

CAMEDIA AZ-1  
Olympus introduces the CAMEDIA AZ-1 compact digital camera featuring a high-contrast, low-reflection, big 2.5-inch LCD with a wide 160° viewing angle. The new, unique concept of the AZ-1 is that showing photos on it is fun.



systems



The Imaging Systems Group  
Digital cameras  
Film cameras  
Voice recorders  
Magneto-optical disk drives



> The Imaging Systems Group handles digital cameras, film cameras and voice recorders. Sales during fiscal 2004 rose 21.2% from the previous fiscal year to ¥296,730 million (US\$2,698 million), continuing substantial growth in-line with expansion in the digital camera market. Operating income declined 16.7% to ¥15,158 million (US\$138 million) owing to an increase in basic costs while prices for digital cameras decreased. Domestic sales rose 4.6% to ¥47,794 million (US\$434 million), while overseas sales advanced 25.0% to ¥248,936 million (US\$2,263 million).

#### Digital Cameras

> Sales of digital cameras climbed 43.8% to ¥251,344 million (US\$2,285 million).

Spurred on by expansion in the global digital camera market, especially in Europe and the United States, shipments of digital cameras soared 71.2% to 48.6 million units worldwide. Olympus took an aggressive sales posture and expanded its product lineup in response to market needs, such as with the μ [mju:] DIGITAL (Stylus Digital in the U.S. and μ [mju:] Digital in Europe) featuring a weather-proof design—the first for a digital camera. Sales volume increased considerably, from 4.4 million units in the previous fiscal year to 7.4 million units in the current fiscal year, owing to robust demand in mainly the United States and significant sales growth in Europe and Asia.

μ [mju:] 410 DIGITAL  
 Olympus adds its 4-megapixel μ [mju:] 410 DIGITAL (Stylus 410 DIGITAL in the U.S.) to the world's first all-weather metal-bodied digital camera series.



DIGITAL STEREO RECORDER WITH MUSIC PLAYER DM-20  
 The DM series' prize product—DM-20. DM-20 features 44 hours and 45 minutes of long DSS format recording, high quality WMA format stereo recording, and an MP3/WMA format music player.



Imaging Systems Group Sales  
 (Millions of yen)

— Domestic sales  
 — Overseas sales

	02	03	04
Domestic sales	214,999	244,814	296,730
Overseas sales	49,736	45,685	47,794
<b>Total</b>	<b>165,263</b>	<b>199,129</b>	<b>248,936</b>

Product prices fell, however, as a result of heightened competition in Japan and overseas, and Olympus was unable to increase sales enough to keep pace with market expansion. Our share of the global market edged down a little to 15% compared with the previous fiscal year.

The digital single lens reflex (SLR) camera market, which mainly comprises users not satisfied with the performance and function of conventional digital cameras, has considerable growth potential. Launched in October 2003, the digital SLR E-1 (available by the same name in the U.S. and Europe) was praised by professional cameramen for its Four Thirds System, which offers high-end digital resolution.

Film Cameras

> Sales of film cameras totaled ¥29,114 million (US\$265 million), a decline of 46.0% from the previous fiscal year.

The market for film cameras has steadily declined in scale due to the tremendous growth in the digital camera market. Olympus has been working to minimize the adverse impact on the smaller market by increasing its market share in countries around the world, such as through the domestic release of the μ [mju:] III 150 (Stylus 150 in the U.S. and μ [mju:] III 150 in Europe) with a newly developed "beautiful skin mode" that enhances skin tone. Despite this new camera gaining popularity among women, it failed to offset the shrinking market scale in Japan and overseas, resulting in an overall decrease in sales.

Voice Recorders

> Sales of voice recorders grew 15.0% to ¥13,353 million (US\$121 million).

The market for IC recorders is expanding due to improvements in portability, longer recording times, higher audio quality, and the convenient ability to transfer audio data to PCs. Sales of IC recorders increased, reflecting popular demand for the DM (available by the same name in the U.S. and Europe) series released in March 2003 for its stereo recording and high-quality audio capabilities. Olympus also broadened its product lineup overseas, mainly in the United States, and sales expanded with market support.

Imaging Systems Group Split-Off

> On October 1, 2004, Olympus plans to split off the Imaging Systems Group into Olympus Imaging Corp. and transfer all related operations to the new company. As a wholly owned subsidiary of the Company, Olympus Imaging Corp. will take charge of the manufacturing and sales of digital cameras, film cameras, and voice recorders. Senior Executive Managing Officer Hiroshi Komiya, the current Imaging Systems Group President, is to become president of the new company.

EVIS LUCERA  
Olympus has  
launched the world's  
first HDTV-compatible  
endoscope system.



# medical systems

The Medical Systems Group  
Medical endoscopes  
Minimally invasive products

> The Medical Systems Group handles medical endoscopes as well as minimally invasive products such as surgical products, endoscopic ultrasound systems, and endo-therapy devices for medical institutions. With approximately 70% of the world market share, Olympus' gastrointestinal endoscopes provide a solid earnings foundation. In fiscal 2004, sales of the product group rose 7.6% to ¥216,915 million (US\$1,972 million), exemplifying continued growth in sales to Asia. Operating income increased 15.7% to ¥63,216 million (US\$575 million), reflecting efforts to lower costs of production. Domestic sales climbed 9.0% to ¥63,325 million (US\$576 million), while overseas sales increased 7.1% to ¥153,590 million (US\$1,396 million).

In April 2003, the Medical Systems Group was restructured, transferring diagnostic systems and biological microscopes to the Life Science Group.

## Medical Endoscopes

> Sales of medical endoscopes rose 3.1% to ¥134,029 million (US\$1,218 million).

In Japan, conditions in the medical sector were lackluster as hospitals restricted capital investment amid reforms to the medical system. Overseas conditions were challenging as sales of mainstay products entered a cyclical downturn. Despite this operating environment, Olympus recorded higher sales of EVIS

SOLEMIO ENDO  
Computer system to  
facilitate operations in  
an endoscopy suite



CHF TYPE  
BP260/B260  
CHF TYPE BP260 is the  
world's smallest video-  
scope with a diameter  
of 2.6mm, mainly used  
for cholangio-pancreato  
endoscopy.



ENDOARM  
EndoArm, the world's  
first dedicated endo-  
scopic system for neu-  
rosurgery, features  
operability with a  
weightless feeling.



Medical Systems Group Sales  (Millions of yen)	192,336	201,512	216,915
	57,644	58,100	63,325
	134,692	143,412	153,590
	02	03	04

- Domestic sales  
 - Overseas sales

LUCERA, which was released in 2002 incorporating the world's first HDTV-compatible endoscope system, owing to favorable demand in Japan and strong sales overseas. In addition, a trade-in promotion against our conventional model and competitors' products contributed to sales in Europe and the United States.

### Minimally Invasive Products

> Sales of minimally invasive products, comprising surgical products, endoscopic ultrasound systems, and endo-therapy devices, increased 15.9% year on year to ¥82,886 million (US\$754 million).

Although conditions in the Japanese medical market remain severe, Olympus reinforced its sales structure for endo-therapy devices and secured higher sales. Overseas, mainly in Europe and the United States, Olympus bolstered its sales structures and engaged in sales promotion activities for mainstay products, including the endo-surgery video camera system, VISERA, and endo-therapy devices featuring an expanded lineup of disposables. As a result of these efforts, demand remained strong and sales increased significantly over the fiscal year.

In February 2004, Olympus released EndoArm, the world's first endoscopic system for neurosurgery. The field of neuro-

surgery has been waiting for the development of a specialized endoscopic system compatible with extremely complex procedures, such as on blood vessels less than 1 millimeter in diameter and for the removal of tumors while circumventing nerves. Based on its technologies and expertise accumulated in the field of endoscopes and surgical microscopes, Olympus is confident EndoArm will contribute to the development of minimally invasive medicine in the field of neurosurgery.

### Medical Systems Group Split-Off

> On October 1, 2004, Olympus plans to split off the Medical Systems Group into the wholly owned subsidiary Olympus Medical Systems Corp., which will handle the manufacturing and sales of medical endoscopes and other medical equipment. Senior Executive Managing Officer Koji Miyata, the current Medical Systems Group President, is to become president of the new company.

DP70  
MICROSCOPE  
DIGITAL CAMERA  
The DP70 features high resolutions at 12.5 megapixels, fast image capture at about three seconds, and high sensitivity that is comparable to ISO 1600.



AU2700  
AUTOMATED  
CHEMISTRY ANALYZER  
The AU2700 integrates a larger system's high throughput power with the flexible emergency testing capability and easy operations of a smaller system.



# life science

The Life Science Group  
Biological microscopes  
Diagnostic systems  
Analytical services for genomic information

> The Life Science Group was established as a new business group resulting from the restructuring of the Medical Systems Group in April 2003. Its main products are biological microscopes, which have been with Olympus since its inception; analytical services for genomic information, which employ optical technologies developed in microscopes; and, in-vitro diagnostic systems such as clinical chemistry analyzers, which were an offspring of involvement in the medical field. Through substantial technological innovation, Olympus boasts an approximate 30% share of the world market for biological microscopes. Olympus is the sole manufacturer of both in-vitro diagnostic equipment and reagents. Our diagnostic systems are highly regarded by customers, and continue to grow sharply. We expect analytical services for genomic information, a key technology contributing to the development of genome medicine, to grow into our core business.

In fiscal 2004, sales increased 7.2% to ¥71,739 million (US\$652 million). Owing to robust sales growth and efforts to reduce costs, operating income rose 16.1% to ¥3,823 million (US\$35 million). Domestic sales grew 2.3% to ¥19,502 million (US\$177 million), and overseas sales advanced 9.1% to ¥52,237 million (US\$475 million).





IPEX SX INDUSTRIAL  
VIDEOSCOPE  
SYSTEM

The IPEX SX provides improved access to intricate engine interiors by hooking up operations with working channels, and offering accurate inspections with superior optical performance and high-precision stereo measurements.



# industrial systems

The Industrial Systems Group  
Industrial microscopes  
Industrial endoscopes  
Printers  
Barcode data processing equipment  
Measuring equipment

> The Industrial Systems Group handles the businesses of industrial microscopes, industrial endoscopes, printers, barcode scanners and other industrial equipment.

During the second half of fiscal 2004, the market expanded for digital home electronics, such as flat-screen TVs and HDD/DVD recorders, resulting in an increase in sales in semiconductor inspection equipment in Japan. This increase was insufficient to compensate for declines in sales of other equipment, however, resulting in a decrease of 4.3% in sales to ¥42,546 million (US\$387 million). Operating losses totaled ¥2,824 million (US\$26 million), a widening from losses of ¥894 million in the previous fiscal year, owing to the decline in sales. Domestic sales rose 20.6% to ¥14,077 million (US\$128 million), while overseas sales fell 13.2% to ¥28,469 million (US\$259 million).

**LEXT OLS3000  
CONFOCAL LASER  
SCANNING  
MICROSCOPE**

The LEXT OLS3000 realizes resolving power observation and high repeatability, and offers the world's first bright-field, dark-field differential interference observation platform.



**SZ61 ZOOM STEREO  
MICROSCOPE WITH  
A GREENOUGH  
OPTICAL SYSTEM**

The SZ61 stereo microscope excels in operability.



**Industrial  
Systems  
Group Sales**

(Millions of yen)

— Domestic sales  
— Overseas sales

	49,281		
Industrial Systems Group Sales	14,283	44,463	42,546
		11,668	14,077
	34,998	32,795	28,469
	02	03	04

**Optical Equipment**

> Sales of industrial microscopes were ¥17,505 million (US\$159 million), an increase of 3.2% from the previous fiscal year.

Industrial microscopes are used as inspection equipment on production lines in high-tech plants for semiconductors and LCDs. In fiscal 2004, sales of industrial microscopes increased owing to a noticeable increase in demand from vigorous capital investment by electronics manufacturers in Japan and Asia in semiconductors, electronic components, flat-panel displays, and liquid crystal components for digital home electronics from the second half of the fiscal year under review.

Sales of industrial endoscopes were ¥9,288 million (US\$84 million), an increase of 0.5% from the previous fiscal year. Industrial endoscopes use endoscopic technology that originated in the medical field, for the non-destructive testing of jet engines, pipes in buildings, and large-scale machinery. In fiscal 2004, sales were largely unchanged from the previous fiscal year due to sluggish demand in Japan and the adverse effects of SARS and the war in Iraq.

**Information Equipment**

> Sales of industrial-use printers declined 16.6% to ¥4,022 million (US\$37 million).

In September 2003, Olympus established the Ortek Corporation in a joint venture with Riso Kagaku Corporation to handle the planning, development, manufacture, and sale of products that apply new inkjet technology. In October 2003, Olympus jointly developed the Orphis HC5000 high-speed business printer with the Ortek Corporation. The new product is expected to contribute to sales from fiscal 2005. Sales of barcode scanners dropped 9.0% to ¥10,463 million (US\$95 million), owing to fewer sales to business partners.