



# Canon Inc.

# Fiscal Year 2005 Results

January 30, 2006

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Senior Managing Director, Group Executive  
Finance and Accounting Headquarters

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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.

Jan. 30, 2006 Canon Inc.



# Agenda

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# Summary of Results

4Q/FY 2005 Actual

(Billions of yen)

		2005				2004		% change	
		Actual	% sales	Projection	% sales	Actual	% sales	Projection	Actual
<b>4Q</b>	Net sales	1,119.8		1,105.7		981.1		+1.3%	+14.1%
	Gross profit	539.2	48.1%	544.1	49.2%	477.8	48.7%	-0.9%	+12.8%
	Op. profit	169.3	15.1%	173.2	15.7%	132.1	13.5%	-2.3%	+28.1%
	Net income	108.2	9.7%	108.1	9.8%	80.8	8.2%	+0.1%	+33.9%
	Yen-1USD	117.39		112.00		105.86			
	Yen-1EURO	139.46		135.00		137.14			
<b>FY</b>	Net sales	3,754.2		3,740.0		3,467.9		+0.4%	+8.3%
	Gross profit	1,819.0	48.5%	1,824.0	48.8%	1,713.3	49.4	-0.3%	+6.2%
	Op. profit	583.0	15.5%	587.0	15.7%	543.8	15.7%	-0.7%	+7.2%
	Net income	384.1	10.2%	384.0	10.3%	343.3	9.9%	0.0%	+11.9%
	Yen-1USD	110.58		109.07		108.12			
	Yen-1EURO	137.04		135.71		134.57			

# Transition in Sales and Op. Profit

4Q 2005 Actual v. 4Q 2005 Projection

(Billions of yen)

	4Q 2005	
	Sales	Op. Profit
Projection (Oct. 27, 2005)	1,105.7	173.2
Foreign exchange impact [net sales, cost of sales, expenses]	+31.0	+7.1
Sales volume impact		
Office Imaging Products	-18.8	
Computer Peripherals	-1.9	
Business Information Products	-3.6	
Cameras	+14.3	
Optical and Other Products	+6.6	
Total	-3.4	-1.1
Others	-13.5	-9.9
Total Change	+14.1	-3.9
Actual	1,119.8	169.3

## Change in Exchange Rate

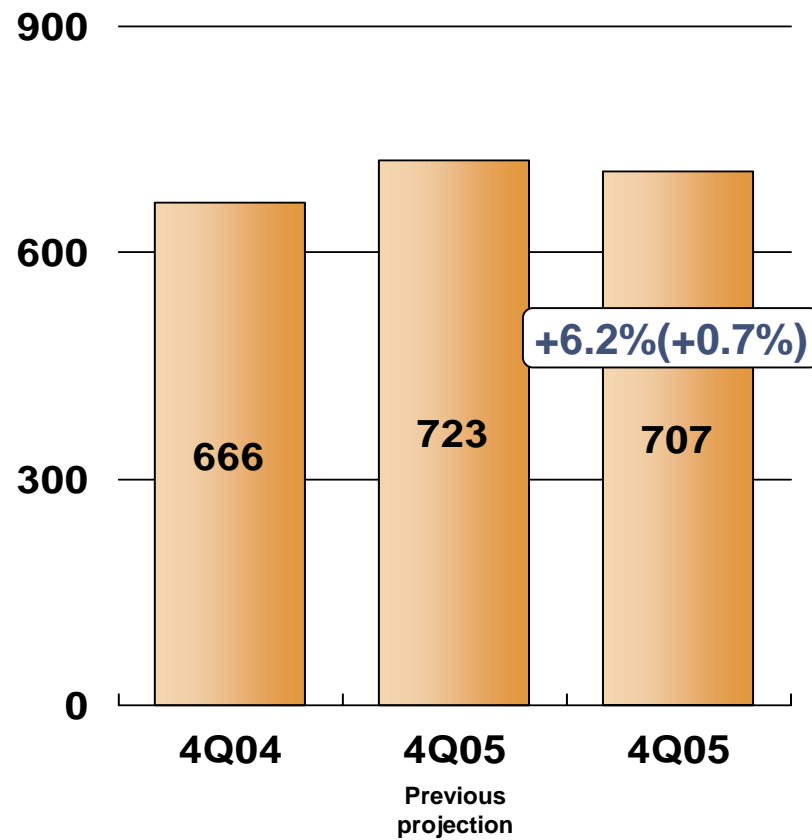
- 1USD: 112.00 to 117.39 yen
- 1EURO: 135.00 to 139.46 yen

# Business Machines

4Q 2005 Actual

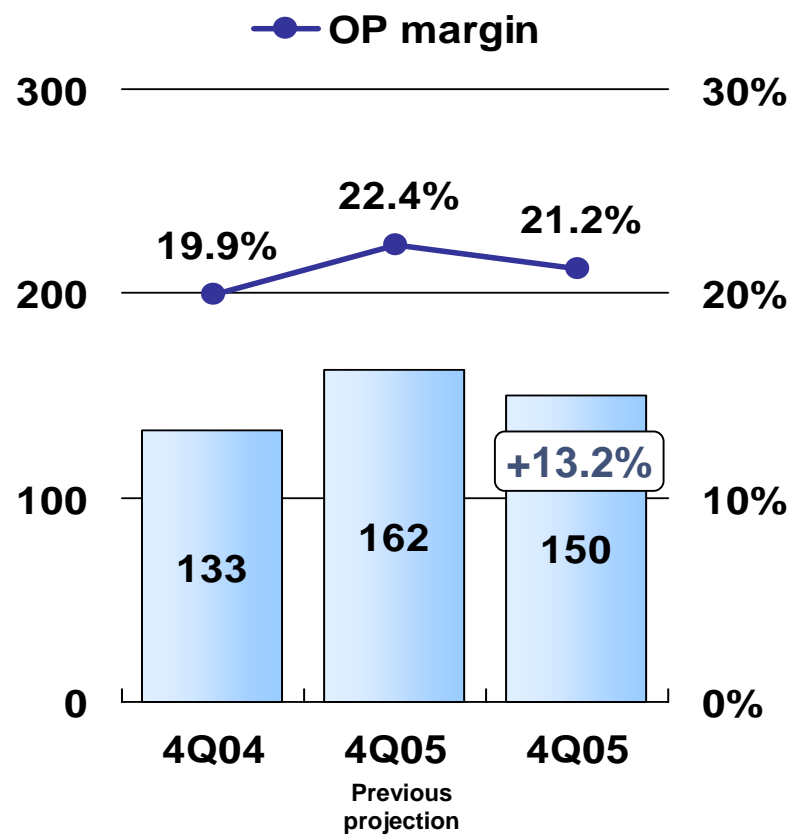
## Sales

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



## Operating Profit

(Billions of yen)

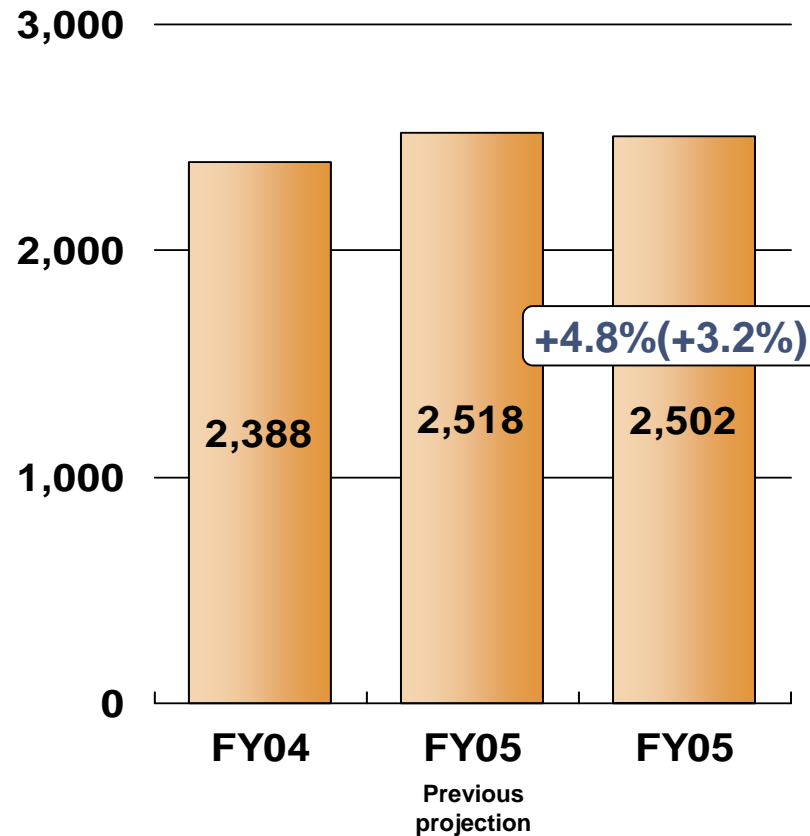


# Business Machines

FY 2005 Actual

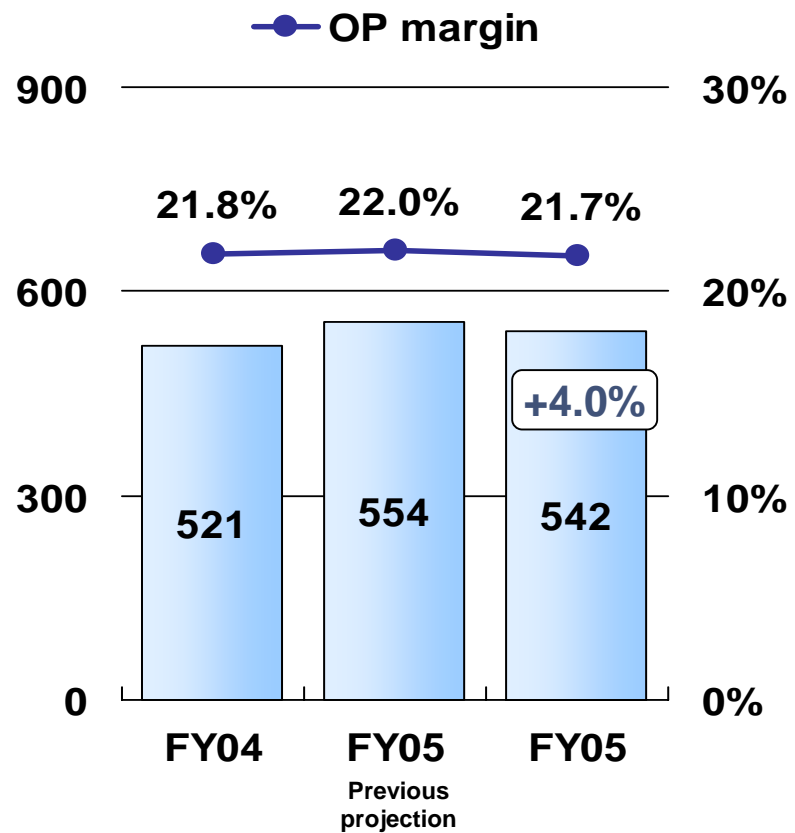
## Sales

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



## Operating Profit

(Billions of yen)

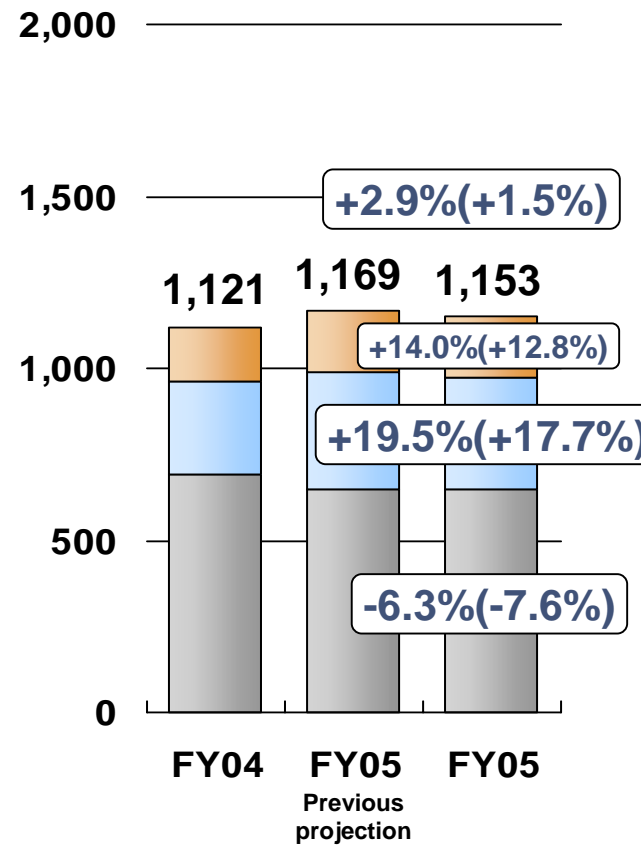
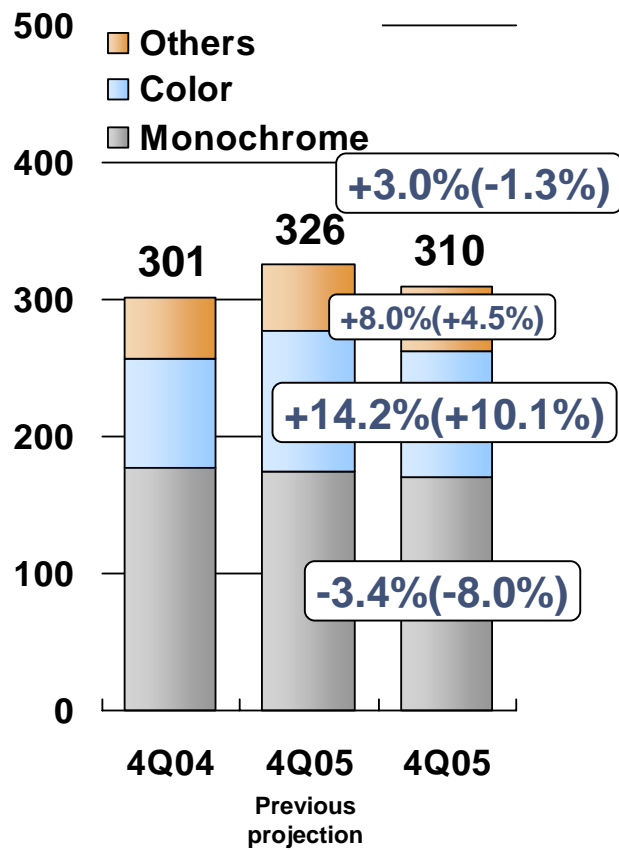


# Office Imaging Products

4Q&FY 2005 Actual

## Sales

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



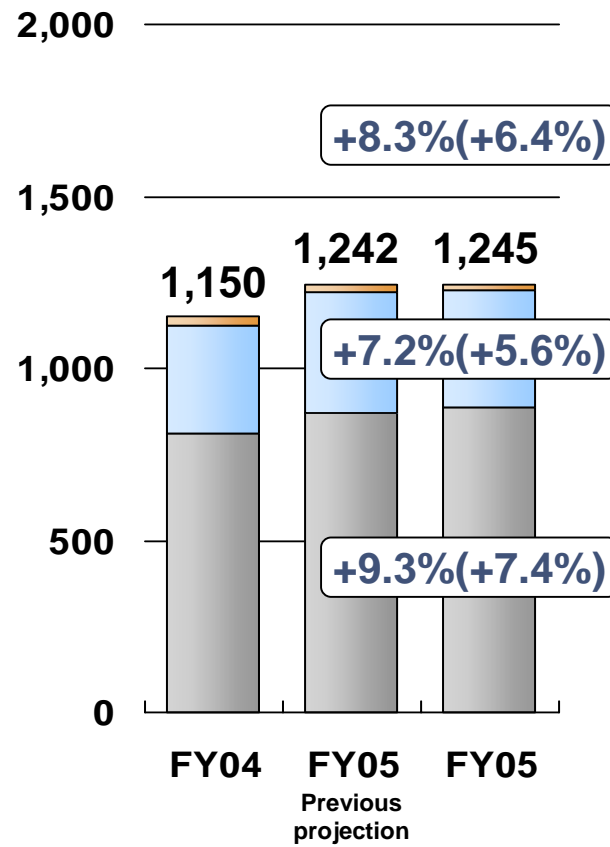
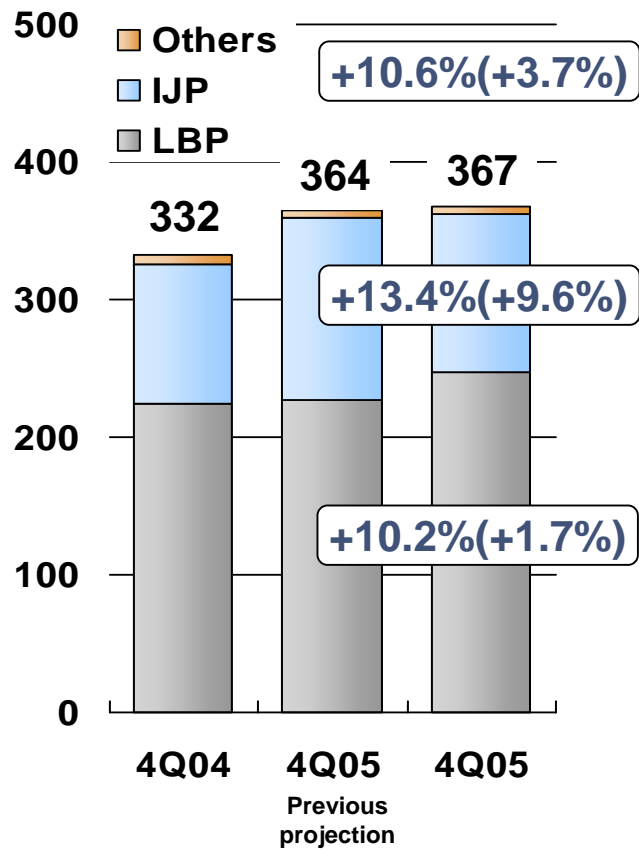
Growth rate y/y (Unit base)		
Copying Machines		
	4Q	FY
Color	-8%	+17%
Mono-chrome	-16%	-12%
Total	-15%	-10%

# Computer Peripherals

4Q&FY 2005 Actual

## Sales

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



### Growth rate y/y (Unit base)

LBP	4Q	FY
Color	+17%	+34%
Mono-chrome	+4%	+14%
Total	+5%	+16%
IJP	4Q	FY
SFP	-10%	+4%
MFP	+143%	+64%
Total	+12%	+13%

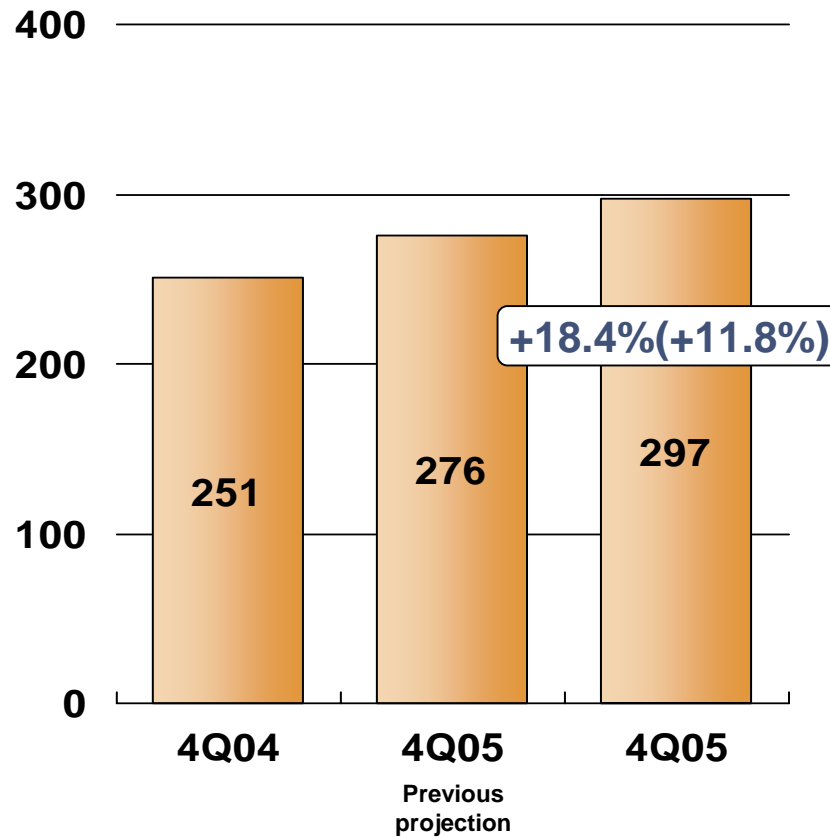


# Cameras

4Q 2005 Actual

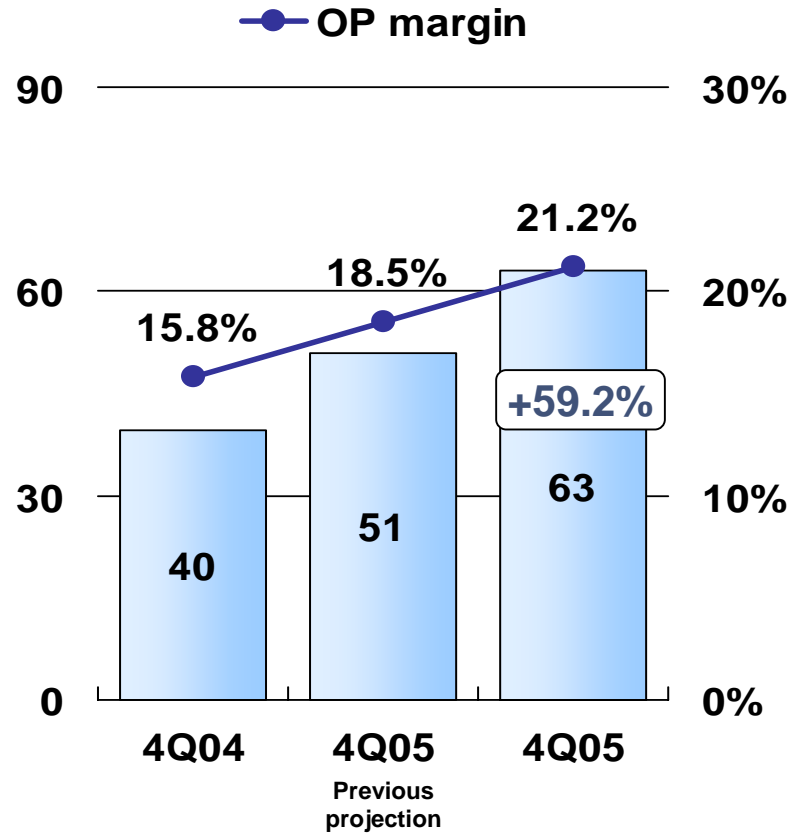
## Sales

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



## Operating Profit

(Billions of yen)

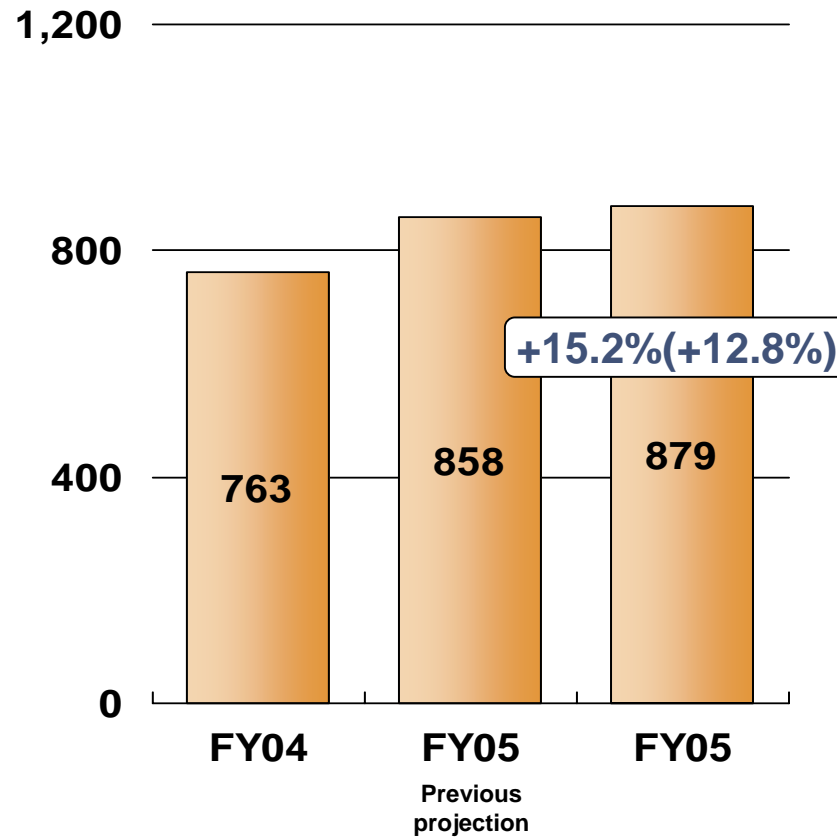


# Cameras

FY 2005 Actual

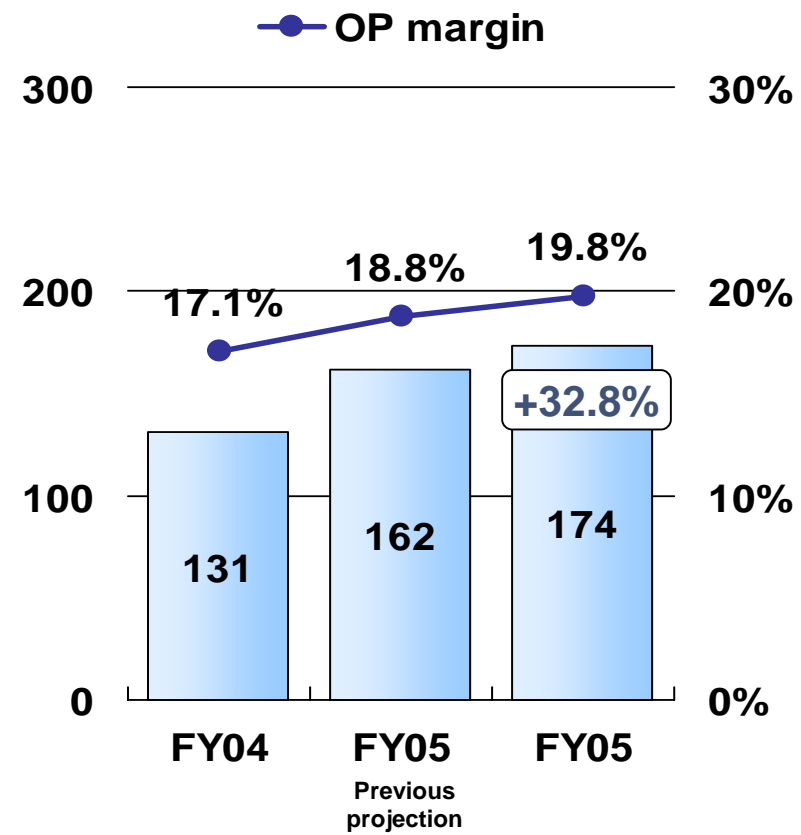
## Sales

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



## Operating Profit

(Billions of yen)

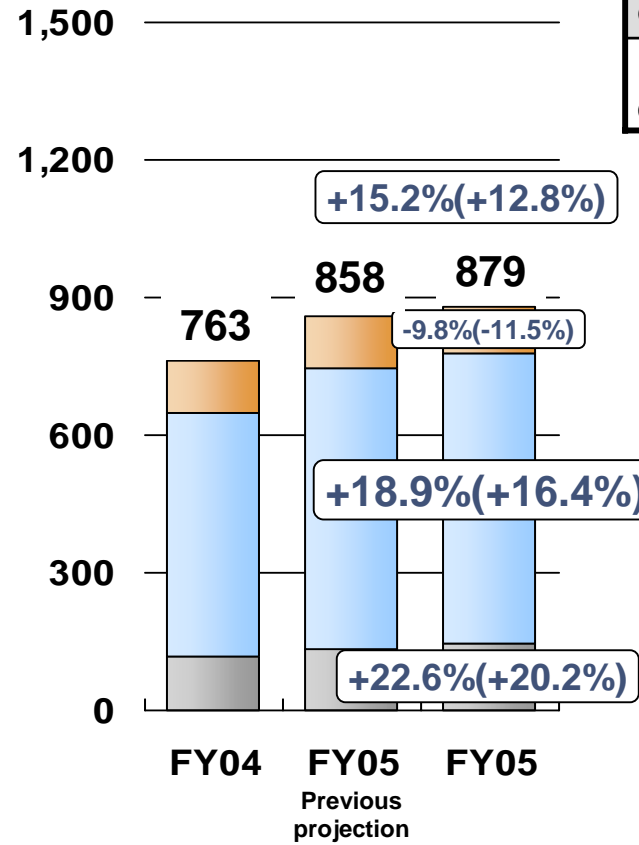
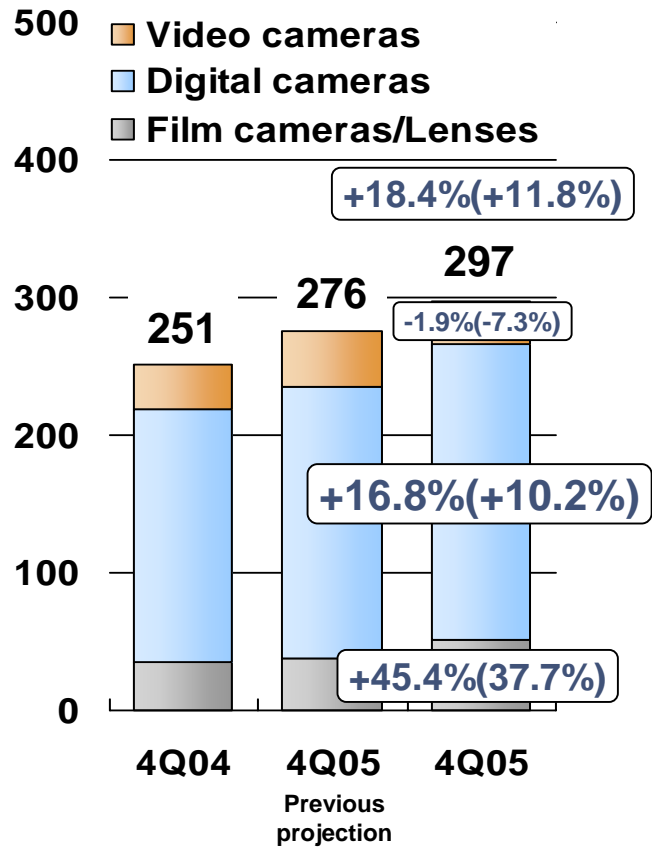


# Cameras

4Q&FY 2005 Actual

## Sales

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



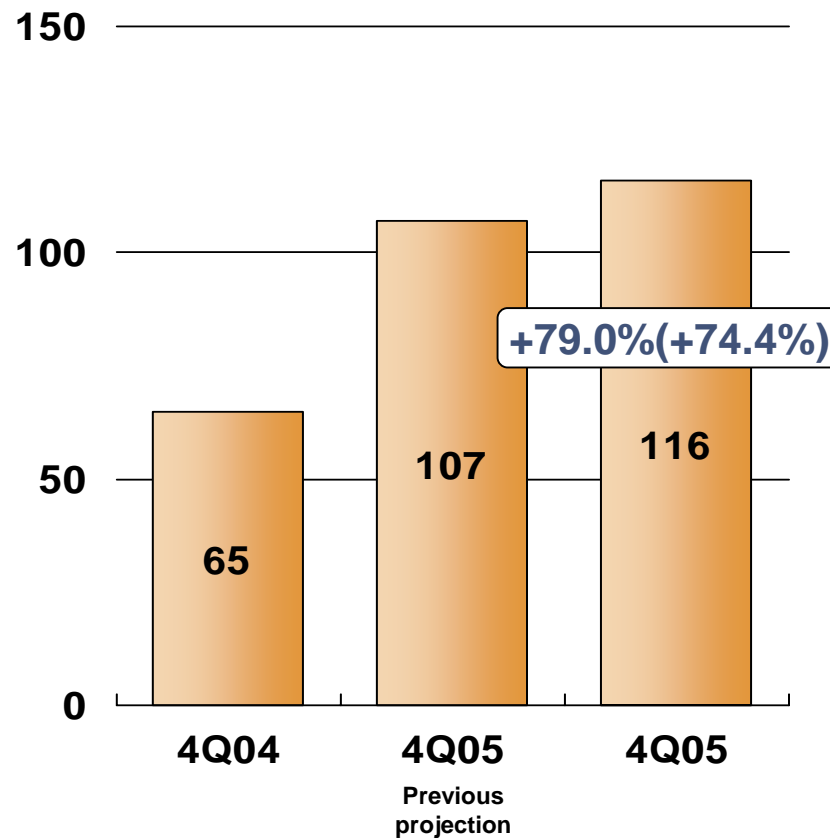
Growth rate y/y (Unit base)		
Digital cameras	4Q	FY
Digital cameras	+6%	+21%

# Optical and Other Products

4Q 2005 Actual

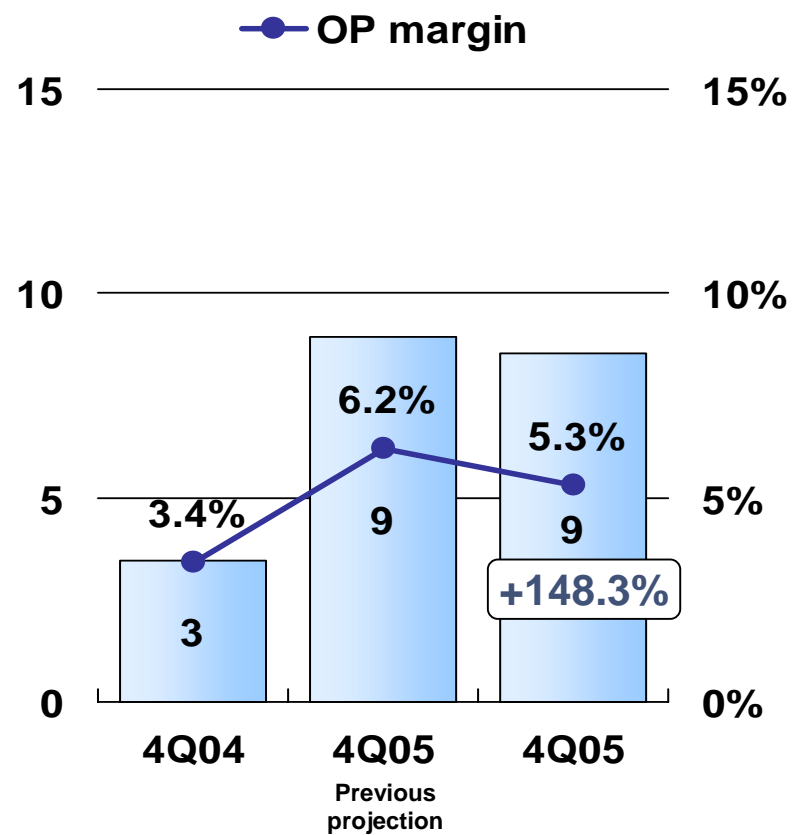
## Sales

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



## Operating Profit

(Billions of yen)



\*Excluding inter-segment sales

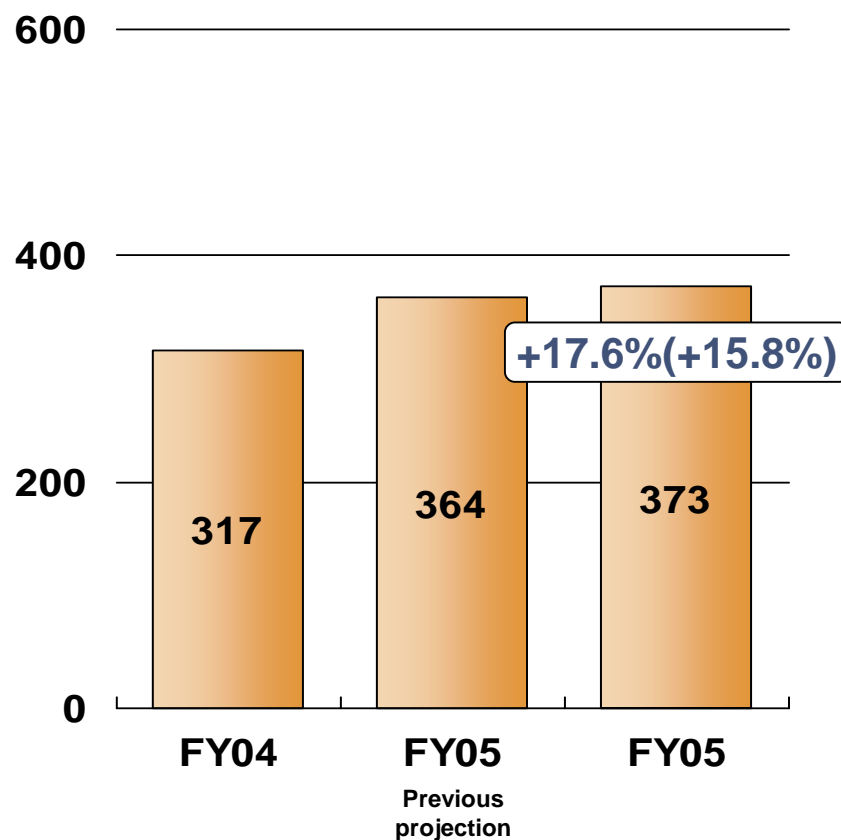
\*Calculation of operating profit margin includes inter-segment sales

# Optical and Other Products

FY 2005 Actual

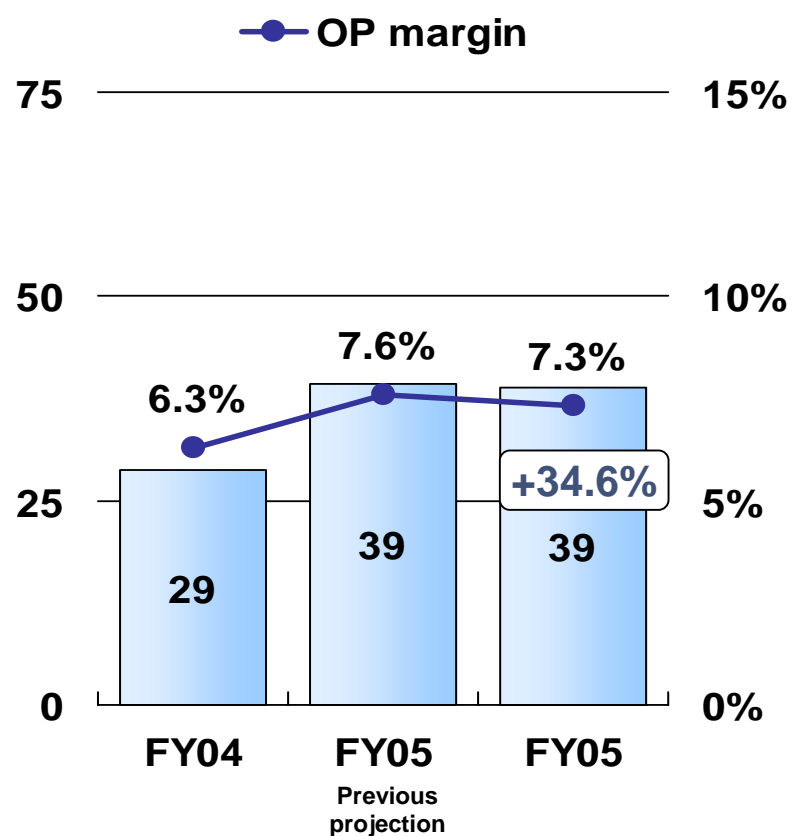
## Sales

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



## Operating Profit

(Billions of yen)



\*Excluding inter-segment sales

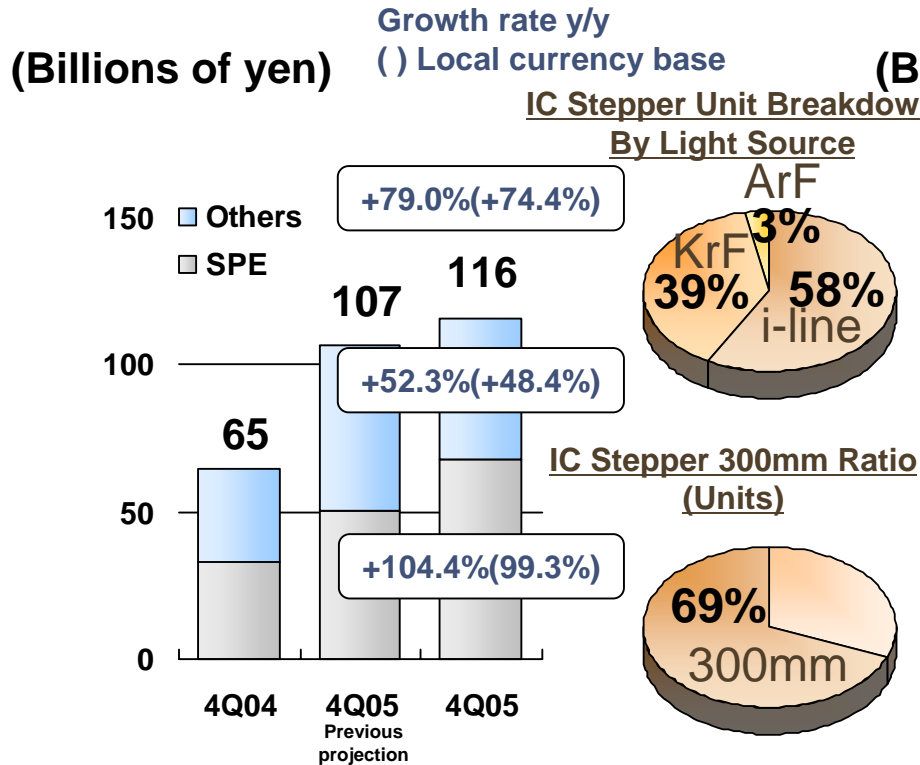
\*Calculation of operating profit margin includes inter-segment sales

# Optical and Other Products

4Q&FY 2005 Actual

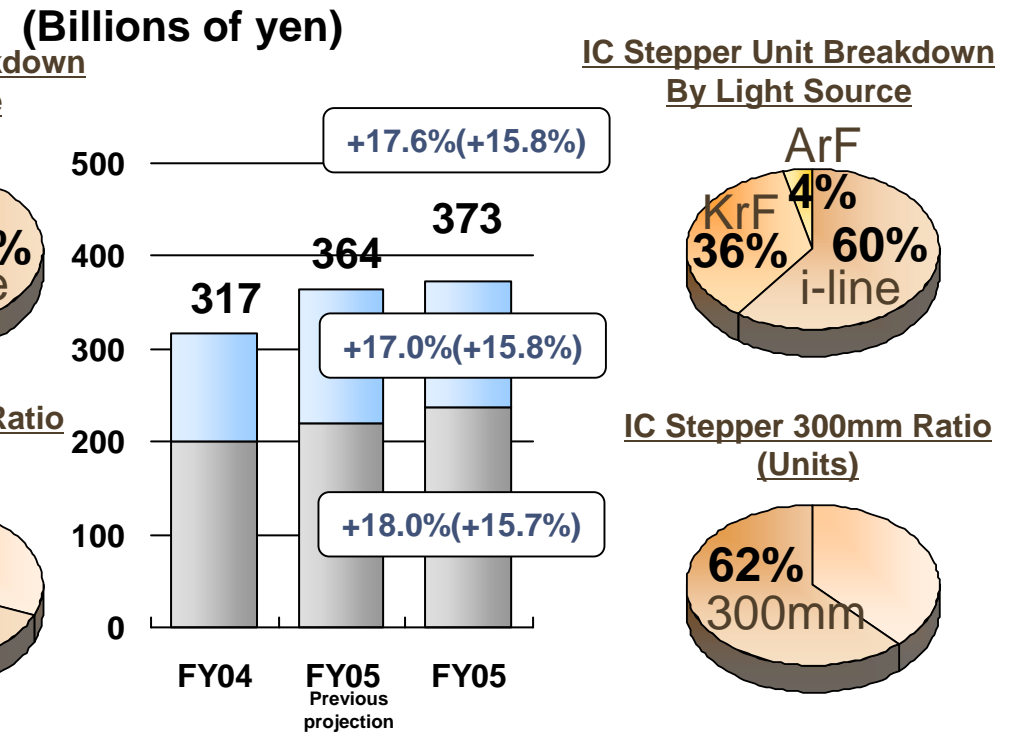
## Sales

## Operating Profit



### SPE (Unit sales)

	4Q04	4Q05 Previous projection	4Q05
IC	31	28	36
LCD	4	28	31
TTL	35	56	67



### SPE (Unit sales)

	FY04	FY05 Previous projection	FY05
IC	152	133	141
LCD	85	110	113
TTL	237	243	254



# FY 2006 Assumptions

<b>Average Exchange Rate</b>	<b>FY 2006</b>	<b>FY 2005</b>
■ USD	115.00 yen	110.58 yen
■ EURO	135.00 yen	137.04 yen

## **Impact of Exchange Rate Movement** (Full-year impact given a one yen change)

	<b>Sales</b>	<b>Operating Profit</b>
■ USD	14.0 Billion yen	7.7 Billion yen
■ EURO	7.4 Billion yen	5.6 Billion yen

# Summary of Projected Results

FY 2006 Projection v. FY 2005 Results

(Billions of yen)

	FY06 Projection	FY05 Actual	% Change
<b>Net sales</b>	<b>4,060.0</b>	<b>3,754.2</b>	+8.1%
<b>Gross profit</b>	<b>1,996.0</b>	<b>1,819.0</b>	+9.7%
[% sales]	49.2%	48.5%	
<b>Op. profit</b>	<b>653.0</b>	<b>583.0</b>	+12.0%
[% sales]	16.1%	15.5%	
<b>Net income</b>	<b>415.0</b>	<b>384.1</b>	+8.0%
[% sales]	10.2%	10.2%	
<b>Foreign exchange rate</b>			
Yen – 1USD	115.00	110.58	
Yen – 1EURO	135.00	137.04	



# Transition in Sales and Op. Profit

FY 2006 Projection v. FY 2005 Actual

(Billions of yen)

	FY	
	Sales	Op. Profit
<b>2005</b>	<b>3,754.2</b>	<b>583.0</b>
<b>Foreign exchange impact</b> [net sales, cost of sales, expenses]	<b>+ 47.1</b>	<b>+ 21.9</b>
<b>Sales volume impact</b>		
Office Imaging Products	+ 79.0	
Computer Peripherals	+ 170.3	
Business Information Products	- 8.1	
Cameras	+ 100.5	
Optical and Other Products	- 19.7	
<b>Total</b>	<b>+ 322.0</b>	<b>+ 154.9</b>
<b>Others</b>	<b>- 63.3</b>	<b>- 106.8</b>
<b>Total Change</b>	<b>+ 305.8</b>	<b>+ 70.0</b>
<b>2006 Projection</b>	<b>4,060.0</b>	<b>653.0</b>

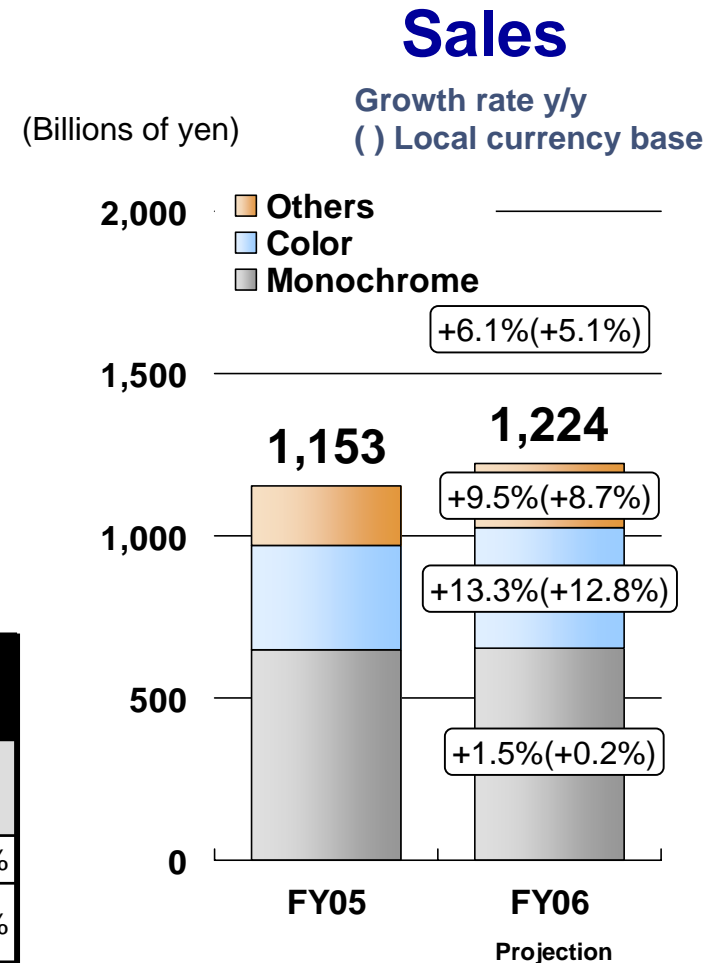
Change in Exchange Rate

- 1USD: 110.58 to 115.00 yen
- 1EURO: 137.04 to 135.00 yen

# Office Imaging Products in 2006

- Strengthen lineup of office color models
- Introduce high-speed color models for POD
- Further expand solutions business

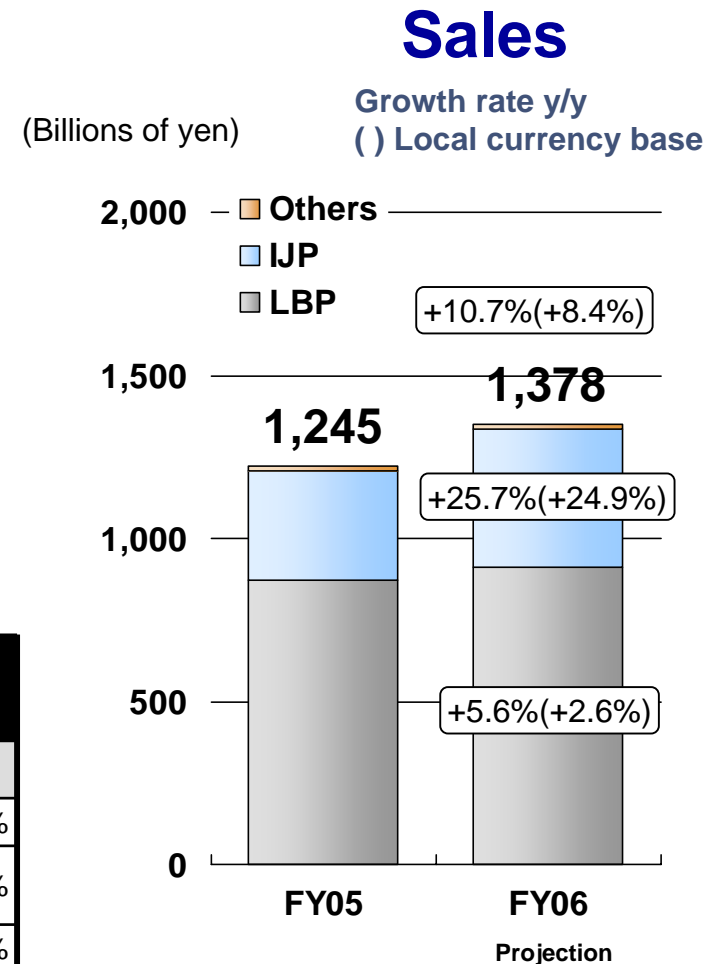
Growth rate y/y (Unit base)	
<b>Copying Machines(FY)</b>	
Color	+14%
Mono-chrome	-8%
Total	-6%



# Laser Beam Printers in 2006

- Sales expansion through the launch of competitive products and utilization of full lineup
- Steady growth in consumable sales through installed base expansion
- Further cost reduction through production in Vietnam

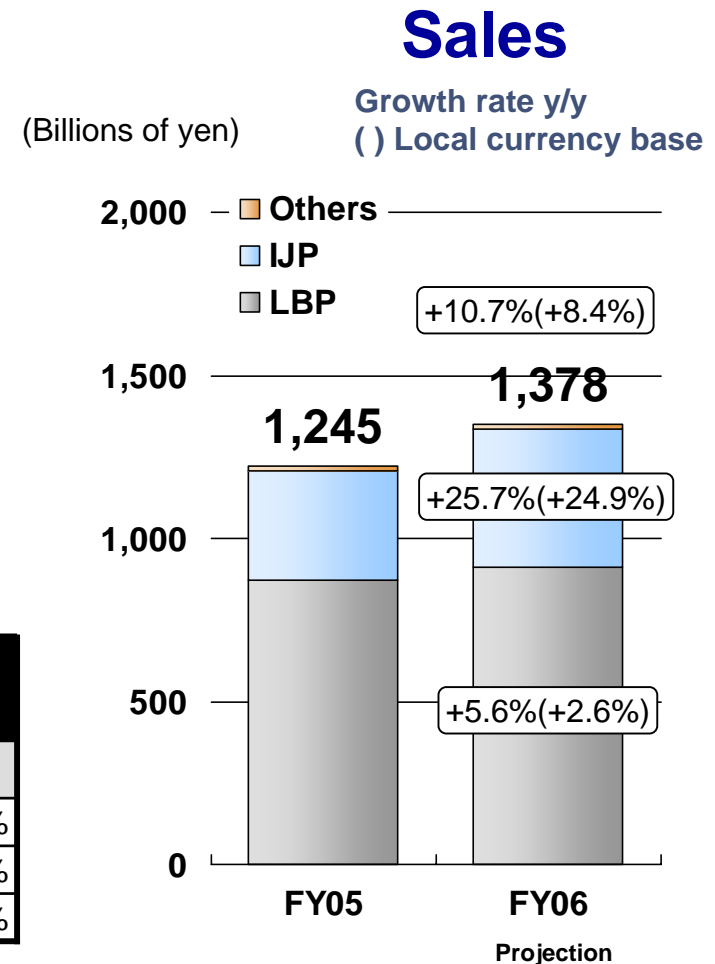
Growth rate y/y (Unit base)	
LBP(FY)	
Color	+58%
Mono-chrome	+10%
Total	+16%



# Inkjet Printers in 2006

- Improvement WW market share by strengthening MFP lineup
- Accelerate consumable sales through installed base expansion
- Cost reduction through production in Vietnam

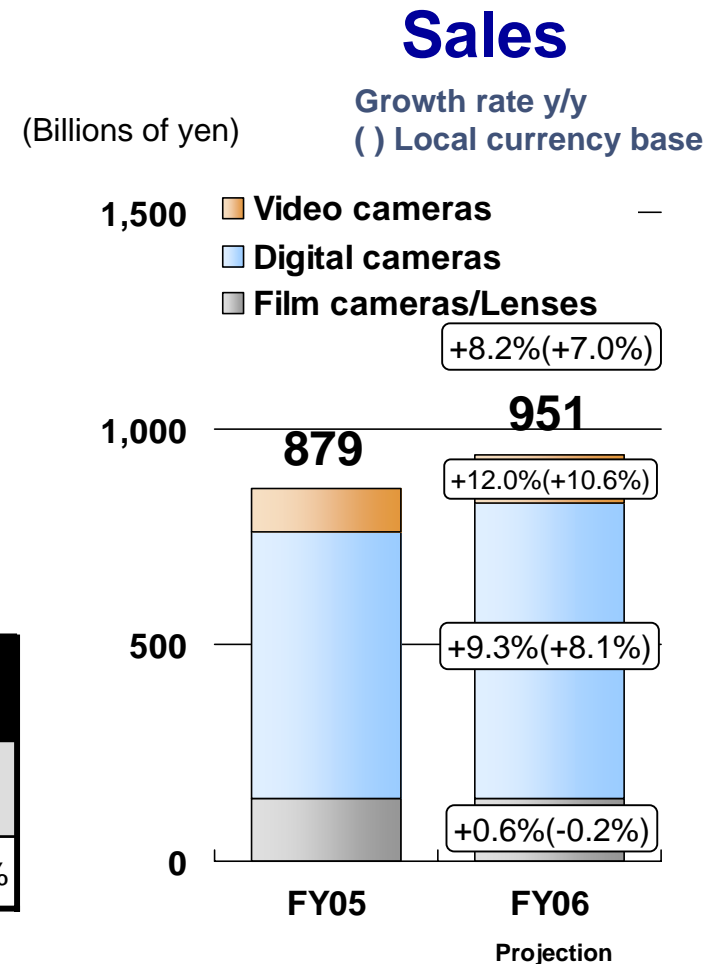
Growth rate y/y (Unit base)	
IJP(FY)	
SFP	+11%
MFP	+82%
Total	+27%



# Digital Cameras in 2006

- Maintain prices through introduction of competitive new products
- Expand sales of high value-added products (digital SLRs, IXY series, interchangeable lenses)
- Expand sales of photo printers
- Promote cost reduction through integrated production in Oita
- Expand share in emerging markets

Growth rate y/y (Unit base)	
Digital cameras(FY)	
Digital cameras	+14%



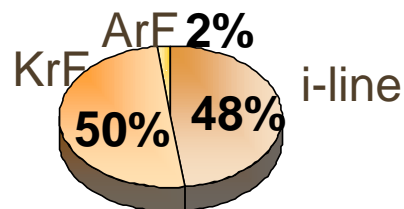
# Semiconductor Production Equipment in 2006

- Est. market size in 2006  
IC steppers: approx. 450 units  
LCD aligners: approx. 125 units
- Improve profitability through cost reduction and shortened lead-time
- Ensure successful launch of new products in 2007

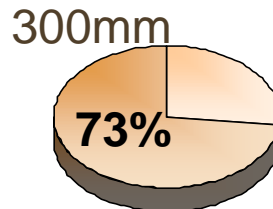
## SPE (Unit sales)

	2005	2006 Projection
IC	141	145
LCD	113	73
TTL	254	218

IC Stepper Unit Breakdown  
by Light Source



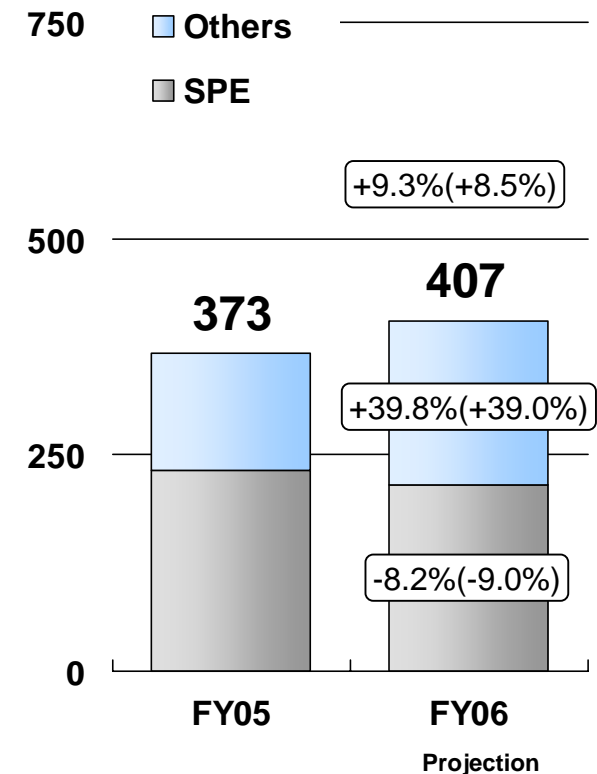
IC Stepper 300mm Ratio  
(Units)



## Sales

(Billions of yen)

Growth rate y/y  
( ) Local currency base



# Operating Profit by Segment

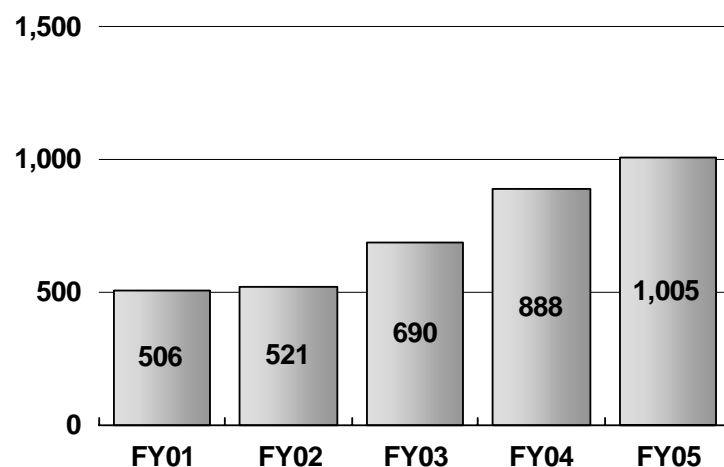
FY 2006 Projection v. FY 2005 Results

(Billions of yen)

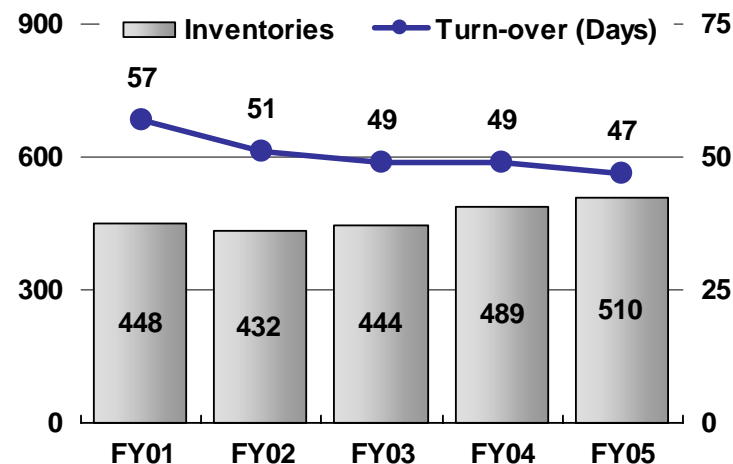
	FY 2006 Projection	FY 2005 Actual
<b>Business Machines</b>	<b>598.9</b>	<b>542.0</b>
[% sales]	22.2%	21.7%
<b>Cameras</b>	<b>206.0</b>	<b>173.7</b>
[% sales]	21.7%	19.8%
<b>Optical &amp; Other Products</b>	<b>33.1</b>	<b>38.8</b>
[% sales]	5.6%	7.3%
<b>Corporate and Eliminations</b>	<b>-185.0</b>	<b>-171.5</b>
<b>Total</b>	<b>653.0</b>	<b>583.0</b>
[% sales]	16.1%	15.5%

# Balance Sheet Major Items

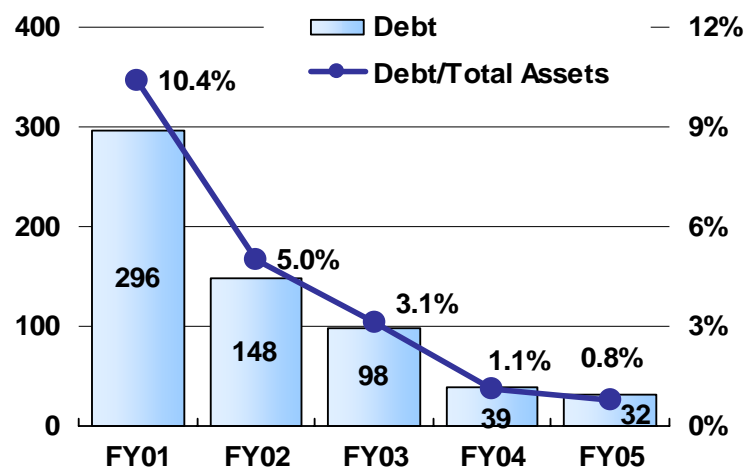
(Billions of yen) **Cash and Marketable Securities**



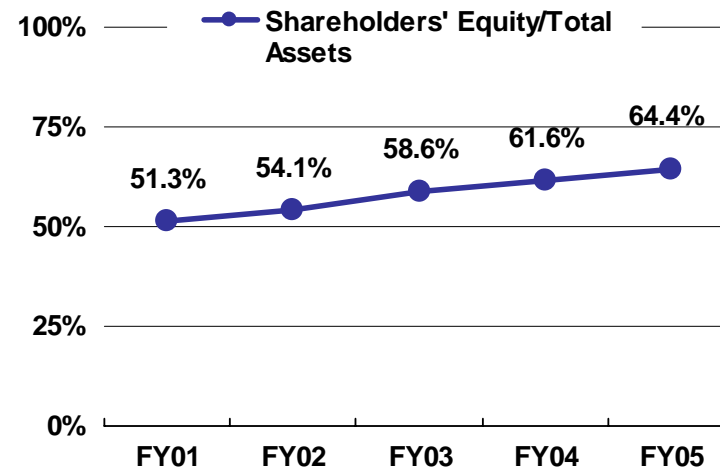
(Billions of yen) **Inventories** (Days)



(Billions of yen) **Interest Bearing Debt**

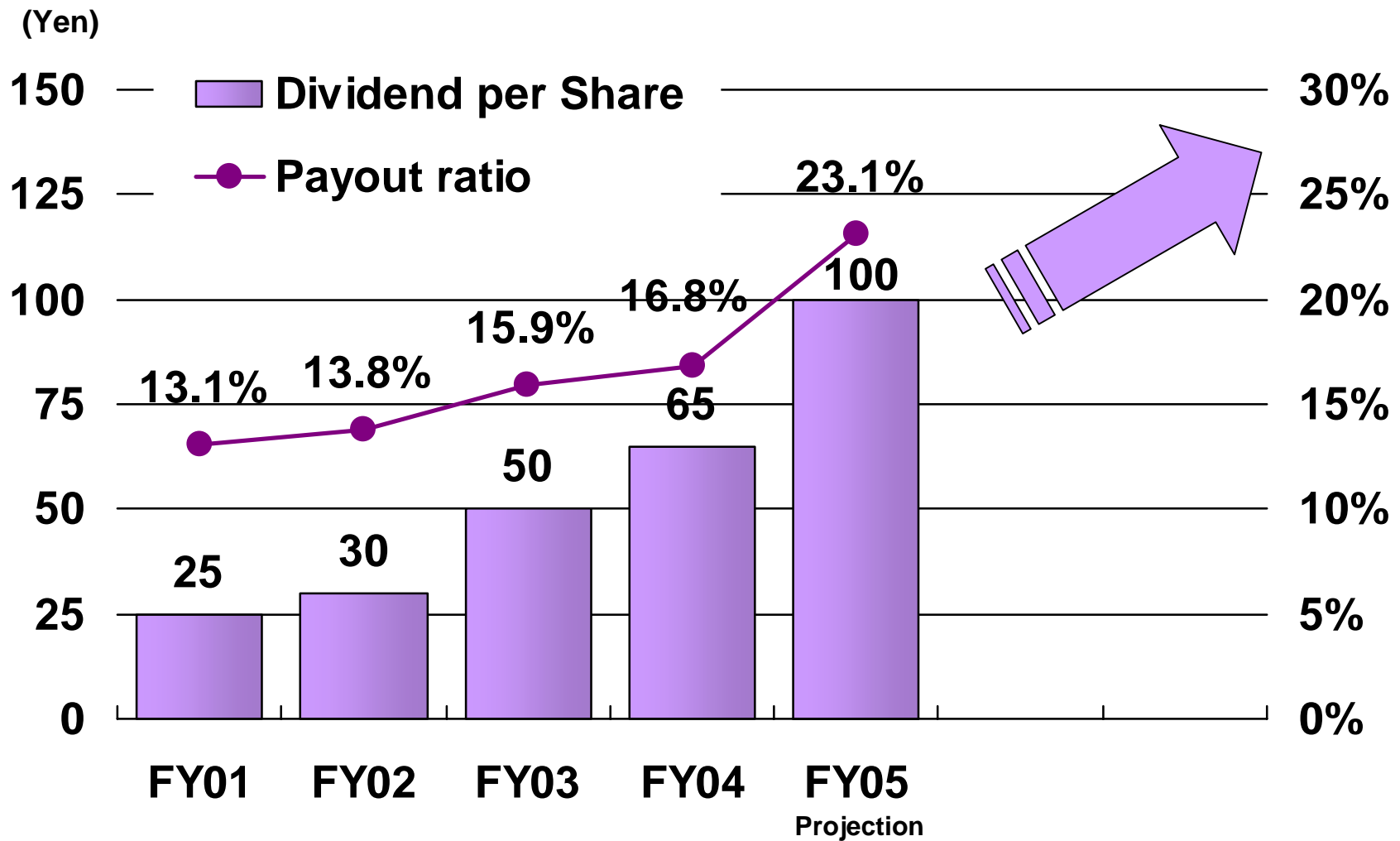


**Shareholders' Equity to Total Assets**





# Return to Shareholders



# Supplementary Information

# Summary of Projected Results

1Q 2006 Projection v. 1Q 2005 Actual

(Billions of yen)

	1Q06 Projection	1Q05 Actual	% Change
<b>Net sales</b>	<b>900.0</b>	<b>843.4</b>	+6.7%
<b>Gross profit</b>	<b>439.0</b>	<b>409.7</b>	+7.2%
[% sales]	48.8%	48.6%	
<b>Op. profit</b>	<b>153.0</b>	<b>143.3</b>	+6.8%
[% sales]	17.0%	17.0%	
<b>Net income</b>	<b>98.0</b>	<b>93.1</b>	+5.3%
[% sales]	10.9%	11.0%	
<b>Foreign exchange rate</b>			
Yen – 1USD	115.00	104.58	
Yen – 1EURO	135.00	137.04	

Supplementary Information

# Transition in Sales and Op. Profit

4Q&FY 2005 Actual v. 4Q&FY 2004 Actual

(Billions of yen)

	4Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2004 Actual	981.1	132.1	3,467.9	543.8
<b>Foreign exchange impact</b> [net sales, cost of sales, expenses]	+ 54.5	+ 36.5	+ 66.4	+ 47.1
<b>Sales volume impact</b>				
Office Imaging Products	+ 7.4		+ 102.5	
Computer Peripherals	+ 33.5		+ 108.1	
Business Information Products	- 1.9		- 12.1	
Cameras	+ 51.2		+ 165.6	
Optical and Other Products	+ 30.0		+ 32.6	
<b>Total</b>	<b>+ 120.2</b>	<b>+ 53.8</b>	<b>+ 396.7</b>	<b>+ 194.5</b>
Others	- 36.0	- 53.1	- 176.8	- 202.4
<b>Total Change</b>	<b>+ 138.7</b>	<b>+ 37.2</b>	<b>+ 286.3</b>	<b>+ 39.2</b>
2005 Actual	1,119.8	169.3	3,754.2	583.0

**Change in Exchange Rate (4Q)**

- 1USD: 105.86 to 117.39 Yen
- 1EURO: 137.14 to 139.46 Yen

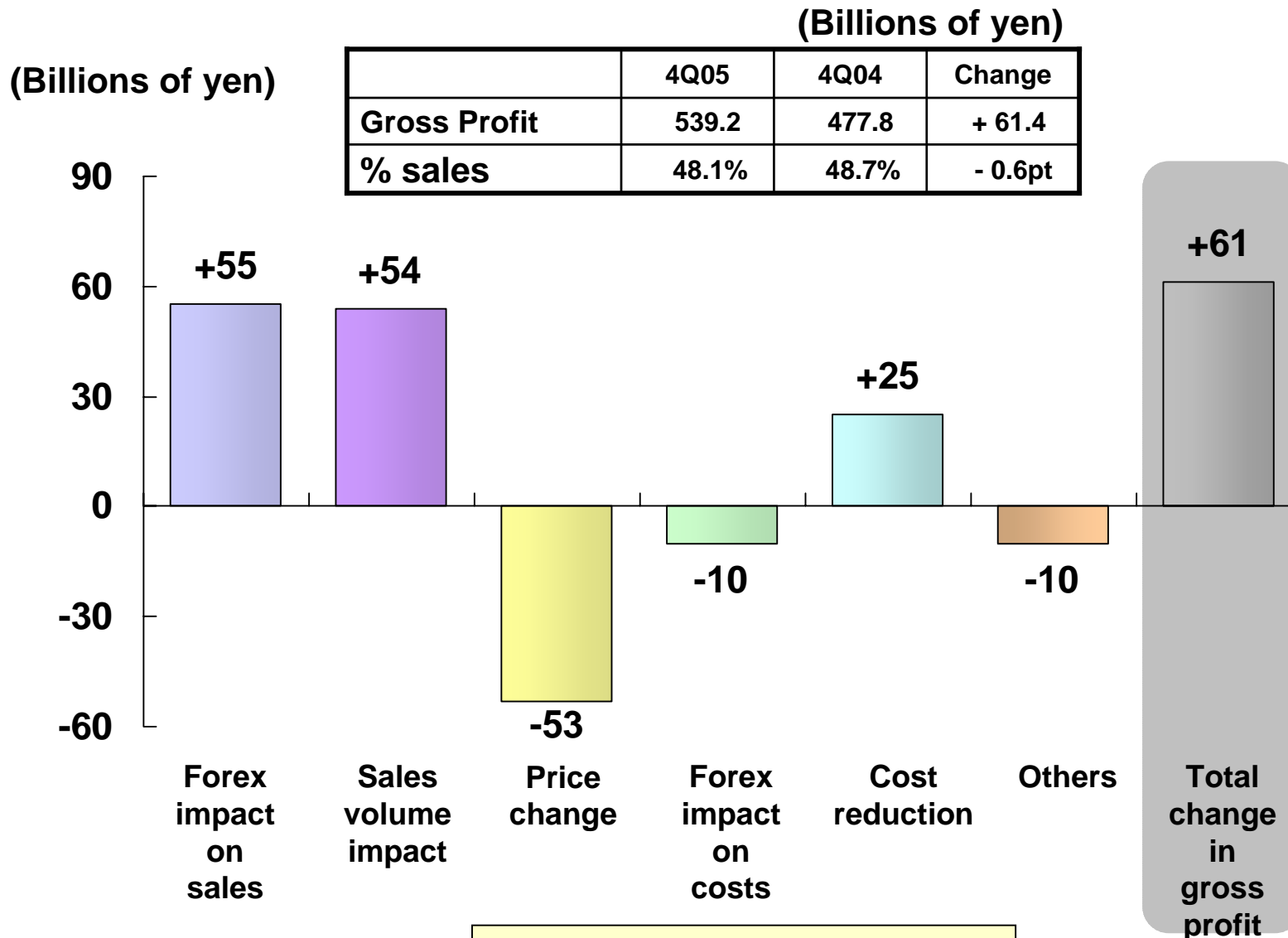
**Change in Exchange Rate (FY)**

- 1USD: 108.12 to 110.58 Yen
- 1EURO: 134.57 to 137.04 Yen

Supplementary Information

# Gross Profit Variance Analysis

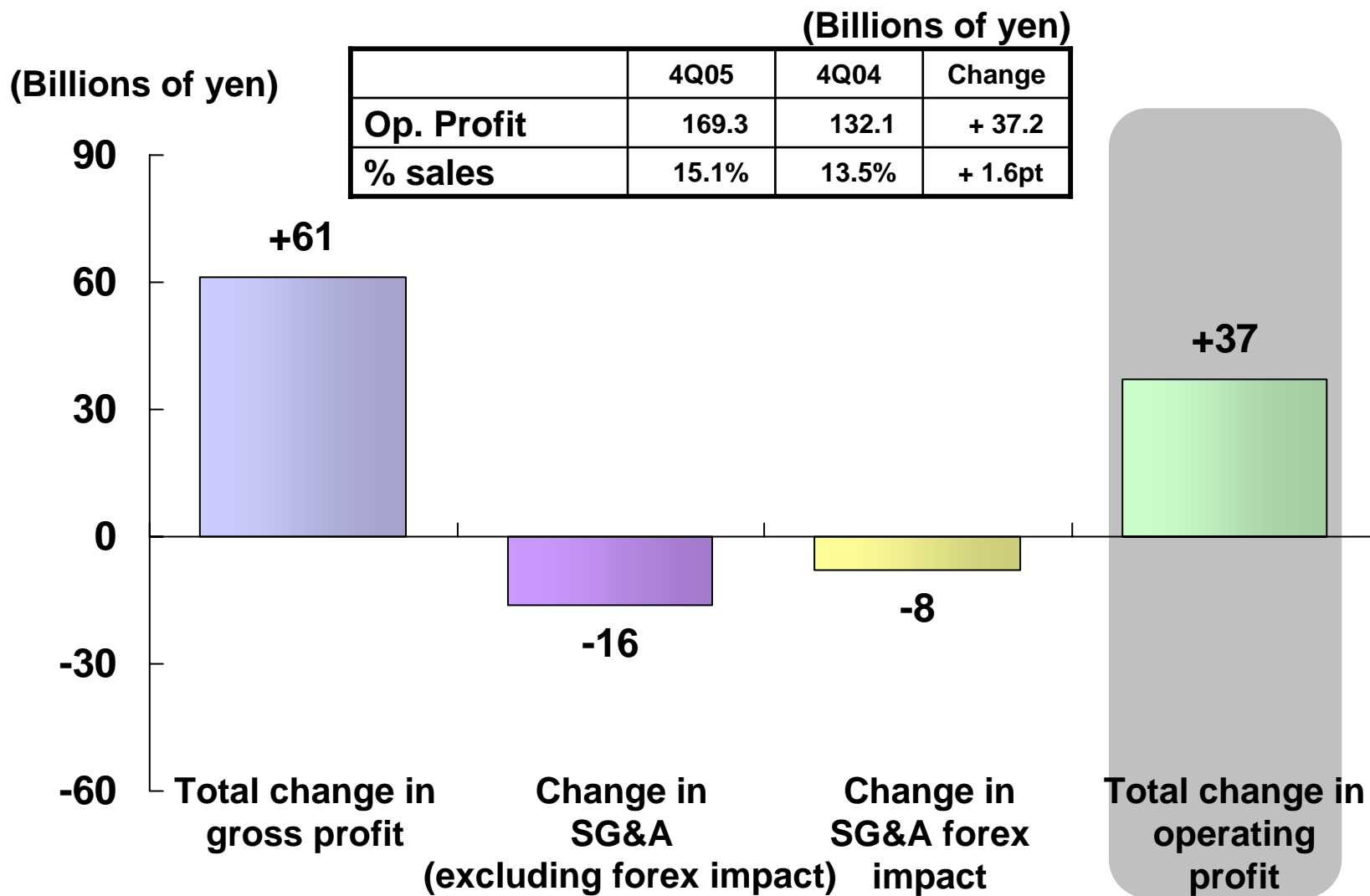
4Q 2005 Actual v. 4Q 2004 Actual



Supplementary Information

# Operating Profit Variance Analysis

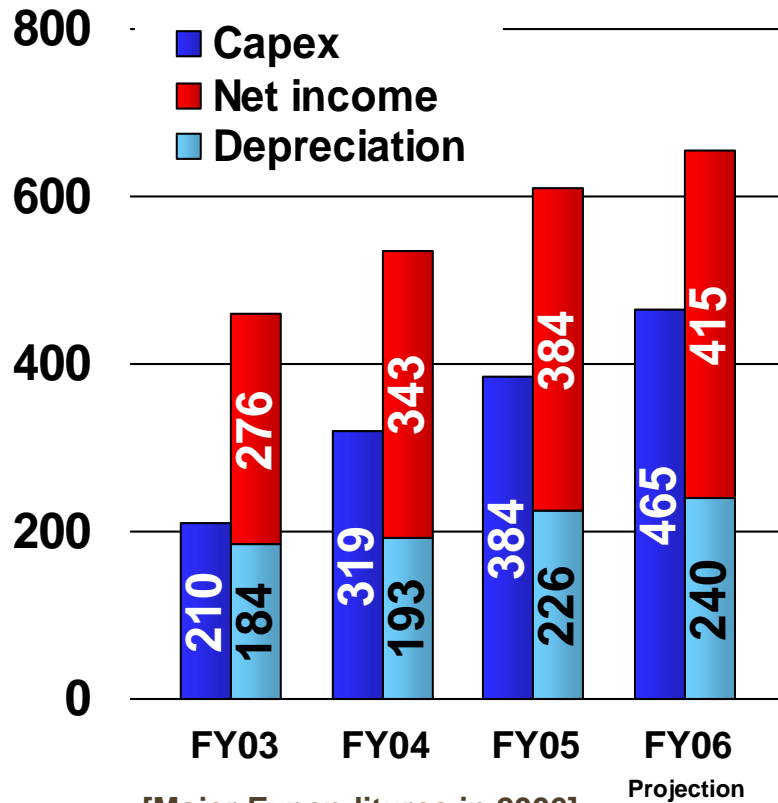
4Q 2005 Actual v. 4Q 2004 Actual



Supplementary Information

# Capital Expenditure

(Billions of yen)



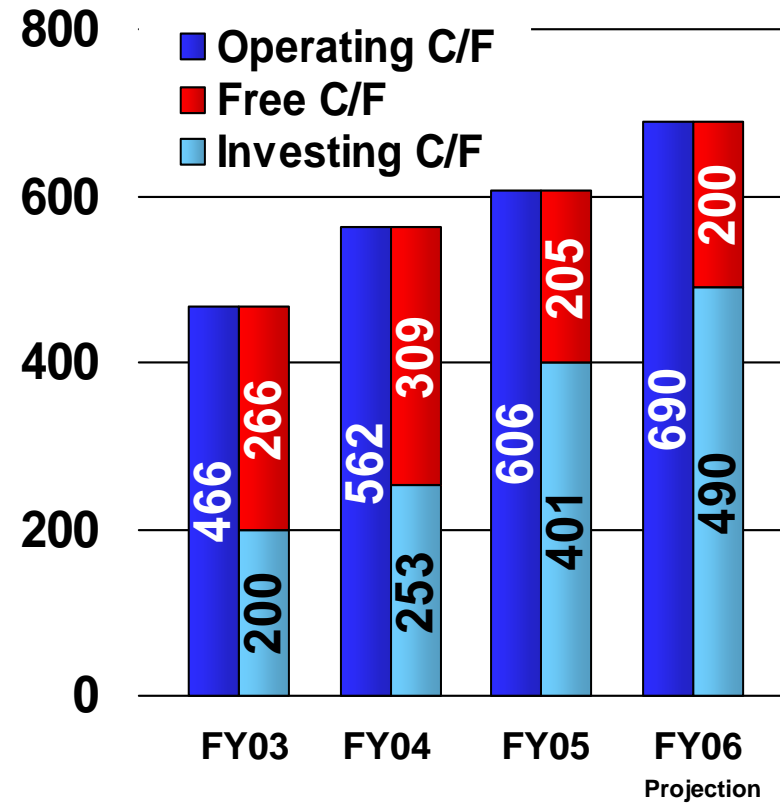
[Major Expenditures in 2006]

- New factory (Oita Canon Materials)
- Production equipment for inkjet key parts
- Production engineering base (Yanagicho, Kawasaki City)
- New development facility (Hiratsuka)
- New R&D building (Shimomaruko)
- Automated machinery for cartridge production
- Production equipment for toner

Supplementary Information

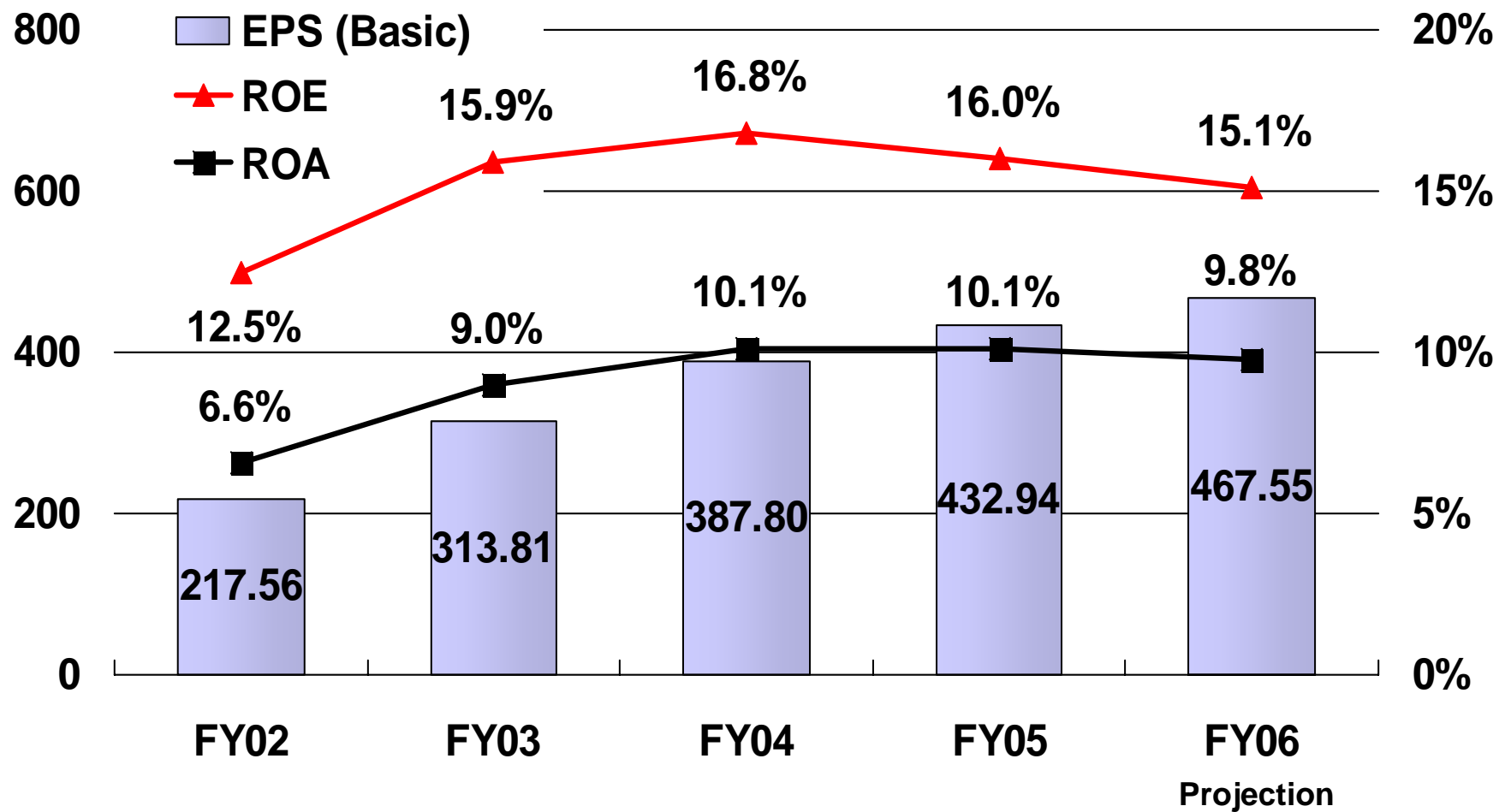
# Free Cash Flow

(Billions of yen)



# Financial Ratios

(Yen)



Supplementary Information