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# Canon Inc.

# Second Quarter 2018 Results

July 26, 2018  
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## **Sales and profit growth, improved profitability**

- Sales and profit growth in 1H as well, driven by new products
- 2Q net sales exceeds one trillion yen for first time in 10 years, since 2008

## **Existing Businesses**

- Sales of lithography equipment remain strong
- Sales of office equipment also growing

## **New Businesses**

- Medical returns to net sales growth, all new businesses grew

# FY 2018 Financial Results

## (2Q 2018 Actual versus 2Q 2017 Actual)



- Compared to last year (pre-reclassification basis): Returned to sales and profit growth, achieved an operating profit ratio exceeding 10%

(Billions of yen)	FY 2018				FY 2017			% Change (Pre-reclassification)
	2Q Actual	Service Cost	Pension	2Q Actual (Pre-reclassification)	2Q Actual	Pension	2Q Actual (Pre-reclassification)	
<b>Net Sales</b>	<b>1,006.4</b>	0.0	0.0	<b>1,006.4</b>	<b>992.5</b>	0.0	<b>992.5</b>	<b>+1.4%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>474.6</b> 47.2%	-28.1	-0.8	<b>503.5</b> 50.0%	<b>495.0</b> 49.9%	-0.6	<b>495.6</b> 49.9%	<b>+1.6%</b>
<b>Op. Expenses</b>	<b>376.6</b>	+28.1	-3.4	<b>401.3</b>	<b>401.2</b>	-1.9	<b>399.3</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>98.0</b> 9.7%	0.0	-4.2	<b>102.2</b> 10.2%	<b>93.8</b> 9.5%	-2.5	<b>96.3</b> 9.7%	<b>+6.1%</b>
<b>Non-operating Income</b>	<b>12.1</b>	0.0	+4.2	<b>7.9</b>	<b>5.8</b>	+2.5	<b>3.3</b>	
<b>IBT</b>	<b>110.1</b>	0.0	0.0	<b>110.1</b>	<b>99.6</b>	0.0	<b>99.6</b>	<b>+10.6%</b>
<b>Net Income</b> (% of Net Sales)	<b>77.7</b> 7.7%	0.0	0.0	<b>77.7</b> 7.7%	<b>69.2</b> 7.0%	0.0	<b>69.2</b> 7.0%	<b>+12.3%</b>
USD	109.14			109.14	111.12		111.12	
EURO	129.97			129.97	122.36		122.36	

Note 1: In 2018, a reclassification of service revenue related costs and expenses was conducted.

Note 2: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

# FY 2018 Financial Results by Business Unit

## (2Q 2018 Actual versus 2Q 2017 Actual)

- Amid a decline in Imaging System, Office and Industry & Others contributed significantly to overall performance in terms of both sales and profit

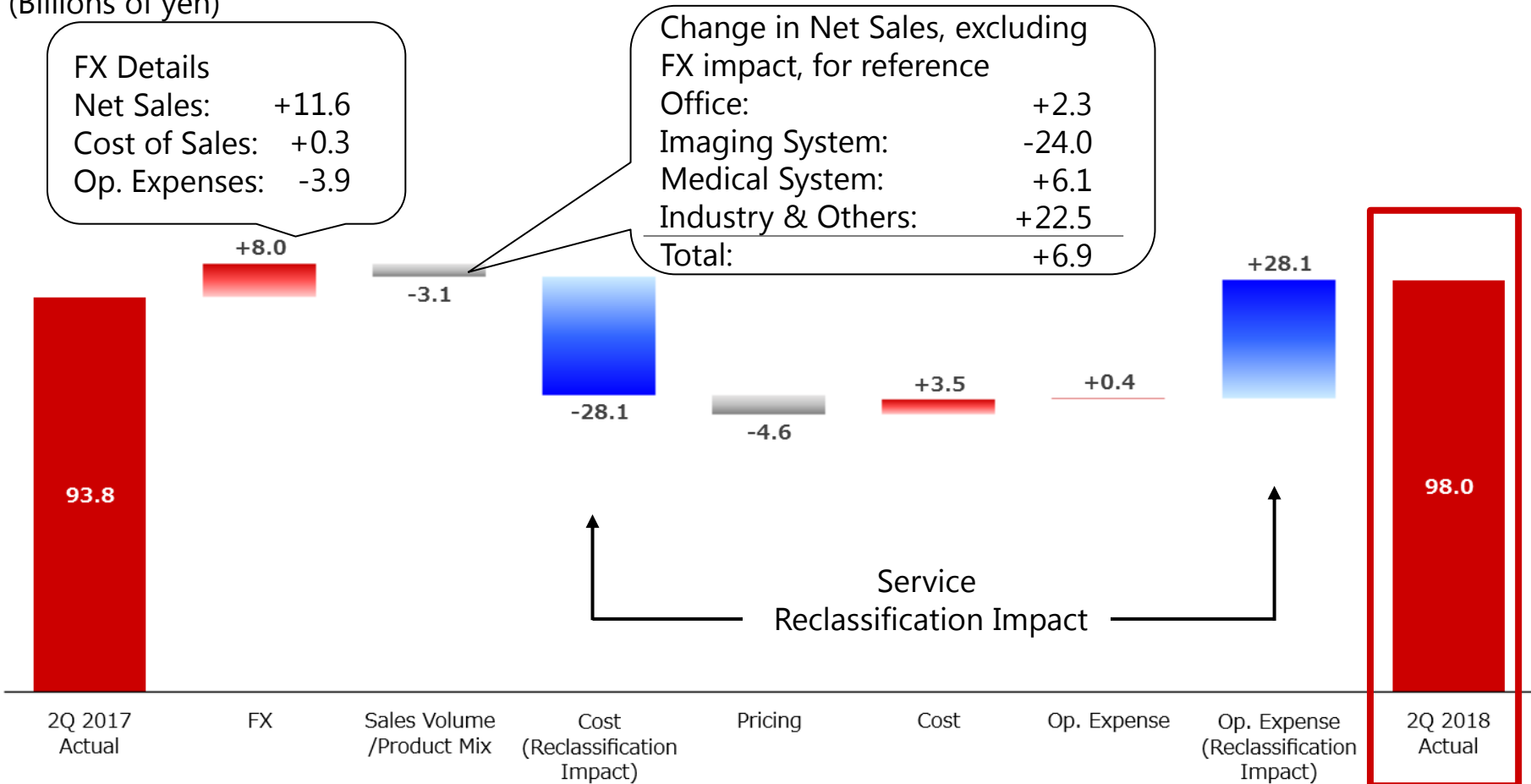
(Billions of yen)		2Q 2018 Actual	2Q 2017 Actual	% Change
Office	Net Sales	477.7	470.7	+1.5%
	Op. Profit	61.9	55.9	+10.7%
Imaging System	Net Sales	260.5	282.7	-7.8%
	Op. Profit	34.8	48.5	-28.3%
Medical System	Net Sales	94.7	88.6	+6.9%
	Op. Profit	1.9	0.2	+1,027.3%
Industry & Others	Net Sales	200.2	172.5	+16.1%
	Op. Profit	24.3	13.2	+84.9%
Corporate & Eliminations	Net Sales	-26.7	-22.0	-
	Op. Profit	-24.9	-24.0	-
Total	Net Sales	1,006.4	992.5	+1.4%
	Op. Profit	98.0	93.8	+4.4%

Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

# FY 2018 Operating Profit Analysis (2Q 2018 Actual versus 2Q 2017 Actual)

- Sales volume: Impact from lower camera volume absorbed by Industry & Others BU
- Price reduction: Efforts made to keep it at a lower level than last year

(Billions of yen)



Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

# Key Message

(FY 2018 Projection)

## FX Assumptions

	2H 2018	FY 2018	Impact of exchange rate movement (2H impact given a one yen change)	
			Net Sales	Op. Profit
USD/Yen	110.00 yen	109.34 yen	7.5 billion yen	2.7 billion yen
EUR/Yen	130.00 yen	130.71 yen	3.4 billion yen	1.6 billion yen

## External Environment

- Risk of trade friction, but expect modest global economic expansion to continue

## FY 2018 Outlook

- Accelerate sales of new products through various sales initiatives
- Enhance profitability through cost reduction and expense review

→ Continue to aim for second consecutive year of sales and profit growth

# FY 2018 Financial Projection

## (FY 2018 Current Projection versus FY 2017 Actual)



- Second highest level of net sales since 2007
- Project all profit margins to improve compared to last year

(Billions of yen)	FY 2018				FY 2017			% Change (Pre-reclassification)
	Current Projection	Service Cost	Pension	Current Projection (Pre-reclassification)	Full year Actual	Pension	Full Year Actual (Pre-reclassification)	
<b>Net Sales</b>	<b>4,120.0</b>	0.0	0.0	<b>4,120.0</b>	<b>4,080.0</b>	0.0	<b>4,080.0</b>	<b>+1.0%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,906.5</b> 46.3%	-117.5	-3.0	<b>2,027.0</b> 49.2%	<b>1,990.6</b> 48.8%	-2.1	<b>1,992.7</b> 48.8%	<b>+1.7%</b>
<b>Op. Expenses</b>	<b>1,528.0</b>	+117.5	-14.0	<b>1,631.5</b>	<b>1,669.0</b>	-7.8	<b>1,661.2</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>378.5</b> 9.2%	0.0	-17.0	<b>395.5</b> 9.6%	<b>321.6</b> 7.9%	-9.9	<b>331.5</b> 8.1%	<b>+19.3%</b>
<b>Non-operating Income</b>	<b>31.5</b>	0.0	+17.0	<b>14.5</b>	<b>32.3</b>	+9.9	<b>22.4</b>	
<b>IBT</b>	<b>410.0</b>	0.0	0.0	<b>410.0</b>	<b>353.9</b>	0.0	<b>353.9</b>	<b>+15.9%</b>
<b>Net Income</b> (% of Net Sales)	<b>280.0</b> 6.8%	0.0	0.0	<b>280.0</b> 6.8%	<b>241.9</b> 5.9%	0.0	<b>241.9</b> 5.9%	<b>+15.7%</b>
USD	109.34			109.34	112.13		112.13	
EURO	130.71			130.71	126.69		126.69	

Note 1: In 2018, a reclassification of service revenue related costs and expenses was conducted.

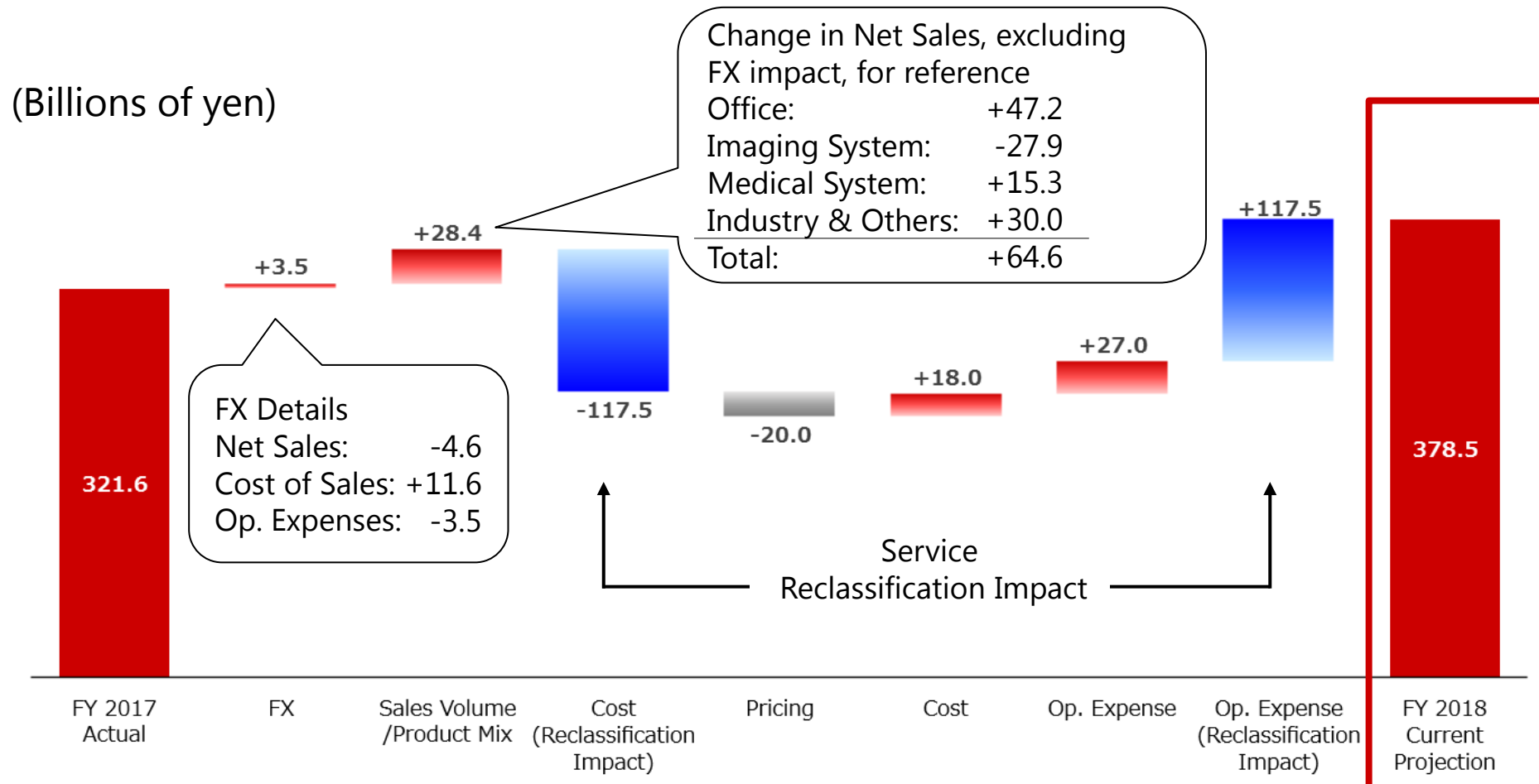
Note 2: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.



# FY 2018 Operating Profit Analysis

## (FY 2018 Current Projection versus FY 2017 Actual)

- Sales volume: Absorb the impact of lower volumes on Imaging System through sales expansion of mainly new products in each business
- Price reduction: Same level as last year and absorbed through cost reduction



Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

# FY 2018 Financial Projection

## (FY 2018 Current Projection versus FY 2018 Previous Projection)

- Lowered projection for sales and op. profit by 180 and 25.5 billion yen, respectively
  - Average selling price decline mainly due to growth in sales of affordably priced MFDs and cameras
  - Industry & Others impacted by temporary adjustment of overheated OLED investment

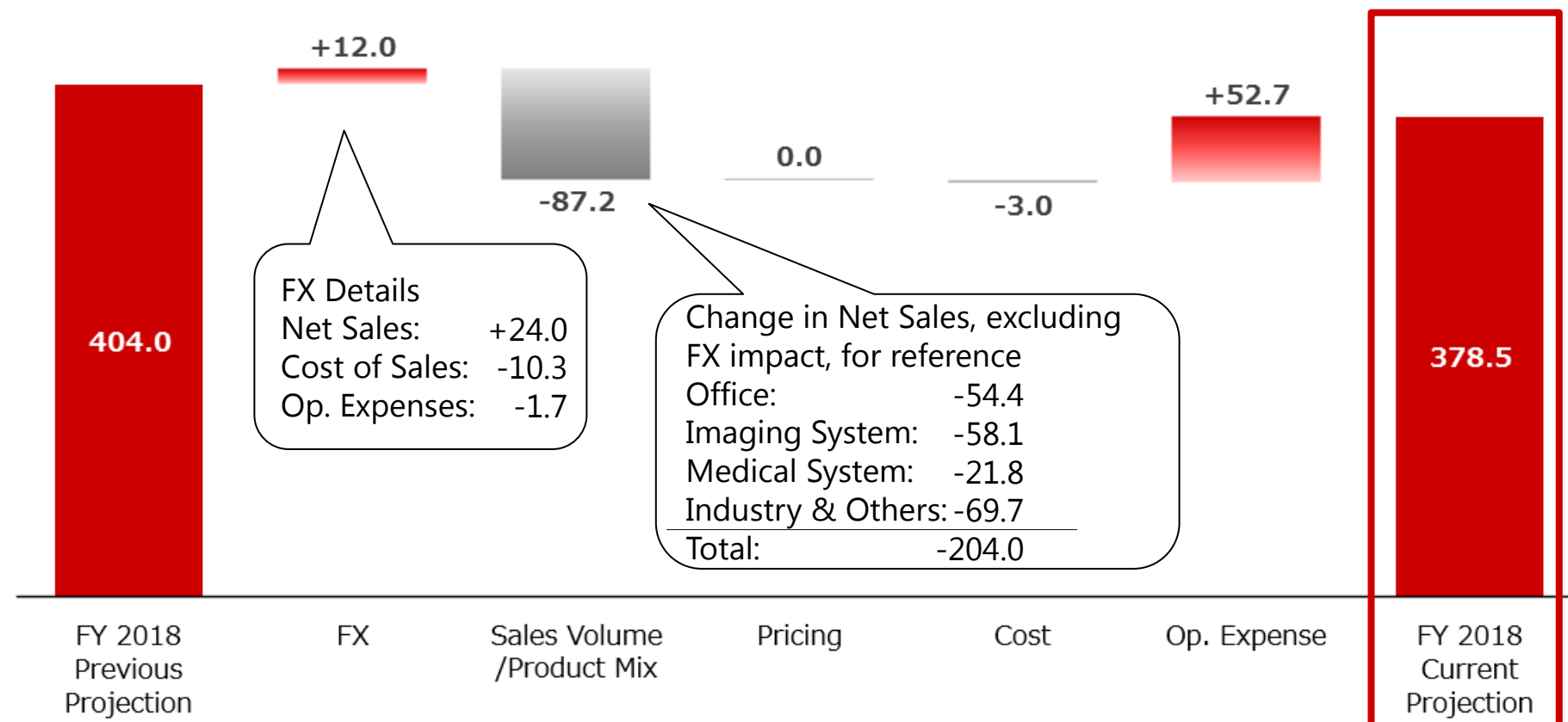
(Billions of yen)	FY 2018		Amount Change
	Current Projection	Previous Projection	
<b>Net Sales</b>	<b>4,120.0</b>	<b>4,300.0</b>	<b>-180.0</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,906.5</b> 46.3%	<b>1,983.0</b> 46.1%	<b>-76.5</b>
<b>Op. Expenses</b>	<b>1,528.0</b>	<b>1,579.0</b>	<b>+51.0</b>
<b>Op. Profit</b> (% of Net Sales)	<b>378.5</b> 9.2%	<b>404.0</b> 9.4%	<b>-25.5</b>
<b>Non-operating Income</b>	<b>31.5</b>	<b>16.0</b>	<b>+15.5</b>
<b>IBT</b>	<b>410.0</b>	<b>420.0</b>	<b>-10.0</b>
<b>Net Income</b> (% of Net Sales)	<b>280.0</b> 6.8%	<b>280.0</b> 6.5%	<b>0.0</b>
USD	109.34	107.24	
EURO	130.71	132.25	

# FY 2018 Operating Profit Analysis

(FY 2018 Current Projection versus FY 2018 Previous Projection)

- Sales volume: Average selling price decline, impact from lower compact camera volumes, revision of medical treatment fees, postponement of industrial equip. investment
- Maintaining previous projection for price reduction, and taking into account the impact of sharp rise in raw material prices on cost reduction

(Billions of yen)



# FY 2018 Financial Projection by Business Unit

## (Full Year)

- Vs. previous projection: Lowered projection for mainly Imaging System and Industry & Others
- Vs. last year: Sales and profit growth through expanded sales of new products and progress made in cost reduction

(Billions of yen)		FY 2018 Current Projection	FY 2017 Actual	% Change	FY 2018 Previous Projection	Amount Change
Office	Net Sales	<b>1,899.0</b>	<b>1,865.9</b>	+1.8%	<b>1,939.0</b>	-40.0
	Op. Profit	<b>233.0</b>	<b>180.6</b>	+29.0%	<b>235.5</b>	-2.5
Imaging System	Net Sales	<b>1,101.0</b>	<b>1,136.2</b>	-3.1%	<b>1,153.0</b>	-52.0
	Op. Profit	<b>164.5</b>	<b>175.9</b>	-6.5%	<b>193.0</b>	-28.5
Medical System	Net Sales	<b>450.0</b>	<b>436.2</b>	+3.2%	<b>470.0</b>	-20.0
	Op. Profit	<b>27.0</b>	<b>22.5</b>	+20.0%	<b>27.0</b>	0.0
Industry & Others	Net Sales	<b>770.0</b>	<b>731.7</b>	+5.2%	<b>839.0</b>	-69.0
	Op. Profit	<b>65.0</b>	<b>56.8</b>	+14.5%	<b>69.4</b>	-4.4
Corporate & Eliminations	Net Sales	<b>-100.0</b>	<b>-90.0</b>	-	<b>-101.0</b>	+1.0
	Op. Profit	<b>-111.0</b>	<b>-114.2</b>	-	<b>-120.9</b>	+9.9
Total	Net Sales	<b>4,120.0</b>	<b>4,080.0</b>	+1.0%	<b>4,300.0</b>	-180.0
	Op. Profit	<b>378.5</b>	<b>321.6</b>	+17.7%	<b>404.0</b>	-25.5

Note 1: In 2018, a reclassification of service revenue related costs and expenses was conducted.

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# Office – MFDs

- 2Q: Next-generation color models continue to be the main driver of sales growth
- Full year: Aiming for market exceeding growth, enhancing support system for dealers

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
(% of Net Sales)	13.0%	11.9%		12.3%	9.7%		12.1%	

\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
<b>Total</b>	<b>+0.1%</b>	<b>+2.0%</b>

## 2018 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
MFDs		
B&W	-8%	-1%
Color	+11%	+8%
<b>Total</b>	<b>+2%</b>	<b>+4%</b>

## " imageRUNNER ADVANCE

### Gen3 2nd Edition "



- Inherits high reliability of current models
- User authentication, print management etc. offered as standard features
- Work with external cloud-services

# Office – Laser Printers

- 2Q: Achieved increase in overall revenue as sales of consumables returned to positive growth
- Full year: Maintaining previous projection due to strong hardware sales in 1H

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
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## 2018 Net Sales Growth Rate Y/Y

(Local Currency)

	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
Total	+0.1%	+2.0%

## 2018 Unit Growth Rate Y/Y

LPs	2Q Actual	Full year Projection
B&W	+4%	0%
Color	+3%	+8%
Total	+4%	+1%

# Office – Others

- 2Q: Grew unit sales of new products designed for graphic arts
- Full year: Further expand sales through the strengthening of sales organization etc.

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
(% of Net Sales)	13.0%	11.9%		12.3%	9.7%		12.1%	

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## 2018 Net Sales Growth Rate Y/Y (Local Currency)

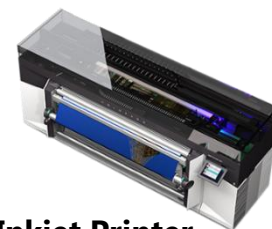
	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
Total	+0.1%	+2.0%



**High-speed Cut Sheet Printer**  
" VarioPrint i300 "



**High-speed Continuous Feed Printer**  
" ProStream 1000 "



**Wide-format UV Inkjet Printer**  
" Colorado 1640 "

# Imaging System – Cameras

- 2Q: Increased market share in each region, driven by new camera "EOS M50"
- Full year: Increase sales, capturing new users and strengthening sales of advanced – amateur models

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	164.4	181.5	-9.4%	673.8	702.8	-4.1%	711.4	-37.6
IJPs	73.9	78.2	-5.4%	332.4	335.6	-0.9%	339.6	-7.2
Others	22.2	23.0	-3.9%	94.8	97.8	-3.1%	102.0	-7.2
<b>Net Sales</b>	<b>260.5</b>	<b>282.7</b>	<b>-7.8%</b>	<b>1,101.0</b>	<b>1,136.2</b>	<b>-3.1%</b>	<b>1,153.0</b>	<b>-52.0</b>
<b>Op. Profit</b>	<b>34.8</b>	<b>48.5</b>	<b>-28.3%</b>	<b>164.5</b>	<b>175.9</b>	<b>-6.5%</b>	<b>193.0</b>	<b>-28.5</b>
(% of Net Sales)	13.3%	17.2%		14.9%	15.5%		16.7%	

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## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Cameras	-11.1%	-4.4%
IJPs	-7.0%	-1.0%
Total	-9.5%	-3.3%

## 2018 Units (Millions) & Unit Growth Rate Y/Y

	2Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	1.38	-3%	5.50	0%
DCs	0.84	-22%	3.00	-26%

## New Mirrorless Model " EOS M50 "





# Imaging System – Inkjet Printers

- 2Q: Unit sales below last year due to impact from reviewing sales channels
- Full year: Aiming to post unit sales growth, strengthening sales of models that fit the special needs of each region

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	164.4	181.5	-9.4%	673.8	702.8	-4.1%	711.4	-37.6
IJPs	73.9	78.2	-5.4%	332.4	335.6	-0.9%	339.6	-7.2
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## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Cameras	-11.1%	-4.4%
IJPs	-7.0%	-1.0%
Total	-9.5%	-3.3%

## 2018 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
IJPs	-3%	+3%

## Refillable Ink Tank Models " G Series "



# Medical System

- 2Q: Achieved sales and profit growth, driven by overseas sales
- Full year: Improving profitability through sales expansion of new products and the pushing forward of measures to raise earnings

	(Billions of yen)			(Billions of yen)				
	2Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
<b>Net Sales</b>	<b>94.7</b>	<b>88.6</b>	+6.9%	<b>450.0</b>	<b>436.2</b>	+3.2%	<b>470.0</b>	-20.0
<b>Op. Profit</b> (% of Net Sales)	<b>1.9</b> 2.0%	<b>0.2</b> 0.2%	+1,027.3%	<b>27.0</b> 6.0%	<b>22.5</b> 5.2%	+20.0%	<b>27.0</b> 5.7%	0.0

\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Total	+6.9%	+3.2%



Ultrasound  
" Aplio i-series "



MRI " Vantage Orion "

# Industry & Others

- 2Q: Market for semiconductor litho. equip. remains strong, significant growth in unit sales
- Full year: Lowered projection for FPD litho. Equip. and OLED vacuum deposition equip. due to impact from temporary adjustment to overheated OLED investment

(Billions of yen)

	2Q		
	2018 Actual	2017 Actual	% Change
Litho. Equip.	52.8	43.9	+20.1%
Others	147.4	128.6	+14.7%
<b>Net Sales</b>	<b>200.2</b>	<b>172.5</b>	+16.1%
<b>Op. Profit</b>	<b>24.3</b>	<b>13.2</b>	+84.9%
(% of Net Sales)	12.1%	7.6%	

(Billions of yen)

	Full Year				
	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Litho. Equip.	214.8	193.1	+11.2%	226.8	-12.0
Others	555.2	538.6	+3.1%	612.2	-57.0
<b>Net Sales</b>	<b>770.0</b>	<b>731.7</b>	+5.2%	<b>839.0</b>	-69.0
<b>Op. Profit</b>	<b>65.0</b>	<b>56.8</b>	+14.5%	<b>69.4</b>	-4.4
(% of Net Sales)	8.4%	7.8%		8.3%	

\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.

## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Litho. Equip.	+19.9%	+11.3%
Others	+14.4%	+3.3%
Total	+15.8%	+5.4%

## Lithography Equipment (Units)

	2Q 2017 Actual	2Q 2018 Actual	FY 2017 Actual	Full year Projection
IC	19	32	70	126
FPD	14	16	84	70

# Inventory

- Continued to maintain appropriate level of inventory in 2Q
  - Compared with the end of June 2017, inventory was basically flat not only in monetary terms, but also in days turnover
  - Compared with the end of March 2018, the inventory increase reflects preparation for the selling period in 2H

(Billions of yen)		FY 2017				FY 2018	
		1Q	2Q	3Q	4Q	1Q	2Q
Office	Amt.	207.3	211.5	222.7	205.4	207.9	210.3
	Days	40	42	44	40	40	41
Imaging System	Amt.	142.7	148.8	163.6	130.4	151.9	156.6
	Days	46	52	54	39	49	59
Medical System	Amt.	-	80.5	76.6	83.6	80.4	86.0
	Days	-	67	70	71	66	74
Industry & Others	Amt.	219.1	156.0	158.1	150.6	148.3	146.5
	Days	94	98	90	79	78	79
<b>Total</b>	<b>Amt.</b>	<b>569.1</b>	<b>596.8</b>	<b>621.0</b>	<b>570.0</b>	<b>588.5</b>	<b>599.4</b>
	<b>Days</b>	<b>54</b>	<b>55</b>	<b>57</b>	<b>49</b>	<b>52</b>	<b>56</b>

# Cash Flow

## (Full Year)

- Comprehensive cash flow management
  - Planning to invest in growth of new businesses
  - Capital investment within range of depreciation

(Billions of yen)	FY 2018 Current Projection	FY 2018 Previous Projection	FY 2017 Actual
Net cash provided by operating activities	540.0	550.0	590.5
Net cash used in investing activities	-310.0	-330.0	-165.0
<b>Free cash flow</b>	<b>230.0</b>	<b>220.0</b>	<b>425.5</b>
Net cash provided by (used in) financing activities	-333.8	-321.8	-340.4
Effect of exchange rate changes on cash and cash equivalents	-18.0	-10.0	6.5
Net change in cash and cash equivalents	-121.8	-111.8	91.6
<b>Cash and cash equivalents at end of period</b>	<b>600.0</b>	<b>610.0</b>	<b>721.8</b>
<b>Cash-on-hand (In months of Net sales) *</b>	<b>1.7</b>	<b>1.7</b>	<b>2.0</b>
Capital expenditure	190.0	200.0	147.5
Depreciation	245.0	245.0	261.9

\* FY 2018 Projection and FY 2017 Actual was calculated using second-half net sales. FY 2018 Previous Projection was calculated using annual net sales.

# Supplementary Information

# Impact of Change in Pension Accounting Standard

- Reclassification of CoS, SG&A and Other income (deductions)  
(Full-year impact 9.9 billion yen)
- No impact on IBT or net income

(Billions of yen)	Pension accounting - Pre-standard change				
	FY 2017 1Q Actual	FY 2017 2Q Actual	FY 2017 3Q Actual	FY 2017 4Q Actual	FY 2017 Full year Actual
<b>Net Sales</b>	<b>972.8</b>	<b>992.5</b>	<b>994.5</b>	<b>1,120.2</b>	<b>4,080.0</b>
<b>Gross Profit</b> (% of Net Sales)	<b>468.3</b> 48.1%	<b>495.6</b> 49.9%	<b>482.2</b> 48.5%	<b>546.6</b> 48.8%	<b>1,992.7</b> 48.8%
<b>Op. Expenses</b>	<b>392.6</b>	<b>399.3</b>	<b>401.7</b>	<b>467.6</b>	<b>1,661.2</b>
<b>Op. Profit</b> (% of Net Sales)	<b>75.7</b> 7.8%	<b>96.3</b> 9.7%	<b>80.5</b> 8.1%	<b>79.0</b> 7.1%	<b>331.5</b> 8.1%
<b>Non-operating Income</b>	<b>2.3</b>	<b>3.3</b>	<b>7.3</b>	<b>9.5</b>	<b>22.4</b>
<b>IBT</b>	<b>78.0</b>	<b>99.6</b>	<b>87.8</b>	<b>88.5</b>	<b>353.9</b>
<b>Net Income</b> (% of Net Sales)	<b>55.1</b> 5.7%	<b>69.2</b> 7.0%	<b>63.1</b> 6.3%	<b>54.5</b> 4.9%	<b>241.9</b> 5.9%



(Billions of yen)	Pension accounting - Post-standard change				
	FY 2017 1Q Actual	FY 2017 2Q Actual	FY 2017 3Q Actual	FY 2017 4Q Actual	FY 2017 Full year Actual
<b>Net Sales</b>	<b>972.8</b>	<b>992.5</b>	<b>994.5</b>	<b>1,120.2</b>	<b>4,080.0</b>
<b>Gross Profit</b> (% of Net Sales)	<b>467.8</b> 48.1%	<b>495.0</b> 49.9%	<b>481.7</b> 48.4%	<b>546.1</b> 48.7%	<b>1,990.6</b> 48.8%
<b>Op. Expenses</b>	<b>394.6</b>	<b>401.2</b>	<b>403.7</b>	<b>469.5</b>	<b>1,669.0</b>
<b>Op. Profit</b> (% of Net Sales)	<b>73.2</b> 7.5%	<b>93.8</b> 9.5%	<b>78.0</b> 7.8%	<b>76.6</b> 6.8%	<b>321.6</b> 7.9%
<b>Non-operating Income</b>	<b>4.8</b>	<b>5.8</b>	<b>9.8</b>	<b>11.9</b>	<b>32.3</b>
<b>IBT</b>	<b>78.0</b>	<b>99.6</b>	<b>87.8</b>	<b>88.5</b>	<b>353.9</b>
<b>Net Income</b> (% of Net Sales)	<b>55.1</b> 5.7%	<b>69.2</b> 7.0%	<b>63.1</b> 6.3%	<b>54.5</b> 4.9%	<b>241.9</b> 5.9%

## Net Sales Growth Rate of Hardware & Non-hardware

		FY 2018		FY 2017	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>					
JPY	Hardware	+4%	+5%	-2%	+2%
	Non-hardware	0%	+1%	+1%	+3%
LC	Hardware	+3%	+5%	-4%	-2%
	Non-hardware	-2%	+1%	+1%	+1%
<b>LPs</b>					
JPY	Hardware	-2%	0%	+12%	+6%
	Non-hardware	+4%	0%	+8%	+6%
LC	Hardware	-3%	+1%	+10%	+3%
	Non-hardware	+2%	+1%	+6%	+3%
<b>IJPs</b>					
JPY	Hardware	-4%	+4%	+4%	+11%
	Non-hardware	-6%	-3%	-5%	-2%
LC	Hardware	-6%	+4%	+4%	+8%
	Non-hardware	-8%	-3%	-6%	-5%



### Color Ratio (MFDs & LPs)

		FY 2018		FY 2017	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>	Net Sales	59%	60%	58%	58%
	QTY	59%	57%	54%	55%
<b>LPs</b>	Net Sales	51%	52%	52%	52%
	QTY	16%	19%	17%	18%

### Sales Growth by Monochrome & Color MFDs

		FY 2018		FY 2017	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
JPY	Monochrome	0%	-1%	-4%	-1%
	Color	+3%	+5%	+3%	+5%
LC	Monochrome	-2%	-1%	-5%	-3%
	Color	+2%	+5%	+2%	+2%

## Interchangeable-Lens Camera Ratio

	FY 2018		FY 2017	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Value Base	87%	87%	86%	85%
Unit Base	62%	65%	57%	58%

\* Value base includes interchangeable lenses

## IC Stepper Unit Breakdown by Light Source

	FY 2018		FY 2017	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF	12	37	8	24
i-Line	20	89	11	46
Total	32	126	19	70