

April 26, 2012

News Release

Company: Olympus Corporation
Representative Director, President: Hiroyuki Sasa
(Code 7733, First Section, Tokyo Stock Exchange)
Contact: Tetsuo Hyakutake, General Manager, Public Relations and IR Office

(Corrections) Notice Concerning Partial Corrections to “Consolidated Financial Results
for the Interim Period Ended September 30, 2006”

Olympus Corporation (the “Company”) disclosed corrected financial results (kessan tanshin) of past fiscal years on December 28, 2011, as announced in “Notice Concerning Filing of the Amendments to the Past Securities Reports and Partial Corrections to Past Financial Results (Kessan Tanshin) and That for the First Quarter of the Fiscal Year Ending March 2012,” a timely disclosure of the Company as prescribed by the Tokyo Stock Exchange dated December 15, 2011. Since additional corrections have been made possible by continuous investigations following that previous disclosure, the Company has proceeded with operations to correct additional financial results of past fiscal years.

The Company has now completed the operations to correct “Consolidated Financial Results for the Interim Period Ended September 30, 2006” dated November 7, 2006, and it accordingly announces the details of the corrections.

Two copies of the full document are attached: the version before corrections and the version after corrections. The places in the document where corrections were made are underlined.

END

(After Correction)

Consolidated Financial Results for the Interim Period Ended September 30, 2006



November 7, 2006

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: Tokyo Stock Exchange, Osaka Securities Exchange
Prefecture where Head Office is located: Tokyo
Representative: Tsuyoshi Kikukawa, President and Representative Director
Contact: Hironobu Kawamata, General Manager, Accounting Division
Phone: 03-3340-2111
Date of Board of Directors meeting for approval of interim financial results: November 7, 2006
Adoption of US GAAP: No

1. Consolidated Financial Results for the Interim Period Ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

(1) Consolidated Results of Operations (Figures are rounded off to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%
Interim period ended September 30, 2006	484,681	1.8	42,133	153.2	32,343	259.7
September 30, 2005	476,272	=	16,637	=	8,991	=
Fiscal year ended March 31, 2006	978,127		62,523		41,310	

	Net income		Net income per share	Fully diluted net income per share
	(¥ million)	%	(¥)	(¥)
Interim period ended September 30, 2006	18,123	501.3	67.02	-
September 30, 2005	3,014	=	11.33	-
Fiscal year ended March 31, 2006	27,510		102.06	-

Notes: 1. Equity in earnings (losses) of affiliated companies:

Interim period ended September 30, 2006: ¥(554) million Interim period ended September 30, 2005: ¥ - million
Fiscal year ended March 31, 2006: ¥(1,999) million

2. Average number of shares during the period (consolidated):

Interim period ended September 30, 2006: 270,404,809 shares Interim period ended September 30, 2005: 265,954,526 shares
Fiscal year ended March 31, 2006: 268,199,835 shares

3. Changes in accounting procedures: No

4. For net sales, operating income, ordinary income, and net income, % indicates changes from the previous interim period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of September 30, 2006	894,260	197,928	21.1	732.03
September 30, 2005	822,403	143,520	17.5	530.62
As of March 31, 2006	888,619	172,476	19.4	637.79

Note: Total number of issued shares at the end of the period (consolidated):

As of September 30, 2006: 270,382,277 shares As of September 30, 2005: 270,478,013 shares
As of March 31, 2006: 270,427,074 shares

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Interim period ended September 30, 2006	39,966	(30,193)	(15,017)	<u>119,580</u>
September 30, 2005	17,935	(51,058)	74,282	<u>120,251</u>
Fiscal year ended March 31, 2006	49,034	(81,755)	77,200	<u>124,307</u>

(4) Scope of Consolidation and Application of the Equity MethodNumber of consolidated subsidiaries: 196Number of non-consolidated subsidiaries accounted for under the equity method: 5Number of affiliated companies accounted for under the equity method: 15**(5) Changes in Scope of Consolidation and Application of the Equity Method**

Consolidation

Newly included: 6 Excluded: 6

Application of the equity method

Newly included: 3 Excluded: 1**2. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2007
(From April 1, 2006 to March 31, 2007)**

	Net sales	Ordinary income	Net income
	(¥ million)	(¥ million)	(¥ million)
Full year	1,040,000	68,000	38,000

Note: Forecasted net income per share (full year): ¥140.54 (based on the forecasted average number of shares during the period)

* The above projected performance figures include expectations based on the presumption, forecast, and plan over the future, as of the date this material was released. The actual performance may differ significantly from the forecast values due to risks or uncertain factors of the world economy, competitive situation, exchange rate fluctuations, etc. For the further information on forecasts, refer to p. 11 of the attached material.

1. Status of the Corporate Group

The Company, 212 subsidiaries and 27 affiliated companies are engaged mainly in the manufacture and sales of products in Imaging Systems, Medical Systems, Life Science, Information & Communication, Others and Holding companies and Financial Investment etc. related to the each business.

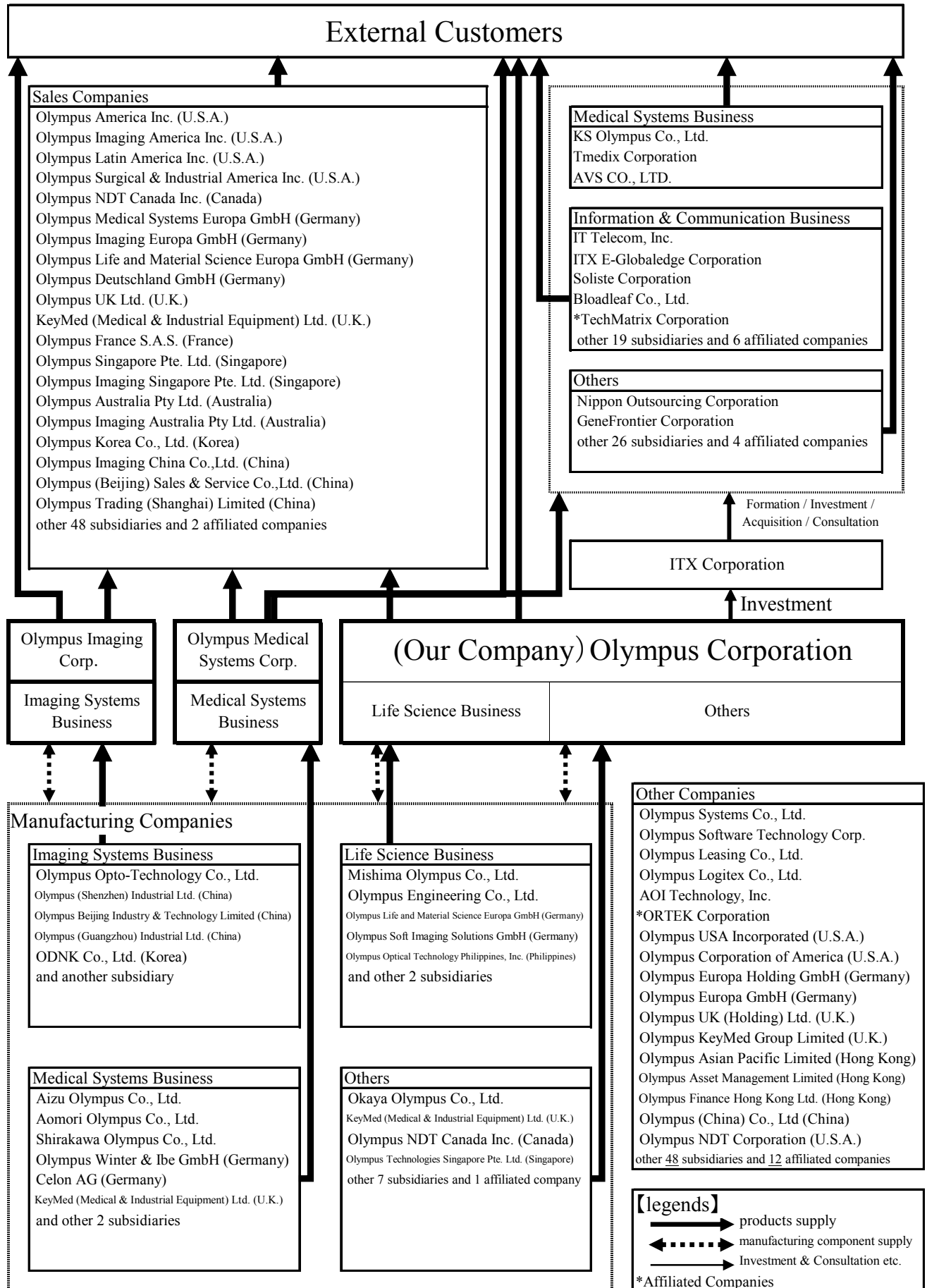
Described below are business of the corporate group, roles of each business and relations to business segments.

The five segmentations below are distinguished according to the business classifications of “Imaging Systems,” “Medical Systems,” “Life Science,” “Information & Communication” and “Others.” The “Common” segmentation consists of business that is incidental to those five segmentations.

Segmentation	Main products and Business	Principal companies
Imaging Systems	Digital cameras, Film cameras, Voice recorders	(Consolidated subsidiaries) Olympus Imaging Corp., Olympus Opto-Technology Co., Ltd., Olympus Imaging America Inc., Olympus Imaging Europa GmbH, Olympus Hong Kong and China Limited, Olympus Korea Co., Ltd., Olympus Imaging China Co., Ltd., Olympus (Shenzhen) Industrial Ltd., Olympus Imaging Singapore Pte. Ltd.
Medical Systems	Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes	(Consolidated subsidiaries) Olympus Medical Systems Corp., KS Olympus Co., Ltd., Aizu Olympus Co., Ltd., Aomori Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Olympus America Inc., Olympus Medical Systems Europa GmbH, KeyMed (Medical & Industrial Equipment) Ltd., Olympus Surgical & Industrial America Inc., Olympus Singapore Pte. Ltd., Olympus Winter & Ibe GmbH
Life Science	Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes	Olympus Corporation (Consolidated subsidiaries) KS Olympus Co., Ltd., Mishima Olympus Co., Ltd., Olympus America Inc., Olympus Life and Material Science Europa GmbH, Olympus Singapore Pte. Ltd.
Information & Communication	Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment	(Consolidated subsidiaries) IT Telecom, Inc., ITX E-Globaledge Corporation, Soliste Corporation, Broadleaf Co., Ltd. (Affiliated company) TechMatrix Corporation
Others	Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.	Olympus Corporation (Consolidated subsidiaries) Okaya Olympus Co., Ltd., Olympus Biomaterial Corp., Olympus Software Technology Corp., Olympus Systems Co., Ltd., Atlux Corporation, IPX Corporation, Nippon Outsourcing Corporation, KeyMed (Medical & Industrial Equipment) Ltd., Olympus Surgical & Industrial America Inc., Olympus NDT Canada Inc., Olympus NDT Corporation, Olympus Technologies Singapore Pte. Ltd.
Common	Holding Companies, Financial Investment	Olympus Corporation (Consolidated subsidiaries) Olympus Leasing Co., Ltd., ITX Corporation, Olympus USA Incorporated, Olympus Corporation of America, Olympus Europa Holding GmbH, Olympus Asian Pacific Limited, Olympus Asset Management Limited, Olympus KeyMed Group Limited, Olympus UK (Holding) Ltd., Olympus Finance Hong Kong Ltd., Olympus (China) Co., Ltd.

Note: ITX Corporation is listed on the Hercules of the Osaka Securities Exchange, and Soliste Corporation is listed on the JASDAQ Securities Exchange.

The outline chart of our group described in the preceding clause is as follows;



2. Operating Policy

1. Basic Operating Policies

We, at the Olympus Group, refer to the concept of assimilating, as members, with society, sharing values with other members of society, and making people's lives healthy and happy by proposing new values through business activities as "Social IN," and identify the concept as the leading motive lying behind all our activities.

Based on this concept of "Social IN," we will endeavor to be a "value-creating enterprise" capable of continuing to create, and provide in a timely manner, new values truly needed by society by drawing upon the source of Opto-Digital Technology (optical technology, digital imaging technology and micro-processing technology) as our core competence. We are convinced that such endeavors will help all of our stakeholders including customers, shareholders, business partners, employees, communities and society feel more satisfied than ever.

2. Basic Policy for Profit Sharing

We set our basic strategy to implement dividends, considering performance while securing continued profit sharing in order to respond to the expectations of our shareholders. Specifically, we comprehensively determined the dividend amount by setting the dividend ratio to 20% of the consolidated base as a basis, with consideration of the operating environment and dividend yields, etc. With regard to earning retention, the reinforcement of existing businesses, capital affiliation for the creation of new businesses, research development, business investment, etc., will be proactively carried out to improve long-term corporate value.

3. Thinking and Policy on Reduction of Stock Investment Unit

We have continued to carry out activities such as enhancing information disclosure via our website and various types of disclosure reports, on the understanding that individual shareholders' participation in the stock market helps to invigorate the market. Since we recognize that the reduction of the stock investment unit is one of the effective means by which the range of investors, including individuals, can be widened, we are considering the implementation of such a reduction around the time that the system for stock certificate dematerialization is introduced.

4. Targeted Operating Benchmarks

The Olympus Group strives to improve its corporate quality and financial standing by identifying "maximization of corporate value" as its management goal.

With the introduction of the newly formulated corporate strategic plan in the current fiscal year, we are aiming for net sales of ¥1,200 billion and operating income of ¥100 billion in the fiscal year ending March 31, 2009.

5. Medium/Long-Term Management Strategy and Issues That Olympus Group Should Address

In the Olympus Group's corporate strategic plan, which commenced in the fiscal year ending March 31, 2007, the Group has positioned "maximization of corporate value" as its management goal, and aims to realize this by "recovering and enhancing value creation capabilities."

In our basic strategy for delivering business, in the Medical Systems Business, which is centered on the medical endoscope field, we will offer "safe, dependable, and efficient" medical procedures, contribute to society by improving the quality of life of patients and reducing medical costs, and steadily expand profits. In the Life Science Business, we will seek long-term growth in next-generation medical fields that provide the optimal preventative methods and treatment methods for each patient, through the "evolution" of existing businesses. Furthermore, in the Imaging Systems Business, we will build up a structure that yields sustainable profit by thoroughly promoting the concept of "selection and concentration," seeking business efficiency by developing platforms, and strengthening our strategies for the fields of digital single-lens reflex (D-SLR)

cameras and optical components. In tandem with this, we will place an emphasis on the creation of new businesses, develop related businesses in the medical/health care and imaging/information areas, carry out the strategic investments necessary for these moves, and work to strengthen our financial standing.

6. Matters Regarding the Parent Company, etc.

Not applicable

3. Results of Operations and Financial Position

I. Business Results

(1) Analysis of Overall Operations and Performance by Segment for the Current Interim Period

Analysis of the overall operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Interim period ended September 30, 2006	484,681	42,133	<u>32,343</u>	<u>18,123</u>	<u>¥67.02</u>
Interim period ended September 30, 2005	476,272	16,637	<u>8,991</u>	<u>3,014</u>	<u>¥11.33</u>
Increase/decrease ratio	1.8%	153.2%	<u>259.7%</u>	<u>501.3%</u>	–

Comparison Table of Average Exchange Rate

	Current interim period	Previous interim period
Against the U.S. dollar	¥115	¥109
Against the Euro	¥146	¥136

In the Japanese economy for the current interim period, exports and business investment expanded, and consumer spending also increased amid the improving employment situation, contributing to gentle economic growth. At the same time, although there were signs of a slowdown in economic growth in the U.S., the economies continued to grow in Asia, mainly in China, while there has been economic recovery in Europe, particularly in the U.K. and France, resulting in a period of expansion for the global economy as a whole.

With regard to performance of the Olympus Group, sales remained in good shape in the Imaging Systems Business, the Medical Systems Business, and the Life Science Business. Although net sales in the Information & Communication Business decreased, consolidated net sales showed an increase of ¥8,409 million over the same period of the previous fiscal year, and reached ¥484,681 million (1.8% increase over the same period of the previous fiscal year).

With respect to operating income, in addition to the effect of increased sales, the sale of new products in the Imaging Systems Business and the Medical Systems Business contributed to improved profitability, while there were also results from cost reductions and other structural reform initiatives in the Imaging Systems Business. This resulted in ¥42,133 million in operating income (153.2% increase compared to the same period of the previous fiscal year).

Despite increases in interest expenses and foreign currency exchange loss, etc., ordinary income amounted to ¥32,343 million (259.7% increase over the same period of the previous fiscal year), a significant increase compared to the same period of the previous fiscal year.

Net income was ¥18,123 million (501.3% increase over the same period of the previous fiscal year) because extraordinary losses were calculated as ¥3,389 million, and ¥11,764 million was generated for income taxes.

The exchange rate shifted to yen depreciation against both the U.S. dollar and the Euro, and the average exchange rate during the interim period was US\$ 1 = J¥ 115 and EUR 1 = J¥ 146, making a revenue-increasing factor of ¥17,300 million to affect net sales.

The interim dividends for the current interim period are set at ¥11 per share, an increase of ¥3.50 over the same period of the previous fiscal year.

Analysis of the performance by segment

(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Previous interim period	Current interim period	Increase/Decrease ratio	Previous interim period	Current interim period	Increase/Decrease
Imaging Systems	116,088	132,111	13.8%	(6,719)	14,478	21,197
Medical Systems	126,423	142,191	12.5%	35,162	39,066	3,904
Life Science	50,479	57,707	14.3%	2,601	3,384	783
Information & Communication	152,263	122,897	(19.3%)	(2,039)	(319)	1,720
Others	31,019	29,775	(4.0%)	432	(478)	(910)
Subtotal	476,272	484,681	1.8%	29,437	56,131	26,694
Elimination or Unallocation	–	–	–	(12,800)	(13,998)	(1,198)
Consolidated total	476,272	484,681	1.8%	16,637	42,133	25,496

Note: Businesses are segmented by adding similar sales markets to the business established based on line of products.

Imaging Systems Business

Consolidated net sales for the Imaging Systems Business was ¥132,111 million (13.8% increase over the same period of the previous fiscal year) while operating income reached ¥14,478 million (compared to an operating loss of ¥6,719 million for the same period of the previous fiscal year).

In the digital camera field, we deployed a strategy focusing on unique products, and the new series in the “μ[mju:] series” of compact digital cameras, which combine a small and thin body with assorted functions such as image stabilization and water resistance, sold well domestically and overseas. In particular, the “μ720SW,” which is highly waterproof and shockproof, received a positive reception from the market. With the additional contribution from solid sales growth in Europe and the U.S. by digital single-lens reflex cameras, overall sales in the digital camera field increased substantially from the same period of the previous fiscal year.

In the voice recorders field, a new product launch in the “Voice-Trek V series” digital recorder, which strengthened the product lineup, boosted sales in the domestic market. In the overseas market, the switch to digital recorder models advanced, particularly in Europe, leading to an increase in revenue for the voice recorders field overall.

Regarding operating income/loss, as a result of unit sales price rises driven by competitive products and the fruits of initiatives for cost reductions, there was a change from the operating loss recorded in the same period of the previous fiscal year to operating income.

Medical Systems Business

Consolidated net sales in the Medical Systems Business was ¥142,191 million (12.5% increase over the same period of the previous fiscal year), while operating income amounted to ¥39,066 million (11.1% increase over the same period of the previous fiscal year).

In the medical endoscope field, in the domestic market, we newly launched the “EVIS LUCERA SPECTRUM,” which enables observation using specific light spectra that contributes to early detection of minute lesions such as cancer, and sales of the thin upper gastrointestinal video endoscope, which enables transnasal insertion, grew significantly. We also provided assistance in promotional activities regarding endoscopic examinations for the early detection and treatment of cancer by such means as co-sponsoring public symposiums about the importance of endoscopic examinations. Sales grew

substantially in overseas markets thanks to strong sales of “EVIS EXERA II,” a high-resolution HDTV endoscope system.

In the fields of MIP such as surgical and endo therapy products, there was domestic sales growth for haemostatic system products and pancreatic duct products, demonstrating the results of strengthening of the sales structure carried out in recent years. In overseas markets, sales volume of pancreatic duct products grew, and sampling products sold well in North America.

Operating income increased as a result of factors such as the steady growth of overseas sales of medical endoscopes.

Life Science Business

Consolidated net sales for the Life Science Business was ¥57,707 million (14.3% increase over the same period of the previous fiscal year), while operating income showed ¥3,384 million (30.1 % increase over the same period of the previous fiscal year).

In the micro-imaging (microscopes) field, revenue increased due to growth in sales of inspection equipment for flat panel displays in the domestic market. Revenue also increased in the overseas market since laser scanning microscopes, which are strategic products, continued to sell well, and markets were brisk for products such as semiconductors and electronic components, particularly in Asia, resulting in expansion in sales of industrial microscopes.

Regarding the diagnostic systems field, in the domestic market, sales of reagents grew because of sales expansion for the install base business, which combines blood analyzers (clinical chemistry analyzers) with reagents and maintenance, while maintenance leases of blood testers also sold well. Even so, sales were flat overall. Revenue increased in overseas markets because of sales growth in the U.S. as well as China and other areas of Asia, and Oceania.

Strong overseas sales in both fields contributed to an increase in operating income.

Information & Communication Business

Consolidated net sales for the Information & Communication Business was ¥122,897 million (19.3% decrease over the same period of the previous fiscal year), while operating loss was ¥319 million (compared to an operating loss of ¥2,039 million in the same period of the previous fiscal year).

Sales of mobile handsets units were excellent, which led to a sales increase in the mobile field. However, in the network & technology field, the completion of OEM sales transactions for personal computer peripherals led to a decrease in sales, and this was the main factor in an overall revenue decline in the Information & Communication Business.

With regard to operating income/loss, operating loss contracted thanks to the fact that cost reduction by elimination and consolidation of loss-making stores selling mobile handsets succeeded in restoring profitability in the mobile field.

Others

Consolidated net sales for Others Business was ¥29,775 million (4.0% decrease from the same period of the previous fiscal year), while operating loss was ¥478 million (compared to an operating income of ¥432 million in the same period of the previous fiscal year).

In the non-destructive testing equipment field, there was steady growth in sales, particularly to the oil and gas industries and the aircraft industry. In addition to the contribution to sales from ultrasonographic inspection systems, in the visual inspection field, videoscopes sold favorably against the background of strong business investment in the domestic, Europe and Asian markets, leading to a substantial increase in revenue.

Additionally, in the information equipment field, sales volume of high-speed printers that have been manufactured through business collaboration with RISO KAGAKU CORPORATION have increased.

Furthermore, in the biomedical materials field, sales of newly launched bone prostheses and proactive marketing activities for existing products resulted in substantial growth in sales.

Sales of ITX Corporation-related business did not grow, and revenue in the Others Business declined overall.

With regard to operating income/loss, a loss was recorded due to the decrease in revenue.

Status of research and development

The Olympus Group actively carries out research and development with Opto-Digital Technology (optical technology, digital imaging technology and micro-processing technology) as its core competence.

With respect to research and development in the current interim period, in the digital camera field we newly developed the “Dual Super Aspherical lens,” which has an optical performance equivalent to several conventional lenses, and the “CCD-shift image stabilization mechanism,” which prevents deterioration in picture quality from shaking even with a high-powered zoom. Combining these developments, we equipped the “μ750” with an “ultra-thin 5x zoom lens unit” for compact cameras. In the medical field, we developed the “EVIS LUCERA SPECTRUM,” an endoscopic video imaging system that offers three specific light spectra functions in addition to normal light imaging with high-resolution HDTV: Narrow Band Imaging (NBI), which provides enhanced images of the capillaries in the surface layers of mucosal membranes and minute patterns on mucosal membranes, Auto Fluorescence Imaging (AFI), which provides enhanced images based on coloration differences in tumorous and normal mucosa, and Infra Red Imaging (IRI), which visualizes blood vessels and blood flows deep in the mucosal membranes. This system is expected to make a contribution to the early detection of minute lesions such as cancer and accurate diagnosis of the scope of lesions prior to operations. In the life science field, we used the automation technology we have built up in biochemical analysis equipment and our knowhow in tailoring devices and reagents into systems to develop the AU3000i immunoassay system and a devoted reagent. With this development, we aim to achieve full-fledged participation in the immunoassay market and promptly realize tailor-made medical treatment in the future by coordinating with the bio business. Furthermore, in the industrial endoscope field, we developed the “IPLEX R-Type,” an industrial videoscope with an environmentally friendly design that uses fewer harmful substances. We also added to our lineup a small, lightweight videoscope with a thin external diameter of 4.4 millimeters, which is effective even when inserted into small openings, expanding the application of our industrial endoscopes.

In addition to the above, we drew on the expertise in precise metal-forming technologies we have accumulated to develop a three-dimensional compression molding process for wooden materials. This technology realizes striking hardness that exceeds engineering plastics while maintaining the thinness required for use in outer casings for electric equipment, even though it uses wood. This can increase the sentimental value of a product with the beautiful color, luster and grain of natural wood. In the biomedical materials business, we developed and launched “OSferion 60,” an artificial bone material that is suitable for use in disease cases that require the improvement of initial strength and the press-fitting of supplementary material, as an additional lineup of artificial bone materials whose principal ingredient is high-purity β -tricalcium phosphate. At the Future Creation Laboratory, which conducts research with the aim of creating corporate value from a long-term perspective, we are proposing research projects in fields at the cutting edge of tie-ups between industry, government and academia, and are actively engaging in initiatives for research projects with the New Energy and Industrial Technology Development Organization (NEDO) and research businesses with Kanto Bureau of Economy, Trade and Industry Regional Revitalization Consortium.

In the current interim period, the Group invested ¥25,500 million on research and development.

(2) Forecast for Overall Performance and Segment Performance and Analysis for the Current Fiscal Year (Full Year)Forecast for the overall performance and analysis

It is expected that Japan's economy will continue to grow gradually owing to the continuation of such positive factors as increasing business investment and strong exports. In addition, the world economy is forecast to continue growing strongly, mainly because of expected strong economic expansion in Asia and Europe, despite lingering uncertainty regarding the future direction of crude oil prices, which have begun to fall.

Amid these conditions, we will continue to push ahead with structural reform of the Imaging Systems Business, and use the benefits yielded by this reform to build a corporate structure whereby we can continuously secure profits even in the face of intense competition. Furthermore, in the Medical Systems Business, we will construct a structure that can steadily expand profits even in increasingly difficult market conditions such as intensifying competition and reductions in medical costs, by continuing to provide safe, dependable and efficient medical procedures. In tandem with this, we will place an emphasis on the creation of new businesses, develop related businesses in the medical/health care and imaging/information areas, and carry out the strategic investments necessary for these moves.

The forecast for the fiscal year ending March 31, 2007 is as follows.

(Overall forecast)

It is expected that net sales, operating income, ordinary income, and net income will hit record highs due to a steady increase of net sales and decrease of cost of sales.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Fiscal year ending March 31, 2007	1,040,000	90,000	68,000	38,000	¥140.54
Fiscal year ended March 31, 2006	978,127	62,523	<u>41,310</u>	<u>27,510</u>	<u>¥102.06</u>
Increase/decrease ratio	6.3%	43.9%	<u>64.6%</u>	<u>38.1%</u>	—

The exchange rates for basis of the full-year forecast are US\$ 1 = J¥ 115 and EUR 1 = J¥ 145.

Forecast by segment and analysis

(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Fiscal year ended March 31, 2006	Fiscal year ending March 31, 2007	Increase/Decrease ratio	Fiscal year ended March 31, 2006	Fiscal year ending March 31, 2007	Increase/Decrease
Imaging Systems	254,541	280,000	10.0%	4,792	22,000	17,208
Medical Systems	266,317	300,000	12.6%	76,642	86,000	9,358
Life Science	107,915	123,000	14.0%	7,559	9,000	1,441
Information & Communication	284,908	266,000	(6.6%)	(2,641)	500	3,141
Others	64,446	71,000	10.2%	1,443	1,500	57
Subtotal	978,127	1,040,000	6.3%	87,795	119,000	31,205
Elimination or Unallocation	–	–	–	(25,272)	(29,000)	(3,728)
Consolidated total	978,127	1,040,000	6.3%	62,523	90,000	27,477

Note: Businesses are segmented by adding similar sales markets to businesses established based on the product lines.

The Imaging Systems Business is expected to have increases in revenue and profit due to the effects of new products and cost reductions, despite ongoing intensified competition in the market for digital cameras.

In the Medical Systems Business, net sales and operating income are expected to increase due to strong sales of new endoscope products in overseas markets.

In the Life Science Business, strong sales mainly in overseas markets are expected, and a more than 10% increase in revenue is expected. Operating income is also expected to increase on the back of strong sales of biological and industrial microscopes and blood analyzers (clinical chemistry analyzers).

In the Information & Communication Business, although a decline in revenue in the overseas market is expected to result in an overall decrease in net sales, a change from operating loss in the previous fiscal year to operating income is expected on the back of increased revenue in the domestic market and curtailment of expenses.

As for Others Business, increases in revenue and profit are expected, especially in the fields of industrial endoscopes and non-destructive testing equipment.

(Reference) Non-consolidated forecast

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income	Net income	Net income per share
Fiscal year ending March 31, 2007	105,000	(8,000)	3,000	8,000	¥29.59
Fiscal year ended March 31, 2006	93,284	(5,255)	<u>6,294</u>	<u>2,414</u>	<u>¥8.63</u>
Increase/decrease ratio	12.6%	–	<u>(52.3%)</u>	<u>231.4%</u>	–

II. Financial Position

Analysis of the Status of Assets, Liabilities, Net Assets, and Cash Flows in the Current Interim Period

Analysis of assets, liabilities and net assets

(Millions of yen)

	End of the previous interim period	End of the previous fiscal year	End of the current interim period	Increase/decrease	Increase/decrease ratio
Total Assets	<u>822,403</u>	<u>888,619</u>	<u>894,260</u>	<u>5,641</u>	<u>0.6%</u>
Net Assets	<u>143,520</u>	<u>172,476</u>	<u>197,928</u>	<u>25,452</u>	<u>14.8%</u>
Equity Ratio	<u>17.5%</u>	<u>19.4%</u>	<u>21.1%</u>	<u>1.7%</u>	–

Assets for the current interim period increased by ¥5,641 million as a result of increased investments and other assets, and property, plant and equipment, while current assets decreased primarily due to decreased cash and time deposits.

Net assets at the end of the current interim period increased by ¥25,452 million, because ¥18,123 million was calculated as net income for the current interim period, compared to the amount whereby minority interests was added to net assets at the end of previous fiscal year. As a result, equity ratio increased to 21.1%.

Analysis of cash flows

(Millions of yen)

	Previous interim period	Current interim period	Increase/decrease
Cash flows from operating activities	17,935	39,966	22,031
Cash flows from investing activities	(51,058)	(30,193)	20,865
Cash flows from financing activities	74,282	(15,017)	(89,299)
Balance of cash and cash equivalents at end of period	<u>120,251</u>	<u>119,580</u>	(671)

“Cash flows from operating activities” increased by ¥39,966 million (a ¥22,031 million increase over the same period of the previous fiscal year). The main reason was a significant increase in income before provision for income taxes (increase by ¥18,439 million) thanks to considerable increases in profits in the Imaging Systems Business and Medical Systems Business.

“Cash flows from investing activities” decreased by ¥30,193 million (increase by ¥20,865 million from the same period of the previous fiscal year). The main reasons were expenditures of ¥26,784 million on acquisition of tangible fixed assets, etc. and ¥4,857 million on acquisition of investment securities.

“Cash flows from financing activities” decreased by ¥15,017 million (decrease by ¥89,299 million from the same period of the previous fiscal year). The main reason is expenditures such as repayment of ¥20,057 million on short-term borrowings (borrowings and net), and ¥15,036 million for the redemption of bond, despite ¥19,001 million in financing through long-term borrowings and ¥9,820 million of newly issued bonds.

Consequently, the balance of cash and cash equivalents at the end of the current interim period reached ¥119,580 million, a decrease of ¥4,727 million compared to that at the end of the previous fiscal year.

Trends in the Company’s cash flow indicators are as shown below.

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Interim period ended September 30, 2006
Equity ratio (%)	36.9	28.1	<u>19.4</u>	<u>21.1</u>
Market value equity ratio (%)	86.5	76.8	<u>105.5</u>	<u>105.2</u>
Debt redemption period (years)	7.8	37.1	<u>9.7</u>	<u>5.9</u>
Interest coverage ratio (times)	6.1	1.5	5.3	6.6

Notes: Equity ratio: Shareholders' equity / Total assets
Market value equity ratio: Total market capitalization / Total assets
Debt redemption period (years): Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated by multiplying the closing share price on the final trading day of the period by the number of shares issued and outstanding (excluding treasury stocks) as of the corresponding period-end.
3. Operating cash flow equals cash flows from operating activities. Interest-bearing debt includes all liabilities on which interest is paid stated in the consolidated balance sheets. Furthermore, the amount of interest paid on the consolidated statements of cash flows is used for interest payments.
4. To calculate the debt redemption period for the current interim period, operating cash flow was doubled to change it to the figure on an annual basis for convenience.

III. Business Risks

The Olympus Group works to reduce risks by preventing and dispersing the various risks involved in business activities and the like. The primary risks the Group is aware of as of the end of the current interim period which have the potential to affect results are as follows.

1) Risks Associated with Selling Activities

- (i) In the Digital Camera Business, price competition in the market is intensifying steadily. If market prices fall more sharply than anticipated, such price falls may not adequately be absorbed by the cost reduction measures that the Olympus Group is currently advancing and may adversely impact the Olympus Group's ability to secure its earnings.
- (ii) In the Medical Systems Business, depending upon future movements in healthcare system reform, there may be increases in costs to handle regulatory changes or price falls in the market for medical treatment equipment resulting from the impact of measures to contain medical expenditures. If such a case arises, the Olympus Group's ability to secure its earnings may be adversely impacted.
- (iii) In the Life Science Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group's ability to secure its earnings may be adversely impacted.

2) Risks Associated with Production/Development Activities

- (i) In the Imaging Systems Business, core production bases center on China. Therefore, depending upon how sharply the Chinese yuan is revalued, operating costs may increase substantially, and the Olympus Group's ability to secure its earnings may be adversely impacted. Also, depending upon how serious or unstable the state of affairs including anti-Japanese activities may grow or how badly public safety may deteriorate in China, the Olympus Group's production activities may be adversely impacted.
- (ii) The Olympus Group relies on certain specific suppliers to consistently develop and produce those products and parts which it cannot develop or produce internally. Hence, if the Group is subjected to constraints on procurement of such products and parts according to the said suppliers' convenience, the Olympus Group's ability to produce and supply them may be adversely impacted.
- (iii) The Olympus Group and its outsourcees manufacture their products in accordance with the exacting quality standard. However, if any product deficiency occurs, not only substantial costs including those of a recall would be incurred but also the market's confidence in the Olympus Group would be undermined, and the Olympus Group's ability to secure its earnings may be adversely impacted.
- (iv) The Olympus Group is continuing to advance development of digital products by adopting state-of-the-art Opto-Digital Technology. However, if technological progress occurs so fast and market changes cannot be predicted adequately, that the Group is unable to develop new products adequately meeting

customers' needs in a timely manner, the Olympus Group's ability to secure its earnings may be adversely impacted.

- (v) The Olympus Group, in conducting R&D and production activities, uses various intellectual property rights, and believes that the Group lawfully owns or is licensed to use such rights. However, if any third party asserts that the Group has unknowingly infringed any of these intellectual property rights and if any litigation occurs, the Olympus Group's ability to secure its earnings may be adversely impacted.

3) Risks Associated with Stock-Investing Activities

- (i) Companies in which the Olympus Group invests may take time to develop their businesses, resulting in the Group being unable to sell the investments at the projected timing or price, thus preventing the Group from collecting the capital gains that were expected from the investments.
- (ii) As stock prices are determined on the basis of market principle, the Olympus Group may not be able to realize anticipated earnings depending upon the movements of the market economy.

4) Risks Associated with Business Collaborations and Corporate Acquisitions

- (i) The Olympus Group has built long-term strategic partnerships with advanced enterprises in the industry on technologies and product development. If the Group can no longer maintain such partnerships due to occurrence of a financial or any other business-related problem or change of its goals, the business activities of the Group may be adversely impacted.
- (ii) The Olympus Group may acquire or take an equity stake in a business enterprise in order to expand its business. If the Group is unable to integrate the acquired business in line with the Group's management strategy or utilize management resources in an efficient manner as to the existing business or the acquired business, the Group's business, performance, and financial position may be adversely impacted.

5) Other Comprehensive Risks

The Olympus Group operates business globally. If any natural disaster, disease, war, or terrorist attack occurs in any of the countries of regions in which the Group operates, or if interest rates rise or exchange rates fluctuate beyond its expectations, the Olympus Group's ability to secure its earnings may be adversely impacted.

4. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(Millions of yen)

Fiscal Term Account Item	Previous interim period (as of September 30, 2005)		Current interim period (as of September 30, 2006)		Previous fiscal year (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Current Assets	<u>416,241</u>	<u>50.6</u>	<u>438,816</u>	<u>49.1</u>	<u>454,525</u>	<u>51.1</u>
Cash and time deposits	<u>125,446</u>		<u>125,545</u>		<u>130,720</u>	
Notes and accounts receivable	145,010		165,192		167,411	
Marketable securities	1,220		10		1,210	
Inventories	92,514		93,130		93,198	
Deferred income taxes	16,650		26,433		25,196	
Others	38,515		31,658		40,142	
Allowance for doubtful accounts	(3,114)		(3,152)		(3,352)	
Fixed Assets	<u>406,162</u>	<u>49.4</u>	<u>455,444</u>	<u>50.9</u>	<u>434,094</u>	<u>48.9</u>
Property, plant and equipment	<u>122,254</u>	<u>14.9</u>	<u>134,927</u>	<u>15.1</u>	<u>130,810</u>	<u>14.7</u>
Buildings and structures	45,861		58,693		48,244	
Machinery and equipment	18,996		18,754		18,995	
Tools, furniture and fixtures	33,927		37,101		34,221	
Land	17,277		18,003		17,953	
Construction in progress	6,193		2,376		11,397	
Intangible fixed assets	82,579	<u>10.0</u>	104,636	<u>11.7</u>	102,666	<u>11.6</u>
Consolidated adjustment accounts	61,768		–		79,625	
Goodwill	–		82,915		–	
Others	20,811		21,721		23,041	
Investments and other assets	<u>201,329</u>	<u>24.5</u>	<u>215,881</u>	<u>24.1</u>	<u>200,618</u>	<u>22.6</u>
Investment securities	<u>85,001</u>		<u>97,060</u>		<u>96,175</u>	
Deferred income taxes	<u>9,549</u>		<u>9,745</u>		<u>9,324</u>	
<u>Managed assets of fund</u>	<u>67,769</u>		<u>58,916</u>		<u>59,771</u>	
Others	41,860		50,607		35,978	
Allowance for doubtful accounts	(2,850)		(447)		(630)	
Total Assets	<u>822,403</u>	<u>100</u>	<u>894,260</u>	<u>100</u>	<u>888,619</u>	<u>100</u>

(Millions of yen)

Fiscal Term Account Item	Previous interim period (as of September 30, 2005)		Current interim period (as of September 30, 2006)		Previous fiscal year (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Current Liabilities	381,705	46.4	358,986	40.1	394,755	44.4
Notes and accounts payable	79,067		79,312		85,741	
Short-term borrowings	181,100		142,236		161,188	
Current maturities of bonds	15,062		10,072		25,072	
Accrued expenses	54,249		66,476		60,088	
Income taxes payable	7,721		11,661		15,045	
Warranty reserve	4,276		5,601		5,064	
Others	40,230		43,628		42,557	
Long-term Liabilities	286,656	34.9	337,346	37.8	311,731	35.1
Long-term bonds, less current maturities	105,488		105,416		95,452	
Long-term borrowings, less current maturities	164,033		210,415		194,381	
Severance and retirement allowance	7,901		8,991		8,527	
Severance and retirement allowance for directors and corporate auditors	565		111		780	
Others	8,669		12,413		12,591	
Total Liabilities	668,361	81.3	696,332	77.9	706,486	79.5
Minority Interests	10,522	1.2	–	–	9,657	1.1
Common stock	48,332		–		48,332	
Capital surplus	73,049		–		73,049	
Retained earnings	15,288		–		35,512	
Net unrealized holding gains on securities	10,594		–		16,594	
Foreign currency translation adjustments	(2,010)		–		873	
Treasury stock, at cost	(1,733)		–		(1,884)	
Total Shareholders' Equity	143,520	17.5	–	–	172,476	19.4
Total Liabilities, Minority Interests and Shareholders' Equity	822,403	100	–	–	888,619	100
Shareholders' Equity	–	–	168,925	18.8	–	–
Common stock	–		48,332		–	
Capital surplus	–		73,049		–	
Retained earnings	–		49,576		–	
Treasury stock, at cost	–		(2,032)		–	
Valuation and Translation Adjustments	–	–	19,325	2.2	–	–
Net unrealized holding gains on securities	–		14,721		–	
Deferred losses on hedges	–		(377)		–	
Foreign currency translation adjustments	–		4,981		–	
Minority Interests	–	–	9,678	1.1	–	–
Total Net Assets	–	–	197,928	22.1	–	–
Total Liabilities and Net Assets	–	–	894,260	100	–	–

(2) Interim Consolidated Statements of Income

(Millions of yen)

Fiscal Term Account Item	Previous interim period (April 1, 2005 - September 30, 2005)		Current interim period (April 1, 2006 - September 30, 2006)		Previous fiscal year (April 1, 2005 - March 31, 2006)	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
		%		%		%
Net sales	476,272	100	484,681	100	978,127	100
Cost of sales	318,145	66.8	279,714	57.7	619,898	63.4
Gross profit	158,127	33.2	204,967	42.3	358,229	36.6
Selling, general and administrative expenses	141,490	29.7	162,834	33.6	295,706	30.2
Operating income	16,637	3.5	42,133	8.7	62,523	6.4
Non-operating income	2,595	0.5	2,911	0.6	6,451	0.6
Interest income	609		904		1,600	
Others	1,986		2,007		4,851	
Non-operating expenses	<u>10,241</u>	2.1	<u>12,701</u>	<u>2.6</u>	<u>27,664</u>	2.8
Interest expenses	4,635		5,824		9,800	
Net loss of investment in affiliated companies carried on the equity method	—		<u>554</u>		<u>1,999</u>	
Foreign currency exchange loss	155		1,939		4,953	
Others	<u>5,451</u>		<u>4,384</u>		<u>10,912</u>	
Ordinary income	<u>8,991</u>	1.9	<u>32,343</u>	<u>6.7</u>	<u>41,310</u>	4.2
Extraordinary gains	<u>4,689</u>	<u>1.0</u>	75	0.0	4,487	0.5
Gain on sales of investment securities in subsidiaries and affiliates	2,187		75		2,199	
Gain on sales of beneficial interest in trust	1,522		—		1,522	
Damages due to delays	—		—		396	
Gain on sales of investment securities	—		—		370	
<u>Gain on funds invested</u>	<u>980</u>		<u>—</u>		<u>—</u>	
Extraordinary losses	<u>1,574</u>	<u>0.4</u>	<u>3,389</u>	<u>0.7</u>	<u>3,665</u>	<u>0.4</u>
Impairment loss on fixed assets	871		417		1,411	
Loss on valuation of investment securities	<u>478</u>		<u>2,186</u>		<u>1,070</u>	
Provision of reserve for loss on liabilities for guarantee	225		—		225	
<u>Loss on funds invested</u>	<u>—</u>		<u>786</u>		<u>959</u>	
Income before provision for income taxes	<u>12,106</u>	<u>2.5</u>	<u>29,029</u>	<u>6.0</u>	<u>42,132</u>	<u>4.3</u>
Provision for income taxes						
Current	8,435	1.8	14,056	2.9	<u>24,572</u>	2.5
Deferred	1,088	0.2	(2,292)	(0.5)	(9,741)	(1.0)
Minority interests	(431)	(0.1)	(858)	<u>(0.1)</u>	(209)	(0.0)
Net income	<u>3,014</u>	<u>0.6</u>	<u>18,123</u>	<u>3.7</u>	<u>27,510</u>	<u>2.8</u>

(3) Interim Consolidated Statements of Surplus

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount
Capital Surplus			
I. Balance at beginning of period		65,550	65,550
II. Increase in capital surplus		7,499	7,499
Issuance of new stocks for capital increase		7,499	7,499
III. Balance at end of period		73,049	73,049
Retained Earnings			
I. Balance at beginning of period		16,225	16,225
II. Increase in retained earnings		3,014	27,510
Net income		3,014	27,510
III. Decrease in retained earnings		3,951	8,223
Decrease in retained earnings at beginning of period associated with accounting standard for accrued retirement benefits to subsidiaries in the UK		1,939	1,939
Cash dividend		1,978	4,006
Directors' and corporate auditors' bonuses		34	34
Debt disposal amount for accrued retirement benefits to subsidiaries in the UK		—	2,244
IV. Balance of retained earnings at end of period		15,288	35,512

Note: As dividends were already paid in accordance with the procedures based on the resolution by the general shareholders' meeting and the Board of Directors, the amount of retained earnings carried forward was determined after subtracting the dividends.

(4) Interim Consolidated Statement of Changes in Shareholders' Equity

(April 1, 2006 - September 30, 2006)

(Millions of yen)

Item	Shareholders' Equity				Total Shareholders' Equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance as of March 31, 2006	48,332	73,049	<u>35,512</u>	(1,884)	<u>155,009</u>
Dividends from surplus (Note)			(3,921)		(3,921)
Bonuses to directors (Note)			(138)		(138)
Net income			<u>18,123</u>		<u>18,123</u>
Acquisition of treasury stock				(148)	(148)
Total changes during the interim period	–	–	<u>14,064</u>	(148)	<u>13,916</u>
Balance as of September 30, 2006	48,332	73,049	<u>49,576</u>	(2,032)	<u>168,925</u>

Item	Valuation and Translation Adjustments				Minority Interest	Total Net Assets
	Net unrealized holding gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Total Valuation and Translation Adjustments		
Balance as of March 31, 2006	<u>16,594</u>	–	873	<u>17,467</u>	9,657	<u>182,133</u>
Dividends from surplus (Note)				–		(3,921)
Bonuses to directors (Note)				–		(138)
Net income				–		<u>18,123</u>
Acquisition of treasury stock				–		(148)
Net changes of items other than shareholders' equity during the interim period	<u>(1,873)</u>	(377)	4,108	<u>1,858</u>	21	<u>1,879</u>
Total changes during the interim period	<u>(1,873)</u>	(377)	4,108	<u>1,858</u>	21	<u>15,795</u>
Balance as of September 30, 2006	<u>14,721</u>	(377)	4,981	<u>19,325</u>	9,678	<u>197,928</u>

Note: Appropriation of profit item at the regular general shareholders' meeting in June 2006.

As dividends were already paid in accordance with the procedures based on the resolution by the general shareholders' meeting and the Board of Directors, the amount of retained earnings carried forward was determined after subtracting the dividends.

(5) Interim Consolidated Statements of Cash Flows

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Current interim period (April 1, 2006 - September 30, 2006)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount	Amount
I. Cash flows from operating activities				
1. Income before provision for income taxes		<u>12,106</u>	<u>29,029</u>	<u>42,132</u>
2. Depreciation		13,655	14,507	27,022
3. Amortization of consolidated adjustment accounts		2,726	–	5,674
4. Amortization of goodwill		–	3,538	–
5. Decrease of severance and retirement allowance		(1,175)	(264)	(393)
6. Decrease (increase) in prepaid expenses of pensions		648	(1,228)	1,361
7. Interest and dividend income		(896)	(1,251)	(1,983)
8. Interest expenses		4,635	5,824	9,800
9. Loss of investment in affiliated companies carried on the equity method		–	<u>554</u>	<u>1,999</u>
10. Gain on sales on beneficial interest in trust		(1,522)	–	(1,522)
11. Gain on sales of stocks of subsidiaries and affiliates		(2,187)	–	(2,199)
12. Loss on valuation of investment securities		–	<u>2,186</u>	–
13. Impairment loss on fixed assets		871	417	1,411
14. Decrease (increase) in notes and accounts receivable		8,163	6,437	(9,622)
15. Decrease in inventories		13,095	1,798	15,643
16. Decrease in notes and accounts payable		(18,859)	(8,197)	(15,340)
17. Increase (decrease) in accounts payable–other		(1,665)	4,301	–
18. Increase (decrease) in accrued expenses		(287)	5,915	4,092
19. Loss (gain) on funds invested		<u>(980)</u>	<u>786</u>	<u>959</u>
20. Other operating activities		<u>3,197</u>	<u>(3,906)</u>	<u>(1,646)</u>
Subtotal		31,525	60,446	77,388
21. Interest and dividend received		896	1,248	1,974
22. Interest paid		(4,366)	(6,078)	(9,242)
23. Income taxes paid		(10,120)	(15,650)	(21,086)
Net cash provided by operating activities		17,935	39,966	49,034
II. Cash flows from investing activities				
1. Payments into time deposits		(5,004)	(3,500)	(6,244)
2. Withdrawal of time deposits		6,559	4,186	6,588
3. Expenditure on acquisition of securities		–	–	(34,997)
4. Proceeds from sales of securities		–	1,200	35,000
5. Expenditure on acquisition of tangible fixed assets		(20,413)	(26,784)	(44,892)
6. Proceeds from sales of tangible fixed assets		–	–	50
7. Expenditure on acquisition of investment securities		(21,780)	(4,857)	(36,896)
8. Proceeds from sales of investment securities		3,955	1,161	<u>14,947</u>
9. Expenditure on acquisition of securities of subsidiaries associated with the change in scope of consolidation		(12,029)	(2,199)	(12,029)
10. Proceeds from sales of stocks of subsidiaries associated with the change in scope of consolidation		1,431	–	1,431
11. Expenditure on additional acquisition of stocks of subsidiaries		(5,591)	–	(12,297)
12. Proceeds from sales on beneficial interest in trust		1,686	–	1,686
13. Collection of fund assets invested		=	=	<u>6,000</u>
14. Other investing activities		128	600	(102)
Net cash used in investing activities		(51,058)	(30,193)	(81,755)

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Current interim period (April 1, 2006 - September 30, 2006)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount	Amount
III. Cash flows from financing activities				
1. Net increase (decrease) in short-term borrowings		8,759	(20,057)	14,925
2. Proceeds from long-term borrowings		36,173	19,001	71,994
3. Repayment of long-term borrowings		(23,348)	(5,395)	(60,683)
4. Proceeds from issuance of bond		39,860	9,820	39,833
5. Expenditure on redemption of bond		–	(15,036)	–
6. Proceeds from issuance of stock		14,918	–	14,918
7. Proceeds from stock issuance to minority shareholders		–	719	472
8. Cash dividends paid		(1,978)	(3,921)	(4,006)
9. Cash dividends paid to minority shareholders		(20)	–	(21)
10. Other financing activities		(82)	(148)	(232)
Net cash provided by (used in) financing activities		74,282	(15,017)	77,200
IV. Effect of exchange rate changes on cash and cash equivalents		436	517	1,166
V. Increase (decrease) in cash and cash equivalents		41,595	(4,727)	45,645
VI. Balance of cash and cash equivalents at beginning of period		<u>78,625</u>	<u>124,307</u>	<u>78,625</u>
VII. Increase in cash and cash equivalents due to new consolidation		31	–	46
VIII. Decrease in cash and cash equivalents due to exclusion of consolidation		–	–	(9)
IX. Balance of cash and cash equivalents at end of period		<u>120,251</u>	<u>119,580</u>	<u>124,307</u>

Basis of Presenting the Interim Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 196

Principal consolidated subsidiaries:

Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd.,
Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd.,
ITX Corporation, IT Telecom, Inc., Olympus Medical Systems Europa GmbH,
Olympus America Inc. and Olympus Hong Kong and China Limited

The following 13 funds determined to be used to segregate hidden losses on financial assets, derivative transactions, etc., and to be substantially controlled by the Company, are included in the 196 consolidated subsidiaries.

- SG Bond Plus Fund
- PS Global Investable Markets-O
- G.C. New Vision Ventures
- Central Forest Corporation
- TEAO Limited
- Neo Strategic Venture, L.P.
- Class Fund IT Ventures
- Quick Progress Co. Ltd
- Global Targets SPC-Sub Fund H Segregated Portfolio
- Dynamic Dragons II, SPC-Sub Fund H Segregated Portfolio
- Easterside Investments Limited
- Twenty-First Century Global Fixed Income Fund Limited
- Genesis Venture Capital Series 1 Limited

Newly added consolidated subsidiaries: 6

Olympus Microsystems America, Inc., Olympus Canada Inc., and other four companies

Olympus Microsystems America, Inc. and other two companies were newly established subsidiaries during the current interim period.

Bacus Laboratories, Inc. and other one company have been included into consolidation through equity participation carried out during the current interim period.

Olympus Software Technology Corp. was established by a corporate split of Olympus Systems Co., Ltd. during the current interim period.

Excluded companies: 6

MarkAny Japan Corporation, DIGITAL ARX CORPORATION, Olympus Patient Systems Ltd. and other three companies

MarkAny Japan Corporation and other two companies have been excluded from consolidated subsidiaries due to sale of shares during the current interim period.

DIGITAL ARX CORPORATION has been excluded from consolidated subsidiaries due to merger with other consolidated subsidiary during the current interim period.

Olympus Patient Systems Ltd. and Proper Fixed Income Fund, Ltd. have been excluded from consolidated subsidiaries due to liquidation during the current interim period.

(2) Number of non-consolidated subsidiaries: 16

Olympus Moscow Limited Liability Company, Beijing Beizhao Olympus Optical Co., Ltd.,
and other 14 companies

The above non-consolidated subsidiaries are all small and not material when measured by the impact of each amount of total assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on interim consolidated financial statements. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Non-consolidated subsidiaries accounted for under the equity method: 5

Olympus Moscow Limited Liability Company, Beijing Beizhao Olympus Optical Co., Ltd.
and other three companies

(2) Affiliated companies accounted for under the equity method: 15

Principal affiliated companies:

ORTEK Corporation, Adachi Co., Ltd. and TechMatrix Corporation

Newly added affiliated companies: 3

Artefactory Inc. and other two companies

Artefactory Inc. and other two companies have been included in affiliated companies accounted for under the equity method due to equity participation or additional acquisition of shares during the current interim period.

Excluded companies: 1

TOSHIMA CABLE NETWORK CO., LTD

TOSHIMA CABLE NETWORK CO., LTD has been excluded from affiliated companies accounted for under the equity method due to sale of shares during the current interim period.

(3) Eleven non-consolidated subsidiaries and twelve affiliated companies are not accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning interim account settlement dates of consolidated subsidiaries

The interim account settlement date of most consolidated subsidiaries is September 30, in common with the company that submits the interim consolidated financial statements.

Since the account settlement date of some consolidated subsidiaries is December 31, the interim consolidated financial statements are prepared by using their financial statements as of June 30, and the adjustments necessary on a consolidated level are carried out regarding significant transactions occurring between that date and the interim consolidated account settlement date.

4. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

(i) Held-to-maturity securities

Amortized cost method

(ii) Other securities

Items with market value

Market value method based on fair market value on the interim account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)

Items without market value

Cost method based on the moving-average method
Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Securities and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(b) Claims and liabilities from derivatives transactions

Market value method

(c) Inventories

Inventories are principally reported using the lower of cost (first-in first-out) or market method

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment

Mainly by the declining balance method

(i) Conveyance equipment, tools, furniture and fixtures

Mainly based on useful lives as per the Corporate Tax Law

(ii) Other property, plant and equipment

Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(b) Intangible fixed assets

Straight-line method

Mainly based on useful lives as per the Corporate Tax Law

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(3) Treatment method for important deferred assets

Bond issuance expense and stock issuance expense

Total expense recorded at the time of occurrence

(4) Accounting standards for important allowances and reserves

(i) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivables-trade and loans, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(ii) Warranty reserve

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the reserve for product guarantees is accounted using prescribed standards based on actually incurred past after service cost.

(iii) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current interim period based on the estimated amounts of the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(iv) Severance and retirement allowance for directors and corporate auditors

To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the current interim period is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(v) Reserve for loss on liabilities for guarantee

To provide for losses on liabilities for guarantee, the amount of loss expected to be borne is accounted considering the financial conditions of the guaranteed party.

(5) Treatment method for important lease transactions

Financing lease transactions that do not transfer titles to lessees are treated in the same manner as operating lease transactions.

(6) Important hedge accounting methods

(i) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(ii) Hedging instruments and hedged items

- Hedging instruments Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts
- Hedged items Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings

(iii) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(iv) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(7) Other important items that form the basis of presenting the interim consolidated financial statements

(i) Treatment of income taxes

The amounts of income taxes payments and deferred income taxes for the current interim period have been calculated on the assumption that the provisions and reversals of reserve for advanced depreciation and reserve for special depreciation are expected to be recorded in the current fiscal year.

(ii) Treatment of consumption taxes

Treated using a tax exclusive method.

(iii) Application of a consolidated tax payment system

A consolidated tax payment system under designating Olympus Corporation as the parent company

is adopted at the Company from the current interim period. Some of the Company's consolidated subsidiaries have already adopted the consolidated tax payment system.

5. Scope of cash and cash equivalents on the interim consolidated statements of cash flows

In preparing the interim consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid, readily convertible investments with maturities not exceeding three months at the time of purchase and subject to little risk of change in value are considered to be cash and cash equivalents.

Changes in the Basis of Presenting the Interim Consolidated Financial Statements

1. Accounting standard for bonuses to directors

Effective from the current interim period, the "Accounting Standard for Directors' Bonus" (Financial Accounting Standard No. 4, issued by the Accounting Standards Board of Japan on November 29, 2005) has been adopted. The effect on gains and losses is minimal.

2. Accounting standard for net assets on balance sheet

Effective from the current interim period, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Implementation Guidance No. 8, issued by the Accounting Standards Board of Japan on December 9, 2005).

The amount corresponding to the former "Shareholders' equity" was ¥188,627 million.

Pursuant to the revision to the Ordinance on Semi-annual Consolidated Financial Statements, the "Net assets" section on the consolidated balance sheets for the current interim period was prepared in compliance with the revised Ordinance on Semi-annual Consolidated Financial Statements.

Change in presentation

(i) Interim consolidated balance sheet

Effective from the current interim period, the Company has adopted the revised Ordinance on Semi-annual Consolidated Financial Statements (Cabinet Office Ordinance No. 56 of April 26, 2006), and accordingly, consolidated adjustment accounts and trade rights are presented as "Goodwill."

Trade rights included in "Others" of intangible fixed assets in the previous fiscal year and the previous interim period was ¥3,367 million and ¥2,219 million, respectively.

(ii) Interim consolidated statement of income

"Net loss of investment in affiliated companies carried on the equity method," which was included in "Others" of non-operating expenses in the previous interim period, is now separately presented because the amount exceeded 10% of the total non-operating expenses.

"Net loss of investment in affiliated companies carried on the equity method" included in "Others" of non-operating expenses in the previous interim period was ¥85 million.

(iii) Interim consolidated statement of cash flows

Effective from the current interim period, in line with the adoption of the revised Ordinance on Semi-annual Consolidated Financial Statements (Cabinet Office Ordinance No. 56 of April 26, 2006) and the accompanying presentation of consolidated adjustment accounts and trade rights as "Goodwill," amortization of consolidated adjustment accounts and amortization of trade rights in cash flows from operating activities are presented as "Amortization of goodwill."

Loss of investment in affiliated companies carried on the equity method and loss on valuation of investment securities, which were included in "Other operating activities" in the previous interim period, are separately presented as "Loss of investment in affiliated companies carried on the equity method" and "Loss on valuation of investment securities," respectively, in the current interim period, because their monetary significance increased.

"Loss of investment in affiliated companies carried on the equity method" and "Loss on valuation of

investment securities” included in “Other operating activities” in the previous interim period were ¥85 million and ¥478 million, respectively. “Loss on valuation of investment securities” included in “Other operating activities” in the previous fiscal year was ¥1,070 million. “Gain on sales of stocks of subsidiaries and affiliates” (¥75 million in the current interim period), which had been separately presented up until the previous fiscal year, is included in “Other operating activities” in the current interim period, because its monetary significance decreased.

Additional Information

Future conditions

Following the Company’s announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The interim consolidated financial statements may be amended if any further important information comes to light in such investigations on or after the day following the filing date of the amendment report for Semiannual Securities Report. Furthermore, as a result of inappropriate financial reporting by the Company, parties such as holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

Investment fund assets

As the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990’s, with the intention of postponing the recognition of the losses, the Company segregated the hidden losses to a number of non-consolidated receiver funds that were to serve as assignee of financial assets, derivative transactions, etc. (collectively, the “Receiver Funds”) beginning with the fiscal year ended March 2000. Assets held by the Receiver Funds are presented in bulk as “Investment fund assets” in the interim consolidated balance sheets. This is because the operating assets of the Receiver Funds are, unlike usual investments by the Company, managed in an integrated manner in a series of transactional schemes to segregate and settle the losses. As stated in the section of reason for filing in the amendment report for the Semiannual Securities Report, some board members were aware of the circumstances surrounding the past transactions to segregate and settle the hidden losses. However, as a result of the matters pointed out in the Investigation Report by the Third Party Committee and the Company’s internal investigation, it has come to light that the legal form and main platform of asset management of each Receiver Fund, and information on the details of operating assets, appraised value, etc. of each Receiver Fund during the period from the loss segregation to the liquidation of each Receiver Fund, were not fully maintained at the Company. Therefore, the Company prepared the amendment report by obtaining accounting information from outside persons related with the loss segregation and settlement scheme.

Notes

Interim Consolidated Balance Sheets

1. Investment fund assets

Assets held by the Receiver Funds are presented in bulk as “Investment fund assets.” This is because the operating assets of the Receiver Funds are, unlike usual investments by the Company, managed in an integrated manner in a series of transactional schemes. These investment fund assets include mainly deposits and investment securities. However, as stated in the section of reason for filing in the amendment report for the Semiannual Securities Report, since related materials, etc. were not fully maintained, the Company prepared the amendment report by obtaining accounting information from outside persons related with the schemes.

	(Millions of yen)		
	Previous interim period	Current interim period	Previous fiscal year
<u>2. Accumulated depreciation for property, plant and equipment</u>	182,546	200,645	192,854
<u>3. Investment securities for business incubations and investment securities in business incubation-related companies</u>			
Investment securities include investment securities for business incubations and investment securities in business incubation-related companies held by a consolidated subsidiary of the Company.			
The amounts of these items are as follows:			
Investment securities for business incubations	8,488	8,084	7,523
Investment securities in business incubation-related companies	4,866	5,530	4,899
<u>4. Contingent liabilities</u>	871	1,403	1,794
<u>5. Notes receivable discounted</u>	2,164	5,935	3,485
(including discounted bills of exchange for export)	2,162	5,896	3,332
Notes received endorsed for transfer	220	217	216

6. Notes at maturity on final day of interim period

Regarding the accounting treatment of notes at maturity on the final day of the interim period, although the final day of the current interim period was a holiday for financial institutions, the notes were treated as though settlement occurred on the day of maturity. The amounts of notes at maturity on the final day of the current interim period are as follows:

Notes receivable	–	366	–
Notes payable	–	725	–

7. Assets pledged as collateral and obligations secured by such collateral

Assets pledged as collateral (book value)

Cash and time deposits	1,658	1,488	1,655
Accounts receivable	375	530	506
Inventories	407	318	303
Buildings and structures	4,817	2,115	1,781
Machinery and equipment	40	229	135
Land	139	1,137	1,755
Investment securities	99	86	—
Others in investments and other assets	40	83	53
Total	7,575	5,986	6,188

Obligations secured by such collateral

Long-term borrowings, less current maturities	4,682	2,970	3,685
Short-term borrowings	293	498	501

Previous interim period

¥30,000 million of long-term borrowings, less current maturities, other than the above is borrowings from LGT Bank in Liechtenstein Ltd recognized by Central Forest Corporation with a deposit of ¥35,000 million (before deduction of expected loss) pledged as collateral at LGT Bank in Liechtenstein Ltd, which is included in the Company's investment fund assets.

Date of loan: July 23, 1998 (revised date: July 18, 2003)

Interest rate: 0.875%

Period of loan: 5 years (revised repayment date: July 22, 2008)

Current interim period

¥30,000 million of long-term borrowings, less current maturities, other than the above is borrowings from LGT Bank in Liechtenstein Ltd recognized by Central Forest Corporation with a deposit of ¥35,000 million (before deduction of expected loss) pledged as collateral at LGT Bank in Liechtenstein Ltd, which is included in the Company's investment fund assets.

Date of loan: July 23, 1998 (revised date: July 18, 2003)

Interest rate: 1.040%

Period of loan: 5 years (revised repayment date: July 22, 2008)

Previous fiscal year

¥30,000 million of long-term borrowings, less current maturities, other than the above is borrowings from LGT Bank in Liechtenstein Ltd recognized by Central Forest Corporation with a deposit of ¥35,000 million (before deduction of expected loss) pledged as collateral at LGT Bank in Liechtenstein Ltd, which is included in the Company's investment fund assets.

Date of loan: July 23, 1998 (revised date: July 18, 2003)

Interest rate: 0.875%

Period of loan: 5 years (revised repayment date: July 22, 2008)

Interim Consolidated Statements on Income

(Millions of yen)

	Previous interim period	Current interim period	Previous fiscal year
1. Major items and amounts of selling, general and administrative expenses			
Advertising and promotion expenses	18,951	21,718	37,912
Provision of allowance for doubtful accounts	175	–	341
Salaries and allowance	38,738	45,443	78,896
Bonuses	7,456	11,005	19,377
Retirement benefit expenses	4,017	3,165	8,504
Provision of severance and retirement allowance for directors and corporate auditors	83	22	292
Amortization of consolidated adjustment accounts	2,726	–	5,674
Amortization of goodwill	–	3,538	–
Experiment and research expenses	12,308	13,743	25,167
Depreciation	7,024	8,645	14,742
2. Research and development expenses included in general and administrative expenses and production cost	21,895	25,506	45,935

3. Gain on funds investedPrevious interim period

¥980 million of “Gain on funds invested” under extraordinary gains mainly consists of gains pertaining to management of receiver fund assets.

4. Loss on funds investedCurrent interim period

¥786 million of “Loss on funds invested” under extraordinary losses mainly consists of interest expenses and commission fees pertaining to management of receiver fund assets.

Previous fiscal year

¥959 million of “Loss on funds invested” under extraordinary losses mainly consists of interest expenses and commission fees pertaining to management of receiver fund assets.

5. Impairment loss

Impairment loss has been recorded for the following asset groups.

(Millions of yen)

Previous interim period (April 1, 2005 – September 30, 2005)			
Application	Type	Location	Impairment loss
Information & communication business assets	Consolidated adjustment accounts and other intangible fixed assets, etc.	Tokyo	791
	Buildings, etc.	Tokyo and other prefectures	32
Others assets	Other intangible fixed assets	Tokyo	36
Idle assets	Land	Shiga	12
Total			871

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 6.6%.

For idle assets, because the market value is substantially lower than the book value, the book value is reduced to the recoverable value. The recoverable value is measured using the assessed value of fixed assets, which is considered to reflect the market value.

Current interim period (April 1, 2006 – September 30, 2006)

Application	Type	Location	Impairment loss
Information & communication business assets	Buildings, etc.	Fukuoka and other prefectures	124
Others assets	Machinery and goodwill, etc.	Nagano and other prefectures	293
Total			417

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 5.9%.

Previous fiscal year (April 1, 2005 – March 31, 2006)

Application	Type	Location	Impairment loss
Information & communication business assets	Consolidated adjustment accounts and other intangible fixed assets, etc.	Tokyo	1,331
	Buildings, etc.	Tokyo and other prefectures	32
Others assets	Other intangible fixed assets	Tokyo	36
Idle assets	Land	Shiga	12
Total			1,411

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 6.6%.

For idle assets, because the market value is substantially lower than the book value, the book value is reduced to the recoverable value. The recoverable value is measured using the assessed value of fixed assets, which is considered to reflect the market value.

Interim Consolidated Statement of Changes in Shareholders' Equity

Current interim period (April 1, 2006 – September 30, 2006)

1. Matters regarding issued shares

(Shares)

Class of shares	End of the previous fiscal year	Increase	Decrease	End of the current interim period
Common stock	271,283,608	–	–	271,283,608

Reason for change

Not applicable

2. Matters regarding treasury stock

(Shares)

Class of shares	End of the previous fiscal year	Increase	Decrease	End of the current interim period
Common stock	856,534	44,797	–	901,331

Reason for change

The increase in treasury stock during the current interim period is due to the purchase of shares not constituting a full unit.

3. Items concerning dividends**(1) Paid dividends**

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2006	Common stock	3,921	14.50	March 31, 2006	June 29, 2006

(2) Dividends whose record date falls in the current interim period and have an effective date after the current interim period

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 7, 2006	Common stock	Retained earnings	2,974	11.00	September 30, 2006	December 8, 2006

(3) Other

As dividends were already paid in accordance with the procedures based on the resolution by the general shareholders' meeting and the Board of Directors, the amount of other retained earnings was determined after subtracting the dividends.

Interim Consolidated Statements of Cash Flows

	(Millions of yen)		
	<u>Previous interim period</u>	<u>Current interim period</u>	<u>Previous fiscal year</u>
1. The reconciliation of cash and cash equivalents at end of period and the relevant items shown in the interim consolidated balance sheet			
Cash and time deposits	<u>125,446</u>	<u>125,545</u>	<u>130,720</u>
Less: Time deposits with maturities over three months	(5,215)	(5,975)	(6,423)
Cash and cash equivalents included in marketable securities	20	10	10
Cash and cash equivalents	<u>120,251</u>	<u>119,580</u>	<u>124,307</u>

2. Collection of fund assets investedPrevious fiscal yearCollection of fund assets invested refers to a cash inflow from the Receiver Funds.**Lease Transactions**

Description is omitted as the disclosure of this matter is made through EDINET.

5. Segment Information

(1) Segment Information by Type of Business

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	116,088	126,423	50,479	152,263	31,019	476,272	-	476,272
(2) Internal sales or transfer among segments	65	7	-	-	114	186	(186)	-
Total	116,153	126,430	50,479	152,263	31,133	476,458	(186)	476,272
Operating expenses	122,872	91,268	47,878	154,302	30,701	447,021	12,614	459,635
Operating income (or operating loss)	(6,719)	35,162	2,601	(2,039)	432	29,437	(12,800)	16,637

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	132,111	142,191	57,707	122,897	29,775	484,681	-	484,681
(2) Internal sales or transfer among segments	192	28	16	-	352	588	(588)	-
Total	132,303	142,219	57,723	122,897	30,127	485,269	(588)	484,681
Operating expenses	117,825	103,153	54,339	123,216	30,605	429,138	13,410	442,548
Operating income (or operating loss)	14,478	39,066	3,384	(319)	(478)	56,131	(13,998)	42,133

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	254,541	266,317	107,915	284,908	64,446	978,127	-	978,127
(2) Internal sales or transfer among segments	215	14	5	-	561	795	(795)	-
Total	254,756	266,331	107,920	284,908	65,007	978,922	(795)	978,127
Operating expenses	249,964	189,689	100,361	287,549	63,564	891,127	24,477	915,604
Operating income (or operating loss)	4,792	76,642	7,559	(2,641)	1,443	87,795	(25,272)	62,523

1. The main products for each business are as follows:

Previous Interim Period

- (1) Imaging Systems Business: Film cameras, Digital cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

Current Interim Period

- (1) Imaging Systems Business: Digital cameras, Film cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

Previous Fiscal Year

- (1) Imaging Systems Business: Digital cameras, Film cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales of network infrastructure systems, System development, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

2. The amount of non-allocatable operating expenses included in the section of Elimination or Unallocation among the operating expenses was ¥12,800 million for the previous interim period, ¥13,998 million for the current interim period, and ¥25,272 million for the previous fiscal year, most of which consisted of expenses related to the corporate center of the parent company (management departments such as the Administrative Department) and the Research & Development Center.

(2) Segment Information by Region

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	247,282	90,792	105,678	32,520	476,272	-	476,272
(2) Internal sales or transfer among segments	116,169	2,535	4,474	31,570	154,748	(154,748)	-
Total	363,451	93,327	110,152	64,090	631,020	(154,748)	476,272
Operating expenses	341,294	88,341	107,708	64,649	601,992	(142,357)	459,635
Operating income (or operating loss)	22,157	4,986	2,444	(559)	29,028	(12,391)	16,637

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	220,371	109,339	120,439	34,532	484,681	-	484,681
(2) Internal sales or transfer among segments	136,318	3,591	5,554	48,756	194,219	(194,219)	-
Total	356,689	112,930	125,993	83,288	678,900	(194,219)	484,681
Operating expenses	316,899	105,944	121,694	78,353	622,890	(180,342)	442,548
Operating income	39,790	6,986	4,299	4,935	56,010	(13,877)	42,133

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	474,387	209,473	229,000	65,267	978,127	-	978,127
(2) Internal sales or transfer among segments	263,849	6,793	8,710	77,861	357,213	(357,213)	-
Total	738,236	216,266	237,710	143,128	1,335,340	(357,213)	978,127
Operating expenses	677,714	200,438	225,604	143,099	1,246,855	(331,251)	915,604
Operating income	60,522	15,828	12,106	29	88,485	(25,962)	62,523

1. Segmentation method of countries and regions

Regions are segmented by geographical proximity. Major countries and regions other than Japan are as follows:

- (1) North America: USA, Canada, Mexico, and Brazil
- (2) Europe: Germany, UK, France, etc.
- (3) Asia: Singapore, Hong Kong, China, Korea, Australia, etc.

2. The amount of non-allocatable operating expenses included in the section of Elimination or Unallocation among the operating expenses was ¥12,800 million for the previous interim period, ¥13,998 million for the current interim period, and ¥25,272 million for the previous fiscal year, most of which consisted of expenses related to the corporate center of the parent company (management departments such as the Administrative Department) and the Research & Development Center.

(3) Overseas Sales

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	104,628	121,757	48,488	18,575	293,448
II. Consolidated sales					476,272
III. Percentage of overseas sales among consolidated sales	22.0%	25.5%	10.2%	3.9%	61.6%

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	104,270	123,102	50,550	10,981	288,903
II. Consolidated sales					484,681
III. Percentage of overseas sales among consolidated sales	21.5%	25.4%	10.4%	2.3%	59.6%

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	224,283	247,857	96,081	32,960	601,181
II. Consolidated sales					978,127
III. Percentage of overseas sales among consolidated sales	22.9%	25.3%	9.8%	3.5%	61.5%

1. Regions are segmented by geographical proximity. Major countries and regions other than Japan are as follows:

- (1) North America: USA, Canada
- (2) Europe: Germany, UK, France, etc.
- (3) Asia: Singapore, Hong Kong, China, Korea, Australia, etc.
- (4) Others: Central and South America, Africa, etc.

2. Overseas sales refers to the sales of the Company and its subsidiaries in countries or regions other than Japan.

6. Production, Orders and Sales

Businesses are segmented by adding similar sales markets to business established based on product lines.

Purchasing performance is recorded in addition to production performance for some consolidated subsidiaries, because they engage in the sales and services of equipments.

(1) Production Performance

(Millions of yen)

	Previous interim period (April 1, 2005 – September 30, 2005)	Current interim period (April 1, 2006 – September 30, 2006)	Previous fiscal year (April 1, 2005 – March 31, 2006)
Imaging Systems	107,382	122,057	258,436
Medical Systems	112,980	141,558	249,219
Life Science	43,910	55,948	87,050
Information & Communication	–	–	–
Others	21,964	21,514	37,117
Total	286,236	341,077	631,822

- Notes: 1. Amounts are calculated based on the sales price.
2. Amounts do not include consumption taxes.

(2) Purchasing Performance

(Millions of yen)

	Previous interim period (April 1, 2005 – September 30, 2005)	Current interim period (April 1, 2006 – September 30, 2006)	Previous fiscal year (April 1, 2005 – March 31, 2006)
Imaging Systems	–	–	–
Medical Systems	–	–	–
Life Science	–	–	–
Information & Communication	139,173	104,862	259,155
Others	10,725	12,410	22,659
Total	149,898	117,272	281,814

Note: Amounts do not include consumption taxes.

(3) Accepting Orders

As we have mainly adopted a make-to-stock production system, the description of the situation of accepting orders has been omitted.

(4) Sales Performance

(Millions of yen)

		Previous interim period (April 1, 2005 - September 30, 2005)		Current interim period (April 1, 2006 - September 30, 2006)		Previous fiscal year (April 1, 2005 - March 31, 2006)	
		Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Imaging Systems	Domestic	11,763	10.1%	14,536	11.0%	25,720	10.1%
	Overseas	104,325	89.9%	117,575	89.0%	228,821	89.9%
	Total	116,088	24.4%	132,111	27.3%	254,541	26.0%
Medical Systems	Domestic	37,658	29.8%	35,407	24.9%	69,496	26.1%
	Overseas	88,765	70.2%	106,784	75.1%	196,821	73.9%
	Total	126,423	26.5%	142,191	29.3%	266,317	27.2%
Life Science	Domestic	13,239	26.2%	15,046	26.1%	27,933	25.9%
	Overseas	37,240	73.8%	42,661	73.9%	79,982	74.1%
	Total	50,479	10.6%	57,707	11.9%	107,915	11.0%
Information & Communication	Domestic	104,872	68.9%	115,442	93.9%	221,005	77.6%
	Overseas	47,391	31.1%	7,455	6.1%	63,903	22.4%
	Total	152,263	32.0%	122,897	25.4%	284,908	29.1%
Others	Domestic	15,292	49.3%	15,347	51.5%	32,792	50.9%
	Overseas	15,727	50.7%	14,428	48.5%	31,654	49.1%
	Total	31,019	6.5%	29,775	6.1%	64,446	6.7%
Total	Domestic	182,824	38.4%	195,778	40.4%	376,946	38.5%
	Overseas	293,448	61.6%	288,903	59.6%	601,181	61.5%
	Total	476,272	100.0%	484,681	100.0%	978,127	100.0%

Note: Amounts do not include consumption taxes.

7. Market Values of Securities, etc.

1. Securities with market value

(Millions of yen)

	Previous interim period (as of September 30, 2005)			Current interim period (as of September 30, 2006)			Previous fiscal year (as of March 31, 2006)		
	Acquisition cost	Interim consolidated balance sheet amount	Difference	Acquisition cost	Interim consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Other securities									
(1) Stocks	34,936	51,300	16,364	46,292	67,127	20,835	43,335	67,740	24,405
(2) National and local government bonds, etc.	1,210	1,210	0	–	–	–	1,200	1,200	–
(3) Others	<u>5,704</u>	<u>5,856</u>	<u>152</u>	<u>2,017</u>	<u>2,169</u>	<u>152</u>	<u>1,058</u>	<u>1,364</u>	<u>306</u>
Total	<u>41,850</u>	<u>58,366</u>	<u>16,516</u>	<u>48,309</u>	<u>69,296</u>	<u>20,987</u>	<u>45,593</u>	<u>70,304</u>	<u>24,711</u>

Note: Impairment losses are recognized for securities whose market value declined 50% or more of the acquisition cost or whose market value declined 30% or more but less than 50% of the acquisition cost and is comprehensively deemed having low recoverability.

2. Major securities for which market value is not used

(Millions of yen)

	Previous interim period (as of September 30, 2005)	Current interim period (as of September 30, 2006)	Previous fiscal year (as of March 31, 2006)
	Interim consolidated balance sheet amount	Interim consolidated balance sheet amount	Consolidated balance sheet amount
Other securities			
(1) Unlisted stocks	12,676	<u>12,121</u>	11,603
(2) Unlisted foreign bonds	9,215	4,538	5,428
(3) Others	<u>97</u>	<u>2,547</u>	1,964
Total	<u>21,988</u>	<u>19,206</u>	18,995

8. Contract Amounts, etc., Market Values and Valuation Gains or Losses of Derivatives

Description is omitted as the disclosure of this matter is made through EDINET.

9. Subsequent Event

Not applicable

(Before Correction)

Consolidated Financial Results for the Interim Period Ended September 30, 2006



November 7, 2006

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: Tokyo Stock Exchange, Osaka Securities Exchange
Prefecture where Head Office is located: Tokyo
Representative: Tsuyoshi Kikukawa, President and Representative Director
Contact: Hironobu Kawamata, General Manager, Accounting Division
Phone: 03-3340-2111
Date of Board of Directors meeting for approval of interim financial results: November 7, 2006
Adoption of US GAAP: No

1. Consolidated Financial Results for the Interim Period Ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

(1) Consolidated Results of Operations (Figures are rounded off to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%
Interim period ended September 30, 2006	484,681	1.8	42,133	153.2	31,534	253.3
September 30, 2005	476,272	54.3	16,637	(9.0)	8,926	(21.9)
Fiscal year ended March 31, 2006	978,127		62,523		41,206	

	Net income		Net income per share	Fully diluted net income per share
	(¥ million)	%	(¥)	(¥)
Interim period ended September 30, 2006	18,794	766.5	69.50	-
September 30, 2005	2,169	(67.7)	8.16	-
Fiscal year ended March 31, 2006	28,564		105.99	-

Notes: 1. Equity in earnings (losses) of affiliated companies:

Interim period ended September 30, 2006: ¥(1,196) million Interim period ended September 30, 2005: ¥(85) million

Fiscal year ended March 31, 2006: ¥(1,451) million

2. Average number of shares during the period (consolidated):

Interim period ended September 30, 2006: 270,404,809 shares Interim period ended September 30, 2005: 265,954,526 shares

Fiscal year ended March 31, 2006: 268,199,835 shares

3. Changes in accounting procedures: No

4. For net sales, operating income, ordinary income, and net income, % indicates changes from the previous interim period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of September 30, 2006	982,718	317,389	31.3	1,138.06
September 30, 2005	909,119	260,236	28.6	962.13
As of March 31, 2006	976,132	290,656	29.8	1,074.30

Note: Total number of issued shares at the end of the period (consolidated):

As of September 30, 2006: 270,382,277 shares As of September 30, 2005: 270,478,013 shares

As of March 31, 2006: 270,427,074 shares

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Interim period ended September 30, 2006	39,966	(30,193)	(15,017)	<u>154,580</u>
September 30, 2005	17,935	(51,058)	74,282	<u>155,251</u>
Fiscal year ended March 31, 2006	49,034	(81,755)	77,200	<u>159,307</u>

(4) Scope of Consolidation and Application of the Equity MethodNumber of consolidated subsidiaries: 183Number of non-consolidated subsidiaries accounted for under the equity method: 3Number of affiliated companies accounted for under the equity method: 18**(5) Changes in Scope of Consolidation and Application of the Equity Method**

Consolidation

Newly included: 6 Excluded: 5

Application of the equity method

Newly included: 7 Excluded: 1**2. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2007
(From April 1, 2006 to March 31, 2007)**

	Net sales	Ordinary income	Net income
	(¥ million)	(¥ million)	(¥ million)
Full year	1,040,000	68,000	38,000

Note: Forecasted net income per share (full year): ¥140.54 (based on the forecasted average number of shares during the period)

* The above projected performance figures include expectations based on the presumption, forecast, and plan over the future, as of the date this material was released. The actual performance may differ significantly from the forecast values due to risks or uncertain factors of the world economy, competitive situation, exchange rate fluctuations, etc. For the further information on forecasts, refer to p. 11 of the attached material.

1. Status of the Corporate Group

The Company, 197 subsidiaries and 30 affiliated companies are engaged mainly in the manufacture and sales of products in Imaging Systems, Medical Systems, Life Science, Information & Communication, Others and Holding companies and Financial Investment etc. related to the each business.

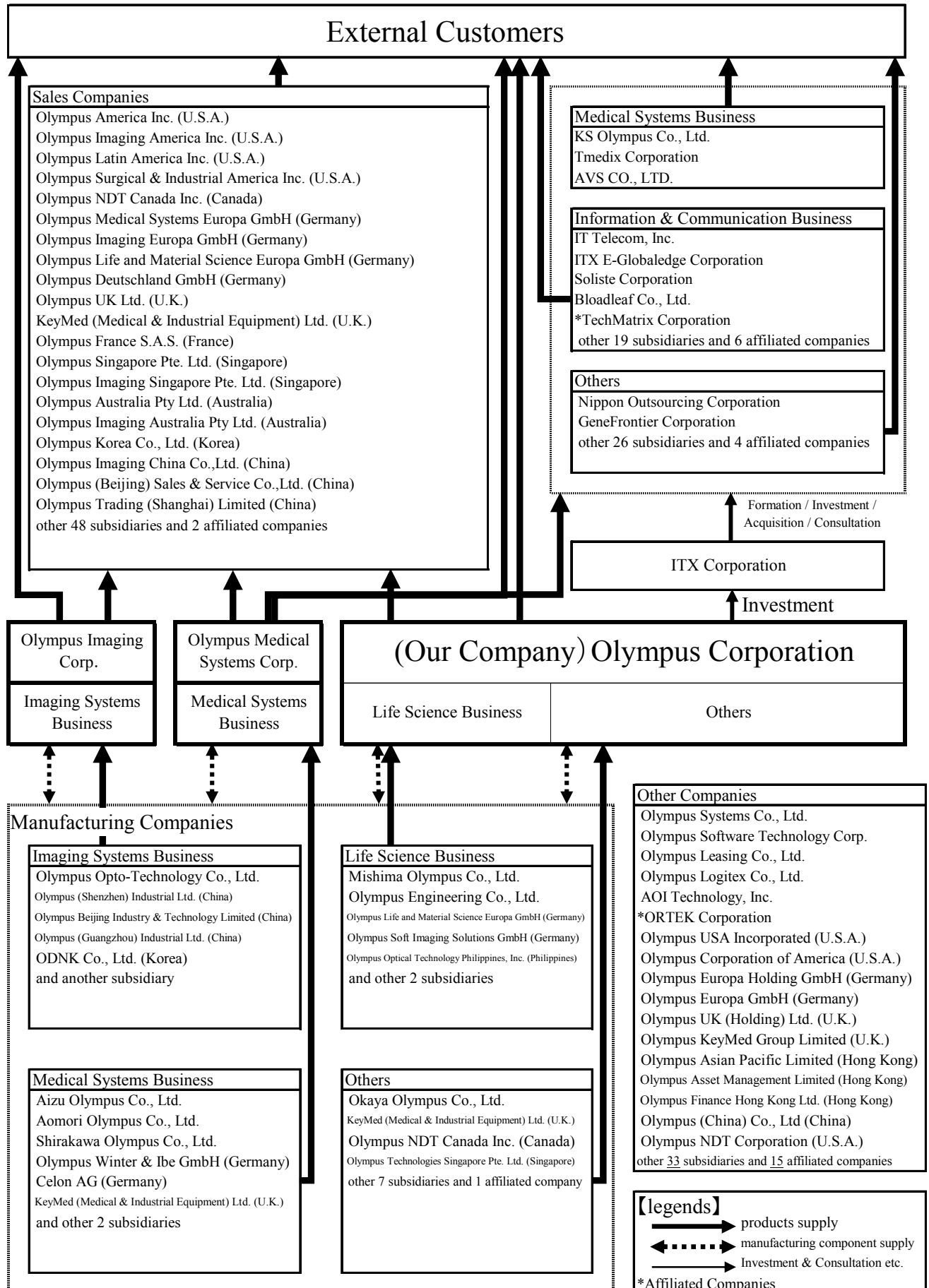
Described below are business of the corporate group, roles of each business and relations to business segments.

The five segmentations below are distinguished according to the business classifications of “Imaging Systems,” “Medical Systems,” “Life Science,” “Information & Communication” and “Others.” The “Common” segmentation consists of business that is incidental to those five segmentations.

Segmentation	Main products and Business	Principal companies
Imaging Systems	Digital cameras, Film cameras, Voice recorders	(Consolidated subsidiaries) Olympus Imaging Corp., Olympus Opto-Technology Co., Ltd., Olympus Imaging America Inc., Olympus Imaging Europa GmbH, Olympus Hong Kong and China Limited, Olympus Korea Co., Ltd., Olympus Imaging China Co., Ltd., Olympus (Shenzhen) Industrial Ltd., Olympus Imaging Singapore Pte. Ltd.
Medical Systems	Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes	(Consolidated subsidiaries) Olympus Medical Systems Corp., KS Olympus Co., Ltd., Aizu Olympus Co., Ltd., Aomori Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Olympus America Inc., Olympus Medical Systems Europa GmbH, KeyMed (Medical & Industrial Equipment) Ltd., Olympus Surgical & Industrial America Inc., Olympus Singapore Pte. Ltd., Olympus Winter & Ibe GmbH
Life Science	Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes	Olympus Corporation (Consolidated subsidiaries) KS Olympus Co., Ltd., Mishima Olympus Co., Ltd., Olympus America Inc., Olympus Life and Material Science Europa GmbH, Olympus Singapore Pte. Ltd.
Information & Communication	Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment	(Consolidated subsidiaries) IT Telecom, Inc., ITX E-Globaledge Corporation, Soliste Corporation, Broadleaf Co., Ltd. (Affiliated company) TechMatrix Corporation
Others	Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.	Olympus Corporation (Consolidated subsidiaries) Okaya Olympus Co., Ltd., Olympus Biomaterial Corp., Olympus Software Technology Corp., Olympus Systems Co., Ltd., Atlux Corporation, IPX Corporation, Nippon Outsourcing Corporation, KeyMed (Medical & Industrial Equipment) Ltd., Olympus Surgical & Industrial America Inc., Olympus NDT Canada Inc., Olympus NDT Corporation, Olympus Technologies Singapore Pte. Ltd.
Common	Holding Companies, Financial Investment	Olympus Corporation (Consolidated subsidiaries) Olympus Leasing Co., Ltd., ITX Corporation, Olympus USA Incorporated, Olympus Corporation of America, Olympus Europa Holding GmbH, Olympus Asian Pacific Limited, Olympus Asset Management Limited, Olympus KeyMed Group Limited, Olympus UK (Holding) Ltd., Olympus Finance Hong Kong Ltd., Olympus (China) Co., Ltd.

Note: ITX Corporation is listed on the Hercules of the Osaka Securities Exchange, and Soliste Corporation is listed on the JASDAQ Securities Exchange.

The outline chart of our group described in the preceding clause is as follows;



2. Operating Policy

1. Basic Operating Policies

We, at the Olympus Group, refer to the concept of assimilating, as members, with society, sharing values with other members of society, and making people's lives healthy and happy by proposing new values through business activities as "Social IN," and identify the concept as the leading motive lying behind all our activities.

Based on this concept of "Social IN," we will endeavor to be a "value-creating enterprise" capable of continuing to create, and provide in a timely manner, new values truly needed by society by drawing upon the source of Opto-Digital Technology (optical technology, digital imaging technology and micro-processing technology) as our core competence. We are convinced that such endeavors will help all of our stakeholders including customers, shareholders, business partners, employees, communities and society feel more satisfied than ever.

2. Basic Policy for Profit Sharing

We set our basic strategy to implement dividends, considering performance while securing continued profit sharing in order to respond to the expectations of our shareholders. Specifically, we comprehensively determined the dividend amount by setting the dividend ratio to 20% of the consolidated base as a basis, with consideration of the operating environment and dividend yields, etc. With regard to earning retention, the reinforcement of existing businesses, capital affiliation for the creation of new businesses, research development, business investment, etc., will be proactively carried out to improve long-term corporate value.

3. Thinking and Policy on Reduction of Stock Investment Unit

We have continued to carry out activities such as enhancing information disclosure via our website and various types of disclosure reports, on the understanding that individual shareholders' participation in the stock market helps to invigorate the market. Since we recognize that the reduction of the stock investment unit is one of the effective means by which the range of investors, including individuals, can be widened, we are considering the implementation of such a reduction around the time that the system for stock certificate dematerialization is introduced.

4. Targeted Operating Benchmarks

The Olympus Group strives to improve its corporate quality and financial standing by identifying "maximization of corporate value" as its management goal.

With the introduction of the newly formulated corporate strategic plan in the current fiscal year, we are aiming for net sales of ¥1,200 billion and operating income of ¥100 billion in the fiscal year ending March 31, 2009.

5. Medium/Long-Term Management Strategy and Issues That Olympus Group Should Address

In the Olympus Group's corporate strategic plan, which commenced in the fiscal year ending March 31, 2007, the Group has positioned "maximization of corporate value" as its management goal, and aims to realize this by "recovering and enhancing value creation capabilities."

In our basic strategy for delivering business, in the Medical Systems Business, which is centered on the medical endoscope field, we will offer "safe, dependable, and efficient" medical procedures, contribute to society by improving the quality of life of patients and reducing medical costs, and steadily expand profits. In the Life Science Business, we will seek long-term growth in next-generation medical fields that provide the optimal preventative methods and treatment methods for each patient, through the "evolution" of existing businesses. Furthermore, in the Imaging Systems Business, we will build up a structure that yields sustainable profit by thoroughly promoting the concept of "selection and concentration," seeking business efficiency by developing platforms, and strengthening our strategies for the fields of digital single-lens reflex (D-SLR)

cameras and optical components. In tandem with this, we will place an emphasis on the creation of new businesses, develop related businesses in the medical/health care and imaging/information areas, carry out the strategic investments necessary for these moves, and work to strengthen our financial standing.

6. Matters Regarding the Parent Company, etc.

Not applicable

3. Results of Operations and Financial Position

I. Business Results

(1) Analysis of Overall Operations and Performance by Segment for the Current Interim Period

Analysis of the overall operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Interim period ended September 30, 2006	484,681	42,133	<u>31,534</u>	<u>18,794</u>	<u>¥69.50</u>
Interim period ended September 30, 2005	476,272	16,637	<u>8,926</u>	<u>2,169</u>	<u>¥8.16</u>
Increase/decrease ratio	1.8%	153.2%	<u>253.3%</u>	<u>766.5%</u>	–

Comparison Table of Average Exchange Rate

	Current interim period	Previous interim period
Against the U.S. dollar	¥115	¥109
Against the Euro	¥146	¥136

In the Japanese economy for the current interim period, exports and business investment expanded, and consumer spending also increased amid the improving employment situation, contributing to gentle economic growth. At the same time, although there were signs of a slowdown in economic growth in the U.S., the economies continued to grow in Asia, mainly in China, while there has been economic recovery in Europe, particularly in the U.K. and France, resulting in a period of expansion for the global economy as a whole.

With regard to performance of the Olympus Group, sales remained in good shape in the Imaging Systems Business, the Medical Systems Business, and the Life Science Business. Although net sales in the Information & Communication Business decreased, consolidated net sales showed an increase of ¥8,409 million over the same period of the previous fiscal year, and reached ¥484,681 million (1.8% increase over the same period of the previous fiscal year).

With respect to operating income, in addition to the effect of increased sales, the sale of new products in the Imaging Systems Business and the Medical Systems Business contributed to improved profitability, while there were also results from cost reductions and other structural reform initiatives in the Imaging Systems Business. This resulted in ¥42,133 million in operating income (153.2% increase compared to the same period of the previous fiscal year).

Despite increases in interest expenses and foreign currency exchange loss, etc., ordinary income amounted to ¥31,534 million (253.3% increase over the same period of the previous fiscal year), a significant increase compared to the same period of the previous fiscal year.

Net income was ¥18,794 million (766.5% increase over the same period of the previous fiscal year) because extraordinary losses were calculated as ¥1,909 million, and ¥11,764 million was generated for income taxes.

This enabled consolidated net sales, operating income, ordinary income, and net income in the current interim period to each attain record highs.

The exchange rate shifted to yen depreciation against both the U.S. dollar and the Euro, and the average exchange rate during the interim period was US\$ 1 = J¥ 115 and EUR 1 = J¥ 146, making a revenue-increasing factor of ¥17,300 million to affect net sales.

The interim dividends for the current interim period are set at ¥11 per share, an increase of ¥3.50 over the same period of the previous fiscal year.

Analysis of the performance by segment

(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Previous interim period	Current interim period	Increase/Decrease ratio	Previous interim period	Current interim period	Increase/Decrease
Imaging Systems	116,088	132,111	13.8%	(6,719)	14,478	21,197
Medical Systems	126,423	142,191	12.5%	35,162	39,066	3,904
Life Science	50,479	57,707	14.3%	2,601	3,384	783
Information & Communication	152,263	122,897	(19.3%)	(2,039)	(319)	1,720
Others	31,019	29,775	(4.0%)	432	(478)	(910)
Subtotal	476,272	484,681	1.8%	29,437	56,131	26,694
Elimination or Unallocation	–	–	–	(12,800)	(13,998)	(1,198)
Consolidated total	476,272	484,681	1.8%	16,637	42,133	25,496

Note: Businesses are segmented by adding similar sales markets to the business established based on line of products.

Imaging Systems Business

Consolidated net sales for the Imaging Systems Business was ¥132,111 million (13.8% increase over the same period of the previous fiscal year) while operating income reached ¥14,478 million (compared to an operating loss of ¥6,719 million for the same period of the previous fiscal year).

In the digital camera field, we deployed a strategy focusing on unique products, and the new series in the “μ[mju:] series” of compact digital cameras, which combine a small and thin body with assorted functions such as image stabilization and water resistance, sold well domestically and overseas. In particular, the “μ720SW,” which is highly waterproof and shockproof, received a positive reception from the market. With the additional contribution from solid sales growth in Europe and the U.S. by digital single-lens reflex cameras, overall sales in the digital camera field increased substantially from the same period of the previous fiscal year.

In the voice recorders field, a new product launch in the “Voice-Trek V series” digital recorder, which strengthened the product lineup, boosted sales in the domestic market. In the overseas market, the switch to digital recorder models advanced, particularly in Europe, leading to an increase in revenue for the voice recorders field overall.

Regarding operating income/loss, as a result of unit sales price rises driven by competitive products and the fruits of initiatives for cost reductions, there was a change from the operating loss recorded in the same period of the previous fiscal year to operating income.

Medical Systems Business

Consolidated net sales in the Medical Systems Business was ¥142,191 million (12.5% increase over the same period of the previous fiscal year), while operating income amounted to ¥39,066 million (11.1% increase over the same period of the previous fiscal year).

In the medical endoscope field, in the domestic market, we newly launched the “EVIS LUCERA SPECTRUM,” which enables observation using specific light spectra that contributes to early detection of minute lesions such as cancer, and sales of the thin upper gastrointestinal video endoscope, which enables transnasal insertion, grew significantly. We also provided assistance in promotional activities regarding endoscopic examinations for the early detection and treatment of cancer by such means as co-sponsoring public symposiums about the importance of endoscopic examinations. Sales grew

substantially in overseas markets thanks to strong sales of “EVIS EXERA II,” a high-resolution HDTV endoscope system.

In the fields of MIP such as surgical and endo therapy products, there was domestic sales growth for haemostatic system products and pancreatic duct products, demonstrating the results of strengthening of the sales structure carried out in recent years. In overseas markets, sales volume of pancreatic duct products grew, and sampling products sold well in North America.

Operating income increased as a result of factors such as the steady growth of overseas sales of medical endoscopes.

Life Science Business

Consolidated net sales for the Life Science Business was ¥57,707 million (14.3% increase over the same period of the previous fiscal year), while operating income showed ¥3,384 million (30.1 % increase over the same period of the previous fiscal year).

In the micro-imaging (microscopes) field, revenue increased due to growth in sales of inspection equipment for flat panel displays in the domestic market. Revenue also increased in the overseas market since laser scanning microscopes, which are strategic products, continued to sell well, and markets were brisk for products such as semiconductors and electronic components, particularly in Asia, resulting in expansion in sales of industrial microscopes.

Regarding the diagnostic systems field, in the domestic market, sales of reagents grew because of sales expansion for the install base business, which combines blood analyzers (clinical chemistry analyzers) with reagents and maintenance, while maintenance leases of blood testers also sold well. Even so, sales were flat overall. Revenue increased in overseas markets because of sales growth in the U.S. as well as China and other areas of Asia, and Oceania.

Strong overseas sales in both fields contributed to an increase in operating income.

Information & Communication Business

Consolidated net sales for the Information & Communication Business was ¥122,897 million (19.3% decrease over the same period of the previous fiscal year), while operating loss was ¥319 million (compared to an operating loss of ¥2,039 million in the same period of the previous fiscal year).

Sales of mobile handsets units were excellent, which led to a sales increase in the mobile field. However, in the network & technology field, the completion of OEM sales transactions for personal computer peripherals led to a decrease in sales, and this was the main factor in an overall revenue decline in the Information & Communication Business.

With regard to operating income/loss, operating loss contracted thanks to the fact that cost reduction by elimination and consolidation of loss-making stores selling mobile handsets succeeded in restoring profitability in the mobile field.

Others

Consolidated net sales for Others Business was ¥29,775 million (4.0% decrease from the same period of the previous fiscal year), while operating loss was ¥478 million (compared to an operating income of ¥432 million in the same period of the previous fiscal year).

In the non-destructive testing equipment field, there was steady growth in sales, particularly to the oil and gas industries and the aircraft industry. In addition to the contribution to sales from ultrasonographic inspection systems, in the visual inspection field, videoscopes sold favorably against the background of strong business investment in the domestic, Europe and Asian markets, leading to a substantial increase in revenue.

Additionally, in the information equipment field, sales volume of high-speed printers that have been manufactured through business collaboration with RISO KAGAKU CORPORATION have increased.

Furthermore, in the biomedical materials field, sales of newly launched bone prostheses and proactive marketing activities for existing products resulted in substantial growth in sales.

Sales of ITX Corporation-related business did not grow, and revenue in the Others Business declined overall.

With regard to operating income/loss, a loss was recorded due to the decrease in revenue.

Status of research and development

The Olympus Group actively carries out research and development with Opto-Digital Technology (optical technology, digital imaging technology and micro-processing technology) as its core competence.

With respect to research and development in the current interim period, in the digital camera field we newly developed the “Dual Super Aspherical lens,” which has an optical performance equivalent to several conventional lenses, and the “CCD-shift image stabilization mechanism,” which prevents deterioration in picture quality from shaking even with a high-powered zoom. Combining these developments, we equipped the “μ750” with an “ultra-thin 5x zoom lens unit” for compact cameras. In the medical field, we developed the “EVIS LUCERA SPECTRUM,” an endoscopic video imaging system that offers three specific light spectra functions in addition to normal light imaging with high-resolution HDTV: Narrow Band Imaging (NBI), which provides enhanced images of the capillaries in the surface layers of mucosal membranes and minute patterns on mucosal membranes, Auto Fluorescence Imaging (AFI), which provides enhanced images based on coloration differences in tumorous and normal mucosa, and Infra Red Imaging (IRI), which visualizes blood vessels and blood flows deep in the mucosal membranes. This system is expected to make a contribution to the early detection of minute lesions such as cancer and accurate diagnosis of the scope of lesions prior to operations. In the life science field, we used the automation technology we have built up in biochemical analysis equipment and our knowhow in tailoring devices and reagents into systems to develop the AU3000i immunoassay system and a devoted reagent. With this development, we aim to achieve full-fledged participation in the immunoassay market and promptly realize tailor-made medical treatment in the future by coordinating with the bio business. Furthermore, in the industrial endoscope field, we developed the “IPLEX R-Type,” an industrial videoscope with an environmentally friendly design that uses fewer harmful substances. We also added to our lineup a small, lightweight videoscope with a thin external diameter of 4.4 millimeters, which is effective even when inserted into small openings, expanding the application of our industrial endoscopes.

In addition to the above, we drew on the expertise in precise metal-forming technologies we have accumulated to develop a three-dimensional compression molding process for wooden materials. This technology realizes striking hardness that exceeds engineering plastics while maintaining the thinness required for use in outer casings for electric equipment, even though it uses wood. This can increase the sentimental value of a product with the beautiful color, luster and grain of natural wood. In the biomedical materials business, we developed and launched “OSferion 60,” an artificial bone material that is suitable for use in disease cases that require the improvement of initial strength and the press-fitting of supplementary material, as an additional lineup of artificial bone materials whose principal ingredient is high-purity β -tricalcium phosphate. At the Future Creation Laboratory, which conducts research with the aim of creating corporate value from a long-term perspective, we are proposing research projects in fields at the cutting edge of tie-ups between industry, government and academia, and are actively engaging in initiatives for research projects with the New Energy and Industrial Technology Development Organization (NEDO) and research businesses with Kanto Bureau of Economy, Trade and Industry Regional Revitalization Consortium.

In the current interim period, the Group invested ¥25,500 million on research and development.

(2) Forecast for Overall Performance and Segment Performance and Analysis for the Current Fiscal Year (Full Year)Forecast for the overall performance and analysis

It is expected that Japan's economy will continue to grow gradually owing to the continuation of such positive factors as increasing business investment and strong exports. In addition, the world economy is forecast to continue growing strongly, mainly because of expected strong economic expansion in Asia and Europe, despite lingering uncertainty regarding the future direction of crude oil prices, which have begun to fall.

Amid these conditions, we will continue to push ahead with structural reform of the Imaging Systems Business, and use the benefits yielded by this reform to build a corporate structure whereby we can continuously secure profits even in the face of intense competition. Furthermore, in the Medical Systems Business, we will construct a structure that can steadily expand profits even in increasingly difficult market conditions such as intensifying competition and reductions in medical costs, by continuing to provide safe, dependable and efficient medical procedures. In tandem with this, we will place an emphasis on the creation of new businesses, develop related businesses in the medical/health care and imaging/information areas, and carry out the strategic investments necessary for these moves.

The forecast for the fiscal year ending March 31, 2007 is as follows.

(Overall forecast)

It is expected that net sales, operating income, ordinary income, and net income will hit record highs due to a steady increase of net sales and decrease of cost of sales.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Fiscal year ending March 31, 2007	1,040,000	90,000	68,000	38,000	¥140.54
Fiscal year ended March 31, 2006	978,127	62,523	<u>41,206</u>	<u>28,564</u>	<u>¥105.99</u>
Increase/ decrease ratio	6.3%	43.9%	<u>65.0%</u>	<u>33.0%</u>	—

The exchange rates for basis of the full-year forecast are US\$ 1 = ¥ 115 and EUR 1 = ¥ 145.

Forecast by segment and analysis

(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Fiscal year ended March 31, 2006	Fiscal year ending March 31, 2007	Increase/Decrease ratio	Fiscal year ended March 31, 2006	Fiscal year ending March 31, 2007	Increase/Decrease
Imaging Systems	254,541	280,000	10.0%	4,792	22,000	17,208
Medical Systems	266,317	300,000	12.6%	76,642	86,000	9,358
Life Science	107,915	123,000	14.0%	7,559	9,000	1,441
Information & Communication	284,908	266,000	(6.6%)	(2,641)	500	3,141
Others	64,446	71,000	10.2%	1,443	1,500	57
Subtotal	978,127	1,040,000	6.3%	87,795	119,000	31,205
Elimination or Unallocation	–	–	–	(25,272)	(29,000)	(3,728)
Consolidated total	978,127	1,040,000	6.3%	62,523	90,000	27,477

Note: Businesses are segmented by adding similar sales markets to businesses established based on the product lines.

The Imaging Systems Business is expected to have increases in revenue and profit due to the effects of new products and cost reductions, despite ongoing intensified competition in the market for digital cameras.

In the Medical Systems Business, net sales and operating income are expected to increase due to strong sales of new endoscope products in overseas markets.

In the Life Science Business, strong sales mainly in overseas markets are expected, and a more than 10% increase in revenue is expected. Operating income is also expected to increase on the back of strong sales of biological and industrial microscopes and blood analyzers (clinical chemistry analyzers).

In the Information & Communication Business, although a decline in revenue in the overseas market is expected to result in an overall decrease in net sales, a change from operating loss in the previous fiscal year to operating income is expected on the back of increased revenue in the domestic market and curtailment of expenses.

As for Others Business, increases in revenue and profit are expected, especially in the fields of industrial endoscopes and non-destructive testing equipment.

(Reference) Non-consolidated forecast

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income	Net income	Net income per share
Fiscal year ending March 31, 2007	105,000	(8,000)	3,000	8,000	¥29.59
Fiscal year ended March 31, 2006	93,284	(5,255)	<u>5,642</u>	<u>2,920</u>	<u>¥10.52</u>
Increase/decrease ratio	12.6%	–	<u>(46.8%)</u>	<u>174.0%</u>	–

II. Financial Position

Analysis of the Status of Assets, Liabilities, Net Assets, and Cash Flows in the Current Interim Period

Analysis of assets, liabilities and net assets

(Millions of yen)

	End of the previous interim period	End of the previous fiscal year	End of the current interim period	Increase/decrease	Increase/decrease ratio
Total Assets	<u>909,119</u>	<u>976,132</u>	<u>982,718</u>	<u>6,586</u>	<u>0.7%</u>
Net Assets	<u>260,236</u>	<u>290,656</u>	<u>317,389</u>	<u>26,733</u>	<u>9.2%</u>
Equity Ratio	<u>28.6%</u>	<u>29.8%</u>	<u>31.3%</u>	<u>1.5%</u>	–

Assets for the current interim period increased by ¥6,586 million as a result of increased investments and other assets, and property, plant and equipment, while current assets decreased primarily due to decreased cash and time deposits.

Net assets at the end of the current interim period increased by ¥17,076 million, because ¥18,794 million was calculated as net income for the current interim period, compared to the amount whereby minority interests was added to net assets at the end of previous fiscal year. As a result, equity ratio increased to 31.3%.

Analysis of cash flows

(Millions of yen)

	Previous interim period	Current interim period	Increase/decrease
Cash flows from operating activities	17,935	39,966	22,031
Cash flows from investing activities	(51,058)	(30,193)	20,865
Cash flows from financing activities	74,282	(15,017)	(89,299)
Balance of cash and cash equivalents at end of period	<u>155,251</u>	<u>154,580</u>	(671)

“Cash flows from operating activities” increased by ¥39,966 million (a ¥22,031 million increase over the same period of the previous fiscal year). The main reason was a significant increase in income before provision for income taxes (increase by ¥18,439 million) thanks to considerable increases in profits in the Imaging Systems Business and Medical Systems Business.

“Cash flows from investing activities” decreased by ¥30,193 million (increase by ¥20,865 million from the same period of the previous fiscal year). The main reasons were expenditures of ¥26,784 million on acquisition of tangible fixed assets, etc. and ¥4,857 million on acquisition of investment securities.

“Cash flows from financing activities” decreased by ¥15,017 million (decrease by ¥89,299 million from the same period of the previous fiscal year). The main reason is expenditures such as repayment of ¥20,057 million on short-term borrowings (borrowings and net), and ¥15,036 million for the redemption of bond, despite ¥19,001 million in financing through long-term borrowings and ¥9,820 million of newly issued bonds.

Consequently, the balance of cash and cash equivalents at the end of the current interim period reached ¥154,580 million, a decrease of ¥4,727 million compared to that at the end of the previous fiscal year.

Trends in the Company’s cash flow indicators are as shown below.

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Interim period ended September 30, 2006
Equity ratio (%)	36.9	28.1	<u>29.8</u>	<u>31.3</u>
Market value equity ratio (%)	86.5	76.8	<u>95.9</u>	<u>95.7</u>
Debt redemption period (years)	7.8	37.1	<u>9.1</u>	<u>5.5</u>
Interest coverage ratio (times)	6.1	1.5	5.3	6.6

Notes: Equity ratio: Shareholders' equity / Total assets
Market value equity ratio: Total market capitalization / Total assets
Debt redemption period (years): Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated by multiplying the closing share price on the final trading day of the period by the number of shares issued and outstanding (excluding treasury stocks) as of the corresponding period-end.
3. Operating cash flow equals cash flows from operating activities. Interest-bearing debt includes all liabilities on which interest is paid stated in the consolidated balance sheets. Furthermore, the amount of interest paid on the consolidated statements of cash flows is used for interest payments.
4. To calculate the debt redemption period for the current interim period, operating cash flow was doubled to change it to the figure on an annual basis for convenience.

III. Business Risks

The Olympus Group works to reduce risks by preventing and dispersing the various risks involved in business activities and the like. The primary risks the Group is aware of as of the end of the current interim period which have the potential to affect results are as follows.

1) Risks Associated with Selling Activities

- (i) In the Digital Camera Business, price competition in the market is intensifying steadily. If market prices fall more sharply than anticipated, such price falls may not adequately be absorbed by the cost reduction measures that the Olympus Group is currently advancing and may adversely impact the Olympus Group's ability to secure its earnings.
- (ii) In the Medical Systems Business, depending upon future movements in healthcare system reform, there may be increases in costs to handle regulatory changes or price falls in the market for medical treatment equipment resulting from the impact of measures to contain medical expenditures. If such a case arises, the Olympus Group's ability to secure its earnings may be adversely impacted.
- (iii) In the Life Science Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group's ability to secure its earnings may be adversely impacted.

2) Risks Associated with Production/Development Activities

- (i) In the Imaging Systems Business, core production bases center on China. Therefore, depending upon how sharply the Chinese yuan is revalued, operating costs may increase substantially, and the Olympus Group's ability to secure its earnings may be adversely impacted. Also, depending upon how serious or unstable the state of affairs including anti-Japanese activities may grow or how badly public safety may deteriorate in China, the Olympus Group's production activities may be adversely impacted.
- (ii) The Olympus Group relies on certain specific suppliers to consistently develop and produce those products and parts which it cannot develop or produce internally. Hence, if the Group is subjected to constraints on procurement of such products and parts according to the said suppliers' convenience, the Olympus Group's ability to produce and supply them may be adversely impacted.
- (iii) The Olympus Group and its outsourcees manufacture their products in accordance with the exacting quality standard. However, if any product deficiency occurs, not only substantial costs including those of a recall would be incurred but also the market's confidence in the Olympus Group would be undermined, and the Olympus Group's ability to secure its earnings may be adversely impacted.
- (iv) The Olympus Group is continuing to advance development of digital products by adopting state-of-the-art Opto-Digital Technology. However, if technological progress occurs so fast and market changes cannot be predicted adequately, that the Group is unable to develop new products adequately meeting

customers' needs in a timely manner, the Olympus Group's ability to secure its earnings may be adversely impacted.

- (v) The Olympus Group, in conducting R&D and production activities, uses various intellectual property rights, and believes that the Group lawfully owns or is licensed to use such rights. However, if any third party asserts that the Group has unknowingly infringed any of these intellectual property rights and if any litigation occurs, the Olympus Group's ability to secure its earnings may be adversely impacted.

3) Risks Associated with Stock-Investing Activities

- (i) Companies in which the Olympus Group invests may take time to develop their businesses, resulting in the Group being unable to sell the investments at the projected timing or price, thus preventing the Group from collecting the capital gains that were expected from the investments.
- (ii) As stock prices are determined on the basis of market principle, the Olympus Group may not be able to realize anticipated earnings depending upon the movements of the market economy.

4) Risks Associated with Business Collaborations and Corporate Acquisitions

- (i) The Olympus Group has built long-term strategic partnerships with advanced enterprises in the industry on technologies and product development. If the Group can no longer maintain such partnerships due to occurrence of a financial or any other business-related problem or change of its goals, the business activities of the Group may be adversely impacted.
- (ii) The Olympus Group may acquire or take an equity stake in a business enterprise in order to expand its business. If the Group is unable to integrate the acquired business in line with the Group's management strategy or utilize management resources in an efficient manner as to the existing business or the acquired business, the Group's business, performance, and financial position may be adversely impacted.

5) Other Comprehensive Risks

The Olympus Group operates business globally. If any natural disaster, disease, war, or terrorist attack occurs in any of the countries of regions in which the Group operates, or if interest rates rise or exchange rates fluctuate beyond its expectations, the Olympus Group's ability to secure its earnings may be adversely impacted.

4. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(Millions of yen)

Fiscal Term Account Item	Previous interim period (as of September 30, 2005)		Current interim period (as of September 30, 2006)		Previous fiscal year (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Current Assets	<u>451,241</u>	<u>49.6</u>	<u>473,816</u>	<u>48.2</u>	<u>489,525</u>	<u>50.1</u>
Cash and time deposits	<u>160,446</u>		<u>160,545</u>		<u>165,720</u>	
Notes and accounts receivable	145,010		165,192		167,411	
Marketable securities	1,220		10		1,210	
Inventories	92,514		93,130		93,198	
Deferred income taxes	16,650		26,433		25,196	
Others	38,515		31,658		40,142	
Allowance for doubtful accounts	(3,114)		(3,152)		(3,352)	
Fixed Assets	<u>457,878</u>	<u>50.4</u>	<u>508,902</u>	<u>51.8</u>	<u>486,607</u>	<u>49.9</u>
Property, plant and equipment	122,254	<u>13.4</u>	134,927	<u>13.7</u>	130,810	<u>13.4</u>
Buildings and structures	45,861		58,693		48,244	
Machinery and equipment	18,996		18,754		18,995	
Tools, furniture and fixtures	33,927		37,101		34,221	
Land	17,277		18,003		17,953	
Construction in progress	6,193		2,376		11,397	
Intangible fixed assets	82,579	<u>9.1</u>	104,636	<u>10.7</u>	102,666	<u>10.5</u>
Consolidated adjustment accounts	61,768		—		79,625	
Goodwill	—		82,915		—	
Others	20,811		21,721		23,041	
Investments and other assets	<u>253,045</u>	<u>27.9</u>	<u>269,339</u>	<u>27.4</u>	<u>253,131</u>	<u>26.0</u>
Investment securities	<u>204,667</u>		<u>209,682</u>		<u>208,459</u>	
Deferred income taxes	<u>9,368</u>		<u>9,497</u>		9,324	
Others	41,860		50,607		35,978	
Allowance for doubtful accounts	(2,850)		(447)		(630)	
Total Assets	<u>909,119</u>	<u>100</u>	<u>982,718</u>	<u>100</u>	<u>976,132</u>	<u>100</u>

(Millions of yen)

Fiscal Term Account Item	Previous interim period (as of September 30, 2005)		Current interim period (as of September 30, 2006)		Previous fiscal year (as of March 31, 2006)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Current Liabilities	381,705	42.0	358,986	36.5	394,755	40.4
Notes and accounts payable	79,067		79,312		85,741	
Short-term borrowings	181,100		142,236		161,188	
Current maturities of bonds	15,062		10,072		25,072	
Accrued expenses	54,249		66,476		60,088	
Income taxes payable	7,721		11,661		15,045	
Warranty reserve	4,276		5,601		5,064	
Others	40,230		43,628		42,557	
Long-term Liabilities	256,656	28.2	306,343	31.2	281,064	28.8
Long-term bonds, less current maturities	105,488		105,416		95,452	
Long-term borrowings, less current maturities	134,033		180,415		164,381	
Severance and retirement allowance	7,901		8,991		8,527	
Severance and retirement allowance for directors and corporate auditors	565		111		780	
Others	8,669		11,410		11,924	
Total Liabilities	638,361	70.2	665,329	67.7	675,819	69.2
Minority Interests	10,522	1.2	–	–	9,657	1.0
Common stock	48,332		–		48,332	
Capital surplus	73,049		–		73,049	
Retained earnings	131,741		–		153,864	
Net unrealized holding gains on securities	10,857		–		16,422	
Foreign currency translation adjustments	(2,010)		–		873	
Treasury stock, at cost	(1,733)		–		(1,884)	
Total Shareholders' Equity	260,236	28.6	–	–	290,656	29.8
Total Liabilities, Minority Interests and Shareholders' Equity	909,119	100	–	–	976,132	100
Shareholders' Equity	–	–	287,948	29.3	–	–
Common stock	–		48,332		–	
Capital surplus	–		73,049		–	
Retained earnings	–		168,599		–	
Treasury stock, at cost	–		(2,032)		–	
Valuation and Translation Adjustments	–	–	19,763	2.0	–	–
Net unrealized holding gains on securities	–		15,159		–	
Deferred losses on hedges	–		(377)		–	
Foreign currency translation adjustments	–		4,981		–	
Minority Interests	–	–	9,678	1.0	–	–
Total Net Assets	–	–	317,389	32.3	–	–
Total Liabilities and Net Assets	–	–	982,718	100	–	–

(2) Interim Consolidated Statements of Income

(Millions of yen)

Fiscal Term Account Item	Previous interim period (April 1, 2005 - September 30, 2005)		Current interim period (April 1, 2006 - September 30, 2006)		Previous fiscal year (April 1, 2005 - March 31, 2006)	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
		%		%		%
Net sales	476,272	100	484,681	100	978,127	100
Cost of sales	318,145	66.8	279,714	57.7	619,898	63.4
Gross profit	158,127	33.2	204,967	42.3	358,229	36.6
Selling, general and administrative expenses	141,490	29.7	162,834	33.6	295,706	30.2
Operating income	16,637	3.5	42,133	8.7	62,523	6.4
Non-operating income	2,595	0.5	2,911	0.6	6,451	0.6
Interest income	609		904		1,600	
Others	1,986		2,007		4,851	
Non-operating expenses	<u>10,306</u>	2.1	<u>13,510</u>	<u>2.8</u>	<u>27,768</u>	2.8
Interest expenses	4,635		5,824		9,800	
Net loss of investment in affiliated companies carried on the equity method	–		<u>1,196</u>		<u>1,451</u>	
Foreign currency exchange loss	155		1,939		4,953	
Others	<u>5,516</u>		<u>4,551</u>		<u>11,564</u>	
Ordinary income	<u>8,926</u>	1.9	<u>31,534</u>	<u>6.5</u>	<u>41,206</u>	4.2
Extraordinary gains	<u>3,709</u>	<u>0.8</u>	75	0.0	4,487	0.5
Gain on sales of investment securities in subsidiaries and affiliates	2,187		75		2,199	
Gain on sales of beneficial interest in trust	1,522		–		1,522	
Damages due to delays	–		–		396	
Gain on sales of investment securities	–		–		370	
Extraordinary losses	<u>1,374</u>	<u>0.3</u>	<u>1,909</u>	<u>0.4</u>	<u>2,506</u>	<u>0.3</u>
Impairment loss on fixed assets	871		417		1,411	
Loss on valuation of investment securities	<u>278</u>		<u>1,492</u>		<u>870</u>	
Provision of reserve for loss on liabilities for guarantee	225		–		225	
Income before provision for income taxes	<u>11,261</u>	<u>2.4</u>	<u>29,700</u>	<u>6.1</u>	<u>43,187</u>	<u>4.4</u>
Provision for income taxes						
Current	8,435	1.8	14,056	2.9	<u>24,573</u>	2.5
Deferred	1,088	0.2	(2,292)	(0.5)	(9,741)	(1.0)
Minority interests	(431)	(0.1)	(858)	<u>(0.2)</u>	(209)	(0.0)
Net income	<u>2,169</u>	<u>0.5</u>	<u>18,794</u>	<u>3.9</u>	<u>28,564</u>	<u>2.9</u>

(3) Interim Consolidated Statements of Surplus

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount
Capital Surplus			
I. Balance at beginning of period		65,550	65,550
II. Increase in capital surplus		7,499	7,499
Issuance of new stocks for capital increase		7,499	7,499
III. Balance at end of period		73,049	73,049
Retained Earnings			
I. Balance at beginning of period		<u>133,523</u>	<u>133,523</u>
II. Increase in retained earnings		<u>2,169</u>	<u>28,564</u>
Net income		<u>2,169</u>	<u>28,564</u>
III. Decrease in retained earnings		3,951	8,223
Decrease in retained earnings at beginning of period associated with accounting standard for accrued retirement benefits to subsidiaries in the UK		1,939	1,939
Cash dividend		1,978	4,006
Directors' and corporate auditors' bonuses		34	34
Debt disposal amount for accrued retirement benefits to subsidiaries in the UK		—	2,244
IV. Balance of retained earnings at end of period		<u>131,741</u>	<u>153,864</u>

(4) Interim Consolidated Statement of Changes in Shareholders' Equity

(April 1, 2006 - September 30, 2006)

(Millions of yen)

Item	Shareholders' Equity				Total Shareholders' Equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance as of March 31, 2006	48,332	73,049	<u>153,864</u>	(1,884)	<u>273,361</u>
Dividends from surplus (Note)			(3,921)		(3,921)
Bonuses to directors (Note)			(138)		(138)
Net income			<u>18,794</u>		<u>18,794</u>
Acquisition of treasury stock				(148)	(148)
Total changes during the interim period	–	–	<u>14,735</u>	(148)	<u>14,587</u>
Balance as of September 30, 2006	48,332	73,049	<u>168,599</u>	(2,032)	<u>287,948</u>

Item	Valuation and Translation Adjustments				Minority Interest	Total Net Assets
	Net unrealized holding gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Total Valuation and Translation Adjustments		
Balance as of March 31, 2006	<u>16,422</u>	–	873	<u>17,295</u>	9,657	<u>300,313</u>
Dividends from surplus (Note)				–		(3,921)
Bonuses to directors (Note)				–		(138)
Net income				–		<u>18,794</u>
Acquisition of treasury stock				–		(148)
Net changes of items other than shareholders' equity during the interim period	<u>(1,263)</u>	(377)	4,108	<u>2,468</u>	21	<u>2,489</u>
Total changes during the interim period	<u>(1,263)</u>	(377)	4,108	<u>2,468</u>	21	<u>17,076</u>
Balance as of September 30, 2006	<u>15,159</u>	(377)	4,981	<u>19,763</u>	9,678	<u>317,389</u>

Note: Appropriation of profit item at the regular general shareholders' meeting in June 2006.

(5) Interim Consolidated Statements of Cash Flows

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Current interim period (April 1, 2006 - September 30, 2006)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount	Amount
I. Cash flows from operating activities				
1. Income before provision for income taxes		<u>11,261</u>	<u>29,700</u>	<u>43,187</u>
2. Depreciation		13,655	14,507	27,022
3. Amortization of consolidated adjustment accounts		2,726	–	5,674
4. Amortization of goodwill		–	3,538	–
5. Decrease of severance and retirement allowance		(1,175)	(264)	(393)
6. Decrease (increase) in prepaid expenses of pensions		648	(1,228)	1,361
7. Interest and dividend income		(896)	(1,251)	(1,983)
8. Interest expenses		4,635	5,824	9,800
9. Loss of investment in affiliated companies carried on the equity method		–	<u>1,196</u>	<u>1,451</u>
10. Gain on sales on beneficial interest in trust		(1,522)	–	(1,522)
11. Gain on sales of stocks of subsidiaries and affiliates		(2,187)	–	(2,199)
12. Loss on valuation of investment securities		–	<u>1,492</u>	–
13. Impairment loss on fixed assets		871	417	1,411
14. Decrease (increase) in notes and accounts receivable		8,163	6,437	(9,622)
15. Decrease in inventories		13,095	1,798	15,643
16. Decrease in notes and accounts payable		(18,859)	(8,197)	(15,340)
17. Increase (decrease) in accounts payable—other		(1,665)	4,301	–
18. Increase (decrease) in accrued expenses		(287)	5,915	4,092
19. Other operating activities		<u>3,062</u>	<u>(3,739)</u>	<u>(1,194)</u>
Subtotal		31,525	60,446	77,388
<u>20.</u> Interest and dividend received		896	1,248	1,974
<u>21.</u> Interest paid		(4,366)	(6,078)	(9,242)
<u>22.</u> Income taxes paid		(10,120)	(15,650)	(21,086)
Net cash provided by operating activities		17,935	39,966	49,034
II. Cash flows from investing activities				
1. Payments into time deposits		(5,004)	(3,500)	(6,244)
2. Withdrawal of time deposits		6,559	4,186	6,588
3. Expenditure on acquisition of securities		–	–	(34,997)
4. Proceeds from sales of securities		–	1,200	35,000
5. Expenditure on acquisition of tangible fixed assets		(20,413)	(26,784)	(44,892)
6. Proceeds from sales of tangible fixed assets		–	–	50
7. Expenditure on acquisition of investment securities		(21,780)	(4,857)	(36,896)
8. Proceeds from sales of investment securities		3,955	1,161	<u>20,947</u>
9. Expenditure on acquisition of securities of subsidiaries associated with the change in scope of consolidation		(12,029)	(2,199)	(12,029)
10. Proceeds from sales of stocks of subsidiaries associated with the change in scope of consolidation		1,431	–	1,431
11. Expenditure on additional acquisition of stocks of subsidiaries		(5,591)	–	(12,297)
12. Proceeds from sales on beneficial interest in trust		1,686	–	1,686
<u>13.</u> Other investing activities		128	600	(102)
Net cash used in investing activities		(51,058)	(30,193)	(81,755)

(Millions of yen)

Account Item	Fiscal Term	Previous interim period (April 1, 2005 - September 30, 2005)	Current interim period (April 1, 2006 - September 30, 2006)	Previous fiscal year (April 1, 2005 - March 31, 2006)
		Amount	Amount	Amount
III. Cash flows from financing activities				
1. Net increase (decrease) in short-term borrowings		8,759	(20,057)	14,925
2. Proceeds from long-term borrowings		36,173	19,001	71,994
3. Repayment of long-term borrowings		(23,348)	(5,395)	(60,683)
4. Proceeds from issuance of bond		39,860	9,820	39,833
5. Expenditure on redemption of bond		–	(15,036)	–
6. Proceeds from issuance of stock		14,918	–	14,918
7. Proceeds from stock issuance to minority shareholders		–	719	472
8. Cash dividends paid		(1,978)	(3,921)	(4,006)
9. Cash dividends paid to minority shareholders		(20)	–	(21)
10. Other financing activities		(82)	(148)	(232)
Net cash provided by (used in) financing activities		74,282	(15,017)	77,200
IV. Effect of exchange rate changes on cash and cash equivalents		436	517	1,166
V. Increase (decrease) in cash and cash equivalents		41,595	(4,727)	45,645
VI. Balance of cash and cash equivalents at beginning of period		<u>113,625</u>	<u>159,307</u>	<u>113,625</u>
VII. Increase in cash and cash equivalents due to new consolidation		31	–	46
VIII. Decrease in cash and cash equivalents due to exclusion of consolidation		–	–	(9)
IX. Balance of cash and cash equivalents at end of period		<u>155,251</u>	<u>154,580</u>	<u>159,307</u>

Basis of Presenting the Interim Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 183

Principal consolidated subsidiaries:

Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd., ITX Corporation, IT Telecom, Inc., Olympus Medical Systems Europa GmbH, Olympus America Inc. and Olympus Hong Kong and China Limited

Newly added consolidated subsidiaries: 6

Olympus Microsystems America, Inc., Olympus Canada Inc., and other four companies

Olympus Microsystems America, Inc. and other two companies were newly established subsidiaries during the current interim period.

Bacus Laboratories, Inc. and other one company have been included into consolidation through equity participation carried out during the current interim period.

Olympus Software Technology Corp. was established by a corporate split of Olympus Systems Co., Ltd. during the current interim period.

Excluded companies: 5

MarkAny Japan Corporation, DIGITAL ARX CORPORATION, Olympus Patient Systems Ltd. and other two companies

MarkAny Japan Corporation and other two companies have been excluded from consolidated subsidiaries due to sale of shares during the current interim period.

DIGITAL ARX CORPORATION has been excluded from consolidated subsidiaries due to merger with other consolidated subsidiary during the current interim period.

Olympus Patient Systems Ltd. has been excluded from consolidated subsidiaries due to liquidation during the current interim period.

(2) Number of non-consolidated subsidiaries: 14

Olympus Moscow Limited Liability Company, Beijing Beizhao Olympus Optical Co., Ltd., G.C. New Vision Ventures, L.P. and other 11 companies

The above non-consolidated subsidiaries are all small and not material when measured by the impact of each amount of total assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on interim consolidated financial statements. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Non-consolidated subsidiaries accounted for under the equity method: 3

Olympus Moscow Limited Liability Company, Beijing Beizhao Olympus Optical Co., Ltd. and other one company

Newly added non-consolidated subsidiaries: 1

G.C. New Vision Ventures, L.P.

G.C. New Vision Ventures, L.P. has been included in non-consolidated subsidiaries accounted for under the equity method from the current interim period, due to gains in materiality.

(2) Affiliated companies accounted for under the equity method: 18

Principal affiliated companies:

ORTEK Corporation, Adachi Co., Ltd. and TechMatrix Corporation

Newly added affiliated companies: 6

Artefactory Inc. and other five companies

Artefactory Inc. and other five companies have been included in affiliated companies accounted for under the equity method due to equity participation or additional acquisition of shares during the current interim period.

Excluded companies: 1

TOSHIMA CABLE NETWORK CO., LTD

TOSHIMA CABLE NETWORK CO., LTD has been excluded from affiliated companies accounted for under the equity method due to sale of shares during the current interim period.

(3) Eleven non-consolidated subsidiaries and twelve affiliated companies are not accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning interim account settlement dates of consolidated subsidiaries

The interim account settlement date of most consolidated subsidiaries is September 30, in common with the company that submits the interim consolidated financial statements.

Since the account settlement date of some consolidated subsidiaries is December 31, the interim consolidated financial statements are prepared by using their financial statements as of June 30, and the adjustments necessary on a consolidated level are carried out regarding significant transactions occurring between that date and the interim consolidated account settlement date.

4. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

(i) Held-to-maturity securities Amortized cost method

(ii) Other securities

Items with market value

Market value method based on fair market value on the interim account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)

Items without market value

Cost method based on the moving-average method
Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Securities and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(b) Claims and liabilities from derivatives transactions

Market value method

- (c) Inventories
Inventories are principally reported using the lower of cost (first-in first-out) or market method
- (2) Depreciation and amortization method for important depreciated and amortized assets
- (a) Property, plant and equipment
Mainly by the declining balance method
- (i) Conveyance equipment, tools, furniture and fixtures
Mainly based on useful lives as per the Corporate Tax Law
- (ii) Other property, plant and equipment
Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years
- (b) Intangible fixed assets
Straight-line method
Mainly based on useful lives as per the Corporate Tax Law
Software for internal use is reported using the usable period within the Company (3 to 5 years).
- (3) Treatment method for important deferred assets
Bond issuance expense and stock issuance expense
Total expense recorded at the time of occurrence
- (4) Accounting standards for important allowances and reserves
- (i) Allowance for doubtful accounts
To provide for losses due to unrecoverable claims such as accounts receivables-trade and loans, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.
- (ii) Warranty reserve
Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the reserve for product guarantees is accounted using prescribed standards based on actually incurred past after service cost.
- (iii) Severance and retirement allowance
To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current interim period based on the estimated amounts of the severance and retirement liabilities and pension assets as of the end of the current fiscal year.
Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.
Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.
- (iv) Severance and retirement allowance for directors and corporate auditors
To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the current interim period is accounted by domestic consolidated subsidiaries based on their respective internal regulations.
- (v) Reserve for loss on liabilities for guarantee
To provide for losses on liabilities for guarantee, the amount of loss expected to be borne is accounted considering the financial conditions of the guaranteed party.

(5) Treatment method for important lease transactions

Financing lease transactions that do not transfer titles to lessees are treated in the same manner as operating lease transactions.

(6) Important hedge accounting methods

(i) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(ii) Hedging instruments and hedged items

- Hedging instruments Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts
- Hedged items Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings

(iii) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(iv) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(7) Other important items that form the basis of presenting the interim consolidated financial statements

(i) Treatment of income taxes

The amounts of income taxes payments and deferred income taxes for the current interim period have been calculated on the assumption that the provisions and reversals of reserve for advanced depreciation and reserve for special depreciation are expected to be recorded in the current fiscal year.

(ii) Treatment of consumption taxes

Treated using a tax exclusive method.

(iii) Application of a consolidated tax payment system

A consolidated tax payment system under designating Olympus Corporation as the parent company is adopted at the Company from the current interim period. Some of the Company's consolidated subsidiaries have already adopted the consolidated tax payment system.

5. Scope of cash and cash equivalents on the interim consolidated statements of cash flows

In preparing the interim consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid, readily convertible investments with maturities not exceeding three months at the time of purchase and subject to little risk of change in value are considered to be cash and cash equivalents.

Changes in the Basis of Presenting the Interim Consolidated Financial Statements

1. Accounting standard for bonuses to directors

Effective from the current interim period, the “Accounting Standard for Directors’ Bonus” (Financial Accounting Standard No. 4, issued by the Accounting Standards Board of Japan on November 29, 2005) has been adopted. The effect on gains and losses is minimal.

2. Accounting standard for net assets on balance sheet

Effective from the current interim period, the Company has adopted the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard Implementation Guidance No. 8, issued by the Accounting Standards Board of Japan on December 9, 2005).

The amount corresponding to the former “Shareholders’ equity” was ¥308,088 million.

Pursuant to the revision to the Ordinance on Semi-annual Consolidated Financial Statements, the “Net assets” section on the consolidated balance sheets for the current interim period was prepared in compliance with the revised Ordinance on Semi-annual Consolidated Financial Statements.

Change in presentation

(i) Interim consolidated balance sheet

Effective from the current interim period, the Company has adopted the revised Ordinance on Semi-annual Consolidated Financial Statements (Cabinet Office Ordinance No. 56 of April 26, 2006), and accordingly, consolidated adjustment accounts and trade rights are presented as “Goodwill.”

Trade rights included in “Others” of intangible fixed assets in the previous fiscal year and the previous interim period was ¥3,367 million and ¥2,219 million, respectively.

(ii) Interim consolidated statement of income

“Net loss of investment in affiliated companies carried on the equity method,” which was included in “Others” of non-operating expenses in the previous interim period, is now separately presented because the amount exceeded 10% of the total non-operating expenses.

“Net loss of investment in affiliated companies carried on the equity method” included in “Others” of non-operating expenses in the previous interim period was ¥85 million.

(iii) Interim consolidated statement of cash flows

Effective from the current interim period, in line with the adoption of the revised Ordinance on Semi-annual Consolidated Financial Statements (Cabinet Office Ordinance No. 56 of April 26, 2006) and the accompanying presentation of consolidated adjustment accounts and trade rights as “Goodwill,” amortization of consolidated adjustment accounts and amortization of trade rights in cash flows from operating activities are presented as “Amortization of goodwill.”

Loss of investment in affiliated companies carried on the equity method and loss on valuation of investment securities, which were included in “Other operating activities” in the previous interim period, are separately presented as “Loss of investment in affiliated companies carried on the equity method” and “Loss on valuation of investment securities,” respectively, in the current interim period, because their monetary significance increased.

“Loss of investment in affiliated companies carried on the equity method” and “Loss on valuation of investment securities” included in “Other operating activities” in the previous interim period were ¥85 million and ¥278 million, respectively. “Loss on valuation of investment securities” included in “Other operating activities” in the previous fiscal year was ¥870 million.

“Gain on sales of stocks of subsidiaries and affiliates” (¥75 million in the current interim period), which had been separately presented up until the previous fiscal year, is included in “Other operating activities” in the current interim period, because its monetary significance decreased.

Notes

Interim Consolidated Balance Sheets

	(Millions of yen)		
	Previous interim period	Current interim period	Previous fiscal year
1. Accumulated depreciation for property, plant and equipment	182,546	200,645	192,854
2. Investment securities for business incubations and investment securities in business incubation-related companies			
Investment securities include investment securities for business incubations and investment securities in business incubation-related companies held by a consolidated subsidiary of the Company.			
The amounts of these items are as follows:			
Investment securities for business incubations	8,488	8,084	7,523
Investment securities in business incubation-related companies	4,866	5,530	4,899
3. Contingent liabilities	871	1,403	1,794
4. Notes receivable discounted	2,164	5,935	3,485
(including discounted bills of exchange for export)	2,162	5,896	3,332
Notes received endorsed for transfer	220	217	216
5. Notes at maturity on final day of interim period			
Regarding the accounting treatment of notes at maturity on the final day of the interim period, although the final day of the current interim period was a holiday for financial institutions, the notes were treated as though settlement occurred on the day of maturity. The amounts of notes at maturity on the final day of the current interim period are as follows:			
Notes receivable	–	366	–
Notes payable	–	725	–
6. Assets pledged as collateral and obligations secured by such collateral			
Assets pledged as collateral (book value)			
Cash and time deposits	1,658	1,488	1,655
Accounts receivable	375	530	506
Inventories	407	318	303
Buildings and structures	4,817	2,115	1,781
Machinery and equipment	40	229	135
Land	139	1,137	1,755
Investment securities	99	86	–
Others in investments and other assets	40	83	53
Total	7,575	5,986	6,188
Obligations secured by such collateral			
Long-term borrowings, less current maturities	4,682	2,970	3,685
Short-term borrowings	293	498	501

Interim Consolidated Statements on Income

	(Millions of yen)		
	Previous interim period	Current interim period	Previous fiscal year
1. Major items and amounts of selling, general and administrative expenses			
Advertising and promotion expenses	18,951	21,718	37,912
Provision of allowance for doubtful accounts	175	–	341
Salaries and allowance	38,738	45,443	78,896
Bonuses	7,456	11,005	19,377
Retirement benefit expenses	4,017	3,165	8,504
Provision of severance and retirement allowance for directors and corporate auditors	83	22	292
Amortization of consolidated adjustment accounts	2,726	–	5,674
Amortization of goodwill	–	3,538	–
Experiment and research expenses	12,308	13,743	25,167
Depreciation	7,024	8,645	14,742
2. Research and development expenses included in general and administrative expenses and production cost	21,895	25,506	45,935

3. Impairment loss

Impairment loss has been recorded for the following asset groups.

(Millions of yen)			
Previous interim period (April 1, 2005 – September 30, 2005)			
Application	Type	Location	Impairment loss
Information & communication business assets	Consolidated adjustment accounts and other intangible fixed assets, etc.	Tokyo	791
	Buildings, etc.	Tokyo and other prefectures	32
Others assets	Other intangible fixed assets	Tokyo	36
Idle assets	Land	Shiga	12
Total			871

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 6.6%.

For idle assets, because the market value is substantially lower than the book value, the book value is reduced to the recoverable value. The recoverable value is measured using the assessed value of fixed assets, which is considered to reflect the market value.

Current interim period (April 1, 2006 – September 30, 2006)

Application	Type	Location	Impairment loss
Information & communication business assets	Buildings, etc.	Fukuoka and other prefectures	124
Others assets	Machinery and goodwill, etc.	Nagano and other prefectures	293
Total			417

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 5.9%.

Previous fiscal year (April 1, 2005 – March 31, 2006)

Application	Type	Location	Impairment loss
Information & communication business assets	Consolidated adjustment accounts and other intangible fixed assets, etc.	Tokyo	1,331
	Buildings, etc.	Tokyo and other prefectures	32
Others assets	Other intangible fixed assets	Tokyo	36
Idle assets	Land	Shiga	12
Total			1,411

Business assets are grouped by segment per type of business and idle assets are grouped individually.

Pertaining to business assets, because revenues in the ordinary course of business are no longer expected as a result of deterioration of the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured using the value in use and calculated with the future cash flow discounted at 6.6%.

For idle assets, because the market value is substantially lower than the book value, the book value is reduced to the recoverable value. The recoverable value is measured using the assessed value of fixed assets, which is considered to reflect the market value.

Interim Consolidated Statement of Changes in Shareholders' Equity

Current interim period (April 1, 2006 – September 30, 2006)

1. Matters regarding issued shares

(Shares)

Class of shares	End of the previous fiscal year	Increase	Decrease	End of the current interim period
Common stock	271,283,608	–	–	271,283,608

Reason for change

Not applicable

2. Matters regarding treasury stock

(Shares)

Class of shares	End of the previous fiscal year	Increase	Decrease	End of the current interim period
Common stock	856,534	44,797	–	901,331

Reason for change

The increase in treasury stock during the current interim period is due to the purchase of shares not constituting a full unit.

3. Items concerning dividends

(1) Paid dividends

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2006	Common stock	3,921	14.50	March 31, 2006	June 29, 2006

(2) Dividends whose record date falls in the current interim period and have an effective date after the current interim period

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 7, 2006	Common stock	Retained earnings	2,974	11.00	September 30, 2006	December 8, 2006

Interim Consolidated Statements of Cash Flows

	(Millions of yen)		
	<u>Previous interim period</u>	<u>Current interim period</u>	<u>Previous fiscal year</u>
1. The reconciliation of cash and cash equivalents at end of period and the relevant items shown in the interim consolidated balance sheet			
Cash and time deposits	<u>160,446</u>	<u>160,545</u>	<u>165,720</u>
Less: Time deposits with maturities over three months	(5,215)	(5,975)	(6,423)
Cash and cash equivalents included in marketable securities	20	10	10
Cash and cash equivalents	<u>155,251</u>	<u>154,580</u>	<u>159,307</u>

Lease Transactions

Description is omitted as the disclosure of this matter is made through EDINET.

5. Segment Information

(1) Segment Information by Type of Business

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	116,088	126,423	50,479	152,263	31,019	476,272	-	476,272
(2) Internal sales or transfer among segments	65	7	-	-	114	186	(186)	-
Total	116,153	126,430	50,479	152,263	31,133	476,458	(186)	476,272
Operating expenses	122,872	91,268	47,878	154,302	30,701	447,021	12,614	459,635
Operating income (or operating loss)	(6,719)	35,162	2,601	(2,039)	432	29,437	(12,800)	16,637

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	132,111	142,191	57,707	122,897	29,775	484,681	-	484,681
(2) Internal sales or transfer among segments	192	28	16	-	352	588	(588)	-
Total	132,303	142,219	57,723	122,897	30,127	485,269	(588)	484,681
Operating expenses	117,825	103,153	54,339	123,216	30,605	429,138	13,410	442,548
Operating income (or operating loss)	14,478	39,066	3,384	(319)	(478)	56,131	(13,998)	42,133

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)							
	Imaging Systems	Medical Systems	Life Science	Information & Communication	Others	Total	Elimination or Unallocation	Consolidation
Sales								
(1) Sales to outside customers	254,541	266,317	107,915	284,908	64,446	978,127	-	978,127
(2) Internal sales or transfer among segments	215	14	5	-	561	795	(795)	-
Total	254,756	266,331	107,920	284,908	65,007	978,922	(795)	978,127
Operating expenses	249,964	189,689	100,361	287,549	63,564	891,127	24,477	915,604
Operating income (or operating loss)	4,792	76,642	7,559	(2,641)	1,443	87,795	(25,272)	62,523

1. The main products for each business are as follows:

Previous Interim Period

- (1) Imaging Systems Business: Film cameras, Digital cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

Current Interim Period

- (1) Imaging Systems Business: Digital cameras, Film cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales and development of network infrastructure systems, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

Previous Fiscal Year

- (1) Imaging Systems Business: Digital cameras, Film cameras, Voice recorders
- (2) Medical Systems Business: Medical endoscopes, Surgical endoscopes, Endo therapy products, Ultrasound endoscopes
- (3) Life Science Business: Blood analyzer (clinical chemistry analyzer), Biological microscopes, Industrial microscopes
- (4) Information & Communication Business: Sales of mobile terminals including mobile handsets, Mobile resolution, Mobile content services, Sales of network infrastructure systems, System development, Sales of semiconductor devices and electric equipment
- (5) Others Businesses: Industrial endoscopes, Non-destructive testing equipment, Printers, Bar code data processing equipment, System development, etc.

2. The amount of non-allocatable operating expenses included in the section of Elimination or Unallocation among the operating expenses was ¥12,800 million for the previous interim period, ¥13,998 million for the current interim period, and ¥25,272 million for the previous fiscal year, most of which consisted of expenses related to the corporate center of the parent company (management departments such as the Administrative Department) and the Research & Development Center.

(2) Segment Information by Region

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	247,282	90,792	105,678	32,520	476,272	-	476,272
(2) Internal sales or transfer among segments	116,169	2,535	4,474	31,570	154,748	(154,748)	-
Total	363,451	93,327	110,152	64,090	631,020	(154,748)	476,272
Operating expenses	341,294	88,341	107,708	64,649	601,992	(142,357)	459,635
Operating income (or operating loss)	22,157	4,986	2,444	(559)	29,028	(12,391)	16,637

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	220,371	109,339	120,439	34,532	484,681	-	484,681
(2) Internal sales or transfer among segments	136,318	3,591	5,554	48,756	194,219	(194,219)	-
Total	356,689	112,930	125,993	83,288	678,900	(194,219)	484,681
Operating expenses	316,899	105,944	121,694	78,353	622,890	(180,342)	442,548
Operating income	39,790	6,986	4,299	4,935	56,010	(13,877)	42,133

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)						
	Japan	North America	Europe	Asia	Total	Elimination or Unallocation	Consolidation
Sales							
(1) Sales to outside customers	474,387	209,473	229,000	65,267	978,127	-	978,127
(2) Internal sales or transfer among segments	263,849	6,793	8,710	77,861	357,213	(357,213)	-
Total	738,236	216,266	237,710	143,128	1,335,340	(357,213)	978,127
Operating expenses	677,714	200,438	225,604	143,099	1,246,855	(331,251)	915,604
Operating income	60,522	15,828	12,106	29	88,485	(25,962)	62,523

1. Segmentation method of countries and regions

Regions are segmented by geographical proximity. Major countries and regions other than Japan are as follows:

- (1) North America: USA, Canada, Mexico, and Brazil
- (2) Europe: Germany, UK, France, etc.
- (3) Asia: Singapore, Hong Kong, China, Korea, Australia, etc.

2. The amount of non-allocatable operating expenses included in the section of Elimination or Unallocation among the operating expenses was ¥12,800 million for the previous interim period, ¥13,998 million for the current interim period, and ¥25,272 million for the previous fiscal year, most of which consisted of expenses related to the corporate center of the parent company (management departments such as the Administrative Department) and the Research & Development Center.

(3) Overseas Sales

(Millions of yen)

	Previous interim period (April 1, 2005 - September 30, 2005)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	104,628	121,757	48,488	18,575	293,448
II. Consolidated sales					476,272
III. Percentage of overseas sales among consolidated sales	22.0%	25.5%	10.2%	3.9%	61.6%

(Millions of yen)

	Current interim period (April 1, 2006 - September 30, 2006)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	104,270	123,102	50,550	10,981	288,903
II. Consolidated sales					484,681
III. Percentage of overseas sales among consolidated sales	21.5%	25.4%	10.4%	2.3%	59.6%

(Millions of yen)

	Previous fiscal year (April 1, 2005 - March 31, 2006)				
	North America	Europe	Asia	Others	Total
I. Overseas sales	224,283	247,857	96,081	32,960	601,181
II. Consolidated sales					978,127
III. Percentage of overseas sales among consolidated sales	22.9%	25.3%	9.8%	3.5%	61.5%

1. Regions are segmented by geographical proximity. Major countries and regions other than Japan are as follows:

- (1) North America: USA, Canada
- (2) Europe: Germany, UK, France, etc.
- (3) Asia: Singapore, Hong Kong, China, Korea, Australia, etc.
- (4) Others: Central and South America, Africa, etc.

2. Overseas sales refers to the sales of the Company and its subsidiaries in countries or regions other than Japan.

6. Production, Orders and Sales

Businesses are segmented by adding similar sales markets to business established based on product lines.

Purchasing performance is recorded in addition to production performance for some consolidated subsidiaries, because they engage in the sales and services of equipments.

(1) Production Performance

(Millions of yen)

	Previous interim period (April 1, 2005 – September 30, 2005)	Current interim period (April 1, 2006 – September 30, 2006)	Previous fiscal year (April 1, 2005 – March 31, 2006)
Imaging Systems	107,382	122,057	258,436
Medical Systems	112,980	141,558	249,219
Life Science	43,910	55,948	87,050
Information & Communication	–	–	–
Others	21,964	21,514	37,117
Total	286,236	341,077	631,822

Notes: 1. Amounts are calculated based on the sales price.
2. Amounts do not include consumption taxes.

(2) Purchasing Performance

(Millions of yen)

	Previous interim period (April 1, 2005 – September 30, 2005)	Current interim period (April 1, 2006 – September 30, 2006)	Previous fiscal year (April 1, 2005 – March 31, 2006)
Imaging Systems	–	–	–
Medical Systems	–	–	–
Life Science	–	–	–
Information & Communication	139,173	104,862	259,155
Others	10,725	12,410	22,659
Total	149,898	117,272	281,814

Note: Amounts do not include consumption taxes.

(3) Accepting Orders

As we have mainly adopted a make-to-stock production system, the description of the situation of accepting orders has been omitted.

(4) Sales Performance

(Millions of yen)

		Previous interim period (April 1, 2005 - September 30, 2005)		Current interim period (April 1, 2006 - September 30, 2006)		Previous fiscal year (April 1, 2005 - March 31, 2006)	
		Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Imaging Systems	Domestic	11,763	10.1%	14,536	11.0%	25,720	10.1%
	Overseas	104,325	89.9%	117,575	89.0%	228,821	89.9%
	Total	116,088	24.4%	132,111	27.3%	254,541	26.0%
Medical Systems	Domestic	37,658	29.8%	35,407	24.9%	69,496	26.1%
	Overseas	88,765	70.2%	106,784	75.1%	196,821	73.9%
	Total	126,423	26.5%	142,191	29.3%	266,317	27.2%
Life Science	Domestic	13,239	26.2%	15,046	26.1%	27,933	25.9%
	Overseas	37,240	73.8%	42,661	73.9%	79,982	74.1%
	Total	50,479	10.6%	57,707	11.9%	107,915	11.0%
Information & Communication	Domestic	104,872	68.9%	115,442	93.9%	221,005	77.6%
	Overseas	47,391	31.1%	7,455	6.1%	63,903	22.4%
	Total	152,263	32.0%	122,897	25.4%	284,908	29.1%
Others	Domestic	15,292	49.3%	15,347	51.5%	32,792	50.9%
	Overseas	15,727	50.7%	14,428	48.5%	31,654	49.1%
	Total	31,019	6.5%	29,775	6.1%	64,446	6.7%
Total	Domestic	182,824	38.4%	195,778	40.4%	376,946	38.5%
	Overseas	293,448	61.6%	288,903	59.6%	601,181	61.5%
	Total	476,272	100.0%	484,681	100.0%	978,127	100.0%

Note: Amounts do not include consumption taxes.

7. Market Values of Securities, etc.

1. Securities with market value

(Millions of yen)

	Previous interim period (as of September 30, 2005)			Current interim period (as of September 30, 2006)			Previous fiscal year (as of March 31, 2006)		
	Acquisition cost	Interim consolidated balance sheet amount	Difference	Acquisition cost	Interim consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Other securities									
(1) Stocks	34,936	51,300	16,364	46,292	67,127	20,835	43,335	67,740	24,405
(2) National and local government bonds, etc.	1,210	1,210	0	–	–	–	1,200	1,200	–
(3) Others	<u>100,773</u>	<u>101,878</u>	<u>1,105</u>	<u>97,103</u>	<u>98,432</u>	<u>1,329</u>	<u>96,078</u>	<u>96,650</u>	<u>572</u>
Total	<u>136,919</u>	<u>154,388</u>	<u>17,469</u>	<u>143,395</u>	<u>165,559</u>	<u>22,164</u>	<u>140,613</u>	<u>165,590</u>	<u>24,977</u>

Note: Impairment losses are recognized for securities whose market value declined 50% or more of the acquisition cost or whose market value declined 30% or more but less than 50% of the acquisition cost and is comprehensively deemed having low recoverability.

2. Major securities for which market value is not used

(Millions of yen)

	Previous interim period (as of September 30, 2005)	Current interim period (as of September 30, 2006)	Previous fiscal year (as of March 31, 2006)
	Interim consolidated balance sheet amount	Interim consolidated balance sheet amount	Consolidated balance sheet amount
Other securities			
(1) Unlisted stocks	12,676	<u>12,552</u>	11,603
(2) Unlisted foreign bonds	9,215	4,538	5,428
(3) Others	<u>23,742</u>	2,547	1,964
Total	<u>45,633</u>	<u>19,637</u>	18,995

8. Contract Amounts, etc., Market Values and Valuation Gains or Losses of Derivatives

Description is omitted as the disclosure of this matter is made through EDINET.

9. Subsequent Event

Not applicable