

im

DIGITAL CAMERA

μ 720SW

A 7.1 megapixel compact digital camera that is shockproof, waterproof, and dustproof



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DIGITAL CAMERA

μ 710

A slim and ergonomically designed digital camera with a 7.1 effective megapixel CCD and all-weather design



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DIGITAL CAMERA

E-330

AF digital SLR with a full-time "Live View" LCD monitor



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IC RECORDER

Voice-Trek V-11

Entry model for the Voice-Trek V series of IC recorders with an innovative separate-type design that allows direct connection to a computer's USB port



Note: All product names mentioned on this page refer to products only available in the Japanese market.

- > The Imaging Systems Business handles digital cameras, film cameras, voice recorders, and optical components.

In fiscal 2006, ended March 31, 2006, net sales were down 8.3% to ¥254,541 million (US\$2,213 million) compared with the previous fiscal year, while operating income recovered profitability of ¥4,792 million (US\$42 million) from the ¥23,875 million operating loss recorded in the previous fiscal year. This was attributed to Olympus' strong efforts to develop profit-oriented business management based on business strategies aimed at the creation of sustainable profitability. Olympus strives to implement selection and concentration of business and reduce overall costs, including production costs and inventories. In addition, Olympus commenced all-function reform based on the establishment of a product platform.

DIGITAL CAMERAS

- > Sales of digital cameras decreased 8.1% year on year to ¥228,884 million (US\$1,990 million). Amid the prolonged intensifying market competition in the compact camera field, Olympus engaged in the improvement of product capability. During the fiscal year under review, Olympus launched the new small and slim μ 710 and the μ 720SW (Stylus 710 and Stylus 720SW in the U.S.), which is shock resistant and waterproof to a depth of

three meters. They have received very favorable reviews from the market. Despite a decrease in sales volume from the previous fiscal year, Olympus succeeded in recovering profitability, due to its concerted efforts to implement profit-oriented business management based on business strategies aimed at the creation of sustainable profitability.

In the single-lens reflex (SLR) camera field, sales were brisk due to the launch of a zoom kit for the E-500 (EVOLT E-500 in the U.S.) that boasted small size and light weight. The E-330 (EVOLT E-330 in the U.S.), launched in February 2006, also got into the news with its epoch-making Full-Time Live View function. Furthermore, Olympus made full-scale entry into the external sales business of digital camera lens barrels that enjoy a high market evaluation due to their high quality. Olympus is striving to establish a solid foundation in the lens barrel field, further expanding its business in the optical components field.

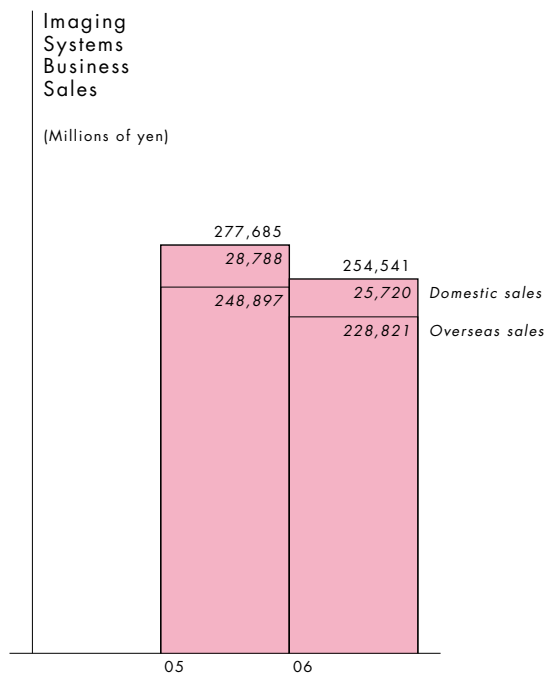
VOICE RECORDERS/FILM CAMERAS

- > Sales of voice recorders and film cameras were down 10.5% from the previous fiscal year to ¥25,657 million (US\$223 million). Olympus experienced a revenue increase in the voice recorders field, owing to the launch of a new product in its popular Voice-Trek series. Overseas, the VN series experienced favorable sales and market share in the United States and Europe, contributing to the overall sales increase in this segment.

The film camera market continued to shrink domestic and overseas, causing the sales decline.

OUTLOOK FOR FISCAL 2007

- > Olympus announced a new business strategy in November 2005, and will create sustainable profitability with thorough implementation of selection and concentration with powerful opto-digital technology as its core. In particular, Olympus will aim to rebuild its business foundations in both product manufacturing and business operations by accelerating its efforts for Platform Reform. In light of this, Olympus forecasts ¥268 billion of net sales and ¥10 billion of operating income in the fiscal year ending March 31, 2007.



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VIDEOSCOPE ENF-V2

The world's thinnest VISERA Rhino-laryngo videoscope that can be used for the observation of children's acoustic ducts and ear drums, as well as the pharynx, larynx and nasal cavity



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TRANSURETHRAL ELECTROSURGERY SYSTEM

HF Surgery System

A surgical system for transurethral resection using electrolyte solution to maintain sharpness; it corresponds to cutting and coagulation applications in general surgery



CAPSULE ENDOSCOPE SYSTEM

Endo Capsule

A capsule endoscope for small bowel observation that realizes Olympus' proprietary capsule guidance system and wireless power supply system, with sales having commenced in Europe

MEDICAL SYSTEMS BUSINESS

> The Medical Systems Business supplies gastrointestinal endoscopes, endoscopic ultrasound systems, and minimally invasive products such as surgical endoscopes and endo-therapy devices as its key products, and the business operations are primarily handled by one of Olympus' consolidated subsidiaries, Olympus Medical Systems Corp. Among such products, gastrointestinal endoscopes account for an approximate 70% share of the global market, providing a solid earnings foundation for the Olympus Group. During the fiscal year under review, sales in the Medical Systems Business stood at ¥266,317 million (US\$2,316 million), up 15.5% from the previous fiscal year. Operating income increased 17.4% year on year to ¥76,642 million (US\$666 million), due to the expansion of overseas sales.

GASTROINTESTINAL ENDOSCOPES

> Sales of gastrointestinal endoscopes rose 18.5% to ¥175,033 million (US\$1,522 million).

In the domestic market, the launch of the new upper gastrointestinal videoscope GIF-N260 contributed to a sales increase, owing to its high image quality, equivalent to existing videoscopes, while realizing a smaller diameter at the distal end. In addition, Olympus experienced an increase in the number of medical facilities that adopted the Value-per-Procedure program, a special program designed to promote the installation of endoscope systems

without initial investment. As a result of these factors, domestic sales were up 12.9% from the previous fiscal year. Overseas, sales grew 20.7% year on year due to healthy demand for the EVIS EXERA II high-definition endoscope system in the United States and Europe, and Olympus' strong sales promotion efforts in Asia and Central and South America.

In October 2005, Olympus commenced sales in Europe of the Capsule endoscopes for the small bowel. Taking advantage of its cutting-edge technologies, including micromachine technology and nanotechnology, Olympus is expected to contribute further to the progress of minimally invasive medical care.

Moreover, Olympus is actively engaged in new business alliances. During the fiscal year under review, Olympus bolstered business cooperation with Terumo Corporation. Looking ahead, Olympus will aim for new product development by combining its advanced capabilities in the gastrointestinal and surgical fields with Terumo's strength in the circulatory system field.

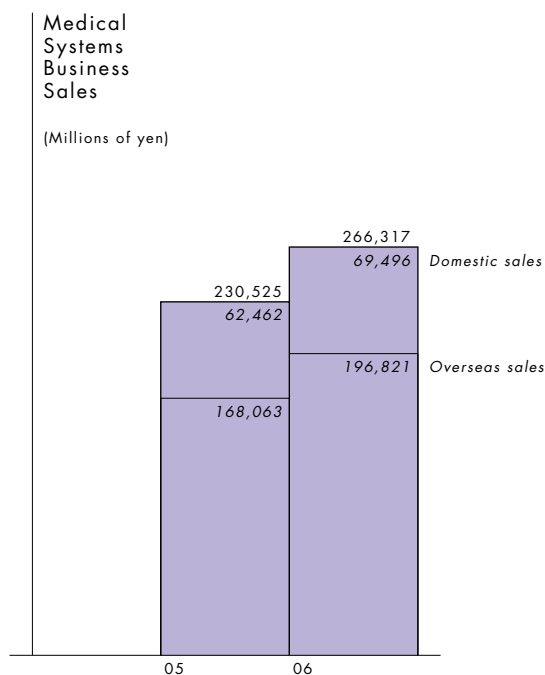
MINIMALLY INVASIVE PRODUCTS

> Sales of minimally invasive products stood at ¥91,284 million (US\$794 million), up 10.1% from the correspondence period of the previous fiscal year.

In the domestic market, sales grew for videoscopes featuring a diameter of 5.4 mm at the distal end for abdominal and chest cavities, and the new HF Surgery System for Transurethral Resection gained popularity, contributing to the sales increase. Overseas, Olympus saw favorable demand for endo-therapy devices that arrest bleeding, sampling endo-therapy devices, and the pancreaticobiliary duct endo-therapy device, V-System, in the United States and Europe. In line with this, Olympus' endeavors to improve its sales structure in Asia and Central and South America also contributed to the significant revenue increase.

OUTLOOK FOR FISCAL 2007

> Olympus will continue to offer secure, safe and highly efficient medical devices in fiscal 2007. By doing so, Olympus will build a business structure that enables steady profit increase amid an increasingly severe environment, with intensifying competition and pressure to reduce medical costs. Furthermore, Olympus will strengthen its approach to the minimally invasive medical care field and investment of management resources in the BRICs nations (Brazil, Russia, India and China), particularly in China. With these efforts, Olympus expects ¥290 billion of net sales and ¥81 billion of operating income for fiscal 2007.



Life

FLUORESCENCE MICROSCOPE

MVX10 Macro View

A high-sensitivity macro zoom fluorescence microscope that responds to a wide range of observation needs for developmental biology and medical research



CONFOCAL
MICROSCOPE

LEXT OLS3000

A high-resolution, powerful confocal laser-scanning microscope that allows for the observation of IC patterns that are invisible at optical wavelengths



Science

UPRIGHT MICROSCOPE

FLUOVIEW FV1000

A biological microscope with the world's first dual-laser SIM scanning system for a real-time view of the processes at work in living cells



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- > The main products of the Life Science Business are clinical hem-analysis systems, biological microscopes, and industrial microscopes. Along with the organizational restructuring in April 2005, the industrial microscopes business was transferred from the Industrial Systems Business.

Net sales edged up 6.5% to ¥107,915 million (US\$938 million) and operating income rose 12.8% to ¥7,559 million (US\$66 million). Olympus experienced increases both in revenue and earnings due to sales expansion in the bioscience field.

BIOSCIENCE

- > Sales of in the bioscience field climbed 14.2% year on year to ¥42,919 million (US\$373 million).

In the domestic market, sales and profit increased for biological microscopes and other biological-related products. Sales for this field were stagnant in the previous fiscal year, due to the introduction of a new budget implementation system, along with the incorporation of national universities and research institutes, but they showed a recovery in fiscal 2006, reflecting the fact that the system has taken root in these academic circles. Overseas, brisk sales in the United States continued for the FLUOVIEW confocal laser scanning microscope series, a strategic product targeted for research institutes. The FLUOVIEW series was also launched in Europe, contributing to significant sales increase.

DIAGNOSTIC SYSTEMS

- > Sales in the diagnostic systems field totaled ¥45,193 million (US\$393 million), up 8.7% year on year.

Domestic sales was on par with the previous fiscal year, due to the impact from a cap placed on medical expenses, while overseas sales was strong in Europe and Asia, contributing to an overall increase in revenues.

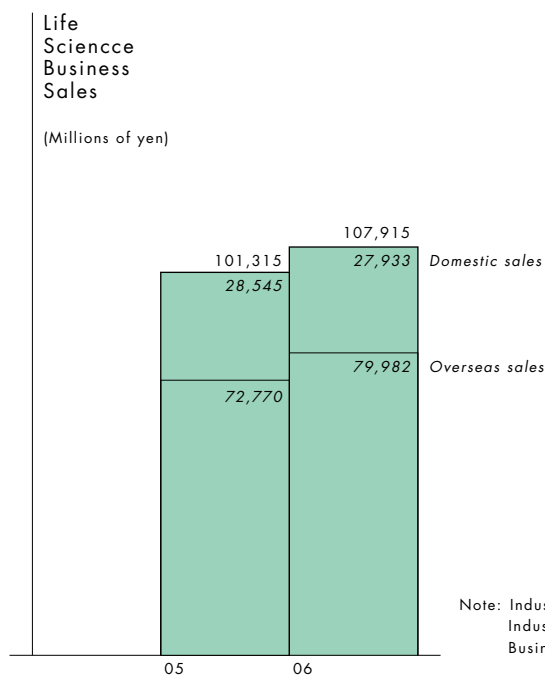
During the fiscal year under review, Olympus actively cultivated new business in the immunoassay field and established a system that can support both reagents and devices. Furthermore, Olympus commenced a joint development project with Cangen Biotechnologies, Inc. of the United States in April 2005, in pursuit of a molecular diagnostic test for the early detection of lung cancer. Through this alliance, Olympus engaged in research activities for the commercialization of molecular diagnostic tests.

INDUSTRIAL MICROSCOPES

- > Sales of industrial microscopes decreased 10.6% to ¥19,803 million (US\$172 million). Revenues in this segment were down due to the demand cycle for LCD inspection equipment.

OUTLOOK FOR FISCAL 2007

- > In the fiscal year ending March 31, 2007, a new molecular biology field will be incorporated into Olympus' two principal businesses: the micro-imaging business, centering on microscope technologies, where Olympus' roots lie, and the clinical testing business, which boasts leading-edge capabilities in the development of devices and reagents. Spurred by this integration, Olympus will aim for business expansion, with forecasts of ¥120 billion in net sales and ¥9 billion in operating income.



Note: Industrial Microscopes, which was included in Olympus' Industrial Business was transferred to the Life Science Business in April 2005.

INFORMATION &
COMMUNICATION
BUSINESS

> The Information & Communication Business is run by ITX Corporation, which became a consolidated subsidiary in September 2004. ITX Corporation implements business investment and consultation specialized in the life sciences, networking technology, mobile technology, and business innovation. The principal investment targets are mobile handset sellers, providers of mobile solution services, mobile contents services, network infrastructure systems, system development, and sellers of semiconductor-related devices and electronics devices.

Though sales recorded a tremendous upswing of 74.5% to ¥284,908 million (US\$2,477 million), Olympus experienced a ¥2,641 million (US\$23 million) operating loss during the fiscal year under review, while it had recorded a ¥1,037 million operating loss in the previous fiscal year.

Revenue increased owing to the year-round strong sales of computer peripherals to the U.S. market in the networking technologies business and favorable sales of mobile handsets in the mobile business. Despite brisk sales of mobile handsets, the Information & Communication Business recorded an operating loss due to the cost increases.

OUTLOOK FOR FISCAL 2007

> In accordance with the rapid progress of information technology, Olympus acknowledges the importance of business in the networking and mobile technology fields. With this in mind, Olympus is striving to establish a firm position in this growing market. In the fiscal year ending March 31, 2007, Olympus anticipates ¥282 billion of net sales and ¥1.5 billion of operating income.



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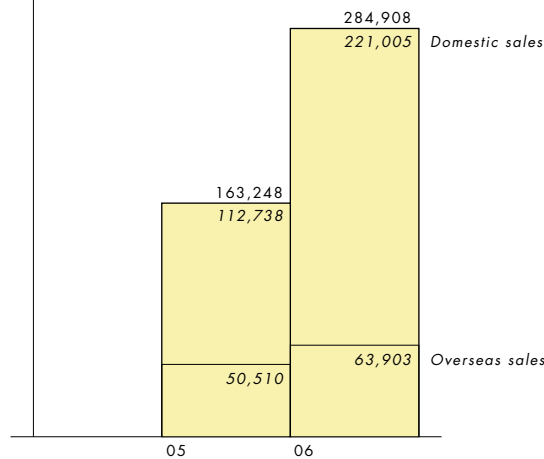
GROUP
COMPANY

ITX
Corporation

Bringing synergistic effects
by working closely with
Olympus in creating new
businesses and business
models

Information
and Communication
Business
Sales

(Millions of yen)



> In the Others business category, Olympus mainly engages in the manufacturing and sales of industrial endoscopes, non-destructive testing devices, printers and bar code scanners, and system development.

Along with the organizational restructuring in April 2005, industrial endoscopes, printers, and bar code scanners were transferred from the Industrial Systems Business.

Net sales surged by 58.1% to ¥64,446 million (US\$560 million), contributing to ¥1,443 million (US\$13 million) of operating income, even though Olympus had experienced ¥1,834 million of operating loss in the previous fiscal year.

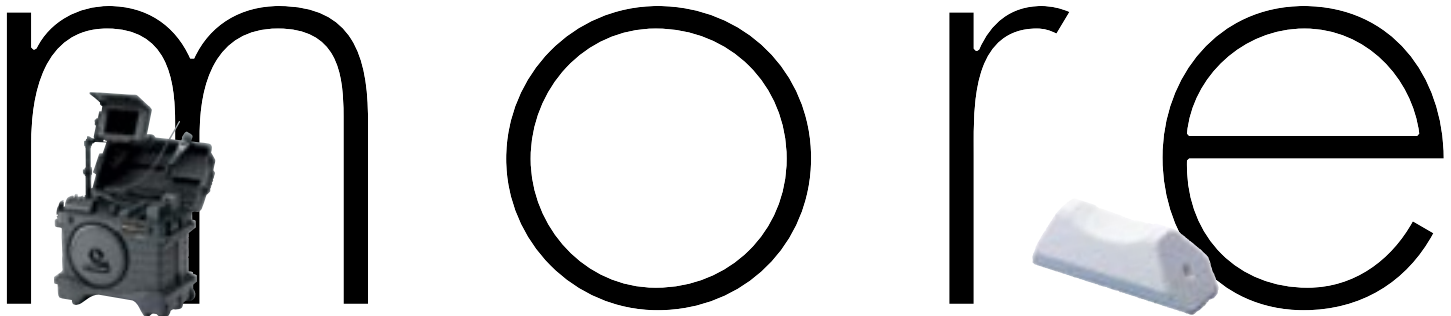
Olympus has acquired R/D Tech Inc. in Canada to fortify its position in the non-destructive testing market and formed new subsidiary Olympus NDT Inc. in the U.S. in order to take over and successfully promote the R/D Tech business that has been so highly acclaimed in the industry. Thus in the Inspection & Maintenance Systems industrial business segment, Olympus' legacy visual inspection videoscope, as well as its ultrasound & eddy current flaw detection products, have shown significant increases both in revenues and operating profit.

In the information equipment field, Olympus commenced sales of new, high-speed printers in line with its business alliance with RISO KAGAKU CORPORATION, contributing to an increase in the sales amount of printers and expendable supplies.

In the biomedical materials field, revenues increased, owing to the enhanced lineup of artificial bones that created synergistic effects with existing products. Furthermore, sales were up due to ITX Corporation's entry into the field as a consolidated subsidiary in the second half of fiscal 2005, as it had a positive effect on the Information & Communication Business.

OUTLOOK FOR FISCAL 2007

> In the area of non-destructive testing, we will propose ideal solutions for maintenance systems, including high-precision measuring and remote inspection technology. In the industrial printers segment, we will supply products to satisfy the needs of an expanding range of business scenarios. In fiscal 2007, net sales is expected to be ¥75 billion and operating income ¥2.5 billion.

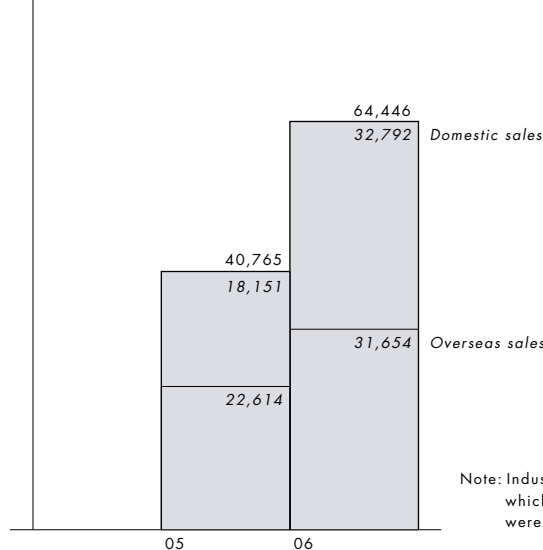


INDUSTRIAL
VIDEOSCOPE SYSTEM
IPLEX SA II

An advanced industrial videoscope that realizes clear image observation and high-precision measurement, having evolved from a viewing tool into a measurement tool

Other
Business
Sales

(Millions of yen)



BONE REPLACEMENT
MATERIAL

Boneceram

Boneceram is a new product lineup of artificial bones.

The photograph shows a new configuration* spinous process spacer for laminoplasty.

*Patent pending

Note: Industrial endoscopes and information equipment, which were included in Olympus' Industrial Business were transferred to Others Business in April 2005.

> Based on its core competence in "Opto-Digital Technology," Olympus engages in research and development in the optical, digital imaging, and microprocessing fields to provide new value to society. In fiscal 2006, research and development expenses totaled ¥45,935 million (US\$399 million), down 3.7% from the previous fiscal year. The ratio of research and development expenditures to net sales was 4.7%.

RESEARCH RESULTS

> In the digital cameras field, Olympus introduced a new compact digital camera, the "μ 720SW (Stylus 720SW in the U.S.)," featuring cutting-edge capabilities—it is shock resistant to a height of 1.5 meters, waterproof to a depth of 3 meters, and has an exclusive Dust Reduction System. Furthermore, Olympus launched its new E-330 (EVOLT E-330 in the U.S.) digital single-lens reflex (SLR) camera in February 2006, which is equipped with the world's first* Full-Time Live View function on an interchangeable-lens-type auto-focus digital camera. This makes it possible to frame images right on the epoch-making, variable-angle LCD rear-mounted monitor, and this new digital SLR has certainly attracted much attention.

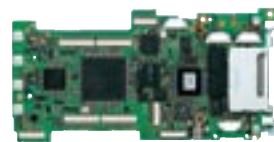
In the medical systems field, in the fiscal year under review, we released capsule endoscopes in Europe for small bowel examination. Olympus also expanded its basic research activities in areas such as wireless power supply systems, capsule guidance systems and self-propelled functionality in pursuit of the development of next-generation capsule endoscopes.

In the life science field, we developed supersensitive imaging technology for chemiluminescence that enables visualization of the feeble light from live cells for state-of-the-art technological research capabilities. This facilitates the monitoring of long-term gene expression patterns, as well as the acquisition of cell information both in images and data simultaneously. This exciting new technology brings high expectations for its potential to contribute to a wide range of research, including that of the effectiveness and side effects of medicines, as well as regenerative drugs.

As for other basic research, Olympus and Nippon Sheet Glass Co., Ltd. co-developed the world's first microprocessing technology for use on glass surfaces that enables the production of diversified products at low cost.

The Future Creation Laboratory (FCRL) engages in research to create long-term corporate value for the purpose of the Olympus Group's sustainable growth. In the fiscal year under review, FCRL participated in an industry-academia-government research project for frontier technologies, and in particular, worked vigorously on a joint research and development project with the New Energy and Industrial Technology Development Organization (NEDO), as well as with a consortium of projects for regional renaissance, headed by the Kanto Bureau of Economy, Trade and Industry.

*According to an Olympus assessment, as of December 2005



LSI system for the high-performance image-processing engine

