



**Canon**

Canon Marketing Japan Inc.

Resolving  
Social Issues  
*with* IT Solutions

Integrated Report

2019

For the year ended December 31, 2019

# PROFILE

## Strengths of the Canon Marketing Japan (Canon MJ) Group

### Customer Base and Sales Capabilities



We have built solid relationships with numerous customers over our more than 50 years of selling Canon brand products. Customer needs have diversified with our businesses. We will draw on customer trust and our track record to deliver optimal products and solutions that match the needs of large corporations through small-to-medium-sized enterprises.

### IT Solutions Capabilities



We have amassed technologies by acquiring companies with top capabilities and developing state-of-the-art technologies. We leverage advanced development expertise based on our deep business and industry insight to offer a range of IT solutions, including systems development, cloud services, and data center services.

### Canon Brand



Since our inception as part of Canon's sales division, we have been the exclusive seller in Japan of Canon brand cameras, inkjet printers, office multifunction printers (MFPs), laser beam printers (LBPs), and other Canon brand\* offerings, and have maintained high market shares. We also offer maintenance services and support.

\* Excluding semiconductor exposure equipment, LCD substrate exposure equipment, and medical devices

### Third-Party Assessments

The FTSE4Good Index Series has included Canon MJ for the past 16 years. In addition, we became part of FTSE Blossom Japan and the SNAM Sustainability Index for the third consecutive time in the year under review. We were also part of the MSCI Japan ESG Select Leaders Index in 2018.



### 2020 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数

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> Group Mission

**Help resolve social issues with advanced imaging and IT solutions**

> Group Vision

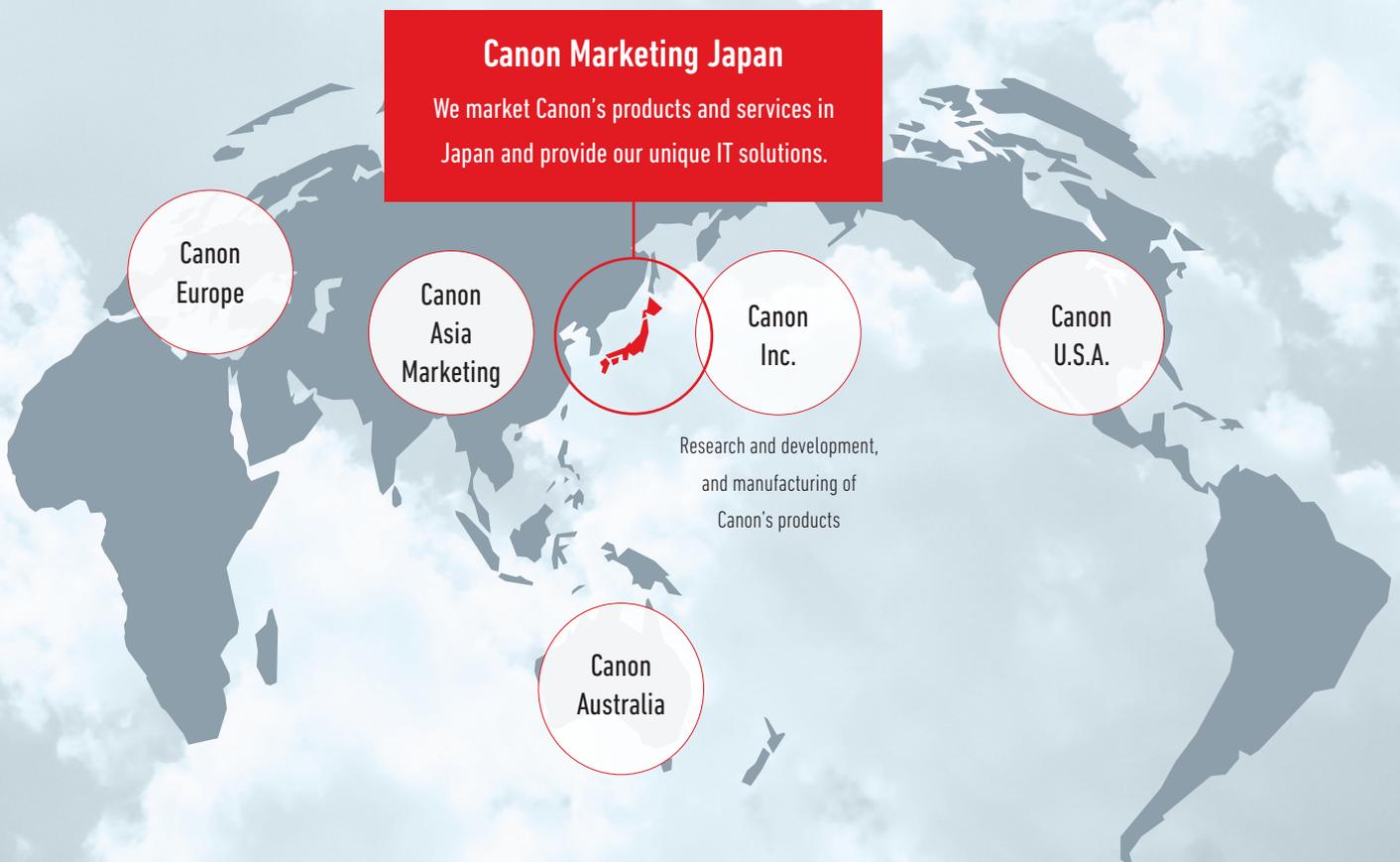
**The Canon Marketing Japan Group understands and grows with its customers.**

> Establishment

**1968**

> Position within the Canon Group

**Market and provide solutions, primarily in Japan**



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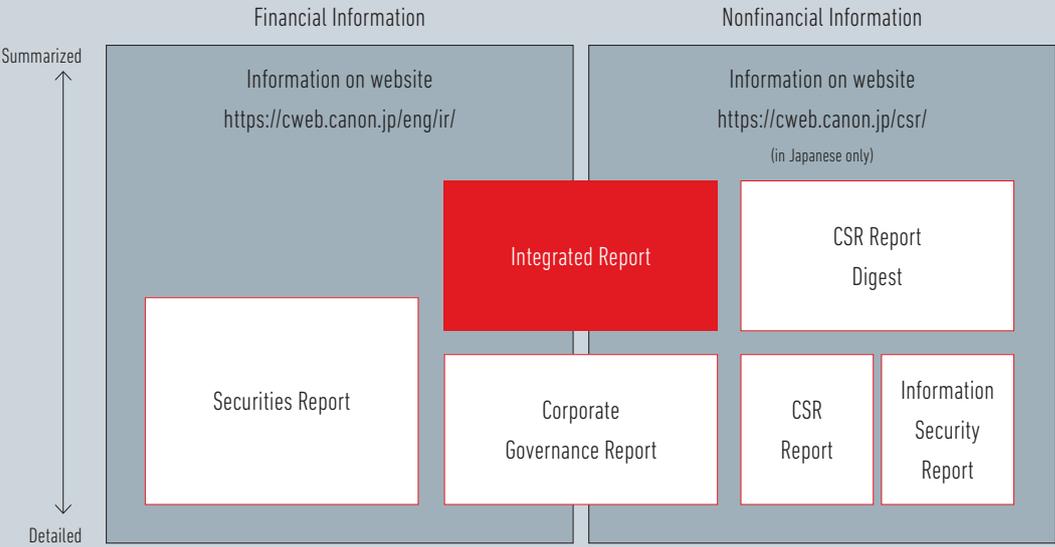
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**Editorial Policy**

The Canon MJ Group began publishing an integrated report from fiscal 2019, replacing the annual report.

Integrated Report 2019 aims to provide information that various stakeholders need to understand how the Group generates corporate value. The report presents more nonfinancial information that showcases the Group’s ability to create value over the medium through long terms and contribute to social sustainability. Detailed financial information is available through such channels as the Group’s website and the securities report. Detailed CSR-related information remains available through the Group’s website, the CSR report, and other vehicles.

**Categories and Positioning of Disclosed Information**



**Reference Guidelines**

International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), and Ministry of Economy, Trade and Industry (METI) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

**Reporting Period**

This report covers fiscal 2019, ended December 31, 2019, and also includes activities and information before and after that term.

**Scope of Coverage**

Canon Marketing Japan Inc. and domestic and overseas Group companies

**Disclaimer Regarding Forward-Looking Statements**

This integrated report contains forward-looking statements about the future performance and management plans of the Canon MJ Group. All forward-looking statements are based on management’s assumptions in light of information available to the Company at the time of publication. The following factors may therefore influence actual results. These factors include consumer trends in Japan as well as other major global markets, private capital expenditures, currency fluctuations, notably against the U.S. dollar, materials prices, and political turmoil in certain countries and regions.

# AN INTERVIEW WITH THE PRESIDENT



*M. Sakata*

**Masahiro Sakata**  
President

**Q** In fiscal 2019, net sales slipped 0.1% while operating income rose 12.1%, resulting in an operating margin of 5.2%, a record high for the Company. In last year's annual report, you stated that your priority was to boost profitability. Has that goal been achieved?

**A** **We are working to improve profitability by focusing on more value-added products and services.**

Markets for existing businesses contracted faster than ever during the year, which could undermine our operational underpinnings. Also, the pace of digitization in connecting people and things picked up in all aspects of business and daily life. Operating more nimbly has become a must for corporate growth.

Net sales for fiscal 2019 were down 0.1% from a year earlier, to ¥621,134 million. Operating income increased 12.1%, to ¥32,440 million, and our operating margin was up 0.5 percentage point, to 5.2%. Profit

attributable to owners of parent grew 6.8%, to a record ¥22,250 million. Return on equity (ROE) advanced 0.2 percentage point, to 7.1%.

These results demonstrated that we can no longer expect to generate corporate growth simply by boosting unit shipments of hardware or market share. We enhanced earnings principally by offering value-added products and services, thereby raising unit selling prices and margins. As such, we performed generally as we expected in terms of our profitability focus.

**Q** The Canon MJ Group continued to perform solidly in IT solutions in fiscal 2019. Revenues in that area jumped 12%, to more than ¥200 billion, accounting for 36% of net sales. Was growth in core Group companies the main driver?

**A** **We created a structure to provide value-added IT solutions Groupwide.**

The first thing to note is that markets are expanding for IT solutions. Market analysis shows that the needs of large enterprises differ somewhat from those of small-to-medium-sized enterprises. As specialization progresses and business units need more advanced expertise, big companies are striving to boost productivity by leveraging IT while outsourcing non-core operations. The situation with small-to-medium-sized enterprises is that their people have to handle many different roles, and they are adopting IT to enhance operational efficiency. In many cases, particularly at small-to-medium-sized enterprises, businesses do not have IT specialists, so there is a growing need to entrust post-deployment support to us.

The main driver of the Group's IT solutions business has been Canon IT Solutions Inc., which focuses on services for large companies. In the year under review, Canon System & Support Inc. drew on its sales sites throughout Japan to deliver and greatly increase sales of IT solutions for small-to-medium-sized enterprises. Business units that previously supplied document solutions to large companies, primarily with MFPs, have also bolstered sales by providing IT solutions to enhance the operational efficiency of those customers. So, by expanding IT solutions Groupwide, we have put ourselves on the path to grow net sales from approximately ¥200 billion to ¥300 billion or so by fiscal 2025.

**Q** Consumer sales continue to decline. The market for Canon's mainline digital cameras seems to be shrinking rapidly. How do you view that situation, and what are you doing to stem the tide?

**A** **The digital interchangeable lens camera market is shrinking faster than expected.**

Our key consumer products are digital cameras and inkjet printers, but markets have shrunk faster than envisioned, particularly for digital cameras. We are the camera market leader, especially in the digital interchangeable lens camera market, in which our market share is almost 60%. As such, the impact of market shrinkage has been significant. As the camera market continues to decline, we suspect that it is returning back to a scale more in line with what it used to be, when photography enthusiasts were willing to purchase cameras that were quite expensive. The customer base grew as a result of the expansionary efforts of camera manufacturers and sales companies, which made

cameras affordable for ordinary consumers. Now, although smartphones offer convenient picture taking for many people, there is still a certain number of camera and photography enthusiasts. I therefore expect the camera market to stop shrinking once the enthusiast base becomes central to it. We will naturally need to work on maintaining a certain market scale by highlighting the enjoyment of cameras and photography to young people and women. It will be vital to keep introducing attractive offerings, a good example being the Canon mirrorless cameras for which market demand is expanding. We will continue introducing new mirrorless cameras in 2020.

**Q** Still, the operating margin on consumer products has increased to beyond 5%. Does that signal a shift to high-margin products, lower costs, and stronger profitability?

**A** **Inkjet printers are contributing to profitability.**

As I mentioned earlier, we have focused on selling value-added digital cameras and inkjet printers. That said, digital cameras have not contributed to better profitability, as markets have shrunk faster than our sales strategies have envisaged. For inkjet printers, average unit prices have increased, with profitability improving from prioritizing

sales of mid-range offerings instead of low-priced products while maintaining our top market share. We were additionally able to cut costs by trimming our organization and taking other steps. This resulted in earnings declining less than sales, thereby enhancing our operating margin.

**Q** Two years have passed since you transitioned from a product-based organizational framework to a market- and customer-centric one comprising business units. How has this been beneficial in terms of these units mutually drawing on customer bases and engaging in IT solutions-based sales for small-to-medium-sized enterprises?

**A** **Fine-tuning in line with sales activity realities.**

Since the transition, we have fine-tuned all of our business units, headquarters planning functions, and other elements of operations to more swiftly identify customer needs and deliver added value in a more timely manner.

While we are only halfway through that process, I think that the new framework is heading in the right direction. Still, just because operations are all in business units it is not sufficient just to unify business models. The Enterprise segment has a sales-driven and

systems engineering-centric organization, while the Area segment comprises indirect and direct seller-driven organizations. We have found that there are areas in which people in business units can all collaborate to generate synergies by serving the same customers, and

each business can demonstrate its own strength. As such, we will ensure organizational flexibility by reviewing sales and service processes, with the top priority being to generate added value for customers.

**Q** What current and future market climate assumptions have you used in formulating your management plan for fiscal 2020 through 2022?

**A** We seek to grow by becoming a business that meets intangible needs.

While we have not altered our general stance since fiscal 2018, we think that products that it becomes hard to deliver added value will rapidly shrink in the marketplace. Our offerings include such products as well as those that still deliver added value but could experience fast-shrinking markets in view of value being lower than before. There

are unfortunately fewer products that we can differentiate solely based on tangible features. Demand for intangible benefits will likely expand in the years ahead. I think that we will find it hard to grow if we fail to transform our businesses to match such a change. We formulated our new medium-term management plan based on that assumption.

**Q** Under your new medium-term management plan, your basic strategy is to become a highly profitable enterprise by pursuing a growth strategy and reinforcing profitability. Your approach is simpler than under the previous plan. Is the biggest difference from last year the scale of the operating income growth you are targeting?

**A** We prioritize earnings.

The pursuit of profit will guide management. We will consider what we must do to materialize our earnings plans and that will determine the resulting sales. In other words, we will focus on delivering high added

value to customers and become more profitable. Our basic strategy is simpler because we have based it on such thinking.

**Q** Your growth strategy focuses on the IT solutions business. You have a clear sales structure and time frame for your medium-term goals. Does that make reaching ¥300 billion in sales more likely?

**A** We are largely on track to reach our IT solutions sales target of ¥300 billion.

Sales of business PCs relating to the end of support for Windows 7 and other external special demand factors contributed to IT solutions sales in fiscal 2019, so not all of our performance was internally driven. Still, we have a better picture to an extent of our sales composition, the steps we need to take, and the structure we should put in place to reach ¥300 billion in sales. We are working on Long-Term Management Objectives Phase IV, which covers fiscal 2021 through 2025, and we aim

to be clear about where we stand by that final year.

From this year, we disclosed three new categories for our IT solutions sales structure. We decided to disclose new categories to make clear our commitment to putting IT solutions center stage by presenting solid figures. Another goal is to make comparisons easier with the sales and compositions of other companies.

**Q** What growth strategy issues and risks do you see?

**A** **We urgently need to develop and recruit talented people.**

People are pivotal. We know that it will be challenging to swiftly deploy people with the right knowledge and skillsets in the areas in which we want to grow. We don't have enough such people yet. Our growth could slow if we find it hard to develop or recruit talented people.

We are planning a range of measures on the development front, examples being to exchange people within and outside our organization and step up training. We are pushing ahead with executive-level hiring, and have already been active in that respect in several departments.

**Q** Tell us about the focus of strategic investments, progress in constructing the Nishi-Tokyo Data Center Phase II facility, and your revamping of enterprise systems.

**A** **We aim to fuel growth in the IT field by swiftly filling capacity at the Nishi-Tokyo Data Center Phase II facility.**

Our strategic investments cover IT solutions and business process optimization, including in the medical field. If a deal is possible in a suitable area, we would consider acquisitions or investments at the right time.

The Nishi-Tokyo Data Center Phase II facility is an ongoing investment project in the IT solutions area. This facility will be more advanced than the Phase I facility because of the accelerated and highly integrated CPUs, with much more memory. We launched services with the Phase I building in 2012, and it was running almost at full capacity in around seven years. I think that the Phase II facility can reach full capacity even earlier. The operational stability of the Phase I facility positioned us to obtain M&O (management & operations) certification from the Uptime Institute, a leading American private-sector entity,

whose Tier Standard is the globally recognized benchmark for the reliability of data centers. Inquiries about the Phase II facility have thus risen significantly. Quickly filling capacity at that facility should contribute to our growth in the IT field.

Our goal in revamping enterprise systems is to drive operational efficiency to adapt quickly to change. Our previous setup incorporated systems for complex operations, which made systems themselves more complex and inefficient for handling new operations and developing businesses. To build our new system, we started by evaluating the needs of individual operations, simplifying and systematizing business flows. Simplicity will also contribute to further systems development.

**Q** What progress are you making in the ESG area?

**A** **We are helping resolve social issues through our IT solutions business.**

We recommend MFPs, printers, and other offerings that can save considerable energy, and are providing carbon offset products while reusing and recycling hardware.

In the IT solutions business, we provide a product demand and supply planning system for manufacturers. This helps them optimize

inventory and streamline logistics. The system also helps reform work practices for logistics staff and overcome shortages of truck drivers while lowering environmental impact. We will continue to sort out the operational issues of customer issues through our IT solutions business, and in doing so help to resolve social issues.



**Q** You retired treasury stock in March 2020. What is your stance on shareholder returns?

**A** **We eliminated share dilution by retiring treasury stock.**

Based on a consolidated payout ratio of 30%, we aim to pay dividends under a shareholder returns policy that comprehensively considers such factors as our medium-term earnings outlook, investment plans, and cash flows. Cash dividends for fiscal 2019 were ¥60 per share, unchanged from a year earlier. We retired 20 million shares of treasury

stock on March 11, 2020. We did so because as we have secured investment funds for now, we have less need for using our stock in acquisition or other transactions, and we also wanted to eliminate the risk of diluting the shares held by our investors.

**Q** What is your outlook for the business environment in fiscal 2020? What are your management goals?

**A** **We seek to deliver solid results in an adverse business climate.**

The COVID-19 pandemic has made the future even more unclear. When we announced our results for the first quarter, we shelved the annual earnings forecast that we announced at the start of fiscal 2020. As I mentioned earlier, we face market shrinkage not just in the digital camera field but also in the document business, where the market could diminish faster amid teleworking and other new work practices. As such, I think that the business climate will be adverse in fiscal 2020. That said, the Group is generating solid results in initiatives to enhance added value for customers, centered around IT solutions. It is against that backdrop that our prime focus will be on what customers want and on working out how to become a highly profitable corporate group.

Fiscal 2021 will see us start the five-year Long-Term Management Objectives Phase IV, which we are formulating from customer perspectives. I believe that it will be vital to create benchmarks and systems that we can execute reliably from year one. We have made improving corporate value central to formulating a long-term management plan that is extremely effective and can deliver steady results. It is the antithesis of plans in which numbers are simply left to take on a life of their own.

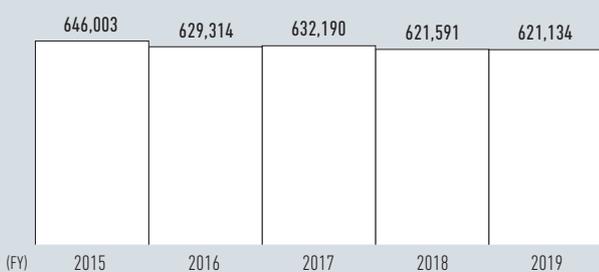
I look forward to the ongoing support and encouragement of our shareholders for our endeavors in fiscal 2020 and beyond.

# FINANCIAL AND NONFINANCIAL HIGHLIGHTS

## Financial Highlights

### Net sales

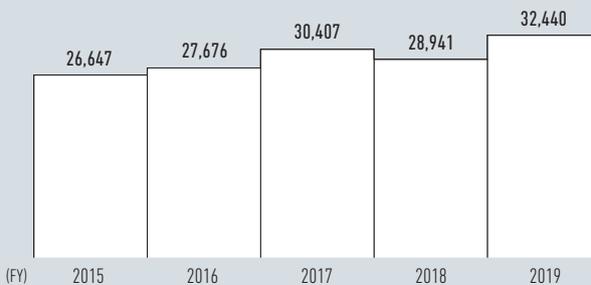
(Millions of yen)



The Company posted a 0.1% decline in net sales, to ¥621,134 million, reflecting lower digital interchangeable camera revenues, which offset further demand increases for IT solutions.

### Operating income

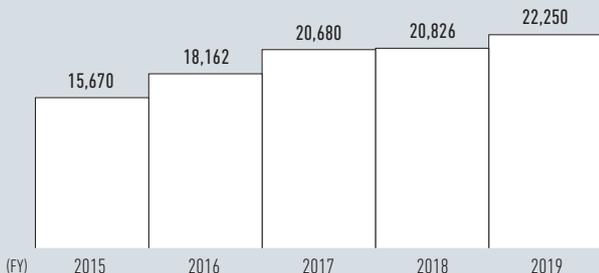
(Millions of yen)



Operating income was up 12.1%, to ¥32,440 million, as a higher gross profit from increased IT solutions revenues and lower expenses boosted profitability.

### Profit attributable to owners of parent

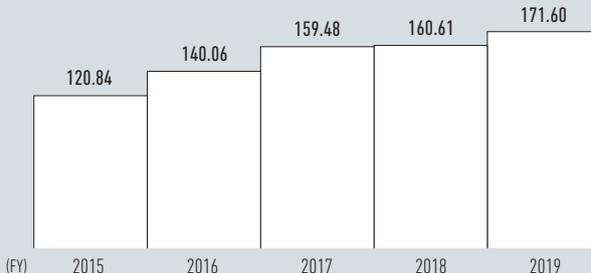
(Millions of yen)



Profit attributable to owners of parent increased 6.8%, to ¥22,250 million.

### Profit attributable to owners of parent per share

(Yen)



Profit attributable to owners of parent per share rose ¥10.99 from a year earlier, to ¥171.60.

### Return on equity (ROE)

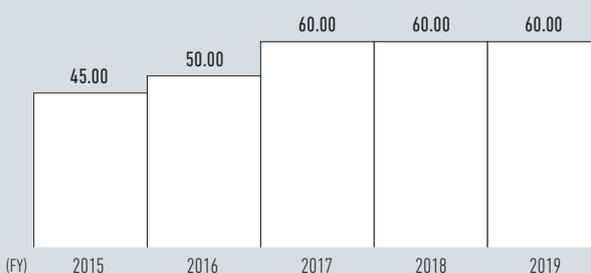
(%)



ROE was up 0.2 percentage point, to 7.1%, on earnings growth and greater capital efficiency.

### Cash dividends per share

(Yen)

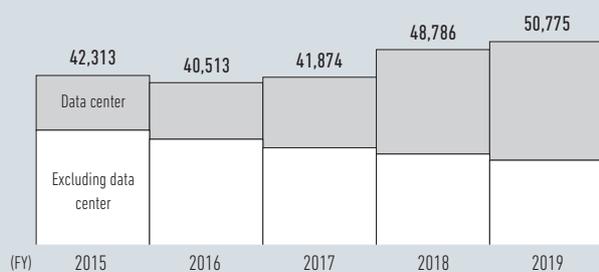


Cash dividends per share were unchanged, at ¥60.00 for the year.

## Nonfinancial Highlights

### Greenhouse gas (GHG) emissions (Scope 1 and 2)

(t-CO<sub>2</sub>)



GHG emissions (excluding data center) for the year under review trended downward owing to business site consolidations, a reduction in the number of vehicles, and more economical driving. In contrast, data center emissions increased with the number of servers.

### Contributions to reductions in customer carbon dioxide (CO<sub>2</sub>) emissions

(t-CO<sub>2</sub>)



This figure presents energy and resources savings in terms of CO<sub>2</sub> reductions for environmentally friendly products and IT solutions that we provide to customers. These reductions more than doubled our GHG emissions (Scope 1 and 2).

### Industrial waste recycling rate

(%)



This shows the percentage of industrial waste from collection centers nationwide that we recycle instead of incinerating or putting into landfill. Our recycling rate has remained high for the past three years.

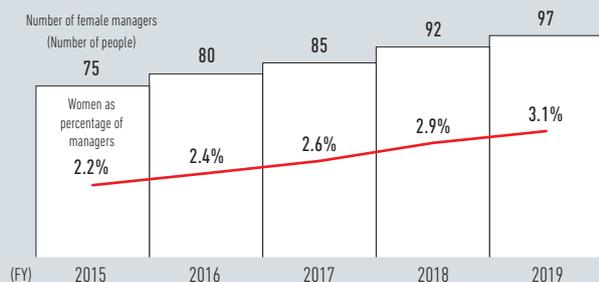
### Patent applications published and number of patents published

(Cases)



The Intellectual Property Department and Group companies collaborate closely on ongoing efforts to invent and to apply for and obtain patents, focusing on unique Group products and solutions.

### Number of female managers and women as percentage of managers



The Group has 97 female managers, representing 3.1% of all managers. Both figures show an upward trend.

### Percentage of Group employees taking paid leave

(%)



The percentage of Group employees taking paid leave rose 6.2 percentage points, to 74.5%.

## REVIEW BY SEGMENT

### CONSUMERS SEGMENT

**Segment sales declined 11.6%, to ¥132,790 million. Segment income was down 6.5%, to ¥6,865 million.**

#### Lower sales of digital interchangeable lens cameras

[Factors]

- Although we focused on expanding sales of mirrorless cameras, centered on the full-sized EOS RP, unit sales of such offerings as the EOS Kiss M plunged.
- Impact of shrinking digital SLR camera market

#### Lower sales of compact digital cameras

[Factor]

- Contracting market

#### Higher inkjet printer sales

[Factor]

- Although sales declined amid a sluggish market for consumer models, we did well with high-capacity Giga Tank offerings.

#### Lower sales of ink cartridges

[Factor]

- Lower print volumes

#### Lower sales of IT products

[Factor]

- Sales dropped for SD cards and other peripherals, offsetting steady demand for gaming PCs.

#### Market position

Maintained top market shares in digital SLR, mirrorless, and compact digital cameras and in inkjet printers

	2018	2019	YoY growth rate
Segment sales	150,245	132,790	-11.6%
Segment income	7,340	6,865	-6.5%

(Millions of yen)

### ENTERPRISE SEGMENT

**Segment sales increased 4.1%, to ¥195,828 million. Segment income was up 15.4%, to ¥10,070 million.**

#### Higher sales to financial services industry

[Factors]

- Solid demand for security brokerage systems integration (SI) projects and investment product sales support system projects for credit unions
- Secured large laser printer order from a life insurer

#### Higher sales for manufacturing customers

[Factor]

- Enjoyed solid demand, which included an order for demand forecast systems for a beverage company and a large order for operational data collection terminals for a food company

#### Higher sales for retailers

[Factor]

- Demand was steady, including for a point-of-purchase production systems project for a retailer, a large office MFP project for an information and communications company, and large orders from a security firm and a trading house for network cameras

#### Higher sales by Canon IT Solutions Inc.

[Factors]

- Although SI demand was down in the absence of the previous year's large projects for the financial services industry, we secured several projects, primarily for manufacturers.
- Data center services demand remained favorable.
- Secured several large infrastructure systems projects
- Obtained orders for embedded systems projects

Sales of office MFPs in this segment were down in the absence of the previous term's major projects and as a result of efforts to minimize orders for low-profitability projects. Sales of laser printers were up on big orders from a life insurer.

	2018	2019	YoY growth rate
Segment sales	188,168	195,828	4.1%
Segment income	8,724	10,070	15.4%

## AREA SEGMENT

**Segment sales increased 4.2%, to ¥268,310 million. Segment income climbed 19.2%, to ¥14,398 million.**

### Lower office MFP sales

[Factor]

- Unit shipments to small-to-medium-sized enterprises dwindled, offsetting the impact of higher sales to mid-sized enterprises.

### Higher laser printer sales

[Factor]

- Notwithstanding progress toward office MFP consolidation, we expanded sales to certain industries and did well with proposals for replacing business PCs.

### Higher sales of Canon System & Support Inc.

[Factors]

- The termination of support for Windows 7 drove replacement demand for business PCs among small-to-medium-sized enterprises leading to a surge in unit shipments.
- For customers replacing business PCs, we did well with proposals for deploying such offerings as the HOME IT support cloud service for small-to-medium-sized enterprises and ESET antivirus software.

	2018	2019	YoY growth rate
Segment sales	257,569	268,310	4.2%
Segment income	12,078	14,398	19.2%

## PROFESSIONAL SEGMENT

**Segment sales decreased 5.9%, to ¥43,676 million. Segment income soared 89.9%, to ¥1,617 million.**

### Lower production printing sales

[Factor]

- Demand was sluggish for businesses related to continuous feed and wide-format printers.

### Lower industrial equipment sales

[Factor]

- Offsetting favorable demand for maintenance services to enhance plant

utilization rates, sales agent agreements were terminated with foreign manufacturers with which we did major transactions outside the semiconductor field.

### Higher healthcare sales

[Factor]

- Hospital information systems and digital radiography demand was solid.

	2018	2019	YoY growth rate
Segment sales	46,425	43,676	-5.9%
Segment income	851	1,617	89.9%

## MILESTONES

The Canon Marketing Japan Group was established in 1968 to sell Canon's business machines, and later expanded beyond selling Canon cameras and business machines to offer PCs from other companies and SI services. Today, the Group combines its IT capabilities, diverse products, and fine-tuned services to supply solutions that support all areas of society.

**1968**

Canon Business Machines Sales Inc. and Canon Business Machine Services Inc. established

**1969**

Canon Camera Sales Inc. established

**1971**

Canon Business Machines Sales Inc., Canon Business Machine Services Inc., and Canon Camera Sales Inc. merge to form Canon Sales Co., Inc.

**1981**

The Company lists on the Second Section of the Tokyo Stock Exchange.

**1983**

The Company lists on the First Section of the Tokyo Stock Exchange.

Selling cameras and business machines

Selling PCs and servers of other companies

SI business

**The Canon Sales Group launches Long-Term Management Objectives Phase I (covering fiscal 2006 through 2010).**

The key strategies were to dominate the domestic market and establish new businesses.

**The Canon MJ Group launches Long-Term Management Objectives Phase II (covering fiscal 2011 through 2015).**

The key strategies were to expand the market shares of Canon products, diversify businesses, create services businesses, and reform Group operations.

**The Canon MJ Group launches Long-Term Management Objectives Phase III (covering fiscal 2016 through 2020).**

The Company formulated its Group Mission and Group Vision under this phase (see page 1). The goals are to combine Canon's robust imaging technologies and the IT technologies that the Canon MJ Group has accumulated over the years to expand the Company's business domains while collaborating with customers to help resolve social issues.

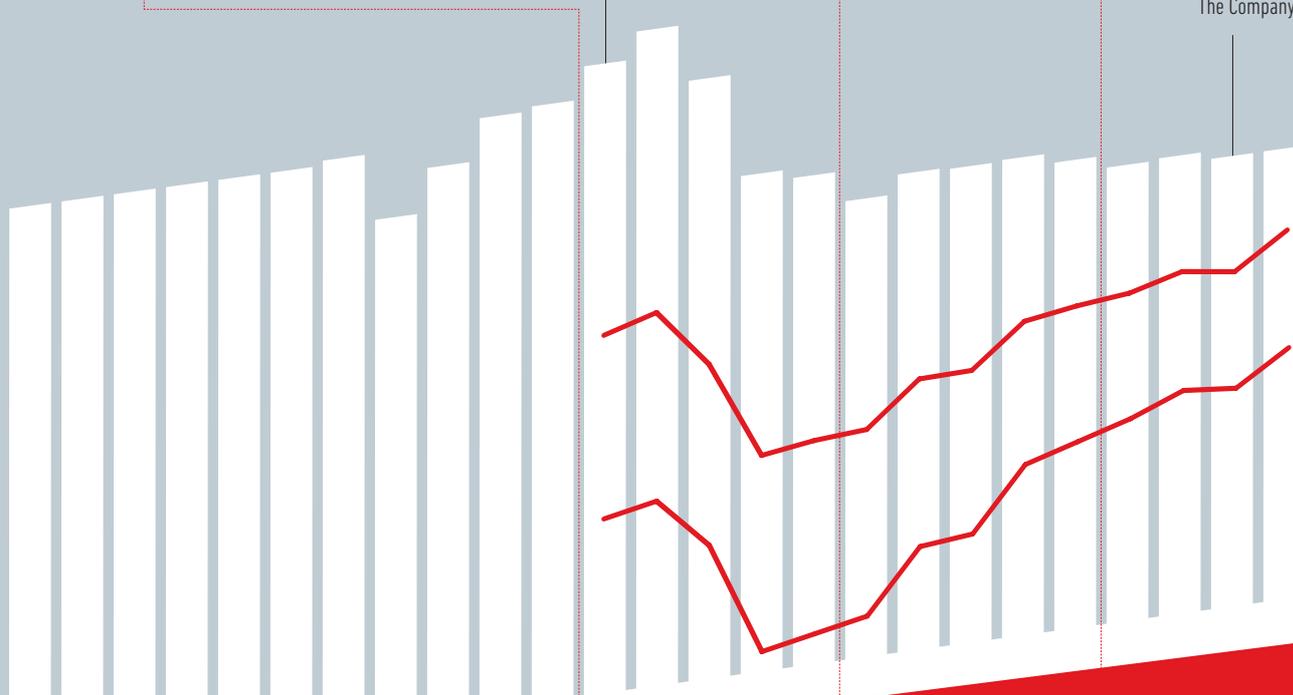
**2006**

Canon Sales Co., Inc. was renamed Canon Marketing Japan Inc.

**2018**

The Company's 50th anniversary

**2019**  
 Net sales  
**621,134**  
 million  
 Operating income  
**32,440**  
 million  
 Operating margin  
**5.2%**

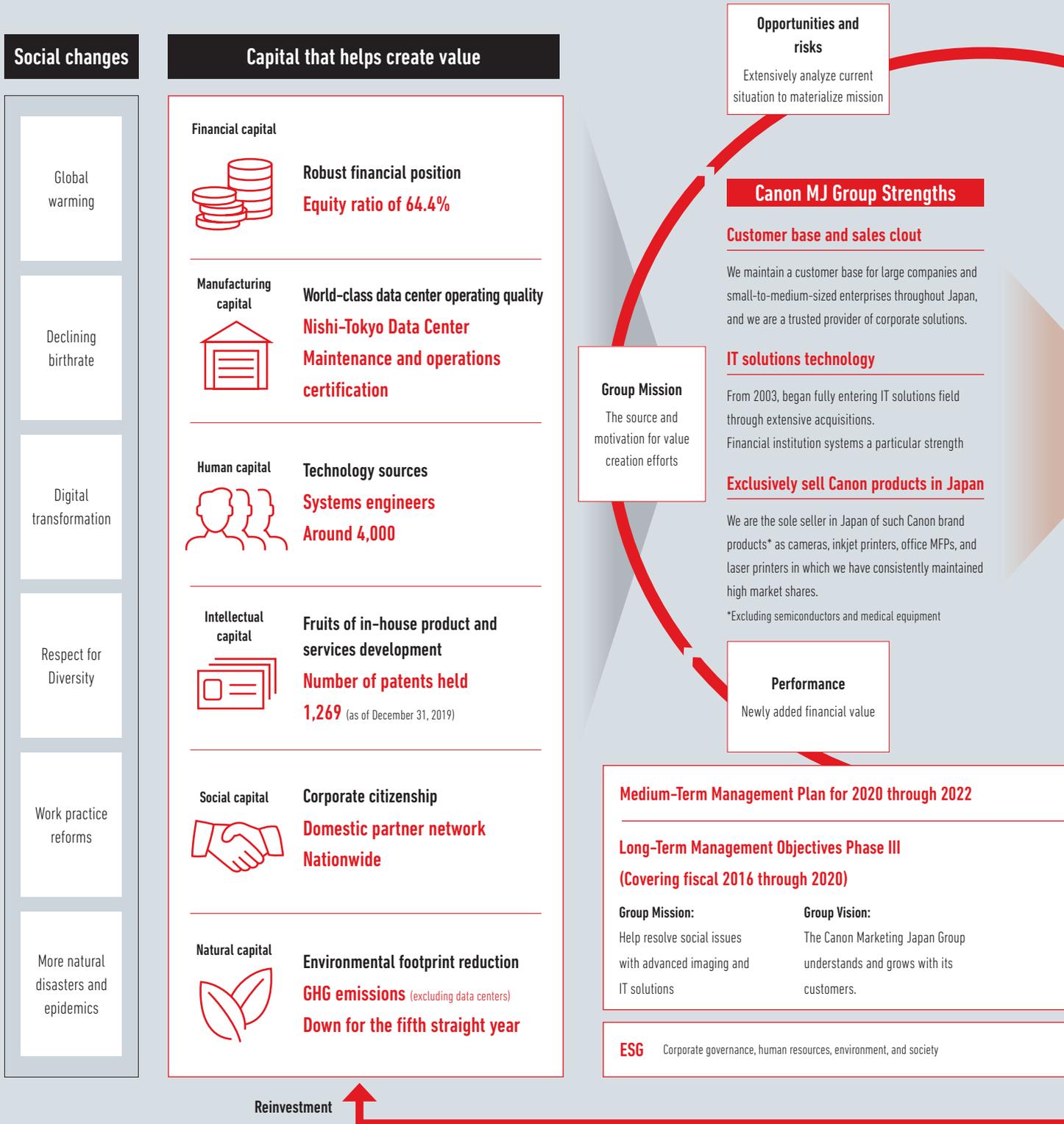


**Expanded IT solutions business**

- 2003** Acquires SUMITOMO METAL System Solutions Co., Ltd., renaming it CANON SYSTEM SOLUTIONS INC., thus fully entering the IT solutions field
- 2007** Acquires Argo 21 Corporation
- 2008** Integrates CANON SYSTEM SOLUTIONS INC. and Argo 21 Corporation to create Canon IT Solutions Inc.
- 2012** Nishi-Tokyo Data Center begins services

# CANON MJ GROUP'S VALUE CREATION PROCESS

The Canon MJ Group will endeavor to maintain and enhance its business model by taking advantage of its strengths in terms of contributing to social sustainability over the long term while helping resolve social issues through advanced imaging and IT solutions.





**Resource allocation**  
 Optimally allocate business resources based on the situational analysis: Medium-Term Management Plan

**Growth strategies**  
 Focus on IT Solutions business

**Enhance profitability**

**Products and services**  
 Generate value by developing and delivering products and services

**Value creation area**

- Safety and security
- Imaging
- Offices
- Manufacturing
- Finance
- Medical care
- Education
- Logistics and services

**Value created**

**Profit before income taxes**  
**¥33.3 billion**

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**Payout ratio**  
**35.0%**

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**Return on equity**  
**7.1%**

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**Solutions provision**  
 (Group IT solutions sales)  
**¥221.5 billion**

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**Contributions to reductions in customer CO<sub>2</sub> emissions**  
**135,515t-CO<sub>2</sub>**

---

**Corporate taxes**  
**¥10.9 billion**

**Value provided to society**

**Kyosei materialization**  
 We will endeavor through all of the businesses of the Canon Group and Canon MJ Group to help create a society in which everyone works together and lives in harmony.




**Addressing climate change**

- Providing eco-friendly products
- Collecting and recycling
- Support for reducing environmental impact through IT solutions



**Tackling population decline**  
 Help enhance productivity through Canon products and IT solutions



**Helping realize social safety and security**  
 Contribute to safety and security through cybersecurity and network camera systems



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## GROWTH SCENARIO UNDER THE MEDIUM-TERM MANAGEMENT PLAN

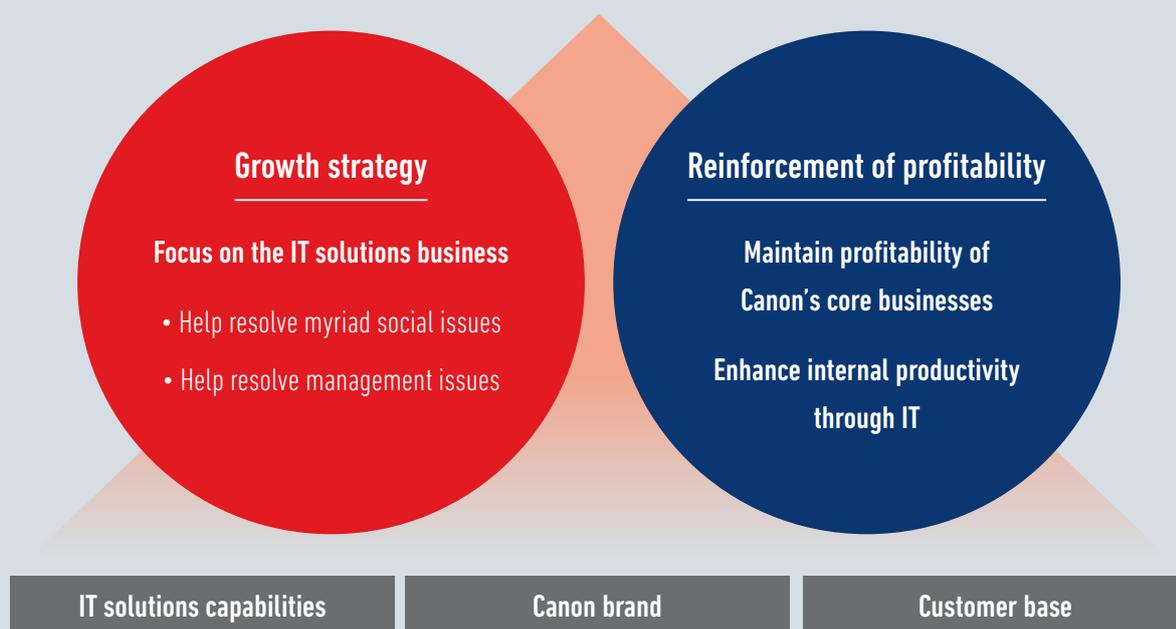
The Canon MJ Group has formulated two strategies to become highly profitable over the medium term. The first is to grow the IT solutions business. The second is to improve overall profitability by maintaining earnings from key Canon products while using IT to bolster productivity.

### Basic Strategy

We will draw on our IT solutions capabilities, Canon brand, and customer base strengths to transform into a highly profitable corporate group by endeavoring to solidify our growth strategy and profitability. Our growth strategy is to help resolve customer management issues and myriad social issues by focusing on the IT solutions business.

### Transform into a highly profitable corporate group

Maximize profitability by providing solutions ahead of changes in society and customers



### Background to Formulating the Medium-Term Management Plan

Japan's workforce is continuing to shrink, so the Canon MJ Group needs to become more productive by overhauling business processes, using IT more, and reforming work practices. We thereby aim to transform into a highly profitable corporate group by offering our accumulated expertise to customers.

## Growth Strategy: Focusing on the IT Solutions Business

The nation's declining workforce has made it imperative to tackle labor shortages at large corporations and small-to-medium-sized enterprises. Improving productivity through work practice reforms is another pressing challenge.

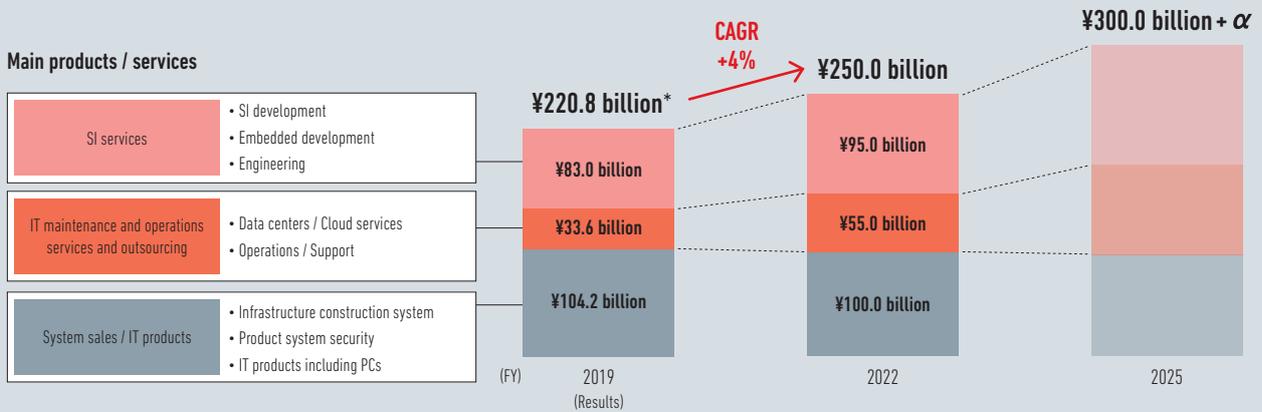
Large corporations accordingly seek to further use IT, enhance operating efficiency, and concentrate resources on core businesses, and are reforming work practices.

Small-to-medium-sized enterprises need to tackle labor shortages and maintain IT systems after deployment by introducing and employing IT. Corporate activities are impossible without IT, for which demand is growing.

The Canon MJ Group will cater to robust IT demand by expanding its SI services, data centers, cloud services, and IT maintenance and operations services.

### Priority Areas and Medium-Term Targets for the IT Solutions Business

Expand IT maintenance and operations services and outsourcing, with SI services as our core



## Enhancing Profitability: Maintaining Earnings from Major Canon Products while Improving Productivity by Accelerating IT

We will bolster profitability by maintaining earnings from major Canon products while accelerating in-house IT deployments. We will also improve productivity by revamping core systems, introducing robotic process automation (RPA), and further leveraging the Internet of Things (IoT) to enhance service capabilities.

#### Digital interchangeable lens cameras

- Top ranking in the mirrorless camera market
  - > Aim for top ranking in the market for full-frame models by increasing the selection of the EOS R SYSTEM
- Construct efficient sales and support systems

#### Office MFPs

- Improve profitability by increasing sales to priority customers
- Strengthen the capability of proposal-making on the use of MFPs in the business operation process
- Improve efficiency in maintenance services through the use of IoT

#### Inkjet printers

- Improve profitability through sales expansion of home-use printers whose unit price is high and whose printing volume is large
- Further sales expansion of the business field by increasing the selection of business-use printers and those with large-capacity ink tanks

#### Laser printers

- Increase the number of machines in field (MIF) by continuing sales expansion to specific industries
- Promote the NETEYE service\*
- Improve profitability by raising the ratio of genuine Canon ink cartridges and by expanding automatic deliveries

Maintain earnings (as shown below)

Optimize operational processes

Maintain highly efficient organizational management

\* Online support service that provides a comfortable use environment. By using the internet, the support continues monitoring the state of multifunctional products.

## SPECIAL FEATURE

# Case Study—Resolving Social Issues with IT Solutions

**The Canon MJ Group centers its growth strategy on the IT solutions business and helps resolve a range of social and management issues.**

Digital technologies have swiftly transformed all aspects of society in recent years. In version 1 of its Guidelines for Promotion of Digital Transformations, published in January 2018, the Ministry of Economy, Trade and Industry (METI) presents its definition of Digital Transformation (DX), “Corporations responding to dramatic changes in the business climate, leveraging data and digital technologies to transform products, services, and business models in keeping with customer and social needs while also transforming businesses, organizations, processes, and corporate cultures to gain competitive advantages.” Building IT systems is vital to driving DX.

As explained in the interview with the president, large enterprises and small-to-medium-sized enterprises have somewhat different IT requirements. Large customers primarily need to better harness IT to boost productivity so they can focus on highly specialized tasks in their departments. Small-to-medium-sized enterprises need to employ IT to engage in more efficient sales, internal communications, and other activities. This case study spotlights AvantStage, a total enterprise solution for manufacturers that we offer to large enterprises. It also presents HOME, an IT support cloud service for small-to-medium-sized enterprises.

### » IT Solutions for Large Enterprises

**AvantStage helps to optimize supply chain management among food manufacturers needing to overcome such challenges as their manual labor dependence and food losses.**

In Japan, companies must urgently boost productivity, as the working population is dropping amid a declining birthrate. Food manufacturing poses innumerable management challenges, as players often frequently revamp product lines and must carefully deal with expiration dates and shipping deadlines. High-mix, low-volume production is another common feature in that industry, and many processes are labor intensive. Another consideration is lags in IT implementations across production processes.

IT throughout manufacturing processes is not progressing, so production, purchasing, manufacturing management, and other systems run separately. It thus takes considerable time to identify lots and shipment destinations in the event of contamination or other issues.

Food losses are an urgent concern. The Japanese government estimated that the nation threw away 27.59 million metric tons of food in fiscal 2016, of which about 6.43 million metric tons, or more than 20%, were edible. Cutting production to prevent disposals increases the risk that items will go

out of stock, with companies missing out on opportunities or losing customers to rivals. As such, to strike a balance it is vital to produce more accurate demand forecasts and formulate production plans that reflect shipment and inventory conditions. Stock replenishment plans should also factor in shipment frequency and capacity from plants to distribution centers and warehouses around the nation.

The Canon MJ Group helps food manufacturers to resolve issues through the IT tools that they so urgently need.

Canon IT Solutions' AvantStage concept offers customized mission-critical solutions, and comprises four products. One is FOREMAST, for projecting demand and for demand and supply planning. Another is mcframe, whose capabilities include production planning, cost management, and sales logistics. A key benefit of AvantStage is that it is a best-of-breed offering. Some customers might want a complete package of tools. Others might wish to deploy just some tools to resolve specific issues. Combining

mission-critical tools in this business package enables us to build optimal systems for customers.

Deploying mcfame can help resolve productivity improvement issues mentioned earlier. This core systems package manages production, costs, and sales management, and lets customers integrate information with other AvantStage tools. We developed mcfame specifically for manufacturing, so it incorporates a plethora of business and production expertise. Process management approaches often differ among plants, and many processes depend on the skills of experienced personnel. Deploying mcfame digitizes such processes to visualize, automate, and streamline operations and standardize plant tasks.

Each plant can thus run in line with the system without having to depend on talent, boosting per-capita productivity. The feedback has been excellent, with some customers finding far faster lot tracing and others noting a 75% reduction in site reports and shorter inspections.

FOREMAST uses scientific techniques to produce demand and supply plans to help resolve food losses. The R&D Division of Canon IT Solutions incorporated years of research into mathematical techniques to realize this

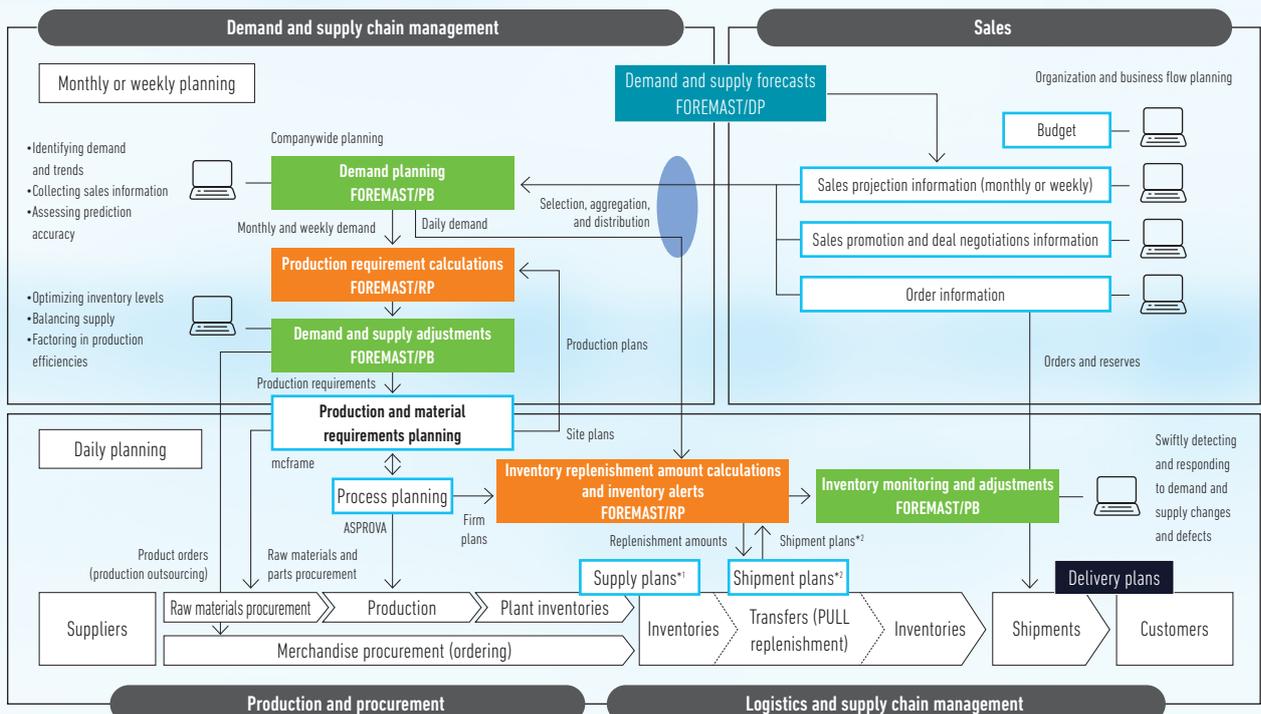
solution. FOREMAST comprises functional SI core groups such as for projecting demand and planning inventory replenishment, and offers consulting, systems development, and other services. The chart below presents FOREMAST-based demand and supply planning and adjustment flows.

Augmenting Demand Planner (DP) is Replenishment Planner (RP), which computes production requirements and inventory transfers to accommodate demand. We also use Plan Browser (PB), which monitors and calibrates monthly, weekly, and daily demand and supply, to drive a plan-do-check-act (PDCA) business cycle.

A food manufacturer deploying FOREMAST used to suffer from frequently finding items out of stock. On a particular day, that customer would often experience stock nearing expiration dates and that it did not have sufficient stock for orders, forcing it to ship items from distant warehouses to cover such situations. Having adopted FOREMAST, the customer can now use the optional delivery deadline alert feature to address potential problems. That customer has also told us that the number of irregular tasks has decreased, greatly reducing on-site workloads.

### FOREMAST Target Operations (Manufacturing)

Excluded



\*1 Supply plans: Primary transport plans from plants to warehouses (plans for allocating plant inventories)  
 \*2 Shipment plans: Truck loading plans for replenishment orders

The latest version of FOREMAST, which we rolled out in 2020, incorporates features that employ the R&D Division's proprietary artificial intelligence (AI) technology, such as a deep learning-based demand forecast model. A feature that automatically adjusts the demand and supply plan for tasks at production and logistics sites reduces workloads for manufacturing

and logistics planners and also helps resolve social issues. For example, it optimizes work-life balance by reducing workload mismatches that lead to overwork and cuts CO<sub>2</sub> emissions by boosting transportation efficiency.

We will continue to improve the capabilities of AvantStage and cultivate services that meet customer needs.



## » IT Solutions for Small-to-Medium-Sized Enterprises

**HOME, an IT support cloud service for small-to-medium-sized enterprises offers inexpensive, solidly supported IT cloud solutions that are simple to deploy to streamline operations.**

Japan's shrinking workforce has made it extremely challenging for small-to-medium-sized enterprises to boost productivity by reviewing business processes. Managers and employees of these enterprises often handle diverse tasks. Sales representatives may undertake everything from management strategies to accounting, human resources, and public relations. Workloads may prevent them from performing their core sales roles or from engaging in new areas. It is vital to enhance the operational efficiency of such individuals in view of their broad roles. There are also business information management issues to consider. For example, storing contracts, purchase orders, and other important paper-based documents is a complex process that can also result in information leaks. IT helps resolve a range of management issues for small-to-medium-sized office managers,

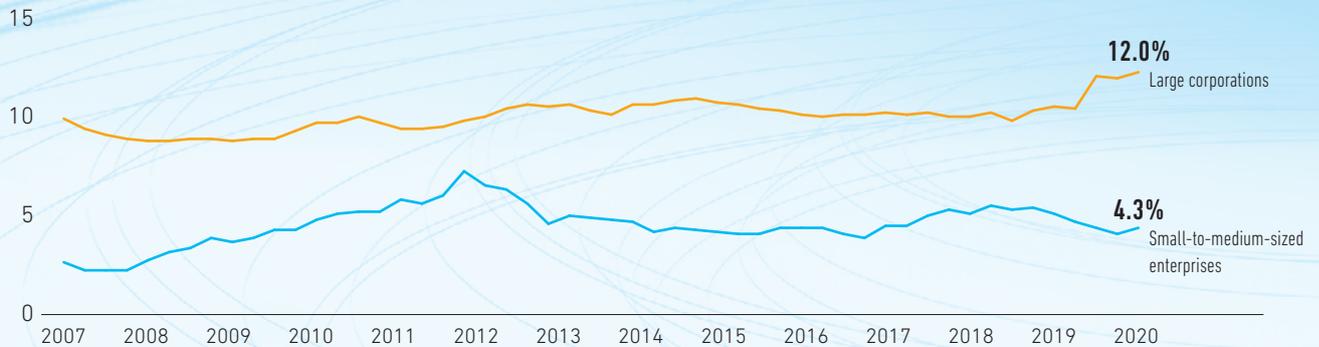
such as by improving operational efficiency and reinforcing marketing and capabilities. Still, some claim that it is impossible for them to invest in IT because of the great costs and work entailed in implementing and maintaining systems.

Cloud services can help small-to-medium-sized enterprises employ IT easily and at low cost. Cloud storage enables them to share and use data anywhere or centrally manage information through secure storage. Another benefit of cloud services is that systems always remain up to date without customers having to buy new hardware or software. The usage rates of cloud services have surged in recent years.

HOME, the Group's IT support cloud service for small-to-medium-sized offices, offers cloud services that are quick and simple to deploy. They

## Software Investment Ratios by Company Size

(Last quarter moving averages)



Sources: Small and Medium Enterprise Agency's 2020 White Paper on Small and Medium Enterprises in Japan and Ministry of Finance's surveys for Financial Statements Statistics of Corporations by Industry

Notes: 1. Covering large corporations capitalized at more than ¥1 billion and small-to-medium-sized enterprises capitalized at between ¥10 million and ¥100 million.

2. Software investment ratio = Software investments divided by capital expenditures and multiplied by 100.

begin with the beneficial essentials for enterprises, and require no in-house expertise to use.

HOME carefully selects cloud services that are important for small-to-medium-sized enterprises. These include groupware for managing schedules, storage for sharing documents and data, and capabilities for hosting within their own domains.

We also offer security services that prevent unauthorized access to networks. Customers can deploy our cloud and security services without requiring specialized knowledge. HOME is easy to use, affordable, extremely reliable, and offers complete support.

One customer had issues sharing information in-house, and was unable to secure real-time response through emailing. Mailboxes were small and capacity was frequently limited. Its salespeople were thus unable to externally check emails and schedules, making it difficult to secure the internal information needed when negotiating deals. A key to deploying type-0 (Microsoft 365) of Canon System & Support's HOME was that it was easy to change user numbers on a monthly basis. Other benefits were support desk aggregation and the ability to access support that fully

understood contract terms. Having deployed the HOME service, the customer now enjoys additional mailbox capacity, does not need to make extra settings changes or delete mails, and does not need to maintain a server, as there is none on the premises. It is also easier to view individual schedules, and the customer finds it easier than anticipated to add users.

HOME enables small-to-medium-sized enterprises to boost their profitability by helping them tap IT tools.



We join hands with small-to-medium-sized enterprises seeking greater operational efficiencies through IT. We help them tackle IT issues, boost productivity, and grow their businesses by leveraging systems construction, deployment support, and IT maintenance services as part of total solutions to their diverse challenges.

## CONSUMERS SEGMENT

### Business Overview

In the Consumers segment, we aim to broaden engagement with customers in BtoC markets and maintain ongoing ties with them. We supply cameras, printers, and diverse other products and services that help build deep ties with customers by providing photo and video enjoyment. We benefit from the support of numerous customers in Japan. In 2019, we held No. 1 shares in the domestic markets for digital SLR, mirrorless, and compact digital cameras, as well as inkjet and laser beam printers.

In 2019, we concentrated on delivering unparalleled photo and video enjoyment in mature markets for cameras and printers. We bolstered the lineup for the iNSPiC, a mini photo printer that we rolled out in 2018 for smartphone users. We also announced and brought out the iNSPiC REC, a carryaround model without a display and with a carabiner mechanism that users can clip onto their bags or belts.

We have built a strong following among young and female consumers for such offerings, which we believe can deliver unique new experiences.

We look to boost sales of gaming PCs and other merchandise and services carrying other brands in keeping with trends as part of efforts to make living more enjoyable for customers as a leading photo imaging company. With the tastes and purchasing patterns of consumers diversifying, we aim to optimize and expand engagement with customers through such existing channels as mass retail and camera stores and wholesalers while also stepping up efforts in the e-commerce space.

### Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

#### Digital Interchangeable Lens Cameras

Demand for digital interchangeable lens cameras has trended downward since peaking in 2013, declining particularly for digital SLR cameras. In contrast, demand for mirrorless models outstripped that for SLRs for the first time in 2018, and the gap will likely expand. We will endeavor to satisfy a wide range of consumers, not just in SLRs but also in entry-level through professional mirrorless offerings, primarily for the EOS R series and the EOS Kiss M.

#### Compact Digital Cameras

The compact digital camera market is trending down overall, and we expect demand to continue declining in 2020. Canon will accordingly focus on high-value-added market drivers, including high magnification zoom lens cameras and high-resolution, high-definition cameras. We will also offer new ways for consumers to enjoy photography, such as through the iNSPiC REC.

### Business Management Policies

The Consumers segment mission is to keep delivering new value to society and customers through photo and video imaging, including through Canon's original camera business. In a climate in which changes are dramatic and hard to predict, we will strive to make our existing businesses more robust while flexibly and swiftly offering new products and services.

#### Koichi Mikami

Senior Executive Officer  
Director of Consumers Segment



### Strengths and Strategies

#### Dominant shares of the camera and printer markets

We will leverage ties with a wide range of customers and develop new products and services to further increase customer satisfaction.

#### Technical and support capabilities for assisting professionals

We help professional photographers in the field through our products and services while delighting customers through photography and videography.

#### Diverse channels

We will broaden our engagement with customers through various channels, including through mass retail, camera, and other stores, as well as through e-commerce and our showrooms.

### Printers

Aggregate printer market demand, including for inkjet and laser beam models, was down around 5% in fiscal 2019. Demand for consumer inkjet printers is dropping, while that for offerings with large ink tanks and business printers is rising. For consumer machines, we will focus on expanding sales of high-value-added offerings and boosting unit prices. We will leverage digital marketing to expand our presence in inkjet printers with large tanks and business models. As with the iNSPiC, we will continue to offer consumers new ways to enjoy prints. We will pursue overall growth by compensating for lower consumer machine and consumables demand.

through photos and videos, we will draw on our existing channels, e-commerce, showrooms, and other vehicles to invest extensively in externally sourced merchandise while bolstering service operations.

### Risk Management Approach

Markets in core businesses are shrinking, and the COVID-19 pandemic could accelerate that trend. We seek to make existing businesses more robust while investing in new businesses and e-commerce channels that can become new expansion engines.

### New Businesses

Markets in core businesses are maturing, so we must urgently build new businesses. In keeping with our mission of bringing people together

### Strengthening Our Relationship with Society

We will contribute to society by delivering camera and printer products and services that bring people closer together and provide new value. Last year, we responded to requests from numerous customers by launching an inkjet printer trade-in service. We will endeavor to lower environmental impact from production through support by dismantling and recycling resources from collected printers.

We donate ¥10 to the Furusato Project for each printer traded in to help nonprofit organizations (NPOs) throughout Japan that engage in conserving forests and rice terraces, restoring arable land, and protecting flora and fauna.



# ENTERPRISE SEGMENT

## Business Overview

In the Enterprise segment, we serve large customers in the finance, manufacturing, retailing, public, and education sectors by offering Canon's line of diverse products and solutions while leveraging the technological and development capabilities of Group company Canon IT Solutions to deliver solutions and SI services that help resolve industry-specific management issues.

We also maintain an IT infrastructure business that encompasses building systems infrastructure, running data centers and providing security, as well as an engineering business that draws on our state-of-the-art technologies.

Our mission is to create value with customers and to become a true partner by delivering that value. We want customers to rely on our organization and people and, where they require, make us their first port of call. Our vision is to increase existing value in markets and sectors and contribute to society. We seek to become recognized in markets and sectors for our ability to resolve issues and for the value of our solutions supply capabilities, which are highly trusted among customers.

Large corporations that are key customers for the Enterprise segment are speeding up efforts to boost productivity in view of a declining worker population and work practice reforms. Many customers have embarked on DX initiatives leveraging AI, the IoT, big data, and other tools. We will

contribute to such endeavors by drawing on the trust of a customer base we have built over the years to help with DX efforts by offering design capabilities that resolve customers' management and business issues and by pushing ahead with digital businesses that deliver swift results by combining advanced devices, solutions, and technologies.

## Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

### All industries

They will draw on corporate efficiencies, labor savings, and digitization to speed up efforts to improve productivity, with many of them adopting paperless processes. At the same time, the IT services market should continue to grow, with DX efforts leveraging AI, the IoT, and other platforms steadily ramping up. Efforts will accelerate to reform work practices ahead of the Tokyo Olympic and Paralympic Games in 2021.

### Financial services

Investments to lift employee productivity, efforts to reinforce customer contacts, and initiatives to materialize fintech and other new products and services should support growth. We will augment fiduciary operations and damage insurance areas by cultivating business-specific solutions, one

## Business Management Policies

### Human resources

Swiftly identify changes in the business environment and become individuals and teams that can conceive, create, and execute ideas to resolve customer growth issues.

### Customer base

We will retain, deepen, broaden, and extend positive relationships with customers to grow and evolve with them.

### Value provision

We will identify customers and market trends, understand ourselves, and provide and refine value that customers and markets find attractive.

### Masachika Adachi

Director, Senior Managing Director  
Director of Enterprise Segment



## Strengths and Strategies

### Robust customer base

We have drawn on our customer base to build trust from extensive transactions leveraging relationships with top managements and outstanding marketing capabilities.

### Advanced expertise

We have amassed a solid project track record on the strength of Canon IT Solutions' outstanding SI and systems development capabilities and advanced technologies.

### Total support

This coverage for system life cycles extends from planning and consulting to design, development, construction, operations, and maintenance.

**By combining these capabilities, we aim to create a business model that generates new value by balancing high added value and productivity and strengthen the profitability of our IT solutions business while expanding sales.**

example being new corporate cloud services that capitalize on a wave of industry changes.

### Manufacturing

Expanding demand among manufacturers overall to upgrade enterprise systems should surpass average overall market growth through further increases in the IoT and AI deployments. This trend should encompass not just assembly operations, principally in the automotive sector, but also chemicals, foods, consumer products, pharmaceuticals, and other process setups. We will focus on such areas as developing engineering business solutions, building new maintenance solutions, and differentiation solutions that harness video technology.

### Retailing

We expect demand for SI associated with M&As and for business streamlining and automation amid labor shortages to underpin growth, which should be faster than the market average. We will promote labor-saving IT solutions that overcome personnel shortages, particularly among retailers and trading firms, and cultivate trading business, point-of-purchase, and other solutions.

### Educational markets

Japan has embarked on its greatest postwar education reforms. Using information and communications technology (ICT) environments has become essential for reforms extending from elementary through high schools to universities and working adult education courses. We will broaden our presence in educational markets by drawing on our infrastructure in key competency areas and by accelerating SI development, centered on the in Campus Series.

### Risk Management Approach

The risk of shortages of talented professionals in the IT industry is becoming increasingly acute. We will step up recruiting and strategically cultivate existing engineers, such as by shifting them upstream, while reinforcing ties with external systems partners to beef up human resources. The COVID-19 pandemic has led more customers to have employees work from home, reducing office print volumes. We thereby expect maintenance services revenues to decline. We are assessing the extent of such a downturn.

### Strengthening Our Relationship with Society

Canon IT Solutions' Nishi-Tokyo Data Center has donated credits equivalent to 20,000 metric tons of CO<sub>2</sub> to a Tokyo 2020 carbon offset program that aims to make the Tokyo Olympic and Paralympic Games carbon neutral in 2020. The center has reduced its emissions significantly through a range of energy conservation initiatives, and will keep contributing to social sustainability through such endeavors.



Artist's rendition of the Nishi-Tokyo Data Center Phase II facility

## AREA SEGMENT

### Business Overview

In the Area segment, we maintain sales and services sites around Japan, focusing on offering management and business solutions for small-to-medium-sized customers with fewer than 1,000 employees.

Targeting businesses by employee size enables us to customize solutions. Information security measures, for example, entail risks that vary according to employee numbers and business categories. We deliver optimal solutions to customers by leveraging the expertise we have amassed to date and our successes.

Our customer channels are Canon System & Support Inc., a subsidiary of Canon MJ, business partners in Japan, and dealers and systems partners, which are primarily systems integrators.

We will combine the capabilities of these channels and the Canon MJ Group's strengths to undertake area marketing to build an optimal customer response structure that is both market- and customer-centric.

This segment aims to build robust relationships with customers and expand further by not only supplying Canon products but also delivering solutions for customer management and business challenges.

### Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

We expect that replacement demand for business PCs, which has driven sales to date, will come to a halt through the first quarter of fiscal 2020. At the same time, we anticipate that IT investments will remain brisk to help streamline operations in keeping with work practice reforms and enhance productivity. We will continue to uphold and build ties with customers that have arisen through PC demand while providing new products and services to new customers.

In particular, small-to-medium-sized customers are extensively using IT, and Canon System & Support provides a key role in that area. Although such customers are increasingly keen to deploy IT, they do not have enough personnel to maintain and manage systems. Canon System & Support offers total support in everything from deployment to operations and maintenance to help customers streamline, develop, and transform their businesses.

With working populations declining, we anticipate a growing need for IT operations and management and security measures among small-to-medium-sized enterprises, providing more opportunities for our earnings growth.

### Business Management Policies

- Grow with partners by helping resolve the diverse business challenges of small-to-medium-sized enterprises.
- Deliver outstanding customer satisfaction in service and support areas.
- Employ information and data to establish uniform management processes and management styles to enhance efficiency and productivity for our partners and our organization.
- Better incentivize and reward partners and employees and improve their satisfaction levels.



**Kunihiko Kubo**  
Senior Executive Officer  
Director of Area Segment

## Strengths and Strategies

### Diverse channels

These offer various customer operational solutions and include business partners whose customers are leading local enterprises, systems partners that deploy enterprise systems for companies throughout Japan, and Canon System & Support, which maintains broad, nationwide customer support and sells directly to small-to-medium-sized enterprises.

### Customer support infrastructure through approximately 200 sites nationwide

We provide products and maintain an IT solutions support structure for customers around Japan and engage in direct sales to resolve business challenges for small-to-medium-sized enterprises.

### Capabilities in offering industry and business systems with system integrators

We provide products and IT solutions by collaborating with systems partners that have deployed systems at companies around Japan.

At the same time, we do not anticipate significant growth in the markets for MFPs, LBPs, and other document output equipment because of the consolidation of such systems and the increasing digitization of documents. To expand product sales under such circumstances, we will have to propose products that work with customers' internal systems and propose production equipment and other industry goods for customers. We will accordingly need to deploy resources strategically in such fields, and will reinforce our structure and cultivate our human resources.

## Risk Management Approach

- Risk that maintenance services could decline because they account for a high proportion of sales
- Risk that our proposal and support capabilities could experience a relative decline amid intensifying competition in the IT space

### Countermeasures

We will transform ourselves into a customized solutions proposer for small-to-medium-sized enterprises.

### • Labor shortages owing to declining working population

#### Countermeasures

We will transform our business approach by leveraging digital and remote interaction tools in the drive to boost productivity and expand earnings even in a declining working population.

### Strengthening Our Relationship with Society

Japan's working population continues to fall, and small-to-medium-sized customers in particular are experiencing such issues as shortages of IT professionals. We will help customers boost productivity and transform work practices by providing support and after-sales services that leverage our IT while contributing to the resolution of labor shortages and other social issues.



# PROFESSIONAL SEGMENT: PRODUCTION PRINTING

## Business Management Policies

- We require all employees in this organization to explore ways to grow with our highly specialized customer base, swiftly delivering top-quality products and services and attentive support.
- We are cultivating a cadre of professionals that can help customers tackle changes in the printing market.

### Strengths and Strategies

#### Ample experience and expertise

We will draw on our capabilities, amassed over many years in data printing services, to provide printers and solutions that cater to the diverse needs of customers.

#### Expansion in commercial and industrial printing

We will take advantage of our robust customer base and our technological and development capabilities to become trusted partners in commercial and industrial printing.

## Business Overview

We offer business reform support for customers, primarily in the printing industry. We sell high-speed digital printers, wide-format printers, and point-of-purchase systems and consumables. We provide print prepress and post-processing equipment, inspection devices, and printing-related software and maintenance services. We also develop and supply workflow systems and print services.

## Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

The printing market is gradually trending down, and this situation is expected to remain unchanged in fiscal 2020. The digital printing market is expanding in Japan, however, albeit more slowly than in Europe or the United States. This is because of a shift away from offset printing toward on-demand printing, which makes possible multi-type, small-quantity production in applications such as direct mails, insurance notices, teaching materials, and other mass documentation.

- Provide data print service forms that employ color inkjet printers and solutions for printing them with variable data to help streamline customer print factory operations and maintain and expand our customer base.

- Acquire new customers by providing high-quality inkjet printers and solutions offerings catering to diverse needs in the commercial printing market.
- Acquire new customers by targeting signs, displays, labels, and other media for industrial printing.
- Help enhance customer productivity by offering new large-format printers and drawing management solutions.
- Differentiate with inspection and workflow systems and supply total solutions.
- Endeavor to reinforce customer ties by helping resolve issues, notably by cutting costs and focusing on core businesses by supplying and outsourcing business services at and from outside customer sites, notably for print on demand services, contents production, and office equipment management.

## Risk Management Approach

Digitization might not progress as expected because of lower-priced offset printing in the commercial printing sector. We will accordingly go beyond printing to offer an array of IT technology and other Canon MJ Group solutions to address various customer issues in the printing market.

# PROFESSIONAL SEGMENT: INDUSTRIAL EQUIPMENT

## Business Management Policies

### Our growth strategies underpin everything we do.

- We accordingly pursue a mission of cultivating the technological progress of industrial infrastructure and providing valuable solutions to realize a safe, secure, and affluent lifestyle, workplace, and society.
- Our vision is to become a profitable organization by fostering our Beyond CANON and Beyond JAPAN businesses from customer-centric and global perspectives while cultivating our services businesses.

Strengths and Strategies		
<b>Become unique</b>	<b>Draw on our seasoned support</b>	<b>Maintain an ample product lineup</b>
Maintain a unit that specializes in developing products internally and identify world-class equipment based on market needs, packaging it with technology.	Leverage our support capabilities so we can offer field support that can cover diverse product offerings in Japan and overseas that need advanced technologies.	Provide total solutions, including for process reforms.

## Business Overview

This organization sells, supports, and maintains semiconductor manufacturing and inspection equipment, IoT-related vision products, metal 3D printers, optical measuring instruments, and other laser processing equipment. We currently handle the offerings of 19 companies from seven countries. We will accelerate product group expansion and broaden our activities to continue meeting customer needs.

## Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

Capital investments in the memory segment of the semiconductor market have long stagnated. We expect a recovery to begin in the second half of fiscal 2020. The proliferation of electric vehicles (EVs), progress in autonomous car technologies, the commercialization of 5G broadband networks, and other developments should see demand remaining solid for power semiconductors and communications equipment-related parts.

We will continue to strengthen customer and product diversity for this market, reinforce our structure to adapt to market environment changes, and deploy our strategies for expanding services sales.

In non-semiconductor markets, we will boost sales of individual products. We will broaden our product lineup in the IoT vision area, centered on Canon CMOS image sensors, and become more adept at proposing solutions to develop new markets. In the laser processing field, we will solidify sales of large metal 3D printers in the energy and automotive arenas, in which this equipment is increasingly used to mass produce parts. We will accelerate our market penetration for measuring devices from Äpre Instruments, LLC and Gesellschaft für Bild- und Signalverarbeitung mbH that we now offer.

## Risk Management Approach

Our risks in the year ahead are that markets will experience dramatic changes and that distributor agreements with overseas business partners will dissipate. We will accordingly cultivate new products and business partners and broaden our lineup.

# PROFESSIONAL SEGMENT: HEALTHCARE

## Business Management Policies

With the medical and healthcare industry landscape transforming, our mission has been to support the evolution of IT to address customer challenges and needs and provide valuable medical information systems. We seek to become a truly trusted partner by providing top-quality products and services that deliver value.

Strengths and Strategies		
<b>Achievements and trust over more than 40 years</b>	<b>Medical IT solutions specialization</b>	<b>Medical information and quality control</b>
We have built a solid track record in the medical IT business by focusing relentlessly on customer needs and being able to provide total support that extends from proposing to developing, deploying, and maintaining medical IT setups.	We offer market strategies, specialists, and a solutions lineup.	We have ensured safe handling of medical information by retaining ISMS Conformity Assessment Scheme and PrivacyMark certifications.

## Business Overview

We provide total solutions, specializing in the medical market, and offer one-stop proposals, development, installation, and maintenance. We cater to diverse customer needs, providing an array of solutions and services from constructing large medical information systems through small systems with short lead-time such as receipt computers, electronic medical records, medical examination, and dispensing systems. We cultivate medical image cloud services that leverage our strengths in imaging and IT to cater to diverse customer needs.

## Market Outlook and Strategies for Fiscal 2020

Note: The COVID-19 pandemic made it exceedingly difficult when the Company issued this report to present reasonable market and performance forecasts for fiscal 2020. Management may accordingly revise the strategies below during the term.

The digitization of medical information at hospitals, clinics, and other institutions in Japan should contribute to the collection of data that is important for AI uses. The government is accordingly continuing to promote healthcare ICT, driving market expansion. We expect that electronic medical records will become cheaper and more diverse by gaining a foothold in small and mid-sized hospitals, 60% of which have yet to adopt them.

Growth fields include transitions to cloud services such as for electronic medical records and image management systems. Also important are comprehensive community-based care and related facilities collaboration. We anticipate systems and services that harness cloud technology, good examples being remote image diagnoses and online medical appointments and interviews. It is against this market backdrop that we will draw on our position as a total solutions provider in medical IT and identify increasingly sophisticated customer needs and the value they demand in bringing together our experience and cloud infrastructure to create and deploy new services that match the needs of tomorrow's markets.

## Risk Management Approach

The COVID-19 pandemic's impact on medical facility operations could undermine IT investments, changing the direction of medical ICT policies. We will tackle these risks by maintaining our business infrastructure so we can provide outstanding services to existing customers, increasing customer numbers by deploying medical cloud solutions that cater to diversifying needs. We will thereby stabilize our operating infrastructure.

# SUSTAINABLE MANAGEMENT —ESG INITIATIVES

- Sustainable Management
- Initiatives Underpinning Sustainable Growth
- Corporate Governance
- Board of Directors and Audit & Supervisory Board Members

# SUSTAINABLE MANAGEMENT

The Canon MJ Group views tackling climate change, bolstering information security, respecting human rights and diversity, and maintaining corporate governance as vital for supporting sustainable growth, and accordingly engages in a range of related initiatives.

We seek to offer products, services, and solutions that embrace social issues (aspects of sustainability\*) in keeping with contemporary social demands and expectations. We believe that helping resolve social issues and delivering social value through our operations will contribute to sustainable corporate and social progress. The Canon MJ Group will undertake CSR activities that generate new value that matches current needs in keeping with its “Business with CSR” slogan.

\* Encompassing such areas as safety and security, health, environmental conservation, effective resources usage, biodiversity, information security, occupational safety and health, measures for the elderly, and community support

## Group Mission

Help resolve social issues with advanced imaging and IT solutions

## Group Vision

The Canon Marketing Japan Group understands and grows with its customers.

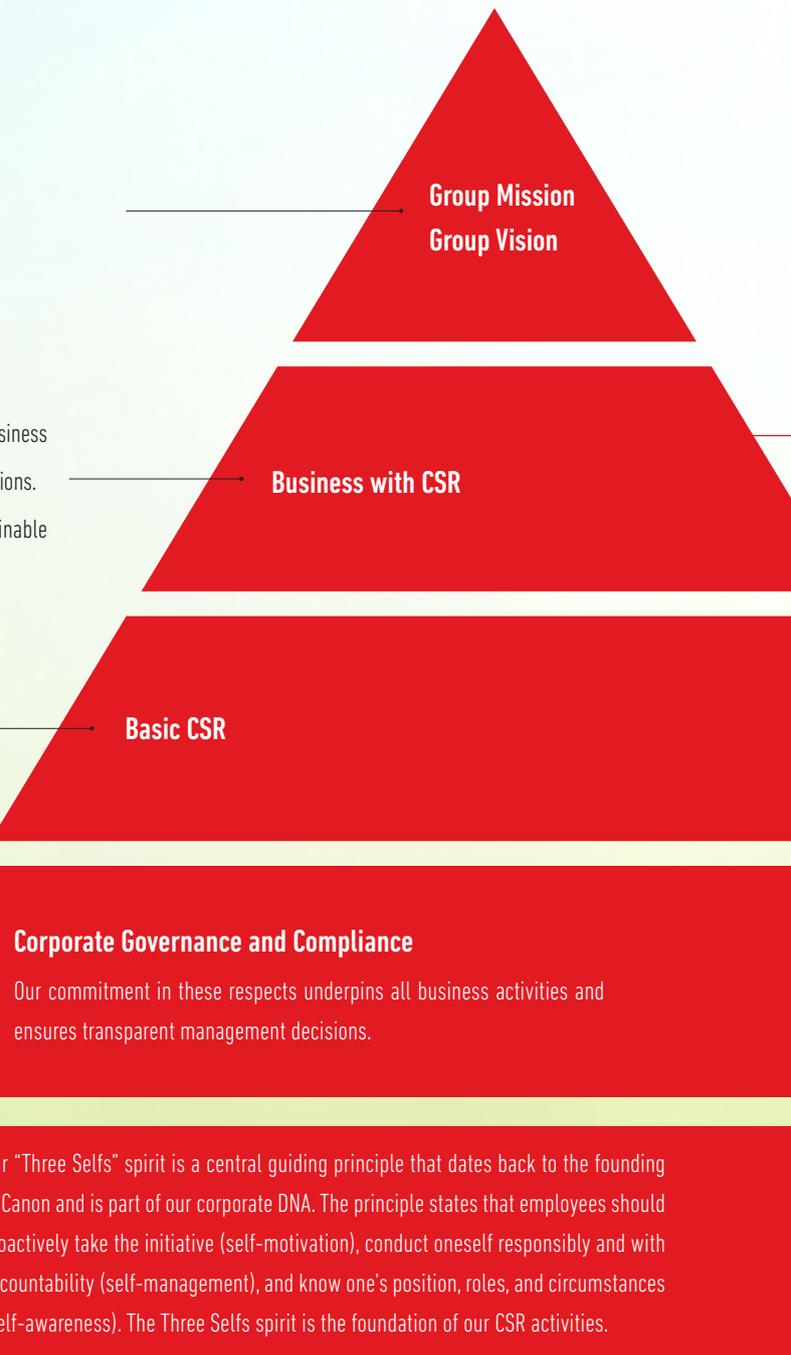
## Business with CSR

The Canon MJ Group aims to identify rapidly changing social needs and customer business management issues, helping overcome social issues by providing IT and other solutions.

We will leverage Business with CSR activities to help achieve the Sustainable Development Goals (SDGs).

## Basic CSR

These CSR activities are essential to address the demands of stakeholders in terms of human rights, labor, the environment, and information security, which are crucial for business health. These activities factor in adherence to ISO 26000, the Keidanren (Japan Business Federation)’s Charter of Corporate Behavior, and other elements.



### ▶ Helping Resolve Social Issues

**FOREMAST, a demand projection and demand and supply planning solution for manufacturing**  
 Reducing inventories without causing shortages through management systems leveraging mathematical technology

**mcframe, which provides production and cost control and sales management solutions for manufacturers**  
 More than 600 companies have installed our system, which caters to the diverse needs of manufacturers

### ▶ Environmental Protection

**Contributions to reductions in customer CO<sub>2</sub> emissions (t-CO<sub>2</sub>)**

	2017	2018	2019
Improved energy savings of products and carbon offset deployment	19,939	19,546	19,704
Efficiencies from IT solutions	50,433	57,773	68,786
Used products and consumables recycling	52,703	50,752	47,024
<b>Total</b>	<b>123,075</b>	<b>128,071</b>	<b>135,515</b>

### ▶ Trusted Quality

**Certifications acquired**

Standards	Acquiring companies and business units
ISO 9001	Canon System & Support Inc. (companywide)
	Canon IT Solutions Inc. (department)
	Canon Production Printing Systems Inc. (department)
ISO 20000	Canon IT Solutions Inc. (department)
Business Continuity Management System Conformity Assessment Scheme	Canon IT Solutions Inc.
	IT Services Division, IT Services Technology Division, and DC Operations Department (Nishi-Tokyo Data Center)
ISMS Conformity Assessment Scheme	Canon Marketing Japan Inc. and 13 other companies
PrivacyMark	Canon Marketing Japan Inc. and 8 other companies
ISO14001:2015	Canon Marketing Japan Inc. and 12 other companies

### ▶ Diversity

**Percentage of female managers**

**3.1%**

### ▶ Worker-Friendliness

**Turnover rate (Canon MJ Group, as of December 31, 2019)**

**2.74%**

### ▶ Ensuring Management Transparency

**Number and percentage of outside directors (as of December 31, 2019)**

**2 (33%)**

### ▶ Ensuring Independence from the Parent Company

**Number of directors from the parent company (as of December 31, 2019)**

**None**

## INITIATIVES UNDERPINNING SUSTAINABLE GROWTH

### Environmental Management

The Canon MJ Group seeks to contribute to social progress by enhancing lifestyles and safeguarding the environment by deploying in-house measures to prevent global warming and reduce waste while pursuing distinctive initiatives as a marketing enterprise.

#### > Future Forest 2020 Environmental Vision

The Canon MJ Group formulated Future Forest 2020 as its medium-term vision for environmental management. This vision draws on the Canon Group's *Kyosei* corporate philosophy in the drive to enhance lifestyles while minimizing environmental footprints to preserve forest diversity and people's hometowns for future generations.

#### > Deploying Green Ratios (FY2016–2020)

The Canon MJ Group formulated the following three Green Ratios as medium-term environmental benchmarks for monitoring annual progress.

	Targets for 2016 through 2020	2019 results
Annual improvement in CO <sub>2</sub> emissions intensity	1.2% (year on year)	5.3% (year on year)
Contributions to reductions in customer CO <sub>2</sub> emissions	More than 150,000 metric tons	135,515 metric tons
Ratio of customer CO <sub>2</sub> emissions reductions divided by the Canon MJ Group's own reductions	More than triple	2.3-fold

#### > Lowering Environmental Impacts with Key IT Solutions

The Canon MJ Group offers a range of document and other IT solutions. These offerings improve operational efficiency and reduce costs while lowering environmental impact by reducing the need for movements of people and objects and conserving resources and energy. We can help customers cut energy consumption, for example, by enabling them to use data centers and reduce storage space by digitizing paper documents.

### > Product Collection and Recycling Activities

We set up a program to efficiently collect used Canon MFPs, LBPs, and those cartridges from customers and dealers and to recycle valuable resources within the Group, thereby contributing to the creation of a recycling-driven economy.

Group member Canon Ecology Industry Inc. recycles used cartridges, disassembling and cleaning reusable parts and crushing and pelletizing other parts for use in new cartridges.

### Information Security

The Canon MJ Group helps realize a secure society by managing information security based on its governance oversight. Products and solutions for customer information security issues draw on our expertise in this field.

We have taken various steps to bolster information security governance, moving forward with objective assessments and ongoing improvements. We formulated the Basic Policy on Information Security for the Canon MJ Group and rolled out the Information Security Management System (ISMS) and Personal Information Protection Management System (PMS) for the Group to standardize and streamline management. We are optimizing our information security countermeasures, training information security personnel, and have secured and maintained certification under the ISMS Conformity Assessment Scheme and PrivacyMark. We deployed the Canon MJ Computer Security Incident Response Team to reinforce cybersecurity. We also issue the Information Security Report.

### Intellectual Property Strategy

In an increasingly digital world, we seek to innovate IT and other tools that deliver added value. We accordingly engage in intellectual property initiatives to make such added value a key strength.

The Canon MJ Group held 1,269 patents at the end of December 2019 that are the fruit of the efforts of its R&D organization. These patents center on natural language processing, video recognition, mathematical technology, and other tools that help deliver valuable customer solutions.

We distinguish ourselves with outstanding solutions that leverage solid customer solution techniques and robustly protected patents underlying them.

## Business Continuity

The Canon MJ Group formulates business continuity measures to prepare for major earthquakes, influenza outbreaks, and other crises.

### > Business Continuity Planning

#### Approach

This planning entails formulating preparatory measures to keep operations running without interruption or to aid swift recoveries following disasters and therefore help the Group fulfill its social responsibilities.

#### Key initiatives

- Preparing for a major earthquake in Tokyo

We produced a plan to restore services to customers as fast as possible, notably by transferring headquarters functions to alternative locations and undertaking recovery initiatives based on the assumption that such a disaster would disrupt electricity supplies and other key social infrastructure elements.

- Ready for a flu pandemic

We formulated a plan to keep assisting customers that offer vital social services based on the assumption that human resources would be limited in the event of such a disaster while also ensuring the safety of our employees and their families.

### > Business Continuity Management

We run business continuity plans based on regular drills and other business continuity management plans and endeavor to enhance their effectiveness.

#### Approach

Business continuity planning must not only encompass a structure and procedures but also be effective, particularly in the event of a major earthquake in Tokyo or a powerful new flu epidemic. We are accordingly endeavoring to make our PDCA cycles more agile.

#### Key initiatives

- Building a contact system

We set up this system so relevant parties can properly communicate and respond following disasters. The system leverages social networking services and can be used outside working hours. By efficiently sharing disaster situation, business damage, and other information, we seek to streamline decision-making, prevent secondary damage, and maintain and swiftly restore business continuity.

- Drills

To prepare for disasters, we regularly conduct drills to ensure that people can properly use social networking services in emergencies, notably by sending messages about safety and disaster situations. Departments formulating business continuity plans conduct desk-based simulations and drills based on scenarios in keeping with themes that match their circumstances. We explore countermeasures for issues that arise in drills.

- Assessments

Each year, a secretariat overseeing Groupwide business continuity management activities confirms the effectiveness of business continuity planning by assessing departmental management activities from third-party perspectives. We evaluate the effectiveness of these efforts from those perspectives, identify issues, clarify improvements, and provide feedback on activities for subsequent fiscal years.

#### Customer Engagement

The Canon MJ Group is committed to meeting customer expectations.

##### > Quality Management System

In keeping with its Basic Policy on Product Safety, the Canon MJ Group established a quality management system and a quality assurance risk management system to provide top-quality products and services that are safe and reliable for customers. For the quality management system, we established policies and targets for the relevant products, services, and support. We pursue ongoing improvements through PDCA cycles and clarify responsibilities and authority for achieving goals.

We manage product quality in the marketplace by collaborating with Canon Inc., which oversees manufacturing through IT systems, and respond swiftly to customer issues.

#### Relationships with Business Partners

The Canon MJ Group contributes to customer value by helping business partners improve their skills. We foster fair procurement in keeping with laws and ordinances and engage in green procurement practices to shrink our environmental footprint.

##### > Procurement Activities

The Canon MJ Group established the following basic procurement policy.

##### Basic Procurement Policy

1. Foster efficient and competitive business activities by pursuing safety and quality and endeavoring to stably procure reasonably priced products and services that meet customer needs.
2. Prioritize green procurement of products and services that help shrink our environmental footprint as part of conservation initiatives.
3. Offer fair trading opportunities and procure fairly in keeping with laws and social norms.
4. Engage in procurement activities that foster mutually beneficial long-term relationships with business partners to realize a sustainable economy.

##### > Engaging in Green Procurement

The Canon MJ Group endeavors to eliminate hazardous chemical substances by complying with the Global Canon Green Procurement Standards\*.

\* These mandatory standards for Canon Group companies stipulate the parent's green procurement requirements as part of its environmental protection initiatives.

##### > Rigorous Procurement Compliance

The Canon MJ Group educates about its action guidelines and procurement laws and regulations initiative to ensure optimal and fair business transactions. We established the Group Procurement Regulations, maintaining requirements for fair and equitable transactions, environmental protection, and compliance with procurement-related laws and regulations.

As well as stating our requirements of business partners, we conclude basic agreements before engaging in transactions with them, committing to complying strictly with laws and ordinances and to engaging in fair and honest transactions that do not violate corporate ethics or erode social trust. After we start doing business with these partners, we conduct regular surveys to check progress in an array of areas, including from environmental and social perspectives, providing them with feedback on assessments.

#### Respecting Human Rights and Diversity

The Canon MJ Group endeavors to prevent employee discrimination and harassment and fosters a corporate culture that values diversity.

##### > Preventing Discrimination and Promoting Diversity

The Canon Group aims to ensure that all executives and employees alike understand and adhere to the Canon Group Code of Conduct, which encourages respect for individuals and individuality and prohibits discrimination, including in terms of race, religion, nationality, gender, and age.

Within the Canon MJ Group, we utilize email magazines sent to all employees and compliance meetings for all work units to raise awareness among executives and employees about discrimination issues.

In support of the Women's Action Plan of Keidanren (Japan Business Federation), Canon Marketing Japan and Canon IT Solutions Inc. submitted voluntary plans to appoint female officers and managers.

Also, Canon System & Support Inc., Canon Production Printing Systems Inc., Canon BizAttenda Inc., and Canon Customer Support Inc. formulated action plans based on their specific challenges to foster the participation of women in workplaces and appoint and recruit female managers. By 2020, Canon MJ looks to have women accounting for 2.0% of managerial positions and 11.0% of deputy manager roles.

### > Combating Harassment

The Canon MJ Group engages in various awareness-building initiatives to prevent sexual and power harassment.

Harassment issues are part of the agenda for training new employees and managers. Compliance meetings also position harassment as an issue for discussion within work units.

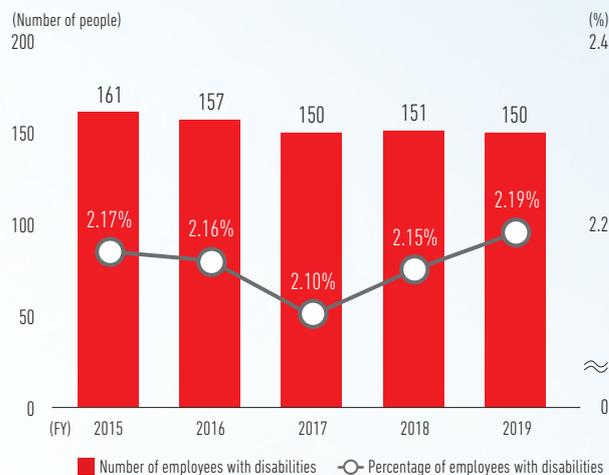
We make it easier for employees to seek advice about harassment by offering consultations and by enabling the sharing of concerns by email or telephone.

### > Initiatives to Employ People with Disabilities

The Canon MJ Group is committed to employing people with disabilities, and accordingly endeavors to create a barrier-free work environment.

As of June 2019, 2.19%\* of Canon MJ's employees were people with disabilities, exceeding the Japanese government's mandatory rate of 2.0%. The Group will continue pushing ahead with new graduate and midcareer hiring of individuals with disabilities.

### Employees with Disabilities (Non-Consolidated Basis)



\* Calculated according to prescribed working hours, disability degrees, and other factors in keeping with the Ministry of Health, Labour and Welfare standards.

### > Reforming Work Practices

The basic policy of the Canon MJ Group's Long-Term Management Objectives Phase III is to become a corporate group in which its people can shine, and we are undertaking work practice reforms as part of that approach. We are helping our people to work more efficiently so they can complete their tasks during regular work hours, notably by instituting days without overtime, using satellite offices and teleworking, encouraging the use of IT tools, and leveraging AI and RPA.

### > Balancing Professional and Private Commitments

Canon MJ has rolled out a range of programs to foster career plans and create more attractive employment environments by empowering its people to balance work with childcare and nursing care commitments.

In January 2008, we received Kurumin Mark certification from the director of the Tokyo Labor Bureau in recognition of our commitment to providing childcare-friendly workplaces.

## CORPORATE GOVERNANCE

### Overview of Corporate Governance at the Canon MJ Group

- Organizational format: Company with Audit & Supervisory Board members
- Number of directors: 6
- Number of outside directors: 2
- Number of outside directors designated as independent: 2
- Term of directors: 1 year
- Number of Audit & Supervisory Board members: 5
- Number of outside Audit & Supervisory Board members: 3
- Number of outside Audit & Supervisory Board members designated as independent: 2
- Term of Audit & Supervisory Board members: 4 years
- Independent auditor: Deloitte Touche Tohmatsu LLC
- Use of executive officer system: Yes
- Number of executive officers: 23

### Basic Stance on Corporate Governance

We recognize that sustainable growth in corporate value requires ongoing improvement in such areas as management transparency and the monitoring of progress toward management targets. This is reflected in our wide-ranging initiatives to strengthen corporate governance. We have implemented all principles of Japan's Corporate Governance Code.

### Initiatives to Enhance Corporate Governance

2011	Adopts executive officer system
2014	Appoints outside director
2016	Increases number of outside directors to two
2016	Establishes standards for independent outside directors
2016	Complies with Corporate Governance Code
2018	Sets up Nomination and Remuneration Committee

### Protection of Minority Shareholders in Transactions with the Controlling Shareholder

The Company's controlling shareholder is Canon Inc. The Company concludes important basic agreements with Canon Inc. based on resolutions of the Board of Directors. Such agreements are appropriately

and fairly implemented without compromising the Company's interests. The Company acts appropriately and fairly in all transactions, not just those with its controlling shareholder, to avoid compromising its independence and interests and to safeguard the interests of all shareholders.

### Independence from the Parent Company

The Company's parent company is Canon Inc., which held 58.5% of the Company's voting rights as of December 31, 2019. Within Canon Inc.'s corporate group, the Company oversees sales, service, and marketing for Canon products in the Japanese market. The Company also supplies IT solutions and other services, clearly compartmentalizing its operations.

With regard to transactions with the parent company, the Company has the exclusive right to sell all Canon brand products in Japan, the exceptions being semiconductor and LCD lithography systems and medical equipment. Transaction terms are determined by presenting the Company's asking prices and engaging in conventional negotiations. None of the Company's directors concurrently serves the parent company.

It is because of this situation that the Company faces no restrictions from the parent company in terms of operational activities and maintains a certain level of independence from the parent company by making its own management decisions on business activities and operations.

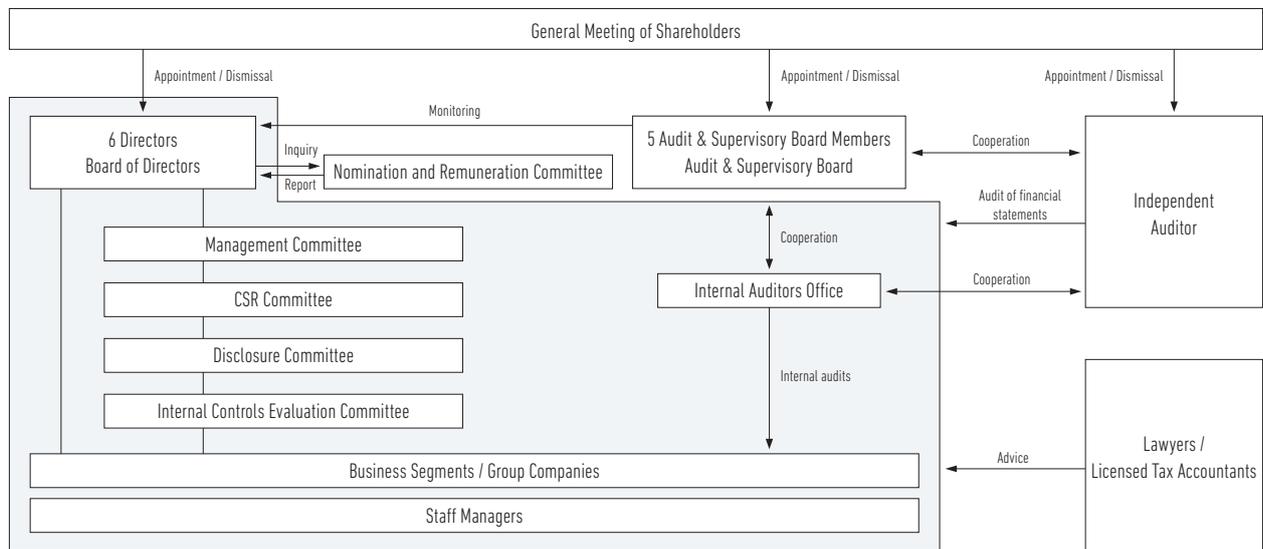
The Company ensures the effectiveness of its corporate governance as a listed enterprise by bolstering the Internal Auditors Office while independently building diverse internal controls systems through collaboration with its Audit & Supervisory Board members and the independent auditor and setting up committees.

### Policy on Constructive Dialogue with Shareholders

The Company helps to drive sustainable growth and improve corporate value over the medium and long terms by engaging in constructive dialogue with shareholders, including through general meetings of shareholders, briefings on management plans for the medium and long terms, results briefings, and meetings with major institutional investors.

## Corporate Governance Organization

(As of March 31, 2020)



### Board of Directors

We maintain a structure in which the representative director oversees Companywide business strategies and execution, while supervision of business domains and headquarters functions is primarily through executive directors, and add at least two independent outside directors to ensure sound management. In accordance with laws and ordinances, the Board of Directors monitors important decisions and implementation.

Other decisions are handled by the representative director or under the representative director's direction and supervision through executive officers whom the Board of Directors appoints through its resolutions to assume responsibility for making and implementing decisions for business domains and headquarters functions.

As well as engaging in regular deliberations about results, executive appointments, and other matters, the Board of Directors discusses and makes decisions on important matters relating to legal affairs and Board regulations at gatherings that are normally held once monthly and at Management Committee meetings attended by the directors of Canon MJ and the presidents of major subsidiaries.

### Audit & Supervisory Board

The Audit & Supervisory Board functions independently of the Board of Directors, and comprises individuals who are familiar with the Company's business or corporate management and who have accounting or other

expertise. At least one outside Audit & Supervisory Board member is an outside auditor who fulfills the independence criteria that the Board of Directors separately determines.

The Audit & Supervisory Board cooperates with the independent auditor and the Internal Auditors Office to assess performance and corporate assets and ensure sound management.

There are five Audit & Supervisory Board members, of whom three are outside auditors. Their duties include attending Board of Directors' meetings, speaking with directors and other parties, and perusing important accounts' documents in line with the auditing policies and work allocations that the Audit & Supervisory Board stipulates, and conducting rigorous audits by examining operations and property.

### Internal Auditors Office

The Internal Auditors Office produces internal audit policies for Canon MJ and its subsidiaries as an independent specialist that reports directly to the president. It also conducts audits, assesses, and advises on all business activities from the perspectives of credibility of financial reports, the validity and efficiency of operations, legal compliance, and the conservation of assets. The auditors of Canon IT Solutions Inc. and Canon System & Support Inc. conduct assessments based on the same policies. The Canon MJ Group had 50 audit staff members.

## Outside Directors and Outside Audit & Supervisory Board Members

(as Defined under the Companies Act)

Canon MJ has two outside directors and three outside Audit & Supervisory Board members. Pursuant to the consent of all Audit & Supervisory Board members and the Board of Directors, we implemented our independence criteria for outside directors and outside Audit & Supervisory Board members to clarify the standards for ensuring outside directors and outside Audit & Supervisory Board members in keeping with the Corporate Governance Code and standards of independence. Our outside directors and outside Audit & Supervisory Board members satisfy the independence criteria and help maintain and improve the transparency and accountability of the Board of Directors.

The Company does not maintain a specialist organization or provide full-time staff to assist outside directors or outside Audit & Supervisory Board members. Directors in charge of operations and other officials provide outside directors with prior explanations of Board of Directors' meeting agendas as needed. Internal auditors, directors in charge of operations, and other officials provide outside Audit & Supervisory Board members with prior explanations of Board of Directors' meeting agendas as needed. Outside Audit & Supervisory Board members attend Audit & Supervisory Board meetings, which are held at least once monthly, as well as liaison meetings and other gatherings conducted as required to exchange information on important items and audit details.

## Outside Directors' and Outside Audit & Supervisory Board Members' Attendance at Board of Directors' Meetings and Audit & Supervisory Board Meetings

	Name	Attendance at meetings of the Board of Directors and Audit & Supervisory Board during fiscal 2019
Outside directors	Akio Dobashi	14/16 times (88%) of Board of Directors' meetings
	Yoshio Osawa	16/16 times (100%) of Board of Directors' meetings
Outside Audit & Supervisory Board members	Kunihiko Tedo	16/16 times (100%) of Board of Directors' meetings 18/20 times (90%) of Audit & Supervisory Board meetings
	Nobuyasu Kusumi	16/16 times (100%) of Board of Directors' meetings 20/20 times (100%) of Audit & Supervisory Board meetings
	Shigeo Hasegawa	15/16 times (94%) of Board of Directors' meetings 20/20 times (100%) of Audit & Supervisory Board meetings

## Analysis and Evaluation of Effectiveness of the Board of Directors

The Company consulted with directors and Audit & Supervisory Board members about the effectiveness of the Board of Directors, and the Board of Directors analyzed and evaluated the findings. These talks confirmed the overall effectiveness of the Board of Directors. We will draw on the views of directors and auditors (in matters relating to the roles of directors) in running the Board of Directors to further improve its effectiveness in the course of discussions.

## Policies and Procedures for Determining Remuneration for Senior Executives and Directors

Remuneration for the representative director and directors consists of basic remuneration, which is a fixed basic monthly fee for executing their roles and duties, a bonus linked to performance during the fiscal year, and stock incentives also linked to performance to promote improvements in medium- to long-term business performances and corporate value. The same applies to remuneration for executive officers, who are senior executive officers or above. Outside directors only receive basic remuneration.

The Company maintains a voluntary four-person Nomination and Remuneration Committee comprising the president, one director, and two independent outside directors. The committee verifies the appropriateness of the remuneration system for directors and executive officers who are senior executive officers or above, including ideas on calculating basic remunerations and bonuses and the criteria for granting performance-linked remuneration. Remunerations are all in line with the remuneration structure, whose basic calculation approaches were resolved at meetings of the Board of Directors and are verified by the Nomination and Remuneration Committee.

The total of basic remuneration and performance-linked stock incentives for directors must be less than the maximum total remuneration approved at general meetings of shareholders. Bonuses, however, are determined when proposals for them are approved at ordinary general meetings of shareholders.

#### **Nomination and Remuneration Committee**

Masahiro Sakata: Chairperson, President & Representative Director

Masachika Adachi: Director, Senior Managing Director

Akio Dobashi: Outside Director

Yoshio Osawa: Outside Director

#### **Appointment and Nomination Procedures**

To nominate director or Audit & Supervisory Board member candidates and appoint senior executive officers (including successors and president and representative director candidates), the president and representative director first nominates candidates from among those fulfilling requirements. The nomination is submitted at a meeting of the Board of Directors after the Nomination and Remuneration Committee confirms that it is fair and appropriate.

The Audit & Supervisory Board discusses and consents to nominees before deliberations by the Board of Directors.

#### **Dismissal Procedures for Management Team Executives**

Directors and Audit & Supervisory Board members can ask the Nomination and Remuneration Committee for deliberations at any time to decide

whether the dismissal of a representative director, executive director, or executive officer who is a senior executive officer or above (collectively, "management team executives") is necessary in the event of illegal, unfair, or treasonous behavior among such individuals, if they have failed to fulfill their roles, or for other reasons that make such people unsuited to retain their posts as management team executives.

All results of Nomination and Remuneration Committee deliberations shall be submitted to the Board of Directors, regardless of the outcome of Board of Directors' deliberations on the necessity of dismissal. The management team executives subject to deliberations cannot join in discussions.

#### **IR Activities**

We formulated the Canon MJ IR Policy in 2008 to clarify our stance, which is disclosed on the official investor relations (IR) website below. For retail investors, the president, the managing executive officer overseeing IR, or other executives conduct Company briefings. In 2019, the Company conducted Company briefings for a large number of retail investors in February, May, August, and December. For analysts and institutional investors, the Company augments medium- to long-term management plan briefings by the president at the beginning of the year with quarterly results briefings at which the managing executive officer in charge of IR outlines performances. The Company also embraces individual interview requests, meeting requests from analysts and institutional investors, and teleconferences with foreign institutional investors. The Company participated in a domestic securities firm-sponsored conference and held a meeting between the president and overseas institutional investors.

#### **Canon MJ IR website**

[canon.jp/8060e-ir](http://canon.jp/8060e-ir)

#### **Internal Controls**

Based on the Companies Act, the Board of Directors resolved the basic policy for an internal controls system to ensure appropriate business practices, and is deploying that system in line with the policy.

Chaired by the president, the Internal Controls Evaluation Committee

## Messages from Outside Directors



**Akio Dobashi**

Outside Director

Corporate governance can be both proactive and defensive. Proactive governance fosters transparent and responsive management that lifts corporate value over the medium through long terms. Defensive governance is about thoroughly monitoring systems that prevent corporate scandals and compliance violations and thereby safeguard corporate value.

I have been an outside director of Canon MJ for five years. During that time, the Company has expanded IT solutions, which it has positioned as a growth business, while remaining free of scandals. As such, in my view the Company has had no issues in terms of either proactive or defensive governance.

Canon MJ set up its Nomination and Remuneration Committee in December 2018 to ensure that executive selections and remuneration decisions are more objective. In that respect, I think that the Company has driven further governance progress.

Participants in Board of Directors' meetings always engage in a spirited debate, so I consider the Board of Directors as effective as those of other companies with which I have been involved.

The COVID-19 pandemic has accelerated the use of IT to transform work practices. I think that now is the right time for Canon MJ to contribute to society with its technologies. It is to that end that the Company needs to focus its business resources on IT solutions, undertaking bold human resources strategies and pursuing M&As.



**Yoshio Osawa**

Outside Director

The launch of the Nomination and Remuneration Committee by Canon MJ in December 2018 was a step in the right direction for its corporate governance. The committee deliberates executive appointments, remuneration, and successor planning. I believe that such deliberations have resulted in a fairer and more rational governance structure regarding human resources and remuneration today and for future efforts in those areas.

In an increasingly challenging climate, the Board of Directors has engaged in lively debate on a range of matters. These have included future management strategies, medium-term planning, and investments. As Chairman of the Board, Masahiro Sakata champions open discussion. This has empowered directors to be more vocal, revitalizing the Board of Directors.

The Group has continued to steadily expand IT solutions, which it has positioned as a growth business. I think that such progress is the fruit of our strengths. These include a customer base and sales network across Japan and a subsidiary with a total of approximately 4,000 systems engineers. Still, to grow further I believe that we should do more to assess and execute M&As and other expansionary investments that draw on our ample cash position.

I have found the Group extremely systematic and disciplined in addressing such crises as typhoon damage in 2019 and the COVID-19 pandemic in 2020 by ensuring that its human resources, organizational, governance, and other underpinnings are rock solid. I think that these qualities are tremendous strengths for Canon MJ.

consists of officials representing corporate departments and subsidiaries. Its task is to develop internal controls systems for the entire Canon MJ Group.

Canon Inc., which is listed on the New York Stock Exchange, has adopted systems that comply with the Sarbanes-Oxley Act, a U.S. law designed to improve corporate governance. As a member of the global Canon Group, Canon MJ has also applied global perspectives by establishing systems based on the same standards.

### Corporate Ethics and Compliance

For the Canon MJ Group, compliance is not simply a matter of obeying laws and regulations. We also commit to complying with laws and social rules, maintaining social justice, and continuing to meet the expectations of society. We engage in compliance from the perspectives of initiatives to raise awareness, educating, and undertaking organizational activities to ensure that all of our people act ethically and obey the law.

We distribute the Canon Group Code of Conduct and other handbooks and Compliance Cards to all Group employees and enhance awareness through education and training. We convene the semiannual Compliance Meeting to confirm compliance risks and countermeasures at each work site. We also maintain an ongoing internal reporting system.

### Business Risks

#### Impacts of Market Competition and Fluctuations

In office MFPs and maintenance services, price competition continues. The unit price for maintenance services continues to fall, and profitability could deteriorate if price competition intensifies. A decline in print volumes driven by the trend toward paperless offices could affect the Canon MJ Group's results. An increase in unit sales of third-party laser printer toner cartridges could constrain revenues from genuine Canon counterparts.

In IT solutions, the Company carefully manages work hours in various SI projects to prevent losses. Nonetheless, such factors as additional customer specifications, altered requirements, or mismatches in the Company's and customers' interpretations of specifications or progress could hamper results.

The digital interchangeable lens camera market could continue to shrink as the overall market shifts from SLR to mirrorless models. Sales declines of inkjet printers and inkjet cartridges may accelerate amid the decrease in the print volume associated with the declining demand for printing New Year's greeting cards.

In the industrial equipment business, capital spending among semiconductor and device manufacturers greatly affects orders for semiconductor fabrication and measuring equipment. Results could stagnate if these manufacturers reduced such expenditure.

In the medical equipment business, the Pharmaceutical and Medical Device Act (formerly, the Pharmaceutical Affairs Act) makes it mandatory to appoint sales administrators, set up post-marketing traceability information systems, and reinforce safety management structures. While the Group does its utmost to maintain systems to comply with such requirements, transactions with medical institutions and medical equipment dealers could decline if its safety management structure or information systems do not perform as envisaged.

As we purchase products and services from many partners, including parent Canon Inc., we may face the risk of insufficient supplies of goods owing to certain partner circumstances, including natural disasters and major accidents. Results could be affected if such situations hamper sales activities.

#### Credit Risks

The Canon MJ Group could experience unforeseen credit losses, as it engages in numerous transactions in which it collects payments after providing goods and services. The Company therefore draws on credit information from external credit bureaus and other sources as part of thorough credit management efforts while hedging risks through factoring and other means. The Company provides allowances for doubtful receivables to cover the risks of losses on collection. Large unforeseen uncollectible amounts could detract from the Group's results and financial position.

### Relationship with the Parent Company

Canon MJ is a subsidiary of Canon Inc., which owned 58.5% of its stock as of December 31, 2019. The Company has the exclusive right to sell all Canon brand products in Japan, the exceptions being semiconductor and LCD lithography systems and medical equipment. In fiscal 2019, Canon MJ's purchases from Canon Inc. amounted to ¥182,019 million, or 54.8% of its total purchases.

Because of this relationship, a major shift in the management policies or business activities of Canon Inc. could have a significant impact on the business activities, performance, and financial position of the Canon MJ Group. If it becomes impossible to maintain the superiority of Canon products in relevant industries for whatever reason, the Group's results could be adversely affected.

### Information Management

The Canon MJ Group holds important information about various Group operations as well as a considerable amount of sensitive information about companies and individuals. As such, we formulate information management policies and rules, educate and train employees to increase awareness of the importance of information management, implement and check the status of system security measures, and create and deploy an ISMS. Notwithstanding these measures, information that leaks externally as a result of cyberattacks could greatly inconvenience business partners and other stakeholders or lower the credit standing of the Canon MJ Group, thus possibly hampering its operations, results, and financial position.

### Natural Disasters

Earthquakes, typhoons, and other natural disasters and outbreaks of serious infectious diseases in areas in which the Group does business could affect its operations. While we maintain redundant equipment and information systems as backup, the Group cannot guarantee that we would sufficiently avert damage from such disasters, which could adversely affect its performance and financial position.

The COVID-19 pandemic has caused supply chain and production turmoil, particularly in Asia. Depending on how this situation affects

Canon Inc. and other partners, the Group may not be sufficiently able to provide products and services. The pandemic could hamper sales owing to its impact on the domestic economy and market. It is hard to predict the performance impact at this juncture because the scale of the pandemic and an idea of when it might abate are unclear.

### IT Governance: Investing in IT to Boost Corporate Value

The Group endeavors in various ways to enhance corporate governance and keep improving corporate value. IT is important to corporate management and the Group is deploying IT governance. We are institutionalizing IT investment management and have set up IT investment assessment committees under the auspices of the Management Committee. These assessment committees approve and evaluate investment projects from the perspectives of business growth and productivity improvement to optimize the effectiveness of IT investment and reduce risks.

# BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

AS OF MARCH 26, 2020



## Shigeo Hasegawa

Audit & Supervisory  
Board Member  
(Outside)

## Iwao Hashimoto

Audit & Supervisory  
Board Member  
(Outside)

## Akio Dobashi

Director  
(Outside)

## Yoshio Osawa

Director  
(Outside)

## Nobutoshi Matsumoto

Audit & Supervisory  
Board Member  
(Outside)

## Shinichi Inoue

Audit & Supervisory  
Board Member  
(Standing)

## Shiro Hamada

Director, Senior  
Executive Officer

## Masahiro Sakata

President &  
Representative  
Director

## Masachika Adachi

Director, Senior  
Managing Director

## Hatsumi Hirukawa

Director, Senior  
Executive Officer

## Masatoshi Tanise

Audit & Supervisory  
Board Member  
(Standing)

# TEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

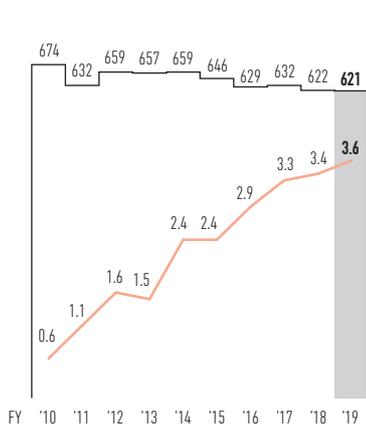
CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED DECEMBER 31

	2019	2018	2017	2016
<b>For the year:</b>				
Net sales (Note 5)	¥ 621,134	¥ 621,591	¥ 632,190	¥ 629,314
Operating income	32,440	28,941	30,407	27,676
Profit before income taxes	33,303	30,708	30,919	28,903
Profit attributable to owners of parent	22,250	20,826	20,680	18,162
<b>At year-end:</b>				
Total assets	503,699	498,791	510,833	497,728
Total stockholders' equity (Note 4)	324,476	303,028	297,032	280,473
<b>Cash flows:</b>				
Cash flows from operating activities	22,053	16,990	28,885	33,306
Cash flows from investing activities	(94,585)	(10,526)	7,964	(19,461)
Cash flows from financing activities	(8,557)	(7,839)	(7,145)	(6,086)
Cash and cash equivalents at end of year	54,494	135,572	136,980	107,286
<b>Per share of common stock:</b>				
Profit attributable to owners of parent (Note 2)	¥ 171.60	¥ 160.61	¥ 159.48	¥ 140.06
Cash dividends (Note 3)	60.00	60.00	60.00	50.00
Stockholders' equity (Note 4)	2,502.39	2,336.97	2,290.70	2,162.96

Notes 1. The figures have been presented in U.S. dollars by translating all Japanese yen amounts at ¥110 to U.S.\$1, the prevailing exchange rate as of December 31, 2019.  
2. Profit attributable to owners of parent per share is based on the weighted average number of shares of common stock outstanding during the respective fiscal years.  
3. Cash dividends per share are the amounts applicable to the respective fiscal years, including dividends to be paid after the end of the year.

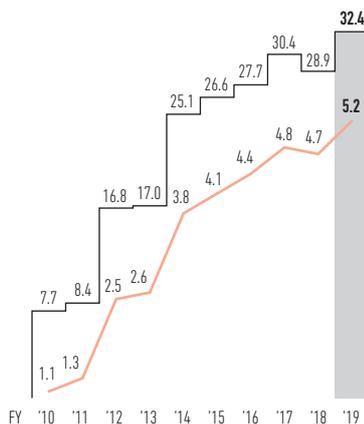
## Net Sales and Return on Sales (ROS)

(Billions of yen / %) ■ Net Sales — ROS



## Operating Income and Operating Margin

(Billions of yen / %) ■ Operating Income — Operating Margin



## Working Capital

(Billions of yen / Times) ■ Total Current Assets ■ Total Current Liabilities — Current Ratio

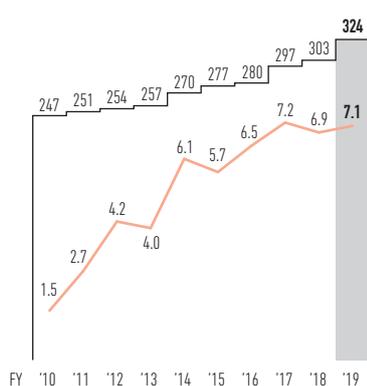


Millions of yen						Thousands of U.S. dollars (Note 1)
2015	2014	2013	2012	2011	2010	2019
¥ 646,003	¥ 659,432	¥ 657,216	¥ 659,218	¥ 632,419	¥ 674,159	<b>\$ 5,646,673</b>
26,647	25,088	17,013	16,802	8,442	7,736	<b>294,909</b>
27,498	25,858	17,055	17,529	10,972	8,584	<b>302,755</b>
15,670	16,030	10,168	10,579	6,764	3,724	<b>202,273</b>
486,502	479,747	467,076	462,574	447,765	448,592	<b>4,579,082</b>
277,008	270,061	256,795	253,862	250,671	246,680	<b>2,949,782</b>
29,730	38,191	28,781	33,767	8,716	35,186	<b>200,482</b>
(44,536)	(15,221)	(25,757)	(16,067)	(12,108)	(13,012)	<b>(859,864)</b>
(6,225)	(4,545)	(9,105)	(11,813)	(3,811)	(8,171)	<b>(77,791)</b>
99,574	120,607	102,183	108,260	102,373	109,575	<b>495,400</b>
						U.S. dollars (Note 1)
¥ 120.84	¥ 123.62	¥ 76.67	¥ 77.45	¥ 49.30	¥ 26.70	<b>\$ 1.56</b>
45.00	40.00	24.00	24.00	20.00	20.00	<b>0.55</b>
2,136.22	2,082.60	1,980.22	1,907.50	1,827.25	1,798.16	<b>22.75</b>

- Total stockholders' equity in the above table represents the total of stockholders' equity and accumulated other comprehensive income (loss) in the consolidated balance sheets.
- Effective fiscal 2013, we have changed to an accounting method that deducts a portion of sales incentives (which had previously been accounted for under selling, general and administrative expenses) from net sales; therefore, the amount of net sales for fiscal 2012 and relevant key management indicators have been adjusted retroactively.

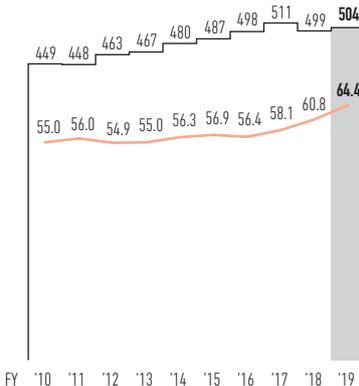
### Total Stockholders' Equity and ROE

(Billions of yen / %) ■ Total Stockholders' Equity — ROE



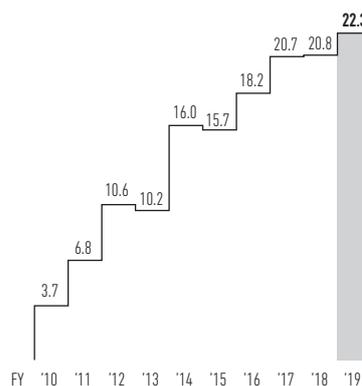
### Total Assets and Total Stockholders' Equity Ratio

(Billions of yen / %) ■ Total Assets — Total Stockholders' Equity Ratio



### Profit Attributable to Owners of Parent

(Billions of yen)



# FINANCIAL REVIEW

## Business Performance

### Net Sales

Consolidated net sales for the year ended December 31, 2019, decreased 0.1%, to ¥621,134 million, from the previous year. This reflected downturns in demand for digital interchangeable lens cameras and industrial equipment, which offset higher revenues from IT solutions for large and small-to-medium-sized enterprises.

### Segment Information

#### • Consumers Segment

Sales of mirrorless cameras were down, as while we focused on expanding demand, particularly for the full-sized EOS RP, unit sales of the EOS Kiss M camera were lower than in the previous year, when demand for this model soared. Sales of digital interchangeable lens cameras declined as markets shrank and overall sales of interchangeable lens cameras declined. Market shrinkage was also behind lower sales of compact digital cameras. We maintained top shares in the markets for digital interchangeable lens cameras, mirrorless cameras, and compact digital cameras.

Sales of inkjet printers increased on favorable demand for refillable GIGA TANK models, which outweighed sluggish markets for consumer offerings. Ink cartridge sales decreased amid dwindling print volumes. We remained the inkjet printer market leader for the sixth straight year.

Sales of IT products fell, as demand for SD cards and peripherals dropped, overshadowing favorable gaming PC revenues.

As a result of these factors, segment sales were down 11.6%, to ¥132,790 million. Segment income decreased 6.5%, to ¥6,865 million.

#### • Enterprise Segment

Sales to financial institutions rose due to solid sales of systems integration (SI) projects for a security brokerage and investment product sales system projects for credit unions, as well as large new laser printer projects for a life insurer.

Sales for manufacturing customers rose on favorable demand, including for a demand forecast systems project for a beverage company and a large business data collection device project for a food company.

Sales to retailers increased on point-of-purchase production systems projects for a retailer and large office multifunction printer (MFP) projects for

an information and communications company. There were also significant network camera projects for a security company and a trading firm.

Canon IT Solutions Inc. experienced a drop in demand for SI services after large projects for financial institutions in the previous year, but sales were up slightly on the strength of several projects, primarily for manufacturers. Another driver with the subsidiary was that data center services performed well, also securing several large infrastructure systems projects and some embedded systems projects.

Sales of office MFPs were down in this segment, reflecting a drop after large projects in the previous year and efforts to constrain orders for minimally profitable projects. Sales of laser printers increased, a key factor being large orders from a life insurer.

Segment sales accordingly increased 4.1%, to ¥195,828 million. Segment income rose 15.4%, to ¥10,070 million, principally because gross profit increased with sales, while Canon IT Solutions benefited from highly profitable businesses.

#### • Area Segment

Sales of business equipment declined. This reflected sluggish demand among small-to-medium-sized enterprises, which offset expanded sales of office MFPs, particularly to mid-sized enterprises. Laser printer sales increased despite an ongoing shift toward replacing them with office MFPs. The prime drivers here were expanded sales to certain industries and enhanced sales when replacing older business PCs.

Canon System & Support Inc. spearheads IT solutions in the Area segment. The period under review saw progress in business PC replacements among small-to-medium-sized enterprises in line with the end of extended support for Windows 7, driving a surge in unit shipments. Sales rose on cloud service and software proposals to customers replacing PCs, including for the HOME IT support cloud service, which is compatible with Office 365, for ESET antivirus software, and various efficiency enhancement software.

Segment sales therefore climbed 4.2%, to ¥268,310 million. Segment income jumped 19.2%, to ¥14,398 million, as gross profit improved in line with higher sales of highly profitable IT solutions.

## • Professional Segment

### Production Printing

Demand was sluggish for continuous feed and wide-format printers, leading to a sales decline.

### Industrial Equipment

Sales were down, as while we fared well in maintenance services amid rising plant utilization rates, sales agent agreements ended with foreign manufacturers with which we had engaged in large transactions outside

the semiconductor area.

### Healthcare

Sales were up on solid demand for hospital information systems and digital radiography.

As a result of these factors, segment sales dropped 5.9%, to ¥43,676 million. Segment income was up 89.9%, to ¥1,617 million, due to such measures as cost reduction.

## Income Analysis

Consolidated net sales were down 0.1%, to ¥621,134 million.

Cost of sales rose 4.1%, to ¥420,108 million. Gross profit fell 7.9%, to ¥201,026 million.

Selling, general and administrative expenses were down 10.9%, to ¥168,586 million.

Operating income therefore advanced 12.1%, to ¥32,440 million.

Total other income dropped 51.1%, to ¥863 million.

As a result of these factors, profit attributable to owners of parent increased 6.8%, to ¥22,250 million, and rose ¥10.99 on a per-share basis, to ¥171.60.

## Financial Position

Total current assets decreased ¥5,945 million from the end of the previous term, to ¥377,404 million. This reflected an aggregate decline of ¥1,080 million in cash and cash equivalents, securities, and short-term loans receivable, as well as a ¥4,375 million drop in notes and accounts receivable.

Total non-current assets increased ¥10,853 million, to ¥126,295 million. This was due largely to a ¥13,761 million increase in construction in progress associated with the construction of the second phase of the Nishi-Tokyo Data Center.

Total current liabilities decreased ¥9,879 million, to ¥120,024 million. This reflected a ¥24,288 million decline in notes and accounts payable.

Total long-term liabilities were down ¥6,735 million, to ¥58,582

million. This reflected a ¥5,931 million decrease in net defined benefit liabilities.

Total net assets rose ¥21,522 million, to ¥325,093 million. The prime drivers were ¥22,250 million in profit attributable to owners of parent, ¥8,428 million in dividends paid, and ¥7,229 million in remeasurements of defined benefit plans.

As a result of these factors, total liabilities and net assets increased ¥4,908 million, to ¥503,699 million.

The total stockholders' equity ratio was 64.4%, up 3.6 percentage points from a year earlier. Stockholders' equity per share advanced ¥165.42, to ¥2,502.39.

## Cash Flows

Net cash provided by operating activities totaled ¥22,053 million, up from ¥16,990 million a year earlier. The principal factors in this change were ¥33,303 million in profit before income taxes, ¥12,257 million in depreciation and amortization, and ¥4,858 million in a decrease in trade notes and accounts receivable, offset by a decrease in trade notes and accounts payable of ¥24,301 million and ¥10,965 million in income taxes paid.

Net cash used in investing activities amounted to ¥94,585 million, an increase from ¥10,526 million a year earlier. Key factors were an increase

in net short-term loans receivable of ¥79,998 million, payments for purchases of property, plant and equipment of ¥11,651 million, and payments for purchases of intangible fixed assets of ¥1,451 million.

Net cash used in financing activities was ¥8,557 million, an increase from ¥7,839 million a year earlier, principally because of ¥8,442 million in dividends paid.

As a result of these factors, cash and cash equivalents at the end of the year were ¥54,494 million, down ¥81,078 million from a year earlier.

# CONSOLIDATED BALANCE SHEETS

CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
DECEMBER 31, 2019 AND 2018

Millions of yen

ASSETS	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 10 and 11)	¥ 54,494	¥ 135,572
Notes and accounts receivable (Note 10)	112,667	117,042
Inventories (Note 4)	34,110	33,021
Short-term loans receivable (Note 10)	170,012	90,014
Other current assets	6,197	7,792
Allowance for doubtful receivables	(76)	(92)
Total current assets	377,404	383,349
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	28,918	28,918
Buildings and structures	51,692	51,755
Machinery and vehicles	167	167
Furniture and fixtures	16,887	16,861
Rental assets	39,656	39,610
Lease assets	147	388
Construction in progress	14,095	334
Total	151,562	138,033
Accumulated depreciation	(68,748)	(66,046)
Net property, plant and equipment	82,814	71,987
<b>INTANGIBLE ASSETS:</b>		
Software	4,148	4,941
Lease assets	2	6
Utilization rights	316	316
Other intangible assets	3	3
Total intangible assets	4,469	5,266
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investments in securities (Notes 10 and 11)	11,038	7,986
Long-term loans receivable	36	36
Net defined benefit assets (Note 12)	393	304
Lease deposits (Note 16)	4,359	4,424
Deferred tax assets (Notes 2 and 13)	20,793	23,040
Other investments	2,775	2,831
Allowance for doubtful receivables	(382)	(432)
Total investments and other assets	39,012	38,189
Total non-current assets	126,295	115,442
Total assets	¥ 503,699	¥ 498,791

Millions of yen

LIABILITIES AND NET ASSETS	2019	2018
<b>CURRENT LIABILITIES:</b>		
Notes and accounts payable (Note 10)	¥ 51,543	¥ 75,831
Lease obligations (Notes 10 and 17)	72	101
Accrued income taxes (Note 13)	8,236	6,967
Consumption taxes payable	5,902	4,064
Accrued expenses	17,856	16,676
Reserves	4,314	4,113
Other current liabilities	32,101	22,151
Total current liabilities	120,024	129,903
<b>LONG-TERM LIABILITIES:</b>		
Lease obligations (Notes 10 and 17)	103	117
Deferred tax liabilities (Note 13)	—	30
Allowance for long-term continuous service rewards (Note 2)	1,043	1,019
Net defined benefit liabilities (Notes 2 and 12)	53,956	59,887
Other long-term liabilities (Note 17)	3,480	4,264
Total long-term liabilities	58,582	65,317
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 3 and 9)</b>		
<b>NET ASSETS (Note 2):</b>		
<b>STOCKHOLDERS' EQUITY (Notes 8 and 19):</b>		
Common stock		
Authorized 299,500,000 shares; Issued 151,079,972 shares in 2019 and 2018	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	202,783	189,958
Treasury stock	(31,926)	(31,924)
Total stockholders' equity	326,980	314,157
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Net unrealized gains on available-for-sale securities	3,930	2,519
Deferred gains or losses on hedges	11	2
Foreign currency translation adjustments	52	76
Remeasurements of defined benefit plans	(6,497)	(13,726)
Total accumulated other comprehensive income (loss)	(2,504)	(11,129)
<b>NON-CONTROLLING INTERESTS</b>		
Total net assets	325,093	303,571
Total liabilities and net assets	¥ 503,699	¥ 498,791

• See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

Millions of yen

	2019	2018
<b>NET SALES</b> (Note 2):	¥ 621,134	¥ 621,591
<b>COST OF SALES</b> (Note 4):	420,108	403,418
Gross profit	201,026	218,173
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 2 and 5):	168,586	189,232
Operating income	32,440	28,941
<b>OTHER INCOME (EXPENSES):</b>		
Interest and dividend income	350	352
Interest expense	(13)	(13)
Insurance income	768	547
Gain on investments in partnership	248	495
Gain on sales of fixed assets (Note 6)	13	126
Loss on impairment of fixed assets	(83)	(16)
Gain on sales of investments in securities	2	490
Gain on sales of shares of subsidiaries and associates	—	214
Loss on sales and disposal of fixed assets (Note 6)	(207)	(311)
Loss on disaster	—	(65)
Loss on devaluation of investments in securities	(329)	(158)
Other, net	114	106
Total other income	863	1,767
Profit before income taxes	33,303	30,708
<b>INCOME TAXES</b> (Note 13):		
Current	12,626	9,893
Deferred	(1,663)	(78)
Total income taxes	10,963	9,815
Profit	¥ 22,340	¥ 20,893
<b>PROFIT ATTRIBUTABLE TO:</b>		
Non-controlling interests	¥ 90	¥ 67
Owners of parent	22,250	20,826
Profit	¥ 22,340	¥ 20,893
		Yen
<b>PER SHARE OF COMMON STOCK</b> (Note 2):		
Profit attributable to owners of parent	¥ 171.60	¥ 160.61
Cash dividends applicable to the year	¥ 60.00	¥ 60.00

• See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

Millions of yen

	2019	2018
<b>PROFIT</b>	<b>¥ 22,340</b>	<b>¥ 20,893</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Note 7)</b>		
Net unrealized gains or losses on available-for-sale securities	1,412	(641)
Deferred gains or losses on hedges	9	(4)
Foreign currency translation adjustments	(25)	(26)
Remeasurements of defined benefit plans, net of tax	7,229	(6,380)
Total other comprehensive income (loss)	8,625	(7,051)
<b>Comprehensive income</b>	<b>¥ 30,965</b>	<b>¥ 13,842</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of parent	¥ 30,875	¥ 13,779
Non-controlling interests	90	63
<b>Comprehensive income</b>	<b>¥ 30,965</b>	<b>¥ 13,842</b>

\* See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

Millions of yen

	Number of shares of common stock	Stockholders' equity			
		Common stock	Capital surplus	Retained earnings	Treasury stock
<b>BALANCE AT JANUARY 1, 2018</b>	151,079,972	¥ 73,303	¥ 82,820	¥ 176,912	¥ (31,921)
Profit attributable to owners of parent				20,826	
Cash dividends				(7,780)	
Purchase of treasury stock					(3)
Disposition of treasury stock			0		0
Profit attributable to non-controlling interests					
Cash dividends paid to non-controlling interests					
Other, net					
<b>BALANCE AT JANUARY 1, 2019</b>	<b>151,079,972</b>	<b>¥ 73,303</b>	<b>¥ 82,820</b>	<b>¥ 189,958</b>	<b>¥ (31,924)</b>
Cumulative effect of changes in accounting policies (Note 2)				(997)	
<b>Restated balance at beginning of year</b>	<b>151,079,972</b>	<b>73,303</b>	<b>82,820</b>	<b>188,961</b>	<b>(31,924)</b>
Profit attributable to owners of parent				22,250	
Cash dividends				(8,428)	
Purchase of treasury stock					(2)
Profit attributable to non-controlling interests					
Cash dividends paid to non-controlling interests					
Other, net					
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>151,079,972</b>	<b>¥ 73,303</b>	<b>¥ 82,820</b>	<b>¥ 202,783</b>	<b>¥ (31,926)</b>

Millions of yen

	Accumulated other comprehensive income (loss)					Total net assets
	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	
<b>BALANCE AT JANUARY 1, 2018</b>	¥ 3,159	¥ 6	¥ 99	¥ (7,346)	¥ 491	¥ 297,523
Profit attributable to owners of parent						20,826
Cash dividends						(7,780)
Purchase of treasury stock						(3)
Disposition of treasury stock						0
Profit attributable to non-controlling interests					67	67
Cash dividends paid to non-controlling interests					(11)	(11)
Other, net	(640)	(4)	(23)	(6,380)	(4)	(7,051)
<b>BALANCE AT JANUARY 1, 2019</b>	<b>¥ 2,519</b>	<b>¥ 2</b>	<b>¥ 76</b>	<b>¥ (13,726)</b>	<b>¥ 543</b>	<b>¥ 303,571</b>
Cumulative effect of changes in accounting policies (Note 2)						(997)
<b>Restated balance at beginning of year</b>	<b>2,519</b>	<b>2</b>	<b>76</b>	<b>(13,726)</b>	<b>543</b>	<b>302,574</b>
Profit attributable to owners of parent						22,250
Cash dividends						(8,428)
Purchase of treasury stock						(2)
Profit attributable to non-controlling interests					90	90
Cash dividends paid to non-controlling interests					(16)	(16)
Other, net	1,411	9	(24)	7,229	0	8,625
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>¥ 3,930</b>	<b>¥ 11</b>	<b>¥ 52</b>	<b>¥ (6,497)</b>	<b>¥ 617</b>	<b>¥ 325,093</b>

• See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

CANON MARKETING JAPAN INC. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018

Millions of yen

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before income taxes	¥ 33,303	¥ 30,708
Adjustments for:		
Depreciation and amortization	12,257	13,282
Loss on impairment of fixed assets	83	16
Increase (decrease) in allowance for doubtful receivables	(67)	100
Increase (decrease) in net defined benefit liabilities	4,469	1,228
Decrease (increase) in net defined benefit assets	(19)	(67)
Increase (decrease) in allowance for bonuses	(65)	3
Interest and dividend income	(350)	(352)
Interest expense	13	13
Loss (gain) on sales and disposal of property, plant and equipment, net	190	183
Loss (gain) on sales of investments in securities	(2)	(488)
Loss (gain) on valuation of investments in securities	329	158
Loss (gain) on investments in partnership	(248)	(495)
Decrease (increase) in notes and accounts receivable-trade	4,858	8,355
Decrease (increase) in inventories	(1,805)	859
Increase (decrease) in notes and accounts payable-trade	(24,301)	(25,106)
Other, net	4,039	(3,032)
Sub-total	32,684	25,365
Interest and dividends received	347	351
Interest paid	(13)	(13)
Income taxes paid	(10,965)	(8,713)
Net cash provided by operating activities	22,053	16,990
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(11,651)	(9,905)
Proceeds from sales of property, plant and equipment	17	263
Payments for purchases of intangible assets	(1,451)	(2,238)
Payments for purchases of investments in securities	(1,384)	(677)
Proceeds from sales of investments in securities	328	1,535
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	527
Decrease (increase) in short-term loans receivable, net	(79,998)	(0)
Other	(446)	(31)
Net cash provided by (used in) investing activities	(94,585)	(10,526)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in short-term loans payable, net	—	91
Repayments of finance lease obligations	(110)	(136)
Payments for purchases of treasury stock	(2)	(4)
Dividends paid	(8,442)	(7,790)
Other	(3)	0
Net cash used in financing activities	(8,557)	(7,839)
Effect of exchange rate changes on cash and cash equivalents	11	(33)
Net increase (decrease) in cash and cash equivalents	(81,078)	(1,408)
Cash and cash equivalents at beginning of year	135,572	136,980
Cash and cash equivalents at end of year	¥ 54,494	¥ 135,572

• See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1 Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Canon Marketing Japan Inc. (the "Company") and its consolidated subsidiaries (the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from

the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain accounts and items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside Japan.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements for the year ended December 31, 2019 include the accounts of the Company and all of its 19 (20 in 2018) subsidiaries.

All intercompany accounts and transactions are eliminated in consolidation.

### (b) Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments, including securities, time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition, to be cash equivalents.

### (c) Securities

The held-to-maturity debt securities are stated at amortized cost.

Available-for-sale marketable securities are stated at fair market value, with unrealized gain or loss, net of the applicable taxes, reported as a separate component of net assets. Available-for-sale securities whose fair value is not readily determinable are stated at cost determined by the moving-average method.

### (d) Inventories

Merchandise and service parts are valued at cost determined by the monthly moving-average method. The carrying amount in the balance sheet represents the amount after write-downs due to decreased profitability.

Work in process is valued at cost determined by the specific identification method.

Supplies are valued at cost determined by the last-purchase price method. The carrying amount in the balance sheet represents the amount after write-downs due to decreased profitability.

### (e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method for property and equipment, with the exception of items that are depreciated by the straight-line method at rates based on the estimated useful lives of the respective assets.

Such items are leased assets, certain assets of consolidated subsidiaries, buildings purchased on or after April 1, 1998 (exclusive of furniture and fixtures) and furniture and fixtures and structures purchased on or after April 1, 2016.

The useful lives are as follows:

Buildings, from 5 to 75 years; furniture and fixtures, from 2 to 20 years; and rental assets, 3 years.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

### (f) Intangible Assets

Software for sale is depreciated by a larger amount of the depreciation based on the estimated sales quantity or the estimated sales revenue or the straight-line depreciation based on the estimated effective duration of sales (up to three years). Internal-use software is depreciated by the straight-line method based on the length of in-house durability (five years).

### (g) Leases

Leased assets under finance lease contracts are depreciated by the straight-line method over their respective lease contract term with zero residual value.

### (h) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided in the amount required to cover possible losses on collection. It is determined by adding individually estimated uncollectible amounts for specific items to an amount based on the actual rate of uncollected receivables of the Group in prior years.

### (i) Allowance for Bonuses

Allowance for bonuses is provided at the estimated amount of bonuses to be paid to employees subsequent to the balance sheet date for services rendered in the current fiscal year.

### (j) Bonuses to Directors

The estimated amount payable for the next round of directors' bonuses, which are classed as expenses for the current year, has been included in the accounts for the current fiscal year.

### **(k) Allowance for Long-Term Continuous Service Rewards**

In order to set aside money for payment of rewards to employees who have given long-term continuous service determined in accordance with the Company's internal regulations, an allowance for long-term continuous service rewards is recorded based on the amount the Company and certain consolidated subsidiaries expect to pay in the future.

### **(l) Accounting Method for Retirement Benefits**

(1) Method of attributing estimated amounts of retirement benefits to periods

In calculating retirement benefit obligations, the estimated amount of retirement benefits attributed to a period up to the current fiscal year is primarily determined using the benefit formula basis.

(2) Amortization of unrecognized actuarial gains and losses and prior service cost

Unrecognized prior service cost is amortized by the straight-line method over the average remaining service period of the eligible employees at the time when it arose. Unrecognized actuarial gains and losses are amortized from the fiscal year following the year in which they arose by the straight-line method over the average remaining service period of the eligible employees.

(3) Application of simplified method at smaller-sized companies, etc. Certain consolidated subsidiaries apply the simplified method for calculating net defined benefit liabilities and net periodic benefit costs. Under this method, the payments for voluntary early retirement of all eligible employees at the end of the fiscal year are recognized as retirement benefit obligations.

### **(m) Income Taxes**

Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying the statutory income tax rate to the temporary differences.

### **(n) Translation of Foreign Currency Accounts**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at the balance sheet date. The foreign exchange gains and losses on translation are recognized in the accompanying consolidated statements of income.

### **(o) Foreign Currency Financial Statements**

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical

exchange rates.

Revenue and expense accounts are translated at the average exchange rates prevailing during the year.

### **(p) Per Share Amounts of Common Stock**

Profit attributable to owners of parent per share is calculated using profit available to holders of common stock, and the weighted average number of shares of common stock outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the respective fiscal years.

### **(q) Standards for Recognizing Significant Revenues and Expenses**

The Company and its consolidated subsidiaries adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018). The normal timing for recognizing key performance obligations and revenues in core businesses is as follows.

The Group sells and provides services for Canon products. It also provides products and services in the IT solutions and industrial equipment and healthcare fields. For sales of offerings that do not require customer acceptance inspections, customers normally obtain control of products upon delivery. The Group's performance obligations are thereby deemed fulfilled, so revenue is recognized upon product delivery. Services mainly entail maintenance agreements, so revenue is recognized evenly over the lengths of these agreements or, in accordance with the extent of product usage, based on amounts determined in those agreements.

Revenues are recognized in keeping with the specific situations of each reporting segment, as below. The Enterprise and Area segments provide similar products and services, so their revenues are stated collectively.

#### Consumers segment

Sales are measured at discounted prices pledged in agreements with customers, net of rebates and other factors in line with sales.

Estimates are based on past trends and other known factors at times of sale. Sales are recognized to the extent that important reversals are unlikely.

#### Enterprise and Area segments

For product repairs and installations and other services, sales are recognized when it is deemed that services have been completed in keeping with performance obligations. Contract development software sales are recognized based on input methods for software for which reasonable progress can be estimated. If it is impossible to estimate reasonable progress, sales are recognized based on cost recovery methods for recoverable expenses.

Professional segment

Where equipment performance is subject to customer acceptance inspections, sales are recognized upon such acceptance inspections.

#### (r) Application of Consolidated Taxation System

The Company and certain consolidated subsidiaries have adopted the consolidated taxation system.

#### (s) Changes in Accounting Policies

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) became applicable from fiscal years beginning on or after April 1, 2018. The Group accordingly applied the Accounting Standard for Revenue Recognition from the start of the fiscal year ended December 31, 2019, recognizing projected revenues in exchange for goods and services upon transferring control to customers.

The Company applies the Accounting Standard for Revenue Recognition in keeping with the transitional treatment provisions of Paragraph 84 of those standards. The Company has retroactively adjusted the beginning balance of retained earnings as of January 1, 2019 to reflect the cumulative impact of applying the new accounting policy. The Company has not, however, applied its new accounting policy retroactively for application under Paragraph 86 of the Accounting Standard for Revenue Recognition with regard to agreements under which most revenue has been recognized under the method used prior to the start of the year ended December 31, 2019.

To apply the method stipulated under Paragraph 86-1 of the Accounting Standard for Revenue Recognition and change contracts made before the start of the year ended December 31, 2019, the Company undertook steps (1) through (3) below based on contract terms after reflecting all contractual changes, cumulatively adjusting retained earnings at the start of the year under review.

- (1) Classify fulfilled and unfulfilled performance obligations
- (2) Calculate transaction prices
- (3) Allocate transaction prices to fulfilled and unfulfilled performance obligations

This led to declines of ¥1,953 million in net sales, ¥1,922 million in cost of sales, and ¥31 million in operating income, ordinary income, and profit before income taxes. Retained earnings at the start of the year under review decreased by ¥997 million.

From the year ended December 31, 2019, the Group posted to cost of sales some personnel and other expenses previously recorded as selling, general and administrative expenses. This was because in view of the early adoption of the Accounting Standard for Revenue Recognition from the year ended December 31, 2019, the Group reviewed the scope of cost aggregation as a result of assessing the positioning of performance obligation-related costs with regard to services that have become increasingly important in recent years. This change increased cost of sales in the year ended December 31, 2019, by ¥20,072 million compared with the amount under the previous method and lowered gross profit by the same amount. There was no impact on operating income, ordinary income, or profit before income taxes.

#### (t) Change in Presentation Method

Change in line with application of Partial Amendments to Accounting Standard for Tax Effect Accounting

Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) applied from the start of the year ended December 31, 2019. Deferred tax assets are thus included in investments and other assets, while deferred tax liabilities are now presented as part of long-term liabilities.

As a result of this change, ¥3,896 million in deferred tax assets included in total current assets at December 31, 2018, is now included in ¥23,040 million in deferred tax assets as part of investments and other assets.

### 3 Contingent Liabilities

Contingent liabilities as of December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Guarantees for employees' housing loans	¥ 7	¥ 9
Total	¥ 7	¥ 9

## 4 Inventories

Inventories as of December 31, 2019 and 2018 were composed of the following:

	Millions of yen	
	2019	2018
Merchandise	¥ 29,512	¥ 28,716
Service parts	3,769	2,466
Work in process	206	1,191
Supplies	623	648
Total	¥ 34,110	¥ 33,021

Note: For the software development contracts from which contract losses are expected, the inventory relating to such contracts and relevant reserves for contract losses do not offset each other and have been recorded in gross amounts in current assets and current liabilities, respectively.

Write-downs of inventories for the years ended December 31, 2019 and 2018, net of the amount of the reversal, were included in the following account:

	Millions of yen	
	2019	2018
Cost of sales	¥ 1,381	¥ 1,449

## 5 Selling, General and Administrative Expenses

The primary components of "Selling, General and Administrative Expenses" for the years ended December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Salaries and allowances	¥ 76,235	¥ 92,756
Provision for bonuses	2,795	2,809
Provision for directors' bonuses	100	80
Provision of allowance for long-term continuous service rewards	397	406
Retirement benefit costs	9,203	6,399
Provision for product warranties	534	444
Provision of allowance for doubtful receivables	1	123

Research and development costs included in "Selling, general and administrative expenses" and "Cost of sales" for the years ended December 31, 2019 and 2018 amounted to ¥495 million and ¥522 million, respectively.

## 6 Other Income (Expenses)

1. The components of "Gain on sales of fixed assets" for the years ended December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Buildings and structures	¥ 8	¥ 103
Machinery and vehicles	3	—
Furniture and fixtures	2	6
Rental assets	—	0
Land	—	17
Software	0	—
Other	0	0
Total	¥ 13	¥ 126

2. The components of "Loss on sales and disposal of fixed assets" for the years ended December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Buildings and structures	¥ 91	¥ 153
Furniture and fixtures	40	65
Rental assets	73	82
Land	—	8
Software	3	1
Other	0	2
Total	¥ 207	¥ 311

## 7 Other Comprehensive Income (Loss)

The following table shows amount arising during the year, reclassification adjustments, pre-tax amount, tax effect and net-of-tax amount for each component of other comprehensive income (loss) for the years ended December 31, 2019 and 2018.

	2019	2018
Net unrealized gains or losses on available-for-sale securities		
Amount arising during the year	¥ 2,207	¥ (335)
Reclassification adjustments	(160)	(593)
Pre-tax amount	2,047	(928)
Tax effect	(635)	287
Net-of-tax amount	1,412	(641)
Deferred gains or losses on hedges		
Amount arising during the year	14	(6)
Pre-tax amount	14	(6)
Tax effect	(5)	2
Net-of-tax amount	9	(4)
Foreign currency translation adjustments		
Amount arising during the year	(25)	(26)
Pre-tax amount	(25)	(26)
Tax effect	—	—
Net-of-tax amount	(25)	(26)
Remeasurements of defined benefit plans		
Amount arising during the year	5,731	(10,692)
Reclassification adjustments	4,739	1,471
Pre-tax amount	10,470	(9,221)
Tax effect	(3,241)	2,841
Net-of-tax amount	7,229	(6,380)
Total other comprehensive income (loss)	¥ 8,625	¥ (7,051)

## 8 Common Stock and Dividends

1. The following table shows the movement of number of common stock for the years ended December 31, 2019 and 2018.

	As of January 1, 2018	Increase or purchase (Thousands of shares)	Decrease or sale (Thousands of shares)	As of December 31, 2018	Increase or purchase (Thousands of shares)	Decrease or sale (Thousands of shares)	As of December 31, 2019
Issued stock	151,080	—	—	151,080	—	—	151,080
Treasury stock	21,412	1	0	21,413	1	—	21,414

Notes: 1. The increase of treasury stock was due to the purchase of fractional stock.

2. The decrease of treasury stock was due to the sale of fractional stock.

2. Matters regarding dividends

The Company distributes a semiannual interim dividend by resolution of Board of Directors and annual dividend by resolution of General stockholders' meeting.

Semiannual interim dividends is paid to the common stock holders of the Company as of semiannual period end and annual dividend is paid to the common stock holders of the Company as of year end.

Resolution date, total dividends, dividend per share for the years ended December 31, 2019 and 2018 were as follows:

Dividends	Resolution date	2019		2018		
		Total dividends (Millions of yen)	Dividend per share (Yen)	Resolution date	Total dividends (Millions of yen)	Dividend per share (Yen)
Annual dividend	March 27, 2019	¥ 4,538	¥ 35	March 28, 2018	¥ 4,538	¥ 35
Interim dividend	July 23, 2019	¥ 3,890	¥ 30	July 25, 2018	¥ 3,242	¥ 25

Annual dividend of ¥3,890 million (¥30 dividend per share) was resolved by General stockholders' meeting held on March 26, 2020.

Total dividend per share was ¥60 for fiscal 2019 and fiscal 2018, respectively.

## 9 Lease Transactions

1. Lessees' accounting

The following table shows future minimum lease payments subsequent to December 31, 2019 and 2018 for noncancelable operating leases.

	Millions of yen	
	2019	2018
Due within one year	¥ 2,486	¥ 2,596
Due after one year	9,203	11,307
Total	¥ 11,689	¥ 13,903

2. Lessors' accounting

The following table shows future minimum lease income subsequent to December 31, 2019 and 2018 for noncancelable operating leases.

	Millions of yen	
	2019	2018
Due within one year	¥ 2,148	¥ 1,890
Due after one year	2,406	2,543
Total	¥ 4,554	¥ 4,433

## 10 Financial Instruments

### 1. Information on financial instruments

#### (1) Policies for financial instruments

The Group limits its asset management to financial instruments characterized as very safe and believes that financing should mainly be conducted through the use of Group finances whenever necessary. The Company enters into derivative transactions to hedge against foreign exchange fluctuation risks and not for speculative purposes.

#### (2) Types and risks of financial instruments and systems to control those risks

Operating receivables, consisting of notes and accounts receivable, are exposed to credit risks of customers. The Group strives to mitigate these risks by strict credit control utilizing credit information provided by external credit agencies, as well as by credit insurance and other risk-hedging means.

Short-term loans receivable are mainly the loans to the parent company by the Company, rendered in compliance with the internal regulations for investment and management of funds.

Short-term investments in securities and investments in securities consist primarily of held-to-maturity debt securities and equity securities issued by business counterparties of the Group, and are exposed to market price fluctuation risk. Regarding this risk, the Group periodically monitors the fair values of the securities and the financial condition of their issuers, i.e., business counterparties. In

addition, for securities other than held-to-maturity debt securities, the Group continuously reviews the status of security holdings, taking market conditions and relationships with business counterparties into consideration.

Trade payables, consisting of notes and accounts payable, are mainly those due within six months.

Derivative transactions consist of forward exchange contracts to hedge against the risks of fluctuations in foreign currency denominated trade payables.

#### (3) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments include not only values based on market quotations, but also values calculated on a theoretical basis in cases where market quotations are not available. Such values may vary depending on different assumptions, as variables are factored into the calculation of such values.

### 2. Fair values of financial instruments

The book values of financial instruments in the consolidated balance sheets as of December 31, 2019 and 2018, their fair values, and the differences between the two are as follows. The table below, however, excludes the financial instruments whose fair values are not readily determinable (see Note 2).

Millions of yen

2019			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 53,994	¥ 53,994	—
(2) Notes and accounts receivable	112,667	112,667	—
(3) Short-term investments in securities and investments in securities	9,059	9,059	—
(4) Short-term loans receivable	170,012	170,012	—
Total assets	¥ 345,732	¥ 345,732	—
(5) Notes and accounts payable	¥ 51,543	¥ 51,543	—
Total liabilities	¥ 51,543	¥ 51,543	—

Millions of yen

2018			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 65,072	¥ 65,072	—
(2) Notes and accounts receivable	117,042	117,042	—
(3) Short-term investments in securities and investments in securities	76,899	76,899	—
(4) Short-term loans receivable	90,014	90,014	—
Total assets	¥ 349,027	¥ 349,027	—
(5) Notes and accounts payable	¥ 75,831	¥ 75,831	—
Total liabilities	¥ 75,831	¥ 75,831	—

Notes: 1. Calculation methods of fair values of financial instruments and other matters relating to securities are as below:

#### Assets

(1) Cash and deposits, (2) Notes and accounts receivable, and (4) Short-term loans receivable

The book values of these assets are used as their fair values, since they are to be settled in the short term and accordingly their fair values approximate their book values.

(3) Short-term investments in securities and investments in securities

The fair values of equity securities are based on the prices at the security exchanges, and those of debt securities are based on the prices at the security exchanges or quotations obtained from counterparty financial institutions. Details of securities by holding objectives are described in Note 11 Securities.

#### Liabilities

(5) Notes and accounts payable

The book values of these liabilities are used as their fair values, since they are to be settled in the short term and accordingly their fair values approximate their book values.

2. The book values of financial instruments whose fair values are not readily determinable as of December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Equity securities	¥ 1,564	¥ 713
Investments in investment partnerships	¥ 915	¥ 873

These financial instruments are not included in (3) Short-term investments in securities and investments in securities in the preceding table of fair values, since they do not have market prices and therefore their fair values are not readily determinable.

3. The redemption schedule of monetary claims and securities with maturities as of December 31, 2019 and 2018 were summarized as follows:

	Millions of yen			
	2019		2018	
	Due within 1 year	Due after 1 year	Due within 1 year	Due after 1 year
Cash and deposits	¥ 53,994	—	¥ 65,072	—
Notes and accounts receivable	112,667	—	117,042	—
Short-term investments in securities and investments in securities				
Held-to-maturity debt securities				
(1) Corporate bonds	—	—	—	—
(2) Other	500	—	70,500	—
Short-term loans receivable	170,012	—	90,014	—
Total	¥ 337,173	—	¥ 342,628	—

4. The repayment schedule of lease obligations as of December 31, 2019 and 2018 was as follows:

										Millions of yen				
					2019					2018				
Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Due within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
¥ 72	¥ 49	¥ 33	¥ 17	¥ 4	¥ 101	¥ 58	¥ 35	¥ 19	¥ 4					

**11 Securities**

Securities as of December 31, 2019 and 2018 were classified and included in the following accounts:

	Millions of yen	
	2019	2018
Securities classified as:		
Available-for-sale:		
Investments in securities	¥ 11,038	¥ 7,986
Held-to-maturity:		
Cash and cash equivalents	500	70,500
Total	¥ 11,538	¥ 78,486

The carrying amounts and aggregate fair values of investments in securities at December 31, 2019 and 2018 were as follows:

	Millions of yen			
	2019			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 3,014	¥ 5,594	¥ (49)	¥ 8,559
Other	—	—	—	—
Total	¥ 3,014	¥ 5,594	¥ (49)	¥ 8,559

	Millions of yen			
	2018			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,947	¥ 3,449	¥ (8)	¥ 6,388
Other	11	1	—	12
Total	¥ 2,958	¥ 3,450	¥ (8)	¥ 6,400

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Available-for-sale:		
Equity securities	¥ 1,564	¥ 713
Investments in investment partnerships	915	873
Total	¥ 2,479	¥ 1,586

Impairment loss of ¥321 million and ¥158 million was recorded on unlisted equity securities in the years ended December 31, 2019 and 2018, respectively.

## 12 Employees' Retirement and Severance Benefits

### 1. Overview

The Company has a defined contribution pension plan, a pension plan with a market-based variable accumulation rate (quasi-cash balance plan), and a lump-sum severance payment plan, and its domestic consolidated subsidiaries have defined benefit corporate pension

plans, and lump-sum severance payment plans. The Company sometimes provides retiring employees with extra retirement payments not included in the retirement benefit obligations actuarially calculated in line with its retirement benefit accounting.

### 2. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at beginning and end of year

	Millions of yen	
	2019	2018
Retirement benefit obligations at beginning of year	¥ 218,637	¥ 217,952
Service costs	6,360	6,513
Interest costs	1,187	1,218
Actuarial gains and losses	2,149	115
Benefit paid	(8,011)	(7,161)
Prior service costs	(669)	—
Other	—	(0)
Retirement benefit obligations at end of year	¥ 219,653	¥ 218,637

(2) Reconciliation of plan assets at beginning and end of year

	Millions of yen	
	2019	2018
Plan assets at beginning of year	¥ 159,766	¥ 169,452
Expected return on plan assets	3,980	4,221
Actuarial gains and losses	7,211	(10,577)
Contributions from the employer	3,001	3,051
Benefit paid	(7,088)	(6,381)
Plan assets at end of year	¥ 166,870	¥ 159,766

(3) Reconciliation of retirement benefit obligations at beginning and end of year for which the simplified method was applied

	Millions of yen	
	2019	2018
Net defined benefit liabilities at beginning of year	¥ 712	¥ 700
Net periodic benefit costs	125	98
Benefit paid	(24)	(52)
Contributions to plans	(33)	(34)
Net defined benefit liabilities at end of year	¥ 780	¥ 712

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Reconciliation of retirement benefit obligations and plan assets at year-end and net defined benefit liabilities and assets in consolidated balance sheets

	Millions of yen	
	2019	2018
Funded retirement benefit obligations	¥ 200,318	¥ 197,969
Plan assets	167,214	160,052
	33,104	37,917
Unfunded retirement benefit obligations	20,459	21,666
Net liabilities and assets in consolidated balance sheets	¥ 53,563	¥ 59,583
Net defined benefit liabilities	¥ 53,956	¥ 59,887
Net defined benefit assets	(393)	(304)
Net liabilities and assets in consolidated balance sheets	¥ 53,563	¥ 59,583

Note: Plan assets include plan assets for which the simplified method was applied.

(5) Retirement benefit costs

	Millions of yen	
	2019	2018
Service costs	¥ 6,360	¥ 6,513
Interest costs	1,187	1,218
Expected return on plan assets	(3,980)	(4,221)
Amortization of actuarial gains and losses	5,012	4,815
Amortization of prior service costs	(273)	(3,345)
Net periodic benefit costs using the simplified method	125	98
Retirement benefit costs of defined benefit plans	¥ 8,431	¥ 5,078

Note: In addition to the above retirement benefit costs, the Group recorded ¥584 million and ¥395 million for extra retirement payments for the years ended December 31, 2019 and 2018, respectively.

(6) Remeasurements of defined benefit plans before income tax effect adjustment

Changes in unrecognized prior service costs and unrecognized actuarial gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	Millions of yen					
	2019			2018		
	Unrecognized prior service costs	Unrecognized actuarial gains and losses	Total	Unrecognized prior service costs	Unrecognized actuarial gains and losses	Total
At beginning of year	¥ (1,407)	¥ 21,308	¥ 19,901	¥ (4,751)	¥ 15,431	¥ 10,680
Net change	(396)	(10,074)	(10,470)	3,344	5,877	9,221
At end of year	¥ (1,803)	¥ 11,234	¥ 9,431	¥ (1,407)	¥ 21,308	¥ 19,901

## (7) Plan assets

## 1. Main components of plan assets

Ratios for main components of plan assets were as follows:

	2019	2018
Bonds	21%	23%
Stocks	3	2
Pooled funds	52	49
Life insurance company general accounts	18	20
Other	6	6
Total	100%	100%

Note: The composition of pooled funds was 47% in bonds and 53% in stocks for the year ended December 31, 2019, and 50% in bonds and 50% in stocks for the year ended December 31, 2018.

## 2. Methodology for setting long-term expected rates of return

The long-term expected rate of return on plan assets are determined by considering current and projected plan asset allocations and current and anticipated long-term rates of return from diverse plan assets.

## (8) Actuarial assumptions

The principal actuarial assumptions as of December 31, 2019 and 2018 were as follows:

	2019	2018
Discount rates	0.21 - 0.48%	0.05 - 0.62%
Long-term expected rates of return on plan assets	2.0 - 2.5%	2.0 - 2.5%
Estimated rates of salary increases	1.9 - 2.6%	1.9 - 2.7%

**3. Defined contribution plan**

The required contributions of the Company and consolidated subsidiaries to defined contribution plans totaled ¥1,964 million and ¥1,987 million for the years ended December 31, 2019 and 2018, respectively.

**13 Income Taxes**

The effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of December 31, 2019 and 2018, were as follows:

	2019	2018
Millions of yen		
<b>DEFERRED TAX ASSETS:</b>		
Net defined benefit liabilities	¥ 16,769	¥ 18,630
Accrued bonuses to employees	1,155	1,173
Sales promotion expenses	1,092	893
Excess depreciation of fixed assets	808	838
Accrued business tax and business office tax	804	688
Excess amortization of software	721	585
Loss on disposal and devaluation of inventories	542	513
Asset retirement obligations	487	438
Allowance for long-term continuous service rewards	323	316
Loss carryforward	308	472
Loss on devaluation of investments in securities	281	414
Provision for loss on orders received	202	139
Loss on valuation of golf club membership	106	117
Lump-sum depreciable assets	84	87
Loss on impairment of fixed assets	36	93
Other	1,184	1,146
Gross deferred tax assets	24,902	26,542
Less: valuation allowance	(986)	(1,045)
Total deferred tax assets	¥ 23,916	¥ 25,497
<b>DEFERRED TAX LIABILITIES:</b>		
Net unrealized gains on available-for-sale securities	¥ (1,747)	¥ (1,113)
Deferred capital gain	(1,280)	(1,280)
Deferred gains or losses on hedges	(5)	(1)
Uncollected enterprise tax refunds	—	(9)
Other	(91)	(84)
Total deferred tax liabilities	¥ (3,123)	¥ (2,487)
Net deferred tax assets	¥ 20,793	¥ 23,010

Note: Net deferred tax assets as of March 31, 2019 and 2018 are reflected in the following accounts in the consolidated balance sheet:

	2019	2018
Investments and other assets—deferred tax assets	¥ 20,793	¥ 23,040
Long-term liabilities—deferred tax liabilities	—	(30)
Net deferred tax assets	¥ 20,793	¥ 23,010

A reconciliation between the statutory income tax rate and the effective income tax rate for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Statutory income tax rate	31.0%	—
Entertainment and other expenses permanently not deductible for tax purposes	0.7	—
Per-capita levy of inhabitants' taxes	1.0	—
Dividend income not taxable	(0.1)	—
Other	0.3	—
Effective income tax rate	32.9%	—

Note: In the year ended December 31, 2018, the difference between the statutory income tax rate and the tax rate after applying tax effect accounting was less than 5% and is therefore not presented.

## 14 Segment Information

### 1. Segment Information

#### (1) Description of Reportable Segments

Reportable segments are constituent units of the Group for which separate financial information is available and they are subject to periodic reviews by the Board of Directors to determine the allocation of management resources and assess their respective operating results.

From the year ended December 31, 2019, the Group transferred

the visual solutions subsegment of the Professional segment to the Enterprise and Area segments. Consolidating security business planning and development work previously spread throughout the Group within the Marketing Headquarters of the parent company resulted in changing intersegment transaction amounts. Segment information for the year ended December 31, 2018, is based on the post-change segmentation.

#### Major Business Areas and Group Companies

Reportable Segment	Major Business Areas and Group Companies
Consumers	Providing digital cameras and inkjet printers to consumers
Enterprise	Supplying Canon's input/output equipment and solutions to help resolve the business-specific management issues of large customers [Major Group company] Canon IT Solutions Inc.
Area	Supplying Canon's input/output equipment and solutions to help resolve the management issues of small-to-medium-sized enterprises around Japan [Major Group company] Canon System & Support Inc.
Professional	Providing solutions to customers in specialist areas <ul style="list-style-type: none"> <li>•Production Printing Focusing on providing fast continuous feed and cut-sheet printers to printing companies [Major Group company] Canon Production Printing Systems Inc.</li> <li>•Industrial Equipment Supplying semiconductor fabrication and measuring equipment, mainly to semiconductor and other electronic device manufacturers</li> <li>•Healthcare Providing modalities, IT systems, and solutions combining modalities to medical institutions and dispensing machines and IT systems to pharmacies [Major Group companies] Canon Lifecare Solutions Inc. and Canon ITS Medical Inc.</li> </ul>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Methods of measurement for sales, segment income (loss), assets, and other items for reportable segments  
Accounting methods for reportable segments are the same as the accounting methods described in Note 2 Summary of significant accounting policies.

Segment income (loss) is measured based on the amount of operating income. Intersegment sales and transfers are based on market prices.

The Group changed its accounting policy for revenue recognition as indicated in Note 2. As a result of the change in

accounting policy, Consumers segment sales were ¥1,846 million lower than under the previous accounting method, with segment income being ¥20 million higher. In the Enterprise segment, segment sales and income were down ¥11 million and ¥16 million, respectively. For the Area segment, segment sales and income were down ¥85 million and ¥34 million, respectively. In the Professional segment, segment sales and income increased ¥1 million and ¥0 million, respectively. In Other, segment sales and income declined ¥12 million and ¥1 million, respectively.

(3) Information by reportable segment for the years ended December 31, 2019 and 2018 were as follows:

Millions of yen

Year ended or as of December 31	Reportable Segment				Other	Total	Adjustments	Consolidated
	Consumers	Enterprise	Area	Professional				
Net sales:								
External customers	¥ 132,737	¥ 186,652	¥ 256,139	¥ 41,888	¥ 3,718	¥ 621,134	—	¥ 621,134
Intersegment	53	9,176	12,171	1,788	5,579	28,767	¥ (28,767)	—
Total	132,790	195,828	268,310	43,676	9,297	649,901	(28,767)	621,134
Segment income (loss)	6,865	10,070	14,398	1,617	(714)	32,236	204	32,440
Segment assets	44,761	94,424	74,465	24,737	2,352	240,739	262,960	503,699
Other items:								
Depreciation and amortization	641	7,462	3,218	387	29	11,737	520	12,257
Changes in the amount of property, plant and equipment and intangible assets	618	17,723	2,516	544	23	21,424	27	21,451

Notes: 1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

(1) Adjustment of segment income (loss) eliminates intersegment transactions.

(2) Adjustment of segment assets is for corporate assets that do not belong to reportable segments. These assets mainly comprise surplus funds (cash and marketable securities) and assets relating to head office land, buildings, and head office administrative units.

(3) Adjustment of depreciation and amortization is for head office building expenses that do not belong to reportable segments.

(4) Adjustment of increase of property, plant and equipment and intangible assets consists of capital investments in head office buildings that do not belong to reportable segments.

3. Total segment income (loss) after adjustments for reportable and other business segments equals operating income in the consolidated statements of income.

Millions of yen

Year ended or as of December 31	Reportable Segment				Other	Total	Adjustments	Consolidated
	Consumers	Enterprise	Area	Professional				
<b>Net sales:</b>								
External customers	¥ 150,158	¥ 179,599	¥ 243,736	¥ 44,656	¥ 3,442	¥ 621,591	—	¥ 621,591
Intersegment	87	8,569	13,833	1,769	4,550	28,808	¥ (28,808)	—
Total	150,245	188,168	257,569	46,425	7,992	650,399	(28,808)	621,591
Segment income	7,340	8,724	12,078	851	88	29,081	(140)	28,941
Segment assets	53,186	82,303	67,715	21,544	2,144	226,892	271,899	498,791
<b>Other items:</b>								
Depreciation and amortization	779	7,872	3,359	446	56	12,512	770	13,282
Changes in the amount of property, plant and equipment and intangible assets	681	6,741	3,087	208	19	10,736	9	10,745

Notes: 1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

- (1) Adjustment of segment income eliminates intersegment transactions.
  - (2) Adjustment of segment assets is for corporate assets that do not belong to reportable segments. These assets mainly comprise surplus funds (cash and marketable securities) and assets relating to head office land, buildings, and head office administrative units.
  - (3) Adjustment of depreciation and amortization is for head office building expenses that do not belong to reportable segments.
  - (4) Adjustment of increase of property, plant and equipment and intangible assets consists of capital investments in head office buildings that do not belong to reportable segments.
3. Total segment income after adjustments for reportable and other business segments equals operating income in the consolidated statements of income.

## 2. Related Information

### (1) Information by product and service

Disclosure of information by product and service is omitted since the segment information contains the same information.

### (2) Information by geographical area

#### 1. Sales

Disclosure of information on sales by geographical area is omitted since sales to domestic external customers accounts for more than 90% of consolidated net sales.

#### 2. Property, plant and equipment

Disclosure of information on property, plant and equipment by geographical area is omitted since the amount of domestic property, plant and equipment accounts for more than 90% of total property, plant and equipment recorded on the consolidated balance sheet.

### (3) Information by major customers

Disclosure of information by major customers is omitted since no customer accounts for 10% or more of consolidated net sales.

**3. Information on impairment loss on property, plant and equipment by reportable segment**

Impairment losses on property, plant and equipment by reportable segment for the years ended 2019 and 2018 were as follows:

Millions of yen

Year ended or as of December 31	Reportable Segment				Other	Total	Adjustments	Recorded amount
	Consumers	Enterprise	Area	Professional				
Impairment loss	¥ 50	¥ 33	—	—	—	¥ 83	—	¥ 83

Note: "Other" represents operating segments which are not included in the reportable segments and includes operations such as the shared-services business.

Millions of yen

Year ended or as of December 31	Reportable Segment				Other	Total	Adjustments	Recorded amount
	Consumers	Enterprise	Area	Professional				
Impairment loss	¥ 15	—	—	¥ 1	—	¥ 16	—	¥ 16

**4. Information on amortization and balance of goodwill by reportable segment**

There were no applicable items for the years ended December 31, 2019 and 2018.

**5. Information on gain on negative goodwill**

There were no applicable items for the years ended December 31, 2019 and 2018.

## 15 Related Party Transactions

Transaction conditions and policies for deciding transaction conditions, etc. with related party

- (1) Purchases of products are decided based on price negotiations each fiscal year, after considering market prices and the affiliated company's proposals regarding desired prices.
- (2) Sales of office equipment and consumables, etc. are subject to similar conditions as general transactions.
- (3) With regard to loans of capital, interest rates on loans are decided rationally after considering market interest rates. Furthermore, collateral is not accepted.

Transaction with parent company and major corporate stockholders, etc. for the year ended December 31, 2019 and related balance as of December 31, 2019 were as follows:

Category	Name of company, etc.	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents		Contents of transactions	Transaction amount (Millions of yen)	Accounts	Balance at end of fiscal year (Millions of yen)
						Board members holding concurrent positions	Business relationships				
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥174,762	Development and manufacturing in the office, imaging system, and industrial equipment areas	(Ownership) Direct 58.5 Indirect 0.0	0 hold concurrent positions	Manufacture of products sold by Canon MJ	Operating transactions	¥ 182,020	Accounts payable	¥ 17,878
								Purchases of products			
								Sales of office equipment and consumables, etc.	¥ 7,172	Accounts receivable and others	¥ 1,560
							Non-operating transactions	Loans of capital	¥ 80,000	Short-term loans	¥ 170,000

Note: Transaction amounts do not include consumption tax, etc., however, the account balances include consumption tax, etc.

Transaction with parent company and major corporate stockholders, etc. for the year ended December 31, 2018 and related balance as of December 31, 2018 were as follows:

Category	Name of company, etc.	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents		Contents of transactions	Transaction amount (Millions of yen)	Accounts	Balance at end of fiscal year (Millions of yen)
						Board members holding concurrent positions	Business relationships				
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥174,762	Development and manufacturing in the office, imaging system, and industrial equipment areas	(Ownership) Direct 58.5 Indirect 0.0	0 hold concurrent positions	Manufacture of products sold by Canon MJ	Operating transactions	¥ 198,404	Accounts payable	¥ 42,070
								Purchases of products			
								Sales of office equipment and consumables, etc.	¥ 6,830	Accounts receivable and others	¥ 2,381
							Non-operating transactions	Loans of capital	—	Short-term loans	¥ 90,000

Note: Transaction amounts do not include consumption tax, etc., however, the account balances include consumption tax, etc.

**16 Asset Retirement Obligations**

The Group recognizes restoration obligations under real estate rental agreements of buildings and other real estates as asset retirement obligations.

Instead of recognizing liabilities, the Group reasonably estimates the uncollectible amount of lease deposits relating to the real estate

rental agreements, and accounts for the portion of such estimated amount attributable to the current fiscal year as an expense.

The outstanding balances of lease deposits considered uncollectible as of December 31, 2019 and 2018 were ¥2,853 million and ¥2,795 million, respectively.

**17 Lease Obligations, Loans Payable and Deposits**

Lease obligations, loans payable and deposits as of December 31, 2019 and 2018 were as follows:

	Average interest rate (2019)	2019	2018
Millions of yen			
Lease obligations			
Current portion of lease obligations		¥ 72	¥ 101
Lease obligations (excluding current portion)		103	117
		175	218
Long-term loans payable (excluding current portion)	—	—	—
Deposits	0.01%	3,330	4,034
Total		¥ 3,505	¥ 4,252

**18 Subsequent Events****1. Transfer of shares in subsidiary**

Pursuant to a resolution of the Board of Directors on November 26, 2019, the Company transferred all of the shares of consolidated subsidiary Canon Lifecare Solutions Inc. (hereafter Canon LCS) to Canon Medical Systems Corporation (hereafter Canon Medical), effective January 1, 2020. Canon LCS was thereby removed from consolidation.

**(1) Reason for share transfer**

The Group's healthcare business comprises the medical systems business, centered on diagnostic imaging equipment, and medical care-related businesses of Canon LCS, as well as the hospital information systems construction and systems integration businesses of Canon ITS Medical Inc., centered on electronic health records. The Group concluded that it would be best for the growth of Canon LCS to make it part of the Canon Medical Group.

This reorganization is in keeping with the Canon Group's medical business reorganization policy. The Canon MJ Group will continue to cooperate with the Canon Group and endeavor to expand its medical IT solutions business.

**(2) Share recipient**

Canon Medical Systems Corporation

**(3) Share transfer date**

January 1, 2020

**(4) Name, business, and relationship with the Company**

1. Name: Canon Lifecare Solutions Inc.

2. Business: Sales of medical and healthcare devices and related consumables and medical imaging systems

3. Relationship with the Company: Sells Canon products

**(5) Number of shares transferred, transfer price, transfer gain or loss, and number of shares held after transfer**

1. Number of shares transferred: 29

2. Transfer price: ¥3,680 million

3. Transfer gain or loss: ¥738 million

4. Number of shares held after transfer: 0

**(6) Overview of accounting process**

This transaction was accounted for based on Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)

**(7) Name of reporting segment including subsidiary**  
Professional segment**(8) Estimated earnings or loss of subsidiary in Consolidated**

Statements of Income for the year ended December 31, 2019

Net sales: ¥11,073 million

Operating income: ¥192 million

## 2. Cancellation of treasury stock

On February 26, 2020, the Company's Board of Directors resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

(1) Reason for cancellation of treasury stock

Eliminate possible dilution in the future

(2) Type of shares canceled

Shares of common stock

(3) Total number of shares canceled

20,000,000

(4) Cancellation date

March 11, 2020

(5) Total number of issued and outstanding shares after cancellation

131,079,972

## 19 Stockholders' Equity

The Corporate Law of Japan went into effect on May 1, 2006, replacing the Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006.

The Corporate Law stipulates that the amounts actually paid in or provided in consideration for newly issued stock shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital.

Under the Corporate Law, a company that meets certain criteria can establish its Articles of Incorporation so that dividends can be paid to its existing stockholders by resolution of the Board of Directors, without requiring the approval of a resolution at a general

stockholders' meeting. The Company has met said criteria and amended its Articles of Incorporation at the annual general stockholders' meeting for fiscal 2006. The Corporate Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. However, such appropriation cannot be made if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e., the aggregate amount of the Company's legal reserve has already reached 25% of its common stock).

# INDEPENDENT AUDITOR'S REPORT



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## Independent Auditor's Report

The Board of Directors  
Canon Marketing Japan Inc.

We have audited the accompanying consolidated financial statements of Canon Marketing Japan Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Canon Marketing Japan Inc. and its consolidated subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

March 25, 2020  
Tokyo, Japan

A member firm of Ernst & Young Global Limited

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## ESG DATA

ENVIRONMENT	2015	2016	2017	2018	2019
Contributions to reductions in customer CO <sub>2</sub> emissions (t-CO <sub>2</sub> )					
Improved energy savings of products and carbon offset deployment (Note 1)	64,698	21,131	19,939	19,546	19,704
Efficiencies from IT solutions (Note 2)	44,032	54,373	50,433	57,773	68,786
Used products and consumables recycling	47,113	46,068	52,703	50,752	47,024
Total	155,843	121,572	123,075	128,071	135,515
Canon MJ's energy consumption (gigajoules)					
Electricity	205,898	216,924	238,189	303,248	332,199
City gas	6,281	6,159	5,534	4,414	4,762
LPG	760	691	734	753	715
Oil	1,191	1,165	6,082	6,228	2,287
Kerosene	1,210	1,156	974	1,013	994
Diesel	940	699	587	553	591
Steam	8,041	7,871	8,191	7,744	7,365
District heating and cooling	24,329	24,018	24,792	28,192	26,549
Gasoline	123,025	118,473	107,373	98,998	88,533
Total	371,675	377,157	392,456	451,142	463,993
Energy intensity (gigajoules per capita)	20.53	21.09	22.24	26.10	26.31
GHG emissions (Scope 1 and 2) (t-CO <sub>2</sub> )					
Scope 1	8,490	8,339	7,995	7,579	6,975
Scope 2	33,823	32,174	33,879	41,207	43,800
Total	42,313	40,513	41,874	48,786	50,775
GHG emissions (Scope 3) (t-CO <sub>2</sub> )					
Category 1. Purchased goods and services (Note 3)	—	—	219,377	199,906	196,766
Category 2. Capital goods (Note 4)	—	—	40,292	27,726	65,341
Category 3. Fuel- and energy-related activities not included in Category 1 or 2 (Note 5)	—	—	4,012	4,601	4,727
Category 4. Upstream transportation and distribution (Note 6)	—	—	4,701	4,426	4,174
Category 5. Waste generated in operations (Note 7)	—	—	90	137	153
Category 6. Business travel (Note 8)	—	—	9,918	9,048	9,083
Category 7. Employee commuting (Note 9)	—	—	5,154	5,401	5,073
Category 8. Upstream leased assets (Note 10)	—	—	0	0	0
Category 9. Downstream transportation and distribution (Note 11)	—	—	1,271	1,118	1,102
Category 10. Processing of sold products	—	—	0	0	0
Category 11. Use of sold products (Note 12)	—	—	101,111	88,590	83,651
Category 12. End-of-life treatment of sold products (Note 13)	—	—	18,566	15,749	15,118
Category 13. Downstream leased assets (Note 14)	—	—	222	219	176
Category 14. Franchises	—	—	0	0	0
Category 15. Investments	—	—	0	0	0
Total	—	—	404,714	356,921	385,364
Scope 1 breakdown by GHG type (t-CO <sub>2</sub> )					
CO <sub>2</sub>	8,488	8,160	7,995	7,423	6,422
CH <sub>4</sub>	0	0	0	0	0
N <sub>2</sub> O	0	0	0	0	0
HFCS	0	0	0	0	0
PFCS	0	0	0	0	0
SF <sub>6</sub>	2	0	0	0	0
CH <sub>2</sub> FCF <sub>3</sub>	0	0	0	156	484
CH <sub>2</sub> F <sub>2</sub>	0	0	0	0	12
CHF <sub>2</sub> CF <sub>3</sub>	0	0	0	0	57
Total	8,490	8,160	7,995	7,579	6,975
Renewable energy deployment (kWh)					
Solar (Note 15)	—	—	—	—	565,000
Biomass (Note 16)	13,000	26,000	112,108	171,601	—
Emissions trading, etc. (t-CO <sub>2</sub> )					
Amounts of domestic credits invalidated (Note 17)	12,374	10,113	5,704	5,639	4,126
Water consumption by source (m <sup>3</sup> )					
Tap water	—	120,215	148,857	154,283	161,912
Groundwater	—	20,363	19,943	21,438	21,895
Industrial water	—	0	0	0	0
Total	—	140,578	168,800	175,721	183,807
Management of chemical substances usage (l)					
Fuel oil A	30,622	29,938	156,362	160,105	58,786
Industrial waste emissions					
Total emissions (metric tons)	19,046	19,940	21,244	20,947	21,372
Sales units (metric tons per million yen)	0.029	0.032	0.034	0.034	0.034
Amounts recycled (metric tons)					
Total volume of products recovered and processed from marketplace	12,168	14,424	13,777	14,109	14,840
Recycled amount (Note 18)	12,160	14,394	13,773	14,108	14,839
Recycling rate (%) (Note 19)	99.93	99.79	99.97	99.99	99.99

<b>SOCIETY</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Group employees</b>					
Number of men	14,910	14,681	14,502	14,202	<b>13,890</b>
Number of women	3,191	3,206	3,150	3,078	<b>3,111</b>
Total	18,101	17,887	17,652	17,280	<b>17,001</b>
<b>Group management</b>					
Number of men	3,401	3,303	3,228	3,131	<b>3,037</b>
Number of women	75	80	85	92	<b>97</b>
Total	3,476	3,383	3,313	3,223	<b>3,134</b>
Percentage of Group employees taking paid leave (%)	—	—	60.7	68.3	<b>74.5</b>
<b>Number of Group employees taking childcare and nursing care leave</b>					
Childcare leave	141	134	140	202	<b>144</b>
Nursing care leave	5	10	7	9	<b>4</b>
<b>Percentage of Group employees returning to work after taking childcare and nursing care leave (%)</b>					
Childcare leave	—	—	98.7	97.1	<b>82.4</b>
Nursing care leave	—	—	100.0	87.5	<b>75.0</b>
<b>Number of Group retirees and reemployed workers</b>					
Number of retirees	249	279	288	290	<b>319</b>
Number of reemployed workers	171	199	189	175	<b>163</b>
Average age of Group employees	—	—	44.3	44.6	<b>44.7</b>
Average length of service of Group employees (years)	—	—	18.7	18.9	<b>19.6</b>
<b>Number of parent company employees with disabilities</b>					
Number of employees	161	157	150	151	<b>150</b>
Percentage of employees (%)	2.17	2.16	2.10	2.15	<b>2.19</b>
<b>Number of new Group recruits</b>					
Number of men	—	—	249	266	<b>251</b>
Number of women	—	—	92	124	<b>153</b>
Total	—	—	341	390	<b>404</b>
Group turnover rate (%)	—	—	2.49	2.49	<b>2.74</b>
<b>Number of Group industrial accidents</b>					
Occupational accidents	—	—	22	29	<b>25</b>
Commuting accidents	—	—	16	30	<b>23</b>

<b>GOVERNANCE</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Number of directors</b>					
In-house (men)	8	8	8	5	4
In-house (women)	0	0	0	0	0
In-house total	8	8	8	5	4
Outside (men)	1	2	2	2	2
Outside (women)	0	0	0	0	0
Outside total	1	2	2	2	2
Total	9	10	10	7	6
<b>Number of Audit &amp; Supervisory Board members</b>					
In-house (men)	2	2	2	2	2
In-house (women)	0	0	0	0	0
In-house total	2	2	2	2	2
Outside (men)	3	3	3	3	3
Outside (women)	0	0	0	0	0
Outside total	3	3	3	3	3
Total	5	5	5	5	5
Average age of corporate officers (Notes 20 and 21)	62.7	62.9	63.9	62.6	63.4
<b>Number of Board of Directors' and Audit &amp; Supervisory Board meetings</b>					
Number of Board of Directors' meetings	20	16	17	15	16
Number of Audit & Supervisory Board meetings	17	16	18	18	20
<b>Number of executive officers</b>					
	—	28	23	23	23

## ESG Data Notes

Note 1. Reduced CO<sub>2</sub> emissions by deploying carbon offsets for office MFPS and other equipment

Note 2. Independently converted into CO<sub>2</sub>: the reductions in movements, resource consumption, and space as a result of IT solutions

Note 3. Calculated by multiplying weights of product materials and product wastes by materials and process units

Note 4. Calculated by multiplying totals for each capital goods purchases category by category units

Note 5. Total fuel and power consumed at each site totaled and multiplied by units from fuel extraction through combustion/power generation

Note 6. Distribution from suppliers to production sites are calculated by multiplying the unit of transportation by seeking the average transportation distance and transport weight. Logistics from production bases to customers are calculated by multiplying logistics results by the unit of transportation.

Note 7. Materials-specific waste amounts at each site added, multiplied by materials waste disposal units

Note 8. Total payments per transportation mode multiplied by units per mode. For accommodations, total amounts paid converted into average number of nights, for multiplying by accommodation units

Note 9. Total payments per transportation mode multiplied by units per mode. In the case of private car commuting, after converting the total mileage associated with commuting to fuel usage, add by multiplying the unit of fuel combustion.

Note 10. Encompassing leased buildings and vehicles and included in Scope 1 and 2

Note 11. Calculated by determining average transportation distances and weights of products transported by region multiplied by transportation units

Note 12. Calculated by determining lifetime power consumption for each product multiplied by average power consumption units

Note 13. Calculated by classifying products sold by waste disposal units for the weights of each material

Note 14. Calculated by determining annual power consumption of each leased product multiplied by average power consumption units

Note 15. Solar adopted from 2019 by employing the J-Credit Scheme

Note 16. Biomass adopted through 2018 by employing the Green Power Certification System

Note 17. Credits invalidated through multiple CO<sub>2</sub> reduction projects, including for upgrading energy-saving facilities

Note 18. Total weight after excluding simple incineration and landfill disposal from total volumes of products recovered and processed from marketplace

Note 19. Amounts recycled divided by total volume of products recovered and processed from marketplace

Note 20. Averages for directors and Audit & Supervisory Board members

Note 21. At December 31 each year

# CANON MJ GROUP COMPANIES

AS OF JANUARY 1, 2020

Segment	Company name	Lines of business
Enterprise BU	Canon IT Solutions Inc.	Systems integration (SI) and consulting, IT services, and software development and sales
	SuperStream Inc.	Planning, development, and sales of SuperStream NX management infrastructure solution for accounting and salaries
	Qualysite Technologies Inc.	Java systems development, and data center operations, maintenance, and auxiliary services
	Edifist Learning Inc.	Human resources development consulting, training, and auxiliary services
	Canon Software America, Inc.	Development of business applications software and document solutions for Group companies
	Canon Information Systems (Shanghai) Inc.	SI and consulting for Japanese and Group companies and development and sales of software relating to Canon products
	Canon IT Solutions (Thailand) Co., Ltd.	Supervision of businesses of Group companies in Thailand and Vietnam
	Material Automation (Thailand) Co., Ltd.	Proposals, sales, and service related to IT hardware through software
Area BU	ASAHI-M.A.T. Co., Ltd.	Sales and support for CAD, CAM, and CAE in Thailand
	MAT Vietnam Company Limited	Proposals, sales, and service related to IT hardware through software in Vietnam
	Canon System & Support Inc.	IT solutions consulting, sales, support, and maintenance services for Canon's and third parties' products
Professional BU	A&A Co., Ltd.	Exclusive domestic sales of 3D CAD software Vectorworks Japanese version and planning, development, and sales of related software
	Production Printing Canon Production Printing Systems Inc.	Sales and maintenance services for production printers and consumables, development and delivery of workflow systems, and provision of printing services
Healthcare	Canon ITS Medical Inc.	Providing IT solutions for the medical and healthcare field, systems development, network construction, and hardware sales
	BPO Services	Canon BizAttenda Inc.
Service & Support	Canon Business Support Inc.	Office services for Group companies and BPO-related services
	Canon Customer Support Inc.	Customer inquiry service, service center business, and photoculture support, primarily for Canon products

The Group comprises 18 consolidated subsidiaries.

# CORPORATE DATA

AS OF DECEMBER 31, 2019

## Headquarters

Canon S Tower, 16-6, Konan 2-chome, Minato-ku,  
Tokyo 108-8011, Japan

## Date of Establishment

February 1, 1968

## Common Stock

¥73,303 million

## Number of Shares Issued

151,079,972 shares

## Stock Listing

Canon Marketing Japan Inc.'s common stock is traded on the First Section of the Tokyo Stock Exchange. (Ticker Symbol: 8060)

## Number of Shareholders

11,442

## Number of Employees

Consolidated: 17,001

Non-consolidated: 5,215

## Main Locations of Operations

Headquarters, Konan office, Makuhari office and branches (Sapporo, Sendai, Nagoya, Osaka, Hiroshima, and Fukuoka)

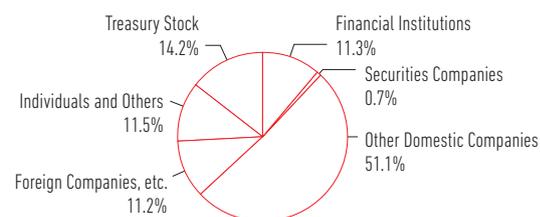
## Major Shareholders

Name of shareholder	Number of shares held (Thousands)	Percentage of ownership (%)
Canon Inc.	75,708	58.4%
Canon Marketing Japan Group Employee Stock Ownership Association	5,753	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,752	2.9
Japan Trustee Services Bank, Ltd. (Trust Account)	2,611	2.0
STATE STREET BANK AND TRUST COMPANY 505001	1,623	1.3
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,405	1.1
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,250	1.0
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,215	0.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,139	0.9
Mizuho Bank, Ltd.	1,001	0.8

\* The company possesses 21,413,743 shares of its treasury shares (14.2% of the total number of issued shares).

\* The percentage of ownership is calculated by deducting the number of treasury shares from the total number of issued shares.

## Shareholder Composition



## Canon MJ Investor Relations Website

Canon MJ maintains a comprehensive investor relations (IR) website to further facilitate communication with shareholders. The website contains:

- News for investors • IR calendar
- Financial results and other financial information
- Information on Long-Term Management Objectives Phase III (FY2016–2020) and Medium-Term Management Plan
- Stock information • Annual reports

[canon.jp/8060e-ir](http://canon.jp/8060e-ir)

## Stock Price Range and Trading Volume





Canon Marketing Japan Inc.

#### Headquarters

#### CANON **S**TOWER

16-6, Konan 2-chome,  
Minato-ku, Tokyo 108-8011, Japan

#### Canon Marketing Japan Website

#### About the Canon MJ Group

[canon.jp/8060](https://www.canon.jp/8060)

(in Japanese only)

#### Investor Relations

[canon.jp/8060e-ir](https://www.canon.jp/8060e-ir)

#### CSR and Environment

<https://cweb.canon.jp/csr/>

(in Japanese only)