

# The Third Quarter of FY2008 Results Presentation

Oct.24 , 2008

*Senior Managing Director Masami Kawasaki*

**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-Sep-08</b>
Number of consolidated companies	24	1	5	<b>20</b>
Number of equity-method companies	0	-	-	<b>0</b>
<b>Total</b>	<b>24</b>	<b>1</b>	<b>5</b>	<b>20</b>

# 2-1. Consolidated Statements of Income (July-September 2008)

billions of yen

	3Q 2007	3Q 2008	Changes	
				%
Net Sales	213.1	193.7	-19.4	-9%
(%)	(32.5%)	(33.4%)	(+0.9%)	
Gross Margin	69.2	64.7	-4.5	-7%
(%)	(3.3%)	(1.7%)	( 1.6%)	
Operating Income	7.0	3.3	-3.7	-53%
(%)	(3.2%)	(1.8%)	( 1.5%)	
Ordinary Income	6.9	3.4	-3.5	-51%
Income before income taxes	6.7	3.2	-3.5	-52%
(%)	(1.6%)	(0.7%)	( 1.0%)	
Net Income	3.5	1.3	-2.2	-63%
EPS (Yen)	23.91	9.2		

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

billions of yen

	2007	2008	Changes	
				%
Net Sales	640.8	612.3	-28.5	-4%
(%)	(32.4%)	(32.9%)	(+0.5%)	
Gross Margin	207.4	201.3	-6.1	-3%
(%)	(3.7%)	(2.9%)	( 0.9%)	
Operating Income	24.0	17.6	-6.4	-27%
(%)	(3.8%)	(3.0%)	( 0.8%)	
Ordinary Income	24.4	18.2	-6.2	-25%
Income before income taxes	23.7	15.9	-7.8	-33%
(%)	(2.1%)	(1.3%)	( 0.8%)	
Net Income	13.5	7.8	-5.7	-42%
EPS (Yen)	90.72	54.12		

# 3-1. Consolidated Segment information (July-September 2008)

**Canon**

billions of yen

		3Q 2007		3Q 2008		Changes	
		Net Sales	%	Net Sales	%		%
Business Solutions	Document Business	(84.6)	(40%)	(80.1)	(41%)	(-4.5)	(-5%)
	IT Solution	(41.1)	(19%)	(37.8)	(20%)	(-3.3)	(-8%)
Business Solutions		125.7	59%	117.9	61%	-7.8	-6%
Consumer equipment		63.7	30%	60.1	31%	-3.6	-6%
Industrial equipment		23.7	11%	15.7	7%	-8.	-34%
Total		213.1	100%	193.7	98%	-19.4	-9%

# 3-2. Consolidated Segment information

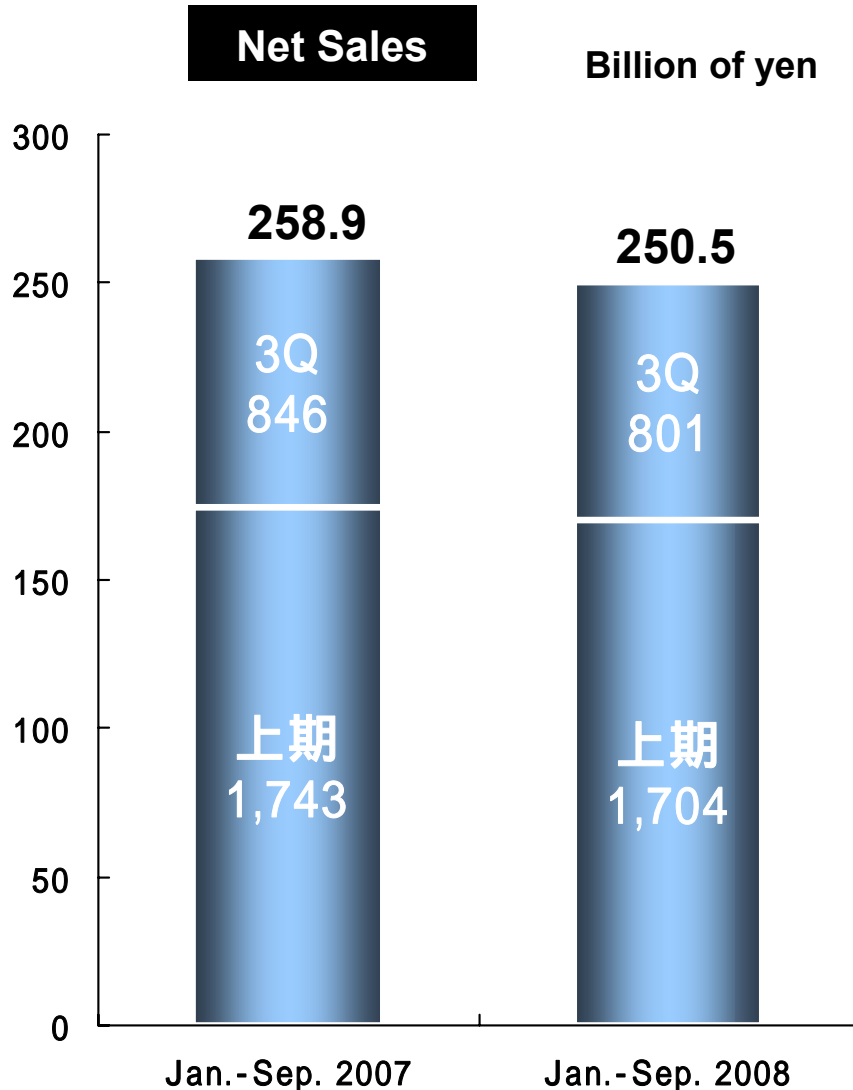


(January-September 2008)

billions of yen

		2007		2008		Changes	
		Net Sales	%	Net Sales	%		%
Business Solutions	Document Business	(258.9)	(40%)	(250.5)	(41%)	(-8.4)	(-3%)
	IT Solution	(114.8)	(18%)	(124.5)	(20%)	(+9.7)	(+8%)
Business Solutions		373.7	58%	375.0	61%	+1.3	+0%
Consumer equipment		191.6	30%	183.8	30%	-7.8	-4%
Industrial equipment		75.5	12%	53.5	8%	-22.	-29%
Total		640.8	100%	612.3	98%	-28.5	-4%

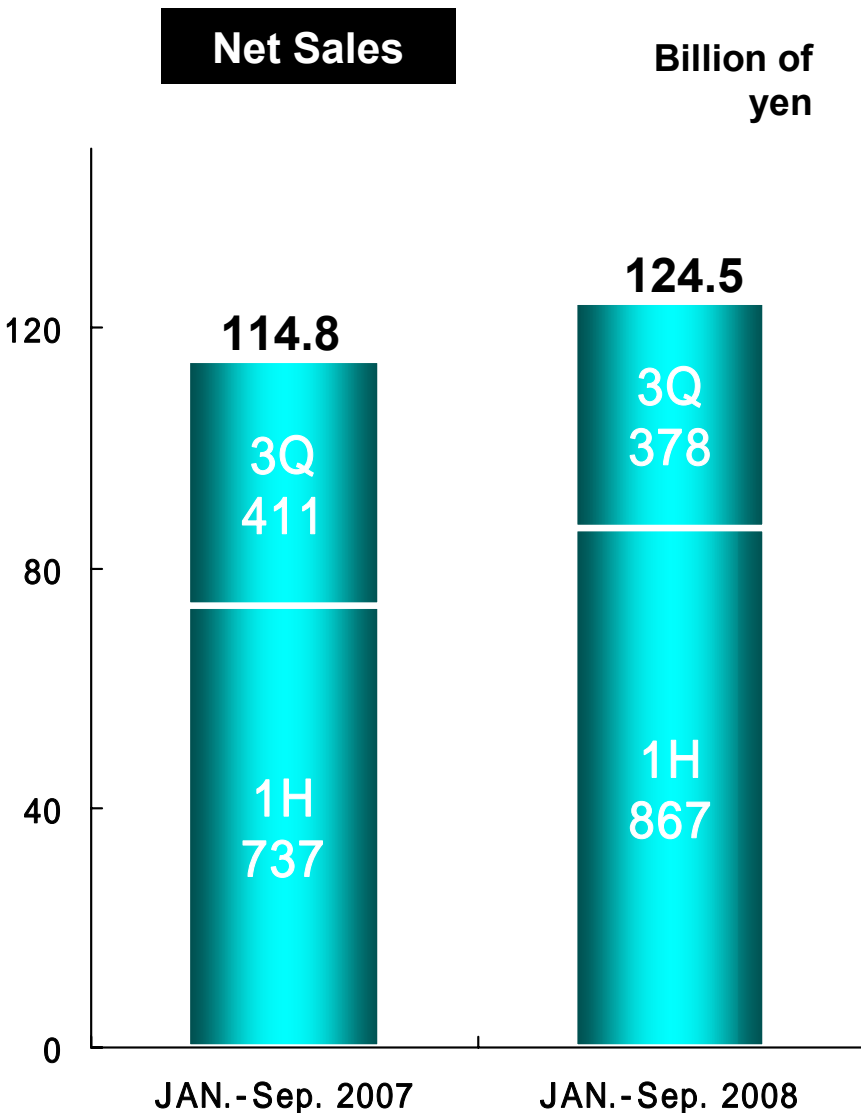
# 4-1. Segment Information (Document Business)



Last year growth rate vs. Sales ( A connection / an amount of money )	2008 1H	2008 3Q	2008 1Q- 3Q total
Business equipment ( consolidated ,value)	- 6%	- 10%	- 7%
Maintenance & Service ( consolidated ,value)	+ 2%	0%	+ 1%
Document Business ( consolidated ,value)	- 2%	- 5%	- 3%
Toner Cartridge for LBP ( non-consolidated,value)	- 2%	- 5%	- 3%

I let growth rate reflect the results of CBM in the results / the last year for the first half year.

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



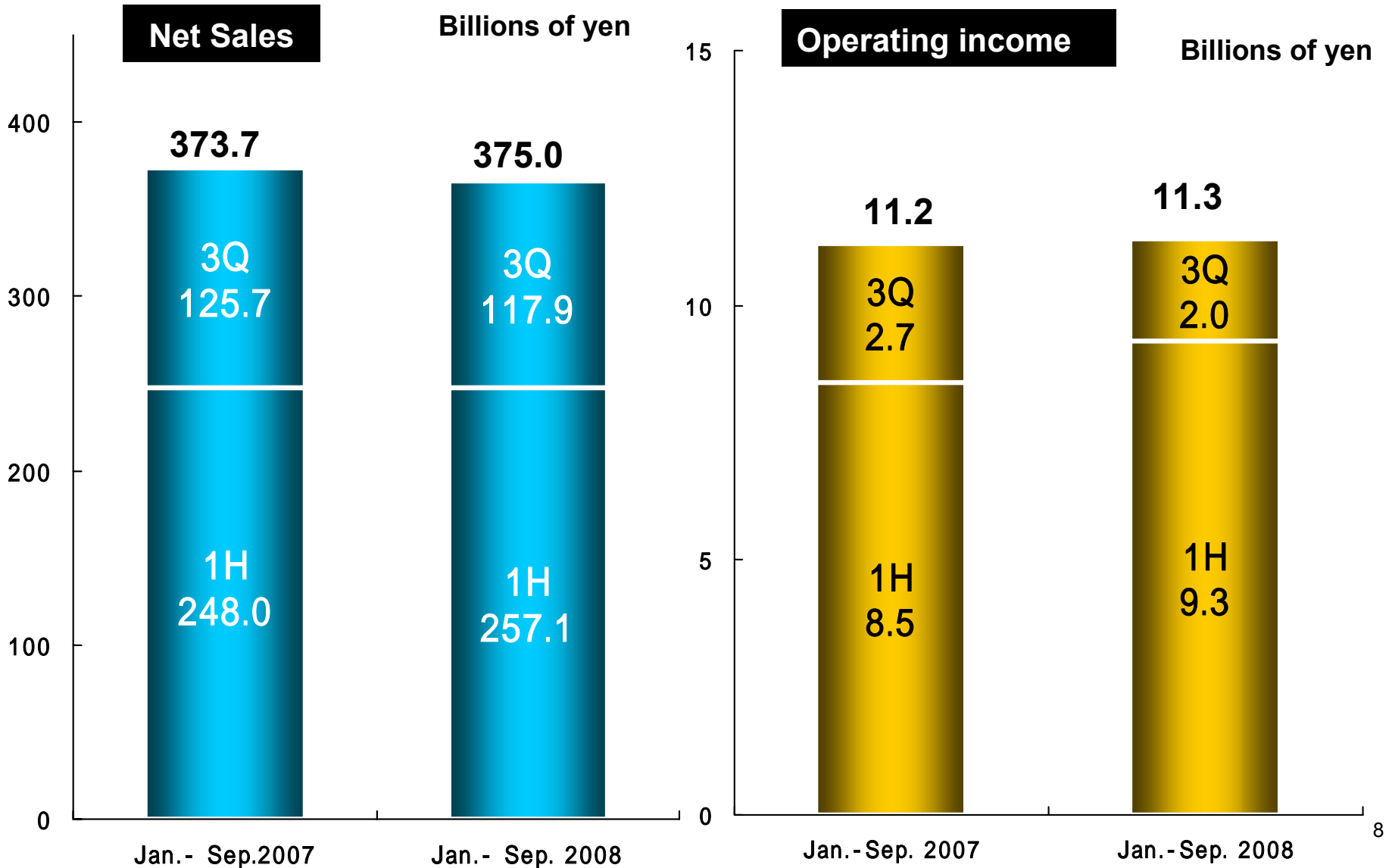
Year-over-Year percentage changes	2008 1H	2008 3Q	2008 1Q-3Q total
IT Service (consolidated ,value)	+ 28%	- 5%	+ 16%
IT Product (consolidated ,value)	- 9%	- 19%	- 12%
IT Solution (consolidated ,value)	+ 18%	- 8%	+ 9%

Billions of yen

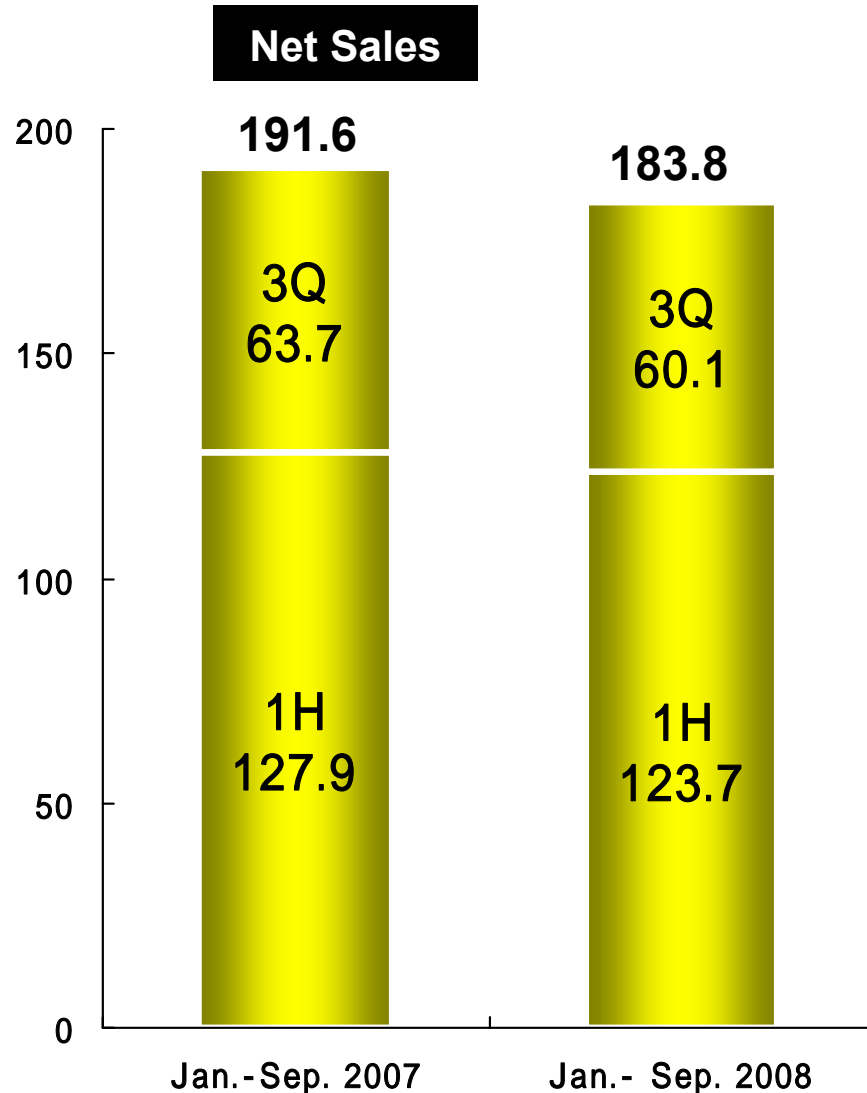
IT Solutions Subsidiaries	2008 1H	2008 3Q	2008 1Q-3Q total
Canon Software	12.34 (+15%)	5.23 (+4%)	17.57 (+11%)
Canon System Solutions	38.06 (+68%)	17.50 (-1%)	55.56 (+38%)
Canon Network Communications	4.90 (+10%)	2.39 (+20%)	7.29 (+14%)
<b>TOTAL</b>	<b>55.30</b> (+46%)	<b>25.12</b> (+1%)	<b>80.42</b> (+29%)



# 4-3. Segment Information (Business Solutions)



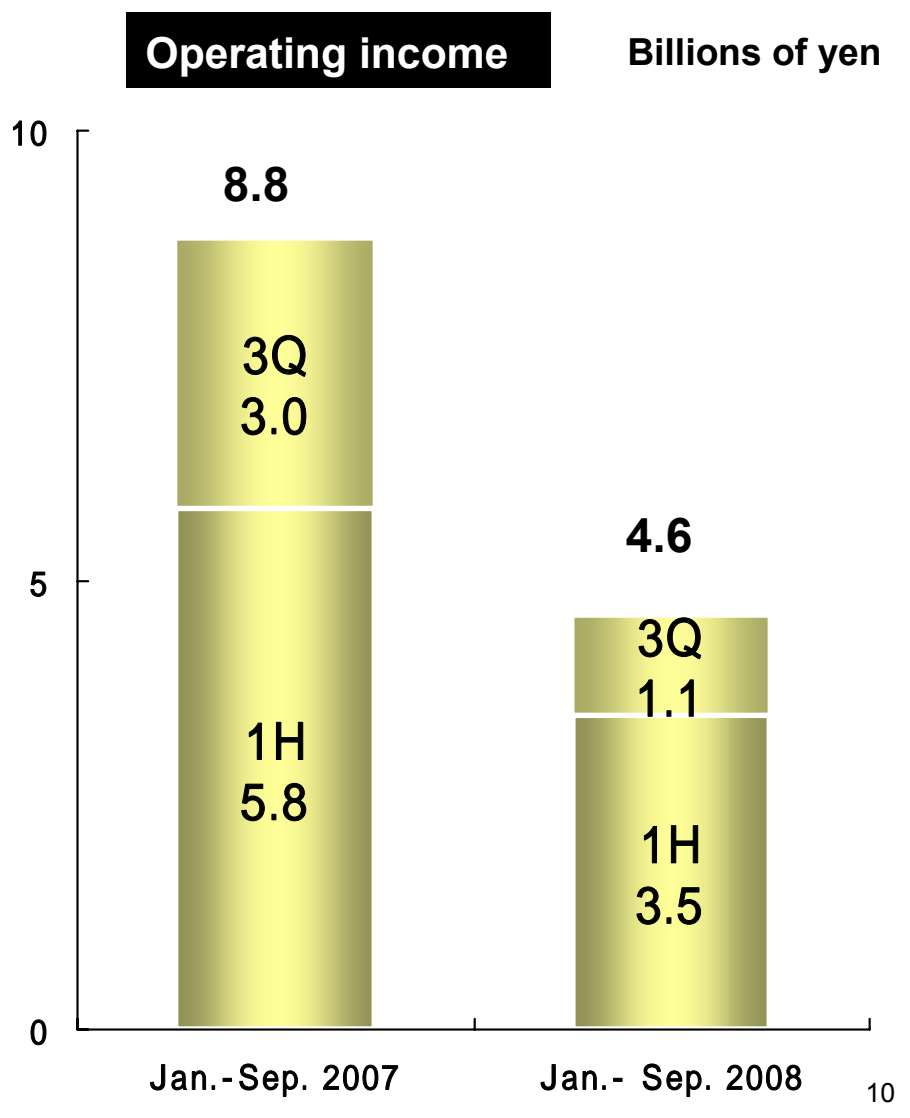
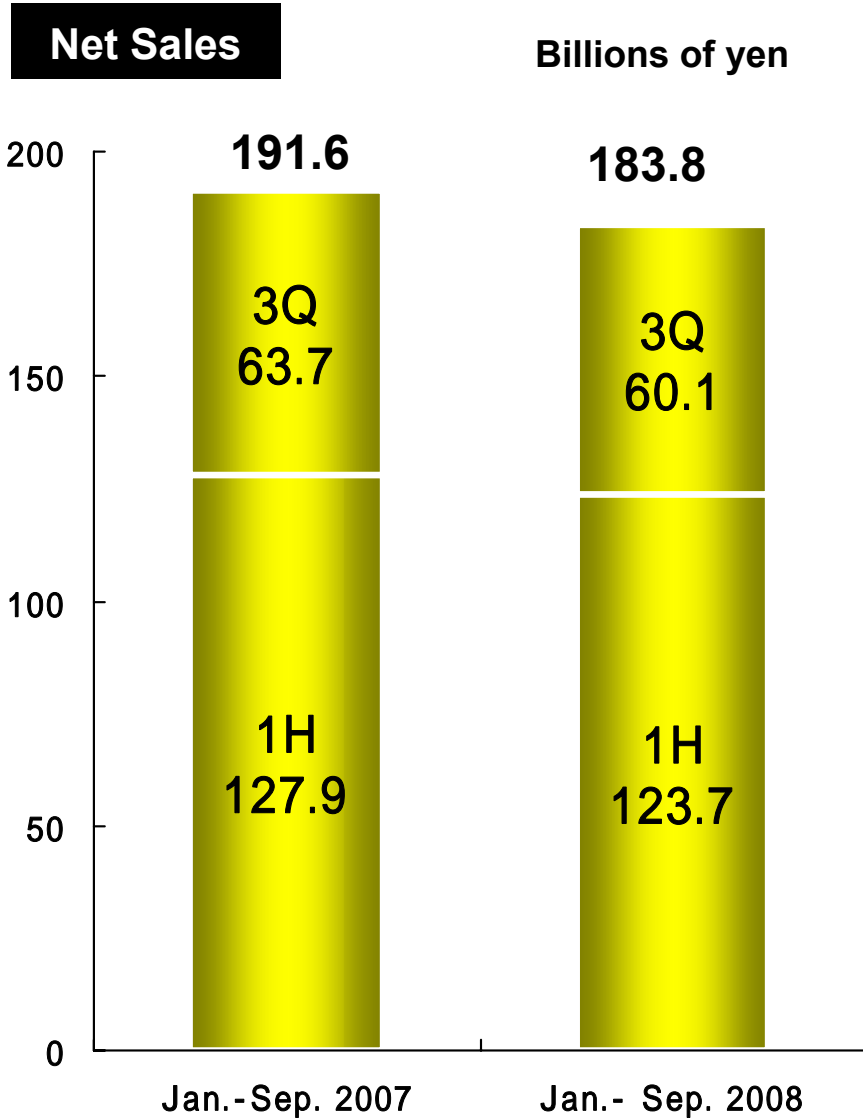
# 4-4. Segment Information (Consumer equipment)



Last year growth rate vs. Sales ( A connection / an amount of money )	2008 1H	2008 3Q	2008 1Q-3Q
Consumer equipment (consolidated ,value)	- 3%	- 6%	- 4%
Consumer equipment (consolidated ,value) I remove PC	- 1%	- 3%	- 2%

Anti-last year growth rate ( A simple substance / an amount of money )	2008 1H	2008 3Q	2008 1Q-3Q
IJP Cartridge (non-consolidated,value)	+ 2%	+ 5%	+ 3%

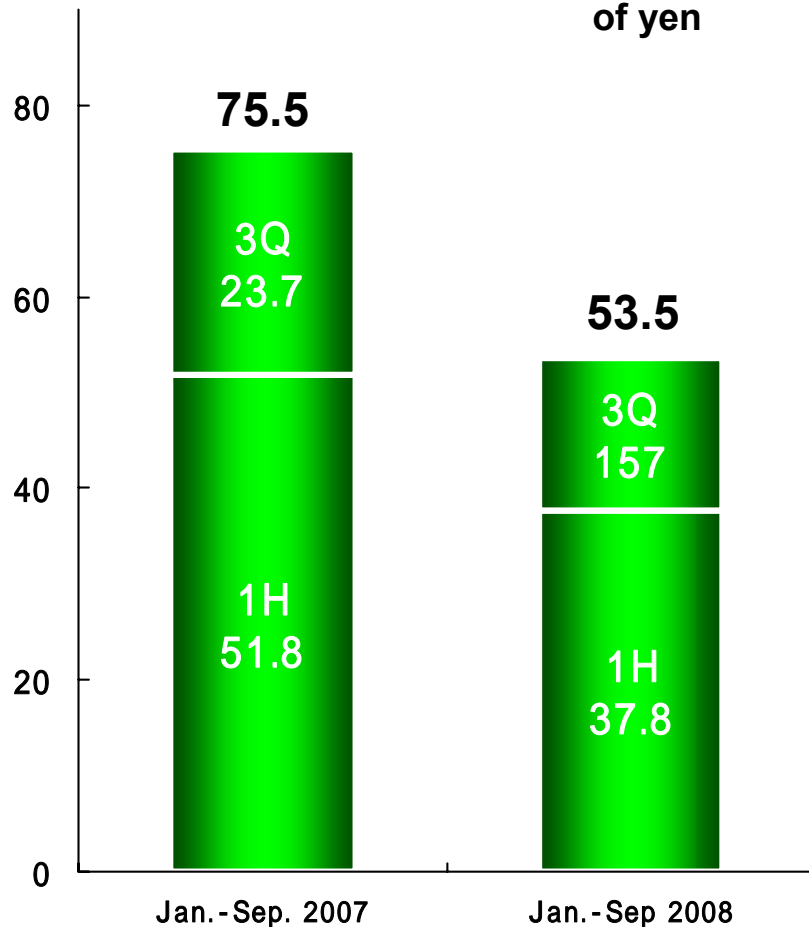
# 4-5. Segment Information (Consumer equipment)



# 4-6. Segment Information (Industrial equipment)

**Net Sales**

Billions of yen

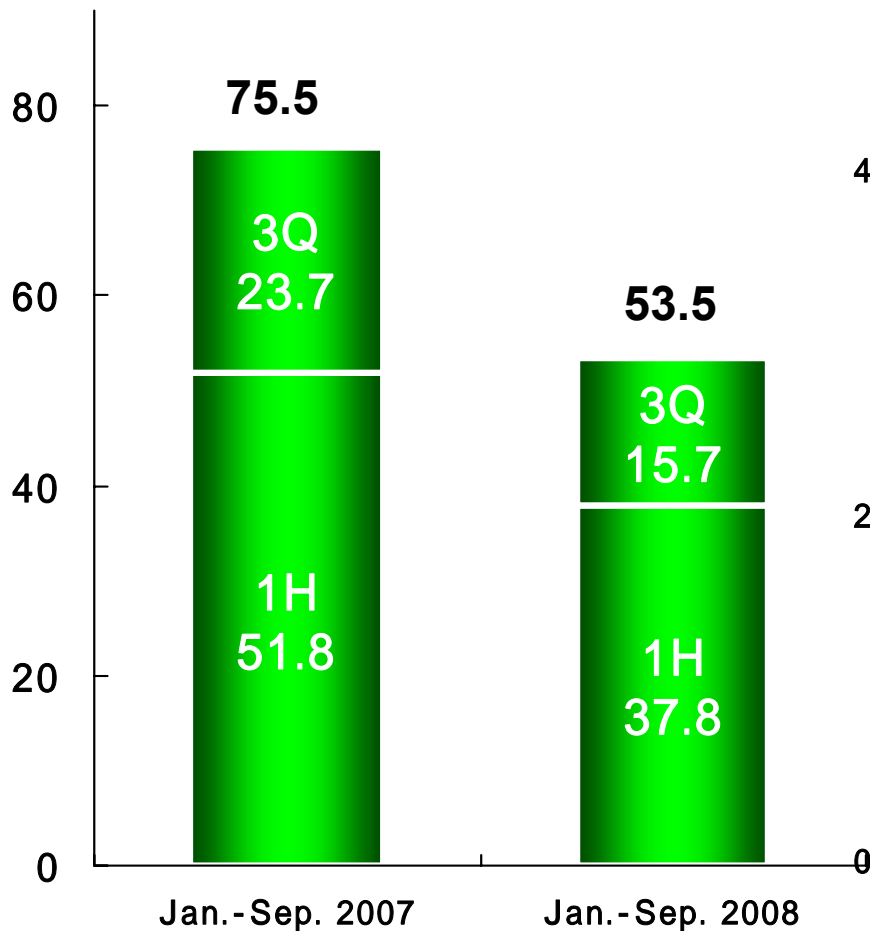


Year-over-Year percentage changes	2008 1H	2008 3Q	2008 A 3Q total
Industrial equipment (consolidated, value)	- 27%	- 34%	- 29%

# 4-7. Segment Information (Industrial equipment)

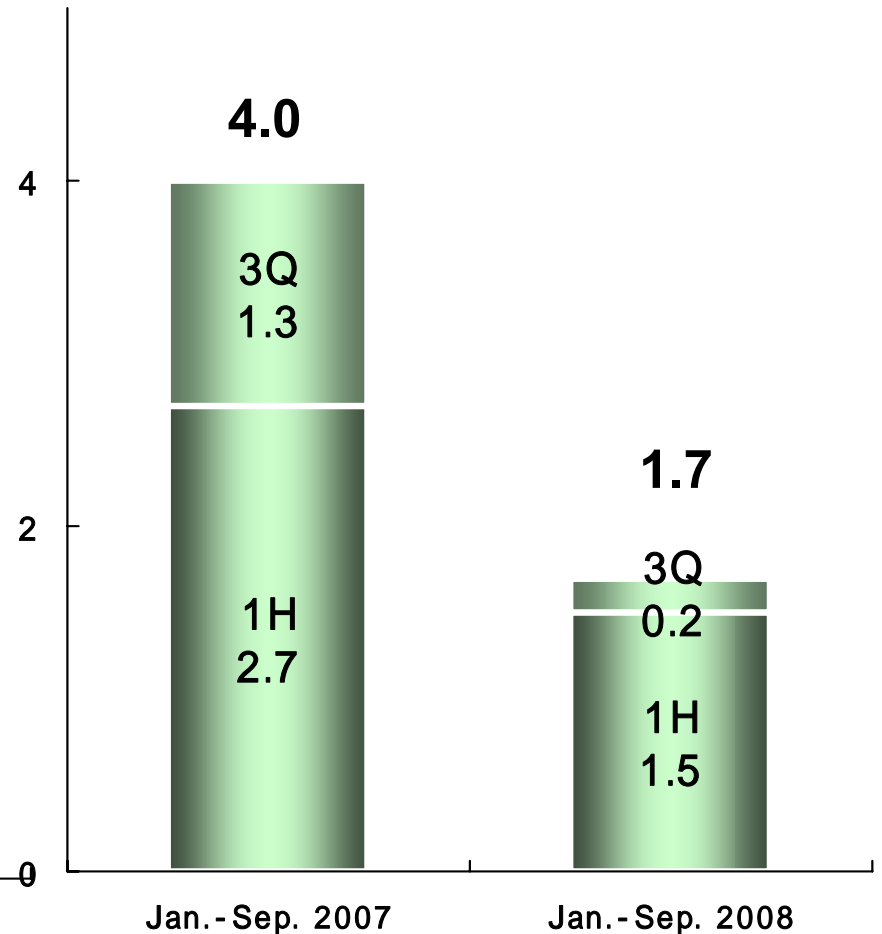
## Net Sales

Billions of yen



## Operating income

Billions of yen



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■ *Outlook for Fiscal 2008*

# 1-1. Outlook for Fiscal 2008

Billions of yen

	Announced on Jul.			Announced on Oct.			Changes		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	418.6	456.4	875.0	418.6	421.4	840.0	-	-35.0	-35.0
(%)	(3.4%)	(4.0%)	(3.7%)	(3.4%)	(3.4%)	(3.4%)	-	(-0.6%)	(-0.3%)
Operating income	14.3	18.2	32.5	14.3	14.2	28.5	-	-4.0	-4.0
(%)	(3.5%)	(4.0%)	(3.8%)	(3.5%)	(3.4%)	(3.5%)	-	(-)	(-0.3%)
Ordinary income	14.8	18.2	33.0	14.8	14.2	29.0	-	-4.0	-4.0
(%)	(1.6%)	(2.3%)	(1.9%)	(1.6%)	(1.4%)	(1.5%)	-	(-)	(-0.4%)
Net income	6.5	10.5	17.0	6.5	6.0	12.5	-	-4.5	-4.5

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

Billions of yen

	FY 2007			Forecasted on Oct.			Changes		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	427.7	477.4	905.1	418.6	421.4	840.0	-9.1	-56.0	-65.1
(%)	(4.0%)	(4.2%)	(4.1%)	(3.4%)	(3.4%)	(3.4%)	(-0.6%)	(-0.8%)	(-0.7%)
Operating income	17.0	19.9	36.9	14.3	14.2	28.5	-2.7	-5.7	-8.4
(%)	(4.1%)	(4.1%)	(4.1%)	(3.5%)	(3.4%)	(3.5%)	(-0.6%)	(-0.7%)	(-0.6%)
Ordinary income	17.5	19.4	36.9	14.8	14.2	29.0	-2.7	-5.2	-7.9
(%)	(2.3%)	(2.1%)	(2.2%)	(1.6%)	(1.4%)	(1.5%)	(-0.9%)	(-0.8%)	(-0.8%)
Net income	10.0	10.0	20.0	6.5	6.0	12.5	-3.5	-4.0	-7.5



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

		Announced on Jul.			FY2008			Change		
		1H	2H	FY	1H	2H	FY	1H	2H	FY
Document Business	Net Sales	170.4	169.6	340.0	170.4	162.6	333.0	0.0	(7.0)	(7.0)
IT Solution	Net Sales	86.7	95.3	182.0	86.7	80.3	167.0	0.0	(15.0)	(15.0)
<b>Business Solutions</b>	Net Sales	257.1	264.9	522.0	257.1	242.9	500.0	0.0	(22.0)	(22.0)
	Operating Income	9.3	7.1	16.4	9.3	5.4	14.7	0.0	(1.7)	(1.7)
<b>Consumer equipment</b>	Net Sales	123.7	158.8	282.5	123.7	149.3	273.0	0.0	(9.5)	(9.5)
	Operating Income	3.5	9.7	13.2	3.5	8.0	11.5	0.0	(1.7)	(1.7)
<b>Industrial equipment</b>	Net Sales	37.8	32.7	70.5	37.8	29.2	67.0	0.0	(3.5)	(3.5)
	Operating Income	1.5	1.4	2.9	1.5	0.8	2.3	0.0	(0.6)	(0.6)
<b>Total</b>	Net Sales	418.6	456.4	875.0	418.6	421.4	840.0	0.0	(35.0)	(35.0)
	Operating Income	14.3	18.2	32.5	14.3	14.2	28.5	0.0	(4.0)	(4.0)

# 2-2. 2008 Outlook for Fiscal 2008

## by segment Y-on-Y

		FY2007			FY2008			Change		
		1H	2H	FY	1H	2H	FY	1H	2H	FY
Document Business	Net Sales	174.2	171.5	345.7	170.4	162.6	333.0	(3.8)	(8.9)	(12.7)
	IT Solution	73.7	97.3	171.0	86.7	80.3	167.0	13.0	(17.0)	(4.0)
<b>Business Solutions</b>	Net Sales	247.9	268.8	516.7	257.1	242.9	500.0	9.2	(25.9)	(16.7)
	Operating Income	8.5	8.7	17.2	9.3	5.4	14.7	0.8	(3.3)	(2.5)
<b>Consumer equipment</b>	Net Sales	128.0	156.4	284.4	123.7	149.3	273.0	(4.3)	(7.1)	(11.4)
	Operating Income	5.8	8.6	14.4	3.5	8.0	11.5	(2.3)	(0.6)	(2.9)
<b>Industrial equipment</b>	Net Sales	51.8	52.2	104.0	37.8	29.2	67.0	(14.0)	(23.0)	(37.0)
	Operating Income	2.7	2.6	5.3	1.5	0.8	2.3	(1.2)	(1.8)	(3.0)
<b>Total</b>	Net Sales	427.7	477.4	905.1	418.6	421.4	840.0	(9.1)	(56.0)	(65.1)
	Operating Income	17.0	19.9	36.9	14.3	14.2	28.5	(2.7)	(5.7)	(8.4)

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

### Document business

Net Sales Billions of yen	4Q 2007	4Q 2008	Change
	86.8	<b>82.5</b>	- 4.3

#### ● MFP

- ✓ Severe market environment will continue.
- ✓ Especially small companies will save their invest for business machines and price competitions continue, too.

#### ● LBP

- ✓ The total device proposal interlocked with MFP is strengthened and ASP will be falls.
- ✓ The toner cartridge is steady mainly on a color.

#### ● Production printing

- ✓ We will sell our products with our partners that are good at power for software development.

#### ● Service & Support

- ✓ ASP downward trend continues.
- ✓ We encourage a reduction of cost by unifying management of service organization.

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

### IT solution

Net Sales	4Q 2007	4Q 2008	Change
Billions of yen	56.2	42.5	- 13.7

#### ● IT service

##### ➤ Document solution

- ✓ The strong demand of security solution for major customers continues.

##### ➤ Subsidiaries

- ✓ Boss of embedded-software and solution business are in good condition. (Canon software)
- ✓ There is putting it off of collating in financial companies. (Canon IT Solutions)
- ✓ The acceptance of order is brisk. (Canon IT solution)

##### ➤ Software

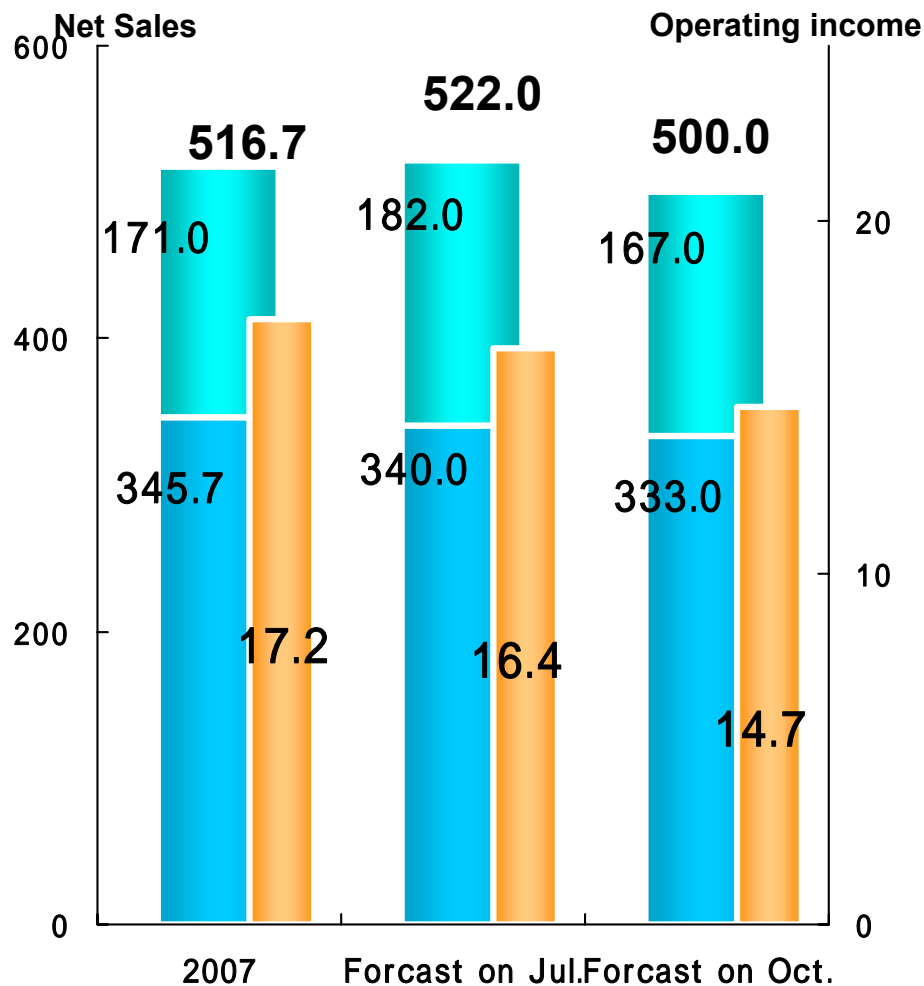
- ✓ The package software is less than the last year.

#### ● IT product

It will be less than the last year by the restraint of the plant and equipment investment.

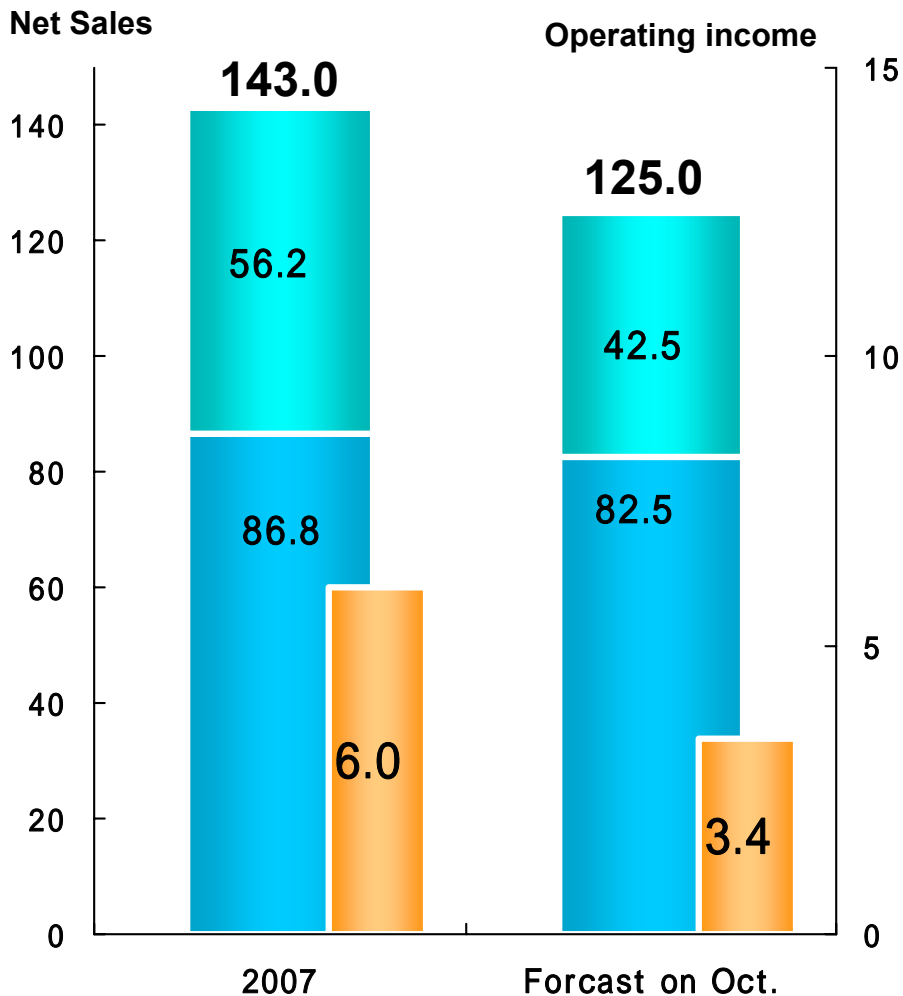
# 3 - 3. Outlook for Fiscal 2008 (Business Solutions)

【FY 2008】



【4Q 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 )

Net Sales Billions of yen	4Q 2007	4Q 2008	Change
	92.8	<b>89.2</b>	-3.6

### ● Digital single-lens reflex cameras

- ✓ The increase in trade continues. We include the interchangeable lens, and favorable condition lasts sequentially.
- ✓ We aim at profit improvement and the top share with full-line up products.



EOS50D

### ● Compact digital cameras

- ✓ In the market, severe price competition is anticipated sequentially.
- ✓ It is adhered to the share top by new product injection in September.

### ● Printer for families

- ✓ About the inkjet printers ,We aim at the sale of the number to exceed the last year.
- ✓ The expendable supplies sales change smoothly.

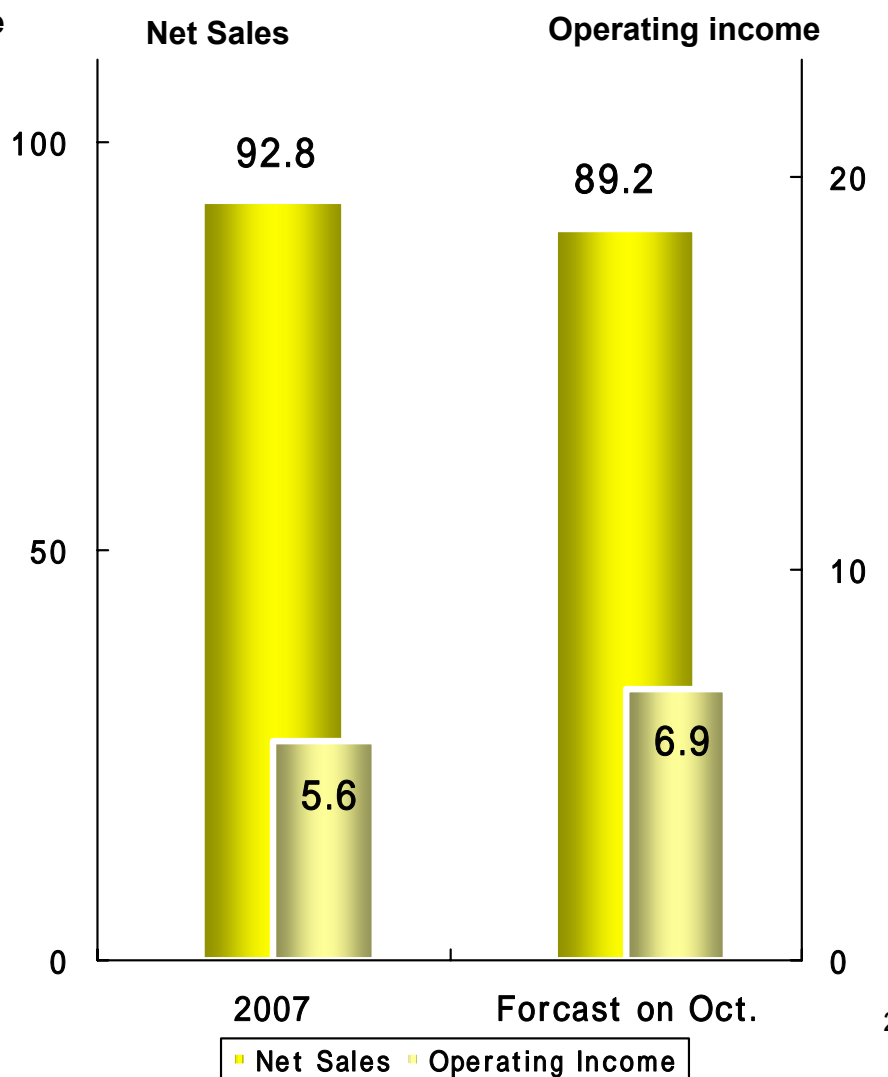
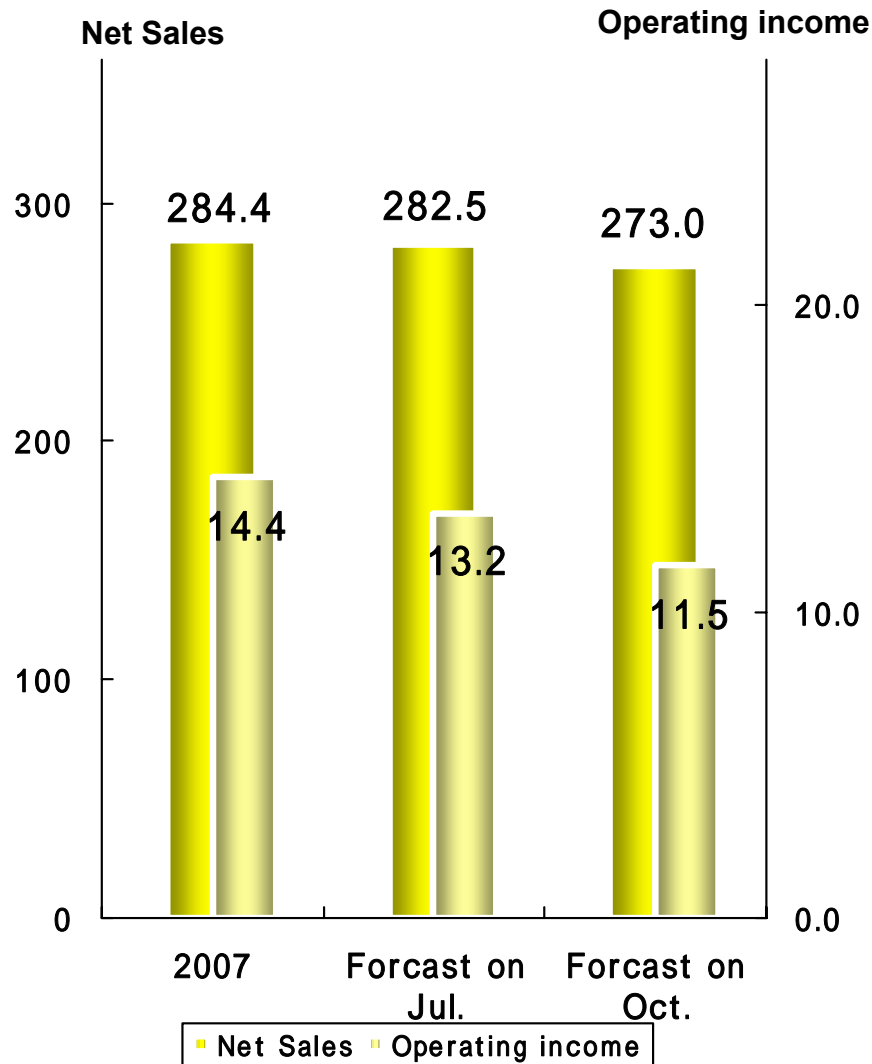
### ■ Consumer PC Sales will be drastically lower.

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

【FY 2008】

【4Q of 2008】

Billions of yen



# 5-1. Outlook for Fiscal 2008

## (Industrial equipments Topics)

Net Sales	4Q 2007	4Q 2008	Change
Billions of yen	28.5	13.5	-15.0

### ● Semiconductor machinery

- ✓ 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.
- ✓ The gains of Sales of expensive non-hardware of the profit rate.

### ● Medical equipment

- ✓ Update to the digitization accelerates the medical image machinery. We maintain buoyancy.

CXDI 60G





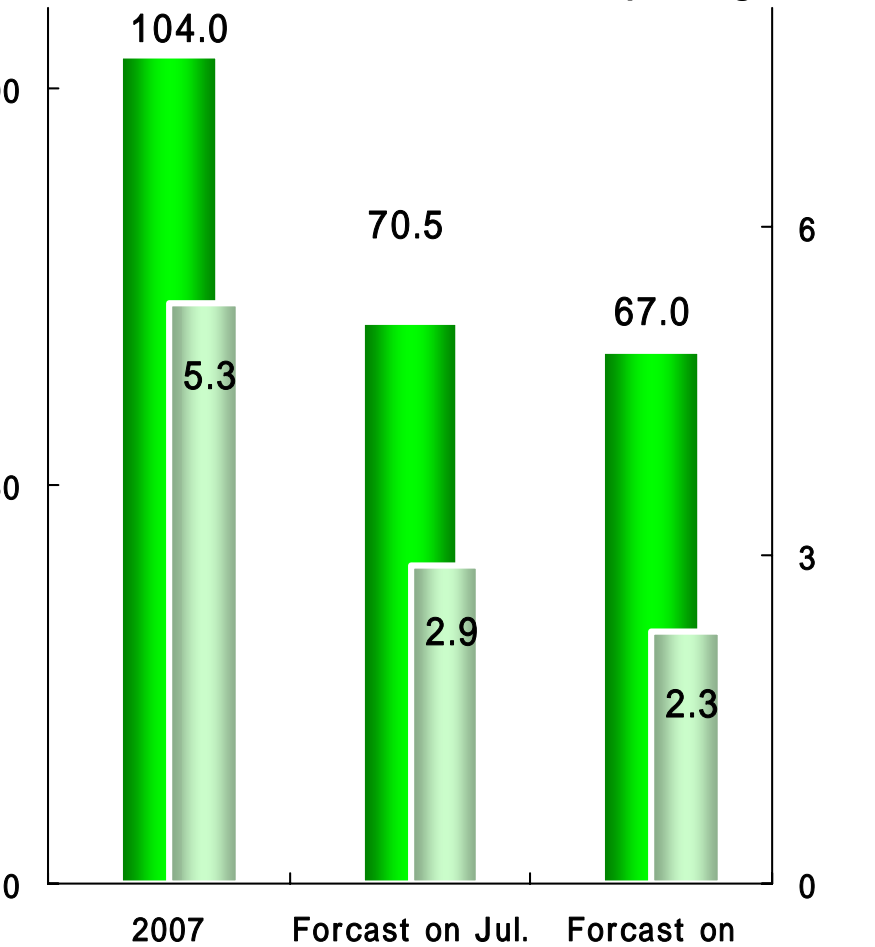
# 5- 2. Outlook for Fiscal 2008



## (Industrial equipments)

### 【FY 2008】

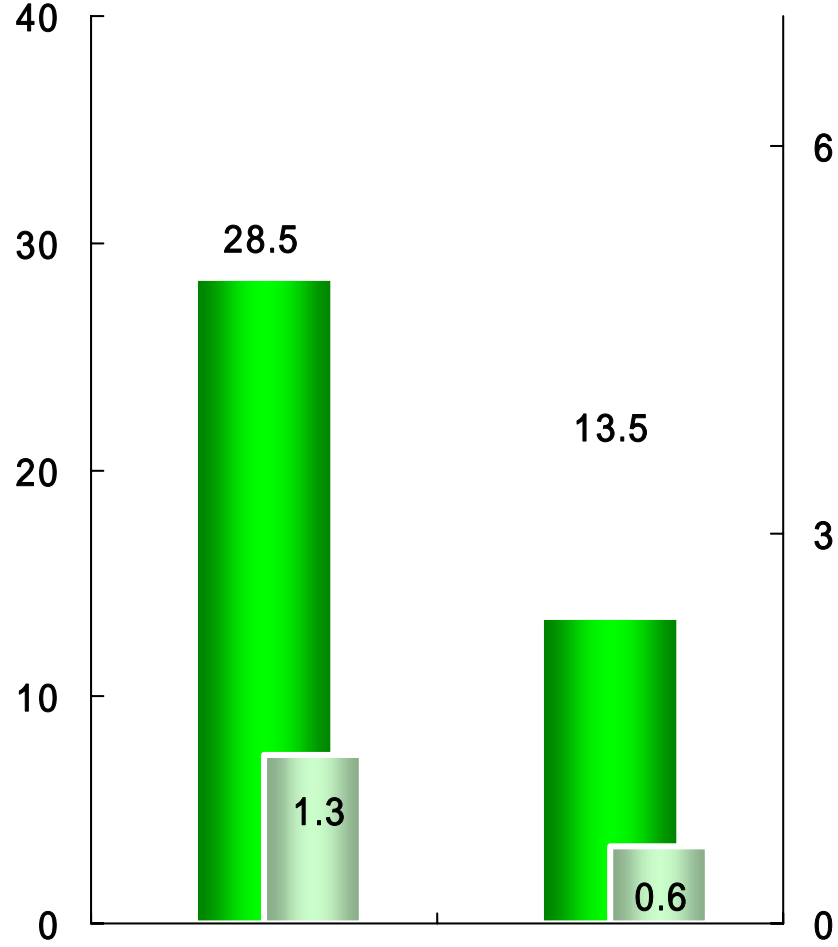
Net Sales



■ Net Sales ■ Operating Income

### 【4Q of 2008】

Net Sales



■ Net Sales ■ Operating income

Billions of yen