Sharpening our

FOCUS

ANNUAL REPORT 2008

for the year ended December 31, 2008

Canon Marketing Japan Inc.

PROFILE

Exclusively focused on the Japanese market, Canon Marketing Japan Inc. (Canon MJ) and its 18 subsidiaries manage all aspects of the marketing of Canon products in Japan. Operations cover sales, service, support and software development across three business segments—Business Solutions, Consumer Equipment and Industrial Equipment.

The Company's key strengths are its nationwide network and its exclusive right to sell products made by Canon, a global brand trusted by consumers for four decades, in Japan.

Canon MJ is now actively expanding its activities beyond sales of Canon products into fields where it can take advantage of its unique marketing capabilities, such as IT solutions and support services.

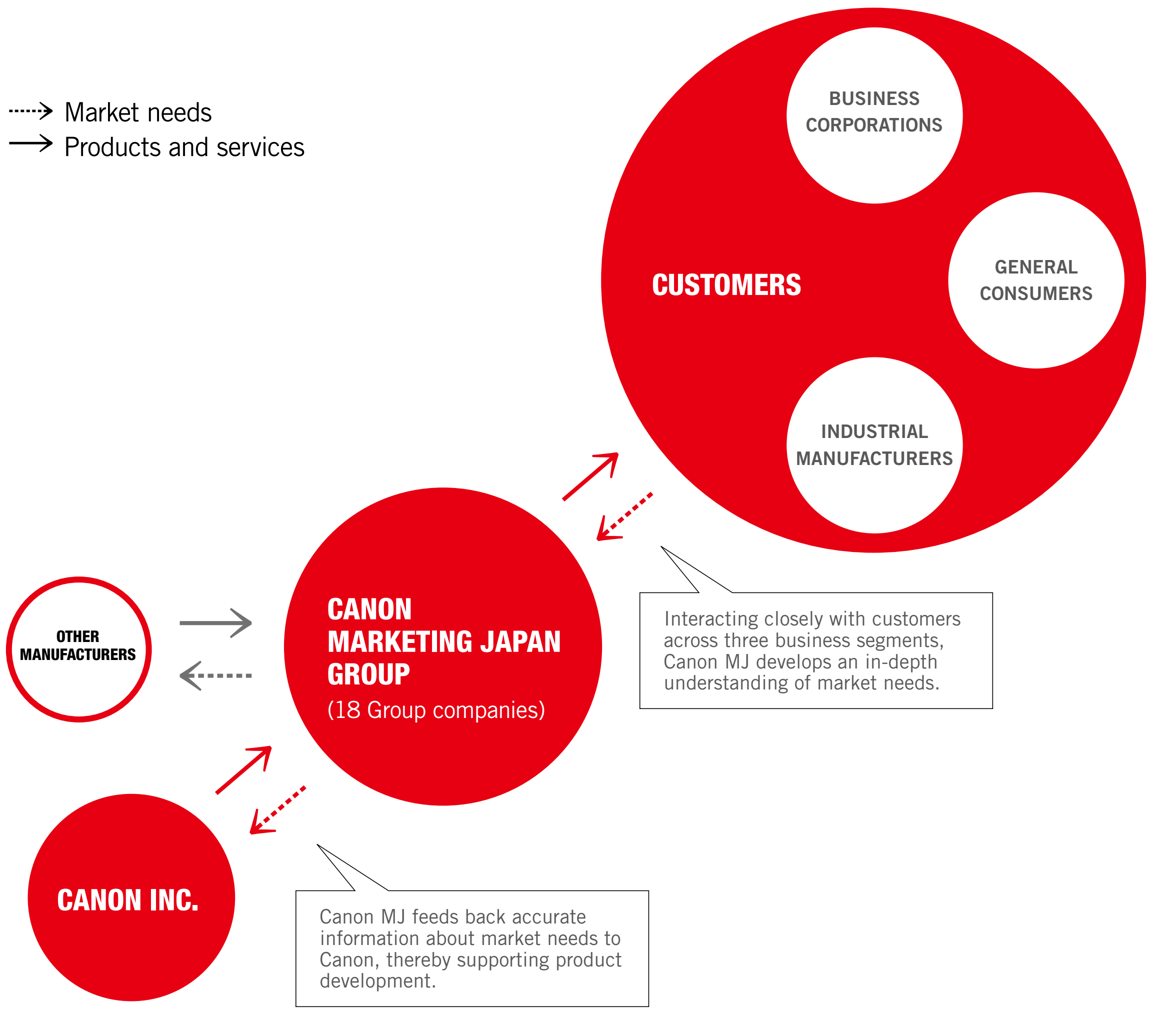
ON CONNECTING CUSTOMERS AND CANON TECHNOLOGY

Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements about the performance and management plans of Canon Marketing Japan Inc., based on management's assumptions in light of current information. The following factors may therefore influence actual results. These factors include consumer trends in Japan as well as other major global markets, private capital expenditures, currency fluctuations, notably against the U.S. dollar, materials prices and political turmoil in certain countries and regions.

CONTENTS

OUR ROLE



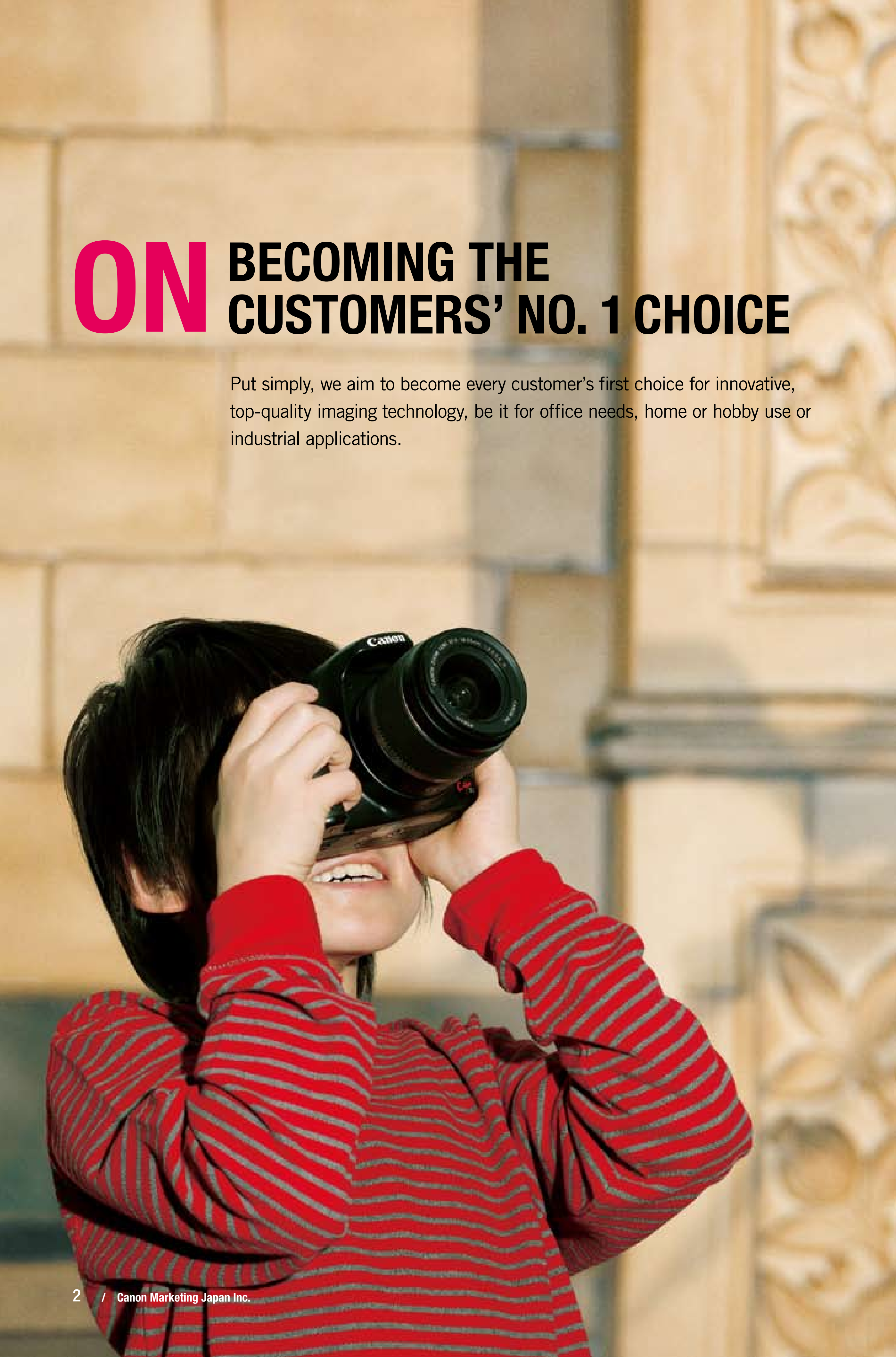
AN INDEPENDENT LISTED COMPANY AND A CORE MEMBER OF THE GLOBAL CANON GROUP

As a Canon Inc. subsidiary positioned between Canon Inc. and the Japanese market, Canon MJ's role is to support product development by feeding back accurate information about market needs, while supplying consumers with products that meet those needs.

Canon Inc. is responsible for R&D and production, while Canon MJ handles the marketing in Japan. Canon-branded products account for most of Canon MJ's inventory acquisitions: 67.6% in fiscal 2008. Other products are sourced from partner companies.

ON BECOMING THE CUSTOMERS' NO. 1 CHOICE

Put simply, we aim to become every customer's first choice for innovative, top-quality imaging technology, be it for office needs, home or hobby use or industrial applications.



To achieve this goal, the entire Canon MJ Group is dedicated to understanding customer needs from the customer's perspective.

This is our basic approach to business, and we express it through the phrase "customer focus." In the highly developed, technology-savvy Japanese market, we must not only ensure that our products are highly competitive and gain the largest shares in their markets, we must also offer unmatched service at all stages of customer interaction—from the customer's first approach through to the purchase and after-sales service.

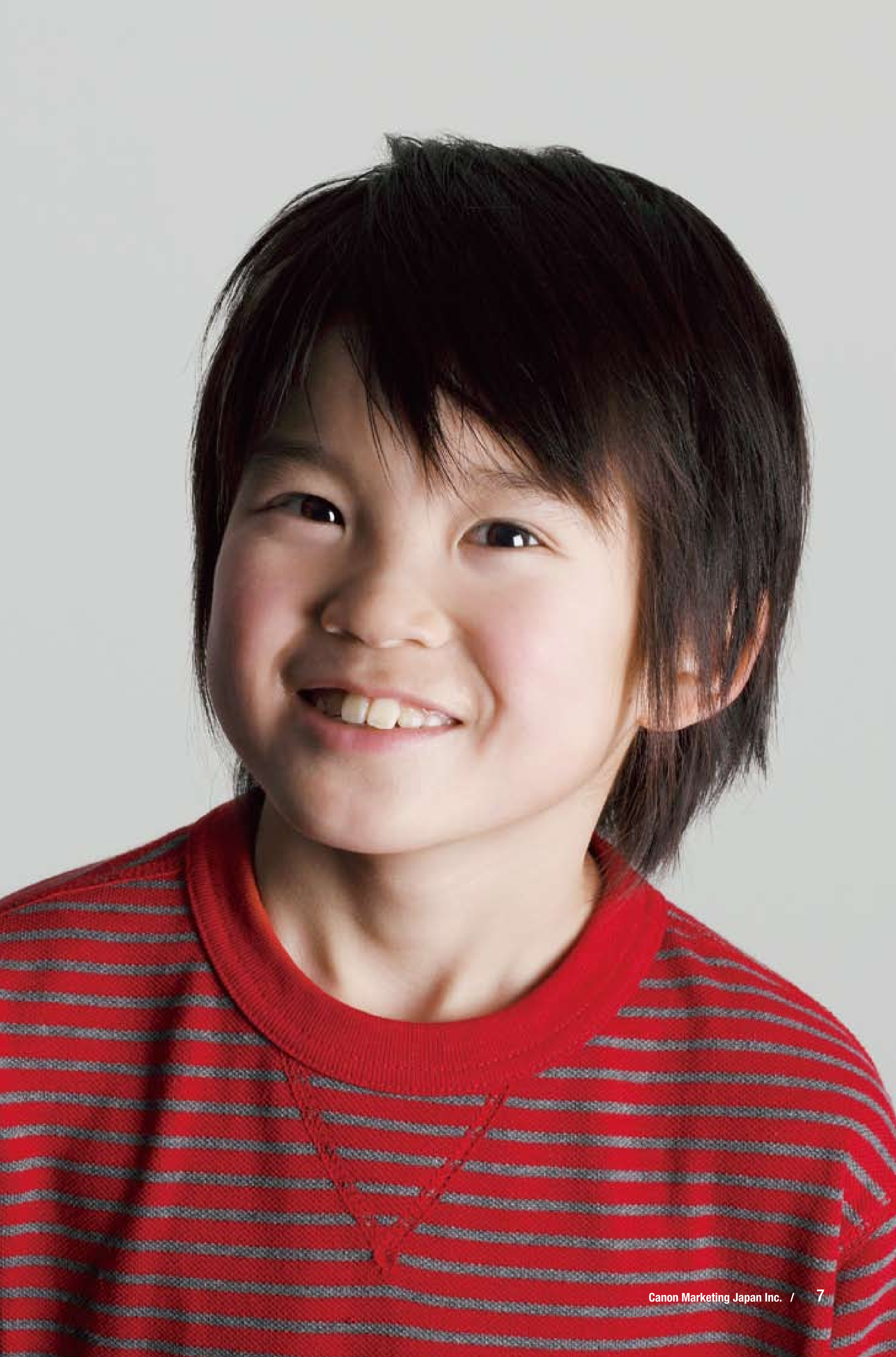
By emphasizing close communication and the building of stable, long-term customer relationships, we build a strong foundation for solid, sustainable growth.

ON PROVIDING THE VERY HIGHEST QUALITY

Astounding image resolution and color reproduction enable our customers to truly express themselves and capture the world around them. By always offering top-class quality and features perfectly suited to each type of user, we aim to become the market’s No. 1 provider of imaging technology, IT solutions and maintenance services.

ON GOING BEYOND EXPECTATIONS

To bring a smile of delight to a customer's face, we strive to deliver more than expected. Here, we not only leverage our in-depth knowledge of market needs, we also consistently provide those little extra things that make a difference—highly user-friendly manuals, eco-friendly materials and more. Above all, we are always there, both before and after the purchase, whatever the need.



ON ALWAYS DELIVERING TOTAL SATISFACTION

A customer expressing true satisfaction is our greatest reward,
our greatest motivator and our foremost gauge of success.
When we receive this response, we know we have reached
our goal of delivering unmatched quality and service,
and begun building a firm long-term customer relationship.

FINANCIAL HIGHLIGHTS

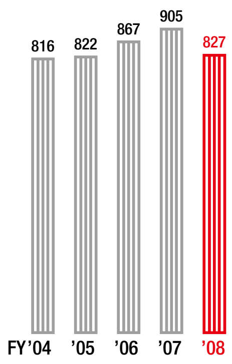
Canon Marketing Japan Inc. and Consolidated Subsidiaries
Years ended December 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
FOR THE YEAR:				
Net sales	¥ 827,487	¥ 905,137	¥ 867,172	$ 9,093,264
Operating income	25,416	36,886	33,919	279,297
Income before income taxes and minority interests	22,229	35,452	32,967	244,275
Net income	11,186	20,033	18,807	122,923
AT YEAR-END:				
Total assets	484,937	526,125	526,578	5,328,978
Total stockholders' equity (Note 4)	255,220	266,086	260,367	2,804,615

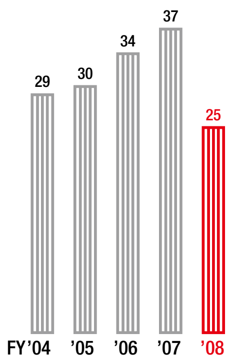
	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK:				
Net income (Note 2)	¥ 78.63	¥ 134.84	¥ 125.64	$ 0.86
Cash dividends (Note 3)	40.00	40.00	36.00	0.44

Notes: 1. The figures have been presented in U.S. dollars by translating all Japanese yen amounts at ¥91 to U.S.$1, the prevailing exchange rate as of December 31, 2008.
2. Net income per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal years.
3. Cash dividends per share are the amounts applicable to the respective fiscal years, including dividends to be paid after the end of the year.
4. Total stockholders' equity in the above table represents the total of stockholders' equity and valuation and translation adjustments in the consolidated balance sheets. This is due to the adoption of an accounting standard for the presentation of net assets in the balance sheet effective the year ended December 31, 2006, which requires former stockholders' equity and minority interests to be presented as net assets, and net assets to be classified as stockholders' equity, valuation and translation adjustments and minority interests.

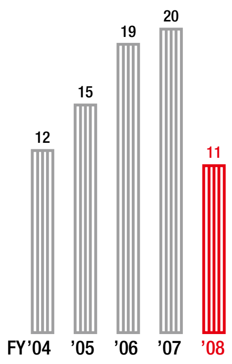
Net Sales
(Billions of yen)



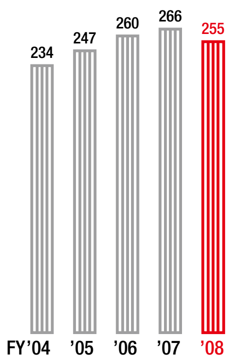
Operating Income
(Billions of yen)



Net Income
(Billions of yen)



Total Stockholders' Equity
(Billions of yen)



SEGMENT OVERVIEW FOR FISCAL 2008

(CONSOLIDATED)

BUSINESS SOLUTIONS

- Business-use Multifunctional Products
- Laser-beam Printers
- Commercial Printing Systems
- Maintenance Services
- Other Products
- IT Solutions

The Business Solutions segment consists of the Document Business, which encompasses sales and servicing of business-use multifunctional products (MFPs) and laser-beam printers (LBPs), and the IT Solutions Business, which includes the development of systems and solutions.

% of Net Sales

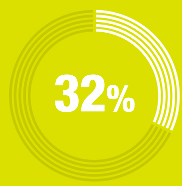
% of Operating Income

CONSUMER EQUIPMENT

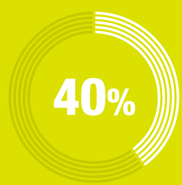
- Compact Digital Cameras
- Digital Single-lens Reflex Cameras
- Digital Video Cameras
- Inkjet Printers
- Compact Photo Printers
- Other products

The main products sold in this segment are digital cameras and personal-use printers. The former includes digital single-lens reflex cameras, compact digital cameras and digital video cameras; the latter includes ink-jet printers and compact photo printers.

% of Net Sales



% of Operating Income

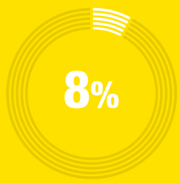


INDUSTRIAL EQUIPMENT

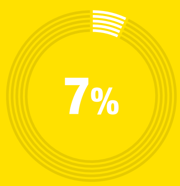
- Lithography Equipment for Semiconductor Manufacturers
- Lithography Equipment for LCD Manufacturers
- Other Semiconductor-related Equipment
- Medical Equipment
- TV Broadcasting Lenses

In the Industrial Equipment segment, Canon MJ sells semiconductor and LCD lithography systems, TV broadcasting lenses and medical equipment, including X-ray digital cameras.

% of Net Sales



% of Operating Income



TO OUR STOCKHOLDERS

Chairman **Haruo Murase** President **Masami Kawasaki**

ON ENHANCING OUR BUSINESS FOUNDATION

Determined to become the customers' No. 1 choice, we continue to implement strategies that will solidify our market position and drive growth. We are also moving aggressively to boost our competitiveness in the currently severe market conditions.

UNWAVERING FOCUS AMID CHALLENGING CONDITIONS

Dear stockholders, in the year ended December 31, 2008, consolidated net sales and consolidated net income were both below the previous year's levels for the first time in six years.

In the latter part of the year, the global financial crisis, yen appreciation and falling share prices began to have a serious impact on the Japanese economy, and there was a rapid decline in business performance. There was also a conspicuous slump in consumer spending, reflecting an uncertain employment outlook and increasing defensiveness on the part of ordinary people.

The Canon MJ Group's key customer segments are business corporations, general consumers and manufacturers in the industrial field, including semiconductor manufacturers. In all of these areas, we experienced a continual downturn in business conditions in the second half of 2008. The Group responded to this environment by steadily implementing the priority strategies defined in our Three-Year Management Plan: To become No. 1 in customer satisfaction; to expand sales of our IT Solutions Business under a strategy called ITS 3000 Plan; to strengthen earning capacity in every business segment; to achieve No. 1 status for key Canon products, and to optimize management quality.

However, economic conditions worsened unexpectedly, and we also had to contend with other negative factors, including a downturn in semiconductor markets. As a consequence, we were unable to extend our five-year record of continuous growth in sales and income. Consolidated net sales declined by 9% year on year to ¥827.5 billion (US$9,093.3 million). Consolidated operating income was 31% lower at ¥25.4 billion (US$279.3 million). In addition to this decline in operating income, consolidated net income was also affected by stock write-downs and was 44% below the previous year's level at ¥11.2 billion (US$122.9 million).

CONTINUED IMPLEMENTATION OF PRIORITY STRATEGIES

Segment Results for the Year Ended December 31, 2008

Business Solutions Our core product categories for the Document Business are multifunction products (MFPs) and laser-beam printers (LBPs). In the domestic market, buyer preferences continued to shift from monochrome to color models, but there was a downward trend in terms of total units sold. In the IT Solutions Business, sales remained buoyant in the first half of the year. However, difficulties arose in the second half, including the postponement of IT investment under pressure from economic deceleration.

The Canon MJ Group targeted further improvement in customer satisfaction through enhancements to service structures. Other priorities included the restructuring of group companies. Net sales in the Business Solutions segment were marginally lower with a 4% year-on-year decline to ¥495.9 billion (US$5,449.9 million). However, operating income was 22% lower at ¥13.4 billion (US$146.8 million), reflecting the impact of fierce competition.

Consumer Equipment Domestic demand for compact digital cameras, which are one of our core product categories in this segment, matched the previous year's level, while sales of digital SLR cameras were higher. The Canon MJ Group maintained the biggest share of the market for compact digital cameras and also took the leading position in the digital SLR camera market.

However, intense price competition was reflected in sales of consumer equipment, which declined by 7% year on year to ¥265.8 billion (US$2,921.2 million). Operating income was 29% lower at ¥10.2 billion (US$112.6 million).

Industrial Equipment In this segment, trends remained firm in the areas of medical equipment and broadcasting equipment. However, with semiconductor-related manufacturers continuing

TO OUR STOCKHOLDERS

to reduce capital investment, there was a significant year-on-year decline in sales in the core area of lithography equipment for semiconductor manufacturers. Sales of industrial equipment were 37% below the previous year's total at ¥65.7 billion (US$722.1 million), while operating income was 66% lower at ¥1.8 billion (US$19.9 million).

Challenging Conditions Reflected in New Management Plan

This deterioration in business conditions in Japan has accelerated in 2009. This means that the impact of the current economic downturn was not fully reflected in the business performance of the Canon MJ Group in the year ended December 31, 2008. We must assume that conditions will become even more challenging in the current year and the following year.

We have formulated a Three-Year Management Plan defining our numerical goals and priority strategies for the next three years. Goals and strategies will be adjusted on a rolling basis through a process of yearly reviews.

Specific numerical goals and priority strategies are shown on the right-hand page. Briefly, the plan recognizes that a further decline in earnings is inevitable in the year ending December 31, 2009. We are aiming for a gradual return to a growth trend in 2010, and for a return to our performance levels in 2007 by 2011.

Priority Strategies in the Management Plan

Our priority strategies are largely unchanged. First, we aim to become No. 1 in terms of customer satisfaction and market shares in key product categories. To achieve this, we will need to maintain and expand our income in Japan's mature markets and strengthen the competitiveness of our business operations.

Second, we will move forward with the ITS 3000 Plan and establish next-generation business activities. Our goal for the IT Solutions Business is to grow sales of this business from ¥166.5 billion (US$1,829.4 million) at present to ¥300 billion under the ITS 3000 Plan. This will require changing and expanding the Group's structure, and M&A.

Third, we will continue to place considerable importance on consolidating management. In the current challenging conditions, we need to focus not only on the reduction of costs, but also on the consolidation of our internal structures on various levels, including the improvement of day-to-day operating efficiency, and the realignment of IT systems and approaches within the Group. We also intend to strengthen our commitment to CSR.

Maximizing Long-Term Stockholder Value

We have set the dividend for the year ended December 31, 2008 at ¥40 (US$0.44), and we aim to maintain our consolidated dividend payout ratio at around 30%. In the year under review, we bought back about 9 million shares from the market at a cost of approximately ¥15 billion (US$164.8 million). The aim of this process was to improve our capital efficiency.

In closing it has been decided that Haruo Murase should become Chairman after ten years as President, and that Senior Managing Director Masami Kawasaki should become the next President.

Masami Kawasaki has for some time served as an executive officer and been in charge of our management organization. In the future, we will work closely together on all aspects of management.

We look forward to your continued strong support as we move toward our goals.

March 26, 2009

Chairman
Haruo Murase

President
Masami Kawasaki

MANAGEMENT VISION AND OBJECTIVES

OUTLINING OUR VISION:

LONG-TERM MANAGEMENT OBJECTIVE (January 2006–December 2010)

Canon MJ aims to secure overwhelming advantages for Canon products in terms of customer satisfaction and domestic market shares. This objective is driven by the following creeds:

MISSION

As a member of the global Canon Group, we will through innovative marketing consistently provide products and services of the highest value that contribute to people's creativity in life, at work and in the community.

VISION

Based on a fundamental philosophy of "customer focus," we will grow as a corporate group with a reputation for excellence, and maintain a global perspective in our thinking.

TURNING THE VISION INTO REALITY:

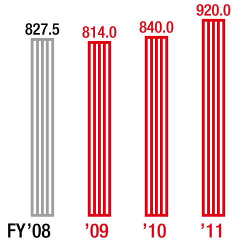
THREE-YEAR MANAGEMENT PLAN (January 2009–December 2011)

PRIORITY STRATEGIES

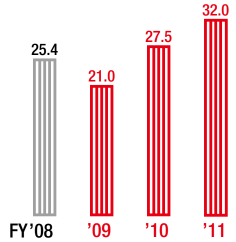
1. Achieve No. 1 in customer satisfaction and status for key Canon products.
2. Implement ITS 3000 Plan
3. Pursue income-linked growth and the establishment of new revenue sources
4. Improve group management quality

TARGETS

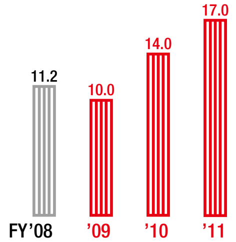
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Income
(Billions of yen)



MEASURES TO REALIZE NO. 1 POSITION

- Become No. 1 in service and support
- Enhance variety of solutions
- Support digital photo culture
- Strengthen marketing through maximized use of IT
- Strengthen sales power
- Strengthen cooperation with makers
- Continuously improve product quality
- Strengthen ability to propose optimal solutions

ENHANCED CUSTOMER SATISFACTION

NO. 1 IN TERMS OF MARKET SHARE

BUSINESS SOLUTIONS [DOCUMENT BUSINESS]

ON EFFECTIVE MANAGEMENT

Koji Ashizawa
Executive Vice President

In tough times, we need to hold our ground and sow the seeds of future success. Speed is a management resource as important as people, money, products and information. Momentum comes from speedy decisions. In this rapidly changing market, we will face defeat if we are too slow in implementing our strategies.

HIGHLIGHTS OF THE YEAR

2008

FEBRUARY	FEBRUARY	JULY
Canon MJ introduces the new “Sales Force” CRM system. This software system, produced by Sales Force.com enhances sales and marketing efficiency.	The imagePRESS C6000 commercial printer is launched.	Canon B.M. Tokyo Inc., Canon B.M. Kanagawa Inc. and Canon B.M. Osaka Inc. are merged into Canon System & Support Inc.

1 | Office MFP: iR C2110F

Despite its compact size, this A4 color multifunction printer offers a range of sophisticated features. It has gained a reputation for high productivity and superb functionality.

2 | Color LBP: Satera LBP 5610

Canon has been the leader in the Japanese LBP market for 17 consecutive years.

A special feature of this printer is its ability to print at the same speeds in both color and black-and-white.

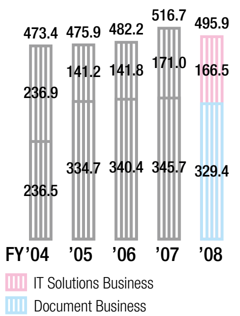
3 | Digital commercial printer: imagePRESS C6000

This digital commercial printing system is designed primarily for on-demand office and printing service and corporate copy centers. It can produce 60 pages of high-quality printing a minute in either color or black-and-white.

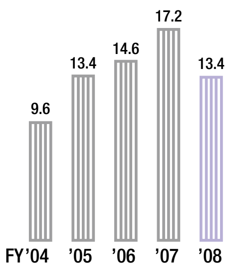
PERFORMANCE

The Business Solutions segment is divided into the Document Business and the IT Solutions Business. In the year ended December 31, 2008, the results for the Business Solutions segment were affected by a slump in demand from corporate customers. Sales were 4% lower year on year at ¥495.9 billion (US$5,449.9 million), while operating income declined by 22% to ¥13.4 billion (US$146.8 million). Document Business sales were 5% below the previous year's level at ¥329.5 billion (US$3,620.6 million). The Business Solutions segment contributed 60% of consolidated net sales and 53% of consolidated operating income.

Net Sales
(Billions of yen)



Operating Income*
(Billions of yen)



* Total of Document and IT Solutions businesses

MAJOR TRENDS

Business-Use Multifunctional Products (MFPs) Sales of color MFPs expanded in the Japanese market, but there was a decline in sales of monochrome systems, with the result that total shipments were lower. We launched three new color MFPs in 2008. Shipments of color MFPs remained strong, but sales of monochrome units were significantly below the previous year's level, with the result that the total number of units sold declined on a year-on-year basis.

Laser-Beam Printers (LBPs) In the LBP market, demand for color printers was close to the previous year's level, but there was a substantial decline in sales of monochrome units. Although sales declined year on year, Canon MJ maintained its leadership in terms of market share. In the consumables category, there was a slight upward trend in the sales of toner cartridges.

MAINTENANCE SERVICES

Continuing price competition pushed down the unit prices of MFP maintenance services. However, sales matched the previous year's level because of growth in document volumes. Our main subsidiary in this area is Canon System & Support Inc., which sells equipment to small and medium-sized enterprises and provides service and support. Its sales were moderately lower than the previous year's result at ¥119.2 billion (US$1,310.0 million).

1

2

3

SEPTEMBER	SEPTEMBER	SEPTEMBER	OCTOBER	OCTOBER
Two large-format SRA1-sized printers, the imagePROGRAF iPF 6200 and the imagePROGRAF iPF 6200s, are launched.	The Color imageRUNNER iR C2110N/C2110F A4 printers go on sale.	The imagePRESS1135/ 1125/1110 high-speed monochrome printers and the imagePRESS C1+ color MFP go on sale.	Canon Business Solution Forum (CBSF) 2008 @ Shi-nagawa is held.	The MF8450 Satera A4 color MFP is launched.

BUSINESS SOLUTIONS [IT SOLUTIONS BUSINESS]

ON DEVELOPING SOLUTIONS

Kazunori Asada
Senior Managing Director

Unlike other segments, the IT Solutions Business is being developed by Canon MJ Group companies as a joint team of professionals. Therefore, we will need to optimize our structure and further clarify the roles and functions of Canon MJ and its group companies, so that we can create solutions that reflect our group's characteristics.

HIGHLIGHTS OF THE YEAR

2008

JANUARY	FEBRUARY	APRIL
Canon System Solutions' NOD32 Antivirus is selected by AV-Comparatives as the best antivirus software of 2007.	The headquarters of Canon Software Inc. is relocated.	Argo 21 Corp. and Canon System Solutions, Inc. merge to form Canon IT Solutions Inc.

1 | **Easy-to-use antivirus software: ESET NOD32 Antivirus V3.0**

Designed to protect systems against viruses and spyware, this software is extremely effective in detecting new threats that may elude conventional definition-based systems.

PERFORMANCE

In the domestic market for IT solutions, demand trends remained firm in the first half of 2008, but in the second half a rapidly deteriorating economic situation was reflected in a clear trend toward the postponement of IT investment. Canon MJ sought to strengthen group unity and build a broader foundation for growth by expanding into the data center business through M&A. Sales of IT services were moderately higher year on year, but sales of IT products declined. Total sales in the IT Solutions Business were 3% below the previous year's level at ¥166.5 billion (US$1,829.4 million).


1

Canon Software Inc. Canon Software is a strong performer in the fields of computer-aided design (CAD) and embedded software, and is also expanding its sales of solutions. In the year ended December 31, 2008, its net sales amounted to ¥26.8 billion (US$294.1 million).

Canon Network Communications Inc. Canon Network Communications provides IT management services, especially IT infrastructure services. The company has enjoyed considerable success with its network infrastructure development and Internet data center businesses. Net sales in the year ended December 31, 2008 amounted to ¥9.7 billion (US$106.5 million).

In January 2009, this company merged into Canon IT Solutions Inc.

MAJOR TRENDS

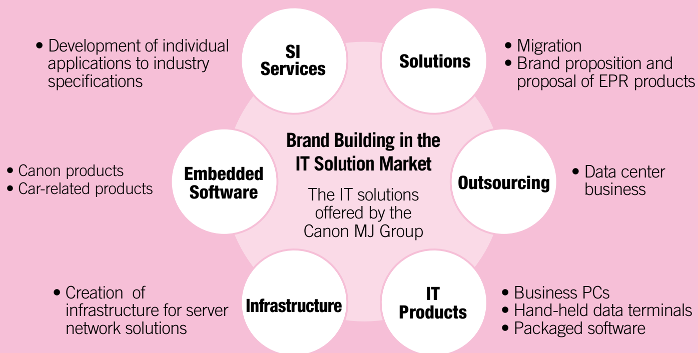
Canon IT Solutions Inc. In April 2008, Canon IT Solutions Inc. was formed through the merger of Canon System Solutions, a systems integration company within the Canon MJ Group, with Argo 21 Corp., a system integrator that joined the group in 2007. The new subsidiary made an excellent start with net sales of ¥75.1 billion (US$825.3 million) in the year ended December 31, 2008.

Qualysite Technologies Inc.

Qualysite Technologies joined the CANON MJ Group in September 2008. The company supports customers and contributes to the development of the IT industry in Okinawa, Japan, through its leading-edge IT technologies. The company engages in JAVA development and Data Center businesses.

ITS 3000 Plan

The IT Solutions Business focuses on six business areas. In each of these, we work to expand operations and enhance our skills so as to strengthen our competitiveness. In the outsourcing business, we expect significant contributions from new group companies, both those that recently joined the Group and companies that will be acquired through future M&A.



MAY	JUNE	SEPTEMBER	DECEMBER	DECEMBER
Canon IT Solutions Inc. receives the Sao Khue Award from the Vietnam Software Association (VINASA).	NOD32 Antivirus receives the 50th VB100 Award.	Canon IT Solutions Inc. acquires all shares in Biknius K.K., which changes its trading name to Qualysite Technologies Inc.	Canon IT Solutions Inc. forms a business partnership with Orc Software providing for collaboration on market development and sales of algorithm trading solutions.	All shares in NRI Learning Network, Ltd. are acquired.

CONSUMER EQUIPMENT

1 **Digital SLR: Camera EOS Kiss X2**

This entry-level digital SLR camera provides features normally found only on high-end models. In 2008, it gained the biggest share of the domestic market.

ON ACTIVE COMMUNICATION

Osamu Sasaki
Managing Director

Alongside selling cameras and printers, we need to offer a continuous stream of ideas about the possibilities of digital technology and new ways to enjoy photography. Only through active communication with customers can we convey the fun of photography. The power of our brand is the result of our day-to-day efforts on this level.

HIGHLIGHTS OF THE YEAR

2008

JANUARY	JANUARY	APRIL
In the 2008 BCN Awards, Canon MJ achieved the top ranking in six categories (four for output equipment, two for input equipment).	The Canon EOS Kiss X2, an entry-level digital SLR camera, goes on sale.	The Satogaeri Project, a collaborative recovery scheme for used inkjet cartridges, is launched.

2 | Compact Digital Camera: IXY DIGITAL 920 IS

Equipped with a 28mm wide-angle lens and a 3.0 LCD screen, this camera features a new engine that raises photographic quality and fun to an even higher level.

3 | Ink Jet Printer: PIXUS MP630

This high-performance all-in-one printer epitomizes the “Play! PIXUS” theme with its unique combination of fun and practicality.

4 | Digital Video Camera: VIS HF11

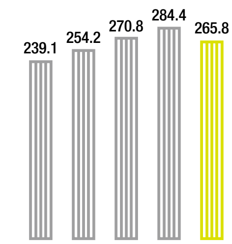
With a double memory system consisting of 32GB of internal memory and an SD card, this extremely popular digital video camera supports prolonged recording at full Hi-Vision quality.

PERFORMANCE

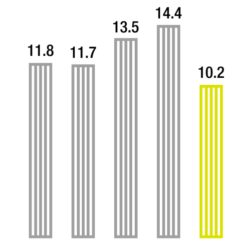
In the year ended December 31, 2008, sales in the Consumer Equipment segment were ¥265.8 billion (US$2,921.2 million) and operating income of ¥10.2 billion (US$112.6 million). These results were 7% and 29% respectively below the previous year’s levels.

In the current year, we regained our position as leader in terms of market share in the digital SLR camera market. We faced fierce competition in the compact digital camera and digital video camera markets. However, our results were affected by the erosion of unit prices in an environment of escalating competition. This segment accounted for 32% of consolidated net sales and 40% of consolidated operating income.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



MAJOR TRENDS

Compact Digital Cameras While domestic demand for compact digital cameras was similar to the previous year’s level in volume terms, intense price competition continued to affect the market. We launched a number of new products, including the IXY Digital 20IS and IXY Digital 920IS, and were able to maintain our leadership in terms of market share. However, unit prices were affected by competition, and unit sales fell below the previous year’s level.

Digital SLR Cameras Many manufacturers introduced new models in 2008, and there was also replacement demand from consumers upgrading from older or lesser-specified models. These factors helped to push domestic demand in this market above the previous year’s level. Our flagship product, the EOS Kiss X2, has been a bestseller since its launch and continued to sell well in 2008. We also launched several new models, including the EOS 50D in September and the EOS 5D Mark II in November. As a result of these efforts, we were able to gain the biggest share of this market.

Home-Use Printers Our marketing activities for home-use inkjet printers were based on the slogan “Play! PIXUS”. While printer unit sales slipped below the previous year’s level, unit sales of consumables were higher.

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JUNE — A customer satisfaction survey by J.D. Power ranks Canon first in the compact digital camera category.

JUNE — The Canon EOS Kiss F, an entry-level digital SLR camera, is launched.

AUGUST — The EOS 50D, a middle-range digital SLR camera, goes on sale.

OCTOBER — Seven new inkjet printers are launched. They use dye-based ink with excellent longevity and color reproduction.

NOVEMBER — The EOS 5D Mark II Premium digital SLR camera is announced at press conferences in seven locations throughout Japan.

INDUSTRIAL EQUIPMENT

ON THINKING AHEAD

Hiroshi Shibuya
Senior Managing Director

In these challenging times, we must remain sharply focused on customers. We must be at the customers' side with support and advice before issues occur—this is central to truly enhancing customer satisfaction. It is also key to attract highly skilled human resources, and to seek out and introduce overseas resources, including superb products not yet known in Japan.

HIGHLIGHTS OF THE YEAR

2008

APRIL	MAY	JUNE	JUNE
The DIGISUPER27AF HD studio lens is announced.	An exclusive agreement is signed covering sales in Japan of ophthalmological equipment manufactured by Optopol Technology S.A. (Poland). Canon MJ commences sales of optical coherence tomography (OCT) equipment.	The CR-1, a non-mydriatic digital fundus camera designed to reduce stress on test subjects, goes on sale.	The CXDI-60G, a compact, lightweight and portable medical X-ray system, goes on sale.

1 Lithography equipment for use in semiconductor manufacturing

Canon MJ's top market share in this field is built on long-lasting and stable customer relationships.

2 Medical digital X-ray system: CXDI-60G

Despite its compact, lightweight design, this system has an effective image field of 234×284 mm, making it a highly effective tool for x-ray imaging of limb joints and other locations.

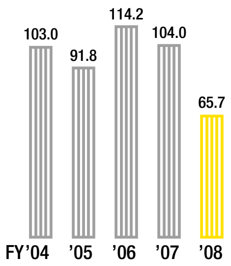
3 Broadcasting lenses

Canon's High Definition (HD) portable lenses provide superb images for relay broadcasting of baseball, soccer, golf and other sporting events.

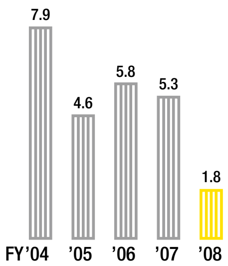
PERFORMANCE

In the year ended December 31, 2008, net sales in the Industrial Equipment segment were significantly lower, with a 37% year-on-year decline to ¥65.7 billion (US$722.1 million), while operating income was 66% down at ¥1.8 billion (US$19.9 million). The main reason for this downward trend was the global slump in the semiconductor market, which caused Japanese memory chip makers to reduce or stop their capital investment. Sales of semiconductor lithography systems, our core products in this segment, declined substantially compared with the previous year's result. There was a significant reduction in this segment's contributions to consolidated net sales and consolidated operating income, which fell to 8% and 7% respectively.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



MAJOR TRENDS

Semiconductor Lithography Systems Capital investment cutbacks by memory chip makers caused a severe downturn in domestic demand for semiconductor lithography systems. Despite intensive marketing of key products, especially i-line steppers and KrF step-and-scan systems, the results were disappointing.

Medical Equipment Sales of the CXDI Series of digital X-ray camera systems showed strong growth. In August 2008, we launched a portable model, the CXDI-60G. One of our most successful products in the field of ophthalmological equipment was the CR-1, a non-mydriatic fundus camera that first went on sale in June. We also launched a 3D retinal image analysis system manufactured by Optopol Technology S.A. of Poland.

Broadcasting Equipment Sales of portable lenses remained strong. There was also growth in sales of Hi-Vision cameras with built-in remote-control pan-tilt systems.

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The Canonet VB-C60/ VB-C60B network cameras go on sale.
AUGUST

Canon MJ commences import of semiconductor inspection and analysis equipment, ophthalmological equipment and other products.
DECEMBER

Canon MJ acquires exclusive Japanese sales rights for semiconductor inspection equipment manufactured by Metryx Limited and commences sales of the Mentor DF3/SF3 semiconductor mass metrology systems.
DECEMBER

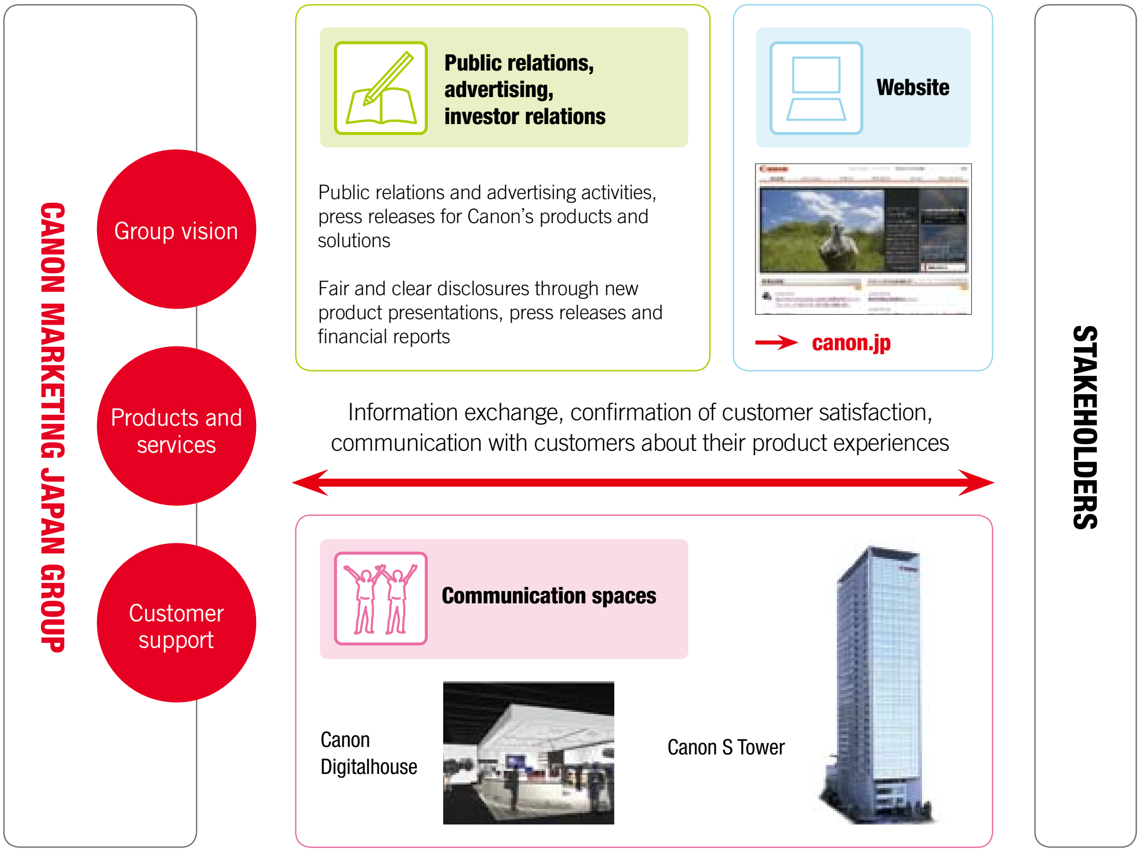
Canon MJ acquires exclusive Japanese sales rights for semiconductor inspection equipment manufactured by Jordan Valley Semiconductors, Inc. and commences sales of the BEDE Series of systems, which are used to measure advanced semiconductors.
DECEMBER

ON THE BIGGER PICTURE

We believe that the true value of a company is shown not only by its approach to customers, but also by its way of interacting with the wider world. In all of our activities, we seek to do so responsibly and with respect for all of our stakeholders.

SUSTAINABLE MANAGEMENT

OUR COMMITMENT TO STAKEHOLDERS



Fundamental Philosophy on Social Responsibility

We believe that Canon MJ's primary corporate mission is to maintain sound growth by supporting human creativity in all facets of life, work and the community with products and services of the highest value. We also recognize that Canon MJ has obligations as a member of society, and have therefore made corporate social responsibility (CSR) a management priority.

The reinforcement of Group-level CSR activities is also identified as an important aspect of management quality improvement, one of the strategic priorities of the Three-Year Management Plan.

Building Good Relationships with All Stakeholders

Canon MJ has an extremely wide range of stakeholders, including stockholders, consumers, corporate customers, business partners, employees and local communities. We are determined to work in good faith with all stakeholders at all times by ensuring that all our directors and employees act in accordance with the law and, of course, high ethical standards. As a marketing company, we are fundamentally aware that good communication and mutual understanding with people and communities are essential to developing good relationships with our stakeholders.

Every year since 1994, high schools from all over Japan join a photo competition held in Hokkaido, stimulating the students' creativity and helping local economies. Canon MJ provides cameras and printers to schools that make it to the final.

Support for Imaging and Cultural Activities

The business activities of Canon MJ are closely intertwined with imaging, and we place great importance on creating new opportunities for the development of image culture. One of the ways in which we encourage photography is through our support for activities that help to expand the world of photography and imaging. For example, every year we support a nationwide photo championship for high school students in Japan.

And, the seven Canon Galleries we host in major Japanese cities present mixes of both permanent and temporary photo exhibitions.

The Canon gallery in Ginza, Tokyo, offers both permanent and temporary exhibitions.

Environmental Initiatives

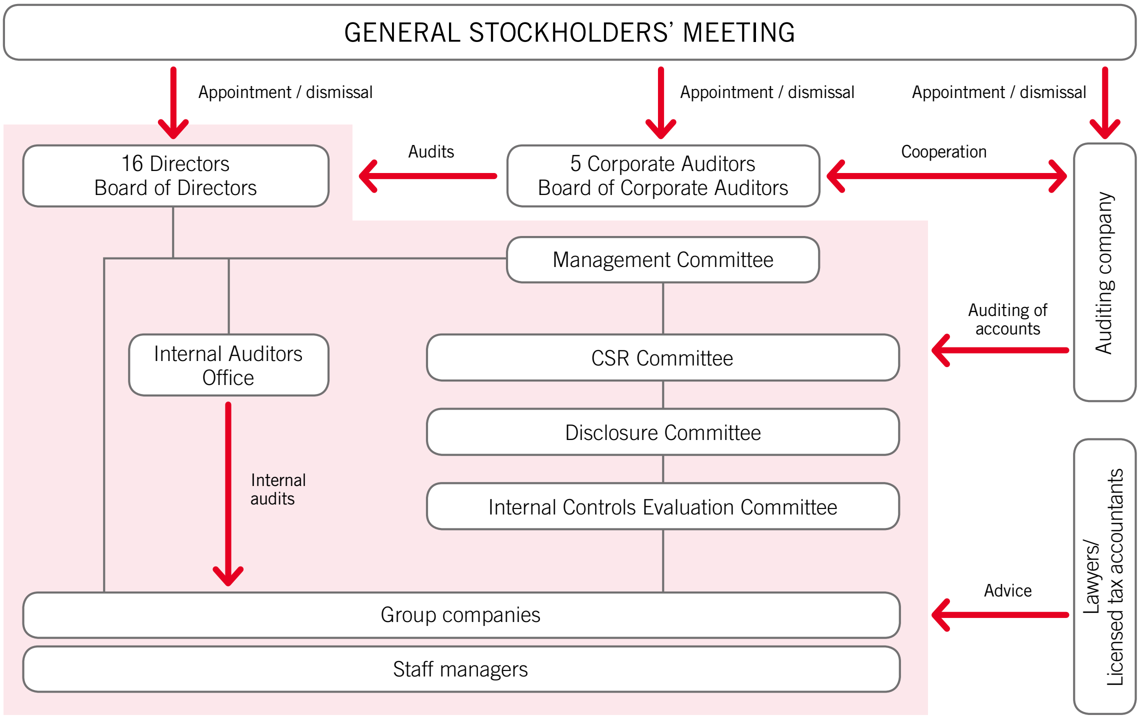
Harmonious coexistence is a fundamental principle for the global Canon Group. As a company that interacts directly with its customers, Canon MJ has a special responsibility to support and strengthen environmental conservation in all its business activities. We led the industry in establishing a toner cartridge recycling program and promoting the reuse of copiers. To reduce CO_2 emissions, we use rail and sea transport in our product recovery systems, and are expanding our green procurement activities and actively introducing electric vehicles.

Canon MJ is also leading the industry in the supply of environment-friendly products. For example, we are working to eliminate the use of hazardous substances by introducing products that comply with the European Union's RoHS Directive concerning six hazardous substances.

In April 2008, Canon and six other inkjet printer makers launched the Satogaeri Project, which aims to recycle home-use inkjet printer cartridges in partnership with Japan Post Group.

CORPORATE GOVERNANCE

(As of March 26, 2009)



Basic Stance on Corporate Governance

We recognize that sustainable growth in corporate value requires ongoing improvement in such areas as management transparency and the monitoring of progress toward management targets. This is reflected in our wide-ranging initiatives to strengthen corporate governance.

The Corporate Governance Structure

In addition to the Board of Directors and Board of Corporate Auditors, our corporate governance structure also includes an internal auditing system. We have also established a range of committees, including the CSR Committee, the Disclosure Committee and the Internal Controls Evaluation Committee, to implement policies across the entire organization.

Board of Directors

As of March 26, 2009, there were 16 directors. By limiting the term of office for directors to one year, we have created a management structure capable of adapting quickly to changes in the business environment. Important decisions are made by the Board of Directors, which normally meets once a month, and at Management Committee meetings attended by the directors of Canon MJ and the presidents of key subsidiaries. There are no outside directors.

Board of Corporate Auditors

There are five corporate auditors, of whom three are appointed from outside of the Company. The Board of Corporate Auditors sets audit policies and allocates responsibilities to the auditors, who conduct stringent audits in accordance with those policies. Specific activities include attending board meetings, interviewing directors and examining documents containing important Board resolutions. The corporate auditors also monitor the Company's operations and assets.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

BOARD OF DIRECTORS


Chairman
Haruo Murase


President
Masami Kawasaki


Executive Vice President
Koji Ashizawa


Senior Managing Director
Kazunori Asada


Senior Managing Director
Hiroshi Shibuya


Managing Director
Osamu Sasaki


Managing Director
Yo Shibasaki


Managing Director
Masahiro Sakata


Director
Kenichiro Goto


Director
Tetsuo Yoshida


Director
Masaki Sawabe


Director
Masanori Koyama


Director
Yutaka Usui


Director
Kunio Kurihara


Director
Keizo Go


Director
Shinichi Inoue

BOARD OF CORPORATE AUDITORS


Corporate Auditor
Toshio Matsumoto


Corporate Auditor
Taiji Miyazaki


Outside Corporate Auditor
Hiroshi Kawashimo


Outside Corporate Auditor
Kunihiro Nagata


Outside Corporate Auditor
Minoru Shishikura

Internal Auditors Office

Internal audits are conducted by the Internal Auditors Office, an independent specialist unit that also assesses and advises Canon MJ and its subsidiaries on legal compliance, the effectiveness of processes, internal control systems and information security. The Internal Auditors Office works in coordination with similar units established in major subsidiaries. The Canon MJ Group has 42 audit staff members.

Auditing of Accounts

Canon MJ's accounts are audited under an audit agreement with Ernst & Young ShinNihon LLC. There are no special interests between Canon MJ and this audit corporation, nor are any operating officers of the audit corporation involved in the conduct of internal audits of Canon MJ. To ensure that involvement is limited to specific periods, the audit corporation rotates operating officers who have been involved in audits of any company for more than seven years.

SUSTAINABLE MANAGEMENT

To promote compliance, Canon MJ supplies all employees with pocket-sized Compliance Cards.

Compliance All employees of the Canon MJ Group are subject to the Canon Group Code of Conduct, which mandates compliance with laws and corporate rules. To raise awareness and ensure full implementation of the Code of Conduct, handbooks and pocket-sized Compliance Cards have been distributed to all employees. Every week, compliance case studies relating to business operations are issued and distributed to all Canon MJ Group employees. All departments hold compliance meetings twice each year. There are also continual corporate-level activities under the leadership of the Corporate Ethics and Compliance Committee.

Canon MJ has established an internal reporting system, known as the “Speak up” system, to facilitate the early discovery and rectification of compliance infringements and prevent recurrences. Employees can report problems within the Company or to a legal office outside of the organization.

Canon MJ is seeking company-wide certification under the ISMS information security management system (certification currently held by some sections).

Information Security and Privacy Canon MJ has adopted a comprehensive approach to information security under the leadership of the Information Security Committee. The Company is currently in the process of obtaining company-wide information security certification under the ISMS scheme, a Japanese third-party assessment system. In the area of personal information protection, Canon MJ has obtained certification under the Privacy Mark system and will continue to tighten internal management systems and improve employee education.

Disclosure The task of the Disclosure Committee is to make prompt decisions concerning important corporate information, including the identification of information for which timely disclosure is required, and decisions concerning the content and timing of disclosure. To ensure that information can be gathered promptly, disclosure officers have been appointed in each department and subsidiary. As part of our Investor Relations activities, Canon MJ holds briefings on medium-term planning, quarterly results briefings and business briefings. We also distribute timely, accurate information continually via websites and other channels.

The Privacy Mark guarantees protection of personal information. Through its know-how of the Privacy Mark requirements, Canon MJ can assist customers seeking this certification.

Internal Controls Chaired by the President, the Internal Controls Evaluation Committee consists of officials representing corporate departments and subsidiaries. Its task is to develop internal control systems for the entire Canon MJ Group.

Canon Inc., which is listed on the New York Stock Exchange, has adopted systems that comply with the Sarbanes-Oxley Act, a U.S. law designed to improve corporate governance. As a member of the global Canon Group, Canon MJ has also applied global perspectives by establishing systems based on the same standards.

Relationship with Canon Inc. Canon MJ is a subsidiary of Canon Inc., which owns 55.2% of Canon MJ stock (as of December 31, 2008). This percentage figure excludes Canon MJ’s treasury stock holdings. With these holdings, the ownership percentage for Canon Inc. would be 50.1%. Canon MJ has the exclusive right to sell all products manufactured by Canon Inc. under the Canon brand in Japan. In fiscal 2008, our purchases from Canon Inc. amounted to ¥339.6 billion (US$3,732.2 million), or 67.6% of our total purchases.

Because of this relationship, a major shift in the management policies or business activities of Canon Inc. could have a significant impact on the business activities, performance and financial position of the Canon MJ Group.

FINANCIAL SECTION

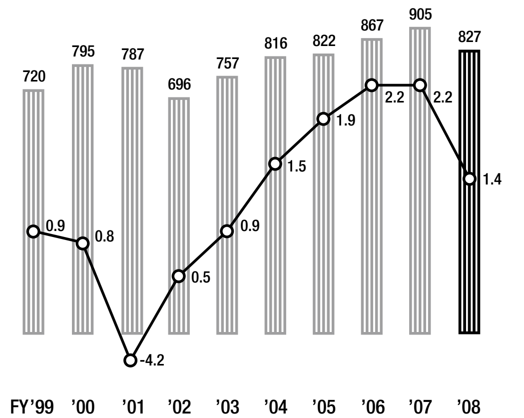
TEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Years ended December 31

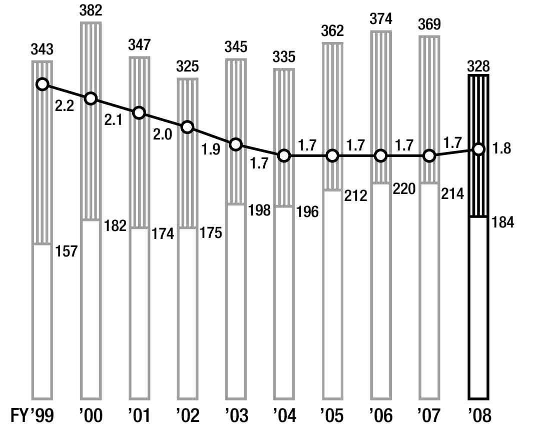
	Millions of yen			
	2008	2007	2006	2005
FOR THE YEAR:				
Net sales	**¥ 827,487**	¥ 905,137	¥ 867,172	¥ 821,948
Operating income	**25,416**	36,886	33,919	29,723
Income (loss) before income taxes and minority interests	**22,229**	35,452	32,967	27,086
Net income (loss)	**11,186**	20,033	18,807	15,358
AT YEAR-END:				
Total assets	**484,937**	526,125	526,578	513,335
Total stockholders' equity (Note 6)	**255,220**	266,086	260,367	247,244
CASH FLOWS (Note 4)**:**				
Net cash provided by operating activities	**41,122**	47,214	18,094	36,985
Net cash used in investing activities	**(28,967)**	(21,912)	(19,217)	(17,887)
Net cash used in financing activities	**(21,738)**	(16,345)	(6,126)	(4,311)
Cash and cash equivalents	**107,589**	117,206	108,248	115,504
	Yen			
PER SHARE OF COMMON STOCK:				
Net income (loss) (Note 2)	**¥ 78.63**	¥ 134.84	¥ 125.64	¥ 101.78
Cash dividends (Notes 3 and 5)	**40.00**	40.00	36.00	28.00
Stockholders' equity (Note 6)	**1,858.39**	1,817.59	1,739.50	1,650.52

Notes: 1. The figures have been presented in U.S. dollars by translating all Japanese yen amounts at ¥91 to U.S.$1, the prevailing exchange rate as of December 31, 2008.
2. Net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal years.
3. Cash dividends per share are the amounts applicable to the respective fiscal years, including dividends to be paid after the end of the year.
4. The "Accounting Standard for Consolidated Statements of Cash Flows" (Business Accounting Council, issued on March 13, 1998) has been adopted effective the year ended December 31, 2000.

Return on Sales (ROS)
(Billions of yen/%)



Working Capital
(Billions of yen/Times)

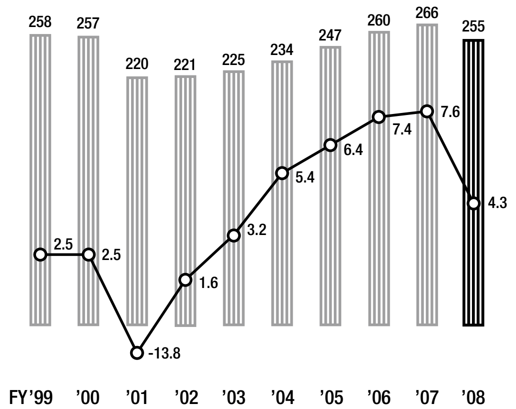


Millions of yen						Thousands of U.S. dollars (Note 1)
2004	2003	2002	2001	2000	1999	**2008**
¥ 815,511	¥ 757,033	¥ 695,585	¥ 786,828	¥ 794,917	¥ 720,259	**$ 9,093,264**
29,274	16,987	10,885	19,397	20,512	18,178	**279,297**
20,186	20,438	6,873	(63,280)	15,313	13,770	**244,275**
12,364	7,043	3,436	(32,831)	6,460	6,345	**122,923**
482,337	495,396	495,298	514,698	518,958	486,176	**5,328,978**
234,158	225,317	220,797	220,418	256,959	257,740	**2,804,615**
22,053	23,671	36,275	(3,384)	12,324	N/A	**451,890**
(7,963)	(16,258)	(26,869)	(7,364)	(13,015)	N/A	**(318,319)**
(39,045)	(20,305)	(13,889)	(6,182)	(2,909)	N/A	**(238,879)**
98,844	123,815	136,448	141,045	157,921	N/A	**1,182,297**
Yen						U.S. dollars (Note 1)
¥ 81.78	¥ 46.24	¥ 22.96	¥ (217.39)	¥ 42.77	¥ 42.01	**$ 0.86**
22.00	18.00	18.00	18.00	18.00	18.00	**0.44**
1,562.23	1,496.74	1,464.43	1,459.60	1,701.44	1,706.64	**20.42**

5. Year-end cash dividends applicable to the year ended December 31, 2005 include a ¥2.00 bonus dividend reflecting record-high consolidated net sales, operating income and net income.
6. Total stockholders' equity in the above table represents the total of stockholders' equity and valuation and translation adjustments in the consolidated balance sheets. This is due to the adoption of an accounting standard for the presentation of net assets in the balance sheet effective the year ended December 31, 2006, which requires former stockholders' equity and minority interests to be presented as net assets, and net assets to be classified as stockholders' equity, valuation and translation adjustments and minority interests.

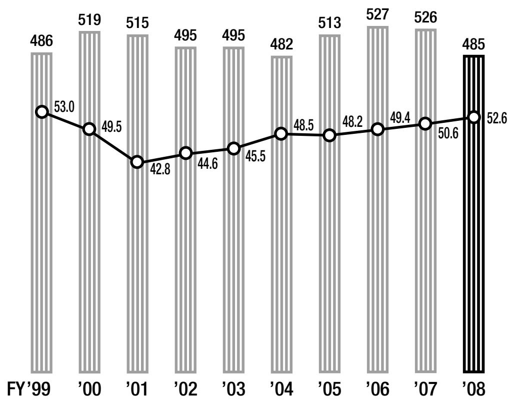
Total Stockholders' Equity and ROE
(Billions of yen/%)

Total Stockholders' Equity
ROE



Total Assets and Total Stockholders' Equity Ratio
(Billions of yen/%)

Total Assets
Total Stockholders' Equity Ratio



FINANCIAL REVIEW

Business Performance

Net Sales

Consolidated net sales in the year ended December 31, 2008 were lower year on year in all business segments, and came to ¥827.5 billion, a year-on-year decrease of 8.6%.

In the Business Solutions segment, sales of office multifunctional products (MFPs) were lower than in the previous year. Although color MFPs sold steadily, sales of monochrome MFPs fell along with the cooling of that market.

Sales of laser-beam printers (LBPs) were also lower than in the previous year. The total number of color units sold increased year on year, but sales of monochrome units declined. Regarding large-format ink-jet printers, we introduced new products and worked hard to expand sales, and as a result sales were higher than in the previous year and consumables also performed well.

Although unit prices for office MFP maintenance services continued to decline, sales remained at about the same level as in the previous year thanks to steady growth in printing volumes.

Canon System & Support Inc., a member of the Canon MJ Group, recorded steady sales of maintenance services, but its sales of business equipment declined, and on balance its overall sales were slightly down.

In the IT Solutions Business, we endeavored to expand our system integration (SI) services in sectors such as finance and manufacturing, and in the area of IT products sales of handy terminals for beverages, finance and meter reading operations grew strongly. However, overall sales were lower than in the previous year due to the impact of factors including reduced IT investment by companies.

At Canon Software Inc., a member of the Canon MJ Group, sales of computer-aided design (CAD) software and embedded software were strong and sales also grew in the solutions division. At Canon IT Solutions Inc., the SI services division increased its sales due to the effect of the merger, and the packaged products division, which offers electronic medical records and other products to medical examination clinics, and the server solutions division also achieved steady sales. At Canon Network Communications, Inc., sales grew in the network infrastructure building and internet data center businesses.

Net sales in the Business Solutions segment amounted to ¥495.9 billion, a year-on-year decline of 4.0%.

In the Consumer Equipment segment, sales of compact digital cameras were lower than in the previous year, when they had performed well, due to the impact of declining unit prices, but we endeavored to promote sales centered on new products and were able to maintain the biggest market share. We captured the biggest share of the digital single-lens reflex camera market through our introduction of new products, and sales of exchangeable lenses increased again this year. We also worked to expand sales of digital video cameras by launching new products, and as a result sales increased and our market share also expanded. Sales of ink-jet printers were lower than in the previous year, but sales of consumables, such as ink cartridges and glossy photographic paper, were generally strong.

Net sales in the Consumer Equipment segment amounted to ¥265.8 billion, a year-on-year decline of 6.5%.

In the Industrial Equipment segment, we mounted a marketing campaign centered on our flagship products for lithography equipment for semiconductor manufacturers, but sales were still much lower than in the previous year. In the medical equipment business, sales of ophthalmological equipment grew thanks to the strong trend towards digitalization. Sales of broadcasting equipment grew due to steady sales of portable lenses and other products.

Net sales in the Industrial Equipment segment amounted to ¥65.7 billion, a year-on-year decline of 36.8%.

Income

Operating income decreased by 31.1% from the previous year's level to ¥25.4 billion. Although selling, general and administrative expenses declined year on year due to a reduction in advertising expenses and sales promotion expenditure, as well as a decline in payroll costs, this was more than offset by the decline in gross profit on sales resulting from the decline in sales.

Net income came to ¥11.2 billion, 44.2% less than last year, because we booked a loss on devaluation of investments in securities, recorded a new provision for expenses related to continuous service rewards carried over from previous years due to a change in our accounting treatment, and incurred expenses related to restructuring of consolidated subsidiaries.

Net income per share was ¥78.63, compared with ¥134.84 in the previous year. The annual dividend per share was ¥40.00, the same as last year.

Financial Position

Current assets amounted to ¥327.7 billion as of December 31, 2008, a decline of ¥41.0 billion from the previous year's level. The main changes were a ¥40.0 billion reduction in notes and accounts receivable, resulting from the decline in sales, and a ¥3.5 billion decline in inventories.

Fixed assets were ¥0.2 billion lower at ¥157.2 billion. Items showing significant changes included software, which increased by ¥6.2 billion because of the creation of software for in-house use. There was also a ¥5.9 billion decrease in investments in securities.

Current liabilities declined by ¥30.2 billion year on year to ¥183.7 billion. Significant changes included a ¥24.4 billion reduction in notes and accounts payable and a ¥2.6 billion decline in accrued income taxes.

Long-term liabilities were reduced by ¥0.4 billion from the previous year's level to ¥42.2 billion. Although we booked allowance for long-term continuous service rewards of ¥0.9 billion, allowance for employees' retirement benefits declined by ¥1.5 billion.

Net assets decreased by ¥10.5 billion from the previous year's figure to ¥259.0 billion. Key movements included a ¥5.1 billion increase in retained earnings resulting from the booking of ¥11.2 billion in net income and ¥6.1 billion in dividend payments. There was also a ¥15.0 billion increase in stockholders' equity due to purchases of treasury stock.

These changes were reflected in a ¥41.2 billion reduction in total assets, which amounted to ¥485.0 billion as of December 31, 2008.

Return on equity (ROE) fell from 7.6% in the previous year to 4.3%, while the stockholders' equity ratio rose from 50.6% to 52.6%. Stockholders' equity per share increased from ¥1,817.59 in the previous year to ¥1,858.39.

Cash Flows

Cash and cash equivalents as of December 31, 2008 amounted to ¥107.6 billion, down ¥9.6 billion from the position at the end of the previous year.

Net cash provided by operating activities amounted to ¥41.1 billion, compared with ¥47.2 billion in the previous year. This consisted mainly of ¥22.2 billion from income before income taxes and minority interests, ¥12.1 billion from depreciation and amortization, ¥38.8 billion from the reduction of notes and accounts receivable, ¥3.6 billion from the reduction of inventories, ¥24.5 billion from the reduction of notes and accounts payable, and ¥12.9 billion from income tax payments.

Net cash used in investing activities amounted to ¥29.0 billion, compared with ¥21.9 billion in the previous year. This total consisted mainly of a net increase of ¥20.0 billion in short-term loans receivable, and ¥9.0 billion in payments for purchases of property and equipment.

Net cash used in financing activities amounted to ¥21.7 billion, compared with ¥16.3 billion in the previous year. This amount consisted mainly of ¥15.1 billion in payments for purchases of treasury stock and ¥6.2 billion in dividend payments.

CONSOLIDATED BALANCE SHEETS

Canon Marketing Japan Inc. and Consolidated Subsidiaries
December 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS:			
Cash and cash equivalents (Note 8)	**¥ 107,589**	¥ 117,206	**$ 1,182,297**
Notes and accounts receivable	**149,548**	189,552	**1,643,384**
Inventories (Note 5)	**34,144**	37,692	**375,209**
Deferred tax assets (Note 12)	**5,389**	6,056	**59,220**
Short-term loans receivable	**20,001**	7	**219,791**
Other current assets	**11,483**	18,451	**126,187**
Allowance for doubtful receivables	**(461)**	(311)	**(5,066)**
Total current assets	**327,693**	368,653	**3,601,022**
PROPERTY AND EQUIPMENT:			
Land	**41,739**	41,866	**458,670**
Buildings and structures	**76,189**	75,375	**837,242**
Machinery and vehicles (Note 7)	**369**	504	**4,055**
Furniture and fixtures (Note 7)	**19,738**	20,832	**216,901**
Rental assets	**21,508**	20,234	**236,352**
Total	**159,543**	158,811	**1,753,220**
Accumulated depreciation	**(61,553)**	(59,151)	**(676,407)**
Net property and equipment	**97,990**	99,660	**1,076,813**
INTANGIBLE ASSETS:			
Goodwill (Note 2)	**2,926**	3,772	**32,154**
Software (Note 7)	**15,598**	9,396	**171,406**
Utilization rights	**389**	394	**4,275**
Other intangible assets	**116**	45	**1,275**
Total intangible assets	**19,029**	13,607	**209,110**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 3 and 8)	**6,420**	12,370	**70,549**
Long-term loans receivable	**26**	30	**286**
Lease deposits	**8,792**	8,627	**96,615**
Deferred tax assets (Note 12)	**20,327**	19,262	**223,374**
Other investments	**5,829**	4,936	**64,055**
Allowance for doubtful receivables	**(1,169)**	(1,020)	**(12,846)**
Total investments and other assets	**40,225**	44,205	**442,033**
Total assets	**¥ 484,937**	¥ 526,125	**$ 5,328,978**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2008**	2007	**2008**
CURRENT LIABILITIES:			
Notes and accounts payable	**¥ 123,897**	¥ 148,330	**$ 1,361,506**
Short-term bank loans	**—**	343	**—**
Accrued income taxes (Note 12)	**6,085**	8,682	**66,868**
Consumption taxes payable	**2,281**	3,361	**25,066**
Deferred tax liabilities (Note 12)	**7**	12	**77**
Accrued expenses	**28,138**	30,167	**309,209**
Reserves	**4,596**	5,387	**50,505**
Other current liabilities	**18,736**	17,678	**205,890**
Total current liabilities	**183,740**	213,960	**2,019,121**
LONG-TERM LIABILITIES:			
Long-term bank loans	**—**	131	**—**
Deferred tax liabilities (Note 12)	**280**	338	**3,077**
Allowance for employees' retirement benefits (Notes 2 and 10)	**37,122**	38,577	**407,934**
Allowance for long-term continuous service rewards (Note 2)	**937**	—	**10,297**
Allowance for directors' and corporate auditors' retirement benefits (Note 2)	**805**	739	**8,846**
Other long-term liabilities	**3,010**	2,812	**33,077**
Total long-term liabilities	**42,154**	42,597	**463,231**
CONTINGENT LIABILITIES (Note 4)			
NET ASSETS (Note 2)**:**			
STOCKHOLDERS' EQUITY (Note 17)**:**			
Common stock:			
Authorized—299,500,000 shares;			
Issued—151,079,972 shares in 2008 and 2007	**73,303**	73,303	**805,527**
Capital surplus	**83,289**	83,296	**915,264**
Retained earnings	**123,616**	118,528	**1,358,418**
Treasury stock	**(24,731)**	(9,695)	**(271,769)**
VALUATION AND TRANSLATION ADJUSTMENTS:			
Net unrealized gain (loss) on available-for-sale securities	**(212)**	640	**(2,330)**
Foreign currency translation adjustments	**(45)**	14	**(495)**
MINORITY INTERESTS	**3,823**	3,482	**42,011**
Total net assets	**259,043**	269,568	**2,846,626**
Total liabilities and net assets	**¥ 484,937**	¥ 526,125	**$ 5,328,978**

• See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Years ended December 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
NET SALES	**¥ 827,487**	¥ 905,137	**$ 9,093,264**
COST OF SALES	**554,467**	615,390	**6,093,044**
Gross profit	**273,020**	289,747	**3,000,220**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**247,604**	252,861	**2,720,923**
Operating income	**25,416**	36,886	**279,297**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**970**	911	**10,659**
Interest expense	**(67)**	(67)	**(736)**
Loss on disposal and devaluation of inventories	**(1,614)**	(1,901)	**(17,736)**
Loss on impairment of fixed assets	**(144)**	(95)	**(1,582)**
Gain on sales of investments in securities	**0**	806	**0**
Loss on sales and disposal of property and equipment	**(578)**	(440)	**(6,352)**
Loss on devaluation of investments in securities	**(1,125)**	(1,236)	**(12,363)**
Provision of allowance for prior years' long-term continuous service rewards	**(929)**	—	**(10,209)**
Expenses related to restructuring of consolidated subsidiaries	**(592)**	—	**(6,505)**
Other, net	**892**	588	**9,802**
	(3,187)	(1,434)	**(35,022)**
Income before income taxes and minority interests	**22,229**	35,452	**244,275**
INCOME TAXES (Note 12)**:**			
Current	**10,336**	14,470	**113,583**
Deferred	**239**	278	**2,626**
	10,575	14,748	**116,209**
Income before minority interests	**11,654**	20,704	**128,066**
MINORITY INTERESTS	**468**	671	**5,143**
Net income	**¥ 11,186**	¥ 20,033	**$ 122,923**
	Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2)**:**			
Net income	**¥ 78.63**	¥ 134.84	**$ 0.86**
Cash dividends applicable to the year	**¥ 40.00**	¥ 40.00	**$ 0.44**

• See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Years ended December 31, 2008 and 2007

		Millions of yen							
		Stockholders' equity				Valuation and translation adjustments			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total net assets
BALANCE AT DECEMBER 31, 2006	150,523,896	¥ 73,303	¥ 82,530	¥ 104,077	¥ (1,236)	¥ 1,676	¥ 17	¥ 3,101	¥ 263,468
Net income				20,033					20,033
Cash dividends				(5,575)					(5,575)
Business combination by means of an exchange of stock	556,076		767		1,563				2,330
Purchases of treasury stock					(10,025)				(10,025)
Disposition of treasury stock			1		3				4
Acquisition by the parent company of parent company stock held by consolidated subsidiaries			(2)						(2)
Contributions to employee welfare pension fund				(7)					(7)
Other, net						(1,036)	(3)	381	(658)
BALANCE AT DECEMBER 31, 2007	**151,079,972**	**¥ 73,303**	**¥ 83,296**	**¥ 118,528**	**¥ (9,695)**	**¥ 640**	**¥ 14**	**¥ 3,482**	**¥ 269,568**
Net income				**11,186**					**11,186**
Cash dividends				**(6,094)**					**(6,094)**
Purchases of treasury stock					**(15,066)**				**(15,066)**
Disposition of treasury stock			**(7)**		**30**				**23**
Contributions to employee welfare pension fund				**(4)**					**(4)**
Other, net						**(852)**	**(59)**	**341**	**(570)**
BALANCE AT DECEMBER 31, 2008	**151,079,972**	**¥ 73,303**	**¥ 83,289**	**¥ 123,616**	**¥ (24,731)**	**¥ (212)**	**¥ (45)**	**¥ 3,823**	**¥ 259,043**

	Thousands of U.S. dollars (Note 1)							
	Stockholders' equity				Valuation and translation adjustments			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total net assets
BALANCE AT DECEMBER 31, 2007	**$ 805,527**	**$ 915,341**	**$ 1,302,505**	**$ (106,538)**	**$ 7,033**	**$ 154**	**$ 38,264**	**$ 2,962,286**
Net income			**122,923**					**122,923**
Cash dividends			**(66,967)**					**(66,967)**
Purchases of treasury stock				**(165,561)**				**(165,561)**
Disposition of treasury stock		**(77)**		**330**				**253**
Contributions to employee welfare pension fund			**(43)**					**(43)**
Other, net					**(9,363)**	**(649)**	**3,747**	**(6,265)**
BALANCE AT DECEMBER 31, 2008	**$ 805,527**	**$ 915,264**	**$ 1,358,418**	**$ (271,769)**	**$ (2,330)**	**$ (495)**	**$ 42,011**	**$ 2,846,626**

• See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Years ended December 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 22,229**	¥ 35,452	**$ 244,275**
Adjustments for:			
Depreciation and amortization	**12,059**	11,968	**132,516**
Loss on impairment of fixed assets	**144**	95	**1,582**
Amortization of goodwill (negative goodwill)	**833**	(62)	**9,154**
Increase (decrease) in allowance for doubtful receivables	**324**	(251)	**3,560**
Reversal of liability for employees' retirement benefits	**(1,515)**	(1,658)	**(16,648)**
(Reversal of) provision for liability for directors' and corporate auditors' retirement benefits	**51**	(10)	**560**
Interest and dividend income	**(970)**	(911)	**(10,659)**
Interest expense	**67**	67	**736**
Loss on sales and disposal of property and equipment, net	**578**	425	**6,352**
Gain on sales of investments in securities	**(0)**	(806)	**(0)**
Gain on sales of affiliated companies, net	**—**	(189)	**—**
Decrease in notes and accounts receivable	**38,790**	10,799	**426,264**
Decrease in inventories	**3,577**	14,607	**39,308**
Decrease in notes and accounts payable	**(24,450)**	(10,371)	**(268,681)**
Other	**1,452**	1,256	**15,956**
Sub-total	**53,169**	60,411	**584,275**
Interest paid	**(86)**	(49)	**(945)**
Interest and dividends received	**977**	881	**10,736**
Income taxes paid	**(12,938)**	(14,029)	**(142,176)**
Net cash provided by operating activities	**41,122**	47,214	**451,890**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of a marketable security	**—**	220	**—**
Payments for purchases of property and equipment	**(9,047)**	(7,271)	**(99,418)**
Payments for purchases of intangible asset	**(8,580)**	(5,771)	**(94,286)**
Payments for purchases of investments in securities	**(816)**	(964)	**(8,967)**
Proceeds from sales of investments in securities	**4,075**	3,189	**44,780**
Payments for purchases of investments in subsidiaries	**(18)**	(344)	**(198)**
Payments for purchases of investments in subsidiaries accompanying changes in scope of consolidation	**—**	(9,439)	**—**
Proceeds from purchases of investments in subsidiaries accompanying changes in scope of consolidation	**33**	—	**363**
Proceeds from sales of affiliated companies	**—**	4,167	**—**
(Increase) decrease in short-term loans receivable	**(19,994)**	2	**(219,714)**
Payments for deposit of long-term time deposits	**—**	(1,000)	**—**
Proceeds from withdrawal of long-term time deposits	**—**	100	**—**
Increase in time deposits	**5,300**	(4,995)	**58,242**
Other	**80**	194	**879**
Net cash used in investing activities	**(28,967)**	(21,912)	**(318,319)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	**(474)**	(588)	**(5,209)**
Payments for purchases of treasury stock	**(15,067)**	(10,019)	**(165,571)**
Dividends paid	**(6,221)**	(5,715)	**(68,363)**
Other	**24**	(23)	**264**
Net cash used in financing activities	**(21,738)**	(16,345)	**(238,879)**
Effect of exchange rate changes on cash and cash equivalents	**(34)**	1	**(373)**
Net (decrease) increase in cash and cash equivalents	**(9,617)**	8,958	**(105,681)**
Cash and cash equivalents at beginning of year	**117,206**	108,248	**1,287,978**
Cash and cash equivalents at end of year	**¥ 107,589**	¥ 117,206	**$ 1,182,297**

• See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Canon Marketing Japan Inc. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The U.S. dollar amounts are included solely for convenience of the reader and are stated, as a matter of arithmetical computation only, at the exchange rate of ¥91=U.S.$1, the rate prevailing at December 31, 2008. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2 Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements for the year ended December 31, 2008 include the accounts of the Company and all of its 20 (24 in 2007) subsidiaries. Investments in nonconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

All intercompany accounts and transactions are eliminated in consolidation.

The excess of acquisition costs over net assets acquired is amortized generally over five years.

(b) Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments, including securities, time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition, to be cash equivalents.

(c) Securities

The held-to-maturity debt securities are stated at amortized cost. Available-for-sale marketable securities are stated at fair market value, with unrealized gain or loss, net of the applicable taxes, reported as a separate component of net assets. Available-for-sale marketable securities whose fair value is not readily determinable are stated at cost determined by the moving-average method.

(d) Inventories

Inventories are valued at cost. Cost is determined mainly by the moving-average method.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the declining-balance method for property and equipment, with the exception of items that are depreciated by the straight-line method at rates based on the estimated useful lives of the respective assets. These items are buildings purchased on or after April 1, 1998 (exclusive of furniture and fixtures), all buildings and structures of the Company's Makuhari office, all property and equipment of certain consolidated subsidiaries, and rental assets in the Business Solutions segment. The useful lives are as follows: buildings, mainly 50 years; furniture and fixtures, mainly five years; and rental assets, mainly three years. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

In accordance with the amendment to the Corporation Tax Law, from the first accounting period after the fiscal year in which fixed assets acquired on or before March 31, 2007 reach 5% of their acquisition value under the application of methods of depreciation based on the pre-amendment Corporation Tax Law, the Company shall apply straight-line depreciation over a period of five years to the difference between the amount equivalent to 5% of the acquisition value of the fixed assets acquired on or before March 31, 2007 and the memorandum value (1 yen) of those assets. The resulting amount will be recorded under depreciation and amortization in the accounts.

(f) Allowance for Employees' Retirement Benefits

In order to provide for employees' retirement benefits, the Company and its consolidated subsidiaries provide liability for employees' retirement benefits in an amount calculated based on the estimated projected benefit obligation and plan assets at the end of the fiscal year.

Unrecognized prior service cost is amortized by the straight-line method over the average service period of the eligible employees remaining at the time when it arose. Unrecognized actuarial gain or loss is amortized from the fiscal year following the year in which it arose, by the straight-line method over the average service period of the eligible employees remaining.

(g) Leases

Non-cancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating leases or capital leases, except in the case of lease agreements stipulating the transfer of ownership of the leased property to the lessee, which are accounted for as capital leases.

(h) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided in the amount required to cover possible losses on collection. It is determined by adding individually estimated uncollectible amounts for specific items to an amount based on the actual rate of uncollected receivables of the Company in prior years.

(i) Income Taxes

Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying the normal statutory rate of income taxes to the temporary differences.

(j) Translation of Foreign Currency Accounts
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at the balance sheet date. The foreign exchange gains and losses on translation are recognized in the accompanying consolidated statements of income.

(k) Foreign Currency Financial Statements
The balance sheet accounts and revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates except for the components of net assets excluding minority interests which are translated at their historical exchange rates.

(l) Per Share Amounts of Common Stock
Net income per share is calculated using net income available to holders of common stock which is computed more precisely than under previous standards, and the weighted average number of shares of common stock outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the respective fiscal years.

(m) Bonuses to Directors
Effective the year ended December 31, 2006, “Accounting Standard for Directors’ Bonus” (Accounting Standards Board of Japan (ASBJ) Statement No. 4, issued on November 29, 2005) was adopted. The estimated amount payable for the next round of directors’ bonuses, which are classed as expenses for the year ended December 31, 2008, has been included in the accounts for the current fiscal year.

(n) Allowance for Directors’ and Corporate Auditors’ Retirement Benefits
The Company and its consolidated subsidiaries pay lump-sum retirement benefits to directors and corporate auditors, the amounts of which are determined in accordance with the Company’s and its consolidated subsidiaries’ internal regulations. Also, in accordance with the Company’s and its consolidated subsidiaries’ internal regulations, a reserve is provided for such benefits at the amount that would be required to be paid if all directors and corporate auditors retired at the end of the fiscal year.

(o) Allowance for Long-Term Continuous Service Rewards
In order to set aside money for payment of rewards to employees who have given long-term continuous service determined in accordance with the Company’s internal regulations, we book allowance for long-term continuous service rewards based on the amount we expect to pay in the future.

The Company and some of its subsidiaries have established internal regulations related to the Refresh and Vacation System for employees who have been very diligent and have given long-term and continuous service. The system grants vacations and pays rewards at fixed intervals in order to refresh the minds and bodies of these employees and enable them to work with new vigor in the future.

Rewards related to the Refresh and Vacation System were formerly treated as an expense at the time they were paid. However, due to the fact that their monetary significance has increased as a result of the increase in the number of employees, and the fact that rational estimates have become possible with the enhancement of the functions of the Company’s attendance management system, we have changed to a method in which the liability is booked from the current period based on the amount we expect to pay in the future according to our internal regulations, in order to calculate period profit and loss more appropriately.

As a result of this change, operating income decreased by ¥116 million and income before income taxes and minority interests decreased by ¥1,045 million.

3 Assets Pledged as Collateral

Assets pledged as collateral for deferred payments of customs duties as of December 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Investments in securities	**¥ 222**	¥ 224	**$ 2,440**

4 Contingent Liabilities

Contingent liabilities at December 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Guarantees for employees' housing loans	**¥ 134**	¥ 159	**$ 1,473**
Contingent liabilities related to the reduction of corporate bonds by debt assumption	**—**	10,000	**—**
	¥ 134	¥ 10,159	**$ 1,473**

5 Inventories

Inventories at December 31, 2008 and 2007 were composed of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Merchandise	**¥ 24,767**	¥ 29,756	**$ 272,165**
Service parts	**5,143**	5,086	**56,516**
Work in progress	**3,411**	2,041	**37,484**
Supplies	**812**	778	**8,923**
Other	**11**	31	**121**
	¥ 34,144	¥ 37,692	**$ 375,209**

6 Consolidated Statement of Changes in Net Asset

Current consolidated fiscal year (from January 1, 2008 to December 31, 2008)

1. Matters pertaining to the types and total number of shares issued and the types and number of shares of treasury stock

	End of the previous fiscal year (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	End of the current fiscal year (Thousands of shares)
Issued stock				
Common stock	151,080	—	—	151,080
Total	151,080	—	—	151,080
Treasury stock				
Common stock	4,685	9,077	16	13,746
Total	4,685	9,077	16	13,746

Notes: 1. The increase of 9,077 thousands of shares of treasury common stock consists of an increase of 9,032 thousands of shares from the market purchase of treasury stock, and an increase of 45 thousands of shares from the purchase, etc. of fractional stock.

2. The decrease of 16 thousands of shares of treasury common stock is a decrease due to the sale of fractional stock.

2. Matters regarding dividends

(1) Payment of dividends

Resolution	Type of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Date effective
March 27, 2008 General stockholders' meeting	Common stock	¥ 3,221	¥ 22	December 31, 2007	March 28, 2008
July 23, 2008 Board of Directors' meeting	Common stock	¥ 2,873	¥ 20	June 30, 2008	August 26, 2008

(2) Dividends for which the base date falls within the current consolidated fiscal year and the date effective is in the following consolidated fiscal year

Resolution	Type of stock	Funds used to pay the dividend	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Date effective
March 26, 2009 General stockholders' meeting	Common stock	Retained earnings	¥ 2,747	¥ 20	December 31, 2008	March 27, 2009

Previous consolidated fiscal year (from January 1, 2007 to December 31, 2007)

1. Matters pertaining to the types and total number of shares issued and the types and number of shares of treasury stock

	End of the previous fiscal year (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	End of the current fiscal year (Thousands of shares)
Issued stock				
Common stock	150,524	556	—	151,080
Total	150,524	556	—	151,080
Treasury stock				
Common stock	845	4,642	802	4,685
Total	845	4,642	802	4,685

Notes: 1. The increase of 556 thousands in the total number of shares of common stock issued can be attributed to the issuance of new stock through a share exchange.

2. The increase of 4,642 thousands of shares of treasury common stock consists of an increase of 4,626 thousands of shares through market purchases of treasury stock, an increase of 4 thousands of shares from the acquisition of companies that held stock in this company, an increase of 4 thousands of shares from the acquisition of treasury stock (this company's stock) by consolidated subsidiaries as a result of a share exchange, and an increase of 8 thousands of shares from the purchase, etc. of fractional stock.

3. The decrease of 802 thousands of shares of treasury common stock consists of a decrease of 800 thousands of shares from a share exchange and a decrease of 2 thousands of shares from the sale, etc. of fractional stock.

2. Matters regarding dividends

(1) Payment of dividends

Resolution	Type of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Date effective
March 28, 2007 General stockholders' meeting	Common stock	¥ 2,694	¥ 18	December 31, 2006	March 29, 2007
July 25, 2007 Board of Directors' meeting	Common stock	¥ 2,694	¥ 18	June 30, 2007	August 24, 2007

(2) Dividends for which the base date falls within the current consolidated fiscal year and the effective date is in the following consolidated fiscal year

Resolution	Type of stock	Funds used to pay the dividend	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Date effective
March 27, 2008 General stockholders' meeting	Common stock	Retained earnings	¥ 3,221	¥ 22	December 31, 2007	March 28, 2008

7 Leases

(a) Finance Leases

Lease payments for finance leases excluding subleases, except for the lease agreements which stipulate the transfer of ownership of the leased property to the Company and its consolidated subsidiaries, were ¥3,082 million ($33,868 thousand) and ¥1,842 million for the years ended December 31, 2008 and 2007, respectively.

(For Lessee)

Future minimum lease payments subsequent to December 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Future minimum lease payments:			
Within one year	**¥ 3,300**	¥ 1,738	**$ 36,264**
Thereafter	**5,412**	2,634	**59,472**
	¥ 8,712	¥ 4,372	**$ 95,736**

Future minimum lease payments included the following subleases:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Future minimum lease payments:			
Within one year	**¥ 95**	¥ 93	**$ 1,044**
Thereafter	**126**	133	**1,385**
	¥ 221	¥ 226	**$ 2,429**

The following *pro forma* amounts represent acquisition cost, accumulated depreciation and amortization, and net book value of leased property as of December 31, 2008 and 2007, excluding subleases:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Acquisition cost:			
Machinery and vehicles	**¥ 269**	¥ 300	**$ 2,956**
Furniture and fixtures	**12,643**	6,044	**138,934**
Software	**612**	791	**6,726**
	¥ 13,524	¥ 7,135	**$ 148,616**
Accumulated depreciation and amortization:			
Machinery and vehicles	**¥ 191**	¥ 203	**$ 2,099**
Furniture and fixtures	**4,525**	2,383	**49,725**
Software	**317**	403	**3,484**
	¥ 5,033	¥ 2,989	**$ 55,308**
Net book value:			
Machinery and vehicles	**¥ 78**	¥ 97	**$ 857**
Furniture and fixtures	**8,118**	3,661	**89,209**
Software	**295**	388	**3,242**
	¥ 8,491	¥ 4,146	**$ 93,308**

(For Lessor)

Future minimum lease payments, which consist of subleases subsequent to December 31, 2008 and 2007, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Future minimum lease payments:			
Within one year	**¥ 95**	¥ 93	**$ 1,044**
Thereafter	**126**	133	**1,385**
	¥ 221	¥ 226	**$ 2,429**

(b) Operating Leases (Non-cancelable)

(For Lessee)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Future minimum lease payments:			
Within one year	**¥ 26**	¥ 155	**$ 286**
Thereafter	**33**	10	**362**
	¥ 59	¥ 165	**$ 648**

8 Securities

Securities held by the Company and its consolidated subsidiaries as of December 31, 2008 and 2007 were classified and included in the following accounts:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Securities classified as:			
Available-for-sale:			
Investments in securities	**¥ 5,198**	¥ 9,147	**$ 57,121**
Held-to-maturity:			
Cash and cash equivalents	**88,097**	86,492	**968,099**
Investments in securities	**1,222**	3,223	**13,428**
	89,319	89,715	**981,527**
	¥ 94,517	¥ 98,862	**$ 1,038,648**

The carrying amounts and aggregate fair values of investments in securities at December 31, 2008 and 2007 were as follows:

	Millions of yen			
	2008			
	Book value	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Corporate bonds	**¥ 1,000**	**¥ —**	**¥ (10)**	**¥ 990**
Government bonds	**222**	**3**	**—**	**225**
	¥ 1,222	**¥ 3**	**¥ (10)**	**¥ 1,215**

	Millions of yen			
	2008			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 3,908**	**¥ 579**	**¥ (1,032)**	**¥ 3,455**
Other	**11**	**—**	**(3)**	**8**
	¥ 3,919	**¥ 579**	**¥ (1,035)**	**¥ 3,463**

	Millions of yen			
	2007			
	Book value	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Corporate bonds	¥ 2,999	¥ 1	¥ (5)	¥ 2,995
Government bonds	224	1	—	225
	¥ 3,223	¥ 2	¥ (5)	¥ 3,220

	Millions of yen			
	2007			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,023	¥ 1,643	¥ (606)	¥ 5,060
Other	2,015	17	(0)	2,032
	¥ 6,038	¥ 1,660	¥ (606)	¥ 7,092

	Thousands of U.S. dollars (Note 1)			
	2008			
	Book value	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Corporate bonds	**$ 10,989**	**$ —**	**$ (110)**	**$ 10,879**
Government bonds	**2,440**	**33**	**—**	**2,473**
	$ 13,429	**$ 33**	**$ (110)**	**$ 13,352**

	Thousands of U.S. dollars (Note 1)			
	2008			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 42,945**	**$ 6,363**	**$ (11,341)**	**$ 37,967**
Other	**121**	**—**	**(33)**	**88**
	$ 43,066	**$ 6,363**	**$ (11,374)**	**$ 38,055**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of December 31, 2008 and 2007 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Available-for-sale:			
Equity securities	**¥ 1,697**	¥ 1,983	**$ 18,648**
Investments in investment partnerships	**38**	72	**417**
Held-to-maturity:			
Certificates of deposit	**87,100**	80,500	**957,143**
Commercial paper	**997**	5,992	**10,956**
	¥ 89,832	¥ 88,547	**$ 987,164**

Certificates of deposit, which had previously been classified as cash and cash equivalents, are included in marketable securities effective the year ended December 31, 2007. This change reflects the application of the revised “Practical Guideline on Accounting Standard for Financial Instruments” (Statement No. 14 of the Accounting Practice Committee, revised on July 4, 2007).

9 Derivatives

(For the year ended December 31, 2007)

1. Matters concerning derivative transactions
   (1) Types of derivative transactions
   A consolidated subsidiary uses interest rate swap transactions.

   (2) Policies of derivative transactions
   Derivatives are used only to avoid exposure to interest rate risk on loans, and speculative derivative transactions are prohibited.

   (3) Purpose of derivative transactions
   Derivatives are used only to avoid exposure to interest rate risk on loans, for the purpose of hedge accounting.

   ① Hedging instruments
   Interest rate swap agreements

   ② Hedged items
   Interest rates on borrowings

   ③ Hedging policies
   Interest rate swaps are used to hedge against future interest rate rises by fixing variable interest rates, and no speculative transactions are undertaken.

   ④ Method of evaluation of hedge effectiveness
   Because interest rate swaps qualify for “special accounting,” an evaluation of hedge effectiveness has been omitted.

   (4) Risk from derivative transactions
   The Group believes that the related credit risk is minimal, since the counterparties are Japanese banks with high credit ratings.

   (5) Risk management
   The managers of the subsidiary concerned implement and manage interest rate swaps according to their predictions of fluctuations in loan interest rates.

2. Matters concerning fair value
   There are no applicable items.
   Interest rate swap transactions are implemented, but these are subject to hedge accounting and, therefore, have not been disclosed.

10 Employees' Retirement and Severance Benefits

The Company has a defined contribution pension plan, a pension plan with a market-based variable accumulation rate (quasi-cash balance plan), and a lump-sum severance payment plan, and its domestic consolidated subsidiaries have defined benefit corporate pension plans, tax-qualified retirement pension plans and lump-sum severance payment plans.

The liability for employees' retirement benefits as of December 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Projected benefit obligation	**¥ 144,721**	¥ 137,181	**$ 1,590,341**
Fair value of plan assets	**(114,614)**	(131,465)	**(1,259,495)**
Unrecognized actuarial loss	**(31,282)**	(9,272)	**(343,758)**
Unrecognized prior service cost	**37,990**	41,886	**417,472**
Prepaid pension cost	**307**	247	**3,374**
Allowance for employees' retirement benefits	**¥ 37,122**	¥ 38,577	**$ 407,934**

The components of net periodic benefit costs for the years ended December 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	**2008**
Service cost	**¥ 6,211**	¥ 5,945	**$ 68,253**
Interest cost	**3,371**	3,276	**37,044**
Expected return on plan assets	**(4,245)**	(4,182)	**(46,648)**
Amortization of prior service cost	**(3,679)**	(3,690)	**(40,429)**
Amortization of actuarial loss	**1,256**	1,181	**13,802**
Other	**1,263**	1,220	**13,879**
Net periodic benefit costs	**¥ 4,177**	¥ 3,750	**$ 45,901**

Assumptions used in accounting for the above plans for the years ended December 31, 2008 and 2007 were principally as follows:

	2008	2007
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**1.0% - 3.4%**	1.0% - 3.4%
Amortization period of prior service cost	**10-16 years**	10-16 years
Recognition period of actuarial loss	**10-16 years**	10-16 years

11 Stock Option Plans

(For the year ended December 31, 2007)
1. Description of stock option plans, number of stock options and changes in number of stock options
(1) Description of stock option plans
ARGO 21 Corp.

	2003 Stock Option Plan		2005 Stock Option Plan	
Type and number of recipients	Directors of the subsidiary	9	Directors of the subsidiary	9
	Corporate auditors of the subsidiary	4	Corporate officers of the subsidiary	8
	Employees of the subsidiary (Note 1)	1,211	Employees of the subsidiary	973
	Directors of subsidiaries of the subsidiary	17	Directors of subsidiaries of the subsidiary	11
Number of stock options by type of stock to be issued (Note 2)	Common stock	588,300	Common stock	492,300
Grant date	August 5, 2003		August 8, 2005	
Vesting requirements	Remain employed from the grant date (August 5, 2003) to the end of the vesting period (August 31, 2005)		Remain employed from the grant date (August 8, 2005) to the end of the vesting period (August 31, 2007)	
Service period	For two years (from September 1, 2003 to August 31, 2005)		For two years (from September 1, 2005 to August 31, 2007)	
Exercisable period	From September 1, 2005 to August 31, 2007		From September 1, 2007 to August 31, 2009	

Notes: 1. Employees include advisors and temporary (part-time) workers.
2. The number of stock options is expressed based on the number of shares to be issued upon exercise.

(2) Number of stock options and changes in number of stock options
The following tables are based on the stock options which existed as of December 31, 2007. The number of stock options is expressed based on the number of shares to be issued upon exercise.
① Number of stock options
ARGO 21 Corp.

	2003 Stock Option Plan	2005 Stock Option Plan
Unvested:		
As of December 31, 2006	—	343,100
Granted	—	—
Forfeited	—	8,300
Vested	—	334,800
As of December 31, 2007	—	—
Vested:		
As of December 31, 2006	356,200	—
Vested	—	334,800
Exercised	265,700	197,400
Forfeited	90,500	137,400
As of December 31, 2007	—	—

Notes: 1. The amounts as of December 31, 2006 have been newly disclosed as a result of the consolidation of Argo 21 Corp. during the year ended December 31, 2007.
2. The amount forfeited after the exercise of the 2005 stock options represents the reduction resulting from cancellations.

② Per unit information

	2003 Stock Option Plan	2005 Stock Option Plan
Exercise price (Yen)	1,099	1,092
Average stock price on exercise (Yen)	1,393	1,325
Fair value per unit (as of grant date) (Yen)	—	—

12 Income Taxes

The normal statutory rate of income taxes was approximately 40.0% for the years ended December 31, 2008 and 2007.

The effective tax rate for the year ended December 31, 2008, differed from the normal statutory tax rate following the adoption of tax-effect accounting for the reasons outlined in the table below. For the year ended December 31, 2007, the difference between the normal statutory tax rate (40.0%) and the effective tax rate following the adoption of tax-effect accounting (41.6%) was 1.6 percentage points. Since this difference falls within the range of 0%-5% of the normal statutory tax rate, a breakdown of related items has been omitted.

	2008
Normal statutory tax rate	40.0 %
Entertainment and other expenses permanently not deductible for tax purposes	1.9
Per-capita levy of inhabitants taxes	1.8
Change in valuation allowance	1.7
Amortization of negative goodwill	1.4
Other	0.8
Effective tax rate following the adoption of tax-effect accounting	47.6 %

The effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of December 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
DEFERRED TAX ASSETS:			
Loss on disposal and devaluation of inventories	¥ 460	¥ 372	$ 5,055
Accrued business tax and business office tax	776	1,012	8,528
Accrued bonuses to employees	1,356	1,465	14,901
Excess amortization of software	3,173	2,629	34,868
Loss on impairment of fixed assets	960	905	10,549
Excess depreciation of fixed assets	824	815	9,055
Allowance for doubtful receivables	394	252	4,330
Allowance for employees' retirement benefits	14,912	15,604	163,868
Loss on devaluation of investments in securities	1,111	—	12,209
Other	5,380	5,316	59,121
Gross deferred tax assets	29,346	28,370	322,484
Less: valuation allowance	(3,389)	(2,313)	(37,242)
Total deferred tax assets	¥ 25,957	¥ 26,057	$ 285,242
DEFERRED TAX LIABILITIES:			
Net unrealized gain on available-for-sale securities	¥ 90	¥ 533	$ 989
Deferred capital gain	261	269	2,868
Special depreciation reserve	0	3	0
Other	177	284	1,945
Total deferred tax liabilities	528	1,089	5,802
Net deferred tax assets	¥ 25,429	¥ 24,968	$ 279,440

13 Segment Information

(a) Business Segment Information

Year ended or as of December 31,	Millions of yen					
	2008					
	Business Solutions	Consumer Equipment	Industrial Equipment	Total	Corporate and eliminations	Consolidated
Net sales:						
Third-party customers	**¥ 495,944**	**¥ 265,828**	**¥ 65,715**	**¥ 827,487**	**—**	**¥ 827,487**
Intersegment	**—**	**—**	**—**	**—**	**—**	**—**
Total	**495,944**	**265,828**	**65,715**	**827,487**	**—**	**827,487**
Operating expenses	**482,587**	**255,584**	**63,900**	**802,071**	**—**	**802,071**
Operating income	**¥ 13,357**	**¥ 10,244**	**¥ 1,815**	**¥ 25,416**	**—**	**¥ 25,416**
Total assets	**¥ 208,181**	**¥ 86,654**	**¥ 48,009**	**¥ 342,844**	**¥ 142,093**	**¥ 484,937**
Depreciation and amortization	**10,479**	**1,012**	**568**	**12,059**	**—**	**12,059**
Loss on impairment of fixed assets	**144**	**—**	**—**	**144**	**—**	**144**
Capital expenditures	**13,703**	**3,019**	**1,060**	**17,782**	**—**	**17,782**

Year ended or as of December 31,	Millions of yen					
	2007					
	Business Solutions	Consumer Equipment	Industrial Equipment	Total	Corporate and eliminations	Consolidated
Net sales:						
Third-party customers	¥ 516,720	¥ 284,376	¥ 104,041	¥ 905,137	—	¥ 905,137
Intersegment	—	—	—	—	—	—
Total	516,720	284,376	104,041	905,137	—	905,137
Operating expenses	499,496	270,042	98,713	868,251	—	868,251
Operating income	¥ 17,224	¥ 14,334	¥ 5,328	¥ 36,886	—	¥ 36,886
Total assets	¥ 217,682	¥ 92,508	¥ 80,209	¥ 390,399	¥ 135,726	¥ 526,125
Depreciation and amortization	10,126	1,118	724	11,968	—	11,968
Loss on impairment of fixed assets	95	—	—	95	—	95
Capital expenditures	9,750	1,939	1,074	12,763	—	12,763

Year ended or as of December 31,	Thousands of U.S. dollars (Note 1)					
	2008					
	Business Solutions	Consumer Equipment	Industrial Equipment	Total	Corporate and eliminations	Consolidated
Net sales:						
Third-party customers	**$ 5,449,934**	**$ 2,921,187**	**$ 722,143**	**$ 9,093,264**	**—**	**$ 9,093,264**
Intersegment	**—**	**—**	**—**	**—**	**—**	**—**
Total	**5,449,934**	**2,921,187**	**722,143**	**9,093,264**	**—**	**9,093,264**
Operating expenses	**5,303,154**	**2,808,615**	**702,198**	**8,813,967**	**—**	**8,813,967**
Operating income	**$ 146,780**	**$ 112,572**	**$ 19,945**	**$ 279,297**	**—**	**$ 279,297**
Total assets	**$ 2,287,703**	**$ 952,242**	**$ 527,571**	**$ 3,767,516**	**$ 1,561,462**	**$ 5,328,978**
Depreciation and amortization	**115,154**	**11,121**	**6,241**	**132,516**	**—**	**132,516**
Loss on impairment of fixed assets	**1,582**	**—**	**—**	**1,582**	**—**	**1,582**
Capital expenditures	**150,583**	**33,176**	**11,648**	**195,407**	**—**	**195,407**

(b) Geographic Segment Information

As international sales of the Company and its consolidated subsidiaries for the years ended December 31 , 2008 and 2007 constituted less than 10% of consolidated net sales, geographic segment information has not been disclosed.

(c) Overseas Sales

Overseas sales amounted to less than 10% of consolidated net sales for the years ended December 31, 2008 and 2007. For this reason, overseas sales have not been disclosed.

14 Transactions with Affiliated Companies

Current consolidated fiscal year (from January 1, 2008 to December 31, 2008)
Parent company and major corporate stockholders, etc.

Category	Name of company, etc.	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents		Contents of transactions		Transaction amount (Millions of yen)	Subject	Balance at end of fiscal year (Millions of yen)
						Board members holding concurrent positions	Business relationships					
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥ 174,762	Manufacture and sale of business equipment, consumer equipment, and industrial equipment	(Ownership) Direct 55.2% Indirect 0.0%	Two hold concurrent positions	Manufacture of products sold by Canon MJ	Operating transactions	Purchases of products	¥ 339,635	Accounts payable	¥ 89,467
									Sales of business equipment and consumables, etc.	¥ 15,716	Accounts receivable and others	¥ 3,712
								Non-operating transactions	Loans of capital	¥ 20,000	Short-term loans	¥ 20,000

Note: Transaction amounts do not include sales tax, etc., and the balance of credit and debt includes sales tax, etc.

Transaction conditions and policies for deciding transaction conditions, etc.
(1) Purchases of products are decided based on price negotiations each fiscal year, after considering market prices and proposing this company's desired prices.
(2) Sales of business equipment and consumables, etc. are subject to similar conditions as general transactions.
(3) With regard to loans of capital, interest rates on loans are decided rationally after considering market interest rates. Furthermore, collateral is not accepted.

Previous consolidated fiscal year (from January 1, 2007 to December 31, 2007)
Parent company and major corporate stockholders, etc.

Category	Name of company, etc.	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents		Contents of transactions		Transaction amount (Millions of yen)	Subject	Balance at end of fiscal year (Millions of yen)
						Board members holding concurrent positions	Business relationships					
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥ 174,698	Manufacture and sale of business equipment, consumer equipment, and industrial equipment	(Ownership) Direct 51.8% Indirect 0.0%	Two hold concurrent positions	Manufacture of products sold by Canon MJ	Operating transactions	Purchases of products	¥ 368,968	Accounts payable	¥ 107,466
									Sales of business equipment and consumables, etc.	¥ 18,518	Accounts receivable and others	¥ 5,899

Note: Transaction amounts do not include sales tax, etc., and the balance of credit and debt includes sales tax, etc.

Transaction conditions and policies for deciding transaction conditions, etc.
(1) Purchases of products are decided based on price negotiations each fiscal year, after considering market prices and proposing this company's desired prices.
(2) Sales of business equipment and consumables, etc. are subject to similar conditions as general transactions.

15 Business Combination

(For the year ended December 31, 2007)

Application of the purchase method
Purchase of ARGO 21 Corp.'s stock

1. Corporate name of the acquired entity
ARGO 21 Corp.

2. Business of the acquired entity
Supply of IT solutions (principally the supply of core system solutions to financial institutions and public corporations)

3. Purpose of business combination
To expand and strengthen the IT solutions business

4. Date of business combination
June 21, 2007

5. Legal form of business combination
Purchase of stock

6. Corporate name after business combination of the acquired entity ARGO 21 Corp.

7. Percentage of total shares acquired
83.18%

8. Period of operations of the acquired company included in the consolidated statement of income. From April 1, 2007 to December 31, 2007

9. Acquisition cost and its breakdown
Acquisition cost of shares
¥12,460 million ($109,298 thousand)

Expense directly incurred for acquisition (advisory fee)
¥315 million ($2,763 thousand)

10. ① Amount of goodwill
¥4,316 million ($37,860 thousand)

② Reason for the generation of goodwill
Expected increase in future profitability as a result of business development

③ Method of amortization of goodwill
Straight-line method

④ Period of amortization of goodwill
Over 5 years

11. Assets and liabilities of the acquired company as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars (Note 1)
① Current assets	¥ 10,330	$ 90,614
② Fixed assets	7,272	63,789
③ Total assets	¥ 17,602	$ 154,403
④ Current liabilities	¥ 4,587	$ 40,237
⑤ Long-term liabilities	2,818	24,719
⑥ Total liabilities	¥ 7,405	$ 64,956

12. Estimated effect on the consolidated statement of income for the year ended December 31, 2007 if the business combination had been completed on January 1, 2007

	Millions of yen	Thousands of U.S. dollars (Note 1)
	(Unaudited)	
① Sales	¥ 7,067	$ 61,991
② Gross profit	¥ 1,983	$ 17,395
③ Operating income	¥ 522	$ 4,579
④ Income before income taxes and minority interests	¥ 218	$ 1,912
⑤ Net income	¥ 19	$ 167

(Method of calculation and main assumptions for estimates)

The above estimated amounts were calculated on the basis of the consolidated sales and income figures of Argo 21 Corp. for the period from January 1, 2007 to March 31, 2007. The estimated amount of amortization of goodwill during this three-month period has been deducted.

Transaction under common control

1. Names and businesses of parent and subsidiary companies after business combination
① Sole parent company through stock exchange
(1) Corporate name
Canon Marketing Japan Inc.

(2) Business
Marketing of Business Solutions, Consumer Equipment, Industrial Equipment and provision of solutions with respect to these businesses

② Wholly owned subsidiary through an exchange of stock
(1) Corporate name
Argo 21 Corp.

(2) Business
Supply of IT solutions (principally the supply of core system solutions to financial institutions and public corporations)

2. Legal form of business combination
Exchange of stock

3. Corporate name of subsidiary after business combination
Argo 21 Corp.

4. Outline and purpose of the transaction
Based on the results of tender offers made up to June 2007, it was determined that Argo 21 Corp. should be converted into a wholly owned subsidiary through an exchange of stock to be implemented on November 1, 2007. This was done in order to protect the interests of minority stockholders, and to facilitate the planned merger of Argo 21 Corp. and Canon System Solutions Inc. in fiscal year 2008.

5. Method of accounting
Accounting treatment for the transaction under common control was in accordance with the "Accounting Standard for Business Combinations." (No goodwill was recognized.)

6. Additional acquisition of subsidiary's shares
① Acquisition cost
Acquisition cost of shares
¥2,339 million ($20,518 thousand)

② Stock exchange ratio and basis for determination of stock exchange ratio
(1) Type of shares and stock exchange ratio
Common stock
Canon Marketing Japan Inc. 1: Argo 21 Corp. 0.6

(2) Basis for determination of stock exchange ratio
The stock of the Company was valued at market. The stock of Argo 21 Corp. was valued at market and on the basis of the market value of net assets, comparisons with similar companies, and discounted cash flows. The stock exchange ratio was based on the combined results of these calculations.

(3) Number of shares delivered
1,356,076 shares (including 800,000 shares of substitute treasury stock)

(4) Value
¥2,339 million ($20,518 thousand)

16 Short-Term Bank Loans, Long-Term Bank Loans and Deposits

Short-term bank loans, long-term bank loans and deposits at December 31, 2008 and 2007 consisted of the following:

	Average interest rate	Millions of yen		Thousands of U.S. dollars (Note 1)
		2008	2007	**2008**
Short-term bank loans	—	**¥ —**	¥ 343	**$ —**
Long-term bank loans maturing in installments from March 31, 2009 to October 31, 2009	—	**—**	131	**—**
Deposits	0.30%	**2,781**	2,572	**30,560**
		¥ 2,781	¥ 3,046	**$ 30,560**

17 Stockholders' Equity

The Corporate Law of Japan went into effect on May 1, 2006, replacing the Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006.

The Corporate Law stipulates that the amounts actually paid in or provided in consideration for newly issued stock shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital.

Under the Corporate Law, a company that meets certain criteria can establish its Articles of Incorporation so that dividends can be paid to its existing stockholders by resolution of the Board of Directors, without requiring the approval of a resolution at a general stockholders' meeting. The Company has met said criteria and amended its Articles of Incorporation at the annual general stockholders' meeting for fiscal 2006. The Corporate Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. However, such appropriation cannot be made if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e. the aggregate amount of the Company's legal reserve has already reached 25% of its common stock).

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Canon Marketing Japan Inc.

We have audited the accompanying consolidated balance sheets of Canon Marketing Japan Inc. and consolidated subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Canon Marketing Japan Inc. and consolidated subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

March 25, 2009

CORPORATE DATA

HEADQUARTERS
Canon S Tower, 16-6, Konan 2-chome,
Minato-ku, Tokyo 108-8011, Japan

DATE OF ESTABLISHMENT
February 1, 1968

CAPITAL STOCK
¥73,303,082,757

STOCK
151,079,972 shares

STOCK LISTING
Canon Marketing Japan Inc.'s common stock is traded on the First Section of the Tokyo Stock Exchange.

NUMBER OF EMPLOYEES
Consolidated: 19,034
Non-consolidated: 5,762
(As of December 31, 2008)

MAIN LOCATIONS OF OPERATIONS
Headquarters, Makuhari office and branches (Sapporo, Sendai, Nagoya, Osaka, Hiroshima and Fukuoka)
(As of April 1, 2009)

MAJOR STOCKHOLDERS

Name of Stockholder	Number of shares held (thousands)	Percentage of ownership* (%)
Canon Inc.	75,709	50.11
Canon Marketing Japan Inc.	13,746	9.09
CB New York Orbis SI CAV	5,110	3.38
Canon Marketing Japan Inc. Employee Stockholding Plan	3,679	2.43
Japan Trustee Services Bank, Ltd.(4G)	2,916	1.92
Japan Trustee Services Bank, Ltd.	2,815	1.86
Northern Trust Company AVFC re Fidelity Funds	2,408	1.59
The Bank of New York Treaty Jasdec Account	1,560	1.03
The Master Trust Bank of Japan, Ltd.	1,535	1.01
Danske Bank Clients Holdings	1,319	0.87

*Percentage figures exclude Canon MJ's treasury stock holdings. With these holdings, the figure for Canon Inc. would be 50.1%

CANON MJ INVESTOR RELATIONS WEBSITE
Canon MJ maintains a comprehensive Investor Relations website to further facilitate communication with stockholders. The website contains:

- News for investors
- IR calendar
- Financial results and other financial information
- Information on the Three-Year Management Plan (fiscal year 2009–2011)
- Stock information
- Annual reports

Canon Marketing Japan Inc.

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Canon Marketing Japan Website (Investor Relations)
http://cweb.canon.jp/co-profile/ir-e

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