Canon Marketing Japan Group Three-Year Management Plan (2010-2012)

January 27, 2010

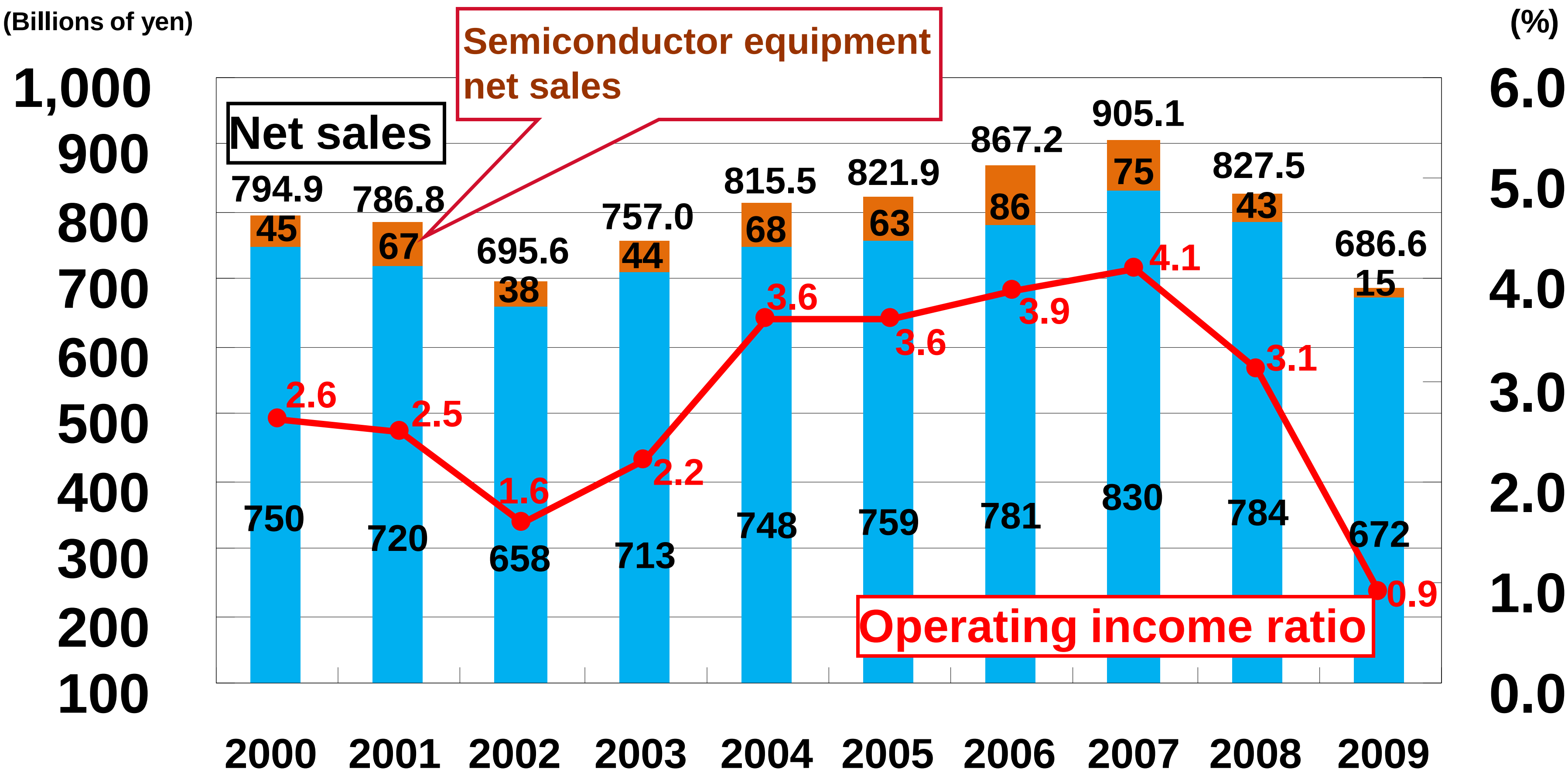
Canon Marketing Japan Inc.

Masami Kawasaki

President

Performance History

Canon



2010 Plan

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Company-Wide Profit/Loss Plan

(Billions of yen)

	2009	%	2010	%
Net sales	686.6		690.0	
(Year on year)	(83%)		(100%)	
Operating income	6.3	0.9%	8.0	1.2%
(Year on year)	(25%)		(127%)	
Ordinary income	8.2	1.2%	9.0	1.3%
(Year on year)	(32%)		(110%)	
Net income	(4.3)	-	3.0	0.4%
(Year on year)	-		-	

Sales Plan by Business Segment

(Billions of yen)

	2009	2010
Document Business	284.3	283.8
(Year on year)	-	(100%)
IT Solutions	154.4	169.2
(Year on year)	-	(110%)
Business Solutions	438.7	453.0
(Year on year)	-	(103%)
Consumer Equipment	222.2	223.0
(Year on year)	-	(100%)
Industrial Equipment	25.7	14.0
(Year on year)	-	(54%)
Total	686.6	690.0
(Year on year)	(83%)	(100%)

* The business segmentation will change in 2010, and the 2009 results have been adjusted to take this into account. The 2009 figures before adjustment are: Consumer Equipment -¥19.5 billion, Document Business +¥5.1 billion and IT Solutions +¥14.4 billion.

Three-Year Management Plan (2010-2012)

Canon

Canon Marketing Japan Inc.　＜ロゴ＞

2012 Performance Target

Improvement of earning capacity

Net sales	:	¥760.0 billion	
Operating income &margin	:	¥30.0 billion	3.9%
EPS	:	Over ¥100	

Basic Policies

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(i) We will secure the No. 1 market share for Canon products by strengthening cooperation with Canon Inc.

(ii) We will transform Canon MJ into a service-driven corporate group offering unique added value to its customers

Key Strategies

1. Rebuilding of the Document Business

2. Enhancement of our ability to provide IT solutions, and creation of service businesses

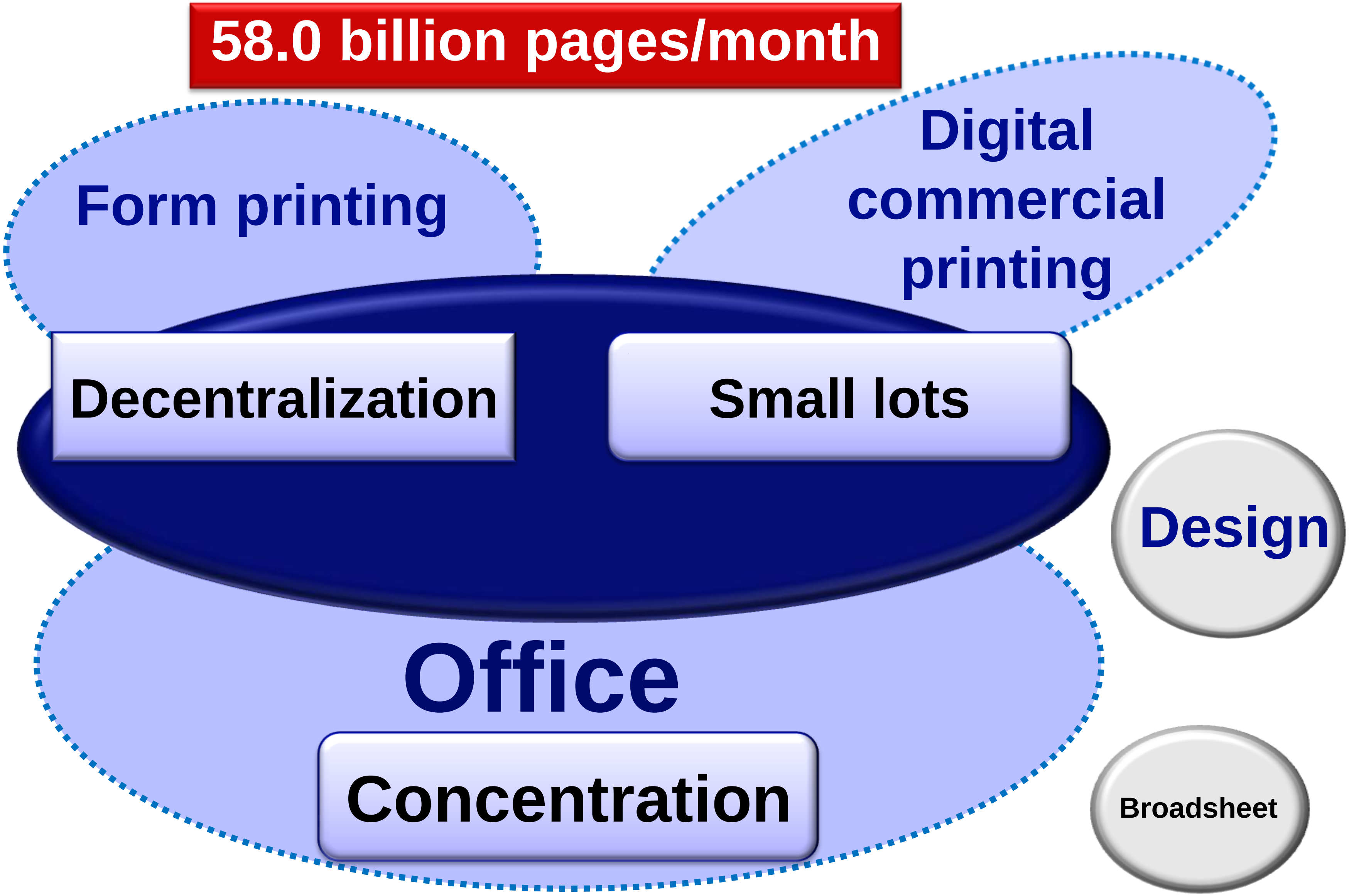
3. Become No. 1 in digital photography

4. Enhancement and expansion of the Industrial Equipment business

5. Enhancement of the management base

1. Rebuilding of the Document Business

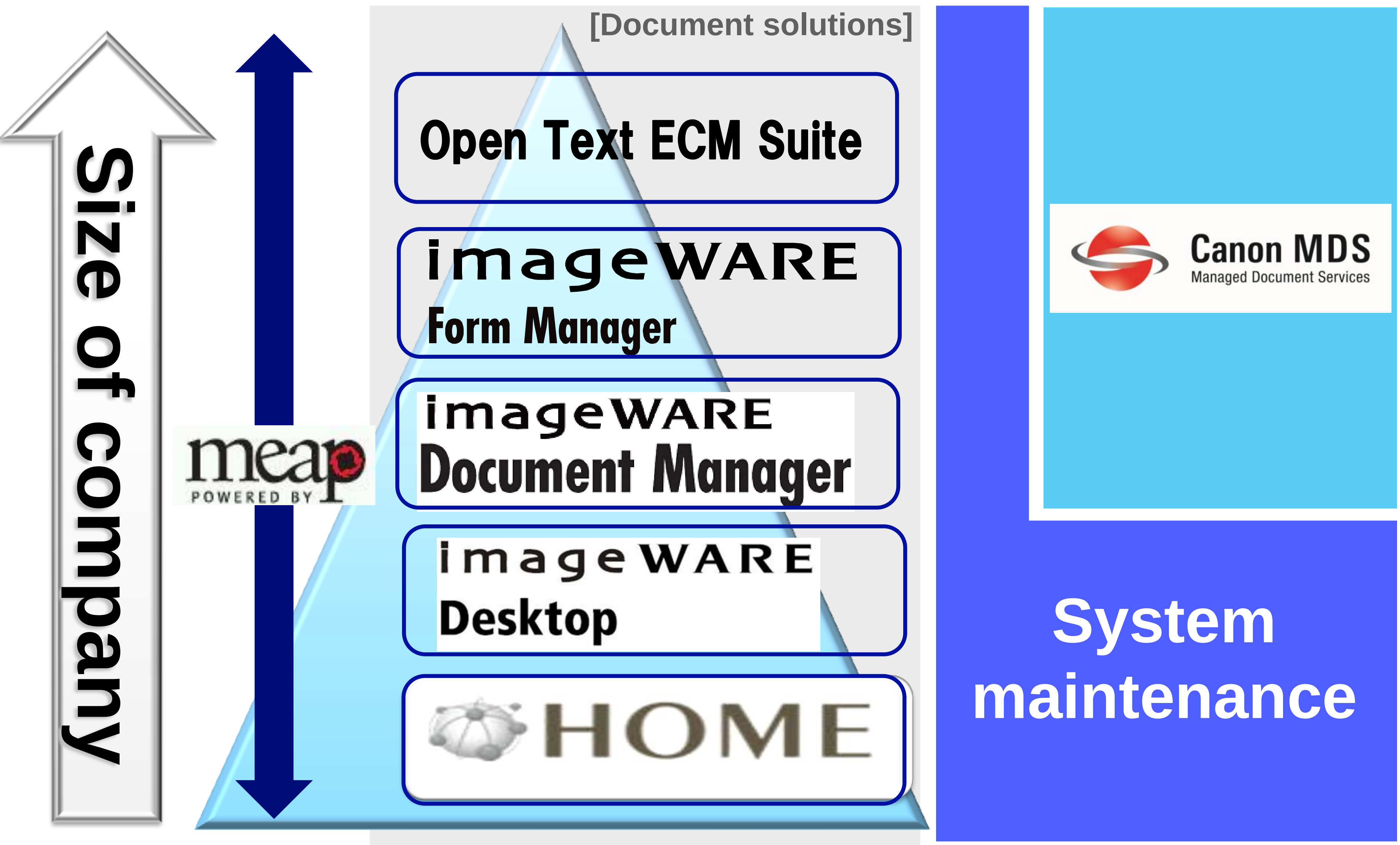
(i) Basic Strategy of the Document Business



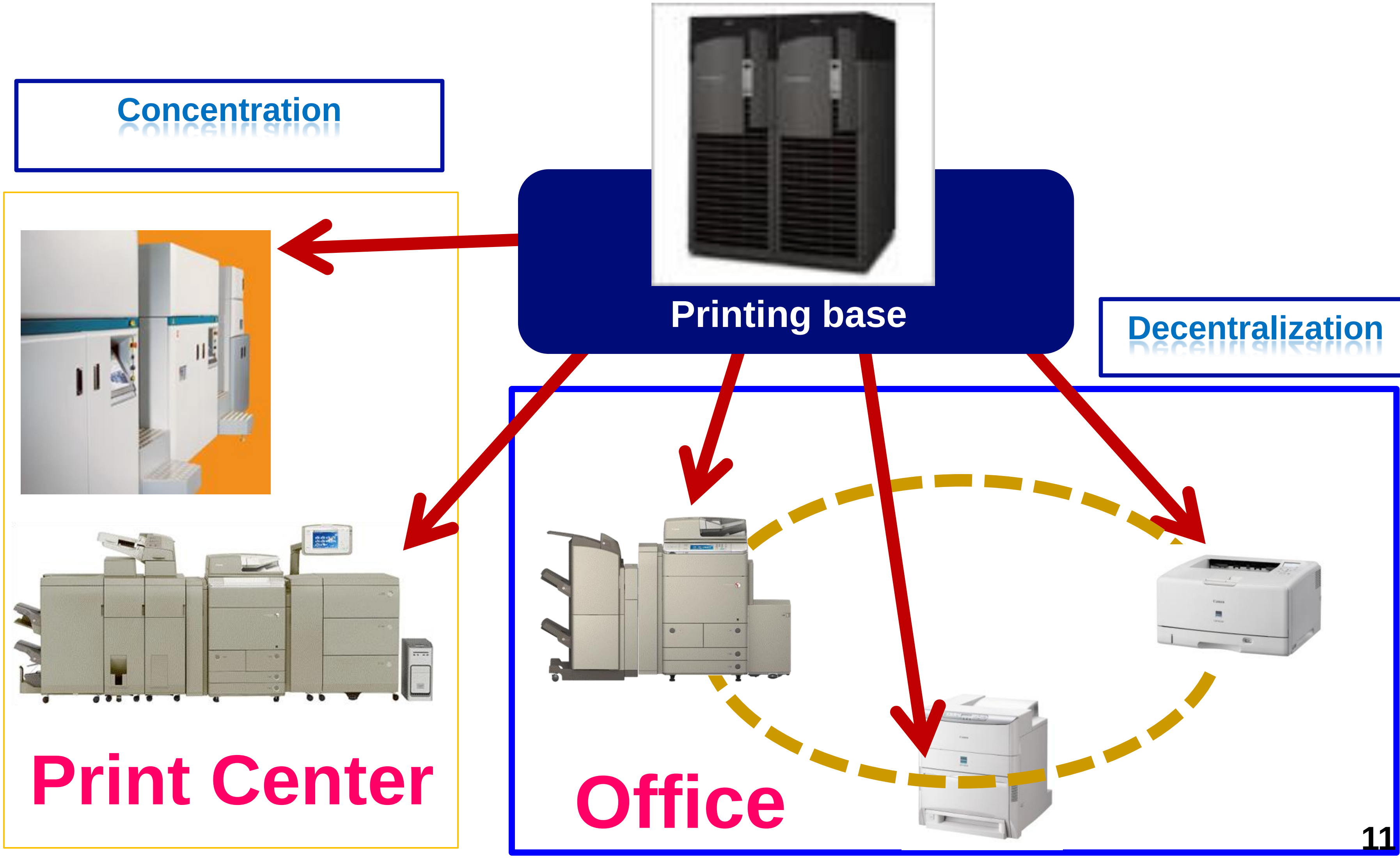
Countering Competition with the Completed iR-ADV Lineup

imageRUNNER ADVANCE

(ii) Enhancing and Expanding Document Solutions and Creating a Stock-Type Business



(iii) Taking Full Advantage of Our Comprehensive Strength in the Form Printing Field



(iv) Key Aspects of Our Enhancement of the Commercial Printing Business

Printing
No. 1

New market creation

α

Transaction market

+

Sign and display market

On-demand publishing market

Photo-book market

+

Variable market

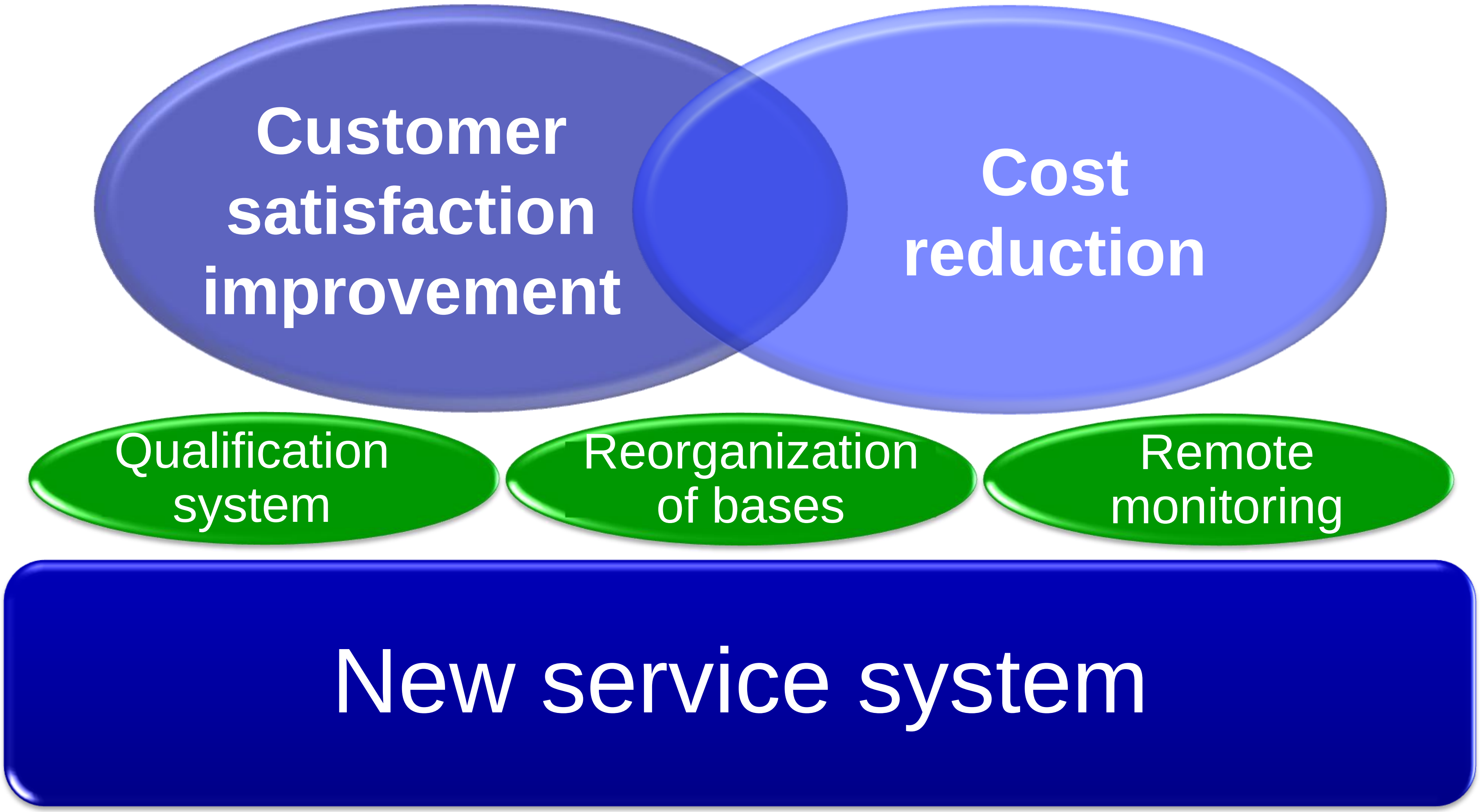
×

Core form printing market

Creative market

Support

(v) Improving the Rate of Return of Maintenance Services



2. Enhancement of Our Ability to Provide IT Solutions, and Creation of Service Businesses

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(i) Reorganization of the group company handling IT solutions (ITS)

(ii) Introduction of innovative IT systems within the Canon Group and development of businesses utilizing IT system know-how

(iii) Enhancement of the sales strength of ITS

(iv) Development of the data center (DC) business and the cloud services business

Development of the Data Center (DC) Business and the Cloud Services Business

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Creation and expansion of the stock-type business model

Enhancement and expansion of the ***cloud services business***

Business category / specialization services

- AJK Nets
- Recruiting documents/artwork data management ASP, etc.

Enhancement and expansion of the ***system operation services business***

- **Maintenance, management and operation of business systems**
- **IT base operation**
- **Facility management**

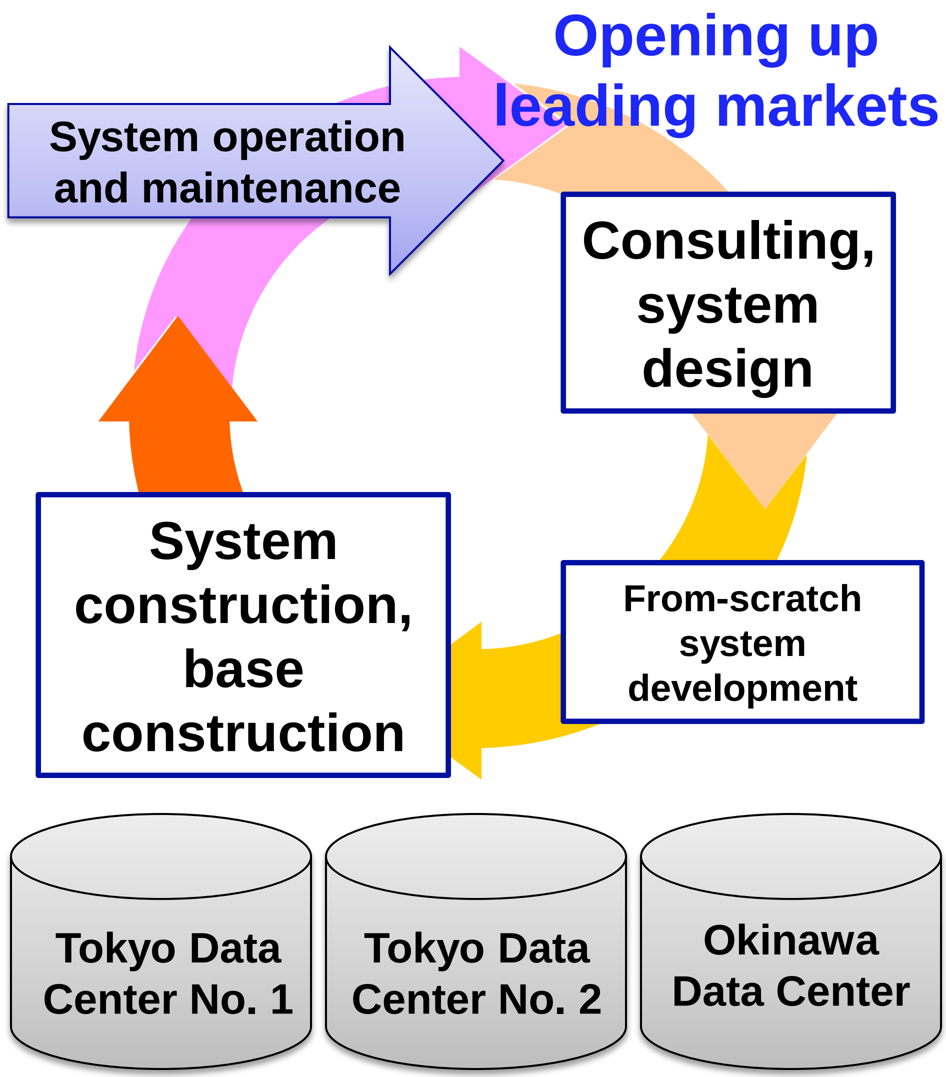
IT support services

- Canonet
- HOME-PORTAL
- FIND View, etc.
- SuperStream “Financial Accounting Service” and “Personnel/Salary Service” (planned)

Data center business

2010–2012

System Operation Services + Data Center Business

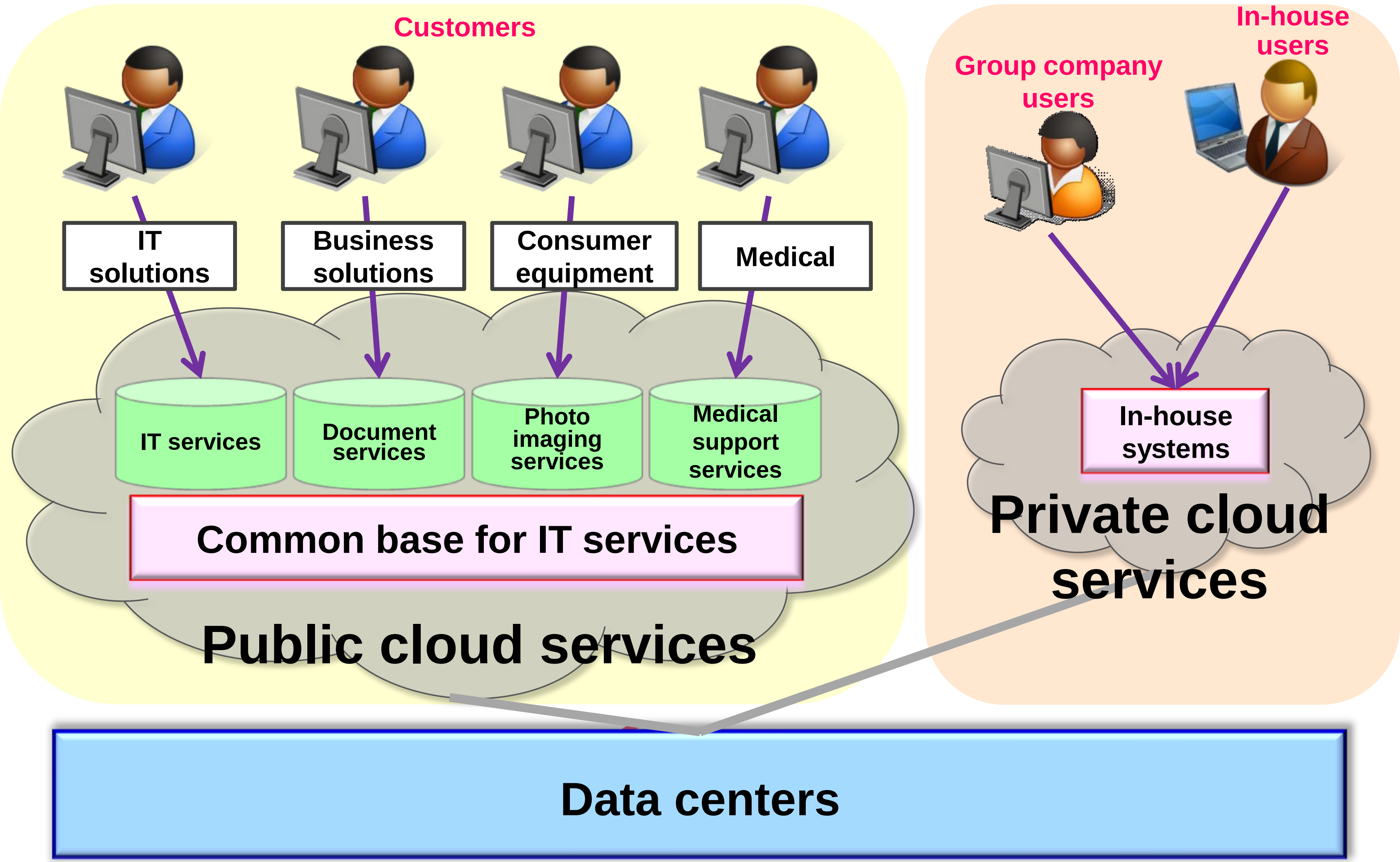


New cutting-edge data centers

New data centers	To be completed in the fall of 2012
Location	Tokyo
Total floor area	16,000 m² (4,850 *tsubo*)
Server room area	4,960 m² (1,500 *tsubo*)
Amount invested	Approximately ¥15.0 billion

- ◆ Suburban data centers approximately 20 km from the center of Tokyo
- ◆ Highly efficient, environmentally friendly data centers
- ◆ Cutting-edge data centers with durable structures

Diagram of the Development of the Cloud Services Business



3. Become No. 1 in Digital Photography

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Secure the No. 1 market share for major products

+

Become No. 1 in customer satisfaction

Enhancement of the photo culture business	**Integration of call center and service center functions**	**Creation of a new business model that supports the digital photo culture**

4. Enhancement and Expansion of the Industrial Equipment Business

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(i) Industrial equipment (Imported products, etc.)

- Enhancement of equipment related to semiconductor manufacturing
- Opening up of the non-semiconductor field (MEMS, etc.)

(ii) Medical equipment

- Enhancement and expansion of the products handled by Canon MJ
- Establishment of marketing alliances with device manufacturers
- Expansion of the medical solutions business

(iii) Broadcasting equipment

- Expand sales to the disaster prevention and surveillance systems market

5. Enhancement of the Management Base

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(i) Maintaining and strengthening a sound financial base

- Inventories: Enhancing inventory control through the use of new IT systems (orders, distribution and services)
- Receivables: Improving the accuracy of consolidated credit control

(Billions of yen)

	End of December 2009 (actual)		End of December 2012 (plan)	
	Amount	No. of days	Amount	No. of days
Inventories	25.8	13 days	24.0	11 days
Receivables	125.7	65 days	138.0	63 days

(ii) Ensuring investment and cash flow (CF) necessary for growth

◆ **Free cash flow: Ensuring cash flow while continuing a certain level of investment**

(Billions of yen)

	2007-2009 cumulative (actual)	2010-2012 cumulative (plan)
CF provided by operating activities	106.5	67.5
CF used in investing activities	(76.7)	(54.7)
Free CF	29.8	12.8

Major Investment Items

- Data centers
- In-house IT systems
- M&As

5. Enhancement of the Management Base

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(iii) Enhancement of CSR activities linked to the business

(iv) Enhancement of the group risk management system, including the BCP (business continuity plan), etc.

Canon Marketing Japan Group

Disclaimer:
Performance forecasts and future projections contained in this document are determined by the Company based on information currently available, and are subject to latent risk and uncertainties.
Therefore, owing to changes in various factors, actual results may be materially different from these projections. Results and figures in the plan are all shown on a consolidated basis.