

Canon
Canon Electronics Inc.

Annual Report 2017(Unaudited)

Consolidated Financial Highlights

Millions of yen
 (Amounts less than one million yen are truncated)

| | FY2016 (from January 1, 2016 to December 31, 2016) | FY2017 (from January 1, 2017 to December 31, 2017) |
|---|--|--|
| Net sales | | |
| Component | 44,181 | 47,650 |
| Electronic Information Appliance | 30,246 | 26,495 |
| Other | 8,862 | 9,623 |
| Total | 83,290 | 83,769 |
| Profit attributable to owners of parent | 5,553 | 7,739 |

| | FY2016 (from January 1, 2016 to December 31, 2016) | FY2017 (from January 1, 2017 to December 31, 2017) |
|----------------------------|--|--|
| Basic earnings per share | 136.06 yen | 189.61 yen |
| Diluted earnings per share | — | — |

Millions of yen
 (Amounts less than one million yen are truncated)

| | As of December 31, 2016 | As of December 31, 2017 |
|--------------|-------------------------|-------------------------|
| Total assets | 103,171 | 108,221 |
| Net assets | 81,515 | 87,985 |

Consolidated Balance Sheets

Millions of yen
(Amounts less than one million yen are truncated)

| | As of December 31, 2016 | As of December 31, 2017 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,270 | 26,434 |
| Notes and accounts receivable - trade | 22,394 | 23,393 |
| Lease investment assets | 299 | 227 |
| Merchandise and finished goods | 975 | 969 |
| Work in process | 2,233 | 3,028 |
| Raw materials and supplies | 76 | 86 |
| Short-term loans receivable | 20,000 | 15,000 |
| Deferred tax assets | 280 | 297 |
| Other | 1,374 | 1,261 |
| Allowance for doubtful accounts | △0 | - |
| Total current assets | <u>63,905</u> | <u>70,698</u> |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 31,539 | 31,714 |
| Accumulated depreciation | △19,604 | △20,377 |
| Buildings and structures, net | <u>11,935</u> | <u>11,337</u> |
| Machinery, equipment and vehicles | 23,043 | 22,951 |
| Accumulated depreciation | △18,743 | △19,183 |
| Machinery, equipment and vehicles, net | <u>4,299</u> | <u>3,767</u> |
| Tools, furniture and fixtures | 18,694 | 18,613 |
| Accumulated depreciation | △15,428 | △15,649 |
| Tools, furniture and fixtures, net | <u>3,265</u> | <u>2,964</u> |
| Land | 14,618 | 14,620 |
| Construction in progress | 290 | 71 |
| Total property, plant and equipment | <u>34,409</u> | <u>32,761</u> |
| Intangible assets | <u>1,447</u> | <u>1,493</u> |
| Investments and other assets | | |
| Investment securities | 565 | 1,041 |
| Deferred tax assets | 2,060 | 1,406 |
| Other | 782 | 820 |
| Allowance for doubtful accounts | △0 | △0 |
| Total investments and other assets | <u>3,408</u> | <u>3,267</u> |
| Total non-current assets | <u>39,266</u> | <u>37,522</u> |
| Total assets | <u>103,171</u> | <u>108,221</u> |

Consolidated Balance Sheets

Millions of yen
(Amounts less than one million yen are truncated)

| | As of December 31, 2016 | As of December 31, 2017 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 12,105 | 10,947 |
| Electronically recorded obligations - operating | - | 2,006 |
| Lease obligations | 106 | 102 |
| Accrued expenses | 1,295 | 1,330 |
| Income taxes payable | 629 | 1,260 |
| Provision for bonuses | 377 | 352 |
| Provision for directors' bonuses | 27 | 32 |
| Provision for loss on order received | 188 | 11 |
| Other | 1,543 | 1,377 |
| Total current liabilities | <u>16,274</u> | <u>17,420</u> |
| Non-current liabilities | | |
| Provision for directors' retirement benefits | 230 | 221 |
| Net defined benefit liability | 4,878 | 2,421 |
| Deferred tax liabilities | 58 | 19 |
| Other | 213 | 152 |
| Total non-current liabilities | <u>5,381</u> | <u>2,815</u> |
| Total liabilities | <u>21,655</u> | <u>20,235</u> |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,969 | 4,969 |
| Capital surplus | 9,595 | 9,595 |
| Retained earnings | 71,229 | 76,519 |
| Treasury shares | △2,579 | △2,580 |
| Total shareholders' equity | <u>83,215</u> | <u>88,503</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 203 | 348 |
| Deferred gains or losses on hedges | △40 | - |
| Foreign currency translation adjustment | 719 | 524 |
| Remeasurements of defined benefit plans | △2,645 | △1,520 |
| Total accumulated other comprehensive income | <u>△1,762</u> | <u>△648</u> |
| Non-controlling interests | 63 | 129 |
| Total net assets | <u>81,515</u> | <u>87,985</u> |
| Total liabilities and net assets | <u>103,171</u> | <u>108,221</u> |

Consolidated Statements of Income

| | Millions of yen (Amounts less than one million yen are truncated) | |
|--|--|--|
| | FY2016 (from January 1, 2016 to December 31, 2016) | FY2017 (from January 1, 2017 to December 31, 2017) |
| Net sales | 83,290 | 83,769 |
| Cost of sales | 64,610 | 62,732 |
| Gross profit | 18,679 | 21,036 |
| Selling, general and administrative expenses | 10,602 | 11,430 |
| Operating profit | 8,077 | 9,605 |
| Non-operating income | | |
| Interest and dividend income | 91 | 74 |
| Foreign exchange gains | - | 170 |
| Other | 36 | 46 |
| Total non-operating income | 128 | 291 |
| Non-operating expenses | | |
| Foreign exchange losses | 197 | - |
| Other | 48 | 10 |
| Total non-operating expenses | 246 | 10 |
| Ordinary profit | 7,959 | 9,886 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 20 |
| Gain on sales of investment securities | 47 | 7 |
| Total extraordinary income | 47 | 28 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 1 | 15 |
| Loss on valuation of golf club membership | 64 | - |
| Total extraordinary losses | 65 | 15 |
| Profit before income taxes | 7,941 | 9,899 |
| Income taxes - current | 2,087 | 2,073 |
| Income taxes - deferred | 292 | 80 |
| Total income taxes | 2,380 | 2,154 |
| Profit | 5,561 | 7,745 |
| Profit attributable to non-controlling interests | 7 | 6 |
| Profit attributable to owners of parent | 5,553 | 7,739 |

Consolidated Statements of Comprehensive Income

Millions of yen
(Amounts less than one million yen are truncated)

| | FY2016 (from January 1, 2016 to December 31, 2016) | FY2017 (from January 1, 2017 to December 31, 2017) |
|--|--|--|
| Profit | 5,561 | 7,745 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △60 | 144 |
| Deferred gains or losses on hedges | △40 | 40 |
| Foreign currency translation adjustment | △112 | △195 |
| Remeasurements of defined benefit plans, net of tax | 78 | 1,125 |
| Total other comprehensive income | △135 | 1,114 |
| Comprehensive income | 5,426 | 8,860 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,418 | 8,853 |
| Comprehensive income attributable to non-controlling interests | 7 | 6 |

Consolidated Statements of Shareholders' Equity

FY2016 (from January 1, 2016 to December 31, 2016)

Millions of yen
(Amounts less than one million yen are truncated)

| | Shareholders' Equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 4,969 | 9,595 | 68,125 | △2,578 | 80,111 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | △2,449 | | △2,449 |
| Profit attributable to owners of parent | | | 5,553 | | 5,553 |
| Purchase of treasury shares | | | | △0 | △0 |
| Disposal of treasury shares | | △0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes of items during period | — | △0 | 3,104 | △0 | 3,103 |
| Balance at end of current period | 4,969 | 9,595 | 71,229 | △2,579 | 83,215 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 264 | - | 832 | △2,723 | △1,627 | 55 | 78,539 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | — | | △2,449 |
| Profit attributable to owners of parent | | | | | — | | 5,553 |
| Purchase of treasury shares | | | | | — | | △0 |
| Disposal of treasury shares | | | | | — | | 0 |
| Net changes of items other than shareholders' equity | △60 | △40 | △112 | 78 | △135 | 7 | △127 |
| Total changes of items during period | △60 | △40 | △112 | 78 | △135 | 7 | 2,976 |
| Balance at end of current period | 203 | △40 | 719 | △2,645 | △1,762 | 63 | 81,515 |

Consolidated Statements of Shareholders' Equity

FY2017 (from January 1, 2017 to December 31, 2017)

Millions of yen
(Amounts less than one million yen are truncated)

| | Shareholders' Equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 4,969 | 9,595 | 71,229 | △2,579 | 83,215 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | △2,448 | | △2,448 |
| Profit attributable to owners of parent | | | 7,739 | | 7,739 |
| Purchase of treasury shares | | | | △1 | △1 |
| Disposal of treasury shares | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes of items during period | — | 0 | 5,290 | △1 | 5,288 |
| Balance at end of current period | 4,969 | 9,595 | 76,519 | △2,580 | 88,503 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 203 | △40 | 719 | △2,645 | △1,762 | 63 | 81,515 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | — | | △2,448 |
| Profit attributable to owners of parent | | | | | — | | 7,739 |
| Purchase of treasury shares | | | | | — | | △1 |
| Disposal of treasury shares | | | | | — | | 0 |
| Net changes of items other than shareholders' equity | 144 | 40 | △195 | 1,125 | 1,114 | 66 | 1,180 |
| Total changes of items during period | 144 | 40 | △195 | 1,125 | 1,114 | 66 | 6,469 |
| Balance at end of current period | 348 | — | 524 | △1,520 | △648 | 129 | 87,985 |

Consolidated Statements of Cash Flows

| | Millions of yen (Amounts less than one million yen are truncated) | |
|--|--|--|
| | FY2016 (from January 1, 2016 to December 31, 2016) | FY2017 (from January 1, 2017 to December 31, 2017) |
| Cash flows from operating activities | | |
| Profit before income taxes | 7,941 | 9,899 |
| Depreciation | 3,356 | 3,317 |
| Increase (decrease) in provision for bonuses | 5 | △23 |
| Increase (decrease) in provision for directors' bonuses | △5 | 5 |
| Increase (decrease) in provision for loss on order received | 123 | △176 |
| Increase (decrease) in net defined benefit liability | △1,486 | △2,188 |
| Interest and dividend income | △91 | △74 |
| Loss (gain) on sales and retirement of property, plant and equipment | 1 | △5 |
| Loss (gain) on sales and valuation of investment securities | △47 | △7 |
| Decrease (increase) in notes and accounts receivable - trade | △983 | △1,039 |
| Decrease (increase) in inventories | △87 | △798 |
| Increase (decrease) in notes and accounts payable - trade | 133 | 876 |
| Other, net | 1,618 | 1,359 |
| Subtotal | <u>10,476</u> | <u>11,143</u> |
| Interest and dividend income received | 92 | 76 |
| Income taxes paid | △3,012 | △1,540 |
| Net cash provided by (used in) operating activities | <u>7,556</u> | <u>9,679</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | △3,078 | △1,583 |
| Proceeds from sales of property, plant and equipment | 1 | 86 |
| Purchase of intangible assets | △381 | △212 |
| Purchase of investment securities | △1 | △266 |
| Proceeds from sales of investment securities | 150 | 7 |
| Payments of loans receivable | △5,000 | - |
| Collection of loans receivable | - | 5,000 |
| Other, net | 243 | △136 |
| Net cash provided by (used in) investing activities | <u>△8,065</u> | <u>2,895</u> |
| Cash flows from financing activities | | |
| Cash dividends paid | △2,446 | △2,449 |
| Other, net | △0 | 58 |
| Net cash provided by (used in) financing activities | <u>△2,447</u> | <u>△2,391</u> |
| Effect of exchange rate change on cash and cash equivalents | △192 | △90 |
| Net increase (decrease) in cash and cash equivalents | <u>△3,148</u> | <u>10,093</u> |
| Cash and cash equivalents at beginning of period | <u>19,189</u> | <u>16,040</u> |
| Cash and cash equivalents at end of period | <u>16,040</u> | <u>26,134</u> |