

Canon Marketing Japan Inc.
FY 2008 Results

January 28 , 2009

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Senior Managing Director

Canon

1. Principles of Consolidation

	Dec.31, 2007	Newly consolidated	Newly unconsolidated	Dec.31, 2008
Number of consolidated companies	24	1	5	20
Number of equity-method companies	0	—	—	0
Total	24	7	5	20

- ◆Jan. SANIN Canon JIMUKI Inc. have merged with Canon System and Support Inc.
- ◆Apr. Argo 21 and Canon IT Solutions have merged into Canon IT Solutions Inc.
- ◆Jul. Canon BM Tokyo, Canon BM Kanagawa and Canon BM Osaka have merged with Canon System and Support Inc.
- ◆Sep. Canon IT Solutions Inc. has acquired issued number of shares of Bic NIIUSU and changed business name to Qualysite Technologies Inc.

2-1. Consolidated Statements of Income



(October – December 2008)

billions of yen

	2007 4Q	2008 4Q	Changes	
				%
Net Sales	264.3	215.2	(49.1)	-19%
(%)	(31.1%)	(33.4%)	(+2.2%)	
Gross Margin	82.3	71.8	(10.5)	-13%
(%)	(4.9%)	(3.6%)	(-1.3%)	
Operating Income	12.9	7.8	(5.1)	-40%
(%)	(4.7%)	(3.6%)	(-1.2%)	
Ordinary Income	12.5	7.7	(4.8)	-38%
Income before income taxes	11.8	6.4	(5.4)	-46%
(%)	(2.5%)	(1.6%)	(-0.9%)	
Net Income	6.5	3.4	(3.1)	-48%
EPS (Yen)	44.12	24.51		

2-2. Consolidated Statements of Income

(January – December 2008)

billions of yen

	FY 2007	FY 2008	Changes	
				%
Net Sales	905.1	827.5	-77.7	-9%
(%)	(32.0%)	(33.0%)	(+1.0%)	
Gross Margin	289.7	273.0	-16.7	-6%
(%)	(4.1%)	(3.1%)	(-1.0%)	
Operating Income	36.9	25.4	-11.5	-31%
(%)	(4.1%)	(3.1%)	(-0.9%)	
Ordinary Income	36.9	25.9	-11.0	-30%
Income before income taxes	35.5	22.2	-13.3	-37%
(%)	(2.2%)	(1.4%)	(-0.9%)	
Net Income	20.0	11.2	-8.8	-44%
EPS (Yen)	134.84	78.63		

3-1. Consolidated Segment information



(October – December 2008)

billions of yen

		2007 4Q		2008 4Q		Changes	
		Net Sales	%	Net Sales	%		%
	Document Business	(86.8)	(33%)	(79.0)	(37%)	(-7.8)	(Δ9%)
	IT Solution	(56.2)	(21%)	(42.0)	(20%)	(-14.2)	(Δ25%)
Business Solutions		143.0	54%	121.0	56%	-22.0	-15%
Consumer equipment		92.8	35%	82.0	38%	-10.8	-12%
Industrial equipment		28.5	11%	12.2	7%	-16.3	-57%
Total		264.3	100%	215.2	100%	-49.1	-19%

3-2. Consolidated Segment information



(January – December 2008)

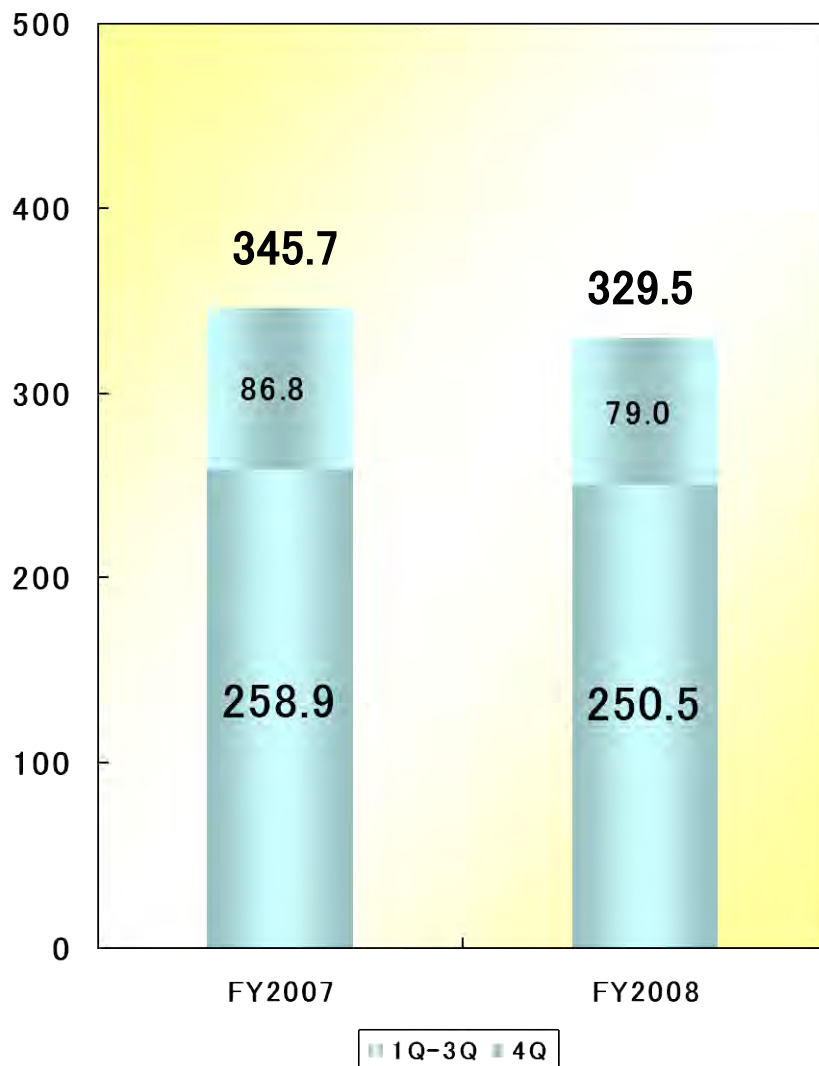
billions of yen

		FY 2007		FY 2008		Changes	
		Net Sales	%	Net Sales	%		%
Document Business		(345.7)	(38%)	(329.5)	(40%)	(-16.2)	(-5%)
	IT Solution	(171.)	(19%)	(166.5)	(20%)	(-4.5)	(-3%)
Business Solutions		516.7	57%	496.0	60%	-20.7	-4%
Consumer equipment		284.4	31%	265.8	32%	-18.6	-7%
Industrial equipment		104.0	11%	65.7	9%	-38.3	-37%
Total		905.1	100%	827.5	100%	-77.6	-9%

4-1. Segment Information (Document Business)

Net Sales

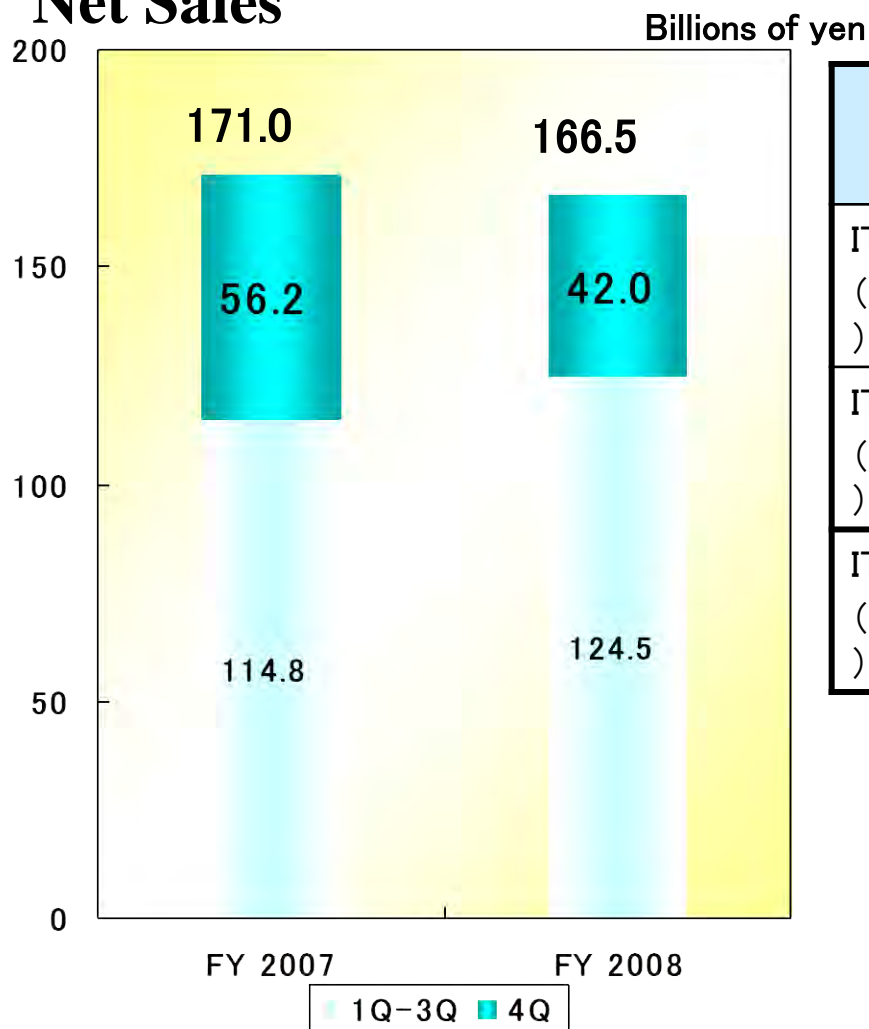
Billions of yen



Growth rate y/y	2008 1H	2008 3Q	2008 4Q	2008 2H	FY 2008
Business equipment (consolidated ,value)	-6%	-10%	-14%	-12%	-9%
Maintenance & Service (consolidated ,value)	+2%	0%	-4%	-2%	0%
Document Business (consolidated ,value)	-2%	-5%	-9%	-7%	-5%

4-2. Segment Information (IT Solutions)

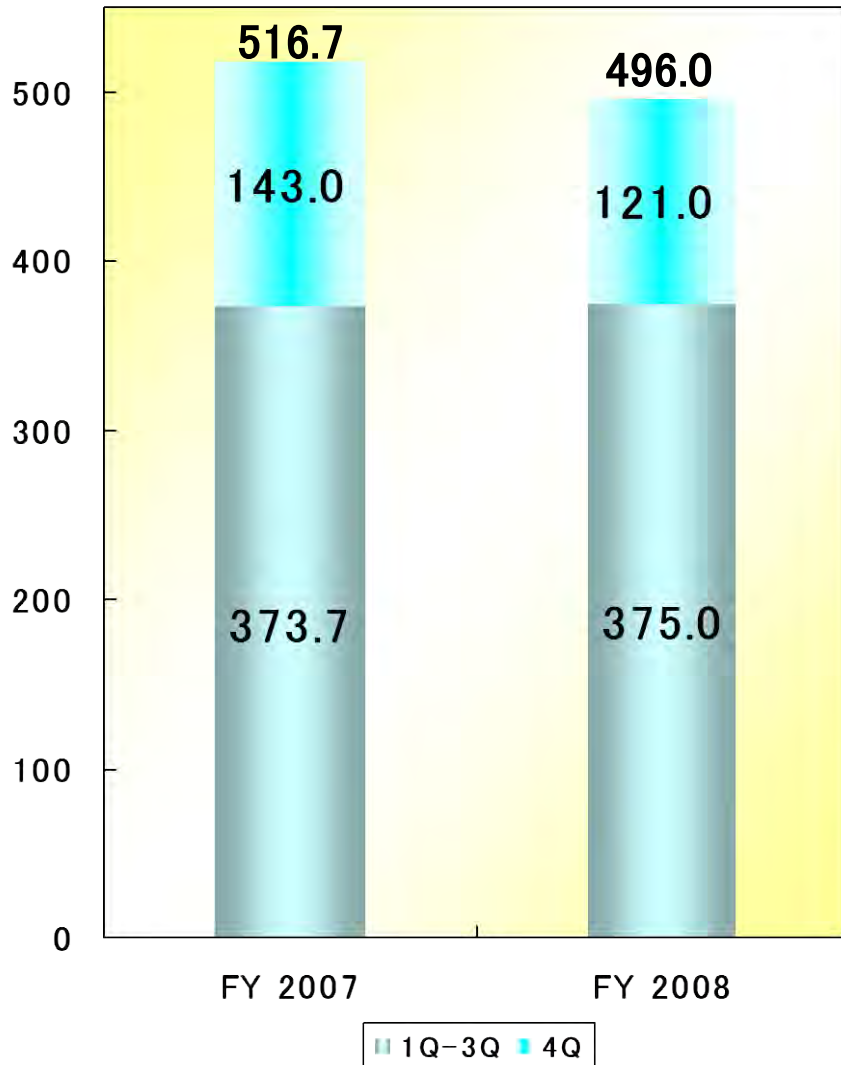
Net Sales



Growth rate y/y	2008 1H	2008 3Q	2008 4Q	2008 2H	FY 2008
IT Service (consolidated ,value)	+28%	-5%	-25%	-17%	+29%
IT Product (consolidated ,value)	-9%	-19%	-25%	-22%	-15%
IT Solution (consolidated ,value)	+18%	-8%	-25%	-18%	-3%

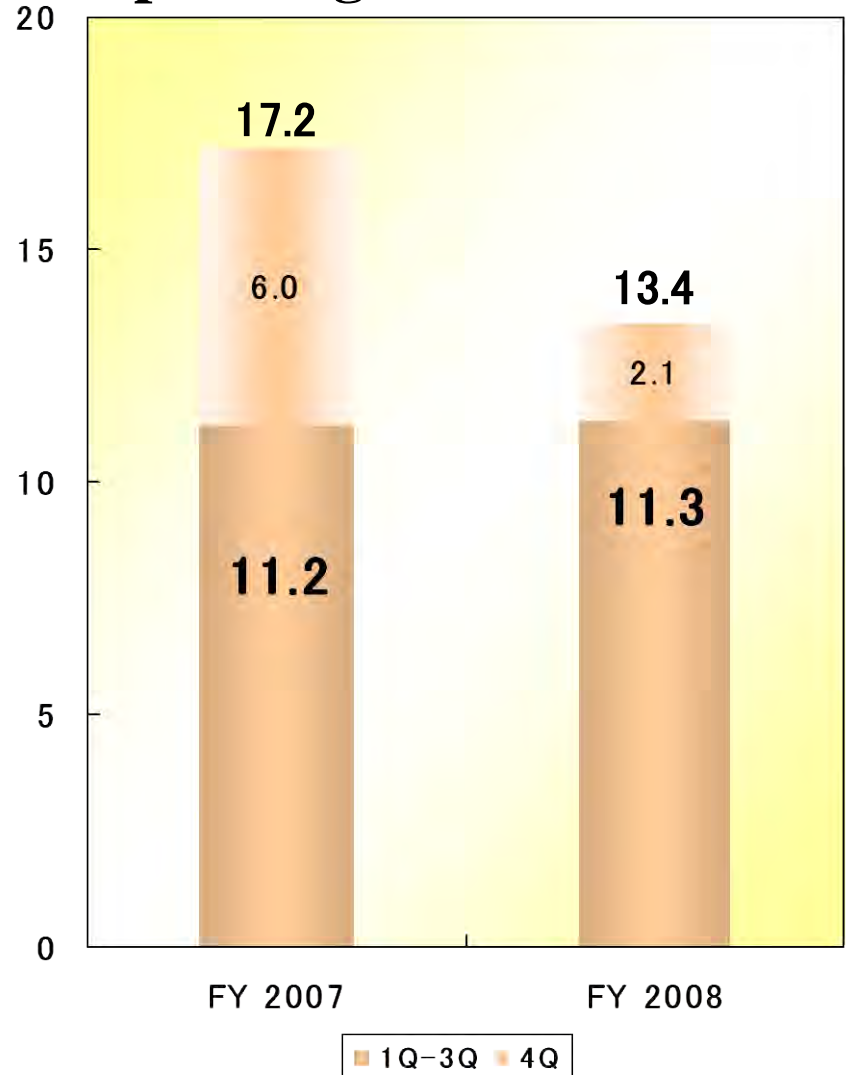
4-3. Segment Information (Business Solutions)

Net Sales

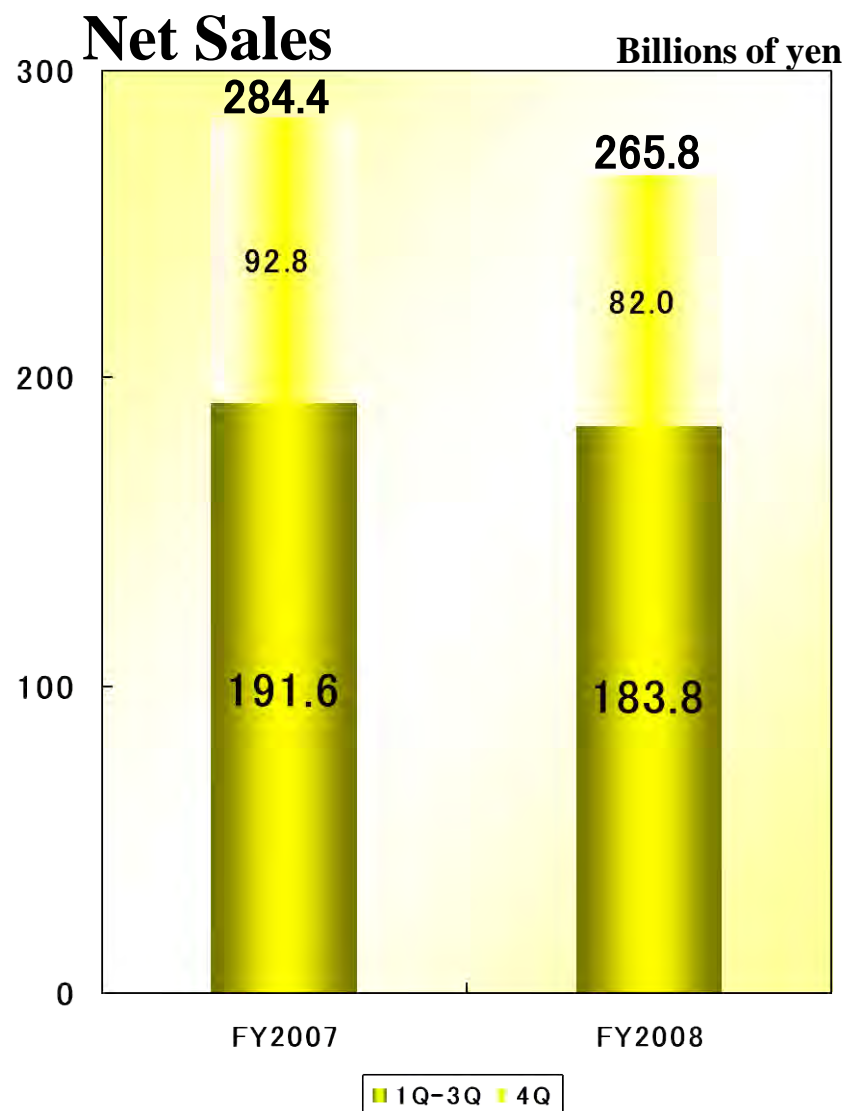


Operating income

Billions of yen



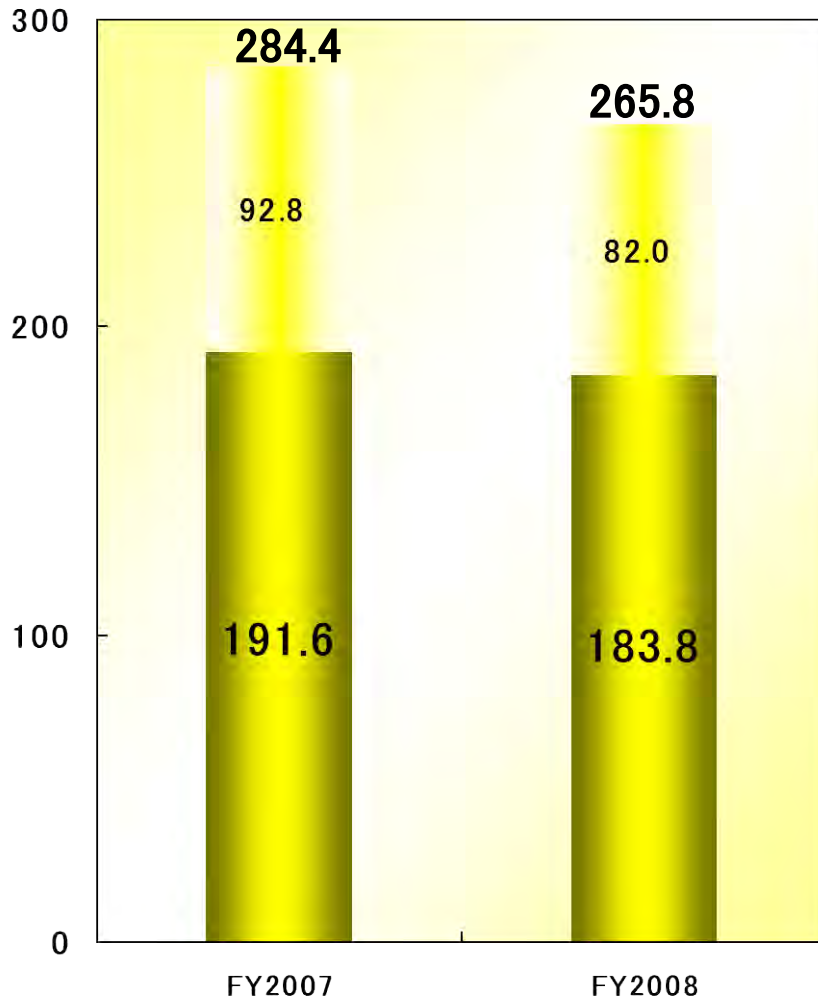
5-1. Segment Information (Consumer equipments)



Growth rate y/y	2008 1H	2008 3Q	2008 4Q	2008 2H	FY 2008
Consumer equipment (consolidated ,value)	-3%	-6%	- 12%	-9%	-7%
The change of growth except the sales of PCs (consolidated ,value)	-1%	-3%	-9%	-6%	-4%

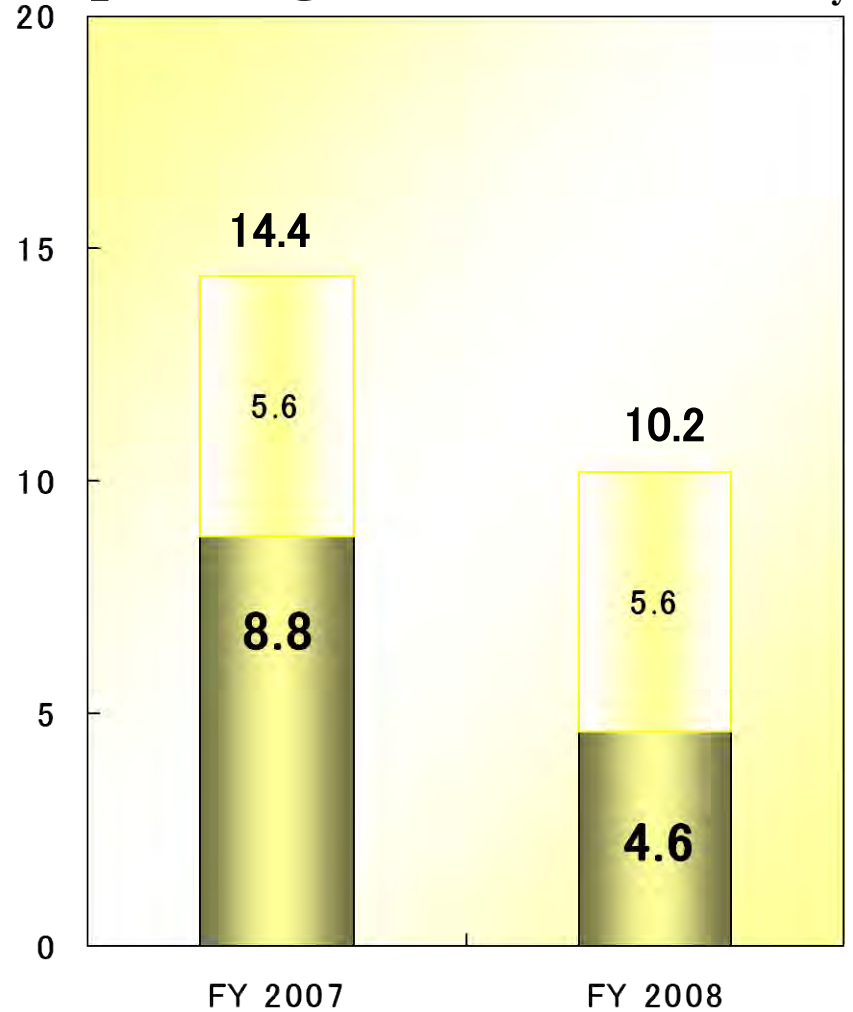
5-2. Segment Information (Consumer equipments)

Net sales



Operating income

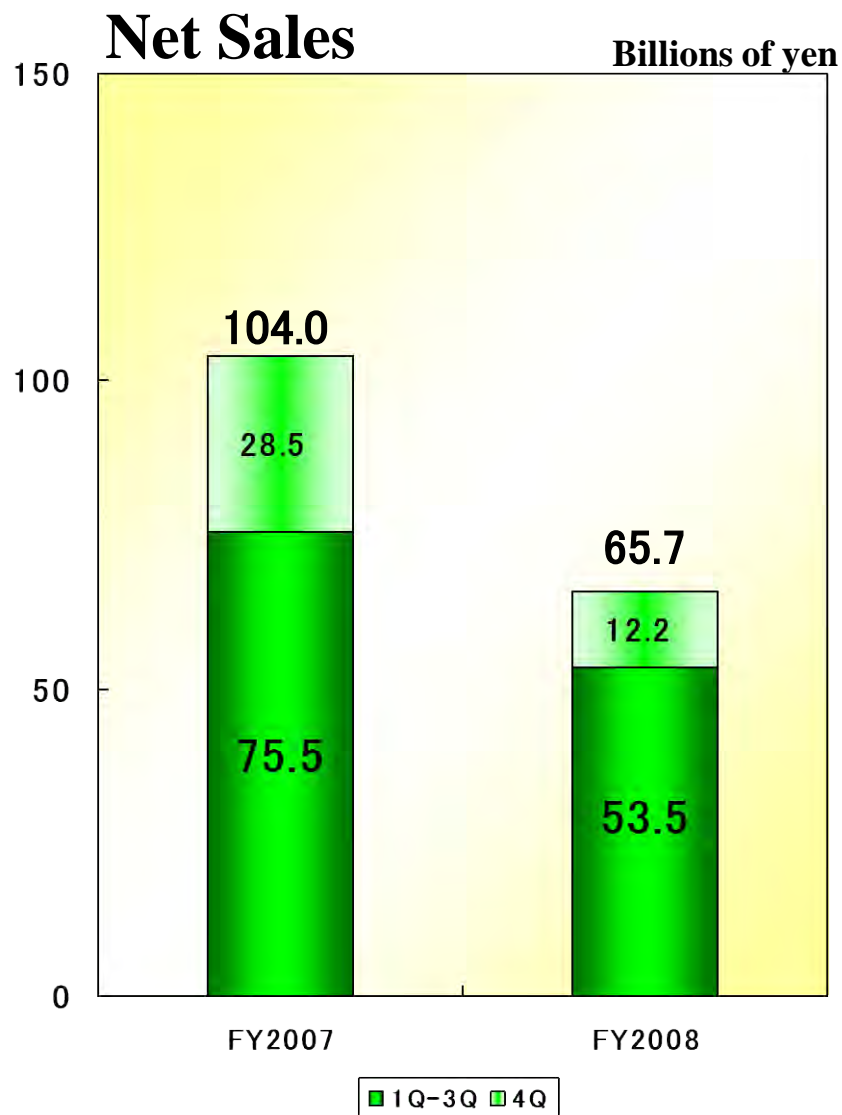
Billions of yen



■ 1Q-3Q ■ 4Q

■ 1Q-3Q ■ 4Q

6-1. Segment Information (Industrial equipments)

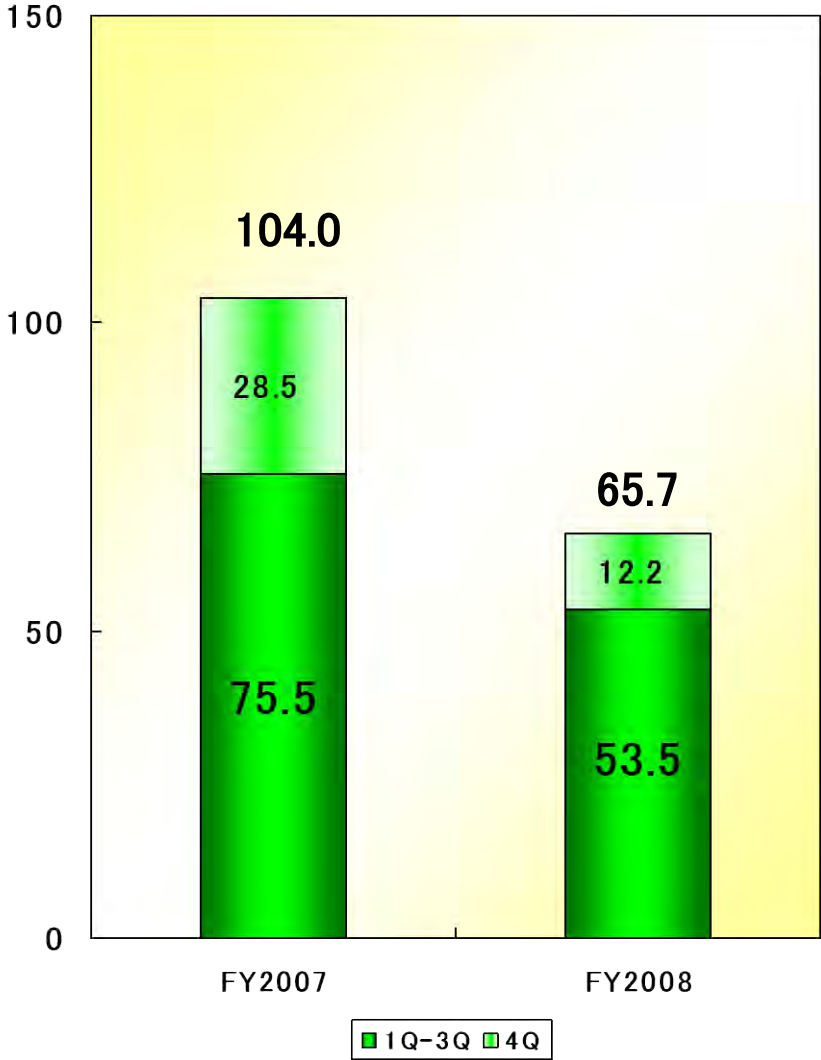


Year-over-Year percentage changes	2008 1H	2008 3Q	2008 4Q	2008 2H	FY 2008
Industrial equipment (consolidated ,value)	-27%	-34%	-57%	-47%	-37%

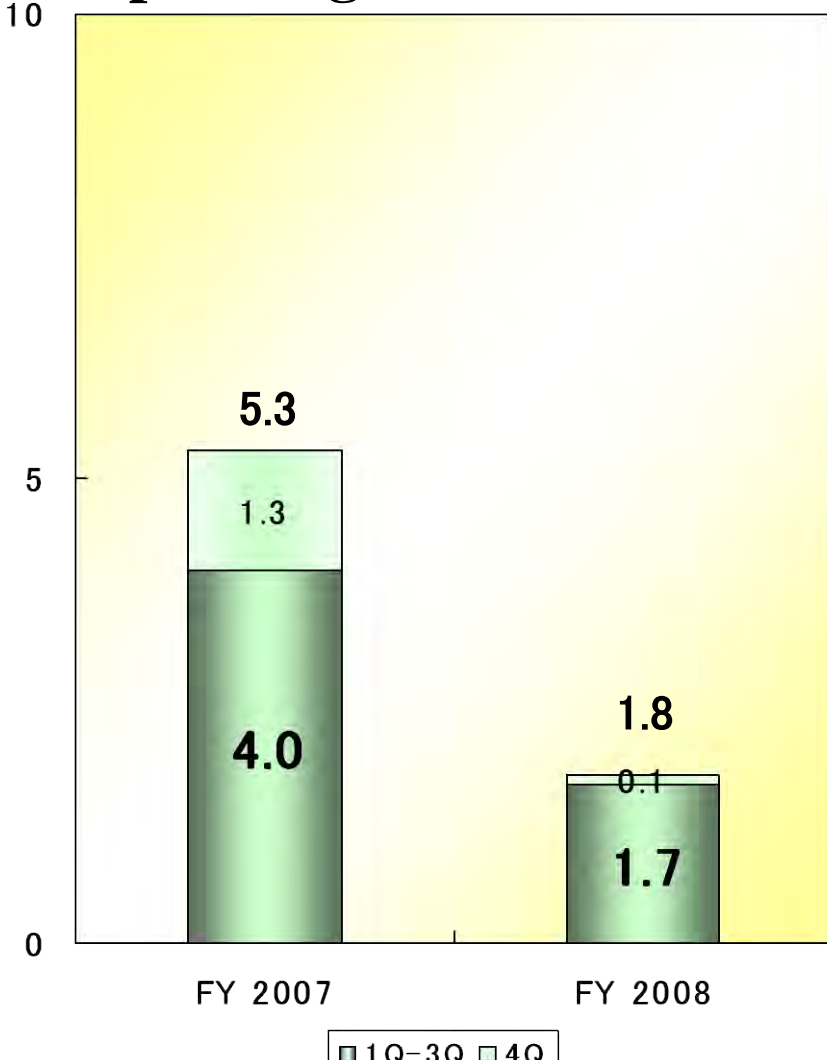
6-2. Segment Information (Industrial equipments)

Billions of yen

Net Sales



Operating income



FY 2009 Projections

Canon

1. FY2009 Current Projection

Billions of yen

	FY2008 Actual	FY2009 Projection	Changes
Net sales	827.5	814.0	-13.5
(%)	(3.1%)	(2.6%)	(-0.5%)
Operating income	25.4	21.0	-4.4
(%)	(3.1%)	(2.8%)	(-0.3%)
Ordinary income	25.9	23.0	-2.9
(%)	(1.4%)	(1.2%)	(-0.2%)
Net income	11.2	10.0	-1.2

2. FY2009 Current Projection by segment

				billions of yen			
		FY 2008 Actual		FY 2009 Projection		Changes	
			%		%		%
Document Business	Net Sales	(329.5)	(40%)	(322.5)	(40%)	(-7.0)	(+0%)
	IT Solution	(166.5)	(20%)	(172.5)	(20%)	(+6.0)	(+0%)
Business Solutions	Net Sales	496.0	60%	495.0	60%	-1.0	+0%
	O.P.	13.4	53%	12.0	57%	-1.4	+4%
Consumer equipment	Net Sales	265.8	32%	271.0	32%	+5.2	+0%
	O.P.	10.2	40%	8.3	40%	-1.9	-1%
Industrial equipment	Net Sales	65.7	9%	48.0	9%	-17.7	+0%
	O.P.	1.8	7%	0.7	3%	-1.1	-4%
Total	Net Sales	827.5	100%	834.3	100%	+6.8	+0%
	O.P.	25.4	100%	21.0	100%	-4.4	+0%

3. 2009 Business Solutions - Document Business

Document Business

FY Net Sales (Billions of yen)	FY2008 Actual	FY 2009 Projection	Change
	329.5	322.5	-7.0

●MFPs (Business-Use Multifunctional Products)

- ❖ There will be a decline in sales of units about 10% in Japanese market.
- ❖ 1H particularly strictly. New products will be launched in 2H.
- ❖ Especially small and mid-size companies stop their investment for MFPs.
- ❖ Price competition continues not only for hard-ware but also for service & support.

●LBP (Laser-Beam Printers)

- ❖ There will be a decline in sales of units about 10% in Japanese market.
- ❖ We aim at the numbers of sales exceed comparison with the previous year.

●Digital commercial printers

- ❖ We anticipate numbers of sales increase by lineup reinforcement.

●Maintenance services

- ❖ Continuing price competition pushed down the unit prices.

4. 2009 Business Solutions - IT Solutions

IT Solutions

FY Net Sales (Billions of yen)	FY2008 Actual	FY 2009 Projection	Change
	166.5	172.5	+6.0

- ❖ There will be a decline in sales about 1.7% in Japanese market.(by IDC Japan)
- ❖ As for System Integration business, reduction and the postponement of the scale
- ❖ The demand of the price down from a customer becomes severer

● Document Solutions

- ❖ Expand security businesses to mid-size and small-size companies

● Consolidated companies

- ❖ Canon Software Inc.:

Continued good condition in their embedded software & solution businesses

- ❖ Canon IT Solutions Inc. :

Business expansion by restructuring of business operations

5. 2009 Consumer equipment

FY Net Sales (Billions of yen)	FY2008 Actual	FY 2009 Projection	Change
	265.8	271.0	+5.2

● Digital SLR Cameras

- ❖ The market spreads with the body / the interchangeable lens, but the growth rate slows down.

- ❖ Maintain No.1 share with strong products



● Compact Digital Cameras

- ❖ The market size will go sideways

Continuing price competition pushed down the unit prices.

- ❖ Profit + Share No.1

● Home- Use Printers

- ❖ The market size will go sideways

- ❖ Consumables sell steadily

6. 2009 Industrial equipment

FY Net Sales (Billions of yen)	FY2008 Actual	FY 2009 Projection	Change
	65.7	48.0	-17.7

● Semiconductor equipment

- ❖ Capital investment cutbacks by memory chip makers caused a severe downturn in domestic demand for semiconductor equipment.
- ❖ By the large turndown of sales, ensuring profit is difficult

● Medical Equipment

- ❖ Update to the digitization accelerates medical image machinery / the ophthalmology machinery. Maintain buoyancy.



CXDI 60G

Supplementary information

Canon

1. The main consolidated company results

billions of yen

	FY 2007 Actual		FY 2008 Actual		Changes	
	Net sales	O.P.	Net sales	O.P.	Net sales	O.P.
<Document Business>		(1.2%)		(0.3%)		(-0.9%)
Canon System & Support	129.0	1.5	119.2	0.3	-9.8	-1.2
<IT Solutions>		(7.4%)		(8.2%)		(+0.8%)
Consolidated Canon Software	24.2	1.8	26.8	2.2	+2.6	+0.4
Consolidated Canon IT Solutions	69.4	5.5	75.1	4.6	+5.7	-0.9
Canon Network Communications	8.8	0.7	9.7	0.8	+0.9	+0.1
S.Total	102.4	8.0	111.6	7.6	+8.3	-0.3
Consolidated Canon Business Support	25.5	0.4	26.2	0.1	+0.7	-0.3

2. Selling, general and administrative expenses

Billions of yen

	FY 2007 Actual	FY 2008 Actual	Changes
Advertising expenses	18.8	16.7	-2.1
Promotion expenses	30.7	30.2	-0.5
Waranty expenses	13.2	13.4	+0.2
Other direct expenses	16.7	16.0	-0.7
Personal expenses	130.0	127.0	-3.0
Depreciation and amortizatio	4.6	4.7	+0.1
Rent expenses	8.0	8.5	+0.5
IT expenses	5.9	6.0	+0.1
Other selling expenses	25.0	25.1	+0.1
TOTAL	252.9	247.6	-5.3

3. Non-operating income & expenses

Extra ordinary income and loss

	Billions of yen		
	FY 2007 Actual	FY 2008 Actual	Changes
[Non-operating income]			
Interest and dividend income	0.9	1.0	+0.1
Insurance and dividends income	0.6	0.6	+0.0
Amortization of negative goodwill	0.1	–	-0.1
Other	0.8	1.0	+0.2
TOTAL	2.4	2.6	+0.2
[Non-operating expenses]			
Interest expenses	0.1	0.1	+0.0
Loss on disposal and devaluation of inventories	1.9	1.6	-0.3
Other	0.4	0.3	-0.1
TOTAL	2.3	1.9	-0.4
[Extraordinary income]			
Gain on sales of investment securities	0.9	0.0	-0.9
Gain on sales of subsidiaries and affiliates' stocks	0.4	–	-0.4
Other	0.0	0.0	+0.0
合計	1.3	0.0	-1.3
[Extraordinary loss]			
Loss on sales and retirement of noncurrent assets	0.7	0.6	-0.1
Loss on valuation of investment securities	1.2	1.1	-0.1
Expenses related to restructuring of consolidated subsidiaries	–	0.6	+0.6
Provision of allowance for prior years' long-term continuous service rewards	–	0.9	+0.9
Other	0.9	0.5	-0.4

4. Balance sheets

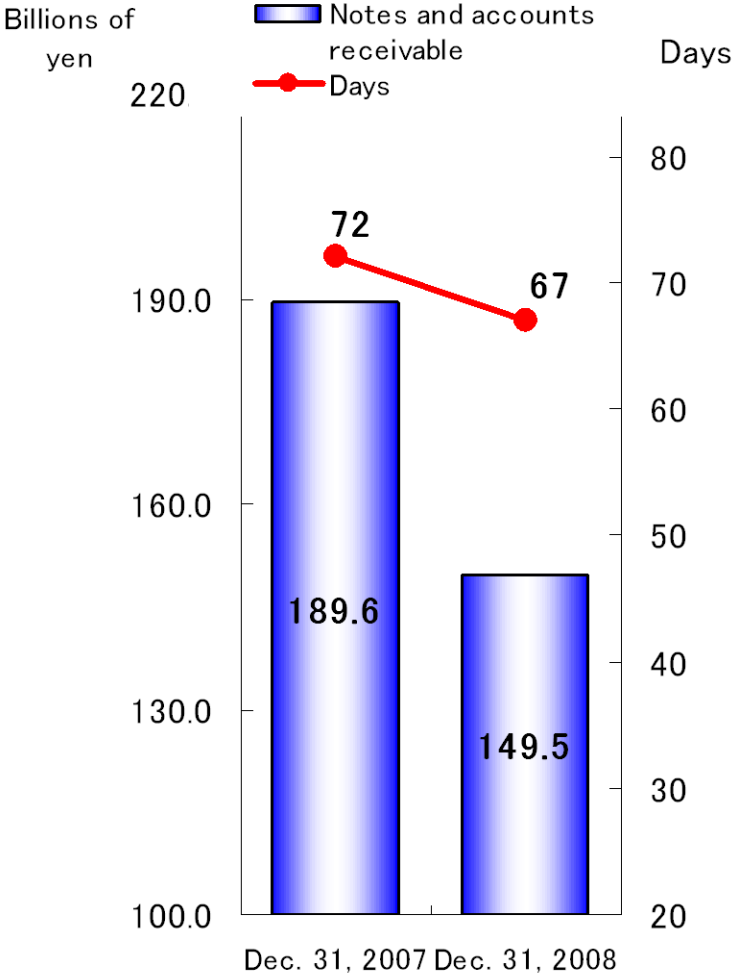
billions of yen

	Dec. 31, 2007	Dec. 31, 2008	change		Dec. 31, 2007	Dec. 31, 2008	change
Current assets	368.6	327.7	-40.9	Current liabilities	213.9	206.5	-7.4
Cash and cash deposit	127.5	112.6	-14.9	Notes and accounts payable	148.3	148.3	+0.0
Notes and accounts receivable	189.6	149.5	-40.1	Other	65.6	59.8	+7.0
Inventories	37.7	34.1	-3.6				
Other	13.8	31.5	+17.7				
Fixed assets	157.5	157.2	-0.3	Long-term liabilities	42.6	42.2	-0.4
Property and equipment	99.7	98.0	-1.7	Stockholders' equity	265.4	255.5	-9.9
Intangible assets	13.6	19.0	+5.4	Minority interests	3.5	3.8	+0.3
Other	44.2	40.2	-4.0	Minority interests	0.7	(0.3)	-1.0
				Total net assets	269.6	259.0	-10.6
Total assets	526.1	484.9	-41.2	Total liabilities and net assets	526.1	484.9	-41.2

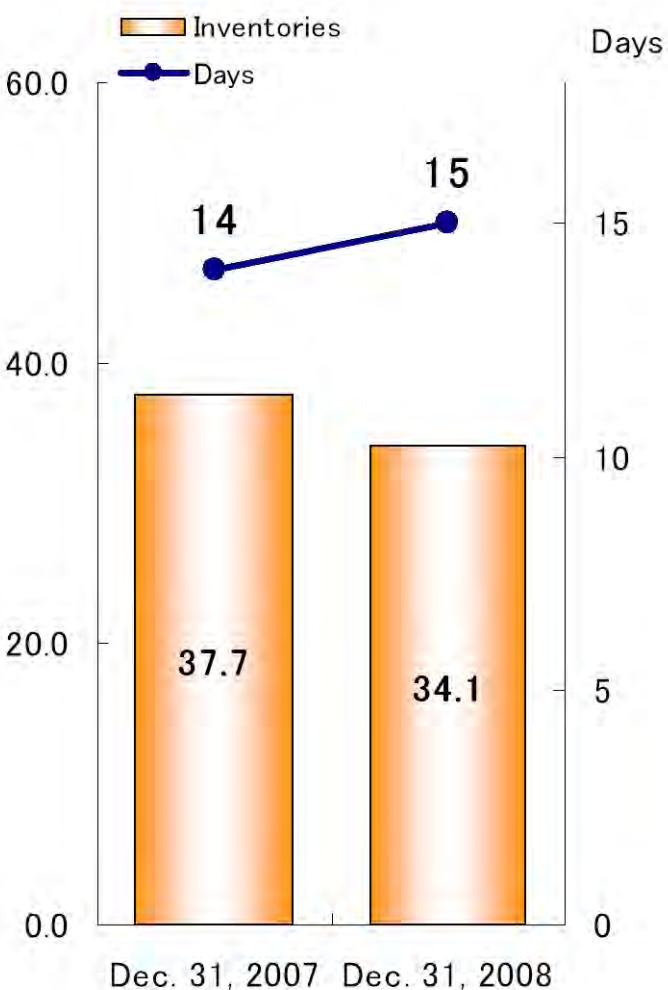
自己資本比率 50.6% 52.6% +2.0%

5. Current Assets

Notes and accounts receivable



Inventories



6. Statements of cash flows

	billions of yen		
	FY 2007	FY 2008	Change
Cash flows from operating activities			
Income before income taxes and minority interests	35.5	22.2	-13.3
Depreciation and amortization	12.0	12.1	+0.1
Increase in notes and accounts receivable	10.8	38.8	+28.0
Decrease in inventories	14.6	3.6	-11.0
(Decrease) in notes and accounts payable	-10.4	-24.5	-14.1
Income taxes paid	-14.0	-12.9	+1.1
Other	-1.3	1.8	+3.1
TOTAL	47.2	41.1	-6.1
Cash flows from investing activities	-21.9	-28.9	-7.0
Free Cash flows	25.3	12.2	-13.1
Cash flows from financing activities	-16.3	-21.8	-5.5
Cash and cash equivalents at beginning of period	108.2	117.2	+9.0
Cash and cash equivalents at end of period	117.2	107.6	-9.6

7. *Capital Investment , Depreciation and amortization*

billions of yen

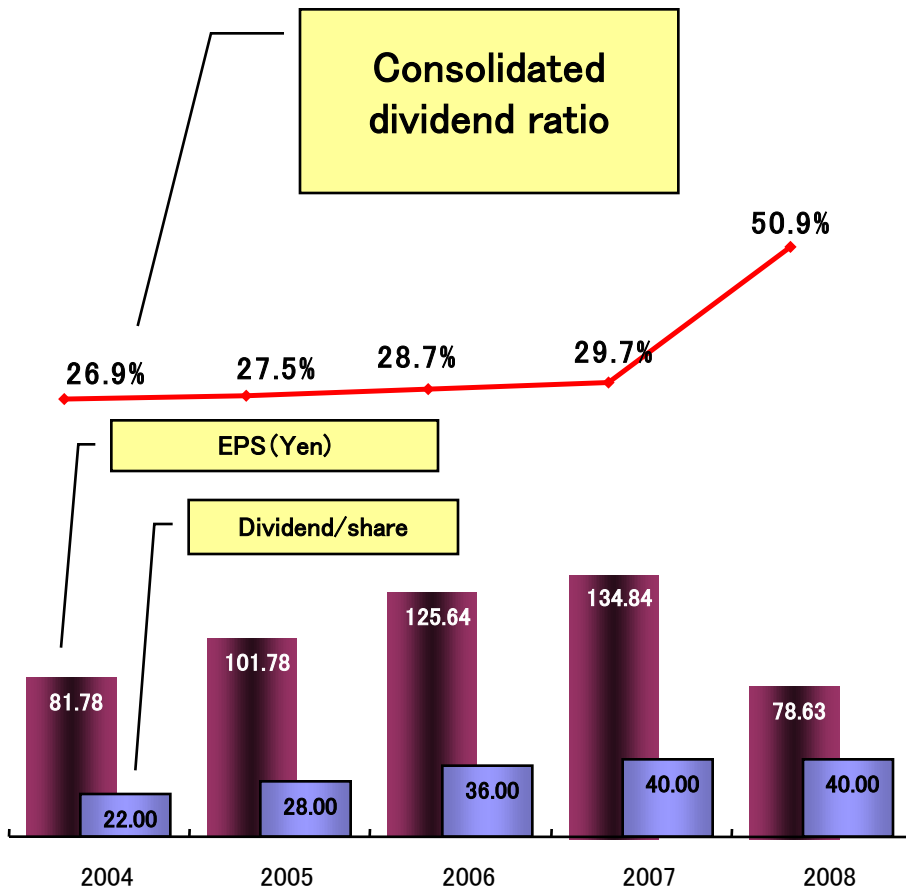
	FY 2008 Actual	FY 2009 Projection
Investment	9.2	9.8
Depreciation and amortization	9.8	10.2

Breakdown of investment

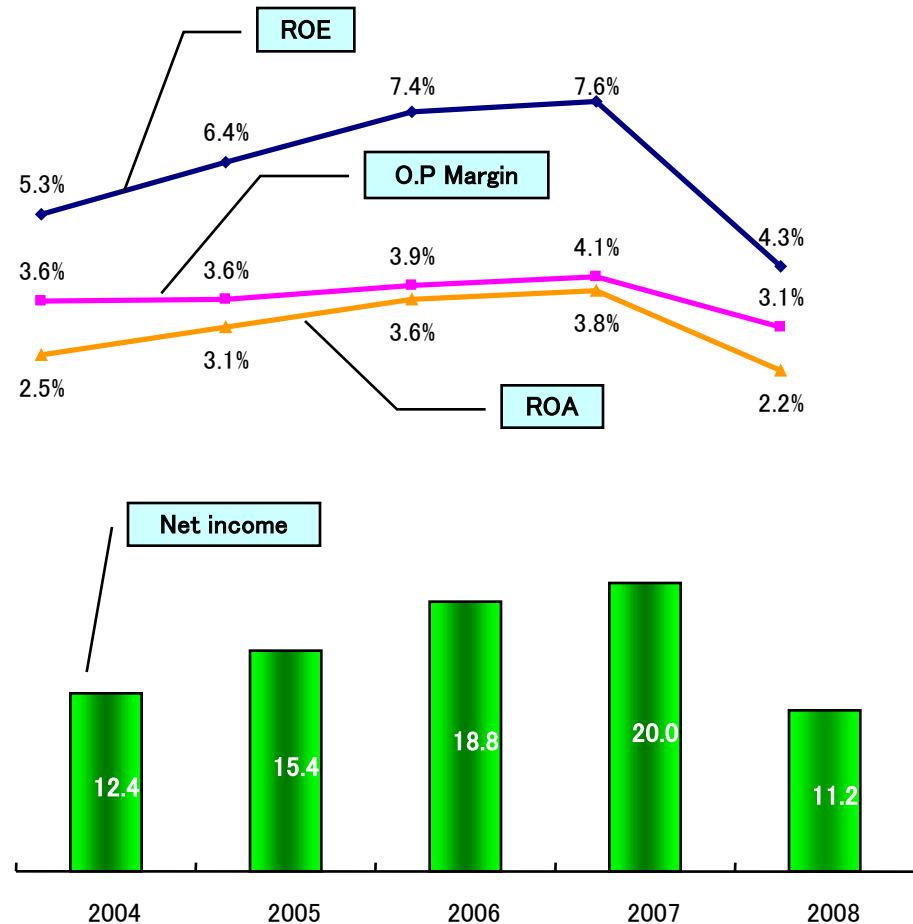
Rental equipment	5.6	4.8
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8. Dividend and index

■ Dividend



■ Index



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.