

BUSINESS RISKS

Business Risks

A variety of risk factors could significantly affect the business performance of the Olympus Group. The following are the main risk factors, other than management decisions, that the Group has identified as having the potential to impact the Group's performance as of March 31, 2009. Based on these possibilities, the Group addresses risk prevention and takes countermeasures against such risks.

Forward-looking statements in this section are based on the Group's assessments as of the end of the fiscal year under review.

Risks Related to Sales Activities

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

In the Medical Systems Business, there may be unexpected, large-scale changes in health and service policies brought about by healthcare legislation reforms. Failure of the Group to adapt to such changes may impact Group earnings.

In the Micro-Imaging (microscopes) Business, a high percentage of earnings is generated by supplying systems for research funded by the budgets of various nations. Accordingly, Group earnings may be impacted in the event of national budgets shrinking as a result from macroeconomic changes.

Risks Related to Production and Development Activities

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

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

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

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

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

Risks Related to Investments in Securities

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

Risks Related to Business Mergers and Acquisitions

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

Olympus may acquire total or partial ownership of other companies for the purposes of business expansion. However, the Group's business may be impacted should it prove unable to integrate acquired businesses according to the Group's management strategies or unable to efficiently utilize the management resources of existing business or businesses it has acquired. In addition, the Group's performance and /or financial position may be affected by the depletion of goodwill as well as the aforementioned possibilities.

Other Risks

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