

## A MESSAGE FROM THE PRESIDENT

› For the fiscal year ended March 31, 2008, consolidated net sales for the Olympus Group increased for the 14th consecutive year and marked record-high net sales. Of particular note, Olympus achieved, ahead of schedule, its ¥100-billion operating income target, which under the Corporate Strategic Plan (2006 CSP) had originally been set for the fiscal year ending March 31, 2009. This was owing to the following key measures, all of which have been undertaken during my time as president: (1) departure from an endoscope-dependent business operation; (2) establishment of a sustainable earnings structure in the Imaging Systems Business; (3) creation of new businesses; (4) reform of production structure; and (5) enhancement of corporate brand value. The efforts that have gone into these measures are steadily bearing fruit.

### **Overview of Fiscal 2008**

› Olympus recorded consolidated net sales of ¥1,128.9 billion in fiscal 2008, up 6.3% compared with the previous fiscal year. This was attributable to robust sales in the Imaging Systems and Medical Systems Businesses. In the Imaging Systems Business, Olympus released three new digital single-lens reflex (SLR) cameras, including its flagship E-3 model.

In the Medical Systems Business, sales of endoscope systems that enable observation using specific light spectra, surgical endoscopes and endotherapy devices were strong both in Japan and overseas, contributing to the overall sales increase.

On the earnings front, revenue and business efficiency increased in the Imaging Systems Business through cost reduction activities. In addition, brisk sales of mainstay Medical Systems Business products in Europe and North America contributed to Olympus setting record highs in operating income and net income.

In light of these results, Olympus raised its annual dividend for the third consecutive year. In connection with this, Olympus acquired treasury stock of approximately ¥10 billion to return profits to its shareholders.

### **Imaging Systems Business: Reinforced Earnings Capabilities**

› The Imaging Systems Business recorded increases in both revenue and earnings for the second consecutive year. These increases stemmed from the strenuous efforts made to reinforce the digital camera and optical component businesses and to streamline business operations, based on profit-oriented structural reforms that date back to fiscal 2006.



Tsuyoshi Kikukawa, President

Under its Corporate Strategic Plan, Olympus has continuously raised its management quality and awareness to acquire appropriate capabilities as a value creation company. To that end, Olympus marked record-high net sales and profit in the fiscal year ended March 31, 2008.

Sales of digital SLR cameras grew year on year, reflecting the successful boost to Olympus' market presence achieved by releasing three new products, ranging from entry-level to professional models. We also launched unique digital compact cameras with excellent waterproof and shock resistance to gain a competitive edge. Together with these developments, our structural reforms, including the establishment of product and operational platforms by focusing on thorough inventory control and the use of common parts and components from the development phase, achieved favorable results.

In the fiscal year ending March 31, 2009, Olympus anticipates decreased revenue and earnings due to the impact of the strong yen. However, we expect digital camera and optical component sales volume to increase. In the medium term, we aim to enhance overseas sales of digital compact cameras and increase our share of the digital SLR camera market. Simultaneously, we will vigorously push ahead with the profit-oriented reforms to our management structure.

#### **Medical Systems Business: Expanding to Offer Full Coverage, from Early Detection to Treatment**

- › In fiscal 2008, the Medical Systems Business recorded increased revenue and earnings due to robust sales—both in Japan and overseas—of endoscope systems that enable observation using specific light spectra, surgical endoscopes and endotherapy devices. Our mission in this business is to overcome social issues surrounding the early detection and treatment of cancer as well as minimally invasive diagnosis and procedures. While developing new products and spearheading the market as a leading endoscope company, we will contribute to the development of medical technology by offering a comprehensive range of endoscopes, covering examination, diagnosis and treatment.

In the gastrointestinal endoscope field, domestic and overseas sales of high-resolution HDTV endoscope systems remained firm. This was due to the product's special function that enables observation to be conducted using specific light spectra; during endoscopic observation, Narrow Band Imaging (NBI) enhances visualization of the capillary network morphology.

Furthermore, Olympus acquired Gyrus Group PLC, a UK-based medical equipment company, in February 2008 to accelerate the reinforcement of its surgical products business. By integrating Gyrus' strengths in minimally invasive procedures, Olympus will enhance its business in the urological, gynecological and otological fields. For Olympus, Gyrus' extensive business network in North America was particularly attractive. Deriving synergistic effects from its business integration with Gyrus, Olympus will seek to grow as a comprehensive endoscope device manufacturer.

#### **Life Science Business: Nurturing Businesses for the Next Generation**

- › The Life Science Business experienced an increase in revenue due to strong overseas sales in the micro-imaging (microscopes) and diagnostic system fields. However, earnings declined as a result of forward-looking investment in new technological development. Taking this situation seriously, we will endeavor to expand business to see a return on our investment.

In recent years, translational research, which can serve as a bridge between basic research and clinical care, has become increasingly important in the Life Science Business. Based on the findings of such research, Olympus is aiming to bring to fruition next-generation medical care, including personalized and regenerative medicines.

In the micro-imaging field, studies into the cancer metastasis mechanism, drug efficacy and metabolism are making progress, following the realization of intracellular gene observation. Thanks to the laser microscope, which has enabled observation of the innermost recesses of nerve cells for the first time, great strides are also being made in studies in the field of brain neuroscience. This study research can open the door to next-generation medicine and business opportunities there. There is high demand for industrial microscopes that serve as measurement devices for semiconductors and other leading-edge materials. Consequently, we are making ongoing efforts to expand our market by leveraging our high-precision optical technologies.

In the diagnostic systems field, Olympus has made a full-scale entry into the immunoassay business to complement its existing clinical chemistry examination business. To that end, we will fully utilize our genetic and protein analysis technologies to develop a genetic diagnostic systems business that will make a valuable contribution to personalized medicine. Furthermore, the biomedical materials business conducted by Olympus Terumo Biomaterials Corp., a joint venture established with Terumo Corporation, is expected to become a mainstay business in the regenerative medicine area.

### **ITX Corporation: Catalyst for New Business Creation**

- > Since fiscal 2008, consolidated subsidiary ITX Corporation has engaged in structural reforms to strengthen its earnings capabilities. One of the key measures taken under these reforms has been to concentrate investment in its three core businesses—mobile handset sales, automotive aftermarket and medical systems, as well as their related markets—to enhance profitability.

By doing so, ITX Corporation has consolidated its core business bases and renewed its investment portfolio based on a review of its investment securities ownership policy. ITX Corporation plans to optimize its portfolio in fiscal 2009. By making steady contributions to consolidated business earnings, ITX Corporation will serve as a catalyst in the creation of new Olympus Group businesses.

### **Aiming for Sustainable Growth**

- > In fiscal 2009, Olympus forecasts net sales of ¥1,150 billion and record-high sales for the 15th consecutive year. On the earnings front, however, we anticipate operating income of ¥95 billion due to the impact of the strong yen. Establishing solid profitability that will be immune to such factors as foreign currency exchange fluctuations will necessitate streamlining the entire business process and developing new businesses.

Olympus will make every effort to maximize its corporate value and meet the expectations of all of its stakeholders, including shareholders. We sincerely ask for continued understanding and support.

July 2008



Tsuyoshi Kikukawa  
President