

Canon

Canon Marketing Japan Inc.

Resolving Social Issues *with* IT Solutions

Integrated Report

2020

For the year ended December 31, 2020

Canon

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

(in Japanese only)

Investor Relations

canon.jp/8060e-ir

Sustainability

canon.jp/8060-csr

(in Japanese only)

Canon MJ Group Now

(Year Ended December 31, 2020)

Sales down owing to the COVID-19 pandemic constraining sales activities

Net sales

¥545.1 billion

(down 12.2% from fiscal 2019)



Record-high operating margin

Operating margin

5.7%

(up 0.5 percentage point from fiscal 2019)



Expanding IT solutions business through Groupwide efforts

IT solutions as a percentage of net sales

37.3%
(¥203.1 billion)

(up 1.8 percentage points from fiscal 2019)

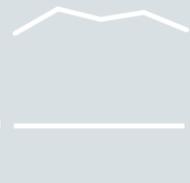


Capital efficiency

ROE

6.6%

(down 0.5 percentage point from fiscal 2019)



Stable shareholder returns

Payout ratio

35.4%

(up 0.4 percentage point from fiscal 2019)

The payout ratio has stably exceeded 35% since fiscal 2015.



Robust financial base

Total stockholders' equity ratio

68.2%

(up 3.8 percentage points from fiscal 2019)



As a true partner, the Canon MJ Group will prioritize creating added value for customers, become an entity that remains resilient and highly profitable even in challenging times, and help resolve social issues.

Tackling climate change

Helping reduce CO₂ at customer sites

120,320 t-CO₂

- Enhancing energy-saving performance of products and adopting carbon offsets
- Boosting efficiency through IT solutions
- Recycling used products and consumables



Using resources effectively

Recycling rate

99.99%

Recycling rate =
Amount of resources recycled / Total amount of
used products recovered and processed



Work practice reforms

Total annual working hours (average for Canon MJ
union members)

1,697 hours

(down 44 hours from fiscal 2019)



Diversity

Proportion of women in managerial posts

3.5%

(up 0.4 percentage point from fiscal 2019)



Undertaking intellectual property activities

Number of patents held

1,302

Note: Number of patents issued and maintained in the Patent Gazette
as of December 31, 2020 (Source: Canon MJ)
Including security-related technologies, automated Web app creation
technologies, and video and image processing-related technologies



Customer satisfaction survey for security products

Security products

1st place
for eight consecutive years

Note: Nikkei xTECH and Nikkei Computer Customer Satisfaction Survey 2020-2021



Market share: Canon brand helps boost earnings

Market share in Japan in 2020 (Source: Canon MJ)

Digital interchangeable lens cameras



34%
No.1

No.1 market share for
13 consecutive years

Compact digital cameras



45%
No.1

No.1 market share for
eight consecutive years

Inkjet printers



48%
No.1

No.1 market share for
seven consecutive years

Office multifunction printers (MFPs)



16%
No.3

Laser printers



30%
No.1

No.1 market share for
29 consecutive years

Large inkjet printers

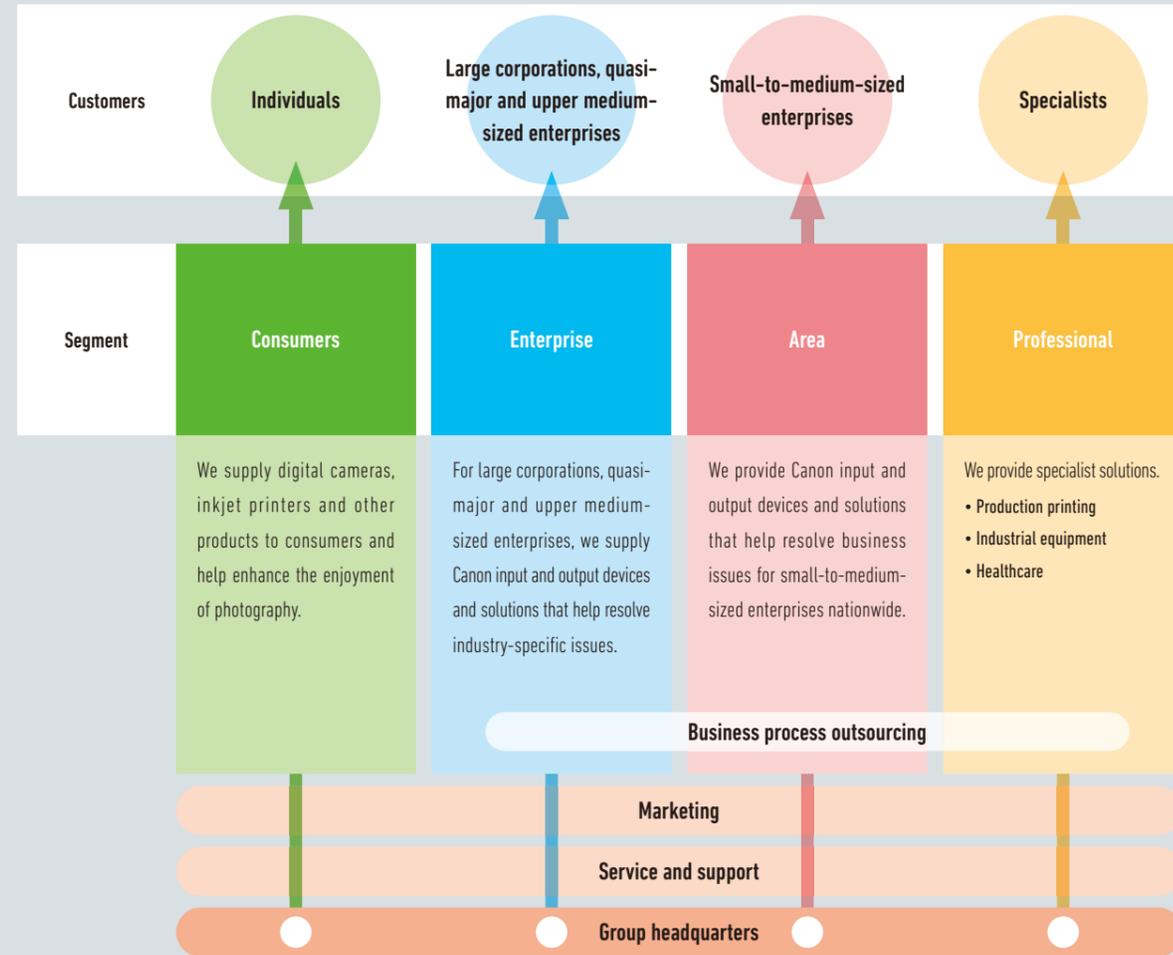


40%
No.1

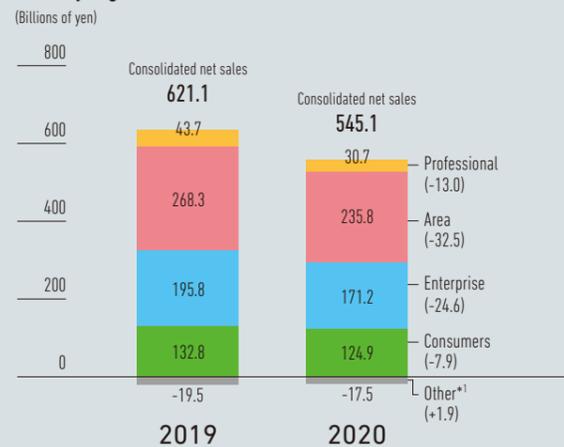
No.1 market share for
12 consecutive years

REVIEW BY SEGMENT

We are developing businesses in the Consumers, Enterprise, Area, and Professional segments to help numerous customers create value.



Sales by segment



Operating income by segment



Figures in parentheses represent changes from fiscal 2019.

1. Other includes intersegment sales, shared service business, and BPO services business and other sales not allocated to segments. It also includes corporate and other expenses not allocated to segments.

*2. Shared services are a framework for improving services and reducing costs by centralizing common operations for multiple entities within the Group.

Factors in Sales Changes for Major Products and Services by Segment for Fiscal 2020

Consumers Segment	Enterprise Segment
<p>Sales ↘ Digital interchangeable lens cameras and compact digital cameras</p> <p>Although the EOS R5, EOSR6, and EOS Kiss M2 mirrorless cameras launched in fiscal 2020 were well received, demand was low because people refrained from going out, thereby dampening purchasing sentiment. Selling opportunities were limited owing to temporary closures and shorter operating hours among camera stores and electronics retailers.</p> <p>Sales ↗ Inkjet printers</p> <p>Demand rose significantly owing to an increase in online studying and work from home. Sales were therefore strong, particularly for high-value-added products launched in the year under review. Demand remained strong for products equipped with refillable Giga Tanks.</p> <p>Sales ↘ Ink cartridges</p> <p>Market shrank amid decreased color printing and New Year's card production.</p> <p>Sales ↗ IT products</p> <p>Sales of PC peripherals continued to grow owing to rising demand of work from home. Sales of gaming PCs also continued to grow.</p>	<p>Sales ↘ Office MFPs</p> <p>Deals were down as a result of lackluster market conditions from the start of the year and restrictions on sales activities from ongoing closures.</p> <p>Sales ↘ Laser printers</p> <p>As with office MFPs, performance suffered from the impact on sales activities and the absence of the previous year's large deals.</p> <p>Sales ↘ Maintenance services and ink cartridges for laser printers</p> <p>Office print volumes declined from ongoing telework and other factors.</p> <p>Sales ↘ IT solutions for large corporations</p> <ul style="list-style-type: none"> • Although the order situation improved from the fourth quarter, there was a decline in replacement demand for business PCs that was associated with the end of Windows 7 support and an absence of the previous year's large-scale projects for systems integration services and infrastructure systems. • We experienced project declines and postponements because of reduced sales activities and other factors.
Area Segment	Professional Segment
<p>Sales ↘ Office MFPs and laser printers</p> <p>Notwithstanding progress in securing office MFP deals that had been postponed since the fourth quarter of the previous term, markets were weak from the beginning of the year, and sales activities were limited due to ongoing closures.</p> <p>Sales ↘ Maintenance services and ink cartridges for laser printers</p> <p>Print volumes decreased due to the impact of ongoing telework.</p> <p>Sales ↘ IT solutions for small-to-medium-sized enterprises</p> <p>Demand for building teleworking environment remained high, and the HOME IT support cloud service performed well, while sales of ESET antivirus software and other security products increased. The number of orders for IT systems maintenance and operational services increased. The absence of the previous term's replacement demand surge owing to the termination of Windows 7 support affected sales of business PCs, offsetting some telework-related demand.</p>	<p>Sales ↘ Production printing</p> <ul style="list-style-type: none"> • Lower sales of consumables due to lower print volumes offset higher sales of monochrome continuous-feed printers and other products. • The point-of-purchase production-related business experienced a downturn. <p>Sales ↘ Industrial equipment</p> <p>While sales of semiconductor production-related equipment increased, sales of inspection and measurement equipment were down.</p> <p>Sales ↘ Healthcare</p> <p>Despite the absence of the previous year's major deals for pharmacies, we received orders for several large deals from hospitals to construct electronic medical records and medical IT platforms.</p> <p><small>Note: In January 2020, the Company transferred the shares of consolidated subsidiary Canon Lifecare Solutions Inc. to Canon Medical Systems Corporation. Healthcare sales would have been up if the impact of performance figures of Canon Lifecare Solutions' net sales of ¥11.0 billion and operating income of ¥100 million in the previous fiscal year were excluded.</small></p>