



# Canon Inc.

## Second Quarter 2009 Results

July 28, 2009

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This presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

# Agenda

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■ Details by Business P11 – 18

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# 2Q 2009 in Summary

## External Environment

- ✓ Continued economic slowdown and strong yen

## Results

- ✓ Lessened pace of decline in sales and operating profit compared with the previous quarter
- ✓ Achieved more than doubled the OP of first quarter, steadily improving OP ratio
- ✓ Progress in “improved management quality”
  - ✓ Achieved significant expense reduction
  - ✓ Maintained selling prices through timely launch of new products
  - ✓ Made progress in inventory reduction activities

# Summary of Results

2Q&1H 2009 Actual

(Billions of yen) (For reference)

		2009		2008		Pct. Change	<b>2009</b>	
		Actual	% Sales	Actual	% Sales	Actual	(excluding forex impact) Actual % Sales	
2Q	Net sales	793.8		1,105.9		-28.2%	866.0	
	Gross profit	345.5	43.5%	541.6	49.0%	-36.2%	408.4	47.2%
	Op. profit	44.9	5.7%	160.2	14.5%	-72.0%	87.5	10.1%
	Net income attributable to Canon Inc.	15.6	2.0%	107.8	9.8%	-85.5%		
	Yen-1USD	97.19		104.61				
	Yen-1EURO	132.90		163.55				
1H	Net sales	1480.8		2,113.4		-29.9%	1631.4	
	Gross profit	644.3	43.5%	1,041.5	49.3%	-38.1%	774.2	47.5%
	Op. profit	64.9	4.4%	331.0	15.7%	-80.4%	151.2	9.3%
	Net income attributable to Canon Inc.	33.3	2.3%	214.5	10.1%	-84.5%		
	Yen-1USD	95.74		104.69				
	Yen-1EURO	127.50		160.69				

# Transition in Sales and Op. Profit

2Q 2009 Actual v. 2Q 2008 Actual

(Billions of yen)

	Sales	Op. Profit
2Q 2008 Actual	1,105.9	160.2
Foreign exchange impact [net sales, cost of sales, expenses]	-72.2	-42.6
Sales volume impact		
Office Imaging Products	-66.5	
Computer Peripherals	-92.1	
Business Information Products	-2.3	
Cameras	-24.6	
Optical and Other Products	-33.6	
Total	-219.1	-98.7
Others	-20.8	+26.0
Total Change	-312.1	-115.3
2Q 2009 Actual	793.8	44.9

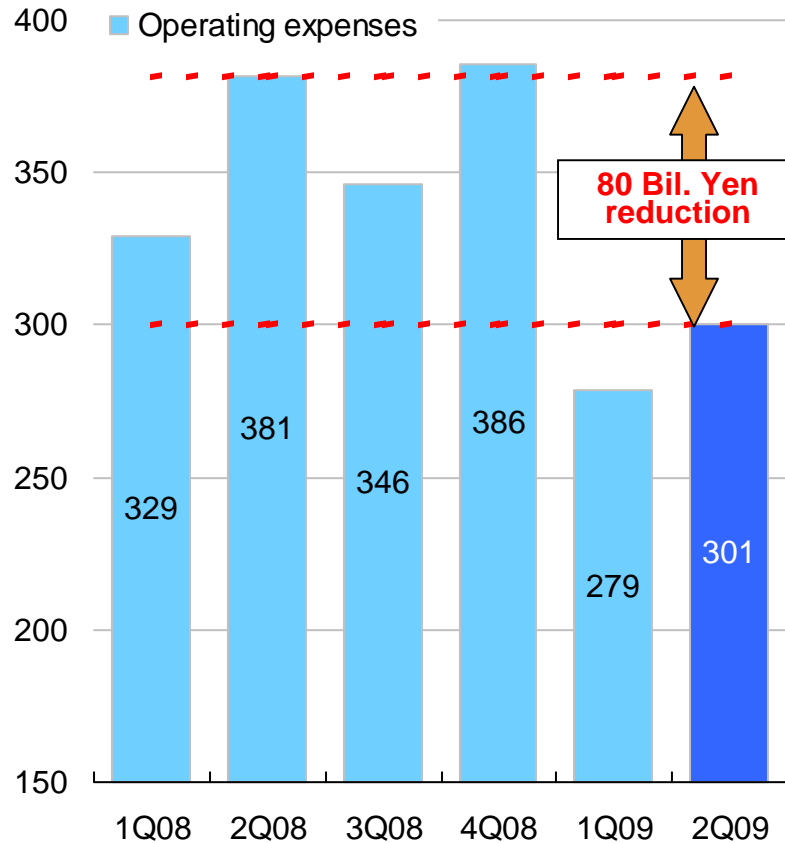
**Change in Exchange Rate**

- 1USD: 104.61 to 97.19 yen
- 1EURO: 163.55 to 132.90 yen

# Expense & Inventory Situation

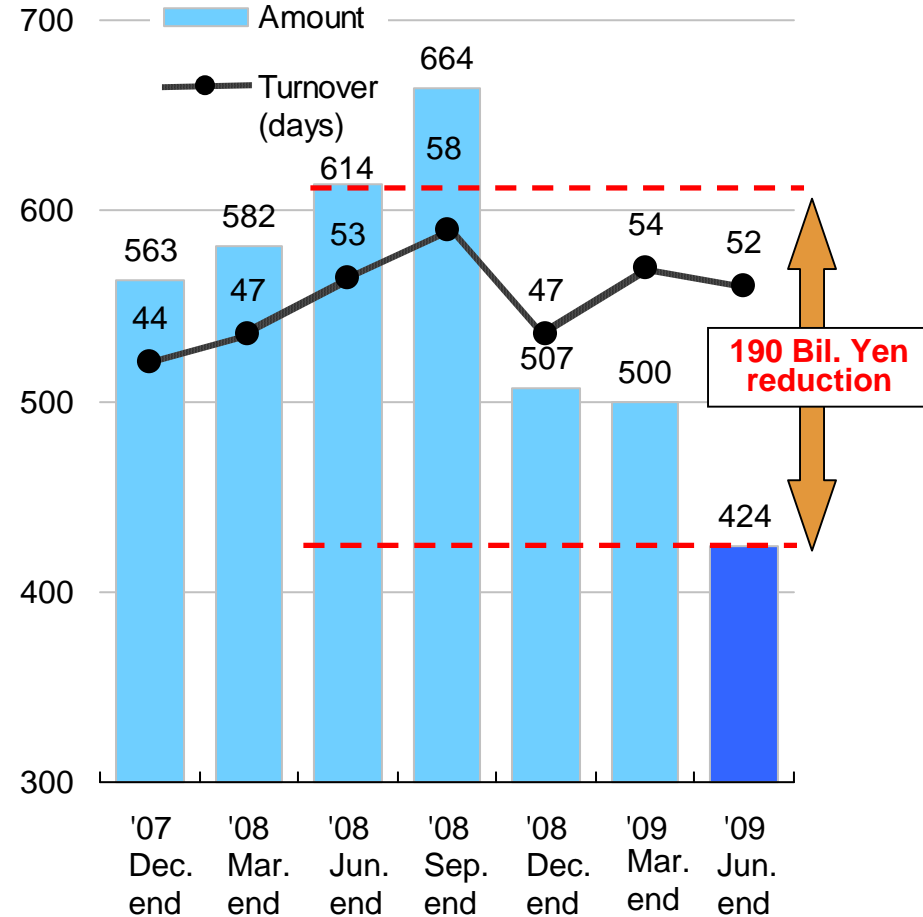
## Expenses

(Billions of yen)



## Inventory

(Billions of yen)



# Assumptions

## 2009 Current Projection

Average Exchange Rate	2H09	FY09	FY08
■ Yen-1USD	95.00 yen	95.33 yen	103.23 yen
■ Yen-1EURO	130.00 yen	128.85 yen	151.46 yen

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

	Net sales	Operating profit
■ USD	7.7 billion yen	4.2 billion yen
■ EURO	3.1 billion yen	2.3 billion yen

# Key Points FY 2009

## Assumptions

- ✓ Challenging market situation remains, full economic recovery not until next year
- ✓ Yen appreciation continues

## Projections

- ✓ Exceed previous projection for operating profit
- ✓ Promote “improved management quality”
  - ✓ Pursue more thorough expense reduction
  - ✓ Launch strategic and competitive products in a timely manner
  - ✓ Promote inventory reduction activities for SCM enhancement



# Summary of Projected Results

## FY 2009 Current Projection

(Billions of yen) (For reference)

	FY 2009	FY 2009	FY 2008	Pct. change		FY 2009 Current projection  (excluding forex impact)
	Current projection	Previous projection	Actual	Previous projection	Actual	
Net sales	<b>3,200.0</b>	<b>3,330.0</b>	<b>4,094.2</b>	-3.9%	-21.8%	<b>3,443.5</b>
Gross profit [% sales]	<b>1,410.0</b> 44.1%	<b>1,450.0</b> 43.5%	<b>1,938.0</b> 47.3%	-2.8%	-27.2%	<b>1,614.8</b> 46.9%
Op. profit [% sales]	<b>190.0</b> 5.9%	<b>180.0</b> 5.4%	<b>496.1</b> 12.1%	+5.6%	-61.7%	<b>332.9</b> 9.7%
Net income attributable to Canon Inc. [% sales]	<b>110.0</b> 3.4%	<b>110.0</b> 3.3%	<b>309.1</b> 7.6%	0.0%	-64.4%	
Foreign exchange rate						
Yen – 1USD	95.33	94.78	103.23			
Yen – 1EURO	128.85	124.31	151.46			

# Transition in Sales and Op. Profit

FY 2009 Current Projection v. FY 2009 Previous Projection

(Billions of yen)

	FY 2009	
	Sales	Op. Profit
Previous Projection (April. 30, 2009)	3,330.0	180.0
Foreign exchange impact [net sales, cost of sales, expenses]	+44.8	+31.8
Sales volume impact		
Office Imaging Products	-125.2	
Computer Peripherals	-32.7	
Business Information Products	-4.1	
Cameras	+13.3	
Optical and Other Products	-16.1	
Total	-164.8	-50.9
Others	-10.0	+29.1
Total Change	-130.0	+10.0
Current Projection (July. 28, 2009)	3,200.0	190.0

**Change in Exchange Rate**

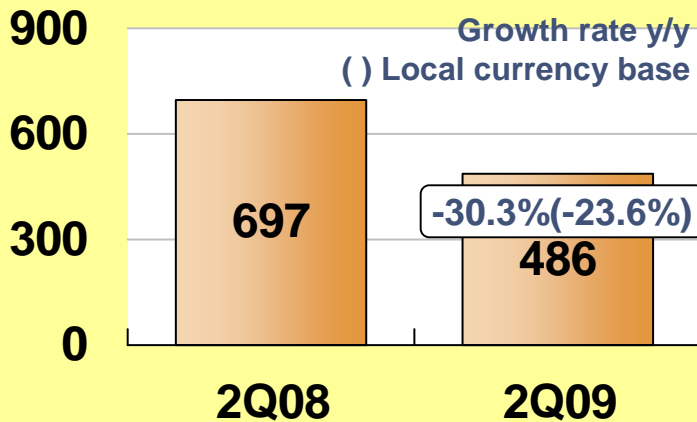
- 1USD: 94.78 to 95.33 yen
- 1EURO: 124.31 to 128.85 yen

# Business Machines

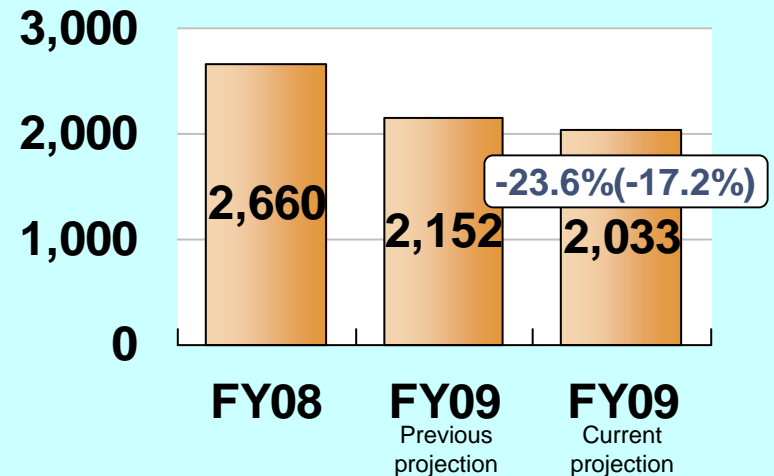
2Q 2009 Actual / FY 2009 Projection

(Billions of yen) **2Q**

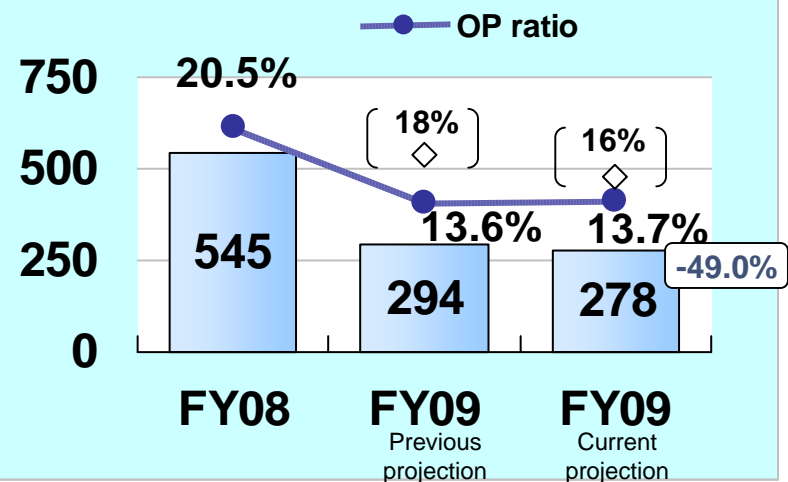
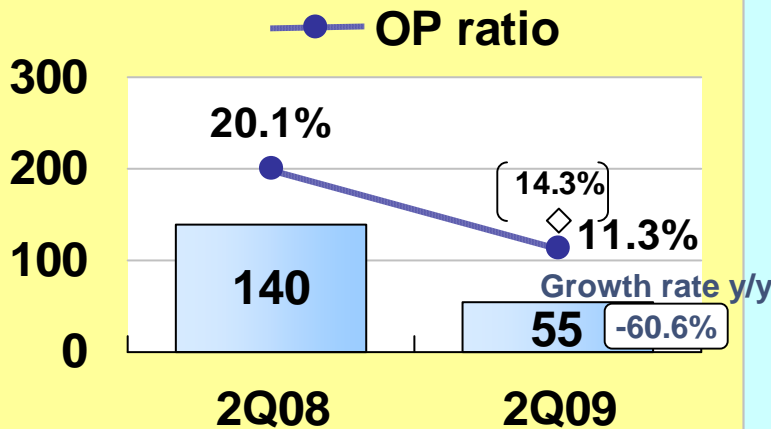
**Sales**



(Billions of yen) **FY**



**Op. Profit**



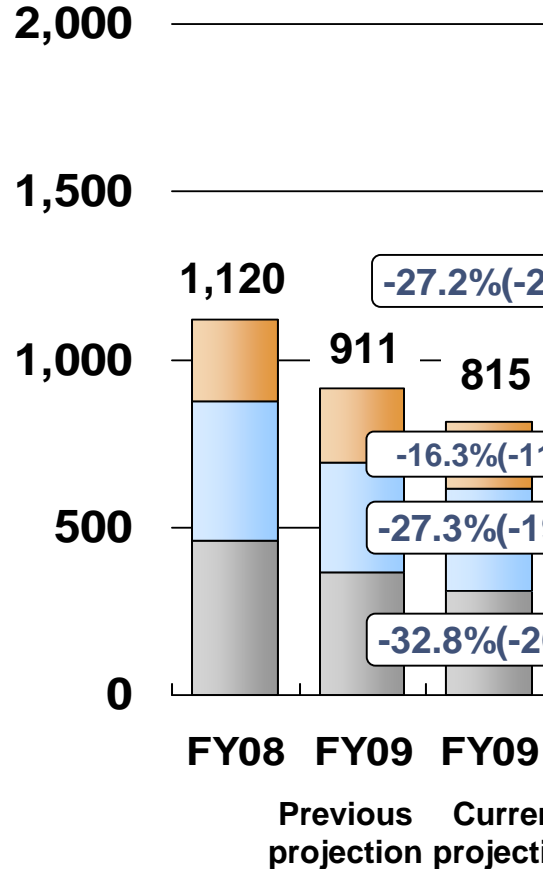
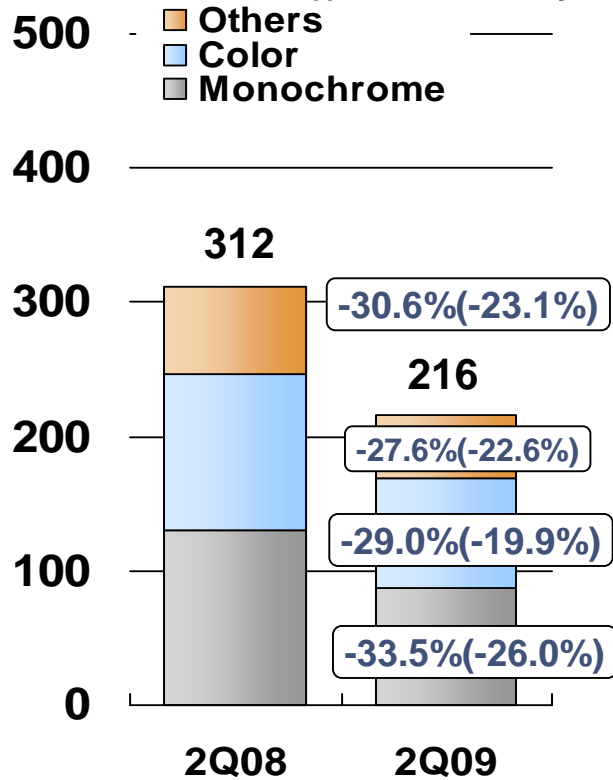
( ) = OP ratio in local currency basis

# Office Imaging Products

2Q 2009 Actual / FY 2009 Projection

## Sales

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



Growth rate y/y (Unit base)		
Copying machines	2Q	FY
Color	-27%	-16%
Mono-chrome	-35%	-24%
Total	-33%	-22%

Color ratio  
(Copying machines)

	2Q	FY
Value base*	49%	49%
Unit base	27%	27%

Calculated on a post reclassification basis  
\*Includes consumables

# New Products



# imageRUNNER ADVANCE

## *User-Centric*

Enhanced coordination  
with IT systems

Entry to Light Production  
market

TCO reduction



**C5000 series**



**C7000 series**



**C9000PRO series**

C5051 :51ppm    C5035 :35ppm  
C5051F:51ppm   C5035F:35ppm  
C5045 :45ppm    C5030 :30ppm  
C5045F:45ppm   C5030F:30ppm

color/mono  
C7065 :60/65ppm  
C7055 :55/55ppm

color/mono  
C9075 :70/75ppm  
C9065 :60/65ppm

**New Lineup : 3 Series 12 Models**

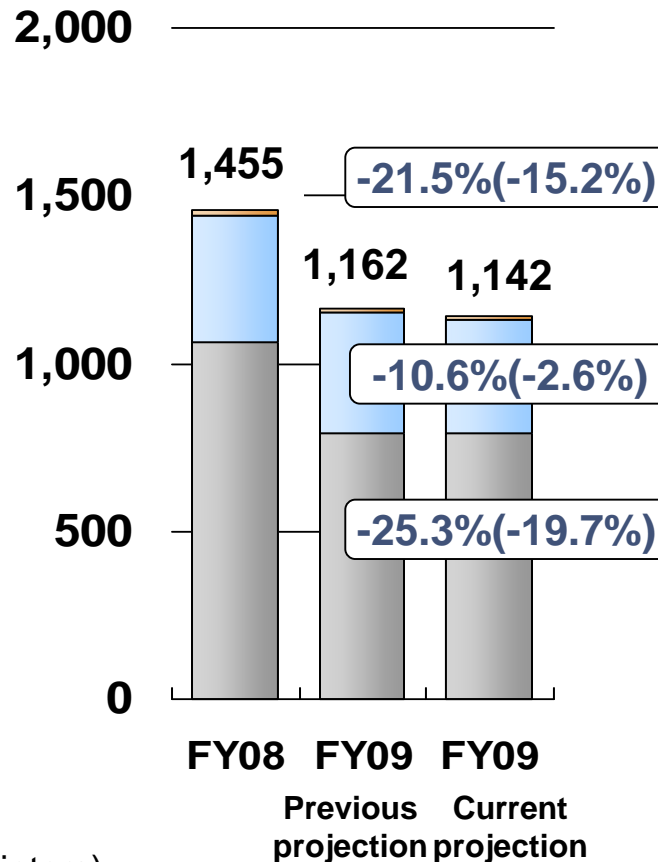
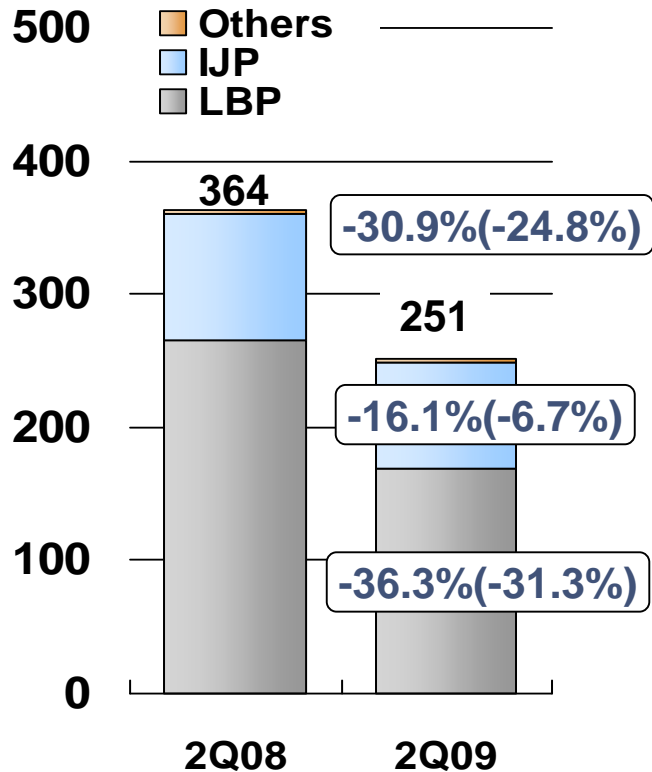
\* Same speed for color & monochrome

# Computer Peripherals

2Q 2009 Actual / FY 2009 Projection

## Sales

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



Growth rate y/y (Unit base)		
LBP	2Q	FY
Color	-57%	-40%
Mono-chrome	-61%	-46%
<b>Total</b>	<b>-60%</b>	<b>-45%</b>

Color ratio (LBP)		
	2Q	FY
Value base*	46%	45%
Unit base	17%	16%

\*Includes consumables

Growth rate y/y (Unit base)		
	2Q	FY
IJP	+2%	-1%

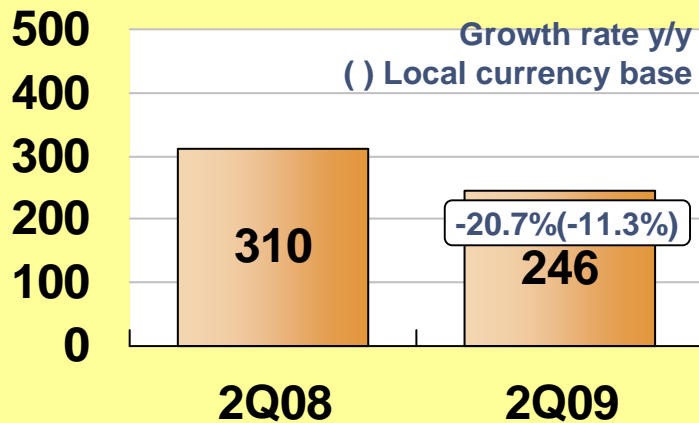
(LBP: Laser Beam Printers, IJP: Inkjet Printers)

# Cameras

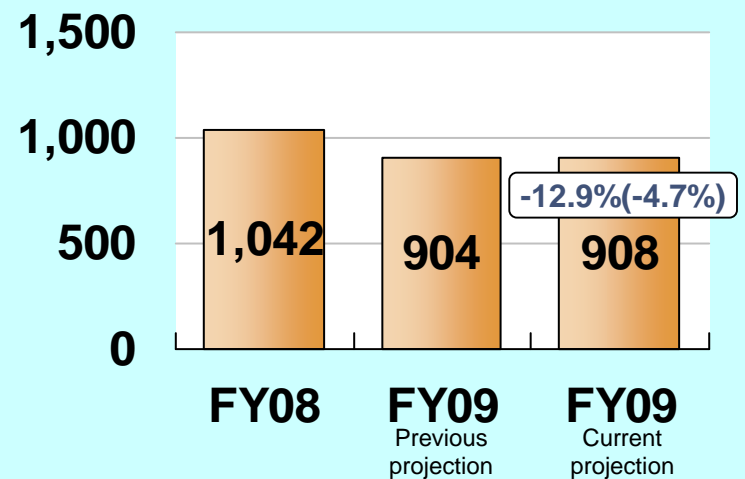
## 2Q 2009 Actual / FY 2009 Projection

(Billions of yen) **2Q**

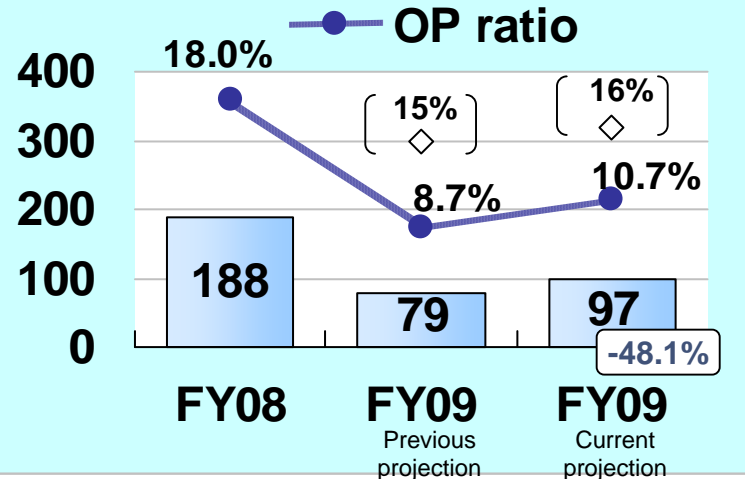
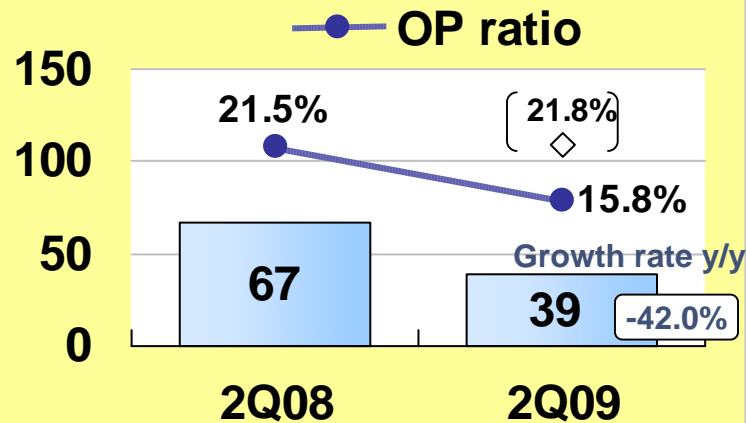
**Sales**



(Billions of yen) **FY**



**Op. Profit**



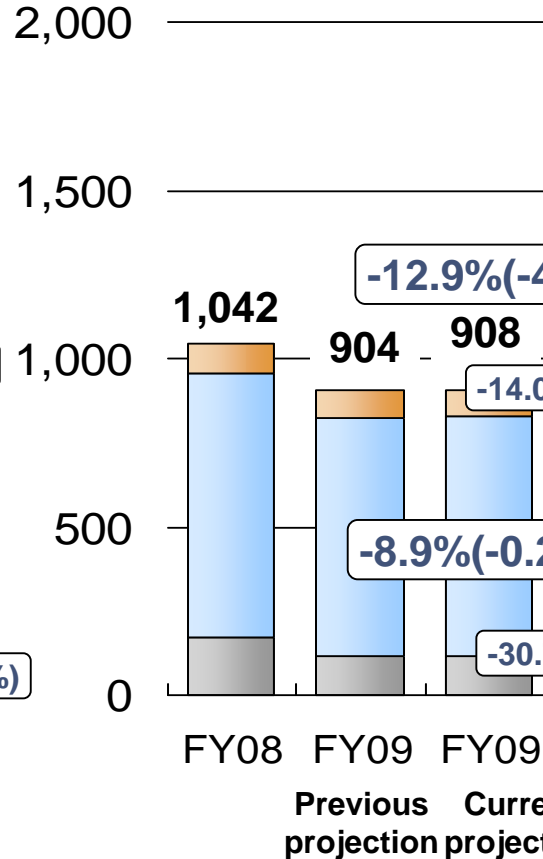
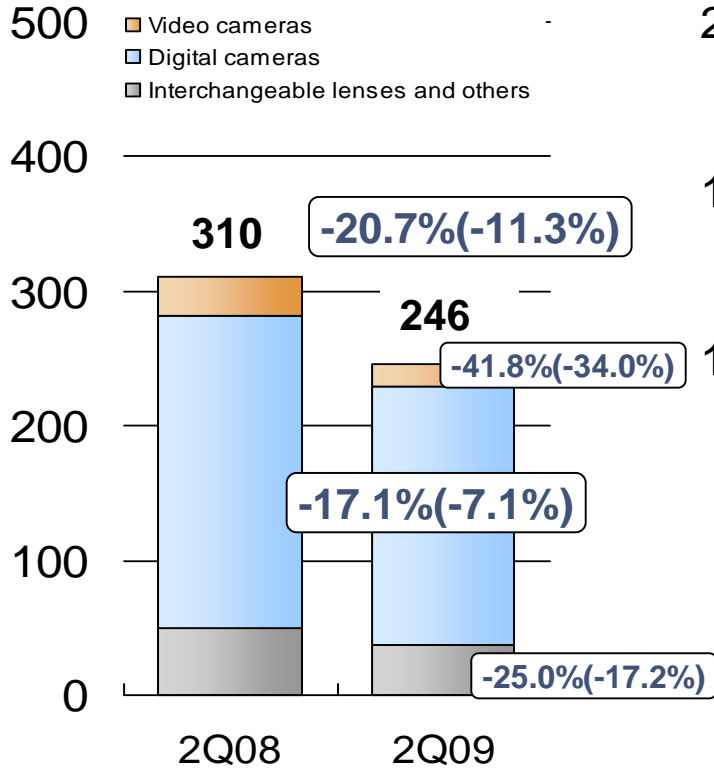
( ) = OP ratio in local currency basis

# Cameras

2Q 2009 Actual / FY 2009 Projection

## Sales

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



Growth rate y/y (Unit base)		
Digital cameras	2Q	FY
Compact	-17%	-8%
SLR	+11%	+5%
<b>Total</b>	<b>-13%</b>	<b>-6%</b>

### D SLR ratio\*

	2Q	FY
Value base	51%	49%
Unit base	19%	17%

\* Percentage of digital cameras sales attributable to SLRs

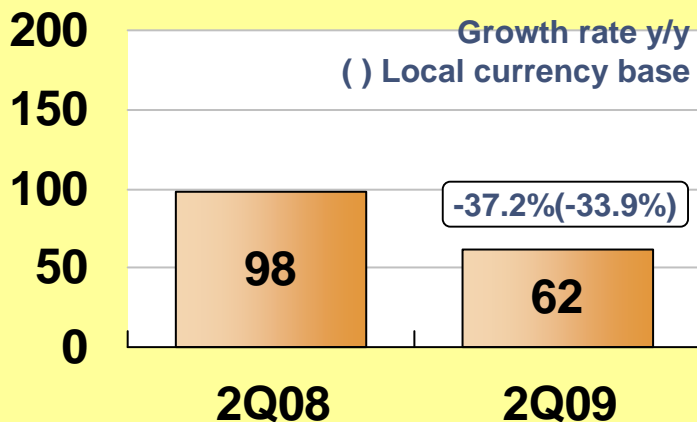


# Optical and Other Products

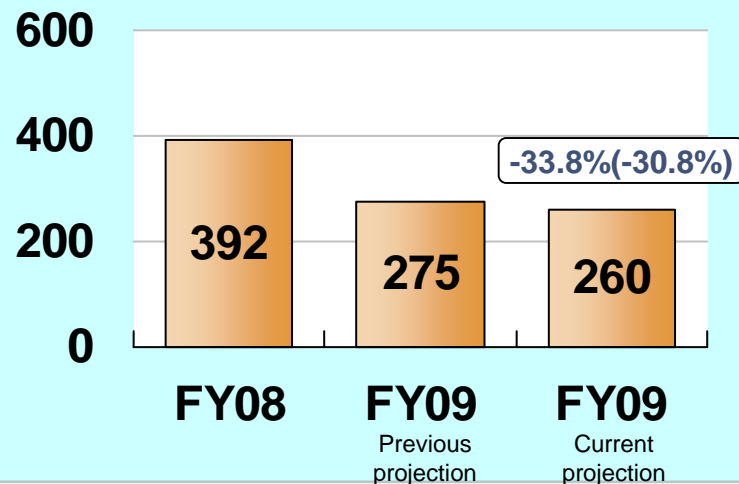
2Q 2009 Actual / FY 2009 Projection

(Billions of yen) **2Q**

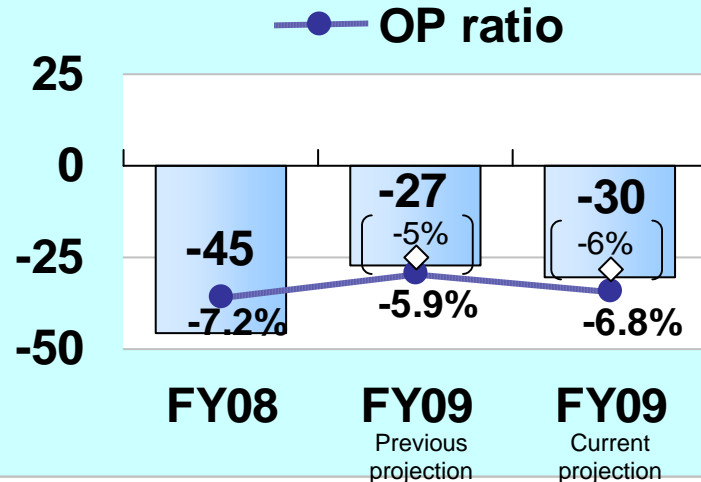
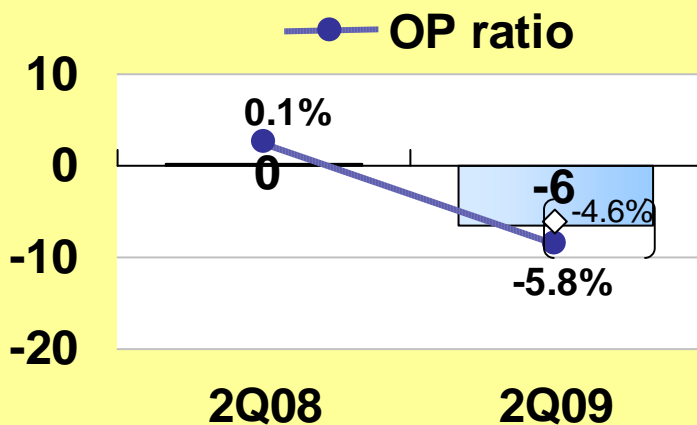
**Sales**



(Billions of yen) **FY**



**Op. Profit**



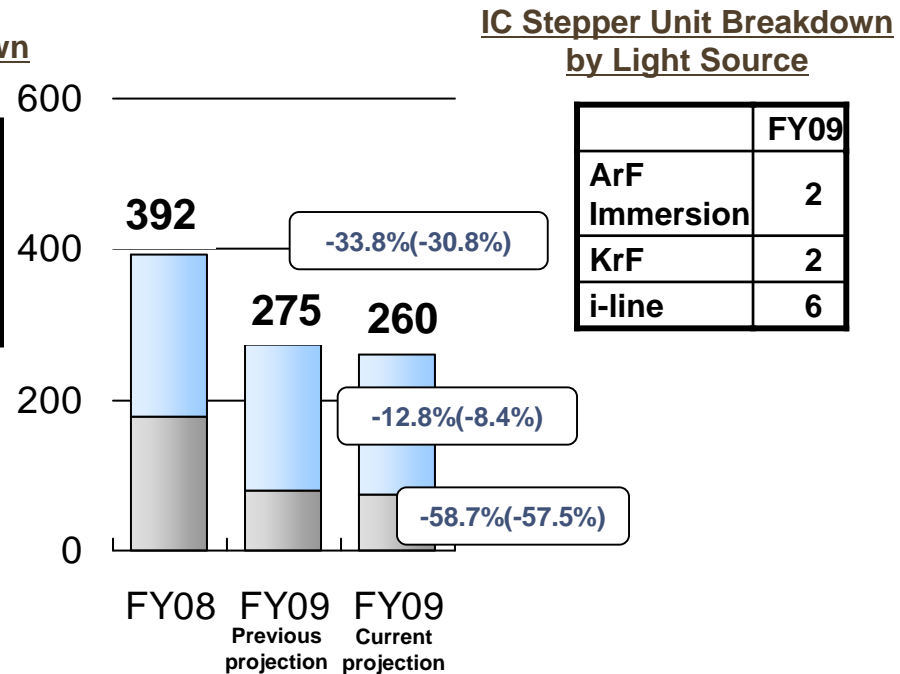
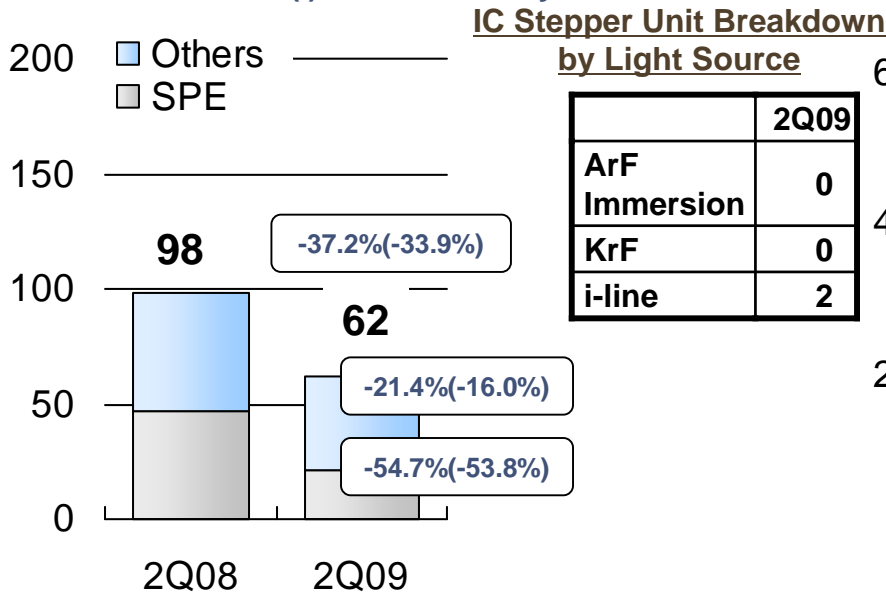
( ) = OP ratio in local currency basis

# Optical and Other Products

2Q 2009 Actual / FY 2009 Projection

## Sales

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



### SPE (Unit sales)

	2Q08	2Q09
IC	26	2
LCD	17	10
TTL	43	12

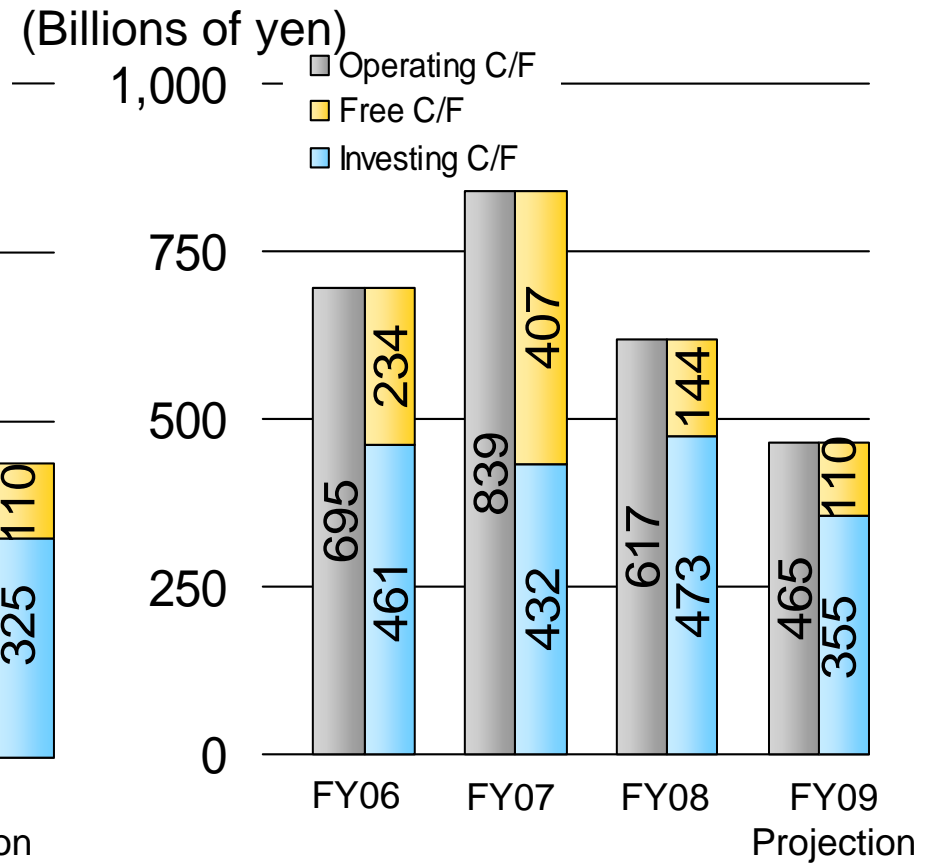
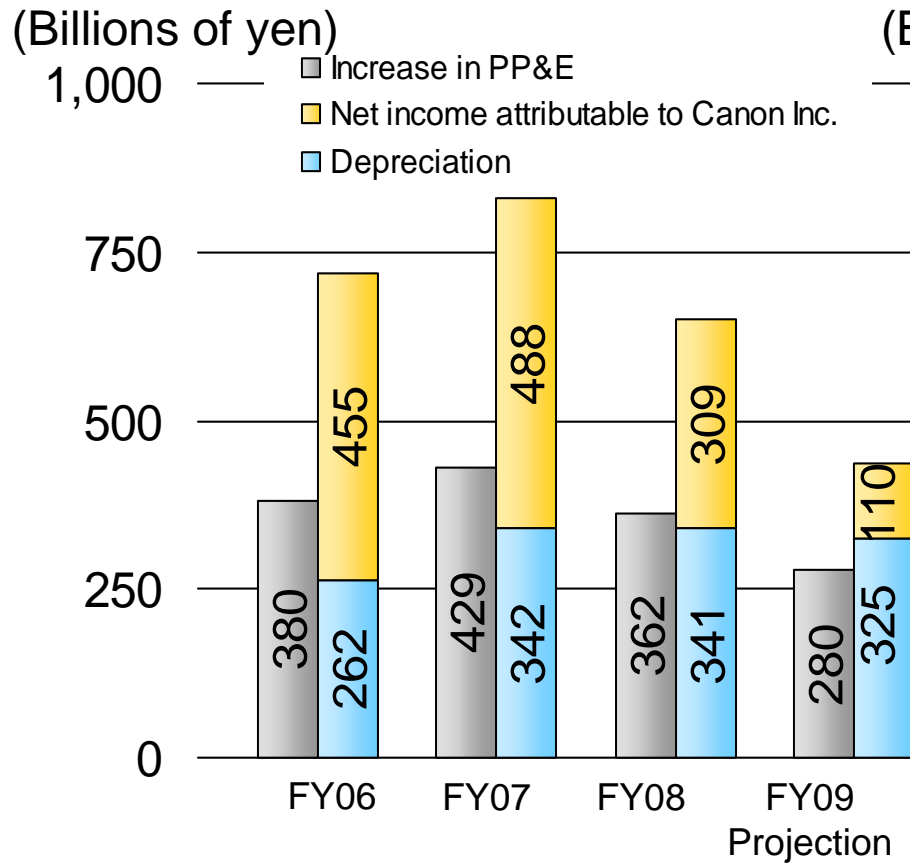
### SPE (Unit sales)

	FY08	FY09 Previous Projection	FY09 Current Projection
IC	99	10	10
LCD	64	38	37
TTL	163	48	47

(SPE: Semiconductor Production Equipment)

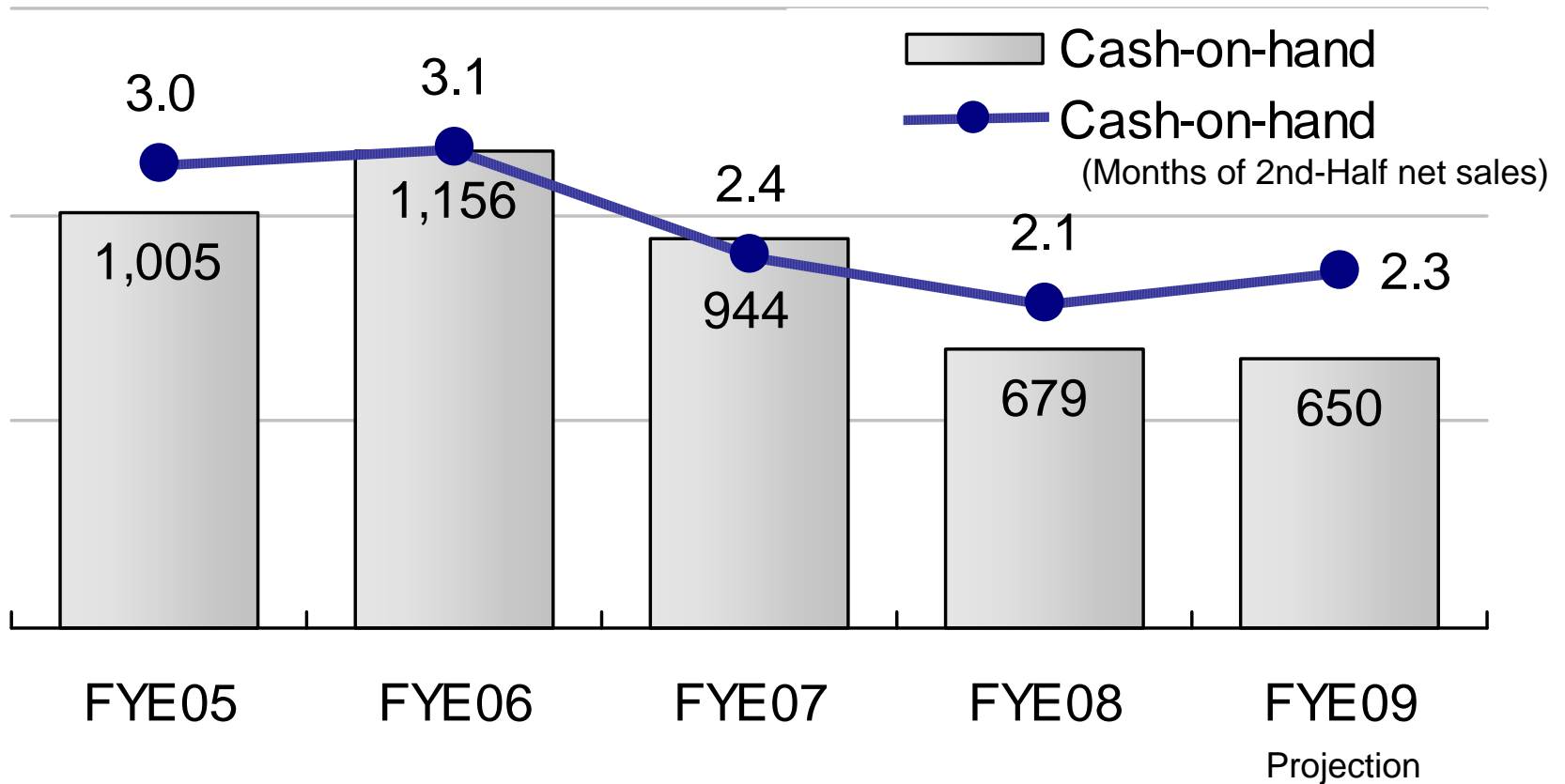
# Capital Expenditure

# Free Cash Flow



# Cash on Hand

(Billions of yen)



Note: In 2007, 450 billion yen was used to acquire own share.  
In 2008, 100 billion yen.

# Supplementary Information

# Transition in Sales and Operating Profit

FY 2009 Current Projection v. FY 2008 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2008 Actual	4,094.2	496.1
Foreign exchange impact [net sales, cost of sales, expenses]	-243.5	-142.9
Sales volume impact		
Office Imaging Products	-223.0	
Computer Peripherals	-229.1	
Business Information Products	-5.7	
Cameras	+18.2	
Optical and Other Products	-121.1	
Total	-560.7	-264.0
Others	-90.0	+100.8
Total Change	-894.2	-306.1
FY 2009 Current projection	3,200.0	190.0

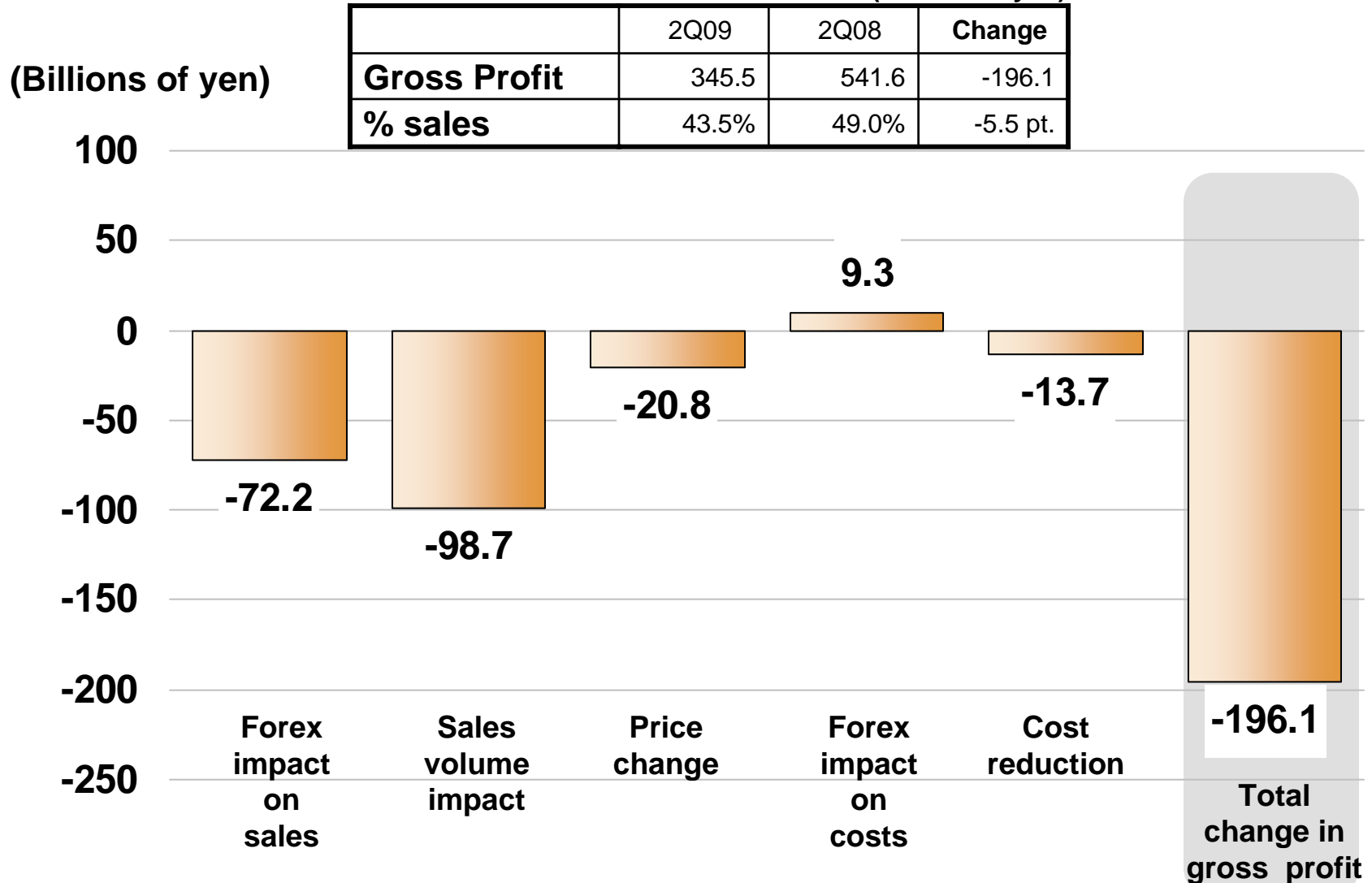
**Change in Exchange Rate (FY)**

- 1USD: 103.23 to 95.33 yen
- 1EURO: 151.46 to 128.85 yen

# Gross Profit Variance Analysis

2Q 2009 Actual v. 2Q 2008 Actual

(Billions of yen)



Supplementary Information

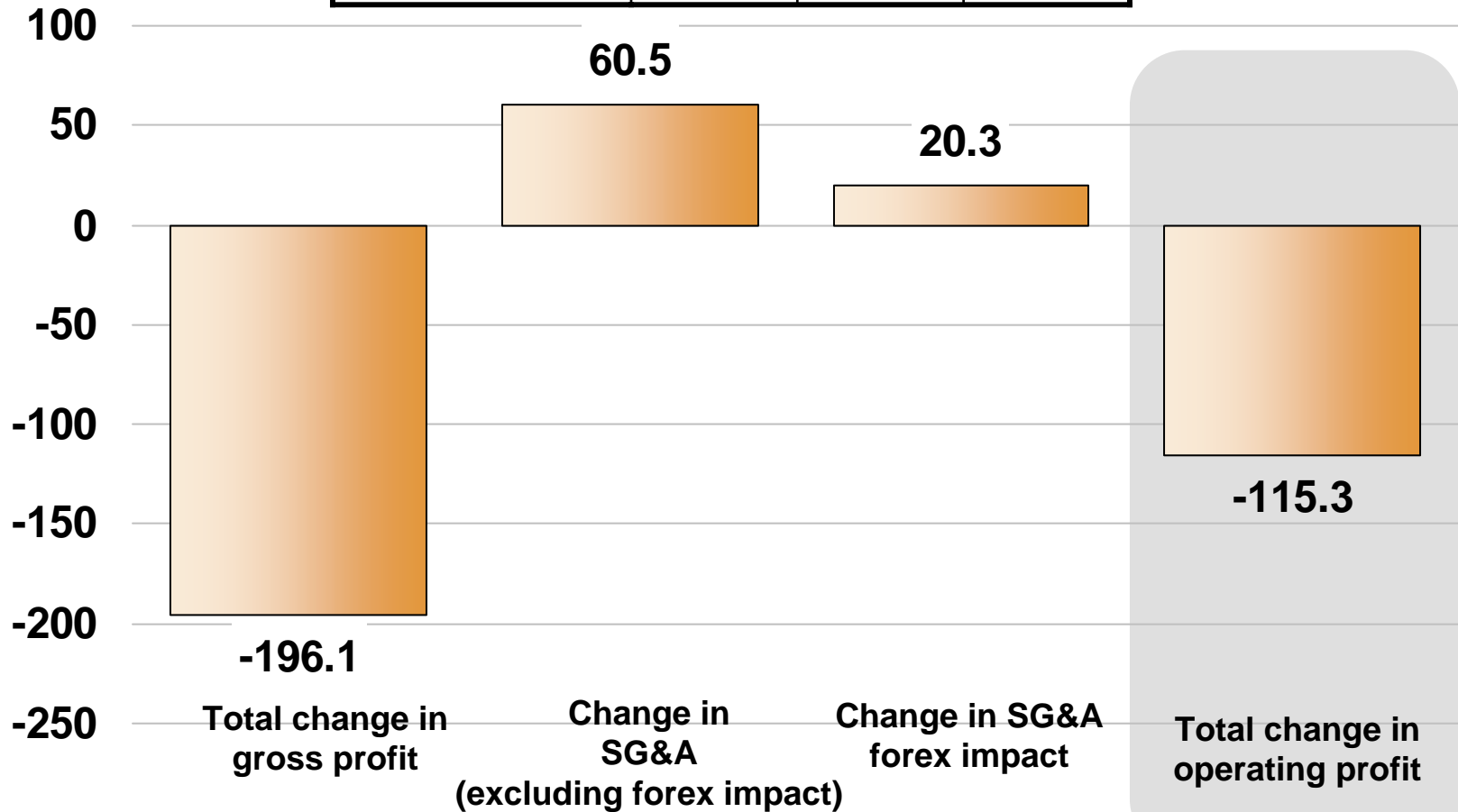
# Operating Profit Variance Analysis

2Q 2009 Actual v. 2Q 2008 Actual

(Billions of yen)

	2Q09	2Q08	Change
<b>Op. Profit</b>	44.9	160.2	-115.3
<b>% sales</b>	5.7%	14.5%	-8.8 pt.

(Billions of yen)

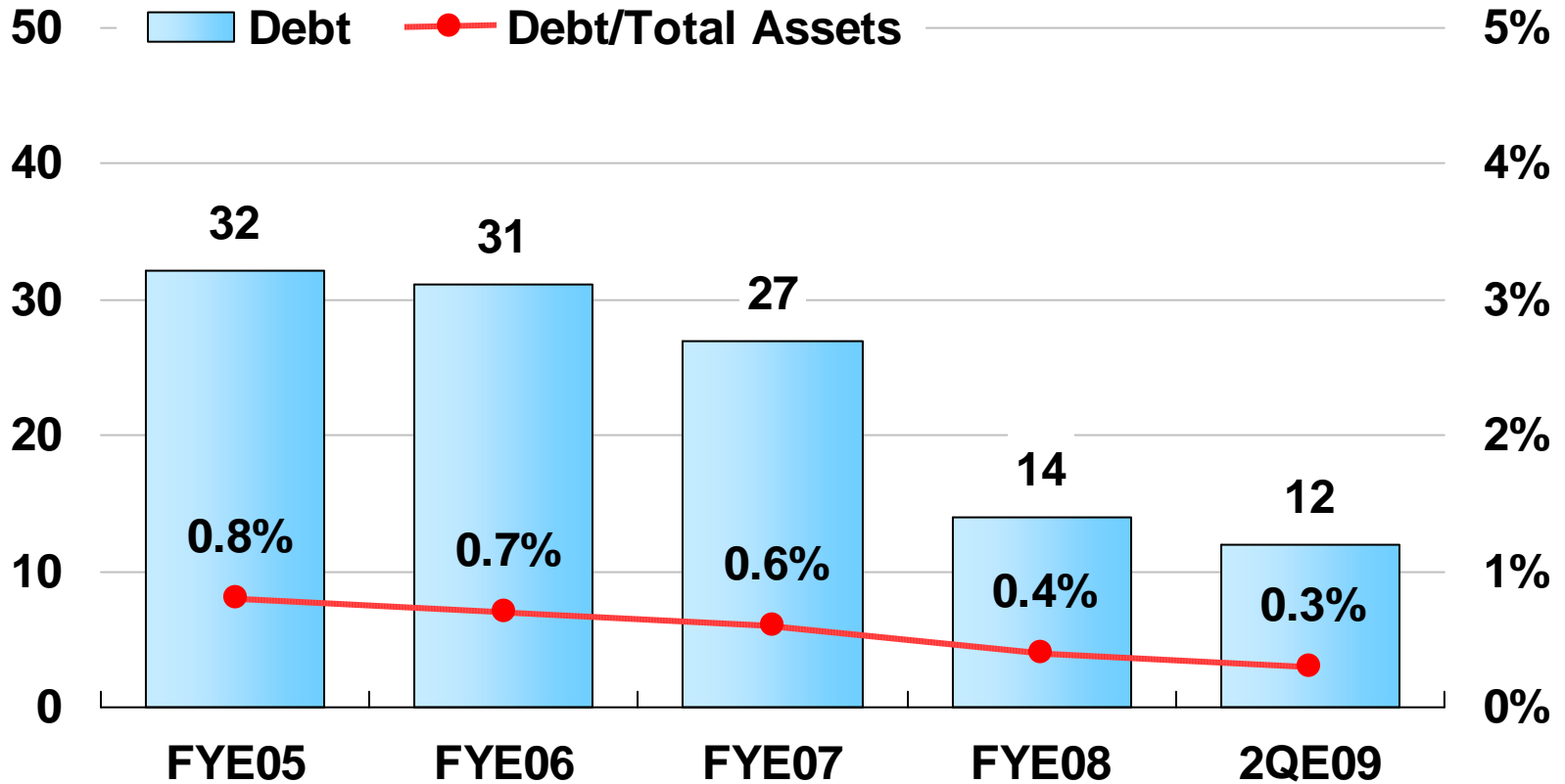


Supplementary Information

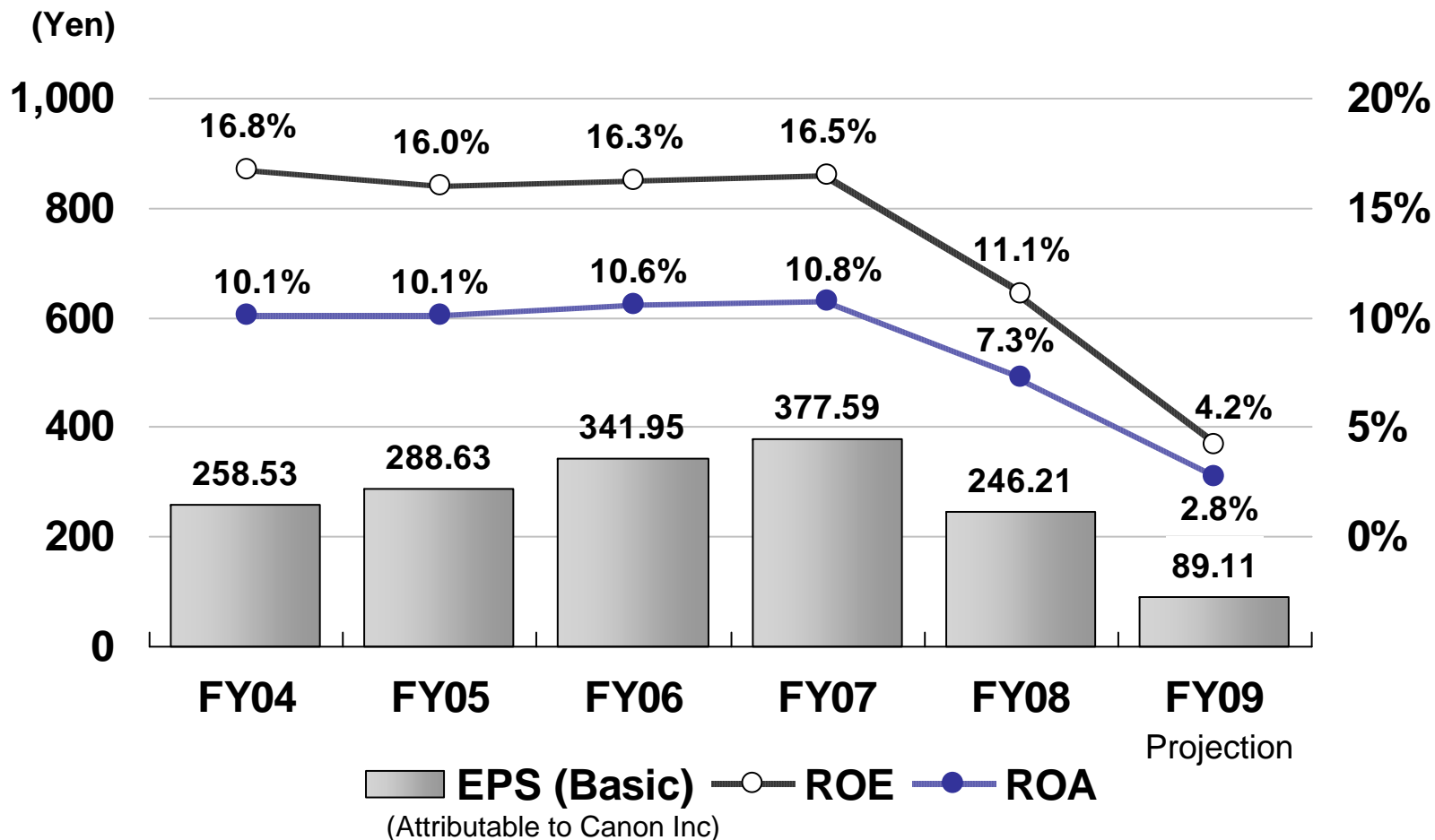


# Interest Bearing Debt

(Billions of yen)



# Financial Ratios



\* EPS (Basic) has been adjusted to reflect a 3-for-2 forward stock split (effective date July 1, 2006)