



Canon Inc.

First Quarter 2006 Results

April 27, 2006

Toshizo Tanaka

Senior Managing Director, Group Executive
Finance and Accounting Headquarters

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April 27, 2006 Canon Inc.



Agenda

 1Q 2006 Results P3-12

 2Q&FY 2006 Projections P13-20

 Supplementary Information P21-28

Summary of Results

1Q 2006 Actual

(Billions of yen)

	1Q06 Actual	1Q06 Projection	1Q05 Actual	% Change	
				Projection	Actual
Net sales	923.3	900.0	843.4	+2.6%	+9.5%
Gross profit	468.5	439.0	409.7	+6.7%	+14.4%
[% sales]	50.7%	48.8%	48.6%		
Op. profit	170.1	153.0	143.3	+11.2%	+18.7%
[% sales]	18.4%	17.0%	17.0%		
Net income	108.3	98.0	93.1	+10.5%	+16.3%
[% sales]	11.7%	10.9%	11.0%		
Foreign exchange rate					
Yen – 1USD	116.96	115.00	104.58		
Yen – 1EURO	140.71	135.00	137.04		

Transition in Sales and Op. Profit

1Q 2006 Actual v. 1Q 2006 Projection

(Billions of yen)

	1Q 2006	
	Sales	Op. Profit
Projection (Jan. 30, 2006)	900.0	153.0
Foreign exchange impact [net sales, cost of sales, expenses]	+11.3	+8.4
Sales volume impact		
Office Imaging Products	-7.8	
Computer Peripherals	+3.9	
Business Information Products	+5.3	
Cameras	+12.4	
Optical and Other Products	+5.5	
Total	+19.3	+6.7
Others	-7.3	+2.0
Total Change	+23.3	+17.1
Actual	923.3	170.1

Change in Exchange Rate

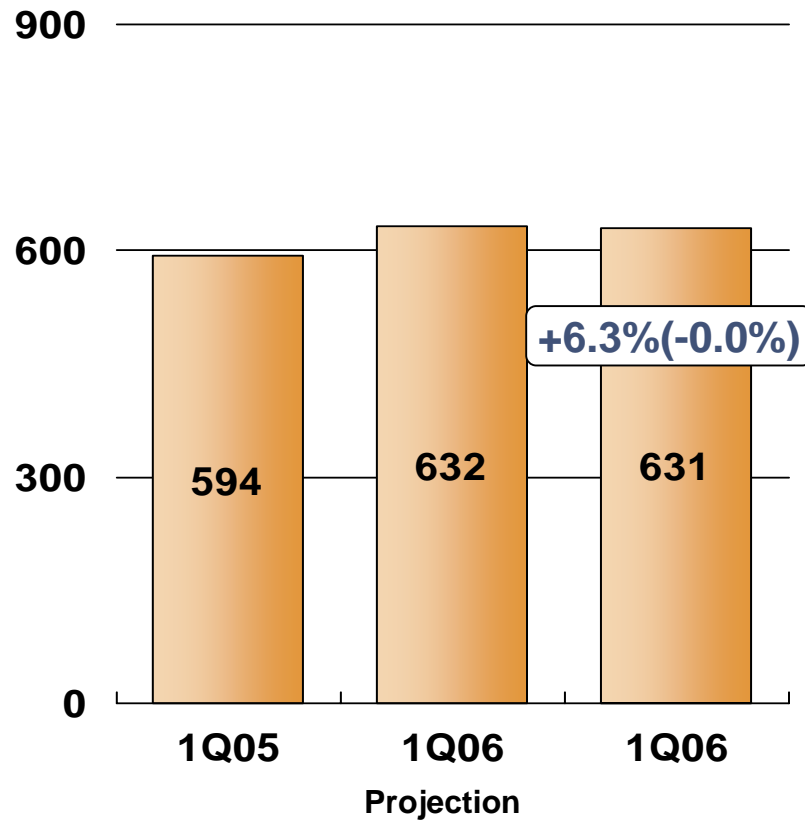
- 1USD: 115.00 to 116.96 yen
- 1EURO: 135.00 to 140.71 yen

Business Machines

1Q 2006 Actual

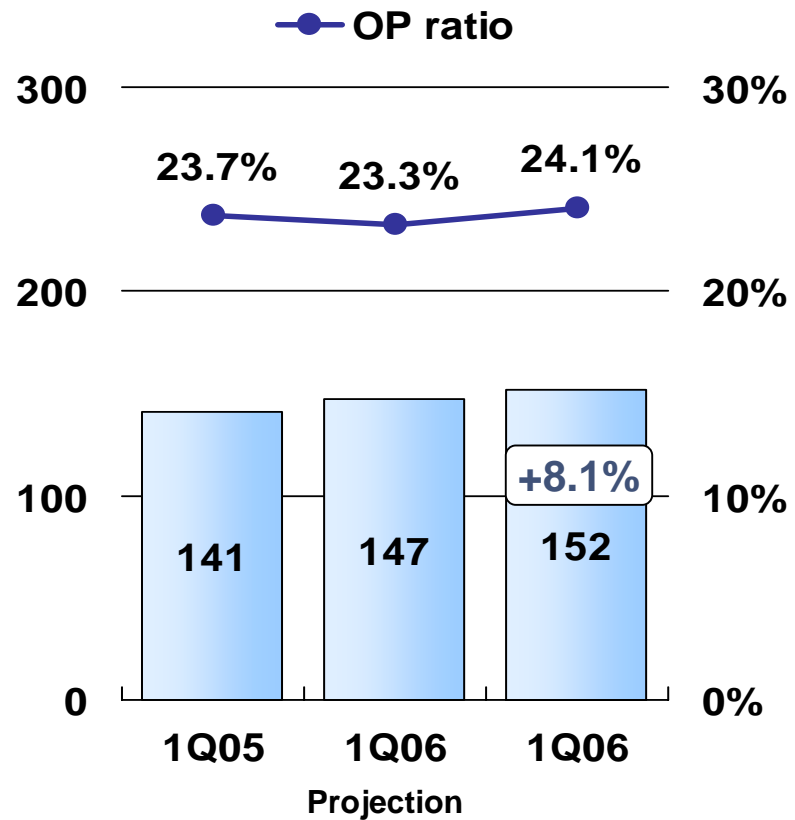
Sales

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



Operating Profit

(Billions of yen)

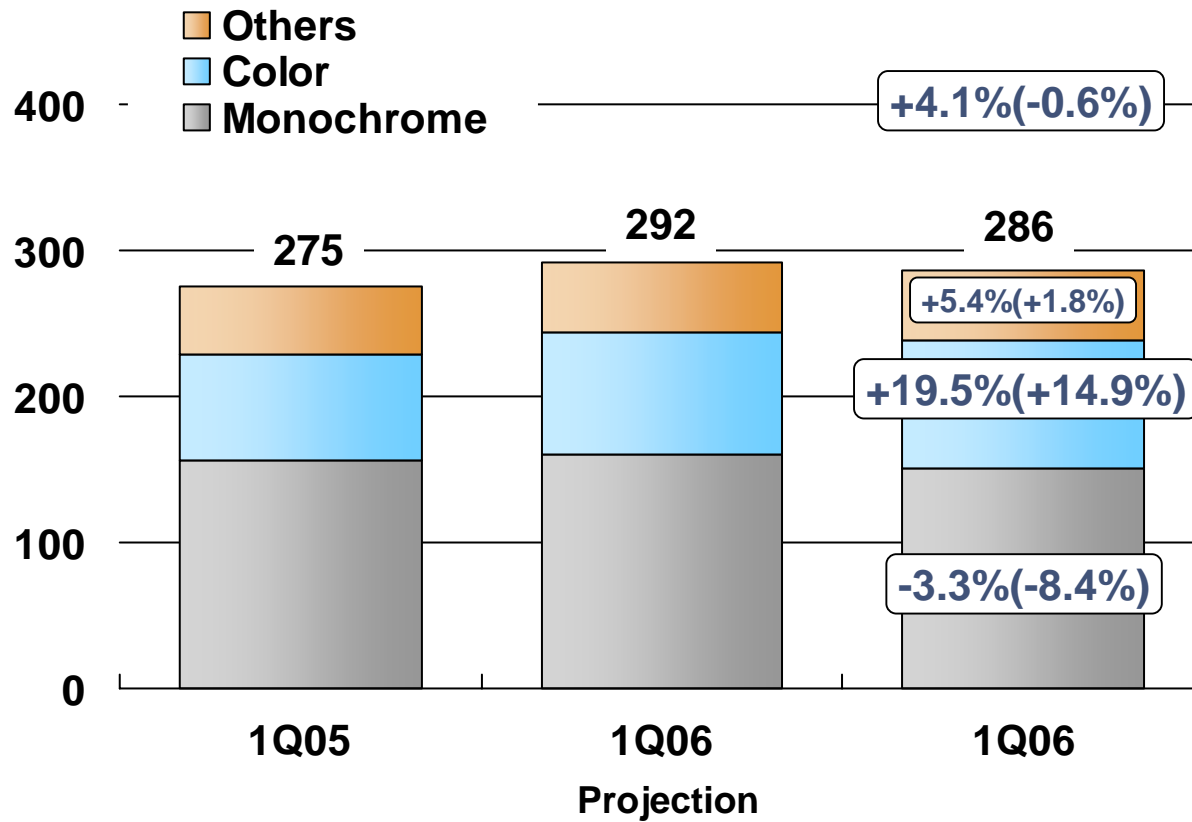


Office Imaging Products

1Q 2006 Actual

Sales

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



Growth rate y/y (Unit base)	
Copying machines	
1Q	
Color	+24%
Monochrome	-5%
Total	-2%

Color ratio (Copying machines)

1Q	
Value base*	36%
Unit base	14%

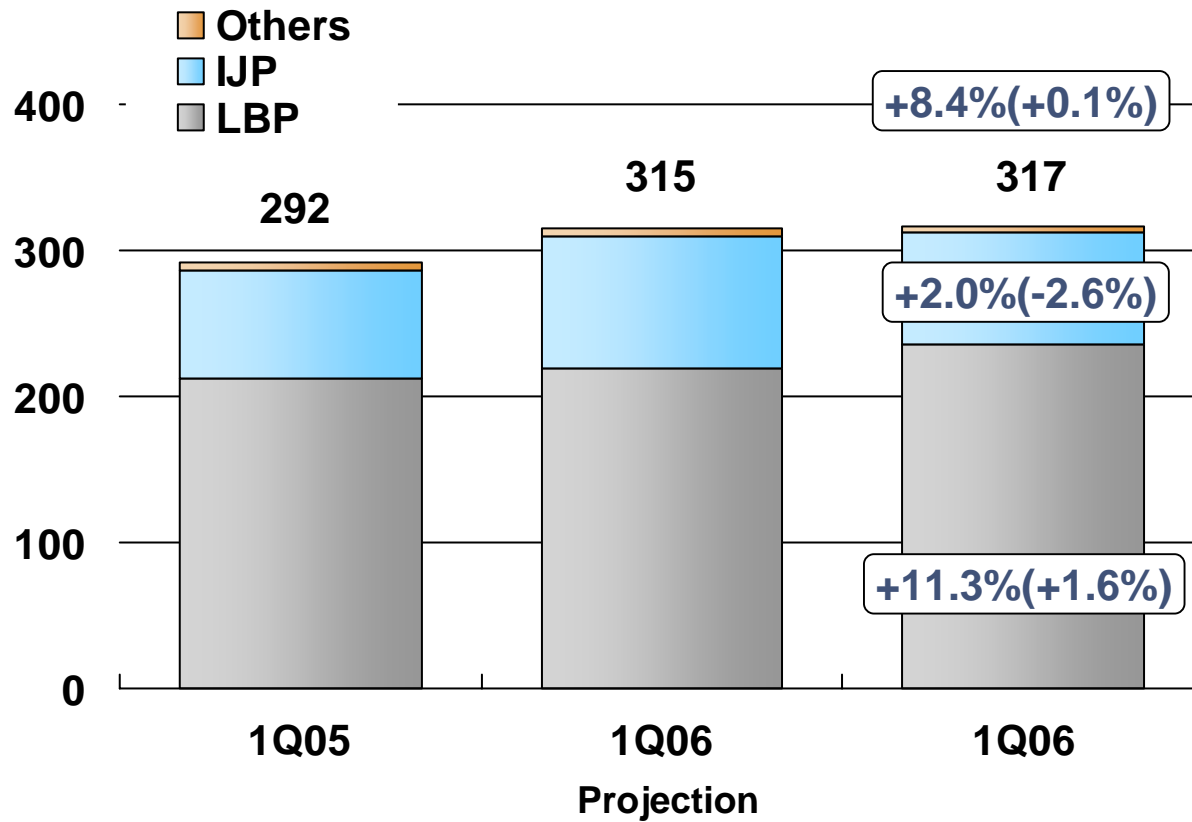
*Includes consumables

Computer Peripherals

1Q 2006 Actual

Sales

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



Growth rate y/y (Unit base)

LBP	1Q
Color	+65%
Monochrome	-4%
Total	+1%

Color ratio (LBP)

	1Q
Value base*	33%
Unit base	13%

*Includes consumables

Growth rate y/y (Unit base)

IJP	1Q
SFP	-18%
MFP	+121%
Total	+5%

MFP ratio (IJP)

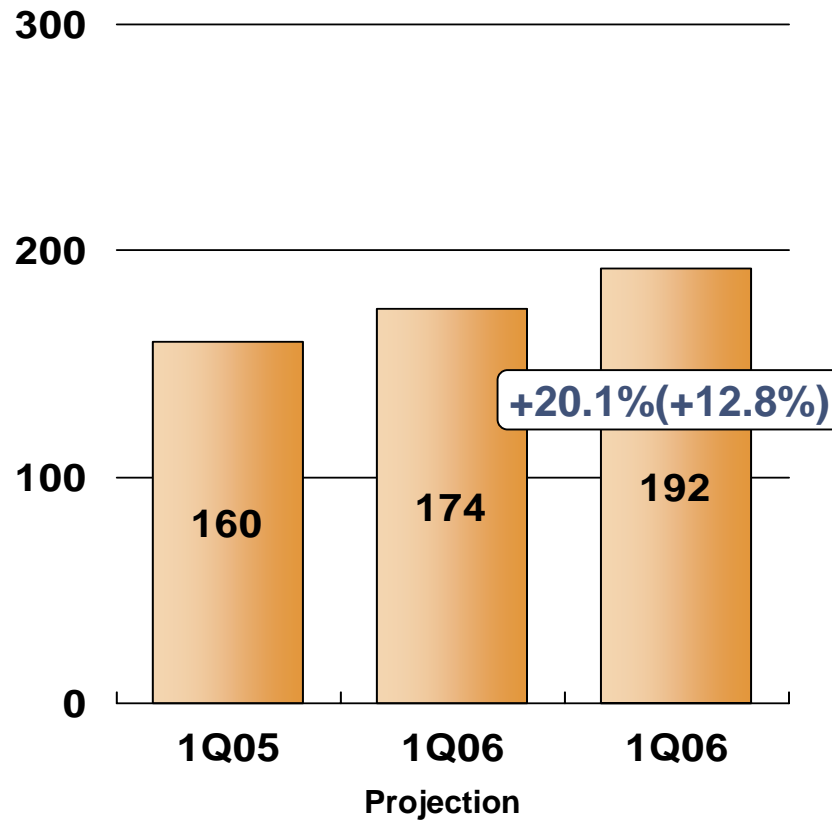
	1Q
Unit base	35%

Cameras

1Q 2006 Actual

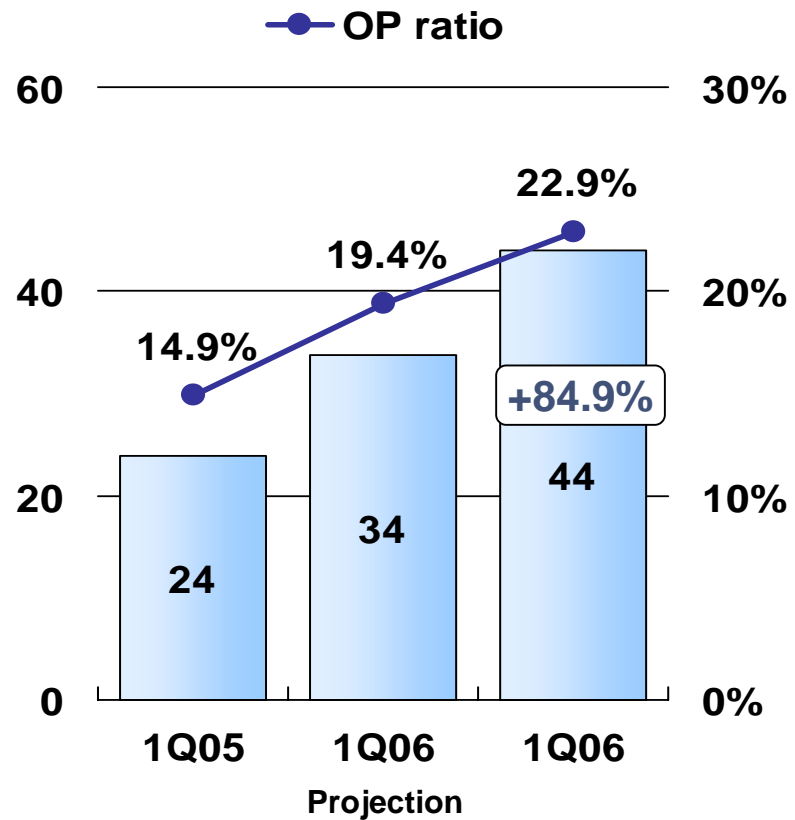
Sales

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



Operating Profit

(Billions of yen)

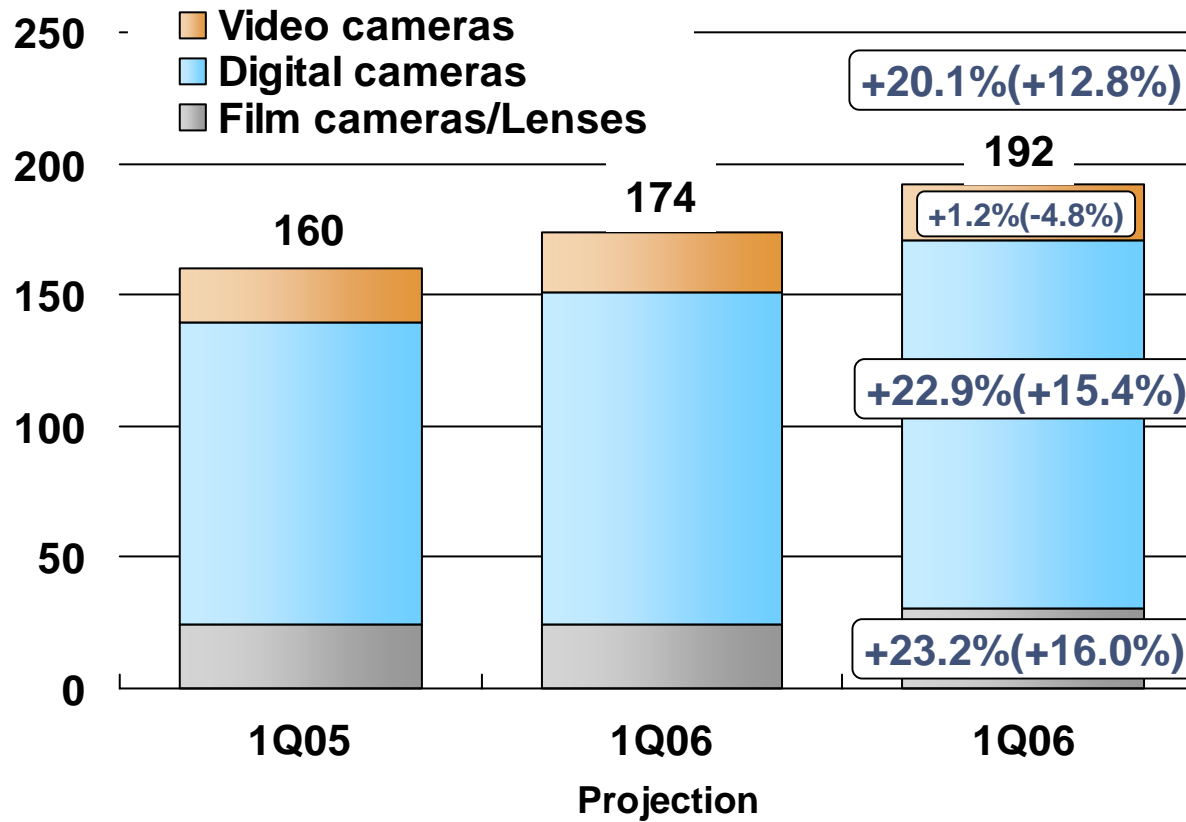


Cameras

1Q 2006 Actual

Sales

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



Growth rate y/y (Unit base)	
	1Q
Digital cameras	+19%

D SLR ratio*

	1Q
Value base	41%
Unit base	12%

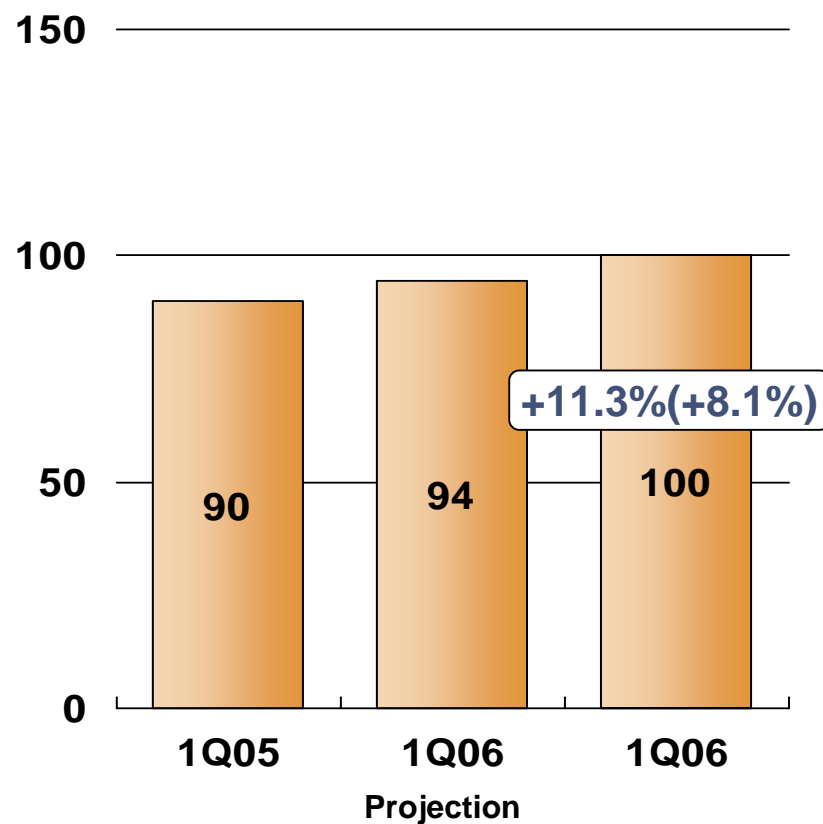
* Percentage of digital cameras sales attributable to SLRs

Optical and Other Products

1Q 2006 Actual

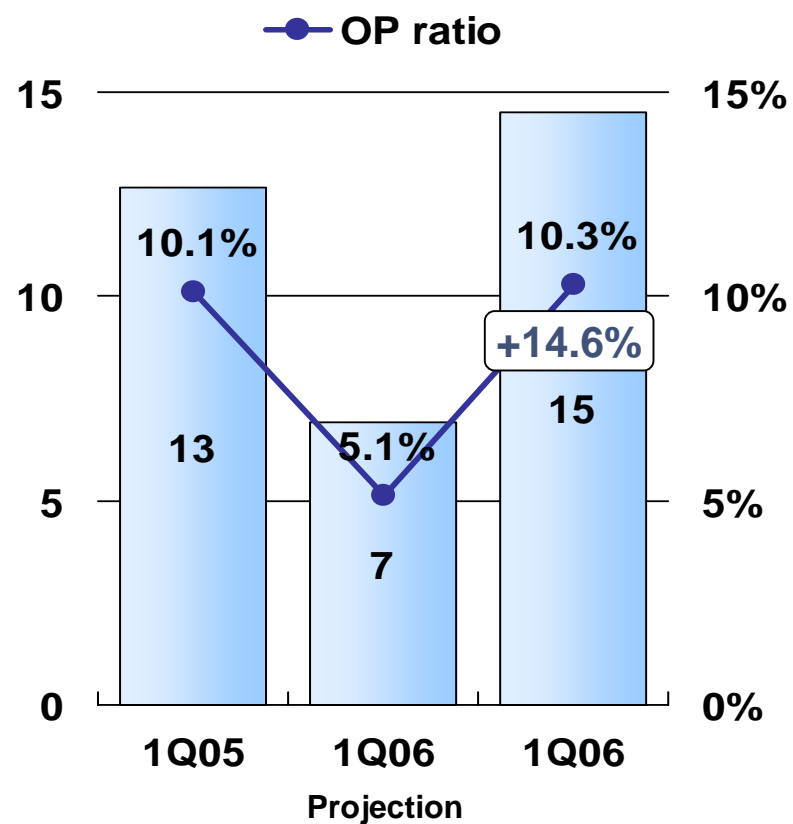
Sales

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



Operating Profit

(Billions of yen)



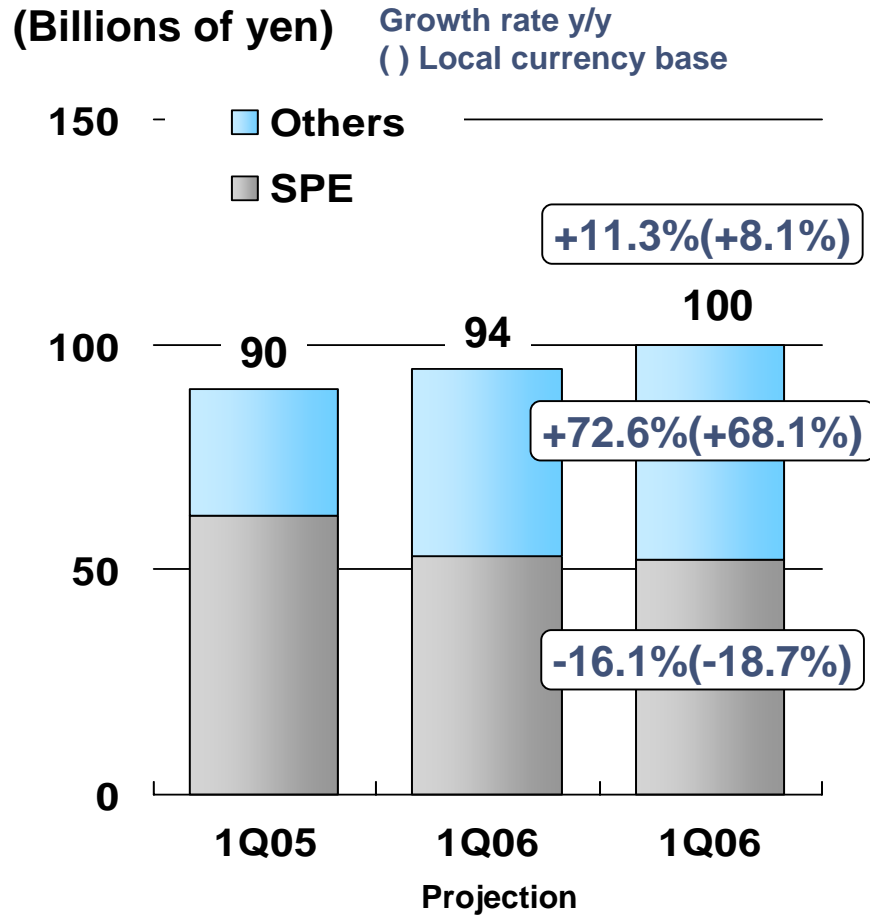
*Excluding inter-segment sales

*Calculation of operating profit margin includes inter-segment sales

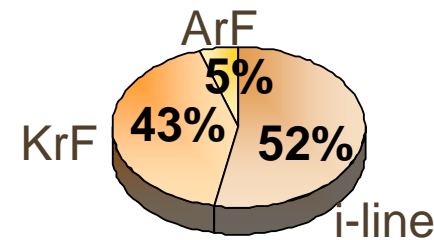
Optical and Other Products

1Q 2006 Actual

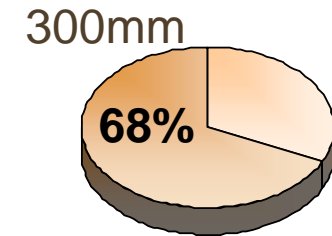
Sales



IC Stepper Unit Breakdown
By Light Source



IC Stepper 300mm Ratio
(Units)



SPE (Unit sales)

	1Q05	1Q06 Projection	1Q06
IC	44	40	44
LCD	29	16	11
TTL	73	56	55

Operating Profit by Segment

1Q 2006 Projection v. 1Q 2005 Actual

(Billions of yen)

	1Q06	1Q05	Amt. Chg.	Pct. Chg.
Business Machines	152.2	140.8	+11.4	+8.1%
[% sales]	24.1%	23.7%		
Cameras	44.0	23.8	+20.2	+84.9%
[% sales]	22.9%	14.9%		
Optical & Other Products	14.5	12.7	+1.8	+14.6%
[% sales]	10.3%	10.1%		
Corporate and Eliminations	-40.6	-34.0	-6.6	
Total	170.1	143.3	+26.8	+18.7%
[% sales]	18.4%	17.0%		

Assumptions

2Q-4Q 2006

Average Exchange Rate	2Q-4Q06	FY06	FY05
■ USD	117.00 yen	116.99 yen	110.58 yen
■ EURO	138.00 yen	138.59 yen	137.04 yen

Impact of Exchange Rate Movement (2-4Q impact given a one yen change)

	Net sales	Operating profit
■ USD	11.0 billion yen	6.1 billion yen
■ EURO	5.8 billion yen	4.3 billion yen

Summary of Projected Results

2Q&FY 2006 Current Projection

(Billions of yen)

2006				2005		% Change	
Current projection	% sales	Previous projection	% sales	Actual	% sales	Previous projection	Actual

2Q	Net sales	1,036.7		1,010.0		912.5		+2.6%	+13.6%
	Gross profit	506.5	48.9%	490.0	48.5%	440.4	48.3%	+3.4%	+15.0%
	Op. profit	149.9	14.5%	143.0	14.2%	126.9	13.9%	+4.8%	+18.1%
	Net income	92.7	8.9%	89.0	8.8%	82.2	9.0%	+4.2%	+12.8%
	Yen-1USD	117.00		115.00		107.71			
	Yen-1EURO	138.00		135.00		135.37			

FY	Net sales	4,140.0		4,060.0		3,754.2		+2.0%	+10.3%
	Gross profit	2,051.0	49.5%	1,996.0	49.2%	1,819.0	48.5%	+2.8%	+12.8%
	Op. profit	686.0	16.6%	653.0	16.1%	583.0	15.5%	+5.1%	+17.7%
	Net income	432.0	10.4%	415.0	10.2%	384.1	10.2%	+4.1%	+12.5%
	Yen-1USD	116.99		115.00		110.58			
	Yen-1EURO	138.59		135.00		137.04			

Transition in Sales and Operating Profit

2Q&FY 2006 Current Projection v. 2Q&FY 2006 Previous Projection

(Billions of yen)

	2Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
Previous projection (Jan. 30, 2006)	1,010.0	143.0	4,060.0	653.0
Foreign exchange impact [net sales, cost of sales, expenses]	+13.7	+8.1	+54.3	+34.3
Sales volume impact				
Office Imaging Products	-6.1		-1.6	
Computer Peripherals	+9.1		+22.2	
Business Information Products	+5.1		+8.8	
Cameras	+3.2		+16.2	
Optical and Other Products	+8.4		+15.1	
Total	+19.7	+6.9	+60.7	+25.6
Others	-6.7	-8.1	-35.0	-26.9
Total Change	+26.7	+6.9	+80.0	+33.0
Current projection (Apr. 27, 2006)	1,036.7	149.9	4,140.0	686.0

Change in Exchange Rate (2Q)

- 1USD: 115.00 to 117.00 Yen
- 1EURO: 135.00 to 138.00 Yen

Change in Exchange Rate (FY)

- 1USD: 115.00 to 116.99 Yen
- 1EURO: 135.00 to 138.59 Yen

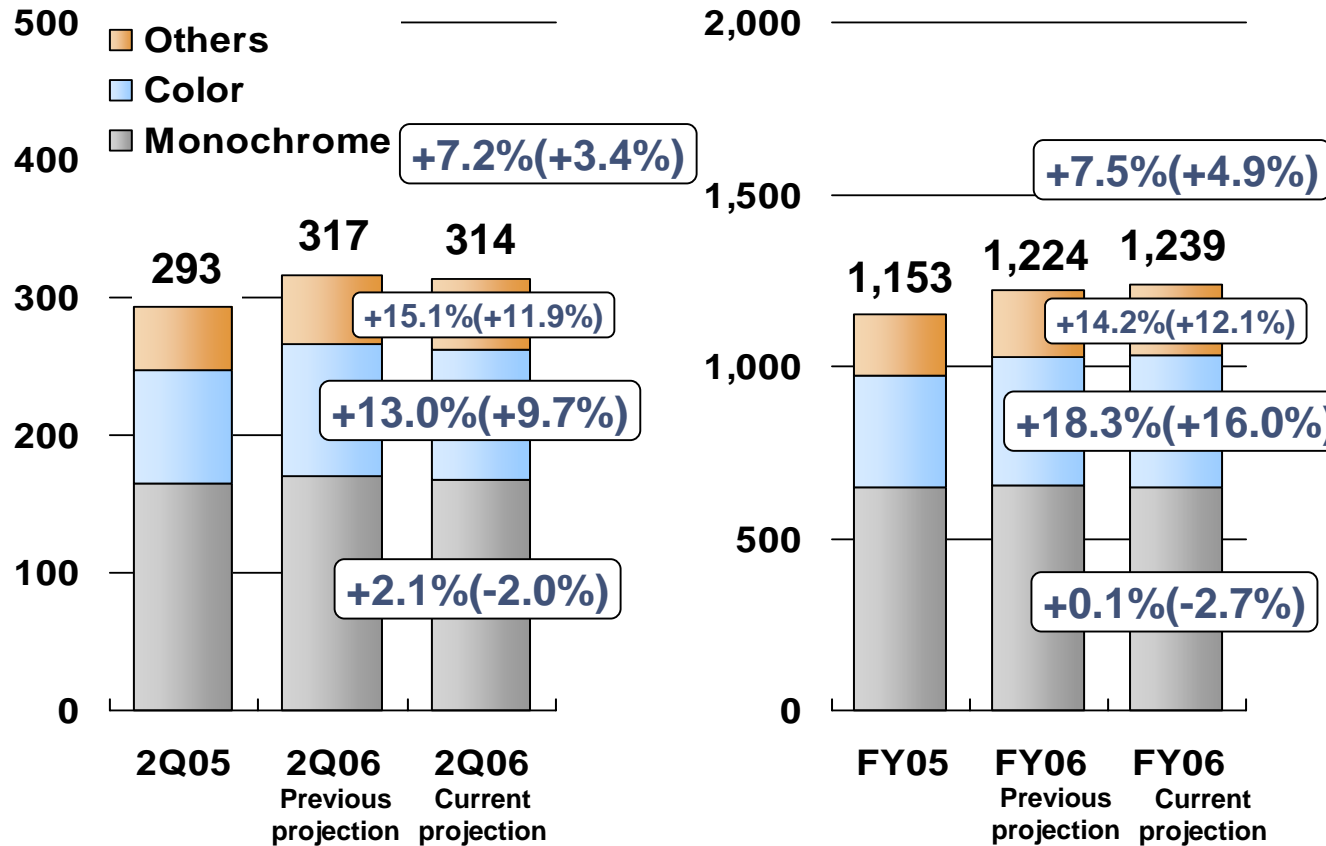
Office Imaging Products

2Q&FY 2006 Current Projection

Sales

(Billions of yen)

Growth rate y/y
() Local currency base



Growth rate y/y
(Unit base)

Copying machines

	2Q	FY
Color	+8%	+19%
Mono-chrome	-3%	-6%
Total	-2%	-3%

Color ratio
(Copying machines)

	2Q	FY
Value base*	36%	37%
Unit base	13%	14%

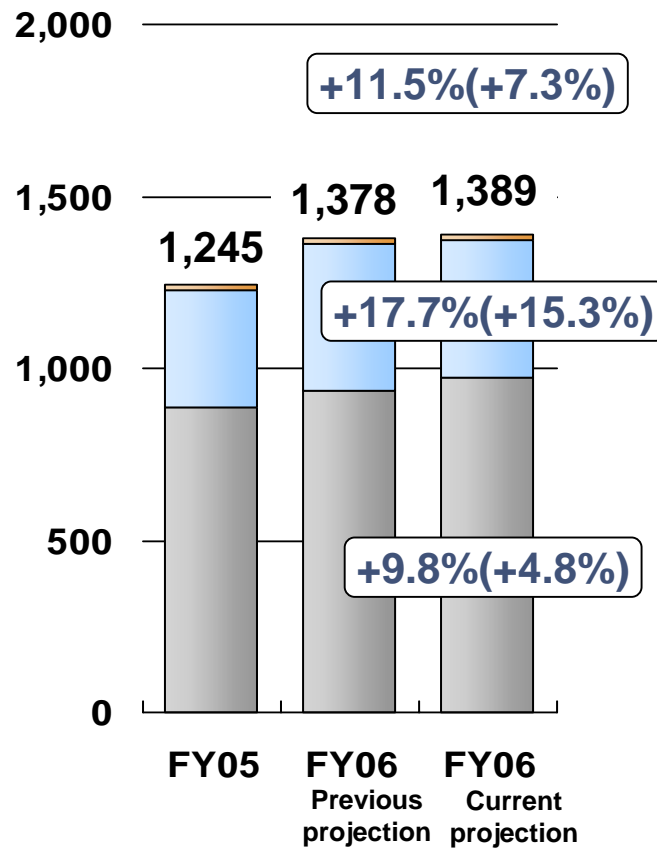
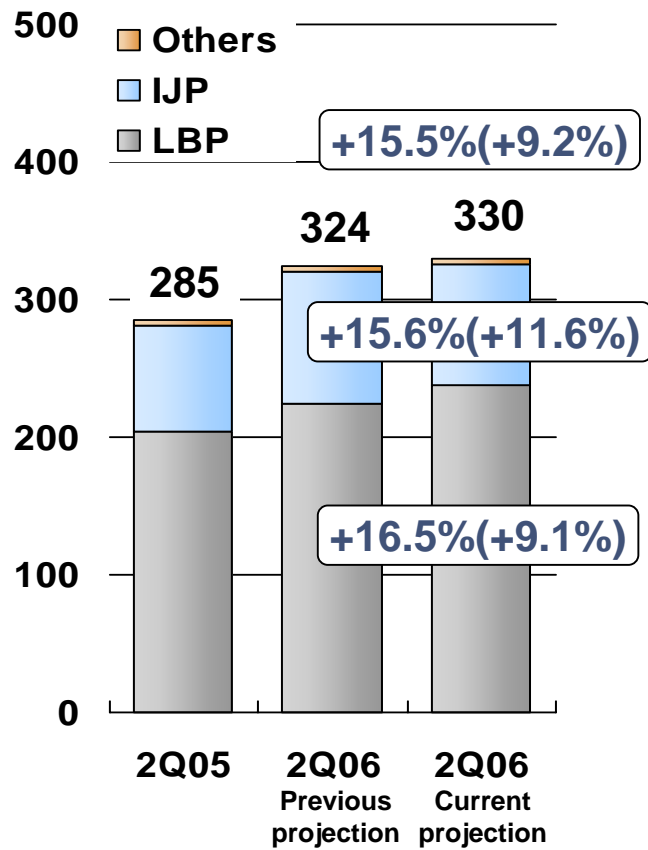
*Includes consumables

Computer Peripherals

2Q&FY 2006 Current Projection

Sales

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



Growth rate y/y (Unit base)

LBP	2Q	FY
Color	+37%	+39%
Mono-chrome	+3%	+7%
Total	+7%	+10%

Color ratio (LBP)

	2Q	FY
Value base*	37%	35%
Unit base	15%	14%

*Includes consumables

Growth rate y/y (Unit base)

IJP	2Q	FY
SFP	+2%	+1%
MFP	+99%	+96%
Total	+22%	+24%

MFP ratio (IJP)

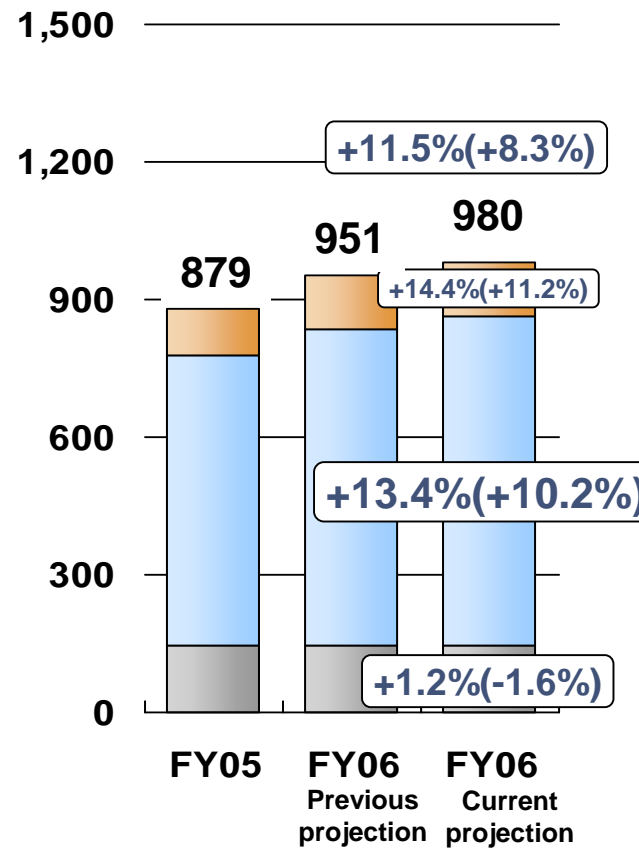
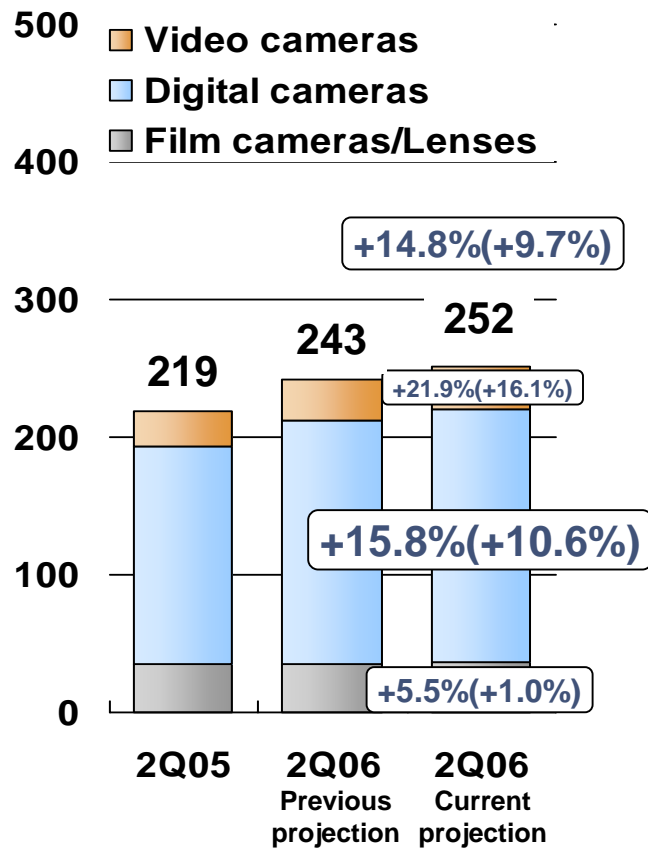
	2Q	FY
Unit base	33%	37%

Cameras

2Q&FY 2006 Current Projection

Sales

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



Growth rate y/y (Unit base)		
	2Q	FY
Digital cameras	+18%	+14%

D SLR ratio*

	2Q	FY
Value base	37%	36%
Unit base	12%	11%

* Percentage of digital cameras sales attributable to SLRs

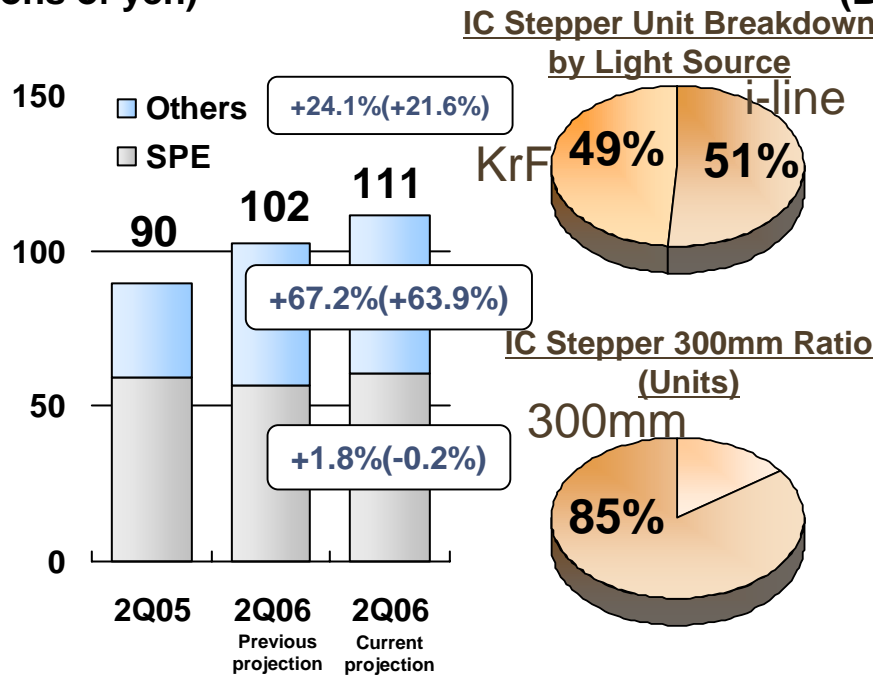
Optical and Other Products

2Q&FY 2006 Current Projection

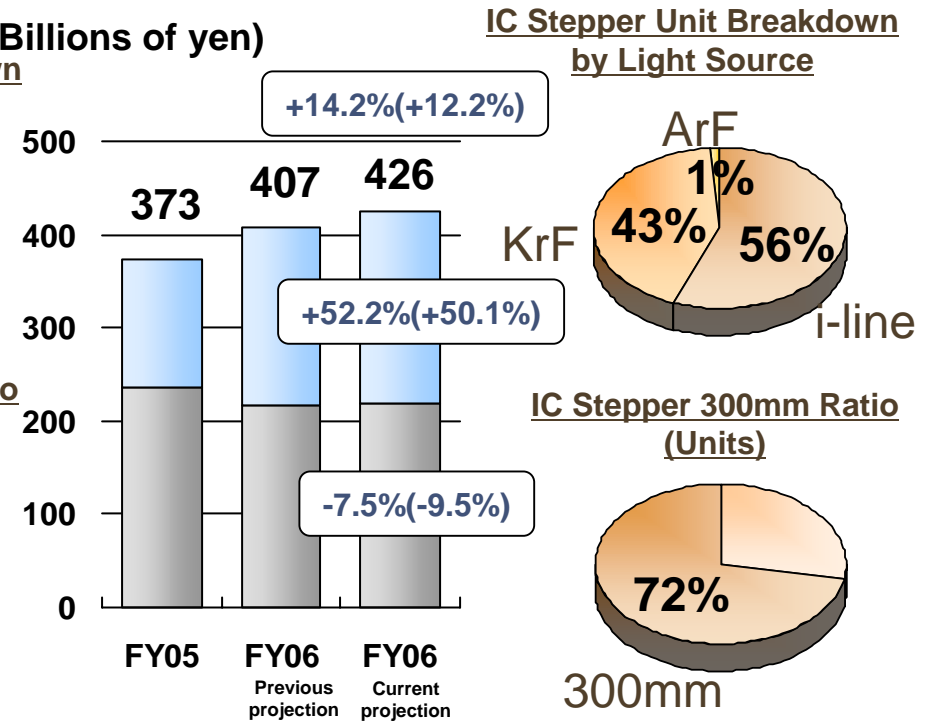
Sales

Growth rate y/y
() Local currency base

(Billions of yen)



(Billions of yen)



SPE (Units sales)

	2Q05	2Q06 Previous projection	2Q06 Current projection
IC	33	38	39
LCD	30	15	23
TTL	63	53	62

SPE (Units sales)

	FY05	FY06 Previous projection	FY06 Current projection
IC	141	145	165
LCD	113	73	66
TTL	254	218	231

Operating Profit by Product

2Q&FY 2006 Current Projection v. 2Q&FY 2005 Actual

(Billions of yen)

	2006 Current Projection		2005 Actual	
	2Q	FY	2Q	FY
Business machines	141.7	619.8	118.6	542.0
% sales	21.0%	22.7%	19.7%	21.7%
Cameras	46.5	211.1	38.0	173.7
% sales	18.5%	21.5%	17.4%	19.8%
Optical and Others	8.7	45.7	8.4	38.8
% sales	5.6%	7.7%	6.6%	7.3%
Corporate and eliminations	-47.0	-190.6	-38.1	-171.5
Total	149.9	686.0	126.9	583.0
% sales	14.5%	16.6%	13.9%	15.5%

Supplementary Information

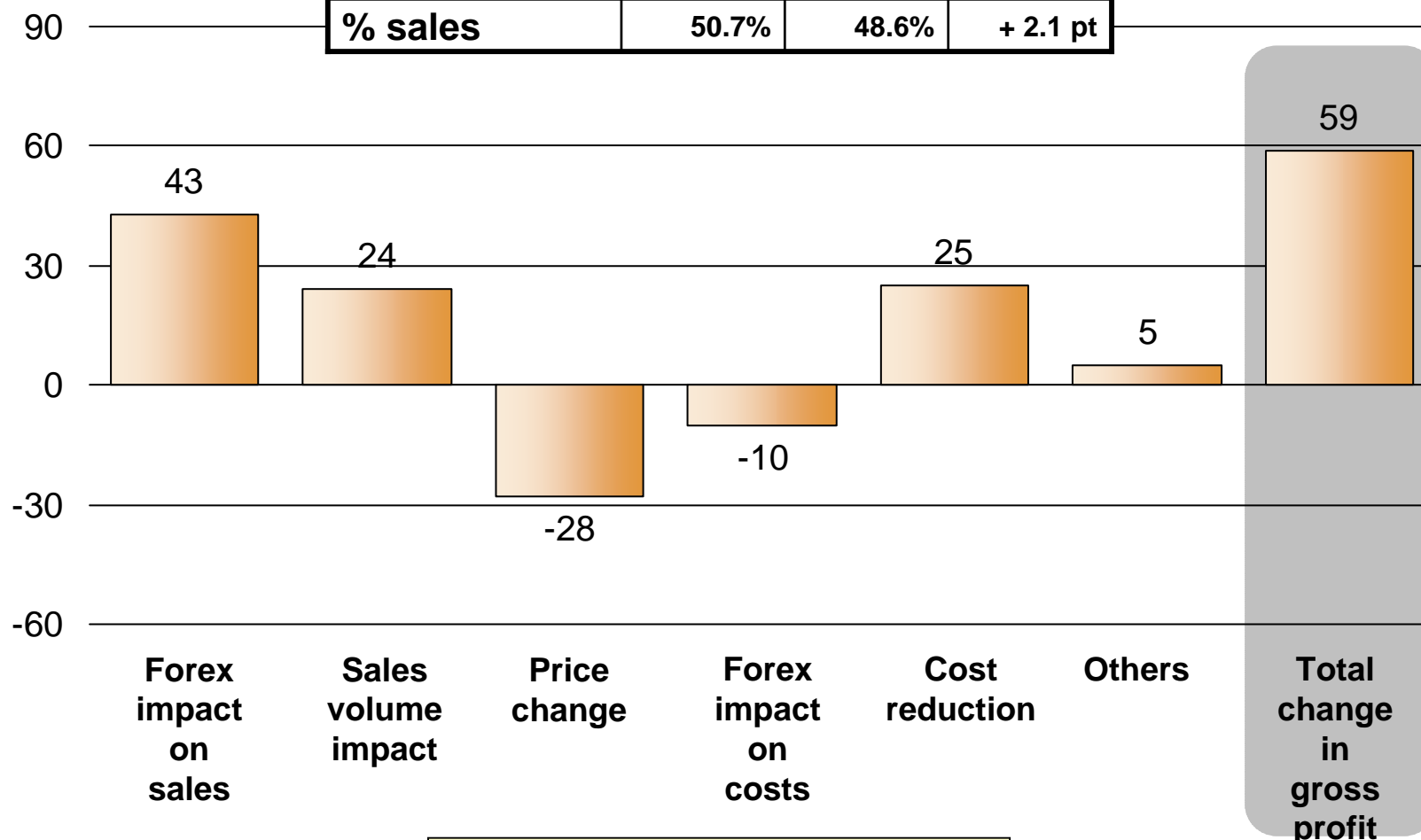
Gross Profit Variance Analysis

1Q 2006 Actual v. 1Q 2005 Actual

(Billions of yen)

(Billions of yen)

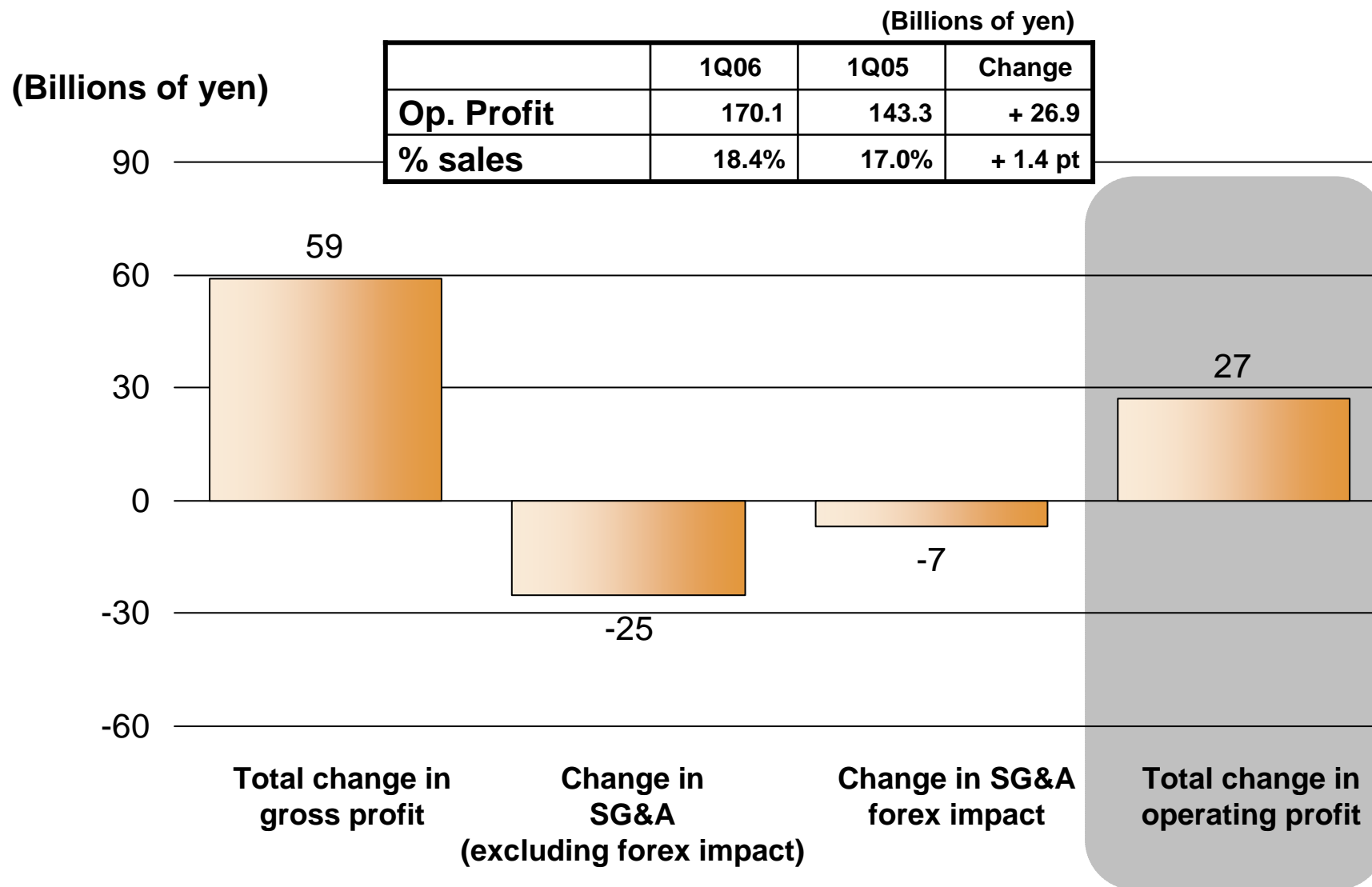
	1Q06	1Q05	Change
Gross Profit	468.5	409.7	+ 58.9
% sales	50.7%	48.6%	+ 2.1 pt



Supplementary Information

Operating Profit Variance Analysis

1Q 2006 Actual v. 1Q 2005 Actual



Supplementary Information

Transition in Sales and Op. Profit

1Q 2006 Actual v. 1Q 2005 Actual

(Billions of yen)

	Sales	Op. Profit
1Q 2005 Actual	843.4	143.3
Foreign exchange impact [net sales, cost of sales, expenses]	+42.8	+25.1
Sales volume impact		
Office Imaging Products	+6.5	
Computer Peripherals	+25.9	
Business Information Products	+2.2	
Cameras	+24.1	
Optical and Other Products	-12.0	
Total	+46.7	+23.6
Others	-9.6	-21.9
Total Change	+79.9	+26.8
1Q 2006 Actual	923.3	170.1

Change in Exchange Rate

- 1USD: 104.58 to 116.96 yen
- 1EURO: 137.04 to 140.71 yen

Transition in Sales and Operating Profit

2Q&FY 2006 Current Projection v. 2Q&FY 2005 Actual

(Billions of yen)

	2Q		FY	
	Sales	Op. Profit	Sales	Op. Profit
2005 Actual	912.4	126.9	3,754.2	583.0
Foreign exchange impact [net sales, cost of sales, expenses]	+39.0	+21.8	+103.6	+58.0
Sales volume impact				
Office Imaging Products	+15.0		+77.3	
Computer Peripherals	+49.8		+192.8	
Business Information Products	+3.1		+0.7	
Cameras	+29.3		+116.4	
Optical and Other Products	-0.5		-12.4	
Total	+96.7	+44.3	+374.8	+177.6
Others	-11.4	-43.1	-92.6	-132.6
Total Change	+124.3	+23.0	+385.8	+103.0
Current projection (Apr. 27, 2006)	1,036.7	149.9	4,140.0	686.0

Change in Exchange Rate (2Q)

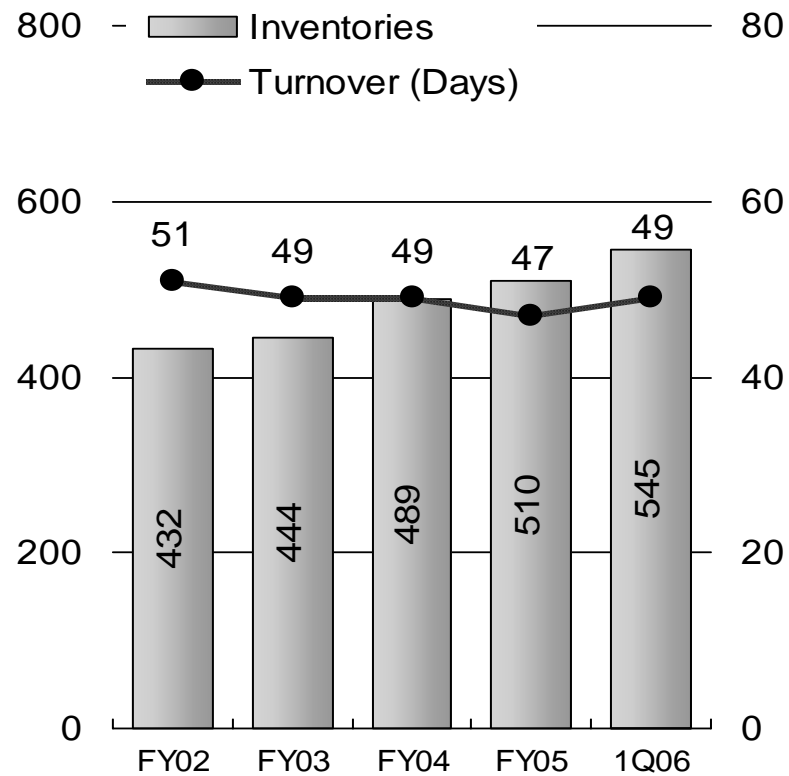
- 1USD: 107.71 to 117.00 Yen
- 1EURO: 135.37 to 138.00 Yen

Change in Exchange Rate (FY)

- 1USD: 110.58 to 116.99 Yen
- 1EURO: 137.04 to 138.59 Yen

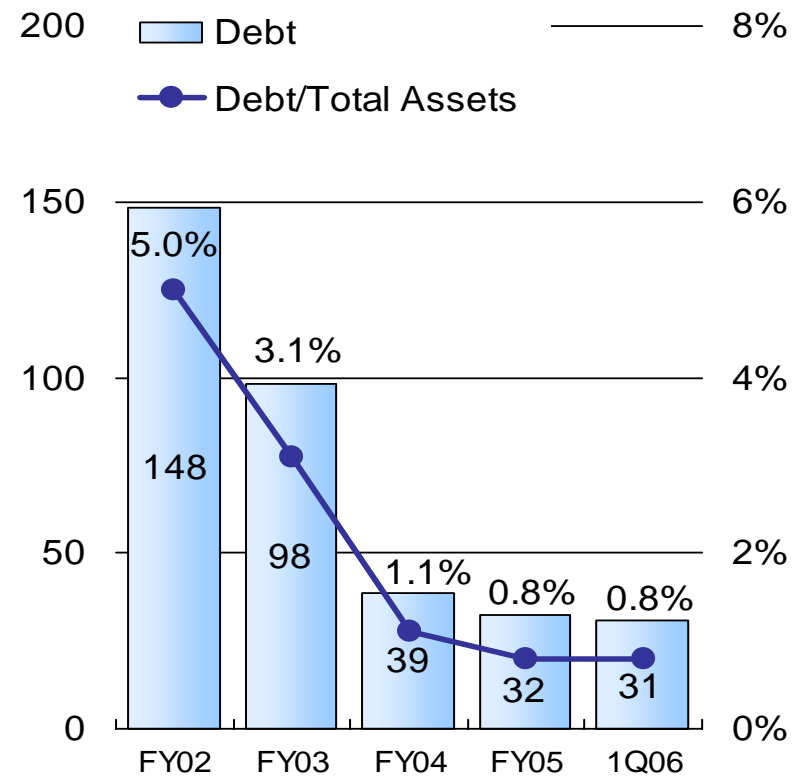
Inventories

(Billions of yen)



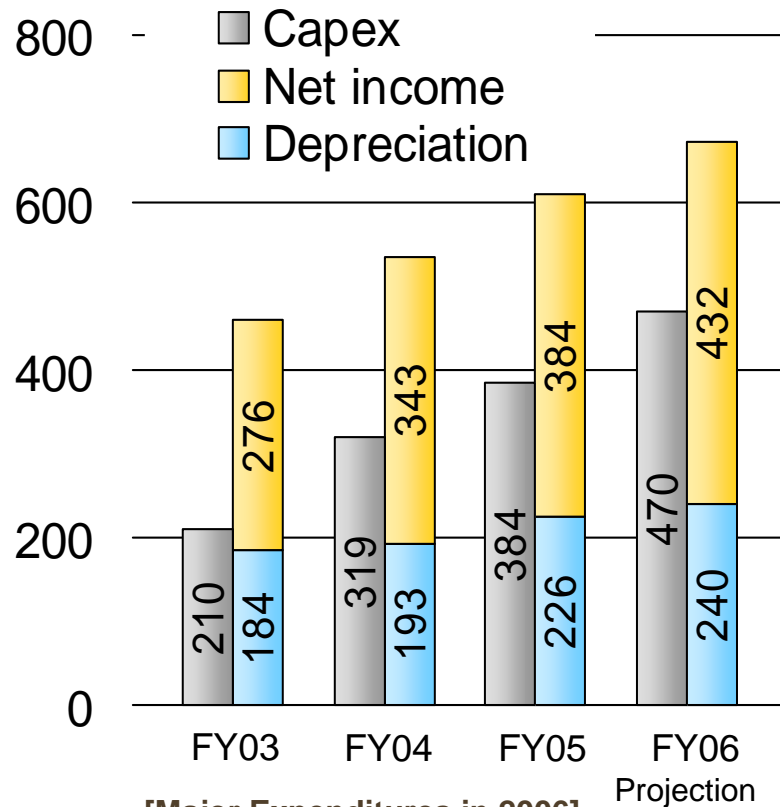
Interest Bearing Debt

(Days) (Billions of yen)



Capital Expenditure

(Billions of yen)

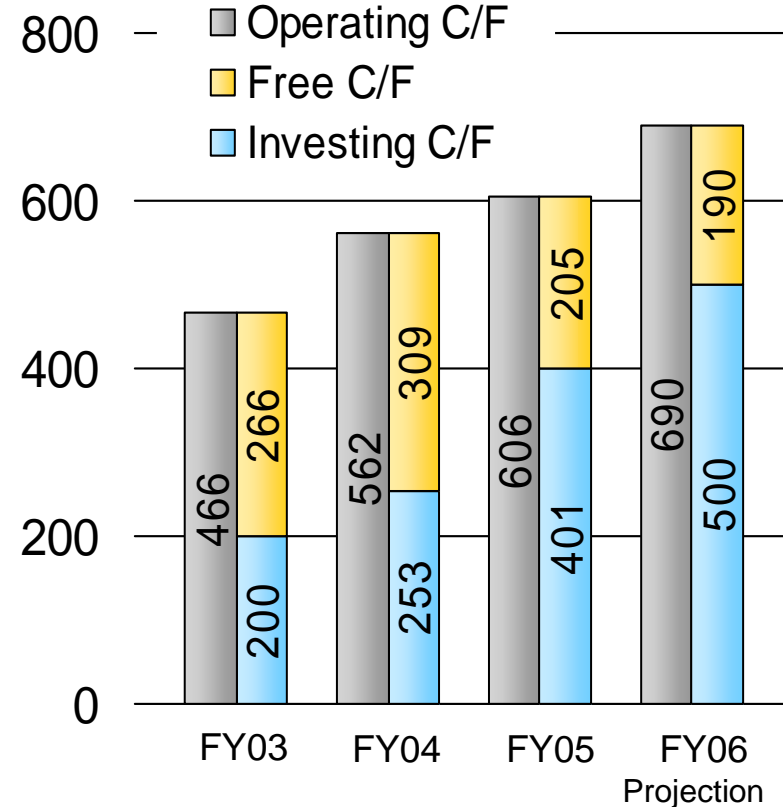


[Major Expenditures in 2006]

- 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

Free Cash Flow

(Billions of yen)



Supplementary Information

Financial Ratios

