

3Q 2020 Results

October 23, 2020
Hatsumi Hirukawa
Director, Vice President

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

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.

Net sales **¥130.3 B** **(Y/Y -29.8 B, -19%)**

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

Operating Income **¥7.2 B** **(Y/Y -3.2 B, -31%)**

- ✓ Operating income declined due to a fall in gross profit associated with lower sales, despite a reduction in SG&A expenses on a company-wide basis.

**Profit attributable to
owners of parent** **¥4.4B** **(Y/Y -2.7 B, -38%)**

Summary of Results

3Q 2020 Actual
(from July 1 to September 30)



(Billions of yen)

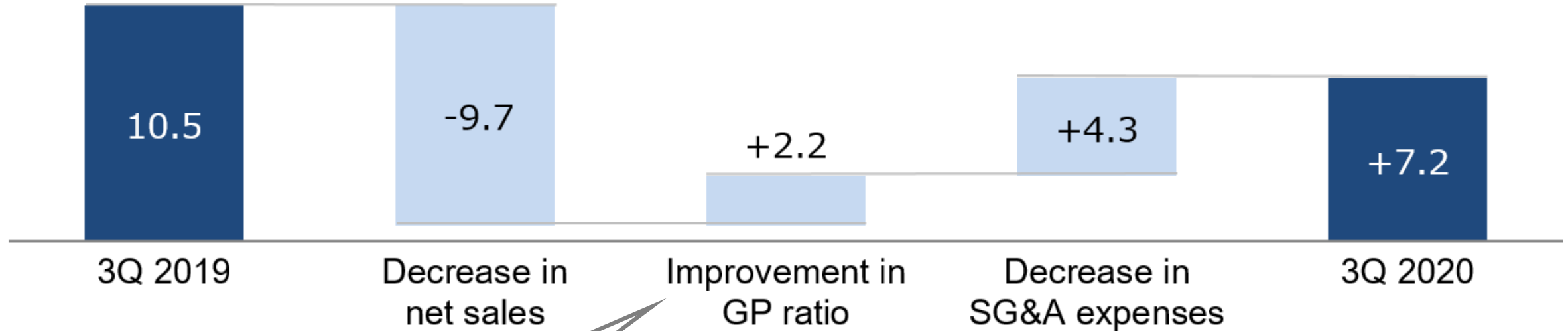
	3Q 2019	3Q 2020	Changes	
			Amount	%
Net sales	160.2	130.3	-29.8	-19%
	(32.6%)	(34.3%)	(+1.7%)	
Gross profit	52.3	44.8	-7.5	-14%
	(6.5%)	(5.6%)	(-1.0%)	
Operating income	10.5	7.2	-3.2	-31%
	(6.6%)	(5.7%)	(-0.9%)	
Ordinary income	10.6	7.4	-3.2	-30%
	(4.4%)	(3.4%)	(-1.0%)	
Profit attributable to owners of parent	7.1	4.4	-2.7	-38%

Op. Income Variance Analysis

3Q 2020 Actual
(from July 1 to September 30)



(Billions of yen)



Improvement in GP ratio

- Gross profit recovered mainly in the Consumers segment.

Decrease in SG&A expenses

- Reduced advertising expenses -0.4 B
(lower event expenses, etc.)
- Other direct selling expenses -0.5 B
(Reduction in expenses associated with a fall in shipment of business equipment, etc.)
- Reduced personnel expenses -2.1 B
(Reduction in pay and retirement benefit expenses , etc.)

Segment Outline

3Q 2020 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q 2019		3Q 2020		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	34.2	2.8	31.2	3.8	-3.0	+0.9
Enterprise	50.9	2.8	40.2	1.6	-10.7	-1.2
Area	69.4	4.7	57.1	2.1	-12.3	-2.6
Professional	10.7	0.4	6.5	0.4	-4.1	-0.0
Other	-4.9	-0.2	-4.6	-0.6	+0.2	-0.4
Total	160.2	10.5	130.3	7.2	-29.8	-3.2

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

Summary of Results

3Q 2020 Actual
(from January 1 to September 30)



(Billions of yen)

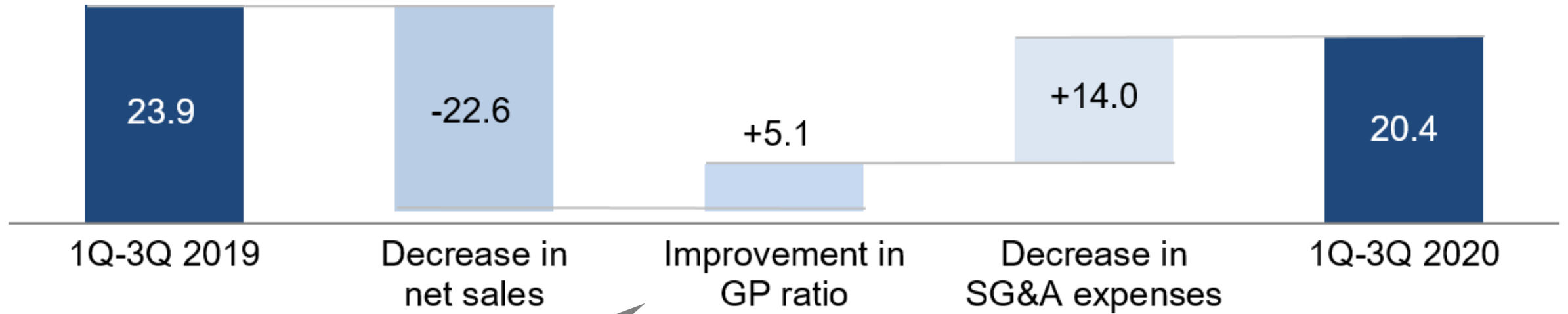
	1Q-3Q 2019	1Q-3Q 2020	Changes	
			Amount	%
Net sales	463.0	392.9	-70.1	-15%
	(32.2%)	(33.5%)	(+1.3%)	
Gross profit	149.1	131.6	-17.5	-12%
	(5.2%)	(5.2%)	(+0.0%)	
Operating income	23.9	20.4	-3.5	-15%
	(5.4%)	(6.1%)	(+0.7%)	
Ordinary income	24.9	24.1	-0.8	-3%
	(3.6%)	(3.7%)	(+0.1%)	
Profit attributable to owners of parent	16.5	14.4	-2.1	-13%

Op. Income Variance Analysis

3Q 2020 Actual
(from January 1 to September 30)



(Billions of yen)



Improvement in GP ratio

- Gross profit recovered mainly in the Consumers segment.

Decrease in SG&A expenses

- Reduced advertising expenses -1.6 B
(lower event expenses, etc.)
- Reduced personnel expenses -7.8 B
(Reduction in bonuses, pay and retirement benefit expenses)

Segment Outline

3Q 2020 Actual
(from January 1 to September 30)



(Billions of yen)

	1Q-3Q 2019		1Q-3Q 2020		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	91.8	2.6	81.5	5.8	-10.4	+3.2
Enterprise	149.6	8.3	126.6	6.7	-23.0	-1.5
Area	202.2	11.7	174.3	7.3	-27.9	-4.4
Professional	33.9	1.7	23.6	1.8	-10.2	+0.1
Other	-14.4	-0.3	-13.0	-1.2	+1.4	-0.9
Total	463.0	23.9	392.9	20.4	-70.1	-3.5

※"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 chiefly due to improvement in gross profit mainly in inkjet printers and a reduction in advertising expenses and sales promotion expenses.

	3Q		
	FY2019	FY2020	Changes
Net sales	34.2	31.2	-9%
Op. income	2.8	3.8	+33%
ratio	8.3%	12.1%	+3.8%

(Billions of yen)

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital SLR	Unit	-39%	-76%	-69%	-	-
Mirrorless Camera	Unit	-54%	-78%	-51%	-	-
Digital Interchangeable Lens Camera	Unit	-46%	-77%	-61%	-	-
Compact Digital Camera	Unit	-26%	-62%	-32%	-	-
Inkjet Printer (IJP)	Unit	+42%	+20%	+5%	-	-
IJP Cartridge	Amount	-0%	+5%	-17%	-	-

- ✓ Net sales decreased due to a fall in the print volume reflecting continued telework and a reactionary fall to large infrastructure system projects in the previous year.
- ✓ Despite efforts to reduce SG&A expenses, operating income fell due to the fall in gross profit from lower sales

		3Q			(Billions of yen)
		FY2019	FY2020	Changes	
Main Business Equipment, Other		19.2	14.3	-26%	
	IT Solutions	31.6	25.9	-18%	
Net sales		50.9	40.2	-21%	
Op. income		2.8	1.6	-44%	
ratio		5.4%	3.9%	-1.6%	

[Reference] Results of main consolidated companies

Canon IT Solutions Inc.

	3Q		Changes	
	2019	2020	Amount	%
Net sales	23.6	21.0	-2.6	-11%
Op. income	1.5	1.5	+0.0	+1%

Orders received and outstanding orders, Y/Y

Canon IT Solutions, Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Orders received	Amount	-36%	-5%	+34%	-	-
Outstanding orders	Amount	-11%	-11%	+15%	-	-

- ✓ Net sales declined mainly due to a reactionary fall in replacement demand for business computers associated with the termination of support for Windows7 in the previous year and a fall in the print volume due to continued telework.
- ✓ Despite efforts to reduce SG&A expenses, operating income fell due to the fall in gross profit from lower sales

		3Q		
		FY2019	FY2020	Changes
Main Business Equipment, Other		49.2	42.2	-14%
IT Solutions		20.2	14.9	-26%
Net sales		69.4	57.1	-18%
Op. income		4.7	2.1	-55%
	ratio	6.7%	3.7%	-3.0%

(Billions of yen)

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

	3Q		Changes	
	2019	2020	Amount	%
Net sales	33.1	26.3	-6.8	-20%
Op. income	1.6	0.7	-0.9	-58%

- ✓ Net sales declined due to a backlash to increasing demand for production printing and medical IT a year ago, before the consumption tax hike, and the impact of the transfer of shares in a Group company, despite growth in industrial equipment.
- ✓ Operating income fell due to lower income in production printing and healthcare, despite a rise in income in industrial equipment.

		3Q		
		FY2019	FY2020	Changes
Production Printing		2.9	2.3	-21%
Industrial Equipment		2.9	2.9	+1%
Healthcare Business		4.9	1.4	-72%
Net sales		10.7	6.5	-39%
Op. income		0.4	0.4	-4%
	ratio	3.9%	6.0%	+2.2%

(Billions of yen)

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

	3Q		Changes	
	2019	2020	Amount	%
Net sales	2.7	2.1	-0.6	-21%
Op. income	0.1	-0.0	-0.1	-

Overall Sales of IT Solutions

■ By Segment : IT Solutions Sales

(Billions of yen)

	3Q 2019	3Q 2020	1Q-3Q 2019	1Q-3Q 2020	3Q Changes		1Q-3Q Changes	
					Amount	%	Amount	%
Enterprise segment	31.6	25.9	96.1	82.3	-5.8	-18%	-13.7	-14%
Area segment	20.2	14.9	55.6	47.5	-5.3	-26%	-8.2	-15%
Other	5.9	6.6	16.8	21.2	+0.7	+13%	+4.4	+26%
Total	57.7	47.4	168.5	151.0	-10.3	-18%	-17.4	-10%

■ By Products and Solutions: IT Solutions Sales

	3Q 2019	3Q 2020	1Q-3Q 2019	1Q-3Q 2020	3Q Changes		1Q-3Q Changes	
					Amount	%	Amount	%
SI service	19.8	17.2	61.4	55.2	-2.7	-13%	-6.2	-10%
Maintenance and operation service /outsourcing	8.3	8.3	25.1	25.8	-0.0	-0%	+0.6	+2%
System sales/IT product	29.5	21.9	81.9	70.1	-7.6	-26%	-11.9	-14%
Total	57.7	47.4	168.5	151.0	-10.3	-18%	-17.4	-10%

Summary of Projections



(Billions of yen)

	FY2020 Previous Projection	FY2020 Current Projection	Changes		FY2019 Actual	Changes	
			Amount	%		Amount	%
Net Sales	532.0	537.0	+5.0	+1%	621.1	- 84.1	-14%
	(3.9%)	(4.5%)	(+0.5%)		(5.2%)	(-0.8%)	
Operating Income	21.0	24.0	+3.0	+14%	32.4	- 8.4	-26%
	(4.6%)	(5.2%)	(+0.5%)		(5.5%)	(-0.3%)	
Ordinary Income	24.7	27.7	+3.0	+12%	33.9	- 6.2	-18%
	(2.7%)	(3.1%)	(+0.4%)		(3.6%)	(-0.5%)	
Profit attributable to owners of parent	14.6	16.8	+2.2	+15%	22.3	- 5.5	-24%

Summary of Projections by Segment

FY2020 Current Projection v. Previous Projection

(Billions of yen)

	FY2020 Previous Projection		FY2020 Current Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	110.1	3.8	117.8	7.2	+7.7	+7%	+3.4
Enterprise	172.5	8.6	171.5	8.6	-1.0	-1%	+0.0
Area	235.3	8.3	234.0	8.1	-1.3	-1%	-0.2
Professional	32.0	2.0	31.5	1.9	-0.5	-2%	-0.1
Other	-17.9	-1.7	-17.8	-1.8	+0.1	-	-0.1
Total	532.0	21.0	537.0	24.0	+5.0	+1%	+3.0

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

Summary of Projections by Segment

FY2020 Projection v. FY2019 Actual

(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	117.8	7.2	-15.0	-11%	+0.3
Enterprise	195.8	10.1	171.5	8.6	-24.3	-12%	-1.5
Area	268.3	14.4	234.0	8.1	-34.3	-13%	-6.3
Professional	43.7	1.6	31.5	1.9	-12.2	-28%	+0.3
Other	-19.5	-0.5	-17.8	-1.8	+1.7	-	-1.3
Total	621.1	32.4	537.0	24.0	-84.1	-14%	-8.4

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

Summary of Projections : Segment Information



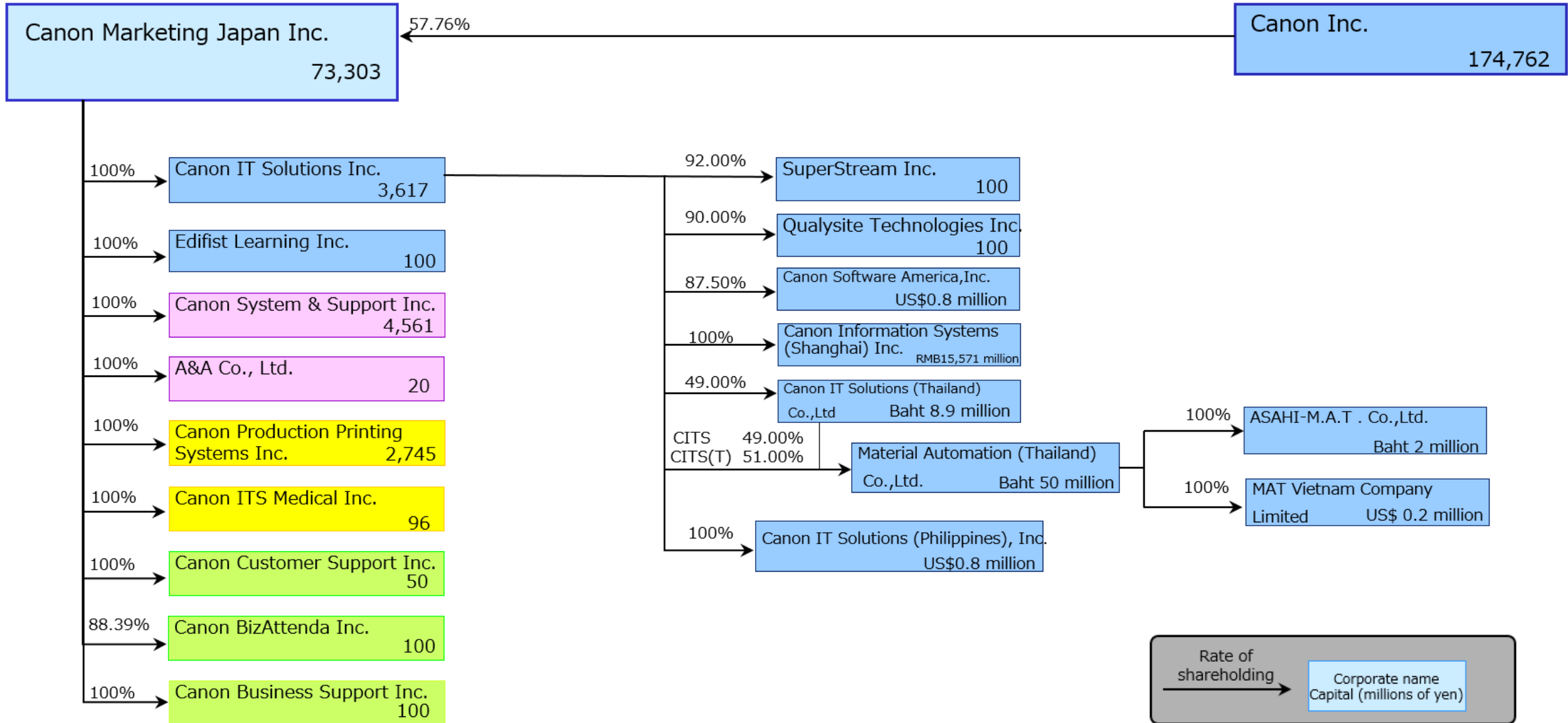
(Billions of yen)

	Actual 1Q-3Q 2019		Actual 4Q 2019		Actual 1Q-3Q 2020		Projection 4Q 2020		Changes 1Q-3Q		Changes 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	91.8	2.6	40.9	4.3	81.5	5.8	36.3	1.4	-10.4	+3.2	-4.6	-2.9
Enterprise	149.6	8.3	46.2	1.8	126.6	6.7	44.9	1.9	-23.0	-1.5	-1.3	+0.1
Area	202.2	11.7	66.1	2.7	174.3	7.3	59.7	0.8	-27.9	-4.4	-6.4	-1.9
Professional	33.9	1.7	9.8	-0.1	23.6	1.8	7.9	0.1	-10.2	+0.1	-1.9	+0.2
Other	-14.4	-0.3	-5.0	-0.2	-13.0	-1.2	-4.8	-0.6	+1.4	-0.9	+0.2	-0.4
Total	463.0	23.9	158.1	8.6	392.9	20.4	144.1	3.6	-70.1	-3.5	-14.0	-4.9

※"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)

Results of main consolidated companies

3Q 2020 Actual
(from July 1 to September 30)



(Billions of yen)

		3Q 2019		3Q 2020	Changes	
					Amount	%
Enterprise						
Canon IT Solutions Inc.	Net sales	23.6		21.0	-2.6	-11%
	Op. income	1.5	(6.3%)	1.5	+0.0	(+0.8%)
Area						
Canon System & Support Inc.	Net sales	33.1		26.3	-6.8	-20%
	Op. income	1.6	(4.9%)	0.7	-0.9	(-2.3%)
Professional						
Canon Production Printing Systems Inc.	Net sales	2.7		2.1	-0.6	-21%
	Op. income	0.1	(3.4%)	-0.0	-0.1	(-)

Results of main consolidated companies

3Q 2020 Actual
(from January 1 to September 30)



(Billions of yen)

		1Q-3Q 2019		1Q-3Q 2020		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	70.0		64.0		-6.0	-9%
	Op. income	6.5	(9.3%)	5.5	(8.5%)	-1.0	(-0.7%)
Area							
Canon System & Support Inc.	Net sales	95.1		79.9		-15.3	-16%
	Op. income	4.1	(4.3%)	1.8	(2.2%)	-2.3	(-2.1%)
Professional							
Canon Production Printing Systems Inc.	Net sales	8.1		7.0		-1.1	-13%
	Op. income	0.2	(2.3%)	0.1	(1.3%)	-0.1	(-1.0%)

SG&A expenses

3Q 2020 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q 2019	3Q 2020	Changes
Advertising expenses	1.8	1.4	-0.4
Promotion expenses	0.8	0.4	-0.4
Warranty expenses	0.9	0.8	-0.2
Other direct selling expenses	4.7	4.3	-0.5
Personnel expenses	26.4	24.2	-2.1
Depreciation and amortization	0.2	0.3	+0.0
Other selling expenses	7.0	6.2	-0.8
Total	41.8	37.5	-4.3

SG&A expenses

3Q 2020 Actual
(from January 1 to September 30)



(Billions of yen)

	1Q-3Q 2019	1Q-3Q 2020	Changes
Advertising expenses	5.4	3.8	-1.6
Promotion expenses	2.5	1.5	-1.0
Warranty expenses	2.9	2.3	-0.5
Other direct selling expenses	14.0	12.8	-1.2
Personnel expenses	79.2	71.4	-7.8
Depreciation and amortization	0.7	0.7	+0.1
Other selling expenses	20.6	18.6	-2.0
Total	125.2	111.2	-14.0

Non-operating income and expenses

(Billions of yen)

	FY2019		FY2020		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest income	0.1	0.1	0.1	0.2	+0.0	+0.0
Dividend income	0.0	0.1	0.0	0.1	+0.0	-0.0
Insurance income	0.0	0.5	0.0	0.5	-0.0	-0.0
Gain on investments in partnership	0.0	0.2	0.1	0.2	+0.1	-0.0
Subsidies for employment adjustment	-	-	-	2.7	-	+2.7
Other	0.0	0.2	0.0	0.2	+0.0	-0.0
Total non-operating income	0.1	1.2	0.2	3.9	+0.1	+2.7
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	0.1	0.2	+0.0	+0.0

Extraordinary income and expenses

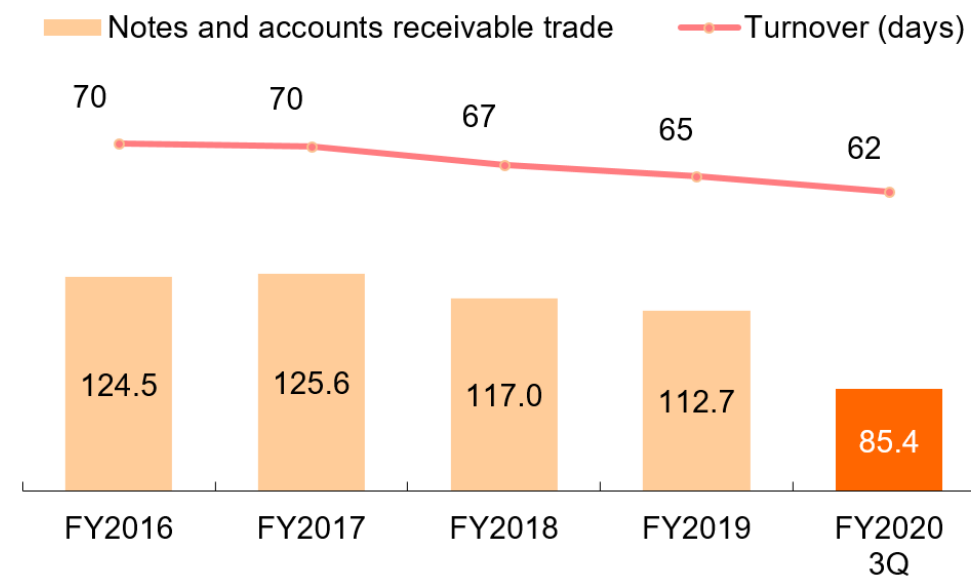
(Billions of yen)

	FY2019		FY2020		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
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	0.0	0.0	0.1	0.2	+0.1	+0.2
Other	-	-	-	0.0	-	+0.0
Total extraordinary income	0.0	0.0	0.1	0.5	+0.1	+0.5
Loss on sales and disposal of fixed assets	0.0	0.2	0.9	1.0	+0.9	+0.8
Loss on impairment of fixed assets	0.1	0.1	-	-	-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	-	-	0.1	0.3	+0.1	+0.3
Other	0.0	0.0	0.0	0.0	-0.0	-0.0
Total extraordinary expenses	0.1	0.3	1.0	2.0	+0.9	+1.7

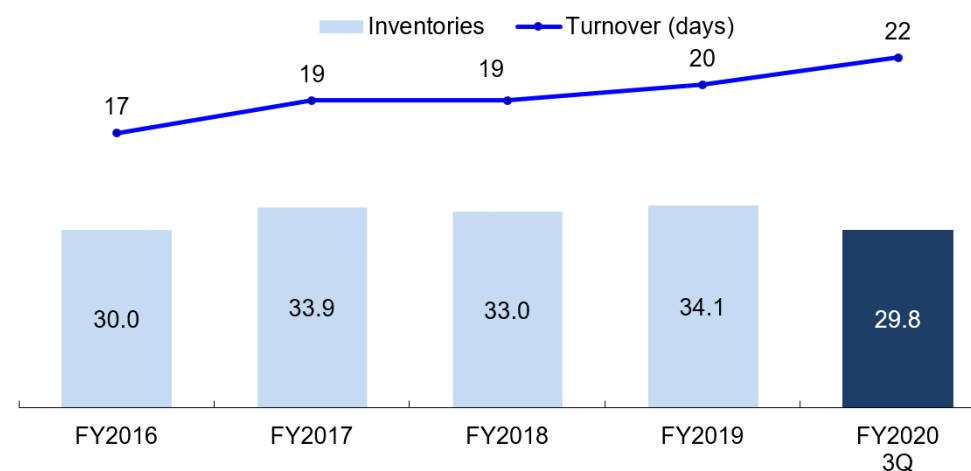
Balance Sheets

	Dec. 31 2019	Sep. 30 2020	Changes
Assets	503.7	488.2	-15.5
Current assets	377.4	360.5	-16.9
Cash and deposits	54.5	68.8	+14.3
Notes and accounts receivable	112.7	85.4	-27.3
Inventories	34.1	29.8	-4.3
Other (current assets)	176.1	176.5	+0.4
Non-current assets	126.3	127.7	+1.4
Property, plant and equipment	82.8	83.9	+1.0
Intangible assets	4.5	5.4	+0.9
Investments and other assets	39.0	38.4	-0.6
Liabilities	178.6	153.8	-24.8
Current liabilities	120.0	96.9	-23.2
Notes and accounts payable	51.5	39.5	-12.0
Other (current liabilities)	68.5	57.3	-11.1
Long-term liabilities	58.6	56.9	-1.7
Net assets	325.1	334.4	+9.3
Stakeholders' equity	327.0	334.9	+7.9
(Treasury stock)	-31.9	-2.1	+29.8
Total accumulated other comprehensive income (loss)	-2.5	-1.1	+1.4
Non-controlling interests	0.6	0.7	+0.0
Equity ratio	64%	68%	+4%

Notes and accounts receivable trade (Billions of yen)

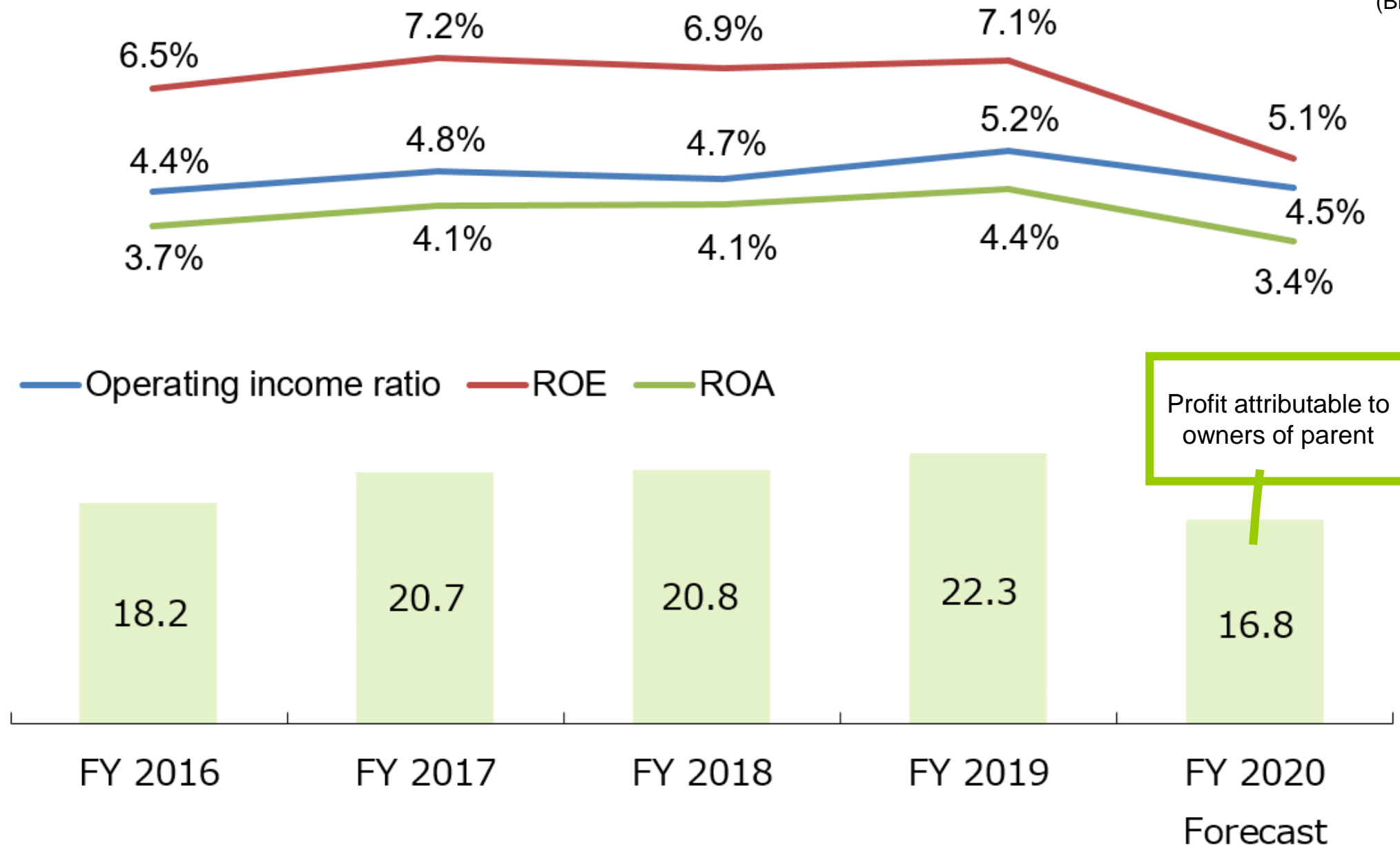


Inventories

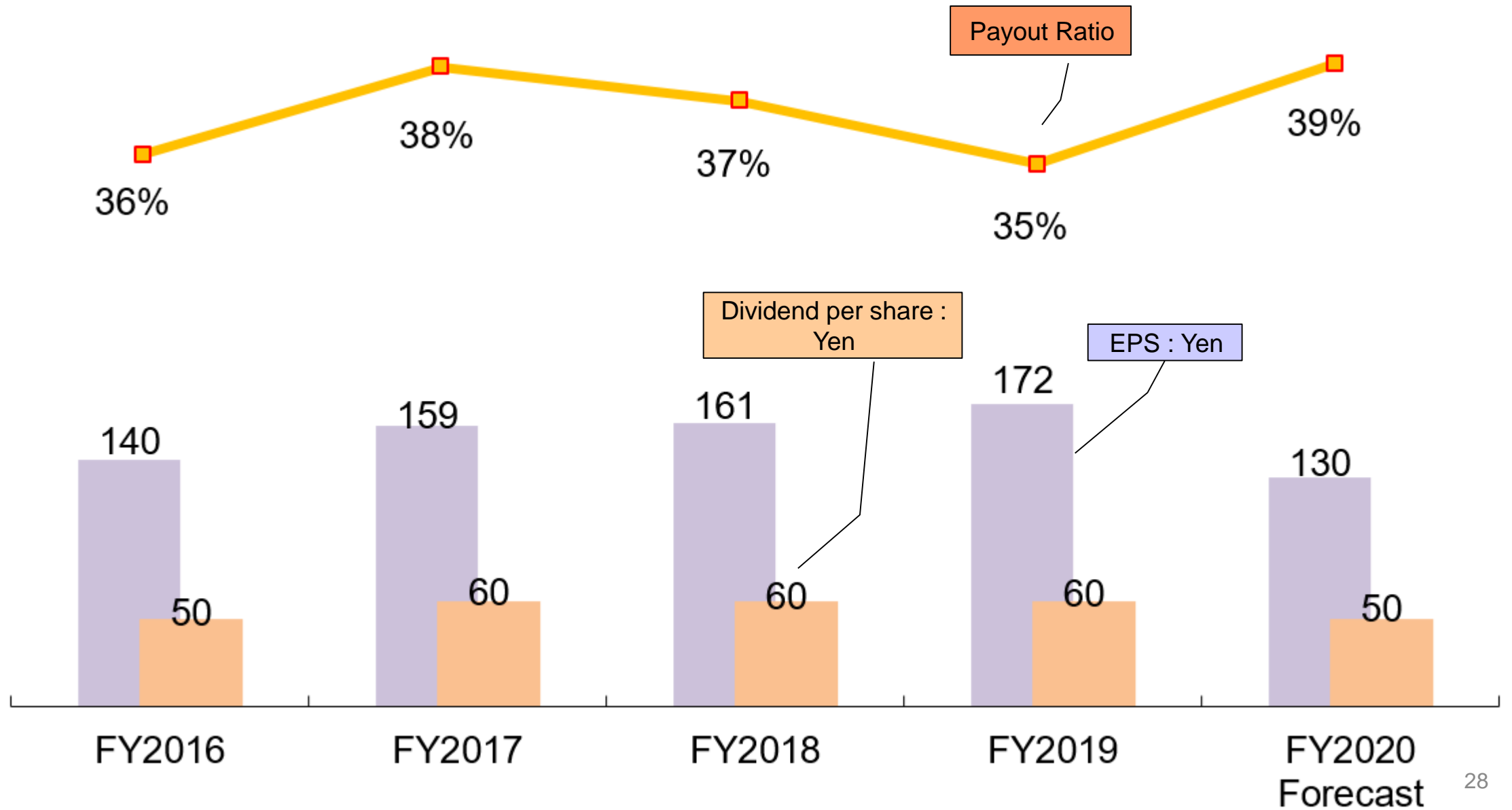


Financial Indicator

(Billions of yen)



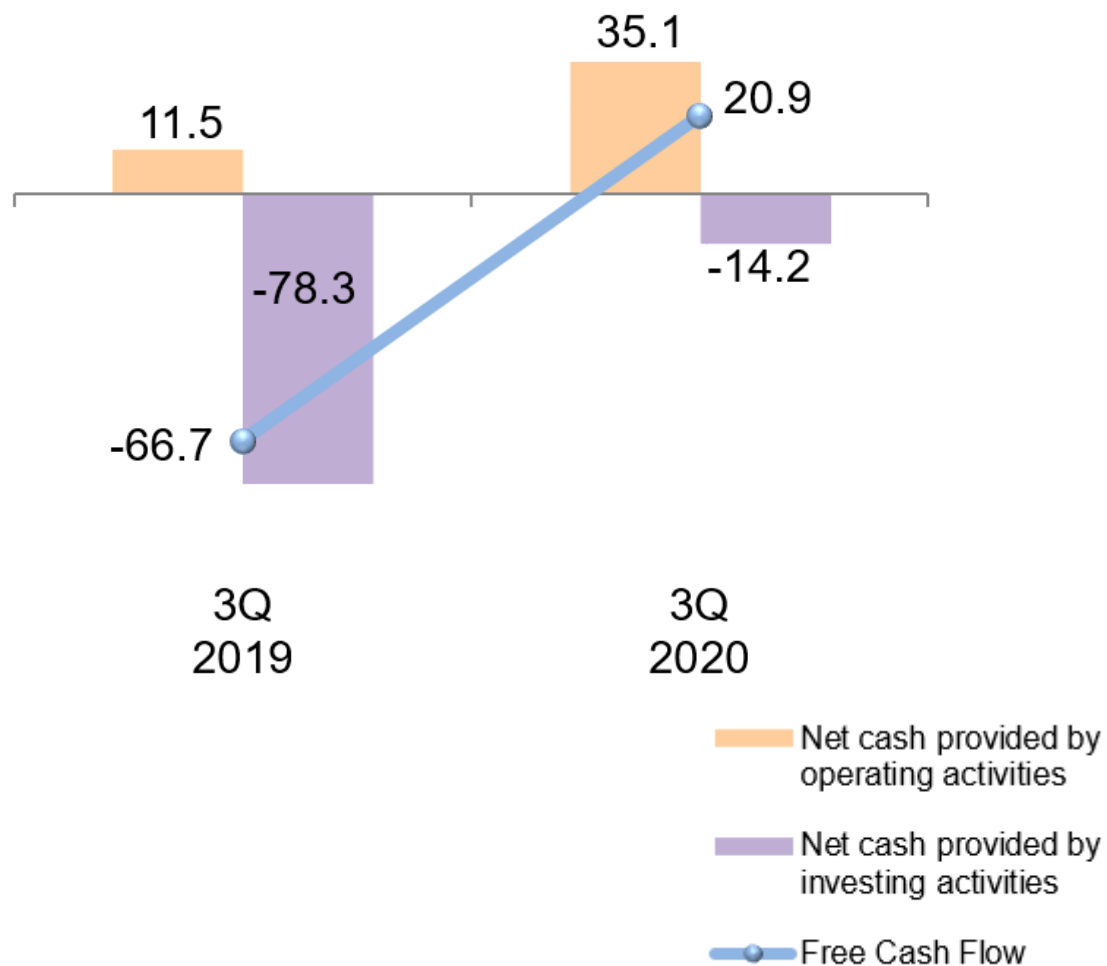
Financial Indicator



Financial Indicator

(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2019	15.3	6.2	21.5
FY 2020	11.9	5.6	17.5

■ Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2019	9.2	3.1	12.3
FY 2020	8.4	3.2	11.6

Canon

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