

Dear shareholders,

A New Milestone Achieved in Fiscal 2004

> Olympus wrote a new chapter in its history in fiscal 2004, ended March 31, 2004. We achieved our tenth consecutive fiscal year of growth in net sales, and attained new record highs in profits. Net sales increased 12.3% from the previous fiscal year to ¥633,622 million (US\$5,760 million), operating income rose 1.0% to ¥62,997 million (US\$573 million) and net income advanced 37.9% to ¥33,564 million (US\$305 million).

Performance was driven by sharp growth in the digital camera business, as well as by steady growth in the Medical Systems Group and the Life Science Group.



	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales	¥633,622	¥564,343	¥528,415	\$5,760,200
Net income	33,564	24,348	10,279	305,127
Earnings per share—Basic net income	126.96	91.88	38.87	1.154
Total assets	682,673	605,768	562,078	6,206,118
Shareholders' equity	252,179	222,432	201,547	2,292,536

Notes: 1. Earnings per share is shown in yen and U.S. dollars.

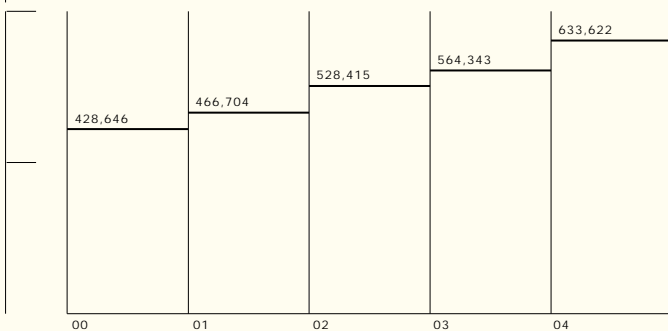
2. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥110=US\$1.

3. The above figures are based on accounting principles generally accepted in Japan.

4. Diluted net income per share is not presented due to the fact that there were no potentially dilutive common shares.

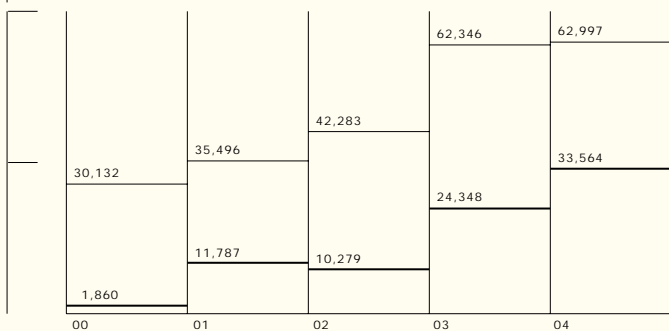
Net Sales

(Millions of yen)



Operating Income / Net Income

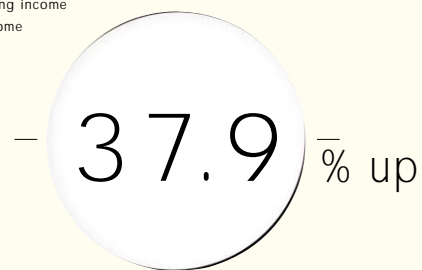
(Millions of yen)



— Operating income
— Net income



GLOBAL SALES OF DIGITAL CAMERAS
Amid strong expansion of the global market, sales volume of digital cameras increased 68% to 7.4 million units.



NET INCOME IN FISCAL 2004
Net income advanced 37.9% from the previous fiscal year to ¥33,564 million (US\$305 million).

The digital camera business continues to take great strides forward. Amid strong expansion of the global market, sales volume of digital cameras increased 68% to 7.4 million units, maintaining a sharp growth trend. Meanwhile, prices declined due to fiercer competition. Accordingly, growth in sales value was inconsistent with the increase in sales volume, leading to a decline in operating income.

The Medical Systems Group recorded robust growth in sales and profits during the fiscal year under review, centered on the endoscope business in which we have a 70% or higher share of the world market. Created through restructuring of the Medical Systems Group, the Life Science Group got off to a great start.

As a result, by business segment, operating income decreased 16.7% to ¥15,158 million (US\$138 million) in the Imaging Systems Group, increased 15.7% to ¥63,216 million (US\$575 million) in the Medical Systems Group, and rose 16.1% to ¥3,823 million (US\$35 million) in the Life Science Group. The Industrial Systems Group posted an operating loss of ¥2,824 million (US\$26 million), compared with ¥894 million in the previous fiscal year.

Providing Solutions in the Digital Camera Business

> Although we achieved record-high sales in the digital camera business, our outlook is not optimistic. Fast-growing businesses carry their own unique risks. Market expansion is expected to accelerate competition in terms of features and prices, making it difficult to maintain growth in the future.

Our solutions business opens up the possibility for sustained growth. One charm of the digital camera business is the ability to expand into business fields peripheral to digital cameras, such as printers and software—new areas that did not exist with conventional film cameras. Moreover, many of these businesses peripheral to digital cameras offer high profit margins. We are striving to increase the ratio of solutions to 50% to create a business model able to constantly generate strong profits.

For the solutions business to succeed, Olympus must make its brand name synonymous with digital cameras, and estab-



lish the Olympus brand as the most trusted for digital cameras. We aim to raise our third-ranked global market share of 15% to 17% in the fiscal year ending March 31, 2005 and eventually increase it to 20%. The main push behind our product strategy to increase market share is our affordably priced single lens reflex (SLR) digital camera. Leveraging the technologies we have honed as a camera manufacturer, we aim to stimulate latent demand in customers that have not been satisfied with the quality of digital cameras until now, and achieve sales of ¥20 billion in fiscal 2005.

Medical Systems Group, Now and in the Future

> With its core business in endoscopes, Olympus expects the Medical Systems Group to sustain stable growth in the future. Along with an aging society in Japan, the medical industry is under pressure to reduce medical expenses. Endoscopes are expected to play a major role in reducing medical expenses with their excellent cost performance and potential for improving patients' quality of life.

Olympus boasts an overwhelmingly superior position in gastrointestinal endoscopes, and peripheral businesses have substantial room for further growth. The markets for surgical products and endo-therapy devices rival that of gastrointestinal endoscopes in terms of scale. Olympus' global market share is still relatively low in these fields. We have not applied our advantages in gastrointestinal endoscopes to the fullest extent possible. Olympus aims for a top market share in each of these fields. However high a hurdle, we must achieve these goals. To this end, Olympus is working to increase market share from development and marketing standpoints by making disposable devices, a key to market share in endo-therapy devices.

In our mainstay gastrointestinal endoscopes, the development of solutions is a key theme for future growth, as with digital cameras. Cost per procedure (CPP) systems are a business model where charges are applied according to endoscope usage instead of equipment sales as in the past. This system requires minor initial investment on behalf of medical institutions, and running costs after introduction are also minimized. Olympus benefits by providing solutions and packaged deals that include maintenance and the supply of

¥20 billion



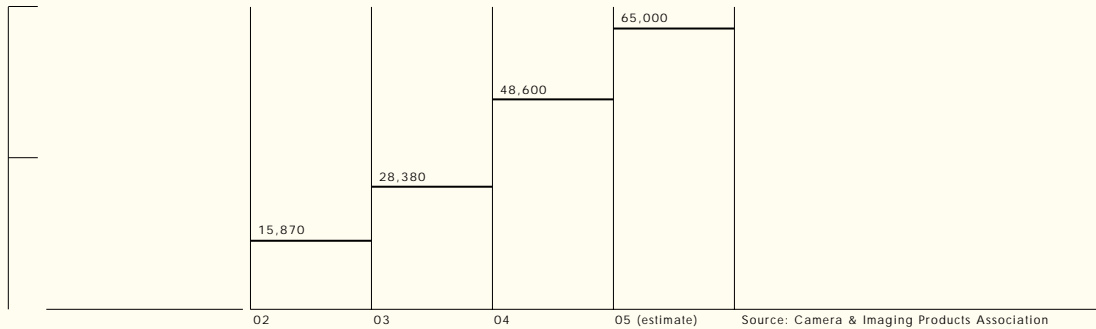
DIGITAL SLR CAMERA SALES
Olympus aims to achieve sales of ¥20 billion in fiscal 2005.

OLYMPUS' ENDOSCOPE MARKET SHARE
Olympus boasts an overwhelmingly superior position in gastroenterological endoscopes, and peripheral businesses have substantial room for further growth.

#1 share

Worldwide Digital Camera Market

(Thousands of units)



15.2%

OLYMPUS' DIGITAL CAMERA MARKET SHARE
We aim to raise our third-place global ranking in market share of 15% to 17% in the fiscal year ending March 31, 2005 and eventually increase it to 20%.

SPLIT-OFF BUSINESSES
Olympus plans to split off the Imaging Systems Group into the Olympus Imaging Corp. and the Medical Systems Group into the Olympus Medical Systems Corp.

2 new companies



consumables. In the United States, approximately 20% of our sales of gastro-intestinal endoscopes have shifted to CPP. Olympus is redoubling efforts worldwide to strengthen its solutions marketing.

Balanced Earning Growth

- > The future of Olympus depends on balanced growth in all four of its business segments: the Imaging Systems Group, Medical Systems Group, Life Science Group, and Industrial Systems Group.

Created on April 1, 2003, the Life Science Group's business domains are biological microscopes, diagnostic systems and genome medicine. With an extensive history in optical equipment, Olympus' microscope business is on the cutting edge of technology, such as with the use of laser light to scan living cells for 3-D observations. Olympus' diagnostic systems business is expanding market share by leveraging its ability to supply both equipment and reagents. This solutions business serves as a role model for where we want to take the digital camera business.

The scale of operations in the genome medicine business is still underdeveloped, but it has the potential to become a core business in the future. Our DNA computer for gene analysis, the first successfully developed in the world, is a key technology essential to cutting-edge medicine, and we expect there is incredible potential demand in this area. As the genome medicine business develops, we expect to see significant synergies with biological microscopes and diagnostic systems as it makes a total contribution to the life sciences field.

The Industrial Systems Group is easily swayed by capital investment cycles in LCD and semiconductors, and has impeded our performance recently. To endow it with strong resilience against market trends, Olympus aims to shift to a low-cost structure and promote selection and concentration of businesses.

Establishing a Competitive Position by Splitting Off Businesses

- > On October 1, 2004, Olympus plans to split off the Imaging Systems Group into the Olympus Imaging Corp. and the Medical Systems Group into the Olympus Medical Systems

Corp. We are also moving to split off related overseas affiliates.

Why? Olympus introduced the current company system in 2001 to achieve a greater efficiency in management for a swifter response to customer needs. Through business restructuring from a customer perspective, we were able to improve corporate value on various fronts. However, Olympus must make drastic changes to clearly affirm its competitive position in global markets. By integrating these businesses globally, we are beginning to see the way to this objective in creating a framework for speedy decision-making in accordance with the special characteristics of each business. These split-offs are the only option available to Olympus for maximizing corporate value.

Strengthening Our Brand

- > Since becoming president in June 2001, I have emphasized the importance of a solid branding strategy. A brand signifies our commitment to customers, and expresses the qualities of all our employees. With a strong brand name, employees strive to provide value worthy of that brand. By providing value, the competitiveness of our products and services increases, and our performance improves as a result. As our performance improves, so should our brand name. Through the creation of a positively reinforcing cycle such as this, branding is the key to maximizing corporate value.

To enhance its brand name, Olympus has invested ¥20 billion over the past five years, since April 2002. The effect of this investment is clearly confirmed in third-party evaluations. An analysis using the CB Valuator, which was developed by Professor Kunio Ito at Hitotsubashi University and Nihon Keizai Shimbun, Inc., estimates that Olympus' brand value has increased from ¥78.4 billion in March 2001 to ¥228.2 billion in March 2003. We aim to increase the value of our brand to ¥600 billion by fiscal 2007.

Olympus is making every effort to further innovate as a company that is trusted by all its stakeholders including shareholders, employees, customers, and suppliers. We ask for your continued understanding and support.

July, 2004

Tsuyoshi Kikukawa
President