

FY2017 3Q Results

October 24, 2017
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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 3rd Quarter 2017 Results



Net sales **¥152.6 B (Y/Y + 5.1B, +3%)**

- ✓ Net sales increased in each of the four segments. Sales rose particularly in independent growth areas, including IT solutions and industrial equipment.

Operating Income **¥7.4 B (Y/Y + 1.9B, + 35%)**

- ✓ Operating income rose due to an increase in gross profit resulting from the rise in sales and a Company-wide reduction in expenses.

**Profit attributable to
owners of parent** **¥4.1 B (Y/Y + 0.8B, + 23%)**

Summary of Results

3Q 2017 Actual
(from July 1 to September 30)

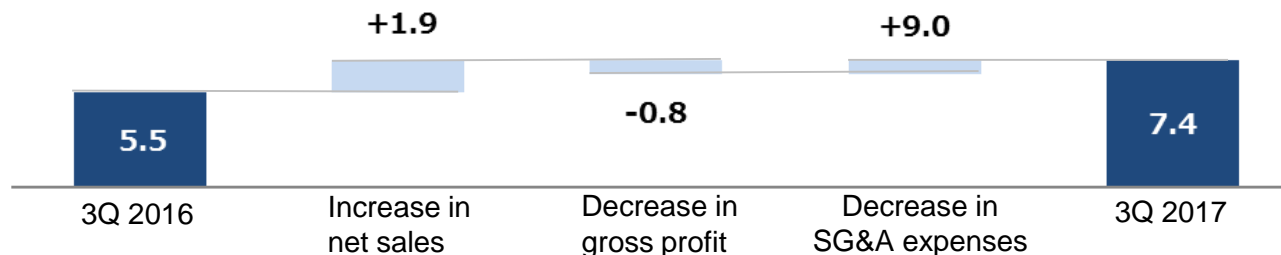


Summary of Results

(Billions of yen)

	3Q FY2016	3Q FY2017	Changes	
			Amount	%
Net Sales	147.5	152.6	+5.1	+3%
Gross Profit	(36.5%) 53.8	(35.9%) 54.8	(-0.5%) +1.0	+2%
Operating income	(3.8%) 5.5	(4.9%) 7.4	(+1.1%) +1.9	+35%
Ordinary income	(3.8%) 5.6	(4.9%) 7.5	(+1.1%) +1.9	+33%
Profit attributable to owners of parent	(2.3%) 3.4	(2.7%) 4.1	(+0.4%) +0.8	+23%

Op. Income Variance Analysis



Segment Outline

3Q 2017 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q FY2016		3Q FY2017		Changes	
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales	Op. Income
Business Solutions	80.3	2.7	81.3	2.6	+1.0	-0.1
IT Solutions	31.5	0.8	32.9	1.1	+1.4	+0.3
Imaging System	35.0	1.8	35.1	2.9	+0.0	+1.1
Industrial / Medical	7.0	0.1	9.9	0.7	+2.9	+0.6
Other	-6.3	0.2	-6.5	0.1	-0.2	-0.1
Total	147.5	5.5	152.6	7.4	+5.1	+1.9

Notes

1. "Other" includes the intersegment sales, the shared service businesses and the corporate expenses that are not allocated 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.

Summary of Results

1Q-3Q 2017 Actual
(from January 1 to September 30)

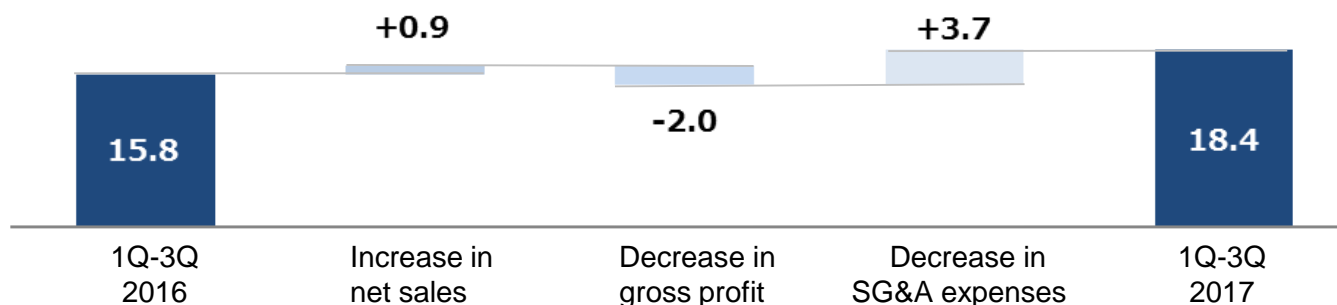


(Billions of yen)

Summary of Results

	1Q-3Q FY2016	1Q-3Q FY2017	Changes	
			Amount	%
Net Sales	453.7	456.2	+2.5	+1%
Gross Profit	(36.1%) 163.7	(35.6%) 162.6	(-0.4%) -1.1	-1%
Operating income	(3.5%) 15.8	(4.0%) 18.4	(+0.5%) +2.6	+16%
Ordinary income	(3.7%) 16.9	(4.2%) 19.3	(+0.5%) +2.5	+15%
Profit attributable to owners of parent	(2.2%) 10.0	(2.7%) 12.5	(+0.5%) +2.5	+25%

Op. Income Variance Analysis



Segment Outline

1Q-3Q 2017 Actual
(from January 1 to September 30)



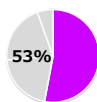
(Billions of yen)

	1Q-3Q FY2016		1Q-3Q FY2017		Changes	
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales	Op. Income
Business Solutions	247.7	8.1	252.2	8.5	+4.5	+0.4
IT Solutions	97.6	2.9	98.4	3.2	+0.8	+0.3
Imaging System	103.1	3.5	99.6	4.9	-3.5	+1.5
Industrial / Medical	24.6	0.8	26.1	1.4	+1.5	+0.6
Other	-19.3	0.5	-20.0	0.3	-0.7	-0.2
Total	453.7	15.8	456.2	18.4	+2.5	+2.6

Notes

1. "Other" includes the intersegment sales, the shared service businesses and the corporate expenses that are not allocated 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.

Segment Information



Business Solutions



Net Sales ¥81.3B (Y/Y +1.0B, +1%)

- Net sales in this segment increased due to the firm performance of the main business, including hardware and IT solutions.

Operating Income ¥2.6B (Y/Y -0.1B, -2%)

- Operating income declined mainly due to a temporary decrease in high-margin stock business and a rise in upfront investment.

■ 2017 Actual v. 2016 Actual

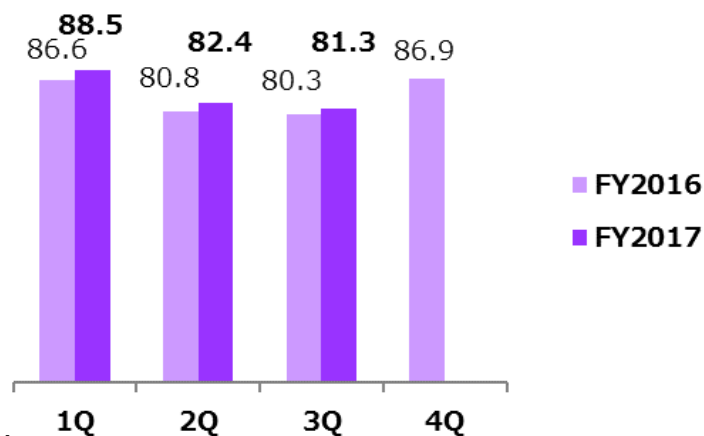
	1Q-3Q 2016	1Q-3Q 2017	Changes
Net Sales	247.7	252.2	+4.5
Op. Income	8.1	8.5	+0.4

■ Net sales - Growth rate

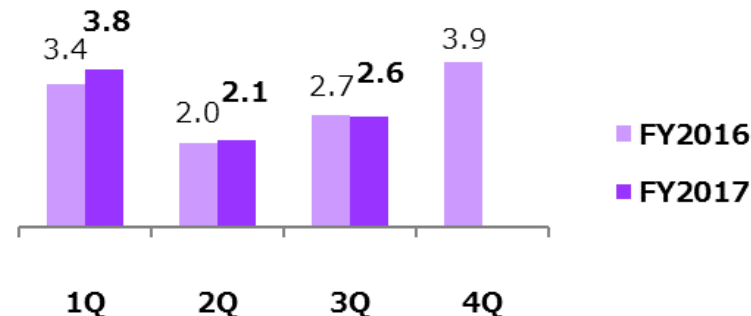
	1Q	2Q	3Q	4Q	FY
FY2016	+1%	-0%	-1%	+4%	+1%
FY2017	+2%	+2%	+1%		

■ Net sales

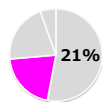
(Billions of yen)



■ Op. income



Segment Information



IT Solutions

Canon

Net Sales ¥32.9B (Y/Y +1.4B, +4%)

➤ Net sales in this segment rose, reflecting strong performance in the SI service business and the product business.

Operating Income ¥1.1B (Y/Y +0.3B, +41%)

➤ Operating income rose due to an increase in gross profit resulting from the rise in net sales and a fall in SG&A expenses.

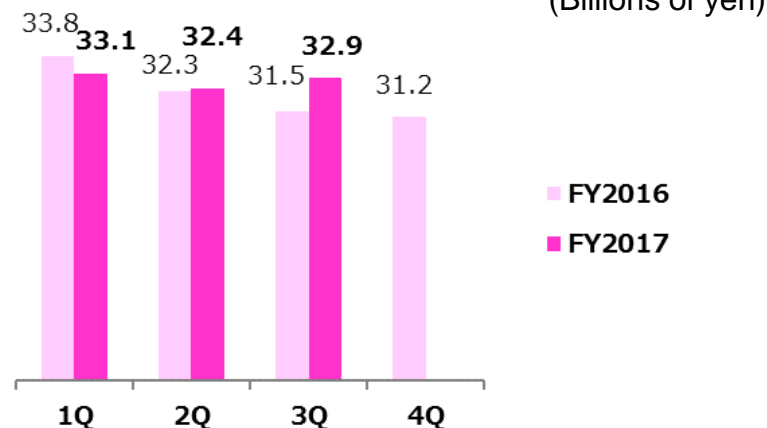
■ 2017 Actual v. 2016 Actual

	1Q-3Q 2016	1Q-3Q 2017	Changes
Net Sales	97.6	98.4	+0.8
Op. Income€	2.9	3.2	+0.3

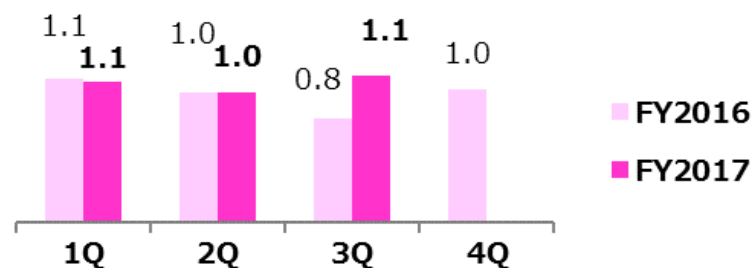
■ Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2016	+3%	+0%	-0%	-4%	-0%
FY2017	-2%	+0%	+4%		

■ Net sales



■ Op. income



[Reference] Overall sales of IT Solutions



(Billions of yen)

	3Q 2016	3Q 2017	Changes	
			Amount	%
Sales of IT Solutions	31.5	32.9	+1.4	+4%
Sales other than the IT Solutions segment	17.3	18.4	+1.1	+6%
Intersegment (elimination), etc.	-6.3	-6.5	-0.2	-%
Total	42.5	44.8	+2.3	+5%

	2016 1Q-3Q	2017 1Q-3Q	Changes	
			Amount	%
Sales of IT Solutions	97.6	98.4	+0.8	+1%
Sales other than the IT Solutions segment	54.8	57.4	+2.7	+5%
Intersegment (elimination), etc.	-19.3	-20.0	-0.7	-%
Total	133.1	135.8	+2.7	+2%

【Reference】 Overall IT Security net sales	YoY 2016 v 2017	
	3Q	1Q-3Q
Overall IT Security	+3%	+6%

Segment Information



Net sales: ¥35.1 B (Y/Y +0B, +0%)

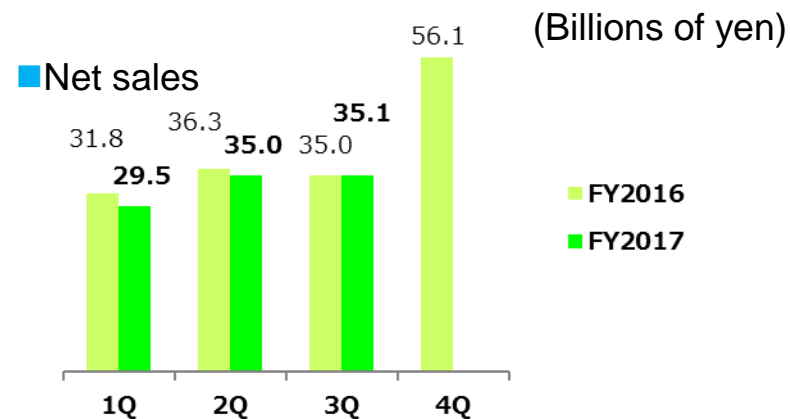
➤ Net sales in this segment rose, reflecting strong performance in the SI service business and the product business.

Operating income: ¥2.9 B (Y/Y +1.1B, +63%)

➤ Operating income rose due to an increase in gross profit resulting from the rise in net sales and a fall in SG&A expenses.

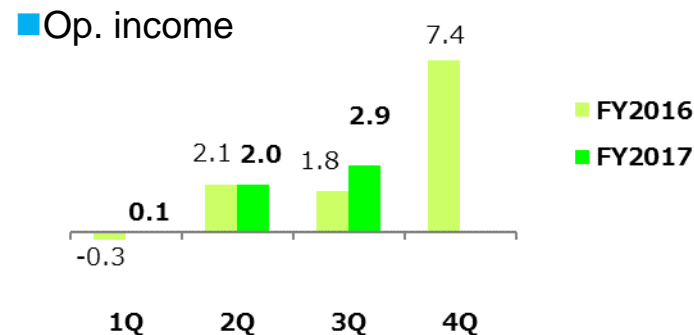
2017 Actual v. 2016 Actual

	1Q-3Q 2016	1Q-3Q 2017	Changes
Net Sales	103.1	99.6	-3.5
Op. Income	3.5	4.9	+1.5

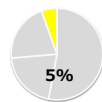


Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2016	-8%	-18%	-15%	-4%	-11%
FY2017	-7%	-4%	+0%	-	-



Segment Information



Industrial / Medical



Net sales: ¥9.9 B (Y/Y +2.9B, +41%)

- Net sales in the Industrial segment increased thanks to the strong performance of semiconductor manufacturing equipment and inspection and measurement equipment. Net sales in the Medical segment rose mainly due to new digital radiography products.

Operating income: ¥0.7 B (Y/Y +0.6B, +598 %)

- Operating income increased both in the Industrial segment and the Medical segment, reflecting the increase in net sales.

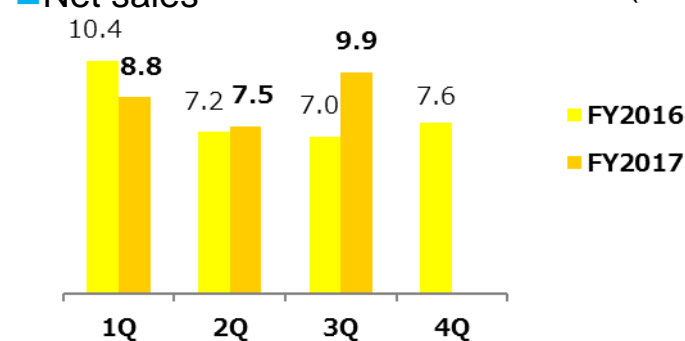
2017 Actual v. 2016 Actual

	1Q-3Q 2016	1Q-3Q 2017	Changes
Net Sales	24.6	26.1	+1.5
Op. Income	0.8	1.4	+0.6

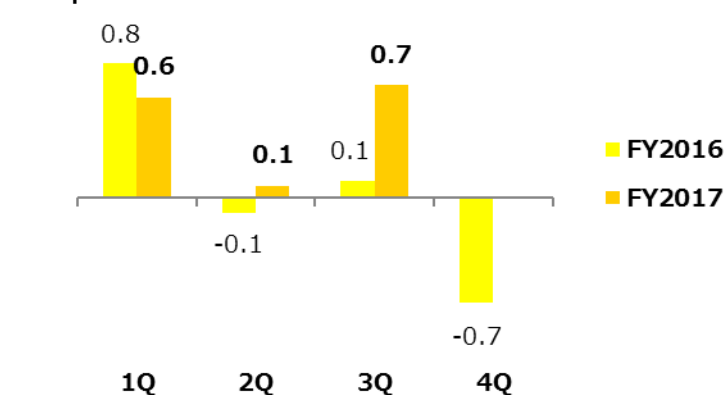
Net sales - Growth rate

	1Q	2Q	3Q	4Q	FY
FY2016	+11%	-14%	-16%	-7%	-6%
FY2017	-16%	+3%	+41%		

Net sales (Billions of yen)



Op. income



Summary of Projections



(Billions of yen)

	FY2017	FY2017	Changes		【Reference】		
	Previous projection	Current Projection	Amount	%	FY2016 Actual	Changes	
						Amount	%
Net Sales	645.0	641.0	- 4.0	-1%	629.3	+11.7	+2%
	(4.5%)	(4.6%)	(+0.2%)		(4.4%)	(+0.3%)	
Operating Income	28.8	29.8	+1.0	+3%	27.7	+2.1	+8%
	(4.6%)	(4.8%)	(+0.2%)		(4.6%)	(+0.2%)	
Ordinary Income	29.6	30.6	+1.0	+3%	28.7	+1.9	+7%
	(3.1%)	(3.1%)	(+0.1%)		(2.9%)	(+0.2%)	
Profit attributable to owners of parent	19.8	20.0	+0.2	+1%	18.2	+1.8	+10%

Projections Summary Outline



FY2017 Current Projection v. Previous Projection

(Billions of yen)

	FY2017		FY2017		Changes		
	Previous projection		Current projection				
	Net Sales	Op. income	Net Sales	Op. income	Net Sales		Op. income
Business Solutions	345.0	12.3	343.0	12.3	-2.0	-1%	-
IT Solutions	130.0	4.1	132.0	4.3	+2.0	+2%	+0.2
Imaging System	158.0	11.0	157.0	11.5	-1.0	-1%	+0.5
Industrial / Medical	36.5	1.2	35.5	1.4	-1.0	-3%	+0.2
Other	-24.5	0.2	-26.5	0.3	-2.0	-	+0.1
Total	645.0	28.8	641.0	29.8	-4.0	-1%	+1.0

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

Projections Summary Outline



FY2017 Projection v. FY2016 Actual

(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	343.0	12.3	+8.4	+3%	+0.2
IT Solutions	128.8	4.0	132.0	4.3	+3.2	+2%	+0.3
Imaging System	159.2	10.9	157.0	11.5	-2.2	-1%	+0.6
Industrial / Medical	32.2	0.2	35.5	1.4	+3.3	+10%	+1.2
Other	-25.5	0.6	-26.5	0.3	-1.0	-%	-0.3
Total	629.3	27.7	641.0	29.8	+11.7	+2%	+2.1

Notes

1. "Other" includes the intersegment sales, the shared service businesses and the corporate expenses that are not allocated 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.

Projections by Segment

Business Solutions

- ✓ 4Q: The Company forecasts an increase in sales in all businesses. Operating income is expected to decline mainly due to an increase in upfront investment.
- ✓ Full year: The Company revises the sales forecast down 2.0 billion yen due to changes in plans for production printing and network cameras. The operating income forecast remains unchanged. It is forecast to rise 0.2 billion yen, to 12.3 billion yen, with the downward revision in the sales forecast offset by a reduction in SG&A expenses.

IT solutions

- ✓ 4Q: The Company forecasts an increase in overall sales due to the steady performance in the SI service business and the product business. Operating income is projected to rise with the increase in sales.
- ✓ Full year: The Company is revising its sales forecast up 2.0 billion yen, expecting the expansion of the SI service business and the product business. The operating income forecast is revised up 0.2 billion yen due to the expected rise in sales.

Projections by Segment

Imaging System

- ✓ 4Q: The Company forecasts a year-on-year increase in sales due to a rise in unit price in the digital interchangeable lens camera business and an increase in sales of commercial imaging equipment. Operating income is projected to fall due to a decrease in gross profit resulting from a decline in ink cartridges and an increase in SG&A expenses.
- ✓ Full year: The Company revises its sales forecast down 1.0 billion yen, reflecting a downward revision in digital cameras and inkjet printers. The operating income forecast is revised up 0.5 billion yen, reflecting the fact that operating income in the first nine months outperformed expectations. Operating income is projected to rise 0.6 billion year on year, to 11.5 billion yen.

Industrial / Medical

- ✓ 4Q: The Company forecasts an increase in both sales and income in this segment due to the strong performance in the Industrial segment.
- ✓ Full year: The Company revises its sales forecast down 1.0 billion yen based on its performance this fiscal year. Nevertheless, net sales are expected to increase from a year earlier. The operating income forecast is revised up 0.2 billion yen due to a rise in gross profit in the Industrial segment, and operating income is projected to rise year on year.

Supplementary Information

Results of main consolidated companies



(Billions of yen)

		3Q FY2016		3Q FY2017	Changes		
					Amount		%
Business Solutions							
Canon System & Support Inc.	Net Sales	30.0		29.8	-0.2		-1%
	Op. Income	1.0	(3.3%)	0.8	-0.2	(-0.8%)	
Canon Production Printing Systems Inc.	Net Sales	2.9		3.0	+0.0		+1%
	Op. Income	-0.2	(-)	-0.1	+0.0	(-)	
IT Solutions							
Canon IT Solutions Inc.	Net Sales	21.0		21.0	-0.0		-0%
	Op. Income	1.0	(4.9%)	1.4	+0.4	(+1.8%)	
Industrial / Medical							
Canon Lifecare Solutions Inc.	Net Sales	3.0		4.1	+1.1		+37%
	Op. Income	-0.0	(-)	0.2	+0.2	(-)	

*The impact of merging Canon Software Inc. is reflected in the FY2016 figures of Canon IT Solutions Inc.

Results of main consolidated companies



(Billions of yen)

		1Q-3Q FY2016	1Q-3Q FY2017	Changes	
				Amount	%
Business Solutions					
Canon System & Support Inc.	Net Sales	91.3	92.0	+0.7	+1%
	Op. Income	2.9 (3.2%)	2.5 (2.7%)	-0.4 (-0.5%)	
Canon Production Printing Systems Inc.	Net Sales	9.1	9.7	+0.6	+6%
	Op. Income	-0.3 (-)	-0.4 (-)	-0.1 (-)	
IT Solutions					
Canon IT Solutions Inc.	Net Sales	63.6	62.0	-1.5	-2%
	Op. Income	3.4 (5.4%)	4.0 (6.4%)	+0.6 (+1.0%)	
Industrial / Medical					
Canon Lifecare Solutions Inc.	Net Sales	10.4	10.9	+0.5	+4%
	Op. Income	0.3 (2.9%)	0.2 (2.1%)	-0.1 (-0.9%)	

*The impact of merging Canon Software Inc. is reflected in the FY2016 figures of Canon IT Solutions Inc.

SG&A expenses



(Billions of yen)

	FY 2016		FY 2017		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Advertising expenses	2.1	6.6	1.9	6.1	-0.2	-0.5
Promotion expenses	1.1	3.6	1.1	3.4	+0.0	-0.2
Warranty expenses	1.4	4.3	1.2	3.9	-0.2	-0.4
Other direct selling expenses	5.2	15.8	4.9	15.1	-0.2	-0.7
Personnel expenses	30.6	93.5	30.6	92.4	-0.0	-1.1
Depreciation and amortization	0.5	1.6	0.5	1.5	-0.1	-0.1
Other selling expenses	7.3	22.5	7.1	21.7	-0.1	-0.7
Total	48.2	147.9	47.4	144.2	-0.9	-3.7

Non-operating income and expenses

(Billions of yen)

■ Non-operating income

	FY2016		FY2017		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest income	0.1	0.2	0.0	0.1	-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	0.5	+0.0	-0.1
Other	0.1	0.4	0.1	0.4	+0.0	-0.0
Total	0.1	1.3	0.1	1.1	+0.0	-0.1

■ Non-operating expenses

	FY2016		FY2017		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest expenses	0.0	0.0	0.0	0.0	-0.0	-0.0
Foreign exchange losses	-0.0	0.0	0.0	0.0	+0.1	+0.0
Other	0.1	0.2	0.0	0.2	-0.0	-0.0
Total	0.0	0.3	0.1	0.2	+0.1	-0.0

Extraordinary income and expenses

(Billions of yen)

■ Extraordinary income

	FY2016		FY2017		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Gain on sales of non-current assets	0.6	0.8	0.0	0.9	-0.6	+0.1
Gain on sales investment securities	0.0	0.0	0.1	0.5	+0.1	+0.5
Other	-	0.0	-	0.1	-	+0.1
Total	0.6	0.8	0.1	1.5	-0.5	+0.7

■ Extraordinary expenses

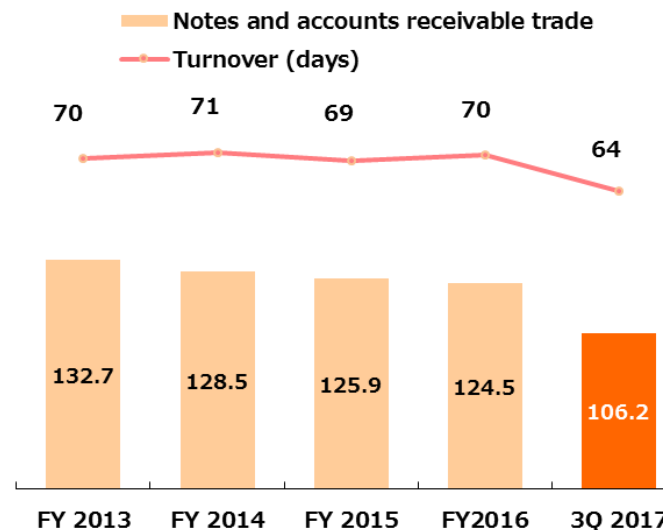
	FY2016		FY2017		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Loss on sales and retirement of non-current assets	0.5	0.7	0.6	0.8	+0.1	+0.1
Impairment loss	0.0	0.1	0.8	0.8	+0.8	+0.7
Special extra retirement payments	-	-	-	0.1	-	+0.1
Loss on disaster	0.0	0.0	-	-	-0.0	-0.0
Other	0.0	0.1	0.0	0.0	-0.0	-0.1
Total	0.6	1.0	1.4	1.7	+0.9	+0.8

Balance Sheets

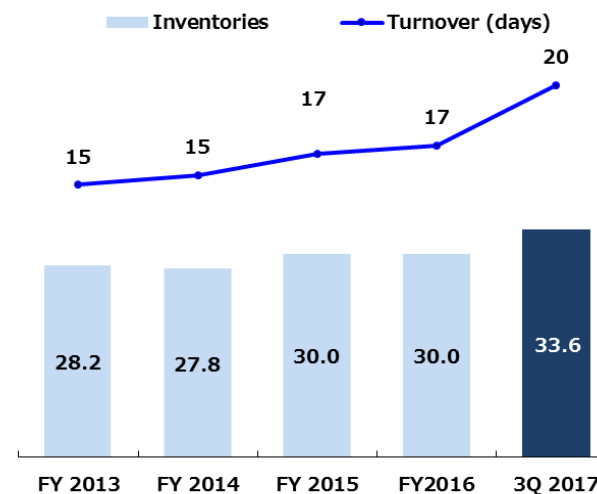
	Dec. 31 2016	Sep. 30 2017	Changes
Assets	497.7	489.3	-8.4
Current assets	362.1	374.1	+12.0
Cash and deposits	107.3	103.2	-4.0
Notes and accounts receivable trade	124.5	106.2	-18.3
Inventories	30.0	33.6	+3.6
Other	100.4	131.1	+30.7
Noncurrent assets	135.6	115.2	-20.4
Property, plant and equipment	96.7	75.6	-21.1
Intangible assets	6.8	5.8	-1.0
Investment and other assets	32.1	33.7	+1.6
Liabilities	216.8	203.8	-13.0
Current liabilities	157.0	143.3	-13.7
Notes and accounts receivable trade	102.7	87.8	-14.9
Other	54.3	55.5	+1.2
Noncurrent liabilities	59.8	60.5	+0.7
Net assets	280.9	285.5	+4.6
Shareholders' equity	287.6	293.0	+5.4
(Treasury stock)	-31.9	-31.9	-0.0
Accumulated other comprehensive income	-7.1	-7.9	-0.8
Minority interests	0.4	0.5	+0.0
Equity ratio	56%	58%	+2%

Notes and accounts receivable trade

(Billions of yen)



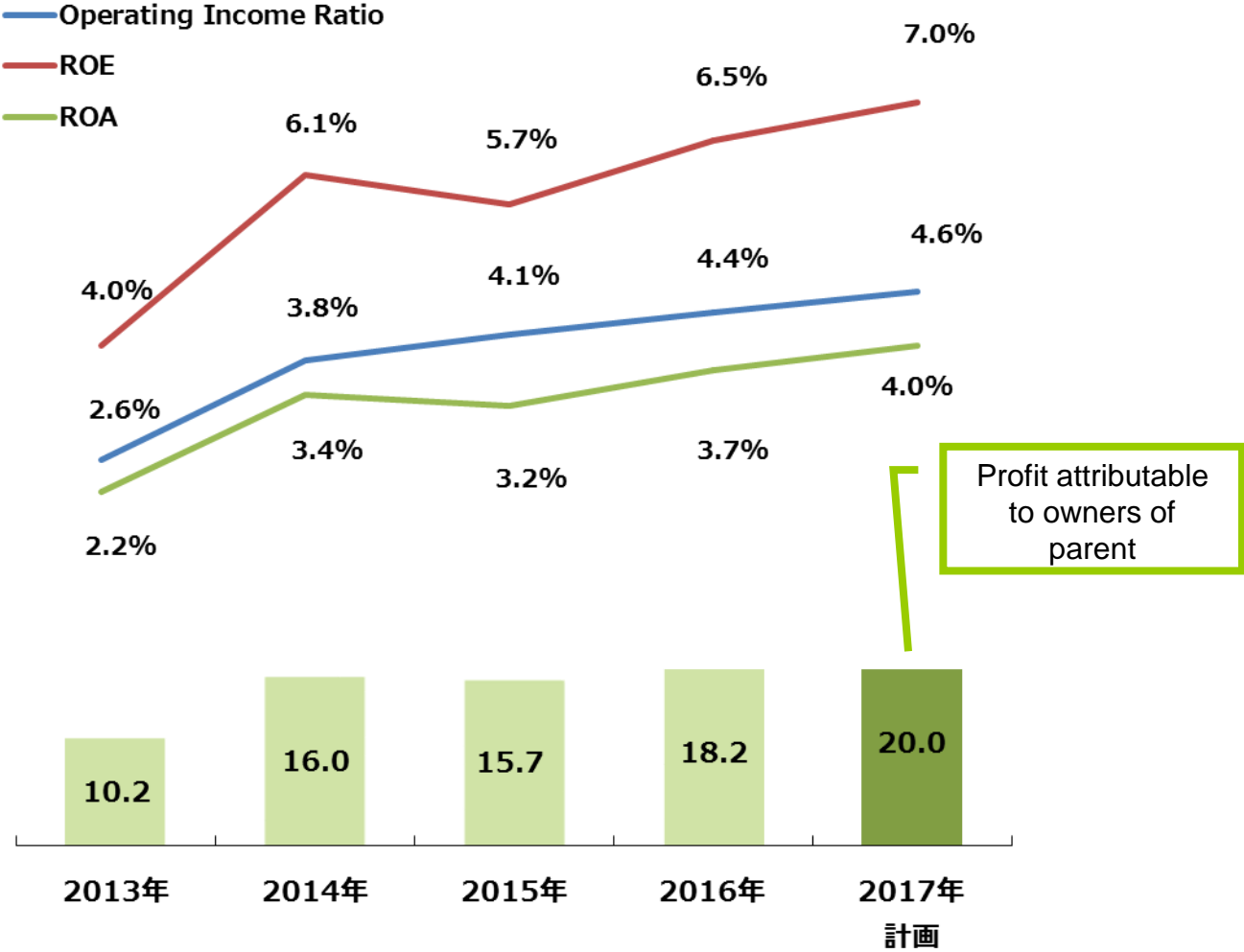
Inventories



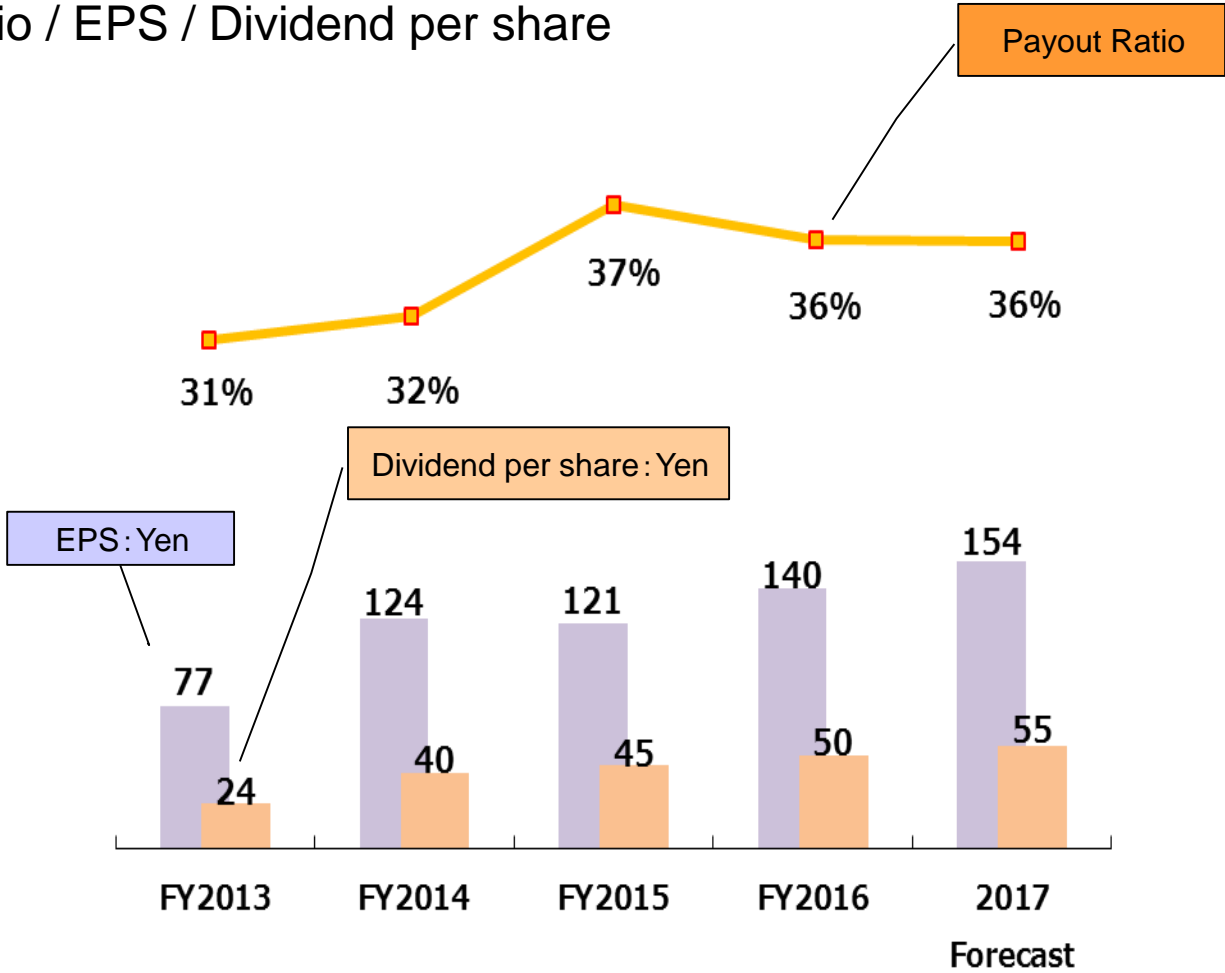
Financial indicator

(Billions of yen)

Operating income ratio / ROA / ROE



■ Payout ratio / EPS / Dividend per share



Financial indicator

(Billions of yen)

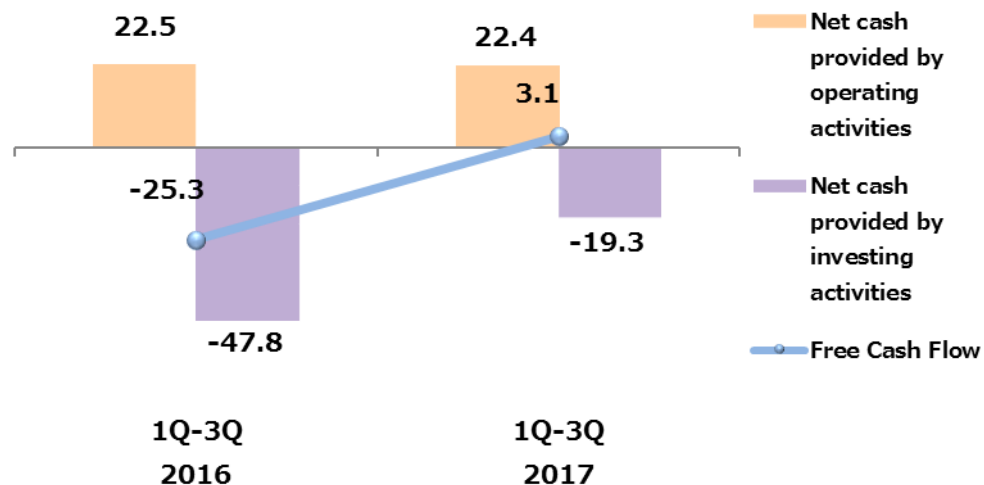
Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY2016	9.8	3.4	13.2
FY2017	9.2	4.8	14.1

Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY2016	11.2	3.7	14.9
FY2017	10.7	3.7	14.4

Cash Flow



Canon

Canon Marketing Japan Inc.