

# 2Q 2020 Results

July 27, 2020  
Hatsumi Hirukawa  
Director, Vice President

The Canon logo is displayed in its signature red, bold, sans-serif typeface.

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.

# Our COVID-19 Response

## 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

**Net sales**                      **¥121.1 B**    **(Y/Y -30.8 B, -20%)**

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

**Operating Income**                      **¥5.4 B**    **( Y/Y -1.0 B, -16%)**

- ✓ 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%)**

# Summary of Results

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



(Billions of yen)

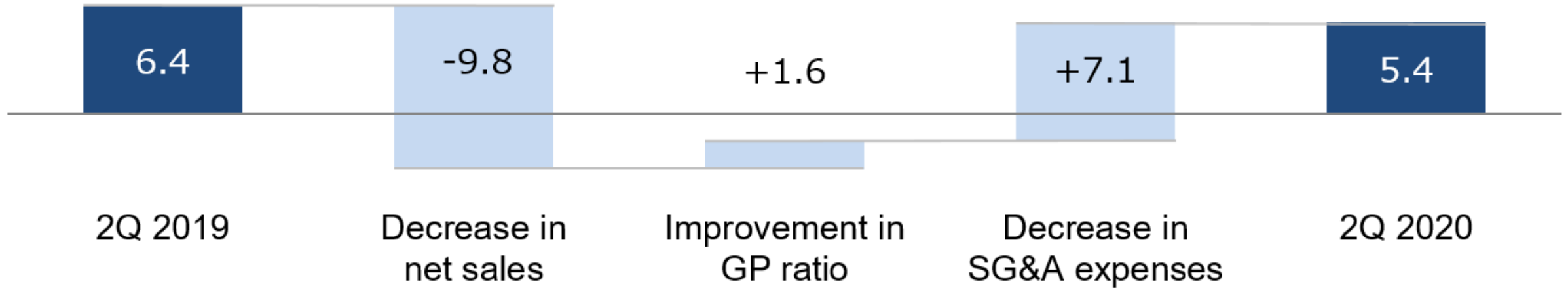
	2Q 2019	2Q 2020	Changes	
			Amount	%
Net sales	151.9	121.1	-30.8	-20%
	(31.7%)	(33.0%)	(+1.4%)	
Gross profit	48.1	40.0	-8.1	-17%
	(4.2%)	(4.4%)	(+0.2%)	
Operating income	6.4	5.4	-1.0	-16%
	(4.7%)	(7.3%)	(+2.6%)	
Ordinary income	7.1	8.9	+1.8	+25%
	(3.1%)	(4.8%)	(+1.8%)	
Profit attributable to owners of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

# Op. Income Variance Analysis

2Q 2020 Actual  
(from April 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 -4.1 B  
(Reduction in bonuses, pay and retirement benefit expenses)  
•Reduced advertising expenses -0.8 B  
(lower event expenses, etc.)

# 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.

# Summary of Results

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



(Billions of yen)

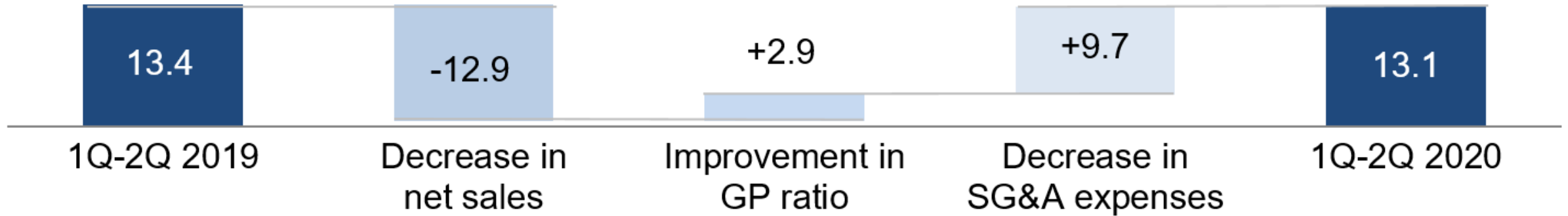
	1Q-2Q 2019	1Q-2Q 2020	Changes	
			Amount	%
Net sales	302.9	262.6	-40.3	-13%
	(32.0%)	(33.1%)	(+1.1%)	
Gross profit	96.8	86.8	-9.9	-10%
	(4.4%)	(5.0%)	(+0.6%)	
Operating income	13.4	13.1	-0.3	-2%
	(4.7%)	(6.3%)	(+1.6%)	
Ordinary income	14.3	16.7	+2.3	+16%
	(3.1%)	(3.8%)	(+0.7%)	
Profit attributable to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

# 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.)



# 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.

# Segment Information

# Consumers 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		
	FY2019	FY2020	Changes
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%	-	-	-

- ✓ 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		
	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%

(Billions of yen)

[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	2Q	3Q	4Q	Full Year
Orders received	Amount	-36%	-5%	-	-	-
Outstanding orders	Amount	-11%	-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		
	FY2019	FY2020	Changes
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%

- ✓ 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%

# 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	5.5	7.4	11.0	14.6	+2.0	+36%	+3.7	+34%
<b>Total</b>	<b>55.7</b>	<b>48.6</b>	<b>110.8</b>	<b>103.6</b>	<b>-7.1</b>	<b>-13%</b>	<b>-7.1</b>	<b>-6%</b>

## ■ 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%
<b>Total</b>	<b>55.7</b>	<b>48.6</b>	<b>110.8</b>	<b>103.6</b>	<b>-7.1</b>	<b>-13%</b>	<b>-7.1</b>	<b>-6%</b>

# Summary of Projections

(Billions of yen)

	FY2019 Actual	FY2020 Projection	Changes	
			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%

# 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.



# Summary of Projections : Segment Information



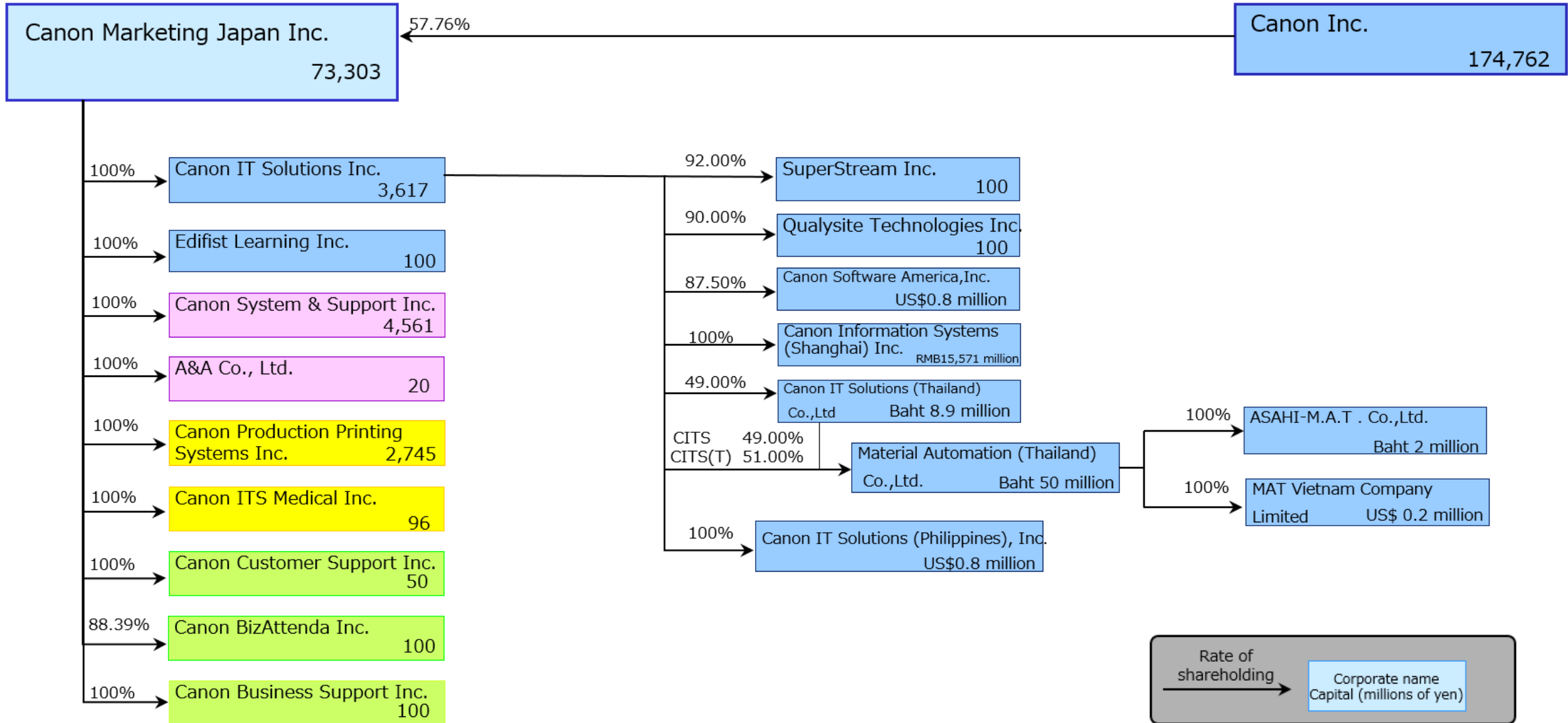
(Billions of yen)

	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.

# Supplementary Information

# Capital Relationship Diagram



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

# 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
<b>Total</b>	<b>41.7</b>	<b>34.6</b>	<b>-7.1</b>

# 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
<b>Total</b>	<b>83.4</b>	<b>73.7</b>	<b>-9.7</b>

# 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
<b>Total non-operating income</b>	<b>0.7</b>	<b>1.0</b>	<b>3.5</b>	<b>3.6</b>	<b>+2.8</b>	<b>+2.6</b>
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
<b>Total non-operating expenses</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.0</b>	<b>+0.0</b>

# Extraordinary income and expenses

(Billions of yen)

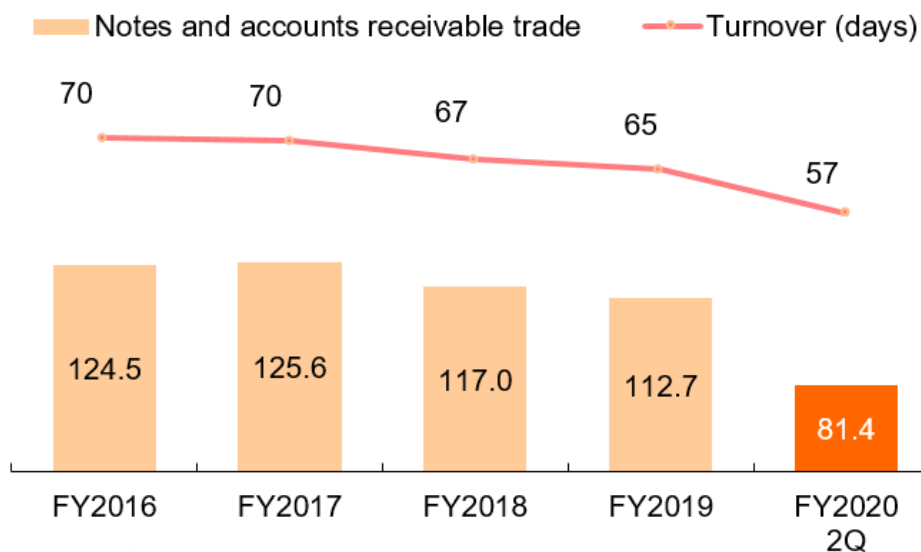
	FY2019		FY2020		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Gain on sales of fixed assets	0.0	0.0	0.0	0.3	-0.0	+0.3
Gain on sales of investments in securities	-	-	0.1	0.1	+0.1	+0.1
Other	-	-	-	0.0	-	+0.0
<b>Total extraordinary income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>+0.1</b>	<b>+0.4</b>
Loss 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
<b>Total extraordinary expenses</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>	<b>+0.1</b>	<b>+0.8</b>

# Balance Sheets

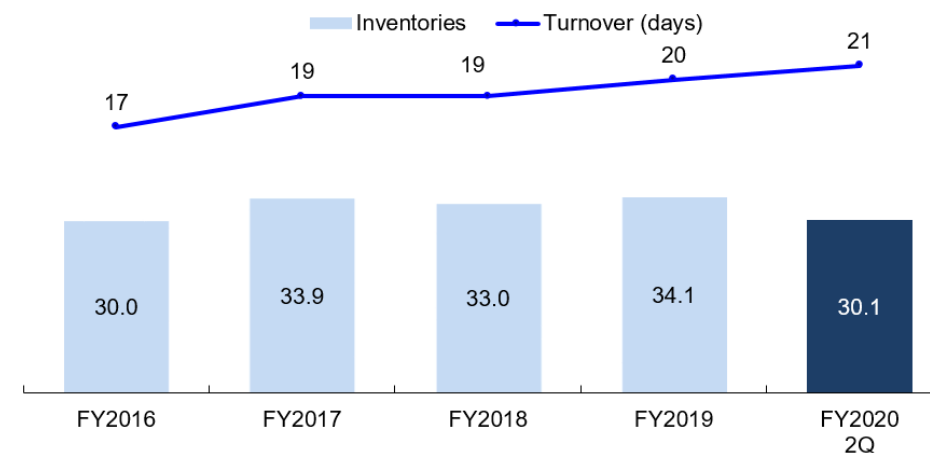
	Dec. 31 2019	Jun. 30 2020	Changes
<b>Assets</b>	503.7	477.3	-26.4
Current assets	377.4	353.3	-24.1
Cash and deposits	54.5	61.4	+6.9
Notes and accounts receivable	112.7	81.4	-31.3
Inventories	34.1	30.1	-4.0
Other (current assets)	176.1	180.4	+4.3
Non-current assets	126.3	124.0	-2.3
Property, plant and 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
<b>Liabilities</b>	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
<b>Net assets</b>	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
<b>Equity ratio</b>	64%	69%	+5%

## Notes and accounts receivable trade

(Billions of yen)



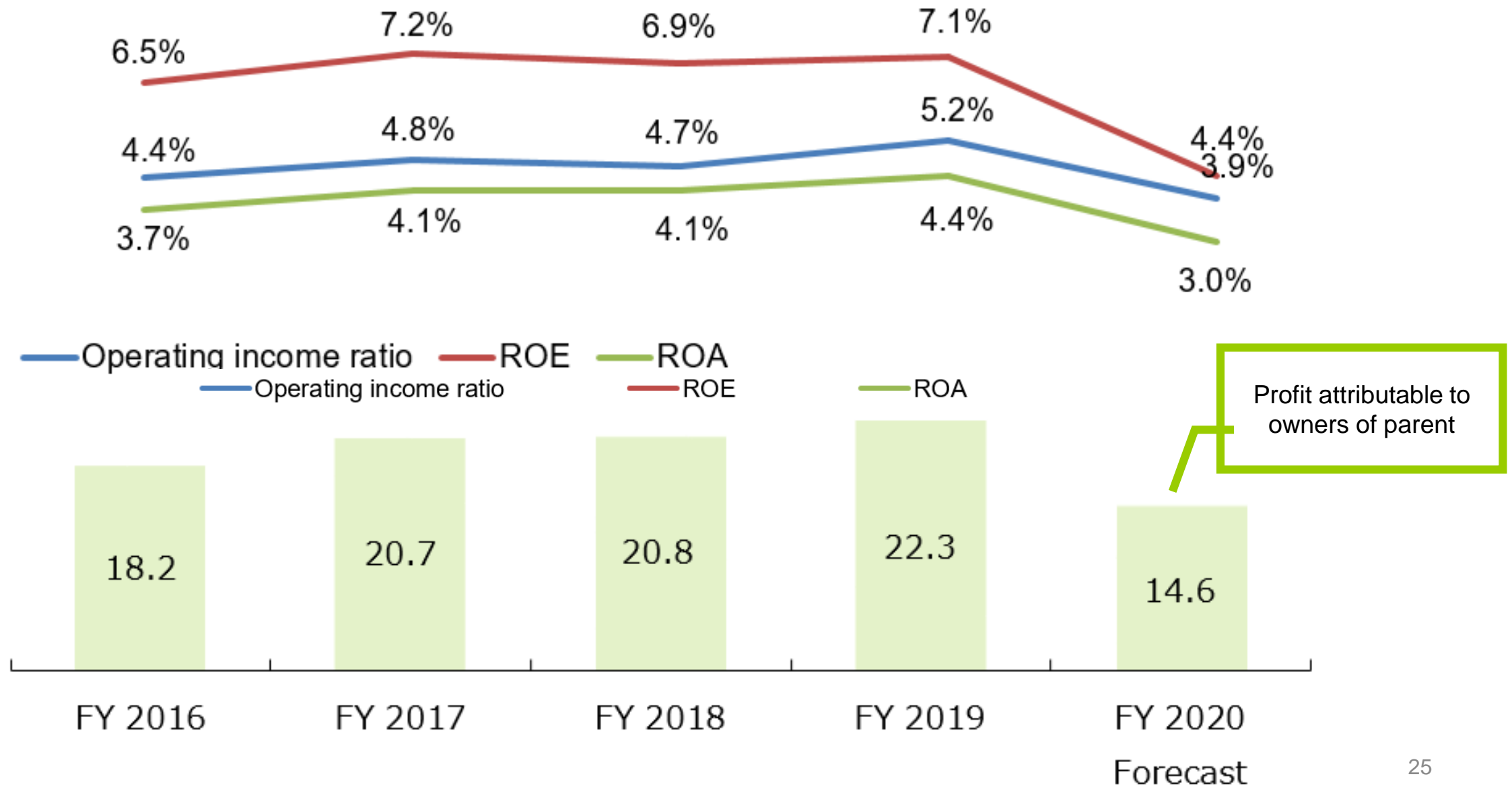
## Inventories



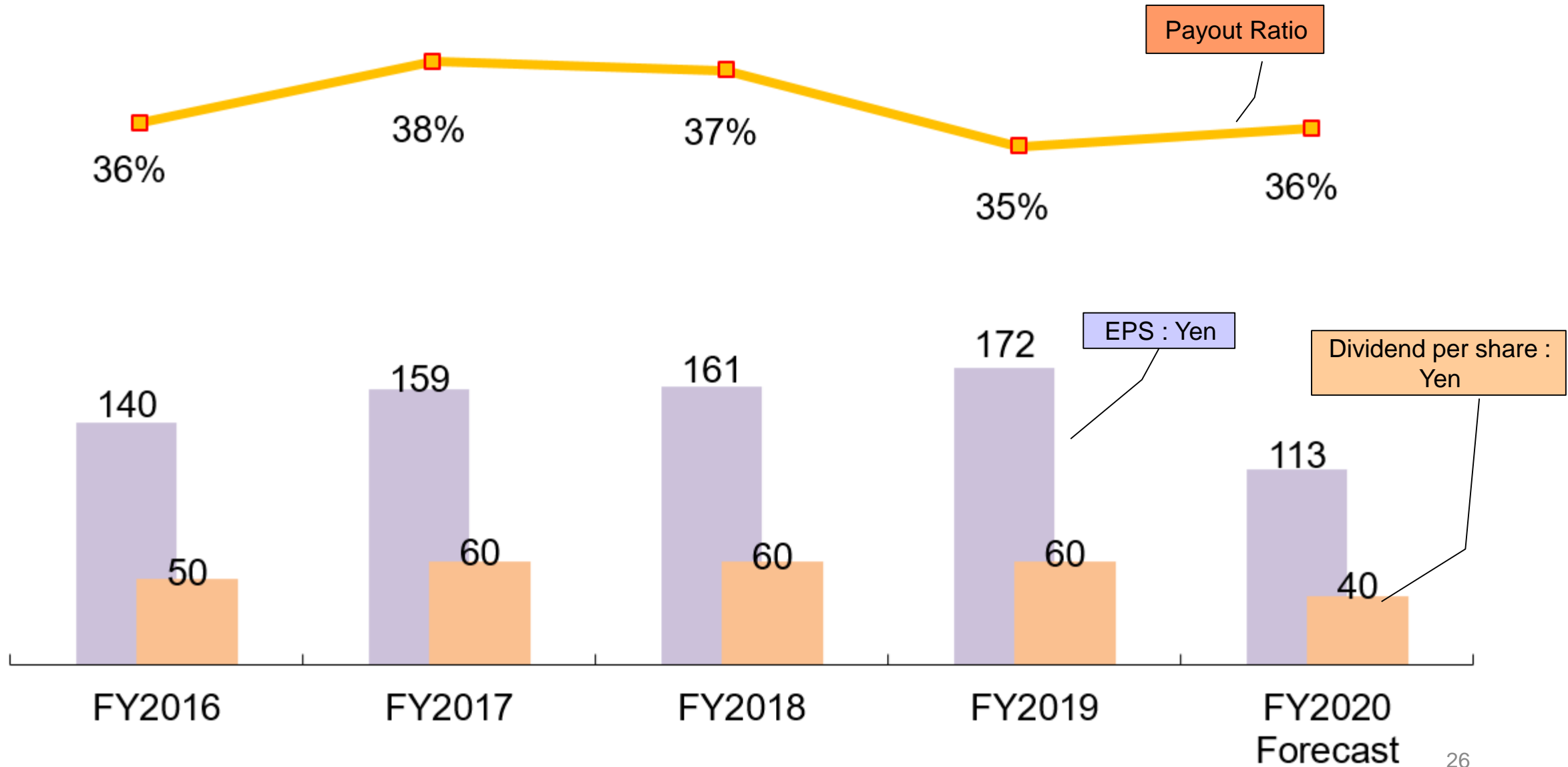


# Financial Indicator

(Billions of yen)



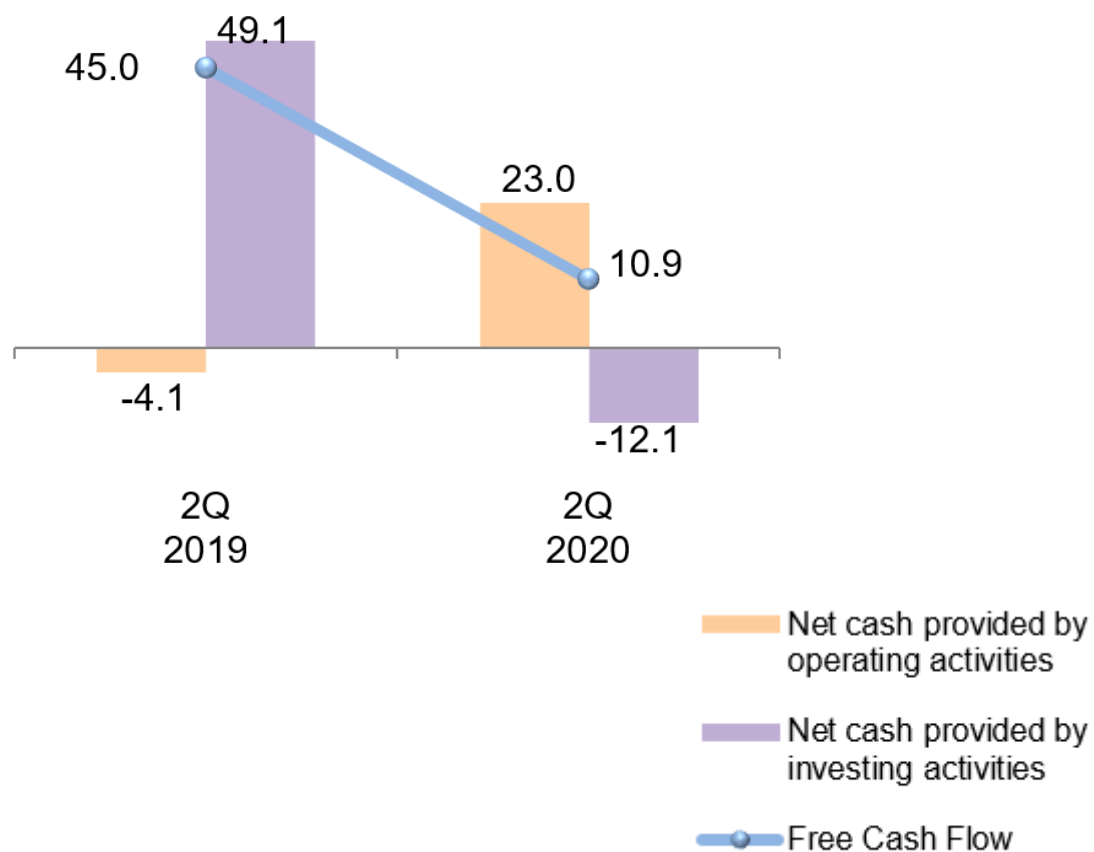
# Financial Indicator



# Financial Indicator

(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.