



Canon Inc.

First Half 2007 Results

July 26, 2007

Masahiro Osawa

Managing Director, Group Executive
Finance and Accounting Headquarters

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Agenda

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Change in Method of Depreciation

Applied new depreciation method that provides a better picture of actual business performance

■ Details

- Assets Covered: PP&E, including those acquired before 2Q 2007
- Effective Date: Applicable from 2Q 2007
- New Method: 250% declining balance method
(Straight line method for buildings)
(Acquisition cost, depreciated to one yen)

■ Impact on Statement of Income

(Billions of yen)

	2Q07	FY07 Current projection
Gross profit	-12.7	-46.5
Operating profit	-19.3	-67.0
Net income	-11.2	-40.0

Summary of Results

2Q 2007 Actual & FY 2007 Current Projection v. 2006 Actual

(Billions of yen)

		2007				2006		Pct. Change	
		Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Actual	% Sales	Pre-depreciation Change	Post-depreciation Change
2Q	Net sales	1,126.9		1,126.9		1,029.0		+9.5%	+9.5%
	Gross profit	586.6	52.1%	573.9	50.9%	510.2	49.6%	+15.0%	+12.5%
	Op. profit	200.8	17.8%	181.5	16.1%	168.3	16.4%	+19.3%	+7.8%
	Net income	135.1	12.0%	123.9	11.0%	105.9	10.3%	+27.6%	+17.0%
	Yen-1USD	120.75		120.75		114.44			
	Yen-1EURO	162.80		162.80		143.81			
FY	Net sales	4,580.0		4,580.0		4,156.8		+10.2%	+10.2%
	Gross profit	2,346.5	51.2%	2,300.0	50.2%	2,060.5	49.6%	+13.9%	+11.6%
	Op. profit	833.0	18.2%	766.0	16.7%	707.0	17.0%	+17.8%	+8.3%
	Net income	540.0	11.8%	500.0	10.9%	455.3	11.0%	+18.6%	+9.8%
	Yen-1USD	120.03		120.03		116.43			
	Yen-1EURO	159.89		159.89		146.51			

Summary of Results

2Q 2007 Actual & FY 2007 Current Projection v. 2007 Previous Projection

(Billions of yen)

	2007						Pct. Change		
	Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Previous Projection	% Sales	Pre-depreciation Change	Post-depreciation Change	
2Q	Net sales	1,126.9		1,126.9		1,120.2		+0.6%	+0.6%
	Gross profit	586.6	52.1%	573.9	50.9%	563.3	50.3%	+4.1%	+1.9%
	Op. profit	200.8	17.8%	181.5	16.1%	184.6	16.5%	+8.8%	-1.7%
	Net income	135.1	12.0%	123.9	11.0%	118.8	10.6%	+13.8%	+4.4%
	Yen-1USD	120.75		120.75		117.00			
	Yen-1EURO	162.80		162.80		155.00			
FY	Net sales	4,580.0		4,580.0		4,540.0		+0.9%	+0.9%
	Gross profit	2,346.5	51.2%	2,300.0	50.2%	2,285.0	50.3%	+2.7%	+0.7%
	Op. profit	833.0	18.2%	766.0	16.7%	790.0	17.4%	+5.4%	-3.0%
	Net income	540.0	11.8%	500.0	10.9%	505.0	11.1%	+6.9%	-1.0%
	Yen-1USD	120.03		120.03		117.55			
	Yen-1EURO	159.89		159.89		155.33			

Transition in Sales and Op. Profit

2Q 2007 Actual v. 2Q 2007 Previous Projection

(Billions of yen)

	2Q 2007	
	Sales	Op. Profit
Previous Projection (April 24, 2007)	1,120.2	184.6
Foreign exchange impact [net sales, cost of sales, expenses]	+30.5	+20.0
Sales volume impact		
Office Imaging Products	-16.0	
Computer Peripherals	-14.1	
Business Information Products	-1.5	
Cameras	+7.6	
Optical and Other Products	-6.0	
Total	-30.0	-13.5
Others	+6.2	+9.7
Total Change	+6.7	+16.2
Actual (Pre-depreciation change)	1,126.9	200.8
Depreciation change impact	0.0	-19.3
Actual (Post-depreciation change)	1,126.9	181.5

Change in Exchange Rate

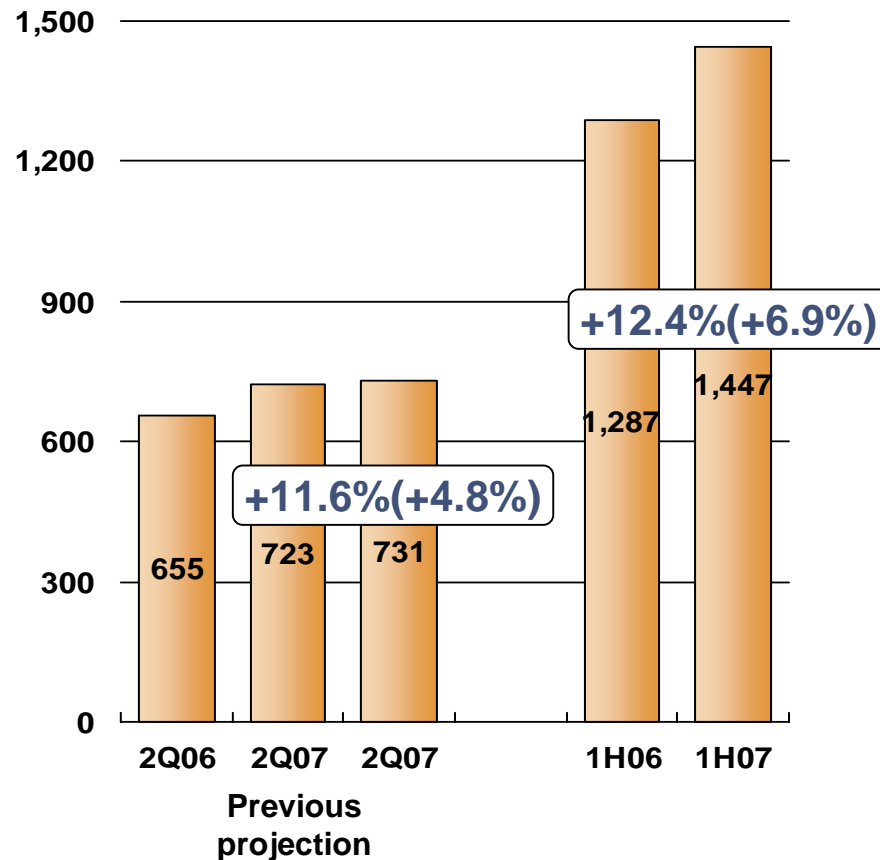
- 1USD: 117.00 to 120.75 yen
- 1EURO: 155.00 to 162.80 yen

Business Machines

2Q&1H 2007 Actual

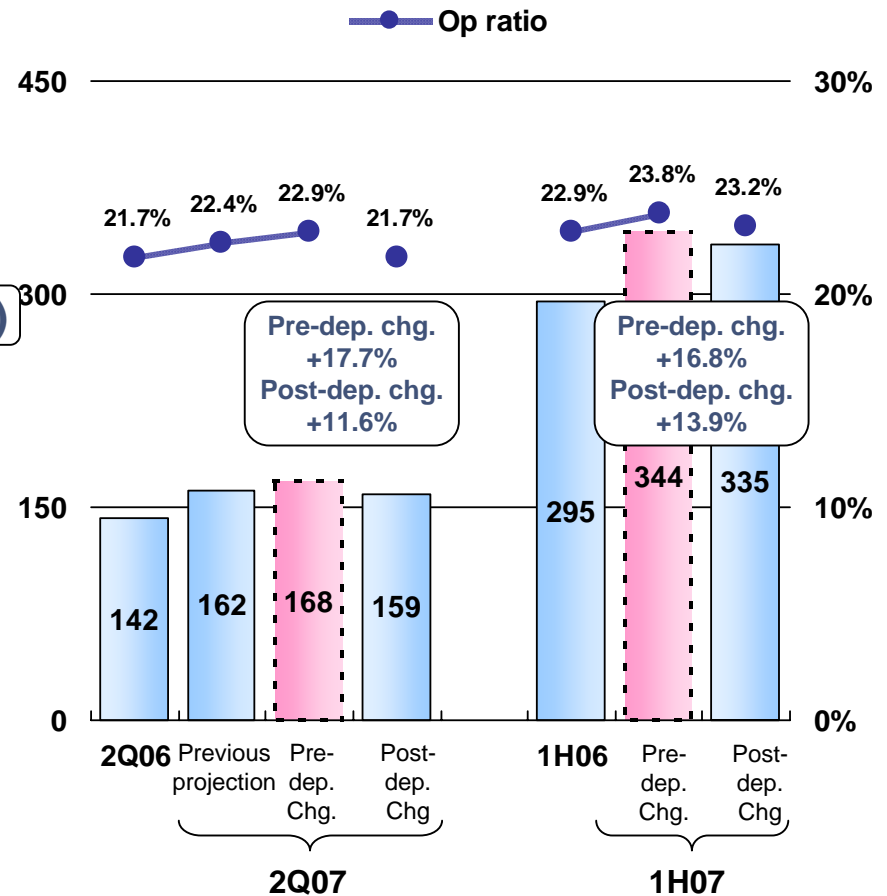
Sales

(Billions of yen) Growth rate y/y
() Local currency base



Operating Profit

(Billions of yen)

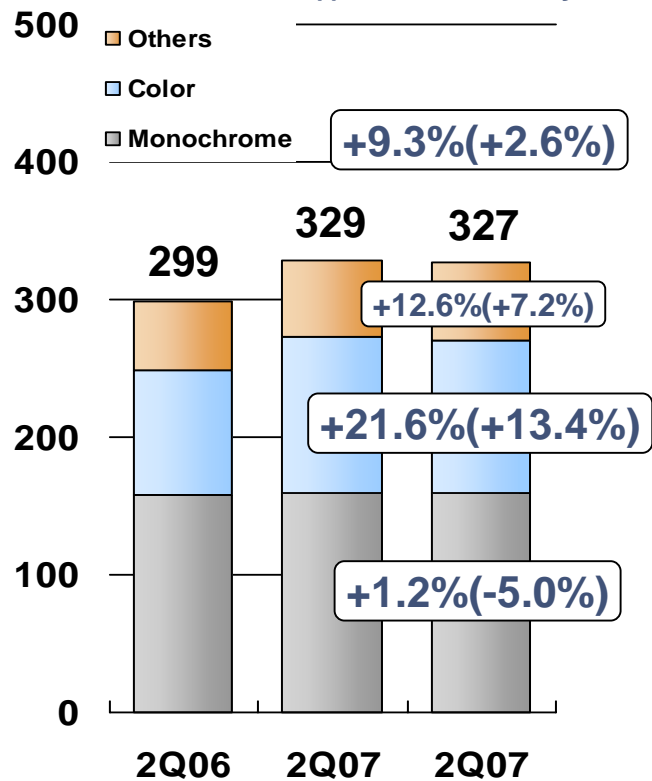


Office Imaging Products

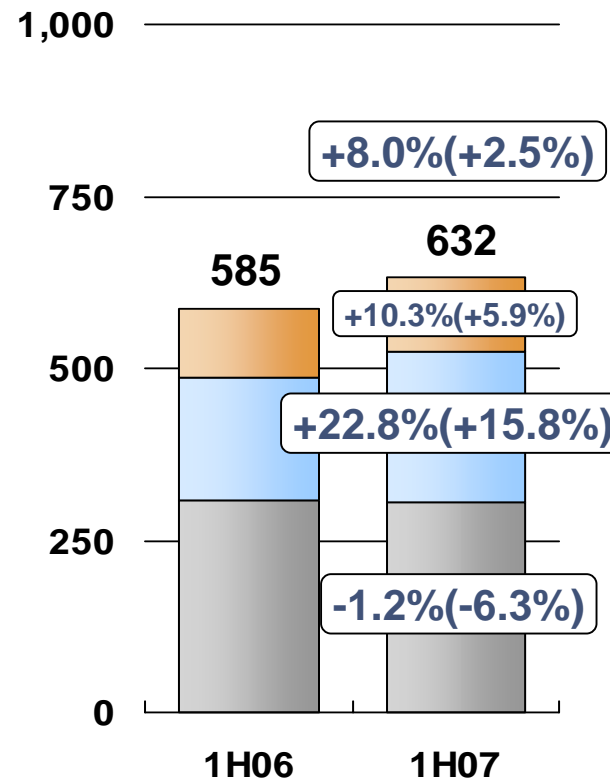
2Q&1H 2007 Actual

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Previous projection



Growth rate y/y (Unit base)		
Copying machines		
	2Q	1H
Color	+24%	+19%
Mono-chrome (For office use)	-16% (-2%)	-14% (+1%)
Total	-11%	-10%

Color ratio (Copying machines)

	2Q	1H
Value base*	41%	42%
Unit base	17%	17%

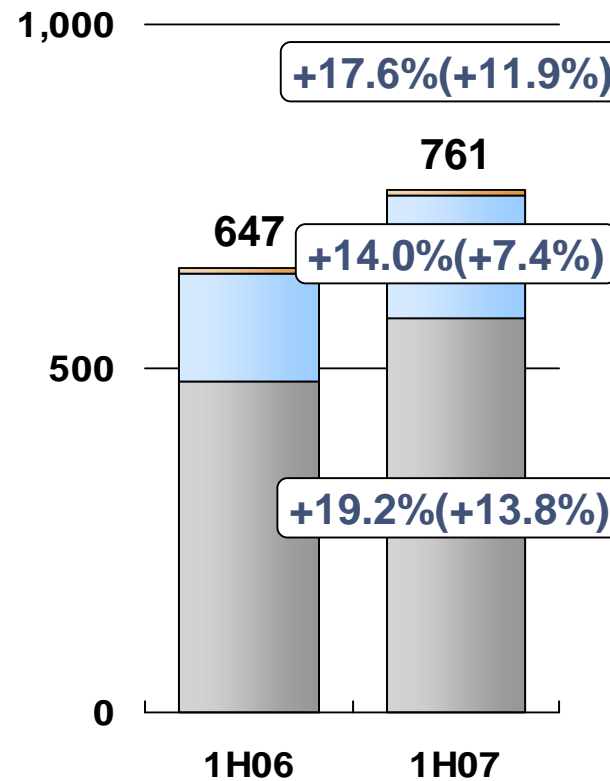
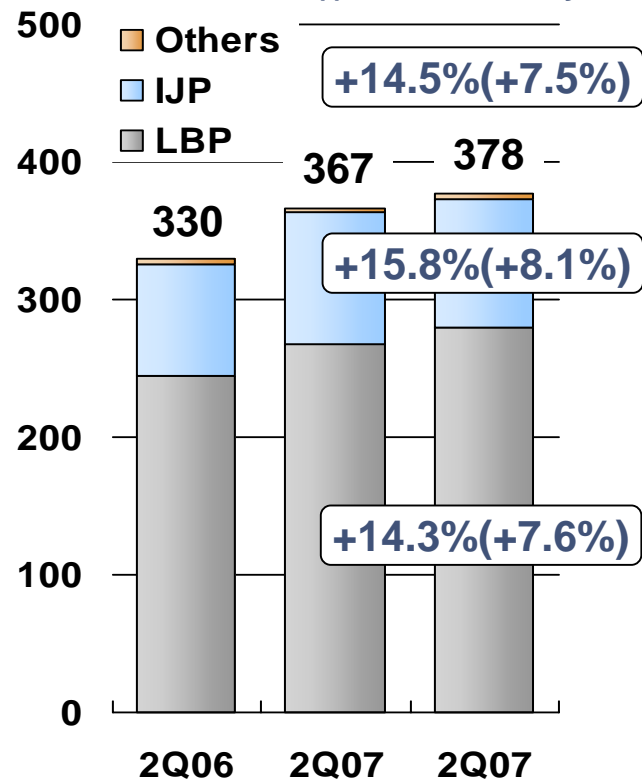
*Includes consumables

Computer Peripherals

2Q&1H 2007 Actual

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
LBP	2Q	1H
Color	+12%	+43%
Mono-chrome	+20%	+39%
Total	+19%	+40%

Color ratio (LBP)

	2Q	1H
Value base*	37%	36%
Unit base	14%	15%

*Includes consumables

Growth rate y/y (Unit base)		
IJP	2Q	1H
SFP	-10%	-15%
MFP	+28%	+27%
Total	+5%	+0%

MFP ratio (IJP)

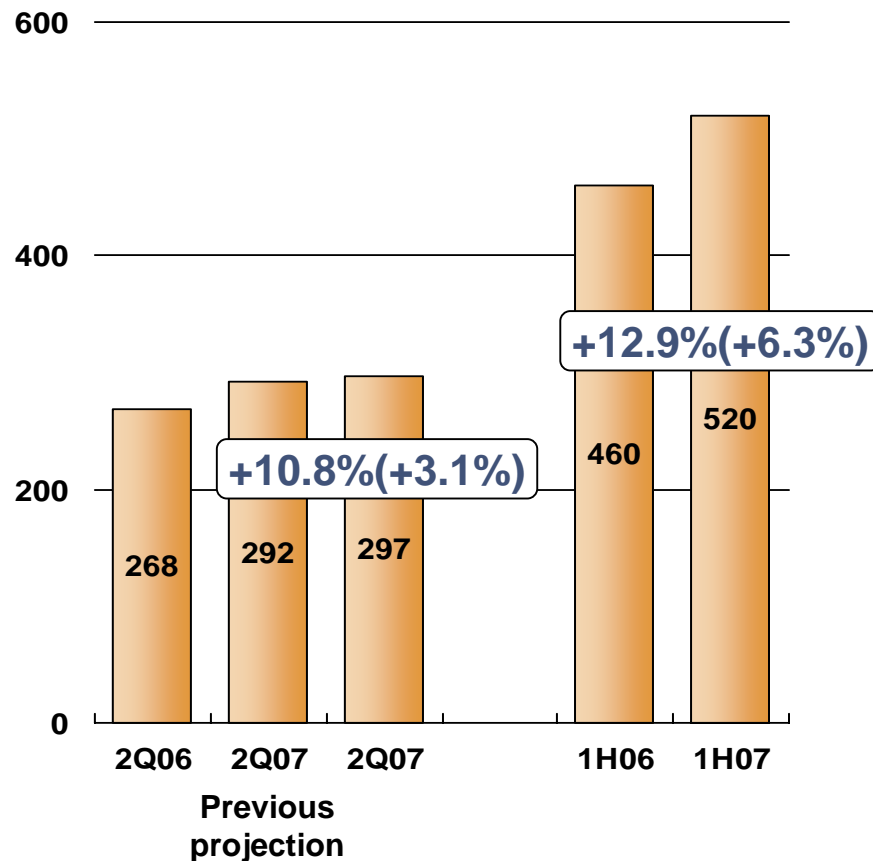
	2Q	1H
Unit base	48%	47%

Cameras

2Q&1H 2007 Actual

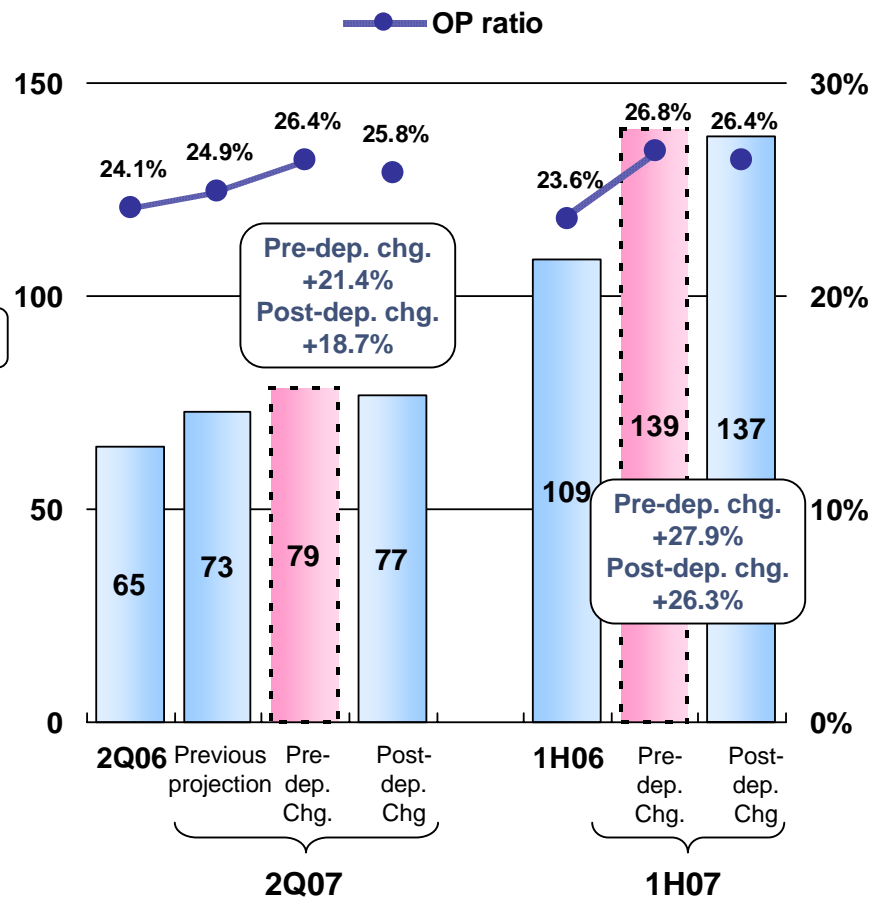
Sales

(Billions of yen) Growth rate y/y
() Local currency base



Operating Profit

(Billions of yen)

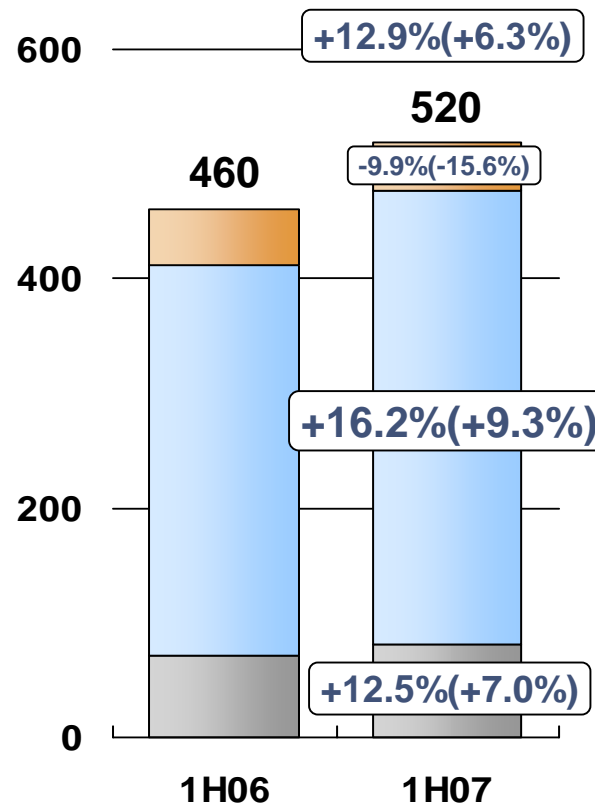
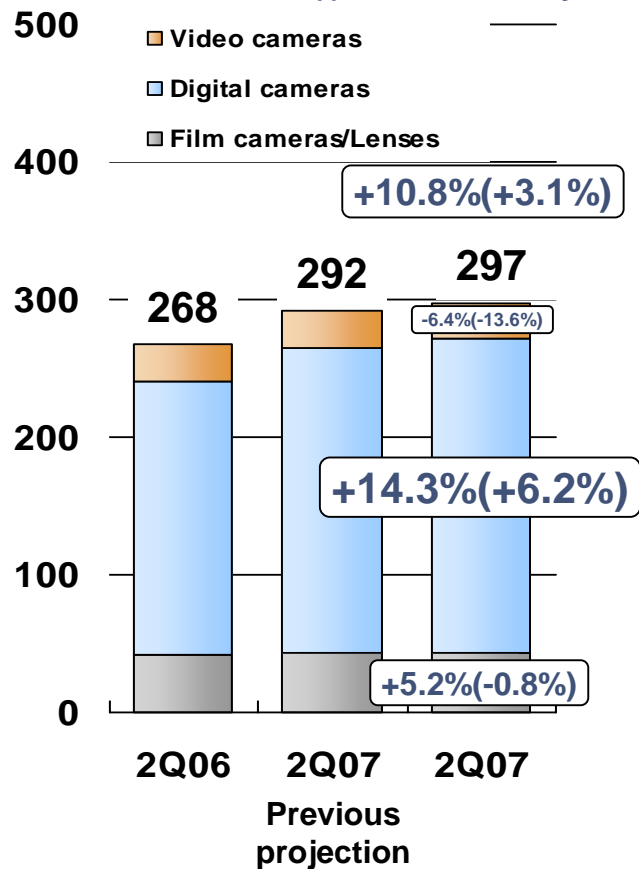


Cameras

2Q&1H 2007 Actual

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
	2Q	1H
Digital cameras	+17%	+18%

D SLR ratio*

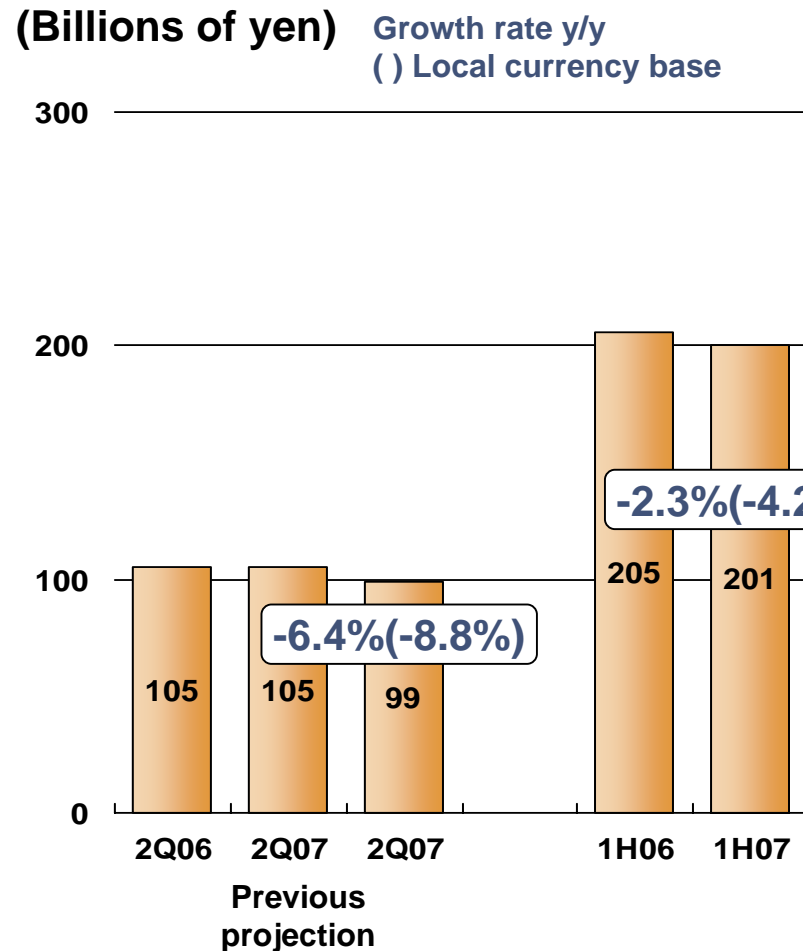
	2Q	1H
Value base	38%	37%
Unit base	13%	13%

* Percentage of digital cameras sales attributable to SLRs

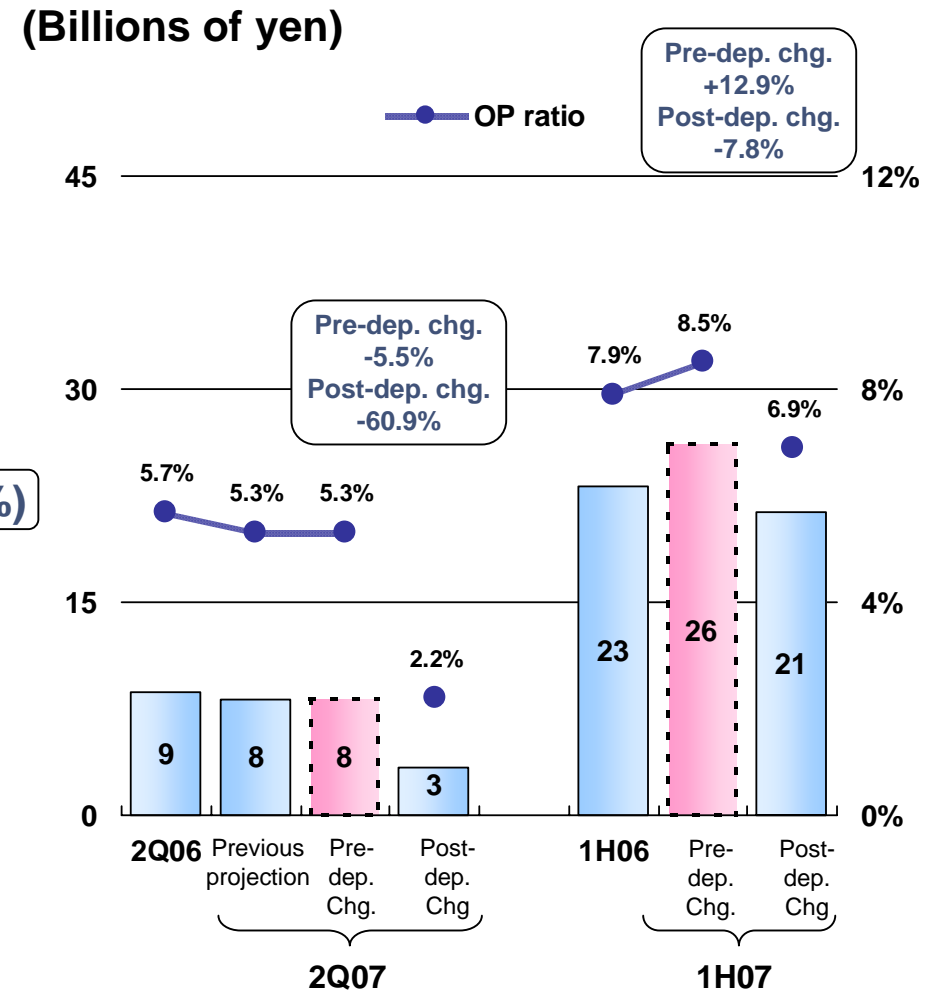
Optical and Other Products

2Q&1H 2007 Actual

Sales



Operating Profit



*Excluding inter-segment sales

*Calculation of operating profit margin includes inter-segment sales

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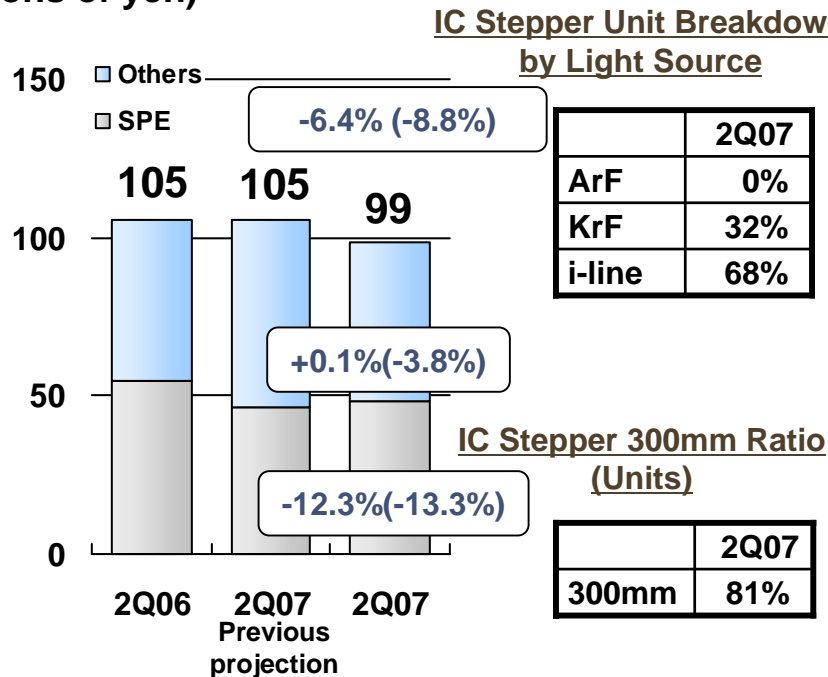
Optical and Other Products

2Q&1H 2007 Actual

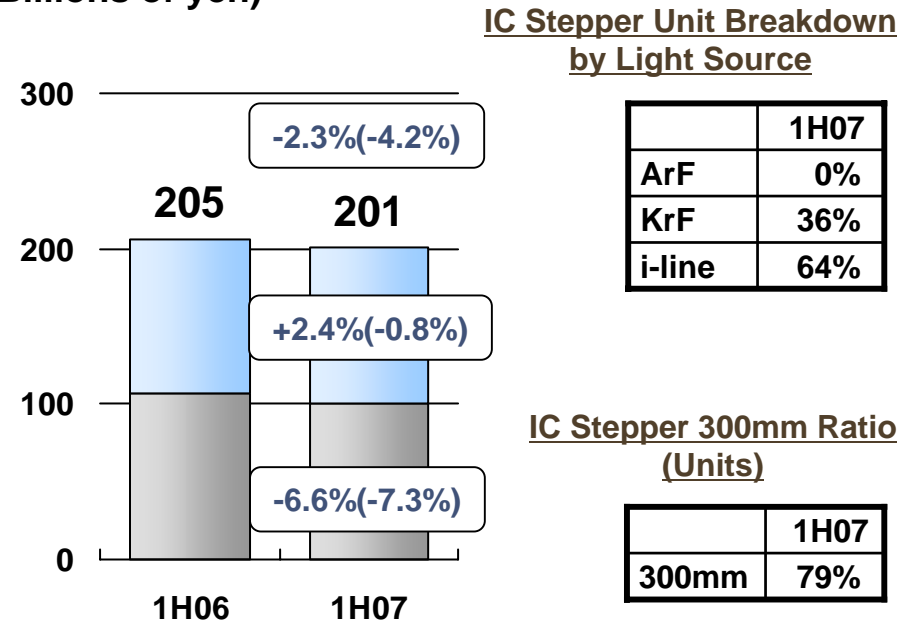
Sales

Growth rate y/y
() Local currency base

(Billions of yen)



(Billions of yen)



SPE (Unit sales)

	2Q06	2Q07 Previous Projection	2Q07
IC	41	45	47
LCD	20	7	8
TTL	61	52	55

SPE (Unit sales)

	1H06	1H07
IC	85	94
LCD	31	13
TTL	116	107

Assumptions

2H 2007

Average Exchange Rate	2H07	FY07	FY06
■ USD	120.00 yen	120.03 yen	116.43 yen
■ EURO	160.00 yen	159.89 yen	146.51 yen

Impact of Exchange Rate Movement (2H impact given a one yen change)

	Net sales	Operating profit
■ USD	8.3 billion yen	4.8 billion yen
■ EURO	4.1 billion yen	3.2 billion yen

Summary of Projected Results

2007 Current Projection v. 2006 Actual

(Billions of yen)

		2007 Current Projection				2006		Pct. Change	
		Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Actual	% Sales	Pre-depreciation Change	Post-depreciation Change
2H	Net sales	2,413.3		2,413.3		2,204.5		+9.5%	+9.5%
	Gross profit	1,226.2	50.8%	1,192.4	49.4%	1,081.8	49.1%	+13.4%	+10.2%
	Op. profit	424.8	17.6%	377.1	15.6%	368.6	16.7%	+15.3%	+2.3%
	Net income	273.6	11.3%	244.8	10.1%	241.2	10.9%	+13.5%	+1.5%
	Yen-1USD	120.00		120.00		117.12			
	Yen-1EURO	160.00		160.00		150.30			
FY	Net sales	4,580.0		4,580.0		4,156.8		+10.2%	+10.2%
	Gross profit	2,346.5	51.2%	2,300.0	50.2%	2,060.5	49.6%	+13.9%	+11.6%
	Op. profit	833.0	18.2%	766.0	16.7%	707.0	17.0%	+17.8%	+8.3%
	Net income	540.0	11.8%	500.0	10.9%	455.3	11.0%	+18.6%	+9.8%
	Yen-1USD	120.03		120.03		116.43			
	Yen-1EURO	159.89		159.89		146.51			

Transition in Sales and Op. Profit

2H 2007 Current Projection v. 2H 2007 Previous Projection

(Billions of yen)

	2H 2007	
	Sales	Op. Profit
Previous Projection (April 24, 2007)	2,380.0	398.0
Foreign exchange impact [net sales, cost of sales, expenses]	+47.7	+31.5
Sales volume impact		
Office Imaging Products	-6.8	
Computer Peripherals	-14.1	
Business Information Products	-1.2	
Cameras	+11.9	
Optical and Other Products	-10.0	
Total	-20.2	-3.9
Others	+5.8	-0.8
Total Change	+33.3	+26.8
Current Projection (Pre-depreciation change) (July 26, 2007)	2,413.3	424.8
Depreciation change impact	0.0	-47.7
Current Projection (Post-depreciation change) (July 26, 2007)	2,413.3	377.1

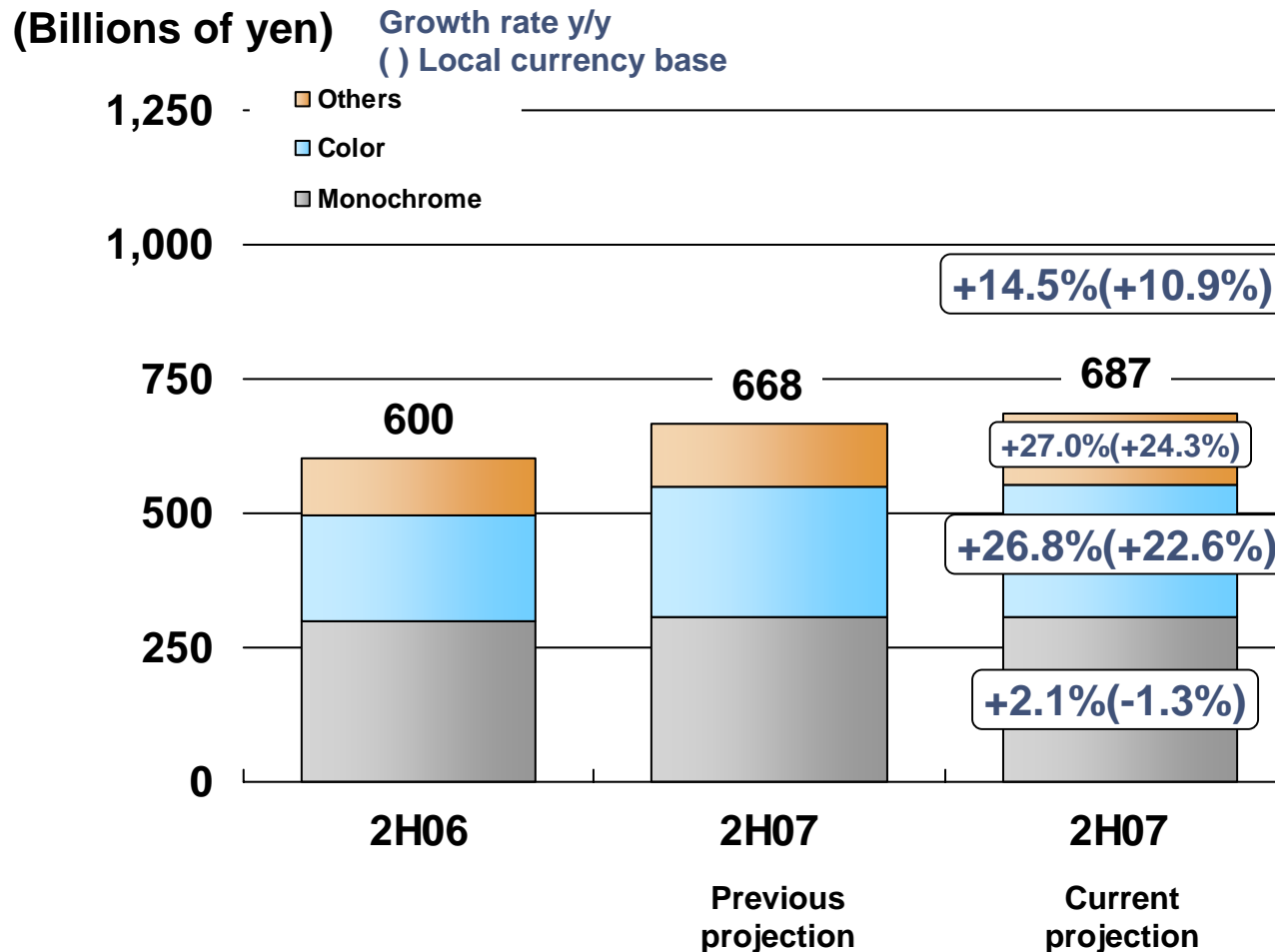
Change in Exchange Rate

- 1USD: 117.00 to 120.00 yen
- 1EURO: 155.00 to 160.00 yen

Office Imaging Products

2H 2007 Current Projection

Sales



Growth rate y/y (Unit base)	
Copying machines	
2H	
Color	+20%
Monochrome (For office use)	-8% (+2%)
Total	-4%

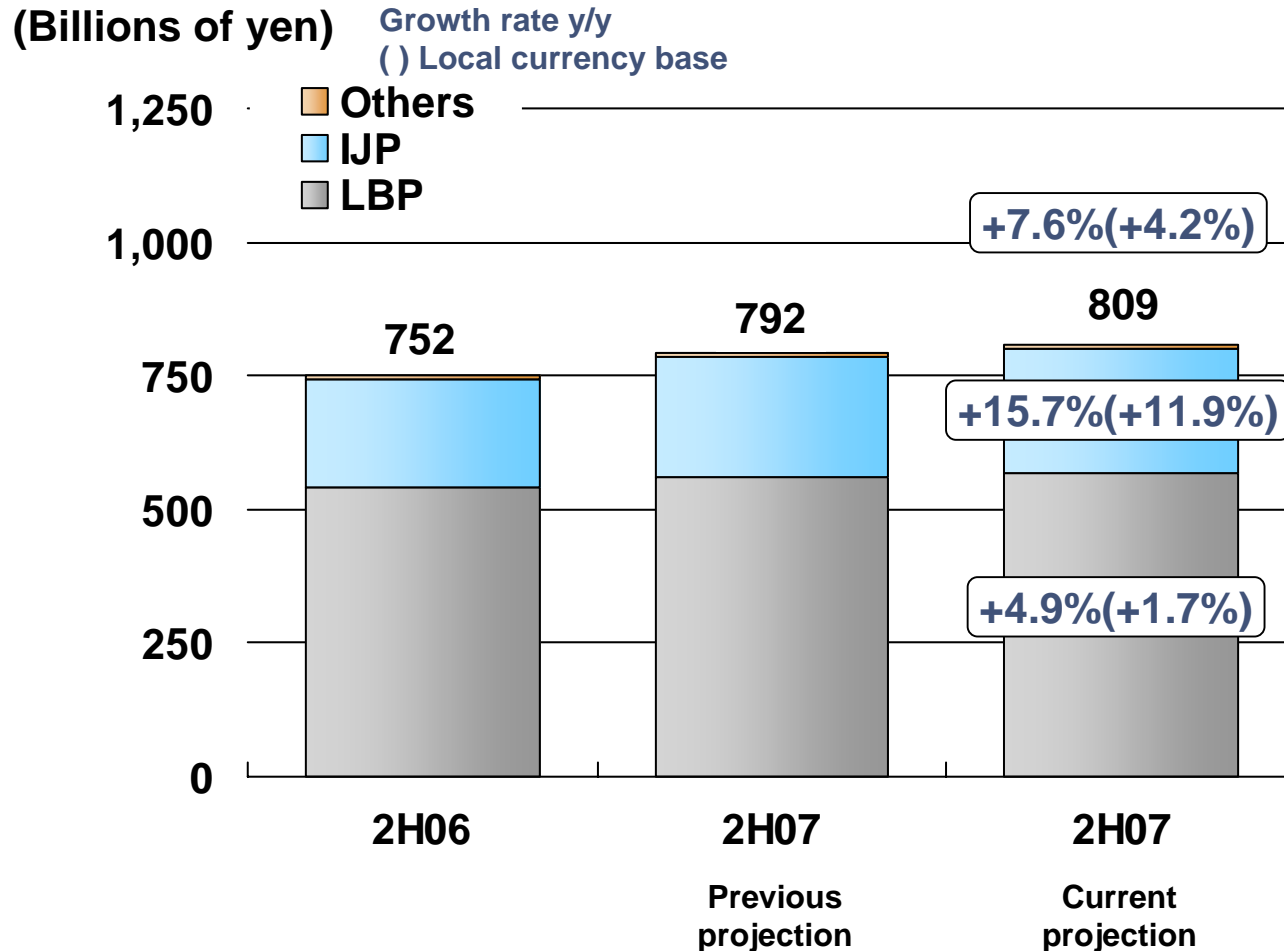
Color ratio (Copying machines)	
2H	
Value base*	45%
Unit base	19%

*Includes consumables

Computer Peripherals

2H 2007 Current Projection

Sales



Growth rate y/y (Unit base)	
LBP	2H
Color	+4%
Monochrome	+4%
Total	+4%

Color ratio (LBP)

	2H
Value base*	38%
Unit base	14%

*Includes consumables

Growth rate y/y (Unit base)	
IJP	2H
SFP	-3%
MFP	+40%
Total	+16%

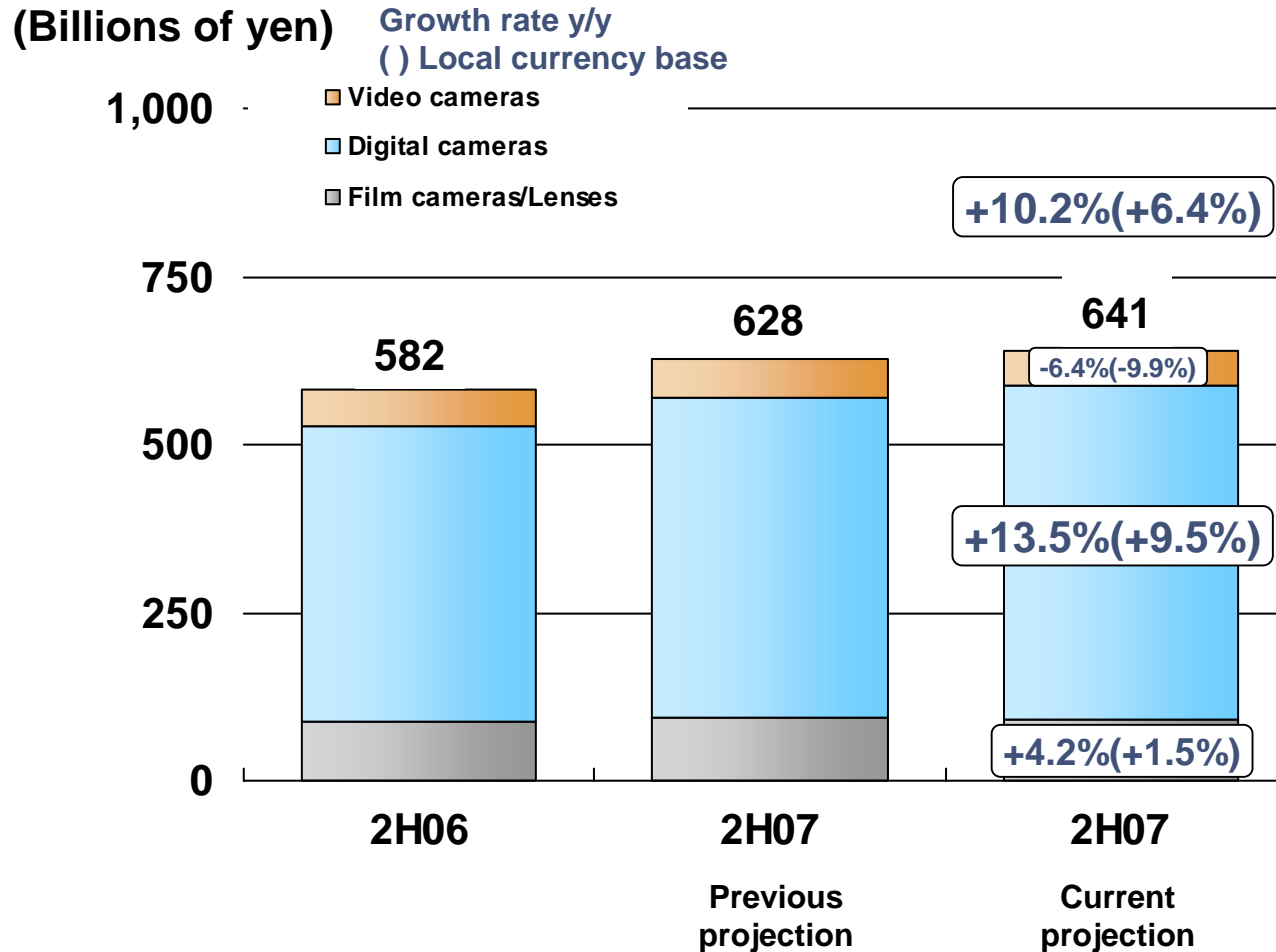
MFP ratio (IJP)

	2H
Unit base	52%

Cameras

2H 2007 Current Projection

Sales



Growth rate y/y (Unit base)	
2H	
Digital cameras	+11%

D SLR ratio*

2H	
Value base	35%
Unit base	12%

* Percentage of digital cameras sales attributable to SLRs

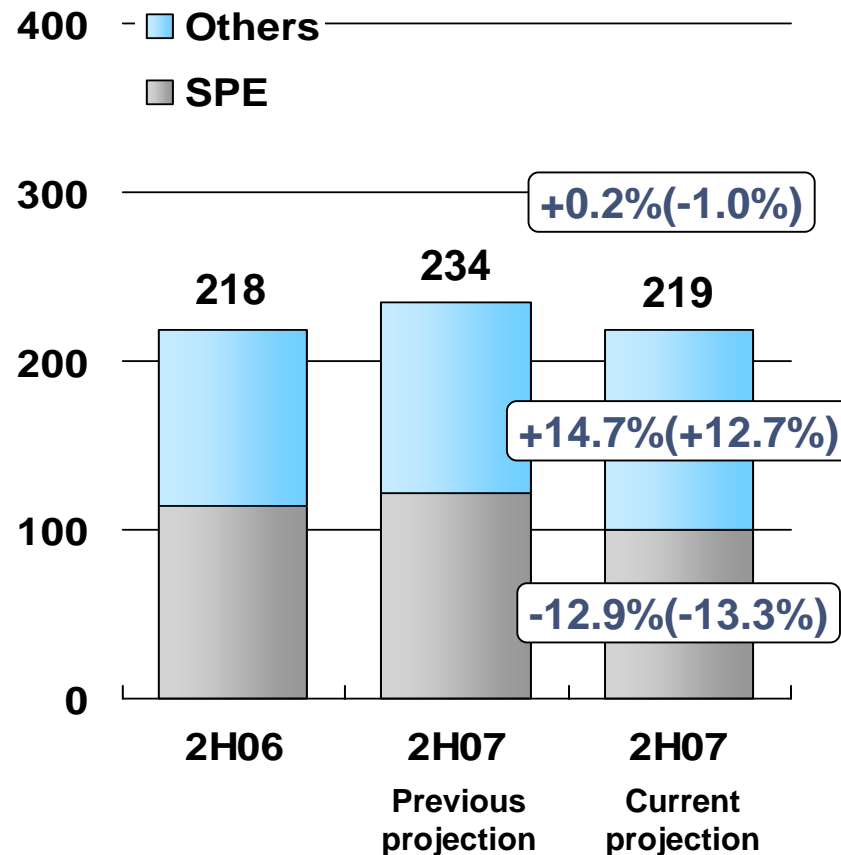
Optical and Other Products

2H 2007 Current Projection

2H

Sales

(Billions of yen) Growth rate y/y
() Local currency base



IC Stepper Unit Breakdown
by Light Source

	2H07 Current projection
ArF	2%
KrF	28%
i-line	70%

IC Stepper 300mm Ratio
(Units)

	2H07 Current projection
300mm	87%

SPE (Unit sales)

	2H06	2H07 Previous projection	2H07 Current projection
IC	107	94	86
LCD	31	22	16
TTL	138	116	102

FY

IC Stepper Unit Breakdown
by Light Source

	FY07 Current projection
ArF	1%
KrF	32%
i-line	67%

IC Stepper 300mm Ratio
(Units)

	FY07 Current projection
300mm	83%

SPE (Unit sales)

	FY06	FY07 Previous projection	FY07 Current projection
IC	192	186	180
LCD	62	34	29
TTL	254	220	209

Operating Profit by Product

FY 2007 Current Projection v. FY 2006 Actual

(Billions of yen)

		2007 Current Projection				2006		Pct. Change	
		Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Actual	% Sales	Pre-depreciation Change	Post-depreciation Change
2H	Bus. Machines	366.7	23.6%	345.0	22.2%	304.7	21.7%	+20.4%	+13.2%
	Cameras	181.5	28.3%	177.6	27.7%	160.0	27.5%	+13.4%	+11.0%
	Optical & Other Products	15.5	4.6%	1.2	0.4%	18.3	5.7%	-15.1%	-93.4%
	Corp. & Eliminations	-138.9		-146.7		-114.4			
	Total	424.8	17.6%	377.1	15.6%	368.6	16.7%	+15.3%	+2.3%

FY	Bus. Machines	710.9	23.7%	680.5	22.7%	599.2	22.3%	+18.6%	+13.6%
	Cameras	320.6	27.6%	314.9	27.1%	268.7	25.8%	+19.3%	+17.2%
	Optical & Other Products	41.7	6.4%	22.6	3.5%	41.5	6.7%	+0.5%	-45.5%
	Corp. & Eliminations	-240.2		-252.0		-202.4			
	Total	833.0	18.2%	766.0	16.7%	707.0	17.0%	+17.8%	+8.3%

Supplementary Information

Summary of Results

1H 2007 Actual

(Billions of yen)

	1H 2007 Actual				1H 2006		Pct. Change	
	Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Actual	% Sales	Pre-depreciation Change	Post-depreciation Change
Net sales	2,166.7		2,166.7		1,952.3		+11.0%	+11.0%
Gross profit	1,120.3	51.7%	1,107.6	51.1%	978.7	50.1%	+14.5%	+13.2%
Op. profit	408.2	18.8%	388.9	17.9%	338.5	17.3%	+20.6%	+14.9%
Net income	266.4	12.3%	255.2	11.8%	214.2	11.0%	+24.4%	+19.1%
Yen-1USD	120.07		120.07		115.63			
Yen-1EURO	159.77		159.77		142.36			

Supplementary Information

Summary of Projected Results

3Q 2007 Current Projection

(Billions of yen)

	3Q 2007 Current Projection				3Q 2006		Pct. Change	
	Pre-depreciation Change	% Sales	Post-depreciation Change	% Sales	Actual	% Sales	Pre-depreciation Change	Post-depreciation Change
Net sales	1,075.0		1,075.0		988.0		+8.8%	+8.8%
Gross profit	560.0	52.1%	544.0	50.6%	488.0	49.4%	+14.7%	+11.5%
Op. profit	202.0	18.8%	179.0	16.7%	172.7	17.5%	+17.0%	+3.7%
Net income	130.0	12.1%	116.0	10.8%	115.6	11.7%	+12.5%	+0.4%
Yen-1USD	120.00		120.00		116.29			
Yen-1EURO	160.00		160.00		148.19			

Supplementary Information

Transition in Sales and Operating Profit

2Q&1H 2007 Actual v. 2Q&1H 2006 Actual

(Billions of yen)

	2Q		1H	
	Sales	Op. Profit	Sales	Op. Profit
2006 Actual	1,029.0	168.3	1,952.3	338.5
Foreign exchange impact [net sales, cost of sales, expenses]	+63.4	+39.0	+99.5	+62.1
Sales volume impact				
Office Imaging Products	+11.3		+20.0	
Computer Peripherals	+28.9		+81.3	
Business Information Products	-1.0		-2.9	
Cameras	+40.3		+83.5	
Optical and Other Products	-7.4		-4.3	
Total	+72.1	+33.3	+177.6	+81.5
Others	-37.6	-39.8	-62.7	-73.9
Total Change	+97.9	+32.5	+214.4	+69.7
2007 Actual (Pre-depreciation change)	1,126.9	200.8	2,166.7	408.2
Depreciation change impact	0.0	-19.3	0.0	-19.3
2007 Actual (Post-depreciation change)	1,126.9	181.5	2,166.7	388.9

Change in Exchange Rate (2Q)

- 1USD: 114.44 to 120.75 Yen
- 1EURO: 143.81 to 162.80 Yen

Change in Exchange Rate (1H)

- 1USD: 115.63 to 120.07 Yen
- 1EURO: 142.36 to 159.77 Yen

Supplementary Information

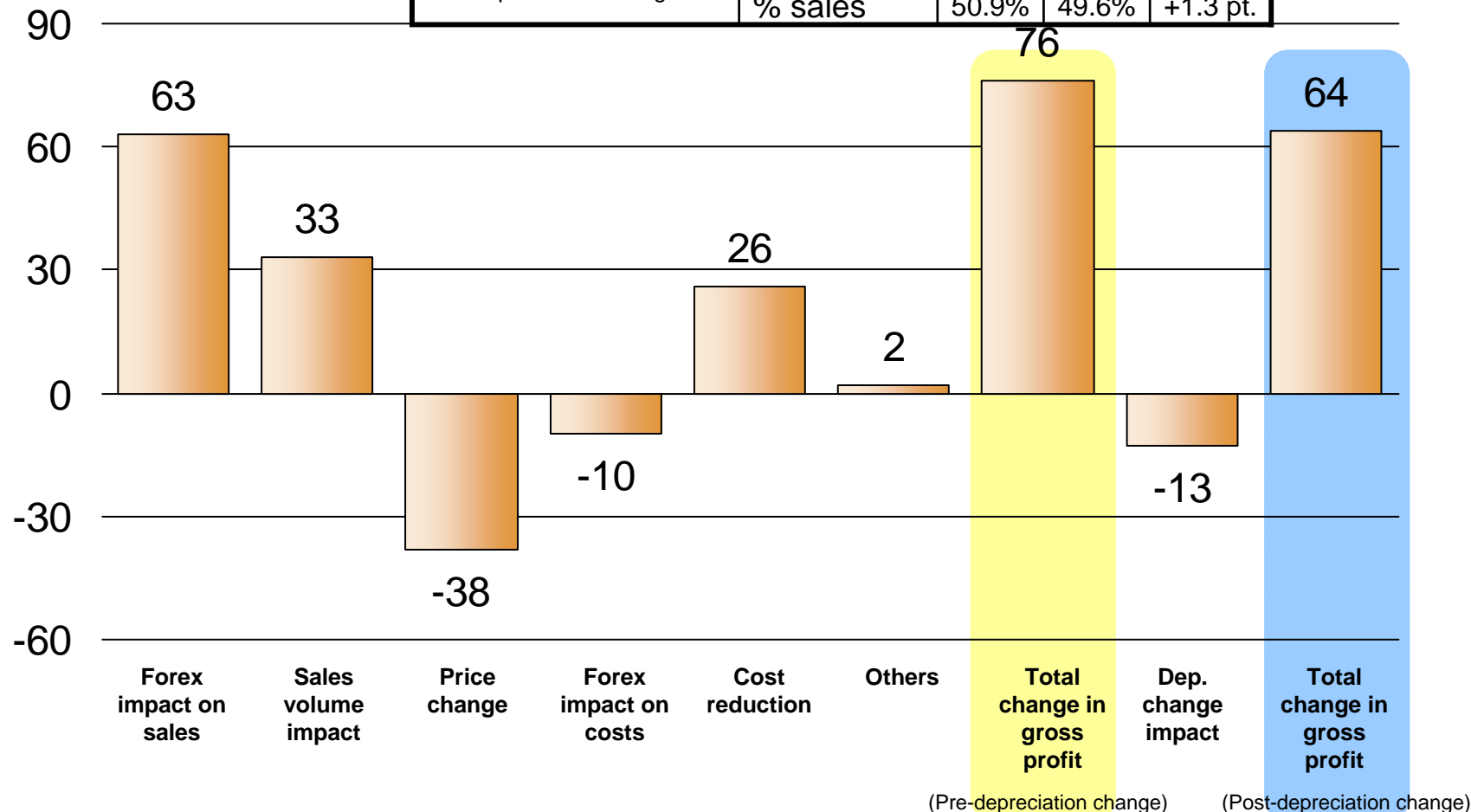
Gross Profit Variance Analysis

2Q 2007 Actual v. 2Q 2006 Actual

(Billions of yen)

		2Q07	2Q06	Change
Pre-depreciation change	Gross Profit	586.6	510.2	+76.4
	% sales	52.1%	49.6%	+2.5 pt.
Post-depreciation change	Gross Profit	573.9	510.2	+63.7
	% sales	50.9%	49.6%	+1.3 pt.

(Billions of yen)



Supplementary Information

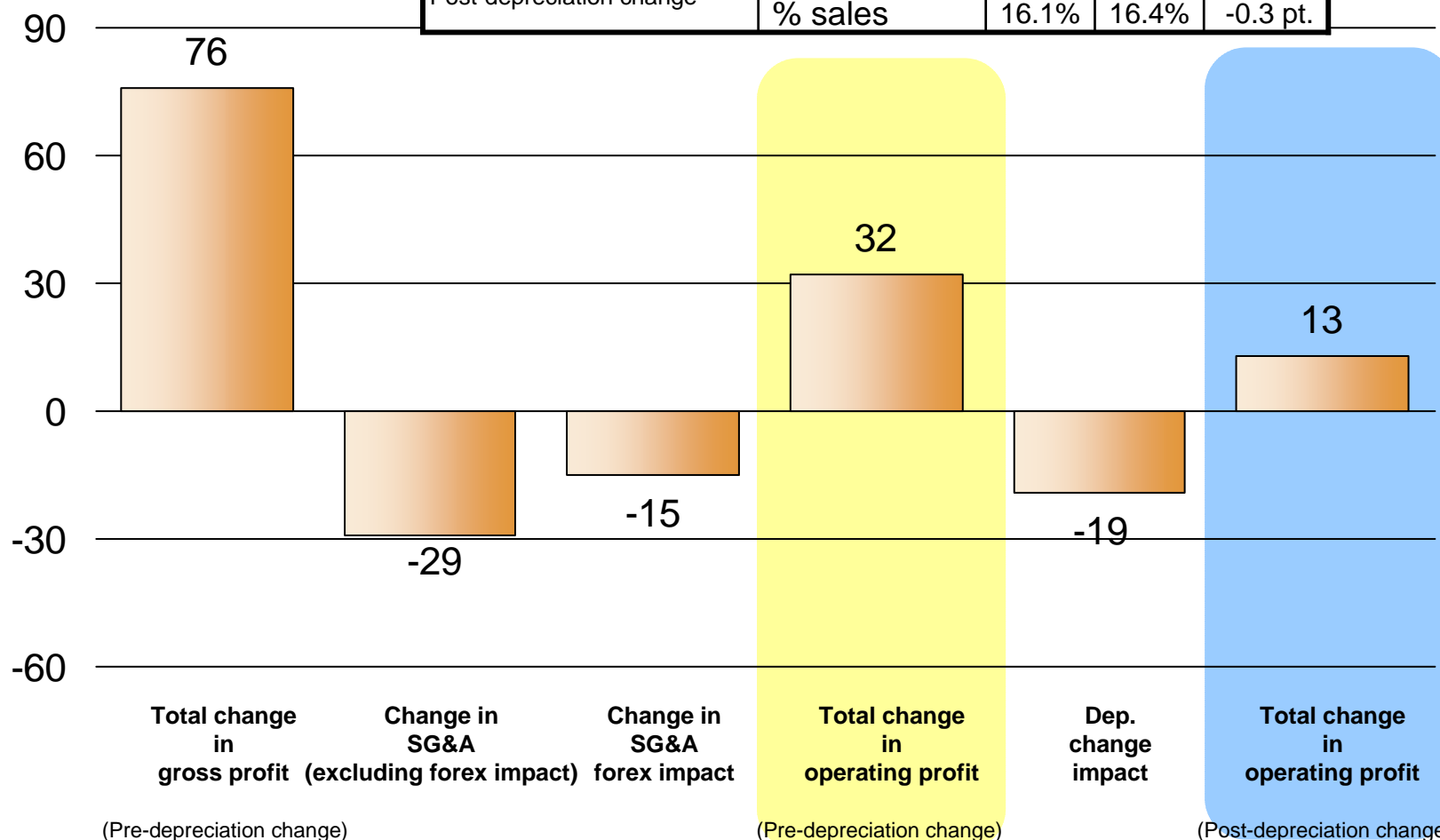
Operating Profit Variance Analysis

2Q 2007 Actual v. 2Q 2006 Actual

(Billions of yen)

		2Q07	2Q06	Change
Pre-depreciation change	Operating Profit	200.8	168.3	+32.5
	% sales	17.8%	16.4%	+1.4 pt.
Post-depreciation change	Operating Profit	181.5	168.3	+13.2
	% sales	16.1%	16.4%	-0.3 pt.

(Billions of yen)



Supplementary Information

Transition in Sales and Operating Profit

2H&FY 2007 Current Projection v. 2H&FY 2006 Actual

(Billions of yen)

	2H		FY	
	Sales	Op. Profit	Sales	Op. Profit
2006 Actual	2,204.5	368.6	4,156.8	707.0
Foreign exchange impact [net sales, cost of sales, expenses]	+67.5	+45.8	+167.0	+107.9
Sales volume impact				
Office Imaging Products	+70.6		+90.6	
Computer Peripherals	+75.0		+156.3	
Business Information Products	+5.5		+2.6	
Cameras	+96.4		+179.9	
Optical and Other Products	+4.1		-0.2	
Total	+251.6	+115.4	+429.2	+196.9
Others	-110.3	-105.0	-173.0	-178.8
Total Change	+208.8	+56.2	+423.2	+126.0
2007 Current Projection (Pre-depreciation change) (July 26, 2007)	2,413.3	424.8	4,580.0	833.0
Depreciation change impact	0.0	-47.7	0.0	-67.0
2007 Current Projection (Post-depreciation change) (July 26, 2007)	2,413.3	377.1	4,580.0	766.0

Change in Exchange Rate (2H)

- 1USD: 117.12 to 120.00 Yen
- 1EURO: 150.30 to 160.00 Yen

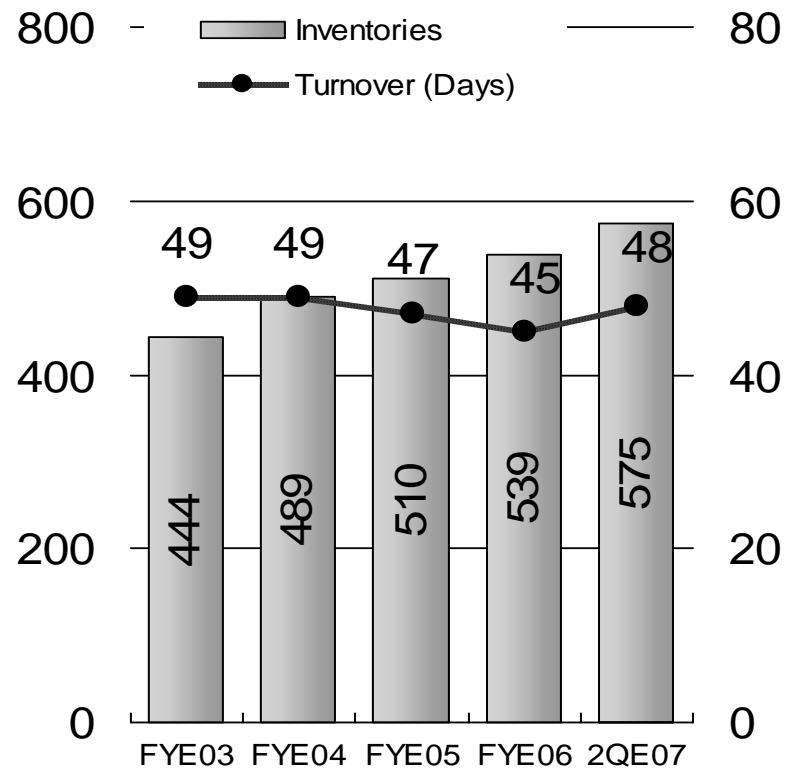
Change in Exchange Rate (FY)

- 1USD: 116.43 to 120.03 Yen
- 1EURO: 146.51 to 159.89 Yen

Supplementary Information

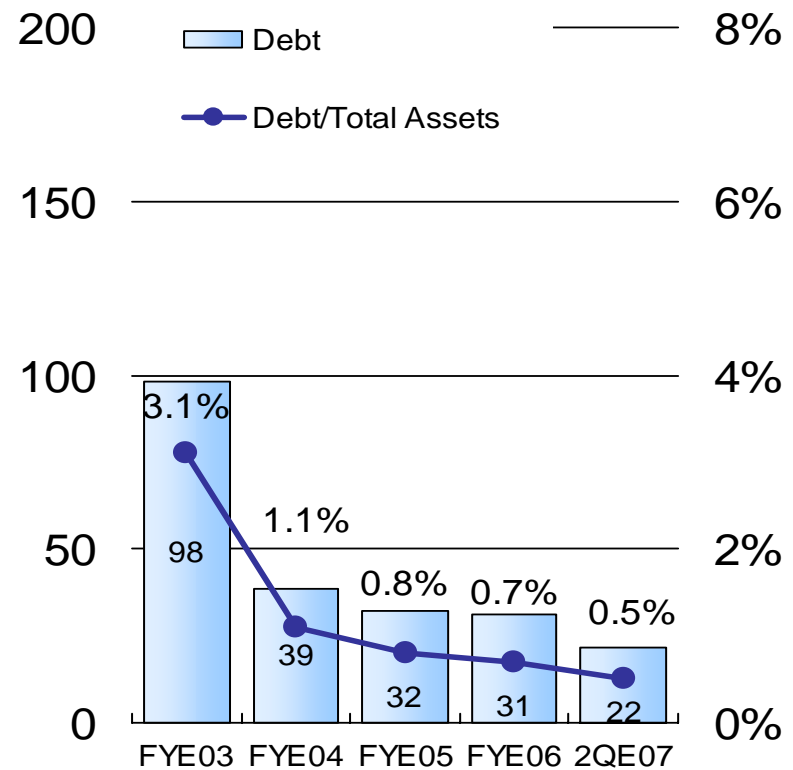
Inventories

(Billions of yen)



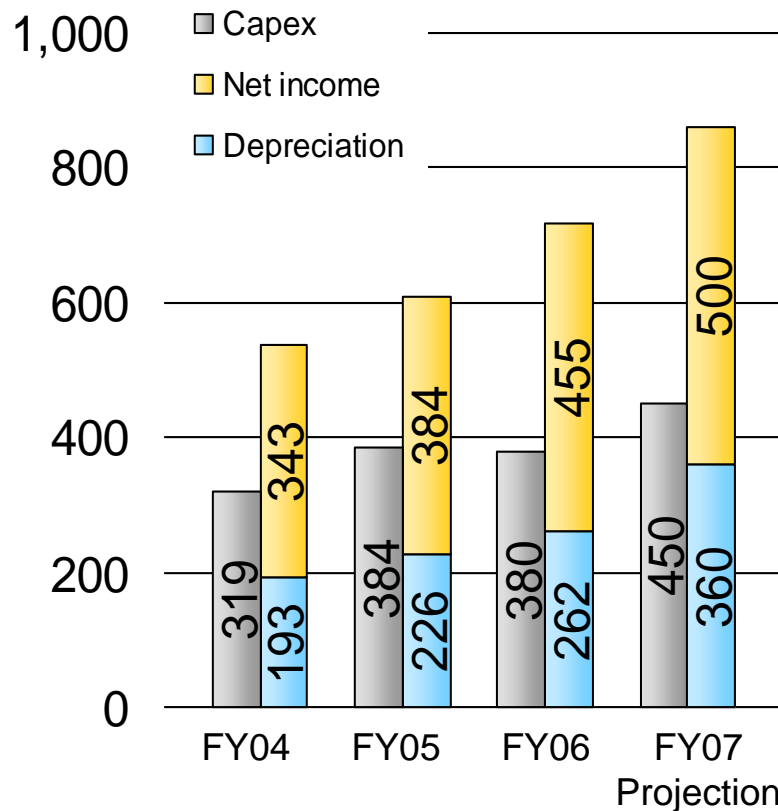
Interest Bearing Debt

(Days) (Billions of yen)



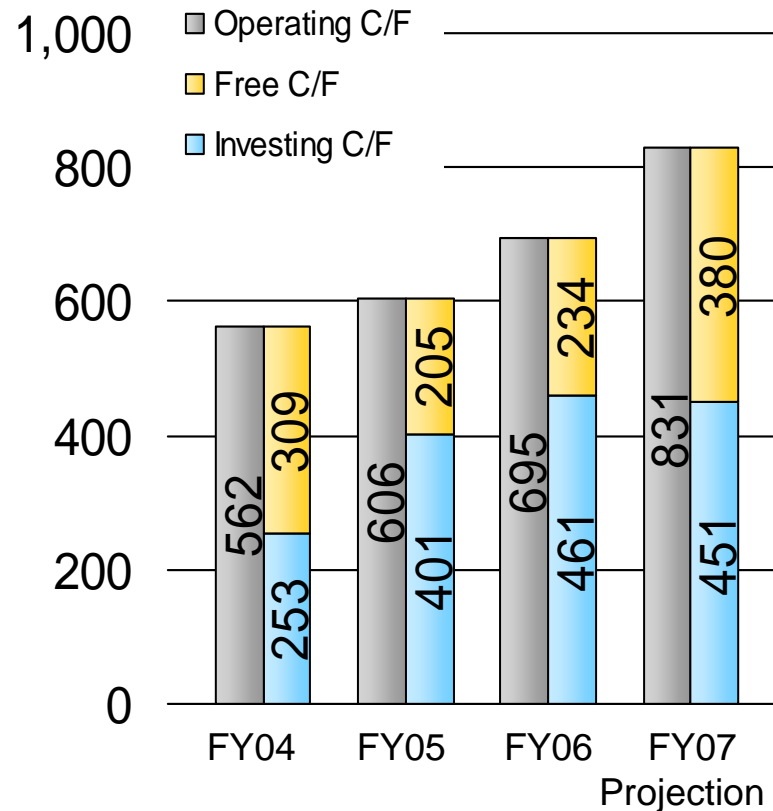
Capital Expenditure

(Billions of yen)



Free Cash Flow

(Billions of yen)



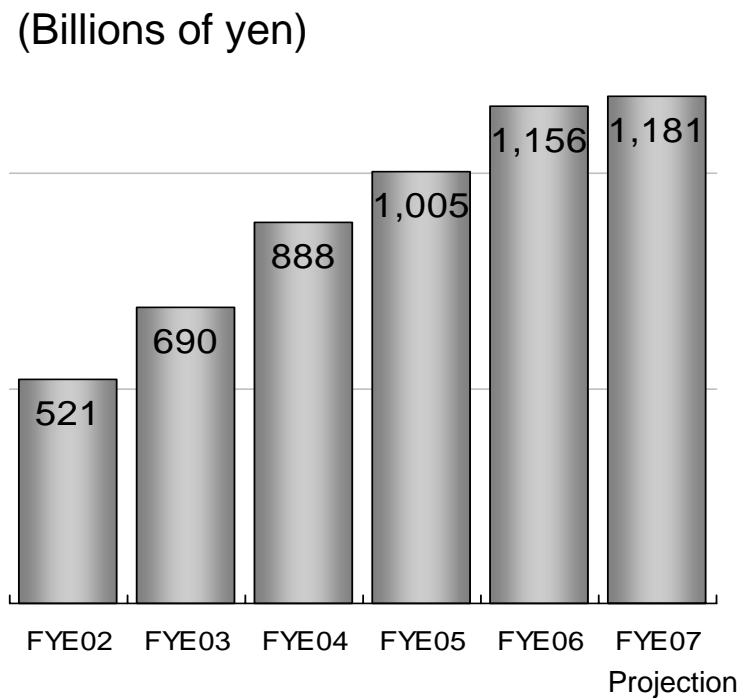
[Major Expenditures in 2007]

- New factory (Oita Canon Materials)
- Production engineering base (Yanagicho, Kawasaki City)
- Production equipment for inkjet key parts
- Automated machinery for cartridge production
- Production equipment for toner

Supplementary Information

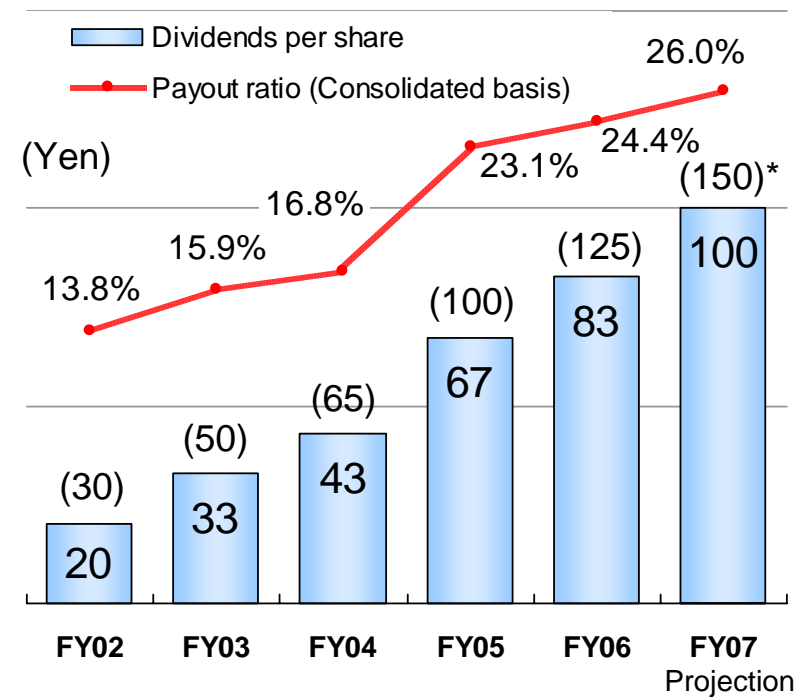
Cash on Hand and Return to Shareholders

Cash on Hand (Year-end)



Dividend

*Figures in parenthesis represent dividend per share expressed on a pre- 3-for-2 forward stock split basis (effective date July 1, 2006)



Financial Ratios

* Common stock held by stockholders as of June 30, 2006, were split on a 3-for-2 basis. EPS (Basic) has been adjusted to retroactively reflect the forward stock split.

