

Canon Marketing Japan Inc. First Quarter 2013 Results

April 23, 2013

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Director & Senior Vice President

The Canon logo, consisting of the word "Canon" in a bold, red, sans-serif font.

Canon Marketing Japan Inc.

* The figures are rounded off to the nearest 100 million yen in this material.

* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties.

As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

Summary of Results

1Q 2013 Actual
(from January 1 to March 31)

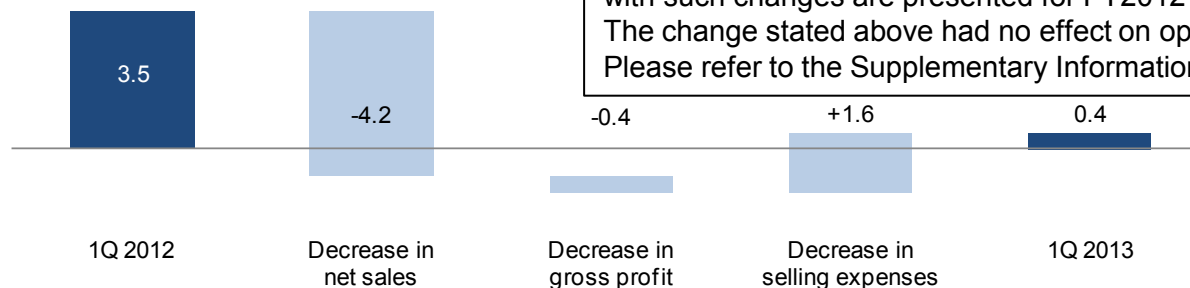


Summary of Results

(Billions of yen)

	1Q 2012	1Q 2013	Changes	
			Amount	%
Net sales	163.0	150.2	-12.8	-8%
Gross profit	(33.1%) 54.0	(32.8%) 49.3	(-0.3%) -4.7	-9%
Operating income	(2.2%) 3.5	(0.3%) 0.4	(-1.9%) -3.1	-89%
Ordinary income	(2.3%) 3.7	(0.4%) 0.5	(-1.9%) -3.1	-85%
Net income (loss)	(1.2%) 2.0	(-0.0%) -0.0	(-1.2%) -2.0	-%

Op. Income Variance Analysis



Starting from FY2013, some of promotion expenses that have previously been presented in selling, general and administrative expenses are deducted from net sales in order to present them on a net basis. Accordingly, figures after retrospective reclassification in accordance with such changes are presented for FY2012 and thereafter. The change stated above had no effect on operating income. Please refer to the Supplementary Information on page 14 for details.

Segment Outline

1Q 2013 Actual
(from January 1 to March 31)



(Billions of yen)

	1Q 2012		1Q 2013		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	87.3	3.8	82.3	1.6	-5.1	-2.2
IT Solutions	34.3	0.4	33.9	0.1	-0.3	-0.4
Imaging System	37.6	-1.0	34.6	-1.0	-3.1	+0.0
Industrial Equipment	10.7	0.3	6.6	-0.4	-4.1	-0.7
Other	-6.9	0.0	-7.2	0.1	-0.3	+0.1
Total	163.0	3.5	150.2	0.4	-12.8	-3.1

“Other” includes the intersegment sales and the corporate expenses that are not allocated to the shared service businesses or to each segment.

Segment Information 1Q 2013 Actual

(from January 1 to March 31)

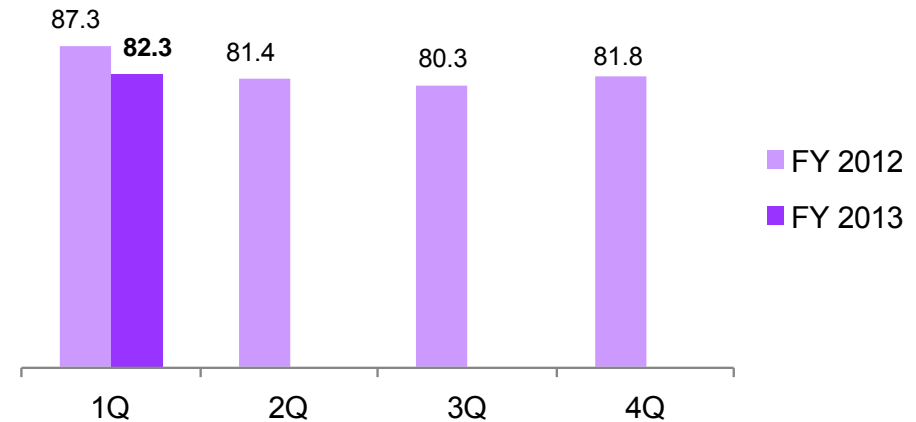


(Billions of yen)

1Q/FY 2013 Actual v. 1Q/FY 2012 Actual

	1Q 2012	1Q 2013	Changes
Net sales	87.3	82.3	-5.1
Op. income	3.8	1.6	-2.2

Net sales

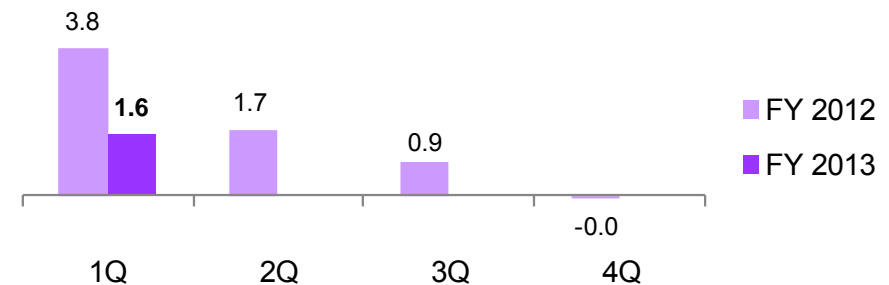


Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2012	+5%	+12%	+6%	+1%	+6%
FY 2013	-6%				-6%

* Percent change for FY2012 is calculated using comparative figures of FY2011 and FY2012 without deducting net sales, and that for FY2013 is calculated using comparative figures of FY2012 and FY2013 deducting net sales in accordance with the new accounting policy .

Op. income



Points

- ▶ Net sales have continued to decline due to decreased investment and the payments companies have disbursed since the fourth quarter.
- ▶ In addition to lower net sales, the gross profit ratio declined due to customer requests for cost down and other factors, leading operating income to fall.

Segment Information 1Q 2013 Actual

(from January 1 to March 31)



(Billions of yen)



1Q/FY 2013 Actual v. 1Q/FY 2012 Actual

	1Q 2012	1Q 2013	Changes
Net sales	34.3	33.9	-0.3
Op. income	0.4	0.1	-0.4

Net sales - Growth rate

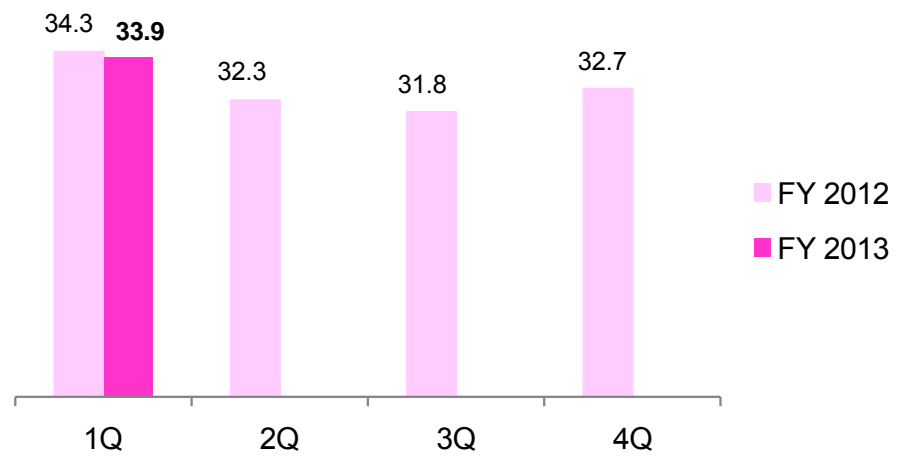
	1Q	2Q	3Q	4Q	FY
FY 2012	+9%	+3%	+6%	+4%	+5%
FY 2013	-1%				-1%

* Percent change for FY2012 is calculated using comparative figures of FY2011 and FY2012 without deducting net sales, and that for FY2013 is calculated using comparative figures of FY2012 and FY2013 deducting net sales in accordance with the new accounting policy .

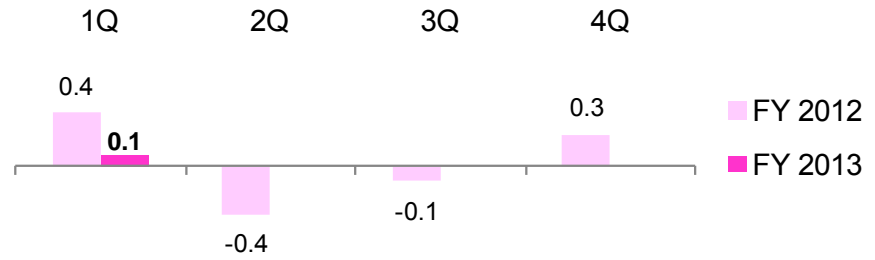
Points

- ▶ Net sales decreased slightly due to a large project in the IT Infrastructure & Service Business in the same period of the previous year.
- ▶ Operating income fell due to factors such as increased prior investment in data centers and other facilities.

Net sales



Op. income



Segment Information 1Q 2013 Actual

(from January 1 to March 31)

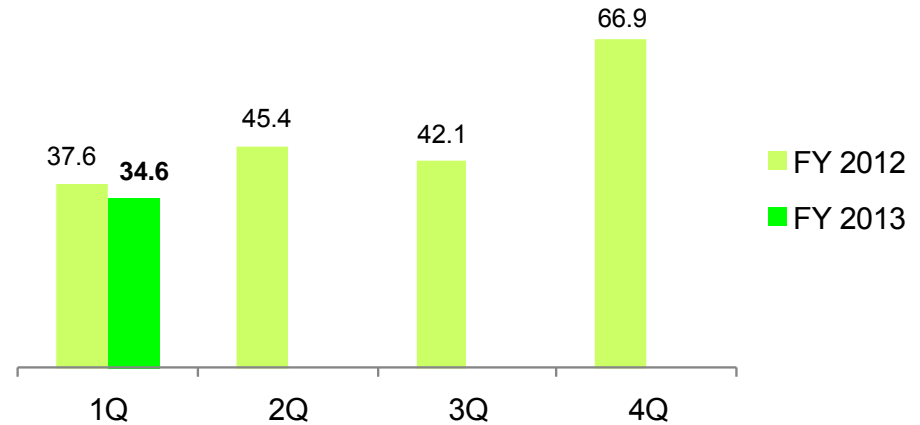


(Billions of yen)

1Q/FY 2013 Actual v. 1Q/FY 2012 Actual

	1Q 2012	1Q 2013	Changes
Net sales	37.6	34.6	-3.1
Op. income	-1.0	-1.0	+0.0

Net sales

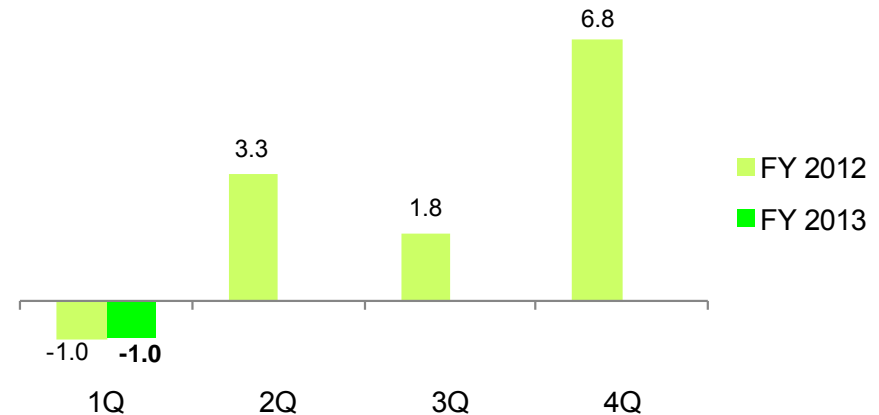


Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2012	+3%	+22%	-4%	+18%	+10%
FY 2013	-8%				-8%

* Percent change for FY2012 is calculated using comparative figures of FY2011 and FY2012 without deducting net sales, and that for FY2013 is calculated using comparative figures of FY2012 and FY2013 deducting net sales in accordance with the new accounting policy .

Op. income



Points

- ▶ Interchangeable lens digital cameras and interchangeable lenses continued to post strong net sales, but ink-jet printers performed poorly. Net sales declined as a result.
- ▶ Operating income stayed at the level of the previous fiscal year, thanks to further cuts in selling, general and administrative expenses.

Segment Information 1Q 2013 Actual

(from January 1 to March 31)

(Billions of yen)



1Q/FY 2013 Actual v. 1Q/FY 2012 Actual

	1Q 2012	1Q 2013	Changes
Net sales	10.7	6.6	-4.1
Op. income	0.3	-0.4	-0.7

Net sales - Growth rate

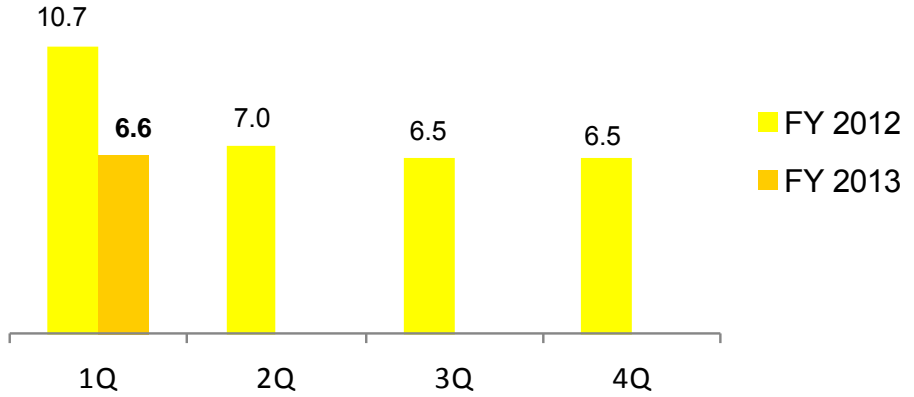
	1Q	2Q	3Q	4Q	FY
FY 2012	+254%	+91%	-18%	-47%	+14%
FY 2013	-38%				-38%

* Percent change for FY2012 is calculated using comparative figures of FY2011 and FY2012 without deducting net sales, and that for FY2013 is calculated using comparative figures of FY2012 and FY2013 deducting net sales in accordance with the new accounting policy .

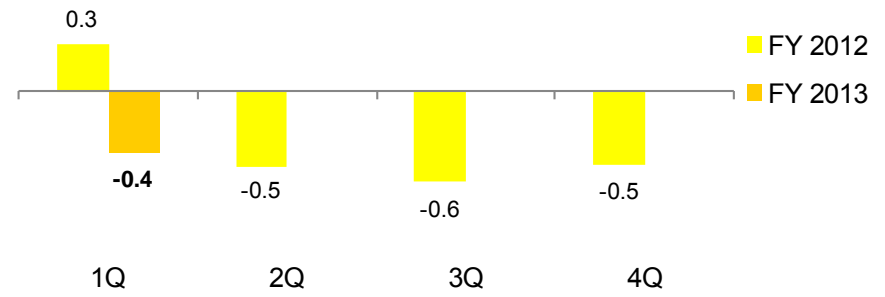
Points

- Both sales and profits decreased, reflecting the sluggish domestic semiconductor market, lowered unit prices for medical equipment, and other factors.

Net sales



Op. income



Summary of Projections



(Billions of yen)

- The forecasts have not been changed since the previous announcement.

	FY 2012	FY 2013	Changes	
	Actual	Projection	Amount	%
Net sales	659.2	684.8	+25.6	+4%
	(2.5%)	(2.6%)	(+0.1%)	
Operating income	16.8	18.0	+1.2	+7%
	(2.7%)	(2.8%)	(+0.0%)	
Ordinary income	18.1	19.0	+0.9	+5%
	(1.6%)	(1.5%)	(-0.1%)	
Net income	10.6	10.6	+0.0	+0%

Projections Summary Outline



FY2013 Projection v. FY 2012 Actual

(Billions of yen)

- The forecasts have not been changed since the previous announcement.

	FY 2012		FY 2013		Changes		
	Actual		Projection		Net sales		Op. income
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	330.9	6.3	336.7	7.0	+5.8	+2%	+0.7
IT Solutions	131.0	0.2	139.4	0.7	+8.4	+6%	+0.5
Imaging System	192.0	10.9	199.2	9.7	+7.2	+4%	-1.2
Industrial Equipment	30.7	-1.2	35.6	0.1	+4.9	+16%	+1.3
Other	-25.4	0.6	-26.1	0.5	-0.7	+3%	-0.1
Total	659.2	16.8	684.8	18.0	+25.6	+4%	+1.2

“Other” includes the intersegment sales and the corporate expenses that are not allocated to the shared service businesses or to each segment.

Projections Segment Information

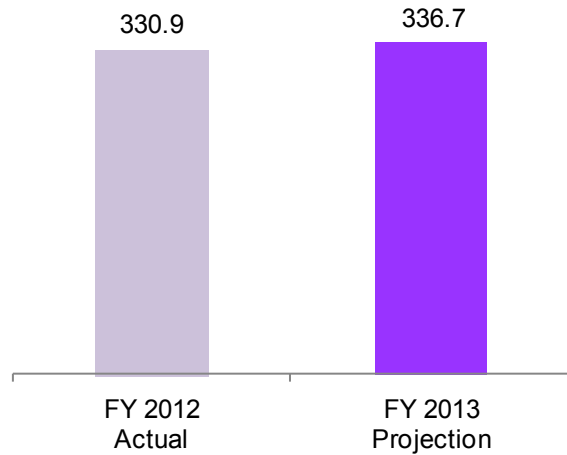


(Billions of yen)

FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes
Net sales	330.9	336.7	+5.8
Op. income	6.3	7.0	+0.7

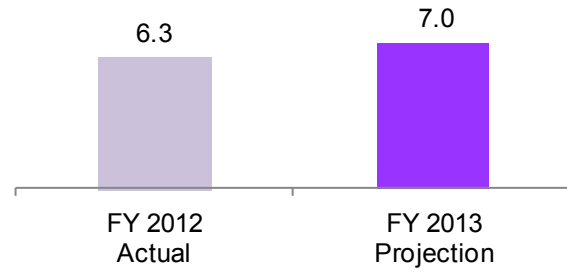
Net sales



Points

- ▶ The Company expects sales and profits to rise, supported by developments such as a corporate capital investment recovery due to improved economic conditions, aggressive sales expansion for MFPs, and the sustained reduction of maintenance service costs.

Op. income



Projections Segment Information

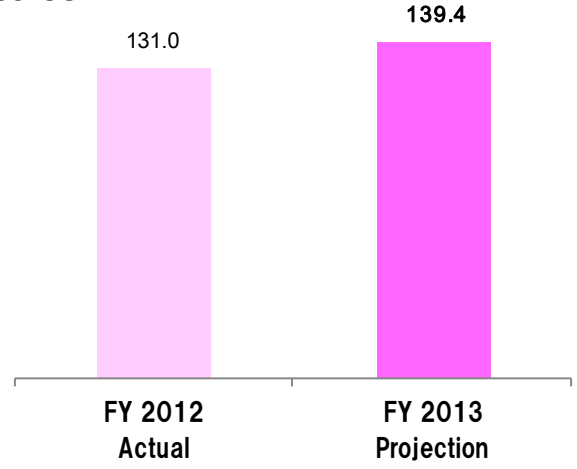
(Billions of yen)



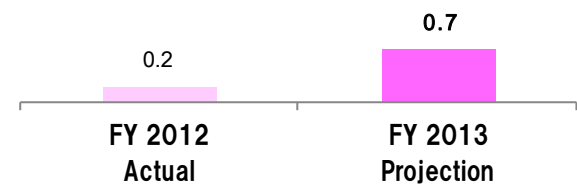
FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes
Net sales	131.0	139.4	+8.4
Op. income	0.2	0.7	+0.5

Net sales



Op. income



Points

- ▶ The Company expects net sales to increase, reflecting factors such as the further development of individual systems, MR*, other solution system integration projects, and the expansion of businesses related to data centers.
- ▶ The Company forecasts that operating income will grow as a result of the expansion of net sales and sustained cost reductions.



* MR is an imaging technique that helps in product design development by combining real images with computer graphics.

Projections Segment Information

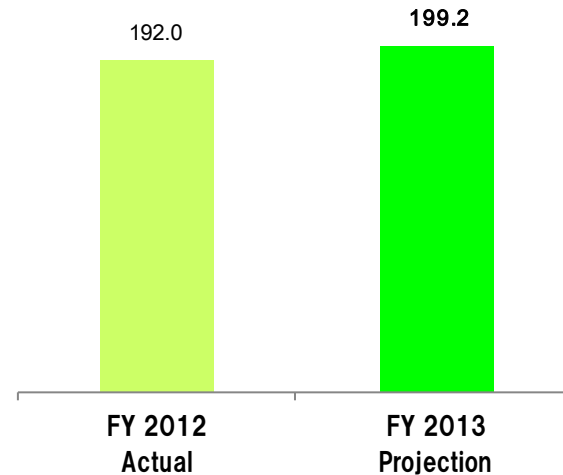
(Billions of yen)



■ Net sales

■ FY 2013 Projection v. FY 2012 Actual

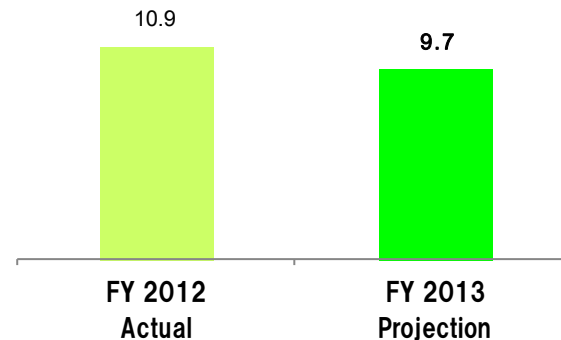
	FY 2012 Actual	FY 2013 Projection	Changes
Net sales	192.0	199.2	+7.2
Op. income	10.9	9.7	-1.2



■ Op. income

■ Points

- ▶ The Company expects to introduce new products to the market, and predicts that aggressive marketing for these will increase net sales.
- ▶ The Company forecasts a decline in operating income, based on the risk of a decrease in gross profit caused by lower unit prices for key products and the greater selling expenses necessary for aggressive promotion.



Projections Segment Information

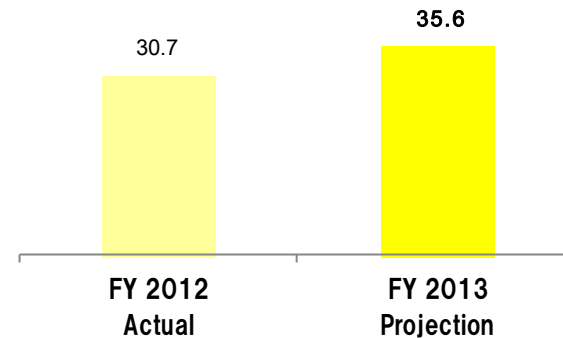


(Billions of yen)

■ Net sales

■ FY 2013 Projection v. FY 2012 Actual

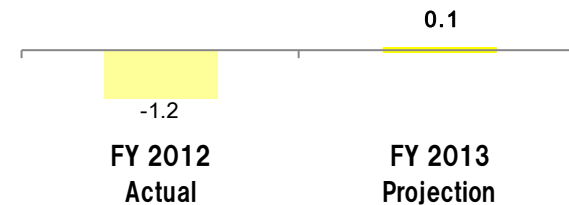
	FY 2012 Actual	FY 2013 Projection	Changes
Net sales	30.7	35.6	+4.9
Op. income	-1.2	0.1	+1.3



■ Op. income

■ Points

- ▶ The Company anticipates that net sales will increase as a result of a recovery in domestic investment related to semiconductors and the development of new markets in industrial and medical fields.
- ▶ The Company predicts operating income to rise, partly due to the positive effects expected to arise from the integration of its medical equipment division into Canon Lifecare Solutions Inc.



Supplementary Information

FY2012 Results - After deduction -



(Billions of yen)

[Reference]

FY 2012

FY 2012 Results [After deduction]

1Q 2Q 3Q 4Q FY

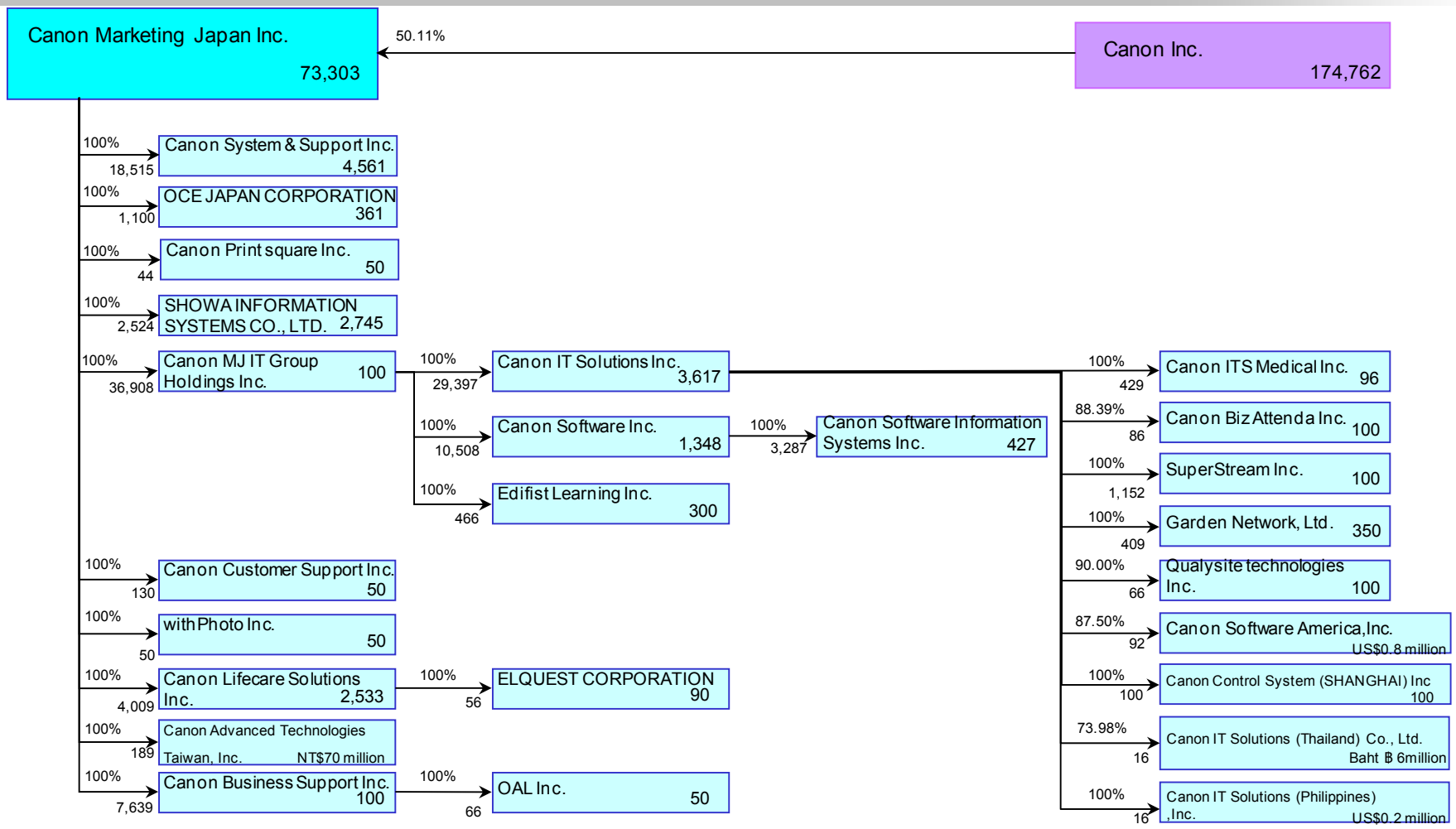
Before deduction Amount deducted

	1Q	2Q	3Q	4Q	FY	Before deduction	Amount deducted
Business Solutions	87.3	81.4	80.3	81.8	330.9	344.0	-13.1
IT Solutions	34.3	32.3	31.8	32.7	131.0	131.3	-0.3
Imaging System	37.6	45.4	42.1	66.9	192.0	200.6	-8.6
Industrial Equipment	10.7	7.0	6.5	6.5	30.7	30.7	-0.0
Other	-6.9	-6.1	-6.2	-6.2	-25.4	-25.4	-0.0
Total	163.0	160.0	154.5	181.7	659.2	681.2	-22.0

Starting from FY2013, some of promotion expenses that have previously been presented in selling, general and administrative expenses are deducted from net sales in order to present them on a net basis.

Accordingly, figures after retrospective reclassification in accordance with such changes are presented for FY2012 and thereafter. The change stated above had no effect on operating income.

Capital Relationship Diagram



Number of subsidiaries: 25

Ratio of shareholding → Consolidated
 ----- → Non-consolidated

Book value (Millions of yen)

Corporate name
 Capital (millions of yen)

March 31, 2013
 Supplementary Information

Results of main consolidated companies



(Billions of yen)

		1Q 2012	1Q 2013		Changes	
					Amount	%
Business Solutions						
Canon System & Support Inc.	Net sales	27.5	29.3		+1.9	+7%
	Op. income	0.8 (2.9%)	1.1 (3.8%)		+0.3 (+0.9%)	
SHOWA INFORMATION SYSTEMS CO., LTD.	Net sales	2.3	2.7		+0.4	+16%
	Op. income	-0.2 (-)	-0.0 (-)		+0.1 (-)	
IT Solutions						
Canon IT Solutions (Consolidated)	Net sales	21.4	19.9		-1.5	-7%
	Op. income	0.7 (3.2%)	0.2 (1.2%)		-0.4 (-2.0%)	
Canon Software (Consolidated)	Net sales	5.5	5.2		-0.3	-6%
	Op. income	0.6 (11.5%)	0.3 (6.2%)		-0.3 (-5.3%)	
Total	Net sales	26.9	25.1		-1.8	-7%
	Op. income	1.3 (4.9%)	0.6 (2.3%)		-0.8 (-2.6%)	
Industrial Equipment						
Canon Lifecare Solutions (Consolidated)	Net sales	7.1	5.4		-1.7	-24%
	Op. income	0.1 (1.7%)	-0.0 (-)		-0.1 (-)	

* The amount is before the elimination on a consolidated basis.

Selling expenses



(Billions of yen)

	FY 2012	FY 2013	Changes
	1Q	1Q	1Q
Advertising expenses	2.9	2.0	-1.0
Promotion expenses	0.8	0.8	-0.0
Warranty expenses	2.2	1.9	-0.2
Personnel expenses	31.5	31.0	-0.5
Depreciation and amortization	0.6	0.6	-0.0
Rent expenses	2.0	1.8	-0.2
IT expenses	2.2	2.3	+0.1
Other selling expenses	8.2	8.5	+0.3
Total	50.4	48.9	-1.6

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

	FY 2012	FY 2013	Changes
	1Q	1Q	1Q
Interest & dividends income	0.1	0.1	-0.0
Other	0.2	0.2	+0.0
Total	0.3	0.3	+0.0

■ Non-operating expenses

	FY 2012	FY 2013	Changes
	1Q	1Q	1Q
Interest expenses	0.0	0.0	-0.0
Other	0.1	0.1	+0.0
Total	0.1	0.1	+0.0

Extraordinary income and expenses

(Billions of yen)

■ Extraordinary income

	FY 2012	FY 2013	Changes
	1Q	1Q	1Q
Gain on sales of investment securities	-	0.1	+0.1
Gain on sales of noncurrent assets	0.0	0.0	+0.0
Other	0.0	0.0	-0.0
Total	0.0	0.1	+0.1

■ Extraordinary expenses

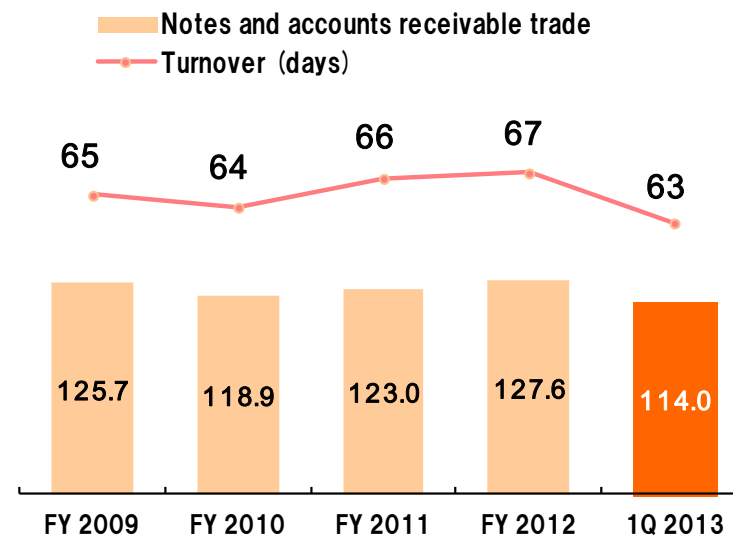
	FY 2012	FY 2013	Changes
	1Q	1Q	1Q
Loss on sales and retirement of noncurrent assets	0.1	0.1	-0.0
Office transfer expenses	0.1	0.0	-0.1
Impairment loss	0.0	-	-0.0
Other	0.0	0.0	+0.0
Total	0.3	0.1	-0.1

Balance Sheets

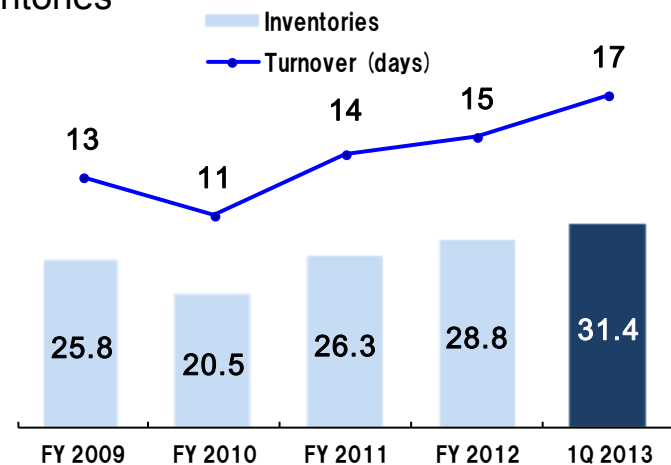
	Dec. 31 2012	March 31 2013	Changes
Assets	462.6	441.4	-21.1
Current assets	316.6	296.4	-20.2
Cash and deposits	108.4	99.2	-9.3
Notes and accounts receivable trade	127.6	114.0	-13.7
Inventories	28.8	31.4	+2.6
Other	51.7	51.9	+0.2
Noncurrent assets	146.0	145.0	-0.9
Property, plant and equipment	99.6	99.3	-0.3
Intangible assets	16.0	15.0	-1.0
Investments and other assets	30.4	30.8	+0.4
Liabilities	208.5	188.6	-19.9
Current liabilities	163.4	143.9	-19.5
Notes and accounts payable-trade	104.2	91.0	-13.1
Other	59.2	52.9	-6.4
Noncurrent liabilities	45.1	44.7	-0.4
Net assets	254.1	252.8	-1.3
Shareholders' equity	253.9	252.0	-1.9
(Treasury stock)	-26.9	-26.9	0
Accumulated other comprehensive income	0.0	0.6	+0.6
Minority interests	0.2	0.2	+0.0
Equity ratio	55%	57%	+2%

(Billions of yen)

Notes and accounts receivable trade



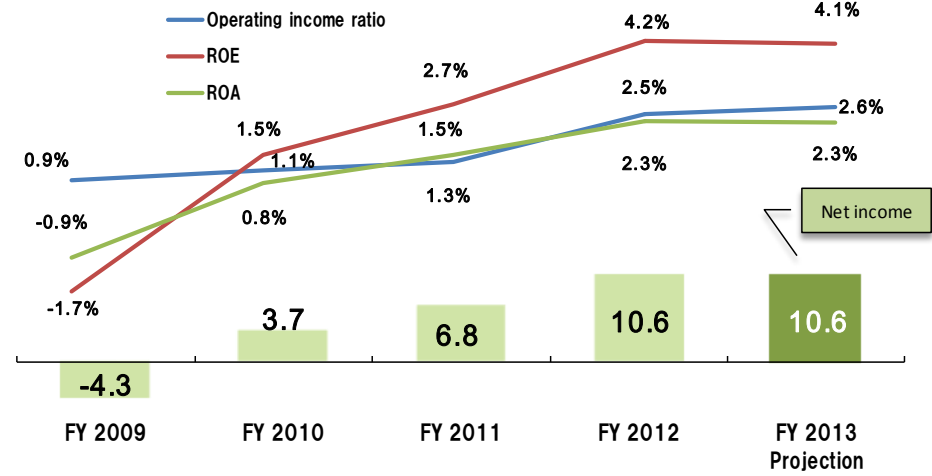
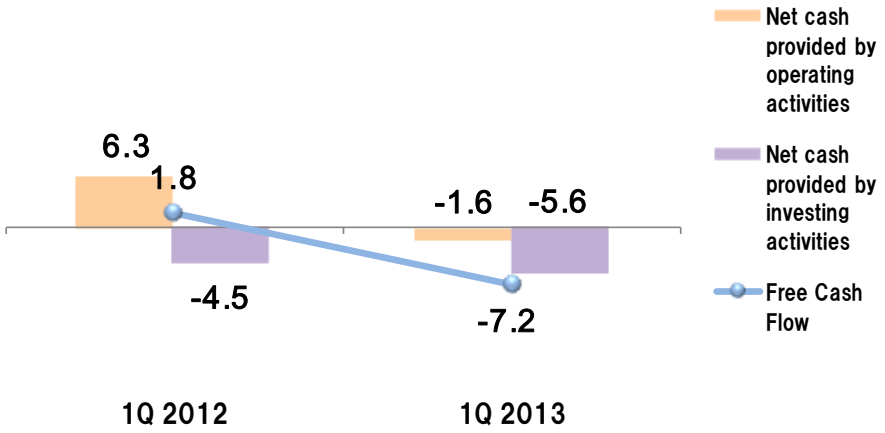
Inventories



Cash Flow / Investment / Depreciation and amortization / Financial indicator

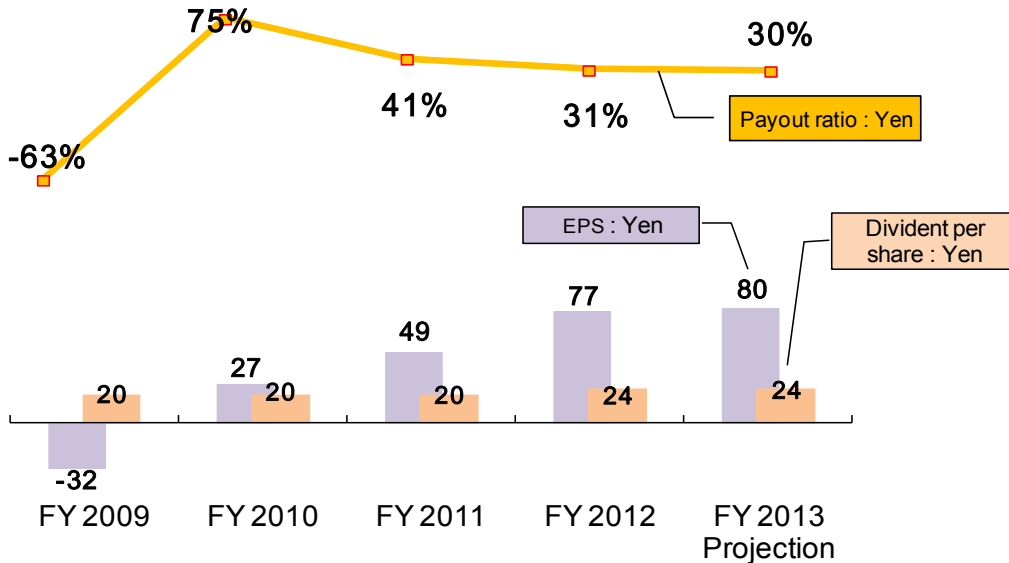
(Billions of yen)

Cash Flow



Investment

	1Q Actual	FY Projection
FY 2012	6.1	22.0
FY 2013	5.9	17.0



Depreciation and amortization

	1Q Actual	FY Projection
FY 2012	3.8	16.3
FY 2013	4.3	17.4

Canon

Canon Marketing Japan Inc.