



# Canon Inc.

## Third Quarter 2007 Results

October 25, 2007

**Masahiro Osawa**

Managing Director, Group Executive  
Finance and Accounting Headquarters

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This presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Oct. 25, 2007 Canon Inc.

# Agenda

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- Supplementary Information P23 – 30

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# Summary of Results

## 3Q 2007 Actual & FY 2007 Current Projection v. 2006 Actual

(Billions of yen)

		2007				2006		Pct. Change	
		3Q Actual/FY Current Projection	% Sales	Previous Projection	% Sales	Actual	% Sales	Previous Projection	Actual
3Q	Net sales	1,050.8		1,075.0		988.0		-2.2%	+6.4%
	Gross profit	528.4	50.3%	544.0	50.6%	488.0	49.4%	-2.9%	+8.3%
	Op. profit	174.2	16.6%	179.0	16.7%	172.7	17.5%	-2.7%	+0.9%
	Net income	105.3	10.0%	116.0	10.8%	115.6	11.7%	-9.2%	-8.9%
	Yen-1USD	117.67		120.00		116.29			
	Yen-1EURO	161.82		160.00		148.19			
FY	Net sales	4,560.0		4,580.0		4,156.8		-0.4%	+9.7%
	Gross profit	2,290.0	50.2%	2,300.0	50.2%	2,060.5	49.6%	-0.4%	+11.1%
	Op. profit	773.0	17.0%	766.0	16.7%	707.0	17.0%	+0.9%	+9.3%
	Net income	500.0	11.0%	500.0	10.9%	455.3	11.0%	0.0%	+9.8%
	Yen-1USD	117.98		120.03		116.43			
	Yen-1EURO	160.29		159.89		146.51			

# Summary of Results

3Q 2007 Actual & FY 2007 Current Projection v. 2006 Actual

**(on a pre-depreciation change basis)**

**(Billions of yen)**

		2007				2006		Pct. Change	
		Post-depreciation Change	% Sales	Pre-depreciation Change	% Sales	Actual	% Sales	Post-depreciation Change	Pre-depreciation Change
3Q	Net sales	1,050.8		1,050.8		988.0		+6.4%	+6.4%
	Gross profit	528.4	50.3%	540.9	51.5%	488.0	49.4%	+8.3%	+10.8%
	Op. profit	174.2	16.6%	195.3	18.6%	172.7	17.5%	+0.9%	+13.1%
	Net income	105.3	10.0%	117.5	11.2%	115.6	11.7%	-8.9%	+1.7%
	Yen-1USD	117.67		117.67		116.29			
	Yen-1EURO	161.82		161.82		148.19			
FY	Net sales	4,560.0		4,560.0		4,156.8		+9.7%	+9.7%
	Gross profit	2,290.0	50.2%	2,329.4	51.1%	2,060.5	49.6%	+11.1%	+13.1%
	Op. profit	773.0	17.0%	836.0	18.3%	707.0	17.0%	+9.3%	+18.2%
	Net income	500.0	11.0%	538.0	11.8%	455.3	11.0%	+9.8%	+18.2%
	Yen-1USD	117.98		117.98		116.43			
	Yen-1EURO	160.29		160.29		146.51			

# Transition in Sales and Op. Profit

3Q 2007 Actual v. 3Q 2007 Previous Projection

(Billions of yen)

	3Q 2007	
	Sales	Op. Profit
Previous Projection (Jul. 26, 2007)	1,075.0	179.0
Foreign exchange impact [net sales, cost of sales, expenses]	-5.3	-2.6
Sales volume impact		
Office Imaging Products	-10.2	
Computer Peripherals	-17.0	
Business Information Products	-3.1	
Cameras	+9.6	
Optical and Other Products	-5.1	
Total	-25.8	-11.6
Others	+6.9	+9.4
Total Change	-24.2	-4.8
Actual	1,050.8	174.2

## Change in Exchange Rate

- 1USD: 120.00 to 117.67 yen
- 1EURO: 160.00 to 161.82 yen

# Assumptions

## 4Q 2007 Current Projection

Average Exchange Rate	4Q07	FY07	FY06
■ USD	115.00 yen	117.98 yen	116.43 yen
■ EURO	160.00 yen	160.29 yen	146.51 yen

### Impact of Exchange Rate Movement (4Q impact given a one yen change)

	Net sales	Operating profit
■ USD	4.7 billion yen	2.9 billion yen
■ EURO	2.4 billion yen	1.9 billion yen

# Summary of Projected Results

## 4Q 2007 Current Projection

(Billions of yen)

	4Q 2007 Current Projection	4Q 2007 Previous Projection	4Q 2006 Actual	% Change	
				Previous Projection	Actual
Net sales	<b>1,342.5</b>	<b>1,338.3</b>	<b>1,216.5</b>	+0.3%	+10.4%
Gross profit	<b>654.1</b>	<b>648.4</b>	<b>593.7</b>	+0.9%	+10.2%
[% sales]	48.7%	48.5%	48.8%		
Op. profit	<b>209.9</b>	<b>198.1</b>	<b>195.9</b>	+5.9%	+7.2%
[% sales]	15.6%	14.8%	16.1%		
Net income	<b>139.5</b>	<b>128.8</b>	<b>125.6</b>	+8.3%	+11.1%
[% sales]	10.4%	9.6%	10.3%		
Foreign exchange rate					
Yen – 1USD	115.00	120.00	117.81		
Yen – 1EURO	160.00	160.00	151.89		

# Transition in Sales and Op. Profit

4Q 2007 Current Projection v. 4Q 2007 Previous Projection

(Billions of yen)

	4Q 2007	
	Sales	Op. Profit
Previous Projection (Jul. 26, 2007)	1,338.3	198.1
Foreign exchange impact [net sales, cost of sales, expenses]	-24.7	-14.4
Sales volume impact		
Office Imaging Products	+6.7	
Computer Peripherals	+8.7	
Business Information Products	-2.8	
Cameras	+10.0	
Optical and Other Products	+2.0	
Total	+24.6	+11.4
Others	+4.3	+14.8
Total Change	+4.2	+11.8
Current Projection (Oct. 25, 2007)	1,342.5	209.9

## Change in Exchange Rate

- 1USD: 120.00 to 115.00 yen
- 1EURO: 160.00 to 160.00 yen

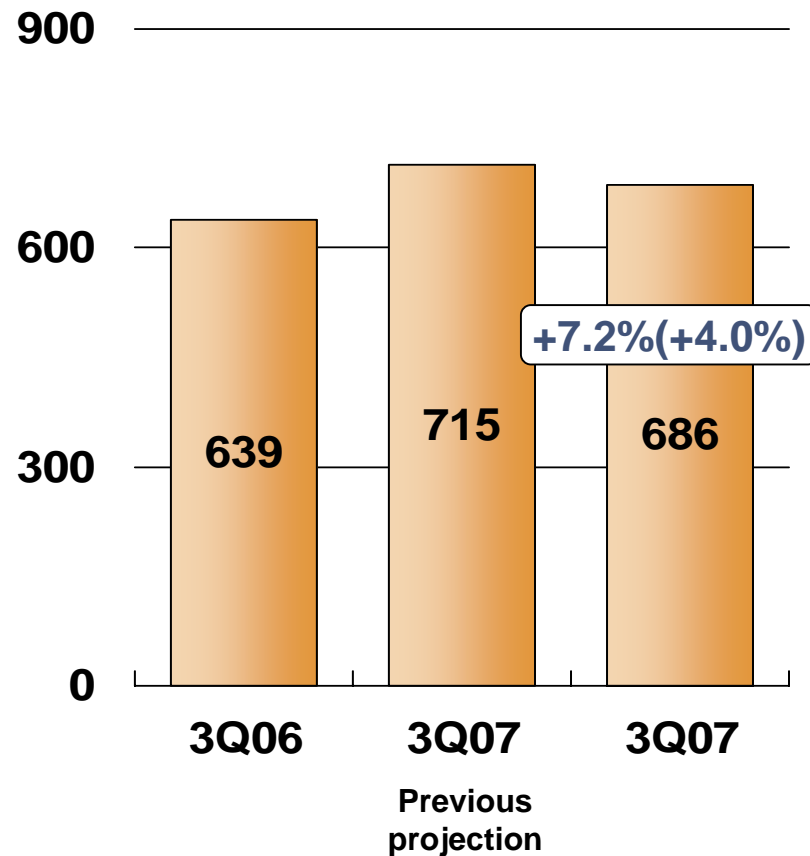


# Business Machines

3Q 2007 Actual

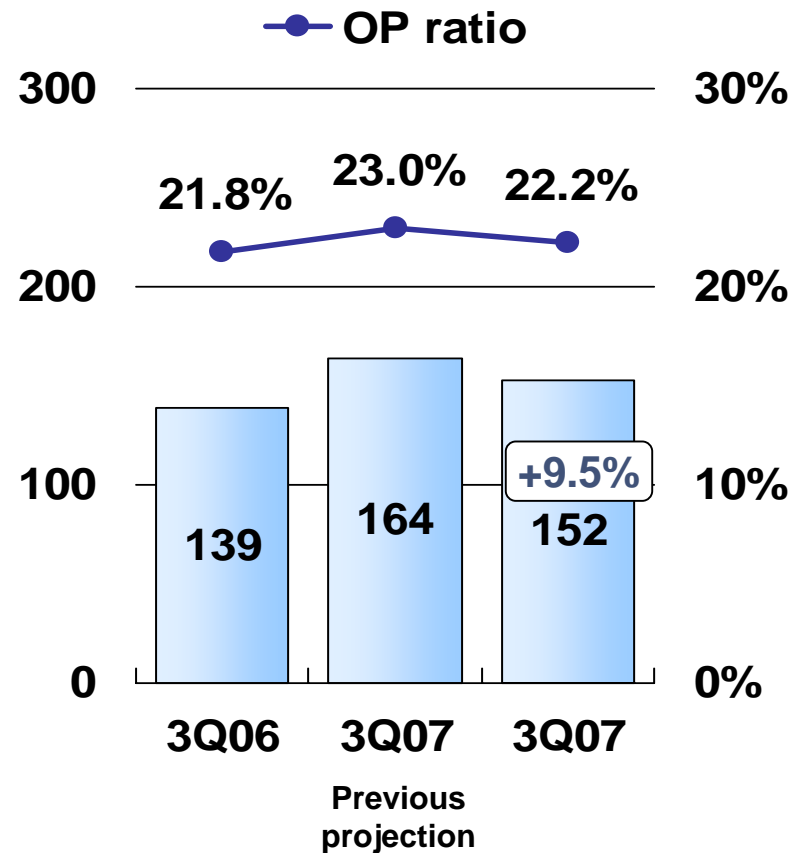
## Sales

(Billions of yen) Growth rate y/y  
( ) Local currency base



## Operating Profit

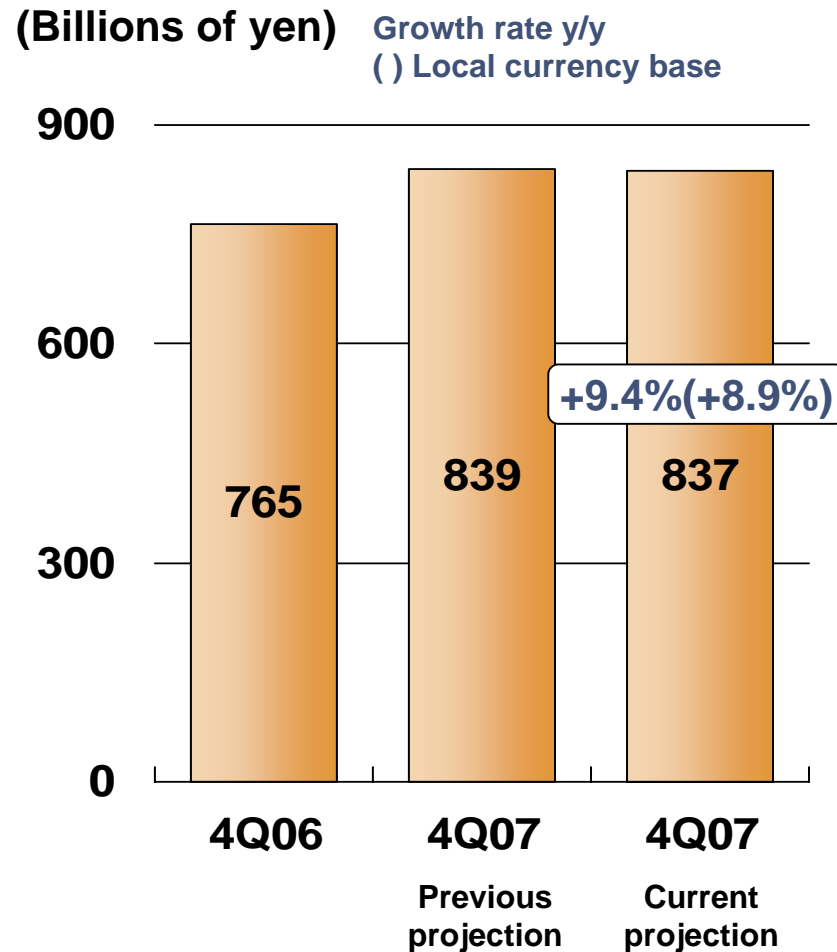
(Billions of yen)



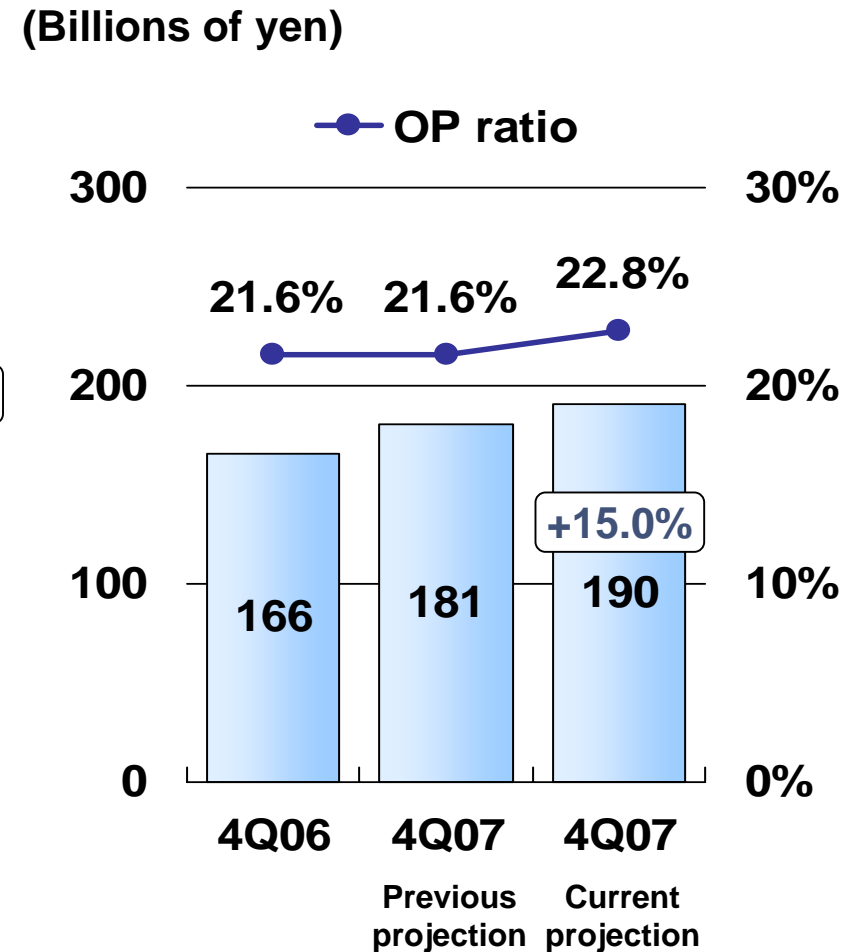
# Business Machines

4Q 2007 Current Projection

## Sales



## Operating Profit



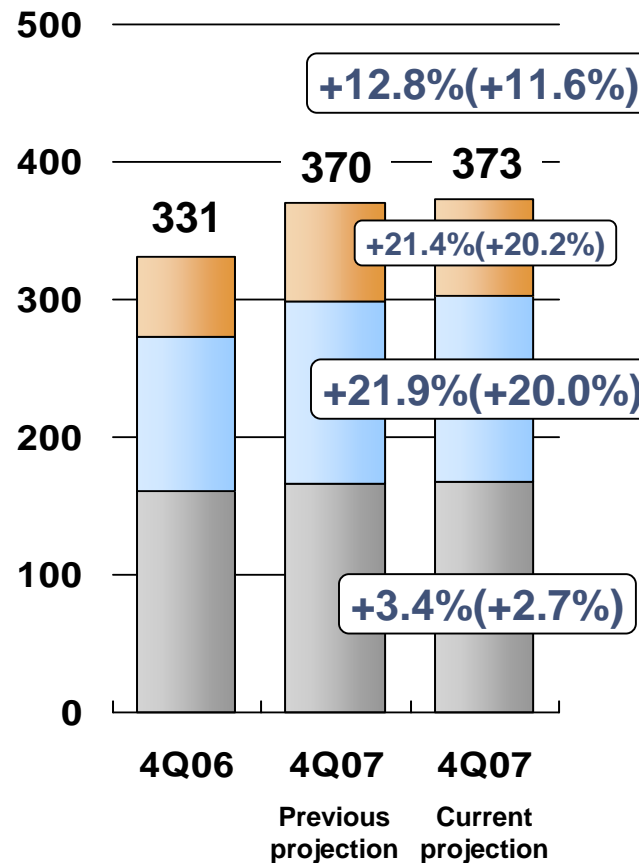
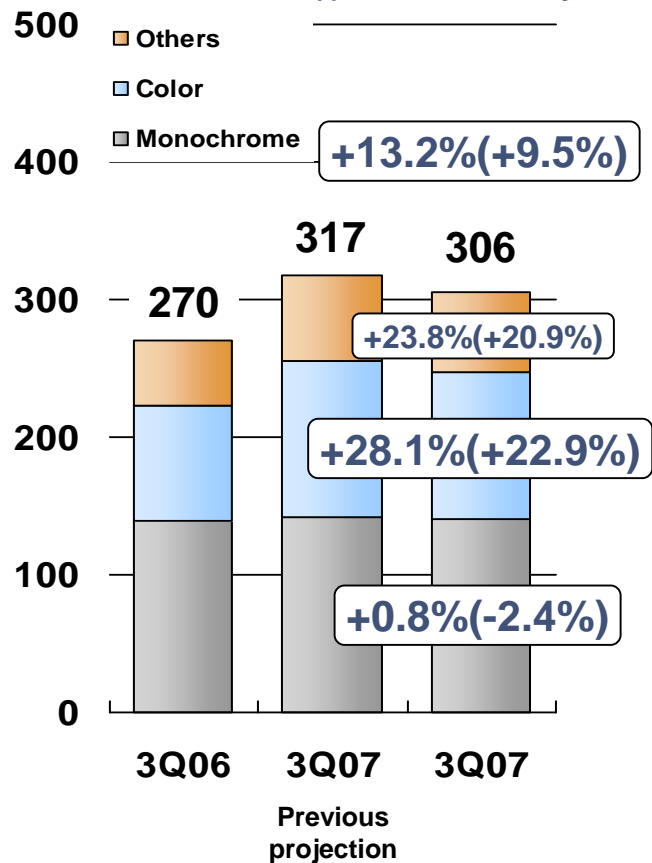
# Office Imaging Products

3Q 2007 Actual / 4Q 2007 Current Projection

## Sales

(Billions of yen)

Growth rate y/y  
( ) Local currency base



Growth rate y/y (Unit base)		
Copying machines		
	3Q	4Q
Color	+24%	+18%
Mono-chrome (For office use)	+11% (+6%)	-2% (+8%)
Total	+13%	+1%

### Color ratio (Copying machines)

	3Q	4Q
Value base*	43%	45%
Unit base	15%	17%

\*Includes consumables

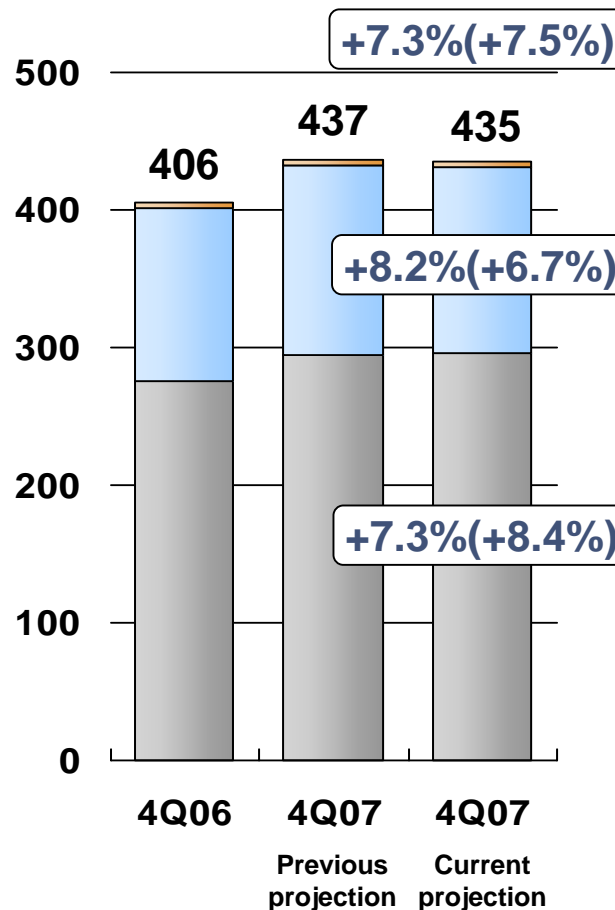
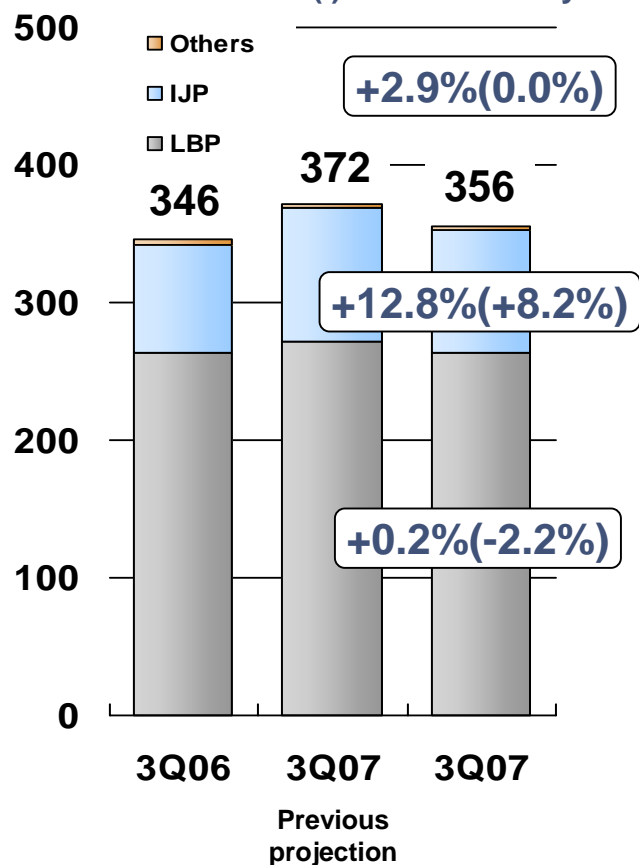
# Computer Peripherals

3Q 2007 Actual / 4Q 2007 Current Projection

## Sales

(Billions of yen)

Growth rate y/y  
( ) Local currency base



### Growth rate y/y (Unit base)

LBP	3Q	4Q
Color	-14%	-6%
Mono-chrome	+6%	+11%
Total	+3%	+9%

### Color ratio (LBP)

	3Q	4Q
Value base*	37%	36%
Unit base	13%	11%

\*Includes consumables

### Growth rate y/y (Unit base)

IJP	3Q	4Q
SFP	-16%	-24%
MFP	+29%	+43%
Total	+2%	+6%

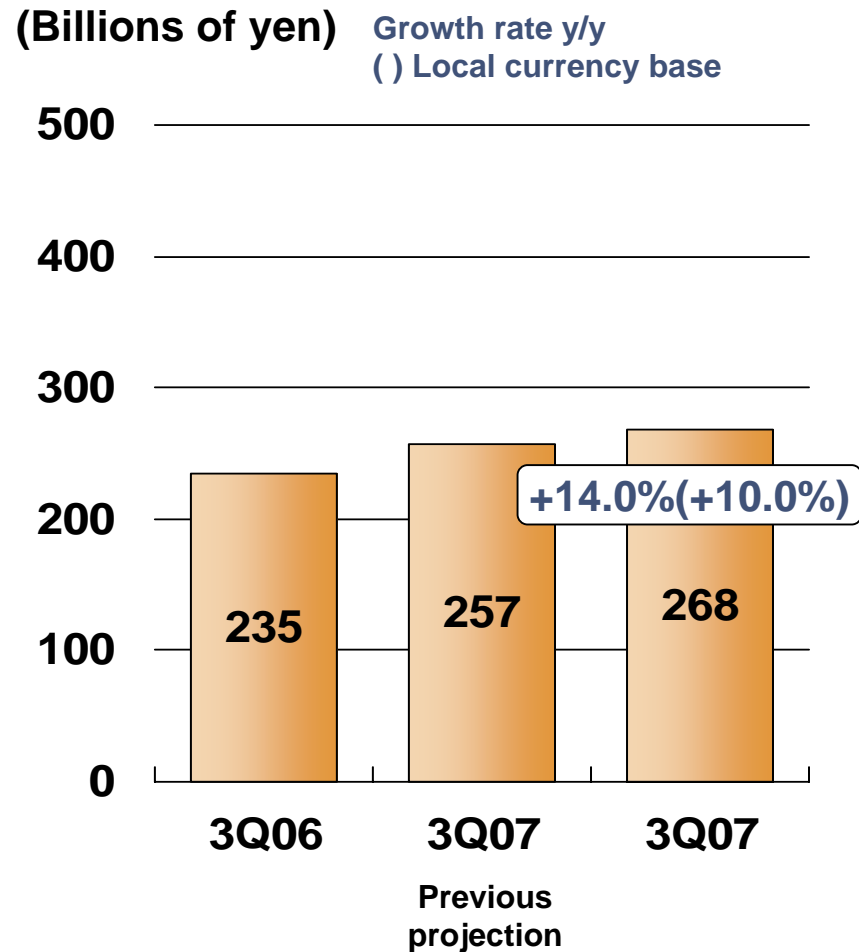
### MFP ratio (IJP)

	3Q	4Q
Unit base	52%	61%

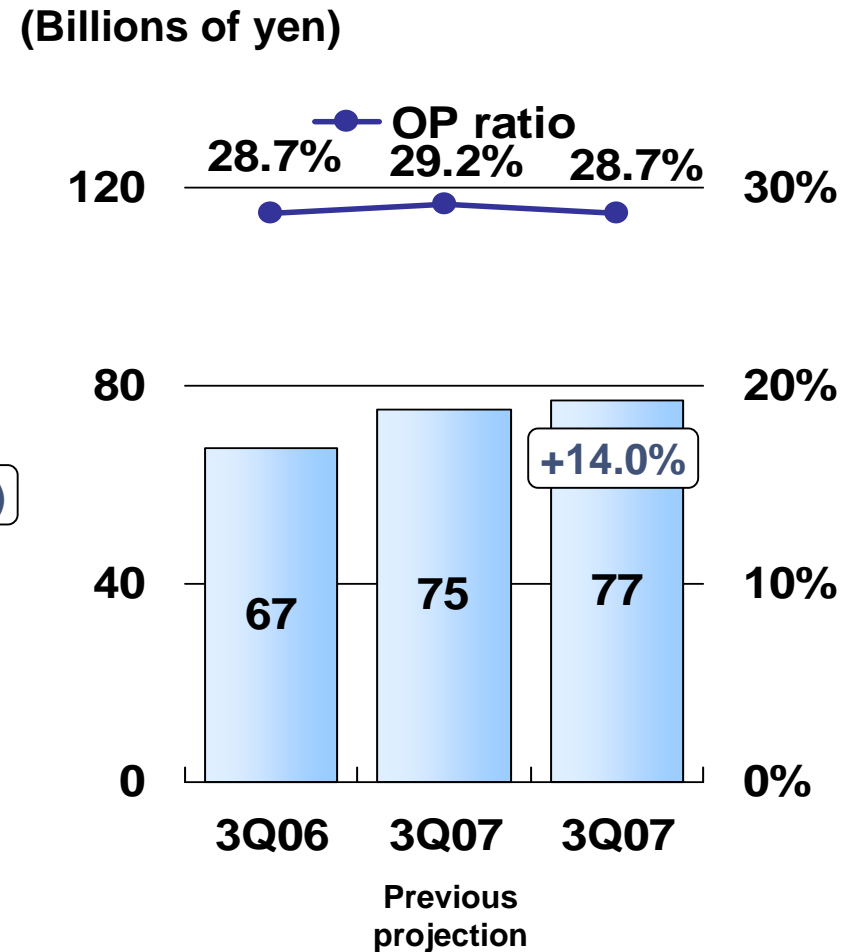
# Cameras

3Q 2007 Actual

## Sales



## Operating Profit

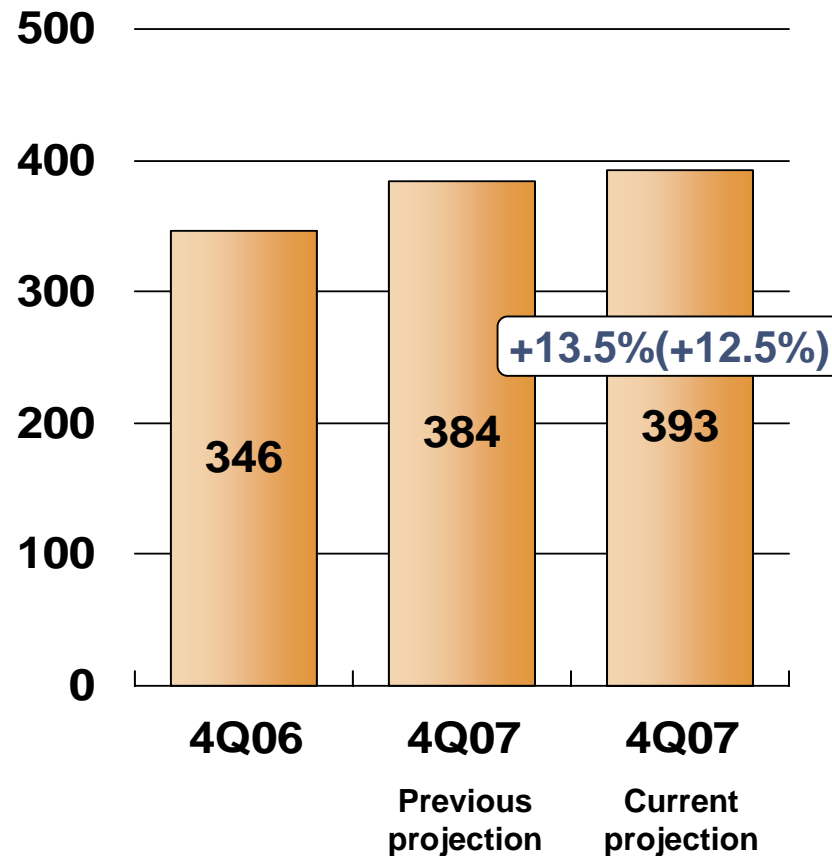


# Cameras

## 4Q 2007 Current Projection

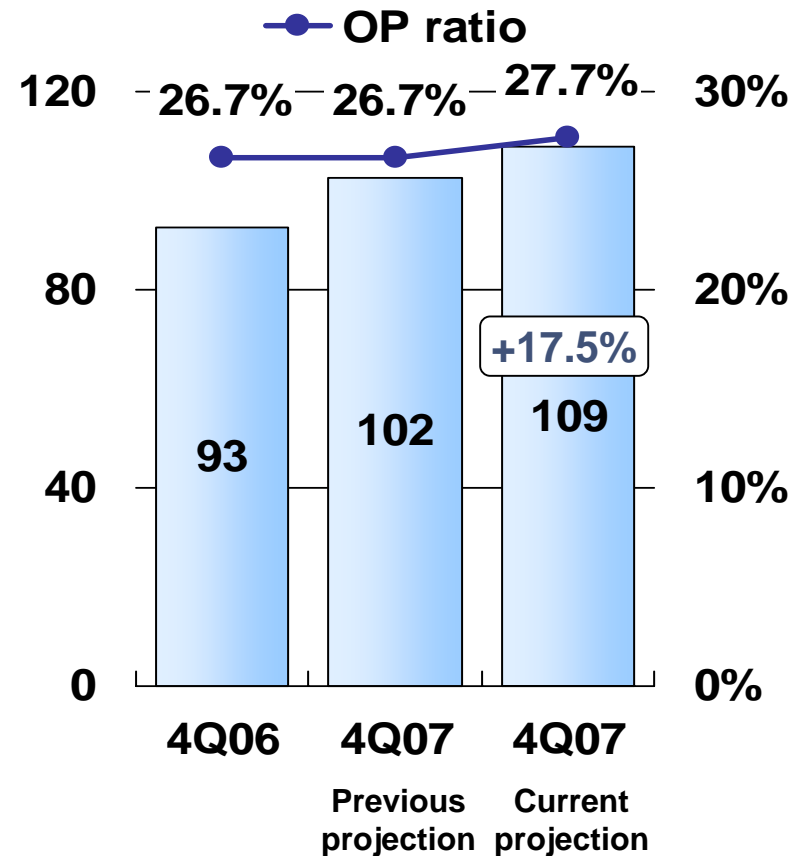
### Sales

(Billions of yen) Growth rate y/y  
( ) Local currency base



### Operating Profit

(Billions of yen)

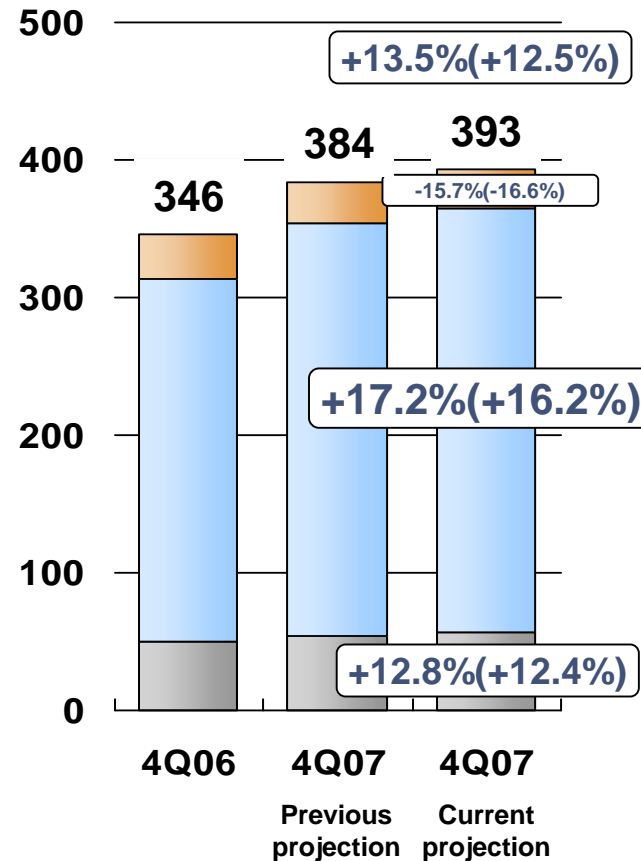
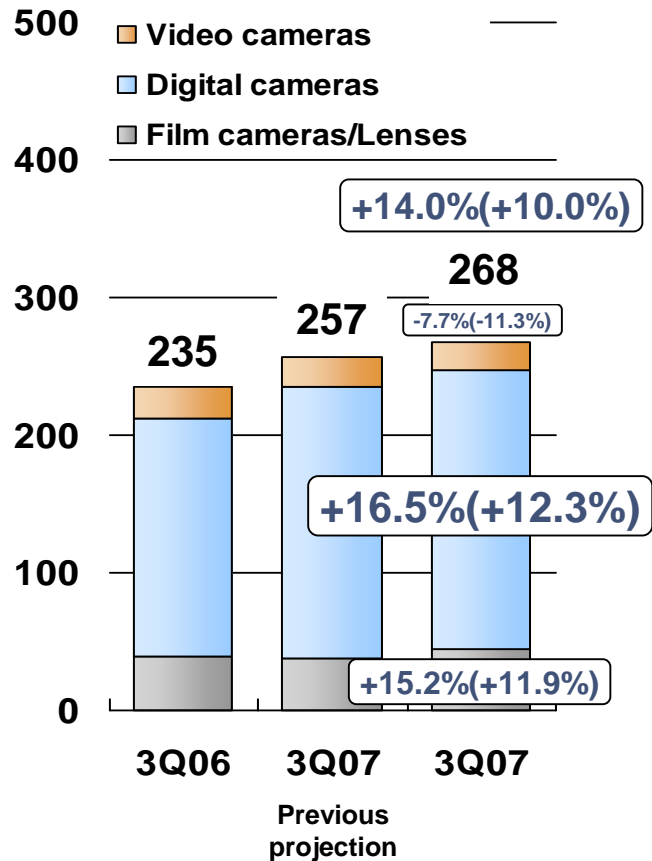


# Cameras

3Q 2007 Actual / 4Q 2007 Current Projection

## Sales

(Billions of yen) Growth rate y/y  
( ) Local currency base



Growth rate y/y (Unit base)		
	3Q	4Q
Digital cameras	+20%	+19%

### D SLR ratio\*

	3Q	4Q
Value base	39%	40%
Unit base	13%	13%

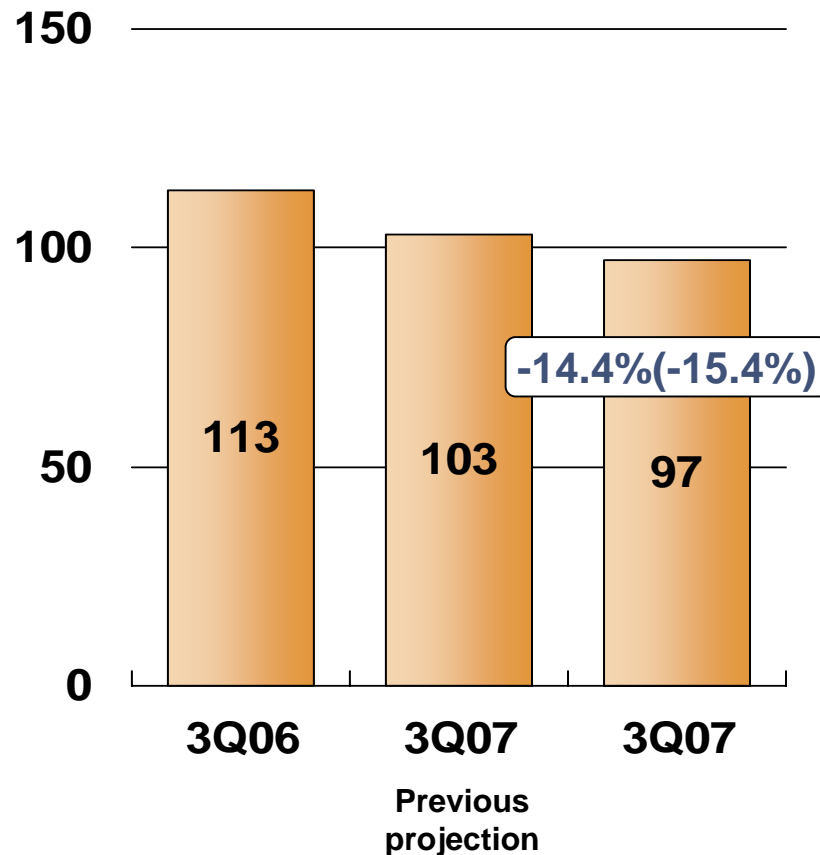
\* Percentage of digital cameras sales attributable to SLRs

# Optical and Other Products

3Q 2007 Actual

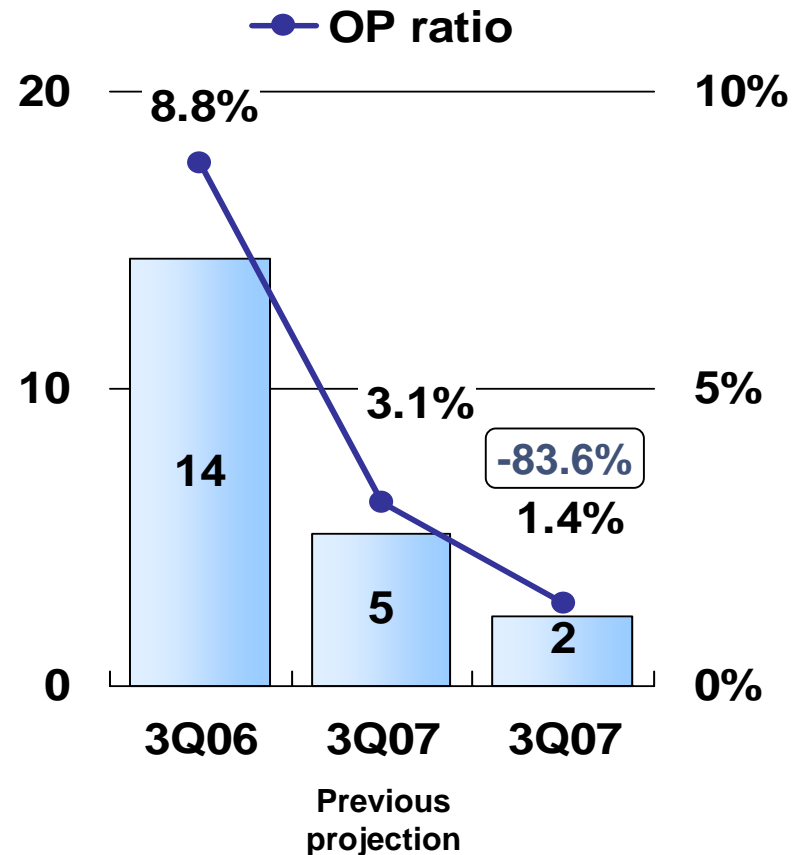
## Sales

(Billions of yen) Growth rate y/y  
( ) Local currency base



## Operating Profit

(Billions of yen)



\*Excluding inter-segment sales

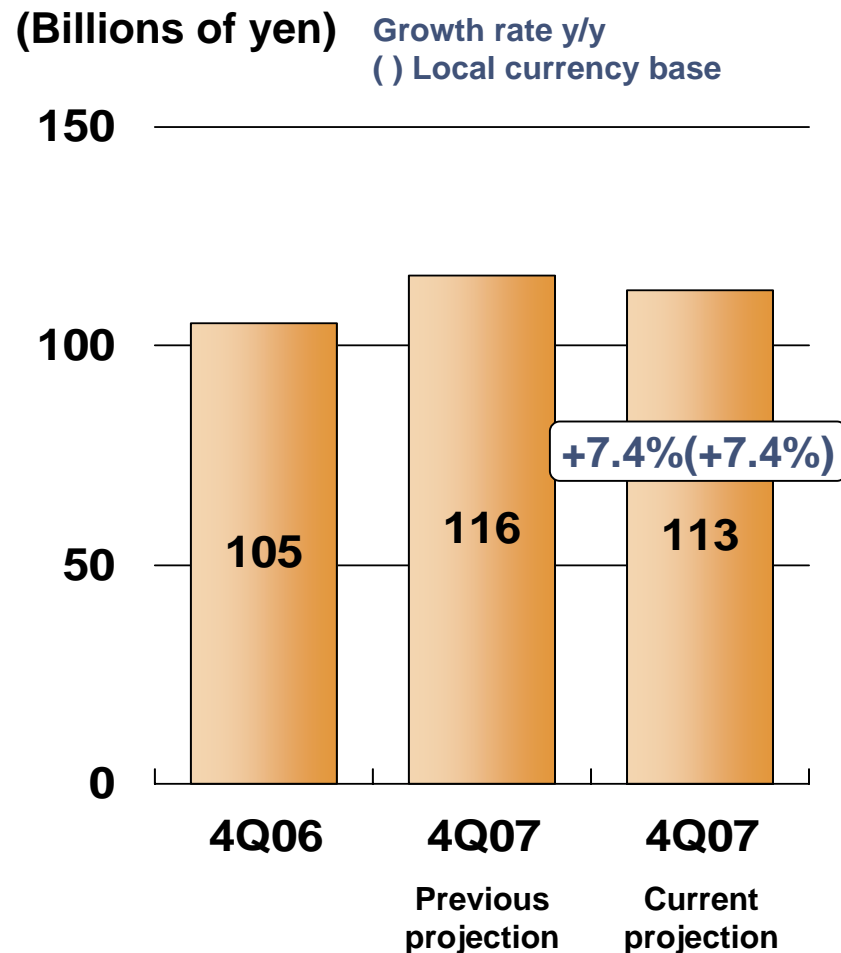
\*Calculation of operating profit margin includes inter-segment sales



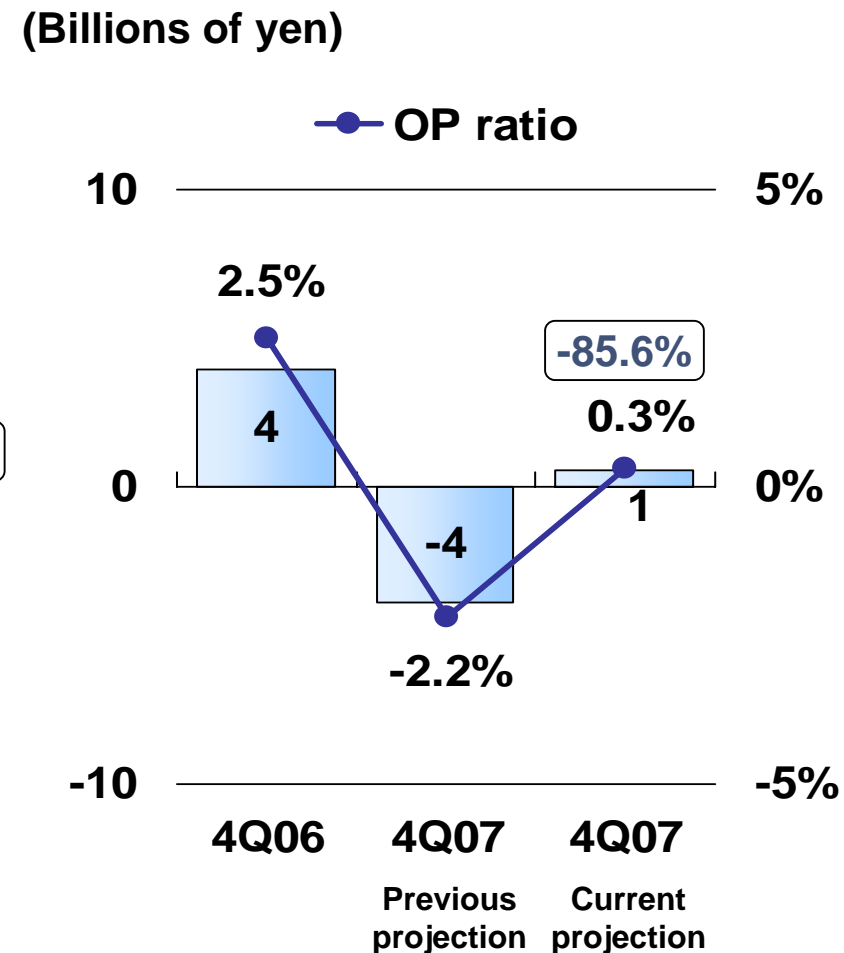
# Optical and Other Products

4Q 2007 Current Projection

## Sales



## Operating Profit



\*Excluding inter-segment sales

\*Calculation of operating profit margin includes inter-segment sales

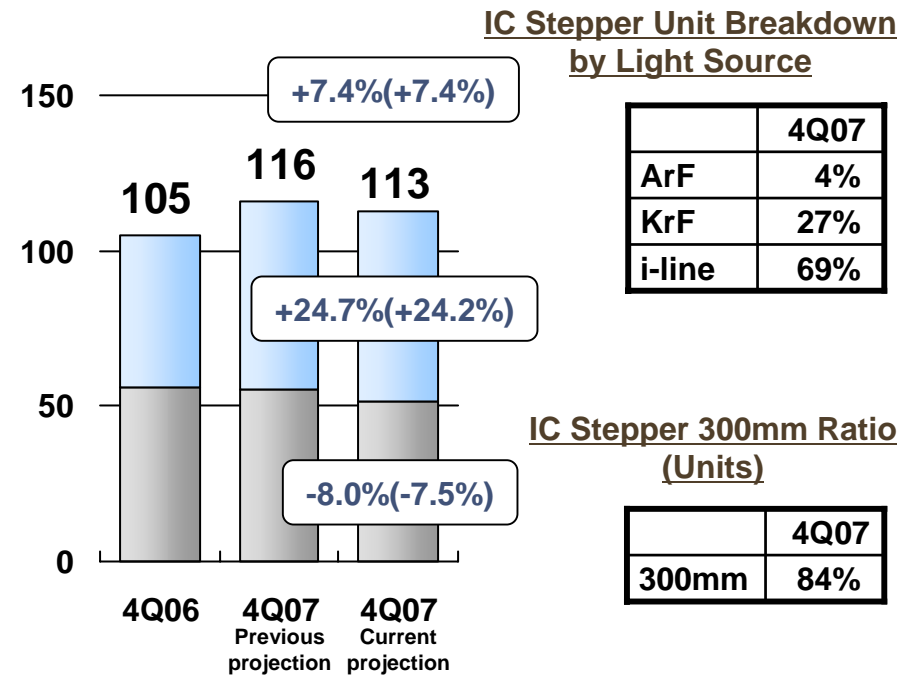
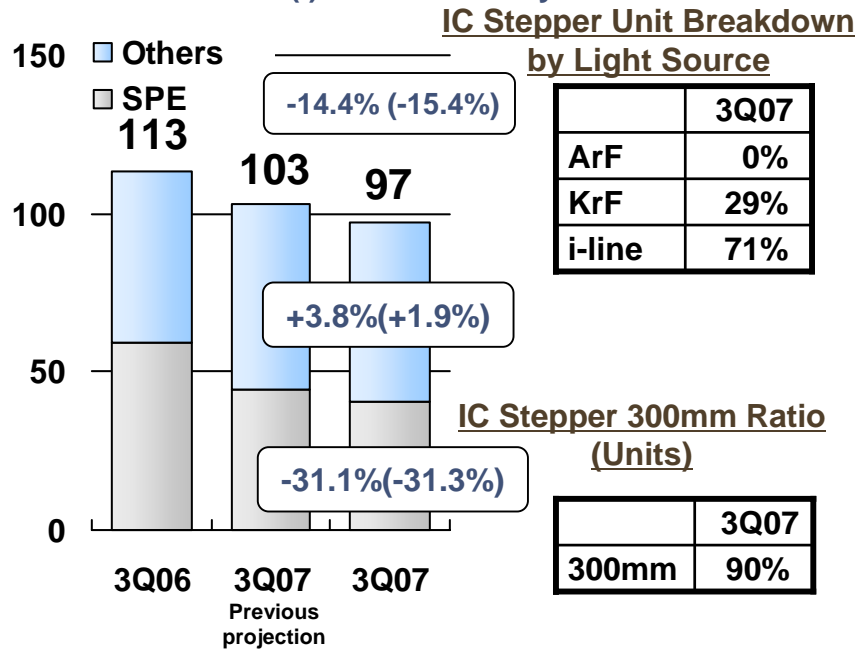
# Optical and Other Products

3Q 2007 Actual / 4Q 2007 Current Projection

## Sales

(Billions of yen)

Growth rate y/y  
( ) Local currency base



### SPE (Unit sales)

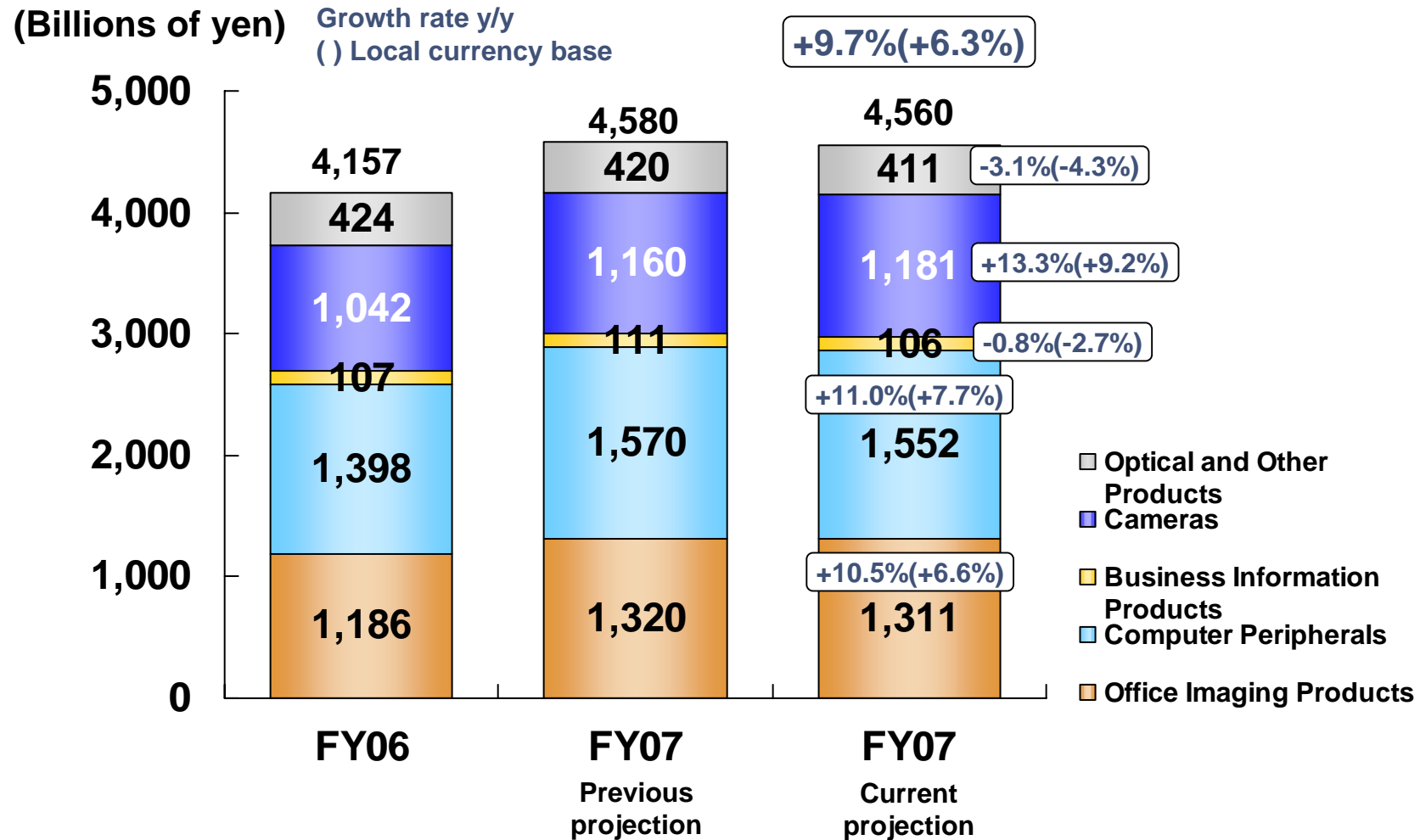
	3Q06	3Q07 Previous Projection	3Q07
IC	42	43	42
LCD	28	10	10
TTL	70	53	52

### SPE (Unit sales)

	4Q06	4Q07 Previous Projection	4Q07 Current Projection
IC	65	43	45
LCD	3	6	6
TTL	68	49	51

# Sales by Product

FY 2007 Current Projection



# Operating Profit by Segment

FY 2007 Current Projection

(Billions of yen)

	FY 2007 Current Projection	FY 2007 Previous Projection	FY 2006 Actual	% Change	
				Previous Projection	Actual
<b>Business machines</b> [% sales]	<b>678.3</b> 22.8%	<b>680.5</b> 22.7%	<b>599.2</b> 22.3%	<b>-0.3%</b>	<b>+13.2%</b>
<b>Cameras</b> [% sales]	<b>323.0</b> 27.4%	<b>314.9</b> 27.1%	<b>268.7</b> 25.8%	<b>+2.6%</b>	<b>+20.2%</b>
<b>Optical and Other Products</b> [% sales]	<b>24.3</b> 3.8%	<b>22.6</b> 3.5%	<b>41.5</b> 6.7%	<b>+7.5%</b>	<b>-41.4%</b>
<b>Corporate and Eliminations</b>	<b>-252.6</b>	<b>-252.0</b>	<b>-202.4</b>		
<b>Total</b> [% sales]	<b>773.0</b> 17.0%	<b>766.0</b> 16.7%	<b>707.0</b> 17.0%	<b>+0.9%</b>	<b>+9.3%</b>

# Summary of Projected Results

## FY 2007 Current Projection

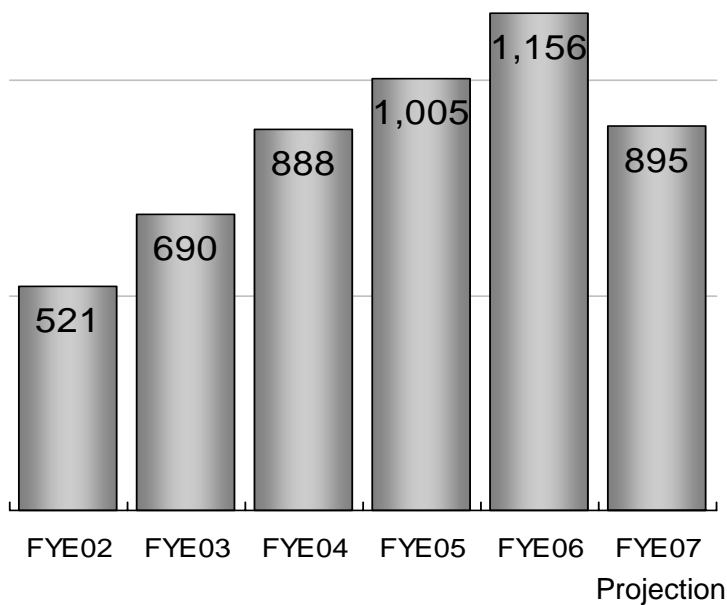
(Billions of yen)

	FY 2007 Current Projection	FY 2007 Previous Projection	FY 2006 Actual	% Change	
				Previous Projection	Actual
Net sales	<b>4,560.0</b>	<b>4,580.0</b>	<b>4,156.8</b>	-0.4%	+9.7%
Gross profit	<b>2,290.0</b>	<b>2,300.0</b>	<b>2,060.5</b>	-0.4%	+11.1%
[% sales]	50.2%	50.2%	49.6%		
Op. profit	<b>773.0</b>	<b>766.0</b>	<b>707.0</b>	+0.9%	+9.3%
[% sales]	17.0%	16.7%	17.0%		
Net income	<b>500.0</b>	<b>500.0</b>	<b>455.3</b>	0.0%	+9.8%
[% sales]	11.0%	10.9%	11.0%		
Foreign exchange rate					
Yen – 1USD	117.98	120.03	116.43		
Yen – 1EURO	160.29	159.89	146.51		

# Cash on Hand and Return to Shareholders

## Cash on Hand (Year-end)

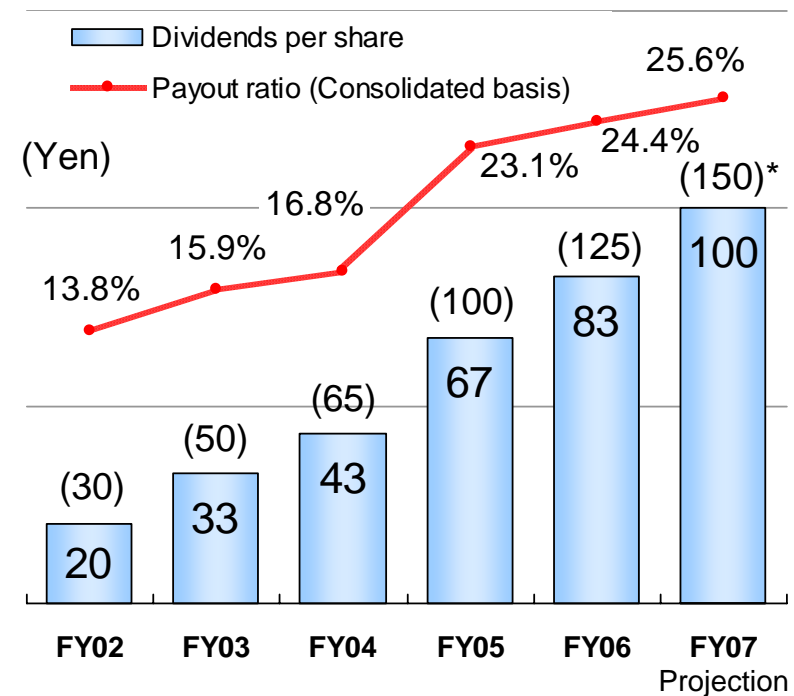
(Billions of yen)



Note: 450 billion yen used to acquire own share in 2007

## Dividend

\*Figures in parenthesis represent dividend per share expressed on a pre- 3-for-2 forward stock split basis (effective date July 1, 2006)



# Supplementary Information

# Transition in Sales and Op. Profit

3Q 2007 Actual v. 3Q 2006 Actual

(Billions of yen)

	3Q	
	Sales	Op. Profit
2006 Actual	988.0	172.7
Foreign exchange impact [net sales, cost of sales, expenses]	+23.2	+9.9
Sales volume impact		
Office Imaging Products	+20.7	
Computer Peripherals	+11.4	
Business Information Products	-1.0	
Cameras	+40.1	
Optical and Other Products	-14.5	
Total	+56.7	+34.2
Depreciation change impact	-	-21.0
Others	-17.1	-21.6
Total Change	+62.8	+1.5
2007 Actual	1,050.8	174.2

## Change in Exchange Rate

- 1USD: 116.29 to 117.67 yen
- 1EURO: 148.19 to 161.82 yen

Supplementary Information



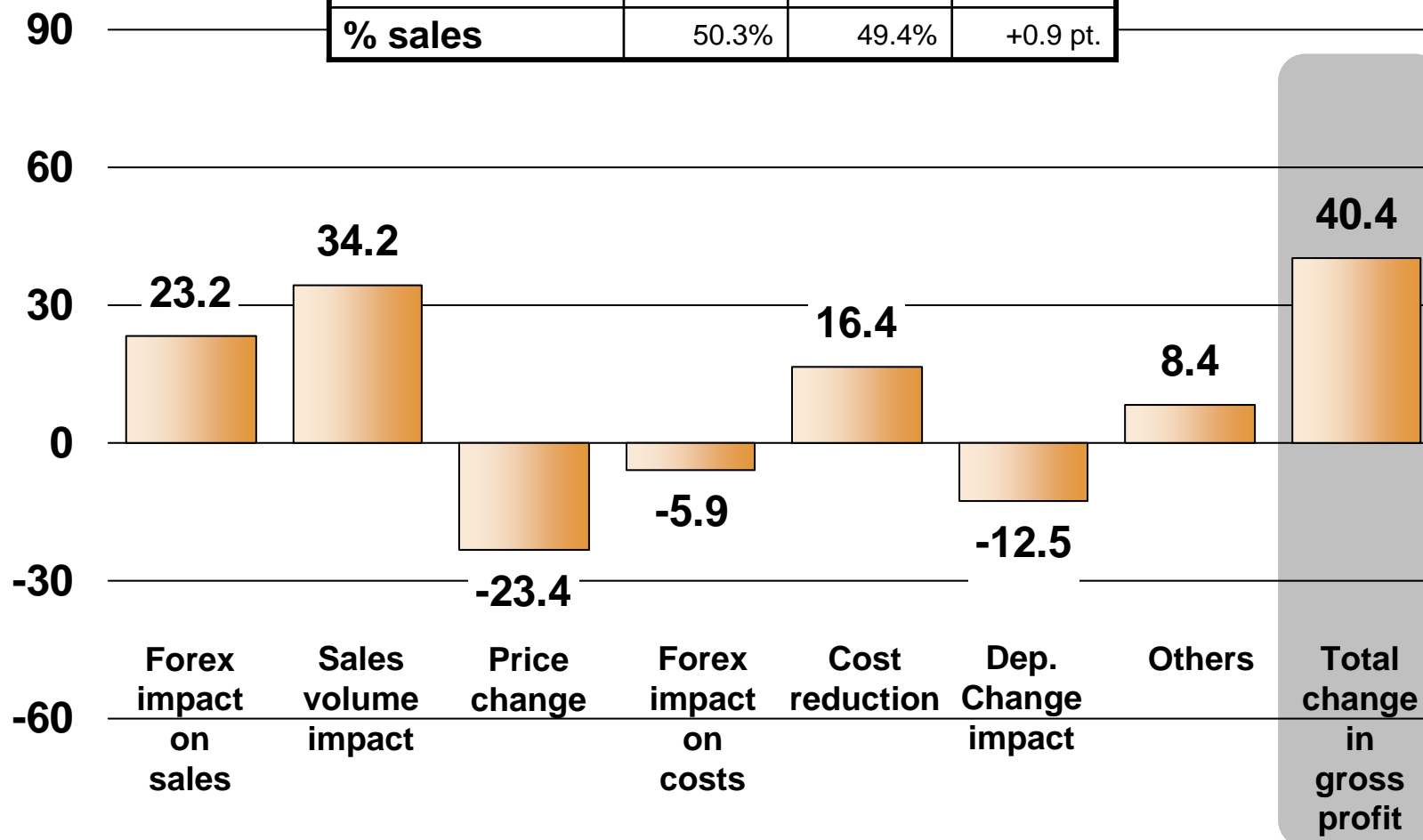
# Gross Profit Variance Analysis

3Q 2007 Actual v. 3Q 2006 Actual

(Billions of yen)

(Billions of yen)

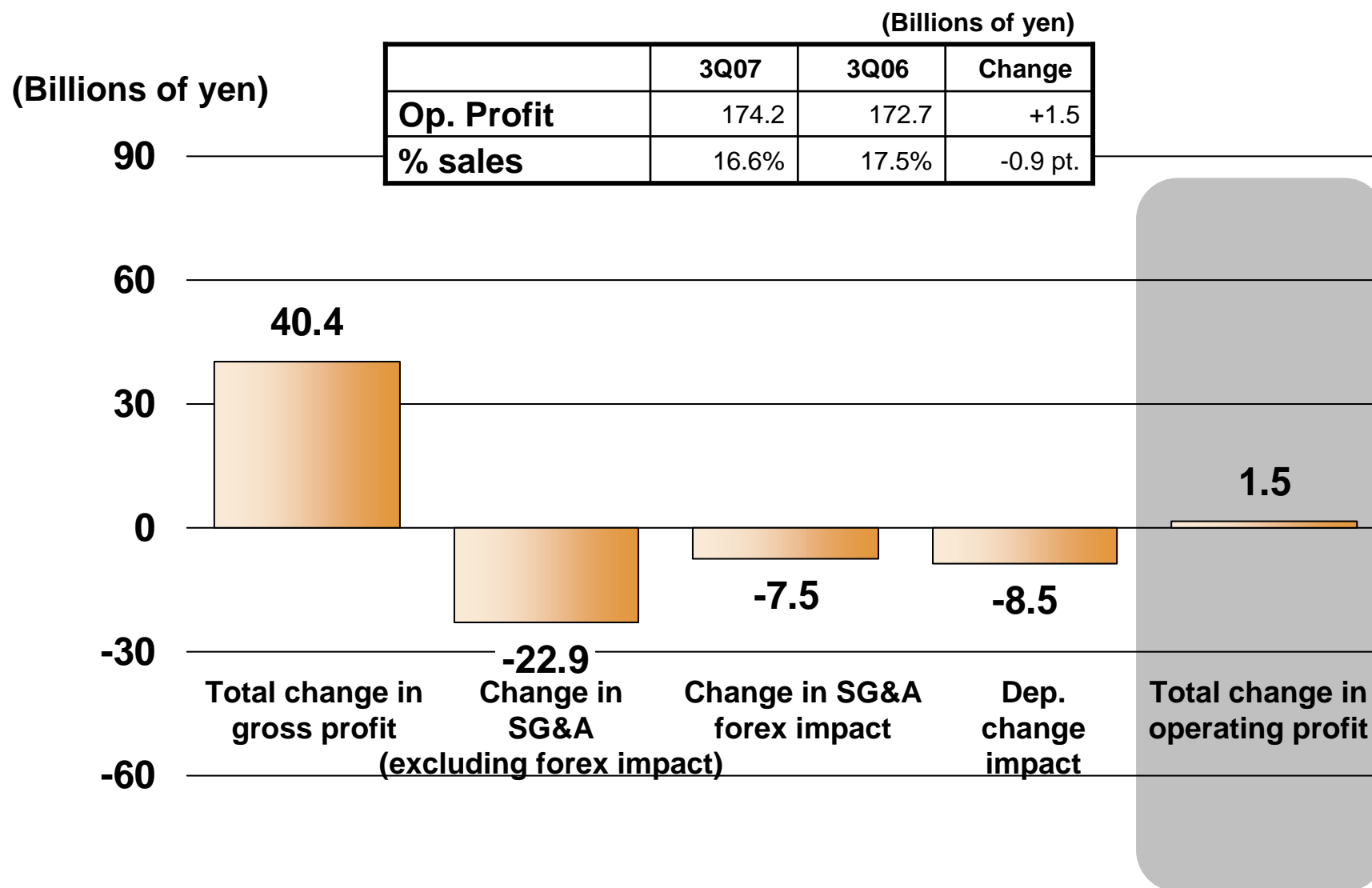
	3Q07	3Q06	Change
<b>Gross Profit</b>	528.4	488.0	+40.4
<b>% sales</b>	50.3%	49.4%	+0.9 pt.



Supplementary Information

# Operating Profit Variance Analysis

3Q 2007 Actual v. 3Q 2006 Actual



Supplementary Information

# Transition in Sales and Op. Profit

FY 2007 Current Projection v. FY 2006 Actual

(Billions of yen)

	FY	
	Sales	Op. Profit
2006 Actual	4,156.8	707.0
Foreign exchange impact [net sales, cost of sales, expenses]	+128.9	+76.7
Sales volume impact		
Office Imaging Products	+82.6	
Computer Peripherals	+152.6	
Business Information Products	-3.4	
Cameras	+205.1	
Optical and Other Products	-0.8	
Total	+436.1	+209.3
Depreciation change impact	-	-63.0
Others	-161.8	-157.0
Total Change	+403.2	+66.0
2007 Current Projection (Oct. 25, 2007)	4,560.0	773.0

## Change in Exchange Rate

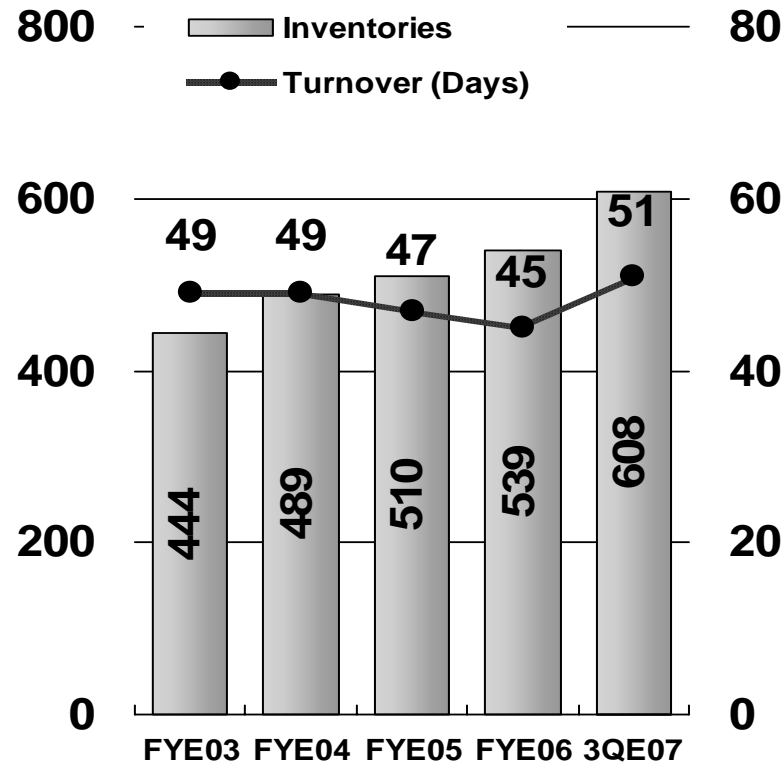
- 1USD: 116.43 to 117.98 yen
- 1EURO: 146.51 to 160.29 yen

**Supplementary Information**

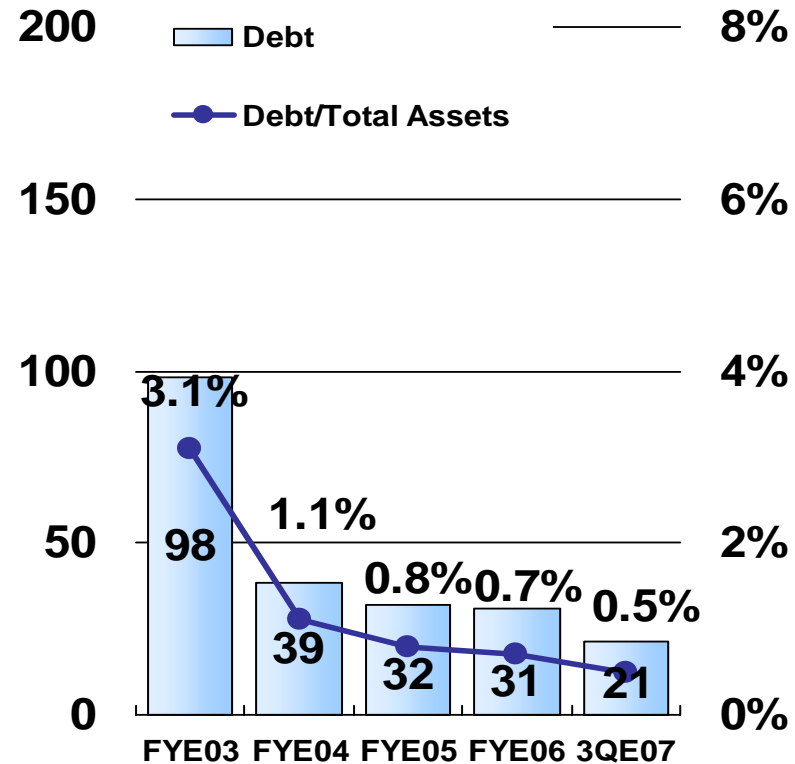
# Inventories

# Interest Bearing Debt

(Billions of yen)

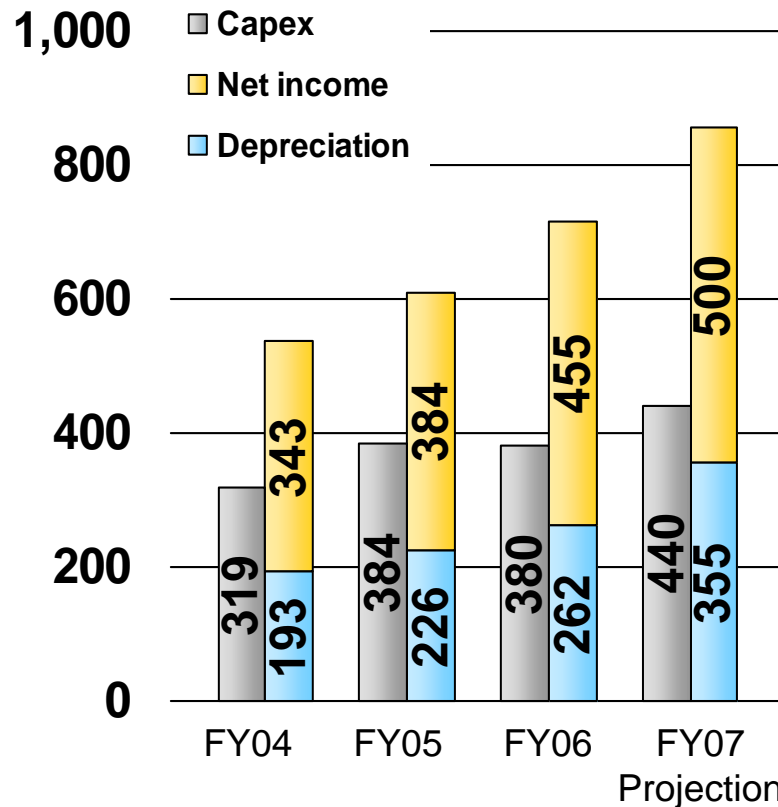


(Days) (Billions of yen)



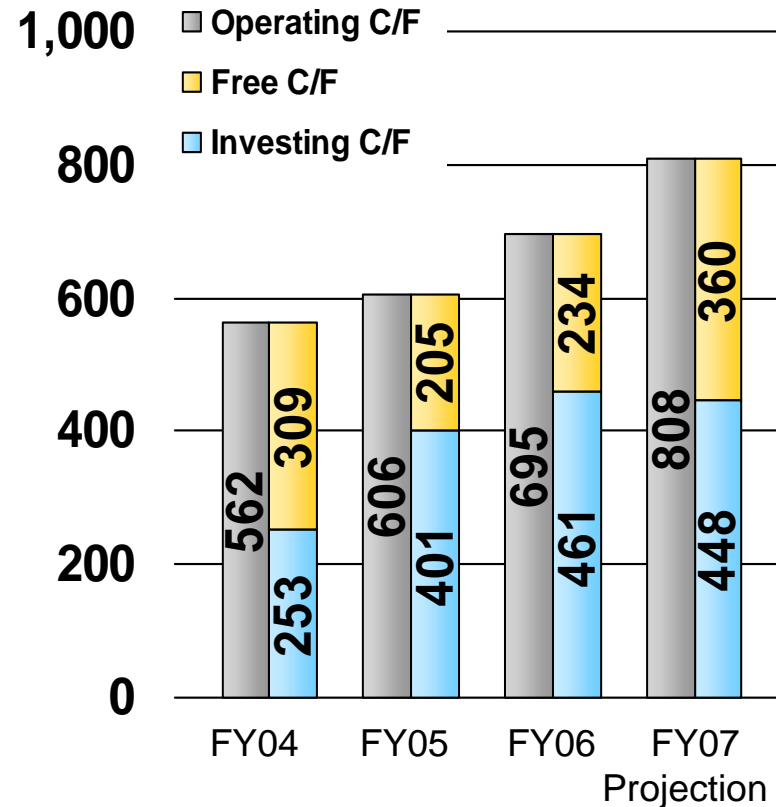
# Capital Expenditure

(Billions of yen)



# Free Cash Flow

(Billions of yen)



[Major Expenditures in 2007]

- New factory (Oita Canon Materials)
- Production engineering base (Yanagicho, Kawasaki City)
- Production equipment for inkjet key parts
- Automated machinery for cartridge production
- Production equipment for toner

Supplementary Information

# Financial Ratios

\* Common stock held by stockholders as of June 30, 2006, were split on a 3-for-2 basis. EPS (Basic) has been adjusted to retroactively reflect the forward stock split.

