

# Canon Inc.

## Second Quarter 2019 Results

July 24, 2019  
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Executive Vice President & CFO

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# Agenda

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- P2 – 4
- P5 – 9
- P10 – 16
- P17 – 18
- P19 – 20
- P21 – 24

# Key Message

## (2Q 2019 Results)

### Decrease in sales and profit due to impact of external environment, which shows no signs of improvement

#### External environment

- Prolonged U.S.-China trade friction
- Economic slowdown in China and Europe
- Delay in recovery of industrial equipment market

#### Business performance

- External environment impacting existing businesses and new business of industrial equipment
- New businesses of medical and network cameras remain solid

(Billions of yen)	2Q 2019 Actual	2Q 2018 Actual	% Change
<b>Net Sales</b>	<b>905.9</b>	<b>1,006.4</b>	-10.0%
<b>Gross Profit</b> (% of Net Sales)	<b>406.4</b> 44.9%	<b>474.6</b> 47.2%	-14.4%
<b>Op. Expenses</b>	<b>363.3</b>	<b>376.6</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>43.1</b> 4.8%	<b>98.0</b> 9.7%	-56.0%
<b>Non-operating Income</b>	<b>8.0</b>	<b>12.1</b>	
<b>IBT</b>	<b>51.1</b>	<b>110.1</b>	-53.6%
<b>Net Income</b> (% of Net Sales)	<b>34.5</b> 3.8%	<b>77.7</b> 7.7%	-55.6%
USD	109.80	109.14	
EURO	123.39	129.97	

# FY 2019 Financial Results by Business Unit

## (2Q 2019 Actual versus 2Q 2018 Actual)

- Decrease in sales and profit of Office, Imaging System, and Industry & Others
- Double-digit growth in new business of Medical System

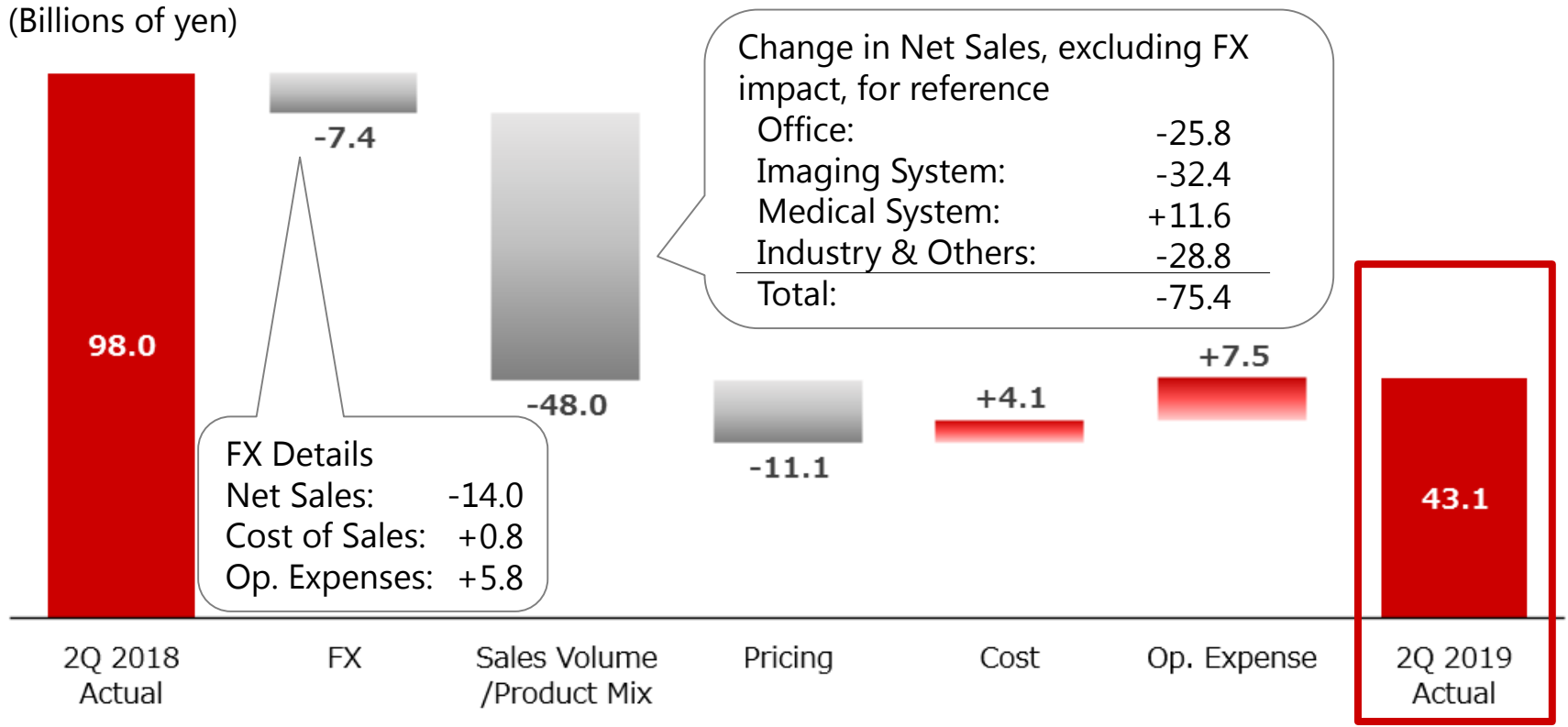
(Billions of yen)		2Q 2019 Actual	2Q 2018 Actual	% Change
Office	Net Sales	<b>427.9</b>	<b>462.7</b>	-7.5%
	Op. Profit	<b>42.9</b>	<b>60.8</b>	-29.4%
Imaging System	Net Sales	<b>204.7</b>	<b>251.0</b>	-18.5%
	Op. Profit	<b>12.7</b>	<b>35.2</b>	-64.0%
Medical System	Net Sales	<b>105.1</b>	<b>94.7</b>	+11.0%
	Op. Profit	<b>3.4</b>	<b>1.7</b>	+102.5%
Industry & Others	Net Sales	<b>192.4</b>	<b>224.7</b>	-14.4%
	Op. Profit	<b>7.0</b>	<b>20.9</b>	-66.7%
Corporate & Eliminations	Net Sales	<b>-24.2</b>	<b>-26.7</b>	-
	Op. Profit	<b>-22.9</b>	<b>-20.6</b>	-
Total	Net Sales	<b>905.9</b>	<b>1,006.4</b>	-10.0%
	Op. Profit	<b>43.1</b>	<b>98.0</b>	-56.0%

Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

# FY 2019 Operating Profit Analysis

## (2Q 2019 Actual versus 2Q 2018 Actual)

- Changes in Sales Volume – although sales of medical and network cameras grew, the overall impact on net sales was negative due to the influence of changes in external environment on other businesses
- Expenses held to below last year thanks to concerted group-wide efforts



# Key Message

(FY 2019 Projection)

## FX Assumptions

Impact of exchange rate movement  
(2H impact given a one yen change)

	2H 2019	FY 2019	Net Sales	Op. Profit
USD/Yen	105.00 yen	107.37 yen	6.8 billion yen	2.5 billion yen
EUR/Yen	120.00 yen	122.05 yen	3.2 billion yen	1.5 billion yen

## External Environment

- Weak global economy. Rise in uncertainty due to a number of factors, including trade friction and geopolitical risk

## FY 2019 Outlook

- Delay in full-fledge recovery in performance due to external environment
- Progress in business portfolio transformation as total sales of new businesses exceed those of last year

# FY 2019 Financial Projection

## (Full Year)

- Sales and profit decline, partially due to significant impact of yen appreciation
- Lowered projection for net sales and operating profit by 105.0 and 59.0 billion yen, respectively

(Billions of yen)	FY 2019 Current Projection	FY 2018 Actual	% Change	FY 2019 Previous Projection	Amount Change
<b>Net Sales</b>	<b>3,745.0</b>	<b>3,951.9</b>	-5.2%	<b>3,850.0</b>	-105.0
<b>Gross Profit</b> (% of Net Sales)	<b>1,681.8</b> 44.9%	<b>1,835.6</b> 46.4%	-8.4%	<b>1,732.2</b> 45.0%	-50.4
<b>Op. Expenses</b>	<b>1,466.8</b>	<b>1,492.6</b>		<b>1,458.2</b>	-8.6
<b>Op. Profit</b> (% of Net Sales)	<b>215.0</b> 5.7%	<b>343.0</b> 8.7%	-37.3%	<b>274.0</b> 7.1%	-59.0
<b>Non-operating Income</b>	<b>25.0</b>	<b>19.9</b>		<b>21.0</b>	+4.0
<b>IBT</b>	<b>240.0</b>	<b>362.9</b>	-33.9%	<b>295.0</b>	-55.0
<b>Net Income</b> (% of Net Sales)	<b>160.0</b> 4.3%	<b>252.8</b> 6.4%	-36.7%	<b>200.0</b> 5.2%	-40.0
USD	107.37	110.43		106.20	
EURO	122.05	130.29		125.04	

# FY 2019 Financial Projection by Business Unit **Canon**

## (Full Year)

- Medical – Y/Y sales and profit growth as well as steady improvement in profitability
- Lowered full-year projection due to impact of external environment

(Billions of yen)		FY 2019 Current Projection	FY 2018 Actual	% Change	FY 2019 Previous Projection	Amount Change
Office	Net Sales	<b>1,746.0</b>	<b>1,807.3</b>	-3.4%	<b>1,772.5</b>	-26.5
	Op. Profit	<b>192.4</b>	<b>220.8</b>	-12.9%	<b>204.0</b>	-11.6
Imaging System	Net Sales	<b>865.0</b>	<b>970.4</b>	-10.9%	<b>889.0</b>	-24.0
	Op. Profit	<b>63.0</b>	<b>126.7</b>	-50.3%	<b>94.0</b>	-31.0
Medical System	Net Sales	<b>469.0</b>	<b>437.6</b>	+7.2%	<b>479.5</b>	-10.5
	Op. Profit	<b>34.8</b>	<b>28.8</b>	+20.7%	<b>36.2</b>	-1.4
Industry & Others	Net Sales	<b>769.6</b>	<b>842.9</b>	-8.7%	<b>815.5</b>	-45.9
	Op. Profit	<b>19.0</b>	<b>55.7</b>	-65.9%	<b>28.3</b>	-9.3
Corporate & Eliminations	Net Sales	<b>-104.6</b>	<b>-106.3</b>	-	<b>-106.5</b>	+1.9
	Op. Profit	<b>-94.2</b>	<b>-89.0</b>	-	<b>-88.5</b>	-5.7
Total	Net Sales	<b>3,745.0</b>	<b>3,951.9</b>	-5.2%	<b>3,850.0</b>	-105.0
	Op. Profit	<b>215.0</b>	<b>343.0</b>	-37.3%	<b>274.0</b>	-59.0

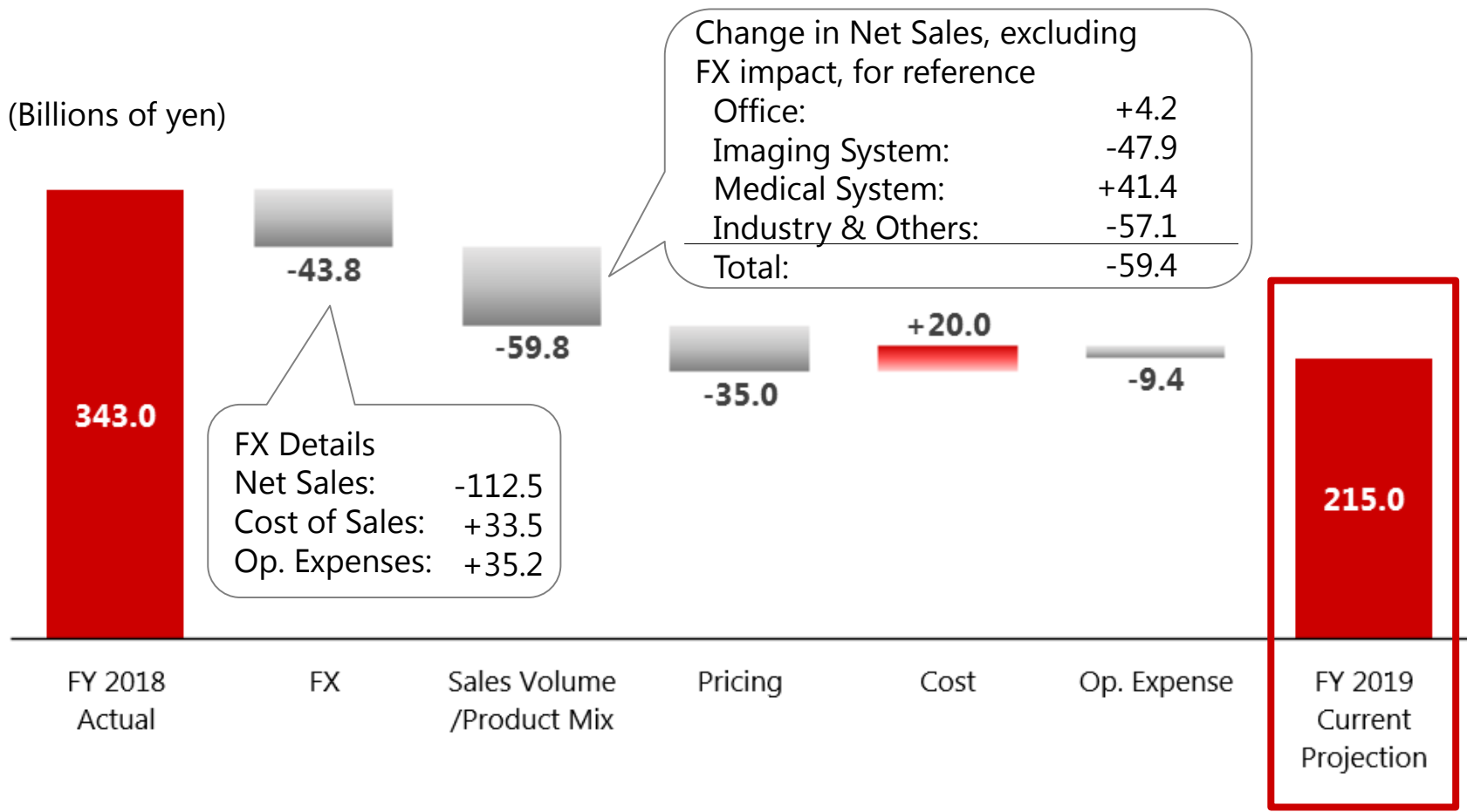
Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.



# FY 2019 Operating Profit Analysis

(FY 2019 Current Projection versus FY 2018 Actual)

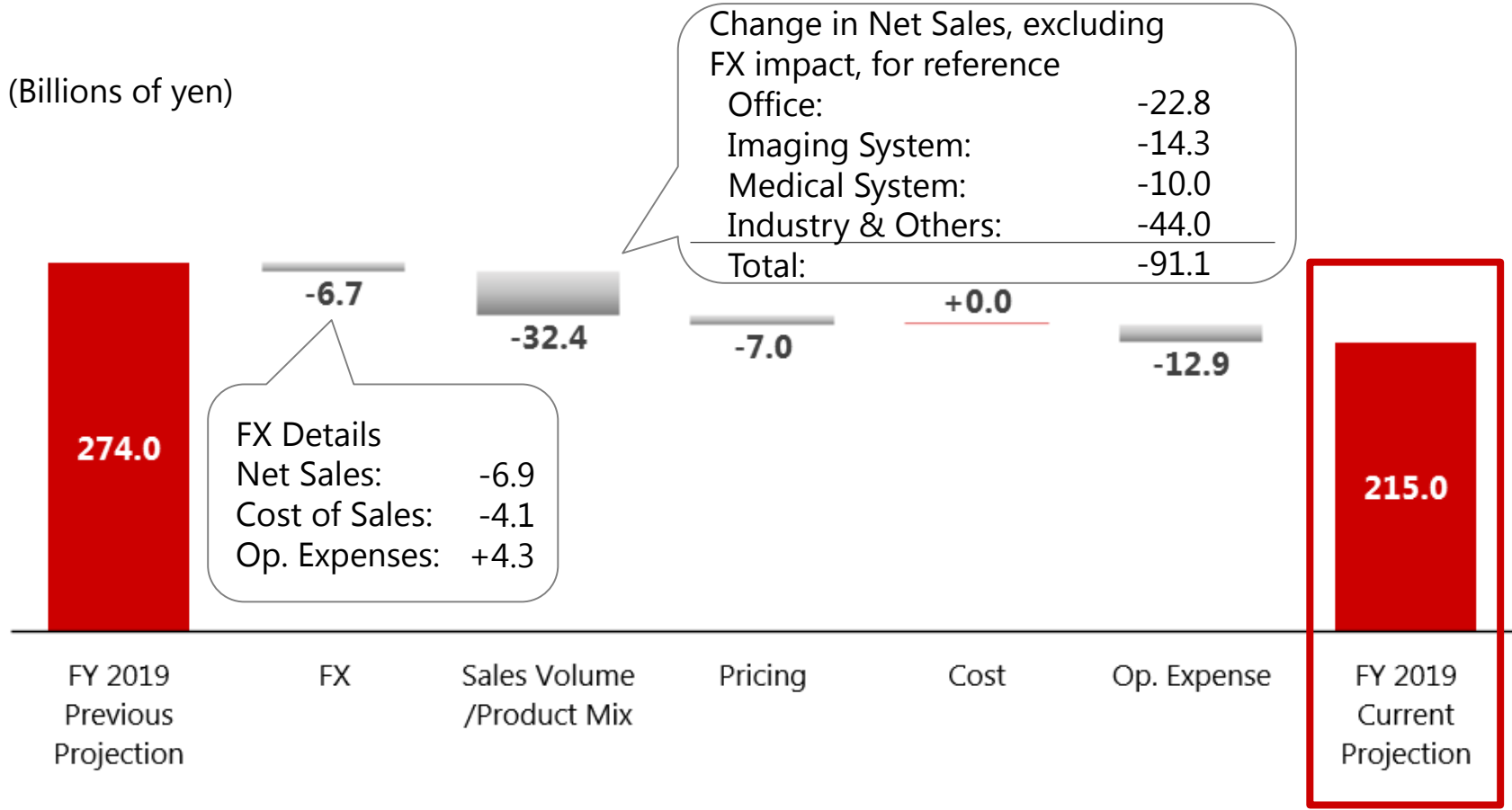
- FX – Significant impact on sales and profit due to yen appreciation
- Changes in sales volume – Decrease due to impact of cameras and industrial equipment, despite medical and network camera growth



# FY 2019 Operating Profit Analysis

(FY 2019 Current Projection versus FY 2019 Previous Projection)

- Changes in sales volume – Lowered projection for all business units
- Pricing - Additional amount added to reflect challenging environment
- Expense – Additional amount added to accelerate structural reform



# Office – MFDs

- 2Q: Unit sales growth of color models thanks to steady market penetration of new products
- FY: Targeting profitability improvement by expanding sales of new production models

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	166.4	178.3	-6.7%	666.0	684.3	-2.7%	683.7	-17.7
LPs	155.0	183.5	-15.6%	654.3	706.5	-7.4%	662.5	-8.2
Others	106.5	100.9	+5.6%	425.7	416.5	+2.2%	426.3	-0.6
<b>Net Sales</b>	<b>427.9</b>	<b>462.7</b>	<b>-7.5%</b>	<b>1,746.0</b>	<b>1,807.3</b>	<b>-3.4%</b>	<b>1,772.5</b>	<b>-26.5</b>
<b>Op. Profit</b>	<b>42.9</b>	<b>60.8</b>	<b>-29.4%</b>	<b>192.4</b>	<b>220.8</b>	<b>-12.9%</b>	<b>204.0</b>	<b>-11.6</b>
(% of Net Sales)	10.0%	13.1%		11.0%	12.2%		11.5%	

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
MFDs	-4.9%	+0.7%
LPs	-14.5%	-4.7%
Others	+7.4%	+5.3%
Total	-6.1%	-0.3%

## 2019 Unit Growth Rate Y/Y

MFDs	2Q Actual	Full year Projection
B&W	-1%	0%
Color	+1%	+7%
Total	0%	+4%

## imagePRESS C910 Series



- Improved print speed
- Improved image quality
- Enhanced paper handling capability

# Office – Laser Printers

- 2Q: Decrease in net sales due to consumable inventory adjustment by OEM partner
- 2H: Accelerate sales expansion of new products and brand protection activities

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	166.4	178.3	-6.7%	666.0	684.3	-2.7%	683.7	-17.7
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<b>Op. Profit</b>	<b>42.9</b>	<b>60.8</b>	<b>-29.4%</b>	<b>192.4</b>	<b>220.8</b>	<b>-12.9%</b>	<b>204.0</b>	<b>-11.6</b>
(% of Net Sales)	10.0%	13.1%		11.0%	12.2%		11.5%	

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
MFDs	-4.9%	+0.7%
LPs	-14.5%	-4.7%
Others	+7.4%	+5.3%
Total	-6.1%	-0.3%

## 2019 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
LPs		
B&W	-13%	-9%
Color	+11%	+6%
Total	-9%	-7%

# Office – Others

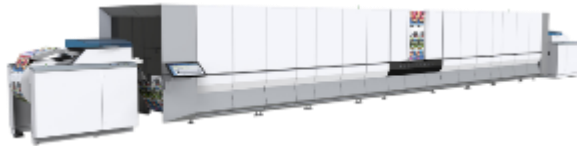
- Continuously enhancing the competitiveness of new products – Handling a wider range of media etc.
- Improve sales and profit through sales acceleration

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	166.4	178.3	-6.7%	666.0	684.3	-2.7%	683.7	-17.7
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(% of Net Sales)	10.0%	13.1%		11.0%	12.2%		11.5%	

**2019 Net Sales Growth Rate Y/Y (Local Currency)**

	2Q Actual	Full year Projection
MFDs	-4.9%	+0.7%
LPs	-14.5%	-4.7%
Others	+7.4%	+5.3%
Total	-6.1%	-0.3%



Continuous-feed color inkjet press offering high image-quality  
**ProStream 1000**



Wide-format printer  
**Colorado 1650**

# Imaging System – Cameras

- Maintained full-year outlook for the market and own unit sales
- Raise presence in the market further and link this to mirrorless camera sales

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Cameras	122.6	163.2	-24.9%	497.3	594.9	-16.4%	508.5	-11.2
IJPs	68.4	73.9	-7.5%	309.5	320.2	-3.3%	319.7	-10.2
Others	13.7	13.9	-0.9%	58.2	55.3	+5.2%	60.8	-2.6
<b>Net Sales</b>	<b>204.7</b>	<b>251.0</b>	<b>-18.5%</b>	<b>865.0</b>	<b>970.4</b>	<b>-10.9%</b>	<b>889.0</b>	<b>-24.0</b>
<b>Op. Profit</b>	<b>12.7</b>	<b>35.2</b>	<b>-64.0%</b>	<b>63.0</b>	<b>126.7</b>	<b>-50.3%</b>	<b>94.0</b>	<b>-31.0</b>
(% of Net Sales)	6.2%	14.0%		7.3%	13.1%		10.6%	

Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Cameras	-22.9%	-13.0%
IJPs	-5.6%	-0.1%
Total	-16.4%	-7.5%

## 2019 Units (Millions) & Unit Growth Rate Y/Y

	2Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	1.08	-22%	4.20	-17%
DCs	0.70	-17%	2.60	-18%

## Full-Frame Mirrorless



# Imaging System – Inkjet Printers

- 2Q: Decrease in sales due to continued market contraction
- 2H: Accelerate sales of refillable ink tank models and new A3 MFDs

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Cameras	122.6	163.2	-24.9%	497.3	594.9	-16.4%	508.5	-11.2
IJPs	68.4	73.9	-7.5%	309.5	320.2	-3.3%	319.7	-10.2
Others	13.7	13.9	-0.9%	58.2	55.3	+5.2%	60.8	-2.6
<b>Net Sales</b>	<b>204.7</b>	<b>251.0</b>	<b>-18.5%</b>	<b>865.0</b>	<b>970.4</b>	<b>-10.9%</b>	<b>889.0</b>	<b>-24.0</b>
<b>Op. Profit</b>	<b>12.7</b>	<b>35.2</b>	<b>-64.0%</b>	<b>63.0</b>	<b>126.7</b>	<b>-50.3%</b>	<b>94.0</b>	<b>-31.0</b>
(% of Net Sales)	6.2%	14.0%		7.3%	13.1%		10.6%	

Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Cameras	-22.9%	-13.0%
IJPs	-5.6%	-0.1%
Total	-16.4%	-7.5%

## 2019 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
IJPs	-14%	0%

## Refillable Ink Tank models



# Medical System

- 2Q: Double-digit sales growth, driven by new products aided by improved awareness
- FY: Advancing cost reduction initiatives and targeting sales and profit growth

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
<b>Net Sales</b>	<b>105.1</b>	<b>94.7</b>	+11.0%	<b>469.0</b>	<b>437.6</b>	+7.2%	<b>479.5</b>	-10.5
<b>Op. Profit</b> (% of Net Sales)	<b>3.4</b> 3.2%	<b>1.7</b> 1.8%	+102.5%	<b>34.8</b> 7.4%	<b>28.8</b> 6.6%	+20.7%	<b>36.2</b> 7.5%	-1.4

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Total	+12.2%	+9.5%



CT  
**Aquilion Start**



# Industry & Others

- IC lithography equipment - Revised full-year plan to reflect market conditions surrounding memory
- OLED vacuum deposition equipment – preparing for phase of market recovery
- Network cameras – Maintain growth, leveraging rich lineup

(Billions of yen)

	2Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Litho. Equip.	45.4	52.8	-13.9%	163.1	199.8	-18.4%	184.6	-21.5
Others	147.0	171.9	-14.6%	606.5	643.1	-5.7%	630.9	-24.4
<b>Net Sales</b>	<b>192.4</b>	<b>224.7</b>	-14.4%	<b>769.6</b>	<b>842.9</b>	-8.7%	<b>815.5</b>	-45.9
<b>Op. Profit</b>	<b>7.0</b>	<b>20.9</b>	-66.7%	<b>19.0</b>	<b>55.7</b>	-65.9%	<b>28.3</b>	-9.3
(% of Net Sales)	3.6%	9.3%		2.5%	6.6%		3.5%	

Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

## 2019 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Litho. Equip.	-13.6%	-17.8%
Others	-14.0%	-3.6%
Total	-13.9%	-7.0%

## Lithography Equipment (Units)

	2Q 2018 Actual	2Q 2019 Actual	FY 2018 Actual	Full year Projection
IC	32	21	114	83
FPD	16	15	69	51

# Inventory

- Imaging System – Lower to an appropriate level by year end
- Medical and Industry & Others – Building inventory for future sales expansion

(Billions of yen)		FY 2018				FY 2019	
		1Q	2Q	3Q	4Q	1Q	2Q
Office	Amt.	207.5	209.9	224.6	206.1	215.2	205.8
	Days	41	42	46	42	44	44
Imaging System	Amt.	140.5	145.2	173.8	139.6	156.2	151.6
	Days	47	57	67	50	62	73
Medical System	Amt.	80.4	86.0	89.3	90.6	93.8	93.0
	Days	66	74	80	73	75	79
Industry & Others	Amt.	160.1	158.3	172.7	175.0	185.7	180.7
	Days	73	75	86	91	101	103
<b>Total</b>	<b>Amt.</b>	<b>588.5</b>	<b>599.4</b>	<b>660.4</b>	<b>611.3</b>	<b>650.9</b>	<b>631.1</b>
	<b>Days</b>	<b>52</b>	<b>56</b>	<b>62</b>	<b>56</b>	<b>62</b>	<b>65</b>

Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

# Cash Flow

## (Full Year)

- Expect to secure funds for growth and maintain cash-on-hand in line with previous projection
- Improvement in free cash flow compared with last year

(Billions of yen)	FY 2019 Current Projection	FY 2019 Previous Projection	FY 2018 Actual
Net cash provided by operating activities	450.0	570.0	365.3
Net cash used in investing activities	-240.0	-260.0	-195.6
<b>Free cash flow</b>	<b>210.0</b>	<b>310.0</b>	<b>169.7</b>
Net cash provided by (used in) financing activities	-230.0	-325.0	-354.9
Effect of exchange rate changes on cash and cash equivalents	-10.6	-5.6	-16.0
Net change in cash and cash equivalents	-30.6	-20.6	-201.2
<b>Cash and cash equivalents at end of period</b>	<b>490.0</b>	<b>500.0</b>	<b>520.6</b>
<b>Cash-on-hand (In months of Net sales) (Note)</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>
Capital expenditure	165.0	165.0	159.3
Depreciation	230.0	230.0	251.6

Note: Calculated using second-half net sales for 2018 results and 2019 current projection. Calculated using full-year net sales for 2019 previous projection.

# Sustainability Measures Environmental & CSR Activities and "SDGs"

## ■ Canon's Corporate Philosophy *Kyosei* and "SDGs" envisage the same society

Canon Group contributes to achievement of "SDGs" through environmental & CSR activities via business activities

Realization of a  
better society

Measures via  
Business Activities

**Canon's  
Corporate  
Philosophy  
*Kyosei***

**Contribute to the  
prosperity and  
wellbeing of the world**

- Canon Group Code of Conduct
- Canon Group Environmental Charter
- Procurement Policy
- Basic Policy on Product Safety
- Product Safety Technical Standards
- Canon Group CSR Activity Policy etc.

**Canon Group  
CSR Basic Statement**

### Sustainable Development Goals (SDGs)



**Aim for "a world in which every country enjoys  
sustainable economic growth and decent work for all"**

Source: The 2030 Agenda for Sustainable Development

# Sustainability Measures

## Environmental & CSR activities and Management Integration

### ■ Integration of environmental & CSR activities with management and business activities

✓ Consolidated Performance Evaluation System

Performance of each business includes **evaluation of response towards environment & CSR issues** (From 2001)


✓ Group Global Summit

HQs, business groups, major group cos. **Top management discuss environmental & CSR issues** (From 2001)

✓ Environment Activity Report

**Management confirms on a monthly basis** achievement of Group environmental targets (From 2008)

### ■ Resolving social issues through business activities

Medical equipment  Network Cameras   
 Industrial Equipment that support IT and daily life  etc.



Businesses that contribute to resolving issues facing the international community is a key strategy of our medium- to longer-term management plan

# Supplementary Information

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

		FY 2019		FY 2018	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>					
JPY	Hardware	-8%	-1%	+4%	-1%
	Non-hardware	-6%	-4%	0%	-1%
LC	Hardware	-6%	+3%	+3%	-2%
	Non-hardware	-4%	-1%	-2%	-2%
<b>LPs</b>					
JPY	Hardware	-3%	-5%	-2%	+1%
	Non-hardware	-23%	-9%	+4%	-1%
LC	Hardware	-3%	-2%	-3%	+1%
	Non-hardware	-21%	-6%	+2%	-1%
<b>IJPs</b>					
JPY	Hardware	-8%	+3%	-4%	-3%
	Non-hardware	-8%	-6%	-6%	-5%
LC	Hardware	-6%	+7%	-6%	-3%
	Non-hardware	-6%	-3%	-8%	-5%

## Color Ratio (MFDs & LPs)

		FY 2019		FY 2018	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>	Net Sales	59%	60%	59%	59%
	QTY	59%	59%	59%	58%
<b>LPs</b>	Net Sales	52%	52%	51%	51%
	QTY	20%	20%	16%	18%

## Sales Growth by Monochrome & Color MFDs

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



## Interchangeable Lens Digital Camera Ratio

	FY 2019		FY 2018	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Value Base	85%	85%	87%	85%
Unit Base	61%	62%	62%	61%

\* Value Base Includes Interchangeable Lenses

## IC Lithography Equipment Unit Breakdown by Light Source (Units)

	FY 2019		FY 2018	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF	8	20	12	32
i-Line	13	63	20	82
Total	21	83	32	114