



# Canon Inc.

# Second Quarter 2014 Results

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# 2Q 2014 in Summary

## External Environment

- Gradual global economic recovery
- Our markets
  - ✓ Interchangeable-lens camera – Delayed recovery
  - ✓ Office and Industrial Equip. – Solid

## Results

- Increased profit despite decreased net sales
  - ✓ Decreased net sales due to lower camera sales
  - ✓ Achieved fifth consecutive quarter of profit growth through improved profitability

# Summary of Results

2Q 2014 Actual

(Billions of yen)

	2Q 2014 Actual	2Q 2013 Actual	Pct. Change
<b>Net Sales</b>	<b>926.8</b>	<b>966.9</b>	-4.1%
<b>Gross Profit</b>	<b>483.5</b>	<b>477.4</b>	+1.3%
(% Sales)	52.2%	49.4%	
<b>Op. Profit</b>	<b>110.5</b>	<b>98.4</b>	+12.4%
(% Sales)	11.9%	10.2%	
<b>Net Income</b>	<b>80.8</b>	<b>66.5</b>	+21.6%
Attributable to Canon Inc.			
(% Sales)	8.7%	6.9%	
Foreign Exchange Rate			
Yen – 1USD	102.13	98.80	
Yen – 1EURO	139.94	129.02	

# Transition in Sales and Op. Profit

2Q 2014 Actual v. 2Q 2013 Actual

(Billions of yen)

	Sales	Op. Profit
2Q 2013 Actual	966.9	98.4
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+26.7	+8.7
Sales Volume Impact		
Office	-4.2	
Imaging System	-53.9	
Industry and Others	+10.4	
Total	-47.7	-2.9
Others	-19.1	+6.3
Total Change	-40.1	+12.1
2Q 2014 Actual	926.8	110.5

**Change in Exchange Rate**

- 1USD: 98.80 to 102.13 yen
- 1EURO: 129.02 to 139.94 yen

# Assumptions

## 2014 Current Projection

Average Exchange Rate	2H14	FY14	FY13
■ Yen-1USD	100.00 yen	101.14 yen	97.84 yen
■ Yen-1EURO	135.00 yen	137.57 yen	130.01 yen

### Impact of Exchange Rate Movement (2H Impact Given a One Yen Change)

	Net Sales	Operating Profit
■ USD	8.4 billion yen	3.1 billion yen
■ EURO	3.5 billion yen	1.7 billion yen

# Key Points FY2014

## External Environment

- Global economy – Recovery later than previously expected
- Our markets – Timing of recovery delayed

## Outlook

- Maintained profit projection, lowered projection for net sales
- Achieve second consecutive year of sales and profit growth

# Summary of Projected Results

## FY 2014 Current Projection

(Billions of yen)

	FY 2014 Current Projection	FY 2013 Actual	Pct. Change
<b>Net Sales</b>	<b>3,780.0</b>	<b>3,731.4</b>	+1.3%
<b>Gross Profit</b>	<b>1,844.0</b>	<b>1,798.4</b>	+2.5%
(% Sales)	48.8%	48.2%	
<b>Op. Profit</b>	<b>365.0</b>	<b>337.3</b>	+8.2%
(% Sales)	9.7%	9.0%	
<b>Net Income</b>	<b>240.0</b>	<b>230.5</b>	+4.1%
Attributable to Canon Inc.			
(% Sales)	6.3%	6.2%	
Foreign Exchange Rate			
Yen – 1USD	101.14	97.84	
Yen – 1EURO	137.57	130.01	



# Transition in Sales and Op. Profit

FY 2014 Current Projection v. FY 2014 Previous Projection

(Billions of yen)

	Sales	Op. Profit
Previous Projection (Apr. 24, 2014)	3,860.0	365.0
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+14.2	+5.2
Sales Volume Impact		
Office	-28.9	
Imaging System	-35.2	
Industry and Others	-35.1	
Total	-99.2	-49.2
Others	+5.0	+44.0
Total Change	-80.0	0.0
Current Projection (Jul. 24, 2014)	3,780.0	365.0

## Change in Exchange Rate

- 1USD: 100.61 to 101.14 yen
- 1EURO: 136.29 to 137.57 yen

# Office

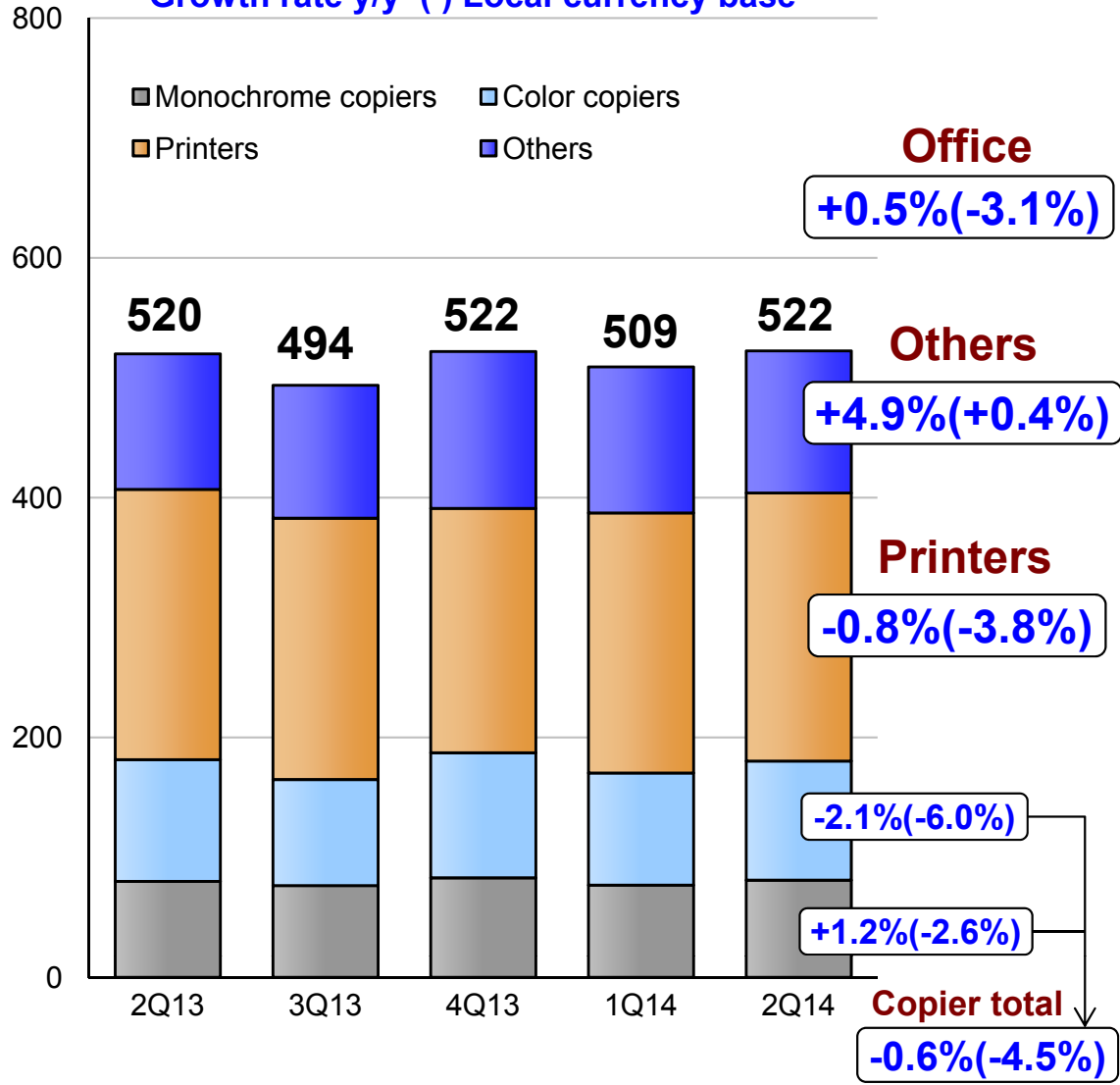
2Q 2014 Actual

2Q14 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	-2%	+1%
Monochrome	-8%	-8%
Total	-6%	-6%

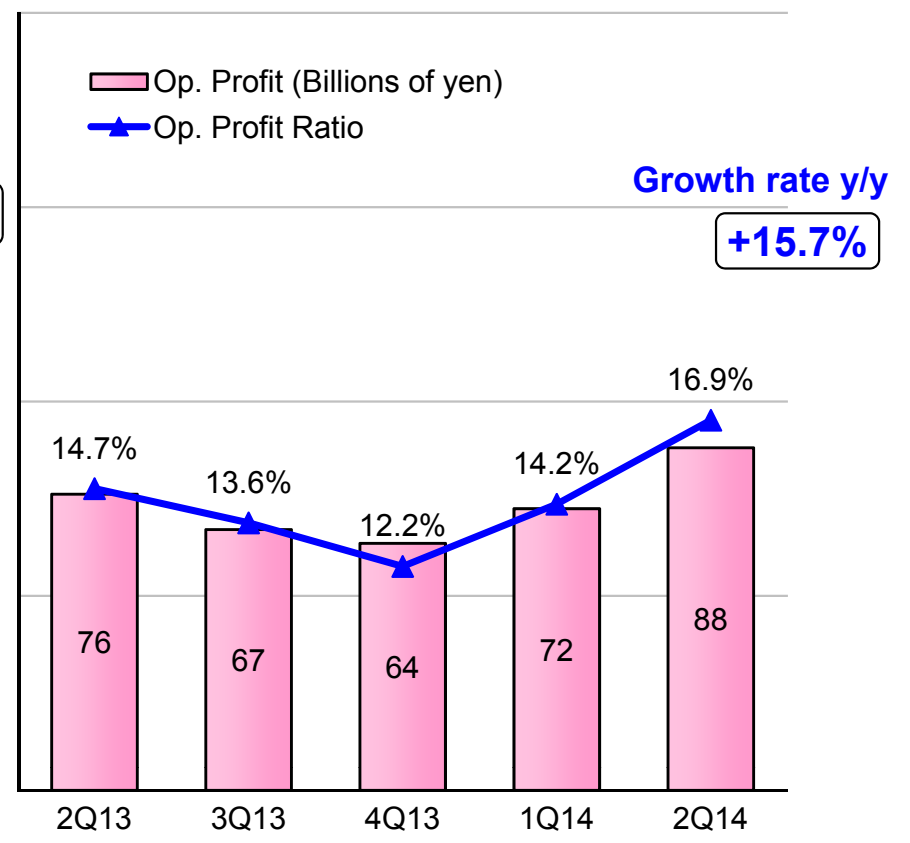
2Q14 Color Ratio		
	Copiers	Printers
Value Base*	55%	50%
Unit Base	39%	16%

\*Includes Consumables

(Billions of yen) **Sales**  
Growth rate y/y ( ) Local currency base



## Op. Profit



# Office

## FY 2014 Projection

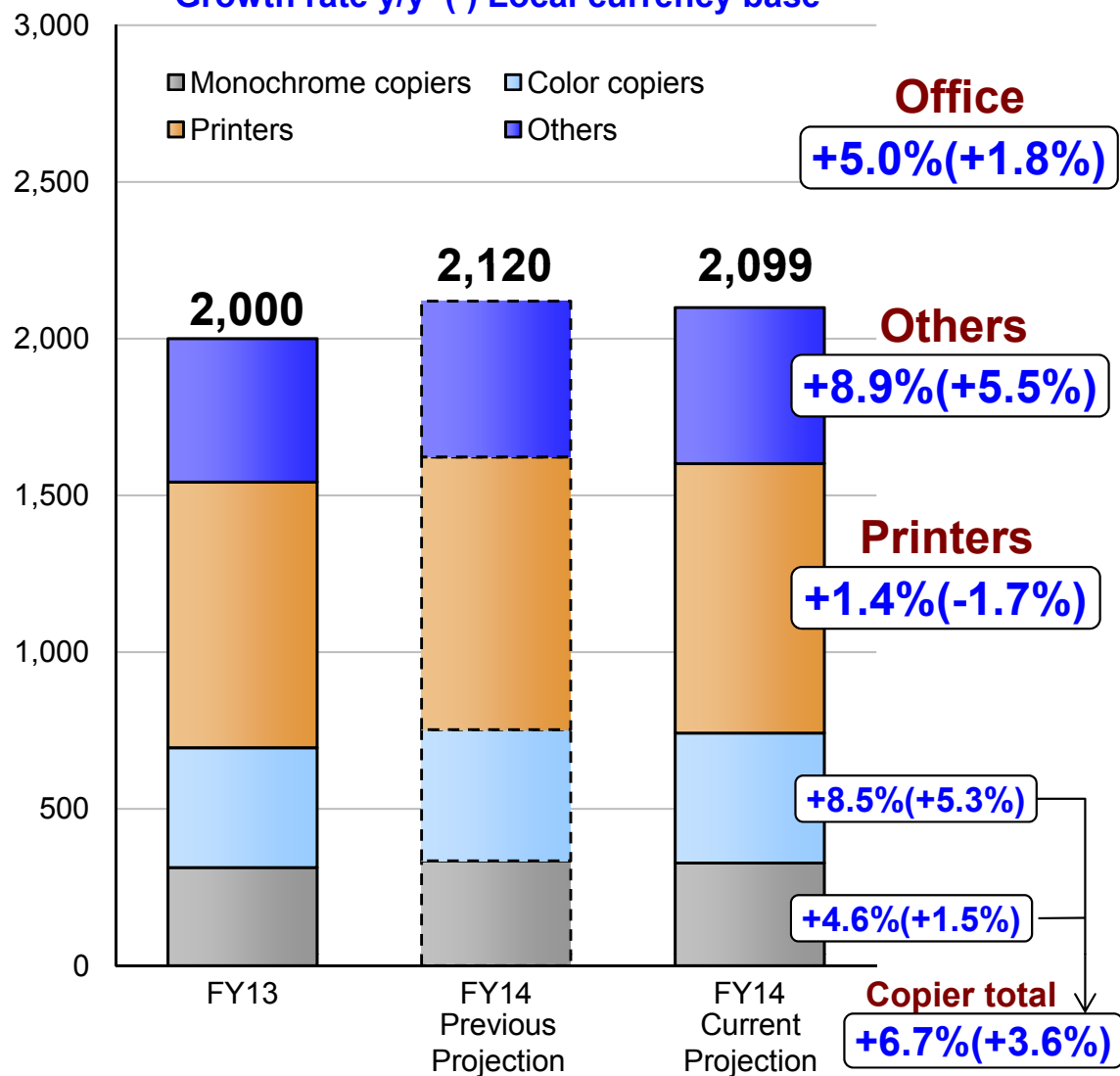
FY14 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+15%	+12%
Monochrome	+7%	-1%
Total	+10%	+1%

FY14 Color Ratio		
	Copiers	Printers
Value Base*	56%	47%
Unit Base	39%	16%

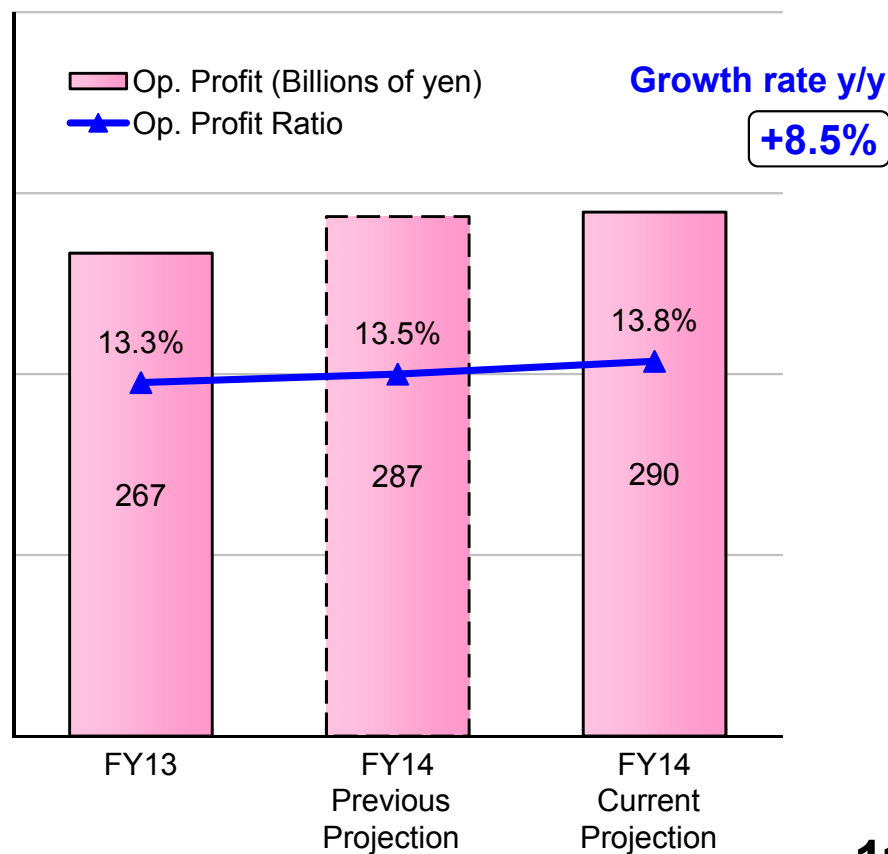
\*Includes Consumables

### (Billions of yen) Sales

Growth rate y/y ( ) Local currency base



### Op. Profit



# Imaging System

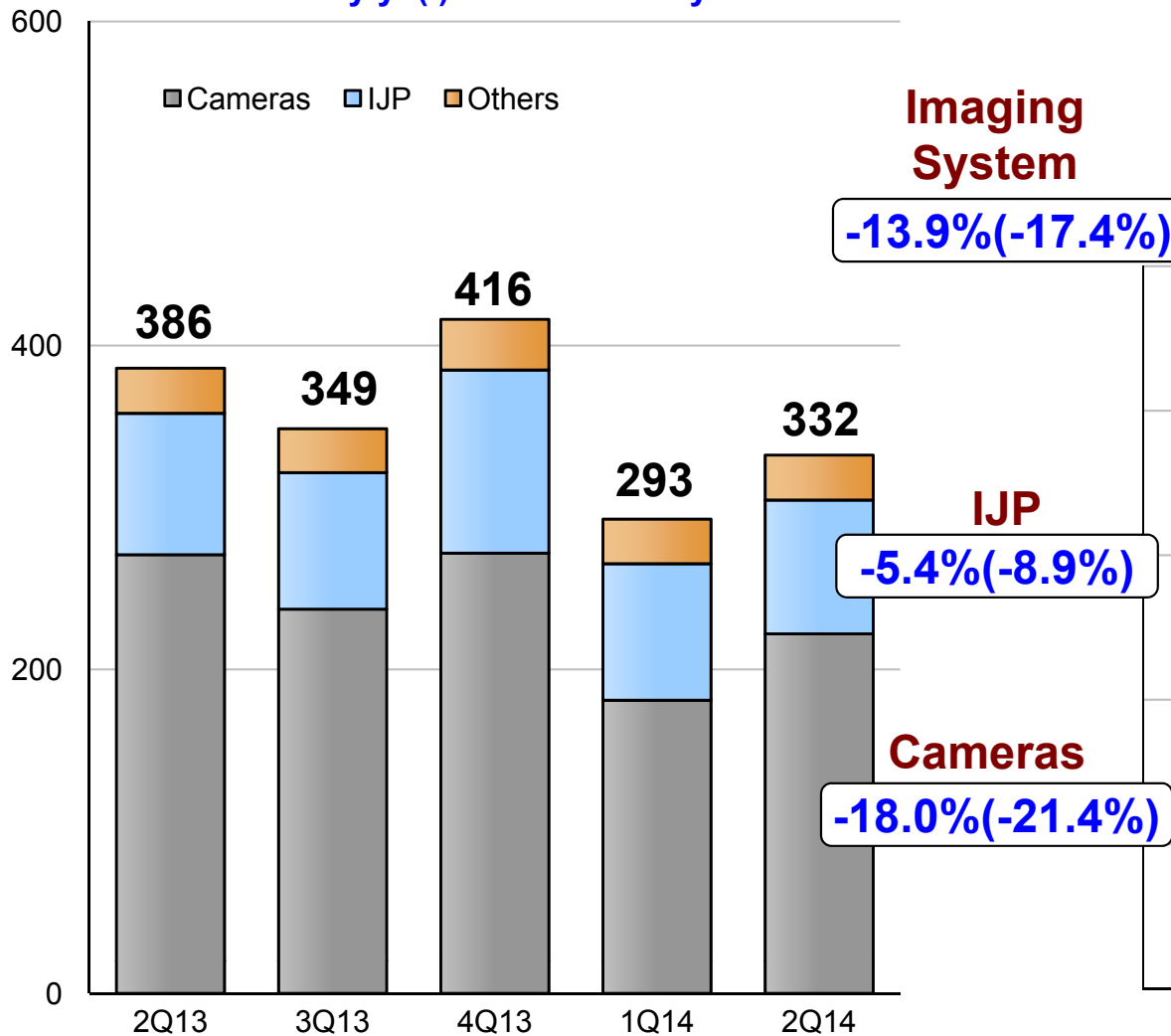
2Q 2014 Actual

Growth Rate y/y (Unit Base)	
	2Q14
Interchangeable Lens Digital Cameras	-19%
Compact Digital Cameras	-38%
Total Digital Cameras	-31%
IJP	-13%

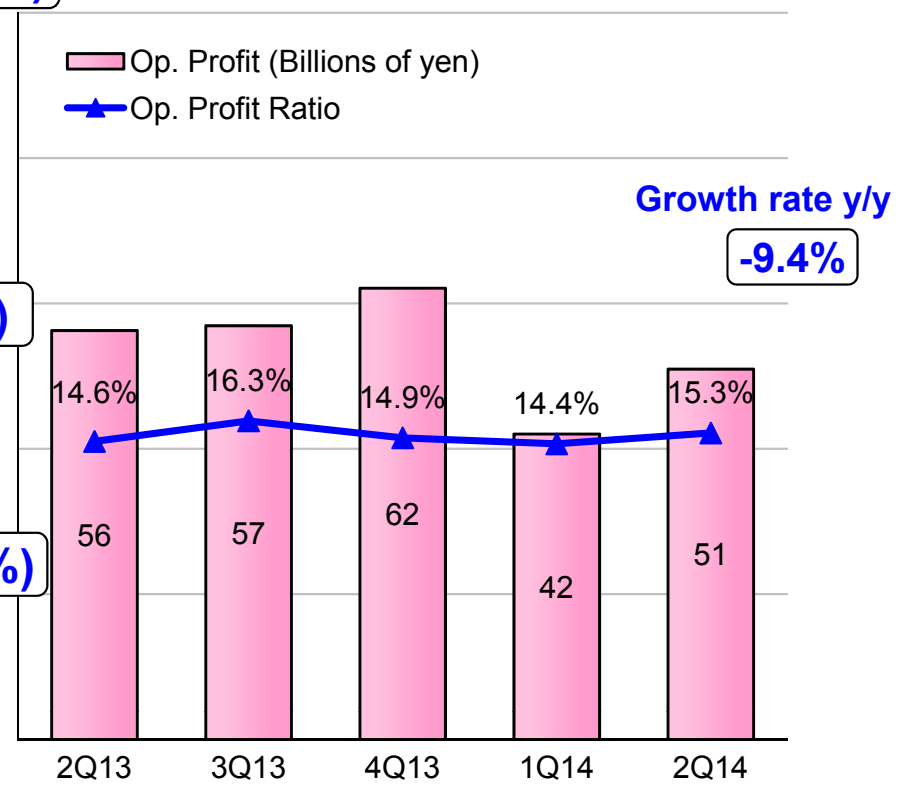
Interchangeable Lens Digital Camera Ratio *	
	2Q14
Value Base	82%
Unit Base	42%

\* Proportion of Total Digital Cameras  
\* Value Base Includes Interchangeable Lenses

(Billions of yen) **Sales**  
Growth rate y/y ( ) Local currency base



## Op. Profit



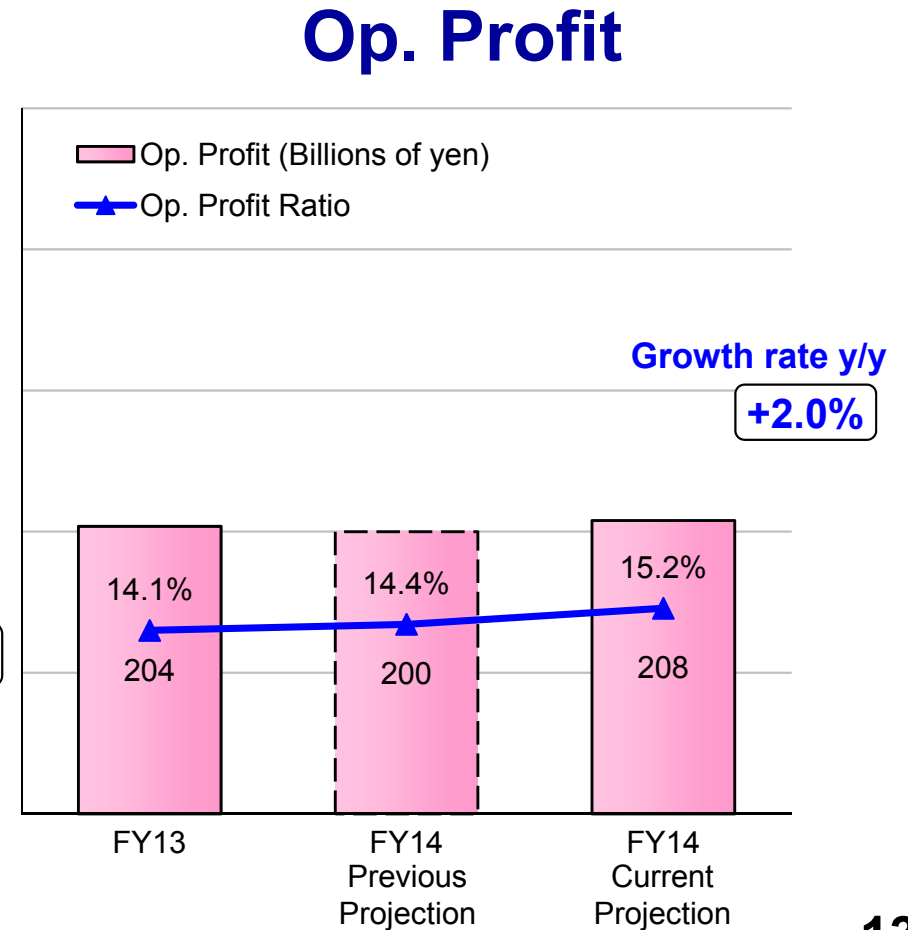
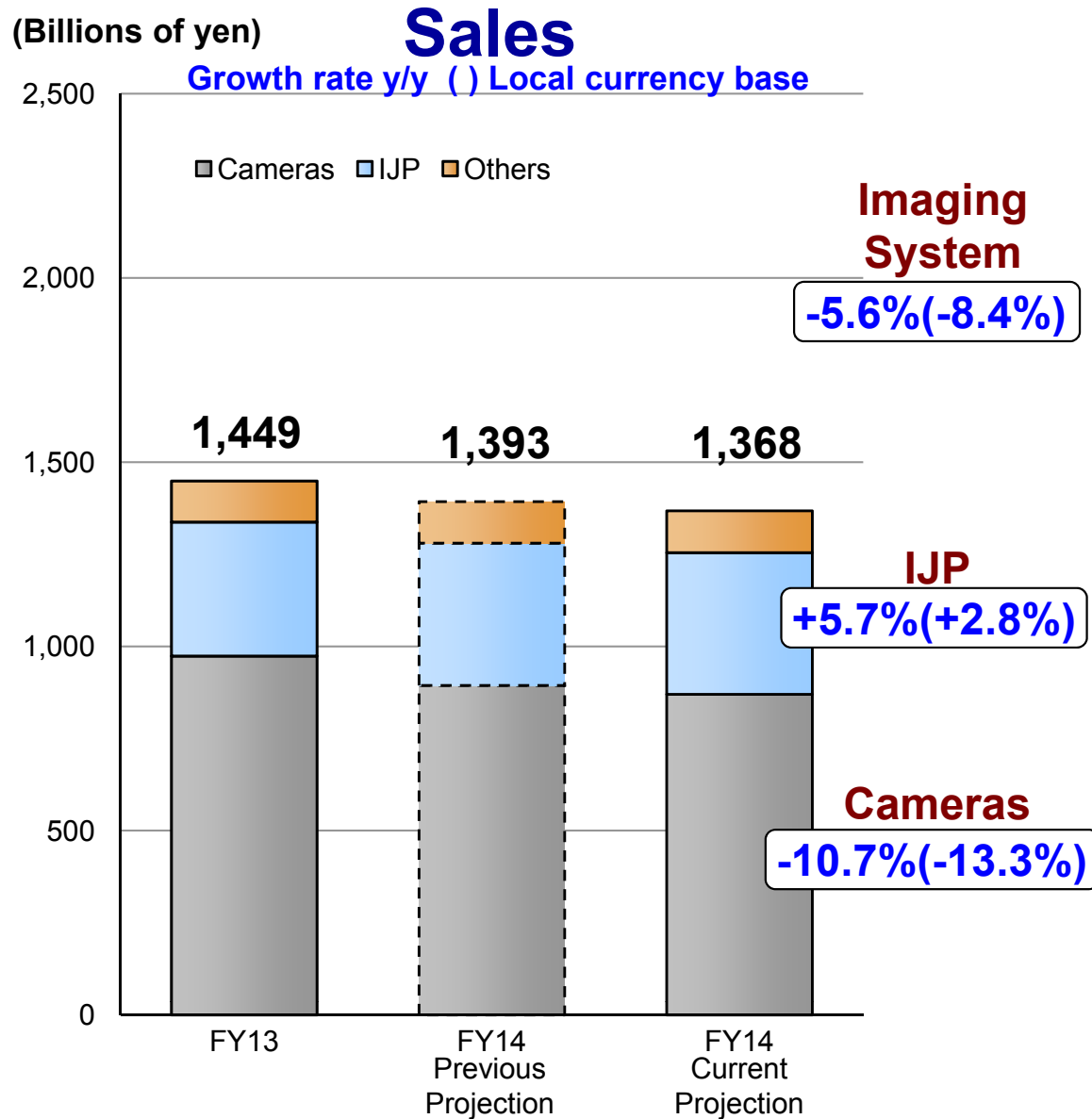
# Imaging System

## FY 2014 Projection

Growth Rate y/y (Unit Base)	
	FY14
Interchangeable Lens Digital Cameras	-9%
Compact Digital Cameras	-28%
Total Digital Cameras	-21%
IJP	+1%

Interchangeable Lens Digital Camera Ratio *	
	FY14
Value Base	83%
Unit Base	42%

\* Proportion of Total Digital Cameras  
\* Value Base Includes Interchangeable Lenses



# Industry and Others

2Q 2014 Actual

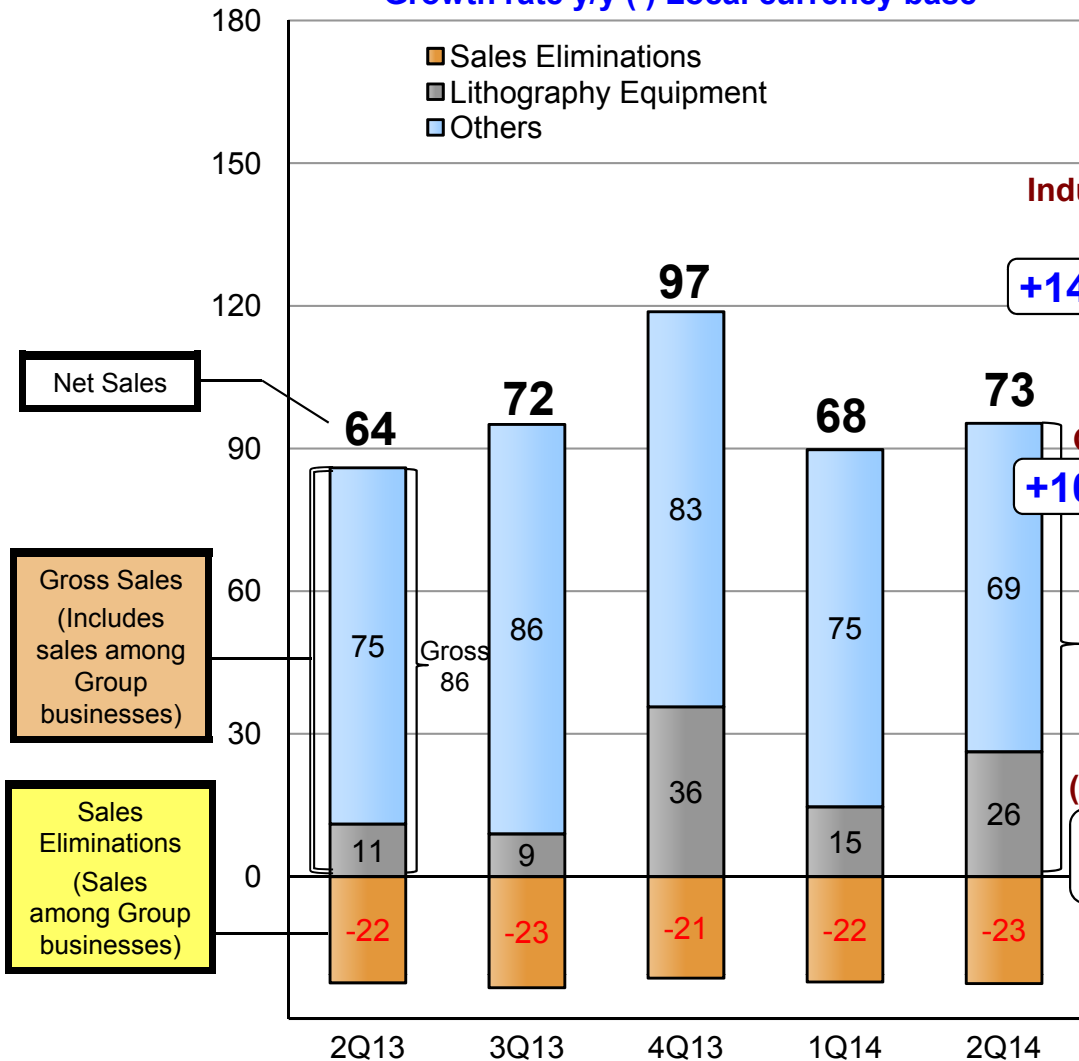
Lithography Equipment (Unit Sales)		
	2Q13	2Q14
IC	12	17
FPD	0	7

IC Lithography Unit Breakdown by Light Source		
	2Q13	2Q14
ArF	0	0
KrF	2	5
i-line	10	12

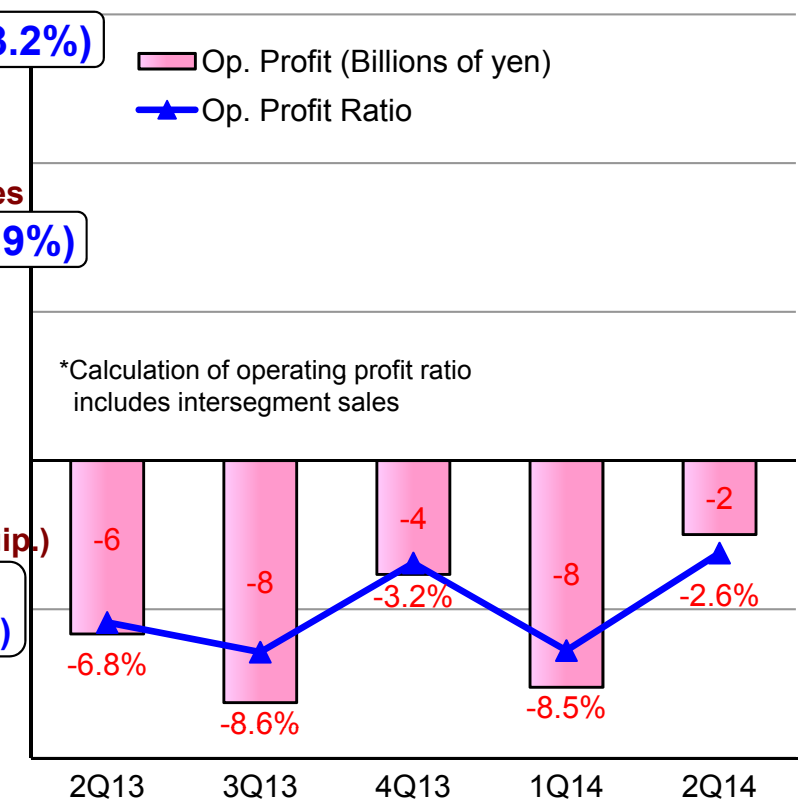
(Billions of yen)

## Sales

Growth rate y/y ( ) Local currency base



## Op. Profit



\*Calculation of operating profit ratio includes intersegment sales

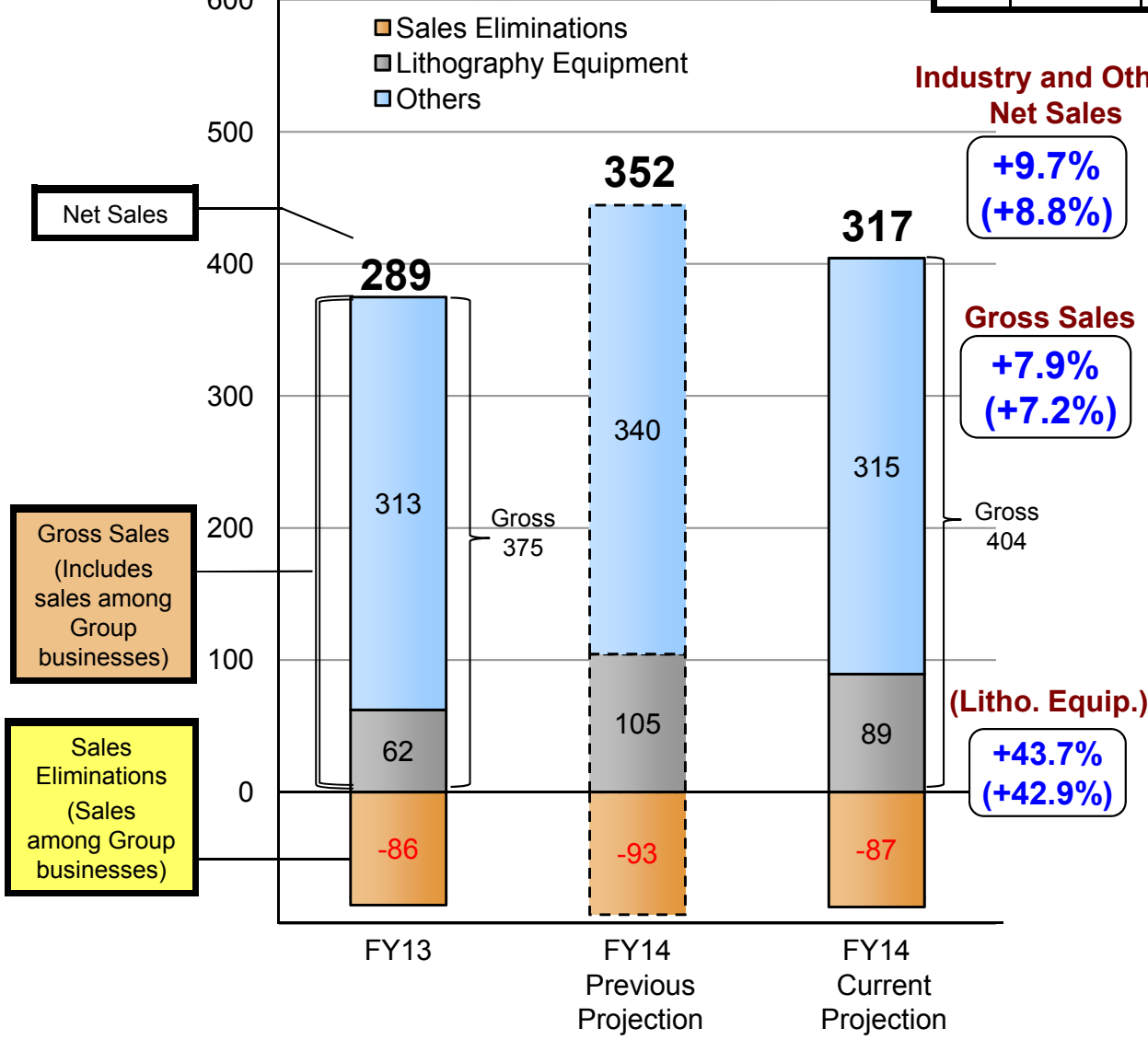
# Industry and Others

FY 2014 Projection

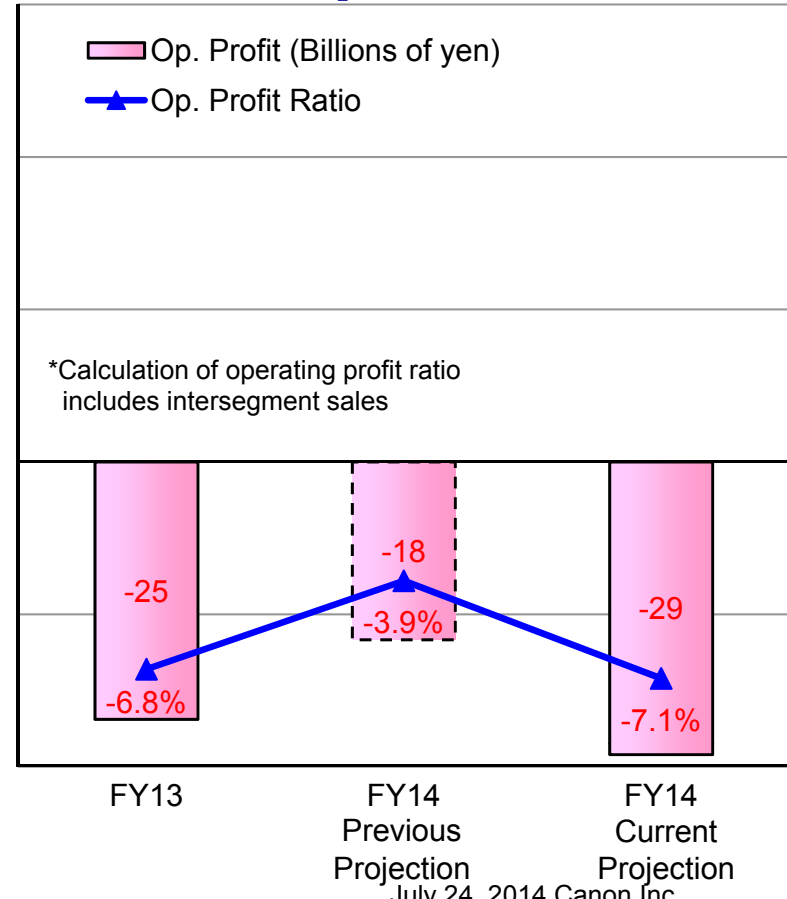
	FY13	FY14 Previous Projection	FY14 Current Projection
IC	43	57	54
FPD	16	27	23

	FY13	FY14 Previous Projection	FY14 Current Projection
ArF	0	0	0
KrF	6	15	11
i-line	37	42	43

(Billions of yen) **Sales**  
Growth rate y/y ( ) Local currency base

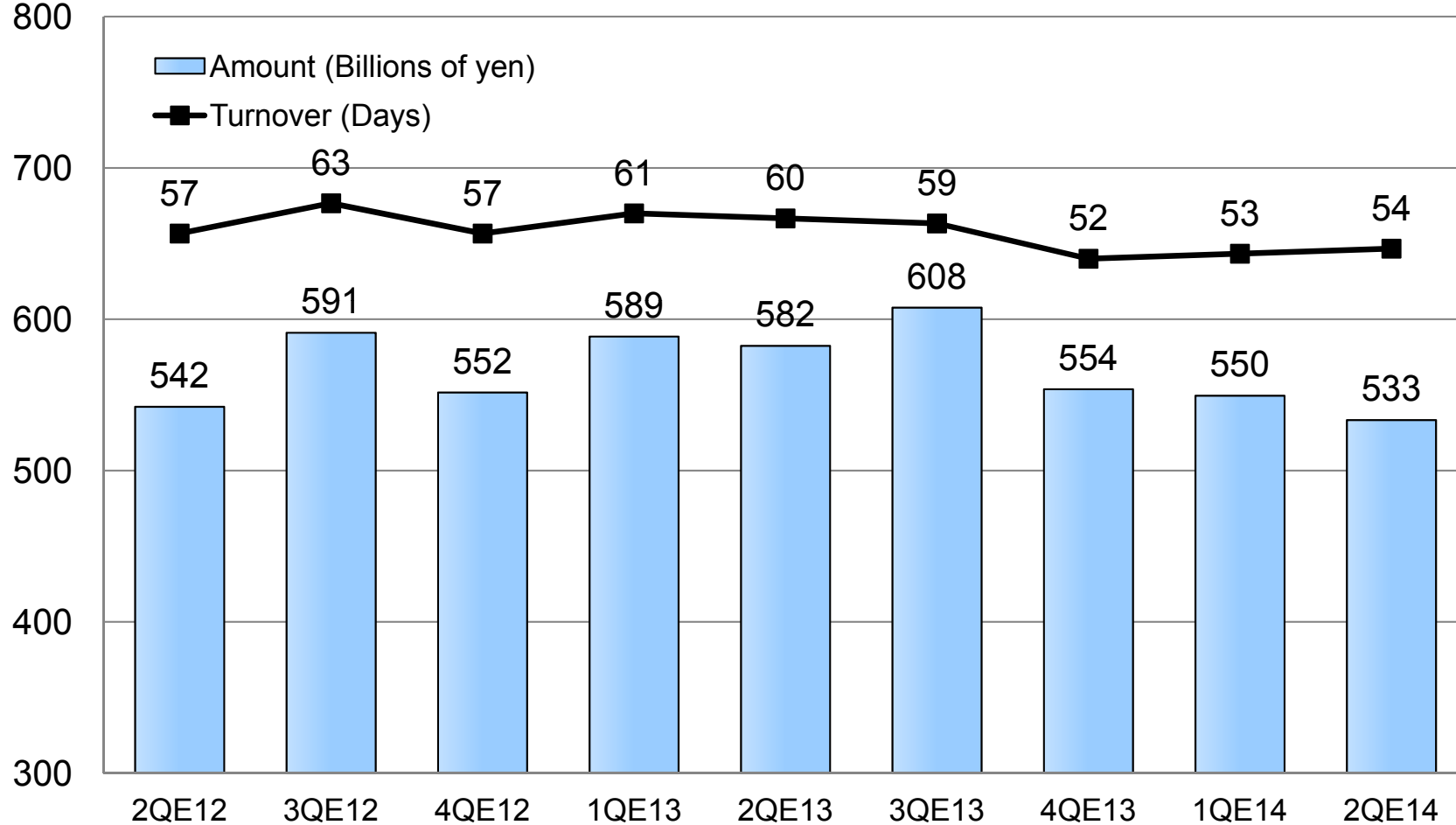


## Op. Profit



# Inventories

(Billions of yen)

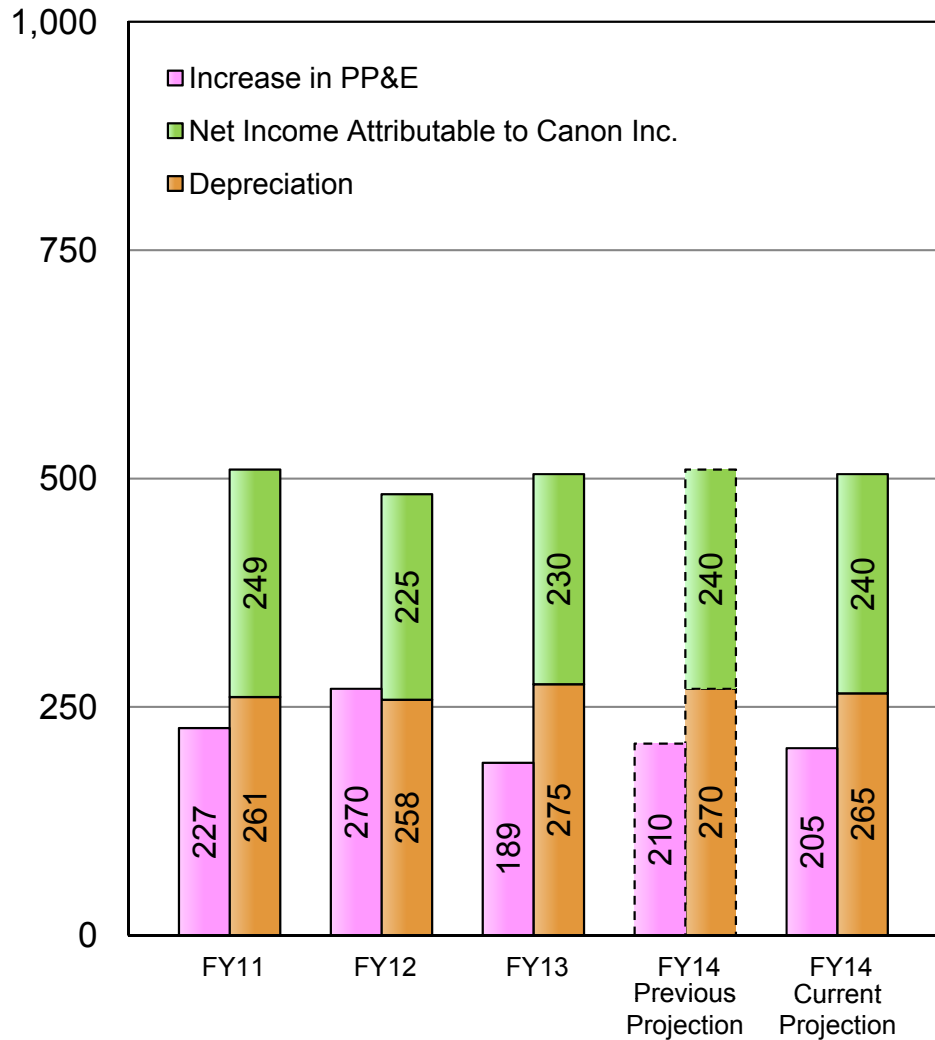




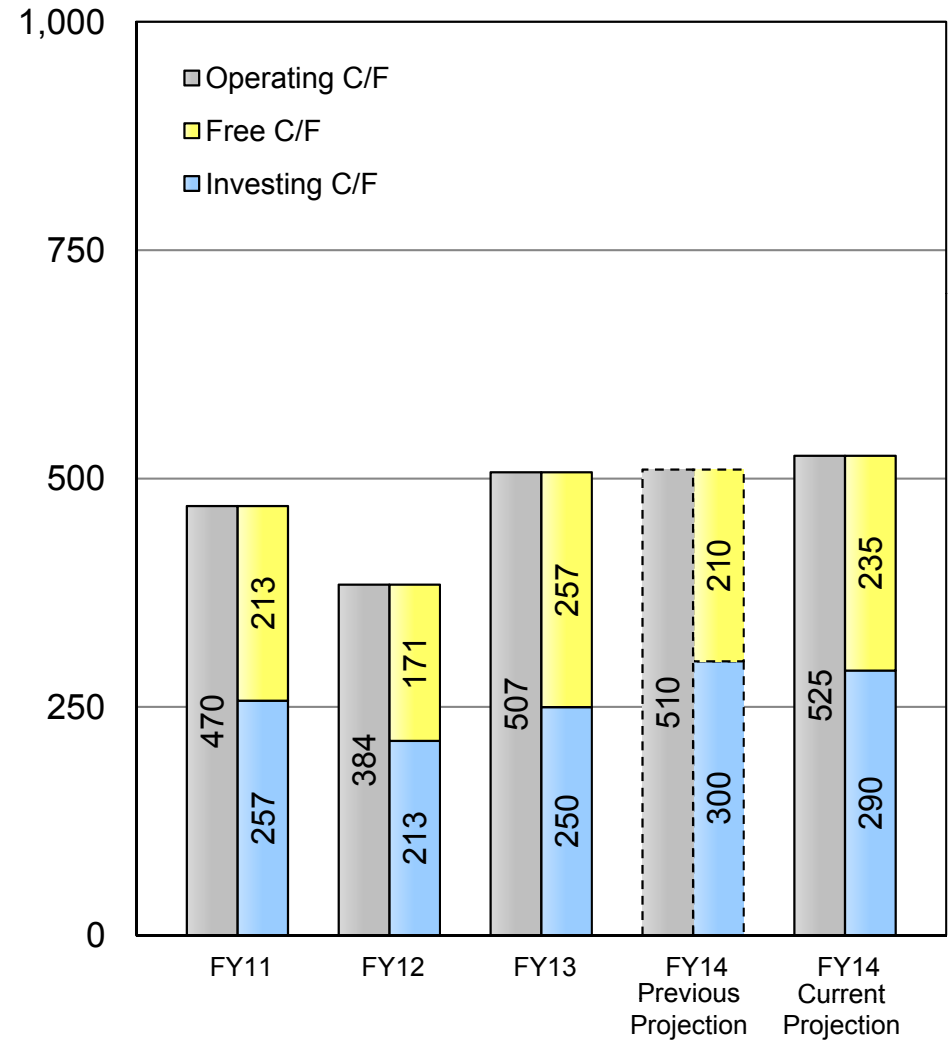
# Capital Expenditure

# Free Cash Flow

(Billions of yen)

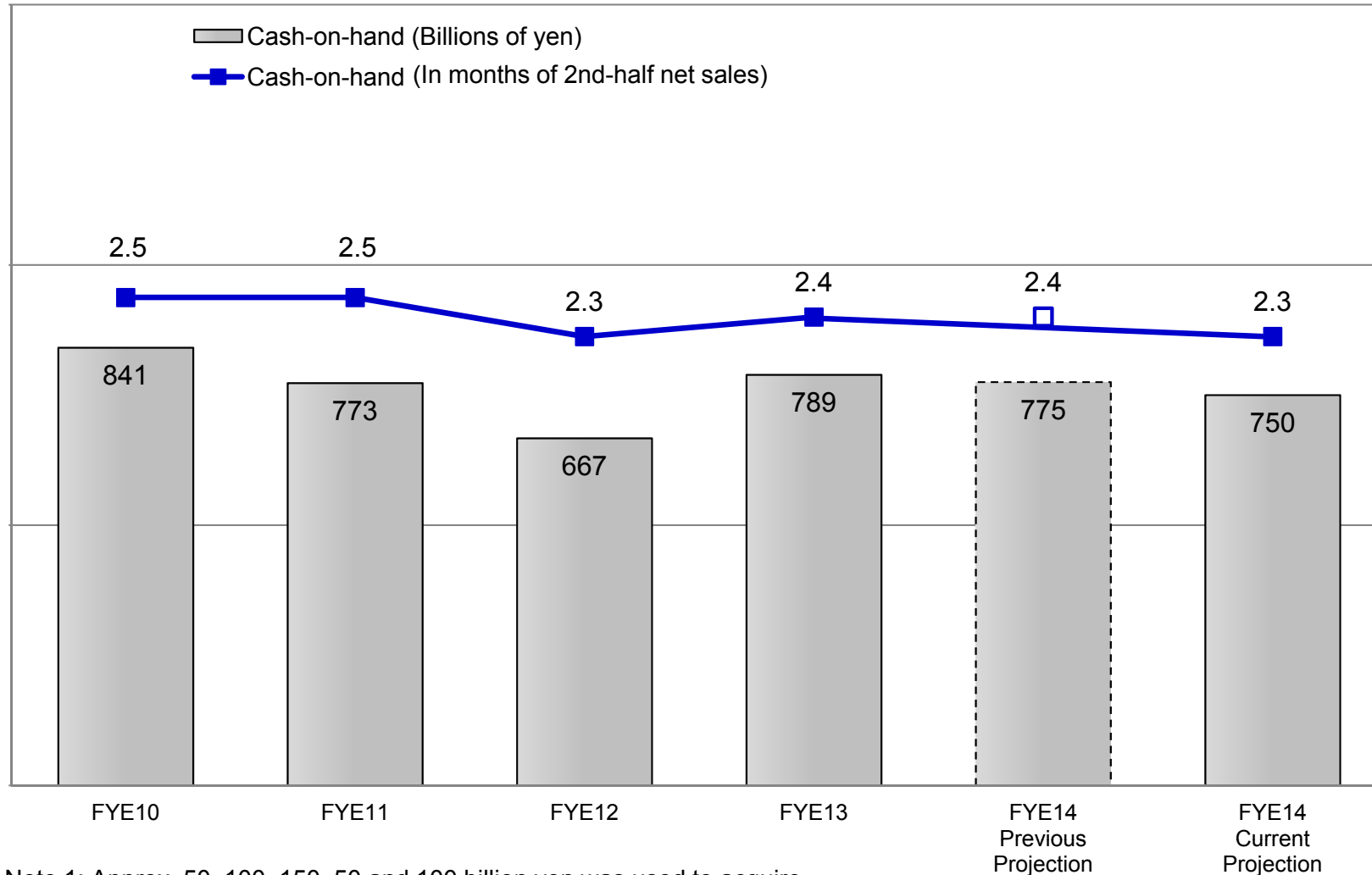


(Billions of yen)



# Cash on Hand

## Cash on Hand (Year-end)



Note 1: Approx. 50, 100, 150, 50 and 100 billion yen was used to acquire own shares in 2010, 2011, 2012, 2013 and 2014, respectively. The cumulative amount since 2007 is approx. 1 trillion yen.

# Supplementary Information

# Transition in Sales and Operating Profit

## FY 2014 Current Projection v. FY 2013 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2013 Actual	3,731.4	337.3
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+82.5	+21.2
Sales Volume Impact		
Office	+87.0	
Imaging System	-64.2	
Industry and Others	+28.3	
Total	+51.1	+36.4
Others	-85.0	-29.9
Total Change	+48.6	+27.7
FY 2014 Current Projection	3,780.0	365.0

### Change in Exchange Rate

- 1USD: 97.84 to 101.14 yen
- 1EURO: 130.01 to 137.57 yen

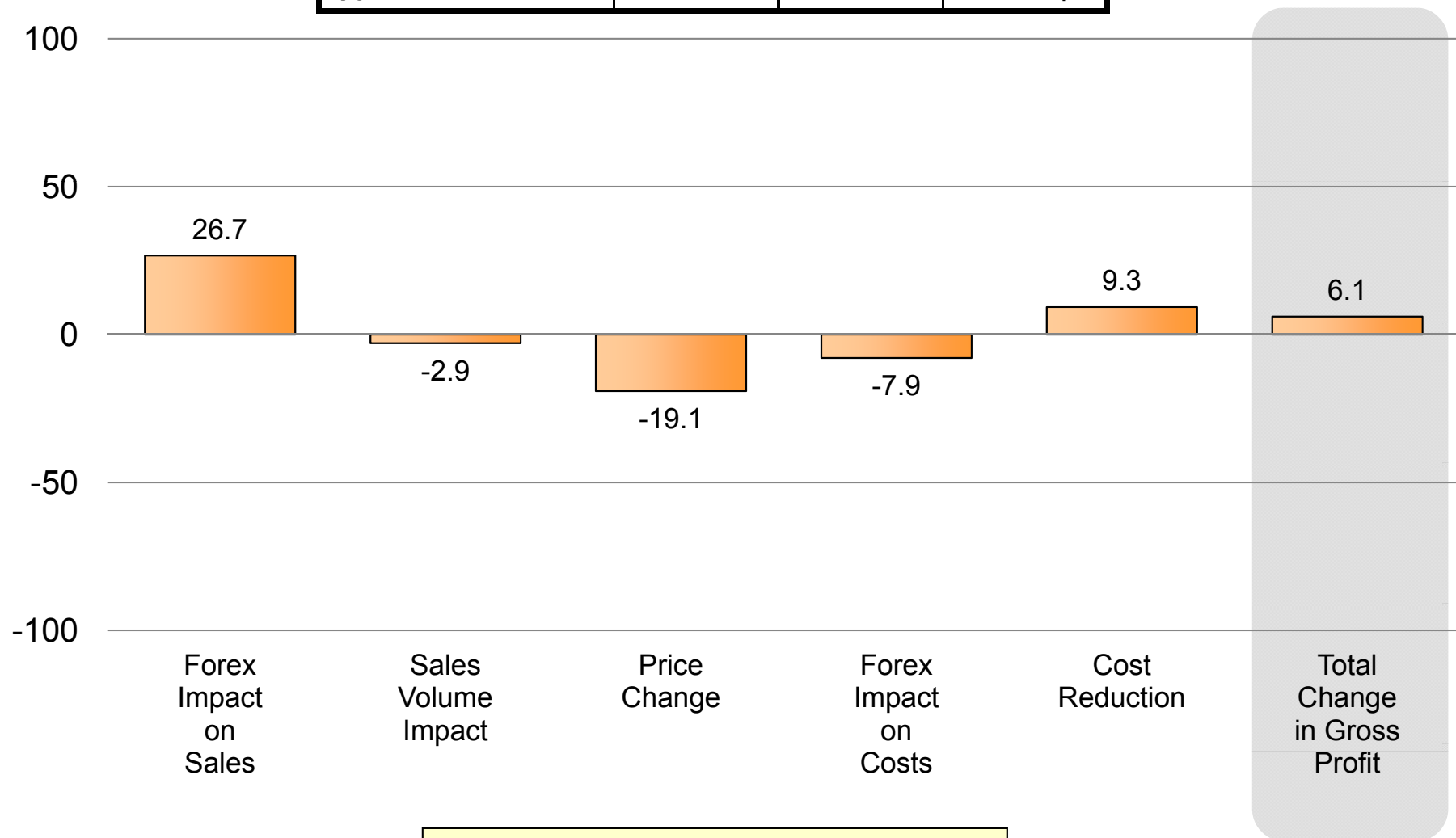
# Gross Profit Variance Analysis

2Q 2014 Actual v. 2Q 2013 Actual

(Billions of yen)

(Billions of yen)

	2Q14	2Q13	Change
<b>Gross Profit</b>	483.5	477.4	+6.1
<b>% Sales</b>	52.2%	49.4%	+2.8pt.



Supplementary Information

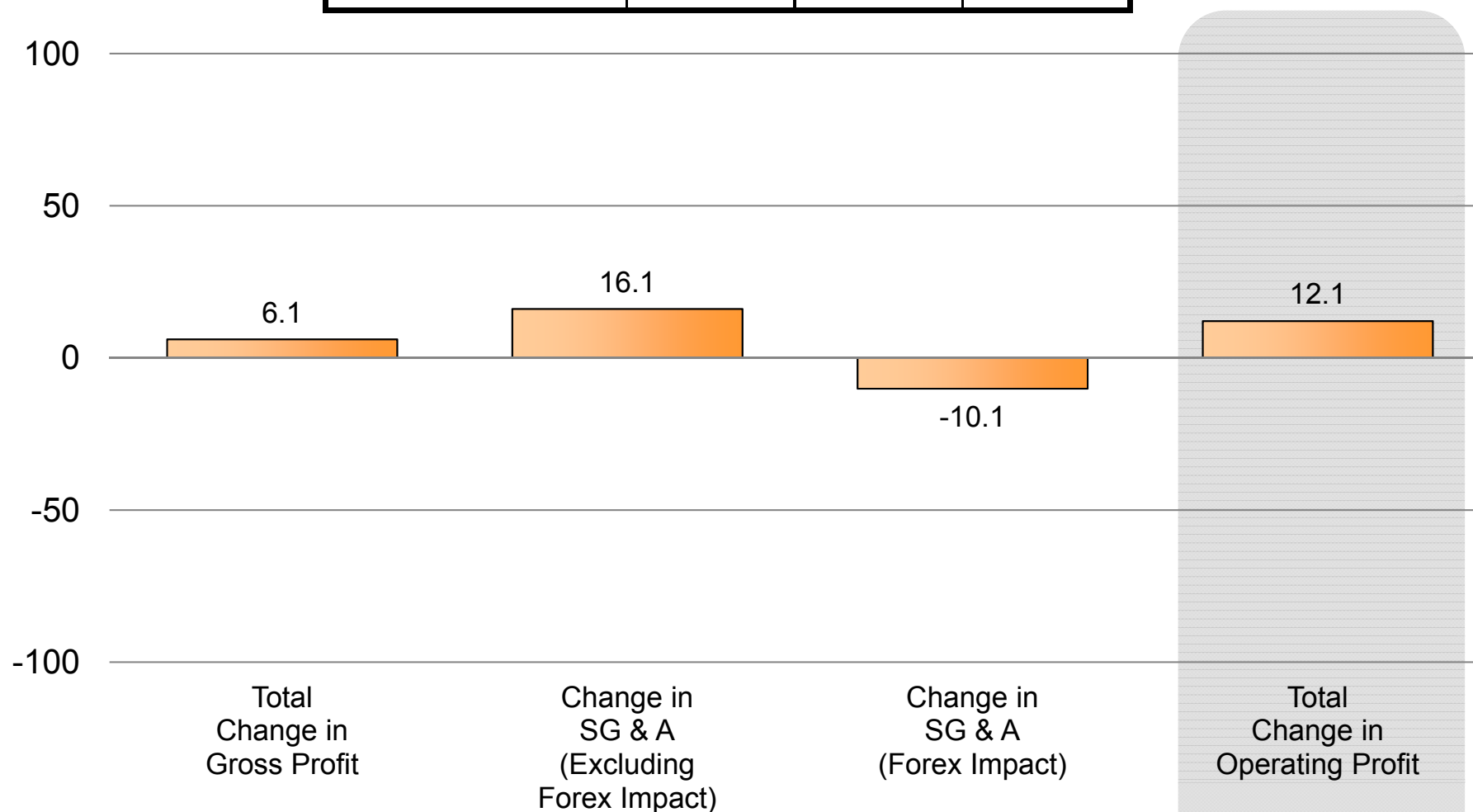
# Operating Profit Variance Analysis

2Q 2014 Actual v. 2Q 2013 Actual

(Billions of yen)

	2Q14	2Q13	Change
<b>Op. Profit</b>	110.5	98.4	+12.1
<b>% Sales</b>	11.9%	10.2%	+1.7pt.

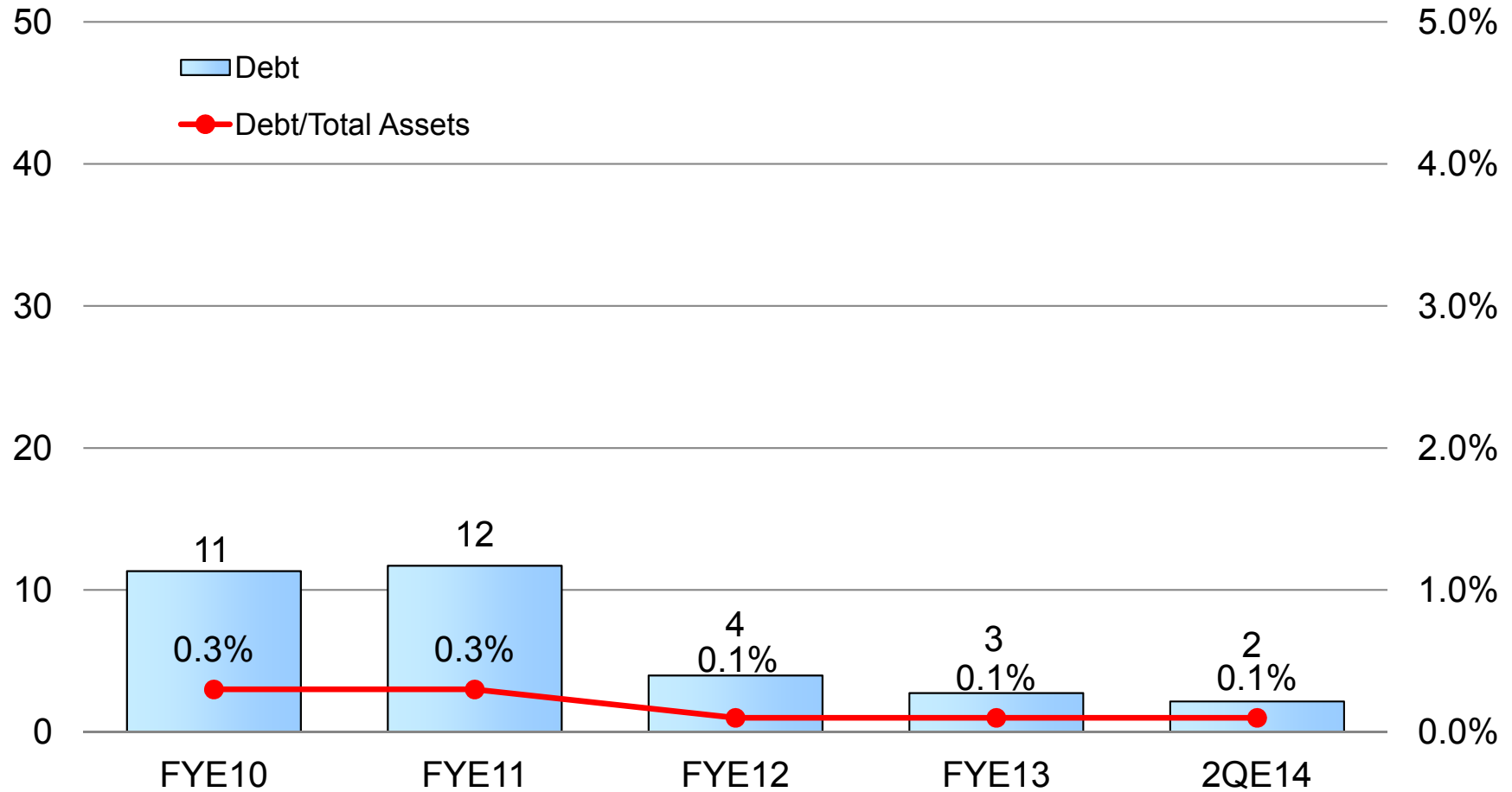
(Billions of yen)



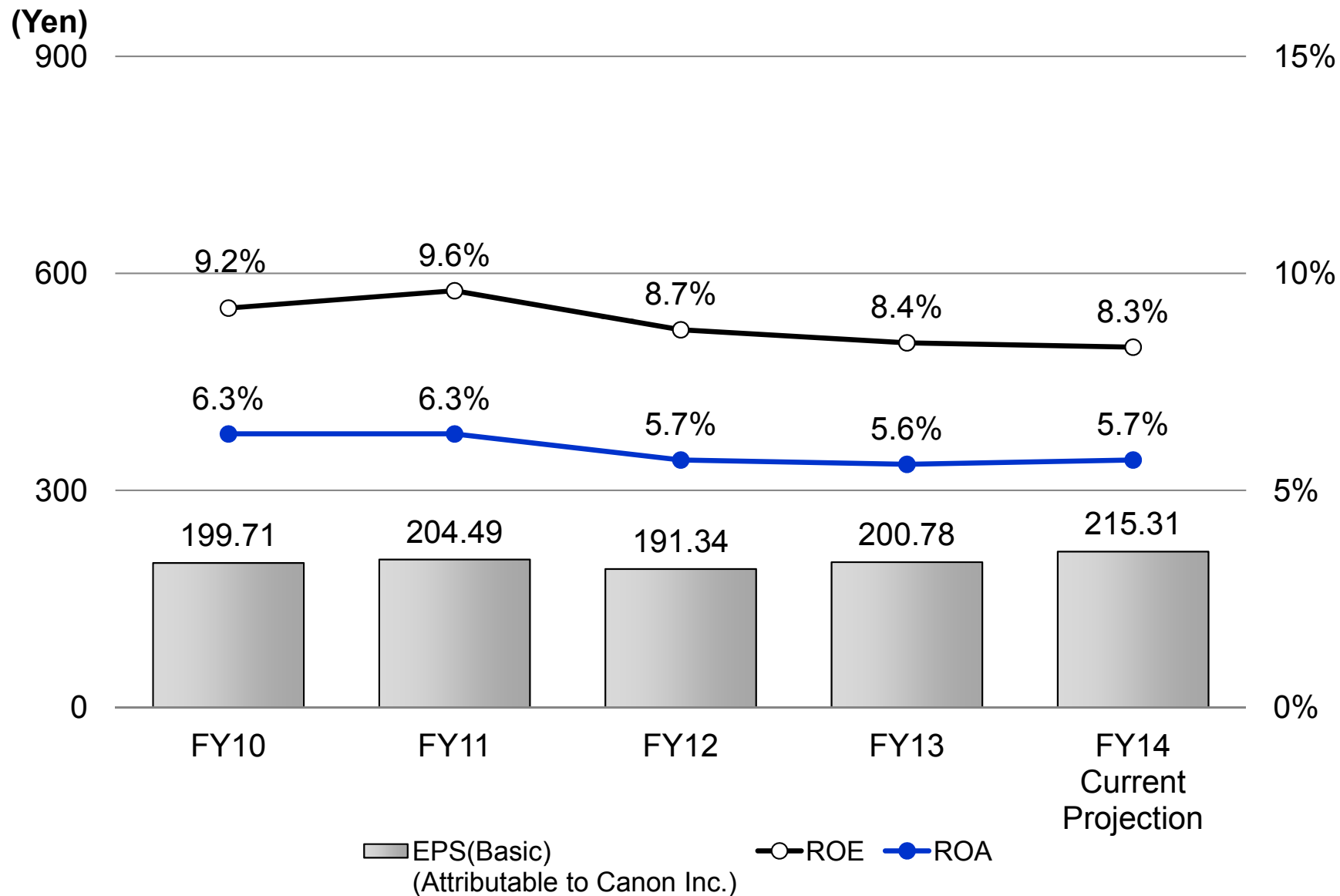
Supplementary Information

# Interest Bearing Debt

(Billions of yen)



# Financial Ratios



**Supplementary Information**