



Canon Inc.

Second Quarter 2011 Results

July 25, 2011

Toshizo Tanaka

Executive Vice President & CFO

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.

Agenda

■ 2Q 2011 Results P3 – 6

■ FY 2011 Projections P7 – 11

■ Details by Business P12 – 17

■ Financial Situation P18 – 20

■ Supplementary Information P21 – 26

2Q 2011 in Summary

External Environment

- ✓ Global economy continued to gradually recover
- ✓ Canon's markets remained strong
- ✓ Significant yen's appreciation YoY

Results

- ✓ Significant drop in production due to earthquake's impact
- ✓ Made steady progress in production recovery, ability to limit earthquake's impact better than expected
- ✓ Secured a gross profit ratio of 50% and an operating profit close to that which we achieved in the first quarter

Summary of Results

2Q 2011 Actual

(Billions of yen)

	2Q 2011 Actual	2Q 2010 Actual	Pct. Change
Net sales	836.6	970.4	-13.8%
Gross profit [% sales]	418.5 50.0%	475.4 49.0%	-12.0%
Op. profit [% sales]	78.4 9.4%	113.4 11.7%	-30.9%
Net income attributable to Canon Inc. [% sales]	53.9 6.4%	67.6 7.0%	-20.4%
Foreign exchange rate			
Yen – 1USD	81.58	91.96	
Yen – 1EURO	117.28	116.34	

Summary of Results

2Q 2011 Actual (Excluding earthquake effects)

(Billions of yen)

	2Q 2011			2Q 2010	Pct. Change A VS B
	Actual	Earthquake effects	Excluding earthquake effects A	Actual B	
Net sales	836.6	-145.9	982.5	970.4	+1.2%
Gross profit	418.5	-68.3	486.8	475.4	+2.4%
[% sales]	50.0%		49.5%	49.0%	
Op. profit	78.4	-68.3	146.7	113.4	+29.3%
[% sales]	9.4%		14.9%	11.7%	
Foreign exchange rate					
Yen – 1USD	81.58			91.96	
Yen – 1EURO	117.28			116.34	

Transition in Sales and Op. Profit

2Q 2011 Actual v. 2Q 2010 Actual

(Billions of yen)

	Sales	Op. Profit
2Q 2010 Actual	970.4	113.4
Foreign exchange impact [net sales, cost of sales, expenses]	-35.3	-16.4
Sales volume impact		
Office	+37.6	
Consumer	+44.0	
Industry and Others	-9.6	
Total	+72.0	+26.9
Others	-24.6	+22.8
Total Change (Excluding earthquake effects)	+12.1	+33.3
Earthquake effects total	-145.9	-68.3
Total Change	-133.8	-35.0
2Q 2011 Actual	836.6	78.4

Change in Exchange Rate

- 1USD: 91.96 to 81.58 yen
- 1EURO: 116.34 to 117.28 yen

(Billions of yen)

	Sales	Op. Profit
Office	-65.7	-68.3
Consumer	-73.5	
Industry and Others	-6.7	

Assumptions

2011 Current Projection

Average Exchange Rate	2H11	FY11	FY10
■ Yen-1USD	80.00 yen	80.86 yen	87.40 yen
■ Yen-1EURO	115.00 yen	114.97 yen	114.97 yen

Impact of Exchange Rate Movement (2H impact given a one yen change)

	Net sales	Operating profit
■ USD	10.2 billion yen	4.8 billion yen
■ EURO	5.3 billion yen	3.0 billion yen

Key Points FY 2011

Assumptions

- ✓ Global economy – on path of gradual recovery
- ✓ Canon markets – continued strong global demand

Projections

- ✓ Accelerate enhancement of stable product-supply system through an early recovery in production
- ✓ Achieve accelerated recovery from the second half to minimize the earthquake's impact and secure sales growth and operating profit ratio of over 10%

Summary of Projected Results

FY 2011 Current Projection

(Billions of yen)

	FY 2011 Current projection	FY 2010 Actual	Pct. Change
Net sales	3,780.0	3,706.9	+2.0%
Gross profit	1,818.0	1,783.1	+2.0%
[% sales]	48.1%	48.1%	
Op. profit	380.0	387.6	-1.9%
[% sales]	10.1%	10.5%	
Net income attributable to Canon Inc.	260.0	246.6	+5.4%
[% sales]	6.9%	6.7%	
Foreign exchange rate			
Yen – 1USD	80.86	87.40	
Yen – 1EURO	114.97	114.97	

Summary of Results

FY 2011 Actual (Excluding earthquake effects)

(Billions of yen)

	FY2011			FY2010	Pct. Change A VS B
	Current projection	Earthquake effects	Excluding earthquake effects A	Actual B	
Net sales	3,780.0	-197.4	3,977.4	3,706.9	+7.3%
Gross profit [% sales]	1,818.0 48.1%	-122.2	1,940.2 48.8%	1,783.1 48.1%	+8.8%
Op. profit [% sales]	380.0 10.1%	-122.5	502.5 12.6%	387.6 10.5%	+29.7%
Foreign exchange rate					
Yen – 1USD	80.86			87.40	
Yen – 1EURO	114.97			114.97	

Transition in Sales and Op. Profit

FY 2011 Current Projection v. FY 2011 Previous Projection

(Billions of yen)

	Sales	Op. Profit
Previous Projection (Apr. 26, 2011)	3,730.0	335.0
Foreign exchange impact [net sales, cost of sales, expenses]	-83.8	-51.3
Sales volume impact		
Office	+0.6	
Consumer	+9.5	
Industry and Others	+16.7	
Total	+26.8	+29.7
Others	-10.0	-8.5
Total change (Excluding earthquake effects)	-67.0	-30.1
Earthquake effects total	+117.0	+75.1
Total change	+50.0	+45.0
Current Projection (Jul. 25, 2011)	3,780.0	380.0

Change in Exchange Rate

- 1USD: 84.36 to 80.86 yen
- 1EURO: 118.28 to 114.97 yen

(Billions of yen)

	Sales	Op. Profit
Office	+49.4	+75.1
Consumer	+67.6	
Industry and Others	+0.0	

Office

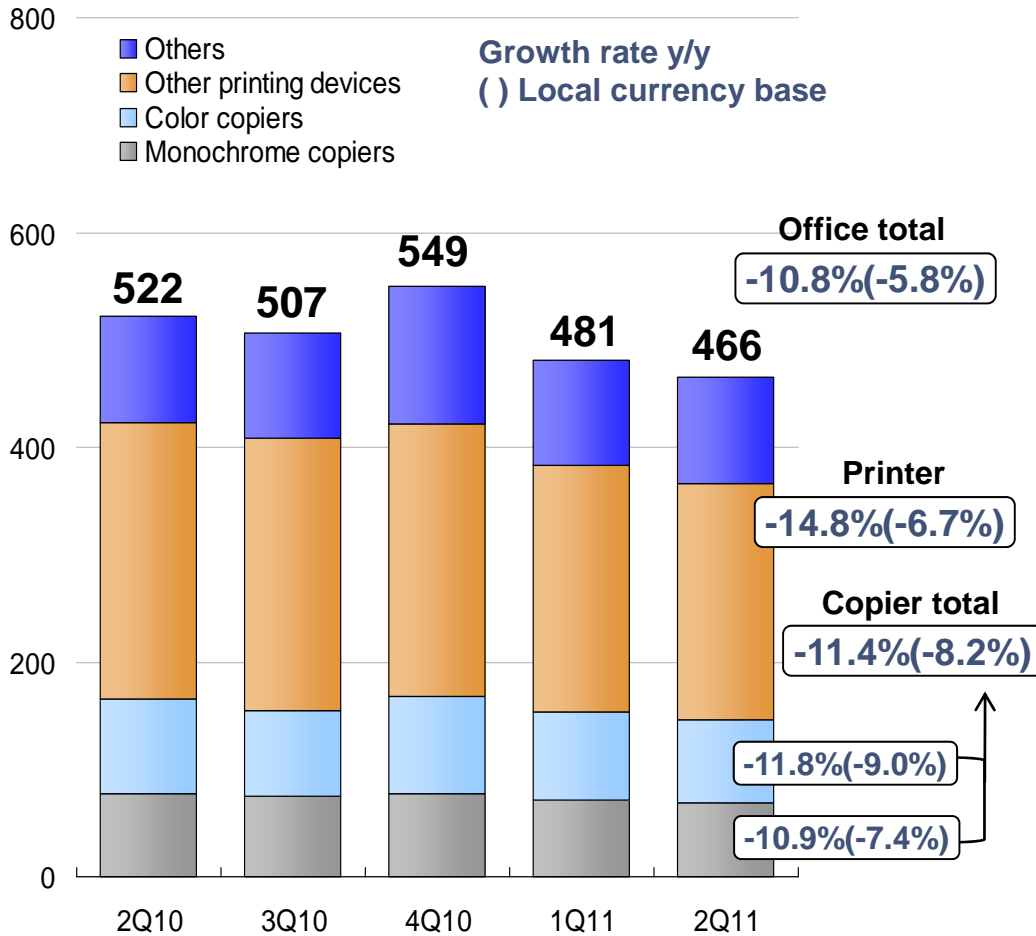
2Q 2011 Actual

2Q11 Growth rate y/y (Unit base)		
	Copiers	Printers
Color	-15%	-33%
Monochrome	-24%	+4%
Total	-21%	-1%

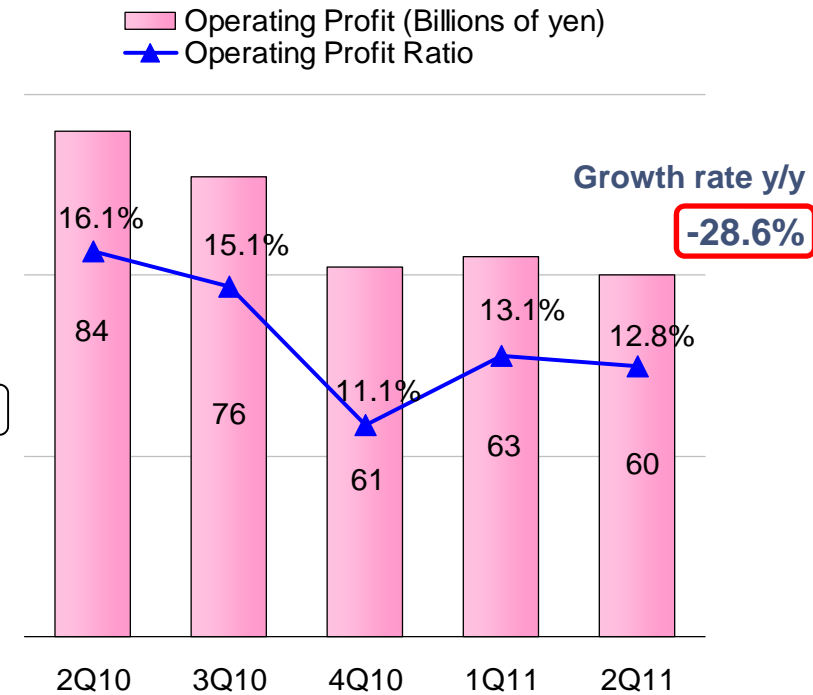
2Q11 Color ratio		
	Copiers	Printers
Value base*	53%	42%
Unit base	31%	10%

*Includes consumables

(Billions of yen) **Sales**



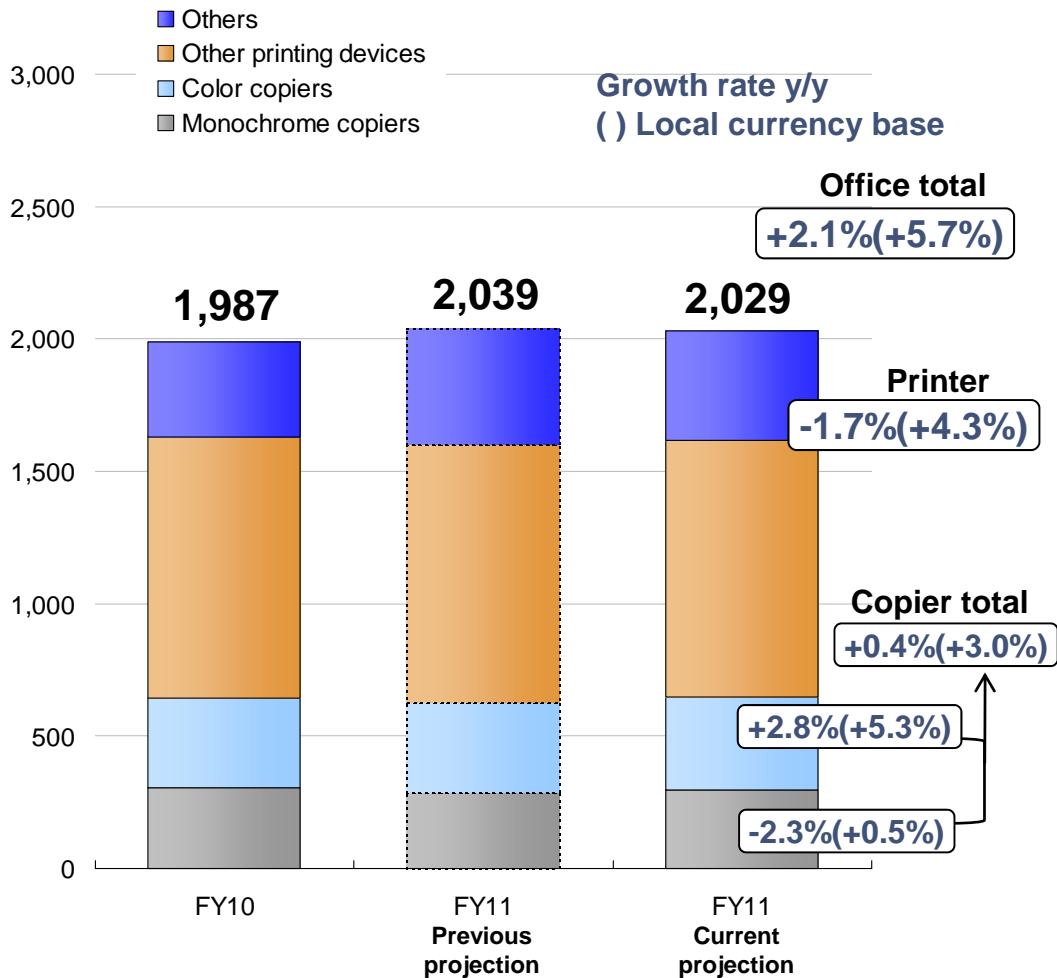
Op.Profit



Office

FY 2011 Projection

(Billions of yen) **Sales**

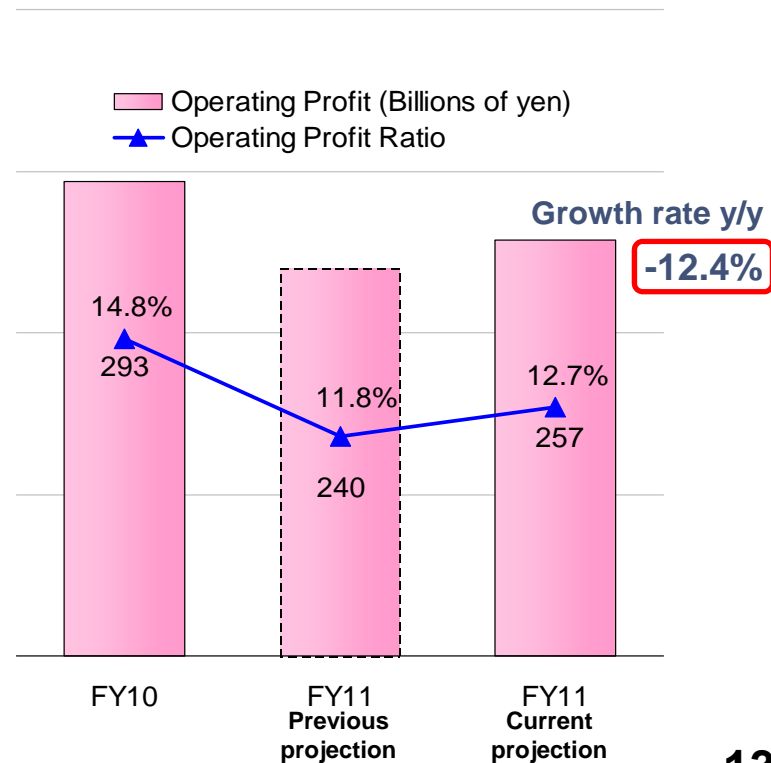


FY11 Growth rate y/y (Unit base)		
	Copiers	Printers
Color	+22%	+16%
Monochrome	+5%	+17%
Total	+10%	+17%

FY11 Color ratio		
	Copiers	Printers
Value base*	54%	43%
Unit base	34%	13%

*Includes consumables

Op.Profit

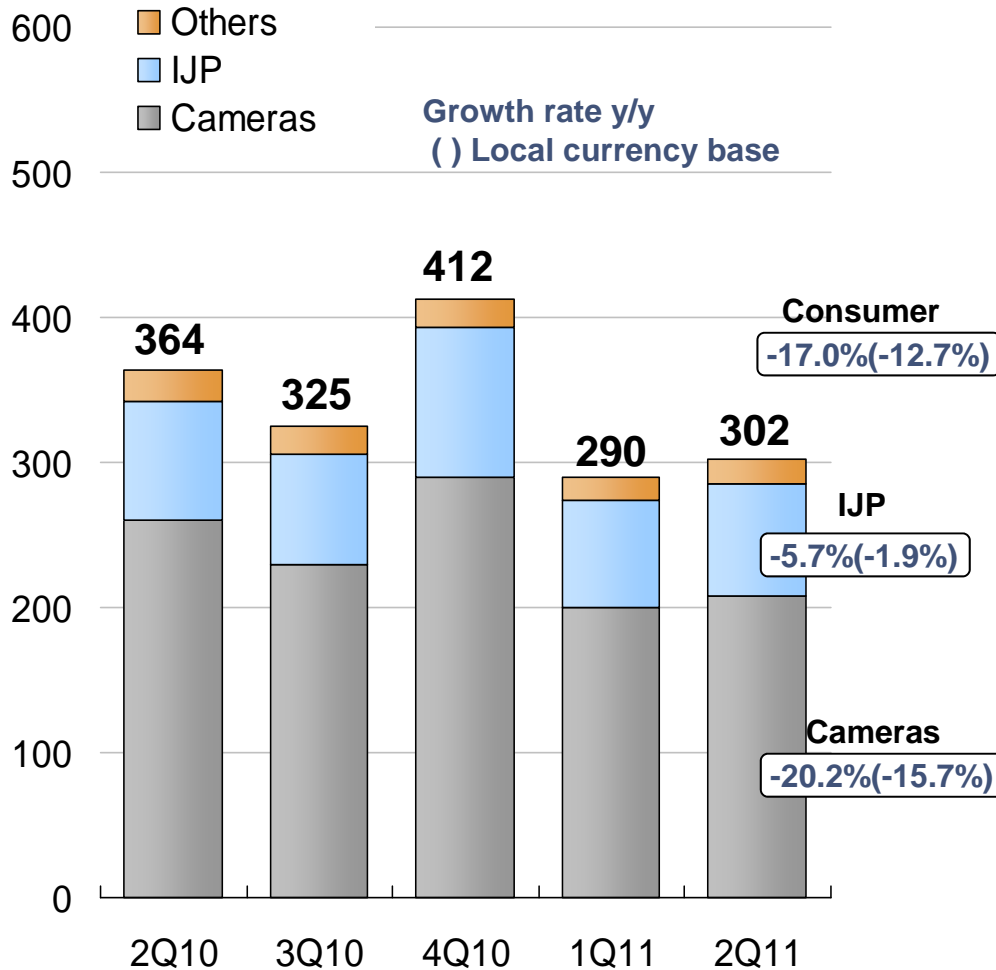


Consumer

2Q 2011 Actual

Sales

(Billions of yen)



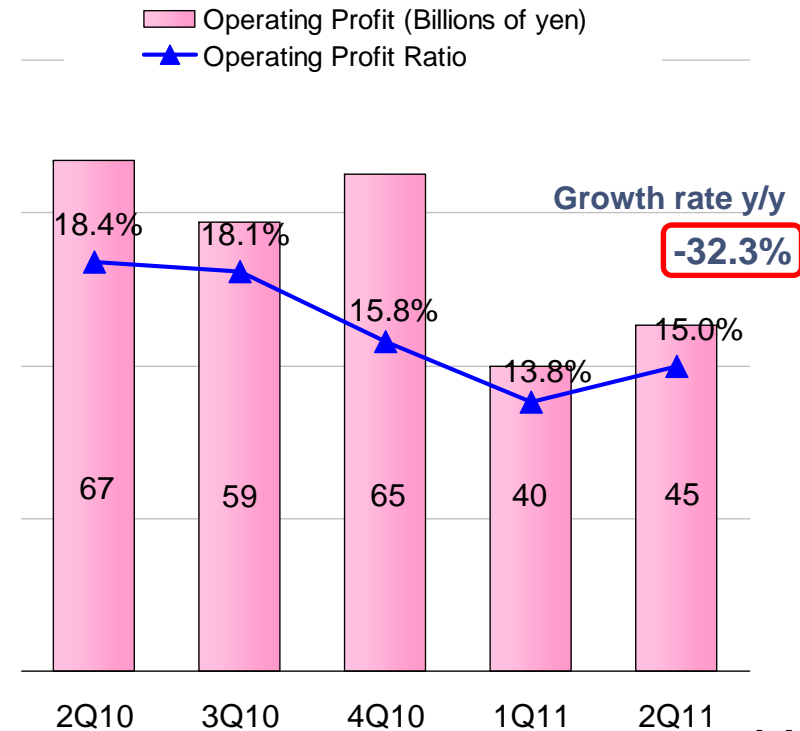
Growth rate y/y (Unit base)	
	2Q11
Digital cameras	-22%
IJP	+2%

D SLR ratio*

	2Q11
Value base	70%
Unit base	28%

* Percentage of cameras sales attributable to SLRs, interchangeable lenses and related accessories

Op.Profit



Consumer

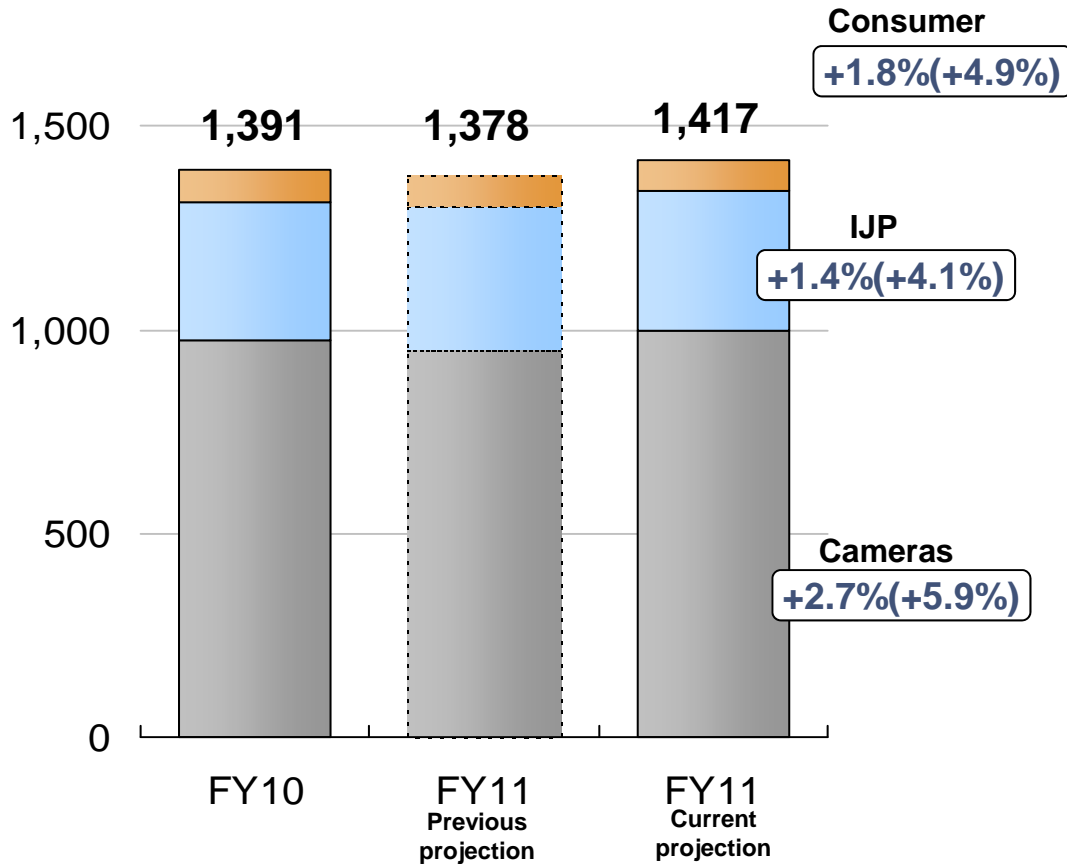
FY 2011 Projection

Sales

(Billions of yen)

Growth rate y/y () Local currency base

■ Cameras ■ IJP ■ Others



Growth rate y/y (Unit base)	
	FY11
Digital cameras	+1%
IJP	+8%

D SLR ratio*

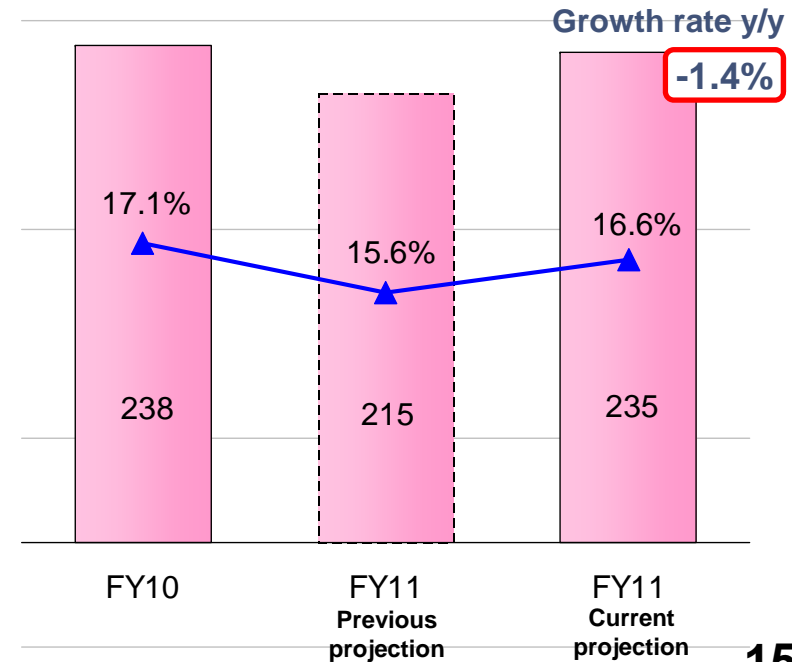
	FY11
Value base	71%
Unit base	27%

* Percentage of cameras sales attributable to SLRs, interchangeable lenses and related accessories

Op.Profit

■ Operating Profit (Billions of yen)

▲ Operating Profit Ratio



Industry and Others (Litho.Equip.)

2Q 2011 Actual

Lithography Equipment(Unit sales)

	2Q10	2Q11
IC	5	8
LCD	17	2
TTL	22	10

IC Stepper Unit Breakdown by Light Source

	2Q10	2Q11
ArF dry	0	0
ArF Immersion	0	0
KrF	1	2
i-line	4	6

(Billions of yen)

Sales

- Others
- Lithography Equipment
- Corporate and eliminations

Growth rate y/y
() Local currency base

Industry and Others
Total
Net Sales

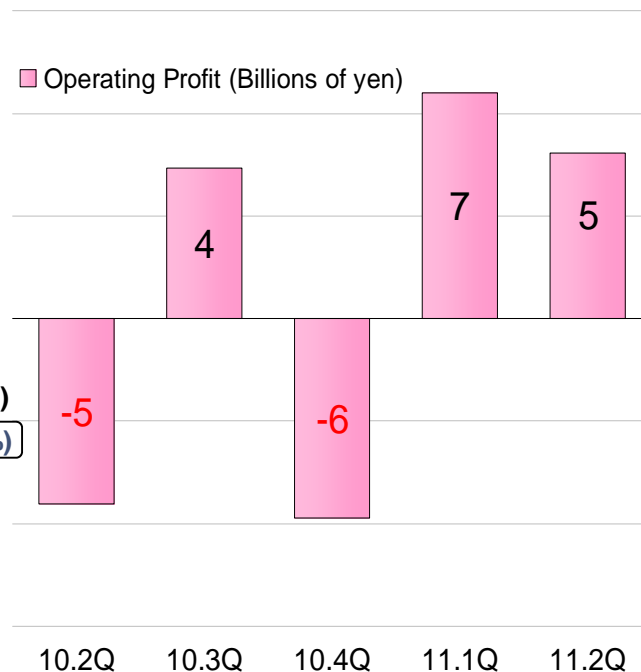
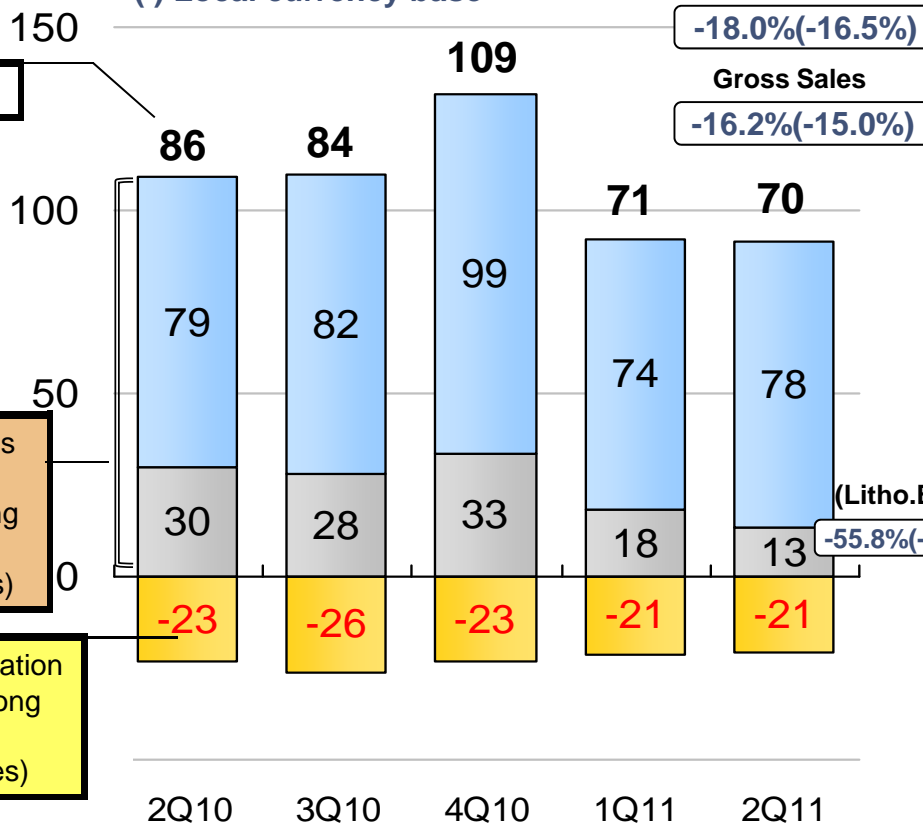
-18.0%(-16.5%)

Gross Sales

-16.2%(-15.0%)

Op.Profit

Operating Profit (Billions of yen)



Gross Sales
(Includes sales among Group businesses)

Sales Elimination
(Sales among Group businesses)

(Litho.Equip.)
-55.8%(-55.0%)

Industry and Others (Litho.Equip.)

FY 2011 Projection

(Billions of yen)

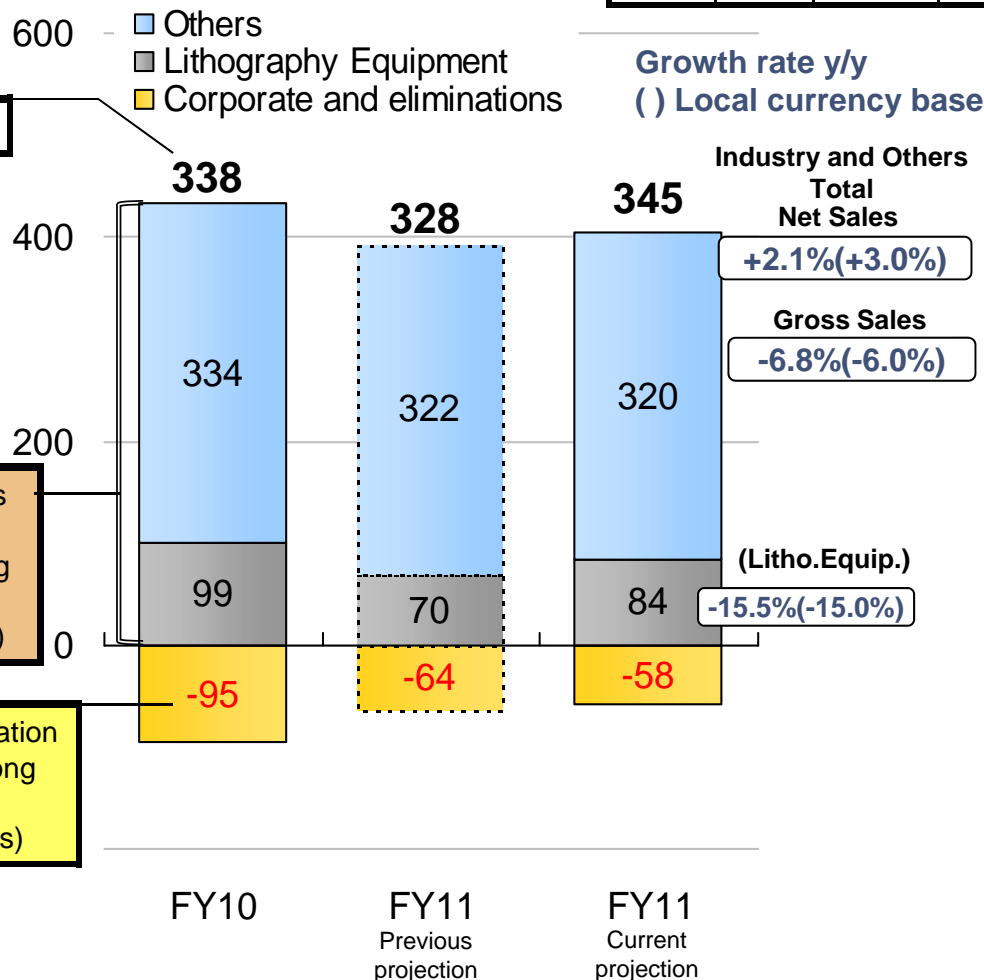
Sales

Lithography Equipment (Unit sales)

	FY10	FY11 Previous projection	FY11 Current projection
IC	29	41	46
LCD	56	27	31
TTL	85	68	77

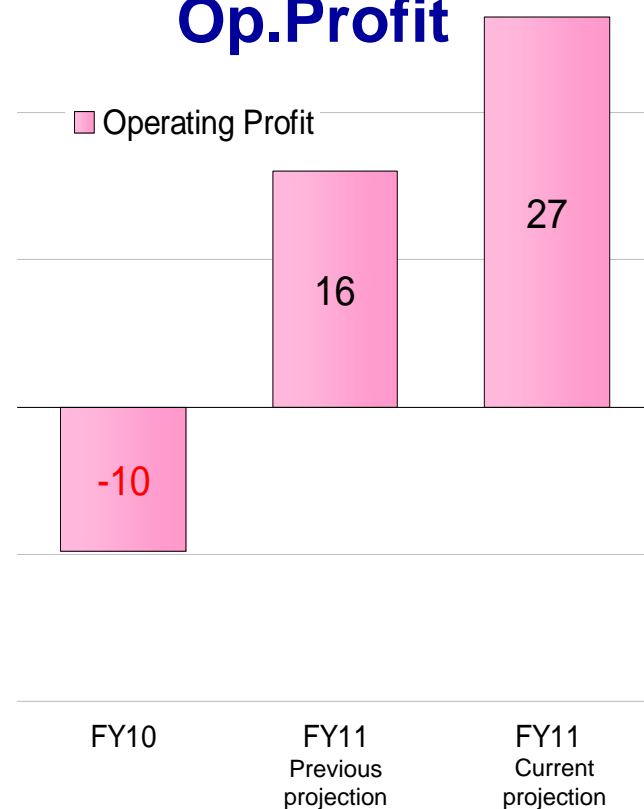
IC Stepper Unit Breakdown by Light Source

	FY10	FY11 Previous projection	FY11 Current Projection
ArF dry	0	0	0
ArF Immersion	0	0	0
KrF	6	6	7
i-line	23	35	39



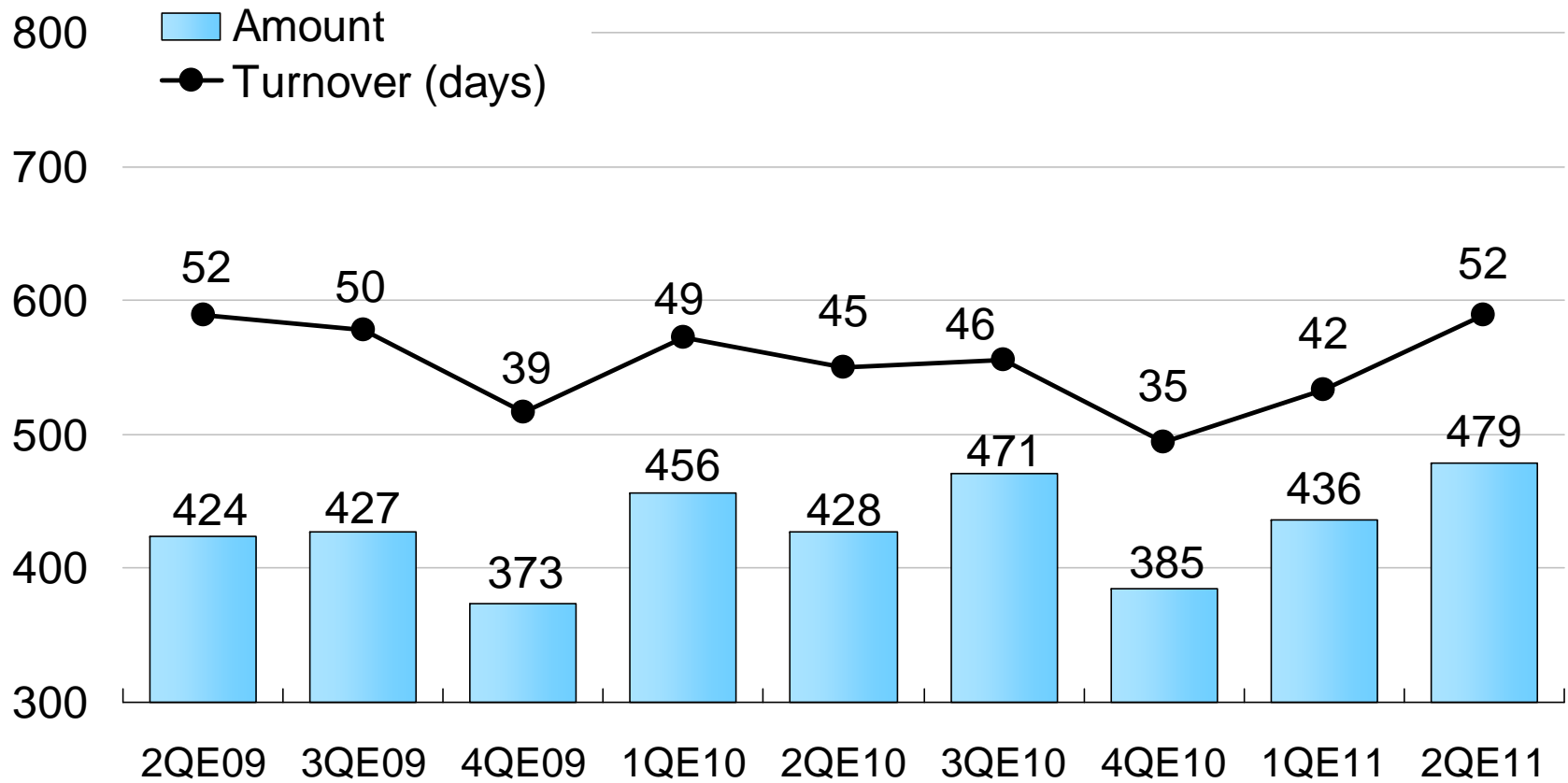
Op.Profit

Operating Profit



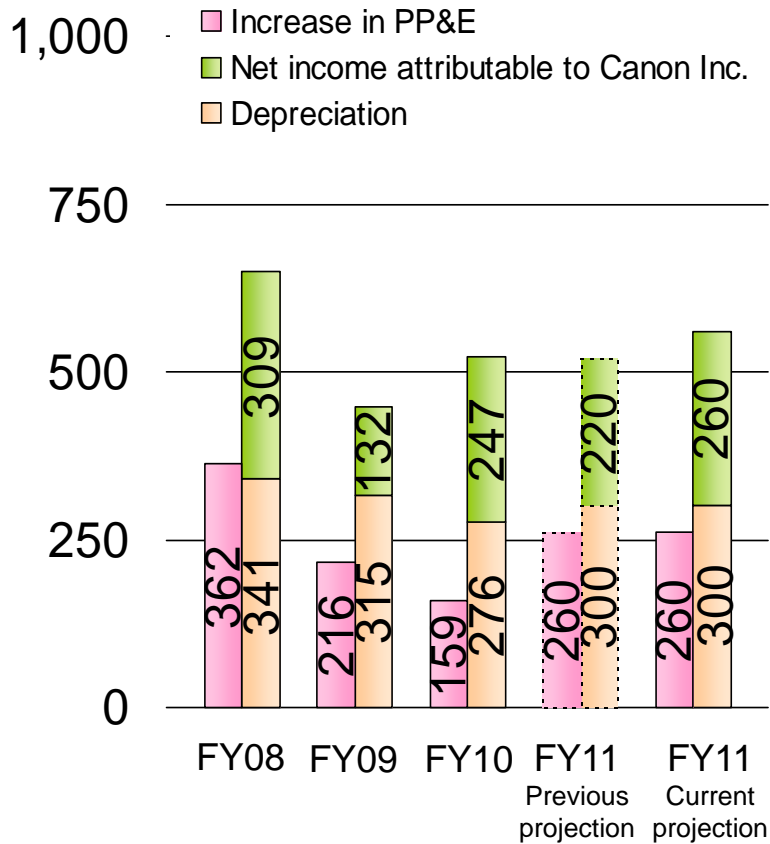
Inventories

(Billions of yen)



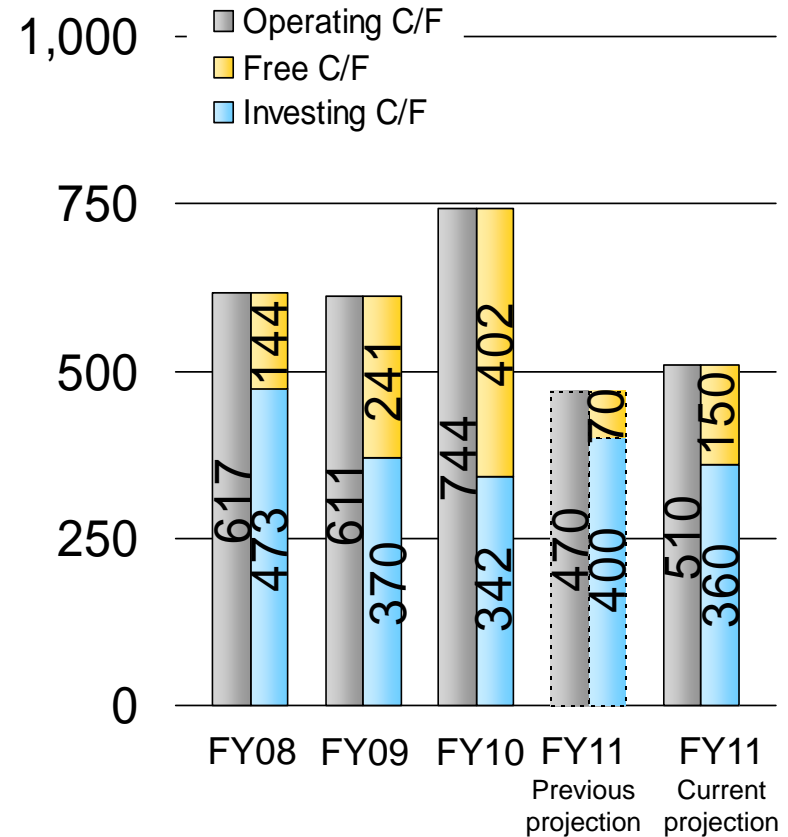
Capital Expenditure

(Billions of yen)



Free Cash Flow

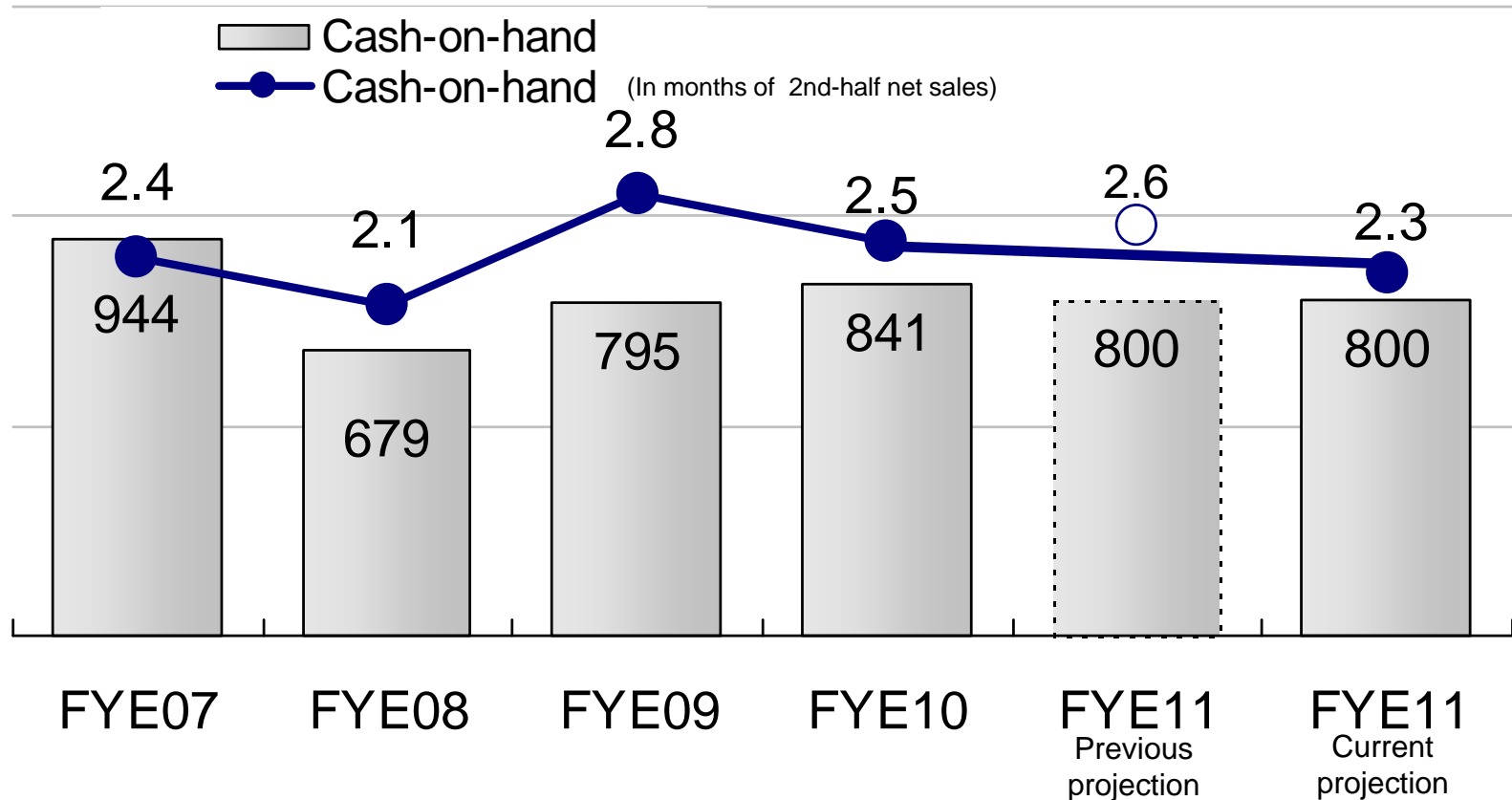
(Billions of yen)



Cash on Hand

Cash on Hand (Year-end)

(Billions of yen)



Note 1: In 2007, 450 billion yen was used to acquire own shares.
In 2008, 100 billion yen.
In 2010, 50 billion yen.
In 2011, 50 billion yen.

Supplementary Information

Transition in Sales and Operating Profit

FY 2011 Current Projection v. FY 2010 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2010 Actual	3,706.9	387.6
Foreign exchange impact [net sales, cost of sales, expenses]	-99.7	-54.3
Sales volume impact		
Office	+222.4	
Consumer	+216.9	
Industry and Others	+20.9	
Total	+460.2	+220.2
Others	-90.0	-51.0
Total change (Excluding earthquake effects)	+270.5	+114.9
Earthquake effects total	-197.4	-122.5
Total change	+73.1	-7.6
FY 2011 Current projection	3,780.0	380.0

Change in Exchange Rate (FY)

- 1USD: 87.40 to 80.86 yen
- 1EURO: 114.97 to 114.97 yen

(Billions of yen)

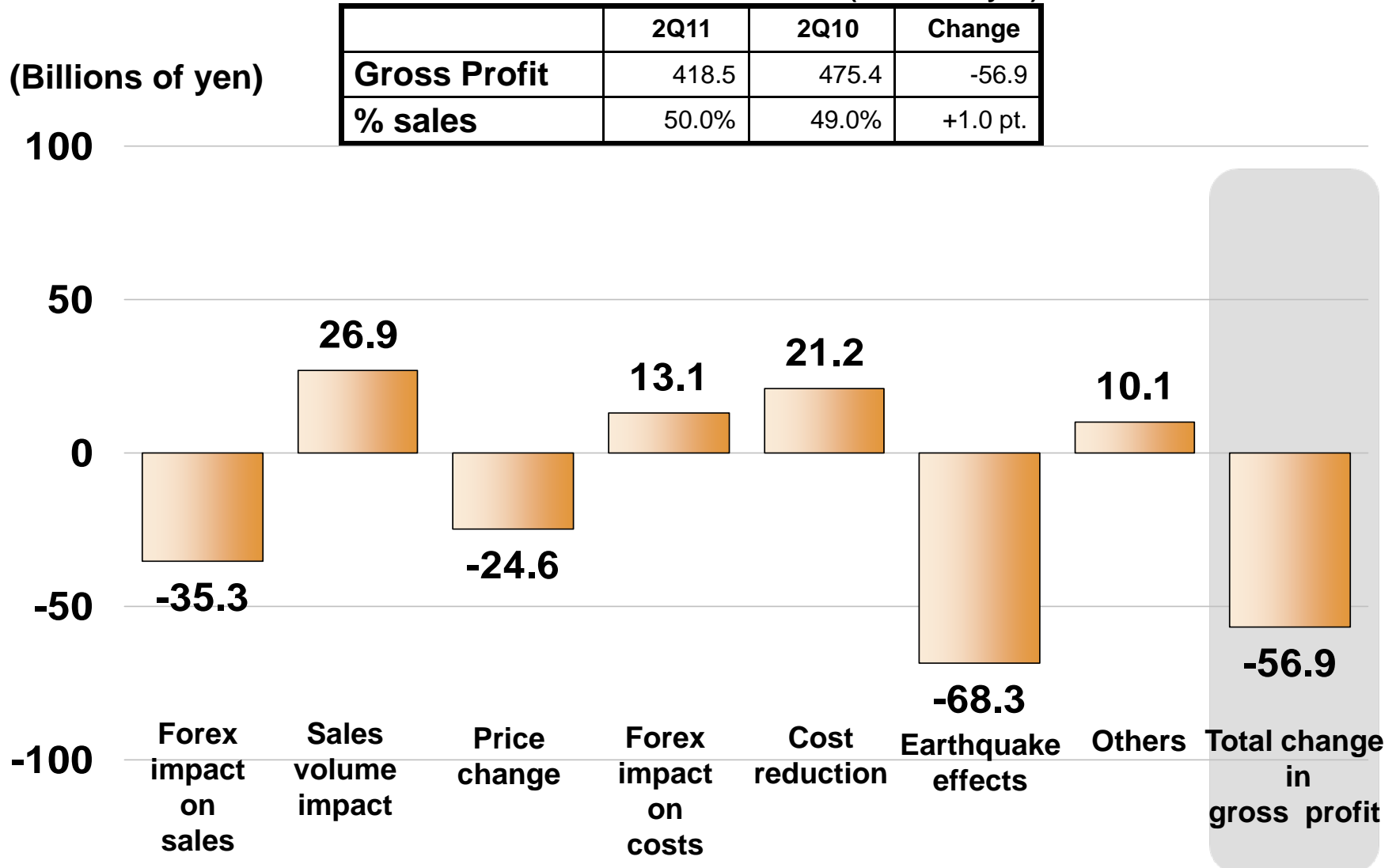
	Sales	Op. Profit
Office	-99.3	-122.5
Consumer	-87.1	
Industry and Others	-11.0	

Supplementary Information

Gross Profit Variance Analysis

2Q 2011 Actual v. 2Q 2010 Actual

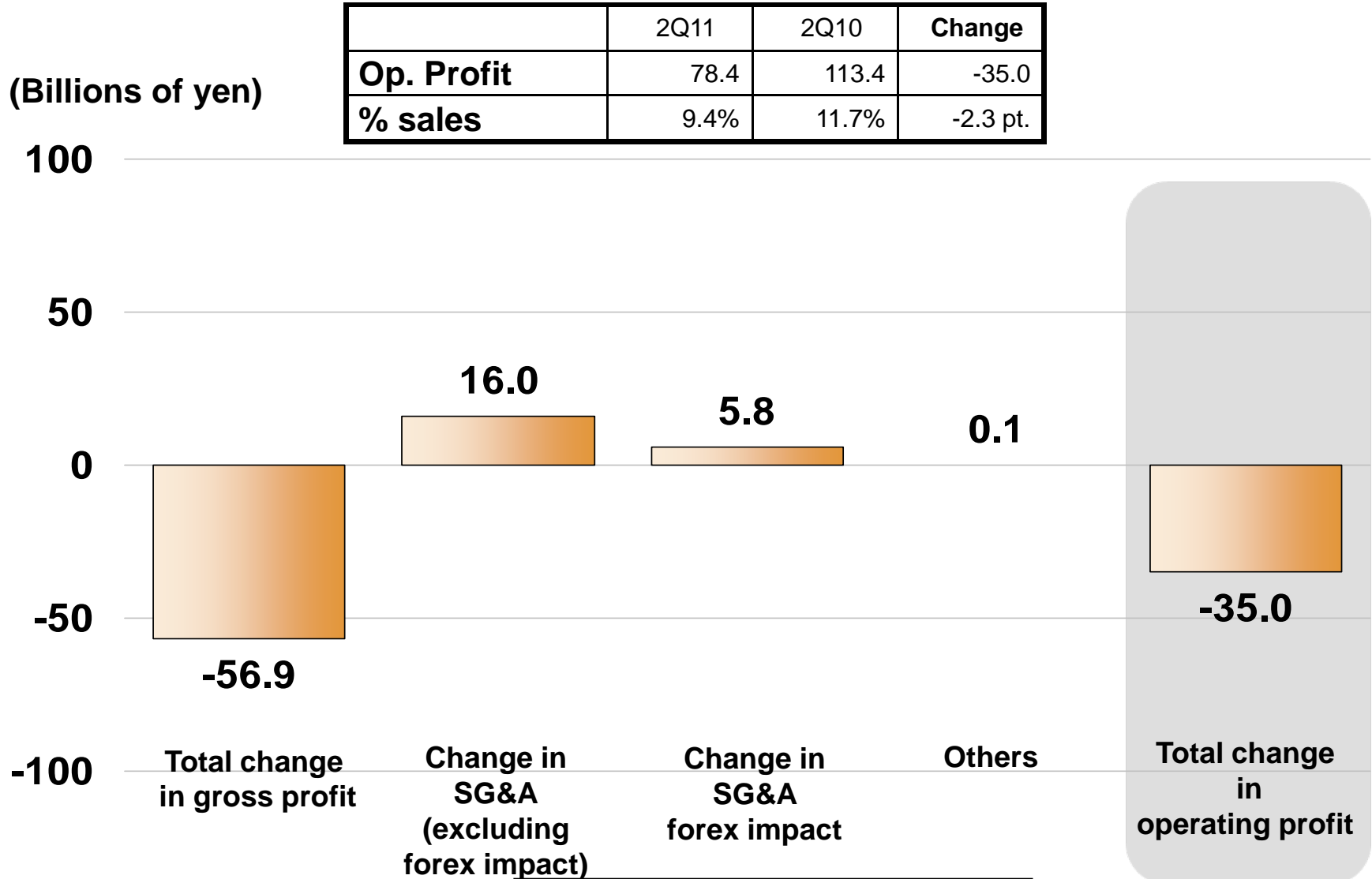
(Billions of yen)



Operating Profit Variance Analysis

2Q 2011 Actual v. 2Q 2010 Actual

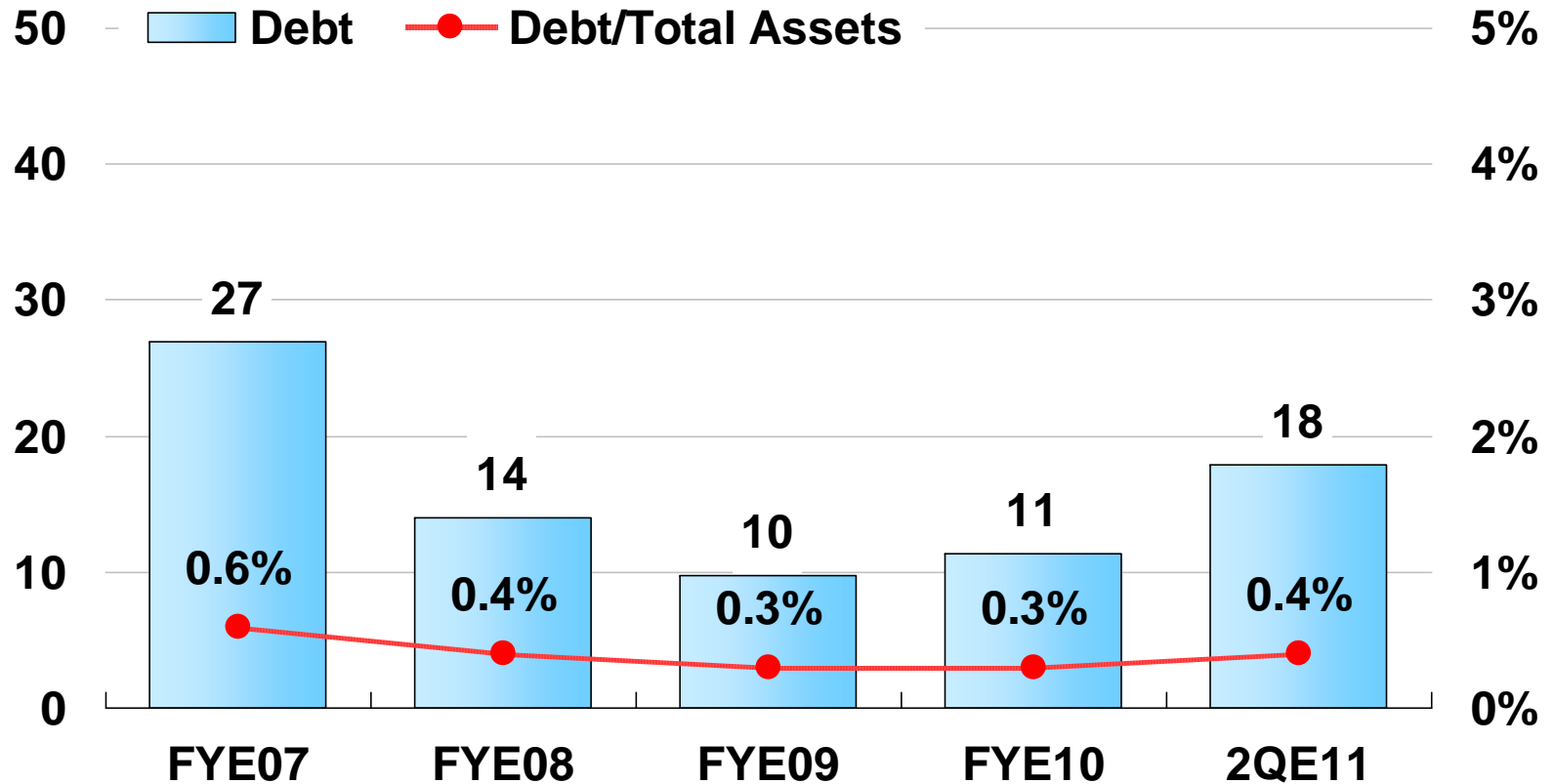
(Billions of yen)



Supplementary Information

Interest Bearing Debt

(Billions of yen)



Financial Ratios

