

OLYMPUS CORPORATION 2003 INTELLECTUAL PROPERTY REPORT
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Basic Business Policy

As a member of society that shares the values of society, Olympus Corporation adheres to a 'Social In' philosophy that maintains the proposal of new values and the health and happiness of all people as fundamental goals of its business activities. Based on this philosophy, Olympus aims to become a 'Value Creation Company' that seeks to progress with society, and promptly and responsively create the new values that society seeks.

1. Core Technologies and Business Models

Olympus' core competence is in 'Opto-Digital Technology,' specifically optical technology, electronic imaging technology, and precision technology, which are positioned as fundamental technologies common to the entire company. It has increased competitiveness and continually introduced breakthrough, 'world's first' products in the imaging, medical, life science, and industrial business sectors by focusing its research and development resources. The company's strong commitment to technology research and development is reflected by its R&D investment of approximately ¥38,700 million, representing almost 6% of sales, during the term under review.

2. R&D Segment and Business Strategy Orientation

In an effort to further strengthen its "opto-digital technology", Olympus is currently engaged in the research and development activities described below.

Optical technology has been one of Olympus' greatest strengths since the company's founding. The company has significant technology assets in optical design, manufacturing, and measurement/analysis, and conducts research in these areas on an ongoing basis. It is currently placing particular emphasis on optical research and development aimed at the achievement of higher manufacturing precision and the production of smaller, lighter products.

Our Electronic imaging technology aimed at meeting the needs of several different business sectors is currently being conducted in image processing, custom imager design, high-definition (8-mega pixel) digital movie system, and other areas.

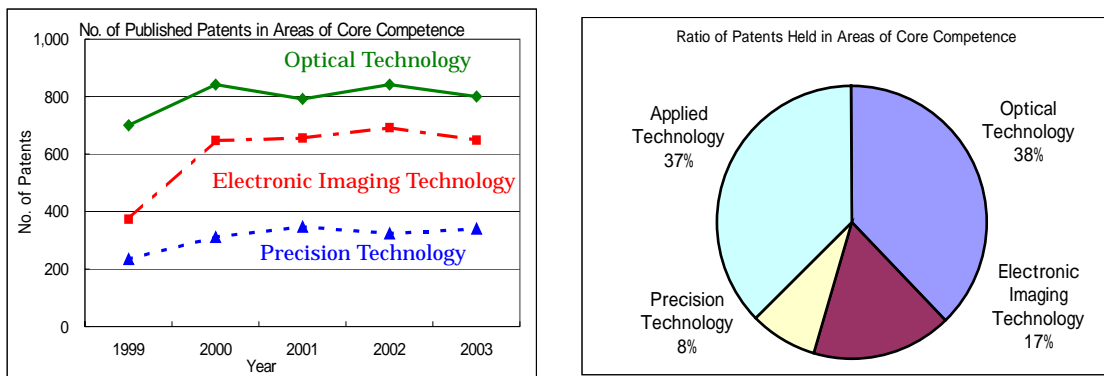
Our Precision technology is being conducted in MEMS (Micro Electro Mechanical Systems) that incorporate ultra-miniaturized processing technologies, micro molding and precise mounting, micro sensors and micro actuators, and other related technologies. These technologies are an essential part

of the key parts and components that characterize Olympus products from those of its competitors.

In addition, Olympus is developing technologies for cellular research, DNA computing, and bone tissue culturing aimed at the creation of new business opportunities in bioscience and regenerative medicine.

3. R&D Segment and Intellectual Property Overview

The following graphs show 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.



Olympus owns a high number of published patents in optical, electronic imaging, and precision technologies, and has strengthened its core competence each year. In addition, approximately 60% of Olympus' acquired patents are related to core competence technologies, and serve as a wellspring of the company's competitiveness in each area of business.

Note: The number of published patents is a commonly used indicator of research and development activity.

4. Analysis of Marketability and Market Advantages of Technologies

Imaging

The digital camera market continues to grow rapidly. Driven by its optical unit development and manufacturing and digital image processing technologies, Olympus' leading position in this market continues to be a primary engine of corporate growth. Last year, the company introduced the E-1 digital SLR camera dedicated to meet the requirements of professionals in every aspect of its design. The dust reduction technology employed to protect the E-1's image sensor from dust contamination when changing lenses is one example of Olympus' advanced technology. In addition, further refinements in opto-digital technology will be applied in other products to strengthen market competitiveness in the future.

Although rapidly changing, the digital imaging business is also expected to continue to expand.

Drawing on its digital camera technology and development resources, Olympus is applying this expertise to new markets. An example of this is the free-shaped-prism-type imaging module developed for use in cellular telephones, which uses free-shaped optical technology to achieve one of the thinnest designs in the industry, and which supports image sensor resolutions in excess of two megapixels. Olympus is currently aiming to achieve sales of ¥30,000 million in this product category by 2006.

Medical and Life Science

Drawing on its wide experience with the precision and ultra-small optical technologies used to produce gastrointestinal endoscopes, Olympus has developed high-resolution and quality of image processing and wide-band light observation technologies to boost the diagnostic capabilities of its endoscope product line, and has improved operability by developing insertion tube with variable flexibility. Thanks to these advances, Olympus now holds a 70% share of the global market for endoscope devices. In the growth market for minimally invasive diagnostic and surgical equipments it is also actively developing technologies for other types of medical endoscope and therapeutic devices as well as software products for endoscopy. As a result, Olympus anticipates further growth in medical equipment sales. In the area of regenerative medicine, it plans to enter the business of supplying medical institutions with cultured bone tissue and has set up a cell culturing research facility to enable it to produce such bone tissue from patients' cultured cell of the liquor cerebrospinalis.

In the area of IVD (In Vitro Diagnosis) business Olympus' strengths is its ability to supply both hardware (analyzers) and software (reagents for testing). In the area of the microscopes, having culmination of many years of fine experience in optical and precision technologies, the fluorescence microscopes and the confocal laserscanning microscopes such as the FLUOVIEW FV1000 have been developed for pathological and researching applications in the region of the life science. In the area of the bio-science, the device for measuring fluorescence from single-molecule and the analyzer of DNA micro-arrays have been commercialized. From the region of the current research, the application will be expanded to the genomic clinical test and diagnosis in the future.

5. R&D and Intellectual Property Organizational Chart, R&D Alliances

Olympus research and development efforts are conducted at the corporate level by its Technology Research Institutes and Future Creation Laboratory, and by research and development departments that focus on product development at each business group.

Intellectual property management is handled by the corporate Intellectual Property & Licensing Division and by departments established for that purpose within each business group. This enables each group to integrate its business, technology, and intellectual property strategies while licensing-

related activities and administrative tasks are handled by the Intellectual Property & Licensing Division. In an effort to further strengthen intellectual property management capabilities, the Intellectual Property & Licensing Division was placed under the direct control of the Office of the President in April 2004.

While core competence opto-digital technologies are basically developed in-house, Olympus also leverages its research and development investment by actively pursuing R&D alliances. The Future Creation Laboratory, whose mission is the creation of 'Future Values,' is particularly active in this respect, and works to acquire new core technologies through joint activities with independent researchers, universities, and other companies.

6. Intellectual Property Acquisition and Management, Trade Secret Management, Policies on the Technology Leakage Prevention

Olympus intellectual property activities are conducted in accordance with guidelines on intellectual property acquisition and administration set forth by Japan's Ministry of Economy, Trade and Industry. To protect business plan confidentiality and vital trade secrets, the company has implemented 'Confidential Information Administration Regulations,' 'Technology Leakage Prevention Regulations,' and 'Know-How Protection Regulations'.

In addition, Olympus employment contracts cover the topic of how inventions are to be handled, and provide incentives in the form of lump-sum payments when patents are applied for, fee payments based on actual in-house use or outside licensing revenue, and cash awards for patent-related activities.

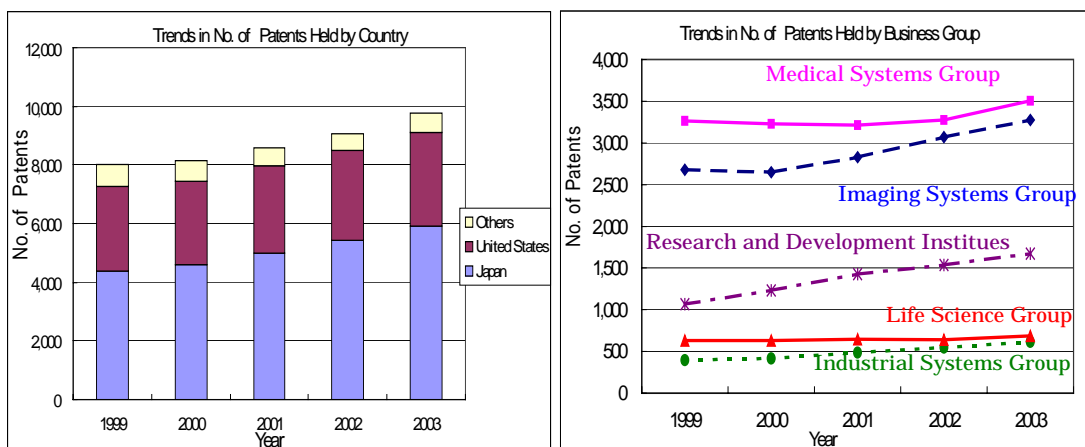
7. Significance of Licensing Activities to Company Business

Olympus views intellectual property licensing activities primarily as a means of differentiating its products from those of other manufacturers, rather than as a means of generating licensing revenue.

With respect to imaging products, Olympus considers cross licensing to be an important tool because the rate at which technology advances in the imaging industry is extremely rapid, and in order to respond quickly to customer needs it is necessary to make use of a wide range of intellectual property assets, including those originally developed by other manufacturers. In contrast to this, Olympus strategically uses the acquired patents on the gastroendoscopes that are its leading medical equipment product to maintain market share and make it more difficult for other manufacturers to enter the market.

8. Significance of Patent Portfolio to Company Business

Olympus actively pursues a policy of converting research and development results into patented intellectual property assets. The results of this policy over the past five years are shown in the graphs below, broken down by country and area of business. In the future, the company will be more selective in applying for domestic patents, and will strive to increase the number of acquired foreign patents. Beginning in 2004, it will strengthen its efforts to obtain patents not only in the United States, but also in the growing market of China, where it also has manufacturing operations.



The number and ratio of Olympus' acquired patents in each business area at the end of FY2003 are shown in the table below. Although Olympus owns patents with business potential in each area, patents in the imaging and medical areas that form the core of its business account for 70% of all the Olympus' acquired patents. In addition, Olympus has numerous patents applied for by its research and development centers in areas of business that show future promise.

	Imaging Systems Group		Medical Systems Group		Industrial Systems Group		Life Science Group		Research and Development Institutes		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Japan Patents	1,934	33	2,229	38	348	6	416	7	966	16	5,893	100
US Patents	1,267	39	1,002	31	201	6	158	5	593	18	3,221	100
Others Patents	72	11	273	43	66	10	112	18	114	18	637	100
Total	3,273	34	3,504	36	615	6	686	7	1,673	17	9,751	100

9. Intellectual Property Portfolio Policies

Olympus regularly monitors newly registered patents and published patent applications, and analyzes intellectual property trends in each business area. Olympus also studies competing products on a regular basis and uses the information it has gained to assess the value of its current intellectual property assets. Through these activities it continuously reevaluates the company's intellectual property portfolio and adjusts its patent application and licensing strategies accordingly.

Once each year, Olympus makes a comprehensive inventory of its patent portfolio, and rationalizes its intellectual property management costs by abandoning its claim to any that are no

longer relevant or needed.

10. Information on Risk Countermeasures

A lawsuit involving digital camera image format technologies was previously filed against Olympus by St. Clair Intellectual Property Consultants, but in November 2003 a settlement agreement was reached and the suit was withdrawn. Although the terms of the agreement prohibit disclosure of the settlement amount, its impact on business results was slight, and all costs were absorbed in the fiscal term ended in March 2004.

No other materially significant lawsuits are currently pending against the company.

Notes

- 1) The information contained herein pertains only to patents directly owned by Olympus Corporation; patents owned by subsidiaries and affiliated companies are not included in the number of published patents or acquired patents.

- 2) This report includes forward-looking statements, including statements on the company's projected business plans, strategies, and analyses. Such statements are based on information currently in the company's possession, and include assumptions and estimates that may be affected by changes in international technology and demand trends, economic circumstances, and competitive market forces, causing actual outcomes to differ materially from those described in the forward-looking statements contained herein.