

Summary Report of Consolidated Financial Results

for the second quarter ended June 30, 2021

Registered company name: **Canon Marketing Japan Inc.**
 Stock listing: Tokyo Stock Exchange, First Section
 Code number: 8060
 URL: <https://cweb.canon.jp/eng/ir>
 Representative director: Masachika Adachi, President
 Contact: Masahiko Banno, General Manager Accounting Div. Accounting Headquarters
 Dividend payable date (as planned): August 27, 2021
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the for the six months ended June 30, 2021 (From January 1, 2021 to June 30, 2021)

(1) Consolidated Results of Operations (Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2021	275,149	4.8	20,586	56.7	21,520	29.2	15,056	51.1
June 30, 2020	262,593	(13.3)	13,140	(2.1)	16,653	16.1	9,963	5.6

[Note] Comprehensive Income: Six months ended June 30, 2021 : 15,559 million yen [44.6%]
 Six months ended June 30, 2020 : 10,762 million yen [(11.1)%]

	Basic earnings per share	Diluted net income per share
Six months ended	Yen	Yen
June 30, 2021	116.11	116.10
June 30, 2020	76.84	76.83

(2) Consolidated Financial Position

(Amounts less than one million yen are truncated)

	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
Second quarter ended June 30, 2021	507,569	356,487	70.1	2,743.84
Year ended December 31, 2020	506,604	346,114	68.2	2,664.20

[Reference] Shareholders' equity: Second quarter ended June 30, 2021 : 355,809 million yen
 Year ended December 31, 2020 : 345,458 million yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2020	-	20.00	-	40.00	60.00
Year ending December 31, 2021	-	30.00			
Year ending December 31, 2021 (forecast)			-	30.00	60.00

[Note] Revision of cash dividend forecast for this period : Yes

3. Consolidated financial forecast for the fiscal year ending December 31, 2021

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	567,000	4.0	35,000	11.8	35,800	1.6	24,200	10.0	186.62

[Note] Revision of forecast for this period : Yes

*Others

- (1) Material changes in subsidiaries during this period
(Changes in scope of consolidations resulting from change is subsidiaries) : None
- (2) Application of a specified accounting procedure : Yes
- (3) Changes in accounting policies and accounting estimates, retrospective restatement
- (i) Changes in accounting policies based on revisions of accounting standard : None
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Retrospective restatement : None
- (4) Number of issued and outstanding shares (common stock)
- (i) Number of issued and outstanding shares at the end of the period (including treasury stock)
 - As of June 30, 2021 : 131,079,972
 - As of December 31, 2020 : 131,079,972
 - (ii) Number of treasury stock at the end of the period
 - As of June 30, 2021 : 1,404,251
 - As of December 31, 2020 : 1,412,822
 - (iii) Average number of shares
 - As of June 30, 2021 : 129,671,398
 - As of June 30, 2020 : 129,666,993

* Audits by CPAs or audit corporations are not required for quarterly financial results.

Disclaimer :

Earnings projections are based on information available at the time these materials were announced, and the Company cannot guarantee that they will be realized. Also, actual results may differ from the estimated figures given due to various factors.

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	59,631	74,983
Notes and accounts receivable-trade	105,328	86,006
Securities	500	500
Merchandise and finished goods	27,091	28,757
Work in process	103	163
Raw materials and supplies	631	559
Short-term loans receivable	180,006	180,014
Other current assets	7,122	7,504
Allowance for doubtful receivables	(66)	(31)
Total current assets	380,349	378,457
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,402	44,794
Machinery, equipment and vehicles, net	87	82
Tools, furniture and fixtures, net	3,004	3,039
Rental assets, net	7,281	6,891
Land	28,359	28,359
Lease assets, net	16	11
Construction in progress	1,577	2,465
Total property, plant and equipment	83,729	85,643
Intangible assets		
Software	5,373	5,649
Lease assets	1	0
Utilization rights	294	303
Other intangible assets	0	0
Total intangible assets	5,669	5,953
Investments and other assets		
Investments in securities	11,302	12,271
Long-term loans receivable	35	25
Prepaid pension and severance costs	415	414
Deferred tax assets	19,219	19,004
Lease deposits	3,427	3,228
Other investments and other assets	2,659	2,674
Allowance for doubtful receivables	(205)	(105)
Total investments and other assets	36,855	37,514
Total non-current assets	126,255	129,111
Total assets	506,604	507,569

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,107	40,972
Lease obligations	54	51
Accrued expenses	16,166	13,287
Accrued income taxes	7,004	7,384
Consumption taxes payable	5,547	4,082
Accrued bonuses	5,664	4,775
Accrued directors' bonuses	75	24
Accrued product warranties	453	471
Accrued loss on order received	8	10
Other current liabilities	29,356	28,924
Total current liabilities	<u>108,440</u>	<u>99,983</u>
Long-term liabilities		
Lease obligations	74	67
Deferred tax liabilities	1	1
Allowance for long-term continuous service rewards	951	1,008
Accrued pension and severance costs	47,883	47,246
Other long-term liabilities	3,139	2,775
Total long-term liabilities	<u>52,049</u>	<u>51,098</u>
Total liabilities	<u>160,490</u>	<u>151,082</u>
Equity		
Shareholders' equity		
Common stock	73,303	73,303
Capital surplus	82,814	82,824
Retained earnings	188,481	198,351
Treasury stock	(2,103)	(2,091)
Total shareholders' equity	<u>342,495</u>	<u>352,387</u>
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	4,230	4,392
Deferred gains or losses on hedges	(29)	12
Foreign currency translation adjustments	5	74
Defined retirement benefit plans	(1,243)	(1,057)
Total accumulated other comprehensive income (loss)	<u>2,962</u>	<u>3,421</u>
Non-controlling interests	<u>655</u>	<u>678</u>
Total equity	<u>346,114</u>	<u>356,487</u>
Total liabilities and equity	<u>506,604</u>	<u>507,569</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Six months of FY2020 (from January 1, 2020 to June 30, 2020)	Six months of FY2021 (from January 1, 2021 to June 30, 2021)
Net sales	262,593	275,149
Cost of sales	175,746	180,079
Gross profit	86,847	95,069
Selling, general and administrative expenses	73,707	74,483
Operating income	13,140	20,586
Non-operating income		
Interest income	118	135
Dividend income	105	119
Insurance income	450	495
Gain on investments in partnership	61	187
Subsidies for employment adjustment	2,748	—
Other, net	159	130
Total non-operating income	3,642	1,069
Non-operating expenses		
Interest expense	6	6
Foreign exchange losses	8	37
Other, net	114	91
Total non-operating expenses	129	135
Ordinary income	16,653	21,520
Extraordinary income		
Gain on sales of fixed assets	280	4
Gain on sales of shares of subsidiaries and associates	—	895
Gain on sales of investments in securities	119	2
Other, net	20	1
Total extraordinary income	419	903
Extraordinary losses		
Loss on sales and disposal of fixed assets	48	62
Loss on disaster	—	168
Loss on sales of shares of subsidiaries and associates	737	—
Loss on COVID-19	211	—
Other, net	4	—
Total extraordinary losses	1,001	231
Net income before income taxes	16,071	22,192
Income taxes	6,045	7,101
Net income	10,026	15,091
Net income attributable to non-controlling interests	63	34
Net income attributable to owners of parent	9,963	15,056

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Six months of FY2020 (from January 1, 2020 to June 30, 2020)	Six months of FY2021 (from January 1, 2021 to June 30, 2021)
Net income	10,026	15,091
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	(182)	161
Deferred gains / (losses) on hedges	(13)	42
Foreign currency translation adjustments	(15)	78
Defined retirement benefit plans, net of tax	948	186
Total other comprehensive income (loss)	735	468
Comprehensive income	10,762	15,559
Comprehensive income attributable to		
Owners of parent	10,701	15,515
Non-controlling interests	60	44

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Six months of FY2020 (from January 1, 2020 to June 30, 2020)	Six months of FY2021 (from January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Net income before income taxes	16,071	22,192
Depreciation and amortization	5,754	5,222
Increase (decrease) in allowance for doubtful receivables	(1)	(134)
Increase (decrease) in accrued pension and severance costs	1,067	(212)
Decrease (increase) in prepaid pension and severance costs	(7)	(23)
Increase (decrease) in accrued bonuses	1,610	(873)
Interest and dividend income	(223)	(254)
Interest expense	6	6
Loss (gain) on sales and disposal of property, plant and equipment, net	(236)	52
Loss (gain) on sales of investments in securities	(119)	(2)
Loss (gain) on sales of shares of subsidiaries and associates	737	(895)
Loss (gain) on investments in partnership	(61)	(187)
Decrease (increase) in notes and accounts receivable-trade	29,175	19,318
Decrease (increase) in inventories	3,094	(1,775)
Increase (decrease) in notes and accounts payable-trade	(14,928)	(3,129)
Other, net	(11,778)	(1,901)
Subtotal	30,162	37,401
Interest and dividends received	221	254
Interest paid	(6)	(6)
Income taxes paid	(7,409)	(6,800)
Net cash provided by operating activities	22,968	30,848
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(11,765)	(9,610)
Proceeds from sales of property, plant and equipment	1,003	6
Payments for purchases of intangible assets	(2,120)	(967)
Payments for purchases of investments in securities	(248)	(869)
Proceeds from sales of investments in securities	272	388
Proceeds from sales of shares of a subsidiary resulting in change in scope of consolidation	828	1,062
Decrease (increase) in short-term loans receivable, net.	0	2
Other, net	(55)	(370)
Net cash provided by (used in) investing activities	(12,085)	(10,357)
Cash flows from financing activities		
Repayments of finance lease obligations	(40)	(29)
Payments for purchases of treasury stock	(1)	(1)
Dividends paid	(3,890)	(5,183)
Dividends paid to non-controlling interests	(26)	(21)
Other, net	0	—
Net cash used in financing activities	(3,958)	(5,237)
Effect of exchange rate changes on cash and cash equivalents	(42)	97
Net increase (decrease) in cash and cash equivalents	6,882	15,351
Cash and cash equivalents at beginning of period	54,493	60,131
Cash and cash equivalents at end of period	61,376	75,483

Consolidated Quaterly Segment Information

I. Six months of FY2020 (from January 1, 2020 to June 30, 2020)

Information on net sales and income (loss) by reportable segment

(Amounts less than one million yen are truncated)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	50,217	87,970	106,439	16,330	1,634	262,593	-	262,593
Sales - intersegment	26	4,921	4,794	749	3,184	13,676	(13,676)	-
Total	50,244	92,892	111,234	17,080	4,818	276,270	(13,676)	262,593
Operating income (loss)	2,029	5,441	4,718	1,381	(437)	13,133	6	13,140

[Note]

1. Other includes call center business and BPO service business, which are not included in reportable segments.
2. Adjustment of Operating income (loss) is the elimination of intersegment transactions.
3. Total amount of Operating income (loss) for Reportable segments, Other and Adjustment is equal to the Operating income of Consolidated Quarterly Statements of Income.

II. Six months of FY2021 (from January 1, 2021 to June 30, 2021)

Information on net sales and income (loss) by reportable segment

(Amounts less than one million yen are truncated)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	61,209	86,721	110,517	15,392	1,308	275,149	-	275,149
Sales - intersegment	21	5,167	5,697	751	3,888	15,526	(15,526)	-
Total	61,230	91,889	116,215	16,143	5,197	290,676	(15,526)	275,149
Operating income (loss)	6,684	6,244	7,314	1,532	(1,216)	20,558	28	20,586

[Note]

1. Other includes call center business and BPO service business, which are not included in reportable segments.
2. Adjustment of Operating income (loss) is the elimination of intersegment transactions.
3. Total amount of Operating income (loss) for Reportable segments, Other and Adjustment is equal to the Operating income of Consolidated Quarterly Statements of Income.

NOTE

(Changes in Reporting Segments)

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.