

1Q 2021 Results

April 23, 2021
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.

Summary of Financial Results

1Q 2021 Actual
(from January 1 to March 31)



Net sales **¥140.4 B** **(Y/Y -1.1 B, -1%)**

- ✓ Net sales decreased due to lower sales in the Enterprise, Area and Professional segments, offsetting an increase in sales in the Consumers segment.

Operating Income **¥10.6 B** **(Y/Y +2.8 B, +36%)**

- ✓ In the Consumers segment, operating income increased, reflecting a rise in gross profit mainly due to growth in high value-added products, such as inkjet printers and digital interchangeable lens cameras, and efforts to reduce SG&A expenses.

**Net income attributable
to owners of parent** **¥8.0 B** **(Y/Y +3.9 B, +95%)**

Summary of Results

1Q 2021 Actual
(from January 1 to March 31)



(Billions of yen)

	1Q 2020	1Q 2021	Changes	
			Amount	%
Net sales	141.5	140.4	-1.1	-1%
	(33.1%)	(33.7%)	(+0.6%)	
Gross profit	46.9	47.3	+0.4	+1%
	(5.5%)	(7.5%)	(+2.0%)	
Operating income	7.8	10.6	+2.8	+36%
	(5.5%)	(7.8%)	(+2.3%)	
Ordinary income	7.8	10.9	+3.1	+40%
	(2.9%)	(5.7%)	(+2.8%)	
Net income attributable to owners of parent	4.1	8.0	+3.9	+95%

Op. Income Variance Analysis

1Q 2021 Actual
(from January 1 to March 31)



(Billions of yen)



Improvement in GP ratio

- Gross profit recovered mainly in the Consumers segment.

Decrease in SG&A expenses

- Reduced advertising expenses -0.3 B
- Reduced promotion expenses -0.4 B
- Personnel expenses -1.2 B

Segment Outline

1Q 2021 Actual
(from January 1 to March 31)



(Billions of yen)

	1Q 2020		1Q 2021		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	24.6	0.0	30.6	3.0	+6.0	+3.0
Enterprise	50.6	3.7	47.3	3.6	-3.4	-0.1
Area	62.0	3.6	59.4	4.0	-2.6	+0.4
Professional	8.7	0.7	8.2	0.7	-0.5	+0.0
Other	-4.5	-0.2	-5.1	-0.6	-0.6	-0.4
Total	141.5	7.8	140.4	10.6	-1.1	+2.8

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

※Part of the organization that conducted direct sales to medium-sized/second-tier companies in the Area segment was transferred to the Enterprise segment in 2021. Accordingly, results for 2020 have been reclassified between the segments.

- ✓ Net sales increased, mainly reflecting higher sales of inkjet printers, digital interchangeable lens cameras and IT products.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to a the higher weighting of high value-added products and efforts to reduce SG&A expenses.

(Billions of yen)

	1Q		
	FY2020	FY2021	Changes
Net sales	24.6	30.6	+24%
Op. income	0.0	3.0	-
ratio	0.1%	9.8%	+9.7%

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	-20%	-	-	-	-
Compact Digital Camera	Unit	-2%	-	-	-	-
Inkjet Printer (IJP)	Unit	+34%	-	-	-	-
IJP Cartridge	Amount	-0%	-	-	-	-

- ✓ Net sales declined mainly due to the impact of a fall in sales from maintenance services and LBP cartridges, which resulted from a decline in the print volume attributable to continued telework.
- ✓ Operating income declined due to the fall in gross profit from lower sales.

	1Q			(Billions of yen)
	FY2020	FY2021	Changes	
Main Business Equipment, Other	18.8	16.1	-14%	
IT Solutions	31.8	31.1	-2%	
Net sales	50.6	47.3	-7%	
Op. income	3.7	3.6	-3%	
ratio	7.3%	7.5%	+0.3%	

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

	1Q		Changes	
	2020	2021	Amount	%
Net sales	23.6	24.5	+0.8	+4%
Op. income	2.3	2.4	+0.1	+4%

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

		1Q	2Q	3Q	4Q	Full Year
		Orders received	Amount	+1%	-	-
Outstanding orders	Amount	+14%	-	-	-	-

- ✓ Net sales declined mainly due to the impact of a fall in sales from maintenance services and LBP cartridges, which resulted from a decline in the print volume attributable to continued telework.
- ✓ Operating income increased, reflecting efforts to reduce SG&A expenses to offset a decline in gross profit attributable to lower sales.

	1Q			(Billions of yen)
	FY2020	FY2021	Changes	
Main Business Equipment, Other	43.7	42.1	-4%	
IT Solutions	18.3	17.2	-6%	
Net sales	62.0	59.4	-4%	
Op. income	3.6	4.0	+10%	
ratio	5.8%	6.7%	+0.9%	

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

	1Q		Changes	
	2020	2021	Amount	%
Net sales	27.5	26.2	-1.3	-5%
Op. income	0.8	1.0	+0.3	+35%

- ✓ Net sales decreased due to lower sales in production printing and medical IT, despite growth in industrial equipment.
- ✓ Operating income increased, mainly reflecting growth in profit from the maintenance services for industrial equipment.

	1Q		
	FY2020	FY2021	Changes
Production Printing	2.8	2.3	-17%
Industrial Equipment	3.6	3.7	+1%
Healthcare Business	2.3	2.2	-3%
Net sales	8.7	8.2	-6%
Op. income	0.7	0.7	+3%
ratio	7.6%	8.3%	+0.7%

(Billions of yen)

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

	1Q		Changes	
	2020	2021	Amount	%
Net sales	2.6	2.1	-0.5	-19%
Op. income	0.1	0.1	-0.0	-36%

Overall Sales of IT Solutions

(Billions of yen)

	1Q 2020	1Q 2021	Changes	
			Amount	%
Enterprise segment	31.8	31.1	-0.6	-2%
Area segment	18.3	17.2	-1.0	-6%
Other	6.9	9.0	+2.0	+29%
Total	57.0	57.3	+0.4	+1%

	1Q 2020	1Q 2021	Changes	
			Amount	%
SI service	19.1	18.8	-0.3	-1%
Maintenance and operation service /outsourcing	9.7	9.9	+0.2	+2%
System sales/IT product	28.1	28.6	+0.5	+2%
Total	57.0	57.3	+0.4	+1%

※ The FY2020 financial results have been subject to reclassification due to the inclusion of the business of certain products such as network cameras in sales of IT Solutions in FY2021.

Summary of Projections



(Billions of yen)

	FY2021 Previous Projection	FY2021 Current Projection	Changes		FY2020 Actual	Changes	
			Amount	%		Amount	%
Net Sales	560.0	567.0	+7.0	+1%	545.1	+21.9	+4%
	(5.8%)	(6.0%)	(+0.2%)		(5.7%)	(+0.3%)	
Operating Income	32.5	34.0	+1.5	+5%	31.3	+2.7	+9%
	(5.9%)	(6.1%)	(+0.2%)		(6.5%)	(-0.3%)	
Ordinary Income	33.3	34.8	+1.5	+5%	35.2	- 0.4	-1%
	(4.0%)	(4.1%)	(+0.1%)		(4.0%)	(+0.1%)	
Net income attributable to owners of parent	22.5	23.5	+1.0	+4%	22.0	+1.5	+7%

Summary of Projections by Segment

FY2021 Current Projection v. Previous Projection

(Billions of yen)

	FY2021 Previous Projection		FY2021 Current Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	121.1	9.0	128.1	10.0	+7.0	+6%	+1.0
Enterprise	192.7	11.6	192.7	11.9	-	-	+0.3
Area	228.5	11.5	228.5	11.7	-	-	+0.2
Professional	34.7	2.4	34.7	2.4	-	-	-
Other	-17.0	-2.0	-17.0	-2.0	-	-	-
Total	560.0	32.5	567.0	34.0	+7.0	+1%	+1.5

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

Summary of Projections by Segment

FY2021 Projection vs FY2020 Actual

(Billions of yen)

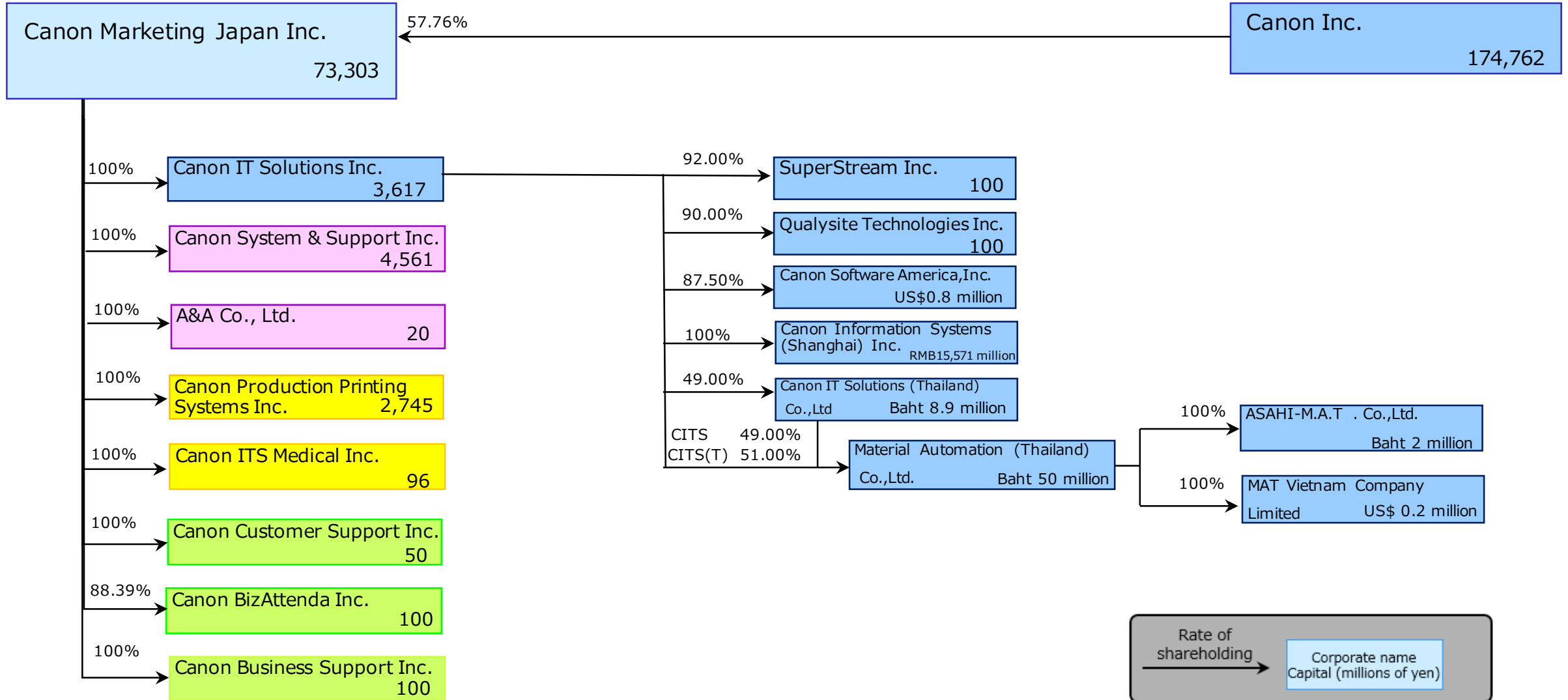
	FY2020 Actual		FY2021 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales		Op. Income
					Amount	%	
Consumers	124.7	12.3	128.1	10.0	+3.4	+3%	-2.3
Enterprise	184.6	9.4	192.7	11.9	+8.1	+4%	+2.5
Area	223.7	9.0	228.5	11.7	+4.8	+2%	+2.7
Professional	30.7	1.9	34.7	2.4	+4.0	+13%	+0.5
Other	-18.6	-1.3	-17.0	-2.0	+1.6	-	-0.7
Total	545.1	31.3	567.0	34.0	+21.9	+4%	+2.7

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

※Part of the organization that conducted direct sales to medium-sized/second-tier companies in the Area segment was transferred to the Enterprise segment in 2021. Accordingly, results for 2020 have been reclassified between the segments. Following a careful examination, some numbers have been changed with respect to the FY2020 results announced in January.

Supplementary Information

Capital Relationship Diagram



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

Results of main consolidated companies

1Q 2021 Actual
(from January 1 to March 31)



(Billions of yen)

		1Q 2020		1Q 2021		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	23.64		24.47		+0.83	+4%
	Op. income	2.33	(9.8%)	2.43	(9.9%)	+0.10	(+0.1%)
Area							
Canon System & Support Inc.	Net sales	27.48		26.20		-1.28	-5%
	Op. income	0.77	(2.8%)	1.04	(4.0%)	+0.27	(+1.2%)
Professional							
Canon Production Printing Systems Inc.	Net sales	2.64		2.14		-0.50	-19%
	Op. income	0.08	(3.2%)	0.05	(2.6%)	-0.03	(0.7%)

SG&A expenses

1Q 2021 Actual
(from January 1 to March 31)



(Billions of yen)

	1Q 2020	1Q 2021	Changes
Advertising expenses	1.1	0.8	-0.3
Promotion expenses	1.0	0.6	-0.4
Warranty expenses	0.9	0.8	-0.1
Other direct selling expenses	4.5	4.3	-0.2
Personnel expenses	24.9	23.7	-1.2
Depreciation and amortization	0.2	0.3	+0.0
Other selling expenses	6.5	6.2	-0.3
Total	39.1	36.7	-2.4

Non-operating income and expenses

(Billions of yen)

	FY2020	FY2021	Changes
	1Q	1Q	1Q
Interest income	0.1	0.1	+0.0
Dividend income	0.0	0.0	-0.0
Gain on investments in partnership	-	0.2	+0.2
Other, net	0.1	0.2	+0.1
Total non-operating income	0.2	0.4	+0.3
Interest expense	0.0	0.0	-0.0
Foreign exchange losses	0.0	0.0	-0.0
Other, net	0.1	0.1	-0.0
Total non-operating expenses	0.1	0.1	-0.0

Extraordinary income and expenses

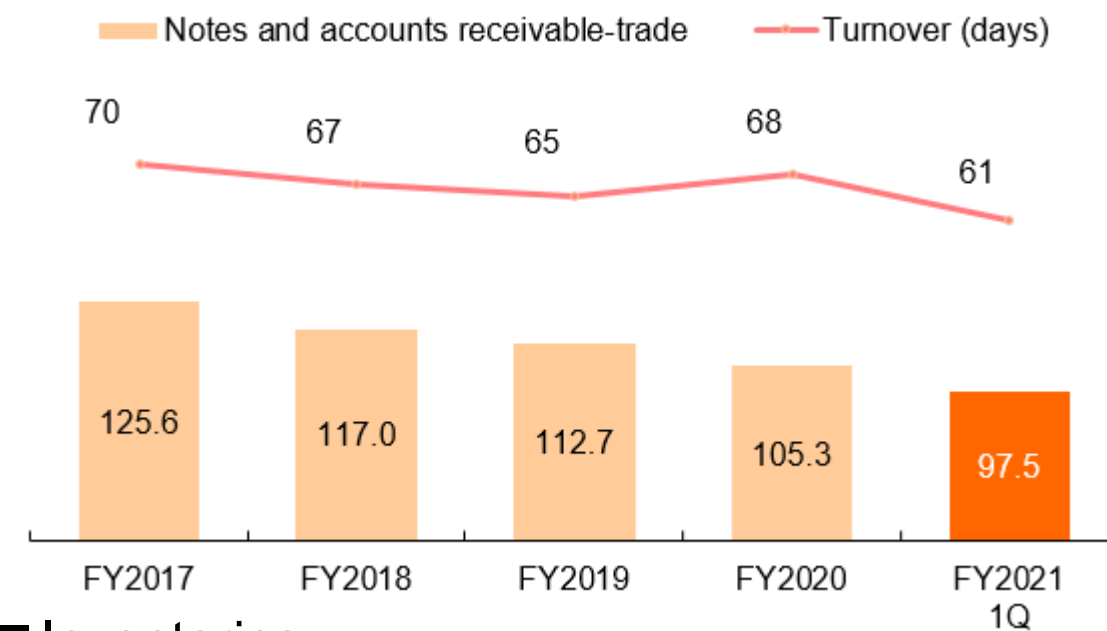
(Billions of yen)

	FY2020	FY2021	Changes
	1Q	1Q	1Q
Gain on sales of fixed assets	0.3	0.0	-0.3
Gain on sales of shares of subsidiaries and associates	-	0.9	+0.9
Other, net	0.0	0.0	-0.0
Total extraordinary income	0.3	0.9	+0.6
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
Other, net	0.0	-	-0.0
Total extraordinary expenses	0.8	0.0	-0.7

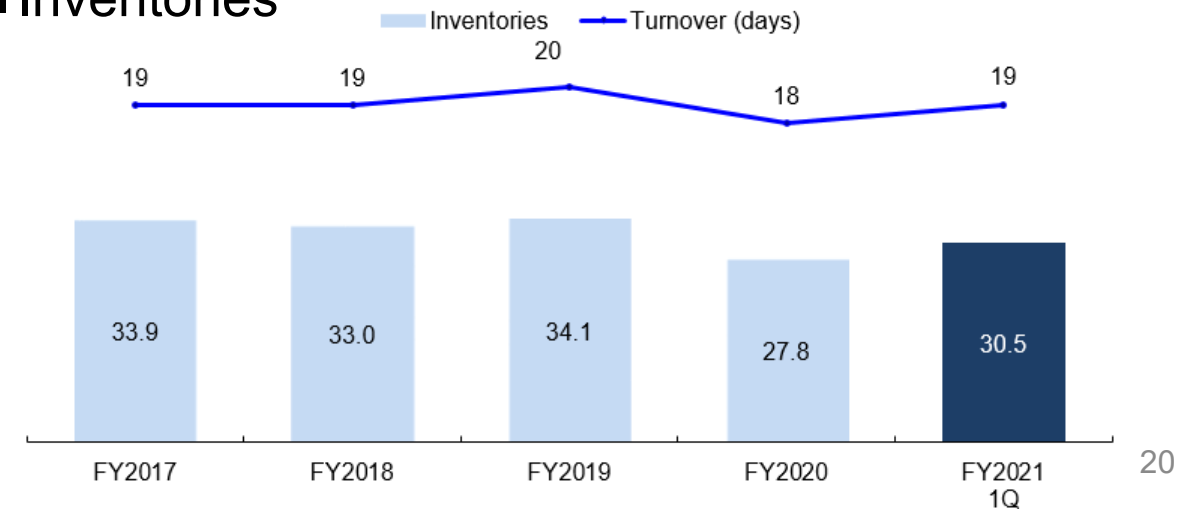
Balance Sheets

	Dec. 31 2020	Mar. 31 2021	Changes
Assets	506.6	507.8	+1.2
Current assets	380.3	380.7	+0.3
Cash and deposits	60.1	66.4	+6.3
Notes and accounts receivable-trade	105.3	97.5	-7.8
Inventories	27.8	30.5	+2.7
Other (current assets)	187.1	186.2	-0.8
Non-current assets	126.3	127.1	+0.8
Property, plant and equipment	83.7	84.1	+0.4
Intangible assets	5.7	6.0	+0.3
Investments and other assets	36.9	37.0	+0.1
Liabilities	160.5	158.5	-2.0
Current liabilities	108.4	107.0	-1.4
Notes and accounts payable-trade	44.1	47.1	+3.0
Other (current liabilities)	64.3	59.9	-4.4
Long-term liabilities	52.0	51.5	-0.6
Equity	346.1	349.3	+3.2
Stakeholders' equity	342.5	345.3	+2.8
(Treasury stock)	-2.1	-2.1	-0.0
Total accumulated other comprehensive income (loss)	3.0	3.3	+0.4
Non-controlling interests	0.7	0.7	+0.0
Equity ratio	68%	69%	+0%

Notes and accounts receivable trade (Billions of yen)

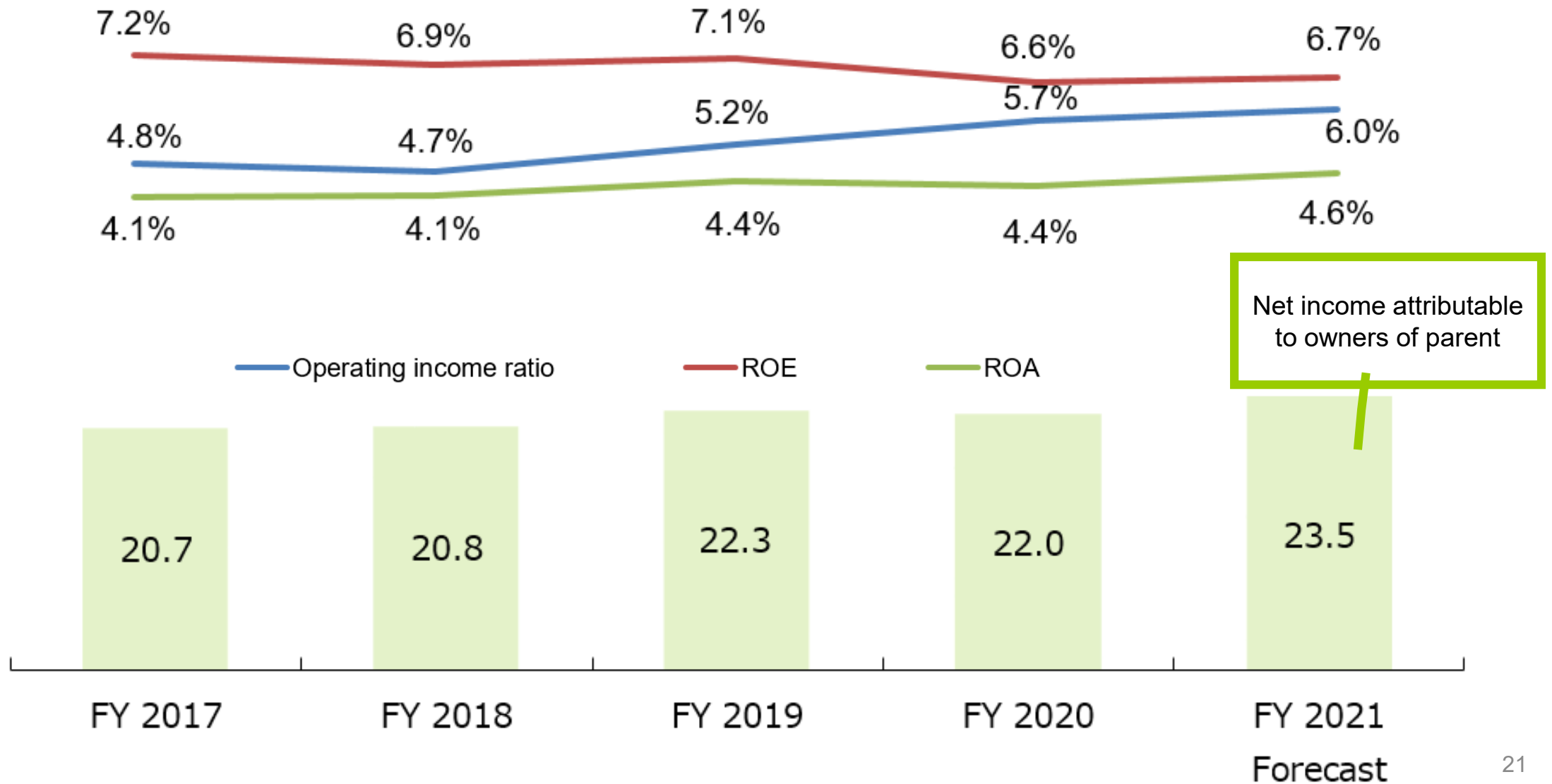


Inventories

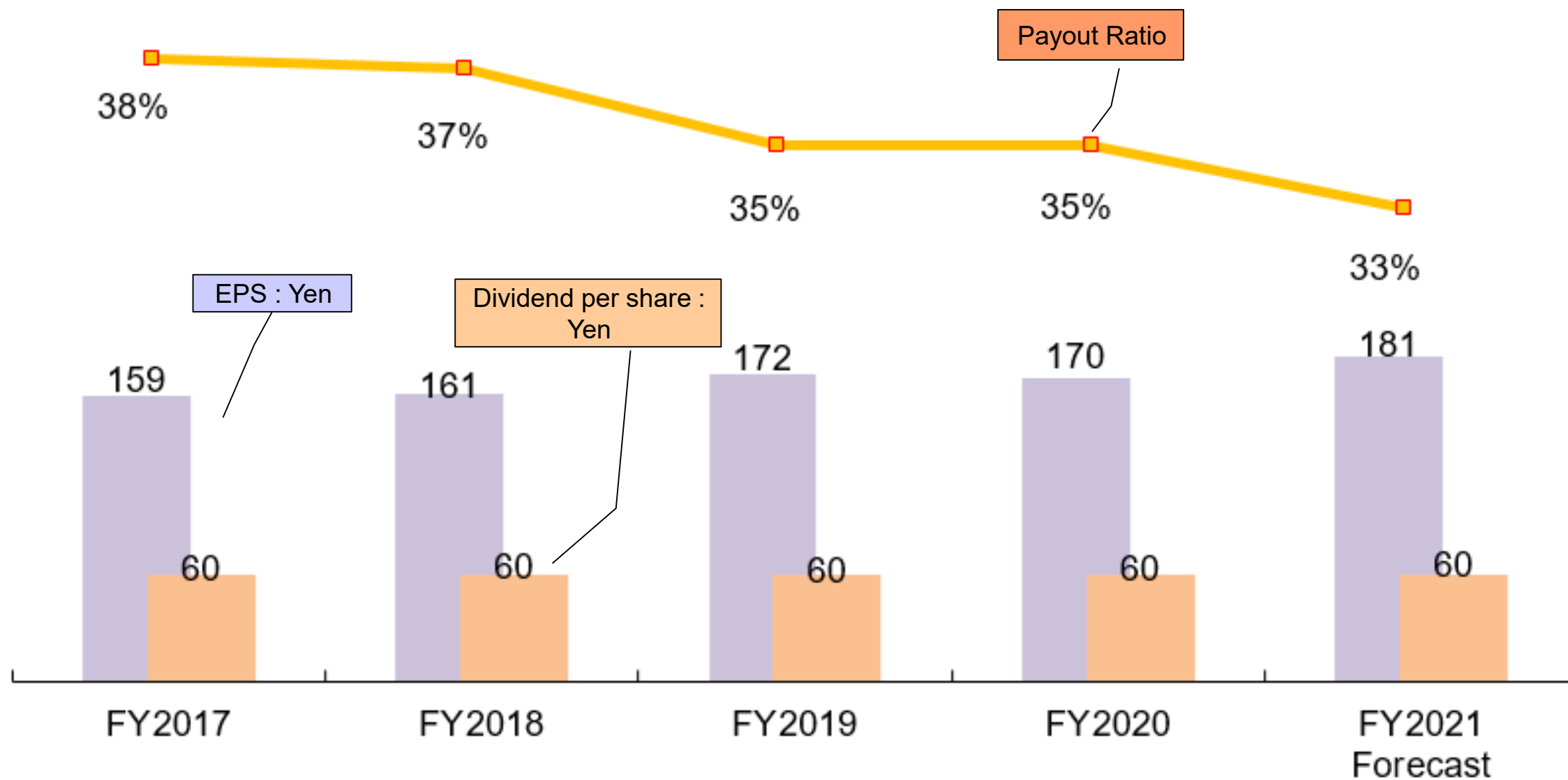


Financial Indicator

(Billions of yen)



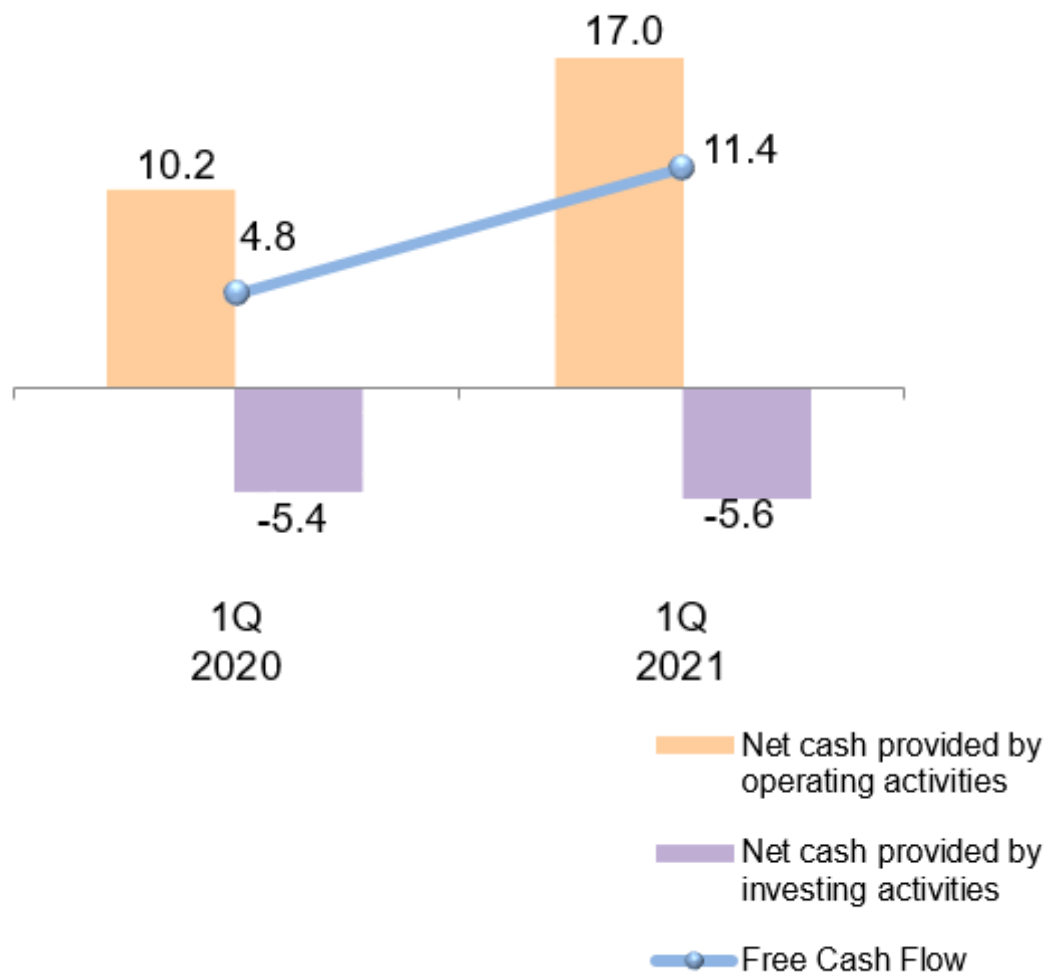
Financial Indicator



Financial Indicator

(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2020	2.8	13.5	16.4
FY 2021	3.2	11.8	15.0

■ Depreciation and amortization

	1Q Actual	2Q-4Q Projection	FY Projection
FY 2020	2.9	8.3	11.3
FY 2021	2.6	9.3	11.9

Canon

Canon Marketing Japan Inc.