

# **Canon Marketing Japan Inc.**

## **Third Quarter 2012 Results**

**October 24, 2012**

***Yo Shibasaki***

***Director***

**Senior Vice President**

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**Canon**

Canon Marketing Japan Inc.

# 1-1. 3Q FY2012 Consolidated Results

(July 1 ~ September 30)

billions of yen

Three months	3Q 2011	3Q 2012	Changes	
				%
<b>Net Sales</b>	<b>156.1</b>	<b>159.3</b>	<b>+3.2</b>	<b>+2%</b>
	(35.6%)	(35.8%)	(+0.2%)	
<b>Gross Profit</b>	<b>55.6</b>	<b>57.1</b>	<b>+1.5</b>	<b>+3%</b>
	(0.9%)	(1.3%)	(+0.4%)	
<b>Operating Income</b>	<b>1.4</b>	<b>2.1</b>	<b>+0.7</b>	<b>+54%</b>
	(1.0%)	(1.4%)	(+0.5%)	
<b>Ordinary Income</b>	<b>1.5</b>	<b>2.3</b>	<b>+0.8</b>	<b>+51%</b>
	(0.3%)	(0.7%)	(+0.4%)	
<b>Net Income</b>	<b>0.5</b>	<b>1.1</b>	<b>+0.6</b>	<b>+127%</b>

# 1-2. 3Q FY2012 Results by segment

(July 1 ~ September 30)

billions of yen

Three months	3Q 2011		3Q 2012		Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Solutions	78.4	0.8	83.0	0.9	+4.6	+0.1
IT Solutions	30.0	-1.1	31.8	-0.1	+1.8	+1.0
Consumer Imaging	45.8	1.9	44.2	1.8	-1.6	-0.1
Industrial Equipment	7.9	-0.0	6.5	-0.6	-1.4	-0.5
Other	-6.0	-0.2	-6.2	0.1	-0.2	+0.3
<b>Total</b>	<b>156.1</b>	<b>1.4</b>	<b>159.3</b>	<b>2.1</b>	<b>+3.2</b>	<b>+0.7</b>

# 1-3. YTD FY 2012 Consolidated Results

(January 1 ~ September 30)

billions of yen

Nine months	FY 2011 1Q-3Q	FY 2012 1Q-3Q	Changes	
				%
<b>Net Sales</b>	<b>450.4</b>	<b>492.2</b>	<b>+41.8</b>	<b>+9%</b>
	(35.3%)	(35.7%)	(+0.4%)	
<b>Gross Profit</b>	<b>158.9</b>	<b>175.5</b>	<b>+16.7</b>	<b>+10%</b>
	(0.6%)	(2.0%)	(+1.4%)	
<b>Operating Income</b>	<b>2.6</b>	<b>9.9</b>	<b>+7.3</b>	<b>+284%</b>
	(1.0%)	(2.2%)	(+1.2%)	
<b>Ordinary Income</b>	<b>4.4</b>	<b>11.0</b>	<b>+6.5</b>	<b>+148%</b>
	(0.5%)	(1.2%)	(+0.7%)	
<b>Net Income</b>	<b>2.4</b>	<b>5.8</b>	<b>+3.4</b>	<b>+142%</b>

# 1-4. YTD FY 2012 Results by segment

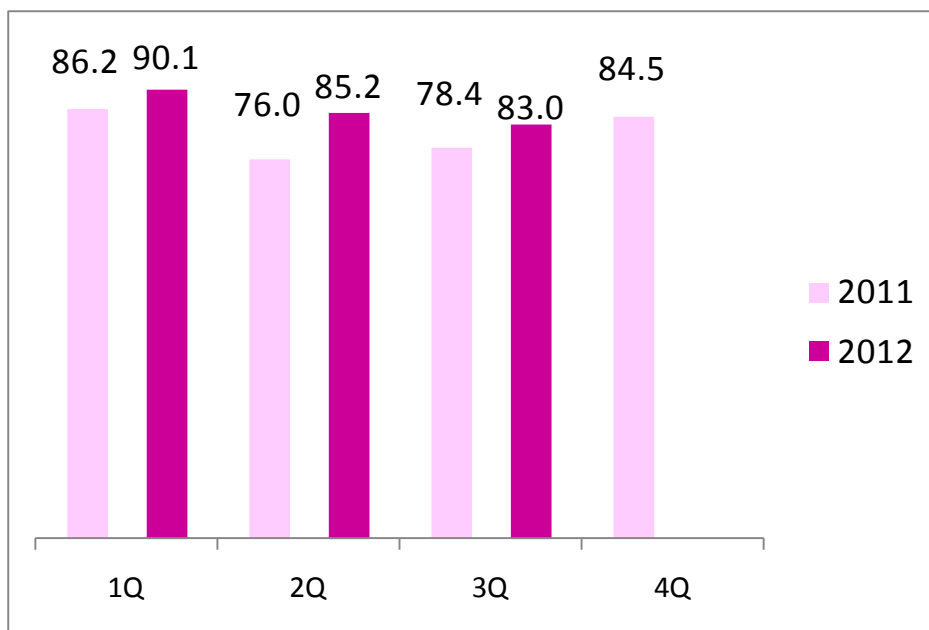
(January 1 ~ September 30)

billions of yen

Nine months	FY 2011 1Q-3Q		FY 2012 1Q-3Q		Changes	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Business Solutions	240.6	1.9	258.3	6.3	+17.8	+4.4
IT Solutions	93.0	-2.6	98.5	-0.1	+5.6	+2.5
Consumer Imaging	122.4	3.4	130.3	4.1	+7.9	+0.7
Industrial Equipment	14.5	0.0	24.2	-0.7	+9.6	-0.8
Other	-20.1	-0.1	-19.2	0.3	+1.0	+0.4
<b>Total</b>	<b>450.4</b>	<b>2.6</b>	<b>492.2</b>	<b>9.9</b>	<b>+41.8</b>	<b>+7.3</b>

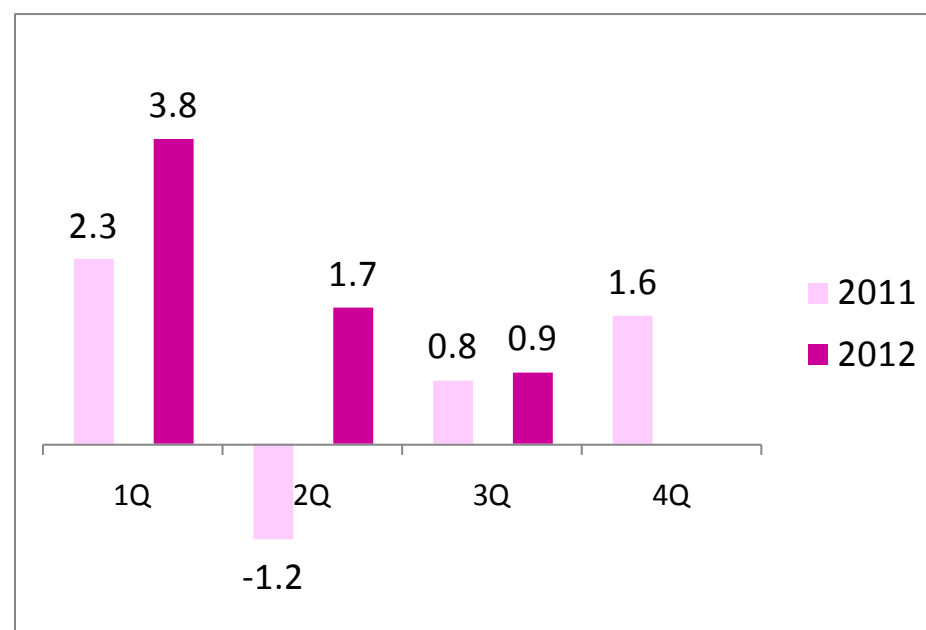
## 2-1. Segment Information : Business Solutions

### Sales



### Operating Income

billions of yen



#### ■ 1Q- 3Q Results 2012 v. 2011

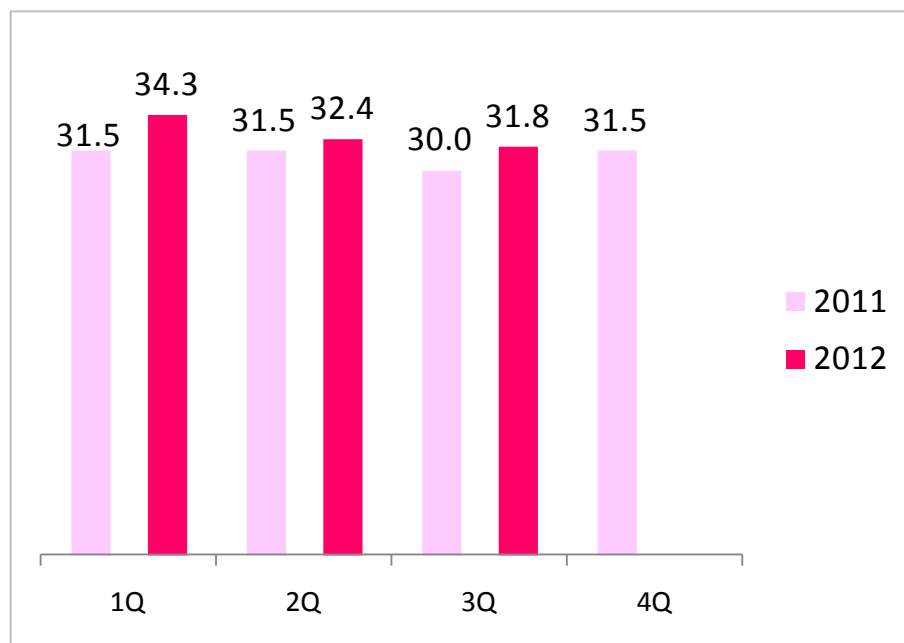
	1Q-3Q 2011	1Q-3Q 2012	Change
Net Sales	240.6	258.3	+ 17.8
Operating Income	1.9	6.3	+4.4

#### ■ Sales year-on-year rate of change table

	1Q	2Q	3Q	4Q	FY
FY 2011	-4%	-10%	-6%	-0%	-5%
FY 2012	+5%	+12%	+6%	-	+7%

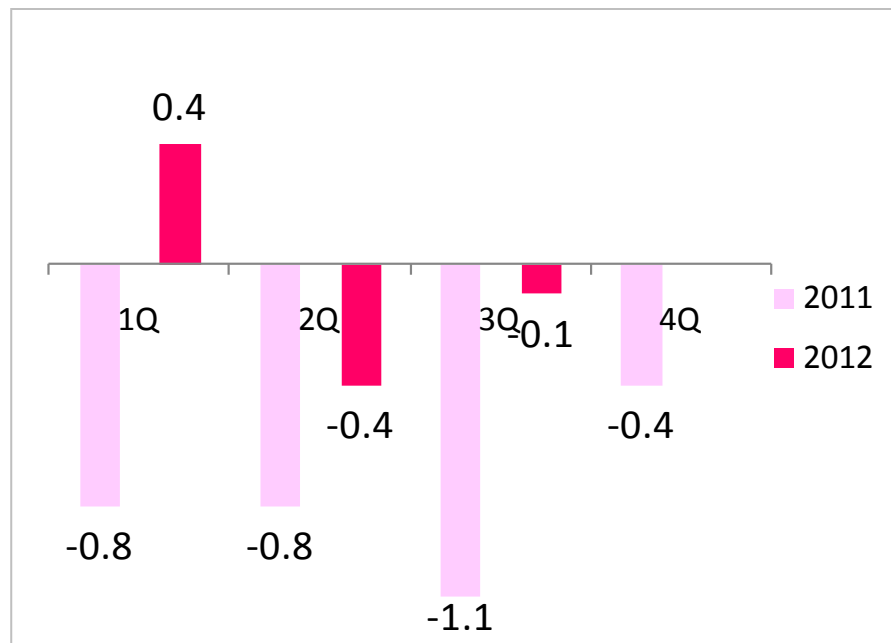
## 2-2. Segment Information : *IT Solutions*

### Sales



### Operating Income

billions of yen



■ 1Q- 3Q Results 2012 v. 2011

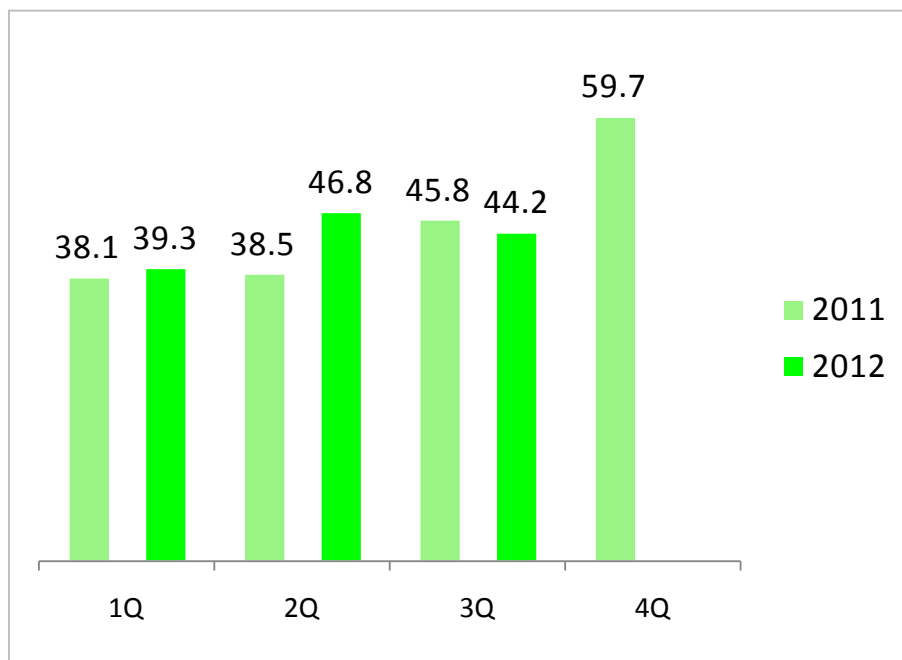
	1Q-3Q 2011	1Q-3Q 2012	Change
Net Sales	93.0	98.5	+5.6
Operating Income	-2.6	-0.1	+2.5

■ Sales year-on-year rate of change table

	1Q	2Q	3Q	4Q	FY
FY 2011	-18%	-4%	-3%	+1%	-7%
FY 2012	+9%	+3%	+6%	-	+6%

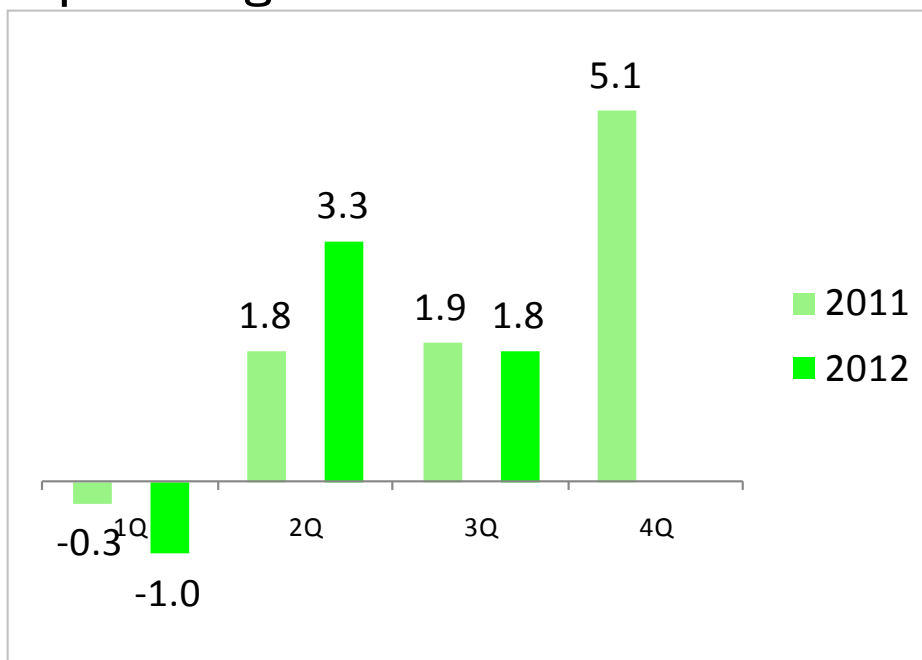
## 2-3. Segment Information: *Consumer Imaging*

### Sales



### Operating Income

billions of yen



#### ■ 1Q- 3Q Results 2012 v. 2011

	1Q-3Q 2011	1Q-3Q 2012	Change
Net Sales	122.4	130.3	+7.9
Operating Income	3.4	4.1	+0.7

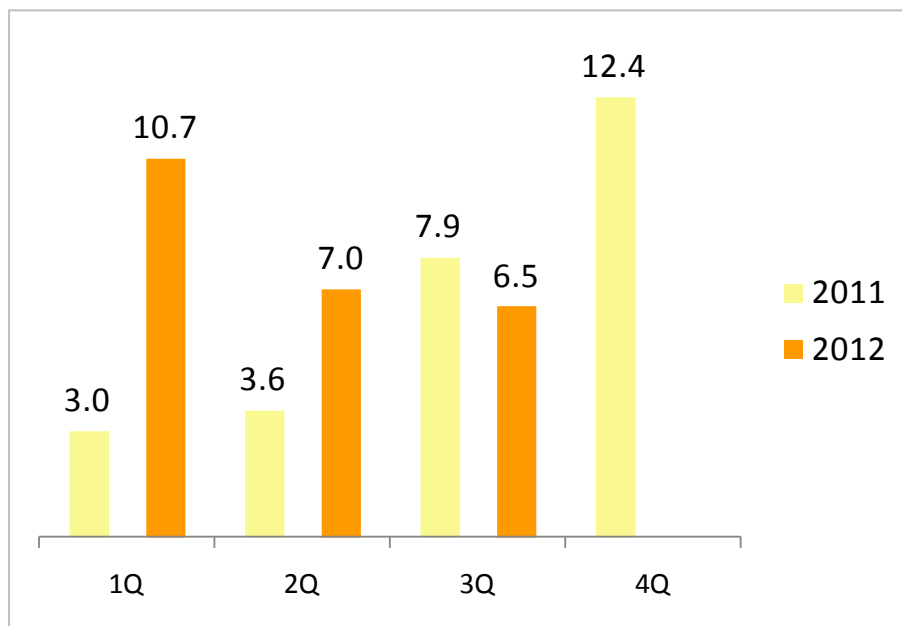
#### ■ Sales year-on-year rate of change table

	1Q	2Q	3Q	4Q	FY
FY 2011	-18%	-24%	-3%	-14%	-15%
FY 2012	+3%	+22%	-4%	-	+6%



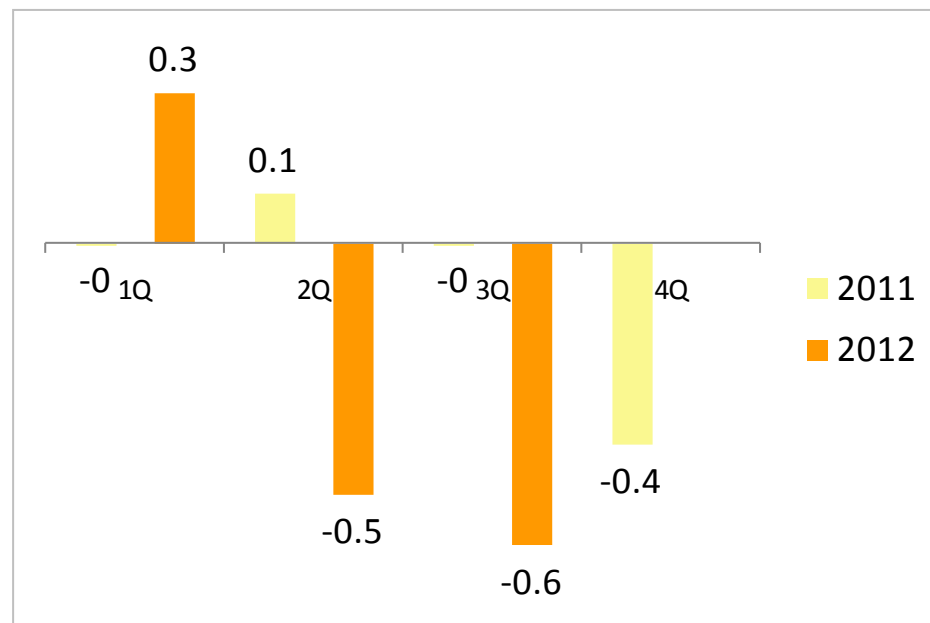
## 2-4. Segment Information : *Industrial equipment*

### Sales



### Operating Income

billions of yen



#### ■ 1Q- 3Q Results 2012 v. 2011

	1Q-3Q 2011	1Q-3Q 2012	Change
Net Sales	14.5	24.2	+9.6
Operating Income	0	-0.7	-0.8

#### ■ Sales year-on-year rate of change table

	1Q	2Q	3Q	4Q	FY
FY 2011	-21%	+26%	+190%	+217%	+102%
FY 2012	+254%	+91%	-18%	-	+66%

# FY 2012 Projections

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# 1-1. FY2012 Current Projection



billions of yen

	FY 2012 Previous Projection	FY 2012 Current Projection	Changes	FY2011 Result	Changes
<b>Net Sales</b>	701.0	688.5	-12.5	632.4	+56.1
	(2.4%)	(2.5%)	(+0.0%)	(1.3%)	(+1.1%)
<b>Operating Income</b>	17.0	17.0	+0.0	8.4	+8.6
	(2.6%)	(2.6%)	(+0.0%)	(1.7%)	(+0.9%)
<b>Ordinary Income</b>	18.0	18.0	+0.0	10.7	+7.3
	(1.4%)	(1.5%)	(+0.0%)	(1.1%)	(+0.4%)
<b>Net Income</b>	10.0	10.0	+0.0	6.8	+3.2

# 1-2. FY2012 Current Projection by segment



~ FY 2012 Previous Projection v. FY 2012 Current Projection ~

billions of yen

	FY 2012 Previous Projection		FY 2012 Current Projection		Changes		
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales		Operating Income
Business Solutions	348.0	7.0	344.6	7.0	-3.4	-1%	+0
IT Solutions	134.0	0.3	132.8	0.3	-1.2	-1%	+0
Consumer Imaging	207.0	9.3	202.6	9.8	-4.4	-2%	+0.5
Industrial Equipment	37.5	-0.2	33.5	-0.7	-4.0	-11%	-0.5
Other	-25.5	0.6	-25.0	0.6	0.5	-2%	+0
<b>Total</b>	<b>701.0</b>	<b>17.0</b>	<b>688.5</b>	<b>17.0</b>	<b>-12.5</b>	<b>-2%</b>	<b>+0</b>

# 1-3. FY2012 Current Projection by segment



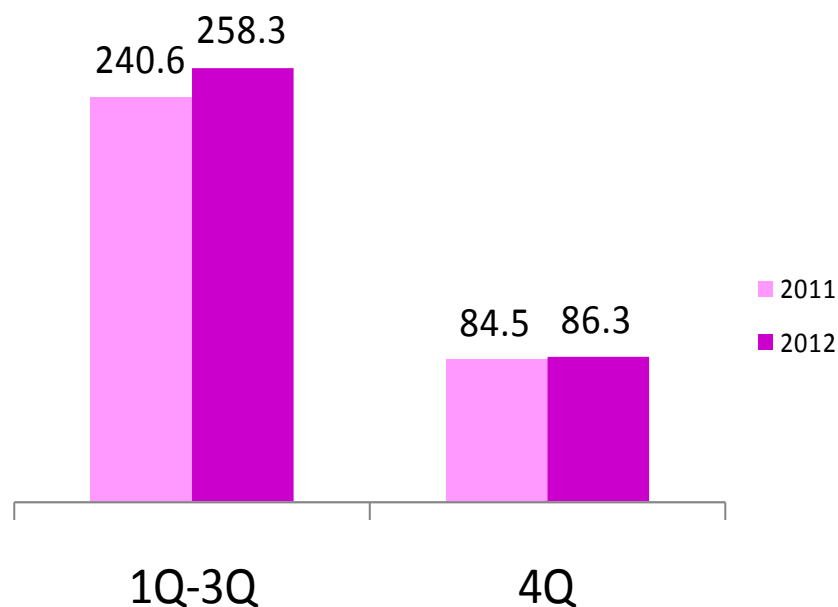
~ FY 2011 Results v. FY 2012 Current Projection ~

billions of yen

	FY2011 Results		FY 2012 Current Projection		Changes		
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales		Operating Income
Business Solutions	325.1	3.5	344.6	7.0	19.5	+6%	+3.5
IT Solutions	124.5	-3.1	132.8	0.3	8.3	+7%	+3.4
Consumer Imaging	182.1	8.5	202.6	9.8	20.5	+11%	+1.3
Industrial Equipment	27.0	-0.3	33.5	-0.7	6.5	+24%	-0.4
Other	-26.3	-0.1	-25.0	0.6	1.3	-5%	+0.7
<b>Total</b>	<b>632.4</b>	<b>8.4</b>	<b>688.5</b>	<b>17.0</b>	<b>56.1</b>	<b>+9%</b>	<b>+8.6</b>

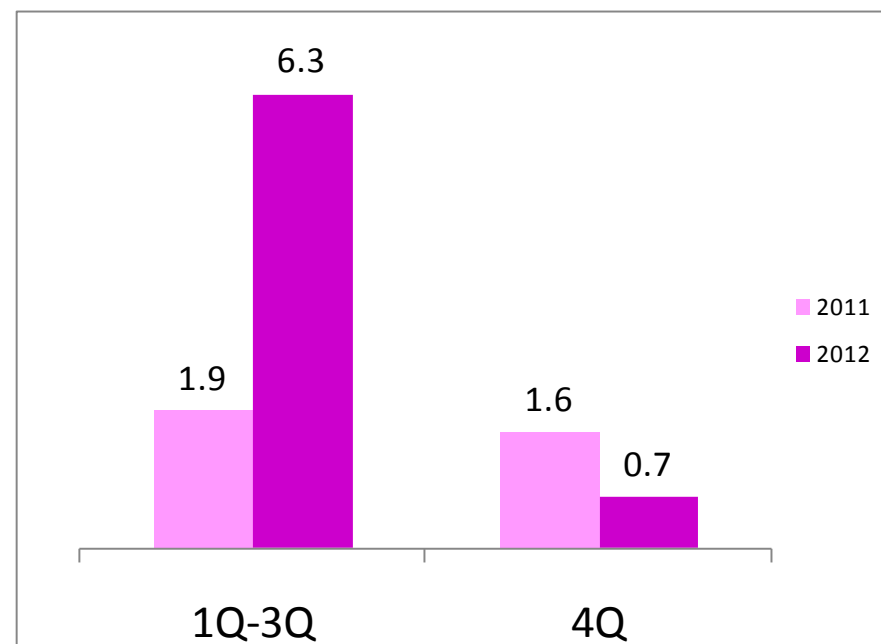
## 2-1. Segment Information : *Business Solutions*

### Sales



### Operating Income

billions of yen



	FY 2011 Results	FY 2012 Current Projection	Changes	Previous Projection (July 24)
Net Sales	325.1	344.6	+19.5	348.0
Operating Income	3.5	7.0	+3.5	7.0

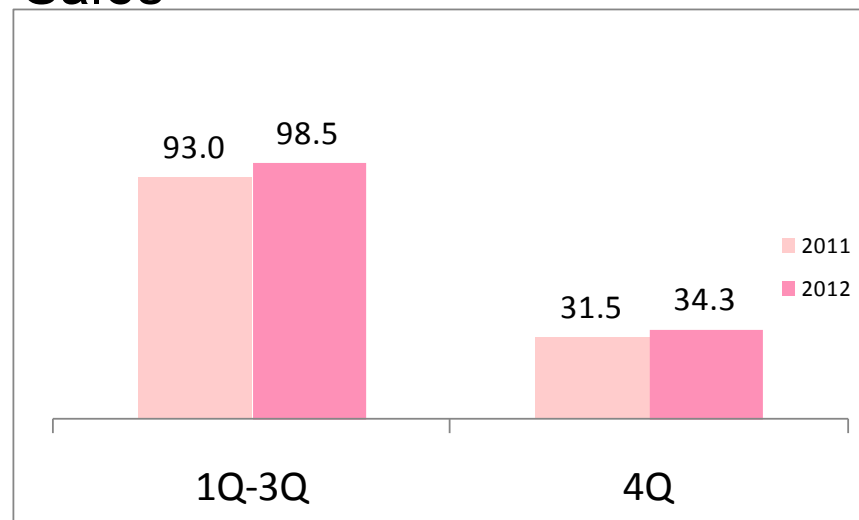
## 2-2. Segment Information : *IT Solutions*

billions of yen

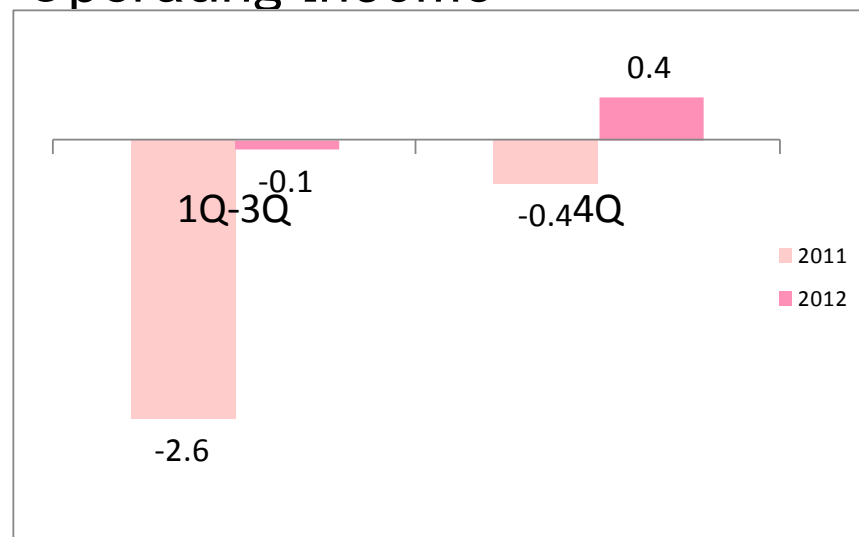
	FY2011 Results	FY2012 Current Projection	Changes	Previous Projection (July 24)
Net Sales	124.5	132.8	+8.3	134.0
Operating Income	-3.1	0.3	+3.4	0.3

Growth rate YonY		
System Integration Business	2011	-9%
	2012	+8%
IT Infrastructure & Service Business	2011	+4%
	2012	+2%
Embedded System Business	2011	-14%
	2012	+3%
Products Business	2011	-8%
	2012	+11%

### Sales

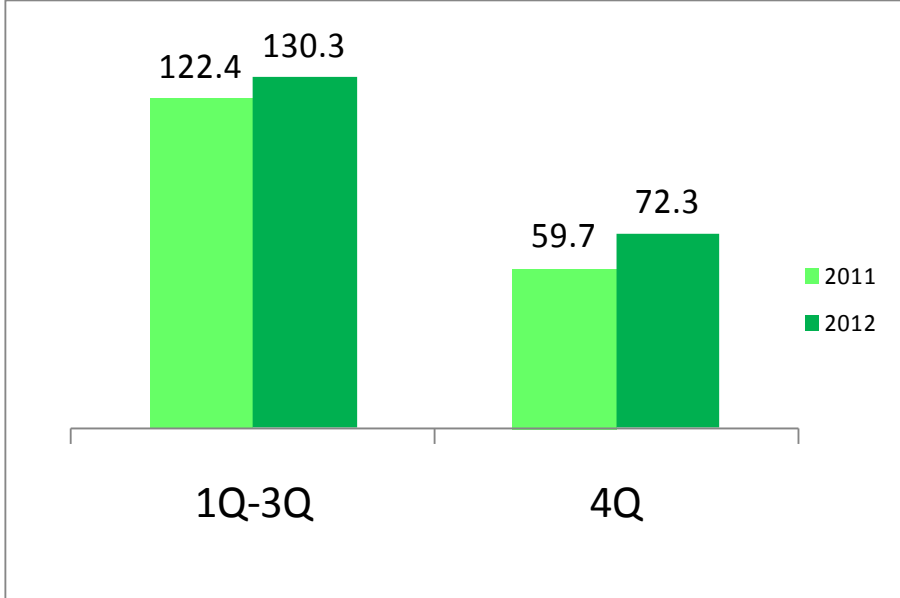


### Operating Income



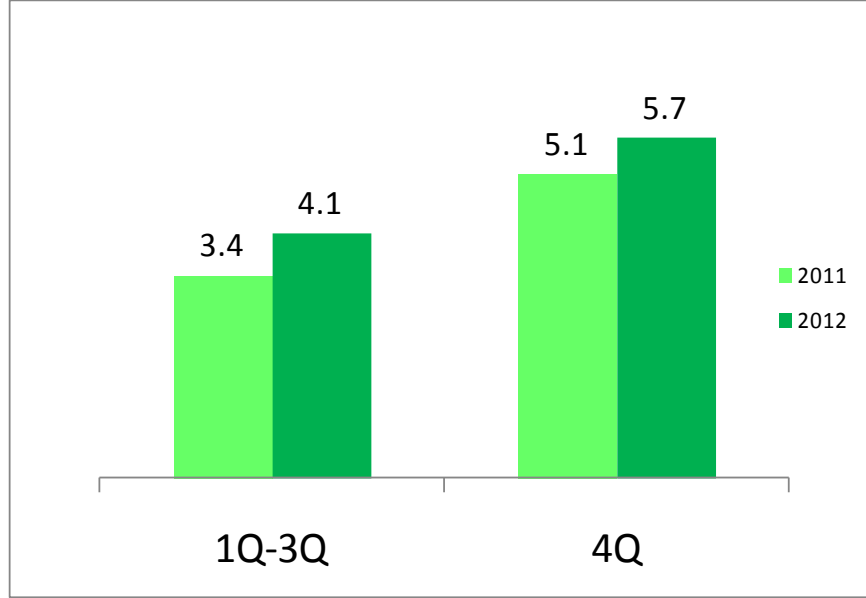
# 2-3. Segment Information: *Consumer Imaging*

Sales



Operating Income

billions of yen

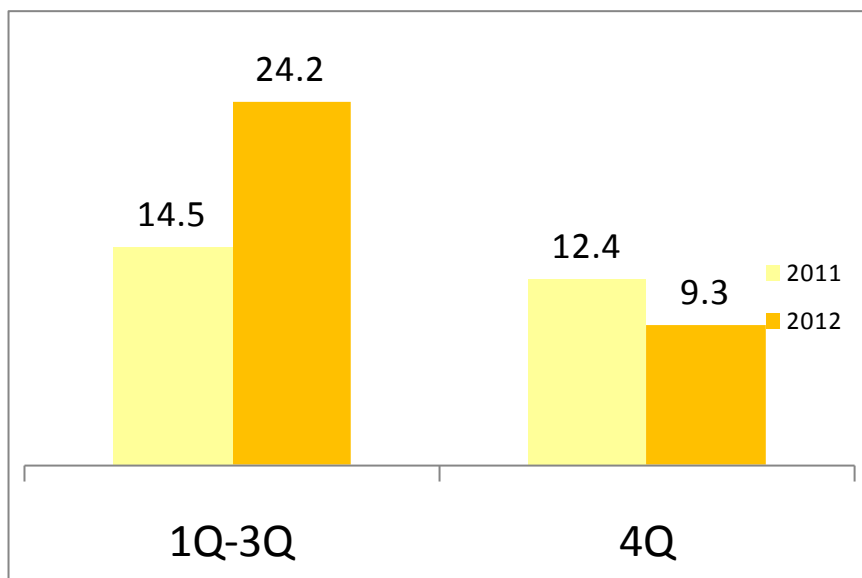


	FY 2011 Results	FY 2012 Current Projection	Changes	Previous Projection (July 24)
Net Sales	182.1	202.6	+20.5	207.0
Operating Income	8.5	9.8	+1.3	9.3



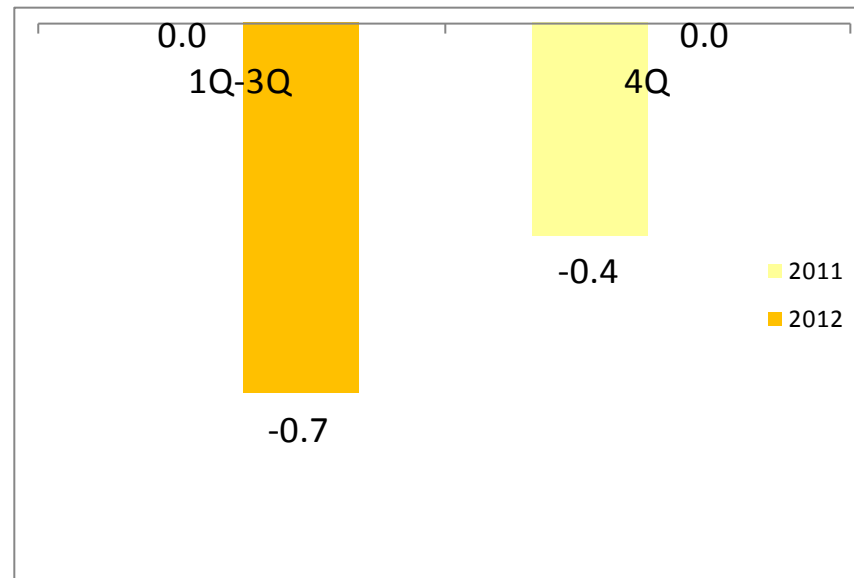
## 2-4. Segment Information : *Industrial equipment*

### Sales



### Operating Income

billions of yen



	FY 2011 Results	FY 2012 Current Projection	Changes	Previous Projection (July 24)
Net Sales	27.0	33.5	+6.5	37.5
Operating Income	-0.3	-0.7	-0.4	-0.2

## *Canon Marketing Japan Inc. to Acquire Own Shares*

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- ✓ **Total number of shares to be acquired : Up to 5,300,000 shares**
- ✓ **Total cost of acquisition : Up to 5 billion yen**
- ✓ **Period of acquisition : From October 24 ,2012 to December 20,2012**

# Supplementary information

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Canon Marketing Japan Inc.

# 1-1. The main consolidated company results

## 3Q FY2012 (July 1 ~ September 30)

billions of yen

Three months	3Q 2011		3Q 2012		Changes	
	Net Sales	O.P	Net Sales	O.P	Net Sales	O.P
<b>Business Solutions</b>						
Canon System & Support	24.6	0.1 (0.5%)	25.5	0.7 (2.6%)	+1.0 (+4%)	+0.5 (+2.1%)
SHOWA INFORMATION SYSTEMS	2.4	0.1 (4.7%)	2.7	-0.0 (-)	+0.3 (+11%)	-0.2 (-)
<b>IT Solutions</b>						
Canon IT Solutions (Consolidated)	17.6	-0.4 (-)	20.0	0.2 (1.0%)	+2.4 (+14%)	+0.6 (-)
Canon Software (Consolidated)	6.0	0.3 (4.4%)	5.0	0.3 (5.7%)	-1.0 (-17%)	+0.0 (+1.3%)
<b>IT Solutions TOTAL</b>	<b>23.6</b>	<b>-0.1 (-)</b>	<b>25.0</b>	<b>0.5 (2.0%)</b>	<b>+1.4 (+6%)</b>	<b>+0.6 (-)</b>
<b>Industrial Equipment</b>						
ELK CORPORATION (Consolidated)	4.7	-0.2 (-)	4.4	-0.2 (-)	-0.4 (-8%)	-0.0 (-)

# 1-2. The main consolidated company results

## YTD FY2012 (January 1 ~ September 30)

Nine months	3Q 2011		3Q 2012		Changes	
	1Q-3Q		1Q-3Q		Net Sales	O.P
	Net Sales	O.P	Net Sales	O.P		
billions of yen						
<b>Business Solutions</b>						
		(-)		(1.9%)	+7%	(-)
Canon System & Support	<b>73.6</b>	<b>-0.8</b>	<b>78.5</b>	<b>1.5</b>	<b>+4.9</b>	<b>+2.3</b>
		(-)		(-)	+5%	(-)
SHOWA INFORMATION SYSTEMS	<b>7.7</b>	<b>-0.1</b>	<b>8.0</b>	<b>-0.1</b>	<b>+0.4</b>	<b>+0.0</b>
<b>IT Solutions</b>						
		(-)		(1.5%)	+11%	(-)
Canon IT Solutions (Consolidated)	<b>54.9</b>	<b>-0.6</b>	<b>60.9</b>	<b>0.9</b>	<b>+6.0</b>	<b>+1.5</b>
		(4.0%)		(8.5%)	+12%	(+4.5%)
Canon Software (Consolidated)	<b>18.0</b>	<b>0.7</b>	<b>15.9</b>	<b>1.3</b>	<b>-2.1</b>	<b>+0.6</b>
		(0.1%)		(2.9%)	+5%	(+2.8%)
<b>IT Solutions TOTAL</b>	<b>72.9</b>	<b>0.1</b>	<b>76.8</b>	<b>2.3</b>	<b>+3.9</b>	<b>+2.2</b>
<b>Industrial Equipment</b>						
		(-)		(-)	+1%	(-)
ELK CORPORATION (Consolidated)	<b>15.9</b>	<b>-0.0</b>	<b>16.1</b>	<b>-0.2</b>	<b>+0.2</b>	<b>-0.2</b>

## 2. Selling, general and administrative expenses

billions of yen

	2011		2012		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Advertising expenses	2.6	6.7	2.8	7.9	+0.2	+1.2
Promotion expenses	5.2	14.1	5.7	17.1	+0.5	+3.0
Warranty expenses	2.3	7.1	2.2	6.7	-0.1	-0.4
Other direct expenses	3.4	10.2	3.5	10.3	+0.1	+0.0
Personnel expenses	31.3	91.1	31.9	95.6	+0.6	+4.5
Depreciation and amortization	0.7	2.0	0.6	1.9	-0.1	-0.1
Rent expenses	1.9	5.6	1.7	5.5	-0.2	-0.1
IT expenses	2.2	6.1	2.2	6.5	+0.0	+0.4
Other selling expenses	4.7	13.4	4.5	14.3	-0.2	+0.9
<b>TOTAL</b>	<b>54.2</b>	<b>156.3</b>	<b>55.0</b>	<b>165.6</b>	<b>+0.8</b>	<b>+9.3</b>

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

billions of yen

	2011		2012		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest & Dividends income	0.1	0.4	0.1	0.3	-0.0	-0.1
Other	0.2	1.9	0.2	1.1	0.0	-0.8
<b>Total non-operating income</b>	<b>0.3</b>	<b>2.3</b>	<b>0.3</b>	<b>1.4</b>	<b>-0.0</b>	<b>-0.8</b>
Interest expenses	0.1	0.1	0.0	0.1	-0.0	-0.0
Other	0.1	0.3	0.1	0.3	-0.0	-0.0
<b>Total non-operating expenses</b>	<b>0.1</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>	<b>-0.1</b>	<b>-0.1</b>
Gain on negative goodwill	-	2.4	-	0.2	-	-2.2
Gain on sales of noncurrent assets	0.0	0.0	0.0	0.0	-0.0	-0.0
Gain on sales of investment securities	-	-	0.0	0.1	0.0	0.1
Other	-	0.0	-	0.0	-	0.0
<b>Total extraordinary income</b>	<b>0.0</b>	<b>2.4</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>-2.2</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1.2	-	-	-	-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	0.0	0.1	-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	0.0	0.2	-	0.0	-0.0	-0.2
Office transfer expenses	0.2	0.2	0.0	0.1	-0.1	-0.0
Other	0.0	0.2	0.0	0.0	-0.0	-0.2
<b>Total extraordinary losses</b>	<b>0.3</b>	<b>3.2</b>	<b>0.2</b>	<b>0.4</b>	<b>-0.1</b>	<b>-2.8</b>

billions of yen

## 4. Balance sheets & Turnover Date

	Dec. 31, 2011	Sept. 30, 2012	changes
<b>Assets</b>			
<b>Current assets</b>	<b>301.9</b>	<b>300.2</b>	<b>-1.7</b>
Cash and deposits	102.5	109.5	7.0
Notes and accounts receivable trade	123.0	106.4	-16.6
Inventories	26.3	33.0	6.7
Other	50.0	51.2	1.2
<b>Noncurrent assets</b>	<b>145.9</b>	<b>148.9</b>	<b>3.0</b>
Property, plant and equipment	91.9	100.3	8.3
Intangible assets	20.4	16.9	-3.5
Investments and other assets	33.5	31.7	-1.8
<b>Total assets</b>	<b>447.8</b>	<b>449.1</b>	<b>1.3</b>
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>151.1</b>	<b>150.2</b>	<b>-0.9</b>
Notes and accounts payable-trade	100.0	90.8	-9.3
Other	51.0	59.4	8.3
<b>Noncurrent liabilities</b>	<b>45.4</b>	<b>44.8</b>	<b>-0.5</b>
<b>Net Assets</b>			
<b>Shareholders' equity</b>	<b>250.9</b>	<b>254.1</b>	<b>3.2</b>
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
<b>Total net assets</b>	<b>251.3</b>	<b>254.1</b>	<b>2.8</b>
<b>Total liabilities and net assets</b>	<b>447.8</b>	<b>449.1</b>	<b>1.3</b>

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
3Q 2012	19	60



# 5. Cash flows & Capital Investment

## Capital Investment and Depreciation and amortization

billions of yen

### ■ Investment

	1Q-3Q Result	4Q Projection	FY Projection
2011	13.0	3.2	16.2
2012	18.4	4.9	23.2

### ■ Depreciation and amortization

	1Q-3Q Result	4Q Projection	FY Projection
2011	11.3	4.0	15.3
2012	11.9	4.4	16.3

## Cash flow

billions of yen

Net cash provided by  
(used in) operating activities

Net cash provided by  
(used in) investing activities

2011 1Q-3Q	2012 1Q-3Q
3.7	26.9
-6.7	-13.5

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.