

# Canon Marketing Japan Inc. FY2015 Results

January 27, 2016

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Director & Senior Vice President

**Canon**

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

## FY2015 Actual



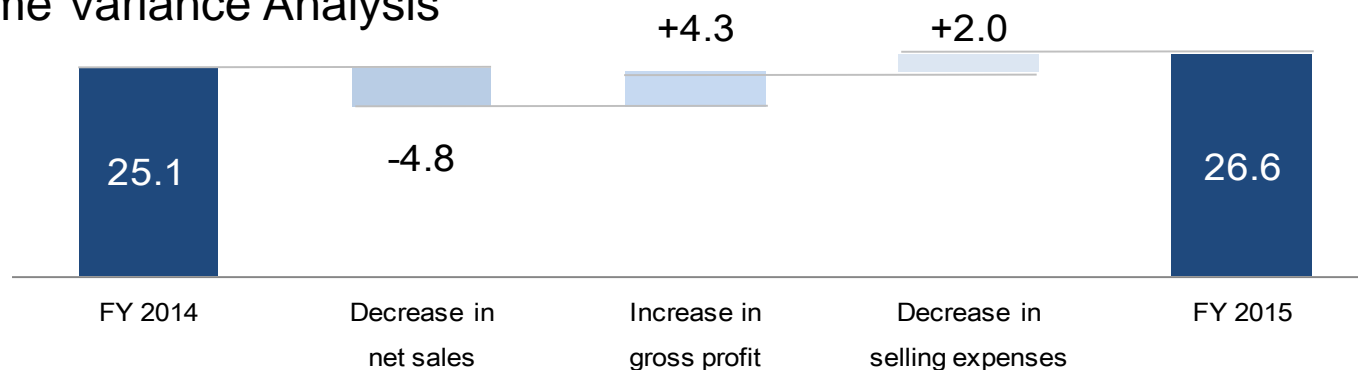
(from January 1 to December 31)

### Summary of Results

(Billions of yen)

	FY 2014	FY 2015	Changes	
			Amount	%
Net sales	<b>659.4</b>	<b>646.0</b>	<b>-13.4</b>	<b>-2%</b>
Gross profit	(35.4%) <b>233.5</b>	(36.1%) <b>233.1</b>	(+0.7%) <b>-0.4</b>	<b>-0%</b>
Operating income	(3.8%) <b>25.1</b>	(4.1%) <b>26.6</b>	(+0.3%) <b>+1.6</b>	<b>+6%</b>
Ordinary income	(4.0%) <b>26.6</b>	(4.3%) <b>28.0</b>	(+0.3%) <b>+1.5</b>	<b>+6%</b>
Net income	(2.4%) <b>16.0</b>	(2.4%) <b>15.7</b>	(-0.0%) <b>-0.4</b>	<b>-2%</b>

### Op. Income Variance Analysis



# Segment Outline

FY2015 Actual  
(from January 1 to December 31)



(Billions of yen)

	FY 2014		FY 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	<b>330.2</b>	<b>8.2</b>	<b>326.9</b>	<b>9.0</b>	<b>-3.4</b>	<b>+0.8</b>
IT Solutions	<b>148.8</b>	<b>3.2</b>	<b>141.2</b>	<b>4.1</b>	<b>-7.5</b>	<b>+1.0</b>
Imaging System	<b>185.4</b>	<b>14.3</b>	<b>178.7</b>	<b>13.8</b>	<b>-6.7</b>	<b>-0.4</b>
Industrial / Medical	<b>28.0</b>	<b>-1.0</b>	<b>27.2</b>	<b>-0.7</b>	<b>-0.9</b>	<b>+0.2</b>
Other	<b>-33.0</b>	<b>0.4</b>	<b>-27.9</b>	<b>0.4</b>	<b>+5.1</b>	<b>-0.0</b>
Total	<b>659.4</b>	<b>25.1</b>	<b>646.0</b>	<b>26.6</b>	<b>-13.4</b>	<b>+1.6</b>

“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 2015 Actual



(from October 1 to December 31)

### Summary of Results

(Billions of yen)

	4Q 2014	4Q 2015	Changes	
			Amount	%
Net sales	<b>180.3</b>	<b>176.5</b>	<b>-3.9</b>	<b>-2%</b>
Gross profit	(35.5%) <b>63.9</b>	(36.0%) <b>63.6</b>	(+0.6%) <b>-0.4</b>	<b>-1%</b>
Operating income	(5.1%) <b>9.1</b>	(6.2%) <b>10.9</b>	(+1.2%) <b>+1.8</b>	<b>+20%</b>
Ordinary income	(5.2%) <b>9.4</b>	(6.3%) <b>11.1</b>	(+1.1%) <b>+1.7</b>	<b>+18%</b>
Net income	(3.5%) <b>6.3</b>	(3.6%) <b>6.4</b>	(+0.1%) <b>+0.1</b>	<b>+1%</b>

### Op. Income Variance Analysis



# Segment Outline

4Q 2015 Actual  
(from October 1 to December 31)



(Billions of yen)

	4Q 2014		4Q 2015		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Business Solutions	81.9	1.5	82.1	2.2	+0.2	+0.6
IT Solutions	35.6	0.7	35.9	1.5	+0.3	+0.8
Imaging System	62.5	6.9	58.7	7.6	-3.7	+0.7
Industrial / Medical	7.4	-0.1	6.4	-0.4	-1.0	-0.3
Other	-7.0	0.1	-6.6	0.1	+0.4	-0.0
Total	180.3	9.1	176.5	10.9	-3.9	+1.8

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

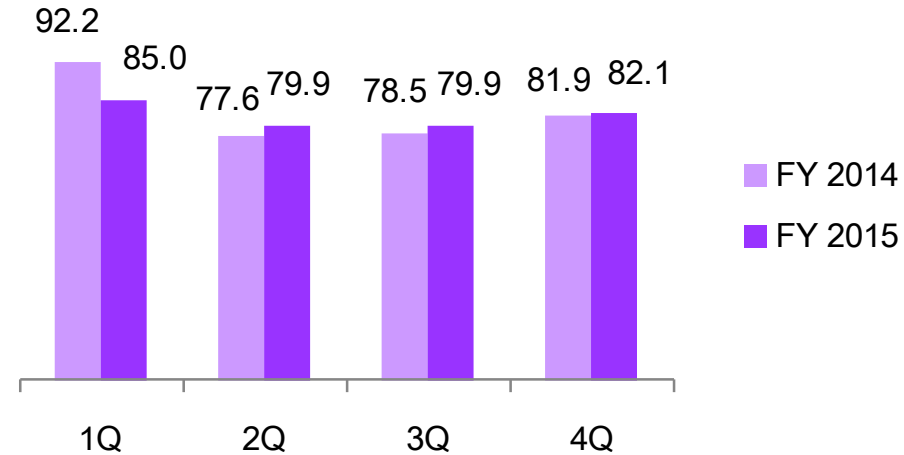


(Billions of yen)

### 2015 Actual v. 2014 Actual

	FY 2014	FY 2015	Changes
Net sales	330.2	326.9	-3.4
Op. income	8.2	9.0	+0.8

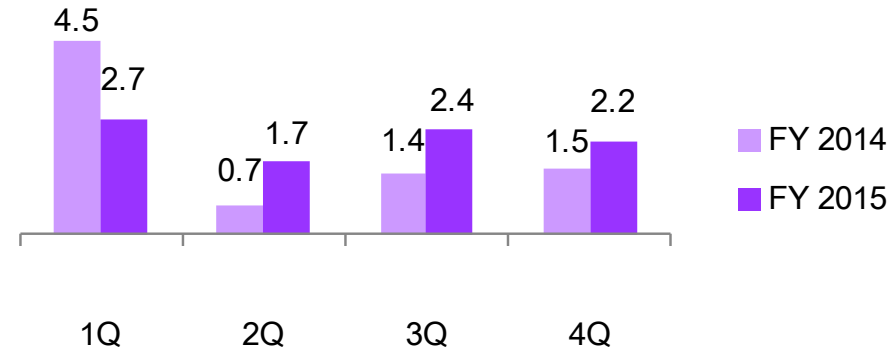
### Net sales



### Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+12%	-5%	-1%	-3%	+1%
FY 2015	-8%	+3%	+2%	+0%	-1%

### Op. income



### Points

- ▶ Sales remained flat, with a decline in sales of major hardware items offset by an increase in IT solutions.
- ▶ Operating income rose due to an increase in security products associated with the introduction of a national identification number system and a decrease in selling expenses.

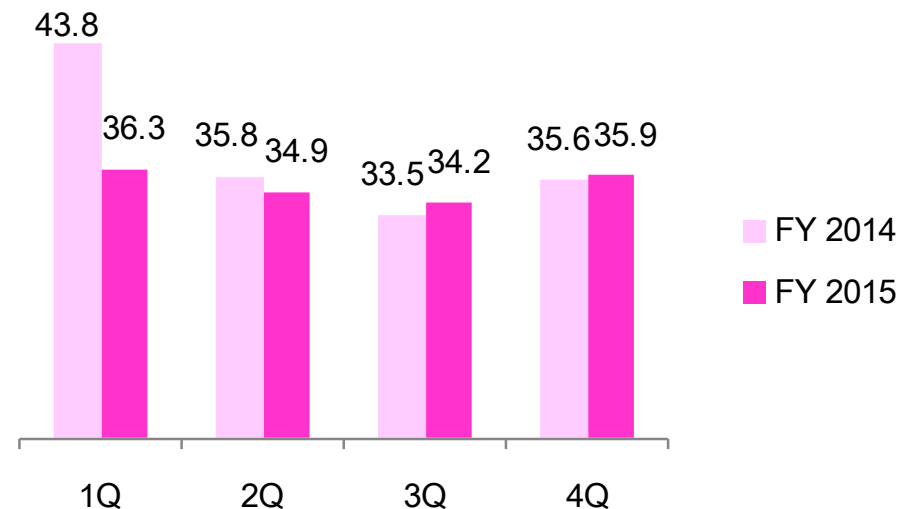


(Billions of yen)

### 2015 Actual v. 2014 Actual

	FY 2014	FY 2015	Changes
Net sales	148.8	141.2	-7.5
Op. income	3.2	4.1	+1.0

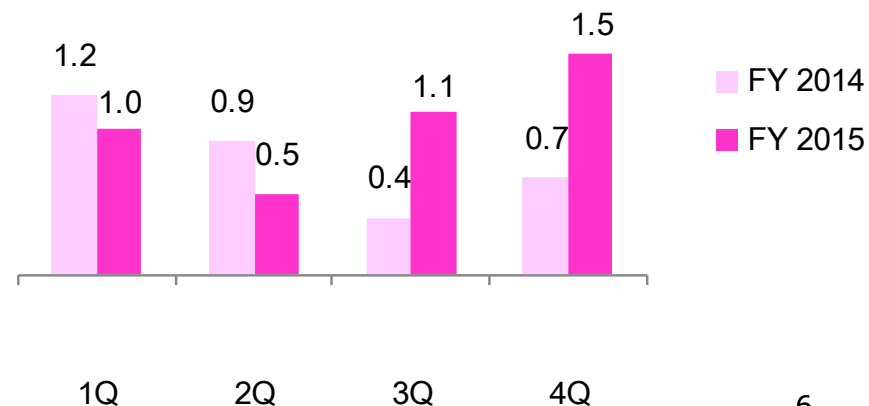
### Net sales



### Net sales - Growth rate

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

### Op. income



### Points

- ▶ Sales rose due to an increase in projects for financial and medical institutions.
- ▶ Operating income climbed as a result of an improvement in the gross margin and a reduction in selling expenses.

# Segment Information

FY 2015 Actual

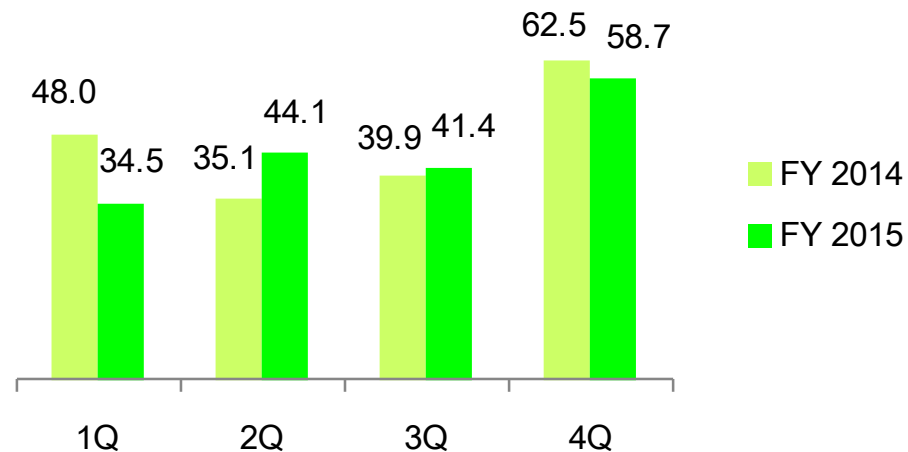


(Billions of yen)

## 2015 Actual v. 2014 Actual

	FY 2014	FY 2015	Changes
Net sales	185.4	178.7	-6.7
Op. income	14.3	13.8	-0.4

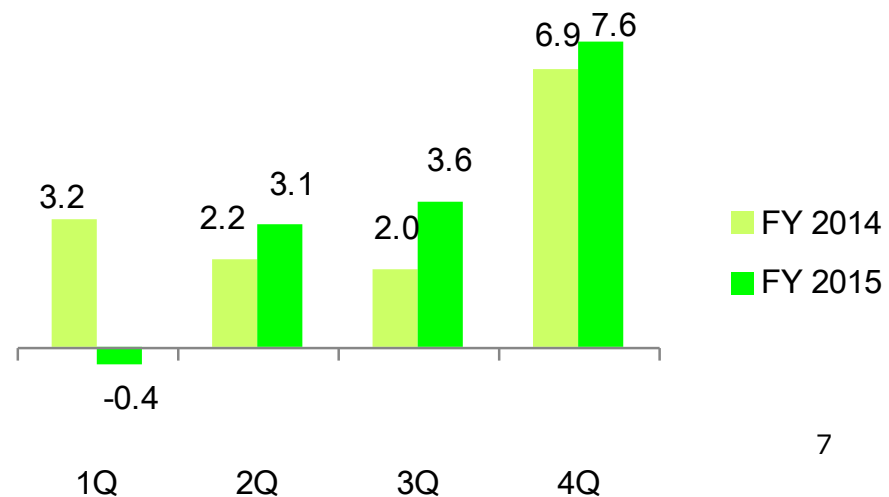
## Net sales



## Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+39%	-19%	-15%	-7%	-3%
FY 2015	-28%	+26%	+4%	-6%	-4%

## Op. income



## Points

- ▶ Sales fell due to a decline in sales of digital cameras and inkjet printers.
- ▶ Operating income rose, reflecting a reduction in selling expenses.



# Segment Information

FY 2015 Actual

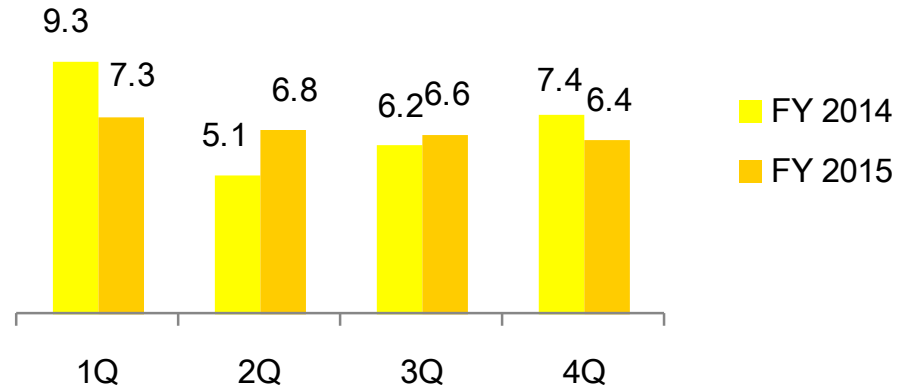


(Billions of yen)

## 2015 Actual v. 2014 Actual

	FY 2014	FY 2015	Changes
Net sales	28.0	27.2	-0.9
Op. income	-1.0	-0.7	+0.2

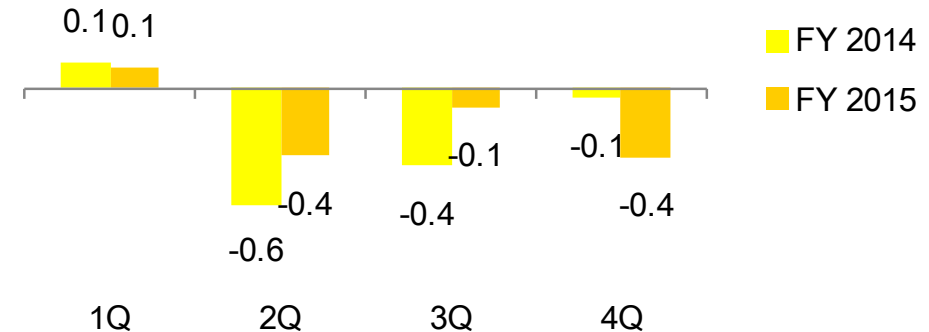
## Net sales



## Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY 2014	+41%	-12%	-2%	+1%	+7%
FY 2015	-21%	+33%	+7%	-14%	-3%

## Op. income



## Points

- ▶ Sales declined due to a reactionary fall in large-scale modality projects in the medical field.
- ▶ Operating income fell, reflecting the decline in sales.

# Summary of Projections



(Billions of yen)

	FY 2016 Projection	[Reference]	Changes	
		FY 2015 Actual	Amount	%
Net sales	<b>660.0</b>	<b>646.0</b>	<b>+14.0</b>	<b>+2%</b>
Operating income	(4.1%) <b>27.0</b>	(4.1%) <b>26.6</b>	(-0.0%) <b>+0.4</b>	<b>+1%</b>
Ordinary income	(4.3%) <b>28.2</b>	(4.3%) <b>28.0</b>	(-0.1%) <b>+0.2</b>	<b>+1%</b>
Net income	(2.7%) <b>17.7</b>	(2.4%) <b>15.7</b>	(+0.3%) <b>+2.0</b>	<b>+13%</b>

# Projections Summary Outline



## FY2016 Projection v. FY2015 Actual

(Billions of yen)

	FY 2015		FY 2016		Changes		
	Actual		Projection		Net sales	Op. income	Op. income
	Net sales	Op. income	Net sales	Op. income			
Business Solutions	<b>326.9</b>	<b>9.0</b>	<b>334.1</b>	<b>9.2</b>	<b>+7.2</b>	<b>+2%</b>	<b>+0.2</b>
IT Solutions	<b>141.2</b>	<b>4.1</b>	<b>145.8</b>	<b>4.4</b>	<b>+4.6</b>	<b>+3%</b>	<b>+0.3</b>
Imaging System	<b>178.7</b>	<b>13.8</b>	<b>180.3</b>	<b>13.3</b>	<b>+1.6</b>	<b>+1%</b>	<b>-0.5</b>
Industrial / Medical	<b>27.2</b>	<b>-0.7</b>	<b>26.7</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-2%</b>	<b>+0.5</b>
Other	<b>-27.9</b>	<b>0.4</b>	<b>-26.9</b>	<b>0.4</b>	<b>+1.0</b>	<b>-</b>	<b>-0.1</b>
Total	<b>646.0</b>	<b>26.6</b>	<b>660.0</b>	<b>27.0</b>	<b>+14.0</b>	<b>+2%</b>	<b>+0.4</b>

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

# Projections Segment Information





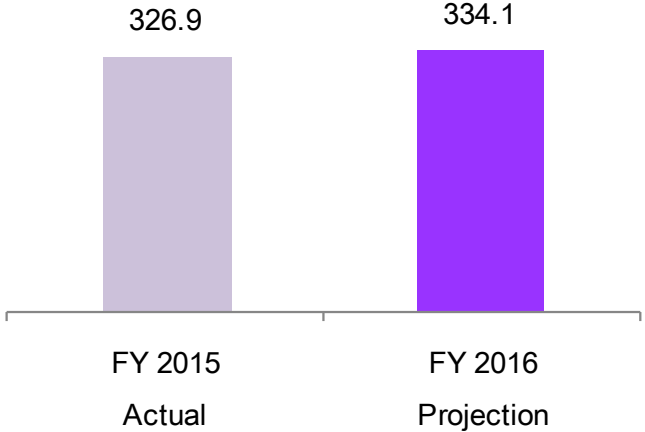
## Business Solutions

(Billions of yen)

**FY 2016 Projection v. FY 2015 Actual**

	FY 2015 Actual	FY 2016 Projection	Changes
<b>Net sales</b>	<b>326.9</b>	<b>334.1</b>	<b>+7.2</b>
<b>Op. income</b>	<b>9.0</b>	<b>9.2</b>	<b>+0.2</b>

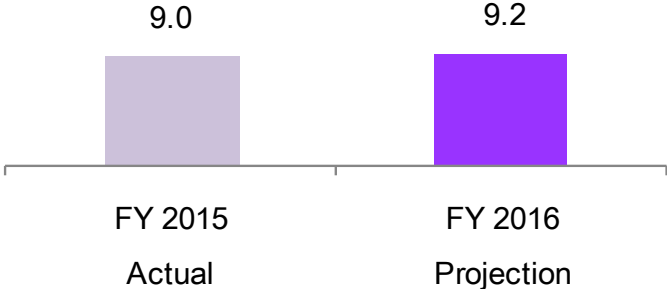
**Net sales**



**Points**

- ▶ The Company forecasts increases in both sales and profits driven by major hardware items and network cameras.

**Op. income**



# Projections Segment Information

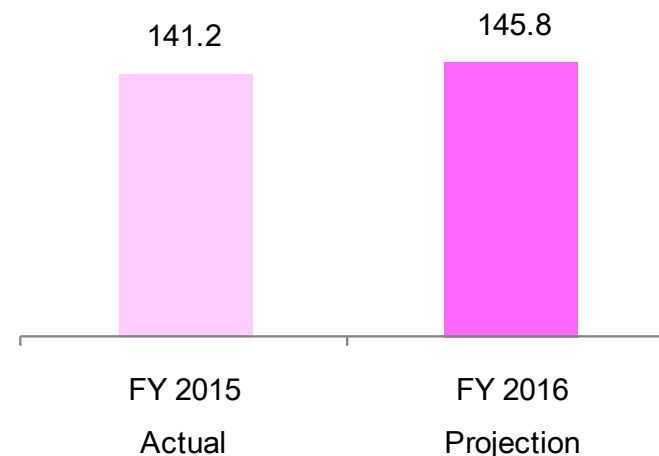


(Billions of yen)

■ FY 2016 Projection v. FY 2015 Actual

	FY 2015 Actual	FY 2016 Projection	Changes
Net sales	141.2	145.8	+4.6
Op. income	4.1	4.4	+0.3

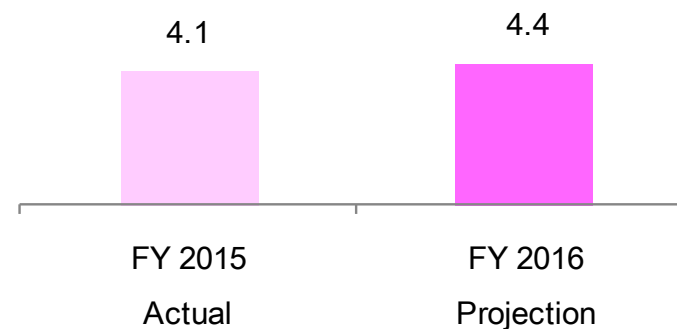
■ Net sales



■ Points

■ Op. income

- ▶ The Company forecasts increases in both sales and profits, reflecting the expansion of sales in IT infrastructure & service, including SI service and data center service.



# Projections Segment Information

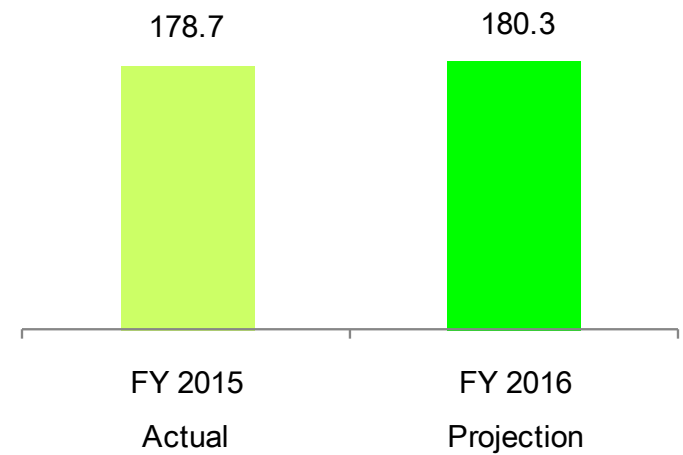


(Billions of yen)

FY 2016 Projection v. FY 2015 Actual

	FY 2015 Actual	FY 2016 Projection	Changes
Net sales	178.7	180.3	+1.6
Op. income	13.8	13.3	-0.5

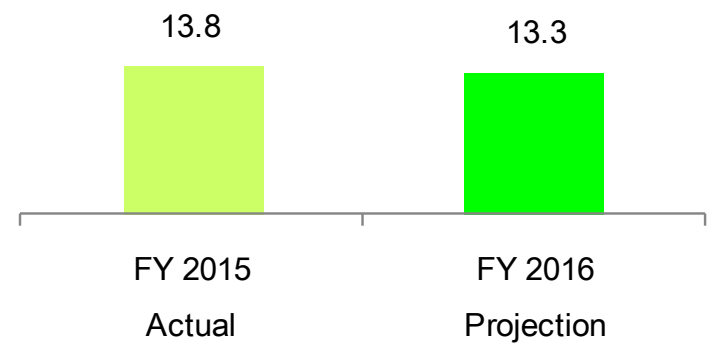
Net sales



Points

- ▶ The Company anticipates a rise in sales given a recovery in sales of interchangeable lens digital cameras.
- ▶ The Company forecast a fall in operating income due to active sales promotions to drive the camera market and a decline in income from ink cartridges.

Op. income



# Projections Segment Information

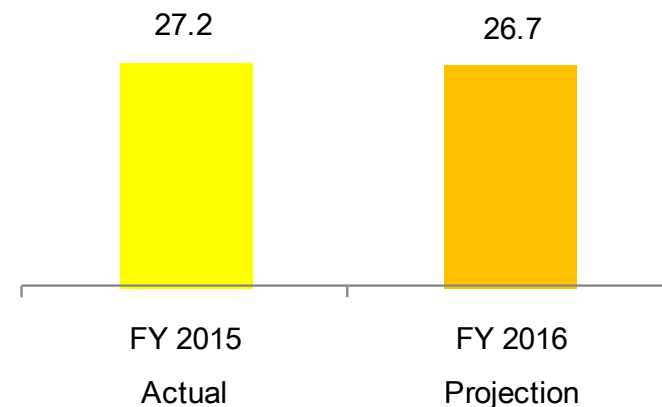


(Billions of yen)

■ FY 2016 Projection v. FY 2015 Actual

	FY 2015 Actual	FY 2016 Projection	Changes
Net sales	27.2	26.7	-0.5
Op. income	-0.7	-0.3	+0.5

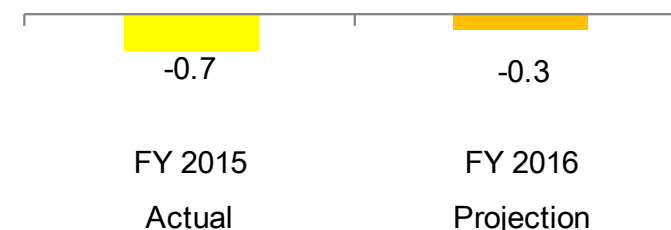
■ Net sales



■ Points

■ Op. income

- ▶ The Company will review its earnings structure in the medical field and expects a decline in sales. However, the Company forecasts an improvement in operating income.



# Supplementary Information



# [Reference] Overall sales of IT Solutions

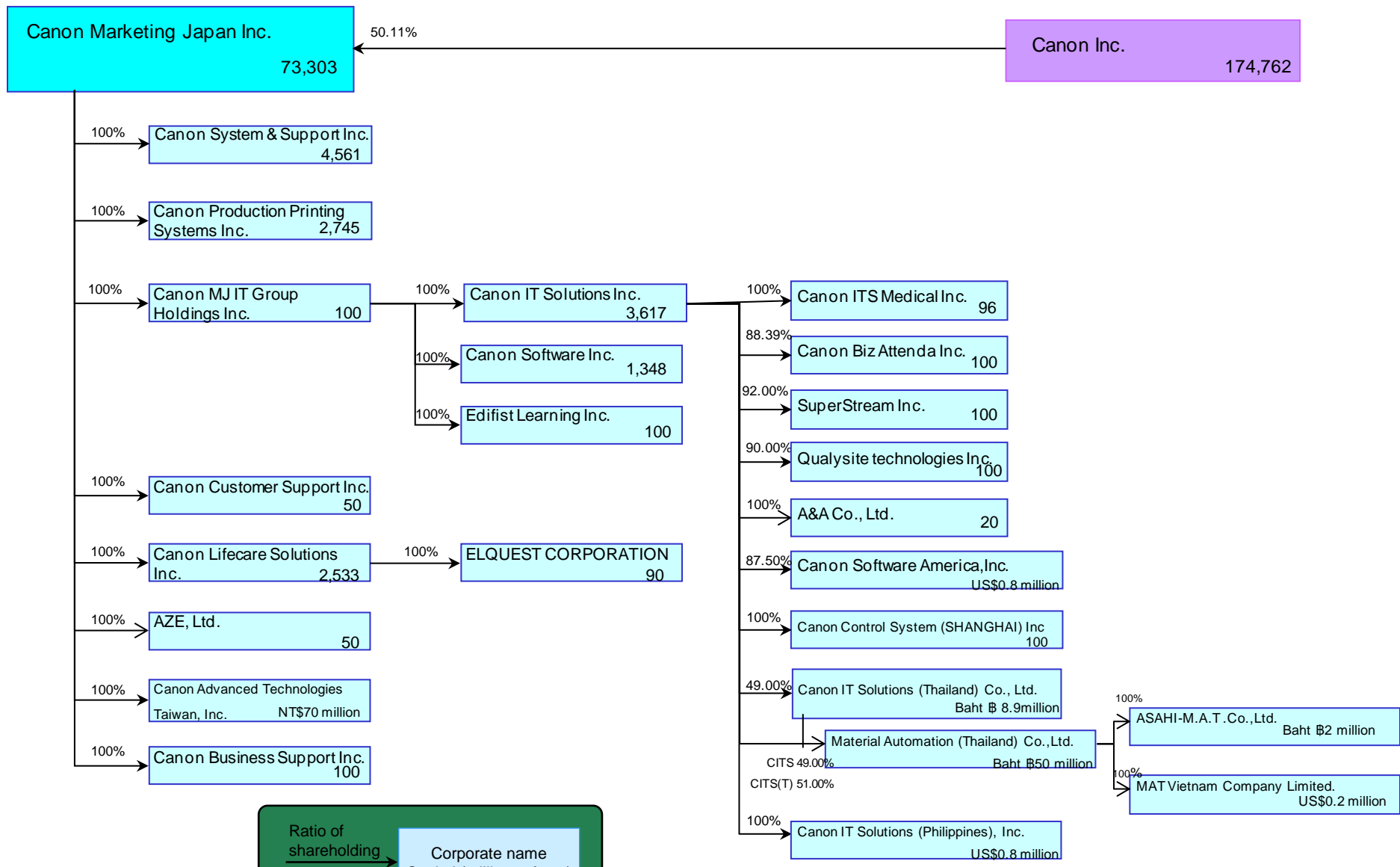


(Billions of yen)

	4Q 2014	4Q 2015	Changes	
			Amount	%
Sales of IT Solutions	35.6	35.9	+0.3	+1%
Sales other than the IT Solutions segment	12.5	13.9	+1.4	+12%
Intersegment (elimination), etc.	-6.9	-6.7	+0.1	-
<b>Total</b>	<b>41.2</b>	<b>43.0</b>	<b>+1.9</b>	<b>+5%</b>

	FY2014	FY2015	Changes	
			Amount	%
Sales of IT Solutions	148.8	141.2	-7.5	-5%
Sales other than the IT Solutions segment	58.4	56.7	-1.7	-3%
Intersegment (elimination), etc.	-32.3	-27.4	+4.9	-
<b>Total</b>	<b>174.9</b>	<b>170.6</b>	<b>-4.3</b>	<b>-2%</b>

# Capital Relationship Diagram



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

December 31, 2015

Supplementary Information

# Results of main consolidated companies



(Billions of yen)

		FY2014		FY2015		Changes	
						Amount	%
<b>Business Solutions</b>							
Canon System & Support Inc.	Net sales	<b>116.7</b>		<b>112.2</b>		<b>-4.5</b>	<b>-4%</b>
	Op. income	<b>2.9</b>	(2.4%)	<b>3.2</b>	(2.9%)	<b>+0.4</b>	(+0.4%)
Canon Production Printing Systems Inc.	Net sales	<b>14.1</b>		<b>14.7</b>		<b>+0.6</b>	<b>+4%</b>
	Op. income	<b>0.3</b>	(2.0%)	<b>0.3</b>	(1.8%)	<b>-0.0</b>	(-0.1%)
<b>IT Solutions</b>							
Canon MJ IT Group Holdings (Consolidated)	Net sales	<b>109.6</b>		<b>109.1</b>		<b>-0.5</b>	<b>-0%</b>
	Op. income	<b>4.9</b>	(4.5%)	<b>6.0</b>	(5.5%)	<b>+1.1</b>	(+1.0%)
<b>Industrial / Medical</b>							
Canon Lifecare Solutions	Net sales	<b>19.6</b>		<b>15.6</b>		<b>-4.0</b>	<b>-21%</b>
	Op. income	<b>-0.4</b>	(-)	<b>-0.2</b>	(-)	<b>+0.2</b>	(-)

\* 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)

		4Q 2014		4Q 2015		Changes	
						Amount	%
<b>Business Solutions</b>							
Canon System & Support Inc.	Net sales	<b>26.6</b>		<b>27.3</b>		<b>+0.7</b>	<b>+3%</b>
	Op. income	<b>0.3</b>	(1.2%)	<b>0.6</b>	(2.2%)	<b>+0.3</b>	(+1.0%)
Canon Production Printing Systems Inc.	Net sales	<b>4.2</b>		<b>3.7</b>		<b>-0.6</b>	<b>-13%</b>
	Op. income	<b>0.2</b>	(4.9%)	<b>0.2</b>	(4.8%)	<b>-0.0</b>	(-0.1%)
<b>IT Solutions</b>							
Canon MJ IT Group Holdings (Consolidated)	Net sales	<b>27.8</b>		<b>27.7</b>		<b>-0.1</b>	<b>-0%</b>
	Op. income	<b>1.3</b>	(4.8%)	<b>2.0</b>	(7.1%)	<b>+0.7</b>	(+2.4%)
<b>Industrial / Medical</b>							
Canon Lifecare Solutions	Net sales	<b>4.7</b>		<b>3.6</b>		<b>-1.1</b>	<b>-23%</b>
	Op. income	<b>0.1</b>	(1.5%)	<b>0.1</b>	(1.5%)	<b>-0.0</b>	(-0.0%)

\* 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.

# Selling expenses



(Billions of yen)

	FY 2014		FY 2015		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Advertising expenses	<b>3.9</b>	<b>10.8</b>	<b>3.5</b>	<b>11.9</b>	<b>-0.4</b>	<b>+1.1</b>
Promotion expenses	<b>1.8</b>	<b>5.1</b>	<b>1.9</b>	<b>5.4</b>	<b>+0.1</b>	<b>+0.3</b>
Warranty expenses	<b>2.2</b>	<b>7.9</b>	<b>1.9</b>	<b>7.8</b>	<b>-0.4</b>	<b>-0.1</b>
Other direct selling expenses	<b>5.5</b>	<b>20.6</b>	<b>5.5</b>	<b>20.6</b>	<b>+0.0</b>	<b>+0.1</b>
Personnel expenses	<b>32.2</b>	<b>127.0</b>	<b>31.4</b>	<b>126.5</b>	<b>-0.7</b>	<b>-0.5</b>
Depreciation and amortization	<b>0.7</b>	<b>2.6</b>	<b>0.5</b>	<b>2.1</b>	<b>-0.1</b>	<b>-0.5</b>
Other selling expenses	<b>8.6</b>	<b>34.4</b>	<b>7.9</b>	<b>32.1</b>	<b>-0.7</b>	<b>-2.3</b>
<b>Total</b>	<b>54.8</b>	<b>208.4</b>	<b>52.6</b>	<b>206.5</b>	<b>-2.2</b>	<b>-2.0</b>

# Non-operating income and expenses

(Billions of yen)

## ■ Non-operating income

	FY 2014		FY 2015		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Interest income	<b>0.1</b>	<b>0.3</b>	<b>0.1</b>	<b>0.3</b>	<b>+0.0</b>	<b>+0.0</b>
Dividend income	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>+0.0</b>	<b>+0.0</b>
Insurance income	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>+0.0</b>	<b>+0.0</b>
Other	<b>0.3</b>	<b>0.8</b>	<b>0.1</b>	<b>0.8</b>	<b>-0.1</b>	<b>-0.0</b>
<b>Total</b>	<b>0.4</b>	<b>1.8</b>	<b>0.3</b>	<b>1.8</b>	<b>-0.1</b>	<b>+0.0</b>

## ■ Non-operating expenses

	FY 2014		FY 2015		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Interest expenses	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.0</b>	<b>-0.0</b>
Share of loss of entities accounted for using equity method	<b>-0.0</b>	<b>0.0</b>	-	-	<b>+0.0</b>	<b>-0.0</b>
Foreign exchange losses	-	-	<b>0.0</b>	<b>0.1</b>	<b>+0.0</b>	<b>+0.1</b>
Other	<b>0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.0</b>	<b>-0.0</b>
<b>Total</b>	<b>0.1</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>	<b>-0.0</b>	<b>+0.1</b>

# Extraordinary income and expenses

(Billions of yen)

## ■ Extraordinary income

	FY 2014		FY 2015		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Gain on sales of non-current assets	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>+0.3</b>	<b>+0.3</b>
Gain on sales of investment securities	-	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>+0.1</b>	<b>+0.1</b>
Gain on sales of shares of subsidiaries and associates	-	-	<b>0.1</b>	<b>0.1</b>	<b>+0.1</b>	<b>+0.1</b>
Insurance income on disaster	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.3</b>
Settlement received	<b>0.3</b>	<b>0.3</b>	-	-	<b>-0.3</b>	<b>-0.3</b>
Gain on bargain purchase	-	<b>0.0</b>	-	-	-	<b>-0.0</b>
Other	<b>-0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>	<b>+0.0</b>
<b>Total</b>	<b>0.7</b>	<b>0.7</b>	<b>0.5</b>	<b>0.6</b>	<b>-0.1</b>	<b>-0.1</b>

## ■ Extraordinary expenses

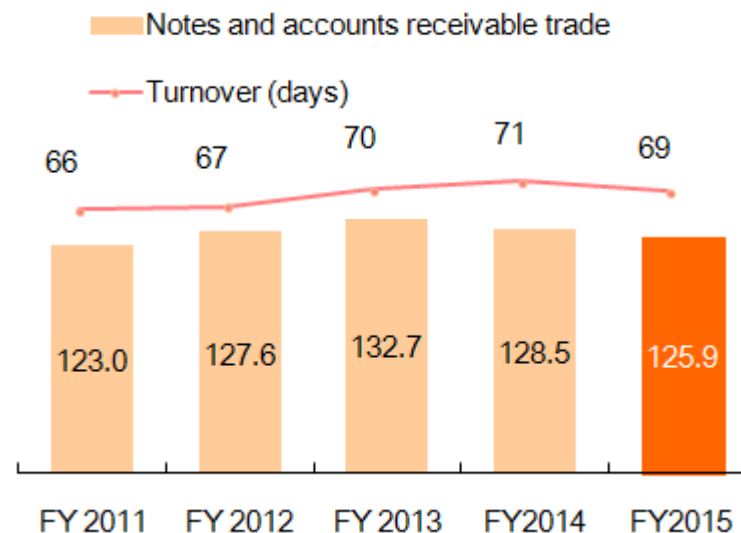
	FY 2014		FY 2015		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Loss on sales and retirement of non-current assets	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>+0.2</b>	<b>+0.2</b>
Special extra retirement payments	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>	<b>+0.5</b>	<b>+0.5</b>
Group reorganization expenses	-	-	-	<b>0.1</b>	-	<b>+0.1</b>
Loss on disaster	<b>0.4</b>	<b>0.4</b>	-	<b>0.0</b>	<b>-0.4</b>	<b>-0.4</b>
Impairment loss	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.0</b>	<b>-0.0</b>
Loss on litigation	<b>0.6</b>	<b>0.6</b>	-	-	<b>-0.6</b>	<b>-0.6</b>
Loss on valuation of golf club membership	<b>-0.0</b>	<b>0.0</b>	-	-	<b>+0.0</b>	<b>-0.0</b>
Other	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.0</b>	<b>-0.1</b>
<b>Total</b>	<b>1.1</b>	<b>1.4</b>	<b>0.7</b>	<b>1.1</b>	<b>-0.4</b>	<b>-0.3</b>

# Balance Sheets

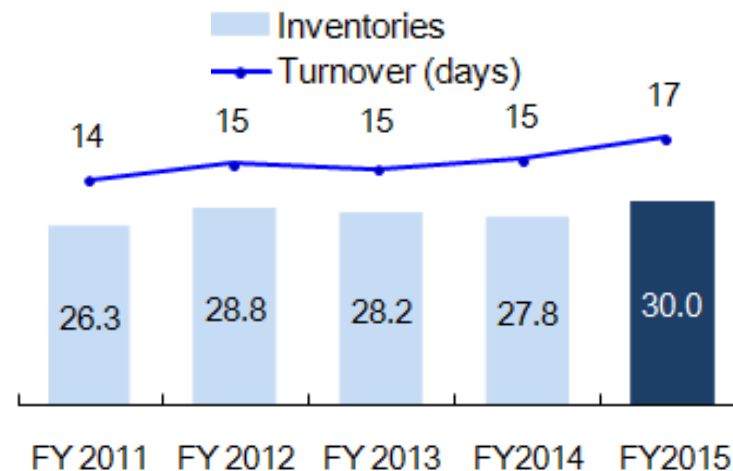
	Dec. 31 2014	Dec. 31 2015	Changes
<b>Assets</b>	<b>479.7</b>	<b>486.5</b>	<b>+6.8</b>
Current assets	339.6	347.5	+7.9
Cash and deposits	120.6	99.6	-21.0
Notes and accounts receivable trade	128.5	125.9	-2.6
Inventories	27.8	30.0	+2.2
Other	62.7	92.1	+29.4
Noncurrent assets	140.2	139.0	-1.2
Property, plant and equipment	100.1	99.3	-0.7
Intangible assets	10.9	9.5	-1.4
Investments and other assets	29.2	30.2	+1.0
<b>Liabilities</b>	<b>209.4</b>	<b>209.1</b>	<b>-0.3</b>
Current liabilities	164.8	159.7	-5.1
Notes and accounts payable-trade	101.3	101.8	+0.5
Other	63.4	57.8	-5.6
Noncurrent liabilities	44.6	49.4	+4.8
<b>Net assets</b>	<b>270.4</b>	<b>277.4</b>	<b>+7.1</b>
Shareholders' equity	268.1	275.2	+7.2
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other comprehensive income	2.0	1.8	-0.2
Minority interests	0.3	0.4	+0.1
<b>Equity ratio</b>	<b>56%</b>	<b>57%</b>	<b>+1%</b>

(Billions of yen)

## Notes and accounts receivable trade



## Inventories

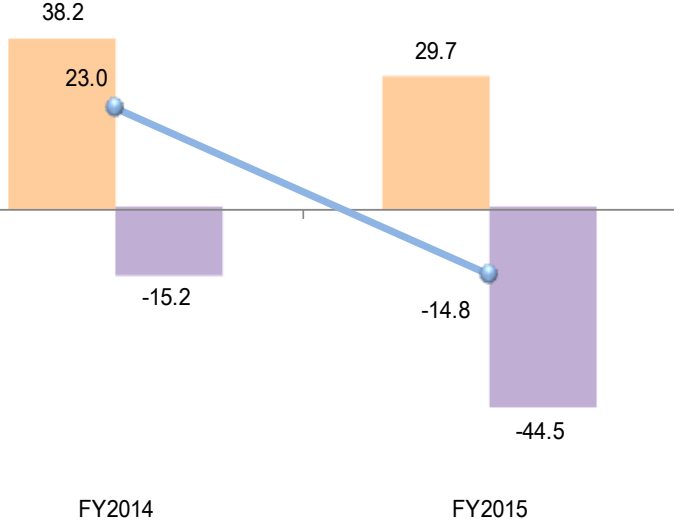




# Cash Flow / Investment / Depreciation and amortization / Financial indicator



## Cash Flow



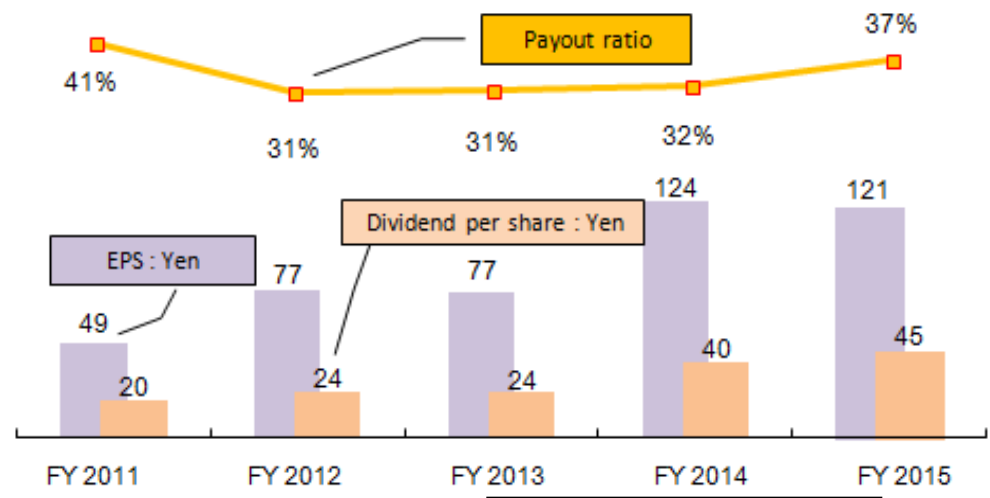
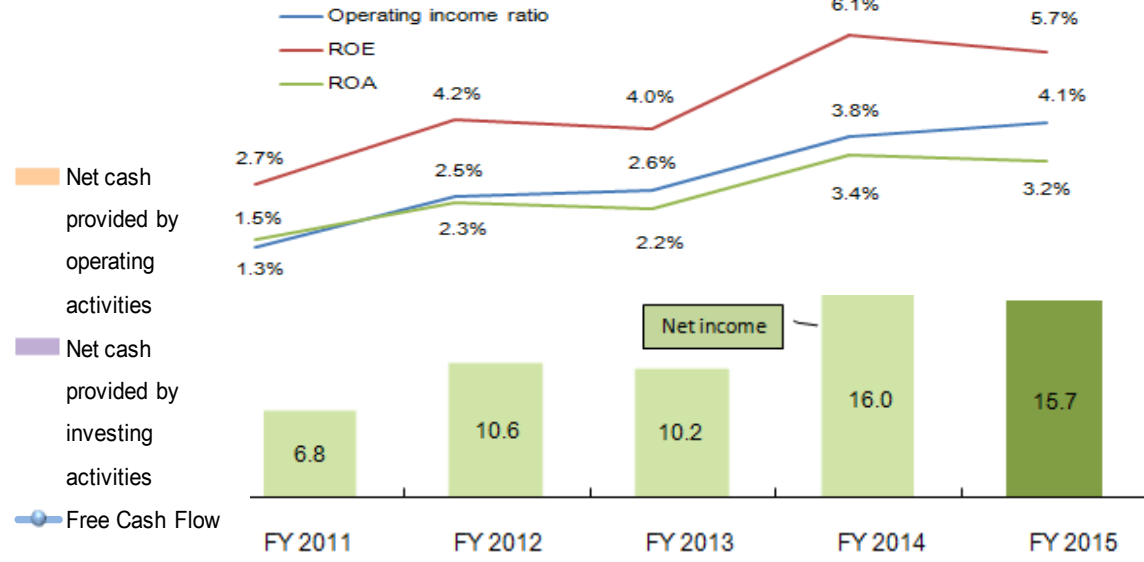
## Investment

FY 2014	<b>14.5</b>
FY 2015	<b>14.6</b>
FY 2016	<b>19.2</b>

## Depreciation and amortization

FY 2014	<b>17.1</b>
FY 2015	<b>15.5</b>
FY 2016	<b>15.4</b>

(Billions of yen)



Supplementary Information

**Canon**

Canon Marketing Japan Inc.