

Canon Marketing Japan Inc. FY 2014 Results

January 28, 2015

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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

FY 2014 Actual



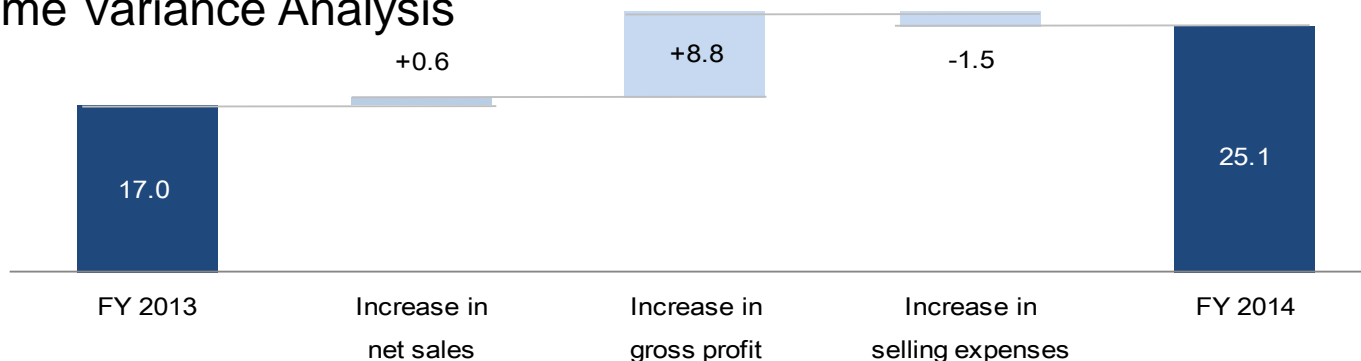
(from January 1 to December 31)

Summary of Results

(Billions of yen)

	FY 2013	FY 2014	Changes	
			Amount	%
Net sales	657.2	659.4	+2.2	+0%
Gross profit	(34.1%) 223.9	(35.4%) 233.5	(+1.3%) +9.6	+4%
Operating income	(2.6%) 17.0	(3.8%) 25.1	(+1.2%) +8.1	+47%
Ordinary income	(2.8%) 18.2	(4.0%) 26.6	(+1.3%) +8.3	+46%
Net income	(1.5%) 10.2	(2.4%) 16.0	(+0.9%) +5.9	+58%

Op. Income Variance Analysis



Segment Outline

FY 2014 Actual
(from January 1 to December 31)



(Billions of yen)

	FY 2013		FY 2014		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	327.3	5.5	330.2	8.2	+3.0	+2.7
IT Solutions	142.3	0.4	148.8	3.2	+6.5	+2.8
Imaging System	191.7	12.5	185.4	14.3	-6.3	+1.8
Industrial / Medical	26.1	-1.8	28.0	-1.0	+1.9	+0.8
Other	-30.2	0.4	-33.0	0.4	-2.8	+0.1
Total	657.2	17.0	659.4	25.1	+2.2	+8.1

“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

4Q 2014 Actual



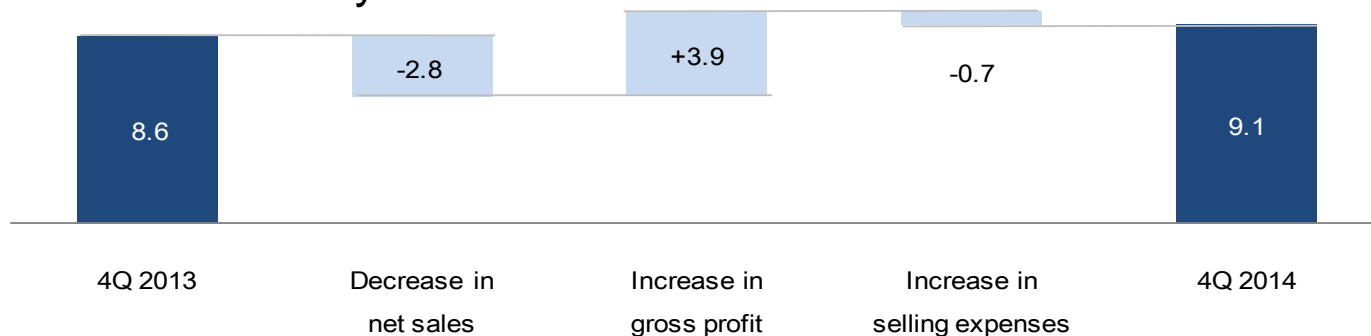
(from October 1 to December 31)

Summary of Results

(Billions of yen)

	4Q 2013	4Q 2014	Changes	
			Amount	%
Net sales	188.6	180.3	-8.3	-4%
Gross profit	(33.3%) 62.8	(35.5%) 63.9	(+2.2%) +1.1	+2%
Operating income	(4.6%) 8.6	(5.1%) 9.1	(+0.5%) +0.5	+5%
Ordinary income	(4.7%) 8.9	(5.2%) 9.4	(+0.5%) +0.5	+6%
Net income	(2.9%) 5.5	(3.5%) 6.3	(+0.6%) +0.8	+15%

Op. Income Variance Analysis



Segment Outline

4Q 2014 Actual
(from October 1 to December 31)



(Billions of yen)

	4Q 2013		4Q 2014		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	84.1	0.8	81.9	1.5	-2.2	+0.7
IT Solutions	38.1	0.4	35.6	0.7	-2.6	+0.2
Imaging System	67.2	7.6	62.5	6.9	-4.8	-0.7
Industrial / Medical	7.4	-0.2	7.4	-0.1	+0.0	+0.2
Other	-8.2	0.1	-7.0	0.1	+1.2	+0.0
Total	188.6	8.6	180.3	9.1	-8.3	+0.5

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

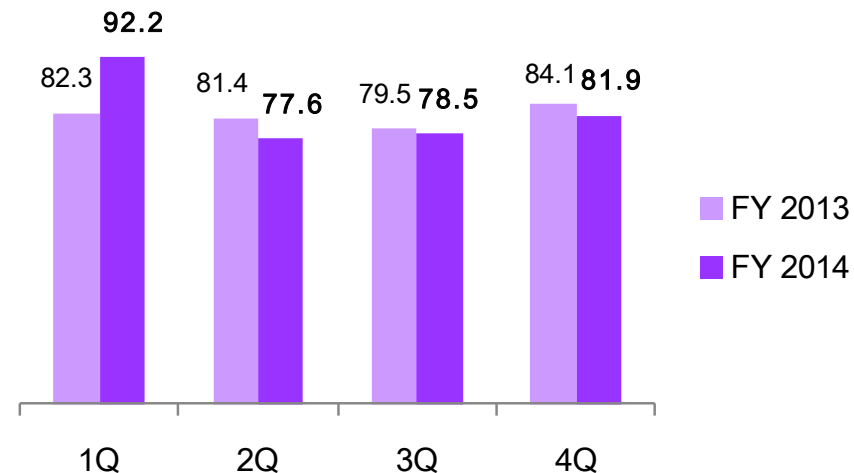


(Billions of yen)

2014 Actual v. 2013 Actual

	FY 2013	FY 2014	Changes
Net sales	327.3	330.2	+3.0
Op. income	5.5	8.2	+2.7

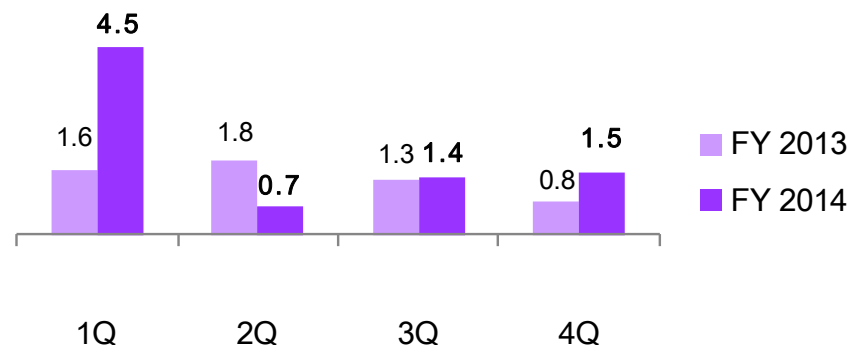
Net sales



Net sales - Growth rate

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

Op. income



Points

- ▶ Net sales declined due to factors such as the impact of special demand for business PCs that occurred in the same period of the previous year.
- ▶ Operating income increased on the back of the improved gross margin ratio and reduced costs.

Segment Information

4Q 2014 Actual

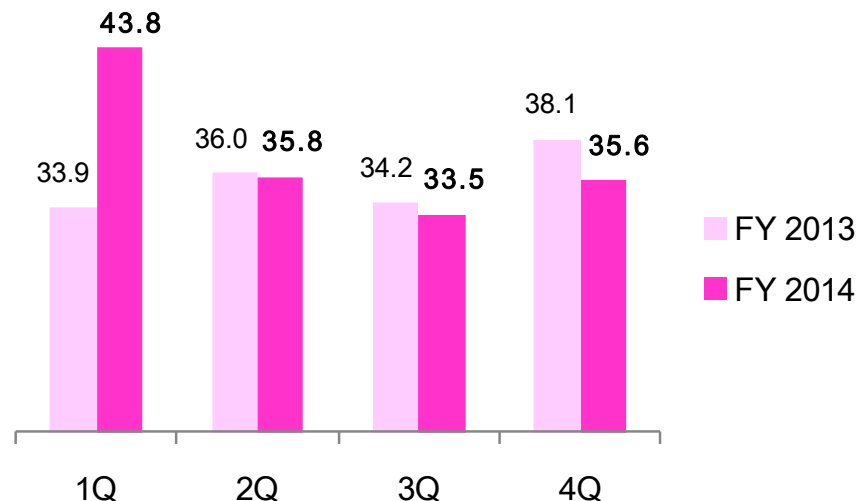


(Billions of yen)

2014 Actual v. 2013 Actual

	FY 2013	FY 2014	Changes
Net sales	142.3	148.8	+6.5
Op. income	0.4	3.2	+2.8

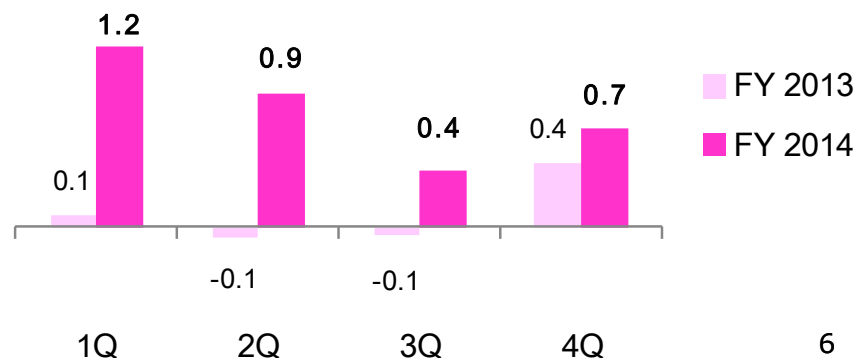
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2013	-1%	+12%	+8%	+17%	+9%
FY 2014	+29%	-1%	-2%	-7%	+5%

Op. income



Points

- ▶ Net sales declined due to the impact of special demand for business PCs that occurred in the same period of the previous year.
- ▶ Operating income rose, reflecting the expansion of highly profitable business such as the development of individual systems.

Segment Information

4Q 2014 Actual

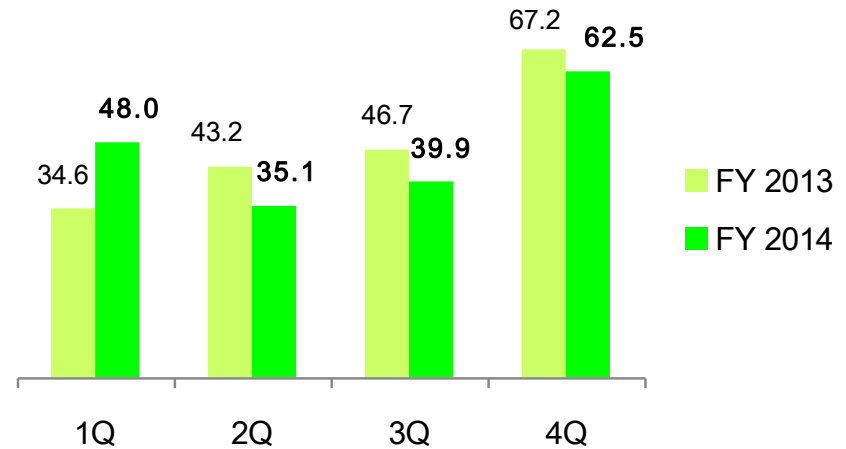


(Billions of yen)

2014 Actual v. 2013 Actual

	FY 2013	FY 2014	Changes
Net sales	191.7	185.4	-6.3
Op. income	12.5	14.3	+1.8

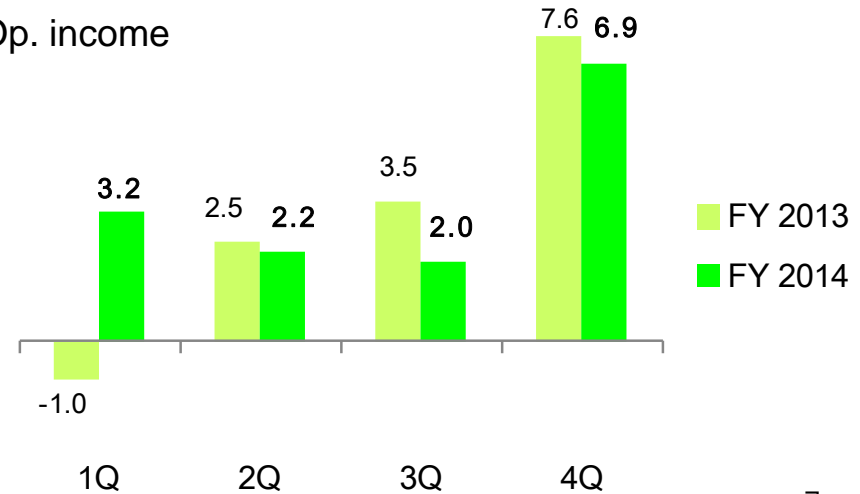
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2013	-8%	-5%	+11%	+1%	-0%
FY 2014	+39%	-19%	-15%	-7%	-3%

Op. income



Points

- Sales and profits declined, as digital cameras and inkjet printers were adversely affected amid the sluggish market conditions following the consumption tax hike.

Segment Information

4Q 2014 Actual

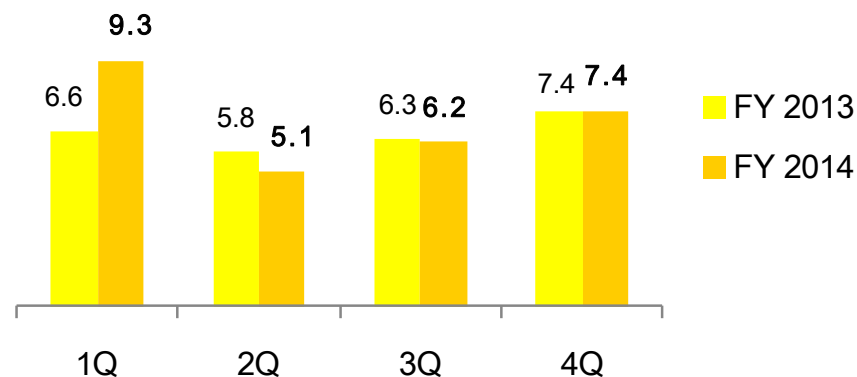


(Billions of yen)

2014 Actual v. 2013 Actual

	FY 2013	FY 2014	Changes
Net sales	26.1	28.0	+1.9
Op. income	-1.8	-1.0	+0.8

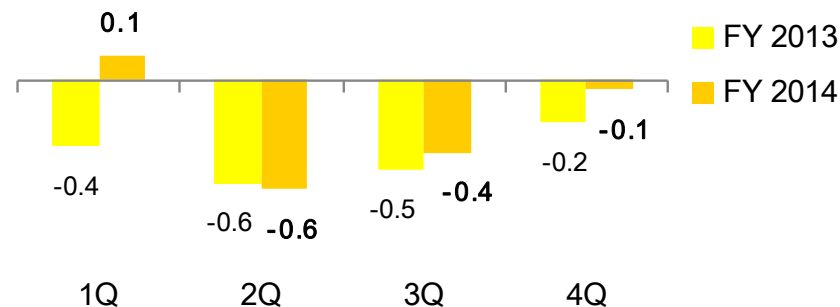
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2013	-38%	-16%	-3%	+13%	-15%
FY 2014	+41%	-12%	-2%	+1%	+7%

Op. income



Points

- ▶ Net sales rose, reflecting the encouraging 3D printer business and large-scale modality projects.
- ▶ Operating income improved, reflecting the encouraging operating margin.

Summary of Projections



(Billions of yen)

	FY 2015	FY 2014	Changes	
	Projection	Actual	Amount	%
Net sales	681.0	659.4	+21.6	+3%
	(3.8%)	(3.8%)	(+0.0%)	
Operating income	26.0	25.1	+0.9	+4%
	(4.0%)	(4.0%)	(-0.0%)	
Ordinary income	27.2	26.6	+0.6	+2%
	(2.5%)	(2.4%)	(+0.1%)	
Net income	16.9	16.0	+0.9	+5%

Projections Summary Outline



(Billions of yen)

	FY 2014		FY 2015		Changes		
	Actual		Projection		Net sales	Op. income	Op. income
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	330.2	8.2	340.0	8.7	+9.8	+3%	+0.5
IT Solutions	148.8	3.2	151.7	4.2	+2.9	+2%	+1.0
Imaging System	185.4	14.3	188.8	13.2	+3.4	+2%	-1.1
Industrial / Medical	28.0	-1.0	31.5	-0.5	+3.5	+12%	+0.5
Other	-33.0	0.4	-31.0	0.4	+2.0	-	-0.0
Total	659.4	25.1	681.0	26.0	+21.6	+3%	+0.9

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

Projections Segment Information

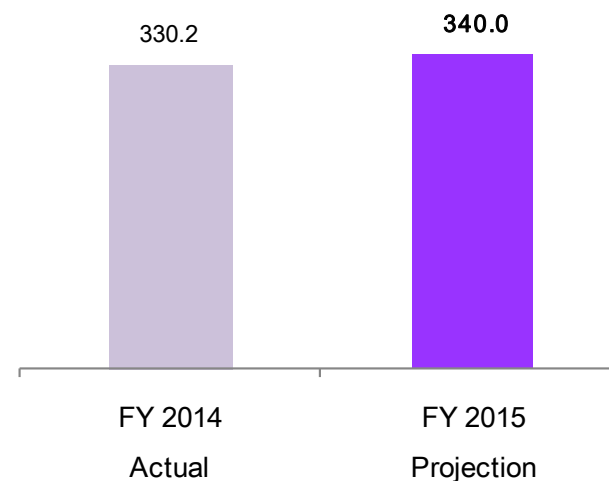
(Billions of yen)



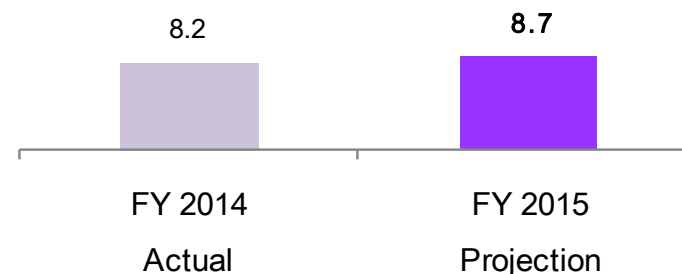
FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes
Net sales	330.2	340.0	+9.8
Op. income	8.2	8.7	+0.5

Net sales



Op. income



Points

- ▶ We expect that sales and profits will rise, driven by MFPs and the production printing business.

Projections Segment Information

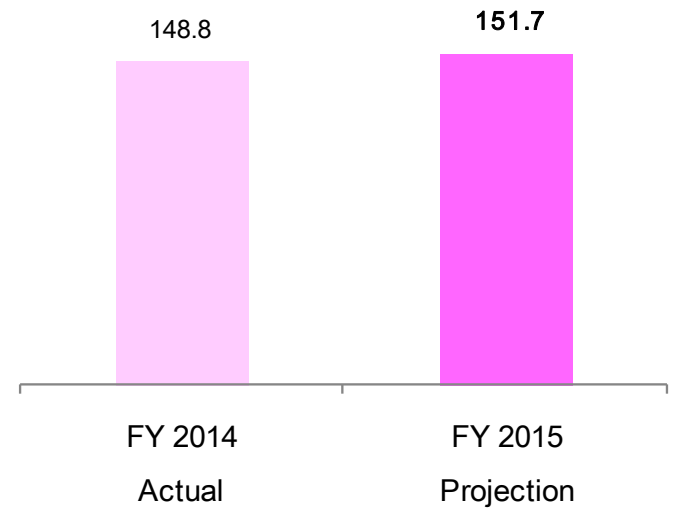


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes
Net sales	148.8	151.7	+2.9
Op. income	3.2	4.2	+1.0

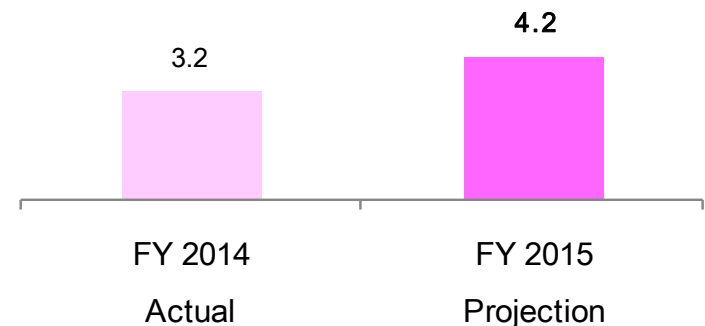
Net sales



Points

- ▶ We expect that net sales will rise, as the product solution business will expand along with solutions for various industries, centered on financial institutions.
- ▶ Operating income is expected to rise due to an increase in highly profitable business.

Op. income



Projections Segment Information

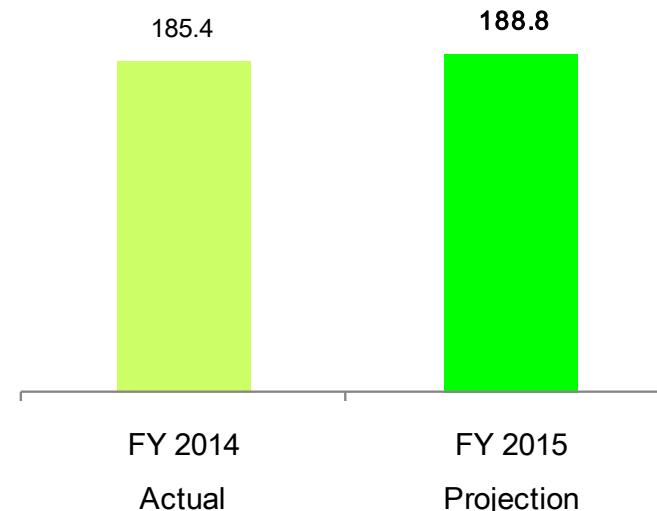


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes
Net sales	185.4	188.8	+3.4
Op. income	14.3	13.2	-1.1

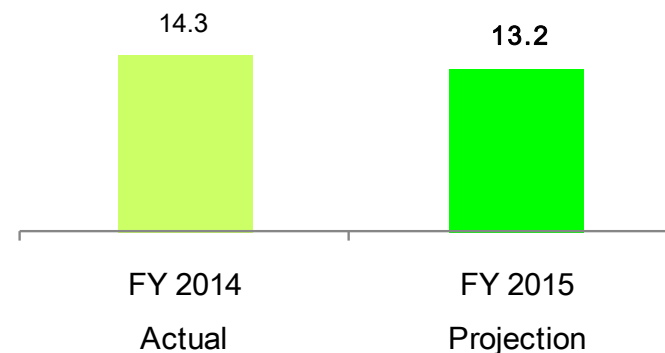
Net sales



Points

- ▶ Net sales are expected to rise thanks to the release of new products as well as aggressive marketing initiatives and sales promotion activities.
- ▶ Operating income is expected to decline due to factors such as an increase in advertising expenses.

Op. income



Projections Segment Information

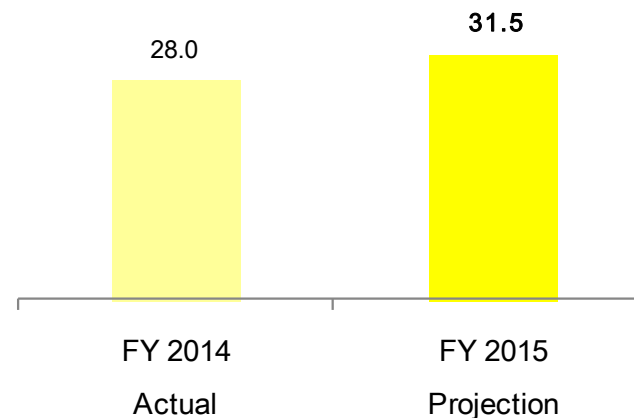
(Billions of yen)



■ Net sales

■ FY 2015 Projection v. FY 2014 Actual

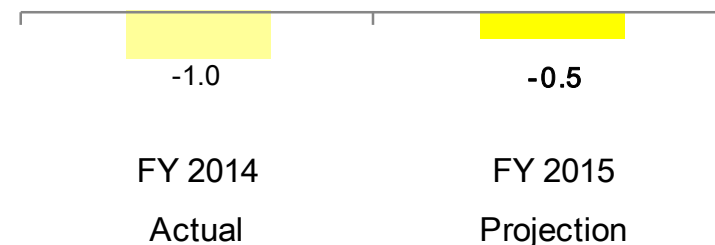
	FY 2014 Actual	FY 2015 Projection	Changes
Net sales	28.0	31.5	+3.5
Op. income	-1.0	-0.5	+0.5



■ Op. income

■ Points

- ▶ We anticipate that sales and profits will rise thanks to aggressive sales promotions for new merchandise as well as existing products.



Supplementary Information

[Reference] Overall sales of IT Solutions

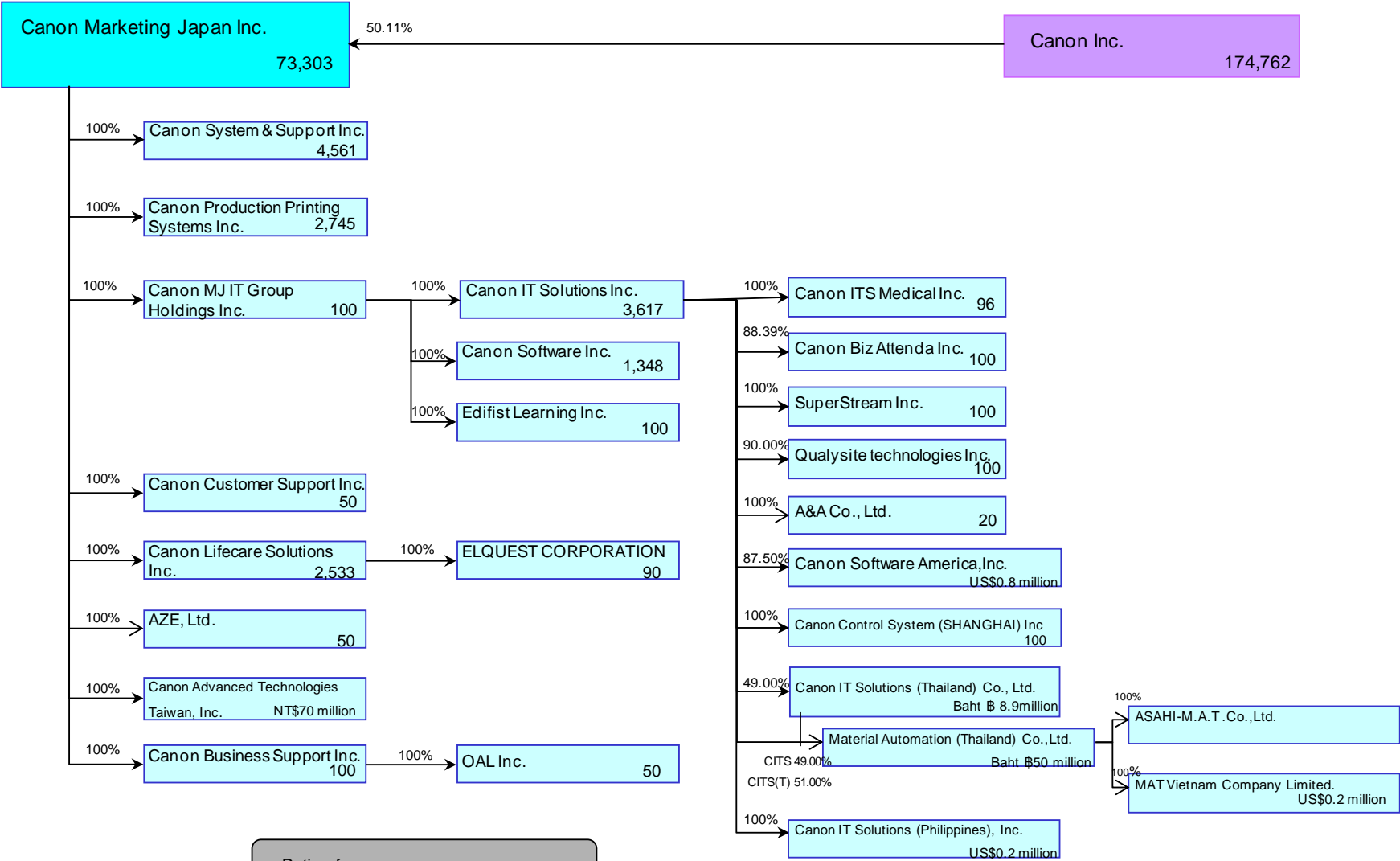


(Billions of yen)

	4Q 2013	4Q 2014	Changes	
			Amount	%
Sales of IT Solutions	38.1	35.6	-2.6	-7%
Sales other than the IT Solutions segment	14.3	12.5	-1.8	-13%
Intersegment (elimination), etc.	-8.2	-6.9	+1.3	-
Total	44.2	41.2	-3.0	-7%

	FY 2013	FY 2014	Changes	
			Amount	%
Sales of IT Solutions	142.3	148.8	+6.5	+5%
Sales other than the IT Solutions segment	55.5	58.4	+3.0	+5%
Intersegment (elimination), etc.	-29.9	-32.3	-2.4	-
Total	167.9	174.9	+7.0	+4%

Capital Relationship Diagram



Ratio of shareholding → Corporate name
Capital (millions of yen)

December 31, 2014
Supplementary Information

Results of main consolidated companies



(Billions of yen)

		FY 2013		FY 2014		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net sales	114.9		116.7		+1.8	+2%
	Op. income	2.8	(2.4%)	2.9	(2.4%)	+0.1	(+0.0%)
Canon Production Printing Systems Inc.	Net sales	14.4		14.1		-0.4	-2%
	Op. income	0.2	(1.1%)	0.3	(2.0%)	+0.1	(+0.8%)
IT Solutions							
Canon IT Solutions (Consolidated)	Net sales	81.4		86.9		+5.6	+7%
	Op. income	0.9	(1.1%)	2.9	(3.3%)	+2.0	(+2.3%)
Canon Software	Net sales	21.0		22.0		+1.0	+5%
	Op. income	1.7	(8.0%)	1.9	(8.8%)	+0.3	(+0.8%)
Total	Net sales	102.3		108.9		+6.6	+6%
	Op. income	2.6	(2.5%)	4.9	(4.4%)	+2.3	(+1.9%)
Industrial / Medical							
Canon Lifecare Solutions (Consolidated)	Net sales	19.3		19.7		+0.4	+2%
	Op. income	-0.5	(-)	-0.3	(-)	+0.2	(-)

* 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)

		4Q 2013		4Q 2014		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net sales	28.8		26.6		-2.2	-8%
	Op. income	0.4	(1.3%)	0.3	(1.2%)	-0.0	(-0.1%)
Canon Production Printing Systems Inc.	Net sales	3.7		4.2		+0.6	+15%
	Op. income	0.1	(3.9%)	0.2	(4.9%)	+0.1	(+1.0%)
IT Solutions							
Canon IT Solutions (Consolidated)	Net sales	21.5		21.8		+0.2	+1%
	Op. income	0.4	(1.9%)	0.6	(3.0%)	+0.2	(+1.0%)
Canon Software	Net sales	5.7		5.9		+0.2	+4%
	Op. income	0.7	(12.2%)	0.7	(11.5%)	-0.0	(-0.7%)
Total	Net sales	27.2		27.6		+0.4	+2%
	Op. income	1.1	(4.1%)	1.3	(4.8%)	+0.2	(+0.7%)
Industrial / Medical							
Canon Lifecare Solutions (Consolidated)	Net sales	5.0		4.7		-0.4	-7%
	Op. income	0.0	(0.1%)	0.1	(2.4%)	+0.1	(+2.3%)

* 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	
	4Q	FY	4Q	FY	4Q	FY
Advertising expenses	3.2	10.5	3.9	10.9	+0.7	+0.4
Promotion expenses	1.3	3.9	1.8	5.1	+0.5	+1.2
Warranty expenses	2.0	7.6	2.2	7.6	+0.2	+0.0
Other direct selling expenses	4.9	18.6	5.0	18.7	+0.0	+0.1
Personnel expenses	32.5	126.6	32.2	127.0	-0.4	+0.4
Depreciation and amortization	0.6	2.5	0.7	2.6	+0.0	+0.1
Other selling expenses	9.5	37.2	9.2	36.6	-0.4	-0.6
Total	54.2	206.9	54.8	208.4	+0.7	+1.5

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

	FY 2013		FY 2014		Changes	
	4Q	FY	4Q	FY	4Q	FY
Interest & dividends income	0.1	0.3	0.1	0.4	+0.0	+0.0
Insurance income	0.0	0.6	0.0	0.6	-0.0	-0.1
Other	0.2	0.7	0.3	0.8	+0.0	+0.1
Total	0.3	1.7	0.4	1.8	+0.0	+0.1

■ Non-operating expenses

	FY 2013		FY 2014		Changes	
	4Q	FY	4Q	FY	4Q	FY
Interest expenses	0.0	0.0	0.0	0.0	+0.0	+0.0
Foreign exchange losses	0.0	0.1	-	-	-0.0	-0.1
Share of loss of entities accounted for using equity method	-	-	-0.0	0.0	-0.0	+0.0
Other	0.1	0.3	0.1	0.3	+0.0	-0.0
Total	0.1	0.5	0.1	0.3	-0.0	-0.2

Extraordinary income and expenses



(Billions of yen)

■ Extraordinary income

	FY 2013		FY 2014		Changes	
	4Q	FY	4Q	FY	4Q	FY
Gain on sales of non-current assets	0.0	0.0	0.1	0.1	+0.1	+0.0
Gain on bargain purchase	-	-	-	0.0	-	+0.0
Insurance income on disaster	-	-	0.3	0.3	+0.3	+0.3
Settlement received	-	-	0.3	0.3	+0.3	+0.3
Gain on sales of investment securities	0.5	0.6	-	0.0	-0.5	-0.6
Other	-	0.0	-0.0	0.0	-0.0	+0.0
Total	0.5	0.6	0.7	0.7	+0.2	+0.0

■ Extraordinary expenses

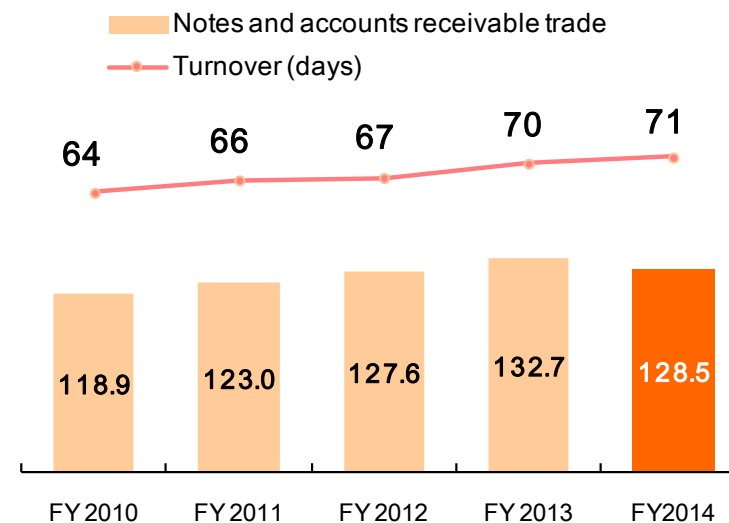
	FY 2013		FY 2014		Changes	
	4Q	FY	4Q	FY	4Q	FY
Loss on sales and retirement of non-current assets	0.1	0.6	0.1	0.2	-0.0	-0.4
Impairment loss	0.0	0.0	0.0	0.0	+0.0	+0.0
Loss on disaster	-	-	0.4	0.4	+0.4	+0.4
Loss on litigation	-	-	0.6	0.6	+0.6	+0.6
Special extra retirement payments	-	0.6	0.0	0.0	+0.0	-0.6
Loss on valuation of golf club membership	-	0.0	-0.0	0.0	-0.0	-0.0
Office transfer expenses	-	0.2	-	-	-	-0.2
Expenses related to changing in business name	0.0	0.0	-	-	-0.0	-0.0
Other	0.2	0.3	0.1	0.1	-0.1	-0.2
Total	0.3	1.8	1.1	1.4	+0.9	-0.4

Balance Sheets

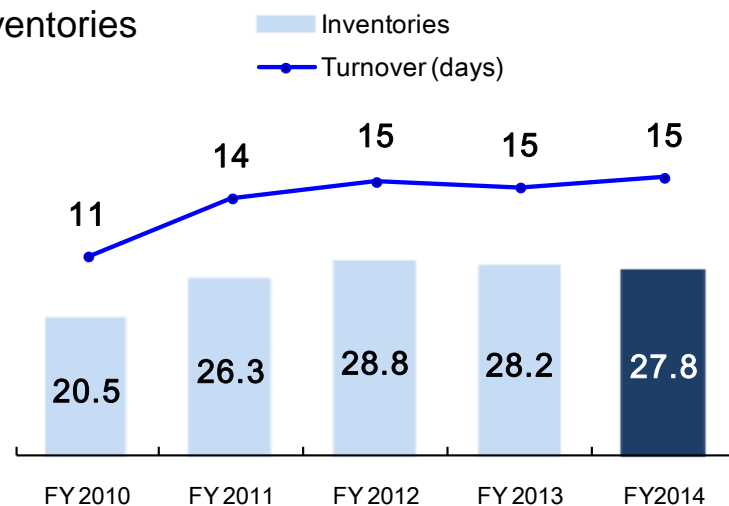
	Dec. 31 2013	Dec. 31 2014	Changes
Assets	467.1	479.7	+12.7
Current assets	324.9	339.6	+14.7
Cash and deposits	102.3	120.6	+18.3
Notes and accounts receivable trade	132.7	128.5	-4.2
Inventories	28.2	27.8	-0.4
Other	61.7	62.7	+1.0
Noncurrent assets	142.1	140.2	-2.0
Property, plant and equipment	99.7	100.1	+0.4
Intangible assets	12.9	10.9	-2.0
Investments and other assets	29.6	29.2	-0.4
Liabilities	210.0	209.4	-0.6
Current liabilities	164.9	164.8	-0.1
Notes and accounts payable-trade	108.5	101.3	-7.2
Other	56.4	63.4	+7.0
Noncurrent liabilities	45.1	44.6	-0.5
Net assets	257.1	270.4	+13.3
Shareholders' equity	255.6	268.1	+12.5
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other comprehensive income	1.2	2.0	+0.7
Minority interests	0.3	0.3	+0.0
Equity ratio	55%	56%	+1%

(Billions of yen)

Notes and accounts receivable trade



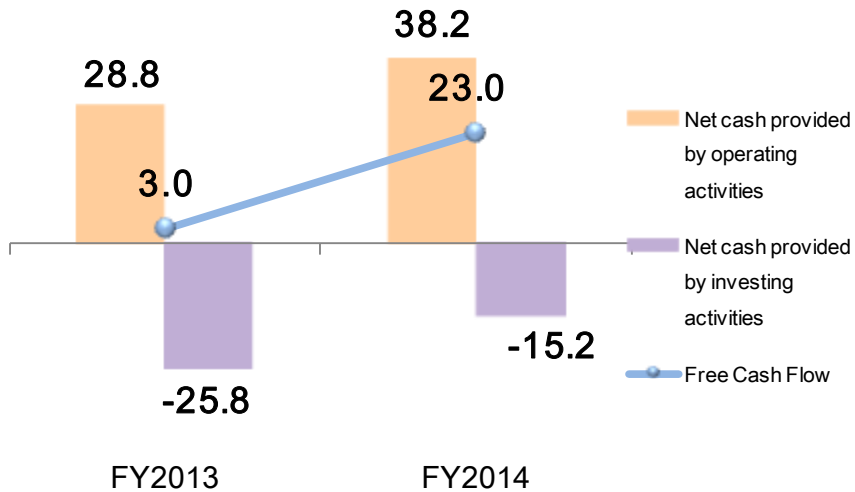
Inventories



Cash Flow / Investment / Depreciation and amortization / Financial indicator



Cash Flow

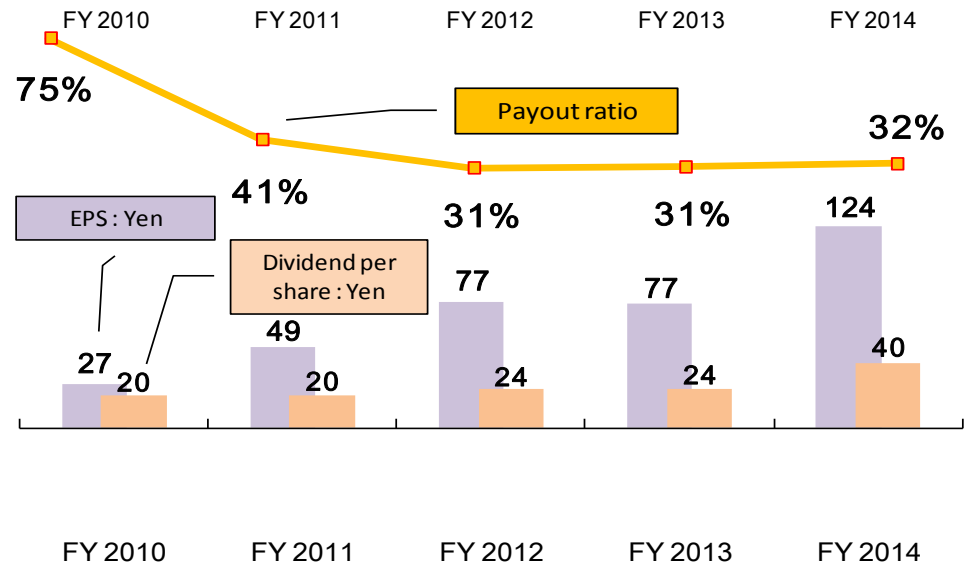
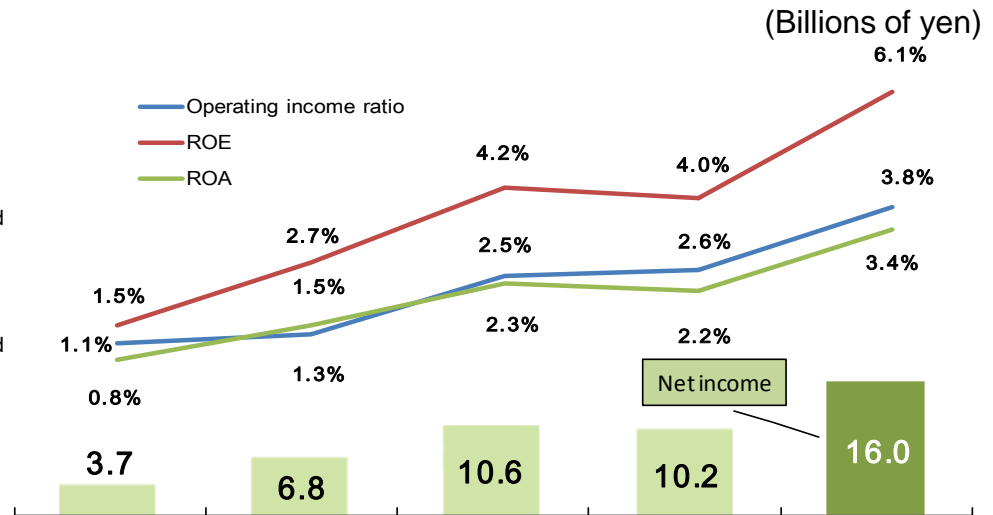


Investment

FY 2013	14.4
FY 2014	14.5
FY 2015	18.8

Depreciation and amortization

FY 2013	17.4
FY 2014	17.1
FY 2015	16.8



Canon

Canon Marketing Japan Inc.