



# Canon Inc.

## First Quarter 2008 Results

April 24, 2008

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April 24, 2008 Canon Inc.

# Agenda

■ 1Q 2008 Results P3-12

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■ 1H&FY 2008 Projections P13-21

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■ Supplementary Information P22-30

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# 1Q 2008 in Summary

## **(Environment and special factors)**

- ✓ **Exceptionally strong yen**
- ✓ **Greater than expected severe economic environment**
- ✓ **Impact from the change in depreciation method**

## **(Achievements)**

- ✓ **Achieved strong growth in local currency terms, reflecting strong fundamentals**
- ✓ **Maintained high level of profitability, despite current environment and special factors**

# Summary of Results

1Q 2008 Actual

(Billions of yen)

	1Q 2008 Actual	1Q 2007 Actual	Pct. change
<b>Net sales</b>	<b>1,007.5</b>	<b>1,039.8</b>	-3.1%
<b>Gross profit</b>	<b>499.9</b>	<b>533.7</b>	-6.3%
[% sales]	49.6%	51.3%	
<b>Op. profit</b>	<b>170.8</b>	<b>207.4</b>	-17.6%
[% sales]	17.0%	19.9%	
<b>Net income</b>	<b>106.6</b>	<b>131.3</b>	-18.7%
[% sales]	10.6%	12.6%	
<b>Foreign exchange rate</b>			
Yen – 1USD	104.78	119.33	
Yen – 1EURO	157.59	156.45	

# Transition in Sales and Op. Profit

1Q 2008 Actual v. 1Q 2007 Actual

(Billions of yen)

	1Q	
	Sales	Op. Profit
1Q 2007 Actual	1,039.8	207.4
Foreign exchange impact [net sales, cost of sales, expenses]	-56.4	-37.3
Depreciation change impact		-17.0
Sales volume impact		
Office Imaging Products	-8.3	
Computer Peripherals	+27.7	
Business Information Products	+0.6	
Cameras	+26.9	
Optical and Other Products	-5.2	
Total	+41.7	+24.9
Others	-17.6	-7.2
Total Change	-32.3	-36.6
1Q 2008 Actual	1,007.5	170.8

} -54.3

**Change in Exchange Rate**

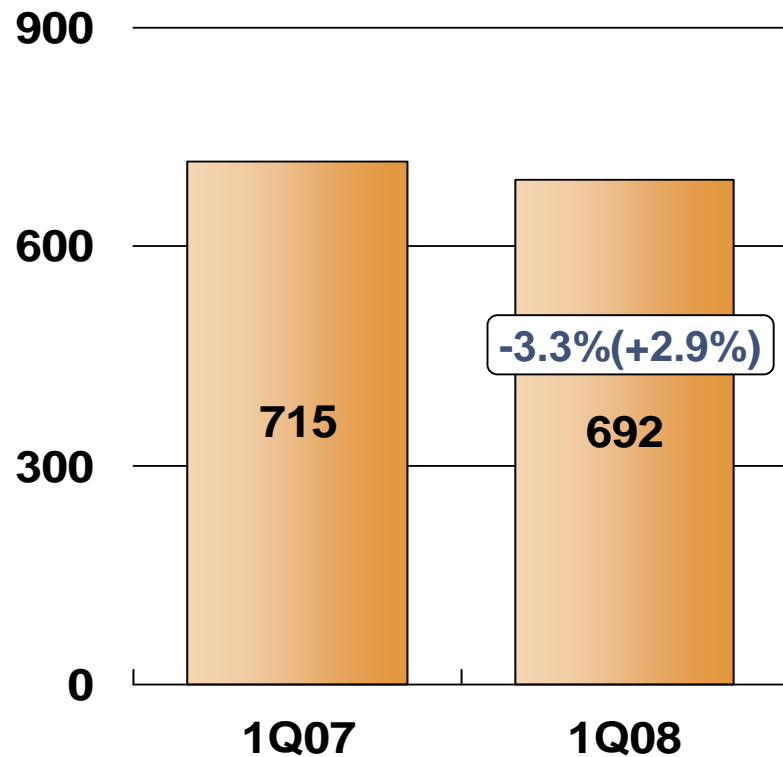
- 1USD: 119.33 to 104.78 yen
- 1EURO: 156.45 to 157.59 yen

# Business Machines

1Q 2008 Actual

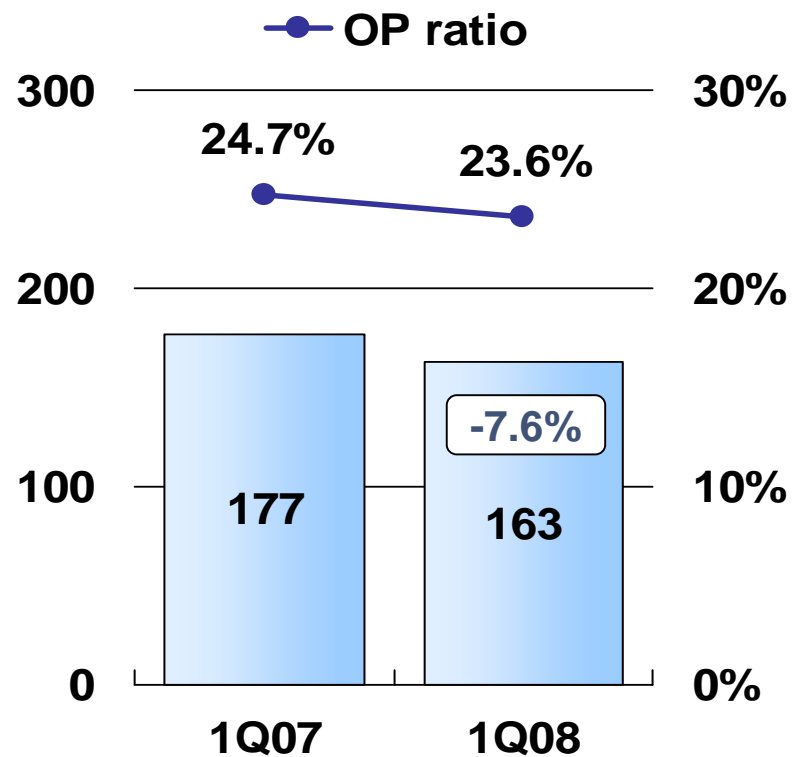
## Sales

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



## Operating Profit

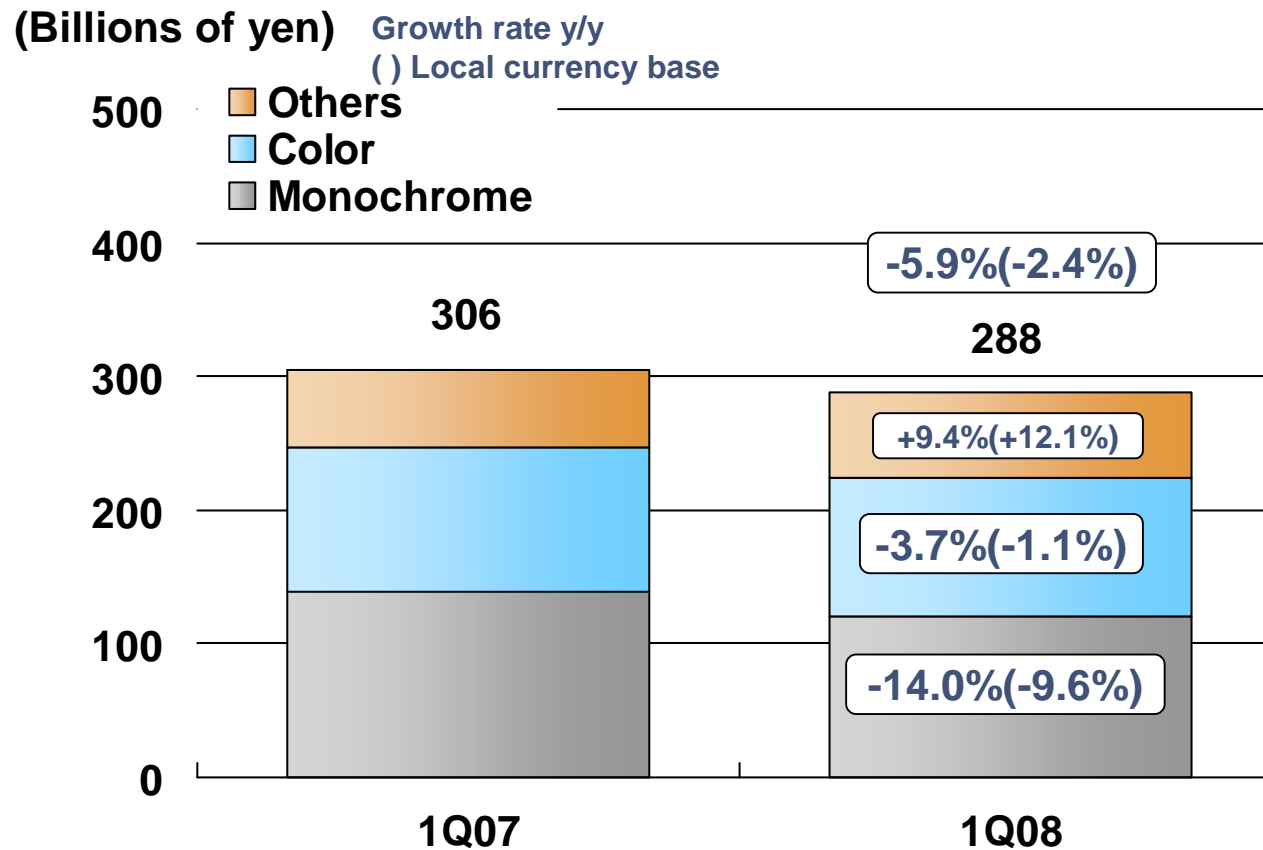
(Billions of yen)



# Office Imaging Products

1Q 2008 Actual

## Sales



Growth rate y/y (Unit base)	
<b>Copying machines</b>	
Color	+19%
Monochrome	-1%
<b>Total</b>	<b>+3%</b>

Color ratio (Copying machines)	
<b>1Q</b>	
Value base*	46%
Unit base	25%

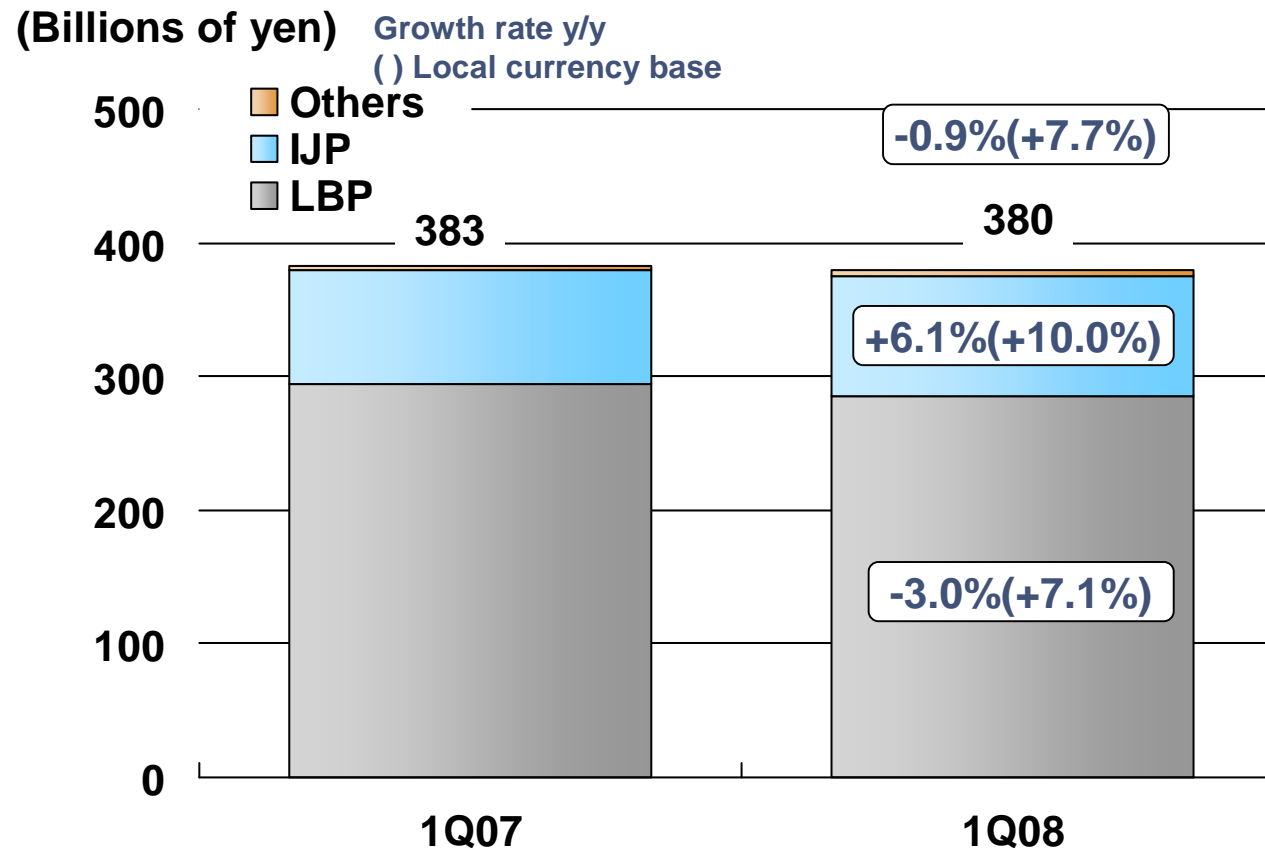
Calculated on a post reclassification basis  
\*Includes consumables

\*Figures related to analog personal copying machines, which use to be included in "Monochrome," are now included in "Others."

# Computer Peripherals

1Q 2008 Actual

## Sales



Growth rate y/y (Unit base)	
LBP	1Q
Color	0%
Monochrome	-7%
Total	-6%

### Color ratio (LBP)

	1Q
Value base*	38%
Unit base	16%

\*Includes consumables

Growth rate y/y (Unit base)	
	1Q
IJP	+9%

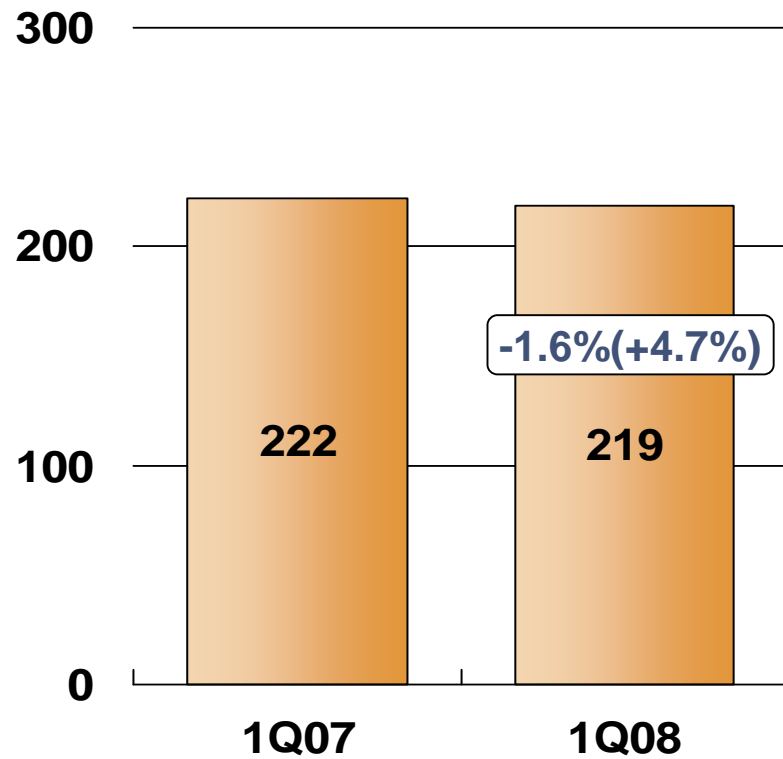


# Cameras

1Q 2008 Actual

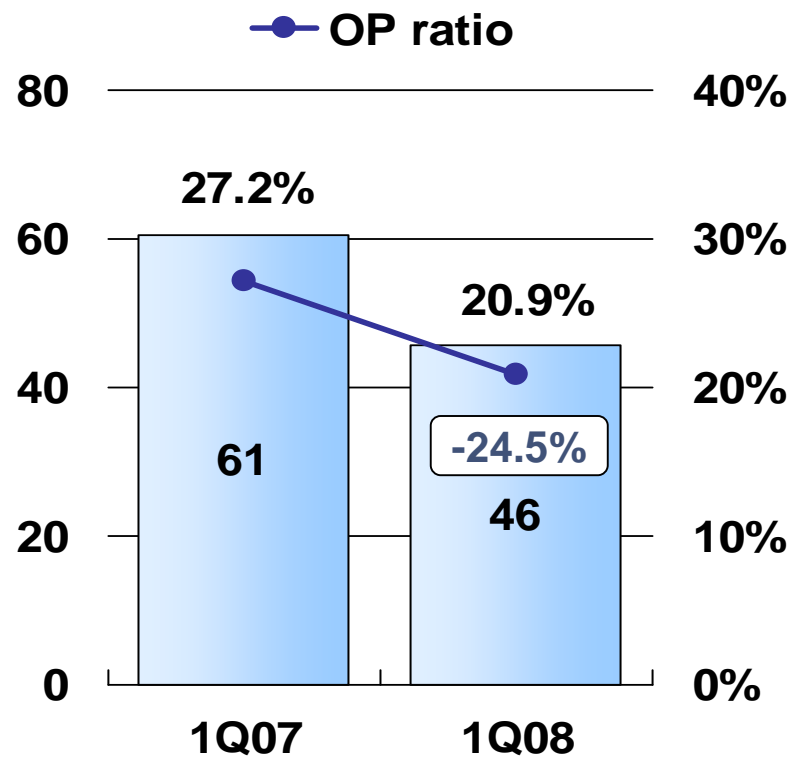
## Sales

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



## Operating Profit

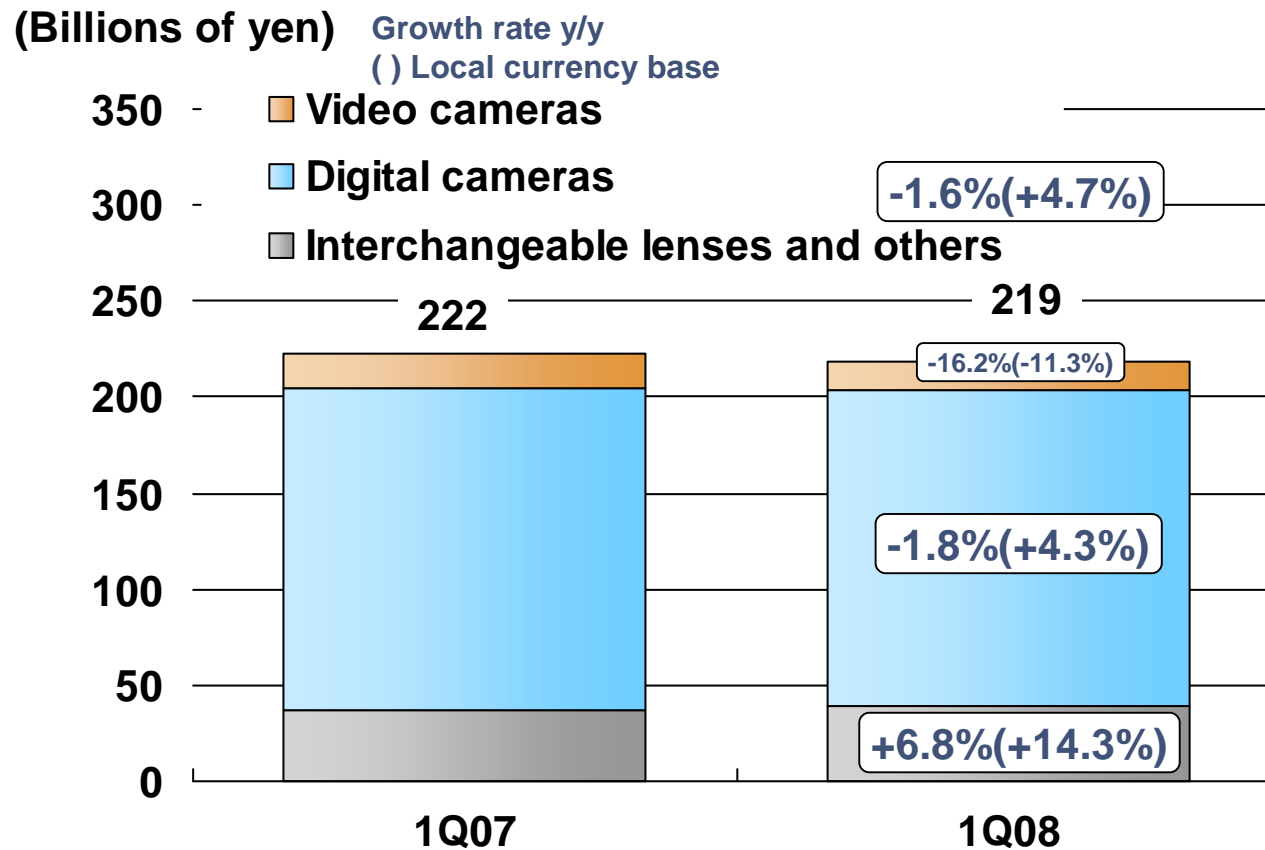
(Billions of yen)



# Cameras

1Q 2008 Actual

## Sales



Growth rate y/y (Unit base)	
1Q	
Digital cameras	+18%

### D SLR ratio\*

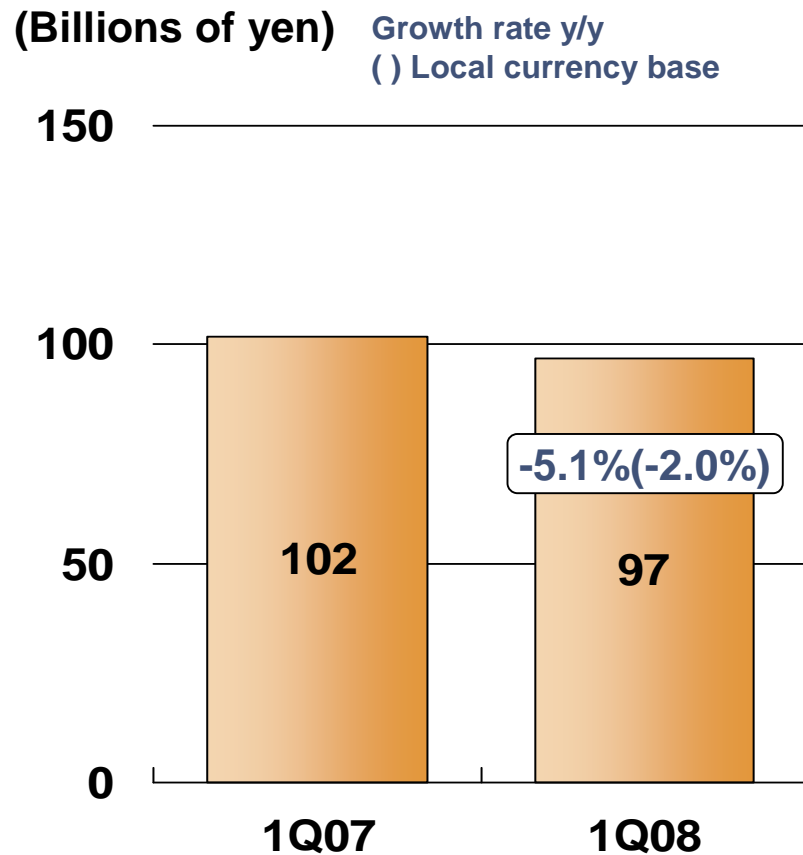
	1Q
Value base	38%
Unit base	12%

\* Percentage of digital cameras sales attributable to SLRs

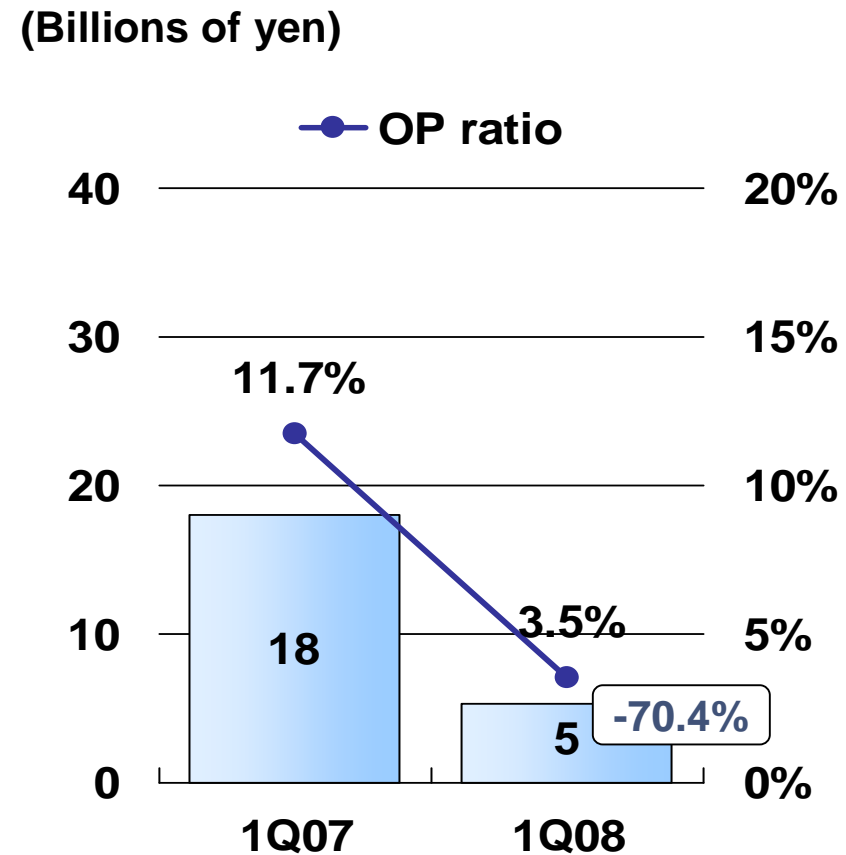
# Optical and Other Products

1Q 2008 Actual

## Sales



## Operating Profit



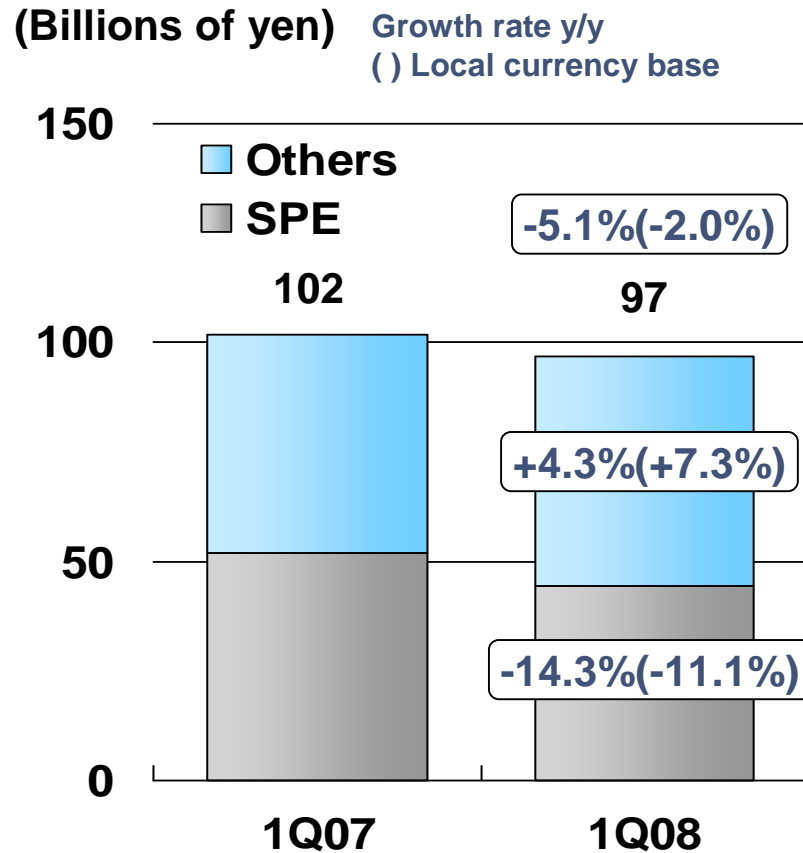
\*Excluding inter-segment sales

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

# Optical and Other Products

1Q 2008 Actual

## Sales



## IC Stepper Unit Breakdown by Light Source

	1Q08
ArF Dry	1
KrF	15
i-line	27

## SPE (Unit sales)

	1Q07	1Q08
IC	47	43
LCD	5	6
TTL	52	49

# Assumptions

2Q-4Q 2008

Average Exchange Rate	2Q-4Q08	FY08	FY07
■ Yen-1USD	100.00 yen	101.05 yen	117.50 yen
■ Yen-1EURO	157.00 yen	157.13 yen	161.41 yen

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

	Net sales	Operating profit
■ USD	13.8 billion yen	7.9 billion yen
■ EURO	6.0 billion yen	4.4 billion yen



# Key Points 2Q-4Q 2008

## Assumptions

- ✓ Continued strong yen
- ✓ Gradual economic recovery toward year end

## Projections

- ✓ New products contribution to be accelerated in second half of the year
- ✓ Thorough cost and expense reduction
- ✓ Overcome challenging environment and achieve ninth consecutive year of sales and profit growth

# Summary of Projected Results

## 1H&FY 2008 Current Projection

(Billions of yen)

		2008				2007		Pct. Change	
		Current projection	% Sales	Previous projection	% Sales	Actual	% Sales	Previous projection	Actual
1H	Net sales	2,120.0		2,230.0		2,166.7		-4.9%	-2.2%
	Gross profit	1,052.0	49.6%	1,130.0	50.7%	1,107.6	51.1%	-6.9%	-5.0%
	Op. profit	324.0	15.3%	390.0	17.5%	388.9	17.9%	-16.9%	-16.7%
	Net income	209.0	9.9%	256.0	11.5%	255.2	11.8%	-18.4%	-18.1%
	Yen-1USD	102.28		107.00		120.07			
	Yen-1EURO	157.27		157.00		159.77			
FY	Net sales	4,570.0		4,720.0		4,481.3		-3.2%	+2.0%
	Gross profit	2,274.0	49.8%	2,350.0	49.8%	2,247.0	50.1%	-3.2%	+1.2%
	Op. profit	770.0	16.8%	800.0	16.9%	756.7	16.9%	-3.8%	+1.8%
	Net income	500.0	10.9%	520.0	11.0%	488.3	10.9%	-3.8%	+2.4%
	Yen-1USD	101.05		107.00		117.50			
	Yen-1EURO	157.13		157.00		161.41			

# Transition in Sales and Operating Profit

1H&FY 2008 Current Projection v. 1H&FY 2008 Previous Projection

(Billions of yen)

	1H		FY	
	Sales	Op. Profit	Sales	Op. Profit
2008 Previous projection(Jan.30, 2008)	2,230.0	390.0	4,720.0	800.0
Foreign exchange impact [net sales, cost of sales, expenses]	-39.7	-22.2	-108.9	-51.5
Sales volume impact				
Office Imaging Products	-40.8		-41.0	
Computer Peripherals	-18.8		-6.0	
Business Information Products	+0.4		-2.5	
Cameras	-3.0		-2.0	
Optical and Other Products	-12.0		+1.7	
Total	-74.2	-39.6	-49.8	-23.9
Others	+3.9	-4.2	+8.7	+45.4
Total Change	-110.0	-66.0	-150.0	-30.0
2008 Current projection	2,120.0	324.0	4,570.0	770.0

**Change in Exchange Rate (1H)**

- 1USD: 107.00 to 102.28 yen
- 1EURO: 157.00 to 157.27 yen

**Change in Exchange Rate (FY)**

- 1USD: 107.00 to 101.05 yen
- 1EURO: 157.00 to 157.13 yen



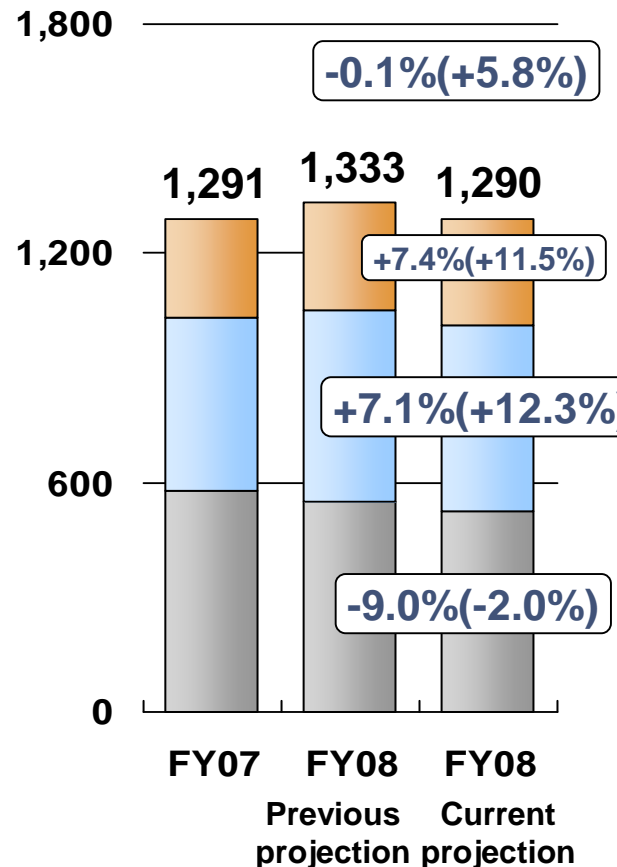
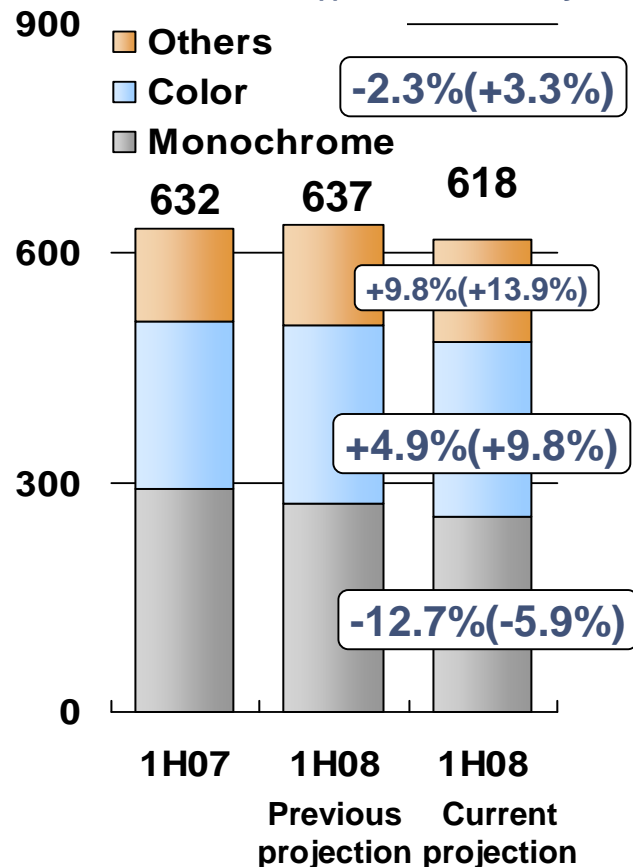
# Office Imaging Products

1H&FY 2008 Current Projection

## Sales

(Billions of yen)

Growth rate y/y  
( ) Local currency base



Growth rate y/y (Unit base)		
Copying machines	1H	FY
Color	+21%	+19%
Mono-chrome	+9%	+5%
Total	+12%	+8%

### Color ratio (Copying machines)

	1H	FY
Value base*	47%	48%
Unit base	25%	25%

Calculated on a post reclassification basis  
\*Includes consumables

\*Figures related to analog personal copying machines, which use to be included in "Monochrome," are now included in "Others."

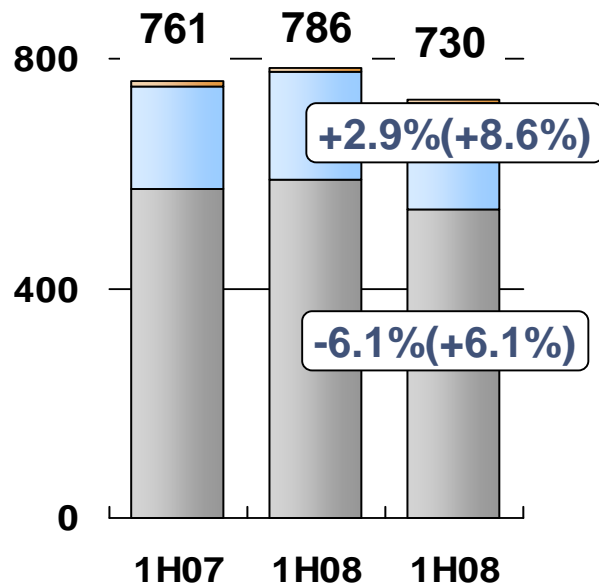
# Computer Peripherals

## 1H&FY 2008 Current Projection

### Sales

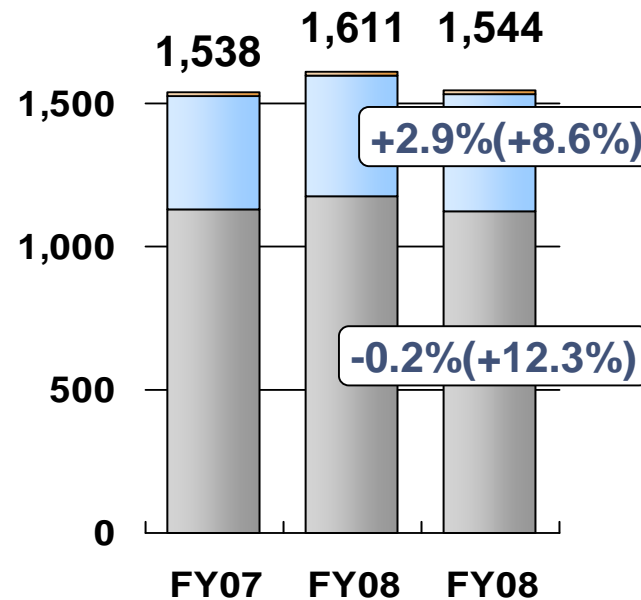
(Billions of yen) Growth rate y/y  
( ) Local currency base

1,200  
Others  
IJP  
LBP  
-4.0%(+6.6%)



Previous projection  
Current projection

2,000  
+0.4%(+11.1%)



Previous projection  
Current projection

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

LBP	1H	FY
Color	+13%	+26%
Mono-chrome	+4%	+3%
Total	+5%	+6%

### Color ratio (LBP)

	1H	FY
Value base*	37%	39%
Unit base	16%	16%

\*Includes consumables

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

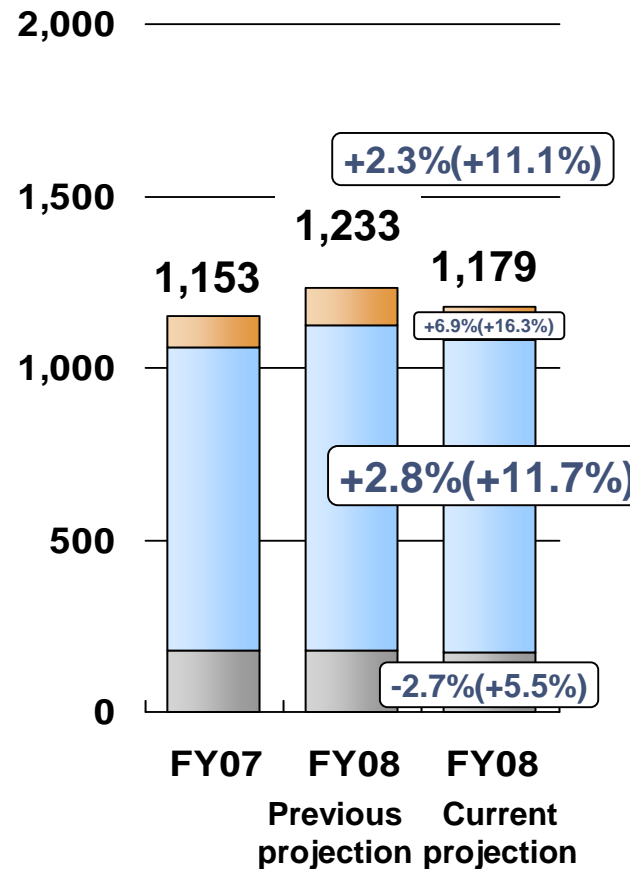
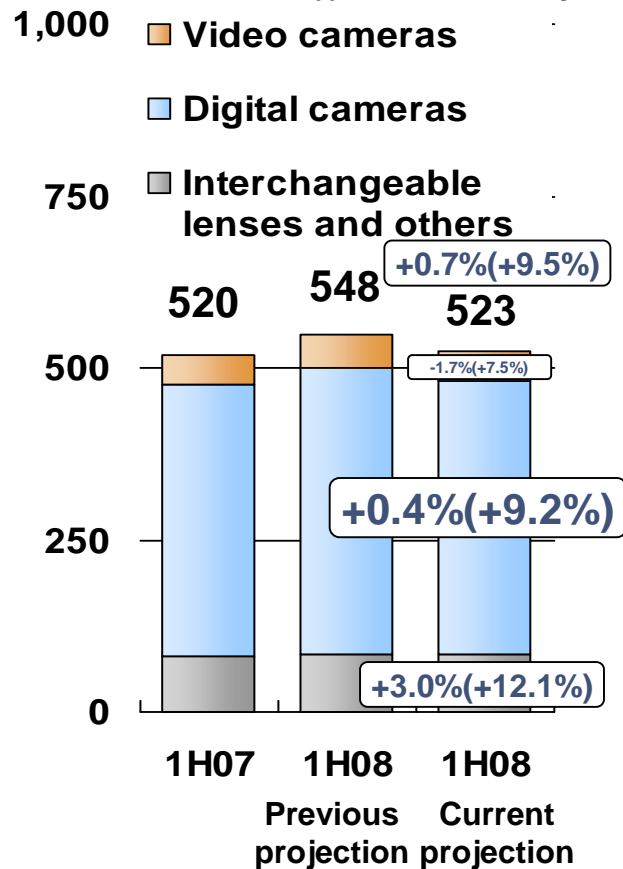
	1H	FY
IJP	+9%	+8%

# Cameras

## 1H&FY 2008 Current Projection

### Sales

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



Growth rate y/y (Unit base)		
	1H	FY
Digital cameras	+17%	+20%

#### D SLR ratio\*

	1H	FY
Value base	40%	42%
Unit base	14%	15%

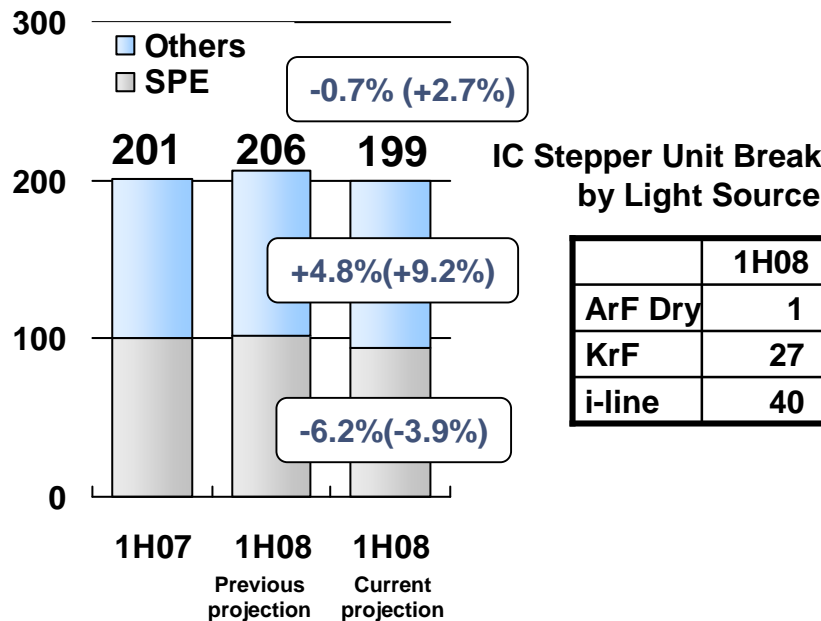
\* Percentage of digital cameras sales attributable to SLRs

# Optical and Other Products

1H&FY 2008 Current Projection

## Sales

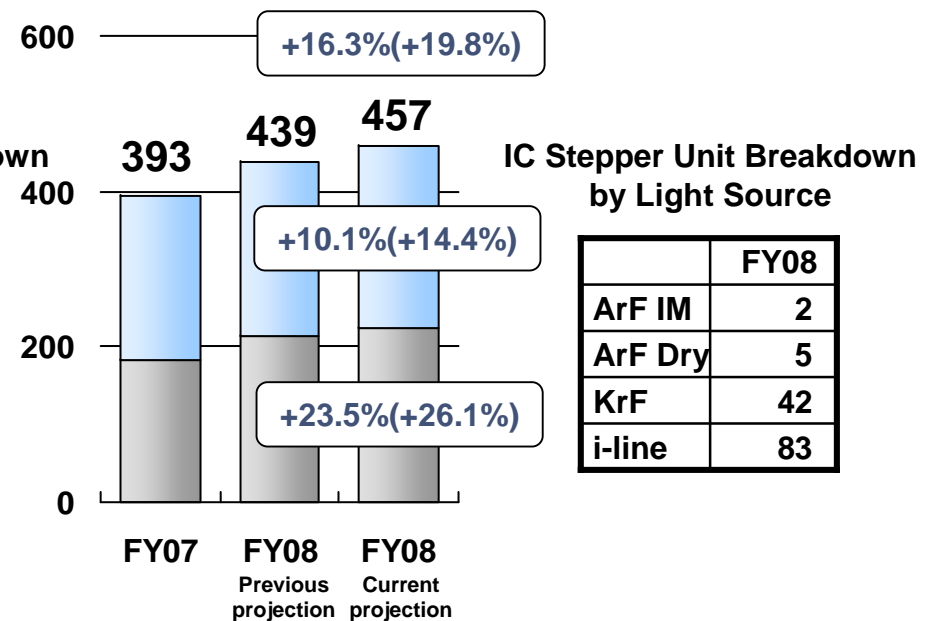
(Billions of yen) Growth rate y/y  
( ) Local currency base



### SPE (Unit sales)

	1H07	1H08 Previous projection	1H08 Current projection
IC	94	83	68
LCD	13	19	23
Total	107	102	91

(Billions of yen)



### SPE (Unit sales)

	FY07	FY08 Previous projection	FY08 Current projection
IC	179	130	132
LCD	29	60	68
Total	208	190	200

# Operating Profit by Product

1H&FY 2008 Current Projection v. 1H&FY 2007 Actual

(Billions of yen)

	2008 Current Projection		2007 Actual	
	1H	FY	1H	FY
Business machines	309.4	659.2	335.5	650.3
% sales	22.1%	22.5%	23.2%	22.2%
Cameras	113.3	308.1	137.3	307.4
% sales	21.7%	26.1%	26.4%	26.7%
Optical and other products	11.9	45.8	21.4	21.1
% sales	3.8%	6.3%	6.9%	3.3%
Corp. and eliminations	-110.6	-243.1	-105.3	-222.1
Total	324.0	770.0	388.9	756.7
% sales	15.3%	16.8%	17.9%	16.9%

# Supplementary Information

# 1Q 2008

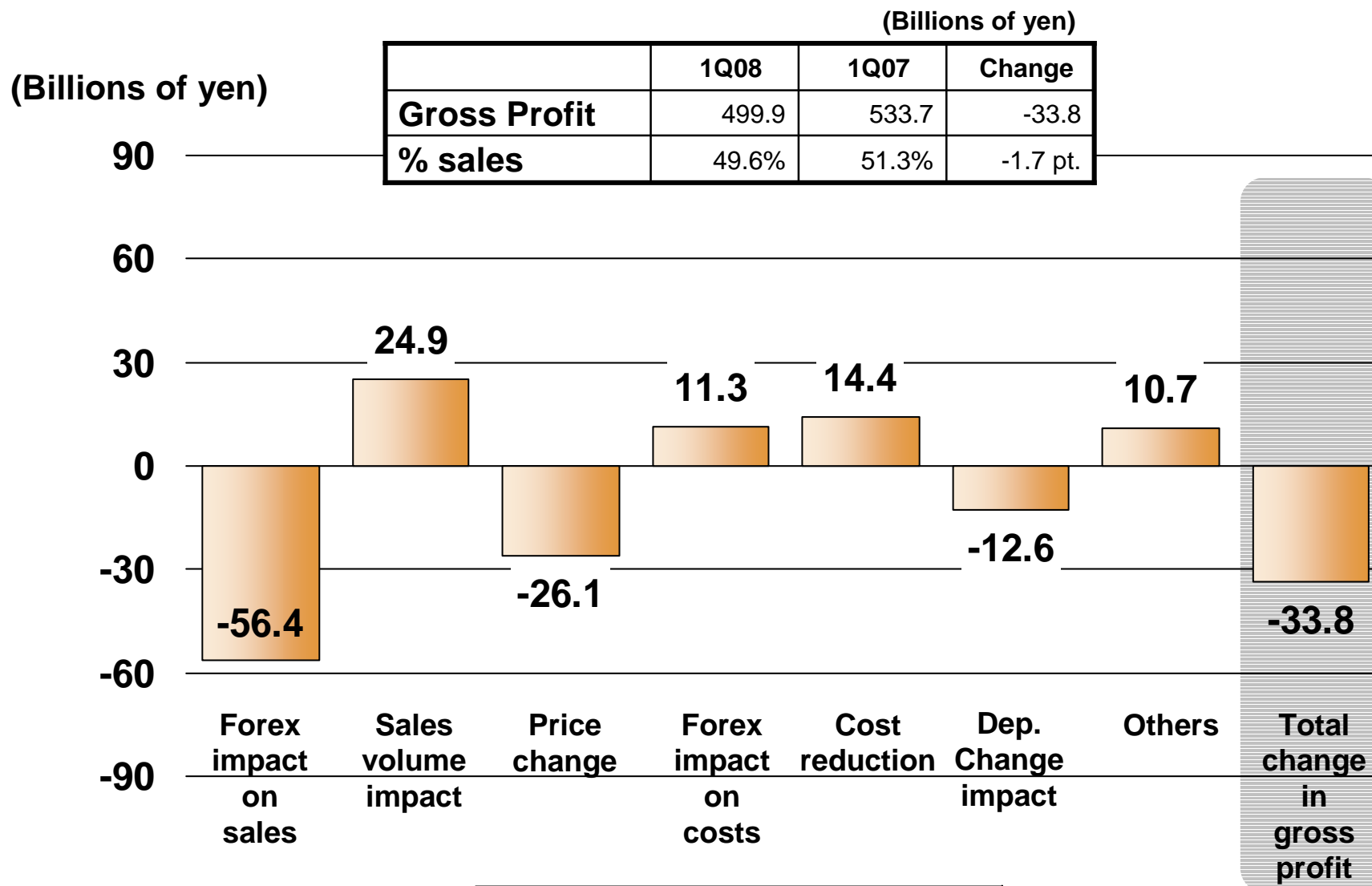
Sales and profit (excluding foreign exchange and depreciation change impact)

(Billions of yen)

	1Q 2008				1Q 2007 Actual
	Actual	Foreign exchange impact	Depreciation change impact	Actual (excluding forex and dep. Impact)	
<b>Net sales</b>	1,007.5	-56.4		1,063.9	1,039.8
<b>Gross profit</b>	499.9	-45.1	-12.6	557.6	533.7
[% sales]	49.6%			52.4%	51.3%
<b>Op. profit</b>	170.8	-37.3	-17.0	225.1	207.4
[% sales]	17.0%			21.2%	19.9%
<b>Foreign exchange rate</b>					
Yen – 1USD	104.78				119.33
Yen – 1EURO	157.59				156.45

# Gross Profit Variance Analysis

1Q 2008 Actual v. 1Q 2007 Actual

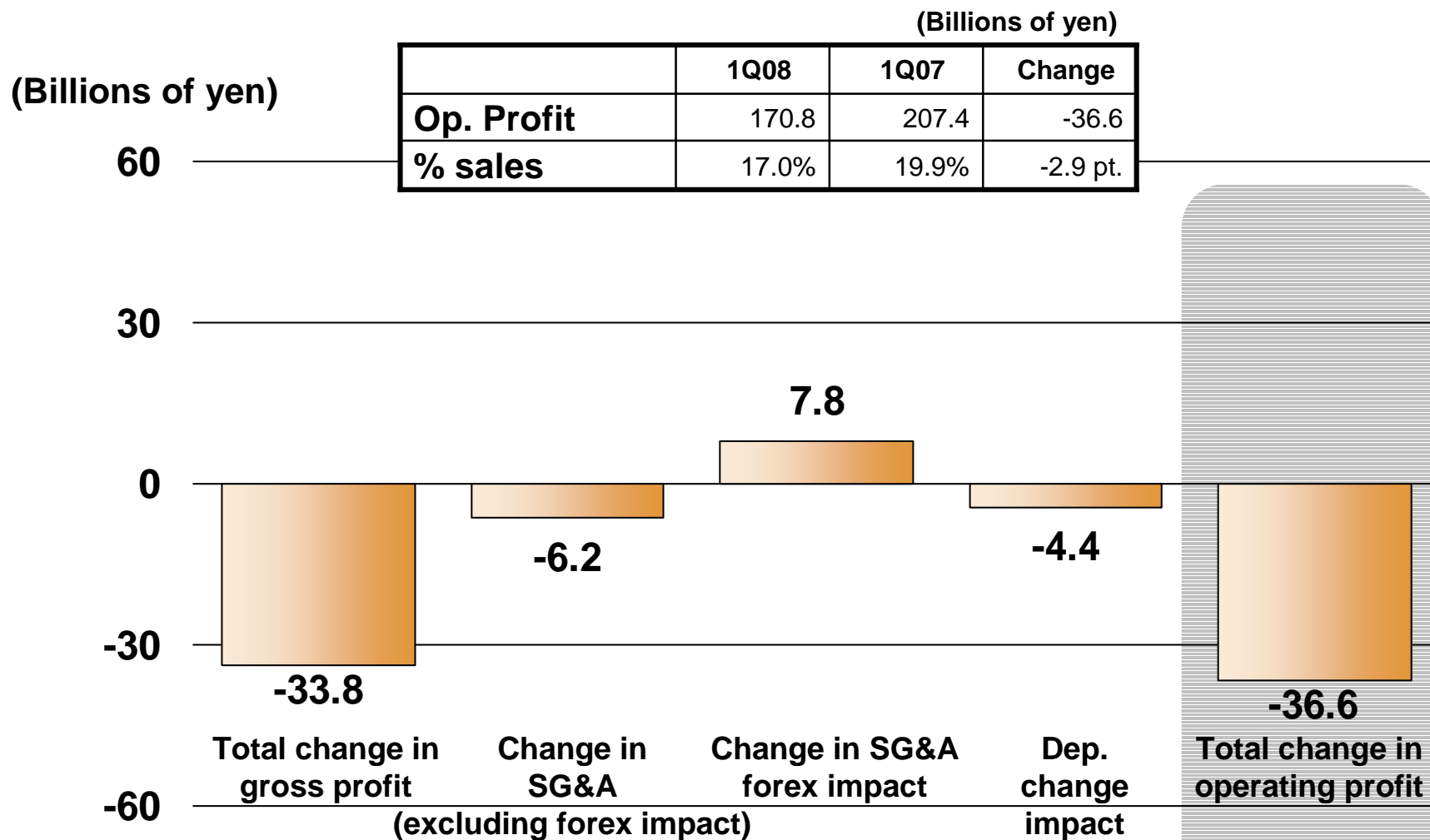


Supplementary Information



# Operating Profit Variance Analysis

1Q 2008 Actual v. 1Q 2007 Actual



Supplementary Information

# Transition in Sales and Operating Profit

1H&FY 2008 Current Projection v. 1H&FY 2007 Actual

(Billions of yen)

	1H		FY	
	Sales	Op. Profit	Sales	Op. Profit
2007 Actual	2,166.7	388.9	4,481.3	756.7
Foreign exchange impact [net sales, cost of sales, expenses]	-154.8	-96.1	-324.8	-198.7
Sales volume impact				
Office Imaging Products	-20.7		+51.0	
Computer Peripherals	+59.4		+165.5	
Business Information Products	-0.7		-1.2	
Cameras	+110.5		+253.1	
Optical and Other Products	+3.5		+62.2	
Total	+152.0	+70.5	+530.6	+256.2
Others	-43.9	-39.3	-117.1	-44.2
Total Change	-46.7	-64.9	+88.7	+13.3
2008 Current projection	2,120.0	324.0	4,570.0	770.0

**Change in Exchange Rate (1H)**

- 1USD: 120.07 to 102.28 yen
- 1EURO: 159.77 to 157.27 yen

**Change in Exchange Rate (FY)**

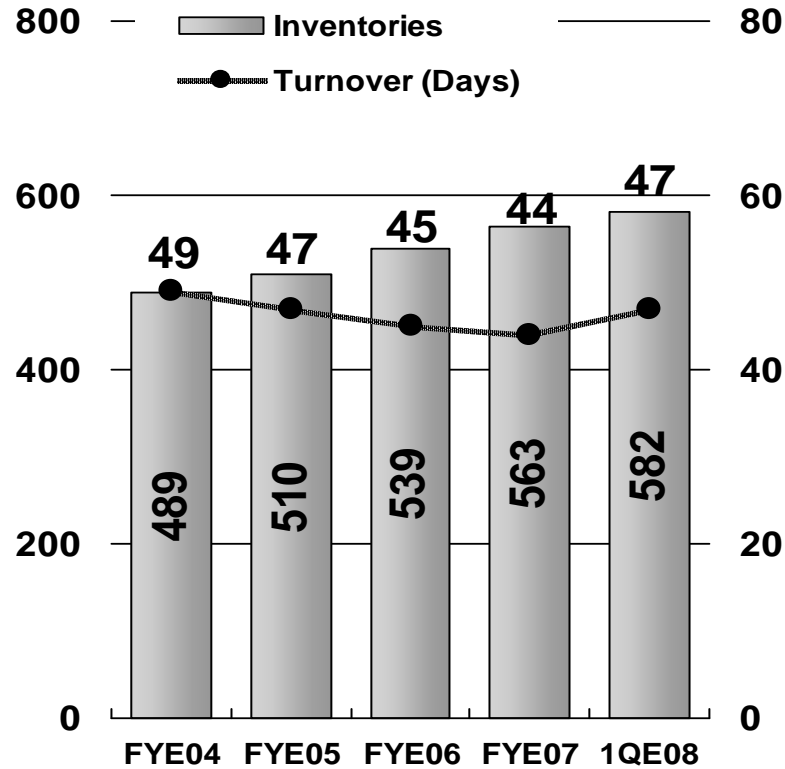
- 1USD: 117.50 to 101.05 yen
- 1EURO: 161.41 to 157.13 yen

Supplementary Information

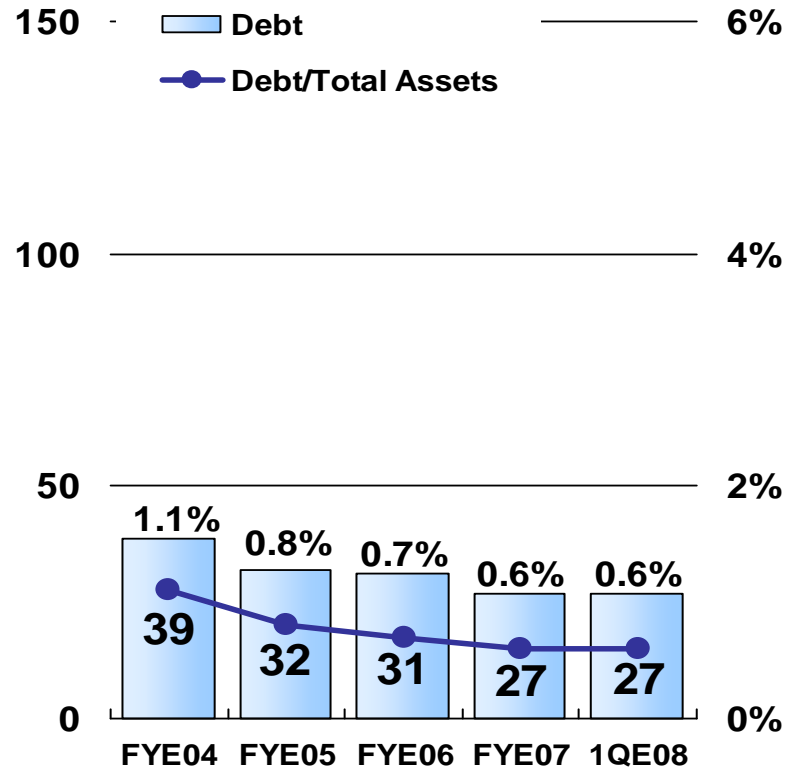
# Inventories

# Interest Bearing Debt

(Billions of yen)

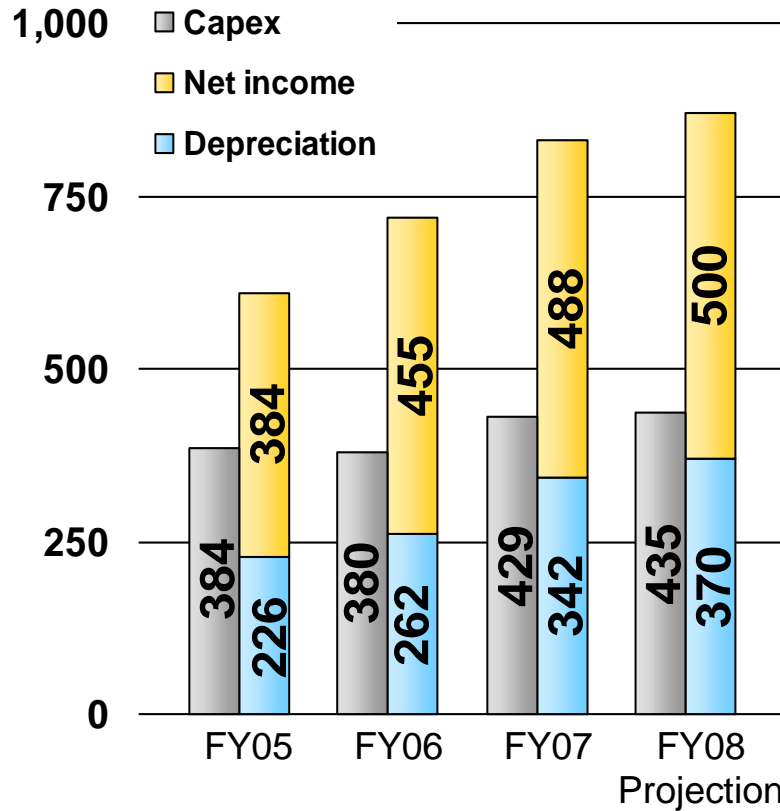


(Days) (Billions of yen)



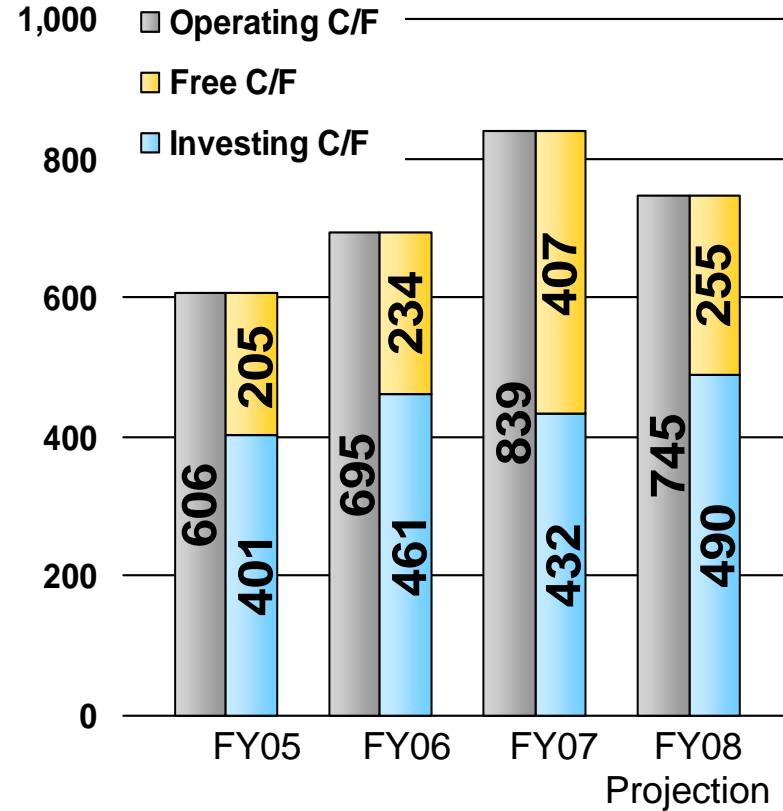
# Capital Expenditure

(Billions of yen)



# Free Cash Flow

(Billions of yen)



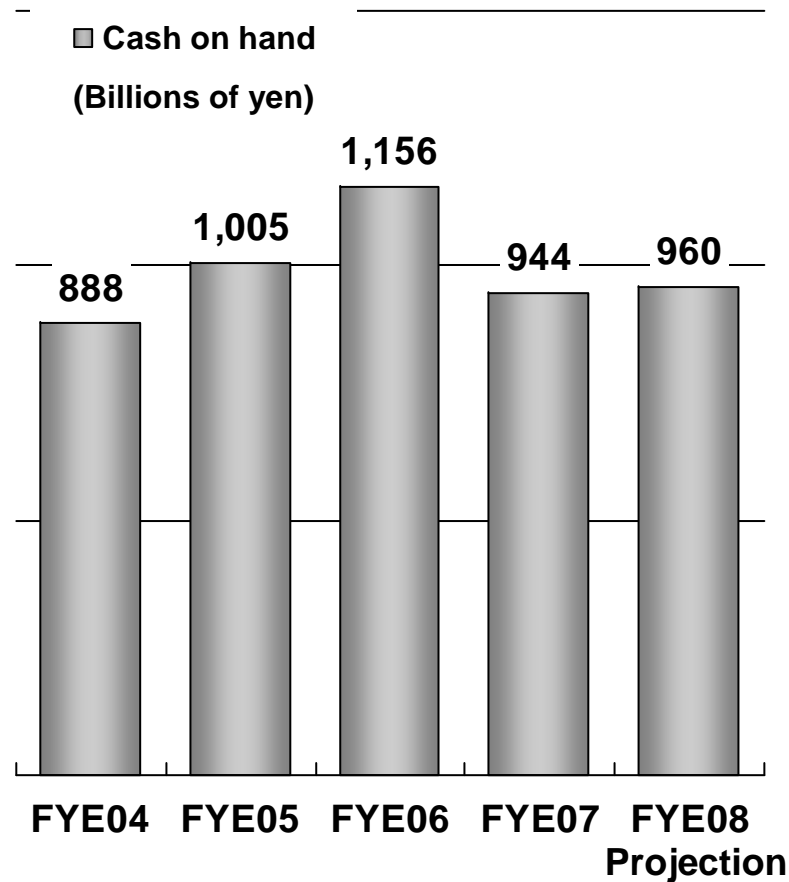
[Major Expenditures in 2008]

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

Supplementary Information

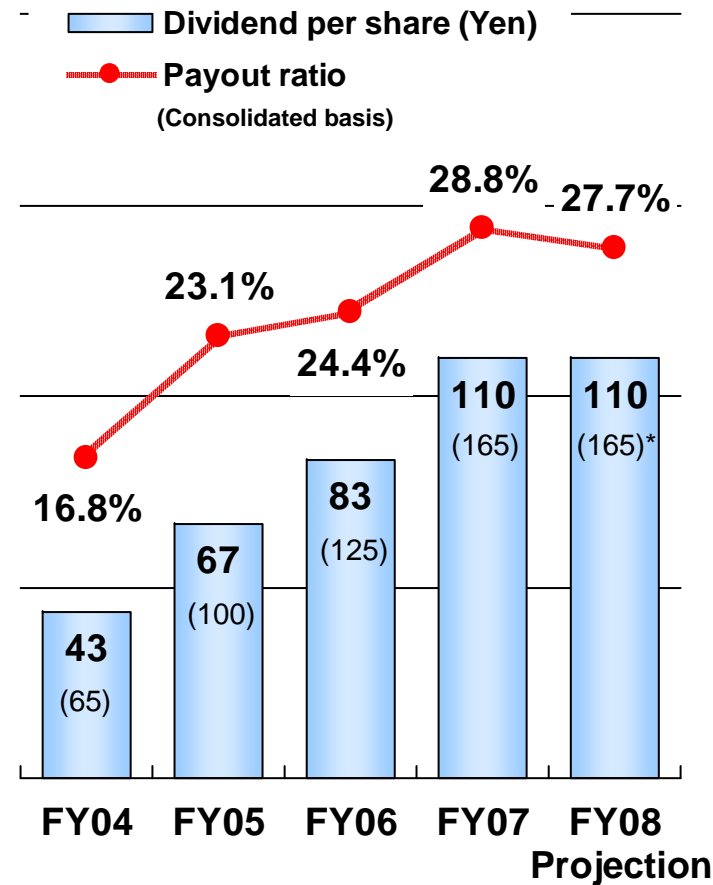
# Cash on Hand and Return to Shareholders

## Cash on Hand (Year-end)



\*Approx. 450 billion yen used to purchase own shares in FY2007

## Return to Shareholders



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

Supplementary Information

# Financial Ratios

\* EPS (Basic) has been adjusted to reflect a 3-for-2 forward stock split (effective date July 1, 2006)

