

CORE TECHNOLOGY AND BUSINESS MODELS

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

Olympus' core competence is in "Opto-Digital Technology," a fusion of the latest digital and optical technologies accumulated by the Company over many years. In order to further strengthen this core competence, Olympus has positioned the following technologies as fundamental to the Olympus Group as a whole: optical technology, or the science of capturing and controlling light; electronic imaging technology, or the manipulation of digital images extracted from light; precision technology, encompassing the detailed and controlled skills applied to the creation of products; and cell-related technology, which enables live cell observation and cell separation culturing that is indispensable for establishing regenerative medicine. By effectively channeling R&D resources to sharpen its competitive edge, Olympus continues to create new levels of value for its businesses of Imaging Systems, Medical Systems, Life Science and Industrial related.

In the fiscal year under review, R&D expenditure amounted to approximately ¥55.5 billion, accounting for roughly 5.2% of net sales.

Olympus continually endeavors to enhance its R&D efficiency and pursues future prospects for the strengthening of its existing businesses, while aggressively investing in M&A and R&D for the next generation of businesses.

R&D ACTIVITIES AND BUSINESS STRATEGY

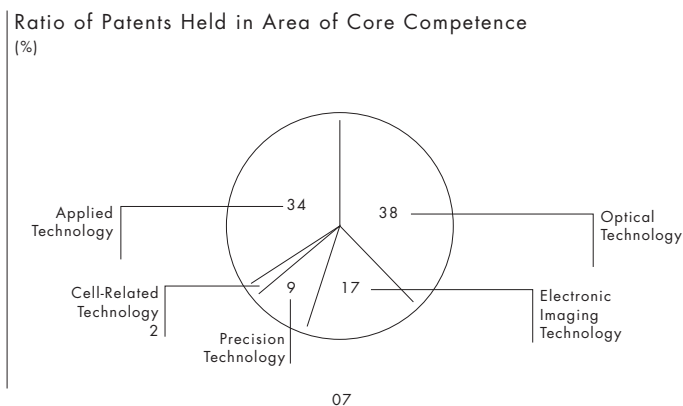
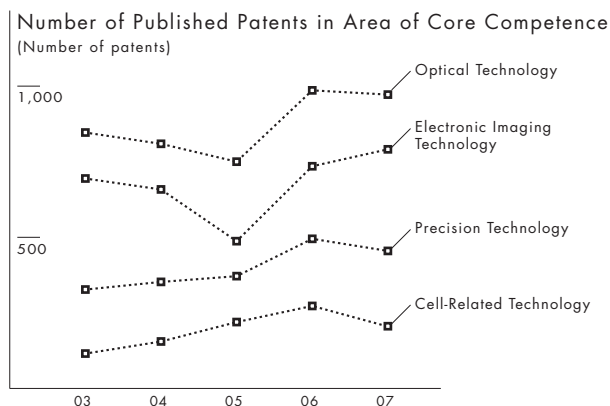
> In an effort to further strengthen its Opto-Digital Technology, Olympus is currently engaged in the following R&D activities.

Optical technology has been one of Olympus' greatest strengths since its founding. Pursuing the infinite possibilities presented by capturing and controlling light, the Company is continuously undertaking R&D in areas including the application of spectroscopic technology to diagnostic technology, and usages of high-performance optics such as large-diameter aspheric lenses.

In the electronic imaging technology field, Olympus is channeling R&D results to its individual business segments. R&D projects in this field cover such technologies as digital image processing, custom imager design and advanced high-resolution image processing.

In the precision technology sphere, we focus on R&D for MEMS (Micro Electro Mechanical Systems), incorporating such technologies as ultra-fine processing, ultra-precision processing, micro mounting, and micro sensors and actuators. These technologies are essential elements of the key parts and components that distinguish Olympus' products from those of its competitors.

Cell-related technology at Olympus is aimed at creating new business opportunities in the fields of bioscience and regenerative medicine, and is supported by R&D in such areas as live cell analysis and manipulation technologies as well as cell separation culturing technologies.



R&D SEGMENT AND IP OVERVIEW

> Olympus is working to raise the quality of its patent applications. Particularly its core competence technologies described above, the Company is striving to increase the number of its applications while stringently selecting more sophisticated technologies for applications. Approximately 66% of Olympus' acquired patents are related to core competence technologies, serving as a wellspring of the Company's competitiveness in each area of its business.

The previous page shows the number of Olympus' published patents in its areas of core competence, as well as the ratio of such patents in relation to its overall patent portfolio.

CONTRIBUTION OF THE PATENT PORTFOLIO TO COMPANY BUSINESS

> Olympus actively pursues a policy of converting R&D results into patented IP. In China, which is both an important base for production and an irreplaceable market, Olympus held 193 patents as of March 31, 2007, for a year-on-year increase of 65 patents. From the current fiscal year onward, we aim to raise the ratio of patent grants received to total patent applications in Japan while increasing patent applications and grants overseas. In addition, we will strengthen our relationships with overseas affiliate companies that conduct R&D, thereby reinforcing our Groupwide IP portfolio on a global basis.

The achievements of the Company's IP policy over the past five years, broken down by country, are shown in the chart below.

Olympus holds patents that offer business potential in each of its businesses of Imaging Systems, Medical Systems, Life Science and Industrial related. The Company's core Imaging Systems and Medical Systems businesses account for 66% of all patents held.

The number and ratio of Olympus' patents in each business area at the end of the fiscal year ended March 31, 2007 are shown in the table below.

Number and Ratio of Patents Held by Business Group

	Imaging Systems	Medical Systems	Life Science	Industrial related	Corporate R&D Center	Total
Japan patents	1,920	2,262	489	363	1,043	6,077
% to total (%)	32	37	8	6	18	100
U.S. patents	1,360	968	303	215	810	3,656
% to total (%)	37	26	8	6	23	100
China patents	134	7	19	18	15	193
% to total (%)	69	4	10	9	8	100
Other patents	95	303	160	71	139	768
% to total (%)	12	39	21	9	19	100
Total	3,509	3,540	971	667	2,007	10,694
% to total (%)	33	33	9	6	19	100

Number of Patents Held by Country

(Number of patents, thousands)

