

Business Overview

Office Business Unit



Results (FY2018)

Unit sales of office multifunction devices (MFDs) grew significantly, driven by sales of color models such as the imageRUNNER ADVANCE Gen3 2nd Edition series, which offers enhanced convenience through compatibility with external cloud services, and the imageRUNNER C3020 series of strategic models for emerging markets. By region, the Office Business Unit posted a strong performance in Asia, with double-digit growth in sales.

In laser printers, unit sales growth was driven by new high-productivity models that combine low power consumption with compact body designs. Sales of consumables were on a par with the prior year. Digital

commercial printing has enjoyed solid sales thanks to the release of new models for the graphic arts market that have earned significant praise for their high image quality, excellent productivity and ability to handle a wide range of paper types.

Total sales for the business unit increased 0.1% year on year to ¥1,807.3 billion, while operating profit rose 16.7% year on year to ¥220.8 billion.

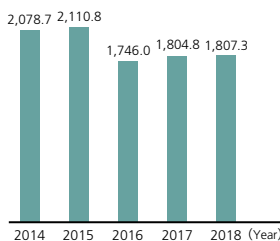
Future Strategy

We expect the market for office MFDs to expand steadily, led by a shift to color models in emerging markets and increased demand for devices that enhance operational efficiency. Amidst the growing risk of information leaks from network-connected devices, we are, among other products, expanding our lineup of next-generation color models, that feature such high-security functionality as protection against program tampering and unauthorized access. Additionally, we are strengthening our ability to propose new solutions that take into account the growing demand for productivity-enhancing office devices.

In laser printers, we expect an ongoing shift to color models and rising demand from emerging markets to underpin the market's development. Performance of the business unit in 2019 is projected to be on a par with that of 2018. We are focusing on mid- and high-speed models designed for high-volume printing and increasing their share of the segment's sales volume. We also aim to increase our proportion of consumable products through cooperation with our OEM partner, thereby boosting overall profitability.

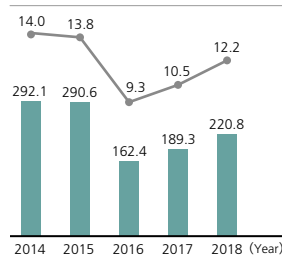
Net Sales

(Billions of yen)



Operating Profit / Operating Profit Ratio

— Operating profit ratio (%)
 ■ Operating profit (Billions of yen)



* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. Figures dating to 2016 have been restated to conform with the current year's presentation.

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Imaging System Business Unit



Results (FY2018)

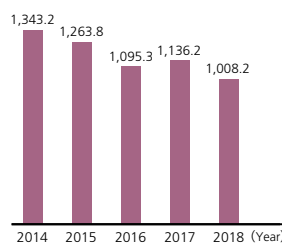
Reflecting the contraction of the market, unit sales of interchangeable-lens digital cameras declined in year-on-year terms, though Canon maintained its leading market share in key countries in Europe and the Americas, as well as in Japan and China. In mirrorless cameras, we posted higher unit sales due to such new models as the entry-level EOS Kiss M and the EOS R, Canon's first mirrorless camera equipped with a full-frame sensor, which employs a new lens mount as part of the EOS R System. In digital compact cameras, while further market contraction led to a decrease in unit sales, high-value-added models such as the PowerShot G-series enjoyed solid sales.

In inkjet printers, while unit sales of refillable ink tank models increased significantly in emerging markets, overall unit sales declined due to the impact of market contraction in developed countries. overall unit sales declined due to the impact of market contraction in developed countries. In large-format inkjet printers, the imagePROGRAF TX series, which is suitable for outputting CAD drawings and poster designs, was well received by the market and enjoyed strong sales.

As a result, overall sales for the business unit fell 11.3% year on year to ¥1,008.2 billion, while operating profit declined 32.6% year on year to ¥117 billion.

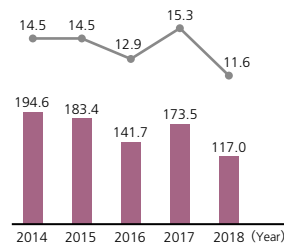
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Future Strategy

Demand for interchangeable-lens digital cameras is expected to decline going forward, but increase steadily in the segment for cameras equipped with full-frame sensors. The digital compact camera market is forecast to continue contracting, notably in lower-priced model segments.

Amidst these conditions, our top priority in 2019 is to accelerate the expansion of our mirrorless camera lineup and introduce lenses and other new products for the EOS R System.

Although demand for inkjet printers is expected to continue falling slightly in year-on-year terms in 2019, we are targeting faster-than-market growth by investing aggressively in sales within emerging markets. For instance, this involves reinforcing our sales support activities for mass merchandisers and authorized sales outlets.

Medical System Business Unit



Results (FY2018)

Until now, we have been working to revamp our lineup of diagnostic imaging systems, which are the mainstay of the business unit. In 2018, we posted higher revenues, led by increased sales of new products such as the Alphenix series of next-generation diagnostic X-ray systems and the Vantage Orian, a high-resolution MRI system that incorporates cutting-edge technology.

Additionally, the addition of new compact and lightweight ultrasound diagnostic systems that inherit the ultra-high-resolution technology of premium models also contributed significantly to sales. In Japan, sales were negatively impacted by medical institutions deferring investment decisions amid revision of the NHI reimbursement

schedule for diagnostic procedures. However, this was offset by higher sales in overseas markets.

As a result, overall sales for the business unit increased 0.3% year on year to ¥437.6 billion, while operating profit rose 31.4% year on year to ¥28.8 billion.

Future Strategy

The diagnostic imaging equipment market is projected to grow steadily at around 3% per year, supported by rising demand for advanced healthcare in Western countries and the development of medical infrastructure in emerging markets.

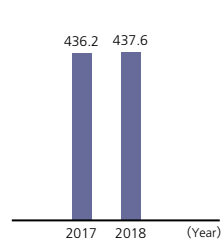
At the end of 2018 we received regulatory approval in overseas markets for domestically successful new products, which is expected to contribute fully to sales in 2019. In 2019, we also expect to start introducing competitively priced CT systems for emerging markets that also offer high image quality.

We will also strengthen our sales structure by focusing on expanding our sales force overseas and converting local sales agents into subsidiaries.

We are also looking to improve profitability based on redoubling efforts to realize intra-Group synergies. For example, we have achieved cost reductions by making use of Canon production technologies, such as detecting faults before they occur through the detection of abnormal noises coming from production equipment during operation. What's more, we are utilizing our 3D simulation technologies to realize prototype-less product development that improves efficiency in R&D.

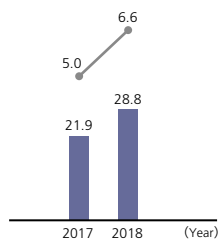
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Industry and Others Business Unit



Results (FY2018)

Semiconductor lithography equipment achieved significantly higher unit sales thanks to healthy demand for memory devices, particularly those used in data centers. This result also reflected the stellar reputation we have earned in the market for our customer support and the productivity of our equipment. We also continued to see high levels of sales for FPD lithography equipment, especially in the small- and medium-sized panel segments, leveraging our high-resolution technology.

However, our sales of OLED panel manufacturing equipment fell compared with the prior year due to sluggish capital investment within the sector.

In network cameras, Axis reported double-digit sales growth amid rising market demand.

As a result, overall sales for the business unit rose 1.6% year on year to ¥805.2 billion, while operating profit rose 60.9% year on year to ¥65.5 billion.

Future Strategy

While we expect the overall semiconductor market to contract in 2019 due to a slowdown in capital investment by memory manufacturers, the outlook includes continued growth for image sensors and automotive devices. Since the customization requirements of customers for these semiconductors are many and varied, we plan to target market share gains based on upgrading our customer support to offer equipment that can handle various substrate sizes.

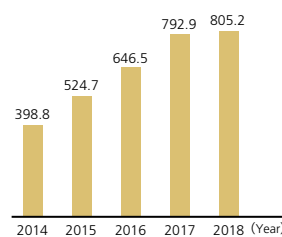
We expect a continued correction in investment in 2019 with FPD lithography equipment for production of small- and medium-sized display panels due to sluggish sales of smartphones. In the large-sized panel segment, however, we expect an increase in demand for high-resolution panels used in products such as TVs. In this area, we will target demand for high-resolution systems for seamless panel production, which can benefit from Canon's proprietary one-shot exposure lithography system.

In OLED panel manufacturing equipment, we will continue to develop the ultra-high-definition technology even further in 2019 with a view to future market expansion.

In network cameras, our strong lineup of products in the three key areas of camera hardware, video management software and analytic applications translates to an advantage in responding to diversifying market needs. The full-scale introduction of cloud services to enable centralized management of images at low cost will also help us sustain a high rate of growth.

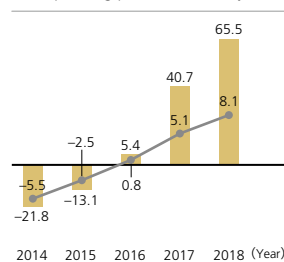
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