

> Consolidated net sales for the Olympus Group increased for the 13th consecutive year and topped the ¥1 trillion mark for the first time ever in fiscal 2007, ended March 31, 2007. Olympus set new record highs in all profit categories and achieved its management targets for consolidated operating income and net income.

## Overview of Fiscal 2007

> Olympus recorded consolidated net sales of ¥1,061.8 billion in fiscal 2007, up 8.6% compared to the previous fiscal year, owing primarily to double-digit sales growth in the Imaging Systems Business, the Medical Systems Business and the Life Science Business. Domestic and overseas sales of new digital cameras, new endoscopes and therapeutic products remained strong, and overseas sales of microscopes and diagnostic systems also contributed to overall sales growth. Sales results were further boosted by a year-on-year depreciation of the yen against both the U.S. dollar and the euro.

The Medical Systems Business contributed substantially to higher earnings results, and structural reforms in the Imaging Systems Business proved to be a major factor in improving our profit structure by contributing to a lower cost of sales ratio and greater product strength. Olympus saw significant earnings growth as a result, with operating income jumping 57.9% year on year to ¥98.7 billion and net income surging 67.3% to ¥47.8 billion.

In light of these results, Olympus raised its annual dividend for the second consecutive year, from ¥22 per share for the previous year to ¥35 per share for fiscal 2007.

## Imaging Systems Business: Excellent Results from Reforms

> The Imaging Systems Business achieved sales and profit increases through profit-oriented structural reforms, with operating income making an especially significant jump. Specifically, Olympus proceeded with reforms aimed at enhancing product strength and lowering the cost of sales ratio.

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Net sales .....	1,061,786	¥978,127	¥813,538	\$8,848,217
Net income (loss) .....	47,799	28,564	(11,827)	398,325
Earnings per share—Basic net income (loss) .....	176.79	105.99	(44.98)	1.473
Total assets .....	1,091,800	976,132	858,083	9,098,333
Equity .....	334,210	290,656	240,837	2,785,083

Notes: 1. Earnings per share is shown in yen and U.S. dollars.

2. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥120=US\$1.00

3. The above figures are based on accounting principles generally accepted in Japan.

4. Diluted net income per share is not presented due to the fact that there were no potentially dilutive common shares.

5. 2007: Equity = Total net assets – Minority interests

2005–2006: Equity = Total Shareholders' equity



*Olympus has designed strategies fit for the globalizing economy, harmonizing the pursuits of increasing corporate value and raising the quality of life.*

First, Olympus concentrated management resources in products that leverage its core competencies in Opto-Digital Technology—digital single-lens reflex (SLR) cameras, digital compact cameras and optical components—in order to differentiate them from competitors. In digital SLR cameras, a high-profit product expected to see market expansion, Olympus actively pushed ahead with product development. In digital compact cameras, Olympus launched sales of stylish models with distinguishing functions, while its products retained a competitive advantage in an overall market that continues to see declining sales prices. In the business of external sales of optical components, a business that we have marked for focused cultivation, Olympus achieved sales growth centered on digital camera lens barrels.

Second, we proceeded with the establishment of both product and operational platforms. This led to significant improvement in operational efficiency, enabling the sharing of major key device units and production molds.

Moreover, clearly indicating to employees a plan for the future expansion of the Imaging Systems Business raised employee awareness and motivation, serving as a major driving force for reforms.

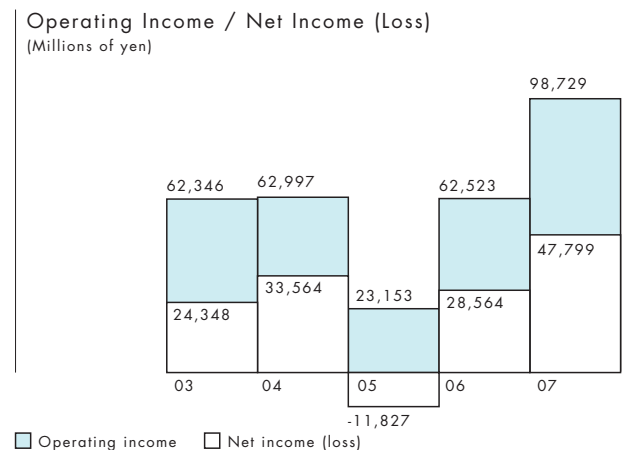
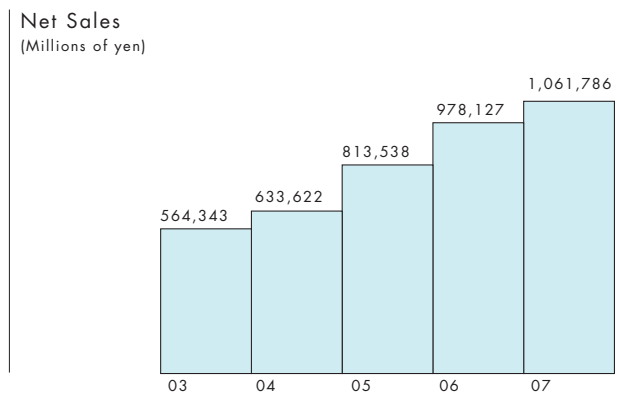
In the fiscal year ending March 31, 2008, we aim to further entrench results from these reforms and continue to increase sales in the Imaging Systems Business. Our plan calls for a 20% increase

in shipments of digital cameras compared with fiscal 2007. In digital SLR cameras, Olympus will enhance its market presence by releasing three new models with the aim of capturing top market-share in the near future.

**Medical Systems Business:  
Working for Advances  
in Endoscope Technology**

> Sales rose steadily in the Medical Systems Business owing to global expansion of the markets for endosurgery and endotherapy products, as well as to contributions from new products.

Developing minimally invasive products designed to support the early detection and treatment of cancer, which is consistently a leading cause of death in Europe, the United States and Japan, is one of the leading priorities of Olympus' Medical Systems Business. Leveraging its data-collecting abilities and development strengths as the leading provider of endoscopes, Olympus consistently devises new technologies ahead of competitors. We will push vigorously ahead to bring new products and technologies to BRIC nations and Asian countries, where substantial market growth is expected.



Aiming to assist in the early detection and treatment of cancer and other minute lesions, in fiscal 2007, Olympus introduced several products that apply imaging functions using specific light spectra. These were well received in the market. In Europe, North America and Japan, we released high-definition endoscopic systems incorporating imaging functions using specific light spectra such as Narrow Band Imaging (NBI™) aiming to assist physicians for more accurate diagnoses. While expanding our lineup of surgical endoscopes and other equipment incorporating NBI, we also plan to forge ahead with product launches in Asia, where we anticipate significant market growth.

After launching the sale of capsule endoscopes in Europe in 2005, Olympus plans to commence sales in North America and Japan as soon as legal processes are completed. We expect this to support minimally invasive diagnosis in the area of the small bowel, historically a difficult area to examine.

We will continue to build a stable earnings platform in the Medical Systems Business by emphasizing secure, safe and highly efficient medical procedures related to our entire product and service lineup of gastroenterological endoscopes, surgical endoscopes and endotherapy products.

**Life Science Business:  
Pursuing Long-Term Growth  
in Next-Generation Healthcare**

> On the back of strong overseas sales, Olympus achieved increased sales and profits in its Life Science Business in fiscal 2007. The Life Science Business endeavors to contribute to the realization of personalized medicine and next-generation innovations in healthcare. In pursuit of these goals, our initiatives are centered on translational research that functions as a bridge between basic research, such as clarification of life processes and genetic analysis, and research for clinical applications such as biochemical analysis and blood testing.

Our activities in the micro-imaging field include biological and industrial-use microscopes. Recognized for their technological edge amid vigorous research activities in the fields of genetic diagnosis, gene therapy and drug discovery, Olympus' biological microscopes have become an established and stable source of revenues. In addition to its microscopes for observation of cells and clarification of their functions, Olympus plans to develop its vivo imaging systems into core products. These systems, which were first released in 2006, are designed for clarification of the initial development of cancer, the mechanisms by which cancer spreads and the efficacy of anti-cancer medicines. In industrial microscopes, sales of inspection microscopes for use in the manufacture of semiconductors and LCD panels are growing in line with expansion of demand in Asia.

In diagnostic systems such as automated chemistry analyzers, Olympus entered the immunoassay field. Although this is a new area for Olympus, we aim to open markets by taking a new approach to the field and incorporating our expertise in

hemanalysis. Specifically, Olympus is developing an installed-base business that combines installation of clinical chemistry analyzers and continued provision of reagents.

In April 2007, Olympus opened a new base for the Life Science Business in Mishima, Shizuoka in order to strengthen the business foundation for entry into new fields. Development, production, quality assurance and customer support functions of the diagnostic systems business are concentrated at the new base.

### **ITX Corporation Business Strategy**

> ITX Corporation (ITX), a core unit of the Information & Communication Business and a part of Other Businesses, undertook reforms of its profit structure. The reform plan revolves around reviewing investments, concentrating resources in three core businesses and related businesses, and strengthening the financial position. ITX's three core businesses comprise operations related to healthcare, the automotive aftermarket and mobile handset sales. By reviewing its investment rules and oversight structure, including investment targets, recovery period and money amounts, ITX aims to continuously optimize its portfolio by accelerating its investment cycle. Since it plays a leading role within the Olympus Group as an engine for new business creation, ITX is working to promote greater collaboration with Group companies as it aims to establish the ITX brand as a professional provider of business cultivation services.

### **Maximizing Corporate Value**

> Based upon its Corporate Strategic Plan (2006 CSP) formulated in May 2006, the Olympus Group is endeavoring to design effective strategies and reinforce its organizational strengths for implementing those strategies. Continuing on the momentum of steady sales increases and reduced cost of sales, we are forecasting record highs for consolidated net sales, operating income, income before provision for income taxes and net income for the fiscal year ending March 31, 2008.

I believe that changes will grow more intense in our business environment, so I am reminding all employees within the Olympus Group that we must not become even slightly prideful or complacent. Taking a global perspective, we must regularly assess our present circumstances, devise effective strategies that match the business environment and reinforce our organizational strengths for implementing such strategies.

With a determination to maximize corporate value, we ask for the continued understanding and support of shareholders, business partners and all other stakeholders.

July 2007



Tsuyoshi Kikukawa  
President