

FY2019 Results

January 29, 2020
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Canon

Canon Marketing Japan Inc.

* The figures are rounded off to the nearest 100 million yen in this material.

* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties.

As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

Summary of 4Q 2019 Results

Net sales **¥158.1 B (Y/Y -15.6B, -9%)**

✓ Sales decreased due to lower sales in the Consumer, Enterprise and Professional segments, despite a rise in sales in the Area segment.

Operating Income **¥8.6 B (Y/Y -4.5B, -34%)**

✓ Operating income decreased, reflecting a decline in gross margins resulting from lower sales and increased SG&A expenses.

**Profit attributable to
owners of parent** **¥5.7 B (Y/Y -3.5B, -38%)**

Summary of Results

4Q 2019 Actual
(from October 1 to December 31)



(Billions of yen)

■ Summary of Results

	4Q 2018	4Q 2019	Changes	
			Amount	%
Net sales	173.7	158.1	-15.6	-9%
Gross profit	(35.2%) 61.1	(32.9%) 52.0	(-2.3%) -9.2	-15%
Operating income	(7.5%) 13.0	(5.4%) 8.6	(-2.1%) -4.5	-34%
Ordinary income	(7.6%) 13.2	(5.7%) 9.0	(-1.9%) -4.2	-32%
Profit attributable to owners of parent	(5.3%) 9.3	(3.6%) 5.7	(-1.7%) -3.5	-38%

Summary of Results

Comparisons with Results
before the Reclassification

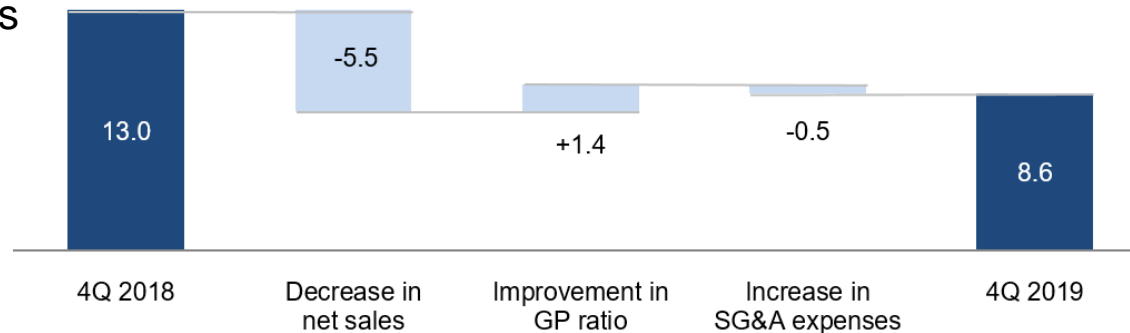


(Billions of yen)

Summary of Results

	4Q 2018	4Q 2019	Impact of the reclassification of services	4Q 2019 (before the reclassification)	Changes	
					Amount	%
Net sales	173.7	158.1	-	158.1	-15.6	-9%
Gross profit	(35.2%) 61.1	(32.9%) 52.0	5.2	(36.1%) 57.1	(+0.9%) -4.0	-7%
Operating income	(7.5%) 13.0	(5.4%) 8.6	-	(5.4%) 8.6	(-2.1%) -4.5	-34%
Ordinary income	(7.6%) 13.2	(5.7%) 9.0	-	(5.7%) 9.0	(-1.9%) -4.2	-32%
Profit attributable to owners of parent	(5.3%) 9.3	(3.6%) 5.7	-	(3.6%) 5.7	(-1.7%) -3.5	-38%

Op. Income Variance Analysis



Segment Outline

4Q 2019 Actual
(from October 1 to December 31)



(Billions of yen)

	4Q 2018		4Q 2019		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	53.9	7.0	40.9	4.3	-13.0	-2.7
Enterprise	48.9	2.7	46.2	1.8	-2.6	-0.9
Area	65.6	3.6	66.1	2.7	+0.5	-0.8
Professional	10.6	0.0	9.8	-0.1	-0.8	-0.1
Other	-5.3	-0.2	-5.0	-0.2	+0.3	+0.0
Total	173.7	13.0	158.1	8.6	-15.6	-4.5

Notes

*1 “Other” includes call center business and BPO service business, which are not treated as reportable business segments. Also eliminations of intersegment transactions are included.

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for the results of the previous year are restated according to the classification method for the current period.

Summary of Results

Comparisons with Results
before the Reclassification



(Billions of yen)

■ Summary of Results

	FY2018		FY2019 (before the reclassification)		Changes			
	1Q-2Q	3Q-4Q	1Q-2Q	3Q-4Q	1Q-2Q		3Q-4Q	
					Amount	%	Amount	%
Net sales	300.5	321.1	302.9	318.3	+2.3	+1%	-2.8	-1%
	(34.9%)	(35.3%)	(35.3%)	(35.9%)	(+0.3%)		(+0.7%)	
Gross profit	105.0	113.2	106.8	114.3	+1.8	+2%	+1.1	+1%
	(3.2%)	(6.0%)	(4.4%)	(6.0%)	(+1.2%)		(-0.0%)	
Operating income	9.7	19.3	13.4	19.0	+3.8	+39%	-0.3	-1%
	(3.7%)	(6.1%)	(4.7%)	(6.2%)	(+1.1%)		(+0.1%)	
Ordinary income	11.0	19.5	14.3	19.6	+3.4	+30%	+0.1	+0%
	(2.5%)	(4.2%)	(3.1%)	(4.0%)	(+0.6%)		(-0.1%)	
Profit attributable to owners of parent	7.4	13.4	9.4	12.8	+2.0	+27%	-0.6	-4%

Segment Outline



(Billions of yen)

	FY2018				FY2019				Changes			
	1Q-2Q		3Q-4Q		1Q-2Q		3Q-4Q		1Q-2Q		3Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	61.0	-1.1	89.2	8.4	57.7	-0.3	75.1	7.1	-3.4	+0.8	-14.1	-1.3
Enterprise	93.4	4.3	94.8	4.4	98.7	5.5	97.1	4.6	+5.3	+1.2	+2.4	+0.1
Area	130.2	5.5	127.4	6.6	132.8	7.0	135.5	7.4	+2.6	+1.5	+8.1	+0.9
Professional	26.2	0.8	20.3	0.1	23.2	1.3	20.5	0.4	-3.0	+0.5	+0.2	+0.3
Other	-10.3	0.2	-10.5	-0.2	-9.6	-0.1	-9.9	-0.5	+0.7	-0.2	+0.6	-0.2
Total	300.5	9.7	321.1	19.3	302.9	13.4	318.3	19.0	+2.3	+3.8	-2.8	-0.3

Notes

*1 "Other" includes call center business and BPO service business, which are not treated as reportable business segments. Also eliminations of intersegment transactions are included.

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for ⁷ the results of the previous year are restated according to the classification method for the current period.

Summary of Results

FY 2019 Actual
(from January 1 to December 31)



(Billions of yen)

■ Summary of Results

	FY 2018	FY 2019	Changes	
			Amount	%
Net sales	621.6	621.1	-0.5	-0%
Gross profit	(35.1%) 218.2	(32.4%) 201.0	(-2.7%) -17.1	-8%
Operating income	(4.7%) 28.9	(5.2%) 32.4	(+0.6%) +3.5	+12%
Ordinary income	(4.9%) 30.5	(5.5%) 33.9	(+0.6%) +3.4	+11%
Profit attributable to owners of parent	(3.4%) 20.8	(3.6%) 22.3	(+0.2%) +1.4	+7%

Summary of Results

Comparisons with Results
before the Reclassification

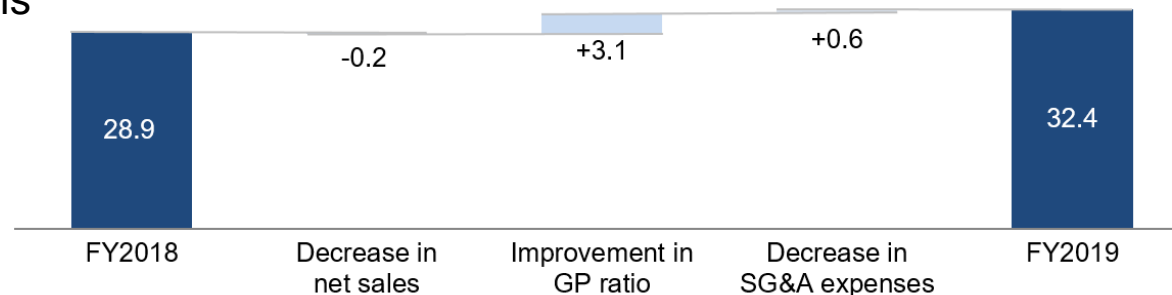


(Billions of yen)

Summary of Results

	FY 2018	FY 2019	Impact of the reclassification of services	FY 2019 (before the reclassification)	Changes	
					Amount	%
Net sales	621.6	621.1	-	621.1	-0.5	-0%
Gross profit	(35.1%) 218.2	(32.4%) 201.0	20.1	(35.6%) 221.1	(+0.5%) +2.9	+1%
Operating income	(4.7%) 28.9	(5.2%) 32.4	-	(5.2%) 32.4	(+0.6%) +3.5	+12%
Ordinary income	(4.9%) 30.5	(5.5%) 33.9	-	(5.5%) 33.9	(+0.6%) +3.4	+11%
Profit attributable to owners of parent	(3.4%) 20.8	(3.6%) 22.3	-	(3.6%) 22.3	(+0.2%) +1.4	+7%

Op. Income Variance Analysis



Segment Outline

FY 2019 Actual
(from January 1 to December 31)



(Billions of yen)

	FY2018		FY2019		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	150.2	7.3	132.8	6.9	-17.5	-0.5
Enterprise	188.2	8.7	195.8	10.1	+7.7	+1.3
Area	257.6	12.1	268.3	14.4	+10.7	+2.3
Professional	46.4	0.9	43.7	1.6	-2.8	+0.8
Other	-20.8	-0.1	-19.5	-0.5	+1.3	-0.5
Total	621.6	28.9	621.1	32.4	-0.5	+3.5

Notes

*1 "Other" includes call center business and BPO service business, which are not treated as reportable business segments. Also eliminations of intersegment transactions are included.

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for ¹⁰ the results of the previous year are restated according to the classification method for the current period.

Segment Information Consumers Segment

Net sales : 40.9 B (Y/Y -13.0B, -24%)

- Sales decreased mainly due to a decline in sales of digital SLR cameras and inkjet printers.

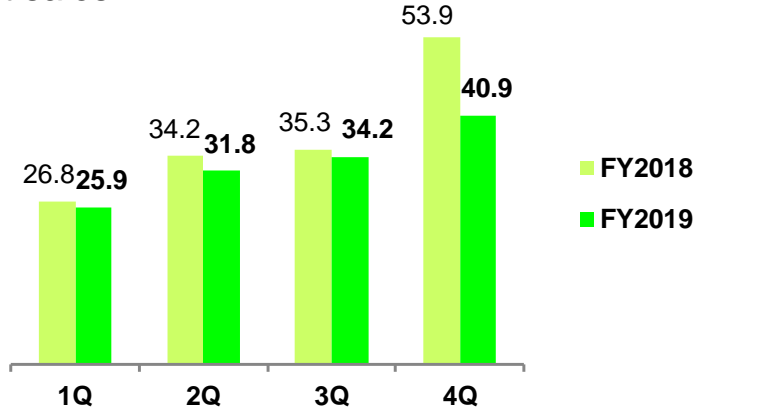
Operating income 4.3 B (Y/Y -2.7B, -38%)

- Operating income decreased, mainly reflecting a decline in sales of ink cartridges in the absence of a last minute surge in demand before the consumption tax hike.

■ 2019 Actual v. 2018 Actual

	FY2018	FY2019	Changes
Net sales	150.2	132.8	-17.5
Op. income	7.3	6.9	-0.5

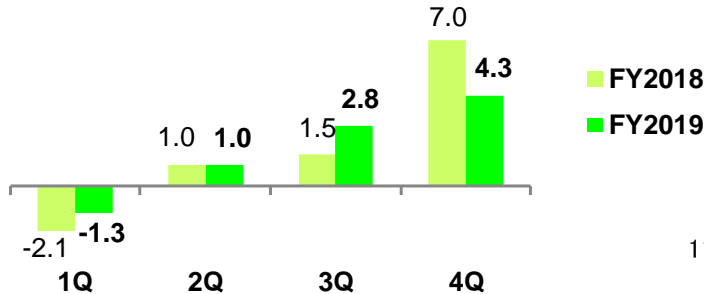
■ Net sales



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-3%	-7%	-3%	-24%	-12%

■ Op. income



Segment Information **Enterprise Segment**

Net sales : 46.2 B (Y/Y -2.6B, -5%)

- Sales decreased in reaction to the winning of large projects of business PCs and SI services in the financial sectors in the same period of the previous year, despite the strong performance of businesses for the manufacturing industry.

Operating income 1.8B (Y/Y -0.9B, -33%)

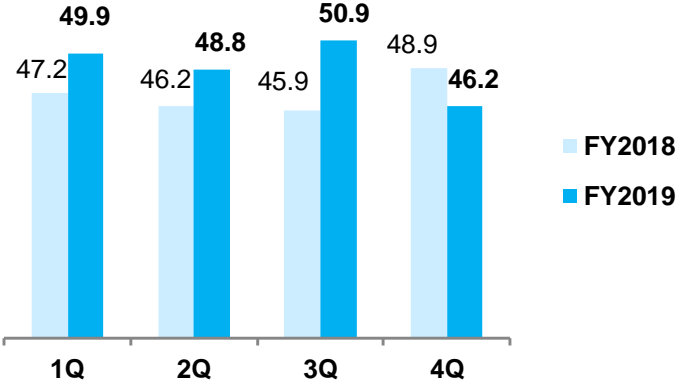
- Operating income decreased mainly due to a decline gross margins resulting from lower sales.

■ 2019 Actual v. 2018 Actual

	FY2018	FY2019	Changes
Net sales	188.2	195.8	+7.7
Op. income	8.7	10.1	+1.3

■ Net sales

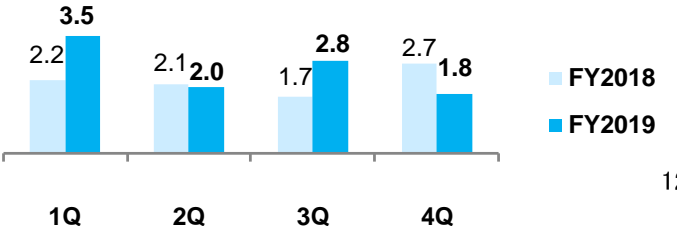
(Billions of Yen)



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	+6%	+6%	+11%	-5%	+4%

■ Op. income



Segment Information Area Segment

Net sales : 66.1 B (Y/Y +0.5B, +1%)

- Sales increased, reflecting a rise in sales of IT solutions pertaining to business PCs in particular.

Operating income 2.7 B (Y/Y -0.8B, -23%)

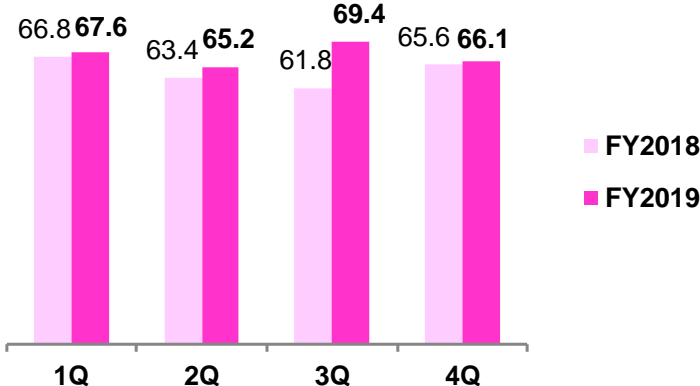
- Operating income decreased mainly due to a decline in gross margins resulting from lower sales of maintenance services and laser printer cartridges.

■ 2019 Actual v. 2018 Actual

	FY2018	FY2019	Changes
Net sales	257.6	268.3	+10.7
Op. income	12.1	14.4	+2.3

■ Net sales

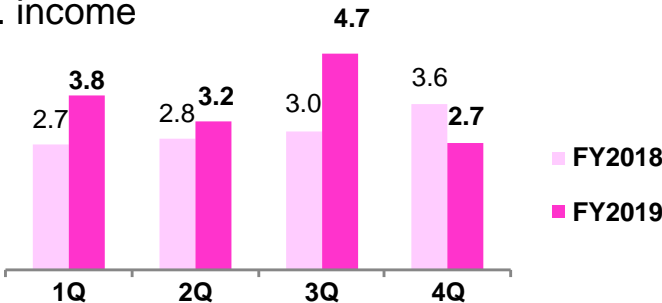
(Billions of Yen)



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	+1%	+3%	+12%	+1%	+4%

■ Op. income



Segment Information Professional Segment

Net sales : 9.8 B (Y/Y -0.8B, -8%)

- Sales decreased due to the poor performance of the healthcare and production printing businesses, despite the strong performance of industrial equipment.

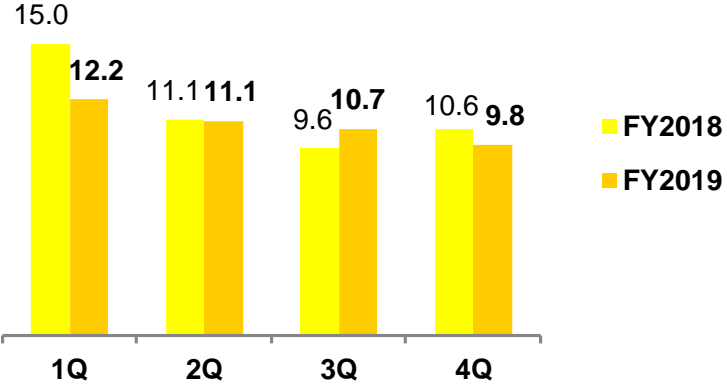
Operating income -0.1 B (Y/Y -0.1B, -%)

- Operating income decreased due to a decline in gross margins resulting from lower sales.

■ 2019 Actual v. 2018 Actual

	FY2018	FY2019	Changes
Net sales	46.4	43.7	-2.8
Op. income	0.9	1.6	+0.8

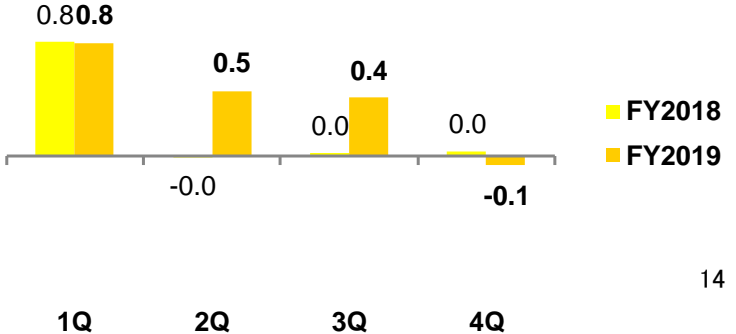
■ Net sales



■ Net sales - Growth rate (Y/Y)

	1Q	2Q	3Q	4Q	FY
FY2019	-19%	-1%	+11%	-8%	-6%

■ Op. income



■ Net sales - Growth rate (Y/Y)

	FY2019			
	1Q Results	2Q Results	3Q Results	4Q Results
Production Printing	+1%	-22%	-4%	-18%
Industrial Equipment	-34%	-2%	-6%	+20%
Healthcare Business	-13%	+19%	+37%	-15%

■ **Production Printing**

Sales decreased due to the poor performance of continuous feed printers and wide-format printers, among other products.

■ **Industrial Equipment**

Sales increased, reflecting the expansion of sales in the semiconductor sector and the strong performance of maintenance services.

■ **Healthcare Business**

Sales decreased mainly due to the absence of a last minute surge in demand before the consumption tax hike with respect to sales of consumables.

Overall Sales of IT Solutions

(Billions of Yen)

■ Sales of IT Solutions by Segment

	4Q 2018	4Q 2019	Changes	
			Amount	%
Enterprise segment	31.1	28.7	-2.4	-8%
Area segment	14.5	17.8	+3.3	+23%
Other	6.5	5.9	-0.7	-10%
Total	52.1	52.4	+0.3	+0%

	FY 2018	FY 2019	Changes	
			Amount	%
Enterprise segment	119.0	124.9	+5.9	+5%
Area segment	58.1	73.6	+15.5	+27%
Other	20.6	22.9	+2.3	+11%
Total	197.7	221.5	+23.7	+12%

■ Reference: Overall IT Security

	Y/Y 2018 vs 2019	
	4Q	FY
Overall IT Security Amount	-4%	+2%

Summary of Projections



(Billions of Yen)

	FY2020 Projection	FY2019 Actual	Changes	
			Amount	%
Net Sales	600.0	621.1	-21.1	-3%
	(5.7%)	(5.2%)	(+0.4%)	
Operating Income	34.0	32.4	+1.6	+5%
	(5.8%)	(5.5%)	(+0.4%)	
Ordinary Income	35.0	33.9	+1.1	+3%
	(3.8%)	(3.6%)	(+0.2%)	
Profit attributable to owners of parent	22.8	22.3	+0.5	+2%

Summary of Projections by Segment



(Billions of Yen)

	FY2019		FY2020		Changes		
	Actual		Projection				
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	132.8	6.9	125.3	6.2	-7.5	-6%	-0.7
Enterprise	195.8	10.1	196.5	11.4	+0.7	+0%	+1.3
Area	268.3	14.4	263.0	15.5	-5.3	-2%	+1.1
Professional	43.7	1.6	34.6	2.3	-9.1	-21%	+0.7
Other	-19.5	-0.5	-19.4	-1.4	+0.1	-	-0.9
Total	621.1	32.4	600.0	34.0	-21.1	-3%	+1.6

Notes

*1 "Other" includes call center business and BPO service business, which are not treated as reportable business segments. Also eliminations of intersegment transactions are included.

Supplementary Information

FY2018



Financial results after the segment reclassification

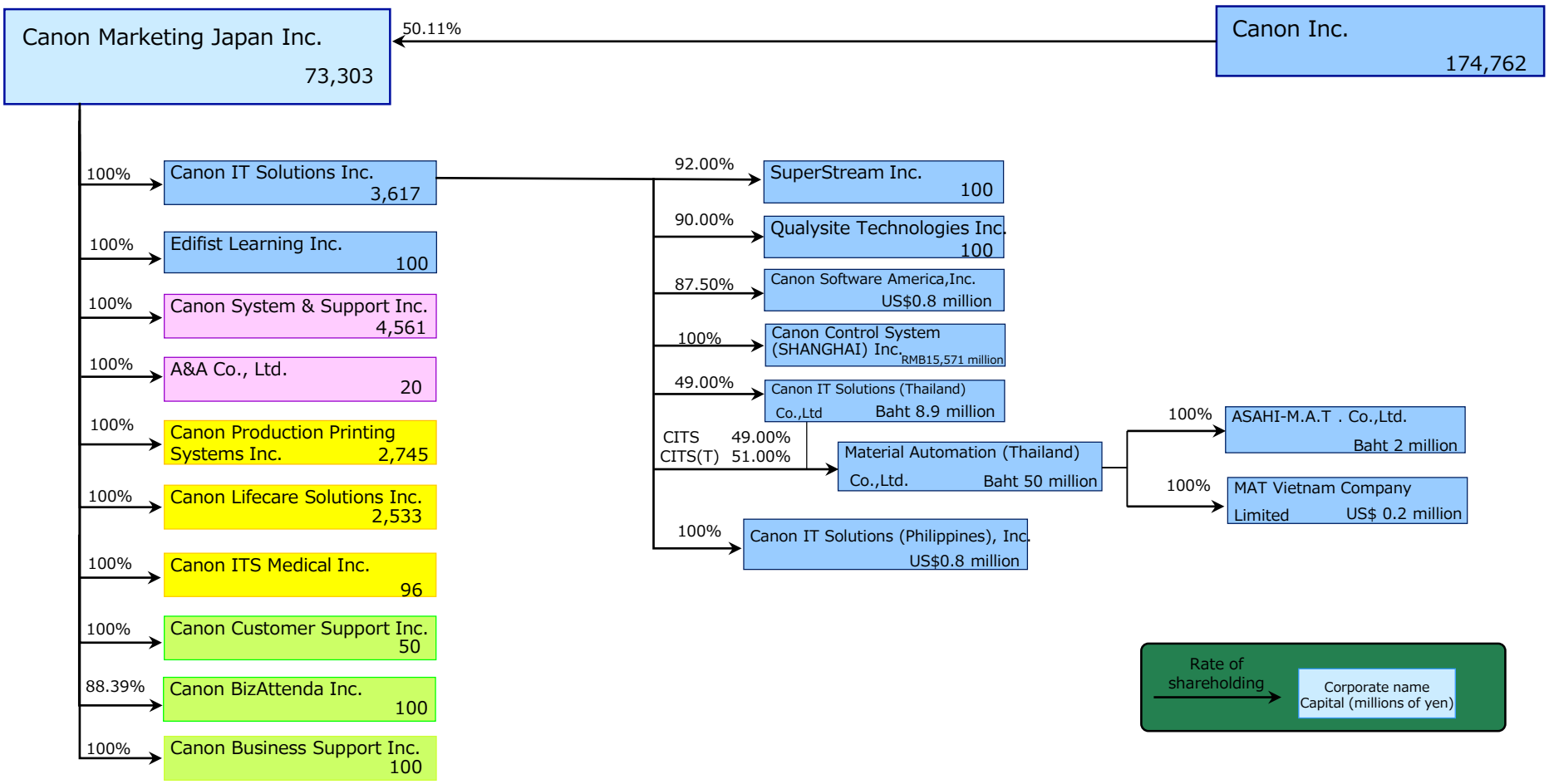
	FY2018								(Billions of Yen)
	1Q		2Q		3Q		4Q		
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	
Consumers	26.8	-2.1	34.2	1.0	35.3	1.5	53.9	7.0	
Enterprise	47.2	2.2	46.2	2.1	45.9	1.7	48.9	2.7	
Area	66.8	2.7	63.4	2.8	61.8	3.0	65.6	3.6	
Professional	15.0	0.8	11.1	-0.0	9.6	0.0	10.6	0.0	
Other	-5.0	0.2	-5.3	0.0	-5.2	0.0	-5.3	-0.2	
Total	150.8	3.7	149.7	5.9	147.4	6.2	173.7	13.0	

Notes

*1 "Other" includes the intersegment sales, the shared service businesses and the corporate expenses that are not allocated to each segment.

*2 Visual Solutions, a sub-segment of the Professional segment, was transferred to the Enterprise and Area segments in 2019. In addition, the planning and development functions of the security business, which had been dispersed throughout the Group, were integrated into the marketing administration department operated solely by Canon Marketing Japan, resulting in changes in the amount of inter-segment transactions. The segments for the results of the previous year are restated according to the classification method for the current period. ²⁰

Capital Relationship Diagram



As of December 31, 2019

Results of main consolidated companies



(Billions of Yen)

		4Q 2018		4Q 2019		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	22.71		21.62		-1.08	-5%
	Op. income	2.37	(10.4%)	1.72	(8.0%)	-0.64	(-2.4%)
Area							
Canon System & Support Inc.	Net sales	29.28		30.18		+0.90	+3%
	Op. income	1.17	(4.0%)	1.03	(3.4%)	-0.14	(-0.6%)
Professional							
Canon Production Printing Systems Inc.	Net sales	3.34		2.71		-0.63	-19%
	Op. income	0.06	(1.7%)	-0.04	(-)	-0.10	(-)
Canon Lifecare Solutions Inc.	Net sales	2.79		2.29		-0.50	-18%
	Op. income	0.11	(3.8%)	-0.08	(-)	-0.19	(-)

* The results of the main affiliated companies for the previous year are also presented after the reclassification of such results due to changes in segment classification.

Results of main consolidated companies



(Billions of Yen)

		FY2018		FY2019		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	86.88		91.58		+4.71	+5%
	Op. income	7.36	(8.5%)	8.21	(9.0%)	+0.85	(+0.5%)
Area							
Canon System & Support Inc.	Net sales	117.79		125.31		+7.52	+6%
	Op. income	3.83	(3.3%)	5.10	(4.1%)	+1.27	(+0.8%)
Professional							
Canon Production Printing Systems Inc.	Net sales	12.31		10.77		-1.54	-13%
	Op. income	-0.29	(-)	0.15	(1.4%)	+0.44	(-)
Canon Lifecare Solutions Inc.	Net sales	11.38		11.07		-0.30	-3%
	Op. income	0.23	(2.0%)	0.19	(1.7%)	-0.04	(-0.3%)

* The results of the main affiliated companies for the previous year are also presented after the reclassification of such results due to changes in segment classification.

SG&A expenses

4Q 2019 Actual
(from October 1 to December 31)



(Billions of Yen)

	4Q 2018	4Q 2019	Impact of the reclassification of services	4Q 2019 (before the reclassification)	Changes
Advertising expenses	2.6	2.4	-	2.4	-0.2
Promotion expenses	1.2	1.2	-	1.2	+0.0
Warranty expenses	1.2	1.0	0.1	1.0	-0.2
Other direct selling expenses	5.1	5.0	-	5.0	-0.1
Personnel expenses	30.6	25.5	4.8	30.3	-0.2
Depreciation and amortization	0.3	0.3	-	0.3	-0.1
Other selling expenses	7.1	8.0	0.2	8.3	+1.2
Total	48.1	43.4	5.2	48.6	+0.5

SG&A expenses

FY 2019 Actual
(from January 1 to December 31)



(Billions of Yen)

	FY 2018	FY 2019	Impact of the reclassification of services	FY 2019 (before the reclassification)	Changes
Advertising expenses	8.4	7.8	-	7.8	-0.6
Promotion expenses	4.4	3.7	-	3.7	-0.6
Warranty expenses	4.8	3.8	0.3	4.1	-0.7
Other direct selling expenses	19.5	19.0	-	19.0	-0.5
Personnel expenses	122.1	104.7	18.9	123.6	+1.5
Depreciation and amortization	1.3	0.9	-	0.9	-0.4
Other selling expenses	28.7	28.6	0.9	29.5	+0.8
Total	189.2	168.6	20.1	188.7	-0.6

Non-operating income and expenses

(Billions of Yen)

■ Non-operating income

	FY 2018		FY 2019		Changes	
	4Q	FY	4Q	FY	4Q	FY
Interest income	0.0	0.2	0.1	0.2	+0.0	-0.0
Dividend income	0.0	0.2	0.0	0.2	+0.0	+0.0
Insurance income	0.0	0.5	0.3	0.8	+0.3	+0.2
Gain on investments in partnership	0.0	0.5	0.0	0.2	+0.0	-0.2
Other	0.1	0.4	0.1	0.3	-0.0	-0.1
Total	0.2	1.8	0.5	1.7	+0.3	-0.1

■ Non-operating expenses

	FY 2018		FY 2019		Changes	
	4Q	FY	4Q	FY	4Q	FY
Interest expense	0.0	0.0	0.0	0.0	-0.0	+0.0
Other	0.0	0.2	0.0	0.2	-0.0	-0.1
Total	0.0	0.2	0.0	0.2	-0.0	-0.1

Extraordinary income and expenses



(Billions of Yen)

■ Extraordinary income

	FY 2018		FY 2019		Changes	
	4Q	FY	4Q	FY	4Q	FY
Gain on sales of fixed assets	0.0	0.1	0.0	0.0	+0.0	-0.1
Gain on sales of investment securities	-	0.5	-0.0	0.0	-0.0	-0.5
Gain on sales of shares of subsidiaries and associates	-	0.2	-	-	-	-0.2
Total	0.0	0.8	0.0	0.0	+0.0	-0.8

■ Extraordinary expenses

	FY 2018		FY 2019		Changes	
	4Q	FY	4Q	FY	4Q	FY
Loss on sales and disposal of fixed assets	0.1	0.3	0.0	0.2	-0.0	-0.1
Loss on impairment of fixed assets	-	0.0	-	0.1	-	+0.1
Loss on valuation of investment securities	0.1	0.2	0.3	0.3	+0.3	+0.2
Expenses for restructuring of business bases	-	0.1	0.0	0.0	+0.0	-0.0
Other	0.0	0.1	0.0	0.0	-0.0	-0.1
Total	0.2	0.6	0.4	0.6	+0.2	+0.0

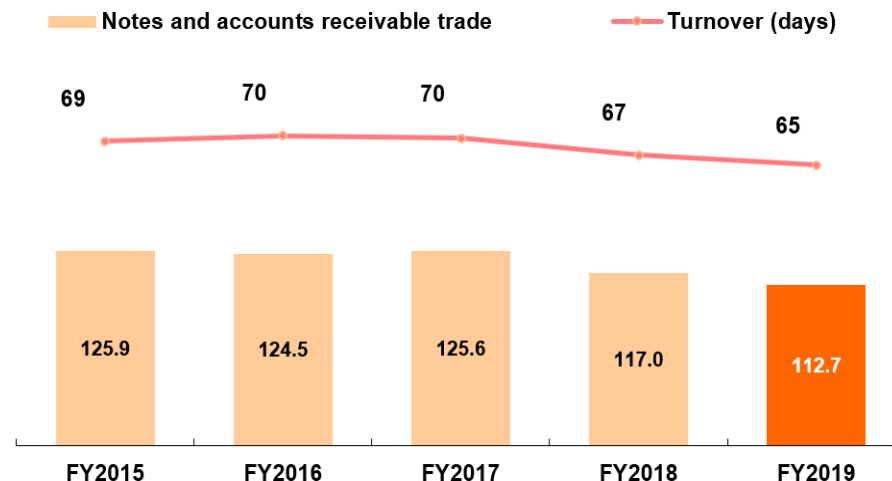
Balance Sheets



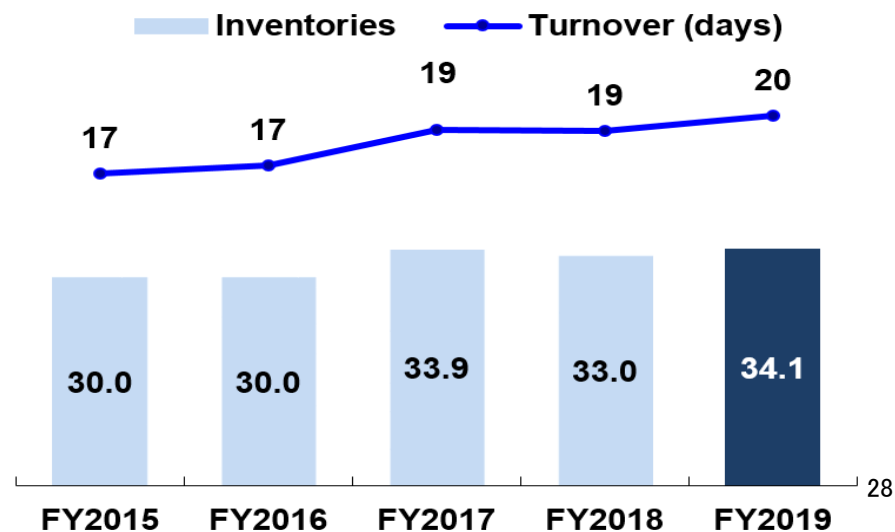
(Billions of Yen)

	Dec. 31 2018	Dec. 31 2019	Changes
Assets	498.8	503.7	+4.9
Current assets	383.3	377.4	-5.9
Cash and deposits	135.6	54.5	-81.1
Notes and accounts receivable	117.0	112.7	-4.4
Inventories	33.0	34.1	+1.1
Other (current assets)	97.7	176.1	+78.4
Non-current assets	115.4	126.3	+10.9
Property, plant and equipment	72.0	82.8	+10.8
Intangible assets	5.3	4.5	-0.8
Investments and other assets	38.2	39.0	+0.8
Liabilities	195.2	178.6	-16.6
Current liabilities	129.9	120.0	-9.9
Notes and accounts payable	75.8	51.5	-24.3
Other (current liabilities)	54.1	68.5	+14.4
Long-term liabilities	65.3	58.6	-6.7
Net assets	303.6	325.1	+21.5
Stakeholders' equity	314.2	327.0	+12.8
(Treasury stock)	-31.9	-31.9	-0.0
Total accumulated other comprehensive income (loss)	-11.1	-2.5	+8.6
Non-controlling interests	0.5	0.6	+0.1
Equity ratio	61%	64%	+4%

Notes and accounts receivable trade



Inventories

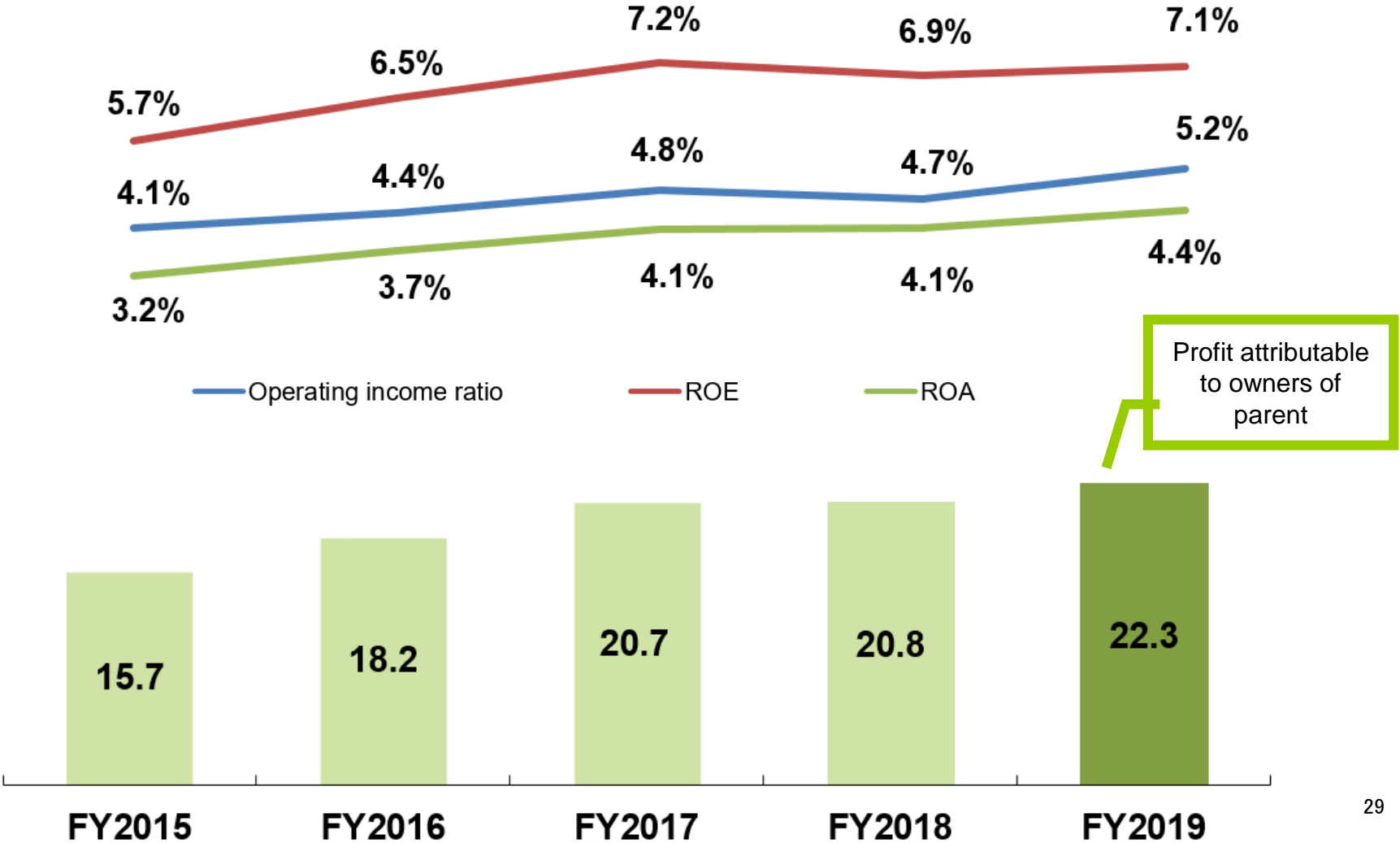


Financial Indicator



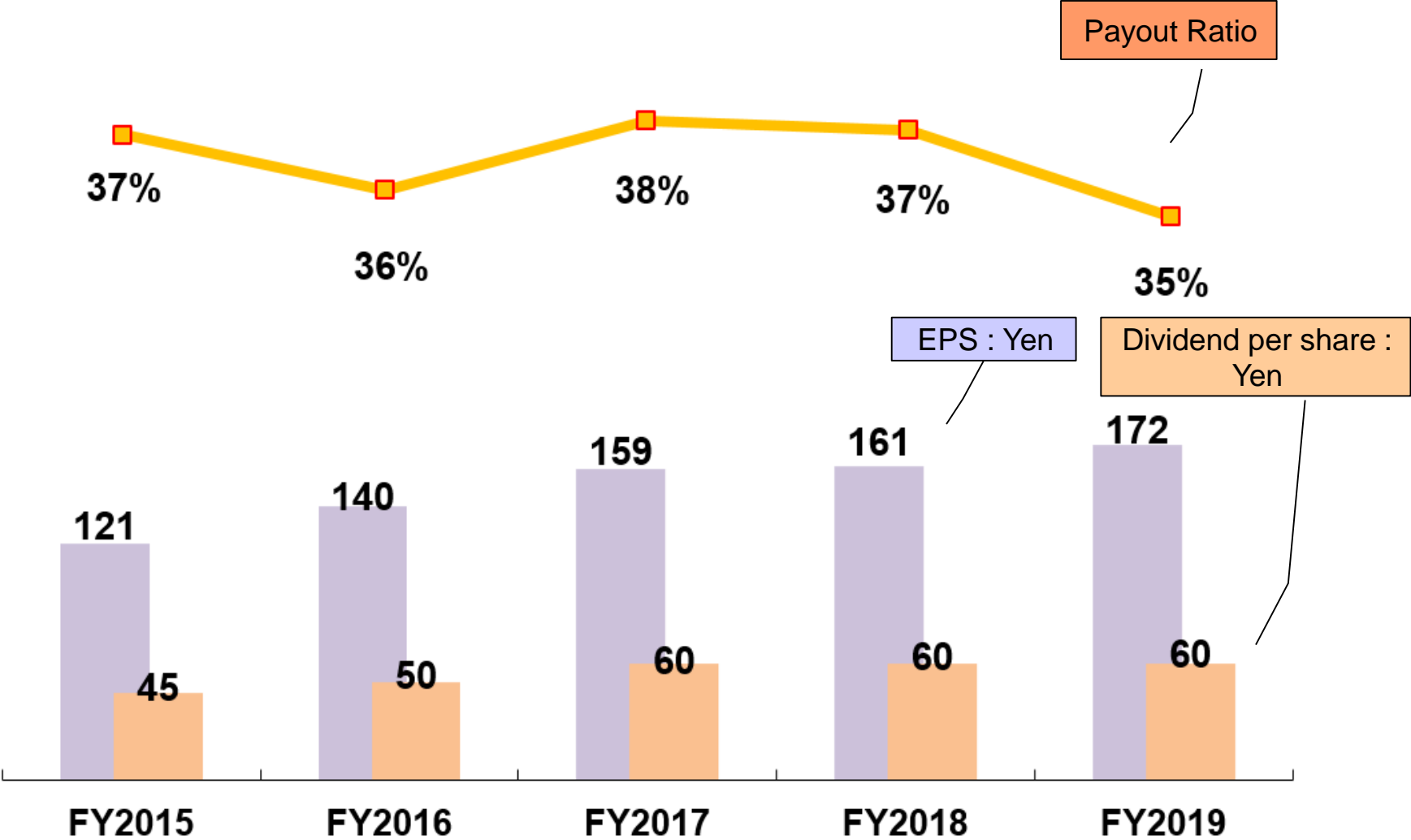
(Billions of Yen)

■ Operating income ratio / ROA / ROE



Financial Indicator

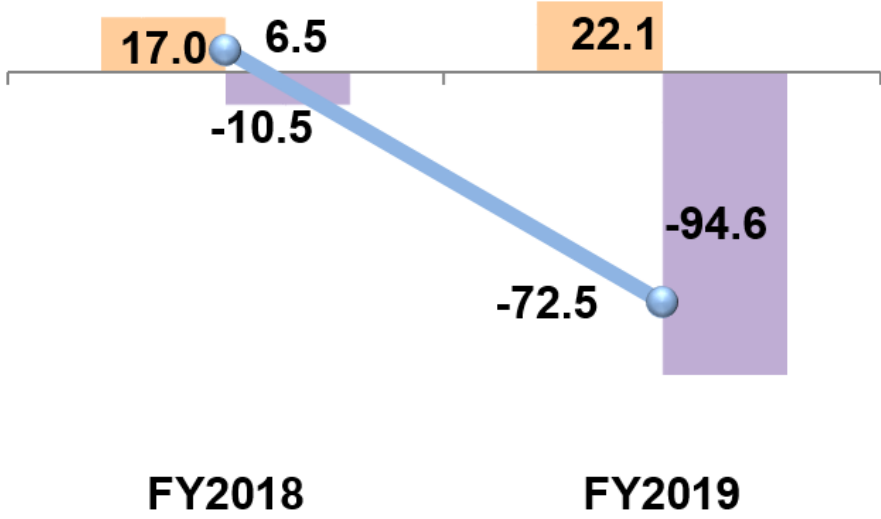
■ Payout Ratio / EPS / Dividend per share



(Billions of Yen)

Cash Flow

- Net cash provided by operating activities
- Net cash provided by investing activities
- Free Cash Flow



Investment

	Full Year
FY 2018	10.7
FY 2019	21.5
FY 2020	23.6

Depreciation and amortization

	Full Year
FY 2018	13.3
FY 2019	12.3
FY 2020	13.0

Canon

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