

Canon Marketing Japan Inc. Third Quarter 2013 Results

October 24, 2013

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Canon

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

3Q 2013 Actual
(from July 1 to September 30)



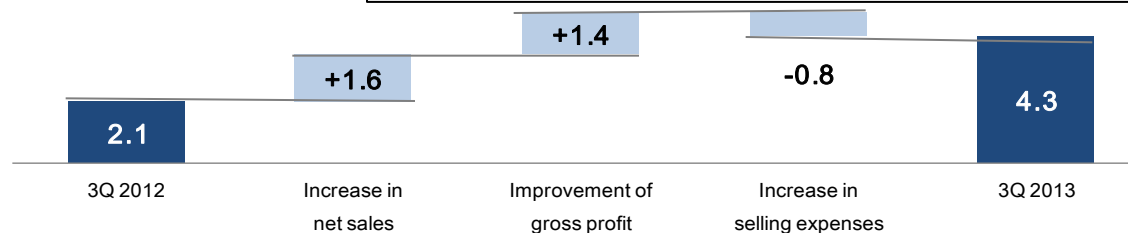
Summary of Results

(Billions of yen)

	3Q 2012	3Q 2013	Changes	
			Amount	%
Net sales	154.5	159.2	+4.7	+3%
	(33.8%)	(34.7%)	(0.9%)	
Gross profit	52.2	55.2	+3.0	+6%
	(1.3%)	(2.7%)	(1.4%)	
Operating income	2.1	4.3	+2.2	+107%
	(1.5%)	(2.8%)	(1.3%)	
Ordinary income	2.3	4.5	+2.2	+96%
	(0.7%)	(1.7%)	(1.0%)	
Net income (loss)	1.1	2.7	+1.6	+144%

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 17 for details.



Segment Outline

3Q 2013 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q 2012		3Q 2013		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	80.3	0.9	79.5	1.3	-0.8	+0.5
IT Solutions	31.8	-0.1	34.2	-0.1	+2.4	+0.1
Imaging System	42.1	1.8	46.7	3.5	+4.6	+1.7
Industrial Equipment	6.5	-0.6	6.3	-0.5	-0.2	+0.1
Other	-6.2	0.1	-7.5	0.1	-1.3	-0.0
Total	154.5	2.1	159.2	4.3	+4.7	+2.2

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

Summary of Results

3Q 2013 Actual



(from January 1 to September 30)

Summary of Results

(Billions of yen)

	1Q-3Q 2012	1Q-3Q 2013	Changes	
			Amount	%
Net sales	477.5	468.6	-8.9	-2%
Gross profit	(33.7%) 160.9	(33.8%) 158.4	(0.1%) -2.5	-2%
Operating income	(2.1%) 9.9	(1.8%) 8.4	(-0.3%) -1.5	-15%
Ordinary income	(2.3%) 11.0	(2.0%) 9.3	(-0.3%) -1.6	-15%
Net income (loss)	(1.2%) 5.8	(1.0%) 4.7	(-0.2%) -1.1	-19%

Op. Income Variance Analysis



Segment Outline

3Q 2013 Actual

(from January 1 to September 30)



(Billions of yen)

	1Q-3Q 2012		1Q-3Q 2013		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	249.1	6.3	243.2	4.7	-5.9	-1.6
IT Solutions	98.3	-0.1	104.2	-0.0	+5.9	+0.0
Imaging System	125.1	4.1	124.5	4.9	-0.6	+0.8
Industrial Equipment	24.1	-0.7	18.7	-1.5	-5.4	-0.8
Other	-19.2	0.3	-21.9	0.3	-2.8	-0.0
Total	477.5	9.9	468.6	8.4	-8.9	-1.5

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

Segment Information 3Q 2013 Actual



(from January 1 to September 30)

(Billions of yen)



2013 Actual v. 2012 Actual

	1Q-3Q 2012	1Q-3Q 2013	Changes
Net sales	249.1	243.2	-5.9
Op. income	6.3	4.7	-1.6

Net sales - Growth rate

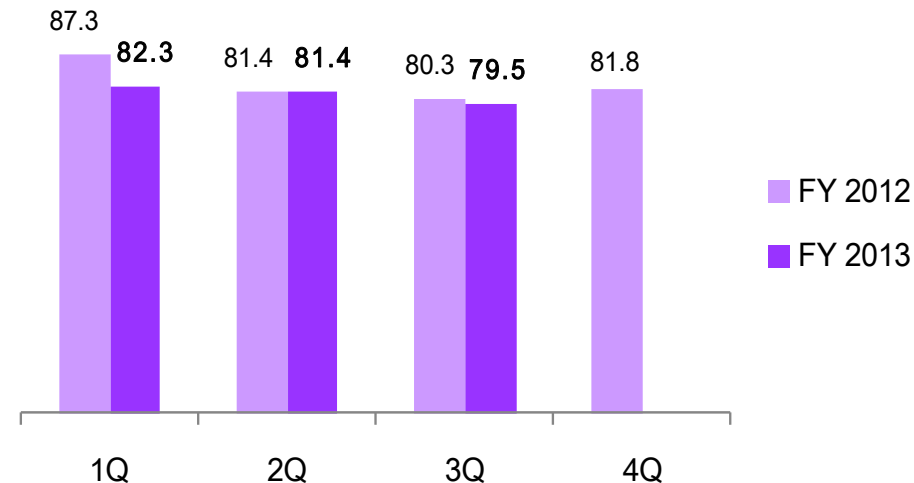
	1Q	2Q	3Q	4Q	FY
FY 2012	+5%	+12%	+6%	+1%	+6%
FY 2013	-6%	-0%	-1%		-2%

* 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.

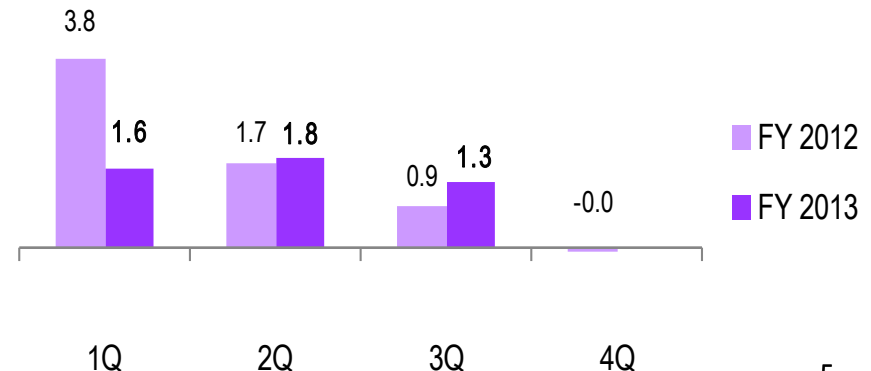
Points

- ▶ Net sales were almost on a par with the year-ago level, despite signs of improvement in corporate capital investment.
- ▶ Operating income increased, reflecting higher unit sales of MFPs and the strong performance of Canon System & Support, in addition to our efforts to reduce costs.

Net sales



Op. income



Segment Information 3Q 2013 Actual

(from January 1 to September 30)

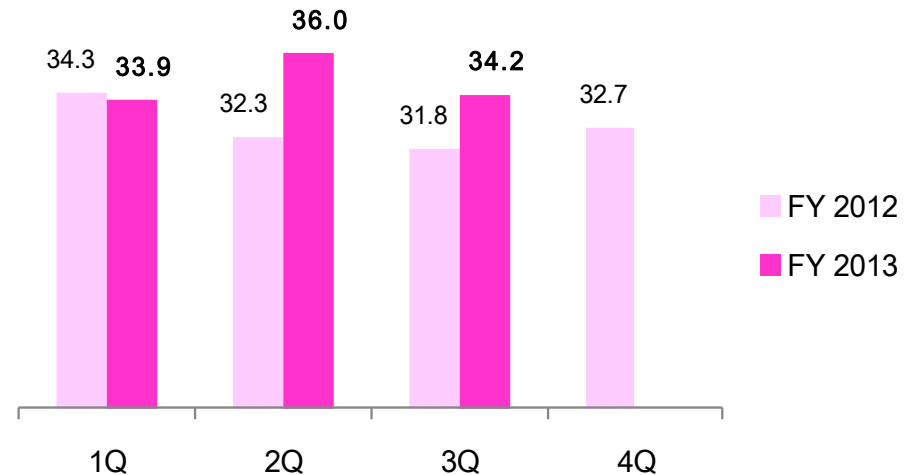
(Billions of yen)



2013 Actual v. 2012 Actual

	1Q-3Q 2012	1Q-3Q 2013	Changes
Net sales	98.3	104.2	+5.9
Op. income	-0.1	-0.0	+0.0

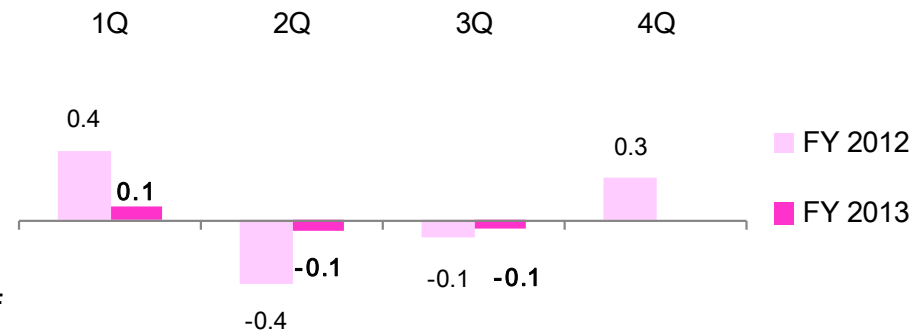
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2012	+9%	+3%	+6%	+4%	+5%
FY 2013	-1%	+12%	+8%	-	+6%

Op. income



* 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 increased because of firm individual system development and the expansion of the product business, such as corporate PCs.
- ▶ Operating income improved, thanks to the reduction of selling expenses.

Segment Information 3Q 2013 Actual



(from January 1 to September 30)



(Billions of yen)

2013 Actual v. 2012 Actual

	1Q-3Q 2012	1Q-3Q 2013	Changes
Net sales	125.1	124.5	-0.6
Op. income	4.1	4.9	+0.8

Net sales - Growth rate

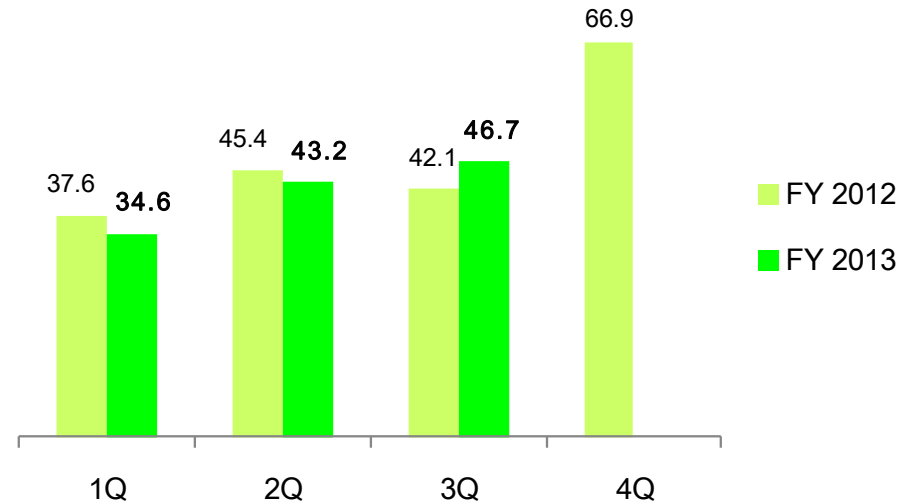
	1Q	2Q	3Q	4Q	FY
FY 2012	+3%	+22%	-4%	+18%	+10%
FY 2013	-8%	-5%	+11%		-1%

* 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.

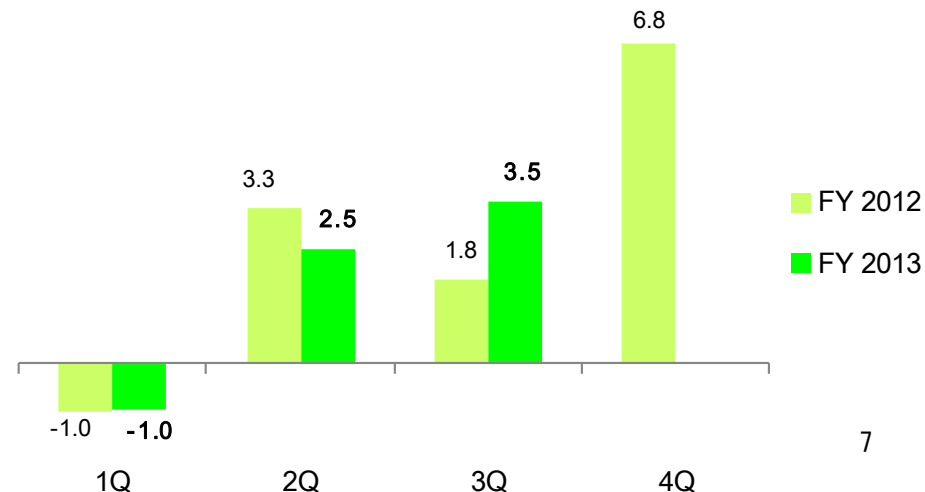
Points

- Both sales and profits increased, as interchangeable lens digital cameras continued to do well and the performance of other products was generally solid.

Net sales



Op. income



Segment Information 3Q 2013 Actual

(from January 1 to September 30)

(Billions of yen)



2013 Actual v. 2012 Actual

	1Q-3Q 2012	1Q-3Q 2013	Changes
Net sales	24.1	18.7	-5.4
Op. income	-0.7	-1.5	-0.8

Net sales - Growth rate

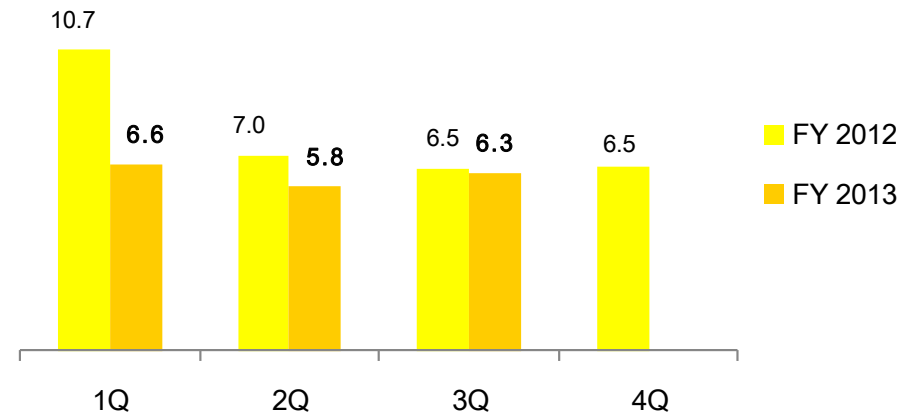
	1Q	2Q	3Q	4Q	FY
FY 2012	+254%	+91%	-18%	-47%	+14%
FY 2013	-38%	-16%	-3%		-22%

* 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.

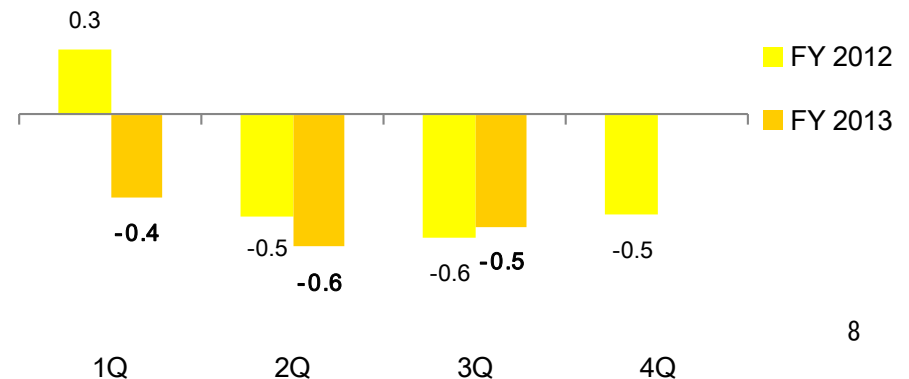
Points

- ▶ Net sales declined, reflecting a delay in the recovery of semiconductor-related investment in Japan and a fall in demand for consumables attributable to the filmless trend in medical imaging systems.
- ▶ Operating income improved, thanks to the reduction of selling expenses.

Net sales



Op. income



Summary of Projections



(Billions of yen)

	FY 2013	FY 2013	Changes		FY 2012	Changes	
	Previous projection	Current projection	Amount	%	Actual	Amount	%
Net sales	665.6	659.3	-6.3	-1%	659.2	+0.1	+0%
	(2.7%)	(2.6%)	(-0.1%)		(2.5%)	(+0.0%)	
Operating income	18.0	16.9	Δ1.1	Δ6%	16.8	+0.1	+1%
	(2.9%)	(2.7%)	(-0.1%)		(2.7%)	(-0.0%)	
Ordinary income	19.0	18.0	Δ1.0	Δ5%	18.1	-0.1	-1%
	(1.6%)	(1.6%)	(+0.0%)		(1.6%)	(+0.0%)	
Net income	10.6	10.6	-	-	10.6	+0.0	+0%

Summary of Projections



FY2013 Previous projection v. Current projection

(Billions of yen)

	FY 2013		FY 2013		Changes		
	Previous projection		Current projection		Net sales	Op. income	
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	328.9	5.9	327.8	6.3	-1.1	-0%	+0.4
IT Solutions	140.7	1.5	142.1	0.9	+1.4	+1%	-0.6
Imaging System	191.1	10.5	190.3	10.8	-0.8	-0%	+0.3
Industrial Equipment	31.0	-0.3	26.7	-1.5	-4.3	-14%	-1.2
Other	-26.1	0.4	-27.6	0.4	-1.5	+6%	-
Total	665.6	18.0	659.3	16.9	-6.3	-1%	-1.1

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

Projections Summary Outline



FY2013 Projection v. FY 2012 Actual

(Billions of yen)

	FY 2012		FY 2013		Changes		
	Actual		Projection		Net sales	Op. income	Op. income
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	330.9	6.3	327.8	6.3	-3.1	-1%	+0.0
IT Solutions	131.0	0.2	142.1	0.9	+11.1	+8%	+0.7
Imaging System	192.0	10.9	190.3	10.8	-1.7	-1%	-0.1
Industrial Equipment	30.7	-1.2	26.7	-1.5	-4.0	-13%	-0.3
Other	-25.4	0.6	-27.6	0.4	-2.2	+9%	-0.2
Total	659.2	16.8	659.3	16.9	+0.1	+0%	+0.1

“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

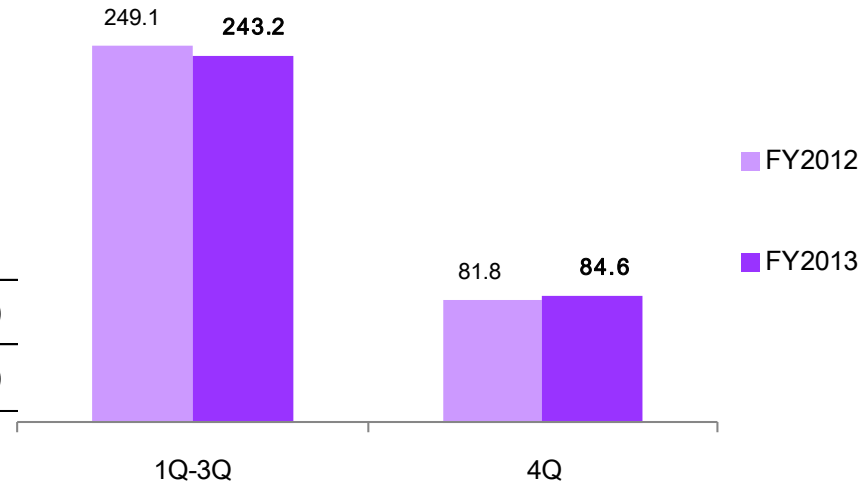

Business Solutions

(Billions of yen)

FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes	Previous projection - July 23 -
Net sales	330.9	327.8	-3.1	328.9
Op. income	6.3	6.3	+0.0	5.9

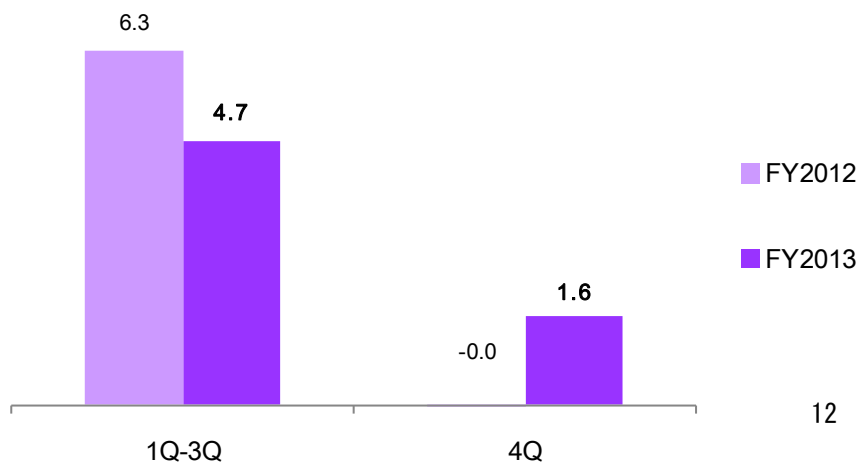
Net sales



Points

- ▶ For the fourth quarter, we expect sales and profits to increase, given the active sales promotion of main products and cost cutting.
- ▶ For the full year, we expect net sales to decline slightly year on year and operating income to remain flat.

Op. income



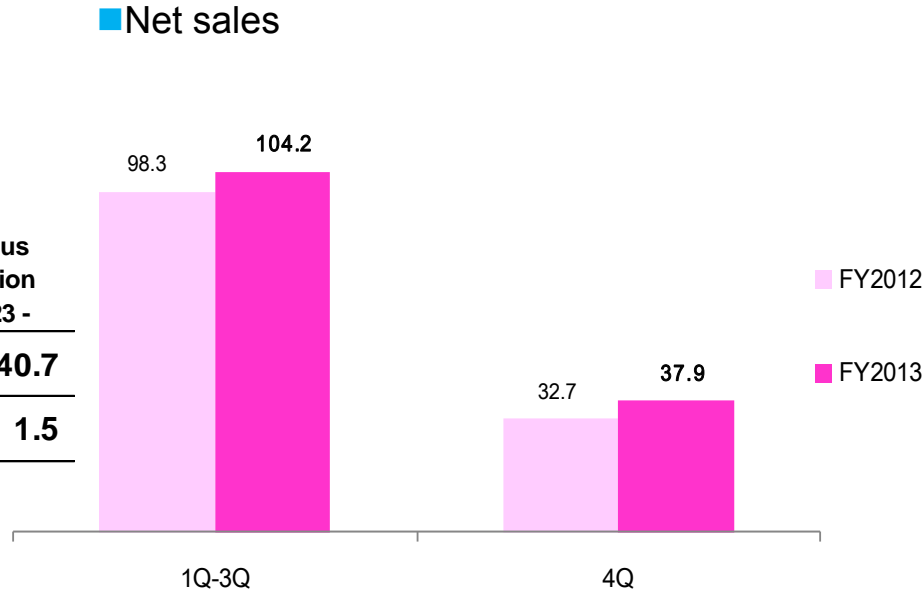
Projections Segment Information



(Billions of yen)

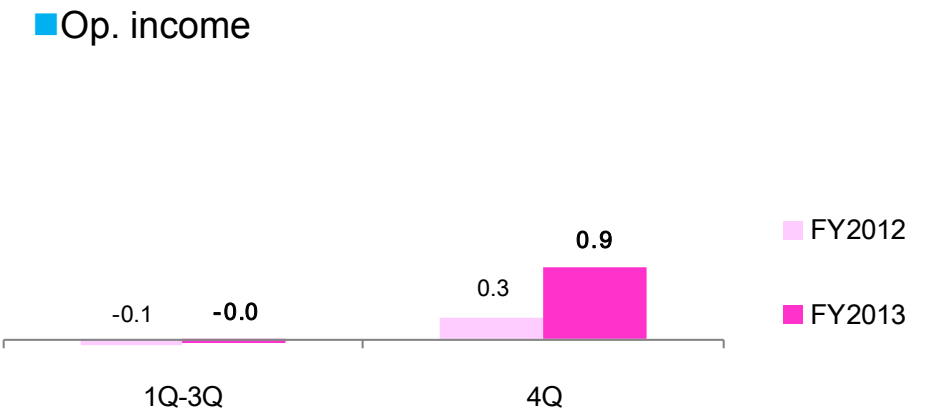
FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes	Previous projection - July 23 -
Net sales	131.0	142.1	+11.1	140.7
Op. income	0.2	0.9	+0.7	1.5



Points

- ▶ For the fourth quarter, we anticipate that sales and profits will increase with the expansion of SI services, IT and infrastructure services, and the product business.
- ▶ For the full year, we expect sales and profits to increase.



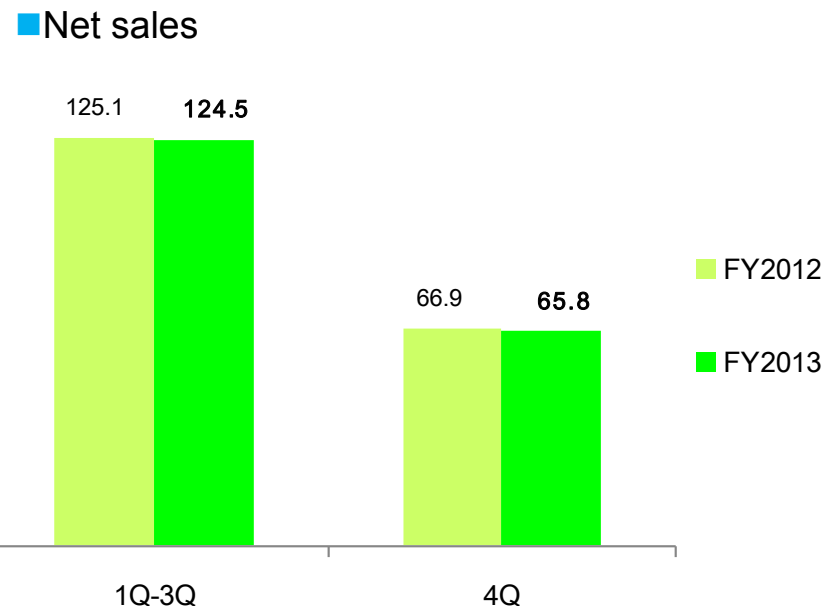
Projections Segment Information



(Billions of yen)

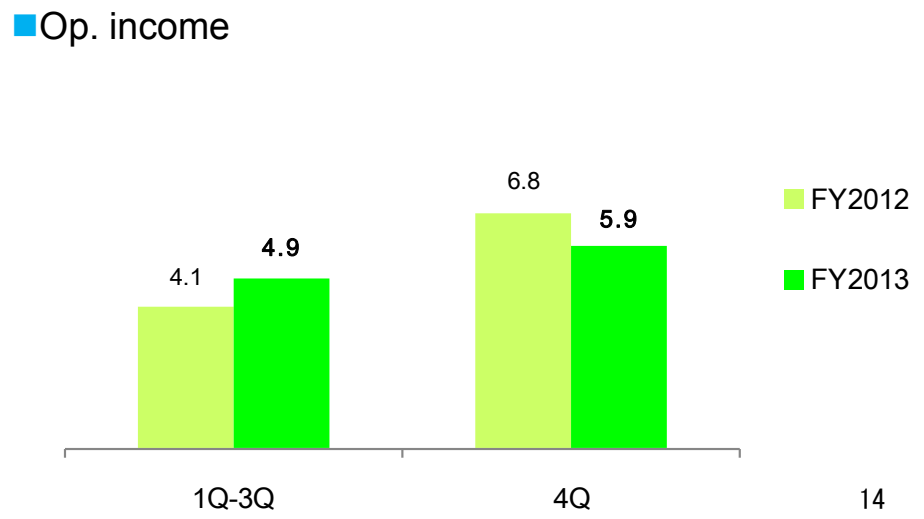
FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes	Previous projection - July 23 -
Net sales	192.0	190.3	-1.7	191.1
Op. income	10.9	10.8	-0.1	10.5



Points

- ▶ For the fourth quarter, sales and profits are likely to decline because of the contraction of digital video cameras and lower sales of ink-jet printers.
- ▶ For the full year, we anticipate a slight decline in sales and profits.



Projections Segment Information

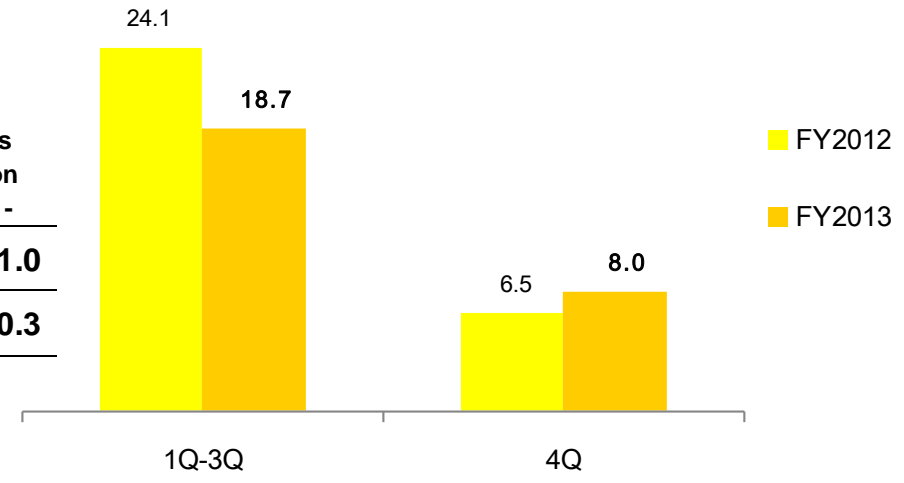


(Billions of yen)

FY 2013 Projection v. FY 2012 Actual

	FY 2012 Actual	FY 2013 Projection	Changes	Previous projection - July 23 -
Net sales	30.7	26.7	-4.0	31.0
Op. income	-1.2	-1.5	-0.3	-0.3

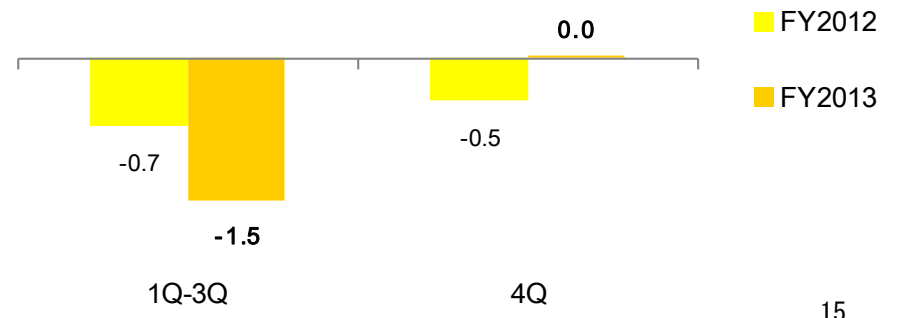
Net sales



Points

- ▶ For the fourth quarter, we forecast higher sales and profits, mainly reflecting a recovery in semiconductor-related investments in Japan and growth in sales of new medical equipment products.
- ▶ For the full year, sales and profits are likely to decline.

Op. income



Supplementary Information

FY2012 Results - After deduction -



(Billions of yen)

[Reference]

FY 2012

FY 2012 Results [After deduction]

1Q 2Q 3Q 4Q FY

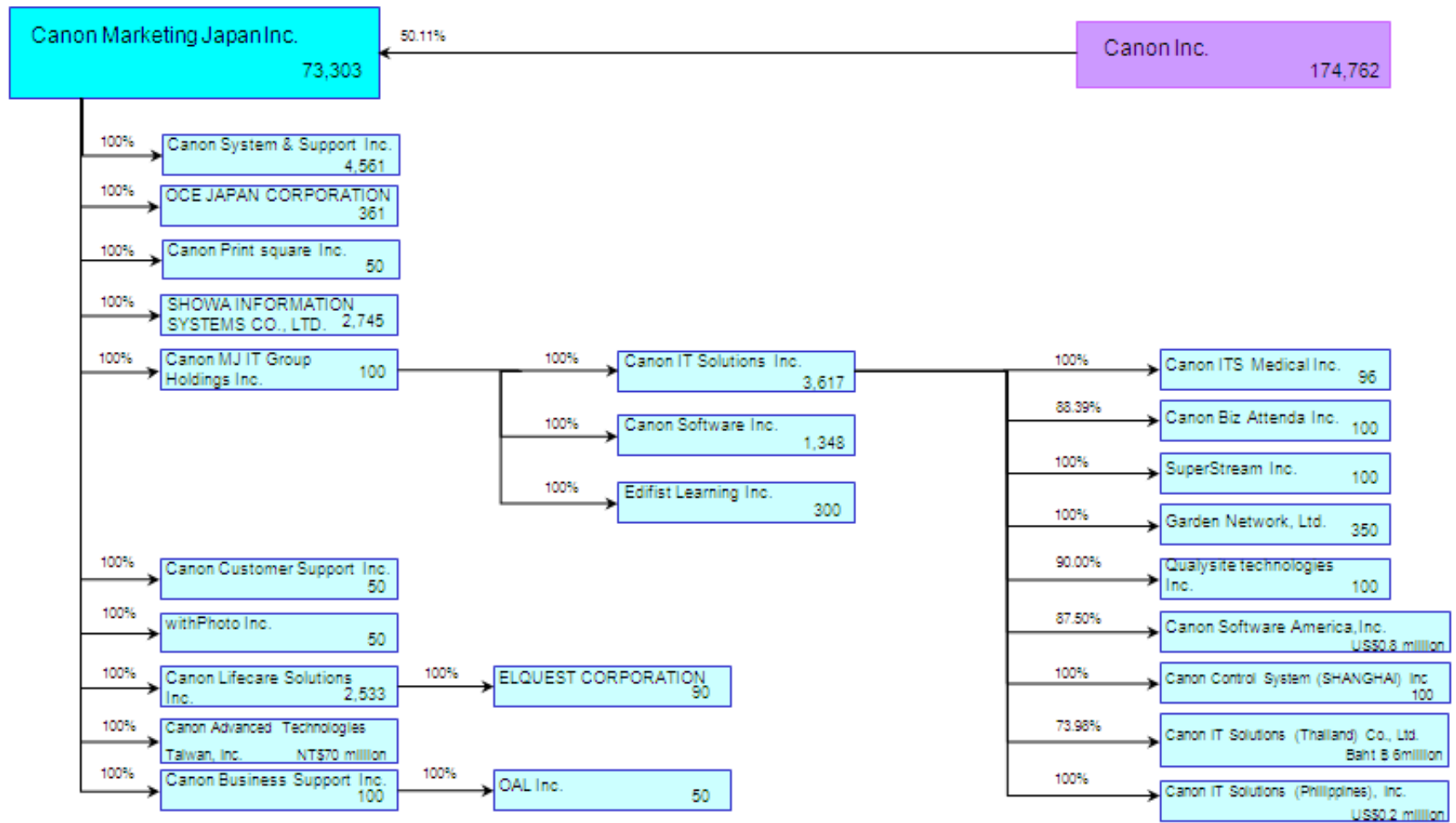
Before deduction Amount deducted

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 : 24

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

Corporate name
 Capital (millions of yen)

September 30, 2013
 Supplementary Information

Results of main consolidated companies



		3Q 2012		3Q 2013		(Billions of yen)	
						Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net sales	25.5		28.8		+3.3	+13%
	Op. income	0.7	(2.6%)	0.9	(3.1%)	+0.2	(+0.5%)
SHOWA INFORMATION SYSTEMS CO., LTD.	Net sales	2.7		2.3		-0.4	-13%
	Op. income	-0.0	(-)	-0.1	(-)	-0.0	(-)
IT Solutions							
Canon IT Solutions (Consolidated)	Net sales	19.9		19.0		-0.9	-4%
	Op. income	0.2	(1.0%)	0.2	(0.8%)	-0.1	(-0.2%)
Canon Software	Net sales	5.0		4.9		-0.1	-3%
	Op. income	0.3	(5.7%)	0.3	(7.1%)	-0.0	(+1.4%)
Total	Net sales	25.0		23.9		-1.0	-4%
	Op. income	0.5	(2.0%)	0.4	(1.7%)	-0.1	(-0.3%)
Industrial Equipment							
Canon Lifecare Solutions (Consolidated)	Net sales	4.4		4.7		+0.3	+8%
	Op. income	-0.2	(-)	-0.2	(-)	-0.1	(-)

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

Results of main consolidated companies



(Billions of yen)

		1Q-3Q 2012		1Q-3Q 2013		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net sales	78.5		86.1		+7.6	+10%
	Op. income	1.5	(1.9%)	2.4	(2.8%)	+0.9	(+0.9%)
SHOWA INFORMATION SYSTEMS CO., LTD.	Net sales	8.0		8.8		+0.8	+9%
	Op. income	-0.0	(-)	0.1	(0.9%)	+0.1	(-)
IT Solutions							
Canon IT Solutions (Consolidated)	Net sales	60.8		59.8		-0.9	-1%
	Op. income	0.9	(1.5%)	0.5	(0.8%)	-0.5	(-0.7%)
Canon Software	Net sales	15.9		15.3		-0.6	-4%
	Op. income	1.3	(8.5%)	1.0	(6.5%)	-0.4	(-2.0%)
Total	Net sales	76.6		75.1		-1.5	-2%
	Op. income	2.3	(3.0%)	1.5	(1.9%)	-0.8	(-1.0%)
Industrial Equipment							
Canon Lifecare Solutions (Consolidated)	Net sales	16.1		14.3		-1.9	-12%
	Op. income	-0.2	(-)	-0.5	(-)	-0.3	(-)

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

Selling expenses



(Billions of yen)

	FY 2012		FY 2013		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Advertising expenses	2.8	7.9	3.0	7.3	+0.2	-0.6
Promotion expenses	0.8	2.4	0.9	2.6	+0.1	+0.2
Warranty expenses	2.2	6.7	1.9	5.6	-0.3	-1.1
Personnel expenses	31.9	95.6	32.0	94.1	+0.1	-1.5
Depreciation and amortization	0.6	1.9	0.6	1.9	-0.0	-0.0
Rent expenses	1.7	5.5	1.6	5.3	-0.0	-0.2
IT expenses	2.2	6.5	2.0	6.4	-0.2	-0.0
Other selling expenses	8.0	24.6	9.0	26.9	+1.0	+2.3
Total	50.1	151.0	50.9	150.0	+0.8	-0.9

■ Non-operating income

	FY 2012		FY 2013		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest & dividends income	0.1	0.3	0.1	0.3	-0.0	-0.0
Insurance income	0.0	0.6	0.1	0.6	+0.0	+0.0
Other	0.2	0.5	0.1	0.4	-0.0	-0.1
Total	0.3	1.4	0.2	1.3	-0.1	-0.1

■ Non-operating expenses

	FY 2012		FY 2013		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest expenses	0.0	0.1	0.0	0.0	-0.0	-0.0
Foreign exchange losses	-0.0	-	0.0	0.1	+0.0	+0.1
Other	0.1	0.3	0.0	0.2	-0.0	-0.0
Total	0.1	0.3	0.1	0.3	-0.0	+0.0

Extraordinary income and expenses



(Billions of yen)

■ Extraordinary income

	FY 2012		FY 2013		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Gain on sales of investment securities	0.0	0.1	0.0	0.1	-0.0	+0.1
Gain on sales of noncurrent assets	0.0	0.0	0.0	0.0	+0.0	+0.0
Gain on negative goodwill	-	0.2	-	-	-	-0.2
Other	-	0.0	-	0.0	-	+0.0
Total	0.0	0.2	0.0	0.1	+0.0	-0.1

■ Extraordinary expenses

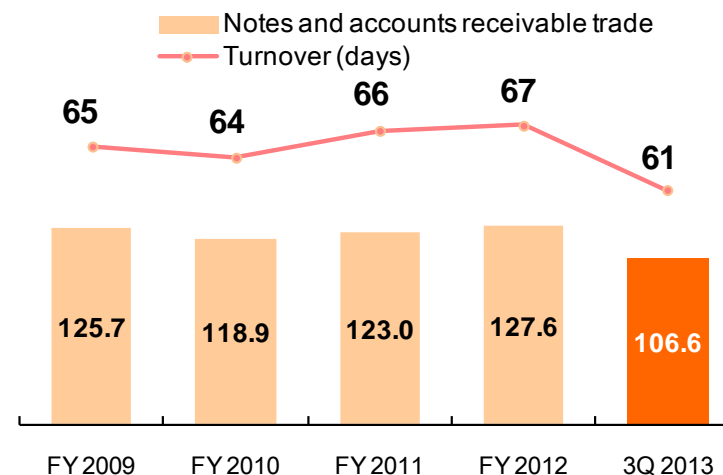
	FY 2012		FY 2013		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Special extra retirement payments	-	-	-	0.6	-	+0.6
Loss on sales and retirement of	0.1	0.4	0.2	0.6	+0.1	+0.2
Office transfer expenses	0.0	0.1	0.1	0.2	+0.1	+0.1
Impairment loss	-	0.0	0.0	0.0	+0.0	+0.0
Loss on valuation of investment securities	0.0	0.0	-	-	-0.0	-0.0
Other	0.0	0.0	0.1	0.2	+0.1	+0.1
Total	0.2	0.6	0.4	1.5	+0.3	+1.0

Balance Sheets

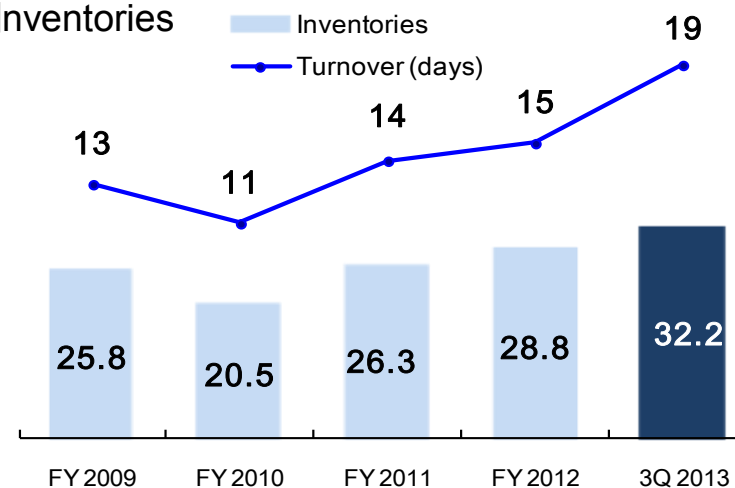
	Dec. 31 2012	Sep. 30 2013	Changes
Assets	462.6	447.9	-14.7
Current assets	316.6	303.8	-12.8
Cash and deposits	108.4	101.6	-6.9
Notes and accounts receivable trade	127.6	106.6	-21.0
Inventories	28.8	32.2	+3.4
Other	51.7	63.4	+11.7
Noncurrent assets	146.0	144.1	-1.9
Property, plant and equipment	99.6	99.9	+0.4
Intangible assets	16.0	13.2	-2.8
Investments and other assets	30.4	30.9	+0.5
Liabilities	208.5	191.0	-17.5
Current liabilities	163.4	146.4	-17.0
Notes and accounts payable-trade	104.2	93.9	-10.2
Other	59.2	52.5	-6.8
Noncurrent liabilities	45.1	44.6	-0.5
Net assets	254.1	256.9	+2.8
Shareholders' equity	253.9	255.1	+1.2
(Treasury stock)	-26.9	-26.9	-0.0
Accumulated other comprehensive income	0.0	1.5	+1.5
Minority interests	0.2	0.3	+0.0
Equity ratio	55%	57%	+2%

(Billions of yen)

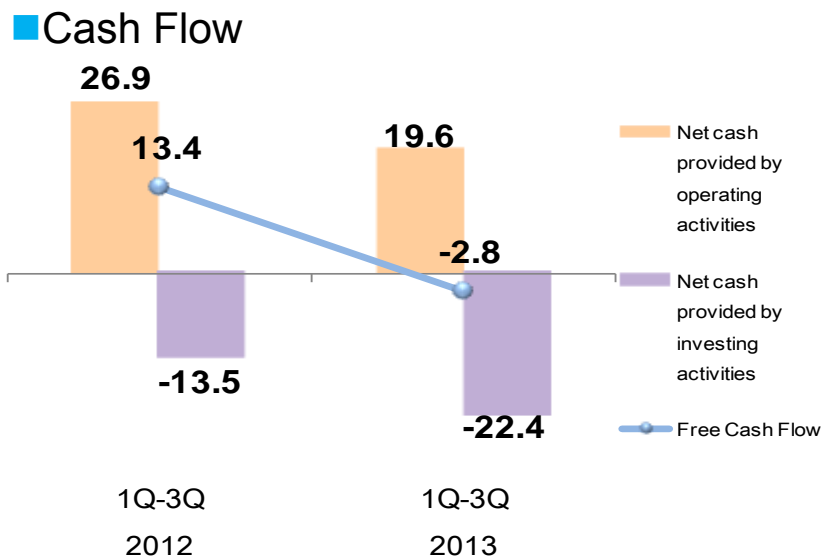
Notes and accounts receivable trade



Inventories



Cash Flow / Investment / Depreciation and amortization / Financial indicator

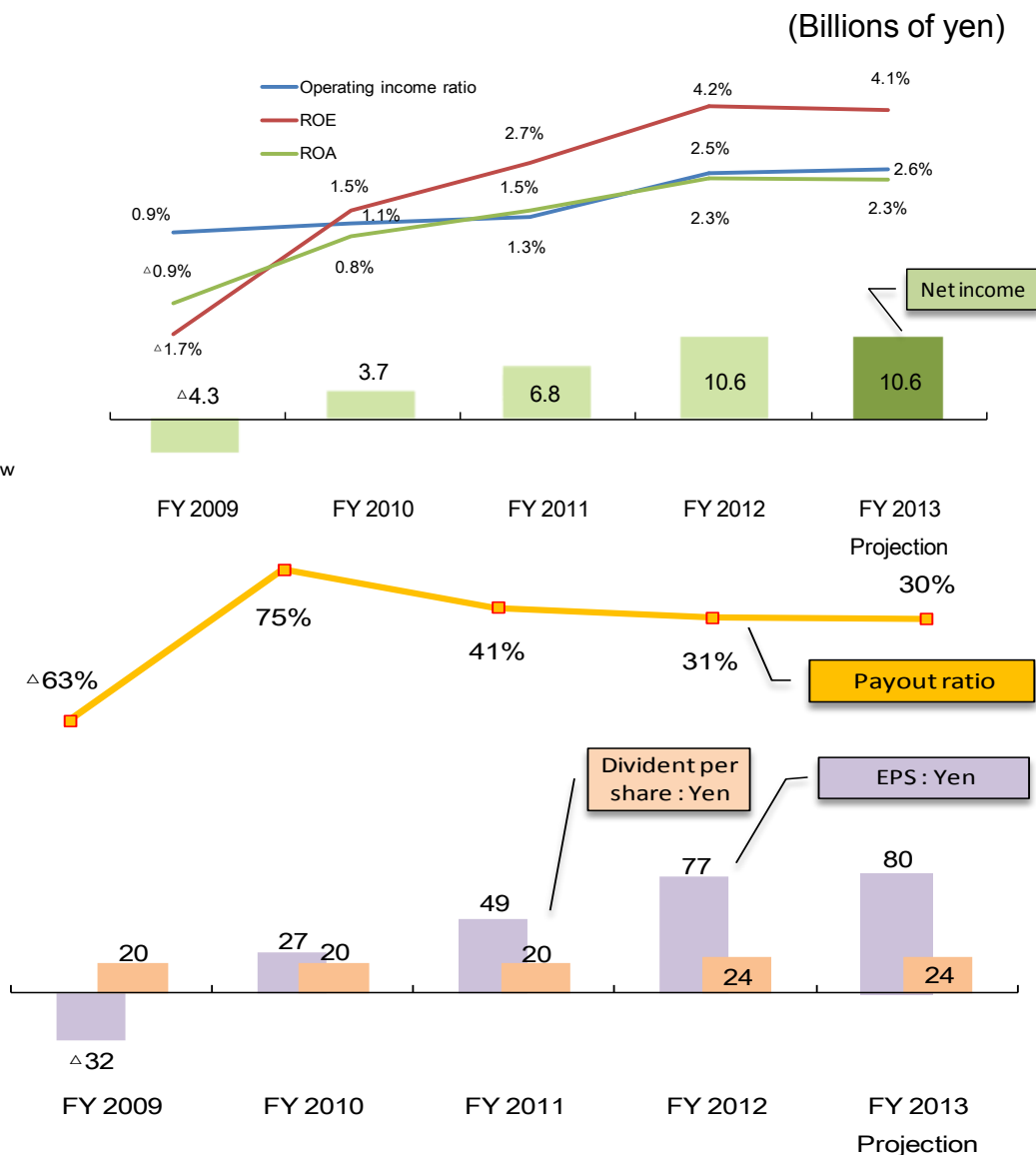


Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2012	18.4	3.6	22.0
FY 2013	11.4	3.2	14.6

Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2012	11.9	4.4	16.3
FY 2013	13.0	4.3	17.2



Canon

Canon Marketing Japan Inc.