



Canon Inc.

Third Quarter 2005 Results

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Agenda

| | |
|-----------------------------|--------|
| ■ Third Quarter Results | P3-4 |
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Summary of Results

3Q 2005 Actual

(Billios of yen)

| | 3Q 2005 | 3Q 2005 | 3Q 2004 | % change | |
|------------------------------|--------------|--------------|--------------|------------|----------------|
| | Actual | Projection | Actual | Projection | 3Q 2004 Actual |
| Net sales | 878.5 | 855.0 | 838.3 | +2.7% | +4.8% |
| Gross profit | 429.9 | 414.0 | 409.8 | +3.8% | +4.9% |
| [% sales] | 48.9% | 48.4% | 48.9% | | |
| Op. profit | 143.6 | 136.0 | 158.3 | +5.6% | -9.3% |
| [% sales] | 16.3% | 15.9% | 18.9% | | |
| Net income | 100.6 | 84.0 | 101.8 | +19.8 | -1.1% |
| [% sales] | 11.5% | 9.8% | 12.1% | | |
| Foreign exchange rate | | | | | |
| Yen – 1USD | 111.23 | 110.00 | 109.97 | | |
| Yen – 1EURO | 135.73 | 132.00 | 134.37 | | |

Transition in Sales and Op. Profit

3Q 2005 Actual v. 3Q 2005 Projection

(Billions of yen)

| | 3Q 2005 | |
|---|---------|------------|
| | Sales | Op. Profit |
| Projection (Jul. 27, 2005) | 855.0 | 136.0 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 10.0 | + 6.8 |
| Sales volume impact | | |
| Office Imaging Products | - 5.9 | |
| Computer Peripherals | - 2.8 | |
| Business Information Products | - 4.6 | |
| Cameras | + 11.6 | |
| Optical and Other Products | + 5.0 | |
| Total | + 3.3 | + 1.5 |
| Others | + 10.2 | - 0.7 |
| Total Change | + 23.5 | +7.6 |
| Actual | 878.5 | 143.6 |

Change in Exchange Rate

- 1USD: 110.00 to 111.23 yen
- 1EURO: 132.00 to 135.73 yen

Assumption (Foreign Exchange)

4Q 2005 Projection

Average Exchange Rate

| | 4Q05 | FY05 | FY04 |
|-------------|------------|------------|------------|
| ■ Yen-1USD | 112.00 yen | 109.07 yen | 108.12 yen |
| ■ Yen-1EURO | 135.00 yen | 135.71 yen | 134.57 yen |

Impact of Exchange Rate Movement (4Q impact given a one yen change)

| | Sales | Operating Profit |
|--------|-----------------|------------------|
| ■ USD | 3.8 Billion yen | 2.1 Billion yen |
| ■ EURO | 2.1 Billion yen | 1.6 Billion yen |

Summary of Projected Results

FY 2005 Projection

(Billios of yen)

| | FY05 Current projection | FY05 Previous projection | FY04 Actual | % change | |
|------------------------------|-------------------------------|--------------------------------|----------------|------------------------|----------------|
| | | | | Previous projection | FY04 Actual |
| Net sales | 3,740.0 | 3,680.0 | 3,467.9 | + 1.6% | +7.8% |
| Gross profit | 1,824.0 | 1,783.0 | 1,713.3 | + 2.3% | + 6.5% |
| [% sales] | 48.8% | 48.5% | 49.4% | | |
| Op. profit | 587.0 | 578.0 | 543.8 | + 1.6% | +7.9% |
| [% sales] | 15.7% | 15.7% | 15.7% | | |
| Net income | 384.0 | 367.0 | 343.3 | + 4.6% | +11.8% |
| [% sales] | 10.3% | 10.0% | 9.9% | | |
| Foreign exchange rate | | | | | |
| Yen – 1USD | 109.07 | 108.18 | 108.12 | | |
| Yen – 1EURO | 135.71 | 133.94 | 134.57 | | |

Transition in Sales and Op. Profit

FY 2005 Current Projection v. FY 2005 Previous Projection

(Billions of yen)

| | FY 2005 | |
|---|---------|------------|
| | Sales | Op. Profit |
| Previous projection (Jul. 27, 2005) | 3,680.0 | 578.0 |
| Foreign exchange impact [net sales, cost of sales, expenses] | +23.9 | +16.1 |
| Sales volume impact | | |
| Office Imaging Products | -8.7 | |
| Computer Peripherals | -7.4 | |
| Business Information Products | -5.2 | |
| Cameras | +16.7 | |
| Optical and Other Products | -2.7 | |
| Total | -7.3 | -1.7 |
| Others | +43.4 | -5.4 |
| Total Change | +60.0 | +9.0 |
| Current projection | 3,740.0 | 587.0 |

Change in Exchange Rate

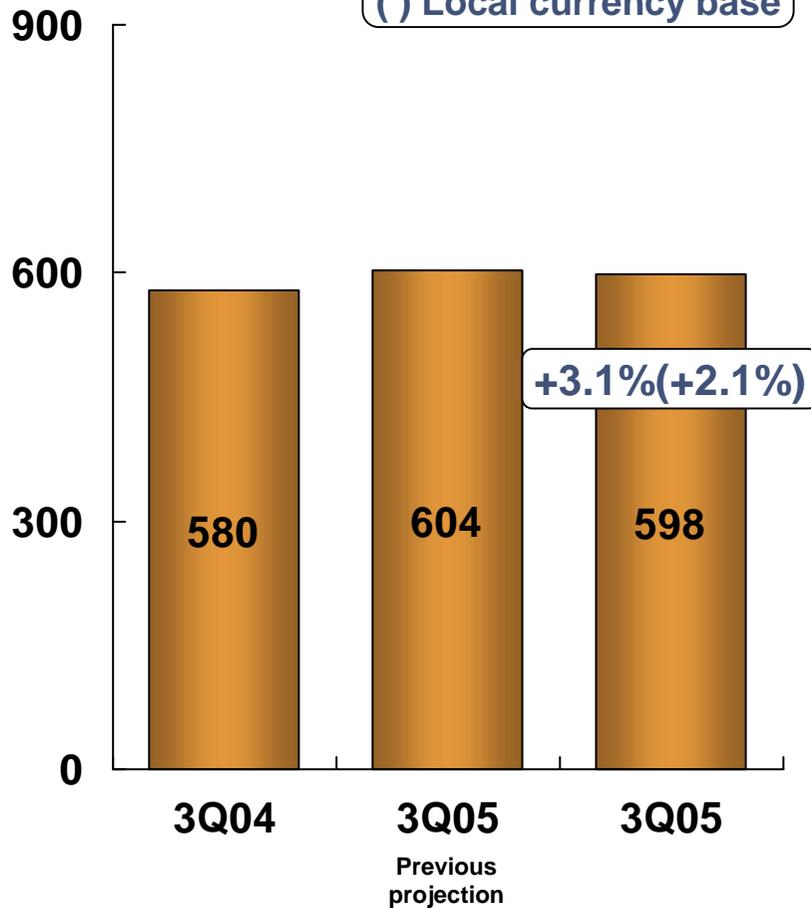
- 1USD: 108.18 to 109.07 yen
- 1EURO: 133.94 to 135.71 yen

Business Machines

3Q 2005 Actual

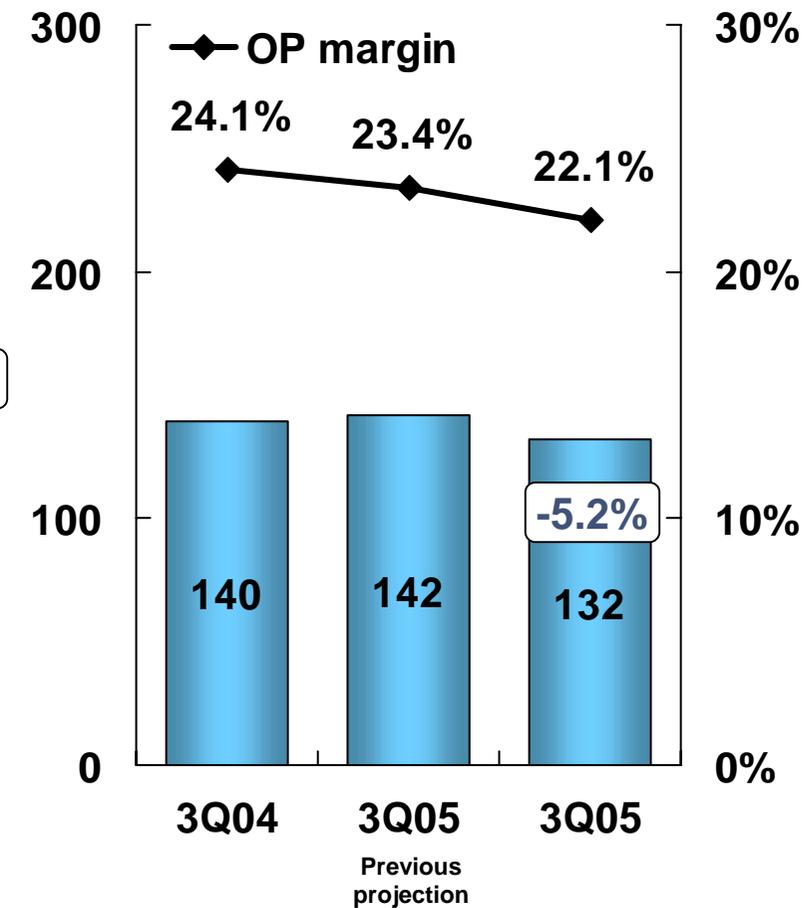
Sales

(Billions of yen)



Operating Profit

(Billions of yen)



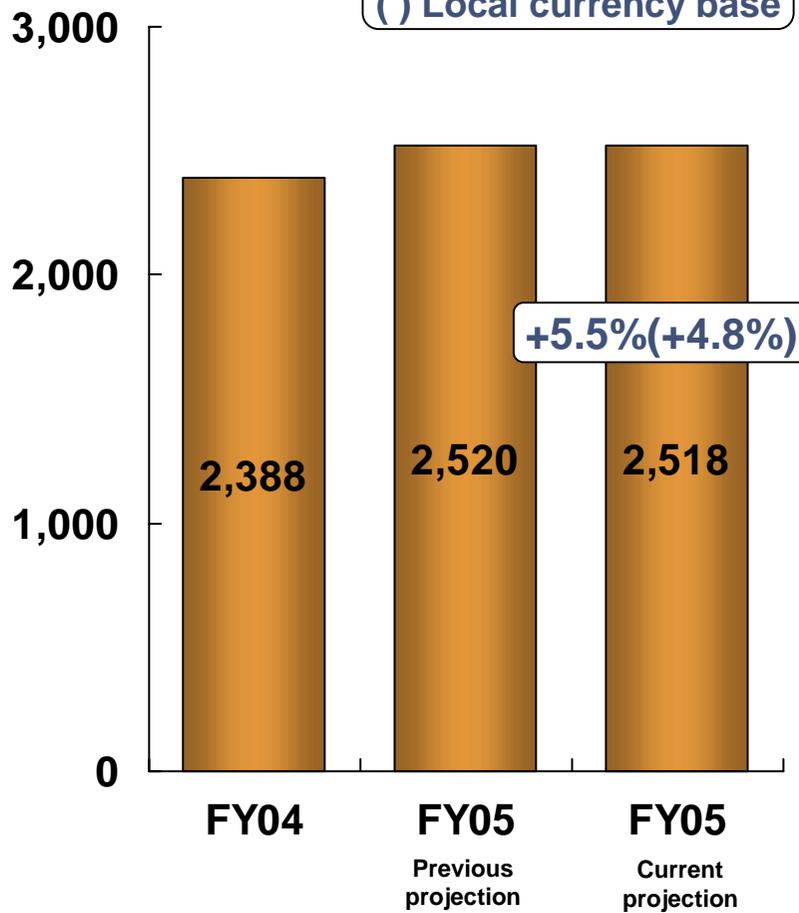
Business Machines

FY 2005 Projection

Sales

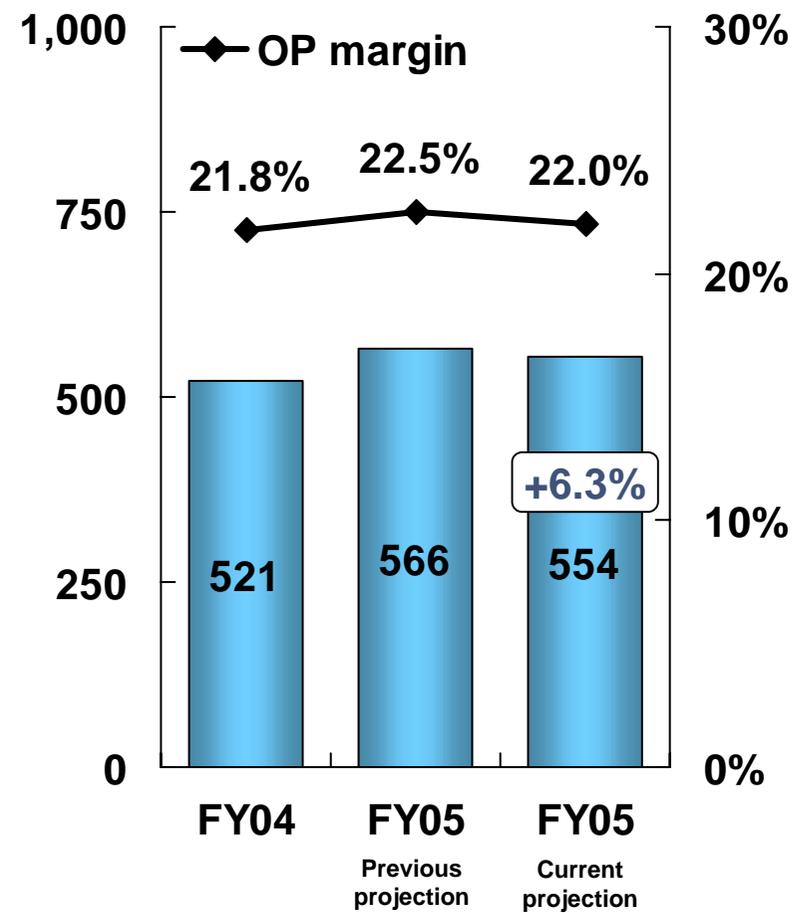
(Billions of yen)

Growth rate y/y
() Local currency base



Operating Profit

(Billions of yen)



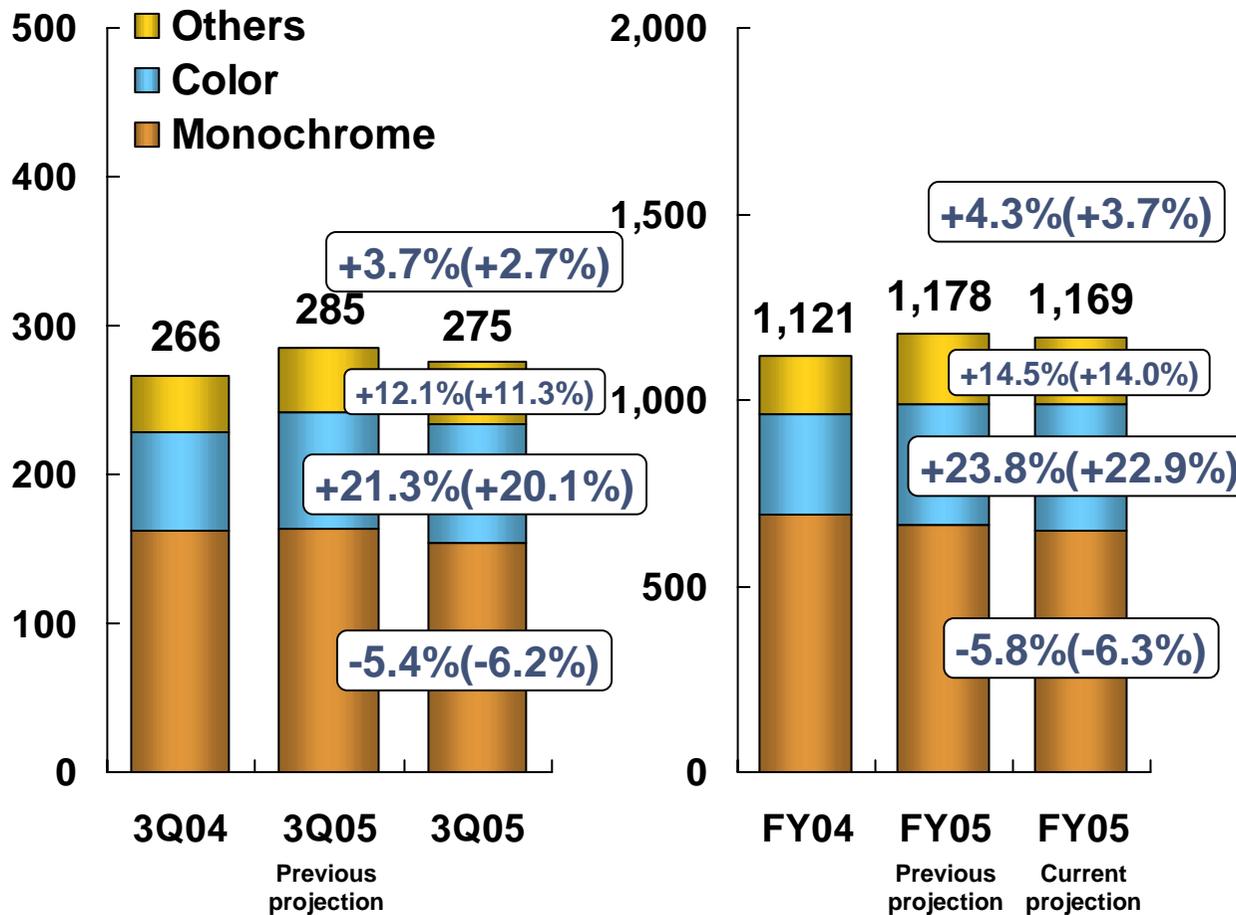
Office Imaging Products

3Q 2005 Actual & FY 2005 Projection

Sales

Growth rate y/y
() Local currency base

(Billions of yen)



Growth rate y/y
(Unit base)

Copying Machines (3Q)

| | |
|-------------------|------|
| Color : | +23% |
| Mono- chrome : | -6% |
| Total : | -3% |

Copying Machines (FY)

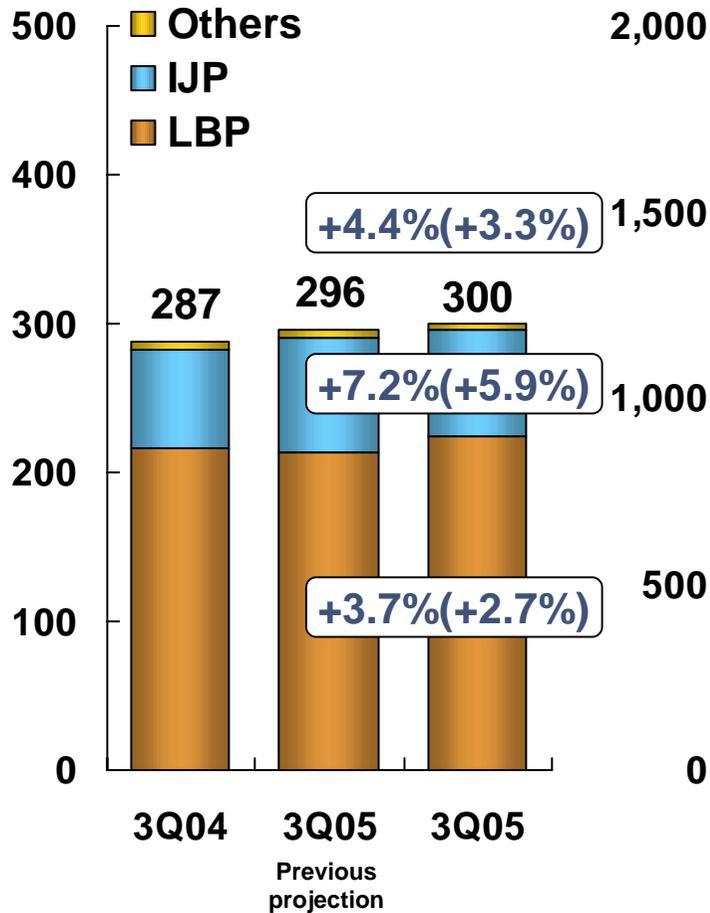
| | |
|-------------------|------|
| Color : | +38% |
| Mono- chrome : | -12% |
| Total : | -8% |

Computer Peripherals

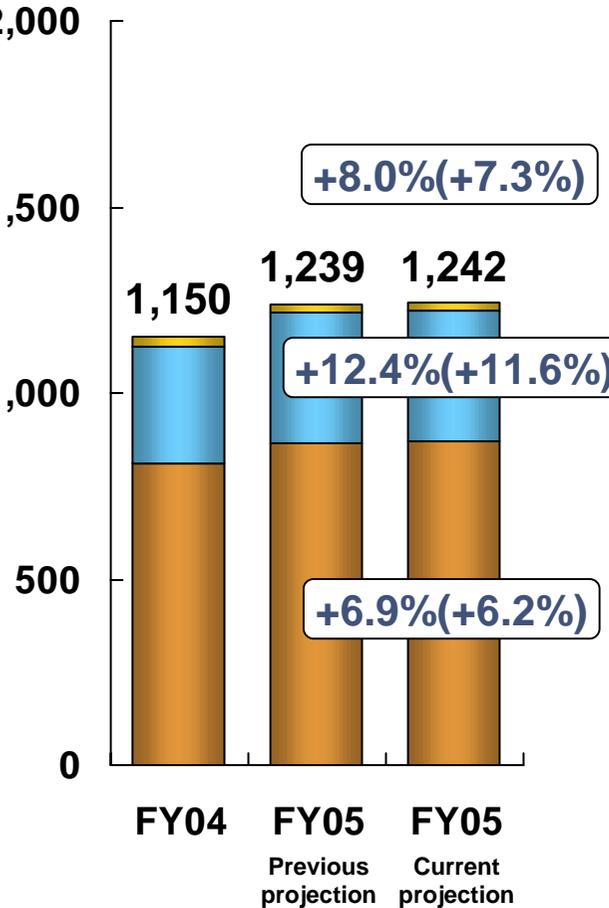
3Q 2005 Actual & FY 2005 Projection

Sales

(Billions of yen)



Growth rate y/y () Local currency base



Growth rate y/y (Unit base)

| LBP(3Q) | |
|---------------|------|
| Color : | +33% |
| Mono-chrome : | +3% |
| Total : | +6% |
| LBP(FY) | |
| Color : | +39% |
| Mono-chrome : | +12% |
| Total : | +14% |

Growth rate y/y (Unit base)

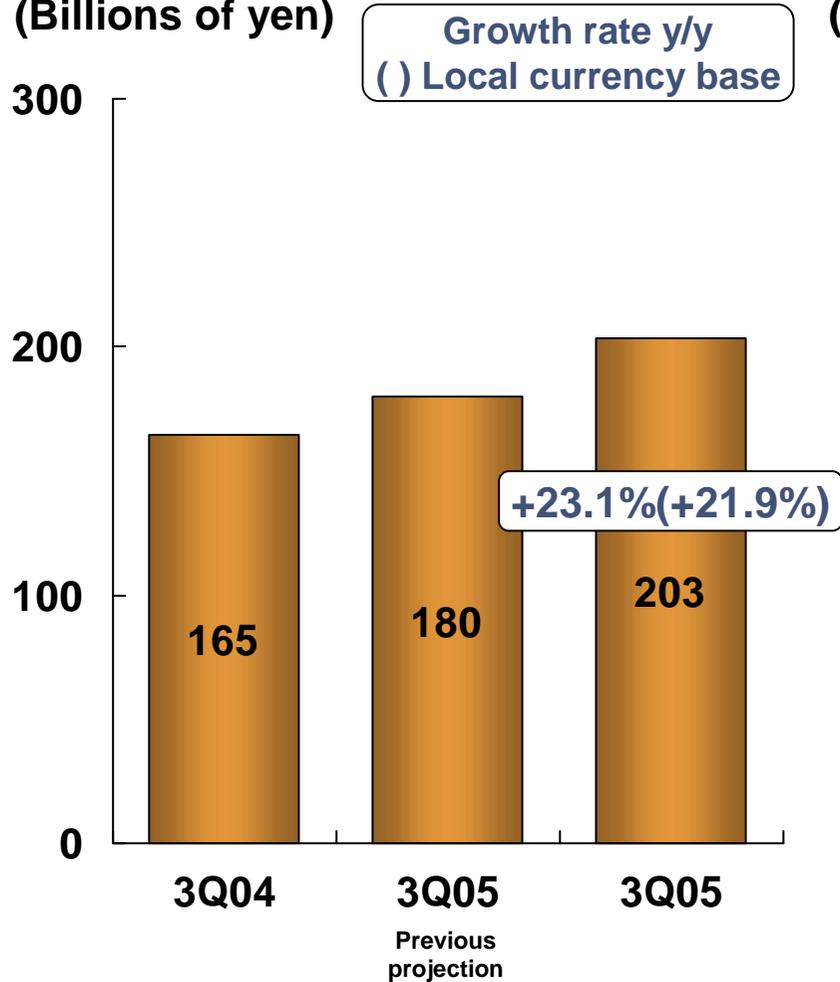
| IJP(3Q) | |
|---------|------|
| SFP : | +3% |
| MFP : | +44% |
| Total : | +10% |
| IJP(FY) | |
| SFP : | +9% |
| MFP : | +58% |
| Total : | +17% |

Cameras

3Q 2005 Actual

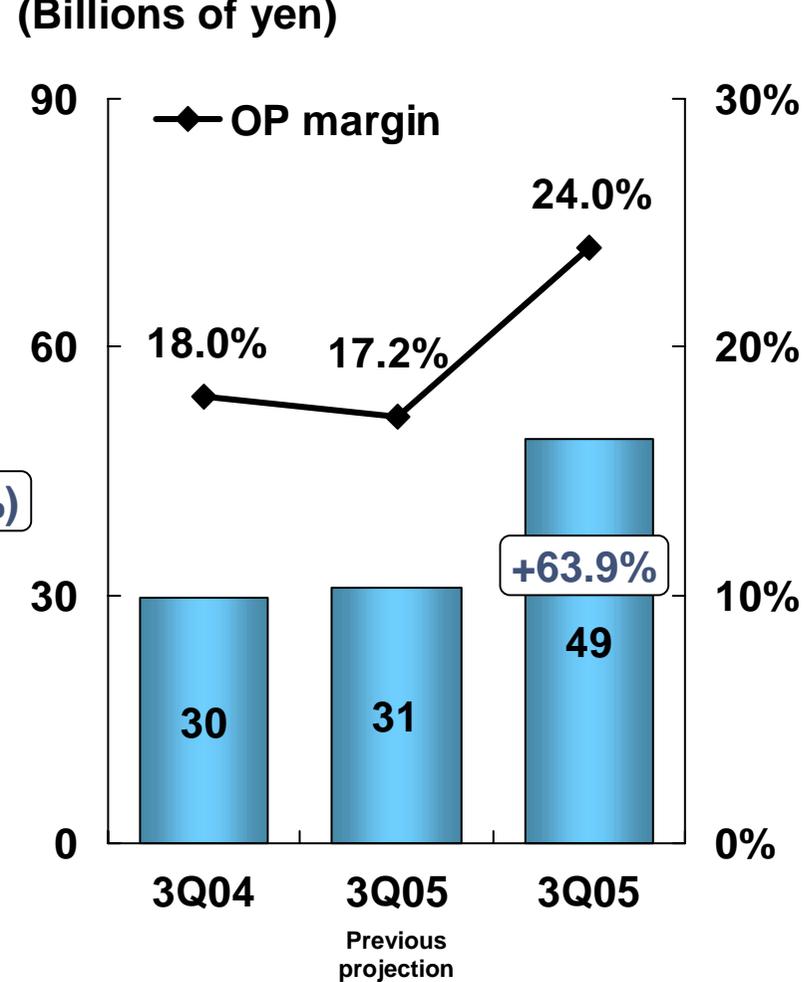
Sales

(Billions of yen)



Operating Profit

(Billions of yen)

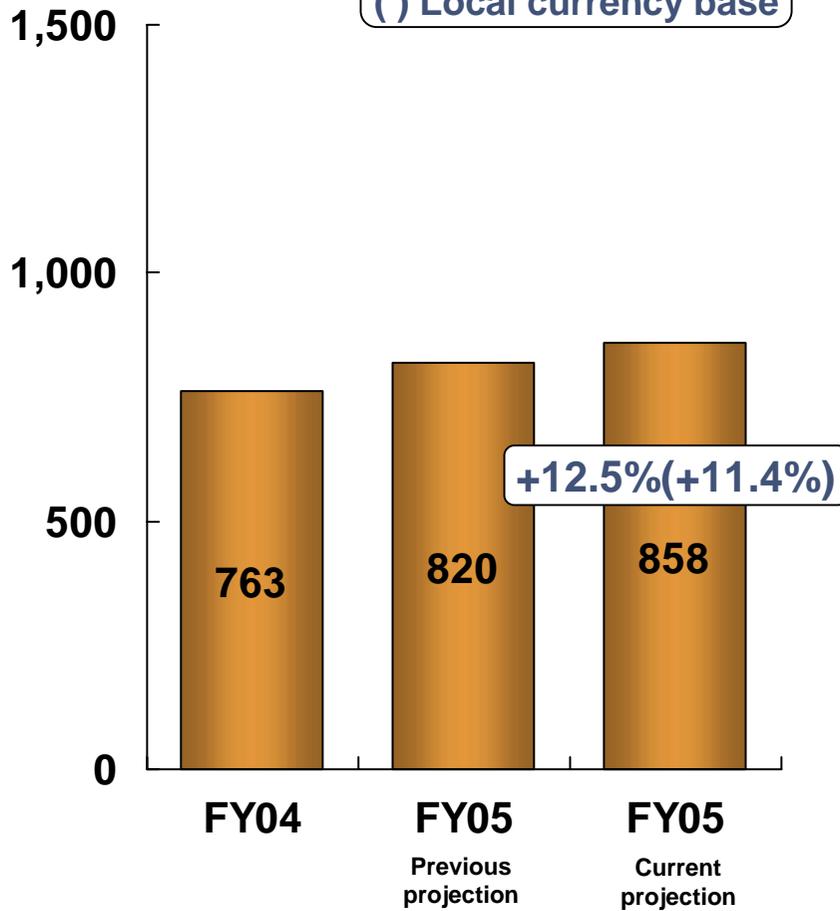


Cameras

FY 2005 Projection

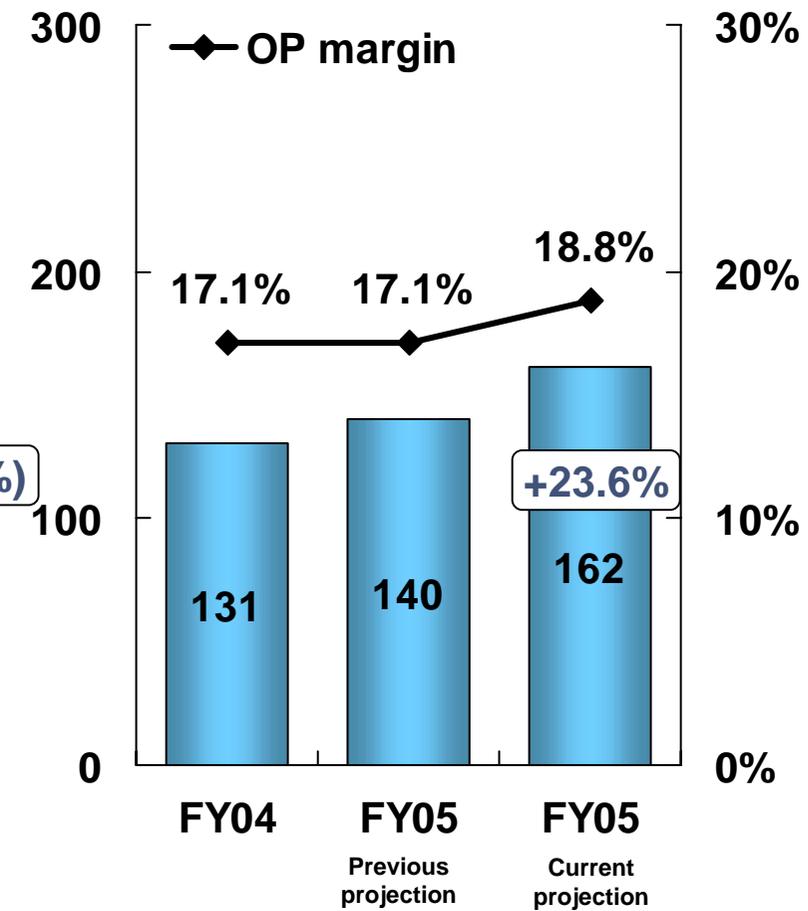
Sales

(Billions of yen)



Operating Profit

(Billions of yen)



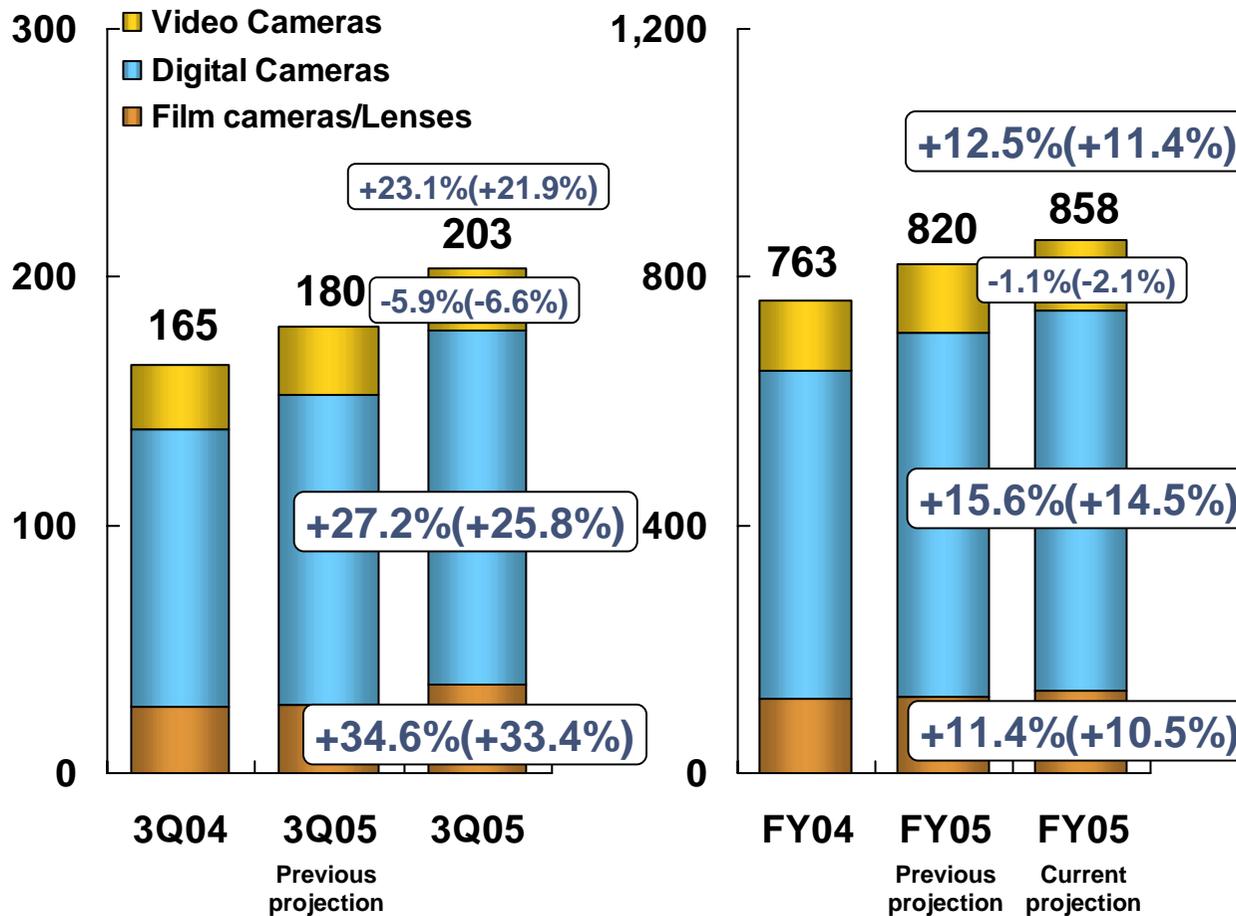
Cameras

3Q 2005 Actual & FY 2005 Projection

Sales

Growth rate y/y
() Local currency base

(Billions of yen)



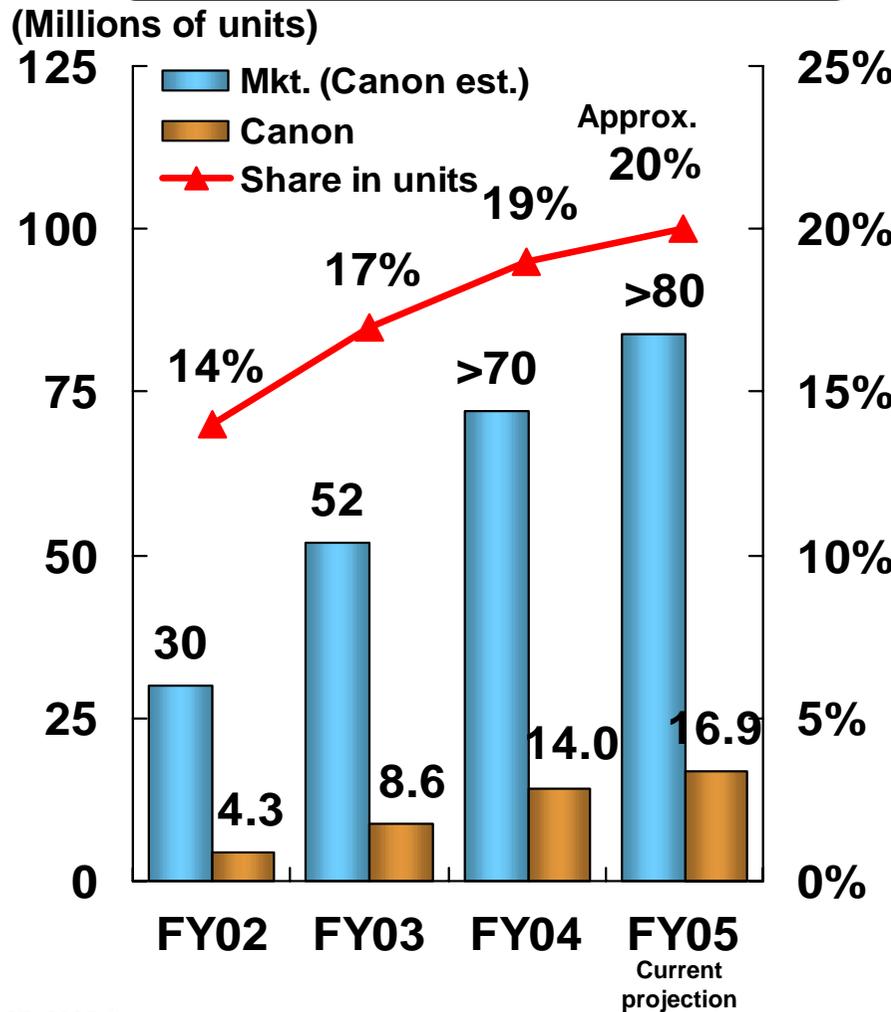
Growth rate y/y
(Unit base)

Digital Cameras

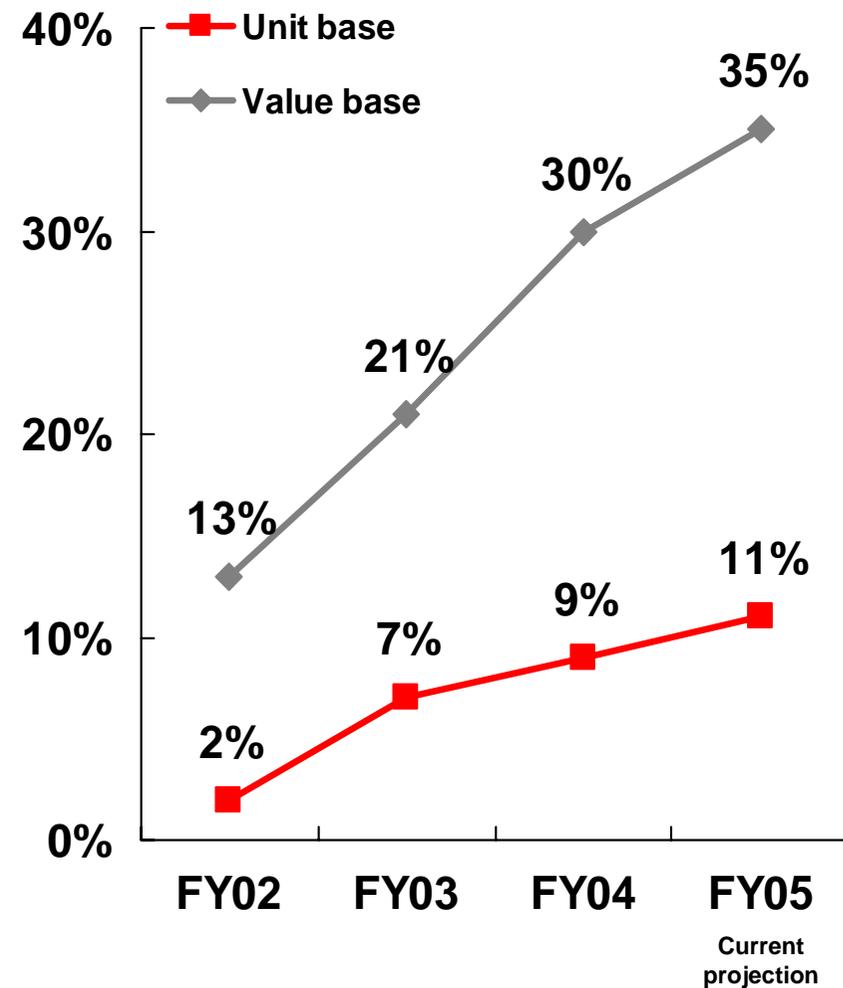
3Q : +31%
 FY : +21%

Transition in Unit Sales of Digital Cameras and D-SLR Ratio

Transition in Unit Sales of Digital Cameras



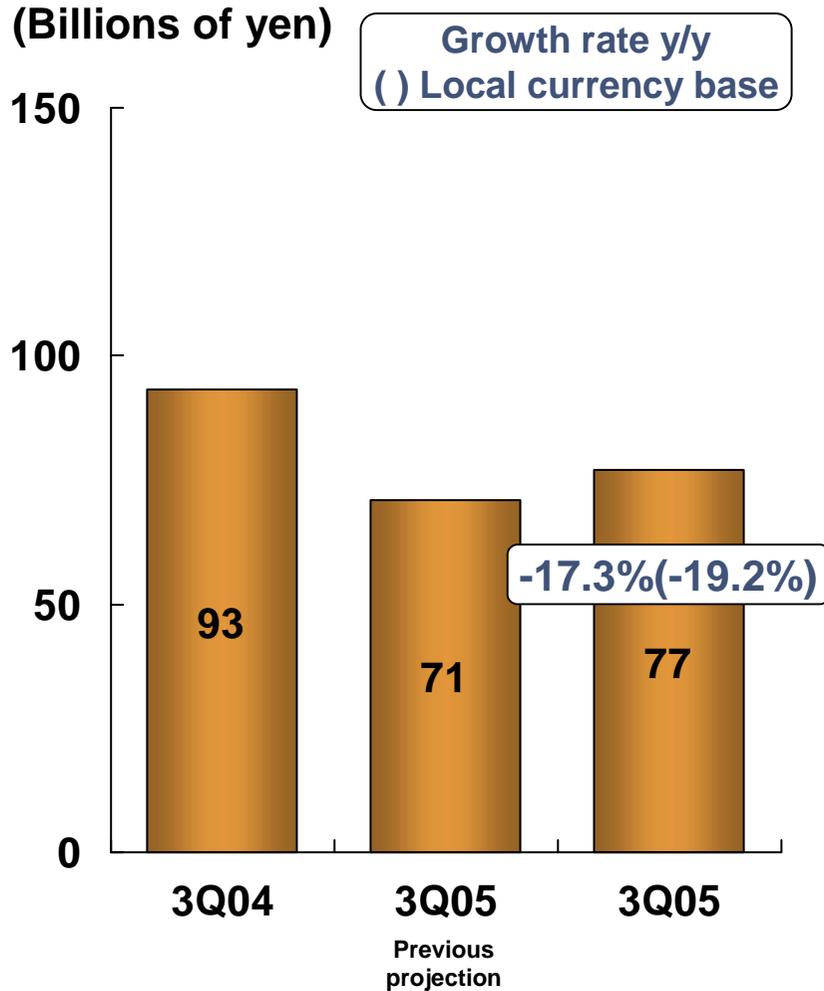
Canon's D-SLR Ratio



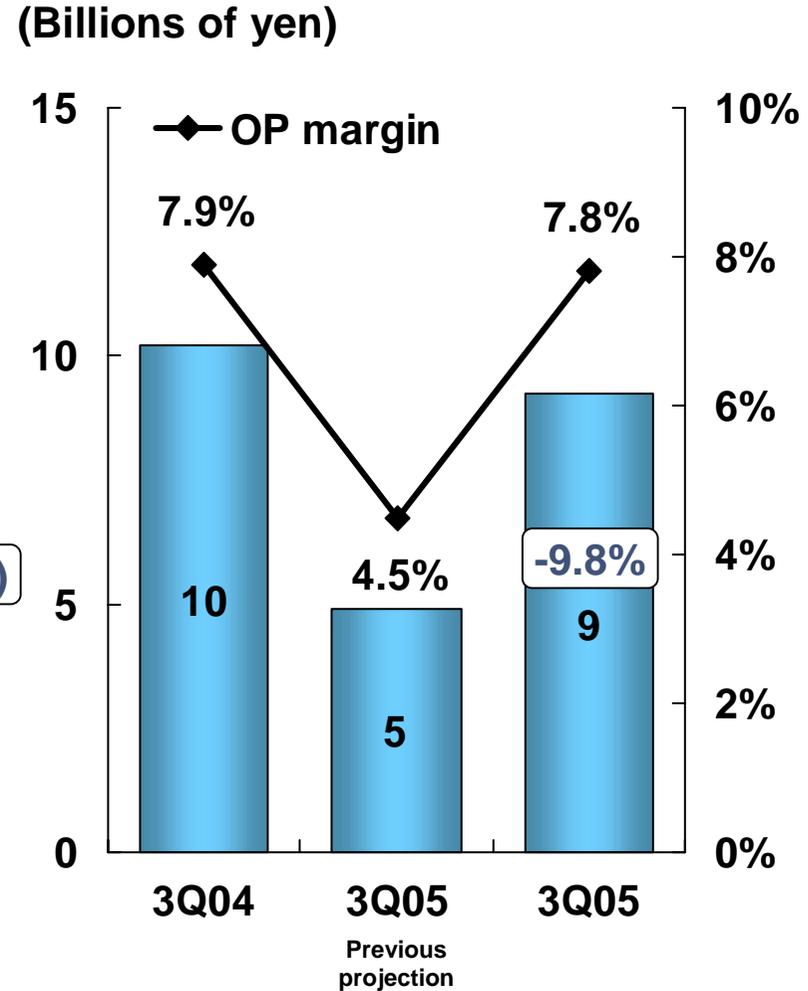
Optical and Other Products

3Q 2005 Actual

Sales



Operating Profit



*Excluding inter-segment sales

*Calculation of operating profit ratio includes inter-segment sales

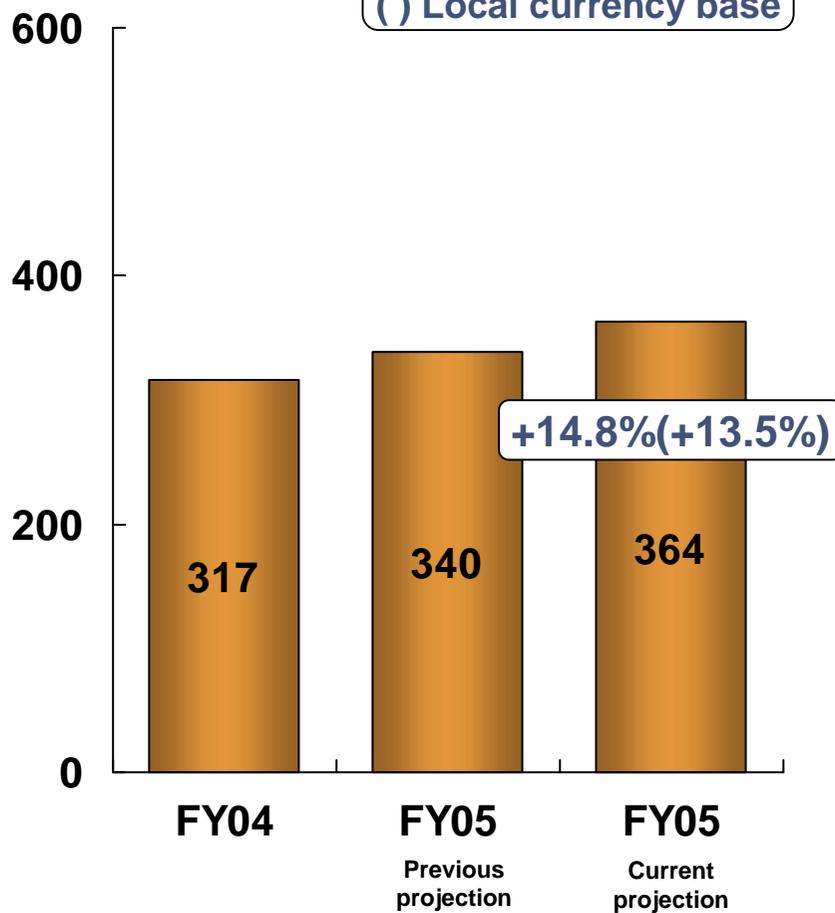
Optical and Other Products

FY 2005 Projection

Sales

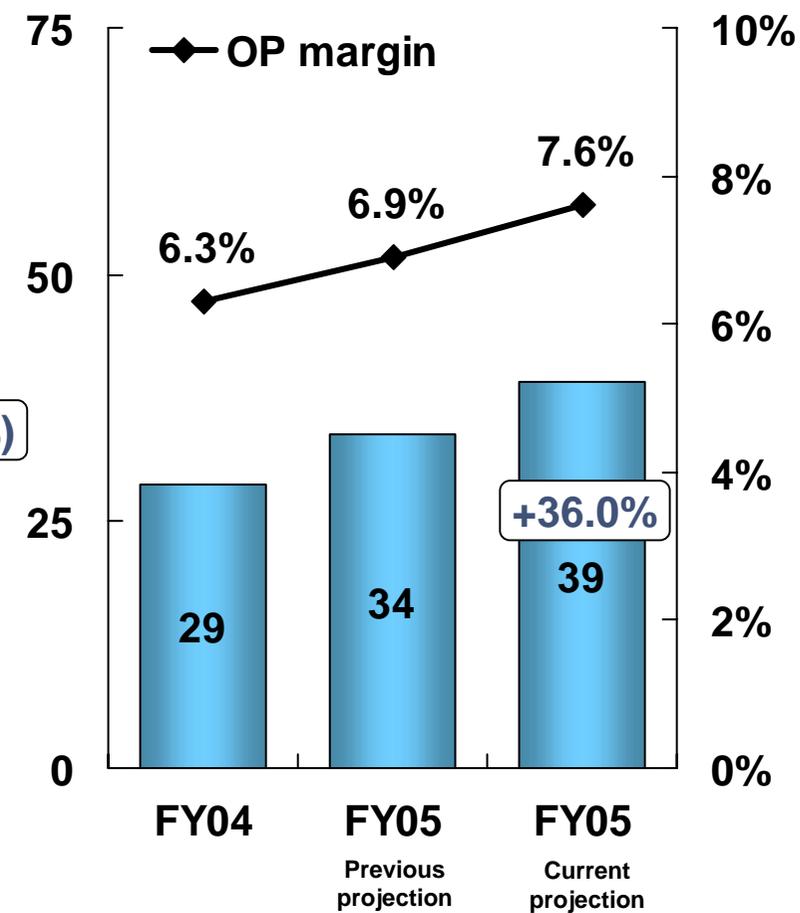
(Billions of yen)

Growth rate y/y
() Local currency base



Operating Profit

(Billions of yen)



*Excluding inter-segment sales

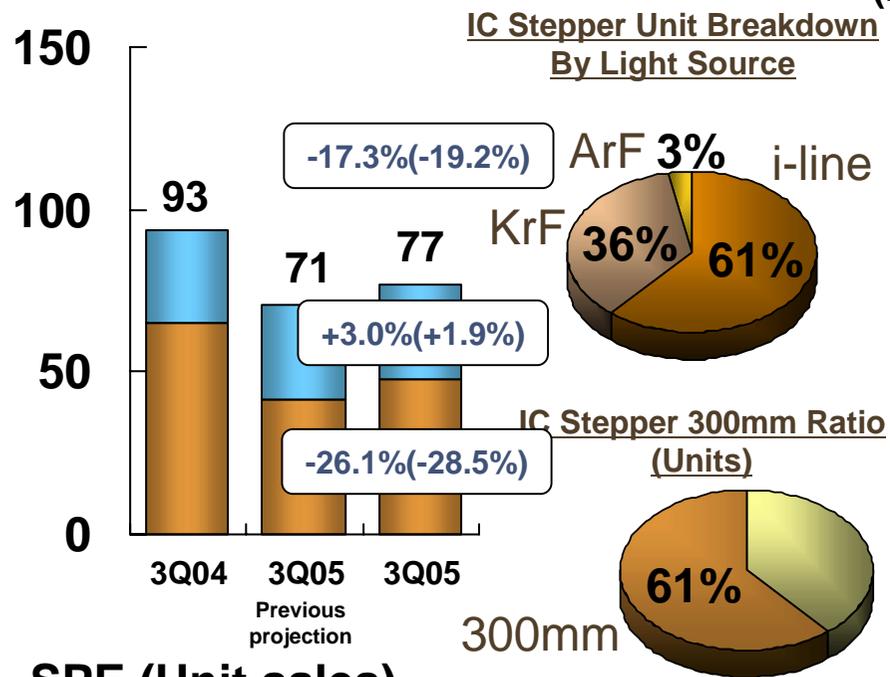
*Calculation of operating profit ratio includes inter-segment sales

Optical and Other Products

3Q 2005 Actual & FY 2005 Projection

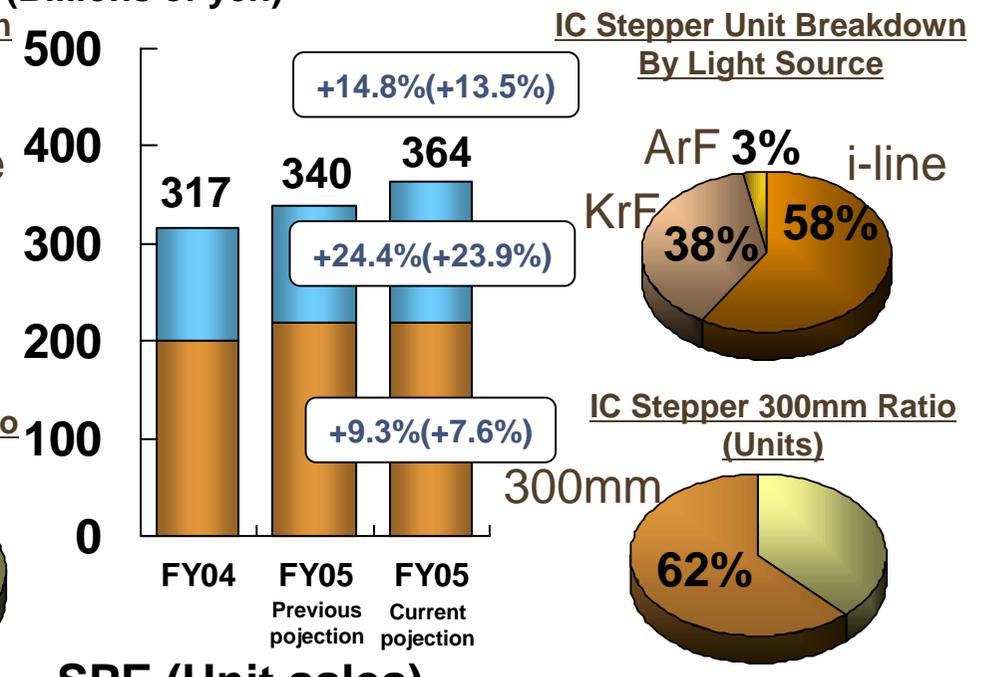
Sales

(Billions of yen)



Growth rate y/y
() Local currency base

(Billions of yen)



SPE (Unit sales)

| | 3Q04 | 3Q05 | 3Q05 |
|-----|------|---------------------|------|
| | | Previous projection | |
| IC | 43 | 23 | 28 |
| LCD | 31 | 19 | 23 |
| TTL | 74 | 42 | 51 |

SPE (Unit sales)

| | FY04 | FY05 | FY05 |
|-----|------|---------------------|--------------------|
| | | Previous projection | Current projection |
| IC | 152 | 125 | 133 |
| LCD | 85 | 111 | 110 |
| TTL | 237 | 236 | 243 |

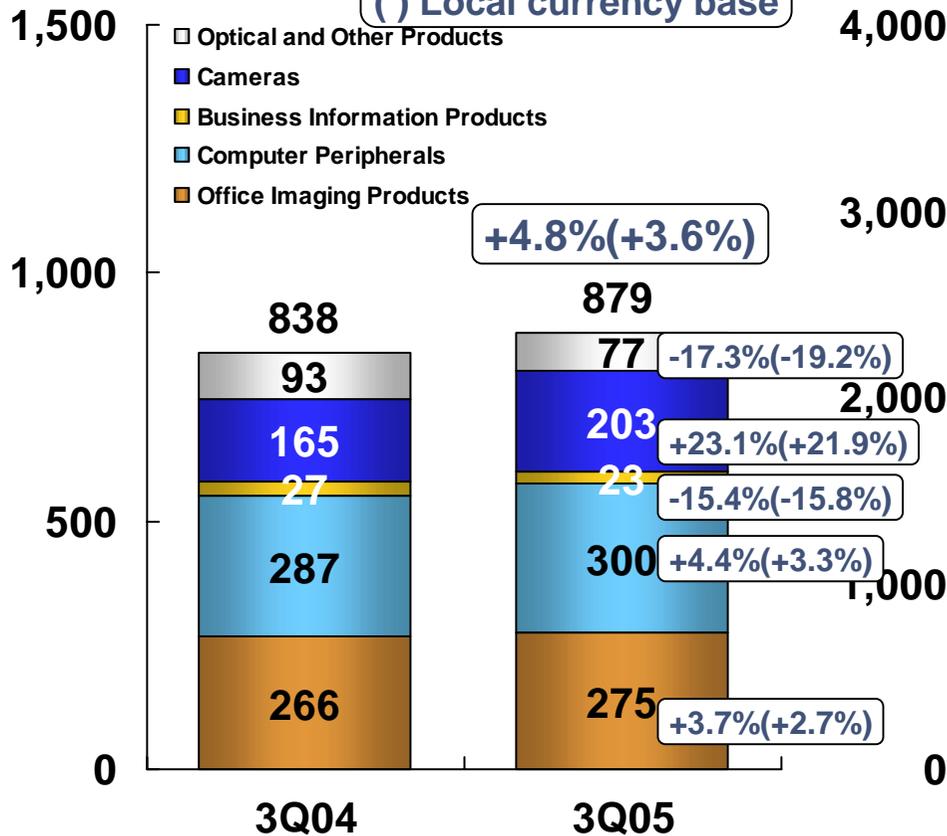
Sales by Product

3Q 2005 Actual & FY 2005 Projection

Sales: 3Q05 Actual

(Billions of yen)

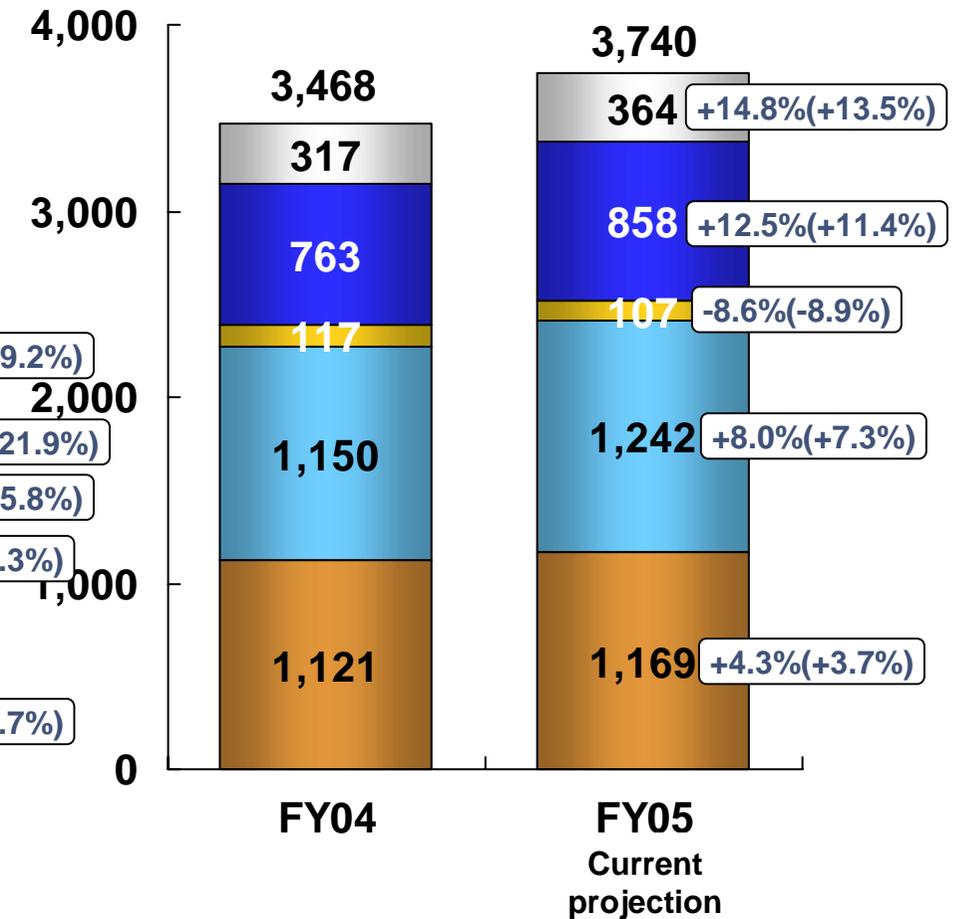
Growth rate y/y
() Local currency base



Sales: FY05 Current Projection

(Billions of yen)

+7.8% (+7.0%)



Operating Profit by Segment

3Q 2005 Actual & FY 2005 Projection

(Billions of yen)

| | FY 2005 | | FY 2004 | | % change | |
|-------------------------------|-----------|--------------------------|-----------|-----------|----------|--------|
| | 3Q Actual | FY Current projection | 3Q Actual | FY Actual | 3Q | FY |
| Business Machines | 132.4 | 554.0 | 139.6 | 521.1 | -5.2% | +6.3% |
| [% sales] | 22.1% | 22.0% | 24.1% | 21.8% | | |
| Cameras | 48.8 | 161.7 | 29.8 | 130.8 | +63.9% | +23.6% |
| [% sales] | 24.0% | 18.8% | 18.0% | 17.1% | | |
| Optical and Other Products | 9.2 | 39.2 | 10.2 | 28.8 | -9.8% | +36.0% |
| [% sales] | 7.8% | 7.6% | 7.9% | 6.3% | | |
| Corporate and Eliminations | -46.8 | -167.9 | -21.3 | -136.9 | | |
| Total | 143.6 | 587.0 | 158.3 | 543.8 | -9.3% | +7.9% |
| [% sales] | 16.3% | 15.7% | 18.9% | 15.7 | | |

Supplementary Information

Transition in Sales and Op. Profit

3Q 2005 Actual v. 3Q 2004 Actual

(Billions of yen)

| | 3Q | |
|---|--------|------------|
| | Sales | Op. Profit |
| 2004 Actual | 838.3 | 158.3 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 10.7 | + 7.7 |
| Sales volume impact | | |
| Office Imaging Products | + 22.8 | |
| Computer Peripherals | + 15.5 | |
| Business Information Products | - 4.0 | |
| Cameras | + 52.5 | |
| Optical and Other Products | -17.6 | |
| Total | + 69.2 | + 39.8 |
| Others | - 39.7 | - 62.2 |
| Total Change | + 40.2 | -14.7 |
| 2005 Actual | 878.5 | 143.6 |

Change in Exchange Rate

- 1USD: 109.97 to 111.23 yen
- 1EURO: 134.37 to 135.73 yen

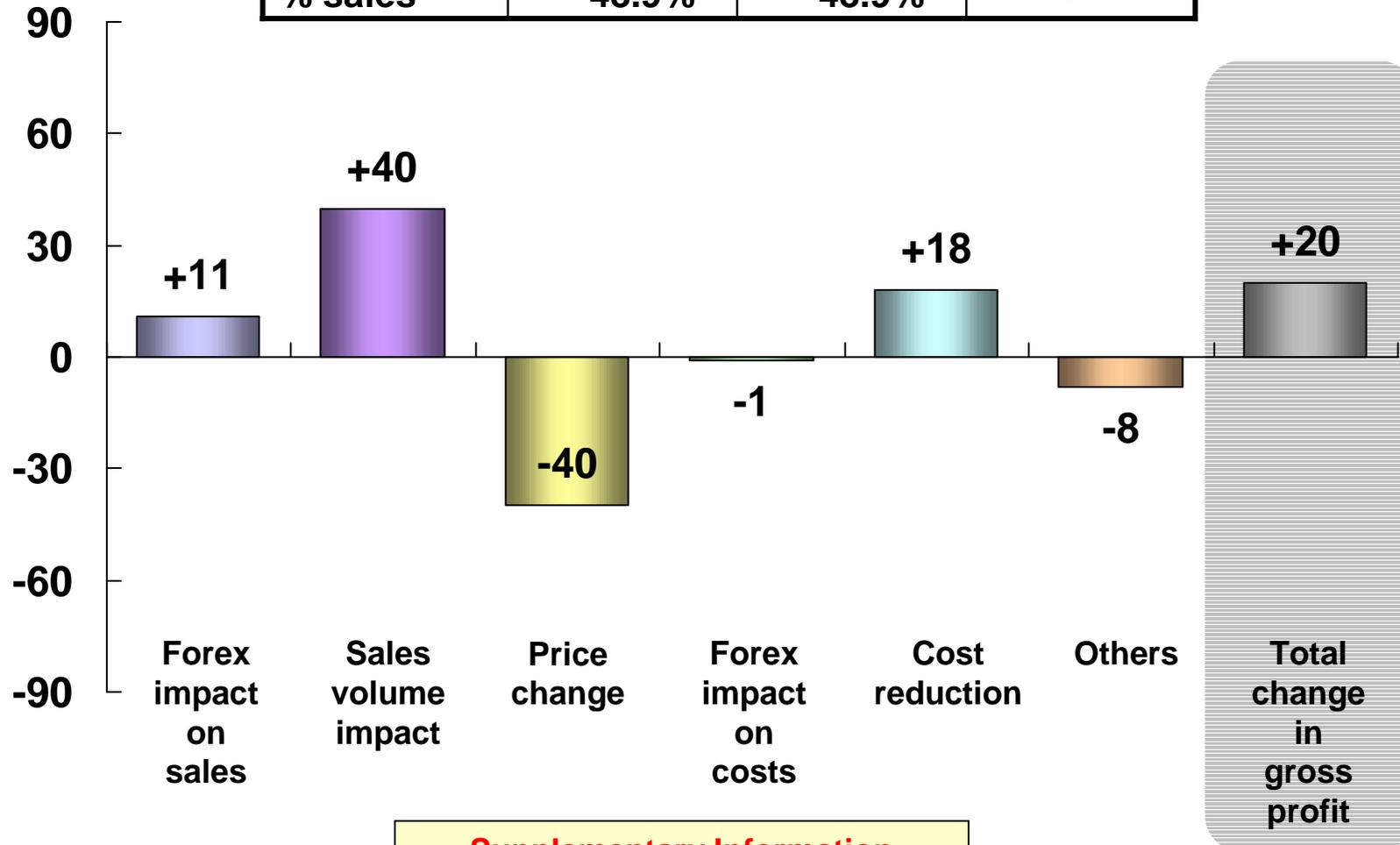
Gross Profit Variance Analysis

3Q 2005 Actual v. 3Q 2004 Actual

(Billions of yen)

| | 3Q05 | 3Q04 | Change |
|--------------|-------|-------|--------|
| Gross Profit | 429.9 | 409.8 | +20.1 |
| % sales | 48.9% | 48.9% | - |

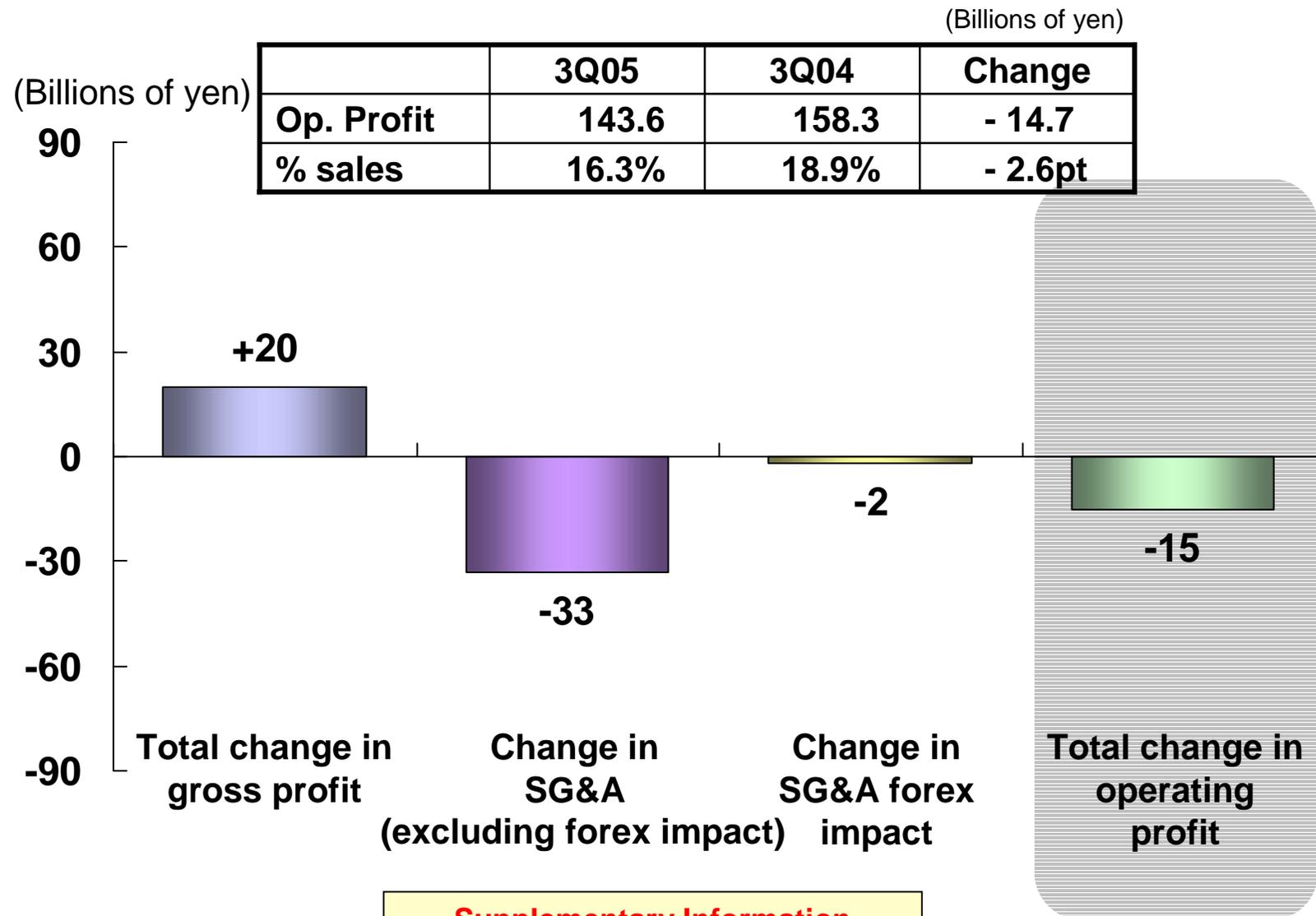
(Billions of yen)



Supplementary Information

Operating Profit Variance Analysis

3Q 2005 Actual v. 3Q 2004 Actual



Transition in Sales and Op. Profit

FY 2005 Projection v. FY 2004 Actual

(Billions of yen)

| | FY | |
|---|---------|------------|
| | Sales | Op. Profit |
| 2004 Actual | 3,467.9 | 543.8 |
| Foreign exchange impact [net sales, cost of sales, expenses] | + 32.0 | + 20.9 |
| Sales volume impact | | |
| Office Imaging Products | + 121.8 | |
| Computer Peripherals | + 123.3 | |
| Business Information Products | - 9.5 | |
| Cameras | + 143.5 | |
| Optical and Other Products | + 22.6 | |
| Total | + 401.7 | + 209.8 |
| Others | - 161.6 | - 187.5 |
| Total Change | + 272.1 | + 43.2 |
| 2005 Current projection | 3,740.0 | 587.0 |

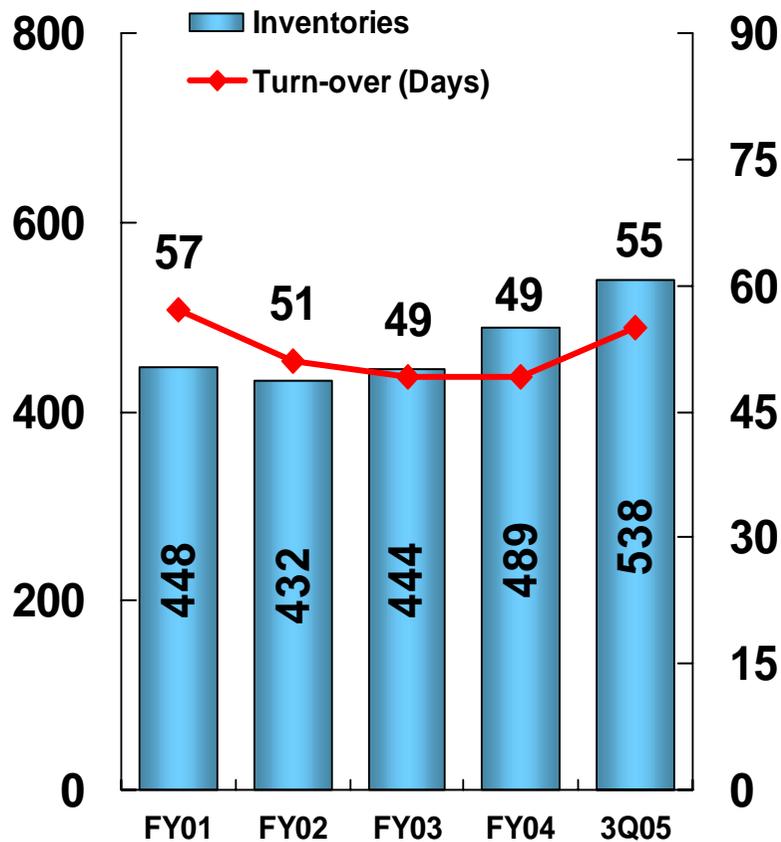
Change in Exchange Rate

- 1USD: 108.12 to 109.07 yen
- 1EURO: 134.57 to 135.71 yen

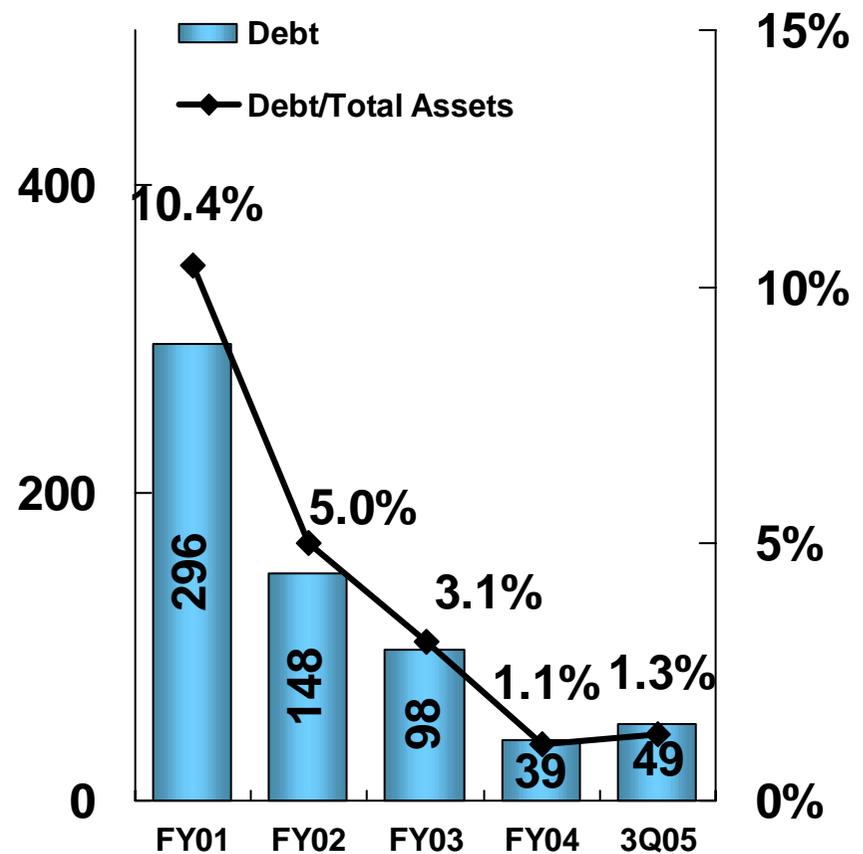
Inventories

Interest Bearing Debt

(Billions of yen)



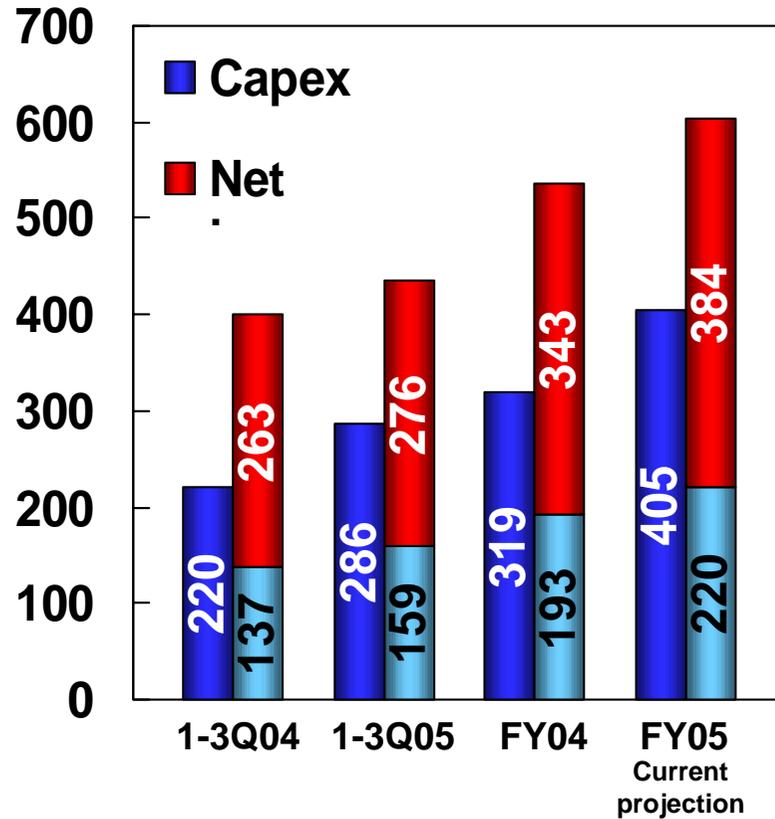
(Days) (Billions of yen)



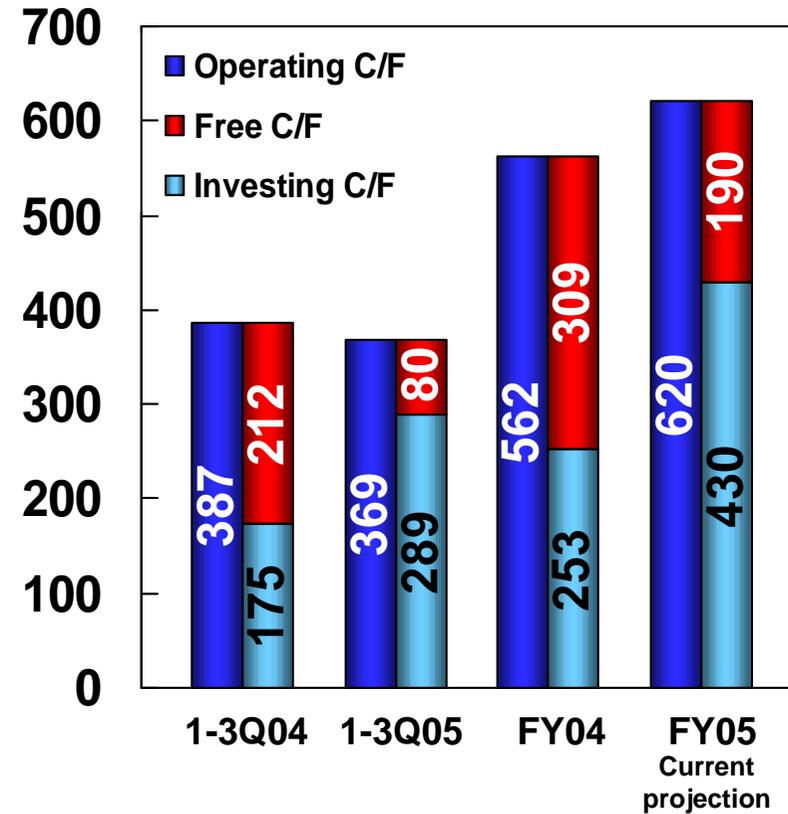
Capital Expenditure

Free Cash Flow

(Billions of yen)



(Billions of yen)

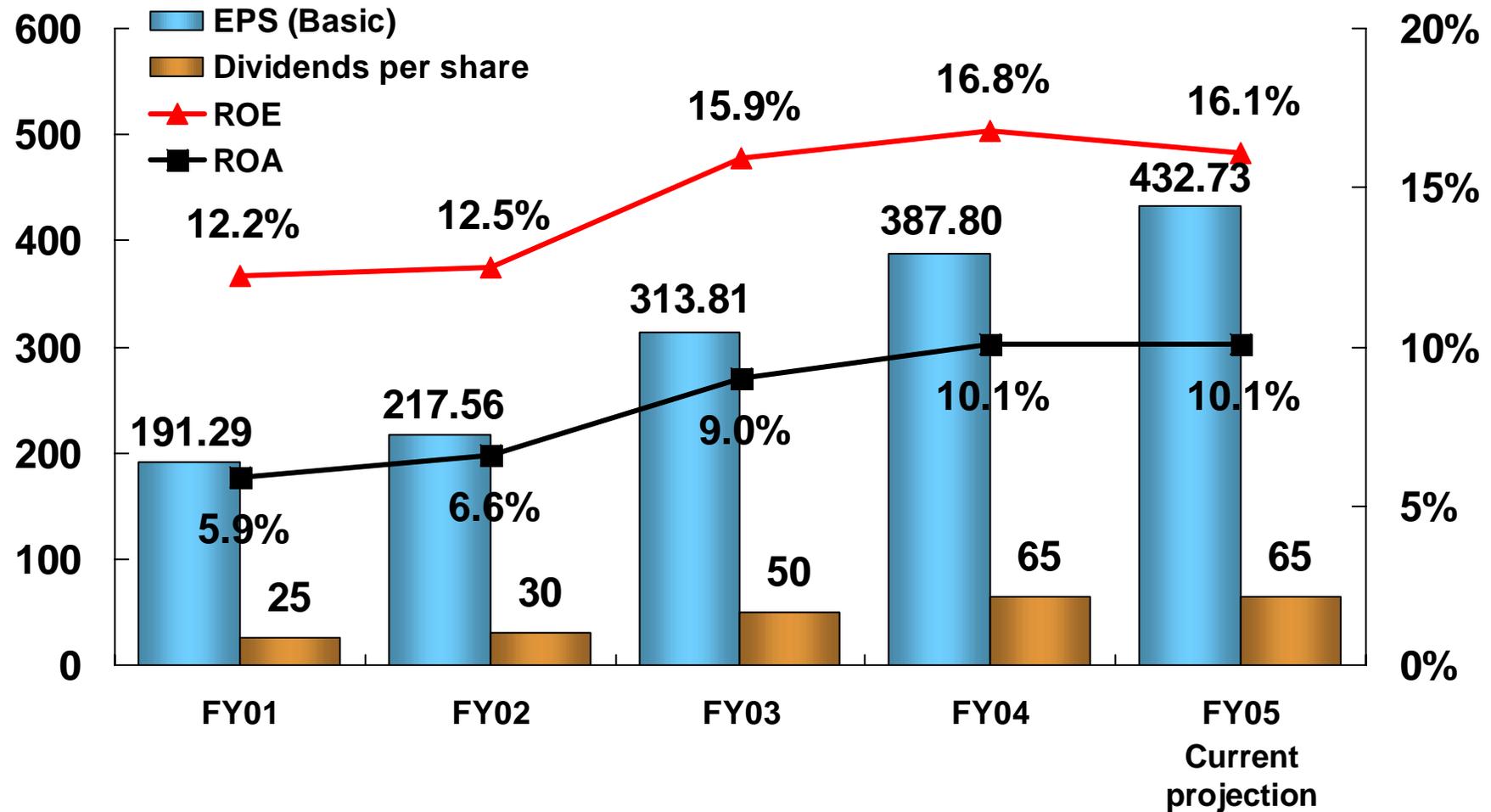


[Major Expenditures 2005]

- 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

Financial Ratios

(Yen)



Supplementary Information