

CANON INC  
Form 6-K  
October 24, 2017

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of . **October** , **2017** ,

**CANON INC.**

(Translation of registrant's name into English)

30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F            Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes      No     

[If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-.....

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CANON INC.**  
(Registrant)

Date . **October 24, 2017**

By /s/ Eiji Shimizu  
(Signature)\*

Eiji Shimizu  
General Manager  
Consolidated Accounting Div.  
Canon Inc.

\*Print the name and title of the signing officer under his signature.

The following materials are included.

1. RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2017

**CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND**  
**THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

October 24, 2017

**CONSOLIDATED RESULTS FOR THE THIRD QUARTER**

(Millions of yen, thousands of U.S. dollars, except per share amounts)

|  | Actual   |   |           |   |  |
|--|--|---|-----------|---|--|
|  | Three months<br>ended<br>September<br>30, 2017 | Three months<br>ended<br>September 30, 2016 | Change(%) | Three months<br>ended<br>September 30, 2017 |  |
| Sales  | ¥ 994,490                                      | ¥ 778,838                                   | + 27.7    | \$ 8,800,796                                |  |
| Operating profit   | 80,459   | 40,015                                      | + 101.1   | 712,027                                     |  |
| Income before income taxes                                       | 87,801   | 45,263                                      | + 94.0    | 777,000                                     |  |
| Income attributable  |  |   |           |   |  |
| to Canon Inc.  | ¥ 63,051                                       | ¥ 24,381                                    | + 158.6   | \$ 557,973                                  |  |
| <b>Income attributable to Canon Inc. shareholders per share:</b> |  |   |           |   |  |
| Basic  | ¥ 58.39  | ¥ 22.33                                     | + 161.5   | \$ 0.52                                     |  |
| Diluted  | 58.39  | 22.33                                       | + 161.5   | 0.52  |  |

**CONSOLIDATED RESULTS FOR THE NINE MONTHS**

(Millions of yen, thousands of U.S. dollars, except per share amounts)

|  | Actual                                     |  |           |   | Projected                           |        |
|--|--|--|-----------|---|-------------------------------------|--------|
|  | Nine months<br>ended<br>September 30, 2017 | Nine months<br>ended<br>September 30, 2016 | Change(%) | Nine months<br>ended<br>September 30,<br>2017 | Year ending<br>December 31,<br>2017 | Change |
| Sales  | ¥ 2,959,724                                | ¥ 2,436,314                                | + 21.5    | \$ 26,192,248                                 | ¥ 4,080,000                         | + 19   |
| Operating profit   | 252,443                                    | 148,698                                    | + 69.8    | 2,234,009                                     | 350,000                             | + 52   |
| Income before income taxes                                       | 265,367                                    | 172,016                                    | + 54.3    | 2,348,381                                     | 365,000                             | + 49   |
| Income attributable  |  |  |           |   |                                     |        |
| to Canon Inc.  | ¥ 187,320                                  | ¥ 105,820                                  | + 77.0    | \$ 1,657,699                                  | ¥ 245,000                           | + 62   |
| <b>Income attributable to Canon Inc. shareholders per share:</b> |  |  |           |   |                                     |        |
| Basic  | ¥ 172.30                                   | ¥ 96.90                                    | + 77.8    | \$ 1.52                                       | ¥ 225.71                            | + 63   |

|      |        |       |   |      |      |   |
|------|--------|-------|---|------|------|---|
| uted | 172.30 | 96.90 | + | 77.8 | 1.52 | - |
|------|--------|-------|---|------|------|---|

|                             | Actual                         |                            |           |     |                             |  |
|-----------------------------|--------------------------------|----------------------------|-----------|-----|-----------------------------|--|
|                             | As of<br>September 30,<br>2017 | As of<br>December 31, 2016 | Change(%) |     | As of<br>September 30, 2017 |  |
| l assets                    | ¥ 5,185,937                    | ¥ 5,138,529                | +         | 0.9 | \$ 45,893,248               |  |
| on Inc. shareholders equity | ¥ 2,792,601                    | ¥ 2,783,129                | +         | 0.3 | \$ 24,713,283               |  |

- Notes: 1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. U.S. dollar amounts are translated from yen at the rate of JPY113=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 29, 2017, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

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Tokyo 146-8501, Japan  
Phone: +81-3-3758-2111

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## I. Operating Results and Financial Conditions

### 2017 Third Quarter in Review

Looking back at the global economy in the third quarter of 2017, the U.S. economy continued to grow steadily as employment conditions continued to improve and consumer spending was stable. In Europe, unemployment rate decreased and capital investment showed signs of recovery mainly in such developed countries as Germany. The Chinese economy rallied due to public investments and the economies of emerging countries continued to realize moderate growth due to strong exports. In Japan, corporate earnings improved and consumer spending showed signs of recovery. As a result, the global economy overall continued to realize moderate growth.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) overall remained at around the same level as the previous year amid the increase in demand for color models, while demand for laser printers continued to recover in emerging countries, centered on China, as the economy recovered. Demand for cameras shrank moderately, while demand for inkjet printers remained at the same level as the previous year. Additionally, there was solid demand for medical equipment, mainly in developed countries. Within the Industry and Others sector, demand for flat panel display (FPD) lithography equipment and manufacturing equipment for organic LED (OLED) displays enjoyed strong growth.

The average value of the yen during the third quarter was ¥110.93 against the U.S. dollar, a year-on-year depreciation of approximately ¥9, and ¥130.42 against the euro, a year-on-year depreciation of approximately ¥16. As for the first nine months of the year, the average value of the yen was ¥111.82 against the U.S. dollar, a year-on-year depreciation of approximately ¥4, and ¥124.39 against the euro, a year-on-year depreciation of approximately ¥3.

During the third quarter, unit sales of office MFDs increased compared with the same period of the previous year due to the expanded sales of color models. The sales of laser printers increased compared with the same period of the previous year, supported by the steady sales of high-end models and consumables. While unit sales of interchangeable-lens digital cameras decreased compared with the same period of the previous year, unit sales of digital compact cameras increased, owing to increased sales of high-value-added models and shortages resulting from the Kumamoto earthquake being resolved. Looking at inkjet printers, unit sales increased compared with the same period of the previous year, thanks to such factors as strong sales of newly launched home-use models and refillable ink tank models for emerging countries. Additionally, sales of FPD lithography equipment and manufacturing equipment for OLED displays significantly exceeded those of the previous year, thanks to favorable market conditions, and sales of network cameras increased steadily. Under these conditions, along with the impact of acquiring Toshiba Medical Systems Corporation (TMSC), third-quarter net sales increased by 27.7% year on year to ¥994.5 billion. Net sales for the nine months ended September 30, 2017 increased by 21.5% year on year to ¥2,959.7 billion. The gross profit ratio increased by 0.1 points to 48.5%, and gross profit increased by 28.0% year on year to ¥482.2 billion, thanks to such factors as the increase in sales and continuous cost down efforts. Operating expenses increased by 19.4% year on year to ¥401.8 billion mainly due to the impact of acquiring TMSC. As a result, third-quarter operating profit increased by 101.1% to ¥80.5 billion. Other income (deductions) increased by ¥2.1 billion mainly due to gain on securities contributed to retirement benefit trust and foreign currency exchange losses while income before income taxes increased by 94.0% year on year to ¥87.8 billion and net income attributable to Canon Inc. increased by 158.6% to ¥63.1 billion. Operating profit for the first nine months of the year increased by 69.8% to ¥252.4 billion while income before income taxes increased by 54.3% to ¥265.4 billion and net income attributable to Canon Inc. for the first nine months increased by 77.0% to ¥187.3 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥58.39 for the third quarter, a year-on-year increase of ¥36.06, and ¥172.30 for the first nine months, a year-on-year increase of ¥75.40.



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## Results by Segment

Looking at Canon's third-quarter performance by business unit, beginning with the Office Business Unit, unit sales of office MFDs increased from the same period of the previous year, supported by steady sales of newly launched color A3 (12 x18 ") imageRUNNER ADVANCE C3500-series models and A3 (12 x18 ") imageRUNNER ADVANCE C5500-series models, launched in the previous year. Among high-speed continuous-feed printers, sales of the Océ-produced VarioPrint i300, a high-speed sheet-fed color inkjet press, increased year on year. As for laser printers, sales increased from the same period of the previous year, supported by steady sales of high-end models and significant sales growth in consumables. These factors resulted in total sales for the business unit of ¥444.3 billion, a year-on-year increase of 8.1%, while operating profit totaled ¥42.1 billion, a year-on-year increase of 47.3%. Sales for the combined first nine months of the year totaled ¥1,372.7 billion, a year-on-year increase of 3.8%, while operating profit totaled ¥153.4 billion, a year-on-year increase of 26.9%.

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined compared with the previous year, owing to the shrinking market, unit sales of such newly launched models as EOS 6D Mark II enjoyed solid demand, allowing Canon to maintain the top share in the U.S., Japan, and major countries in Europe. As for digital compact cameras, sales of high-value-added models enjoyed solid demand; supported by healthy demand for the newly launched G9 X Mark II, part of the high-image-quality PowerShot G-series lineup, leading to an increase in unit sales from the same period of the previous year. Additionally, the decline in sales in the previous year due to shortages resulting from the Kumamoto earthquake contributed to the increase in unit sales for this year. As for inkjet printers, the newly designed home-use TS-series and refillable ink tank models that target emerging countries enjoyed strong demand, resulting in unit sales increasing from the same period of the previous year. As a result, sales for the business unit increased by 9.0% to ¥270.5 billion year on year, while operating profit totaled ¥39.2 billion, a year-on-year increase of 31.1%. Sales for the combined first nine months of the year totaled ¥795.3 billion, a year-on-year increase of 3.2%, while operating profit totaled ¥116.9 billion, a year-on-year increase of 26.1%.

Within the Medical System Business Unit, TMSC's computed tomography products maintained the top share in the Japanese market. As for diagnostic ultrasound systems, sales remained firm for the Aplio i-series, which delivers high-resolution imaging. As a result, sales for the business unit totaled ¥112.1 billion, while operating profit totaled ¥7.5 billion. Sales for the combined first nine months of the year totaled ¥332.5 billion while operating profit totaled ¥17.6 billion.

In the Industry and Others Business Unit, unit sales of semiconductor lithography equipment increased from the same period of the previous year as a result of increasing demand for memory devices used in data centers. Additionally, sales of FPD lithography equipment and manufacturing equipment for OLED displays increased significantly in response to continued growing demand for high-definition OLED displays used in mobile devices. As for network cameras, amid the increasing market demand, sales increased considerably compared with the previous year thanks to efforts to strengthen the product lineup. Consequently, sales for the business unit increased by 35.9% year on year to ¥191.5 billion, while operating profit grew by ¥14.4 billion from the previous year to ¥18.8 billion. Sales for the combined first nine months of the year totaled ¥526.4 billion, a year-on-year increase of 28.7%, while operating profit grew by ¥36.4 billion from the previous year to ¥40.7 billion.

## Cash Flow

During the first nine months of 2017, cash flow from operating activities totaled ¥414.5 billion, an increase of ¥71.1 billion compared with the previous year, mainly owing to improvements in profitability. Cash flow from investing activities decreased by ¥692.8 billion year on year to ¥132.2 billion due to the payment made in the previous year for the right to acquire all of the shares of TMSC. Accordingly, free cash flow totaled ¥282.4 billion, an increase of ¥763.9 billion compared with the corresponding year-ago period.

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Cash flow from financing activities recorded an outlay of ¥269.8 billion, mainly owing to the dividend payout, the repurchasing of treasury stock, and the repayment of long-term debt.

Owing to these factors, as well as the impact of foreign currency translation adjustments, cash and cash equivalents increased by ¥16.6 billion to ¥646.8 billion from the end of the previous year.

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## Outlook

As for the outlook in the fourth quarter, the U.S. economy is expected to continue to recover as employment conditions and corporate earnings steadily improve. The European economy is expected to recover slowly due to increasing uncertainty surrounding the U.K.'s decision to leave the EU. Looking at China, the economy is expected to stabilize through changes in fiscal policy, while emerging economies, such as those of Southeast Asia, Russia and Brazil, are expected to recover along with the rising price of natural resources. With regard to the Japanese economy, the outlook indicates a trend of gradual recovery supported by improved employment conditions. Overall, the pace of recovery of the global economy is expected to grow stronger, despite such concerns as increasing geopolitical risks.

In the businesses in which Canon is involved, for office MFDs, demand for color models is expected to grow moderately despite the contraction of the market for monochrome models, leading to the same level of demand overall compared with the previous year. Looking at the laser printer market, demand for printers is expected to continue to improve in emerging countries as the economy recovers. For interchangeable-lens digital cameras, although demand continues to decrease primarily in developed countries, the pace of decline is gradually decelerating. Projections for digital compact cameras indicate continued market contraction, centered mainly on low-priced models, despite solid demand for high-value-added models. With regard to inkjet printers, the contracting market showed signs of bottoming out, with demand leveling off to remain in line with that of the previous year. As for the medical equipment market, demand is expected to remain firm in response to replacement demand for medical equipment in developed countries and increasing medical needs associated with population growth in emerging countries. Looking at industrial equipment, within the semiconductor lithography equipment segment, the market is expected to remain at the same level as the previous year, while the outlook for FPD lithography equipment and OLED display manufacturing equipment points to continued active capital investment by panel manufacturers, which is expected to increase demand. The network camera market is also expected to grow in response to the increasing use of network cameras for diverse applications in such areas as marketing support in addition to increasing security needs.

With regard to currency exchange rates for the fourth quarter, on which Canon's performance outlook is based, Canon anticipates exchange rates of ¥112 to the U.S. dollar and ¥132 to the euro, representing depreciations of approximately ¥3 against the U.S. dollar and approximately ¥6 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration the impact of acquiring TMSC and the current economic forecast, Canon projects full-year consolidated net sales in 2017 of ¥4,080.0 billion, a year-on-year increase of 19.9%; operating profit of ¥350.0 billion, a year-on-year increase of 52.9%; income before income taxes of ¥365.0 billion, a year-on-year increase of 49.2%; and net income attributable to Canon Inc. of ¥245.0 billion, a year-on-year increase of 62.6%.

## Consolidated Outlook

| Fiscal year                | Millions of yen      |                     |                   |             |        |
|----------------------------|----------------------|---------------------|-------------------|-------------|--------|
|                            | Year ending          |                     | Change<br>(B - A) | Year ended  |        |
|                            | December 31, 2017    | December 31, 2016   |                   | Change (%)  |        |
|                            | Previous Outlook (A) | Revised Outlook (B) | Results (C)       | (B - C) / C |        |
| Net sales                  | 4,050,000            | 4,080,000           | 30,000            | 3,401,487   | +19.9% |
| Operating profit           | 330,000              | 350,000             | 20,000            | 228,866     | +52.9% |
| Income before income taxes | 340,000              | 365,000             | 25,000            | 244,651     | +49.2% |
| Net income attributable to | 220,000              | 245,000             | 25,000            | 150,650     | +62.6% |

Canon Inc.

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This document 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, 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 document. 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.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**II. Financial Statements****1. CONSOLIDATED BALANCE SHEETS**

|  | As of<br>September 30, 2017 | Millions of yen<br>As of<br>December 31, 2016 | Change   |
|--|-----------------------------|---|----------|
| <b>ASSETS</b>                                  |                             |   |          |
| Current assets:                                |                             |   |          |
| Cash and cash equivalents                      | 646,841                     | 630,193                                       | 16,648   |
| Short-term investments                         | 14,960                      | 3,206   | 11,754   |
| Trade receivables, net                         | 591,036                     | 641,458                                       | (50,422) |
| Inventories                                    | 620,999                     | 560,736                                       | 60,263   |
| Prepaid expenses and other current assets      | 280,028                     | 264,155                                       | 15,873   |
| Total current assets                           | 2,153,864                   | 2,099,748                                     | 54,116   |
| Noncurrent receivables                         | 35,039                      | 29,297  | 5,742    |
| Investments                                    | 61,353                      | 73,680  | (12,327) |
| Property, plant and equipment, net             | 1,132,865                   | 1,194,976                                     | (62,111) |
| Intangible assets, net                         | 430,528                     | 446,268                                       | (15,740) |
| Goodwill                                       | 974,135                     | 936,424                                       | 37,711   |
| Other assets                                   | 398,153                     | 358,136                                       | 40,017   |
| Total assets                                   | 5,185,937                   | 5,138,529                                     | 47,408   |
| <b>LIABILITIES AND EQUITY</b>                  |                             |   |          |
| Current liabilities:                           |                             |   |          |
| Short-term loans and current portion of        |                             |   |          |
| long-term debt                                 | 38,280                      | 1,850   | 36,430   |
| Trade payables                                 | 382,576                     | 372,269                                       | 10,307   |
| Accrued income taxes                           | 50,899                      | 30,514  | 20,385   |
| Accrued expenses                               | 325,534                     | 304,901                                       | 20,633   |
| Other current liabilities                      | 263,945                     | 273,835                                       | (9,890)  |
| Total current liabilities                      | 1,061,234                   | 983,369                                       | 77,865   |
| Long-term debt, excluding current installments | 564,463                     | 611,289                                       | (46,826) |
| Accrued pension and severance cost             | 409,263                     | 407,200                                       | 2,063    |
| Other noncurrent liabilities                   | 139,585                     | 142,049                                       | (2,464)  |
| Total liabilities                              | 2,174,545                   | 2,143,907                                     | 30,638   |

Equity:

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|   |                    |             |          |
|---|--------------------|-------------|----------|
| Canon Inc. shareholders equity:               |                    |             |          |
| Common stock                                  | <b>174,762</b>     | 174,762     | -        |
| Additional paid-in capital                    | <b>401,379</b>     | 401,385     | (6)      |
| Legal reserve                                 | <b>66,876</b>      | 66,558      | 318      |
| Retained earnings                             | <b>3,374,712</b>   | 3,350,728   | 23,984   |
| Accumulated other comprehensive income (loss) | <b>(166,661)</b>   | (199,881)   | 33,220   |
| Treasury stock, at cost                       | <b>(1,058,467)</b> | (1,010,423) | (48,044) |
| <b>Total Canon Inc. shareholders equity</b>   | <b>2,792,601</b>   | 2,783,129   | 9,472    |
| Noncontrolling interests                      | <b>218,791</b>     | 211,493     | 7,298    |
| <b>Total equity</b>                           | <b>3,011,392</b>   | 2,994,622   | 16,770   |
| <b>Total liabilities and equity</b>           | <b>5,185,937</b>   | 5,138,529   | 47,408   |

Millions of yen

As of  
**September 30, 2017**

As of  
December 31, 2016

Notes:

|   |                  |           |
|---|------------------|-----------|
| 1. Allowance for doubtful receivables             | <b>12,886</b>    | 11,075    |
| 2. Accumulated depreciation                       | <b>2,629,612</b> | 2,578,342 |
| 3. Accumulated other comprehensive income (loss): |                  |           |
| Foreign currency translation adjustments          | <b>21,809</b>    | (13,960)  |
| Net unrealized gains and losses on securities     | <b>10,628</b>    | 15,251    |
| Net gains and losses on derivative instruments    | <b>(1,089)</b>   | (2,742)   |
| Pension liability adjustments                     | <b>(198,009)</b> | (198,430) |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME ANDCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**Consolidated statements of income****Results for the third quarter**

|   | Millions of yen                             |   | Change(%) |       |
|---|---|---|-----------|-------|
|   | Three months<br>ended<br>September 30, 2017 | Three months<br>ended<br>September 30, 2016 |           |       |
| Net sales   | 994,490                                     | 778,838                                     | +         | 27.7  |
| Cost of sales   | 512,256                                     | 402,226                                     |           |       |
| Gross profit  | 482,234                                     | 376,612                                     | +         | 28.0  |
| Operating expenses:                                       |   |   |           |       |
| Selling, general and administrative expenses              | 320,284                                     | 263,607                                     |           |       |
| Research and development expenses                         | 81,491                                      | 72,990                                      |           |       |
|   | 401,775                                     | 336,597                                     |           |       |
| Operating profit  | 80,459                                      | 40,015                                      | +         | 101.1 |
| Other income (deductions):                                |   |   |           |       |
| Interest and dividend income                              | 1,569                                       | 1,052                                       |           |       |
| Interest expense  | (229)                                       | (321)                                       |           |       |
| Other, net  | 6,002                                       | 4,517                                       |           |       |
|   | 7,342                                       | 5,248                                       |           |       |
| Income before income taxes                                | 87,801                                      | 45,263                                      | +         | 94.0  |
| Income taxes  | 21,200                                      | 18,473                                      |           |       |
| Consolidated net income                                   | 66,601                                      | 26,790                                      |           |       |
| Less: Net income attributable to noncontrolling interests | 3,550                                       | 2,409                                       |           |       |
| Net income attributable to Canon Inc.                     | 63,051                                      | 24,381                                      | +         | 158.6 |

**Results for the nine months**

|  | Millions of yen                            |  | Change(%) |  |
|--|--|--|-----------|--|
|  | Nine months<br>ended<br>September 30, 2017 | Nine months<br>ended<br>September 30, 2016 |           |  |

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|   |                  |           |   |      |
|---|------------------|-----------|---|------|
| Net sales   | <b>2,959,724</b> | 2,436,314 | + | 21.5 |
| Cost of sales   | <b>1,513,594</b> | 1,222,588 |   |      |
| Gross profit  | <b>1,446,130</b> | 1,213,726 | + | 19.1 |
| Operating expenses:                                       |                  |           |   |      |
| Selling, general and administrative expenses              | <b>950,443</b>   | 836,604   |   |      |
| Research and development expenses                         | <b>243,244</b>   | 228,424   |   |      |
|   | <b>1,193,687</b> | 1,065,028 |   |      |
| Operating profit  | <b>252,443</b>   | 148,698   | + | 69.8 |
| Other income (deductions):                                |                  |           |   |      |
| Interest and dividend income                              | <b>4,534</b>     | 3,584     |   |      |
| Interest expense  | <b>(582)</b>     | (842)     |   |      |
| Other, net  | <b>8,972</b>     | 20,576    |   |      |
|   | <b>12,924</b>    | 23,318    |   |      |
| Income before income taxes                                | <b>265,367</b>   | 172,016   | + | 54.3 |
| Income taxes  | <b>69,248</b>    | 59,930    |   |      |
| Consolidated net income                                   | <b>196,119</b>   | 112,086   |   |      |
| Less: Net income attributable to noncontrolling interests | <b>8,799</b>     | 6,266     |   |      |
| Net income attributable to Canon Inc.                     | <b>187,320</b>   | 105,820   | + | 77.0 |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**Consolidated statements of comprehensive income****Results for the third quarter**

Millions of yen

Change(%)

|  | <b>Three months<br/>ended<br/>September 30, 2015</b> | Three months<br>ended<br>September 30, 2016 |   |       |
|--|--|---|---|-------|
| Consolidated net income  | <b>66,601</b>  | 26,790                                      | + | 148.6 |
| Other comprehensive income (loss), net of tax                              |  |   |   |       |
| Foreign currency translation adjustments                                   | <b>40,693</b>  | (26,415)                                    |   |       |
| Net unrealized gains and losses on securities                              | <b>(3,912)</b>                                       | 2,147                                       |   |       |
| Net gains and losses on derivative instruments                             | <b>(28)</b>  | (806)                                       |   |       |
| Pension liability adjustments  | <b>212</b>   | (233)                                       |   |       |
|  | <b>36,965</b>  | (25,307)                                    |   |       |
| Comprehensive income (loss)  | <b>103,566</b>                                       | 1,483                                       |   | -     |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | <b>5,112</b>   | 896   |   |       |
| Comprehensive income (loss) attributable to Canon Inc.                     | <b>98,454</b>  | 587   |   | -     |

**Results for the nine months**

Millions of yen

Nine months

Change(%)

|  | <b>Nine months<br/>ended<br/>September 30, 2015</b> | Nine months<br>ended<br>September 30, 2016 |   |      |
|--|---|--|---|------|
| Consolidated net income  | <b>196,119</b>                                      | 112,086                                    | + | 75.0 |
| Other comprehensive income (loss), net of tax                              |   |  |   |      |
| Foreign currency translation adjustments                                   | <b>38,089</b>                                       | (296,673)                                  |   |      |
| Net unrealized gains and losses on securities                              | <b>(4,503)</b>                                      | (4,187)                                    |   |      |
| Net gains and losses on derivative instruments                             | <b>1,679</b>  | 1,566                                      |   |      |
| Pension liability adjustments  | <b>232</b>  | 2,620                                      |   |      |
|  | <b>35,497</b>                                       | (296,674)                                  |   |      |
| Comprehensive income (loss)  | <b>231,616</b>                                      | (184,588)                                  |   | -    |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | <b>11,076</b>                                       | (3,839)                                    |   |      |
| Comprehensive income (loss) attributable to Canon Inc.                     | <b>220,540</b>                                      | (180,749)                                  |   | -    |





## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES**Results for the third quarter****Sales by business unit**

|                     | Millions of yen                             |   | Change(%) |      |
|---------------------|---|---|-----------|------|
|                     | Three months ended<br>September<br>30, 2017 | Three months ended<br>September 30,<br>2016 |           |      |
| Office              | 444,327                                     | 411,221                                     | +         | 8.1  |
| Imaging System      | 270,521                                     | 248,188                                     | +         | 9.0  |
| Medical System      | 112,133                                     | -   | -         | -    |
| Industry and Others | 191,477                                     | 140,884                                     | +         | 35.9 |
| Eliminations        | (23,968)                                    | (21,455)                                    | -         | -    |
| Total               | 994,490                                     | 778,838                                     | +         | 27.7 |

| Sales by region         | Millions of yen                             |   | Change(%) |      |
|-------------------------|---|---|-----------|------|
|                         | Three months ended<br>September<br>30, 2017 | Three months ended<br>September 30,<br>2016 |           |      |
| Japan                   | 200,672                                     | 164,807                                     | +         | 21.8 |
| Overseas:               |   |   |           |      |
| <i>Americas</i>         | 274,092                                     | 224,757                                     | +         | 22.0 |
| <i>Europe</i>           | 243,756                                     | 194,540                                     | +         | 25.3 |
| <i>Asia and Oceania</i> | 275,970                                     | 194,734                                     | +         | 41.7 |
|                         | 793,818                                     | 614,031                                     | +         | 29.3 |
| Total                   | 994,490                                     | 778,838                                     | +         | 27.7 |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Net sales for the three months ended September 30, 2016 were not restated since they were not material.

**Results for the nine months**

| Sales by business unit | Millions of yen                            |  | Change(%) |     |
|------------------------|--|--|-----------|-----|
|                        | Nine months ended<br>September<br>30, 2017 | Nine months ended<br>September 30,<br>2016 |           |     |
| Office                 | 1,372,729                                  | 1,321,969                                  | +         | 3.8 |
| Imaging System         | 795,268                                    | 770,547                                    | +         | 3.2 |
| Medical System         | 332,505                                    | -  | -         | -   |

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|                     |                  |           |   |      |
|---------------------|------------------|-----------|---|------|
| Industry and Others | <b>526,420</b>   | 409,026   | + | 28.7 |
| Eliminations        | <b>(67,198)</b>  | (65,228)  |   | -    |
| Total               | <b>2,959,724</b> | 2,436,314 | + | 21.5 |

| Sales by region         | Millions of yen                      |                                      |   | Change(%) |
|-------------------------|--------------------------------------|--------------------------------------|---|-----------|
|                         | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |   |           |
| Japan                   | <b>642,136</b>                       | 501,883                              | + | 27.9      |
| Overseas:               |                                      |                                      |   |           |
| <i>Americas</i>         | <b>804,238</b>                       | 696,077                              | + | 15.5      |
| <i>Europe</i>           | <b>739,311</b>                       | 651,199                              | + | 13.5      |
| <i>Asia and Oceania</i> | <b>774,039</b>                       | 587,155                              | + | 31.8      |
|                         | <b>2,317,588</b>                     | 1,934,431                            | + | 19.8      |
| Total                   | <b>2,959,724</b>                     | 2,436,314                            | + | 21.5      |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Net sales for the nine months ended September 30, 2016 were not restated since they were not material.

Notes: 1. The primary products included in each of the segments are as follows:

Office Business Unit:

Office multifunction devices (MFDs) / Laser multifunction printers (MFPs) / Laser printers / Digital production printing systems /

High speed continuous feed printers / Wide-format printers / Document solutions

Imaging System Business Unit:

Interchangeable lens digital cameras / Digital compact cameras / Digital camcorders / Digital cinema cameras /

Interchangeable lenses / Compact photo printers / Inkjet printers / Large format inkjet printers / Commercial photo printers /

Image scanners / Multimedia projectors / Broadcast equipment / Calculators

Medical System Business Unit:

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Digital radiography systems / Diagnostic x-ray systems / Computed tomography / Magnetic resonance imaging /

Diagnostic ultrasound systems / Clinical chemistry analyzers / Ophthalmic equipment

Industry and Others Business Unit:

Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / Vacuum thin-film deposition equipment /

Organic LED (OLED) panel manufacturing equipment / Die bonders / Micromotors / Network cameras / Handy terminals /

Document scanners

2. The principal countries and regions included in each regional category are as follows:

Americas: United States of America, Canada, Latin America

Europe: United Kingdom, Germany, France, Netherlands, European countries, Middle East and Africa

Asia and Oceania: China, Asian countries, Australia

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | Millions of yen                         |   |
|--|---|---|
|  | Nine months ended<br>September 30, 2017 | Nine months ended<br>September 30, 2016 |
| Cash flows from operating activities:  |   |   |
| Consolidated net income  | 196,119                                 | 112,086                                 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |   |   |
| Depreciation and amortization  | 194,280                                 | 185,855                                 |
| Loss on disposal of fixed assets   | 4,211                                   | 4,174                                   |
| Gain on securities contributed to retirement benefit trust                                     | (7,655)                                 | -                                       |
| Deferred income taxes  | (9,308)                                 | (5,708)                                 |
| Decrease in trade receivables  | 59,997                                  | 87,122                                  |
| Increase in inventories  | (51,633)                                | (50,969)                                |
| Increase in trade payables   | 9,796                                   | 31,549                                  |
| Increase (decrease) in accrued income taxes  | 19,806                                  | (21,842)                                |
| Increase (decrease) in accrued expenses  | 15,918                                  | (4,196)                                 |
| Increase (decrease) in accrued (prepaid) pension and severance cost                            | (934)                                   | 6,384                                   |
| Other, net   | (16,091)                                | (1,092)                                 |
| <b>Net cash provided by operating activities</b>   | <b>414,506</b>                          | <b>343,363</b>                          |
| Cash flows from investing activities:  |   |   |
| Purchases of fixed assets  | (140,679)                               | (162,347)                               |
| Proceeds from sale of fixed assets   | 23,082                                  | 5,022                                   |
| Purchases of available-for-sale securities   | (345)                                   | (84)                                    |
| Proceeds from sale and maturity of available-for-sale securities                               | 705                                     | 408                                     |
| (Increase) decrease in time deposits, net  | (10,774)                                | 10,112                                  |
| Acquisitions of businesses, net of cash acquired   | (6,557)                                 | (9,239)                                 |
| Purchases of other investments   | (836)                                   | (669,962)                               |
| Other, net   | 3,252                                   | 1,181                                   |
| <b>Net cash used in investing activities</b>   | <b>(132,152)</b>                        | <b>(824,909)</b>                        |
| Cash flows from financing activities:  |   |   |
| Proceeds from issuance of long-term debt   | 1,255                                   | 410                                     |
| Repayments of long-term debt   | (54,787)                                | (664)                                   |
| Increase in short-term loans, net  | 3,784                                   | 610,011                                 |
| Purchases of noncontrolling interests  | -                                       | (4,993)                                 |
| Dividends paid   | (162,887)                               | (163,810)                               |
| Repurchases and reissuance of treasury stock   | (50,020)                                | (8)                                     |
| Other, net   | (7,188)                                 | (4,607)                                 |

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|  |                  |          |
|--|------------------|----------|
| Net cash provided by (used in) financing activities          | <b>(269,843)</b> | 436,339  |
| Effect of exchange rate changes on cash and cash equivalents | <b>4,137</b>     | (53,926) |
| Net change in cash and cash equivalents                      | <b>16,648</b>    | (99,133) |
| Cash and cash equivalents at beginning of period             | <b>630,193</b>   | 633,613  |
| Cash and cash equivalents at end of period                   | <b>646,841</b>   | 534,480  |

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

## SEGMENT INFORMATION BY BUSINESS UNIT

|   | Millions of yen                             |   | Change(%) |      |
|---|---|---|-----------|------|
|   | Three months ended<br>September<br>30, 2017 | Three months ended<br>September 30,<br>2016 |           |      |
| <b><u>Results for the third quarter</u></b> |   |   |           |      |
| <b>Office</b>                               |   |   |           |      |
| Net sales:                                  |   |   |           |      |
| External customers                          | 443,779                                     | 410,708                                     | +         | 8.1  |
| Intersegment                                | 548   | 513   | +         | 6.8  |
| Total                                       | 444,327                                     | 411,221                                     | +         | 8.1  |
| Operating cost and expenses                 | 402,270                                     | 382,669                                     | +         | 5.1  |
| Operating profit                            | 42,057                                      | 28,552                                      | +         | 47.3 |
| <b>Imaging System</b>                       |   |   |           |      |
| Net sales:                                  |   |   |           |      |
| External customers                          | 270,378                                     | 247,966                                     | +         | 9.0  |
| Intersegment                                | 143   | 222   | -         | 35.6 |
| Total                                       | 270,521                                     | 248,188                                     | +         | 9.0  |
| Operating cost and expenses                 | 231,355                                     | 218,318                                     | +         | 6.0  |
| Operating profit                            | 39,166                                      | 29,870                                      | +         | 31.1 |
| <b>Medical System</b>                       |   |   |           |      |
| Net sales:                                  |   |   |           |      |
| External customers                          | 111,327                                     | -   | -         | -    |
| Intersegment                                | 806   | -   | -         | -    |
| Total                                       | 112,133                                     | -   | -         | -    |
| Operating cost and expenses                 | 104,636                                     | -   | -         | -    |

|                                   |                 |          |         |
|-----------------------------------|-----------------|----------|---------|
| Operating profit                  | <b>7,497</b>    | -        | -       |
| <b>Industry and Others</b>        |                 |          |         |
| Net sales:                        |                 |          |         |
| External customers                | <b>169,006</b>  | 120,164  | + 40.6  |
| Intersegment                      | <b>22,471</b>   | 20,720   | + 8.5   |
| Total                             | <b>191,477</b>  | 140,884  | + 35.9  |
| Operating cost and expenses       | <b>172,648</b>  | 136,475  | + 26.5  |
| Operating profit                  | <b>18,829</b>   | 4,409    | + 327.1 |
| <b>Corporate and Eliminations</b> |                 |          |         |
| Net sales:                        |                 |          |         |
| External customers                | -               | -        | -       |
| Intersegment                      | <b>(23,968)</b> | (21,455) | -       |
| Total                             | <b>(23,968)</b> | (21,455) | -       |
| Operating cost and expenses       | <b>3,122</b>    | 1,361    | -       |
| Operating profit                  | <b>(27,090)</b> | (22,816) | -       |
| <b>Consolidated</b>               |                 |          |         |
| Net sales:                        |                 |          |         |
| External customers                | <b>994,490</b>  | 778,838  | + 27.7  |
| Intersegment                      | -               | -        | -       |
| Total                             | <b>994,490</b>  | 778,838  | + 27.7  |
| Operating cost and expenses       | <b>914,031</b>  | 738,823  | + 23.7  |
| Operating profit                  | <b>80,459</b>   | 40,015   | + 101.1 |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Operating results for the three months ended September 30, 2016 were not restated since they were not material.

\*Operating results pertaining to TMSC, a company acquired in December 2016, are included in Medical System for the third quarter of 2017. Amortization costs of identified intangible assets resulting from the purchase price allocation of TMSC are included in Corporate and Eliminations .



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**Results for the nine months**

Millions of yen  
**Nine months ended** **Nine months ended**  
**September** **September 30,** **Change(%)**  
**30, 2017** **2016**

**Office**

Net sales:

|                             |                  |                  |          |            |
|-----------------------------|------------------|------------------|----------|------------|
| External customers          | 1,371,094        | 1,320,206        | +        | 3.9        |
| Intersegment                | 1,635            | 1,763            | -        | 7.3        |
| <b>Total</b>                | <b>1,372,729</b> | <b>1,321,969</b> | <b>+</b> | <b>3.8</b> |
| Operating cost and expenses | 1,219,371        | 1,201,108        | +        | 1.5        |
| Operating profit            | 153,358          | 120,861          | +        | 26.9       |

**Imaging System**

Net sales:

|                             |                |                |          |            |
|-----------------------------|----------------|----------------|----------|------------|
| External customers          | 794,846        | 769,836        | +        | 3.2        |
| Intersegment                | 422            | 711            | -        | 40.6       |
| <b>Total</b>                | <b>795,268</b> | <b>770,547</b> | <b>+</b> | <b>3.2</b> |
| Operating cost and expenses | 678,376        | 677,836        | +        | 0.1        |
| Operating profit            | 116,892        | 92,711         | +        | 26.1       |

**Medical System**

Net sales:

|                             |                |          |          |          |
|-----------------------------|----------------|----------|----------|----------|
| External customers          | 331,477        | -        | -        | -        |
| Intersegment                | 1,028          | -        | -        | -        |
| <b>Total</b>                | <b>332,505</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating cost and expenses | 314,940        | -        | -        | -        |
| Operating profit            | 17,565         | -        | -        | -        |

**Industry and Others**

Net sales:

|                    |                |                |          |             |
|--------------------|----------------|----------------|----------|-------------|
| External customers | 462,307        | 346,272        | +        | 33.5        |
| Intersegment       | 64,113         | 62,754         | +        | 2.2         |
| <b>Total</b>       | <b>526,420</b> | <b>409,026</b> | <b>+</b> | <b>28.7</b> |

|                                   |                  |           |   |       |
|-----------------------------------|------------------|-----------|---|-------|
| Operating cost and expenses       | <b>485,733</b>   | 404,740   | + | 20.0  |
| Operating profit                  | <b>40,687</b>    | 4,286     | + | 849.3 |
| <b>Corporate and Eliminations</b> |                  |           |   |       |
| Net sales:                        |                  |           |   |       |
| External customers                | -                | -         | - | -     |
| Intersegment                      | <b>(67,198)</b>  | (65,228)  | - | -     |
| Total                             | <b>(67,198)</b>  | (65,228)  | - | -     |
| Operating cost and expenses       | <b>8,861</b>     | 3,932     | - | -     |
| Operating profit                  | <b>(76,059)</b>  | (69,160)  | - | -     |
| <b>Consolidated</b>               |                  |           |   |       |
| Net sales:                        |                  |           |   |       |
| External customers                | <b>2,959,724</b> | 2,436,314 | + | 21.5  |
| Intersegment                      | -                | -         | - | -     |
| Total                             | <b>2,959,724</b> | 2,436,314 | + | 21.5  |
| Operating cost and expenses       | <b>2,707,281</b> | 2,287,616 | + | 18.3  |
| Operating profit                  | <b>252,443</b>   | 148,698   | + | 69.8  |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Operating results for the nine months ended September 30, 2016 were not restated since they were not material.

\*Operating results pertaining to TMSC, a company acquired in December 2016, are included in Medical System for the the nine months ended September 30, 2017. Amortization costs of identified intangible assets resulting from the purchase price allocation of TMSC are included in Corporate and Eliminations .

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. SHAREHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

## (1) GROUP POSITION

## 1. Number of Group Companies

|              | September 30, 2017 | December 31, 2016 | Change |
|--------------|--------------------|-------------------|--------|
| Subsidiaries | 376                | 367               | 9      |
| Affiliates   | 7                  | 9                 | (2)    |
| Total        | 383                | 376               | 7      |

## 2. Change in Group Entities

|                                      |              |
|--------------------------------------|--------------|
| Subsidiaries                         |              |
| Addition:                            | 15 companies |
| Removal:                             | 6 companies  |
| Affiliates (Carried at Equity Basis) |              |
| Removal:                             | 2 companies  |

## 3. Subsidiaries Listed on Domestic Stock Exchange

Tokyo Stock Exchange (1st section): Canon Marketing Japan Inc., Canon Electronics Inc.

## (2) SIGNIFICANT ACCOUNTING POLICIES

Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

9. NOTE FOR NON-GAAP FINANCIAL MEASURES

We have reported our financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In addition, we have discussed our results using "Free cash flow" which is non-GAAP measure.

We believe this measure is beneficial to an investor's understanding on Canon's current liquidity and the alternatives of use in financing activities because it takes into consideration its operating and investing activities.

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A reconciliation of this non-GAAP financial measure and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following table.

|   | Billions of yen<br>Nine months ended<br>September 30, 2017 |
|---|--|
| Net cash provided by operating activities | 414.5  |
| Net cash used in investing activities     | (132.2)  |
| Free cash flow                            | 282.4  |

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## CONSOLIDATED RESULTS FOR THE THIRD QUARTER

AND NINE MONTHS ENDED SEPTEMBER 30, 2017

## SUPPLEMENTARY REPORT

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This document 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, 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 document. 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.

Canon Inc.

**1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT**

(Millions of yen)

|                         | 2017           |                  |                  | 2016           |                  |                  | Change year over year |               |               |
|-------------------------|----------------|------------------|------------------|----------------|------------------|------------------|-----------------------|---------------|---------------|
|                         | 3rd quarter    | YTD              | Year (P)         | 3rd quarter    | YTD              | Year             | 3rd quarter           | YTD           | Year          |
| <b>Japan</b>            |                |                  |                  |                |                  |                  |                       |               |               |
| Office Imaging System   | 88,460         | 277,876          | -                | 88,993         | 279,531          | 378,834          | -0.6%                 | -0.6%         | -             |
| Medical System          | 40,708         | 114,606          | -                | 38,933         | 116,130          | 179,304          | +4.6%                 | -1.3%         | -             |
| Industry and Others     | 40,222         | 150,612          | -                | -              | -                | -                | -                     | -             | -             |
| Others                  | 31,282         | 99,042           | -                | 36,881         | 106,222          | 148,841          | -15.2%                | -6.8%         | -             |
| <b>Total</b>            | <b>200,672</b> | <b>642,136</b>   | <b>886,200</b>   | <b>164,807</b> | <b>501,883</b>   | <b>706,979</b>   | <b>+21.8%</b>         | <b>+27.9%</b> | <b>+25.4%</b> |
| <b>Overseas</b>         |                |                  |                  |                |                  |                  |                       |               |               |
| Office Imaging System   | 355,319        | 1,093,218        | -                | 321,715        | 1,040,675        | 1,426,028        | +10.4%                | +5.0%         | -             |
| Medical System          | 229,670        | 680,240          | -                | 209,033        | 653,706          | 914,987          | +9.9%                 | +4.1%         | -             |
| Industry and Others     | 71,105         | 180,865          | -                | -              | -                | -                | -                     | -             | -             |
| Others                  | 137,724        | 363,265          | -                | 83,283         | 240,050          | 353,493          | +65.4%                | +51.3%        | -             |
| <b>Total</b>            | <b>793,818</b> | <b>2,317,588</b> | <b>3,193,800</b> | <b>614,031</b> | <b>1,934,431</b> | <b>2,694,508</b> | <b>+29.3%</b>         | <b>+19.8%</b> | <b>+18.5%</b> |
| <b>Americas</b>         |                |                  |                  |                |                  |                  |                       |               |               |
| Office Imaging System   | 147,997        | 445,727          | -                | 136,758        | 429,270          | 582,297          | +8.2%                 | +3.8%         | -             |
| Medical System          | 72,185         | 219,446          | -                | 67,007         | 206,339          | 297,403          | +7.7%                 | +6.4%         | -             |
| Industry and Others     | 31,419         | 75,905           | -                | -              | -                | -                | -                     | -             | -             |
| Others                  | 22,491         | 63,160           | -                | 20,992         | 60,468           | 83,844           | +7.1%                 | +4.5%         | -             |
| <b>Total</b>            | <b>274,092</b> | <b>804,238</b>   | <b>1,102,900</b> | <b>224,757</b> | <b>696,077</b>   | <b>963,544</b>   | <b>+22.0%</b>         | <b>+15.5%</b> | <b>+14.5%</b> |
| <b>Europe</b>           |                |                  |                  |                |                  |                  |                       |               |               |
| Office Imaging System   | 135,861        | 425,948          | -                | 117,393        | 397,791          | 556,353          | +15.7%                | +7.1%         | -             |
| Medical System          | 68,940         | 210,308          | -                | 64,163         | 209,968          | 293,894          | +7.4%                 | +0.2%         | -             |
| Industry and Others     | 23,293         | 57,412           | -                | -              | -                | -                | -                     | -             | -             |
| Others                  | 15,662         | 45,643           | -                | 12,984         | 43,440           | 63,276           | +20.6%                | +5.1%         | -             |
| <b>Total</b>            | <b>243,756</b> | <b>739,311</b>   | <b>1,032,700</b> | <b>194,540</b> | <b>651,199</b>   | <b>913,523</b>   | <b>+25.3%</b>         | <b>+13.5%</b> | <b>+13.0%</b> |
| <b>Asia and Oceania</b> |                |                  |                  |                |                  |                  |                       |               |               |
| Office Imaging System   | 71,461         | 221,543          | -                | 67,564         | 213,614          | 287,378          | +5.8%                 | +3.7%         | -             |
| Medical System          | 88,545         | 250,486          | -                | 77,863         | 237,399          | 323,690          | +13.7%                | +5.5%         | -             |
| Industry and Others     | 16,393         | 47,548           | -                | -              | -                | -                | -                     | -             | -             |

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|                     |                |                  |                  |                |                  |                  |               |               |               |
|---------------------|----------------|------------------|------------------|----------------|------------------|------------------|---------------|---------------|---------------|
| Industry and Others | 99,571         | 254,462          | -                | 49,307         | 136,142          | 206,373          | +101.9%       | +86.9%        | -             |
| <b>Total</b>        | <b>275,970</b> | <b>774,039</b>   | <b>1,058,200</b> | <b>194,734</b> | <b>587,155</b>   | <b>817,441</b>   | <b>+41.7%</b> | <b>+31.8%</b> | <b>+29.5%</b> |
| <b>Intersegment</b> |                |                  |                  |                |                  |                  |               |               |               |
| Office              | 548            | 1,635            | -                | 513            | 1,763            | 2,957            | +6.8%         | -7.3%         | -             |
| Imaging System      | 143            | 422              | -                | 222            | 711              | 998              | -35.6%        | -40.6%        | -             |
| Medical System      | 806            | 1,028            | -                | -              | -                | -                | -             | -             | -             |
| Industry and Others | 22,471         | 64,113           | -                | 20,720         | 62,754           | 82,326           | +8.5%         | +2.2%         | -             |
| Eliminations        | (23,968)       | (67,198)         | -                | (21,455)       | (65,228)         | (86,281)         | -             | -             | -             |
| <b>Total</b>        | <b>0</b>       | <b>0</b>         | <b>0</b>         | <b>0</b>       | <b>0</b>         | <b>0</b>         | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Total</b>        |                |                  |                  |                |                  |                  |               |               |               |
| Office              | 444,327        | 1,372,729        | 1,867,100        | 411,221        | 1,321,969        | 1,807,819        | +8.1%         | +3.8%         | +3.3%         |
| Imaging System      | 270,521        | 795,268          | 1,133,000        | 248,188        | 770,547          | 1,095,289        | +9.0%         | +3.2%         | +3.4%         |
| Medical System      | 112,133        | 332,505          | 439,000          | -              | -                | -                | -             | -             | -             |
| Industry and Others | 191,477        | 526,420          | 730,000          | 140,884        | 409,026          | 584,660          | +35.9%        | +28.7%        | +24.9%        |
| Eliminations        | (23,968)       | (67,198)         | (89,100)         | (21,455)       | (65,228)         | (86,281)         | -             | -             | -             |
| <b>Total</b>        | <b>994,490</b> | <b>2,959,724</b> | <b>4,080,000</b> | <b>778,838</b> | <b>2,436,314</b> | <b>3,401,487</b> | <b>+27.7%</b> | <b>+21.5%</b> | <b>+19.9%</b> |

(P)=Projection

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Net sales for 2016 were not restated since they were not material.



Canon Inc.

**2. SEGMENT INFORMATION BY BUSINESS UNIT**

(Millions of yen)

|  | 2017        |           |           | 2016        |           |           | Change year over |         |
|--|-------------|-----------|-----------|-------------|-----------|-----------|------------------|---------|
|  | 3rd quarter | YTD       | Year (P)  | 3rd quarter | YTD       | Year      | 3rd quarter      | YTD     |
|  | 443,779     | 1,371,094 | 1,865,000 | 410,708     | 1,320,206 | 1,804,862 | +8.1%            | +3.9%   |
|  | 548         | 1,635     | 2,100     | 513         | 1,763     | 2,957     | +6.8%            | -7.3%   |
|  | 444,327     | 1,372,729 | 1,867,100 | 411,221     | 1,321,969 | 1,807,819 | +8.1%            | +3.8%   |
|  | 42,057      | 153,358   | 210,500   | 28,552      | 120,861   | 169,486   | +47.3%           | +26.9%  |
|  | 9.5%        | 11.2%     | 11.3%     | 6.9%        | 9.1%      | 9.4%      | -                | -       |
|  | 270,378     | 794,846   | 1,132,300 | 247,966     | 769,836   | 1,094,291 | +9.0%            | +3.2%   |
|  | 143         | 422       | 700       | 222         | 711       | 998       | -35.6%           | -40.6%  |
|  | 270,521     | 795,268   | 1,133,000 | 248,188     | 770,547   | 1,095,289 | +9.0%            | +3.2%   |
|  | 39,166      | 116,892   | 172,000   | 29,870      | 92,711    | 144,413   | +31.1%           | +26.1%  |
|  | 14.5%       | 14.7%     | 15.2%     | 12.0%       | 12.0%     | 13.2%     | -                | -       |
|  | 111,327     | 331,477   | 437,900   | -           | -         | -         | -                | -       |
|  | 806         | 1,028     | 1,100     | -           | -         | -         | -                | -       |
|  | 112,133     | 332,505   | 439,000   | -           | -         | -         | -                | -       |
|  | 7,497       | 17,565    | 21,500    | -           | -         | -         | -                | -       |
|  | 6.7%        | 5.3%      | 4.9%      | -           | -         | -         | -                | -       |
|  | 169,006     | 462,307   | 644,800   | 120,164     | 346,272   | 502,334   | +40.6%           | +33.5%  |
|  | 22,471      | 64,113    | 85,200    | 20,720      | 62,754    | 82,326    | +8.5%            | +2.2%   |
|  | 191,477     | 526,420   | 730,000   | 140,884     | 409,026   | 584,660   | +35.9%           | +28.7%  |
|  | 18,829      | 40,687    | 54,000    | 4,409       | 4,286     | 7,448     | +327.1%          | +849.3% |
|  | 9.8%        | 7.7%      | 7.4%      | 3.1%        | 1.0%      | 1.3%      | -                | -       |
|  | -           | -         | -         | -           | -         | -         | -                | -       |
|  | (23,968)    | (67,198)  | (89,100)  | (21,455)    | (65,228)  | (86,281)  | -                | -       |
|  | (23,968)    | (67,198)  | (89,100)  | (21,455)    | (65,228)  | (86,281)  | -                | -       |
|  | (27,090)    | (76,059)  | (108,000) | (22,816)    | (69,160)  | (92,481)  | -                | -       |

|         |           |           |         |           |           |         |        |
|---------|-----------|-----------|---------|-----------|-----------|---------|--------|
| 994,490 | 2,959,724 | 4,080,000 | 778,838 | 2,436,314 | 3,401,487 | +27.7%  | +21.5% |
| -       | -         | -         | -       | -         | -         | -       | -      |
| 994,490 | 2,959,724 | 4,080,000 | 778,838 | 2,436,314 | 3,401,487 | +27.7%  | +21.5% |
| 80,459  | 252,443   | 350,000   | 40,015  | 148,698   | 228,866   | +101.1% | +69.8% |
| 8.1%    | 8.5%      | 8.6%      | 5.1%    | 6.1%      | 6.7%      | -       | -      |

**INCOME / DEDUCTIONS**

| 3rd quarter | 2017<br>YTD | Year (P) | 3rd quarter | 2016<br>YTD | Year   | 3rd quarter | Change year over<br>YTD |
|-------------|-------------|----------|-------------|-------------|--------|-------------|-------------------------|
| 1,340       | 3,952       | 4,000    | 731         | 2,742       | 3,701  | +609        | +1,210                  |
| (2,894)     | (6,359)     | (6,500)  | 1,938       | 12,618      | (2)    | (4,832)     | (18,977)                |
| 206         | 915         | 1,200    | 162         | 673         | 890    | +44         | +242                    |
| 8,690       | 14,416      | 16,300   | 2,417       | 7,285       | 11,196 | +6,273      | +7,131                  |
| 7,342       | 12,924      | 15,000   | 5,248       | 23,318      | 15,785 | +2,094      | (10,394)                |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Operating results for 2016 were not restated since they were not material.

\*The actual and projected operating results pertaining to TMSC, a company acquired in December 2016, are included in Medical System for 2017. Amortization costs of identified intangible assets resulting from the purchase price allocation of TMSC are included in Corporate and Eliminations.

**4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT**

|                            | 2017        |     |          | 2016        |     |      |
|----------------------------|-------------|-----|----------|-------------|-----|------|
|                            | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year |
| <b>Office</b>              |             |     |          |             |     |      |
| Monochrome copiers         | 16%         | 15% | 16%      | 16%         | 16% | 16%  |
| Color copiers              | 21%         | 21% | 22%      | 21%         | 21% | 21%  |
| Printers                   | 38%         | 39% | 37%      | 37%         | 37% | 37%  |
| Others                     | 25%         | 25% | 25%      | 26%         | 26% | 26%  |
| <b>Imaging System</b>      |             |     |          |             |     |      |
| Cameras                    | 62%         | 62% | 62%      | 61%         | 61% | 61%  |
| Inkjet printers            | 29%         | 29% | 30%      | 30%         | 30% | 30%  |
| Others                     | 9%          | 9%  | 8%       | 9%          | 9%  | 9%   |
| <b>Industry and Others</b> |             |     |          |             |     |      |
| Lithography equipment      | 28%         | 26% | 27%      | 18%         | 21% | 21%  |
| Others                     | 72%         | 74% | 73%      | 82%         | 79% | 79%  |

(P)=Projection

**5. SALES GROWTH IN LOCAL CURRENCY (Year over year)**

|                            | 2017        |        |          |
|----------------------------|-------------|--------|----------|
|                            | 3rd quarter | YTD    | Year (P) |
| <b>Office</b>              |             |        |          |
| Japan                      | -0.6%       | -0.6%  | -        |
| Overseas                   | +0.8%       | +1.9%  | -        |
| Total                      | +0.5%       | +1.4%  | +0.6%    |
| <b>Imaging System</b>      |             |        |          |
| Japan                      | +4.6%       | -1.3%  | -        |
| Overseas                   | -0.3%       | +1.4%  | -        |
| Total                      | +0.4%       | +1.0%  | +0.4%    |
| <b>Industry and Others</b> |             |        |          |
| Japan                      | -15.2%      | -6.8%  | -        |
| Overseas                   | +59.9%      | +49.4% | -        |
| Total                      | +32.7%      | +27.5% | +23.6%   |
| <b>Total</b>               |             |        |          |

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|                  |        |        |        |
|------------------|--------|--------|--------|
| Japan            | +21.8% | +27.9% | +25.4% |
| Overseas         | +19.9% | +17.0% | +15.2% |
| Americas         | +13.8% | +12.2% | +11.9% |
| Europe           | +12.7% | +10.8% | +8.2%  |
| Asia and Oceania | +34.3% | +29.5% | +27.0% |
| Total            | +20.3% | +19.2% | +17.3% |

(P)=Projection

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## 6. PROFITABILITY

|        | 2017 |          | 2016 |      |
|--------|------|----------|------|------|
|        | YTD  | Year (P) | YTD  | Year |
| ROE *1 | 9.0% | 8.8%     | 5.0% | 5.2% |
| ROA *2 | 4.8% | 4.8%     | 3.2% | 3.1% |

\*1 Return on Equity; Based on Net Income attributable to Canon Inc. and Total Canon Inc. Shareholders Equity (P)=Projection

\*2 Return on Assets; Based on Net Income attributable to Canon Inc.

## 7. IMPACT OF FOREIGN EXCHANGE RATES

### (1) Exchange rates

|          | 2017        |        |                 |          | 2016        |        |        | (Yen)          |
|----------|-------------|--------|-----------------|----------|-------------|--------|--------|----------------|
|          | 3rd quarter | YTD    | 4th quarter (P) | Year (P) | 3rd quarter | YTD    | Year   |                |
| Yen/US\$ | 110.93      | 111.82 | 112.00          | 111.88   | 102.33      | 108.25 | 108.58 |                |
| Yen/Euro | 130.42      | 124.39 | 132.00          | 126.49   | 114.25      | 121.13 | 120.25 | (P)=Projection |

### (2) Impact of foreign exchange rates on sales (Year over year)

|                  | 2017        |       |          | (Billions of yen) |
|------------------|-------------|-------|----------|-------------------|
|                  | 3rd quarter | YTD   | Year (P) |                   |
| US\$             | +26.1       | +33.9 | +38.6    |                   |
| Euro             | +24.1       | +15.9 | +41.7    |                   |
| Other currencies | +7.1        | +5.3  | +9.5     |                   |
| Total            | +57.3       | +55.1 | +89.8    | (P)=Projection    |

### (3) Impact of foreign exchange rates per yen (Billions of yen)

|                     | 2017            |  |
|---------------------|-----------------|--|
|                     | 4th quarter (P) |  |
| On sales            |                 |  |
| US\$                | 3.8             |  |
| Euro                | 1.9             |  |
| On operating profit |                 |  |
| US\$                | 1.3             |  |

Euro 1.0  
(P)=Projection

**8. STATEMENTS OF CASH FLOWS**

(Millions of yen)

|  | 3rd quarter | 2017<br>YTD | Year (P)  | 3rd quarter | 2016<br>YTD | Year      |
|--|-------------|-------------|-----------|-------------|-------------|-----------|
| Net cash provided by operating activities                    | 105,400     | 414,506     | 550,000   | 102,156     | 343,363     | 500,283   |
| Net cash used in investing activities                        | (24,314)    | (132,152)   | (220,000) | (48,817)    | (824,909)   | (837,125) |
| Free cash flow   | 81,086      | 282,354     | 330,000   | 53,339      | (481,546)   | (336,842) |
| Net cash provided by (used in) financing activities          | (134,728)   | (269,843)   | (320,000) | (83,544)    | 436,339     | 355,692   |
| Effect of exchange rate changes on cash and cash equivalents | 6,657       | 4,137       | (200)     | (4,495)     | (53,926)    | (22,270)  |
| Net change in cash and cash equivalents                      | (46,985)    | 16,648      | 9,800     | (34,700)    | (99,133)    | (3,420)   |
| Cash and cash equivalents at end                             | 646,841     | 646,841     | 640,000   | 534,480     | 534,480     | 630,193   |

of  
period

(P)=Projection

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**9. R&D****EXPENDITURE**

|                            | 2017        |         |          | 2016        |         |         | (Millions of yen) |
|----------------------------|-------------|---------|----------|-------------|---------|---------|-------------------|
|                            | 3rd quarter | YTD     | Year (P) | 3rd quarter | YTD     | Year    |                   |
| Office                     | 22,210      | 67,266  | -        | 23,047      | 73,003  | 94,440  |                   |
| Imaging System             | 23,577      | 68,469  | -        | 21,184      | 67,890  | 91,752  |                   |
| Medical System             | 9,204       | 27,816  | -        | -           | -       | -       |                   |
| Industry and Others        | 15,895      | 47,907  | -        | 15,125      | 48,923  | 67,887  |                   |
| Corporate and Eliminations | 10,605      | 31,786  | -        | 13,634      | 38,608  | 48,297  |                   |
| Total                      | 81,491      | 243,244 | 330,000  | 72,990      | 228,424 | 302,376 |                   |
| % of sales                 | 8.2%        | 8.2%    | 8.1%     | 9.4%        | 9.4%    | 8.9%    | (P)=Projection    |

**10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION**

|                               | 2017        |         |          | 2016        |         |         | (Millions of yen) |
|-------------------------------|-------------|---------|----------|-------------|---------|---------|-------------------|
|                               | 3rd quarter | YTD     | Year (P) | 3rd quarter | YTD     | Year    |                   |
| Increase in PP&E              | 35,712      | 104,541 | 175,000  | 39,452      | 130,442 | 171,597 |                   |
| Depreciation and amortization | 67,665      | 194,280 | 255,000  | 63,483      | 185,855 | 250,096 | (P)=Projection    |

**11. INVENTORIES****(1) Inventories**

(Millions of yen)

|                     | 2017    | 2016    | Difference |
|---------------------|---------|---------|------------|
|                     | Sep.30  | Dec.31  |            |
| Office              | 222,714 | 205,656 | +17,058    |
| Imaging System      | 163,646 | 127,386 | +36,260    |
| Medical System      | 76,608  | -       | +76,608    |
| Industry and Others | 158,031 | 227,694 | (69,663)   |
| Total               | 620,999 | 560,736 | +60,263    |

**(2) Inventories/Sales\***

(Days)

|                     | 2017   | 2016   | Difference |
|---------------------|--------|--------|------------|
|                     | Sep.30 | Dec.31 |            |
| Office              | 44     | 42     | +2         |
| Imaging System      | 54     | 41     | +13        |
| Medical System      | 70     | -      | -          |
| Industry and Others | 90     | 152    | (62)       |
| Total               | 57     | 59     | (2)        |

\*Index based on the previous six months sales.

**12. DEBT RATIO**

|  | 2017 | 2016 | Difference |
|--|------|------|------------|
|--|------|------|------------|



|                           | Sep.30 | Dec.31 |       |
|---------------------------|--------|--------|-------|
| Total debt / Total assets | 11.6%  | 11.9%  | -0.3% |

**13. OVERSEAS PRODUCTION RATIO**

|                           | 2017<br>YTD | 2016<br>Year |
|---------------------------|-------------|--------------|
| Overseas production ratio | 38%         | 44%          |

**14. NUMBER OF EMPLOYEES**

|          | 2017<br>Sep.30 | 2016<br>Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan    | 73,957         | 72,913         | +1,044     |
| Overseas | 125,073        | 124,760        | +313       |
| Total    | 199,030        | 197,673        | +1,357     |

\*Canon newly established Medical System Business Unit effective at the beginning of the second quarter of 2017, and certain businesses included in Industry and Others Business Unit have been reclassified. Operating results for 2016 were not restated since they were not material.