

Canon Marketing Japan Inc. Second Quarter FY 2011 Results

July 22, 2011

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Director

Senior Vice President

Canon

Canon Marketing Japan Inc.

1-1. Summary of Results (April 1 ~ June 30)

billions of yen

Three months	2Q 2010	2Q 2011	Changes	
				%
Net Sales	164.1	142.8	-21.3	-13%
	(34.4%)	(36.2%)	(+1.8%)	
Gross Margin	56.4	51.6	-4.7	-8%
	(0.5%)	(0.0%)	(-0.5%)	
Operating Income	0.8	0.0	-0.8	-99%
	(1.1%)	(1.1%)	(-0.0%)	
Ordinary Income	1.8	1.6	-0.3	-15%
	(0.4%)	(1.7%)	(+1.3%)	
Net Income	0.7	2.5	1.8	+266%

1-2. Consolidated Statements of Income



(April 1 ~ June 30)

Three months	2Q 2010		2Q 2011		billions of yen Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Solutions	84.8	-0.3	76.0	-1.2	-8.8	-0.9
IT Solutions	32.8	-1.7	31.5	-0.8	-1.3	+0.9
Consumer imaging	50.6	3.1	38.1	1.8	-12.5	-1.3
Industrial equipment	2.9	-0.2	4.1	0.1	+1.2	+0.3
Other	-7.0	-0.2	-6.8	0.0	+0.2	+0.3
Total	164.1	0.8	142.8	0.0	-21.3	-0.8

1-3. Summary of Results (January 1 ~ June 30)

billions of yen

Six months Year-to -date	1 Q+2Q 2010	1 Q+2Q 2011	Changes	
				%
Net Sales	334.2	294.3	-39.9	-12%
	(33.5%)	(35.1%)	(+1.6%)	
Gross Margin	112.0	103.3	-8.7	-8%
	(0.9%)	(0.4%)	(-0.4%)	
Operating Income	2.9	1.2	-1.6	-57%
	(1.2%)	(1.0%)	(-0.2%)	
Ordinary Income	4.1	2.9	-1.2	-29%
	(0.4%)	(0.6%)	(+0.2)	
Net Income	1.3	1.9	+0.6	+43%

1-4. Consolidated Statements of Income

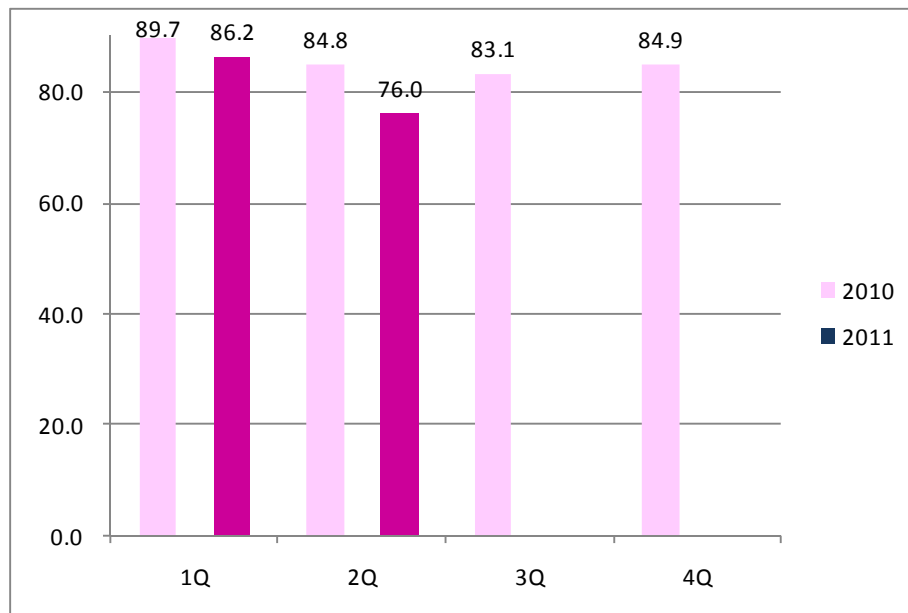


(January 1 ~ June 30)

Six months Year-to -date	1Q+2Q 2010		1Q+2Q 2011		billions of yen Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Solutions	174.5	1.1	162.2	1.1	-12.3	+0
IT Solutions	71.3	-2.4	63.0	-1.6	-8.3	+0.8
Consumer imaging	97.2	4.4	75.8	1.6	-21.3	-2.8
Industrial equipment	6.7	0.2	7.5	-0	+0.7	-0.2
Other	-15.4	-0.4	-14.1	0.1	+1.3	+0.5
Total	334.2	2.9	294.3	1.2	-39.9	-1.6

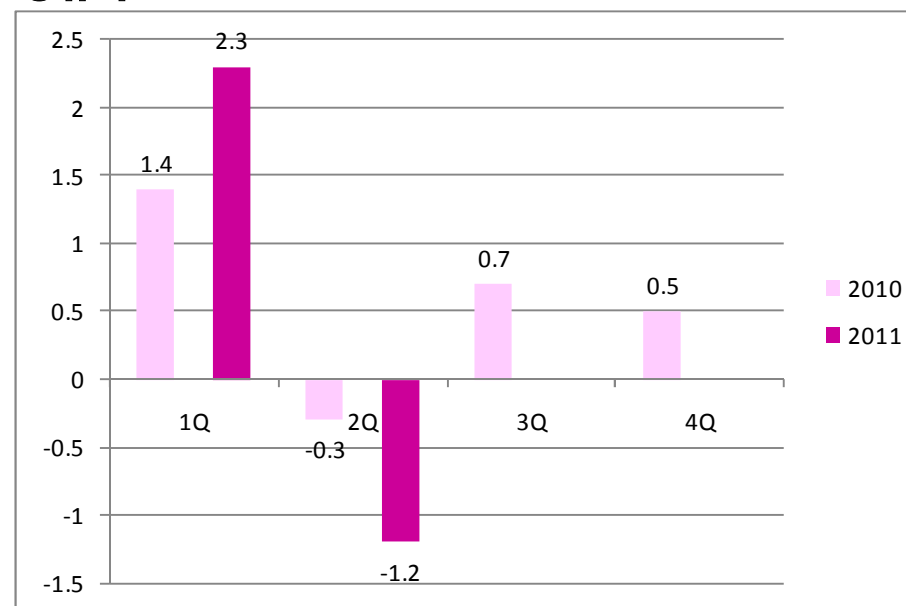
2-1. Segment Information : Business Solutions

Net Sales



O.P.

billions of yen

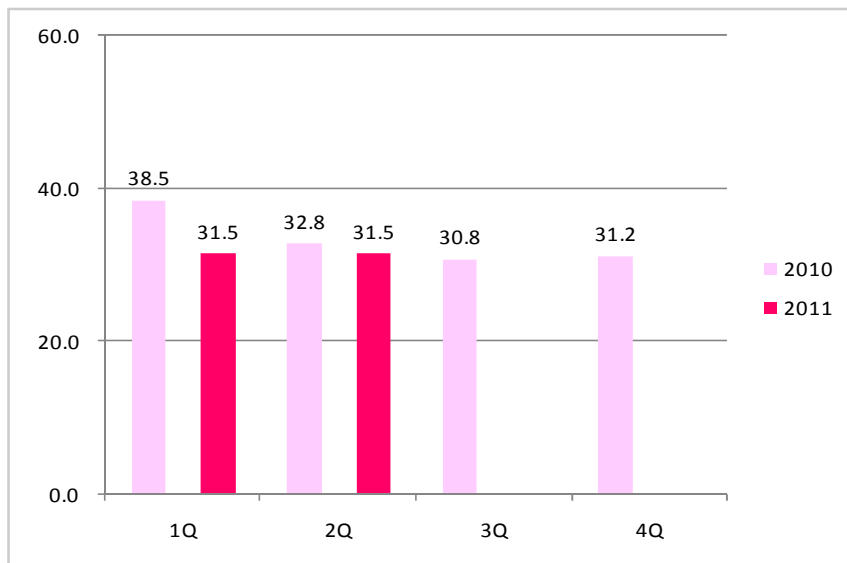


Net Sales	1Q+2Q 2010	1Q+2Q 2011	Change
Total	174.5	162.2	-1.2

Operating Income	1Q+2Q 2010	1Q+2Q 2011	Change
Total	1.1	1.1	0

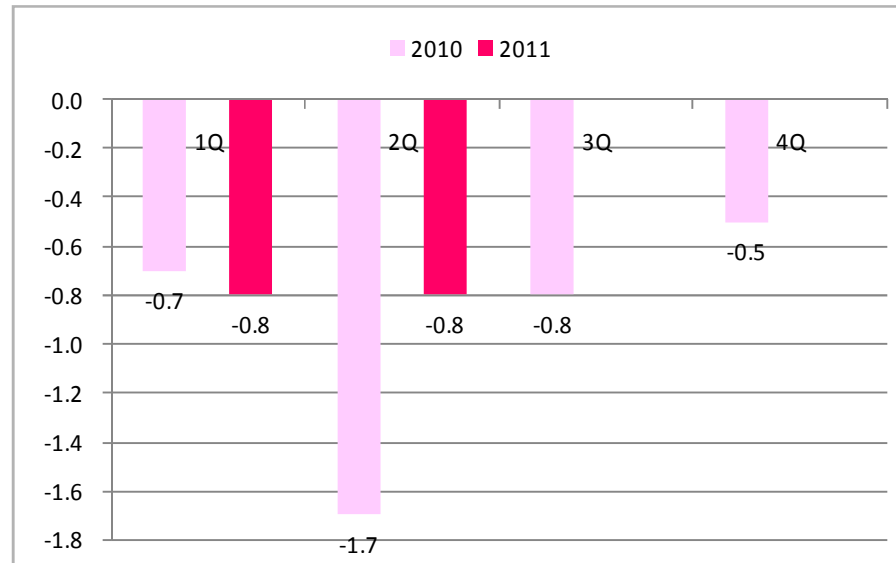
2-2. Segment Information : *IT Solutions*

Net Sales



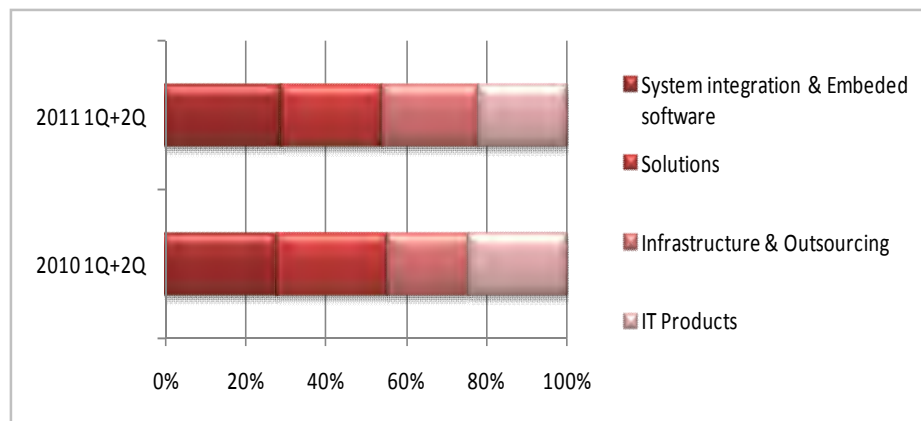
O.P.

billions of yen



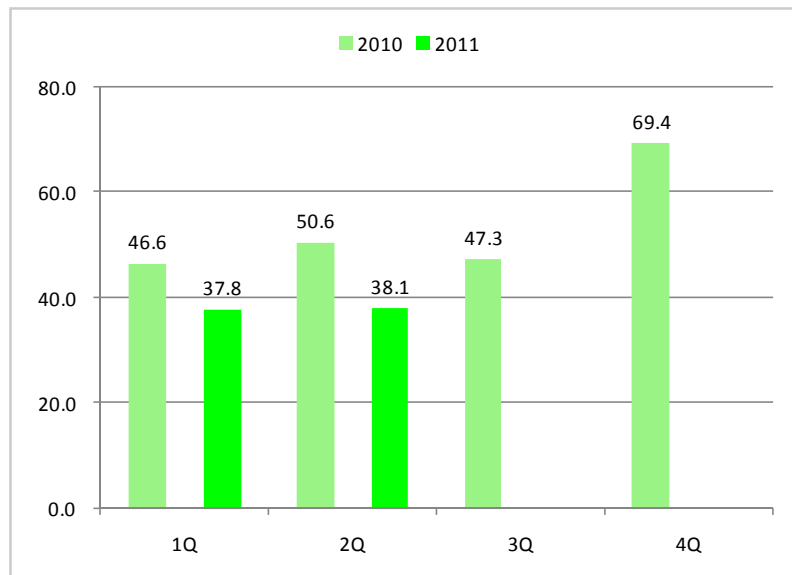
Net Sales	1Q+2Q 2010	1Q+2Q 2011	Change
Total	71.3	63.0	-8.3

Operating Income	1Q+2Q 2010	1Q+2Q 2011	Change
Total	-2.4	-1.6	+0.8



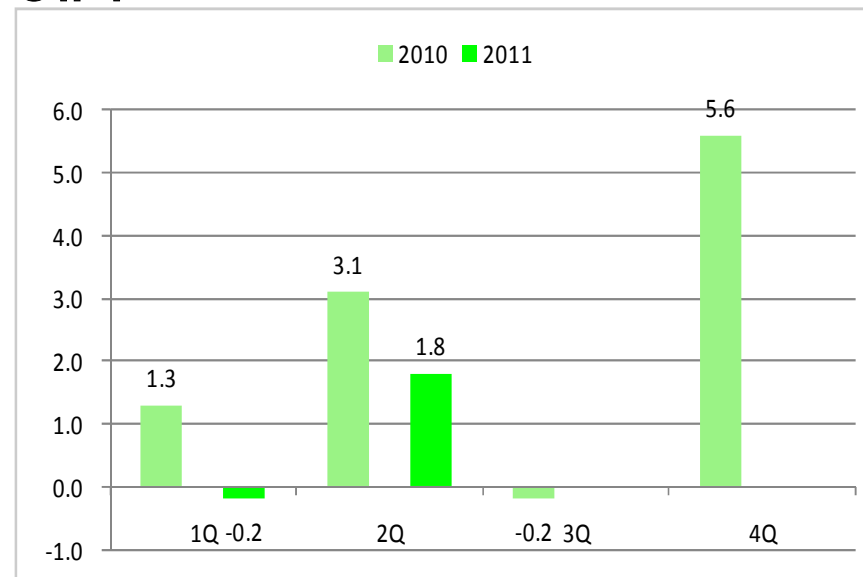
2-4. Segment Information: *Consumer Imaging*

Net Sales



O.P.

billions of yen

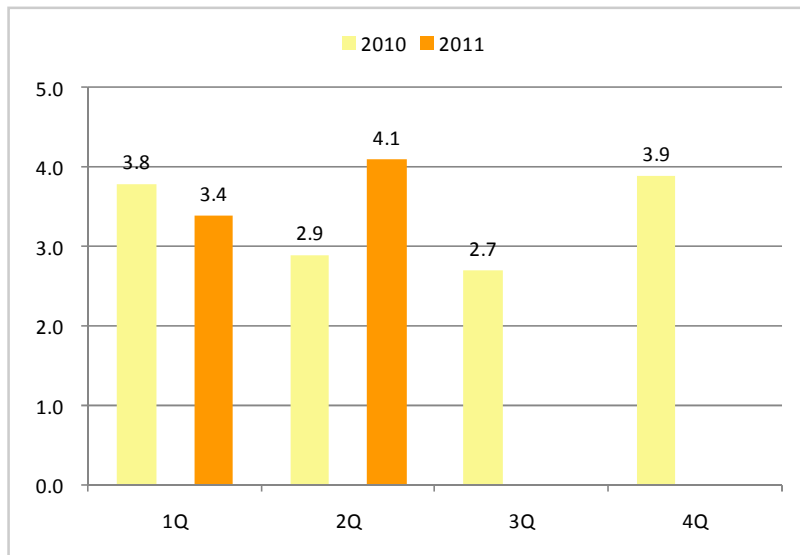


Net Sales	1Q+2Q 2010	1Q+2Q 2011	Change
Total	97.2	75.8	-21.3

Operating Income	1Q+2Q 2010	1Q+2Q 2011	Change
Total	4.4	1.6	-2.8

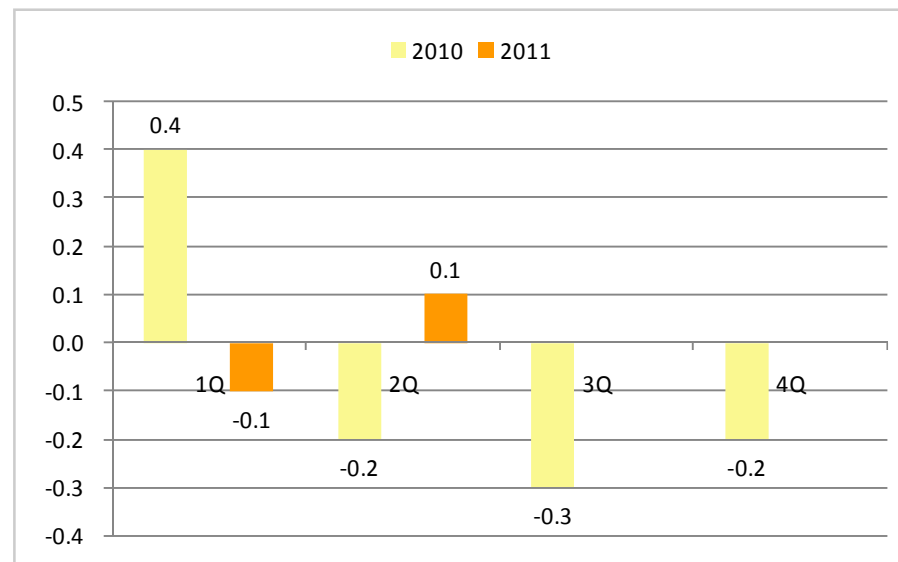
2-5. Segment Information : *Industrial equipment*

Net Sales



O.P.

billions of yen



Net Sales	1Q+2Q 2010	1Q+2Q 2011	Change
Total	6.7	7.5	+0.7

Operating Income	1Q+2Q 2010	1Q+2Q 2011	Change
Total	0.2	-0	-0.2

FY 2011 Projections

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Canon Marketing Japan Inc.

1. FY2011 Current Projection

billions of yen

	FY2011 Projection (previous)	FY 2011 Projection (current)	Changes	FY2010	Y on Y	
					Amount	Rate
Net Sales	633.0	653.0	+20.0	674.2	-21.2	-3%
	(0.0%)	(1.0%)	(+1.0%)	(1.1%)	(-0.2%)	
Operating Income	0	6.3	+6.3	7.7	-1.4	-19%
	(0.2%)	(1.3%)	(+1.1%)	(1.4%)	(-0.2%)	
Ordinary Income	1.3	8.2	+6.9	9.5	-1.3	-14%
	(-0.3%)	(0.6%)	(+0.9%)	(0.6%)	(-0.0%)	
Net Income	-1.9	3.6	+5.5	3.7	-0.1	-3%

2. FY2011 Current Projection by segment 3Q-4Q

	3Q+4Q 2010 Result		3Q+4Q 2011 Projection		billions of yen Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	Business Solutions	168.0	1.2	164.8	0.3	-3.2
IT Solutions	62.0	-1.3	65.0	-0.6	+3.0	+0.7
Consumer imaging	116.7	5.4	116.2	5.4	-0.5	-0.1
Industrial equipment	6.6	-0.4	24.8	0.1	+18.1	+0.5
Other	-13.3	-0	-12.1	-0.1	+1.3	-0
Total	340.0	4.9	358.7	5.1	+18.7	+0.2

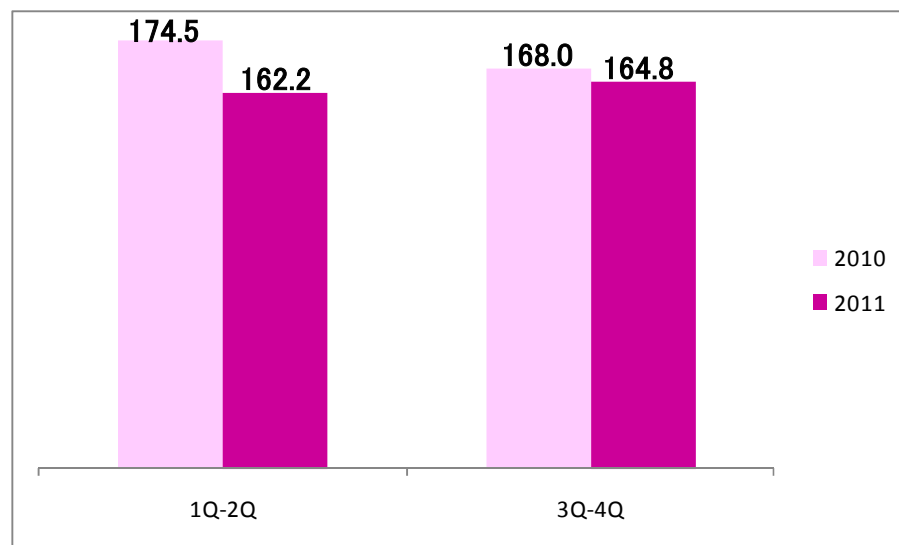
2. FY2011 Current Projection by segment

billions of yen

	FY2011 Projection (previous)	FY 2011 Projection	Changes	FY2010	Y on Y	
					Amount	Rate
Business Solutions	347.5	323.0	-24.5	342.5	-19.5	-6%
IT Solutions	132.1	130.5	-1.6	133.3	-2.8	-2%
Consumer imaging	214.1	189.8	-24.3	213.8	-24.0	-11%
Industrial equipment	17.8	16.8	-1.0	13.4	3.4	26%
Other	-26.5	-27.1	-0.6	-28.7	1.6	-6%
Total	685.0	633.0	-52.0	674.2	-41.2	-6%

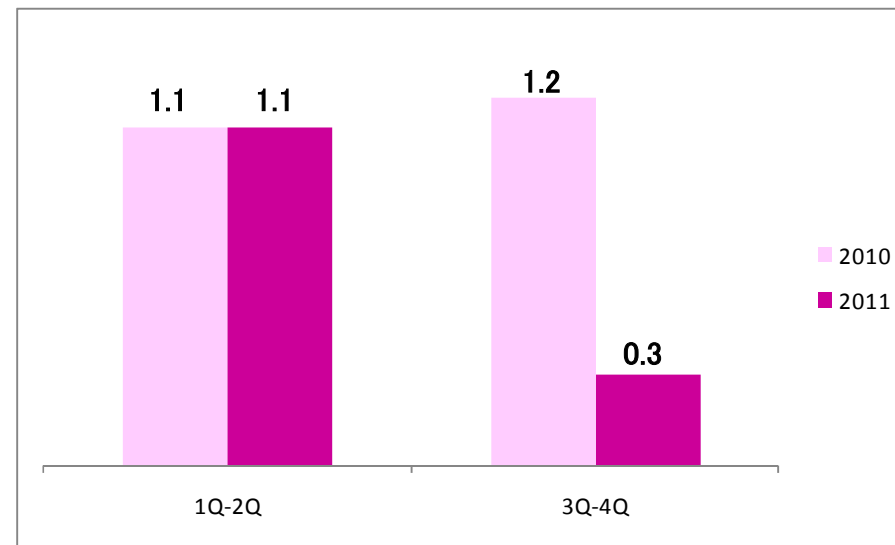
3-1. Segment Information : *Business Solutions*

Net Sales



O.P.

billions of yen

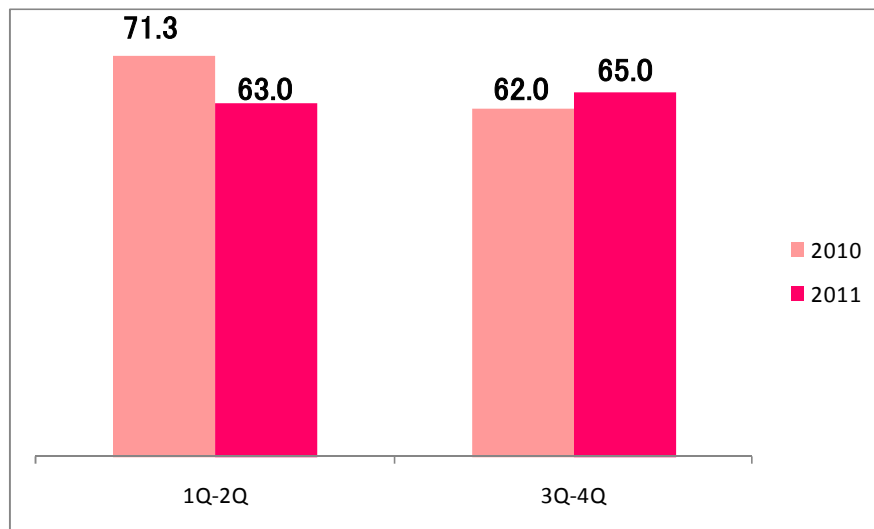


Net Sales	FY2010	FY2011	Change	FY2011 On April 21
Total	342.5	327.0	-15.5	323.0

Operating Income	FY2010	FY2011	Change	FY2011 On April 21
Total	2.3	1.4	-0.9	-

3-1. Segment Information : *IT Solutions*

Net Sales



O.P.

billions of yen

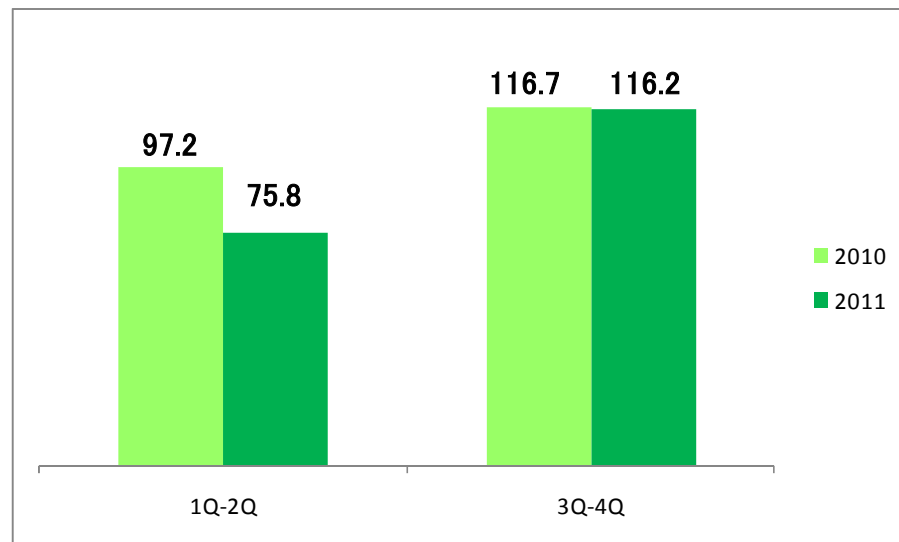


Net Sales	FY2010	FY2011	Change	FY2011 On April 21
Total	133.3	128.0	-5.3	130.5

Operating Income	FY2010	FY2011	Change	FY2011 On April 21
Total	-3.7	-2.2	+1.5	-

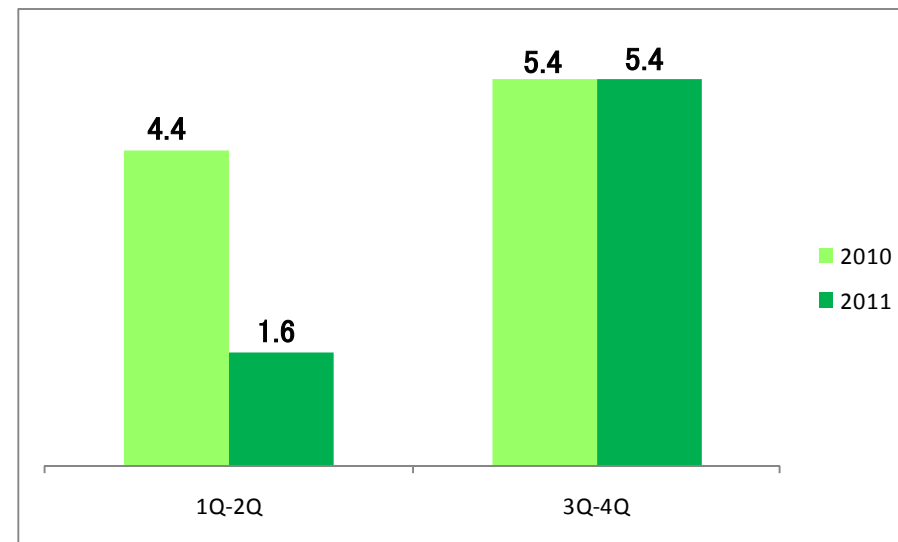
3-1. Segment Information : Consumer Imaging

Net Sales



O.P.

billions of yen

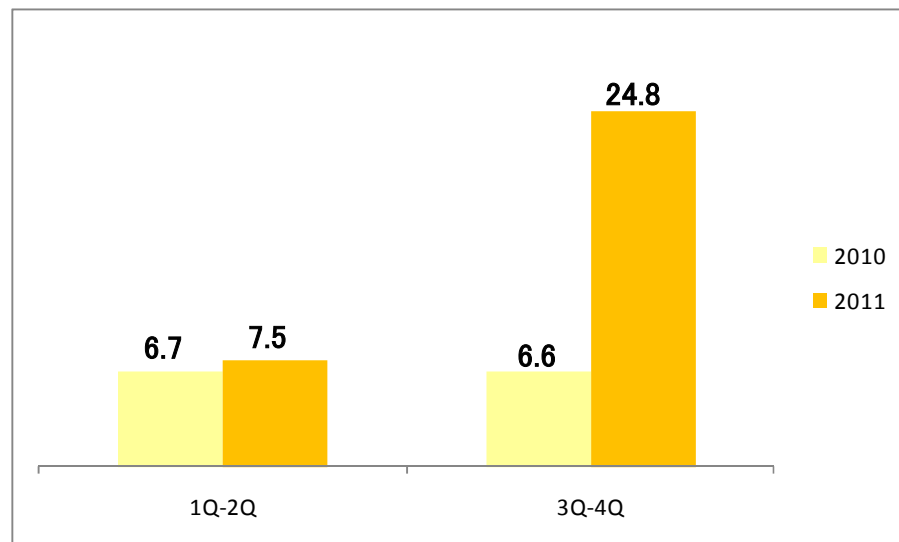


Net Sales	FY2010	FY2011	Change	FY2011 On April 21
Total	213.8	192.0	-21.8	189.8

Operating Income	FY2010	FY2011	Change	FY2011 On April 21
Total	9.8	7.0	-2.8	-

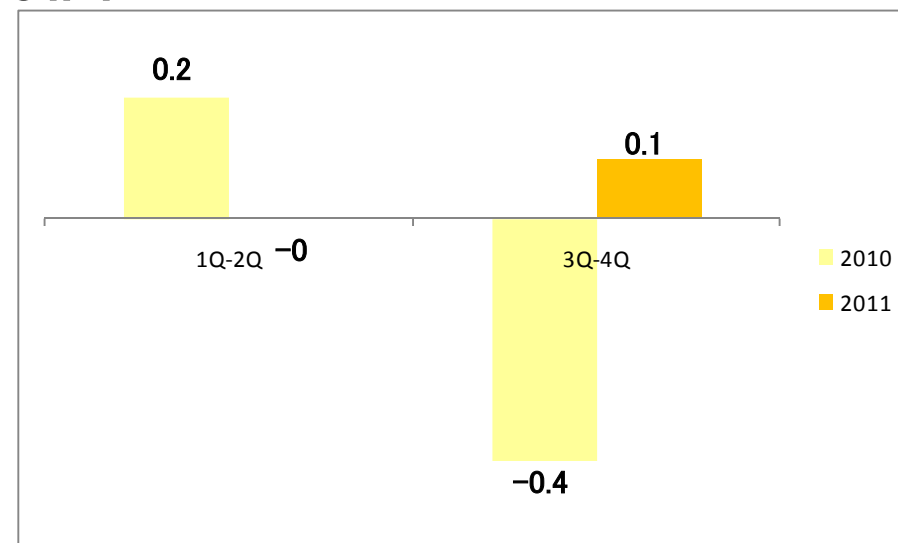
3-1. Segment Information : *Industrial equipment*

Net Sales



O.P.

billions of yen



Net Sales	FY2010	FY2011	Change	FY2011 On April 21
Total	13.4	32.2	+18.8	16.8

Operating Income	FY2010	FY2011	Change	FY2011 On April 21
Total	-0.2	0.1	+0.3	-

Supplementary information

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1-1. The main consolidated company results

	2Q 2010		2Q 2011		billions of yen Changes	
	Net Sales	O.P	Net Sales	O.P	Net Sales	O.P
Business Solutions		(0.0%)				
Canon System & Support	25.2	0.0	23.1	-0.9	-2.1	-0.9
IT Solutions						
Canon IT Solutions (Consolidated)	18.8	-0.7	18.3	-0.1	-0.5	+0.6
		(4.5%)		(5.3%)		
Canon Software (Consolidated)	6.3	0.3	6.5	0.4	+0.1	+0.1
				(1.0%)		
IT Solutions TOTAL	25.1	-0.4	24.7	0.3	-0.3	+0.6

1-1. The main consolidated company results

	billions of yen					
	1Q+2Q 2010		1Q+2Q 2011		Changes	
	Net Sales	O.P	Net Sales	O.P	Net Sales	O.P
Business Solutions		(0.1%)				
Canon System & Support	52.0	0	49.0	-1.0	-3.0	-1.0
IT Solutions						
Canon IT Solutions (Consolidated)	41.0	-0.6	37.3	-0.2	-4.0	+0.3
		(3.9%)		(3.7%)		
Canon Software (Consolidated)	12.8	0.5	120.0	0.4	-1.0	-0.1
				(0.5%)		
IT Solutions TOTAL	53.8	-0.1	49.2	0.2	-4.5	+0.3

2. Selling, general and administrative expenses

billions of yen

	2010		2011		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Advertising expenses	2.7	5.3	1.7	4.1	-1.0	-1.1
Promotion expenses	7.4	13.3	4.9	8.9	-2.5	-4.4
Waranty expenses	2.4	5.0	2.5	4.8	+0.0	-0.2
Other direct expenses	3.7	7.4	3.3	6.9	-0.4	-0.6
Personal expenses	30.3	59.4	30.6	59.8	+0.2	+0.4
Depreciation and amortization	0.9	1.8	0.7	1.3	-0.2	-0.5
Rent expenses	1.8	3.7	1.8	3.7	+0.0	+0.0
IT expenses	1.9	4.3	2.0	3.9	+0.1	-0.3
Other selling expenses	4.5	9.0	4.3	8.7	-0.2	-0.4
TOTAL	55.6	109.1	51.6	102.1	-4.0	-7.1

3. Non-operating income & expenses, Extra ordinary income and loss

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	2010		2011		billions of yen Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Interest & Dividends income	0.1	0.3	0.2	0.3	+0.0	-0.0
Other	1.0	1.2	1.5	1.7	+0.5	+0.4
Total non-operating income	1.2	1.5	1.7	1.9	+0.5	+0.4
Loss on disposal and devaluation of inventories	0.0	0.0	0.0	0.1	+0.0	+0.0
Other	0.1	0.2	0.1	0.2	-0.0	-0.0
Total non-operating expenses	0.1	0.2	0.1	0.3	+0.0	+0.0
Gain on transfer of business	-	0.4	-	-	-0.2	-0.4
Gain on sales of investment securities	0.2	0.2	-	0.0	-0.2	-0.2
Gain on sales of noncurrent assets	-	-	0.0	0.0	+0.0	+0.0
Gain on negative goodwill	-	-	2.4	2.4	+2.4	+2.4
Total extraordinary income	0.2	0.6	0.0	0.0	-0.2	-0.6
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	0.0	1.2	+0.0	+1.2
Loss on disaster	-	-	0.0	1.0	+0.0	+1.0
Loss on valuation of investment securities	0.1	0.1	0.0	0.3	-0.1	+0.2
Loss on sale of investment securities	-	-	-	0.2	-	+0.2
Loss on sales and retirement of noncurrent assets	0.1	0.2	0.1	0.2	-0.0	-0.0
Impairment loss	0.1	0.5	0.2	0.2	+0.1	-0.2
Other	0.2	0.4	0.0	0.1	-0.2	-0.3
Total extraordinary losses	0.5	1.1	0.4	3.0	-0.2	+1.9

4. Balance sheets

billions of yen

	Dec. 31, 2010	June. 30, 2011	changes
Current assets	301.7	270.7	-31.0
Cash and cash deposit	110.6	99.0	-11.6
Notes and accounts receivable-trade	118.9	98.2	-20.7
Inventories	20.5	22.7	+2.2
Other	51.7	50.7	-1.0
Fixed assets	146.9	150.9	+4.0
Property and equipment	86.1	92.7	+6.6
Intangible assets	23.7	22.3	-1.4
Other	37.0	35.9	-1.2
Total assets	448.6	421.6	-27.0
	Dec. 31, 2010	June. 30, 2011	changes
Current liabilities	157.2	125.0	-32.2
Notes and accounts payable	102.9	76.5	-26.3
Other	54.4	48.5	-5.9
Long-term liabilities	44.5	48.8	+4.3
Stockholders' equity	246.8	247.4	+0.5
treasury stock	-22.2	-22.2	+0.0
Valuation and translation adjustments	-0.2	-0	+0.2
Minority interests	0.2	0.4	+0.2
Total net assets	246.8	247.8	+0.9
Total liabilities and net	448.6	421.6	-27.0
Stockholders' equity ratio	55.0%	59.0%	+4.0%

billions of yen

<i>Turnover Date</i>	Inventories	Notes and accounts receivable
FY2007	14	72
FY2008	15	67
FY2009	13	65
FY2010	11	64
2Q2011	14	61

5. Cash flows & Capital Investment

Capital Investment and Depreciation and amortization

billions of yen

■ Investment

	1Q+2Q Result	3Q+4Q Projection	FY
2010	11.6	6.4	18.0
2011	9.1	9.5	18.7

■ Depreciation and amortization

	1Q+2Q Result	3Q+4Q Projection	FY
2010	6.3	7.4	13.7
2011	7.3	7.4	14.7

Cash flow

billions of yen

	1Q+2Q 2010	1Q+2Q 2011
Net cash provided by (used in) operating	25.7	-5.1
Net cash provided by (used in) investment	-7.9	-3.9

Disclaimer:

Projections made in this report are based on information available at the time of publication.

Owing to various factors, actual results may differ from these projections.