



# Canon Inc.

## First Quarter 2014 Results

April 24, 2014

**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

■ 1Q 2014 Results P3 – 5

---

■ FY 2014 Projections P6 – 9

---

■ Details by Business P10 – 16

---

■ Financial Situation P17 – 19

---

■ Supplementary Information P20 – 25

---

# 1Q 2014 in Summary

## External Environment

- Gradual global economic recovery
- Yen's depreciation
- Our markets
  - ✓ Office and Industrial Equip. – Solid
  - ✓ Camera – Slow start, but early signs of bottoming out

## Results

- Four consecutive quarters of sales and profit growth

# Summary of Results

1Q 2014 Actual

(Billions of yen)

	1Q 2014 Actual	1Q 2013 Actual	Pct. Change
<b>Net Sales</b>	<b>868.3</b>	<b>816.7</b>	+6.3%
<b>Gross Profit</b>	<b>431.5</b>	<b>385.9</b>	+11.8%
(% Sales)	49.7%	47.3%	
<b>Op. Profit</b>	<b>82.6</b>	<b>54.8</b>	+50.9%
(% Sales)	9.5%	6.7%	
<b>Net Income</b>	<b>47.6</b>	<b>40.9</b>	+16.4%
Attributable to Canon Inc.			
(% Sales)	5.5%	5.0%	
Foreign Exchange Rate			
Yen – 1USD	102.69	92.76	
Yen – 1EURO	140.77	122.35	

# Transition in Sales and Op. Profit

1Q 2014 Actual v. 1Q 2013 Actual

(Billions of yen)

	Sales	Op. Profit
1Q 2013 Actual	816.7	54.8
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+56.5	+17.1
Sales Volume Impact		
Office	+23.6	
Imaging System	-21.6	
Industry and Others	+10.4	
Total	+12.4	+18.8
Others	-17.3	-8.1
Total Change	+51.6	+27.8
1Q 2014 Actual	868.3	82.6

## Change in Exchange Rate

- 1USD: 92.76 to 102.69 yen
- 1EURO: 122.35 to 140.77 yen

# Assumptions

## 2014 Current Projection

Average Exchange Rate	2Q-4Q14	FY14	FY13
■ Yen-1USD	100.00 yen	100.61 yen	97.84 yen
■ Yen-1EURO	135.00 yen	136.29 yen	130.01 yen

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

	Net Sales	Operating Profit
■ USD	12.7 billion yen	4.9 billion yen
■ EURO	5.4 billion yen	2.8 billion yen

# Key Points FY2014

## External Environment

- Gradual global economic recovery
- Our markets – Recovery, primarily in 2H14

## Outlook

- Achieve second consecutive year of sales and profit increase, return to a path of growth
  - ✓ Expand sales through launches of new products
  - ✓ Raise profits through improved profitability

# Summary of Projected Results

## FY 2014 Current Projection

(Billions of yen)

	FY 2014 Current Projection	FY 2013 Actual	Pct. Change
<b>Net Sales</b>	<b>3,860.0</b>	<b>3,731.4</b>	+3.4%
<b>Gross Profit</b>	<b>1,877.0</b>	<b>1,798.4</b>	+4.4%
(% Sales)	48.6%	48.2%	
<b>Op. Profit</b>	<b>365.0</b>	<b>337.3</b>	+8.2%
(% Sales)	9.5%	9.0%	
<b>Net Income</b>	<b>240.0</b>	<b>230.5</b>	+4.1%
Attributable to Canon Inc.			
(% Sales)	6.2%	6.2%	
Foreign Exchange Rate			
Yen – 1USD	100.61	97.84	
Yen – 1EURO	136.29	130.01	



# Transition in Sales and Op. Profit

FY 2014 Current Projection v. FY 2014 Previous Projection

(Billions of yen)

	Sales	Op. Profit
Previous Projection (Jan. 29, 2014)	3,850.0	360.0
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+18.0	+7.8
Sales Volume Impact		
Office	-4.8	
Imaging System	-2.6	
Industry and Others	-0.6	
Total	-8.0	-12.9
Others	+0.0	+10.1
Total Change	+10.0	+5.0
Current Projection (Apr. 24, 2014)	3,860.0	365.0

## Change in Exchange Rate

- 1USD: 100.00 to 100.61 yen
- 1EURO: 135.00 to 136.29 yen

# Office

1Q 2014 Actual

1Q14 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+7%	+31%
Monochrome	0%	-2%
Total	+2%	+2%

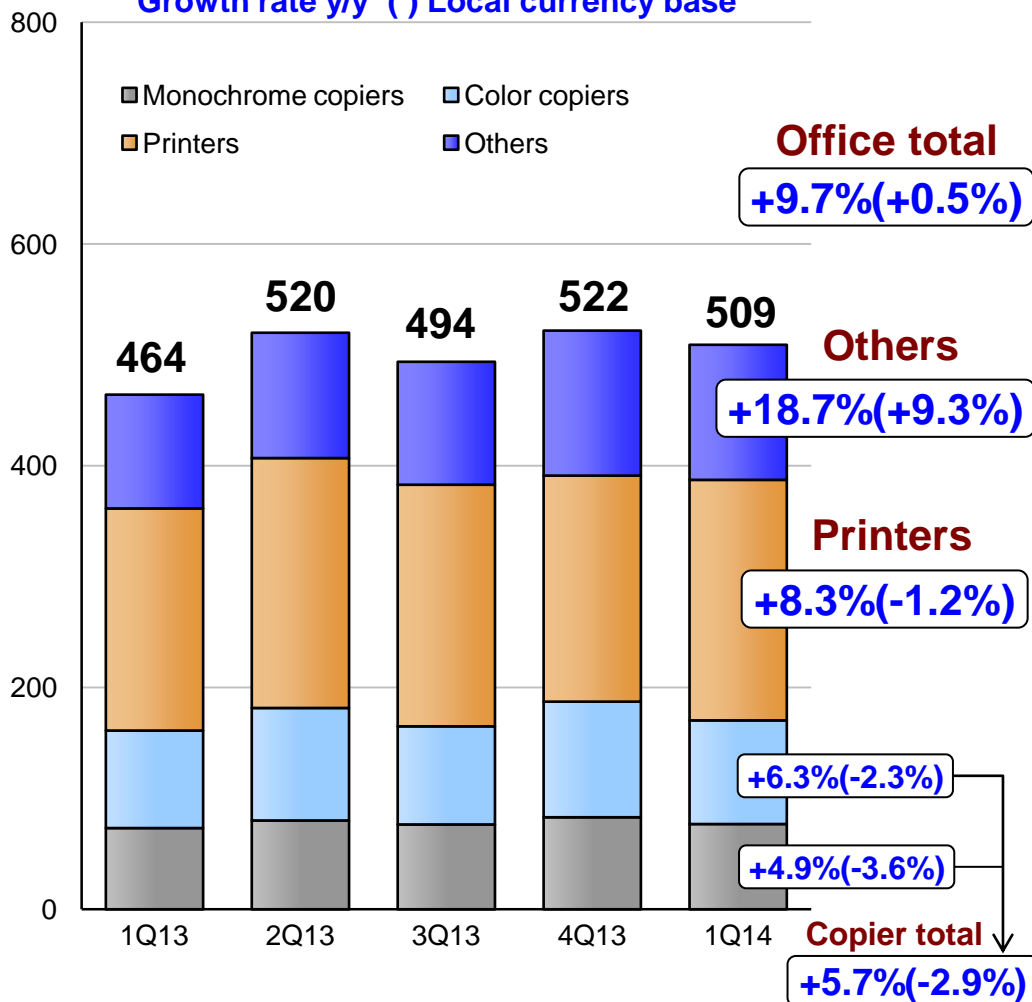
1Q14 Color Ratio		
	Copiers	Printers
Value Base*	55%	49%
Unit Base	38%	17%

\*Includes Consumables

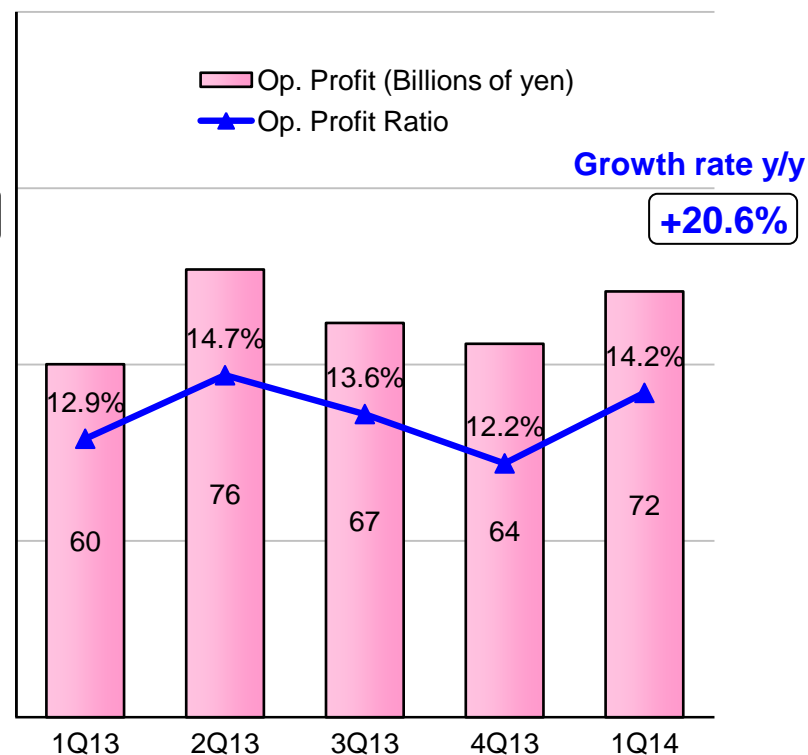
(Billions of yen)

## Sales

Growth rate y/y ( ) Local currency base



## Op.Profit



# Office

## FY 2014 Projection

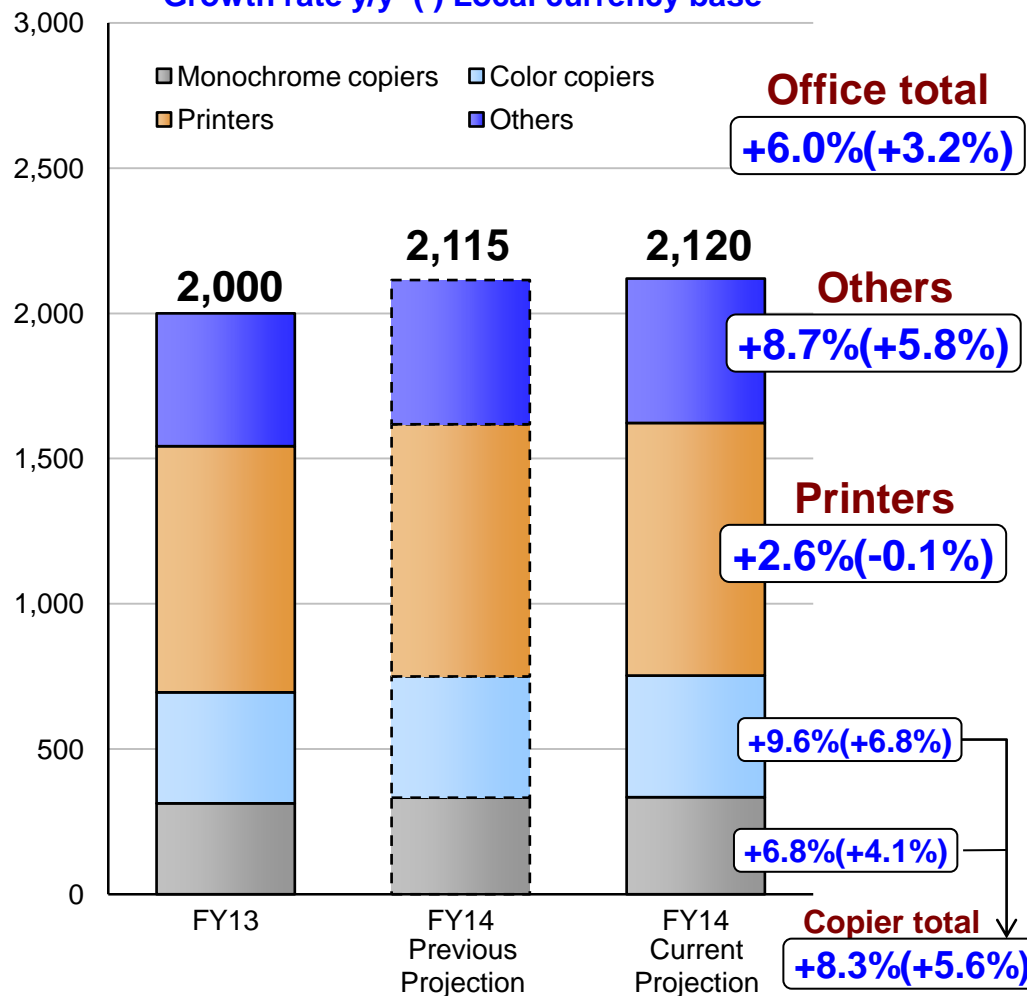
FY14 Growth Rate y/y (Unit Base)		
	Copiers	Printers
Color	+19%	+12%
Monochrome	+9%	-1%
Total	+13%	+1%

FY14 Color Ratio		
	Copiers	Printers
Value Base*	56%	46%
Unit Base	39%	16%

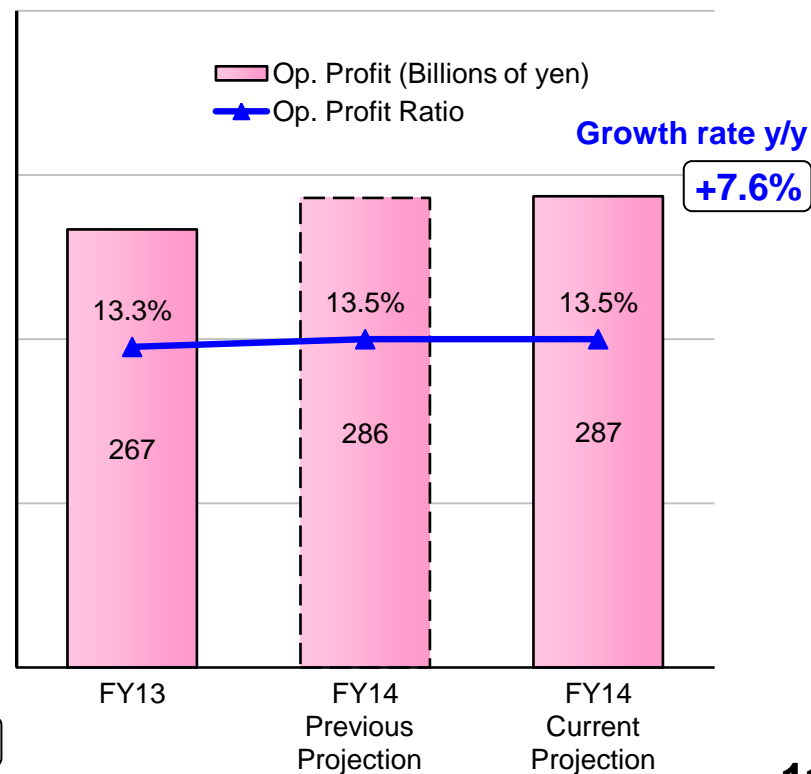
\*Includes Consumables

### (Billions of yen) Sales

Growth rate y/y ( ) Local currency base



### Op.Profit



# Imaging System

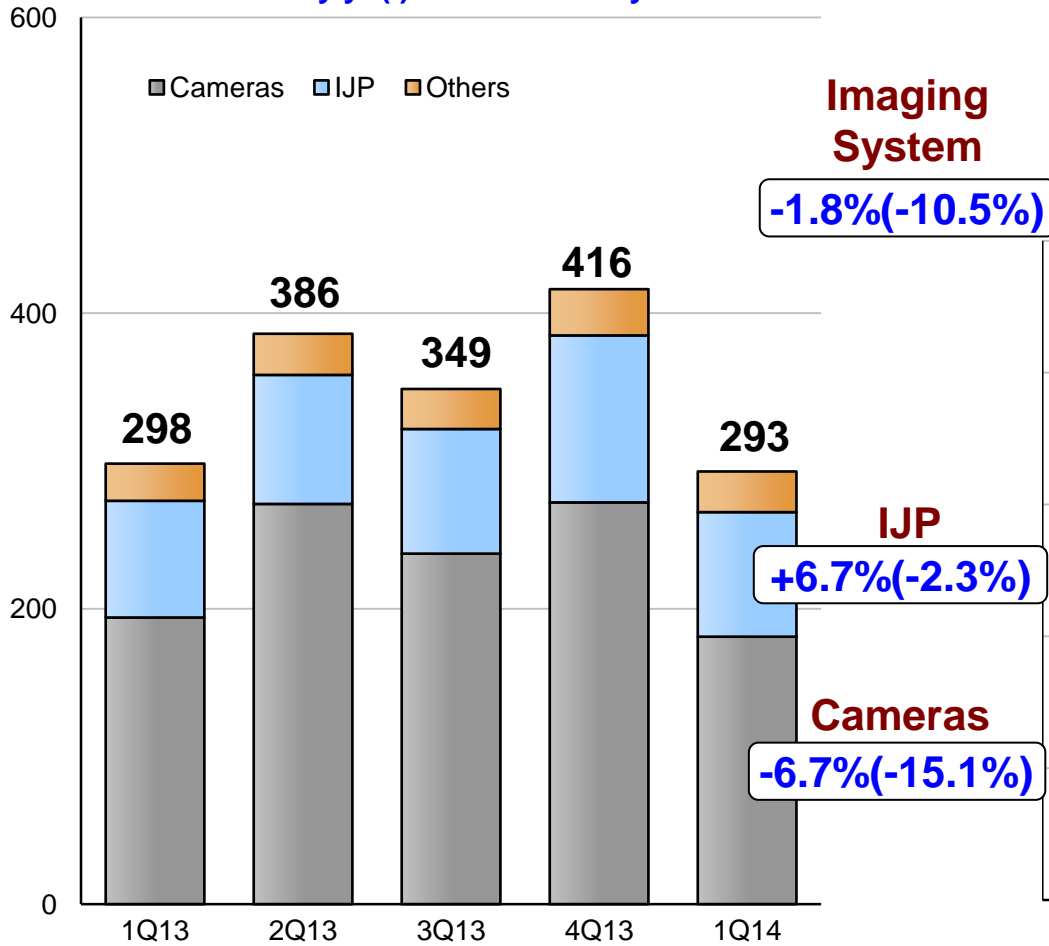
1Q 2014 Actual

Growth Rate y/y (Unit Base)	
	1Q14
Interchangeable Lens Digital Cameras	-7%
Compact Digital Cameras	-30%
Total Digital Cameras	-22%
IJP	-9%

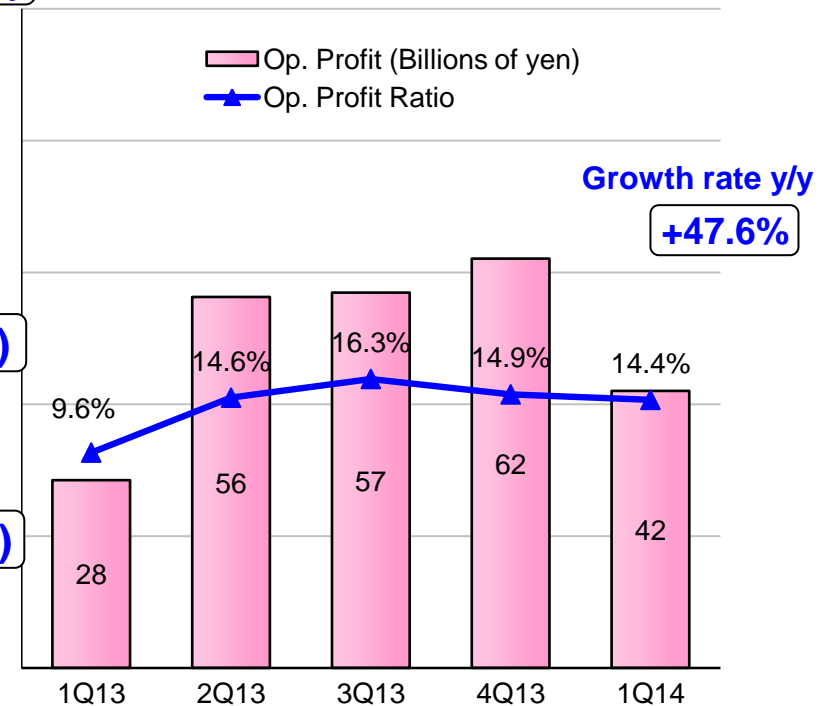
Interchangeable Lens Digital Camera Ratio *	
	1Q14
Value Base	83%
Unit Base	41%

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

(Billions of yen) **Sales**  
Growth rate y/y ( ) Local currency base



## Op.Profit



# Imaging System

FY 2014 Projection

Implement measures aimed at achieving stable growth of entry level interchangeable-lens cameras

- Stimulate demand through initiatives aimed at expanding the user base
- Improve product mix
- Expand sales in emerging markets

# Imaging System

## FY 2014 Projection

Growth Rate y/y (Unit Base)	
	FY14
Interchangeable Lens Digital Cameras	-1%
Compact Digital Cameras	-20%
Total Digital Cameras	-13%
IJP	+2%

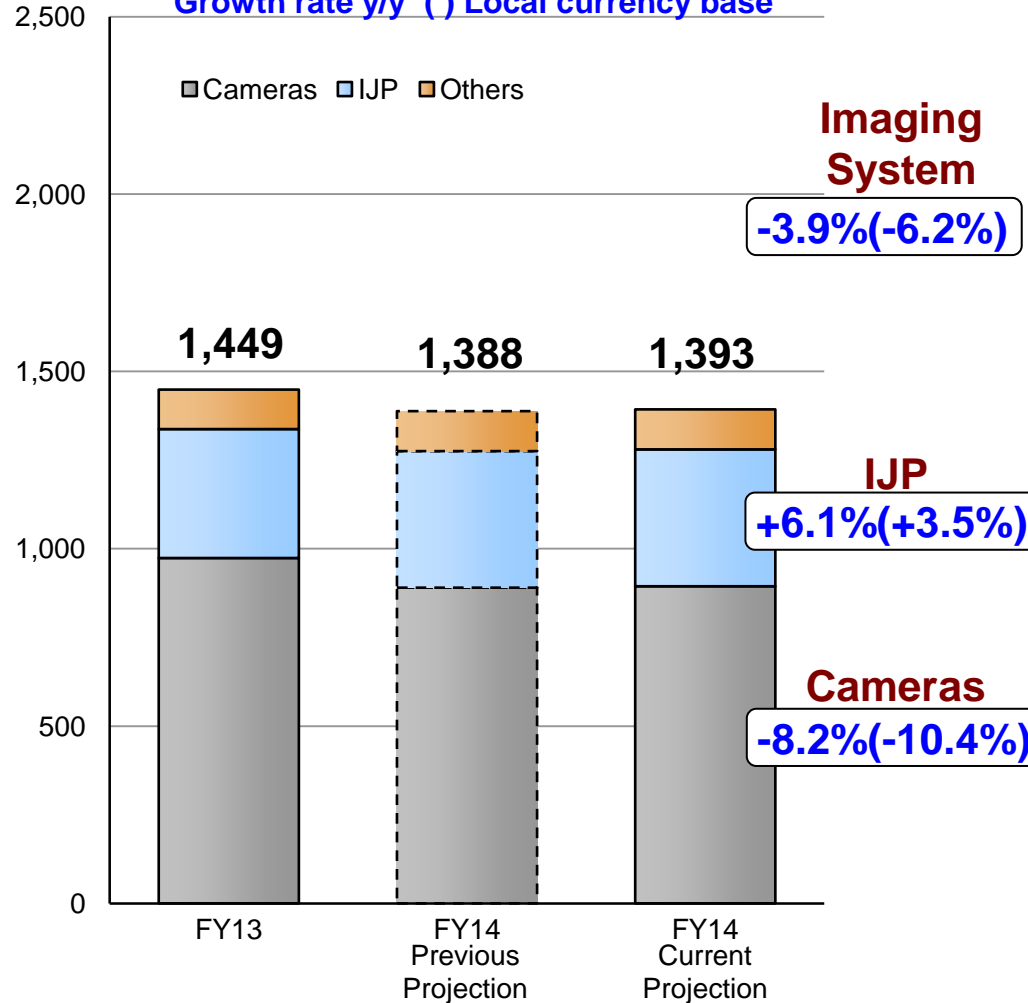
Interchangeable Lens Digital Camera Ratio *	
	FY14
Value Base	84%
Unit Base	42%

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

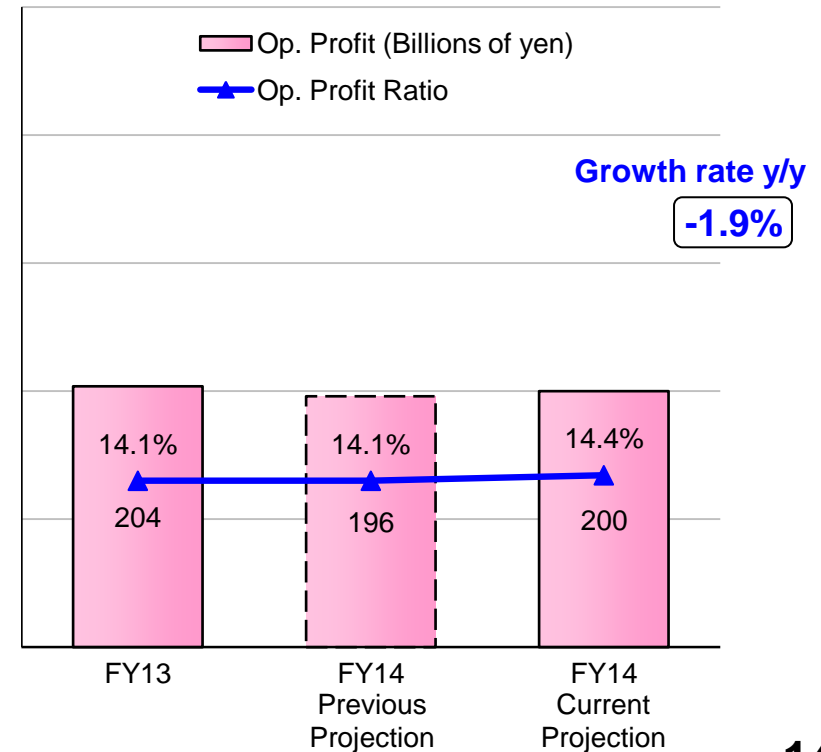
(Billions of yen)

## Sales

Growth rate y/y ( ) Local currency base



## Op.Profit



# Industry and Others

1Q 2014 Actual

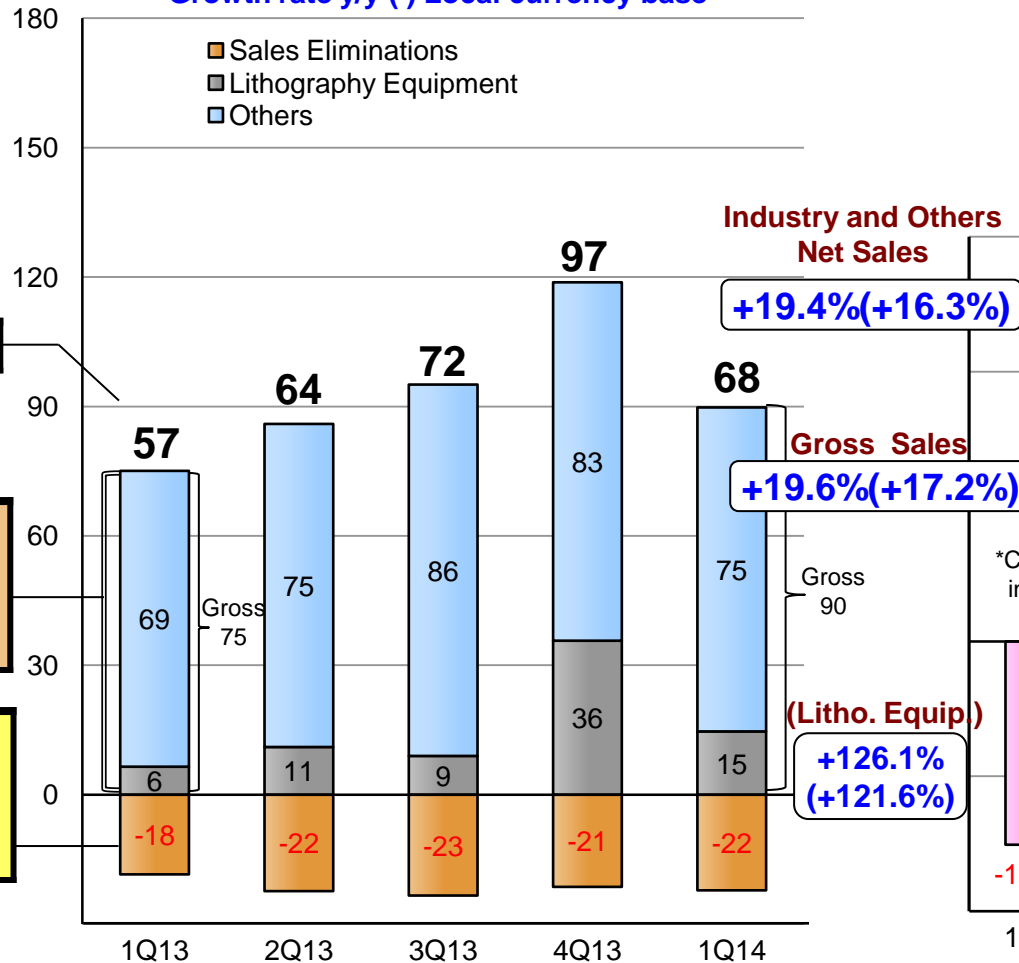
Lithography Equipment (Unit Sales)		
	1Q13	1Q14
IC	5	12
FPD	0	2

IC Lithography Unit Breakdown by Light Source		
	1Q13	1Q14
ArF	0	0
KrF	0	3
i-line	5	9

(Billions of yen)

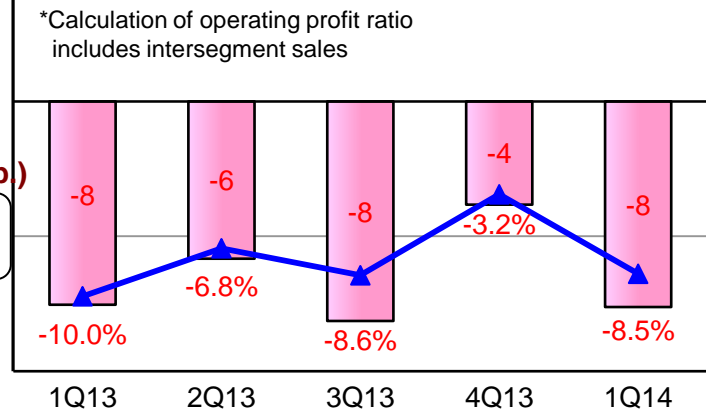
## Sales

Growth rate y/y ( ) Local currency base



## Op.Profit

Op. Profit (Billions of yen)  
Op. Profit Ratio



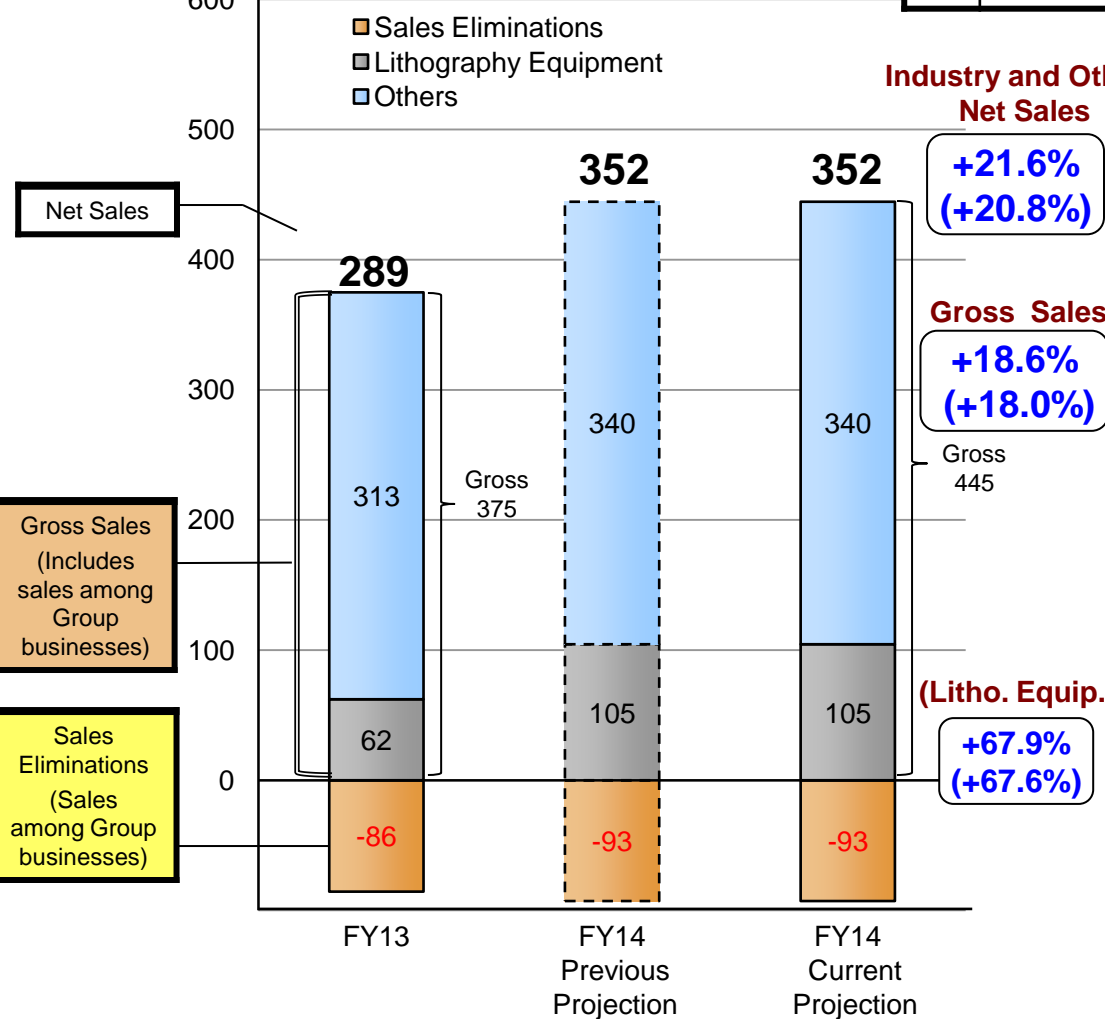
# Industry and Others

FY 2014 Projection

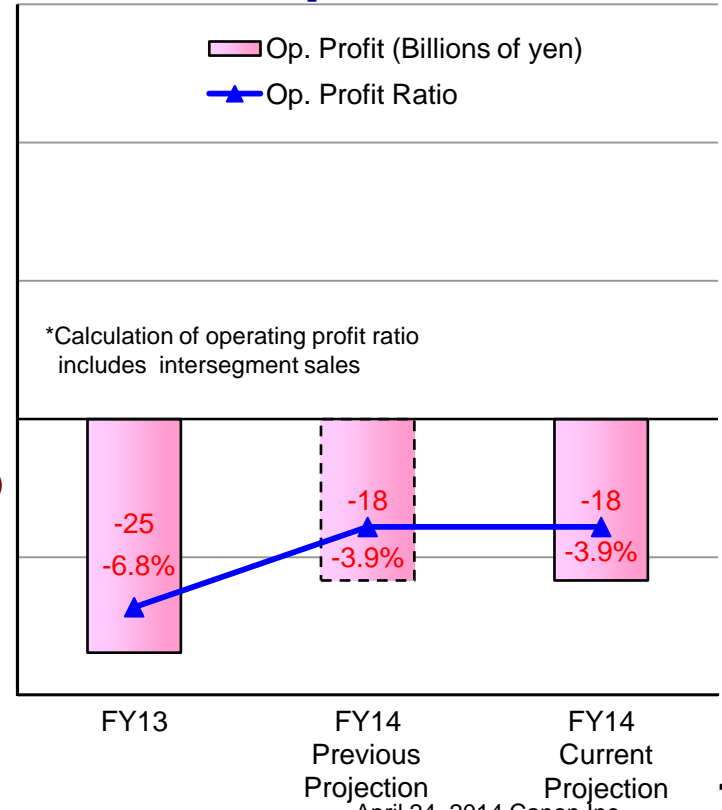
Lithography Equipment (Unit Sales)			
	FY13	FY14 Previous Projection	FY14 Current Projection
IC	43	57	57
FPD	16	27	27

IC Lithography Unit Breakdown by Light Source			
	FY13	FY14 Previous Projection	FY14 Current Projection
ArF	0	0	0
KrF	6	15	15
i-line	37	42	42

**Sales**  
(Billions of yen) Growth rate y/y ( ) Local currency base



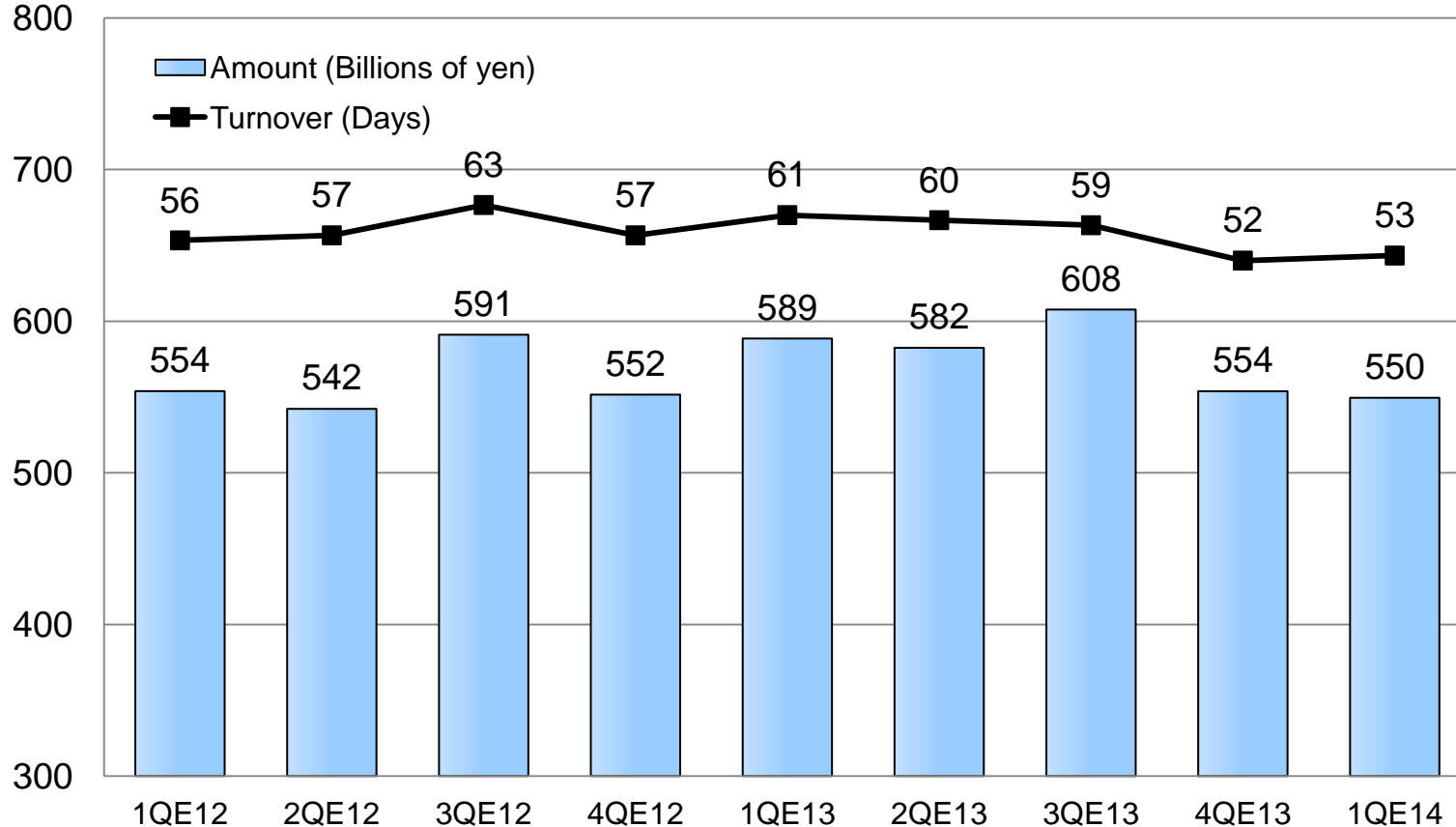
## Op.Profit





# Inventories

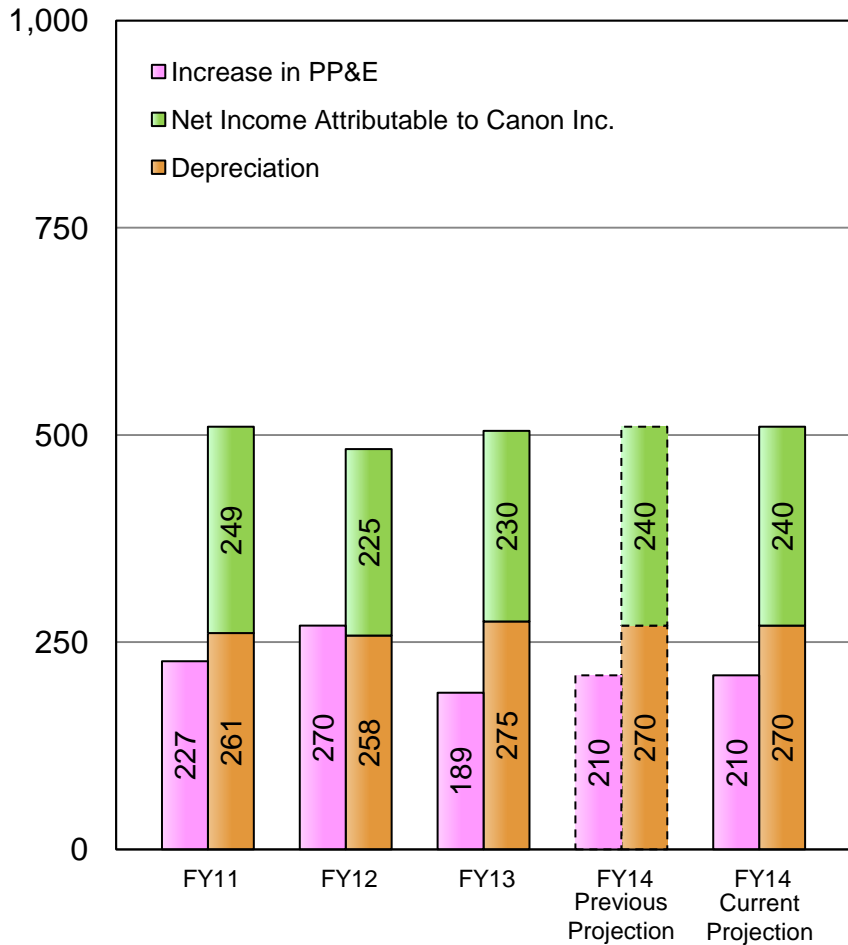
(Billions of yen)



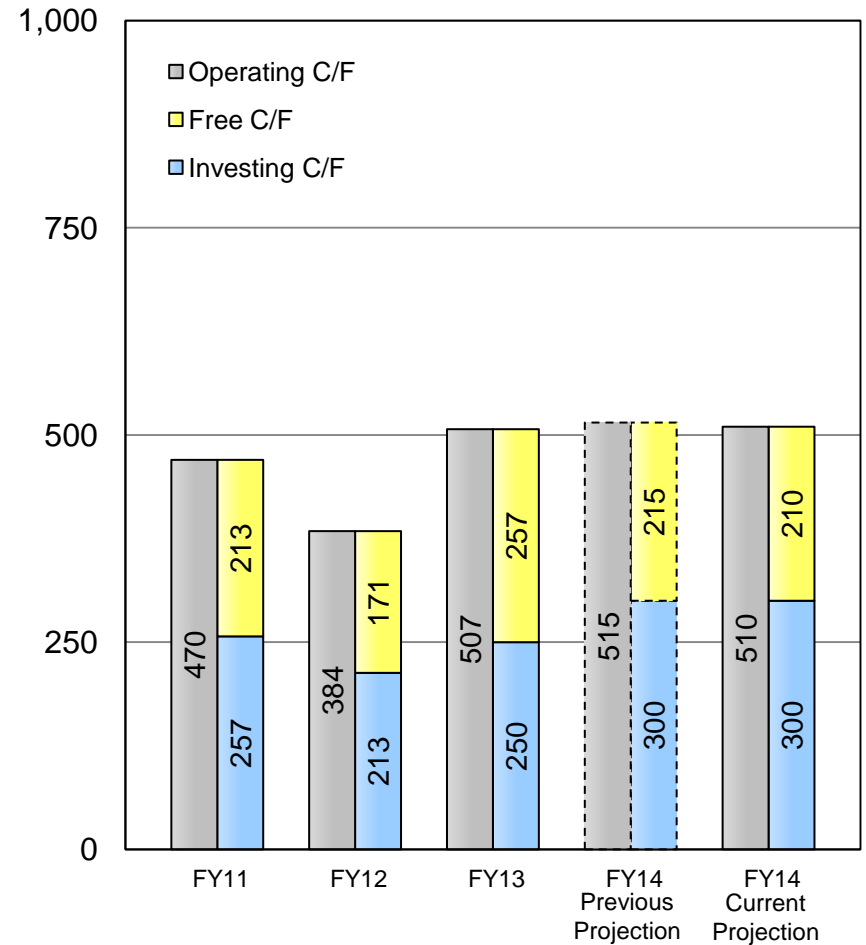
# Capital Expenditure

# Free Cash Flow

(Billions of yen)

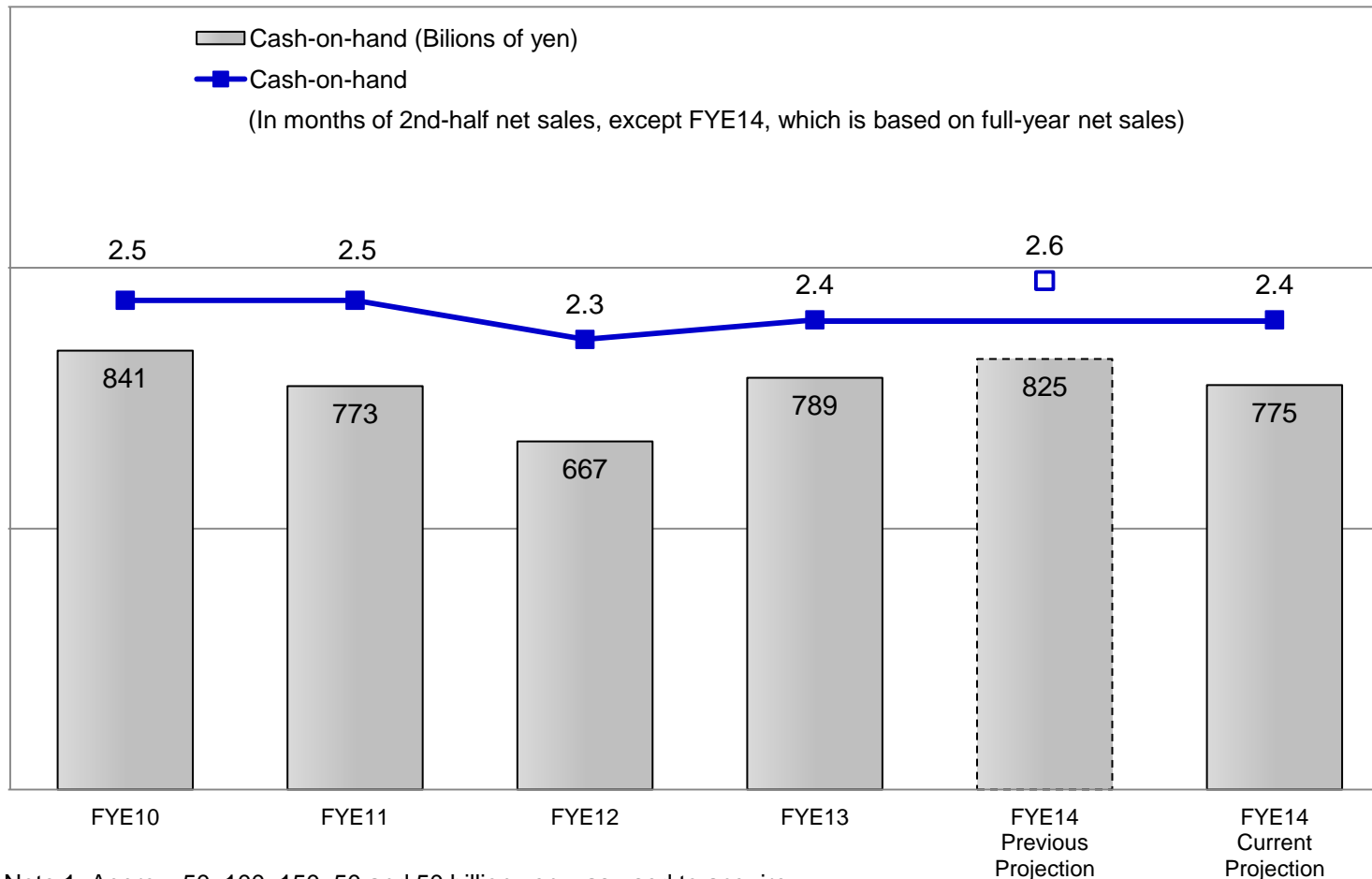


(Billions of yen)



# Cash on Hand

## Cash on Hand (Year-end)



Note 1: Approx. 50, 100, 150, 50 and 50 billion yen was used to acquire own shares in 2010, 2011, 2012, 2013 and 2014, respectively. The cumulative amount since 2007 is approx. 950 billion yen.

# Supplementary Information

# Transition in Sales and Operating Profit

## FY 2014 Current Projection v. FY 2013 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2013 Actual	3,731.4	337.3
Foreign Exchange Impact (Net Sales, Cost of Sales, Expenses)	+70.6	+16.9
Sales Volume Impact		
Office	+114.5	
Imaging System	-29.6	
Industry and Others	+63.1	
Total	+148.0	+83.9
Others	-90.0	-73.1
Total Change	+128.6	+27.7
FY 2014 Current Projection	3,860.0	365.0

### Change in Exchange Rate

- 1USD: 97.84 to 100.61 yen
- 1EURO: 130.01 to 136.29 yen

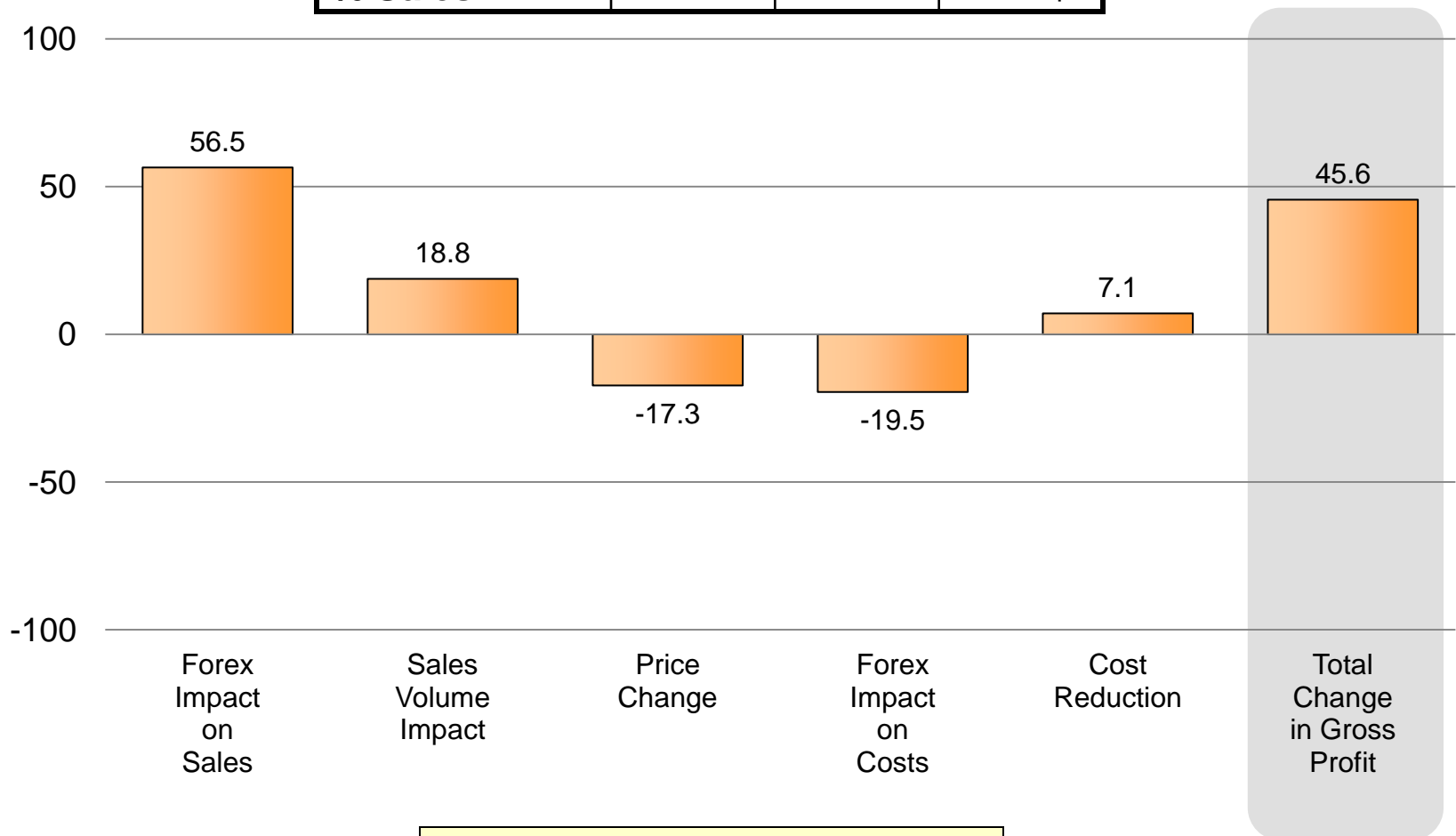
# Gross Profit Variance Analysis

1Q 2014 Actual v. 1Q 2013 Actual

(Billions of yen)

	1Q14	1Q13	Change
<b>Gross Profit</b>	431.5	385.9	+45.6
<b>% Sales</b>	49.7%	47.3%	+2.4pt.

(Billions of yen)



Supplementary Information

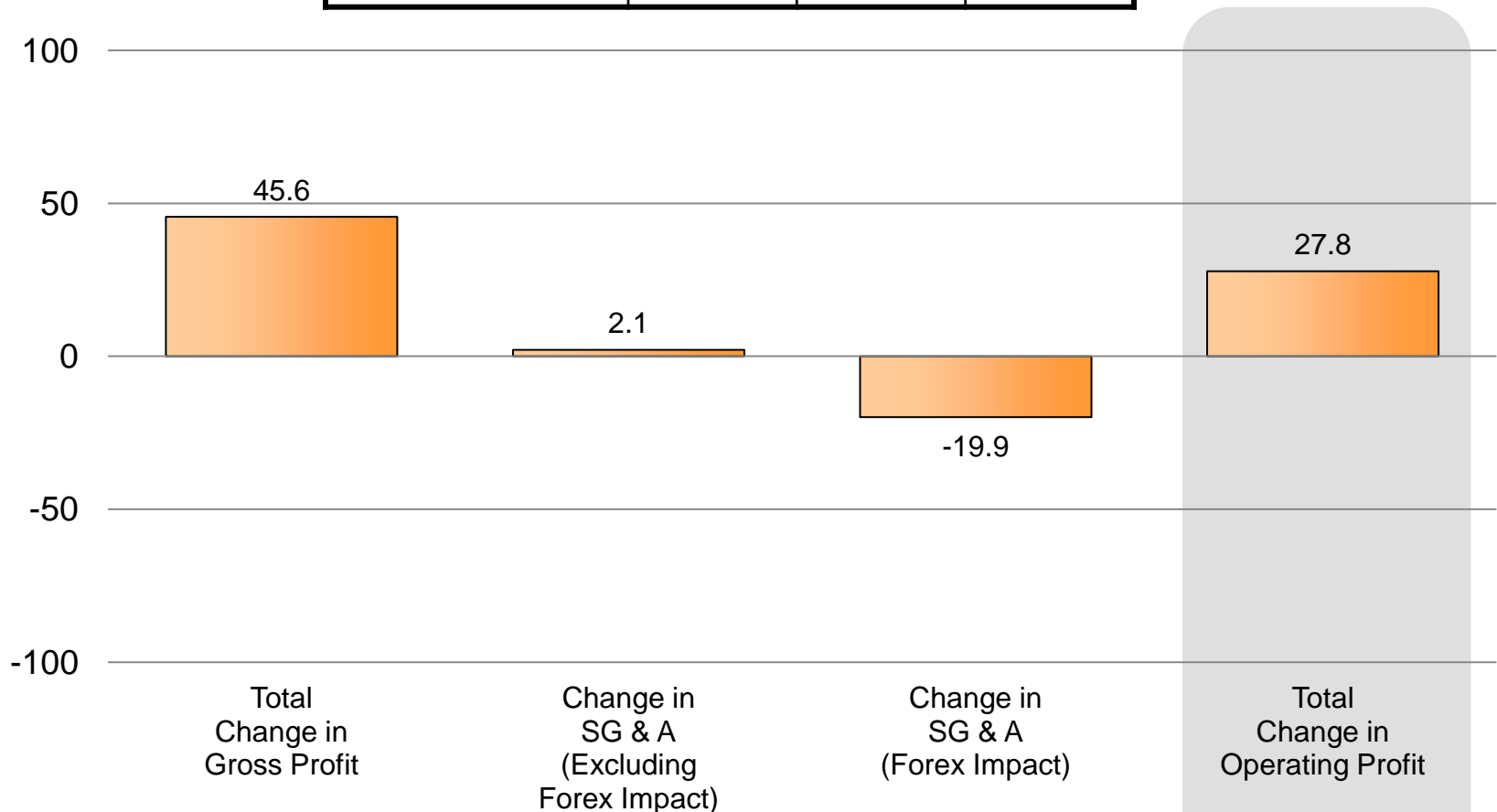
# Operating Profit Variance Analysis

1Q 2014 Actual v. 1Q 2013 Actual

(Billions of yen)

(Billions of yen)

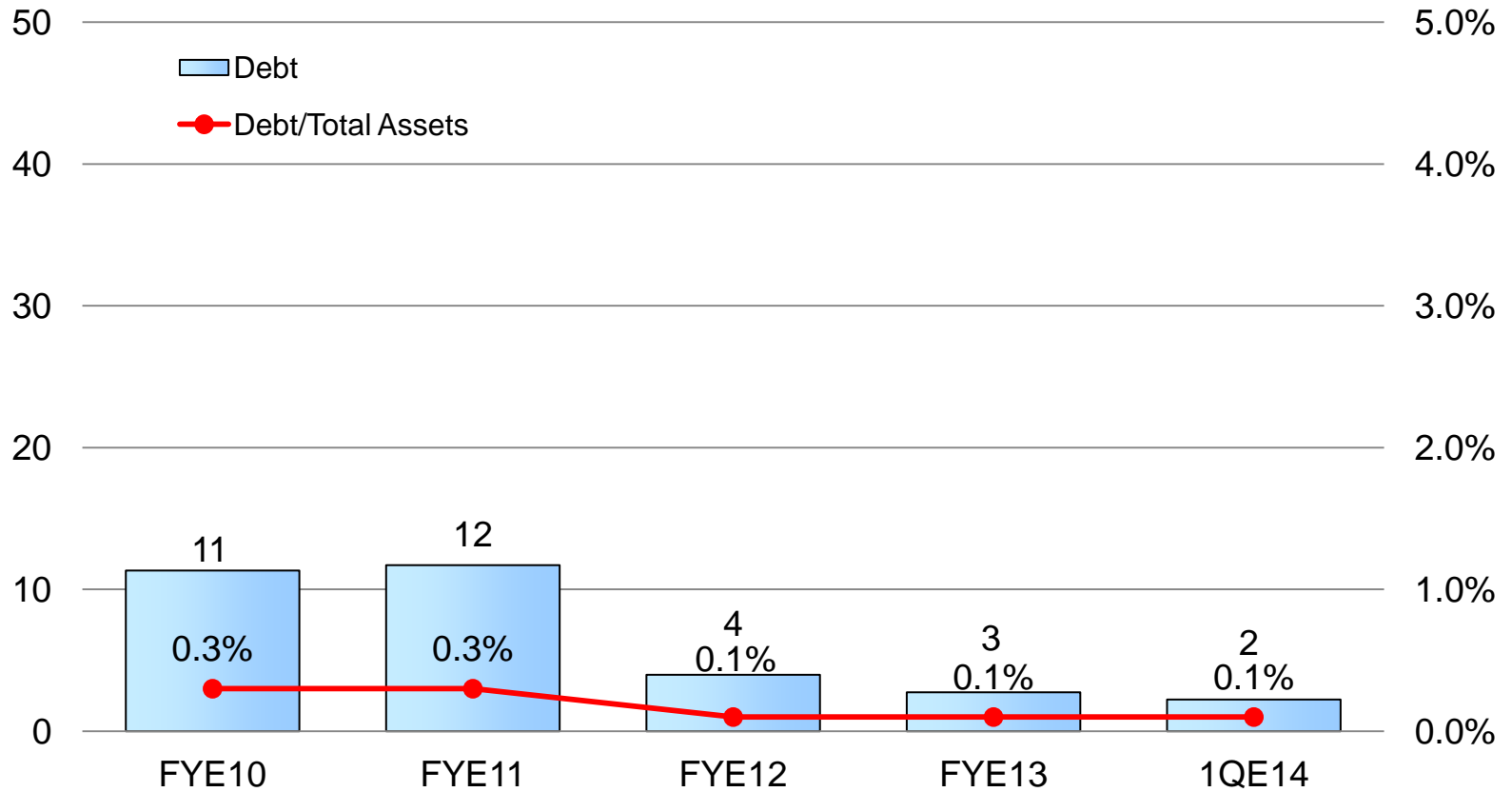
	1Q14	1Q13	Change
<b>Op. Profit</b>	82.6	54.8	+27.8
<b>% Sales</b>	9.5%	6.7%	+2.8pt.



Supplementary Information

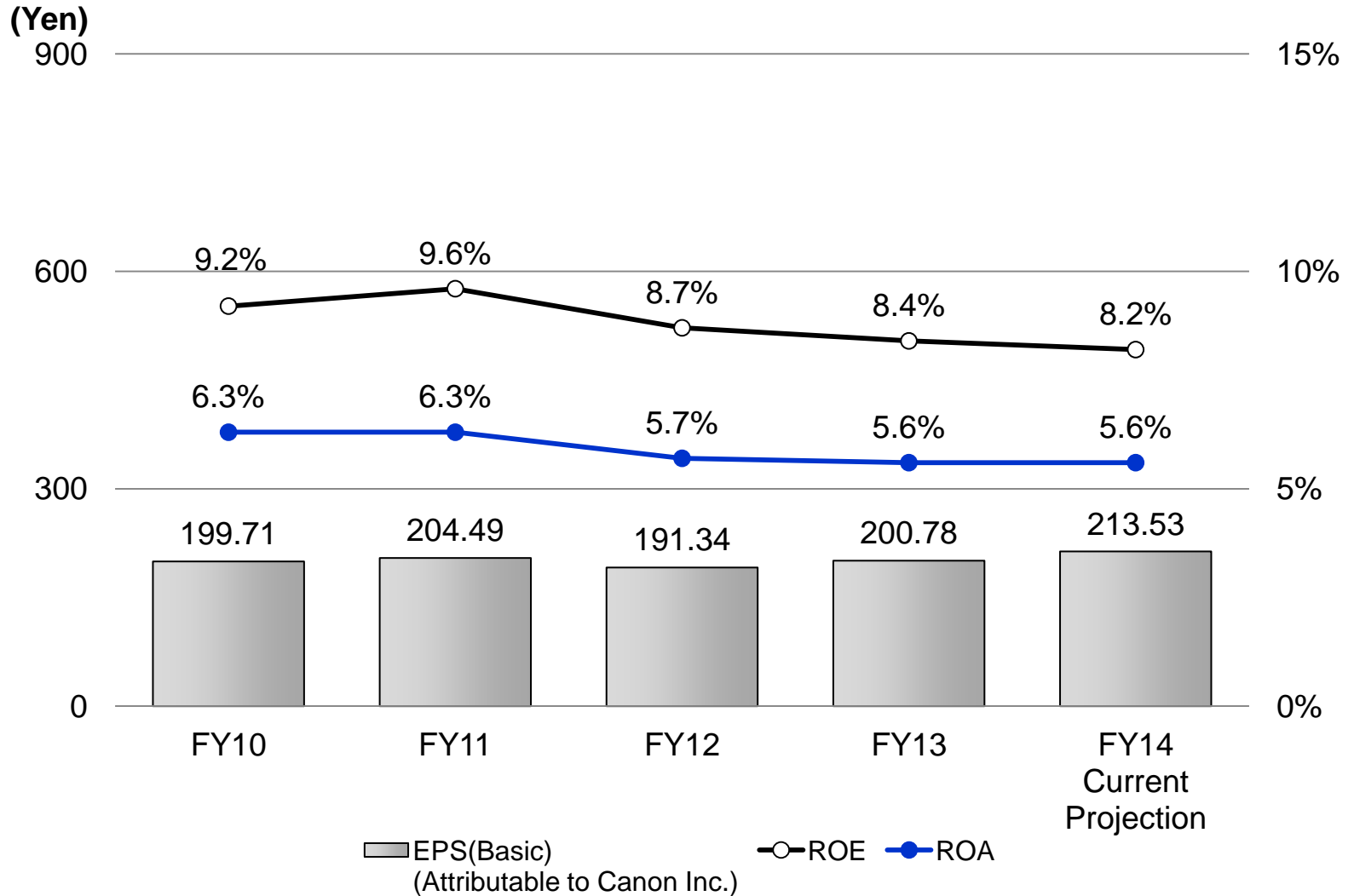
# Interest Bearing Debt

(Billions of yen)





# Financial Ratios



**Supplementary Information**