

# 2008 The Interim results for FY Presentation

July 24, 2008

*Senior Managing Director*

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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**

# 1. Principles of Consolidation

	<b>31-Dec-07</b>	Newly consolidated	Newly unconsolidated	<b>30-Jun-08</b>
Number of consolidated companies	24	-	2	<b>22</b>
Number of equity-method companies	0	-	-	<b>0</b>
<b>Total</b>	<b>24</b>	<b>0</b>	<b>2</b>	<b>22</b>

- ◆ January 2008: SANIN Canon JIMUKI Inc. have merged with Canon System and Support Inc.
- ◆ April 2008: 21 Argo Corp. and Canon System Solutions Inc. have merged and operating as Canon IT Solutions Inc.

# 2-1. Consolidated Statements of Income

## (2Q: April - June 2008)

billions of yen

	2Q FY2007	2Q FY2008	Changes	
				%
Net Sales	214.3	206.6	(7.7)	- 4%
(%)	(32.4%)	(33.3%)	(+1.0%)	
Gross Margin	69.4	68.9	(0.5)	- 1%
(%)	(3.5%)	(3.2%)	( 0.4%)	
Operating Income	7.6	6.6	(1.0)	- 13%
(%)	(3.8%)	(3.3%)	( 0.4%)	
Ordinary Income	8.1	6.9	(1.2)	- 15%
Income before income taxes	7.8	5.4	(2.4)	- 31%
(%)	(2.2%)	(1.4%)	( 0.9%)	
Net Income	4.8	2.8	(2.0)	- 42%
EPS (Yen)	32.33	19.73		

## 2-2. Consolidated Statements of Income (January - June 2008)

billions of yen

	2007 1H	208 1H	Change		Forecast on April 22
				%	
Net Sales	427.7	418.6	-9.1	-2%	441.0
(%)	(32.3%)	(32.6%)	(+0.3%)		
Gross Margin	138.2	136.6	-1.6	-1%	
(%)	(4.0%)	(3.4%)	( 0.6%)		
Operating Income	17.0	14.3	-2.7	-16%	14.0
(%)	(4.1%)	(3.5%)	( 0.6%)		
Ordinary Income	17.5	14.8	-2.7	-15%	14.0
Income before income taxes	17.0	12.6	-4.4	-26%	
(%)	(2.3%)	(1.6%)	( 0.8%)		
Net Income	10.0	6.5	-3.5	-35%	8.0
EPS (Yen)	66.75	44.79			

# 3-1. Consolidated Segment information (2Q:April - June 2008)



billions of yen

		2007 2Q		2008 2Q		Changes	
		Net Sales	%	Net Sales	%		%
Business Solutions	Document Business	(85.2)	(40%)	(82.4)	(40%)	(-2.8)	( 3%)
	IT Solution	(38.9)	(18%)	(43.4)	(21%)	(+4.5)	(+12%)
Business Solutions		124.1	58%	125.8	61%	+1.7	1%
Consumer equipment		64.8	30%	63.2	31%	-1.6	2%
Industrial equipment		25.4	12%	17.6	10%	-7.8	31%
Total		214.3	100%	206.6	100%	-7.7	4%

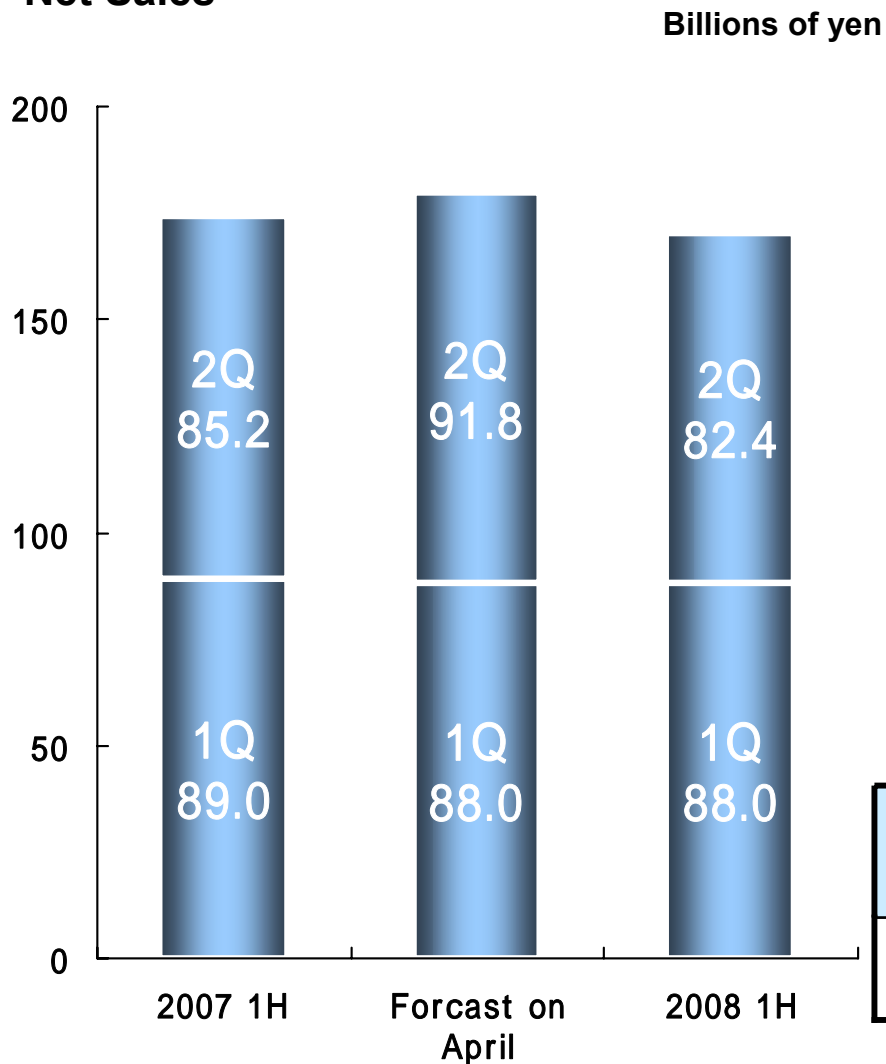
# 3-2. Consolidated Segment information (January - June 2008)

billions of yen

		2007 1H		2008 1H		Changes		Forecast on April 22
		Net Sales	%	Net Sales	%		%	
	Document Business	(174.2)	(41%)	(170.4)	(41%)	(-3.8)	( 2%)	(179.8)
	IT Solution	(73.7)	(17%)	(86.7)	(21%)	(+13.)	(+18%)	(93.7)
Business Solutions		247.9	58%	257.1	61%	+9.2	4%	273.5
Consumer equipment		128.0	30%	123.7	30%	-4.3	3%	127.5
Industrial equipment		51.8	12%	37.8	10%	-14.0	27%	40.0
Total		427.7	100%	418.6	100%	-9.1	2%	441.0

# 4-1. Segment Information (Document Business)

## Net Sales



Year-over-Year percentage changes	2008 1Q	2008 2Q	2008 1H
Business equipment (consolidated, value)	4%	8%	6%
Maintenance & Service (consolidated, value)	+ 2%	+ 1%	+ 2%
Document Business (consolidated, value)	1%	3%	2%

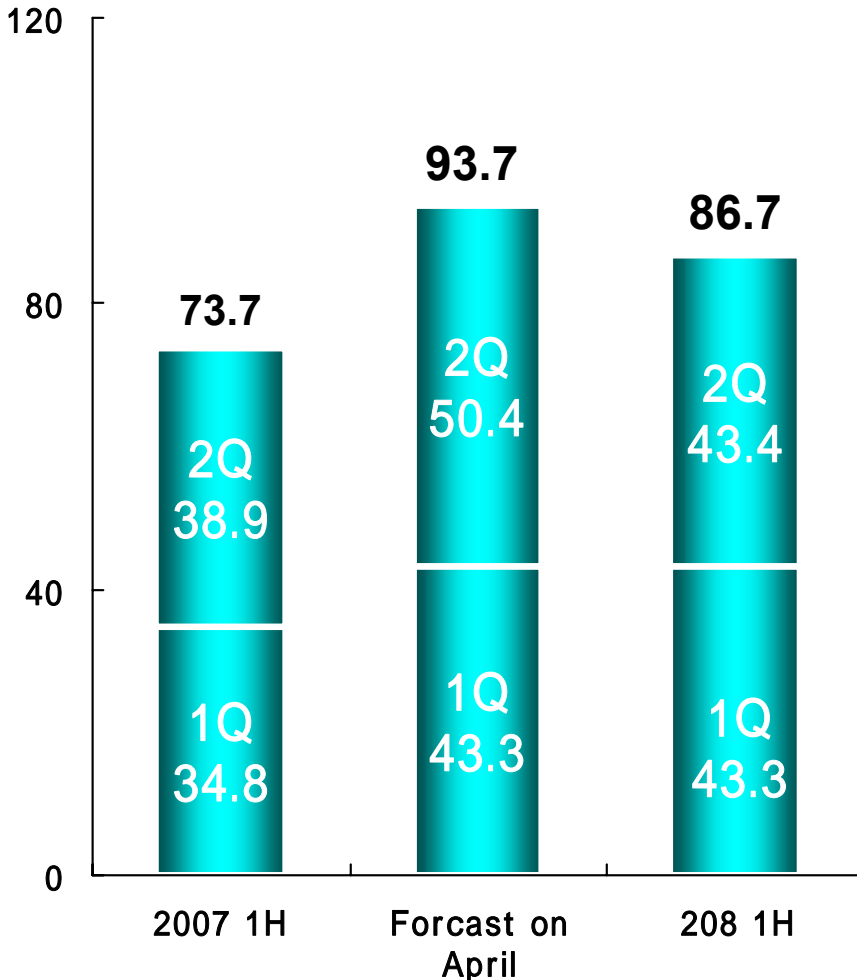
Toner Cartridge for LBP (non-consolidated, value)	+ 4%	1%	+ 2%
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Billions of yen

Subsidiary for Document Business	2008 1Q	2008 2Q	2008 1H	Changes
Canon System & Support	29.43	27.82	57.25	+ 0.9%

# 4-2. Segment Information (IT Solutions)

Billions of yen



Year-over-Year percentage changes	2008 1Q	2008 2Q	2008 1H
IT Service ( consolidated ,value )	+ 38%	+ 19%	+ 28%
IT Product ( consolidated ,value )	8%	10%	9%
IT Solution ( consolidated ,value )	+ 24%	+ 12%	+ 18%

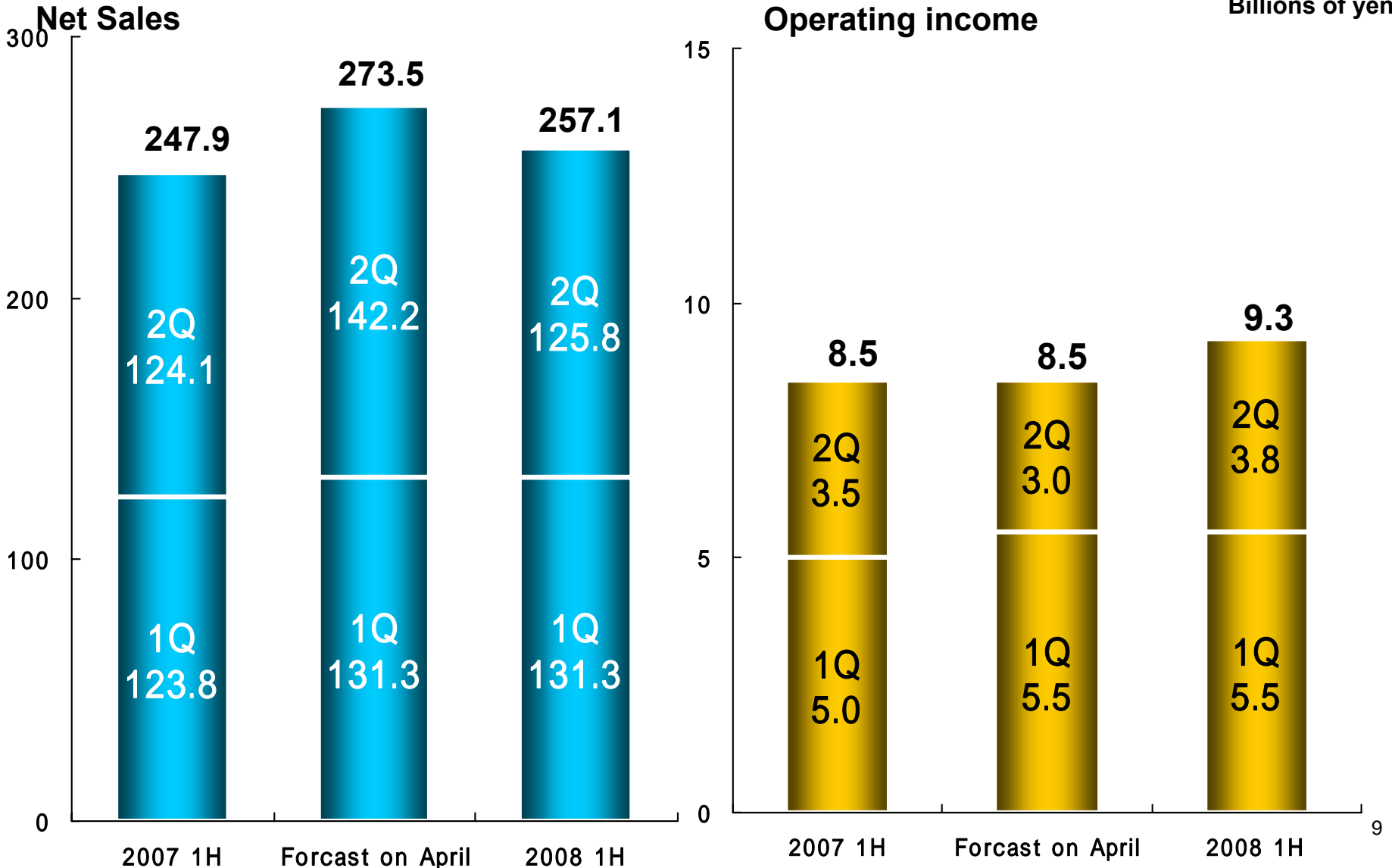
Billions of yen

Subsidiaries for IT Solution	2008 1Q	2008 2Q	2008 1H	Changes
Consolidated Canon Software	4.84	7.50	12.34	+ 15%
Consolidated Canon IT Solutions	19.59	18.47	38.06	+ 68%
Canon Network Communications	2.56	2.34	4.90	+ 10%
<b>Total</b>	<b>26.99</b>	<b>28.31</b>	<b>55.30</b>	



# 4-3. Segment Information (Business Solutions)

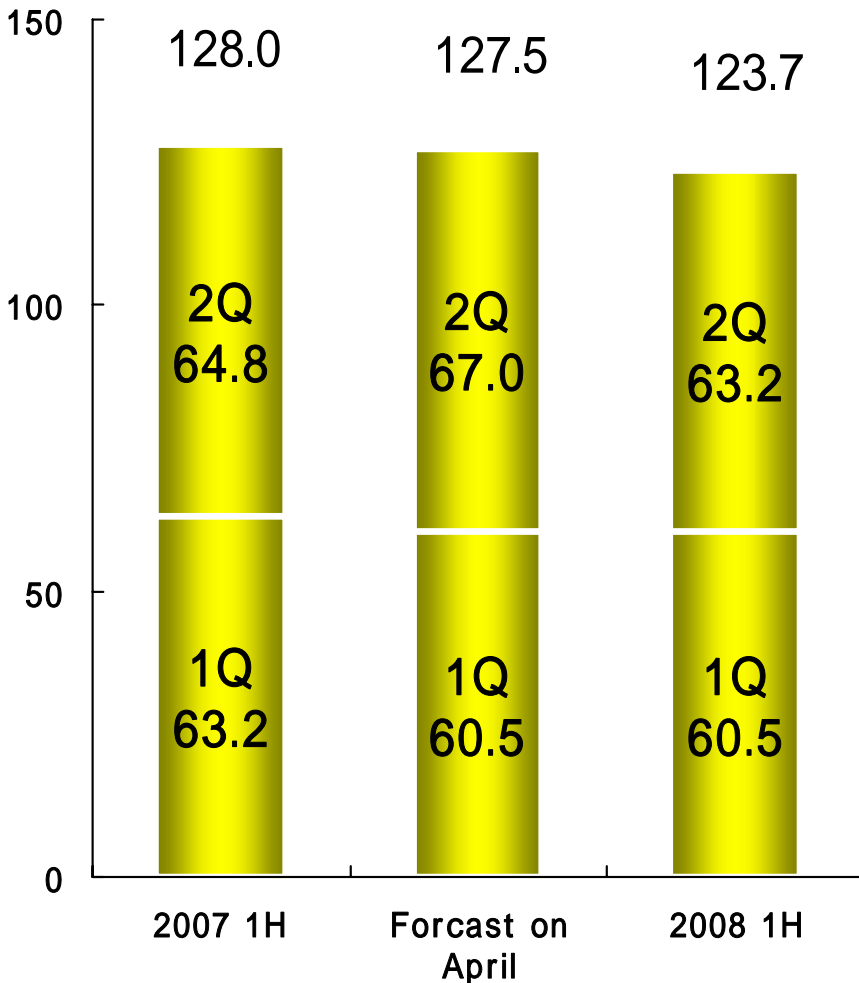
Billions of yen



# 5-1. Segment Information (Consumer equipments)

## Net Sales

Billions of yen

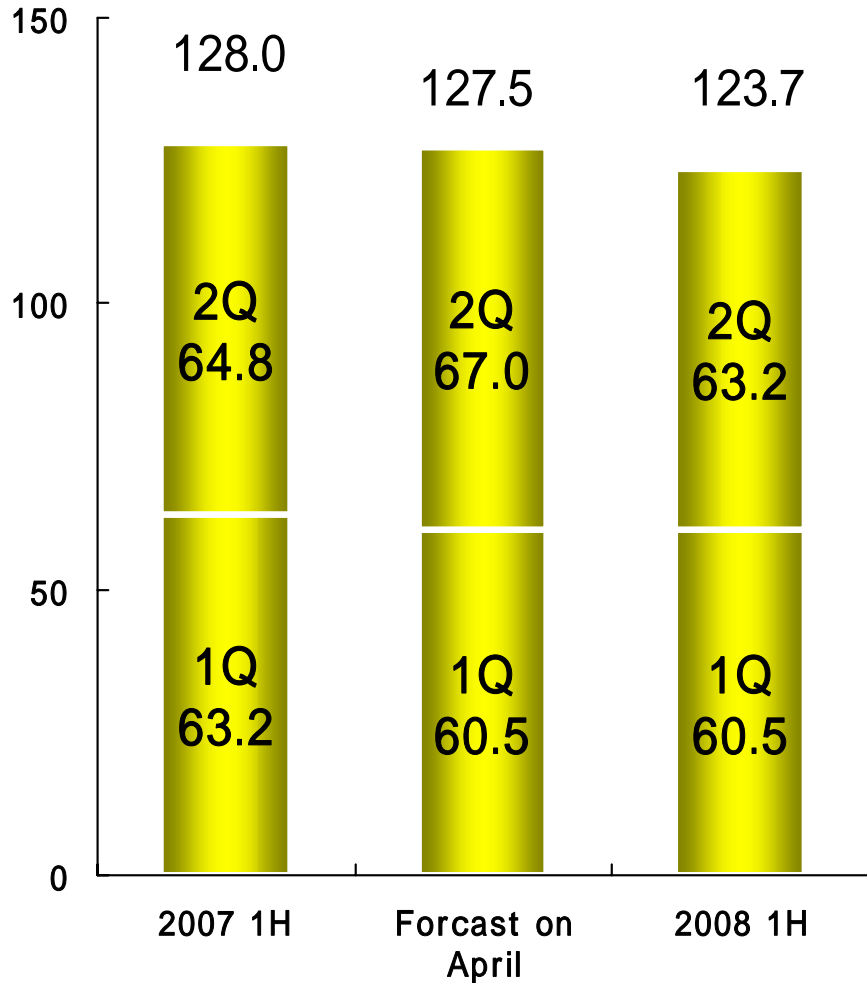


Year-over-Year percentage changes	2008 1Q	2008 2Q	2008 1H
Consumer equipment ( consolidated ,value )	4%	2%	3%
The change of growth except the sales of PCs ( consolidated ,value )	3%	+ 1%	1%

Year-over-Year percentage changes	2008 1Q	2008 2Q	2008 1H
IJP Cartridge (non-consolidated,value))	+ 1%	+ 3%	+ 2%

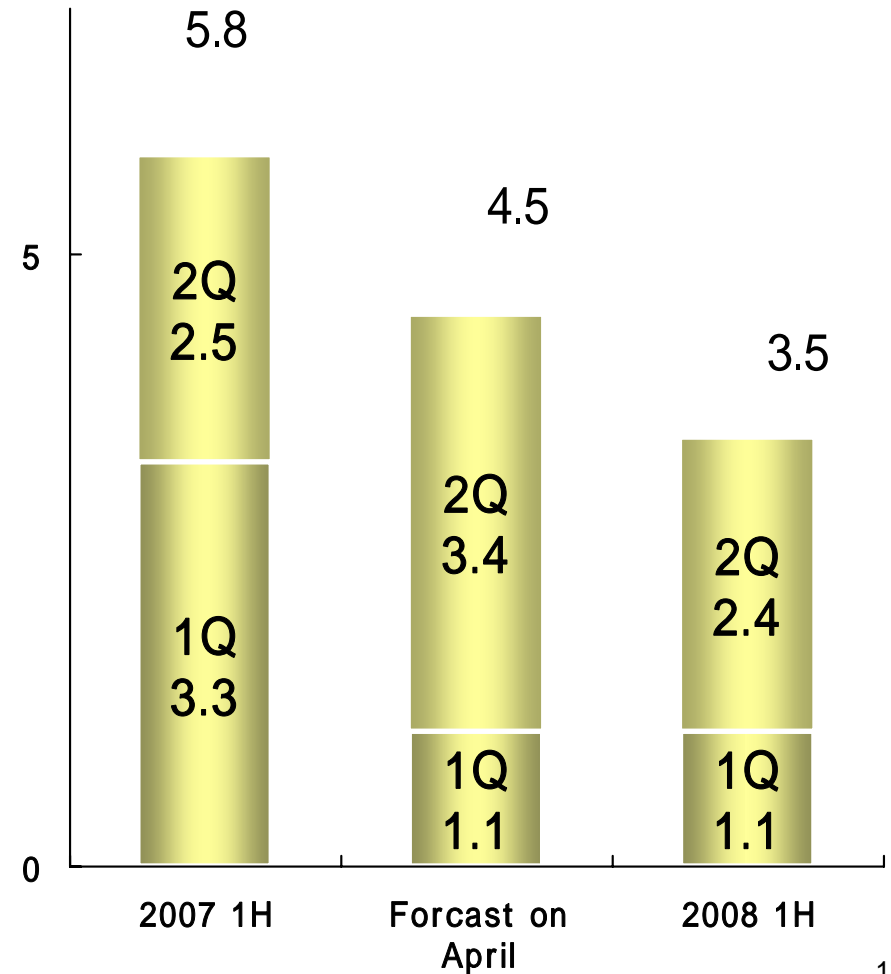
# 5-2. Segment Information (Consumer equipments)

Net sales



Operating income

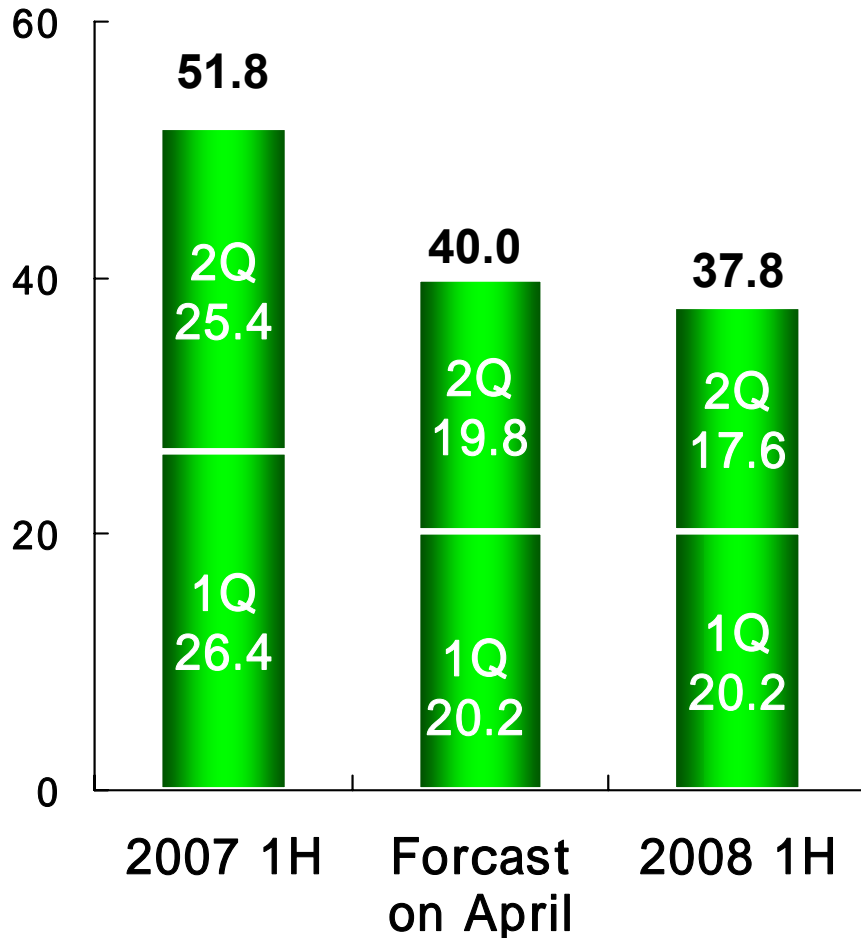
Billions of yen



# 6-1. Segment Information (Industrial equipments)

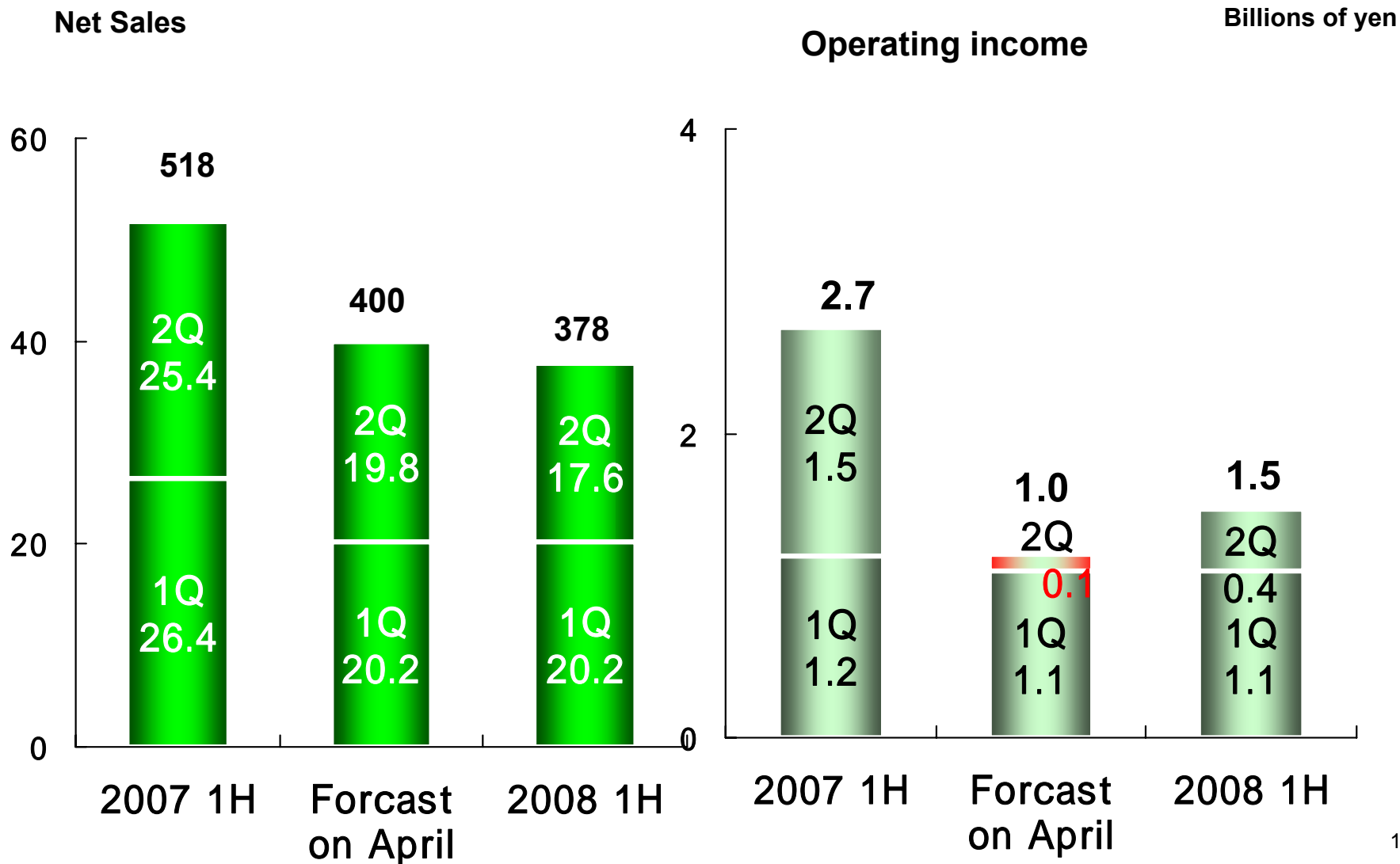
## Net Sales

Billions of yen



Year-over-Year percentage changes	2008 1Q	2008 2Q	2008 1H
Industrial equipment ( consolidated ,value )	23%	31%	27%

# 6-2. Segment Information (Industrial equipments)



# Outlook for Fiscal 2008

**Canon**

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キヤノンマーケティングジャパン株式会社

# 1-1. Outlook for Fiscal 2008

Billions of yen

	Announced on Apr.			Announced on Jul.			Changes		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	441.0	484.0	925.0	418.6	456.4	875.0	-22.4	-27.6	-50.0
(%)	(3.2%)	(4.1%)	(3.7%)	(3.4%)	(4.0%)	(3.7%)	(+0.2%)	(-0.1%)	(+0.0%)
Operating income	14.0	20.0	34.0	14.3	18.2	32.5	+0.3	-1.8	-1.5
(%)	(3.2%)	(4.1%)	(3.7%)	(3.5%)	(4.0%)	(3.8%)	(+0.4%)	(-)	(+0.2%)
Ordinary income	14.0	20.0	34.0	14.8	18.2	33.0	+0.8	-1.8	-1.0
(%)	(1.8%)	(2.3%)	(2.1%)	(1.6%)	(2.3%)	(2.1%)	(-0.4%)	(-)	(+0.1%)
Net income	8.0	11.0	19.0	6.5	10.5	17.0	-1.5	-0.5	-2.0

# 1-2. 2008 Outlook for Fiscal year on year

Billions of yen

	FY 2007			Announced on Jul.			Changes		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	427.7	477.4	905.1	418.6	456.4	875.0	-9.1	-21.0	-30.1
(%)	(4.0%)	(4.2%)	(4.1%)	(-3.4%)	(-4.0%)	(-3.7%)	(-7.4%)	(-8.2%)	(-7.8%)
Operating income	17.0	19.9	36.9	14.3	18.2	32.5	-2.7	-1.7	-4.4
(%)	(4.1%)	(4.1%)	(4.1%)	(-3.5%)	(-4.0%)	(-3.8%)	(-7.6%)	(-)	(-7.8%)
Ordinary income	17.5	19.4	36.9	14.8	18.2	33.0	-2.7	-1.2	-3.9
(%)	(2.3%)	(2.1%)	(2.2%)	(-1.6%)	(-2.3%)	(-2.1%)	(-4.0%)	(-)	(-4.2%)
Net income	10.0	10.0	20.0	6.5	10.5	17.0	-3.5	+0.5	-3.0



## 2-1. 2008 Outlook for Fiscal by segment

		Announced on April			FY2008			Change		
		1H	2H	FY	1H	2H	FY	1H	2H	FY
Document Business	Net Sales	179.8	178.0	357.8	170.4	169.6	340.0	(9.4)	(8.4)	(17.8)
	IT Solution	93.7	97.5	191.2	86.7	95.3	182.0	(7.0)	(2.2)	(9.2)
<b>Business Solutions</b>	Net Sales	273.5	275.5	549.0	257.1	264.9	522.0	(16.4)	(10.6)	(27.0)
	Operating Income	8.5	9.0	17.5	9.3	7.1	16.4	0.8	(1.9)	(1.1)
<b>Consumer equipment</b>	Net Sales	127.5	160.0	287.5	123.7	158.8	282.5	(3.8)	(1.2)	(5.0)
	Operating Income	4.5	9.0	13.5	3.5	9.7	13.2	(1.0)	0.7	(0.3)
<b>Industrial equipment</b>	Net Sales	40.0	48.5	88.5	37.8	32.7	70.5	(2.2)	(15.8)	(18.0)
	Operating Income	1.0	2.0	3.0	1.5	1.4	2.9	0.5	(0.6)	(0.1)
<b>Total</b>	Net Sales	441.0	484.0	925.0	418.6	456.4	875.0	(22.4)	(27.6)	(50.0)
	Operating Income	14.0	20.0	34.0	14.3	18.2	32.5	0.3	(1.8)	(1.5)

# 2-2. 2008 Outlook for Fiscal 2008

## by segment *Year on Year*

		FY2007			FY2008			Change		
		1H	2H	FY	1H	2H	FY	1H	2H	FY
Document Business	Net Sales	174.2	171.5	345.7	170.4	169.6	340.0	(3.8)	(1.9)	(5.7)
	IT Solution	73.7	97.3	171.0	86.7	95.3	182.0	13.0	(2.0)	11.0
<b>Business Solutions</b>	Net Sales	247.9	268.8	516.7	257.1	264.9	522.0	9.2	(3.9)	5.3
	Operating Income	8.5	8.7	17.2	9.3	7.1	16.4	0.8	(1.6)	(0.8)
<b>Consumer equipment</b>	Net Sales	128.0	156.4	284.4	123.7	158.8	282.5	(4.3)	2.4	(1.9)
	Operating Income	5.8	8.6	14.4	3.5	9.7	13.2	(2.3)	1.1	(1.2)
<b>Industrial equipment</b>	Net Sales	51.8	52.2	104.0	37.8	32.7	70.5	(14.0)	(19.5)	(33.5)
	Operating Income	2.7	2.6	5.3	1.5	1.4	2.9	(1.2)	(1.2)	(2.4)
<b>Total</b>	Net Sales	427.7	477.4	905.1	418.6	456.4	875.0	(9.1)	(21.0)	(30.1)
	Operating Income	17.0	19.9	36.9	14.3	18.2	32.5	(2.7)	(1.7)	(4.4)

## 3 - 1. Outlook for Fiscal 2008 ( Business Solutions Topics )

### Document Business

- **MFP**

- ✓ In Japanese market, Color products will be increased but the volume of total will be decreased.
- ✓ We should make solution power a strong point and sell it steadily machines, but there are very hard competitions in the market especially for small companies.

- **LBP**

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

- **Production Printing Machines**

- ✓ We will sell our products with our partners that are good at power for software development.
- ✓ LFP strengthens the partner sale by the expansion of the productslineup..

- **Service & Support**

- ✓ ASP downward trend continues. Document volume increase.
- ✓ Service business place priority on boosting efficiency.

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

### IT solution

- **Canon software**

- ✓ I continue favorable condition with the machinery embedded software solution business.

- **Canon IT solutions**

- ✓ 1, On April it is born by merger of Canon system solutions and Argo 21. We pursue synergy effect.
- ✓ The SI item is brisk. But of the finance item putting it off begins to appear.

- **Document solution**

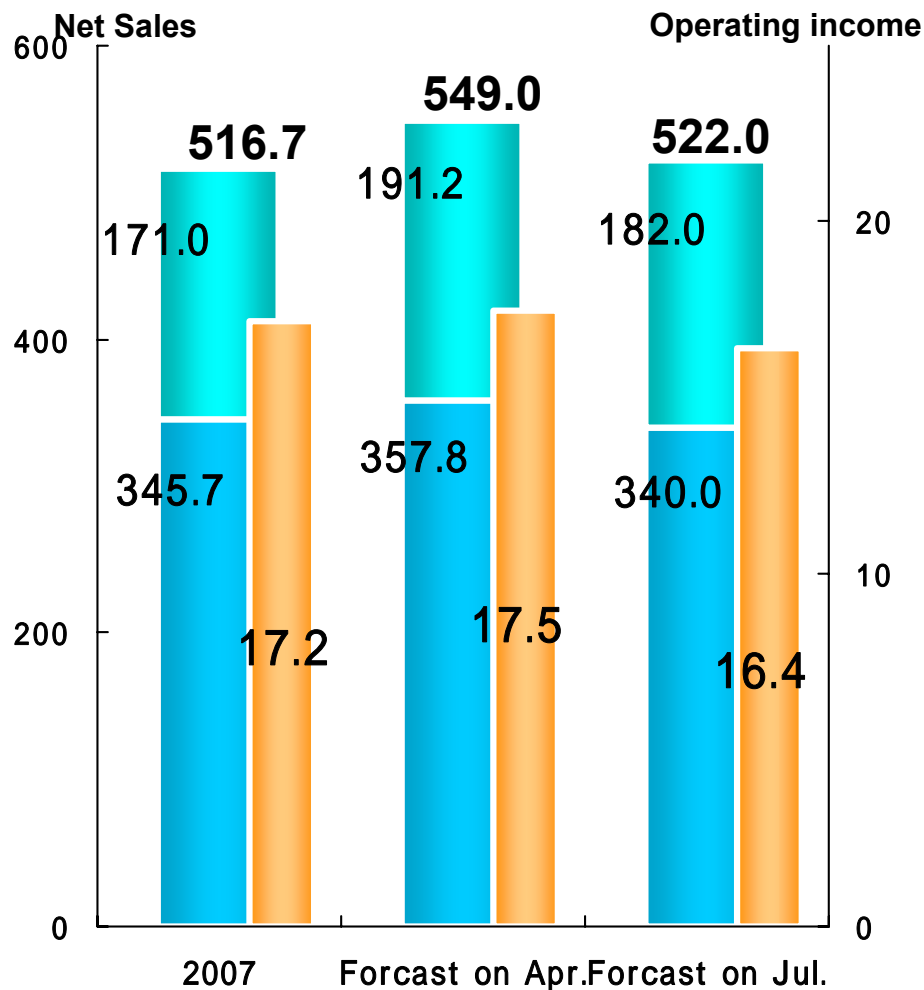
- ✓ The favorable condition of security solution for major customers continues.

- **IT product & software**

- ✓ Business computers and the package software for PCs are less than the last year.

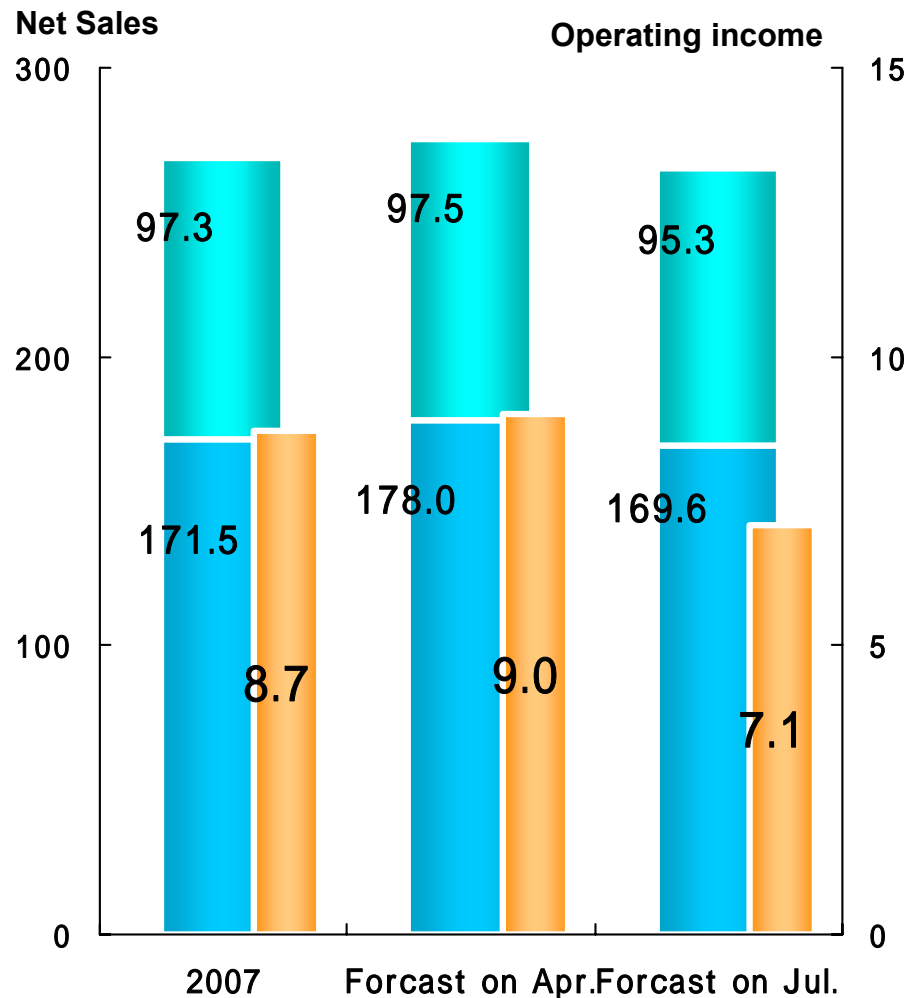
# 3 - 3. Outlook for Fiscal 2008 (Business Solutions)

【FY 2008】



【2H of 2008】

Billions of yen



■ Document Business ■ IT Solution ■ Operating Income

■ Document Business ■ IT Solution ■ Operating Income

## 4 - 1. Outlook for Fiscal 2008 (Consumer equipments Topics)

- **Digital single-lens reflex cameras**

- ✓ The expansion of the market continues. We include the interchangeable lens, and favorable condition lasts sequentially.
- ✓ We aim at the top share in full-line naps from an entry airplane to a professional plane.

- **Compact digital cameras**

EOS Kiss X2



- ✓ The price competition that a market is strict with is anticipated sequentially.
- ✓ It is adhered to the share top by new product injection.

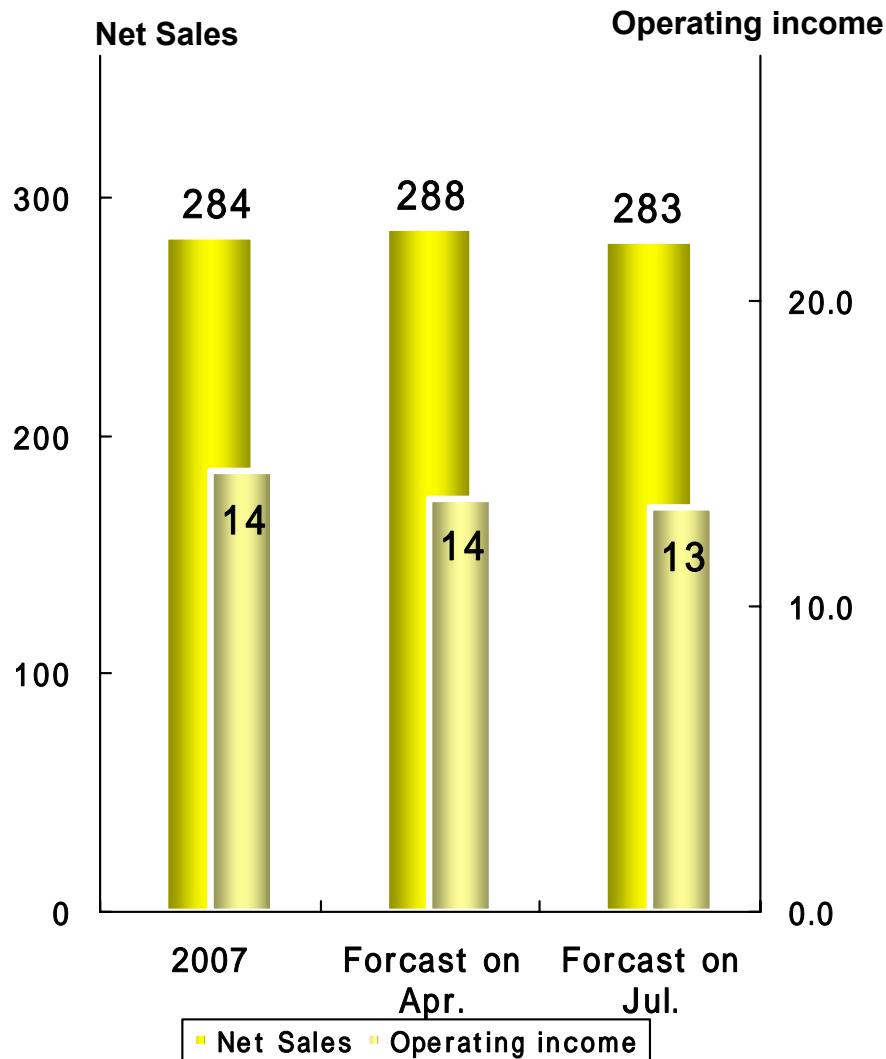
- **Printer for families**

- ✓ The inkjet printers in a market mainly on the replacement by purchase, We aim at the sale of the number to exceed the last year.
- ✓ It is steady, and the expendable supplies sales change, too.

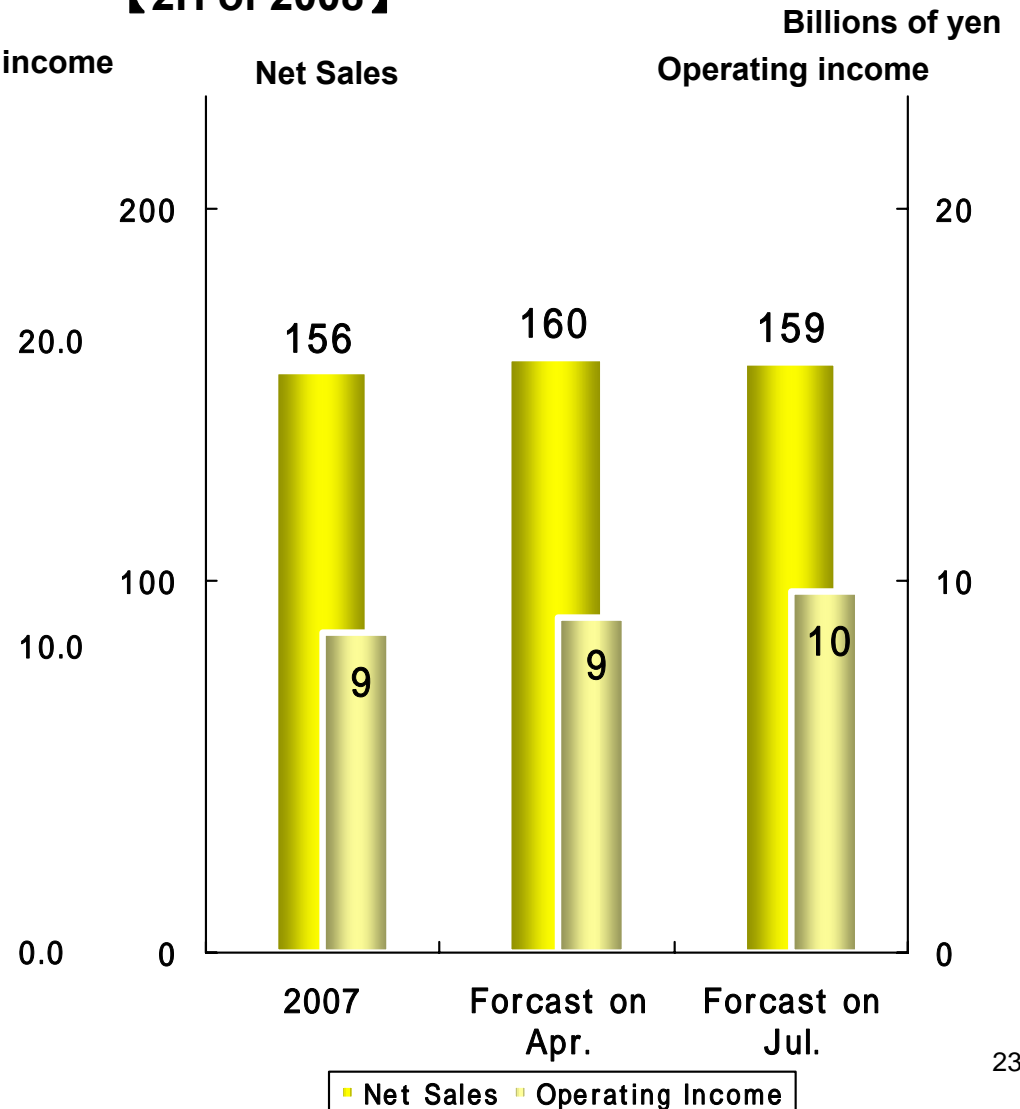
- **We perform the review of advertisement advertising cost / sales promotion costs.**

## 4 - 2. 2008 Outlook for Fiscal (Consumer equipments)

【FY 2008】



【2H of 2008】



# 5-1. Outlook for Fiscal 2008

## (Industrial equipments Topics)

- **Equipments for Semiconductor**

- ✓ To Canon product / outside stocking articles by a pause of the tip investment, we decrease by number, an amount of money together in comparison with the last year.

- **Broadcast lenses**

- ✓ A flow of HD leads to age and can expect growth.

- **Medical equipments**

- ✓ Update to the digitization accelerates the medical service image machinery. I maintain favorable condition

可搬性に優れた小型ハンディタイプ

**CXDI-60G**  
Digital Radiography System







## Reference data

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- 1. Main subsidiary companies record**
- 2. Selling, general and administrative expenses**
- 3. Consolidated balance sheet**
- 4. Consolidated Statements of cash flows**
- 5. Consolidated financial affairs index change**

# 1-1. Main subsidiary companies record (2Q)

	2007 2Q		2008 2Q		billions of yen change	
	Net Sales	Operating income	Net sales	Operating income	Net Sales	Operating income
< Document Business >						
Canon System & Support Inc.	28.2	(0.2%) 0.1	27.8	(0.9%) 0.2	0.3	(0.8%) +0.2
< IT SOlutions >						
Canon Software Inc.	6.9	(7.9%) 0.5	7.5	(9.6%) 0.7	+0.7	(+1.7%) +0.2
Canon IT Solutions	12.4	(8.1%) 1.0	18.5	(6.4%) 1.2	+6.1	(-1.7%) +0.2
Canon Network Communications Inc.	2.3	(8.2%) 0.2	2.3	(9.0%) 0.2	+0.0	(+0.7%) +0.0
Total	21.6	(8.0%) 1.7	28.3	(7.4%) 2.1	+6.8	(-0.6%) +0.4
< Shared service >						
Canon Business Support Inc.	6.4	( 0.5%) 0.0	6.4	( 0.6%) 0.0	+0.1	(-0.2%) -0.0

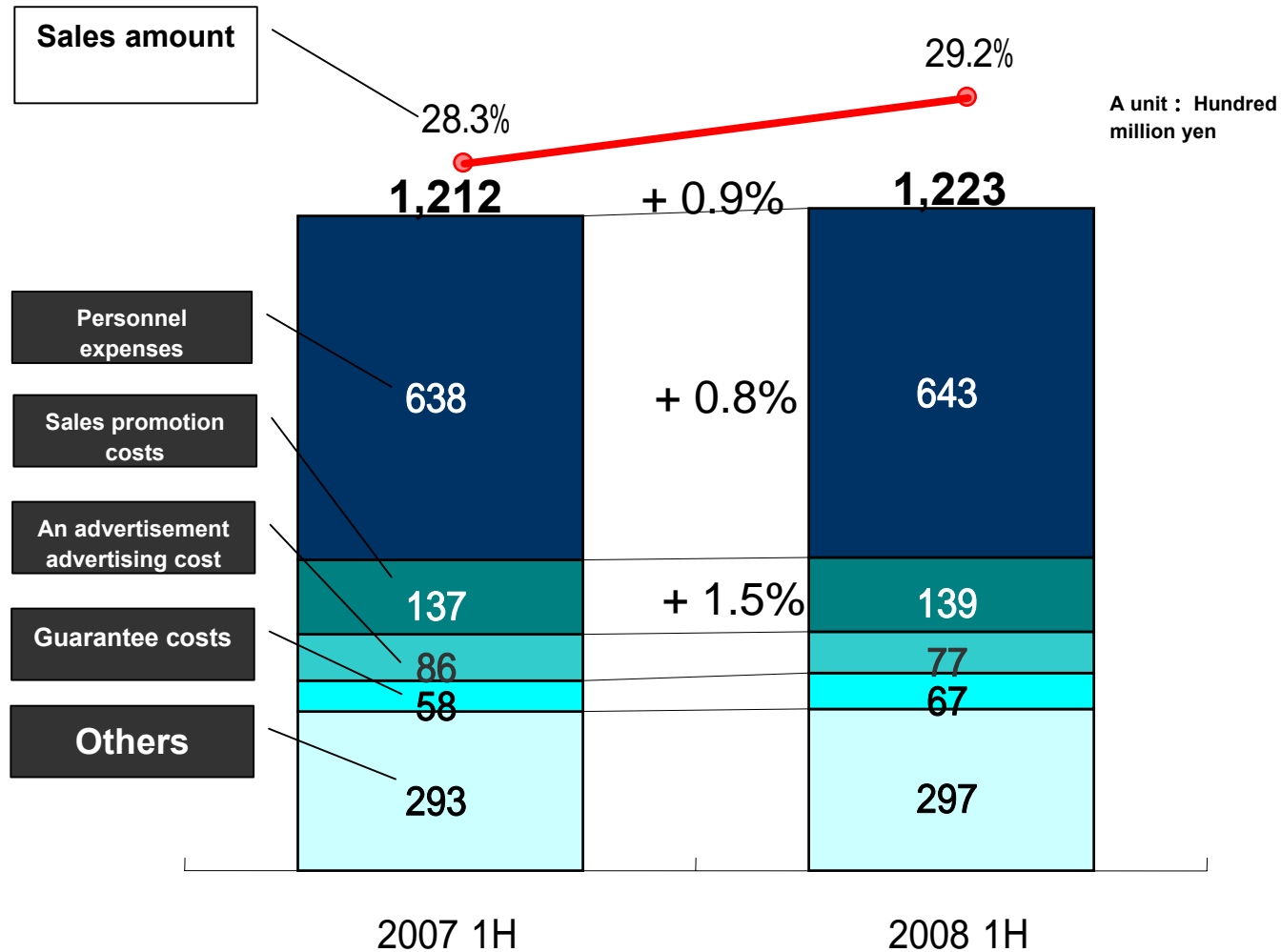
\* The amount of money is a thing before connection elimination.

## 1-2. Main subsidiary companies record

	2007 1H		2008 1H		billions of yen change	
	Net Sales	Operating income	Net sales	Operating income	Net Sales	Operating income
< Document Business >						
Canon System & Support Inc.	56.7	(1.1%) 0.6	57.3	(1.7%) 1.0	+0.5	(0.8%) +0.4
< IT SOlutions >						
Canon Software Inc.	10.7	(6.7%) 0.7	12.3	(7.1%) 0.9	+1.6	(+0.3%) +0.2
Canon IT Solutions	22.6	(8.0%) 1.8	38.1	(7.2%) 2.7	+15.5	(-0.9%) +0.9
Canon Network Communications Inc.	4.4	(7.7%) 0.3	4.9	(9.0%) 0.4	+0.5	(+1.2%) +0.1
Total	37.8	(7.6%) 2.9	55.3	(7.3%) 4.0	+17.5	(-0.4%) +1.1
< Shared service >						
Canon Business Support Inc.	12.4	(0.9%) 0.1	13.2	(1.3%) 0.2	+0.8	(+0.4%) +0.1

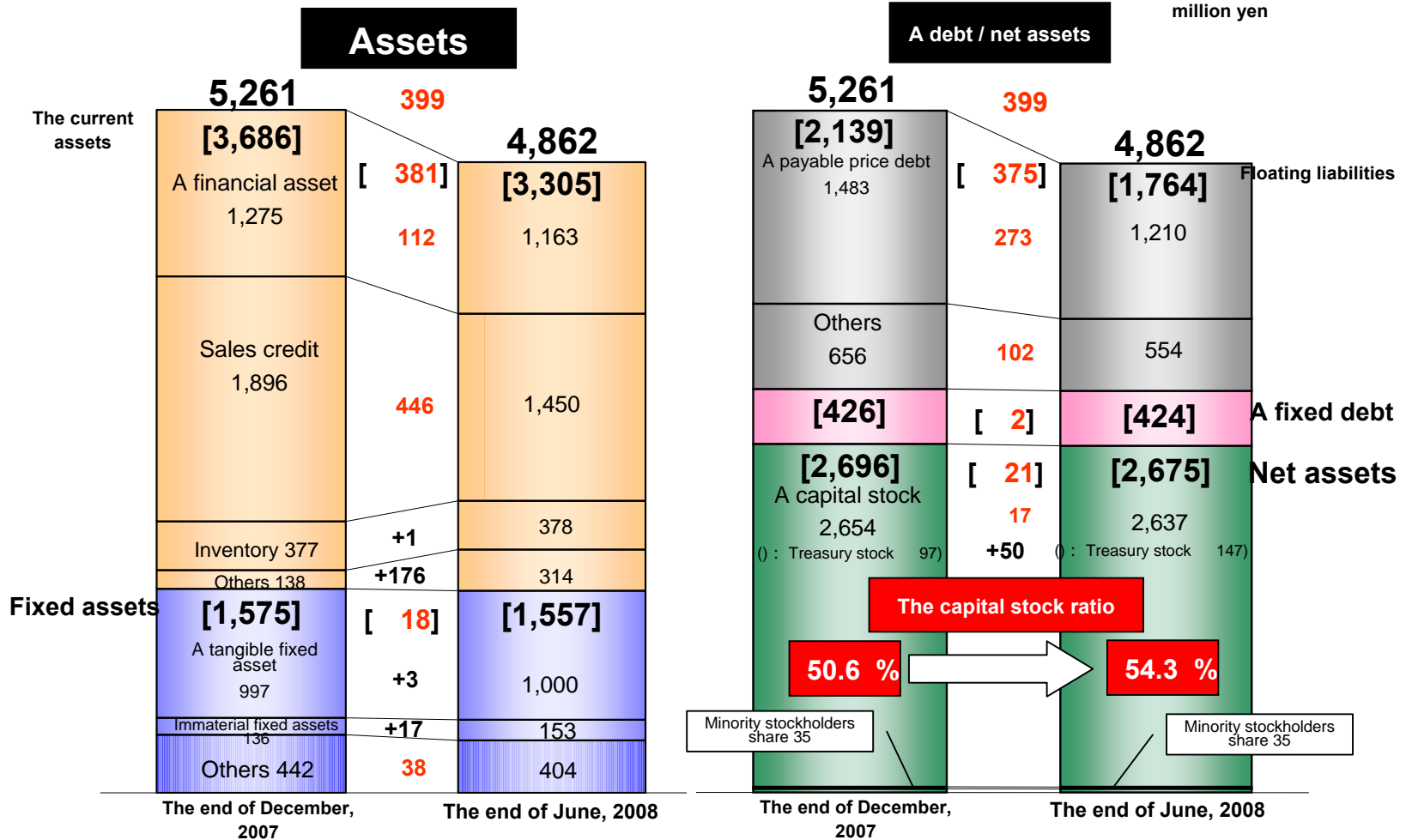
\* The amount of money is a thing before connection elimination.

## 2. Selling, general and administrative expenses



# 3. Consolidated balance sheet

A unit : Hundred million yen



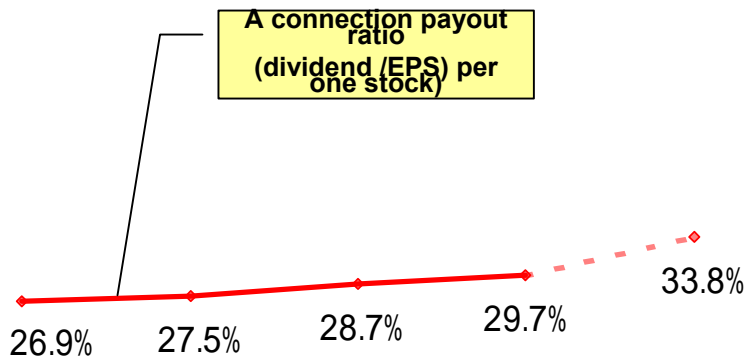
## 4. Comparison connection cashflow

billions of yen]

	2007年 1H	2008年 1H	Changes
<b>Cash flows from operating activities</b>			
income before income taxes and minority interests	17.0	12.6	4.4
Depreciation and amortization	5.5	6.1	+0.6
Increase in notes and accounts receivable	32.1	44.5	+12.4
Decrease in inventories	9.2	0.1	9.3
(Decrease) in notes and accounts payable	32.6	27.4	+60.0
Income taxes paid	7.9	9.0	1.1
Other	4.5	58.6	54.1
<b>TOTAL</b>	18.8	22.9	+4.1
<b>Cash flows from investing activities</b>	21.1	25.4	4.3
<b>Free Cash flows</b>	2.3	2.5	0.2
<b>Cash flows from financing activities</b>	2.8	8.8	6.0
Cash and cash equivalents at beginning of period	108.2	117.2	+9.0
Cash and cash equivalents at end of period	103.1	105.9	+2.8

# 5. Consolidated financial affairs index change

■ An allotment connection index change



■ A main financing index change

