

# 1Q 2020 Results

April 22, 2020  
Hatsumi Hirukawa  
Director, Vice President

The Canon logo is displayed in its signature red color and bold, sans-serif font.

Canon Marketing Japan Inc.

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

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

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

## Efforts to Prevent the Spread of Infections

- ✓ The in-person acceptance of items for repair at Canon product service counters has been suspended for the time being (procedures for acceptance will still be offered by telephone and over the Internet) .
- ✓ Show rooms, galleries and the EOS school will be closed for the time being.
- ✓ Participation in events where large numbers of people gather has been canceled.
- ✓ The following measures to ensure the safety of employees have been taken:
  - Promoting work from home
  - Implementing staggered work times and work from satellite offices
  - Furloughing employees on a rotating
  - Refraining from holding large internal meetings (holding of online meetings recommended)

## Impact on Company Business Operations

- ✓ Orders and shipping, etc. will be handled normally (sales activities will be handled based on customer circumstances)
- ✓ In March, lower office print volume and the decline in consumer products mainly due to the closure or shortened operating hours of electronics retail stores have been notable. At the moment the impact on other businesses is minor.

**Net sales**                      **¥141.5 B**    **(Y/Y -9.4 B, -6%)**

- ✓ Sales declined due to lower sales in all segments.

**Operating Income**            **¥7.8 B**    **( Y/Y +0.8 B, +11%)**

- ✓ Although gross profit declined in connection with lower sales, net profit increased due to lower SG&A expenses.

**Profit attributable to  
owners of parent**              **¥4.1B**    **( Y/Y -0.7 B, -14%)**

# Summary of Results

1Q 2020 Actual  
(from January 1 to March 31)



(Billions of yen)

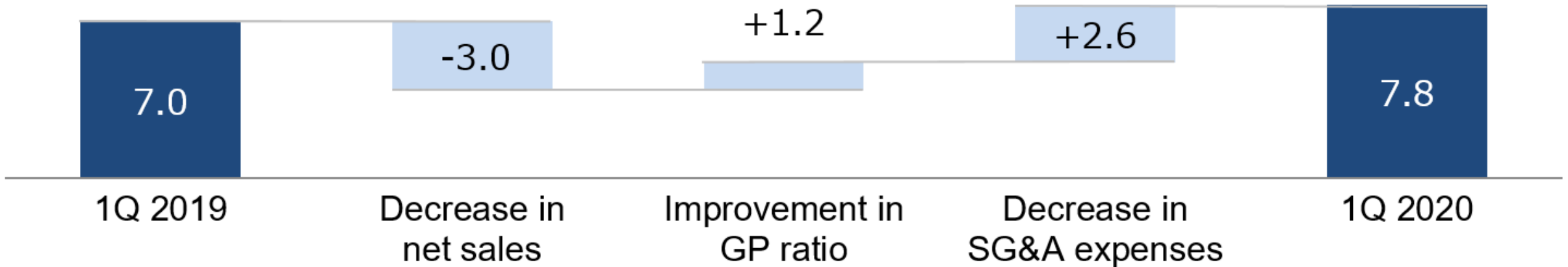
	1Q 2019	1Q 2020	Changes	
			Amount	%
Net sales	150.9	141.5	-9.4	-6%
	(32.3%)	(33.1%)	(+0.9%)	
Gross profit	48.7	46.9	-1.8	-4%
	(4.6%)	(5.5%)	(+0.8%)	
Operating income	7.0	7.8	+0.8	+11%
	(4.8%)	(5.5%)	(+0.7%)	
Ordinary income	7.3	7.8	+0.5	+7%
	(3.2%)	(2.9%)	(-0.3%)	
Profit attributable to owners of parent	4.8	4.1	-0.7	-14%

# Op. Income Variance Analysis

1Q 2020 Actual  
(from January 1 to March 31)



(Billions of yen)



**Improvement in GP ratio**  
•Gross profit recovered mainly in the Consumers segment.

**Reduced SG&A expenses**  
•Reduced personnel expenses -1.6 B  
(fewer personnel and reduction in retirement benefit expenses)  
•Reduced advertising expenses -0.4 B  
(lower event expenses, etc.)

# Segment Outline

1Q 2020 Actual  
(from January 1 to March 31)



(Billions of yen)

	1Q 2019		1Q 2020		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	25.9	-1.3	24.7	0.0	-1.2	+1.3
Enterprise	49.9	3.5	46.9	3.4	-3.0	-0.1
Area	67.6	3.8	65.5	3.9	-2.1	+0.1
Professional	12.2	0.8	8.7	0.7	-3.5	-0.2
Other	-4.6	0.2	-4.2	-0.2	+0.4	-0.4
Total	150.9	7.0	141.5	7.8	-9.4	+0.8

※"Other" includes inter-segment sales, shared service businesses and corporate expenses that are not allocated to each segment.

# Segment Information

# Consumers Segment



- ✓ In terms of net sales, although inkjet printers performed strongly, declining sales of digital interchangeable lens cameras and other factors resulted in lower sales overall.
- ✓ Operating income improved due to increased gross profit thanks to new product effects, falling SG&A expenses in some areas, and other factors.

	1Q		
	FY2019	FY2020	Changes
Net sales	25.9	24.7	-4.8%
Op. income	-1.3	0.0	—
ratio	-5.0%	0.0%	+5.0%

(Billions of yen)

Consumer Products, Y/Y  
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital SLR	Unit	-39%	-	-	-	-
Mirrorless Camera	Unit	-54%	-	-	-	-
Digital Interchangeable Lens Camera	Unit	-46%	-	-	-	-
Compact Digital Camera	Unit	-26%	-	-	-	-
Inkjet Printer (IJP)	Unit	+42%	-	-	-	-
IJP Cartridge	Amount	-0%	-	-	-	-

- ✓ Although there was solid performance in system integration projects for securities companies and large-scale laser printer projects were gained, sales fell due to reactionary decline from large-scale system integration projects and demand for business PC replacements in the previous year.
- ✓ Despite efforts to reduce SG&A expenses, operating income fell mainly due to the fall in gross profit from lower sales.

	1Q		
	FY2019	FY2020	Changes
Main Business Equipment	18.1	17.5	-3.4%
IT Solutions	31.8	29.4	-7.6%
Net sales	49.9	46.9	-6.1%
Op. income	3.5	3.4	-2.0%
ratio	7.0%	7.4%	+0.3%

(Billions of yen)

[Reference] Results of main consolidated companies

Canon IT Solutions Inc.

	1Q 2019	1Q 2020	Changes	
			Amount	%
Net sales	23.81	21.61	-2.20	-9.2%
Op. income	3.20	2.16	-1.04	-32.4%

Orders received and outstanding orders, Y/Y

Canon IT Solutions, Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Orders received	Amount	-36%	-	-	-	-
Outstanding orders	Amount	-11%	-	-	-	-



# Segment Information

# Area Segment

- ✓ Although sales of IT solutions for small and medium enterprises performed steadily, the slump in main business equipment resulted in a decrease in sales.
- ✓ Operating income rose mainly due to lower SG&A expenses such as personnel expenses.

	1Q		
	FY2019	FY2020	Changes
Main Business Equipment	49.8	47.1	-5.6%
IT Solutions	17.8	18.4	+3.6%
Net sales	67.6	65.5	-3.2%
Op. income	3.8	3.9	+3.0%
ratio	5.6%	5.9%	+0.4%

(Billions of yen)

[Reference] Results of main consolidated companies  
Canon System & Support Inc.

	1Q	1Q	Changes	
	2019	2020	Amount	%
Net sales	31.32	30.18	-1.13	-3.6%
Op. income	1.25	1.00	-0.25	-19.8%

- ✓ Despite growth of medical IT in the Healthcare sub-segment, net sales declined due the impact of the share transfer of Canon Lifecare Solutions Inc. and poor performance in industrial equipment and production printing.
- ✓ Operating income declined mainly due to lower gross profit from falling sales.

	1Q		
	FY2019	FY2020	Changes
Production Printing	3.0	2.8	-8.1%
Industrial Equipment	4.3	3.6	-14.8%
Healthcare Business	4.9	2.3	-53.1%
Net sales	12.2	8.7	-28.5%
Op. income	0.8	0.7	-18.8%
ratio	6.6%	7.5%	+0.9%

(Billions of yen)

[Reference] Results of main consolidated companies  
 Canon Production Printing Systems Inc.

	1Q	1Q	Changes	
	2019	2020	Amount	%
Net sales	2.90	2.64	-0.26	-9.0%
Op. income	0.05	0.08	+0.03	+55.0%

# Overall Sales of IT Solutions

## ■ By Segment : IT Solutions Sales

(Billions of yen)

	1Q 2019	1Q 2020	Changes	
			Amount	%
Enterprise segment	31.8	29.4	-2.4	-8%
Area segment	17.8	18.4	+0.6	+4%
Other	5.5	7.2	+1.7	+31%
Total	55.1	55.0	-0.1	-0%

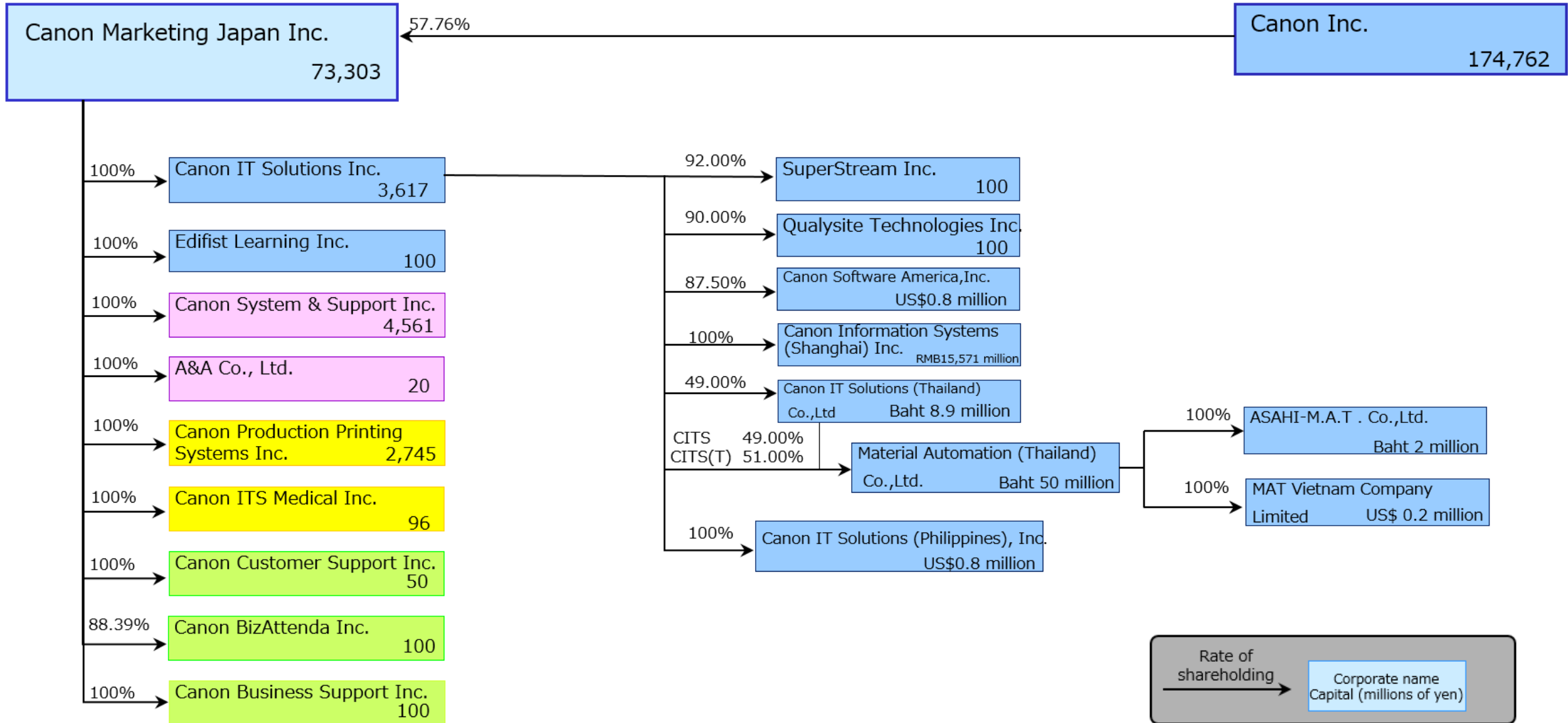
## ■ By Products and Solutions: IT Solutions Sales

	1Q 2019	1Q 2020	Changes	
			Amount	%
SI service	21.4	19.8	-1.7	-8%
Maintenance and operation service /outsourcing	8.7	9.1	+0.4	+5%
System sales/IT product	25.0	26.1	+1.2	+5%
Total	55.1	55.0	-0.1	-0%

- Due to the COVID-19 coronavirus outbreak, it is difficult to make a reasonable financial forecast as there are many uncertain elements now that will impact business results.
  
- We have withdrawn the financial forecast published on January 28, 2020, and a new forecast has yet to be determined. We will disclose the revised figures when it becomes possible to reasonably forecast business results.

# Supplementary Information

# Capital Relationship Diagram



Rate of shareholding → Corporate name  
Capital (millions of yen)

# SG&A expenses

(Billions of yen)

	1Q		
	2019	2020	Changes
Advertising expenses	1.7	1.4	-0.4
Promotion expenses	0.9	0.7	-0.1
Warranty expenses	1.0	0.9	-0.2
Other direct selling expenses	4.5	4.5	-0.0
Personnel expenses	26.5	24.9	-1.6
Depreciation and amortization	0.2	0.2	+0.0
Other selling expenses	6.8	6.5	-0.2
<b>Total</b>	<b>41.7</b>	<b>39.1</b>	<b>-2.6</b>

# Non-operating income and expenses

(Billions of yen)

	1Q		Changes
	2019	2020	
Interest income	0.0	0.1	+0.0
Dividend income	0.0	0.0	+0.0
Gain on investments in partnership	0.1	-	-0.1
Other	0.1	0.1	-0.0
<b>Total non-operating income</b>	<b>0.3</b>	<b>0.2</b>	<b>-0.2</b>
Interest expense	0.0	0.0	+0.0
Foreign exchange losses	-	0.0	+0.0
Other	0.1	0.1	+0.0
<b>Total non-operating expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>+0.1</b>



# Extraordinary income and expenses

(Billions of yen)

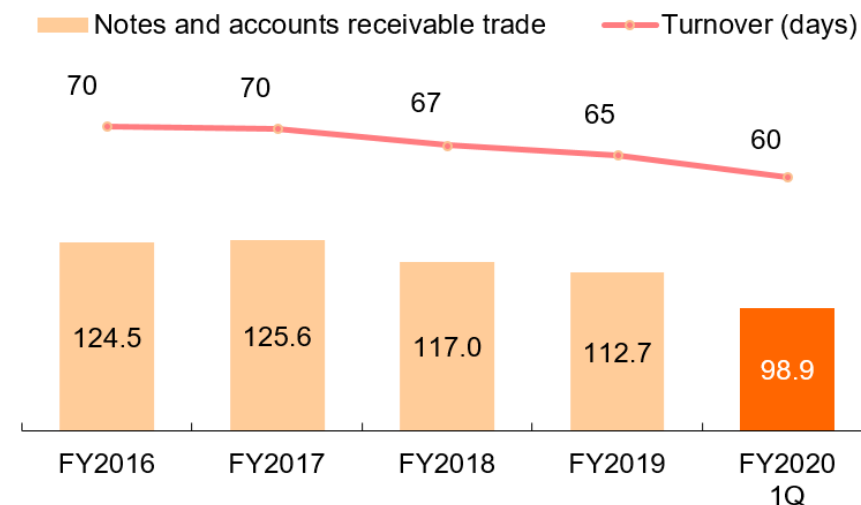
	1Q		Changes
	2019	2020	
Gain on sales of fixed assets	0.0	0.3	+0.3
Other	-	0.0	+0.0
<b>Total extraordinary income</b>	<b>0.0</b>	<b>0.3</b>	<b>+0.3</b>
Loss on sales and disposal of fixed assets	0.0	0.0	-0.0
Loss on sales of shares of subsidiaries and associates	-	0.7	+0.7
Loss on valuation of investments in securities	0.0	-	-0.0
Other	0.0	0.0	+0.0
<b>Total extraordinary expenses</b>	<b>0.0</b>	<b>0.8</b>	<b>+0.7</b>

# Balance Sheets

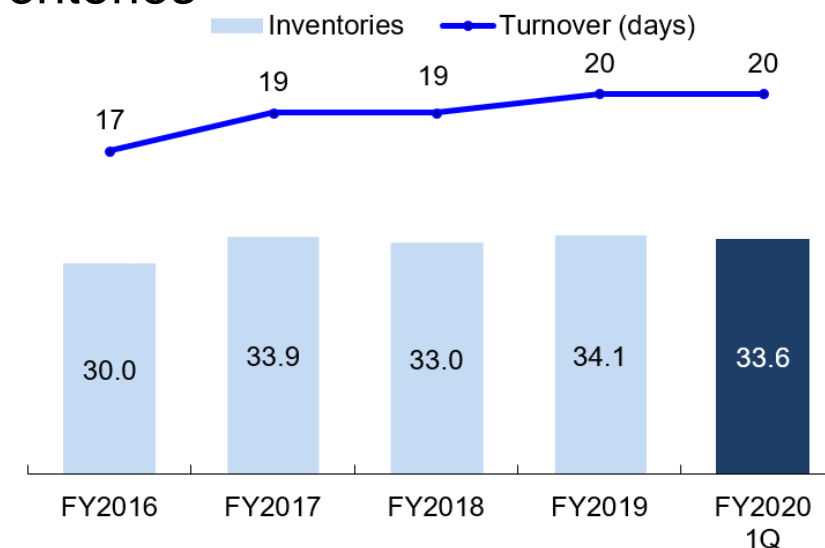
	Dec. 31 2019	Mar. 31 2020	Changes
<b>Assets</b>	503.7	488.2	-15.4
Current assets	377.4	364.2	-13.3
Cash and deposits	54.5	55.4	+0.9
Notes and accounts receivable	112.7	98.9	-13.8
Inventories	34.1	33.6	-0.5
Other (current assets)	176.1	176.2	+0.1
Non-current assets	126.3	124.1	-2.2
Property, plant and equipment	82.8	81.1	-1.7
Intangible assets	4.5	5.2	+0.7
Investments and other assets	39.0	37.8	-1.2
<b>Liabilities</b>	178.6	163.5	-15.1
Current liabilities	120.0	105.6	-14.4
Notes and accounts payable	51.5	47.5	-4.1
Other (current liabilities)	68.5	58.1	-10.3
Long-term liabilities	58.6	57.9	-0.6
<b>Net assets</b>	325.1	324.7	-0.4
Stakeholders' equity	327.0	327.2	+0.2
(Treasury stock)	-31.9	-2.1	+29.8
Total accumulated other comprehensive income (loss)	-2.5	-3.1	-0.6
Non-controlling interests	0.6	0.6	+0.0
<b>Equity ratio</b>	64%	66%	+2%

(Billions of yen)

## Notes and accounts receivable trade

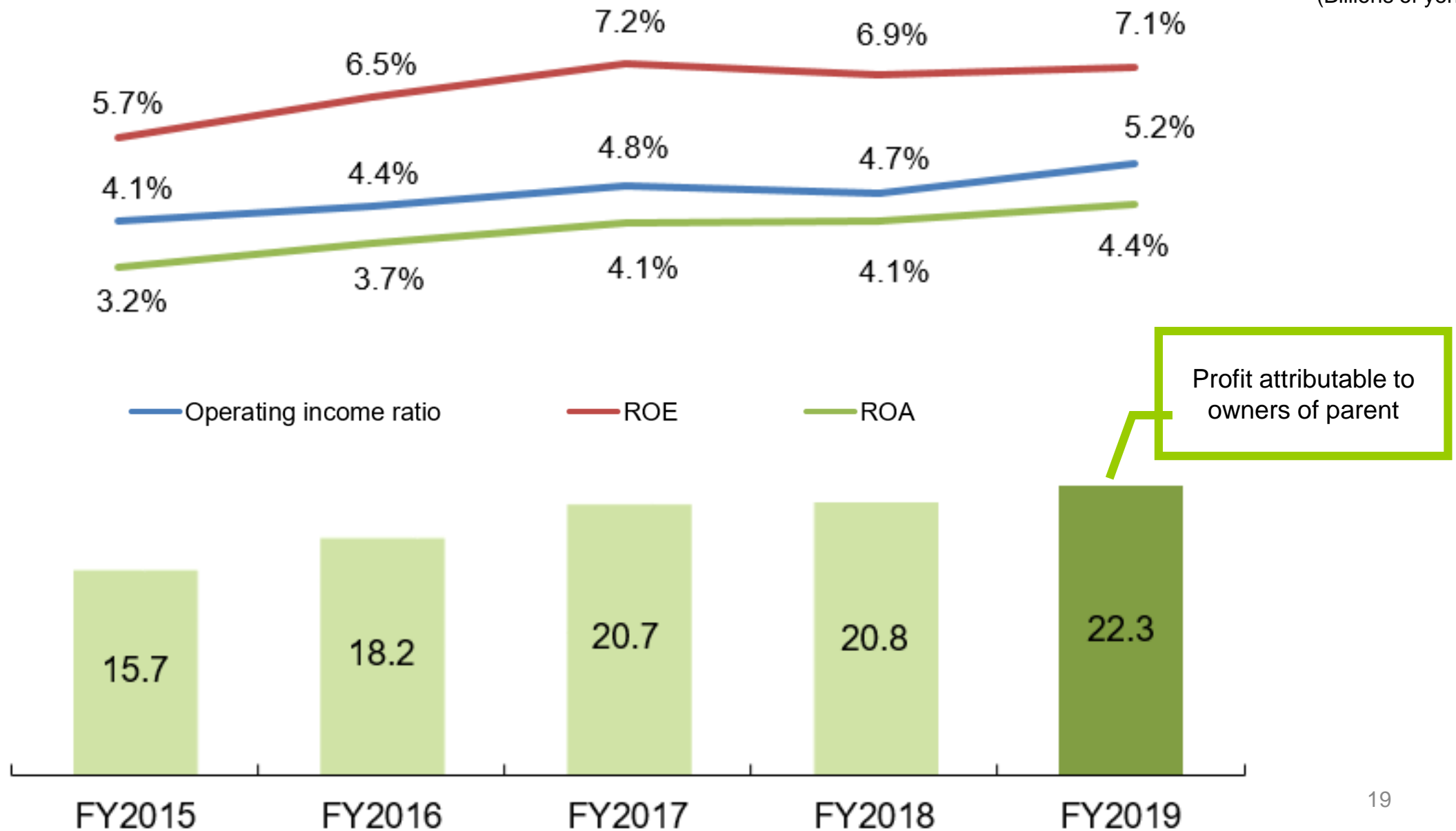


## Inventories

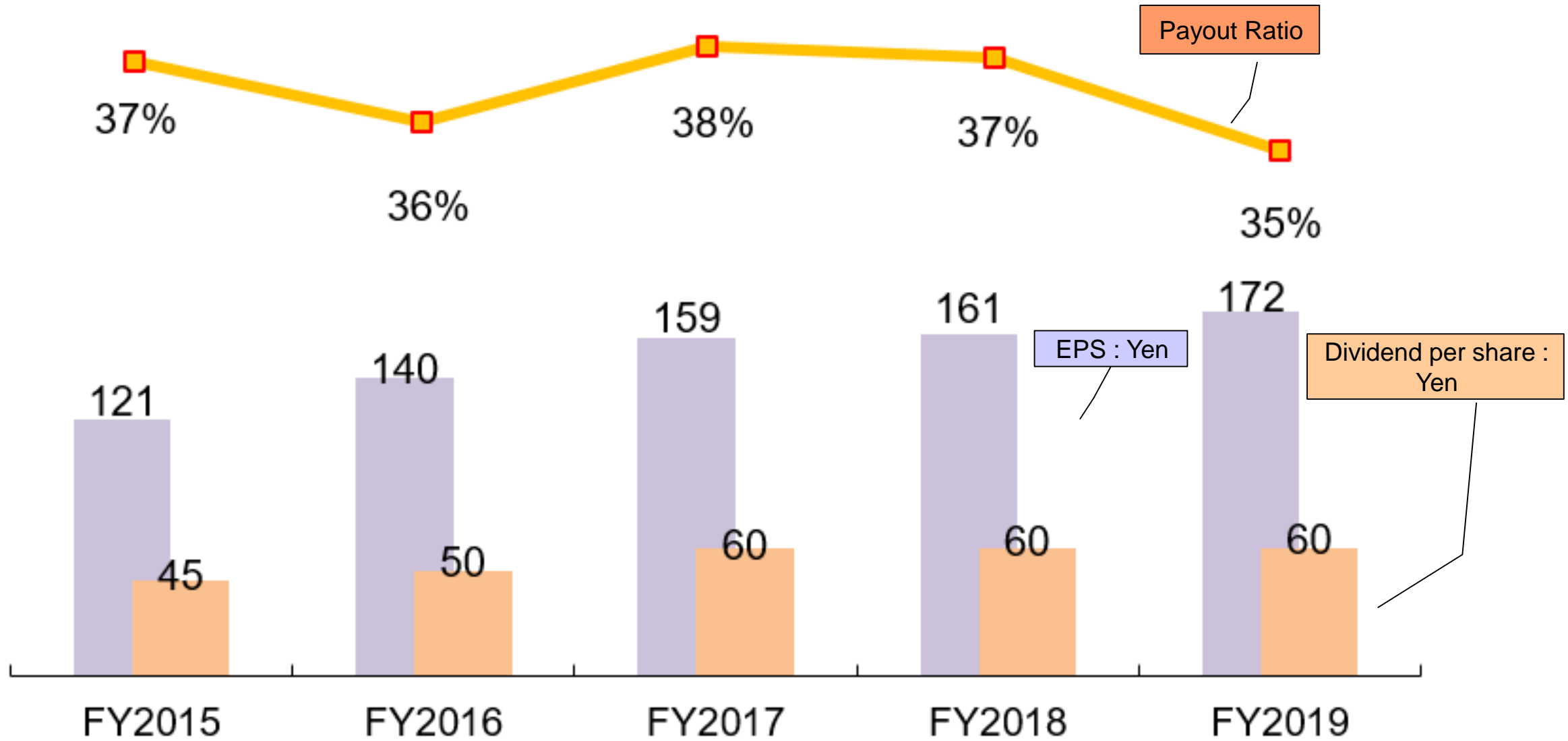


# Financial Indicator

(Billions of yen)



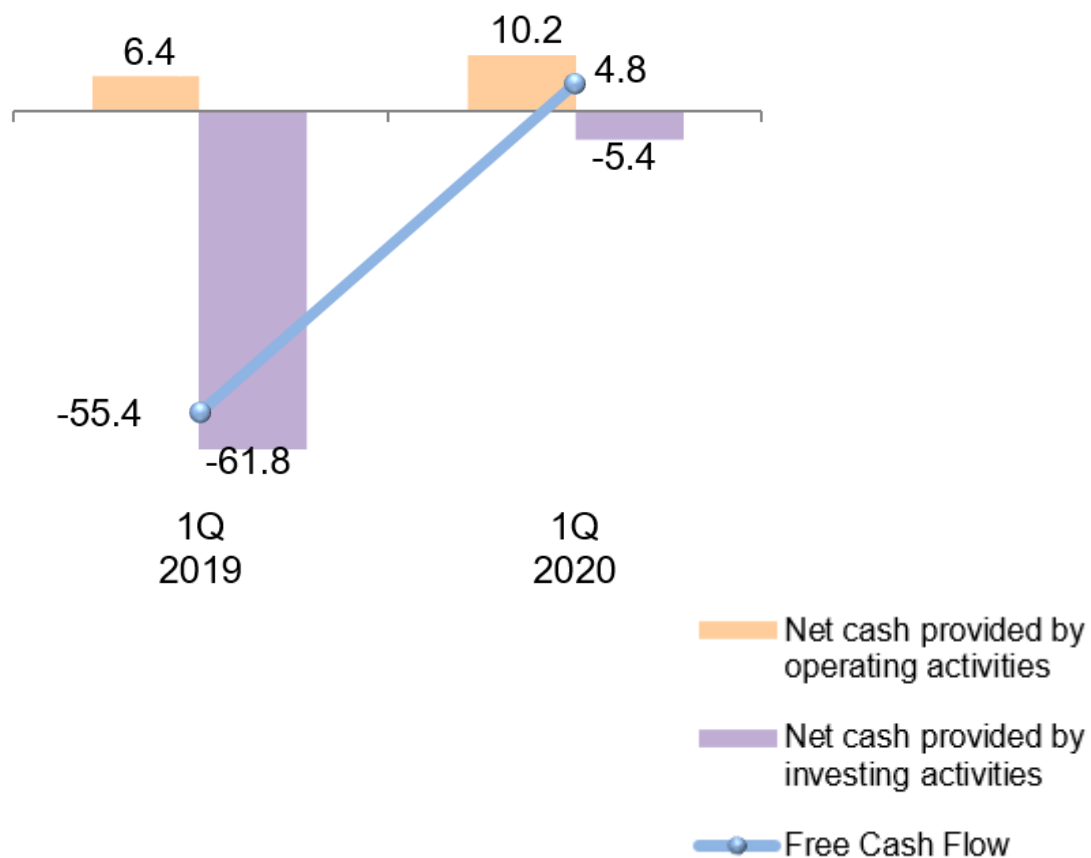
# Financial Indicator



# Financial Indicator

(Billions of yen)

## ■ Cash Flow



## ■ Capital Investment

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2019	1.9	19.5	21.5
FY 2020	2.8	20.2	23.1

## ■ Depreciation and amortization

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2019	3.0	9.2	12.3
FY 2020	2.9	9.7	12.7

**Canon**

Canon Marketing Japan Inc.