



Canon Inc.

FY 2008 Results

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Masahiro Osawa

Managing Director, Group Executive
Finance and Accounting Headquarters

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Agenda

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2008 in Summary

External Environment

- ✓ Unprecedented slowdown of world economy
- ✓ Dramatic and rapid appreciation of the yen
- ✓ Steep rise in raw material prices

Results

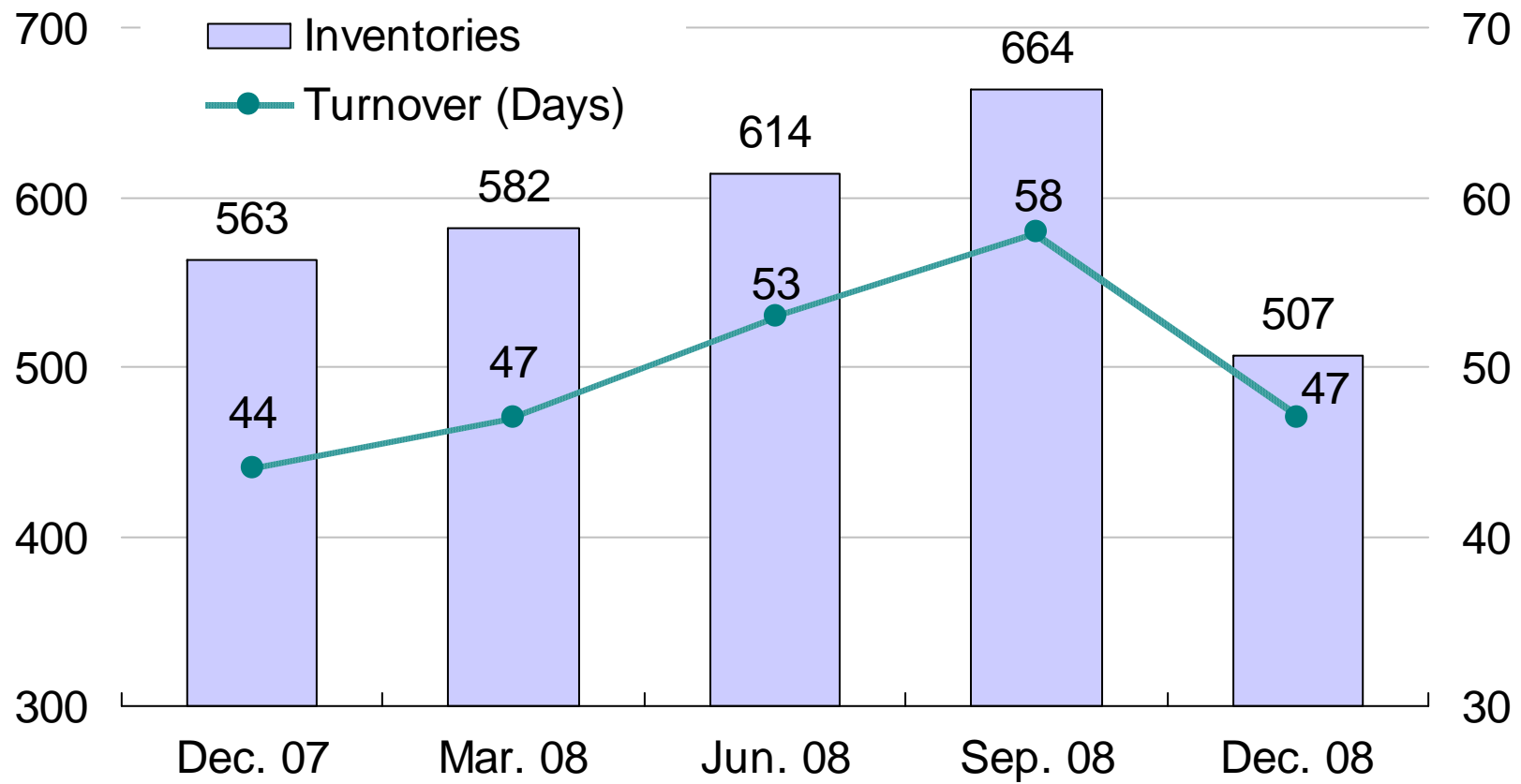
- ✓ First decrease in sales and profits in 9 yrs.
- ✓ Showed ability to adapt to changing environment - thorough expense and inventory reduction
- ✓ Responded to dramatic change in market environment and maintained healthy financial condition through write-down, impairment and disposal of asset

2008 in Summary

Inventories

(Billions of yen)

(Days)



Summary of Results

4Q/FY 2008 Actual

(Billions of yen) (For Reference)

		2008				2007		Pct. Change		2008 Actual (Excluding Forex Impact)	
		Actual	% Sales	Projection	% Sales	Actual	% Sales	Projection	Actual	Amt.	% Sales
4Q	Net sales	994.7		1,150.6		1,263.8		-13.5%	-21.3%	1,144.7	
	Gross profit	421.4	42.4%	518.4	45.1%	611.1	48.4%	-18.7%	-31.0%	552.0	48.2%
	Op. profit	35.8	3.6%	119.8	10.4%	193.6	15.3%	-70.1%	-81.5%	131.7	11.5%
	Net income	11.6	1.2%	77.5	6.7%	127.8	10.1%	-85.0%	-90.9%		
	Yen-1USD	96.22		100.00		113.19					
	Yen-1EURO	126.46		135.00		163.86					
FY	Net sales	4094.2		4,250.0		4,481.3		-3.7%	-8.6%	4,393.7	
	Gross profit	1938.0	47.3%	2,035.0	47.9%	2,247.0	50.1%	-4.8%	-13.8%	2,179.8	49.6%
	Op. profit	496.1	12.1%	580.0	13.6%	756.7	16.9%	-14.5%	-34.4%	677.1	15.4%
	Net income	309.1	7.6%	375.0	8.8%	488.3	10.9%	-17.6%	-36.7%		
	Yen-1USD	103.23		104.07		117.50					
	Yen-1EURO	151.46		153.23		161.41					

Transition in Sales and Op. Profit

4Q 2008 Actual v. Projection

(Billions of yen)

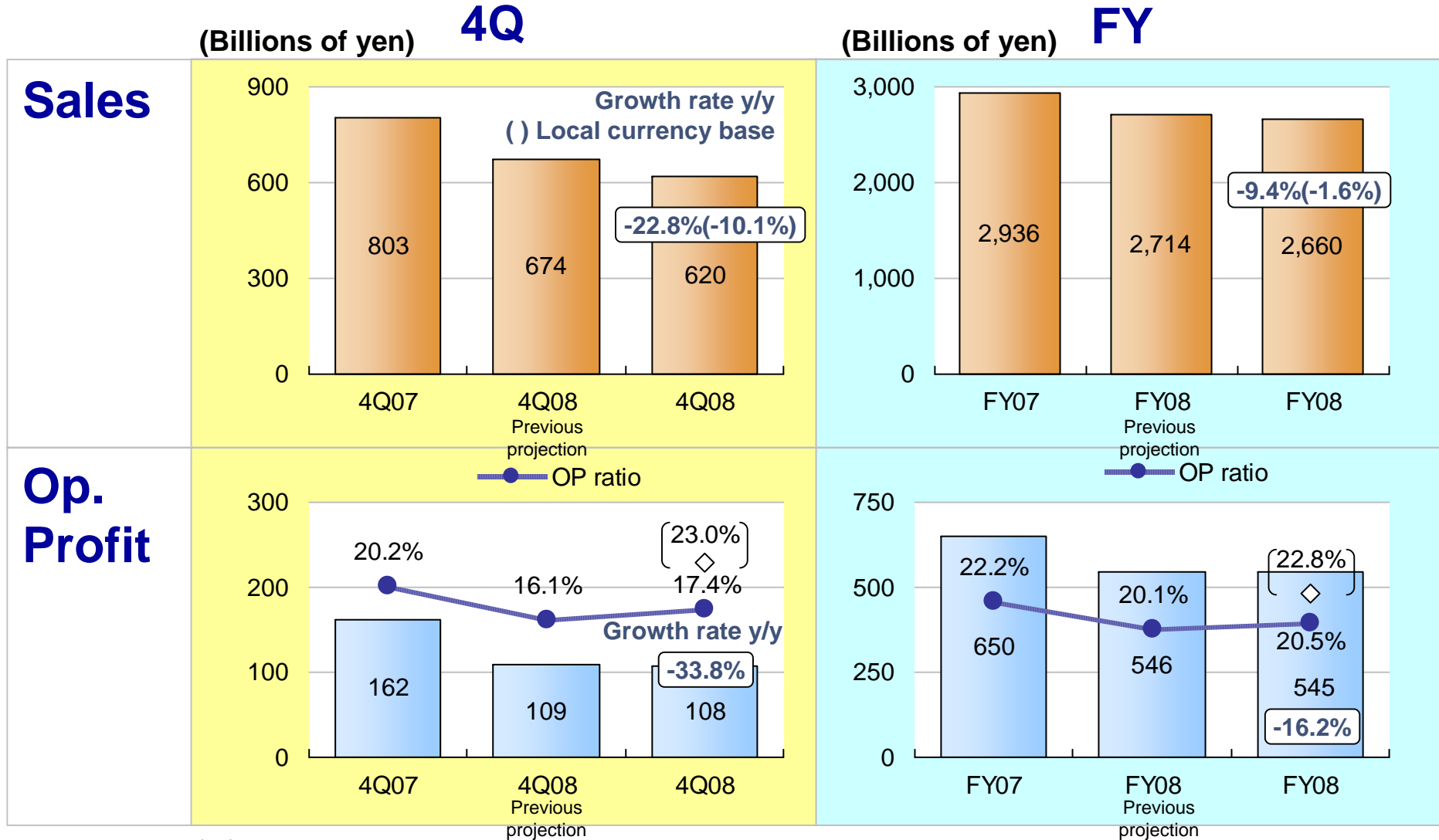
	Sales	Op. Profit
4Q 2008 Projection (Oct. 27, 2008)	1,150.6	119.8
Foreign exchange impact [net sales, cost of sales, expenses]	-39.6	-22.9
Sales volume impact		
Office Imaging Products	-33.9	
Computer Peripherals	+4.1	
Business Information Products	-8.2	
Cameras	-85.7	
Optical and Other Products	-18.7	
Total	-142.4	-56.8
Others	+26.1	-4.3
Total Change	-155.9	-84.0
4Q 2008 Actual	994.7	35.8

Change in Exchange Rate

- 1USD: 100.00 to 96.22 yen
- 1EURO: 135.00 to 126.46 yen

Business Machines

4Q/FY 2008 Actual



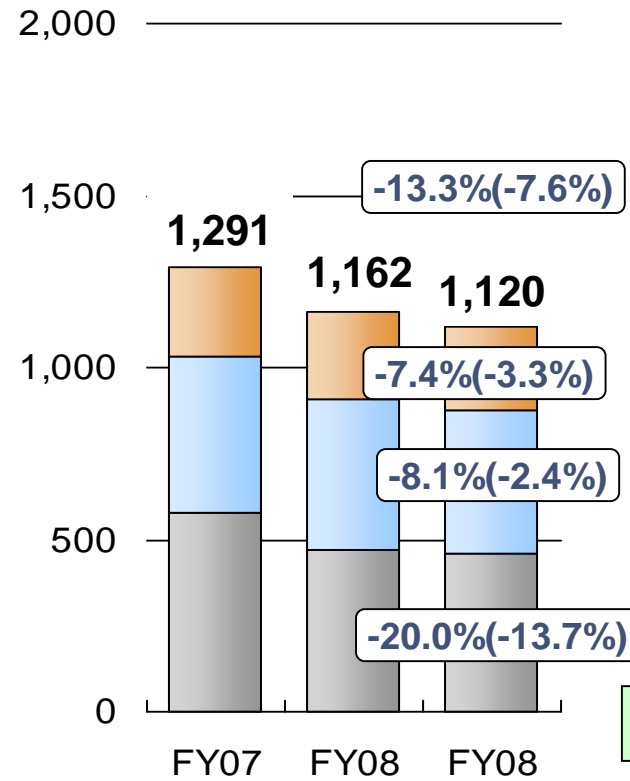
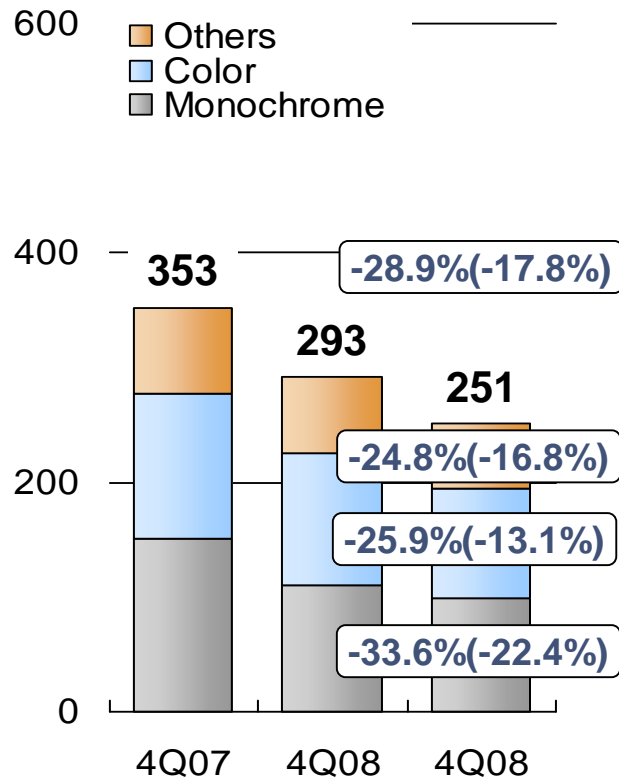
[] = OP ratio in local currency basis

Office Imaging Products

4Q/FY 2008 Actual

Sales

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



Growth rate y/y (Unit base)		
Copying machines	4Q	FY
Color	-5%	+5%
Mono-chrome	-19%	-6%
Total	-16%	-3%

Color ratio (Copying machines)

	4Q	FY
Value base*	49%	47%
Unit base	26%	25%

Calculated on a post reclassification basis
*Includes consumables

*Figures related to analog personal copying machines, which use to be included in "Monochrome," were reclassified as "Others," from fiscal 2007.

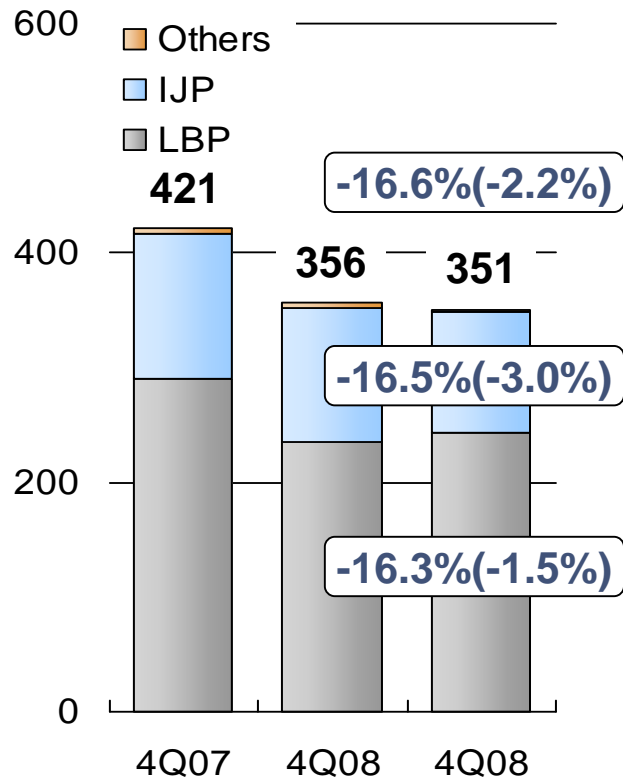
Computer Peripherals

4Q/FY 2008 Actual

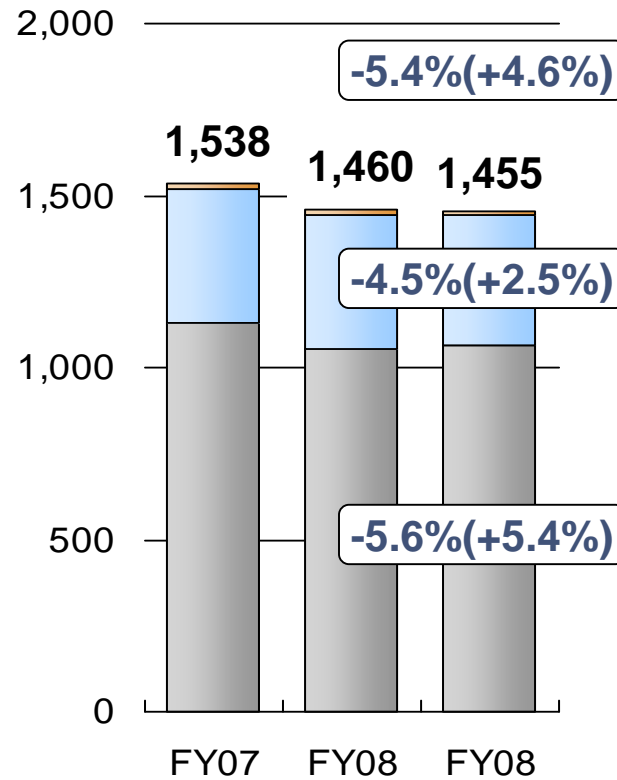
Sales

(Billions of yen)

Growth rate y/y
() Local currency base



Previous projection



Previous projection

Growth rate y/y
(Unit base)

LBP	4Q	FY
Color	-14%	+2%
Mono-chrome	-24%	-7%
Total	-23%	-6%

Color ratio (LBP)

	4Q	FY
Value base*	41%	40%
Unit base	13%	15%

*Includes consumables

Growth rate y/y
(Unit base)

	4Q	FY
IJP	-8%	+3%

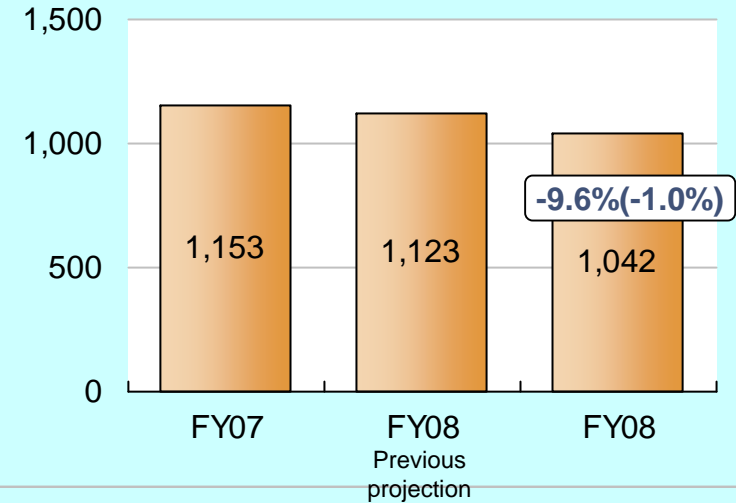
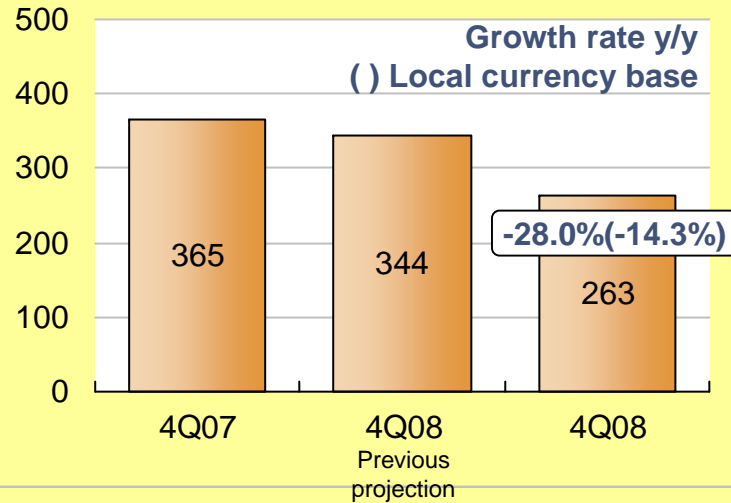
Cameras

4Q/FY 2008 Actual

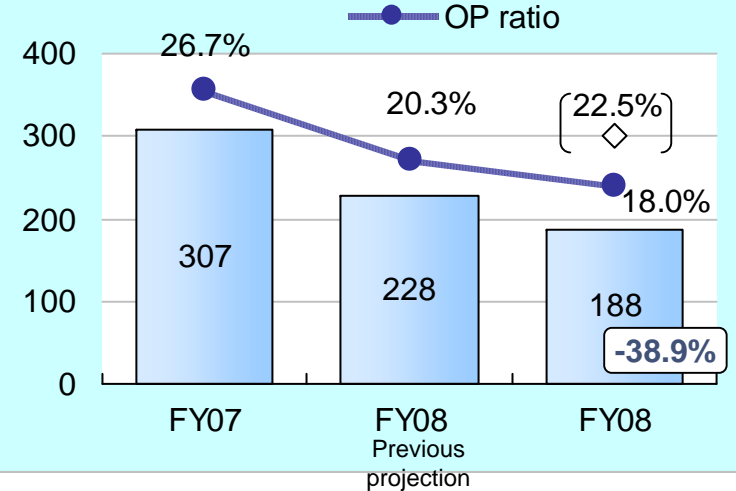
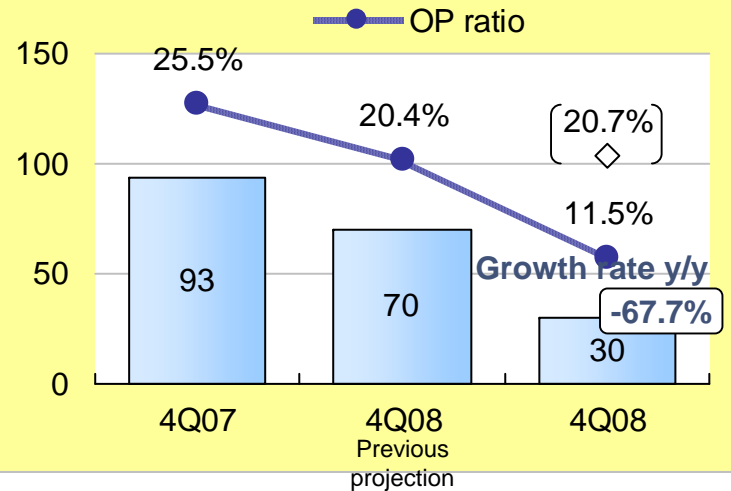
(Billions of yen) **4Q**

(Billions of yen) **FY**

Sales



Op. Profit



() = OP ratio in local currency basis

Cameras

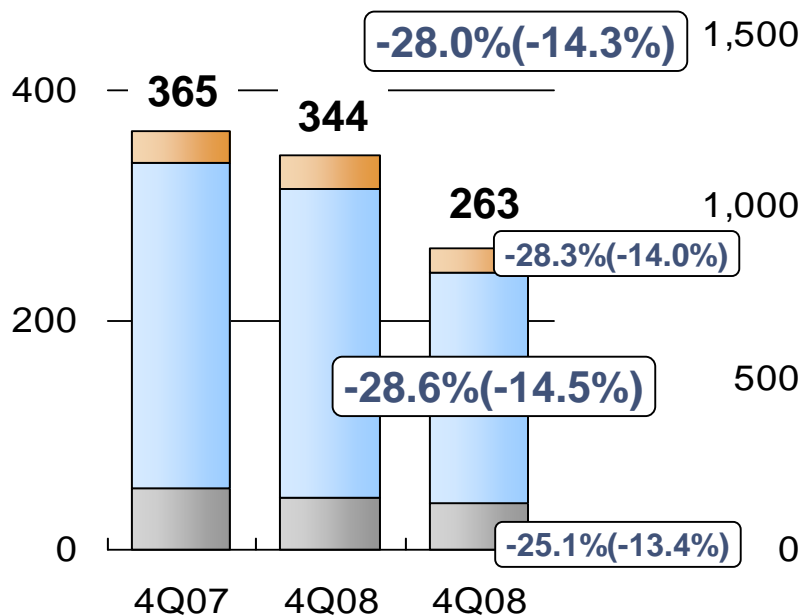
4Q/FY 2008 Actual

Sales

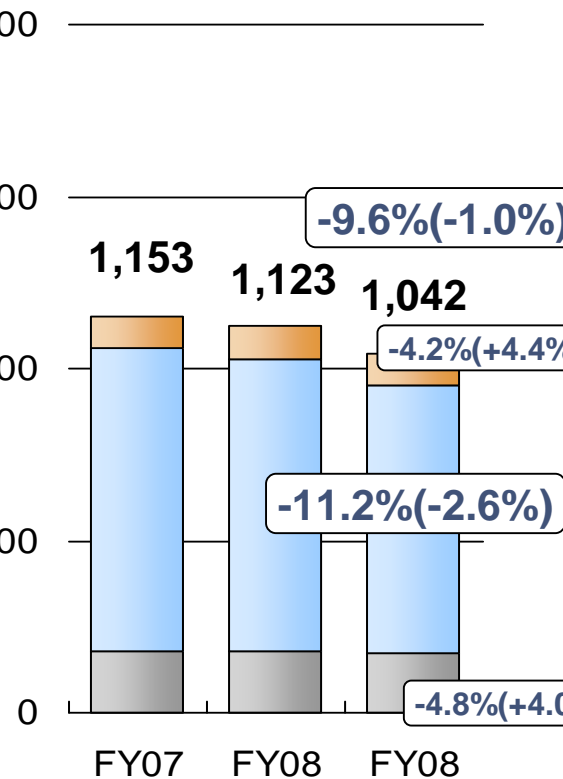
(Billions of yen)

Growth rate y/y
() Local currency base

600 ■ Video cameras
■ Digital cameras
■ Interchangeable lenses and others



Previous projection



Previous projection

Growth rate y/y (Unit base)		
	4Q	FY
Digital cameras	-9%	+4%

D SLR ratio*

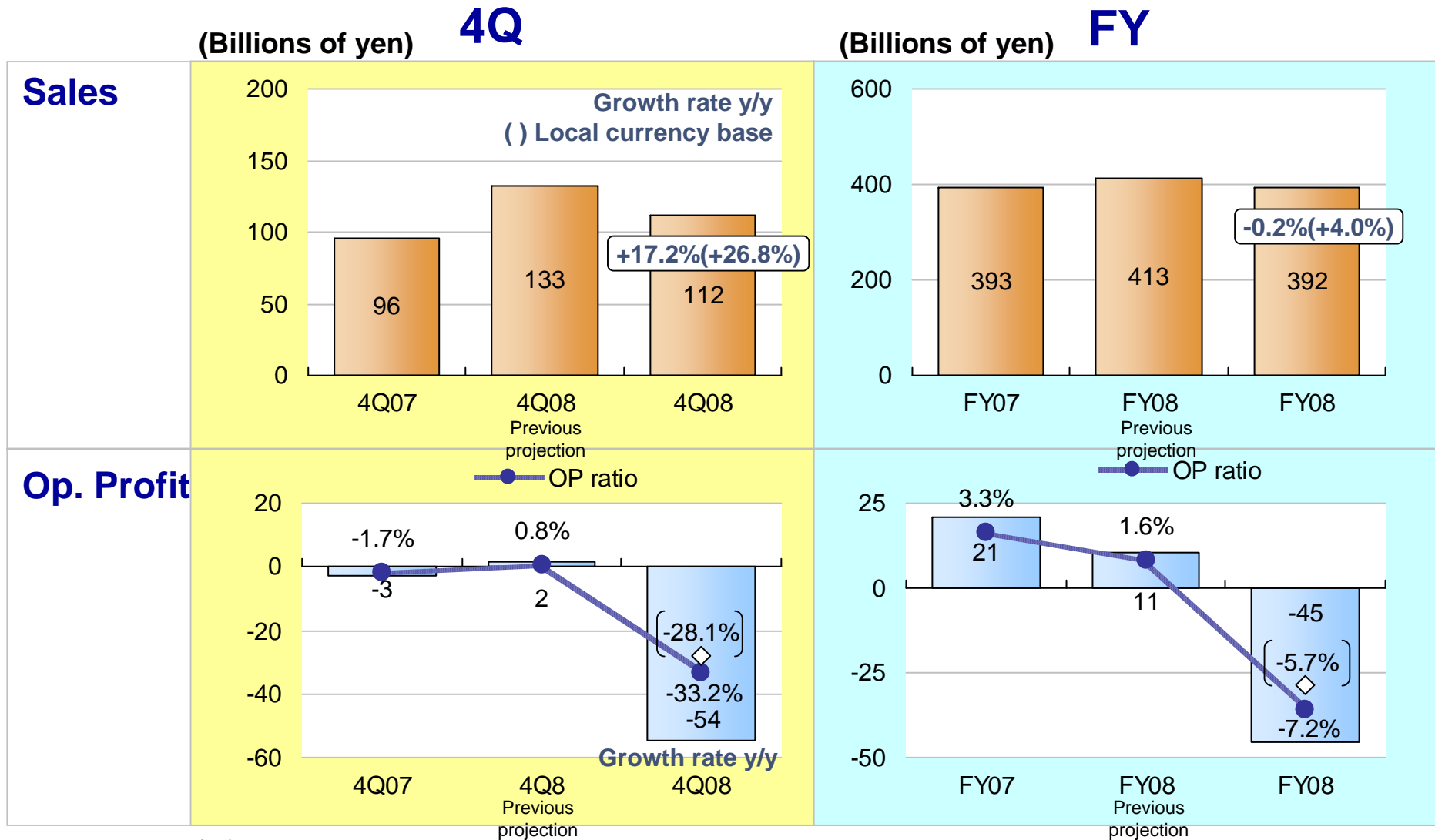
	4Q	FY
Value base	45%	44%
Unit base	15%	15%

* Percentage of digital cameras sales attributable to SLRs

*From fiscal 2007, the segment previously named "Film cameras / Lenses" was changed to "Interchangeable lenses and others."

Optical and Other Products

4Q/FY 2008 Actual



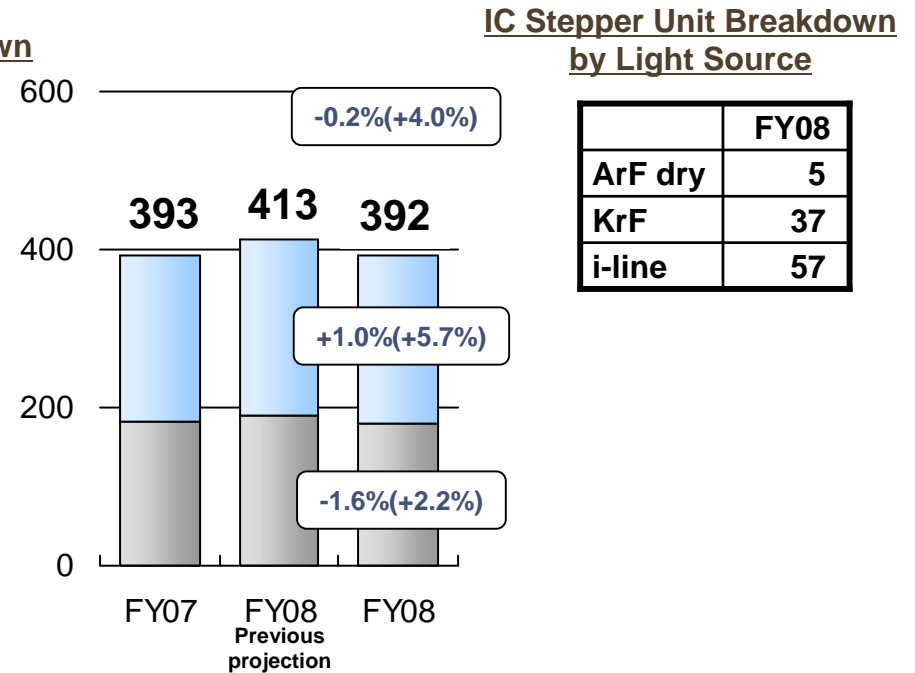
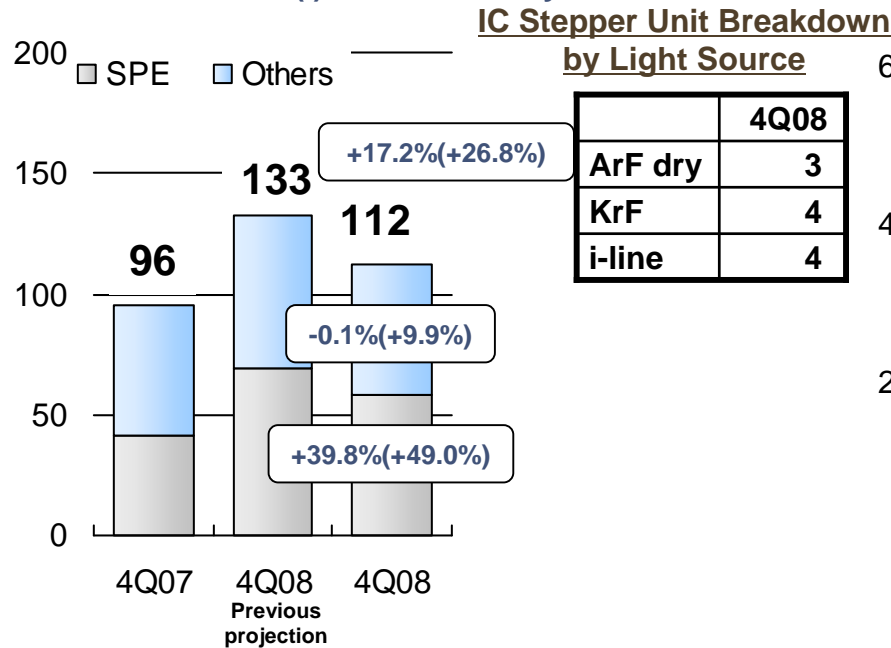
[] = OP ratio in local currency basis

Optical and Other Products

4Q/FY 2008 Actual

Sales

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



SPE (Unit sales)

	4Q07	4Q08 Projection	4Q08
IC	43	11	11
LCD	6	33	26
TTL	49	44	37

SPE (Unit sales)

	FY07	FY08 Projection	FY08
IC	179	99	99
LCD	29	71	64
TTL	208	170	163

Assumptions

FY 2009

Average Exchange Rate	FY09	FY08
■ Yen-1USD	90.00 yen	103.23 yen
■ Yen-1EURO	120.00 yen	151.46 yen

Impact of Exchange Rate Movement (FY09 impact given a one yen change)

	Net sales	Operating profit
■ USD	16.5 billion yen	9.1 billion yen
■ EURO	6.9 billion yen	5.0 billion yen



Key Points

FY 2009

Assumptions

- ✓ Continued weakness in global economy
- ✓ Strong yen against the U.S. dollar and euro

Projections

- ✓ Lower sales and profits, under a severe environment
- ✓ Timely launch of better targeted new products
- ✓ Optimal control of inventory, capital expenditures, expenses, through enhanced ability to swiftly respond to change
- ✓ Burst ahead of competition - Continued strategic investment
- ✓ Accelerated cost reduction

Summary of Projected Results

FY 2009 Current Projection

(Billions of yen) (For Reference)

	FY 2009 Projection	FY 2008 Actual	Pct. change	FY2009 Projection <small>(excluding forex impact)</small>
Net sales	3,500.0	4,094.2	-14.5%	3,902.8
Gross profit	1490.0	1,938.0	-23.1%	1,859.6
<small>[% sales]</small>	42.6%	47.3%		47.6%
Op. profit	160.0	496.1	-67.7%	429.4
<small>[% sales]</small>	4.6%	12.1%		11.0%
Net income	98.0	309.1	-68.3%	
<small>[% sales]</small>	2.8%	7.6%		
Foreign exchange rate				
Yen – 1USD	90.00	103.23		
Yen – 1EURO	120.00	151.46		

Transition in Sales and Op. 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]	-402.8	-269.4
Sales volume impact		
Office Imaging Products	+10.6	
Computer Peripherals	-102.0	
Business Information Products	+5.3	
Cameras	+11.1	
Optical and Other Products	-26.4	
Total	-101.4	-98.2
Others	-90.0	+31.5
Total Change	-594.2	-336.1
FY 2009 Current Projection	3,500.0	160.0

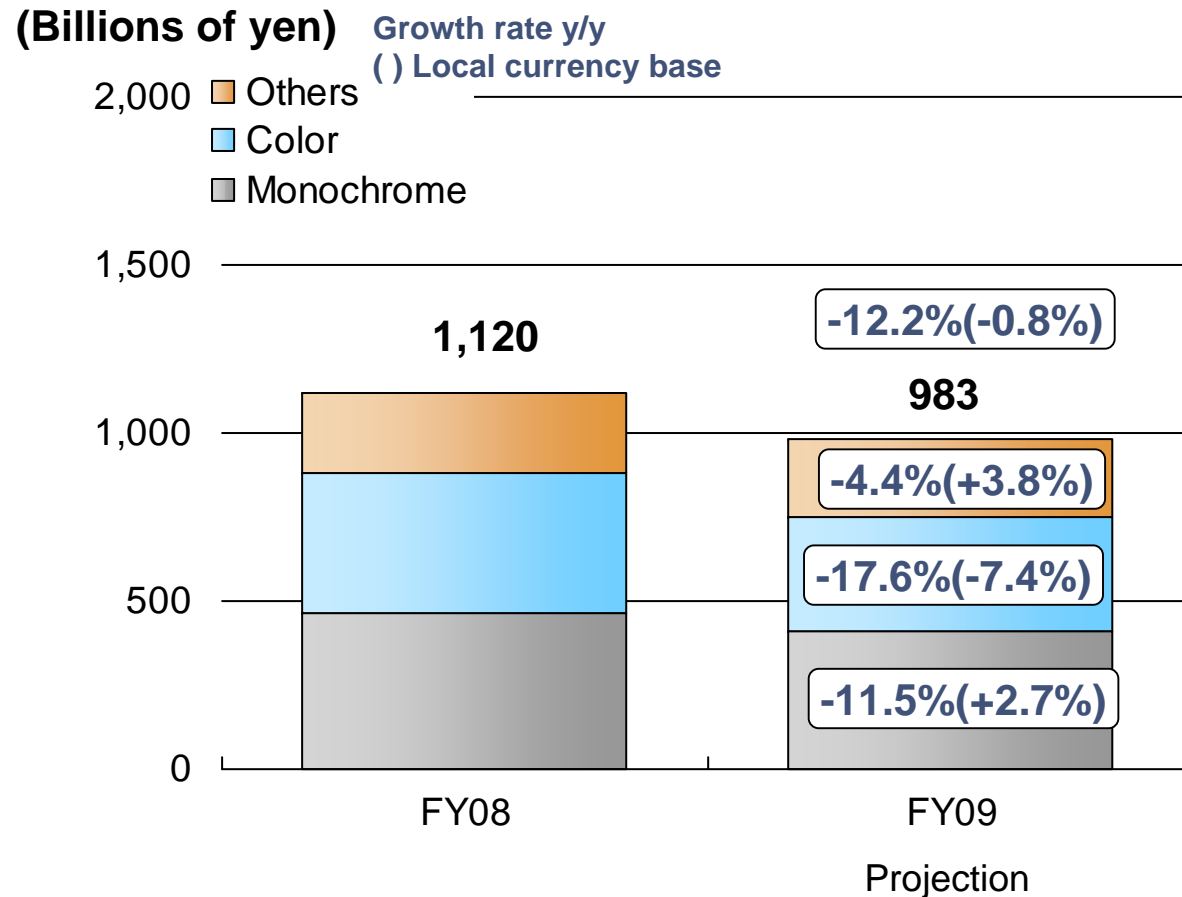
Change in Exchange Rate

- 1USD: 113.23 to 90.00 yen
- 1EURO: 151.46 to 120.00 yen

2009 Office Imaging Products

Copying Machines – First significant step toward aggressive growth strategy

Sales



Growth rate y/y (Unit base)	
Copying machines	FY
Color	+3%
Mono-chrome	-8%
Total	-6%

Color ratio (Copying machines)

	FY
Value base*	46%
Unit base	27%

Calculated on a post reclassification basis
*Includes consumables

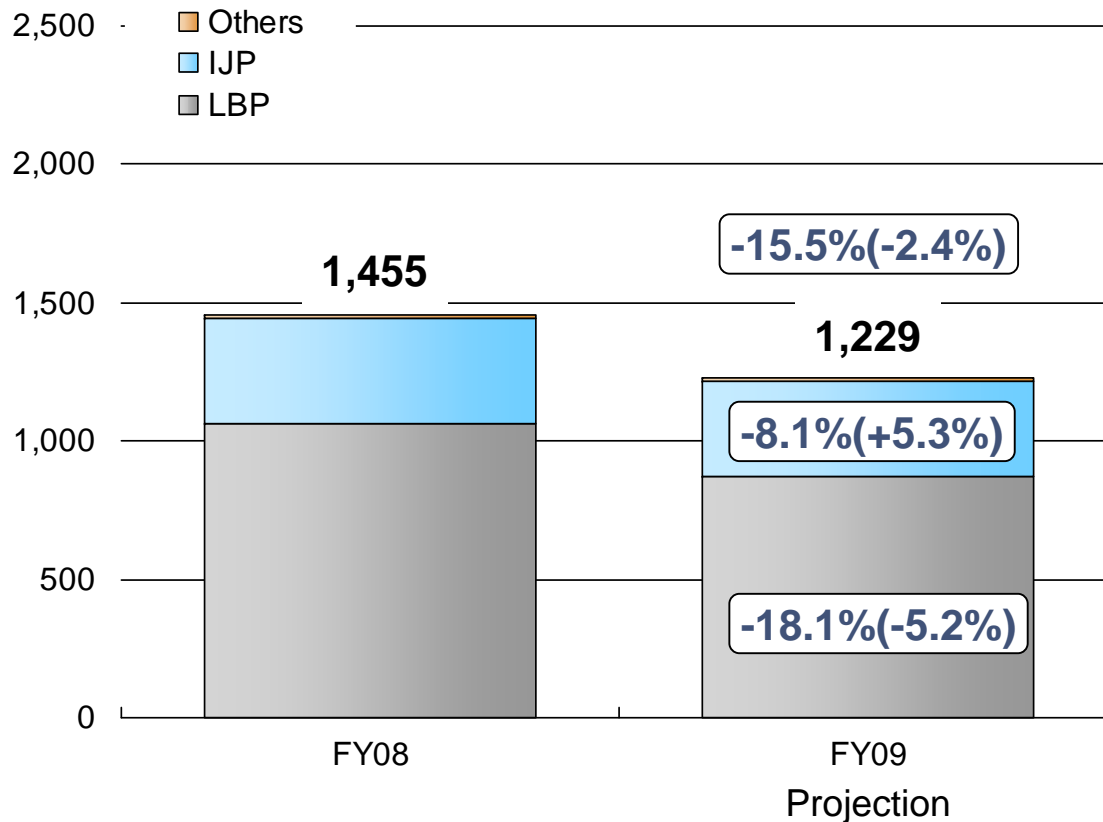
*Figures related to analog personal copying machines, which use to be included in "Monochrome," were reclassified as "Others," from fiscal 2007.

2009 Computer Peripherals (LBP)

Enhance SCM to swiftly respond to environmental changes

Sales

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



Growth rate y/y (Unit base)	
LBP	FY
Color	-14%
Mono-chrome	-23%
Total	-21%

Color ratio (LBP)

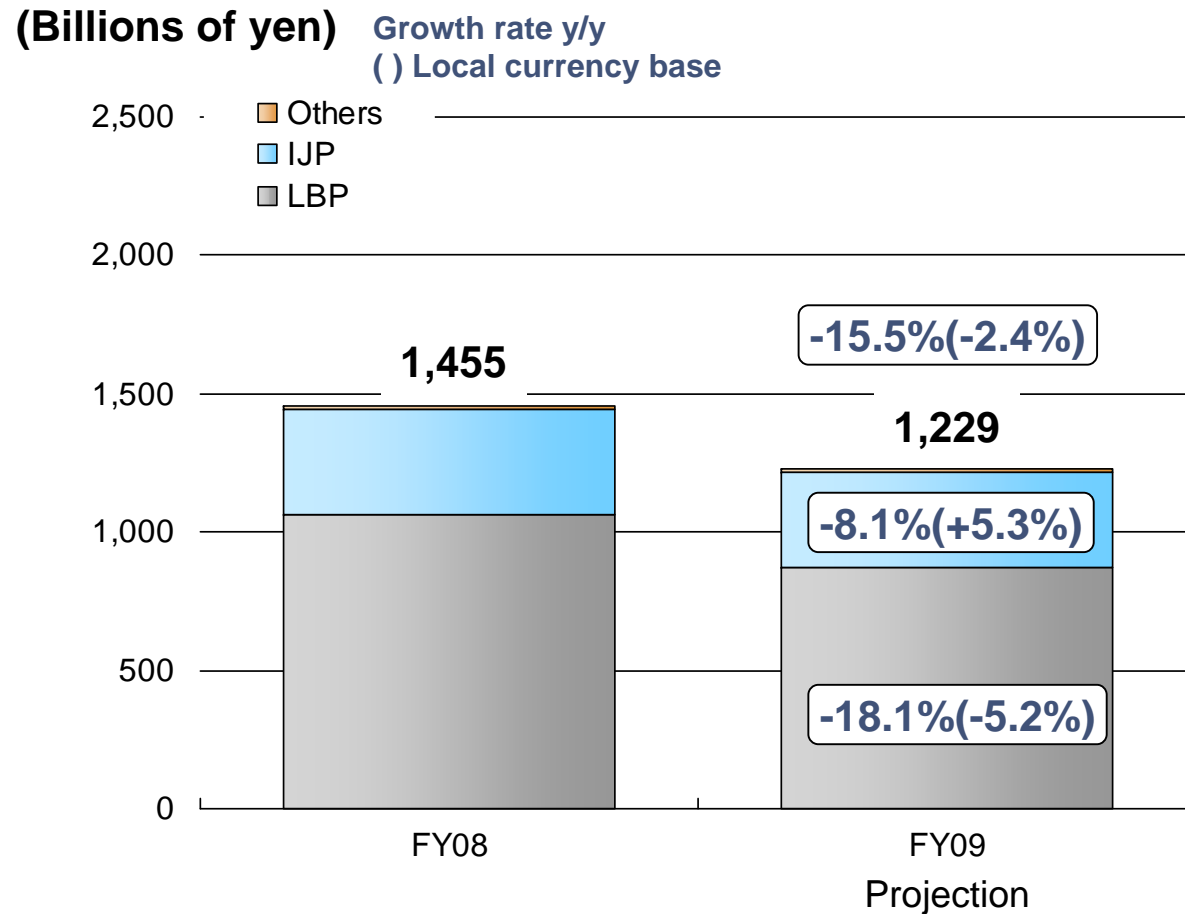
	FY
Value base*	43%
Unit base	16%

*Includes consumables

2009 Computer Peripherals (IJP)

Further expansion of print volume

Sales

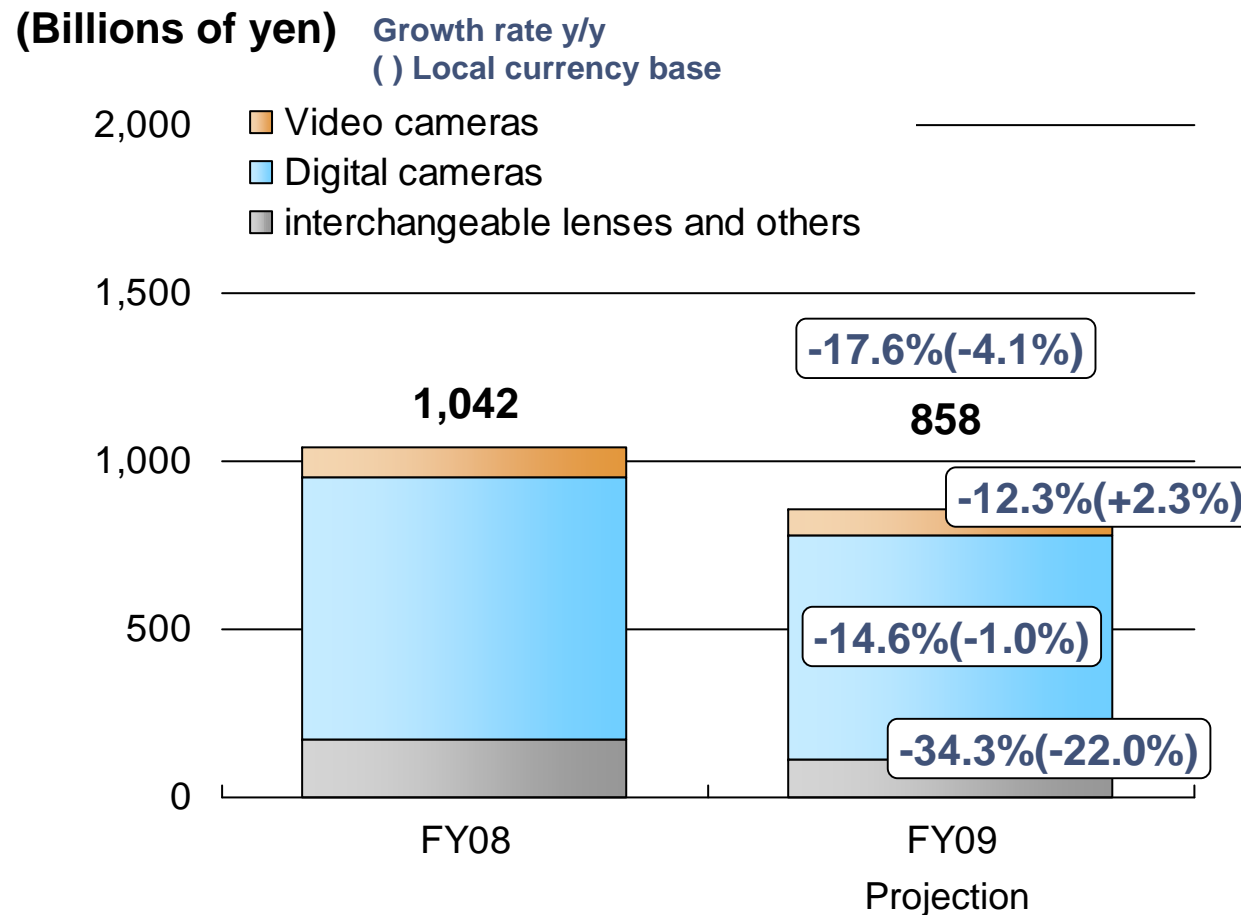


Growth rate y/y (Unit base)	
FY	
IJP	0%

2009 Cameras

Maintain No. 1 position in industry

Sales



Growth rate y/y (Unit base)	
FY	
Digital cameras	-7%

D SLR ratio*

FY	
Value base	48%
Unit base	16%

* Percentage of digital cameras sales attributable to SLRs

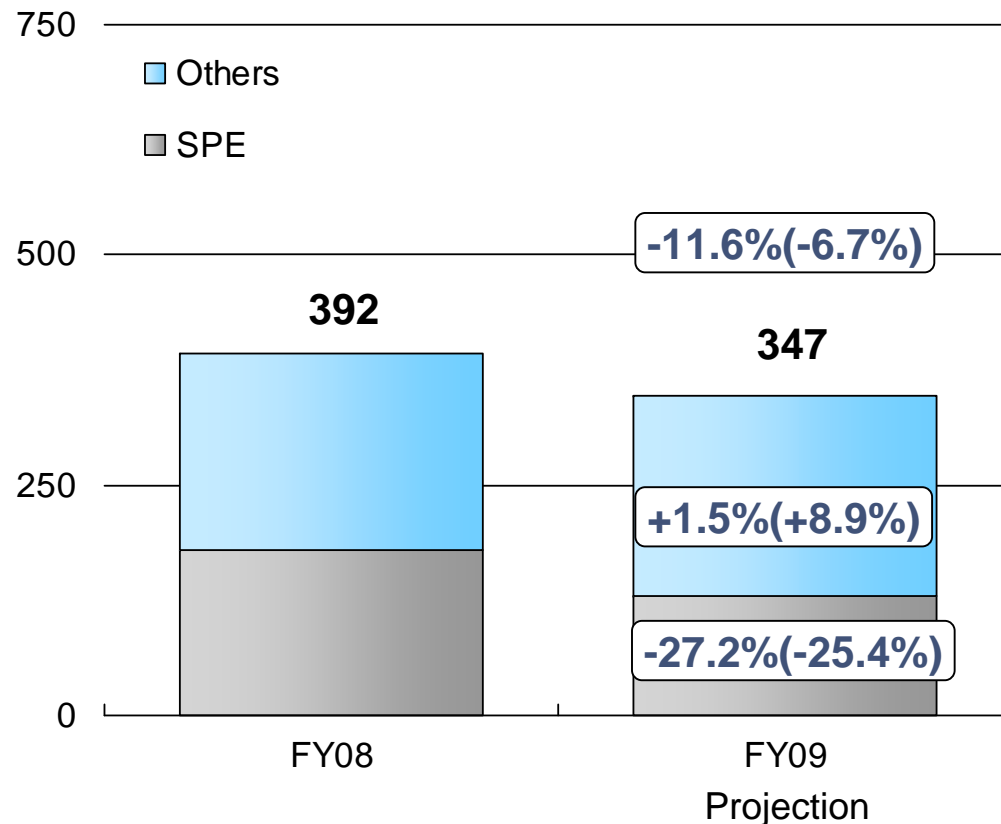
*From fiscal 2007, the segment previously named "Film cameras / Lenses" was changed to "Interchangeable lenses and others."

2009 Optical and Other Products (SPE)

Accelerate development of next-generation equipment

Sales

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



IC Stepper Unit Breakdown by Light Source

	FY09 projection
ArF immersion	3
ArF dry	0
KrF	2
i-line	11

SPE (Unit sales)

	FY08	FY09 projection
IC	99	16
LCD	64	41
TTL	163	57

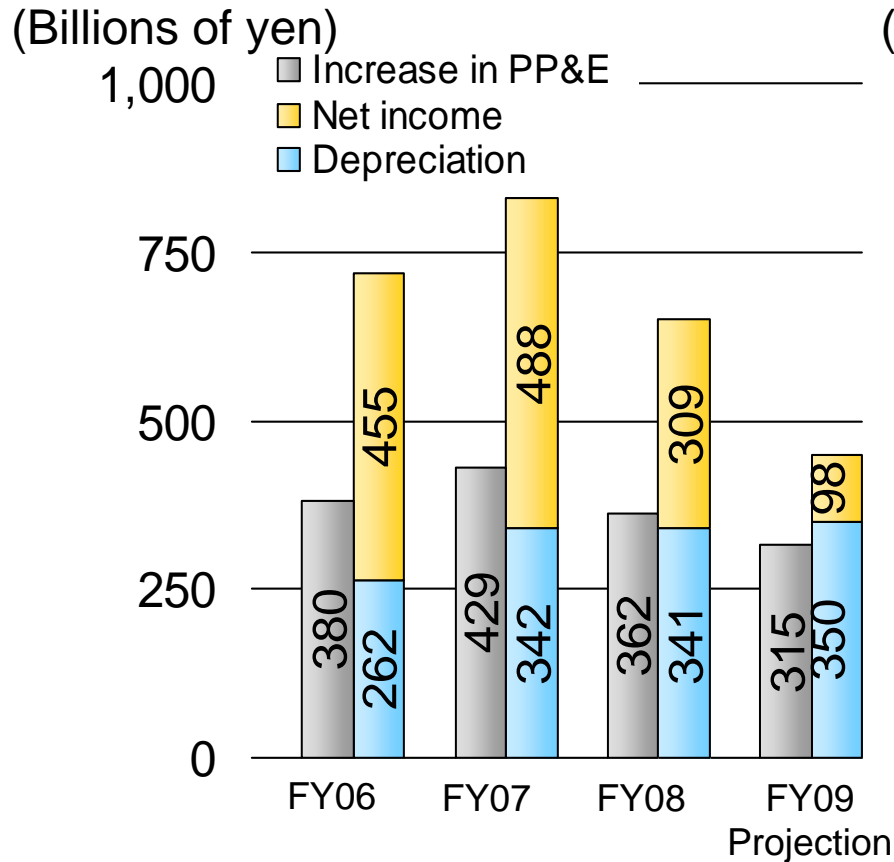
Operating Profit by Segment

FY 2009 Projection v. FY 2008 Actual

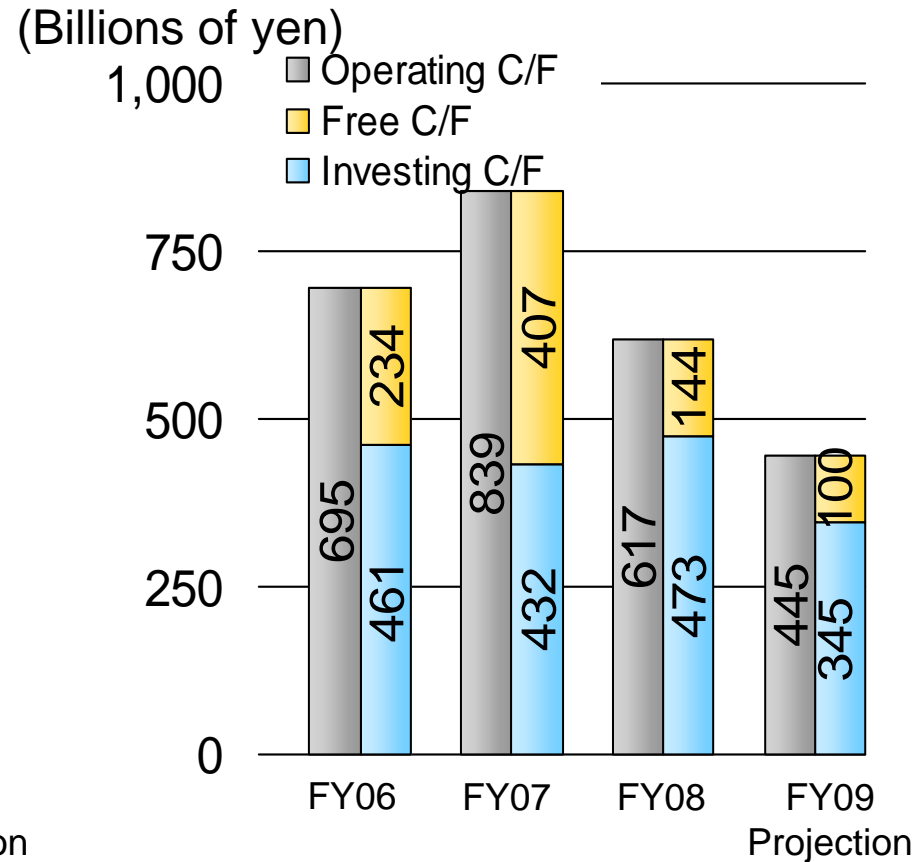
(Billions of yen) (For Reference)

	FY 2009 Projection	FY 2008 Actual	FY 2009 Projection (excluding forex impact)
Business machines	301.9	544.6	
% Sales	13.2%	20.5%	18%
Cameras	44.0	187.8	
% Sales	5.1%	18.0%	14%
Optical and Other Products	-5.9	-45.5	
% Sales	-1.1%	-7.2%	-1%
Corporate and Eliminations	-180.0	-190.8	
Total	160.0	496.1	
% Sales	4.6%	12.1%	11%

Capital Expenditure



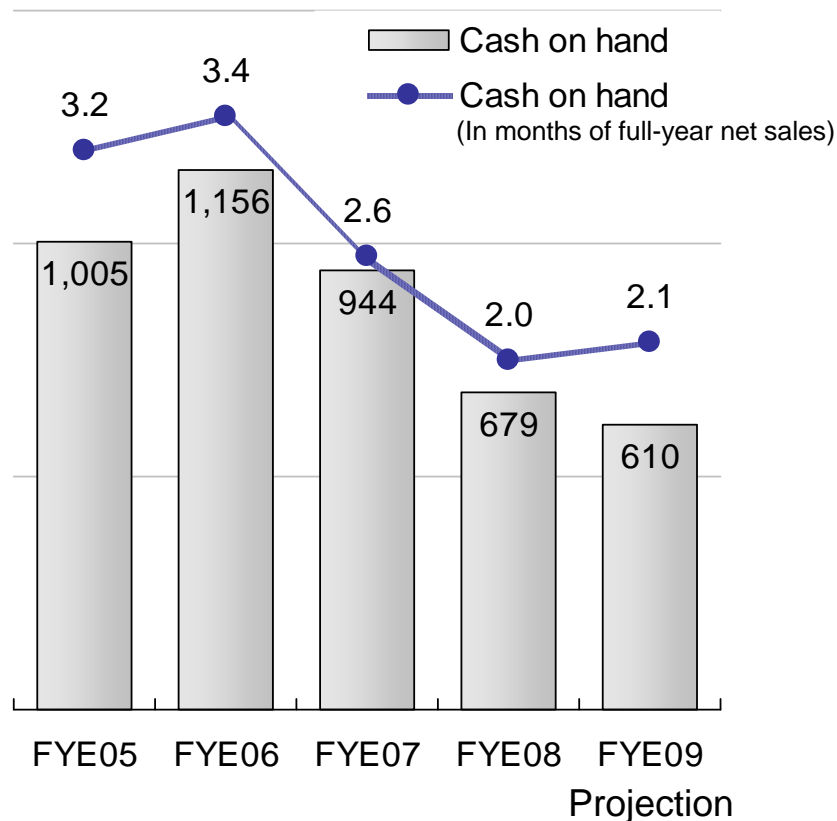
Free Cash Flow



Cash on Hand and Return to Shareholders

Cash on Hand (Year-end)

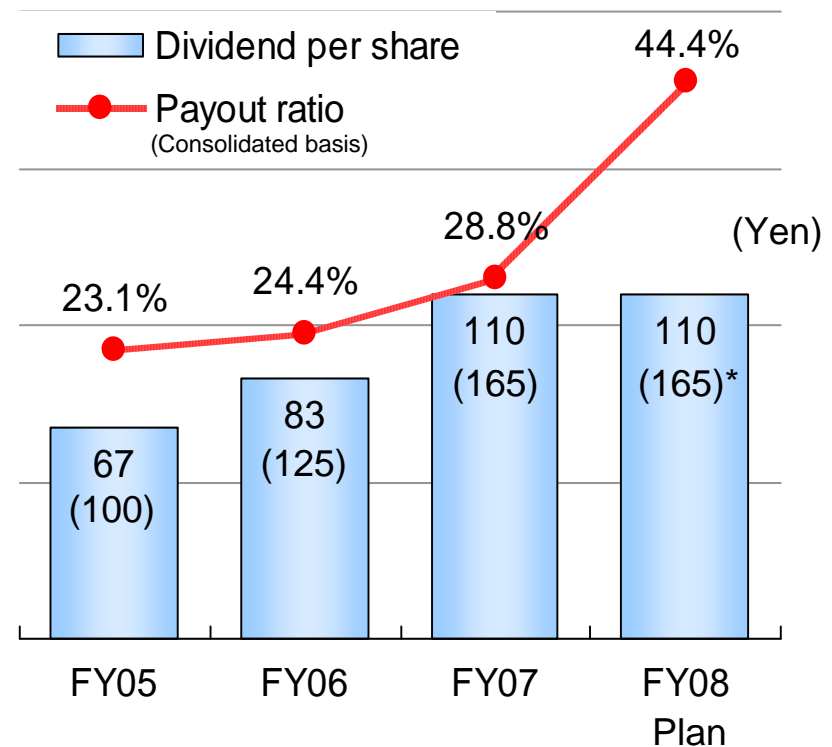
(Billions of yen)



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

Dividend

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



Supplementary Information

Transition in Sales and Operating Profit

4Q/FY 2008 Actual v. 4Q/FY 2007 Actual

(Billions of yen)

	4Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2007 Actual	1,263.8	193.6	4,481.3	756.7
Foreign exchange impact [net sales, cost of sales, expenses]	-150.0	-95.9	-299.5	-181.0
Sales volume impact				
Office Imaging Products	-59.2		-130.3	
Computer Peripherals	-18.7		+45.8	
Business Information Products	-10.0		-16.9	
Cameras	-40.2		+82.3	
Optical and Other Products	+20.8		+2.8	
Total	-107.3	-38.8	-16.3	+13.5
Others	-11.8	-23.1	-71.3	-93.1
Total Change	-269.1	-157.8	-387.1	-260.6
2008 Actual	994.7	35.8	4,094.2	496.1

Change in Exchange Rate (4Q)

- 1USD: 113.19 to 96.22 Yen
- 1EURO: 163.86 to 126.46 Yen

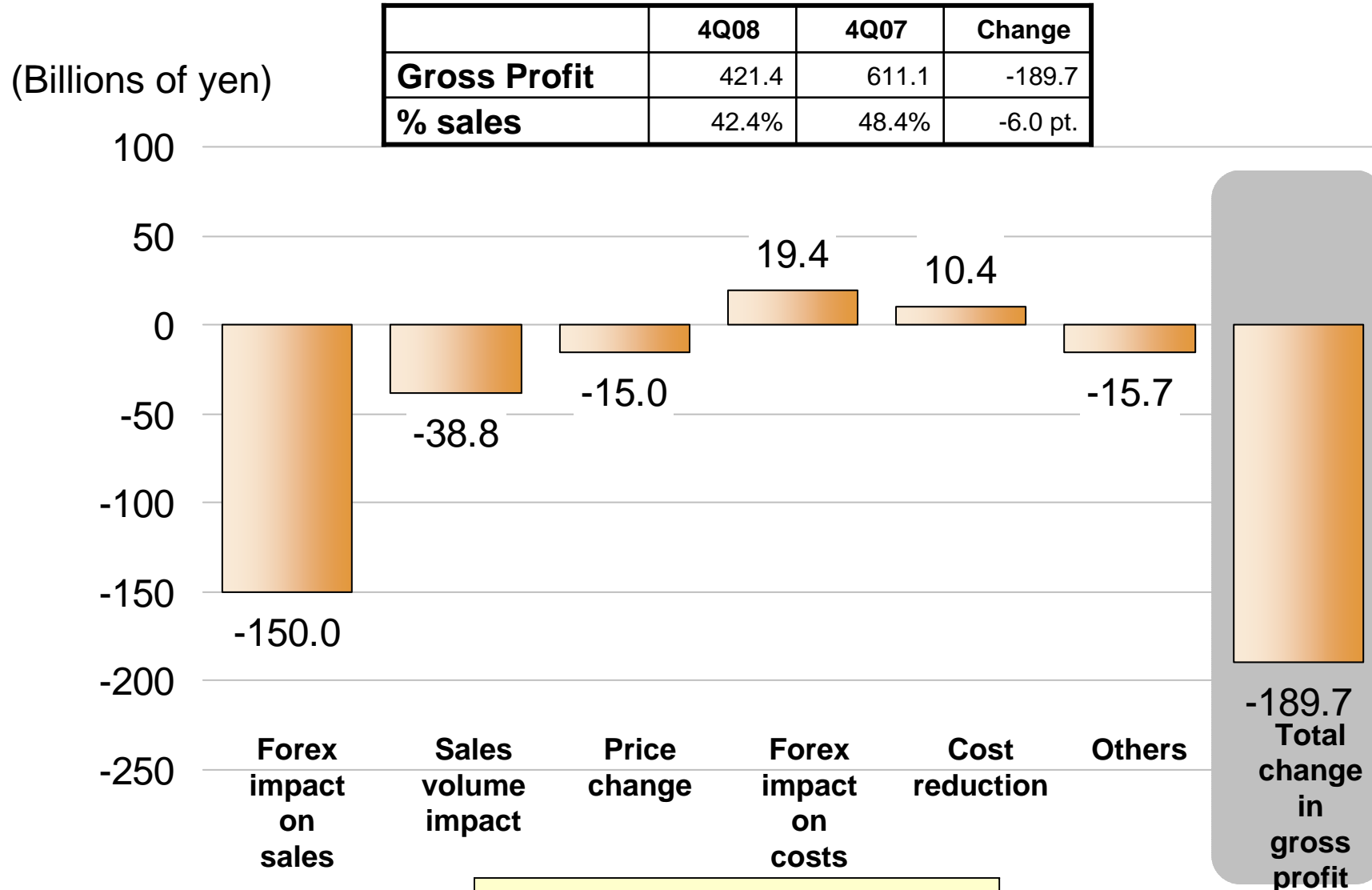
Change in Exchange Rate (FY)

- 1USD: 117.50 to 103.23 Yen
- 1EURO: 161.41 to 151.46 Yen

Supplementary Information

Gross Profit Variance Analysis

4Q 2008 Actual v. 4Q 2007 Actual



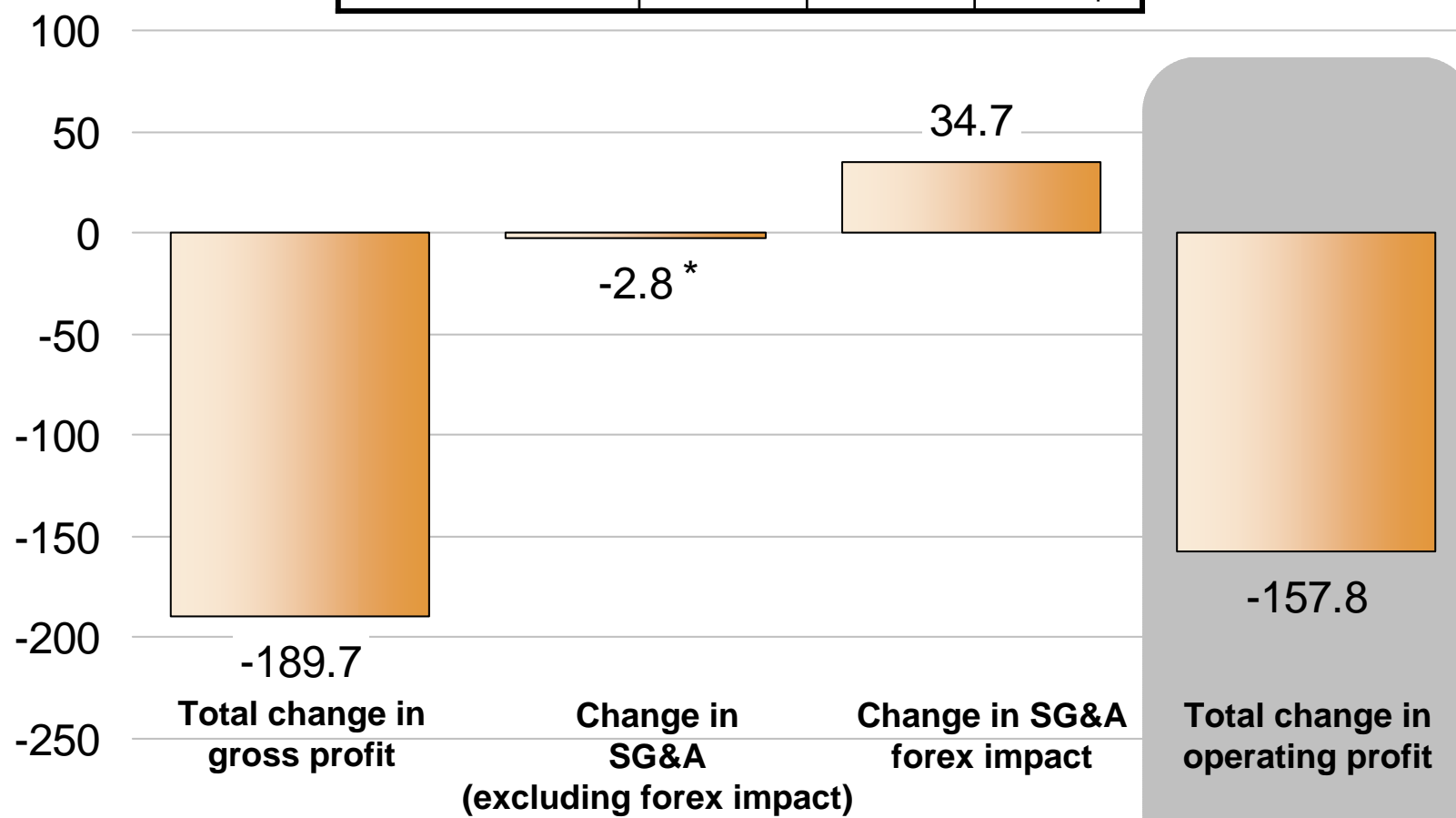
Supplementary Information

Operating Profit Variance Analysis

4Q 2008 Actual v. 4Q 2007 Actual

	4Q08	4Q07	Change
Op. Profit	35.8	193.6	-157.8
% sales	3.6%	15.3%	-11.7 pt.

(Billions of yen)

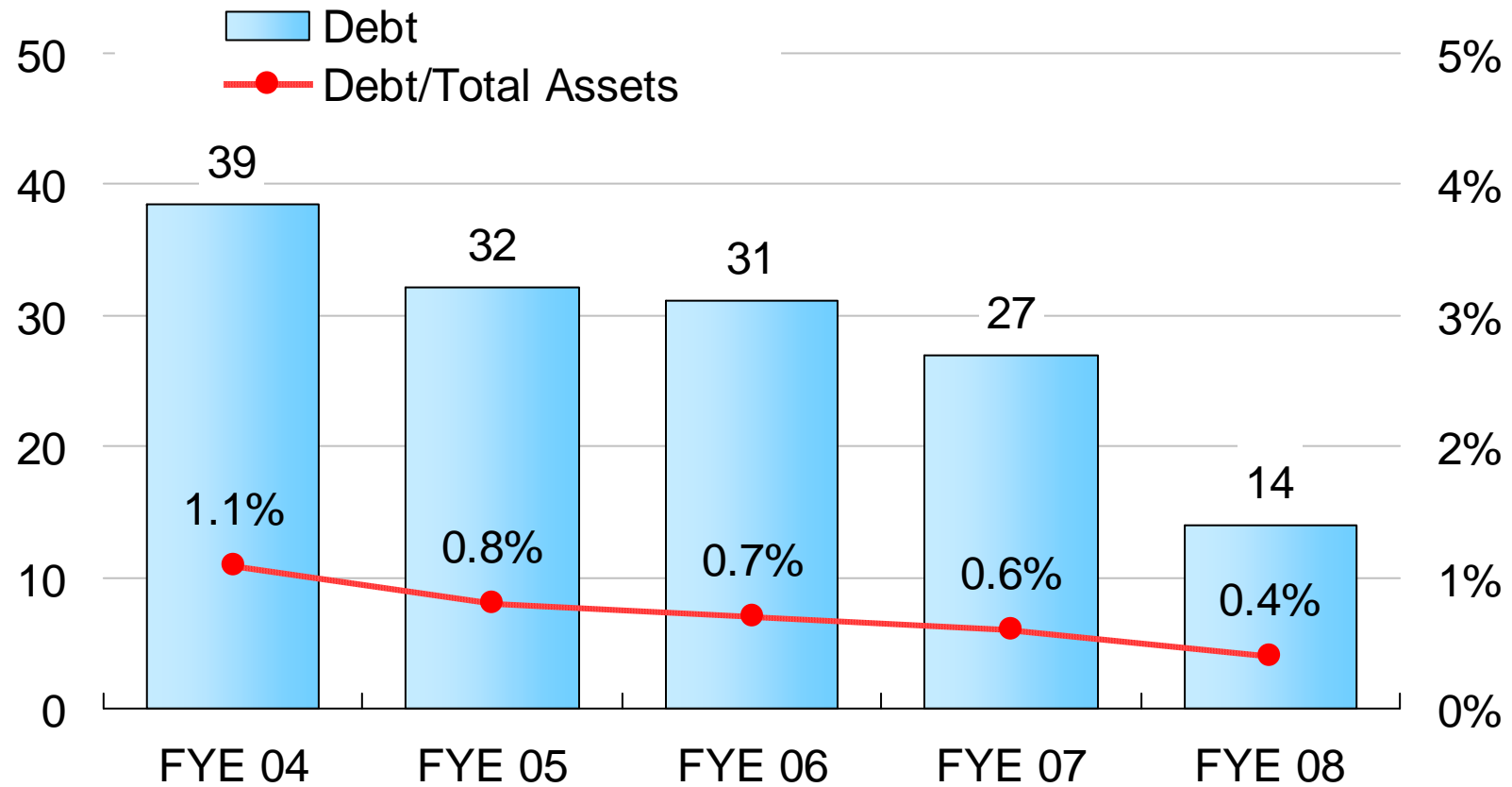


* Includes loss on fixed assets

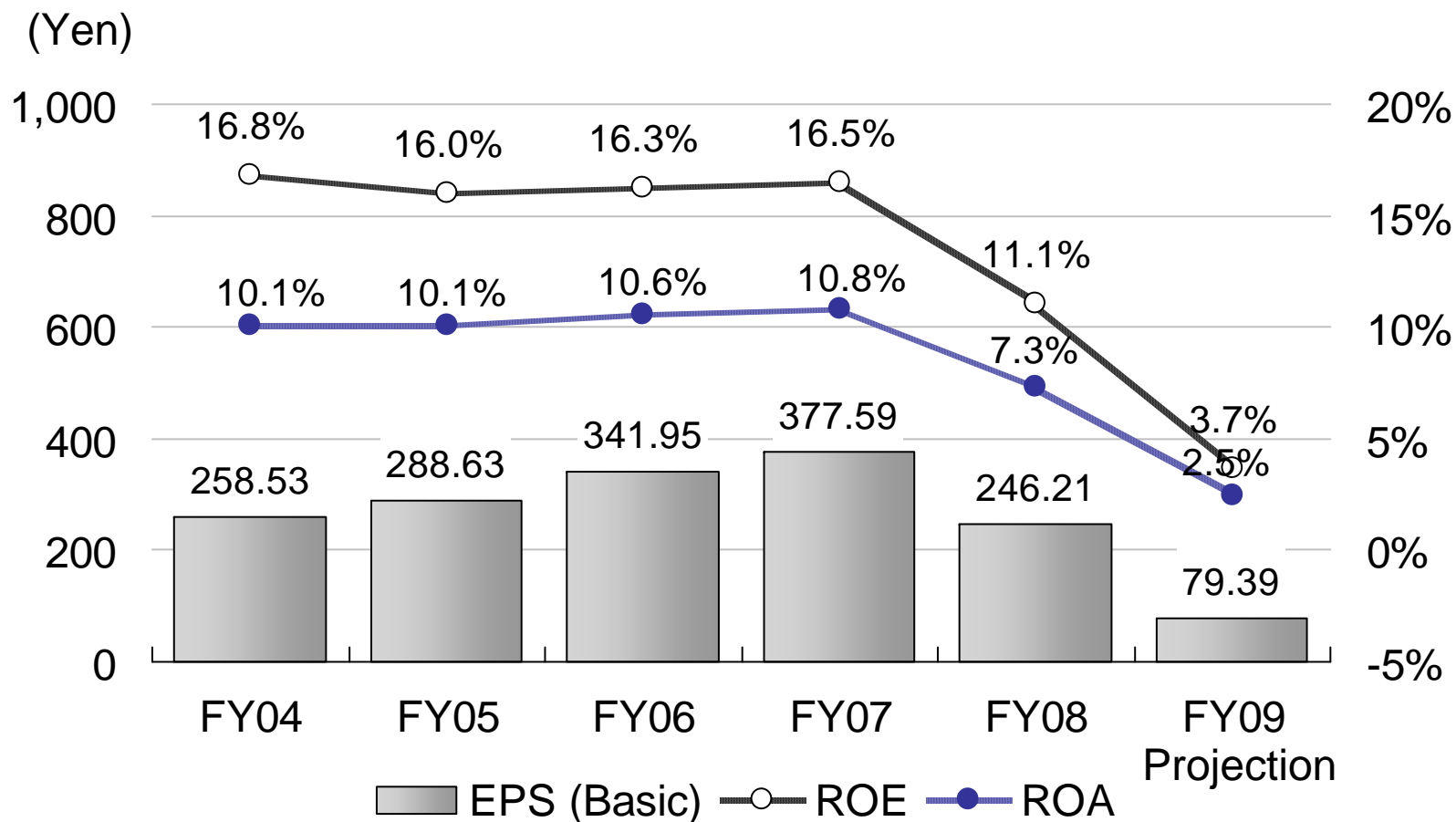
Supplementary Information

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)