
Canon Inc.

Third Quarter 2019 Results

October 28, 2019
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Agenda

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(3Q 2019 Results & FY 2019 Projection)
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Key Message

(3Q 2019 Results)

Slowed pace of sales and profit decline compared with the first half thanks to new products and new business growth, despite more challenging external environment

External environment

- Global economic slowdown due to prolonged U.S.-China trade friction

Business performance

- Sales and profit decline affected by deterioration of macro environment
- However, sales of new products in line with plan and steadily gaining market share
- Strong growth of new businesses
- Slowed pace of sales and profit decline compared with the first half

(Billions of yen)	3Q 2019 Actual	3Q 2018 Actual	% Change
Net Sales	869.5	926.5	-6.2%
Gross Profit (% of Net Sales)	389.9 44.8%	427.0 46.1%	-8.7%
Op. Expenses	351.5	358.7	
Op. Profit (% of Net Sales)	38.4 4.4%	68.3 7.4%	-43.7%
IBT	47.0	67.1	-29.9%
Net Income (% of Net Sales)	26.5 3.1%	46.3 5.0%	-42.7%
USD	107.32	111.47	
EURO	119.27	129.63	

FY 2019 Financial Results by Business Unit

(3Q 2019 Actual versus 3Q 2018 Actual)

- Office and Imaging System sales and profit decline affected by macro environment
- New medical business sales and profit increase thanks to new products

(Billions of yen)		3Q 2019 Actual	3Q 2018 Actual	% Change
Office	Net Sales	413.8	430.4	-3.9%
	Op. Profit	40.3	47.6	-15.4%
Imaging System	Net Sales	189.2	219.7	-13.9%
	Op. Profit	10.1	23.3	-56.8%
Medical	Net Sales	113.9	107.6	+5.9%
	Op. Profit	9.0	7.9	+14.6%
Industry & Others	Net Sales	176.2	196.9	-10.5%
	Op. Profit	2.6	10.5	-75.1%
Corporate & Eliminations	Net Sales	-23.6	-28.1	-
	Op. Profit	-23.6	-21.0	-
Total	Net Sales	869.5	926.5	-6.2%
	Op. Profit	38.4	68.3	-43.7%

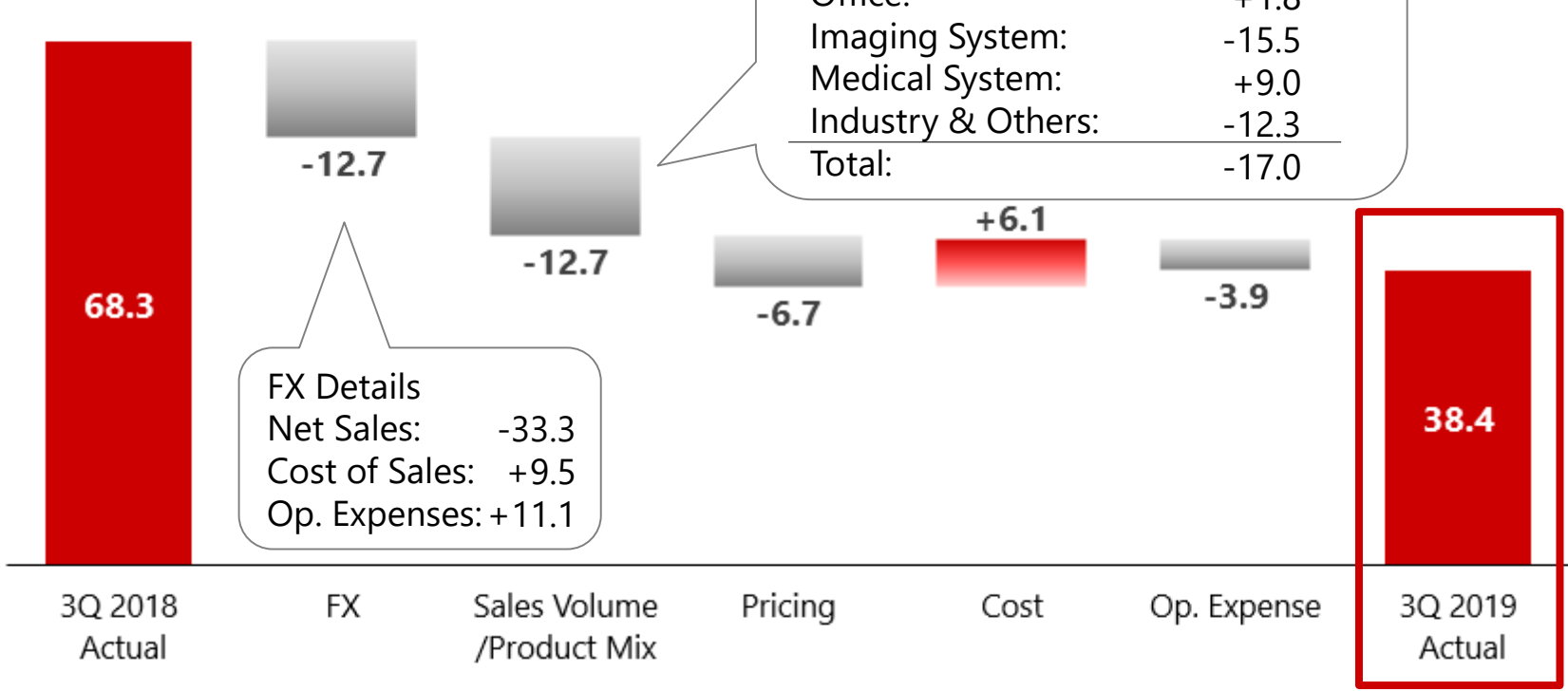
Note: 2018 results for businesses such as broadcast equipment and cinema-use video cameras that were included in Imaging System were reclassified to Industry & Others.

FY 2019 Operating Profit Analysis

(3Q 2019 Actual versus 3Q 2018 Actual)

- Impact from appreciation of the yen against not only the U.S. dollar and euro, but also currencies of emerging market countries
- Changes in sales volume resulted in lower sales despite medical and network camera sales growth and due to impact of deterioration of external environment on other businesses

(Billions of yen)



Change in Net Sales, excluding FX impact, for reference

Office:	+1.8
Imaging System:	-15.5
Medical System:	+9.0
Industry & Others:	-12.3
Total:	-17.0

FX Details

Net Sales:	-33.3
Cost of Sales:	+9.5
Op. Expenses:	+11.1

Key Message

(FY 2019 Projection)

FX Assumptions

	4Q 2019	FY 2019	Impact of exchange rate movement (4Q impact given a one yen change)	
			Net Sales	Op. Profit
USD/Yen	105.00 yen	107.99 yen	3.5 billion yen	1.4 billion yen
EUR/Yen	117.00 yen	121.07 yen	1.7 billion yen	0.9 billion yen

External Environment

- Prolonged trade friction and uncertainty surrounding Europe and the Middle East indicating further slowdown of global economy

FY 2019 Outlook

- Lowered projection due to further deterioration of external environment
- However, MFD solid thanks to new products, new businesses healthy expansion, also seeing signs of industrial equipment market bottoming out

FY 2019 Financial Projection

(Full Year)

- Sales and profit decline due to yen appreciation and deterioration of macro environment
- Lowered projection for net sales and operating profit by 120.0 billion yen and 27.0 billion yen

(Billions of yen)	FY 2019 Current Projection	FY 2018 Actual	% Change	FY 2019 Previous Projection	Amount Change
Net Sales	3,625.0	3,951.9	-8.3%	3,745.0	-120.0
Gross Profit (% of Net Sales)	1,623.0 44.8%	1,835.6 46.4%	-11.6%	1,681.8 44.9%	-58.8
Op. Expenses	1,435.0	1,492.6		1,466.8	+31.8
Op. Profit (% of Net Sales)	188.0 5.2%	343.0 8.7%	-45.2%	215.0 5.7%	-27.0
IBT	216.0	362.9	-40.5%	240.0	-24.0
Net Income (% of Net Sales)	140.0 3.9%	252.8 6.4%	-44.6%	160.0 4.3%	-20.0
USD	107.99	110.43		107.37	
EURO	121.07	130.29		122.05	

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

(Full Year)

- Significant sales decline of laser printers and cameras affected by external environment
- Medical and network camera sales and profit growth as well as steady improvement in profitability

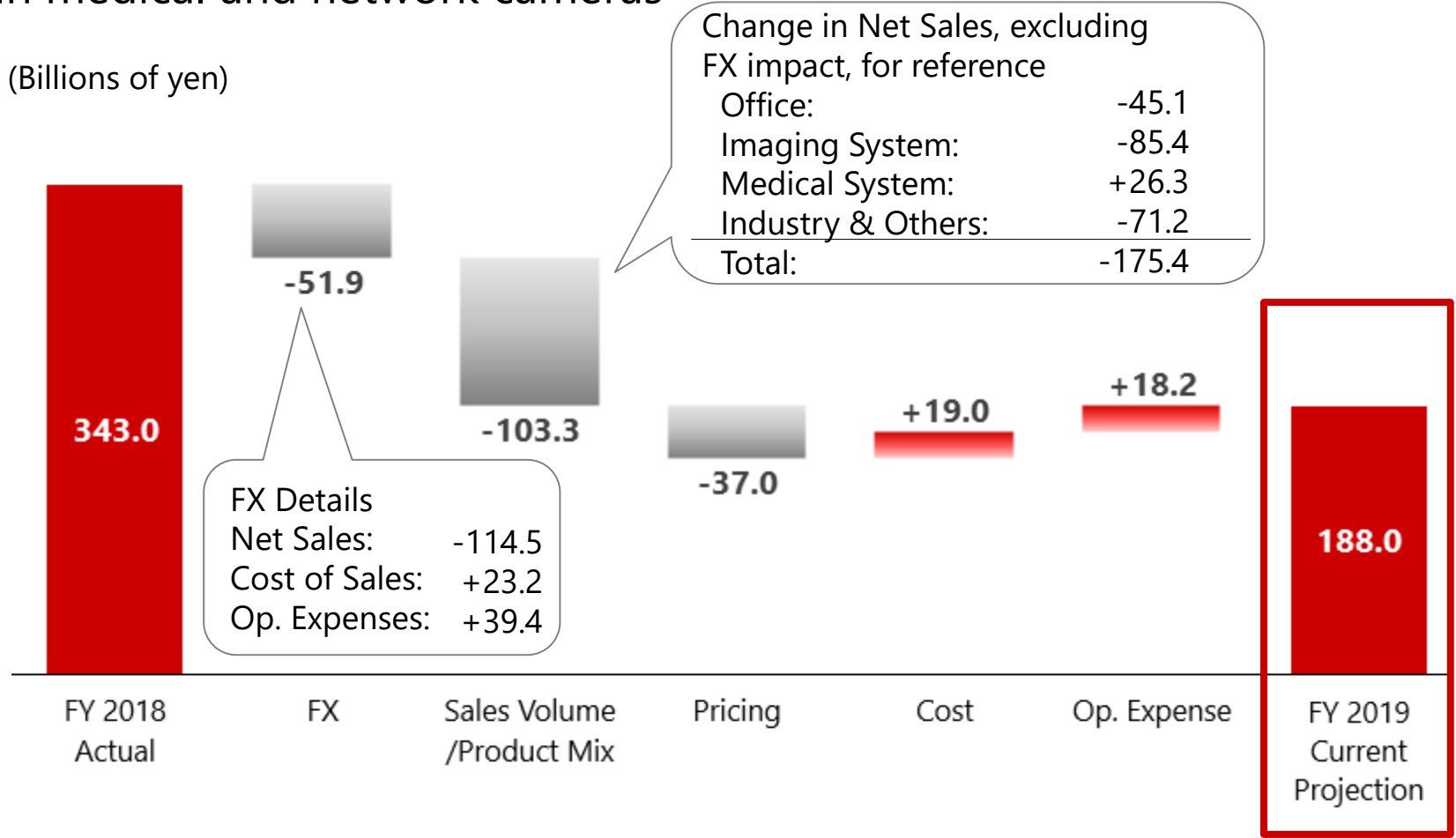
(Billions of yen)		FY 2019 Current Projection	FY 2018 Actual	% Change	FY 2019 Previous Projection	Amount Change
Office	Net Sales	1,699.0	1,807.3	-6.0%	1,746.0	-47.0
	Op. Profit	172.0	220.8	-22.1%	192.4	-20.4
Imaging System	Net Sales	822.0	970.4	-15.3%	865.0	-43.0
	Op. Profit	50.8	126.7	-59.9%	63.0	-12.2
Medical System	Net Sales	452.0	437.6	+3.3%	469.0	-17.0
	Op. Profit	30.5	28.8	+5.8%	34.8	-4.3
Industry & Others	Net Sales	748.0	842.9	-11.3%	769.6	-21.6
	Op. Profit	20.4	55.7	-63.4%	19.0	+1.4
Corporate & Eliminations	Net Sales	-96.0	-106.3	-	-104.6	+8.6
	Op. Profit	-85.7	-89.0	-	-94.2	+8.5
Total	Net Sales	3,625.0	3,951.9	-8.3%	3,745.0	-120.0
	Op. Profit	188.0	343.0	-45.2%	215.0	-27.0

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)

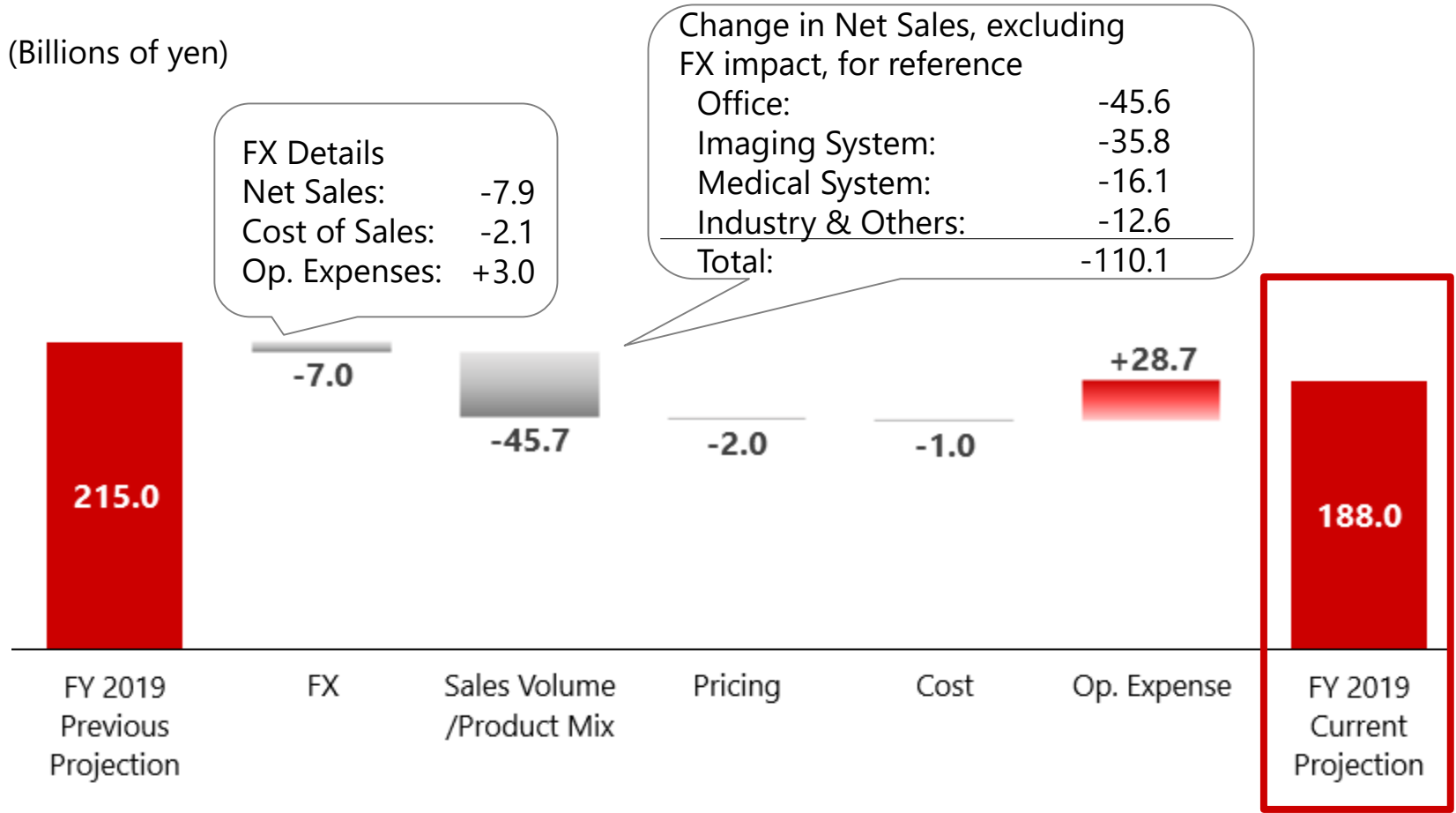
- Sales and profit significantly affected by yen appreciation
- Changes in sales volume expected to result in lower sales, due to declining sales of laser printers, cameras and industrial equipment, and despite growth in medical and network cameras



FY 2019 Operating Profit Analysis

(FY 2019 Current Projection versus FY 2019 Previous Projection)

- Lowered outlook for sales volume due to deterioration of macro environment
- Work to improve expenses through comprehensive review



Office – MFDs

- Following first half, launch strategic production model for high-volume printing in second half
- Gain market share through new color MFDs and production devices

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	153.4	161.2	-4.9%	648.8	684.3	-5.2%	666.0	-17.2
LPs	155.1	169.5	-8.5%	623.5	706.5	-11.7%	654.3	-30.8
Others	105.3	99.7	+5.6%	426.7	416.5	+2.4%	425.7	+1.0
Net Sales	413.8	430.4	-3.9%	1,699.0	1,807.3	-6.0%	1,746.0	-47.0
Op. Profit	40.3	47.6	-15.4%	172.0	220.8	-22.1%	192.4	-20.4
(% of Net Sales)	9.7%	11.1%		10.1%	12.2%		11.0%	

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

	3Q Actual	Full year Projection
MFDs	-0.6%	-1.8%
LPs	-5.0%	-9.4%
Others	+9.6%	+5.7%
Total	+0.0%	-3.0%

2019 Unit Growth Rate Y/Y

MFDs	3Q Actual	Full year Projection
Monochrome	-8%	-3%
Color	+5%	+5%
Total	-1%	+2%



Production equipment for in-house production printing
imagePRESS C165

Office – Laser Printers

- Third quarter consumable sales declined mainly affected by economic slowdown in Europe
- While printer hardware sales declined due to emerging market weakness, sales of new medium- and high-speed models grew

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	153.4	161.2	-4.9%	648.8	684.3	-5.2%	666.0	-17.2
LPs	155.1	169.5	-8.5%	623.5	706.5	-11.7%	654.3	-30.8
Others	105.3	99.7	+5.6%	426.7	416.5	+2.4%	425.7	+1.0
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Op. Profit	40.3	47.6	-15.4%	172.0	220.8	-22.1%	192.4	-20.4
(% of Net Sales)	9.7%	11.1%		10.1%	12.2%		11.0%	

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

	3Q Actual	Full year Projection
MFDs	-0.6%	-1.8%
LPs	-5.0%	-9.4%
Others	+9.6%	+5.7%
Total	+0.0%	-3.0%

2019 Unit Growth Rate Y/Y

LPs	3Q Actual	Full year Projection
Monochrome	-12%	-13%
Color	+9%	+3%
Total	-8%	-10%

Office – Others

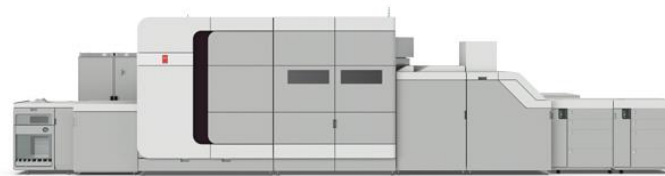
- Also in third quarter, expanded sales of mainly new products that have advantage in handling broad range of media
- Accelerate sales of new products, strengthening sales network of dealers

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
MFDs	153.4	161.2	-4.9%	648.8	684.3	-5.2%	666.0	-17.2
LPs	155.1	169.5	-8.5%	623.5	706.5	-11.7%	654.3	-30.8
Others	105.3	99.7	+5.6%	426.7	416.5	+2.4%	425.7	+1.0
Net Sales	413.8	430.4	-3.9%	1,699.0	1,807.3	-6.0%	1,746.0	-47.0
Op. Profit	40.3	47.6	-15.4%	172.0	220.8	-22.1%	192.4	-20.4
(% of Net Sales)	9.7%	11.1%		10.1%	12.2%		11.0%	

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

	3Q Actual	Full year Projection
MFDs	-0.6%	-1.8%
LPs	-5.0%	-9.4%
Others	+9.6%	+5.7%
Total	+0.0%	-3.0%



High-speed cut sheet inkjet printer

VarioPrint i-series+



Wide-format printer

Colorado 1650

Imaging System – Cameras

- Sales decline due to market contraction and intensifying price competition
- Accelerate sales of higher-end products through lens lineup enhancement and further strengthening of sales promotion activities

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Cameras	108.6	129.6	-16.3%	474.7	594.9	-20.2%	497.3	-22.6
IJPs	68.5	77.0	-11.1%	292.2	320.2	-8.7%	309.5	-17.3
Others	12.1	13.1	-6.9%	55.1	55.3	-0.4%	58.2	-3.1
Net Sales	189.2	219.7	-13.9%	822.0	970.4	-15.3%	865.0	-43.0
Op. Profit	10.1	23.3	-56.8%	50.8	126.7	-59.9%	63.0	-12.2
(% of Net Sales)	5.3%	10.6%		6.2%	13.1%		7.3%	

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)

	3Q Actual	Full year Projection
Cameras	-11.5%	-16.4%
IJPs	-7.0%	-5.3%
Total	-9.4%	-11.6%

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

	3Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	0.98	-7%	4.20	-17%
DCs	0.66	-8%	2.60	-18%



Full-frame mirrorless cameras

EOS R

EOS RP

Imaging System – Inkjet Printers

- Sluggish refillable ink tank printer sales affected by economic slowdown in emerging market countries
- Stimulate demand for home printing through renewed lineup of ink cartridge models

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Cameras	108.6	129.6	-16.3%	474.7	594.9	-20.2%	497.3	-22.6
IJPs	68.5	77.0	-11.1%	292.2	320.2	-8.7%	309.5	-17.3
Others	12.1	13.1	-6.9%	55.1	55.3	-0.4%	58.2	-3.1
Net Sales	189.2	219.7	-13.9%	822.0	970.4	-15.3%	865.0	-43.0
Op. Profit	10.1	23.3	-56.8%	50.8	126.7	-59.9%	63.0	-12.2
(% of Net Sales)	5.3%	10.6%		6.2%	13.1%		7.3%	

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)

2019 Unit Growth Rate Y/Y

	3Q Actual	Full year Projection
Cameras	-11.5%	-16.4%
IJPs	-7.0%	-5.3%
Total	-9.4%	-11.6%

	3Q Actual	Full year Projection
IJPs	-8%	-7%



Ink cartridge printers

TS Series

Medical System

- Sales and profit growth in the third quarter and for the full year thanks to string of new products
- Work to overcome challenging external environment and improve performance

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Net Sales	113.9	107.6	+5.9%	452.0	437.6	+3.3%	469.0	-17.0
Op. Profit (% of Net Sales)	9.0 7.9%	7.9 7.3%	+14.6%	30.5 6.7%	28.8 6.6%	+5.8%	34.8 7.4%	-4.3

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

	3Q Actual	Full year Projection
Total	+8.3%	+6.0%



CT
**Aquilion ONE/
GENESIS EDITION**



MRI
Vantage Centurian

Industry & Others

- Sales of lithography equipment declined, but memory market showing signs of bottoming out
- Shift to sales growth from second half thanks to recovery in OLED vacuum deposition equipment demand
- Maintain network camera growth, leveraging strengths in high-resolution and high low-light sensitivity

(Billions of yen)

	3Q			Full Year				
	2019 Actual	2018 Actual	% Change	2019 Current Projection	2018 Actual	% Change	2019 Previous Projection	Amount Change
Litho. Equip.	32.3	44.3	-27.0%	159.4	199.8	-20.2%	163.1	-3.7
Others	143.9	152.6	-5.7%	588.6	643.1	-8.5%	606.5	-17.9
Net Sales	176.2	196.9	-10.5%	748.0	842.9	-11.3%	769.6	-21.6
Op. Profit	2.6	10.5	-75.1%	20.4	55.7	-63.4%	19.0	+1.4
(% of Net Sales)	1.5%	5.3%		2.7%	6.6%		2.5%	

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)

	3Q Actual	Full year Projection
Litho. Equip.	-26.3%	-19.7%
Others	-3.3%	-6.6%
Total	-8.5%	-9.7%

Lithography Equipment (Units)

	3Q 2019 Actual	3Q 2018 Actual	Full year Projection	FY 2018 Actual
IC	22	25	86	114
FPD	10	15	51	69

Inventory

- Imaging System - Work to lower inventory level towards end of year
- Industry & Others - Building up inventory for future sales expansion

(Billions of yen)		FY 2018				FY 2019		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Office	Amt.	207.5	209.9	224.6	206.1	215.2	205.8	201.1
	Days	41	42	46	42	44	44	44
Imaging System	Amt.	140.5	145.2	173.8	139.6	156.2	151.6	156.9
	Days	47	57	67	50	62	73	73
Medical System	Amt.	80.4	86.0	89.3	90.6	93.8	93.0	92.3
	Days	66	74	80	73	75	79	77
Industry & Others	Amt.	160.1	158.3	172.7	175.0	185.7	180.7	184.0
	Days	73	75	86	91	101	103	105
Total	Amt.	588.5	599.4	660.4	611.3	650.9	631.1	634.3
	Days	52	56	62	56	62	65	65

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)

- Lowered outlook for free cash flow, but still secure a level of acceptable liquidity

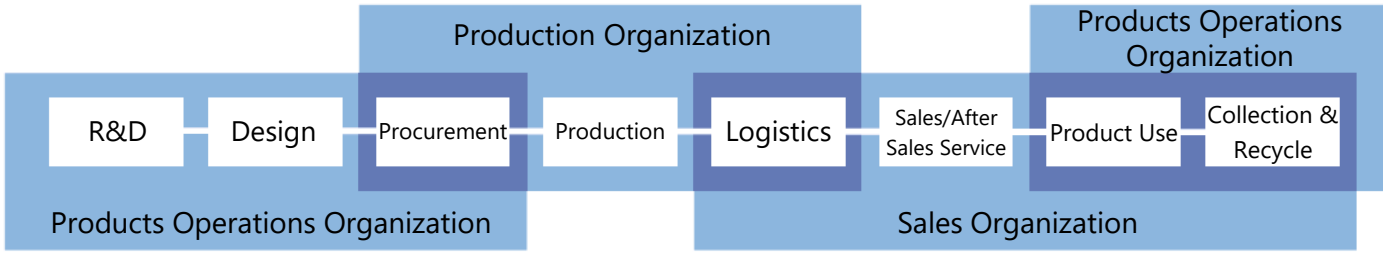
(Billions of yen)	FY 2019 Current Projection	FY 2019 Previous Projection	FY 2018 Actual
Net cash provided by operating activities	380.0	450.0	365.3
Net cash used in investing activities	-220.0	-240.0	-195.6
Free cash flow	160.0	210.0	169.7
Net cash provided by (used in) financing activities	-225.0	-230.0	-354.9
Effect of exchange rate changes on cash and cash equivalents	-15.6	-10.6	-16.0
Net change in cash and cash equivalents	-80.6	-30.6	-201.2
Cash and cash equivalents at end of period	440.0	490.0	520.6
Cash-on-hand (In months of Net sales)	1.4	1.5	1.6
Capital expenditure	165.0	165.0	159.3
Depreciation	230.0	230.0	251.6

Sustainability Measures Activities & Results in Environmental Area

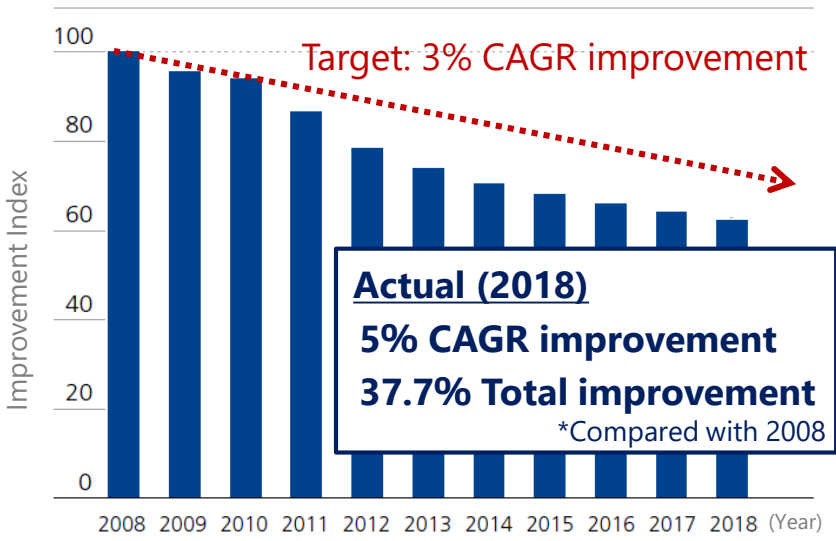
- Achievement of Medium-term Environmental Targets
 - ✓ Improvement Index: Lifecycle CO2 emissions per product (3% CAGR improvement)
 - ✓ Coverage: Entire product lifecycle

50% Total Improvement by 2030

*Compared with 2008



✓ Progress



* Indexed to 2008 = 100

✓ Main Measures

Energy Saving

CO2 emission when in use
50% Reduction
Compared to previous models

Compact/Lightweight

Approx. 9.2 kg (MG6230) → Approx. 6.5 kg (TS8030)

Volume Assm. **44% Reduction**
Mass Assm. **29% Reduction**

Recycle

Canon Automated Recycling System for Toner Cartridges (CARS-T)

CO2 emission when in use
47% Reduction
Compared to previous models

Renewable Energy*

Use renewable energy, especially in Europe

*Share of Energy from Renewable Sources in Electric Power Consumption (Europe)

Solar Power, Geothermal Power, Wind Power, Hydropower



Supplementary Information

Net Sales Growth Rate of Hardware & Non-hardware

		FY 2019		FY 2018	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
MFDs					
JPY	Hardware	-4%	-5%	-3%	-1%
	Non-hardware	-6%	-6%	-1%	-1%
LC	Hardware	+1%	-1%	-3%	-2%
	Non-hardware	-2%	-2%	-1%	-2%
LPs					
JPY	Hardware	-2%	-7%	+1%	+1%
	Non-hardware	-13%	-15%	+1%	-1%
LC	Hardware	+2%	-5%	+1%	+1%
	Non-hardware	-9%	-12%	+1%	-1%
IJPs					
JPY	Hardware	-13%	-6%	+4%	-3%
	Non-hardware	-10%	-10%	-5%	-5%
LC	Hardware	-9%	-2%	+5%	-3%
	Non-hardware	-6%	-7%	-4%	-5%

Color Ratio (MFDs & LPs)

		FY 2019		FY 2018	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
MFDs	Net Sales	59%	60%	58%	59%
	QTY	60%	59%	56%	58%
LPs	Net Sales	52%	52%	52%	51%
	QTY	23%	21%	19%	18%

Sales Growth by Monochrome & Color MFDs

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

Interchangeable Lens Digital Camera Ratio

	FY 2019		FY 2018	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
Value Base	84%	85%	85%	85%
Unit Base	60%	62%	60%	61%

* Value Base Includes Interchangeable Lenses

IC Lithography Equipment Unit Breakdown by Light Source (Units)

	FY 2019		FY 2018	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
KrF	1	22	6	32
i-Line	21	64	19	82
Total	22	86	25	114