

financials

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CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

> In fiscal 2007, the year ended March 31, 2007, total net sales rose 8.6% from the previous fiscal year to ¥1,061,786 million (US\$8,848 million), marking the 13th consecutive year of growth.

Sales in the Imaging Systems Business totaled ¥294,303 million (US\$2,453 million), an increase of 15.6% from the previous fiscal year. Taking advantage of overall market growth for compact and SLR cameras, Olympus released new camera models that enjoyed immediate success in overseas markets, including FE series compact cameras and the μ [mju:]·SW (Stylus-SW in the Americas) series. Voice recorders also contributed to sales, with the Voice-Trek series continuing to enjoy popularity in Japan and sales of the VN series expanding overseas, especially in Europe where the shift to digital recorders is becoming pronounced.

In the Medical Systems Business, sales jumped 17.0% to ¥311,709 million (US\$2,598 million). The new EVIS LUCERA SPECTRUM videoscope system, which utilizes specific light spectra technologies, contributed to sales domestically, while the EVIS EXERA II high-resolution HDTV videoscope systems proved popular in overseas markets. Also contributing to sales were new product launches of a disposable electro-surgical knife in Japan and a high-resolution HDTV videoscope for abdominal and chest cavities in overseas markets.

Sales in the Life Science Business also improved, rising 14.6% to ¥123,706 million (US\$1,031 million). The FLUOVIEW confocal laser scanning microscopes series, a strategic product for Olympus, generated excellent sales in European and U.S. markets, and sales grew in Asia and Latin America. Revenues were also supported by strong domestic sales of inspection equipment for flat panel displays.

The Information & Communication Business recorded sales of ¥267,691 million (US\$2,231 million). This marks a decline of 6.0% compared with fiscal 2006, owing to the discontinuation of OEM sales of computer peripherals, which offset sales growth spurred by the launch of our automotive aftermarket business.

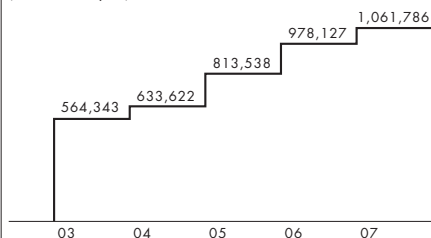
In the Others Business, sales amounted to ¥64,377 million (US\$536 million), mostly on par with the previous fiscal year. Significant sales increases were recorded for ultrasonic flaw detectors as well as portable industrial videoscopes, which were supported by steady investment in Japan. However, overall sales in the Others Business were flat as a result of protracted sales of investment securities for business incubation by ITX Corporation.

Net Income

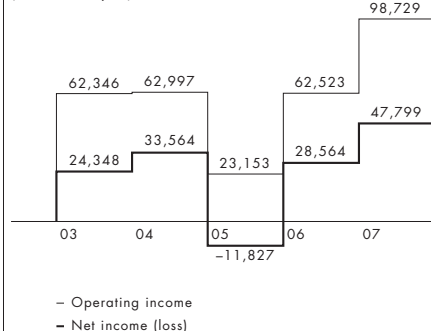
> The Olympus Group reported excellent earnings results for the fiscal year under review. Operating income increased significantly by 57.9% to ¥98,729 million (US\$823 million), due to the improvement in net sales and a decrease in the cost of sales ratio compared with the previous fiscal year. As a result, net income surged to ¥47,799 million (US\$398 million), 67.3% above the ¥28,564 million recorded in the previous fiscal year.

This marked the achievement of record new highs for Olympus in consolidated net sales, operating income and net income.

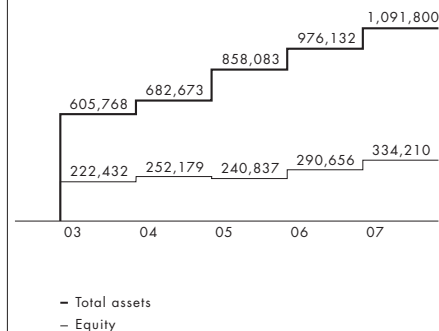
Net Sales
(Millions of yen)



Operating Income / Net Income (Loss)
(Millions of yen)



Total Assets/Equity
(Millions of yen)



ANALYSIS OF FINANCIAL POSITION

Total Assets

- > As of March 31, 2007, total assets amounted to ¥1,091,800 million (US\$9,098 million), up 11.8% compared with the previous fiscal year-end. This increase was mainly due to a 17.0% climb in total current assets to ¥572,838 million (US\$4,774 million), reflecting increases in cash and time deposits, notes and accounts receivable, and deferred income taxes. Net property, plant and equipment rose 7.1% to ¥140,089 million (US\$1,167 million), owing to an increase in buildings and structures as well as machinery and equipment. Total assets turnover was 0.97 times compared with 1.00 times in the previous fiscal year.

Total Liabilities and Net Assets

- > Total liabilities increased 10.5% year on year to ¥746,929 million (US\$6,224 million), mainly due to an increase in long-term debt. In accordance with new accounting standards, the Olympus Group recorded net assets of ¥344,871 million (US\$2,874 million) at the fiscal year-end. The equity ratio was 30.6%.

Cash Flows

- > Cash and cash equivalents as of March 31, 2007 rose ¥15,495 million to ¥174,802 million (US\$1,457 million) from the previous fiscal year-end.
Net cash provided by operating activities more than doubled year on year, expanding from ¥49,034 million to ¥108,400 million (US\$903 million), mostly due to the climb in income before provision for income taxes, thanks to the favorable trends in the Imaging Systems and Medical Systems Businesses.

Net cash used in investing activities increased ¥14,726 million to ¥96,481 million (US\$804 million), and mainly comprised deposits in time deposits and purchases of property, plant and equipment.

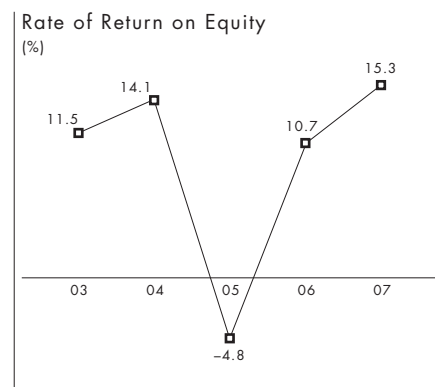
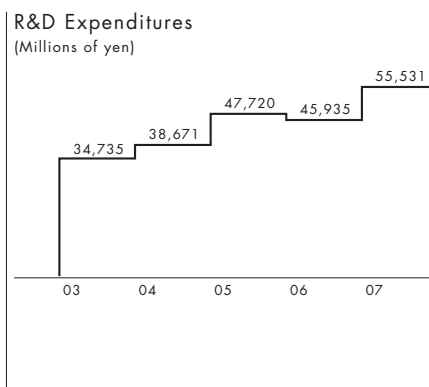
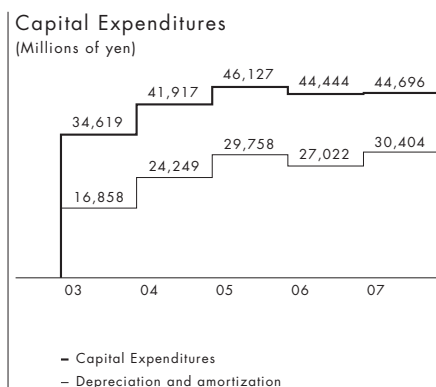
Net cash provided by financing activities fell ¥75,008 million year on year to ¥2,192 million (US\$18 million), principally due to redemption of bonds and a decrease in short-term borrowings. In addition, proceeds from long-term debt were significantly lower than the previous fiscal year.

Research & Development Expenditures

- > The Olympus Group continuously pursues new technologies through its R&D activities in order to bolster its core competencies in current businesses and create new business areas. In fiscal 2007, R&D expenditures totaled ¥55,531 million (US\$463 million), equivalent to 5.2% of net sales.

Capital Expenditures

- > Capital expenditures remained flat, edging up 0.6% year on year to ¥44,696 million (US\$372 million). Depreciation and amortization amounted to ¥30,404 million (US\$253 million) in the fiscal year under review.



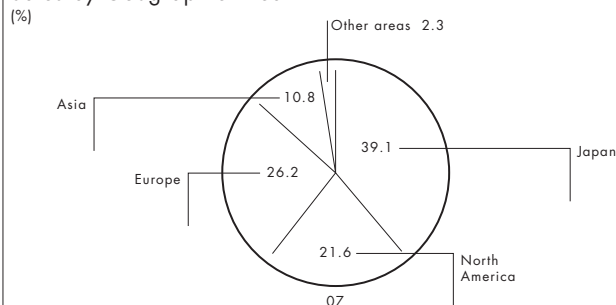
Ten-Year Summary

Olympus Corporation and Consolidated Subsidiaries

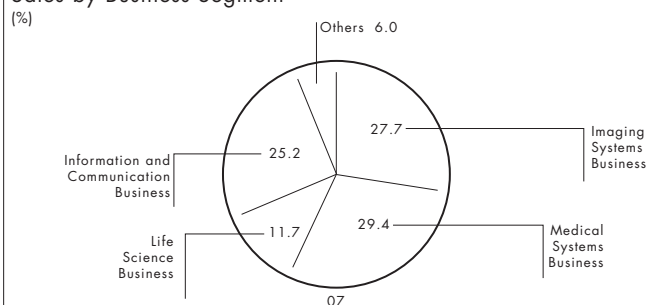
	2007	2006
FOR THE YEAR:		
Net sales:		
Domestic	¥ 414,746	376,946
Overseas	¥ 647,040	601,181
Total	¥1,061,786	978,127
Percentage to previous year	108.6%	120.2
Net income (loss)	¥ 47,799	28,564
Percentage to net sales	4.5%	2.9
R&D expenditures	¥ 55,531	45,935
Capital expenditures	¥ 44,696	44,444
Depreciation and amortization	¥ 30,404	27,022
Earnings per share (in yen):		
Basic net income (loss)	¥ 176.79	105.99
Cash dividends per share (in yen):		
Actual	¥ 35.00	22.00
AT YEAR-END:		
Total assets	¥1,091,800	976,132
Turnover (times)	0.97	1.00
Total liabilities	¥ 746,929	675,819
Minority interests	¥ 10,661	9,657
Equity	¥ 334,210	290,656
Equity ratio	30.6%	29.8
Working capital	¥ 162,722	94,770
Number of shares issued (in thousands)	271,284	271,284
Number of employees	32,958	33,022

- Notes: 1. See Note 1 (l) of the Notes to the Consolidated Financial Statements in respect to the calculation of amounts and dividends per share.
 2. These figures are based on accounting principles generally accepted in Japan.
 3. Diluted net income per share is not presented due to the fact that there were no potentially dilutive common shares which have resulted in a dilutive effect.
 4. Effective for the year ended March 31, 2003, the Company had adopted the accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings Per Shares," issued by the Accounting Standards Board of Japan on September 25, 2002).
 5. Effective for the year ended March 31, 2007, the Company adopted the accounting standard for presentation of net assets in the balance sheet. See Note 2(e) of the Notes to the Consolidated Financial Statements for details.
 6. 2007: Equity = Total net assets – Minority interests
 1998–2006: Equity = Total Shareholders' equity

Sales by Geographic Area



Sales by Business Segment



Millions of yen (except per share amounts)

2005	2004	2003	2002	2001	2000	1999	1998
250,684	150,334	141,021	150,761	149,351	144,993	136,012	128,025
562,854	483,288	423,322	377,654	317,353	283,653	277,732	236,957
813,538	633,622	564,343	528,415	466,704	428,646	413,744	364,982
128.4	112.3	106.8	113.2	108.9	103.6	113.4	117.6
(11,827)	33,564	24,348	10,279	11,787	1,860	8,883	9,309
(1.5)	5.3	4.3	1.9	2.5	0.4	2.1	2.6
47,720	38,671	34,735	30,477	30,848	31,955	31,060	28,415
46,127	41,917	34,619	24,835	21,441	17,093	18,452	17,220
29,758	24,249	16,858	23,700	18,247	16,288	16,824	15,332
(44.98)	126.96	91.88	38.87	44.57	7.03	33.59	35.21
15.00	15.00	14.00	13.00	13.00	6.50	13.00	13.00
858,083	682,673	605,768	562,078	584,103	536,174	533,584	521,101
0.95	0.93	0.93	0.94	0.80	0.80	0.78	0.70
603,959	429,329	382,456	358,256	389,968	344,272	342,895	334,411
13,287	1,165	880	2,275	1,906	1,561	402	573
240,837	252,179	222,432	201,547	192,229	190,341	190,287	186,117
28.1	36.9	36.7	35.9	32.9	35.5	35.7	35.7
47,618	125,324	79,734	114,779	124,287	171,378	232,226	211,144
264,473	264,473	264,473	264,473	264,473	264,473	264,473	264,473
30,339	28,857	23,975	20,705	19,865	18,999	17,874	17,098

Consolidated Balance Sheets

Olympus Corporation and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and time deposits (Note 16 and 18)	¥ 216,586	¥ 165,720	\$ 1,804,883
Securities (Note 3)	8,347	1,210	69,558
Notes and accounts receivable (Notes 5, 15 and 16)	192,855	167,411	1,607,125
Allowance for doubtful accounts	(3,381)	(3,352)	(28,175)
Inventories (Notes 6 and 16)	89,847	93,198	748,725
Deferred income taxes (Note 12)	32,319	25,196	269,325
Other current assets	36,265	40,142	302,209
Total current assets	572,838	489,525	4,773,650
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 16)	18,736	17,953	156,133
Buildings and structures (Note 16)	128,497	109,801	1,070,808
Machinery and equipment (Note 16)	200,727	184,513	1,672,725
Construction in progress	1,106	11,397	9,217
	349,066	323,664	2,908,883
Less—Accumulated depreciation	(208,977)	(192,854)	(1,741,475)
Net property, plant and equipment	140,089	130,810	1,167,408
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 4 and 16)	216,636	208,459	1,805,300
Deferred income taxes (Note 12)	9,606	9,324	80,050
Consolidated adjustment accounts	—	79,625	—
Goodwill	78,718	—	655,983
Other assets (Note 16)	73,913	58,389	615,942
Total investments and other assets	378,873	355,797	3,157,275
	¥1,091,800	¥ 976,132	\$ 9,098,333

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY/ NET ASSETS			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 16)	¥139,973	¥153,038	\$1,166,442
Current maturities of long-term debt (Notes 8 and 16)	8,638	33,222	71,983
Notes and accounts payable (Notes 9 and 15)	100,252	85,741	835,433
Accrued expenses	86,284	65,152	719,033
Income taxes payable	16,631	15,045	138,592
Other current liabilities	58,338	42,557	486,150
Total current liabilities	410,116	394,755	3,417,633
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities (Notes 8 and 16)	313,603	259,833	2,613,358
Severance and retirement allowance (Note 10)	9,612	9,307	80,100
Other non-current liabilities	13,598	11,924	113,317
Total non-current liabilities	336,813	281,064	2,806,775
MINORITY INTERESTS	—	9,657	—
CONTINGENT LIABILITIES: (Note 14)			
SHAREHOLDERS' EQUITY: (Note 13)			
Common stock:			
Authorized—1,000,000,000 shares			
Issued—271,283,608 shares	—	48,332	—
Capital surplus	—	73,049	—
Retained earnings	—	153,864	—
Net unrealized holding gains on available-for-sale securities, net of taxes	—	16,422	—
Foreign currency translation adjustments	—	873	—
Treasury stock, at cost	—	(1,884)	—
Total shareholders' equity	—	290,656	—
	—	¥976,132	—
NET ASSETS: (Note 13)			
Common stock:			
Authorized—1,000,000,000 shares			
Issued—271,283,608 shares	48,332	—	402,767
Capital surplus	73,049	—	608,742
Retained earnings	191,122	—	1,592,683
Treasury stock, at cost	(2,264)	—	(18,867)
Total shareholders' Equity	310,239	—	2,585,325
Net unrealized holding gains on available-for-sale securities, net of taxes	16,078	—	133,983
Net unrealized losses on hedging derivatives, net of taxes	(184)	—	(1,533)
Foreign currency translation adjustments	8,077	—	67,308
Total valuation and Translation Adjustments	23,971	—	199,758
Minority Interests	10,661	—	88,842
Total net assets	344,871	—	2,873,925
	¥1,091,800	¥—	\$9,098,333

Consolidated Statements of Operations

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Net sales	¥1,061,786	¥978,127	¥813,538	\$8,848,217
Cost of sales	611,503	619,898	516,468	5,095,858
Gross profit.....	450,283	358,229	297,070	3,752,359
Selling, general and administrative expenses.....	351,554	295,706	273,917	2,929,617
Operating income.....	98,729	62,523	23,153	822,742
OTHER INCOME (EXPENSES):				
Interest expense, net.....	(11,256)	(9,020)	(6,282)	(93,800)
Gain (loss) on available-for-sale securities, net.....	(820)	116	1,640	(6,833)
Foreign currency exchange loss, net.....	(4,120)	(4,953)	(2,240)	(34,333)
Net loss of investment in affiliated companies carried on the equity method.....	(2,394)	(1,451)	(1,189)	(19,950)
Gain on sales of investment securities in subsidiaries and affiliates	163	2,199	—	1,358
Gain on sale of beneficial interest in trust	—	1,522	—	—
Gain on sales of property, plant and equipment.....	—	—	1,247	—
Impairment loss on fixed assets (Note 17)	(1,619)	(1,411)	—	(13,492)
Provision for losses on business restructuring	—	—	(5,490)	—
Other, net.....	(5,103)	(6,338)	(5,032)	(42,525)
Total.....	(25,149)	(19,336)	(17,346)	(209,575)
Income before provision for income taxes.....	73,580	43,187	5,807	613,167
PROVISION FOR INCOME TAXES: (Note 12)				
Current	31,682	24,573	14,633	264,017
Deferred.....	(5,601)	(9,741)	3,168	(46,675)
Total.....	26,081	14,832	17,801	217,342
Minority interest in losses of consolidated subsidiaries	300	209	167	2,500
Net income (loss)	¥ 47,799	¥ 28,564	¥ (11,827)	\$ 398,325
Yen				
U.S. dollars				
AMOUNTS PER SHARE OF COMMON STOCK:				
Earnings per share—Basic net income (loss)	¥176.79	¥105.99	¥(44.98)	\$1.473
CASH DIVIDENDS, APPLICABLE TO THE YEAR				
Actual.....	¥ 35.00	¥ 22.00	¥ 15.00	\$0.292

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Olympus Corporation and Consolidated Subsidiaries
For the year ended March 31, 2007

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gains on available-for-sale securities, net of taxes	Net unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests	Total net assets
Shareholders' equity at March 31, 2006 as previously reported	¥ 48,332	¥ 73,049	¥ 153,864	¥ (1,884)	¥ 273,361	¥ 16,422	—	¥ 873	—	¥ 290,656
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006									9,657	9,657
Net assets at April 1, 2006	¥ 48,332	¥ 73,049	¥ 153,864	¥ (1,884)	¥ 273,361	¥ 16,422	—	¥ 873	¥ 9,657	¥ 300,313
Cash dividends paid (Note)			(3,921)		(3,921)					(3,921)
Cash dividends paid			(2,974)		(2,974)					(2,974)
Bonus to directors and corporate auditors (Note)			(137)		(137)					(137)
Net Income			47,799		47,799					47,799
Adjustment on projected benefit obligation of the consolidated subsidiary in the UK			(1,066)		(1,066)					(1,066)
Adjustment on projected benefit obligation of the consolidated subsidiary in the United States			(2,443)		(2,443)					(2,443)
Acquisition of treasury stock				(380)	(380)					(380)
Net change in items other than shareholders' equity						(344)	(184)	7,204	1,004	7,680
Net changes during the year	—	—	37,258	(380)	36,878	(344)	(184)	7,204	1,004	44,558
Balance at March 31, 2007	¥ 48,332	¥ 73,049	¥ 191,122	¥ (2,264)	¥ 310,239	¥ 16,078	¥ (184)	¥ 8,077	¥ 10,661	¥ 344,871

Note: Approved as appropriations of earnings at the 2006 annual General Shareholders' Meeting.

Thousands of U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gains on available-for-sale securities, net of taxes	Net unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Minority interests	Total net assets
Shareholders' equity at March 31, 2006 as previously reported	\$402,767	\$608,742	\$1,282,199	\$(15,700)	\$2,278,008	\$136,850	—	\$7,275	—	\$2,422,133
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006									80,475	80,475
Net assets at April 1, 2006	\$402,767	\$608,742	\$1,282,199	\$(15,700)	\$2,278,008	\$136,850	—	\$7,275	\$80,475	\$2,502,608
Cash dividends paid (Note)			(32,675)		(32,675)					(32,675)
Cash dividends paid			(24,783)		(24,783)					(24,783)
Bonus to directors and corporate auditors (Note)			(1,142)		(1,142)					(1,142)
Net Income			398,325		398,325					398,325
Adjustment on projected benefit obligation of the consolidated subsidiary in the UK			(8,883)		(8,883)					(8,883)
Adjustment on projected benefit obligation of the consolidated subsidiary in the United States			(20,358)		(20,358)					(20,358)
Acquisition of treasury stock				(3,167)	(3,167)					(3,167)
Net change in items other than shareholders' equity						(2,867)	(1,533)	60,033	8,367	64,000
Net changes during the year	—	—	310,484	(3,167)	307,317	(2,867)	(1,533)	60,033	8,367	371,317
Balance at March 31, 2007	\$402,767	\$608,742	\$1,592,683	\$(18,867)	\$2,585,325	\$133,983	\$(1,533)	\$67,308	\$88,842	\$2,873,925

Note: Approved as appropriations of earnings at the 2006 annual General Shareholders' Meeting.

Consolidated Statements of Shareholders' Equity

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	Millions of yen	
	2006	2005
COMMON STOCK:		
Balance at beginning of year	¥ 40,833	¥ 40,833
Issuance of common stock	7,499	—
Balance at end of year	¥ 48,332	¥ 40,833
CAPITAL SURPLUS		
Balance at beginning of year	¥ 65,550	¥ 65,528
Issuance of common stock	7,499	—
Surplus from sale of treasury stock	—	22
Balance at end of year	¥ 73,049	¥ 65,550
RETAINED EARNINGS:		
Balance at beginning of year	¥133,523	¥149,397
Net income (loss)	28,564	(11,827)
Decrease of retained earnings at beginning of year due to the adoption of a new accounting standard for retirement benefits by the consolidated subsidiary in the UK	(1,939)	—
Cash dividends paid	(4,006)	(3,953)
Bonuses for directors and corporate auditors	(34)	(94)
Adjustment on projected benefit obligation of the consolidated subsidiary in the UK	(2,244)	—
Balance at end of year	¥153,864	¥133,523
NET UNREALIZED HOLDING GAINS ON SECURITIES:		
Balance at beginning of year	¥ 6,201	¥ 5,983
Net increase	10,221	218
Balance at end of year	¥ 16,422	¥ 6,201
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:		
Balance at beginning of year	¥ (3,618)	¥ (7,569)
Net increase	4,491	3,951
Balance at end of year	¥873	¥ (3,618)
TREASURY STOCK, AT COST:		
Balance at beginning of year	¥ (1,652)	¥ (1,993)
Net change in treasury stock	(232)	341
Balance at end of year	¥ (1,884)	¥ (1,652)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before provision for Income taxes.....	¥ 73,580	¥ 43,187	¥ 5,807	\$ 613,167
Adjustments to reconcile income before provision for income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	30,404	27,022	29,758	253,367
Amortization of consolidated adjustment accounts.....	—	5,674	—	—
Amortization of goodwill.....	7,868	—	—	65,567
Increase (decrease) in severance and retirement allowance.....	183	(393)	758	1,525
Decrease (increase) in prepaid pension cost.....	673	1,361	3,889	5,608
Increase (decrease) in provision for product warranties.....	3,481	—	—	29,008
Interest income.....	(1,311)	(977)	(500)	(10,925)
Interest expense.....	12,567	9,997	6,782	104,725
Loss (gain) on marketable and investment securities, net.....	820	(116)	(1,640)	6,833
Proceed from sale of beneficial interest in trust.....	—	(1,522)	—	—
Gain on sale of investment securities in subsidiaries and affiliates.....	(163)	(2,199)	—	(1,358)
Impairment loss on fixed assets.....	1,619	1,411	—	13,492
Decrease (increase) in accounts receivable.....	(17,432)	(9,622)	1,898	(145,267)
Decrease (increase) in inventories.....	6,821	15,643	(1,749)	56,842
Increase (decrease) in accounts payable.....	11,528	(15,340)	(12,775)	96,067
Increase (decrease) in other payable.....	—	—	(3,488)	—
Increase (decrease) in accrued expense.....	15,871	4,092	(3,756)	132,258
Other.....	309	(830)	202	2,574
Sub-total.....	146,818	77,388	25,186	1,223,483
Interest and dividend received.....	2,341	1,974	1,566	19,508
Interest payments.....	(12,460)	(9,242)	(6,512)	(103,833)
Income taxes paid.....	(28,299)	(21,086)	(10,215)	(235,825)
Net cash provided by operating activities.....	108,400	49,034	10,025	903,333
CASH FLOWS FROM INVESTING ACTIVITIES:				
Deposits in time deposits.....	(41,379)	(6,244)	(6,669)	(344,825)
Withdrawals from time deposits.....	6,609	6,588	45,731	55,075
Purchases of securities.....	(8,365)	(34,997)	(35,000)	(69,708)
Sales of securities.....	1,266	35,000	69,997	10,550
Purchases of property, plant and equipment.....	(41,269)	(44,892)	(46,727)	(343,908)
Sales of property, plant and equipment.....	644	50	3,025	5,367
Purchases of investment securities.....	(15,405)	(36,896)	(66,281)	(128,375)
Sales of investment securities.....	4,360	20,947	5,801	36,333
Proceeds from acquisition of new consolidated subsidiaries.....	—	—	12,460	—
Payments for acquisition of new consolidated subsidiaries.....	(2,409)	(12,029)	(3,308)	(20,075)
Net increase (decrease) from sales of investment in subsidiaries related to changes in scope of consolidation.....	(231)	1,431	—	(1,925)
Payments for additional acquisition of consolidated subsidiaries.....	—	(12,297)	(6,695)	—
Sales of the trust beneficiary right.....	—	1,686	—	—
Other.....	(302)	(102)	124	(2,517)
Net cash used in investing activities.....	(96,481)	(81,755)	(27,542)	(804,008)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings.....	(20,025)	14,925	7,051	(166,875)
Proceeds from long-term debt.....	19,242	71,994	56,342	160,350
Repayments of long-term debt.....	(10,141)	(60,683)	(20,633)	(84,508)
Proceeds from issuance of bonds.....	44,384	39,833	20,134	369,867
Redemption of bonds.....	(25,092)	—	—	(209,100)
Proceed from issuance of common stock.....	—	14,918	—	—
Stock issue to minority shareholders.....	1,099	472	1,289	9,158
Dividends paid.....	(6,895)	(4,006)	(3,953)	(57,458)
Dividends paid to minority shareholders.....	—	(21)	(3)	—
Other.....	(380)	(232)	(212)	(3,167)
Net cash provided by financing activities.....	2,192	77,200	60,015	18,267
Effect of exchange rate changes on cash and cash equivalents.....	1,298	1,166	877	10,816
Net increase in cash and cash equivalents.....	15,409	45,645	43,375	128,408
Cash and cash equivalents at beginning of year.....	159,307	113,625	69,095	1,327,558
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries.....	146	46	1,155	1,217
Net decrease in cash and cash equivalents associated with exclusion from scope of consolidation.....	(60)	(9)	—	(500)
Cash and cash equivalents at end of year (Note 18).....	¥ 174,802	¥ 159,307	¥ 113,625	\$ 1,456,683

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Olympus Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company, which were prepared in accordance with accounting principles and practices generally accepted in Japan, from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. In preparing the accompanying consolidated financial statements, certain reclassifications (with certain expanded disclosure and the inclusion of the consolidated statements of shareholders' equity for 2006 and 2005) have been made in the statutory Japanese language consolidated financial statements in order to present them in a form that is more familiar to readers outside Japan.

The consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2(e), is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules. Also, as discussed in Note 2(f), the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard. The accompanying consolidated statements of shareholder's equity for the years ended March 31, 2006 and 2005 were voluntarily prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥120 to US\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidation.

The Company consolidates all significant investees which were controlled through substantial ownership of majority voting rights or existence of certain conditions.

Investments in certain unconsolidated subsidiaries and affiliated companies in which the Company has significant influence, but less than a controlling interest, are accounted for using the equity method. Investments in companies in which the Company does not have significant influence are accounted for at cost. The differences between acquisition cost and underlying net equity at the time of acquisition ("goodwill" for the year ended March 31, 2007 and "consolidated adjustment accounts" for the year ended March 31, 2006) are generally being amortized on the straight-line method in the range of mainly 5 to 20 years. In the consolidated balance sheet as of March 31, 2007, consolidation adjustment account identified as of March 31, 2006 is recorded as goodwill.

In the second half of fiscal 2005, ITX Corporation and its subsidiaries that were previously accounted for by the equity method became new consolidated subsidiaries of the Company due to the additional acquisition of stock.

(c) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily - available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

In the year ended March 31, 2006, Amortization of consolidated adjustment accounts, formerly included in other of cash flows from operating activities, is shown as an independent item. Amount of amortization of consolidated adjustment accounts included in other of cash flows from operating activities in fiscal 2005 is ¥3,053 million.

In the year ended March 31, 2006, Increase (decrease) in other payable, formerly shown as an independent item, is included in other of cash flows from operating activities. Amount of increase (decrease) in other payable included in other of cash flows from operating activities in fiscal 2006 is ¥176 million.

In the year ended March 31, 2007, Amortization of consolidated adjustment accounts and goodwill are shown as "Amortization of goodwill" on the cash flow statement. Amount of amortization of goodwill included in depreciation and amortization expenses in fiscal 2006 was ¥213 million.

In the year ended March 31, 2007, Increase (decrease) in provision for product warranties, formerly included in other of cash flows from operating activities, is shown as an independent item. The amount of Increase (decrease) in provision for product warranties included in other of cash flows from operating activities in fiscal 2006 was ¥1,345 million.

(d) SECURITIES

In accordance with the accounting standard for financial instruments, the Company and its consolidated subsidiaries examined the intent of holding securities and classified those securities into four categories.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market value, and those with no fair market values at moving-average cost. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the shareholders' equity in fiscal 2006 and net assets in fiscal 2007. Realized gain on sale of such securities is computed using the moving-average cost method.

(e) INVENTORIES

Inventories are principally stated at the lower of cost (first-in first-out) or market.

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining balance method at rates based on the estimated useful lives of the relevant assets. The effective annual rates of depreciation as of March 31, 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Buildings and structures.....	7.9%	8.7%	9.5%
Machinery and equipment.....	32.0%	33.0%	33.9%

(g) PENSION AND RETIREMENT ALLOWANCE PLANS

Employees of the Company, certain domestic consolidated subsidiaries and foreign consolidated subsidiaries are covered by funded pension plans.

Employees of domestic consolidated subsidiaries, directors and corporate auditors of the Company and several domestic consolidated subsidiaries are covered primarily by unfunded retirement allowance plans.

According to the approval at the Company's Annual Shareholders' Meeting on June 29, 2006, the Company terminated the policy relating to retirement benefits to directors and corporate auditors of the Company.

The amounts of pension payments and retirement allowances are generally determined on the basis of length of service and basic salary at the time of termination of service.

It is the Company's policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits based on a certain percentage of wage and salary costs. The plan assets consist principally of interest-bearing bonds and listed equity securities.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2007 based on the amounts of projected benefit obligation and the fair value of the plan assets at that date.

Allowance for employees' severance and retirement benefits was included in the liability section of the consolidated balance sheets together with severance and retirement allowance for directors and corporate auditors as of March 31, 2007 and 2006.

(h) PROVISION FOR LOSSES ON BUSINESS RESTRUCTURING

To provide for the loss that will appear during the execution of restructuring of the Imaging Systems Business hereafter, the amount of expected loss is appropriated on the consolidated statement of operations for the year ended March 31, 2005. The main components are write-off for inventories and special retirement allowance.

(i) RESEARCH AND DEVELOPMENT

Expenses relating to research and development activities are charged to income as incurred. Total amounts charged to income were ¥55,531 million (\$462,758 thousand), ¥45,935 million and ¥47,720 million for the years ended March 31, 2007, 2006 and 2005, respectively.

(j) CERTAIN LEASE TRANSACTIONS

Finance leases that do not transfer titles to lessees are accounted for in the same manner as operating leases.

(k) INCOME TAXES

The Company adopts the accounting standard that recognizes tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

In the year ended March 31, 2007, the Company adopted the consolidated taxation system designating Olympus Corporation as the parent company. Some subsidiaries have applied the consolidated taxation system since before.

(l) AMOUNTS PER SHARE

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for each fiscal year. Diluted EPS is similar to basic EPS except that the weighted-average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the years ended for March 31, 2007, 2006 and 2005, there were no dilutive common shares which have resulted in a dilutive effect. Accordingly, the Company's basic and dilutive earnings per share computations are the same for the periods presented.

Cash dividends per common share are the amounts applicable to the respective periods.

(m) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

In accordance with the accounting standards for foreign currency translations, assets and liabilities denominated in foreign functional currencies are translated at exchange rates at the balance sheet date. Shareholders' equity accounts are translated at historical exchange rates. Revenues and expenses denominated in foreign functional currencies are translated at average exchange rates for each corresponding fiscal year. Differences arising from translation are presented as "Foreign currency translation adjustments" in a separate component of net assets as of March 31, 2007, and of shareholders' equity as of March 31, 2006.

2. CHANGES IN ACCOUNTING POLICIES

(a) ACCOUNTING STANDARDS FOR THE IMPAIRMENT OF FIXED ASSETS

In the year ended March 31, 2006, the Company had adopted new accounting standards for the impairment of fixed assets in accordance with "Accounting Standards for the Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standards for the Impairment of Fixed Assets," Business Accounting Council, August 9, 2002) and "Implementation Guidance for Accounting Standards for the Impairment of Fixed Assets," (Accounting Standards Board of Japan, Financial Accounting Standard Implementation Guidance No. 6, October 31, 2003). As a result of changes in standards, income before income taxes decreased ¥1,411 million compared to the same period a year earlier.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

(b) CHANGE IN ACCOUNTING STANDARDS FOR RETIREMENT BENEFITS IN THE UNITED KINGDOM ADOPTED BY CONSOLIDATED SUBSIDIARY IN THE UNITED KINGDOM

In the year ended March 31, 2006, consolidated subsidiary in the UK had adopted a new accounting standard for retirement benefits there.

The effect of this change was to decrease retained earnings by ¥4,183 million since the unrecognized net transition obligation, amounting to ¥1,939 million and the unrecognized actuarial difference, amounting to ¥2,244 million were directly charged to retained earnings for the year ended March 31, 2006. The effect on net income of the adoption of this new accounting standard is not material.

(c) ACCOUNTING STANDARDS FOR EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS

By the partial amendment of "Accounting Standards for Employee Retirement and Severance Benefits" issued by Business Accounting Council on June 16, 1998, unrecognized pension assets are allowed to be recognized as assets and profits.

In the year ended March 31, 2006, the Company adopted the partial amendment of "Corporate Accounting Standard No. 3 regarding Employee Retirement and Severance Benefits" issued on March 16, 2005. Unrecognized pension assets are supposed to be recognized in profit or loss as actuarial difference from the year ended March 31, 2007 onward.

(d) ACCOUNTING STANDARDS FOR BONUSES TO DIRECTORS AND CORPORATE AUDITORS

In the year ended March 31, 2007, the Company has adopted new accounting standards for the bonuses to directors and corporate auditors in accordance with "Accounting Standards for the Bonuses to Directors" (Corporate Accounting Standard No. 4 regarding the bonuses to directors and corporate auditors issued on November 29, 2005).

The effect on net income of the adoption of this new accounting standard is not material.

(e) ACCOUNTING STANDARDS FOR PRESENTATION OF NET ASSETS IN THE BALANCE SHEET

In the year ended March 31, 2007, the Company has adopted new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

As of March 31, 2007, the consolidated balance sheets were prepared according to the new accounting standards comprising three sections: assets, liabilities and net assets. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises assets, liabilities, minority interests and shareholders' equity sections. Under the new accounting standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes net unrealized losses on hedging derivatives, net of taxes. Under the previous presentation rules, net unrealized losses on hedging derivatives, net of taxes, were included in the assets or liabilities sections without considering the related income tax effects. Minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and the shareholders' equity sections. The adoption of the new accounting standard had no impacts on the consolidated statement of operations for the year ended March 31, 2007. Also, if the new accounting standards had not been adopted at March 31, 2007, shareholders' equity amounting to ¥334,394 million (\$2,786,616 thousand) would have been presented.

(f) ACCOUNTING STANDARDS FOR STATEMENT OF CHANGES IN NET ASSETS

In the year ended March 31, 2007, the Company has adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005).

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the new accounting standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

(g) ACCOUNTING STANDARDS FOR BUSINESS COMBINATION AND BUSINESS SEPARATION

In the year ended March 31, 2007, the Company has adopted "Accounting Standards for business combination" (Business Accounting Council, October 31, 2003) and "Accounting Standards for business separation" (Corporate Accounting Standard No. 7 regarding "the business separation" issued on December 27, 2005) and "Implementation guidance for Accounting Standards for business combination and separation" (Accounting Standard Board of Japan, Financial Accounting Standards Implementation Guidance No. 10, December 9, 2005).

(h) CHANGE IN ACCOUNTING STANDARDS FOR RETIREMENT BENEFITS IN THE UNITED STATES ADOPTED BY CONSOLIDATED SUBSIDIARIES IN THE UNITED STATES

In the year ended March 31, 2007, consolidated subsidiaries in the United States adopted a new accounting standard for retirement benefits in the United States.

The effect of this change was to decrease retained earnings by ¥2,443 million (\$20,358 thousand) since the unrecognized actuarial difference amounting to ¥2,443 million (\$20,358 thousand) was directly charged to retained earnings for the year ended March 31, 2007. The adoption of this new accounting standard has no impact on net income.

3. SECURITIES

The following tables summarize acquisition costs, book values and fair value of securities with fair value as of March 31, 2007 and 2006:

Available-for-sale securities

Securities with book value (fair value) exceeding acquisition cost.

	Millions of yen						Thousands of U.S. dollars		
	2007			2006			2007		
	Acquisition cost	Book Value	Difference	Acquisition cost	Book Value	Difference	Acquisition cost	Book Value	Difference
Equity securities.....	¥ 39,762	¥ 63,745	¥23,983	¥41,269	¥ 65,778	¥24,509	\$ 331,350	\$ 531,208	199,858
Bonds	—	—	—	—	—	—	—	—	—
Others.....	96,078	97,987	1,909	36,078	37,371	1,293	800,650	816,559	15,909
Total	¥135,840	¥161,732	¥25,892	¥77,347	¥103,149	¥25,802	\$1,132,000	\$1,347,767	\$215,767

Securities with book value (fair value) not exceeding acquisition cost.

	Millions of yen						Thousands of U.S. dollars		
	2007			2006			2007		
	Acquisition cost	Book Value	Difference	Acquisition cost	Book Value	Difference	Acquisition cost	Book Value	Difference
Equity securities	¥12,456	¥11,410	¥(1,046)	¥ 2,066	¥ 1,962	¥(104)	\$103,800	\$ 95,083	\$(8,717)
Bonds	—	—	—	1,200	1,200	—	—	—	—
Others.....	2,327	2,259	(68)	60,000	59,279	(721)	19,392	18,825	(567)
Total	¥14,783	¥13,669	¥(1,114)	¥63,266	¥62,441	¥(825)	\$123,192	\$113,908	\$(9,284)

Note: The Company recognizes impairment loss when the fair market value of marketable and investment securities comes down to less than 50% of the acquisition cost at the end of the period. In addition, the loss is also recognized when the fair market value declines more than 30% but less than 50%, unless the recovery of the fair market value is reasonably expected under the market conditions, trends of earnings and other key measures.

The following table summarizes book values of securities not stated at fair value as of March 31, 2007 and 2006:

Available-for-sale securities

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Non-listed equity securities	¥12,802	¥11,603	\$106,683
Non-listed foreign bonds	9,928	5,428	82,733
Others.....	5,037	1,964	41,976
Total	¥27,767	¥18,995	\$231,392

Maturities of available-for-sale securities are as follows:

	Millions of yen			
	2007			
	Within a year	Over a year but within five years	Over five years but within ten years	Total
Government bonds	¥ —	¥ 3	¥ —	¥ 3
Corporate bonds.....	5,903	457	4,021	10,381
Others.....	2,444	1,794	364	4,602
Total	¥8,347	¥2,254	¥4,385	¥14,986

	Millions of yen			
	2006			
	Within a year	Over a year but within five years	Over five years but within ten years	Total
Government bonds	¥1,200	¥ 3	¥ —	¥1,203
Corporate bonds.....	—	299	5,425	5,724
Others.....	—	1,101	420	1,521
Total	¥1,200	¥1,403	¥5,845	¥8,448

	Thousands of U.S. dollars			
	2007			
	Within a year	Over a year but within five years	Over five years but within ten years	Total
Government bonds	\$ —	\$ 25	\$ —	\$ 25
Corporate bonds.....	49,192	3,808	33,508	86,508
Others.....	20,366	14,950	3,034	38,350
Total	\$69,558	\$18,783	\$36,542	\$124,883

Investment in unconsolidated subsidiaries and affiliates are as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Investment securities	¥21,815	¥25,084	\$181,791
Other assets	1,054	961	8,784
Total	¥22,869	¥26,045	\$190,575

4. BUSINESS INCUBATION SECURITIES AND BUSINESS INCUBATION SECURITIES IN AFFILIATES

Business incubation securities and business incubation securities in affiliates that are held by subsidiaries of the Company are included in investment securities on the consolidated balance sheets as of March 31, 2007 and 2006. Business incubation securities amount to ¥9,316 million (\$77,633 thousand) and ¥7,523 million, respectively. Business incubation securities in affiliates amount to ¥3,645 million (\$30,375 thousand) and ¥4,899 million, respectively.

5. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	Unconsolidated subsidiaries and affiliates	¥ 2,066	¥ 1,627
Trade	190,789	165,784	1,589,908
Total	¥192,855	¥167,411	\$1,607,125

6. INVENTORIES

Inventories as of March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	Finished goods	¥62,108	¥66,177
Work in process and raw materials.....	27,739	27,021	231,158
Total	¥89,847	¥93,198	\$748,725

7. SHORT-TERM BORROWINGS

Short-term borrowings, which consist principally of bank acceptances payable in foreign currencies, are due in one to 180 days. The annual interest rates on these borrowings ranged from 0.58% to 13.40% and from 0.02% to 13.40% as of March 31, 2007 and 2006, respectively. Bank acceptances payable of ¥3,179 million (\$26,492 thousand) and ¥3,485 million were secured by certain trade accounts receivable and inventories as of March 31, 2007 and 2006.

As is customary in Japan, substantially all bank borrowings, including acceptances payable, are subject to general agreements with each bank which provide, among other things, that the banks may, under certain circumstances, require additional security for such loans and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The Company and its subsidiaries have never been requested to submit such additional security.

8. LONG-TERM DEBT

Long-term debt as of March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(Unsecured long-term debt)			
3.60% yen bonds, due April 2006	¥ —	¥ 15,000	\$ —
2.975% yen bonds, due November 2006	—	10,000	—
3.35% yen bonds, due February 2009	5,000	5,000	41,667
0.80% yen bonds, due July 2008	30,000	30,000	250,000
0.84% yen bonds, due October 2009	20,000	20,000	166,667
0.71% yen bonds, due July 2010	20,000	20,000	166,667
1.09% yen bonds, due July 2012	20,000	20,000	166,667
1.94% yen bonds, due March 2017	20,000	—	166,667
1.69% yen bonds, due March 2014	15,000	—	125,000
1.98% yen bonds, due September 2016	10,000	—	83,333
1.16% loan from a Japanese bank, due December 2008	20,000	20,000	166,667
1.52% loan from a Japanese bank, due October 2011	25,000	25,000	208,333
1.54% loan from a Japanese bank, due September 2011	20,000	20,000	166,667
1.34% loan from a Japanese bank, due March 2011	—	20,000	—
0.92% loan from a Japanese bank, due July 2011	10,000	10,000	83,333
1.90% loan from a Japanese bank, due March 2011	10,000	10,000	83,333
1.61% loan from a Japanese bank, due September 2012	10,000	10,000	83,333
2.16% loan from a Japanese bank, due March 2013	10,000	10,000	83,333
2.67% loan from a Japanese bank, due September 2009	—	5,000	—
5.48% loan from a foreign bank, due November 2008	2,656	3,524	22,133
1.98% loan from a Japanese bank, due September 2012	—	3,000	—
1.94% loan from a Japanese bank, due September 2009	—	3,000	—
1.79% loan from a Japanese bank, due March 2010	—	3,000	—
0.65% loan from a Japanese bank, due March 2008	—	3,000	—
5.48% loan from a foreign bank, due November 2007	—	1,175	—
1.34% loan from a Japanese bank, due July 2010	20,000	—	166,667
2.66% loan from a Japanese bank, due Jun 2009	5,000	—	41,667
1.21% loan from a Japanese bank, due March 2011	5,000	—	41,667
1.80% loan from a Japanese bank, due March 2010	3,000	—	25,000
1.94% loan from a Japanese bank, due March 2010	3,000	—	25,000
1.98% loan from a Japanese bank, due September 2012	3,000	—	25,000
1.99% loan from a Japanese bank, due September 2009	2,460	—	20,500
1.21% loan from a Japanese bank, due March 2011	2,000	—	16,667
2.17% loan from a Japanese bank, due March 2011	2,000	—	16,667
2.35% loan from a Japanese bank, due March 2011	2,000	—	16,667
2.24% loan from a Japanese bank, due August 2011	2,000	—	16,667
1.97% loan from a Japanese bank, due March 2011	2,000	—	16,667
1.94% loan from a Japanese bank, due March 2009	1,500	—	12,500
1.69% loan from a Japanese bank, due Jun 2010	1,500	—	12,500
2.30% loan from a Japanese bank, due March 2011	1,000	—	8,333
Other bonds	574	524	4,783
Others from foreign banks	2,704	3,728	22,533
Others from Japanese banks	13,520	18,419	112,667
(Secured long-term debt)			
Others from foreign banks	1,147	2,068	9,558
Others from Japanese banks	1,180	1,617	9,831
	¥322,241	¥293,055	\$2,685,341
Less-current maturities	(8,638)	(33,222)	(71,983)
	¥313,603	¥259,833	\$2,613,358

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
2008	¥ 8,638	\$ 71,983
2009	64,555	537,958
2010	36,377	303,142
2011	66,573	554,775
2012	57,372	478,100
Thereafter	88,726	739,383
Total	¥322,241	\$2,685,341

9. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unconsolidated subsidiaries and affiliates	¥ 379	¥ 9	\$ 3,158
Trade	99,873	85,732	832,275
Total	¥100,252	¥85,741	\$835,433

10. SEVERANCE AND RETIREMENT ALLOWANCE

The Company and its consolidated subsidiaries adopted accounting standards for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirements benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2006, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥ 123,455	¥ 119,322	\$ 1,028,792
Unrecognized prior service costs	2,740	2,935	22,833
Unrecognized actuarial difference	4,397	(5,661)	36,642
Fair value of pension assets	(128,247)	(115,764)	(1,068,725)
Prepaid pension expenses	7,184	7,695	59,866
Allowance for employees' severance and retirement benefits	9,529	8,527	79,408
Severance and retirement allowance for directors and corporate auditors	¥ 83	¥ 780	\$ 692
Total severance and retirement allowance	¥ 9,612	¥ 9,307	\$ 80,100

Included in the consolidated statements of operations for the years ended March 31, 2007 and 2006, are employees' severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs—benefits earned during the year	¥ 6,435	¥ 5,686	\$ 53,625
Interest cost on projected benefit obligation	3,462	3,138	28,850
Expected return on plan assets	(5,515)	(4,681)	(45,958)
Amortization of actuarial difference	2,686	6,341	22,383
Amortization of prior service costs	(1,116)	(950)	(9,300)
Severance and pension benefit expenses	¥ 5,952	¥ 9,534	\$ 49,600

The discount rates used by the Company are mainly 2.0% in fiscal 2007 and 2006. The rate of expected return on plan assets used by the Company is mainly 4.0% in fiscal 2007 and 2006. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs and net transition obligation are both recognized as expense (or income) in equal amounts over mainly five years in fiscal 2007 and 2006, and actuarial gains (or losses) are recognized as income (or expense) in equal amounts over mainly five years in fiscal 2007 and 2006.

11. STOCK OPTION PLANS

A summary of information regarding the consolidated subsidiaries stock option plans is as follows:

	ITX Corporation	Other consolidated subsidiaries
Qualified beneficiaries	5 directors 1 corporate auditor 91 employees 6 directors of subsidiaries of ITX Corporation	29 directors 4 corporate auditors 372 employees 3 directors of subsidiaries 29 employees of subsidiaries 6 external coagents
Class and number of shares of common stock for which new subscription rights were offered	Common stock 5,795	Common stock 19,556
Date of rights granted	From October 6, 2005 to April 28, 2006	From April 25, 2005 to November 15, 2006
Period of exercise of rights	From June 24, 2007 to June 23, 2010	From May 1, 2007 to June 27, 2017
Exercise price (yen)	¥266,859	¥42,565
Number of options before vested		
March 31, 2006	5,190	7,369
Granted	455	8,841
Lapsed	595	1,219
Vested	—	4,400
March 31, 2007	5,050	10,591
Number of options vested		
March 31, 2006	—	607
Vested	—	4,400
Exercised	—	—
Lapsed	—	—
March 31, 2007	—	5,007
Average price of common stock at exercise date (yen)	¥ —	¥ —

The fairly evaluated unit value on the stock option of the other consolidated subsidiaries was evaluated by the intrinsic value per unit for the year ended March 31, 2007. The evaluation methods utilized by the consolidated subsidiaries were net equity value method, cash flow method, or other methods which were optimum at the evaluation dates.

The total intrinsic value of the stock options was ¥19 million (\$158 thousand) at the year ended March 31, 2007.

12. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 40.7% for the years ended March 31, 2007, 2006 and 2005. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for consolidated financial statement purposes for the years ended March 31, 2007, 2006 and 2005.

	2007	2006	2005
Japanese statutory tax rate	40.7%	40.7%	40.7%
Non-deductible expenses	2.1	8.3	12.7
Effect of foreign tax rate differences.....	(2.5)	(1.0)	(37.1)
Impact of operating losses generated/(utilized) for certain subsidiaries.....	—	—	2.1
Increase (decrease) of allowance for evaluation	(1.0)	(16.5)	282.7
Tax deduction for research and development.....	(6.6)	(3.9)	(23.9)
Amortization of consolidated adjustment accounts	—	5.3	21.4
Amortization of goodwill.....	3.6	—	—
Other, net.....	(0.9)	1.4	7.9
Effective tax rate.....	35.4%	34.3%	306.5%

Significant components of deferred income tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred income tax assets			
Inventories.....	¥ 7,536	¥ 7,164	\$ 62,800
Prepaid expenses.....	7,097	6,010	59,142
Accrued bonuses	5,401	4,960	45,008
Unrealized intercompany profits.....	7,205	4,047	60,042
Depreciation of property, plant and equipment	4,203	4,129	35,025
Depreciation of intangible assets.....	12,631	10,330	105,258
Deferred assets.....	257	301	2,142
Severance and retirement allowances.....	3,126	3,460	26,050
Securities	3,643	3,100	30,358
Deficit carried forward	11,499	14,582	95,825
Other.....	10,835	9,207	90,292
Subtotal	73,433	67,290	611,942
Allowance for evaluation	(21,475)	(23,735)	(178,958)
Total deferred income tax assets.....	51,958	43,555	432,984
Net unrealized holding gains on available-for-sale securities, net of taxes	(8,787)	(8,782)	(73,225)
Prepaid pension expenses	(3,390)	(1,401)	(28,250)
Other.....	(7,154)	(7,318)	(59,617)
Total deferred income tax liabilities.....	(19,331)	(17,501)	(161,092)
Net deferred income tax assets	¥ 32,627	¥ 26,054	\$ 271,892

13. NET ASSETS

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in-capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the board of directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in-capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in-capital remained equal to or exceed 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Total number and class of shares issued and treasury stock

Class of Shares	As of the end of the previous consolidated fiscal year (Number of shares)	Increase in the current fiscal year (Number of shares)	Decrease in the current fiscal year (Number of shares)	As of the end of the current consolidated fiscal year (Number of shares)
Shares issued				
Common stock.....	271,283,608	—	—	271,283,608
Total.....	271,283,608	—	—	271,283,608
Treasury Stock				
Common stock (Note 1)	856,534	105,271	—	961,805
Total.....	856,534	105,271	—	961,805

Note
1. Increase in number of shares in common stock of treasury stock, 105,271 shares is due to the purchase of stock less than unit share.

Dividends

Dividend paid

Resolution	Class of shares	Amount of dividend paid (Millions of yen)	Dividend per share (Yen)	Record Date	Effective date
General Shareholders' Meeting (June 29, 2006)	Common Stock	¥3,921	¥14.50	March 31, 2006	June 30, 2006
Board of Directors (November 7, 2006)	Common Stock	¥2,974	¥11.00	September 30, 2006	December 8, 2006

Dividends resolved upon during the current period that will be effective after the period-ends

Resolution	Class of shares	Amount of dividend paid (Millions of yen)	Funds of distribution	Dividend per share (Yen)	Record Date	Effective date
General Shareholders' Meeting (June 28, 2007)	Common Stock	¥6,488	Retained earnings	¥24.00	March 31, 2007	June 29, 2007

Resolution	Class of shares	Amount of dividend paid (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record Date	Effective date
General Shareholders' Meeting (June 29, 2006).....	Common Stock	\$32,675	\$0.12	March 31, 2006	June 30, 2006
Board of Directors (November 7, 2006)	Common Stock	\$24,783	\$0.09	September 30, 2006	December 8, 2006

Dividends resolved upon during the current period that will be effective after the period-ends

Resolution	Class of shares	Amount of dividend paid (Thousands of U.S. dollars)	Funds of distribution	Dividend per share (U.S. dollars)	Record Date	Effective date
General Shareholders' Meeting (June 28, 2007)	Common Stock	\$54,067	Retained earnings	\$0.20	March 31, 2007	June 29, 2007

14. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥3,179 million (\$26,492 thousand) and ¥3,485 million as of March 31, 2007 and 2006, respectively endorsed of ¥179 million (\$1,492 thousand) and ¥216 million as of March 31, 2007 and 2006. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥391 million (\$3,258 thousand) and ¥472 million, and secondly for borrowing from banks to subsidiaries, amounting to ¥1,928 million (\$16,067 thousand) and ¥1,322 million as of March 31, 2007 and 2006.

15. TRADE NOTES MATURING ON BANK HOLIDAYS AT THE END OF YEAR

As financial institutions in Japan were closed on March 31, 2007, trade notes maturing on March 31, 2007 were accounted for as if they were settled at that date.

The amount of trade notes maturing as at March 31, 2007 was as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable.....	¥ 580	\$ 4,833
Trade notes payable.....	1,434	11,950

16. PLEDGED ASSETS

The following assets were pledged as collateral for short-term borrowings and long-term debt as of March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits.....	¥ 596	¥1,655	\$ 4,967
Accounts receivable	509	506	4,242
Inventories	306	303	2,550
Buildings and structures.....	2,047	1,781	17,058
Machinery and equipment	286	135	2,383
Land	1,881	1,755	15,675
Investment securities	88	—	733
Other assets.....	30	53	250
	¥5,743	¥6,188	\$47,858

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Long-term debt.....	¥2,327	¥3,685	\$19,392
Short-term borrowings.....	770	501	6,416
	¥3,097	¥4,186	\$25,808

17. LOSS ON IMPAIRMENT OF FIXED ASSETS

The loss on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2007 and 2006 were as follows:

(For the year ended March 31, 2007)

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Assets used for Life Science Business	Goodwill	Munster, Germany	¥ 247	\$ 2,058
Assets used for Information and Communication Business	Goodwill	Tokyo, Fukuoka	435	3,625
	Building	and others	188	1,567
Assets used for others business	Goodwill	Nagano and others	269	2,242
	Machinery and Equipment		24	200
Idle properties	Land	Nagano	255	2,125
	Building		201	1,675
Total			¥1,619	\$13,492

(For the year ended March 31, 2006)

Use	Type of assets	Location	Millions of yen
Assets used for Information and Communication Business	Consolidated adjustment accounts and other intangible assets	Tokyo	¥ 1,331
	Buildings and structures	Tokyo and others	32
Assets used for other business	Other intangible assets	Tokyo	36
Idle properties	Land	Shiga	12
Total			¥ 1,411

The Company and its consolidated subsidiaries classified fixed assets into the groups of the business segments. The idle properties are considered to constitute a group.

For assets for business use were not expected to make a profit constantly because of the degradation of the business environment. As a result, carrying amounts of assets for business use were devaluated to their recoverable amounts. The recoverable amounts were calculated on the basis of utility value, with future cash flows discounted by mainly 6.5% or 5.9% in fiscal 2007 and 6.6% in fiscal 2006.

Carrying amounts of idle properties were devaluated to their recoverable amounts, owing to substantial decline in the fair market value. The recoverable amounts were estimated by net realizable value of fixed assets which were calculated based on net selling price in fiscal 2007, and by assessed value of fixed assets which were reflected in market price in fiscal 2006.

18. CASH AND CASH EQUIVALENTS

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥216,586	¥165,720	\$1,804,883
Less: Time deposits with maturities over three months	(41,794)	(6,423)	(348,283)
Cash equivalents included in marketable securities	10	10	83
Cash and cash equivalents	¥174,802	¥159,307	\$1,456,683

19. CASH FLOW FROM ACQUISITION OF CONSOLIDATED SUBSIDIARIES

Details of assets and liabilities when NDT Engineering Corporation and other companies were consolidated for the year ended March 31, 2006 were as follows:

	Millions of yen
Notes and accounts receivable.....	¥2,184
Inventories	2,327
Property, plant and equipment	2,465
Investments and other assets	4,680
Notes and accounts payable.....	(1,224)
Short-term borrowings.....	(2,564)
Other current liabilities	(23)
Total	¥7,845

Details of assets and liabilities when ITX Corporation and its subsidiaries (ITX) were consolidated, acquisition cost of share, and proceeds from acquisition of ITX for the year ended March 31, 2005 were as follows:

	Millions of yen
Notes and accounts receivable.....	¥31,441
Inventories	10,606
Other current assets.....	37,850
Consolidated adjustment accounts	33,359
Investment securities	15,511
Investments and other assets	15,615
Notes and accounts payable.....	(29,451)
Short-term borrowings	(25,346)
Other current liabilities	(11,656)
Long-term debt, less current maturities.....	(39,154)
Other non-current liabilities.....	(11,322)
Minority interests	(2,487)
Sub-total	24,966
Consolidated adjustment accounts	14,419
Minority interests	(10,212)
Total equity method until consolidation	(8,905)
Sub-total: acquisition cost of ITX	20,268
Cash and cash equivalents owned by ITX.....	32,728
Proceeds from acquisition of ITX	12,460

20. INFORMATION FOR CERTAIN LEASE TRANSACTIONS

LESSEE:

The Company and its consolidated subsidiaries lease certain machinery and equipment under the non-cancelable finance and operating leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(Equivalent amount)			
Acquisition cost	¥10,592	¥10,588	\$ 88,267
Accumulated depreciation	(5,391)	(4,887)	(44,925)
Estimated net book value.....	¥ 5,201	¥ 5,701	\$ 43,342
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(Lease payments and pro forma information)			
Lease payments	¥2,540	¥2,488	21,167
Equivalent of depreciation expense	2,377	2,305	19,808
Equivalent of interest expense	159	160	1,325

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of interest expense is computed using the interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under the non-cancelable finance and operating leases having remaining terms in excess of one year as of March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
2007	¥1,938	\$16,150
2008 and thereafter	3,284	27,367
Total minimum lease payments	¥5,222	\$43,517

LESSOR:

Certain machinery and equipment of its consolidated subsidiaries are leased under the finance leases. For the years ended March 31, 2007 and 2006, the amounts of machinery and equipment were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease income	¥ —	¥412	\$ —
Depreciation expense	—	380	—
Estimated interest income	¥ —	¥ 28	\$ —

Estimated interest income is computed using the interest rate method over the lease terms for the difference between acquisition cost and total lease receipts.

In the year ended March 31, 2006, its consolidated subsidiaries sold out all leased assets. As a result, certain accounts related to leased object of lessor are not recorded at March 31, 2007 and 2006.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and its consolidated subsidiaries use derivative financial instruments in the normal course of their business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary classes of derivatives used by the Company and its consolidated subsidiaries are foreign exchange forward contracts, currency options, and interest rate swaps. Almost all derivative transactions are used to hedge interest rates and foreign currency positions in connection with their business. Accordingly, market risk in these derivatives is largely offset by opposite movements in the underlying positions. Management assesses derivative transactions and market risks surrounding these transactions according to the Company's policy regarding derivative transactions. Contracts of derivative financial instruments are executed by finance departments of the Company or subsidiaries.

The counter-parties to the derivative financial instruments of the Company and its consolidated subsidiaries are substantial and credit-worthy multi-national commercial banks or other financial institutions that are recognized market makers. Neither the risks of counter-party non-performance nor the economic consequences of counter-party non-performance associated with these contracts are considered by the Company to be material.

Part of its consolidated subsidiaries also use stock-price swap contracts for speculation purposes within a limited amount. Stock-price swap contracts are exposed to stock-price fluctuation risk.

The following table summarizes the underlying notional transaction amounts, book values and fair values for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2007 and 2006:

(as of March 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Book value	Fair value	Notional amount	Book value	Fair value
Foreign exchange forward contracts						
To buy U.S. dollars	¥ 206	¥ —	¥ 206	\$ 1,717	\$ —	\$ 1,717
To buy other currencies.....	1,835	—	1,823	15,292	—	15,192
To sell U.S. dollars.....	5,456	—	5,369	45,467	—	44,742
To sell British Pounds.....	4,235	—	4,175	35,292	—	34,792
To sell other currencies	4,507	—	4,460	37,558	—	37,167
Foreign exchange option contracts						
Put option.....	3,970	72	98	33,083	600	817
Interest rate swap contracts.....	250	—	(23)	2,083	—	(192)

(as of March 31, 2006)	Millions of yen		
	Notional amount	Book value	Fair value
Foreign exchange forward contracts			
To buy U.S. dollars	¥ 98	¥ —	¥ 106
To buy other currencies	646	—	647
To sell U.S. dollars.....	4,142	—	4,108
To sell British Pounds	8,225	—	8,147
To sell other currencies.....	7,652	—	7,498
Foreign exchange option contracts			
Put option	3,978	86	120
Stock-price swap contracts	2,810	—	(1,466)

Foreign exchange forward contracts, interest rate swap contracts, currency swap contracts and foreign exchange option contracts for which the hedge accounting are applied, are exclude from the above amounts.

The fair value of currency option agreements is estimated by obtaining quotes from financial institutions. The fair value of foreign exchange forward contracts is estimated based on market prices for contracts with similar terms. The fair value of interest rate swap contracts and stock-price swap contracts are estimated by obtaining quotes from financial institutions.

22. SEGMENTAL INFORMATION

(a) INFORMATION BY BUSINESS SEGMENT

Segment information for the years ended March 31, 2007, 2006 and 2005 are shown in the tables below:

	Millions of yen							
	2007						Elimination and Corporate	Consolidated Total
	Imaging Systems Business	Medical Systems Business	Life Science Business	Information and Communication Business	Others	Total		
Net sales:								
Unaffiliated customers	¥294,303	¥311,709	¥123,706	¥267,691	¥64,377	¥1,061,786	¥ —	¥1,061,786
Intersegment	455	76	37	—	596	1,164	(1,164)	—
Total	294,758	311,785	123,743	267,691	64,973	1,062,950	(1,164)	1,061,786
Operating expenses	267,550	223,932	115,664	264,975	64,101	936,222	26,835	963,057
Operating income	27,208	87,853	8,079	2,716	872	126,728	(27,999)	98,729
Assets	157,693	227,884	94,632	131,069	90,004	701,282	390,518	1,091,800
Depreciation and amortization	9,376	6,920	4,828	2,669	2,979	26,772	3,632	30,404
Capital expenditures	¥ 7,766	¥ 15,968	¥ 8,020	¥ 3,134	¥ 4,148	¥ 39,036	¥ 5,660	¥ 44,696

Millions of yen

	2006							
	Imaging Systems Business	Medical Systems Business	Life Science Business	Information and Communication Business	Others	Total	Elimination and Corporate	Consolidated Total
Net sales:								
Unaffiliated customers	¥254,541	¥266,317	¥107,915	¥284,908	¥64,446	¥978,127	¥ —	¥978,127
Intersegment	215	14	5	—	561	795	(795)	—
Total	254,756	266,331	107,920	284,908	65,007	978,922	(795)	978,127
Operating expenses	249,964	189,689	100,361	287,549	63,564	891,127	24,477	915,604
Operating income (loss)	4,792	76,642	7,559	(2,641)	1,443	87,795	(25,272)	62,523
Assets	129,895	193,280	79,571	131,348	85,930	620,024	356,108	976,132
Depreciation and amortization	10,199	5,606	4,273	1,844	3,140	25,062	1,960	27,022
Capital expenditures	¥ 9,642	¥ 14,824	¥ 8,270	¥ 2,720	¥ 5,144	¥ 40,600	¥ 3,844	¥ 44,444

Millions of yen

	2005								
	Imaging Systems Business	Medical Systems Business	Life Science Business	Industrial Systems Business	Information and Communication Business	Others	Total	Elimination and Corporate	Consolidated Total
Net sales:									
Unaffiliated customers	¥277,685	¥230,525	¥79,153	¥49,788	¥163,248	¥13,139	¥813,538	¥ —	¥813,538
Intersegment	27	5	1	11	—	1	45	(45)	—
Total	277,712	230,530	79,154	49,799	163,248	13,140	813,583	(45)	813,538
Operating expenses	301,587	165,224	74,683	48,530	164,285	14,010	768,319	22,066	790,385
Operating income (loss)	(23,875)	65,306	4,471	1,269	(1,037)	(870)	45,264	(22,111)	23,153
Assets	144,707	177,480	64,639	29,051	120,996	40,757	577,630	280,453	858,083
Depreciation and amortization	11,184	9,473	4,034	890	839	1,074	27,494	2,264	29,758
Capital expenditures	¥ 15,987	¥ 14,669	¥ 5,862	¥ 1,103	¥ 1,321	¥ 972	¥ 39,914	¥ 6,213	¥ 46,127

Thousands of U.S. dollars

	2007								
	Imaging Systems Business	Medical Systems Business	Life Science Business	Information and Communication Business	Others	Total	Elimination and Corporate	Consolidated Total	
Net sales:									
Unaffiliated customers	\$2,452,525	\$2,597,575	\$1,030,883	\$2,230,758	\$536,476	\$8,848,217	\$ —	\$8,848,217	
Intersegment	3,792	633	309	—	4,966	9,700	(9,700)	—	
Total	2,456,317	2,598,208	1,031,192	2,230,758	541,442	8,857,917	(9,700)	8,848,217	
Operating expenses	2,229,584	1,866,100	963,867	2,208,125	534,174	7,801,850	223,625	8,025,475	
Operating income	226,733	732,108	67,325	22,633	7,268	1,056,067	(233,325)	822,742	
Assets	1,314,108	1,899,033	788,600	1,092,242	750,034	5,844,017	3,254,316	9,098,333	
Depreciation and amortization	78,133	57,667	40,233	22,242	24,825	223,100	30,267	253,367	
Capital expenditures	\$ 64,717	\$ 133,067	\$ 66,833	\$ 26,117	\$ 34,566	\$ 325,300	\$ 47,167	\$ 372,467	

- Note: 1. In October 2004, the Company separated its "Imaging Systems Business" and "Medical Systems Business," and reorganized its business segment structure, changing segment names from "Group" to "Business." The "Imaging Systems Business" was taken over by Olympus Imaging Corp., and the "Medical Systems Business" was taken over by Olympus Medical Systems Corp. As to expenses for the corporate center that had been regarded unallocatable, and elemental research and development expenses that had been allocated to each segment, traded amounts of these expenses are recognized as operating expenses in each segment since the amounts of consideration payable are decided in proportion to rendering of service based on a business trust agreement and a license agreement.
2. In April 2005, the Company transferred the product categories of industrial microscopes from the "Industrial Systems Business" to the "Life Science Business," and industrial endoscopes, printers, and bar code data processing equipment from the "Industrial Systems Business" to "Others" based on the technical characteristics of the products. The "Industrial Systems Business" was removed and its product categories were integrated into the following five business segments: "Imaging Systems Business," "Medical Systems Business," "Life Science Business," "Information and Communication Business," and "Others."
3. In fiscal 2007, these five business segments include the following products:
- Imaging Systems Business: Digital cameras, Film cameras, Voice Recorders
 - Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo-therapy devices, Ultrasound endoscopes
 - Life Science Business: Diagnostic systems, Biological microscopes, Analytical services of genomic information, Industrial microscopes
 - Information and Communication Business: Mobile terminals, Mobile solutions, Mobile content services, Network infrastructure systems, Development and sales of business package software, Semiconductor devices, Electric equipment
 - Others: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, Software development, etc.

4. In fiscal 2006, these five business segments include the following products:

Imaging Systems Business:	Digital cameras, Film cameras, Voice Recorders
Medical Systems Business:	Medical endoscopes, Surgical endoscopes, Endo-therapy devices, Ultrasound endoscopes
Life Science Business:	Diagnostic systems, Biological microscopes, Analytical services of genomic information, Industrial microscopes
Information and Communication Business:	Mobile terminals, Mobile solutions, Mobile content services, Network infrastructure systems, System development, Semiconductor devices, Electric equipment
Others:	Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, Software development, etc.

5. In fiscal 2005, these six business segments included the following products:

In September 2004, we founded the Information and Communication Business when ITX Corporation was consolidated.	
Imaging Systems Business:	Film cameras, Digital cameras, Voice Recorders, Magneto-optical disk drives
Medical Systems Business:	Medical endoscopes, Surgical endoscopes, Endo-therapy devices, Ultrasound endoscopes
Life Science Business:	Diagnostic systems, Biological microscopes, Analytical services of genomic information
Industrial Systems Business:	Industrial microscopes, Industrial endoscopes, Printers, Bar code data processing equipment, Measuring equipment
Information and Communication Business:	Mobile terminals, Mobile solutions, Mobile content services, Network infrastructure systems, System development, Semiconductor devices, Electric equipment
Others:	Software development, etc.

Segmental information for the year ended March 31, 2005 is classified by the new business segment structure that was newly adopted in fiscal 2006 as follows:

	Millions of yen							
	2005							
	Imaging Systems Business	Medical Systems Business	Life Science Business	Information and Communication Business	Others	Total	Elimination and Corporate	Consolidated Total
Net sales:								
Unaffiliated customers	¥277,685	¥230,525	¥101,315	¥163,248	¥40,765	¥813,538	¥ —	¥813,538
Intersegment	27	5	12	—	1	45	(45)	—
Total	277,712	230,530	101,327	163,248	40,766	813,583	(45)	813,538
Operating expenses	301,587	165,224	94,623	164,285	42,600	768,319	22,066	790,385
Operating income (loss)	(23,875)	65,306	6,704	(1,037)	(1,834)	45,264	(22,111)	23,153
Assets	144,707	177,480	75,808	120,996	58,639	577,630	280,453	858,083
Depreciation and amortization	11,184	9,473	4,304	839	1,694	27,494	2,264	29,758
Capital expenditures	¥ 15,987	¥ 14,669	¥ 6,195	¥ 1,321	¥ 1,742	¥ 39,914	¥ 6,213	¥ 46,127

(b) INFORMATION BY GEOGRAPHIC LOCATION

	Millions of yen						
	2007						
	Japan	America	Europe	Asia	Total	Elimination and Corporate	Consolidated Total
Net sales:							
Unaffiliated customers	¥474,372	¥242,760	¥270,824	¥ 73,830	¥1,061,786	¥ —	¥1,061,786
Intersegment	301,331	7,606	11,238	100,867	421,042	(421,042)	—
Total	775,703	250,366	282,062	174,697	1,482,828	(421,042)	1,061,786
Operating expenses	692,809	228,982	263,249	165,500	1,350,540	(387,483)	963,057
Operating income	82,894	21,384	18,813	9,197	132,288	(33,559)	98,729
Assets	¥325,012	¥122,676	¥186,165	¥116,206	¥ 750,059	¥ 341,741	¥1,091,800

	Millions of yen						
	2006						
	Japan	America	Europe	Asia	Total	Elimination and Corporate	Consolidated Total
Net sales:							
Unaffiliated customers	¥474,387	¥209,473	¥229,000	¥ 65,267	¥ 978,127	¥ —	¥978,127
Intersegment	263,849	6,793	8,710	77,861	357,213	(357,213)	—
Total	738,236	216,266	237,710	143,128	1,335,340	(357,213)	978,127
Operating expenses	677,714	200,438	225,604	143,099	1,246,855	(331,251)	915,604
Operating income	60,522	15,828	12,106	29	88,485	(25,962)	62,523
Assets	¥296,479	¥105,389	¥150,138	¥100,358	¥ 652,364	¥ 323,768	¥976,132

Millions of yen							
2005							
	Japan	America	Europe	Asia	Total	Elimination and Corporate	Consolidated Total
Net sales:							
Unaffiliated customers	¥341,637	¥178,417	¥229,274	¥64,210	¥ 813,538	¥ —	¥813,538
Intersegment	273,957	1,356	10,256	99,566	385,135	(385,135)	—
Total	615,594	179,773	239,530	163,776	1,198,673	(385,135)	813,538
Operating expenses	594,111	171,142	231,746	158,780	1,155,779	(365,394)	790,385
Operating income	21,483	8,631	7,784	4,996	42,894	(19,741)	23,153
Assets	¥294,101	¥ 76,319	¥152,757	¥94,643	¥ 617,820	¥ 240,263	¥858,083

Thousands of U.S. dollars							
2007							
	Japan	America	Europe	Asia	Total	Elimination and Corporate	Consolidated Total
Net sales:							
Unaffiliated customers	\$3,953,100	\$2,023,000	\$2,256,867	\$ 615,250	\$ 8,848,217	\$ —	\$8,848,217
Intersegment	2,511,092	63,383	93,650	840,558	3,508,683	(3,508,683)	—
Total	6,464,192	2,086,383	2,350,517	1,455,808	12,356,900	(3,508,683)	8,848,217
Operating expenses	5,773,409	1,908,183	2,193,742	1,379,166	11,254,500	(3,229,025)	8,025,475
Operating income	690,783	178,200	156,775	76,642	1,102,400	(279,658)	822,742
Assets	\$2,708,433	\$1,022,300	\$1,551,375	\$ 968,384	\$ 6,250,492	\$ 2,847,841	\$9,098,333

Notes: Segmentation is determined by geographical adjacency.

America includes the United States, Canada, Mexico and Brazil. Europe includes Germany, the United Kingdom, France and other countries. Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries.

(c) OVERSEAS SALES INFORMATION

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Export sales (A)	¥ 647,040	¥601,181	¥562,854	\$5,392,000
to North America	229,235	224,283	201,474	1,910,292
to Europe.....	278,514	247,857	243,263	2,320,950
to Asia	114,404	96,081	93,817	953,367
to Other areas.....	24,887	32,960	24,300	207,391
Net sales (B)	¥1,061,786	¥978,127	¥813,538	\$8,848,217
A/B (%).....	60.9%	61.5%	69.2%	60.9%

Notes: Segmentation is determined by geographical adjacency.

North America includes the United States and Canada. Europe includes Germany, the United Kingdom, France and other countries. Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries. Other areas include Central and South America, Africa and others.

Independent Auditors' Report

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF OLYMPUS CORPORATION

We have audited the accompanying consolidated balance sheets of Olympus Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, the related consolidated statements of operations for each of the three years in the period ended March 31, 2007, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statements of shareholders' equity for the years ended March 31, 2006 and 2005, and the consolidated statements of cash flows for each of the three years in the period ended March 31, 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Olympus Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

- (1) As discussed in Note 2, effective April 1, 2005, Olympus Corporation adopted new accounting standards for the impairment of fixed assets and a new accounting standard for retirement benefits for subsidiary in the United Kingdom.
- (2) As discussed in Note 22, effective April 1, 2005, Olympus Corporation changed the categories of business in the business segments.
- (3) As discussed in Note 2, effective April 1, 2006, Olympus Corporation adopted new accounting standards for retirement benefits for subsidiaries in the United States.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007