

Core Technologies and Business Models

> Olympus' management focuses on strengthening the Company's technological capabilities toward becoming a technology-oriented company.

Olympus' core competence is in "Opto-Digital Technology," a fusion of the latest digital technologies and optical technologies accumulated by the Company over many years. In order to further strengthen this core competence, Olympus has positioned optical technology, electronic imaging technology, precision technology, and cell-related technology as fundamental technologies common to the entire Company. By channeling research and development resources to build up a competitive edge, the Company continues to create new levels of value for its imaging, medical, life science, and industrial systems businesses.

The Company's strong commitment to technological research and development is reflected by its R&D investment of approximately ¥47.7 billion (US\$434 million), representing almost 7.4% of sales, during the fiscal year 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.

The number of published patents in optical and electronic imaging technologies has declined due to the Company's adoption of more stringent selection standards for patent applications as part of its policy of emphasizing higher overall quality of applications. By contrast, cell-related technology is becoming increasingly important, and despite stricter selection standards, the number of applications has risen steadily as the Company has stepped up its emphasis on applications.

Approximately 70% 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 domestically published patents is commonly used as an indicator of research and development activity.

Overview of Intellectual Property Strategy

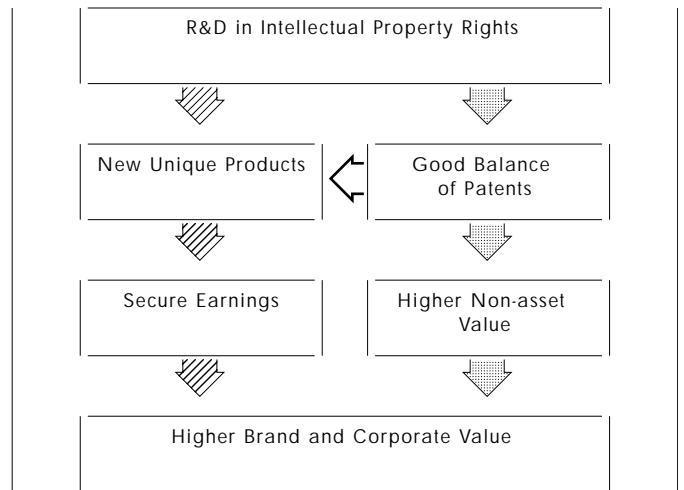
> In its quest to become a technology-oriented company, Olympus pursues research and development activities aimed at establishing a leading position in intellectual property rights, based on an intellectual property strategy that is linked with its business and technology strategies.

One goal of Olympus' intellectual property strategy is to achieve an advantageous balance of patents that places the Company ahead of its competitors in terms of patent portfolio mix. By strengthening our technological capabilities in this way, we will bring to market exclusive products distinguished by their intellectual property content, which will in turn boost earnings and enhance Olympus' brand and corporate value.

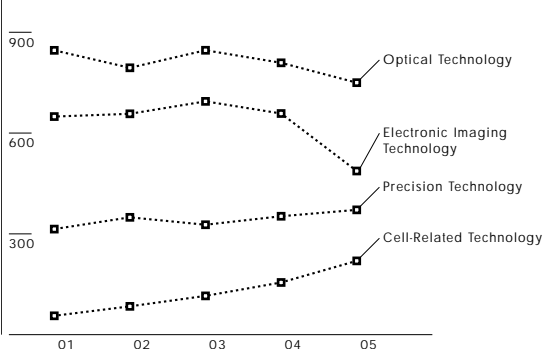
R&D and Intellectual Property Organizational Chart, R&D Alliances

> Olympus' research and development efforts are conducted at the corporate level by its Corporate R&D Center and Future Creation Laboratory, and by research and development departments that focus on product development at each business group.

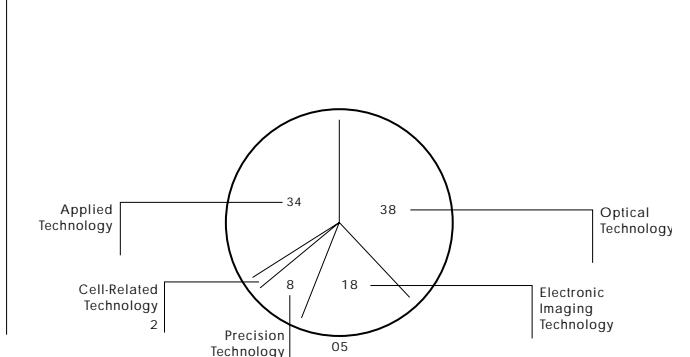
Intellectual property management is handled by the corporate Intellectual Property and Licensing Division and by departments established for that purpose within each business group. This enables each group to integrate its business, technology, and intellectual property strategies. Meanwhile, the Intellectual Property and Licensing Division strategically integrates and handles licensing-related activities and administrative tasks. In an effort to enhance the quality and efficiency of intellectual property management, the Company established Olympus Intellectual Property Services Co., Ltd., in April 2005.



Number of Published Patents in Area of Core Competence (Number of patents)



Ratio of Patents Held in Core Competence (%)



In September 2004, ITX Corporation, previously an equity-method affiliate, became a consolidated subsidiary to help expedite business reforms and create new core businesses in the future. ITX Corporation is currently engaged in developing new businesses in the network, technology, and mobile sectors.

### Contribution of Licensing Activities to Company Business

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

With respect to imaging products, Olympus considers cross-licensing to be an important tool due to the extremely rapid pace at which technology advances in the imaging industry. Also, the Company considers it necessary to make use of a wide range of intellectual property assets, including those originally developed by other manufacturers, in order to respond quickly to customer needs. As for gastrointestinal endoscopes, our mainstay products in the medical endoscope field, however, our strategy is to use technologies protected by our patents to make it difficult for other manufacturers to enter the market, and thus maintain market share.

### Contribution of Patent Portfolio to Company Business

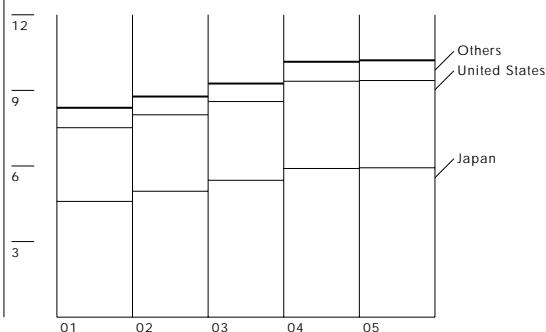
> Olympus actively pursues a policy of converting research and development results into patented intellectual property assets. The results of this policy over the past five years are shown in the graphs below, broken down by country and area of business. In the future, the Company will be more selective in applying for domestic patents, and will strive to increase the number of acquired foreign patents. Olympus has been channeling more resources into obtaining patents, not only in the United States but also in the growing market of China, where it also has manufacturing operations. At the end of fiscal 2005, Olympus held 72 patents in China, up from 24 a year earlier.

The number and ratio of Olympus' patents in each business area at the end of fiscal 2005 are shown in the table below. Olympus holds patents with business potential in each of its businesses: imaging, medical, industrial, and life science. However, its imaging and medical businesses, which account for 79% of total net sales, are responsible for 67% of all patents held by Olympus. Furthermore, the Corporate R&D Center aggressively invests in new, future-oriented businesses, as well as in developing technologies that will help broaden its core technological foundation. As a result, the number of patents held has increased rapidly.

Note: The information contained in this report includes information pertaining to Olympus' domestic and foreign affiliates, with the exception of ITX Corporation.

	Imaging Systems Business	Medical Systems Business	Life Science Business	Industrial Systems Business	Corporate R&D Center	Total
Japan patents .....	1,989	2,071	434	347	1,087	5,928
% to total (%).....	34	35	7	6	18	100
U.S. patents .....	1,312	983	174	199	794	3,462
% to total (%).....	38	28	5	6	23	100
China patents .....	42	3	9	12	6	72
% to total (%).....	58	4	13	17	8	100
Other patents.....	78	347	126	91	88	730
% to total (%).....	11	48	17	12	12	100
Total.....	3,421	3,404	743	649	1,975	10,192
% to total (%).....	34	33	7	6	19	100

Trends in Number of Patents Held by Country  
(Number of patents, thousands)



Trends in Number of Patents Held by Business  
(Number of patents, thousands)

