

1Q 2019 Results

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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 Results

1Q 2019 Actual
(from January 1 to March 31)



(Billions of yen)

Summary of Results

	1Q 2018	1Q 2019	Changes	
			Amount	%
Net sales	150.8	150.9	+0.1	+0%
Gross profit	(34.5%) 52.0	(32.3%) 48.7	(-2.2%) -3.3	-6%
Operating income	(2.5%) 3.7	(4.6%) 7.0	(+2.2%) +3.3	+89%
Ordinary income	(2.7%) 4.1	(4.8%) 7.3	(+2.1%) +3.2	+77%
Profit attributable to owners of parent	(1.7%) 2.5	(3.2%) 4.8	(+1.5%) +2.3	+89%

Op. Income Variance Analysis



Summary of Results

Comparisons with Results
before the Reclassification

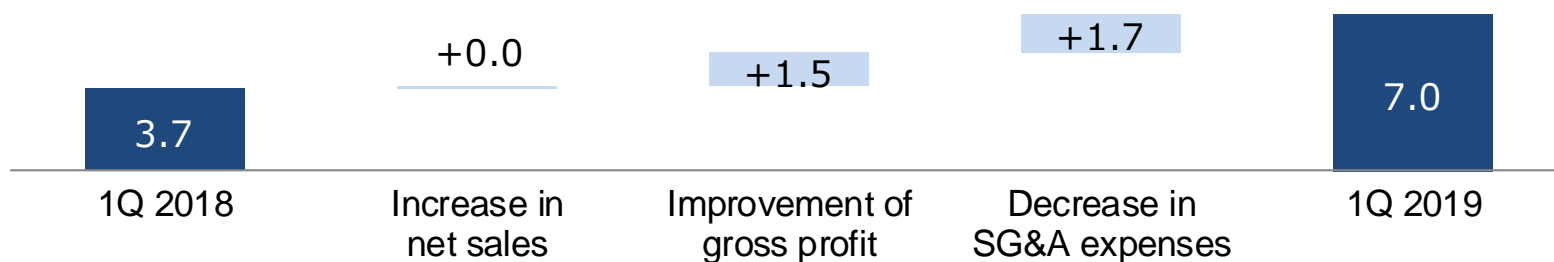


(Billions of yen)

Summary of Results

	1Q 2018	1Q 2019	Impact of the reclassification of services	1Q 2019 (before the reclassification)	Changes	
					Amount	%
Net sales	150.8	150.9	-	150.9	+0.1	+0%
Gross profit	(34.5%) 52.0	(32.3%) 48.7	4.9	(35.5%) 53.6	(+1.0%) +1.6	+3%
Operating income	(2.5%) 3.7	(4.6%) 7.0	-	(4.6%) 7.0	(+2.2%) +3.3	+89%
Ordinary income	(2.7%) 4.1	(4.8%) 7.3	-	(4.8%) 7.3	(+2.1%) +3.2	+77%
Profit attributable to owners of parent	(1.7%) 2.5	(3.2%) 4.8	-	(3.2%) 4.8	(+1.5%) +2.3	+89%

Op. Income Variance Analysis



Segment Outline

1Q 2019 Actual
(from January 1 to March 31)



(Billions of yen)

	1Q 2018		1Q 2019		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	26.8	-2.1	25.9	-1.3	-0.9	+0.9
Enterprise	47.2	2.2	49.9	3.5	+2.7	+1.3
Area	66.8	2.7	67.6	3.8	+0.8	+1.1
Professional	15.0	0.8	12.2	0.8	-2.9	-0.0
Other	-5.0	0.2	-4.6	0.2	+0.4	+0.0
Total	150.8	3.7	150.9	7.0	+0.1	+3.3

Notes

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

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for the results of the previous year are restated according to the classification method for the current period.

Segment Information Consumers Segment



Net sales : 25.9 B (Y/Y -0.9B, -3%)

- The segment recorded a decline in overall sales, mainly due to decreased sales of digital SLR cameras, which offset growth in sales of mirrorless cameras.

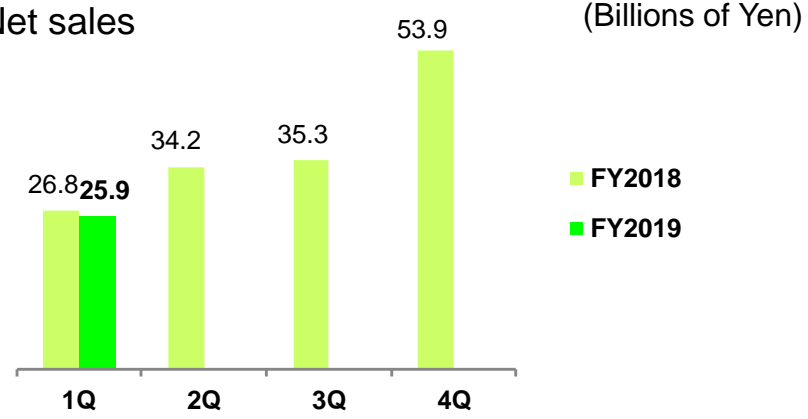
Operating income -1.3 B (Y/Y +0.9B, -%)

- Operating income improved due to increased sales of products carrying high unit prices and reductions in SG&A expenses.

■ 2019 Actual v. 2018 Actual

	1Q 2018	1Q 2019	Changes
Net sales	26.8	25.9	-0.9
Op. income	-2.1	-1.3	+0.9

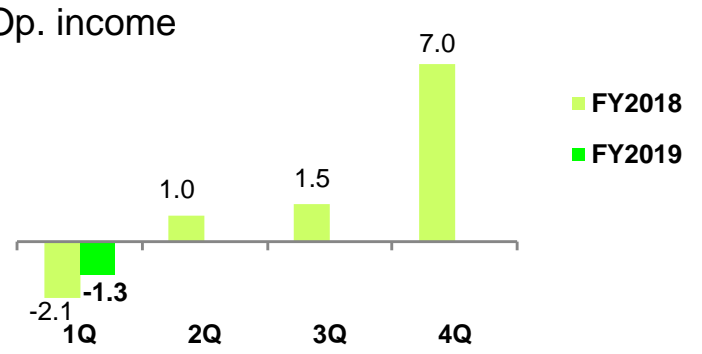
■ Net sales



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-3%				

■ Op. income



Segment Information **Enterprise Segment**



Net sales : 49.9 B (Y/Y +2.7B, +6%)

- Sales increased, reflecting the solid performances of industry-specific solutions for the manufacturing and distribution sectors, data center services and embedded systems projects in particular.

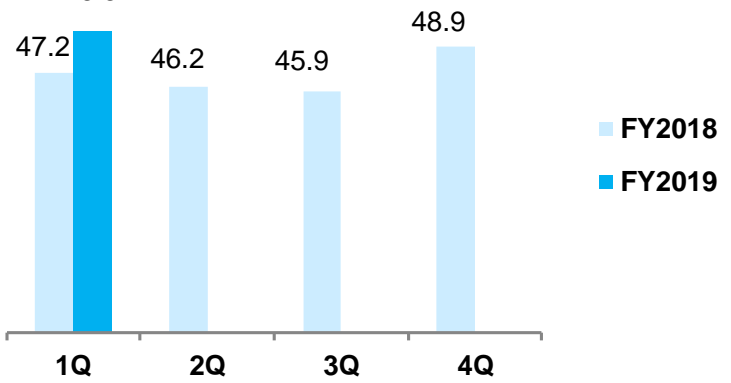
Operating income 3.5B (Y/Y +1.3B, +59%)

- Operating income increased, reflecting improved profitability achieved by Canon IT Solutions.

■ 2019 Actual v. 2018 Actual

	1Q 2018	1Q 2019	Changes
Net sales	47.2	49.9	+2.7
Op. income	2.2	3.5	+1.3

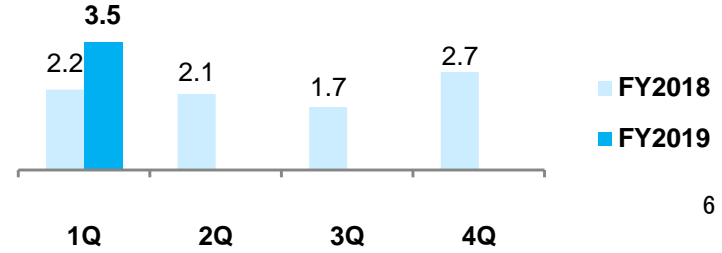
■ Net sales (Billions of Yen)



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	+6%	-	-	-	-

■ Op. income



Segment Information Area Segment

Net sales : 67.6 B (Y/Y +0.8B, +1%)

- Sales increased due to rises in sales of IT solutions for small and medium enterprises, offsetting the poor performance of the main business equipment.

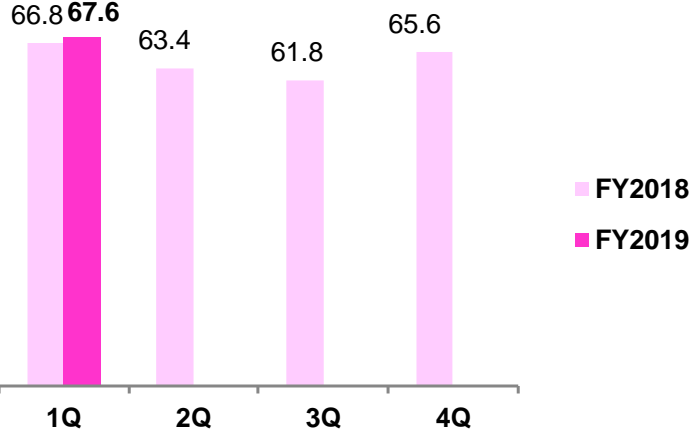
Operating income 3.8 B (Y/Y +1.1B, +41%)

- Operating income increased, mainly reflecting a rise in gross margins resulting from higher sales related to IT solutions and reductions in SG&A expenses.

■ 2019 Actual v. 2018 Actual

	1Q 2018	1Q 2019	Changes
Net sales	66.8	67.6	+0.8
Op. income	2.7	3.8	+1.1

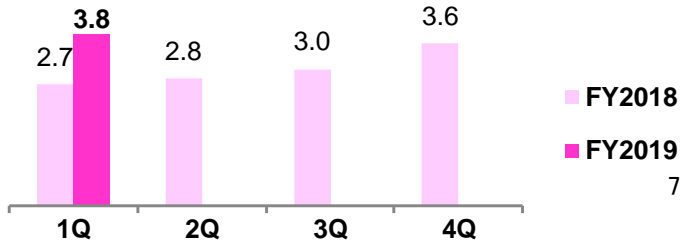
■ Net sales (Billions of Yen)



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	+1%	-	-	-	-

■ Op. income



Segment Information Professional Segment



Net sales : 12.2 B (Y/Y -2.9B, -19%)

- Sales decreased, mainly in reaction to the winning of large projects in the industrial equipment and healthcare businesses in the same period of the previous year.

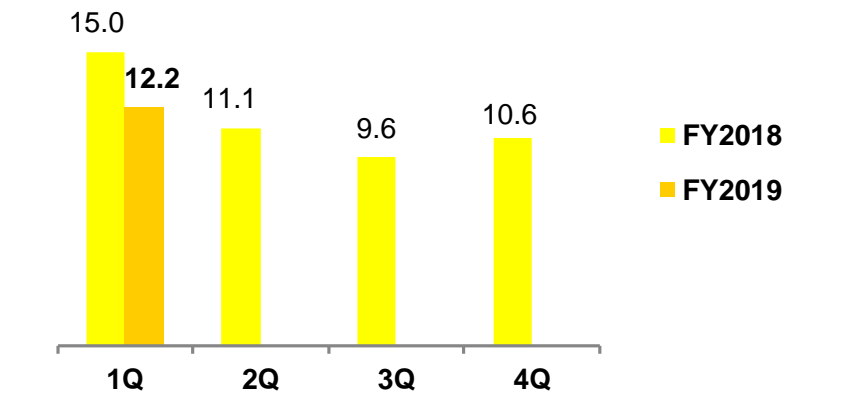
Operating income 0.8 B (Y/Y -0.0B, -0%)

- Operating income remained flat, mainly reflecting improved gross margins and reductions in SG&A expenses, which offset a decline in sales.

■ 2019 Actual v. 2018 Actual

	1Q 2018	1Q 2019	Changes
Net sales	15.0	12.2	-2.9
Op. income	0.8	0.8	-0.0

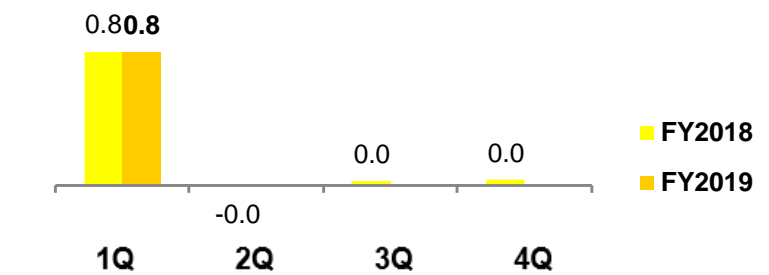
■ Net sales



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-19%	-	-	-	-

■ Op. income



■ Net sales - Growth rate (Y/Y)

	FY2019
	1Q Results (from January1 to March 31)
Production Printing	+1%
Industrial Equipment	-34%
Healthcare Business	-13%

■ **Production Printing**

Sales rose, mainly due to growth in businesses related to color continuous feed printers.

■ **Industrial Equipment**

Sales decreased, mainly due to the absence of the sales spike in the semiconductor sector seen in the same period of the previous year and the termination of sales agency agreements with overseas clients in the non-semiconductor sector.

■ **Healthcare Business**

Sales decreased due to reduced sales of digital radiography and the absence of the large projects that were won for medical information systems in the previous year.

Overall Sales of IT Solutions



(Billions of Yen)

■ Sales of IT Solutions by Segment

	1Q 2018	1Q 2019	Changes	
			Amount	%
Enterprise segment	29.3	31.8	+2.5	+8%
Area segment	15.1	17.9	+2.7	+18%
Other	5.6	5.6	-0.0	-1%
Total	50.1	55.2	+5.2	+10%

■ Reference: Overall IT Security

	Y/Y 2018 vs 2019
	1Q
Overall IT Security Amount	+1%

Summary of Projections

(Billions of Yen)

■ There is no revision for FY2019 projection.

	FY2019 Projection	FY2018 Actual	Changes	
			Amount	%
Net Sales	622.0	621.6	+0.4	+0%
	(4.7%)	(4.7%)	(+0.1%)	
Operating Income	29.5	28.9	+0.6	+2%
	(4.9%)	(4.9%)	(+0.0%)	
Ordinary Income	30.7	30.5	+0.2	+1%
	(3.4%)	(3.4%)	(+0.0%)	
Profit attributable to owners of parent	20.9	20.8	+0.1	+0%

Summary of Projections by Segment



■ There is no revision for FY2019 projection.

(Billions of Yen)

FY2019 Projection v. FY2018 Actual

	FY2018		FY2019		Changes		
	Actual		Projection				
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	150.2	7.3	138.8	6.9	-11.4	-8%	-0.4
Enterprise	188.2	8.7	190.0	9.7	+1.8	+1%	+1.0
Area	257.6	12.1	262.9	12.1	+5.3	+2%	+0.0
Professional	46.4	0.9	48.7	1.1	+2.3	+5%	+0.2
Other	-20.8	-0.1	-18.4	-0.3	+2.4	-%	-0.2
Total	621.6	28.9	622.0	29.5	+0.4	+0%	+0.6

Notes

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

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for the results of the previous year are restated according to the classification method for the current period.

- There is no revision for FY2019 projection.

Consumers

- While we make efforts for further expansion of sales of mirrorless cameras, net sales are expected to be 138.8 billion yen, 8% decrease year on year due to the declining performance for DSLR cameras and inkjet printers.
- While we aim to focus on high-value added products and reduce SG&A expenses, operating income is expected to come to 6.9 billion yen, down by 0.4 billion yen year on year.

Enterprise

- We forecast that net sales will be 190.0 billion yen, up 1% year on year due to a continuous increase in solutions for the financial and manufacturing sectors and businesses for SI/data center services/security, although net sales for main hardware are likely to decline.
- Operating income is expected to come to 9.7 billion yen, an 1 billion yen increase year on year, reflecting the provision of high-value added solutions and the raising of the stock ratio in the IT Solutions business.

- There is no revision for FY2019 projection.

Area

- Net sales are expected to be 262.9 billion yen, a 2% increase year on year due to the increased sales with the release of new Office MFP and sales expansion in IT Solutions.
- The consumables business is likely to be affected by the reduced number of operating days than the previous year, although highly profitable business such as IT maintenance services, etc. will increase. Moreover, partly due to the increase in expenses associated with an increase in MFP shipments, operating income is expected to come to 12.1 billion yen, about the same level as the previous year.

Professional

- Production Printing : The segment is expected to achieve an increase in sales reflecting a focus on expanded sales of color inkjet continuous feed printers.
- Industrial Equipment : The segment is expected to achieve an increase in sales, although there is a postponement of capital investment resulting from production adjustment of clients in the semiconductor sector.
- Healthcare : We forecast that we will post an 8% increase in sales year on year, reflecting a focus on expanded sales of new products and the winning of large projects.

Supplementary Information

FY2018



Financial results after the segment reclassification

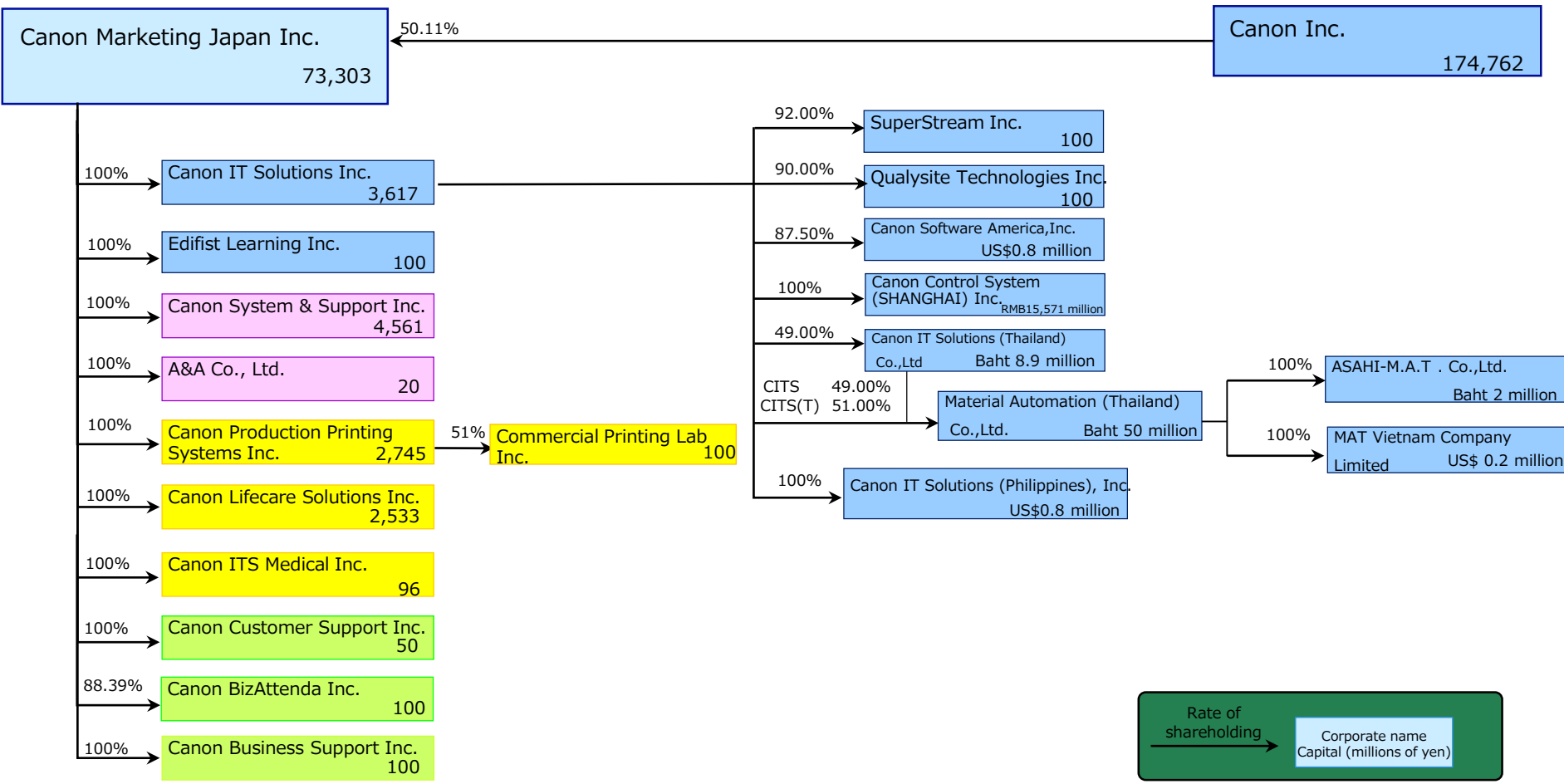
	FY2018								(Billions of Yen)
	1Q		2Q		3Q		4Q		
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	
Consumers	26.8	-2.1	34.2	1.0	35.3	1.5	53.9	7.0	
Enterprise	47.2	2.2	46.2	2.1	45.9	1.7	48.9	2.7	
Area	66.8	2.7	63.4	2.8	61.8	3.0	65.6	3.6	
Professional	15.0	0.8	11.1	-0.0	9.6	0.0	10.6	0.0	
Other	-5.0	0.2	-5.3	0.0	-5.2	0.0	-5.3	-0.2	
Total	150.8	3.7	149.7	5.9	147.4	6.2	173.7	13.0	

Notes

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

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for the results of the previous year are restated according to the classification method for the current period.

Capital Relationship Diagram



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

As of March 31, 2019

Results of main consolidated companies



(Billions of Yen)

		1Q FY2018		1Q FY2019		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	21.1		23.7		+2.6	+12%
	Op. income	1.7	(8.1%)	3.2	(13.3%)	+1.4	(+5.2%)
Area							
Canon System & Support Inc.	Net sales	30.7		31.3		+0.7	+2%
	Op. income	0.8	(2.6%)	1.3	(4.0%)	+0.5	(+1.4%)
Professional							
Canon Production Printing Systems Inc.	Net sales	2.9		2.9		+0.0	+2%
	Op. income	-0.2	(-)	0.1	(1.9%)	+0.3	(-)
Canon Lifecare Solutions Inc.	Net sales	3.4		3.1		-0.3	-9%
	Op. income	0.2	(4.3%)	0.1	(3.6%)	-0.0	(-0.7%)

* The results of the main affiliated companies for the previous year are also presented after the reclassification of such results due to changes in segment classification.

SG&A expenses



(Billions of Yen)

	FY 2018 1Q	FY 2019 1Q	Impact of the reclassification of services	FY 2019 1Q (before the reclassification)	Changes 1Q
Advertising expenses	1.9	1.7	-	1.7	-0.2
Promotion expenses	1.1	0.9	-	0.9	-0.2
Warranty expenses	1.3	1.0	0.1	1.1	-0.2
Other direct selling expenses	4.8	4.5	-	4.5	-0.2
Personnel expenses	31.5	26.5	4.6	31.1	-0.4
Depreciation and amortization	0.3	0.2	-	0.2	-0.1
Other selling expenses	7.3	6.8	0.2	7.0	-0.4
Total	48.3	41.7	4.9	46.5	-1.7

Non-operating income and expenses

(Billions of Yen)

■ Non-operating income

	FY 2018	FY 2019	Changes
	1Q	1Q	1Q
Interest income	0.0	0.0	+0.0
Dividend income	0.0	0.0	-0.0
Gain on investments in partnership	0.2	0.1	-0.1
Other	0.2	0.1	-0.1
Total	0.5	0.3	-0.2

■ Non-operating expenses

	FY 2018	FY 2019	Changes
	1Q	1Q	1Q
Interest expense	0.0	0.0	+0.0
Other	0.1	0.1	-0.0
Total	0.1	0.1	-0.0

Extraordinary income and expenses



(Billions of Yen)

■ Extraordinary income

	FY 2018	FY 2019	Changes
	1Q	1Q	1Q
Gain on sales of fixed assets	0.1	0.0	-0.1
Total	0.1	0.0	-0.1

■ Extraordinary expenses

	FY 2018	FY 2019	Changes
	1Q	1Q	1Q
Loss on sales and disposal of fixed assets	0.1	0.0	-0.0
Loss on impairment of fixed assets	0.0	-	-0.0
Loss on valuation of investments in securities	0.1	0.0	-0.1
Expenses for restructuring of business bases	0.0	-	-0.0
Other	0.0	0.0	-0.0
Total	0.2	0.0	-0.2

Balance Sheets

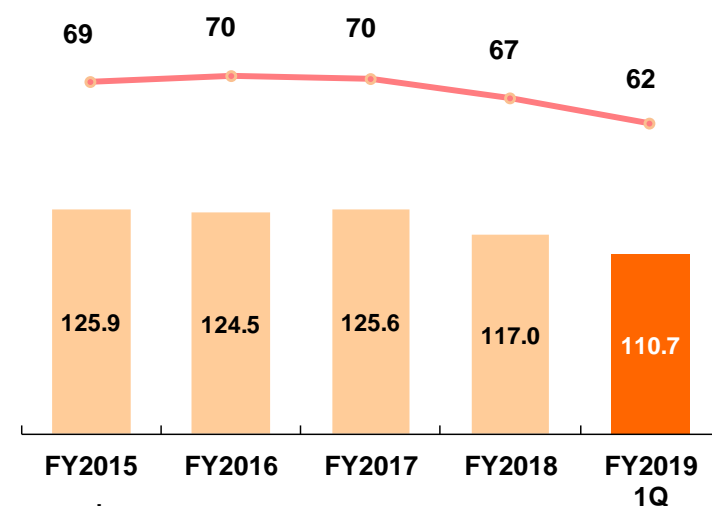


(Billions of Yen)

	Dec. 31 2018	Mar. 31 2019	Changes
Assets	498.8	493.0	-5.8
Current assets	387.2	378.5	-8.7
Cash and deposits	135.6	75.6	-60.0
Notes and accounts receivable	117.0	110.7	-6.4
Inventories	33.0	35.2	+2.1
Other (current assets)	101.6	157.1	+55.5
Non-current assets	111.5	114.5	+2.9
Property, plant and equipment	72.0	70.9	-1.1
Intangible assets	5.3	5.2	-0.1
Investments and other assets	34.3	38.4	+4.1
Liabilities	195.2	188.1	-7.1
Current liabilities	129.9	124.0	-5.9
Notes and accounts payable	75.8	69.5	-6.3
Other (current liabilities)	54.1	54.5	+0.5
Long-term liabilities	65.3	64.1	-1.3
Net assets	303.6	304.8	+1.3
Stakeholders' equity	314.2	313.4	-0.8
(Treasury stock)	-31.9	-31.9	-0.0
Total accumulated other comprehensive income (loss)	-11.1	-9.1	+2.0
Non-controlling interests	0.5	0.6	+0.0
Equity ratio	61%	62%	+1%

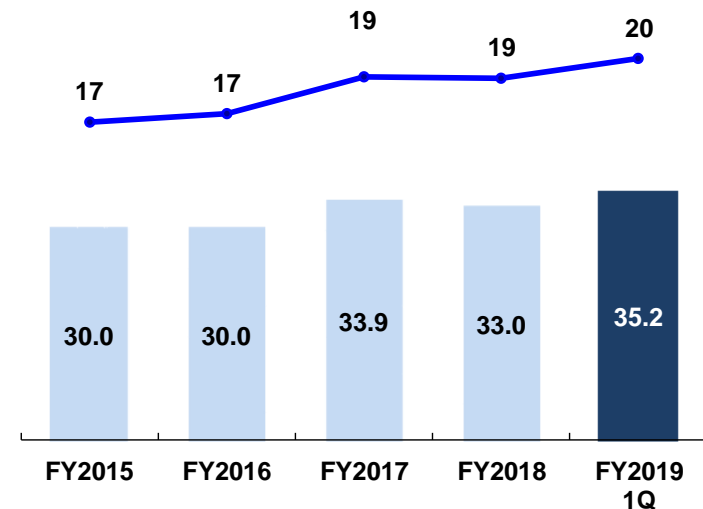
Notes and accounts receivable trade

Notes and accounts receivable trade Turnover (days)



Inventories

Inventories Turnover (days)

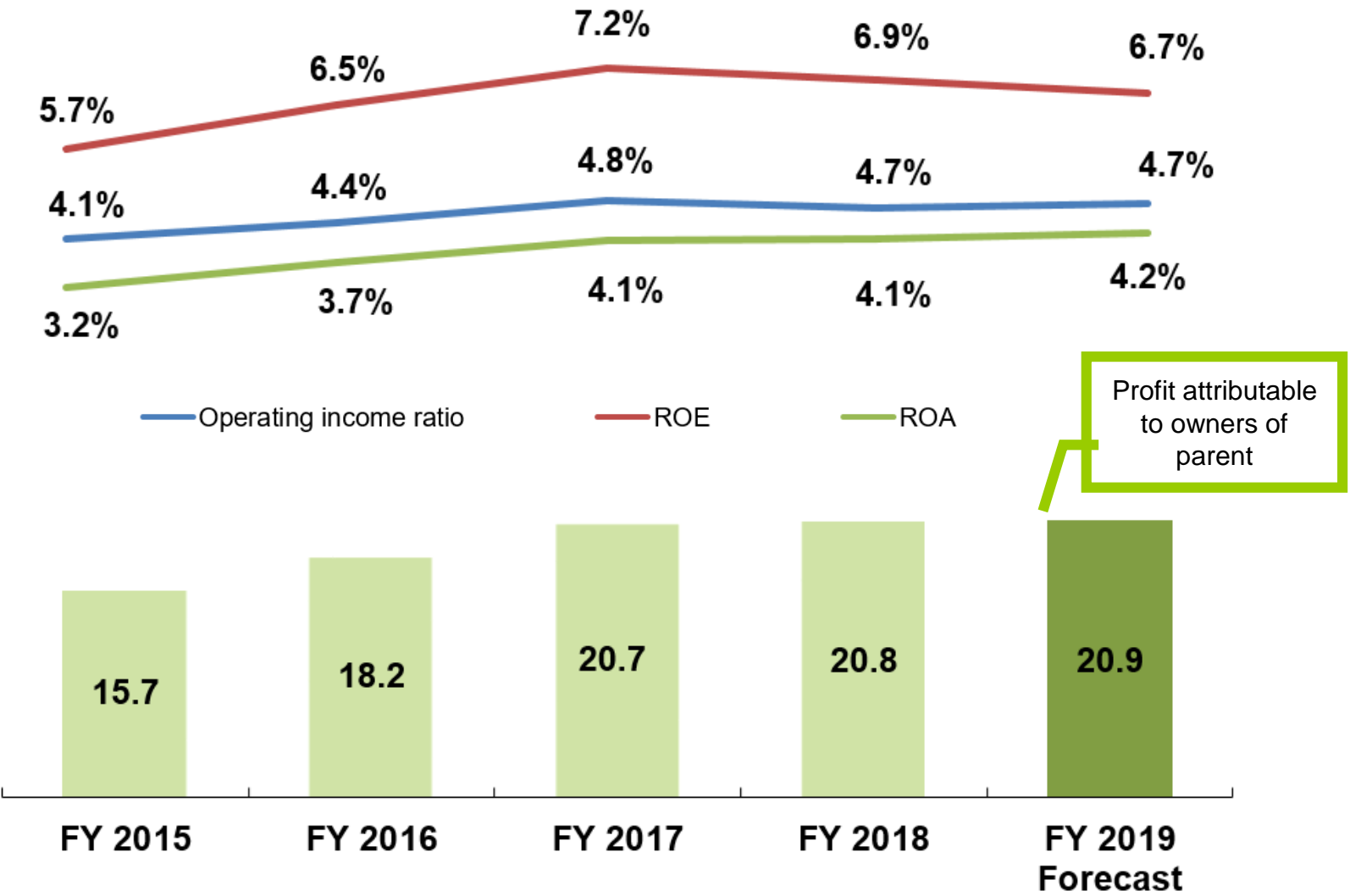


Financial Indicator



(Billions of Yen)

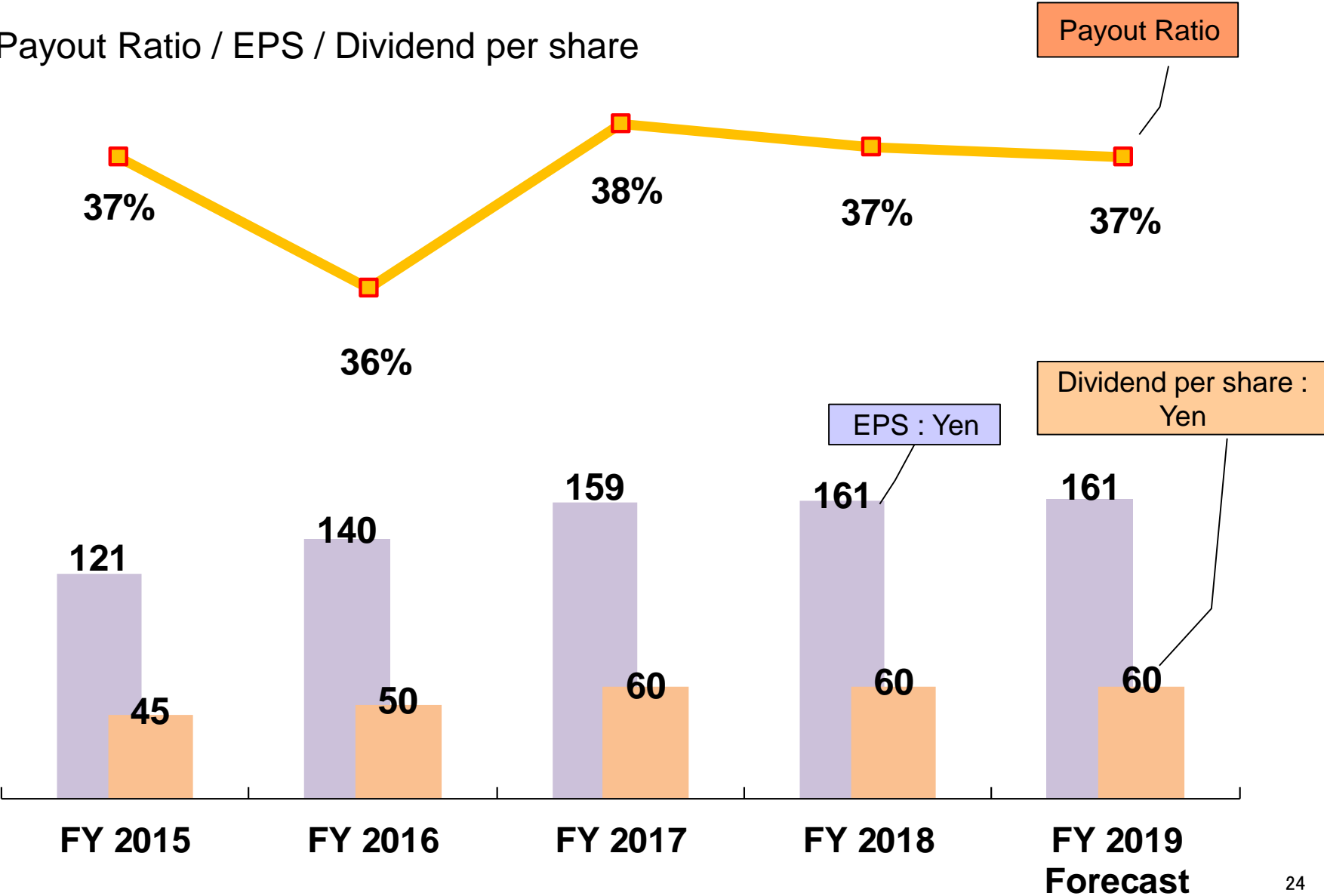
■ Operating income ratio / ROA / ROE



Financial Indicator

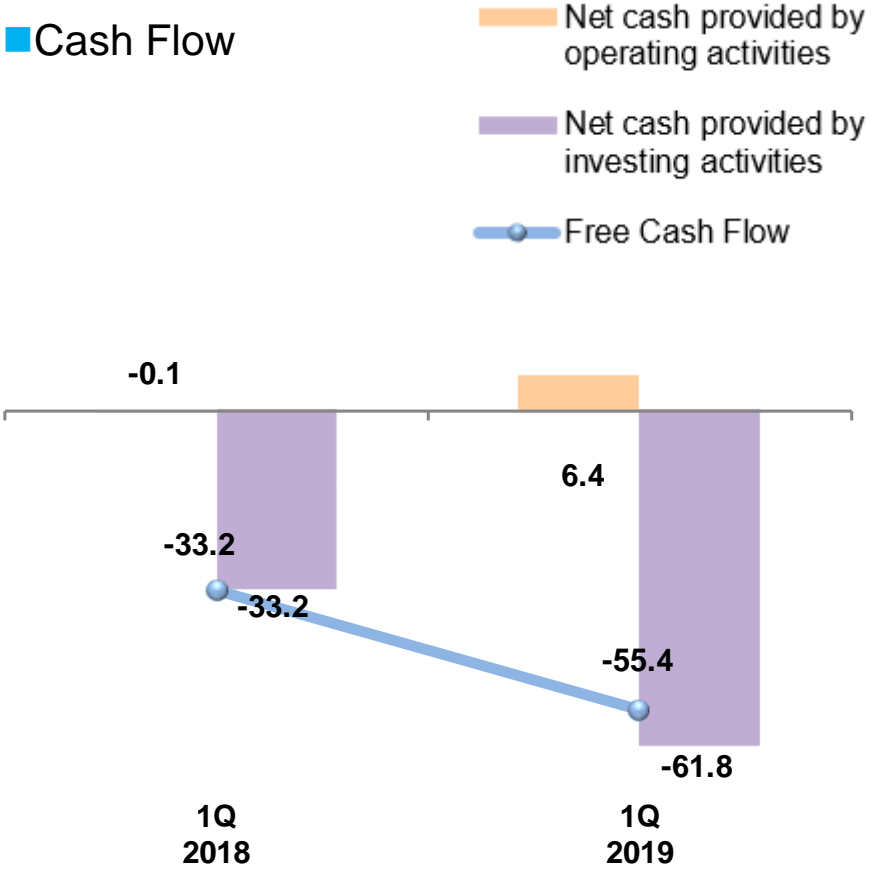


■ Payout Ratio / EPS / Dividend per share



Financial Indicator

(Billions of Yen)



Investment

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2018	2.6	8.2	10.7
FY 2019	1.9	22.7	24.6

Depreciation and amortization

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2018	3.3	10.0	13.3
FY 2019	3.0	9.8	12.8

Canon

Canon Marketing Japan Inc.