

# Canon Marketing Japan Inc. First Quarter 2015 Results

April 22, 2015

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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.

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\* 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 2015 Actual  
(from January 1 to March 31)

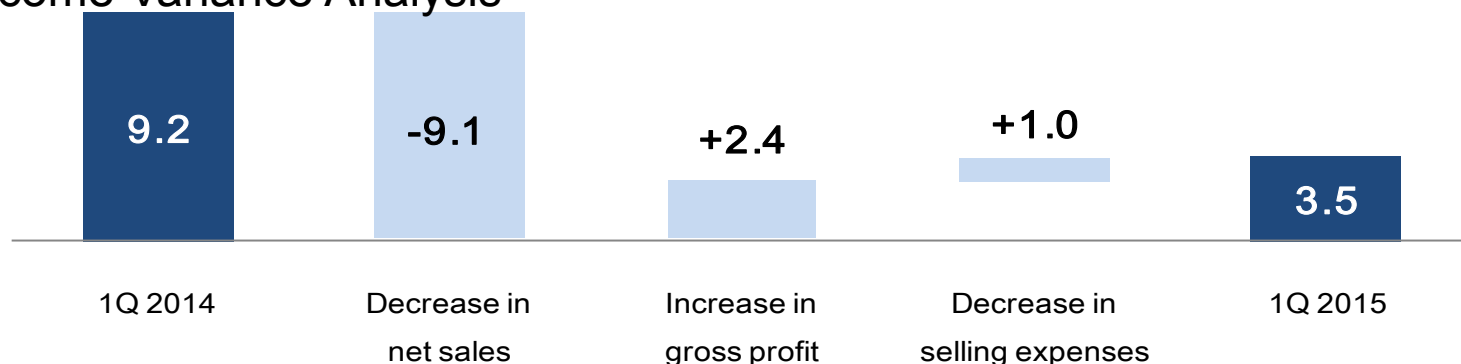


## Summary of Results

(Billions of yen)

	1Q 2014	1Q 2015	Changes	
			Amount	%
Net sales	182.7	155.4	-27.3	-15%
Gross profit	(33.4%) 61.0	(35.0%) 54.3	(+1.5%) -6.7	-11%
Operating income	(5.1%) 9.2	(2.2%) 3.5	(-2.8%) -5.8	-62%
Ordinary income	(5.1%) 9.4	(2.4%) 3.8	(-2.7%) -5.6	-60%
Net income	(3.1%) 5.7	(1.2%) 1.8	(-1.9%) -3.9	-68%

## Op. Income Variance Analysis



# Segment Outline

1Q 2015 Actual  
(from January 1 to March 31)



(Billions of yen)

	1Q 2014		1Q 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	92.2	4.5	85.0	2.7	-7.3	-1.9
IT Solutions	43.8	1.2	36.3	1.0	-7.5	-0.2
Imaging System	48.0	3.2	34.5	-0.4	-13.4	-3.6
Industrial / Medical	9.3	0.1	7.3	0.1	-2.0	-0.0
Other	-10.6	0.1	-7.7	0.1	+2.9	-0.0
Total	182.7	9.2	155.4	3.5	-27.3	-5.8

“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 2015 Actual



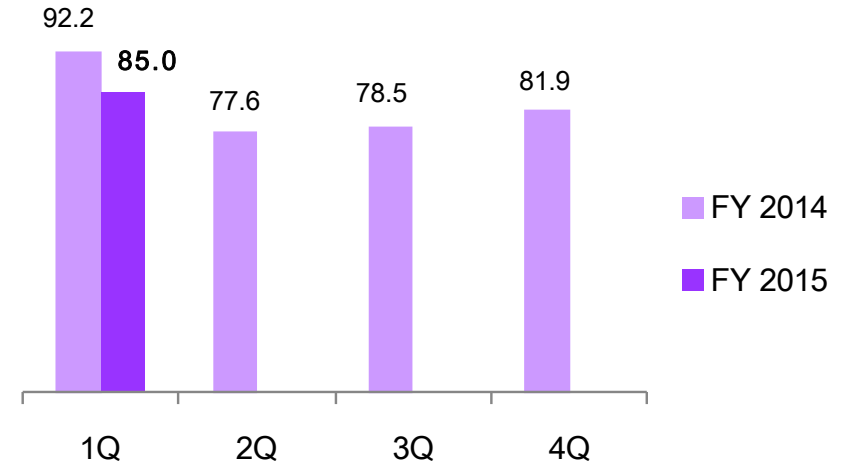
Business Solutions

(Billions of yen)

### 2015 Actual v. 2014 Actual

	1Q 2014	1Q 2015	Changes
Net sales	<b>92.2</b>	<b>85.0</b>	<b>-7.3</b>
Op. income	<b>4.5</b>	<b>2.7</b>	<b>-1.9</b>

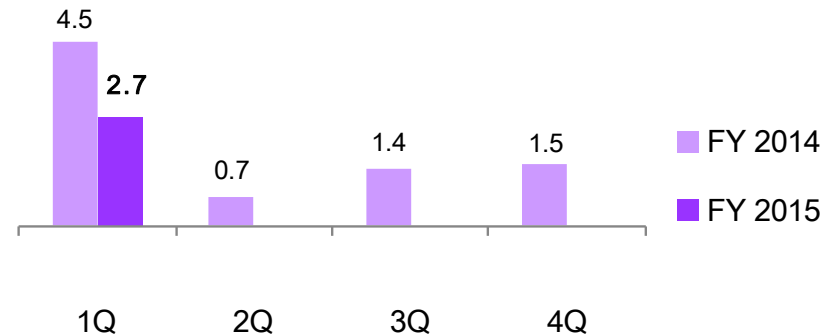
### Net sales



### Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	<b>+12%</b>	<b>-5%</b>	<b>-1%</b>	<b>-3%</b>	<b>+1%</b>
FY 2015	<b>-8%</b>	-	-	-	<b>-8%</b>

### Op. income



### Points

- ▶ Sales and profits declined due to the reaction to the last-minute demand before the consumption tax hike and Windows XP-related special demand in the same period of the previous year.

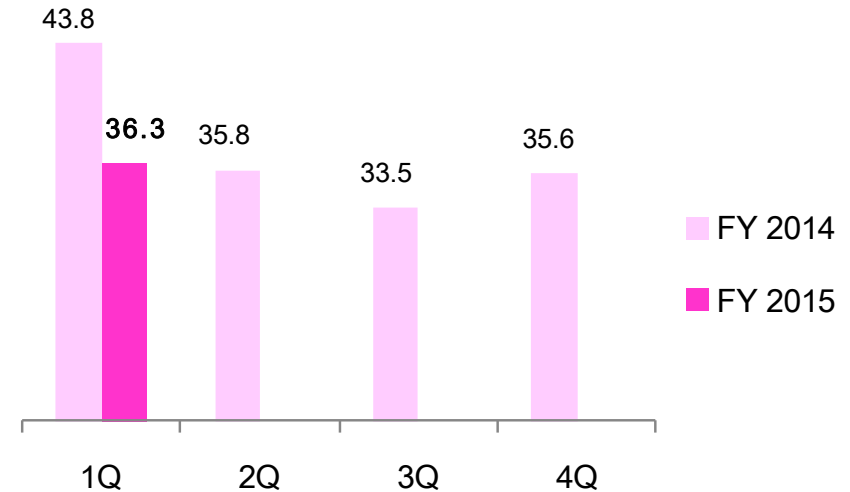


(Billions of yen)

### 2015 Actual v. 2014 Actual

	1Q 2014	1Q 2015	Changes
Net sales	43.8	36.3	-7.5
Op. income	1.2	1.0	-0.2

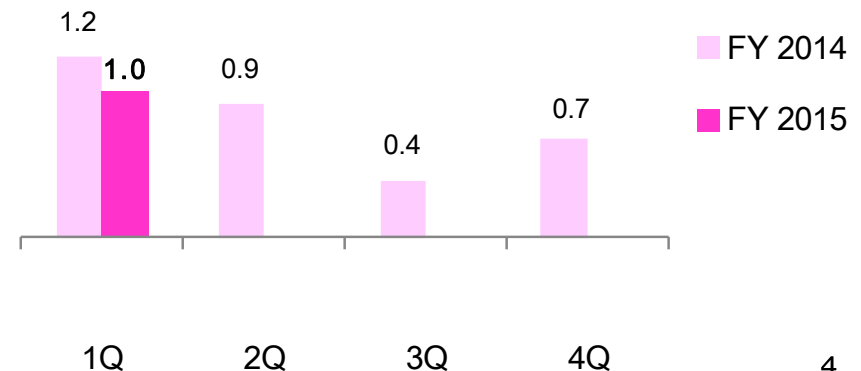
### Net sales



### Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+29%	-1%	-2%	-7%	+5%
FY 2015	-17%				-17%

### Op. income



### Points

- Sales and profits fell, reflecting the effects of the special demand for hardware, particularly PCs for business use, in the same period of the previous year.

# Segment Information

## 1Q 2015 Actual

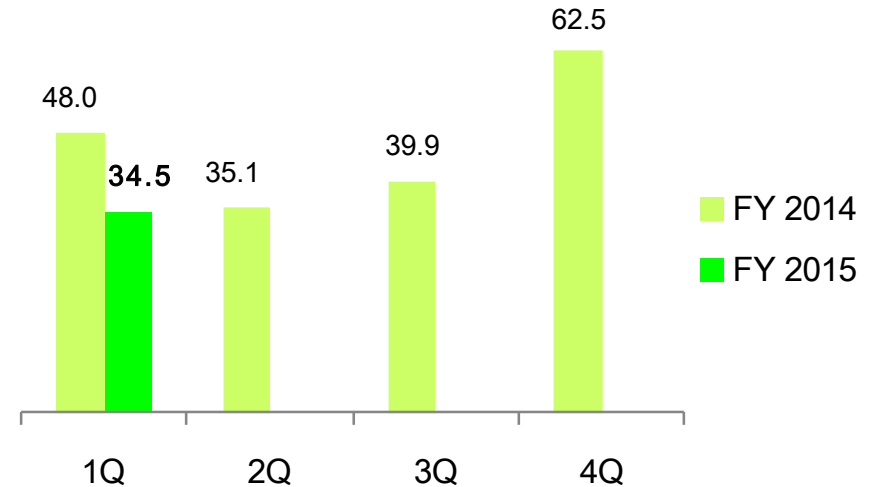


(Billions of yen)

### 2015 Actual v. 2014 Actual

	1Q 2014	1Q 2015	Changes
Net sales	48.0	34.5	-13.4
Op. income	3.2	-0.4	-3.6

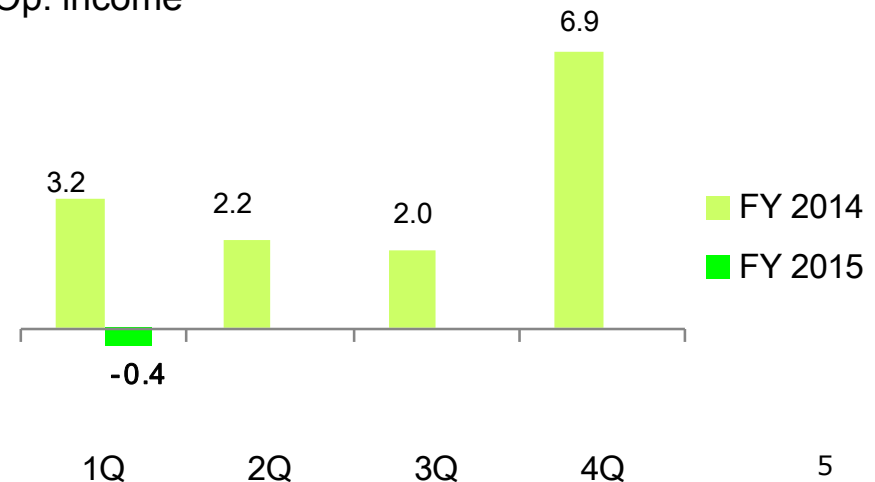
### Net sales



### Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+39%	-19%	-15%	-7%	-3%
FY 2015	-28%				-28%

### Op. income



### Points

- Sales and profits declined due to the effect of last-minute demand before the consumption tax hike for digital cameras and inkjet printers in the same period of the previous year.

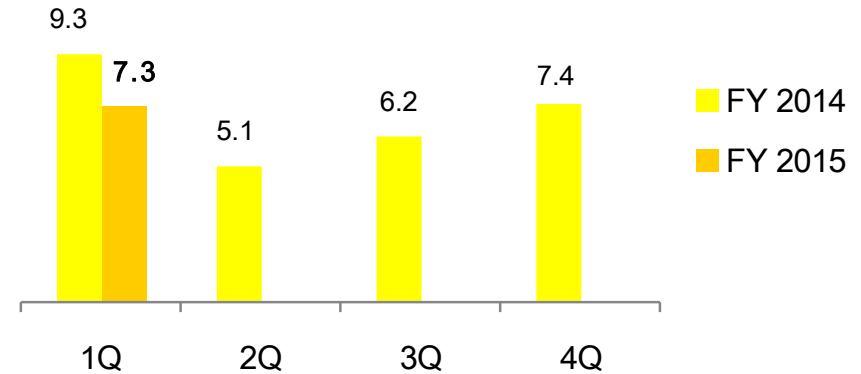


(Billions of yen)

### 2014 Actual v. 2013 Actual

	1Q 2014	1Q 2015	Changes
Net sales	9.3	7.3	-2.0
Op. income	0.1	0.1	-0.0

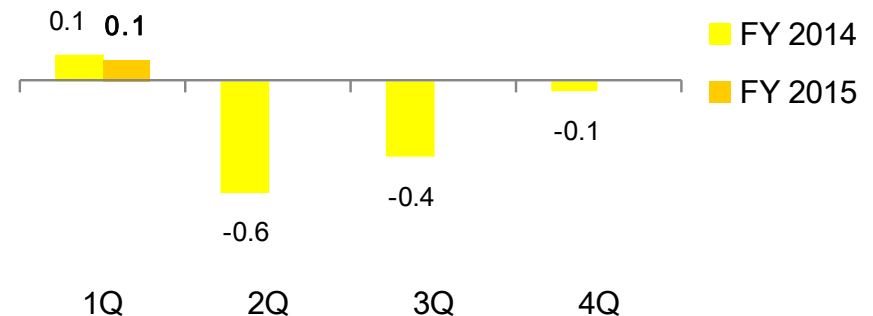
### Net sales



### Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+41%	-12%	-2%	+1%	+7%
FY 2015	-21%	-	-	-	-21%

### Op. income



### Points

- ▶ Sales and profits fell due to the backlash from an increase in demand before the consumption tax hike in the medical segment in the same period of the previous year, although maintenance services expanded and inspection and measurement equipment remained strong.

# Summary of Projections



(Billions of yen)

\* The target for FY2015 is unchanged from the previous update announced in January.

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



# Projections Summary Outline



(Billions of yen)

\* The target for FY2015 is unchanged from the previous update announced in January.

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

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

# Projections Segment Information

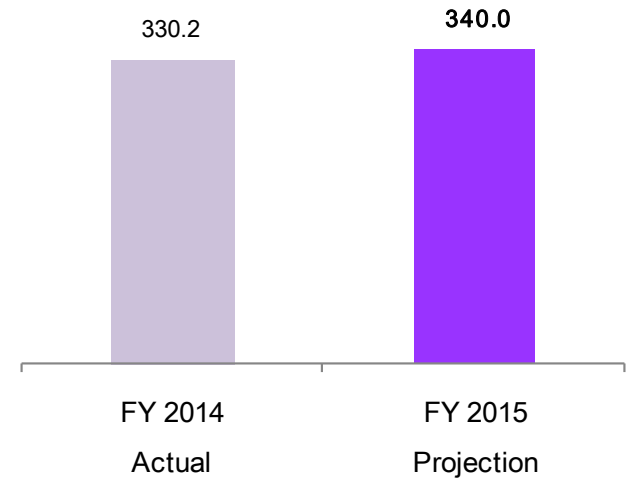
Business Solutions

(Billions of yen)

## FY 2015 Projection v. FY 2014 Actual

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

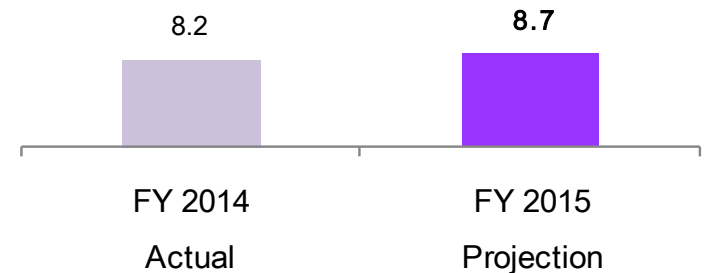
### Net sales



### Points

- ▶ Sales and profits are expected to rise, driven mainly by the release of new products from MFP and the production printing businesses.

### Op. income



# Projections Segment Information

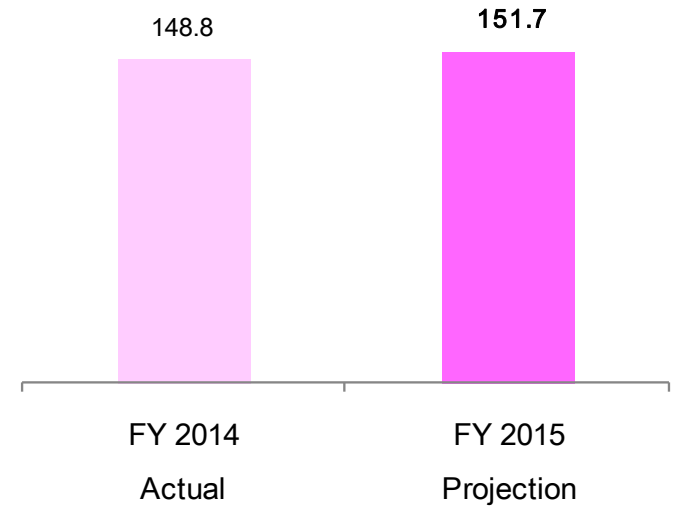


(Billions of yen)

## 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

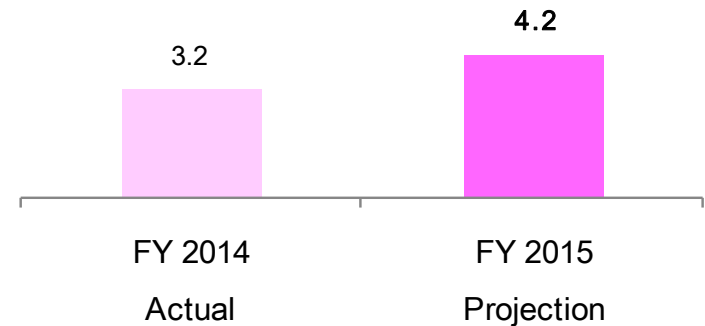
### Net sales



## Points

- Sales and profits are forecast to climb on the back of an expansion of product solution businesses, as well as solutions for a variety of industries with a focus on financial institutions.

### Op. income



# Projections Segment Information

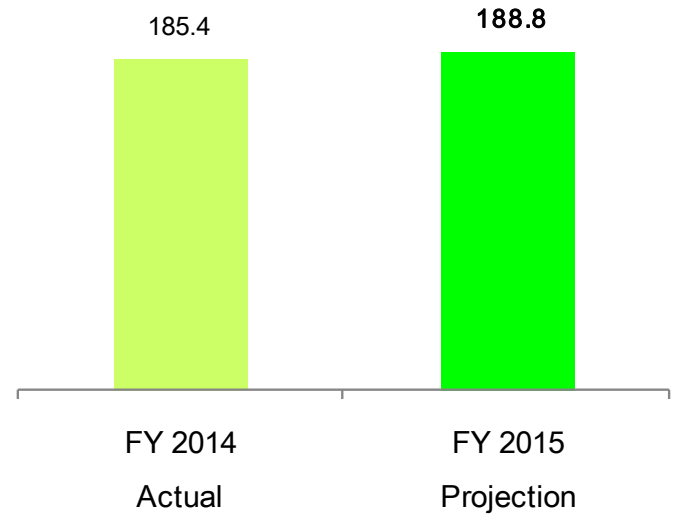


(Billions of yen)

## 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

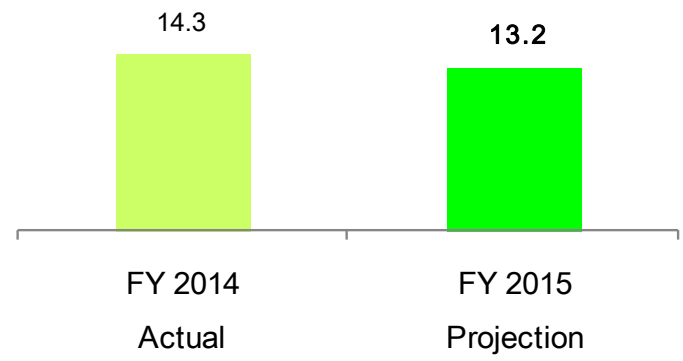
### Net sales



## 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

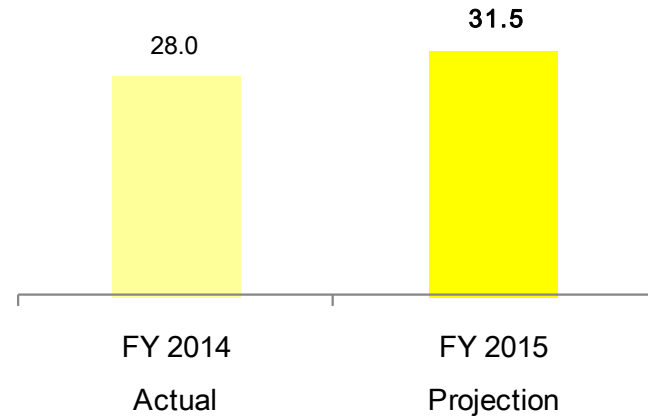
(Billions of yen)



■ Net sales

■ FY 2015 Projection v. FY 2014 Actual

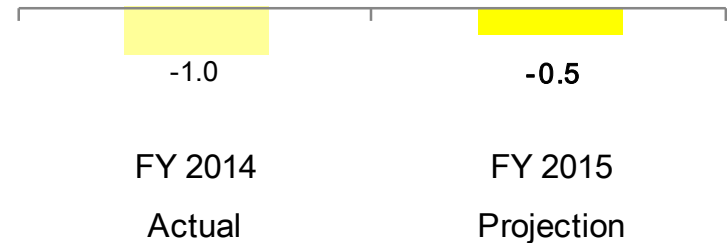
	FY 2014 Actual	FY 2015 Projection	Changes
Net sales	28.0	31.5	+3.5
Op. income	-1.0	-0.5	+0.5



■ Points

■ Op. income

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



# Supplementary Information

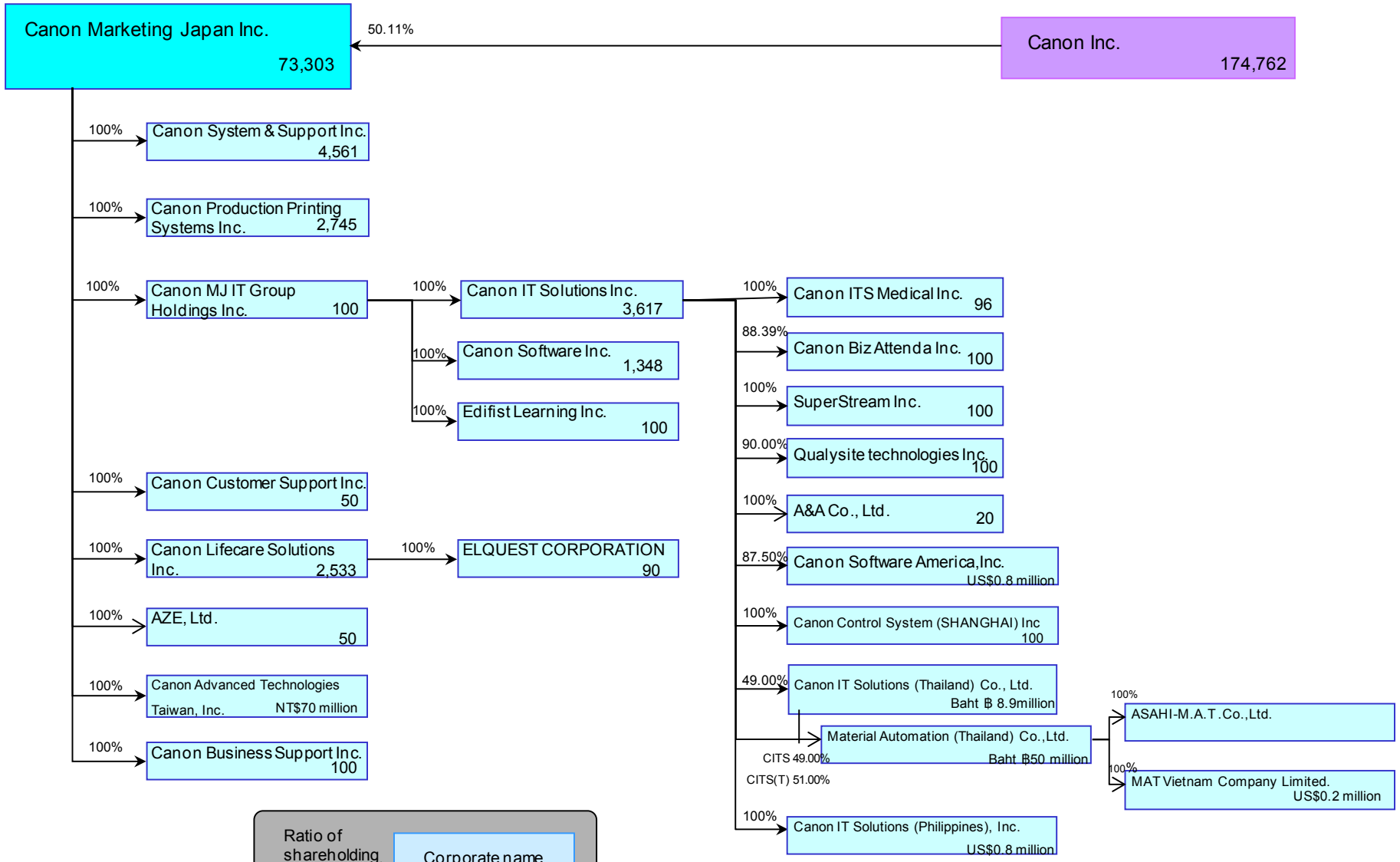
# [Reference] Overall sales of IT Solutions



(Billions of yen)

	1Q 2014	1Q 2015	Changes	
			Amount	%
Sales of IT Solutions	43.8	36.3	-7.5	-17%
Sales other than the IT Solutions segment	19.0	15.3	-3.7	-20%
Intersegment (elimination), etc.	-10.4	-7.4	+3.0	-
Total	52.4	44.2	-8.3	-16%

# Capital Relationship Diagram



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



# Results of main consolidated companies



(Billions of yen)

		1Q 2014		1Q 2015		Changes	
						Amount	%
<b>Business Solutions</b>							
Canon System & Support Inc.	Net sales	<b>34.0</b>		<b>29.4</b>		<b>-4.6</b>	<b>-13%</b>
	Op. income	<b>1.4</b>	(4.2%)	<b>0.9</b>	(2.9%)	<b>-0.6</b>	(-1.2%)
Canon Production Printing Systems Inc.	Net sales	<b>3.4</b>		<b>3.1</b>		<b>-0.3</b>	<b>-8%</b>
	Op. income	<b>0.1</b>	(2.1%)	<b>-0.1</b>	(-)	<b>-0.1</b>	(-)
<b>IT Solutions</b>							
Canon IT Solutions (Consolidated)	Net sales	<b>24.1</b>		<b>21.7</b>		<b>-2.5</b>	<b>-10%</b>
	Op. income	<b>1.0</b>	(4.3%)	<b>0.9</b>	(4.3%)	<b>-0.1</b>	(-0.0%)
Canon Software	Net sales	<b>5.2</b>		<b>5.6</b>		<b>+0.4</b>	<b>+7%</b>
	Op. income	<b>0.4</b>	(6.9%)	<b>0.6</b>	(10.0%)	<b>+0.2</b>	(+3.1%)
Total	Net sales	<b>29.4</b>		<b>27.3</b>		<b>-2.1</b>	<b>-7%</b>
	Op. income	<b>1.4</b>	(4.8%)	<b>1.5</b>	(5.4%)	<b>+0.1</b>	(+0.7%)
<b>Industrial / Medical</b>							
Canon Lifecare Solutions (Consolidated)	Net sales	<b>7.1</b>		<b>4.6</b>		<b>-2.5</b>	<b>-35%</b>
	Op. income	<b>0.2</b>	(2.3%)	<b>0.1</b>	(1.3%)	<b>-0.1</b>	(-1.0%)

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

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

# Selling expenses



(Billions of yen)

	FY 2014	FY 2015	Changes
	1Q	1Q	1Q
Advertising expenses	<b>2.4</b>	<b>2.6</b>	<b>+0.2</b>
Promotion expenses	<b>1.1</b>	<b>1.3</b>	<b>+0.2</b>
Warranty expenses	<b>2.0</b>	<b>1.9</b>	<b>-0.0</b>
Other direct selling expenses	<b>5.1</b>	<b>5.1</b>	<b>+0.0</b>
Personnel expenses	<b>31.9</b>	<b>31.3</b>	<b>-0.6</b>
Depreciation and amortization	<b>0.6</b>	<b>0.5</b>	<b>-0.1</b>
Other selling expenses	<b>8.8</b>	<b>8.1</b>	<b>-0.7</b>
<b>Total</b>	<b>51.8</b>	<b>50.8</b>	<b>-1.0</b>

# Non-operating income and expenses

(Billions of yen)

## ■ Non-operating income

	FY 2014	FY 2015	Changes
	1Q	1Q	1Q
Interest & dividends income	0.1	0.1	-0.0
Insurance income	0.0	0.0	+0.0
Other	0.2	0.3	+0.2
<b>Total</b>	<b>0.2</b>	<b>0.4</b>	<b>+0.2</b>

## ■ Non-operating expenses

	FY 2014	FY 2015	Changes
	1Q	1Q	1Q
Interest expenses	0.0	0.0	-0.0
Share of loss of entities accounted	0.0	-	-0.0
Foreign exchange losses	-	0.0	+0.0
Other	0.1	0.1	+0.0
<b>Total</b>	<b>0.1</b>	<b>0.1</b>	<b>+0.0</b>

# Extraordinary income and expenses

(Billions of yen)

## ■ Extraordinary income

	FY 2014	FY 2015	Changes
	1Q	1Q	1Q
Gain on sales of non-current assets	<b>0.0</b>	<b>0.0</b>	<b>-0.0</b>
Insurance income on disaster	-	<b>0.0</b>	<b>+0.0</b>
Gain on sales of investment securities	<b>0.0</b>	-	<b>-0.0</b>
Other	<b>0.0</b>	-	<b>-0.0</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>

## ■ Extraordinary expenses

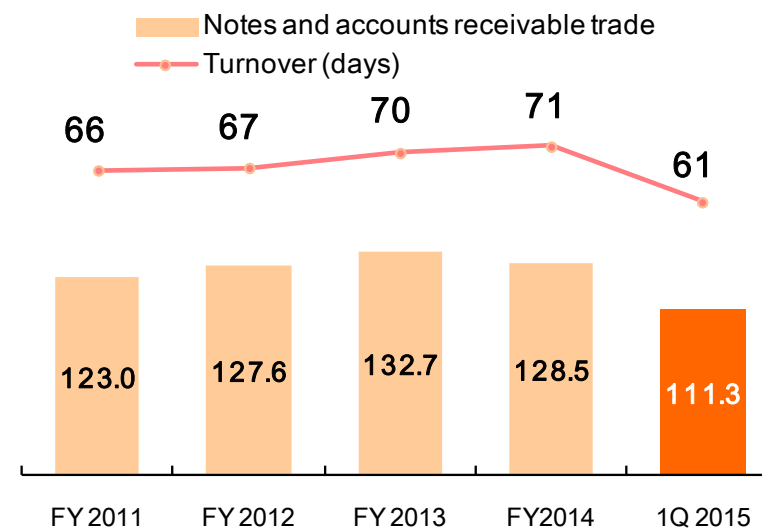
	FY 2014	FY 2015	Changes
	1Q	1Q	1Q
Loss on sales and retirement of non-current assets	<b>0.0</b>	<b>0.0</b>	<b>-0.0</b>
Loss on disaster	-	<b>0.0</b>	<b>+0.0</b>
Other	<b>0.1</b>	<b>0.0</b>	<b>-0.1</b>
<b>Total</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.1</b>

# Balance Sheets

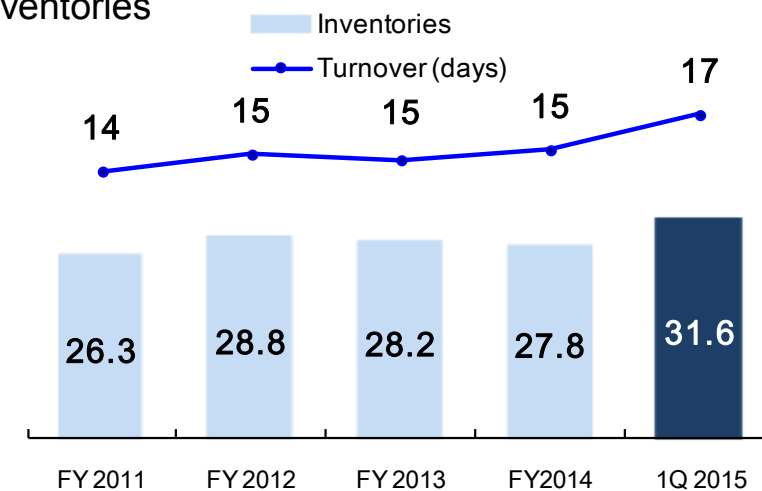
	Dec. 31 2014	Mar. 31 2015	Changes
<b>Assets</b>	<b>479.7</b>	<b>464.1</b>	<b>-15.7</b>
Current assets	<b>339.6</b>	<b>322.3</b>	<b>-17.3</b>
Cash and deposits	<b>120.6</b>	<b>117.6</b>	<b>-3.0</b>
Notes and accounts receivable trade	<b>128.5</b>	<b>111.3</b>	<b>-17.2</b>
Inventories	<b>27.8</b>	<b>31.6</b>	<b>+3.8</b>
Other	<b>62.7</b>	<b>61.7</b>	<b>-1.0</b>
Noncurrent assets	<b>140.2</b>	<b>141.8</b>	<b>+1.7</b>
Property, plant and equipment	<b>100.1</b>	<b>99.8</b>	<b>-0.2</b>
Intangible assets	<b>10.9</b>	<b>10.8</b>	<b>-0.1</b>
Investments and other assets	<b>29.2</b>	<b>31.2</b>	<b>+2.0</b>
<b>Liabilities</b>	<b>209.4</b>	<b>197.4</b>	<b>-12.0</b>
Current liabilities	<b>164.8</b>	<b>149.1</b>	<b>-15.7</b>
Notes and accounts payable-trade	<b>101.3</b>	<b>93.4</b>	<b>-7.9</b>
Other	<b>63.4</b>	<b>55.6</b>	<b>-7.8</b>
Noncurrent liabilities	<b>44.6</b>	<b>48.3</b>	<b>+3.7</b>
<b>Net assets</b>	<b>270.4</b>	<b>266.7</b>	<b>-3.6</b>
Shareholders' equity	<b>268.1</b>	<b>264.0</b>	<b>-4.1</b>
(Treasury stock)	<b>-31.9</b>	<b>-31.9</b>	<b>-0.0</b>
Accumulated other comprehensive income	<b>2.0</b>	<b>2.4</b>	<b>+0.4</b>
Minority interests	<b>0.3</b>	<b>0.3</b>	<b>-0.0</b>
<b>Equity ratio</b>	<b>56%</b>	<b>57%</b>	<b>+1%</b>

## Notes and accounts receivable trade

(Billions of yen)

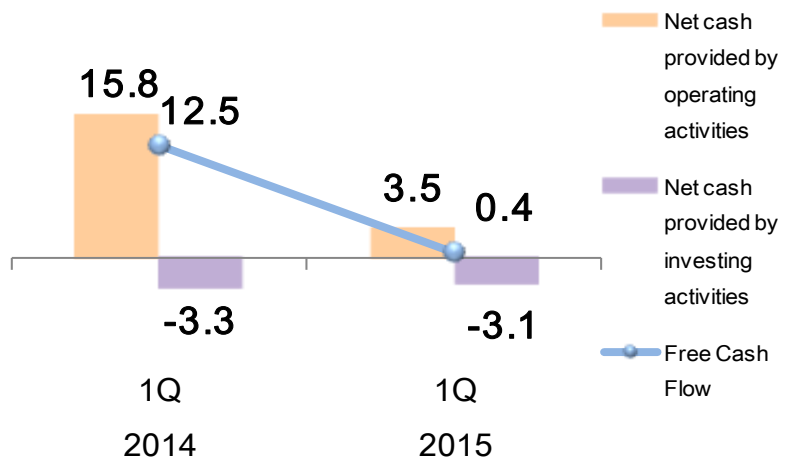


## Inventories



# Cash Flow / Investment / Depreciation and amortization / Financial indicator

## Cash Flow



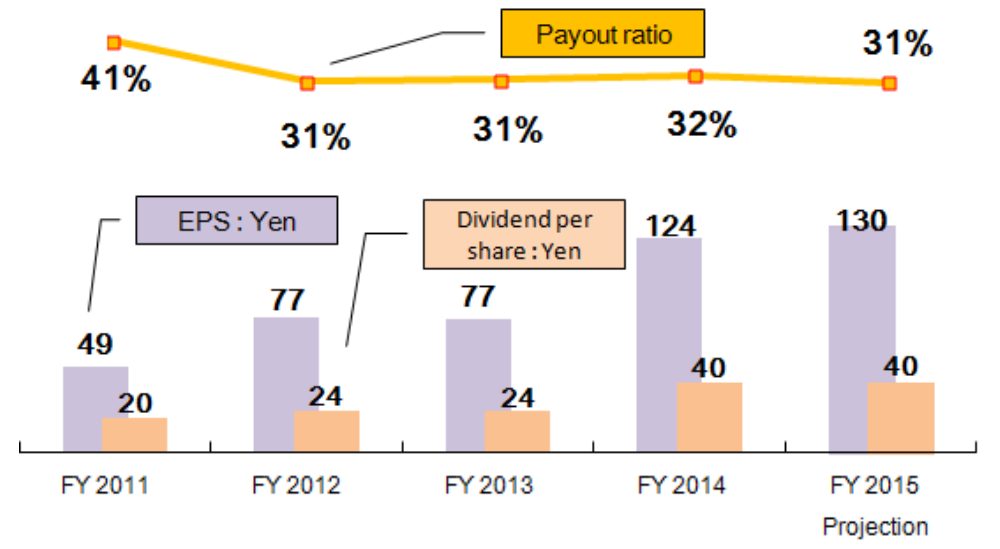
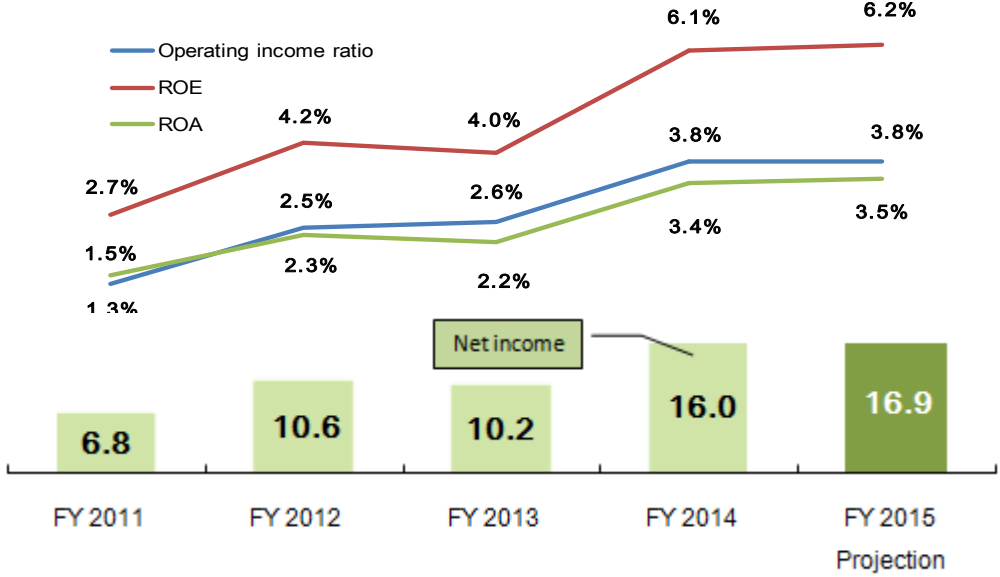
## Investment

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2014	2.0	12.5	14.5
FY 2015	3.8	15.0	18.8

## Depreciation and amortization

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2014	4.3	13.2	17.4
FY 2015	4.0	12.8	16.8

(Billions of yen)



**Canon**

Canon Marketing Japan Inc.