



Canon Inc.

First Quarter 2016 Results

April 26, 2016

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Agenda

■ 1Q 2016 Results P3 – 5

■ FY 2016 Projections P6 – 9

■ Details by Business P10 – 16

■ Financial Situation P17 – 19

■ Supplementary Information P20 – 25

1Q 2016 in Summary

External Environment

- Global economy
 - ✓ Developed countries - Gradual recovering
 - ✓ Emerging markets - Weak due to weakness in China and low oil price

Results

- ✓ Increased lithography equipment and network camera revenue
- ✓ Recorded significant decrease in laser printer revenue
- ✓ Posted decrease in net sales and profits due to laser printers and negative impact from exchange rates

Summary of Results

1Q 2016 Actual

(Billions of yen)

	1Q 2016 Actual	1Q 2015 Actual	Pct. Change
Net Sales	797.2	857.4	-7.0%
Gross Profit	404.7	438.6	-7.7%
(% Sales)	50.8%	51.1%	
Op. Profit	40.1	66.2	-39.4%
(% Sales)	5.0%	7.7%	
Net Income	28.0	33.9	-17.5%
Attributable to Canon Inc.			
(% Sales)	3.5%	4.0%	
Foreign Exchange Rate			
Yen – 1USD	114.91	119.25	
Yen – 1EURO	127.01	133.89	

Transition in Sales and Op. Profit

1Q 2016 Actual v. 1Q 2015 Actual

(Billions of yen)

	Sales	Op. Profit
1Q 2015 Actual	857.4	66.2
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	-31.0	-13.3
Sales Volume Impact		
Office	-52.3	
Imaging System	-15.7	
Industry and Others	+43.6	
Total	-24.4	-13.0
Others	-4.8	+0.2
Total Change	-60.2	-26.1
1Q 2016 Actual	797.2	40.1

Change in Exchange Rate

- 1USD: 119.25 to 114.91 yen
- 1EURO: 133.89 to 127.01 yen

Exchange Rate Assumptions

2016 Current Projection

Average Exchange Rate	2Q-4Q16	FY16	FY15
■ Yen-1USD	110.00 yen	111.05 yen	121.13 yen
■ Yen-1EURO	125.00 yen	125.44 yen	134.20 yen

Impact of Exchange Rate Movement (2Q-4Q Impact Given a One Yen Change)

	Net Sales	Operating Profit
■ USD	11.1 billion yen	3.9 billion yen
■ EURO	5.3 billion yen	2.3 billion yen

Overview of Latest Projections

External Environment

- Slower than expected pace of global economic recovery
 - ✓ Protracted economic slowdown in China and emerging markets
 - ✓ Appreciation of the yen due to delayed hike in U.S. interest rates

Full-year Projection

- ✓ Lowered projection for laser printers
- ✓ Raised projection for Industry and Others business unit
- ✓ Projecting decrease in net sales and profits due to laser printers and negative impact from exchange rates

Summary of Projected Results

FY 2016 Current Projection

(Billions of yen)

	FY 2016 Current Projection	FY 2015 Actual	Pct. Change
Net Sales	3,600.0	3,800.3	-5.3%
Gross Profit	1,804.0	1,934.4	-6.7%
(% Sales)	50.1%	50.9%	
Op. Profit	300.0	355.2	-15.5%
(% Sales)	8.3%	9.3%	
Net Income	200.0	220.2	-9.2%
Attributable to Canon Inc.			
(% Sales)	5.6%	5.8%	
Foreign Exchange Rate			
Yen – 1USD	111.05	121.13	
Yen – 1EURO	125.44	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 (Jan. 27, 2016)	3,850.0	360.0
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	-158.1	-61.2
Sales Volume Impact		
Office	-83.7	
Imaging System	-6.1	
Industry and Others	-3.1	
Total	-92.9	-31.5
Others	+1.0	+32.7
Total Change	-250.0	-60.0
Current Projection (Apr. 26, 2016)	3,600.0	300.0

Change in Exchange Rate

- 1USD: 120.00 to 111.05 yen
- 1EURO: 130.00 to 125.44 yen

Office

1Q 2016 Actual

1Q16 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+11%	-14%
Monochrome	-6%	-22%
Total	+1%	-21%

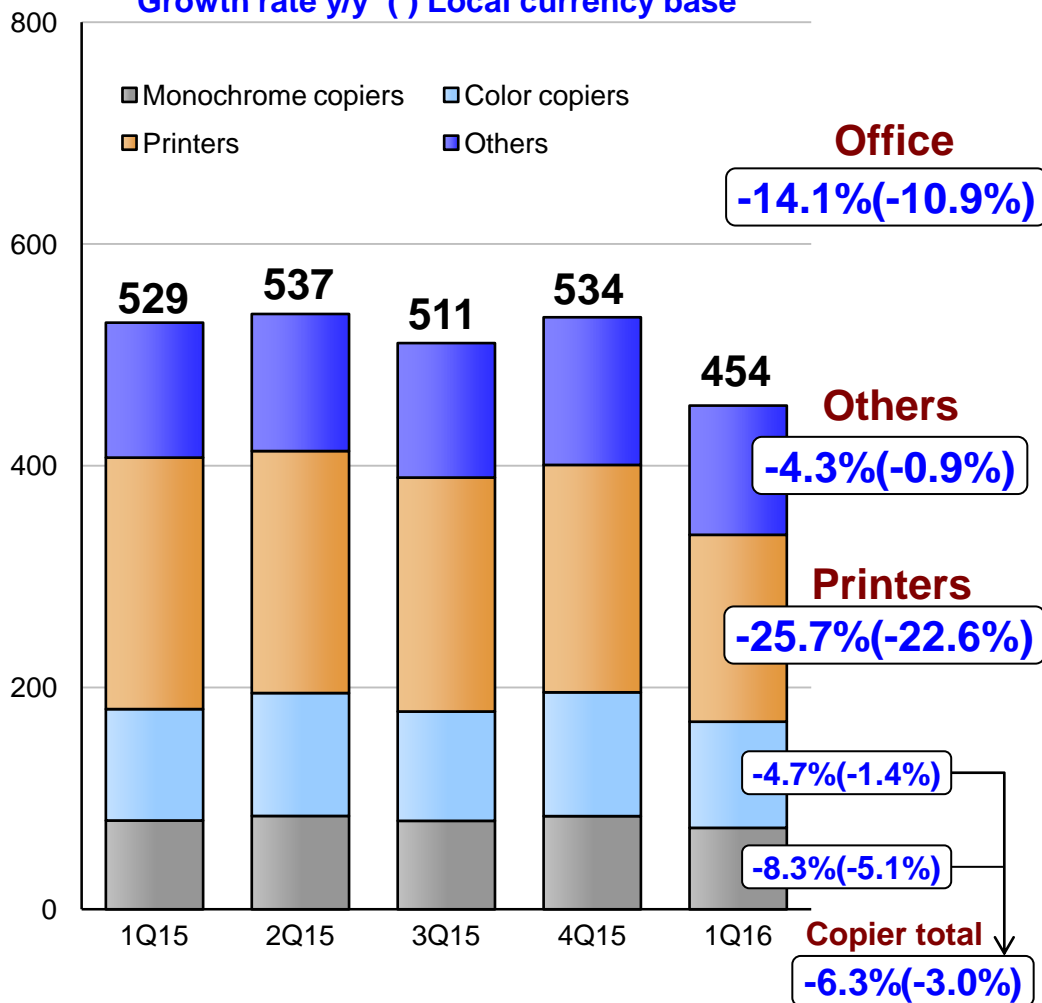
1Q16 Color Ratio		
	Copiers	Printers
Value Base*	57%	51%
Unit Base	48%	17%

*Includes Consumables

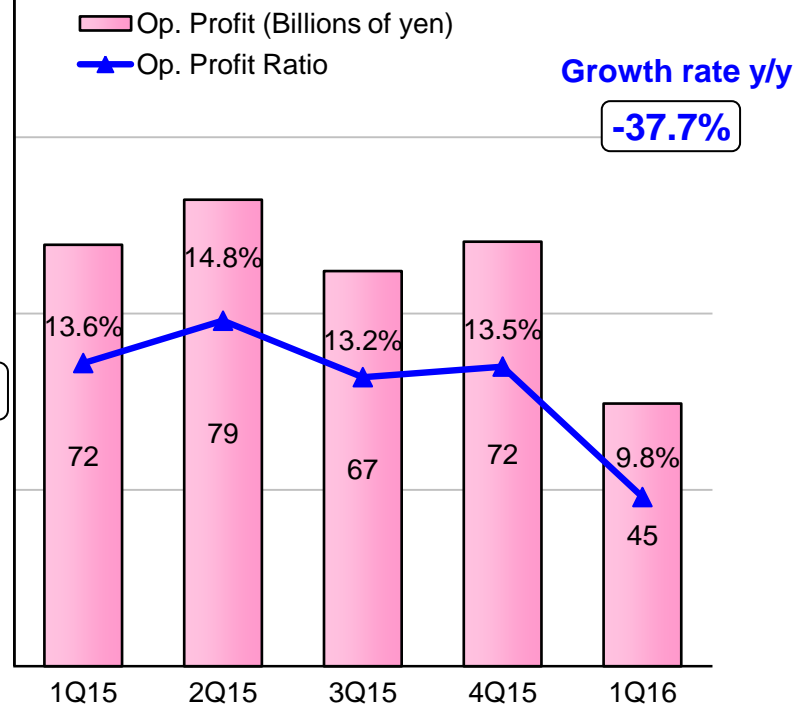
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



Office

Laser Printer: Mkt. Trends and Our Strategy

Laser Printer Market Trends

- ✓ Ongoing shift to color and multifunction
- ✓ Weak market (economic slowdown in emerging markets, delayed recovery in developed countries)
- ✓ Market bottoming out in the second half of 2016 and turns toward gradual

Our Sales Strategy

- ✓ Expand consumable sales through launch of new products that focus on user convenience
 - ⇒ Actively expand sales of new products based on a renewed platform
- ✓ Control sales of existing low-end products in order to avoid aimless expansion
- ✓ Promote cost reduction through automated production and enhanced development efficiency
- ✓ Supply products and services offering improved customer convenience

Office

FY 2016 Projection

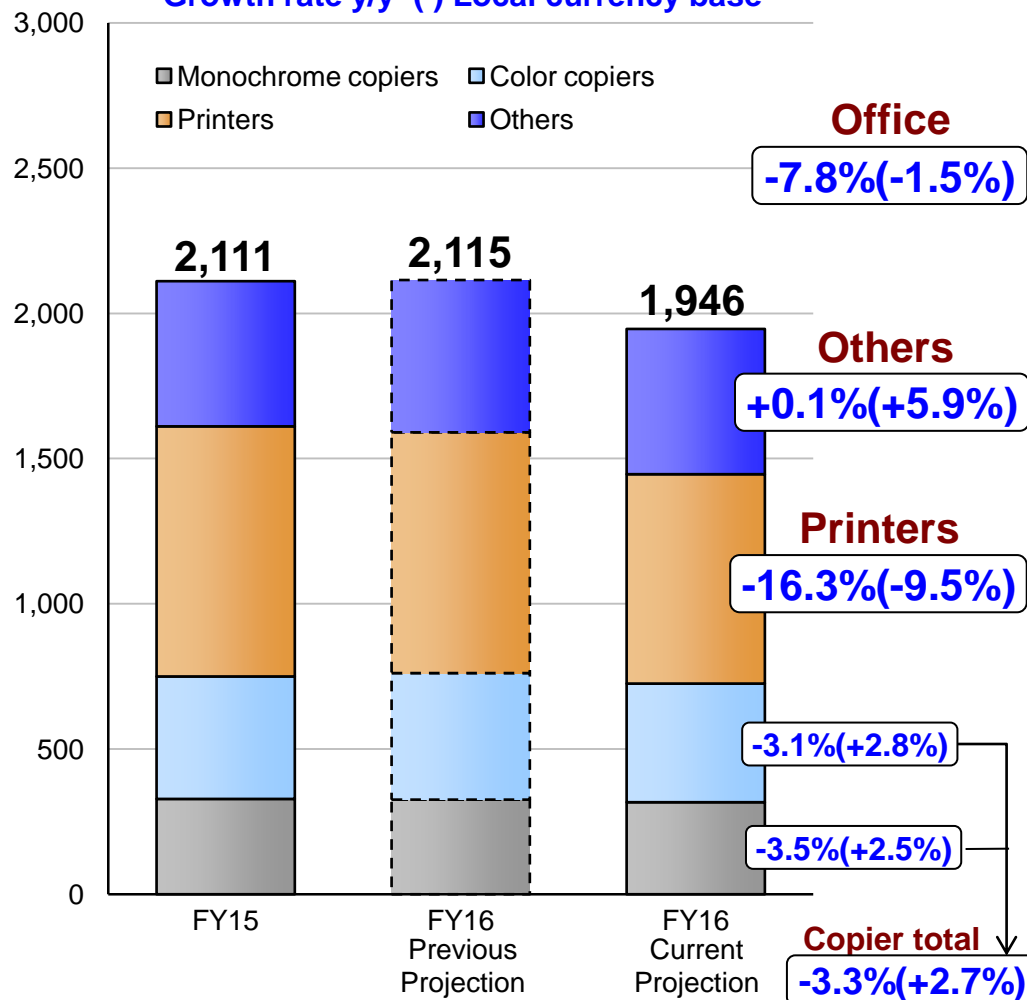
FY16 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+14%	-10%
Monochrome	+3%	-11%
Total	+8%	-11%

FY16 Color Ratio		
	Copiers	Printers
Value Base*	56%	51%
Unit Base	49%	17%

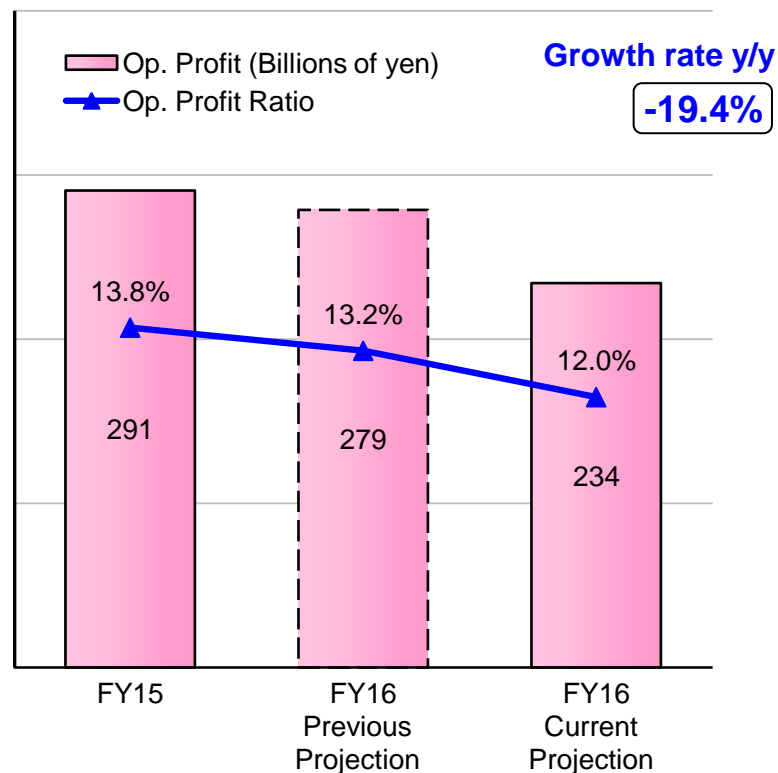
*Includes Consumables

(Billions of yen) Sales

Growth rate y/y () Local currency base



Op. Profit



Imaging System

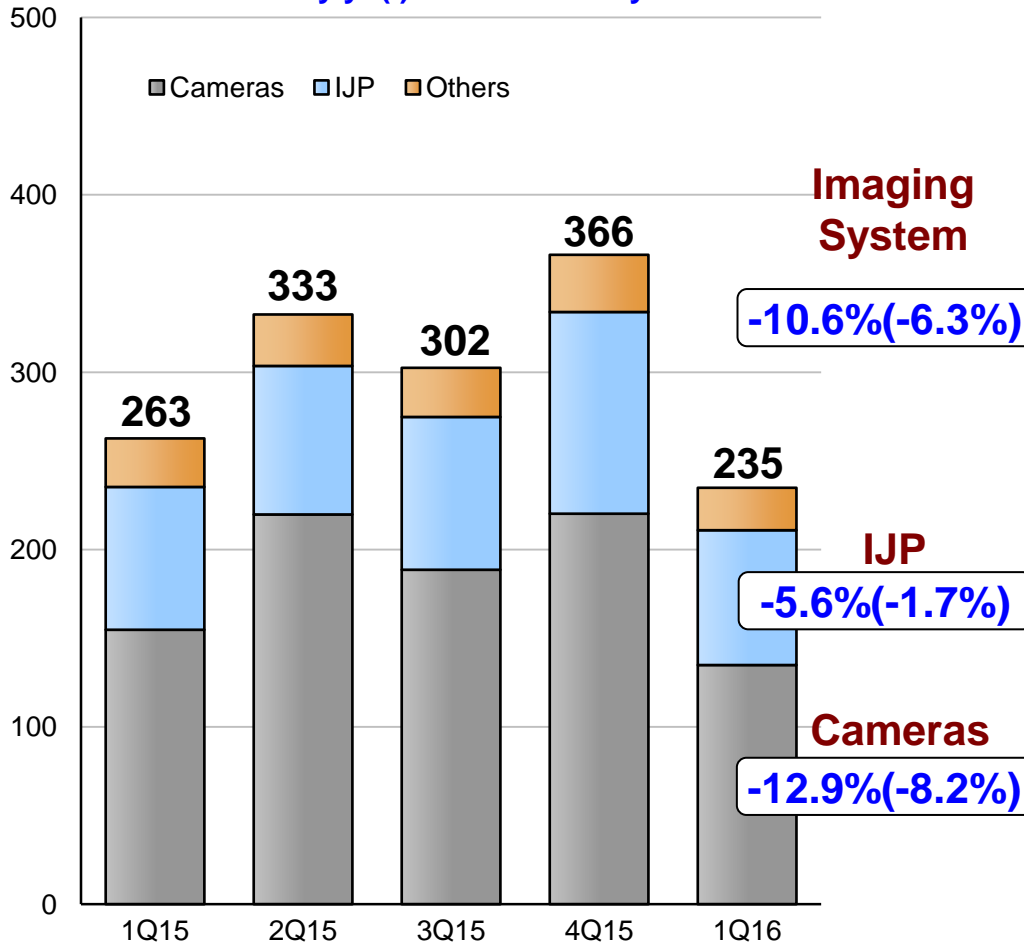
1Q 2016 Actual

Growth Rate y/y (Unit Base)	
	1Q16
Interchangeable Lens Digital Cameras	0%
Compact Digital Cameras	-22%
Total Digital Cameras	-12%
IJP	-1%

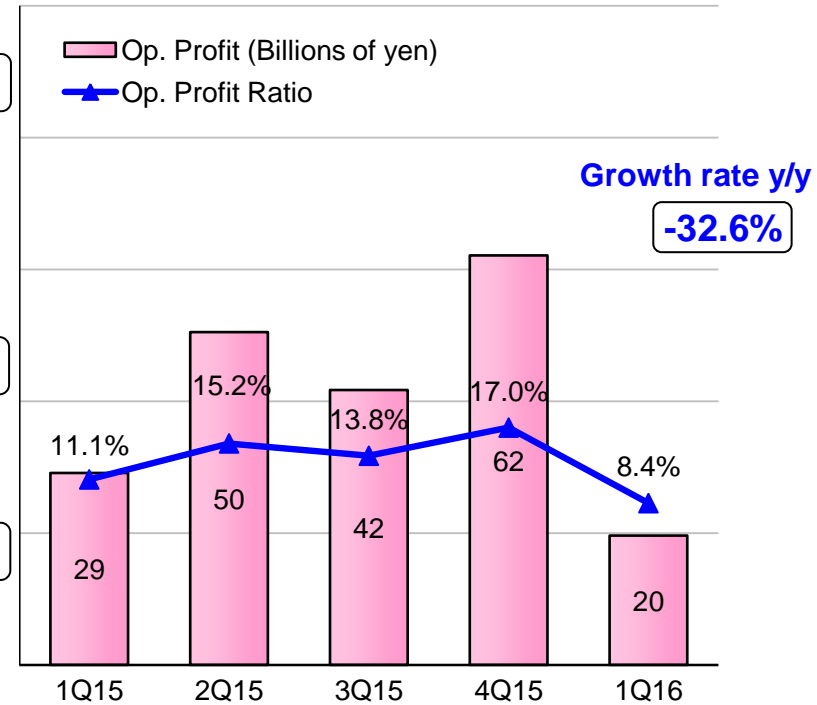
Interchangeable Lens Digital Camera Ratio *	
	1Q16
Value Base	84%
Unit Base	49%

* 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	-7%
Compact Digital Cameras	-24%
Total Digital Cameras	-16%
IJP	0%

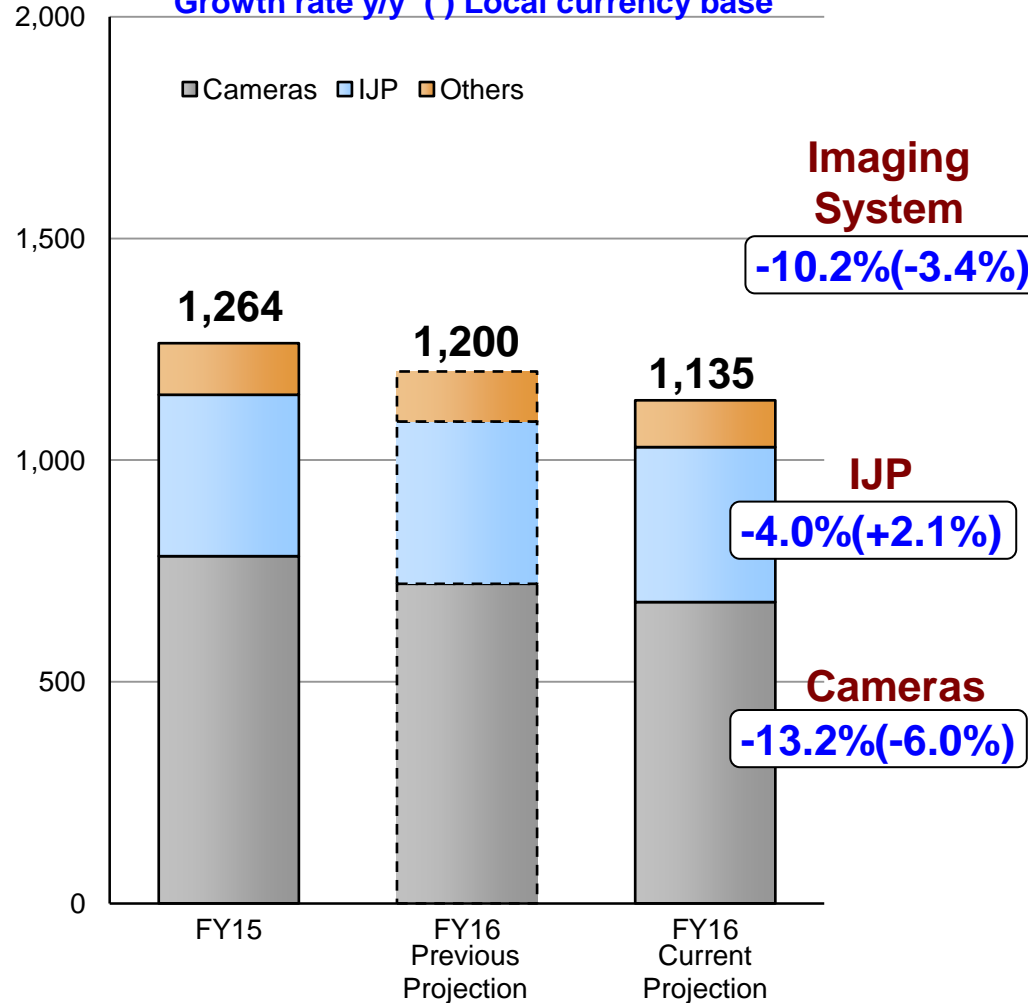
Interchangeable Lens Digital Camera Ratio *	
	FY16
Value Base	85%
Unit Base	51%

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

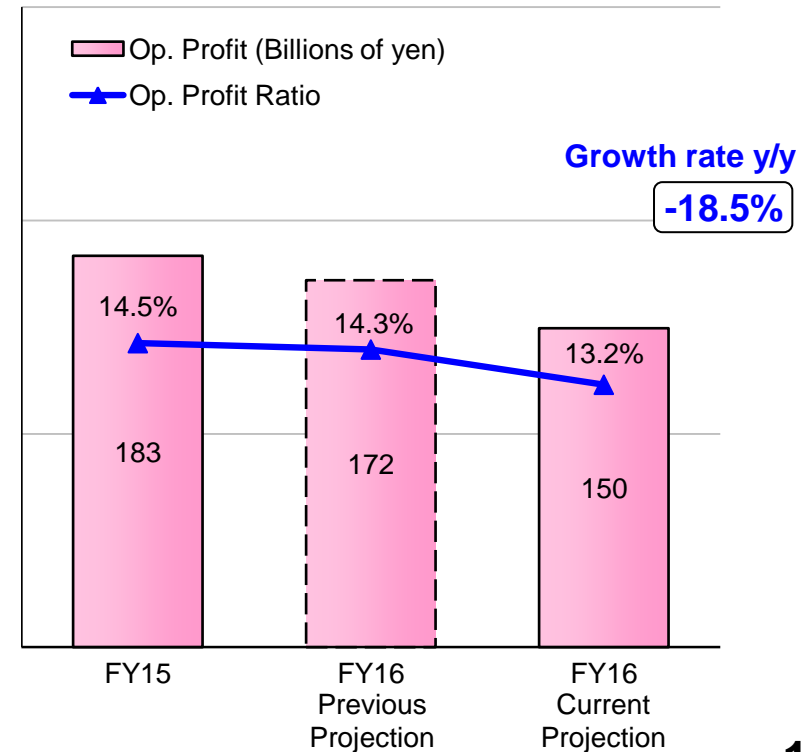
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



Industry and Others

1Q 2016 Actual

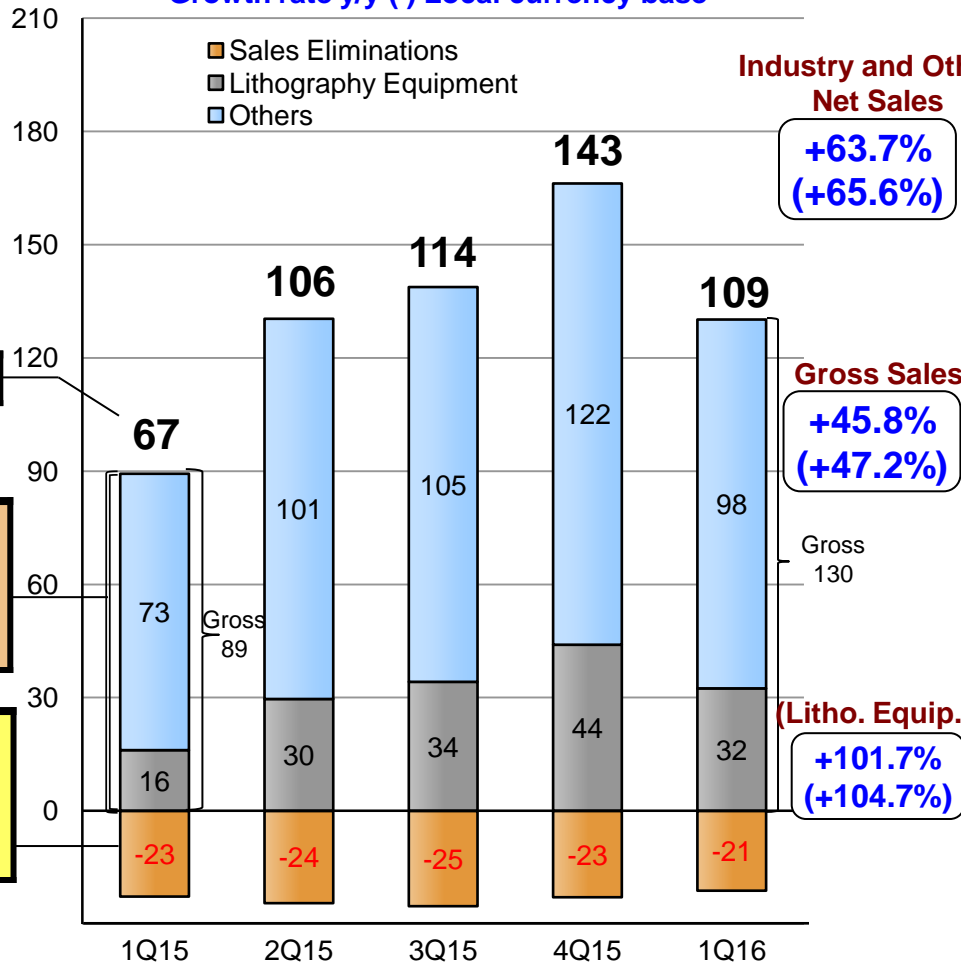
Lithography Equipment (Unit Sales)		
	1Q15	1Q16
IC	18	19
FPD	0	8

IC Lithography Unit Breakdown by Light Source		
	1Q15	1Q16
ArF	0	0
KrF	2	6
i-line	16	13

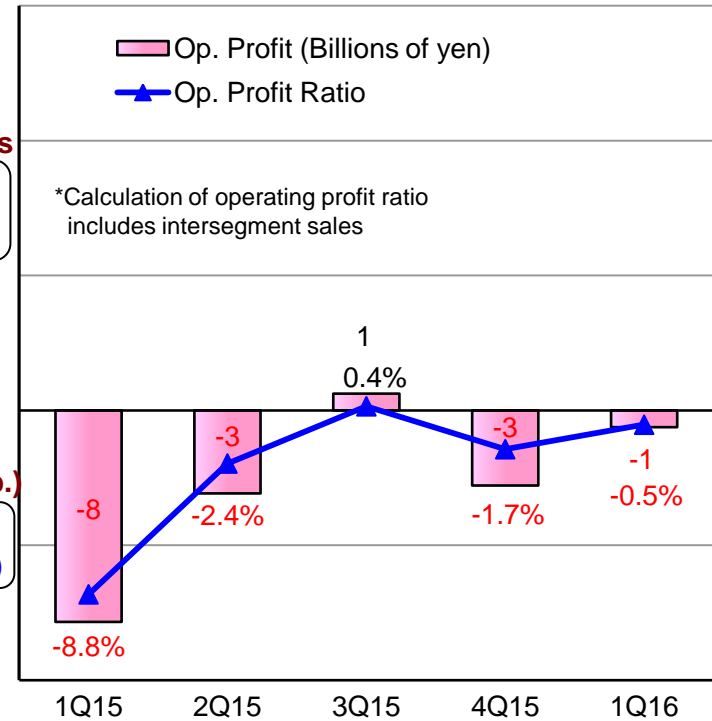
(Billions of yen)

Sales

Growth rate y/y () Local currency base



Op. Profit



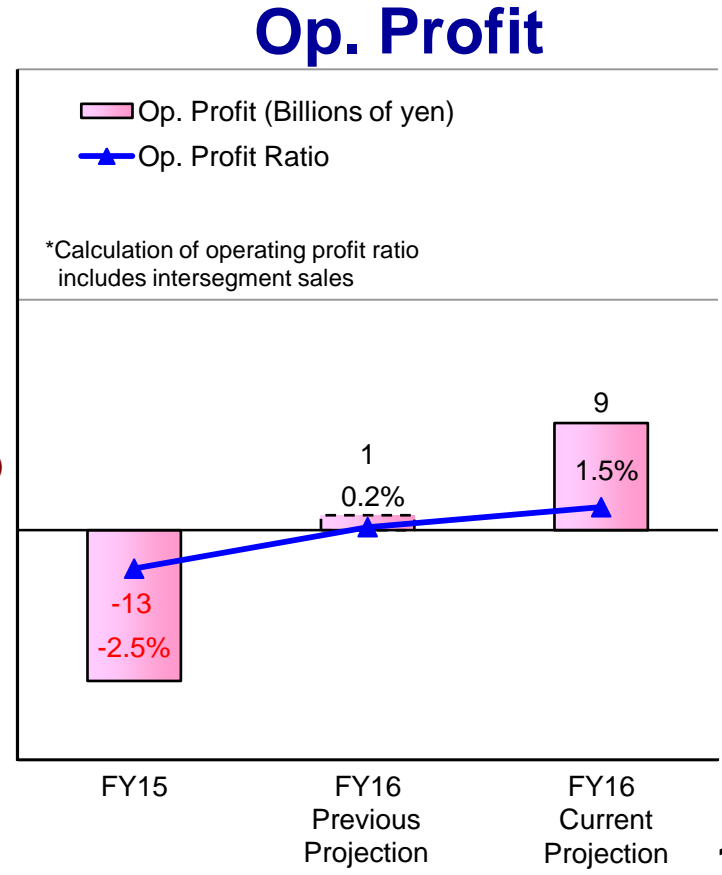
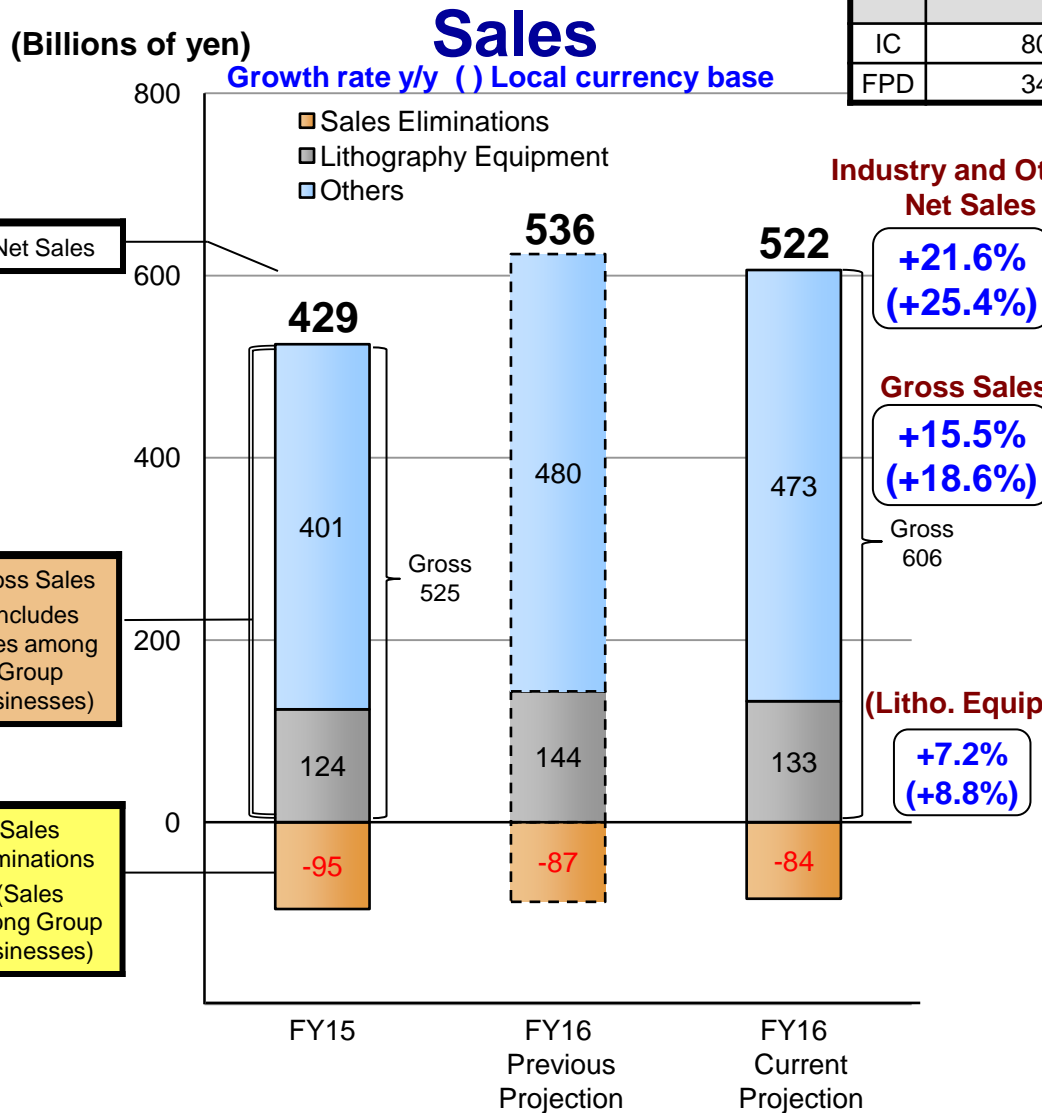
*Calculation of operating profit ratio includes intersegment sales

Industry and Others

FY 2016 Projection

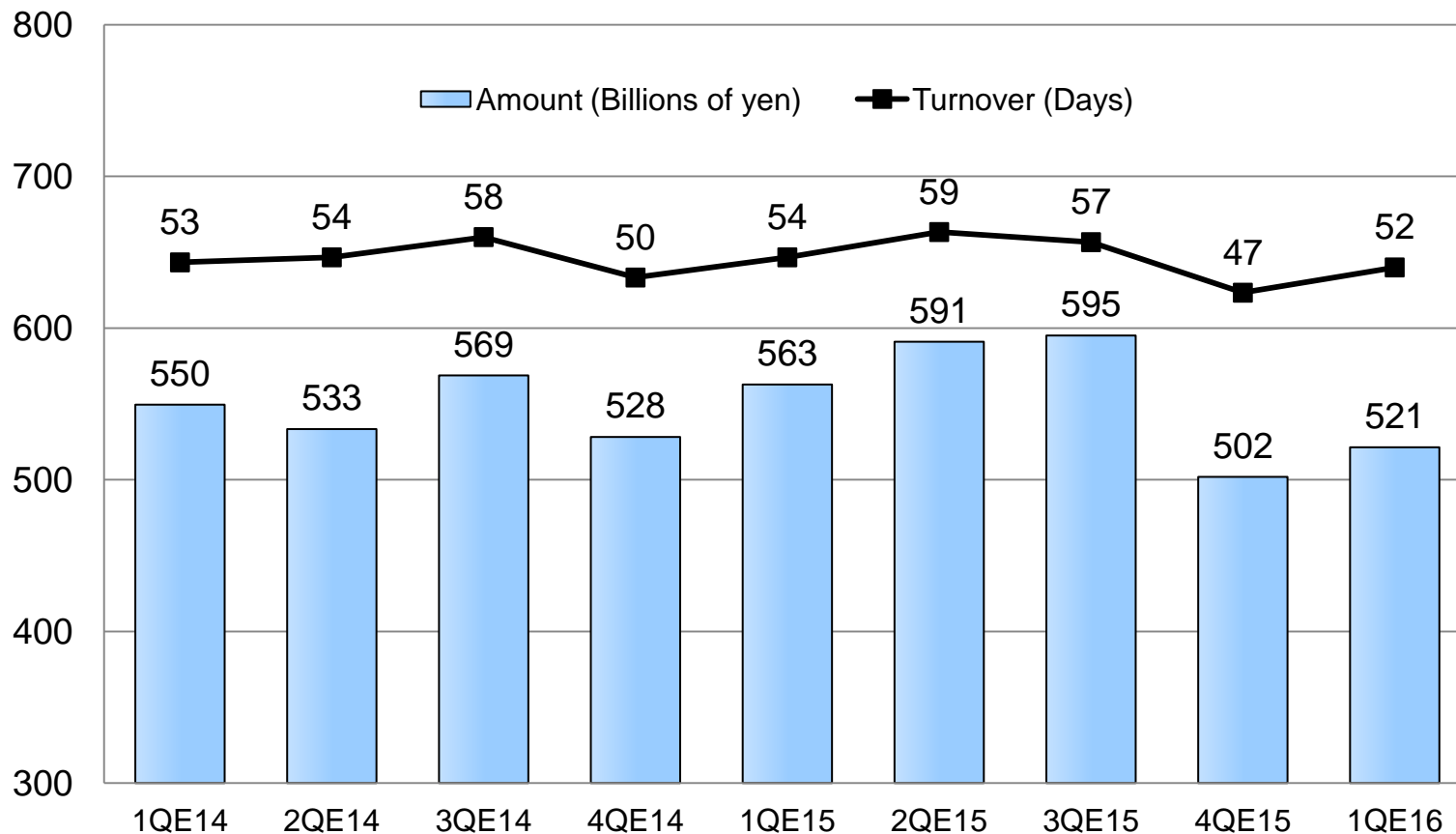
	FY15	FY16 Previous Projection	FY16 Current Projection
IC	80	86	77
FPD	34	37	39

	FY15	FY16 Previous Projection	FY16 Current Projection
ArF	0	0	0
KrF	21	33	27
i-line	59	53	50



Inventories

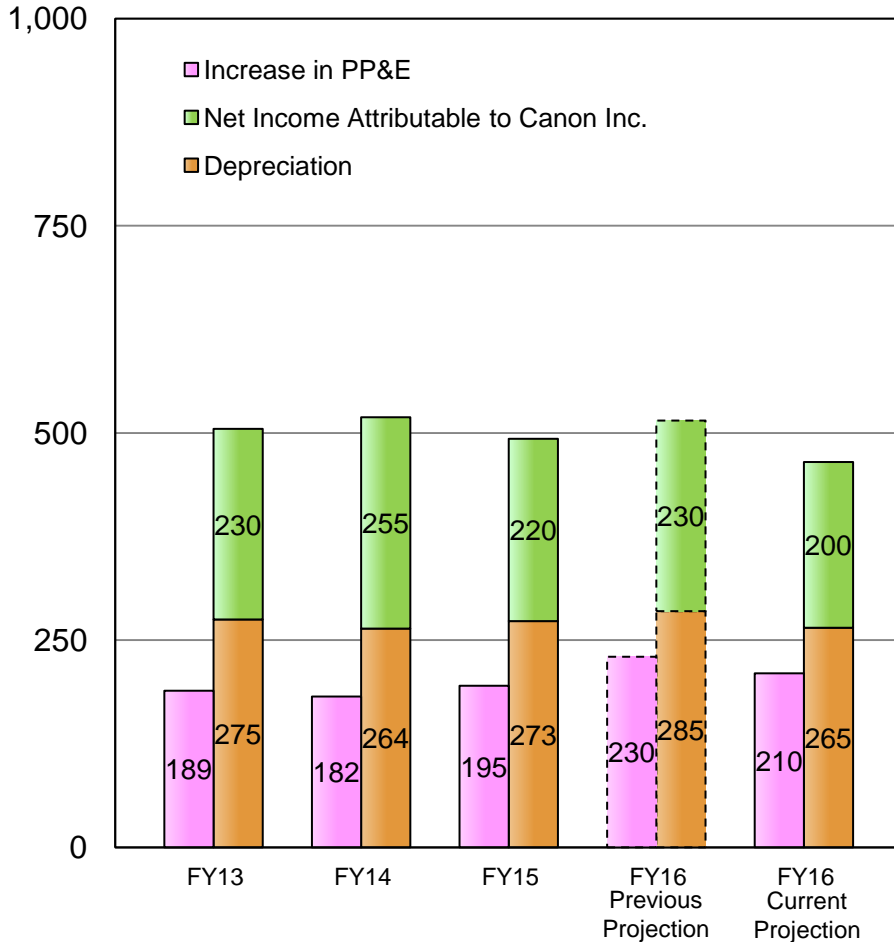
(Billions of yen)



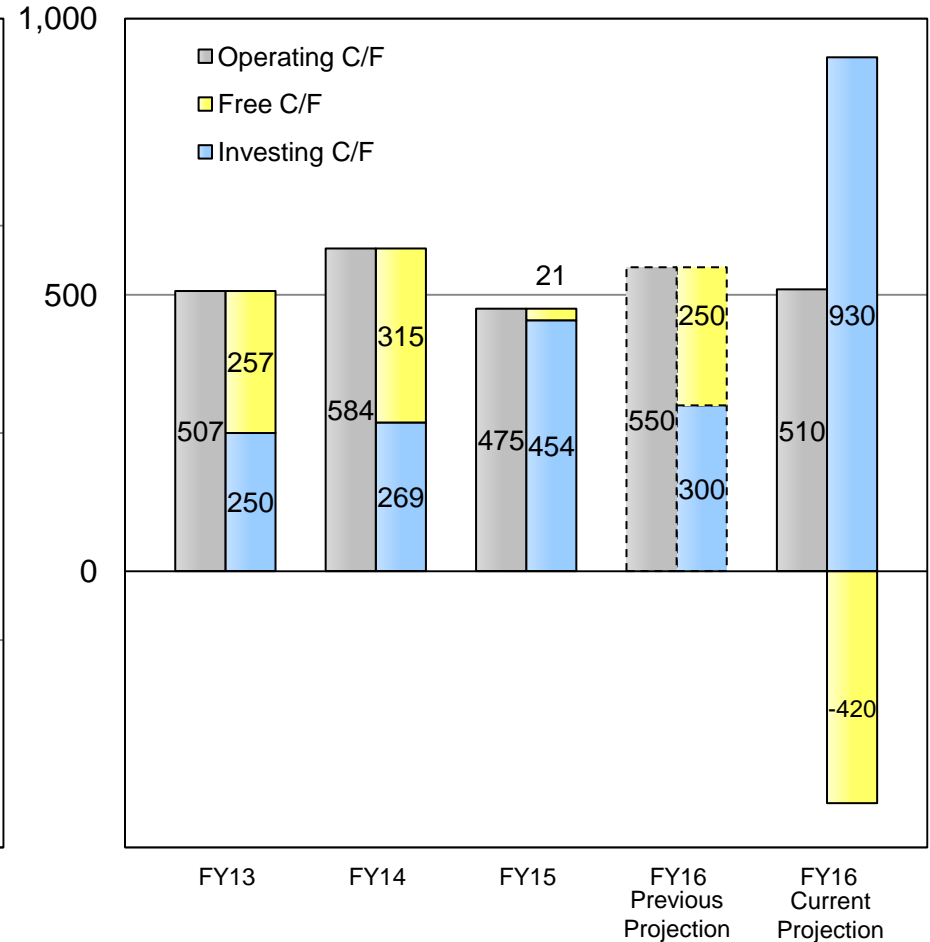
Capital Expenditure

Free Cash Flow

(Billions of yen)



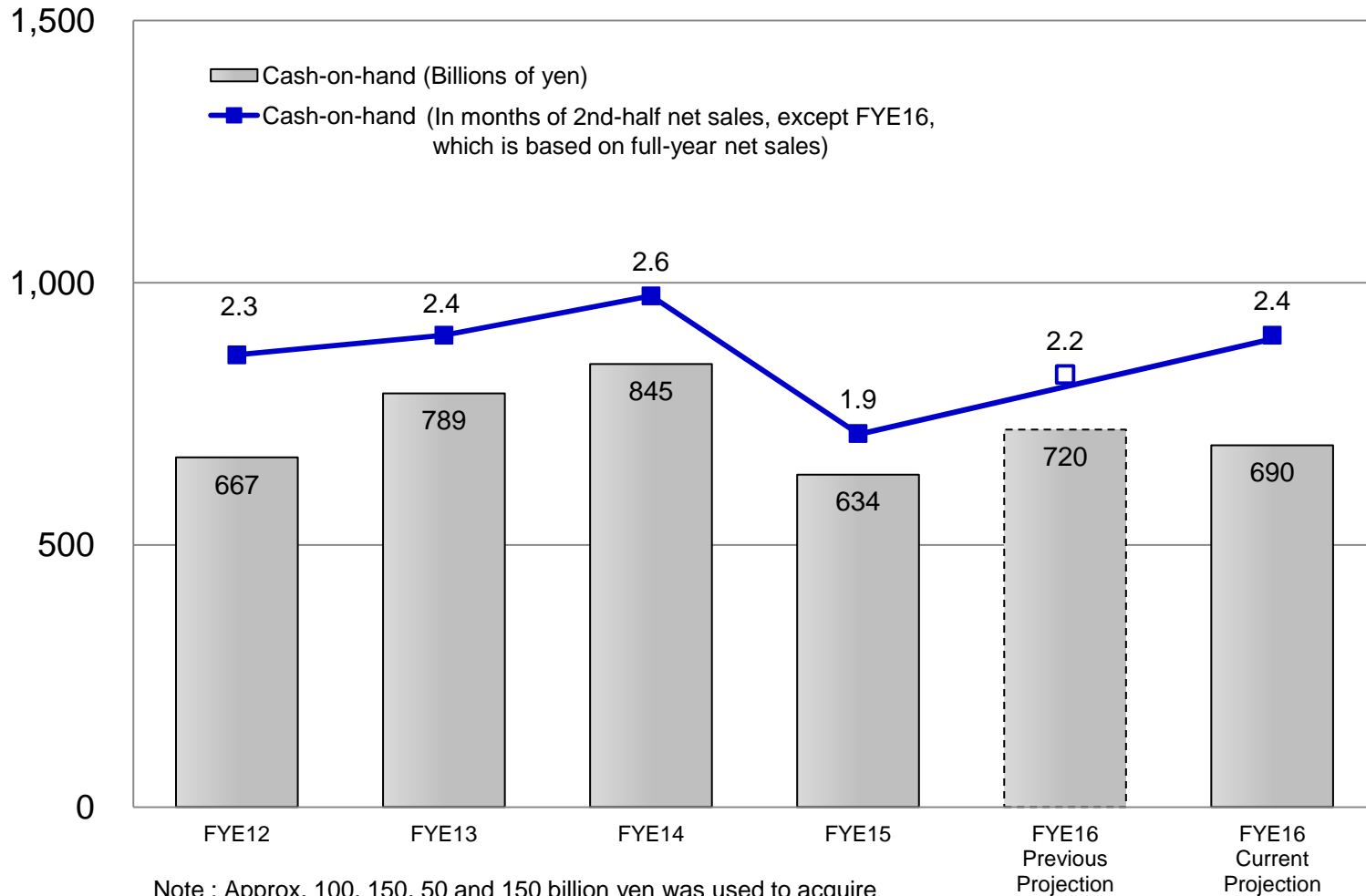
(Billions of yen)



Cash on Hand

Cash on Hand (Year-end)

(Billions of yen)



Note : Approx. 100, 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)	-217.3	-88.5
Sales Volume Impact		
Office	-30.6	
Imaging System	-11.5	
Industry and Others	+108.1	
Total	+66.0	+40.4
Others	-49.0	-7.1
Total Change	-200.3	-55.2
FY 2016 Current Projection	3,600.0	300.0

Change in Exchange Rate

- 1USD: 121.13 to 111.05 yen
- 1EURO: 134.20 to 125.44 yen

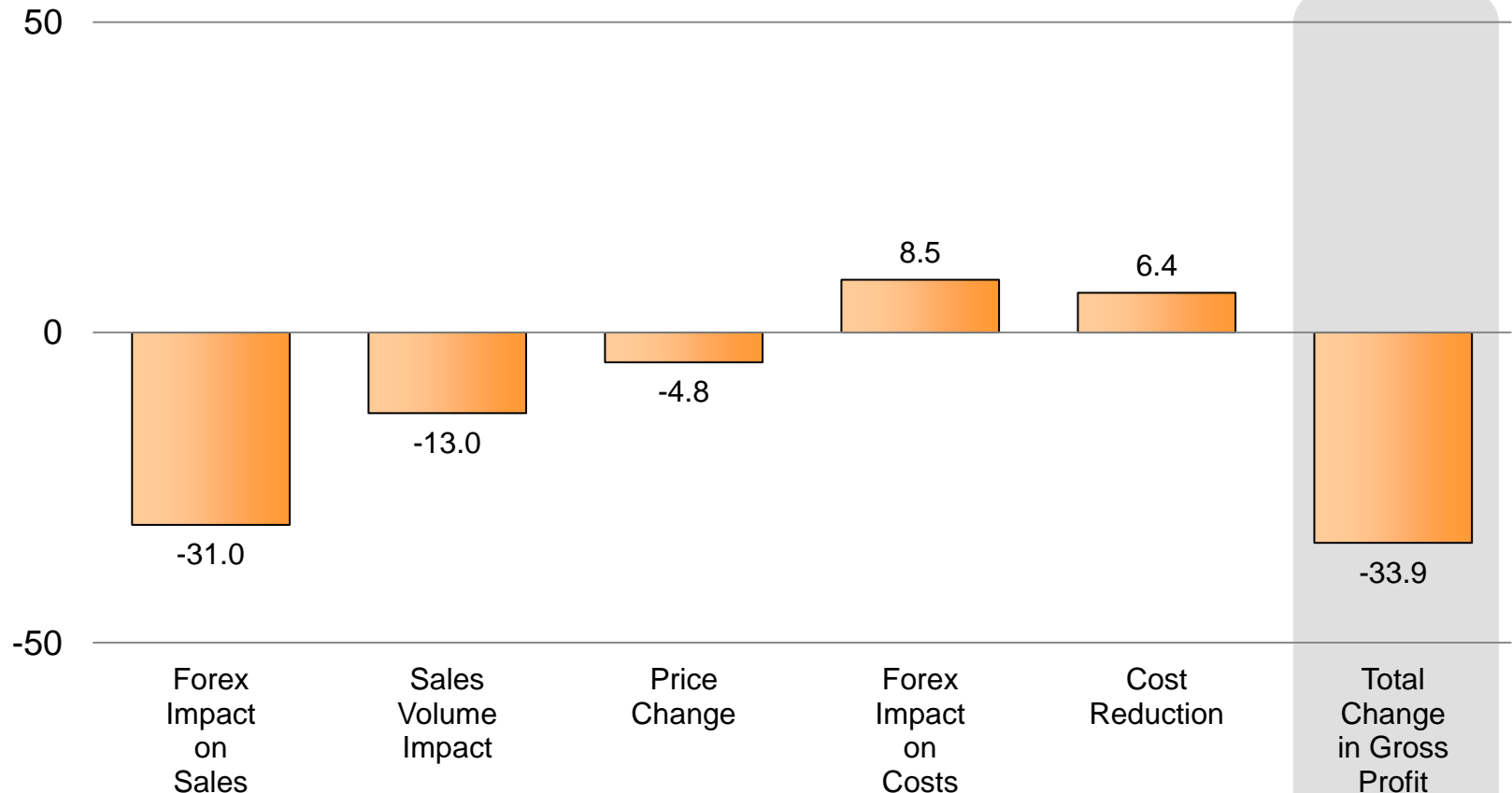
Gross Profit Variance Analysis

1Q 2016 Actual v. 1Q 2015 Actual

(Billions of yen)

	1Q16	1Q15	Change
Gross Profit	404.7	438.6	-33.9
% Sales	50.8%	51.1%	-0.3pt.

(Billions of yen)



Supplementary Information

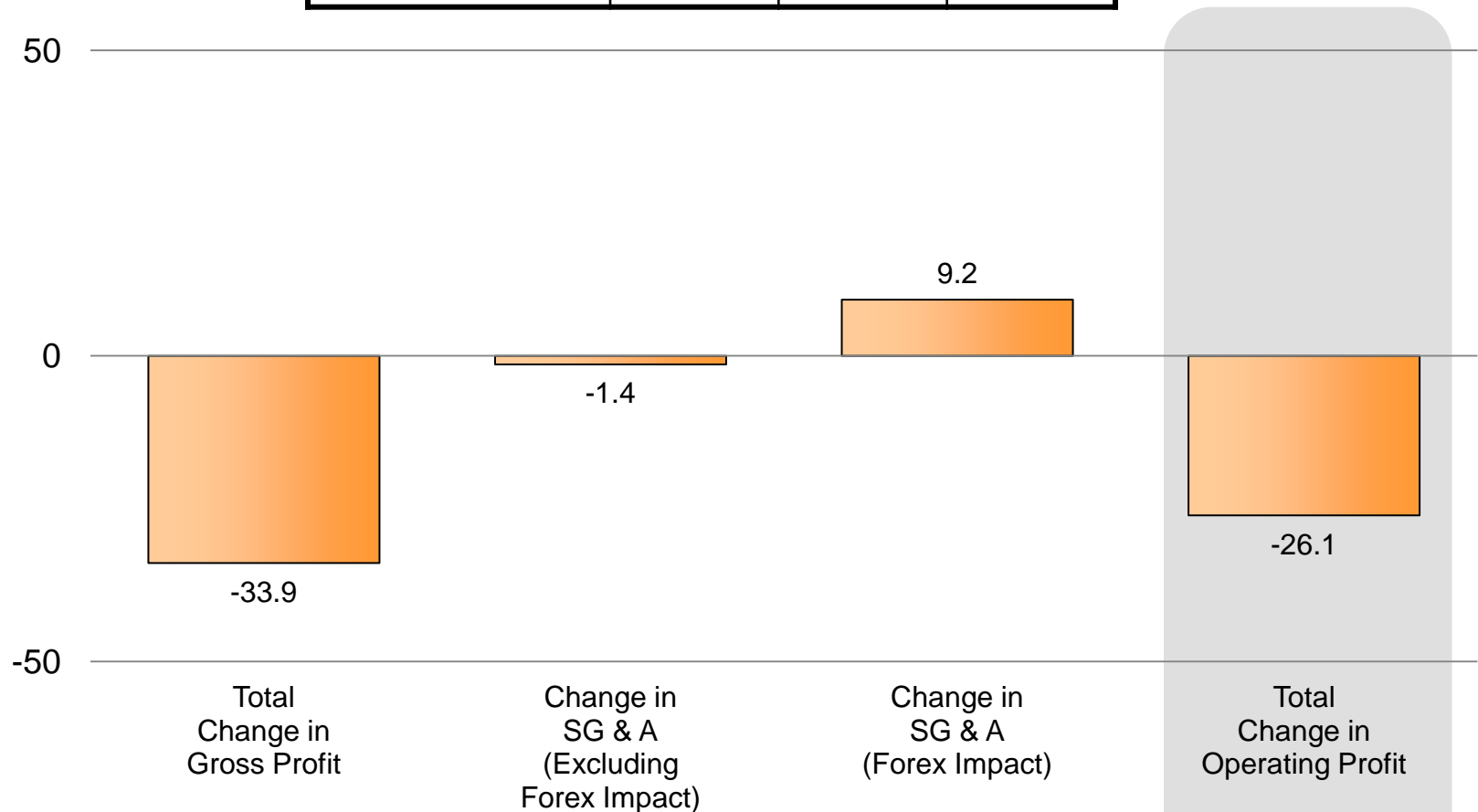
Operating Profit Variance Analysis

1Q 2016 Actual v. 1Q 2015 Actual

(Billions of yen)

	1Q16	1Q15	Change
Op. Profit	40.1	66.2	-26.1
% Sales	5.0%	7.7%	-2.7pt.

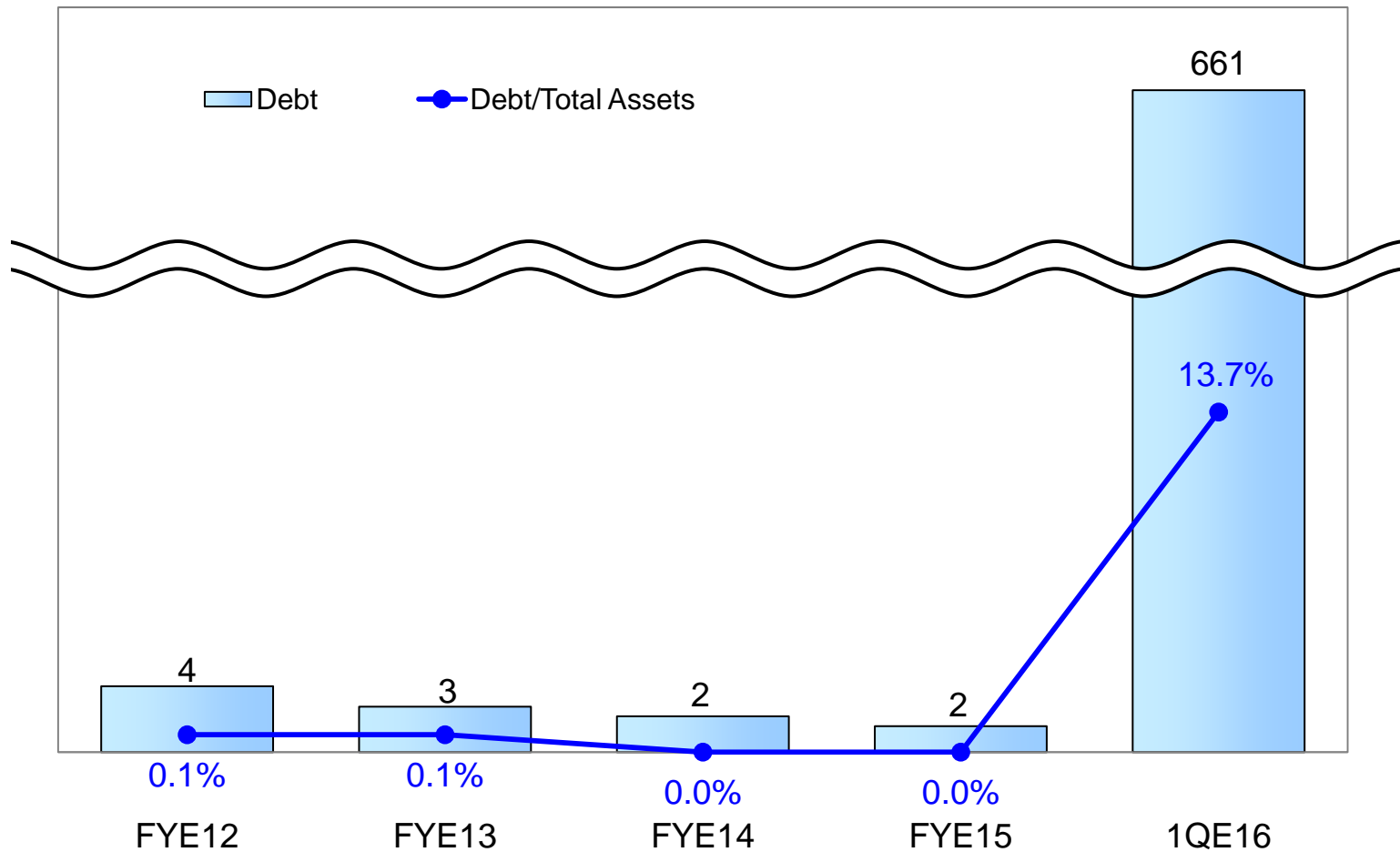
(Billions of yen)



Supplementary Information

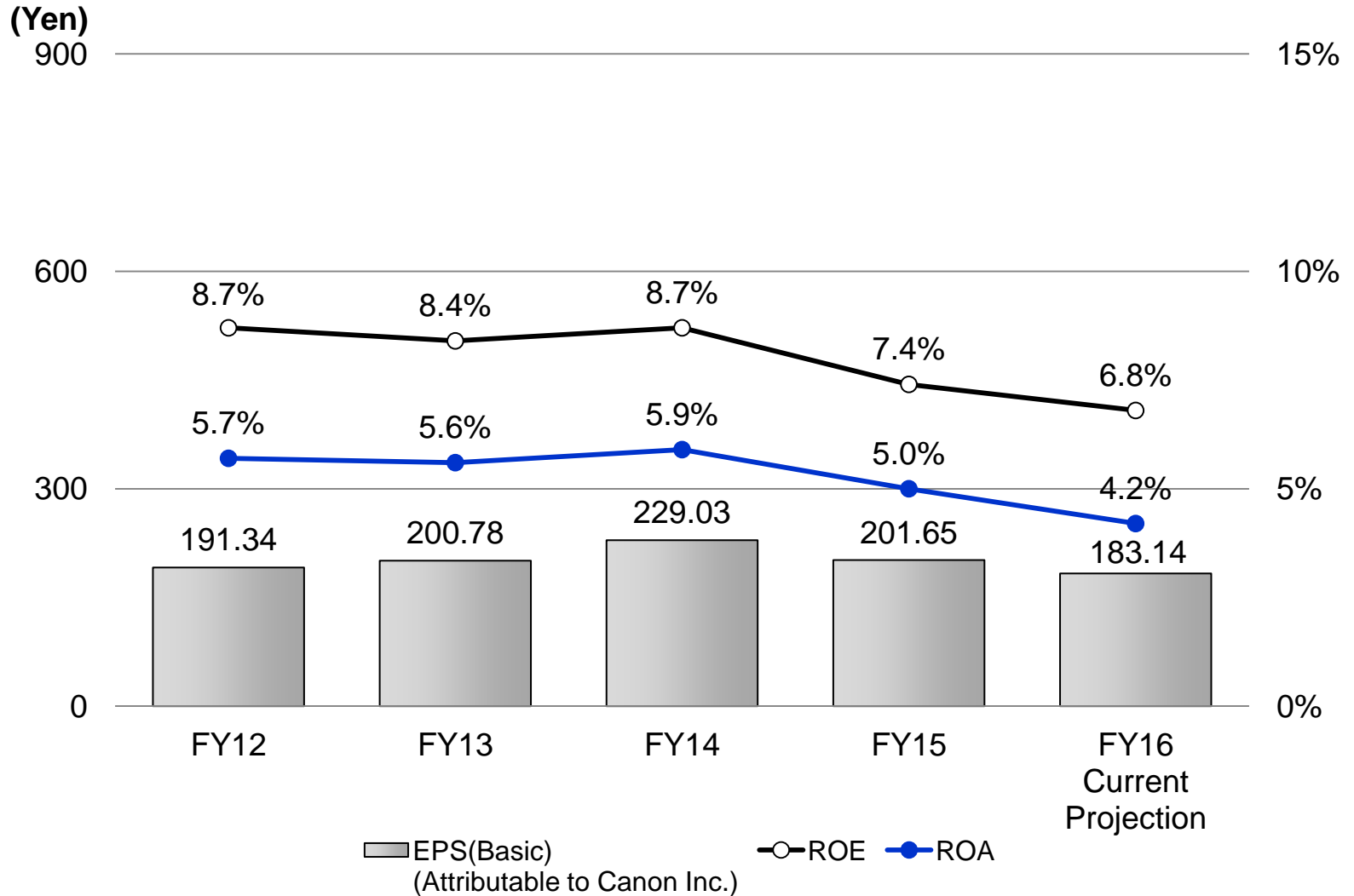
Interest Bearing Debt

(Billions of yen)



Supplementary Information

Financial Ratios



Supplementary Information