

Canon Marketing Japan Inc. Second Quarter 2014 Results

July 24, 2014
Yo Shibasaki

Director & Senior Vice President

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

2Q 2014 Actual

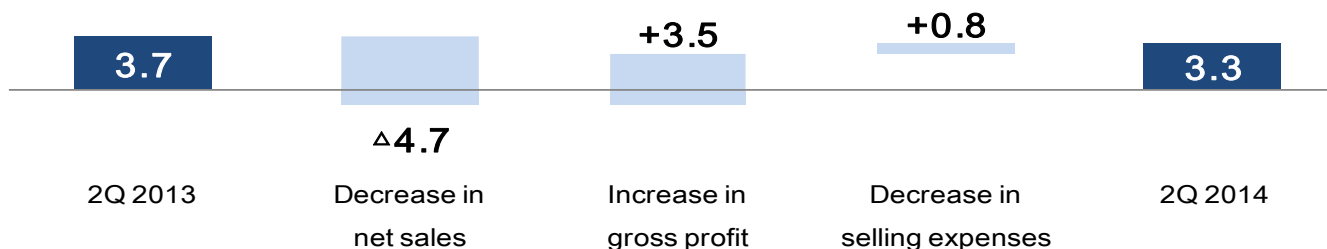
(from April 1 to June 30)



| Summary of Results | 2Q 2013 | 2Q 2014 | Changes | |
|--------------------|-----------------|-----------------|-----------------|------|
| | | | Amount | % |
| Net sales | 159.2 | 145.7 | -13.6 | -9% |
| Gross profit | (34.4%) 54.8 | (36.8%) 53.7 | (+2.4%) -1.2 | -2% |
| Operating income | (2.3%) 3.7 | (2.3%) 3.3 | (-0.0%) -0.4 | -10% |
| Ordinary income | (2.7%) 4.3 | (2.8%) 4.1 | (+0.1%) -0.2 | -6% |
| Net income (loss) | (1.3%) 2.0 | (1.5%) 2.1 | (+0.2%) +0.1 | +7% |

Op. Income Variance Analysis

The Company previously recorded expenses related to the development and management of the Group operating systems that were outsourced to certain consolidated subsidiaries in cost of sales. However, because the importance of the amount of such expenses increased as a result of the progress of in-house production within the Group, effective from the first quarter of the consolidated fiscal year under review, the Company has changed its accounting method and now records these expenses in selling, general and administrative expenses. For reference, this change does not affect operating income.



Segment Outline

2Q 2014 Actual
(from April 1 to June 30)



(Billions of yen)

| | 2Q 2013 | | 2Q 2014 | | Changes | |
|----------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | Net sales | Op. Income | Net sales | Op. Income | Net sales | Op. Income |
| Business Solutions | 81.4 | 1.8 | 77.6 | 0.7 | -3.8 | -1.1 |
| IT Solutions | 36.0 | -0.1 | 35.8 | 0.9 | -0.2 | +1.0 |
| Imaging System | 43.2 | 2.5 | 35.1 | 2.2 | -8.1 | -0.2 |
| Industrial / Medical | 5.8 | -0.6 | 5.1 | -0.6 | -0.7 | -0.0 |
| Other | -7.2 | 0.1 | -8.0 | 0.1 | -0.8 | +0.0 |
| Total | 159.2 | 3.7 | 145.7 | 3.3 | -13.6 | -0.4 |

“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

1Q-2Q 2014 Actual
(from January 1 to June 30)



Summary of Results

1Q-2Q
FY 2013

1Q-2Q
FY 2014

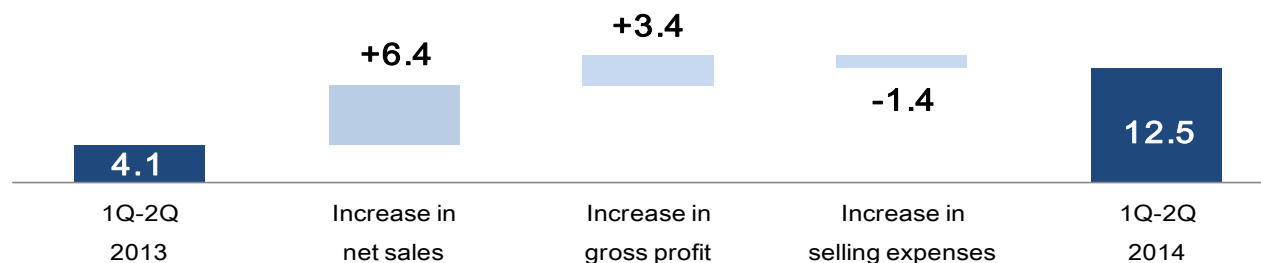
Changes

(Billions of yen)

| | | | Changes | |
|-------------------|-------------------------|-------------------------|-----------------------|--------------|
| | | | Amount | % |
| Net sales | 309.4 | 328.4 | +18.9 | +6% |
| Gross profit | (33.9%) 104.9 | (34.9%) 114.7 | (1.0%) +9.8 | +9% |
| Operating income | (1.3%) 4.1 | (3.8%) 12.5 | (2.5%) +8.4 | +208% |
| Ordinary income | (1.6%) 4.9 | (4.1%) 13.5 | (2.5%) +8.6 | +176% |
| Net income (loss) | (0.6%) 2.0 | (2.4%) 7.9 | (1.8%) +5.9 | +298% |

Op. Income Variance Analysis

The Company previously recorded expenses related to the development and management of the Group operating systems that were outsourced to certain consolidated subsidiaries in cost of sales. However, because the importance of the amount of such expenses increased as a result of the progress of in-house production within the Group, effective from the first quarter of the consolidated fiscal year under review, the Company has changed its accounting method and now records these expenses in selling, general and administrative expenses. For reference, this change does not affect operating income.



Segment Outline

1Q-2Q 2014 Actual
(from January 1 to June 30)



(Billions of yen)

| | 1Q-2Q FY 2013 | | 1Q-2Q FY 2014 | | Changes | |
|----------------------|------------------|-------------|------------------|-------------|--------------|-------------|
| | Net sales | Op. Income | Net sales | Op. Income | Net sales | Op. Income |
| Business Solutions | 163.7 | 3.4 | 169.8 | 5.2 | +6.2 | +1.8 |
| IT Solutions | 70.0 | 0.0 | 79.7 | 2.1 | +9.7 | +2.1 |
| Imaging System | 77.8 | 1.5 | 83.1 | 5.4 | +5.3 | +3.9 |
| Industrial Equipment | 12.4 | -1.0 | 14.4 | -0.5 | +2.0 | +0.5 |
| Other | -14.4 | 0.2 | -18.6 | 0.2 | -4.2 | +0.1 |
| Total | 309.4 | 4.1 | 328.4 | 12.5 | +18.9 | +8.4 |

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

Segment Information 2Q 2014 Actual

Business Solutions

(Billions of yen)

2014 Actual v. 2013 Actual

| | 1Q-2Q 2013 | 1Q-2Q 2014 | Changes |
|------------|---------------|---------------|-------------|
| Net sales | 163.7 | 169.8 | +6.2 |
| Op. income | 3.4 | 5.2 | +1.8 |

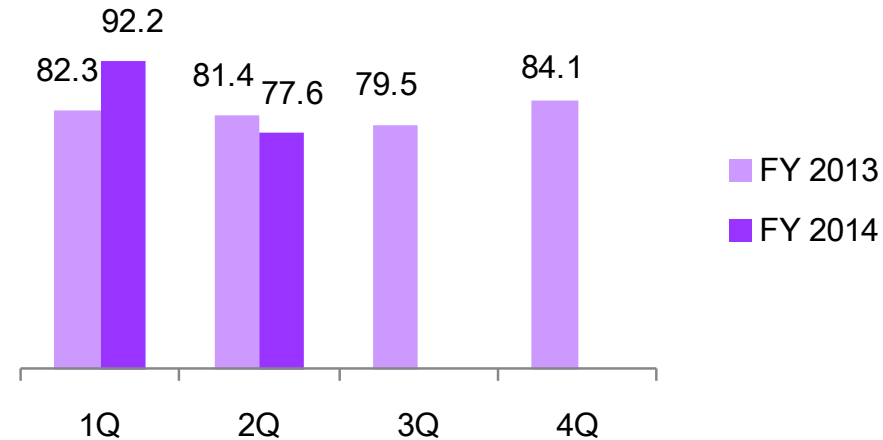
Net sales - Growth rate

| | 1Q | 2Q | 3Q | 4Q | FY |
|---------|------|-----|-----|-----|-----|
| FY 2013 | -6% | -0% | -1% | +3% | -1% |
| FY 2014 | +12% | -5% | | | +4% |

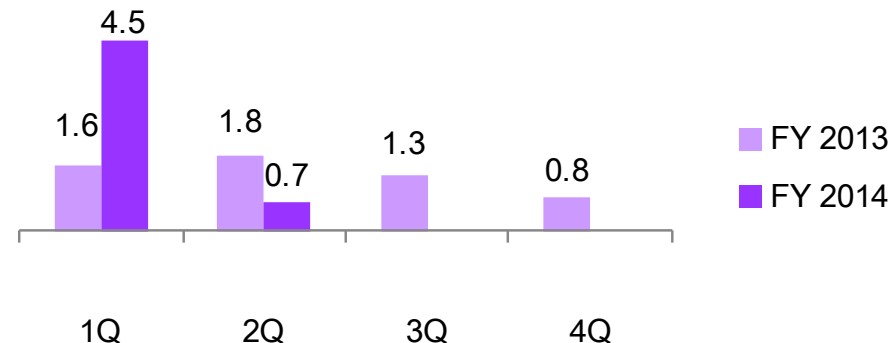
Points

- ▶ Net sales declined due to a reaction to a spike in demand before the consumption tax hike and a decline in the market after the consumption tax hike.
- ▶ Operating income fell, chiefly reflecting declines in MFPs and LBP toner cartridges.

Net sales



Op. income



Segment Information

2Q 2014 Actual

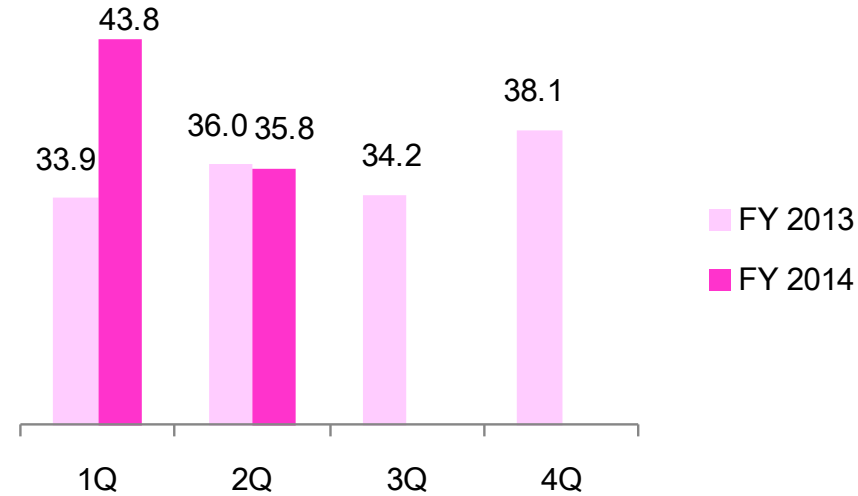


(Billions of yen)

2014 Actual v. 2013 Actual

| | 1Q-2Q 2013 | 1Q-2Q 2014 | Changes |
|------------|---------------|---------------|---------|
| Net sales | 70.0 | 79.7 | +9.7 |
| Op. income | 0.0 | 2.1 | +2.1 |

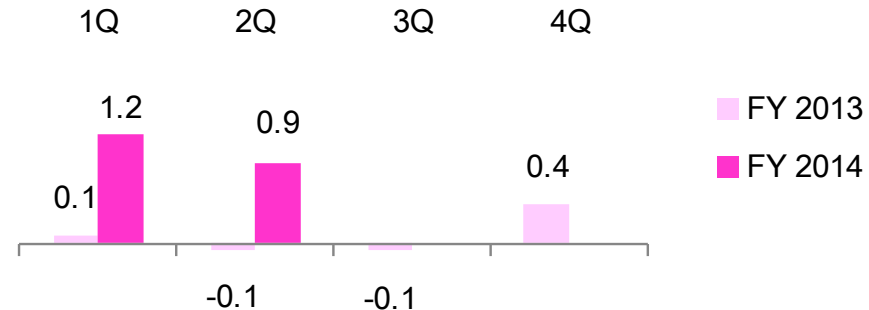
Net sales



Net sales - Growth rate

| | 1Q | 2Q | 3Q | 4Q | FY |
|---------|------|------|-----|------|------|
| FY 2013 | -1% | +12% | +8% | +17% | +9% |
| FY 2014 | +29% | -1% | - | - | +14% |

Op. income



Points

- ▶ Despite strong sales in SI service, net sales declined slightly, reflecting the effect of large-scale projects in the IT infrastructure & service business in the previous fiscal year.
- ▶ Operating income rose thanks chiefly to an increase in highly profitable projects.

Segment Information 2Q 2014 Actual

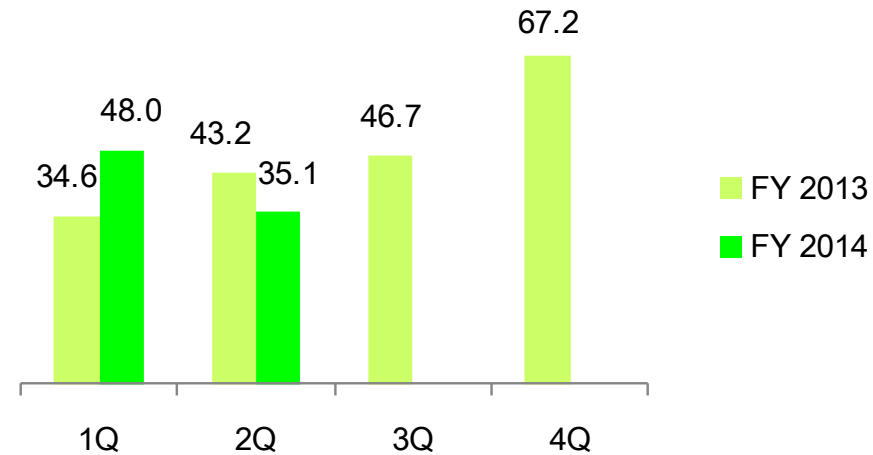


(Billions of yen)

2014 Actual v. 2013 Actual

| | 1Q-2Q 2013 | 1Q-2Q 2014 | Changes |
|------------|---------------|---------------|---------|
| Net sales | 77.8 | 83.1 | +5.3 |
| Op. income | 1.5 | 5.4 | +3.9 |

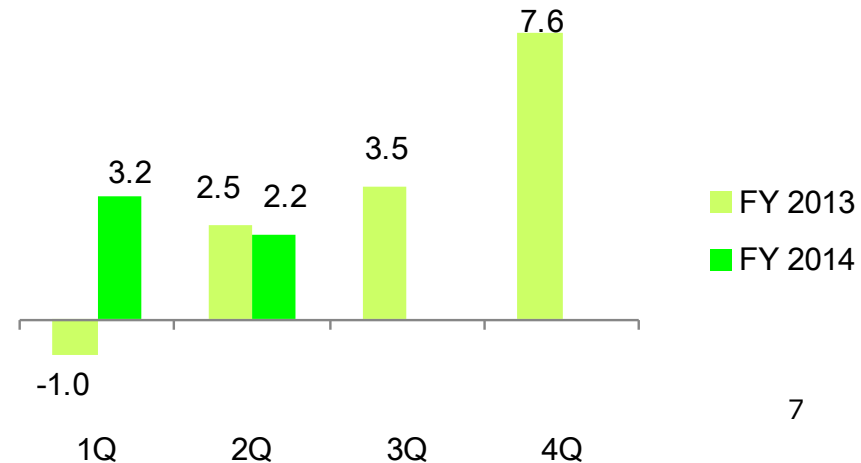
Net sales



Net sales - Growth rate

| | 1Q | 2Q | 3Q | 4Q | FY |
|---------|------|------|------|-----|-----|
| FY 2013 | -8% | -5% | +11% | +1% | -0% |
| FY 2014 | +39% | -19% | - | - | +7% |

Op. income



Points

- ▶ Net sales dropped, with sales of digital cameras and inkjet printers adversely affected by the effect of the consumption tax hike.
- ▶ Operating income fell only slightly, reflecting an improvement in the gross margin ratio and cost cutting.

Segment Information 2Q 2014 Actual

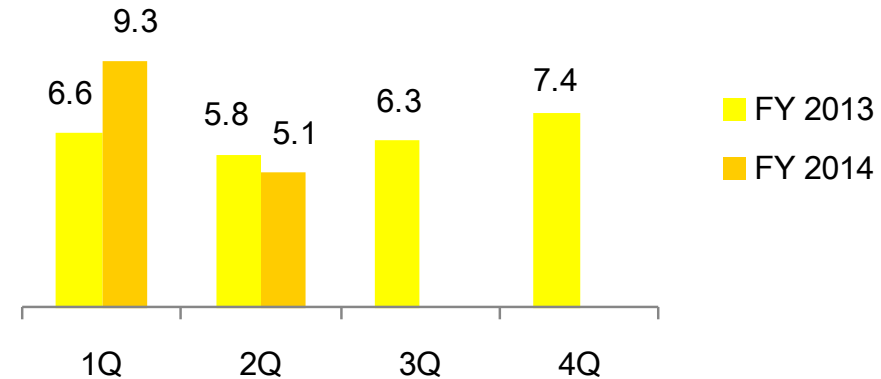


(Billions of yen)

2014 Actual v. 2013 Actual

| | 1Q-2Q 2013 | 1Q-2Q 2014 | Changes |
|------------|---------------|---------------|---------|
| Net sales | 12.4 | 14.4 | +2.0 |
| Op. income | -1.0 | -0.5 | +0.5 |

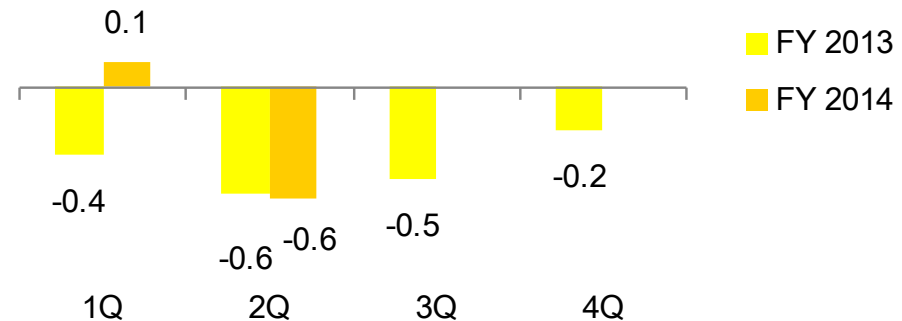
Net sales



Net sales - Growth rate

| | 1Q | 2Q | 3Q | 4Q | FY |
|---------|------|------|-----|------|------|
| FY 2013 | -38% | -16% | -3% | +13% | -15% |
| FY 2014 | +41% | -12% | - | - | +16% |

Op. income



Points

- ▶ Net sales decreased, with the strong sales of 3D printers and ophthalmic equipment more than offset by a reaction to the consumption tax hike and other factors.
- ▶ Operating income was roughly the same as the year-ago level.

Summary of Projections



(Billions of yen)

* The target for FY2014 is changed from the previous update announced in January.

| | FY 2014 | FY 2014 | Changes | | FY 2013 | Changes | |
|------------------|---------------------|--------------------|-------------|-------------|--------------|--------------|-------------|
| | Previous projection | Current projection | Amount | % | Actual | Amount | % |
| Net sales | 673.2 | 677.2 | +4.0 | +1% | 657.2 | +20.0 | +3% |
| | (2.8%) | (3.4%) | (+0.6%) | | (2.6%) | (+0.8%) | |
| Operating income | 18.8 | 22.8 | +4.0 | +21% | 17.0 | +5.8 | +34% |
| | (3.0%) | (3.5%) | (+0.6%) | | (2.8%) | (+0.8%) | |
| Ordinary income | 19.9 | 23.9 | +4.0 | +20% | 18.2 | +5.7 | +31% |
| | (1.8%) | (2.0%) | (+0.2%) | | (1.5%) | (+0.4%) | |
| Net income | 12.0 | 13.5 | +1.5 | +13% | 10.2 | +3.3 | +33% |

Projections Summary Outline



FY2014 Current Projection v. Previous Projection

(Billions of yen)

* The target for FY2014 is changed from the previous update announced in January.

| | FY 2014 | | FY 2014 | | Changes | | |
|----------------------|---------------------|-------------|--------------------|-------------|-------------|-------------|-------------|
| | Previous projection | | Current projection | | Net sales | Op. income | Op. income |
| | Net sales | Op. income | Net sales | Op. income | | | |
| Business Solutions | 332.5 | 6.4 | 335.7 | 7.5 | +3.2 | +1% | +1.1 |
| IT Solutions | 146.2 | 1.8 | 150.8 | 3.0 | +4.6 | +3% | +1.2 |
| Imaging System | 192.3 | 11.1 | 192.8 | 12.5 | +0.5 | +0% | +1.4 |
| Industrial / Medical | 30.3 | -0.8 | 29.4 | -0.6 | -0.9 | -3% | +0.2 |
| Other | -28.1 | 0.3 | -31.5 | 0.4 | -3.4 | +12% | +0.1 |
| Total | 673.2 | 18.8 | 677.2 | 22.8 | +4.0 | +1% | +4.0 |

* "Other" includes intersegment sales, shared service businesses, and corporate expenses that are not allocated to each segment.

Projections Summary Outline



FY2014 Projection v. FY2013 Actual

(Billions of yen)

* The target for FY2014 is changed from the previous update announced in January.

| | FY 2013 | | FY 2014 | | Changes | | |
|----------------------|--------------|-------------|--------------|-------------|--------------|-------------|-------------|
| | Actual | | Projection | | Net sales | | Op. income |
| | Net sales | Op. income | Net sales | Op. income | | | |
| Business Solutions | 327.3 | 5.5 | 335.7 | 7.5 | +8.4 | +3% | +2.0 |
| IT Solutions | 142.3 | 0.4 | 150.8 | 3.0 | +8.5 | +6% | +2.6 |
| Imaging System | 191.7 | 12.5 | 192.8 | 12.5 | +1.1 | +1% | +0.0 |
| Industrial / Medical | 26.1 | -1.8 | 29.4 | -0.6 | +3.3 | +13% | +1.2 |
| Other | -30.2 | 0.4 | -31.5 | 0.4 | -1.3 | +4% | +0.0 |
| Total | 657.2 | 17.0 | 677.2 | 22.8 | +20.0 | +3% | +5.8 |

* "Other" includes intersegment sales, shared service businesses, and corporate expenses that are not allocated to each segment.

Projections Segment Information



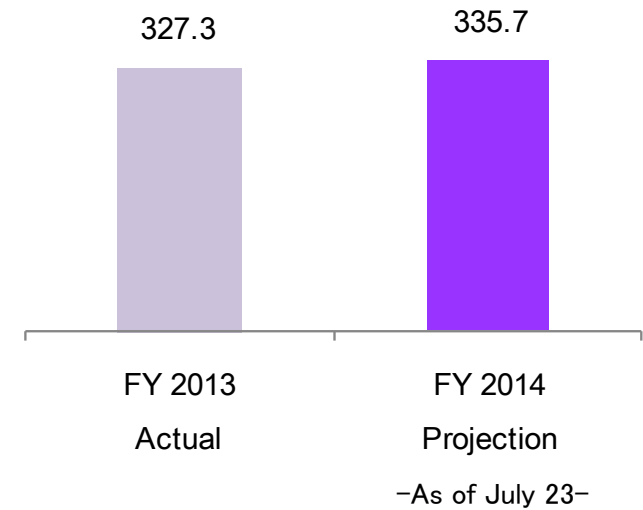
Business Solutions

(Billions of yen)

FY 2014 Projection v. FY 2013 Actual

| | FY 2013 Actual | FY 2014 Projection | Changes | Previous projection - April 22 - |
|------------|----------------|--------------------|---------|----------------------------------|
| Net sales | 327.3 | 335.7 | +8.4 | 332.5 |
| Op. income | 5.5 | 7.5 | +2.0 | 6.4 |

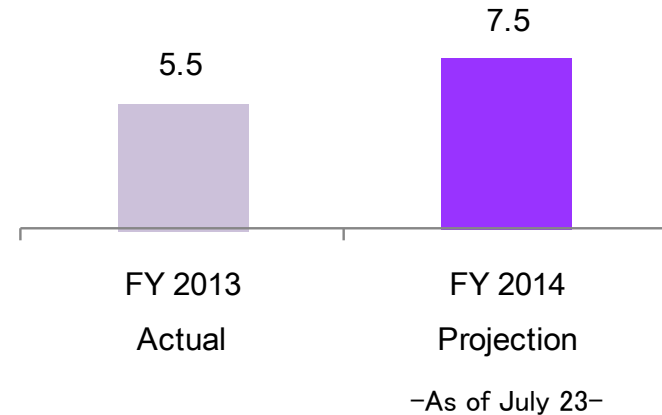
Net sales



Points

- ▶ We expect that net sales will rise due to the expansion of sales of mainstay products, including MFPs and LBPs.
- ▶ We anticipate that operating income will increase significantly due to a rise in sales of mainstay products.

Op. income



Projections Segment Information

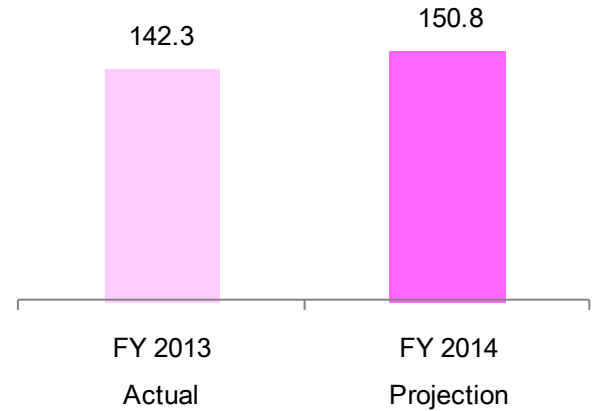


(Billions of yen)

FY 2014 Projection v. FY 2013 Actual

| | FY 2013 Actual | FY 2014 Projection | Changes | Previous projection - April 22 - |
|------------|----------------|--------------------|---------|----------------------------------|
| Net sales | 142.3 | 150.8 | +8.5 | 146.2 |
| Op. income | 0.4 | 3.0 | +2.6 | 1.8 |

■ Net sales

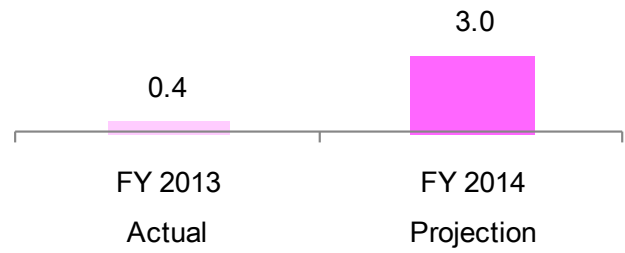


-As of July 23-

Points

- ▶ Despite a reaction to replace demand for personal computers for business, we expect that net sales will climb, reflecting continued strong sales in SI service.
- ▶ Operating income is expected to rise due to an increase in the sales of highly profitable projects and a decrease in unprofitable projects.

■ Op. income



-As of July 23-

Projections Segment Information

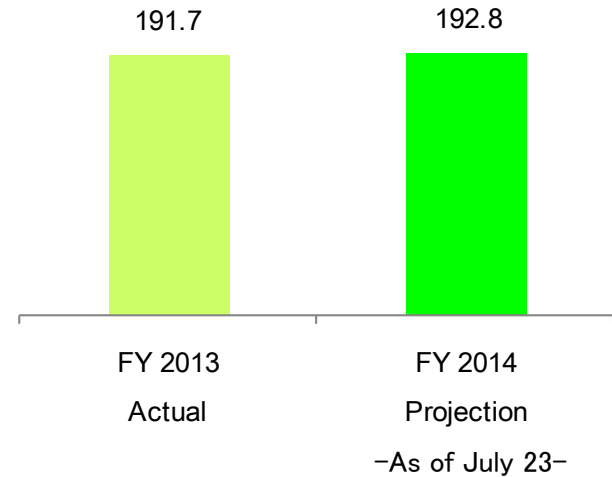


(Billions of yen)

FY 2014 Projection v. FY 2013 Actual

| | FY 2013 Actual | FY 2014 Projection | Changes | Previous projection - April 22 - |
|------------|----------------|--------------------|---------|----------------------------------|
| Net sales | 191.7 | 192.8 | +1.1 | 192.3 |
| Op. income | 12.5 | 12.5 | +0.0 | 11.1 |

Net sales

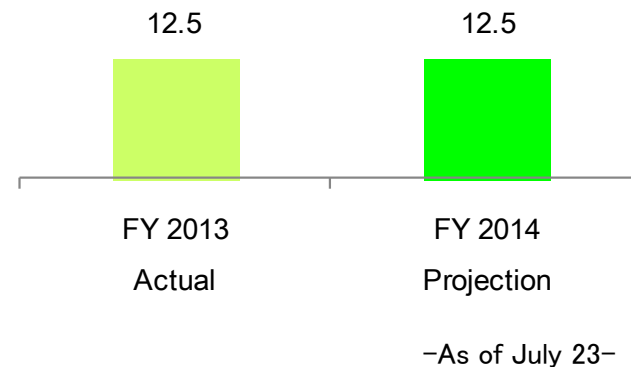


Points

- ▶ We expect that net sales will increase slightly, reflecting a slowdown in the market after the consumption tax hike and a reaction to an increase in sales in the previous fiscal year due to prior purchases by dealers before the consumption tax hike.

Op. income

- ▶ Operating income rose significantly in the first half, but is expected to rise only slightly in the full year chiefly due to a decrease in the sales quantity of interchangeable lens digital cameras.



Projections Segment Information

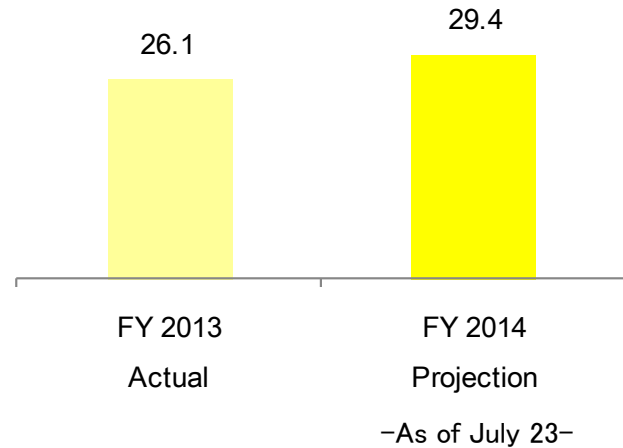


(Billions of yen)

FY 2014 Projection v. FY 2013 Actual

| | FY 2013 Actual | FY 2014 Projection | Changes | Previous projection - April 22 - |
|------------|----------------|--------------------|---------|----------------------------------|
| Net sales | 26.1 | 29.4 | +3.3 | 30.3 |
| Op. income | -1.8 | -0.6 | +1.2 | -0.8 |

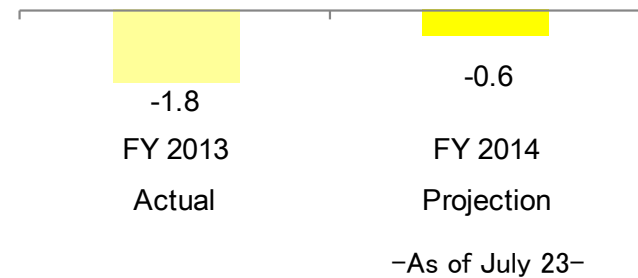
Net sales



Points

- ▶ We expect to boost sales by increasing sales of existing products and expanding the lineup of new products.
- ▶ We expect that operating income will improve due to an increase in sales.

Op. income



Supplementary Information

[Reference] Overall sales of IT Solutions

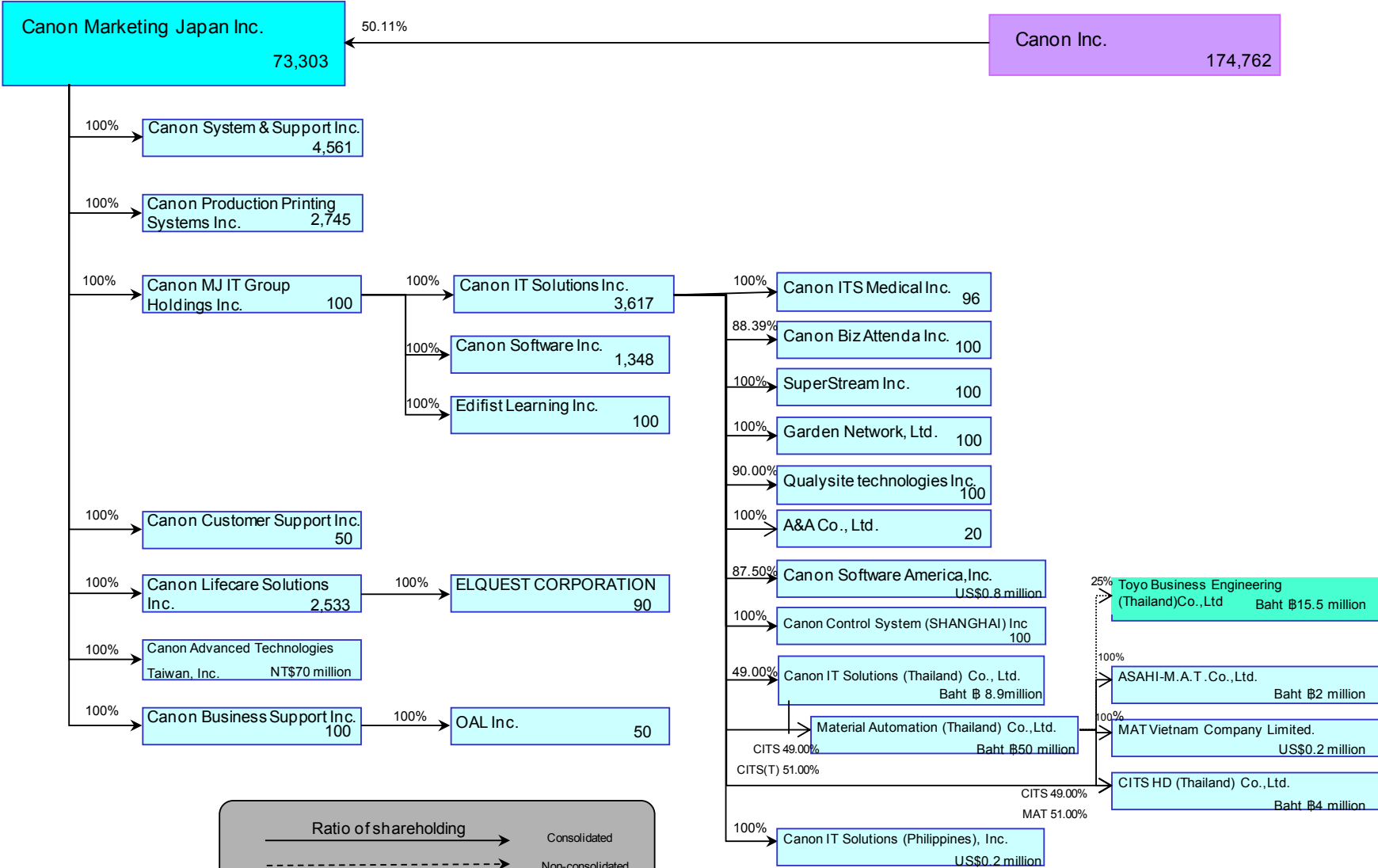


(Billions of yen)

| | 2Q 2013 | 2Q 2014 | Changes | |
|---|-------------|-------------|-------------|------------|
| | | | Amount | % |
| Sales of IT Solutions | 36.0 | 35.8 | -0.2 | △1% |
| Sales other than the IT Solutions segment | 13.5 | 13.6 | +0.1 | +1% |
| Intersegment (elimination), etc. | -7.2 | -7.9 | -0.7 | +10% |
| Total | 42.4 | 41.6 | -0.8 | △2% |

| | 1Q-2Q 2013 | 1Q-2Q 2014 | Changes | |
|---|---------------|---------------|--------------|-------------|
| | | | Amount | % |
| Sales of IT Solutions | 70.0 | 79.7 | +9.7 | +14% |
| Sales other than the IT Solutions segment | 27.2 | 32.6 | +5.4 | +20% |
| Intersegment (elimination), etc. | -14.3 | -18.3 | -4.0 | +28% |
| Total | 82.9 | 94.0 | +11.1 | +13% |

Capital Relationship Diagram



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

Corporate name
 Capital (millions of yen)

Results of main consolidated companies



(Billions of yen)

| | | 2Q 2013 | | 2Q 2014 | | Changes | |
|---|------------|-------------|--------|-------------|--------|-------------|-------------|
| | | | | | | Amount | % |
| Business Solutions | | | | | | | |
| Canon System & Support Inc. | Net sales | 27.9 | | 28.2 | | +0.2 | +1% |
| | Op. income | 0.4 | (1.4%) | 0.5 | (1.8%) | +0.1 | (+0.4%) |
| Canon Production Printing Systems Inc. | Net sales | 4.5 | | 3.5 | | -1.0 | -23% |
| | Op. income | 0.2 | (3.7%) | -0.0 | (-) | -0.2 | (-) |
| IT Solutions | | | | | | | |
| Canon IT Solutions (Consolidated) | Net sales | 20.9 | | 20.5 | | -0.3 | -2% |
| | Op. income | 0.1 | (0.4%) | 0.7 | (3.3%) | +0.6 | (+2.9%) |
| Canon Software | Net sales | 5.2 | | 5.6 | | +0.4 | +8% |
| | Op. income | 0.4 | (8.1%) | 0.5 | (9.4%) | +0.1 | (+1.3%) |
| Total | Net sales | 26.1 | | 26.1 | | +0.1 | +0% |
| | Op. income | 0.5 | (1.9%) | 1.2 | (4.6%) | +0.7 | (+2.7%) |
| Industrial / Medical | | | | | | | |
| Canon Lifecare Solutions (Consolidated) | Net sales | 4.1 | | 3.4 | | -0.7 | -17% |
| | Op. income | -0.3 | (-) | -0.4 | (-) | -0.1 | (-) |

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

* The figures for Canon Production Printing Systems Inc. in 2013 and 1Q 2014 are aggregates of figures for OCE JAPAN CORPORATION, Canon Print Square Inc., and SHOWA INFORMATION SYSTEMS CO., LTD.

Results of main consolidated companies



(Billions of yen)

| | | 1Q-2Q FY 2013 | | 1Q-2Q FY 2014 | | Changes | | |
|---|------------|------------------|--------|------------------|--------|-------------|---------|-------------|
| | | | | | | Amount | % | |
| Business Solutions | | | | | | | | |
| Canon System & Support Inc. | Net sales | 57.3 | | 62.1 | | +4.9 | | +9% |
| | Op. income | 1.5 | (2.6%) | 1.9 | (3.1%) | +0.4 | (+0.4%) | |
| Canon Production Printing Systems Inc. | Net sales | 7.8 | | 6.8 | | -0.9 | | -12% |
| | Op. income | 0.1 | (1.4%) | 0.1 | (1.0%) | -0.0 | (-0.4%) | |
| IT Solutions | | | | | | | | |
| Canon IT Solutions (Consolidated) | Net sales | 40.8 | | 44.7 | | +3.9 | | +9% |
| | Op. income | 0.3 | (0.8%) | 1.7 | (3.8%) | +1.4 | (+3.0%) | |
| Canon Software | Net sales | 10.4 | | 10.9 | | +0.5 | | +5% |
| | Op. income | 0.7 | (7.1%) | 0.9 | (8.2%) | +0.2 | (+1.1%) | |
| Total | Net sales | 51.2 | | 55.5 | | +4.3 | | +8% |
| | Op. income | 1.1 | (2.1%) | 2.6 | (4.7%) | +1.5 | (+2.6%) | |
| Industrial / Medical | | | | | | | | |
| Canon Lifecare Solutions (Consolidated) | Net sales | 9.6 | | 10.5 | | +0.9 | | +10% |
| | Op. income | -0.3 | (-) | -0.2 | (-) | +0.1 | (-) | |

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

* The figures for Canon Production Printing Systems Inc. in 2013 and 1Q 2014 are aggregates of figures for OCE JAPAN CORPORATION, Canon Print Square Inc., and SHOWA INFORMATION SYSTEMS CO., LTD.

Selling expenses



(Billions of yen)

| | FY 2013 | | FY 2014 | | Changes | |
|-------------------------------|-------------|--------------|-------------|--------------|-------------|-------------|
| | 2Q | 1Q-2Q | 2Q | 1Q-2Q | 2Q | 1Q-2Q |
| Advertising expenses | 2.3 | 4.3 | 1.8 | 4.2 | -0.6 | -0.1 |
| Promotion expenses | 1.0 | 1.7 | 1.1 | 2.2 | +0.1 | +0.4 |
| Warranty expenses | 1.8 | 3.8 | 1.7 | 3.6 | -0.1 | -0.2 |
| Other direct selling expenses | 4.8 | 9.1 | 4.6 | 9.2 | -0.2 | +0.1 |
| Personnel expenses | 31.1 | 62.1 | 31.5 | 63.3 | +0.4 | +1.3 |
| Depreciation and amortization | 0.6 | 1.2 | 0.6 | 1.3 | +0.0 | +0.0 |
| Other selling expenses | 9.6 | 18.6 | 9.2 | 18.4 | -0.5 | -0.2 |
| Total | 51.2 | 100.8 | 50.4 | 102.2 | -0.8 | +1.4 |

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

| | FY 2013 | | FY 2014 | | Changes | |
|-----------------------------|------------|------------|------------|------------|-------------|-------------|
| | 2Q | 1Q-2Q | 2Q | 1Q-2Q | 2Q | 1Q-2Q |
| Interest & dividends income | 0.1 | 0.2 | 0.1 | 0.2 | +0.0 | +0.0 |
| Insurance income | 0.6 | 0.6 | 0.6 | 0.6 | -0.0 | -0.0 |
| Other | 0.1 | 0.3 | 0.2 | 0.3 | +0.0 | -0.0 |
| Total | 0.8 | 1.1 | 0.9 | 1.1 | +0.0 | +0.0 |

■ Non-operating expenses

| | FY 2013 | | FY 2014 | | Changes | |
|---|------------|------------|-------------|------------|-------------|-------------|
| | 2Q | 1Q-2Q | 2Q | 1Q-2Q | 2Q | 1Q-2Q |
| Interest expenses | 0.0 | 0.0 | 0.0 | 0.0 | +0.0 | +0.0 |
| Share of loss of entities accounted for using equity method | - | - | -0.0 | 0.0 | -0.0 | +0.0 |
| Foreign exchange losses | 0.0 | 0.1 | 0.0 | 0.0 | -0.0 | -0.1 |
| Other | 0.1 | 0.2 | 0.1 | 0.1 | -0.1 | -0.1 |
| Total | 0.2 | 0.3 | 0.1 | 0.2 | -0.1 | -0.1 |

Extraordinary income and expenses



(Billions of yen)

■ Extraordinary income

| | FY2013 | | FY2014 | | Changes | |
|--|------------|------------|------------|------------|-------------|-------------|
| | 2Q | 1Q-2Q | 2Q | 1Q-2Q | 2Q | 1Q-2Q |
| Gain on sales of non-current assets | 0.0 | 0.0 | 0.0 | 0.0 | -0.0 | -0.0 |
| Gain on bargain purchase | - | - | 0.0 | 0.0 | +0.0 | +0.0 |
| Gain on sales of investment securities | 0.1 | 0.1 | 0.0 | 0.0 | -0.1 | -0.1 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | +0.0 | +0.0 |
| Total | 0.1 | 0.1 | 0.0 | 0.0 | -0.0 | -0.1 |

■ Extraordinary expenses

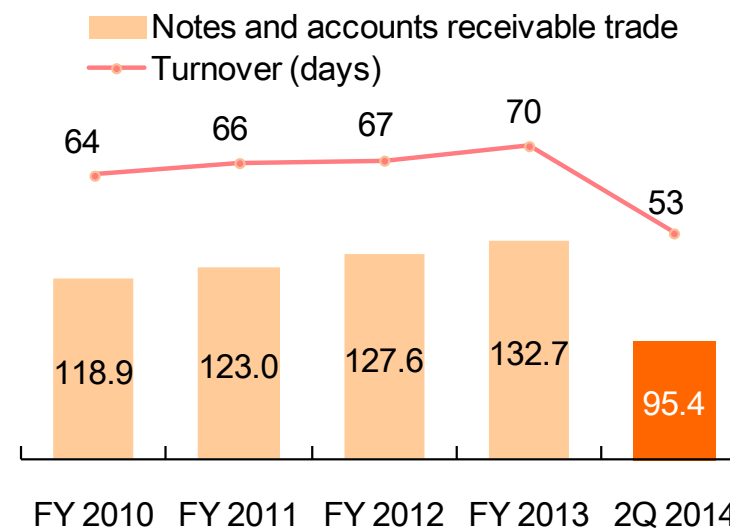
| | FY2013 | | FY2014 | | Changes | |
|--|------------|------------|------------|------------|-------------|-------------|
| | 2Q | 1Q-2Q | 2Q | 1Q-2Q | 2Q | 1Q-2Q |
| Loss on sales and retirement of non-current assets | 0.2 | 0.3 | 0.1 | 0.1 | -0.1 | -0.2 |
| Special extra retirement payments | 0.6 | 0.6 | - | - | -0.6 | -0.6 |
| Office transfer expenses | 0.1 | 0.1 | - | - | -0.1 | -0.1 |
| Other | 0.0 | 0.0 | 0.0 | 0.1 | +0.0 | +0.1 |
| Total | 1.0 | 1.1 | 0.1 | 0.2 | -0.9 | -0.9 |

Balance Sheets

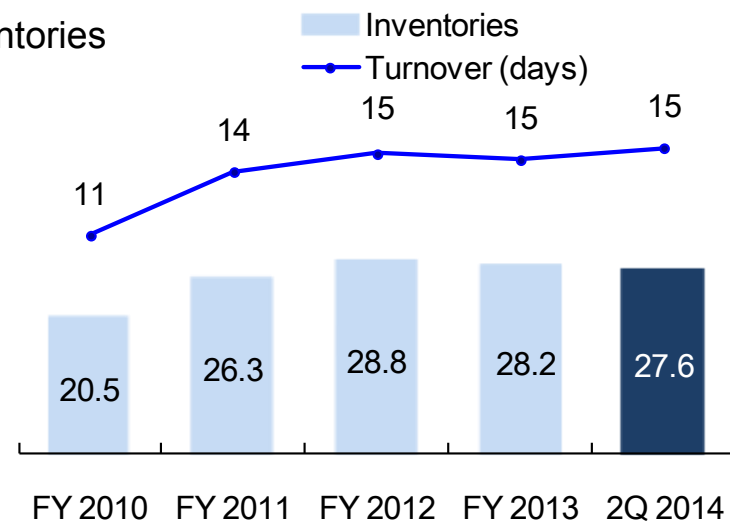
| | Dec. 31 2013 | June 30 2014 | Changes |
|--|-----------------|-----------------|--------------|
| Assets | 467.1 | 439.6 | -27.4 |
| Current assets | 324.9 | 298.7 | -26.2 |
| Cash and deposits | 102.3 | 113.4 | +11.2 |
| Notes and accounts receivable trade | 132.7 | 95.4 | -37.3 |
| Inventories | 28.2 | 27.6 | -0.6 |
| Other | 61.7 | 62.3 | +0.6 |
| Noncurrent assets | 142.1 | 140.9 | -1.2 |
| Property, plant and equipment | 99.7 | 100.0 | +0.3 |
| Intangible assets | 12.9 | 11.1 | -1.8 |
| Investments and other assets | 29.6 | 29.8 | +0.3 |
| Liabilities | 210.0 | 176.2 | -33.8 |
| Current liabilities | 164.9 | 131.3 | -33.6 |
| Notes and accounts payable-trade | 108.5 | 78.2 | -30.3 |
| Other | 56.4 | 53.1 | -3.3 |
| Noncurrent liabilities | 45.1 | 44.9 | -0.2 |
| Net assets | 257.1 | 263.5 | +6.4 |
| Shareholders' equity | 255.6 | 261.9 | +6.3 |
| (Treasury stock) | -31.9 | -31.9 | -0.0 |
| Accumulated other comprehensive income | 1.2 | 1.3 | +0.1 |
| Minority interests | 0.3 | 0.3 | +0.0 |
| Equity ratio | 55% | 60% | +5% |

(Billions of yen)

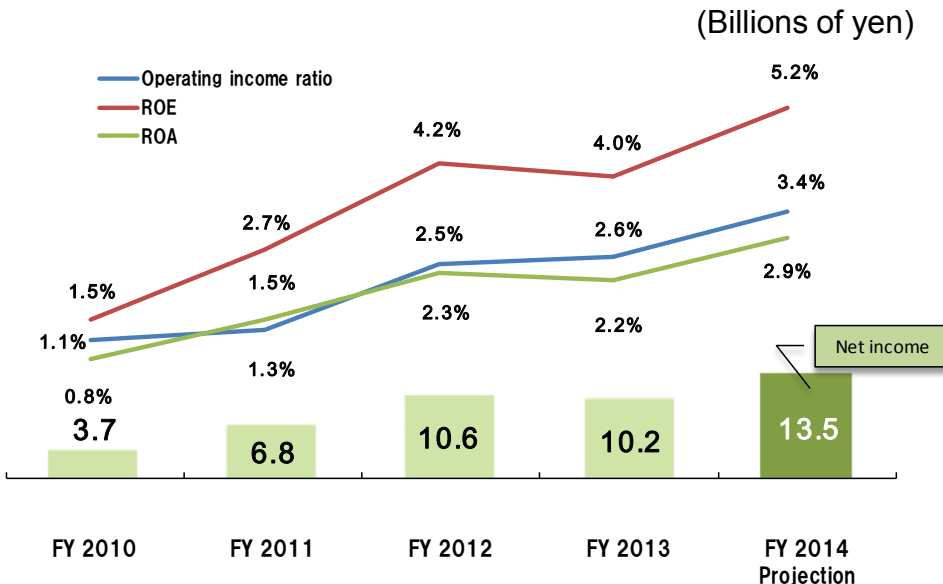
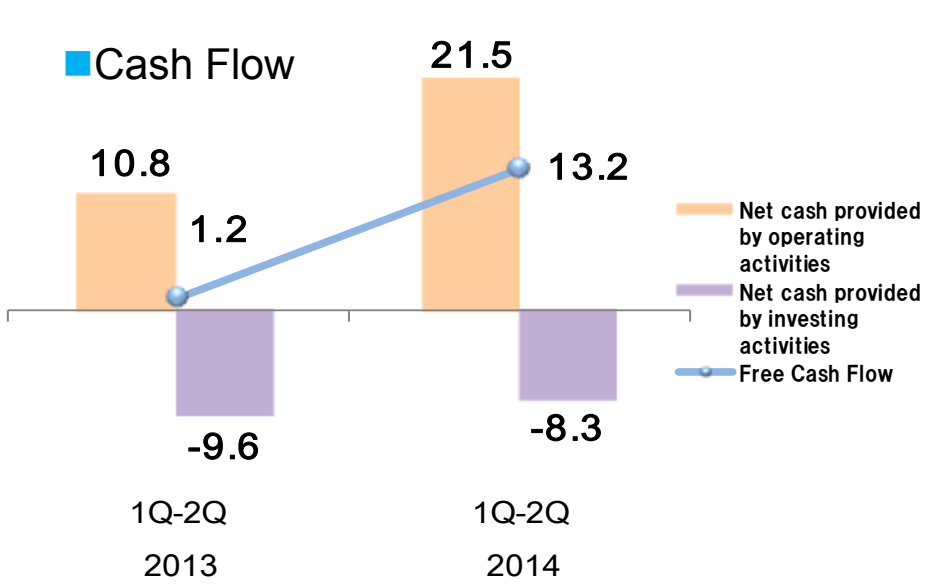
Notes and accounts receivable trade



Inventories

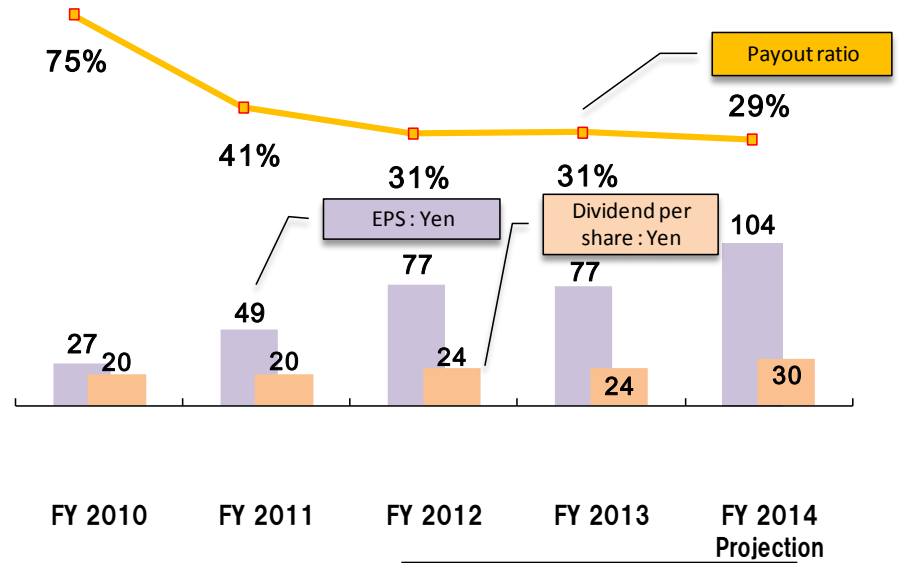


Cash Flow / Investment / Depreciation and amortization / Financial indicator



Investment

| | 1Q-2Q Actual | 3Q-4Q Projection | FY Projection |
|---------|--------------|------------------|---------------|
| FY 2013 | 7.3 | 7.1 | 14.4 |
| FY 2014 | 6.5 | 9.8 | 16.3 |



Depreciation and amortization

| | 1Q-2Q Actual | 3Q-4Q Projection | FY Projection |
|---------|--------------|------------------|---------------|
| FY 2013 | 8.6 | 8.9 | 17.4 |
| FY 2014 | 8.6 | 8.6 | 17.1 |

Canon

Canon Marketing Japan Inc.