



Canon Inc.

Fiscal Year 2006 Results

January 29, 2007





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Jan. 29, 2007 Canon Inc.

Agenda

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Summary of Results

4Q/FY 2006 Actual

(Billions of yen)

		2006				2005		% change	
		Actual	% sales	Projection	% sales	Actual	% sales	Projection	Actual
4Q	Net sales	1,216.5		1,199.8		1,119.8		+1.4%	+8.6%
	Gross profit	593.7	48.8%	583.2	48.6%	539.2	48.1%	+1.8%	+10.1%
	Op. profit	195.9	16.1%	179.8	15.0%	169.3	15.1%	+8.9%	+15.7%
	Net income	125.6	10.3%	110.2	9.2%	108.2	9.7%	+13.9%	+16.0%
	Yen-1USD	117.81		115.00		117.39			
	Yen-1EURO	151.89		148.00		139.46			
FY	Net sales	4,156.8		4,140.0		3,754.2		+0.4%	+10.7%
	Gross profit	2,060.5	49.6%	2,050.0	49.5%	1,819.0	48.5%	+0.5%	+13.3%
	Op. profit	707.0	17.0%	691.0	16.7%	583.0	15.5%	+2.3%	+21.3%
	Net income	455.3	11.0%	440.0	10.6%	384.1	10.2%	+3.5%	+18.5%
	Yen-1USD	116.43		115.61		110.58			
	Yen-1EURO	146.51		145.35		137.04			

Transition in Sales and Op. Profit

4Q 2006 Actual v. 4Q 2006 Projection

(Billions of yen)

	4Q 2006	
	Sales	Op. Profit
Projection (Oct. 26, 2006)	1,199.8	179.8
Foreign exchange impact [net sales, cost of sales, expenses]	+17.3	+13.3
Sales volume impact		
Office Imaging Products	-9.0	
Computer Peripherals	-0.3	
Business Information Products	-1.4	
Cameras	+14.0	
Optical and Other Products	-8.9	
Total	-5.6	-0.2
Others	+5.0	+3.0
Total Change	+16.7	+16.1
Actual	1,216.5	195.9

Change in Exchange Rate

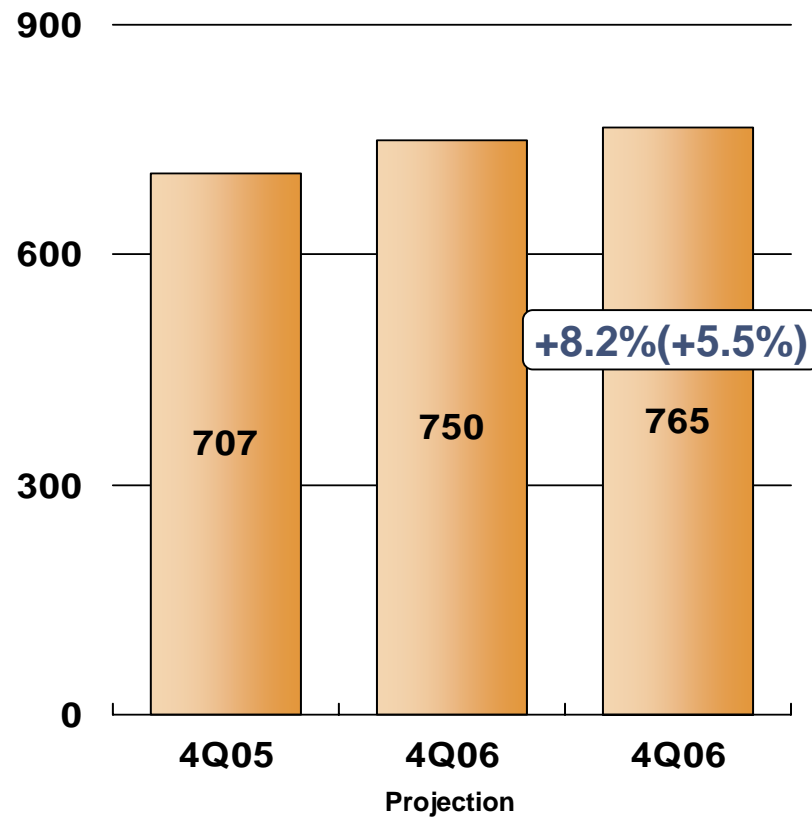
- 1USD: 115.00 to 117.81 yen
- 1EURO: 148.00 to 151.89 yen

Business Machines

4Q 2006 Actual

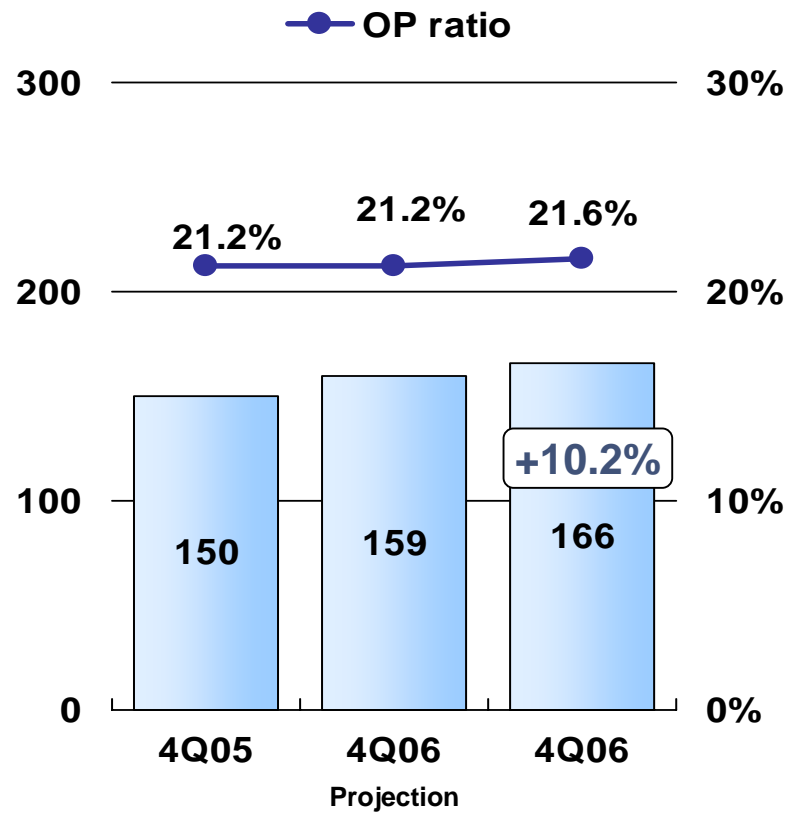
Sales

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



Operating Profit

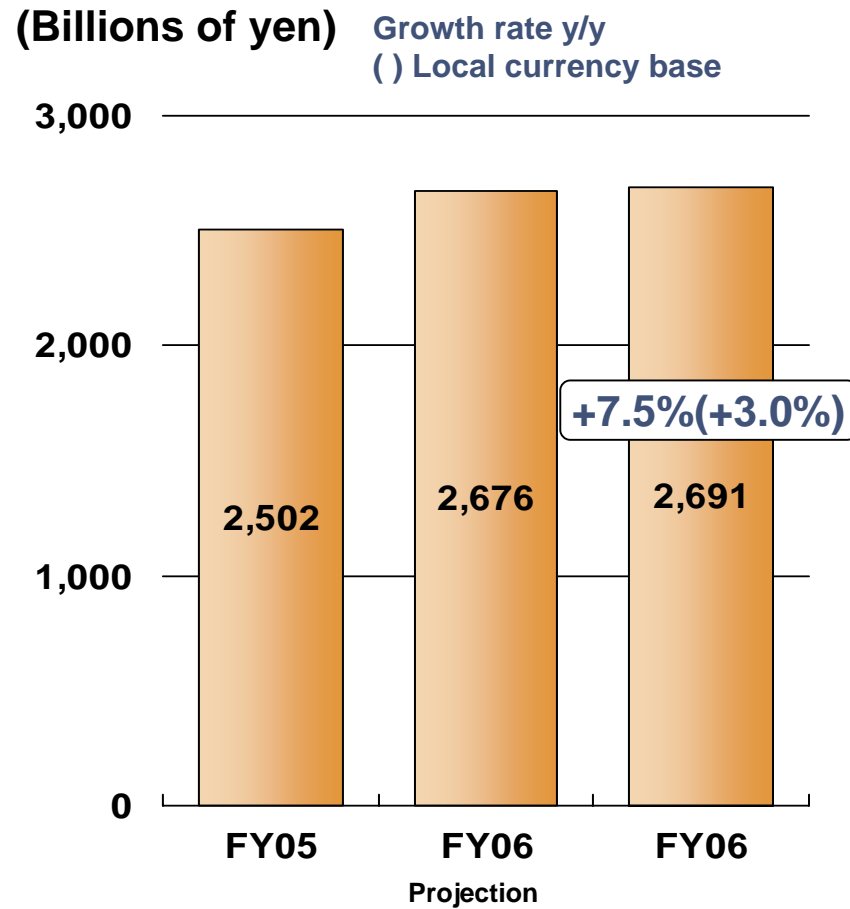
(Billions of yen)



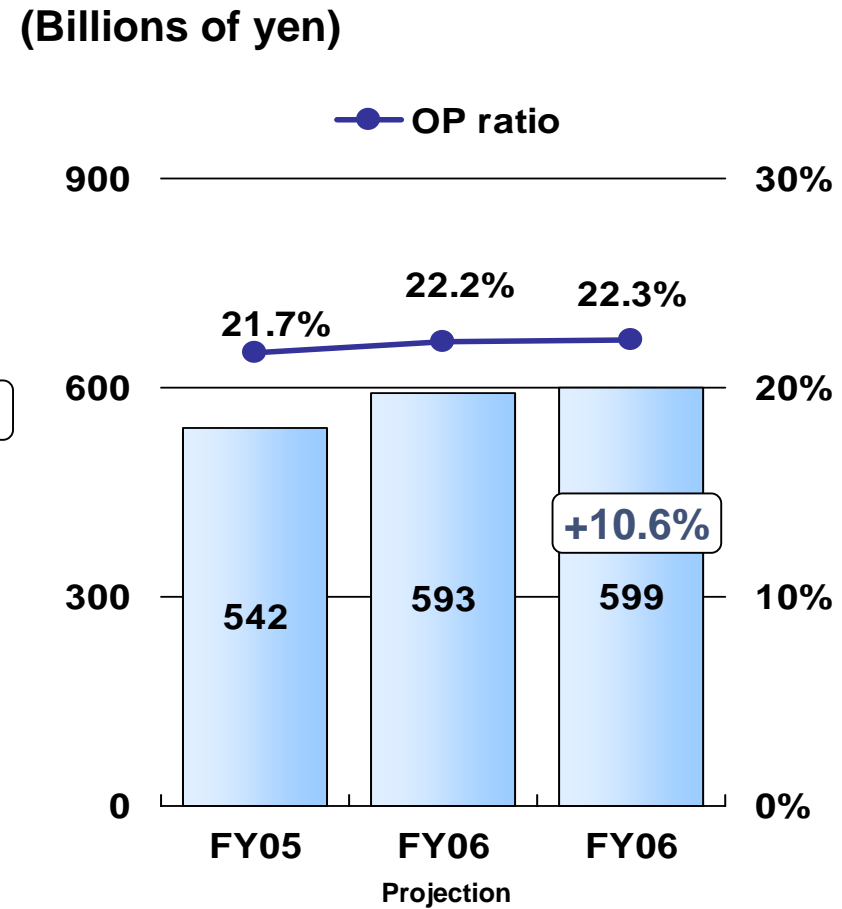
Business Machines

FY 2006 Actual

Sales



Operating Profit

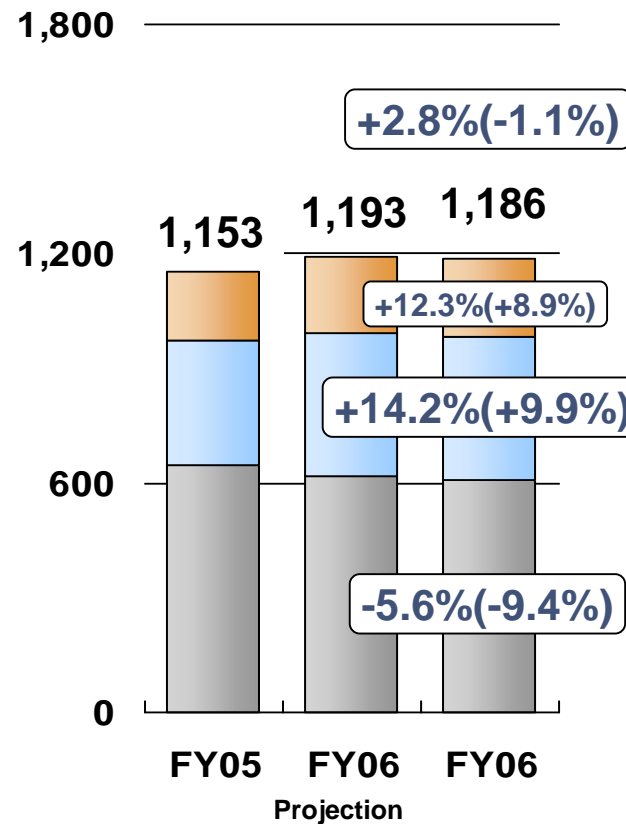
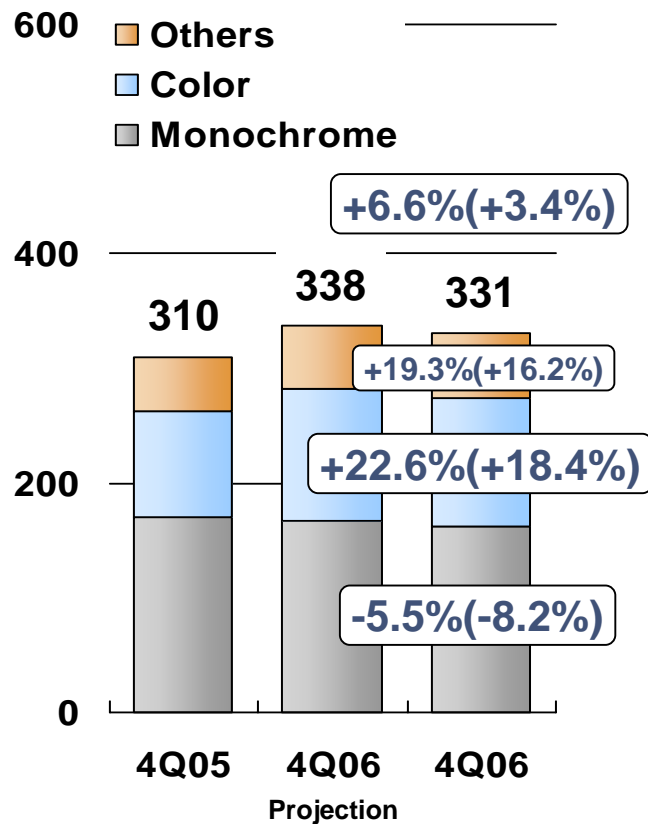


Office Imaging Products

4Q/FY 2006 Actual

Sales

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



Growth rate y/y (Unit base)		
Copying machines		
	4Q	FY
Color	+36%	+16%
Mono-chrome	-7%	-10%
Total	-2%	-7%

Color ratio (Copying machines)		
	4Q	FY
Value base*	41%	38%
Unit base	16%	14%

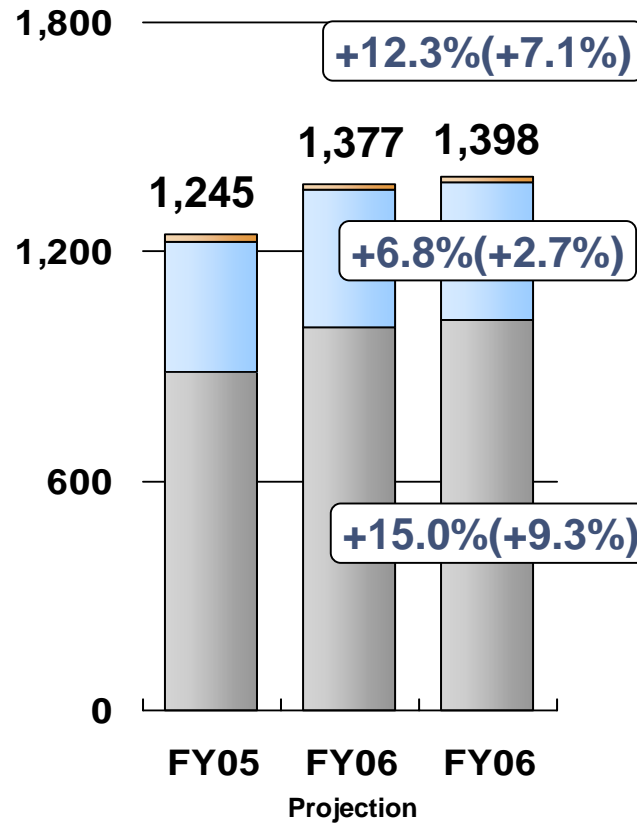
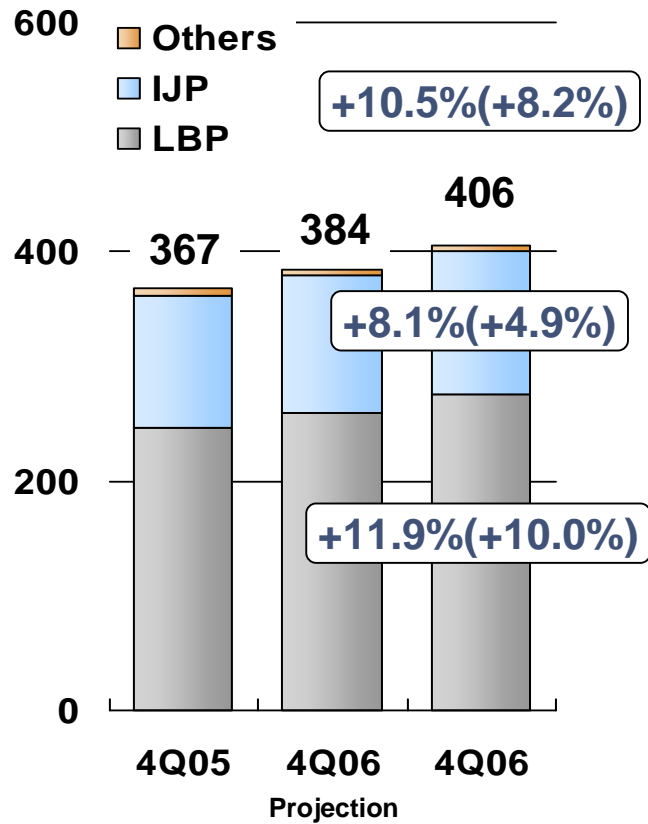
*Includes consumables

Computer Peripherals

4Q/FY 2006 Actual

Sales

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



Growth rate y/y (Unit base)

LBP	4Q	FY
Color	+46%	+49%
Mono-chrome	+34%	+15%
Total	+35%	+19%

Color ratio (LBP)

	4Q	FY
Value base*	34%	34%
Unit base	13%	14%

*Includes consumables

Growth rate y/y (Unit base)

IJP	4Q	FY
SFP	-15%	-17%
MFP	+53%	+85%
Total	+6%	+7%

MFP ratio (IJP)

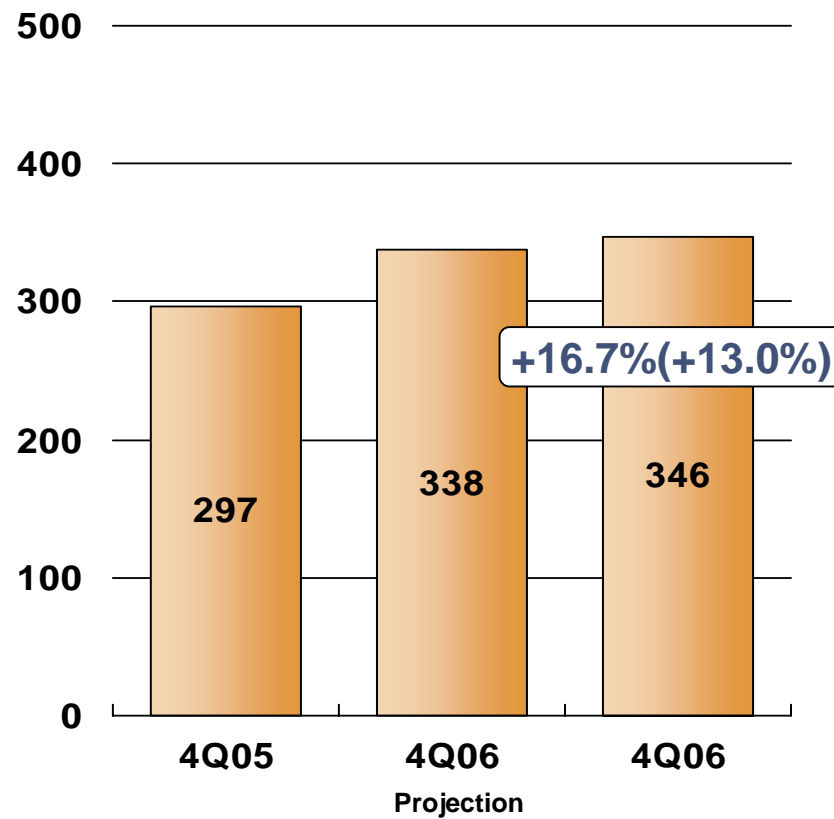
	4Q	FY
Unit base	45%	41%

Cameras

4Q 2006 Actual

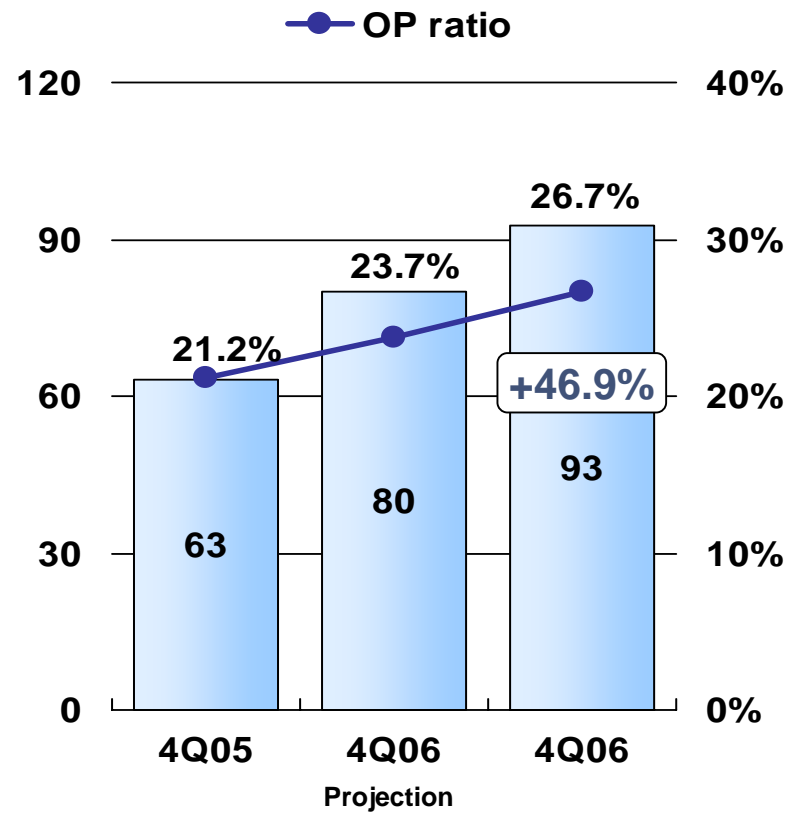
Sales

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



Operating Profit

(Billions of yen)

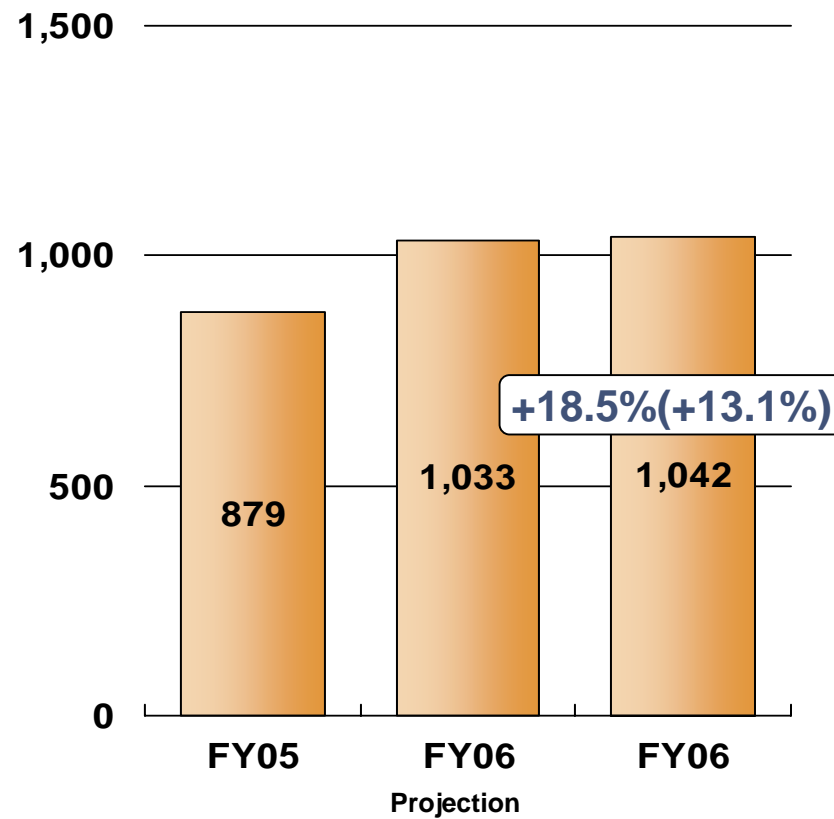


Cameras

FY 2006 Actual

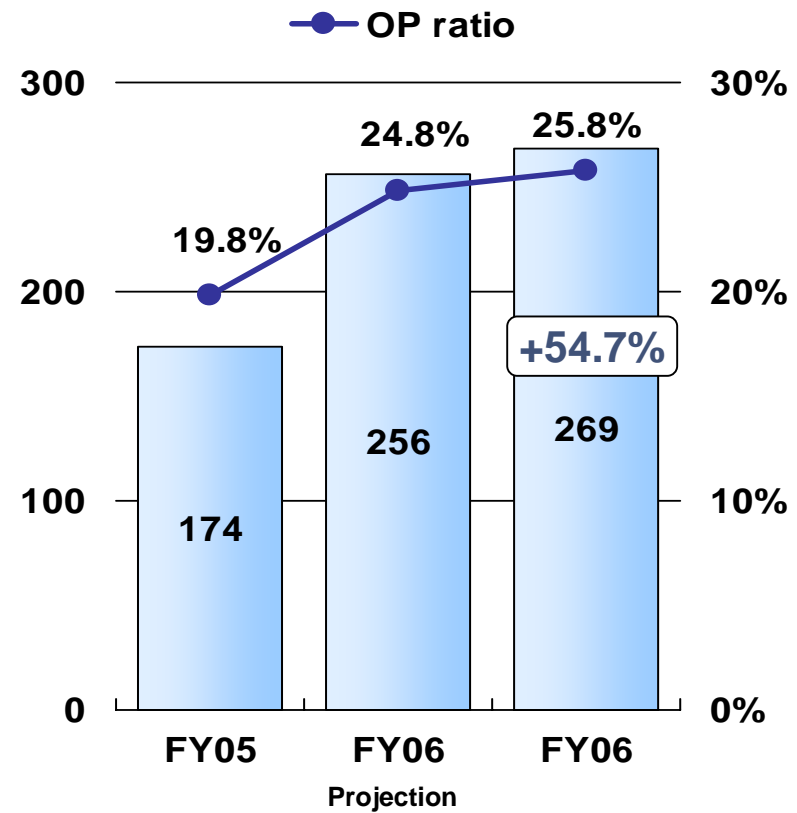
Sales

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



Operating Profit

(Billions of yen)

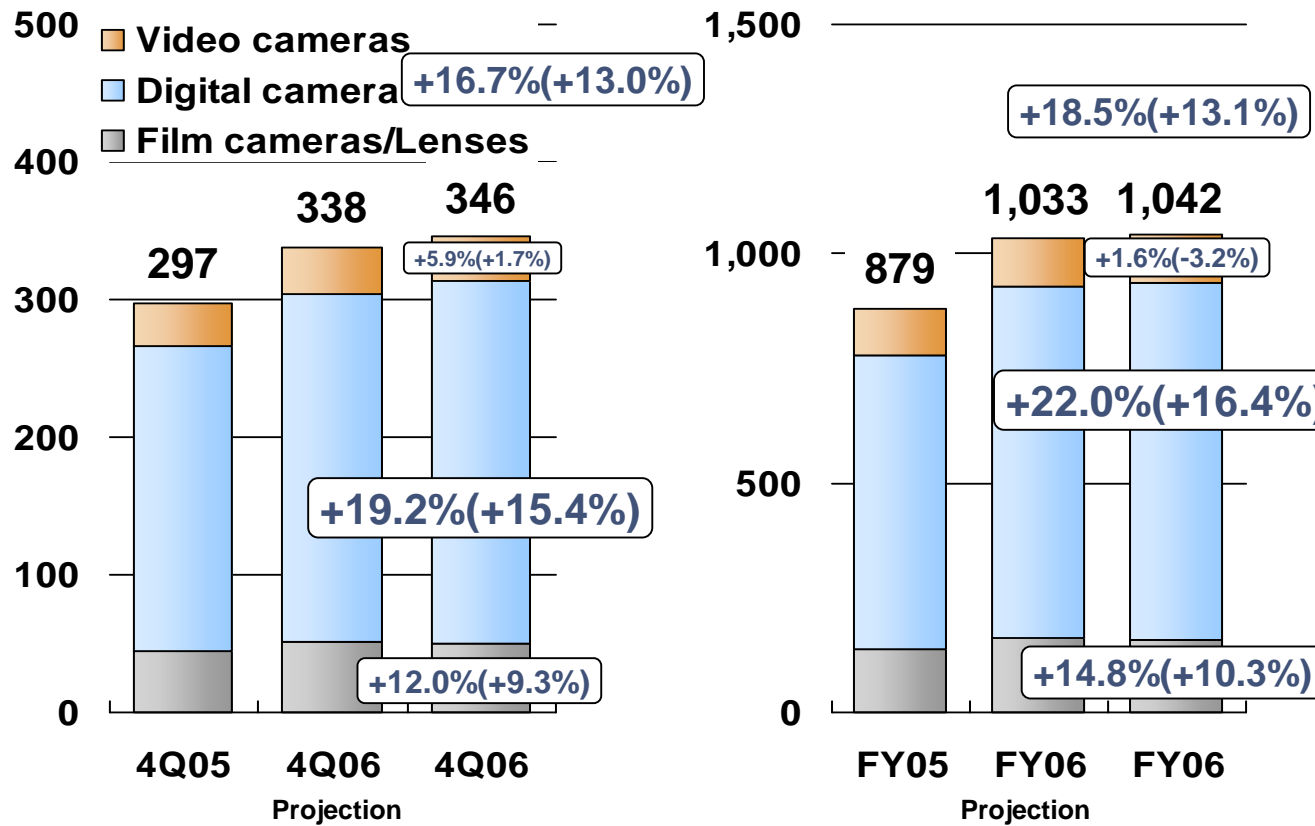


Cameras

4Q/FY 2006 Actual

Sales

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



Growth rate y/y (Unit base)		
Digital cameras	4Q	FY
Digital cameras	+21%	+25%

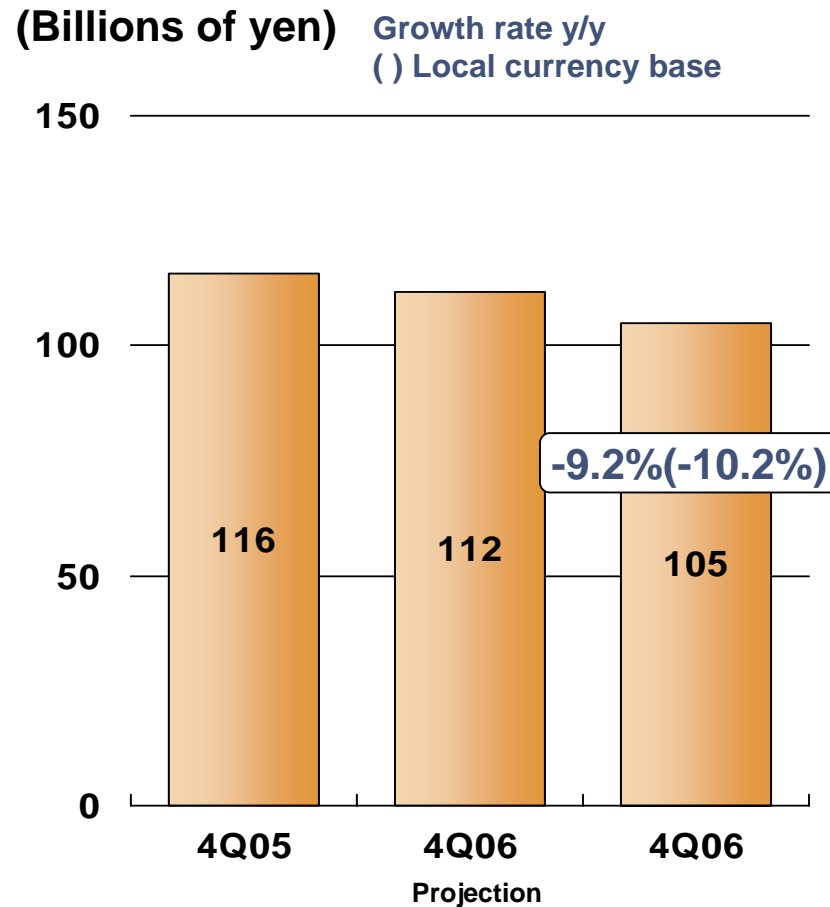
D SLR ratio*		
	4Q	FY
Value base	35%	35%
Unit base	12%	12%

* Percentage of digital cameras sales attributable to SLRs

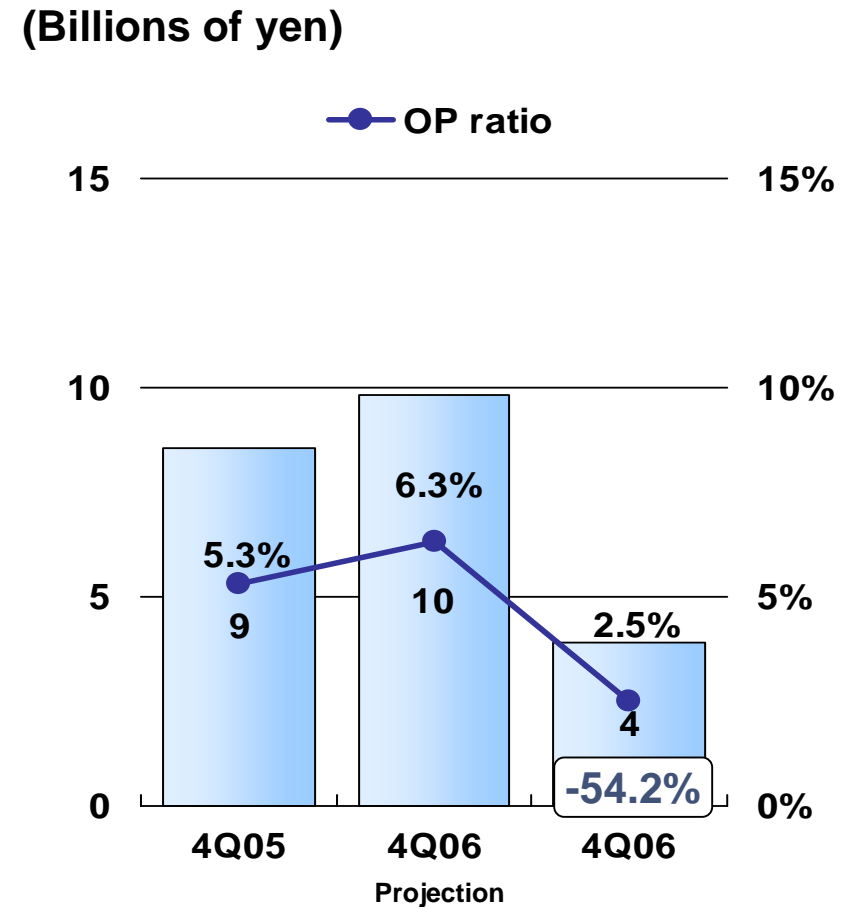
Optical and Other Products

4Q 2006 Actual

Sales



Operating Profit



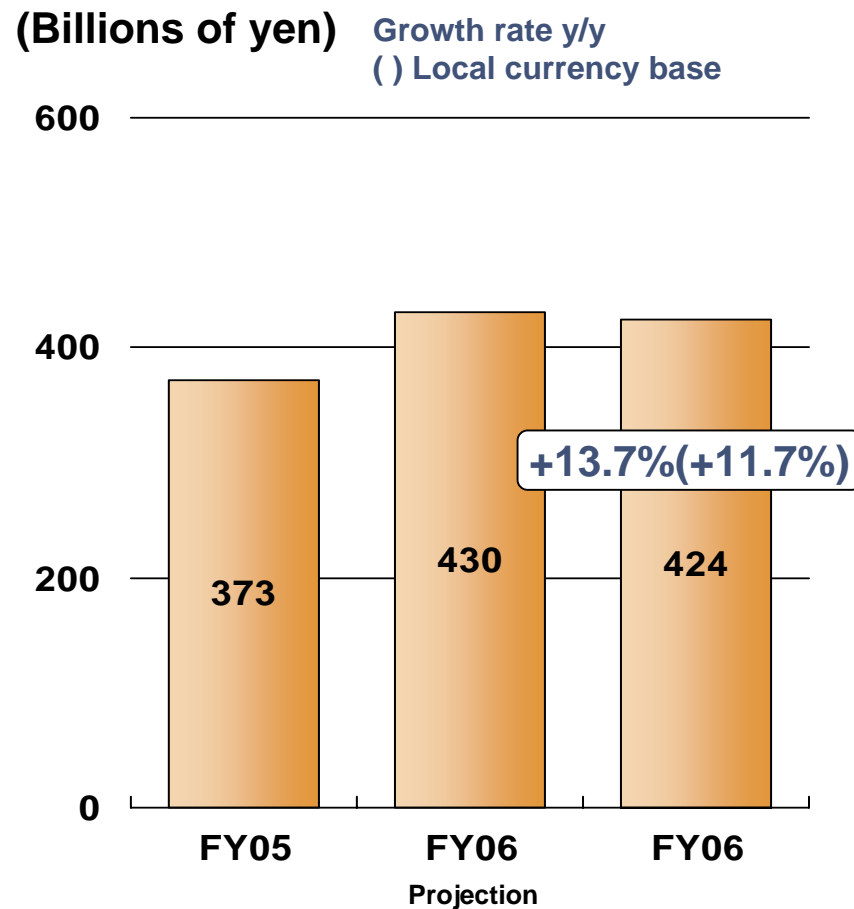
*Excluding inter-segment sales

*Calculation of operating profit margin includes inter-segment sales

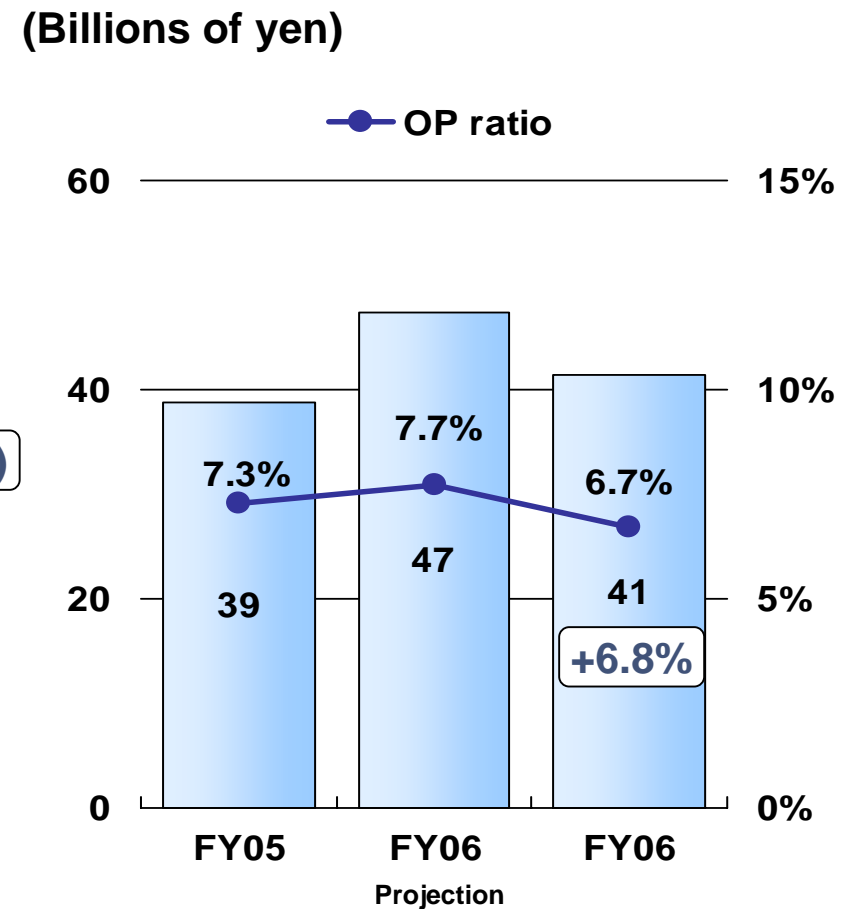
Optical and Other Products

FY 2006 Actual

Sales



Operating Profit



*Excluding inter-segment sales

*Calculation of operating profit margin includes inter-segment sales

Optical and Other Products

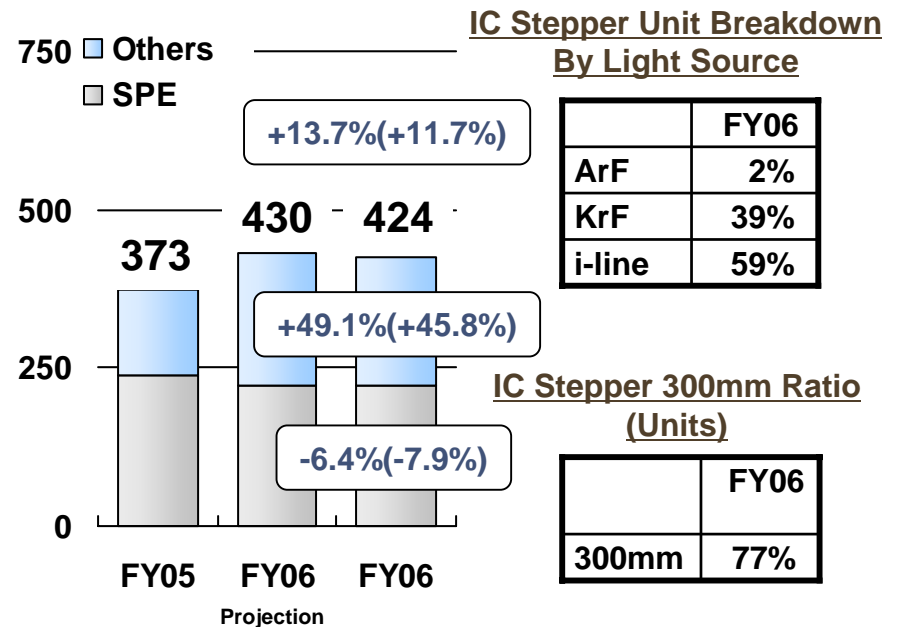
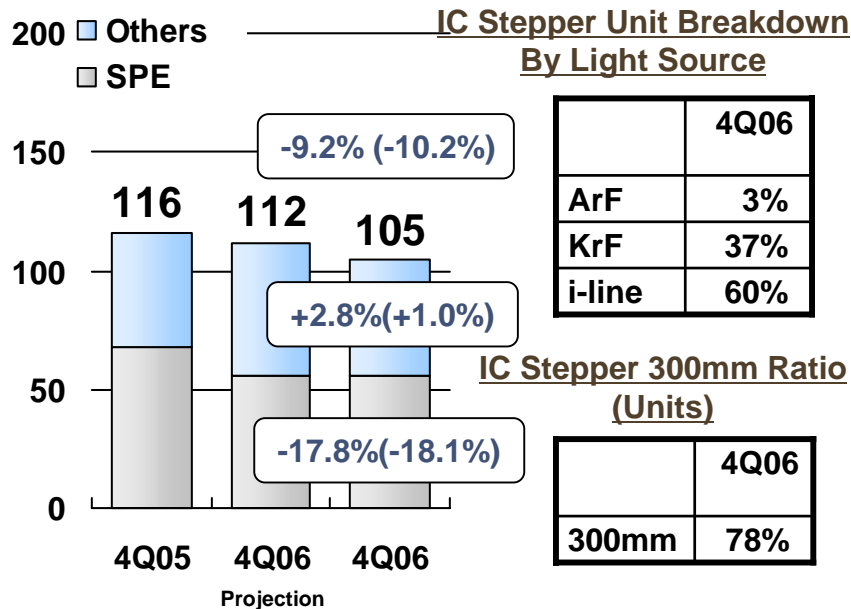
4Q/FY 2006 Actual

Sales

(Billions of yen)

Growth rate y/y
() Local currency base

(Billions of yen)



SPE (Unit sales)

	4Q05	4Q06 Projection	4Q06
IC	36	61	65
LCD	31	4	3
TTL	67	65	68

SPE (Unit sales)

	FY05	FY06 Projection	FY06
IC	141	188	192
LCD	113	63	62
TTL	254	251	254



Assumptions

FY 2007

Average Exchange Rate	FY 2007	FY 2006	1Q 2007
■ Yen-1USD	115.00 yen	116.43 yen	117.00 yen
■ Yen-1EURO	150.00 yen	146.51 yen	152.00 yen

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

	Net sales	Operating profit
■ USD	15.5 billion yen	9.0 billion yen
■ EURO	7.6 billion yen	5.6 billion yen

Summary of Projected Results

FY 2007 Projection

(Billios of yen)

	FY 2007 Projection	FY 2006 Actual	% change
Net sales	4,450.0	4,156.8	+7.1%
Gross profit	2,242.0	2,060.5	+8.8%
[% sales]	50.4%	49.6%	
Op. profit	765.0	707.0	+8.2%
[% sales]	17.2%	17.0%	
Net income	495.0	455.3	+8.7%
[% sales]	11.1%	11.0%	
Foreign exchange rate			
Yen – 1USD	115.00	116.43	
Yen – 1EURO	150.00	146.51	

Transition in Sales and Op. Profit

FY 2007 Projection v. FY 2006 Actual

(Billions of yen)

	FY	
	Sales	Op. Profit
2006 Actual	4,156.8	707.0
Foreign exchange impact [net sales, cost of sales, expenses]	+4.1	+5.0
Sales volume impact		
Office Imaging Products	+116.4	
Computer Peripherals	+194.2	
Business Information Products	+6.8	
Cameras	+142.0	
Optical and Other Products	+9.7	
Total	+469.1	+220.1
Others	-180.0	-167.1
Total Change	+293.2	+58.0
2007 Projection	4,450.0	765.0

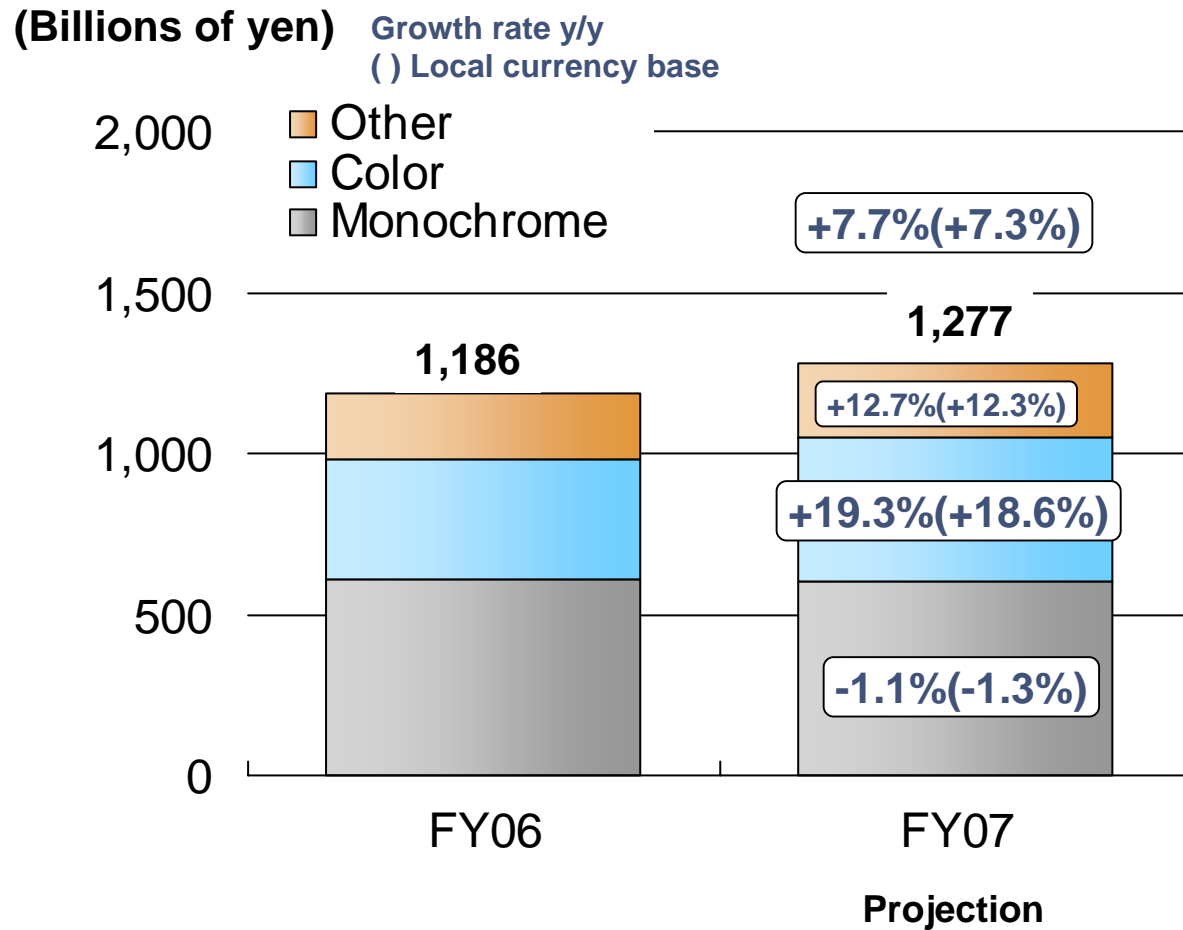
Change in Exchange Rate

- 1USD: 116.43 to 115.00 yen
- 1EURO: 146.51 to 150.00 yen

2007 Office Imaging Products

Expand sales of new color products (Office, POD)

Sales



Growth rate y/y (Unit base)	
Copying machines (FY)	
Color	+15%
Mono-chrome	-7%
Total	-4%

Color ratio (Copying machines)

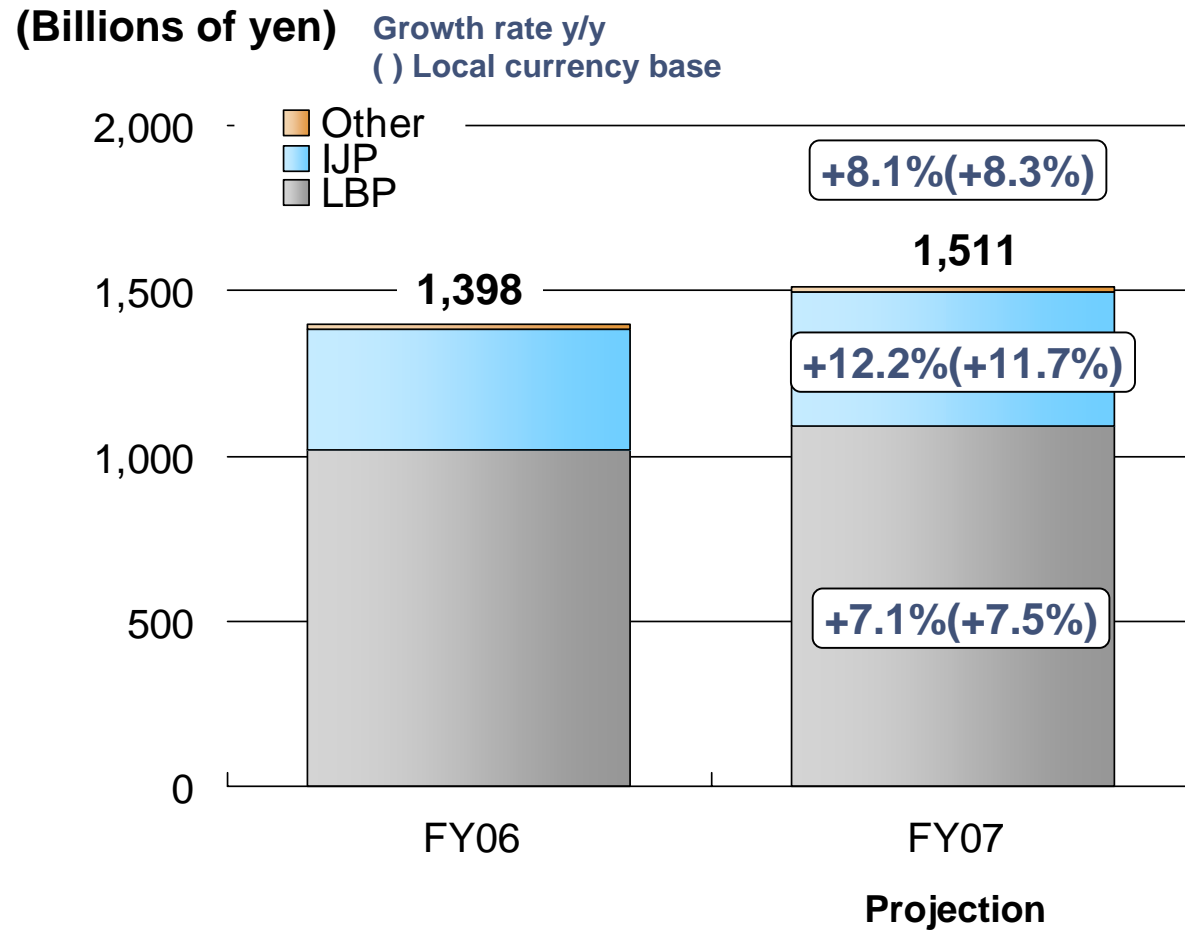
	FY
Value base	42%
Unit base	17%

*Includes consumables

2007 Laser Beam Printers

Maintain strong position in the expanding market

Sales



Growth rate y/y (Unit base)	
LBP (FY)	
Color	+21%
Mono-chrome	+16%
Total	+17%

Color ratio (LBP)

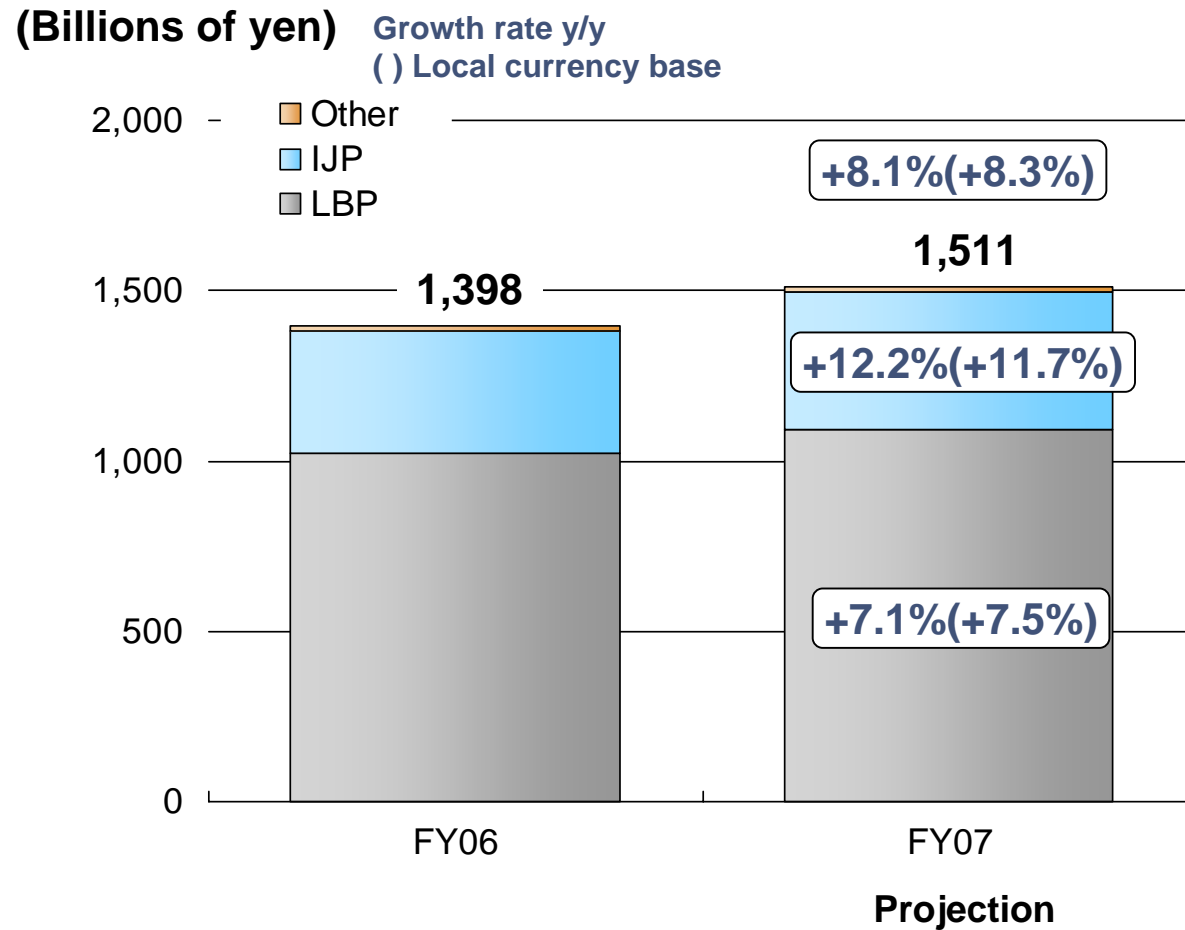
	FY
Value base	37%
Unit base	15%

*Includes consumables

2007 Inkjet Printers

Increase market share by utilizing strong product lineup

Sales



Growth rate y/y (Unit base)	
IJP (FY)	
SFP	-7%
MFP	+48%
Total	+15%

MFP ratio (IJP)

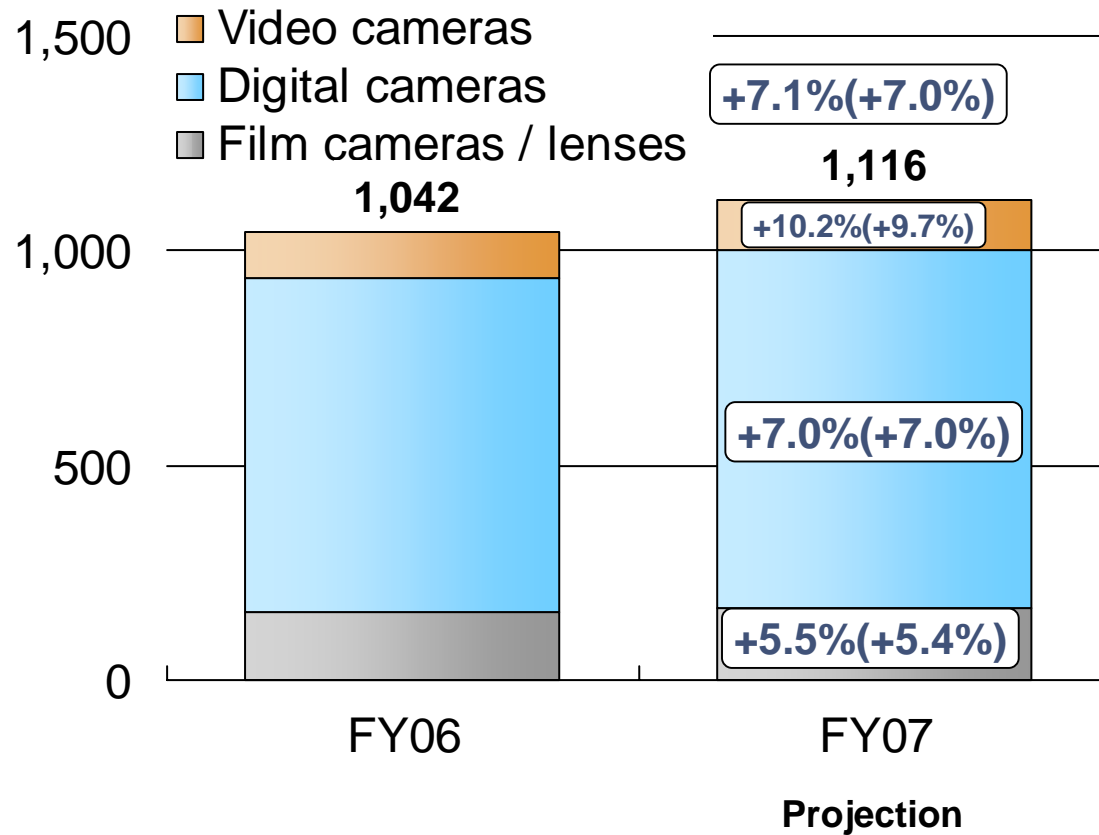
	FY
Unit base	52%

2007 Digital Cameras

Maintain our top brand position and profitability

Sales

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



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

D SLR ratio*

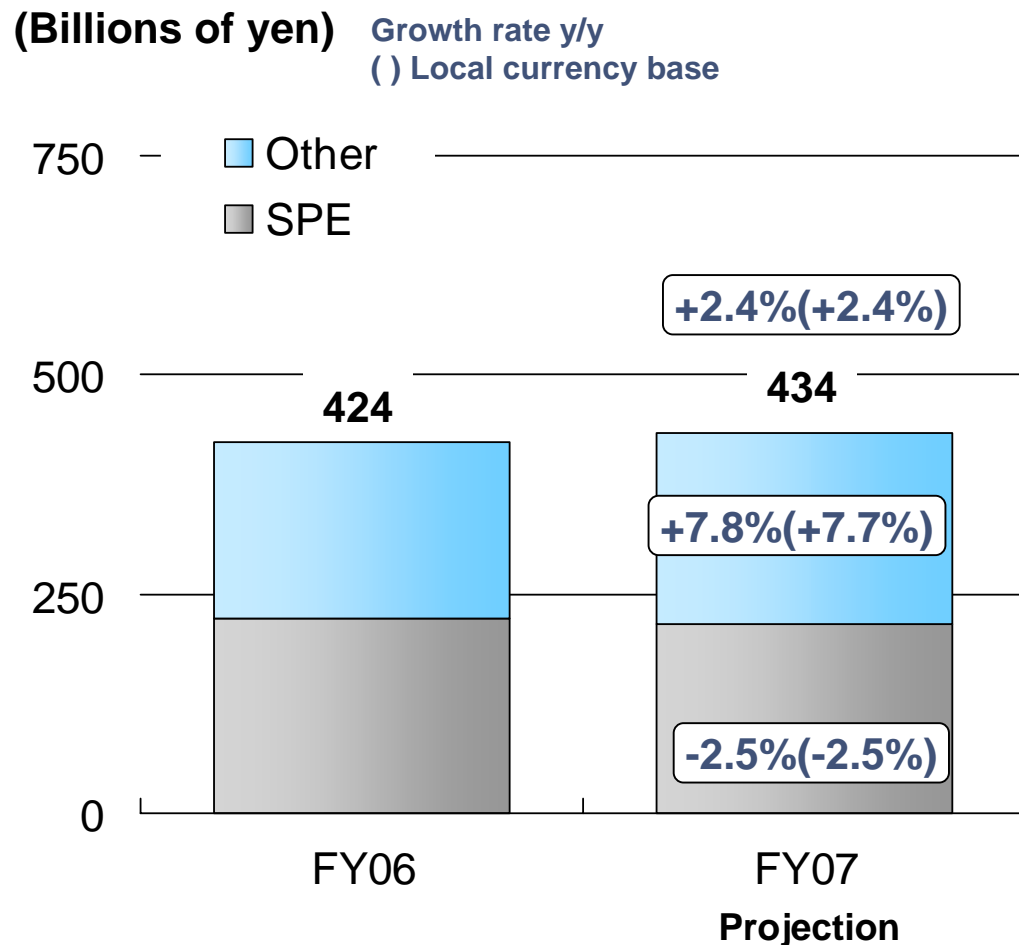
	FY
Value base	36%
Unit base	13%

* Percentage of digital cameras sales attributable to SLRs

2007 Semiconductor Product Equip.

Launch leading-edge equipment and secure market position

Sales



IC Stepper Unit Breakdown By Light Source

	FY07 Projection
ArF	2%
KrF	28%
i-line	70%

IC Stepper 300mm Ratio (Units)

	FY07 Projection
300mm	78%

SPE (Unit sales)

	FY06	FY07 Projection
IC	192	180
LCD	62	36
TTL	254	216

Operating Profit by Product

FY 2007 Projection vs. FY 2006 Actual

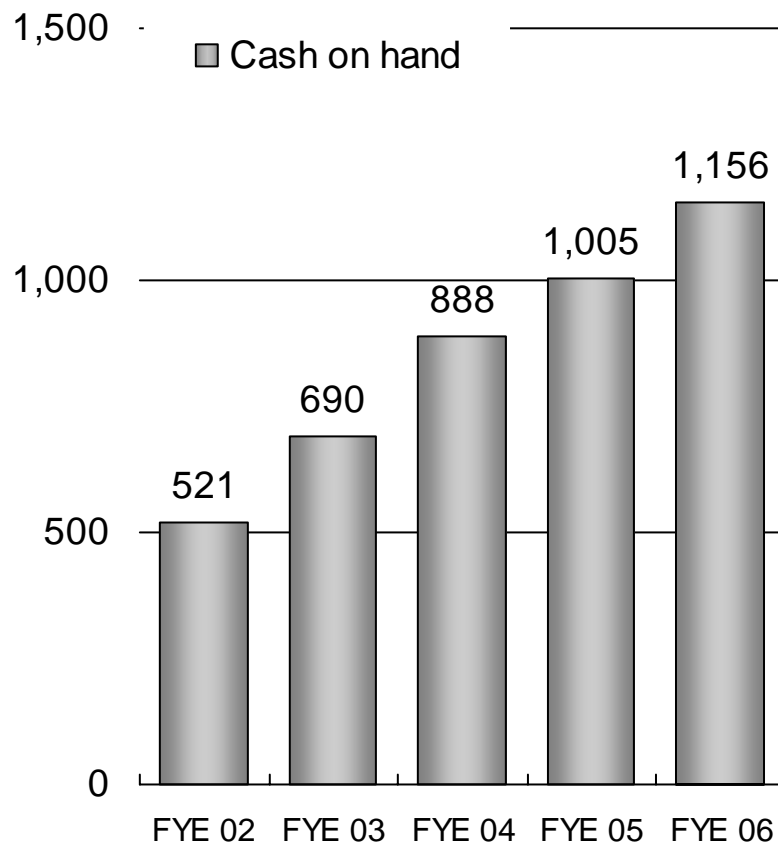
(Billions of yen)

	FY 2007 Projection	FY 2006 Actual
Business machines	640.0	599.2
% sales	22.1%	22.3%
Cameras	287.8	268.7
% sales	25.8%	25.8%
Optical and other products	54.2	41.5
% sales	8.6%	6.7%
Corp. and eliminations	-217.0	-202.4
Total	765.0	707.0
% sales	17.2%	17.0%

Cash on Hand and Return to Shareholders

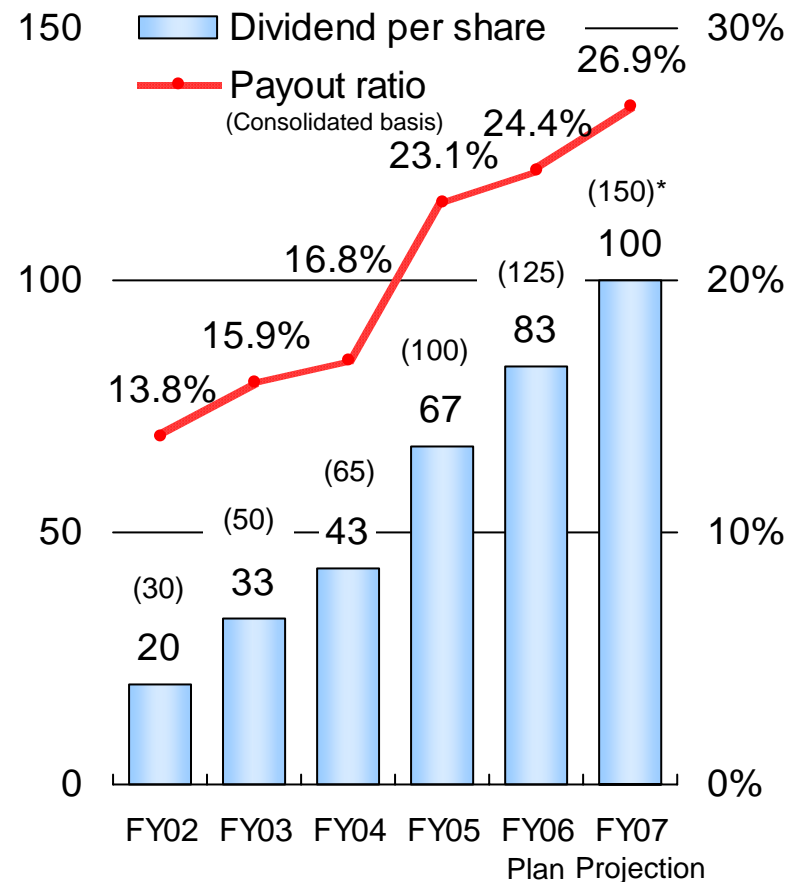
Cash on Hand (Year-end)

(Billions of yen)



Return to Shareholders

(Yen)



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



Innovation

Sound Growth



Supplementary Information

Summary of Projected Results

1Q 2007 Projection

(Billios of yen)

	1Q 2007 Projection	1Q 2006 Actual	% change
Net sales	1,000.0	923.3	+8.3%
Gross profit	511.0	468.5	+9.1%
[% sales]	51.1%	50.7%	
Op. profit	185.0	170.1	+8.7%
[% sales]	18.5%	18.4%	
Net income	120.0	108.3	+10.8%
[% sales]	12.0%	11.7%	
Foreign exchange rate			
Yen – 1USD	117.00	116.96	
Yen – 1EURO	152.00	140.71	

Transition in Sales and Operating Profit

4Q&FY 2006 Actual v. 4Q&FY 2005 Actual

(Billions of yen)

	4Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2005 Actual	1,119.8	169.3	3,754.2	583.0
Foreign exchange impact [net sales, cost of sales, expenses]	+26.0	+14.3	+138.7	+78.2
Sales volume impact				
Office Imaging Products	+20.6		+19.8	
Computer Peripherals	+54.8		+179.9	
Business Information Products	-3.0		+0.5	
Cameras	+72.5		+192.8	
Optical and Other Products	-13.4		-23.2	
Total	+131.5	+61.0	+369.8	+168.2
Others	-60.8	-48.7	-105.9	-122.4
Total Change	+96.7	+26.6	+402.6	+124.0
2006 Actual	1,216.5	195.9	4,156.8	707.0

Change in Exchange Rate (4Q)

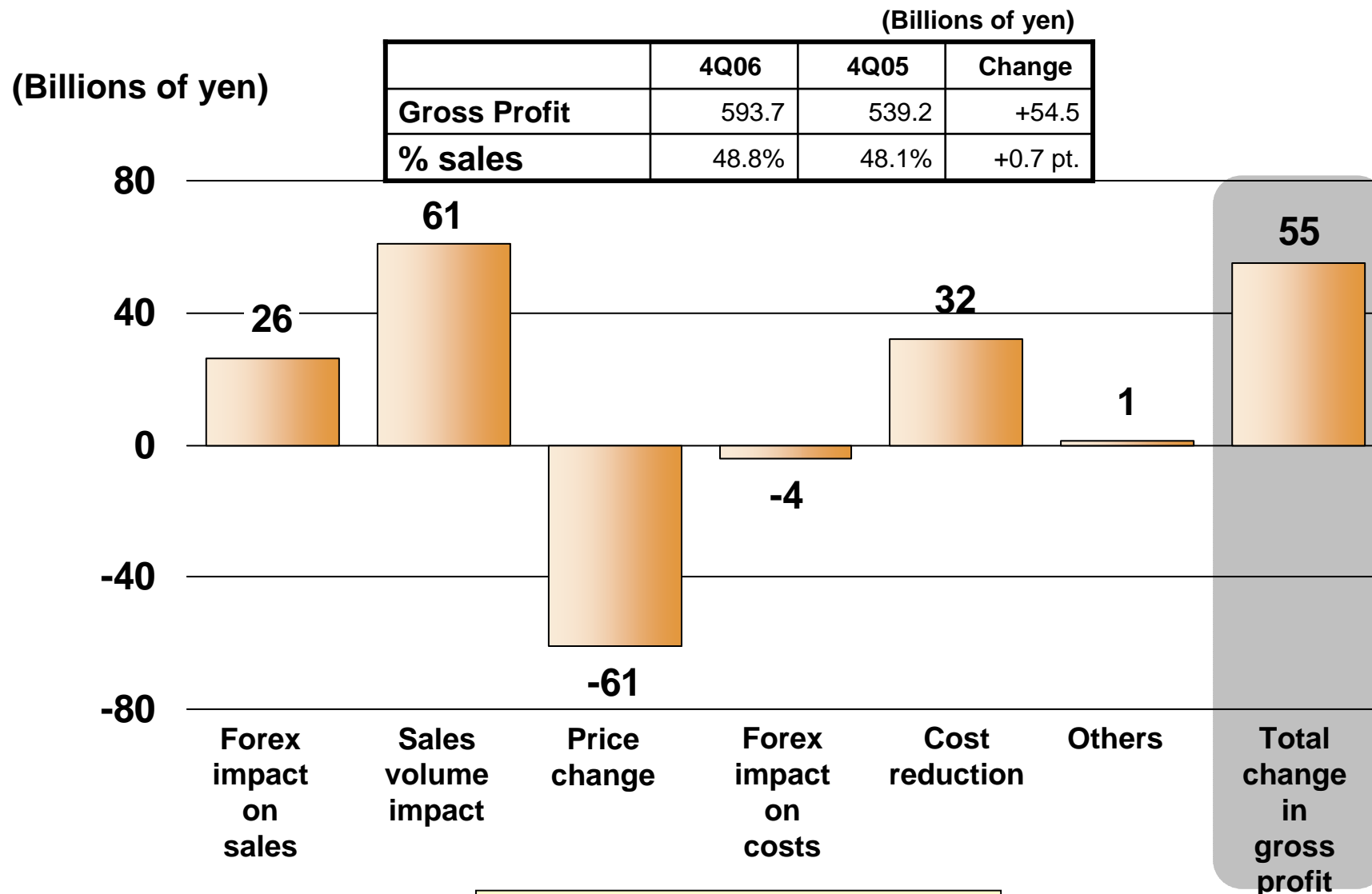
- 1USD: 117.39 to 117.81 Yen
- 1EURO: 139.46 to 151.89 Yen

Change in Exchange Rate (FY)

- 1USD: 110.58 to 116.43 Yen
- 1EURO: 137.04 to 146.51 Yen

Gross Profit Variance Analysis

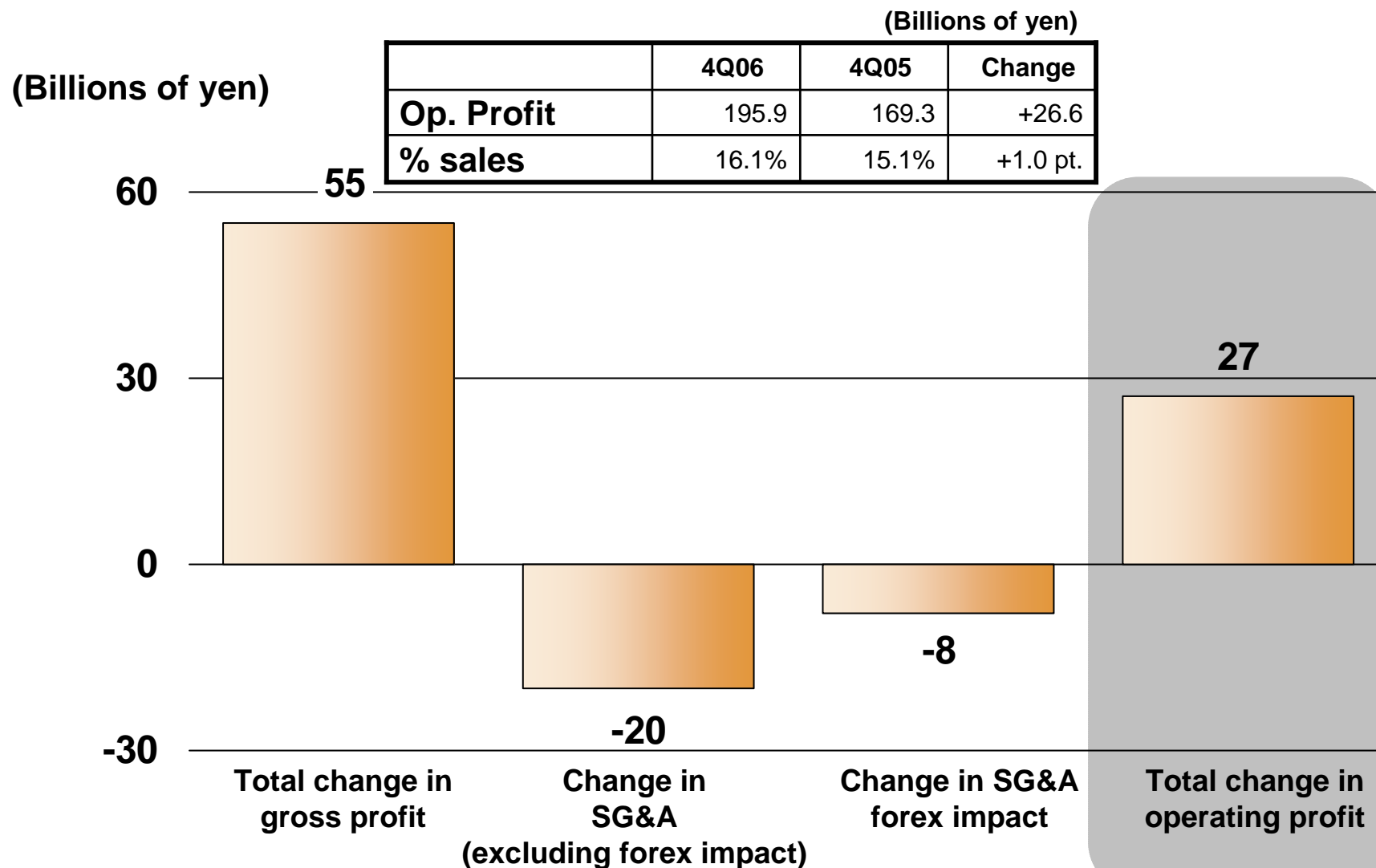
4Q 2006 Actual v. 4Q 2005 Actual



Supplementary Information

Operating Profit Variance Analysis

4Q 2006 Actual v. 4Q 2005 Actual

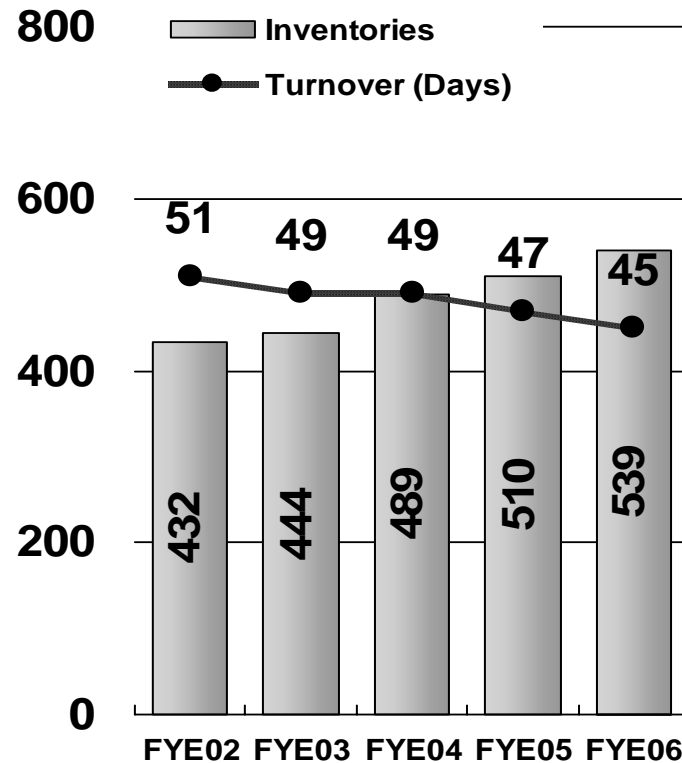


Supplementary Information

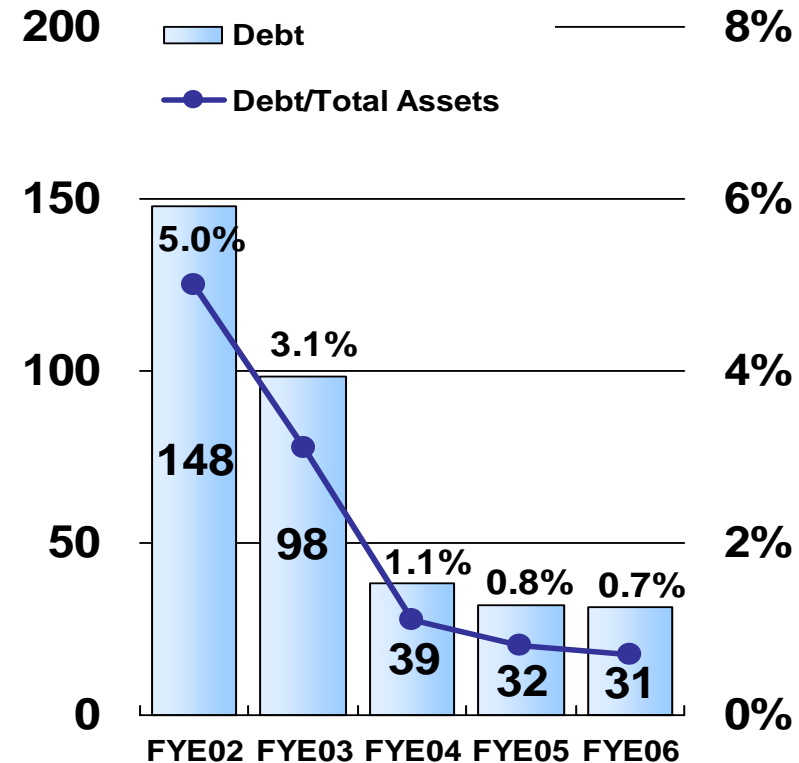
Inventories

Interest Bearing Debt

(Billions of yen)

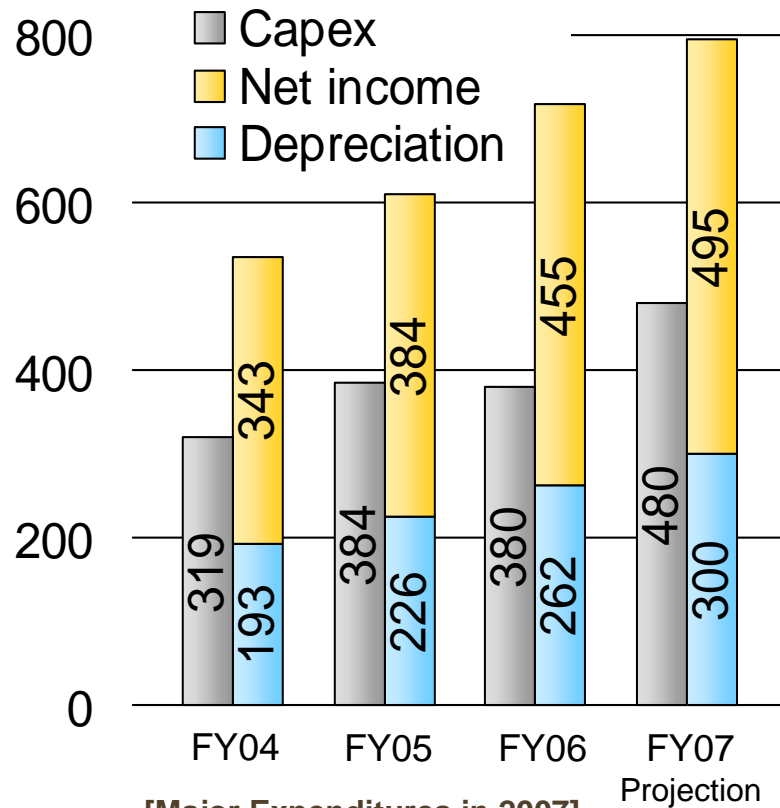


(Days) (Billions of yen)



Capital Expenditure

(Billions of yen)

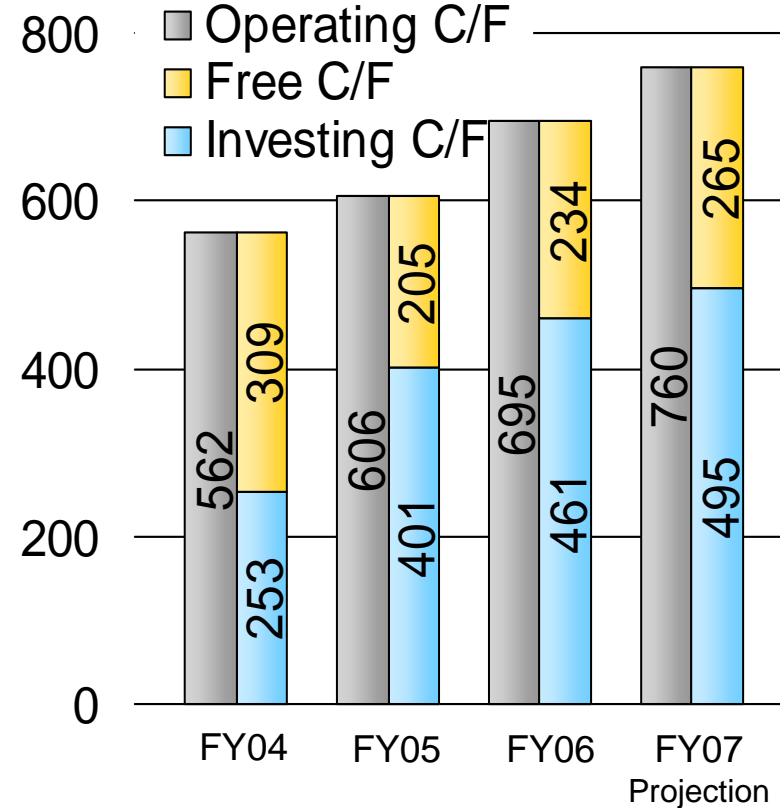


[Major Expenditures in 2007]

- New factory (Oita Canon Materials)
- Production engineering base (Yanagicho, Kawasaki City)
- Production equipment for inkjet key parts
- Automated machinery for cartridge production
- Production equipment for toner

Free Cash Flow

(Billions of yen)



Financial Ratios

* Common stock held by stockholders as of June 30, 2006, were split on a 3-for-2 basis. EPS (Basic) has been adjusted to retroactively reflect the forward stock split.

