

FY2016 Results

January 31, 2017
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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 2016 4Q Results

Net sales **¥175.6 B (Y/Y -9.0B, -0%)**

- ✓ While net sales in the Business Solutions segment increased, those of compact cameras and inkjet printers in Imaging System decreased.
- ✓ Net sales in the IT Solutions segment remained mostly unchanged from the previous year due to a decrease in the embedded software business and IT products.

Operating Income **¥11.8 B (Y/Y +0.9B, +8%)**

- ✓ Operating income increased due to increased sales in the Business Solutions segment and the company-wide reduction of expenses.

Profit attributable to owners of parent **¥8.2 B (Y/Y +1.7B, +27%)**

Summary of Results

4Q 2016 Actual
(from October 1 to December 31)

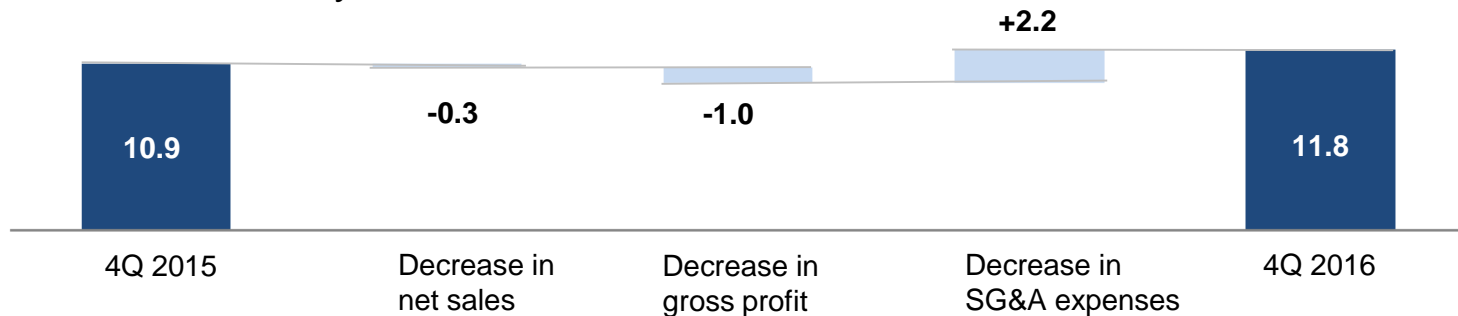


(Billions of yen)

Summary of Results

	4Q 2015	4Q 2016	Changes	
			Amount	%
Net Sales	176.5	175.6	-0.9	-0%
Gross Profit	(36.0%) 63.6	(35.5%) 62.3	(-0.6%) -1.3	-2%
Operating income	(6.2%) 10.9	(6.7%) 11.8	(+0.5%) +0.9	+8%
Ordinary income	(6.3%) 11.1	(6.7%) 11.8	(+0.4%) +0.7	+6%
Profit attributable to owners of parent	(3.6%) 6.4	(4.7%) 8.2	(+1.0%) +1.7	+27%

Op. Income Variance Analysis



Segment Outline

4Q 2016 Actual
(from October 1 to December 31)



(Billions of yen)

	4Q FY2015		4Q FY2016		Changes	
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales	Op. Income
Business Solutions	82.1	2.2	85.5	3.7	+3.4	+1.5
IT Solutions	35.9	1.5	34.4	1.3	-1.5	-0.2
Imaging System	58.7	7.6	56.1	7.4	-2.6	-0.2
Industrial / Medical	6.4	-0.4	6.0	-0.7	-0.4	-0.3
Other	-6.6	0.1	-6.3	0.1	+0.3	+0.0
Total	176.5	10.9	175.6	11.8	-0.9	+0.9

“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

FY 2016 Actual
(from January 1 to December 31)

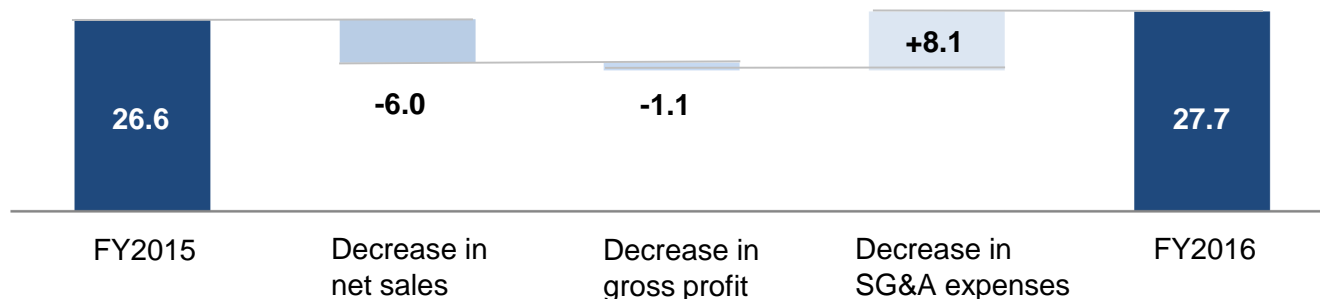


(Billions of Yen)

Summary of Results

	FY 2015	FY2016	Changes	
			Amount	%
Net Sales	646.0	629.3	-16.7	-3%
	(36.1%)	(35.9%)	(-0.2%)	
Gross Profit	233.1	226.0	-7.1	-3%
	(4.1%)	(4.4%)	(+0.3%)	
Operating income	26.6	27.7	+1.0	+4%
	(4.3%)	(4.6%)	(+0.2%)	
Ordinary income	28.0	28.7	+0.7	+2%
	(2.4%)	(2.9%)	(+0.5%)	
Profit attributable to owners of parent	15.7	18.2	+2.5	+16%

Op. Income Variance Analysis



Segment Outline

FY2016 Actual
(from January 1 to December 31)



(Billions of Yen)

	FY2015		FY2016		Changes	
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales	Op. Income
Business Solutions	326.9	9.0	330.3	11.4	+3.5	+2.4
IT Solutions	141.2	4.1	140.8	4.9	-0.4	+0.7
Imaging System	178.7	13.8	159.2	10.9	-19.5	-3.0
Industrial / Medical	27.2	-0.7	25.6	0.1	-1.6	+0.9
Other	-27.9	0.4	-26.6	0.4	+1.3	+0.0
Total	646.0	26.6	629.3	27.7	-16.7	+1.0

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

Segment Information



Business Solutions



Net sales : ¥85.5 B (Y/Y +3.4 B, +4%)

- Net sales increased due to substantial growth in the sales of new products for production printing and increased sales of page printer cartridges, etc.

Operating income ¥3.7 B (Y/Y +1.5B, +71%)

- Operating income rose from a year ago, chiefly due to an increase in the stock business, which is highly profitable, and a decrease in SG&A expenses.

2016 Actual v. 2015 Actual

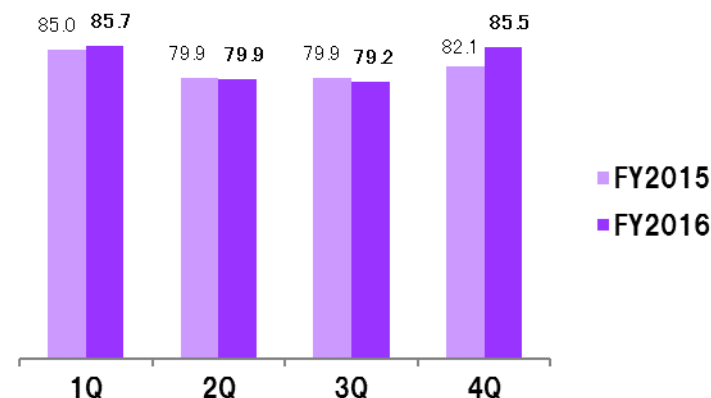
	FY2015	FY2016	Changes
Net Sales	326.9	330.3	+3.5
Op. income	9.0	11.4	+2.4

Net sales - Growth rate

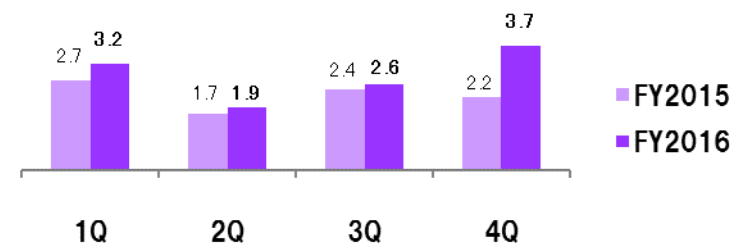
	1Q	2Q	3Q	4Q	FY
FY2015	-8%	+3%	+2%	+0%	-1%
FY2016	+1%	-0%	-1%	+4%	+1%

Net sales

(Billions of Yen)



Op. income



Segment Information



Net Sales : ¥34.4 B (Y/Y -1.5 B, -4%)

- Although sales of the SI service business increased, sales in the segment decreased, largely due to a decline in the embedded software and IT product businesses.

Operating income : ¥1.3 B (Y/Y -0.2 B -14%)

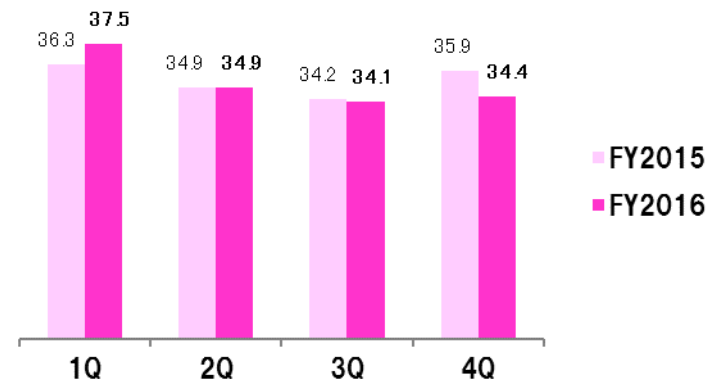
- Operating income decreased owing to increased SG&A expenses despite an increase in gross profit, due primarily to growth in sales from the data center business.

(Billions of Yen)

■ 2016 Actual v. 2015 Actual

	FY2015	FY2016	Changes
Net Sales	141.2	140.8	-0.4
Op. income	4.1	4.9	+0.7

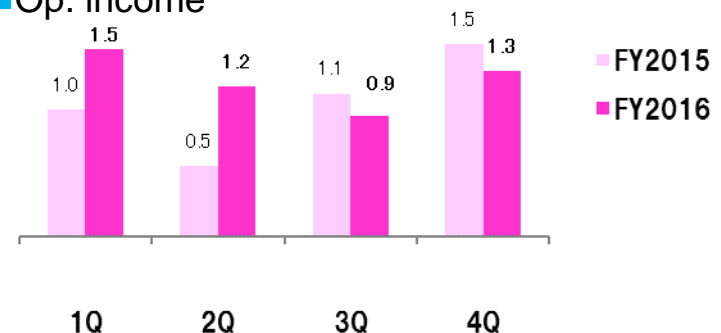
■ Net sales



■ Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2015	-17%	-3%	+2%	+1%	-5%
FY2016	+3%	+0%	-0%	-4%	-0%

■ Op. income



[Reference] Overall sales of IT Solutions



(Billions of Yen)

	4Q 2015	4Q 2016	Changes	
			Amount	%
Sales of IT Solutions	35.8	34.4	-1.5	-4%
Sales other than the IT Solutions segment	14.6	15.6	+1.0	+7%
Intersegment (elimination), etc.	-6.8	-6.7	+0.1	-%
Total	43.6	43.3	-0.3	-1%

	FY2015	FY2016	Changes	
			Amount	%
Sales of IT Solutions	141.2	140.8	-0.3	-0%
Sales other than the IT Solutions segment	58.6	61.2	+2.5	+4%
Intersegment (elimination), etc.	-28.3	-27.0	+1.4	-%
Total	171.5	175.0	+3.5	+2%

【Reference】 Overall IT Security net sales	YoY 2015 v 2016	
	4Q	1Q-4Q
Overall IT Security	+20%	+17%

Segment Information



Net sales : ¥56.1 B (Y/Y -2.6 B, -4%)

➤ Sales of compact digital cameras decreased significantly from a year ago due to low demand and delayed recovery from the damage caused by the Kumamoto Earthquake. A decline in the sales of inkjet cartridges also contributed to the reduced net sales.

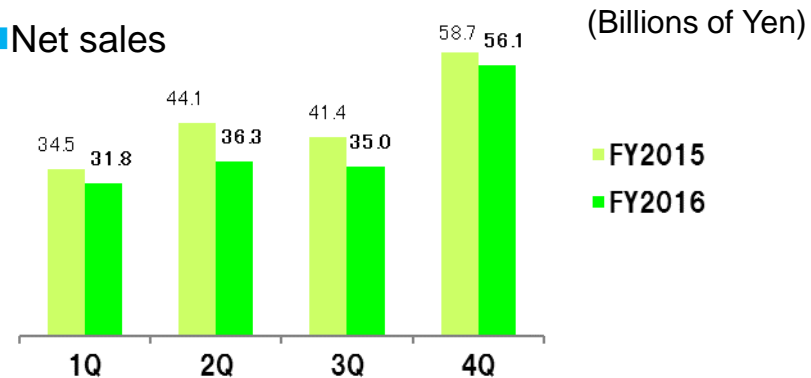
Operating income : ¥7.4 B (Y/Y -0.2 B, -2%)

➤ Operating income fell due to a decrease in the gross margin associated with a decline in sales.

2016 Actual v. 2015 Actual

	FY2015	FY2016	Changes
Net Sales	178.7	159.2	-19.5
Op. income	13.8	10.9	-3.0

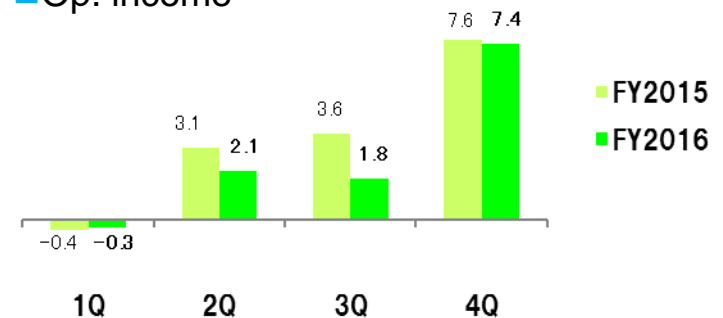
Net sales



Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2015	-28%	+26%	+4%	-6%	-4%
FY2016	-8%	-18%	-15%	-4%	-11%

Op. income



Segment Information

Net sales : ¥6.0 B (Y/Y -0.4 B, -7%)

➤ Net sales fell due to changes made to the earnings structure of the Medical segment.

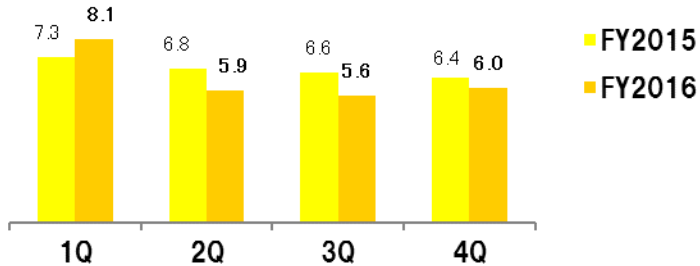
Operating income : -0.7 B (Y/Y -0.3 B, -%)

➤ Operating income in the Industrial segment rose, thanks largely to reduced SG&A expenses. Operating income in the Medical segment declined, partially as a result of the one-time amortization of goodwill.

■ 2016 Actual v. 2015 Actual

	FY2015	FY2016	Changes
Net Sales	27.2	25.6	-1.6
Op. income	-0.7	0.1	+0.9

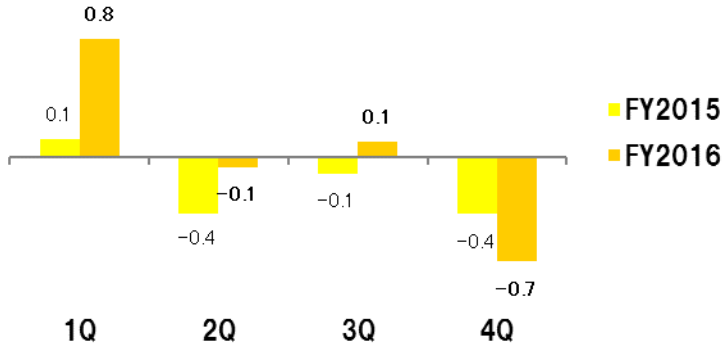
■ Net sales



■ Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2015	-21%	+33%	+7%	-14%	-3%
FY2016	+11%	-14%	-16%	-7%	-6%

■ Op. income



Summary of Projections



(Billions of Yen)

	FY2017 Projection	FY2016 Actual	Changes	
			Amount	%
Net Sales	645.0	629.3	+15.7	+2%
	(4.5%)	(4.4%)	(+0.1%)	
Operating Income	28.8	27.7	+1.1	+4%
	(4.6%)	(4.6%)	(+0.0%)	
Ordinary Income	29.6	28.7	+0.9	+3%
	(3.1%)	(2.9%)	(+0.2%)	
Profit attributable to owners of parent	19.8	18.2	+1.6	+9%

Intersegmental Business Transfer



(Billions of Yen)

	FY2016		FY2016		Difference	
	Before Business Transfer		After Business Transfer			
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales	Op. Income
Business Solutions	330.3	11.4	334.6	12.1	+4.3	+0.7
IT Solutions	140.8	4.9	128.8	4.0	-12.0	-0.9
Imaging System	159.2	10.9	159.2	10.9	-	-
Industrial / Medical	25.6	0.1	32.2	0.2	+6.6	+0.1
Other	-26.6	0.4	-25.5	0.6	+1.1	+0.1
Total	629.3	27.7	629.3	27.7	-	-

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

2. Details of Intersegmental Business Transfer

- Canon Biz Attenda Inc., A&A Co. Ltd. : from IT Solutions to Business Solutions
- Canon ITS Medical Inc. : from IT Solutions to Industrial / Medical

Summary of Projections



(Billions of Yen)

	FY2016		FY2017		Changes		
	Actual		Projection		Net Sales		Op. Income
	Net Sales	Op. Income	Net Sales	Op. Income			
Business Solutions	334.6	12.1	345.0	12.3	+10.4	+3%	+0.2
IT Solutions	128.8	4.0	130.0	4.1	+1.2	+1%	+0.1
Imaging System	159.2	10.9	161.0	11.0	+1.8	+1%	+0.1
Industrial / Medical	32.2	0.2	33.5	1.2	+1.3	+4%	+1.0
Other	-25.5	0.6	-24.5	0.2	+1.0	-%	-0.4
Total	629.3	27.7	645.0	28.8	+15.7	+2%	+1.1

1. "Other" includes the intersegment sales and the corporate expenses that are not allocated to the shared service businesses or to each segment.
2. The Intersegmental Business Transfer of Canon Biz Attenda Inc., A&A Co.,Ltd. and Canon ITS Medical Inc. is reflected in the figures of FY2016 Actual.

Projections by Segment

Business Solutions

- ✓ Net sales are expected to increase based on a larger number of MFP units sold and the expansion of new growth segments such as production printing and the network camera business.
- ✓ Operating income is also expected to increase, primarily as a result of the growth of profitable maintenance services and sales of laser printer cartridges that has continued since the previous year.

IT solutions

- ✓ Net sales are expected to increase as the SI service business, being the core business, will lead growth, followed by the IT infrastructure service and product businesses, despite a decline expected in the embedded software business.
- ✓ Operating income is expected to increase year on year due to growth in gross profit as a result of increased sales.

Projections by Segment

Imaging System

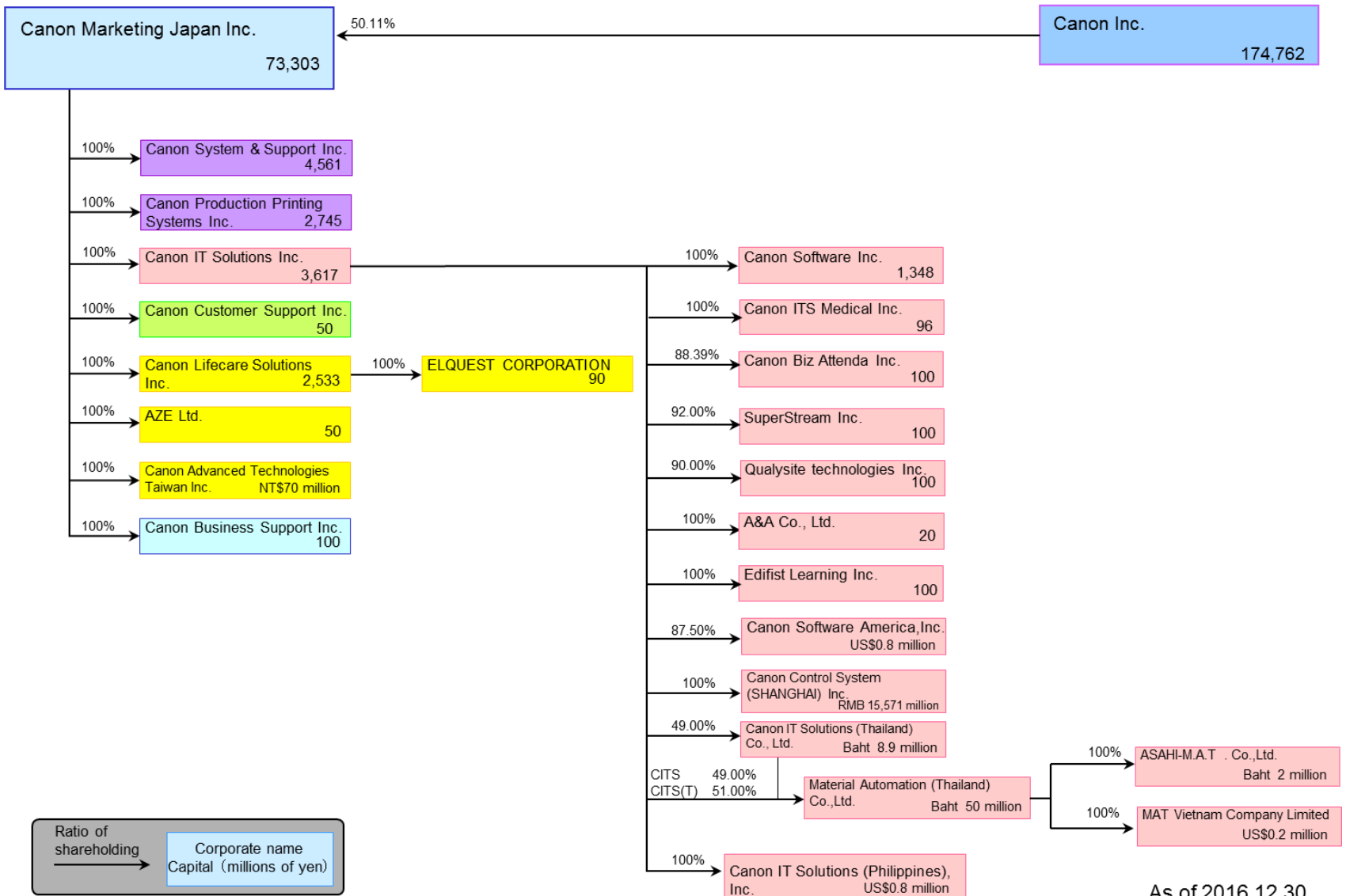
- ✓ For interchangeable lens digital cameras, the Company expects to maintain the quantity sold in the previous year during the current year by improving the product line of mirrorless cameras and to retain the largest share in the total market, including SLR cameras. The quantity of compact cameras sold is expected to increase as the impact of last year's Kumamoto Earthquake subsides.
- ✓ As for inkjet printers, low sales of both main units and cartridges are expected as the market continues to shrink; the Company, however, will ensure adequate profitability by increasing the ratio of printers with high unit prices.
- ✓ Overall, a year-on-year increase in both sales and profit is expected.

Industrial/Medical

- ✓ The Industrial segment, backed by a strong market, is expected to enjoy an increase in sales and profits from products and services such as semiconductor manufacturing equipment and testing and measuring instruments.
- ✓ The Medical segment is also anticipating growing sales and profits by boosting sales of products such as digital radiography, hydrogen peroxide sterilizers, and medical IT, and through a certain level of achievement in structural reforms.

Supplementary Information

Capital Relationship Diagram



As of 2016.12.30

Results of main consolidated companies



(Billions of Yen)

		4Q 2015		4Q 2016		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net Sales	29.6		30.1		+0.5	+2%
	Op. Income	0.8	(2.9%)	1.2	(3.9%)	+0.3	(+1.0%)
Canon Production Printing Systems Inc.							
	Net Sales	3.7		5.6		+2.0	+54%
	Op. Income	0.2	(4.8%)	0.4	(6.5%)	+0.2	(+1.7%)
IT Solutions							
Canon IT Solutions (Consolidated)	Net Sales	27.7		26.0		-1.7	-6%
	Op. Income	2.0	(7.1%)	1.7	(6.5%)	-0.3	(-0.6%)
Industrial / Medical							
Canon Lifecare Solutions	Net Sales	3.6		3.4		-0.2	-6%
	Op. Income	0.1	(1.5%)	-0.0	(-)	-0.1	(-)

*1. The amounts are before intersegment elimination.

*2. The results of Canon System & Support Inc. for 2015 are adjusted considering the business transfer of the GB Sales Headquarters from Canon Marketing Japan Inc.

*3. The results of Canon IT Solutions (Consolidated) for 2015 are the consolidated results of Canon MJ IT Group Holdings Inc.

Results of main consolidated companies



(Billions of Yen)

		FY2015		FY2016		Changes	
						Amount	%
Business Solutions							
Canon System & Support Inc.	Net Sales	120.6		123.8		+3.2	+3%
	Op. Income	4.2	(3.5%)	4.4	(3.6%)	+0.2	(+0.1%)
Canon Production Printing Systems Inc.							
	Net Sales	14.7		14.7		+0.0	+0%
	Op. Income	0.3	(1.8%)	0.1	(0.7%)	-0.2	(-1.2%)
IT Solutions							
Canon IT Solutions (Consolidated)	Net Sales	109.1		106.3		-2.9	-3%
	Op. Income	6.0	(5.5%)	6.3	(5.9%)	+0.3	(+0.4%)
Industrial / Medical							
Canon Lifecare Solutions	Net Sales	15.6		13.8		-1.8	-11%
	Op. Income	-0.2	(-)	0.3	(2.0%)	+0.4	(-)

*1. The amounts are before intersegment elimination.

*2. The results of Canon System & Support Inc. for 2015 are adjusted considering the business transfer of the GB Sales Headquarters from Canon Marketing Japan Inc.

*3. The results of Canon IT Solutions (Consolidated) for 2015 are the consolidated results of Canon MJ IT Group Holdings Inc.

SG&A expenses



(Billions of Yen)

	FY 2015		FY 2016		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Advertising expenses	3.5	11.9	2.5	9.1	-1.1	-2.8
Promotion expenses	1.9	5.4	1.9	5.5	-0.0	+0.1
Warranty expenses	1.7	7.3	1.6	5.9	-0.1	-1.5
Other direct selling expenses	5.6	21.2	5.5	21.3	-0.1	+0.2
Personnel expenses	31.4	126.5	30.5	124.1	-0.9	-2.4
Depreciation and amortization	0.5	2.1	0.5	2.2	-0.0	+0.0
Other selling expenses	7.9	32.1	7.9	30.4	+0.1	-1.7
Total	52.6	206.5	50.5	198.3	-2.2	-8.1

Non-operating income and expenses

(Billions of Yen)

■ Non-operating income

	FY2015		FY2016		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Interest income	0.1	0.3	0.0	0.2	-0.0	-0.1
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	0.1	0.8	0.1	0.4	-0.1	-0.3
Total	0.3	1.8	0.1	1.4	-0.1	-0.4

■ Non-operating expenses

	FY2015		FY2016		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Interest expenses	0.0	0.0	0.0	0.0	-0.0	-0.0
Foreign exchange losses	0.0	0.1	0.1	0.1	+0.0	-0.0
Other	0.0	0.2	0.1	0.3	+0.0	+0.0
Total	0.1	0.4	0.1	0.4	+0.1	-0.0

Extraordinary income and expenses



(Billions of Yen)

■ Extraordinary income

	FY2015		FY2016		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Gain on sales of non-current assets	0.3	0.3	0.0	0.8	-0.3	+0.4
Gain on sales of investment securities	0.1	0.1	0.7	0.7	+0.6	+0.6
Gain on sales of shares of subsidiaries and associates	0.1	0.1	-	-	-0.1	-0.1
Insurance income on disaster	0.0	0.0	-	-	-0.0	-0.0
Other	0.0	0.0	0.0	0.0	-0.0	-0.0
Total	0.5	0.6	0.7	1.5	+0.2	+0.9

■ Extraordinary expenses

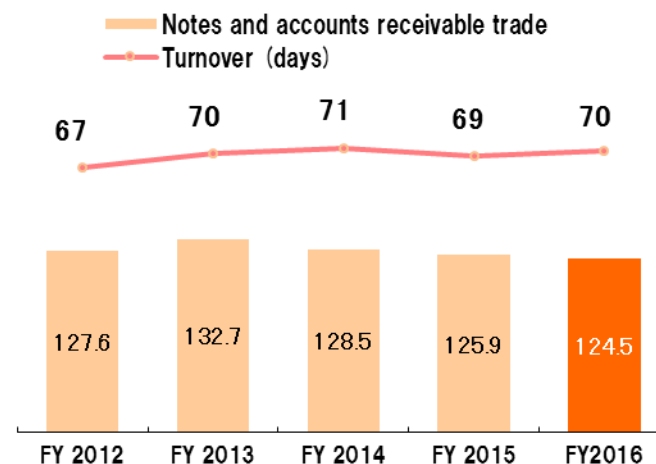
	FY2015		FY2016		Changes	
	4Q	1Q-4Q	4Q	1Q-4Q	4Q	1Q-4Q
Loss on sales and retirement of non-current assets	0.2	0.4	0.3	1.0	+0.1	+0.6
Impairment loss	0.0	0.0	-	0.1	-0.0	+0.1
Loss on disaster	-	0.0	0.0	0.0	+0.0	+0.0
Special extra retirement payments	0.5	0.5	0.0	0.0	-0.5	-0.5
Group reorganization expenses	-	0.1	-	-	-	-0.1
Other	0.0	0.1	0.0	0.1	-0.0	+0.0
Total	0.7	1.1	0.3	1.3	-0.4	+0.2

Balance Sheets

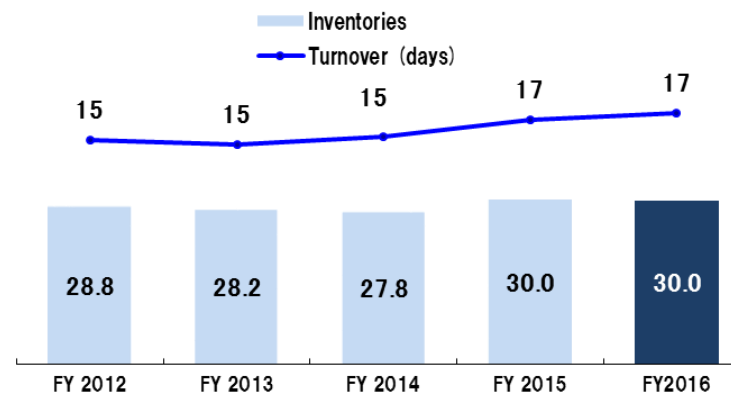
(Billions of Yen)

	Dec. 31 2015	Dec. 31 2016	Changes
Assets	486.5	497.7	+11.2
Current assets	347.5	362.1	+14.6
Cash and deposits	99.6	107.3	+7.7
Notes and accounts receivable trade	125.9	124.5	-1.4
Inventories	30.0	30.0	-0.0
Other	92.1	100.4	+8.3
Non-current assets	139.0	135.5	-3.4
Property, plant and equipment	99.3	96.7	-2.6
Intangible assets	9.5	6.8	-2.7
Investment and other assets	30.2	32.0	+1.9
Liabilities	209.1	216.8	+7.7
Current liabilities	159.7	157.0	-2.7
Notes and accounts receivable trade	101.8	102.7	+0.8
Other	57.8	54.3	-3.5
Non-current liabilities	49.4	59.8	+10.5
Net assets	277.4	280.9	+3.5
Shareholders' equity	275.2	287.6	+12.3
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other comprehensive income	1.8	-7.1	-8.9
Non-controlling interests	0.4	0.4	+0.0
Equity ratio	57%	56%	-1%

Notes and accounts receivable trade

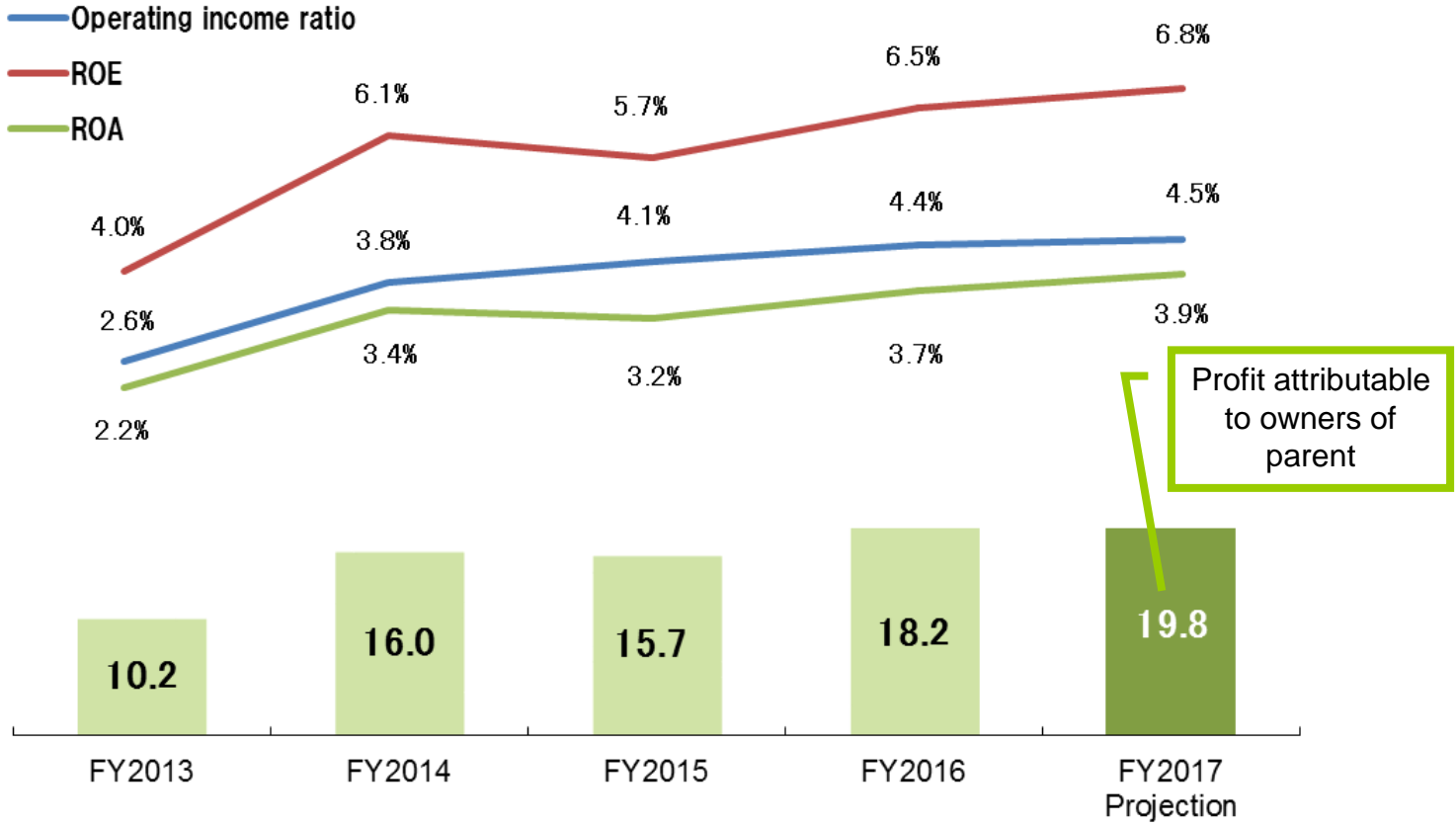


Inventories

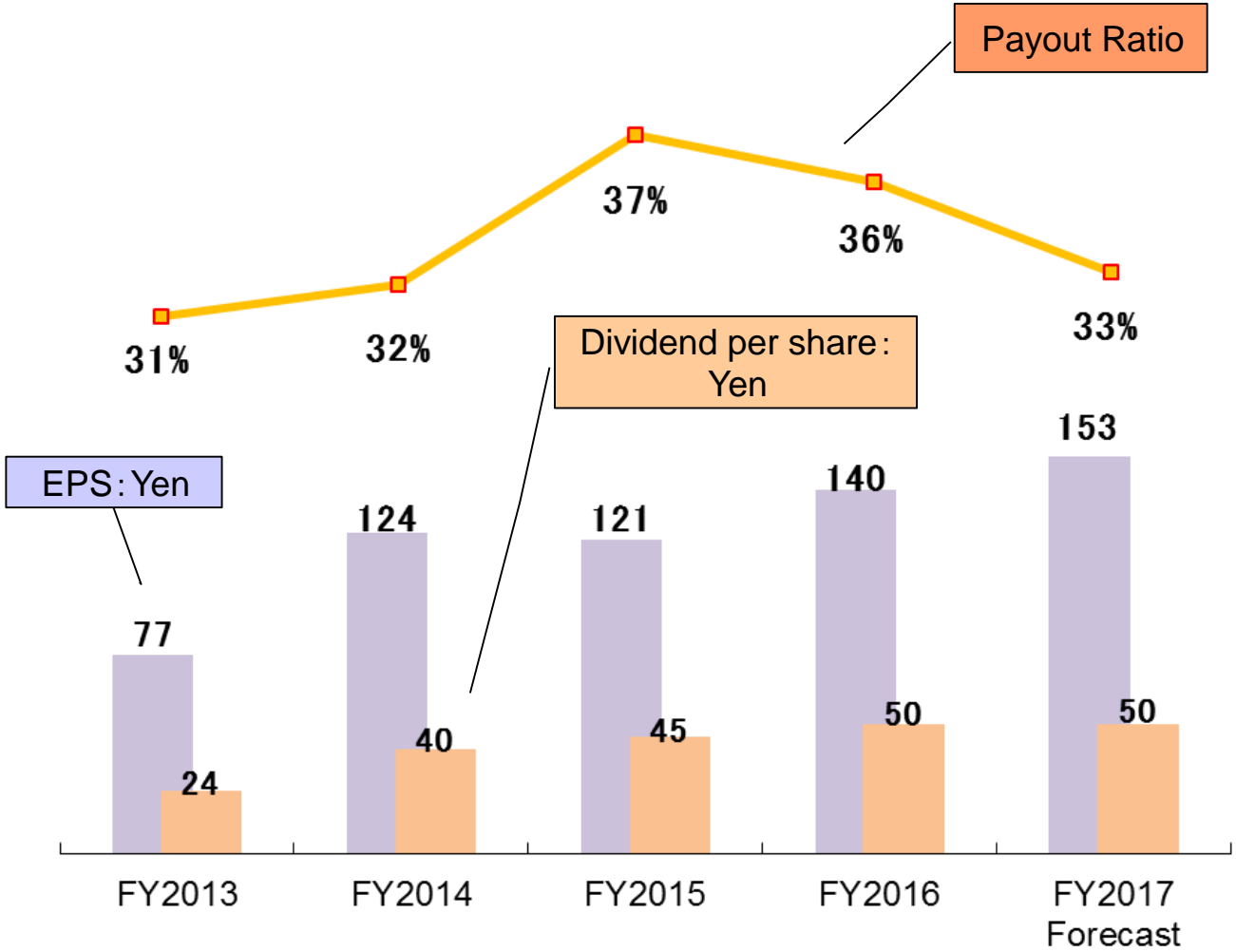


(Billions of Yen)

■ Operating income ratio / ROA / ROE



■ Payout Ratio / EPS / Dividend per share



(Billions of Yen)

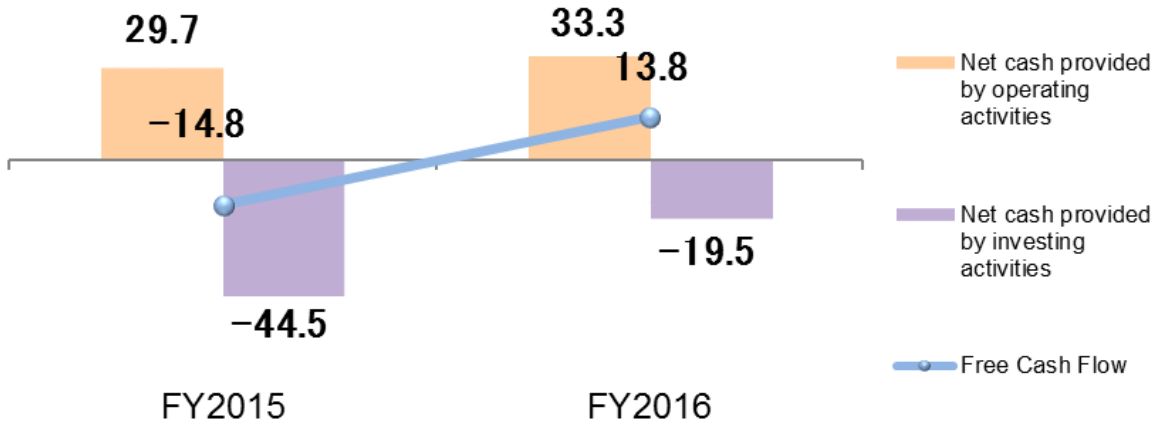
■ Investment

Full Year	
FY2015	14.6
FY2016	13.2
FY2017	14.9

■ Depreciation and amortization

Full Year	
FY2015	15.5
FY2016	14.9
FY2017	14.7

■ Cash Flow



Canon

Canon Marketing Japan Inc.