



The Imaging Systems Group handles digital cameras, film cameras, IC recorders, tape recorders, binoculars and magneto-optical (MO) drives. Sales during fiscal 2003 rose 13.9% from the previous fiscal year to ¥244,814 million (US\$2,040 million), continuing substantial growth in line with expansion in the digital camera market. Operating income rebounded to ¥18,202 million (US\$152 million) from an operating loss in the previous fiscal year. Profitability in digital camera operations improved considerably as a result of efforts to reduce costs by shifting production to China. Domestic sales declined 8.1% to ¥45,685 million (US\$381 million), while overseas sales grew 20.5% to ¥199,129 million (US\$1,659 million).

Digital Cameras

Sales of digital cameras climbed 26.8% to ¥174,843 million (US\$1,457 million) on the back of sales growth mainly in Europe and the United States. Digital cameras are becoming immensely popular around the world, as shown in the expanding scale of the world market, to approximately 27.5 million units in fiscal 2003 from 20 million units in the previous fiscal year. Olympus maintained its leading share of the world market for digital cameras

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camera c-2 zoom
The CAMEDIA C-2 ZOOM is a compact 2.0-megapixel digital camera with longer battery life and a high-performance 3x zoom lens.



camera μ-10 digital
High-performance 3.2-megapixel digital imaging featuring a sleek, stylish, all-weather metal body and top-class digital camera speed and responsiveness.



during the fiscal year under review. The Company expanded its lineup of products to reflect customer tastes and was rewarded with an increase in sales volume to 4.4 million units from 3 million units in fiscal 2002.

The CAMEDIA C-2 ZOOM (D-520 ZOOM in the U.S. and C-220 ZOOM in Europe), which features True Pic high-resolution image processing technology, was a hit product in fiscal 2003. In addition, the CAMEDIA C-730 ULTRA ZOOM, which has a 10x optical zoom lens, and the CAMEDIA μ-10 DIGITAL (Stylus 300 Digital in the U.S. and μ [mju:] 300 Digital in Europe), which offers a beautiful design and a water-resistant case, contributed to sales growth.

Film Cameras

Sales of film cameras decreased 10.8% from the previous fiscal year to ¥53,962 million (US\$450 million). The market for film cameras has steadily declined in scale due to the tremendous growth in the digital camera market. Olympus has been able to minimize the adverse impact of the smaller market by increasing its market share in countries around the world. During fiscal 2003, sales of the new 35mm camera μ METAL (Stylus Select 105 in the U.S. and μ [mju:] -V in Europe) were strong in Japan.

Recorders

Sales of recorders advanced 15.9% to ¥11,608 million (US\$97 million). The market for IC recorders is expanding due to improvements in portability, longer recording times, and higher audio quality. Strong demand for use in recording notes during busi-

ness meetings pushed up sales volume for the Voice-Trek DS-10, which uses the industry's first high-quality audio compression standard WMA, and the Voice-Trek W-1 (Digital Voice Recorder W-10 in the U.S. and Europe), an IC recorder with a built-in digital camera.

Digital Storage

Sales of MO drives fell 32.8% to ¥4,401 million (US\$37 million). Olympus worked to stimulate demand through sales of the TURBO MO mini EX IV+, an MO drive able to directly transfer and play back image data from digital cameras, and to improve its earnings structure by shifting production to China. However, these efforts were insufficient to counter the slide in market scale caused by the diversification of storage media, resulting in the decline in sales.

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μ metal
One of the world's most compact 35mm cameras, μ METAL sports a stylish metal body and a 3x zoom lens.

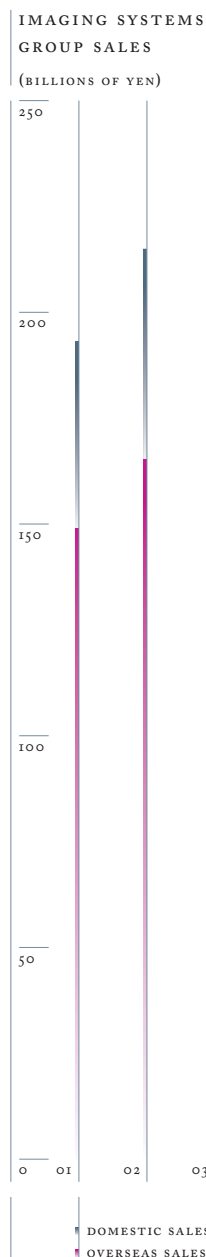


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voice-trek ds-10
The Voice-Trek DS-10 is the first in the world to use WMA, a high-quality sound recording mode. It can record for as long as 22 hours and 20 minutes with its 64 MB of internal flash memory.



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┌ ┐ The Medical Systems Group handles products used
└ ┘ by medical institutions and research centers, mainly
┌ ┐ endoscopes, clinical analyzers and biological micro-
└ ┘ scopes. With an 80% share of the world market, Olympus's gas-
troenterological endoscopes provide a solid earnings foundation.

Although medical spending is being curtailed amid harsh operating conditions, Olympus continued to enjoy robust sales mainly to Europe and the United States in fiscal 2003. Sales of the product group rose 5.3% to ¥268,454 million (US\$2,237 million) and operating income edged up 1.3% to ¥56,644 million (US\$472 million). Domestic sales decreased 0.7% to ¥77,161 million (US\$643 million), while overseas sales increased 7.9% to ¥191,293 million (US\$1,594 million).

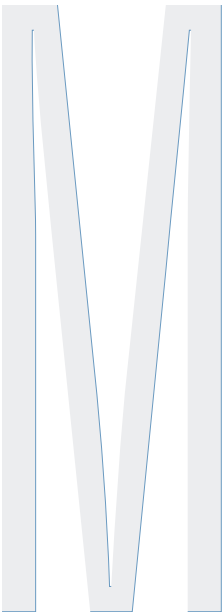
Medical Endoscopes

Sales of gastroenterological endoscopes rose 3.8% to ¥130,007 million (US\$1,083 million), and sales of peripheral endoscopes (such as surgical endoscopes, endo-therapy devices and endoscopic ultrasound systems) increased 6.5% to ¥71,505 million (US\$596 million).

In gastroenterological endoscopes, overseas sales expanded for the mainstay EVIS EXERA model. In Japan the new product EVIS LUCERA, which incorporates the world's first HDTV-compatible endoscopic system for significant advances in image quality, performed well.

In peripheral endoscope operations, sales grew mainly in Europe and the United States for the new surgical TV camera system VISERA, endo-therapy devices, and endoscopic ultrasound systems, in which convex array models are doing well.

MEDICAL SYSTEMS GROUP



world's first hdtv-compatible endoscope "evis lucera" This endoscope supports more accurate diagnosis via mucosal hemoglobin value-responsive chromatic enhancement functions.



By attaching an ultrasonic sensor on the tip of an endoscope, our ultrasonic endoscopes are able to observe conditions in the lesion not visible on the surface. This greatly contributes to improvements in diagnostic precision, such as cancer metastasis and invasion, and accelerates diagnosis. Demand for our products is increasing as a result.

Thanks to advances in devices, minimally invasive medical treatment is expanding its range of application from gastroenterology to respiratory systems and circulatory systems. By using the high competitive capabilities of our gastroenterological endoscopes, we will be able to expand peripheral endoscope operations.

Amid the rising importance for minimal impact on patients, excellent operability and improvements in diagnosis precision, Olympus aims to further stimulate demand by developing highly functional endoscopes that fulfill customer needs.

Clinical Analyzers and Biological Microscopes

Sales of clinical analyzers grew 11.2% to ¥33,791 million (US\$282 million). Despite a decline in shipments of inspection equipment to customers in Japan, sales increased owing to contributions from orders from major hospitals in the United States.

Sales of biological microscopes rose 2.8% to ¥33,151 million (US\$276 million). Domestic sales declined due to heightened competition, but overall sales increased due to favorable overseas sales.

Olympus restructured the Medical Systems Group in 2003 and established the Life Science Group to focus on operations in microscopes, clinical analyzers, and genome research. Olympus aims to nurture the Life Science Group into a core business through the promotion of operations in the life sciences field, primarily in genome medical treatment.

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visera video system
This is the world's first integrated video system for use in both endosurgery in operating rooms and endoscopy in offices.

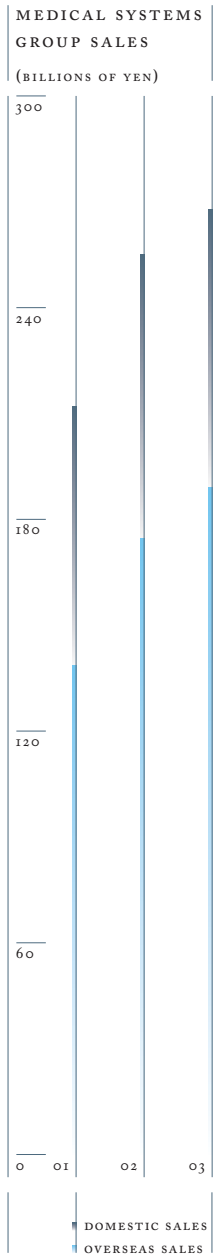


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power bx51 microscope
A full range of motorized modules can be combined as the user requires, giving a level of performance that is more functional, more versatile and more adaptable to the needs of advanced applications.



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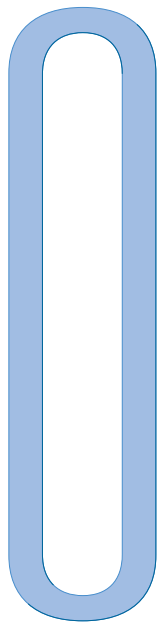


The Industrial Systems Group handles industrial microscopes, industrial endoscopes, printers, barcode scanners and measuring equipment. During fiscal 2003, the primary business of semiconductor inspection equipment was adversely affected by a slump in the semiconductor market. As a result, sales of the product group decreased 9.8% to ¥44,463 million (US\$371 million). An operating loss of ¥894 million (US\$7 million) was incurred due to the decline in sales. Domestic sales were ¥11,668 million (US\$97million), and overseas sales totaled ¥32,795 million (US\$273 million).

Industrial Equipment

Industrial microscopes are principally used for inspection and measurement in the manufacturing process of semiconductors and LCD panels. In fiscal 2003, sales decreased 9.6% to ¥16,963 million (US\$141 million). Although sales grew considerably in

INDUSTRIAL SYSTEMS GROUP



measuring microscope st m6zp
A versatile, high-reliability lineup packed with features to meet any and every measurement need.



Asia, restrictions on capital investment due to weak semiconductor prices triggered a fall in sales mainly in Japan.

Olympus expects to see new demand for industrial microscopes arising from their use for observation in the development of nano technologies. Olympus aims to expand the market for industrial microscopes by creating products that use its innovative optical technologies. The company has also developed confocal scanning laser microscopes that can provide three-dimensional measurements of semiconductor and materials surfaces without coming into contact.

Industrial endoscopes are used for the non-destructive inspection of jet engines, distribution pipes in power stations and plants, waterworks pipes, and buildings. In fiscal 2003, the Company focused on expanding sales of the mainstay industrial videoscope system IPLEX. As a result, sales increased 4.2% to ¥9,245 mil-

lion (US\$77 million). Our endoscopes contribute to safety assurance, quality improvement and cost reductions in a broad range of fields, thanks to their excellent features including user-friendly operability, portability, measurement functions, and connectivity with PCs.

Information Equipment

Sales of barcode scanners and handheld terminals declined 11.4% to ¥11,503 million (US\$96 million). Olympus expects to see handheld terminals used more often in the medical field for managing individual patient information, and also as a tool for managing inventories and sales in logistics and production processes. Sales of printers decreased 19.9% to ¥4,822 million (US\$40 million).

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semiconductor inspection microscope mx80
The MX80 is ideal for wafer inspection with a UIS optical system that is the highest in its class.



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iplex industrial videoscope system
Outstanding portability and ease of use, with an ultra-slim 4.4mm insertion tube and 3D viewing via the Eye-Trek Face-Mounted Display.



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