

Second Quarter 2018 Results

Supplementary Data

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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," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forwardlooking 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.

1. Segment Information by Business Unit

(Millions of yen)

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

2. Other Income

(Millions of yen)

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

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

3. Net Sales by Region & Business Unit

(Millions of yen)

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

4. Statements of Cash Flows

(Millions of yen)

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

5. Foreign Exchange Rate Impact

(1) Exchange rates

(Yen)

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

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

(Billions of yen)

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

(3) Impact of foreign exchange rate per yen

(Billions of yen)

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

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

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

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

(Millions of yen)

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

8. Other Financial Data

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

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

* Based on Net Income attributable to Canon Inc.

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