

Canon Marketing Japan Inc. Second Quarter 2015 Results

July 23, 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

2Q 2015 Actual

(from April 1 to June 30)



Summary of Results

(Billions of yen)

	2Q 2014	2Q 2015	Changes	
			Amount	%
Net sales	145.7	158.7	+13.1	+9%
	(36.8%)	(36.4%)	(-0.4%)	
Gross profit	53.7	57.8	+4.2	+8%
	(2.3%)	(3.2%)	(+0.9%)	
Operating income	3.3	5.1	+1.8	+54%
	(2.8%)	(3.7%)	(+0.9%)	
Ordinary income	4.1	5.8	+1.8	+43%
	(1.5%)	(2.0%)	(+0.6%)	
Net income	2.1	3.2	+1.1	+51%

Op. Income Variance Analysis



Segment Outline

2Q 2015 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2014		2Q 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	77.6	0.7	79.9	1.7	+2.3	+1.0
IT Solutions	35.8	0.9	34.9	0.5	-1.0	-0.4
Imaging System	35.1	2.2	44.1	3.1	+9.0	+0.8
Industrial / Medical	5.1	-0.6	6.8	-0.4	+1.7	+0.3
Other	-8.0	0.1	-6.9	0.1	+1.1	+0.0
Total	145.7	3.3	158.7	5.1	+13.1	+1.8

“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 2015 Actual
(from January 1 to June 30)

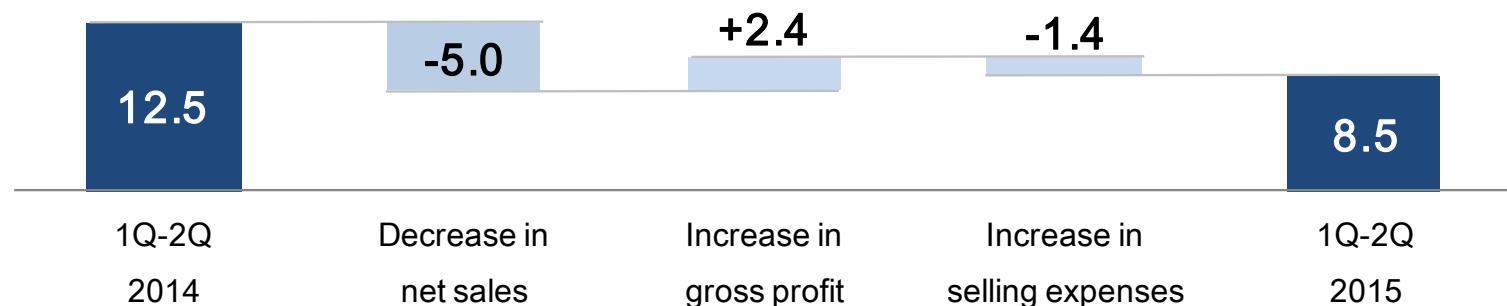


Summary of Results

(Billions of yen)

	1Q-2Q FY 2014	1Q-2Q FY 2015	Changes	
			Amount	%
Net sales	328.4	314.1	-14.3	-4%
Gross profit	(34.9%) 114.7	(35.7%) 112.1	(+0.8%) -2.6	-2%
Operating income	(3.8%) 12.5	(2.7%) 8.5	(-1.1%) -4.0	-32%
Ordinary income	(4.1%) 13.5	(3.1%) 9.6	(-1.0%) -3.9	-29%
Net income	(2.4%) 7.9	(1.6%) 5.1	(-0.8%) -2.8	-35%

Op. Income Variance Analysis



Segment Outline

1Q-2Q 2015 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q FY 2014		1Q-2Q FY 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	169.8	5.2	164.9	4.4	-4.9	-0.9
IT Solutions	79.7	2.1	71.1	1.5	-8.5	-0.6
Imaging System	83.1	5.4	78.6	2.6	-4.5	-2.8
Industrial / Medical	14.4	-0.5	14.1	-0.3	-0.3	+0.2
Other	-18.6	0.2	-14.7	0.2	+4.0	-0.0
Total	328.4	12.5	314.1	8.5	-14.3	-4.0

“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 2015 Actual

50%

Business Solutions

(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-2Q 2014	1Q-2Q 2015	Changes
Net sales	169.8	164.9	-4.9
Op. income	5.2	4.4	-0.9

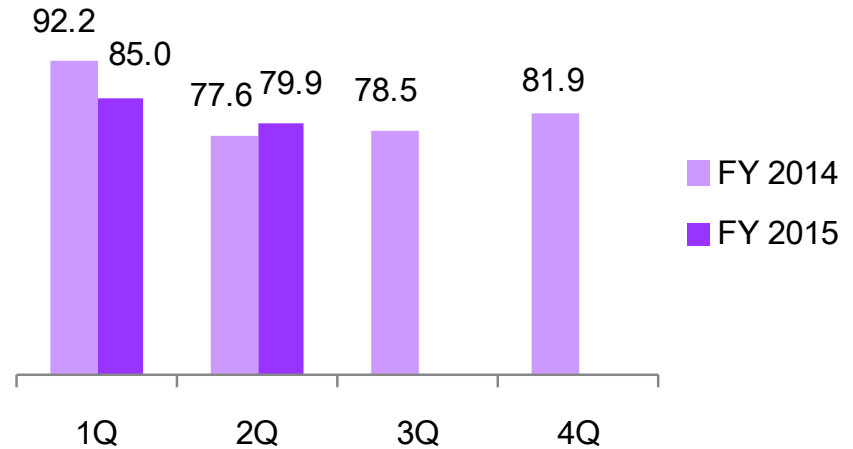
Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+12%	-5%	-1%	-3%	+1%
FY 2015	-8%	+3%			-3%

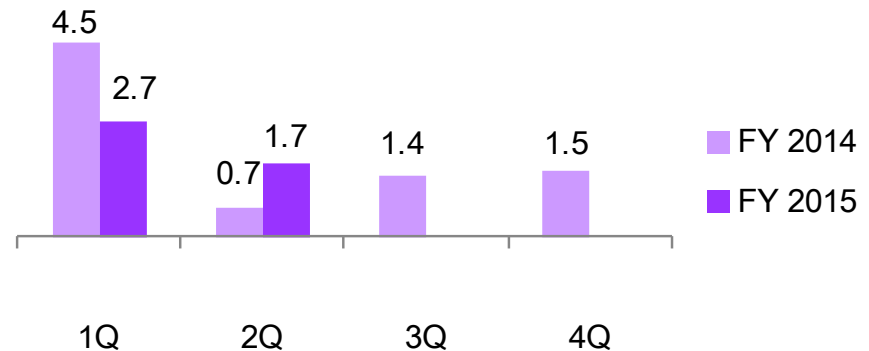
Points

- ▶ Net sales increased due in part to a healthy performance in the MFP and production printing businesses.
- ▶ Operating income rose substantially thanks to a rise in profits from higher sales, in addition to a reduction in sales costs.

Net sales



Op. income



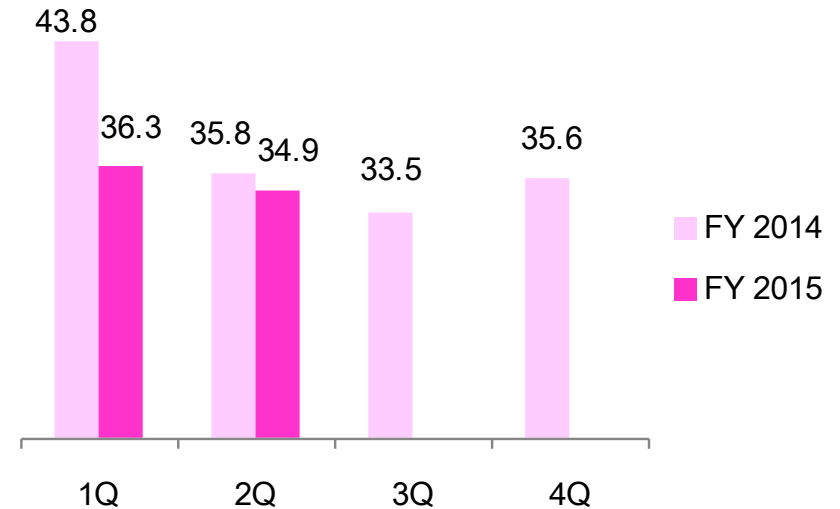


(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-2Q 2014	1Q-2Q 2015	Changes
Net sales	79.7	71.1	-8.5
Op. income	2.1	1.5	-0.6

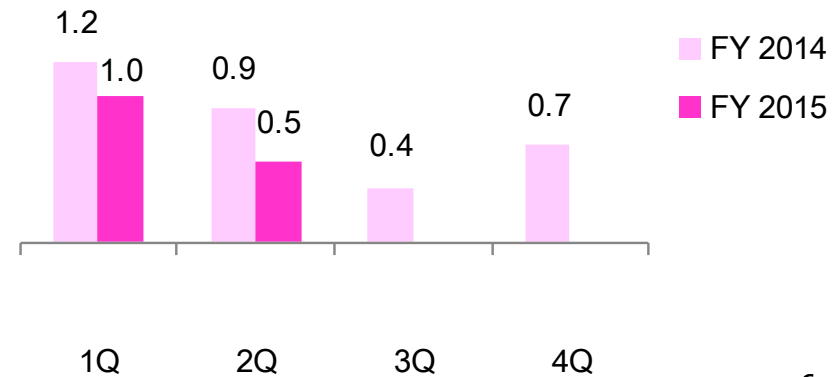
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+29%	-1%	-2%	-7%	+5%
FY 2015	-17%	-3%	-	-	-11%

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 2Q 2015 Actual



(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-2Q 2014	1Q-2Q 2015	Changes
Net sales	83.1	78.6	-4.5
Op. income	5.4	2.6	-2.8

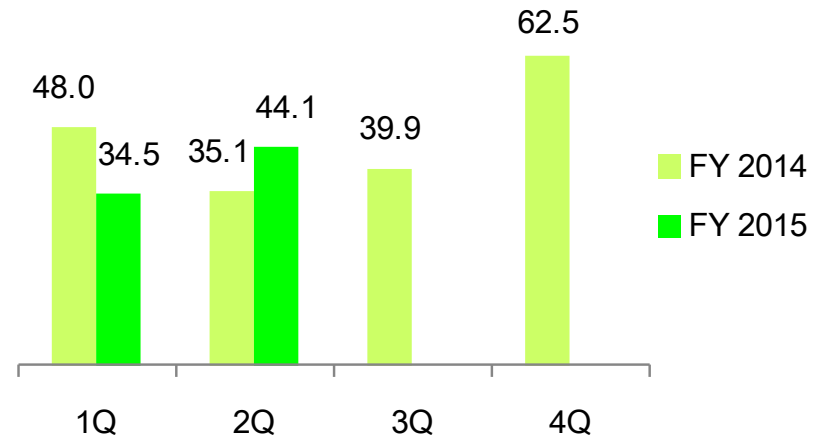
Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+39%	-19%	-15%	-7%	-3%
FY 2015	-28%	+26%			-5%

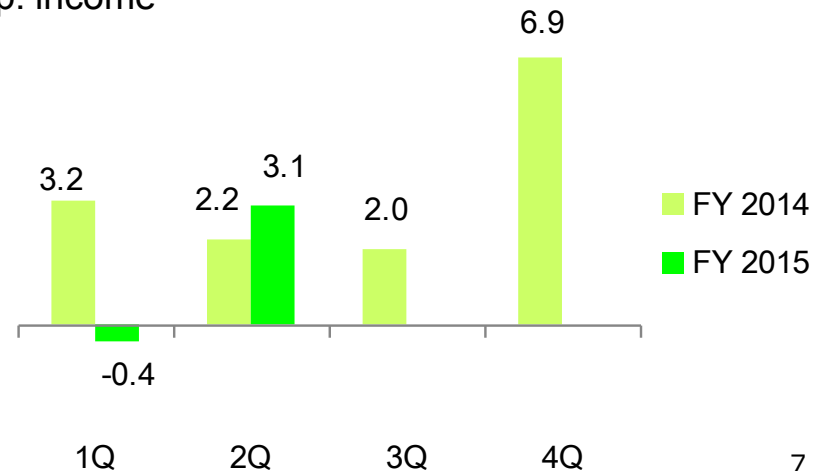
Points

- Sales and profits soared on healthy sales of digital cameras.

Net sales



Op. income





(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-2Q 2014	1Q-2Q 2015	Changes
Net sales	14.4	14.1	-0.3
Op. income	-0.5	-0.3	+0.2

Net sales - Growth rate

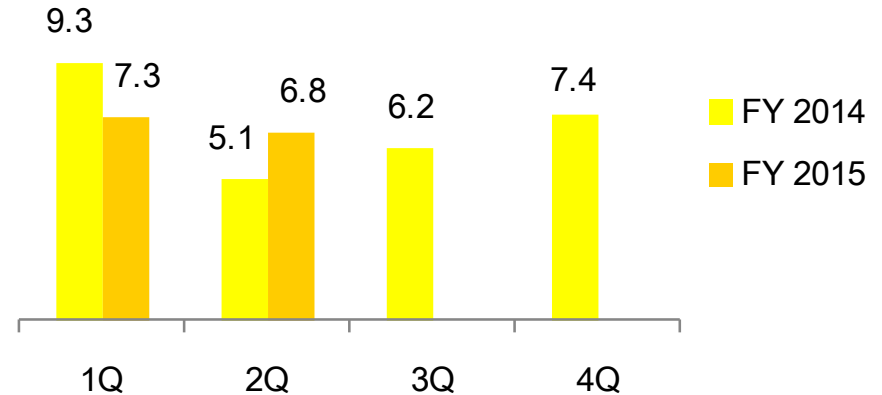
	1Q	2Q	3Q	4Q	FY
FY 2014	+41%	-12%	-2%	+1%	+7%
FY 2015	-21%	+33%			-2%

Points

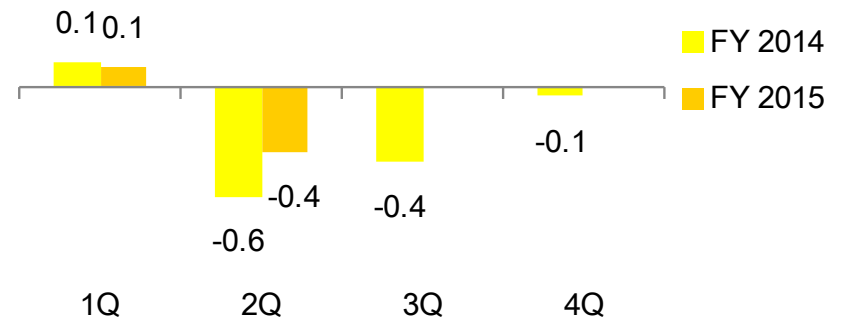
- Sales increased substantially, reflecting an expansion in maintenance services of industrial equipment and a strong performance by inspection and measuring devices. Major projects and the 3D medical imaging business also did well.

- Operating income also improved.

Net sales



Op. income



Summary of Projections



(Billions of yen)

	FY 2015	FY 2015	Changes		FY 2014	Changes	
	Previous projection	Projection	Amount	%	Actual	Amount	%
Net sales	681.0	666.0	-15.0	-2%	659.4	+6.6	+1%
	(3.8%)	(3.9%)	(+0.1%)		(3.8%)	(+0.1%)	
Operating income	26.0	26.0	-	-	25.1	+0.9	+4%
	(4.0%)	(4.1%)	(+0.1%)		(4.0%)	(+0.1%)	
Ordinary income	27.2	27.2	-	-	26.6	+0.6	+2%
	(2.5%)	(2.3%)	(-0.1%)		(2.4%)	(-0.1%)	
Net income	16.9	15.6	-1.3	-8%	16.0	-0.4	-3%

Projections Summary Outline



FY2015 Current Projection v. Previous Projection

(Billions of yen)

	FY 2015		FY 2015		Changes		
	Previous projection		Current projection		Net sales	Op. income	
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	340.0	8.7	330.9	8.7	-9.1	-3%	-
IT Solutions	151.7	4.2	148.0	4.2	-3.7	-2%	-
Imaging System	188.8	13.2	186.0	13.2	-2.8	-1%	-
Industrial / Medical	31.5	-0.5	30.3	-0.5	-1.2	-4%	-
Other	-31.0	0.4	-29.2	0.4	+1.8	-	-
Total	681.0	26.0	666.0	26.0	-15.0	-2%	-

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

Projections Summary Outline



FY2015 Projection v. FY2014 Actual

(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	330.9	8.7	+0.7	+0%	+0.5
IT Solutions	148.8	3.2	148.0	4.2	-0.8	-1%	+1.0
Imaging System	185.4	14.3	186.0	13.2	+0.6	+0%	-1.1
Industrial / Medical	28.0	-1.0	30.3	-0.5	+2.3	+8%	+0.5
Other	-33.0	0.4	-29.2	0.4	+3.8	-	-0.0
Total	659.4	25.1	666.0	26.0	+6.6	+1%	+0.9

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

Projections Segment Information

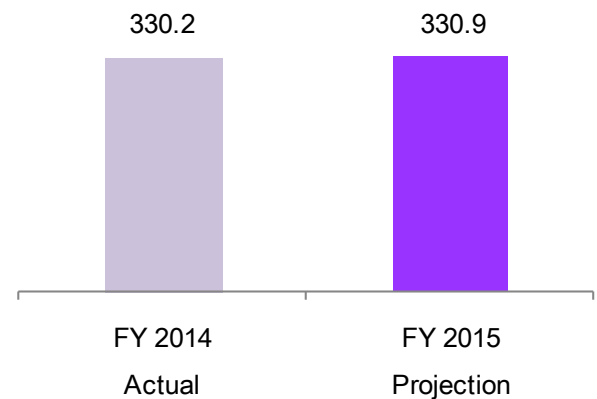
(Billions of yen)



FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - April 21 -
Net sales	330.2	330.9	+0.7	340.0
Op. income	8.2	8.7	+0.5	8.7

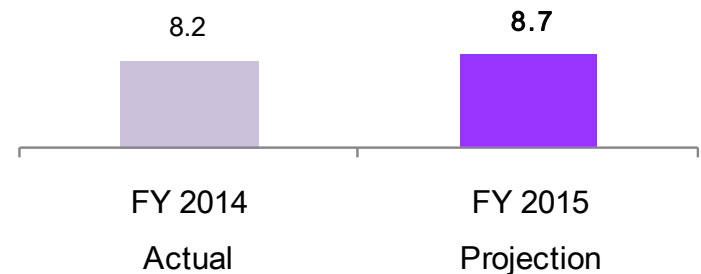
Net sales



Points

- Sales and profits are projected to increase in part due to growth in the MFP and production printing businesses.

Op. income



Projections Segment Information

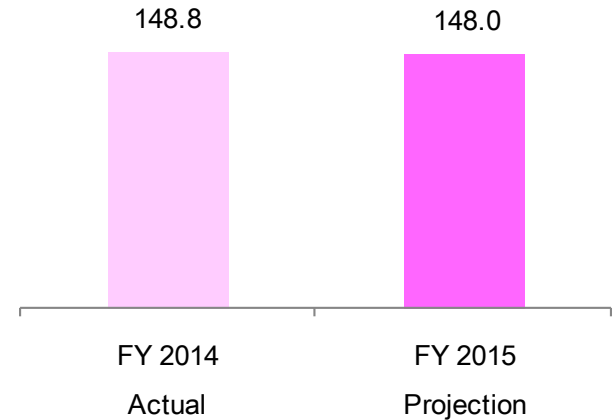
(Billions of yen)



■ Net sales

■ FY 2015 Projection v. FY 2014 Actual

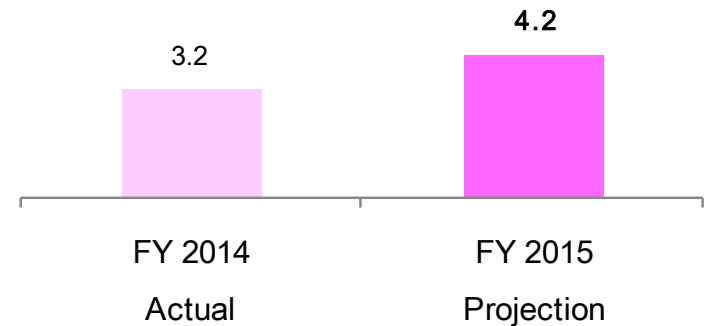
	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - April 21 -
Net sales	148.8	148.0	-0.8	151.7
Op. income	3.2	4.2	+1.0	4.2



■ Points

- ▶ Sales are expected to decline slightly from the year-ago period, although all businesses, with the exception of the product business, will post an increase.
- ▶ Operating income is forecast to increase as highly profitable businesses are anticipated to expand.

■ Op. income



Projections Segment Information



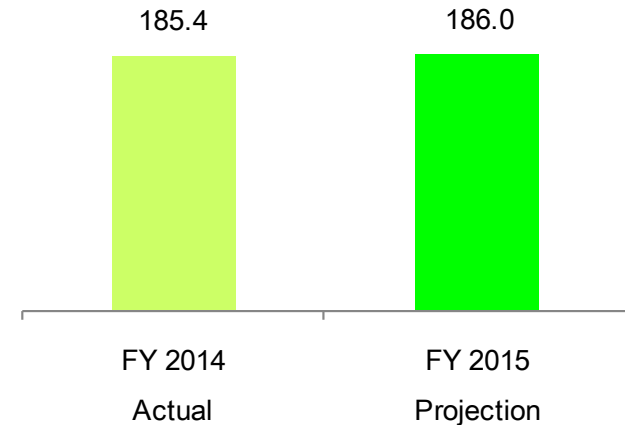
(Billions of yen)



■ Net sales

■ FY 2015 Projection v. FY 2014 Actual

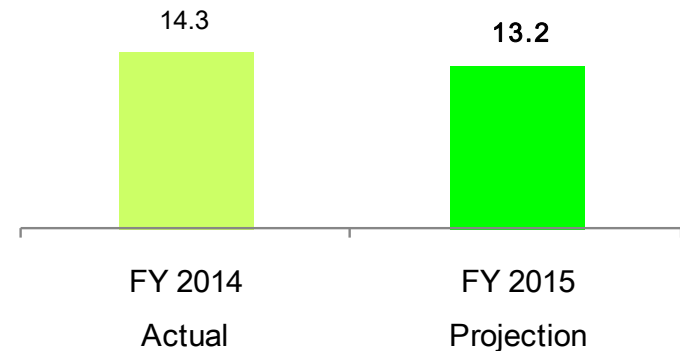
	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - April 21 -
Net sales	185.4	186.0	+0.6	188.8
Op. income	14.3	13.2	-1.1	13.2



■ Points

- ▶ Sales fell in 1Q, but are expected to edge up for the year on new product launches, proactive selling initiatives as well as promotion activities.
- ▶ Operating income is expected to decline due to factors such as an increase in advertising expenses.

■ Op. income



Projections Segment Information

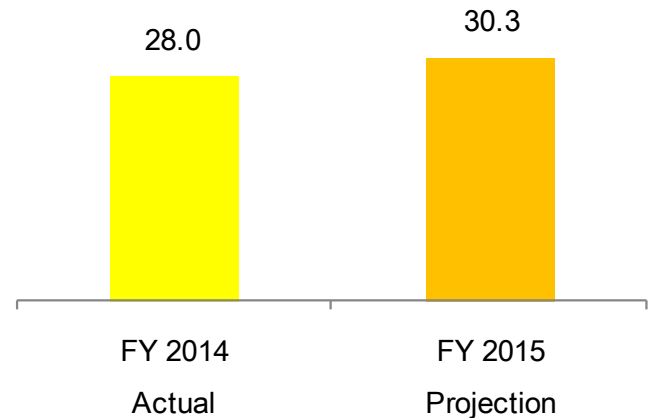


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - April 21 -
Net sales	28.0	30.3	+2.3	31.5
Op. income	-1.0	-0.5	+0.5	-0.5

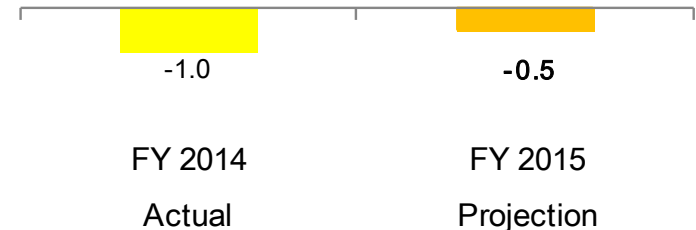
■ Net sales



Points

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

■ Op. income



Supplementary Information

[Reference] Overall sales of IT Solutions

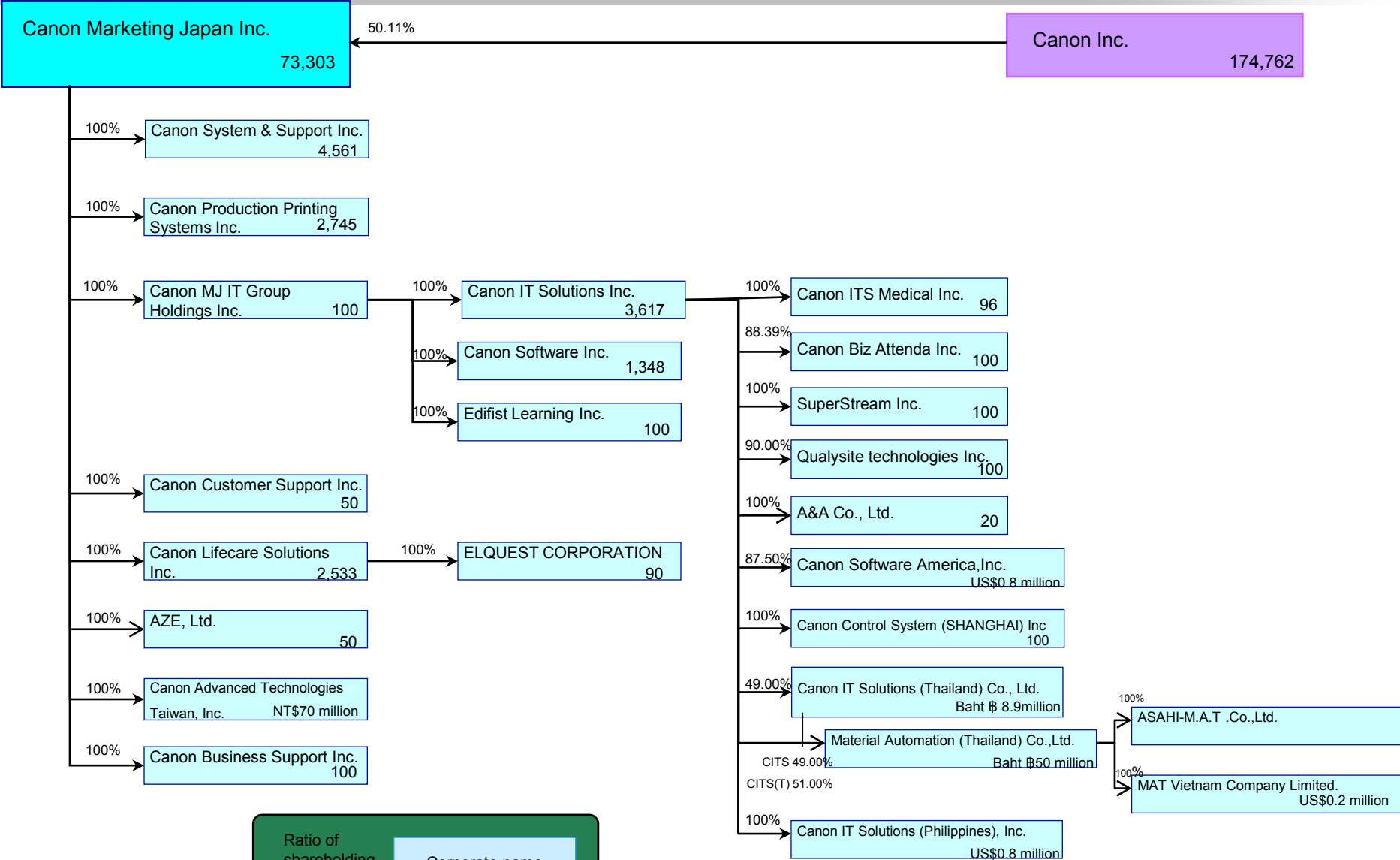


(Billions of yen)

	2Q 2014	2Q 2015	Changes	
			Amount	%
Sales of IT Solutions	35.8	34.9	-1.0	-3%
Sales other than the IT Solutions segment	13.6	13.0	-0.6	-5%
Intersegment (elimination), etc.	-7.9	-6.7	+1.2	-
Total	41.6	41.2	-0.4	-1%

	1Q-2Q 2014	1Q-2Q 2015	Changes	
			Amount	%
Sales of IT Solutions	79.7	71.1	-8.5	-11%
Sales other than the IT Solutions segment	32.6	28.3	-4.3	-13%
Intersegment (elimination), etc.	-18.3	-14.1	+4.2	-
Total	94.0	85.4	-8.6	-9%

Capital Relationship Diagram



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

Results of main consolidated companies



(Billions of yen)

		2Q 2014		2Q 2015		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net sales	28.2		27.1		-1.0	-4%
	Op. income	0.5	(1.8%)	0.7	(2.5%)	+0.2	(+0.7%)
Canon Production Printing Systems Inc.	Net sales	3.5		4.7		+1.2	+34%
	Op. income	-0.0	(-)	0.3	(6.1%)	+0.3	(-)
IT Solutions							
Canon MJ IT Group Holdings (Consolidated)	Net sales	26.4		27.1		+0.7	+3%
	Op. income	1.3	(4.8%)	1.1	(4.0%)	-0.2	(-0.8%)
Industrial / Medical							
Canon Lifecare Solutions	Net sales	3.4		3.9		+0.5	+15%
	Op. income	-0.4	(-)	-0.1	(-)	+0.3	(-)

* 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.

* The numbers disclosed are those of consolidated Canon MJ IT Group Holdings, including Canon IT Solutions and Canon Software, given that business integration between the two firms is being pushed along in succession as part of the structural reform of the business.

Results of main consolidated companies



(Billions of yen)

		1Q-2Q 2014	1Q-2Q 2015	Changes	
				Amount	%
Business Solutions					
Canon System & Support Inc.	Net sales	62.1	56.5	-5.6	-9%
	Op. income	1.9 (3.1%)	1.5 (2.7%)	-0.4 (-0.4%)	
Canon Production Printing Systems Inc.	Net sales	6.8	7.8	+0.9	+14%
	Op. income	0.1 (1.0%)	0.2 (2.9%)	+0.2 (+1.9%)	
IT Solutions					
Canon MJ IT Group Holdings (Consolidated)	Net sales	55.9	54.5	-1.3	-2%
	Op. income	2.6 (4.7%)	2.5 (4.7%)	-0.1 (-0.1%)	
Industrial / Medical					
Canon Lifecare Solutions	Net sales	10.5	8.5	-2.0	-19%
	Op. income	-0.3 (-)	-0.1 (-)	+0.1 (-)	

* 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.

* The numbers disclosed are those of consolidated Canon MJ IT Group Holdings, including Canon IT Solutions and Canon Software, given that business integration between the two firms is being pushed along in succession as part of the structural reform of the business.

Selling expenses



(Billions of yen)

	FY 2014		FY 2015		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Advertising expenses	1.7	4.2	3.4	6.0	+1.7	+1.8
Promotion expenses	1.1	2.2	1.1	2.3	-0.0	+0.2
Warranty expenses	1.8	3.7	2.0	3.9	+0.2	+0.2
Other direct selling expenses	5.0	10.2	5.1	10.2	+0.1	+0.1
Personnel expenses	31.5	63.3	32.4	63.7	+0.9	+0.3
Depreciation and amortization	0.6	1.3	0.5	1.0	-0.1	-0.2
Other selling expenses	8.6	17.3	8.3	16.4	-0.3	-0.9
Total	50.4	102.2	52.8	103.6	+2.4	+1.4

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

	FY 2014		FY 2015		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Interest income	0.1	0.1	0.1	0.1	+0.0	+0.0
Dividend income	0.1	0.1	0.1	0.1	+0.0	+0.0
Insurance income	0.6	0.6	0.6	0.6	-0.0	-0.0
Other	0.2	0.3	0.2	0.5	+0.0	+0.2
Total	0.9	1.1	0.9	1.3	+0.0	+0.2

■ Non-operating expenses

	FY 2014		FY 2015		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	0.0	0.0	0.0	+0.0	+0.0
Other	0.1	0.1	0.1	0.1	-0.0	+0.0
Total	0.1	0.2	0.1	0.2	+0.0	+0.0

Extraordinary income and expenses

(Billions of yen)

■ Extraordinary income

	FY 2014		FY 2015		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
Insurance income on disaster	-	-	0.0	0.0	+0.0	+0.0
Gain on sales of investment securities	0.0	0.0	-	-	-0.0	-0.0
Other	0.0	0.0	-	-	-0.0	-0.0
Total	0.0	0.0	0.0	0.0	-0.0	+0.0

■ Extraordinary expenses

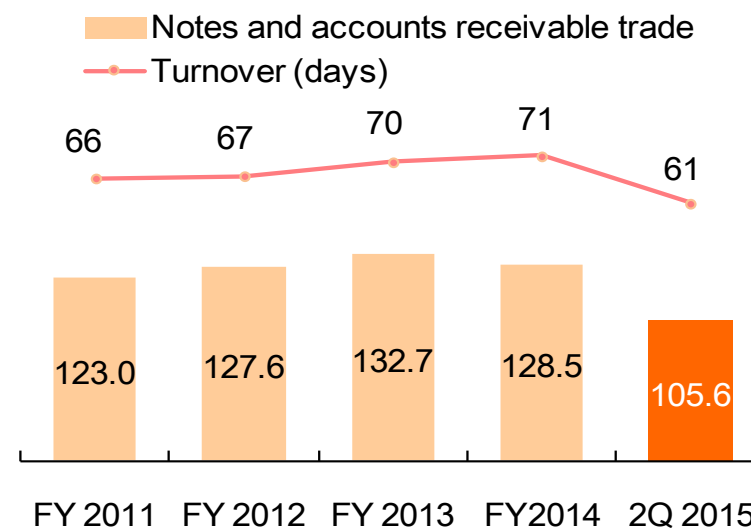
	FY 2014		FY 2015		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Loss on sales and retirement of non-current assets	0.1	0.1	0.1	0.1	-0.0	-0.0
Loss on disaster	-	-	-	0.0	-	+0.0
Group restructuring expenses	-	-	0.1	0.1	+0.1	+0.1
Other	0.0	0.1	0.1	0.1	+0.1	-0.0
Total	0.1	0.2	0.2	0.3	+0.1	+0.1

Balance Sheets

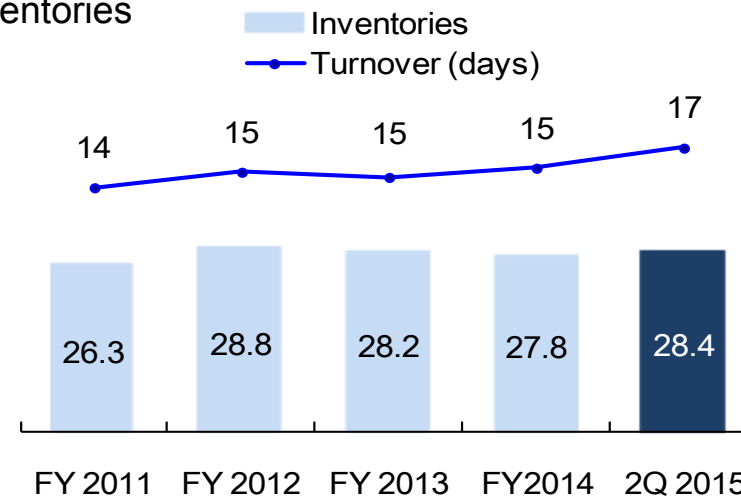
(Billions of yen)

	Dec. 31 2014	June. 30 2015	Changes
Assets	479.7	461.8	-18.0
Current assets	339.6	318.8	-20.8
Cash and deposits	120.6	91.7	-28.9
Notes and accounts receivable trade	128.5	105.6	-22.8
Inventories	27.8	28.4	+0.5
Other	62.7	93.1	+30.4
Noncurrent assets	140.2	142.9	+2.8
Property, plant and equipment	100.1	100.8	+0.7
Intangible assets	10.9	10.4	-0.5
Investments and other assets	29.2	31.8	+2.6
Liabilities	209.4	191.6	-17.8
Current liabilities	164.8	142.9	-21.8
Notes and accounts payable-trade	101.3	87.8	-13.5
Other	63.4	55.1	-8.3
Noncurrent liabilities	44.6	48.6	+4.0
Net assets	270.4	270.2	-0.1
Shareholders' equity	268.1	267.2	-0.8
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other comprehensive income	2.0	2.7	+0.7
Minority interests	0.3	0.3	+0.0
Equity ratio	56%	58%	+2%

Notes and accounts receivable trade



Inventories

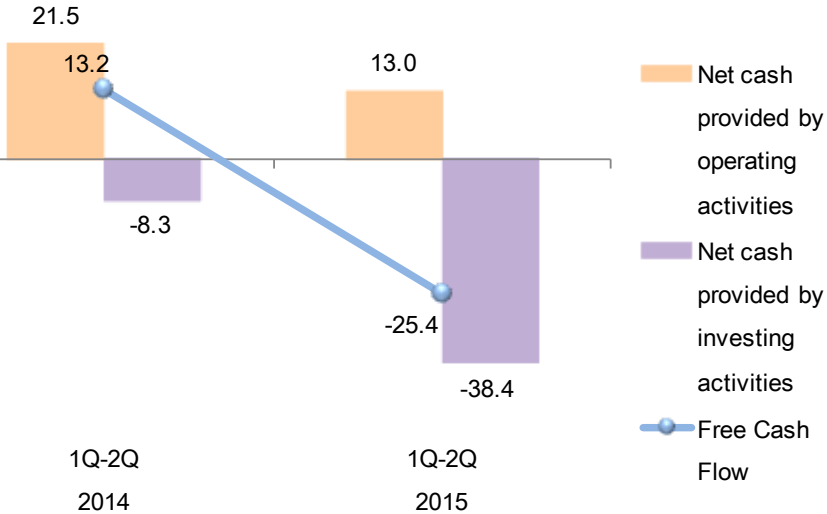


Supplementary Information

Cash Flow / Investment / Depreciation and amortization / Financial indicator



Cash Flow

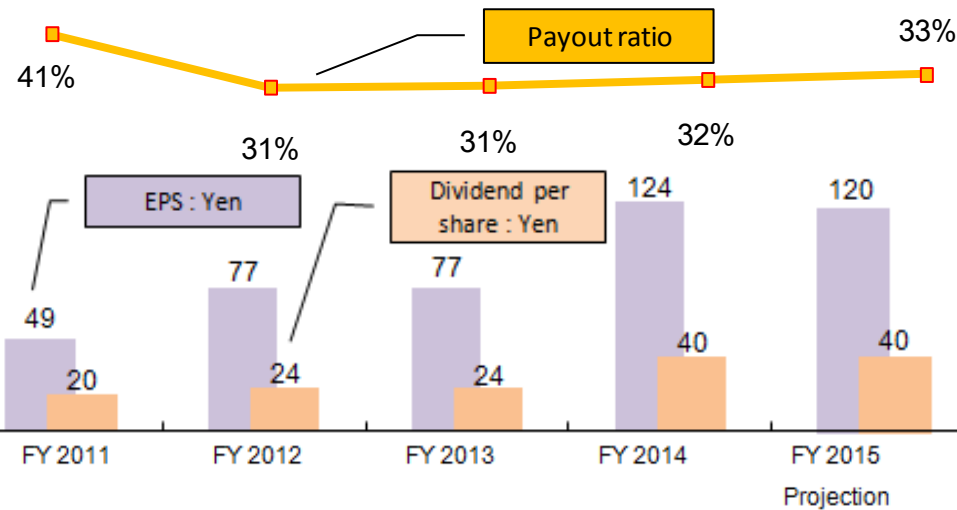
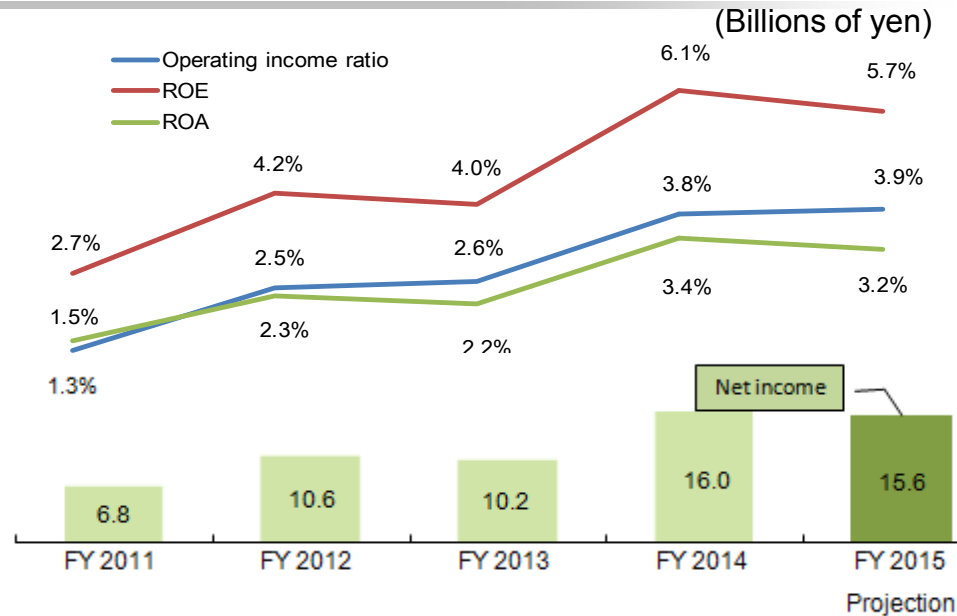


Investment

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2014	6.5	8.0	14.5
FY 2015	8.5	10.6	19.1

Depreciation and amortization

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2014	8.6	8.9	17.4
FY 2015	8.0	7.7	15.7



Canon

Canon Marketing Japan Inc.