



<p style="text-align: center;">Olympus Corporation 2004 Intellectual Property Report</p>
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Basic Business Policy

As a member of society that shares the values of the people, Olympus Corporation adheres to a “Social IN” philosophy, emphasizing the proposal of new values and the health and happiness of humankind 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 responsibly create new value that society seeks.

In October 2004, we established Olympus Imaging Corp. and Olympus Medical Systems Corp. in a split-off of our core imaging systems and medical systems businesses. Through this reorganization, Olympus aims to maximize corporate value through the establishment of a decision-making framework that will accelerate its ability to respond to changing market conditions on a global basis in each business area.

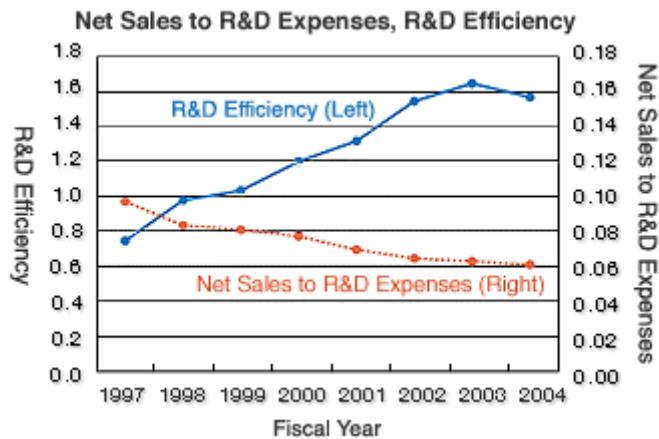
Core Technologies and Business Models

Olympus’ management focuses on strengthening the Company’s technological capabilities toward becoming a technology-oriented company.

Olympus’ core competence is in “Opto-Digital Technology,” a fusion of the latest digital technologies and optical technologies accumulated by the Company over many years. In order to further strengthen this core competence, Olympus has positioned optical technology, electronic imaging technology, precision technology, and cell-related technology as fundamental technologies common to the entire company. By channeling research and development resources to build up a competitive edge, the Company continues to create new levels of value for its imaging, medical, life science, and industrial systems businesses.

The Company’s strong commitment to technological research and development is reflected by its R&D investment of approximately ¥47.7 billion, representing almost 7.4% of sales, during the fiscal year under review.

Olympus is continually enhancing its research and development efficiency. It has positioned the Corporate R&D Center as its “value creation center,” with the primary objective of swiftly creating new businesses and technological assets backed by patents.



Note: Research and development efficiency is calculated on the basis of the intellectual property strategy index set down by the Ministry of Economy, Trade and Industry.

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.

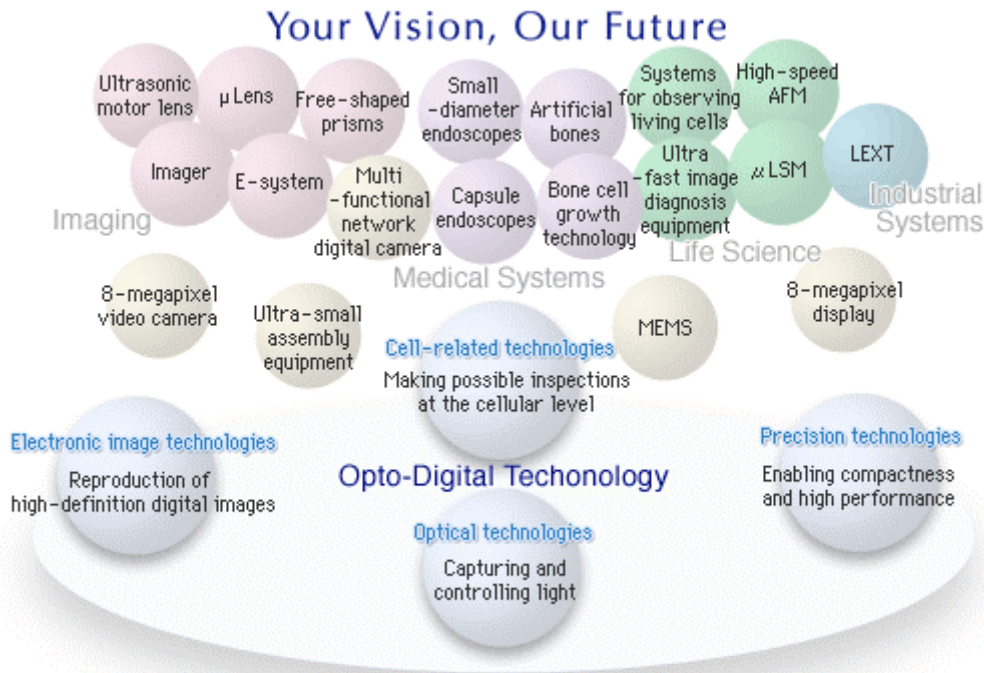
Optical technology has been one of Olympus' greatest strengths since its founding. The Company has significant technology assets in optical design, manufacturing, and measurement/analysis, and conducts research in these areas on an ongoing basis. It is currently reinforcing its emphasis on developing optical technologies to accommodate advances in device compactness, thinness, and precision.

Electronic imaging technology at Olympus is aimed at meeting the needs of several different business sectors. Here, the Company is conducting research and development in such areas as digital image processing, custom imager design, high-definition digital movie systems and other areas.

Precision technology research and development focuses on MEMS (Micro Electro Mechanical Systems) incorporating ultra-miniaturized processing technologies, ultraprecise processing, micro mounting, micro sensors and actuators, and other related technologies. These technologies are essential elements of the key parts and components that distinguish Olympus products from those of its competitors in various fields.

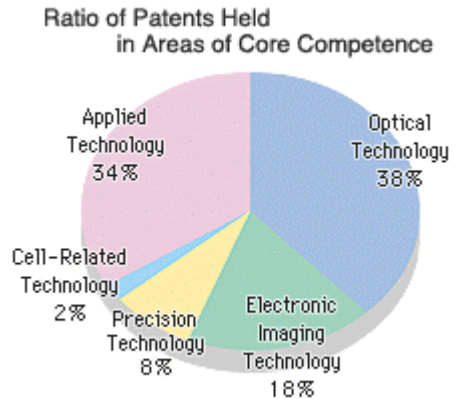
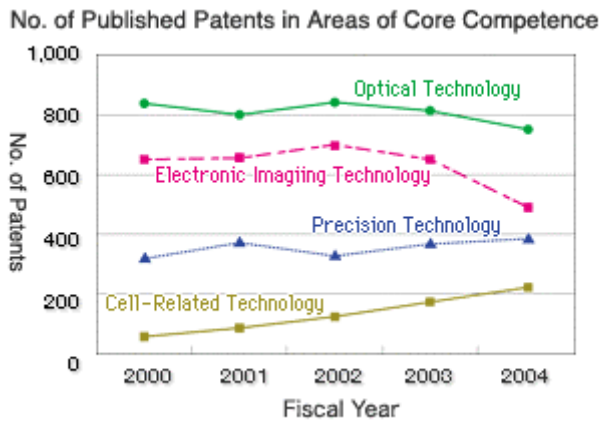
Cell-related technology at Olympus is aimed at creating new business opportunities in the fields of bioscience and regenerative medicine, and covers research and development in such areas as cellular technologies, DNA computing, and bone tissue culturing.

< Olympus Technologies Created from Opto-Digital Technology >



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.



The number of published patents in optical and electronic imaging technologies has declined due to the Company's adoption of more stringent selection standards for patent applications as part of its policy of emphasizing higher overall quality of applications. By contrast, cell-related technology is

becoming increasingly important, and despite stricter selection standards, the number of applications has risen steadily as the Company has stepped up its emphasis on applications.

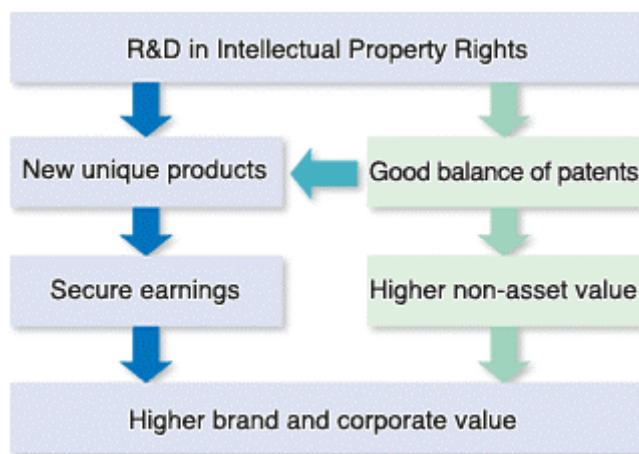
Approximately 70% of Olympus' acquired patents are related to core competence technologies, and serve as a wellspring of the Company's competitiveness in each area of business.

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

Overview of Intellectual Property Strategy

In its quest to become a technology-oriented company, Olympus pursues research and development activities aimed at establishing a leading position in intellectual property rights, based on an intellectual property strategy that is linked with its business and technology strategies.

One goal of Olympus' intellectual property strategy is to achieve an advantageous balance of patents that places the Company ahead of its competitors in terms of patent portfolio mix. By strengthening our technological capabilities in this way, we will bring to market exclusive products distinguished by their intellectual property content, which will in turn boost earnings and enhance Olympus' brand and corporate value.



Analysis of Marketability and Market Advantages of Technologies

Imaging

The digital camera market continues to grow on a global scale. Olympus previously introduced the E-1 digital SLR camera (available by the same name in the United States and Europe), featuring a dedicated digital design incorporating the most advanced optical and digital processing technologies. To expand our business, we have since released the E-300. In addition, the Company has launched its "New Photo Life Solution" business, which seeks to create innovative lifestyle scenarios by integrating imaging, audio, and storage technologies. Going forward, we will strengthen our market

competitiveness by further refining our Opto-Digital Technologies and applying them to other products.

Medical

Olympus is developing capsule endoscopes to help realize the long-held dream of many doctors and patients for an easier method of endoscopic examination—making it as simple as swallowing a pill. We are working on a wide range of technologies aimed at producing a capsule endoscope for the gastrointestinal tract. These include a multidirectional guidance system that navigates the capsule freely inside the gastrointestinal tract to observe the affected area, a self-propelling mechanism, and a wireless power supply system that drives the capsule endoscope from outside the body. All of these technologies are contributing to major innovations in endoscopy.

Olympus is also engaged in tissue engineering, which uses the natural powers of the body to regain lost tissue. We have already commercialized OSferion, a bone replacement material, and are developing tissue-engineered bone that combines β -TCP, the material used to make OSferion, with bone cells, as well as automated cell culture equipment to automate the manufacture of bone. In the future, we plan to expand these technologies to include cartilage and various organs, such as the pancreas and liver, thus contributing to the enhancement of patients' quality of life.

Life Sciences

Olympus' Opto-Digital Technology also holds great promise as a tool for understanding complex and intricate biological mechanisms. The Company employs the latest technologies to support its research aimed at promoting a healthy lifestyle for all. Here, our technologies cover such areas as single nucleotide polymorphisms (SNP) analysis for investigating a patient's propensity to fall ill and responsiveness to medication, as well as genome analysis systems for genetic and protein analysis. We also conduct live cell research to more effectively analyze living cells and gain a better understanding of the functions of the human body.

Industrial Systems

In the B to B side of its industrial systems business, Olympus draws on its Opto-Digital Technologies to provide a wide range of solutions. Our industrial microscopes are based on a wealth of experience in optical and precision technologies and are leaders in the market, in which devices are becoming smaller and more diversified. Industrial endoscopes allow prompt and efficient observation and testing in a wide range of areas, from maintenance of electric, gas, and water lines to the servicing of plants and jet planes. They are also helpful when searching for victims of earthquakes and other natural disasters, and when probing historic ruins. Olympus will work to improve safety and reliability, while expanding its technological base to include a broad range of

commercial equipment, serving as a partner to the growing industrial sector.

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

Olympus' research and development efforts are conducted at the corporate level by its Corporate R&D Center 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 and 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. Meanwhile, the Intellectual Property and Licensing Division strategically integrates and handles licensing-related activities and administrative tasks. In an effort to enhance the quality and efficiency of intellectual property management, the Company established Olympus Intellectual Property Services Co., Ltd., in April 2005.

In September 2004, ITX Corporation, previously an equity-method affiliate, became a consolidated subsidiary to help expedite business reforms and create new core businesses in the future. ITX Corporation is currently engaged in developing new businesses in the network, technology, and mobile sectors.

Olympus formed the following research and development alliances during the fiscal year under review.

- * Formed an agreement with Matsushita Electric Industrial Co., Ltd. (Panasonic) to jointly develop interchangeable-lens-type digital SLR cameras.
- * Established the Bio-Imaging Lab, together with the Japanese Foundation for Cancer Research, for conducting basic research into the molecular imaging within cancerous cells.
- * Established the Waseda-Olympus Bioscience Research Institute with Waseda University in Singapore's Biopolis. The new research facility will focus on investigation of higher brain functions, such as intellect and awareness.
- * Bought a majority stake in Celon AG, a German medical instruments company that has developed bipolar radiofrequency technology for application in minimally invasive medicine.

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

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

In addition, Olympus' employment contracts cover the issue of how inventions are to be handled, and provide incentives in the form of lump-sum payments when patents are applied for and licensed, fee payments based on in-house licensing revenue, and cash awards for patent-related activities. These provisions were revised in April 2005 as a result of consultations between the Company and its inventors in accordance with the amendment of Article 35 of Japan's Patent Law. The resulting increase in fee payments for inventions that make a significant contribution to the Company's business adds further incentive for employees engaged in invention-related activities.

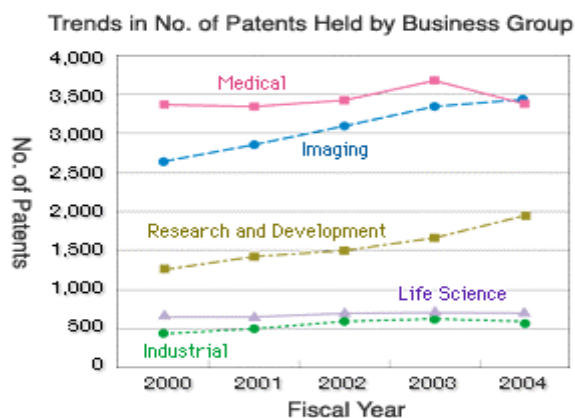
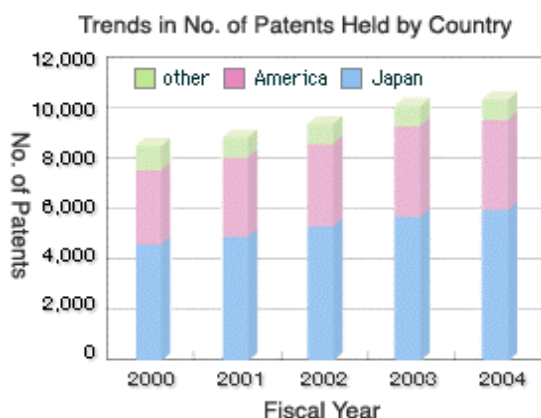
Contribution of Licensing Activities to Company Business

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

With respect to imaging products, Olympus considers cross-licensing to be an important tool due to the extremely rapid pace at which technology advances in the imaging industry. Also, the Company considers it necessary to make use of a wide range of intellectual property assets, including those originally developed by other manufacturers, in order to respond quickly to customer needs. As for gastrointestinal endoscopes, our mainstay products in the medical endoscope field, however, our strategy is to use technologies protected by our patents to make it difficult for other manufacturers to enter the market, and thus maintain market share.

Contribution 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. Olympus has been channeling more resources into obtaining patents, not only in the United States but also in the growing market of China, where it also has manufacturing operations. At the end of fiscal 2004, Olympus held 72 patents in China, up from 24 a year earlier.



The number and ratio of Olympus' patents in each business area at the end of fiscal 2004 are shown in the table below. Olympus holds patents with business potential in each of its businesses: imaging, medical, industrial, and life science. However, its imaging and medical businesses, which account for 79% of total net sales, are responsible for 67% of all patents held by Olympus. Furthermore, the Corporate R&D Center aggressively invest in new, future-oriented businesses, as well as in developing technologies that will help broaden its core technological foundation. As a result, the number of patents held has increased rapidly.

	Imaging		Medical		Industrial Systems Group		Life Science Group		Research and Development Institutes		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Japan Patents	1,989	34	2,071	35	347	6	434	7	1,087	18	5,928	100
US Patents	1,312	38	983	28	199	6	174	5	794	23	3,462	100
China Patents	42	58	3	4	12	17	9	13	6	8	72	100
Other Patents	78	11	347	48	91	12	126	17	88	12	730	100
Total	3,421	34	3,404	33	649	6	743	7	1,975	19	10,192	100

Intellectual Property Portfolio Policies

Olympus regularly monitors newly registered patents and published patent applications, and analyzes intellectual property trends in each business area. It 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 position of its intellectual property portfolio and adjusts its patent application and licensing strategies accordingly. With regard to optical technology and other core company-wide technologies, the Company adds each individual patent to a shared database to allow wide utilization of such information. Once a 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.

Information on Risk Countermeasures

Ongoing negotiations with U.S.-based Ampex Corporation, regarding image data conversion technology for digital cameras, resulted in a settlement agreement between Olympus and Ampex in March 2005. The cost of the settlement is included in Olympus' business results for the fiscal year ended March 31, 2005.

U.S.-based company Honeywell International Inc. has filed a lawsuit against Olympus regarding LCD technology. Olympus expects this action will have a minimal effect upon its business.

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

Notes:

- 1) The information contained in this report includes information pertaining to Olympus' domestic and foreign affiliates, with the exception of ITX Corporation.
- 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. Consequently, actual outcomes may differ materially from those described in the forward-looking statements contained herein.