

Canon Marketing Japan Inc. Second Quarter 2012 Results

July 25, 2012

Yo Shibasaki

Director

Senior Vice President

Canon

Canon Marketing Japan Inc.

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

billions of yen

Three months	2Q 2011	2Q 2012	Changes	
			%	
Net Sales	142.8	165.3	+22.5	+16%
	(36.2%)	(36.3%)	(+0.1%)	
Gross Profit	51.6	60.0	+8.3	+16%
	(0.0%)	(2.6%)	(+2.6%)	
Operating Income	0.0	4.3	+4.3	—
	(1.1%)	(3.0%)	(+1.9%)	
Ordinary Income	1.6	5.0	+3.5	+223%
	(1.7%)	(1.7%)	(Δ0.1%)	
Net Income	2.5	2.7	+0.3	+10%

1-2. Consolidated Statements of Income

(April 1 ~ June 30)

Three months	2Q 2011		2Q 2012		billions of yen Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	Business Solutions	76.0	-1.2	85.2	1.7	+9.2
IT Solutions	31.5	-0.8	32.4	-0.4	+0.9	+0.4
Consumer imaging	38.5	1.8	46.8	3.3	+8.3	+1.5
Industrial equipment	3.6	0.1	7.0	-0.5	+3.3	-0.6
Other	-6.8	0.0	-6.1	0.1	+0.8	+0.1
Total	142.8	0.0	165.3	4.3	+22.5	+4.3

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

billions of yen

Six months	FY 2011	FY 2012	Changes	
	1Q-2Q	1Q-2Q	%	
Net Sales	294.3	332.8	+38.5	+13%
	(35.1%)	(35.6%)	(+0.5%)	
Gross Profit	103.3	118.5	+15.2	+15%
	(0.4%)	(2.3%)	(+1.9%)	
Operating Income	1.2	7.8	+6.6	+535%
	(1.0%)	(2.6%)	(+1.6%)	
Ordinary Income	2.9	8.7	+5.8	+198%
	(0.6%)	(1.4%)	(+0.8%)	
Net Income	1.9	4.7	+2.8	+146%

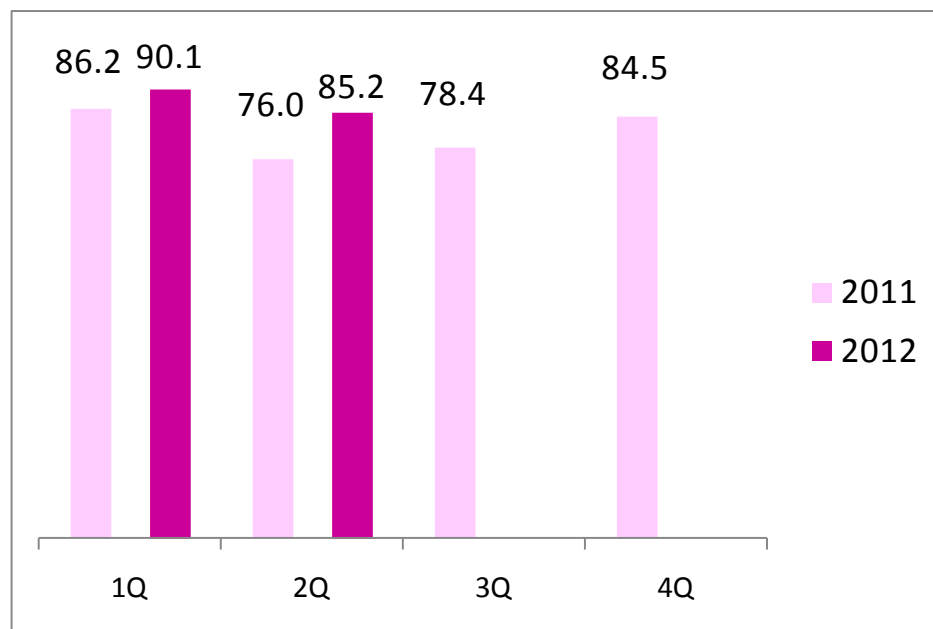
1-4. Consolidated Statements of Income

(January 1 ~ June 30)

Six months	FY 2011 1Q-2Q		FY 2012 1Q-2Q		billions of yen Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	Business Solutions	162.2	1.1	175.3	5.5	+13.2
IT Solutions	63.0	-1.6	66.7	0.0	+3.7	+1.6
Consumer imaging	76.6	1.5	86.1	2.3	+9.5	+0.8
Industrial equipment	6.7	0.1	17.7	-0.2	+11.0	-0.3
Other	-14.1	0.1	-13.0	0.2	+1.2	+0.1
Total	294.3	1.2	332.8	7.8	+38.5	+6.6

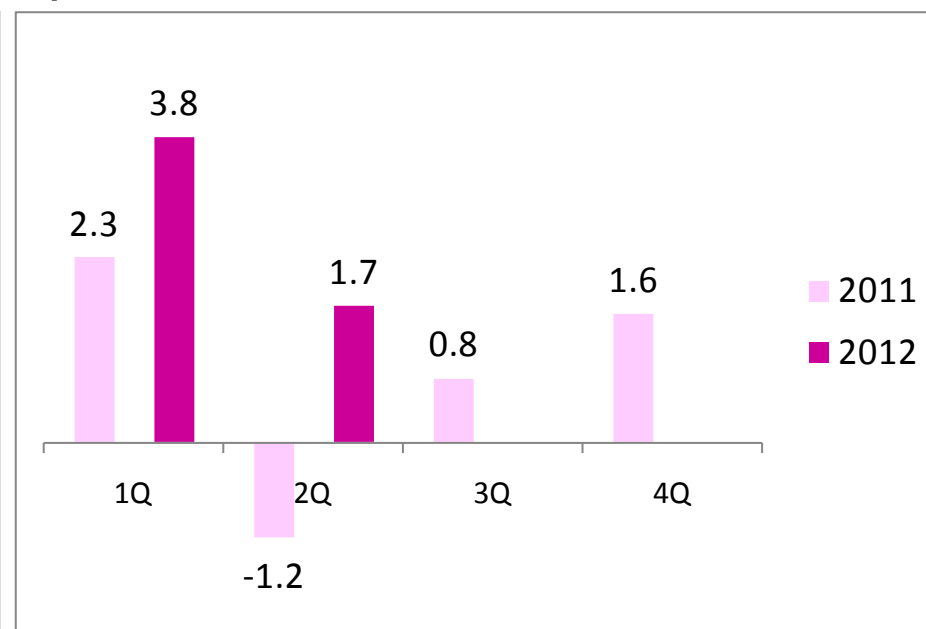
2-1. Segment Information : Business Solutions

Sales



Op. Income

billions of yen



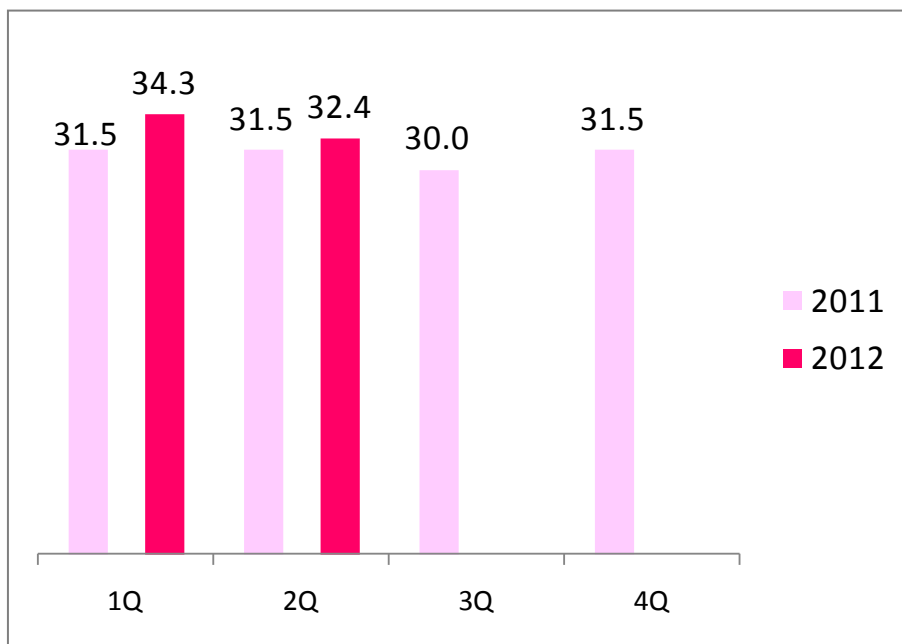
Net Sales	2Q 2011	2Q 2012	Change
Total	76.0	85.2	+ 9.2

Operating Income	2Q 2011	2Q 2012	Change
Total	-1.2	1.7	+2.9

2-2. Segment Information : *IT Solutions*

billions of yen

Sales



Op. Income

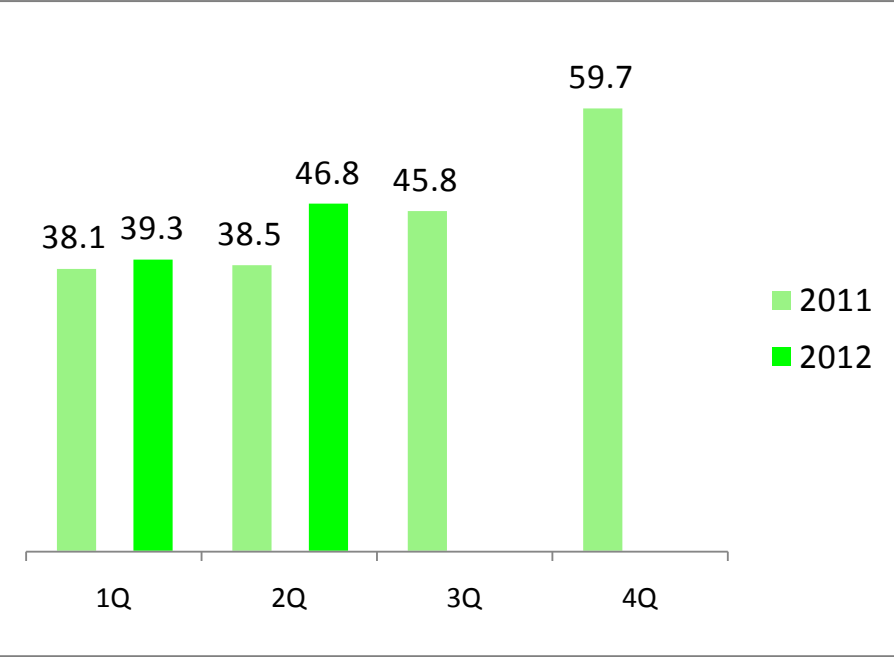


Net Sales	2Q 2011	2Q 2012	Change
Total	31.5	32.4	+0.9

Operating Income	2Q 2011	2Q 2012	Change
Total	-0.8	-0.4	+0.4

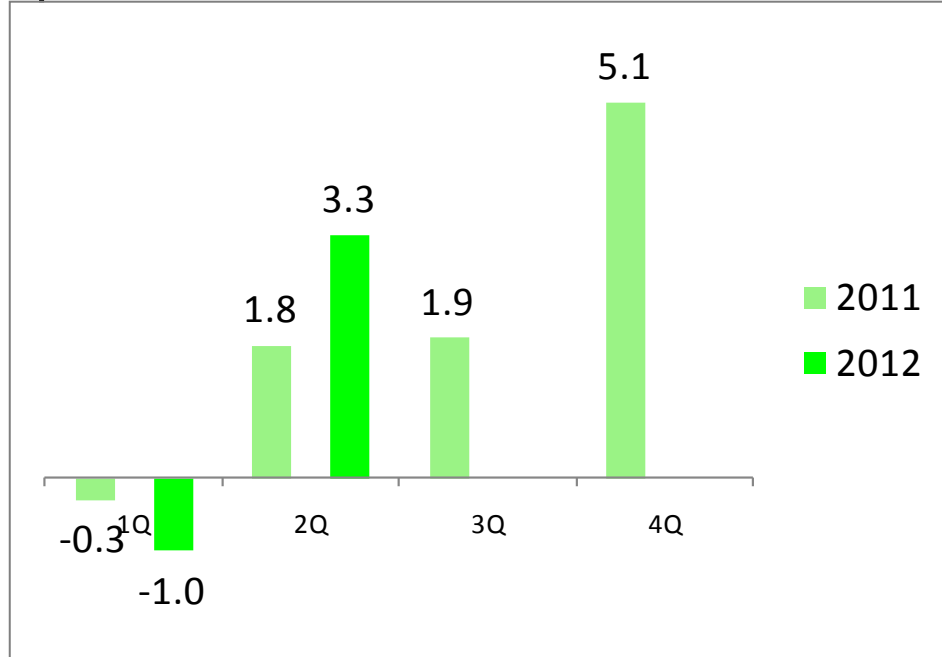
2-3. Segment Information: Consumer Imaging

Sales



Op. Income

billions of yen

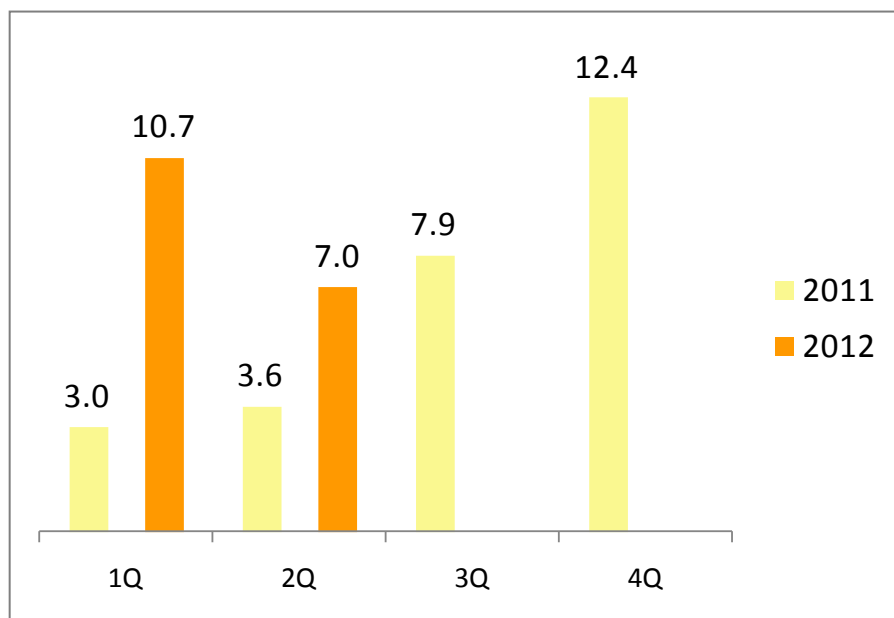


Net Sales	2Q 2011	2Q 2012	Change
Total	38.5	46.8	+8.3

Operating Income	2Q 2011	2Q 2012	Change
Total	1.8	3.3	1.5

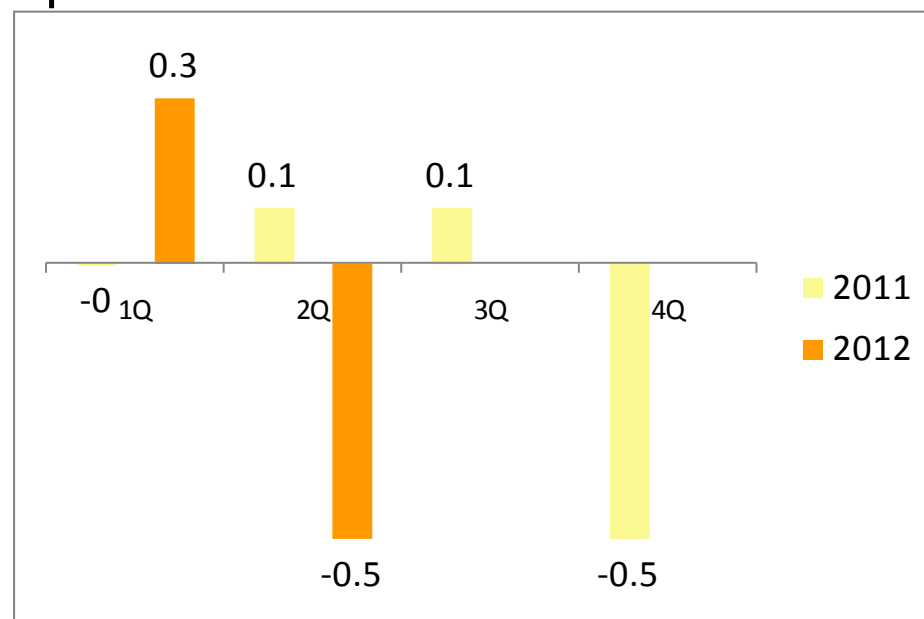
2-4. Segment Information : *Industrial equipment*

Sales



Op. Income

billions of yen



Net Sales	2Q 2011	2Q 2012	Change
Total	3.6	7.0	+3.3

Operating Income	2Q 2011	2Q 2012	Change
Total	0.1	-0.5	-0.6

FY 2012 Projections

Canon

Canon Marketing Japan Inc.

1. FY2012 Current Projection

billions of yen

	FY 2012 Previous Projection	FY 2012 Current Projection	Changes	FY2011 Result	Changes
Net Sales	717.0	701.0	-16.0	632.4	+68.6
	(1.7%)	(2.4%)	(+0.8%)	(1.3%)	(+1.1%)
Operating Income	12.0	17.0	+5.0	8.4	+8.6
	(1.8%)	(2.6%)	(+0.7%)	(1.7%)	(+0.9%)
Ordinary Income	13.1	18.0	+4.9	10.7	+7.3
	(1.0%)	(1.4%)	(+0.5%)	(1.1%)	(+0.4%)
Net Income	7.0	10.0	+3.0	6.8	+3.2

2. FY2012 Current Projection by segment

billions of yen

Changes

FY 2012
Previous Projection

FY 2012
Current Projection

FY2011
Result

Net
Sales

Operating
Income

Net
Sales

Operating
Income

Net
Sales

Operating
Income

Net
Sales

Operating
Income

Business Solutions

352.0

3.5

348.0

7.0

325.1

3.5

+7%

+3.5

IT Solutions

134.9

-1.3

134.0

0.3

124.5

-3.1

+8%

+3.4

Consumer imaging

212.5

9.3

207.0

9.3

182.1

8.5

+14%

+0.8

Industrial equipment

39.1

0.1

37.5

-0.2

27.0

-0.3

+39%

+0.1

Other

-21.5

0.4

-25.5

0.6

-26.3

-0.1

-3%

+0.7

Total

717.0

12.0

701.0

17.0

632.4

8.4

+11%

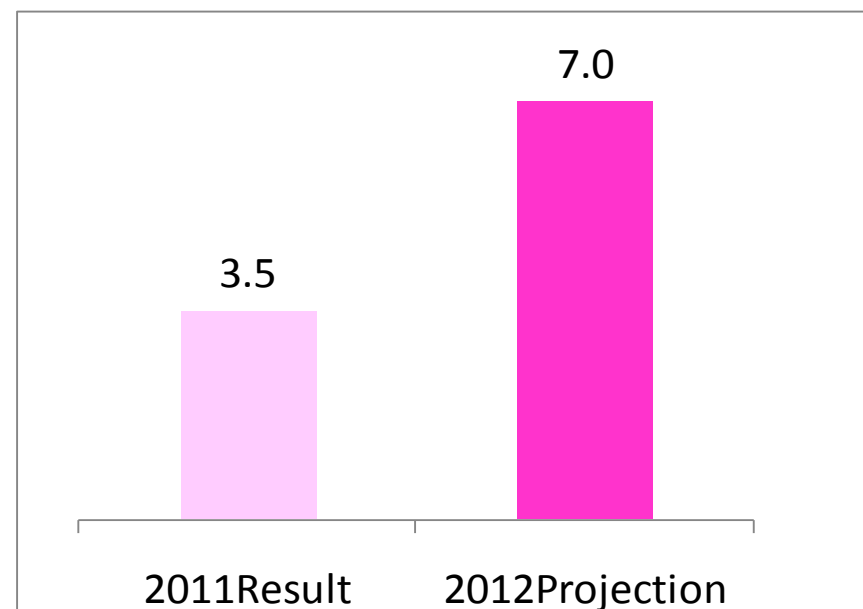
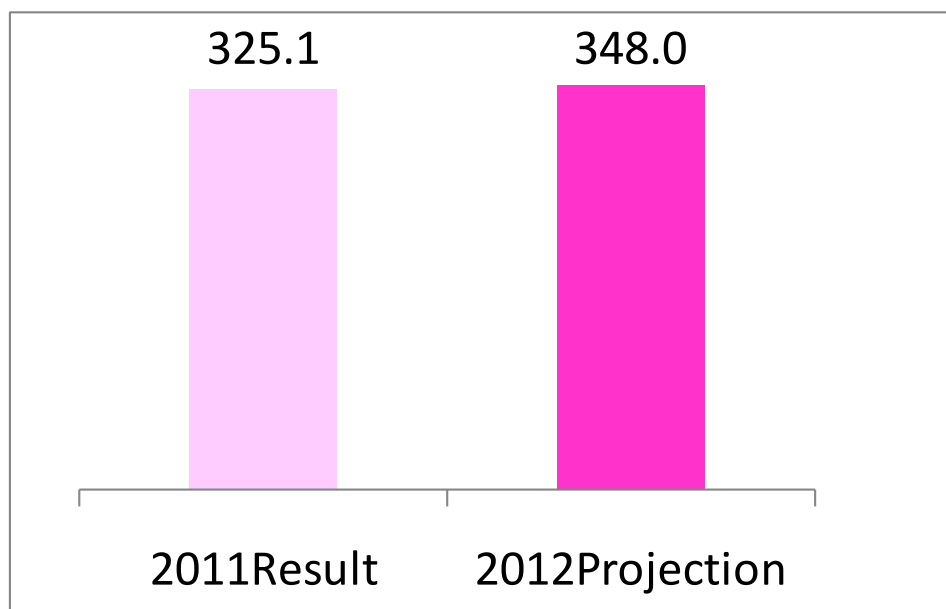
+8.6

3-1. Segment Information : *Business Solutions*

Sales

Op. Income

billions of yen



Net Sales	FY 2011	FY 2012	Change
Total	325.1	348.0	+22.9

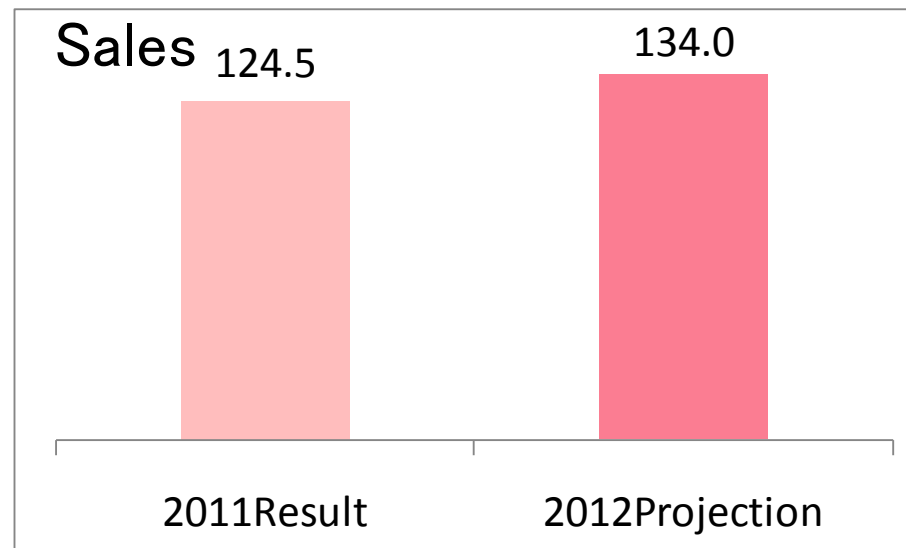
Operating Income	FY 2011	FY 2012	Change
Total	3.5	7.0	+ 3.5

3-2. Segment Information : *IT Solutions*

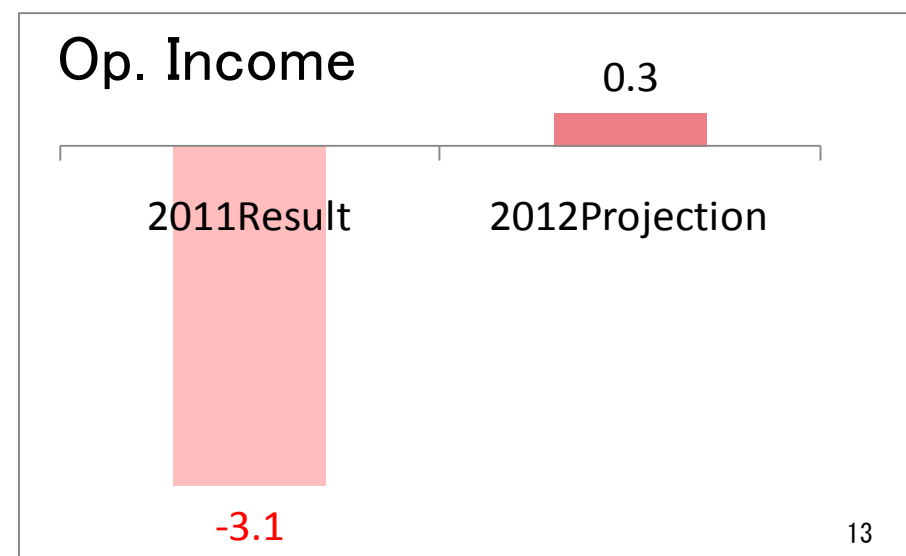
billions of yen

Net Sales	FY 2011	FY 2012	Change
Total	124.5	134.0	+ 9.5

Operating Income	FY 2011	FY 2012	Change
Total	-3.1	0.3	+3.4

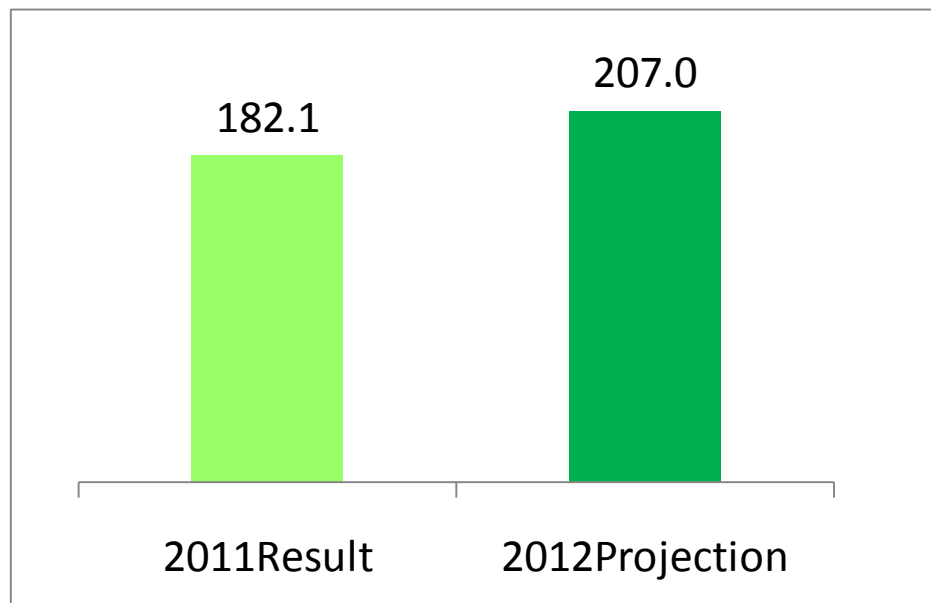


Growth rate YoY		
System Integration Business	2011	-9%
	2012	+8%
IT Infrastructure & Service Business	2011	+4%
	2012	+3%
Embedded System Business	2011	-14%
	2012	+6%
Products Business	2011	-8%
	2012	+10%



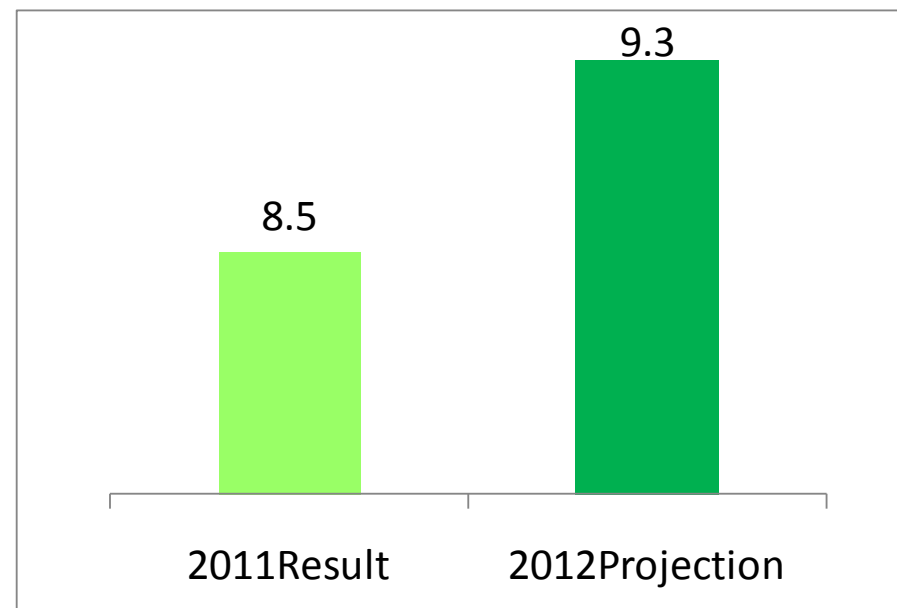
3-3. Segment Information: *Consumer Imaging*

Sales



Op. Income

billions of yen

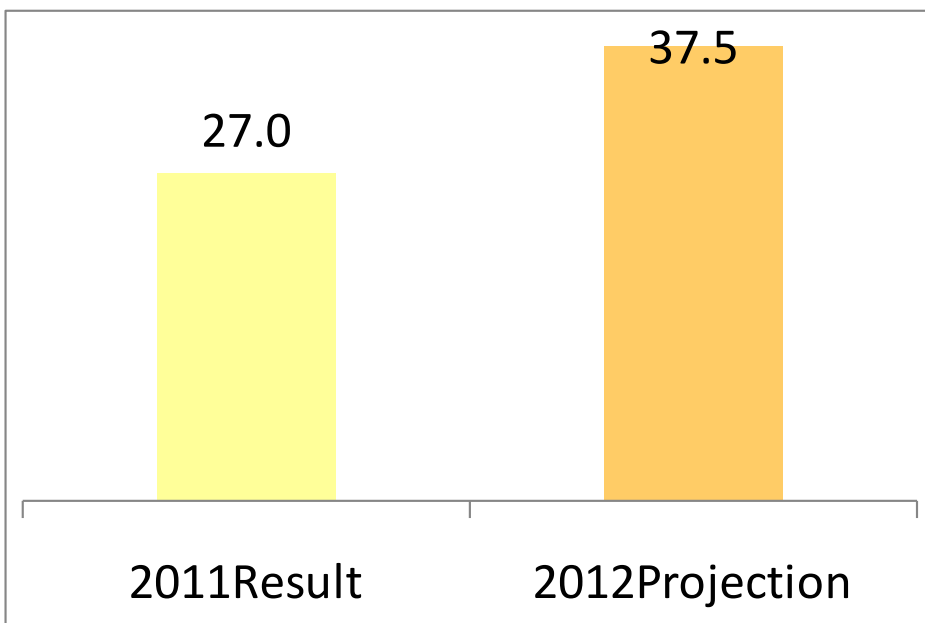


Net Sales	FY 2011	FY 2012	Change
Total	182.1	207.0	+24.9

Operating Income	FY 2011	FY 2012	Change
Total	8.5	9.3	+0.8

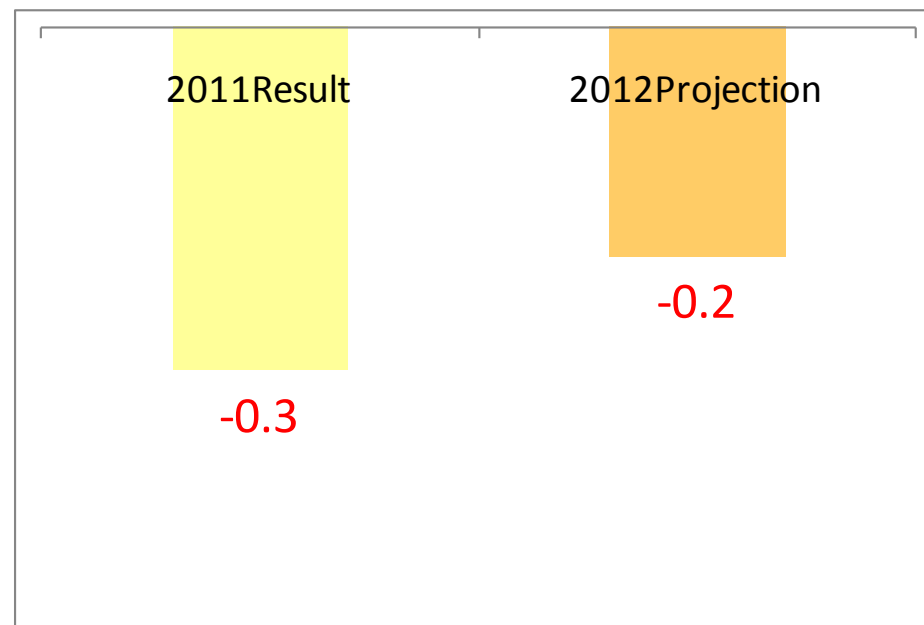
3-4. Segment Information : *Industrial equipment*

Sales



Op. Income

billions of yen



Net Sales	FY 2011	FY 2012	Change
Total	27.0	37.5	+10.5

Operating Income	FY 2011	FY 2012	Change
Total	-0.3	-0.2	+0.1

Supplementary information

Canon

Canon Marketing Japan Inc.

1. The main consolidated company results

Three months	billions of yen					
	2Q 2011		2Q 2012		Changes	
	Net Sales	O.P	Net Sales	O.P	Net Sales	O.P
Business Solutions		(-)		(0.1%)	+11%	(-)
Canon System & Support	23.1	-0.9	25.5	0.0	+2.4	+0.9
SHOWA INFORMATION SYSTEMS	2.9	-0.0	3.0	0.2	+0.2	+0.2
IT Solutions		(-)		(0.1%)	+6%	(-)
Canon IT Solutions (Consolidated)	18.3	-0.1	19.4	0.0	+1.1	+0.1
Canon Software (Consolidated)	6.5	0.4	5.3	0.4	-1.1	+0.1
IT Solutions TOTAL	24.7	0.3	24.8	0.5	+0.0	+0.2
Industrial equipment		(-)		(-)	+9%	(-)
ELK CORPORATION (Consolidated)	4.2	-0.3	4.6	-0.2	+0.4	+0.1

2. Selling, general and administrative expenses

billions of yen

	2011		2012		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Advertising expenses	1.7	4.1	2.2	5.1	+0.5	+0.9
Promotion expenses	4.9	8.9	6.1	11.4	+1.2	+2.5
Warranty expenses	2.5	4.8	2.3	4.5	-0.1	-0.3
Other direct expenses	3.3	6.9	3.5	6.8	+0.2	-0.1
Personal expenses	30.6	59.8	32.2	63.7	+1.6	+3.9
Depreciation and amortization	0.7	1.3	0.6	1.3	-0.1	-0.1
Rent expenses	1.8	3.7	1.8	3.8	-0.1	+0.1
IT expenses	2.0	3.9	2.1	4.3	+0.1	+0.4
Other selling expenses	4.3	8.7	4.9	9.8	+0.6	+1.2
TOTAL	51.6	102.1	55.7	110.7	+4.1	+8.6

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

Billions of yen

	2011		2012		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Interest & Dividends income	0.2	0.3	0.1	0.2	-0.0	-0.1
Other	1.5	1.7	0.7	0.9	-0.8	-0.8
Total non-operating income	1.7	1.9	0.9	1.1	-0.8	-0.8
Interest expenses	0.0	0.1	0.0	0.0	-0.0	-0.0
Other	0.1	0.2	0.1	0.2	+0.0	+0.0
Total non-operating expenses	0.1	0.3	0.1	0.3	-0.0	-0.0
Gain on negative goodwill	2.4	2.4	0.2	0.2	-2.2	-2.2
Gain on sales of noncurrent assets	0.0	0.0	0.1	0.1	-0.0	-0.0
Gain on sales of investment securities	-	-	0.0	0.0	+0.1	+0.1
Other	-	0.0	-	0.0	-	+0.0
Total extraordinary income	2.4	2.4	0.2	0.2	-2.2	-2.2
Loss on adjustment for changes of accounting standard for asset retirement obligations	0.0	1.2	-	-	-0.0	-1.2
Loss on disaster	0.0	1.0	-	-	-0.0	-1.0
Loss on valuation of investment securities	0.0	0.3	-	-	-0.0	-0.3
Loss on sales of investment securities	-	-	-0.0	0.0	-0.0	+0.0
Loss on sales and retirement of noncurrent assets	0.1	0.2	0.1	0.2	+0.0	+0.1
Impairment loss	0.2	0.2	-	0.0	-0.2	-0.2
Office transfer expenses	-	0.0	-	0.1	-	+0.1
Other	0.0	0.2	0.0	0.0	-0.0	-0.2
Total extraordinary losses	0.4	3.0	0.1	0.4	-0.3	-2.7

4. Balance sheets & Turnover Date

	billions of yen		
	Dec. 31, 2011	June. 30, 2012	changes
Assets			
Current assets	301.9	301.3	-0.5
Cash and deposits	102.5	110.9	+8.4
Notes and accounts receivable trade	123.0	110.2	-12.8
Inventories	26.3	29.5	+3.1
Other	50.0	50.7	+0.7
Noncurrent assets	145.9	145.8	-0.1
Property, plant and equipment	91.9	95.8	+3.9
Intangible assets	20.4	18.1	-2.3
Investments and other assets	33.5	31.9	-1.6
Total assets	447.8	447.2	-0.6

Liabilities			
Current liabilities	151.1	147.6	-3.5
Notes and accounts payable-trade	100.0	91.2	-8.8
Other	51.0	56.4	+5.3
Noncurrent liabilities	45.4	45.2	-0.2

Net Assets			
Shareholders' equity	250.9	254.3	+3.5
Treasury stock	-22.2	-21.9	+0.3
Accumulated other comprehensive income	-0.2	-0.2	+0.0
Minority interests	0.6	0.2	-0.4
Total net assets	251.3	254.4	+3.1
Total liabilities and net assets	447.8	447.2	-0.6

Equity ratio 56% 57% +1%

<i>Turnover Date</i>	Inventories	Notes and accounts receivable
FY2008	15	67
FY2009	13	65
FY2010	11	64
FY2011	14	66
2Q 2012	16	60

5. Cash flows & Capital Investment

Capital Investment and Depreciation and amortization

billions of yen

■ Investment

	1Q-2Q Result	3Q-4Q Projection	FY Projection
2011	9.1	7.1	16.2
2012	10.2	12.1	22.4

■ Depreciation and amortization

	1Q-2Q Result	3Q-4Q Projection	FY Projection
2011	7.3	8.0	15.3
2012	7.7	8.8	16.6

Cash flow

billions of yen

Net cash provided by
(used in) operating activities

Net cash provided by
(used in) investing activities

2011 1Q-2Q	2012 1Q-2Q
-5.1	19.6
-3.9	-8.6

Disclaimer:

Projections made in this report are based on information available at the time of publication.

Owing to various factors, actual results may differ from these projections.