

Canon

Canon Marketing Japan Inc.

Interim Report for the 52nd Business Term

January 1, 2019 ▶ June 30, 2019



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Cover photo

Old City of Dubrovnik, Croatia

From the Canon Calendar 2019
"World Heritage Journey Sekaiisan wo
Tazunete" by Kazuyoshi Nomachi
EOS 5Ds
EF24-105 mm F4L IS II USM
1/180 seconds f8 ISO320

We will aim to increase sales and income while improving profitability by focusing on the IT Solutions business.



We take this opportunity to convey our sincerest appreciation to all our shareholders for their continued support.

During the interim period under review, net sales of the Canon MJ Group increased only slightly because existing businesses such as digital cameras and business equipment, which are sluggish, declined significantly, although the IT Solutions business, on which the Group has been focusing as a growth driver, developed considerably coupled with the market growth. Meanwhile, operating income increased significantly year on year as a result of increasing the profitability of the IT Solutions business and switching to a leaner organization by continuing to reduce costs.

We expect the market environment for cameras and printers to remain tough in the second half of the current fiscal year. While it appears unlikely that overall sales will increase significantly, we will nevertheless aim to increase sales and income while improving profitability by continuing to focus on the IT Solutions business.

We plan to pay interim dividends of 30 yen per share (an increase of 5 yen year on year) and annual dividends of 60 yen per share (the same as in the previous fiscal year) without changing from the amount announced at the beginning of the period. As we pursue these initiatives, we sincerely ask for your continued support.

August 2019

Masahiro Sakata

President & Representative Director

Financial Highlights

The reporting segments of Canon MJ have been changed in the current fiscal year, and the changes mentioned in the following text are based on a comparison with the interim period of the previous fiscal year by changing the reporting segments into those after the reclassification. Because the figure totaling net sales in each segment does not include the amount in "Other," it is different from net sales in the center of the pie chart. The composition ratios are calculated based on the simple total of net sales in each segment. * "Other" consists of call centers, the business process outsourcing (BPO) service business and the elimination of intersegment transactions.

(Figures are rounded to the nearest unit)



Professional

Net sales **23.2** billion yen

Operating income ... **1.3** billion yen

Overview Net sales declined due to the weak performance of Production Printing, while sales of Healthcare remained flat.



Consumers

Net sales **57.7** billion yen

Operating income ... **-0.3** billion yen

Overview Net sales decreased due to a fall in sales of interchangeable lens digital cameras.



Area

Net sales **132.8** billion yen

Operating income ... **7.0** billion yen

Overview Net sales increased thanks to a rise in sales of IT solutions to small and medium enterprises, although sales of major business equipment declined.

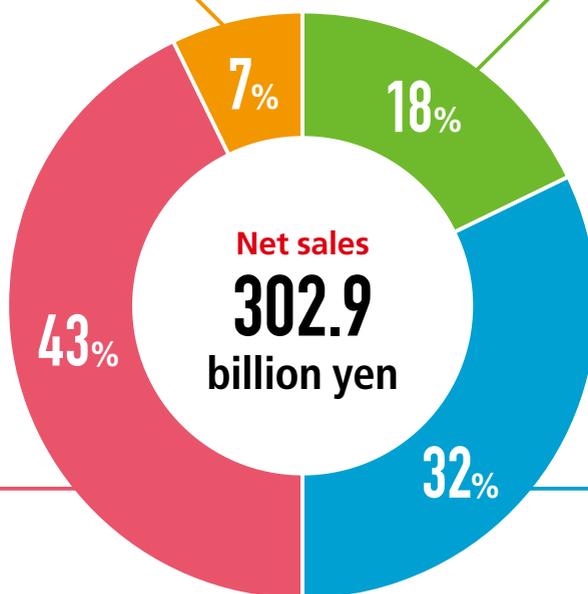


Enterprise

Net sales **98.7** billion yen

Operating income ... **5.5** billion yen

Overview Net sales increased because sales of IT solutions such as SI services and IT infrastructure services remained strong.



Net sales
302.9
billion yen

Other*

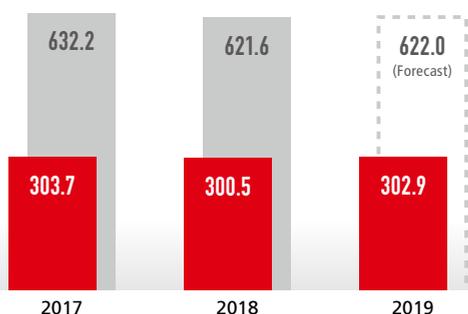
Net sales **-9.6** billion yen

Operating income **-0.1** billion yen

(Billions of yen, rounded to the nearest unit)

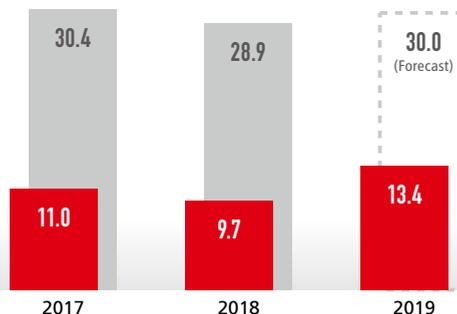
Net sales

■ Interim period ■ Fiscal year □ Fiscal year forecast



Operating income

■ Interim period ■ Fiscal year □ Fiscal year forecast



Please see our IR Site for more detailed business results.
canon.jp/8060e-ir



Launching iNSPiC ZV-123/CV-123, iNSPiC an instant camera printer that enables users to easily enjoy photography and printing

Canon MJ launched iNSPiC ZV-123/CV-123, a printer with a camera function that enables users to print a photo immediately after taking it with the built-in camera. It is a highly portable palm-sized printer of a similar size to a standard smartphone that enables users to easily enjoy photography and printing even when they are away from home.



iNSPiC ZV-123 (Pearl white)



iNSPiC ZV-123 (Matte black)



iNSPiC CV-123 (White)

This product utilizes Zero Ink® Technology, and users can easily print out photos on dedicated photo paper that combines paper and ink.

Because the paper is a sheet of stickers, users can paste it wherever they like. They can also keep a record with photos in a notebook and create message cards and original products by cutting and pasting photos.

iNSPiC ZV-123/CV-123 will expand new ways to enjoy photos with users' own ideas.

*Zero Ink® Technology is a trademark or registered trademark of ZINK HOLDINGS LLC.



POINT

When we introduced the new product, we discussed our overall marketing plan in the ichikara project, which is a cross-organizational marketing activity. This project mainly involves young female employees, who are the target market for the product, and conducts activities by creating marketing plans utilizing the voices of the generation.

The members share information every day by keeping their eyes wide open so that their efforts to promote iNSPiC in line with the trends by promptly reflecting market voices regarding how to use it in their marketing activities will lead to the development of new customer segments. These efforts include their focus on sales in stores dealing with stationery and sundries to meet demand for using photos in a notebook.

Summer 2020 Sees the Arrival of a New Nishi-Tokyo Data Center Building

Pick Up News

A new Nishi-Tokyo Data Center building will commence operation in 2020 to expand the stock-based IT service business.

Canon MJ and its subsidiary Canon IT Solutions Inc. began constructing the new Nishi-Tokyo Data Center building on March 1, 2019 with the aim of commencing its operation in summer 2020.



Why is demand for data centers increasing?

We assume that you have probably noticed that information technology (IT) is developing in all areas of your life as typified by the dissemination of online shopping and electronic money, along with the fact that a range of procedures are going online.

Given that the labor force in Japan is decreasing due to the aging population combined with the low birthrate, the labor shortage has become a serious challenge for companies, and demand for IT such as the automatization and streamlining of operations by IT is growing even further.

Against this backdrop, created digital data are rapidly increasing.

In addition, the migration to the cloud, in which outside services are used and stored online via the Internet as data and software of individuals and companies, which they previously used and stored themselves, is also progressing rapidly.

Accordingly, data centers that can safely store and use a greater volume of electronic data than ever before are required.

Strong increase in digital data due to the development of IT

Development of IT in our lives, such as online shopping, electronic money and online procedures

Aging population combined with low birthrate
Decrease in labor force

↓
Automatization and streamlining of operations at companies

+

Data and software migration to the cloud

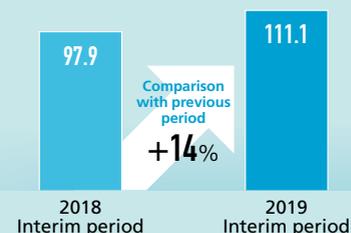
Canon MJ will expand the long-lasting stock-based IT service business such as data center services, cloud services and system operation services by further strengthening the IT Infrastructure & Service Business with data centers at the core, in addition to data centers as a storage facility of important information assets of companies.

Status of Group IT Solutions

To meet customers' needs for streamlining operations using IT, the Canon MJ Group provides optimum solutions to support their businesses, such as system development and data center services for large companies and cloud services and security measures for small and medium enterprises. This IT Solutions business is an area in which Canon MJ has been cultivating technologies and expertise through M&A, and we expect significant growth in the future. The total net sales of Group IT solutions that are included in the net sales of each segment for the interim period under review are 111.1 billion yen, an increase of 14% year on year.

Net sales of Group IT solutions

(Billions of yen, rounded to the nearest unit)



Q The key words “ESG” and “SDGs” are attracting attention, but what efforts are you making regarding social and environmental issues?

Environmental and Social Contribution Activities through the Collection of Toner Cartridges

Related SDGs



Environmental contamination by plastic waste has become a major challenge in recent years.

In 1990, the Canon Group began collecting toner cartridges for the effective use of limited resources and the reduction of waste. The Canon Group is now working to achieve a resource recycling society by reproducing materials with a selection purity of 99% or more from used toner cartridges and using these materials in the manufacture of new cartridges.

As an environmental activity that is unique to a marketing company, the Canon MJ Group is working on the reduction of CO₂ emissions from collection itself through the “simultaneous-with-delivery collection service” for corporate customers and social contribution activities linked to collection and recycling, in addition to the establishment of collection bases and the development of various collection routes nationwide.

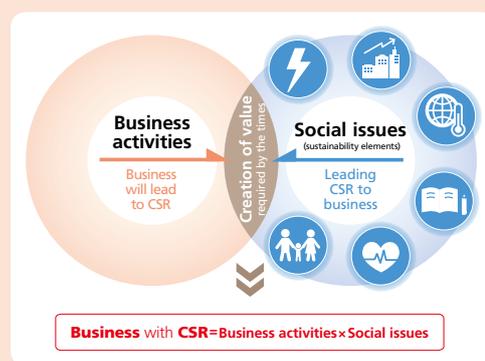


Business with CSR ~ CSR activities to create the new value required by the times ~

The Canon MJ Group aims to provide products, services and solutions that integrate “sustainability elements,” which can be rephrased as requests and expectations of modern society, based on the key concept that “CSR activities are marketing itself.”

We believe that the resolution of social issues and the provision of social value through our business activities will lead to the sustainable, synergistic development of companies and society that is not transient or intermittent.

We are developing CSR activities to create such new value required by the times based on the slogan of “Business with CSR.”



NEWS!

In the 22nd Environmental Management Survey conducted by Nikkei Inc., Canon MJ received high evaluation marks in the items of “Environmental Management Promotion System” and “Resources Recycling” and was ranked first in the non-manufacturing sector, the trading company section.

Change of Method of Receiving Dividends

Q I go to a post office whenever I receive dividends, but can I receive dividends without going to a post office?

You can also receive dividends in your account at a bank or a securities company.

To receive dividends more safely and quickly, you are recommended to change your method of receiving dividends from receipt using the dividend receipt to receipt in an account at a bank or a securities company.

For the procedure to change the method of receiving dividends,

If you have stocks at a securities company → Contact the securities company where you have opened a securities account.

If you do not have stocks at a securities company → Contact Mizuho Trust & Banking Co., Ltd. (0120-288-324).

Please take this opportunity to consider changing your method of receiving dividends.

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