

Core Technologies and Business Models

> Olympus' core competence is in "Opto-Digital Technology," specifically optical technology, electronic imaging technology, and precision technology, which are positioned as fundamental technologies common to the entire company. It has increased competitiveness and continually introduced breakthrough products in the imaging, medical, life science, and industrial business sectors by focusing on its research and development resources. The company's strong commitment to technology research and development is reflected by its R&D investment of ¥38,671 million (US\$352 million), representing 6.1% of sales, during the term under review.

R&D Segment and Intellectual Property Overview

> The following graphs show the number of Olympus' published patents in its areas of core competence, as well as the ratio of such patents in relation to its overall patent portfolio.

Olympus owns a high number of published patents in optical, electronic imaging, and precision technologies, and has strengthened its core competence each year. In addition, approximately 60% of Olympus' acquired patents are related to core competence technologies, and serve as a wellspring of the company's competitiveness in each area of business.

Note: The number of published patents is a commonly used indicator of research and development activity.

R&D and Intellectual Property Organizational Chart, R&D Alliances

> Olympus research and development efforts are conducted at the corporate level by its Technology Research Institutes and Future Creation Laboratory, and by research and development depart-

ments that focus on product development at each business group.

Intellectual property management is handled by the corporate Intellectual Property & Licensing Division and by departments established for that purpose within each business group. This enables each group to integrate its business, technology, and intellectual property strategies while licensing-related activities and administrative tasks are handled by the Intellectual Property & Licensing Division. In an effort to further strengthen intellectual property management capabilities, the Intellectual Property & Licensing Division was placed under the direct control of the Office of the President in April 2004.

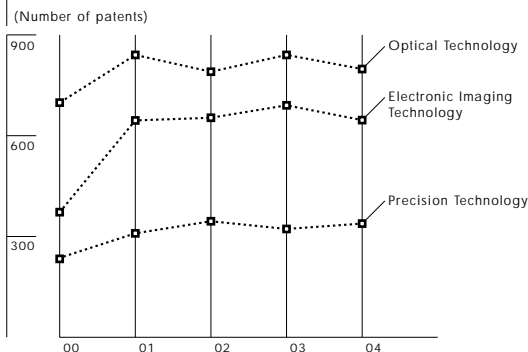
While core competence Opto-Digital Technologies are basically developed in-house, Olympus also leverages its research and development investment by actively pursuing R&D alliances. The Future Creation Laboratory, whose mission is the creation of "Future Values," is particularly active in this respect, and works to acquire new core technologies through joint activities with independent researchers, universities, and other companies.

Significance of Licensing Activities to Company Business

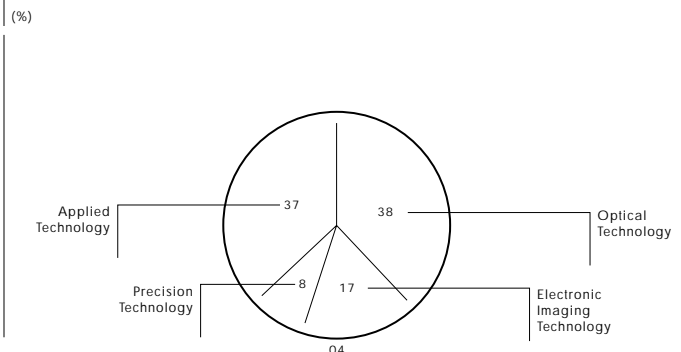
> Olympus views intellectual property licensing activities primarily as a means of differentiating its products from those of other manufacturers, rather than as a means of generating licensing revenue.

With respect to imaging products, Olympus considers cross licensing to be an important tool because the rate at which technology advances in the imaging industry is extremely rapid, and in order to respond quickly to customer needs it is necessary to make use of a wide range of intellectual property assets, includ-

Number of Published Patents in Area of Core Competence



Ratio of Patents Held in Core Competence



ing those originally developed by other manufacturers. In contrast to this, Olympus strategically uses the acquired patents on gastroendoscopes that are its leading medical equipment products to maintain market share and make it more difficult for other manufacturers to enter the market.

Significance of Patent Portfolio to Company Business

> Olympus actively pursues a policy of converting research and development results into patented intellectual property assets. The results of this policy over the past five years are shown in the graphs below, broken down by country and area of business. In the future, the company will be more selective in applying for domestic patents, and will strive to increase the number of acquired foreign patents. Beginning in 2004, it will strengthen its efforts to obtain patents not only in the United States, but also

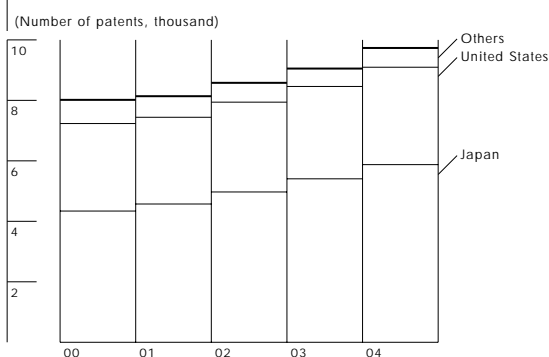
in the growing market of China, where it also has manufacturing operations.

The number and ratio of Olympus' acquired patents in each business area at the end of fiscal 2004 are shown in the table below. Although Olympus owns patents with business potential in each area, patents in the imaging and medical areas, that form the core of its business, account for 70% of all Olympus' acquired patents. In addition, Olympus has applied for numerous patents through its research and development centers in areas of business that show future promise.

Note: The information contained herein pertains only to patents directly owned by the Olympus Corporation; patents owned by subsidiaries and affiliated companies are not included in the number of published patents or acquired patents.

	Imaging Systems Group	Medical Systems Group	Life Science Group	Industrial Systems Group	Research and Development Institute	Total
Japan patents	1,934	2,239	416	348	966	5,893
% to total (%).....	33	38	7	6	16	100
U.S. patents	1,267	1,002	158	201	593	3,221
% to total (%).....	39	31	5	6	18	100
Other patents.....	72	273	112	66	114	637
% to total (%).....	11	43	18	10	18	100
Total.....	3,227	3,504	686	615	1,673	9,751
% to total (%).....	34	36	7	6	17	100

Trends in Number of Patents Held by Country



Trends in Number of Patents Held by Business Group

