outside directors to mutually exchange information and share awareness, the Company is working to improve oversight functions with an "Opinion Exchange Meeting for Outside Directors," which is held four times a year (once per quarter) as a regular meeting in which only outside directors can participate, and an "Executive Session," which is held after the conclusion of every board of directors meeting.

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

Directors

Yasuo Takeuchi, Stefan Kaufmann, Nobuyuki Koga

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

In addition, the three committees comprised of the Nominating-, Compensation-, and Audit Committees, each consisting in the majority of independent outside directors, determine director candidates (Nominating Committee) and the compensation 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) David Robert Hale (Outside director) Yasuo Takeuchi (Director)
Compensation Committee	Chairman:	Susumu Kaminaga (Independent outside director)
	Members:	Tetsuo Iwamura, Yasumasa Masuda, Jimmy C. Beasley (Independent outside directors)
Audit Committee	Chairman:	Katsuya Natori (Independent outside director)
	Members:	Michijiro Kikawa, Atsushi Iwasaki (Independent outside directors) Nobuyuki Koga (Directors)

In order to enable directors to fully discharge their expected functions, the Company has entered with directors (excluding operating directors, etc.) into agreements based on the provisions of Article 427, paragraph (1) of the Companies Act which limit the indemnification liability pursuant to Article 423, paragraph (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 elections of directors]
The Articles of Incorporation stipulate that directors of the Company are elected 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 elections 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]
In order to carry out capital policy in accordance with changes in the business environment and to carry out flexible return of profits to shareholders, the Company stipulates in its Articles of Incorporation that matters, including dividends from surplus, set forth in each item of Article 459, paragraph (1) of the Companies Act shall be decided by resolutions of the Board of Directors, not those of general meeting of shareholders, unless otherwise provided by laws and regulations.

Furthermore, the Articles of Incorporation stipulate that in order to enable directors and executive officers to fully discharge their expected functions, the Company can, by a resolution of the Board of Directors, pursuant to the provisions of Article 426, paragraph (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, paragraph (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, paragraph (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.

[Business Execution]
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.

3. Reasons for choosing the current corporate governance structure

The Ordinary 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 Nominating Committee, etc., resulting in the transition of the Company to a company with Nominating Committee, etc. 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 medtech 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 “a company with nominating committee, etc.” The Board of Directors focuses on deciding important matters on core managerial elements and management supervision, and works to enhance management speed and supervisory functions. 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 in the majority of 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, which consists in the majority of independent outside directors, will decide candidates for directors, while the compensation committee, which consists in the majority of independent outside directors, will decide compensation of directors and executive officers. These committees will improve the transparency of director and executive officer assignment and compensation 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	In order to provide our shareholders with time to sufficiently review information on the convocation notice, the Company ships the convocation notice 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 rights exercise platform for voting rights.
Off-peak scheduling of general meetings of shareholders	The policy is to appropriately set the date on which the general meeting of shareholders is to be held with the intention of shareholders attending after adequately considering proposals.
Electronic voting rights exercise	Voting rights can be exercised electronically by using the Company's designated voting rights exercise website or the electronic voting rights exercise platform.
Provision of English convocation (outline) notices	The 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 (the 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 and events such as a new product presentation are held as appropriate.	Yes
Regular briefing sessions for international investors	In addition to proactively scheduling conference calls and interviews with international institutional investors, the Chief Executive Officer and the Chief Financial Officer 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, integrated 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 Global Code of Conduct," which expressly prescribes 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. The Company will increase its economic value and realize sustainable growth, while at the same time incorporating ESGs into its Corporate Strategy as an important factor, strengthening and promoting initiatives related to the four actions in particular ((i) Extensively provide high quality medical care, and contribute to the health of all people, (ii) Focus on compliance, product quality and safety, (iii) Responsible procurement, (iv) Strengthen the promotion of diversity and inclusion), and working to fulfill its duties to society and stakeholders. For specific CSR activities, the Company holds procurement policy briefings once a year for major domestic suppliers of the Company's businesses in order to share the Group's Corporate 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. To facilitate understanding of the Group, the Company strives to actively disclose information and enhance communication. Detailed information is available in Integrated Report (https://www.olympus-global.com/ir/data/integratedreport/) and 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 Global Code of Conduct," which prescribes the fair, timely, and appropriate disclosure of corporate information such as management policies, the status of business activities, and CSR activities.

Other matters	• Initiatives for health and productivity management The Company has prepared a health declaration in order to clarify that establishing a working environment where employees can work in an active and healthy manner is a major premise of the Company for proceeding with various activities, and that it is the management has resolved to properly support the maintenance and improvement of the health of employees and their families, in cooperation with the Health Insurance Association. The Company will promote health maintenance and enhancement among employees by further working to prevent second hand smoke, recommend lifestyle changes, encourage regular checkups and complete examinations for cancer screenings, and give advice when hospital visits are required. By actively developing health management initiatives, the Company was recognized as a White 500 organization for three years in a row since 2017. • Promotion of "Work-Life Integration" In order to prepare an environment where employees can demonstrate their abilities to the fullest and actively continue their career, even with different circumstances such as child-rearing or providing long-term care to family members, the Group is promoting initiatives for "Work-Life Integration" to support both employees' work and lives to achieve synergy between them, and is working to introduce flexible systems related to working styles and expand users. As an enhancement of supporting measures for both work and childcare/nursing care, the Group introduced the "work from home system," "re-entry system," "position flex system," and "reduced working hours system." The Group is aiming to realize a diverse workplace, increase productivity and increase employees' motivation by supporting both work and home. Furthermore, in promoting "Work-Life Integration," the Group has set the promotion of women's participation and advancement as an important issue, and formulated a plan of action for general employers in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace in fiscal year 2016. Major initiatives include expanding employees allowed to utilize the work from home system, implementing the provision of information for employees taking childcare leave, and establishing the "Diversity Promotion Group," which is a dedicated organization to strengthen the diversity promotion system. The Group supports career advancement of female employees by assuming life events in advance and with the concept of feed forward, which quickly provides experience and opportunities. From the Ministry of Health, Labour and Welfare, the Company received "*Kurumin* Certification" in 2016 and 2019 for achieving plans based on the Act to Advance Measures to Support Next-Generation Child-Rearing, and "*Eruboshi* Certification" (Act on the Promotion of Female Participation and Career Advancement in the Workplace) in 2019 as a superior organization with regard to the promotion of women's participation and advancement.

IV Matters concerning internal control systems, etc.

1. Basic concepts and maintenance status on internal control systems

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 Company, and directors 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 “Management Basic Policy,” basic policy the Board of Directors relies on when the Board supervises the performance of duties of Directors and Executive Officers. Furthermore, it shall establish the Olympus Global Code of Conduct and internal corporate regulations, based on the corporate philosophy, and shall instill the policies and facilitate initiatives to raise awareness of compliance in the Olympus Group through continuing education and other measures.

(2) The Company shall 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 Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a global contact desk which can be available 24 hours a day in multiple languages so that any employee, when suspecting there is or may be a violation of laws and regulations, etc., may make a report in addition to a hotline contact desk in each region.

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

(4) The Company shall set up an internal audit function reporting directly to the Chief Executive Officer. 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 of the Olympus Group to the Chief Executive Officer and the Audit Committee of the Company.

(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, 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 Chief Executive Officer.

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, 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 performance 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's duties. Employees can be deployed in dual roles as needed. 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 (excluding Audit Committee members), 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 (excluding Audit Committee members), 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 a director, an executive officer or employee, etc. of the Olympus Group, in accordance with laws and regulations, or Audit Committee Rules etc., the director, 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 officer in charge of compliance 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 officer in charge of compliance shall report regularly the status concerning compliance to the Audit Committee.

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

1. Adoption of takeover defense measures

Adoption of takeover defense measure	None

Supplementary explanation of relevant items

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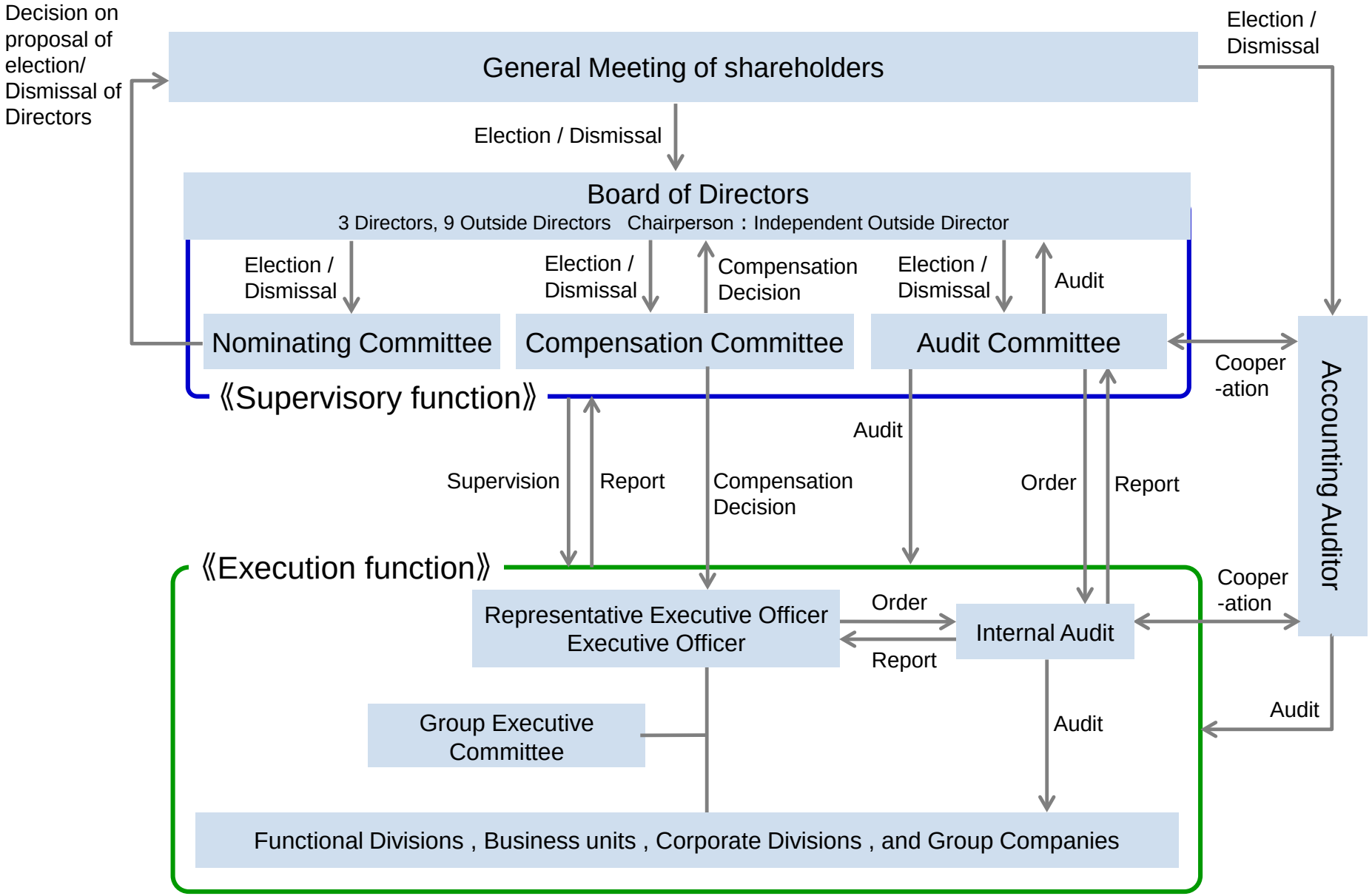
2. Other matters concerning the corporate governance structure, etc. Updated

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 the 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 internal corporate regulations such as "Rules on Information Disclosure" and "Detailed Rules on Information Disclosure," 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 after deliberations with the head of the IR division and the head of the division disclosing the information.

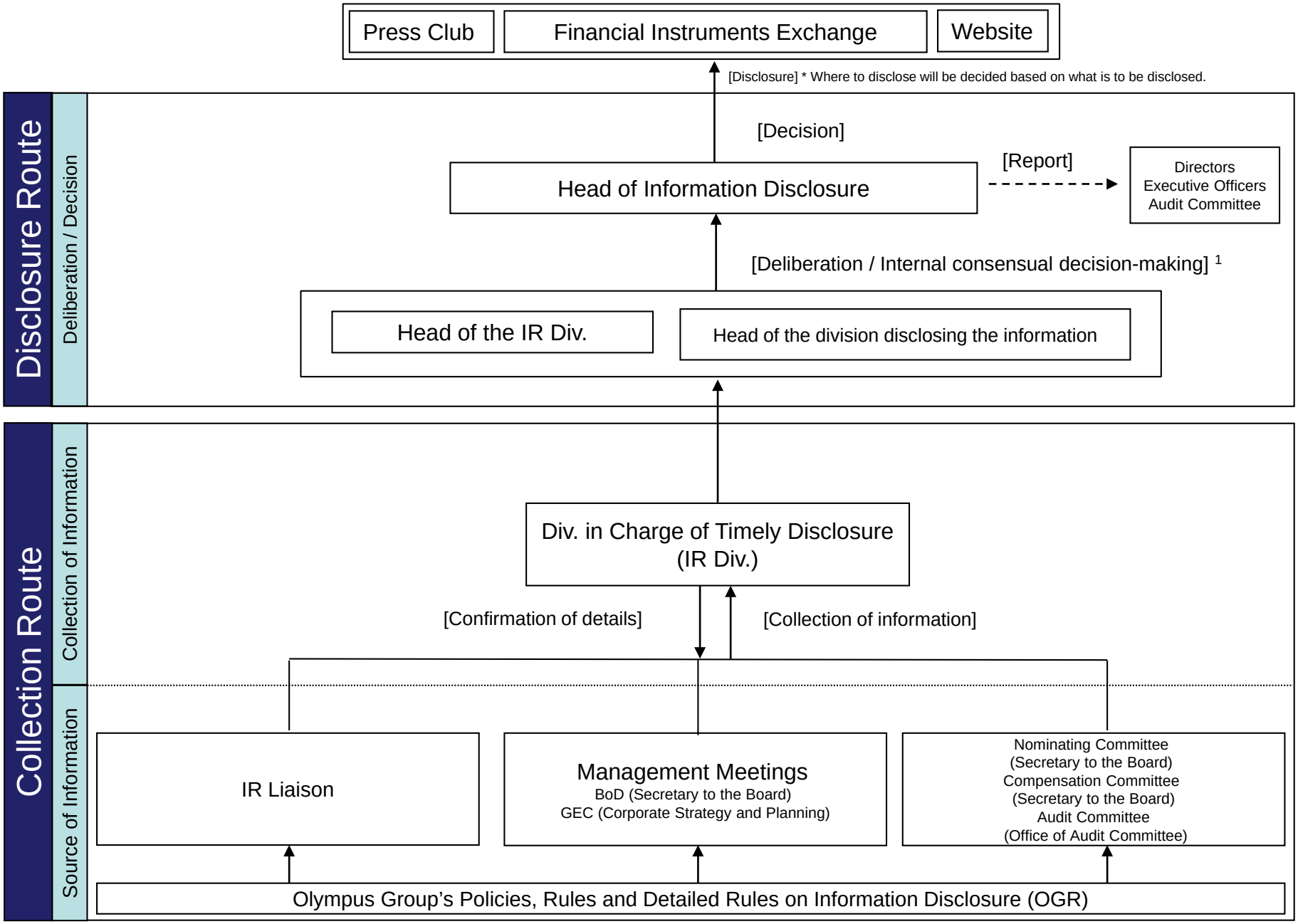
Corporate Governance Structure

Updated



Schedule 2. Information Disclosure Flow

Updated



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.