



# FIRST QUARTER 2005 RESULTS

**April 27, 2005**

**Toshizo Tanaka**

**Senior Managing Director, Group Executive**

**Finance and Accounting Headquarters**

**Canon Inc.**

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

## 1. First Quarter Results

- Summary of Results P.3
- Transition in Sales and Operating Profit P.4
- Results by Product P.5-13

## 2. 2Q&FY Projections

- Assumptions P.14
- Summary of Projected Results P.15
- Transition in Sales and Operating Profit P.16
- Projections by Product P.17-26

## 3. Supplementary Information P.27-34

# Summary of Results

1Q 2005

(Billions of yen)

	1Q 2005 Results	1Q 2005 Projection	1Q 2004 Results	% change	
				Projection	1Q 2004 Results
<b>Net sales</b>	<b>843.4</b>	<b>825.0</b>	<b>798.1</b>	+ 2.2%	+ 5.7%
<b>Gross profit</b>	<b>409.7</b>	<b>412.0</b>	<b>395.5</b>	- 0.6%	+ 3.6%
% sales	48.6%	49.9%	49.6%		
<b>Op. profit</b>	<b>143.3</b>	<b>135.0</b>	<b>133.5</b>	+ 6.1%	+ 7.3%
% sales	17.0%	16.4%	16.7%		
<b>Net income</b>	<b>93.1</b>	<b>85.0</b>	<b>84.3</b>	+ 9.5%	+ 10.4%
% sales	11.0%	10.3%	10.6%		
Yen - 1USD	104.58	103.00	107.43		
Yen - 1EURO	137.04	135.00	134.02		

# Transition in Sales and Operating Profit

1Q 2005 Actual v. 1Q 2005 Projection

(Billions of yen)

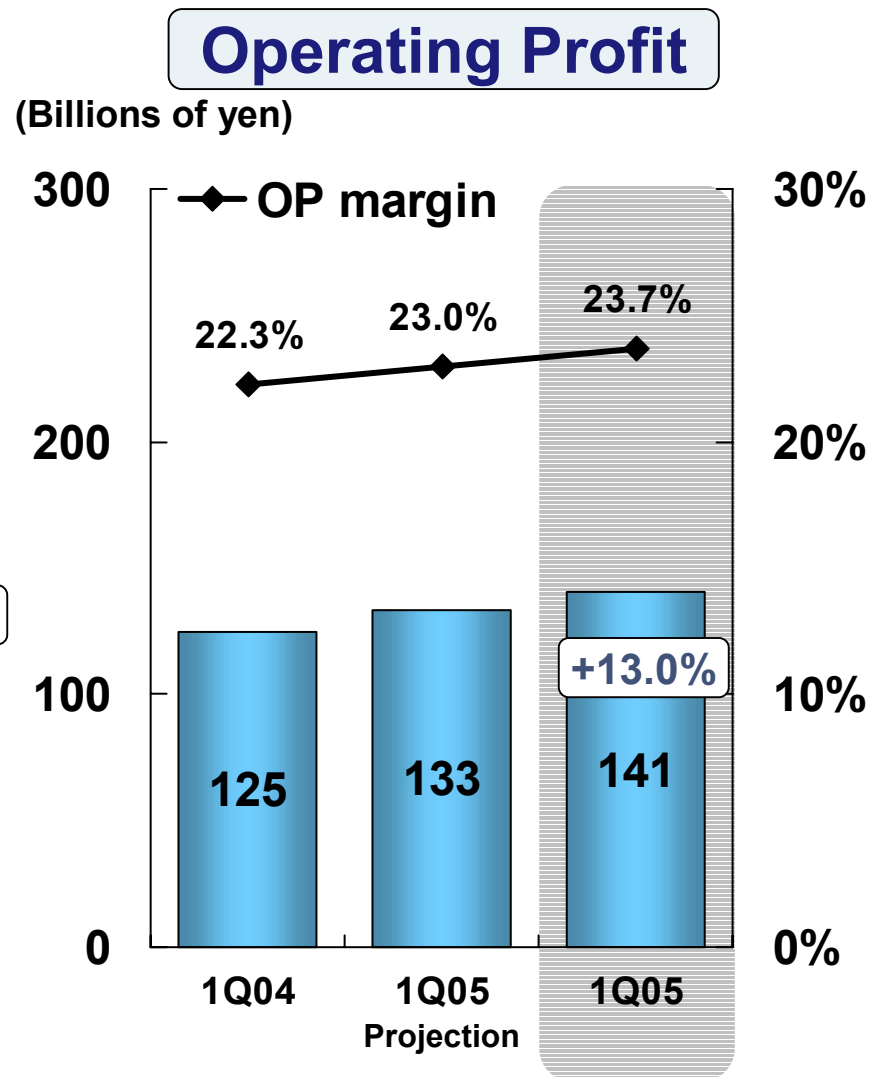
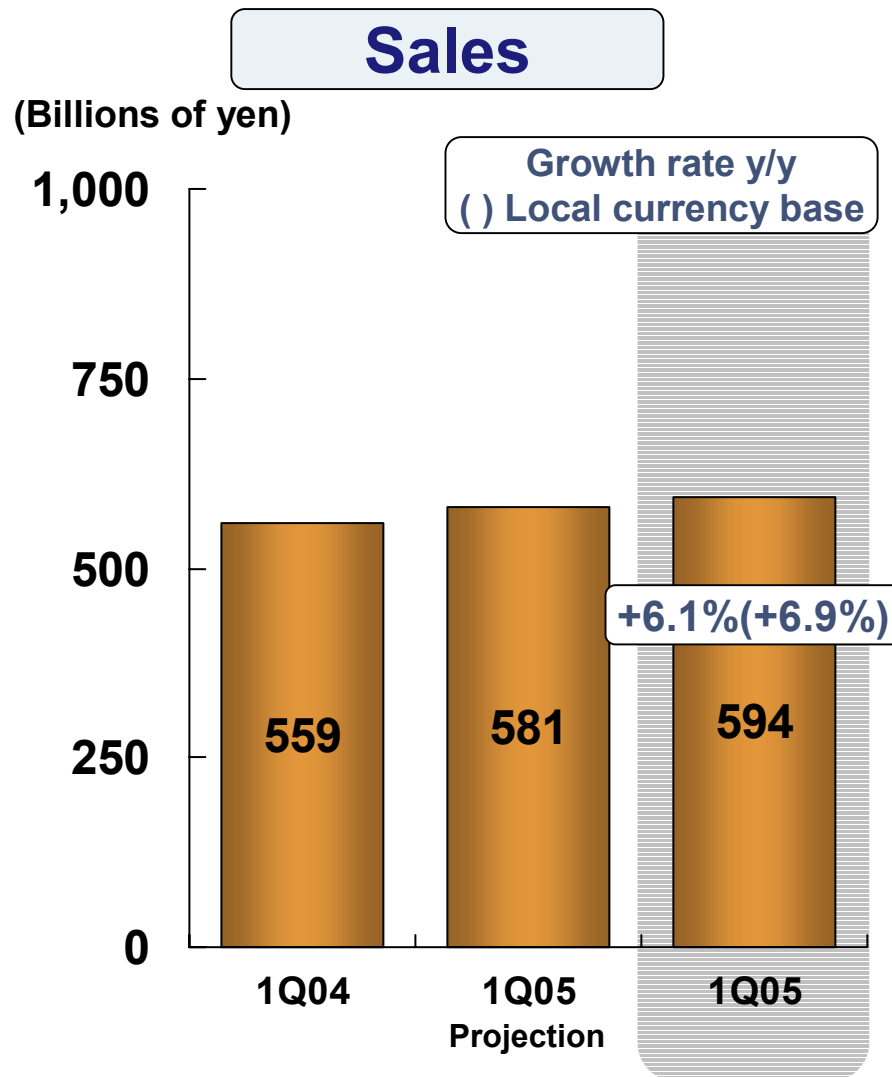
	1Q 2005	
	Sales	Op. Profit
Projection (Jan. 28, 2005)	825.0	135.0
Foreign exchange impact [net sales, cost of sales, expenses]	+ 8.6	+ 5.2
Sales volume impact		
Office Imaging Products	- 2.3	
Computer Peripherals	+ 5.2	
Business Information Products	+ 1.5	
Cameras	+ 4.7	
Optical and Other Products	+ 0.6	
Total	+ 9.7	+3.6
Others	+ 0.1	- 0.5
Total Change	+ 18.4	+ 8.3
Actual	843.4	143.3

**Change in Exchange Rate**

- 1USD: 103.00 to 104.58 yen
- 1EURO: 135.00 to 137.04 yen

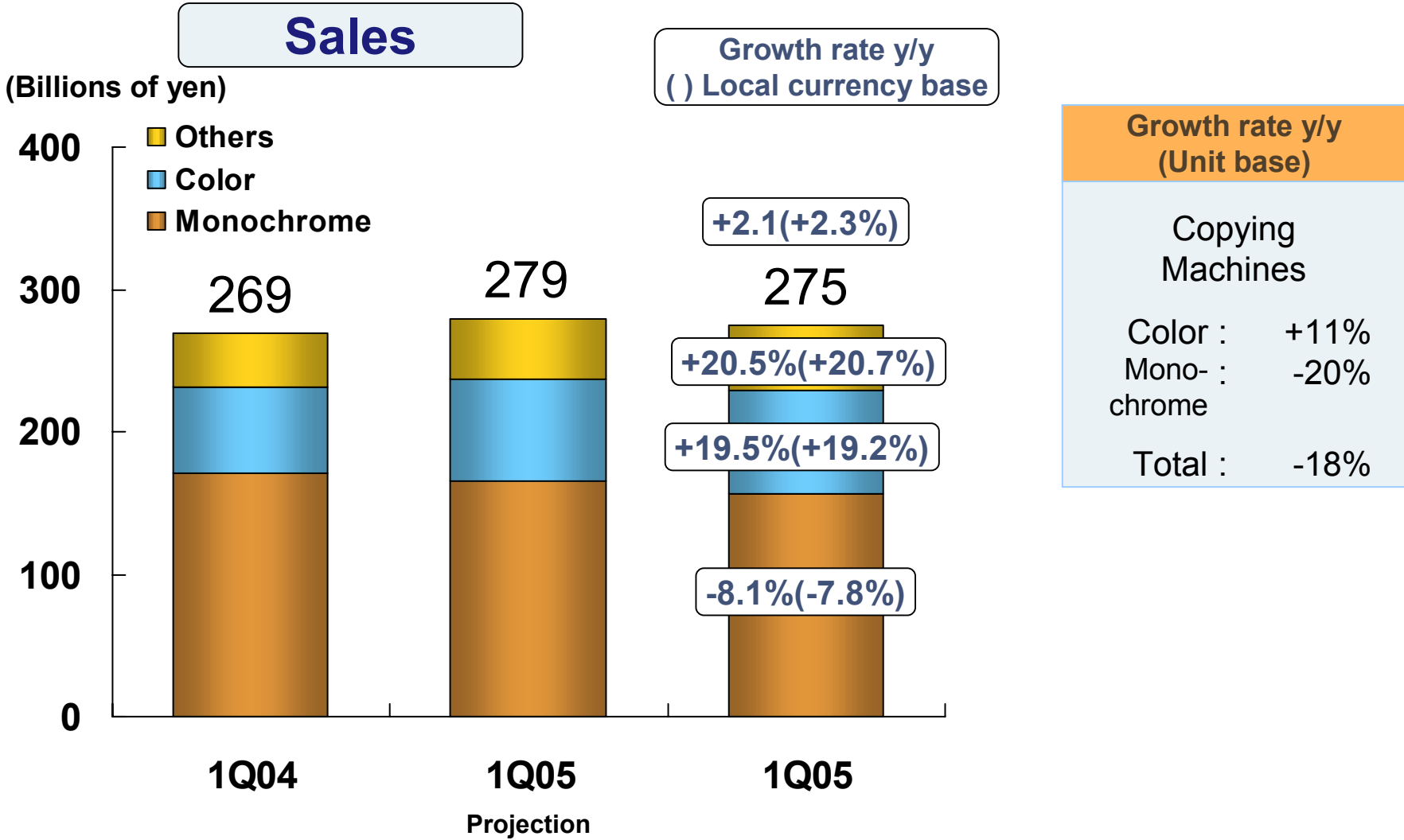
# Business Machines

1Q 2005



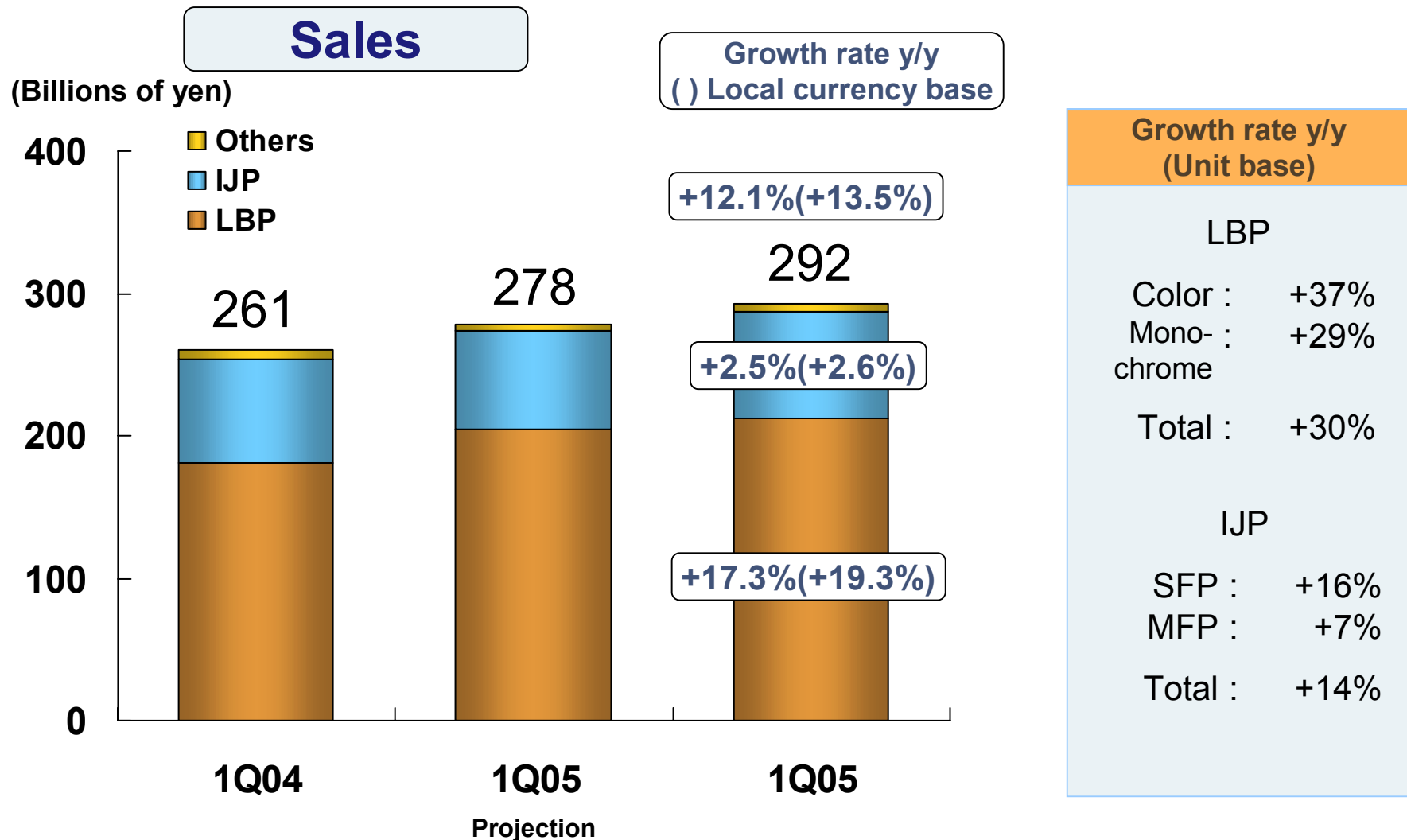
# Office Imaging Products

1Q 2005



# Computer Peripherals

1Q 2005

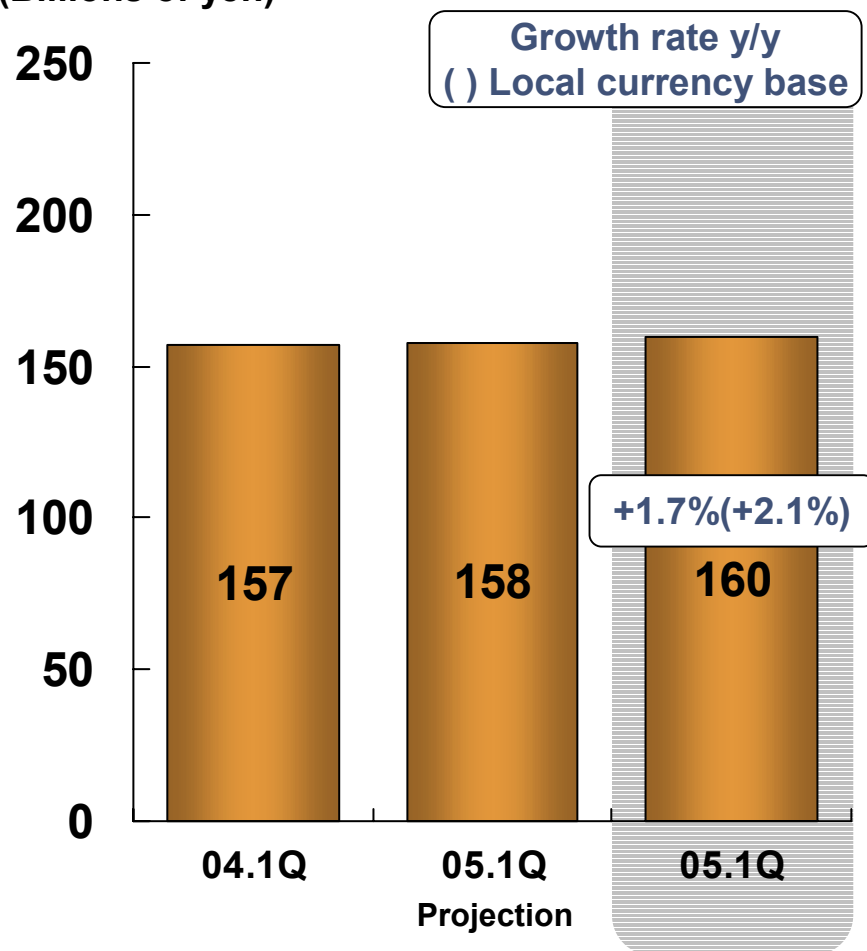


# Cameras

1Q 2005

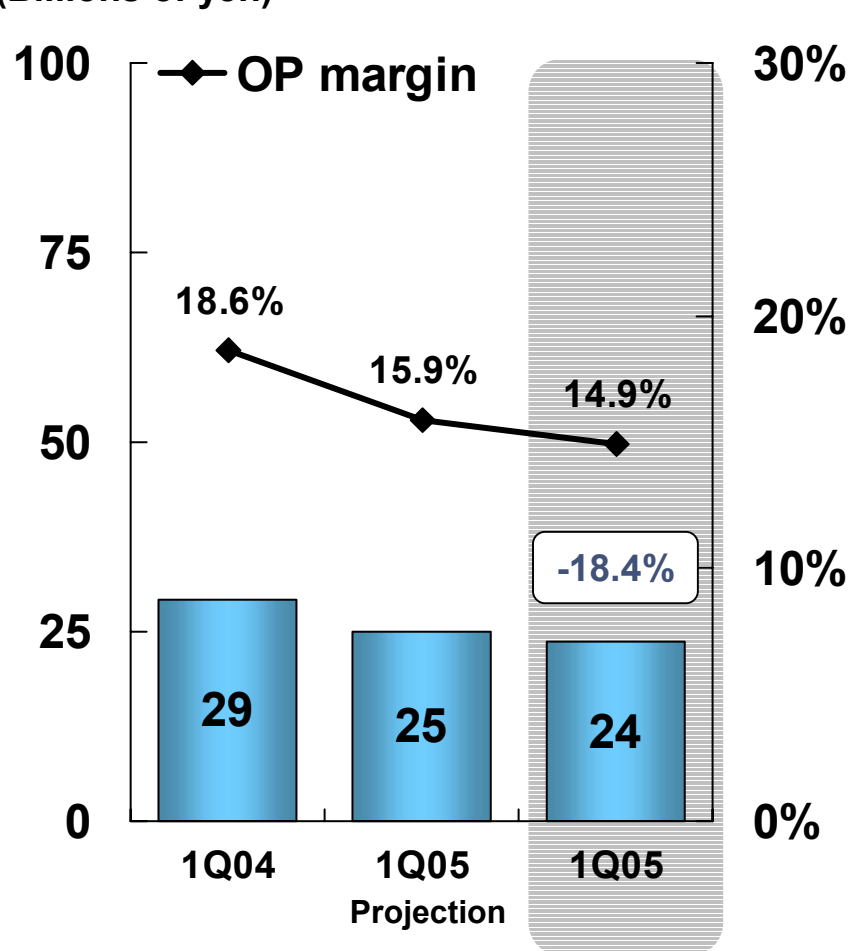
## Sales

(Billions of yen)



## Operating Profit

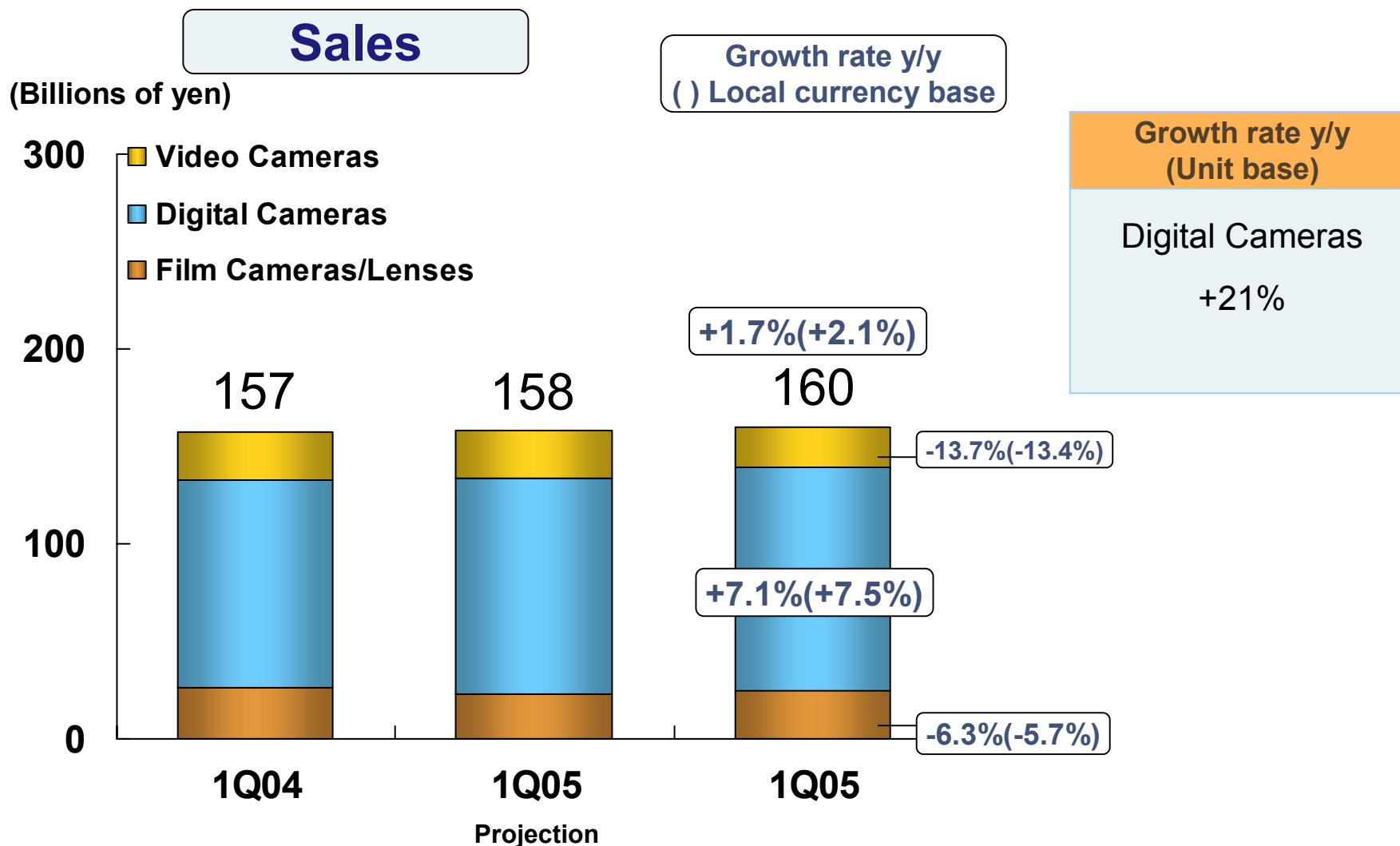
(Billions of yen)





# Cameras

1Q 2005







# New Digital SLR Camera

## EOS Kiss Digital N

(EOS Digital Rebel XT, in U.S., EOS 350D Digital, in Europe)

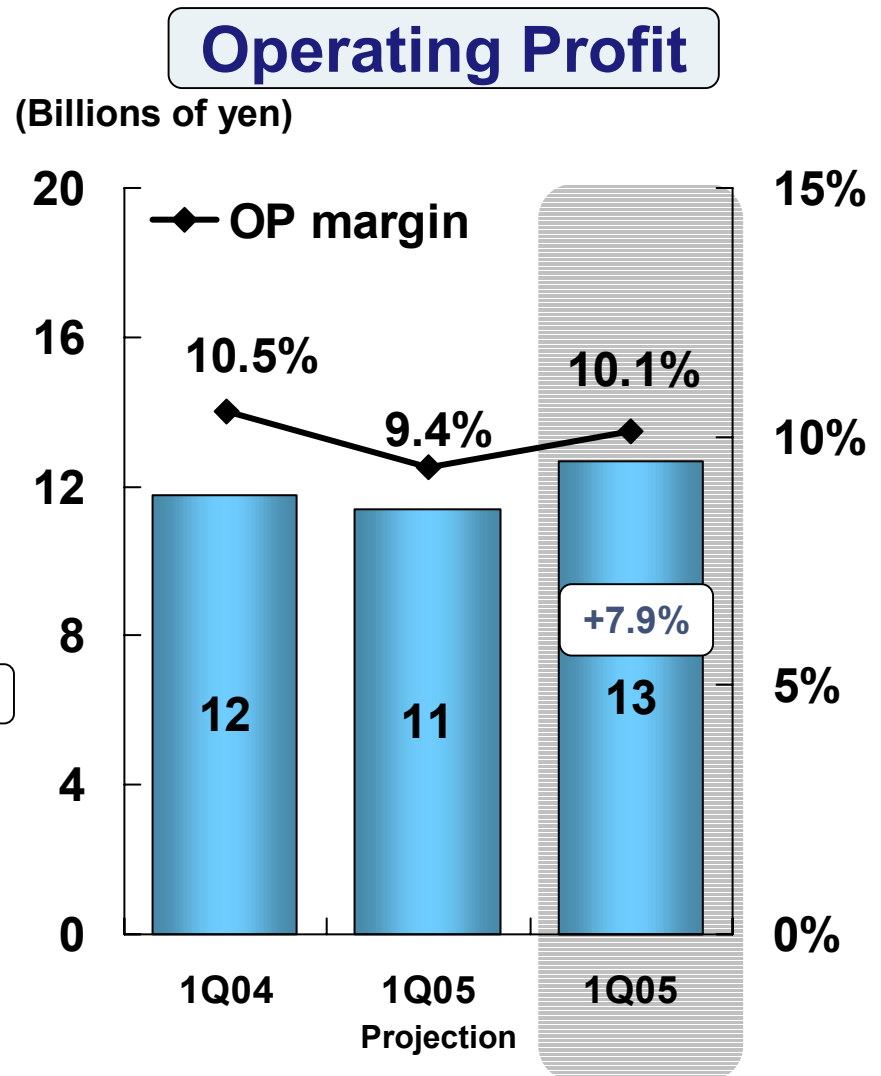
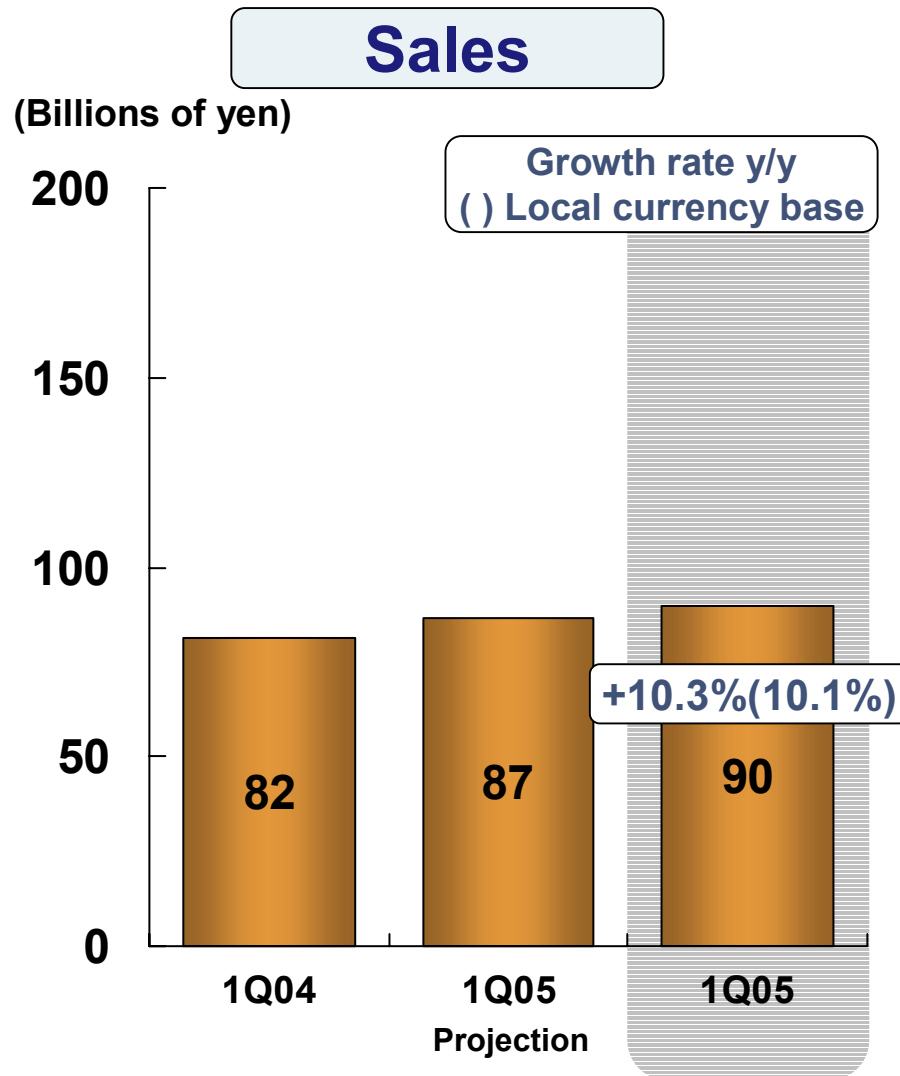


(Previous Model)

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>• Internally developed CMOS sensor approx. 6.3 megapixels</li><li>• DIGIC image processor</li><li>• Dimensions (W x H x D) 142 x 99 x 72.4mm weight 560g</li><li>• Cont. shooting speed - approx. 2.5 fps max. burst during cont. shooting 4 shots</li></ul> | <br><br><br> | <ul style="list-style-type: none"><li>• Internally developed CMOS sensor approx. 8.0 megapixels</li><li>• DIGIC II image processor</li><li>• Smallest in the series, world's lightest</li><li>• Dimensions (W x H x D) 126.5 x 94.2 x 64mm weight 485g</li><li>• Cont. shooting speed - approx. 3 fps max. burst during cont. shooting 14 shots</li></ul> |
|--|---|---|

# Optical and Other Products

1Q 2005



\*Excluding inter-segment sales  
April 27, 2005 Canon Inc.

\*Calculation of operating profit ratio includes inter-segment sales

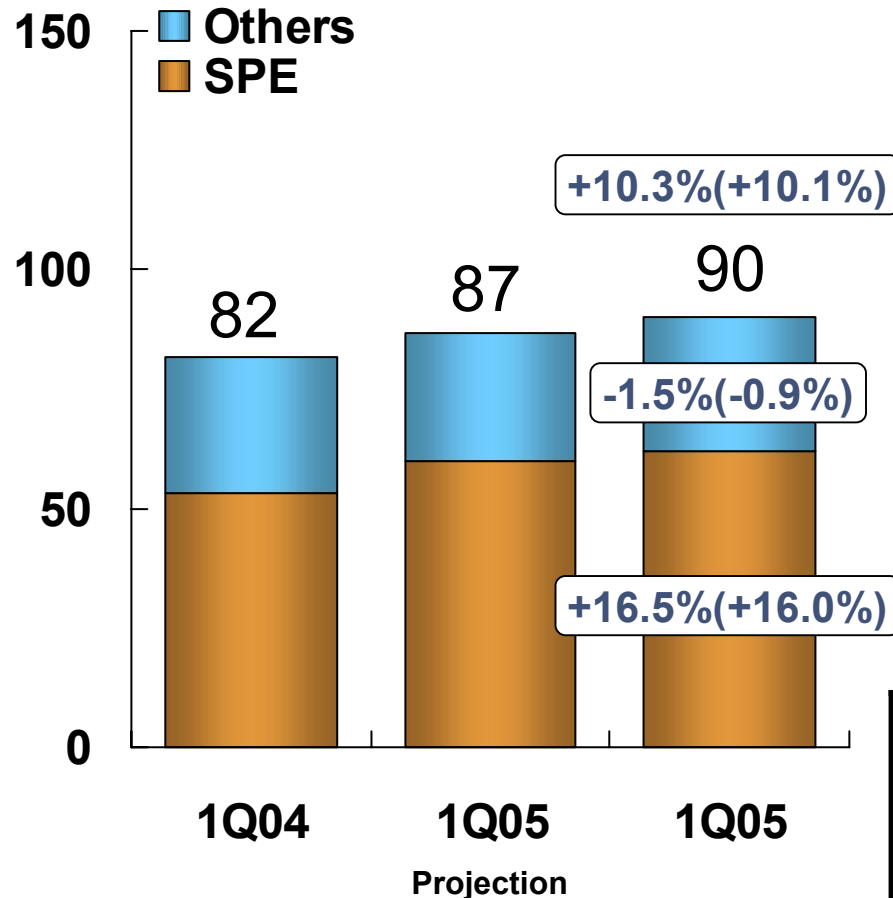
# Optical and Other Products

1Q 2005

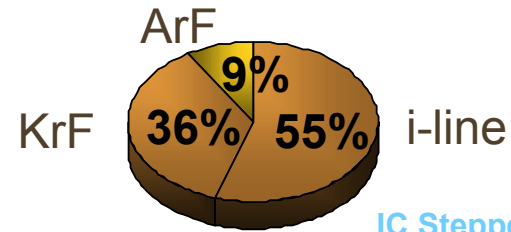
## Sales

(Billions of yen)

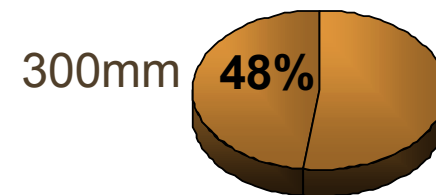
Growth rate y/y  
( ) Local currency base



### IC Stepper Unit Breakdown By Light Source



### IC Stepper 300mm Ratio (Units)



### SPE (Unit sales)

	1Q04	1Q05(projection)	1Q05
IC	33	58	44
LCD	35	19	29
TTL	68	77	73

# Operating Profit by Product

1Q 2005 v. 1Q 2004

(Billions of yen)

	1Q05	1Q04	Change
<b>Business Machines</b>	140.8	124.6	+16.2
% sales	23.7%	22.3%	
<b>Cameras</b>	23.8	29.2	-5.4
% sales	14.9%	18.6%	
<b>Optical and Other Products</b>	12.7	11.7	+0.9
% sales	10.1%	10.5%	
<b>Corporate and Eliminations</b>	-34.0	-32.0	-2.0
<b>Total</b>	143.3	133.5	+9.8
% sales	17.0%	16.7	

# Assumptions

2-4Q

## Average Exchange Rate

	2-4Q Avg.	FY05	FY04
■ Yen - 1USD	105.00 yen	104.90 yen	108.12 yen
■ Yen - 1EURO	135.00 yen	135.44 yen	134.57 yen

## Impact of Exchange Rate Movement

(2-4Q impact given a one yen change)

	Sales	Operating Profit
■ Yen - 1USD	10.0 Billion yen	5.5 Billion yen
■ Yen - 1EURO	5.3 Billion yen	3.9 Billion yen

# Summary of Projected Results

2Q&FY 2005

(Billions of yen)

		2005				2004		% change	
		Current projection	% sales	Previous projection	% sales	Results	% sales	Previous projection	2004 Results
2Q	Net sales	901.6		900.0		850.4		+ 0.2%	+ 6.0%
	Gross profit	456.3	50.6%	452.0	50.2%	430.3	50.6%	+ 1.0%	+ 6.0%
	Op. profit	132.7	14.7%	130.0	14.4%	119.9	14.1%	+ 2.1%	+ 10.7%
	Net income	81.9	9.1%	82.0	9.1%	76.5	9.0%	- 0.1%	+ 7.1%
	Yen - 1USD	105.00		103.00		109.67			
	Yen - 1EURO	135.00		135.00		132.29			
FY	Net sales	3,650.0		3,630.0		3,467.9		+ 0.6%	+ 5.3%
	Gross profit	1,806.0	49.5%	1,804.0	49.7%	1,713.3	49.4%	+ 0.1%	+ 5.4%
	Op. profit	584.0	16.0%	573.0	15.8%	543.8	15.7%	+ 1.9%	+ 7.4%
	Net income	367.0	10.1%	359.0	9.9%	343.3	9.9%	+ 2.2%	+ 6.9%
	Yen - 1USD	104.90		103.00		108.12			
	Yen - 1EURO	135.44		135.00		134.57			

# Transition in Sales and Operating Profit

2Q/FY 2005 Current Projection v. 2Q/FY 2005 Previous Projection

(Billions of yen)

	2Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
Previous projection (Jan, 28, 2005)	900.0	130.0	3,630.0	573.0
Foreign exchange impact [net sales, cost of sales, expenses]	+ 7.9	+ 3.9	+ 32.9	+ 17.4
Sales volume impact				
Office Imaging Products	+ 5.6		+ 5.4	
Computer Peripherals	- 4.1		- 0.8	
Business Information Products	- 0.7		- 0.7	
Cameras	- 5.9		- 7.8	
Optical and Other Products	- 1.1		- 10.6	
Total	- 6.2	- 3.3	- 12.9	- 6.1
Others	- 0.1	+ 2.1	+ 0	- 0.3
Total Change	+ 1.6	+ 2.7	+ 20.0	+ 11.0
Current projection (Apr. 27, 2005)	901.6	132.7	3,650.0	584.0

**Change in Exchange Rate (2Q)**

- 1USD: 103.00 to 105.00 Yen
- 1EURO: 135.00 to 135.00 Yen

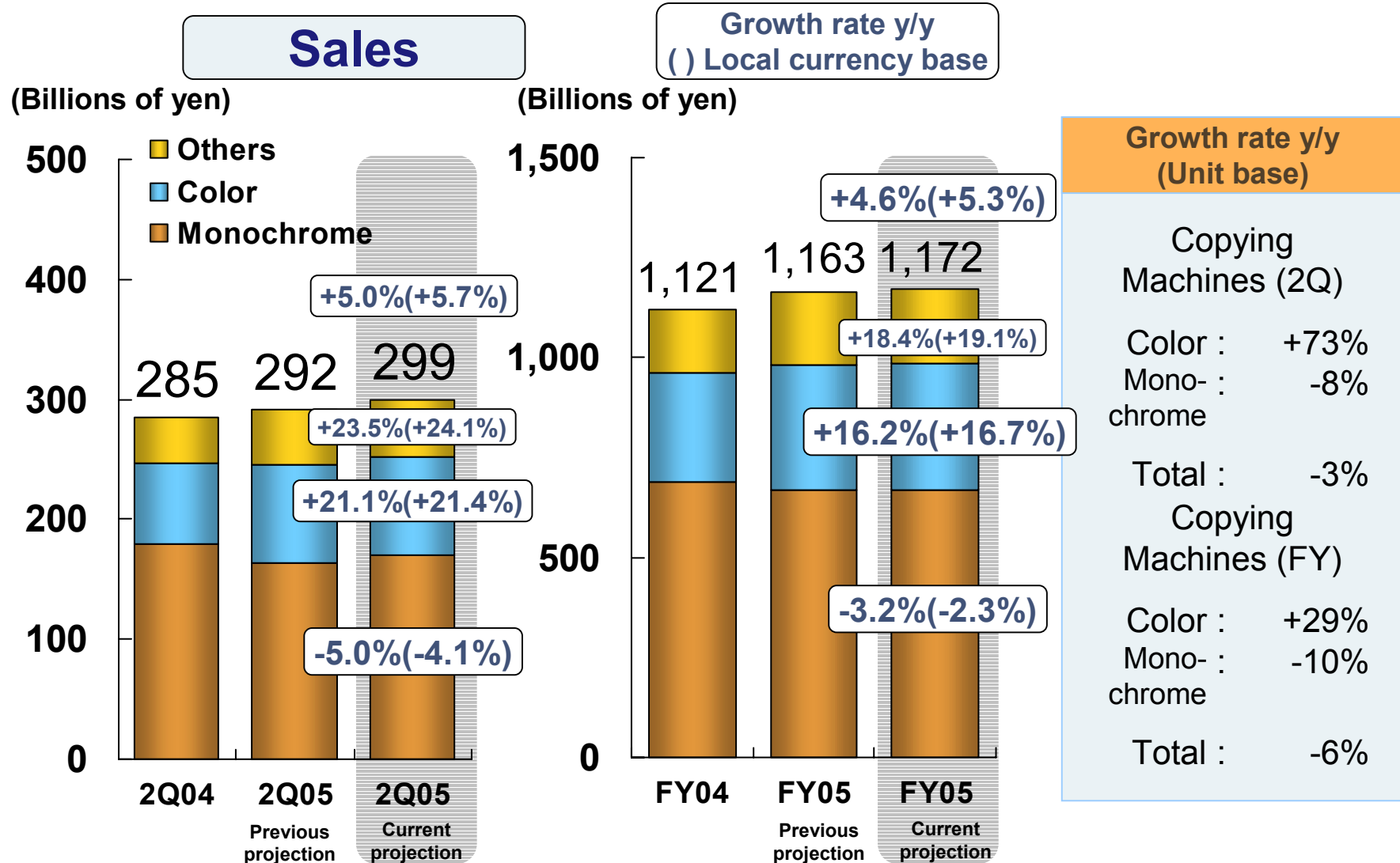
**Change in Exchange Rate (FY)**

- 1USD: 103.00 to 104.90 Yen
- 1EURO: 135.00 to 135.44 Yen



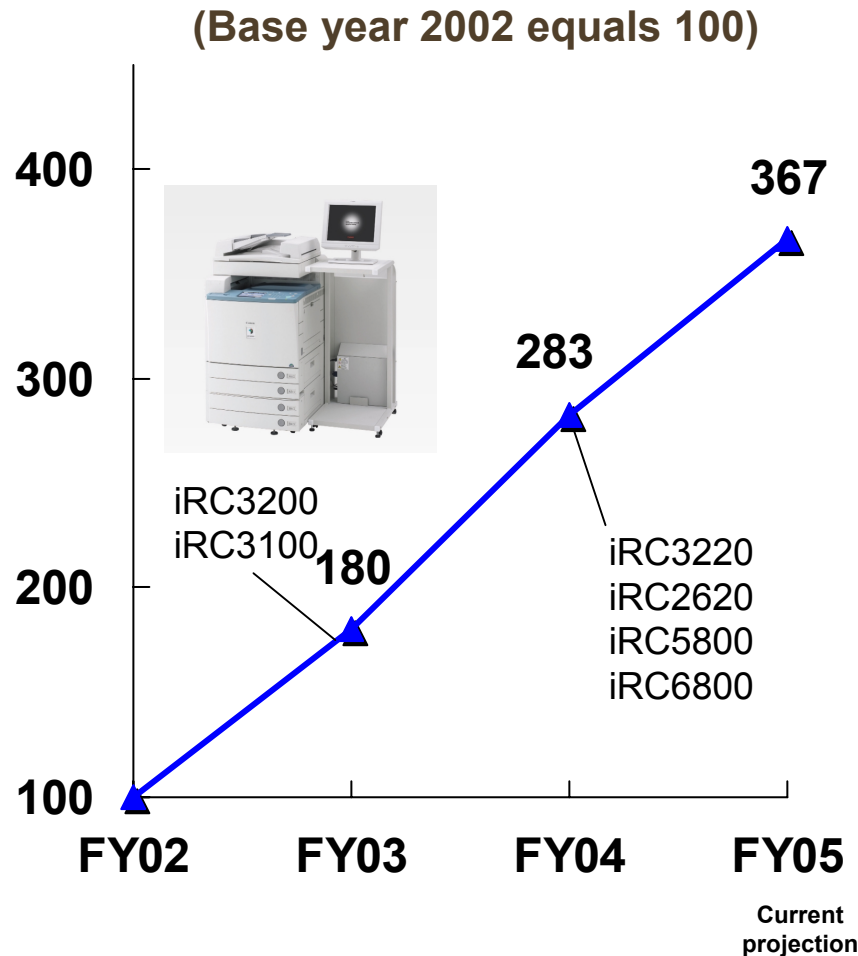
# Office Imaging Products

2Q&FY 2005

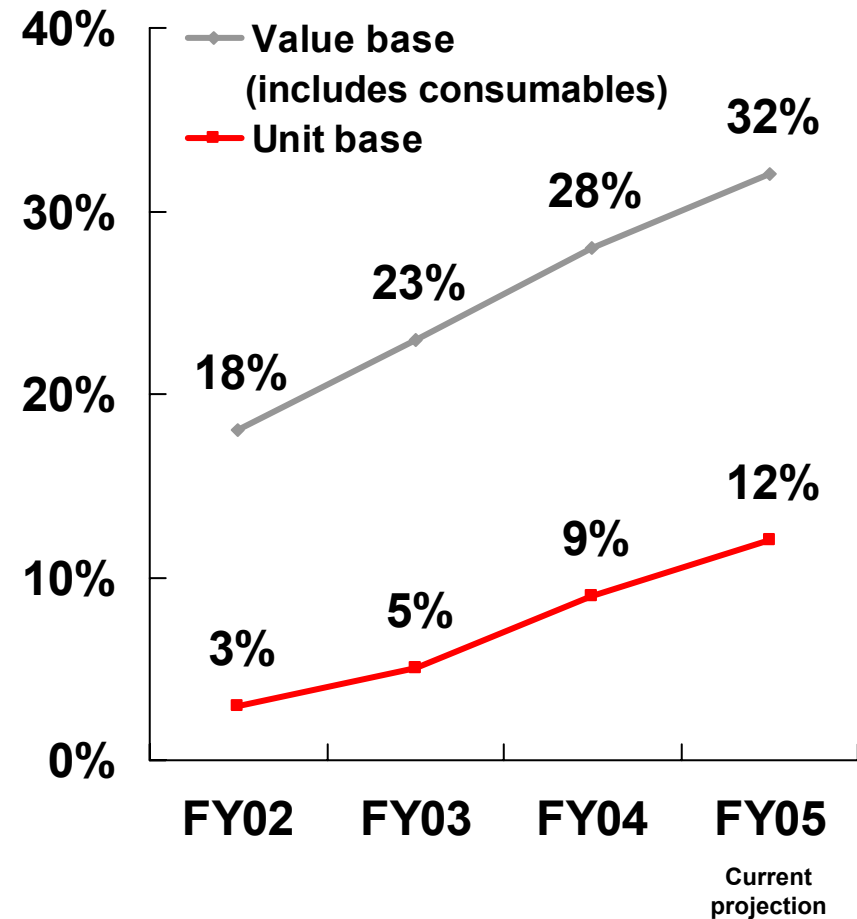


# Steady Progress Toward Colorization

## Transition in Unit Sales of Color Copying Machines

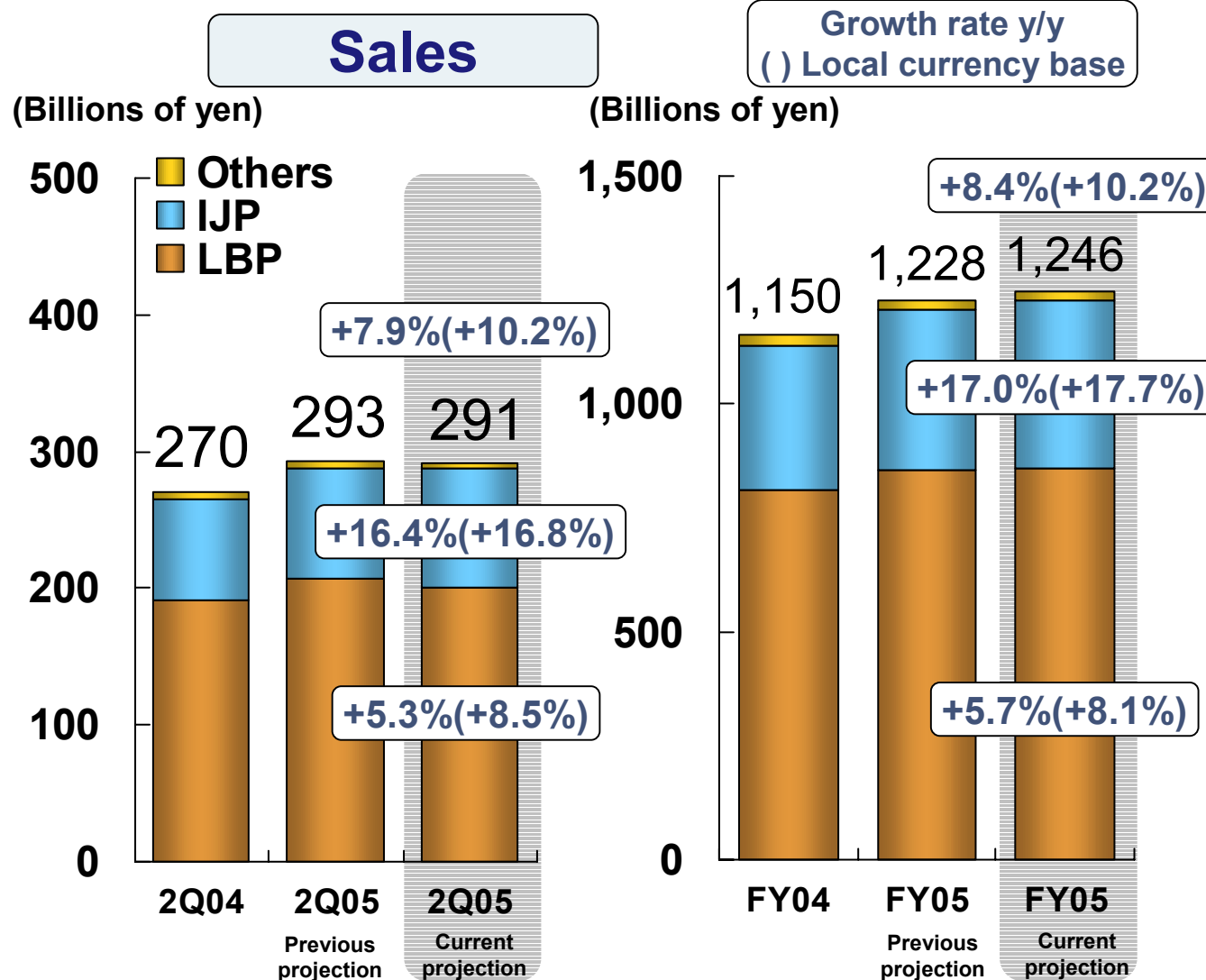


## Transition in Color Ratio



# Computer Peripherals

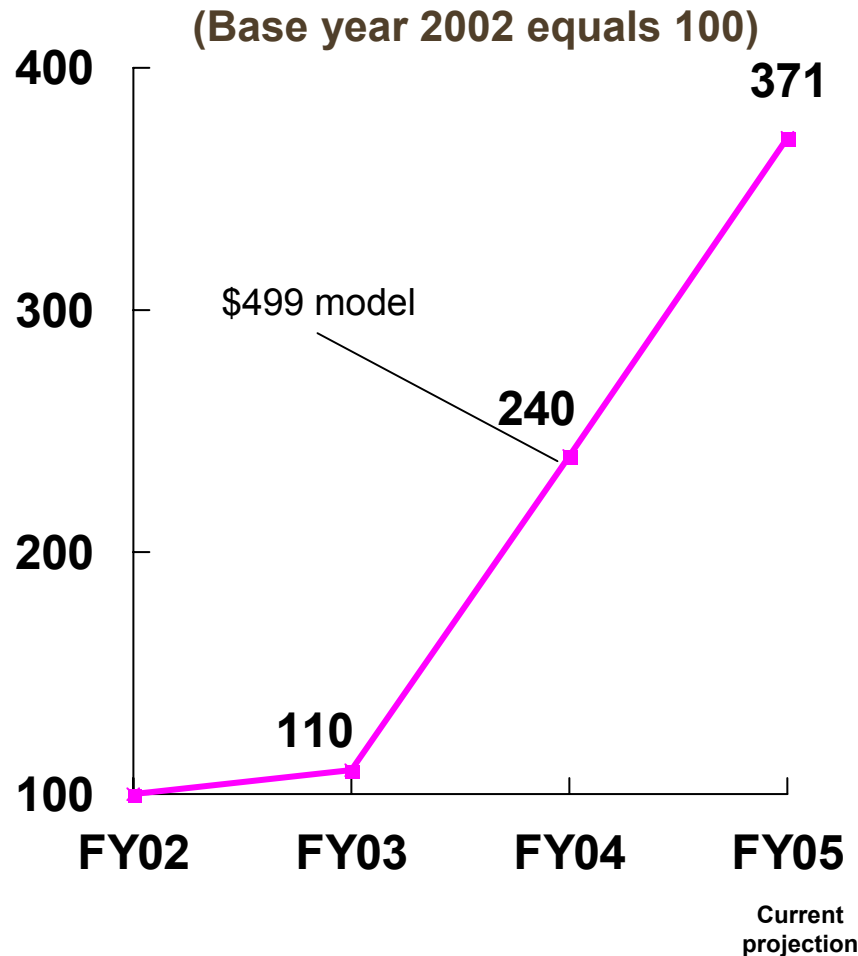
2Q&FY 2005



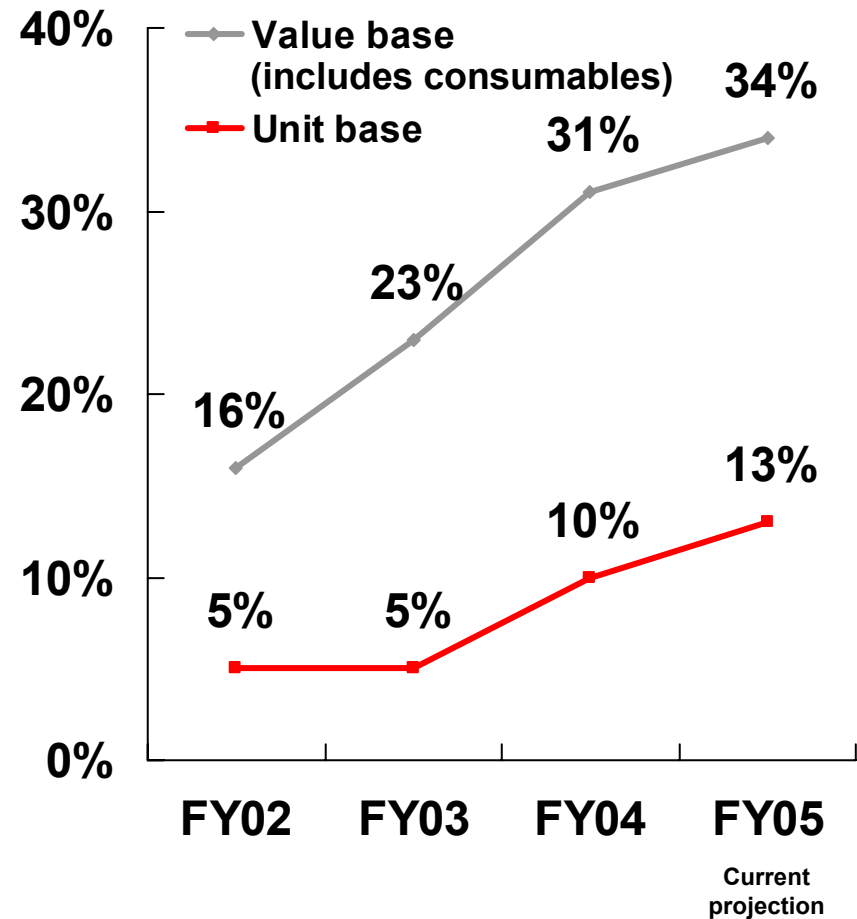
Growth rate y/y (Unit base)	
LBP (2Q)	
Color :	+88%
Mono-chrome :	+26%
Total :	+32%
LBP (FY)	
Color :	+55%
Mono-chrome :	+17%
Total :	+21%
IJP (2Q)	
SFP :	+20%
MFP :	+65%
Total :	+28%
IJP (FY)	
SFP :	+9%
MFP :	+86%
Total :	+22%

# Steady Increase in Unit Sales of Color LPBs

Transition in Unit Sales of Color LPBs

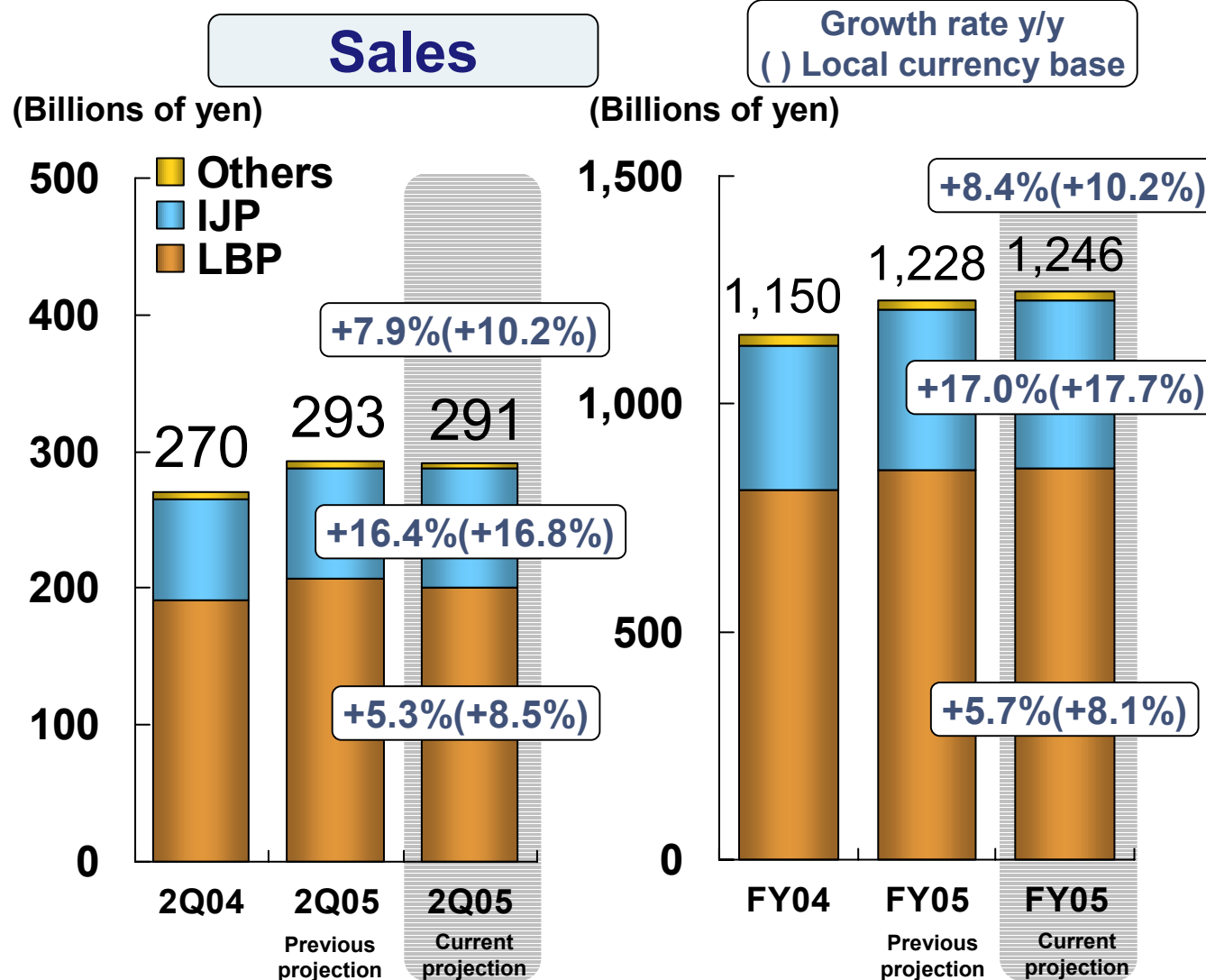


Transition in Color Ratio



# Computer Peripherals

2Q&FY 2005

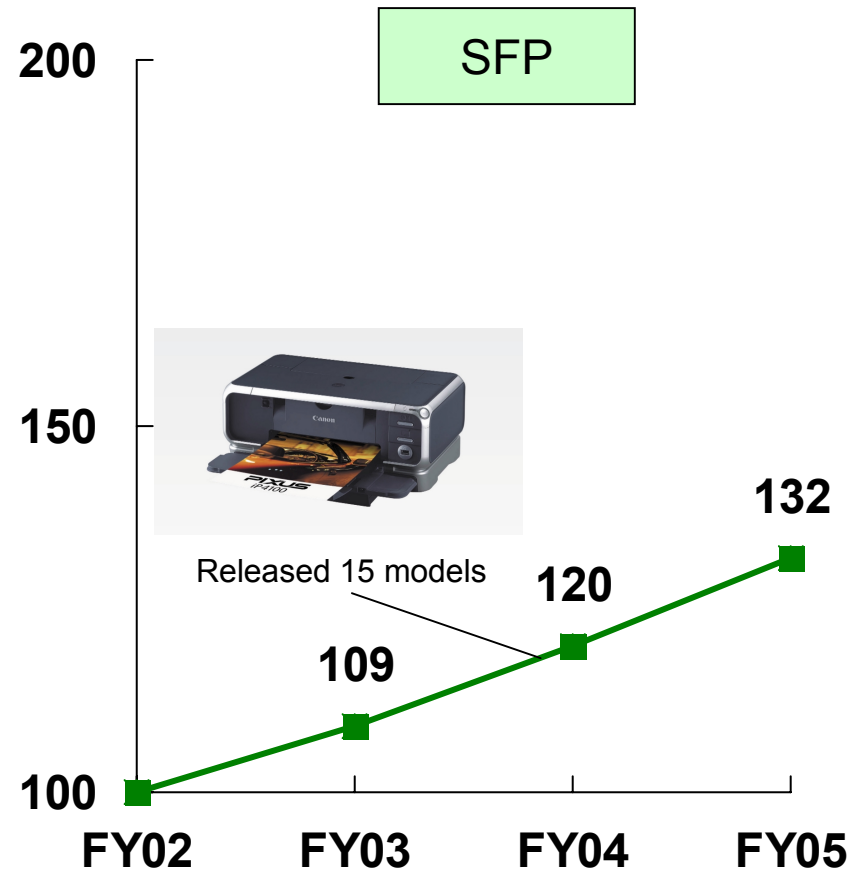
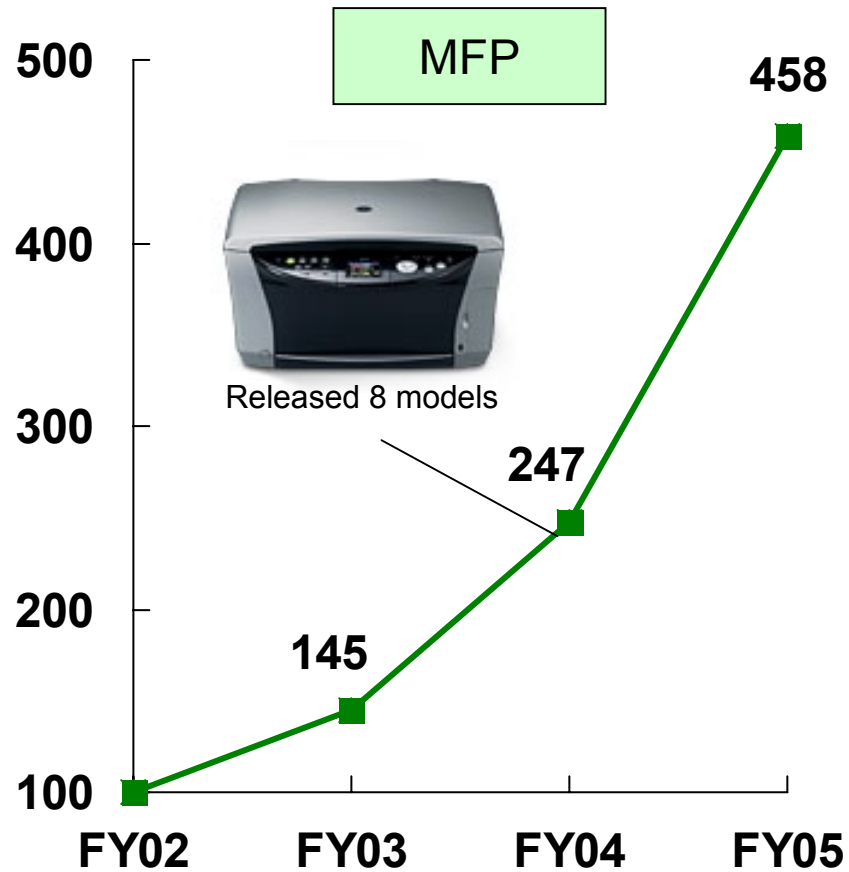


Growth rate y/y (Unit base)	
LBP (2Q)	
Color :	+88%
Mono- chrome :	+26%
Total :	+32%
LBP (FY)	
Color :	+55%
Mono- chrome :	+17%
Total :	+21%
IJP (2Q)	
SFP :	+20%
MFP :	+65%
Total :	+28%
IJP (FY)	
SFP :	+9%
MFP :	+86%
Total :	+22%

# Steady Increase in IJP Unit Sales

## Transition in Unit Sales of IJP

(Base year 2002 equals 100)

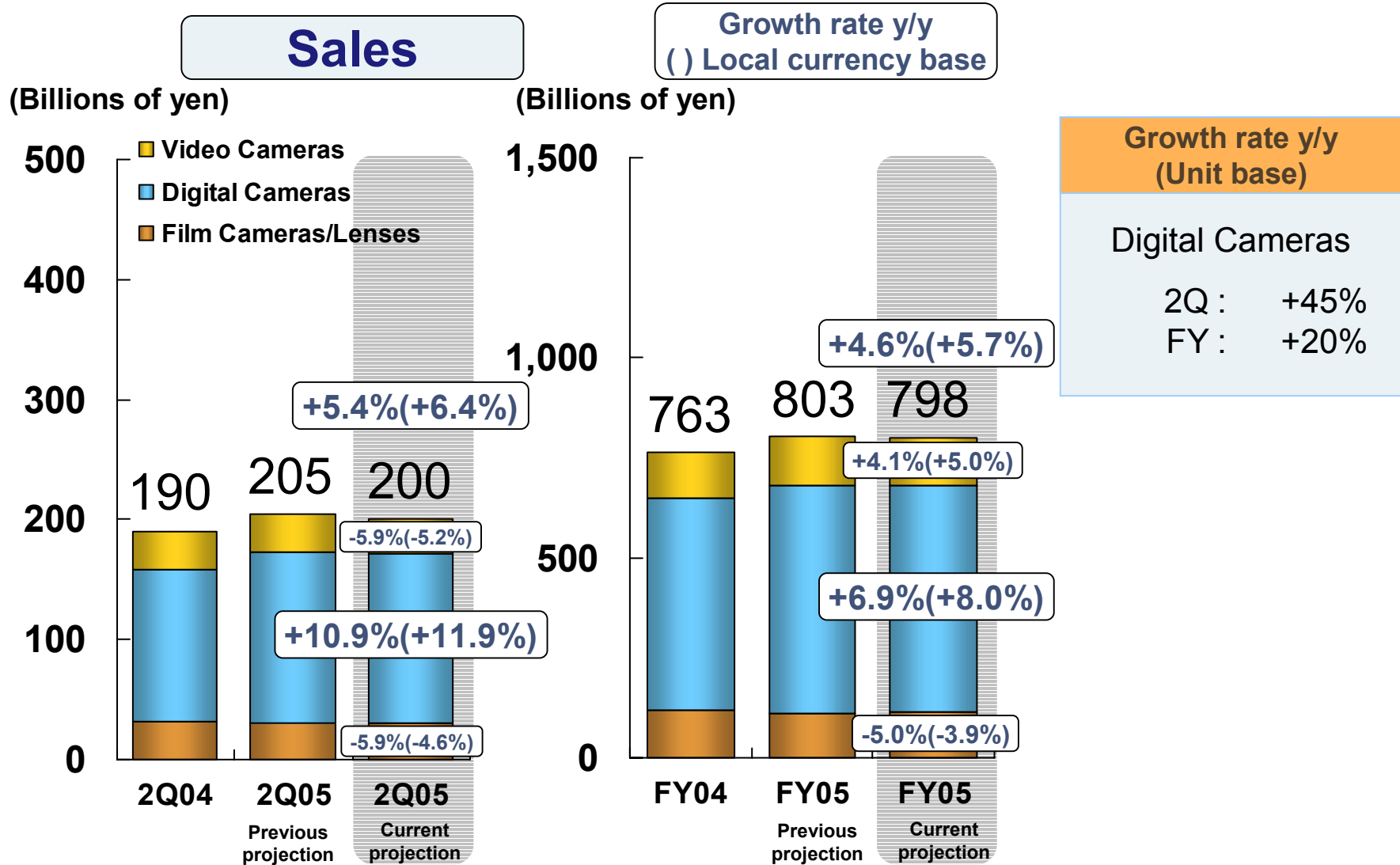


\*the above growth rate includes inkjet facsimiles  
Current projection

Current projection

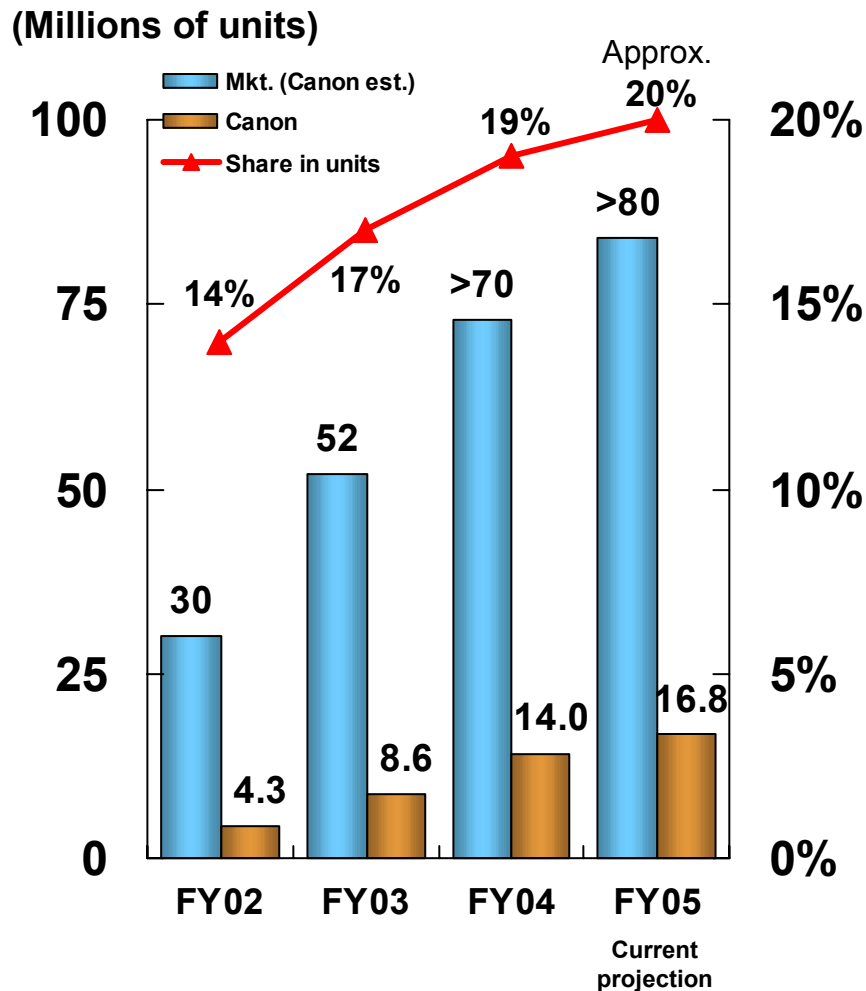
# Cameras

2Q&FY 2005

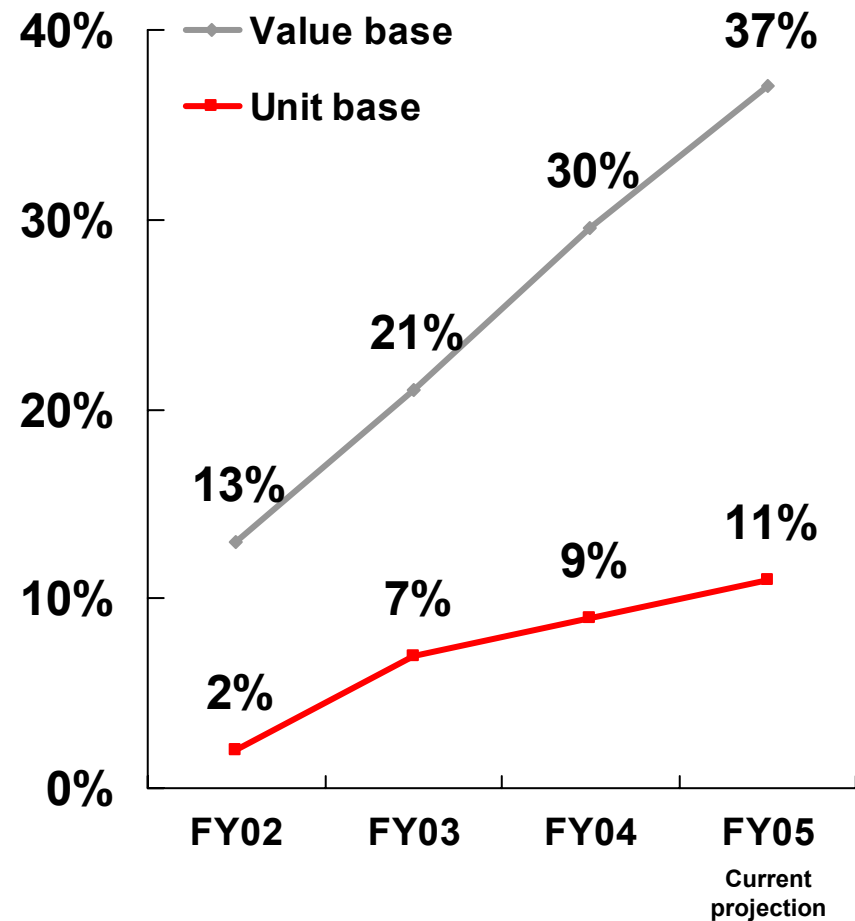


# Continued Growth of Digital Cameras

Transition in Unit Sales of Digital Cameras



Digital SLR Ratio



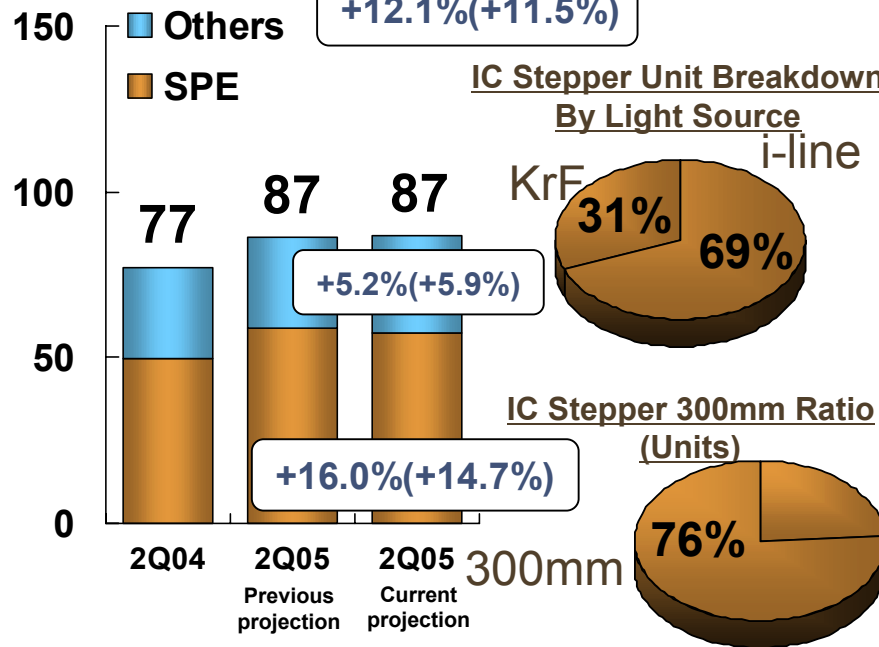


# Optical and Other Products

2Q&FY 2005

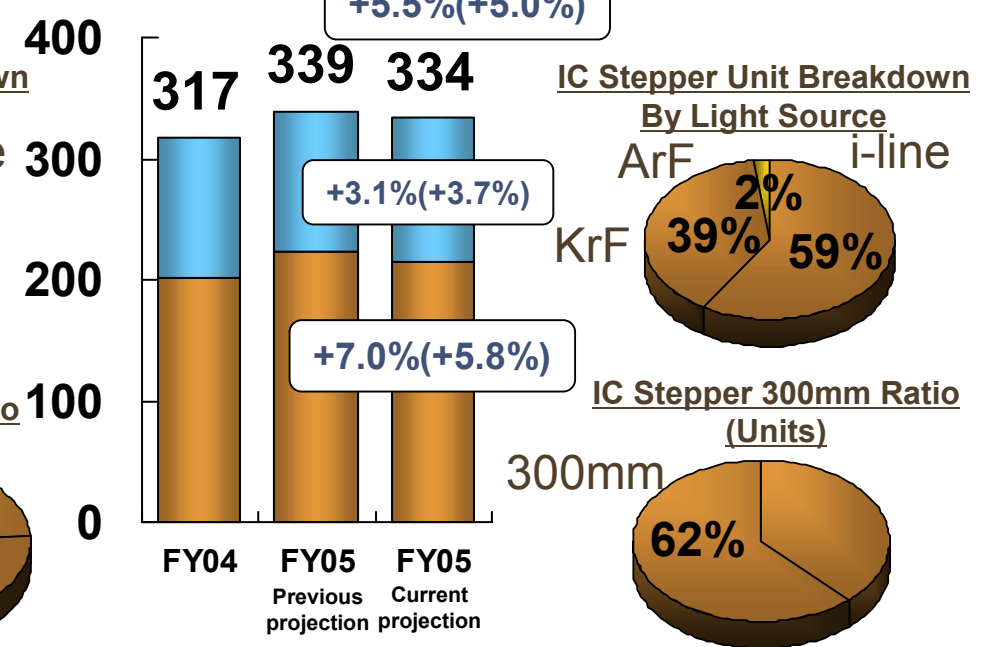
## Sales

(Billions of yen)



Growth rate y/y  
( ) Local currency base

(Billions of yen)



## SPE (Unit sales)

	2Q04	2Q05 (Previous projection)	2Q05 (Current projection)
IC	45	35	34
LCD	15	28	27
TTL	60	63	61

## SPE (Unit sales)

	FY04	FY05 (Previous projection)	FY05 (Current projection)
IC	152	143	125
LCD	85	104	111
TTL	237	247	236

# Operating Profit by Product

2005 Current Projection v. 2004

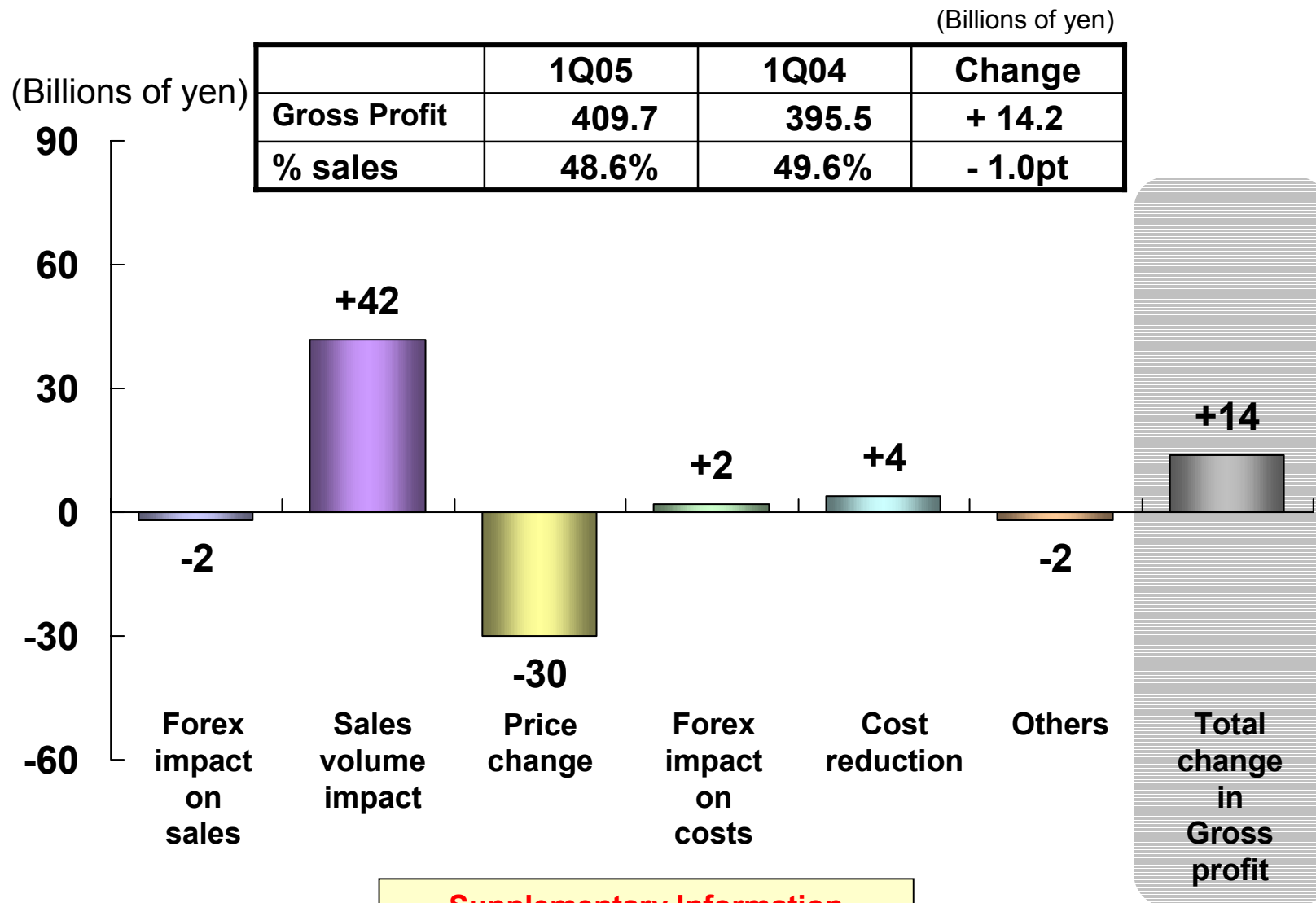
(Billions of yen)

	2005 Current Projection		2004	
	2Q	FY	2Q	FY
<b>Business Machines</b>	139.7	600.3	124.2	521.1
% sales	22.7%	23.8%	21.3%	21.8%
<b>Cameras</b>	29.9	124.7	32.2	130.8
% sales	14.9%	15.6%	17.0%	17.1%
<b>Optical and Other Products</b>	10.6	30.7	3.4	28.8
% sales	8.6%	6.3%	3.0%	6.3%
<b>Corporate and Eliminations</b>	-47.5	-171.7	-40.0	-136.9
<b>Total</b>	132.7	584.0	119.9	543.8
% sales	14.7%	16.0%	14.1%	15.7%

# Supplementary Information

# Gross Profit Variance Analysis

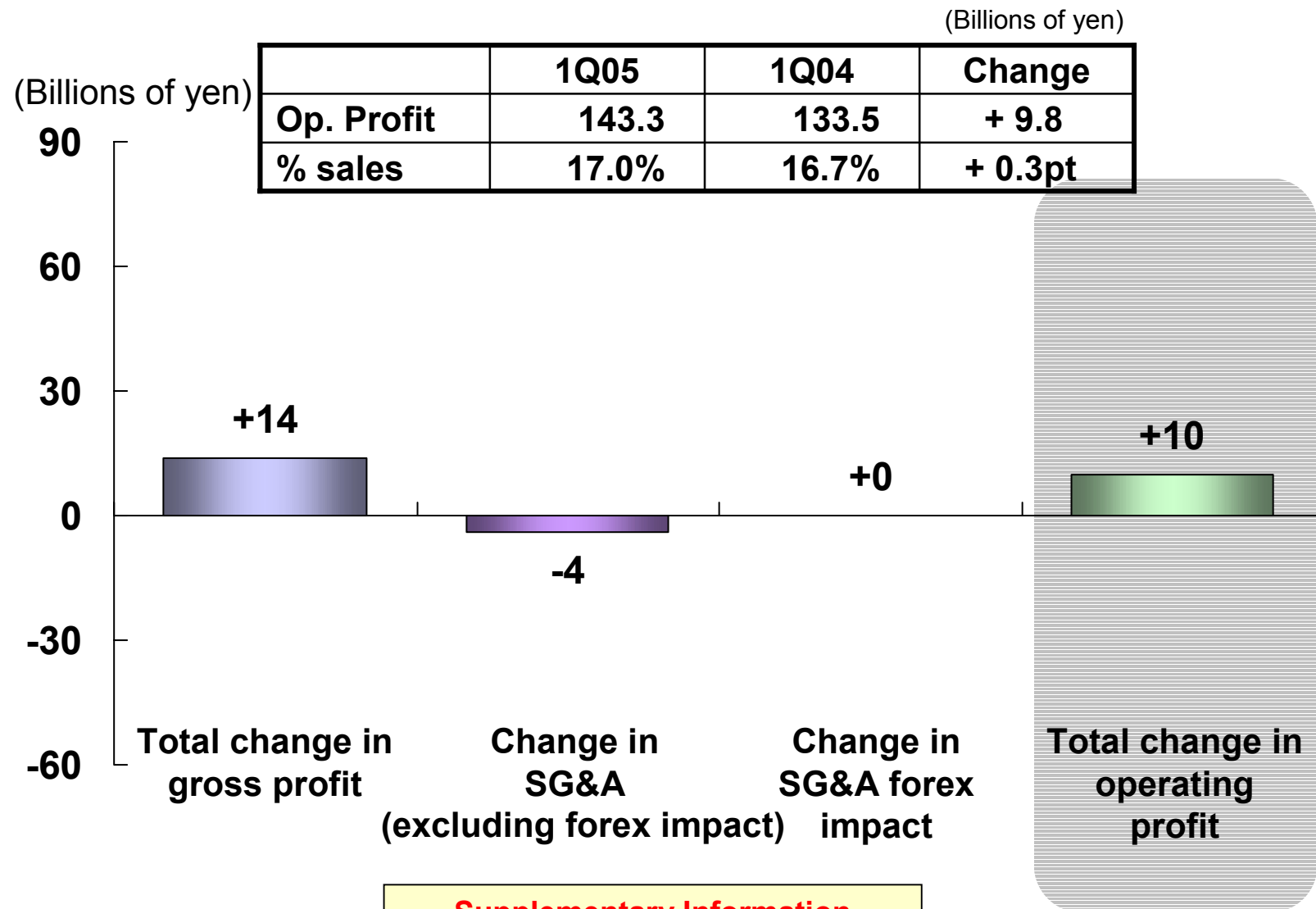
1Q 2005 v. 1Q 2004



Supplementary Information

# Operating Profit Variance Analysis

1Q 2005 v. 1Q 2004



# Transition in Sales and Operating Profit

1Q 2005 v. 1Q 2004

(Billions of yen)

	1Q	
	Sales	Op. Profit
2004 actual	798.1	133.5
Foreign exchange impact [net sales, cost of sales, expenses]	- 2.3	- 0.7
Sales volume impact		
Office Imaging Products	+ 20.3	
Computer Peripherals	+ 37.0	
Business Information Products	- 2.9	
Cameras	+ 14.1	
Optical and Other Products	+ 9.0	
Total	+ 77.5	+ 41.5
Others	- 29.9	- 31.0
Total Change	+ 45.3	+ 9.8
2005 actual	843.4	143.3

**Change in Exchange Rate**

- 1USD: 107.43 to 104.58 yen
- 1EURO: 134.02 to 137.04 yen

# Transition in Sales and Operating Profit

2Q/FY 2005 Current Projection v. 2Q/FY 2004 Actual

(Billions of yen)

	2Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2004 actual	850.4	119.9	3,467.9	543.8
Foreign exchange impact [net sales, cost of sales, expenses]	- 8.2	- 4.2	- 29.9	- 16.9
Sales volume impact				
Office Imaging Products	+ 28.2		+ 105.8	
Computer Peripherals	+ 46.9		+ 162.2	
Business Information Products	- 2.6		- 14.8	
Cameras	+ 26.1		+ 86.0	
Optical and Other Products	+ 11.0		+ 22.8	
Total	+ 109.6	+ 55.3	+ 362.0	+ 184.8
Others	- 50.2	- 38.3	- 150.0	- 127.7
Total Change	+ 51.2	+ 12.8	+ 182.1	+ 40.2
2005 Current projection (Apr. 27, 2005)	901.6	132.7	3,650.0	584.0

**Change in Exchange Rate (2Q)**

- 1USD: 109.67 to 105.00 Yen
- 1EURO: 132.29 to 135.00 Yen

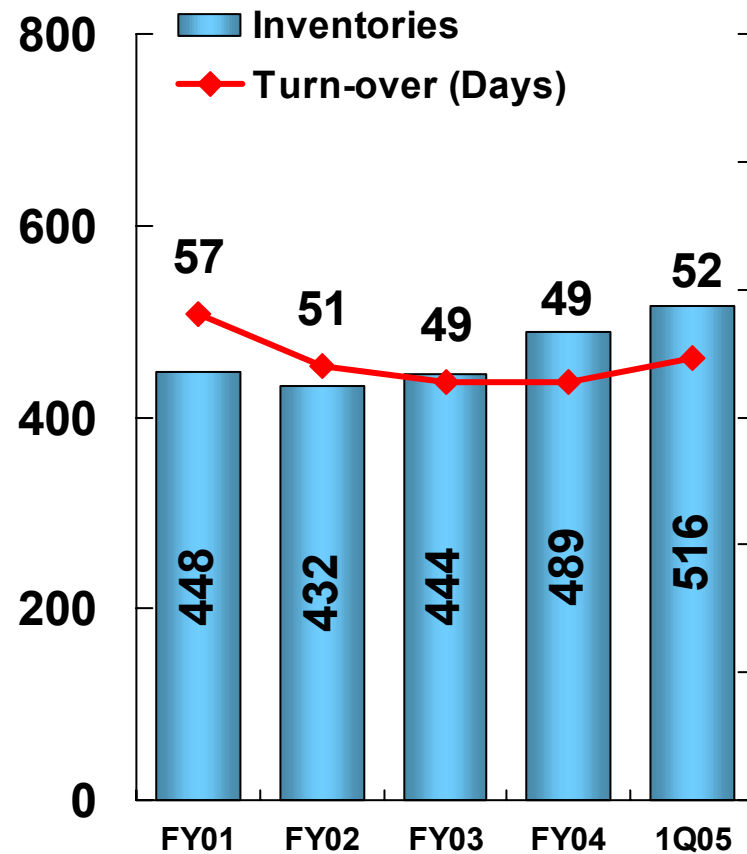
**Change in Exchange Rate (FY)**

- 1USD: 108.12 to 104.90 Yen
- 1EURO: 134.57 to 135.44 Yen

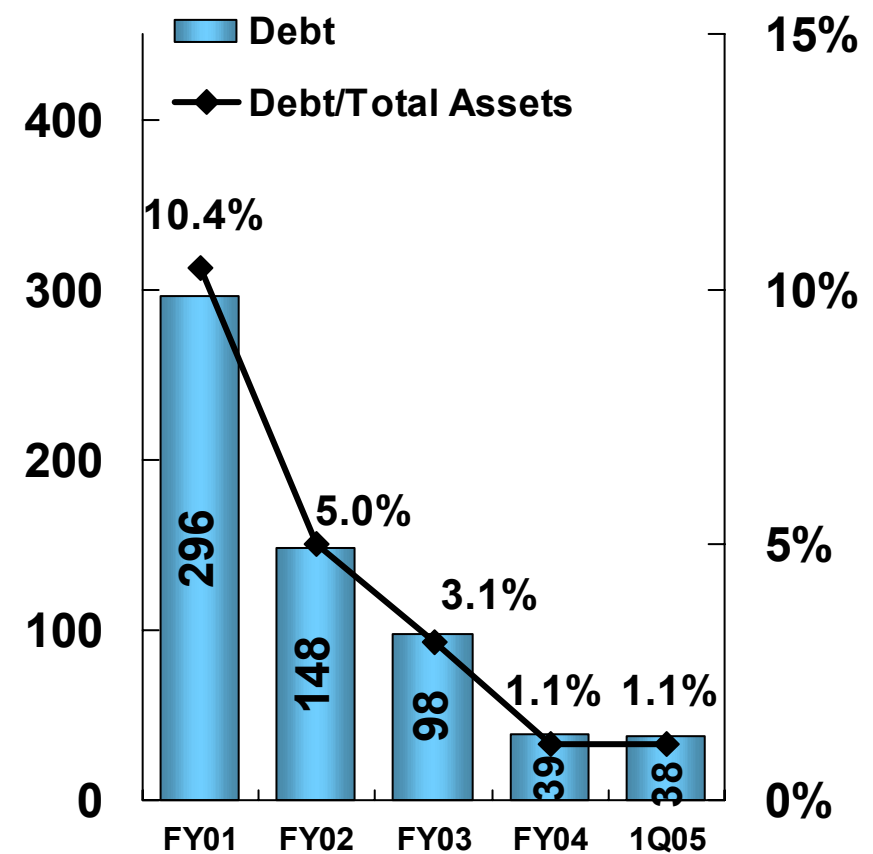
# Inventories

# Interest Bearing Debt

(Billions of yen)



(Days) (Billions of yen)

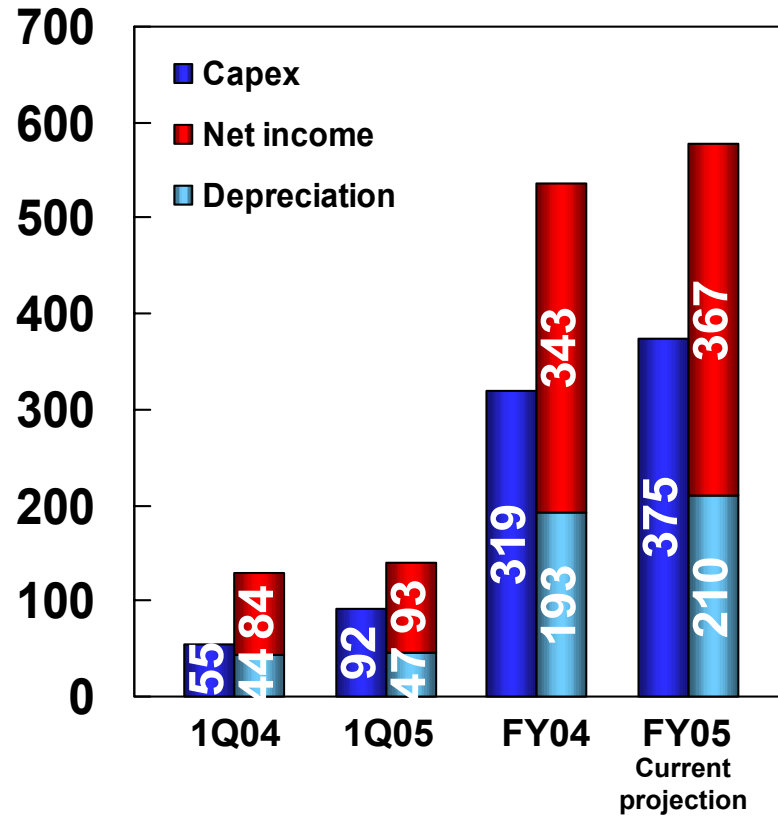




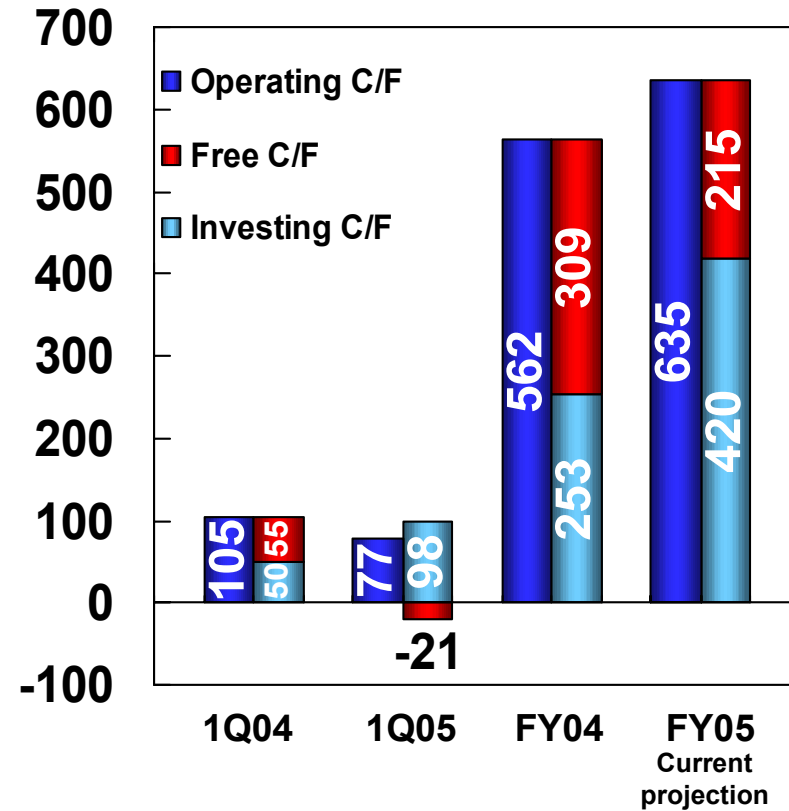
# Capital Expenditure

# Free Cash Flow

(Billions of yen)



(Billions of yen)



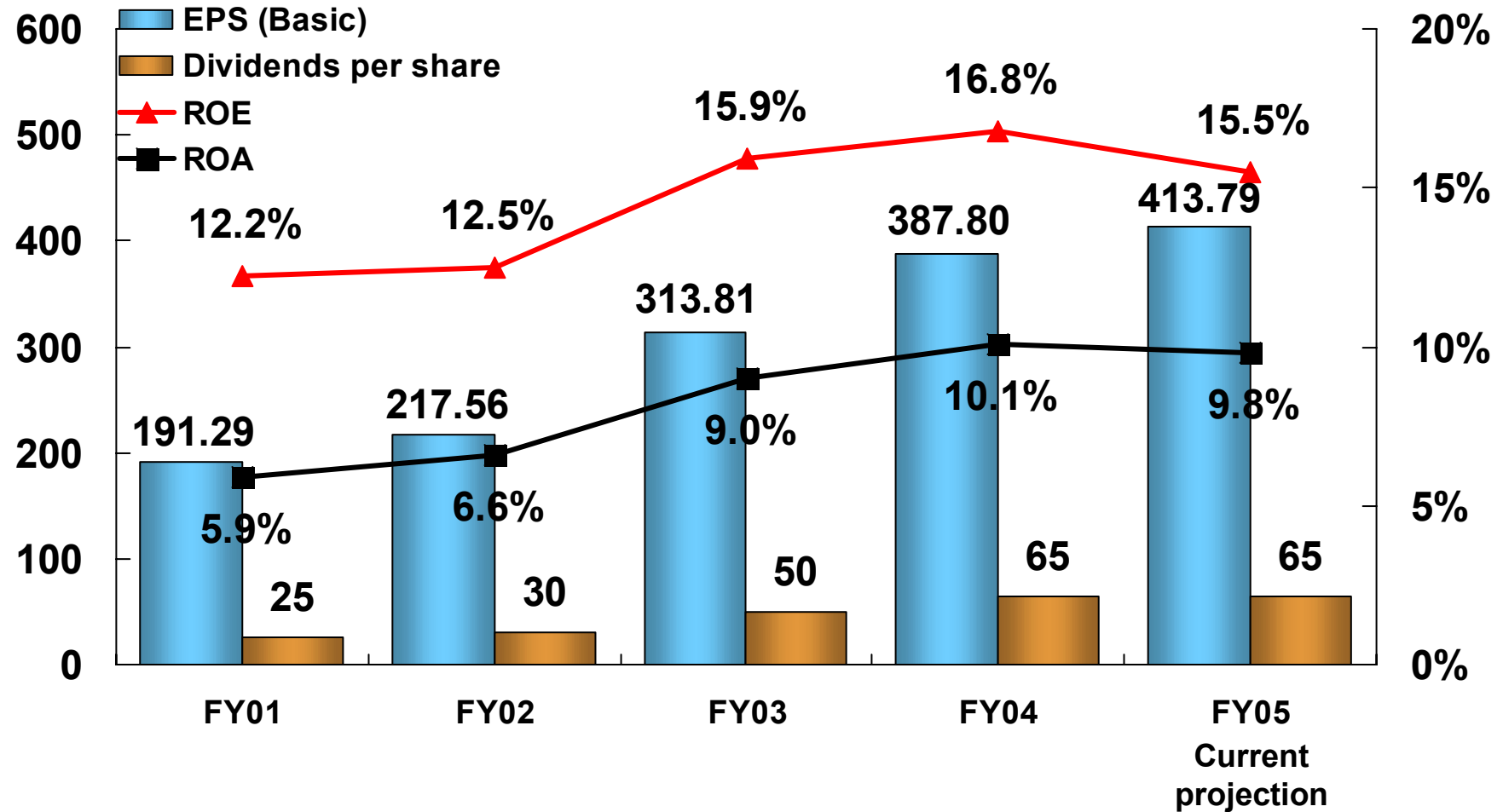
[Major Expenditures 2005 (Each item listed is over 10 billion yen)]

- Automated assembly line for cartridges
- New facility/building for development (Yako)
- New factory/building for lenses (Utsunomiya)
- Step up production of toner
- Increase production of CMOS sensors

Supplementary Information

# Financial Ratios

(Yen)



Supplementary Information