



# Canon Inc.

# Fiscal Year 2007 Results

January 30, 2008

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Managing Director, Group Executive  
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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.

January 30, 2008 Canon Inc.



# Agenda

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# 2007 in Summary

## Special factors

- ✓ Chg. in depreciation method from second quarter 2007
- ✓ Sudden downturn in economic environment from the second half, due to subprime loan problem



## Achievements

- ✓ Very strong business performance throughout the year (eighth consecutive year of net sales and profit growth)
- ✓ Historic high level of profitability
- ✓ Record high FCF of over 400 billion yen
- ✓ Record low in inventory turnover days (44 days)

# Summary of Results

4Q/FY 2007 Actual

(Billions of yen)

		2007				2006		Pct. Change	
		Actual	% Sales	Projection	% Sales	Actual	% Sales	Projection	Actual
4Q	Net sales	1,263.8		1,342.5		1,216.5		-5.9%	+3.9%
	Gross profit	611.1	48.4%	654.1	48.7%	593.7	48.8%	-6.6%	+2.9%
	Op. profit	193.6	15.3%	209.9	15.6%	195.9	16.1%	-7.8%	-1.2%
	Net income	127.8	10.1%	139.5	10.4%	125.6	10.3%	-8.4%	+1.8%
	Yen-1USD	113.19		115.00		117.81			
	Yen-1EURO	163.86		160.00		151.89			
FY	Net sales	4,481.3		4,560.0		4,156.8		-1.7%	+7.8%
	Gross profit	2,247.0	50.1%	2,290.0	50.2%	2,060.5	49.6%	-1.9%	+9.1%
	Op. profit	756.7	16.9%	773.0	17.0%	707.0	17.0%	-2.1%	+7.0%
	Net income	488.3	10.9%	500.0	11.0%	455.3	11.0%	-2.3%	+7.2%
	Yen-1USD	117.50		117.98		116.43			
	Yen-1EURO	161.41		160.29		146.51			

# Summary of Results

4Q/FY 2007 Actual

(on a pre-depreciation change basis)

(Billions of yen)

		2007				2006		Pct. Change	
		Post-depreciation Change	% Sales	Pre-depreciation Change	% Sales	Actual	% Sales	Post-depreciation Change	Pre-depreciation Change
4Q	Net sales	1,263.8		1,263.8		1,216.5		+3.9%	+3.9%
	Gross profit	611.1	48.4%	626.3	49.6%	593.7	48.8%	+2.9%	+5.5%
	Op. profit	193.6	15.3%	217.0	17.2%	195.9	16.1%	-1.2%	+10.8%
	Net income	127.8	10.1%	141.7	11.2%	125.6	10.3%	+1.8%	+12.9%
	Yen-1USD	113.19		113.19		117.81			
	Yen-1EURO	163.86		163.86		151.89			
FY	Net sales	4,481.3		4,481.3		4,156.8		+7.8%	+7.8%
	Gross profit	2,247.0	50.1%	2,287.5	51.0%	2,060.5	49.6%	+9.1%	+11.0%
	Op. profit	756.7	16.9%	820.5	18.3%	707.0	17.0%	+7.0%	+16.0%
	Net income	488.3	10.9%	520.7	11.6%	455.3	11.0%	+7.2%	+14.3%
	Yen-1USD	117.50		117.50		116.43			
	Yen-1EURO	161.41		161.41		146.51			

# Transition in Sales and Op. Profit

4Q 2007 Actual v. 4Q 2007 Projection

(Billions of yen)

	4Q 2007	
	Sales	Op. Profit
Previous Projection (Oct. 25, 2007)	1,342.5	209.9
Foreign exchange impact [net sales, cost of sales, expenses]	+1.3	+1.4
Sales volume impact		
Office Imaging Products	-35.5	
Computer Peripherals	-29.3	
Business Information Products	+2.8	
Cameras	-25.4	
Optical and Other Products	-27.2	
Total	-114.6	-53.4
Others	+34.6	+35.7
Total Change	-78.7	-16.3
Actual	1,263.8	193.6

**Change in Exchange Rate**

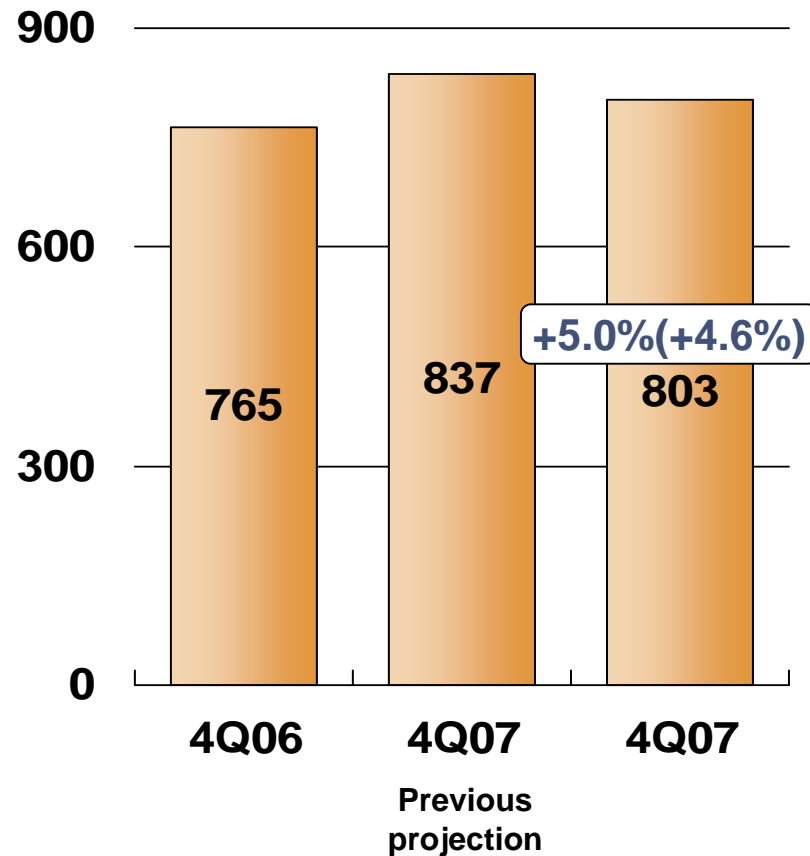
- 1USD: 115.00 to 113.19 yen
- 1EURO: 160.00 to 163.86 yen

# Business Machines

4Q 2007 Actual

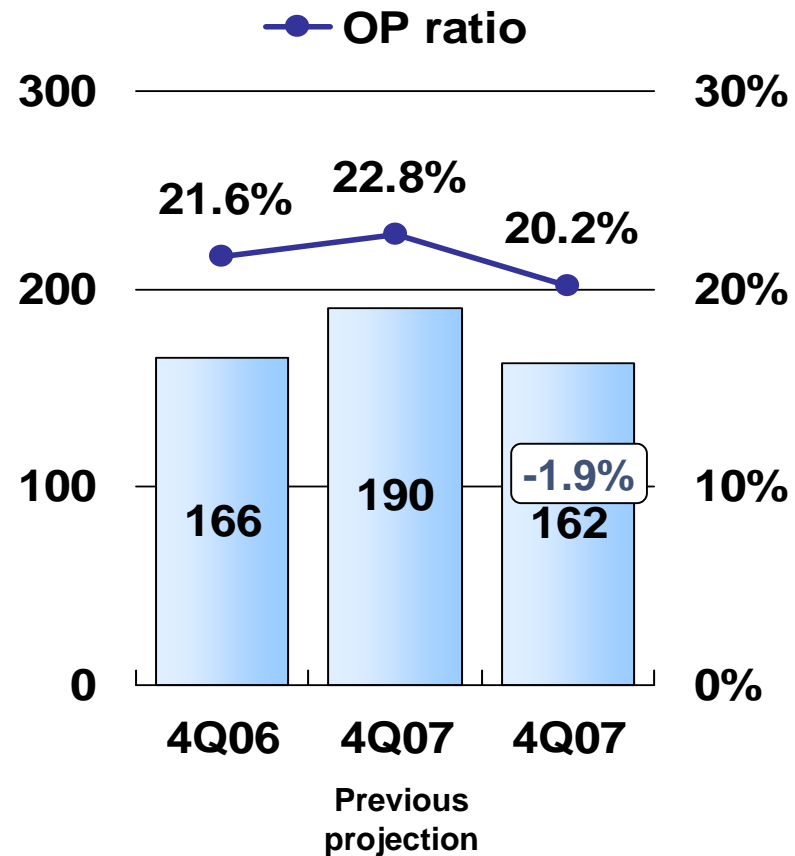
## Sales

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



## Operating Profit

(Billions of yen)

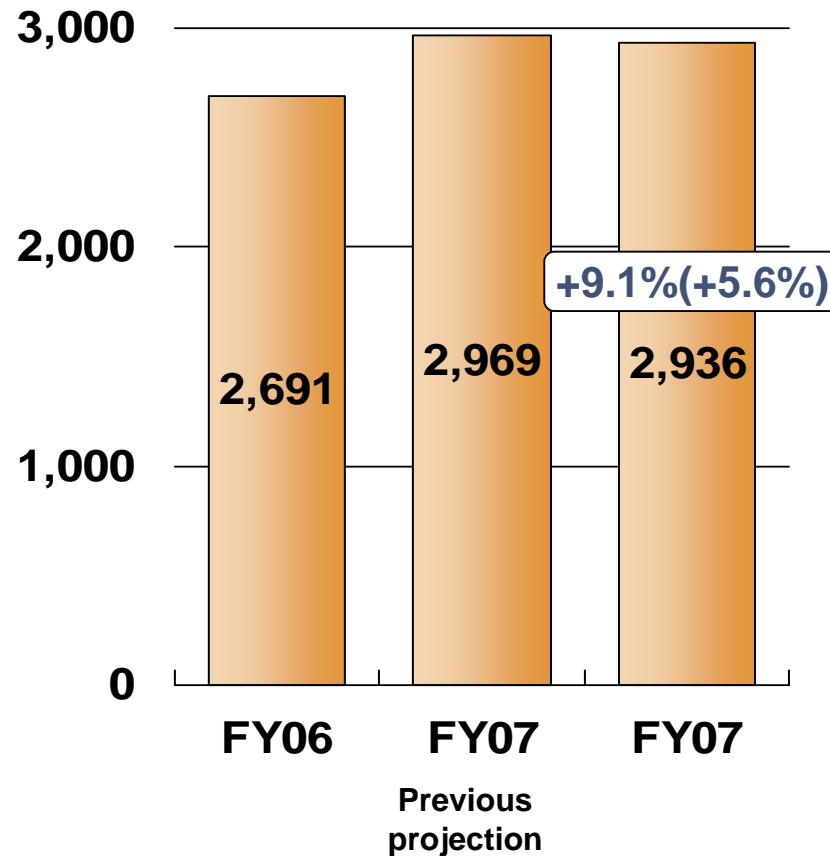


# Business Machines

FY 2007 Actual

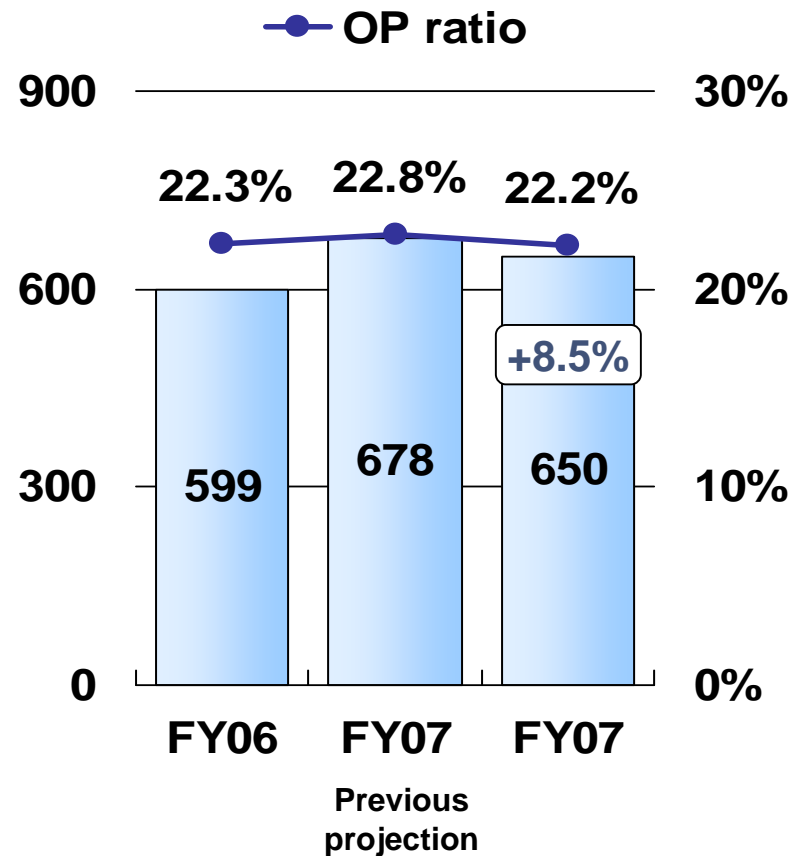
## Sales

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



## Operating Profit

(Billions of yen)



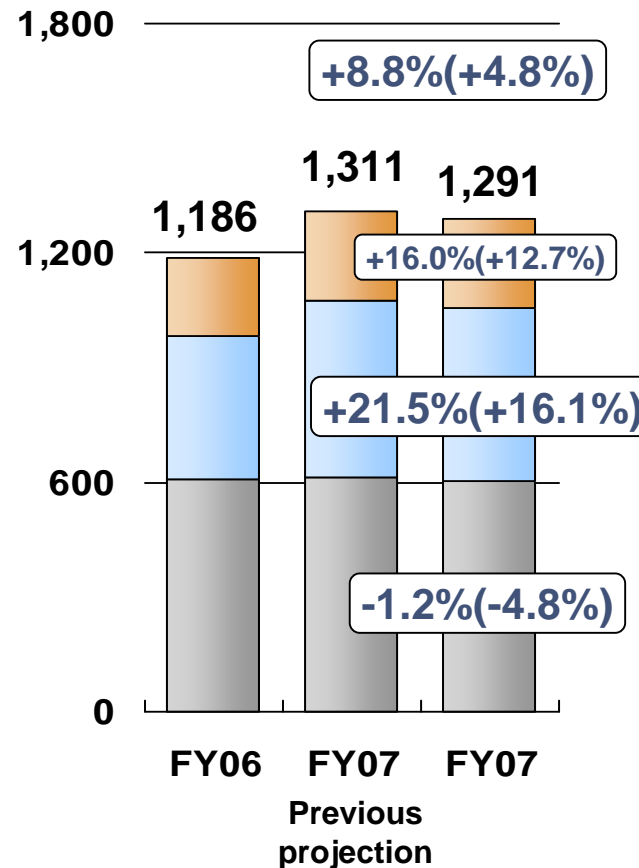
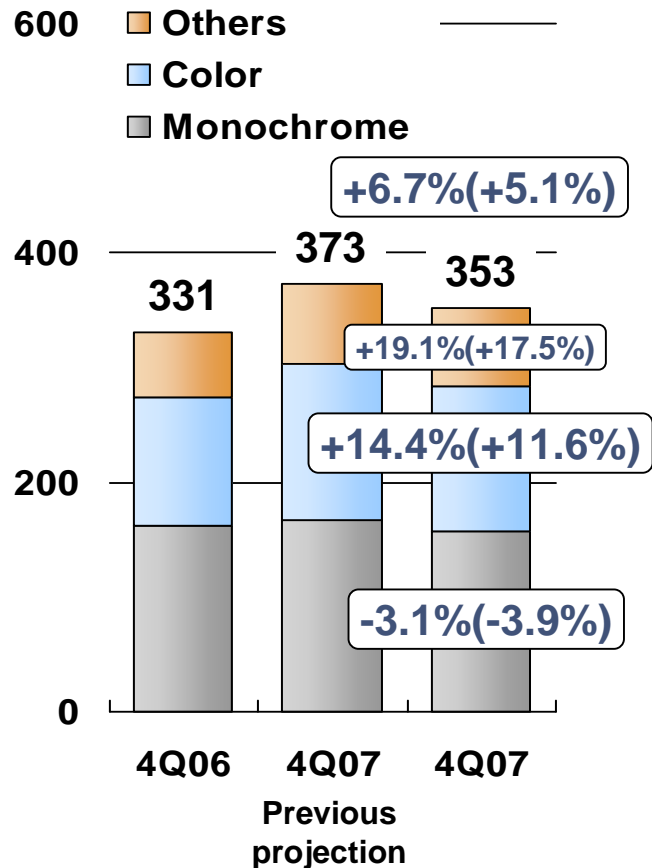


# Office Imaging Products

4Q/FY 2007 Actual

## Sales

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



Growth rate y/y (Unit base)		
Copying machines		
	4Q	FY
Color	+9%	+17%
Mono-chrome (For office use)	-16% (+1%)	-9% (+2%)
Total	-12%	-6%

### Color ratio (Copying machines)

	4Q	FY
Value base*	45%	43%
Unit base	18%	17%

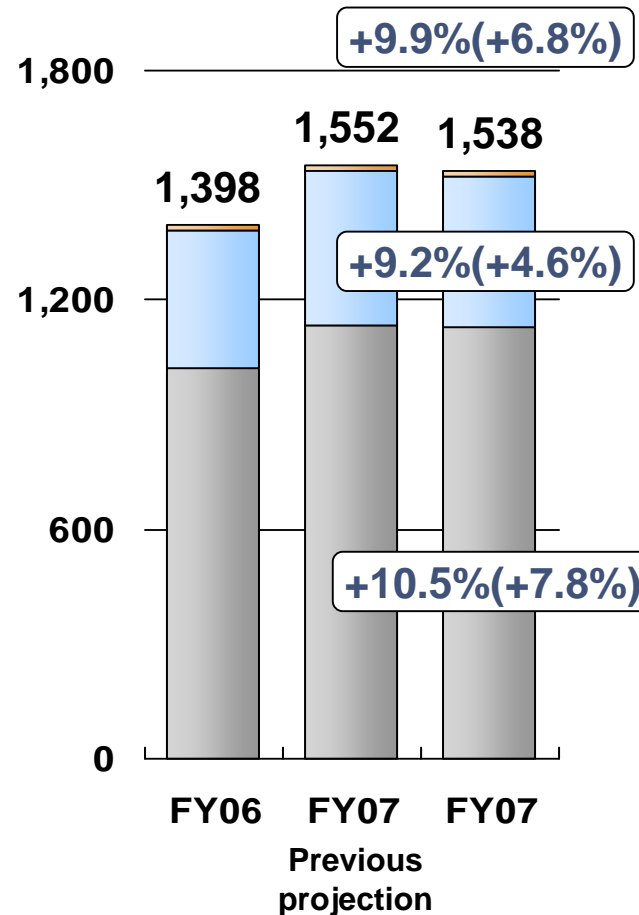
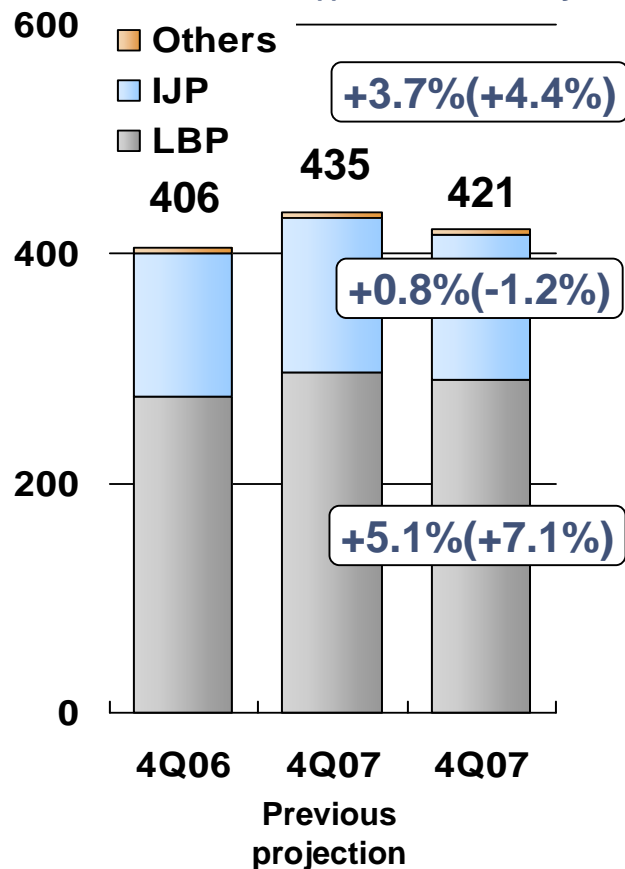
\*Includes consumables

# Computer Peripherals

4Q/FY 2007 Actual

## Sales

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



Growth rate y/y (Unit base)		
LBP	4Q	FY
Color	-6%	+13%
Mono-chrome	+10%	+22%
Total	+8%	+20%

### Color ratio (LBP)

	4Q	FY
Value base*	36%	36%
Unit base	12%	14%

\*Includes consumables

Growth rate y/y (Unit base)		
IJP	4Q	FY
SFP	-22%	-18%
MFP	+29%	+28%
Total	+1%	+1%

### MFP ratio (IJP)

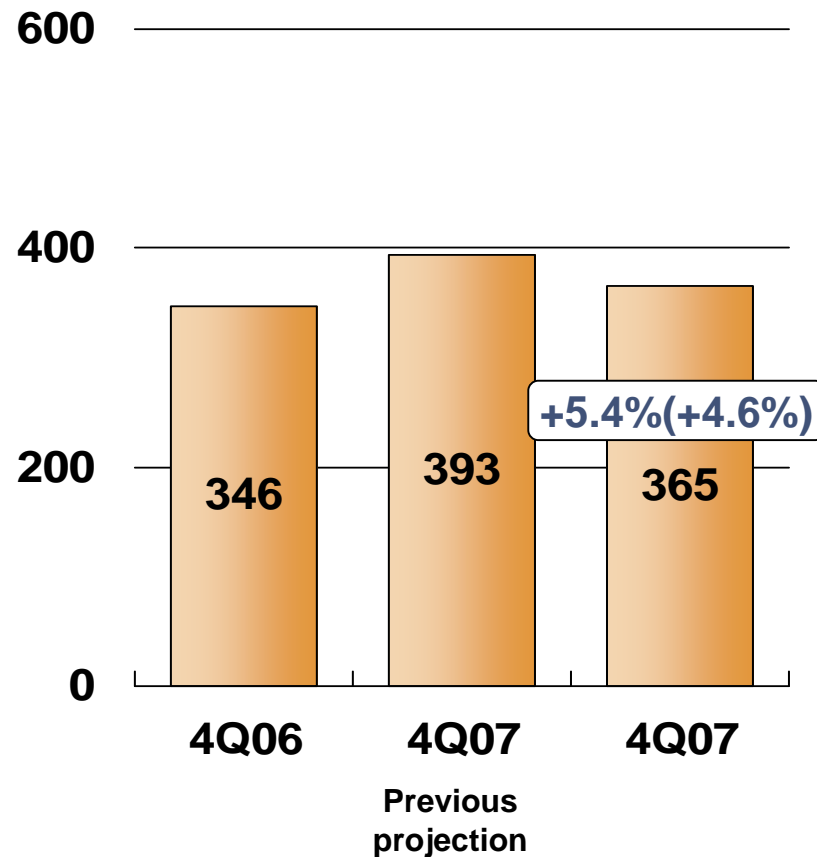
	4Q	FY
Unit base	58%	52%

# Cameras

4Q 2007 Actual

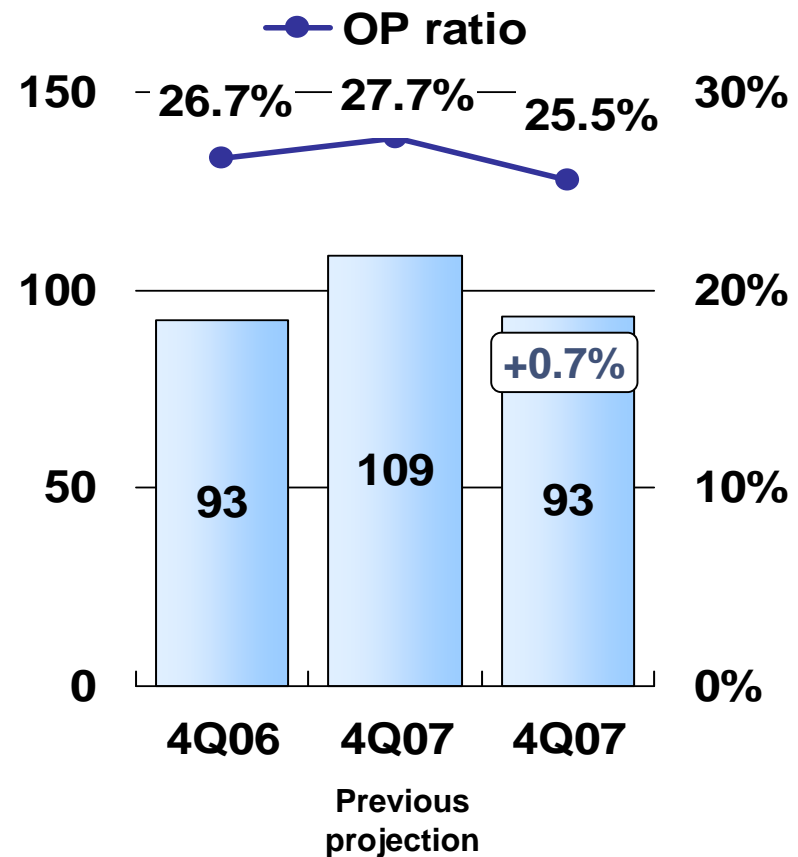
## Sales

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



## Operating Profit

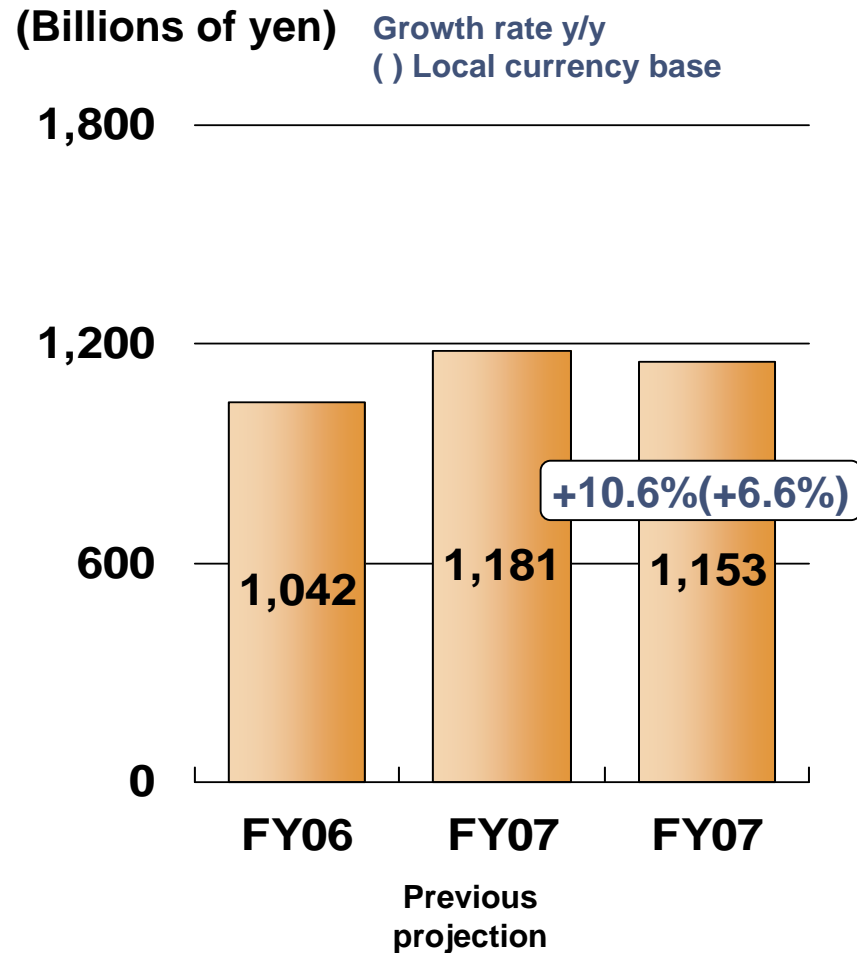
(Billions of yen)



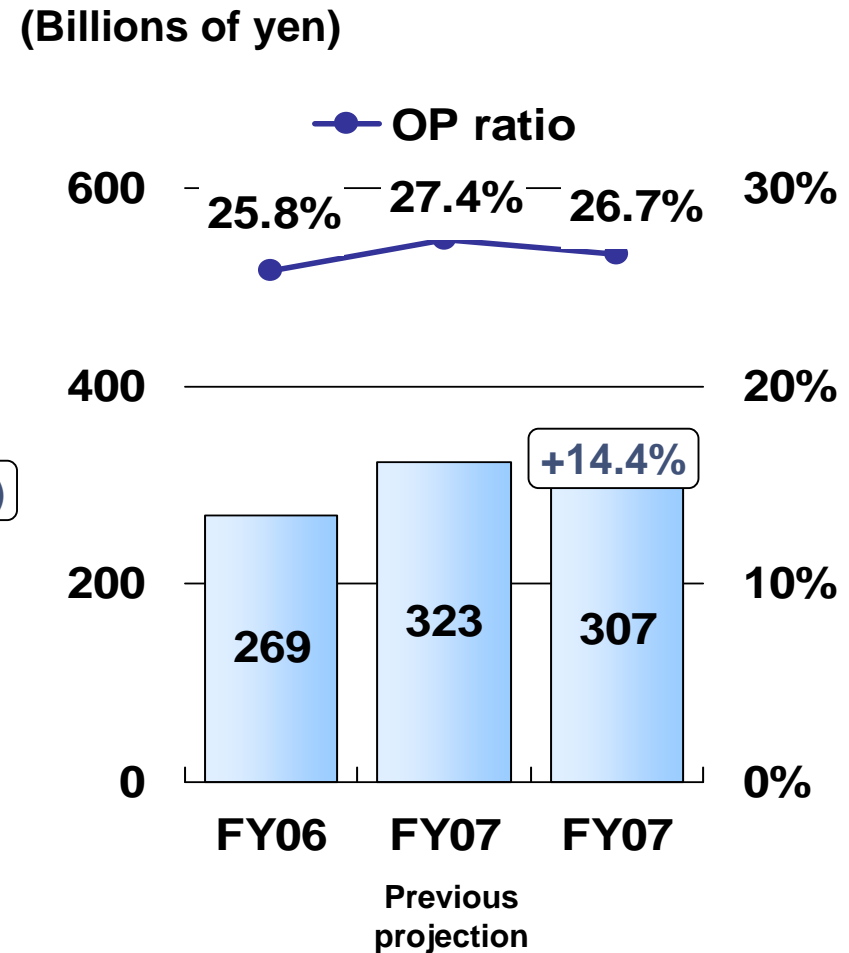
# Cameras

FY 2007 Actual

## Sales



## Operating Profit

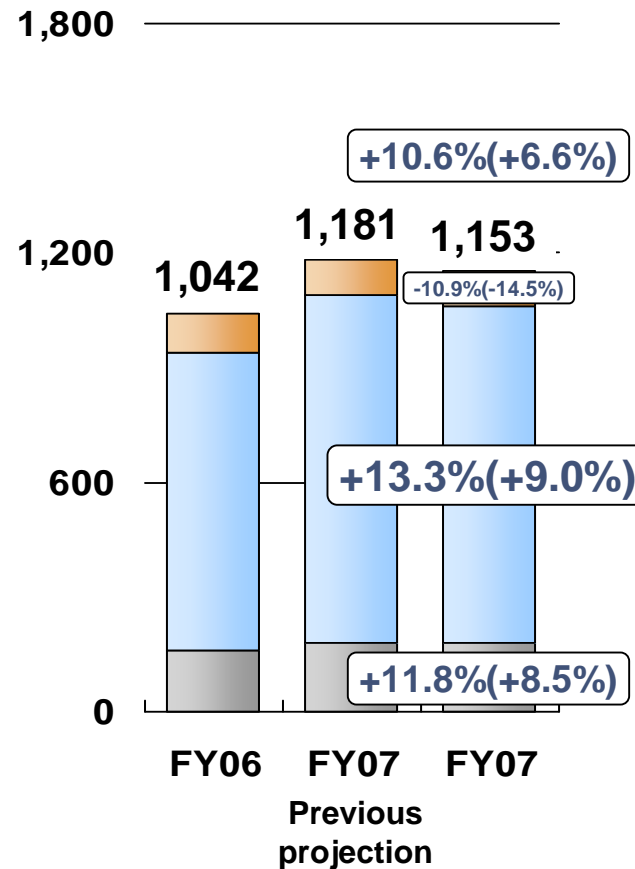
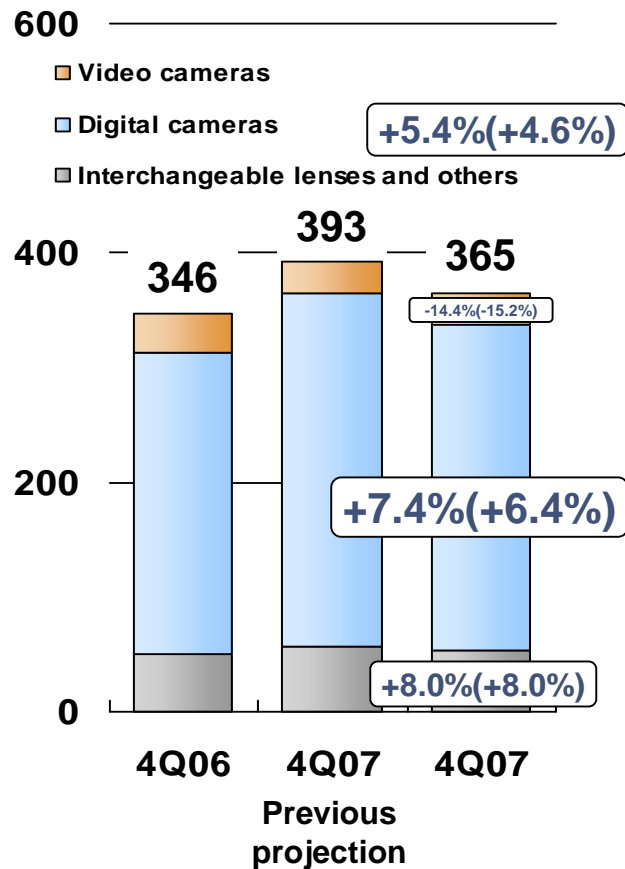


# Cameras

4Q/FY 2007 Actual

## Sales

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



Growth rate y/y (Unit base)		
	4Q	FY
Digital cameras	+13%	+17%

### D SLR ratio\*

	4Q	FY
Value base	39%	38%
Unit base	13%	13%

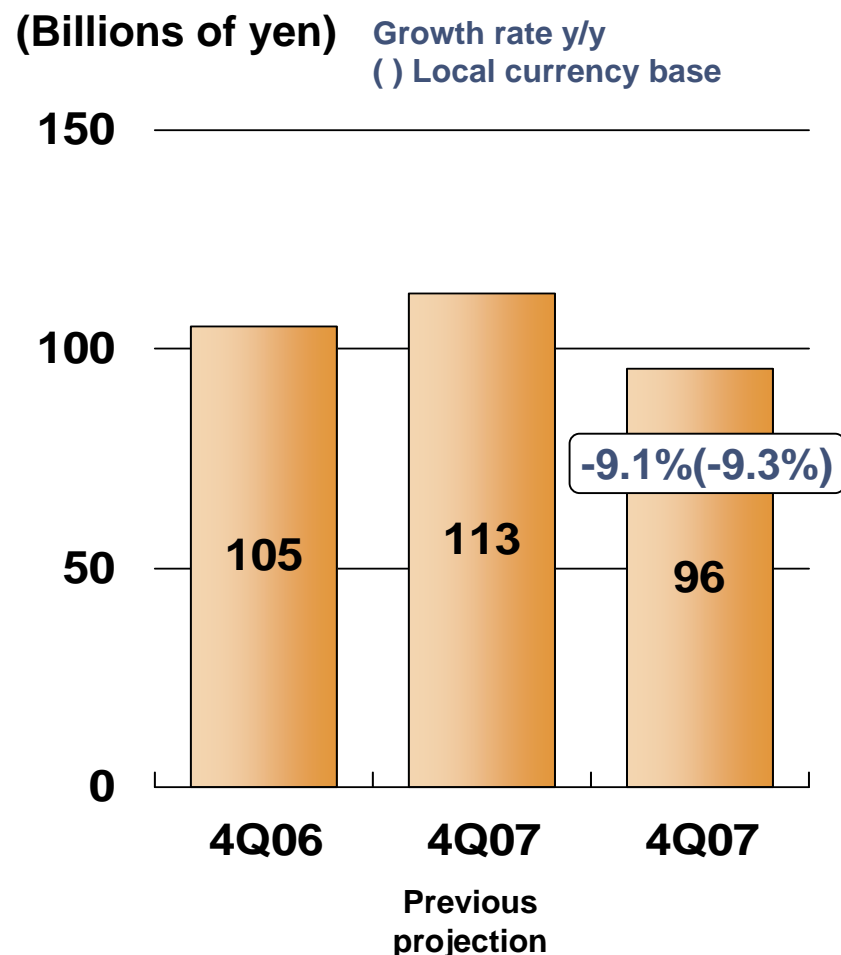
\* Percentage of digital cameras sales attributable to SLRs

\*\*"Film cameras / Lenses" now called "Interchangeable lenses and others"

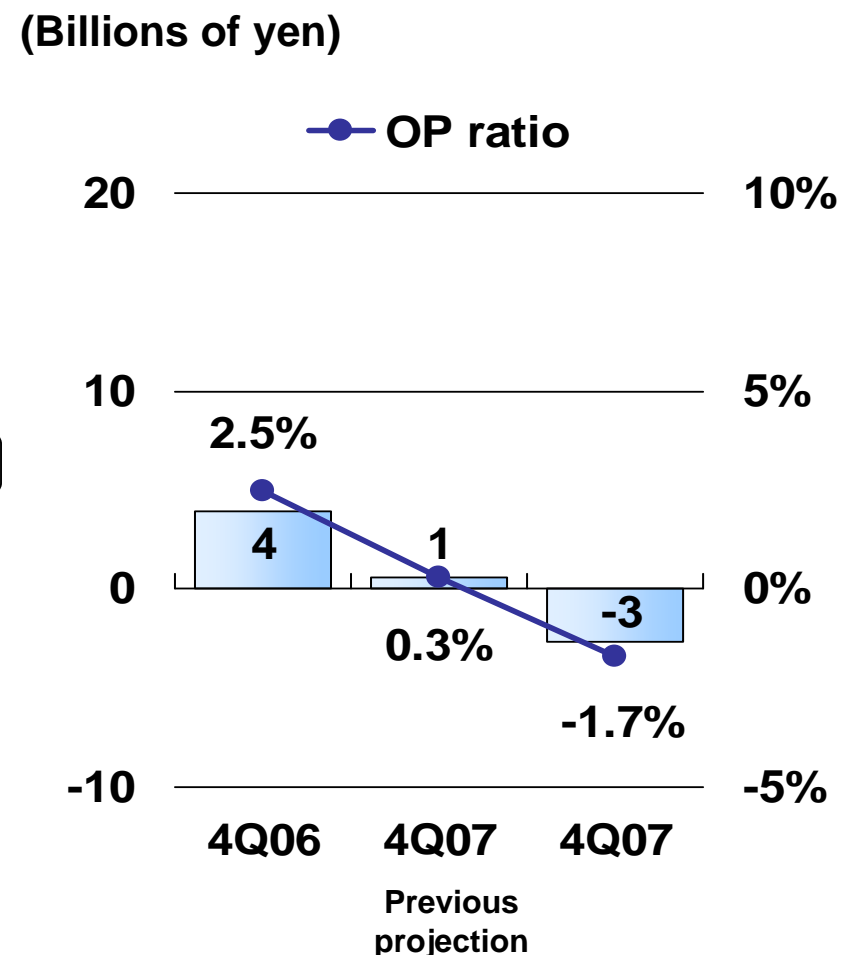
# Optical and Other Products

4Q 2007 Actual

## Sales



## Operating Profit



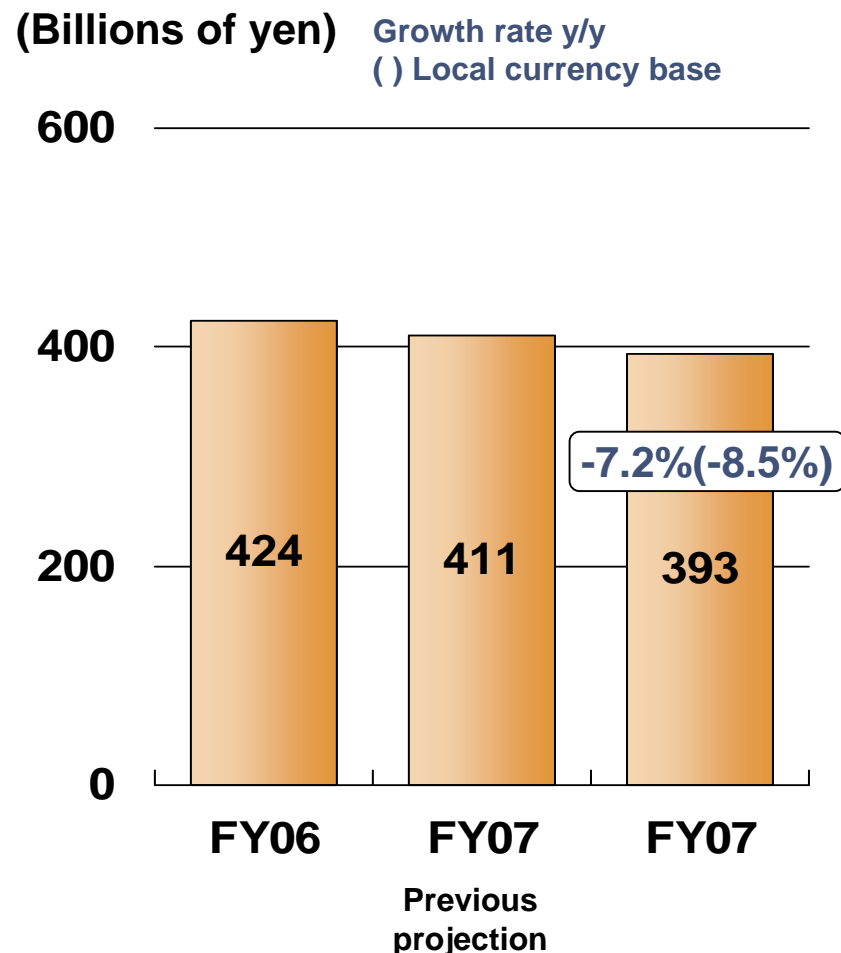
\*Excluding inter-segment sales

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

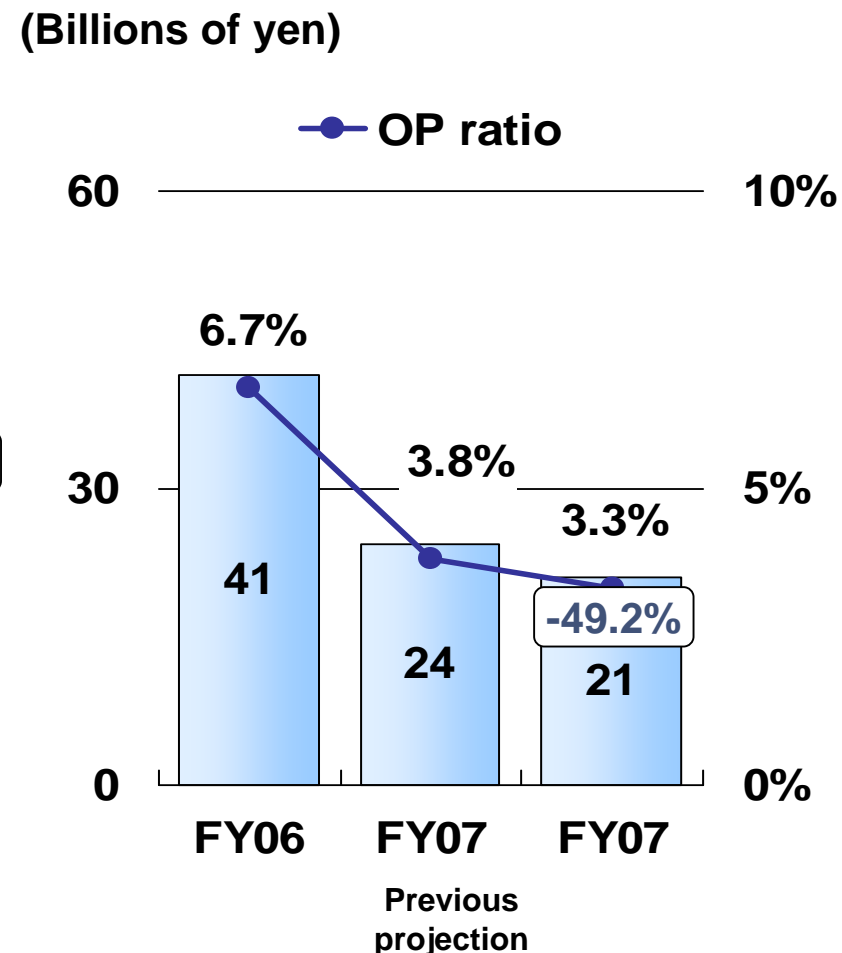
# Optical and Other Products

FY 2007 Actual

## Sales



## Operating Profit



\*Excluding inter-segment sales

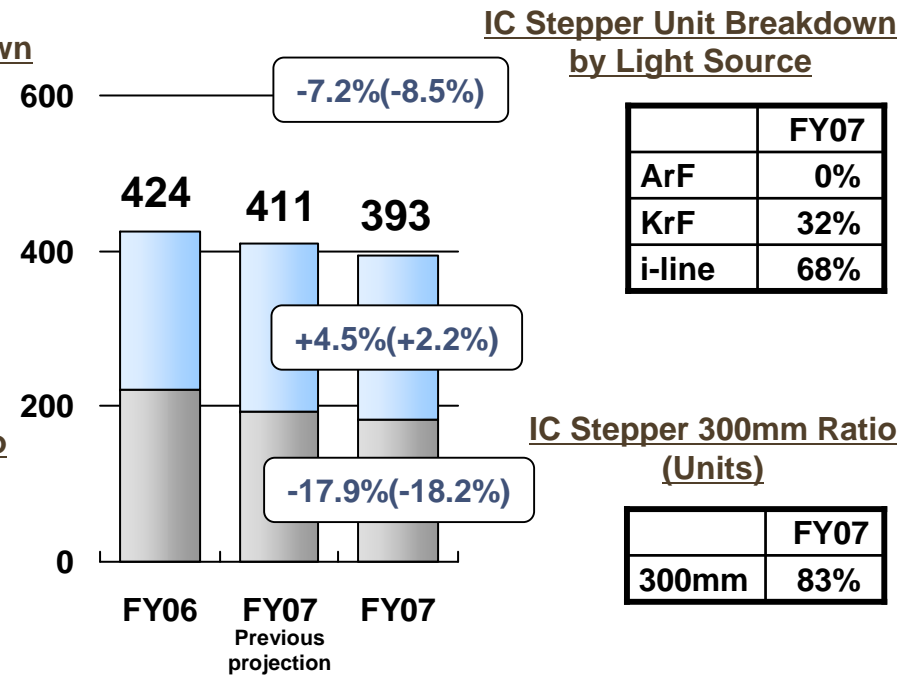
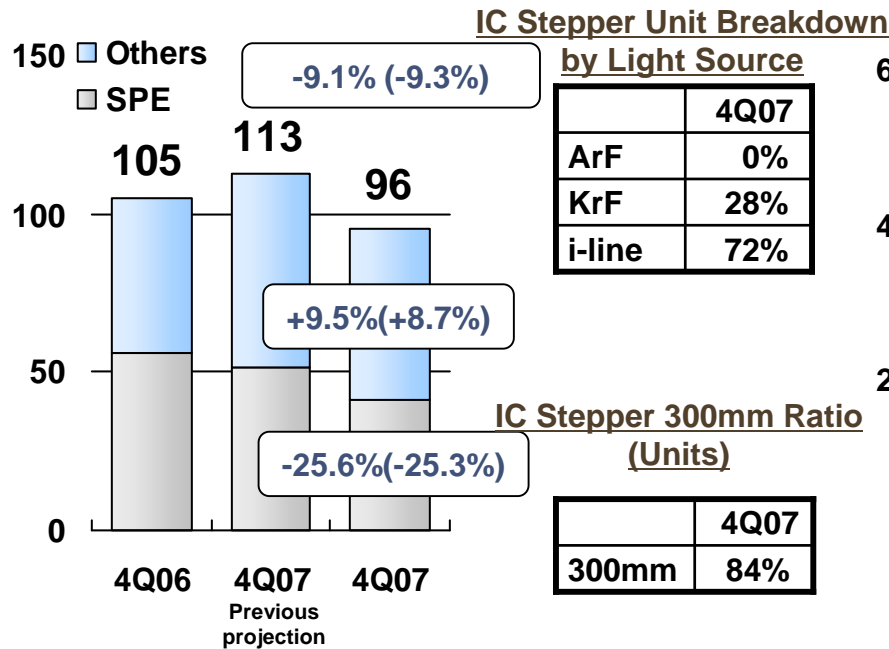
\*Calculation of operating profit margin includes inter-segment sales

# Optical and Other Products

4Q/FY 2007 Actual

## Sales

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



### SPE (Unit sales)

	4Q06	4Q07 Projection	4Q07
IC	65	45	43
LCD	3	6	6
TTL	68	51	49

### SPE (Unit sales)

	FY06	FY07 Projection	FY07
IC	192	181	179
LCD	62	29	29
TTL	254	210	208





# Assumptions

FY 2008 Projection

Average Exchange Rate	FY 2008	FY 2007
■ Yen-1USD	107.00 yen	117.50 yen
■ Yen-1EURO	157.00 yen	161.41 yen

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

	Net sales	Operating profit
■ USD	16.9 billion yen	9.9 billion yen
■ EURO	7.6 billion yen	5.6 billion yen

# Key Points – 2008

## Assumptions

- ✓ Strong yen against the U.S. dollar and euro
- ✓ Tough economic environment in first half, but recovery towards year-end
- ✓ Impact from chg. in depreciation method in the first quarter



## Projections

- ✓ Realize net sales and profit growth of all businesses through continued business strength
- ✓ Achieve ninth consecutive year of net sales and profit growth and maintain high level of profitability

# Summary of Projected Results

FY 2008 Projection

(Billions of yen)

	FY 2008 Projection	FY 2007 Actual	% change
<b>Net sales</b>	<b>4,720.0</b>	<b>4,481.3</b>	+5.3%
<b>Gross profit</b>	<b>2,350.0</b>	<b>2,247.0</b>	+4.6%
[% sales]	49.8%	50.1%	
<b>Op. profit</b>	<b>800.0</b>	<b>756.7</b>	+5.7%
[% sales]	16.9%	16.9%	
<b>Net income</b>	<b>520.0</b>	<b>488.3</b>	+6.5%
[% sales]	11.0%	10.9%	
<b>Foreign exchange rate</b>			
Yen – 1USD	107.00	117.50	
Yen – 1EURO	157.00	161.41	

# Transition in Sales and Op. Profit

FY 2008 Projection v. FY 2007 Actual

(Billions of yen)

	FY	
	Sales	Op. Profit
2007 Actual	4,481.3	756.7
Foreign exchange impact [net sales, cost of sales, expenses]	-216.0	-129.4
Sales volume impact		
Office Imaging Products	+92.0	
Computer Peripherals	+171.5	
Business Information Products	+1.3	
Cameras	+255.1	
Optical and Other Products	+60.5	
Total	+580.4	+256.0
Others	-125.7	-83.3
Total Change	+238.7	+43.3
2008 Projection	4,720.0	800.0

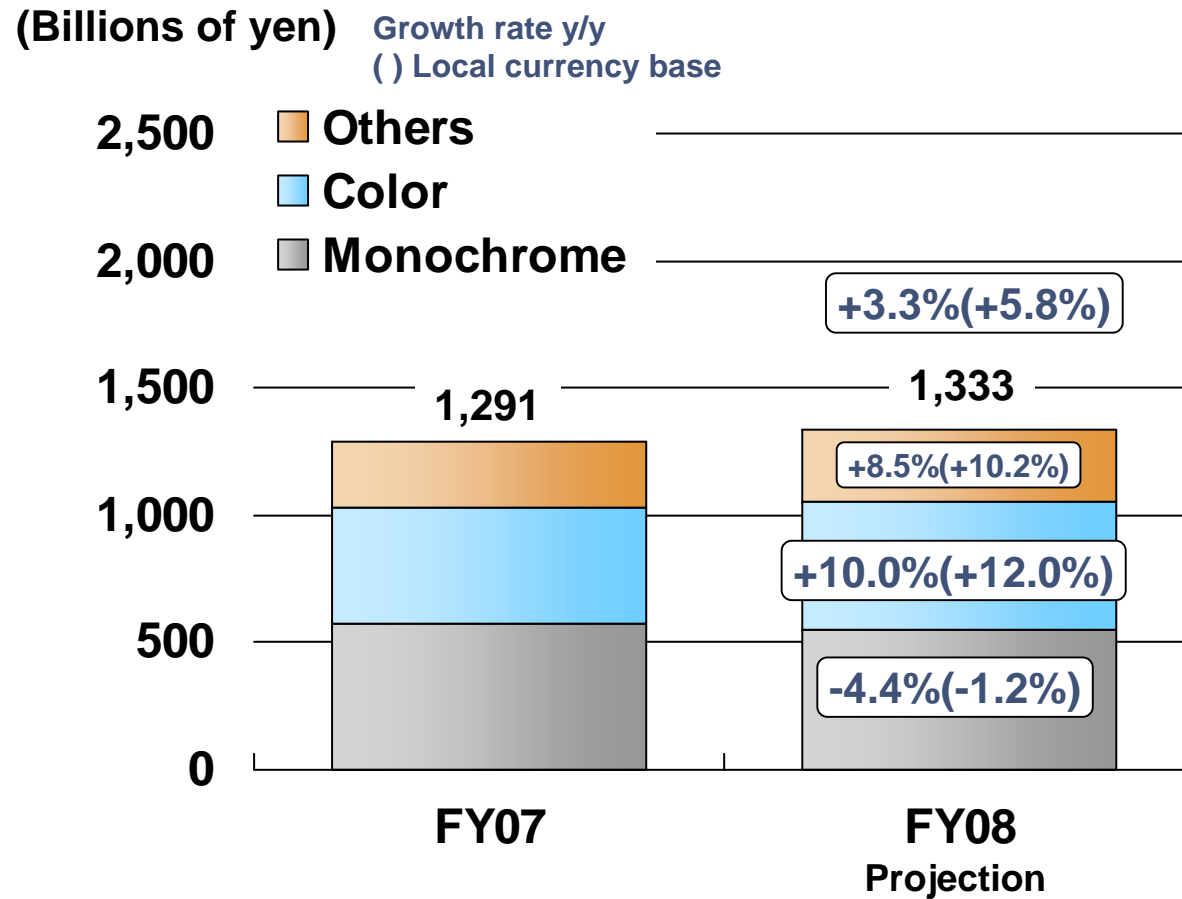
**Change in Exchange Rate**

- 1USD: 117.50 to 107.00 yen
- 1EURO: 161.41 to 157.00 yen

# 2008 Office Imaging Products

Further color sales growth through lineup expansion

## Sales



Growth rate y/y (Unit base)	
<b>Copying machines (FY)</b>	
Color	+20%
Mono-chrome	0%
<b>Total</b>	<b>+5%</b>

Color ratio (Copying machines)	
	FY
Value base	47%
Unit base	26%

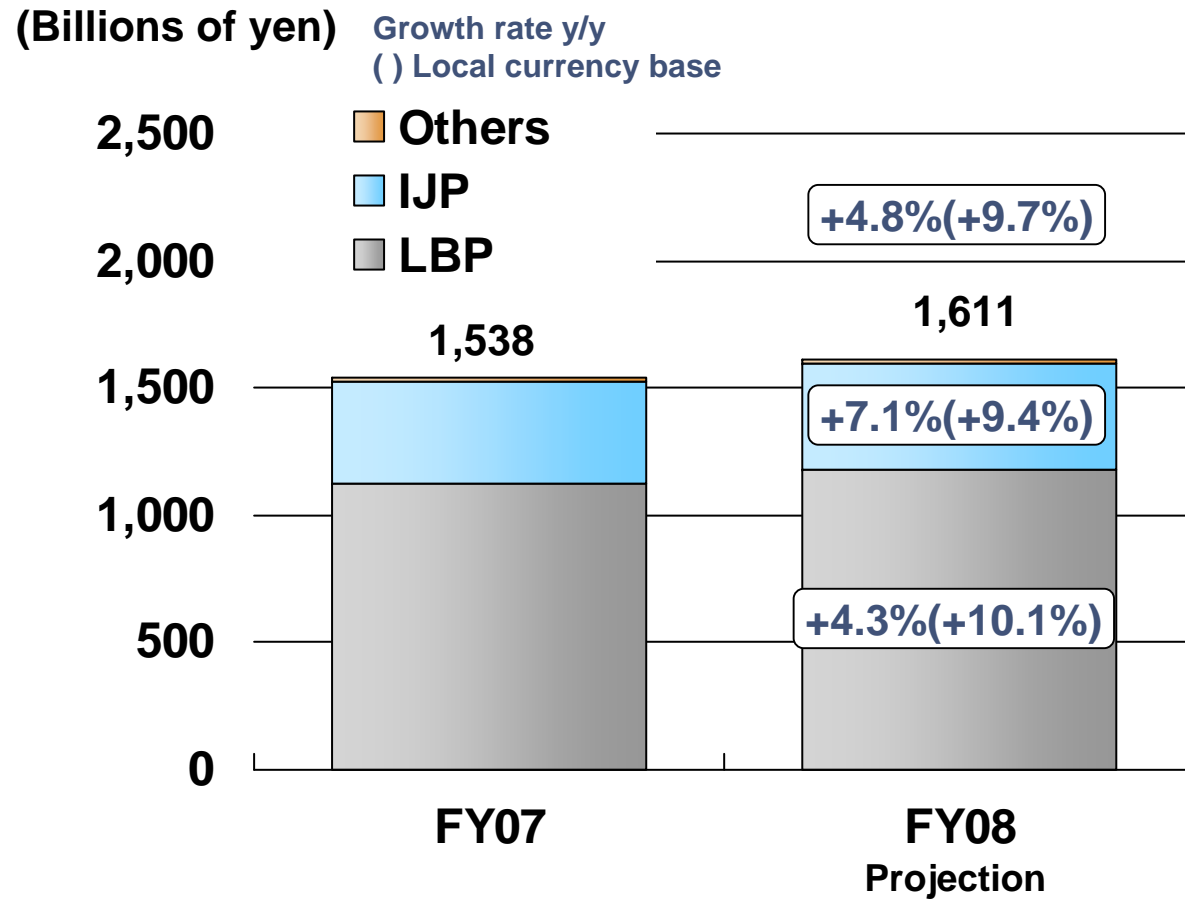
Calculated on a post reclassification basis  
\*Includes consumables

\*Figures related to analog personal copying machines, which use to be included in "Monochrome," are now included in "Others."

# 2008 Laser Beam Printers

Further expansion of profit through high-PV strategy

## Sales



Growth rate y/y (Unit base)	
LBP (FY)	
Color	+27%
Mono-chrome	-2%
Total	+2%

### Color ratio (LBP)

	FY
Value base	40%
Unit base	17%

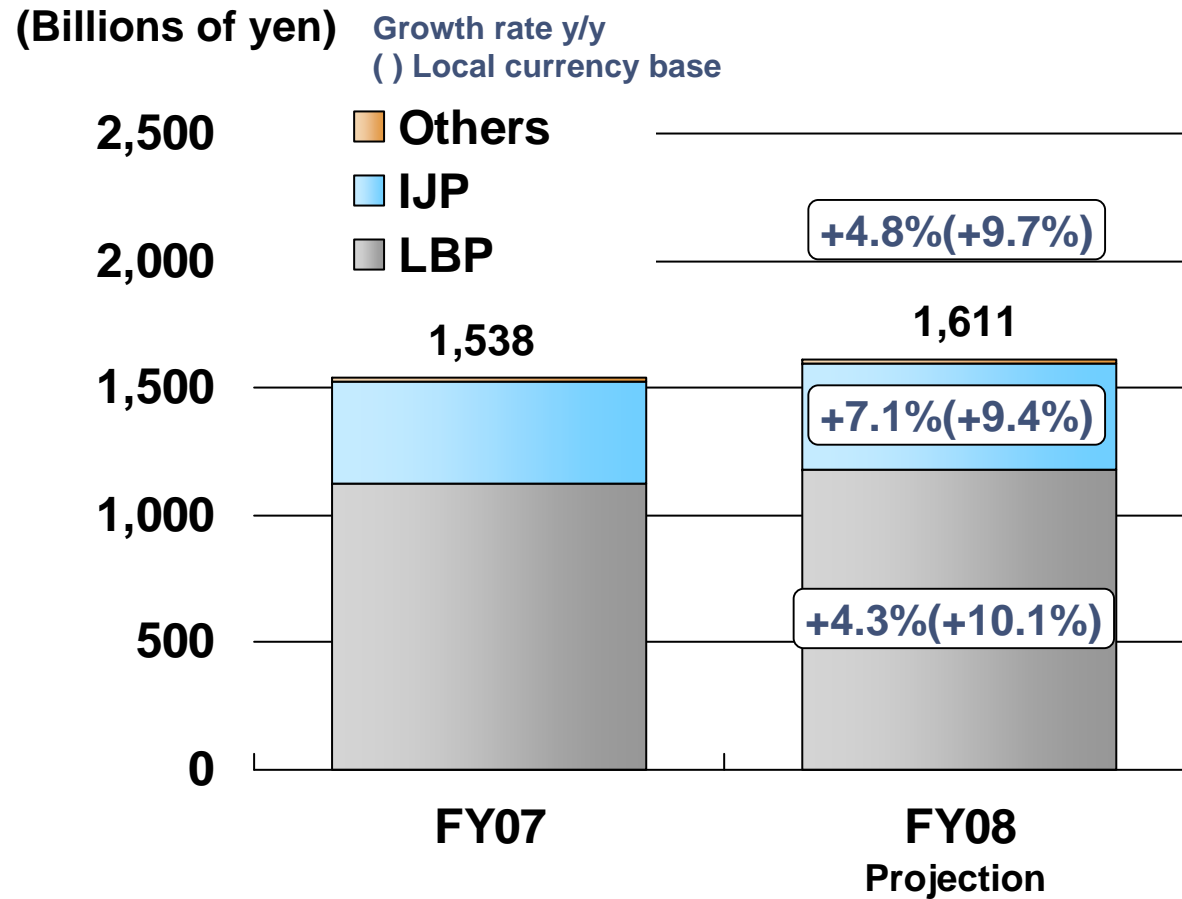
\*Includes consumables

\*PV stands for "print volume"

# 2008 Inkjet Printers

Leverage product competitiveness to expand PV

## Sales

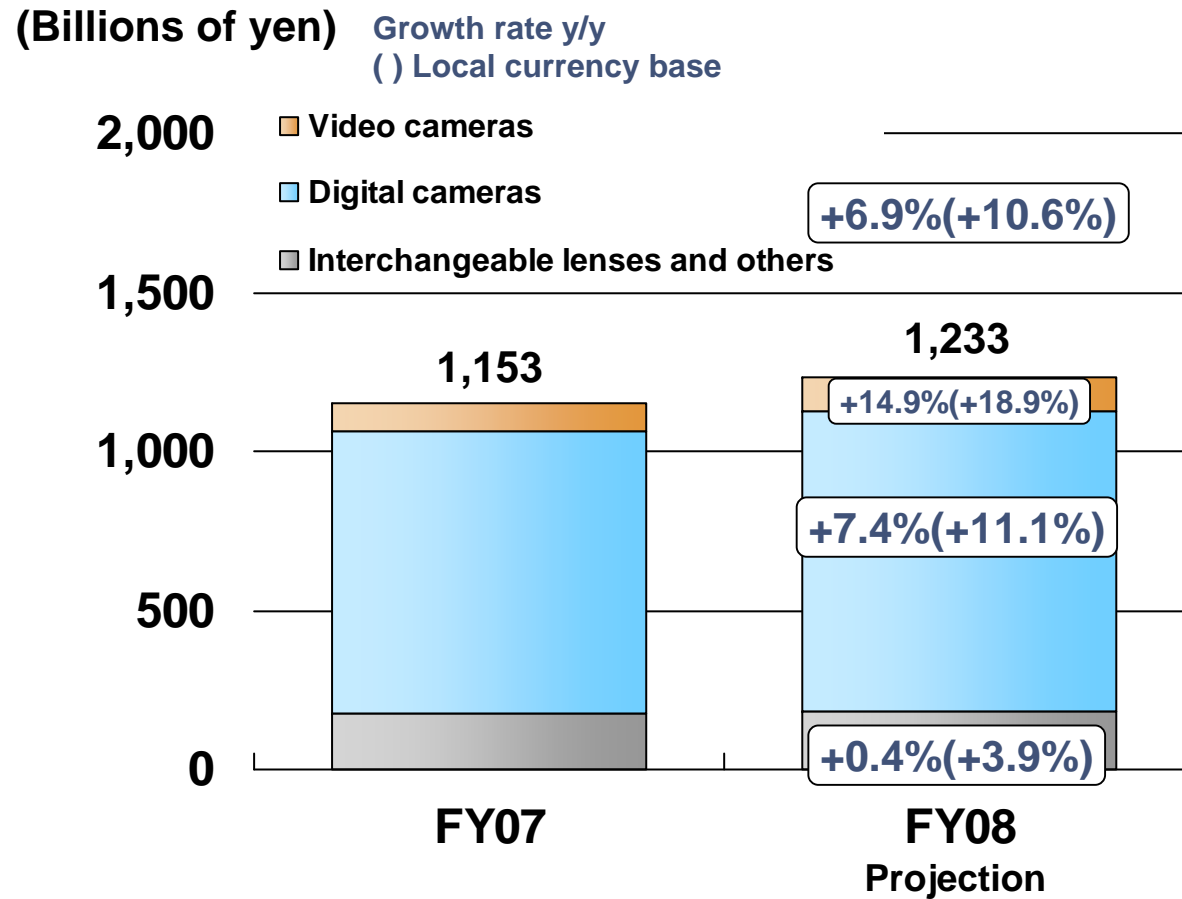


Growth rate y/y (Unit base)	
IJP (FY)	
Total	+8%

# 2008 Digital Cameras

Further sales growth through launch of strategic new products

## Sales



Growth rate y/y (Unit base)	
Digital cameras (FY)	
Digital cameras	+20%

### D SLR ratio\*

	FY
Value base	42%
Unit base	15%

\* Percentage of digital cameras sales attributable to SLRs

\*\*Film cameras / Lenses now called "Interchangeable lenses and others"



# 2008 Cameras

Further sales growth through launch of strategic new products

## EOS Kiss X2



- Proprietary 12.2 million pixel CMOS sensor
- Live view shooting mode
- Available in March

## IXY DIGITAL 20 IS



- 8 million pixel CCD sensor
- Motion Detection technology
- Available in March

## iVIS HF10



- Proprietary full HD CMOS sensor
- Flash memory recording media
- Available in March

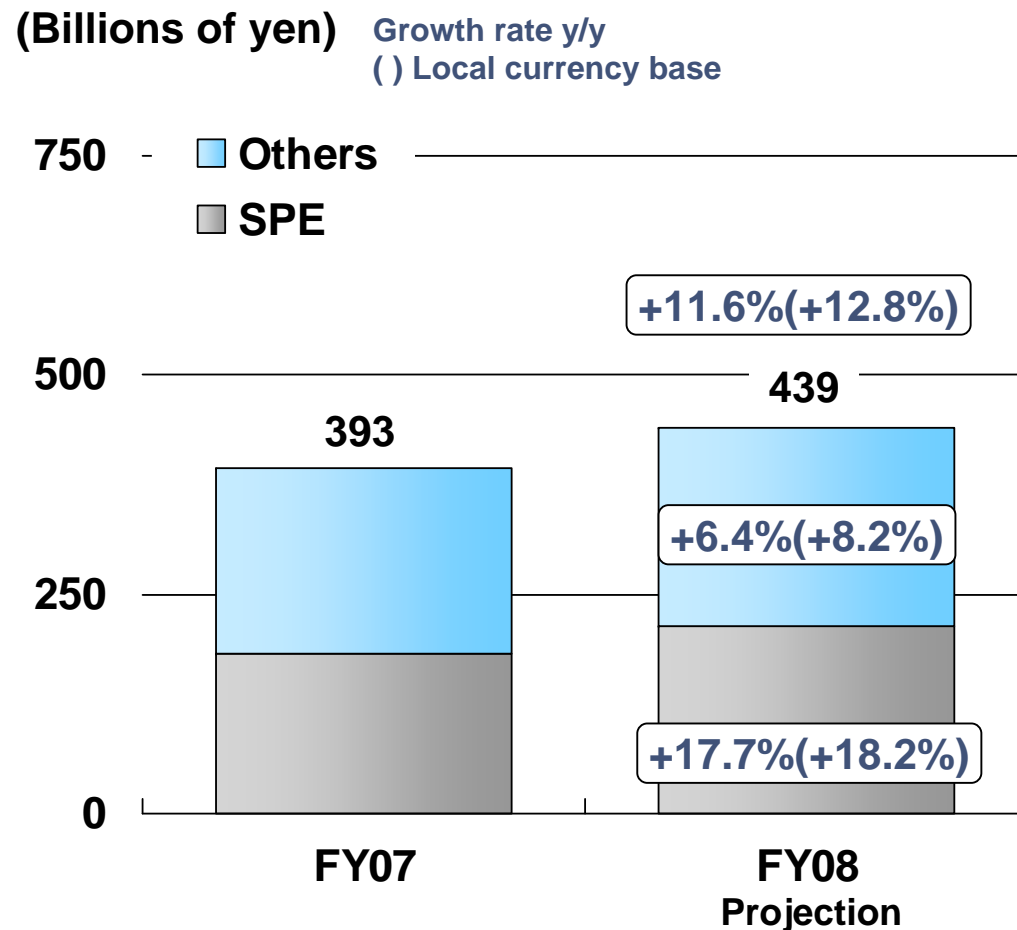
\*Product names are those used in the Japanese market

# 2008 Semiconductor Product Equip.

IC steppers: First step towards 30% share of immersion market in 2010

LCD aligner: Securing an overwhelming No.1 position amid significant turnaround in market situation

## Sales



## IC Stepper Unit Breakdown By Light Source

	FY08 Projection
ArF IM	2%
ArF Dry	4%
KrF	32%
i-line	62%

## IC Stepper 300mm Ratio (Units)

	FY08 Projection
300mm	82%

## SPE (Unit sales)

	FY07	FY08 Projection
IC	179	130
LCD	29	60
TTL	208	190

# Operating Profit by Product

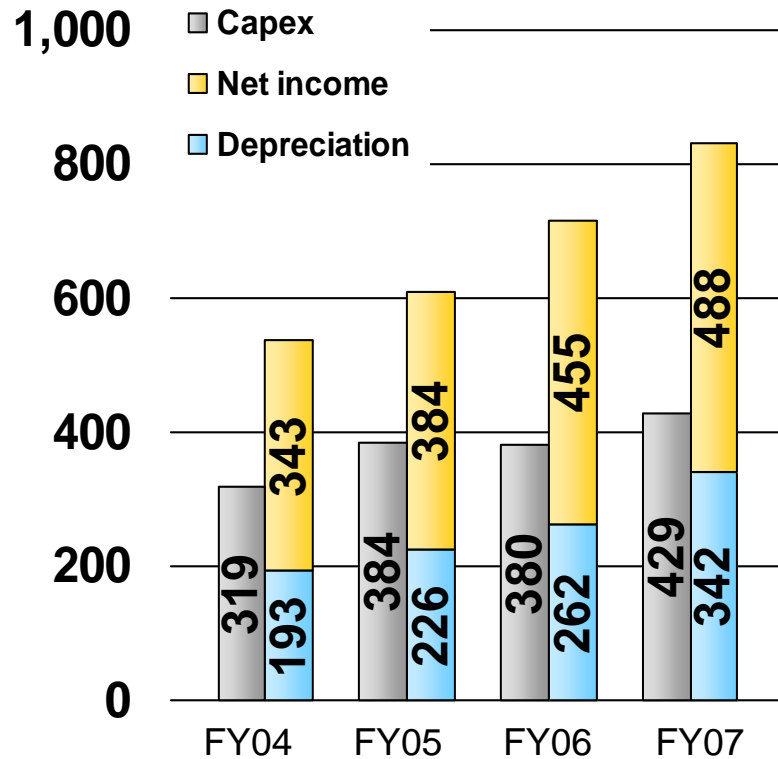
FY 2008 Projection v. FY 2007 Actual

(Billions of yen)

	FY 2008 Projection	FY 2007 Actual
Business machines	676.9	650.3
% sales	22.2%	22.2%
Cameras	335.6	307.4
% sales	27.2%	26.7%
Optical and other products	40.5	21.1
% sales	5.9%	3.3%
Corp. and eliminations	-253.0	-222.1
Total	800.0	756.7
% sales	16.9%	16.9%

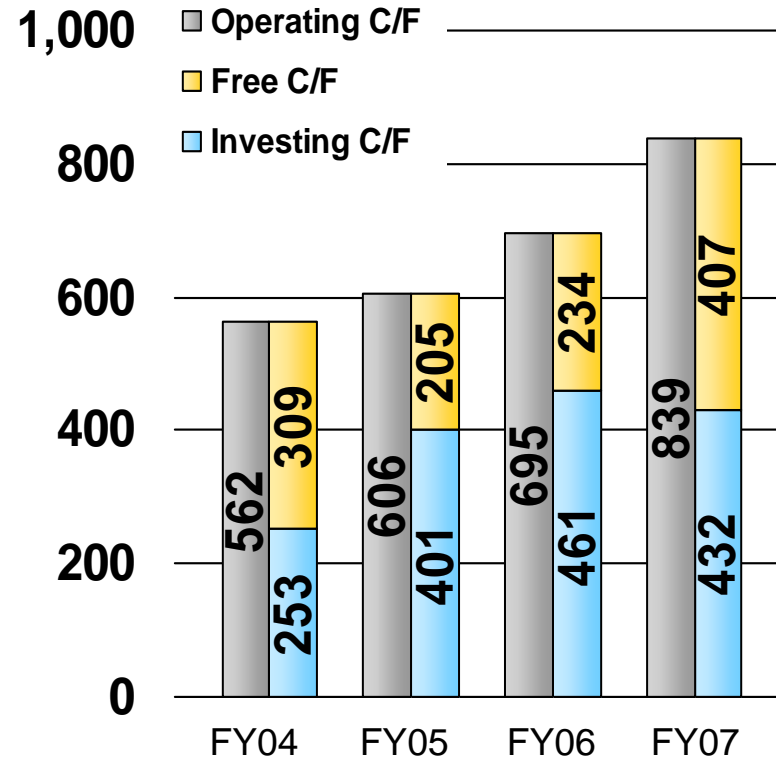
# Capital Expenditure

(Billions of yen)



# Free Cash Flow

(Billions of yen)



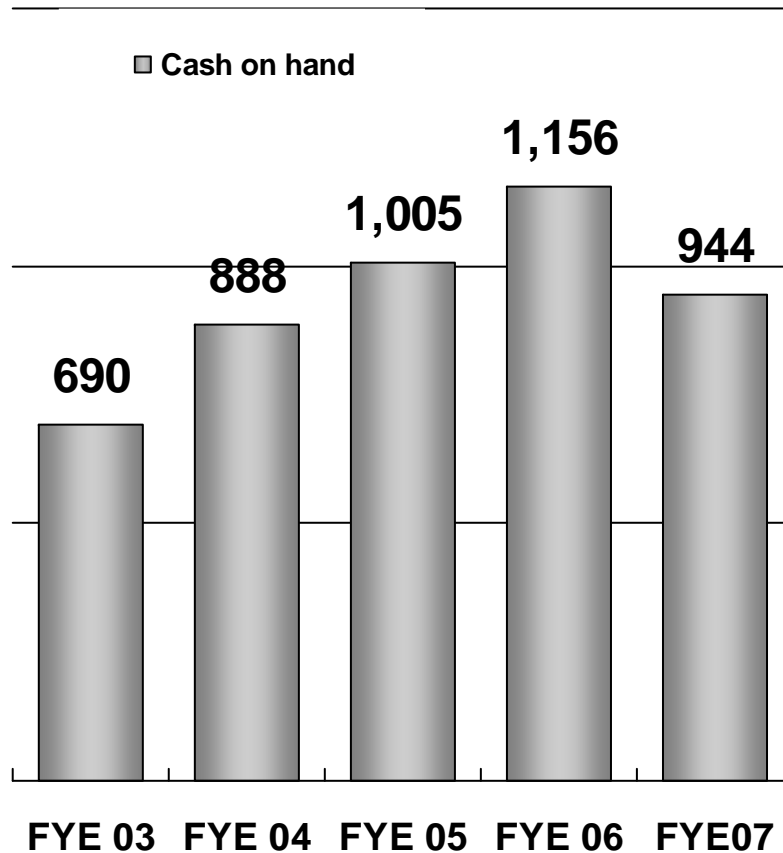
[Major Expenditures in 2007]

- 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

# Cash on Hand and Return to Shareholders

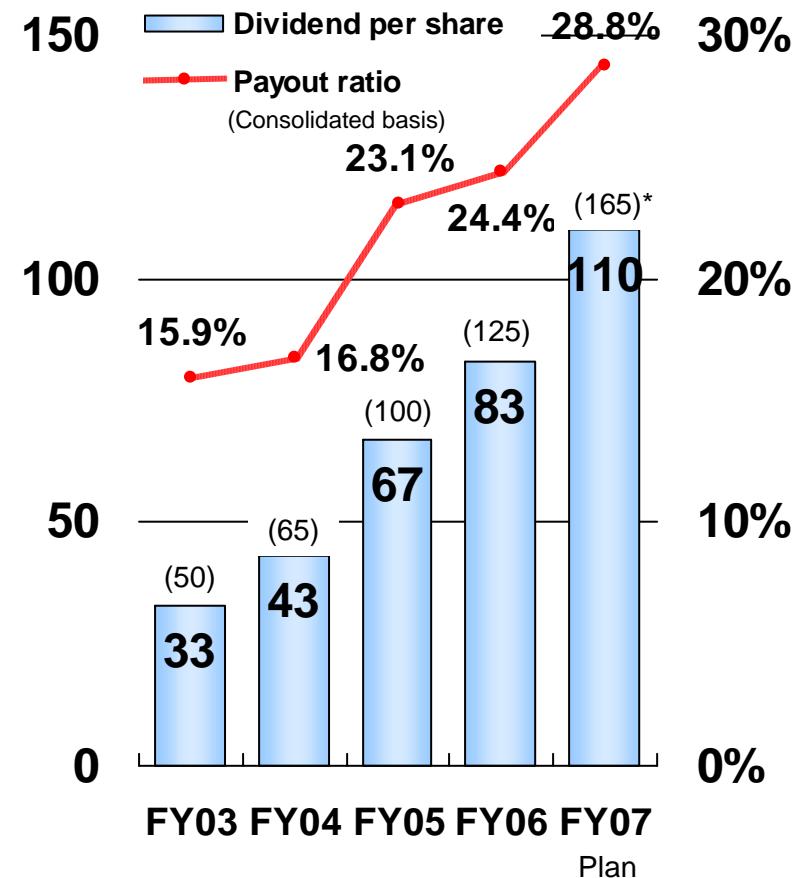
## Cash on Hand (Year-end)

(Billions of yen)



## Return to Shareholders

(Yen)



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

70<sup>th</sup>  
Anniversary

**Canon**

# Supplementary Information

# Summary of Projected Results

1H 2008 Projection

(Billions of yen)

	1H 2008 Projection	1H 2007 Actual	% change
<b>Net sales</b>	<b>2,230.0</b>	<b>2,166.7</b>	+2.9%
<b>Gross profit</b>	<b>1,130.0</b>	<b>1,107.6</b>	+2.0%
[% sales]	50.7%	51.1%	
<b>Op. profit</b>	<b>390.0</b>	<b>388.9</b>	+0.3%
[% sales]	17.5%	17.9%	
<b>Net income</b>	<b>256.0</b>	<b>255.2</b>	+0.3%
[% sales]	11.5%	11.8%	
<b>Foreign exchange rate</b>			
Yen – 1USD	107.00	120.07	
Yen – 1EURO	157.00	159.77	

Supplementary Information

January 30, 2008 Canon Inc.



# Transition in Sales and Operating Profit

4Q&FY 2007 Actual v. 4Q &FY 2006 Actual

(Billions of yen)

	4Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2006 Actual	1,216.5	195.9	4,156.8	707.0
Foreign exchange impact [net sales, cost of sales, expenses]	+2.7	+7.8	+125.5	+79.8
Sales volume impact				
Office Imaging Products	+16.7		+57.4	
Computer Peripherals	+24.2		+116.9	
Business Information Products	+3.3		-0.6	
Cameras	+57.0		+180.6	
Optical and Other Products	-9.3		-28.1	
Total	+91.9	+50.7	+326.2	+166.3
Others	-47.3	-60.8	-127.2	-196.4
Total Change	+47.3	-2.3	+324.5	+49.7
2007 Actual	1,263.8	193.6	4,481.3	756.7

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

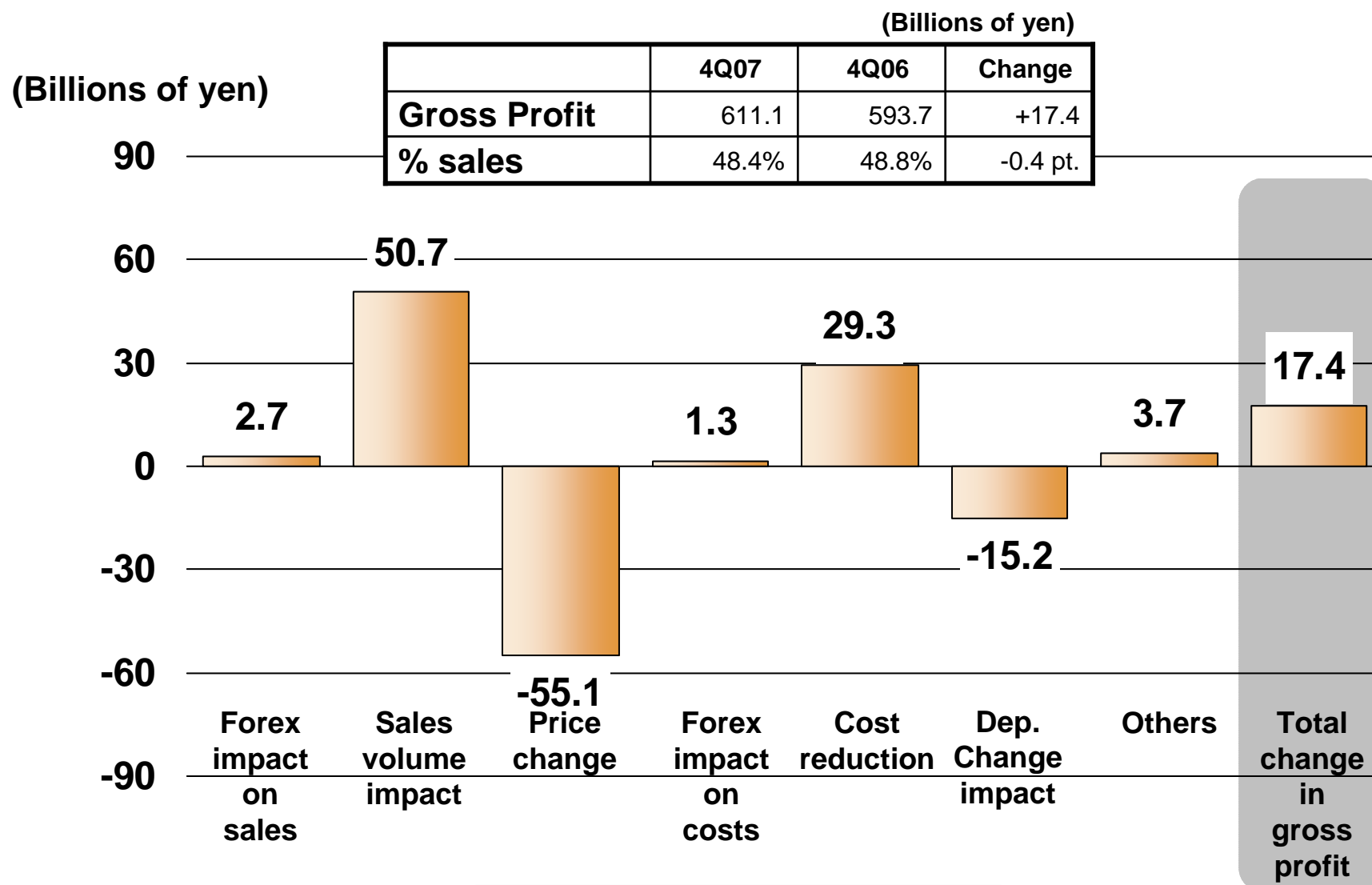
- 1USD: 117.81 to 113.19 Yen
- 1EURO: 151.89 to 163.86 Yen

**Change in Exchange Rate (FY)**

- 1USD: 116.43 to 117.50 Yen
- 1EURO: 146.51 to 161.41 Yen

# Gross Profit Variance Analysis

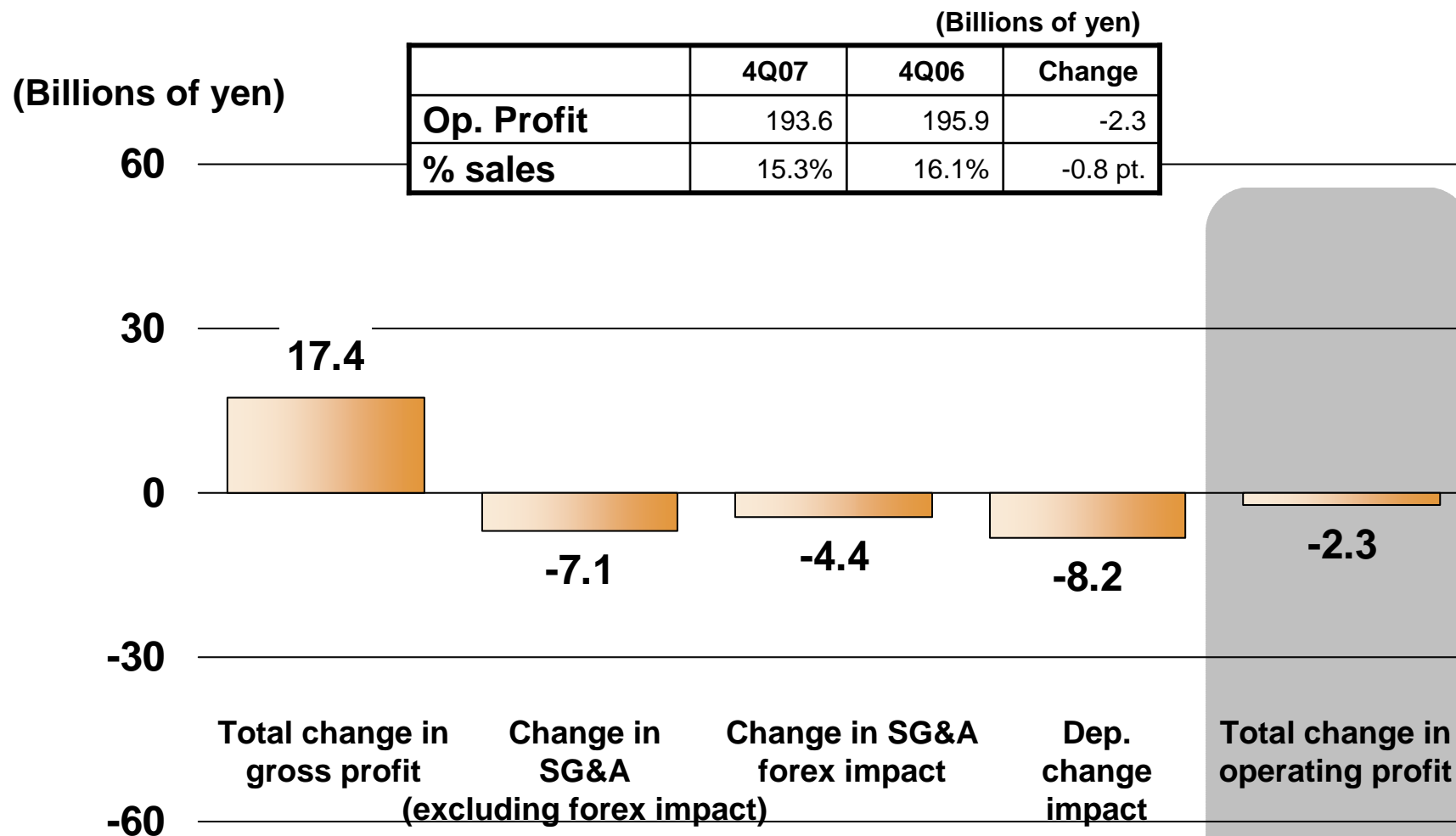
4Q 2007 Actual v. 4Q 2006 Actual



Supplementary Information

# Operating Profit Variance Analysis

4Q 2007 Actual v. 4Q 2006 Actual

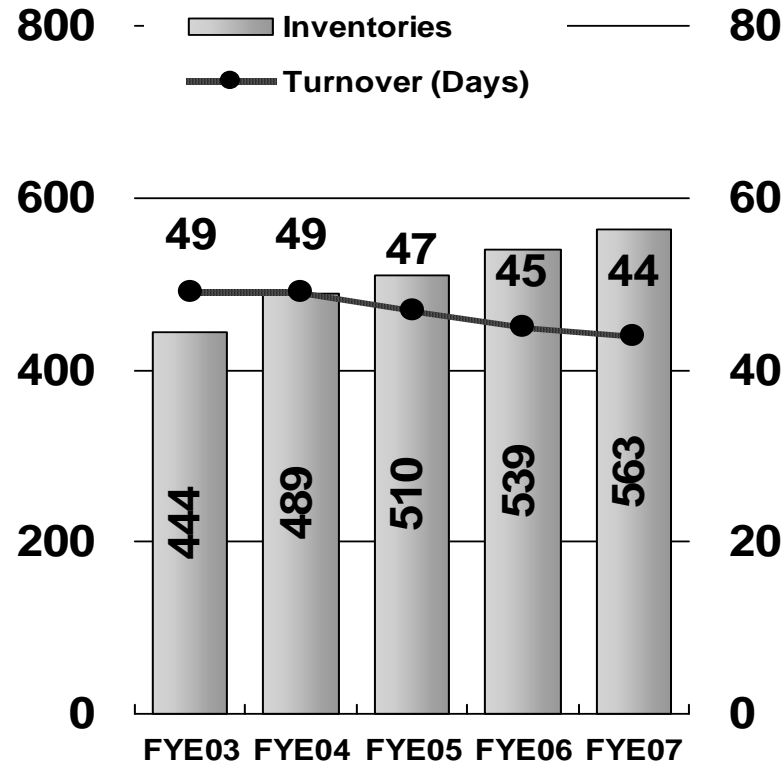


Supplementary Information

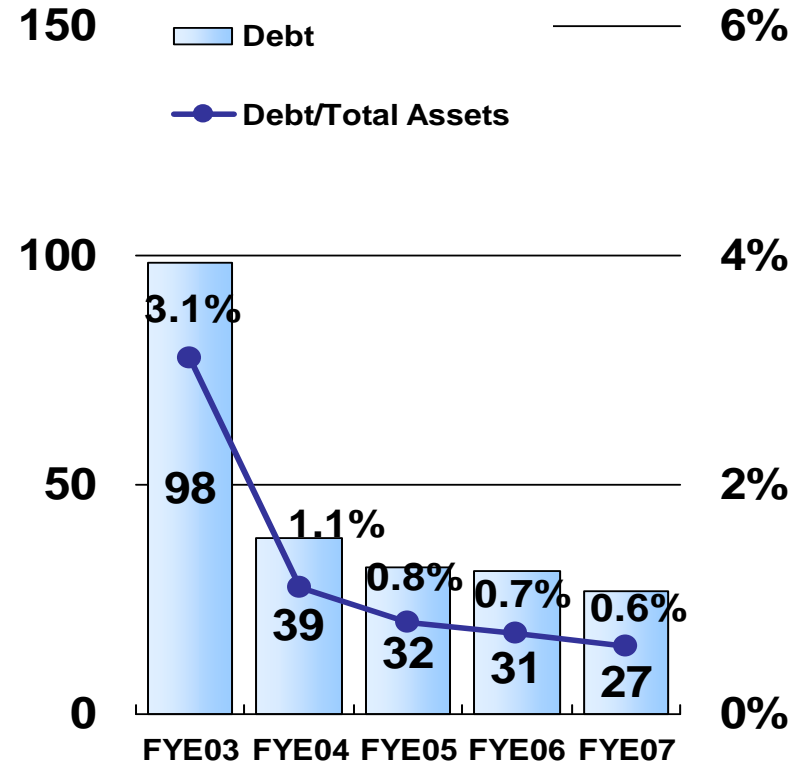
# Inventories

# Interest Bearing Debt

(Billions of yen)

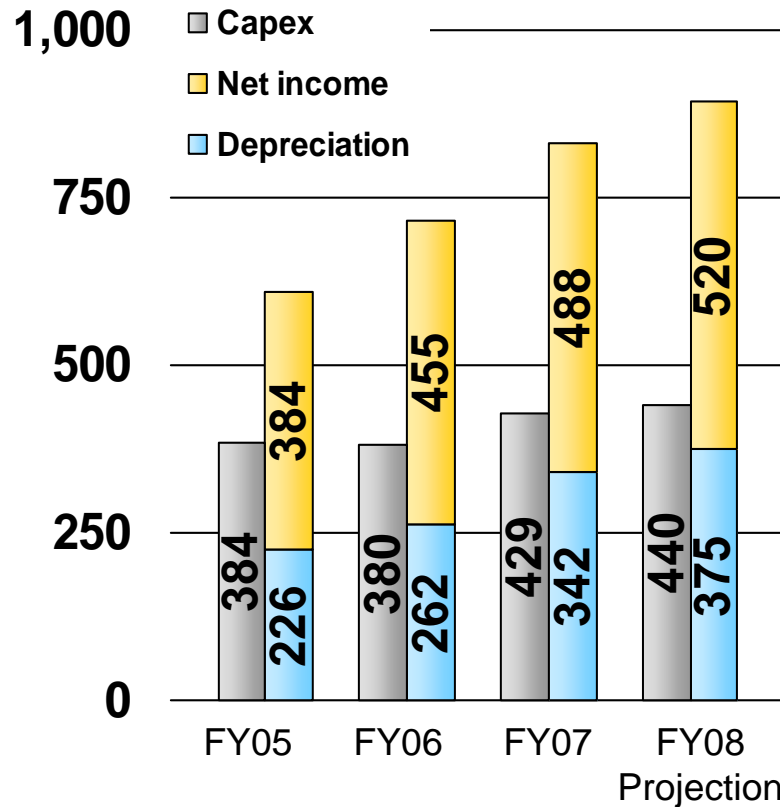


(Days) (Billions of yen)



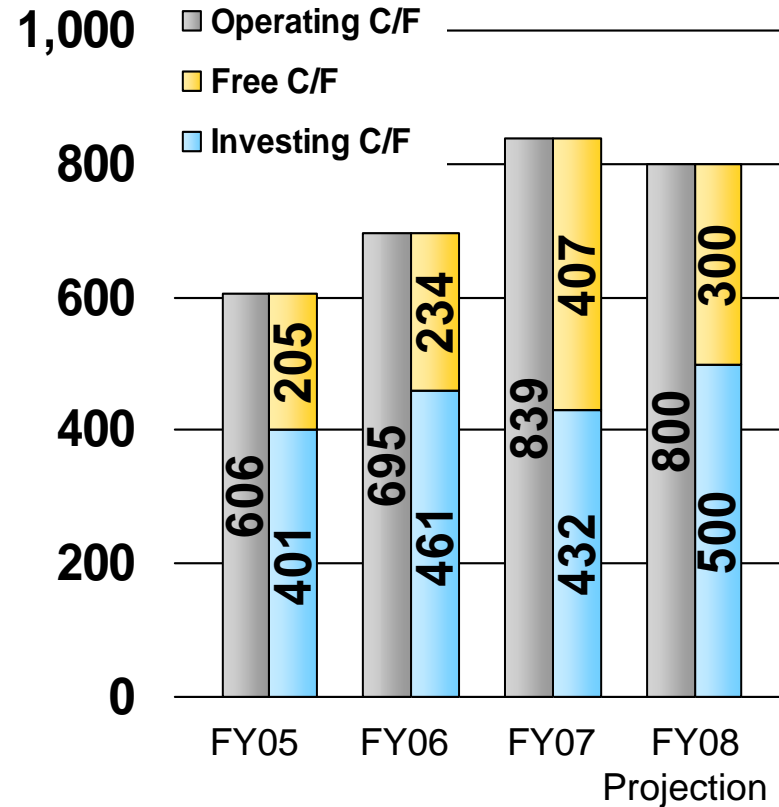
# Capital Expenditure

(Billions of yen)



# Free Cash Flow

(Billions of yen)



[Major Expenditures in 2008]

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

Supplementary Information

# Financial Ratios

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

