

# The First Quarter of FY2008 Results Presentation

April 23 , 2008

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**Canon Marketing Japan Inc.**

Forward-looking statements, including results forecasts on this web site, are based on management's assumption in light of current information available and therefore contain inherent risks and uncertainties. As a consequence, a range of variable factors may cause actual results to differ materially from forecasts.

**Canon**

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キヤノンマーケティングジャパン株式会社

# 1. Principles of Consolidation

	<b>31-Dec-07</b>	Newly consolidated	Newly unconsolidated	<b>31-Mar-08</b>
Number of consolidated companies	24	-	1	<b>23</b>
Number of equity-method companies	0	-	-	<b>0</b>
<b>Total</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>23</b>

◆ January 2008: SANIN CANON JIMUKI Inc. was merged with Canon System and Support Inc.

## 2. Consolidated Statements of Income



(January – March 2008)

billions of yen

	1Q 2007	1Q 2008	Changes	
				%
Net Sales	213.4	212.0	-1.4	-1%
(%)	(32.3%)	(31.9%)	(0.4%)	
Gross Margin	68.9	67.7	-1.2	-2%
(%)	(4.4%)	(3.6%)	(0.8%)	
Operating Income	9.4	7.7	-1.7	-18%
(%)	(4.4%)	(3.7%)	(0.7%)	
Ordinary Income	9.3	7.8	-1.5	-16%
Income before income taxes	9.2	7.3	-1.9	-21%
(%)	(2.4%)	(1.7%)	(0.7%)	
Net Income	5.2	3.6	-1.6	-31%
EPS (Yen)	34.42	25.03		

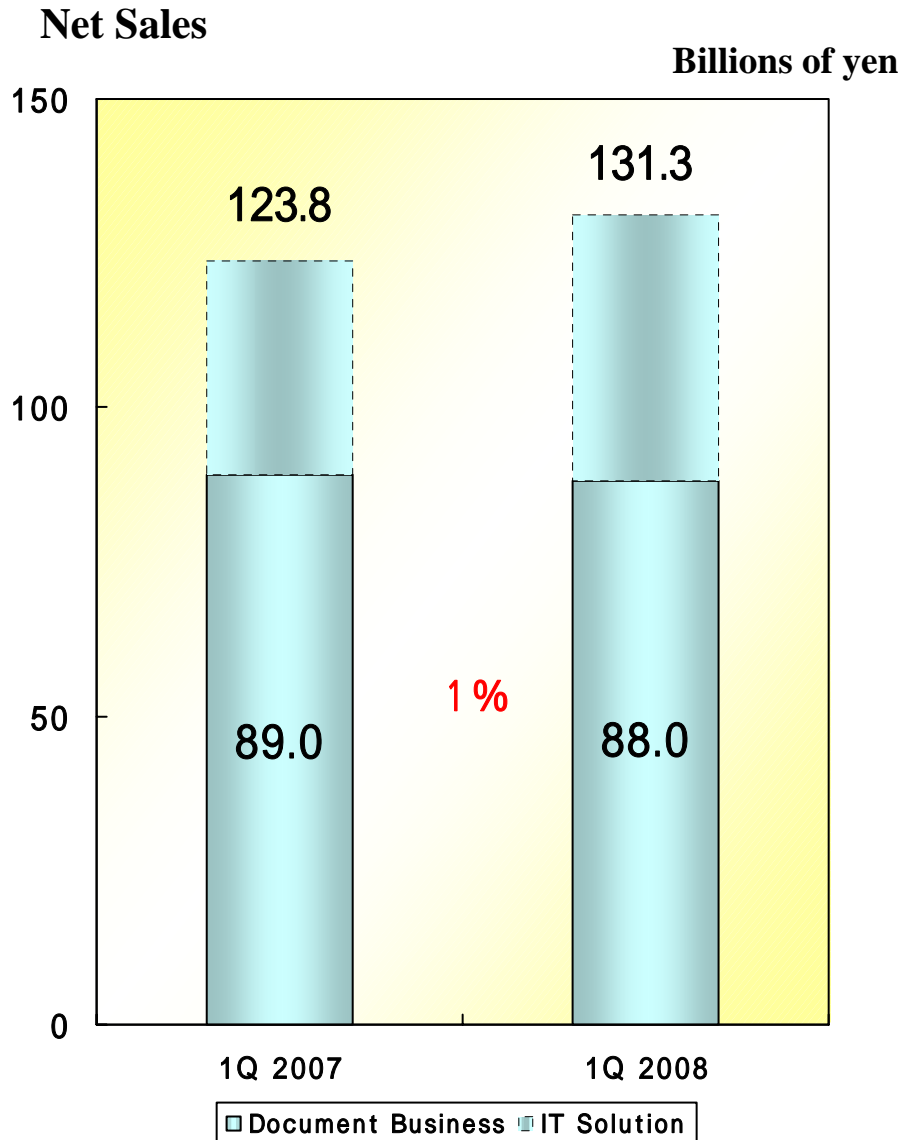
### 3. Consolidated Segment information



(January – March 2008)

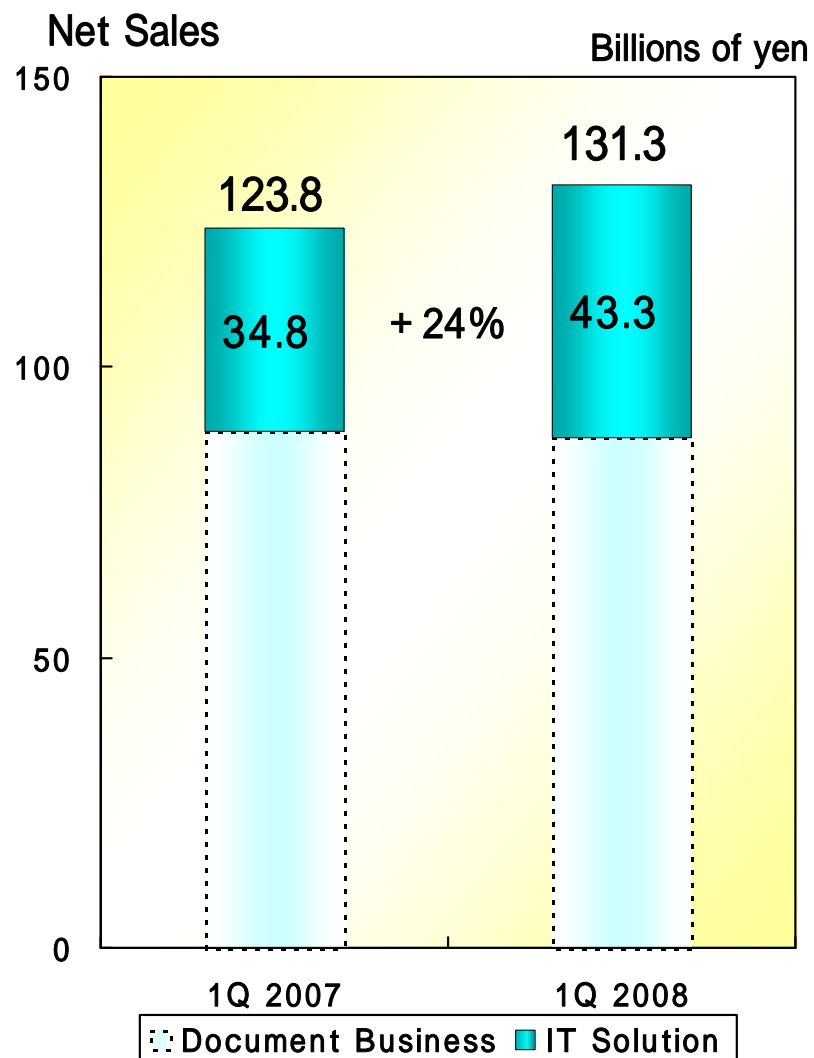
		1Q 2007		1Q 2008		billions of yen Changes	
		Net Sales	%	Net Sales	%		%
	Document Business	(89.0)	(42%)	(88.0)	(42%)	(-1.0)	( 1%)
	IT Solution	(34.8)	(16%)	(43.3)	(20%)	(+8.5)	(+24%)
Business Solutions		123.8	58%	131.3	62%	+7.5	+6%
Consumer equipment		63.2	30%	60.5	29%	-2.7	4%
Industrial equipment		26.4	12%	20.2	9%	-6.2	-23%
Total		213.4	100%	212.0	98%	-1.4	( 1%)

# 4-1. Segment Information (Document Business)



Year-over-Year percentage changes	1Q 2008
Business equipment (consolidated ,value)	-4%
Toner Cartridge for LBP (non-consolidated,value)	+4%
Maintenance & Service (consolidated ,value)	+2%
Document Business (consolidated ,value)	-1%

## 4-2. Segment Information (IT Solutions)

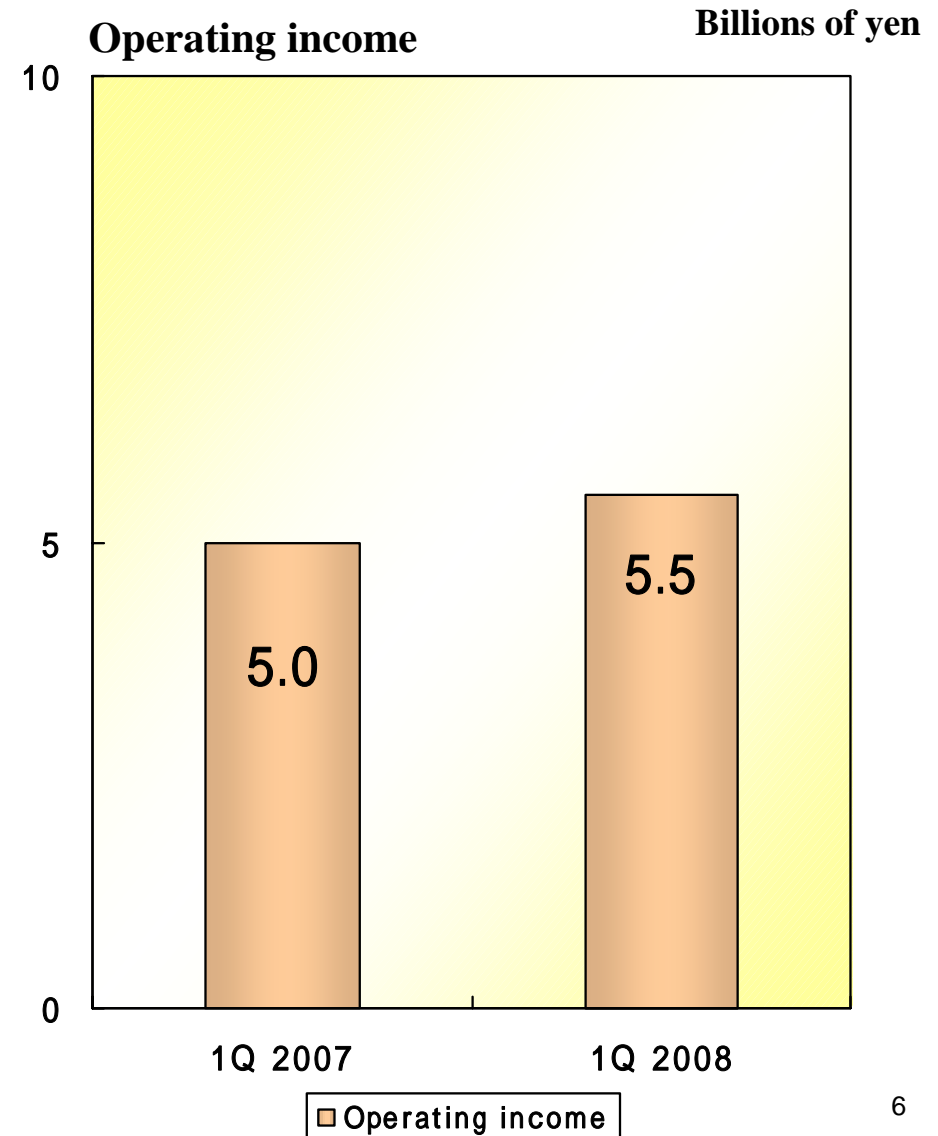
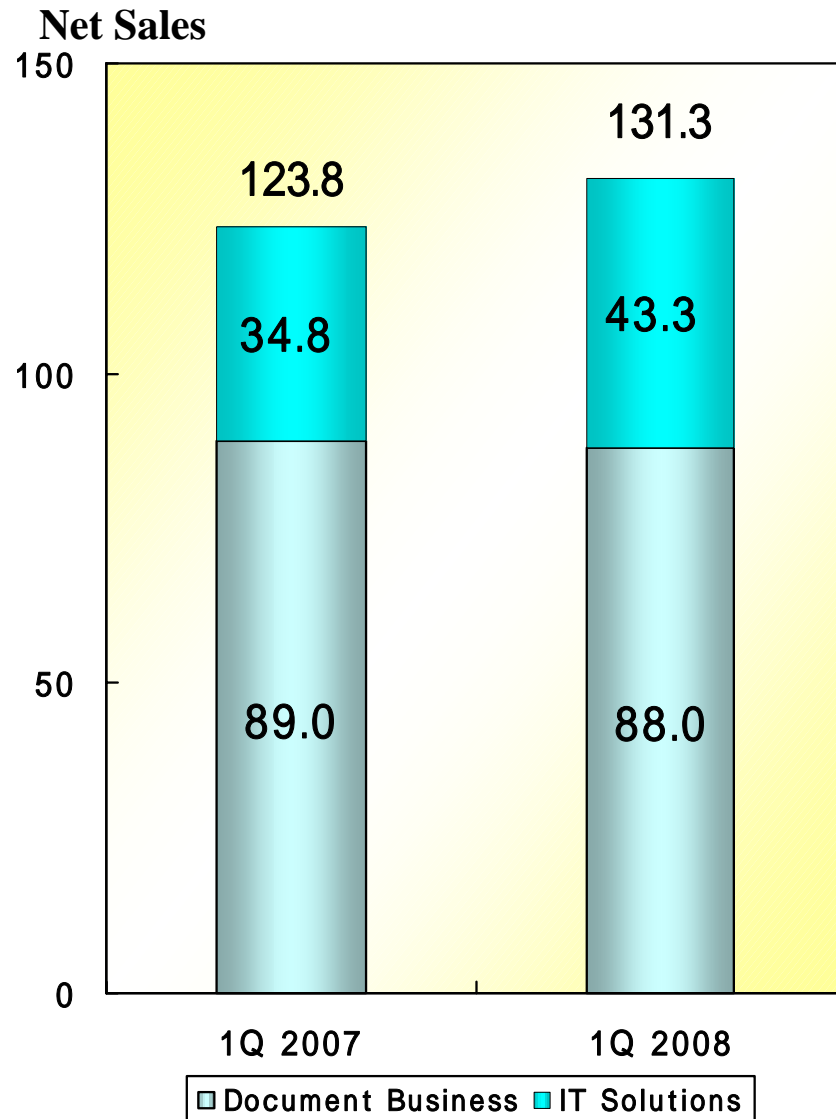


Year-over-Year percentage changes	1Q 2008
IT Service (consolidated ,value)	+38%
IT Product (consolidated ,value)	-8%
IT Solution (consolidated ,value)	+24%

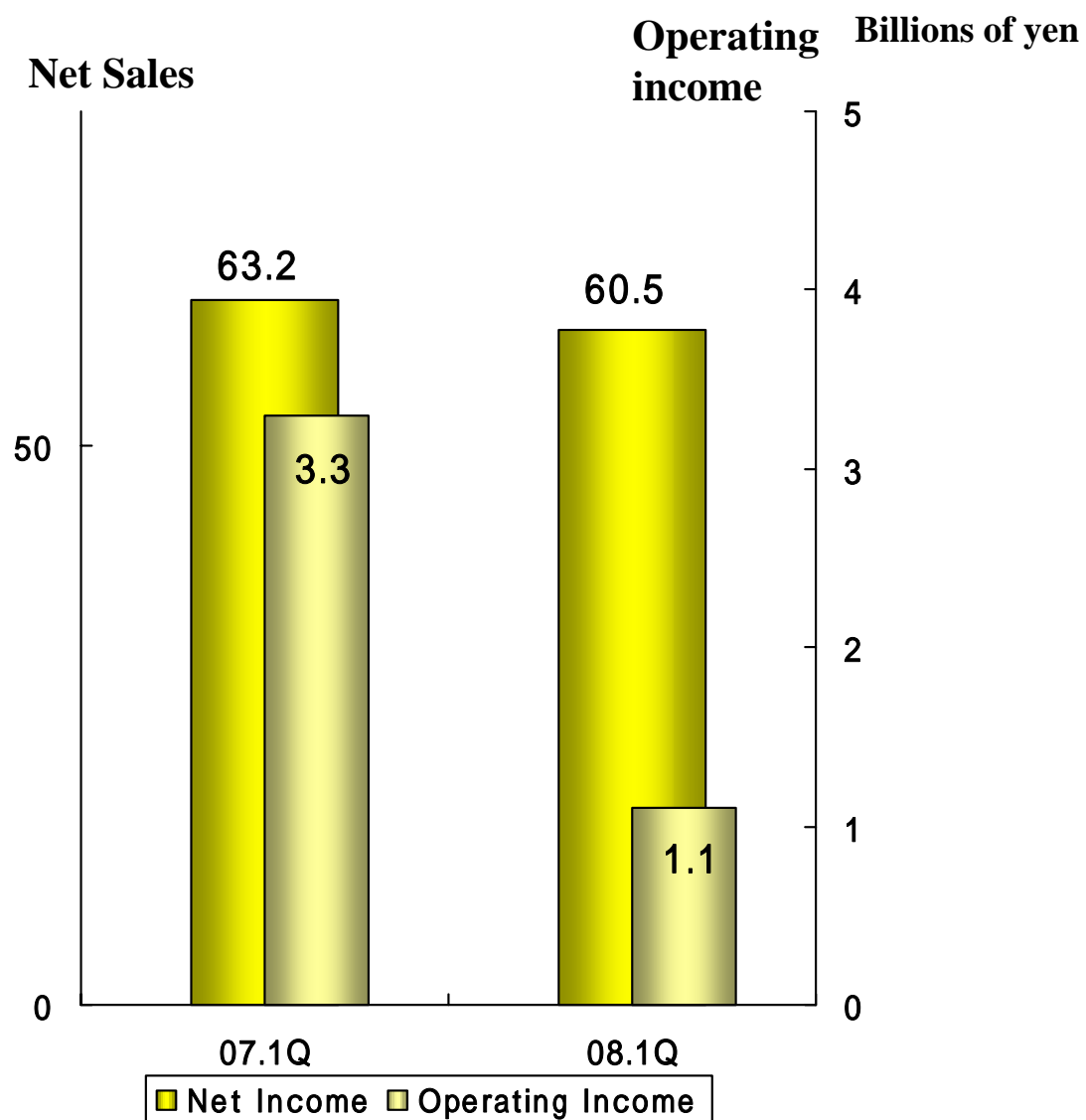
Billions of yen

IT Solutions Subsidiaries	1Q 2008	Change
Canon Software	4.84	+25%
Canon System Solutions	12.43	+22%
Canon Network Communications	2.56	+21%
Argo21	7.16	-
<b>Total</b>	<b>26.99</b>	

# 4-3. Segment Information (Business Solutions)



# 4-4. Segment Information (Consumer equipment)

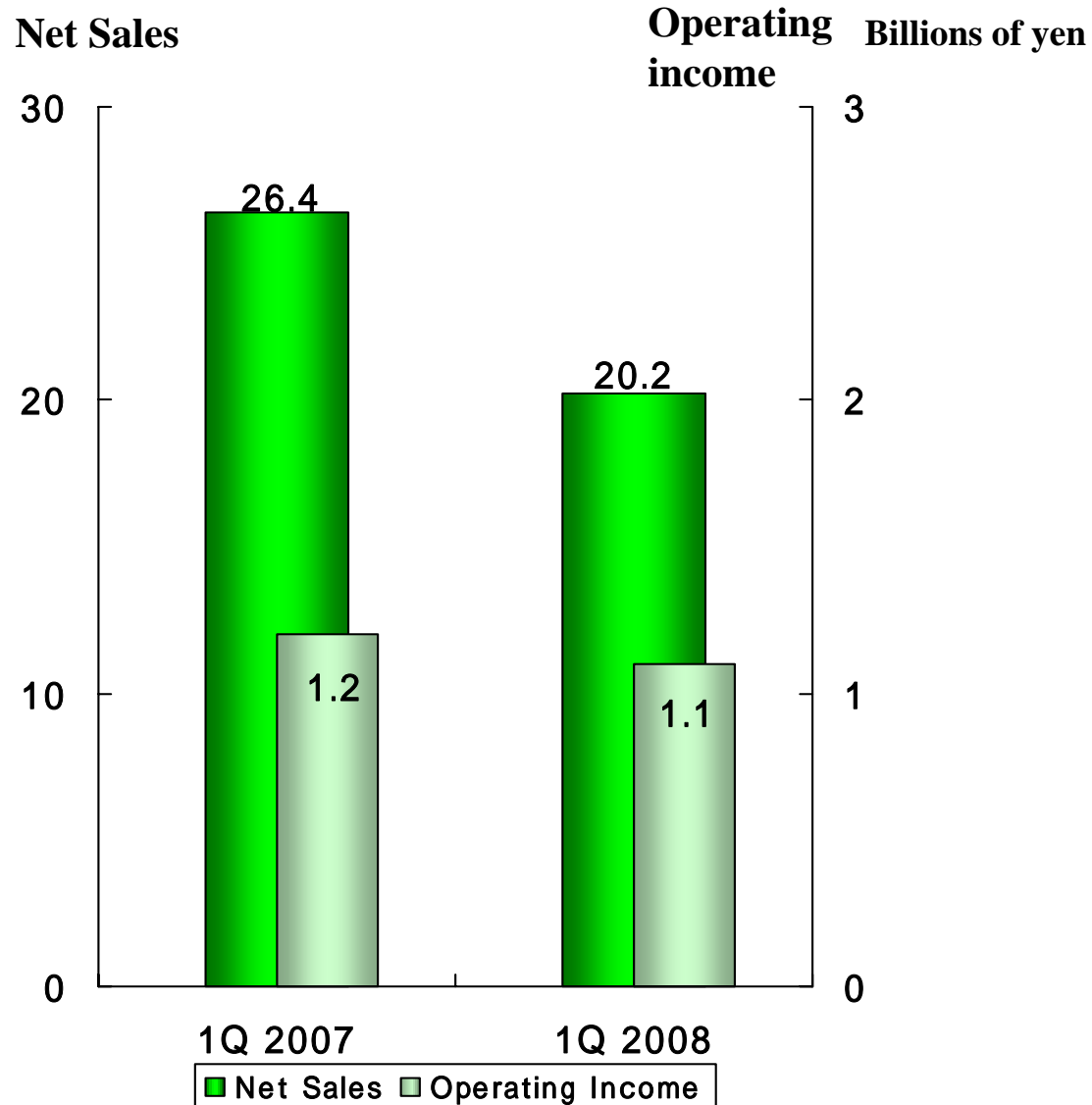


Year-over-Year percentage changes	1Q 2008
IJP Cartridge (non-consolidated,value)	+1%
Consumer equipment (consolidated , value)	-4%

Year-over-Year percentage changes	1Q 2008
The change of growth except the sales of PCs (consolidated ,value)	-3%



# 4-5. Segment Information (Industrial equipment)



Year-over-Year percentage changes	1Q 2008
Industrial equipment (consolidated, value)	-23%

## 5. Outlook for Fiscal 2008

Billions of yen

	FY 2007			FY 2008			Changes		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	427.7	477.4	905.1	441.0	484.0	925.0	+13.3	+6.6	+19.9
(%)	(+4.0%)	(+4.2%)	(+4.1%)	(+3.2%)	(+4.1%)	(+3.7%)	(-0.8%)	(-0.0%)	(-0.4%)
Operating income	17.0	19.9	36.9	14.0	20.0	34.0	-3.0	+0.1	-2.9
(%)	(+4.1%)	(+4.1%)	(+4.1%)	(+3.2%)	(+4.1%)	(+3.7%)	(-0.9%)	(-)	(-0.3%)
Ordinary income	17.5	19.4	36.9	14.0	20.0	34.0	-3.5	+0.6	-2.9
(%)	(+2.3%)	(+2.1%)	(+2.2%)	(+1.8%)	(+2.3%)	(+2.1%)	(-0.6%)	(+0.2%)	(-0.1%)
Net income	10.0	10.0	20.0	8.0	11.0	19.0	-2.0	+1.0	-1.0

No Change from our outlook that was announced on January 28, 2008

## 6-1. Outlook for Fiscal 2008 by segment

		FY2007			FY2008			Change		
		1H	2H	FY	1H	2H	FY	1H	2H	FY
Document Business	Net Sales	174.2	171.5	345.7	179.8	178.0	357.8	5.6	6.5	12.1
	IT Solution	73.7	64.3	171.0	93.7	97.5	191.2	20.0	33.2	20.2
<b>Business Solutions</b>	Net Sales	247.9	268.8	516.7	273.5	275.5	549.0	25.6	6.7	32.3
	Operating Income	8.5	8.7	17.2	8.5	9.0	17.5	0.1	1.9	2.0
<b>Consumer equipment</b>	Net Sales	128.0	156.4	284.4	127.5	160.0	287.5	(0.5)	3.6	3.1
	Operating Income	5.8	8.6	14.4	4.5	9.0	13.5	(1.3)	0.4	(0.9)
<b>Industrial equipment</b>	Net Sales	51.8	52.2	104.0	40.0	48.5	88.5	(11.8)	(3.7)	(15.5)
	Operating Income	2.7	2.6	5.3	1.0	2.0	3.0	(1.7)	(0.6)	(2.3)
<b>Total</b>	Net Sales	427.7	477.4	905.1	441.0	484.0	925.0	13.3	6.6	19.9
	Operating Income	17.0	19.9	36.9	14.0	20.0	34.0	(3.0)	0.1	(2.9)

No Change from our outlook that was announced on January 28, 2008

## 6-2 . Outlook for Fiscal 2008 (Business Solutions Topics )

### Document Business

“CANON S3500”



#### MFP

- ✓ In Japanese market, Color Products will be increased but, the volume of total will be decreased.
- ✓ We make solution power a strong point and sell it steadily machines.

#### LBP

- ✓ The total device proposal interlocked with MFP and ASP will be lower are strengthened.
- ✓ Favorably growth [ including a toner cartridge ] with the number of market operation.

#### Service & Support

- ✓ ASP downward trend continues. Document volume increases under the influence of a large-sized business.

### IT Solutions

Growth of "Canon IT Solutions" born in April will be core company in our subsidiaries.

## 6-3 . Outlook for Fiscal 2008 (Consumer equipment Topics )

### Digital SLR Camera

- ✓ Expansion of a market is continued.
- ✓ An interchangeable lens is also included and it is good continuation succeeding. with new product "EOS Kiss X2" which aims at a top share .



EOS Kiss X2

### Compact Digital Camera

- ✓ Although there is concern of the unit price down by competition between makers and wholesalers.
- ✓ Canon MJ keeps growth exceeding sales.

### Home Printer

- ✓ Ink-jet printers aim at the number sale of a main part exceeding the previous year in market motorization.
- ✓ Sales also increase favorably by the increase in home photograph print demand.

## 6-4 . Outlook for Fiscal 2008 ( Industrial equipment Topics )

Canon

### Lithography Equipment for Semiconductor Manufactures

- ✓ Market environment is severe.
- ✓ Canon MJ keeps the position of top share

### Imported Products

- ✓ Focus on Demand big in the future,  
such as MEMS or medical equipment, is expected.

### Broadcasting Lenses

- ✓ The flow of high-difinition continues in a year  
and growth can be expected.



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## Reference data

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- 1. Main subsidiary companies record**
- 2. Selling, general and administrative expenses**
- 3. Non-operating income & expenses**
- 4. Extraordinary income and loss**
- 5. Consolidated balance sheet**
- 6. Current assets**
- 7. Consolidated Statements of cash flows**

# 1. Main subsidiary companies record (January-March, 2008)



	1Q 2007		1Q 2008		billions of yen change	
	Net Sales	Operating income	Net sales	Operating income	Net Sales	Operating income
< Document Business >						
Canon System & Support Inc.	28.58	(2.0%) 0.56	29.43	(2.6%) 0.76	+0.85	(+0.6%) +0.20
< IT SOLUTIONS >						
Canon Software Inc.	3.87	(4.7%) 0.18	4.84	(3.1%) 0.15	+0.97	(-1.6%) -0.03
Canon System Solutions Inc.	10.23	(8.0%) 0.82	12.43	(5.7%) 0.69	+2.20	(-2.4%) -0.13
Canon Network Communications Inc.	2.11	(7.1%) 0.15	2.56	(9.0%) 0.23	+0.45	(+1.9%) +0.08
ARGO 21	-	-	7.16	0.85	+7.16	+0.85
Total	16.21	(7.1%) 1.15	26.99	(7.1%) 1.92	+10.78	(+0.0%) +0.77
< Shared service >						
Canon Business Support Inc.	6.06	(2.3%) 0.14	6.79	(3.1%) 0.21	+0.73	(+0.8%) +0.07

\* The amount of money is a thing before connection elimination.



## 2 . Selling, general and administrative expenses

billions of yen

	1Q 2007	1Q 2008	Changes
Advtising expenses	4.2	4.1	(0.1)
Sales promotion expenses	5.9	6.1	0.2
Warranty expenses	3.2	3.3	0.1
Personal expenses	31.6	32.0	0.4
Other expenses	14.5	14.5	0.0
<b>TOTAL</b>	<b>59.4</b>	<b>60.0</b>	<b>0.6</b>

### 3. *Non-operating income & expenses*

billions of yen

	1Q 2007	1Q 2008	changes
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#### [Non-operating income]

Interest and dividend income	0.1	0.3	0.2
Amortization of negative goodwill	0.2	-	-0.2
Others	0.2	0.3	0.1
<b>TOTAL</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>

#### [Non-operating expenses]

Loss on disposal and devaluation of inventories	0.5	0.3	-0.2
Others	0.1	0.1	0.0
<b>合計</b>	<b>0.6</b>	<b>0.4</b>	<b>-0.2</b>

## 4 . Extra ordinary income and loss

Billions of yen			
	1Q 2007	1Q 2008	Changes
<b>[Extraordinary income]</b>			
TOTAL	0.0	0.0	+0.0
<b>[Extraordinary loss]</b>			
Loss on sales and disposal of fixed assets	0.1	0.1	+0.0
Expenses related to headquarters in affiliated companies	-	0.2	+0.2
Expenses related to relocation of restructuring of consolidated subsidiaries	-	0.1	+0.1
Others	0.0	0.2	+0.2
TOTAL	0.1	0.6	+0.5

## 5. Consolidated balance sheet

				billions of yen			
	31-Dec-07	31-Mar-08	change		31-Dec-07	31-Mar-08	change
Current assets	368.6	359.0	-9.6	Current liabilities	214.0	206.5	-7.5
Cash and cash deposit	41.0	33.6	-7.4	Notes and accounts payable	144.4	148.3	+3.9
Notes and accounts receivable	189.6	170.4	-19.2	Short-term bank loans	0.3	0.3	+7.0
Inventories	37.7	47.7	+10.0	Accrued expenses	26.2	30.2	+4.0
Deferred tax assets	6.1	6.1	+0.0	Accrued income taxes	5.2	12.0	+6.8
Other current assets	94.2	101.2	+7.0	Reserves	5.4	15.3	+9.9
				Other current liabilities	32.5	0.4	-32.1
Fixed assets	157.5	153.6	-3.9	Long-term liabilities	42.6	41.7	-0.9
Property and equipment	99.7	99.1	-0.6	Long-term bank loans	0.1	0.0	+4.0
Intangible assets	13.6	14.5	+0.9	Deferred tax liabilities	0.3	0.3	+0.0
Investments and other assets	44.2	40.0	-4.2	Liability for employees' retirement benefits	38.6	37.8	-0.8
				Other long-term liabilities	3.6	3.6	+0.0
				Total liabilities	256.6	248.2	-8.4
				Stockholders' equity	265.4	260.8	-4.6
				Valuation and translation adjustments	0.7	0.2	-0.5
				Minority interests	3.5	3.4	-0.1
				Total net assets	269.6	264.5	-5.1
<b>Total assets</b>	<b>526.1</b>	<b>512.6</b>	<b>-13.5</b>	<b>Total liabilities and net assets</b>	<b>526.2</b>	<b>512.6</b>	<b>-13.5</b>

## 6. Current assets

### Notes and accounts receivable• Inventories

billions of yen

	The end of March 31, 2007		The end of March 31, 2008		Change	
	amount	days	amount	days	amount	days
Notes and accounts receivable	187.6	74.0	170.4	65.0	-17.2	-9.0
Inventories	55.8	22.0	47.7	18.0	-8.1	-4.0

\*We are calculating days from the average net sales for the past six months.

## 7. Consolidated Statements of Cash flows

billions of yen

	1Q 2007	1Q 2008	changes
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	9.3	7.3	-2.0
Depreciation and amortization	2.7	3.1	+0.4
Increase in notes and accounts receivable	7.0	19.2	+12.2
Decrease in inventories	-3.8	10.0	+13.8
(Decrease) in notes and accounts payable	-16.0	-3.9	+12.1
Income taxes paid	-7.3	-8.7	-1.4
Other	2.7	-0.6	-3.3
<b>TOTAL</b>	<b>-5.4</b>	<b>7.6</b>	<b>+13.0</b>
<b>Cash flows from investing activities</b>	<b>-9.3</b>	<b>-1.0</b>	<b>+8.3</b>
<b>Free Cash flows</b>	<b>-14.7</b>	<b>7.5</b>	<b>+22.2</b>
<b>Cash flows from financing activities</b>	<b>-2.8</b>	<b>-8.4</b>	<b>-5.6</b>
Cash and cash equivalents at beginning of period	108.3	117.2	+8.9
Cash and cash equivalents at end of period	90.8	116.3	+25.5