

# 3Q 2019 Results

October 28, 2019  
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**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

3Q 2019 Actual  
(from July 1 to September 30)

**Canon**

(Billions of yen)

## ■ Summary of Results

	3Q 2018	3Q 2019	Changes	
			Amount	%
Net sales	<b>147.4</b>	<b>160.2</b>	<b>+12.8</b>	<b>+9%</b>
Gross profit	(35.3%) <b>52.0</b>	(32.6%) <b>52.3</b>	(-2.7%) <b>+0.2</b>	<b>+0%</b>
Operating income	(4.2%) <b>6.2</b>	(6.5%) <b>10.5</b>	(+2.3%) <b>+4.2</b>	<b>+68%</b>
Ordinary income	(4.3%) <b>6.3</b>	(6.6%) <b>10.6</b>	(+2.3%) <b>+4.3</b>	<b>+67%</b>
Profit attributable to owners of parent	(2.8%) <b>4.1</b>	(4.4%) <b>7.1</b>	(+1.6%) <b>+3.0</b>	<b>+72%</b>

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Starting from this year, expenses related to service businesses that have hitherto been posted as expenses are reclassified as a cost.

I would like to give an explanation based on the results before reclassification shown on the next slide

# Summary of Results

Comparisons with Results  
before the Reclassification



(Billions of yen)

## Summary of Results

	3Q 2018	3Q 2019	Impact of the reclassification of services	3Q 2019 (before the reclassification)	Changes	
					Amount	%
Net sales	147.4	160.2	-	160.2	+12.8	+9%
Gross profit	(35.3%) 52.0	(32.6%) 52.3	4.9	(35.7%) 57.2	(+0.4%) +5.2	+10%
Operating income	(4.2%) 6.2	(6.5%) 10.5	-	(6.5%) 10.5	(+2.3%) +4.2	+68%
Ordinary income	(4.3%) 6.3	(6.6%) 10.6	-	(6.6%) 10.6	(+2.3%) +4.3	+67%
Profit attributable to owners of parent	(2.8%) 4.1	(4.4%) 7.1	-	(4.4%) 7.1	(+1.6%) +3.0	+72%

## Op. Income Variance Analysis



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The slide shows comparisons based on the assumption of making the conditions for the financial results of the third quarter equal to those last year by resetting the impact of the reclassification of services.

Gross profit increased, mainly reflecting the impact of a temporary rise in sales before the consumption tax hike, over and above the continued strong performance of IT Solutions.

Personnel expenses increased by 1.4 billion yen, but this was mainly due to an increase in retirement benefit expenses and the provision of bonuses resulting from an upward revision to the full year profit projection.

# Segment Outline

3Q 2019 Actual  
(from July 1 to September 30)

**Canon**

(Billions of yen)

	3Q 2018		3Q 2019		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	<b>35.3</b>	<b>1.5</b>	<b>34.2</b>	<b>2.8</b>	<b>-1.1</b>	<b>+1.4</b>
Enterprise	<b>45.9</b>	<b>1.7</b>	<b>50.9</b>	<b>2.8</b>	<b>+5.0</b>	<b>+1.0</b>
Area	<b>61.8</b>	<b>3.0</b>	<b>69.4</b>	<b>4.7</b>	<b>+7.6</b>	<b>+1.7</b>
Professional	<b>9.6</b>	<b>0.0</b>	<b>10.7</b>	<b>0.4</b>	<b>+1.0</b>	<b>+0.4</b>
Other	<b>-5.2</b>	<b>0.0</b>	<b>-4.9</b>	<b>-0.2</b>	<b>+0.3</b>	<b>-0.3</b>
<b>Total</b>	<b>147.4</b>	<b>6.2</b>	<b>160.2</b>	<b>10.5</b>	<b>+12.8</b>	<b>+4.2</b>

## 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.

# Summary of Results

1Q-3Q 2019 Actual  
(from January 1 to September 30)

**Canon**

(Billions of yen)

■ Summary of Results

	1Q-3Q 2018	1Q-3Q 2019	Changes	
			Amount	%
Net sales	<b>447.9</b>	<b>463.0</b>	<b>+15.1</b>	<b>+3%</b>
Gross profit	(35.1%) <b>157.0</b>	(32.2%) <b>149.1</b>	(-2.9%) <b>-8.0</b>	<b>-5%</b>
Operating income	(3.5%) <b>15.9</b>	(5.2%) <b>23.9</b>	(+1.6%) <b>+8.0</b>	<b>+50%</b>
Ordinary income	(3.9%) <b>17.3</b>	(5.4%) <b>24.9</b>	(+1.5%) <b>+7.6</b>	<b>+44%</b>
Profit attributable to owners of parent	(2.6%) <b>11.6</b>	(3.6%) <b>16.5</b>	(+1.0%) <b>+5.0</b>	<b>+43%</b>

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# Summary of Results

Comparisons with Results  
before the Reclassification

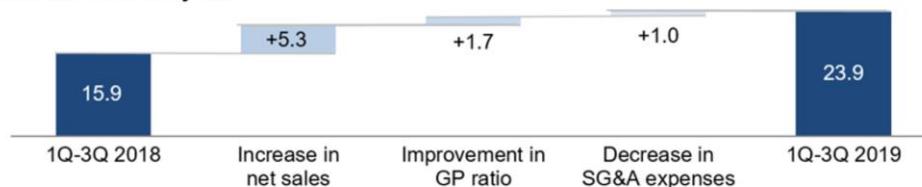


(Billions of yen)

## Summary of Results

	1Q-3Q 2018	1Q-3Q 2019	Impact of the reclassification of services	1Q-3Q 2019 (before the reclassification)	Changes	
					Amount	%
Net sales	<b>447.9</b>	<b>463.0</b>	-	<b>463.0</b>	<b>+15.1</b>	<b>+3%</b>
Gross profit	(35.1%) <b>157.0</b>	(32.2%) <b>149.1</b>	<b>14.9</b>	(35.4%) <b>164.0</b>	(+0.4%) <b>+7.0</b>	<b>+4%</b>
Operating income	(3.5%) <b>15.9</b>	(5.2%) <b>23.9</b>	-	(5.2%) <b>23.9</b>	(+1.6%) <b>+8.0</b>	<b>+50%</b>
Ordinary income	(3.9%) <b>17.3</b>	(5.4%) <b>24.9</b>	-	(5.4%) <b>24.9</b>	(+1.5%) <b>+7.6</b>	<b>+44%</b>
Profit attributable to owners of parent	(2.6%) <b>11.6</b>	(3.6%) <b>16.5</b>	-	(3.6%) <b>16.5</b>	(+1.0%) <b>+5.0</b>	<b>+43%</b>

## Op. Income Variance Analysis



# Segment Outline

1Q-3Q 2019 Actual  
(from January 1 to September 30)

**Canon**

(Billions of yen)

	1Q-3Q 2018		1Q-3Q 2019		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	<b>96.3</b>	<b>0.4</b>	<b>91.8</b>	<b>2.6</b>	<b>-4.5</b>	<b>+2.2</b>
Enterprise	<b>139.3</b>	<b>6.0</b>	<b>149.6</b>	<b>8.3</b>	<b>+10.3</b>	<b>+2.2</b>
Area	<b>192.0</b>	<b>8.5</b>	<b>202.2</b>	<b>11.7</b>	<b>+10.2</b>	<b>+3.2</b>
Professional	<b>35.8</b>	<b>0.8</b>	<b>33.9</b>	<b>1.7</b>	<b>-1.9</b>	<b>+0.9</b>
Other	<b>-15.5</b>	<b>0.2</b>	<b>-14.4</b>	<b>-0.3</b>	<b>+1.0</b>	<b>-0.5</b>
<b>Total</b>	<b>447.9</b>	<b>15.9</b>	<b>463.0</b>	<b>23.9</b>	<b>+15.1</b>	<b>+8.0</b>

## 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.

Net sales : 34.2 B (Y/Y -1.1B, -3%)

➤ Sales decreased due to a decline in sales of digital SLR cameras, despite an increase in sales related to inkjet printers.

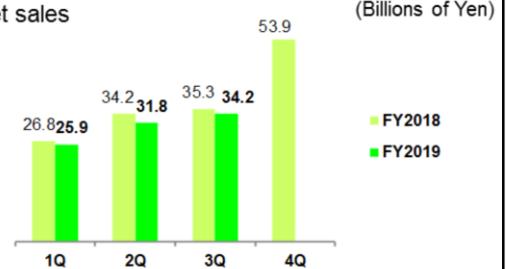
Operating income 2.8 B (Y/Y +1.4B, +91%)

➤ Profits increased, aided by reductions in SG&A expenses, over and above strong sales of ink cartridges and the positive effects of new product lines for digital interchangeable lens cameras.

■ 2019 Actual v. 2018 Actual

	1Q-3Q 2018	1Q-3Q 2019	Changes
Net sales	96.3	91.8	-4.5
Op. income	0.4	2.6	+2.2

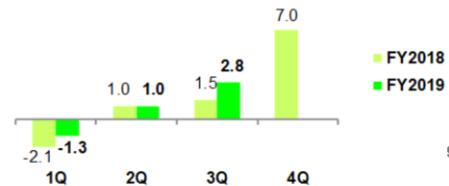
■ Net sales



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-3%	-7%	-3%		

■ Op. income



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## (Digital SLR Cameras)

The number of units sold was down by 40% year on year amid continued market contraction caused by the growing trend toward mirrorless cameras and other factors.

## (Mirrorless Cameras)

The number of units sold increased by 9% year on year, mainly reflecting the flying start made by the EOS M6 Mark II, a new product launched in late September, and efforts to expand the sales of products whose unit prices were high such as EOS R/RP.

## (Digital Interchangeable Lens Cameras)

As a result, the total number of digital interchangeable lens cameras sold decreased by 24% year on year. Meanwhile, last week Canon announced the development of the EOS-1D X Mark III, the latest model in the flagship EOS-1 series. With digital SLR cameras still mainly used in professional areas, the Company aims to obtain a dominant market share for this model as well. In addition, by installing service centers at international sporting events, for example, the Company will enhance systems to ensure photo shooting in optimal conditions. Through such efforts, it will continue to support photographers going forward.

## (Compact Digital Cameras)

The number of units sold decreased by 6% year on year due to overall market contraction, although the Company increased its market share substantially.

## (Inkjet Printers)

With respect to printers, the number of shipments increased by 9% year on year, reflecting a last-minute surge in demand ahead of the consumption tax hike and the positive effect of the cashback campaign, in addition to the continued strong sales of the product incorporating GIGA TANK, a large capacity ink tank. Ink cartridges also performed well, showing an increase of 6% resulting from a rush in demand ahead of the consumption tax hike.

## (IT Products)

Sales of IT products declined due to decreased sales of peripherals and SD cards, among other items, although gaming PCs continued to perform favorably.

## Segment Information **Enterprise Segment**

**Canon**

Net sales : 50.9 B (Y/Y +5.0B, +11%)

- Sales increased, reflecting large-scale projects for laser printers and the steady performance of IT Solutions, such as IT infrastructure services and engineering.

Operating income 2.8B (Y/Y +1.0B, +61%)

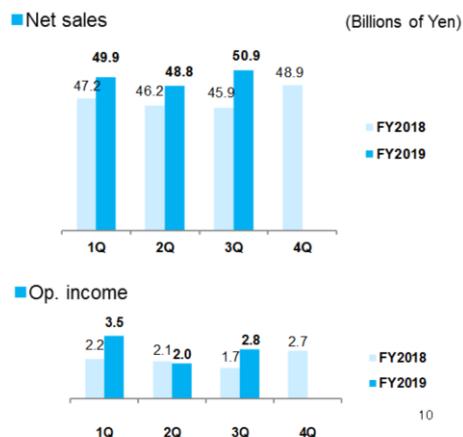
- Operating income rose, reflecting an increase in gross profit resulting from higher sales.

■ 2019 Actual v. 2018 Actual

	1Q-3Q 2018	1Q-3Q 2019	Changes
Net sales	139.3	149.6	+10.3
Op. income	6.0	8.3	+2.2

■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	+6%	+6%	+11%		



### (Financial)

In the Financial Sector, sales increased, mainly due to orders for large-scale projects involving laser printers and operational data collection terminals for life insurance companies, in addition to solid performance in SI projects for securities companies.

### (Manufacturing)

In the Manufacturing Sector, sales increased, mainly reflecting solid results in demand forecast system projects for beverage makers and operational data collection terminals for food makers.

### (Others)

Sales increased, mainly reflecting orders received for large-scale network camera projects for security companies in the logistics sector and orders for platform construction projects for universities in the education sector.

### (Main Business Equipment)

In the Business Equipment Sector of the Enterprise Segment, shipments of office MFPs decreased mainly due to the withdrawal from unprofitable projects. Shipments of laser printers increased, driven by large projects for life insurance companies. In addition, cartridges performed well in line with the replacement of printers.

### (Affiliated Companies)

The sales of Canon IT Solutions increased by 7% year on year, to 23.62 billion yen. Its operating income declined by 0.02 billion yen, to 0.15 billion yen, mainly due to the impact of the occurrence of unprofitable projects in some SI services.

- Sales of SI services decreased by 4% year on year due to the absence of orders for large-scale projects received in the previous year, although demand forecast system projects for beverage makers and other projects remained steady.
- IT infrastructure services posted year-on-year growth of 35% in sales, mainly reflecting orders received for platform construction projects for the public sector, over and above orders received for data center services and products such as ESET.
- Engineering posted year-on-year growth of 6%, reflecting solid performance in areas such as embedded systems for in-vehicle use and electronic equipment manufacturers.

### [Orders and Order Backlog]

Orders experienced a slight decline, chiefly due to the absence of large-scale SI projects in the Financial Sector, which offset an increase in orders received for embedded systems. The Order Backlog grew by 21%, mainly due to the receipt of orders for the data center II in 1Q.

**Net sales : 69.4 B (Y/Y +7.6B, +12%)**

➢ Sales increased due to a rise in sales of IT solutions mainly for PCs for business use, in addition to the solid performance of the main business equipment.

**Operating income 4.7 B (Y/Y +1.7B, +57%)**

➢ Operating income rose, reflecting an increase in gross profit resulting from higher sales.

■ 2019 Actual v. 2018 Actual

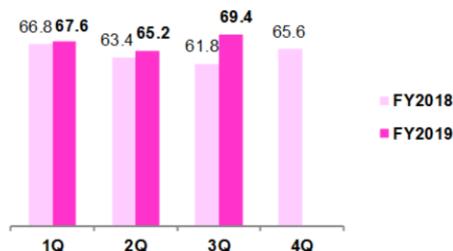
	1Q-3Q 2018	1Q-3Q 2019	Changes
Net sales	192.0	202.2	+10.2
Op. income	8.5	11.7	+3.2

■ Net sales - Growth rate (Y/Y)

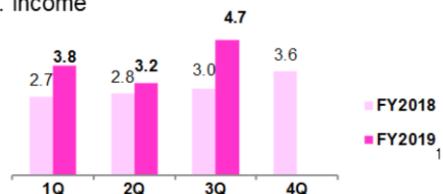
	1Q	2Q	3Q	4Q	FY
FY2019	+1%	+3%	+12%		

■ Net sales

(Billions of Yen)



■ Op. income



## <Business Equipment>

With respect to Business Equipment, the number of Office MFPs shipped increased, largely due to the acquisition of new customers through the steady effort of facilitating migration to high-end models primarily at medium-sized companies. Shipments of laser printers increased, mainly due to proposal making in sync with growth in demand for business PCs, in addition to efforts made to promote sales for specific industries. Sales of laser printer cartridges rose due to the effect of a last-minute surge in demand ahead of the consumption tax hike.

## <IT Solutions>

In IT solutions, the number of business PCs shipped increased significantly, with demand peaking ahead of the consumption tax hike over and above continued strong replacement demand resulting from the termination of extended support services for Windows 7. The segment maintained its strong performance thanks to a combined proposal of the HOME IT support cloud service for the Office 365 and the ESET antivirus software.

In addition, shipments of different types of software for operation efficiency improvements, for which demand is growing among small- and medium-sized companies, remained strong partly due to demand for updates ahead of the tax hike.

## (Affiliated Companies)

At Canon System & Support Inc., business equipment showed solid performance, coupled with the strong performance of IT solutions, mainly business PCs. Consequently, sales increased by 16% year on year, to 33.12 billion yen, and operating income rose 0.68 billion yen year on year, to 1.63 billion yen.

## <Network Cameras>

Looking at Group total third-quarter results for network cameras, outlined in the Supplementary Material, sales of network cameras for monitoring applications in plants, stores and stadiums were brisk, and video platform projects, such as the VisualStage cloud service, also increased as a business that adds value to the existing network camera equipment business. As a result, net sales increased 22% year on year, maintaining its expansionary trend.

In September 2019, the Company made an additional investment of 0.98 billion yen in Safie Inc, a company with which it made a capital alliance in 2017, with respect to the cloud service business of the Network Cameras sector, for the purpose of enhancing the type of target businesses, strengthening approaches to large- and medium-sized companies and creating synergies with technologies owned by Canon.

**Net sales : 10.7 B (Y/Y +1.0B, +11%)**

- Sales increased thanks to the strong performance of the healthcare business, offsetting the poor performance of industrial equipment.

**Operating income 0.4 B (Y/Y +0.4B, -%)**

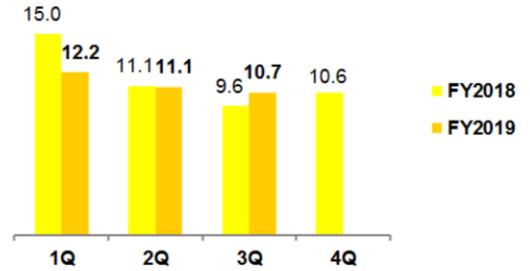
- Operating income increased, mainly reflecting reductions in SG&A expenses and the strong performance of highly profitable products.

■ 2019 Actual v. 2018 Actual

	1Q-3Q 2018	1Q-3Q 2019	Changes
Net sales	35.8	33.9	-1.9
Op. income	0.8	1.7	+0.9

■ Net sales

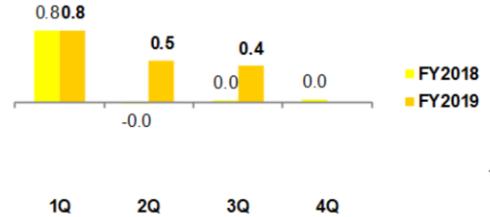
(Billions of Yen)



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-19%	-1%	+11%		

■ Op. income



■ Net sales - Growth rate (Y/Y)

	FY2019		
	1Q Results	2Q Results	3Q Results
Production Printing	+1%	-22%	-4%
Industrial Equipment	-34%	-2%	-6%
Healthcare Business	-13%	+19%	+37%

■ **Production Printing**

Sales decreased mainly due to the poor performance of color continuous feed printers and wide-format printers, among other products, despite the strong performance of system projects for POP production.

■ **Industrial Equipment**

Sales declined due to the poor performance of components, among other products, in the non-semiconductor sector, despite the strong performance of the semiconductor sector.

■ **Healthcare Business**

Sales increased significantly, partly reflecting a last minute surge in demand for consumables before the consumption tax hike in addition to the significant growth of medical IT for hospitals and increased sales of digital radiography.

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## [Professional] Subsegments

**[Affiliated Companies]**  
**(Production Printing)**

Canon Production Printing Systems posted sales of 2.69 billion yen, down 5% year on year. Its operating income increased by 0.18 billion yen year on year, to 0.09 billion yen, reflecting an increase in gross profit resulting from system projects for POP production in association with changes in the consumption tax rate over and above an increase in maintenance services due to a greater volume of documents for monochrome continuous feed printers.

**(Healthcare)**

Canon Lifecare Solutions posted sales of 2.98 billion yen, up 22% year on year, due to the solid performance of digital radiography and other products. Its operating income rose by 0.18 billion yen, to 0.13 billion yen.

# Overall Sales of IT Solutions



(Billions of Yen)

## ■ Sales of IT Solutions by Segment

	3Q 2018	3Q 2019	Changes	
			Amount	%
Enterprise segment	28.2	31.7	+3.6	+13%
Area segment	14.0	20.2	+6.3	+45%
Other	5.4	5.9	+0.6	+10%
<b>Total</b>	<b>47.5</b>	<b>57.9</b>	<b>+10.4</b>	<b>+22%</b>

	1Q-3Q 2018	1Q-3Q 2019	Changes	
			Amount	%
Enterprise segment	86.2	96.2	+10.0	+12%
Area segment	43.7	55.8	+12.1	+28%
Other	15.5	17.0	+1.5	+10%
<b>Total</b>	<b>145.4</b>	<b>169.1</b>	<b>+23.7</b>	<b>+16%</b>

## ■ Reference: Overall IT Security

	Y/Y 2018 vs 2019	
	3Q	1Q-3Q
	Overall IT Security Amount	+9%

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IT solutions continued to show steady performance in the third quarter. In particular, sales increased significantly in the Area segment, reflecting extremely brisk business PC replacement demand partly due to a rush ahead of the consumption tax hike. In the Enterprise segment, Canon IT Solutions, a Canon group company, posted an increase in sales, coupled with the growth of IT solution businesses on a nonconsolidated basis.

IT security sales increased by 9%, mainly due to the efforts of offering the ESET security software in combination with business PCs and increased sales of firewall equipment mainly for large-scale projects.

# Summary of Projections

## FY2019 Current Projection v. Previous Projection

(Billions of Yen)

	FY2019		Changes		【Reference】		
	FY2019 Previous projection	FY2019 Current Projection	Amount	%	FY2018 Actual	Changes	
					Amount	Amount	%
Net Sales	<b>622.0</b>	<b>623.0</b>	<b>+1.0</b>	<b>+0%</b>	<b>621.6</b>	<b>+1.4</b>	<b>+0%</b>
	(4.8%)	(5.0%)	(+0.2%)		(4.7%)	(+0.3%)	
Operating Income	<b>30.0</b>	<b>31.0</b>	<b>+1.0</b>	<b>+3%</b>	<b>28.9</b>	<b>+2.1</b>	<b>+7%</b>
	(5.0%)	(5.2%)	(+0.2%)		(4.9%)	(+0.3%)	
Ordinary Income	<b>31.2</b>	<b>32.2</b>	<b>+1.0</b>	<b>+3%</b>	<b>30.5</b>	<b>+1.7</b>	<b>+6%</b>
	(3.4%)	(3.5%)	(+0.1%)		(3.4%)	(+0.1%)	
Profit attributable to owners of parent	<b>21.0</b>	<b>21.5</b>	<b>+0.5</b>	<b>+2%</b>	<b>20.8</b>	<b>+0.7</b>	<b>+3%</b>

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In light of progress made in the first nine months and forecasts for the fourth quarter, the Company has made upward revisions, increasing sales by 1.0 billion yen and operating income by 1.0 billion yen.

Overall SG&A expenses are expected to increase in the fourth quarter due to rises mainly in IT, advertising and retirement benefit expenses.

# Summary of Projections by Segment



## FY2019 Current Projection v. Previous Projection

(Billions of Yen)

	FY2019		FY2019		Changes		
	Previous Projection		Current Projection		Net Sales		Op.
	Net Sales	Op. Income	Net Sales	Op. Income	Amount	%	Income
Consumers	138.8	6.9	133.7	6.9	-5.1	-4%	-
Enterprise	191.0	9.9	196.2	9.9	+5.2	+3%	-
Area	261.9	12.6	267.4	13.6	+5.5	+2%	+1.0
Professional	48.7	1.2	45.1	1.2	-3.6	-7%	-
Other	-18.4	-0.6	-19.4	-0.6	-1.0	-	-
<b>Total</b>	<b>622.0</b>	<b>30.0</b>	<b>623.0</b>	<b>31.0</b>	<b>+1.0</b>	<b>+0%</b>	<b>+1.0</b>

### 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.

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### (Consumers)

The digital interchangeable lens camera market has been contracting more sharply than expected, mainly in digital SLR cameras. Given this situation, the Company has revised the sales projection downward by 5.1 billion yen, to 133.7 billion yen. On the other hand, operating income is expected to remain at the previous projection's level as a result of further reductions in SG&A expenses.

### (Enterprise)

In light of the progress made in the first nine months, the Company has revised sales upward by 5.2 billion yen, to 196.2 billion yen, or 4% year on year. However, operating income is expected to remain almost unchanged from the previous projection, mainly due to the continued impact of sluggish orders resulting from measures taken to cope with unprofitable projects, which will be prolonged in 4Q as well.

### (Area)

To reflect the upward swing in the third quarter, in particular, the Company has revised sales upward by 5.5 billion yen, to 267.4 billion yen, or an increase of 4% year on year. It has also revised operating income upward by 1.0 billion yen from the level in the previous projection and projects 13.6 billion yen, or an increase in profit of 1.5 billion yen year on year.

### (Professional)

Given the downward swing in the first nine months in Projection Printing and Industrial Equipment, the Company has revised sales downward by 3.6 billion yen from the level in the previous projection and expects to record 45.1 billion yen. In terms of operating income, it will maintain the previous projection's level through further reductions in SG&A expenses, among other measures.

# Summary of Projections by Segment



## FY2019 Projection v. FY2018 Actual

(Billions of Yen)

	FY2018		FY2019		Changes		
	Actual		Projection		Net Sales		Op.
	Net Sales	Op. Income	Net Sales	Op. Income	Amount	%	Income
Consumers	150.2	7.3	133.7	6.9	-16.5	-11%	-0.4
Enterprise	188.2	8.7	196.2	9.9	+8.0	+4%	+1.2
Area	257.6	12.1	267.4	13.6	+9.8	+4%	+1.5
Professional	46.4	0.9	45.1	1.2	-1.3	-3%	+0.3
Other	-20.8	-0.1	-19.4	-0.6	+1.4	-	-0.5
<b>Total</b>	<b>621.6</b>	<b>28.9</b>	<b>623.0</b>	<b>31.0</b>	<b>+1.4</b>	<b>+0%</b>	<b>+2.1</b>

### 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.

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# Summary of Projections by Segment

Canon

(Billions of Yen)

	Actual 1Q-3Q 2018		Actual 4Q 2018		Actual 1Q-3Q 2019		Projection 4Q 2019		Changes 1Q-3Q		Changes 4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	96.3	0.4	53.9	7.0	91.8	2.6	41.9	4.3	-4.5	+2.2	-12.0	-2.6
Enterprise	139.3	6.0	48.9	2.7	149.6	8.3	46.6	1.6	+10.3	+2.2	-2.3	-1.1
Area	192.0	8.5	65.6	3.6	202.2	11.7	65.2	1.9	+10.2	+3.2	-0.4	-1.6
Professional	35.8	0.8	10.6	0.0	33.9	1.7	11.2	-0.5	-1.9	+0.9	+0.6	-0.5
Other	-15.5	0.2	-5.3	-0.2	-14.4	-0.3	-5.0	-0.3	+1.0	-0.5	+0.4	-0.1
Total	447.9	15.9	173.7	13.0	463.0	23.9	160.0	7.1	+15.1	+8.0	-13.7	-5.9

## 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.

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## [Consumers]

A decrease in both sales and operating income is expected to continue into the fourth quarter, reflecting the persistently declining sales of digital SLR cameras due to market contraction, coupled with lower sales of inkjet printers and cartridges for home use mainly as a result of the absence of a surge in demand ahead of the consumption tax increase and falling demand for New Year's cards.

## [Enterprise]

In the fourth quarter, sales are expected to decrease, partly due to the absence of orders received for large-scale projects for business PCs and SI services in the same period of the previous year, offsetting an increase in sales of office MFPs and laser printer cartridges, among other products. With respect to IT infrastructure services, sales are expected to decline temporarily in the fourth quarter, reflecting the stagnation due to the absence of the strong performance of the platform business in the first nine months.

Operating income is expected to decrease due to a fall in gross profit resulting from lower sales and the slowdown of order acquisition efforts attributable to the occurrence of unprofitable projects in the third quarter.

## [Area]

Sales of office MFPs will continue to be actively increased in the fourth quarter, mainly for medium-sized companies. Despite this, the segment expects to record a slight decline in sales, partly due to the absence of the growth of business PCs in the same period of the previous year.

Operating income is expected to decline, mainly due to rises in SG&A expenses such as expenses related to the expansion of sales for office MFPs, in addition to a decline in orders received for operation and maintenance services resulting from a fall in business PC shipments and a decrease in gross profit due to the absence of a last-minute surge in demand for laser printer cartridges ahead of the consumption tax hike.

## [Professional]

(Production printing)

In the fourth quarter, sales are expected to decrease, reflecting an expected decline in orders received for color continuous feed printers. On a full-year basis, sales have been revised downward from the previously announced year-on-year increase of 6% to a decrease of 8%.

(Industrial equipment)

In the fourth quarter, sales are expected to rise due to solid performance in inspection equipment and maintenance services for semiconductor manufacturers. On a full-year basis, however, sales have been revised downward from an increase of 1% year on year to a decrease of 11%, reflecting the downward swing in the first nine months and revisions to the fourth quarter projection.

(Healthcare)

Sales are expected to increase, given the anticipation of continued growth in digital radiography. There is no change in the full-year forecast.

As a result, sales in the overall Professional segment are expected to increase in the fourth quarter. Operating income is expected to decline, mainly due to an increase in investment costs related to new production printing products and a decrease in orders received for highly profitable consumable healthcare products due to the absence of a last-minute surge in demand ahead of the consumption tax hike.

# Supplementary Information

## Financial results after the segment reclassification

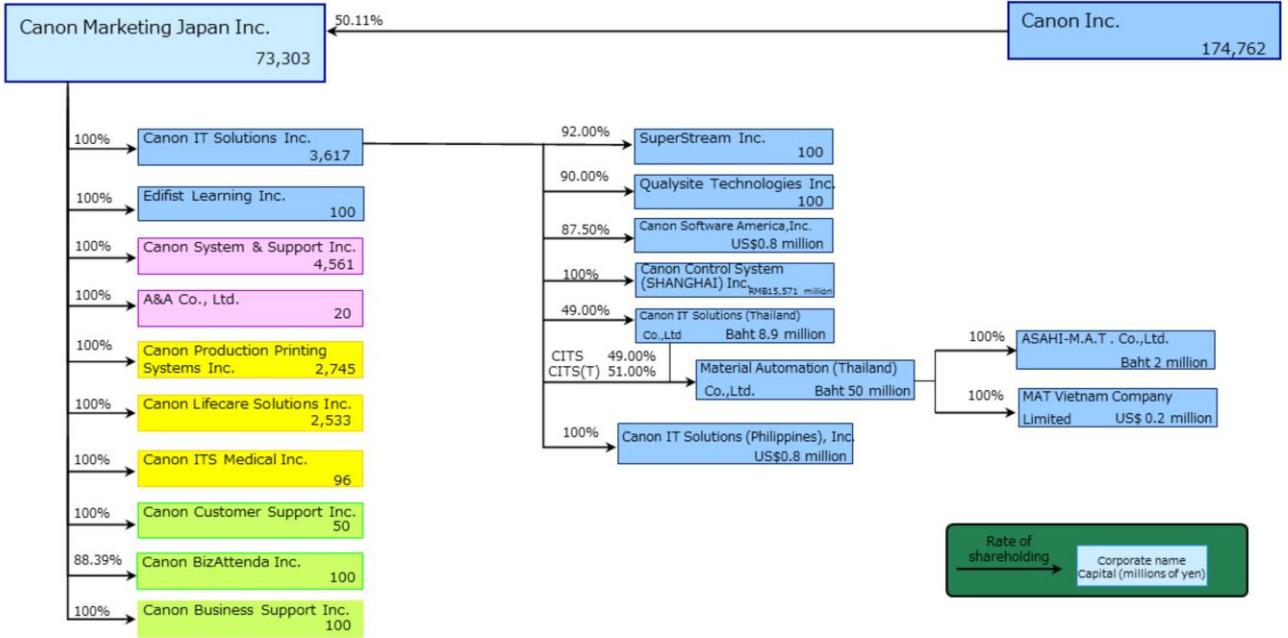
	FY2018								(Billions of Yen)
	1Q		2Q		3Q		4Q		
	Net sales	Op. Income							
Consumers	26.8	-2.1	34.2	1.0	35.3	1.5	53.9	7.0	
Enterprise	47.2	2.2	46.2	2.1	45.9	1.7	48.9	2.7	
Area	66.8	2.7	63.4	2.8	61.8	3.0	65.6	3.6	
Professional	15.0	0.8	11.1	-0.0	9.6	0.0	10.6	0.0	
Other	-5.0	0.2	-5.3	0.0	-5.2	0.0	-5.3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

## 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.<sup>20</sup>

# Capital Relationship Diagram



As of September 30, 2019

# Results of main consolidated companies



(Billions of Yen)

		3Q FY2018		3Q FY2019		Changes	
						Amount	%
<b>Enterprise</b>							
Canon IT Solutions Inc.	Net sales	22.16		23.62		+1.46	+7%
	Op. income	1.51	(6.8%)	1.50	(6.3%)	-0.02	(-0.5%)
<b>Area</b>							
Canon System & Support Inc.	Net sales	28.62		33.12		+4.50	+16%
	Op. income	0.94	(3.3%)	1.63	(4.9%)	+0.68	(+1.6%)
<b>Professional</b>							
Canon Production Printing Systems Inc.	Net sales	2.82		2.69		-0.13	-5%
	Op. income	-0.09	(-)	0.09	(3.4%)	+0.18	(-)
Canon Lifecare Solutions Inc.	Net sales	2.44		2.98		+0.54	+22%
	Op. income	-0.06	(-)	0.13	(4.3%)	+0.18	(-)

\* 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.

# Results of main consolidated companies



(Billions of Yen)

		1Q-3Q FY2018		1Q-3Q FY2019		Changes	
						Amount	%
<b>Enterprise</b>							
Canon IT Solutions Inc.	Net sales	64.17		69.96		+5.79	+9%
	Op. income	5.00	(7.8%)	6.49	(9.3%)	+1.49	(+1.5%)
<b>Area</b>							
Canon System & Support Inc.	Net sales	88.51		95.12		+6.62	+7%
	Op. income	2.66	(3.0%)	4.07	(4.3%)	+1.41	(+1.3%)
<b>Professional</b>							
Canon Production Printing Systems Inc.	Net sales	8.97		8.06		-0.91	-10%
	Op. income	-0.35	(-)	0.19	(2.3%)	+0.54	(-)
Canon Lifecare Solutions Inc.	Net sales	8.58		8.78		+0.20	+2%
	Op. income	0.12	(1.4%)	0.27	(3.1%)	+0.15	(+1.7%)

\* 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

3Q 2019 Actual  
(from July 1 to September 30)



(Billions of Yen)

	FY 2018 3Q	FY 2019 3Q	Impact of the reclassification of services	FY 2019 3Q (before the reclassification)	Changes 3Q
Advertising expenses	2.0	1.8	-	1.8	-0.3
Promotion expenses	0.9	0.8	-	0.8	-0.1
Warranty expenses	1.2	0.9	0.1	1.0	-0.2
Other direct selling expenses	4.7	4.7	-	4.7	+0.0
Personnel expenses	29.6	26.4	4.6	31.0	+1.4
Depreciation and amortization	0.3	0.2	-	0.2	-0.1
Other selling expenses	7.0	7.0	0.2	7.2	+0.2
<b>Total</b>	<b>45.8</b>	<b>41.8</b>	<b>4.9</b>	<b>46.7</b>	<b>+0.9</b>

# SG&A expenses

1Q-3Q 2019 Actual  
(from January 1 to September 30)



(Billions of Yen)

	FY 2018 1Q-3Q	FY 2019 1Q-3Q	Impact of the reclassification of services	FY 2019 1Q-3Q (before the reclassification)	Changes 1Q-3Q
Advertising expenses	5.8	5.4	-	5.4	-0.4
Promotion expenses	3.2	2.5	-	2.5	-0.6
Warranty expenses	3.6	2.9	0.2	3.0	-0.5
Other direct selling expenses	14.4	14.0	-	14.0	-0.4
Personnel expenses	91.5	79.2	14.0	93.3	+1.7
Depreciation and amortization	1.0	0.7	-	0.7	-0.3
Other selling expenses	21.7	20.6	0.7	21.2	-0.5
<b>Total</b>	<b>141.1</b>	<b>125.2</b>	<b>14.9</b>	<b>140.1</b>	<b>-1.0</b>

# Non-operating income and expenses



(Billions of Yen)

## ■ Non-operating income

	FY 2018		FY 2019		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest income	0.0	0.2	0.1	0.1	+0.0	-0.0
Dividend income	0.0	0.1	0.0	0.1	+0.0	-0.0
Insurance income	0.0	0.5	0.0	0.5	-0.0	-0.1
Gain on investments in partnership	-0.0	0.5	0.0	0.2	+0.0	-0.3
Other	0.1	0.3	0.0	0.2	-0.0	-0.1
Total	0.1	1.6	0.1	1.2	+0.0	-0.4

## ■ Non-operating expenses

	FY 2018		FY 2019		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest expense	0.0	0.0	0.0	0.0	+0.0	+0.0
Other	0.0	0.2	0.0	0.1	-0.0	-0.0
Total	0.0	0.2	0.0	0.1	-0.0	-0.0

# Extraordinary income and expenses



(Billions of Yen)

## ■ Extraordinary income

	FY 2018		FY 2019		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Gain on sales of fixed assets	0.0	0.1	0.0	0.0	-0.0	-0.1
Gain on sales of investment securities	0.1	0.5	0.0	0.0	-0.1	-0.5
Gain on sales of shares of subsidiaries and associates	-	0.2	-	-	-	-0.2
<b>Total</b>	<b>0.1</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.8</b>

## ■ Extraordinary expenses

	FY 2018		FY 2019		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Loss on sales and disposal of fixed assets	0.2	0.3	0.0	0.2	-0.1	-0.1
Loss on impairment of fixed assets	-	0.0	0.1	0.1	+0.1	+0.1
Loss on valuation of investment securities	0.0	0.1	0.0	0.0	-0.0	-0.1
Expenses for restructuring of business bases	0.0	0.1	-	-	-0.0	-0.1
Other	0.0	0.1	0.0	0.0	-0.0	-0.1
<b>Total</b>	<b>0.2</b>	<b>0.5</b>	<b>0.1</b>	<b>0.3</b>	<b>-0.1</b>	<b>-0.2</b>

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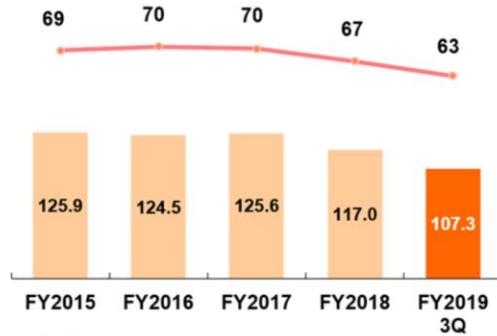
# Balance Sheets



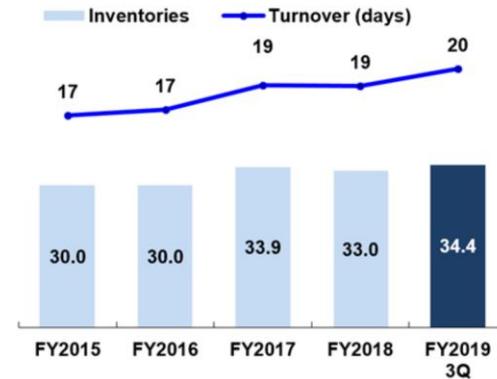
(Billions of Yen)

	Dec. 31 2018	Sep. 30 2019	Changes
<b>Assets</b>	498.8	491.7	-7.1
<b>Current assets</b>	383.3	369.0	-14.4
Cash and deposits	135.6	60.3	-75.3
Notes and accounts receivable	117.0	107.3	-9.8
Inventories	33.0	34.4	+1.4
Other (current assets)	97.7	167.0	+69.3
<b>Non-current assets</b>	115.4	122.8	+7.3
Property, plant and equipment	72.0	79.1	+7.1
Intangible assets	5.3	4.8	-0.4
Investments and other assets	38.2	38.8	+0.6
<b>Liabilities</b>	195.2	177.3	-18.0
<b>Current liabilities</b>	129.9	113.7	-16.2
Notes and accounts payable	75.8	50.9	-25.0
Other (current liabilities)	54.1	62.8	+8.8
<b>Long-term liabilities</b>	65.3	63.6	-1.7
<b>Net assets</b>	303.6	314.5	+10.9
Stakeholders' equity	314.2	321.2	+7.1
(Treasury stock)	-31.9	-31.9	-0.0
Total accumulated other comprehensive income (loss)	-11.1	-7.4	+3.7
Non-controlling interests	0.5	0.6	+0.1
<b>Equity ratio</b>	61%	64%	+3%

■ Notes and accounts receivable trade  
 ■ Notes and accounts receivable trade — Turnover (days)

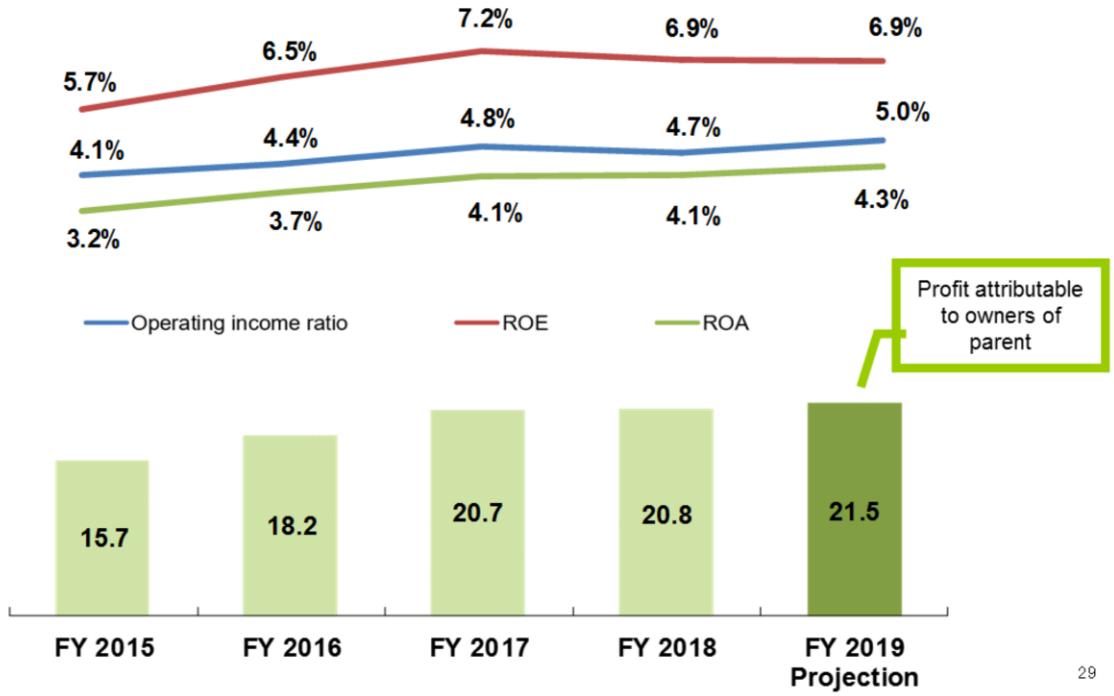


■ Inventories



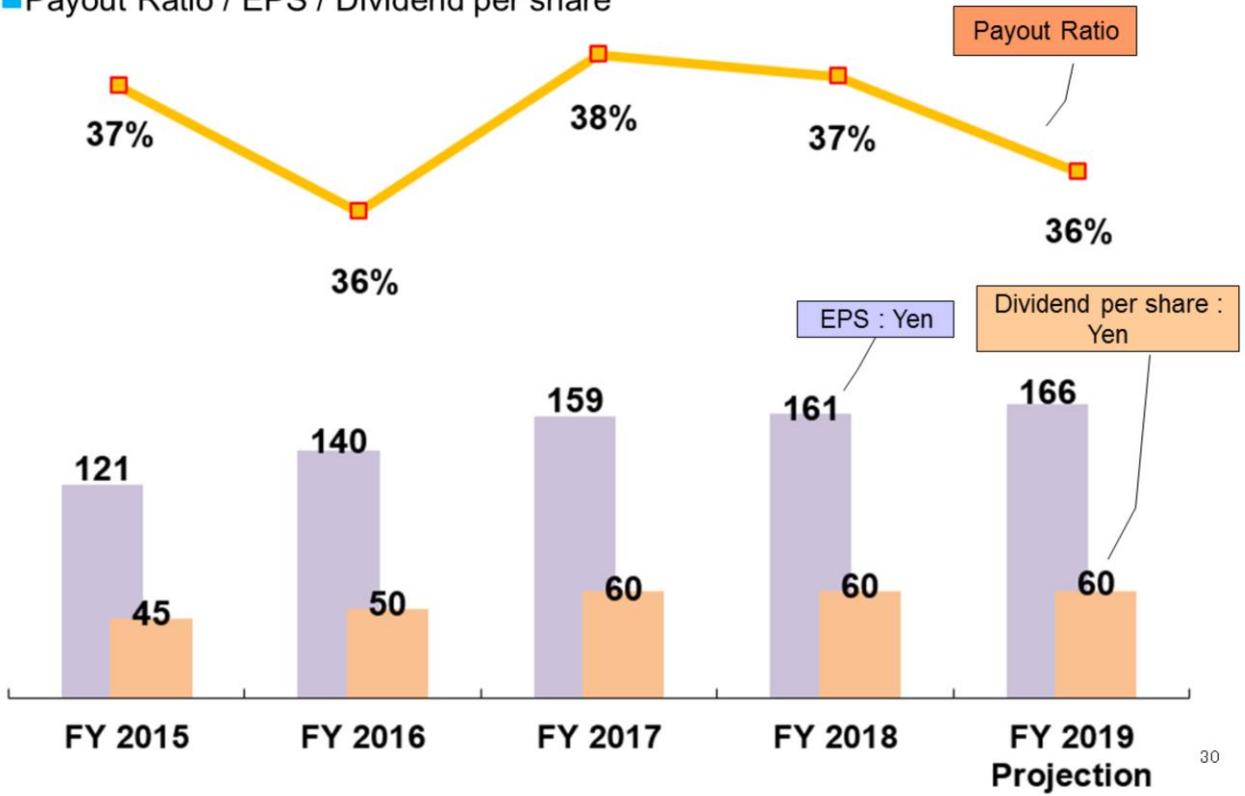
(Billions of Yen)

■ Operating income ratio / ROA / ROE

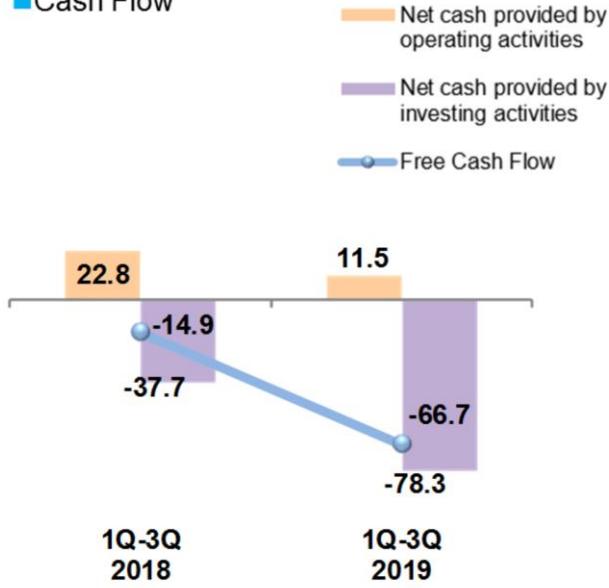


# Financial Indicator

■ Payout Ratio / EPS / Dividend per share



## ■ Cash Flow



## ■ Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2018	<b>7.7</b>	<b>3.0</b>	<b>10.7</b>
FY 2019	<b>15.3</b>	<b>8.3</b>	<b>23.6</b>

## ■ Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2018	<b>10.0</b>	<b>3.3</b>	<b>13.3</b>
FY 2019	<b>9.2</b>	<b>3.3</b>	<b>12.5</b>

**Canon**  
Canon Marketing Japan Inc.