



FIRST HALF 2005 RESULTS

July 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. **Second Quarter & First Half Results**
 - Summary of Results P. 3
 - Transition in Sales and Operating Profit P. 4
 - Results by Product P. 5-11

2. **Second Half Projections**
 - Assumptions P. 12
 - Summary of Projected Results P. 13
 - Transition in Sales and Operating Profit P. 14
 - Projections by Product P. 15-22

3. **Full-year Projections**
 - Summary of Projected Results P. 23
 - Projected Operating Profit by Segment P. 24

4. **Supplementary Information** P. 25-33

Summary of Results

2Q&1H 2005

(Billions of yen)

| | | 2005 | | | | 2004 | | % Change | |
|----|--------------|---------|---------|------------|---------|---------|---------|------------|-------------|
| | | Actual | % sales | Projection | % sales | Actual | % sales | Projection | 2004 Actual |
| 2Q | Net sales | 912.5 | | 901.6 | | 850.4 | | +1.2% | +7.3% |
| | Gross profit | 440.4 | 48.3% | 456.3 | 50.6% | 430.3 | 50.6% | -3.5% | +2.3% |
| | Op. profit | 126.9 | 13.9% | 132.7 | 14.7% | 119.9 | 14.1% | -4.4% | +5.9% |
| | Net income | 82.2 | 9.0% | 81.9 | 9.1% | 76.5 | 9.0% | +0.3% | +7.5% |
| | Yen - 1USD | 107.71 | | 105.00 | | 109.67 | | | |
| | Yen - 1EURO | 135.37 | | 135.00 | | 132.29 | | | |
| 1H | Net sales | 1,755.8 | | 1,745.0 | | 1,648.4 | | +0.6% | +6.5% |
| | Gross profit | 850.0 | 48.4% | 866.0 | 49.6% | 825.8 | 50.1% | -1.8% | +2.9% |
| | Op. profit | 270.2 | 15.4% | 276.0 | 15.8% | 253.4 | 15.4% | -2.1% | +6.6% |
| | Net income | 175.3 | 10.0% | 175.0 | 10.0% | 160.8 | 9.8% | 0.2% | +9.0% |
| | Yen - 1USD | 106.18 | | 104.79 | | 108.59 | | | |
| | Yen - 1EURO | 136.14 | | 135.95 | | 133.11 | | | |

Transition in Sales and Operating Profit

2Q 2005 Actual v. 2Q 2005 Projection

(Billions of yen)

| | 2Q 2005 | |
|---|---------|------------|
| | Sales | Op. Profit |
| Projection (Apr. 27, 2005) | 901.6 | 132.7 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 10.2 | + 5.9 |
| Sales volume impact | | |
| Office Imaging Products | + 13.9 | |
| Computer Peripherals | - 14.3 | |
| Business Information Products | - 0.2 | |
| Cameras | + 21.3 | |
| Optical and Other Products | + 0.9 | |
| Total | + 21.6 | + 11.4 |
| Others | - 20.9 | - 23.1 |
| Total Change | +10.9 | -5.8 |
| Actual | 912.5 | 126.9 |

Change in Exchange Rate

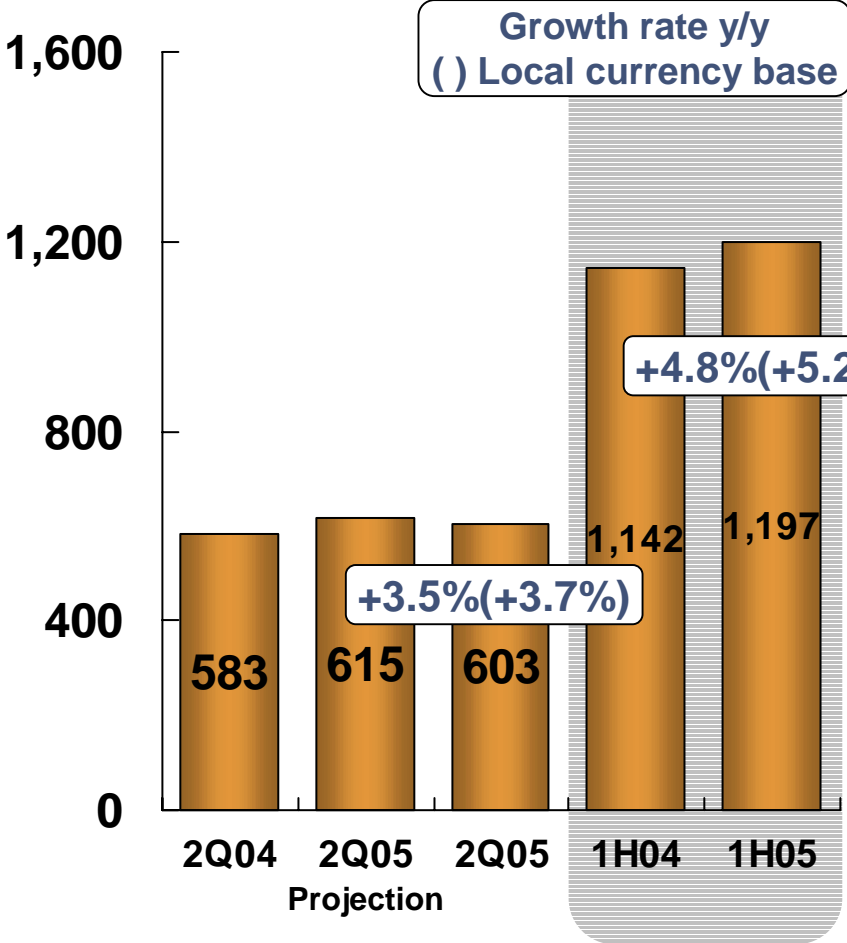
- 1USD: 105.00 to 107.71 yen
- 1EURO: 135.00 to 135.37 yen

Business Machines

2Q&1H 2005

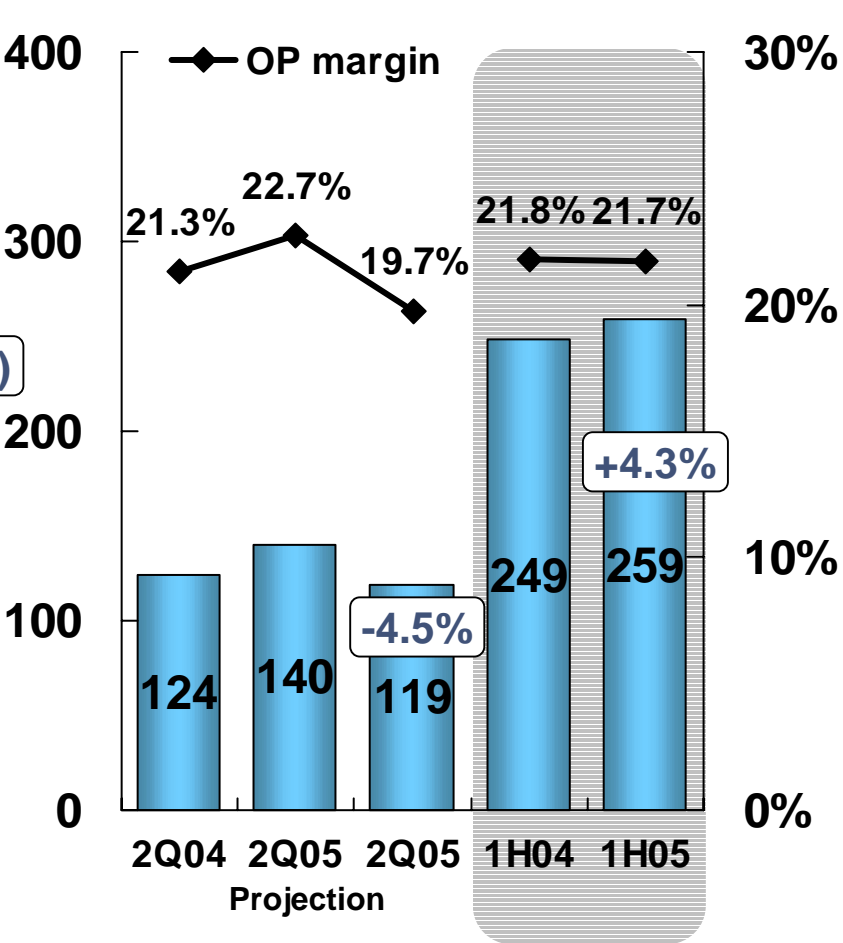
Sales

(Billions of yen)



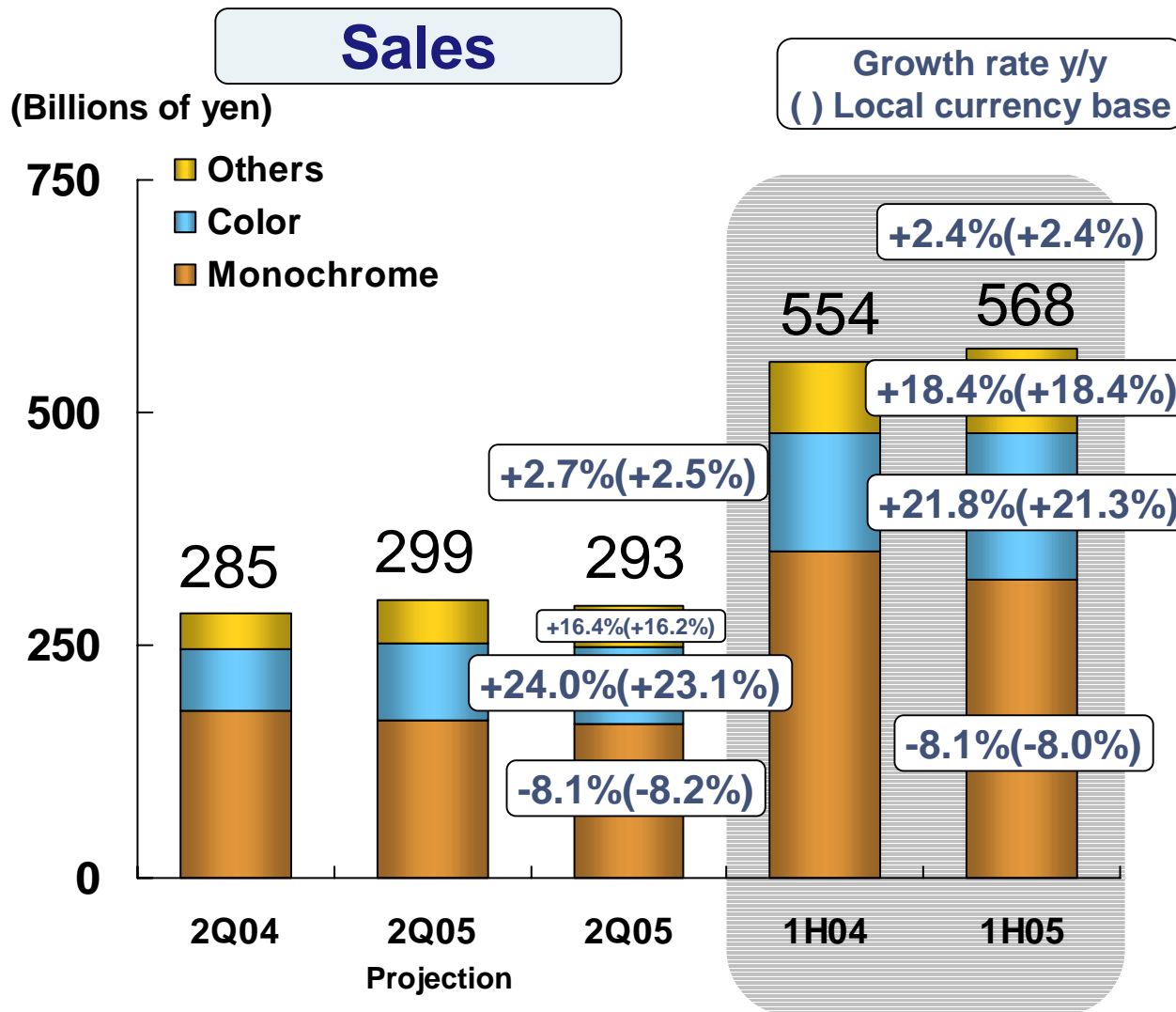
Operating Profit

(Billions of yen)



Office Imaging Products

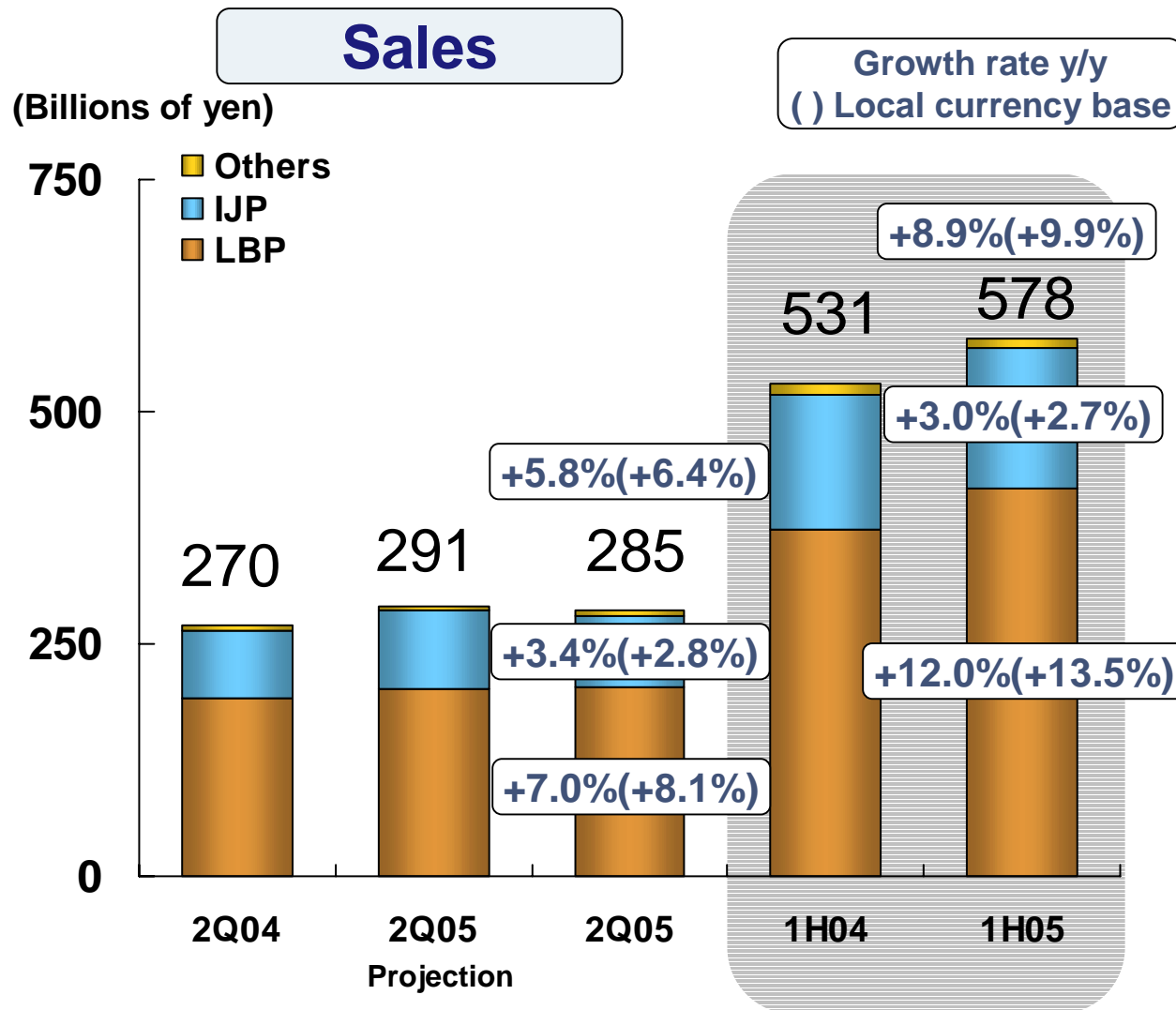
2Q&1H 2005



| Growth rate y/y (Unit base) | |
|--------------------------------|------|
| Copying Machines (2Q) | |
| Color : | +56% |
| Mono- : chrome | -7% |
| Total : | -3% |
| Copying Machines (1H) | |
| Color : | +33% |
| Mono- : chrome | -14% |
| Total : | -10% |

Computer Peripherals

2Q&1H 2005



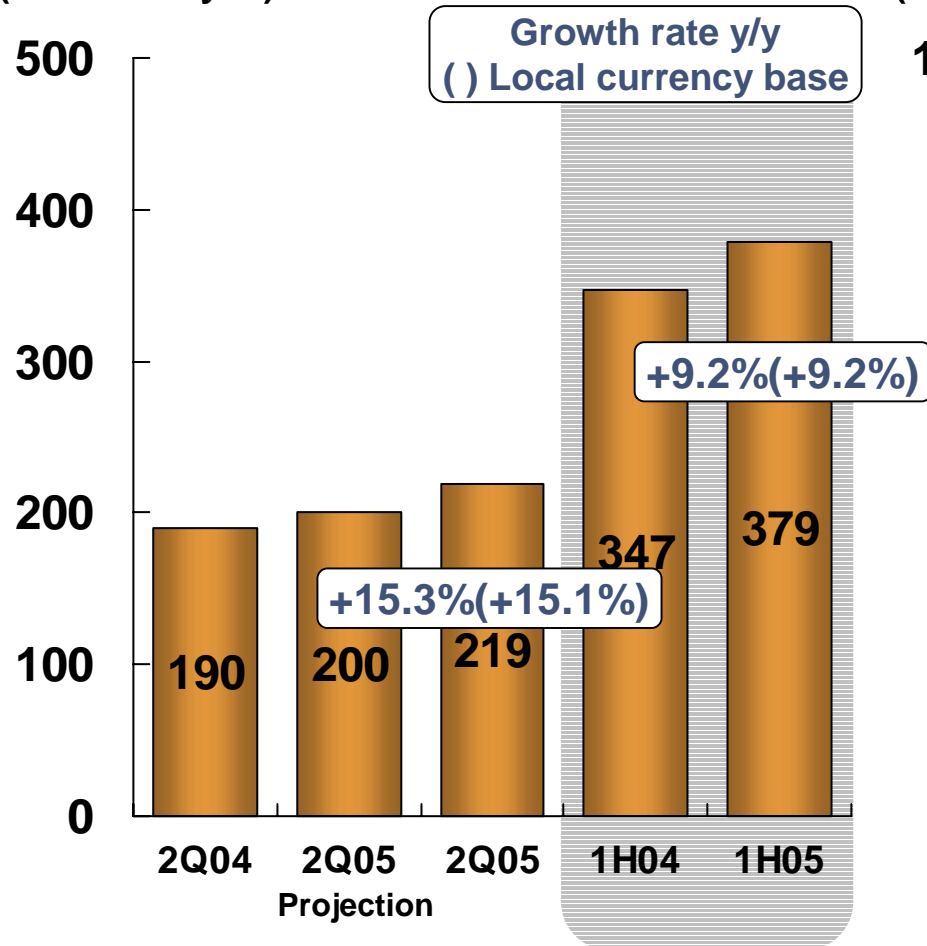
| Growth rate y/y (Unit base) | |
|-----------------------------|------|
| LBP (2Q) | |
| Color : | +58% |
| Mono-chrome : | +25% |
| Total : | +28% |
| LBP (1H) | |
| Color : | +49% |
| Mono-chrome : | +27% |
| Total : | +29% |
| IJP (2Q) | |
| SFP : | +14% |
| MFP : | +38% |
| Total : | +18% |
| IJP (1H) | |
| SFP : | +15% |
| MFP : | +23% |
| Total : | +16% |

Cameras

2Q&1H 2005

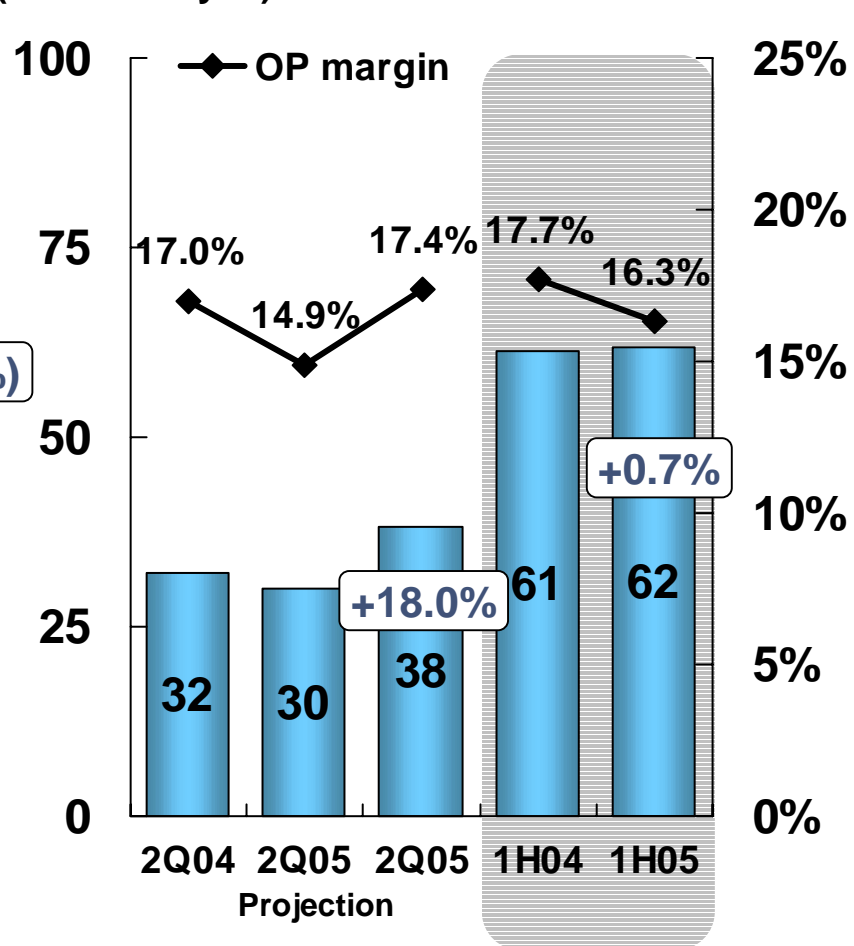
Sales

(Billions of yen)



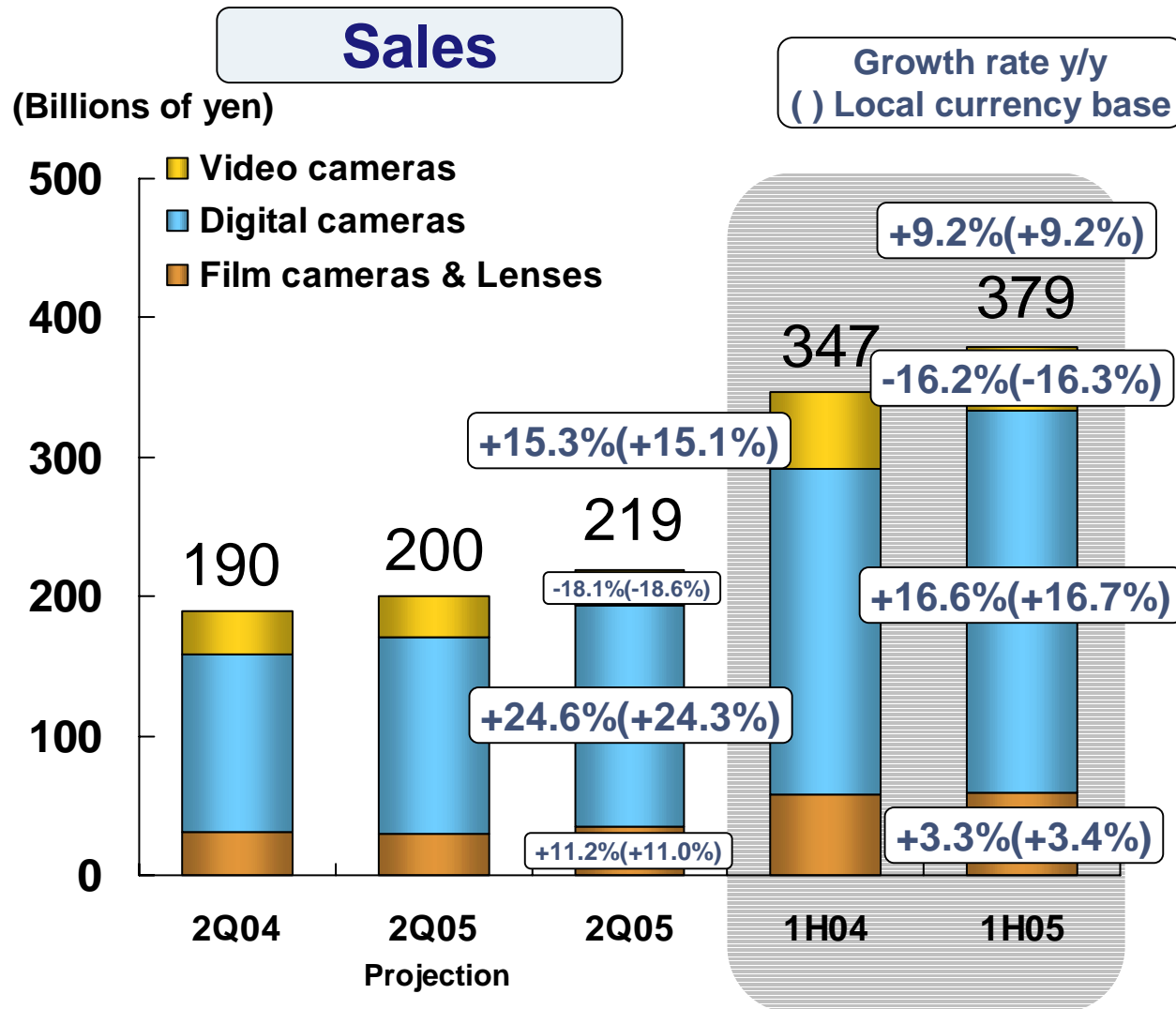
Operating Profit

(Billions of yen)



Cameras

2Q&1H 2005



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

Digital Cameras

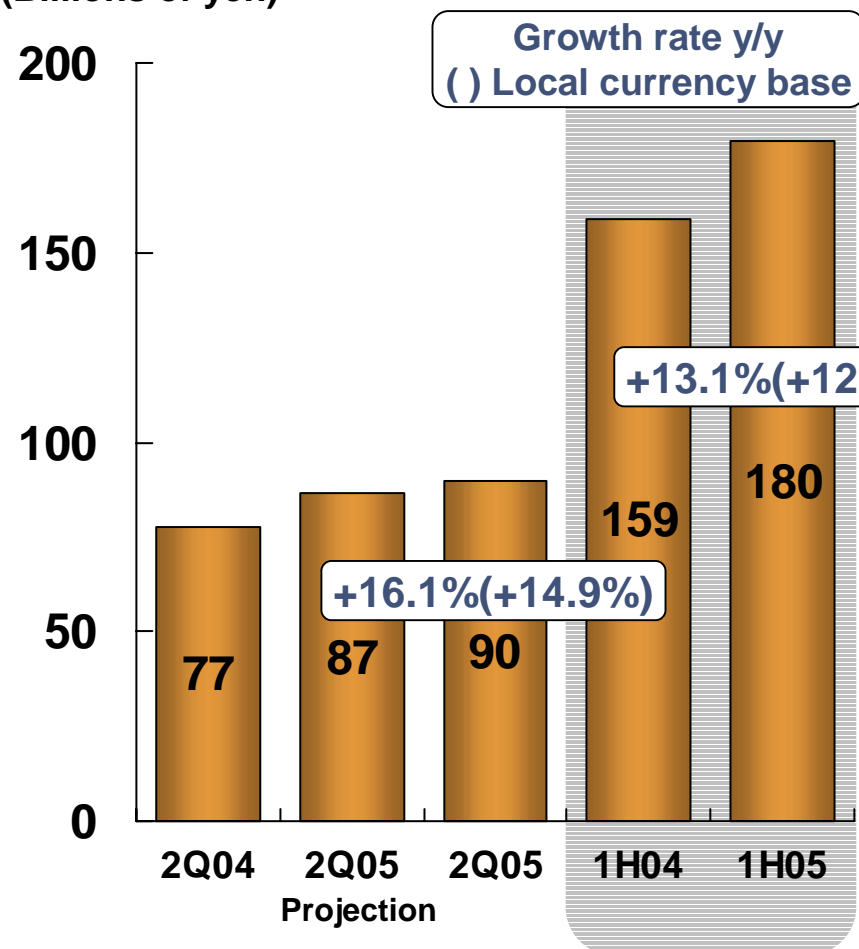
| | |
|------|------|
| 2Q : | +39% |
| 1H : | +31% |

Optical and Other Products

2Q&1H 2005

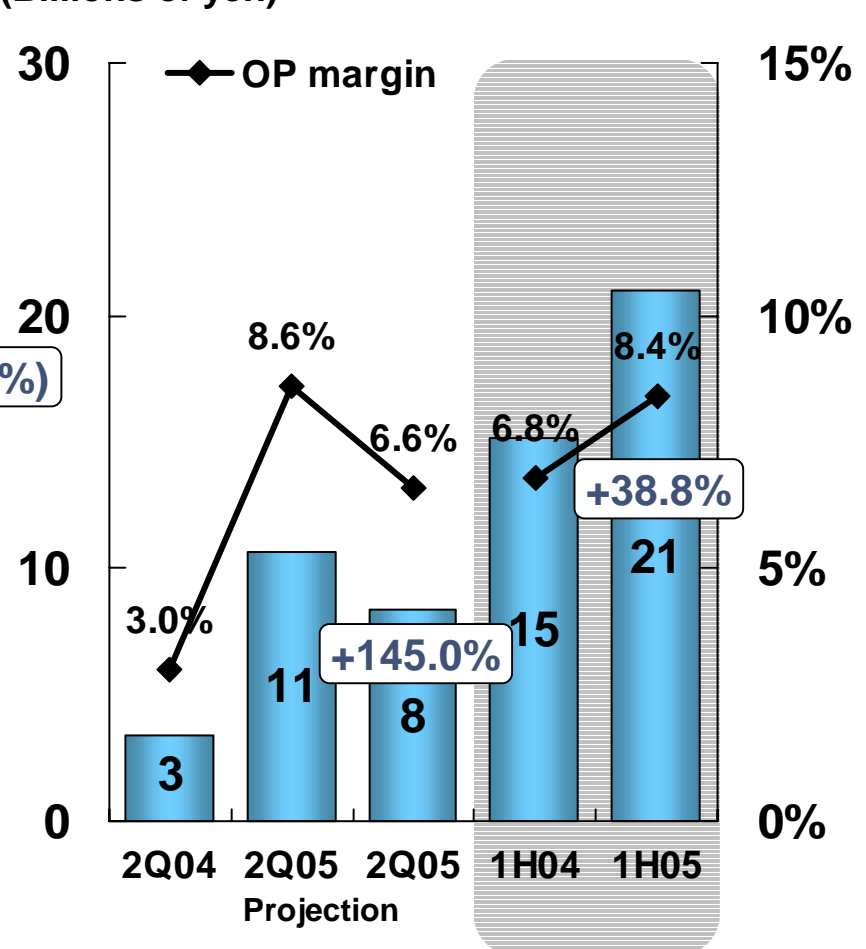
Sales

(Billions of yen)



Operating Profit

(Billions of yen)



*Excluding inter-segment sales

July 27, 2005 Canon Inc.

*Calculation of operating profit ratio includes inter-segment sales

Optical and Other Products

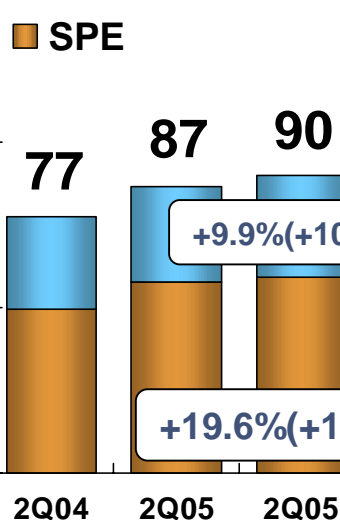
2Q&1H 2005

Sales

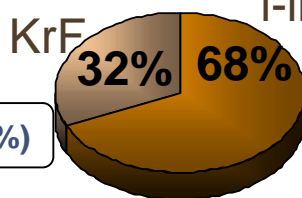
(Billions of yen)

150
100
50
0

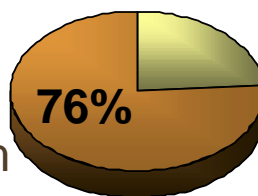
Others
SPE



IC Stepper Unit Breakdown
By Light Source



IC Stepper 300mm Ratio
(Units)



SPE (Unit sales)

| | 2Q04 | 2Q05 (Projection) | 2Q05 |
|-----|------|----------------------|------|
| IC | 45 | 34 | 33 |
| LCD | 15 | 27 | 30 |
| TTL | 60 | 61 | 63 |

Growth rate y/y
() Local currency base

(Billions of yen)

200
150
100
50
0

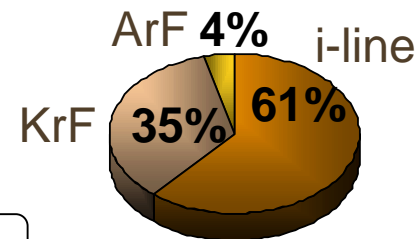
159
180

+4.2% (+4.5%)

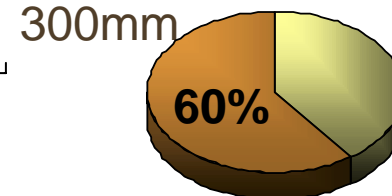
+18.0% (+16.7%)

1H04 1H05

IC Stepper Unit Breakdown
By Light Source



IC Stepper 300mm Ratio
(Units)



SPE (Unit sales)

| | 1H04 | 1H05 (Projection) | 1H05 |
|-----|------|----------------------|------|
| IC | 78 | 78 | 77 |
| LCD | 50 | 56 | 59 |
| TTL | 128 | 134 | 136 |

Assumptions

2H 2005

Average Exchange Rate

| | 2H05 | FY05 | FY04 |
|-------------|------------|------------|------------|
| ■ Yen-1USD | 110.00 yen | 108.18 yen | 108.12 yen |
| ■ Yen-1EURO | 132.00 yen | 133.94 yen | 134.57 yen |

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

| | Sales | Operating Profit |
|-------------|-----------------|------------------|
| ■ Yen-1USD | 6.8 Billion yen | 3.6 Billion yen |
| ■ Yen-1EURO | 3.6 Billion yen | 2.7 Billion yen |

Summary of Projected Results

2H 2005

(Billions of yen)

| | 2H 2005 Current projection | 2H 2005 Previous projection | 2H 2004 Actual | % Change | |
|---------------------|----------------------------------|-----------------------------------|-------------------|------------------------|-------------------|
| | | | | Previous projection | 2H 2004 Actual |
| Net sales | 1,924.2 | 1,905.0 | 1,819.4 | + 1.0% | + 5.8% |
| Gross profit | 933.0 | 940.0 | 887.6 | -0.7% | + 5.1% |
| % sales | 48.5% | 49.3% | 48.8% | | |
| Op. profit | 307.8 | 308.0 | 290.4 | -0.1% | + 6.0% |
| % sales | 16.0% | 16.2% | 16.0% | | |
| Net income | 191.7 | 192.0 | 182.6 | -0.1% | + 5.0% |
| % sales | 10.0% | 10.1% | 10.0% | | |
| Yen - 1USD | 110.00 | 105.00 | 107.70 | | |
| Yen - 1EURO | 132.00 | 135.00 | 135.90 | | |

Transition in Sales and Operating Profit

2H 2005 Current Projection v. 2H 2005 Previous Projection

(Billions of yen)

| | 2H05 | |
|---|---------|------------|
| | Sales | Op. Profit |
| Previous projection (Apr. 27, 2005) | 1,905.0 | 308.0 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 23.5 | + 10.9 |
| Sales volume impact | | |
| Office Imaging Products | + 30.9 | |
| Computer Peripherals | - 7.2 | |
| Business Information Products | - 2.1 | |
| Cameras | + 5.4 | |
| Optical and Other Products | + 2.7 | |
| Total | + 29.7 | + 16.8 |
| Others | - 34.0 | - 27.9 |
| Total Change | +19.2 | -0.2 |
| Current projection | 1,924.2 | 307.8 |

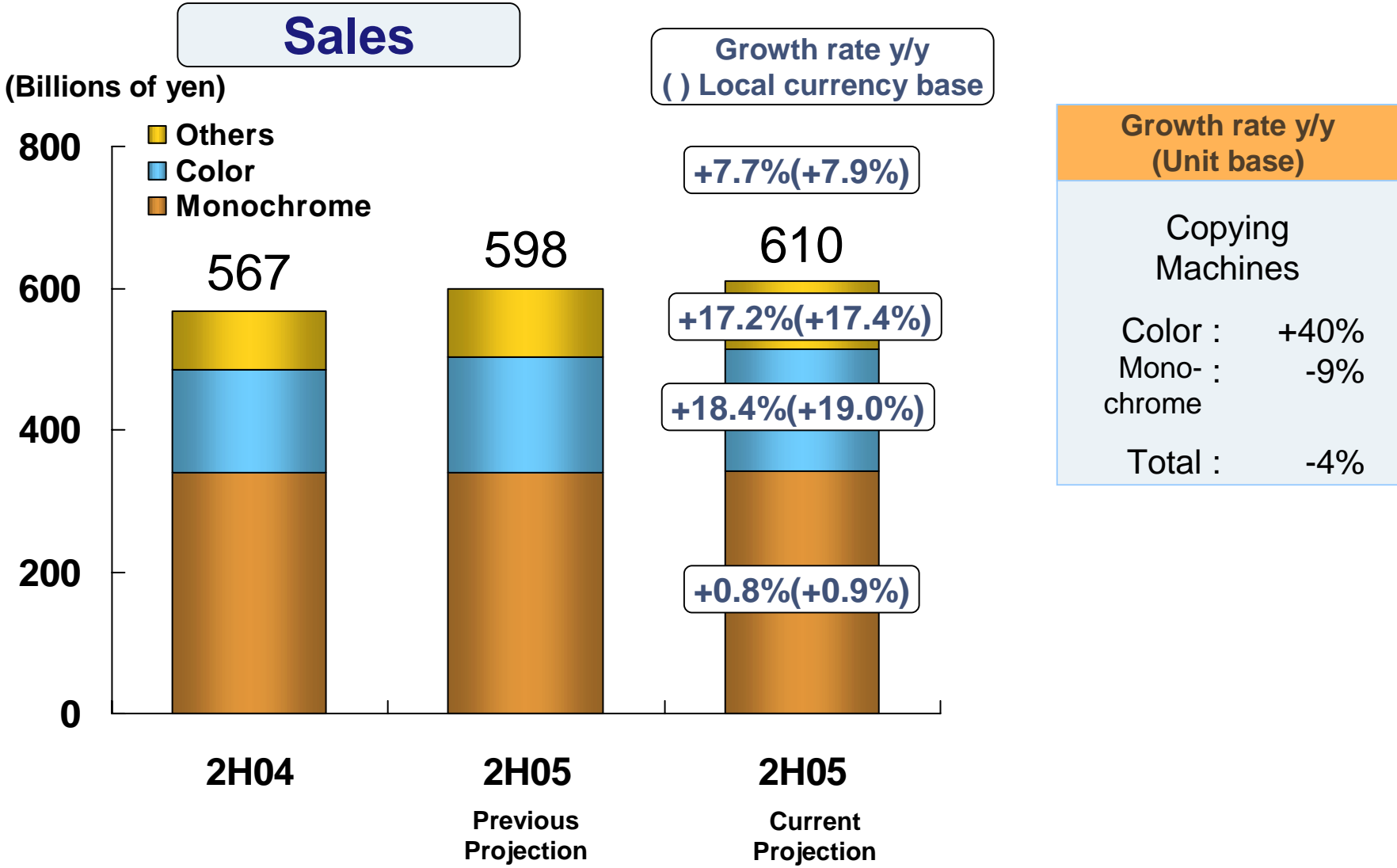
Change in Exchange Rate

•1USD: 105.00 to 110.00 yen

•1EURO: 135.00 to 132.00 yen

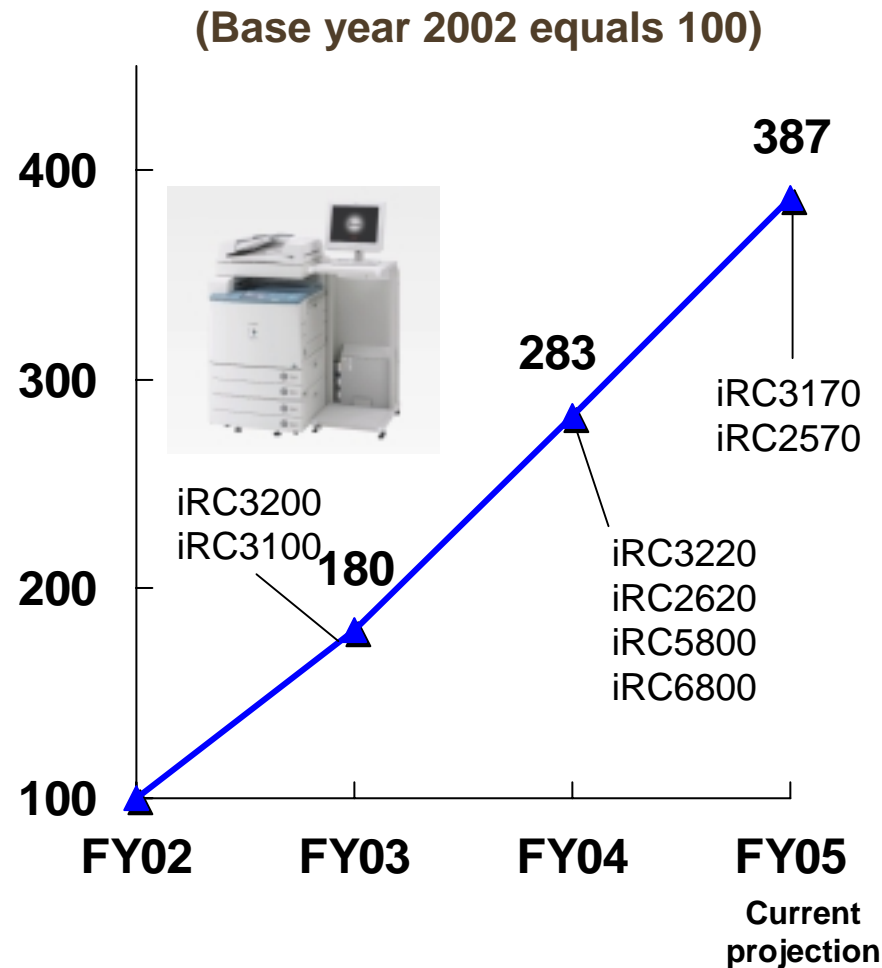
Office Imaging Products

2H 2005

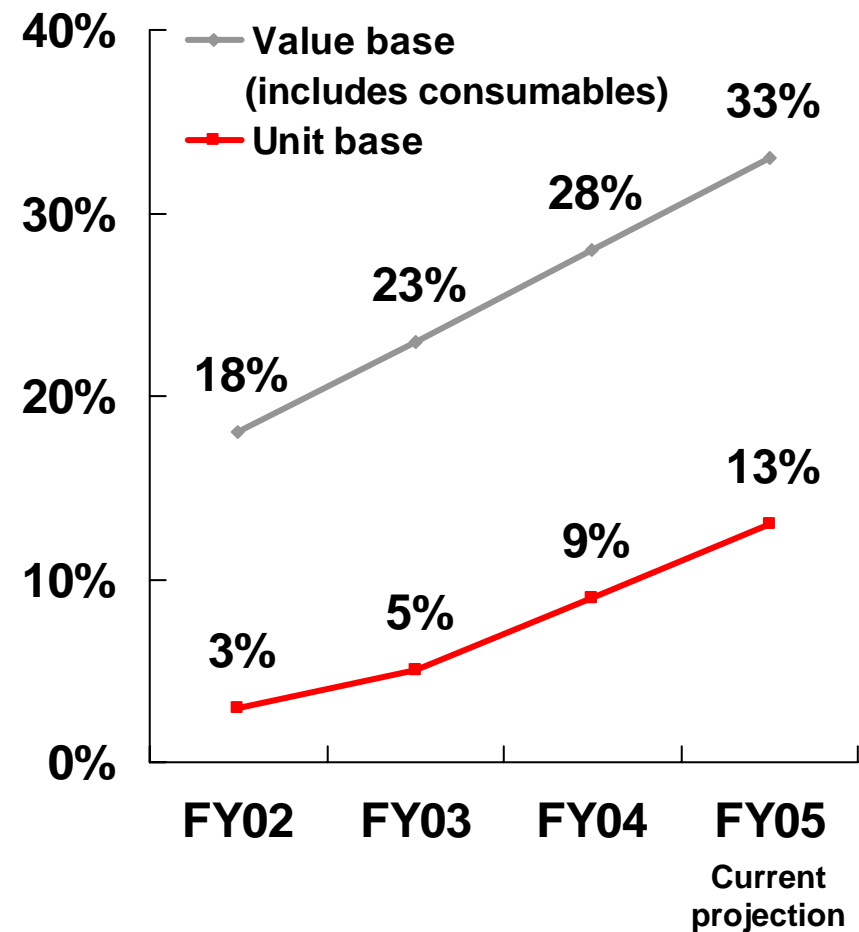


Colorization of Copying Machines

Transition in Unit Sales of Color Copying Machines

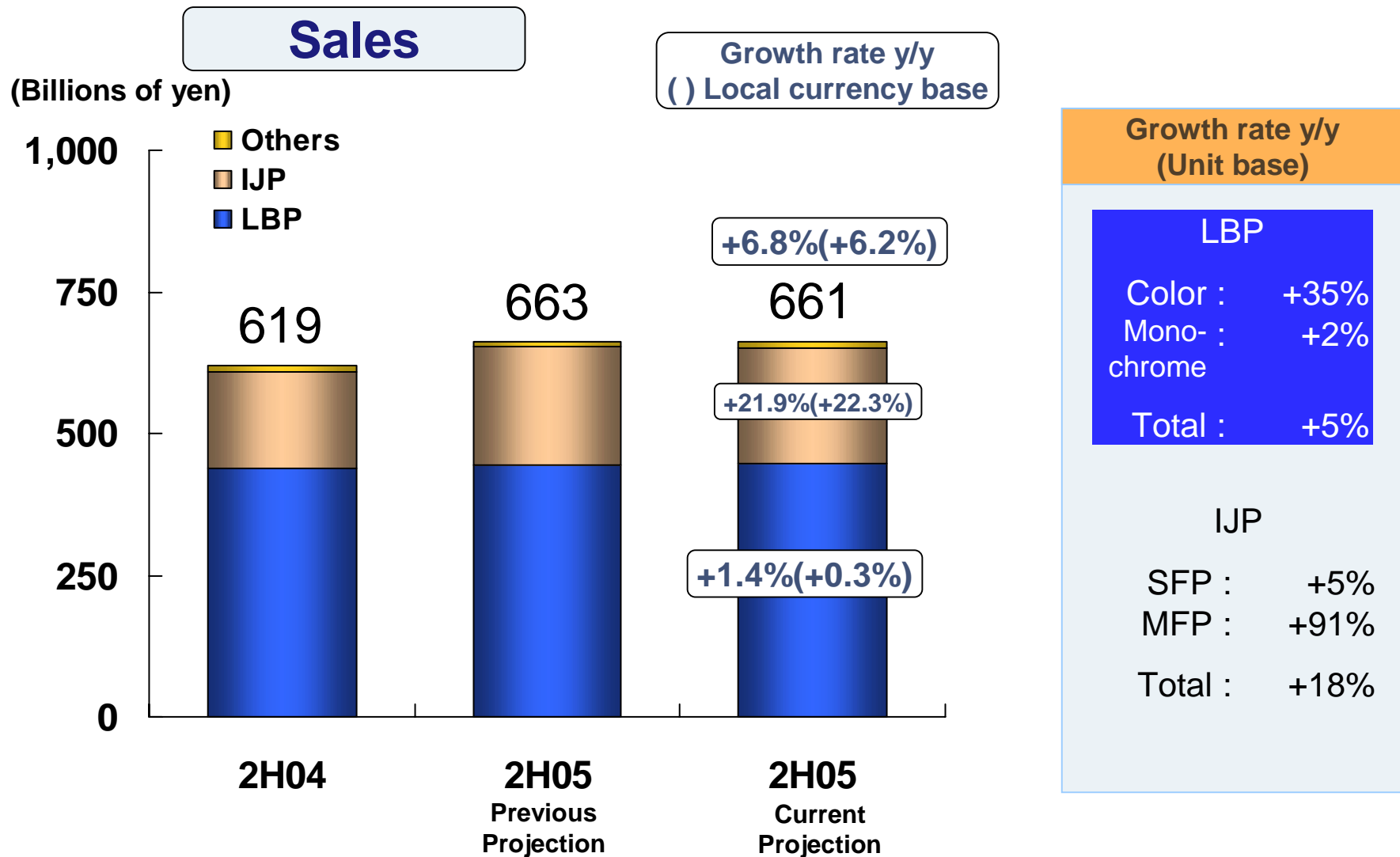


Transition in Color Ratio



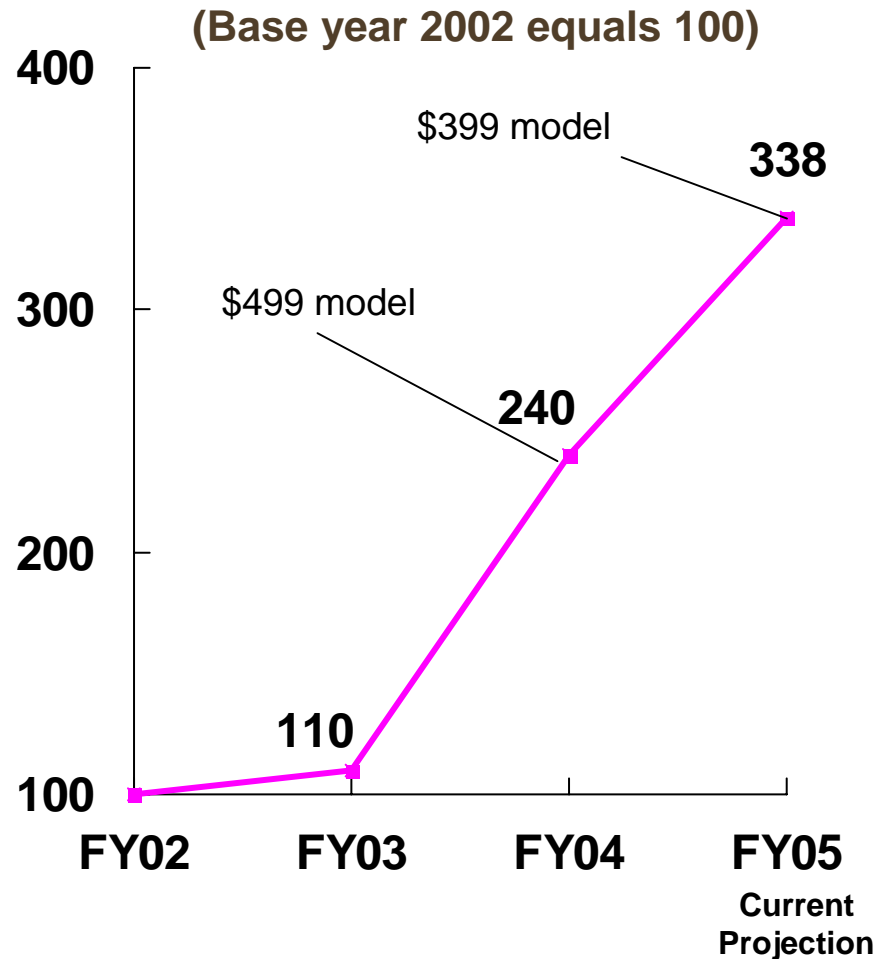
Computer Peripherals/LBP

2H 2005

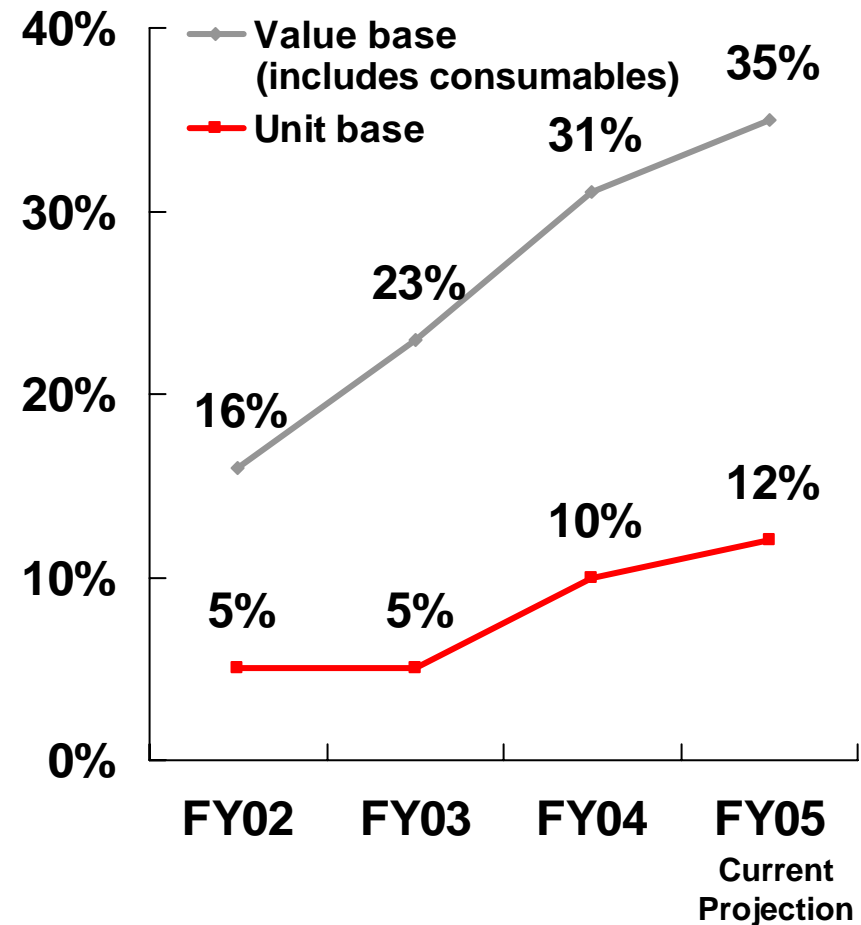


Steady Increase in Unit Sales of Color LBPs

Transition in Unit Sales of Color LBPs

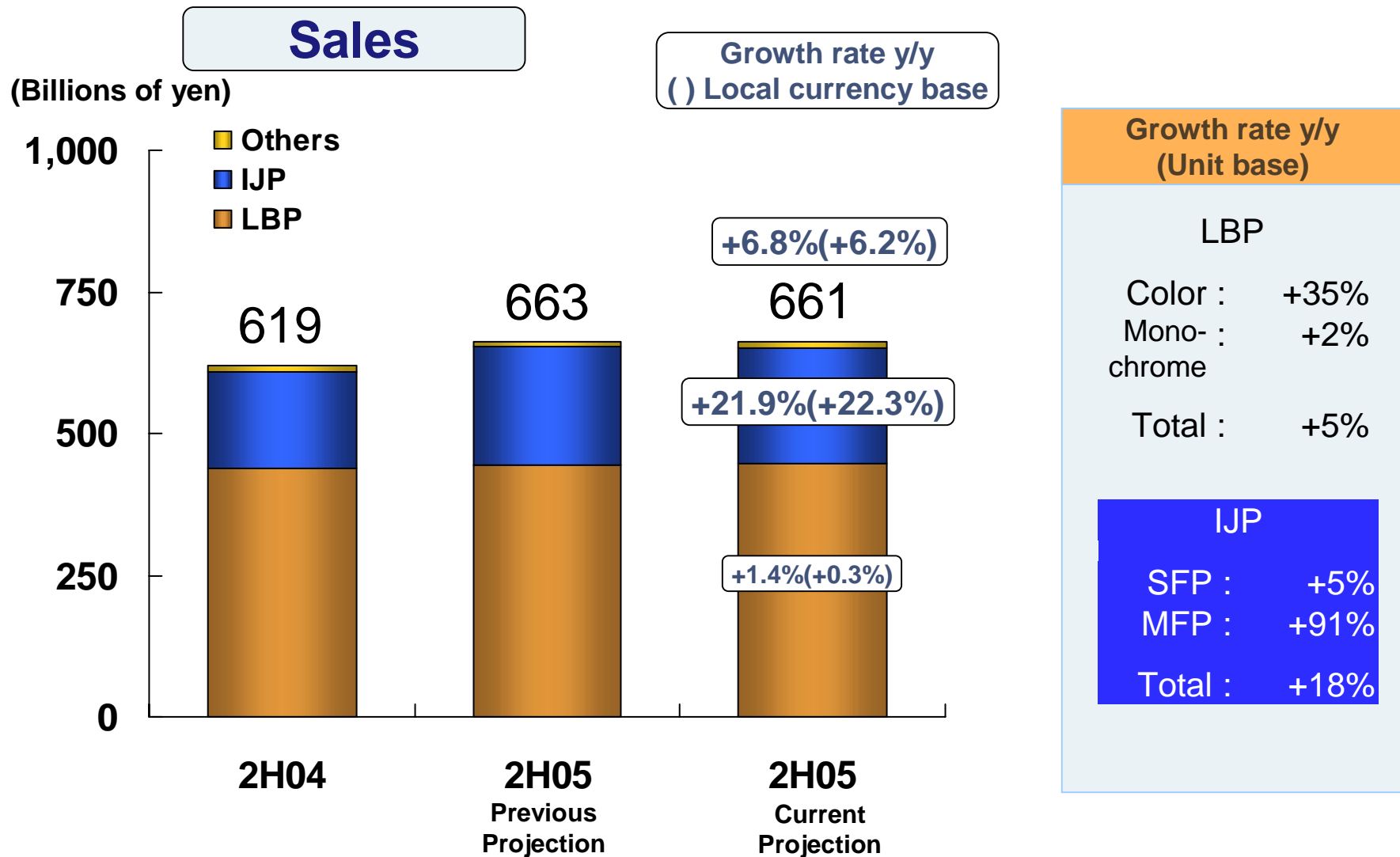


Transition in Color Ratio



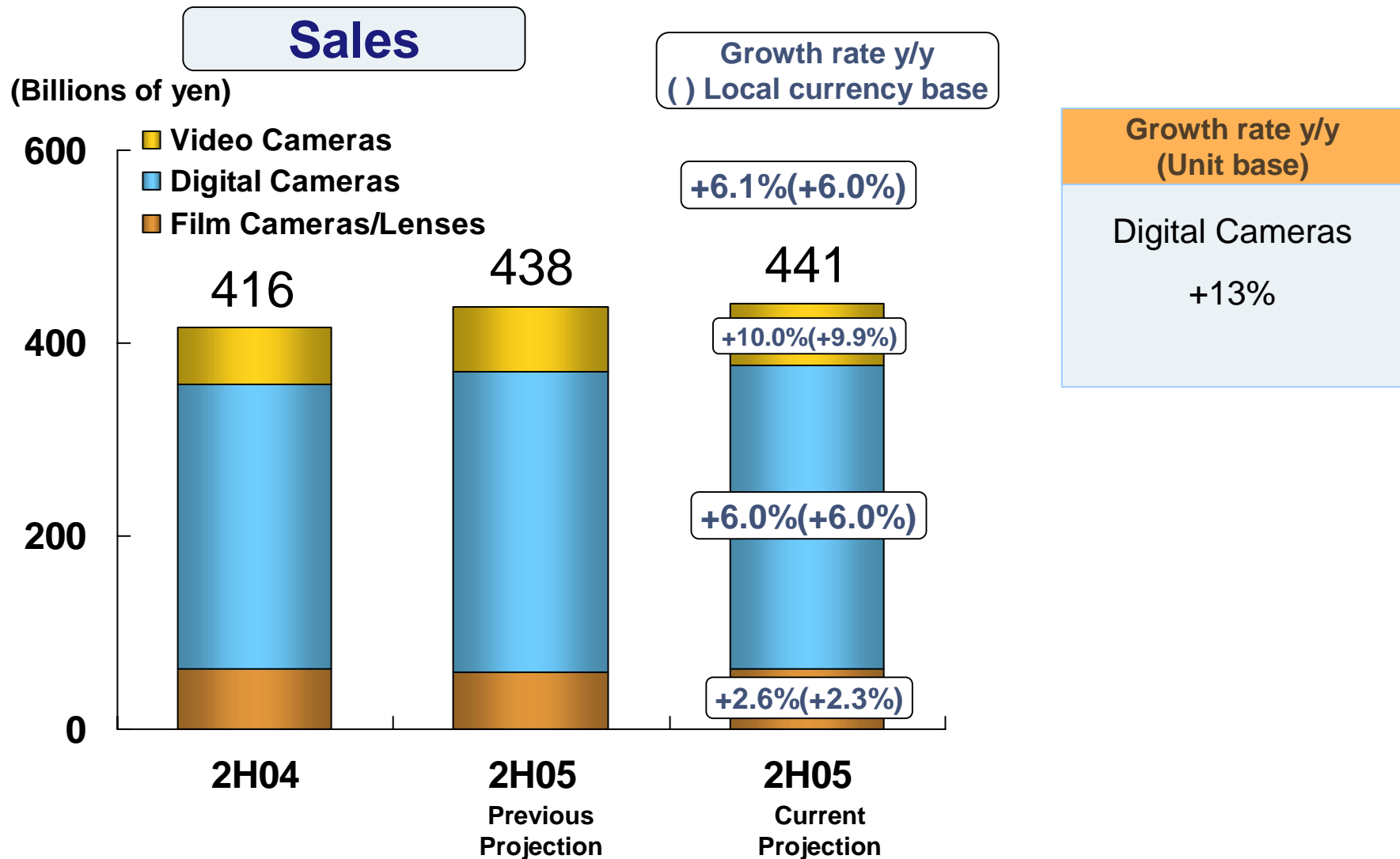
Computer Peripherals/IJP

2H 2005



Cameras

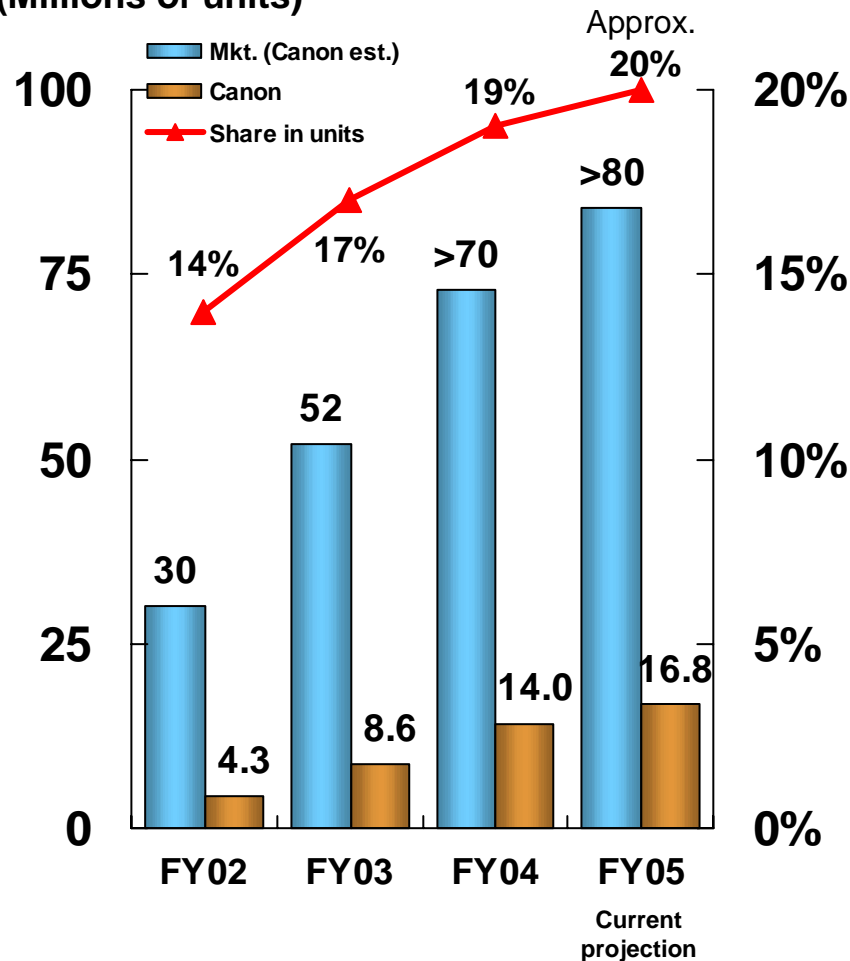
2H 2005



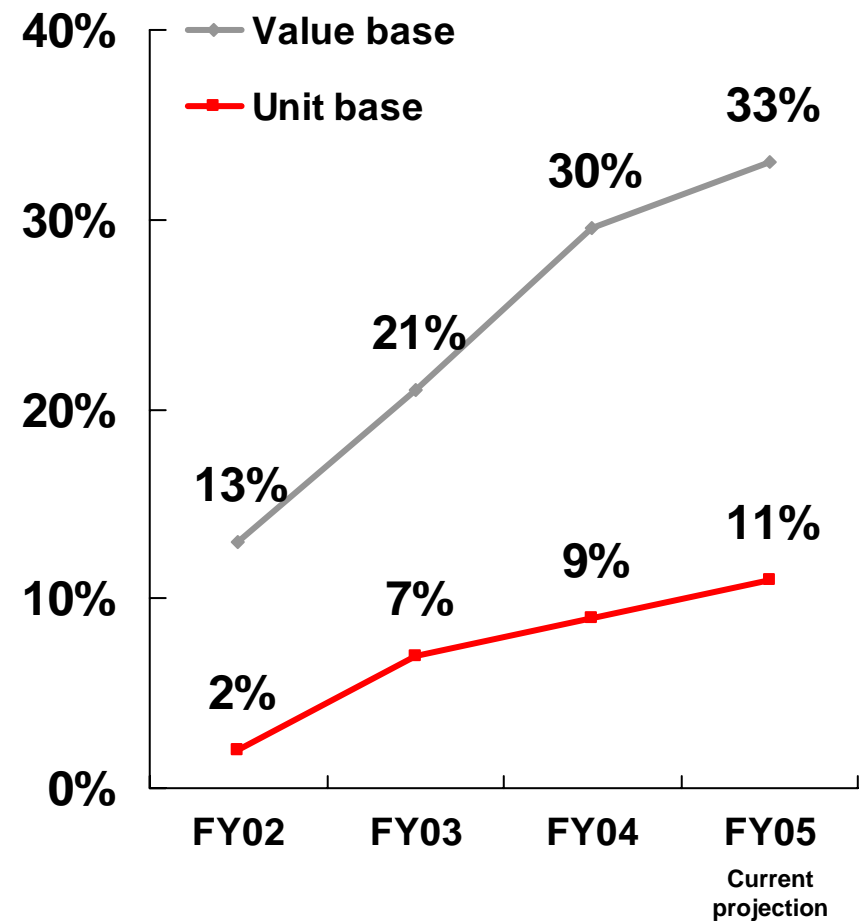
Continued Growth of Digital Cameras

Transition in Unit Sales of Digital Cameras

(Millions of units)



Digital SLR Ratio



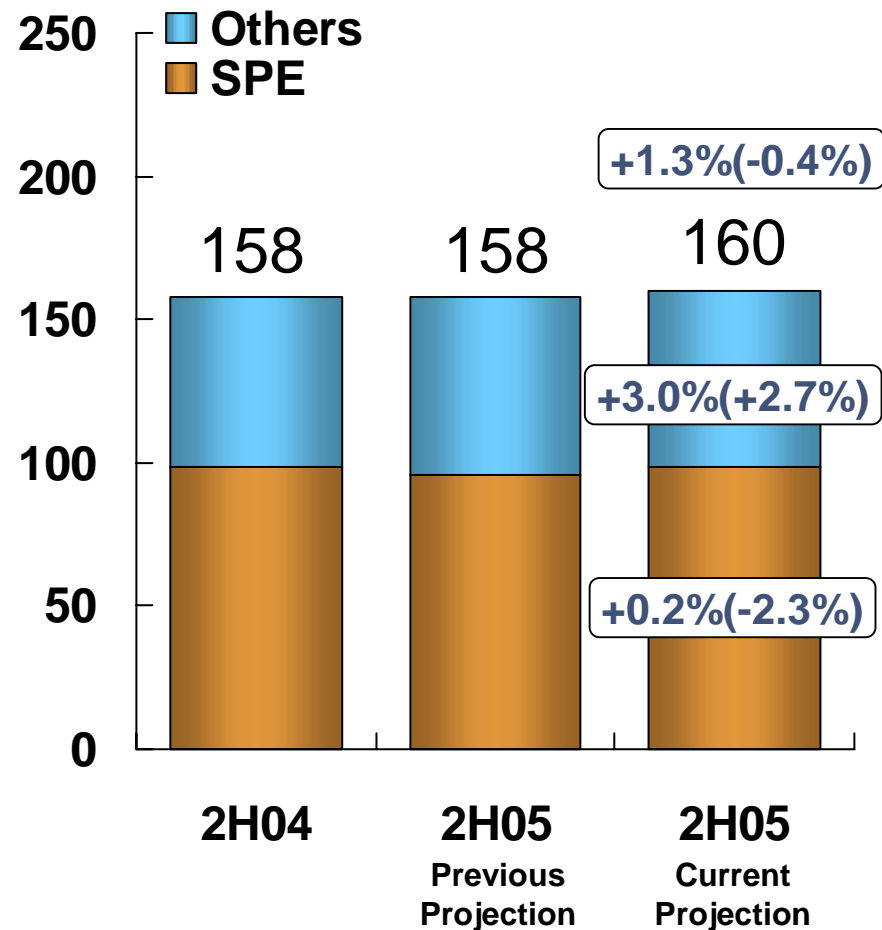
Optical and Other Products

2H 2005

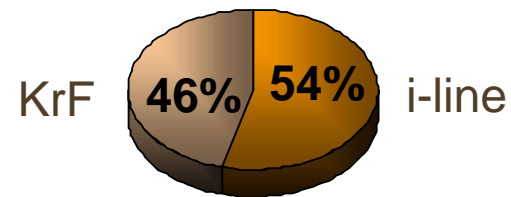
Sales

(Billions of yen)

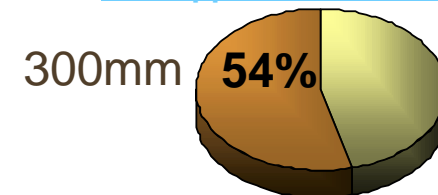
Growth rate y/y
() Local currency base



IC Stepper Unit Breakdown
By Light Source



IC Stepper 300mm Ratio (Units)



SPE (Unit sales)

| | 2H04 | 2H05 (Previous projection) | 2H05 (Current projection) |
|-----|------|-------------------------------|------------------------------|
| IC | 74 | 47 | 48 |
| LCD | 35 | 55 | 52 |
| TTL | 109 | 102 | 100 |

Summary of Projected Results

2005 Current Projection v. 2004 Actual

(Billions of yen)

| | 2005 Current Projection | | | 2004 Actual | | | % Change | | |
|--------------|-------------------------|------------------|------------------|-------------|---------|---------|----------|-------|-------|
| | 1H Actual | 2H Projection | FY Projection | 1H | 2H | FY | 1H | 2H | FY |
| Net sales | 1,755.8 | 1,924.2 | 3,680.0 | 1,648.4 | 1,819.4 | 3,467.9 | +6.5% | +5.8% | +6.1% |
| Gross profit | 850.0 | 933.0 | 1,783.0 | 825.8 | 887.6 | 1,713.3 | +2.9% | +5.1% | +4.1% |
| % sales | 48.4% | 48.5% | 48.5% | 50.1% | 48.8% | 49.4% | | | |
| Op. profit | 270.2 | 307.8 | 578.0 | 253.4 | 290.4 | 543.8 | +6.6% | +6.0% | +6.3% |
| % sales | 15.4% | 16.0% | 15.7% | 15.4% | 16.0% | 15.7% | | | |
| Net income | 175.3 | 191.7 | 367.0 | 160.8 | 182.6 | 343.3 | +9.0% | +5.0% | +6.9% |
| % sales | 10.0% | 10.0% | 10.0% | 9.8% | 10.0% | 9.9% | | | |
| Yen - 1USD | 106.18 | 110.00 | 108.18 | 108.59 | 107.70 | 108.12 | | | |
| Yen - 1EURO | 136.14 | 132.00 | 133.94 | 133.11 | 135.90 | 134.57 | | | |

Operating Profit by Segment

2005 Current Projection v. 2004 Actual

(Billions of yen)

| | 2005 Current Projection | | | 2004 Actual | | | % Change | | |
|-----------------------------------|-------------------------|---------------|---------------|-------------|-------|--------|----------|--------|--------|
| | 1H Actual | 2H Projection | FY Projection | 1H | 2H | FY | 1H | 2H | FY |
| Business Machines | 259.5 | 306.4 | 565.9 | 248.8 | 272.3 | 521.1 | +4.3% | +12.5% | +8.6% |
| % sales | 21.7% | 23.2% | 22.5% | 21.8% | 21.9% | 21.8% | | | |
| Cameras | 61.9 | 78.1 | 140.0 | 61.4 | 69.4 | 130.8 | +0.7% | +12.7% | +7.0% |
| % sales | 16.3% | 17.7% | 17.1% | 17.7% | 16.7% | 17.1% | | | |
| Optical and Other Products | 21.0 | 12.9 | 33.9 | 15.2 | 13.7 | 28.8 | +38.8% | -5.9% | +17.6% |
| % sales | 8.4% | 5.4% | 6.9% | 6.8% | 5.9% | 6.3% | | | |
| Corporate and Eliminations | -72.2 | -89.6 | -161.8 | -72.0 | -64.9 | -136.9 | | | |
| Total | 270.2 | 307.8 | 578.0 | 253.4 | 290.4 | 543.8 | +6.6% | +6.0% | +6.3% |
| % sales | 15.4% | 16.0% | 15.7% | 15.4% | 16.0% | 15.7% | | | |

Supplementary Information

Summary of Projected Results

3Q 2005

(Billions of yen)

| | 3Q05 Current Projection | 3Q04 Actual | % Change |
|-----------------------|----------------------------|----------------|-------------|
| Net sales | 855.0 | 838.3 | +2.0% |
| Gross profit | 414.0 | 409.8 | +1.0% |
| % sales | 48.4% | 48.9% | |
| Op. profit | 136.0 | 158.3 | -14.1% |
| % sales | 15.9% | 18.9% | |
| Net income | 84.0 | 101.8 | -17.5% |
| % sales | 9.8% | 12.1% | |
| Foreign Exchange Rate | | | |
| Yen - 1USD | 110.00 | 109.97 | |
| Yen - 1EURO | 132.00 | 134.37 | |

Supplementary Information

Transition in Sales and Operating Profit

2Q/1H 2005 Actual v. 2Q/1H 2004 Actual

(Billions of yen)

| | 2Q | | 1H | |
|---|---------|------------|---------|------------|
| | Sales | Op. Profit | Sales | Op. Profit |
| 2004 Actual | 850.4 | 119.9 | 1,648.4 | 253.4 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 3.4 | + 3.8 | + 1.1 | + 3.1 |
| Sales volume impact | | | | |
| Office Imaging Products | + 43.5 | | + 63.8 | |
| Computer Peripherals | + 30.2 | | + 67.2 | |
| Business Information Products | - 3.3 | | - 6.2 | |
| Cameras | + 47.8 | | + 61.9 | |
| Optical and Other Products | + 11.7 | | + 20.6 | |
| Total | + 129.9 | + 65.7 | + 207.3 | + 107.1 |
| Others | - 71.2 | - 62.5 | - 101.0 | - 93.4 |
| Total Change | + 62.1 | + 7.0 | + 107.4 | + 16.8 |
| 2005 Actual | 912.5 | 126.9 | 1,755.8 | 270.2 |

Change in Exchange Rate (2Q)

- 1USD: 109.67 to 107.71 Yen
- 1EURO: 132.29 to 135.37 Yen

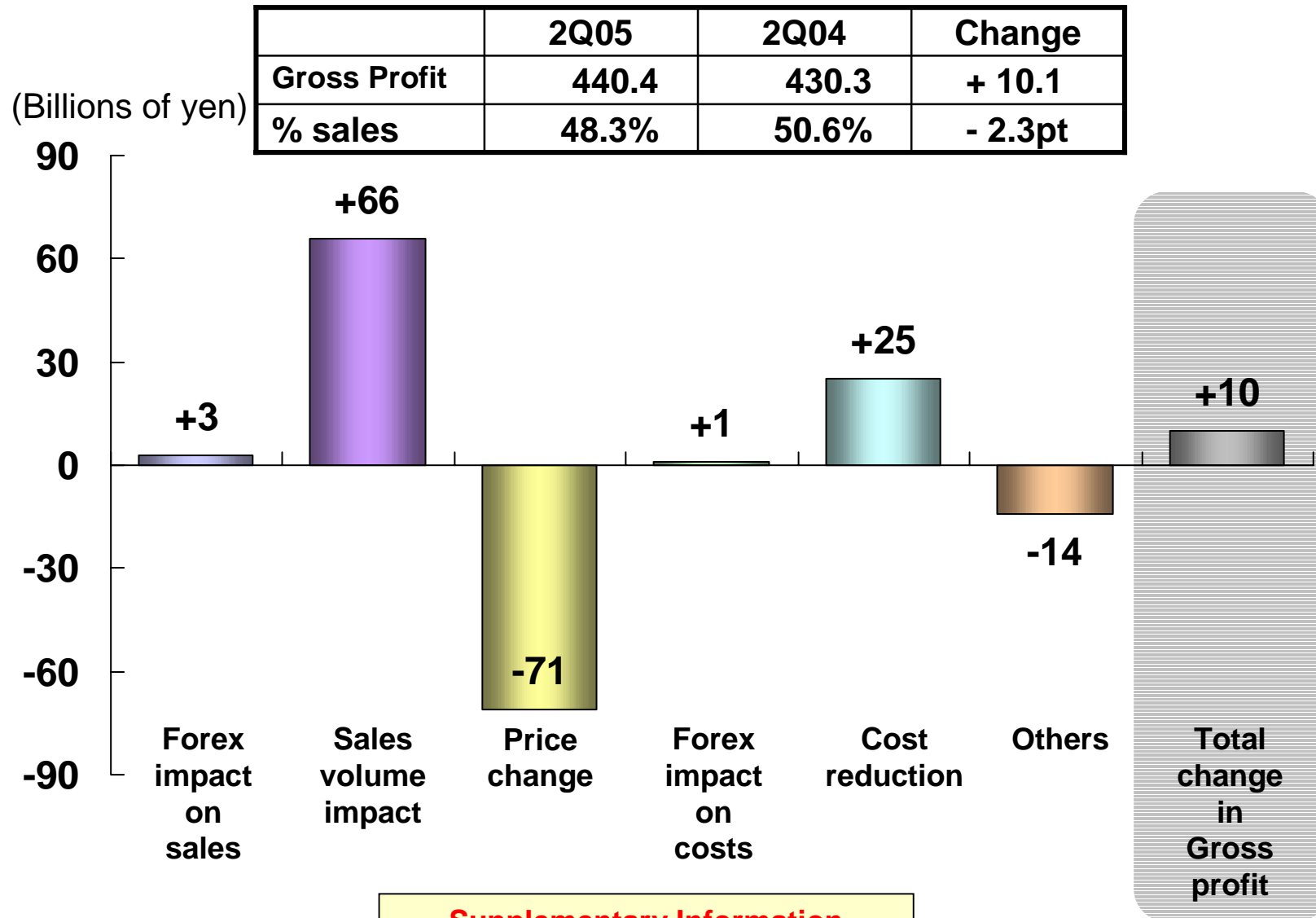
Change in Exchange Rate (1H)

- 1USD: 108.59 to 106.18 Yen
- 1EURO: 133.11 to 136.14 Yen

Gross Profit Variance Analysis

2Q 2005 v. 2Q 2004

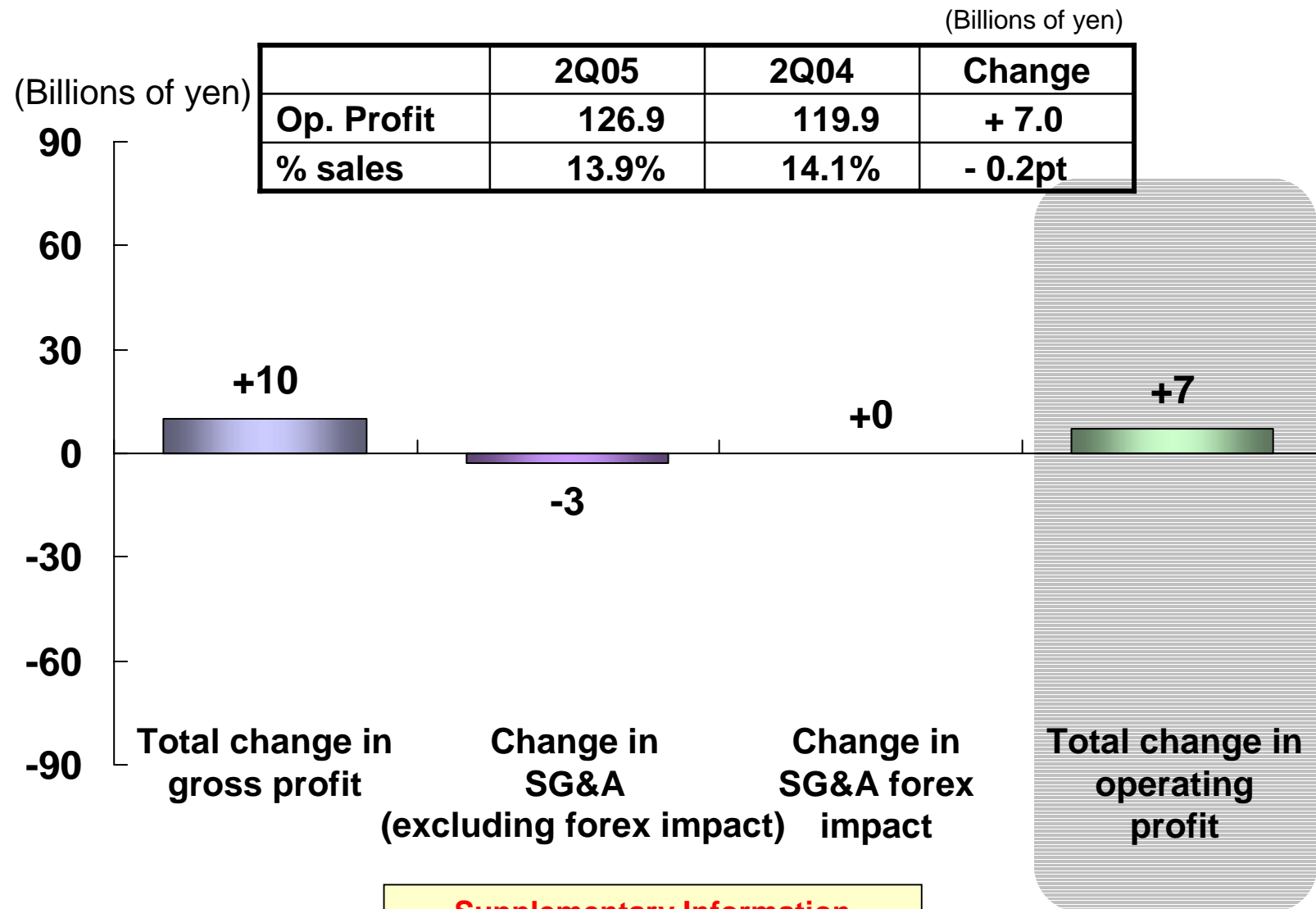
(Billions of yen)



Supplementary Information

Operating Profit Variance Analysis

2Q 2005 v. 2Q 2004



Transition in Sales and Operating Profit

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

(Billions of yen)

| | 2H | | FY | |
|---|---------|------------|---------|------------|
| | Sales | Op. Profit | Sales | Op. Profit |
| 2004 Actual | 1,819.4 | 290.4 | 3,467.9 | 543.8 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 4.4 | - 1.7 | + 5.5 | + 1.4 |
| Sales volume impact | | | | |
| Office Imaging Products | + 91.6 | | + 155.4 | |
| Computer Peripherals | + 70.3 | | + 137.5 | |
| Business Information Products | - 7.4 | | - 13.6 | |
| Cameras | + 45.2 | | + 107.1 | |
| Optical and Other Products | + 4.6 | | + 25.2 | |
| Total | + 204.3 | + 109.1 | + 411.6 | + 216.2 |
| Others | - 103.9 | - 90.0 | - 205.0 | - 183.4 |
| Total Change | + 104.8 | + 17.4 | + 212.1 | + 34.2 |
| 2005 Current projection | 1,924.2 | 307.8 | 3,680.0 | 578.0 |

Change in Exchange Rate (2H)

- 1USD: 107.70 to 110.00 Yen
- 1EURO: 135.90 to 132.00 Yen

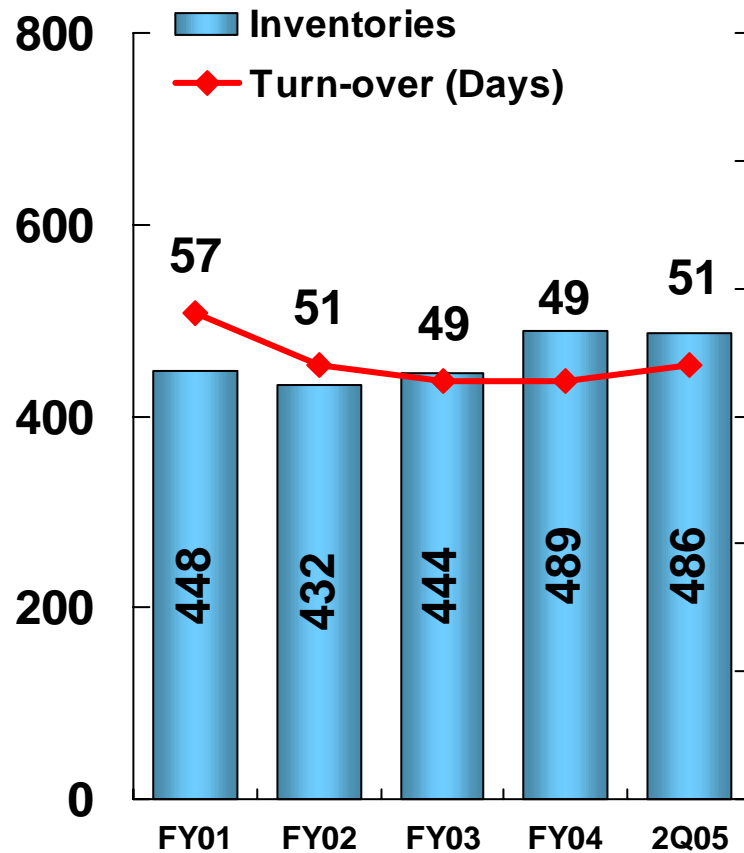
Change in Exchange Rate (FY)

- 1USD: 108.12 to 108.18 Yen
- 1EURO: 134.57 to 133.94 Yen

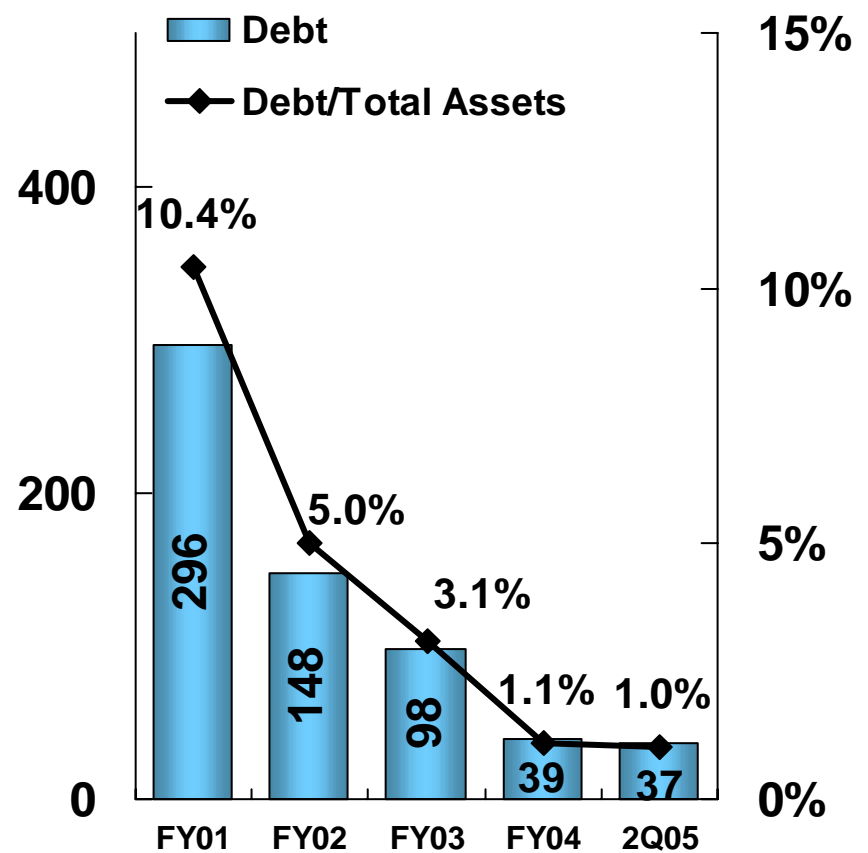
Inventories

Interest Bearing Debt

(Billions of yen)



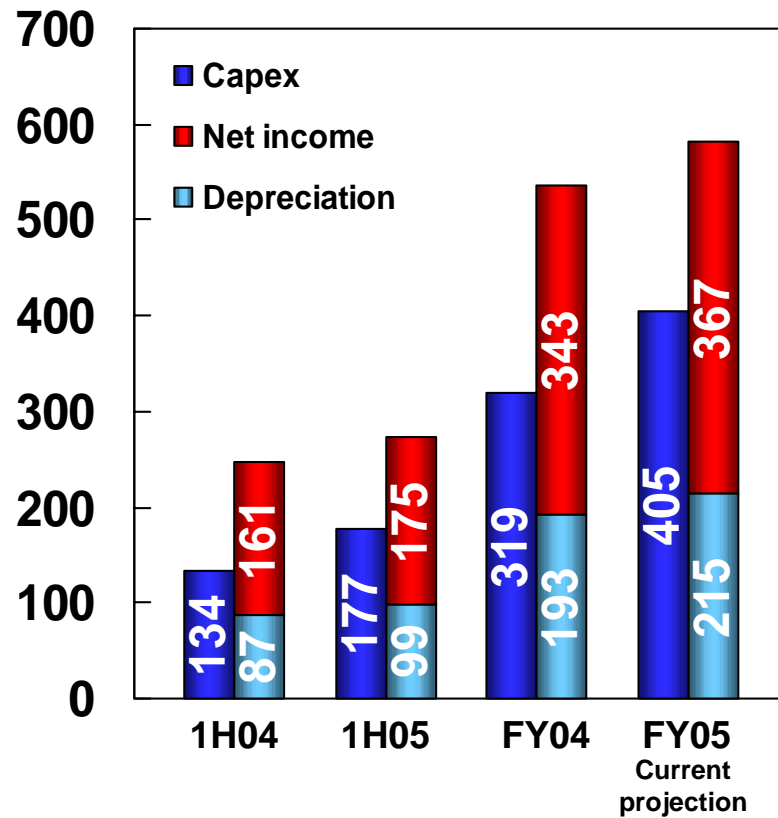
(Days) (Billions of yen)



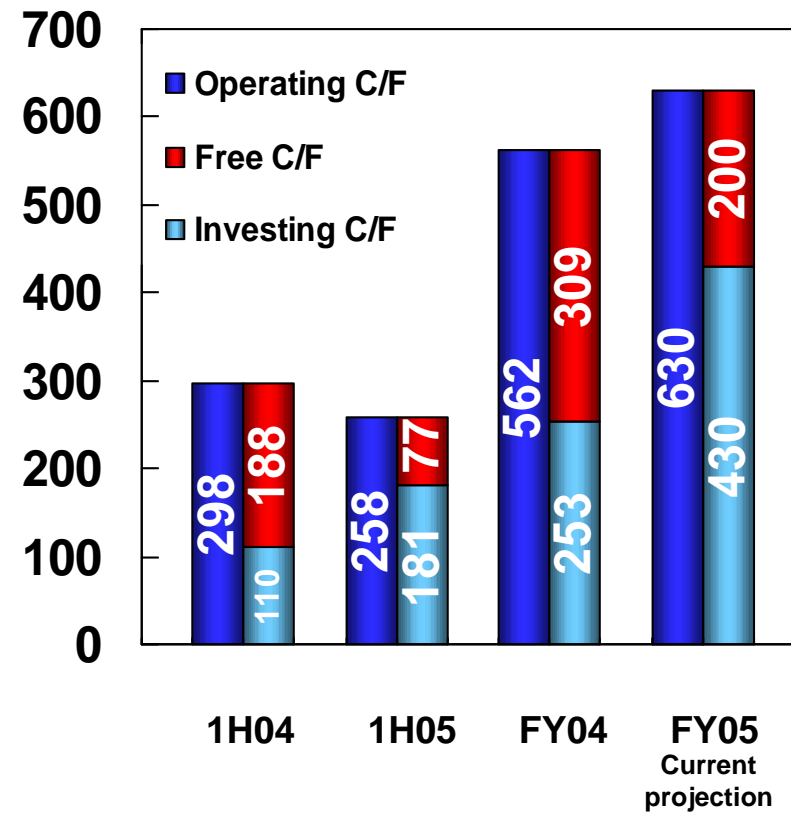
Capital Expenditure

Free Cash Flow

(Billions of yen)



(Billions of yen)



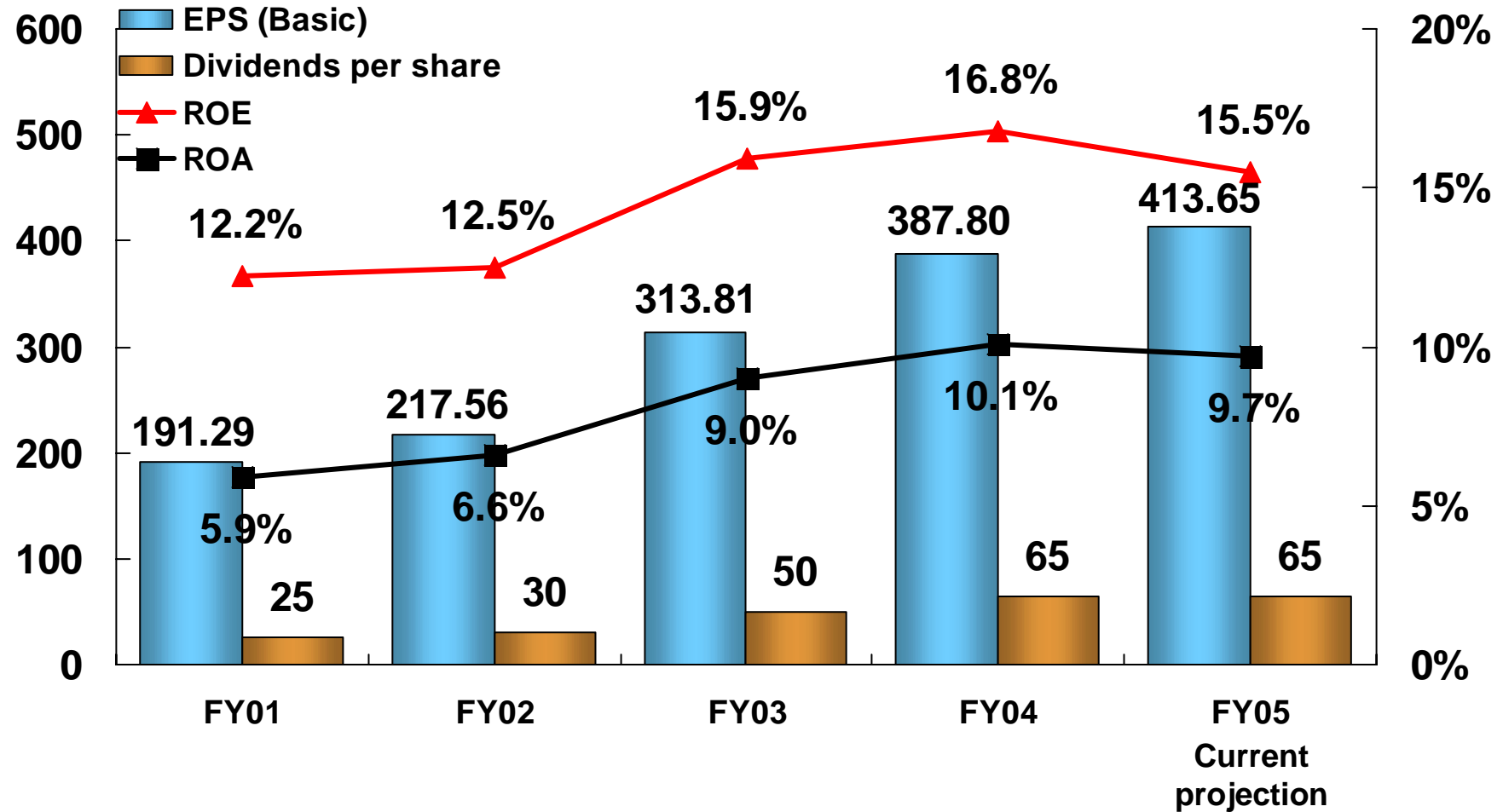
[Major Expenditures 2005]

- Automated assembly line for cartridges
- New facility/building for inkjet development (Yako)
- New factory/building for lenses (Utsunomiya)
- Step up production of toner
- New building for Leading-edge Technology Research Center (Shimomaruko)
- Increase production of CMOS sensors

Supplementary Information

Financial Ratios

(Yen)



Supplementary Information