

REVIEW OF OPERATIONS

1.

DIGITAL CAMERA
E-3

An interchangeable-lens-type SLR camera realizing high resolution, mobility and reliability with an 11-point-full twin cross AF sensor system and high-speed sequential shooting capability.



2.

DIGITAL CAMERA
E-520

Equipped with an embedded image stabilization function, this interchangeable-lens-type SLR camera achieves even greater effects when combined with a ZUIKO DIGITAL lens.



3.

DIGITAL CAMERA
μ1020

Image stabilization is just one of the functions featured in this compact digital camera with high-quality 7x-zoom capabilities.



4.

DIGITAL CAMERA
μ1030sw

A compact camera that really broadens possibilities thanks to the special features incorporated into its design: waterproof to a depth of 10 meters, shock resistant with a high capacity.



IMAGING SYSTEMS BUSINESS

5.

LINEAR PCM
RECORDER
LS-10

A voice recorder that faithfully captures the original sounds of musical instruments or birdsong.



IMAGING SYSTEMS BUSINESS

Sales

(Millions of yen)

	07	08
Domestic sales	294,303	320,589
Overseas sales	29,504	38,410
	264,799	282,179

> The Imaging Systems Business is centered on digital cameras, optical components and voice recorders.

In fiscal 2008, ended March 31, 2008, sales in this business rose 8.9% year on year to ¥320,589 million (US\$3,053 million) and operating income jumped 21.6% to ¥33,086 million (US\$315 million).

During the fiscal year under review, Olympus made steady progress with its profit-oriented structural reforms. Spurred by this, Olympus launched a stream of new strategic products onto the digital camera market and upgraded optical components with the aim of improving earnings ratio. As a result, Olympus recorded increases in both revenue and earnings for the second consecutive year.

DIGITAL CAMERAS AND OPTICAL COMPONENTS

> Sales of digital cameras and optical components grew 9.0 % year on year to ¥293,566 million (US\$2,796 million). During fiscal 2008, increased investment in the digital single-lens reflex (SLR) camera lineup allowed Olympus to release the small, lightweight E-410 and E-510 with such unique functions as Live View to attract a wider range of users, as well as the E-3 for the professional and semiprofessional. This resulted in substantial sales growth. In its compact digital camera lineups, Olympus launched the small, slim and stylish μ [mju:] 1020 (Stylus 1020 in the Americas) with 7x-zoom capabilities. Together with this, Olympus enjoyed robust sales of the CAMEDIA SP series, which realizes 18x optical, high-magnification shots. As a result, Olympus recorded increased revenue. Sales of optical components grew due to increased sales of lens barrel units.

VOICE RECORDERS AND FILM CAMERAS

> Voice recorders and film cameras, sales of which grew both within and outside Japan, climbed 7.8% year on year to ¥27,023 million (US\$257 million). In Japan, sales of the “separate design” Voice-Trek V-13 were particularly brisk, owing to its smaller size and special feature that enables users to connect the recorder directly to personal computers with larger memory capacities. In addition, Olympus entered the market for Linear PCM Recorders, which are gaining prominence in the industry thanks to the adoption of the high sound quality uncompressed digital recording format.

OUTLOOK FOR FISCAL 2009

> In order to increase its market share and establish a solid market position in digital SLR cameras, Olympus will continue to strengthen its competitiveness. Olympus will boost its brand power by offering high-value-added products specifically designed for digital applications that leverage its design superiority to bring more compact, lighter digital SLR cameras to a wider range of users. In its compact digital camera lineups, Olympus will focus on inventory management in its ongoing efforts to streamline its business operations and thereby secure stable earnings. Furthermore, in the optical component field, Olympus will make effective use of its well-established optical lens technologies to increase earnings. To that end, Olympus is projecting sales of ¥320 billion and operating income of ¥24 billion for the fiscal year ending March 31, 2009.

1.

ENDOSCOPE SYSTEM
**EVIS LUCERA
 SPECTRUM**

In addition to normal light observation with high-resolution HDTV imaging, the EVIS LUCERA SPECTRUM is equipped with Narrow Band Imaging (NBI), Auto Fluorescence Imaging (AFI) and Infra Red Imaging (IRI), three imaging functions using specific light spectra. Capillaries on the mucosal surface and intricate patterns on mucous membranes can be more clearly observed by using NBI.



2.

VIDEOSCOPE
**GIF
 XP260N**

With a distal end measuring just 5.0 millimeters, this slim, four-angle, upper gastrointestinal videoscope can be inserted through either the nasal tract or the mouth.



4.

NEW DISPOSABLE
 ELECTROSURGICAL KNIFE
KD-611L

An endotherapy product used for Endoscopic Submucosal Dissection (ESD*).

**An endoscopic procedure for dissection or exfoliation of the tissue in the submucosa for treatment of lesions*



M M S

medical systems Business

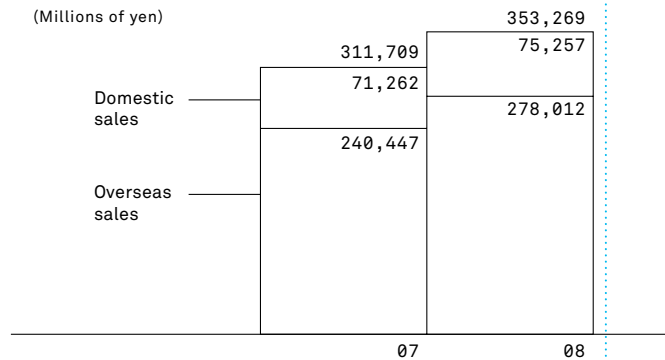
3.

RHINO-LARYNGO
 VIDEOSCOPE
**ENF
 TYPE VQ**

Using specific light spectra, this rhino-laryngo videoscope realized NBI observation of the nasal lumens and the airway anatomy enabling full-screen, high-definition images.



MEDICAL SYSTEMS BUSINESS
 Sales
 (Millions of yen)



- Core products in the Medical Systems Business include both gastrointestinal and surgical endoscopes, endotherapy devices and endoscopic ultrasound systems.

Sales in the Medical Systems Business in fiscal 2008 rose 13.3% year on year to ¥353,269 million (US\$3,364 million), while operating income grew 12.0% to ¥98,420 million (US\$937 million). The increase in revenue and earnings was attributable to strong sales of gastrointestinal endoscopes and surgical and endotherapy products.

In February 2008, Olympus acquired the U.K.-based medical equipment company Gyrus Group PLC (Gyrus). This was to ensure Olympus' further business growth and firm earnings capability with endoscope systems that enable observation using specific light spectra. These endoscope systems are highly regarded in Japan and overseas. In addition, Olympus is making preparations to expand its surgical and endotherapy product businesses based on this acquisition.

GASTROINTESTINAL ENDOSCOPES

- Sales of gastrointestinal endoscopes increased 11.0% from the previous fiscal year to ¥237,366 million (US\$2,261 million). In Japan, sales in this business were driven by favorable demand for the EVIS LUCERA SPECTRUM endoscope system; during endoscopic observation, NBI enhances visualization of the capillary network morphology. In addition, sales of slim, upper gastrointestinal videoscopes, which can be inserted either through the nasal tract or the mouth, were brisk. Overseas, sales of the EVIS EXERA II high-resolution HDTV endoscope system that also features imaging using specific light spectra were strong in the United States, Europe, Oceania and Latin America. This resulted in the revenue increase. In 2007, Olympus introduced a capsule endoscope for the small bowel in the United States, while orchestrating the simultaneous worldwide release of the Single Balloon Enteroscope System. With these efforts, Olympus has successfully cultivated new fields—ranging from diagnosis to treatment in small bowel diseases—through comprehensive business development.

MINIMALLY INVASIVE PRODUCTS

- Sales of minimally invasive products expanded 18.4% year on year to ¥115,903 million (US\$1,104 million). As for endotherapy devices, Olympus saw domestic and overseas sales increases for products including: clipping devices for hemostasis; biopsy forceps; the disposable guide sheath kit used to collect specimens in the respiratory organs that was released in August 2007; and pancreaticobiliary duct endotherapy devices such as guidewires. Overseas, sales of the EVIS EXERA II high-resolution HDTV endoscope system were favorable in the surgical field. In Asia, Olympus commenced sales of the VISERA Pro system. In the United States and Europe, sales of high-definition videoscopes for abdominal and chest cavities repeated the strong performance of the previous fiscal year. As a result, Olympus recorded increased revenue in this business.

OUTLOOK FOR FISCAL 2009

- For medical endoscopes, Olympus is projecting ongoing strong sales of the endoscope systems equipped with functions for observations using specific light spectra. In conjunction with this, Olympus is aiming to expand and reinforce its business foundation in the minimally invasive products field through the synergistic effects arising from the acquisition of Gyrus. The business integration with Gyrus is also expected to bring broader product lineups and sales networks. In addition, Olympus will continue to focus on its high-value-added hospital management solutions business. In the fiscal year ending March 31, 2009, Olympus is forecasting sales of ¥400 billion and operating income of ¥100 billion in this business, despite the expectation of a pronounced effect from foreign currency exchange rate fluctuations.

1.

CONFOCAL LASER
SCANNING MICROSCOPE
FV1000-D

Simultaneous observation and laser light stimulation has enabled the gathering of more accurate information about living organisms, owing to the microscope's flexibility with regard to changes within them.



2.

IMMUNOCHEMISTRY
ANALYZER
AU3000i

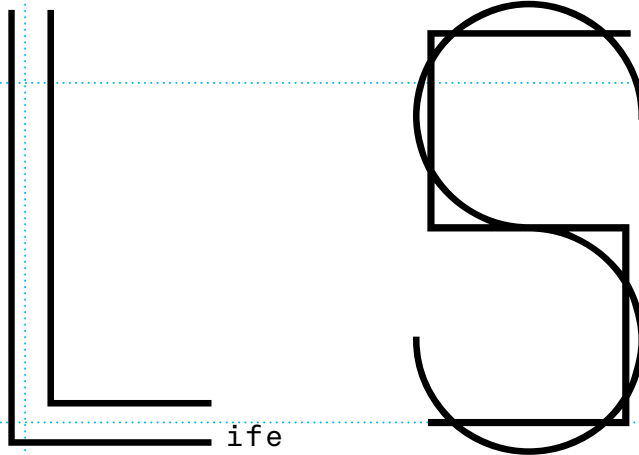
Drawing on the automation technologies and know-how accumulated in the development of automated chemistry analyzers, this immunoassay system is equipped with Olympus' first proprietary reagent.



4.

CELLULAR IMAGE
ANALYZING SYSTEM
CELAVIEW
RS100

This system fully meets the needs of cell screening that can contribute to the development of cellular function analysis that is carried out primarily in the latest life science fields, including drug discovery and the study of disease.



Life Science Business

3.

AUTOMATED
CHEMISTRY ANALYZER
AU680

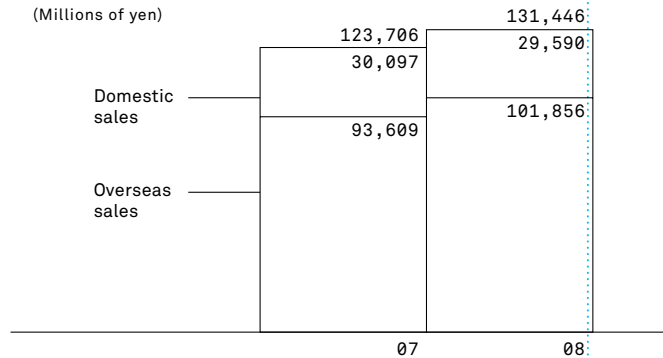
Enabling the analysis of the same samples, this machine has common components with the AU3000i immunochemistry analyzer, realizing more efficient operations and lower costs.



LIFE SCIENCE BUSINESS

Sales

(Millions of yen)



- > The main products of the Life Science Business are biological microscopes, industrial microscopes and clinical hemanalysis systems.

Sales in this business rose 6.3% year on year to ¥131,446 million (US\$1,252 million), while operating income decreased 13.5% to ¥6,990 million (US\$67 million). This was attributable to increased investment in R&D and business reformation, despite a primarily overseas increase in revenue.

MICRO-IMAGING

- > Sales in the micro-imaging (microscopes) business climbed 6.5% compared with the previous fiscal year to ¥78,724 million (US\$750 million).

In biological microscopes, Olympus recorded healthy sales in the United States and Europe. In the growing markets of Asia, the Middle East and Latin America, sales of the BX series of research system microscopes were robust.

In industrial microscopes, Olympus faced a difficult situation, including intensifying price competition in Japan and overseas as potential customers cut back on capital investment. However, sales remained on par with the previous fiscal year due to its efforts to expand sales in those parts of Asia where market recoveries were seen.

DIAGNOSTIC SYSTEMS

- > Sales of diagnostic systems rose 5.9% year on year to ¥52,722 million (US\$502 million).
In fiscal 2008, Olympus released the AU680 automated chemistry analyzer and the AU3000i immunochemistry analyzer simultaneously in Japan. In addition, Olympus established the Mishima Facility to consolidate efforts to integrate functions for devices, reagents, as well as maintenance and support services. By doing so, Olympus expanded its diagnostic testing business. Overseas, sales of new products related to automated blood transfusion testing systems grew in the United States, while sales of automated chemistry analyzers were strong in the Asian region, mainly in China. As a result, Olympus recorded increased revenue in this business.

OUTLOOK FOR FISCAL 2009

- > In fiscal 2009, Olympus expects sales of ¥125 billion and operating income of ¥6 billion in the Life Science Business. These estimates are lower than results in the previous fiscal year due to the impact from foreign currency exchange rate fluctuations. However, Olympus will focus on the sale of high-value-added products, including biological microscopes, while working to reinforce immunoassay-related products, one of the core items in its clinical analyzer lineup.

Information & Communication Business

> The Information & Communication Business is managed by consolidated subsidiary ITX Corporation, which engages in investment and business cultivation mainly in such areas as life science, network & technology, mobile phones and business innovation. ITX Corporation invests in diverse businesses, including mobile handset sales, mobile solutions, mobile content services, the development and sale of business packaging software, sales of network infrastructure systems and sales of semiconductor-related devices and electronics devices.

Sales in the Information & Communication Business declined 5.0% year on year to ¥254,312 million (US\$2,422 million), while operating income grew 10.5% to ¥3,001 million (US\$29 million).

During the fiscal year under review, the ratio of direct sales was increased and cost streamlining carried out in

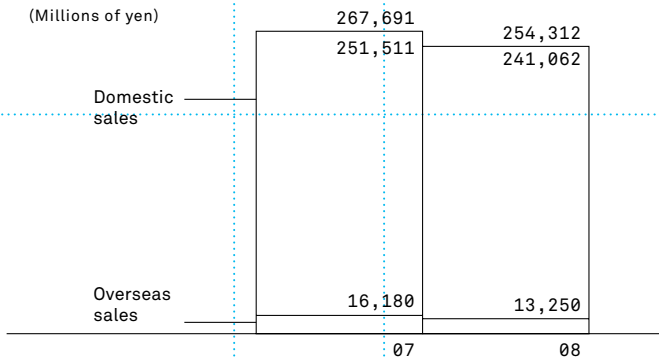
the core mobile handset sales business. In the automotive aftermarket business, ITX Corporation promoted the progress of IT and expanded the business for component suppliers. In addition, ITX Corporation reviewed its business possibilities based on its investment securities ownership policy, and renewed its investment portfolio of approximately ¥10 billion. Revenue in this business declined, mainly due to decreased sales in the mobile handset sales market that reflected the sales price changes initiated by telecommunication companies. On the earnings front, ITX Corporation continued to implement business reforms first undertaken in fiscal 2007 to realize the “establishment of a stable consolidated business earnings structure.” As a result, the Information & Communication Business improved its profitability by reducing costs for mobile handset sales and controlling price discounting. Combined with these efforts, growth in the automotive aftermarket business contributed to the overall earnings increase.

OUTLOOK FOR FISCAL 2009

> Olympus is anticipating that the telecommunication companies' sales price changes will bring about a revenue decrease. However, the ongoing streamlining of operating expenses will not lead to a decline in operating income. Despite these factors, operating income is projected to fall due to the exclusion of proceeds from investment securities. As a result, forecasts are for sales of ¥235 billion and operating income of ¥2.0 billion.

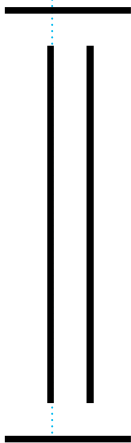
INFORMATION & COMMUNICATION BUSINESS Sales

(Millions of yen)

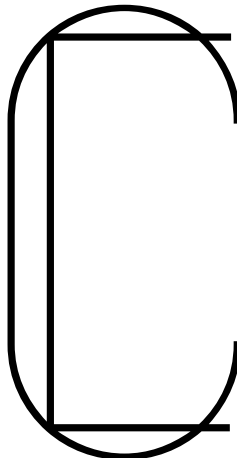


1. PORTABLE INDUSTRIAL VIDEOSCOPE IPLEX FX

A rugged industrial videoscope—shock resistance from the height of 1.2m, dust proof and waterproof—that enables non-destructive testing to be conducted in harsh environments



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ommunication Business, and

> In the Others business, Olympus mainly engages in the manufacture and sale of industrial endoscopes, non-destructive testing devices, printers and bar code scanners, as well as system development.

Sales in the Others business rose 7.6% year on year to ¥69,259 million (US\$660 million), and operating income climbed 5.2% to ¥917 million (US\$9 million).

Olympus is reinforcing its lineup of industrial endoscopes and non-destructive testing devices that provide optimal solutions for various industrial inspection needs. Sales of portable flaw detectors and highly functional ultrasonic phased-array instruments were particularly robust. In the remote visual inspection field, sales of the new IPLEX FX portable industrial videoscope with high durability, functionality and resolution expanded, contributed to the revenue increase.

In the domestic information equipment field, Olympus saw an increase in shipments of printers and printer components manufactured in collaboration with Riso Kagaku Corporation.

In the biomedical materials field, Olympus established Olympus Terumo Biomaterials Corp. jointly with Terumo Corporation in April 2007. During the fiscal year under review, Olympus also commenced full-scale overseas sales of OSferion bone replacement material and the marketing of collagen-related products containing Terudermis, an artificial dermal graft material used

to treat serious dermal and mucosal defects, as well as Teruplug. These achievements resulted in the substantial revenue increase.

An increase in overall sales was recorded in the Others business, reflecting ITX Corporation's growth in medical-related businesses, including new business acquisitions. As a result, Olympus recorded increased earnings.

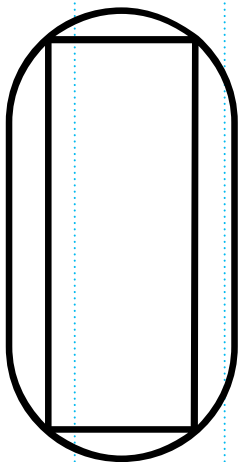
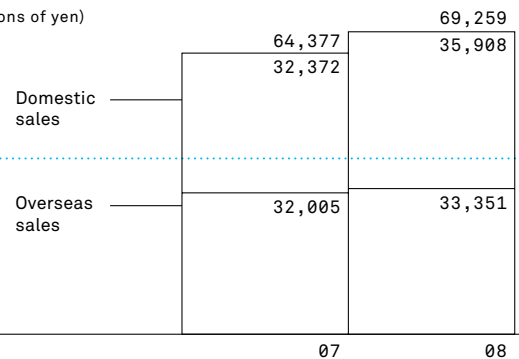
OUTLOOK FOR FISCAL 2009

> Olympus is forecasting an increase in revenue on the back of steady growth in the sale of non-destructive testing devices, including industrial endoscopes, as well as in the printer business. Against the backdrop of an ongoing trend of a stronger yen and increasing investment in product development, however, earnings are expected to decline. Overall, Olympus anticipates sales of ¥70 billion and an operating loss of ¥8.0 billion.

OTHERS BUSINESS

Sales

(Millions of yen)



thers

2.

PHASED-ARRAY INSTRUMENT

OmniScan MX PA

A high-speed data collection rate and powerful software features contribute to efficient manual and automated inspections.



3.

BONE REPLACEMENT MATERIAL

OSferion 60

This artificial bone replacement material contains β -tricalcium phosphate for enhanced mechanical strength.

