

2Q 2021 Results

July 27, 2021
Hatsumi Hirukawa
Director, Vice President

The Canon logo is displayed in a bold, red, 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 **¥134.8 B** **(Y/Y +13.7 B, +11%)**

- ✓ Net sales increased due to higher sales in the Consumers, Enterprise and Area segments, offsetting a decrease in the Professional segment.

Operating Income **¥10.0 B** **(Y/Y +4.6 B, +86%)**

- ✓ Operating income increased, reflecting a rise in gross profit due to growth in high value-added products and services in all segments.

**Net income attributable
to owners of parent** **¥7.1 B** **(Y/Y +1.2 B, +21%)**

Summary of Results

2Q 2021 Actual
(from April 1 to June 30)



(Billions of yen)

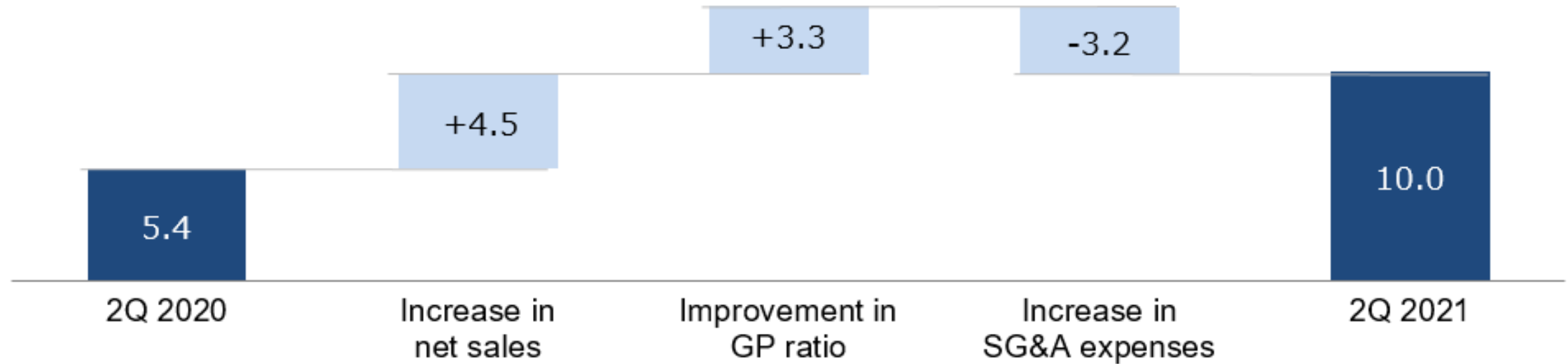
	2Q 2020	2Q 2021	Changes	
			Amount	%
Net sales	121.1	134.8	+13.7	+11%
	(33.0%)	(35.5%)	(+2.4%)	
Gross profit	40.0	47.8	+7.8	+20%
	(4.4%)	(7.4%)	(+3.0%)	
Operating income	5.4	10.0	+4.6	+86%
	(7.3%)	(7.9%)	(+0.6%)	
Ordinary income	8.9	10.6	+1.8	+20%
	(4.8%)	(5.2%)	(+0.4%)	
Net income attributable to owners of parent	5.9	7.1	+1.2	+21%

Op. Income Variance Analysis

2Q 2021 Actual
(from April 1 to June 30)



(Billions of yen)



Improvement in GP ratio

- Gross profit ratio climbed in all segments.

Increase in SG&A expenses

- Personnel expenses +1.8 B
- Other selling expenses +0.8 B

Segment Outline

2Q 2021 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2020		2Q 2021		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	25.6	2.0	30.6	3.7	+5.0	+1.7
Enterprise	42.3	1.8	44.6	2.7	+2.4	+0.9
Area	49.2	1.1	56.8	3.4	+7.6	+2.2
Professional	8.4	0.7	8.0	0.9	-0.4	+0.1
Other	-4.4	-0.3	-5.2	-0.6	-0.8	-0.3
Total	121.1	5.4	134.8	10.0	+13.7	+4.6

※"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.

Summary of Results

1Q-2Q 2021 Actual
(from January 1 to June 30)



(Billions of yen)

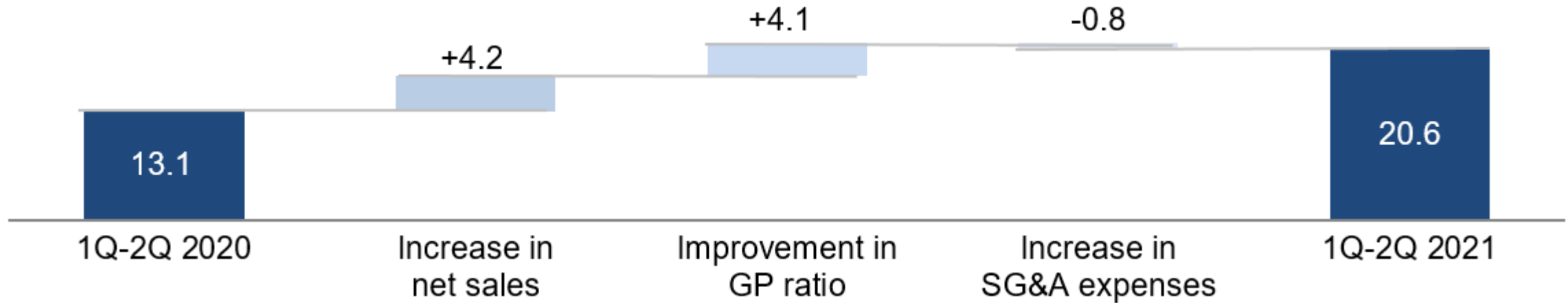
	1Q-2Q 2020	1Q-2Q 2021	Changes	
			Amount	%
Net sales	262.6	275.1	+12.6	+5%
	(33.1%)	(34.6%)	(+1.5%)	
Gross profit	86.8	95.1	+8.2	+9%
	(5.0%)	(7.5%)	(+2.5%)	
Operating income	13.1	20.6	+7.4	+57%
	(6.3%)	(7.8%)	(+1.5%)	
Ordinary income	16.7	21.5	+4.9	+29%
	(3.8%)	(5.5%)	(+1.7%)	
Net income attributable to owners of parent	10.0	15.1	+5.1	+51%

Op. Income Variance Analysis

1Q-2Q 2021 Actual
(from January 1 to June 30)



(Billions of yen)



Improvement in GP ratio

- Gross profit ratio climbed in all segments.

Increase in SG&A expenses

- Personnel expenses +0.6 B
- Other selling expenses +0.5 B

Segment Outline

1Q-2Q 2021 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q 2020		1Q-2Q 2021		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	50.2	2.0	61.2	6.7	+11.0	+4.7
Enterprise	92.9	5.4	91.9	6.2	-1.0	+0.8
Area	111.2	4.7	116.2	7.3	+5.0	+2.6
Professional	17.1	1.4	16.1	1.5	-0.9	+0.2
Other	-8.9	-0.4	-10.3	-1.2	-1.5	-0.8
Total	262.6	13.1	275.1	20.6	+12.6	+7.4

※"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 rose significantly, reflecting higher sales of digital cameras and inkjet printers mainly in their high value-added product categories and growth in IT products, among other factors.
- ✓ Operating income increased significantly, reflecting higher gross profit due to a rise in the percentage of high value-added products.

	2Q		
	FY2020	FY2021	Changes
Net sales	25.6	30.6	+20%
Op. income	2.0	3.7	+83%
ratio	7.8%	12.0%	+4.2%

(Billions of yen)

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	-20%	+84%	-	-	-
Compact Digital Camera	Unit	-2%	+39%	-	-	-
Inkjet Printer (IJP)	Unit	+34%	-23%	-	-	-
IJP Cartridge	Amount	-0%	-10%	-	-	-

- ✓ Net sales increased, reflecting growth in main business equipment in reaction to a decline due to the impact of COVID-19 in the same period of the previous year and the strong performance of the IT Solutions business.
- ✓ Operating income increased, reflecting a rise in gross profit due to higher sales.

	2Q			(Billions of yen)
	FY2020	FY2021	Changes	
Main Business Equipment, Other	13.8	15.3	+11%	
IT Solutions	28.5	29.3	+3%	
Net sales	42.3	44.6	+6%	
Op. income	1.8	2.7	+52%	
ratio	4.2%	6.0%	+1.8%	

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

	2Q		Changes	
	2020	2021	Amount	%
Net sales	22.6	23.4	+0.8	+4%
Op. income	1.9	2.1	+0.2	+11%

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

		1Q	2Q	3Q	4Q	Full Year
Orders received	Amount	+1%	+10%	-	-	-
Outstanding orders	Amount	+14%	+19%	-	-	-

Segment Information

Area Segment

- ✓ Net sales increased, reflecting growth in main business equipment in reaction to a decline due to the impact of COVID-19 in the same period of the previous year, coupled with the steady performance of projects related to security and IT maintenance, etc.
- ✓ Operating income increased, reflecting a rise in gross profit due to higher sales.

	2Q			(Billions of yen)
	FY2020	FY2021	Changes	
Main Business Equipment, Other	35.2	41.5	+18%	
IT Solutions	14.1	15.4	+9%	
Net sales	49.2	56.8	+15%	
Op. income	1.1	3.4	+197%	
ratio	2.3%	5.9%	+3.6%	

[Reference] Results of main consolidated companies

Canon System & Support Inc.

	2Q		Changes	
	2020	2021	Amount	%
Net sales	21.4	24.7	+3.3	+15%
Op. income	-0.1	0.8	+0.9	-

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

	2Q		
	FY2020	FY2021	Changes
Production Printing	2.3	2.2	-4%
Industrial Equipment	3.4	4.3	+27%
Healthcare Business	2.7	1.4	-47%
Net sales	8.4	8.0	-5%
Op. income	0.7	0.9	+18%
ratio	8.6%	10.7%	+2.1%

(Billions of yen)

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

	2Q		Changes	
	2020	2021	Amount	%
Net sales	2.2	2.1	-0.1	-5%
Op. income	0.1	0.1	+0.0	+83%

Overall Sales of IT Solutions



(Billions of yen)

	2Q 2020	2Q 2021	1Q-2Q 2020	1Q-2Q 2021	2Q Changes		1Q-2Q Changes	
					Amount	%	Amount	%
Enterprise segment	28.5	29.3	60.3	60.4	+0.8	+3%	+0.2	+0%
Area segment	14.1	15.4	32.3	32.6	+1.3	+9%	+0.3	+1%
Other	7.2	6.8	14.1	15.7	-0.4	-6%	+1.6	+11%
Total	49.8	51.4	106.7	108.8	+1.7	+3%	+2.0	+2%

	2Q 2020	2Q 2021	1Q-2Q 2020	1Q-2Q 2021	2Q Changes		1Q-2Q Changes	
					Amount	%	Amount	%
SI service	17.7	17.4	36.8	36.2	-0.3	-2%	-0.6	-2%
Maintenance and operation service /outsourcing	8.9	10.2	18.7	20.1	+1.3	+14%	+1.4	+8%
System sales/IT product	23.2	23.9	51.3	52.4	+0.7	+3%	+1.1	+2%
Total	49.8	51.4	106.7	108.8	+1.7	+3%	+2.0	+2%

※ 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	FY2021	Changes		FY2020	Changes	
	Previous Projection	Current Projection	Amount	%	Actual	Amount	%
Net Sales	567.0	567.0	-	-	545.1	+21.9	+4%
	(6.0%)	(6.2%)	(+0.2%)		(5.7%)	(+0.4%)	
Operating Income	34.0	35.0	+1.0	+3%	31.3	+3.7	+12%
	(6.1%)	(6.3%)	(+0.2%)		(6.5%)	(-0.2%)	
Ordinary Income	34.8	35.8	+1.0	+3%	35.2	+0.6	+2%
	(4.1%)	(4.3%)	(+0.1%)		(4.0%)	(+0.2%)	
Net income attributable to owners of parent	23.5	24.2	+0.7	+3%	22.0	+2.2	+10%

Summary of Projections by Segment

FY2021 Current Projection vs 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	128.1	10.0	128.1	11.0	-	-	+1.0
Enterprise	192.7	11.9	192.7	11.9	-	-	-
Area	228.5	11.7	228.5	11.7	-	-	-
Professional	34.7	2.4	34.7	2.4	-	-	-
Other	-17.0	-2.0	-17.0	-2.0	-	-	-
Total	567.0	34.0	567.0	35.0	-	-	+1.0

※"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)

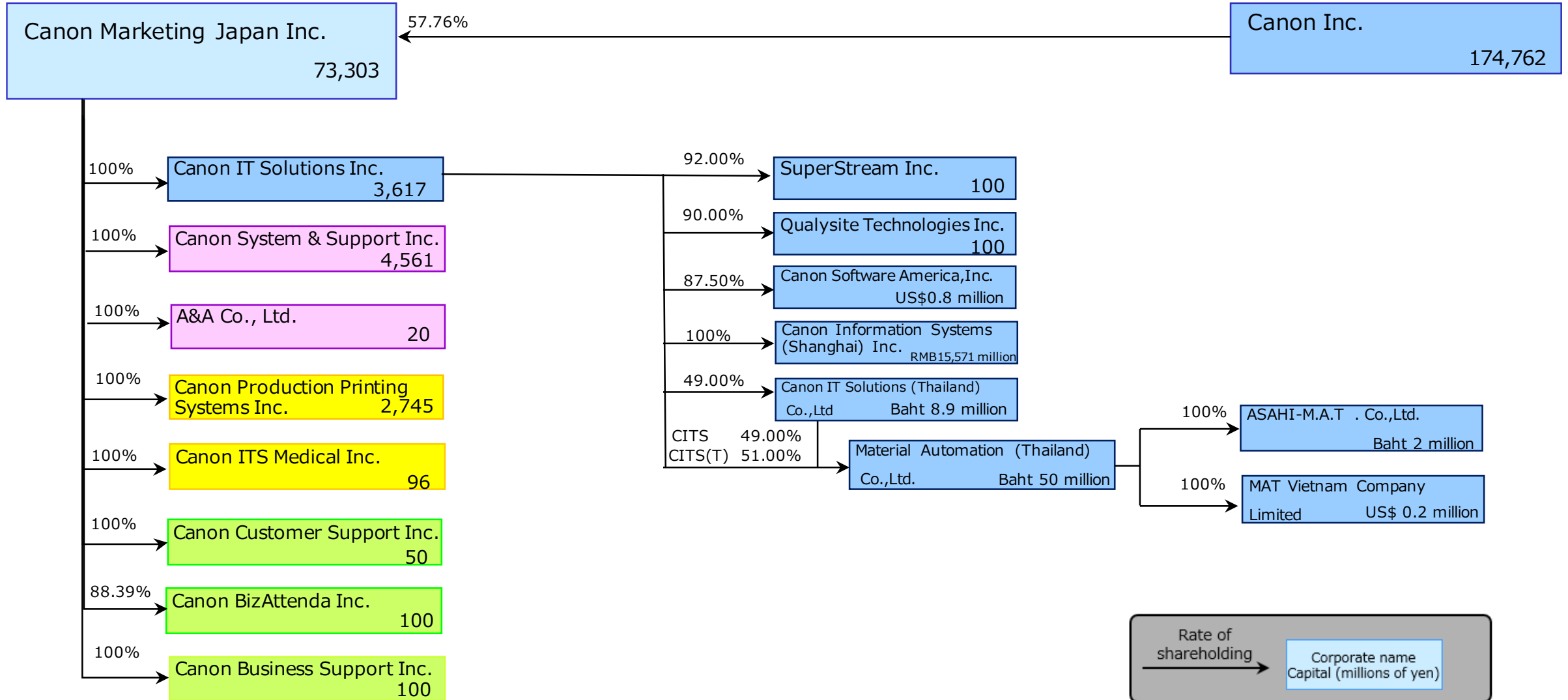
	FY2020 Actual		FY2021 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	124.7	12.3	128.1	11.0	+3.4	+3%	-1.3
Enterprise	184.6	9.4	192.7	11.9	+8.1	+4%	+2.5
Area	223.7	9.0	228.5	11.7	+4.8	+2%	+2.7
Professional	30.7	1.9	34.7	2.4	+4.0	+13%	+0.5
Other	-18.6	-1.3	-17.0	-2.0	+1.6	-	-0.7
Total	545.1	31.3	567.0	35.0	+21.9	+4%	+3.7

※"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

2Q 2021 Actual
(from April 1 to June 30)



(Billions of yen)

		2Q 2020		2Q 2021		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	22.6		23.4		+0.8	+4%
	Op. income	1.9	(8.4%)	2.1	(9.0%)	+0.2	(+0.6%)
Area							
Canon System & Support Inc.	Net sales	21.4		24.7		+3.3	+15%
	Op. income	-0.1	(-)	0.8	(3.1%)	+0.9	(-)
Professional							
Canon Production Printing Systems Inc.	Net sales	2.2		2.1		-0.1	-5%
	Op. income	0.1	(2.3%)	0.1	(4.5%)	+0.0	(+2.2%)

Results of main consolidated companies

1Q-2Q 2021 Actual
(from January 1 to June 30)



(Billions of yen)

		1Q-2Q 2020		1Q-2Q 2021		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	46.2		47.9		+1.7	+4%
	Op. income	4.2	(9.1%)	4.5	(9.5%)	+0.3	(+0.3%)
Area							
Canon System & Support Inc.	Net sales	48.9		50.9		+2.0	+4%
	Op. income	0.7	(1.3%)	1.8	(3.5%)	+1.1	(+2.2%)
Professional							
Canon Production Printing Systems Inc.	Net sales	4.8		4.2		-0.6	-13%
	Op. income	0.1	(2.8%)	0.1	(3.5%)	+0.0	(+0.7%)

SG&A expenses

2Q 2021 Actual
(from April 1 to June 30)



(Billions of yen)

	2Q 2020	2Q 2021	Changes
Advertising expenses	0.8	1.0	+0.2
Promotion expenses	0.6	0.7	+0.1
Warranty expenses	0.7	0.7	-0.0
Other direct selling expenses	4.1	4.4	+0.3
Personnel expenses	22.3	24.1	+1.8
Depreciation and amortization	0.2	0.3	+0.0
Other selling expenses	5.8	6.6	+0.8
Total	34.6	37.8	+3.2

SG&A expenses

1Q-2Q 2021 Actual
(from January 1 to June 30)



(Billions of yen)

	1Q-2Q 2020	1Q-2Q 2021	Changes
Advertising expenses	2.0	1.8	-0.2
Promotion expenses	1.6	1.4	-0.3
Warranty expenses	1.6	1.5	-0.1
Other direct selling expenses	8.6	8.7	+0.2
Personnel expenses	47.1	47.7	+0.6
Depreciation and amortization	0.5	0.5	+0.0
Other selling expenses	12.4	12.9	+0.5
Total	73.7	74.5	+0.8

Non-operating income and expenses



(Billions of yen)

	FY2020		FY2021		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	0.4	0.5	0.5	0.5	+0.0	+0.0
Gain on investments in partnership	0.1	0.1	0.0	0.2	-0.0	+0.1
Subsidies for employment adjustment	2.7	2.7	-	-	-2.7	-2.7
Other	0.1	0.2	0.0	0.1	-0.1	-0.0
Total non-operating income	3.5	3.6	0.7	1.1	-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	+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

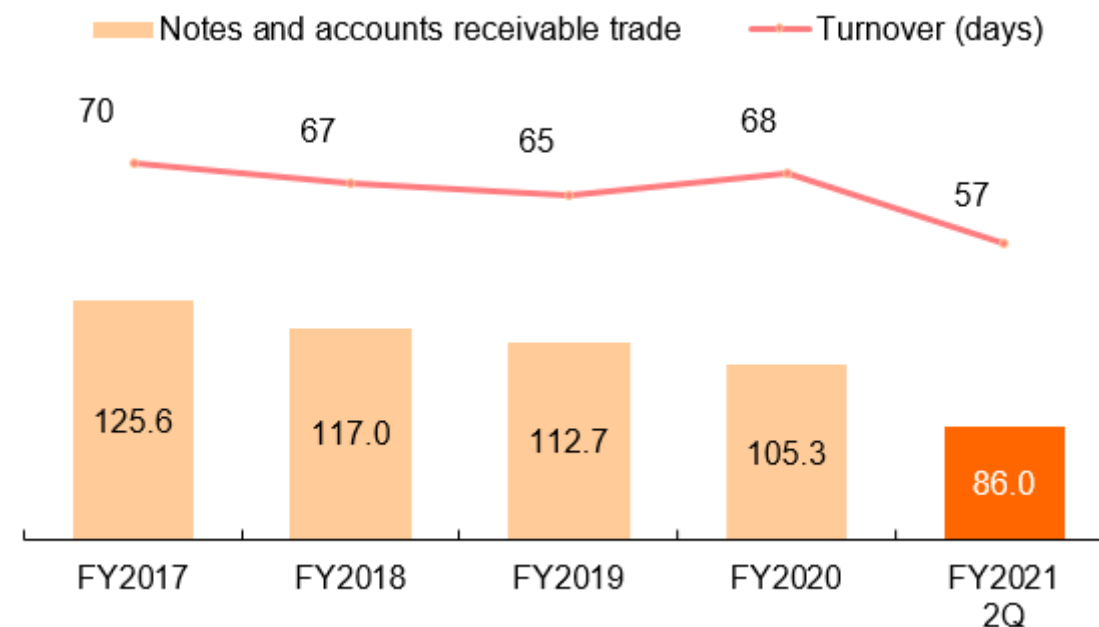
(Billions of yen)

	FY2020		FY2021		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Gain on sales of fixed assets	0.0	0.3	0.0	0.0	+0.0	-0.3
Gain on sales of shares of subsidiaries and associates	-	-	-	0.9	-	+0.9
Gain on sales of investments in securities	0.1	0.1	-	0.0	-0.1	-0.1
Other	-	0.0	0.0	0.0	+0.0	-0.0
Total extraordinary income	0.1	0.4	0.0	0.9	-0.1	+0.5
Loss on sales and disposal of fixed assets	0.0	0.0	0.0	0.1	+0.0	+0.0
Loss on disaster	-	-	0.2	0.2	+0.2	+0.2
Loss on sales of shares of subsidiaries and associates	-	0.7	-	-	-	-0.7
Loss on COVID-19	0.2	0.2	-	-	-0.2	-0.2
Other	-	0.0	-	-	-	-0.0
Total extraordinary expenses	0.2	1.0	0.2	0.2	-0.0	-0.8

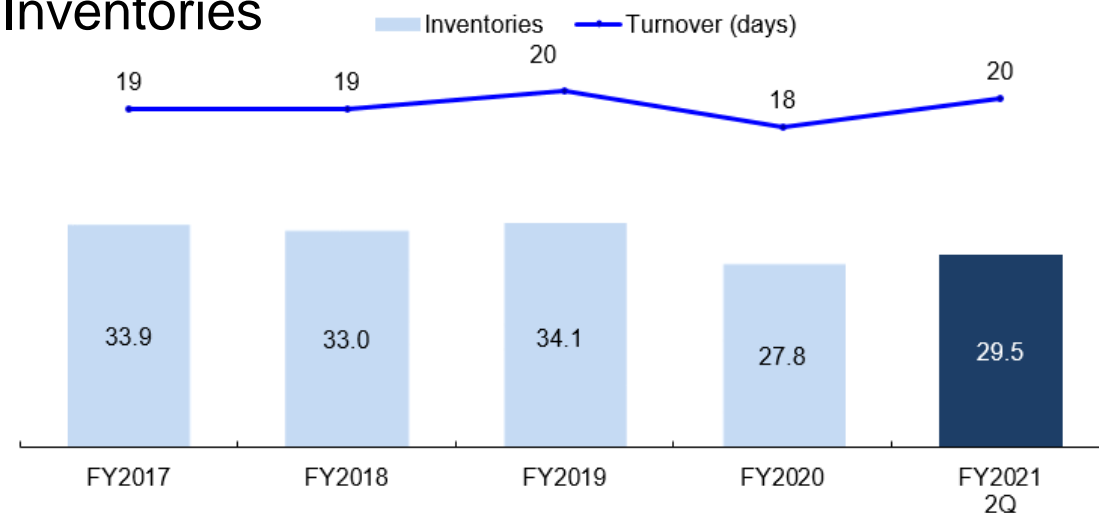
Balance Sheets

	Dec. 31 2020	Jun. 30 2021	Changes
Assets	506.6	507.6	+1.0
Current assets	380.3	378.5	-1.9
Cash and deposits	60.1	75.5	+15.4
Notes and accounts receivable-trade	105.3	86.0	-19.3
Inventories	27.8	29.5	+1.7
Other (current assets)	187.1	187.5	+0.4
Non-current assets	126.3	129.1	+2.9
Property, plant and equipment	83.7	85.6	+1.9
Intangible assets	5.7	6.0	+0.3
Investments and other assets	36.9	37.5	+0.7
Liabilities	160.5	151.1	-9.4
Current liabilities	108.4	100.0	-8.5
Notes and accounts payable-trade	44.1	41.0	-3.1
Other (current liabilities)	64.3	59.0	-5.3
Long-term liabilities	52.0	51.1	-1.0
Net assets	346.1	356.5	+10.4
Stakeholders' equity	342.5	352.4	+9.9
(Treasury stock)	-2.1	-2.1	+0.0
Total accumulated other comprehensive income (loss)	3.0	3.4	+0.5
Non-controlling interests	0.7	0.7	+0.0
Equity ratio	68%	70%	+2%

Notes and accounts receivable trade (Billions of yen)

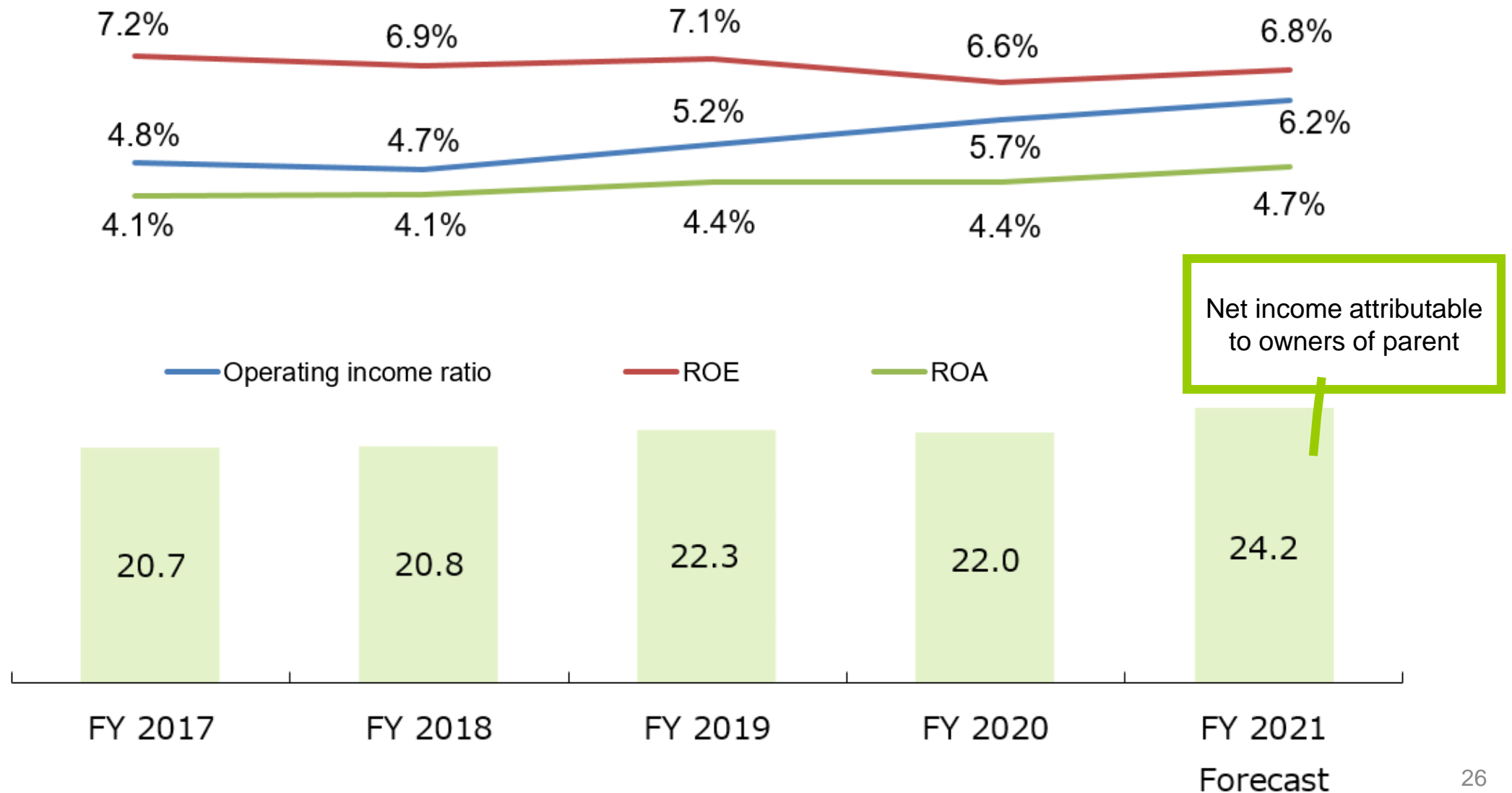


Inventories

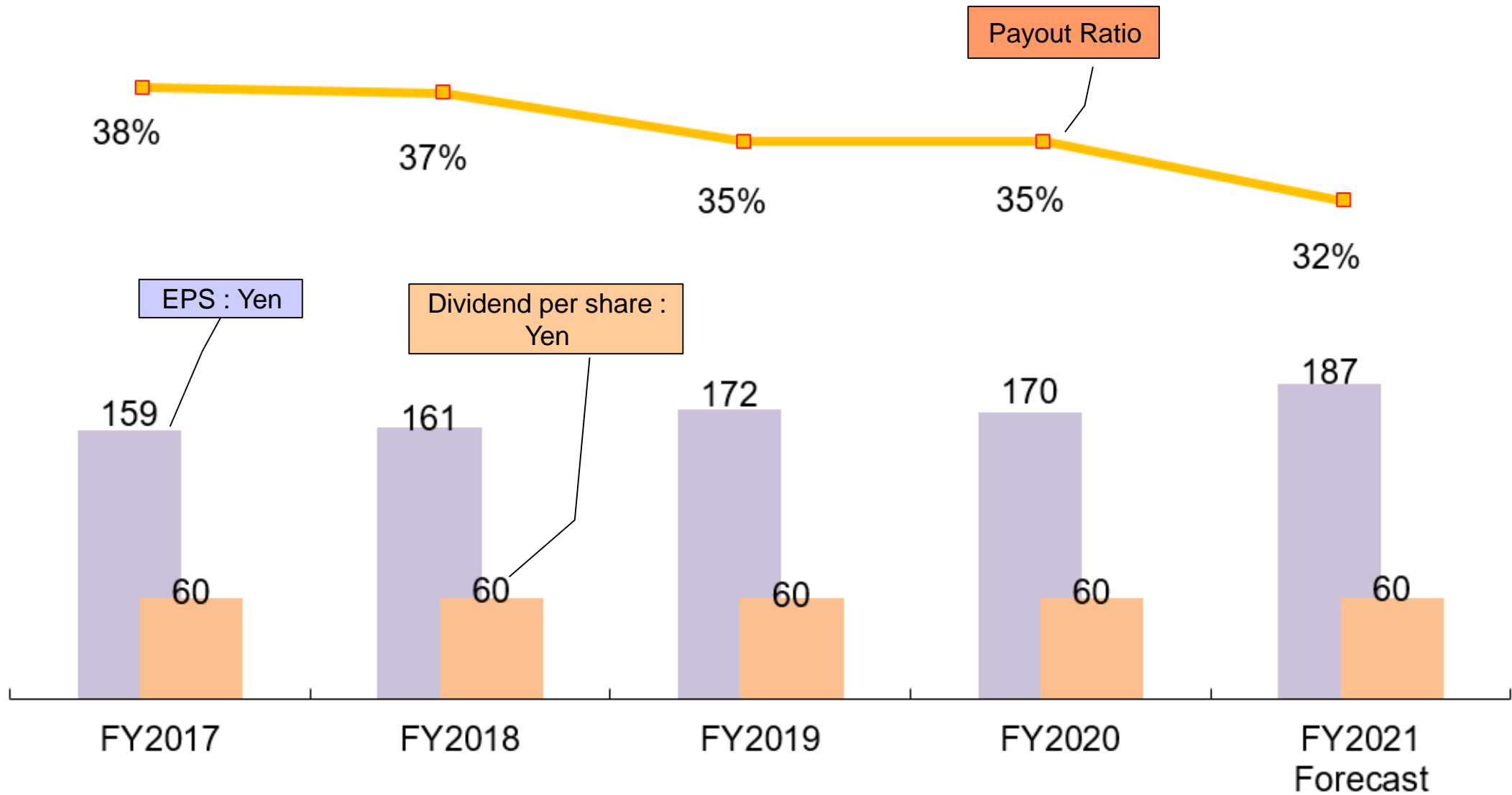


Financial Indicator

(Billions of yen)



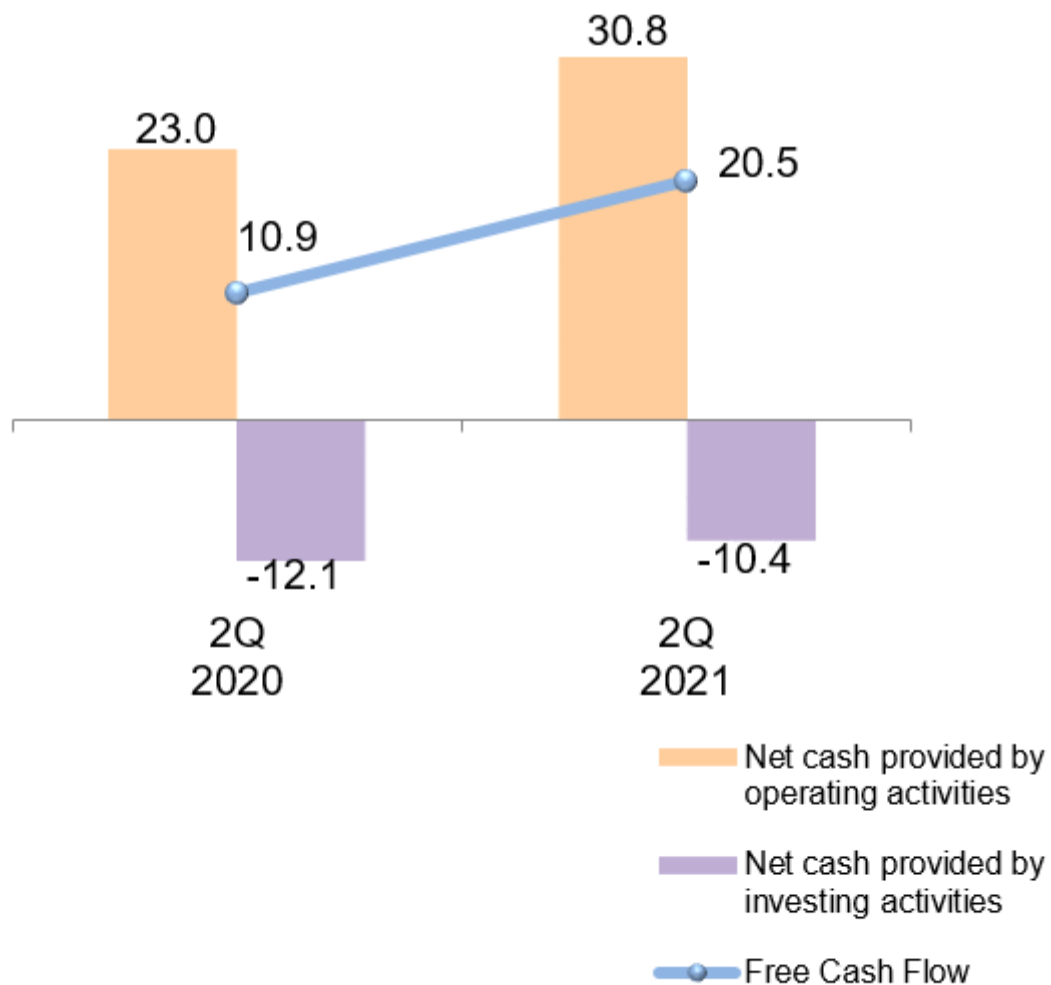
Financial Indicator



Cash Flow, Capital Investment, Depreciation and amortization

(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2020	5.1	11.3	16.4
FY 2021	7.4	7.4	14.7

■ Depreciation and amortization

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2020	5.8	5.5	11.3
FY 2021	5.2	5.8	11.0

Canon

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