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# Canon Inc.

# Second Quarter 2018 Results

July 26, 2018  
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# Key Message

## (2Q 2018 Results)

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### **Sales and profit growth, improved profitability**

- Sales and profit growth in 1H as well, driven by new products
- 2Q net sales exceeds one trillion yen for first time in 10 years, since 2008

### **Existing Businesses**

- Sales of lithography equipment remain strong
- Sales of office equipment also growing

### **New Businesses**

- Medical returns to net sales growth, all new businesses grew

# FY 2018 Financial Results

## (2Q 2018 Actual versus 2Q 2017 Actual)



- Compared to last year (pre-reclassification basis): Returned to sales and profit growth, achieved an operating profit ratio exceeding 10%

(Billions of yen)	FY 2018				FY 2017			% Change (Pre-reclassification)
	2Q Actual	Service Cost	Pension	2Q Actual (Pre-reclassification)	2Q Actual	Pension	2Q Actual (Pre-reclassification)	
<b>Net Sales</b>	<b>1,006.4</b>	0.0	0.0	<b>1,006.4</b>	<b>992.5</b>	0.0	<b>992.5</b>	<b>+1.4%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>474.6</b> 47.2%	-28.1	-0.8	<b>503.5</b> 50.0%	<b>495.0</b> 49.9%	-0.6	<b>495.6</b> 49.9%	<b>+1.6%</b>
<b>Op. Expenses</b>	<b>376.6</b>	+28.1	-3.4	<b>401.3</b>	<b>401.2</b>	-1.9	<b>399.3</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>98.0</b> 9.7%	0.0	-4.2	<b>102.2</b> 10.2%	<b>93.8</b> 9.5%	-2.5	<b>96.3</b> 9.7%	<b>+6.1%</b>
<b>Non-operating Income</b>	<b>12.1</b>	0.0	+4.2	<b>7.9</b>	<b>5.8</b>	+2.5	<b>3.3</b>	
<b>IBT</b>	<b>110.1</b>	0.0	0.0	<b>110.1</b>	<b>99.6</b>	0.0	<b>99.6</b>	<b>+10.6%</b>
<b>Net Income</b> (% of Net Sales)	<b>77.7</b> 7.7%	0.0	0.0	<b>77.7</b> 7.7%	<b>69.2</b> 7.0%	0.0	<b>69.2</b> 7.0%	<b>+12.3%</b>
USD	109.14			109.14	111.12		111.12	
EURO	129.97			129.97	122.36		122.36	

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

## (2Q 2018 Actual versus 2Q 2017 Actual)

- Amid a decline in Imaging System, Office and Industry & Others contributed significantly to overall performance in terms of both sales and profit

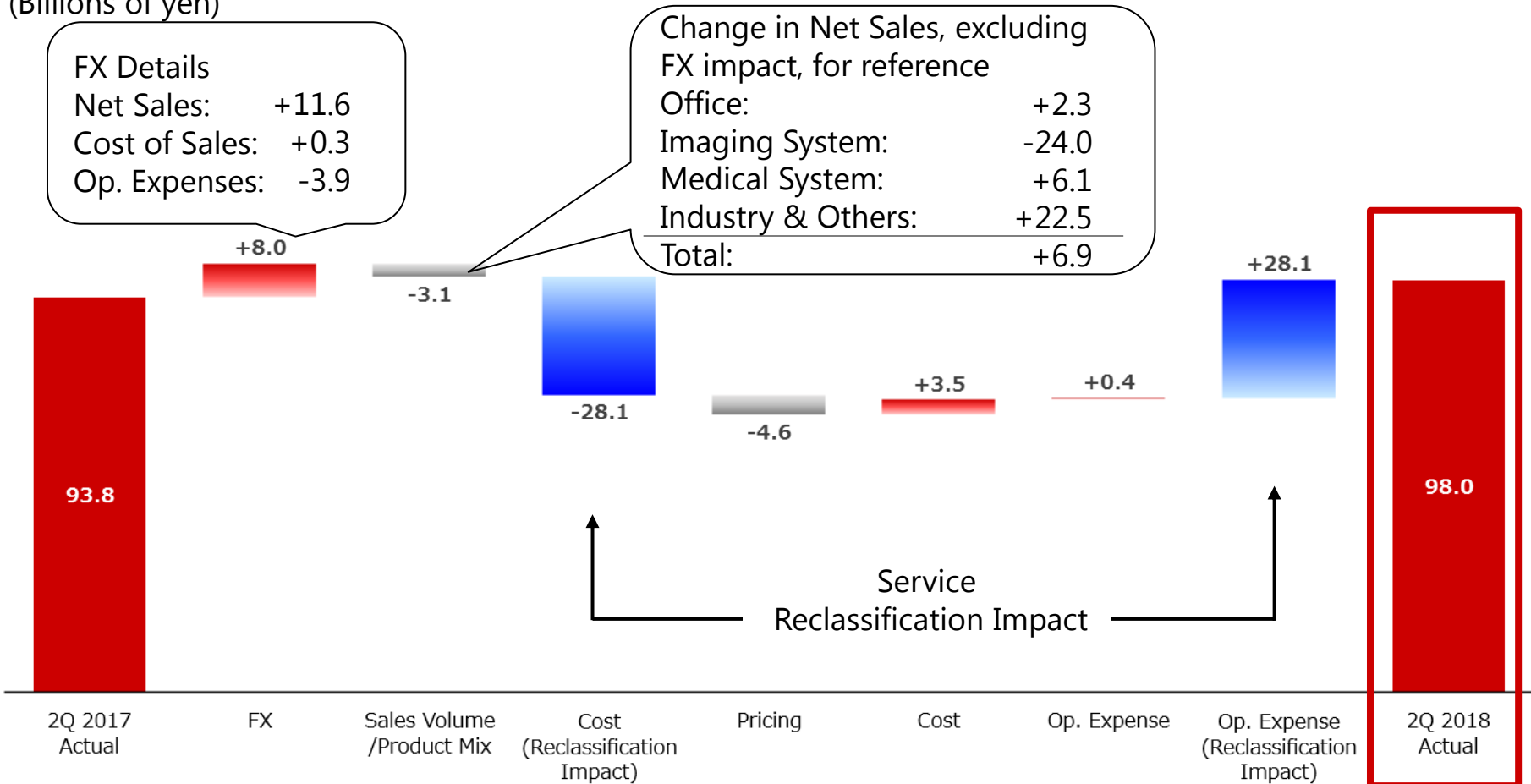
(Billions of yen)		2Q 2018 Actual	2Q 2017 Actual	% Change
Office	Net Sales	477.7	470.7	+1.5%
	Op. Profit	61.9	55.9	+10.7%
Imaging System	Net Sales	260.5	282.7	-7.8%
	Op. Profit	34.8	48.5	-28.3%
Medical System	Net Sales	94.7	88.6	+6.9%
	Op. Profit	1.9	0.2	+1,027.3%
Industry & Others	Net Sales	200.2	172.5	+16.1%
	Op. Profit	24.3	13.2	+84.9%
Corporate & Eliminations	Net Sales	-26.7	-22.0	-
	Op. Profit	-24.9	-24.0	-
Total	Net Sales	1,006.4	992.5	+1.4%
	Op. Profit	98.0	93.8	+4.4%

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

# FY 2018 Operating Profit Analysis (2Q 2018 Actual versus 2Q 2017 Actual)

- Sales volume: Impact from lower camera volume absorbed by Industry & Others BU
- Price reduction: Efforts made to keep it at a lower level than last year

(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 restated to conform with the current year's presentation.

# Key Message

(FY 2018 Projection)

## FX Assumptions

	2H 2018	FY 2018	Impact of exchange rate movement (2H impact given a one yen change)	
			Net Sales	Op. Profit
USD/Yen	110.00 yen	109.34 yen	7.5 billion yen	2.7 billion yen
EUR/Yen	130.00 yen	130.71 yen	3.4 billion yen	1.6 billion yen

## External Environment

- Risk of trade friction, but expect modest global economic expansion to continue

## FY 2018 Outlook

- Accelerate sales of new products through various sales initiatives
- Enhance profitability through cost reduction and expense review

→ Continue to aim for second consecutive year of sales and profit growth

# FY 2018 Financial Projection

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



- Second highest level of net sales since 2007
- Project all profit margins to improve compared to 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>4,120.0</b>	0.0	0.0	<b>4,120.0</b>	<b>4,080.0</b>	0.0	<b>4,080.0</b>	<b>+1.0%</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,906.5</b> 46.3%	-117.5	-3.0	<b>2,027.0</b> 49.2%	<b>1,990.6</b> 48.8%	-2.1	<b>1,992.7</b> 48.8%	<b>+1.7%</b>
<b>Op. Expenses</b>	<b>1,528.0</b>	+117.5	-14.0	<b>1,631.5</b>	<b>1,669.0</b>	-7.8	<b>1,661.2</b>	
<b>Op. Profit</b> (% of Net Sales)	<b>378.5</b> 9.2%	0.0	-17.0	<b>395.5</b> 9.6%	<b>321.6</b> 7.9%	-9.9	<b>331.5</b> 8.1%	<b>+19.3%</b>
<b>Non-operating Income</b>	<b>31.5</b>	0.0	+17.0	<b>14.5</b>	<b>32.3</b>	+9.9	<b>22.4</b>	
<b>IBT</b>	<b>410.0</b>	0.0	0.0	<b>410.0</b>	<b>353.9</b>	0.0	<b>353.9</b>	<b>+15.9%</b>
<b>Net Income</b> (% of Net Sales)	<b>280.0</b> 6.8%	0.0	0.0	<b>280.0</b> 6.8%	<b>241.9</b> 5.9%	0.0	<b>241.9</b> 5.9%	<b>+15.7%</b>
USD	109.34			109.34	112.13		112.13	
EURO	130.71			130.71	126.69		126.69	

Note 1: In 2018, a reclassification of service revenue related costs and expenses was conducted.

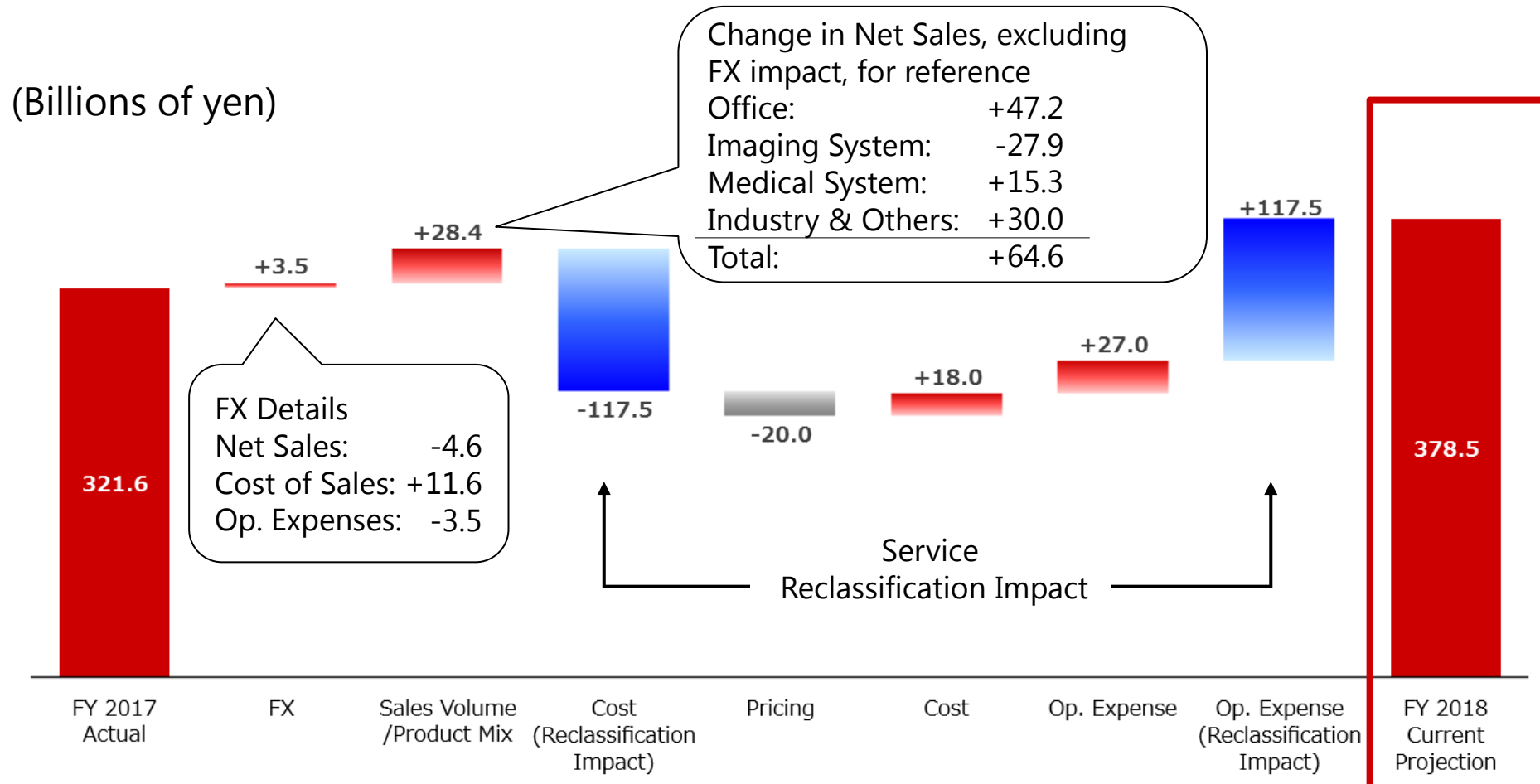
Note 2: In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures were restated to conform with the current year's presentation.



# FY 2018 Operating Profit Analysis

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

- Sales volume: Absorb the impact of lower volumes on Imaging System through sales expansion of mainly new products in each business
- Price reduction: Same level as last year and absorbed through cost reduction



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 Financial Projection

## (FY 2018 Current Projection versus FY 2018 Previous Projection)

- Lowered projection for sales and op. profit by 180 and 25.5 billion yen, respectively
  - Average selling price decline mainly due to growth in sales of affordably priced MFDs and cameras
  - Industry & Others impacted by temporary adjustment of overheated OLED investment

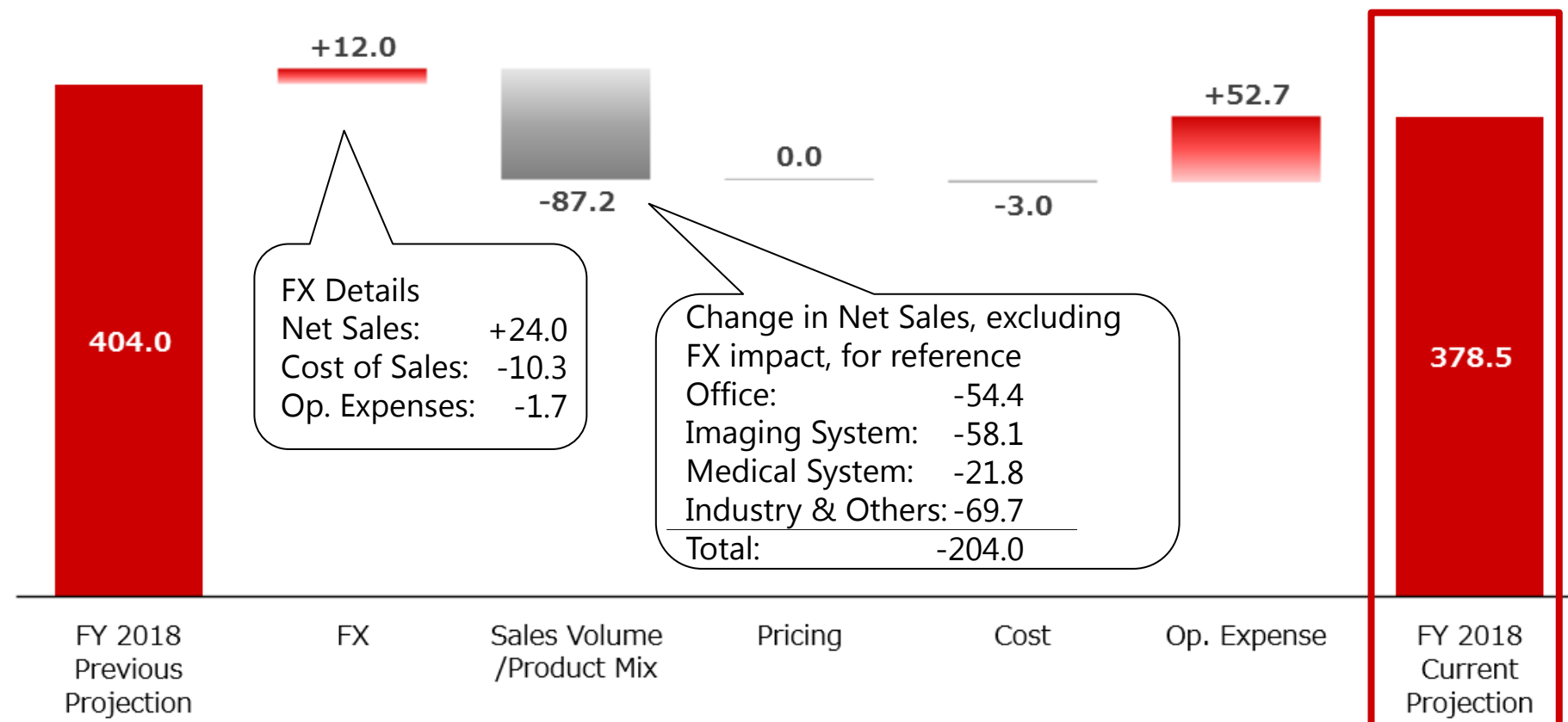
(Billions of yen)	FY 2018		Amount Change
	Current Projection	Previous Projection	
<b>Net Sales</b>	<b>4,120.0</b>	<b>4,300.0</b>	<b>-180.0</b>
<b>Gross Profit</b> (% of Net Sales)	<b>1,906.5</b> 46.3%	<b>1,983.0</b> 46.1%	<b>-76.5</b>
<b>Op. Expenses</b>	<b>1,528.0</b>	<b>1,579.0</b>	<b>+51.0</b>
<b>Op. Profit</b> (% of Net Sales)	<b>378.5</b> 9.2%	<b>404.0</b> 9.4%	<b>-25.5</b>
<b>Non-operating Income</b>	<b>31.5</b>	<b>16.0</b>	<b>+15.5</b>
<b>IBT</b>	<b>410.0</b>	<b>420.0</b>	<b>-10.0</b>
<b>Net Income</b> (% of Net Sales)	<b>280.0</b> 6.8%	<b>280.0</b> 6.5%	<b>0.0</b>
USD	109.34	107.24	
EURO	130.71	132.25	

# FY 2018 Operating Profit Analysis

(FY 2018 Current Projection versus FY 2018 Previous Projection)

- Sales volume: Average selling price decline, impact from lower compact camera volumes, revision of medical treatment fees, postponement of industrial equip. investment
- Maintaining previous projection for price reduction, and taking into account the impact of sharp rise in raw material prices on cost reduction

(Billions of yen)



# FY 2018 Financial Projection by Business Unit

## (Full Year)

- Vs. previous projection: Lowered projection for mainly Imaging System and Industry & Others
- Vs. last year: Sales and profit growth through expanded sales of new products and progress made in cost reduction

(Billions of yen)		FY 2018 Current Projection	FY 2017 Actual	% Change	FY 2018 Previous Projection	Amount Change
Office	Net Sales	<b>1,899.0</b>	<b>1,865.9</b>	+1.8%	<b>1,939.0</b>	-40.0
	Op. Profit	<b>233.0</b>	<b>180.6</b>	+29.0%	<b>235.5</b>	-2.5
Imaging System	Net Sales	<b>1,101.0</b>	<b>1,136.2</b>	-3.1%	<b>1,153.0</b>	-52.0
	Op. Profit	<b>164.5</b>	<b>175.9</b>	-6.5%	<b>193.0</b>	-28.5
Medical System	Net Sales	<b>450.0</b>	<b>436.2</b>	+3.2%	<b>470.0</b>	-20.0
	Op. Profit	<b>27.0</b>	<b>22.5</b>	+20.0%	<b>27.0</b>	0.0
Industry & Others	Net Sales	<b>770.0</b>	<b>731.7</b>	+5.2%	<b>839.0</b>	-69.0
	Op. Profit	<b>65.0</b>	<b>56.8</b>	+14.5%	<b>69.4</b>	-4.4
Corporate & Eliminations	Net Sales	<b>-100.0</b>	<b>-90.0</b>	-	<b>-101.0</b>	+1.0
	Op. Profit	<b>-111.0</b>	<b>-114.2</b>	-	<b>-120.9</b>	+9.9
Total	Net Sales	<b>4,120.0</b>	<b>4,080.0</b>	+1.0%	<b>4,300.0</b>	-180.0
	Op. Profit	<b>378.5</b>	<b>321.6</b>	+17.7%	<b>404.0</b>	-25.5

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.

- 2Q: Next-generation color models continue to be the main driver of sales growth
- Full year: Aiming for market exceeding growth, enhancing support system for dealers

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
(% of Net Sales)	13.0%	11.9%		12.3%	9.7%		12.1%	

\* 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.

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

	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
<b>Total</b>	<b>+0.1%</b>	<b>+2.0%</b>

## 2018 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
MFDs		
B&W	-8%	-1%
Color	+11%	+8%
<b>Total</b>	<b>+2%</b>	<b>+4%</b>

## “ 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

- 2Q: Achieved increase in overall revenue as sales of consumables returned to positive growth
- Full year: Maintaining previous projection due to strong hardware sales in 1H

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
(% of Net Sales)	13.0%	11.9%		12.3%	9.7%		12.1%	

\* 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.

## 2018 Net Sales Growth Rate Y/Y

(Local Currency)

	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
Total	+0.1%	+2.0%

## 2018 Unit Growth Rate Y/Y

LPs	2Q Actual	Full year Projection
B&W	+4%	0%
Color	+3%	+8%
Total	+4%	+1%

# Office – Others

- 2Q: Grew unit sales of new products designed for graphic arts
- Full year: Further expand sales through the strengthening of sales organization etc.

	(Billions of yen)			(Billions of yen)				
	2Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
MFDs	178.3	175.4	+1.6%	711.9	694.0	+2.6%	727.6	-15.7
LPs	183.5	180.9	+1.5%	705.3	706.7	-0.2%	705.3	0.0
Others	115.9	114.4	+1.3%	481.8	465.2	+3.6%	506.1	-24.3
<b>Net Sales</b>	<b>477.7</b>	<b>470.7</b>	<b>+1.5%</b>	<b>1,899.0</b>	<b>1,865.9</b>	<b>+1.8%</b>	<b>1,939.0</b>	<b>-40.0</b>
<b>Op. Profit</b>	<b>61.9</b>	<b>55.9</b>	<b>+10.7%</b>	<b>233.0</b>	<b>180.6</b>	<b>+29.0%</b>	<b>235.5</b>	<b>-2.5</b>
(% of Net Sales)	13.0%	11.9%		12.3%	9.7%		12.1%	

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

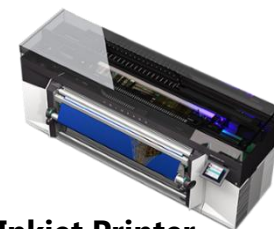
	2Q Actual	Full year Projection
MFDs	+0.2%	+2.6%
LPs	+0.3%	+0.6%
Others	-0.2%	+3.4%
Total	+0.1%	+2.0%



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



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



**Wide-format UV Inkjet Printer**  
" Colorado 1640 "

# Imaging System – Cameras

- 2Q: Increased market share in each region, driven by new camera "EOS M50"
- Full year: Increase sales, capturing new users and strengthening sales of advanced – amateur models

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	164.4	181.5	-9.4%	673.8	702.8	-4.1%	711.4	-37.6
IJPs	73.9	78.2	-5.4%	332.4	335.6	-0.9%	339.6	-7.2
Others	22.2	23.0	-3.9%	94.8	97.8	-3.1%	102.0	-7.2
<b>Net Sales</b>	<b>260.5</b>	<b>282.7</b>	<b>-7.8%</b>	<b>1,101.0</b>	<b>1,136.2</b>	<b>-3.1%</b>	<b>1,153.0</b>	<b>-52.0</b>
<b>Op. Profit</b>	<b>34.8</b>	<b>48.5</b>	<b>-28.3%</b>	<b>164.5</b>	<b>175.9</b>	<b>-6.5%</b>	<b>193.0</b>	<b>-28.5</b>
(% of Net Sales)	13.3%	17.2%		14.9%	15.5%		16.7%	

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

	2Q Actual	Full year Projection
Cameras	-11.1%	-4.4%
IJPs	-7.0%	-1.0%
Total	-9.5%	-3.3%

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

	2Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	1.38	-3%	5.50	0%
DCs	0.84	-22%	3.00	-26%

## New Mirrorless Model " EOS M50 "





# Imaging System – Inkjet Printers

- 2Q: Unit sales below last year due to impact from reviewing sales channels
- Full year: Aiming to post unit sales growth, strengthening sales of models that fit the special needs of each region

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Cameras	164.4	181.5	-9.4%	673.8	702.8	-4.1%	711.4	-37.6
IJPs	73.9	78.2	-5.4%	332.4	335.6	-0.9%	339.6	-7.2
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## 2018 Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Cameras	-11.1%	-4.4%
IJPs	-7.0%	-1.0%
Total	-9.5%	-3.3%

## 2018 Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
IJPs	-3%	+3%

## Refillable Ink Tank Models " G Series "



# Medical System

- 2Q: Achieved sales and profit growth, driven by overseas sales
- Full year: Improving profitability through sales expansion of new products and the pushing forward of measures to raise earnings

	(Billions of yen)			(Billions of yen)				
	2Q			Full Year				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
<b>Net Sales</b>	<b>94.7</b>	<b>88.6</b>	+6.9%	<b>450.0</b>	<b>436.2</b>	+3.2%	<b>470.0</b>	-20.0
<b>Op. Profit</b> (% of Net Sales)	<b>1.9</b> 2.0%	<b>0.2</b> 0.2%	+1,027.3%	<b>27.0</b> 6.0%	<b>22.5</b> 5.2%	+20.0%	<b>27.0</b> 5.7%	0.0

\* 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)

	2Q Actual	Full year Projection
Total	+6.9%	+3.2%



Ultrasound  
" Aplio i-series "



MRI " Vantage Orion "

# Industry & Others

- 2Q: Market for semiconductor litho. equip. remains strong, significant growth in unit sales
- Full year: Lowered projection for FPD litho. Equip. and OLED vacuum deposition equip. due to impact from temporary adjustment to overheated OLED investment

	(Billions of yen)			(Billions of yen)				
	2018 Actual	2017 Actual	% Change	2018 Current Projection	2017 Actual	% Change	2018 Previous Projection	Amount Change
Litho. Equip.	52.8	43.9	+20.1%	214.8	193.1	+11.2%	226.8	-12.0
Others	147.4	128.6	+14.7%	555.2	538.6	+3.1%	612.2	-57.0
<b>Net Sales</b>	<b>200.2</b>	<b>172.5</b>	+16.1%	<b>770.0</b>	<b>731.7</b>	+5.2%	<b>839.0</b>	-69.0
<b>Op. Profit</b>	<b>24.3</b>	<b>13.2</b>	+84.9%	<b>65.0</b>	<b>56.8</b>	+14.5%	<b>69.4</b>	-4.4
(% of Net Sales)	12.1%	7.6%		8.4%	7.8%		8.3%	

\* 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)

	2Q Actual	Full year Projection
Litho. Equip.	+19.9%	+11.3%
Others	+14.4%	+3.3%
Total	+15.8%	+5.4%

## Lithography Equipment (Units)

	2Q 2017 Actual	2Q 2018 Actual	FY 2017 Actual	Full year Projection
IC	19	32	70	126
FPD	14	16	84	70

# Inventory

- Continued to maintain appropriate level of inventory in 2Q
  - Compared with the end of June 2017, inventory was basically flat not only in monetary terms, but also in days turnover
  - Compared with the end of March 2018, the inventory increase reflects preparation for the selling period in 2H

(Billions of yen)		FY 2017				FY 2018	
		1Q	2Q	3Q	4Q	1Q	2Q
Office	Amt.	207.3	211.5	222.7	205.4	207.9	210.3
	Days	40	42	44	40	40	41
Imaging System	Amt.	142.7	148.8	163.6	130.4	151.9	156.6
	Days	46	52	54	39	49	59
Medical System	Amt.	-	80.5	76.6	83.6	80.4	86.0
	Days	-	67	70	71	66	74
Industry & Others	Amt.	219.1	156.0	158.1	150.6	148.3	146.5
	Days	94	98	90	79	78	79
<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>Days</b>	<b>54</b>	<b>55</b>	<b>57</b>	<b>49</b>	<b>52</b>	<b>56</b>

# Cash Flow

## (Full Year)

- Comprehensive cash flow management
  - Planning to invest in growth of new businesses
  - Capital investment within range of depreciation

(Billions of yen)	FY 2018 Current Projection	FY 2018 Previous Projection	FY 2017 Actual
Net cash provided by operating activities	540.0	550.0	590.5
Net cash used in investing activities	-310.0	-330.0	-165.0
<b>Free cash flow</b>	<b>230.0</b>	<b>220.0</b>	<b>425.5</b>
Net cash provided by (used in) financing activities	-333.8	-321.8	-340.4
Effect of exchange rate changes on cash and cash equivalents	-18.0	-10.0	6.5
Net change in cash and cash equivalents	-121.8	-111.8	91.6
<b>Cash and cash equivalents at end of period</b>	<b>600.0</b>	<b>610.0</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	190.0	200.0	147.5
Depreciation	245.0	245.0	261.9

\* FY 2018 Projection and FY 2017 Actual was calculated using second-half net sales. FY 2018 Previous Projection was calculated using annual net sales.

# Supplementary Information

# 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

(Billions of yen)	Pension accounting - Pre-standard change				
	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%



(Billions of yen)	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
<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>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>Op. Expenses</b>	<b>394.6</b>	<b>401.2</b>	<b>403.7</b>	<b>469.5</b>	<b>1,669.0</b>
<b>Op. Profit</b> (% of Net Sales)	<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>Non-operating Income</b>	<b>4.8</b>	<b>5.8</b>	<b>9.8</b>	<b>11.9</b>	<b>32.3</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%

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

		FY 2018		FY 2017	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>					
JPY	Hardware	+4%	+5%	-2%	+2%
	Non-hardware	0%	+1%	+1%	+3%
LC	Hardware	+3%	+5%	-4%	-2%
	Non-hardware	-2%	+1%	+1%	+1%
<b>LPs</b>					
JPY	Hardware	-2%	0%	+12%	+6%
	Non-hardware	+4%	0%	+8%	+6%
LC	Hardware	-3%	+1%	+10%	+3%
	Non-hardware	+2%	+1%	+6%	+3%
<b>IJPs</b>					
JPY	Hardware	-4%	+4%	+4%	+11%
	Non-hardware	-6%	-3%	-5%	-2%
LC	Hardware	-6%	+4%	+4%	+8%
	Non-hardware	-8%	-3%	-6%	-5%



### Color Ratio (MFDs & LPs)

		FY 2018		FY 2017	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>MFDs</b>	Net Sales	59%	60%	58%	58%
	QTY	59%	57%	54%	55%
<b>LPs</b>	Net Sales	51%	52%	52%	52%
	QTY	16%	19%	17%	18%

### Sales Growth by Monochrome & Color MFDs

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

## Interchangeable-Lens Camera Ratio

	FY 2018		FY 2017	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Value Base	87%	87%	86%	85%
Unit Base	62%	65%	57%	58%

\* Value base includes interchangeable lenses

## IC Stepper Unit Breakdown by Light Source

	FY 2018		FY 2017	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF	12	37	8	24
i-Line	20	89	11	46
Total	32	126	19	70

# Second Quarter 2018 Results

## Supplementary Data

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## 1. Segment Information by Business Unit

(Millions of yen)

	FY 2017			FY 2018			% Change Y/Y		
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	Full Year Projection	2Q Actual	1st Half Actual	Full Year
<b>Office</b>									
External customers	470,178	927,315	1,863,688	477,024	934,164	1,897,000	+1.5%	+0.7%	+1.8%
Intersegment	479	1,087	2,240	674	1,256	2,000	+40.7%	+15.5%	-10.7%
Total sales	470,657	928,402	1,865,928	477,698	935,420	1,899,000	+1.5%	+0.8%	+1.8%
Operating profit	55,873	111,301	180,648	61,863	114,906	233,000	+10.7%	+3.2%	+29.0%
Operating profit ratio	11.9%	12.0%	9.7%	13.0%	12.3%	12.3%			
<b>Imaging System</b>									
External customers	282,568	524,468	1,135,584	260,362	482,004	1,100,400	-7.9%	-8.1%	-3.1%
Intersegment	120	279	604	139	296	600	+15.8%	+6.1%	-0.7%
Total sales	282,688	524,747	1,136,188	260,501	482,300	1,101,000	-7.8%	-8.1%	-3.1%
Operating profit	48,490	77,726	175,913	34,766	59,473	164,500	-28.3%	-23.5%	-6.5%
Operating profit ratio	17.2%	14.8%	15.5%	13.3%	12.3%	14.9%			
<b>Medical System</b>									
External customers	88,526	220,150	434,985	94,630	211,655	449,000	+6.9%	-3.9%	+3.2%
Intersegment	91	222	1,202	58	98	1,000	-36.3%	-55.9%	-16.8%
Total sales	88,617	220,372	436,187	94,688	211,753	450,000	+6.9%	-3.9%	+3.2%
Operating profit	172	10,068	22,505	1,939	12,446	27,000	+1,027.3%	+23.6%	+20.0%
Operating profit ratio	0.2%	4.6%	5.2%	2.0%	5.9%	6.0%			
<b>Industry &amp; Others</b>									
External customers	151,201	293,301	645,758	174,371	339,276	673,600	+15.3%	+15.7%	+4.3%
Intersegment	21,282	41,642	85,946	25,847	49,490	96,400	+21.5%	+18.8%	+12.2%
Total sales	172,483	334,943	731,704	200,218	388,766	770,000	+16.1%	+16.1%	+5.2%
Operating profit	13,151	21,858	56,788	24,320	42,918	65,000	+84.9%	+96.3%	+14.5%
Operating profit ratio	7.6%	6.5%	7.8%	12.1%	11.0%	8.4%			
<b>Corporate &amp; Eliminations</b>									
External customers	-	-	-	-	-	-	-	-	-
Intersegment	-21,972	-43,230	-89,992	-26,718	-51,140	-100,000	-	-	-
Total sales	-21,972	-43,230	-89,992	-26,718	-51,140	-100,000	-	-	-
Operating profit	-23,854	-53,931	-114,249	-24,925	-54,697	-111,000	-	-	-
Operating profit ratio									
<b>Consolidated</b>									
External customers	992,473	1,965,234	4,080,015	1,006,387	1,967,099	4,120,000	+1.4%	+0.1%	+1.0%
Intersegment	-	-	-	-	-	-	-	-	-
Total sales	992,473	1,965,234	4,080,015	1,006,387	1,967,099	4,120,000	+1.4%	+0.1%	+1.0%
Operating profit	93,832	167,022	321,605	97,963	175,046	378,500	+4.4%	+4.8%	+17.7%
Operating profit ratio	9.5%	8.5%	7.9%	9.7%	8.9%	9.2%			

## 2. Other Income

(Millions of yen)

	FY 2017			FY 2018			Amount Change Y/Y		
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	Full Year Projection	2Q Actual	1st Half Actual	Full Year
Interest and dividend, net	1,581	2,612	5,194	1,386	3,081	3,300	-195	+469	-1,894
FX gain (loss)	-2,254	-3,465	-9,775	-116	297	-2,900	+2,138	+3,762	+6,875
Equity earnings of affiliated cos.	197	709	1,196	627	924	1,100	+430	+215	-96
Other, net	6,200	10,688	35,664	10,261	16,532	30,000	+4,061	+5,844	-5,664
Total	5,724	10,544	32,279	12,158	20,834	31,500	+6,434	+10,290	-779

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.

### 3. Net Sales by Region & Business Unit

(Millions of yen)

	FY 2017			FY 2018			% Change Y/Y		
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	Full Year Projection	2Q Actual	1st Half Actual	Full Year
<b>Japan</b>									
Office	95,362	189,416	381,475	94,873	193,499	-	-0.5%	+2.2%	-
Imaging System	41,287	73,898	174,944	34,892	63,293	-	-15.5%	-14.4%	-
Medical System	40,249	110,390	190,276	38,387	94,405	-	-4.6%	-14.5%	-
Industry & Others	33,999	67,760	138,133	35,362	77,257	-	+4.0%	+14.0%	-
Total	210,897	441,464	884,828	203,514	428,454	902,600	-3.5%	-2.9%	+2.0%
<b>Overseas</b>									
Office	374,816	737,899	1,482,213	382,151	740,665	-	+2.0%	+0.4%	-
Imaging System	241,281	450,570	960,640	225,470	418,711	-	-6.6%	-7.1%	-
Medical System	48,277	109,760	244,709	56,243	117,250	-	+16.5%	+6.8%	-
Industry & Others	117,202	225,541	507,625	139,009	262,019	-	+18.6%	+16.2%	-
Total	781,576	1,523,770	3,195,187	802,873	1,538,645	3,217,400	+2.7%	+1.0%	+0.7%
<b>Americas</b>									
Office	151,391	297,730	602,376	150,818	289,907	-	-0.4%	-2.6%	-
Imaging System	81,150	147,261	316,756	71,022	128,089	-	-12.5%	-13.0%	-
Medical System	20,342	44,486	102,131	22,619	44,987	-	+11.2%	+1.1%	-
Industry & Others	21,390	40,669	86,252	27,491	48,578	-	+28.5%	+19.4%	-
Total	274,273	530,146	1,107,515	271,950	511,561	1,116,900	-0.8%	-3.5%	+0.8%
<b>Europe</b>									
Office	149,083	290,087	580,825	151,932	296,124	-	+1.9%	+2.1%	-
Imaging System	74,812	141,368	301,906	71,059	134,521	-	-5.0%	-4.8%	-
Medical System	15,830	34,119	80,035	15,810	38,816	-	-0.1%	+13.8%	-
Industry & Others	14,258	29,981	65,649	19,957	37,146	-	+40.0%	+23.9%	-
Total	253,983	495,555	1,028,415	258,758	506,607	1,053,300	+1.9%	+2.2%	+2.4%
<b>Asia &amp; Oceania</b>									
Office	74,342	150,082	299,012	79,401	154,634	-	+6.8%	+3.0%	-
Imaging System	85,319	161,941	341,978	83,389	156,101	-	-2.3%	-3.6%	-
Medical System	12,105	31,155	62,543	17,814	33,447	-	+47.2%	+7.4%	-
Industry & Others	81,554	154,891	355,724	91,561	176,295	-	+12.3%	+13.8%	-
Total	253,320	498,069	1,059,257	272,165	520,477	1,047,200	+7.4%	+4.5%	-1.1%
<b>Intersegment</b>									
Office	479	1,087	2,240	674	1,256	-	+40.7%	+15.5%	-
Imaging System	120	279	604	139	296	-	+15.8%	+6.1%	-
Medical System	91	222	1,202	58	98	-	-36.3%	-55.9%	-
Industry & Others	21,282	41,642	85,946	25,847	49,490	-	+21.5%	+18.8%	-
Eliminations	-21,972	-43,230	-89,992	-26,718	-51,140	-	-	-	-
Total	0	0	0	0	0	0	-	-	-
<b>Total</b>									
Office	470,657	928,402	1,865,928	477,698	935,420	-	+1.5%	+0.8%	-
Imaging System	282,688	524,747	1,136,188	260,501	482,300	-	-7.8%	-8.1%	-
Medical System	88,617	220,372	436,187	94,688	211,753	-	+6.9%	-3.9%	-
Industry & Others	172,483	334,943	731,704	200,218	388,766	-	+16.1%	+16.1%	-
Eliminations	-21,972	-43,230	-89,992	-26,718	-51,140	-	-	-	-
Total	992,473	1,965,234	4,080,015	1,006,387	1,967,099	4,120,000	+1.4%	+0.1%	+1.0%

### 4. Statements of Cash Flows

(Millions of yen)

	FY 2017			FY 2018			Amount Change Y/Y		
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	Full Year Projection	2Q Actual	1st Half Actual	Full Year
Net cash provided by operating activities	141,685	309,106	590,557	122,710	164,853	540,000	-18,975	-144,253	-50,557
Net cash used in investing activities	-57,742	-107,838	-165,010	-39,824	-89,745	-310,000	+17,918	+18,093	-144,990
Free cash flow	83,943	201,268	425,547	82,886	75,108	230,000	-1,057	-126,160	-195,547
Net cash provided by (used in) financing activities	-51,669	-135,115	-340,464	-48,755	-144,476	-333,800	+2,914	-9,361	+6,664
Effect of exchange rate changes on cash and cash equivalents	6,898	-2,520	6,538	2,656	-14,948	-18,000	-4,242	-12,428	-24,538
Net change in cash and cash equivalents	39,172	63,633	91,621	36,787	-84,316	-121,800	-2,385	-147,949	-213,421
Cash and cash equivalents at end of period	693,826	693,826	721,814	637,498	637,498	600,000	-56,328	-56,328	-121,814

## 5. Foreign Exchange Rate Impact

### (1) Exchange rates

(Yen)

	FY 2017			FY 2018			
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	2nd Half Projection	Full Year Projection
USD/Yen	111.12	112.27	112.13	109.14	108.61	110.00	109.34
EUR/Yen	122.36	121.72	126.69	129.97	131.45	130.00	130.71

### (2) Amount of impact on net sales (Year over Year)

(Billions of yen)

	FY 2018		
	2Q Actual	1st Half Actual	Full Year Projection
USD	-3.8	-19.7	-33.4
EUR	+12.7	+31.8	+25.6
Other currencies	+2.7	+3.7	+3.2
Total	+11.6	+15.8	-4.6

### (3) Impact of foreign exchange rate per yen

(Billions of yen)

	FY 2018
	2nd Half Projection
On sales	
USD	7.5
EUR	3.4
On operating Profit	
USD	2.7
EUR	1.6

## 6. Sales Growth on a Local Currency Basis (Year over Year)

	FY 2018		
	2Q Actual	1st Half Actual	Full Year Projection
<b>Office</b>			
Japan	-0.5%	+2.2%	-
Overseas	+0.2%	-0.6%	-
Total	+0.1%	0.0%	+2.0%
<b>Imaging System</b>			
Japan	-15.5%	-14.4%	-
Overseas	-8.5%	-8.7%	-
Total	-9.5%	-9.4%	-3.3%
<b>Medical System</b>			
Japan	-4.6%	-14.5%	-
Overseas	+16.5%	+6.1%	-
Total	+6.9%	-4.3%	+3.2%
<b>Industry &amp; Others</b>			
Japan	+4.0%	+14.0%	-
Overseas	+18.2%	+15.9%	-
Total	+15.8%	+15.9%	+5.4%
<b>Total</b>			
Japan	-3.5%	-2.9%	-
Overseas	+1.2%	-0.1%	-
Americas	-0.3%	-1.1%	-
Europe	-2.9%	-3.7%	-
Asia and Oceania	+7.1%	+4.8%	-
Total	+0.2%	-0.7%	+1.1%

## 7. R&D Expenditure / Capex / Depreciation & Amoritzation

(Millions of yen)

	FY 2017			FY 2018		
	2Q Actual	1st Half Actual	Full Year Actual	2Q Actual	1st Half Actual	Full Year Projection
<b>R&amp;D Expenditure</b>						
Office	22,808	45,056	91,763	23,079	47,846	-
Imaging System	23,054	44,892	91,784	21,008	41,041	-
Medical System	7,436	18,612	36,210	9,391	19,301	-
Industry and Others	15,835	32,012	68,131	17,517	33,311	-
Corporate & Eliminations	12,194	22,849	45,483	5,239	13,655	-
Total	81,327	163,421	333,371	76,234	155,154	330,000
% of Net Sales	8.2%	8.3%	8.2%	7.6%	7.9%	8.0%
<b>Capex</b>	37,191	68,829	147,542	42,073	75,066	190,000
<b>Depreciation &amp; Amoritzation</b>	64,476	126,615	261,881	61,005	121,542	245,000

## 8. Other Financial Data

	FY 2017		FY 2018	
	1st Half Actual	Full Year Actual	1st Half Actual	Full Year Projection
<b>ROE *</b>	8.9%	8.6%	9.5%	9.6%
<b>ROA *</b>	4.8%	4.7%	5.3%	5.4%
<b>EPS - Basic (Yen)</b>	113.98	222.88	124.83	259.32
<b>EPS - Diluted (Yen)</b>	113.98	222.88	124.82	259.31

	FY 2017	FY 2018
	Dec. 31	Jun. 30
<b>Debt Ratio</b>	10.2%	9.6%
<b>Number of Employees</b>		
Japan	73,665	74,450
Overseas	124,111	125,742
Total	197,776	200,192
<b>Domestic Production Ratio</b>	62%	62%

\* Based on Net Income attributable to Canon Inc.

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.