



Canon Inc.

Second Quarter 2016 Results

July 26, 2016

Toshizo Tanaka

Executive Vice President & CFO

This presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Agenda

■ 2Q 2016 Results P3 – 5

■ FY 2016 Projections P6 – 9

■ Details by Business P10 – 15

■ Financial Situation P16 – 18

■ Supplementary Information P19 – 24

2Q 2016 in Summary

External Environment

- Global economy
 - ✓ Gradual economic recovery of developed countries, led by the U.S.
 - ✓ Continued economic slowdown of emerging markets

Results

- ✓ Significant decline in laser printers
- ✓ Lower camera revenue
- ✓ Continued significant growth in both network cameras and Canon Tokki

- ✓ Sales and profit decline: foreign exchange, laser printers and cameras

Summary of Results

2Q 2016 Actual

(Billions of yen)

	2Q 2016 Actual	2Q 2015 Actual	Pct. Change
Net Sales	860.2	974.4	-11.7%
Gross Profit	432.4	503.8	-14.2%
(% Sales)	50.3%	51.7%	
Op. Profit	68.6	104.7	-34.5%
(% Sales)	8.0%	10.7%	
Net Income	53.4	68.2	-21.6%
Attributable to Canon Inc.			
(% Sales)	6.2%	7.0%	
Foreign Exchange Rate			
Yen – 1USD	108.08	121.47	
Yen – 1EURO	121.94	134.47	

Transition in Sales and Op. Profit

2Q 2016 Actual v. 2Q 2015 Actual

(Billions of yen)

	Sales	Op. Profit
2Q 2015 Actual	974.4	104.7
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	-75.8	-30.2
Sales Volume Impact		
Office	-35.7	
Imaging System	-11.5	
Industry and Others	+17.2	
Total	-30.0	-15.2
Others	-8.4	+9.3
Total Change	-114.2	-36.1
2Q 2016 Actual	860.2	68.6

Change in Exchange Rate

- 1USD: 121.47 to 108.08 yen
- 1EURO: 134.47 to 121.94 yen

Exchange Rate Assumptions

2016 Current Projection

Average Exchange Rate	2H16	FY16	FY15
■ Yen-1USD	105.00 yen	107.96 yen	121.13 yen
■ Yen-1EURO	115.00 yen	119.39 yen	134.20 yen

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

	Net Sales	Operating Profit
■ USD	7.2 billion yen	2.6 billion yen
■ EURO	3.6 billion yen	1.5 billion yen

Overview of Latest Projections

External Environment

- Growing uncertainty towards the future trajectory of global economy
 - ✓ U.S. continues to be the driver of economic recovery
 - ✓ Europe economic slowdown concern due to U.K.'s withdrawal from the EU

Full-year Projection

- ✓ Lowered projection for both sales and profit, to reflect the yen's rapid appreciation

Summary of Projected Results

FY 2016 Current Projection

(Billions of yen)

	FY 2016 Current Projection	FY 2015 Actual	Pct. Change
Net Sales	3,520.0	3,800.3	-7.4%
Gross Profit	1,733.0	1,934.4	-10.4%
(% Sales)	49.2%	50.9%	
Op. Profit	265.0	355.2	-25.4%
(% Sales)	7.5%	9.3%	
Net Income	180.0	220.2	-18.3%
Attributable to Canon Inc.			
(% Sales)	5.1%	5.8%	
Foreign Exchange Rate			
Yen – 1USD	107.96	121.13	
Yen – 1EURO	119.39	134.20	

Transition in Sales and Op. Profit

FY 2016 Current Projection v. FY 2016 Previous Projection

(Billions of yen)

	Sales	Op. Profit
Previous Projection (Apr. 26, 2016)	3,600.0	300.0
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	-88.2	-36.0
Sales Volume Impact		
Office	-16.0	
Imaging System	+7.7	
Industry and Others	+13.5	
Total	+5.2	-8.5
Others	+3.0	+9.5
Total Change	-80.0	-35.0
Current Projection (Jul. 26, 2016)	3,520.0	265.0

Change in Exchange Rate

- 1USD: 111.05 to 107.96 yen
- 1EURO: 125.44 to 119.39 yen

Office

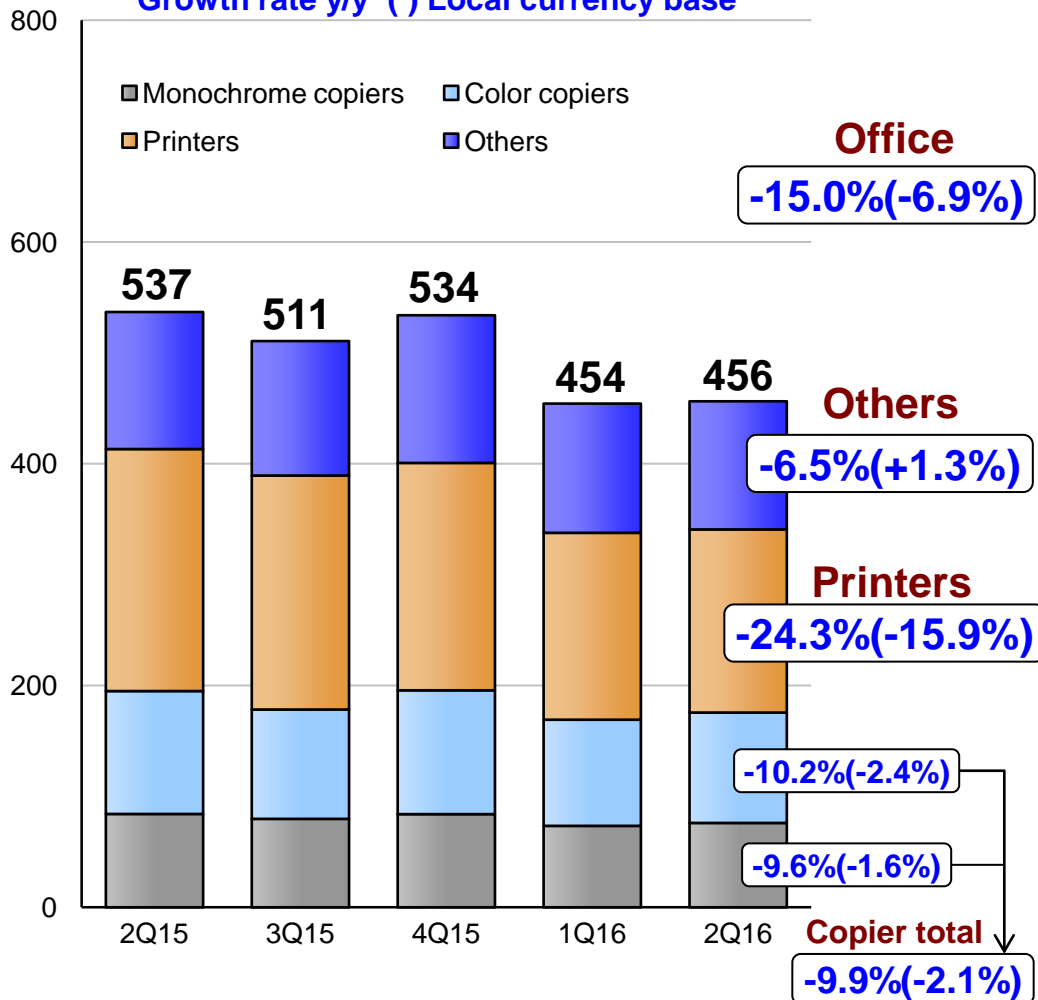
2Q 2016 Actual

2Q16 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+6%	-2%
Monochrome	-3%	-13%
Total	+1%	-11%

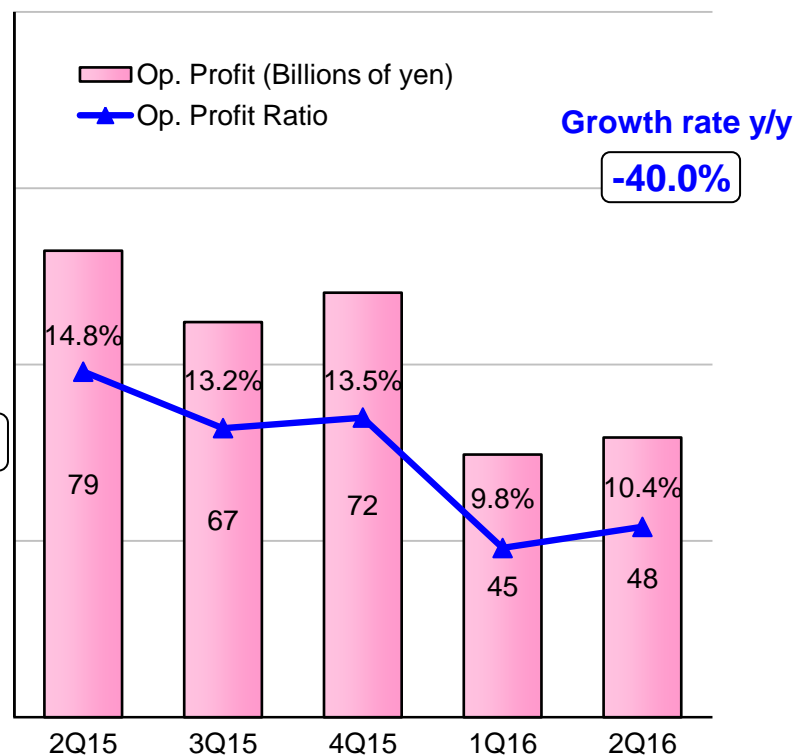
2Q16 Color Ratio		
	Copiers	Printers
Value Base*	57%	53%
Unit Base	48%	18%

*Includes Consumables

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



Op. Profit



Office

FY 2016 Projection

FY16 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+14%	-10%
Monochrome	+3%	-11%
Total	+8%	-11%

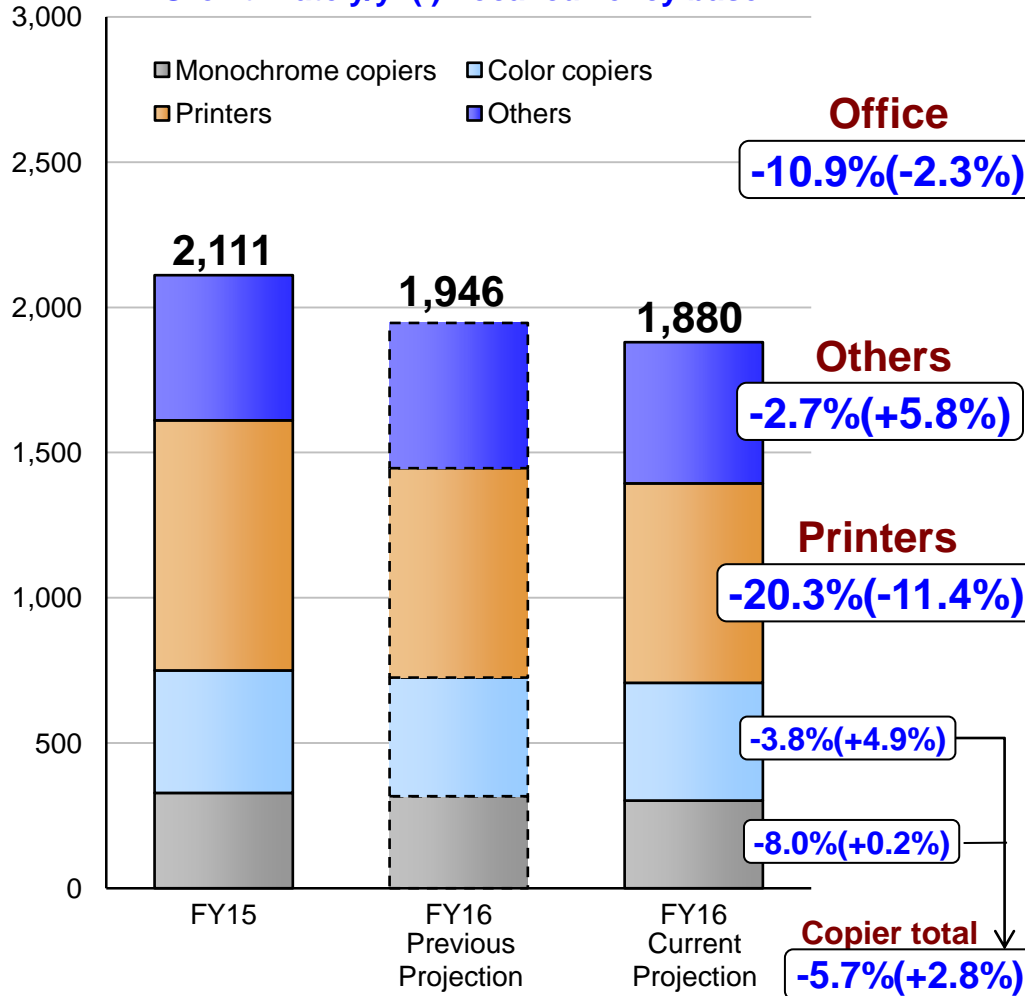
FY16 Color Ratio		
	Copiers	Printers
Value Base*	57%	52%
Unit Base	49%	17%

*Includes Consumables

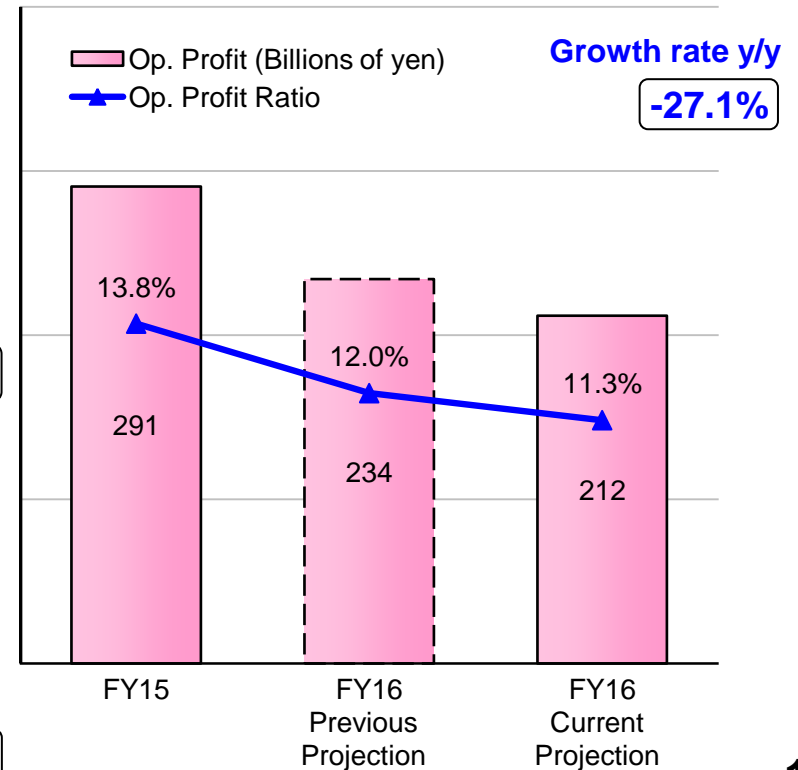
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



Imaging System

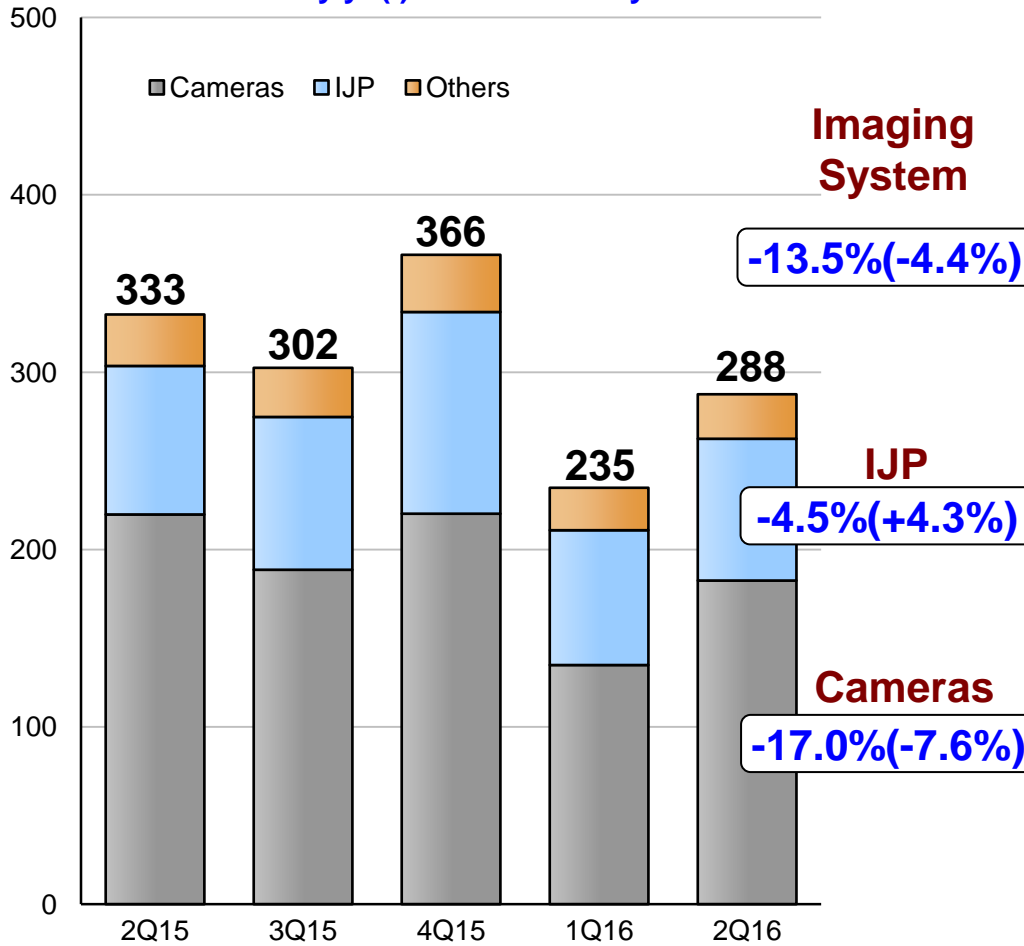
2Q 2016 Actual

Growth Rate y/y (Unit Base)	
	2Q16
Interchangeable Lens Digital Cameras	-1%
Compact Digital Cameras	-30%
Total Digital Cameras	-16%
IJP	0%

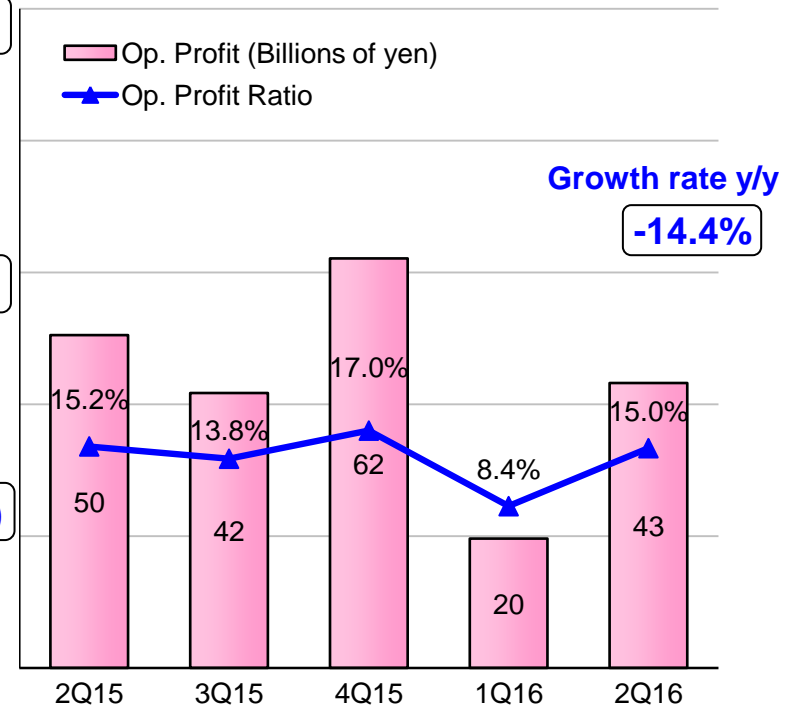
Interchangeable Lens Digital Camera Ratio *	
	2Q16
Value Base	85%
Unit Base	56%

* 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 2016 Projection

Growth Rate y/y (Unit Base)	
	FY16
Interchangeable Lens Digital Cameras	-1%
Compact Digital Cameras	-39%
Total Digital Cameras	-22%
IJP	0%

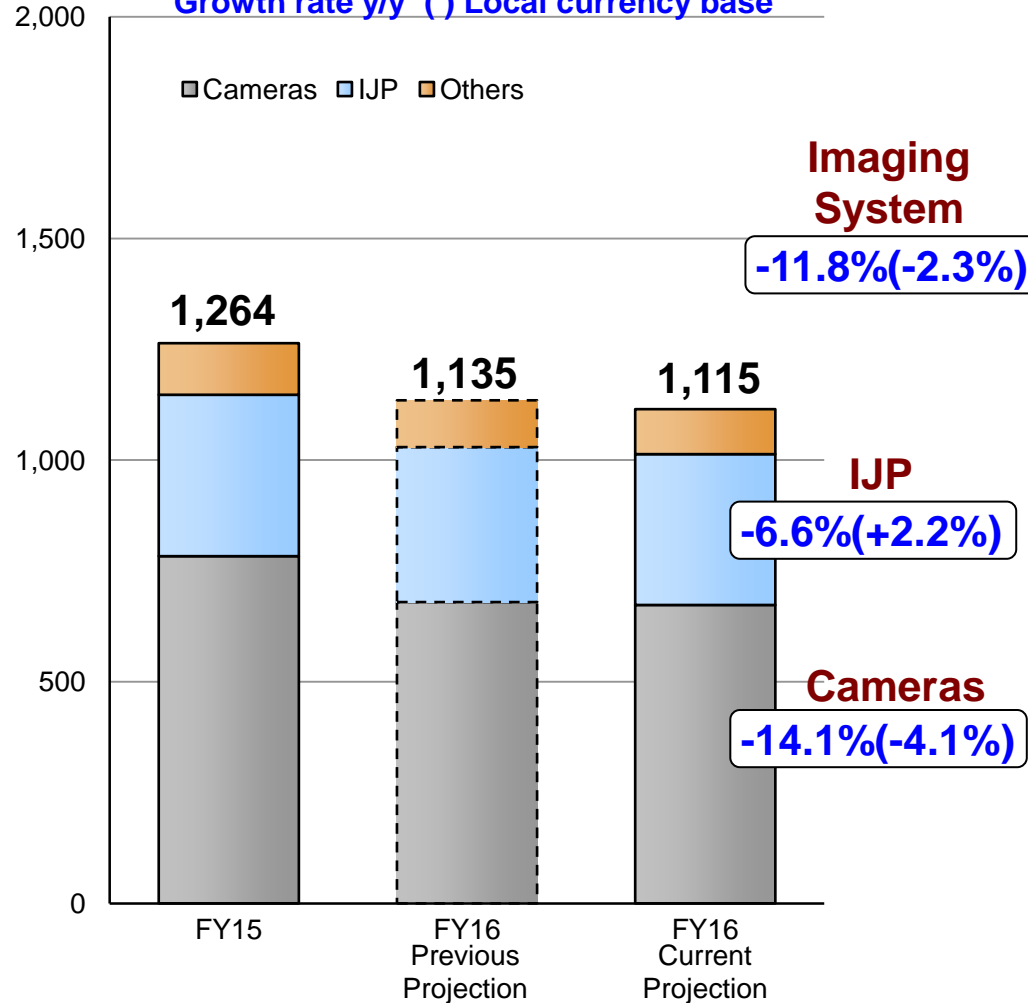
Interchangeable Lens Digital Camera Ratio *	
	FY16
Value Base	86%
Unit Base	58%

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

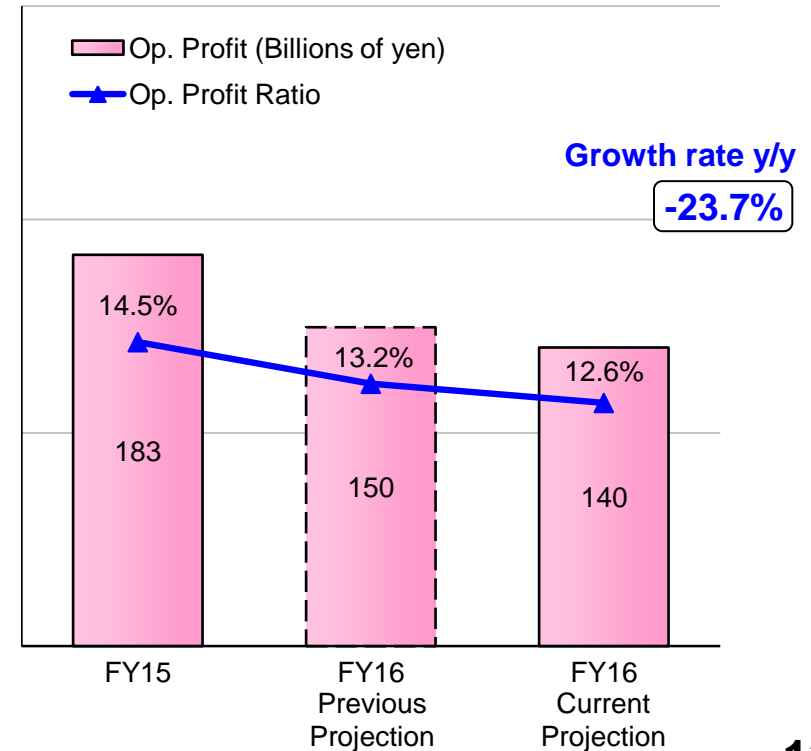
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



Industry and Others

2Q 2016 Actual

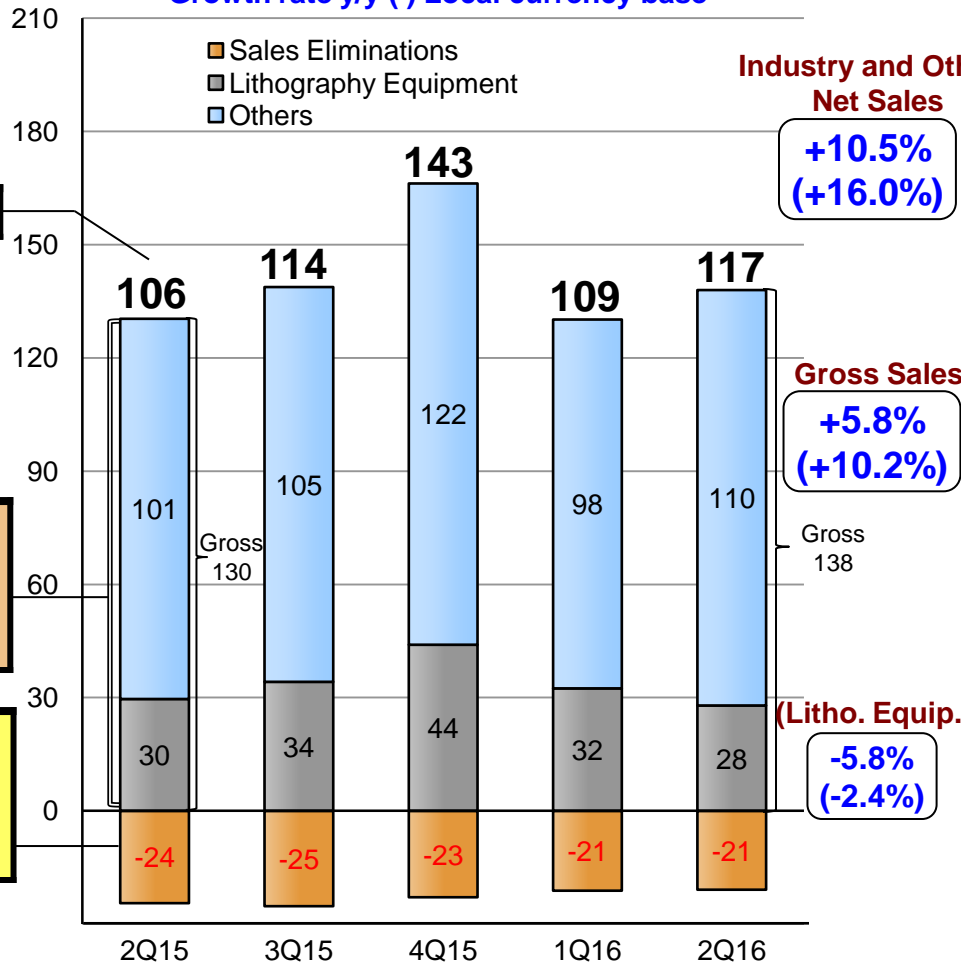
Lithography Equipment (Unit Sales)		
	2Q15	2Q16
IC	19	12
FPD	7	10

IC Lithography Unit Breakdown by Light Source		
	2Q15	2Q16
ArF	0	0
KrF	7	2
i-line	12	10

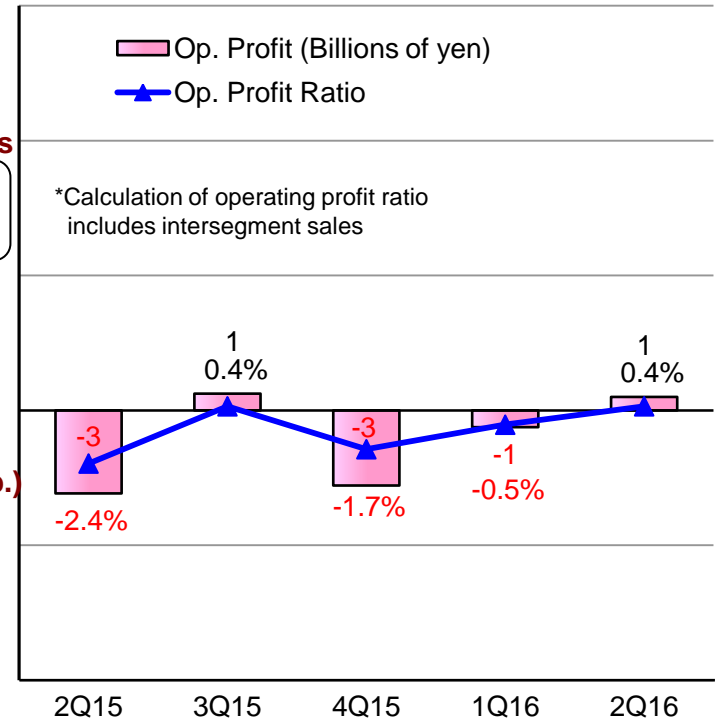
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



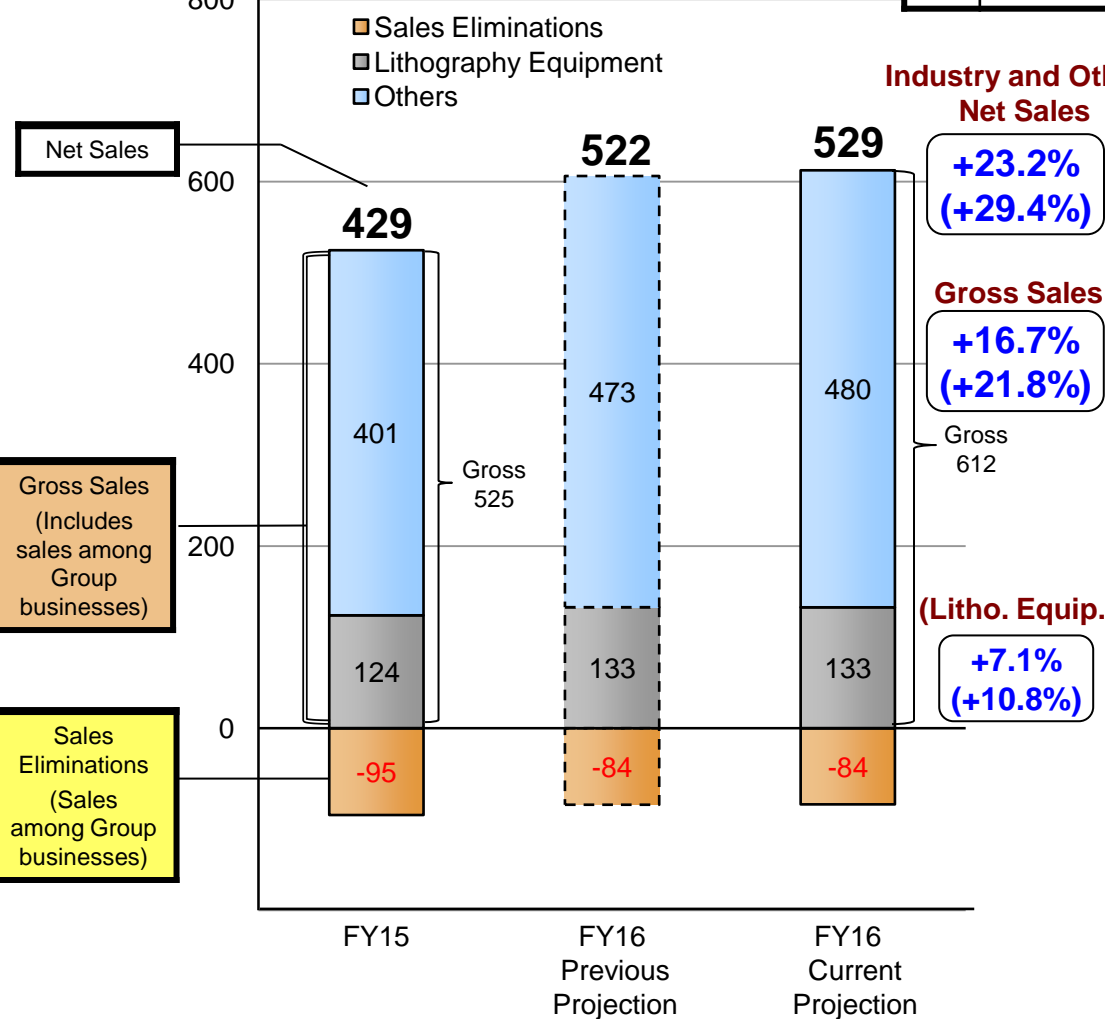
Industry and Others

FY 2016 Projection

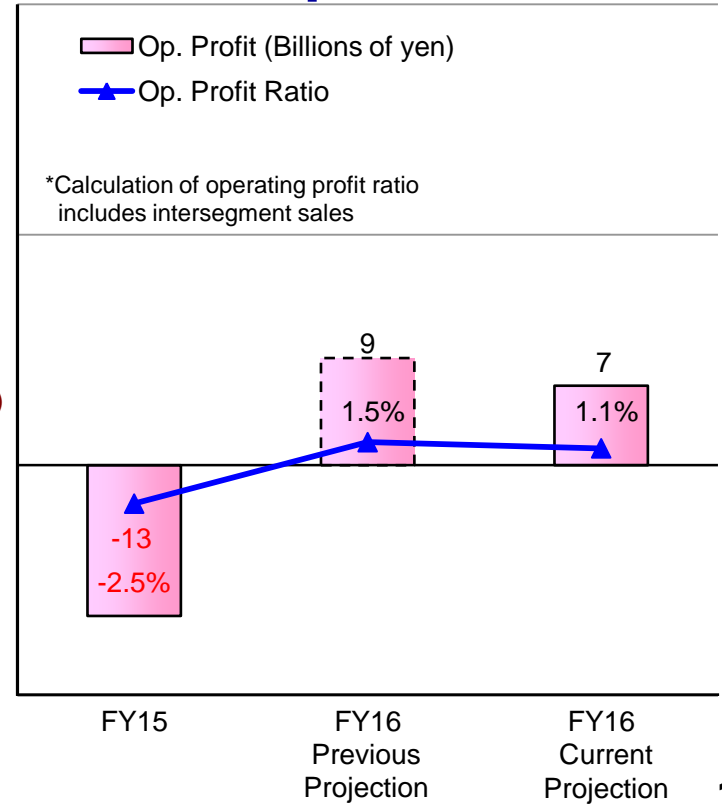
	FY15	FY16 Previous Projection	FY16 Current Projection
IC	80	77	77
FPD	34	39	39

	FY15	FY16 Previous Projection	FY16 Current Projection
ArF	0	0	0
KrF	21	27	27
i-line	59	50	50

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

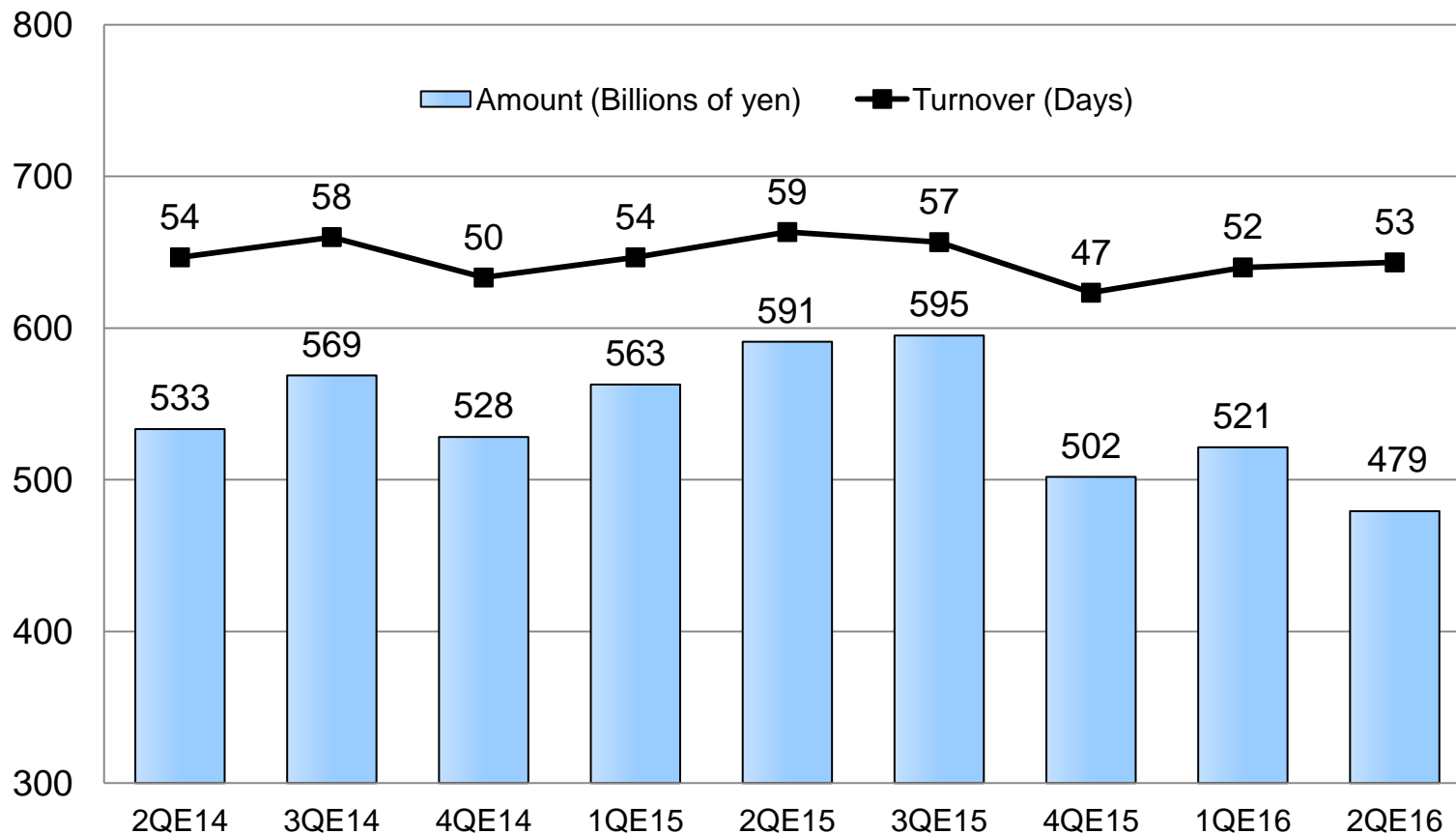


Op. Profit



Inventories

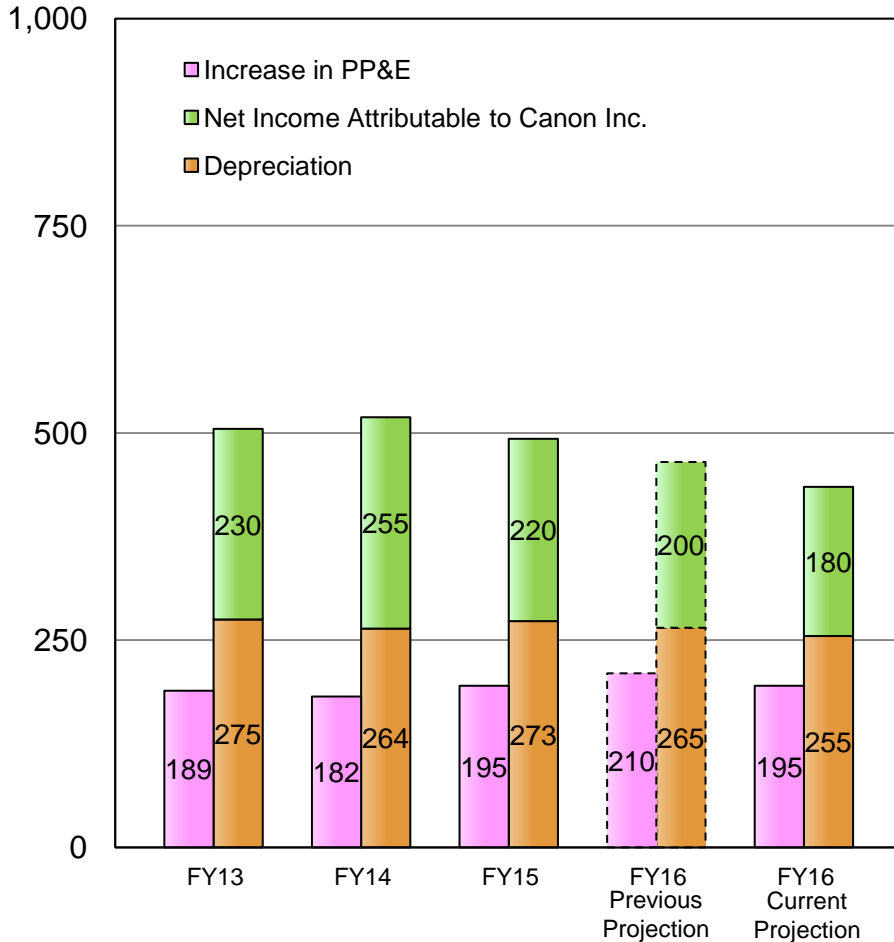
(Billions of yen)



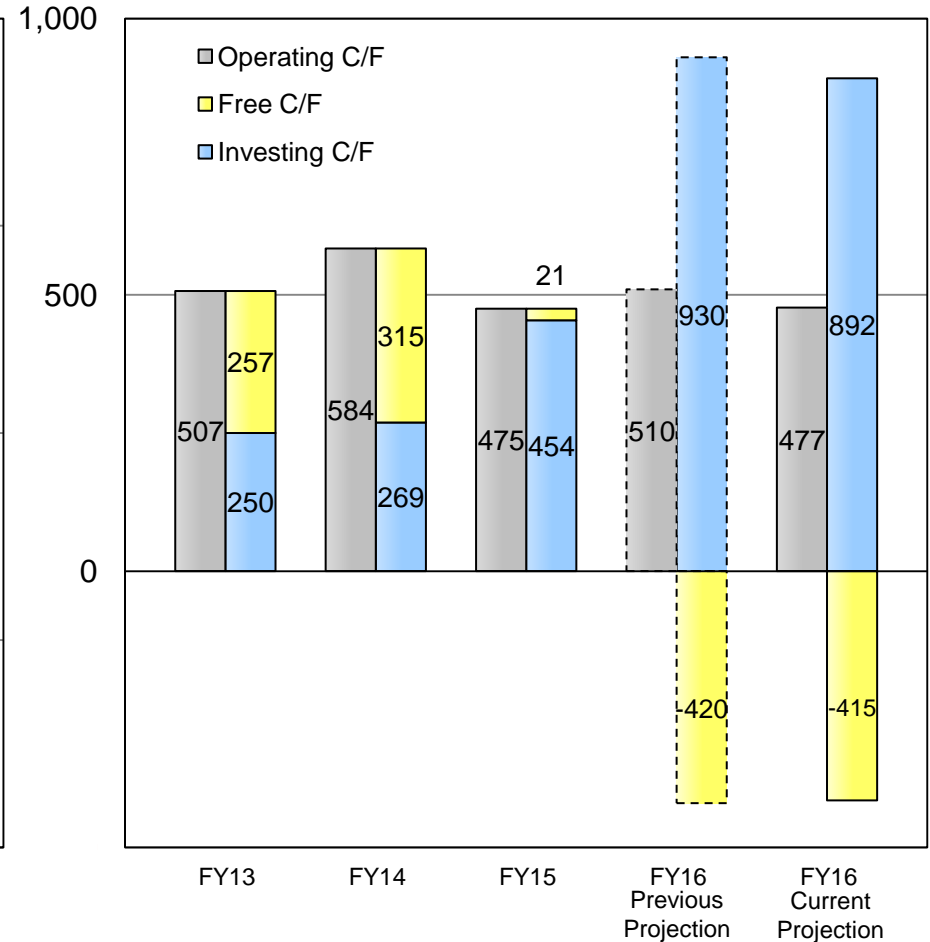
Capital Expenditure

Free Cash Flow

(Billions of yen)



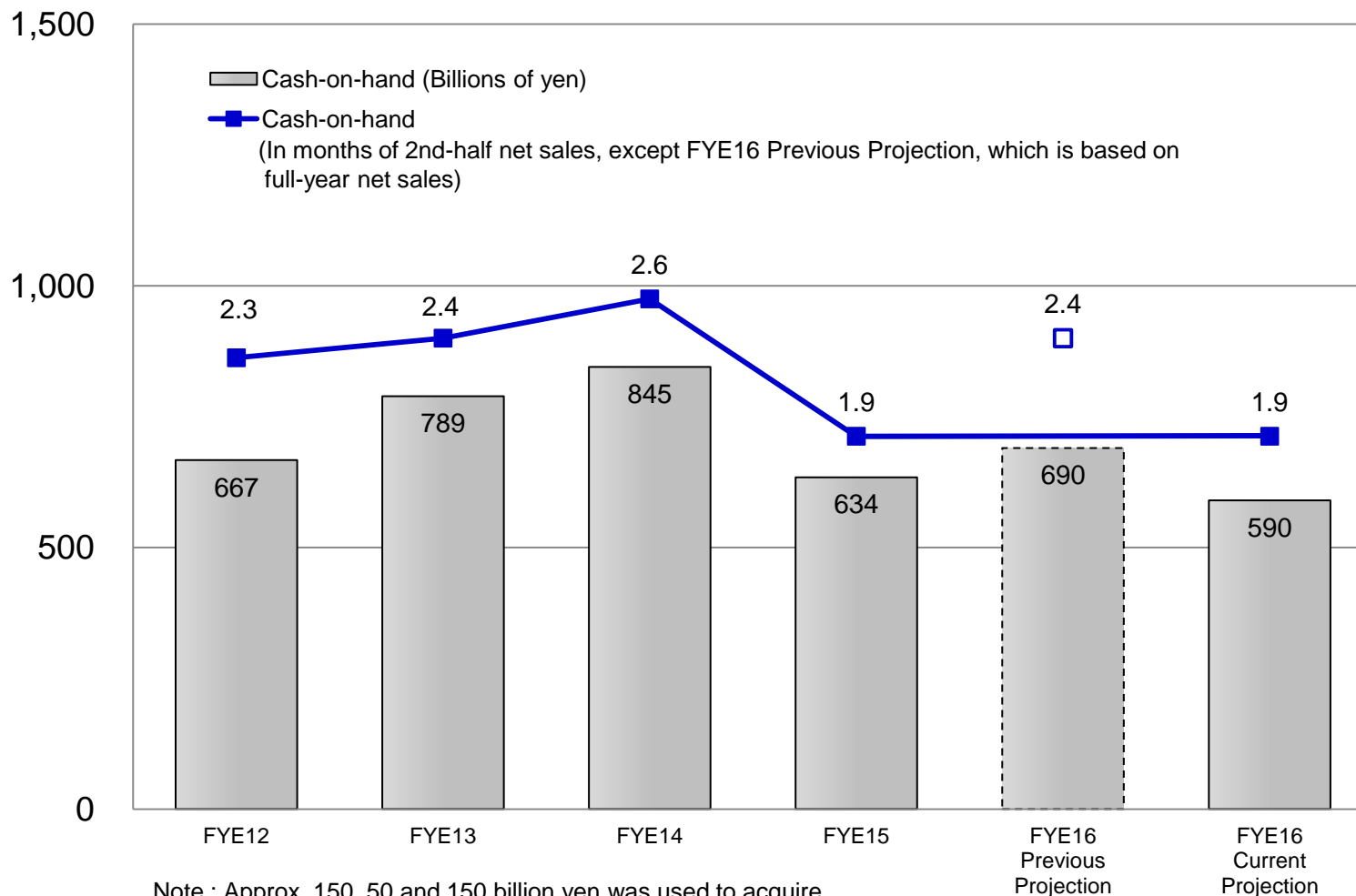
(Billions of yen)



Cash on Hand

Cash on Hand (Year-end)

(Billions of yen)



Note : Approx. 150, 50 and 150 billion yen was used to acquire own shares in 2012, 2013 and 2014, respectively.
The cumulative amount since 2007 is approx. 1.05 trillion yen.

Supplementary Information

Transition in Sales and Operating Profit

FY 2016 Current Projection v. FY 2015 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2015 Actual	3,800.3	355.2
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	-308.9	-121.1
Sales Volume Impact		
Office	-48.0	
Imaging System	-3.3	
Industry and Others	+125.9	
Total	+74.6	+24.2
Others	-46.0	+6.7
Total Change	-280.3	-90.2
FY 2016 Current Projection	3,520.0	265.0

Change in Exchange Rate

- 1USD: 121.13 to 107.96 yen
- 1EURO: 134.20 to 119.39 yen

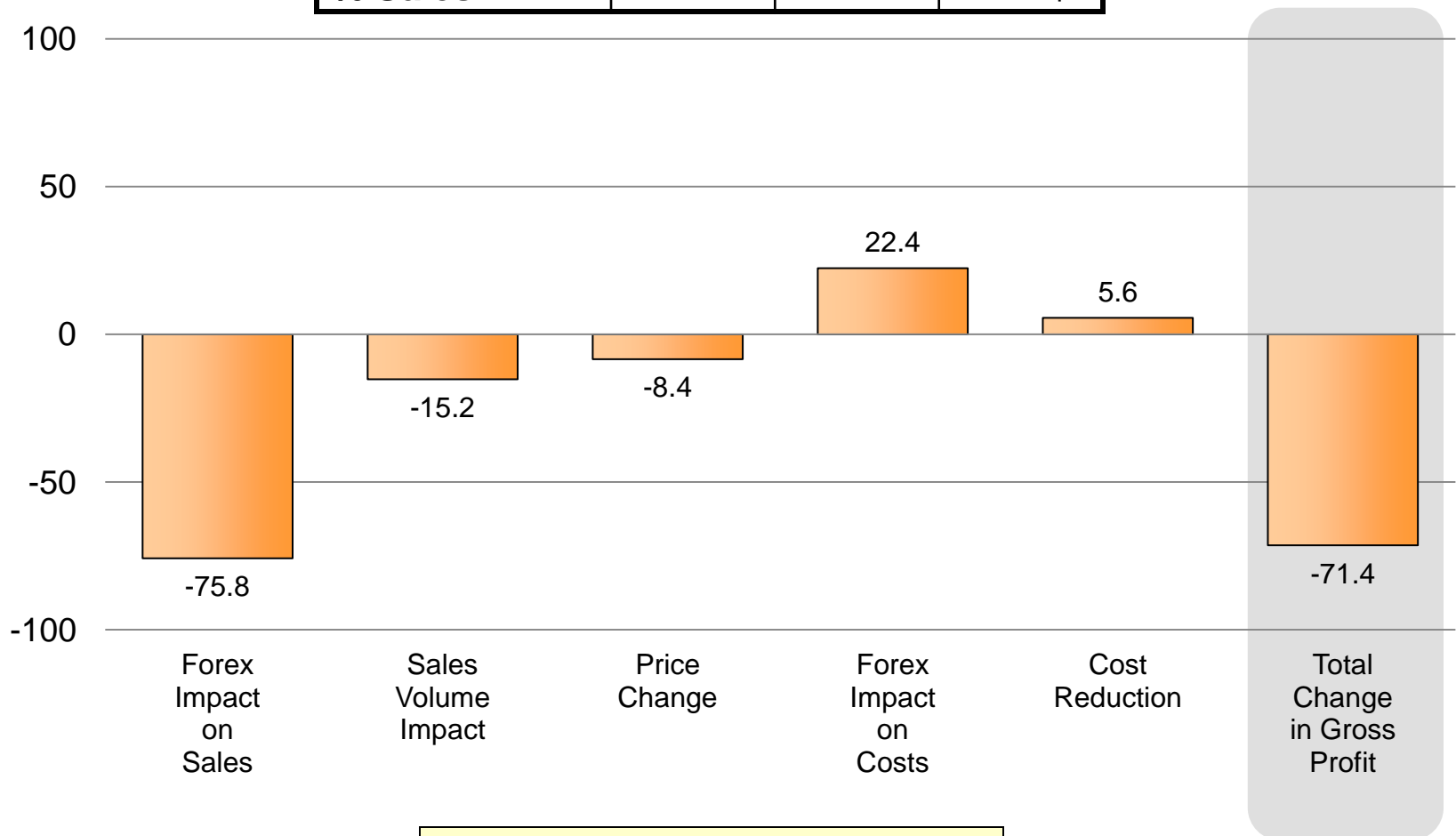
Gross Profit Variance Analysis

2Q 2016 Actual v. 2Q 2015 Actual

(Billions of yen)

	2Q16	2Q15	Change
Gross Profit	432.4	503.8	-71.4
% Sales	50.3%	51.7%	-1.4pt.

(Billions of yen)



Supplementary Information

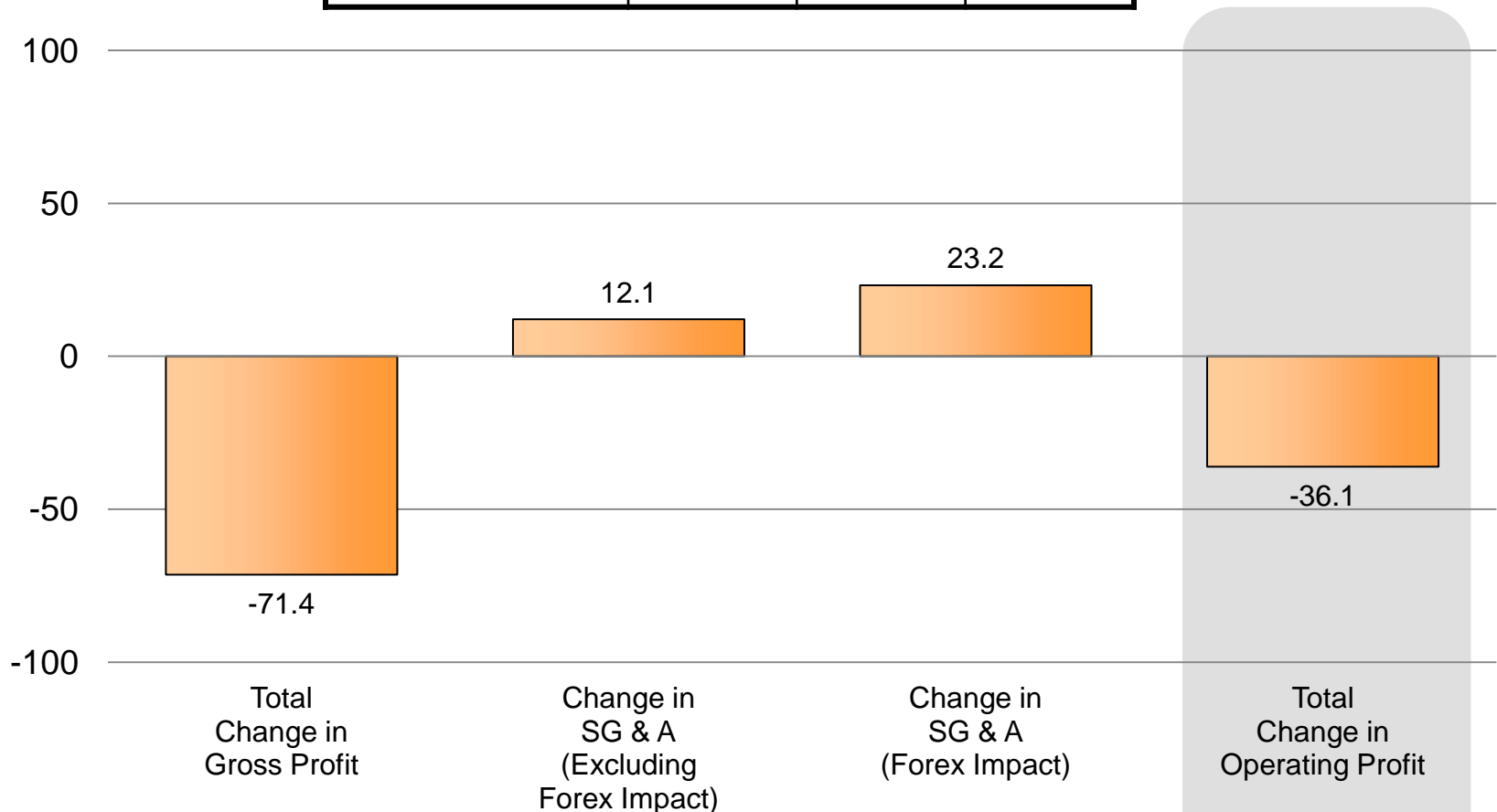
Operating Profit Variance Analysis

2Q 2016 Actual v. 2Q 2015 Actual

(Billions of yen)

(Billions of yen)

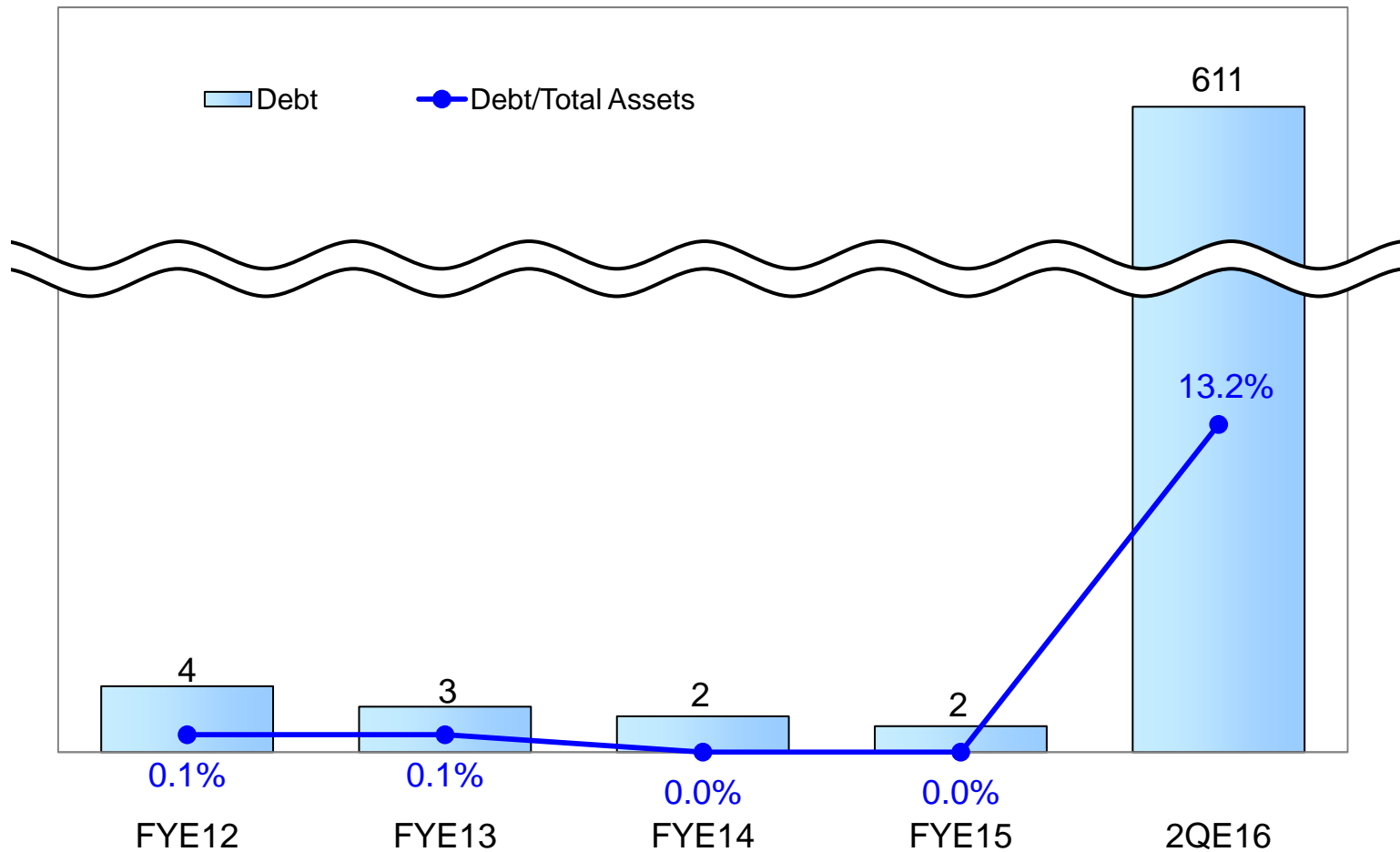
	2Q16	2Q15	Change
Op. Profit	68.6	104.7	-36.1
% Sales	8.0%	10.7%	-2.7pt.



Supplementary Information

Interest Bearing Debt

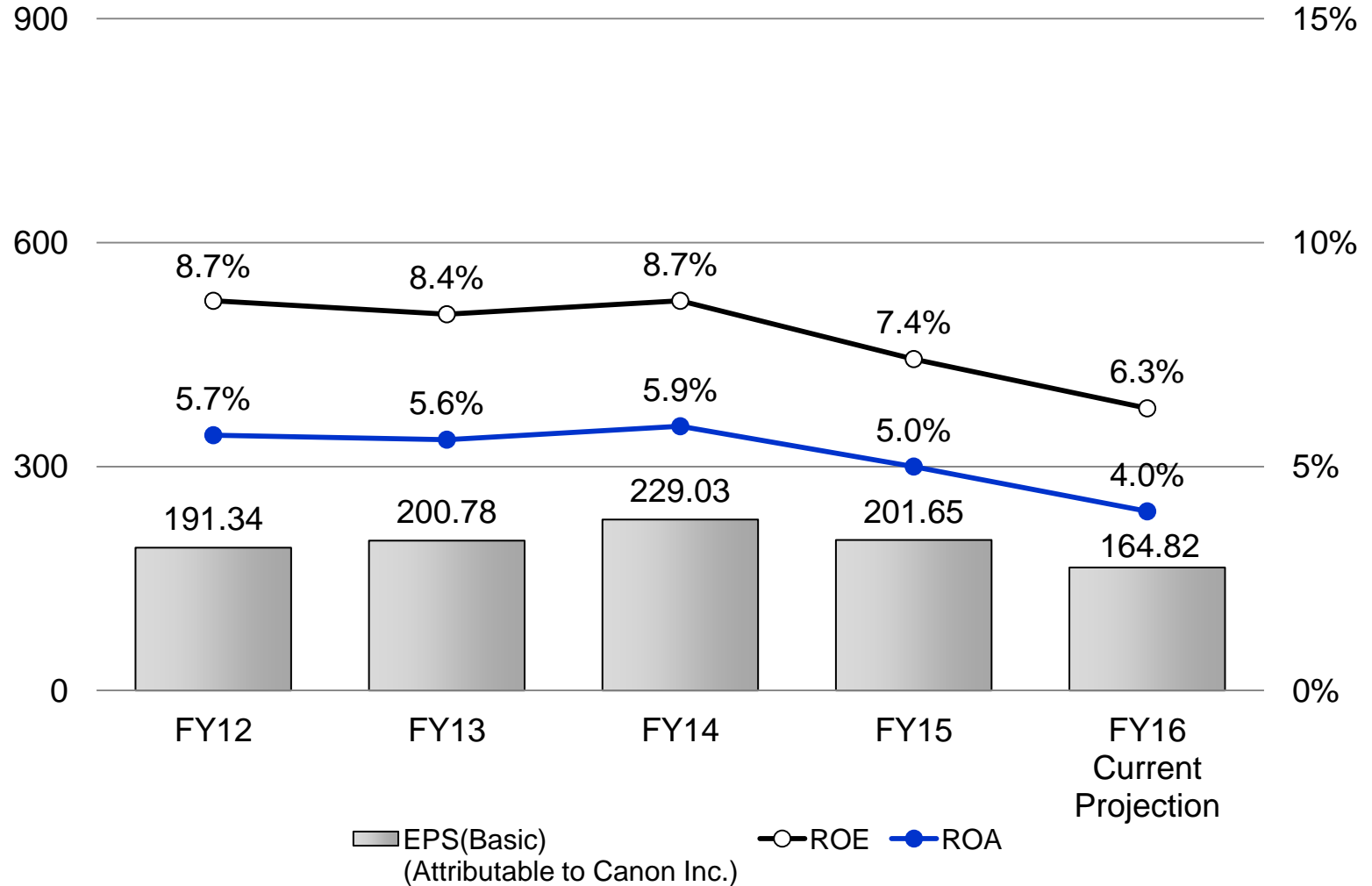
(Billions of yen)



Supplementary Information

Financial Ratios

(Yen)



Supplementary Information