



# Canon Inc.

# Second Quarter 2010 Results

July 27, 2010

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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.

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# 2Q 2010 in Summary

## External Environment

- ✓ Gradual global economic recovery continues
- ✓ Steep euro's depreciation, but no change in market situation

## Results

- ✓ Realized net sales growth of more than 20%
  - ✓ Strong consumer, steady recovery in office-related businesses
- ✓ Posted gross profit ratio of 49.0%
  - ✓ Accelerated improvement in product efficiency due to increased volumes
- ✓ Drove expense efficiency and achieved operating profit, approximately 2.5 times that in the same quarter last year
  - ✓ Activities aimed at improving management quality taking root

Note: From second-quarter 2010, consolidated statements of income include the statements of income of newly consolidated companies such as Oce

# Summary of Results

2Q 2010 Actual

(Billions of yen)(For reference)

	2Q 2010 Actual	2Q 2009 Actual	Pct. Change	2Q 2010 Actual (excluding effects of new consolidation)
Net sales	<b>970.4</b>	<b>793.8</b>	<b>+22.2%</b>	<b>898.1</b>
Gross profit	<b>475.4</b>	<b>345.5</b>	<b>+37.6%</b>	<b>427.9</b>
[% sales]	49.0%	43.5%		47.6%
Op. profit	<b>113.4</b>	<b>44.9</b>	<b>+152.6%</b>	<b>117.7</b>
[% sales]	11.7%	5.7%		13.1%
Net income attributable to Canon Inc.	<b>67.6</b>	<b>15.6</b>	<b>+333.4%</b>	
[% sales]	7.0%	2.0%		
Foreign exchange rate				
Yen – 1USD	91.96	97.19		
Yen – 1EURO	116.34	132.90		

# Summary of Results

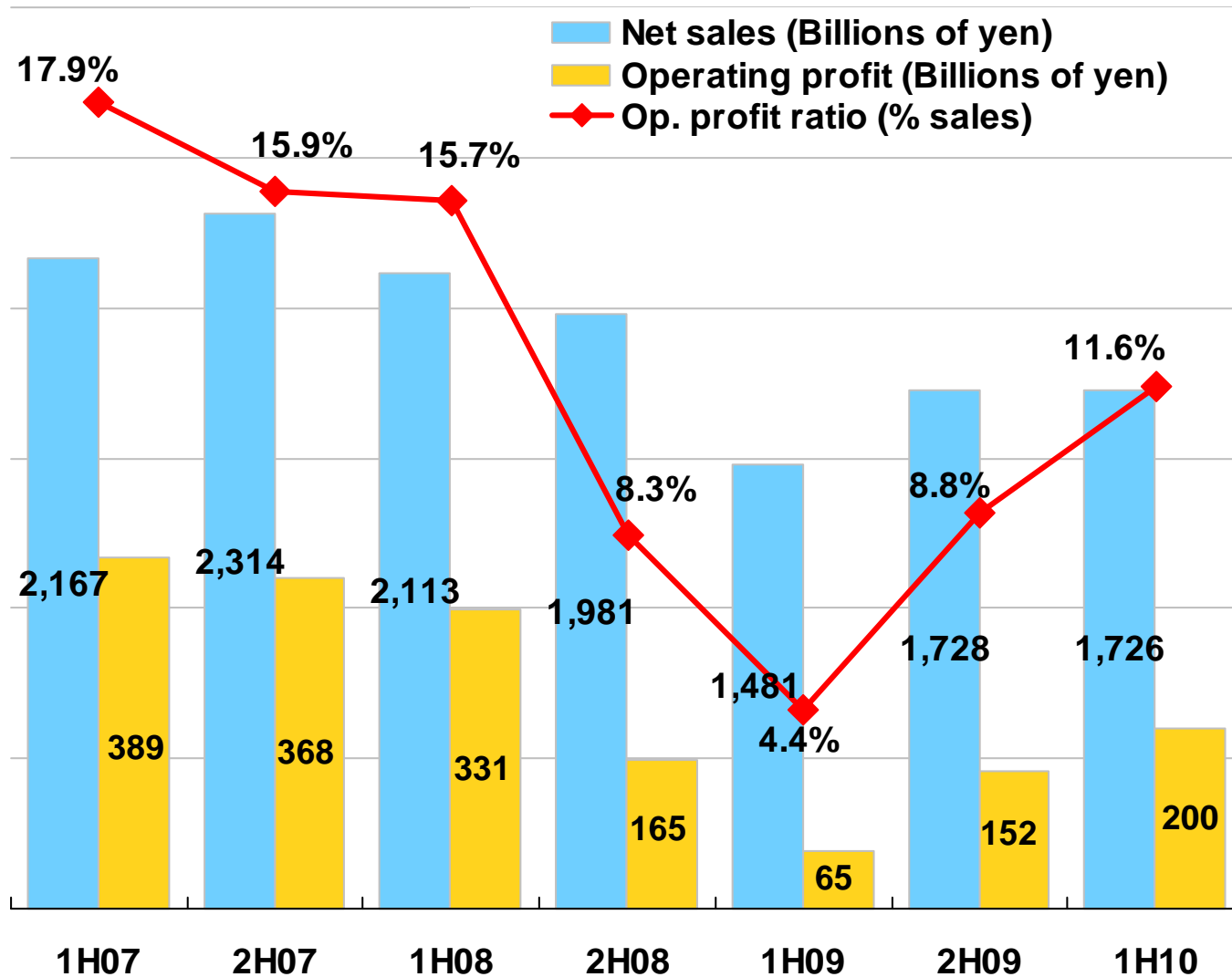
1H 2010 Actual , 1H 2009 Actual and FY 2009 Actual

(Billions of yen)

	1H 2010 Actual	1H 2009 Actual	FY 2009 Actual
<b>Net sales</b>	<b>1,725.9</b>	<b>1,480.8</b>	<b>3,209.2</b>
<b>Gross profit</b>	<b>843.9</b>	<b>644.3</b>	<b>1,427.4</b>
[% sales]	48.9%	43.5%	44.5%
<b>Op. profit</b>	<b>200.3</b>	<b>64.9</b>	<b>217.1</b>
[% sales]	11.6%	4.4%	6.8%
<b>Net income attributable to Canon Inc.</b>	<b>124.4</b>	<b>33.3</b>	<b>131.6</b>
[% sales]	7.2%	2.3%	4.1%
<b>Foreign exchange rate</b>			
Yen – 1USD	91.35	95.74	93.21
Yen – 1EURO	120.20	127.50	130.46

# Summary of Results

## Trend in Net Sales and Op. Profit



# Transition in Sales and Op. Profit

2Q 2010 Actual v. 2Q 2009 Actual

(Billions of yen)

	Sales	Op. Profit
2Q 2009 Actual	793.8	44.9
Foreign exchange impact [net sales, cost of sales, expenses]	-47.8	-32.0
Sales volume impact		
Office	+77.7	
Consumer	+59.5	
Industry and Others	+21.9	
.....		
Total	+159.1	+106.1
Effects of new consolidation	+72.3	-4.3
Others	-7.0	-1.3
Total Change	+176.6	+68.5
2Q 2010 Actual	970.4	113.4

## Change in Exchange Rate

- 1USD: 97.19 to 91.96 yen
- 1EURO 132.90 to 116.34 yen

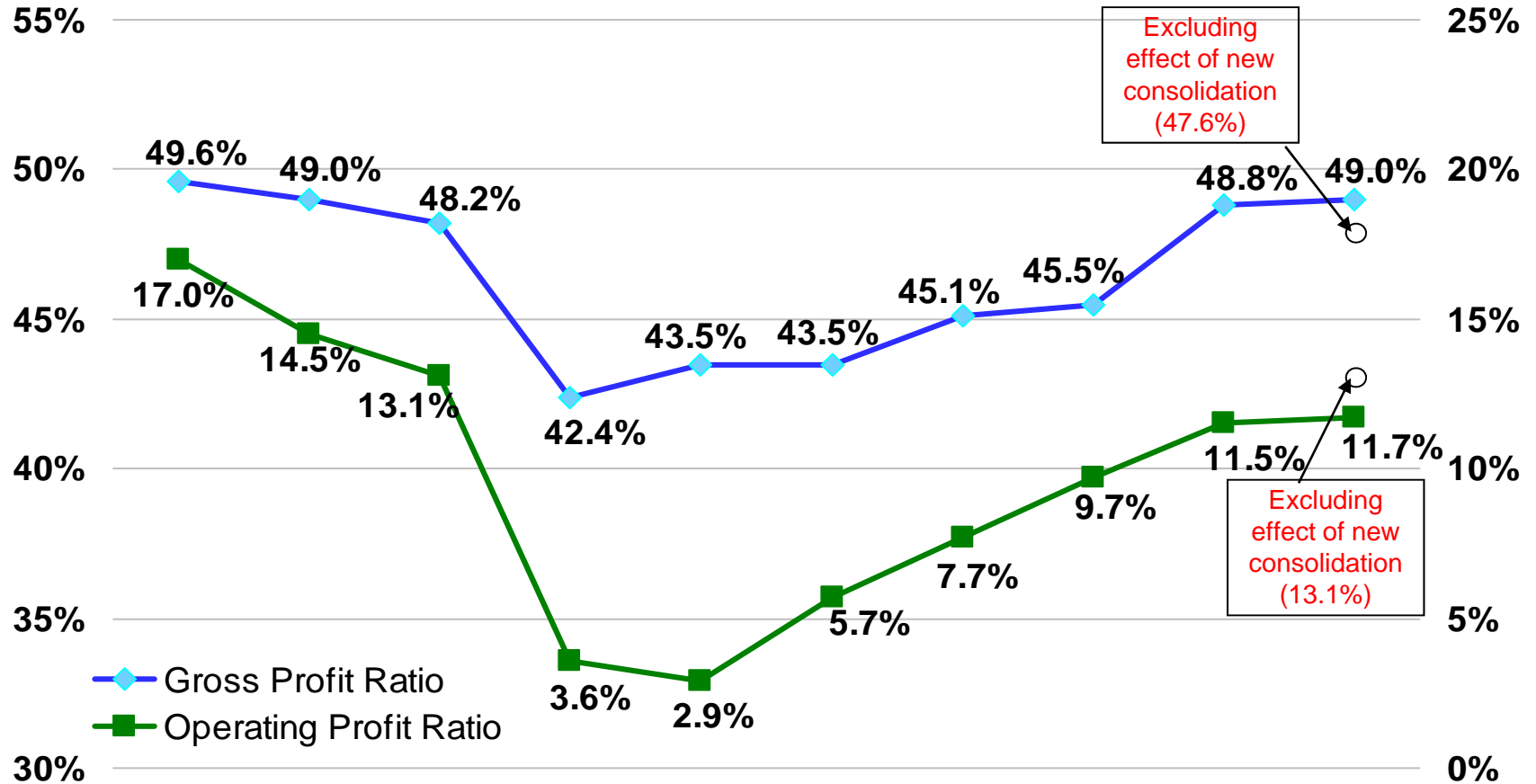
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# Steady Recovery in Performance

## Gross & Operating Profit Ratios

(Gross Profit Ratio)

(Operating Profit Ratio)



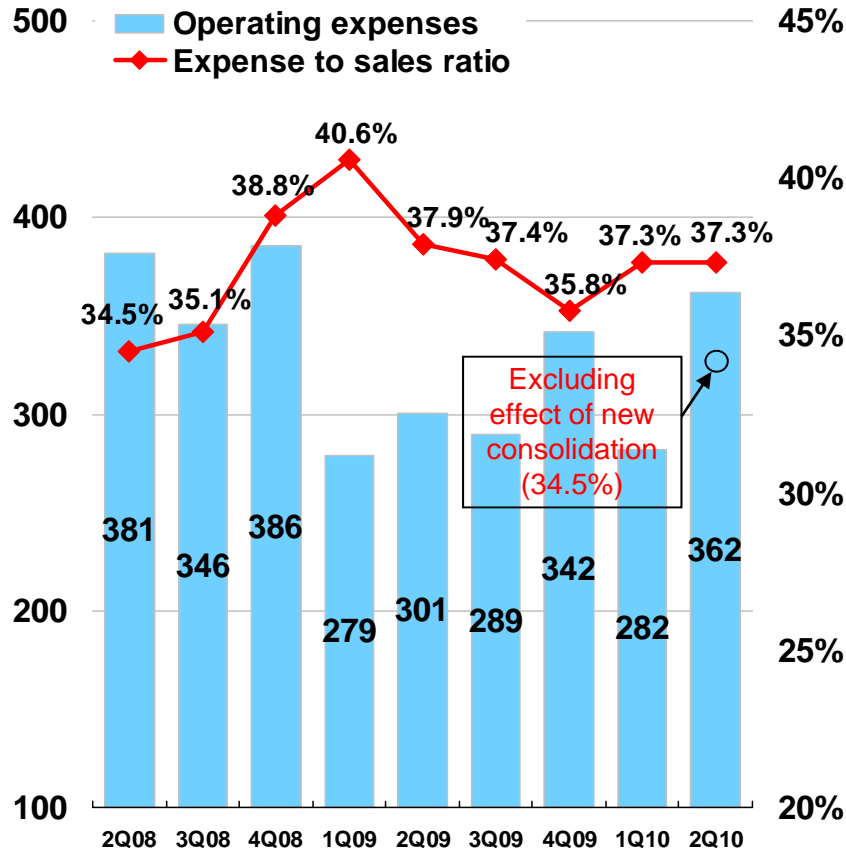
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
USD	104.78	104.61	107.61	96.22	93.86	97.19	93.46	89.68	90.63	91.96
EURO	157.59	163.55	161.29	126.46	121.85	132.90	133.60	132.54	125.07	116.34



# Expense & Inventory Situation

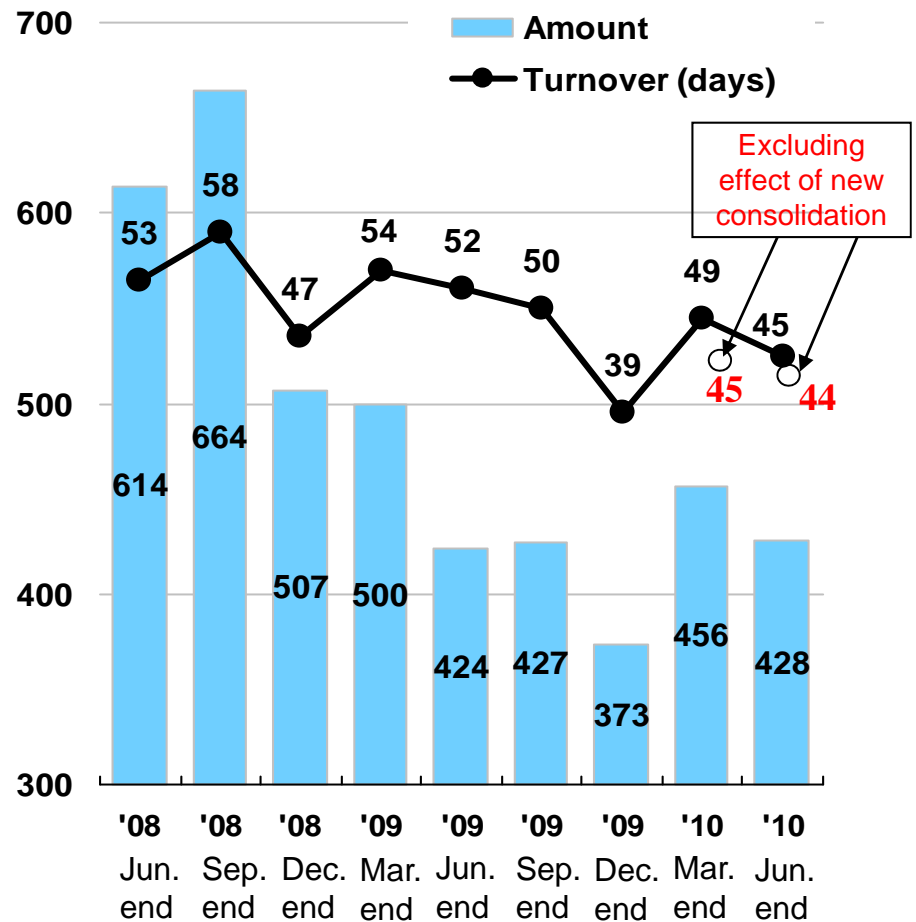
## Expenses

(Billions of yen)



## Inventory

(Billions of yen)



# Assumptions

## 2010 Current Projection

Average Exchange Rate	2H10	FY10	FY09
■ Yen-1USD	90.00 yen	90.63 yen	93.21 yen
■ Yen-1EURO	110.00 yen	114.74 yen	130.46 yen

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

	Net sales	Operating profit
■ USD	9.8 billion yen	4.7 billion yen
■ EURO	4.4 billion yen	2.7 billion yen

# Key Points FY 2010

## Assumption

- ✓ Continuing trend of gradual economic recovery amid hints of growing uncertainty

## Projections

- ✓ Achieve sales and profit growth of all businesses, leveraging competitive product portfolio and offsetting exchange rate impact
- ✓ Firmly achieve full year projections, through further improvements in management quality

# GDP Growth Rates by Major Regions

(Jul. '10 IMF release)

(Reference)

	FY 2007	FY 2008	FY 2009	FY 2010				FY 2011
	Actual	Actual	Actual	Past projections (Oct. '09)	Past Projections (Jan. '10)	Previous projection (Apr. '10)	Current projection (Jul. '10)	Current projection (Jul. '10)
Japan	+2.4%	-1.2%	-5.2%	+1.7%	+1.7%	+1.9%	<b>+2.4%</b>	+1.8%
U.S.A	+2.1%	+0.4%	-2.4%	+1.5%	+2.7%	+3.1%	<b>+3.3%</b>	+2.9%
Euro Area	+2.8%	+0.6%	-4.1%	+0.3%	+1.0%	+1.0%	<b>+1.0%</b>	+1.3%
China	+13.0%	+9.6%	+9.1%	+9.0%	+10.0%	+10.0%	<b>+10.5%</b>	+9.6%
India	+9.4%	+6.4%	+5.7%	+6.4%	+7.7%	+8.8%	<b>+9.4%</b>	+8.4%
Russia	+8.1%	+5.6%	-7.9%	+1.5%	+3.6%	+4.0%	<b>+4.3%</b>	+4.1%
Brazil	+6.1%	+5.1%	-0.2%	+3.5%	+4.7%	+5.5%	<b>+7.1%</b>	+4.2%
<b>World Total</b>	<b>+5.2%</b>	<b>+3.0%</b>	<b>-0.6%</b>	<b>+3.1%</b>	<b>+3.9%</b>	<b>+4.2%</b>	<b>+4.6%</b>	<b>+4.3%</b>

# Key Points FY 2010

## Assumption

- ✓ Continuing trend of gradual economic recovery amid hints of growing uncertainty

## Projections

- ✓ Achieve sales and profit growth of all businesses, leveraging competitive product portfolio and offsetting exchange rate impact
- ✓ Firmly achieve full year projections, through further improvements in management quality

# Summary of Projected Results

## FY 2010 Current Projection

(Billions of yen) (For reference)

	FY 2010	FY 2010	FY 2009	Pct. Change		FY 2010 Current projection (excluding effects of new consolidation)
	Current projection	Previous projection	Actual	Previous Projection	Actual	
Net sales	<b>3,750.0</b>	<b>3,750.0</b>	<b>3,209.2</b>	+0.0%	+16.9%	<b>3,500.0</b>
Gross profit	<b>1,775.0</b>	<b>1,720.0</b>	<b>1,427.4</b>	+3.2%	+24.4%	<b>1,622.0</b>
[% sales]	47.3%	45.9%	44.5%			46.3%
Op. profit	<b>360.0</b>	<b>360.0</b>	<b>217.1</b>	+0.0%	+65.9%	<b>375.0</b>
[% sales]	9.6%	9.6%	6.8%			10.7%
Net income attributable to Canon Inc.	<b>240.0</b>	<b>240.0</b>	<b>131.6</b>	+0.0%	+82.3%	
[% sales]	6.4%	6.4%	4.1%			
Foreign exchange rate						
Yen – 1USD	90.63	90.14	93.21			
Yen – 1EURO	114.74	125.01	130.46			

# Transition in Sales and Op. Profit

FY 2010 Current Projection v. FY 2010 Previous Projection

(Billions of yen)

	FY 2010	
	Sales	Op. Profit
Previous Projection (Apr. 26, 2010)	3,750.0	360.0
Foreign exchange impact [net sales, cost of sales, expenses]	-102.5	-52.0
Sales volume impact		
Office	+36.3	
Consumer	+44.0	
Industry and Others	+12.2	
Total	+92.5	+57.7
Effects of new consolidation	0.0	-15.0
Others	+10.0	+9.3
Total Change	0.0	0.0
Current Projection (Jul. 27, 2010)	3,750.0	360.0

**Change in Exchange Rate**

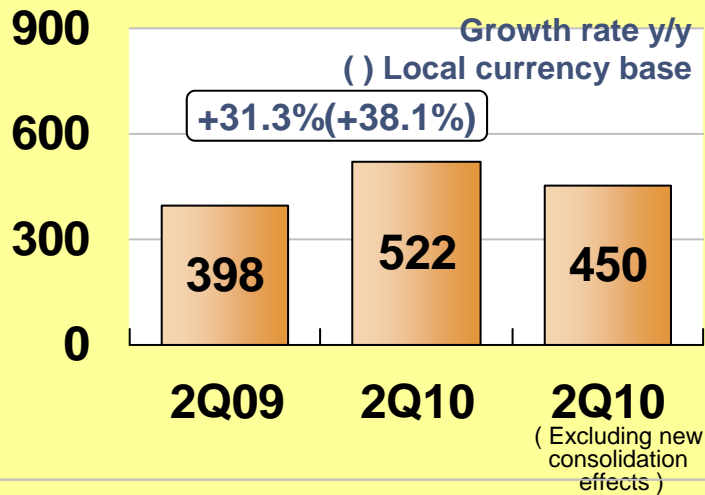
- 1USD: 90.14 to 90.63 yen
- 1EURO: 125.01 to 114.74 yen

# Office

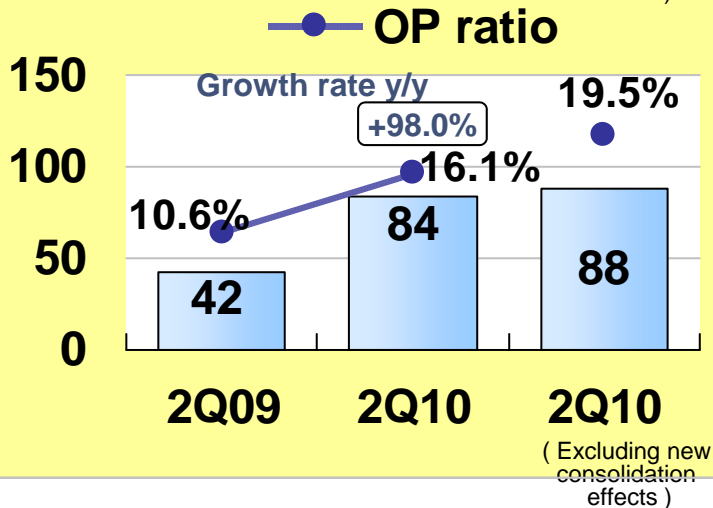
## 2Q 2010 Actual / FY 2010 Projection

(Billions of yen) **2Q**

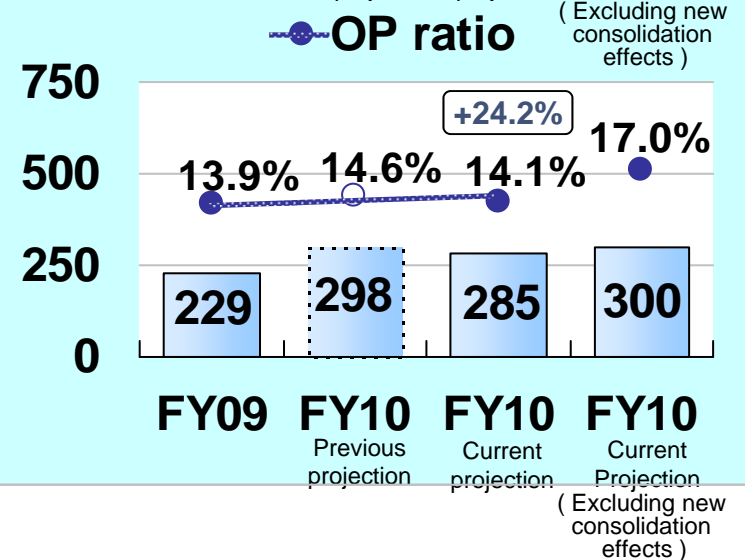
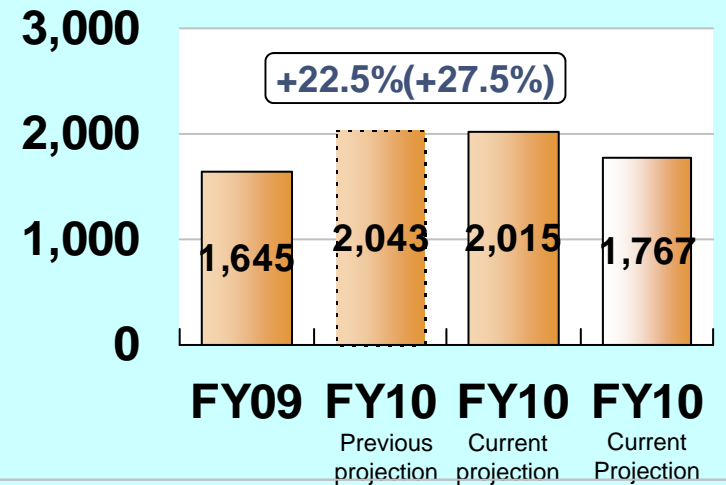
### Sales



### Op. Profit



(Billions of yen) **FY**





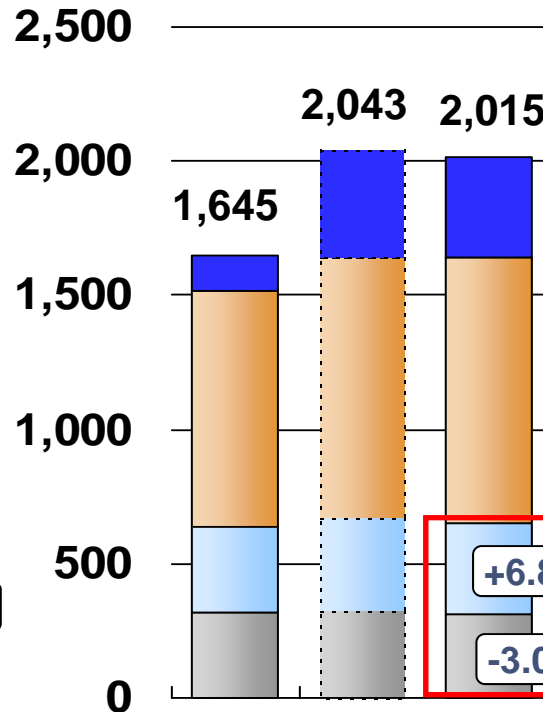
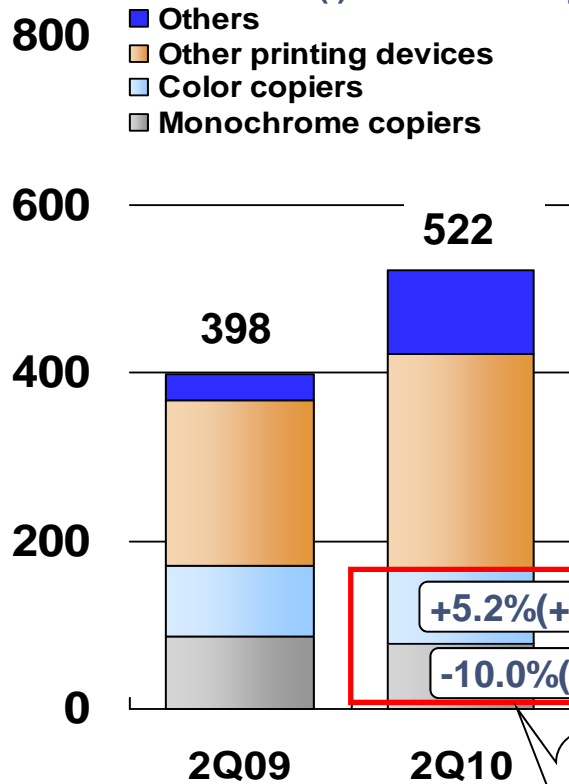
# Office (Copiers)

2Q 2010 Actual / FY 2010 Projection

## Sales

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

- Others
- Other printing devices
- Color copiers
- Monochrome copiers



Growth rate y/y (Unit base)		
Copiers	2Q	FY
Color	+39%	+29%
Mono-chrome	+21%	+10%
Total	+26%	+15%

Color ratio (Copiers)		
	2Q	FY
Value base*	53%	52%
Unit base	29%	30%

\*Includes consumables

Copier total Growth rate y/y  
**-2.5%(+3.5%)**

Copier total Growth rate y/y  
**+1.9%(+7.3%)**

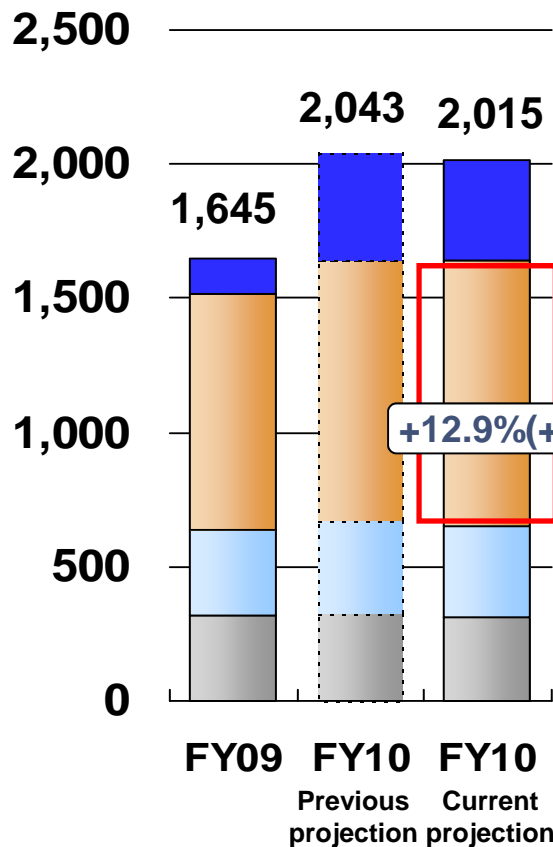
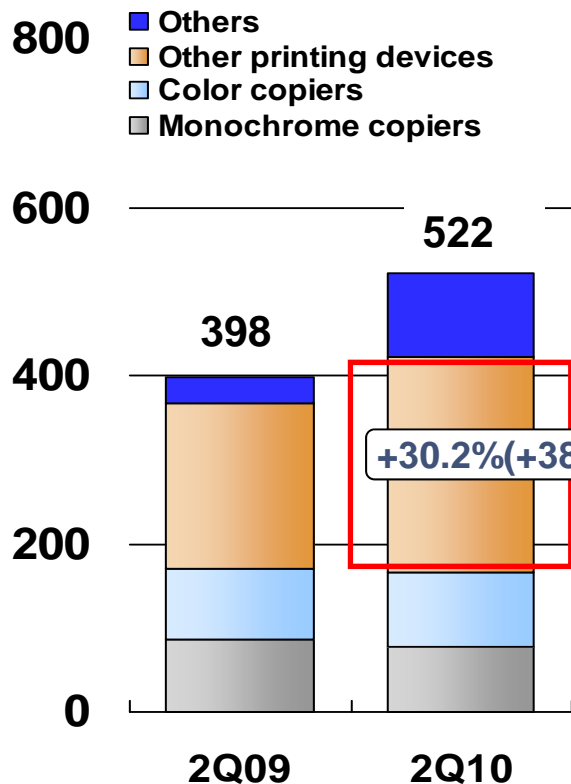
Note: FY10 current projection includes effects of new consolidation in "Others."

# Office (Other Printing Devices)

2Q 2010 Actual / FY 2010 Projection

## Sales

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



Growth rate y/y (Unit base)		
LP	2Q	FY
Color	+80%	+50%
Mono-chrome	+98%	+65%
Total	+95%	+63%

### Color ratio (LP)

	2Q	FY
Value base*	40%	44%
Unit base	15%	14%

\*Percentage of Other Printing Devices Sales attributable to Color LP

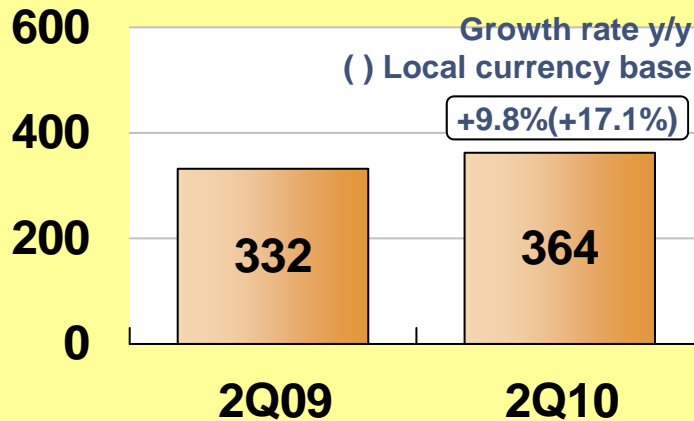
Note: FY10 current projection includes effects of new consolidation in "Others."

# Consumer

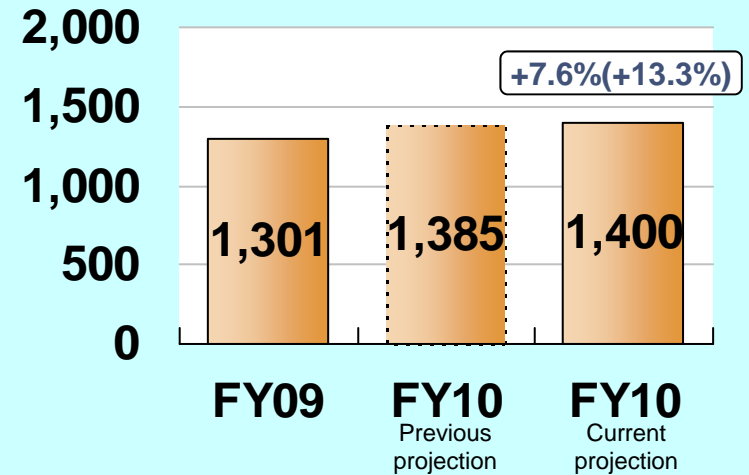
## 2Q 2010 Actual / FY 2010 Projection

(Billions of yen) **2Q**

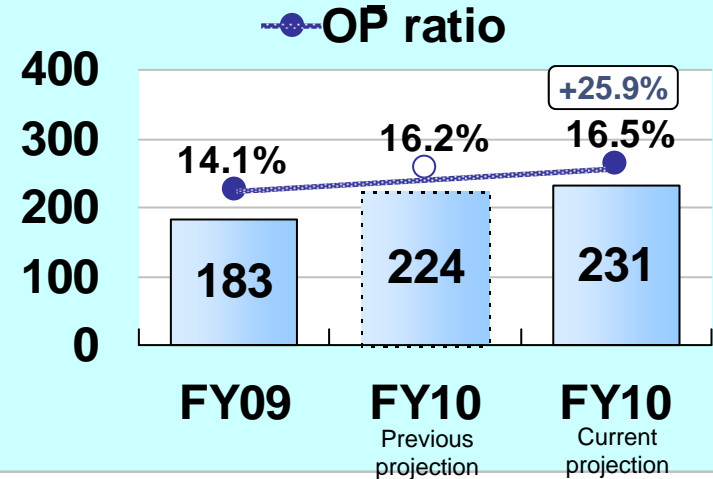
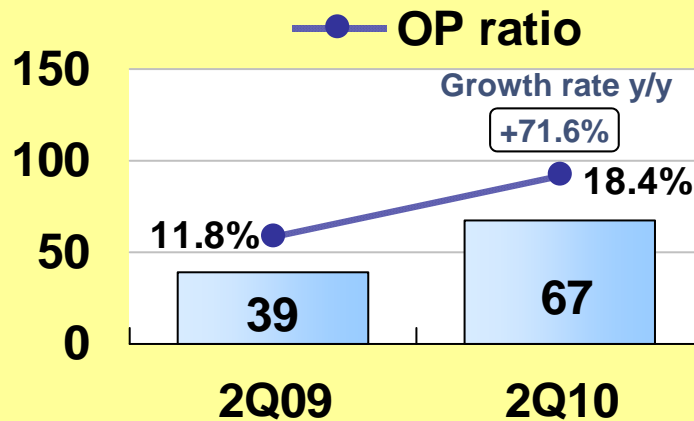
**Sales**



(Billions of yen) **FY**



**Op. Profit**



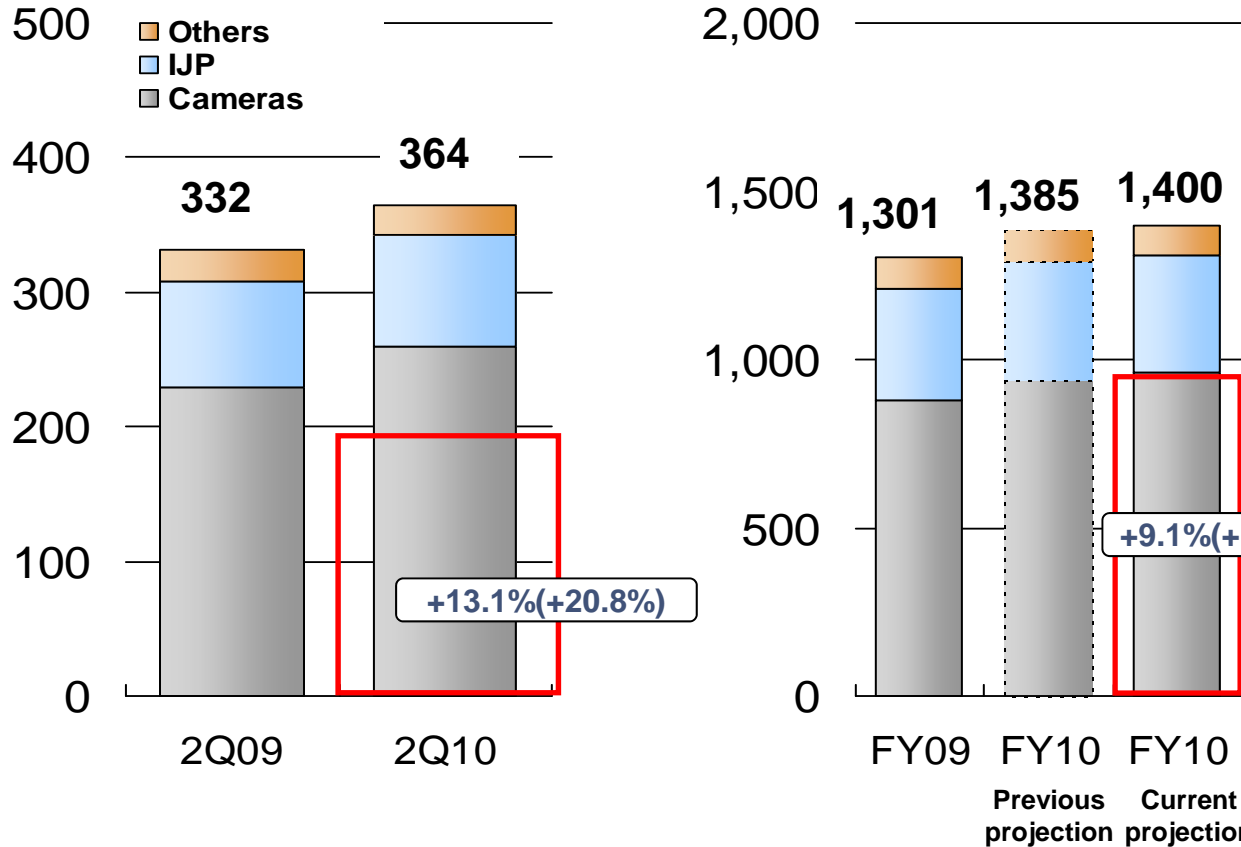
# Consumer (Cameras)

2Q 2010 Actual / FY 2010 Projection

## Sales

(Billions of yen) Growth rate y/y

( ) Local currency base



Growth rate y/y (Unit base)		
	2Q	FY
Digital cameras	+9%	+10%

D SLR ratio\*

	2Q	FY
Value base	65%	64%
Unit base	23%	21%

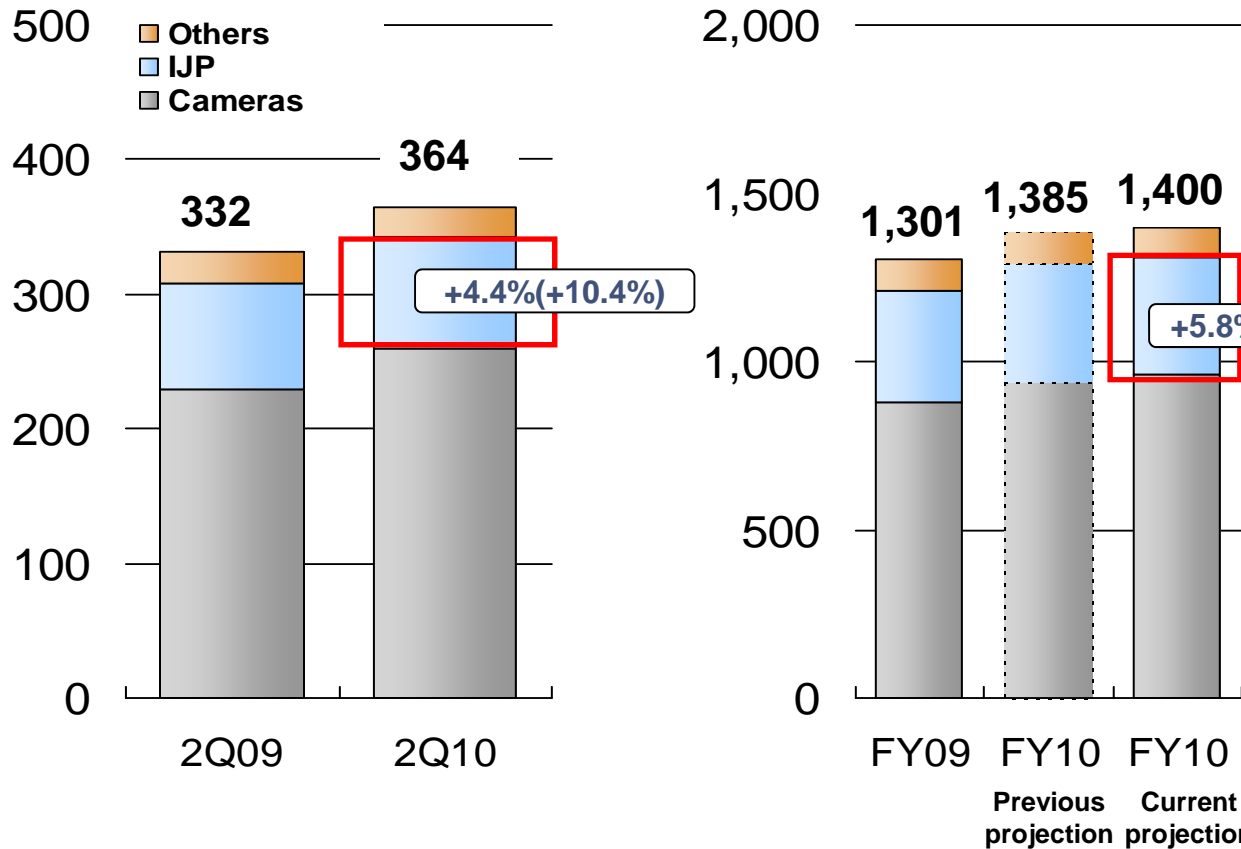
\* Percentage of cameras sales attributable to SLRs, interchangeable lenses and related accessories

# Consumer (IJP)

2Q 2010 Actual / FY 2010 Projection

## Sales

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



Growth rate y/y (Unit base)		
	2Q	FY
IJP	+4%	+3%

# Industry and Others

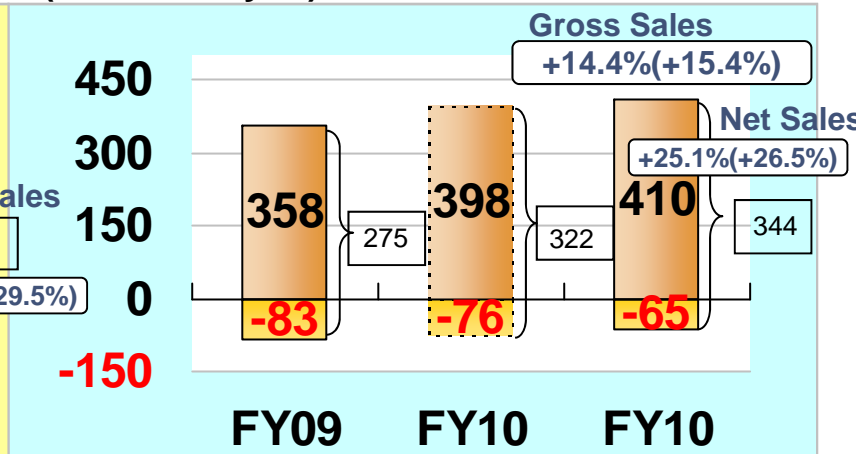
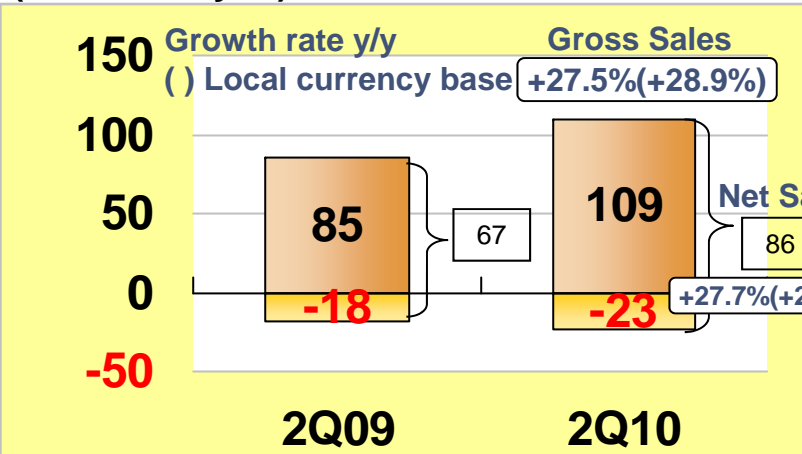
2Q 2010 Actual / FY 2010 Projection

- Gross Sales (Includes sales among Group businesses)
- Net Sales
- Sales Elimination (Sales among Group businesses)

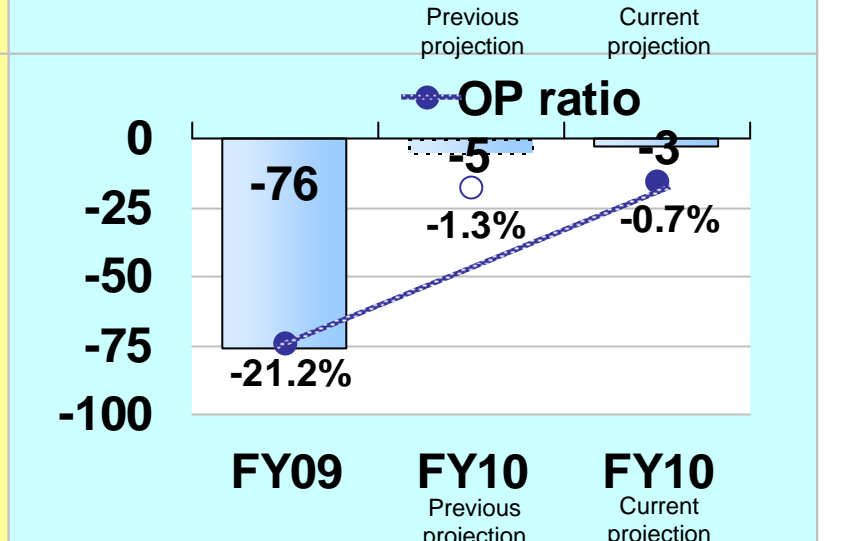
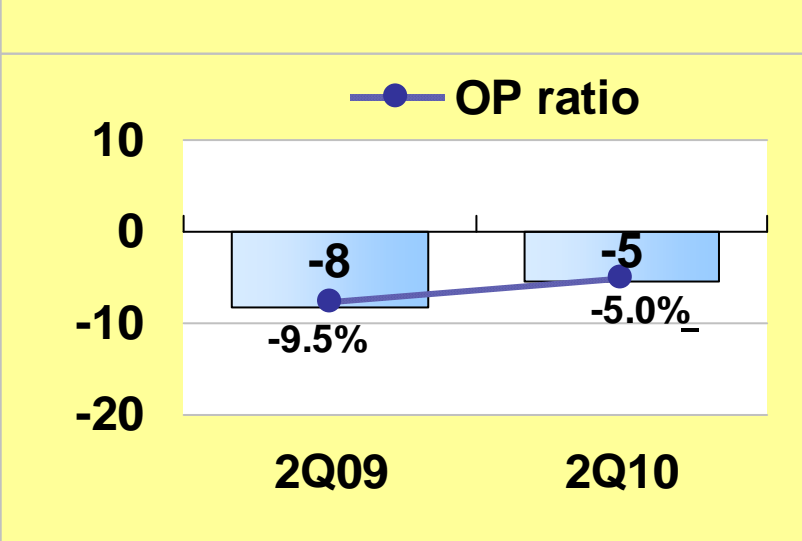
(Billions of yen) **2Q**

(Billions of yen) **FY**

**Sales**



**Op. Profit**



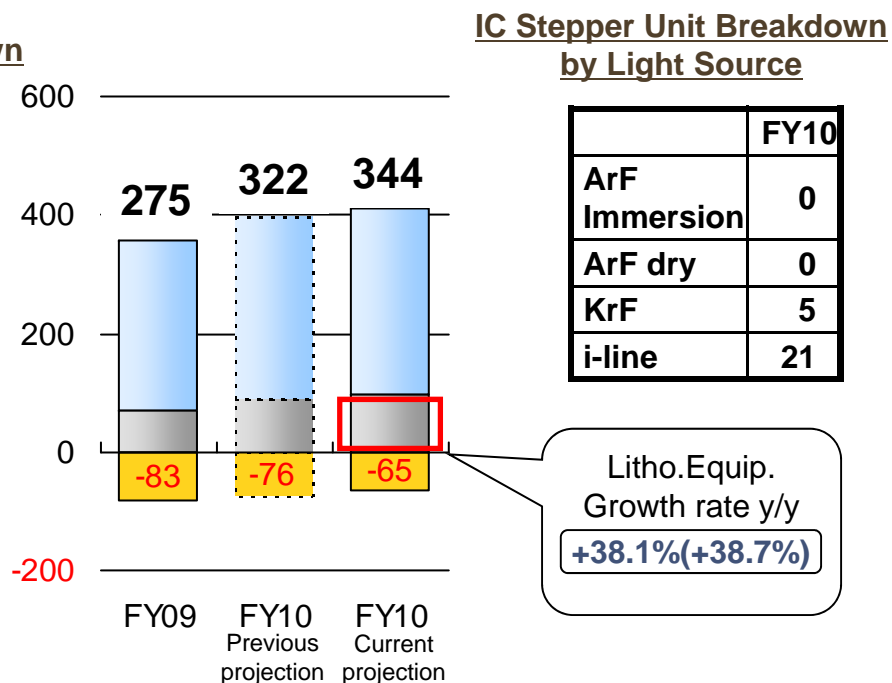
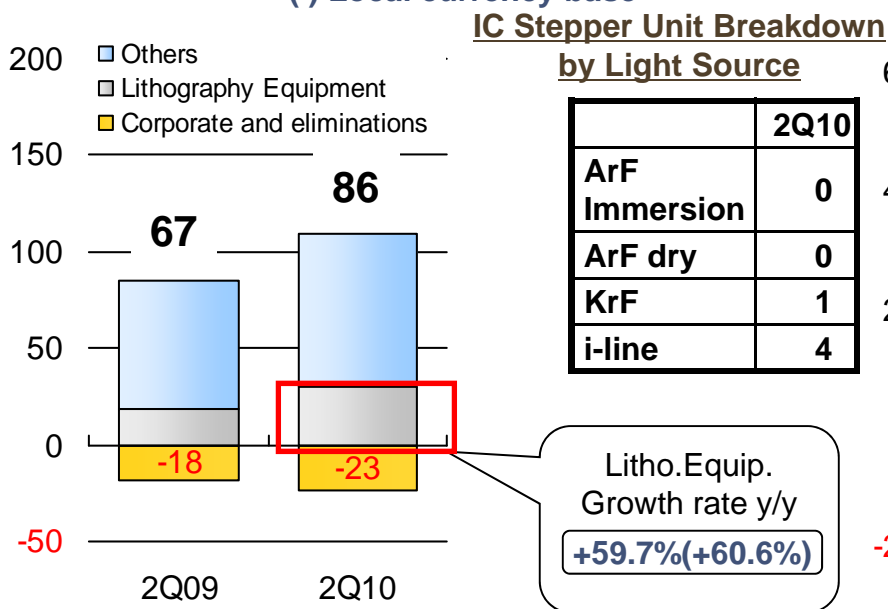
Note: FY10 current projection includes effects of new consolidation

# Industry and Others (Litho.Equip.)

2Q 2010 Actual / FY 2010 Projection

## Sales

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



Lithography Equipment (Unit sales)

	2Q09	2Q10
IC	2	5
LCD	10	17
TTL	12	22

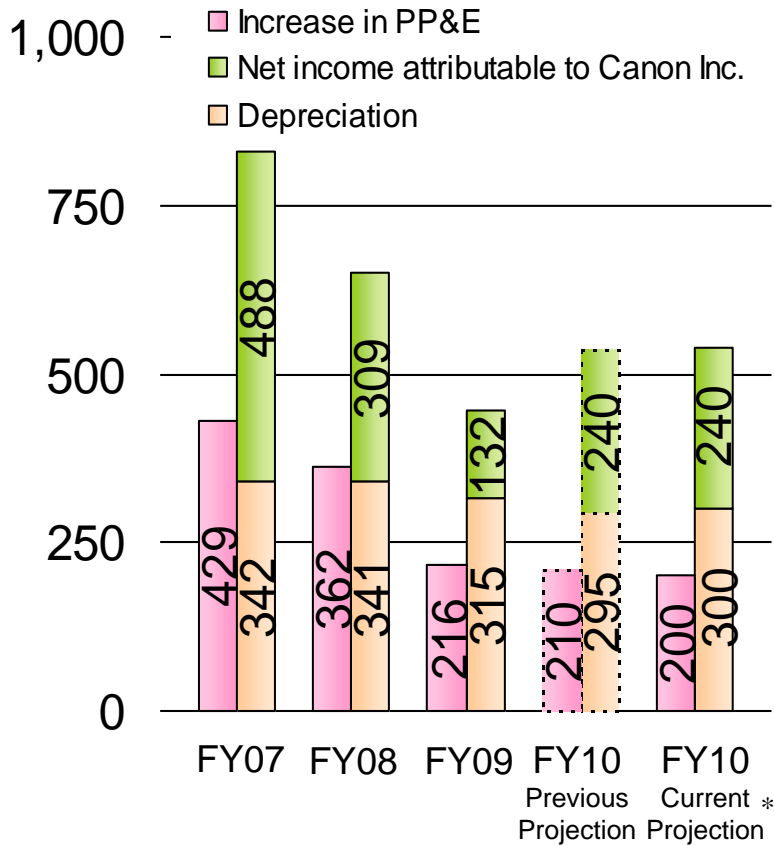
Lithography Equipment (Unit sales)

	FY09	FY10 Previous Projection	FY10 Current Projection
IC	13	31	26
LCD	38	59	60
TTL	51	90	86

Note: FY10 current projection includes effects of new consolidation in "Others."

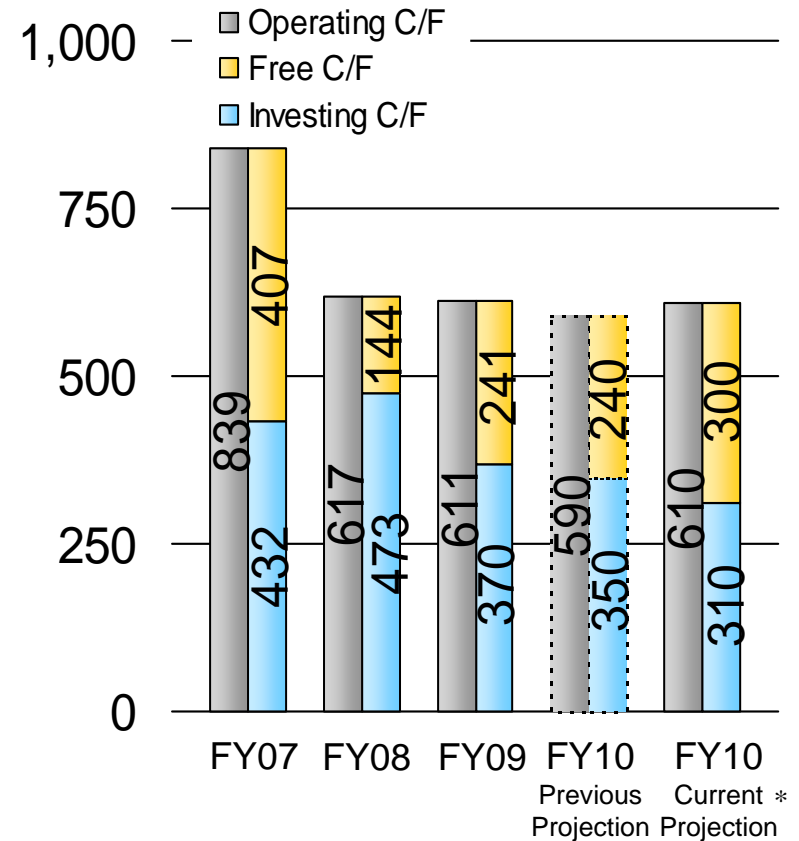
# Capital Expenditure

(Billions of yen)



# Free Cash Flow

(Billions of yen)

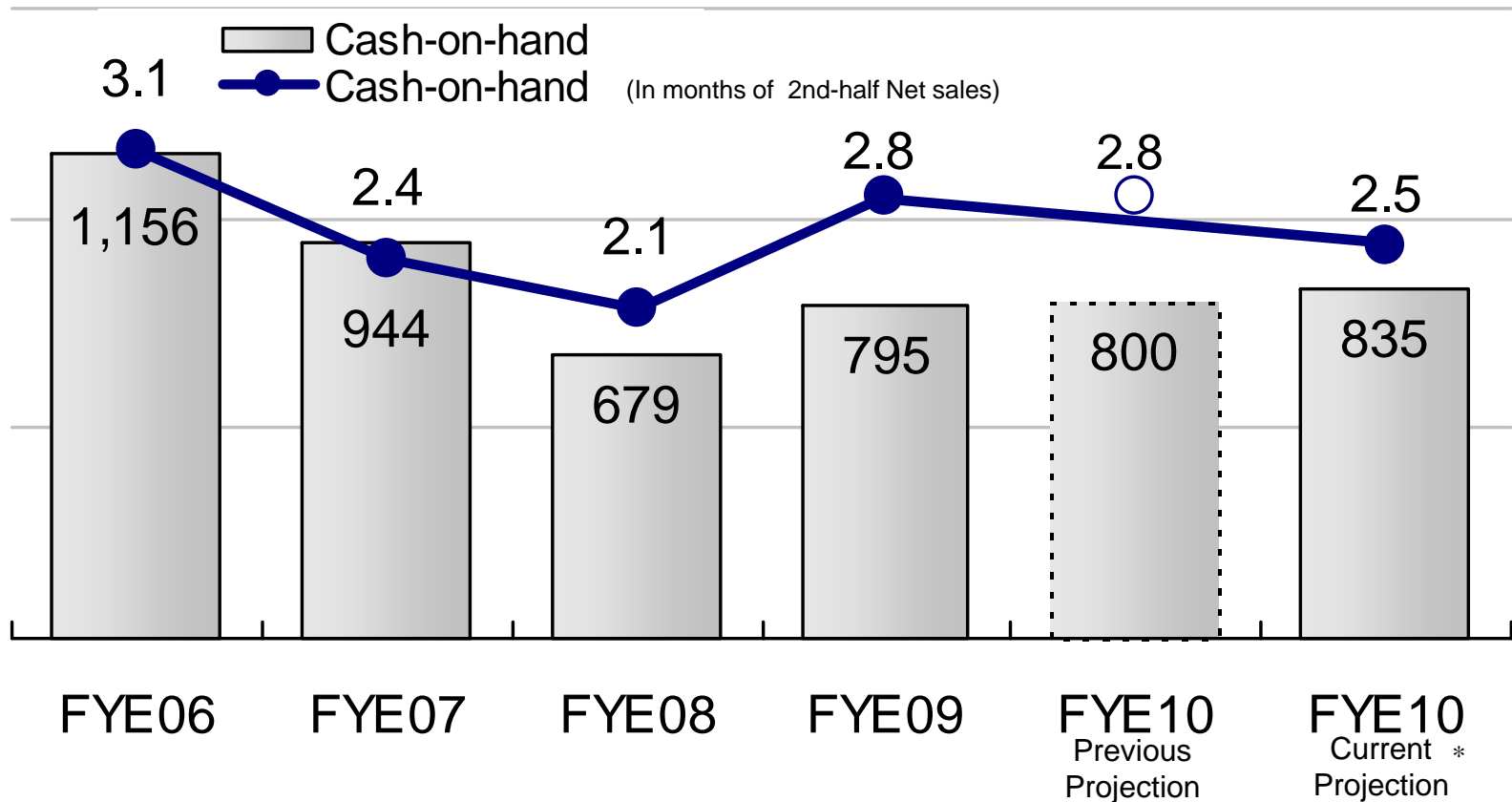


\* Figures for FY10 current projection include plans of newly consolidated companies



# Cash on Hand

(Billions of yen)



Note 1: In 2007, 450 billion yen was used to acquire own share.  
In 2008, 100 billion yen.

\* Figures for FYE10 current projection include newly consolidated companies

# Supplementary Information

# Transition in Sales and Operating Profit

## FY 2010 Current Projection v. FY 2009 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2009 Actual	3,209.2	217.1
Foreign exchange impact [net sales, cost of sales, expenses]	-150.3	-107.6
Sales volume impact		
Office	+221.9	
Consumer	+203.2	
Industry and Others	+76.0	
.....	.....	.....
Total	+501.1	+273.1
Effects of new consolidation	+250.0	-15.0
Others	-60.0	-7.6
Total Change	+540.8	+142.9
FY 2010 Current projection	3,750.0	360.0

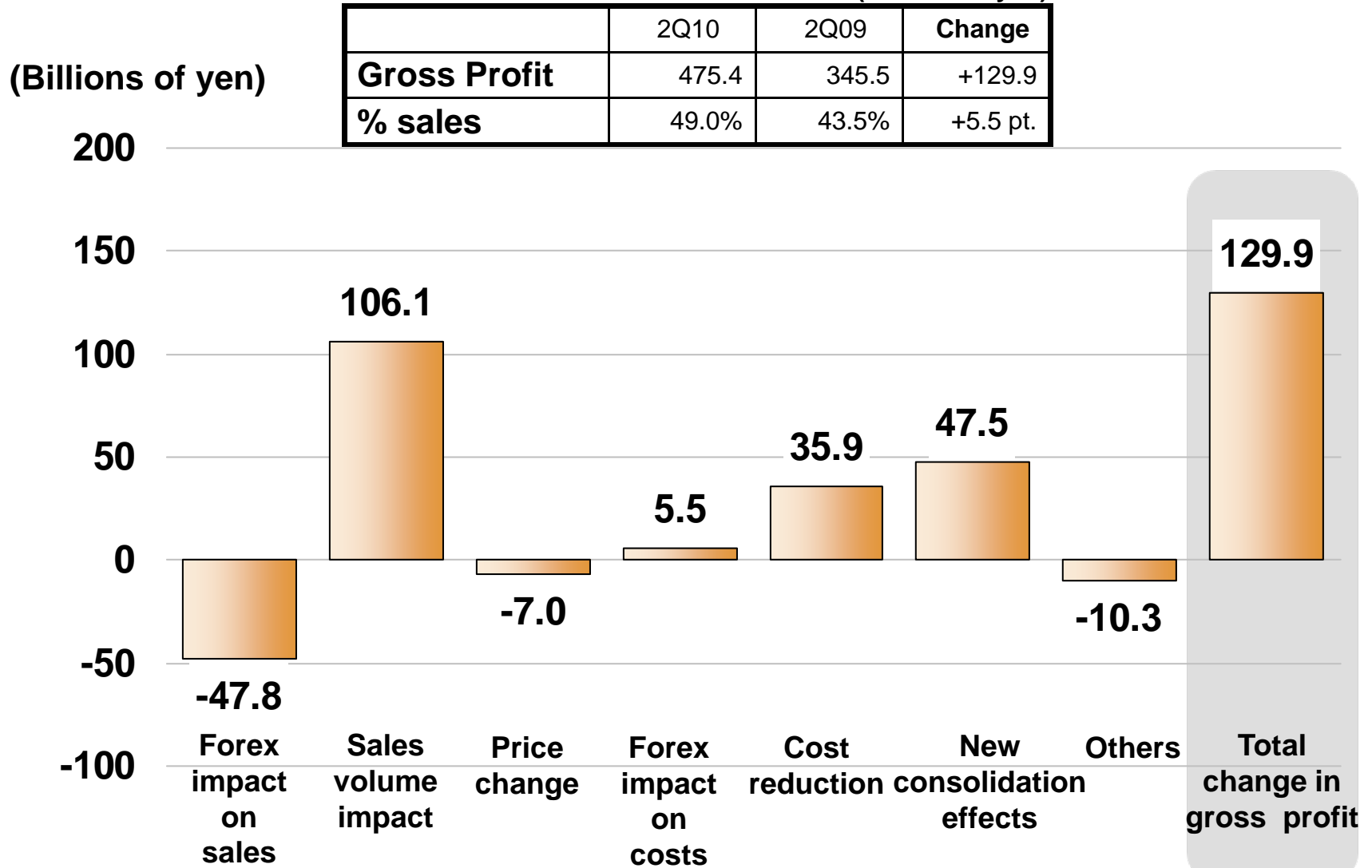
### Change in Exchange Rate (FY)

- 1USD: 93.21 to 90.63 yen
- 1EURO: 130.46 to 114.74 yen

# Gross Profit Variance Analysis

2Q 2010 Actual v. 2Q 2009 Actual

(Billions of yen)

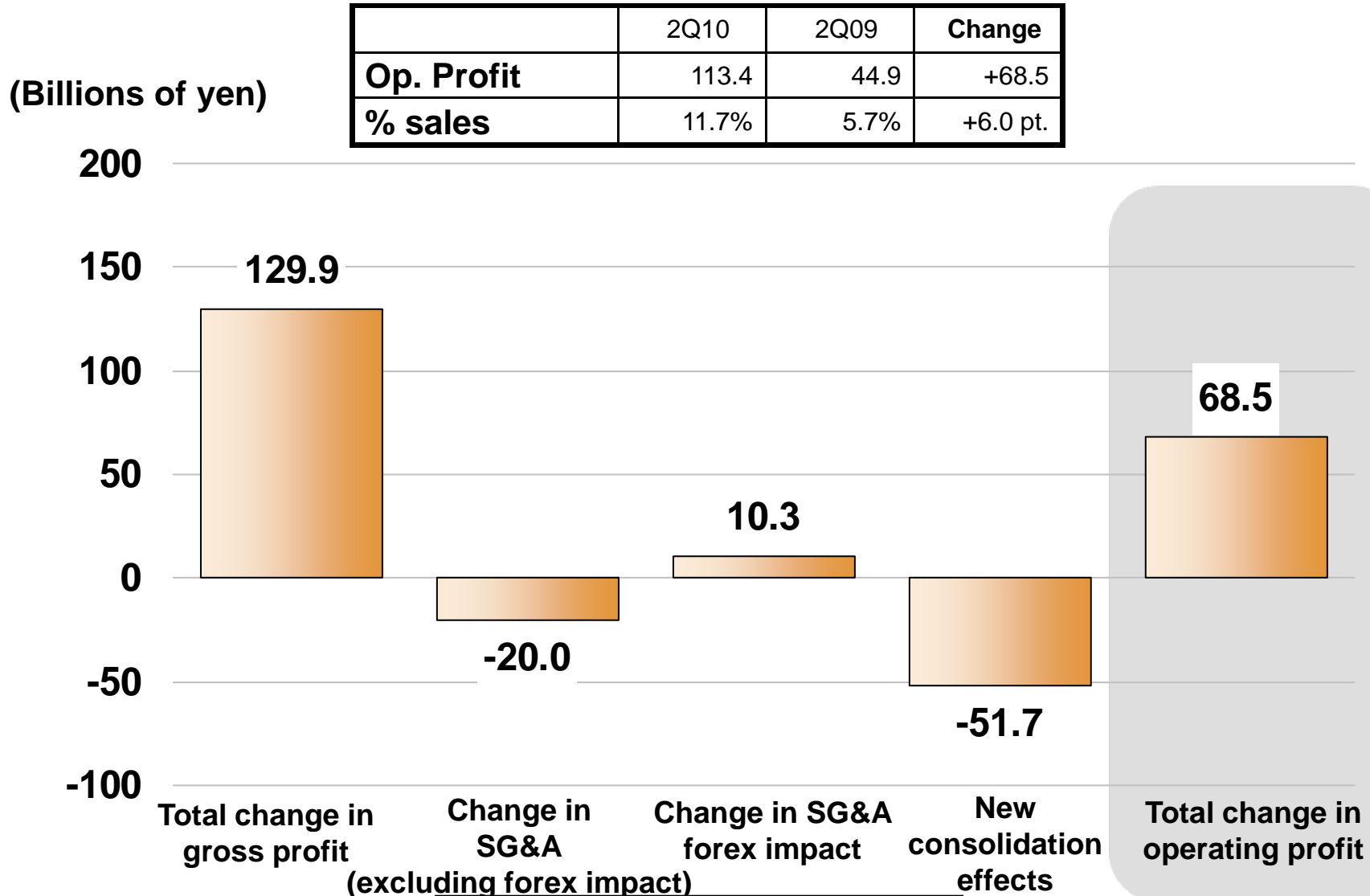


**Supplementary Information**

# Operating Profit Variance Analysis

2Q 2010 Actual v. 2Q 2009 Actual

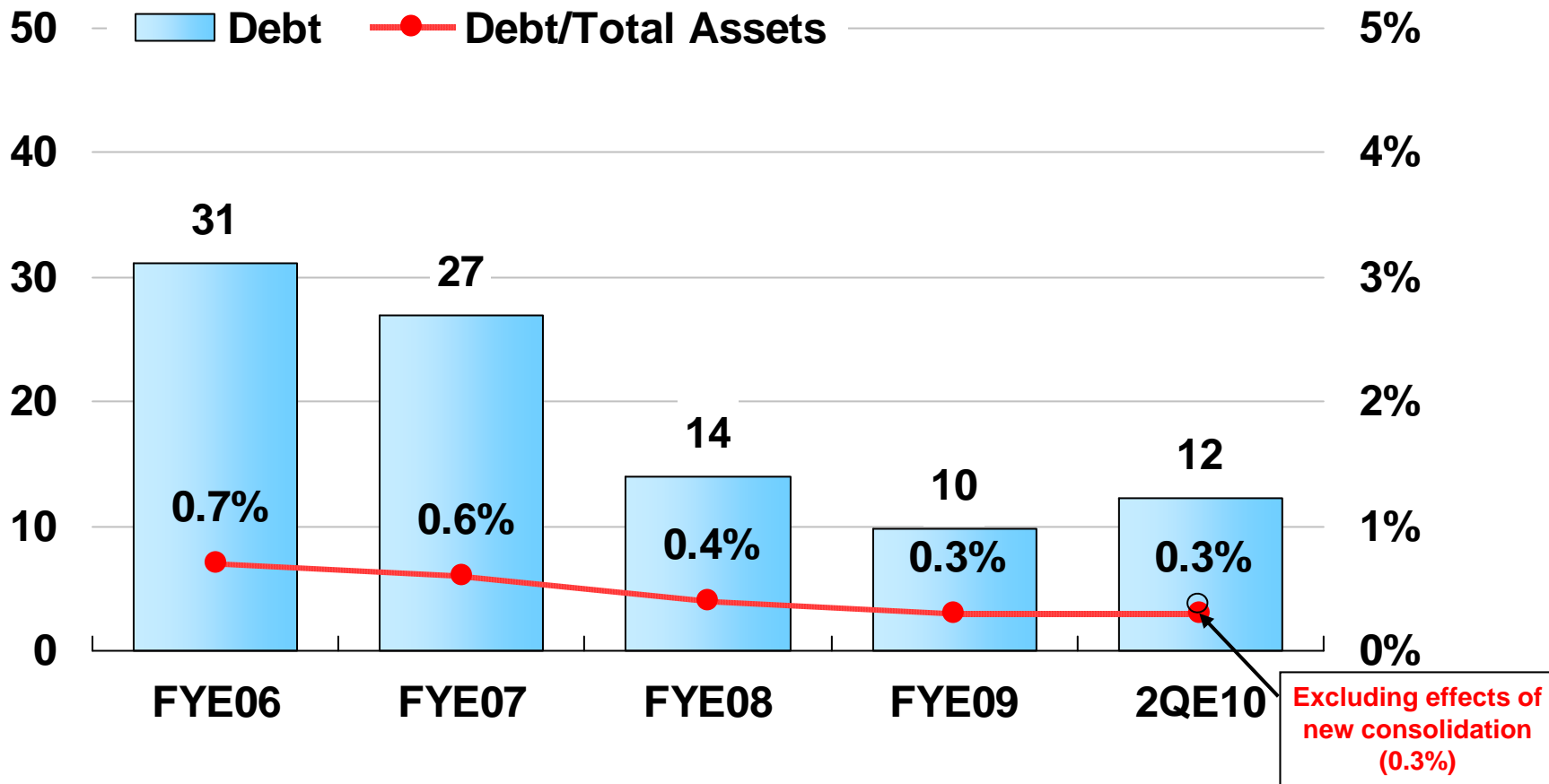
(Billions of yen)



Supplementary Information

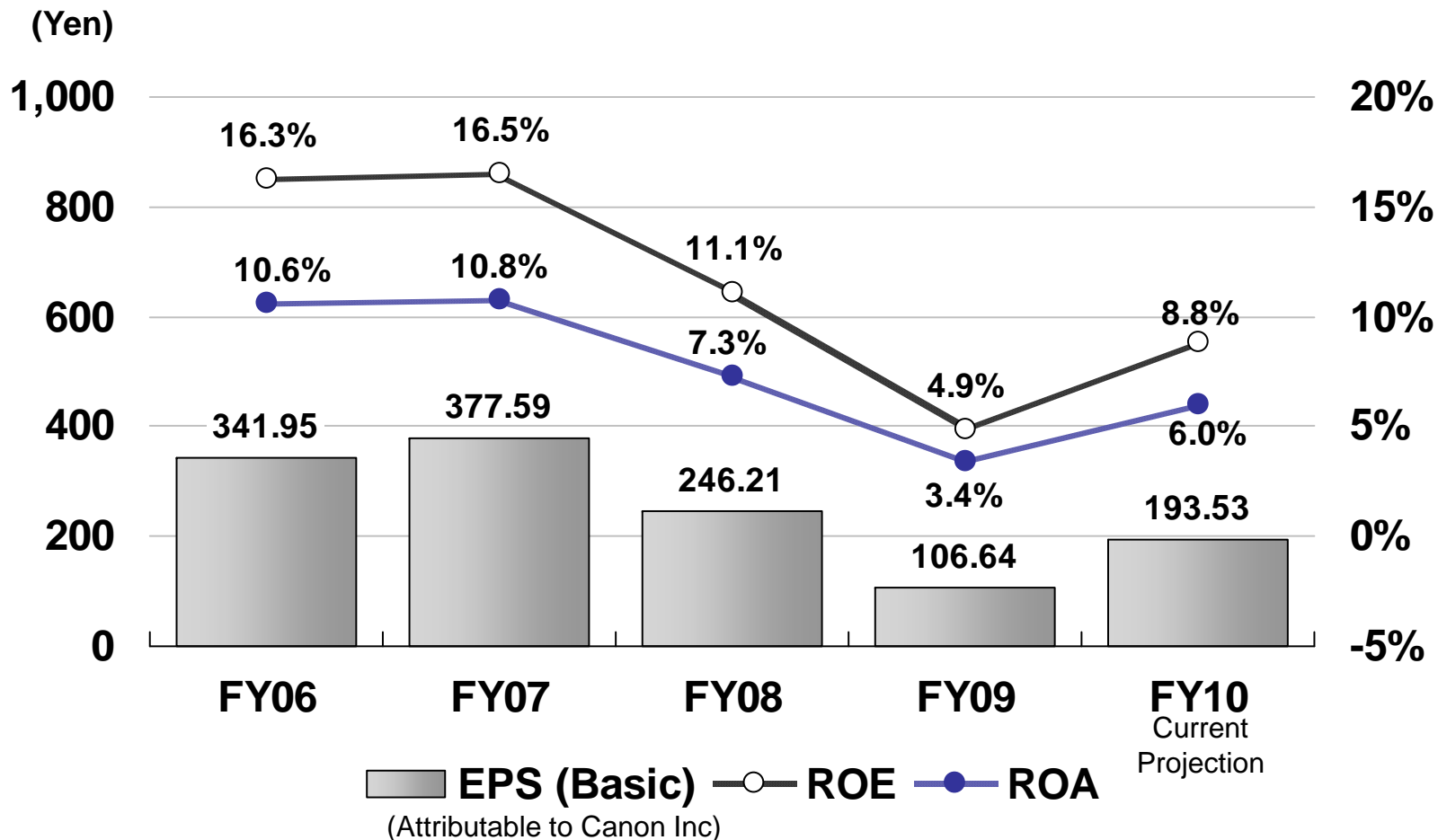
# Interest Bearing Debt

(Billions of yen)



Supplementary Information

# Financial Ratios



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