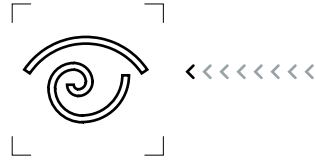


Imaging Systems Group



CAMELIA C-40 ZOOM

The Imaging Systems Group handles consumer products such as digital cameras, film cameras, binoculars and recorders. Sales during fiscal 2002 rose 13.5% from the previous fiscal year to ¥208,447 million (US\$1,668 million), bolstered by dramatically increased sales of digital cameras, its core product. However, the product group recorded an operating loss of ¥6,788 million (US\$54 million) due to the effects of price competition in the digital camera market. Sales in Japan rose 4.0% to ¥43,672 million (US\$349 million), and international sales rose 16.3% to ¥164,775 million (US\$1,318 million).

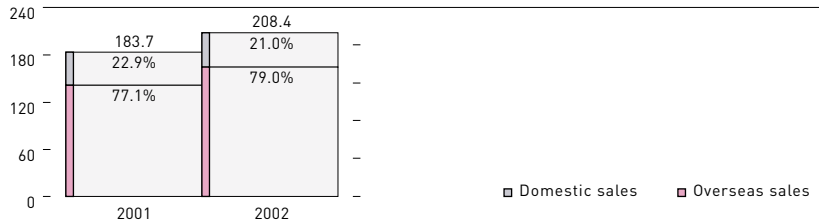
Digital Cameras

Sales of digital cameras rose 25.5% from the previous fiscal year to ¥137,933 million (US\$1,103 million). The size of the global digital camera market increased from approximately 15 million units in the previous fiscal year to 20 million units, and it is estimated that digital cameras have surpassed film cameras in terms of both sales and volume. In the world market for digital cameras, Olympus holds a top position with an approximately 20% share. By taking advantage of our accumulated camera making know-how to offer a line-up of high-resolution products, we greatly increased sales volume.



Imaging Systems Group Sales

(Billions of yen)



VISU al

Digital cameras are becoming tremendously popular as personal imaging tools, with a wide user base that includes a growing number of women. Olympus has responded to this expanding market with a wide range

of offerings, such as the CAMEDIA C-700 ULTRA ZOOM, which has a 10x zoom lens, and the CAMEDIA C-40 ZOOM (D-40 ZOOM in the United States), with a compact 3x zoom function, both of which were hit products.

Film Cameras

Sales of film cameras declined 7.3% from the previous fiscal year to ¥60,497 million (US\$484 million). New products were launched in our leading series such as μ [mju:] (Stylus in the United States), SuperZoom (Accura Zoom in the United States), and i ZOOM with the Advanced Photo System (APS) format in an attempt to spur demand, but they were unable to compensate for the effects of a



μ [mju:] II 170VF

shrinking market that is accompanying the rapid proliferation of digital cameras.

During fiscal 2002, the international best-selling μ [mju:] series, beloved for its “small beauty,” surpassed the 20 million mark in unit sales since its debut in 1991. However, the Company decided to cease selling the OM System 35mm single lens reflex camera, which has been widely used since its introduction in 1972.

Recorders

Sales of recorders increased 18.7% to ¥10,017 million (US\$80 million). Digital voice recorders (Voice-Trek in Japan) were popular, with international sales increasing in particular.

The Voice-Trek series features exceptional PC connectivity, long recording time and portability. With a function that automatically converts voice recordings into text data, Voice-Trek has received much attention as a versatile mobile voice recording tool.



Voice-Trek DM-1

Medical Systems Group

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The Medical Systems Group handles products used by medical institutions such as endoscopes, clinical analyzers and biological microscopes. Olympus's endoscopes in particular are trusted by doctors around the world for their high level of picture quality, maneuverability and system expandability. With approximately a 70% share of the world market, our medical endoscopes comprise one of our core businesses. During fiscal 2002, sales of the product group increased 19.4% to ¥254,943 million (US\$2,040 million), boosted by healthy sales of endoscopes in Europe and the United States. Operating income grew 35.3% to ¥57,238 million (US\$458 million). Sales in Japan increased 8.7% to ¥77,648 million (US\$621 million), and international sales rose 24.8% to ¥177,295 million (US\$1,418 million).

Medical Endoscopes

Sales of gastroenterological endoscopes rose 19.6% to ¥157,313 million (US\$1,259 million), and sales of surgical endoscopes increased 14.2% to ¥35,023 million (US\$280 million). The increased revenue was the result of recurring demand stimulated by package sales that include maintenance and total medical support "from diagnosis to treatment." In particular, sales of our endoscope video system EVIS EXERA and our fiber-optic colonoscopes were strong in the United States. The EVIS EXERA, due to the achievement of clearer imaging than was previously available, makes more certain diagnosis and accurate treatment possible.

Endoscopes have contributed to the early discovery of cancer and other diseases of the stomach, duodenum and colon, and are now used not just for diagnosis, but in surgery as well. Endoscopic surgery that examines and treats the malignancy without opening the body reduces the risk to the patient, and shortens the term of hospitalization.

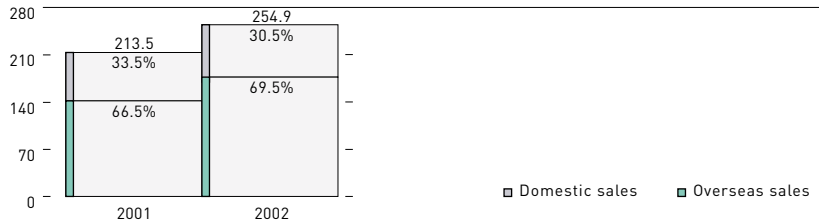
Growth areas in the endoscope-related business are expected to be in surgical endoscopes, ultrasonic endoscopes and operating equipment. Endoscopic surgery is conducted not only in the gastrointestinal system, but in a range of areas including the



Endoscope system product, EVIS EXERA CV-160

Medical Systems Group Sales

(Billions of yen)



medical

respiratory and urology systems as well, and these require surgical endoscopes and operating equipment with which to treat malignancies. More widespread use of these products is expected along with the demand for an improved quality of life for patients. Ultrasonic endoscopes, furthermore, by showing images not just of the external structure but also the interior of the affected area, have produced a dramatic increase in the accuracy of cancer diagnosis.

Clinical Analyzers

Sales of chemistry-immuno analyzers and reagents increased 23.6% to ¥30,382 million (US\$243 million). From 400 to 6,600 tests per hour, Olympus offers the broadest standardized line of chemistry-immuno analyzers and reagents for serum and urine testing, meeting the high productivity demands of customers from small to mid-size



Clinical analyzer, the AU5400 series

hospitals and laboratories to high volume commercial laboratories. Same reagents and consumables, consistent user interface and accurate test results assure greater productivity and cost savings. Sales showed significant growth primarily due to the successful development of Olympus System Business Program in Europe that offers a full product package of analyzer instruments, reagents, consumable supplies and services, receiving payment revenue according to the number of test procedures performed.

Biological Microscopes

Sales of biological microscopes increased 20.5% to ¥32,225 million (US\$258 million). Olympus is on the leading edge of optical technology in biological microscopes, and boasts a 30% share of the world market. During fiscal 2002, sales increased, mainly in the international market, due partly to positive trend in the research and educational market in Europe.



Biological microscopes, IX81 (left) and IX71

Industrial Systems Group

The Industrial Systems Group handles commercial equipment for a variety of industries. Its main product fields are divided into two areas: Industrial products, such as industrial microscopes and industrial endoscopes, and IT-related equipment, such as printers, magneto-optical disk drives and barcode scanners. Due to the effects of the IT slump, the electronics industry, including our major clients, curbed capital investments worldwide. As a result, sales of the product group dropped 3.8% to ¥55,833 million (US\$447 million) for fiscal 2002, and operating income fell 51.3% to ¥507 million (US\$4 million). Sales in Japan declined 16.9% to ¥20,347 million (US\$163 million), but international sales increased 5.8% to ¥35,486 million (US\$284 million).

Industrial Products

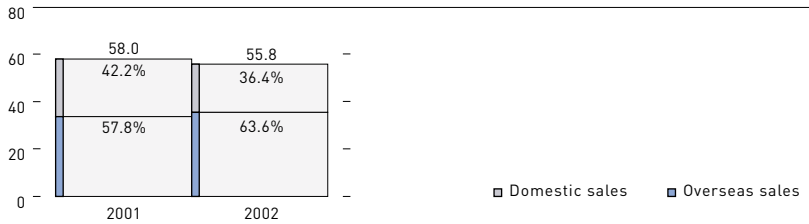
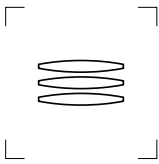
Sales of industrial microscopes declined 9.3% to ¥18,771 million (US\$150 million). Industrial microscopes are used as part of in-line quality management systems employing microscopes to inspect semiconductors and liquid crystal panels. During fiscal 2002, sales declined due to the downturn in capital investment across the entire industrial

in



Industrial Systems Group Sales

(Billions of yen)



Industrial



market and the effects of the global IT slump. Sales of industrial endoscopes declined 1.2% to ¥8,873 million (US\$71 million). The principal

uses of industrial endoscopes are in the maintenance of buildings and tunnels, and in the inspection and repair of jet engines and nuclear power facilities. During the period under review, sales of the new videoscope system IPLEX were strong. IPLEX features all of the advanced functions necessary for inspection work in one piece of equipment, and is thoroughly easy to use. A product introduction provided on the Internet has proven to be effective.

Information Equipment

Sales of barcode scanners increased 23.4% to ¥12,989 million (US\$104 million). During fiscal 2002, sales of mobile information terminals (handy terminals) in the United States were strong, contributing to increased revenue.

Sales of magneto-optical disk drives declined 15.7% to ¥9,179 million (US\$73 million). We enhanced the series lineup with the TURBO MO 133S1S—which has achieved the highest data transfer rate in the industry at 6.8 Mbps—and the TURBO MO mini—which is inexpensive, easy to use, compact and lightweight with a user-friendly design—but due to a fall in market prices revenue declined.

Printer sales declined 13.0% to ¥6,021 million (US\$48 million).



Industrial videoscope system, IPLEX



Magneto-optical disk drive, TURBO MO mini EX II



Laser scanning microscope, OLS1100

Products Based on OPTO-Digital Technology

Olympus uses the base of OPTO-Digital Technology, an integration of its cutting-edge optical and digital technologies, to pursue technological development emphasizing greater compactness, increased precision and higher complexity that will deliver new value to society, specifically to people in the imaging, medical and industrial fields.

The major success during fiscal 2002 was the development of an optical scanner utilizing silicone micromachining technology, which is featured in our OLS1100 scanning laser microscope. The OLS1100 is anticipated to have a major impact on the measurement needs of high-density magnetic heads and semiconductors, as well as on the growing needs for the inspection of three-dimensional, microscopic new materials.

Olympus also launched the MEMS (Micro-Electro Mechanical System) Foundry Services, which provide developed technology to external users. This will allow Olympus

to utilize its accumulated MEMS-related technology assets and production facilities, accepting external orders to produce high value-added key components designed to meet user needs for designs, prototypes, modularization and unitization.

Another big business opportunity for Olympus is communications. It is projected that in the future, with the spread of broadband, a global fiber-optic network will be built. The technical hurdle for this network will be switching functionality. Systems with ultra-compact, ultra-precise lenses, mirrors, prisms and filters will be required to manage

the vast amount of traffic carried over optical fibers, and these are all Olympus's fields of expertise. Providing components to Internet-related businesses has the potential to grow into a huge business.



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