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June 15, 2018

To Our Shareholders

OLYMPUS CORPORATION

**Supplementary Explanations of the Agenda**  
**for the General Meeting of Shareholders**  
**For the 150<sup>th</sup> term**

Olympus Corporation (the “Company”) wish to give here a supplementary explanation regarding the background to the suggested proposals and the company's thinking, in order to facilitate accurate understanding among our shareholders in regard to the opinions put forward by the proxy adviser on the agenda for our 150th general meeting of shareholders to be held on June 26.

In the 2nd agenda, we proposed to elect 11 directors.

Recently, certain reports in the media have stated that Olympus (Shenzhen) Industrial Ltd. (“OSZ”), a Chinese subsidiary of the Company, was alleged to have made illegal payments to a consultant it retained to handle a tax issue with the Shenzhen Customs Authority in China. We would like here to provide a supplementary explanation in regard to this.

In regard to the above issue, as is outlined in our timely disclosure of June 27, 2016 titled *Certain Reports on the Company and its Subsidiary* (Appendix 1), the Company conducted an investigation by an investigation committee (the “OSZ Investigation Committee”) comprised of outside directors and outside counsels (the “Investigation”). The results of the investigation did not indicate a violation of any bribery-related laws of Japan, the U.S. or China. The Company disclosed the fact, in a timely manner, that investigation results were reported to relevant foreign authorities as necessary.

Seeing that other similar media reports continued even after the above timely disclosure, the Company issued a news release titled *Certain Reports on the Company and its Subsidiary* dated February 1, 2018 (Appendix 2). This news release noted that the Company had already made timely disclosure regarding the issue. It also stated that a further inquiry by a new law firm it retained into the OSZ Investigation Committee's findings determined that the conclusions and method of the Investigation were appropriate.

It can clearly be seen from the above that the Company has thoroughly engaged in sufficient information disclosure regarding the issue of retaining the consultant at OSZ. We also wish to note that we are not aware of any investigation or the like into the Company or the said subsidiary

concerning this issue by the relevant authorities.

Furthermore, in regard to the above issue, some media have reported that certain documents issued by law firms different from the law firm mentioned above indicated that an illegal payment may have been made to a consultant by OSZ. However, as the above news release states, the documents prepared prior to the Investigation, as being subject to the investigation, were already examined at the time of the Investigation, while the documents prepared subsequent to the Investigation do not reveal any new evidence or raise any new issues concerning the Investigation. As a result, none of these documents have any bearing whatsoever on the conclusions of the Investigation. In addition, we received a statement from some law firms that prepared the said documents, indicating de facto retraction stating that there were defects in the content and the preparation process of the said documents prepared by the said law firms. As such, these documents are invalid and do not in any way affect the conclusions of the Investigation.

The Company tabled all agenda items after having duly considered at the current board meeting. We hope for the understanding of our shareholders and investors, and ask for the approval of the Company's agenda items in the general meeting of shareholders.

Company: Olympus Corporation  
Representative Director, President: Hiroyuki Sasa  
(Code: 7733, First Section, Tokyo Stock Exchange)  
Contact: Tetsuo Hyakutake, General Manager, Public Relations and IR Office

### Certain Reports on the Company and its Subsidiary

Some media organizations reported that Olympus (Shenzhen) Industrial Ltd. (“OSZ”), a Chinese subsidiary of the Company, was alleged to have made illegal payment to a consultant it retained to handle a tax issue with the Shenzhen Customs Authority in China.

The Company reported this matter to relevant foreign authorities during the last fiscal year and conducted an investigation by an investigation committee (the “OSZ Investigation Committee”) comprised of outside directors and outside counsel. The results of the investigation are as described below, which did not find a violation of any bribery related laws of Japan, the U.S. or China. The OSZ Investigation Committee pointed out internal control issues of the Company and its Group. The Company has explained the investigation results to relevant foreign authorities as necessary.

The Company has been actively making efforts to enhance its compliance and corporate governance system since the new management system launched in April 2012. As a part of such endeavor, the Company voluntarily started the investigation on this matter. The Company will continue to actively enhance the compliance and corporate governance system going forward.

This matter has no influence over the financial statements for previous fiscal years or business results for the current fiscal year.

#### 1. Summary of the Matter

During an audit of OSZ conducted by a Chinese General Administration of Customs in 2006, it was found that the number of theoretical inventory of certain products and items was negative in OSZ’s customs clearance books (the “Negative Theoretical Inventory Issue”), and OSZ started to resolve the Negative Theoretical Inventory Issue with the Shenzhen Customs authorities. However, the discussions with the Shenzhen Customs authorities did not progress. OSZ was very concerned that it might suffer a disadvantage if the Negative Theoretical Inventory Issue was not resolved by the time of the scheduled switching of the customs books to electronic records at the end of September 2014. Given such situation, OSZ hired Company A as a consultant and sought cooperation in resolving the Negative Theoretical Inventory Issue. Company A was a party which OSZ had consulted with when the local fire department had made a point on firefighting equipment in 2011. After that, OSZ started to outsource activities such as cafeteria operation and security services at its Shenzhen Factory.

In April 2014, OSZ entered into a consulting services agreement (the “Consulting Services Agreement”) for the resolution of the Negative Theoretical Inventory Issue with Company A and the sale agreement regarding certain employee dormitories (the “Supplemental Agreement”). The Consulting Services Agreement was a performance-based agreement under which, with the aim of reducing the amount of penalties and other imposition to RMB 30 million (approximately

JPY 500 million), OSZ would pay Company A as contingency fee 80% of any reduction of penalties and other imposition below RMB 30 million, while 20% of any excess of penalties and other imposition above RMB 30 million will be borne by Company A. Moreover, under the Supplemental Agreement, the sale of the employee dormitories was conditioned on the resolution of the Negative Theoretical Inventory Issue.

After that, OSZ negotiated with the Shenzhen Customs authorities in accordance with advice from Company A, and agreed to clear the negative theoretical inventory with the authorities. Ultimately no fine or other payment was imposed on OSZ by the Shenzhen Customs authorities. As a result, OSZ paid RMB 24 million (approximately JPY 400 million) to Company A as compensation pursuant to the Consulting Services Agreement in December 2014.

Given that the Negative Theoretical Inventory Issue was resolved very favorably to OSZ and the contingent fee to Company A ended up in a large amount, an Audit and Supervisory Board Member of the Company obtained risk information related to the hiring of Company A, and the director side shared the same understanding. Accordingly, the Company established the OSZ Investigation Committee and started the investigation in February 2015.

## 2. Method of Investigation

The OSZ Investigation Committee hired outside law firms and an outside document collection vendor and conducted the investigation from February to October 2015. In the investigation, approximately five million documents were collected from 25 officers and employees who were considered to have likely been involved in the matter, and approximately 135,000 documents extracted through key word search were reviewed. Based on the results of the document review, 34 officers and employees who were considered to have likely been involved in the matter were interviewed.

## 3. Existence of Bribery

As a result of the investigation described above, no evidence was found that indicates that Company A provided money to the Shenzhen Customs personnel. On the other hand, it was found to be true that Company A provided OSZ with certain services such as advice for the resolution of the Negative Theoretical Inventory Issue. Company A denies that it has engaged in bribery. Based on those findings, the OSZ Investigation Committee concluded that although suspicion of bribery by Company A could not be completely wiped out based on circumstantial evidence, even after an extensive investigation, they had not been able to determine that bribery or conspiracy to bribery had been committed and thus there had been a conduct that violates bribery-related laws and regulations of Japan, the U.S. and China.

## 4. Internal Control Problems

The OSZ Investigation Committee pointed out internal control problems within Olympus and Olympus Group as below.

- (1) The internal rules of Olympus Corporation of Asia Pacific Limited (“OCAP”), which is a regional headquarters supervising Asia, could be read as contemplating the subjection of only Olympus’s distributors and resellers to due diligence (investigation of a counterparty of a transaction) to prevent bribery, however, due diligence procedures to be conducted on consultants, such as Company A, had not been adequately carried out at OSZ.
- (2) OSZ involved Company A in the Negative Theoretical Inventory Issue toward its resolution, before executing the official Consulting Services Agreement, at the discretion of OSZ operating in the field without obtaining appropriate approval.
- (3) The executives and employees of OSZ tried to adjust the consulting fee payment so that the consulting fee payment remains within OCAP’s approval limit in order to complete the approval processes for the execution of the Consulting Services Agreement with Company A within OCAP. This is accounted for by the fact that part of comments from Olympus’s management made in response to the prior briefing on the execution of the Consulting Services Agreement was construed by executives and employees of OSZ as meaning that the management wished the approval being completed within OCAP.
- (4) The executives and employees of OSZ executed the Supplemental Agreement with Company A without obtaining approval of Olympus or OCAP in violation of the approval regulations and without providing prior briefing to Olympus or OCAP.
- (5) In 2015, OSZ’s local staff requested approval for expensing the costs of total approximately RMB 6,000 (approximately JPY 90,000)-RMB 7,000 (approximately JPY 110,000) worth of wining and dining and gifts to a Customs official, and multiple executives and employees of OSZ provided gifts and meals to relevant officials, including authorities other than customs.
- (6) In the course of the investigation, it was revealed that there were funds managed off-the-books (total several million yen at the most) at OSZ. Such off-the-books funds were used for welcome or farewell events. It has not been found that bribes were sourced from such off-the-books funds.
- (7) Additionally, there are tasks to be addressed, such as improving the structure or operation of the approval regulations of Olympus or Olympus Group and providing training to the relevant executives and employees.

#### 5. Responsibility of the Related Individuals and Prevention of Recurrence

Based on the results of investigation by the OSZ Investigation Committee, Olympus has taken necessary disciplinary actions against the executives and employees involved in the sale of the company dormitories and off-the-books funds, and at the same time, it has taken educational measures, including trainings to Olympus’s management and OCAP’s executives and employees. Olympus has also been making efforts to prevent this from happening again by making efforts, such as revising internal compliance-related rules and ensuring that people are made aware of such rules.

End

(Appendix 2)

February 1, 2018

### **Statement Regarding News Reports about Olympus and One of Its Subsidiaries**

Some news media have reported recently that Olympus (Shenzhen) Industrial Ltd. (OSZ), an Olympus subsidiary company based in China, is suspected of having made an illicit payment through a retained consultant in order to resolve a tax issue between the subsidiary and customs authorities in Shenzhen, China. There is nothing new in substance in these reports. As described below, the OSZ allegations were fully investigated by internationally recognized law firms, and the report on the investigation was made to authorities in the US and China more than two years ago.

As disclosed in the statement on June 27, 2016, in February 2015, Olympus' Board of Directors created a Special Committee of outside directors and outside lawyers to investigate allegations regarding potential bribery by the OSZ consultant. The Special Committee hired two well regarded law firms to investigate the allegations. The Special Committee found no direct evidence of bribery and, in 2015, Olympus voluntarily made report of the investigation to the U.S. Department of Justice, and local Chinese authorities. The Olympus Special Committee recommended compliance enhancements and employee discipline, all of which were implemented. Following its report to the authorities, Olympus also strengthened its internal controls and made substantial changes to its Global Compliance Program.

In April 2017, after an employee suggested that the original investigation had been inadequate, Olympus hired a new internationally recognized law firm that was not involved in the initial investigation to review the initial inquiry. This third law firm thoroughly reviewed the conclusion and methods of the initial investigation, and determined they were appropriate.

Furthermore, in response to an assertion by a member of the legal team of Olympus that the reexamination itself had been improper, Olympus commissioned another reexamination in collaboration with outside lawyers in December 2017, which concluded that the assertion was unsubstantiated and had no basis.

Although some media have reported that some documents issued by certain law firms indicate that an illicit payment may have been made, some of these documents were duly examined during the investigation by the Special Committee and the others were found not to have revealed any new fact or raised any other new points on the results of the investigation by the Special Committee.

Olympus also emphasizes that contrary to some media reports suggesting that Olympus unfairly transferred an employee in connection with this matter, the transfer was an ordinary personnel redeployment based on business needs and had nothing to do with this matter. Also, some news articles have reported that the member of the legal team of Olympus, who had claimed that the transfer was invalid, was prohibited to use inter-office email. It is important to note, however, that the prohibition was carried out due to that employee's inappropriate use of inter-office email despite receiving repeated notices from the company to desist, so the action taken by Olympus was legitimate.