

> Based upon the principles of its "Social IN" management philosophy, Olympus endeavors to achieve operational efficiency, financial reliability, compliance with laws related to its business activities, safeguard of its assets and various other corporate objectives. In addition, Olympus is working to build upon and consistently improve its sound internal control environment and system to be able to manage risk factors that can potentially impact corporate value. Olympus has established an Internal Audit Department independent from business divisions in order to carry out internal auditing functions.

Strengthening Internal Control Systems

> Olympus has already set in place a basic policy regarding the internal control system that fulfills the mandates of Japan's new Corporate Law enacted in May 2006, which requires that companies establish systems to assure the propriety of their business operations. To ensure that assessments and reports on internal controls related to financial reporting are reliable, Olympus has established a special Groupwide department and is proceeding with preparations, in line with requirements of the Financial Instruments and Exchange Law scheduled to come into force in the fiscal year ending in March 2009.

Compliance

> To ensure compliance with laws and its Articles of Incorporation, Olympus formulated the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Conduct, as well as a variety of basic policies and internal regulations. Olympus set up a Compliance Department that, in addition to controlling compliance activities, raises awareness and conducts training about compliance for directors and employees. We have also established a Help Line to which issues and consultations about compliance may be addressed. Olympus has constructed a system whereby the details of compliance issues that arise may be reported to the Board of Directors and the Board of Auditors through a director in charge of compliance.

Risk Management

> To avert losses in relation to its businesses and assets, Olympus has put in place a risk management system under which the Board of Directors and the Executive Management Committee conduct thorough deliberations and implement appropriate decision-making procedures. Olympus has formulated risk management regulations and works to ensure that all business divisions have a firm awareness of the risks that they face and to implement measures for avoiding the occurrence of risk factors. The President chairs the Risk Management Committee, which meets regularly, and Olympus is taking a variety of other measures to shore up and maintain its risk management structure. Olympus has also constructed a system for rapid response to emergencies. In the event that a significant incident occurs, business divisions make emergency reports to the Risk Management Committee and related parties through the Risk Management Bureau set up as a contact point at Group headquarters. Countermeasures are then determined by the President.

Business Risks

> As of March 31, 2007, the main risk factors having the potential to impact the performance of the Olympus Group were as follows.

RISKS RELATED TO SALES ACTIVITIES

1) Price competition in the market for digital cameras is increasingly severe, and a sharper than expected decline in digital camera prices that cannot be offset through the Group's cost reduction measures may impact Group earnings.

2) In the Medical Systems Business, future reforms to healthcare legislation may lead to increased costs in order to respond to such changes. In addition, Group earnings may be impacted in the event that the price for medical equipment declines as a result of policies placing caps on medical expenses.

3) In the Life Science Business, a high percentage of earnings are generated by supplying systems for research funded by the budgets of various nations. Accordingly, Group earnings may be impacted in the event of smaller national budgets that result from macroeconomic changes.

RISKS RELATED TO PRODUCTION AND DEVELOPMENT ACTIVITIES

1) In the Imaging Systems Business, core production operations are located in China. Accordingly, a rise in the value of the yuan could lead to an increase in costs and impact Group earnings. Moreover, production activities may be impacted by anti-Japanese sentiment and/or a decline in political or security conditions.

2) Olympus depends upon certain suppliers to develop and manufacture some products and components that cannot be developed and produced inside of the Group. Accordingly, the Group's production and supply capacity may be impacted in the event that it is unable to procure limited amounts of the products and components it needs owing to conditions of suppliers.

3) Olympus products are manufactured according to meticulous quality-assurance standards, including products consigned to outside suppliers. However, in the event that product defects do arise, this situation may result in product recalls and increased costs, as well as a loss of consumer confidence in Olympus products, and earnings may be impacted accordingly.

4) Olympus is making continual advances in developing digital products by applying its cutting-edge Opto-Digital Technology. However, the progress of digital technology is extremely rapid, and the Group's earnings may be impacted in the event that it is unable to sufficiently foresee market changes and develop new products that meet customer needs in a timely manner.

5) The Group applies a wide range of intellectual property in its R&D and production activities, including intellectual property that belongs to the Group and that which the Group is licensed to use. However, the Group's earnings may be impacted in the event that it is unexpectedly accused of having infringed upon the intellectual property of a third party, resulting in litigation or other related consequences.

RISKS RELATED TO INVESTMENTS IN SECURITIES

1) Olympus may not be able to achieve the capital gains it expects on investments in the event that cultivating a business takes longer than anticipated, or when such an investment cannot be sold for the expected price.

2) Stock prices are determined based upon market principles, and Olympus may not be able to obtain the sort of gains it expects on securities owing to changes in market conditions.

RISKS RELATED TO BUSINESS MERGERS AND ACQUISITIONS

1) Olympus has formed long-term, strategic partnerships related to technologies and product development with other leading companies in the industry. However, the Group's business activities may be adversely affected in the event that financial or other business-related issues arise in such strategic partnerships, and changes in goals and objectives do not allow for the continuation of such partnerships.

2) Olympus may acquire total or partial ownership of other companies for the purpose of business expansion. However, the Group's business, performance and/or financial position may be affected in the event that it is unable to integrate a businesses it acquires according to the Groups management strategies, or in the event that it is unable to efficiently utilize the management resources of existing businesses or businesses it has acquired.

OTHER RISKS

> Olympus is expanding its business activities in a number of countries around the world, and the Group's earnings may be impacted by the occurrence of natural disasters, disease, war, terrorist acts or other incidents in areas where it operates, or by unforeseen increases in interest rates or changes in currency exchange rates.

> Olympus was founded to contribute to the advancement of Japanese medical science. This legacy of corporate social responsibility (CSR) lives on in our continuing efforts to create value from a customer-focused perspective. Our "Social IN" management philosophy expresses our will to create new value for society, while our corporate slogan, "Your Vision, Our Future," signifies our determination to build a better future in partnership with all members of society.

To put these ideas into practice in our daily operations and to fulfill the mandates of CSR, we clarified our stance on CSR by formulating the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Conduct. We established the CSR Division in order to strengthen initiatives throughout the Group. To promote thorough CSR in all business activities, Olympus also launched its 2006 Corporate Strategic Plan, which covers the period from April 2006 to March 2009.

Main Activities

> Active in the medical and life science fields since its founding, Olympus has made a variety of contributions around the world to promoting health and preventing and diagnosing diseases. The Olympus Group is also engaged in a variety of activities to promote awareness, including a campaign to eradicate colon cancer.

On the environmental front, Olympus has been actively engaged in efforts to create more compact and lightweight products and other environmentally conscious products. We have introduced environmentally conscious facilities at operations across business sectors and regions, including Japan's recently opened Mishima Facility, the new Medical Device Manufacturing Center at KeyMed (Medical & Industrial Equipment) Ltd. in the United Kingdom, and new state-of-the-art headquarters at Olympus America Inc., which is the base for North American sales and administrative operations. Olympus will continue its endeavors to reduce environmental burden across all of its business activities, construct a sustainable business model and further entrench eco-design in corporate activities.

In addition to issuing a CSR report, Olympus also introduces details of its CSR initiatives on its corporate Web site.

> As an active member of society, the Olympus Group shares its sense of values and proposes new value through its business endeavors, thereby seeking to contribute to people's health and happiness. We call this concept "Social IN," describing the basic philosophy underlying all our activities. Based upon this philosophy, Olympus is building an optimal and appropriate management structure for its global operations. We believe that constructing an effective management structure will also lead to enhanced value for shareholders and all other stakeholders. Olympus adheres to the following structure in working to improve corporate governance.

Structure and Functions

> Olympus employs an auditor system, whereby the Board of Directors and the Board of Auditors supervise, monitor and audit directors' execution of their business duties.

The Board of Directors consists of 15 members, including two outside directors. In principle, the Board of Directors meets once per month to make timely decisions regarding business strategies and other important management matters and to conduct appropriate oversight of business execution. Directors are appointed to one-year terms of office, and the performance of each director is evaluated annually in order to clearly identify responsibilities. To further strengthen corporate governance, Olympus has introduced an executive officer system that separates the

Board of Directors' responsibilities for decision-making and oversight of execution of duties from executive officers' responsibilities for business execution.

The Board of Auditors is made up of four auditors, including two outside auditors, and meets once per month, in principle. In addition to attending meetings of the Board of Directors and other important meetings, auditors serve to ensure effective oversight by regularly holding deliberations with directors, executive officers, accounting auditors and the Internal Audit Department.

At the Ordinary General Meeting of Shareholders held in June 2006, anti-takeover measures were approved in order to deter large volume purchases of the Company's shares that are thought to detract from corporate value or work against shareholder interests. To objectively judge the pros and cons of acquisition defenses, Olympus has established an independent special committee composed of the two outside directors, two outside auditors and one other expert from outside of the Company.

To further develop and strengthen the Imaging Systems Business and the Medical Systems Business, the two were spun off to form Olympus Imaging Corp. and Olympus Medical Systems Corp., respectively, in October 2004. Olympus also spun off major overseas subsidiaries as appropriate, establishing a global structure capable of matching the features and speed of its businesses with market needs.

Corporate Governance
Structure Chart

