

2Q 2020 Results

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Canon

Canon Marketing Japan Inc.

* The figures are rounded off to the nearest 100 million yen in this material.
* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties.
As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

For Employees

- ✓ Put employees on leave on a rotating basis (during April and May) (in response to the declaration of a state of emergency)
- ✓ Reduced attendance in the office by encouraging employees to work from home or work remotely (on average, only around 30% of all Shinagawa Head Office employees came into the office during April and May)

For Customers

- ✓ Provided solutions to support teleworking/working from home either free of charge or at a special price
- ✓ Offered an "Office Crowding Alert Solution" using network cameras
- ✓ Made online sales/support and communication tools (using Skype, Zoom, Teams, bellFace, etc.) available to customers upon request

I would like to express my heartfelt sympathy to those affected by COVID-19 and their families, colleagues and friends.

First, I will discuss our measures to prevent the spread of COVID-19.

With respect to measures for our employees, we put them on leave on a rotating basis under the declaration of a state of emergency. In addition, we reduced attendance at the Shinagawa Head Office by about 30% in April and May by making efforts to develop an environment for mobile work so that all the employees would be able to work from home and work remotely.

We provided our customers with solutions to support teleworking and working from home, for which we received many requests.

We also began offering an "Office Crowding Alert Solution" using our network cameras.

In addition, regarding our sales and service activities, we conducted sales and support activities online as much as possible with consideration for the safety of customers and provided them with online communication tools, taking advantage of our expertise obtained from online communication in house.

Net sales	¥121.1 B	(Y/Y -30.8 B, -20%)
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- ✓ Sales declined due to lower sales in all segments.

Operating Income	¥5.4 B	(Y/Y -1.0 B, -16%)
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- ✓ Operating income fell due to decline in gross profit associated with lower sales despite reduction in SG&A expenses

Profit attributable to owners of parent	¥5.9B	(Y/Y +1.2 B, +26%)
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Now, I will go over the key points of the second quarter.

Sales declined in all segments, with net sales ending at 121.1 billion yen, a decrease of 20%.

Operating income decreased by 1.0 billion yen, to 5.4 billion yen, due to a fall in gross profit associated with smaller sales, although we worked to reduce SG&A expenses on a Company-wide basis.

Profit attributable to owners of parent increased by 1.2 billion yen, to 5.9 billion yen, mainly due to the posting of employment adjustment subsidies for the leave of employees on a rotating basis in April and May.

I will explain details for each segment later.

Summary of Results

2Q 2020 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2019	2Q 2020	Changes	
			Amount	%
Net sales	151.9	121.1	-30.8	-20%
Gross profit	(31.7%) 48.1	(33.0%) 40.0	(+1.4%) -8.1	-17%
Operating income	(4.2%) 6.4	(4.4%) 5.4	(+0.2%) -1.0	-16%
Ordinary income	(4.7%) 7.1	(7.3%) 8.9	(+2.6%) +1.8	+25%
Profit attributable to owners of parent	(3.1%) 4.7	(4.8%) 5.9	(+1.8%) +1.2	+26%

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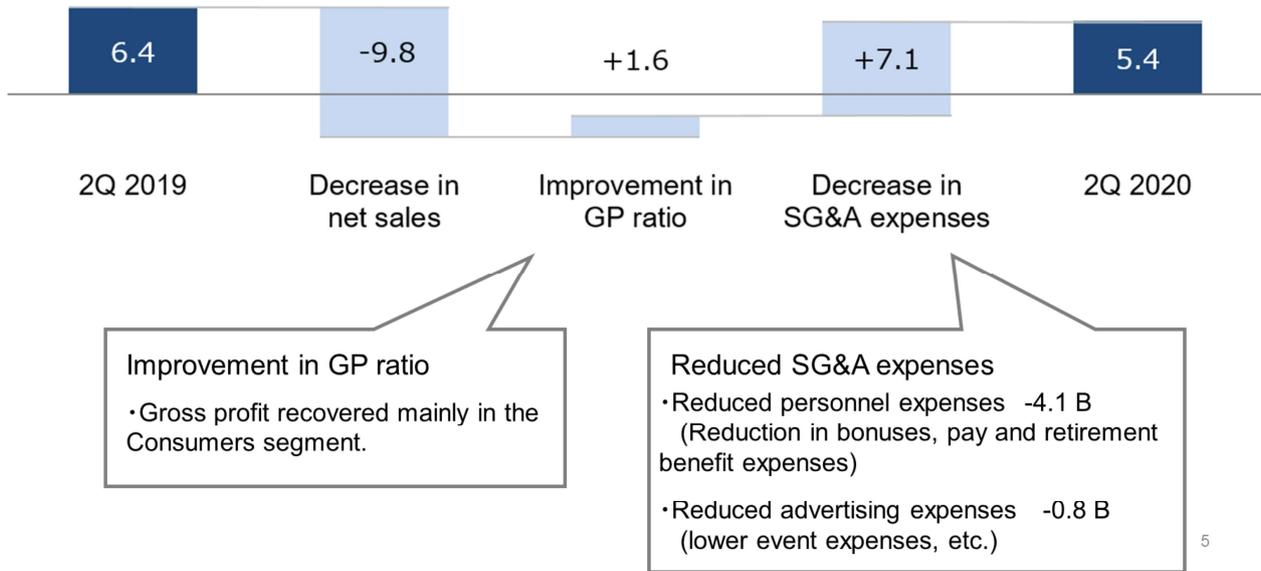
This slide shows a summary of results for the second quarter.

Op. Income Variance Analysis

2Q 2020 Actual
(from April 1 to June 30)



(Billions of yen)



This slide shows an analysis of operating income for the second quarter.

Gross profit declined by 9.8 billion yen associated with the fall in net sales, but in the Consumers segment, the gross profit ratio improved mainly due to growth in IJ printer products with high unit price.

Regarding SG&A expenses, personnel expenses decreased 4.1 billion yen, mainly reflecting a fall in performance-based bonuses, a decrease in salaries due to a natural attrition in personnel and the leave of employees on a rotating basis, and a decrease in retirement benefit expenses, affected by COVID-19. In addition, advertising expenses decreased mainly due to the cancellation of in-store events for consumer products, and transportation expenses and logistics expenses declined associated with the voluntary stay at home order and a fall in the shipment of business equipment, respectively.

Refer to the breakdown of SG&A expenses on page 20 for details of SG&A expenses.

Segment Outline

2Q 2020 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2019		2Q 2020		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	31.8	1.0	25.6	2.0	-6.1	+1.0
Enterprise	48.8	2.0	39.5	1.7	-9.3	-0.2
Area	65.2	3.2	51.7	1.3	-13.5	-1.9
Professional	11.1	0.5	8.4	0.7	-2.7	+0.3
Other	-4.9	-0.3	-4.1	-0.3	+0.8	-0.1
Total	151.9	6.4	121.1	5.4	-30.8	-1.0

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

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This slide shows an overview of segment performance for the second quarter.

Summary of Results

2Q 2020 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q 2019	1Q-2Q 2020	Changes	
			Amount	%
Net sales	302.9	262.6	-40.3	-13%
Gross profit	(32.0%) 96.8	(33.1%) 86.8	(+1.1%) -9.9	-10%
Operating income	(4.4%) 13.4	(5.0%) 13.1	(+0.6%) -0.3	-2%
Ordinary income	(4.7%) 14.3	(6.3%) 16.7	(+1.6%) +2.3	+16%
Profit attributable to owners of parent	(3.1%) 9.4	(3.8%) 10.0	(+0.7%) +0.5	+6%

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This slide shows an overview of segment performance for the second quarter.

Op. Income Variance Analysis

2Q 2020 Actual
(from January 1 to June 30)



(Billions of yen)



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

Reduced SG&A expenses
•Reduced personnel expenses -5.7 B
(Reduction in bonuses and pay)
•Reduced advertising expenses -1.2 B
(lower event expenses, etc.)

The slides on pages 8 and 9 show reference information. Use them as a reference.

Segment Outline

2Q 2020 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q 2019		1Q-2Q 2020		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	57.7	-0.3	50.3	2.0	-7.4	+2.3
Enterprise	98.7	5.5	86.4	5.2	-12.3	-0.3
Area	132.8	7.0	117.2	5.2	-15.6	-1.8
Professional	23.2	1.3	17.1	1.4	-6.1	+0.1
Other	-9.6	-0.1	-8.4	-0.6	+1.2	-0.5
Total	302.9	13.4	262.6	13.1	-40.3	-0.3

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

- ✓ Net sales declined mainly due to lower sales of digital interchangeable lens cameras and compact digital cameras, offsetting strong performances in inkjet printers and IT products
- ✓ Operating income increased due to reduction in SG&A expenses, including advertising expenses and sales promotion expenses

	2Q			Changes
	FY2019	FY2020		
Net sales	31.8	25.6		-19%
Op. income	1.0	2.0		+96%
ratio	3.2%	7.8%		+4.6%

(Billions of yen)

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital SLR	Unit	-39%	-76%	-	-	-
Mirrorless Camera	Unit	-54%	-78%	-	-	-
Digital Interchangeable Lens Camera	Unit	-46%	-77%	-	-	-
Compact Digital Camera	Unit	-26%	-62%	-	-	-
Inkjet Printer (IJP)	Unit	+42%	+20%	-	-	-
IJP Cartridge	Amount	-0%	+5%	-	-	-

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In the Consumers segment in the second quarter, net sales declined 19% year on year, to 25.6 billion yen, chiefly due to a fall in sales of digital interchangeable lens cameras and compact digital cameras, although sales of inkjet printers and IT products remained strong. Operating income rose 1.0 billion yen year on year, to 2.0 billion yen, mainly due to decreases in advertising expenses and promotion expenses, reflecting a fall in opportunities for in-store campaigns and others in response to the spread of COVID-19.

(Digital Cameras)

Because our lives were greatly restricted from the voluntary stay at home order due to the declaration of a state of emergency nationwide associated with the spread of COVID-19, consumer confidence for the purchase of digital cameras sharply declined, and demand fell. In addition, sales opportunities were greatly restricted by the temporary closure and shorter business hours of camera retailers and electronics retail stores. As a result, unit sales of digital interchangeable lens cameras and compact digital cameras decreased 77% and 62% year on year, respectively.

(Inkjet Printers)

Demand for inkjet printers for home use increased and remained strong mainly due to a rise in working from home and online learning. Sales of the GIGA TANK series of large capacity ink tank models also increased due to the launch of new models in the market. As a result, unit shipments increased 20% year on year. Sales of ink cartridges also rose 5% year on year.

(IT Products)

Sales of IT products increased due to growth in accessories reflecting higher demand from customers working from home, in addition to the continued strong performance of gaming computers.

- ✓ Net sales fell, reflecting the stagnation of sales activities due to COVID-19
- ✓ Despite efforts to reduce SG&A expenses, operating income fell due to the fall in gross profit from lower sales

	2Q			(Billions of yen)
	FY2019	FY2020	Changes	
Business Equipment, Other	16.2	12.4	-23%	
IT Solutions	32.6	27.1	-17%	
Net sales	48.8	39.5	-19%	
Op. income	2.0	1.7	-12%	
ratio	4.1%	4.4%	+0.3%	

[Reference] Results of main consolidated companies
Canon IT Solutions Inc.

	2Q		Changes	
	2019	2020	Amount	%
Net sales	22.6	21.4	-1.3	-6%
Op. income	1.8	1.8	-0.0	-2%

Orders received and outstanding orders, Y/Y
Canon IT Solutions, Non-consolidated

		1Q				Full Year
		2Q	3Q	4Q		
Orders received	Amount	-36%	-5%	-	-	-
Outstanding orders	Amount	-11%	-11%	-	-	-

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Sales for the second quarter were 39.5 billion yen, down 19% year on year mainly due to a fall in sales of maintenance services and laser printer cartridges because of COVID-19. Operating income fell 200 million yen year on year, to 1.7 billion yen, due to a fall in gross profit reflecting smaller sales, despite the reduction of SG&A expenses, such as personnel expenses and logistics expenses.

(Main Business Equipment)

With respect to business equipment, unit sales of office MFPs declined due to a fall in the number of days of activity per salesperson as a result of putting employees on leave on a rotating basis to prevent the spread of COVID-19, as well as a large number of postponements of installment upon request from customers. Unit sales of laser printers decreased year on year, mainly due to a reaction to large projects in the previous year, in addition to the negative impact on sales activities, as seen in office MFPs. Sales of maintenance services of office MFPs and laser printer cartridges of office MFPs decreased due to a fall in office print volumes caused by an increase in working from home for customers.

(IT Solutions)

In the area of IT solutions for major companies, the products we offer include application development and embedded system development based on individual customer requirements, data center services, cloud computing services, business computers and endpoint security software. In the second quarter, sales of IT solutions declined 17% year on year mainly due to the impact of the leave of employees on a rotating basis on sales activities and the postponement of projects, in addition to a reactionary fall of large projects in the previous year and demand for business computer replacement associated with the end of Windows 7 support, although cloud services such as large-scale infrastructure&system and SOLTAGE remained firm.

(Canon IT Solutions Inc. Results/Orders/Order Backlog)

At Canon IT Solutions Inc., a major affiliate company, sales fell 6% year on year to 21.4 billion yen, while operating income declined 50 million yen to 1.8 billion yen.

Orders decreased by 5% year on year mainly due to the stagnation of sales activities and the postponement of projects.

The order backlog also fell by 11%.

- ✓ Net sales decreased, reflecting the stagnation of sales activities due to COVID-19
- ✓ Despite efforts to reduce SG&A expenses, operating income fell due to the fall in gross profit from lower sales

	2Q		Changes
	FY2019	FY2020	
Business Equipment, Other	47.6	37.6	-21%
IT Solutions	17.7	14.1	-20%
Net sales	65.2	51.7	-21%
Op. income	3.2	1.3	-60%
ratio	4.9%	2.5%	-2.4%

(Billions of yen)

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

	2Q		Changes	
	2019	2020	Amount	%
Net sales	30.7	23.3	-7.4	-24%
Op. income	1.2	0.1	-1.1	-93%

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Sales for the second quarter were 51.7 billion yen, down 21% year on year chiefly due to the stagnation of sales activities for business equipment and IT solutions due to COVID-19. Operating income declined 1.9 billion yen year on year, to 1.3 billion yen, due to a fall in gross profit reflecting smaller sales, despite the reduction of SG&A expenses such as personnel expenses and logistics expenses.

(Main Business Equipment)

With respect to business equipment, unit sales of office MFPs and laser printers declined year on year mainly due to a fall in the number of days of activity per salesperson as a result of putting employees on leave on a rotating basis to prevent the spread of COVID-19, as well as the postponement of installment upon request from customers. Sales of maintenance services and laser printer cartridges decreased year on year due to a fall in office print volumes affected by the voluntary suspension of business and the suspension of operation of small and medium enterprises. Meanwhile, many companies resumed business and showed a recovery trend from June when the state of emergency was lifted.

(IT Solutions)

Through IT solutions for small and medium enterprises that have fewer IT experts, we use installation support, general support and operational systems spread nationwide to offer solutions optimized for the management issues faced by customers as an IT concierge.

In the second quarter, security products such as the "HOME" IT support cloud service and the ESET antivirus software remained firm, reflecting a rise in needs for the creation of a remote work environment associated with the sharp expansion of teleworking.

In addition, IT maintenance services, through which we provide maintenance and operational services for customer IT equipment, saw an increase in sales as a result of promoting the acquisition of new customers. However, sales of business PCs decreased in a backlash to significant growth already made in computer replacement demand associated with the end of Windows 7 support, despite demand for teleworking. As a result, IT solutions sales overall decreased 20% year on year.

(Canon System & Support Inc. Results)

Sales at Canon System & Support Inc., a major affiliate company, fell 24% year on year, to 23.3 billion yen, while operating income dropped 1.1 billion yen, to 100 million yen, due to a fall in gross profit, reflecting a decrease in sales of maintenance services with high profitability.

* End of Area section

Network Cameras

Looking at Group total second quarter results for network cameras, outlined in the Supplementary Material, sales declined 18% year on year mainly due to the stagnation of sales activities affected by COVID-19 and the impact of stacked operations on site for construction and installment, in addition to the backlash to large projects in the previous year.

- ✓ Despite growth of medical IT in the Healthcare sub-segment, net sales declined due to poor performances in industrial equipment and production printing and the impact of the share transfer of a group company
- ✓ Operating income rose primarily because of a reduction of SG&A expenses

	2Q		
	FY2019	FY2020	Changes
Production Printing	2.6	2.3	-11%
Industrial Equipment	3.8	3.4	-11%
Healthcare Business	4.6	2.7	-42%
Net sales	11.1	8.4	-24%
Op. income	0.5	0.7	+55%
ratio	4.2%	8.6%	+4.4%

(Billions of yen)

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

	2Q		Changes	
	2019	2020	Amount	%
Net sales	2.5	2.2	-0.3	-11%
Op. income	0.0	0.1	+0.0	+22%

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For the Professional segment in the second quarter, sales declined 24% year on year, to 8.4 billion yen, due to the sluggish performance of Industrial Equipment and Production Printing as well as the impact of the share transfer of a Group company, despite the growth of medical IT in the Healthcare sub-segment. Operating income increased 300 million yen year on year, to 700 million yen, chiefly due to the reduction of SG&A expenses.

(Production Printing)

Sales decreased 11% year on year due to a decline in POP production-related business and a fall in sales of consumables associated with the declining print volume of continuous feed printers.

Sales of the affiliate company, Canon Production Printing Systems Inc., fell 11% year on year, to 2.21 billion yen, while operating income rose 9 million yen year on year, to 50 million yen mainly due to the reduction of SG&A expenses.

The second row down from Business Products in the Supplementary Material shows a year-on-year change in sales for Group Commercial Printing, which is production printing plus the production printing business for which sales are recorded in other segments. Group Commercial Printing posted a decline of 14% in the second quarter.

(Industrial Equipment)

Sales declined 11% year on year mainly due to a backlash to large projects of measurement equipment for materials manufacturers in the same period of the previous year, although some manufacturing equipment for the communications field remained firm.

(Healthcare)

While sales declined 42% year on year in Healthcare, this includes the impact of net sales of 2.7 billion yen and operating income of 30 million yen in the previous year of a Group company that was transferred in January 2020. Compared with the previous year by excluding this impact, sales would have increased 38% year on year mainly due to multiple large projects related to electronic medical charts and medical IT infrastructure development for hospitals.

Overall Sales of IT Solutions

■ By Segment : IT Solutions Sales

(Billions of yen)

	2Q 2019	2Q 2020	2Q 2019	2Q 2020	Changes		Changes	
					Amount	%	Amount	%
Enterprise Area	32.6	27.1	64.4	56.5	-5.5	-17%	-8.0	-12%
Other	17.7	14.1	35.4	32.5	-3.5	-20%	-2.9	-8%
Total	5.5	7.4	11.0	14.6	+2.0	+36%	+3.7	+34%
	55.7	48.6	110.8	103.6	-7.1	-13%	-7.1	-6%

■ By Products and Solutions: IT Solutions Sales

	2Q 2019	2Q 2020	2Q 2019	2Q 2020	Changes		Changes	
					Amount	%	Amount	%
SI service	21.4	18.3	42.9	38.0	-3.2	-15%	-4.8	-11%
Maintenance and operation service /outsourcing	8.1	8.3	16.8	17.4	+0.2	+3%	+0.6	+4%
System sales/IT product	26.2	22.0	51.1	48.2	-4.1	-16%	-2.9	-6%
Total	55.7	48.6	110.8	103.6	-7.1	-13%	-7.1	-6%

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This slide shows overall sales of IT solutions

I will explain the results for the second quarter.

Sales in "SI Service" fell mainly due to stagnant sales activities affected by COVID-19 and the postponement of projects upon request from customers, in addition to a backlash to large SI projects in the previous year.

Sales in Maintenance and Operation Service/Outsourcing increased due to a rise in the number of orders for IT maintenance services and operational support, in addition to the solid performance of cloud services, such as large-scale infrastructure&system and SOLTAGE for large companies and the "HOME" IT support cloud service for small and medium enterprises.

In System Sales/IT Product, sales decreased mainly due to a reactionary fall to strong demand for business PC replacements associated with the end of Windows 7 support.

Summary of Projections

(Billions of yen)

	FY2019	FY2020	Changes	
	Actual	Projection	Amount	%
Net Sales	621.1	532.0	- 89.1	-14%
	(5.2%)	(3.9%)	(-1.3%)	
Operating Income	32.4	21.0	- 11.4	-35%
	(5.5%)	(4.6%)	(-0.8%)	
Ordinary Income	33.9	24.7	- 9.2	-27%
	(3.6%)	(2.7%)	(-0.8%)	
Profit attributable to owners of parent	22.3	14.6	- 7.7	-34%

We have made results forecasts based on projections available as of this moment, such as the market trends of consumer products and the outlook for the print volume of office MFPs.

However, note that actual results may differ from these results forecasts due to changes in the future situation, given that it is difficult to clearly assess the impact from the current spread of COVID-19 on the business of the Group.

Summary of Projections by Segment

(Billions of yen)

	FY2019 Actual		FY2020 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	132.8	6.9	110.1	3.8	-22.7	-17%	-3.1
Enterprise	195.8	10.1	172.5	8.6	-23.3	-12%	-1.5
Area	268.3	14.4	235.3	8.3	-33.0	-12%	-6.1
Professional	43.7	1.6	32.0	2.0	-11.7	-27%	+0.4
Other	-19.5	-0.5	-17.9	-1.7	+1.6	-	-1.2
Total	621.1	32.4	532.0	21.0	-89.1	-14%	-11.4

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

This slide shows results forecasts by segment.

Summary of Projections : Segment Information

Canon

(Billions of yen)

	Actual 1Q-2Q 2019		Actual 3Q-4Q 2019		Actual 1Q-2Q 2020		Projection 3Q-4Q 2020		Changes 1Q-2Q		Changes 3Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	57.7	-0.3	75.1	7.1	50.3	2.0	59.8	1.8	-7.4	+2.3	-15.3	-5.3
Enterprise	98.7	5.5	97.1	4.6	86.4	5.2	86.1	3.4	-12.3	-0.3	-11.0	-1.2
Area	132.8	7.0	135.5	7.4	117.2	5.2	118.1	3.1	-15.6	-1.8	-17.4	-4.3
Professional	23.2	1.3	20.5	0.4	17.1	1.4	14.9	0.6	-6.1	+0.1	-5.5	+0.3
Other	-9.6	-0.1	-9.9	-0.5	-8.4	-0.6	-9.5	-1.1	+1.2	-0.5	+0.4	-0.7
Total	302.9	13.4	318.3	19.0	262.6	13.1	269.4	7.9	-40.3	-0.3	-48.9	-11.2

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

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This slide shows the year-on-year comparison of actual results in the first half and results forecasts for the second half.

For the second half, we expect gross profit to decline significantly, chiefly due to a large fall in sales of consumer products and a decline in sales of maintenance services associated with decreasing print volume. In addition, SG&A expenses are expected to decline year on year, given a fall in expenses associated with smaller sales of hardware and the reduction of personnel expenses. Operating income is expected to decrease 11.2 billion yen year on year because the reduction of SG&A expenses will not be enough to make up for the fall in gross profit.

[Consumers]

Regarding the future outlook for the digital camera market, the difficult situation is expected to continue given that the degree of recovery is moderate, although demand is considered to gradually turn up from the bottom in the second quarter due to the easing of the voluntary stay at home request. The Company is also likely to continue facing the same difficult situation as the market, and sales are expected to decline significantly year on year.

Although inkjet printers and cartridges remained strong in the first half mainly because of working from home and online lessons, sales are expected to decline in the second half because we assume that the strong performance in the first half includes the frontloading of demand in the second half. Operating income is expected to decrease, chiefly due to a fall in gross profit associated with smaller sales and a rise in advertising expenses as the promotion of new products.

As a result, sales and income are expected to decrease both in the second half and the full year. While the environment surrounding our business is very difficult, the Company will actively expand sales by launching full-size mirrorless cameras "EOS R5" and "EOS R6" and new RF lens products in the third quarter. We will back up the revitalization of the market through the provision of high value-added products that will meet customer needs.

[Enterprise]

Sales of business equipment are expected to decline chiefly due to a backlash to large projects of laser printers in the previous year, in addition to a fall in sales of maintenance services of office MFPs and laser printer cartridges of office MFPs, reflecting a decline in office print volume as a result of continuation of working from home by customers.

Sales of IT solutions are expected to decrease due to a reactionary fall to growth in business PCs and large-scale infrastructure&system in the previous year, despite an increase in embedded system projects centered on in-vehicle ones, in addition to the firm performance of SI services and data center services.

In the segment overall, sales and income are expected to decline both in the second half and the full year, given that IT solutions will be unable to make up for the decline in business equipment.

Summary of Projections : Segment Information

Canon

(Billions of yen)

	Actual 1Q-2Q 2019		Actual 3Q-4Q 2019		Actual 1Q-2Q 2020		Projection 3Q-4Q 2020		Changes 1Q-2Q		Changes 3Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	57.7	-0.3	75.1	7.1	50.3	2.0	59.8	1.8	-7.4	+2.3	-15.3	-5.3
Enterprise	98.7	5.5	97.1	4.6	86.4	5.2	86.1	3.4	-12.3	-0.3	-11.0	-1.2
Area	132.8	7.0	135.5	7.4	117.2	5.2	118.1	3.1	-15.6	-1.8	-17.4	-4.3
Professional	23.2	1.3	20.5	0.4	17.1	1.4	14.9	0.6	-6.1	+0.1	-5.5	+0.3
Other	-9.6	-0.1	-9.9	-0.5	-8.4	-0.6	-9.5	-1.1	+1.2	-0.5	+0.4	-0.7
Total	302.9	13.4	318.3	19.0	262.6	13.1	269.4	7.9	-40.3	-0.3	-48.9	-11.2

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

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[Area]

Sales of business equipment are expected to decline mainly due to a fall in sales of maintenance services of office MFPs and laser printer cartridges of office MFPs, reflecting the continuation of working from home by customers particularly in large metropolitan areas, despite signs of recovery in print demand from small and medium enterprises in comparison with large companies.

Sales of IT solutions are expected to decrease mainly due to a reactionary fall to growth in business PCs and related products in the previous year, although we expect that IT maintenance services and operational support will remain strong, in addition to an increase in the HOME IT support cloud service and security, given that needs for the creation of a teleworking environment from small and medium enterprises continue to be strong.

In the segment overall, sales and income are expected to decline both in the second half and the full year for the reasons above.

[Professional]

(Production Printing)

While sales of continuous feed printers are expected to increase, document services are anticipated to decrease due to a backlash to the strong performance of POP production-related business in the same period of the previous year associated with the consumption tax hike and the cancellation and postponement of events due to the spread of COVID-19.

(Industrial Equipment)

Sales are expected to rise, given an increase in projects for the upgrading of semiconductor manufacturing equipment and the strong performance of maintenance services.

(Healthcare)

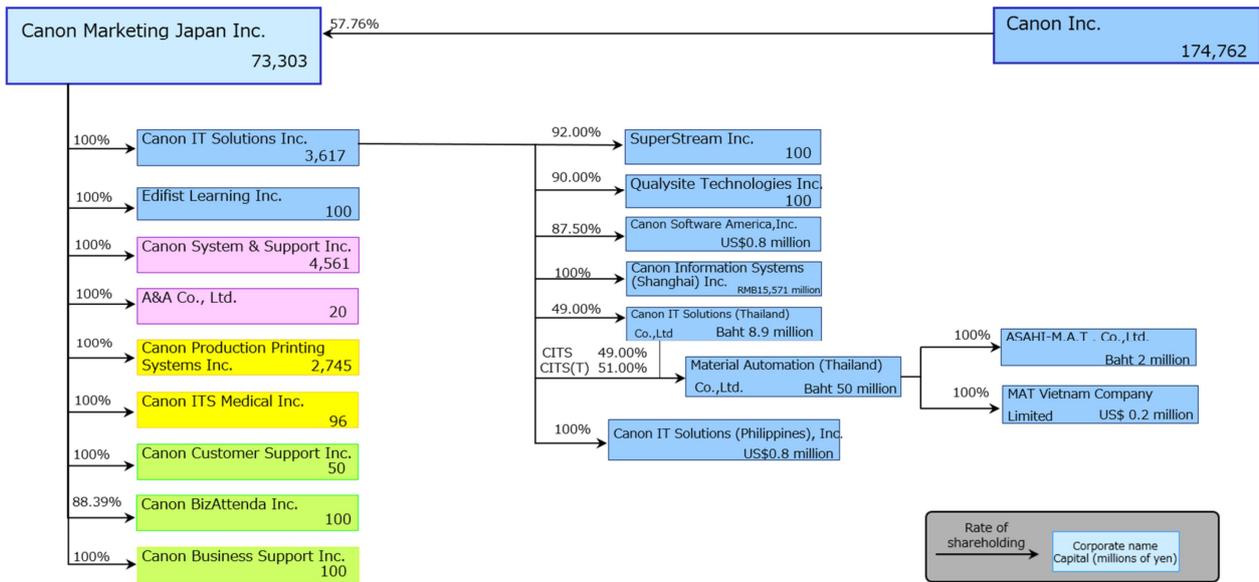
Sales are expected to decline, given that electronic medical charts and medical IT infrastructure development projects will enter an off season, in addition to a backlash to special demand for healthcare products for dispensing pharmacies in the same period of the previous year associated with the consumption tax hike.

In addition, because net sales and operating income of a Group company that was transferred in January 2020 were 5.3 billion yen and 50 million yen in the second half of the previous year and 11.1 billion yen and 190 million yen in the previous year, the transfer has a negative impact on sales and income on a year-on-year basis.

As a result of the above, sales in the Professional segment overall are expected to decline both in the second half and the full year. Operating income is expected to rise in both the second half and the full year mainly due to an increase in maintenance services of industrial equipment.

Supplementary Information

Capital Relationship Diagram



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

As of June 30, 2020

SG&A expenses

2Q 2020 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2019	2Q 2020	Changes
Advertising expenses	1.9	1.1	-0.8
Promotion expenses	0.8	0.4	-0.4
Warranty expenses	0.9	0.7	-0.2
Other direct selling expenses	4.7	4.1	-0.7
Personnel expenses	26.4	22.3	-4.1
Depreciation and amortization	0.2	0.2	+0.1
Other selling expenses	6.8	5.8	-1.0
Total	41.7	34.6	-7.1

SG&A expenses

2Q 2020 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q 2019	1Q-2Q 2020	Changes
Advertising expenses	3.6	2.4	-1.2
Promotion expenses	1.7	1.1	-0.6
Warranty expenses	1.9	1.6	-0.4
Other direct selling expenses	9.3	8.6	-0.7
Personnel expenses	52.9	47.1	-5.7
Depreciation and amortization	0.4	0.5	+0.1
Other selling expenses	13.6	12.4	-1.2
Total	83.4	73.7	-9.7

Non-operating income and expenses

(Billions of yen)

	FY2019		FY2020		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Interest income	0.1	0.1	0.1	0.1	+0.0	+0.0
Dividend income	0.1	0.1	0.1	0.1	-0.0	-0.0
Insurance income	0.5	0.5	0.4	0.5	-0.0	-0.0
Gain on investments in partnership	0.0	0.2	0.1	0.1	+0.0	-0.1
Subsidies for employment adjustment	-	-	2.7	2.7	+2.7	+2.7
Other	0.1	0.2	0.1	0.2	-0.0	-0.0
Total non-operating income	0.7	1.0	3.5	3.6	+2.8	+2.6
Interest expense	0.0	0.0	0.0	0.0	-0.0	+0.0
Foreign exchange losses	-	-	-0.0	0.0	-0.0	+0.0
Other	0.0	0.1	0.0	0.1	-0.0	+0.0
Total non-operating expenses	0.0	0.1	0.0	0.1	-0.0	+0.0

Extraordinary income and expenses

(Billions of yen)

	FY2019		FY2020		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Gain on sales of fixed assets	0.0	0.0	0.0	0.3	-0.0	+0.3
Gain on sales of investments in securities	-	-	0.1	0.1	+0.1	+0.1
Other	-	-	-	0.0	-	+0.0
Total extraordinary income	0.0	0.0	0.1	0.4	+0.1	+0.4
Loss on sales and disposal of fixed assets	0.1	0.1	0.0	0.0	-0.1	-0.1
Loss on sales of shares of subsidiaries and associates	-	-	-	0.7	-	+0.7
Loss on valuation of investments in securities	0.0	0.0	-	-	-0.0	-0.0
Loss on COVID-19	-	-	0.2	0.2	+0.2	+0.2
Other	0.0	0.0	-	0.0	-0.0	+0.0
Total extraordinary expenses	0.1	0.2	0.2	1.0	+0.1	+0.8

Balance Sheets



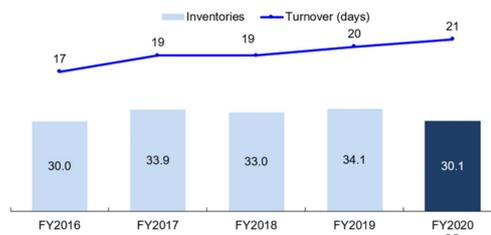
(Billions of yen)

	Dec. 31 2019	Jun. 30 2020	Changes
Assets	603.7	477.3	-26.4
Current assets	377.4	353.3	-24.1
Cash and deposits	54.5	61.4	+6.9
Notes and accounts receivable	112.7	81.4	-31.3
Inventories	34.1	30.1	-4.0
Other (current assets)	176.1	180.4	+4.3
Non-current assets	126.3	124.0	-2.3
Property, plant and equipment	82.8	80.0	-2.8
Intangible assets	4.5	5.6	+1.1
Investments and other assets	39.0	38.4	-0.6
Liabilities	178.6	145.3	-33.3
Current liabilities	120.0	87.9	-32.1
Notes and accounts payable	51.5	35.6	-15.9
Other (current liabilities)	68.5	52.3	-16.2
Long-term liabilities	58.6	57.4	-1.1
Net assets	325.1	331.9	+6.8
Stakeholders' equity	327.0	333.1	+6.1
(Treasury stock)	-31.9	-2.1	+29.8
Total accumulated other comprehensive income (loss)	-2.5	-1.8	+0.7
Non-controlling interests	0.6	0.7	+0.0
Equity ratio	64%	69%	+5%

Notes and accounts receivable trade



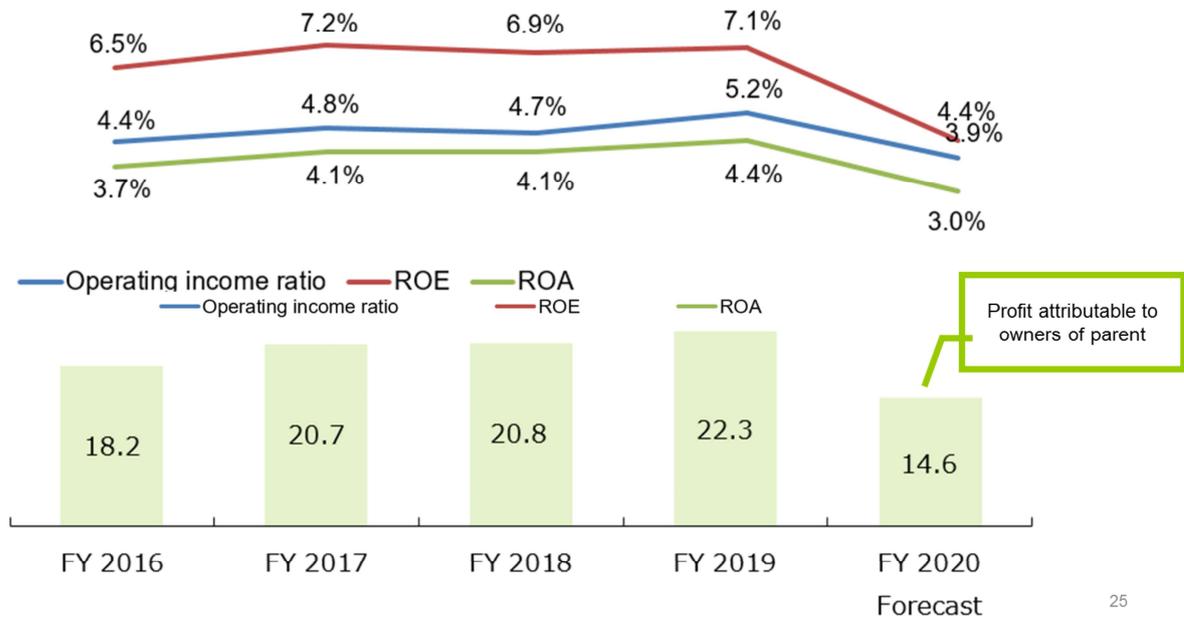
Inventories

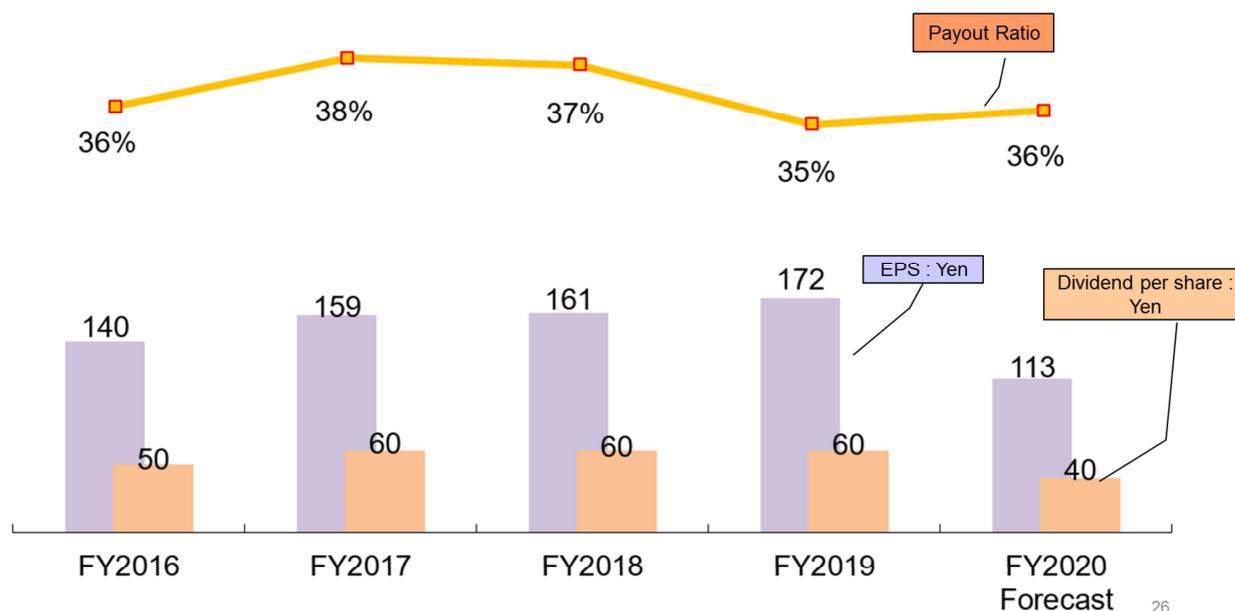


Financial Indicator



(Billions of yen)



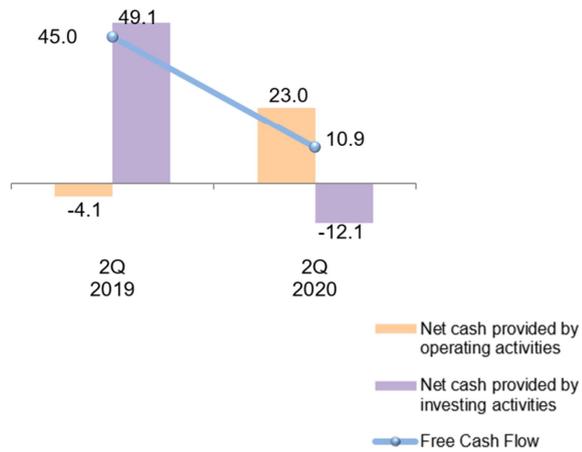


This slide shows our annual dividend forecast.

We have decided to pay the annual dividend of 40 yen per share, including the interim dividend of 20 yen and the year-end dividend of 20 yen, considering our results forecasts announced this time and actual dividend payout ratios in the past.

(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2019	8.7	12.8	21.5
FY 2020	5.1	16.1	21.2

■ Depreciation and amortization

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2019	6.1	6.2	12.3
FY 2020	5.8	6.4	12.2

Canon

Canon Marketing Japan Inc.