# Canon Marketing Japan Inc.
# Second Quarter FY 2010 Results

**July 27, 2010**

***Yo Shibasaki***

***Managing Director***

Canon

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

billions of yen

| Three months | 2Q 2009 | 2Q 2010 | Changes Amount | Changes % |
|---|---|---|---|---|
| Net Sales | 166.4 | 164.1 | -2.3 | -1% |
| ( % ) | (35.9%) | (34.4%) | (-1.5%) | |
| Gross Margin | 59.7 | 56.4 | -3.3 | -6% |
| ( % ) | (2.4%) | (0.5%) | (-1.9%) | |
| Operating Income | 4.0 | 0.8 | -3.2 | -81% |
| ( % ) | (2.9%) | (1.1%) | (-1.8%) | |
| Ordinary Income | 4.8 | 1.8 | -3.0 | -62% |
| Income before income taxes | -0.6 | 1.5 | +2.1 | - |
| ( % ) | (-) | (0.4%) | (-) | |
| Net Income | 0.0 | 0.7 | +0.7 | - |

# *1-2. Consolidated Statements of Income (April 1 ~ June 30)*

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billions of yen

| Three months | 2Q 2009 | | 2Q 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Net Sales | % | Net Sales | % | Amount | % |
| Document Business | (71.1) | (43%) | (72.7) | (44%) | (+1.5) | (+2%) |
| IT Solution | (38.5) | (23%) | (36.5) | (22%) | (-2.0) | (-5%) |
| Business Solutions | 109.6 | 66% | 109.2 | 67% | -0.4 | -0% |
| Consumer equipment | 52.3 | 31% | 51.9 | 32% | -0.3 | -1% |
| Industrial equipment | 4.5 | 3% | 2.9 | 2% | -1.5 | -34% |
| Total | 166.4 | 100% | 164.1 | 100% | -2.3 | -1% |

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

billions of yen

| Six months Year-to-date | 1Q+2Q 2009 | 1Q+2Q 2010 | Changes Amount | Changes % |
|---|---|---|---|---|
| Net Sales | 336.2 | 334.2 | -2.0 | -1% |
| ( % ) | (34.4%) | (33.5%) | (-0.8%) | |
| Gross Margin | 115.5 | 112.0 | -3.5 | -3% |
| ( % ) | (1.1%) | (0.9%) | (-0.2%) | |
| Operating Income | 3.7 | 2.9 | -0.8 | -21% |
| ( % ) | (1.4%) | (1.2%) | (-0.2%) | |
| Ordinary Income | 4.7 | 4.1 | -0.6 | -12% |
| Income before income taxes | (3.0) | 3.6 | +6.6 | - |
| ( % ) | (-) | (0.4%) | (-) | |
| Net Income | (4.6) | 1.3 | +5.9 | - |

# *1-4. Consolidated Statements of Income (January 1 ~ June 30)*

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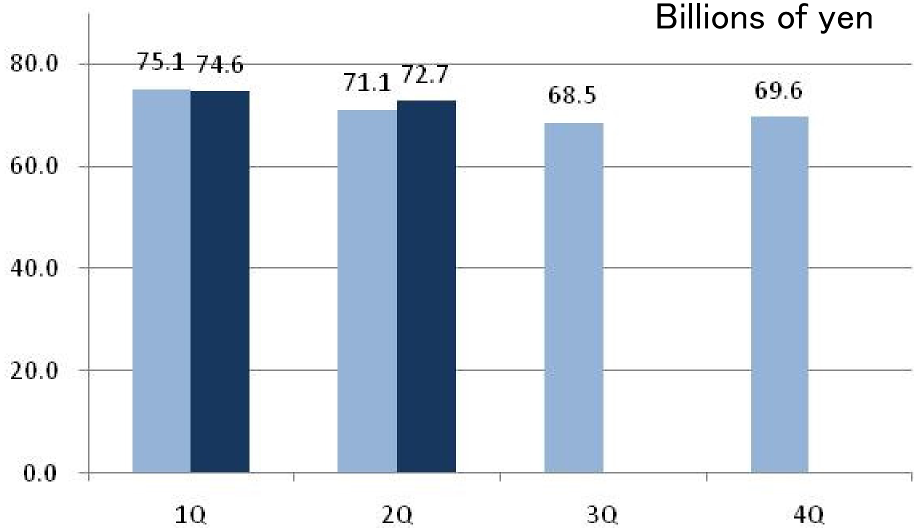
billions of yen

| Six months Year-to-date | 1Q+2Q 2009 | | 1Q+2Q 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Net Sales | % | Net Sales | % | Amount | % |
| Document Business | (146.2) | (43%) | (147.2) | (44%) | (+1.0) | (+1%) |
| IT Solution | (79.3) | (24%) | (79.8) | (24%) | (+0.5) | (+1%) |
| Business Solutions | 225.5 | 67% | 227.0 | 68% | +1.5 | +1% |
| Consumer equipment | 97.9 | 29% | 100.3 | 30% | +2.4 | +2% |
| Industrial equipment | 12.8 | 4% | 6.9 | 2% | -6.0 | -46% |
| Total | 336.2 | 100% | 334.2 | 100% | -2.0 | -1% |

# 2-1. Segment Information : Document Business

Billions of yen

| Net Sales | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|
| 2009 | 75.1 | 71.1 | 68.5 | 69.6 | 284.4 |
| 2010 | 74.6 | 72.7 | | | |
| Change | -0.5 | +1.5 | | | |

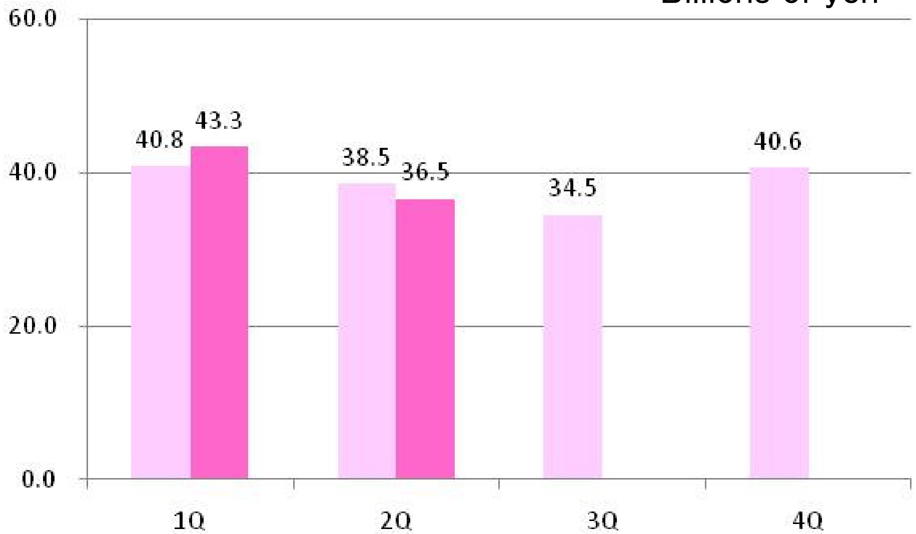



| Growth rate YonY | | 1Q | 2Q | 3Q | •4Q | FY |
|---|---|---|---|---|---|---|
| Business equipment | 2009 | -23% | -21% | -23% | -16% | -21% |
| | 2010 | +2% | +8% | | | |
| Service & support | 2009 | -8% | -10% | -8% | -12% | -9% |
| | 2010 | -4% | -3% | | | |
| TOTAL | 2009 | -16% | -15% | -16% | -14% | -15% |
| | 2010 | -1% | +2% | | | |

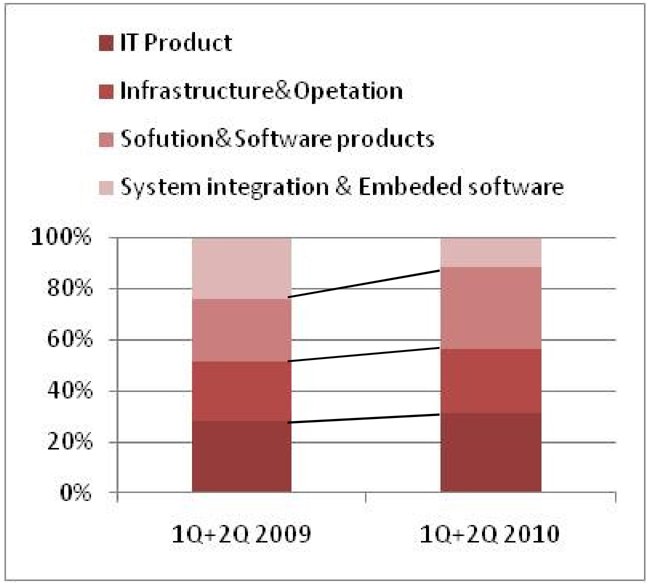
# 2-2. Segment Information : IT Solutions

Billions of yen

| Net Sales | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|
| 2009 | 40.8 | 38.5 | 34.5 | 40.6 | 154.4 |
| 2010 | 43.3 | 36.5 | | | |
| Change | +2.5 | -2.0 | | | |




| Growth rate YonY | | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|---|
| TOTAL | 2009 | -13% | -18% | -16% | -16% | -16% |
| | 2010 | +6% | -5% | | | |



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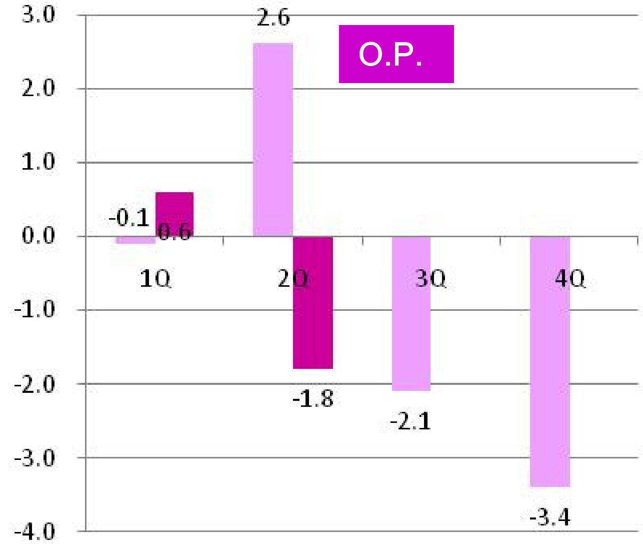
# 2-3. Segment Information : *Business Solutions*

Billions of yen

| Net Sales | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Document | 146.2 | 147.2 | +1.0 |
| IT Solution | 79.3 | 79.8 | +0.5 |
| Total | 225.5 | 227.0 | +1.5 |

| Operating Income | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Total | 2.6 | -1.2 | -3.7 |

| Growth rate YonY | | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|---|
| Net Sales | 2009 | -15% | -16% | -16% | -14% | -15% |
| | 2010 | +2% | -0% | | | |

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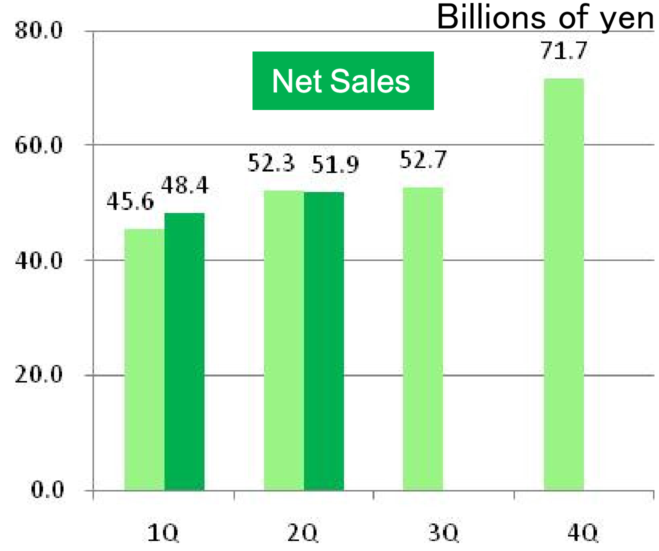
# 2-4. Segment Information: Consumer equipment

| Net Sales | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Total | 97.9 | 100.3 | +2.4 |

| Operating Income | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Total | 2.2 | 4.1 | +1.8 |

| Growth rate YonY | | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|---|
| Net Sales | 2009 | -17% | -10% | -5% | -5% | -9% |
| | 2010 | +6% | -1% | | | |

Billions of yen




# 2-5. Segment Information : Industrial equipment

| Net Sales | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Total | 12.8 | 6.9 | -6.0 |

| Operating Income | 1Q+2Q 2009 | 1Q+2Q 2010 | Change |
|---|---|---|---|
| Total | -1.1 | 0 | +1.1 |

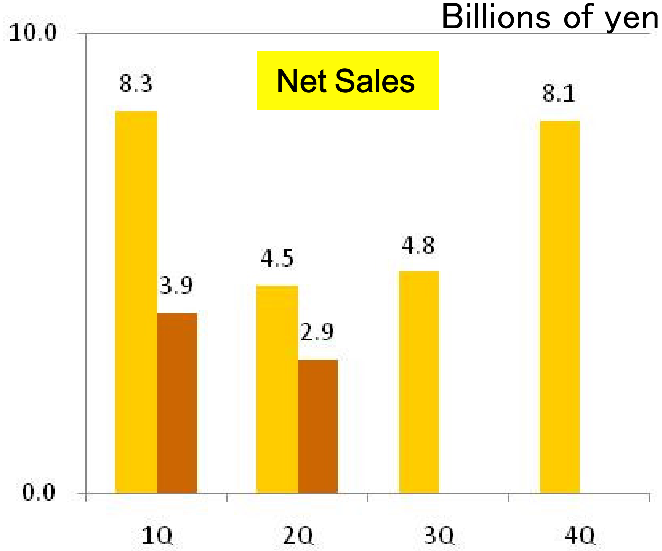
| Growth rate YonY | | 1Q | 2Q | 3Q | 4Q | FY |
|---|---|---|---|---|---|---|
| Net Sales | 2009 | -59% | -74% | -70% | -34% | -61% |
| | 2010 | -53% | -34% | | | |

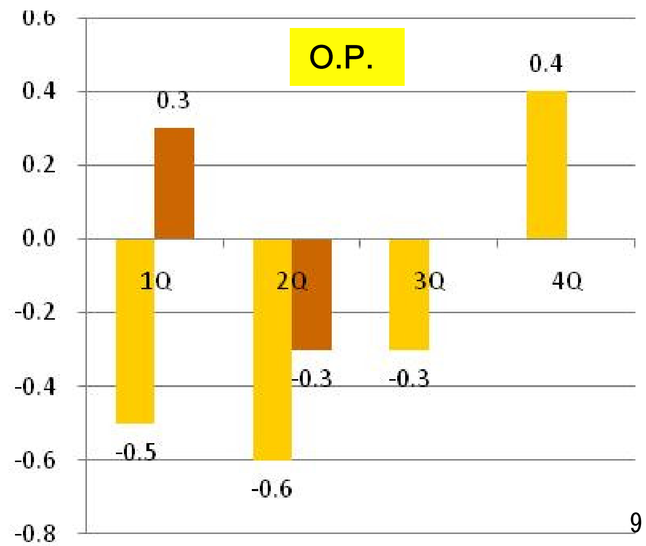
*For the business that we transferred in Canon in January, 2010

2009 1Q +2Q Net sales: 7.3 billions of yen

Operating income –0.6 billions of yen

Billions of yen



# FY 2010 Projections

# 1. FY2010 Current Projection

We have not changed projection that announced on April 22

billions of yen

| | FY 2009 | FY 2010 | Changes Amount | Changes % |
|---|---|---|---|---|
| Net Sales | 686.6 | 690.0 | +3.4 | +0% |
| ( % ) | (0.9%) | (1.2%) | (+0.3%) | |
| Operating Income | 6.3 | 8.0 | +1.7 | +26% |
| ( % ) | (1.2%) | (1.3%) | (+0.1%) | |
| Ordinary Income | 8.2 | 9.0 | +0.8 | +11% |
| Income before income taxes | -0.6 | 8.5 | +9.1 | - |
| ( % ) | (-) | (0.4%) | (-) | |
| Net Income | -4.3 | 3.0 | +7.3 | - |

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# 2. FY2010 Current Projection by segment

billions of yen

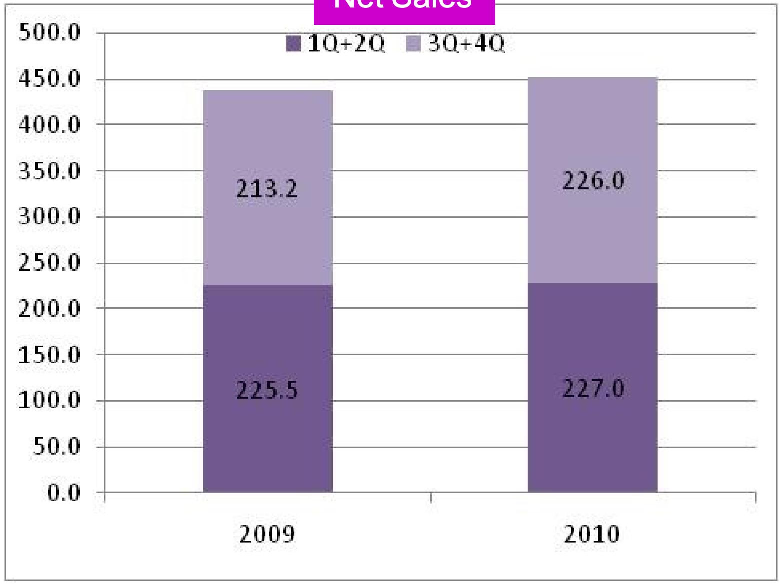
| Net Sales | FY 2009 | FY2010 | Changes Amount | Changes % | FY2010 April 22 announced |
|---|---|---|---|---|---|
| Document Business | (284.4) | (293.8) | (+9.4) | (+3%) | (283.8) |
| IT Solution | (154.4) | (159.2) | (+4.8) | (+3%) | (169.2) |
| Business Solutions | 438.7 | 453.0 | +14.3 | +3% | 453.0 |
| Consumer equipmei | 222.2 | 223.0 | +0.8 | +0% | 223.0 |
| Industrial equipment | 25.7 | 14.0 | -11.7 | -47% | 14.0 |
| Total | 686.6 | 690.0 | +3.4 | +0% | 690.0 |

# 3-1. Segment Information : *Business Solutions*

Billions of yen

| Net Sales | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Document | 284.4 | 293.8 | +9.4 | 283.8 |
| IT Solution | 154.4 | 159.2 | +4.8 | 169.2 |
| Total | 438.7 | 453.0 | +14.3 | 453.0 |

Net Sales




| Operating Income | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Total | -3.0 | 0 | +3.0 | 1.0 |

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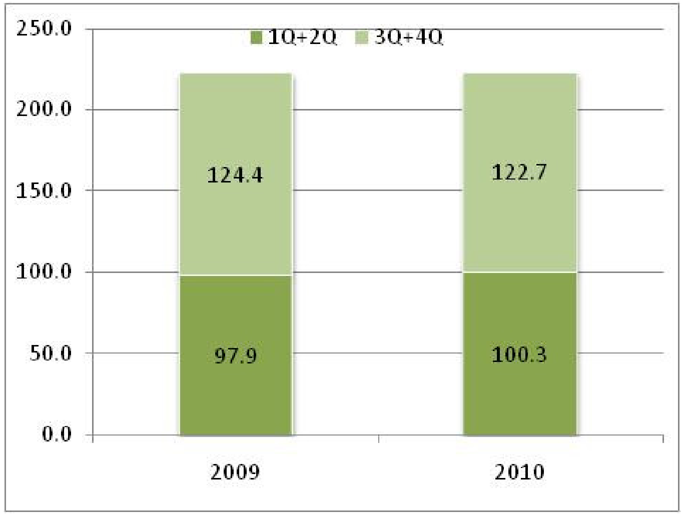
# 3-2. Segment Information: Consumer equipment

Net Sales Billions of yen

| Net Sales | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Total | 222.2 | 223.0 | +0.8 | 223.0 |

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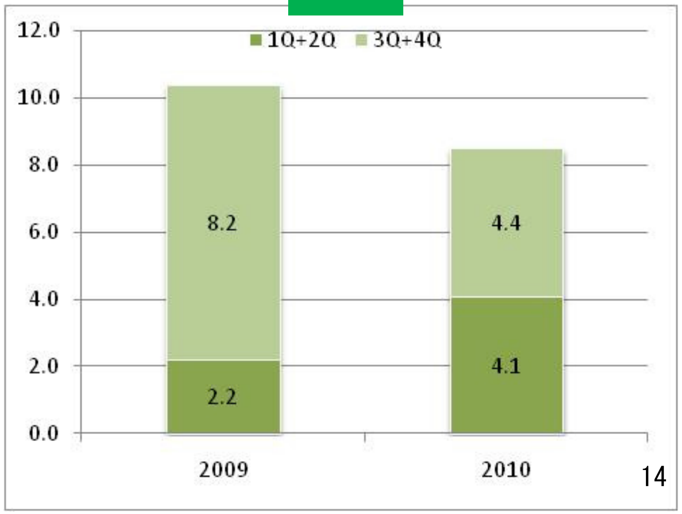
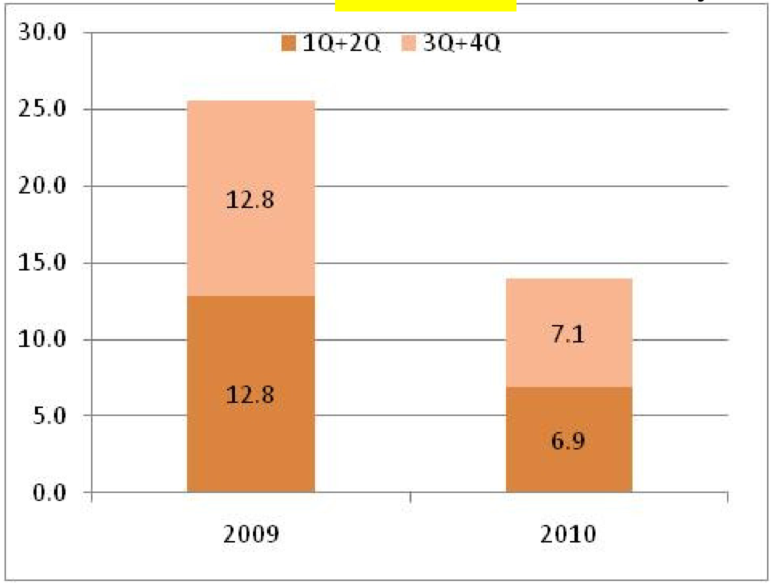
| Operating Income | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Total | 10.4 | 8.5 | -1.9 | 7.0 |



# 3-3. Segment Information : *Industrial equipment*

Net Sales Billions of yen

| Net Sales | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Total | 25.7 | 14.0 | -11.7 | 14.0 |




| Operating Income | FY2009 | FY2010 | Change | FY2010 On April 22 |
|---|---|---|---|---|
| Total | -1.1 | -0.5 | +0.6 | 0.0 |

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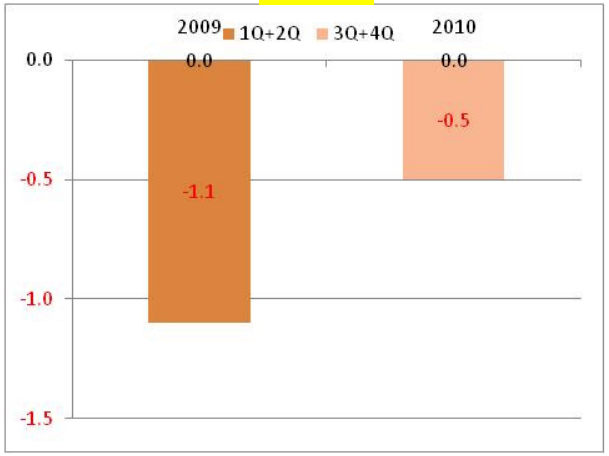

# Supplementary information

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# 1-1. The main consolidated company results

billions of yen

| | 2Q 2009 | | 2Q 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Net Sales | Operating Income | Net Sales | Operating Income | Net Sales | Operating Income |
| **Document Business** | | 0.2% | | 0.0% | | -0.2% |
| Canon System & Support | 24.82 | 0.05 | 25.18 | 0.01 | +0.36 | -0.04 |
| **IT Solution** | | 7.6% | | 4.5% | | -3.1% |
| Canon Software (Consolidated) | 7.02 | 0.53 | 6.32 | 0.28 | -0.70 | -0.25 |
| | | 1.5% | | -3.1% | | |
| Canon IT Solutions (Consolidated) | 18.41 | 0.28 | 18.75 | -0.65 | +0.34 | -0.94 |
| | | 3.2% | | -1.5% | | |
| **IT Solution TOTAL** | 25.44 | 0.82 | 25.07 | -0.37 | -0.36 | -1.19 |

# 1-2. The main consolidated company results

billions of yen

| Six months Year-to-date | 1Q+2Q 2009 | | 1Q+2Q 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Net Sales | Operating Income | Net Sales | Operating Income | Net Sales | Operating Income |
| **Document Business** | | | | 0.1% | | |
| Canon System & Support | 51.52 | -1.11 | 51.96 | 0.03 | +0.44 | +1.14 |
| **IT Solution** | | 6.1% | | 3.9% | | -2.2% |
| Canon Software (Consolidated) | 12.29 | 0.75 | 12.76 | 0.49 | +0.47 | -0.26 |
| | | 2.7% | | | | |
| Canon IT Solutions (Consolidated) | 38.83 | 1.04 | 40.99 | -0.55 | +2.16 | -1.59 |
| | | 3.5% | | | | |
| **IT Solution TOTAL** | 51.12 | 1.79 | 53.75 | -0.06 | +2.63 | -1.85 |

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# 2. Selling, general and administrative expenses

Billions of yen

| | 2009 | | 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | 2Q | 1Q+2Q | 2Q | 1Q+2Q | 2Q | 1Q+2Q |
| Advertising expenses | 2.7 | 6.1 | 2.7 | 5.3 | +0.0 | -0.9 |
| Promotion expenses | 6.9 | 11.8 | 7.4 | 13.3 | +0.5 | +1.4 |
| Waranty expenses | 2.8 | 5.7 | 2.4 | 5.0 | -0.4 | -0.7 |
| Other direct expenses | 4.1 | 7.6 | 3.7 | 7.4 | -0.4 | -0.2 |
| Personal expenses | 29.7 | 60.6 | 30.3 | 59.4 | +0.6 | -1.2 |
| Depreciation and amortizatior | 1.1 | 2.1 | 0.9 | 1.8 | -0.2 | -0.3 |
| Rent expenses | 2.0 | 4.1 | 1.8 | 3.7 | -0.2 | -0.4 |
| IT expenses | 1.8 | 3.2 | 1.9 | 4.3 | +0.1 | +1.0 |
| Other selling expenses | 4.6 | 10.6 | 4.5 | 9.0 | -0.1 | -1.6 |
| TOTAL | 55.7 | 111.8 | 55.6 | 109.1 | -0.0 | -2.7 |

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

Billions of yen

| | 2009 | | 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | 2Q | 1Q+2Q | 2Q | 1Q+2Q | 2Q | 1Q+2Q |
| Interest & Dividends income | 0.3 | 0.4 | 0.1 | 0.3 | -0.1 | -0.2 |
| Other | 0.7 | 0.9 | 1.0 | 1.2 | +0.3 | +0.3 |
| **Total non-operating income** | 1.0 | 1.3 | 1.2 | 1.5 | +0.2 | +0.2 |
| Loss on disposal and devaluation of | 0.1 | 0.1 | 0.0 | 0.0 | -0.0 | -0.1 |
| Other | 0.1 | 0.2 | 0.1 | 0.2 | -0.0 | +0.0 |
| **Total non-operating expenses** | 0.2 | 0.3 | 0.1 | 0.2 | -0.1 | -0.0 |
| Gain on sale of investments in securities | 0.0 | 0.0 | 0.2 | 0.2 | +0.2 | +0.2 |
| Gain on transfer of business | - | - | - | 0.4 | - | +0.4 |
| Gain on sales of noncurrent assets | 5.6 | 5.6 | - | 0.0 | -5.6 | -5.6 |
| Other | 0.2 | 0.2 | - | - | -0.2 | -0.2 |
| **Total extraordinary income** | 5.7 | 5.7 | 0.2 | 0.6 | -5.5 | -5.1 |
| Lease exit penalty loss (Canon MJ) | - | - | 0.2 | 0.2 | +0.2 | +0.2 |
| Impairment loss | 10.6 | 10.7 | 0.1 | 0.5 | -10.4 | -10.2 |
| Loss on sales and retirement of noncurrent | 0.1 | 0.2 | 0.1 | 0.2 | +0.0 | +0.0 |
| Loss on valuation of investment securities | 0.2 | 1.0 | 0.1 | 0.1 | -0.1 | -0.9 |
| Measurement of inventories | - | 1.3 | - | - | - | -1.3 |
| Other | 0.2 | 0.3 | 0.0 | 0.2 | -0.2 | -0.1 |
| **Total extraordinary losses** | 11.1 | 13.4 | 0.5 | 1.1 | -10.6 | -12.3 |

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# 4. Balance sheets

Billoions of yen

| | Dec. 31, 2009 | Jun. 30, 2010 | changes |
|---|---|---|---|
| Current assets | 301.8 | 287.3 | -14.5 |
| Cash and cash deposit | 95.8 | 113.1 | +17.3 |
| Notes and accounts receivable | 125.7 | 102.0 | -23.8 |
| Inventories | 25.8 | 21.3 | -4.5 |
| Other | 54.5 | 51.0 | -3.5 |
| Fixed assets | 147.8 | 149.3 | +1.6 |
| Property and equipment | 84.2 | 87.1 | +2.9 |
| Intangible assets | 24.4 | 24.8 | +0.4 |
| Other | 39.2 | 37.5 | -1.7 |
| Total assets | 449.6 | 436.7 | -12.9 |
| Current liabulities | 153.7 | 140.7 | -13.0 |
| Notes and accounts payable | 106.4 | 89.3 | -17.1 |
| Other | 47.3 | 51.4 | +4.1 |
| Long-term liabilities | 45.0 | 45.1 | +0.1 |
| Total liabilities | 198.7 | 185.8 | -12.9 |
| Stockholders' equity | 247.0 | 250.9 | +3.9 |
| treasuary stock | -24.8 | -17.2 | +7.6 |
| Valuation and translation adjustments | -0.1 | -0.1 | +0.0 |
| Minority interests | 4.0 | 0.2 | -3.9 |
| Total net assets | 250.9 | 250.9 | +0.0 |
| *Stockholders' equity ratio* | *55%* | *57%* | *+2%* |

| *Turnover Date* | Inventories | Notes and accounts receivable |
|---|---|---|
| FY 2006 | 21 | 78 |
| FY2007 | 14 | 72 |
| FY2008 | 15 | 67 |
| FY2009 | 13 | 65 |
| 2Q 2010 | 12 | 56 |

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# 5. Cash flows & Capital Investment

## *Cash flow*

billions of yen

| | 1Q+2Q 2009 | 1Q+2Q 2010 |
|---|---|---|
| Operating C/F | 14.3 | 25.7 |
| Investing C/F | -19.3 | -7.9 |
| Free C/F | -5.0 | 17.9 |

## *Capital investment*

billions of yen

| | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | 1Q+2Q | 3Q+4Q | FY | 1Q+2Q | 3Q+4Q | FY |
| Capital investment | 9.8 | 7.2 | 17.0 | 11.6 | 5.2 | 16.8 |
| Depreciation and amortization | 5.7 | 6.7 | 12.4 | 6.3 | 7.3 | 13.6 |

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.