

Canon Marketing Japan Inc. Third Quarter 2015 Results

October 27, 2015

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.

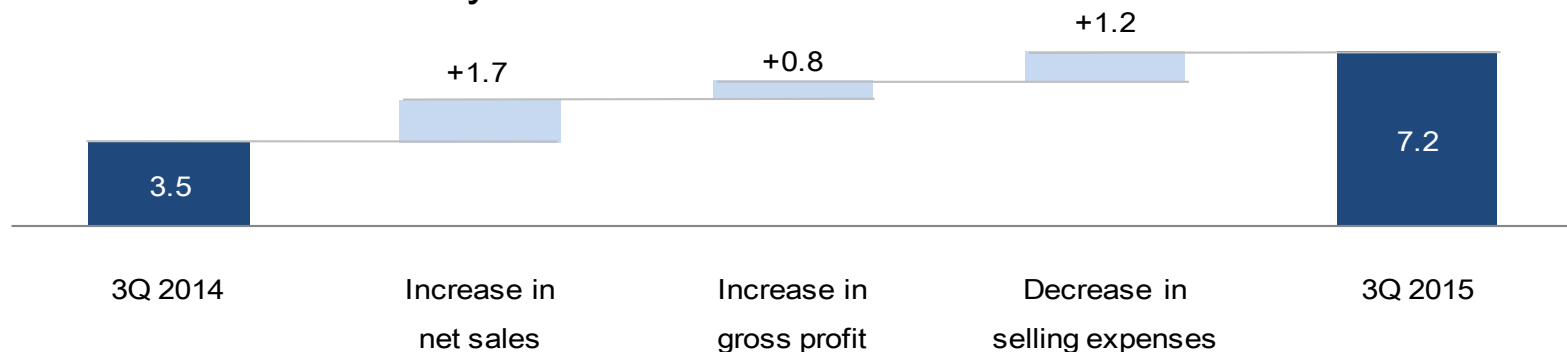
Summary of Results

3Q 2015 Actual
(from July 1 to September 30)



Summary of Results	3Q 2014	3Q 2015	Changes	
			Amount	%
Net sales	150.7	155.4	+4.7	+3%
Gross profit	(36.4%) 54.9	(36.9%) 57.4	(+0.5%) +2.5	+5%
Operating income	(2.3%) 3.5	(4.6%) 7.2	(+2.3%) +3.7	+107%
Ordinary income	(2.4%) 3.7	(4.7%) 7.3	(+2.3%) +3.6	+98%
Net income	(1.2%) 1.9	(2.7%) 4.2	(+1.5%) +2.3	+126%

Op. Income Variance Analysis



Segment Outline

3Q 2015 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q 2014		3Q 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	78.5	1.4	79.9	2.4	+1.4	+1.0
IT Solutions	33.5	0.4	34.2	1.1	+0.7	+0.7
Imaging System	39.9	2.0	41.4	3.6	+1.5	+1.7
Industrial / Medical	6.2	-0.4	6.6	-0.1	+0.4	+0.3
Other	-7.3	0.1	-6.6	0.1	+0.7	-0.0
Total	150.7	3.5	155.4	7.2	+4.7	+3.7

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

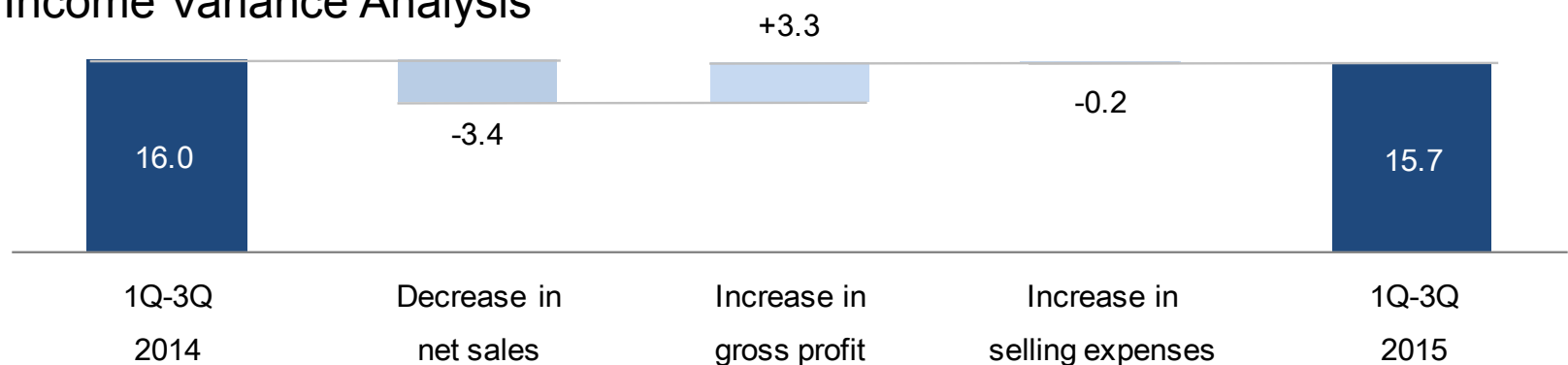
Summary of Results

1Q-3Q 2015 Actual
(from January 1 to September 30)



Summary of Results	1Q-3Q FY 2014	1Q-3Q FY 2015	Changes		(Billions of yen)
			Amount	%	
Net sales	479.1	469.5	-9.6	-2%	
Gross profit	(35.4%) 169.6	(36.1%) 169.5	(+0.7%) -0.1	-0%	
Operating income	(3.3%) 16.0	(3.3%) 15.7	(+0.0%) -0.3	-2%	
Ordinary income	(3.6%) 17.1	(3.6%) 16.9	(+0.0%) -0.2	-1%	
Net income	(2.0%) 9.7	(2.0%) 9.3	(-0.1%) -0.4	-5%	

Op. Income Variance Analysis



Segment Outline

1Q-3Q 2015 Actual
(from January 1 to September 30)



(Billions of yen)

	1Q-3Q FY 2014		1Q-3Q FY 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	248.3	6.7	244.8	6.8	-3.6	+0.2
IT Solutions	113.2	2.5	105.3	2.6	-7.8	+0.1
Imaging System	123.0	7.4	120.0	6.3	-3.0	-1.1
Industrial / Medical	20.6	-0.9	20.7	-0.4	+0.1	+0.6
Other	-26.0	0.3	-21.3	0.3	+4.7	-0.0
Total	479.1	16.0	469.5	15.7	-9.6	-0.3

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

50%

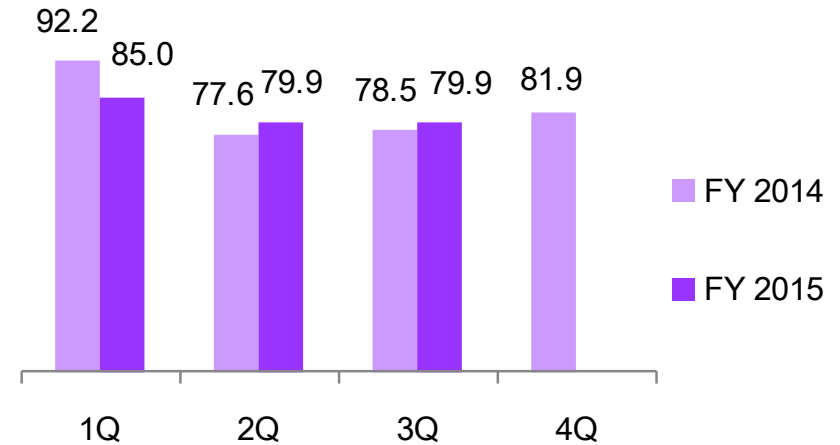
Business Solutions

(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-3Q 2014	1Q-3Q 2015	Changes
Net sales	248.3	244.8	-3.6
Op. income	6.7	6.8	+0.2

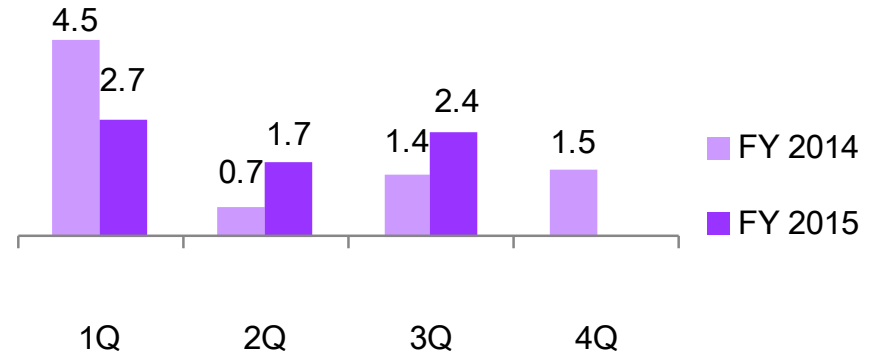
Net sales



Net sales - Growth rate

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

Op. income



Points

- ▶ Sales increased due in part to the continued healthy performance of 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.

Segment Information

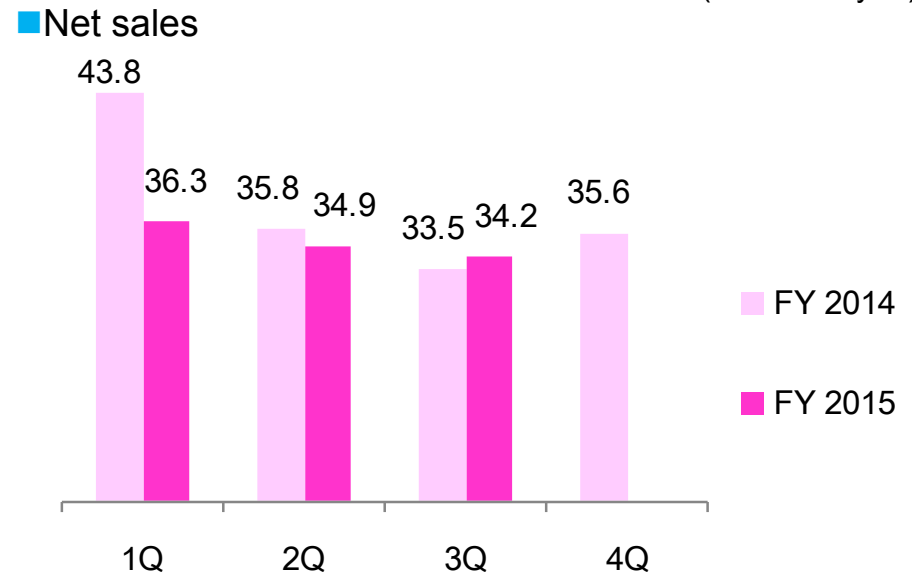
3Q 2015 Actual



(Billions of yen)

2015 Actual v. 2014 Actual

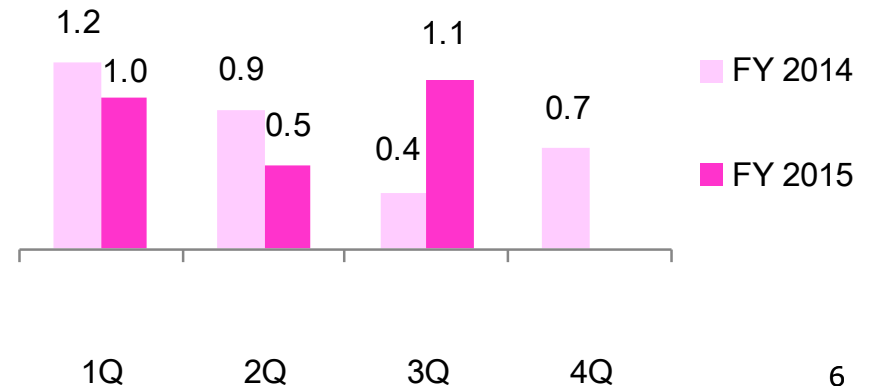
	1Q-3Q 2014	1Q-3Q 2015	Changes
Net sales	113.2	105.3	-7.8
Op. income	2.5	2.6	+0.1



Net sales - Growth rate

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

Op. income



Points

- ▶ Sales increased thanks to a rise in all businesses other than the product business.
- ▶ Operating income rose, reflecting greater profits due to an increase in sales as well as a decline in selling, general and administrative expenses.

Segment Information

3Q 2015 Actual

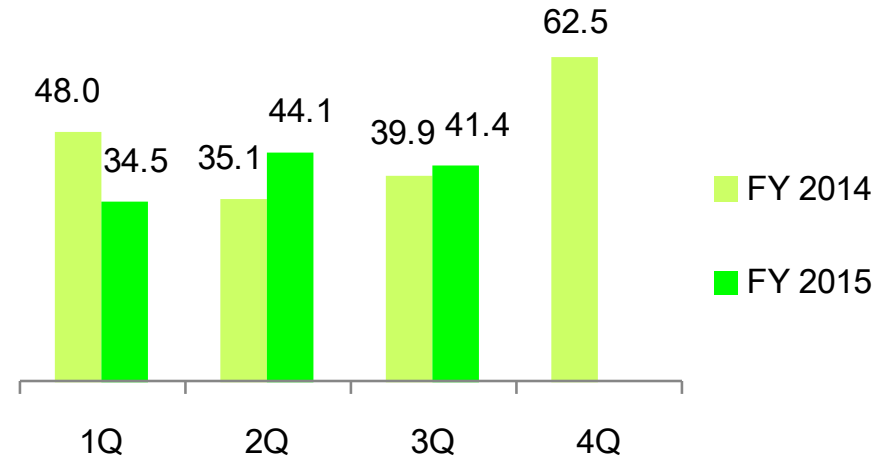


(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-3Q 2014	1Q-3Q 2015	Changes
Net sales	123.0	120.0	-3.0
Op. income	7.4	6.3	-1.1

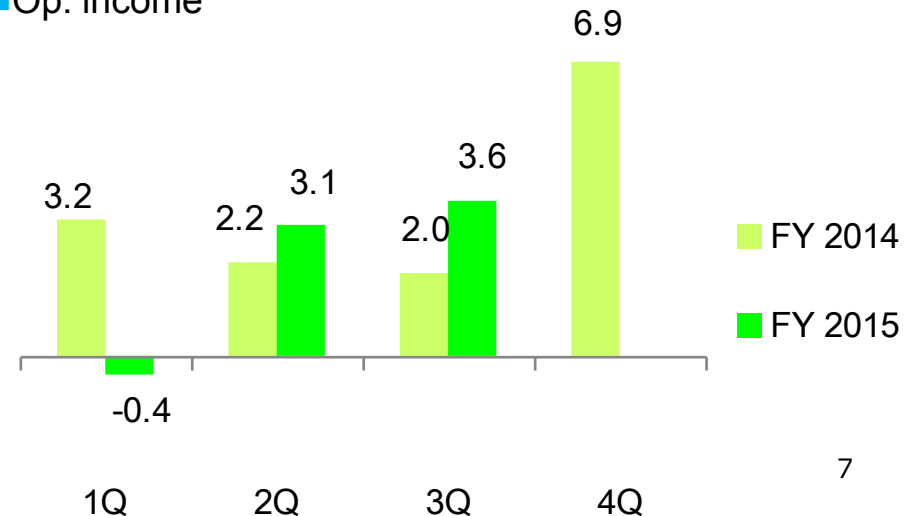
Net sales



Net sales - Growth rate

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

Op. income



Points

- Sales rose and profits increased substantially due to the strong performance of interchangeable lens digital cameras.

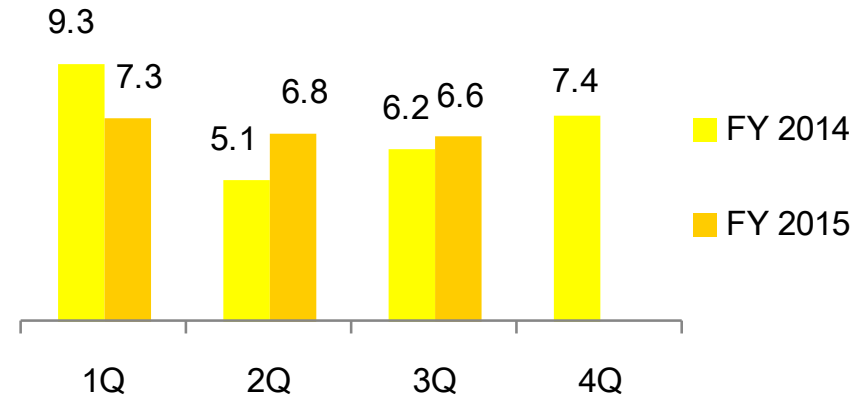


(Billions of yen)

2015 Actual v. 2014 Actual

	1Q-3Q 2014	1Q-3Q 2015	Changes
Net sales	20.6	20.7	+0.1
Op. income	-0.9	-0.4	+0.6

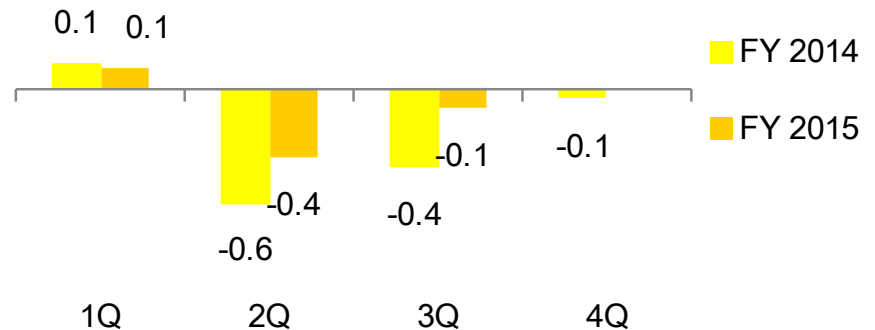
Net sales



Net sales - Growth rate

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

Op. income



Points

- ▶ Sales increased, reflecting the expansion of maintenance services aimed at industrial equipment and the strong performance of inspection and measuring devices.
- ▶ Operating income also improved.

Summary of Projections



(Billions of yen)

	FY 2015	FY 2015	Changes		FY 2014	Changes	
	Previous projection	Projection	Amount	%	Actual	Amount	%
Net sales	666.0	656.0	-10.0	-2%	659.4	-3.4	-1%
	(3.9%)	(3.8%)	(-0.1%)		(3.8%)	(+0.0%)	
Operating income	26.0	25.2	-0.8	-3%	25.1	+0.1	+0%
	(4.1%)	(4.1%)	(-0.0%)		(4.0%)	(+0.0%)	
Ordinary income	27.2	26.6	-0.6	-2%	26.6	+0.0	+0%
	(2.3%)	(2.3%)	(-0.0%)		(2.4%)	(-0.1%)	
Net income	15.6	15.1	-0.5	-3%	16.0	-0.9	-6%

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	Op. income
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	330.9	8.7	330.2	8.6	-0.7	-0%	-0.1
IT Solutions	148.0	4.2	144.0	4.0	-4.0	-3%	-0.2
Imaging System	186.0	13.2	182.9	13.1	-3.1	-2%	-0.1
Industrial / Medical	30.3	-0.5	27.4	-0.9	-2.9	-10%	-0.4
Other	-29.2	0.4	-28.5	0.4	+0.7	-	-
Total	666.0	26.0	656.0	25.2	-10.0	-2%	-0.8

* "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	330.2	8.6	-0.0	-0%	+0.4
IT Solutions	148.8	3.2	144.0	4.0	-4.8	-3%	+0.8
Imaging System	185.4	14.3	182.9	13.1	-2.5	-1%	-1.2
Industrial / Medical	28.0	-1.0	27.4	-0.9	-0.6	-2%	+0.1
Other	-33.0	0.4	-28.5	0.4	+4.5	-	-0.0
Total	659.4	25.1	656.0	25.2	-3.4	-1%	+0.1

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

Projections Segment Information

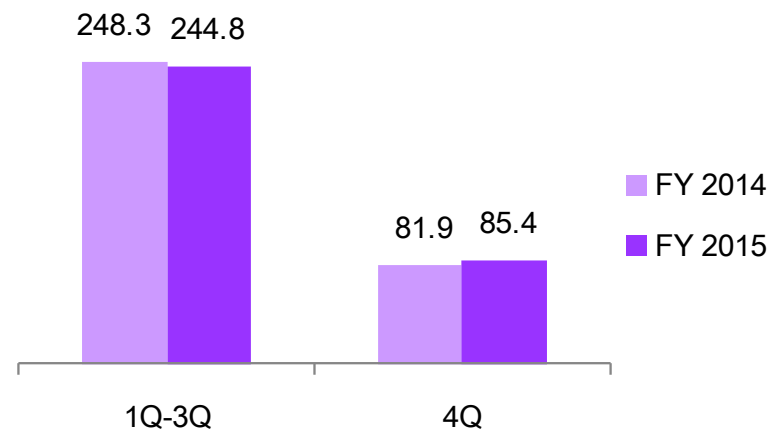


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - July 22 -
Net sales	330.2	330.2	-0.0	330.9
Op. income	8.2	8.6	+0.4	8.7

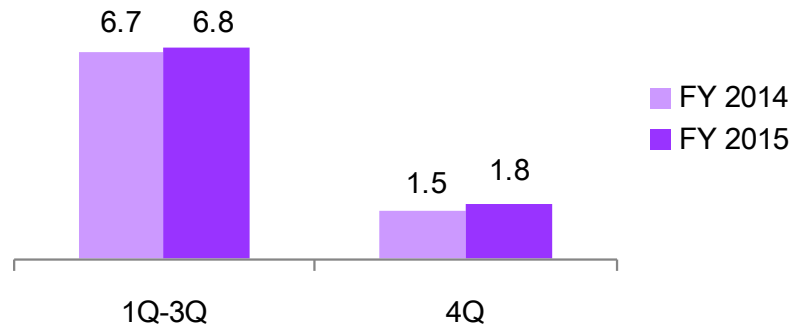
Net sales



Points

- ▶ Sales and profits are expected to rise for the third straight quarter, but will not be able to offset the sluggish results from the 1Q. Sales for the year are expected to remain at the same level as the previous year.
- ▶ Operating income is expected to increase due to an improvement in gross profit.

Op. income



Projections Segment Information

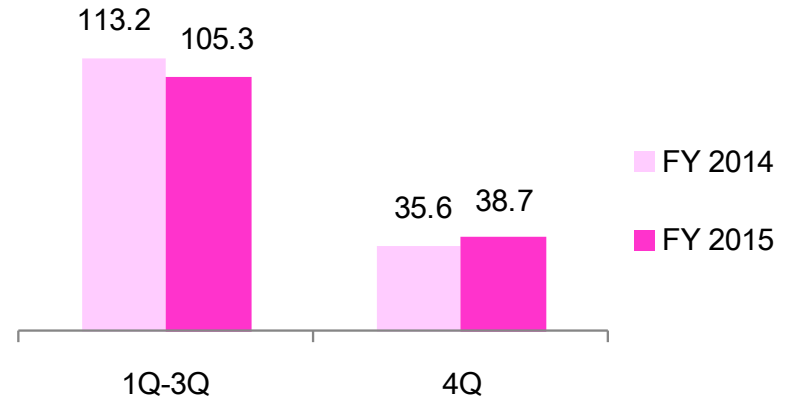


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - July 22 -
Net sales	148.8	144.0	-4.8	148.0
Op. income	3.2	4.0	+0.8	4.2

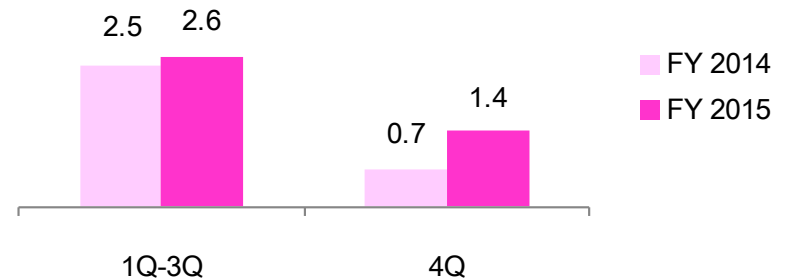
Net sales



Points

- ▶ Sales are expected to decline due to the impact of the special demand for PCs for business use in the previous year.
- ▶ Operating income is forecast to increase as highly profitable businesses are anticipated to expand.

Op. income



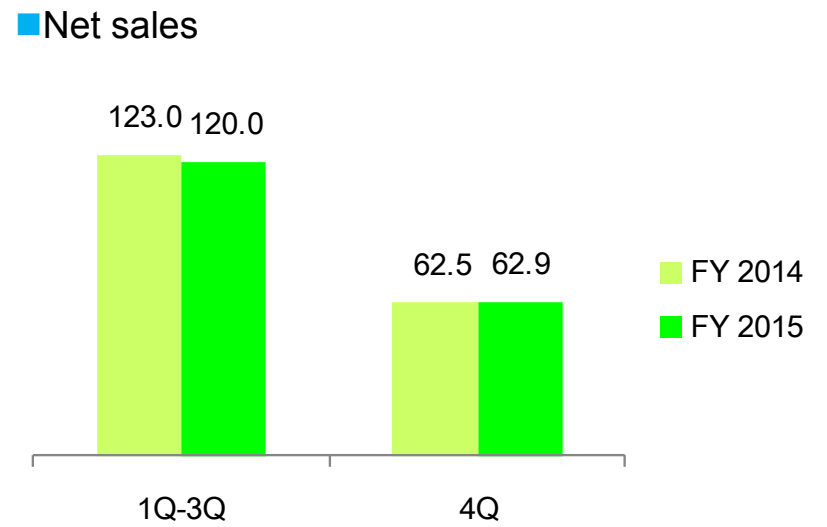
Projections Segment Information



(Billions of yen)

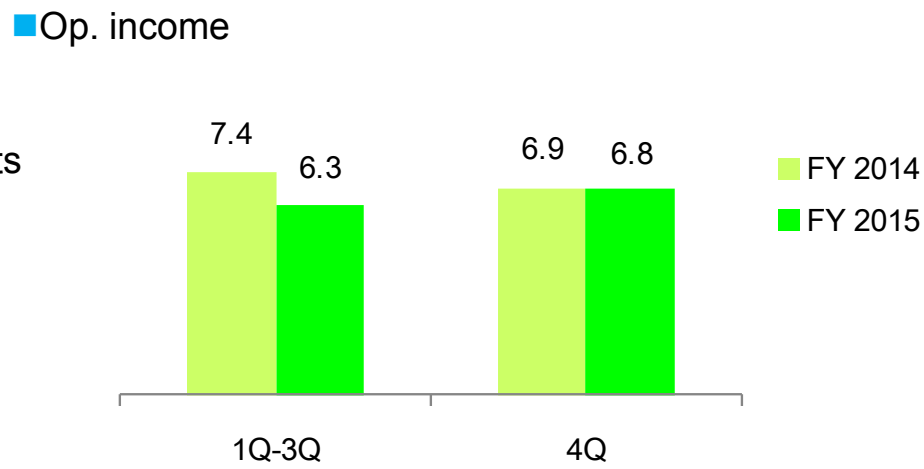
FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - July 22 -
Net sales	185.4	182.9	-2.5	186.0
Op. income	14.3	13.1	-1.2	13.2



Points

- ▶ Sales will continue to rise from the 2Q, but are expected to slip for the year due primarily to the effects of the consumption tax hike in the 1Q.
- ▶ Operating income is expected to fall due in part to an increase in selling, general and administrative expenses.



Projections Segment Information

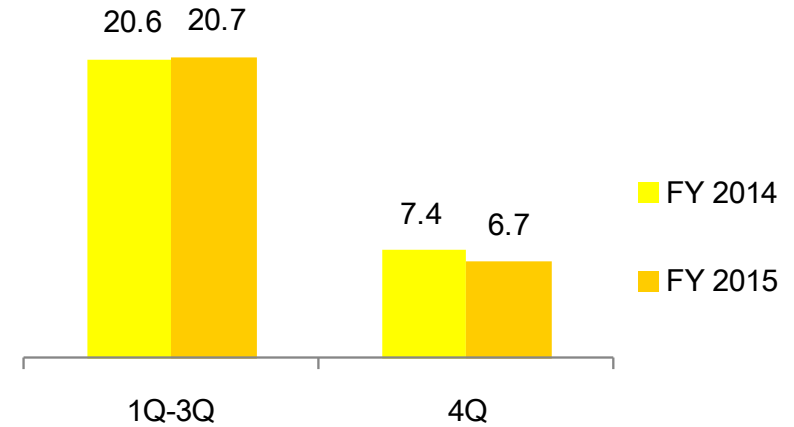


(Billions of yen)

FY 2015 Projection v. FY 2014 Actual

	FY 2014 Actual	FY 2015 Projection	Changes	Previous projection - July 22 -
Net sales	28.0	27.4	-0.6	30.3
Op. income	-1.0	-0.9	+0.1	-0.5

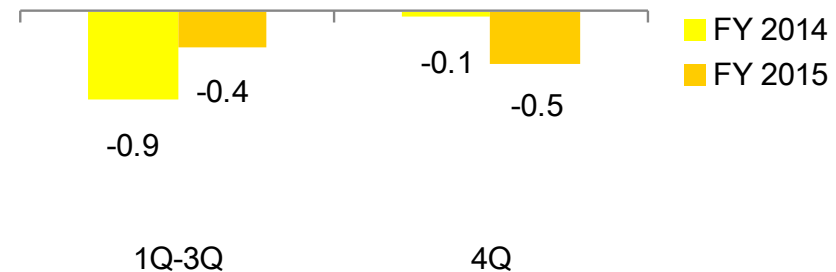
Net sales



Points

- ▶ Sales are expected to decline due to a decrease in the number of major projects in the medical business, although industrial equipment will continue to perform well.
- ▶ Operating income is expected to improve, reflecting the strong performance of maintenance services aimed at industrial equipment.

Op. income



Supplementary Information

[Reference] Overall sales of IT Solutions

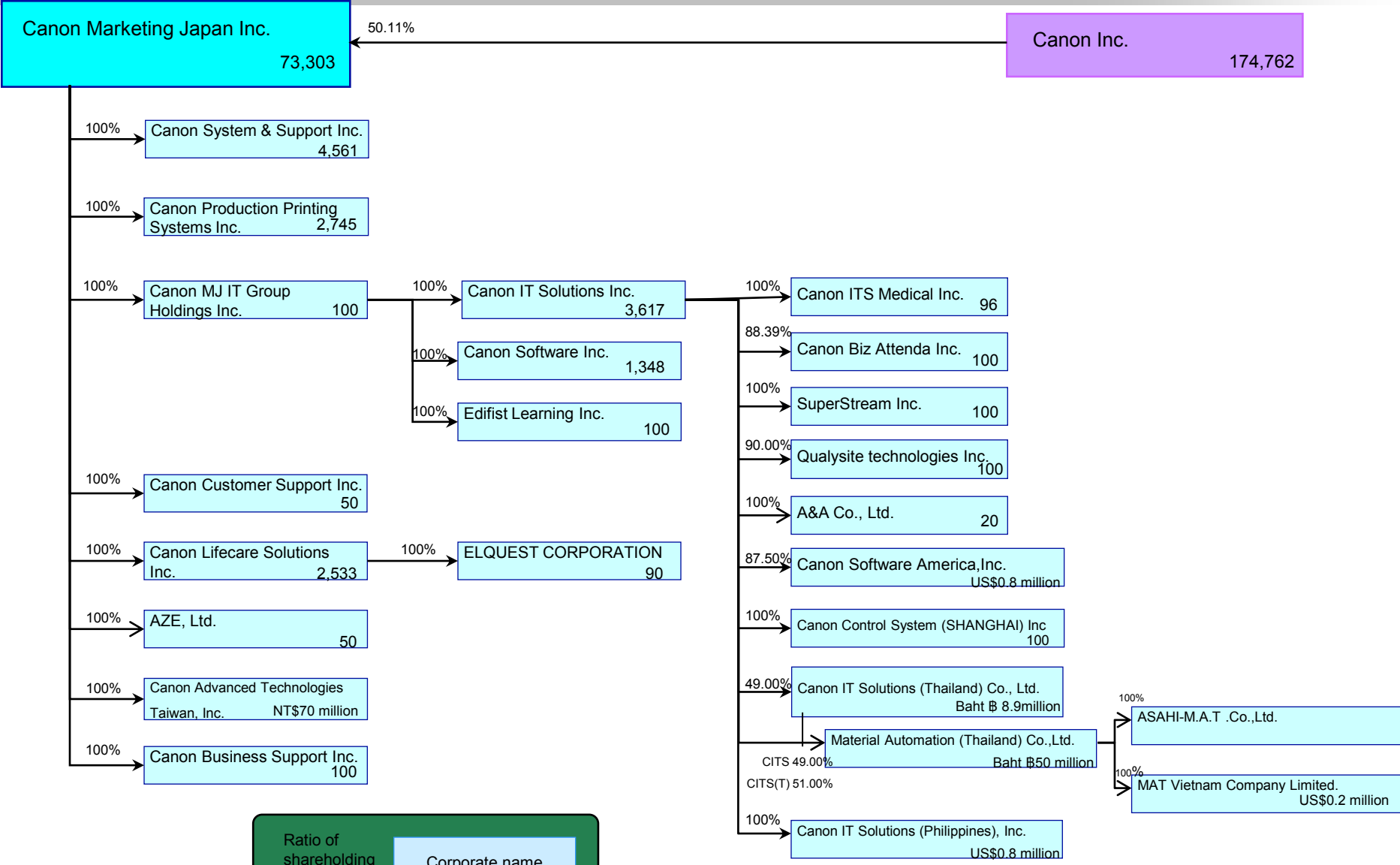


(Billions of yen)

	3Q 2014	3Q 2015	Changes	
			Amount	%
Sales of IT Solutions	33.5	34.2	+0.7	+2%
Sales other than the IT Solutions segment	13.3	14.5	+1.2	+9%
Intersegment (elimination), etc.	-7.1	-6.5	+0.6	-
Total	39.7	42.2	+2.5	+6%

	1Q-3Q 2014	1Q-3Q 2015	Changes	
			Amount	%
Sales of IT Solutions	113.2	105.3	-7.8	-7%
Sales other than the IT Solutions segment	46.0	42.8	-3.1	-7%
Intersegment (elimination), etc.	-25.4	-20.6	+4.8	-
Total	133.7	127.5	-6.2	-5%

Capital Relationship Diagram



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

Results of main consolidated companies



(Billions of yen)

		3Q 2014	3Q 2015		Changes	
					Amount	%
Business Solutions						
Canon System & Support Inc.	Net sales	27.9	28.4		+0.5	+2%
	Op. income	0.6 (2.2%)	1.1 (3.9%)		+0.5 (+1.7%)	
Canon Production Printing Systems Inc.	Net sales	3.0	3.3		+0.3	+8%
	Op. income	0.0 (0.0%)	-0.1 (-)		-0.1 (-)	
IT Solutions						
Canon MJ IT Group Holdings (Consolidated)	Net sales	25.9	26.9		+0.9	+4%
	Op. income	0.9 (3.6%)	1.5 (5.5%)		+0.5 (+1.9%)	
Industrial / Medical						
Canon Lifecare Solutions	Net sales	4.5	3.5		-1.0	-22%
	Op. income	-0.2 (-)	-0.1 (-)		+0.1 (-)	

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

* 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-3Q 2014	1Q-3Q 2015		Changes	
					Amount	%
Business Solutions						
Canon System & Support Inc.	Net sales	90.0	84.9		-5.1	-6%
	Op. income	2.5 (2.8%)	2.6 (3.1%)		+0.1 (+0.3%)	
Canon Production Printing Systems Inc.	Net sales	9.9	11.0		+1.2	+12%
	Op. income	0.1 (0.7%)	0.1 (0.9%)		+0.0 (+0.2%)	
IT Solutions						
Canon MJ IT Group Holdings (Consolidated)	Net sales	81.8	81.4		-0.4	-0%
	Op. income	3.6 (4.4%)	4.0 (4.9%)		+0.4 (+0.6%)	
Industrial / Medical						
Canon Lifecare Solutions	Net sales	15.0	12.0		-3.0	-20%
	Op. income	-0.4 (-)	-0.2 (-)		+0.2 (-)	

* 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	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Advertising expenses	2.7	6.9	2.3	8.3	-0.4	+1.4
Promotion expenses	1.2	3.4	1.2	3.5	+0.0	+0.2
Warranty expenses	2.0	5.7	2.1	6.0	+0.1	+0.3
Other direct selling expenses	5.0	15.1	4.9	15.2	-0.0	+0.0
Personnel expenses	31.5	94.8	31.4	95.0	-0.1	+0.2
Depreciation and amortization	0.6	1.9	0.5	1.6	-0.1	-0.4
Other selling expenses	8.5	25.8	7.8	24.2	-0.7	-1.6
Total	51.4	153.6	50.2	153.8	-1.2	+0.2

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

	FY 2014		FY 2015		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest income	0.1	0.2	0.1	0.2	+0.0	+0.0
Dividend income	0.0	0.1	0.0	0.1	+0.0	+0.0
Insurance income	0.0	0.6	0.0	0.6	+0.0	-0.0
Other	0.2	0.5	0.2	0.6	-0.1	+0.1
Total	0.3	1.4	0.2	1.5	-0.0	+0.1

■ Non-operating expenses

	FY 2014		FY 2015		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
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	0.1	+0.1	+0.1
Other	0.1	0.2	0.0	0.2	-0.0	-0.0
Total	0.1	0.2	0.1	0.3	+0.1	+0.1

Extraordinary income and expenses

(Billions of yen)

■ Extraordinary income

	FY 2014		FY 2015		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
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
Insurance income on disaster	-	-	-	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	-0.0	-0.0
Total	0.0	0.0	0.0	0.0	+0.0	+0.0

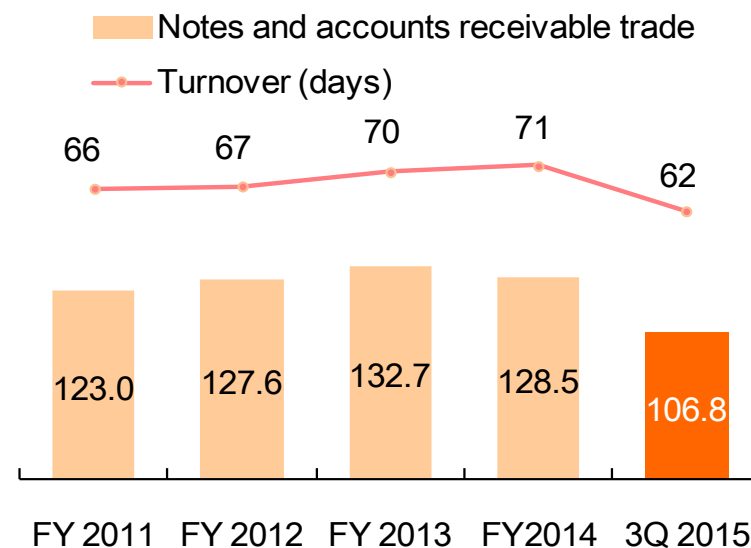
■ Extraordinary expenses

	FY 2014		FY 2015		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Loss on sales and retirement of non-current assets	0.0	0.2	0.1	0.2	+0.0	-0.0
Loss on disaster	-	-	0.0	0.0	+0.0	+0.0
Group reorganization expenses	-	-	0.0	0.1	+0.0	+0.1
Other	0.0	0.1	0.0	0.1	+0.0	+0.0
Total	0.1	0.3	0.1	0.4	+0.0	+0.1

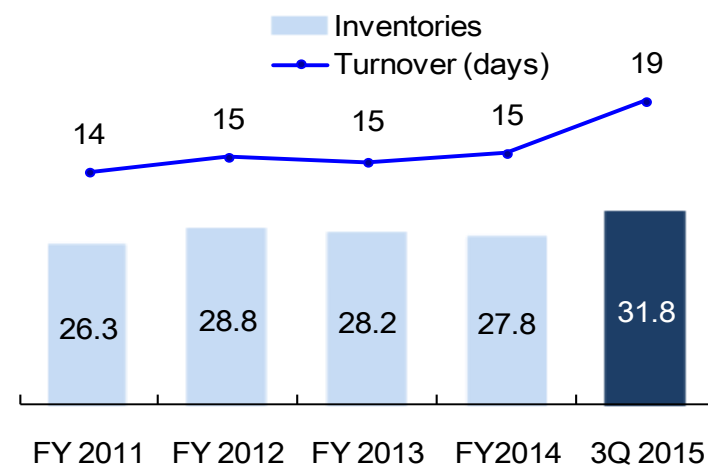
Balance Sheets

	Dec. 31 2014	Sep. 30 2015	Changes
Assets	479.7	463.2	-16.5
Current assets	339.6	321.9	-17.7
Cash and deposits	120.6	91.1	-29.5
Notes and accounts receivable trade	128.5	106.8	-21.7
Inventories	27.8	31.8	+4.0
Other	62.7	92.1	+29.4
Noncurrent assets	140.2	141.3	+1.2
Property, plant and equipment	100.1	99.9	-0.2
Intangible assets	10.9	9.9	-1.0
Investments and other assets	29.2	31.5	+2.3
Liabilities	209.4	192.0	-17.4
Current liabilities	164.8	143.5	-21.3
Notes and accounts	101.3	89.5	-11.8
Other	63.4	54.0	-9.4
Noncurrent liabilities	44.6	48.5	+3.8
Net assets	270.4	271.3	+0.9
Shareholders' equity	268.1	268.8	+0.7
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other	2.0	2.1	+0.1
Minority interests	0.3	0.3	+0.0
Equity ratio	56%	58%	+2%

Notes and accounts receivable trade



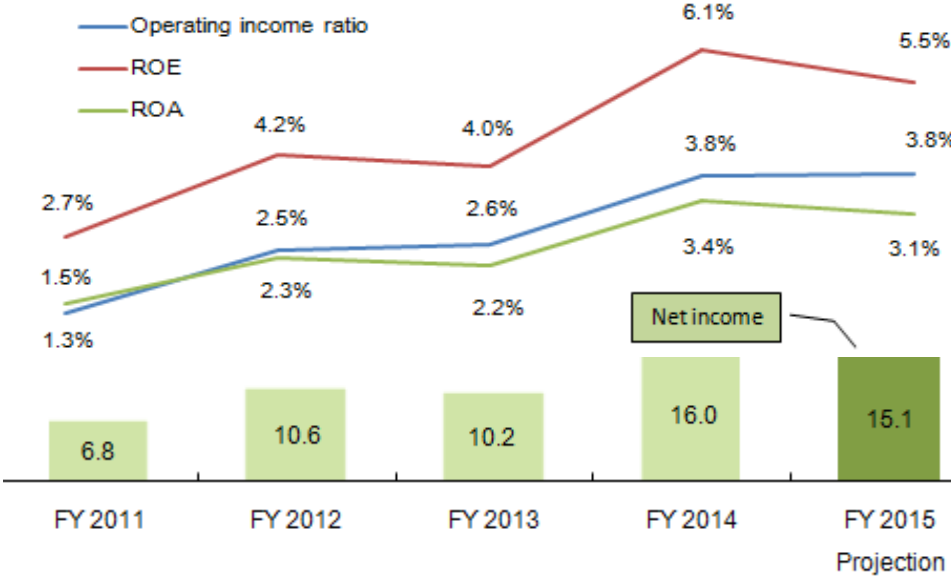
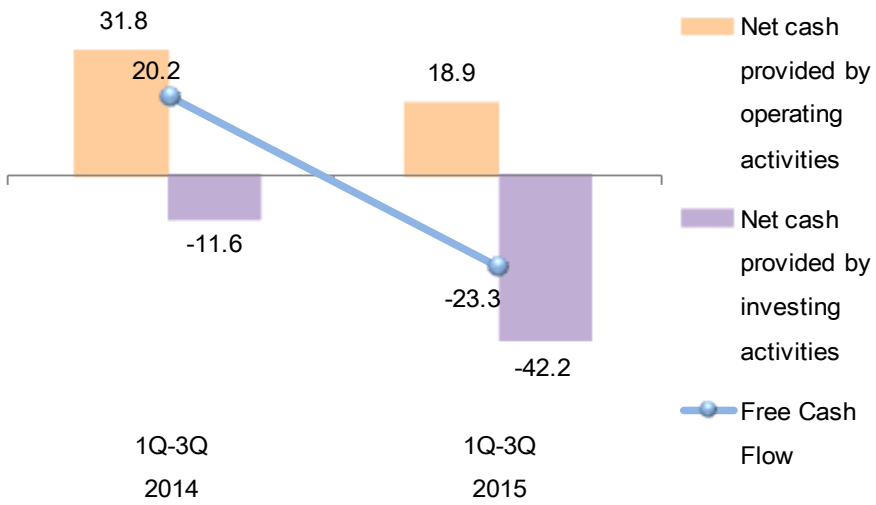
Inventories



Cash Flow / Investment / Depreciation and amortization / Financial indicator

(Billions of yen)

Cash Flow

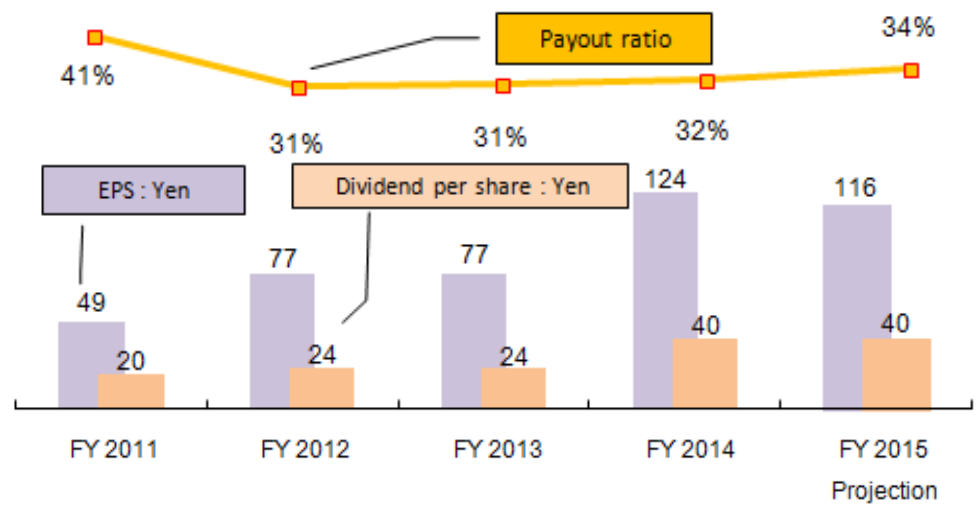


Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2014	9.6	5.0	14.5
FY 2015	11.1	5.7	16.8

Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2014	12.9	4.2	17.1
FY 2015	11.7	4.0	15.7



Canon

Canon Marketing Japan Inc.