
Canon Inc.

FY 2017 Results

January 30, 2018
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Executive Vice President & CFO

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Agenda

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(FY 2017 / 4Q 2017 Results)

Sales and profit growth, first time in 4 years

- Made further progress in transforming business structures through recovery of existing businesses and expansion of new ones

Existing Businesses

- Achieved sales and profit growth in all businesses, thoroughly strengthened profitability

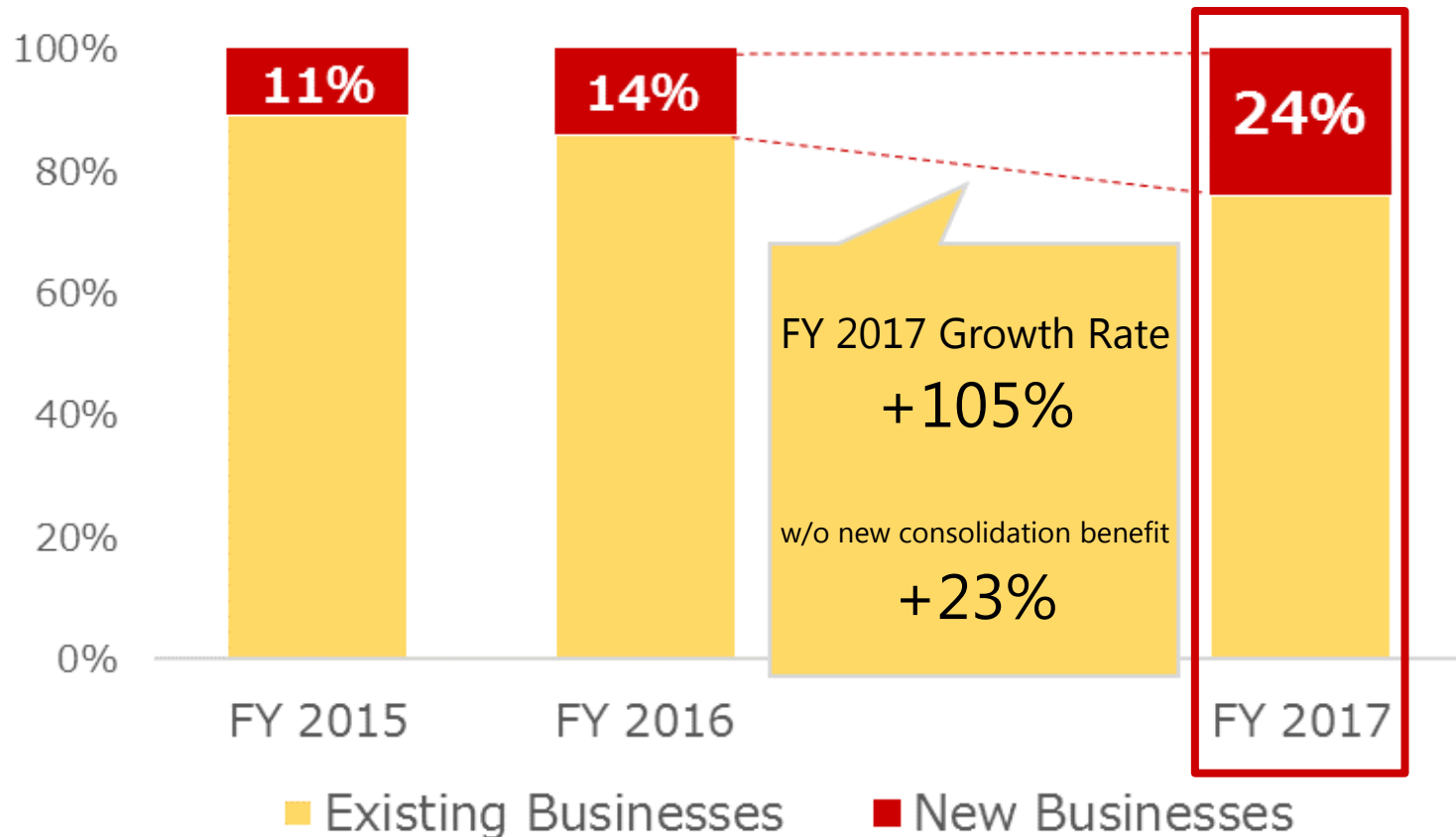
New Businesses

- Strong expansion via creation of 4 new businesses
- Doubled sales, includes benefit from newly consolidated medical related subsidiary

Change in New Businesses Composition Ratio

- Increased sales composition through strong sales growth
- Doubled net sales, more than 20% growth even w/o new consolidation benefit

Net Sales Composition



FY 2017 Financial Results (Full Year)



- Against last year: Sales and profit growth, first time in 4 years, rapid recovery in profitability of existing businesses
- Against projection: Profit lower than projected due to impairment loss on goodwill related to commercial printing business

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change
Net Sales	4,080.0	3,401.5	+19.9%	4,080.0	0.0%
Gross Profit	1,992.7	1,673.8	+19.0%	1,984.0	+0.4%
(% of Net Sales)	48.8%	49.2%		48.6%	
Op. Profit	331.5	228.9	+44.8%	350.0	-5.3%
(% of Net Sales)	8.1%	6.7%		8.6%	
Net Income	241.9	150.7	+60.6%	245.0	-1.3%
(% of Net Sales)	5.9%	4.4%		6.0%	
1 US\$	112.13	108.58		111.88	
1 Euro	126.69	120.25		126.49	

Regarding Impairment Loss (Commercial Printing Business)

- Change in the business environment
 - Increasingly intense competition
 - Change in technology trend (Toner ⇒ Ink)
- Temporary decline in profit due to continued investment into product developed targeting growth

⇒ Recognized impairment loss on goodwill
(33.9 billion yen)

Our new products are gradually penetrating the market. We will continue to focus on expanding MIF and service revenue to enhance our commercial printing business, which we believe is a growth area

FY 2017 Financial Results by Business Unit

(Full Year)

- Office and Imaging System BU benefit from recovery in laser printers and cameras, which are sources of profit
- Industry & Others BU driven by lithography and OLED vacuum deposition equip.

(Billions of yen)		FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change
Office	Net Sales	1,865.9	1,807.8	+3.2%	1,867.1	-0.1%
	Op. Profit	180.6	169.5	+6.6%	210.5	-14.2%
Imaging System	Net Sales	1,136.2	1,095.3	+3.7%	1,133.0	+0.3%
	Op. Profit	175.9	144.4	+21.8%	172.0	+2.3%
Medical System	Net Sales	436.2	–	–	439.0	-0.6%
	Op. Profit	22.5	–	–	21.5	+4.7%
Industry & Others	Net Sales	731.7	584.7	+25.2%	730.0	+0.2%
	Op. Profit	56.8	7.4	+662.5%	54.0	+5.2%
Corporate & Eliminations	Net Sales	-90.0	-86.3	–	-89.1	–
	Op. Profit	-104.3	-92.4	–	-108.0	–
Total	Net Sales	4,080.0	3,401.5	+19.9%	4,080.0	0.0%
	Op. Profit	331.5	228.9	+44.8%	350.0	-5.3%

FY 2017 Operating Profit Analysis

(Full Year comparison against FY 2016)

- Sales volume: Profit growth driven by sales expansion in all businesses
- Continued cost savings absorbs impact of price reduction
- Excluding the impact of new consolidations, operating expenses down mainly thanks to lower R&D expense

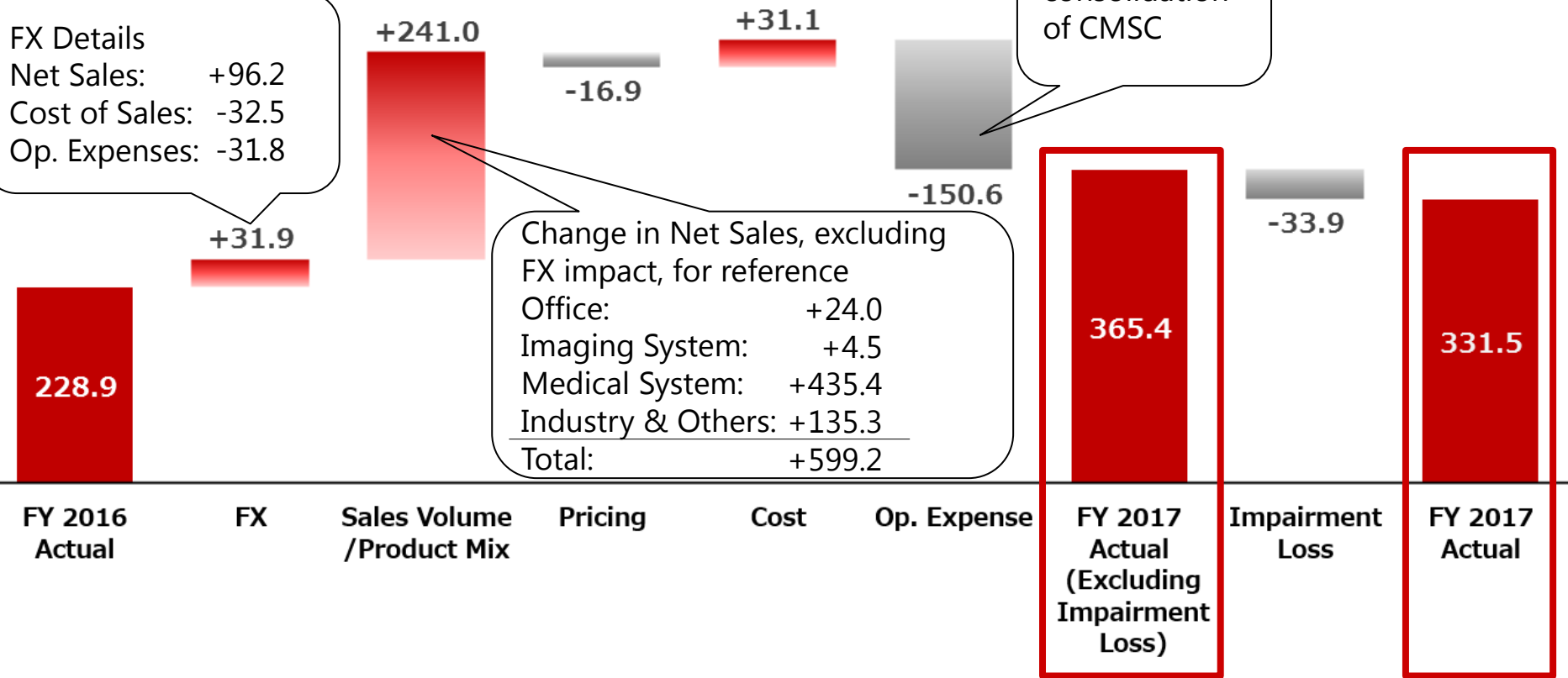
(Billions of yen)

FX Details
 Net Sales: +96.2
 Cost of Sales: -32.5
 Op. Expenses: -31.8

Mainly reflects consolidation of CMSC

Change in Net Sales, excluding FX impact, for reference

Office:	+24.0
Imaging System:	+4.5
Medical System:	+435.4
Industry & Others:	+135.3
Total:	+599.2



Key Message

(FY 2018 Projection)

FX Assumptions

1 US\$ = 110 yen, 1 Euro = 130 yen

External Environment

- Global economy - Remains on path of modest recovery

FY 2018 Outlook

- Existing businesses: Increase market share and thoroughly strengthen profitability via successive launch of strategic products.
- New businesses: Top priority is sales expansion. Will also focus on improving profitability

→ Aiming for sales and profit growth for 2nd consecutive year

FY 2018 Financial Projection (Full Year)

- Aiming for second consecutive year of sales and profit growth
- Projecting 2nd highest level of sales (Highest set in 2007)
- Expect operating profit to reach 400 billion yen level, first time since 2008

(Billions of yen)	FY 2018 Projection	FY 2017 Actual	% Change
Net Sales	4,300.0	4,080.0	+5.4%
Gross Profit	2,095.0	1,992.7	+5.1%
(% of Net Sales)	48.7%	48.8%	
Op. Profit	420.0	331.5	+26.7%
(% of Net Sales)	9.8%	8.1%	
Net Income	280.0	241.9	+15.7%
(% of Net Sales)	6.5%	5.9%	
1 US\$	110.00	112.13	
1 Euro	130.00	126.69	

FY 2018 Financial Projection (Full Year)

- Service revenue related reclassification: Op. expenses to COS (110.0 billion yen)
- Pension accounting reclassification: COS & Op. expenses to Non-operating income (16.0 billion yen)
- Reclassification has no impact on Income before taxes & Net income

(Billions of yen)	FY 2018 Projection	FY 2018 Projection (after new Standards applied)	Impact of Standard Change	Service Cost	Pension
Net Sales	4,300.0	4,300.0	0.0	-	-
Gross Profit (% of Net Sales)	2,095.0 48.7%	1,983.0 46.1%	-112.0	-110.0	-2.0
Op. Expenses	1,675.0	1,579.0	+96.0	+110.0	-14.0
Op. Profit (% of Net Sales)	420.0 9.8%	404.0 9.4%	-16.0	0.0	-16.0
Non-operating Income	0.0	16.0	+16.0	-	+16.0
IBT	420.0	420.0	0.0	-	0.0
Net Income (% of Net Sales)	280.0 6.5%	280.0 6.5%	0.0	-	-

FY 2018 Financial Projection by Business Unit (Full Year)



- Office: Expand MIF via strategic models, enhance profitability
- Imaging System: Improve product mix, promote in-house production and automation
- Industry & Others: Sales of lithography equipment and OLED vacuum deposition equipment to remain strong

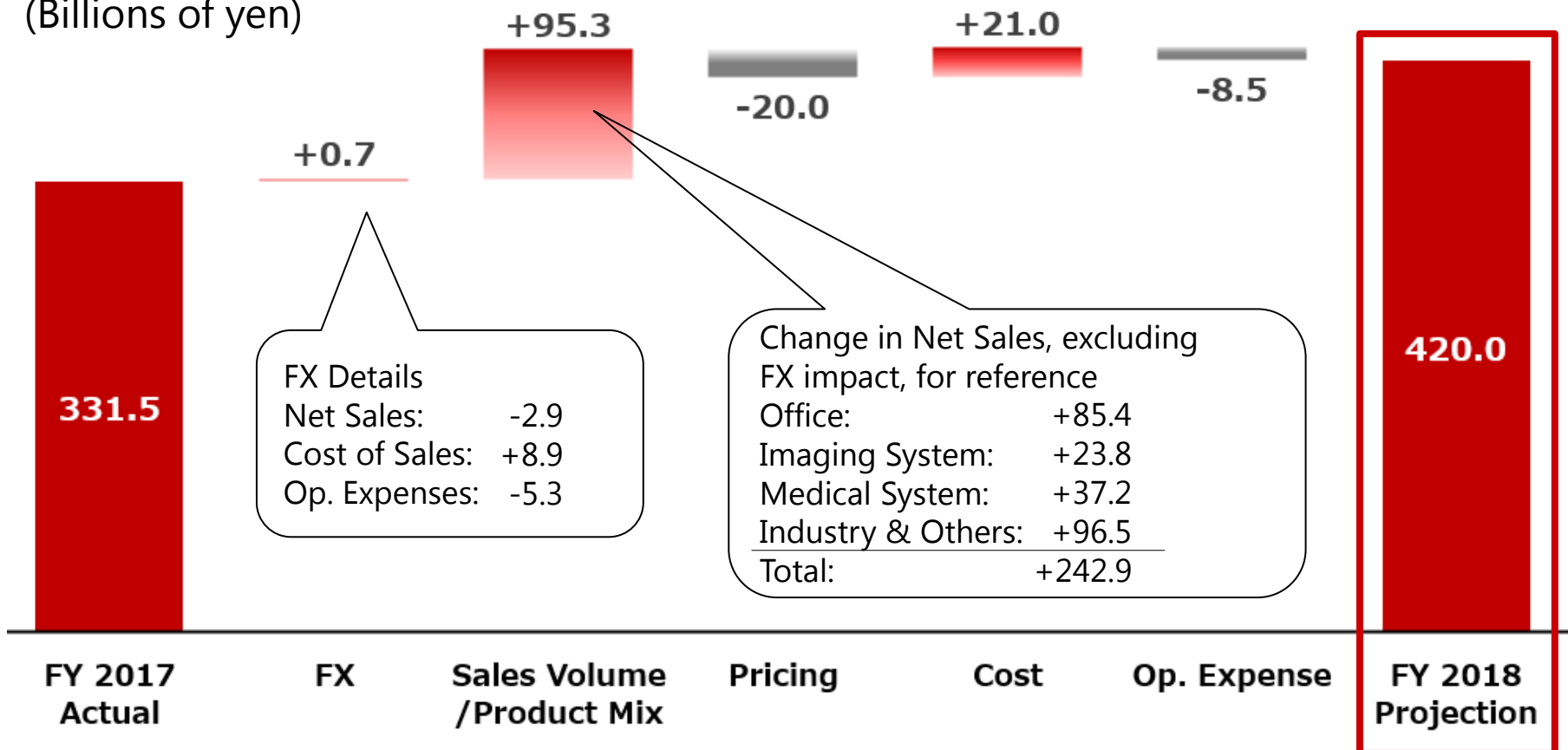
Billions of yen		FY 2018 Projection	FY 2017 Actual	% Change
Office	Net Sales	1,939.0	1,865.9	+3.9%
	Op. Profit	235.5	180.6	+30.4%
Imaging System	Net Sales	1,153.0	1,136.2	+1.5%
	Op. Profit	193.0	175.9	+9.7%
Medical System	Net Sales	470.0	436.2	+7.8%
	Op. Profit	27.0	22.5	+20.0%
Industry & Others	Net Sales	839.0	731.7	+14.7%
	Op. Profit	69.4	56.8	+22.2%
Corporate & Eliminations	Net Sales	-101.0	-90.0	-
	Op. Profit	-104.9	-104.3	-
Total	Net Sales	4,300.0	4,080.0	+5.4%
	Op. Profit	420.0	331.5	+26.7%

FY 2018 Operating Profit Analysis

(Full Year comparison against FY 2017)

- Sales volume: Improvement in all businesses via increased volume and improved product mix
- Impact of price reduction offset with cost savings

(Billions of yen)



- 2017 - Positive growth via expanded sales of next-generation color devices
- 2018 - Further expansion of sales via versions upgraded with enhanced software
- Improve profitability of the entire business through a higher mix of color

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change	FY 2018 Projection	FY 2017 Actual	% Change
MFDs	694	676	+2.6%	706	-1.7%	728	694	+4.8%
LPs	707	668	+5.8%	691	+2.3%	705	707	-0.2%
Others	465	464	+0.4%	470	-1.0%	506	465	+8.8%
Net Sales	1,866	1,808	+3.2%	1,867	-0.1%	1,939	1,866	+3.9%
Op. Profit	181	169	+6.6%	211	-14.2%	236	181	+30.4%
(% of Net Sales)	9.7%	9.4%		11.3%		12.1%	9.7%	

Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
MFDs	-0.4%	+4.7%
LPs	+3.2%	+0.5%
Others	-2.6%	+8.5%
Total	+0.4%	+4.1%

Unit Growth Rate Y/Y

	FY 2017 Actual	FY 2018 Projection
MFDs		
B&W	-5%	-1%
Color	+10%	+8%
Total	+3%	+4%

“ Image RUNNER ADVANCE Gen3 2nd Edition ”



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

Office – Laser Printers

- 2017 - Completion of new product lineup, strong recovery
- 2018 - Raise new product ratio, expand consumable sales

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change	FY 2018 Projection	FY 2017 Actual	% Change
MFDs	694	676	+2.6%	706	-1.7%	728	694	+4.8%
LPs	707	668	+5.8%	691	+2.3%	705	707	-0.2%
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Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
MFDs	-0.4%	+4.7%
LPs	+3.2%	+0.5%
Others	-2.6%	+8.5%
Total	+0.4%	+4.1%

Unit Growth Rate Y/Y

	FY 2017 Actual	FY 2018 Projection
LPs		
B&W	0%	0%
Color	+4%	+8%
Total	+1%	+1%

Office – Others

- Market - Expansion trend, particular in graphic art areas
- 2018 - Expand sales through already launched strategic products

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change	FY 2018 Projection	FY 2017 Actual	% Change
MFDs	694	676	+2.6%	706	-1.7%	728	694	+4.8%
LPs	707	668	+5.8%	691	+2.3%	705	707	-0.2%
Others	465	464	+0.4%	470	-1.0%	506	465	+8.8%
Net Sales	1,866	1,808	+3.2%	1,867	-0.1%	1,939	1,866	+3.9%
Op. Profit (% of Net Sales)	181 9.7%	169 9.4%	+6.6%	211 11.3%	-14.2%	236 12.1%	181 9.7%	+30.4%

Net Sales Growth Rate Y/Y (Local Currency)

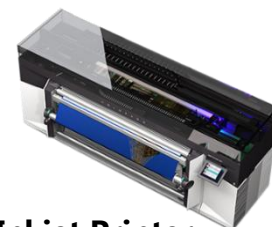
	FY 2017 Actual	FY 2018 Projection
MFDs	-0.4%	+4.7%
LPs	+3.2%	+0.5%
Others	-2.6%	+8.5%
Total	+0.4%	+4.1%



High-speed Cut Sheet Printer
" VarioPrint i300 "



High-speed Continuous Feed Printer
" ProStream 1000 "



Wide-format UV Inkjet Printer
" Colorado 1640 "

Imaging System – Cameras

- 2017 - Achieved sales growth via launch of 6 models, most in industry
- 2018 - Maintain sales growth, driven by mirrorless cameras where double-digit growth continues

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change	FY 2018 Projection	FY 2017 Actual	% Change
Cameras	703	667	+5.3%	699	+0.5%	711	703	+1.2%
IJPs	336	331	+1.4%	336	-0.1%	340	336	+1.2%
Others	97	97	+0.8%	98	0.0%	102	97	+4.2%
Net Sales	1,136	1,095	+3.7%	1,133	+0.3%	1,153	1,136	+1.5%
Op. Profit	176	144	+21.8%	172	+2.3%	193	176	+9.7%
(% of Net Sales)	15.5%	13.2%		15.2%		16.7%	15.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
Cameras	+1.8%	+1.1%
IJPs	-1.5%	+1.2%
Total	+0.4%	+1.4%

Units (Millions) & Unit Growth Rate Y/Y

	FY 2017 Actual		FY 2018 Projection	
	Units	% Change	Units	% Change
DILCs	5.51	-3%	5.50	0%
DCs	4.04	0%	3.40	-16%

New Model Equipped w/ Full Size Sensor

“ EOS 6D Mark II ”



Imaging System – Inkjet Printers

- Market - Slightly up due to recovery in Asia
- Sales expansion of compact models and large ink tank models in both 2017 and 2018

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change	FY 2018 Projection	FY 2017 Actual	% Change
Cameras	703	667	+5.3%	699	+0.5%	711	703	+1.2%
IJPs	336	331	+1.4%	336	-0.1%	340	336	+1.2%
Others	97	97	+0.8%	98	0.0%	102	97	+4.2%
Net Sales	1,136	1,095	+3.7%	1,133	+0.3%	1,153	1,136	+1.5%
Op. Profit	176	144	+21.8%	172	+2.3%	193	176	+9.7%
(% of Net Sales)	15.5%	13.2%		15.2%		16.7%	15.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
Cameras	+1.8%	+1.1%
IJPs	-1.5%	+1.2%
Total	+0.4%	+1.4%

Unit Growth Rate Y/Y

	FY 2017 Actual	FY 2018 Projection
IJPs	+1%	+3%

Compact Business Model

“ TR Series ”



- Compact design
- Fax feature
- Enhanced operability through use of touchscreen

Medical System

- 2017 - Strong sales of new CT and Ultrasound diagnostic systems
- 2018 - Expand both sales and profit, promoting the strength of our products as well as expanding sales overseas
- Accelerate measures to reduce costs through enhanced group cooperation

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change
Net Sales	436	-	-	439	-0.6%
Op. Profit	23	-	-	22	+4.7%
(% of Net Sales)	5.2%	-	-	4.9%	

	FY 2018 Projection	FY 2017 Actual	% Change
Net Sales	470	436	+7.8%
Op. Profit	27	23	+20.0%
(% of Net Sales)	5.7%	5.2%	

Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
Total	-	+8.0%



CT
" Aquilion ONE
/ GENESIS EDITION "



Ultrasound
" Aplio i-series "

Industry & Others

- 2017 - Unit sales of FPD lithography equip. grew thanks to OLED panel demand
- 2018 - Unit sales of IC lithography equip. doubled thanks to expanding demand for memory
- Maintain double-digit growth in both OLED vacuum deposition equipment and network cameras

(Billions of yen)	FY 2017 Actual	FY 2016 Actual	% Change	FY 2017 Previous Projection	% Change
Litho. Equip.	193	121	+59.5%	198	-2.3%
Others	539	464	+16.2%	532	+1.2%
Net Sales	732	585	+25.2%	730	+0.2%
Op. Profit	57	7	+662.5%	54	+5.2%
(% of Net Sales)	7.8%	1.3%		7.4%	

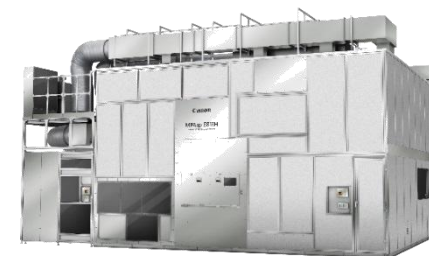
FY 2018 Projection	FY 2017 Actual	% Change
227	193	+17.4%
612	539	+13.7%
839	732	+14.7%
69	57	+22.2%
8.3%	7.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	FY 2017 Actual	FY 2018 Projection
Litho. Equip.	+58.3%	+17.4%
Others	+14.8%	+13.7%
Total	+23.8%	+14.7%

Lithography Equipment (Units)

	FY 2016 Actual	FY 2017 Actual	FY 2018 Projection
IC	64	70	126
FPD	37	84	75



FPD Lithography Equipment
" MPAsp-E813 "

Inventory

- Inventory turnover in days significantly shorter
 - Improving performance of Office and Industry & Others BU

(Billions of yen)		FY 2016				FY 2017			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Office	Yen	227	211	211	206	207	211	223	205
	Days	42	42	44	42	40	42	44	40
Imaging System	Yen	168	138	144	127	143	149	164	130
	Days	51	48	49	41	46	52	54	39
Medical System	Yen	-	-	-	-	-	80	77	84
	Days	-	-	-	-	-	67	70	71
Industry & Others	Yen	126	130	139	228	219	157	157	151
	Days	92	106	108	152	94	98	90	79
Total	Yen	521	479	494	561	569	597	621	570
	Days	52	53	55	59	54	55	57	49

Cash Flow

(Full Year)

- 2017 - Generated 400.0 billion yen in FCF, worked to pay down debt
- 2018 - Plan to invest in the growth of new businesses, and strive for comprehensive cashflow management

(Billions of yen)	FY 2018 Projection	FY 2017 Actual	FY 2016 Actual
Net cash provided by operating activities	550	591	500
Net cash used in investing activities	-330	-165	-837
Free cash flow	220	426	-337
Net cash provided by (used in) financing activities	-322	-341	356
Effect of exchange rate changes on cash and cash equivalents	-10	7	-22
Net change in cash and cash equivalents	-112	92	-3
Cash and cash equivalents at end of period	610	722	630
Cash-on-hand (In months of Net sales)	1.7	2.0	2.2
Capital expenditure	200	148	172
Depreciation	245	262	250

Supplementary Information

FY 2017

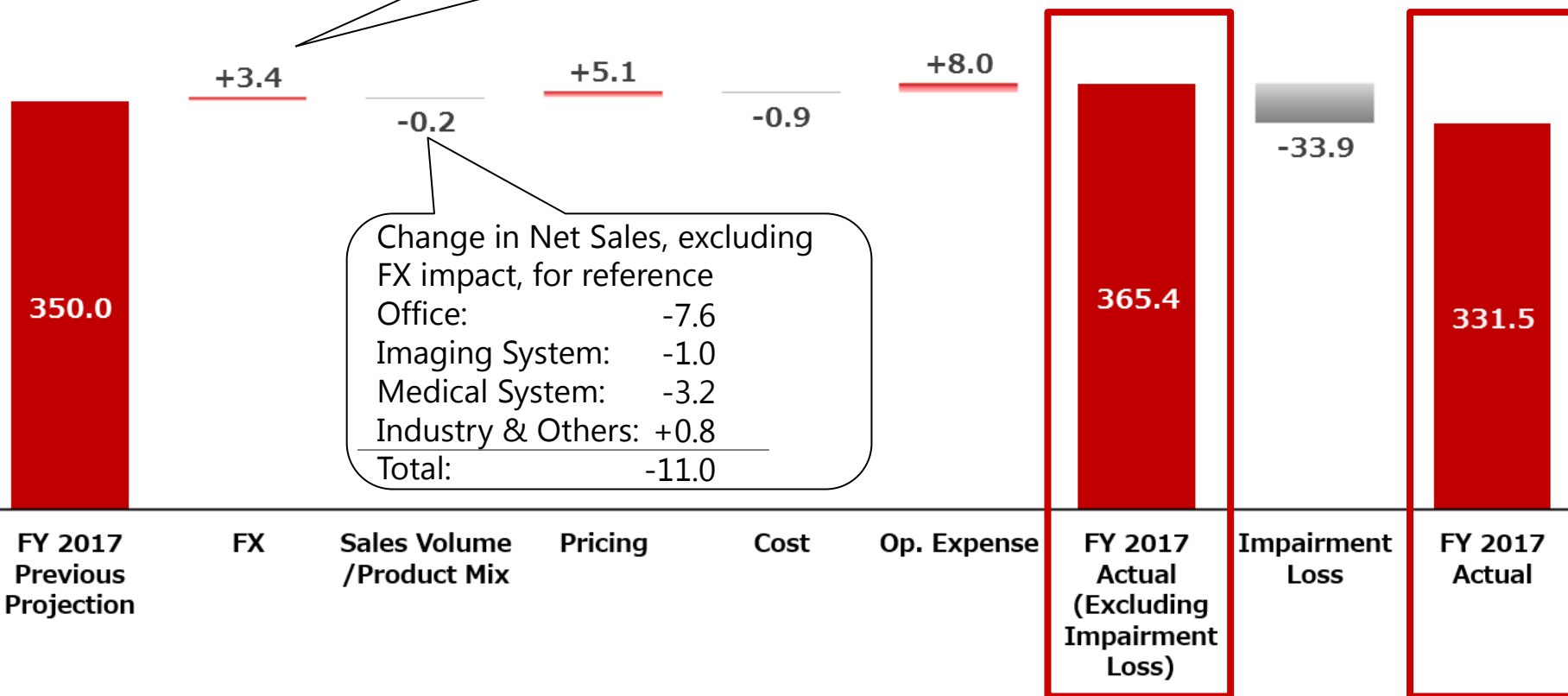
FY 2017 Operating Profit Analysis

(Full Year Comparison against FY 2017 Previous Projection)

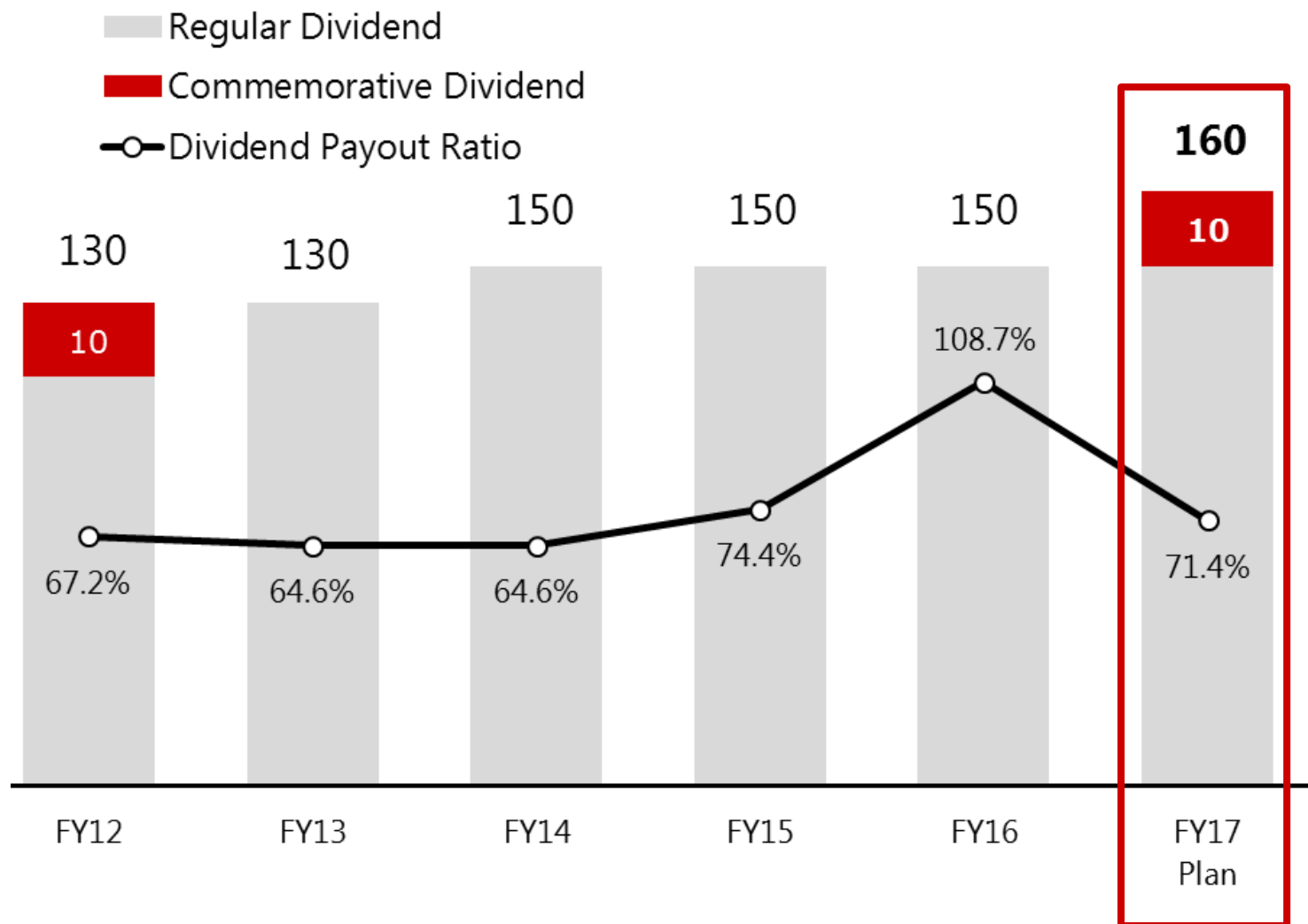
(Billions of yen)

FX Details
 Net Sales: +5.9
 Cost of Sales: -1.2
 Op. Expenses: -1.3

Change in Net Sales, excluding
 FX impact, for reference
 Office: -7.6
 Imaging System: -1.0
 Medical System: -3.2
 Industry & Others: +0.8
 Total: -11.0



Dividend



4Q 2017

FY 2017 Financial Results (4Q 2017)



Billions of yen	4Q 2017 Actual	4Q 2016 Actual	% Change	4Q 2017 Previous Projection	% Change
Net Sales	1,120.3	965.2	+16.1%	1,120.3	0.0%
Gross Profit	546.6	460.1	+18.8%	537.9	+1.6%
(% of Net Sales)	48.8%	47.7%		48.0%	
Op. Profit	79.0	80.2	-1.4%	97.6	-19.0%
(% of Net Sales)	7.1%	8.3%		8.7%	
Net Income	54.6	44.8	+21.8%	57.7	-5.3%
(% of Net Sales)	4.9%	4.6%		5.1%	
1 US\$	112.96	109.48		112.00	
1 Euro	132.98	118.10		132.00	

FY 2017 Financial Results by Business Unit (4Q 2017)



(Billions of yen)		4Q 2017 Actual	4Q 2016 Actual	% Change	4Q 2017 Previous Projection	% Change
Office	Net Sales	493.2	485.9	+1.5%	494.4	-0.2%
	Op. Profit	27.3	48.6	-43.9%	57.1	-52.2%
Imaging System	Net Sales	340.9	324.7	+5.0%	337.8	+0.9%
	Op. Profit	59.0	51.7	+14.2%	55.1	+7.1%
Medical System	Net Sales	103.7	–	–	106.5	-2.6%
	Op. Profit	4.9	–	–	3.9	+25.5%
Industry & Others	Net Sales	205.3	175.6	+16.9%	203.6	+0.8%
	Op. Profit	16.1	3.2	+409.2%	13.3	+20.9%
Corporate & Eliminations	Net Sales	-22.8	-21.0	–	-22.0	–
	Op. Profit	-28.3	-23.3	–	-31.8	–
Total	Net Sales	1,120.3	965.2	+16.1%	1,120.3	0.0%
	Op. Profit	79.0	80.2	-1.4%	97.6	-19.0%

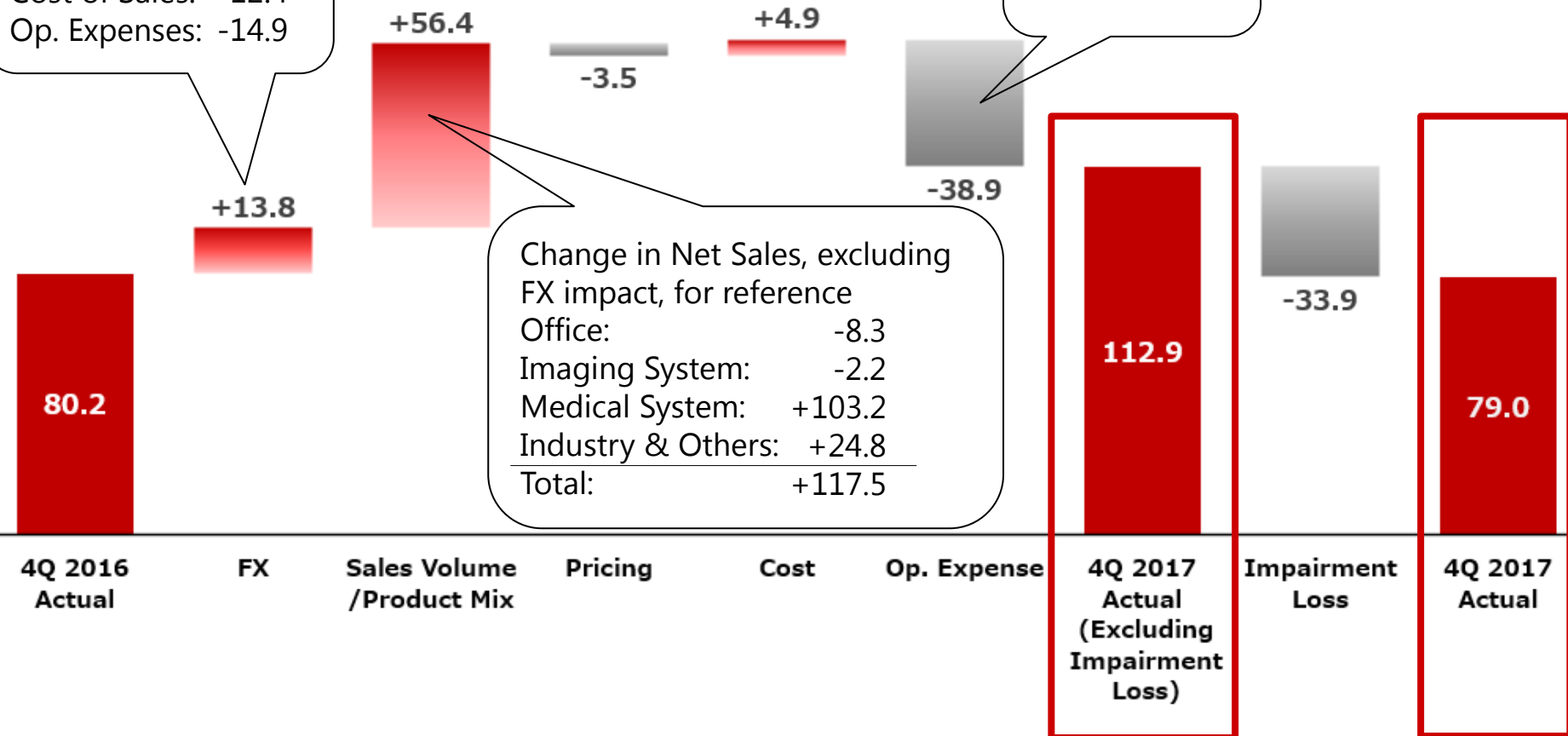
4Q 2017 Operating Profit Analysis

(Quarterly comparison against 4Q 2016)

(Billions of yen)

FX Details
 Net Sales: +41.1
 Cost of Sales: -12.4
 Op. Expenses: -14.9

Mainly reflects consolidation of CMSC



Change in Net Sales, excluding FX impact, for reference

Office:	-8.3
Imaging System:	-2.2
Medical System:	+103.2
Industry & Others:	+24.8
Total:	+117.5

Medical System / Industry & Others

(4Q 2017)



Medical System

(Billions of yen)	4Q 2017 Actual	4Q 2016 Actual	% Change	4Q 2017 Previous Projection	% Change
Net Sales	104	-	-	106	-2.6%
Op. Profit	5	-	-	4	+25.5%
(% of Net Sales)	4.8%	-	-	3.7%	

Industry & Others

(Billions of yen)	4Q 2017 Actual	4Q 2016 Actual	% Change	4Q 2017 Previous Projection	% Change
Litho. Equip.	55	35	+55.8%	59	-7.7%
Others	150	141	+7.2%	145	+4.3%
Net Sales	205	176	+16.9%	204	+0.8%
Op. Profit	16	3	+409.2%	13	+20.9%
(% of Net Sales)	7.8%	1.8%		6.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	4Q 2017 Actual
Litho. Equip.	+54.6%
Others	+5.1%
Total	+15.0%

Lithography Equipment (Units)

	4Q 2016 Actual	4Q 2017 Actual
IC	19	25
FPD	12	21