

---

# Canon Inc.

## Third Quarter 2018 Results

October 25, 2018  
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

---

- 3Q 2018 Results P2 – 4

---

- FY 2018 Projection P5 – 12

---

- Details by Business P13 – 19  
(3Q 2018 Results & FY 2018 Projection)

---

- Financial Situation P20 – 21

---

- Supplementary Information P22 – 28

## **Sales and profit decline**

- Office: Solid performance, particular new products
- Industry & Others: Revenue declined due to the settling down of OLED-related investment
- Cameras: Declined due to temporary factors

## **Improvement in gross profit ratio**

- Office: Cost reduction through fixed cost improvement
- Industry & Others: Improved productivity

# FY 2018 Financial Results

## (3Q 2018 Actual versus 3Q 2017 Actual)



- Compared to last year (pre-reclassification basis): Decline in sales and profit, but improvement in gross profit ratio

(Billions of yen)	FY 2018				FY 2017			% Change (Pre-reclassification)
	3Q Actual	Service Cost	Pension	3Q Actual (Pre-reclassification)	3Q Actual	Pension	3Q Actual (Pre-reclassification)	
<b>Net Sales</b>	<b>926.5</b>	0.0	0.0	<b>926.5</b>	<b>994.5</b>	0.0	<b>994.5</b>	<b>-6.8%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>427.0</b> 46.1%	-28.7	-0.8	<b>456.5</b> 49.3%	<b>481.7</b> 48.4%	-0.5	<b>482.2</b> 48.5%	<b>-5.3%</b>
<b>Op. Expenses</b>	<b>358.7</b>	+28.7	-3.5	<b>383.9</b>	<b>403.7</b>	-2.0	<b>401.7</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>68.3</b> 7.4%	0.0	-4.3	<b>72.6</b> 7.8%	<b>78.0</b> 7.8%	-2.5	<b>80.5</b> 8.1%	<b>-9.8%</b>
<b>Non-operating Income</b>	<b>-1.2</b>	0.0	+4.3	<b>-5.5</b>	<b>9.8</b>	+2.5	<b>7.3</b>	
<b>IBT</b>	<b>67.1</b>	0.0	0.0	<b>67.1</b>	<b>87.8</b>	0.0	<b>87.8</b>	<b>-23.6%</b>
<b>Net Income</b> (% of Net Sales)	<b>46.3</b> 5.0%	0.0	0.0	<b>46.3</b> 5.0%	<b>63.1</b> 6.3%	0.0	<b>63.1</b> 6.3%	<b>-26.6%</b>
USD	111.47			111.47	110.93		110.93	
EURO	129.63			129.63	130.42		130.42	

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

## (3Q 2018 Actual versus 3Q 2017 Actual)

- Overall sales and profit decline due to temporary factors impacting Imaging System and Industry & Others, partially off-set by Office maintaining growth in both sales and profit

(Billions of yen)		3Q 2018 Actual	3Q 2017 Actual	% Change
Office	Net Sales	430.4	429.4	+0.2%
	Op. Profit	49.9	43.3	+15.2%
Imaging System	Net Sales	228.3	270.5	-15.6%
	Op. Profit	21.4	39.2	-45.3%
Medical System	Net Sales	107.6	112.1	-4.0%
	Op. Profit	8.1	7.5	+7.6%
Industry & Others	Net Sales	188.3	206.4	-8.8%
	Op. Profit	14.3	17.6	-18.8%
Corporate & Eliminations	Net Sales	-28.1	-23.9	-
	Op. Profit	-25.4	-29.6	-
Total	Net Sales	926.5	994.5	-6.8%
	Op. Profit	68.3	78.0	-12.4%

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 restated to conform with the current year's presentation.

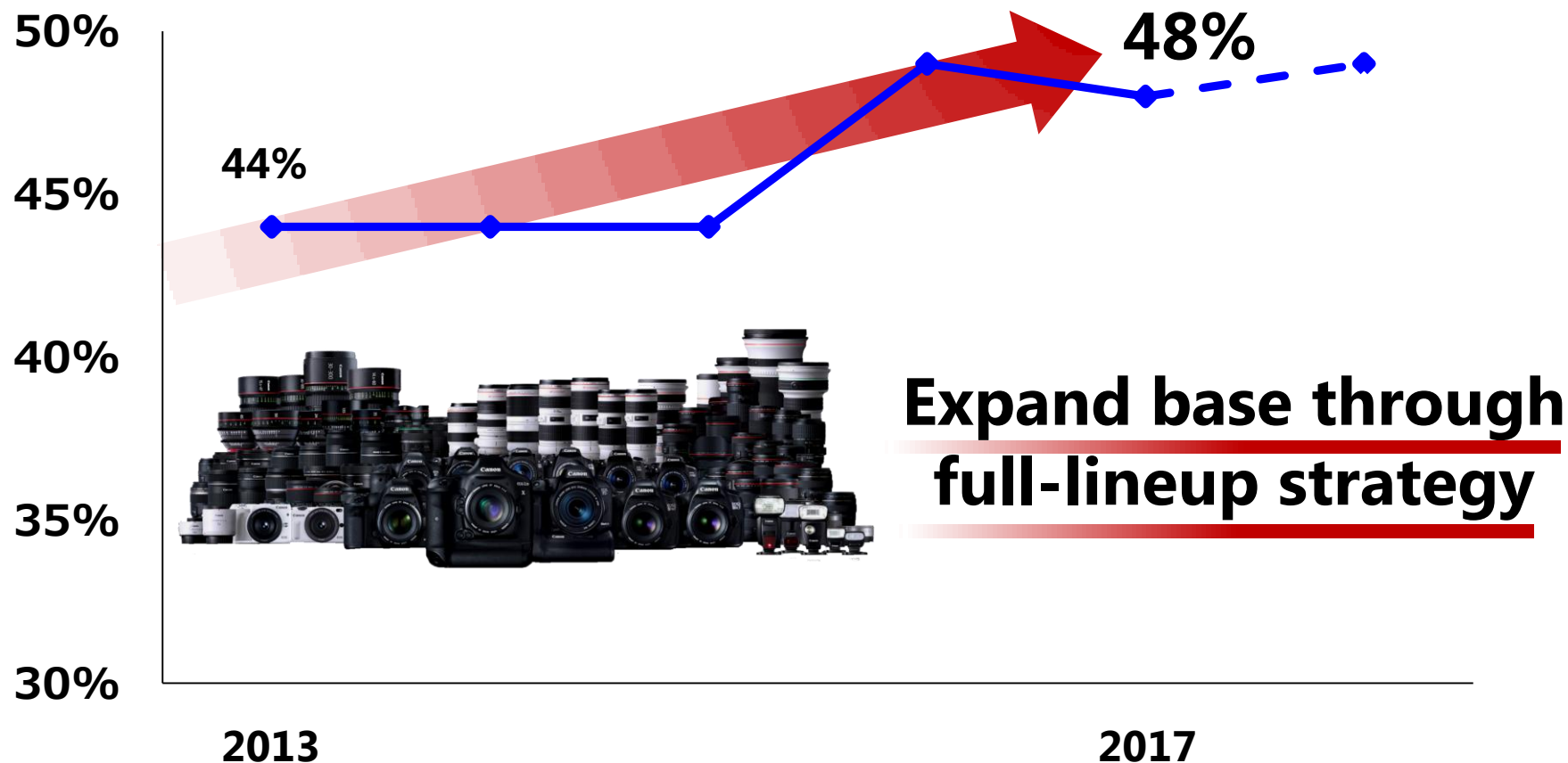
Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Office Business Unit to Industry and Others Business Unit from this quarter and restated figures from 2017 to conform with the current presentation.

(Impact of 2017 3Q Actual Net Sales: 15.0 billions of yen, Operating Profit: -1.2 billions of yen)

# Interchangeable-lens Cameras (Basic Strategy)

- Actively launched new products based on full-lineup strategy
- Market share on upward trend over past few years thanks to steady cultivation of new users

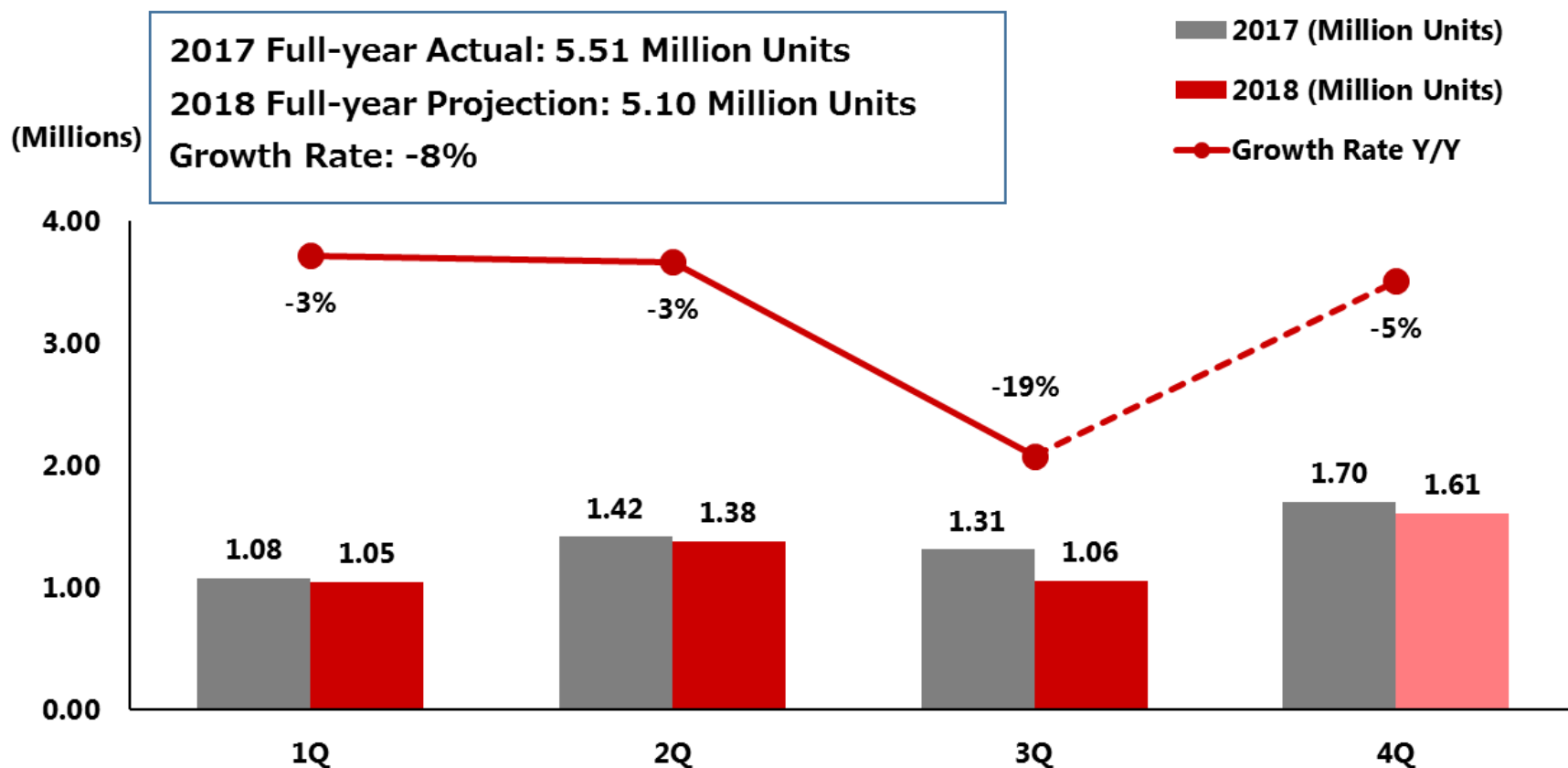
## Interchangeable-lens camera market share



# Interchangeable-lens Cameras (3Q 2018 Actual)

- Temporarily curtailed shipments due to a pause in entry-class DSLR purchasing
- Retrained buying of advanced-amateur models due to successive announcements of companies entering the full-frame sensor mirrorless camera market

## Interchangeable-lens camera units



# Interchangeable-lens Cameras (FY 2018)

- Enhanced lineup through the launch of full-frame sensor mirrorless camera
- Aiming for overwhelming No. 1 position, leveraging overall strength of EOS system, including lenses

## RF Lenses



### Professional

1D X  
Mark II



### Advanced-Amateur

5D  
Mark IV



R

### Mirrorless

7D  
Mark II



6D  
Mark II



M5

### Entry

77D



SL2/200D



T100/4000D/3000D



M50



M100

## Broad Range of Lens Assets





# Key Message

(FY 2018 Projection)

## FX Assumptions

	4Q 2018	FY 2018	Impact of exchange rate movement (4Q impact given a one yen change)	
			Net Sales	Op. Profit
USD/Yen	110.00 yen	109.66 yen	3.8 billion yen	1.2 billion yen
EUR/Yen	130.00 yen	130.64 yen	1.8 billion yen	0.9 billion yen

## External Environment

- Expect global economic recovery to continue, but escalating trade friction between the U.S. and China raising uncertainty

## FY 2018 Outlook

- Lowered projection mainly for cameras and Industry & Others
- Work to raise profitability through comprehensive cost management

# FY 2018 Financial Projection

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

- Strive to improve profitability on a concerted Group-wide basis
- Aiming for second consecutive year of profit growth, exceeding all profitability measures of 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>4,000.0</b>	0.0	0.0	<b>4,000.0</b>	<b>4,080.0</b>	0.0	<b>4,080.0</b>	<b>-2.0%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,851.5</b> 46.3%	-117.5	-3.0	<b>1,972.0</b> 49.3%	<b>1,990.6</b> 48.8%	-2.1	<b>1,992.7</b> 48.8%	<b>-1.0%</b>
<b>Op. Expenses</b>	<b>1,516.0</b>	+117.5	-14.0	<b>1,619.5</b>	<b>1,669.0</b>	-7.8	<b>1,661.2</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>335.5</b> 8.4%	0.0	-17.0	<b>352.5</b> 8.8%	<b>321.6</b> 7.9%	-9.9	<b>331.5</b> 8.1%	<b>+6.3%</b>
<b>Non-operating Income</b>	<b>29.5</b>	0.0	+17.0	<b>12.5</b>	<b>32.3</b>	+9.9	<b>22.4</b>	
<b>IBT</b>	<b>365.0</b>	0.0	0.0	<b>365.0</b>	<b>353.9</b>	0.0	<b>353.9</b>	<b>+3.1%</b>
<b>Net Income</b> (% of Net Sales)	<b>251.0</b> 6.3%	0.0	0.0	<b>251.0</b> 6.3%	<b>241.9</b> 5.9%	0.0	<b>241.9</b> 5.9%	<b>+3.8%</b>
USD	109.66			109.66	112.13		112.13	
EURO	130.64			130.64	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 Financial Projection

(FY 2018 Current Projection versus FY 2018 Previous Projection)

- Lowered projection for net sales and operating profit by 120 billion yen and 43 billion yen, respectively
- Revised projection mainly for cameras, Medical, and Industry & Others

(Billions of yen)	FY 2018		Amount Change
	Current Projection	Previous Projection	
<b>Net Sales</b>	<b>4,000.0</b>	<b>4,120.0</b>	<b>-120.0</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,851.5</b> 46.3%	<b>1,906.5</b> 46.3%	<b>-55.0</b>
<b>Op. Expenses</b>	<b>1,516.0</b>	<b>1,528.0</b>	<b>+12.0</b>
<b>Op. Profit</b> (% of Net Sales)	<b>335.5</b> 8.4%	<b>378.5</b> 9.2%	<b>-43.0</b>
<b>Non-operating Income</b>	<b>29.5</b>	<b>31.5</b>	<b>-2.0</b>
<b>IBT</b>	<b>365.0</b>	<b>410.0</b>	<b>-45.0</b>
<b>Net Income</b> (% of Net Sales)	<b>251.0</b> 6.3%	<b>280.0</b> 6.8%	<b>-29.0</b>
USD	109.66	109.34	
EURO	130.64	130.71	

# FY 2018 Financial Projection by Business Unit

## (Full Year)

- Imaging System: Revised sales plan for cameras
- Medical and Industry & Others: Reflected changes in external environment

(Billions of yen)		FY 2018 Current Projection	FY 2017 Actual	% Change	FY 2018 Previous Projection	Amount Change
Office	Net Sales	<b>1,818.0</b>	<b>1,804.8</b>	+0.7%	<b>1,840.0</b>	-22.0
	Op. Profit	<b>228.5</b>	<b>195.3</b>	+17.0%	<b>237.5</b>	-9.0
Imaging System	Net Sales	<b>1,040.0</b>	<b>1,136.2</b>	-8.5%	<b>1,101.0</b>	-61.0
	Op. Profit	<b>127.5</b>	<b>175.9</b>	-27.5%	<b>164.5</b>	-37.0
Medical System	Net Sales	<b>443.0</b>	<b>436.2</b>	+1.6%	<b>450.0</b>	-7.0
	Op. Profit	<b>27.0</b>	<b>22.5</b>	+20.0%	<b>27.0</b>	0.0
Industry & Others	Net Sales	<b>807.0</b>	<b>792.8</b>	+1.8%	<b>829.0</b>	-22.0
	Op. Profit	<b>61.0</b>	<b>42.1</b>	+44.9%	<b>60.5</b>	+0.5
Corporate & Eliminations	Net Sales	<b>-108.0</b>	<b>-90.0</b>	-	<b>-100.0</b>	-8.0
	Op. Profit	<b>-108.5</b>	<b>-114.2</b>	-	<b>-111.0</b>	+2.5
Total	Net Sales	<b>4,000.0</b>	<b>4,080.0</b>	-2.0%	<b>4,120.0</b>	-120.0
	Op. Profit	<b>335.5</b>	<b>321.6</b>	+4.3%	<b>378.5</b>	-43.0

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 restated to conform with the current year's presentation.

Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Office Business Unit to Industry and Others Business Unit from this quarter and restated figures from 2017 and our previous projection to conform with the current presentation.

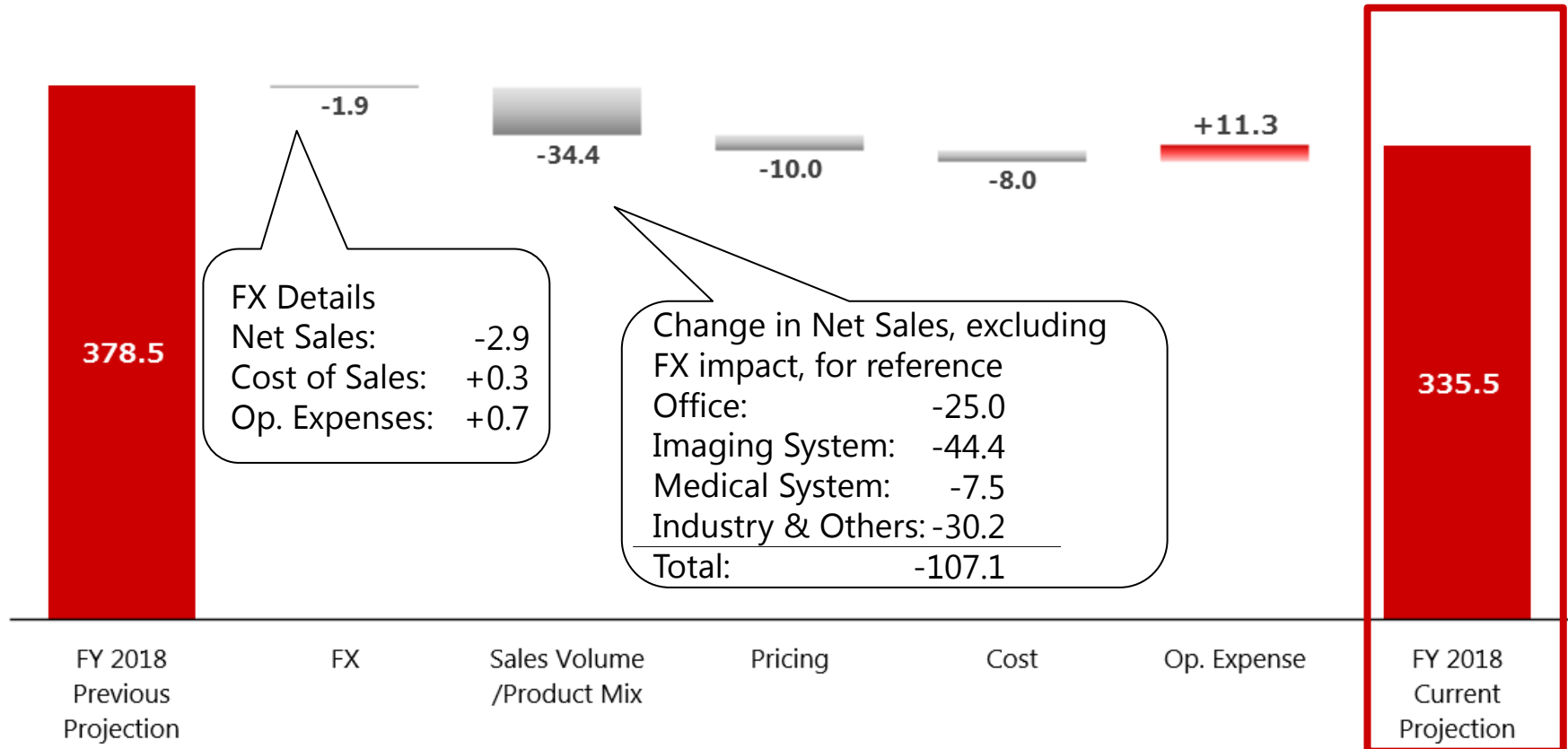
(Impact of FY 2017 Actual Net Sales: 61.1 billions of yen, Operating Profit: -14.7 billions of yen / Impact of FY 2018 Previous Projection Net Sales: 59.0 billions of yen, Operating Profit: -4.5 billions of yen)

# FY 2018 Operating Profit Analysis

(FY 2018 Current Projection versus FY 2018 Previous Projection)

- Profit decline due to revised sales plan
- Decline in cost reduction due to raise in raw material prices and lower sales volume, but improve profitability through expense curtailment

(Billions of yen)



- Further raised product competitiveness through the start of service that collaborates with external cloud service providers
  - Aiming for market exceeding growth for the full year by accelerating sales of color models
- (Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	161.2	164.4	-1.9%	696.7	694.0	+0.4%	711.9	-15.2
LPs	169.5	167.8	+1.0%	705.3	706.7	-0.2%	705.3	0.0
Others	99.7	97.2	+2.5%	416.0	404.1	+3.0%	422.8	-6.8
<b>Net Sales</b>	<b>430.4</b>	<b>429.4</b>	+0.2%	<b>1,818.0</b>	<b>1,804.8</b>	+0.7%	<b>1,840.0</b>	-22.0
<b>Op. Profit</b>	<b>49.9</b>	<b>43.3</b>	+15.2%	<b>228.5</b>	<b>195.3</b>	+17.0%	<b>237.5</b>	-9.0
(% of Net Sales)	11.6%	10.1%		12.6%	10.8%		12.9%	

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 restated to conform with the current year's presentation.

Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Others within the Office Business Unit to Others within Industry & Others Business Unit from this quarter and restated figures from 2017 and our previous projection to conform with the current presentation.

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

	3Q Actual	Full year Projection
MFDs	-1.7%	+0.4%
LPs	+0.7%	+0.5%
Others	+2.9%	+2.8%
Total	+0.3%	+0.9%

## 2018 Unit Growth Rate Y/Y

MFDs	3Q Actual	Full year Projection
B&W	-6%	-1%
Color	+5%	+8%
Total	+0%	+4%

## " 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

- Continued sales growth in 3Q by demonstrating product advantages
- Maintaining previous plan due to solid sales

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	161.2	164.4	-1.9%	696.7	694.0	+0.4%	711.9	-15.2
LPs	169.5	167.8	+1.0%	705.3	706.7	-0.2%	705.3	0.0
Others	99.7	97.2	+2.5%	416.0	404.1	+3.0%	422.8	-6.8
<b>Net Sales</b>	<b>430.4</b>	<b>429.4</b>	+0.2%	<b>1,818.0</b>	<b>1,804.8</b>	+0.7%	<b>1,840.0</b>	-22.0
<b>Op. Profit</b>	<b>49.9</b>	<b>43.3</b>	+15.2%	<b>228.5</b>	<b>195.3</b>	+17.0%	<b>237.5</b>	-9.0
(% of Net Sales)	11.6%	10.1%		12.6%	10.8%		12.9%	

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 restated to conform with the current year's presentation.

Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Others within the Office Business Unit to Others within Industry & Others Business Unit from this quarter and restated figures from 2017 and our previous projection to conform with the current presentation.

## 2018 Net Sales Growth Rate Y/Y

(Local Currency)

	3Q Actual	Full year Projection
MFDs	-1.7%	+0.4%
LPs	+0.7%	+0.5%
Others	+2.9%	+2.8%
Total	+0.3%	+0.9%

## 2018 Unit Growth Rate Y/Y

LPs	3Q Actual	Full year Projection
B&W	+7%	0%
Color	+14%	+8%
Total	+8%	+1%

# Office – Others

- Sales of new products that target the graphic arts segment remain solid
- Working to further expand sales by enhancing dedicated sales force

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	161.2	164.4	-1.9%	696.7	694.0	+0.4%	711.9	-15.2
LPs	169.5	167.8	+1.0%	705.3	706.7	-0.2%	705.3	0.0
Others	99.7	97.2	+2.5%	416.0	404.1	+3.0%	422.8	-6.8
<b>Net Sales</b>	<b>430.4</b>	<b>429.4</b>	<b>+0.2%</b>	<b>1,818.0</b>	<b>1,804.8</b>	<b>+0.7%</b>	<b>1,840.0</b>	<b>-22.0</b>
<b>Op. Profit</b>	<b>49.9</b>	<b>43.3</b>	<b>+15.2%</b>	<b>228.5</b>	<b>195.3</b>	<b>+17.0%</b>	<b>237.5</b>	<b>-9.0</b>
(% of Net Sales)	11.6%	10.1%		12.6%	10.8%		12.9%	

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 restated to conform with the current year's presentation.

Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Others within the Office Business Unit to Others within Industry & Others Business Unit from this quarter and restated figures from 2017 and our previous projection to conform with the current presentation.

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

	3Q Actual	Full year Projection
MFDs	-1.7%	+0.4%
LPs	+0.7%	+0.5%
Others	+2.9%	+2.8%
Total	+0.3%	+0.9%



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



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



**Wide-format UV Inkjet Printer**

" Colorado 1640 "



# Imaging System – Cameras

- Interchangeable-lens cameras: Revised projection for the market and own unit sales
- Compact cameras: Maintaining previous projection

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	131.0	168.8	-22.4%	623.1	702.8	-11.3%	673.8	-50.7
IJPs	77.0	78.6	-2.0%	325.1	335.6	-3.1%	332.4	-7.3
Others	20.3	23.1	-12.0%	91.8	97.8	-6.2%	94.8	-3.0
<b>Net Sales</b>	<b>228.3</b>	<b>270.5</b>	<b>-15.6%</b>	<b>1,040.0</b>	<b>1,136.2</b>	<b>-8.5%</b>	<b>1,101.0</b>	<b>-61.0</b>
<b>Op. Profit</b>	<b>21.4</b>	<b>39.2</b>	<b>-45.3%</b>	<b>127.5</b>	<b>175.9</b>	<b>-27.5%</b>	<b>164.5</b>	<b>-37.0</b>
(% of Net Sales)	9.4%	14.5%		12.3%	15.5%		14.9%	

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.

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

	3Q Actual	Full year Projection
Cameras	-21.8%	-11.0%
IJPs	-1.7%	-3.1%
Total	-15.1%	-8.3%

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

	3Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	1.06	-19%	5.10	-8%
DCs	0.72	-15%	3.00	-26%

## Full-frame Mirrorless Model "EOS R"



# Imaging System – Inkjet Printers

- 3Q: Although revenue was impacted by consumable sales, hardware exceeded last year
- Aiming to exceed unit sales of last year through refillable ink tank models and new models released in the second half

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	131.0	168.8	-22.4%	623.1	702.8	-11.3%	673.8	-50.7
IJPs	77.0	78.6	-2.0%	325.1	335.6	-3.1%	332.4	-7.3
Others	20.3	23.1	-12.0%	91.8	97.8	-6.2%	94.8	-3.0
<b>Net Sales</b>	<b>228.3</b>	<b>270.5</b>	<b>-15.6%</b>	<b>1,040.0</b>	<b>1,136.2</b>	<b>-8.5%</b>	<b>1,101.0</b>	<b>-61.0</b>
<b>Op. Profit</b>	<b>21.4</b>	<b>39.2</b>	<b>-45.3%</b>	<b>127.5</b>	<b>175.9</b>	<b>-27.5%</b>	<b>164.5</b>	<b>-37.0</b>
(% of Net Sales)	9.4%	14.5%		12.3%	15.5%		14.9%	

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.

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

	3Q Actual	Full year Projection
Cameras	-21.8%	-11.0%
IJPs	-1.7%	-3.1%
Total	-15.1%	-8.3%

## 2018 Unit Growth Rate Y/Y

	3Q Actual	Full year Projection
IJPs	+11%	+1%

## A3 Business Model



# Medical System

- 3Q: Although impacted by restrained buying in domestic market, overseas sales remained solid
- FY: Aiming for sales and profit growth, accelerating the rollout of strong selling new products overseas
- Working to lower cost through synergy effect, leveraging Canon's production technology

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
<b>Net Sales</b>	<b>107.6</b>	<b>112.1</b>	-4.0%	<b>443.0</b>	<b>436.2</b>	+1.6%	<b>450.0</b>	-7.0
<b>Op. Profit</b> (% of Net Sales)	<b>8.1</b> 7.5%	<b>7.5</b> 6.7%	+7.6%	<b>27.0</b> 6.1%	<b>22.5</b> 5.2%	+20.0%	<b>27.0</b> 6.0%	0.0

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.

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

	3Q Actual	Full year Projection
Total	-3.1%	+1.9%



MRI "Vantage Orian"



X-Ray Angiography system  
"Alphenix Series"

# Industry & Others

- Semiconductor litho. equipment: Revised full-year plan to reflect change in market situation
- FPD litho. equipment: Maintained full-year plan as sales have been in line with expectations
- Network cameras: Double-digit growth thanks partially to the contribution of new cloud service

(Billions of yen)

	3Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Litho. Equip.	44.3	54.5	-18.8%	203.4	193.1	+5.3%	214.8	-11.4
Others	144.0	151.9	-5.2%	603.6	599.7	+0.6%	614.2	-10.6
<b>Net Sales</b>	<b>188.3</b>	<b>206.4</b>	-8.8%	<b>807.0</b>	<b>792.8</b>	+1.8%	<b>829.0</b>	-22.0
<b>Op. Profit</b>	<b>14.3</b>	<b>17.6</b>	-18.8%	<b>61.0</b>	<b>42.1</b>	+44.9%	<b>60.5</b>	+0.5
(% of Net Sales)	7.6%	8.5%		7.6%	5.3%		7.3%	

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 restated to conform with the current year's presentation.

Note 2: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Office Business Unit to Industry and Others Business Unit from this quarter and restated figures from 2017 and our previous projection to conform with the current presentation.

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

	3Q Actual	Full year Projection
Litho. Equip.	-18.8%	+5.4%
Others	-5.2%	+0.8%
Total	-8.8%	+1.9%

## Lithography Equipment (Units)

	3Q 2017 Actual	3Q 2018 Actual	FY 2017 Actual	Full year Projection
IC	15	25	70	112
FPD	29	15	84	70

# Inventory

- Imaging System and Medical: Inventory increase linked to sales expansion in 4Q
- Office and Industry & Others: Maintained appropriate level

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

Note: Due to the fact that the business model has been changed, we reclassified the outsourcing business from Office Business Unit to Industry and Others Business Unit from this quarter and restated figures from 2017 to conform with the current presentation.

# Cash Flow

## (Full Year)

- Comprehensive cash flow management
  - Cash on hand: Continue to secure roughly 2 months of net sales
  - Capital expenditures: Control within the range of depreciation

(Billions of yen)	FY 2018 Current Projection	FY 2018 Previous Projection	FY 2017 Actual
Net cash provided by operating activities	440.0	540.0	590.5
Net cash used in investing activities	-240.0	-310.0	-165.0
<b>Free cash flow</b>	<b>200.0</b>	<b>230.0</b>	<b>425.5</b>
Net cash provided by (used in) financing activities	-333.8	-333.8	-340.4
Effect of exchange rate changes on cash and cash equivalents	-18.0	-18.0	6.5
Net change in cash and cash equivalents	-151.8	-121.8	91.6
<b>Cash and cash equivalents at end of period</b>	<b>570.0</b>	<b>600.0</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	160.0	190.0	147.5
Depreciation	245.0	245.0	261.9

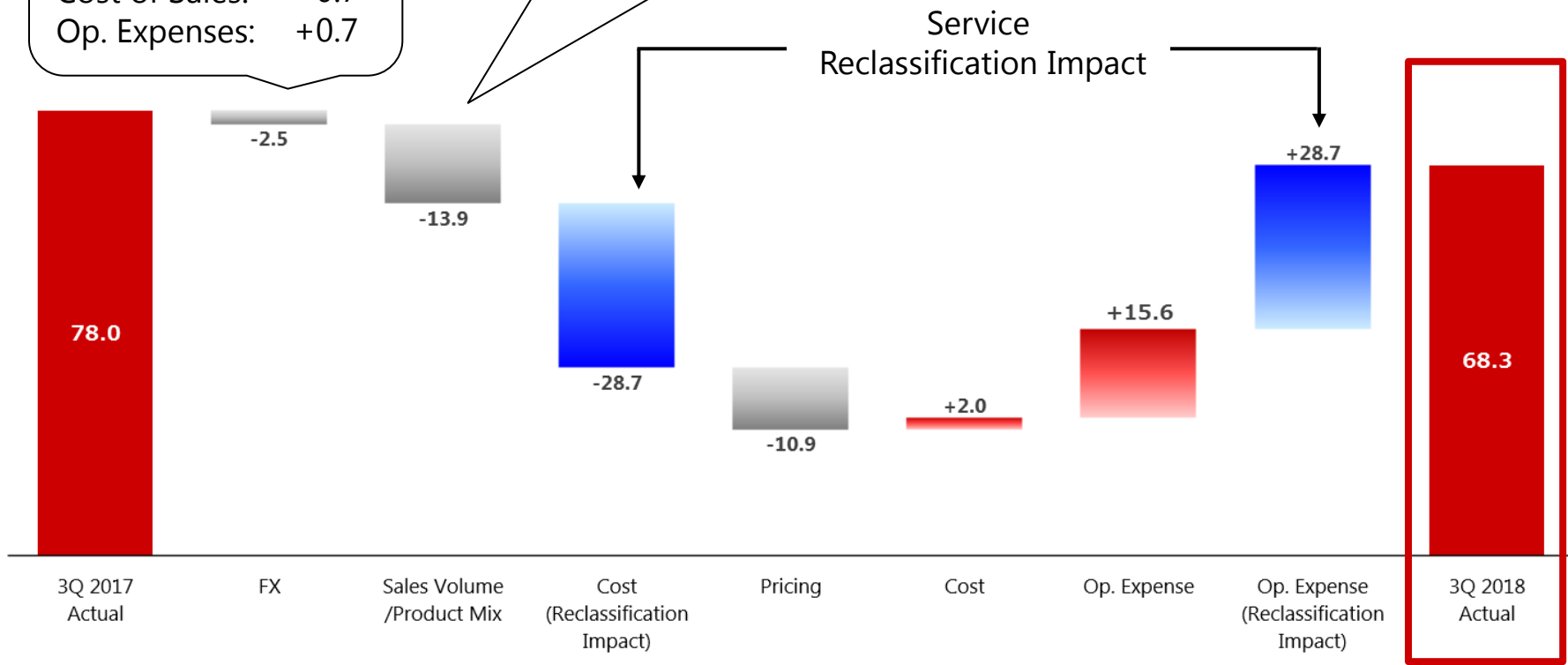
# Supplementary Information

# FY 2018 Operating Profit Analysis (3Q 2018 Actual versus 3Q 2017 Actual)

(Billions of yen)

FX Details	
Net Sales:	-2.5
Cost of Sales:	-0.7
Op. Expenses:	+0.7

Change in Net Sales, excluding FX impact, for reference	
Office:	+3.3
Imaging System:	-32.2
Medical System:	-3.5
Industry & Others:	-22.2
<b>Total:</b>	<b>-54.6</b>

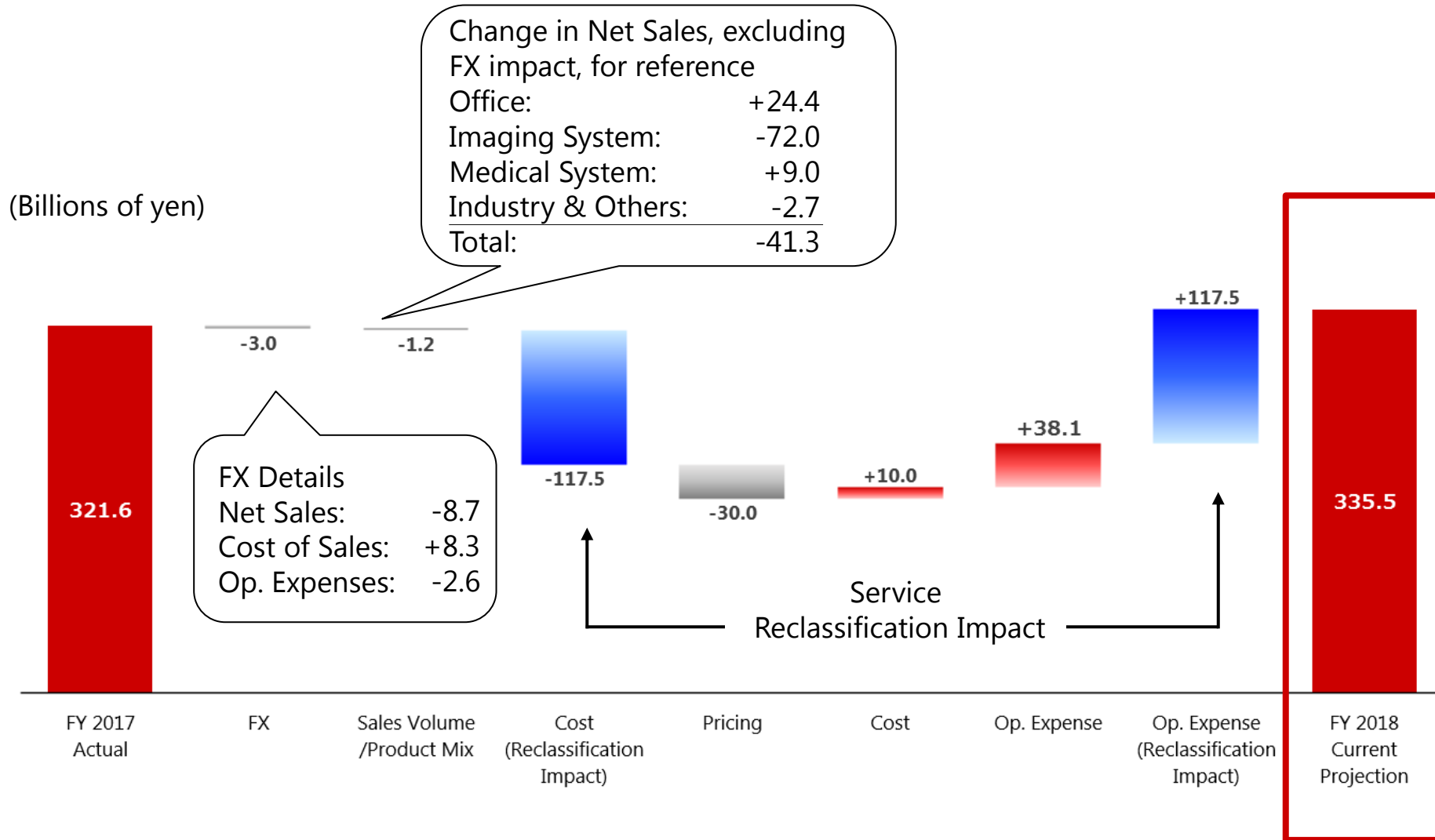


Note: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.



# FY 2018 Operating Profit Analysis

## (FY 2018 Current Projection 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 restated to conform with the current year's presentation.

# 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

**Pension accounting - Pre-standard change**

**Pension accounting - Post-standard change**

(Billions of yen)	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%



FY 2017 1Q Actual	FY 2017 2Q Actual	FY 2017 3Q Actual	FY 2017 4Q Actual	FY 2017 Full year Actual
<b>972.8</b>	<b>992.5</b>	<b>994.5</b>	<b>1,120.2</b>	<b>4,080.0</b>
<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>394.6</b>	<b>401.2</b>	<b>403.7</b>	<b>469.5</b>	<b>1,669.0</b>
<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>4.8</b>	<b>5.8</b>	<b>9.8</b>	<b>11.9</b>	<b>32.3</b>
<b>78.0</b>	<b>99.6</b>	<b>87.8</b>	<b>88.5</b>	<b>353.9</b>
<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	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>MFDs</b>					
JPY	Hardware	-3%	+1%	+8%	+2%
	Non-hardware	-1%	0%	+7%	+3%
LC	Hardware	-3%	+1%	0%	-2%
	Non-hardware	-1%	0%	0%	+1%
<b>LPs</b>					
JPY	Hardware	+1%	0%	+5%	+6%
	Non-hardware	+1%	0%	+16%	+6%
LC	Hardware	+1%	+1%	-3%	+3%
	Non-hardware	+1%	0%	+9%	+3%
<b>IJPs</b>					
JPY	Hardware	+4%	0%	+15%	+11%
	Non-hardware	-5%	-5%	+3%	-2%
LC	Hardware	+5%	0%	+6%	+8%
	Non-hardware	-4%	-5%	-4%	-5%

## Color Ratio (MFDs & LPs)

		FY 2018		FY 2017	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>MFDs</b>	Net Sales	58%	59%	58%	58%
	QTY	56%	57%	54%	55%
<b>LPs</b>	Net Sales	52%	52%	54%	52%
	QTY	19%	19%	18%	18%

## Sales Growth by Monochrome & Color MFDs

		FY 2018		FY 2017	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
JPY	Monochrome	-4%	-1%	+5%	-1%
	Color	-1%	+1%	+9%	+5%
LC	Monochrome	-4%	-1%	-2%	-3%
	Color	0%	+1%	+1%	+2%

## Interchangeable-Lens Camera Ratio

	FY 2018		FY 2017	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
Value Base	85%	86%	86%	85%
Unit Base	60%	63%	61%	58%

\* Value base includes interchangeable lenses

## IC Stepper Unit Breakdown by Light Source

	FY 2018		FY 2017	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
KrF	6	33	4	24
i-Line	19	79	11	46
Total	25	112	15	70