

CORE TECHNOLOGY AND BUSINESS MODELS

> Olympus' management focuses on strengthening the Company's technological capabilities with the aim of becoming an ever-more-advanced technology-oriented company.

Olympus' core competence is in "Opto-Digital Technology," a fusion of the latest digital and optical technologies accumulated by the Company over many years. In order to further strengthen this core competence, Olympus has positioned the following technologies as fundamental and common to the Company as a whole: optical technology, the science of capturing and controlling light; electronic imaging technology, the manipulation of digital images woven from light; precision technology, the detailed and controlled skill applied to the creation of products; and cell-related technology, the realization of cellular-level exploration. By channeling research and development 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.

In the fiscal year under review, Olympus invested approximately ¥45.9 billion into advancing its R&D efforts, representing almost 4.7% of sales.

R&D SEGMENT AND BUSINESS STRATEGY ORIENTATION

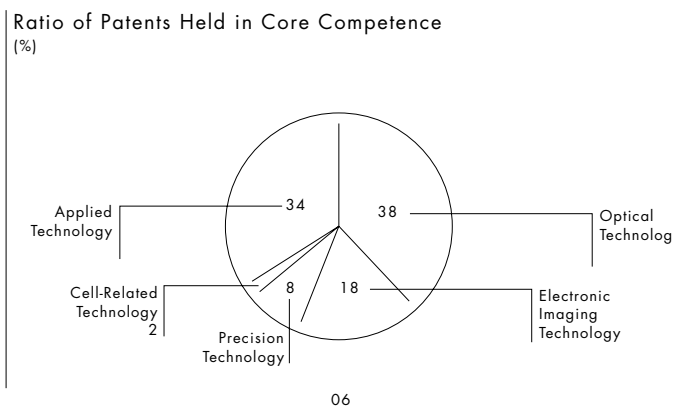
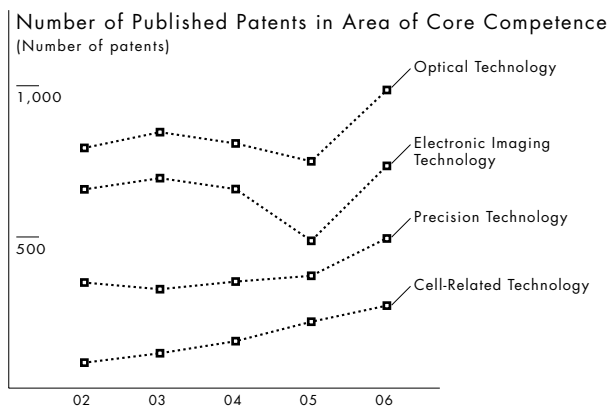
> In an effort to further strengthen its Opto-Digital Technology, Olympus is currently engaged in the research and development activities described below.

Optical technology has been one of Olympus' greatest strengths since its founding. Pursuing the infinite possibilities of the application of light, the Company undertakes continuous research and development toward expansion in technological areas such as spectroscopic techniques through which wavelengths of light are freely manipulated and biological exploration and analysis using light are made possible.

Electronic imaging technology at Olympus is aimed at meeting the needs of several different business sectors. Here, the Company is conducting research and development in such areas as digital image processing, custom imager design, high-definition digital movie systems and other areas.

Precision technology research and development focuses on MEMS (Micro Electro Mechanical Systems) incorporating ultra-miniaturized processing technologies, ultraprecise processing, micro mounting, micro sensors and actuators, and other related technologies. These technologies are essential elements of the key parts and components that distinguish Olympus products from those of its competitors in various fields.

Cell-related technology at Olympus is aimed at creating new business opportunities in the fields of bioscience and regenerative medicine and covers research and development in such areas as living cell analysis and manipulation, DNA computing, and bone tissue culturing.



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 maintains a high number of published patents in optical, electronic imaging and precision technologies and is progressing with efforts to further raise this number. It has put particular emphasis on the continued strengthening of patent applications in the increasingly important field of cell-related technology.

Approximately 66% 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.

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 graph below, broken down by country. 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.

The number and ratio of Olympus' patents in each business area at the end of the fiscal year ended March 31, 2006 are shown in the table below. Olympus holds patents with business potential in each of its businesses: imaging, medical, industrial, and life science. The Company's core imaging and medical businesses, however, account for 71% of all patents held by Olympus.

No. and Ratio of Patents Held by Business Group

	Imaging Systems Business	Medical Systems Business	Life Science Business	Corporate R&D Center	Total
Japan patents.....	2,061	2,239	687	960	5,947
% to total (%).....	35	38	12	16	100
U.S. patents.....	1,414	1,082	369	717	3,582
% to total (%).....	39	30	10	20	100
China patents.....	93	7	20	8	128
% to total (%).....	73	5	16	6	100
Other patents.....	105	393	97	110	705
% to total (%).....	15	56	14	16	100
Total.....	3,673	3,721	1,173	1,795	10,362
% to total (%).....	35	36	11	17	100

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

