

Canon Inc.

FY 2018 Results

January 30, 2019
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Agenda

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 (FY 2018 Results & FY 2019 Projection)

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Achieved second consecutive year of profit growth, despite overall sales decline

Sales

- Decline in camera and vacuum deposition equipment sales due to change in market conditions
- Achieved steady revenue growth in Office
- Continued growth of new businesses, such as medical and network cameras

Profit

- Improved gross profit ratio through product mix and cost reduction
- Strived to improve expense efficiency through concerted group-wide efforts

FY 2018 Financial Results (Full Year)



- Compared to last year: Achieved growth in both operating profit and net income
- Compared to previous projection: Exceeded planned profit level through comprehensive expense management and despite lower than expected sales

| (Billions of yen) | FY 2018 | | | | FY 2017 | | | % Change (Pre-reclassification) | FY 2018 | |
|---|-------------------------|--------------|---------|-------------------------|-------------------------|---------|---|------------------------------------|-------------------------|--|
| | Full year Actual | Service Cost | Pension | Full year Actual | Full year Actual | Pension | Full Year Actual (Pre-reclassification) | | Previous Projection | Amount Change (after-reclassification) |
| Net Sales | 3,951.9 | 0.0 | 0.0 | 3,951.9 | 4,080.0 | 0.0 | 4,080.0 | -3.1% | 4,000.0 | -48.1 |
| Gross Profit (% of Net Sales) | 1,835.6 46.4% | -115.7 | -2.9 | 1,954.2 49.4% | 1,990.6 48.8% | -2.1 | 1,992.7 48.8% | -1.9% | 1,851.5 46.3% | -15.9 |
| Op. Expenses | 1,492.6 | +115.7 | -13.7 | 1,594.6 | 1,669.0 | -7.8 | 1,661.2 | | 1,516.0 | |
| Op. Profit (% of Net Sales) | 343.0 8.7% | 0.0 | -16.6 | 359.6 9.1% | 321.6 7.9% | -9.9 | 331.5 8.1% | +8.5% | 335.5 8.4% | +7.5 |
| Non-operating Income | 19.9 | 0.0 | +16.6 | 3.3 | 32.3 | +9.9 | 22.4 | | 29.5 | |
| IBT | 362.9 | 0.0 | 0.0 | 362.9 | 353.9 | 0.0 | 353.9 | +2.5% | 365.0 | -2.1 |
| Net Income (% of Net Sales) | 252.8 6.4% | 0.0 | 0.0 | 252.8 6.4% | 241.9 5.9% | 0.0 | 241.9 5.9% | +4.5% | 251.0 6.3% | +1.8 |
| USD | 110.43 | | | 110.43 | 112.13 | | 112.13 | | 109.66 | |
| EURO | 130.29 | | | 130.29 | 126.69 | | 126.69 | | 130.64 | |

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(Full Year)

- Office, Medical, and Industry & Others – Sales and profit growth
- Imaging System – Sales and profit decline, due to market contraction

| (Billions of yen) | | FY 2018 Actual | FY 2017 Actual | % Change | FY 2018 Previous Projection | Amount Change |
|-----------------------------|------------|-------------------|-------------------|-------------|-----------------------------------|------------------|
| Office | Net Sales | 1,807.3 | 1,804.8 | +0.1% | 1,818.0 | -10.7 |
| | Op. Profit | 220.8 | 189.3 | +16.7% | 218.3 | +2.5 |
| Imaging System | Net Sales | 1,008.2 | 1,136.2 | -11.3% | 1,040.0 | -31.8 |
| | Op. Profit | 117.0 | 173.5 | -32.6% | 122.8 | -5.8 |
| Medical System | Net Sales | 437.6 | 436.2 | +0.3% | 443.0 | -5.4 |
| | Op. Profit | 28.8 | 21.9 | +31.4% | 26.3 | +2.5 |
| Industry & Others | Net Sales | 805.2 | 792.8 | +1.6% | 807.0 | -1.8 |
| | Op. Profit | 65.5 | 40.7 | +60.9% | 59.0 | +6.5 |
| Corporate & Eliminations | Net Sales | -106.4 | -90.0 | - | -108.0 | +1.6 |
| | Op. Profit | -89.1 | -103.8 | - | -90.9 | +1.8 |
| Total | Net Sales | 3,951.9 | 4,080.0 | -3.1% | 4,000.0 | -48.1 |
| | Op. Profit | 343.0 | 321.6 | +6.6% | 335.5 | +7.5 |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated. (Impact on FY 2017 Actual Net Sales: 61.1 billions of yen, Operating Profit: -14.7 billions of yen)

Key Message

(FY 2019 Projection)

FX Assumptions

| | FY 2018 | FY 2019 | Impact of exchange rate movement (Annual impact given a one yen change) | |
|---------|------------|------------|--|-----------------|
| | | | Net Sales | Op. Profit |
| USD/Yen | 110.43 yen | 105.00 yen | 13.2 billion yen | 4.4 billion yen |
| EUR/Yen | 130.29 yen | 125.00 yen | 6.1 billion yen | 3.0 billion yen |

External Environment

- Global economy: Continue to be led by U.S., but uncertainty is rising due to risks of intensifying US-China trade friction and turmoil in European politics

FY 2019 Outlook

Year focused on reinforcing profitability under tough circumstances

- Maximize sales, effectively investing in sales & marketing of growth areas in existing and new businesses
- Strengthen profitability through selection and focus expenses, and the promotion of automation and in-house production

FY 2019 Financial Projection (Full Year)

- Project sales and profit decline due to negative impact of exchange rates
- Strive to strengthen structure through cost reduction, comprehensive expense management, etc.

| (Billions of yen) | 2019 Projection | 2018 Actual | % Change |
|---|-------------------------|-------------------------|--------------|
| Net Sales | 3,900.0 | 3,951.9 | -1.3% |
| Gross Profit (% of Net Sales) | 1,759.0 45.1% | 1,835.6 46.4% | -4.2% |
| Op. Expenses | 1,434.0 | 1,492.6 | |
| Op. Profit (% of Net Sales) | 3,250.0 8.3% | 3,429.5 8.7% | -5.2% |
| Non-operating Income | 22.5 | 19.9 | |
| IBT | 347.5 | 362.9 | -4.2% |
| Net Income (% of Net Sales) | 240.0 6.2% | 252.8 6.4% | -5.0% |
| USD | 105.00 | 110.43 | |
| EURO | 125.00 | 130.29 | |

FY 2019 Financial Projection by Business Unit(Full Year)

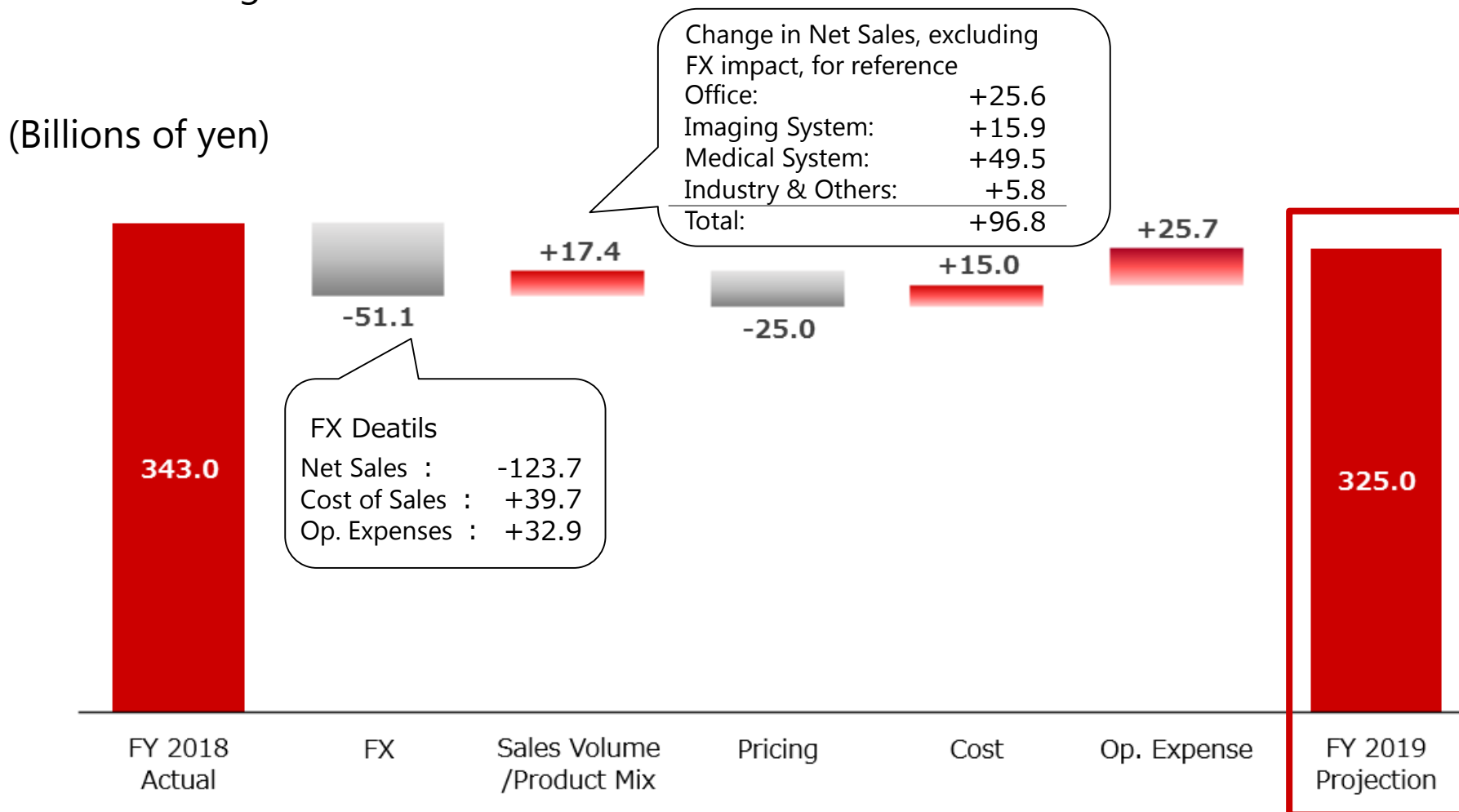
- Imaging System: Lessen impact of market decline, expanding sales in growth areas and promoting cost reduction activities
- Medical: Sales and profit growth through full contribution of new products and investment into sales & marketing in overseas markets
- Industry & Others: Expect adjustment phase to continue, but will continue efforts to improve profitability for the future

| (Billions of yen) | | 2019 Projection | 2018 Actual | % Change |
|-----------------------------|------------|--------------------|----------------|----------|
| Office | Net Sales | 1,764.0 | 1,807.3 | -2.4% |
| | Op. Profit | 212.5 | 220.8 | -3.8% |
| Imaging System | Net Sales | 969.0 | 1,008.2 | -3.9% |
| | Op. Profit | 102.0 | 117.0 | -12.8% |
| Medical System | Net Sales | 477.0 | 437.6 | +9.0% |
| | Op. Profit | 35.0 | 28.8 | +21.4% |
| Industry & Others | Net Sales | 804.5 | 805.2 | -0.1% |
| | Op. Profit | 48.0 | 65.5 | -26.8% |
| Corporate & Eliminations | Net Sales | -114.5 | -106.4 | - |
| | Op. Profit | -72.5 | -89.1 | - |
| Total | Net Sales | 3,900.0 | 3,951.9 | -1.3% |
| | Op. Profit | 325.0 | 343.0 | -5.2% |

FY 2019 Operating Profit Analysis

(FY 2019 Projection versus FY 2018 Actual)

- Expand sales, particularly Office and Medical
- Manage price reduction to below last year's level through well-defined sales & marketing investment



Office – MFDs

- 2018: Continued strong sales of color models equipped with features that facilitate linkage with cloud services
- 2019: Expand sales of new products that have significantly enhanced security features
- Work to stabilize service revenue through expansion of color device MIF

(Billions of yen)

| | Full Year | | | | | Full Year | | |
|-------------------|----------------|----------------|----------|--------------------------|---------------|-----------------|----------------|----------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| MFDs | 684.3 | 694.0 | -1.4% | 696.7 | -12.4 | 675.2 | 684.3 | -1.3% |
| LPs | 706.5 | 706.7 | -0.0% | 705.3 | +1.2 | 664.4 | 706.5 | -6.0% |
| Others | 416.5 | 404.1 | +3.1% | 416.0 | +0.5 | 424.4 | 416.5 | +1.9% |
| Net Sales | 1,807.3 | 1,804.8 | +0.1% | 1,818.0 | -10.7 | 1,764.0 | 1,807.3 | -2.4% |
| Op. Profit | 220.8 | 189.3 | +16.7% | 218.3 | +2.5 | 212.5 | 220.8 | -3.8% |
| (% of Net Sales) | 12.2% | 10.5% | | 12.0% | | 12.0% | 12.2% | |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|--------------|--------------|-----------------|
| MFDs | -1.6% | +2.1% |
| LPs | +0.1% | -2.5% |
| Others | +2.8% | +4.9% |
| Total | +0.1% | +1.0% |

Unit Growth Rate Y/Y

| | 2018 Actual | 2019 Projection |
|--------------|-------------|-----------------|
| MFDs | | |
| B&W | -3% | 0% |
| Color | +6% | +7% |
| Total | +2% | +4% |

imageRUNNER ADVANCE 3rd Generation 3rd Edition



- Inherits high reliability of existing devices
- Enhanced security feature
- Strengthened coordination with cloud services

Office – Laser Printers

- 2018: Expanded hardware sales through new products
- 2019: Work to improve product mix and strengthen measures to expand sales of consumables

(Billions of yen)

| | Full Year | | | | | Full Year | | |
|-------------------|----------------|----------------|----------|--------------------------|---------------|-----------------|----------------|----------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| MFDs | 684.3 | 694.0 | -1.4% | 696.7 | -12.4 | 675.2 | 684.3 | -1.3% |
| LPs | 706.5 | 706.7 | -0.0% | 705.3 | +1.2 | 664.4 | 706.5 | -6.0% |
| Others | 416.5 | 404.1 | +3.1% | 416.0 | +0.5 | 424.4 | 416.5 | +1.9% |
| Net Sales | 1,807.3 | 1,804.8 | +0.1% | 1,818.0 | -10.7 | 1,764.0 | 1,807.3 | -2.4% |
| Op. Profit | 220.8 | 189.3 | +16.7% | 218.3 | +2.5 | 212.5 | 220.8 | -3.8% |
| (% of Net Sales) | 12.2% | 10.5% | | 12.0% | | 12.0% | 12.2% | |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|--------|-------------|-----------------|
| MFDs | -1.6% | +2.1% |
| LPs | +0.1% | -2.5% |
| Others | +2.8% | +4.9% |
| Total | +0.1% | +1.0% |

Unit Growth Rate Y/Y

| L P | 2018 Actual | 2019 Projection |
|-------|-------------|-----------------|
| B&W | +6% | -3% |
| Color | +7% | +5% |
| Total | +6% | -2% |

Office – Others

- Continued steady sales of products for graphic arts segment that have earned high marks from customers
- Aim for revenue growth through full-scale entry into the package market and efforts to enhance sales structure

(Billions of yen)

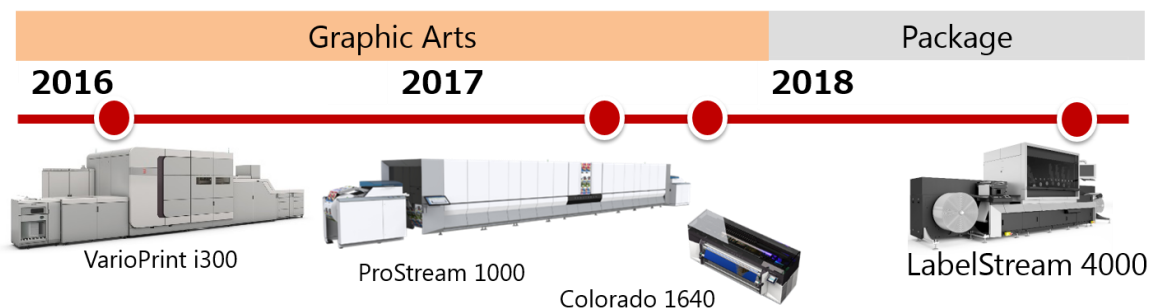
| | Full Year | | | | | Full Year | | |
|-------------------|----------------|----------------|----------|--------------------------|---------------|-----------------|----------------|----------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| MFDs | 684.3 | 694.0 | -1.4% | 696.7 | -12.4 | 675.2 | 684.3 | -1.3% |
| LPs | 706.5 | 706.7 | -0.0% | 705.3 | +1.2 | 664.4 | 706.5 | -6.0% |
| Others | 416.5 | 404.1 | +3.1% | 416.0 | +0.5 | 424.4 | 416.5 | +1.9% |
| Net Sales | 1,807.3 | 1,804.8 | +0.1% | 1,818.0 | -10.7 | 1,764.0 | 1,807.3 | -2.4% |
| Op. Profit | 220.8 | 189.3 | +16.7% | 218.3 | +2.5 | 212.5 | 220.8 | -3.8% |
| (% of Net Sales) | 12.2% | 10.5% | | 12.0% | | 12.0% | 12.2% | |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|--------------|--------------|-----------------|
| MFDs | -1.6% | +2.1% |
| LPs | +0.1% | -2.5% |
| Others | +2.8% | +4.9% |
| Total | +0.1% | +1.0% |



Imaging System – Cameras

Spread seed that will grow to stabilize this business in the future

- **Strengthen presence in mirrorless camera market**
 - **Expand lineup of products with the EOS R system at its core**
 - **Accelerate development of new products**



『EOS R System』

- **Improve Profitability**
 - **Raise proportion of full-frame models**
 - **Expand sales of lenses that have high profitability**
 - **Expand scope of production automation**

Imaging System – Cameras

New Category Cameras



- Stylishly designed cameras for young people that are waterproof and highly durable
- Cameras optimized for outdoor use in situations where smartphones have difficulty



- Cameras equipped with AI that automatically capture images
- Cameras that capture the decisive moment in various scenes

Strive to expand scope of imaging market

Imaging System – Cameras

- Focus on improving product mix amid expectations

(Billions of yen)

| | Full Year | | | | | Full Year | | |
|-------------------|----------------|----------------|---------------|--------------------------|---------------|-----------------|----------------|---------------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| Cameras | 599.9 | 702.8 | -14.6% | 623.1 | -23.2 | 562.8 | 599.9 | -6.2% |
| IJPs | 320.2 | 335.6 | -4.6% | 325.1 | -4.9 | 314.7 | 320.2 | -1.7% |
| Others | 88.1 | 97.8 | -10.1% | 91.8 | -3.7 | 91.5 | 88.1 | +3.9% |
| Net Sales | 1,008.2 | 1,136.2 | -11.3% | 1,040.0 | -31.8 | 969.0 | 1,008.2 | -3.9% |
| Op. Profit | 117.0 | 173.5 | -32.6% | 122.8 | -5.8 | 102.0 | 117.0 | -12.8% |
| (% of Net Sales) | 11.6% | 15.3% | | 11.8% | | 10.5% | 11.6% | |

Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|---------|-------------|-----------------|
| Cameras | -14.7% | -2.2% |
| IJPs | -4.7% | +1.7% |
| Total | -11.3% | -0.1% |

Units (Millions) & Unit Growth Rate Y/Y

| | 2018 Actual | | 2019 Projection | |
|-------|-------------|----------|-----------------|----------|
| | Units | % Change | Units | % Change |
| DILCs | 5.04 | -9% | 4.70 | -7% |
| DCs | 3.17 | -22% | 2.60 | -18% |

Full-frame Mirrorless

EOS R



Imaging System – Inkjet Printers

- 2018: Although total unit sales were down, sales of refillable ink tank models remained strong
- 2019: Aiming for market exceeding growth, actively investing in sales & marketing

(Billions of yen)

| | Full Year | | | | | Full Year | | |
|-------------------|----------------|----------------|---------------|--------------------------|---------------|-----------------|----------------|---------------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| Cameras | 599.9 | 702.8 | -14.6% | 623.1 | -23.2 | 562.8 | 599.9 | -6.2% |
| IJPs | 320.2 | 335.6 | -4.6% | 325.1 | -4.9 | 314.7 | 320.2 | -1.7% |
| Others | 88.1 | 97.8 | -10.1% | 91.8 | -3.7 | 91.5 | 88.1 | +3.9% |
| Net Sales | 1,008.2 | 1,136.2 | -11.3% | 1,040.0 | -31.8 | 969.0 | 1,008.2 | -3.9% |
| Op. Profit | 117.0 | 173.5 | -32.6% | 122.8 | -5.8 | 102.0 | 117.0 | -12.8% |
| (% of Net Sales) | 11.6% | 15.3% | | 11.8% | | 10.5% | 11.6% | |

Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|---------|-------------|-----------------|
| Cameras | -14.7% | -2.2% |
| IJPs | -4.7% | +1.7% |
| Total | -11.3% | -0.1% |

Unit Growth Rate Y/Y

| | 2018 Actual | 2019 Projection |
|------|-------------|-----------------|
| IJPs | -2% | +2% |



Business Inkjet MFD

- Fast 50 sheets per minute output
- Total cost reduction of users

Medical System

- 2018: Achieved sales and profit growth, posting continued strong sales of new products we've launched so far.
- 2019: Expect strong growth thanks to full-scale contribution of new products as well as sales structure reinforcement
- Improve profitability, promoting further cost reduction through enhanced Group synergy

| | Full Year | | | | | (Billions of yen) Full Year | | |
|---------------------------------------|---------------------|---------------------|----------|--------------------------|---------------|--------------------------------|---------------------|----------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| Net Sales | 437.6 | 436.2 | +0.3% | 443.0 | -5.4 | 477.0 | 437.6 | +9.0% |
| Op. Profit (% of Net Sales) | 28.8 6.6% | 21.9 5.0% | +31.4% | 26.3 5.9% | 2.5 | 35.0 7.3% | 28.8 6.6% | +21.4% |

Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|-------|-------------|-----------------|
| Total | +0.7% | +11.3% |



**Diagnostic Ultrasound System
Aplio a series**



**CT System
Aquilion START**

Industry & Others

- 2018: Strong growth in semiconductor litho. equipment that captured demand for memory
- 2019: Aim to expand share in both semiconductor and FPD Litho. equipment by capturing the needs of customers
- Network cameras: Enhance product lineup and aim to continue double-digit growth.

(Billions of yen)

| | Full Year | | | | | Full Year | | |
|-------------------|--------------|--------------|---------------|--------------------------|---------------|-----------------|--------------|---------------|
| | 2018 Actual | 2017 Actual | % Change | 2018 Previous Projection | Amount Change | 2019 Projection | 2018 Actual | % Change |
| Litho. Equip. | 199.8 | 193.1 | +3.4% | 203.4 | -3.6 | 204.5 | 199.8 | +2.4% |
| Others | 605.4 | 599.7 | +1.0% | 603.6 | 1.8 | 600.0 | 605.4 | -0.9% |
| Net Sales | 805.2 | 792.8 | +1.6% | 807.0 | -1.8 | 804.5 | 805.2 | -0.1% |
| Op. Profit | 65.5 | 40.7 | +60.9% | 59.0 | 6.5 | 48.0 | 65.5 | -26.8% |
| (% of Net Sales) | 8.1% | 5.1% | | 7.3% | | 6.0% | 8.1% | |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated.

Net Sales Growth Rate Y/Y (Local Currency)

| | 2018 Actual | 2019 Projection |
|---------------|--------------|-----------------|
| Litho. Equip. | +3.4% | +3.1% |
| Others | +0.9% | +1.3% |
| Total | +1.5% | +1.7% |

Lithography Equipment (Units)

| | 2017 Actual | 2018 Actual | 2019 Projection |
|---------------|-------------|-------------|-----------------|
| Litho. Equip. | 70 | 114 | 121 |
| Others | 84 | 69 | 56 |

Inventory

- Imaging System: Inventory increase due to impact of external environment
- Office and Medical: Maintained appropriate level

| (Billions of yen) | | FY 2017 | | | | FY 2018 | | | |
|-------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Office | Amt. | 206.9 | 211.1 | 222.4 | 205.1 | 207.5 | 209.9 | 224.6 | 206.1 |
| | Days | 42 | 43 | 46 | 41 | 41 | 42 | 46 | 42 |
| Imaging System | Amt. | 142.7 | 148.8 | 163.6 | 130.4 | 151.9 | 156.6 | 186.1 | 151.1 |
| | Days | 46 | 52 | 54 | 39 | 49 | 59 | 69 | 52 |
| Medical System | Amt. | - | 80.5 | 76.6 | 83.6 | 80.4 | 86.0 | 89.3 | 90.6 |
| | Days | - | 67 | 70 | 71 | 66 | 74 | 80 | 73 |
| Industry & Others | Amt. | 219.5 | 156.4 | 158.4 | 150.9 | 148.7 | 146.9 | 160.4 | 163.5 |
| | Days | 82 | 85 | 83 | 72 | 72 | 73 | 84 | 90 |
| Total | Amt. | 569.1 | 596.8 | 621.0 | 570.0 | 588.5 | 599.4 | 660.4 | 611.3 |
| | Days | 54 | 55 | 57 | 49 | 52 | 56 | 62 | 56 |

Note: Due to a change in business model, the outsourcing business within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated.

Cash Flow

(Full Year)

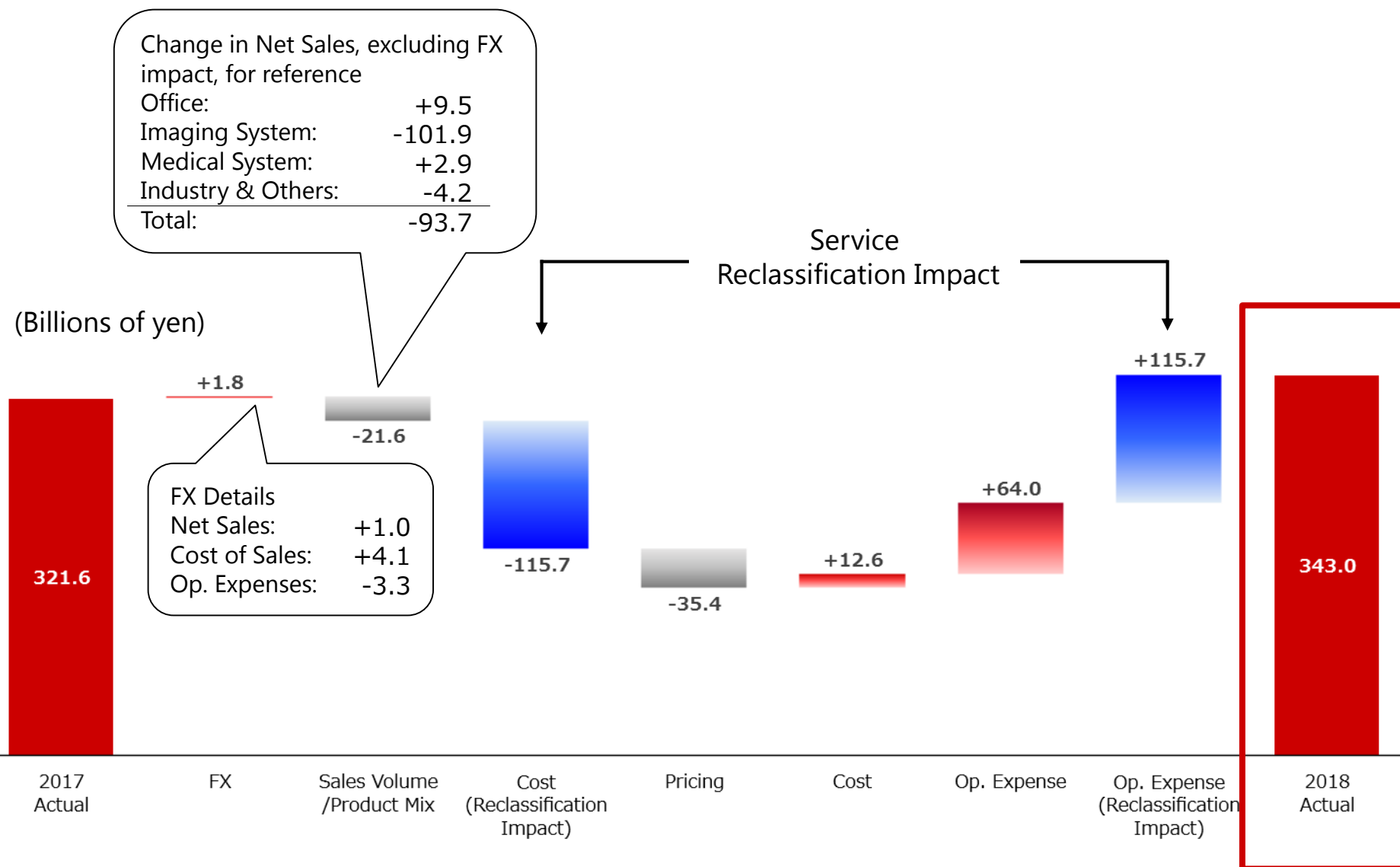
- Comprehensive cash flow management
 - Cash-on-hand: Maintain 500 billion yen level while promoting debt repayment
 - Capital expenditures: Control within the range of depreciation

| (Billions of yen) | FY 2019 Projection | FY 2018 Actual | FY 2017 Actual |
|--|-----------------------|-------------------|-------------------|
| Net cash provided by operating activities | 595.0 | 365.3 | 590.5 |
| Net cash used in investing activities | -290.0 | -195.6 | -165.0 |
| Free cash flow | 305.0 | 169.7 | 425.5 |
| Net cash provided by (used in) financing activities | -320.0 | -354.9 | -340.4 |
| Effect of exchange rate changes on cash and cash equivalents | -5.6 | -16.0 | 6.5 |
| Net change in cash and cash equivalents | -20.6 | -201.2 | 91.6 |
| Cash and cash equivalents at end of period | 500.0 | 520.6 | 721.8 |
| Cash-on-hand (In months of Net sales) (Note) | 1.5 | 1.6 | 2.0 |
| Capital expenditure | 175.0 | 159.3 | 147.5 |
| Depreciation | 240.0 | 251.6 | 261.9 |

Note: 2019 was calculated using full-year net sales. 2018 and 2017 were calculated using second-half net sales.

Supplementary Information

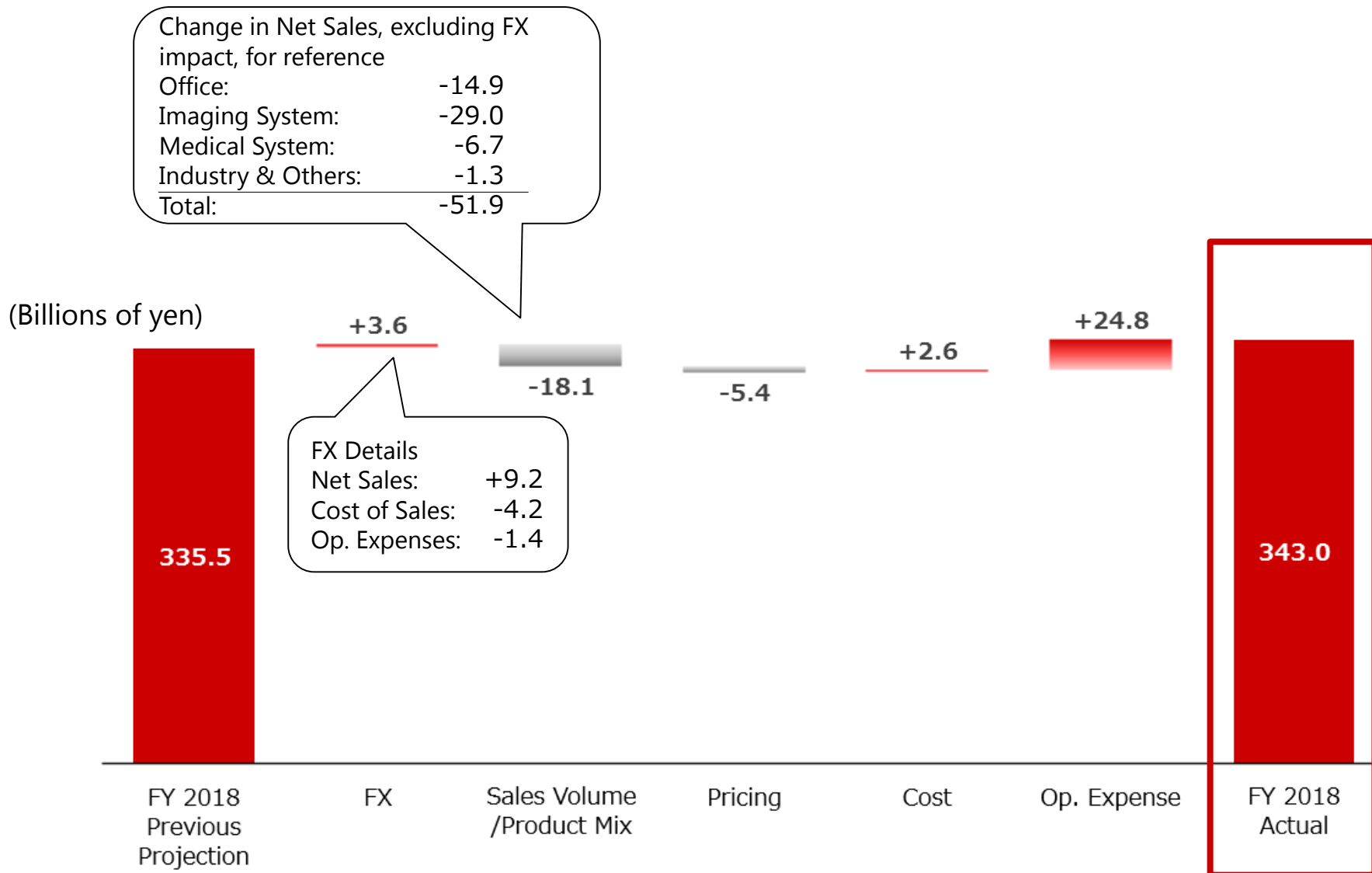
FY 2018 Operating Profit Analysis (FY 2018 Actual versus FY 2017 Actual)



Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

FY 2018 Operating Profit Analysis

(FY 2018 Actual versus FY 2018 Previous Projection)



Impact of Change in Pension Accounting Standard

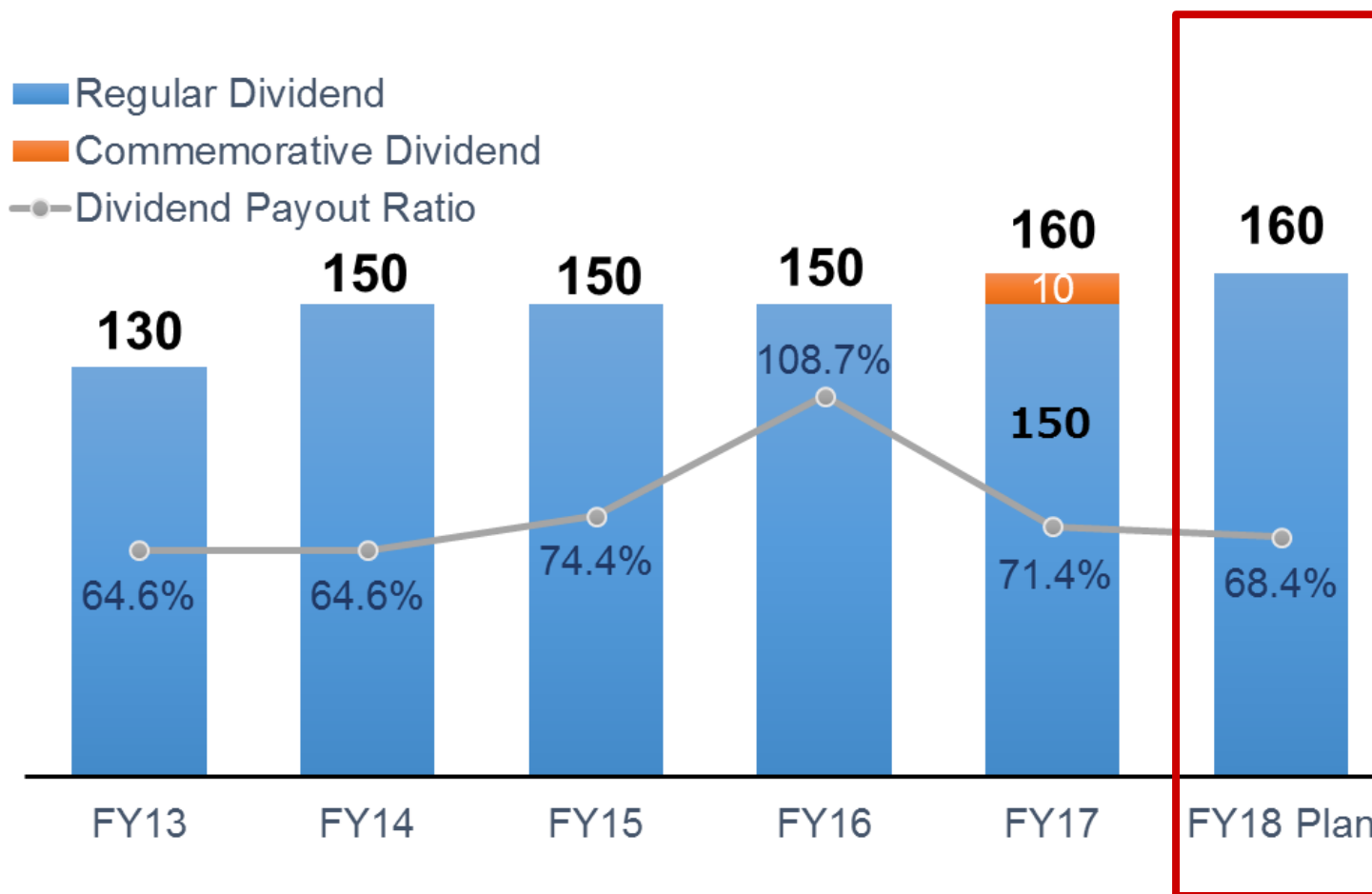
- Reclassification of Gross profit, Operating expenses, and Other income (deductions) (Full-year impact 9.9 billion yen)
- No impact on Income before income taxes and Net income

| (Billions of yen) | Pension accounting - Pre-standard change | | | | | 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 | FY 2017 1Q Actual | FY 2017 2Q Actual | FY 2017 3Q Actual | FY 2017 4Q Actual | FY 2017 Full year Actual |
| Net Sales | 972.8 | 992.5 | 994.5 | 1,120.2 | 4,080.0 | 972.8 | 992.5 | 994.5 | 1,120.2 | 4,080.0 |
| Gross Profit (% of Net Sales) | 468.3 48.1% | 495.6 49.9% | 482.2 48.5% | 546.6 48.8% | 1,992.7 48.8% | 467.8 48.1% | 495.0 49.9% | 481.7 48.4% | 546.1 48.7% | 1,990.6 48.8% |
| Op. Expenses | 392.6 | 399.3 | 401.7 | 467.6 | 1,661.2 | 394.6 | 401.2 | 403.7 | 469.5 | 1,669.0 |
| Op. Profit (% of Net Sales) | 75.7 7.8% | 96.3 9.7% | 80.5 8.1% | 79.0 7.1% | 331.5 8.1% | 73.2 7.5% | 93.8 9.5% | 78.0 7.8% | 76.6 6.8% | 321.6 7.9% |
| Non-operating Income | 2.3 | 3.3 | 7.3 | 9.5 | 22.4 | 4.8 | 5.8 | 9.8 | 11.9 | 32.3 |
| IBT | 78.0 | 99.6 | 87.8 | 88.5 | 353.9 | 78.0 | 99.6 | 87.8 | 88.5 | 353.9 |
| Net Income (% of Net Sales) | 55.1 5.7% | 69.2 7.0% | 63.1 6.3% | 54.5 4.9% | 241.9 5.9% | 55.1 5.7% | 69.2 7.0% | 63.1 6.3% | 54.5 4.9% | 241.9 5.9% |



Dividend

(Yen)



Net Sales Growth Rate of Hardware & Non-hardware

| | | FY 2019 | FY 2018 | | FY 2017 | |
|-------------|--------------|----------------------|-----------|------------------|-----------|------------------|
| | | Full Year Projection | 4Q Actual | Full Year Actual | 4Q Actual | Full Year Actual |
| MFDs | | | | | | |
| JPY | Hardware | +1% | -1% | -1% | +3% | +2% |
| | Non-hardware | -3% | -6% | -1% | +8% | +3% |
| LC | Hardware | +5% | 0% | -2% | -3% | -2% |
| | Non-hardware | 0% | -5% | -2% | +2% | +1% |
| LPs | | | | | | |
| JPY | Hardware | -6% | +4% | +1% | -2% | +6% |
| | Non-hardware | -6% | -3% | -1% | -3% | +6% |
| LC | Hardware | -2% | +5% | +1% | -5% | +3% |
| | Non-hardware | -3% | -3% | -1% | -4% | +3% |
| IJPs | | | | | | |
| JPY | Hardware | +5% | -8% | -3% | +13% | +11% |
| | Non-hardware | -5% | -6% | -5% | -1% | -2% |
| LC | Hardware | +9% | -7% | -3% | +7% | +8% |
| | Non-hardware | -2% | -5% | -5% | -6% | -5% |

Color Ratio (MFDs & LPs)

| | | FY 2019 | FY 2018 | | FY 2017 | |
|-------------|-----------|----------------------|-----------|------------------|-----------|------------------|
| | | Full Year Projection | 4Q Actual | Full Year Actual | 4Q Actual | Full Year Actual |
| MFDs | Net Sales | 60% | 60% | 59% | 59% | 58% |
| | QTY | 59% | 58% | 58% | 58% | 55% |
| LPs | Net Sales | 52% | 51% | 51% | 52% | 52% |
| | QTY | 19% | 19% | 18% | 20% | 18% |

Sales Growth by Monochrome & Color MFDs

| | | FY 2019 | FY 2018 | | FY 2017 | |
|-----|------------|----------------------|-----------|------------------|-----------|------------------|
| | | Full Year Projection | 4Q Actual | Full Year Actual | 4Q Actual | Full Year Actual |
| JPY | Monochrome | -4% | -6% | -3% | +4% | -1% |
| | Color | 0% | -3% | 0% | +7% | +5% |
| LC | Monochrome | -1% | -4% | -3% | -1% | -3% |
| | Color | +4% | -1% | -1% | +1% | +2% |

Interchangeable Lens Digital Camera Ratio

| | FY 2019 | FY 2018 | | FY 2017 | |
|------------|----------------------|-----------|------------------|-----------|------------------|
| | Full Year Projection | 4Q Actual | Full Year Actual | 4Q Actual | Full Year Actual |
| Value Base | 86% | 85% | 85% | 85% | 85% |
| Unit Base | 64% | 60% | 61% | 60% | 58% |

* Value Base Includes Interchangeable Lenses□

IC Stepper Unit Breakdown by Light Source

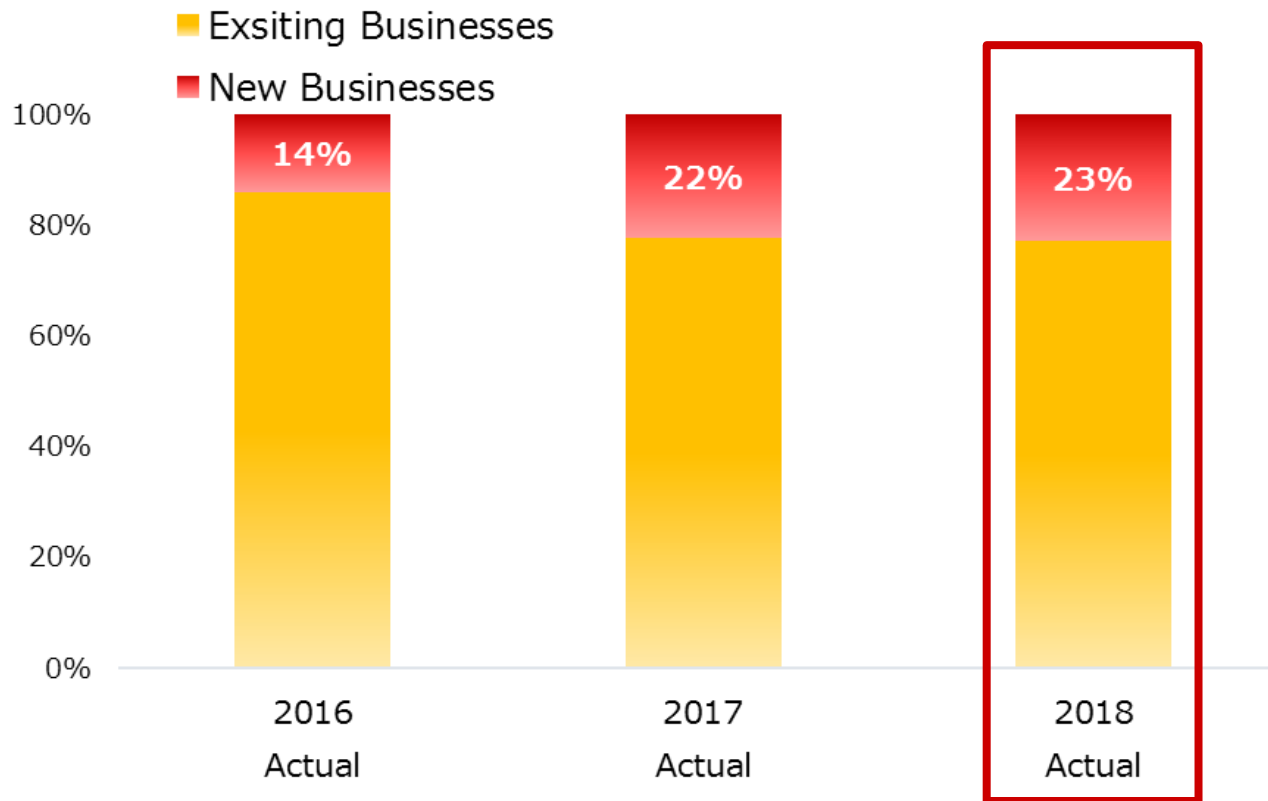
(unit)

| | FY 2019 | FY 2018 | | FY 2017 | |
|--------|----------------------|-----------|------------------|-----------|------------------|
| | Full Year Projection | 4Q Actual | Full Year Actual | 4Q Actual | Full Year Actual |
| KrF | 39 | 7 | 32 | 10 | 24 |
| i-Line | 82 | 23 | 82 | 15 | 46 |
| Total | 121 | 30 | 114 | 25 | 70 |

Change in New Businesses Composition Ratio

- Percentage of sales attributable to new businesses increasing despite lower OLED vacuum deposition equipment sales
- Making steady progress in converting portfolio

Net Sales Composition



Note: The outsourcing business of commercial printing within the Office Business Unit was reclassified from a new business to an existing one. 2017 figures were also retroactively restated.

4Q 2018

FY 2018 Financial Results (4Q 2018)



| (Billions of yen) | FY 2018 | | | | FY 2017 | | | % Change (Pre- reclassification) |
|---|-----------------------|-----------------|---------|--|-----------------------|---------|--|--|
| | 4Q Actual | Service Cost | Pension | 4Q Actual (Pre-reclassification) | 4Q Actual | Pension | 4Q Actual (Pre-reclassification) | |
| Net Sales | 1,058.3 | 0.0 | 0.0 | 1,058.3 | 1,120.3 | 0.0 | 1,120.3 | -5.5% |
| Gross Profit (% of Net Sales) | 489.3 46.2% | -29.5 | -0.7 | 519.5 49.1% | 546.0 48.7% | -0.6 | 546.6 48.8% | -5.0% |
| Op. Expenses | 389.7 | +29.5 | -3.3 | 415.9 | 469.4 | -1.8 | 467.6 | |
| Op. Profit (% of Net Sales) | 99.6 9.4% | 0.0 | -4.0 | 103.6 9.8% | 76.6 6.8% | -2.4 | 79.0 7.1% | +31.1% |
| Non-operating Income | 0.4 | 0.0 | +4.0 | -3.6 | 11.9 | +2.4 | 9.5 | |
| IBT | 100.0 | 0.0 | 0.0 | 100.0 | 88.5 | 0.0 | 88.5 | +12.9% |
| Net Income (% of Net Sales) | 71.7 6.8% | 0.0 | 0.0 | 71.7 6.8% | 54.6 4.9% | 0.0 | 54.6 4.9% | +31.3% |
| USD | 112.89 | | | 112.89 | 112.96 | | 112.96 | |
| EURO | 128.74 | | | 128.74 | 132.98 | | 132.98 | |

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 also retroactively restated.

FY 2018 Financial Results by Business Unit (4Q 2018)



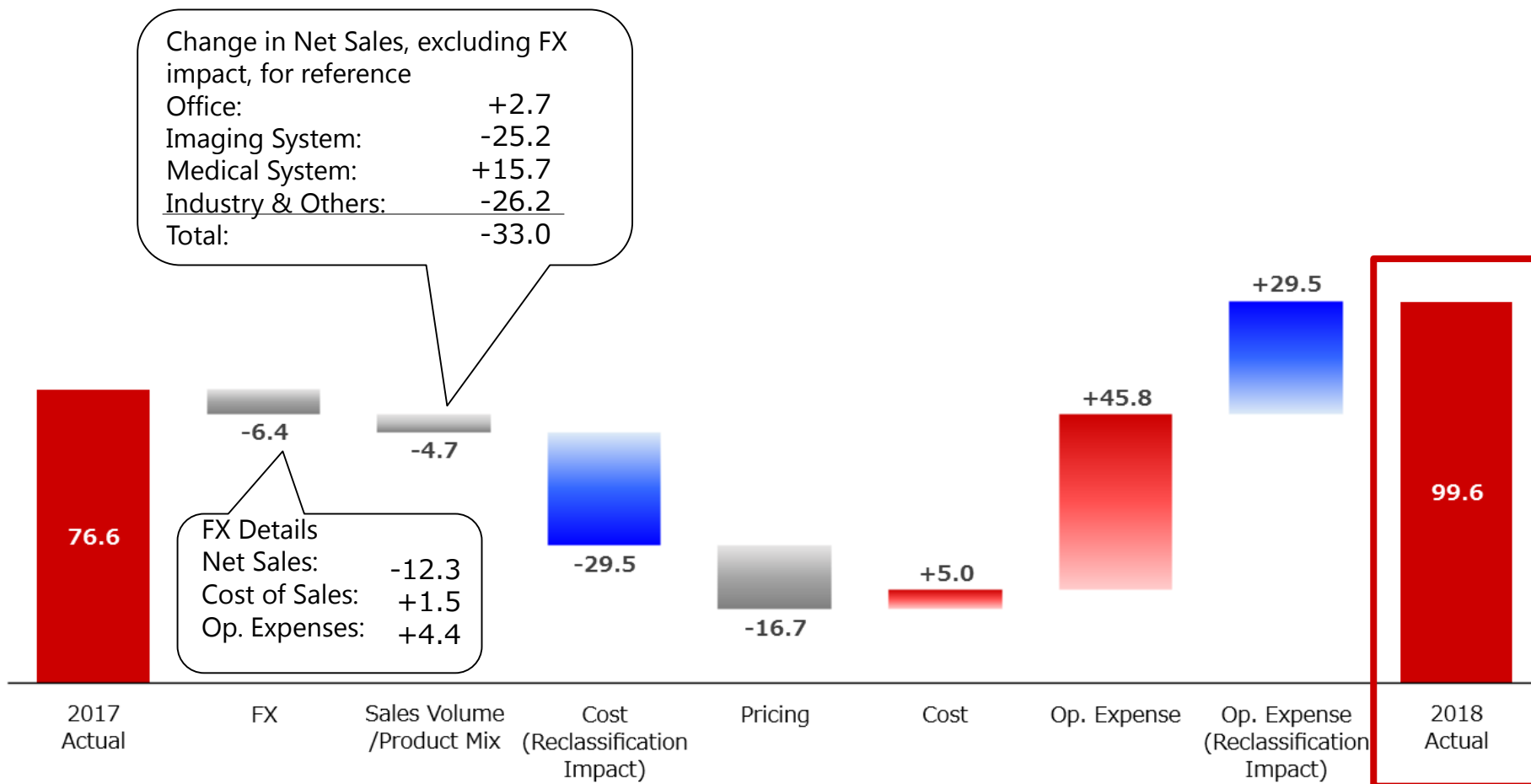
| (Billions of yen) | | 4Q 2018 Actual | 4Q 2017 Actual | % Change |
|-----------------------------|------------|-------------------|-------------------|----------|
| Office | Net Sales | 471.6 | 477.3 | -1.2% |
| | Op. Profit | 60.7 | 38.1 | +59.2% |
| Imaging System | Net Sales | 297.5 | 340.9 | -12.7% |
| | Op. Profit | 39.7 | 58.5 | -32.2% |
| Medical System | Net Sales | 118.2 | 103.7 | +14.0% |
| | Op. Profit | 8.8 | 4.8 | +83.1% |
| Industry & Others | Net Sales | 198.1 | 221.1 | -10.4% |
| | Op. Profit | 11.6 | 3.4 | +244.7% |
| Corporate & Eliminations | Net Sales | -27.1 | -22.7 | - |
| | Op. Profit | -21.2 | -28.2 | - |
| Total | Net Sales | 1,058.3 | 1,120.3 | -5.5% |
| | Op. Profit | 99.6 | 76.6 | +30.0% |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated. (Impact on FY 2017 Actual Net Sales: 15.9 billions of yen, Operating Profit: -12.3 billions of yen)

FY 2018 Operating Profit Analysis (4Q 2018 Actual versus 4Q 2017 Actual)

(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 also retroactively restated.

Office / Imaging System

(4Q 2018)

Office

(Billions of yen)

| | 4Q | | |
|-------------------|--------------|--------------|----------|
| | 2018 Actual | 2017 Actual | % Change |
| MFDs | 181.3 | 188.4 | -3.8% |
| LPs | 177.3 | 178.1 | -0.5% |
| Others | 113.0 | 110.8 | +2.0% |
| Net Sales | 471.6 | 477.3 | -1.2% |
| Op. Profit | 60.7 | 38.1 | +59.2% |
| (% of Net Sales) | 12.9% | 8.0% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 4Q 2018 Actual |
|--------------|----------------|
| MFDs | -2.4% |
| LPs | -0.1% |
| Others | +3.4% |
| Total | -0.2% |

Unit Growth Rate Y/Y

| MFDs | 4Q 2018 Actual | L P | 4Q 2018 Actual |
|--------------|----------------|--------------|----------------|
| B&W | +4% | B&W | +5% |
| Color | +4% | Color | -5% |
| Total | +4% | Total | +3% |

Imaging System

(Billions of yen)

| | 4Q | | |
|-------------------|--------------|--------------|----------|
| | 2018 Actual | 2017 Actual | % Change |
| Cameras | 176.0 | 207.7 | -15.3% |
| IJPs | 97.3 | 104.2 | -6.7% |
| Others | 24.3 | 29.0 | -16.5% |
| Net Sales | 297.5 | 340.9 | -12.7% |
| Op. Profit | 39.7 | 58.5 | -32.2% |
| (% of Net Sales) | 13.3% | 17.2% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 4Q 2018 Actual |
|--------------|----------------|
| Cameras | -13.7% |
| IJPs | -5.3% |
| Total | -11.3% |

Units (Millions) & Unit Growth Rate Y/Y

| | 4Q 2018 Actual | |
|-------|----------------|----------|
| | Units | % Change |
| DILCs | 1.55 | -9% |
| DCs | 1.02 | -9% |
| | 4Q 2018 Actual | |
| IJPs | -10% | |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated. (Impact on FY 2017 Actual Net Sales: 15.9 billions of yen, Operating Profit: -12.3 billions of yen)

Medical System / Industry & Others

(4Q 2018)



Medical System

(Billions of yen)

| | 4Q | | |
|-------------------|----------------|----------------|-------------|
| | 2018 Actual | 2017 Actual | % Change |
| Net Sales | 118.2 | 103.7 | +14.0% |
| Op. Profit | 8.8 | 4.8 | +83.1% |
| (% of Net Sales) | 7.5% | 4.6% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 4Q 2018 Actual |
|-------|-------------------|
| Total | +15.2% |

Industry & Others

(Billions of yen)

| | 4Q | | |
|-------------------|----------------|----------------|-------------|
| | 2018 Actual | 2017 Actual | % Change |
| Litho. Equip. | 48.9 | 54.6 | -10.6% |
| Others | 149.2 | 166.5 | -10.3% |
| Net Sales | 198.1 | 221.1 | -10.4% |
| Op. Profit | 11.6 | 3.4 | +244.7% |
| (% of Net Sales) | 5.9% | 1.5% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 4Q 2018 Actual |
|---------------|-------------------|
| Litho. Equip. | -10.4% |
| Others | -9.7% |
| Total | -9.9% |

Lithography Equipment (Units)

| | 4Q 2017 Actual | 4Q 2018 Actual |
|---------------|-------------------|-------------------|
| Litho. Equip. | 25 | 30 |
| Others | 21 | 17 |

Note 1: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were also retroactively restated.

Note 2: Due to a change in business model, the outsourcing business of Others within the Office Business Unit was reclassified to the Industry & Others Business Unit. 2017 figures were also retroactively restated. (Impact on FY 2017 Actual Net Sales: 15.9 billions of yen, Operating Profit: -12.3 billions of yen)