

Summary Report of Consolidated Financial Results

for the third quarter ended September 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
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the for the nine months ended September 30, 2021(From January 1, 2021 to September 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 | % |
| Nine months ended | | | | | | | | |
| September 30, 2021 | 398,195 | 1.3 | 26,661 | 30.8 | 27,806 | 15.5 | 20,274 | 41.2 |
| September 30, 2020 | 392,929 | (15.1) | 20,389 | (14.7) | 24,065 | (3.4) | 14,358 | (13.0) |

[Note] Comprehensive Income: Nine months ended September 30, 2021 : 27,196 million yen [71.8%]

Nine months ended September 30, 2020 : 15,826 million yen [(22.2%)]

| | Basic earnings per share | Diluted net income per share |
|--------------------|--------------------------|------------------------------|
| Nine months ended | Yen | Yen |
| September 30, 2021 | 156.35 | 156.33 |
| September 30, 2020 | 110.73 | 110.71 |

(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 |
| Third quarter ended September 30, 2021 | 511,453 | 364,234 | 71.1 | 2,803.48 |
| Year ended December 31, 2020 | 506,604 | 346,114 | 68.2 | 2,664.20 |

[Reference] Shareholders' equity: Third quarter ended September 30, 2021: 363,542 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 : No

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 | 558,000 | 2.4 | 35,000 | 11.8 | 35,800 | 1.6 | 25,500 | 15.9 | 196.65 |

[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 in 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 September 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 September 30, 2021 : | 1,404,525 |
| As of December 31, 2020 : | 1,412,822 |
 - (iii) Average number of shares

| | |
|----------------------------|-------------|
| As of September 30, 2021 : | 129,672,788 |
| As of September 30, 2020 : | 129,667,198 |

* 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 September 30, 2021 |
|--|-------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 59,631 | 75,219 |
| Notes and accounts receivable-trade | 105,328 | 80,552 |
| Securities | 500 | 500 |
| Merchandise and finished goods | 27,091 | 32,525 |
| Work in process | 103 | 157 |
| Raw materials and supplies | 631 | 548 |
| Short-term loans receivable | 180,006 | 180,014 |
| Other current assets | 7,122 | 6,547 |
| Allowance for doubtful receivables | (66) | (22) |
| Total current assets | 380,349 | 376,043 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 43,402 | 46,571 |
| Machinery, equipment and vehicles, net | 87 | 80 |
| Tools, furniture and fixtures, net | 3,004 | 2,856 |
| Rental assets, net | 7,281 | 6,294 |
| Land | 28,359 | 28,359 |
| Lease assets, net | 16 | 9 |
| Construction in progress | 1,577 | 1,023 |
| Total property, plant and equipment | 83,729 | 85,195 |
| Intangible assets | | |
| Software | 5,373 | 6,122 |
| Lease assets | 1 | 0 |
| Utilization rights | 294 | 303 |
| Other intangible assets | 0 | 0 |
| Total intangible assets | 5,669 | 6,426 |
| Investments and other assets | | |
| Investments in securities | 11,302 | 21,234 |
| Long-term loans receivable | 35 | 25 |
| Prepaid pension and severance costs | 415 | 413 |
| Deferred tax assets | 19,219 | 16,171 |
| Lease deposits | 3,427 | 3,167 |
| Other investments and other assets | 2,659 | 2,870 |
| Allowance for doubtful receivables | (205) | (95) |
| Total investments and other assets | 36,855 | 43,788 |
| Total non-current assets | 126,255 | 135,410 |
| Total assets | 506,604 | 511,453 |

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

| | As of December 31, 2020 | As of September 30, 2021 |
|---|-------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 44,107 | 39,689 |
| Lease obligations | 54 | 57 |
| Accrued expenses | 16,166 | 12,023 |
| Accrued income taxes | 7,004 | 3,013 |
| Consumption taxes payable | 5,547 | 4,074 |
| Accrued bonuses | 5,664 | 13,445 |
| Accrued directors' bonuses | 75 | 36 |
| Accrued product warranties | 453 | 425 |
| Accrued loss on order received | 8 | 1 |
| Other current liabilities | 29,356 | 24,035 |
| Total current liabilities | <u>108,440</u> | <u>96,802</u> |
| Long-term liabilities | | |
| Lease obligations | 74 | 92 |
| Deferred tax liabilities | 1 | 1 |
| Allowance for long-term continuous service rewards | 951 | 809 |
| Accrued pension and severance costs | 47,883 | 46,792 |
| Other long-term liabilities | 3,139 | 2,720 |
| Total long-term liabilities | <u>52,049</u> | <u>50,417</u> |
| Total liabilities | <u>160,490</u> | <u>147,219</u> |
| Equity | | |
| Shareholders' equity | | |
| Common stock | 73,303 | 73,303 |
| Capital surplus | 82,814 | 82,824 |
| Retained earnings | 188,481 | 199,679 |
| Treasury stock | (2,103) | (2,092) |
| Total shareholders' equity | <u>342,495</u> | <u>353,714</u> |
| Accumulated other comprehensive income (loss) | | |
| Net unrealized gains on available-for-sale securities | 4,230 | 10,600 |
| Deferred gains or losses on hedges | (29) | 26 |
| Foreign currency translation adjustments | 5 | 95 |
| Defined retirement benefit plans | (1,243) | (894) |
| Total accumulated other comprehensive income (loss) | <u>2,962</u> | <u>9,827</u> |
| Non-controlling interests | <u>655</u> | <u>691</u> |
| Total equity | <u>346,114</u> | <u>364,234</u> |
| Total liabilities and equity | <u>506,604</u> | <u>511,453</u> |

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

| | Nine months of FY2020 (from January 1, 2020 to September 30, 2020) | Nine months of FY2021 (from January 1, 2021 to September 30, 2021) |
|--|--|--|
| Net sales | 392,929 | 398,195 |
| Cost of sales | 261,329 | 259,956 |
| Gross profit | 131,600 | 138,239 |
| Selling, general and administrative expenses | 111,211 | 111,577 |
| Operating income | 20,389 | 26,661 |
| Non-operating income | | |
| Interest income | 180 | 204 |
| Dividend income | 109 | 124 |
| Insurance income | 451 | 500 |
| Gain on investments in partnership | 161 | 282 |
| Subsidies for employment adjustment | 2,748 | — |
| Other, net | 208 | 165 |
| Total non-operating income | 3,859 | 1,277 |
| Non-operating expenses | | |
| Interest expense | 9 | 9 |
| Foreign exchange losses | 26 | 8 |
| Other, net | 148 | 115 |
| Total non-operating expenses | 183 | 132 |
| Ordinary income | 24,065 | 27,806 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 283 | 5 |
| Gain on sales of investments in securities | 230 | 1,255 |
| Gain on sales of shares of subsidiaries and associates | — | 895 |
| Gain on casualty insurance | — | 202 |
| Other, net | 20 | 1 |
| Total extraordinary income | 533 | 2,360 |
| Extraordinary losses | | |
| Loss on sales and disposal of fixed assets | 956 | 92 |
| Loss on disaster | — | 168 |
| Loss on sales of shares of subsidiaries and associates | 737 | — |
| Loss on COVID-19 | 270 | — |
| Other, net | 4 | 26 |
| Total extraordinary losses | 1,970 | 287 |
| Net income before income taxes | 22,628 | 29,879 |
| Income taxes | 8,192 | 9,559 |
| Net income | 14,435 | 20,319 |
| Net income attributable to non-controlling interests | 77 | 44 |
| Net income attributable to owners of parent | 14,358 | 20,274 |

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

| | Nine months of FY2020 (from January 1, 2020 to September 30, 2020) | Nine months of FY2021 (from January 1, 2021 to September 30, 2021) |
|---|--|--|
| Net income | 14,435 | 20,319 |
| Other comprehensive income (loss) | | |
| Net unrealized gains or losses on available-for-sale securities | 11 | 6,370 |
| Deferred gains / (losses) on hedges | (53) | 55 |
| Foreign currency translation adjustments | (30) | 101 |
| Defined retirement benefit plans, net of tax | 1,463 | 349 |
| Total other comprehensive income (loss) | 1,390 | 6,876 |
| Comprehensive income | 15,826 | 27,196 |
| Comprehensive income attributable to | | |
| Owners of parent | 15,754 | 27,139 |
| Non-controlling interests | 71 | 56 |

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

| | Nine months of FY2020 (from January 1, 2020 to September 30, 2020) | Nine months of FY2021 (from January 1, 2021 to September 30, 2021) |
|---|--|--|
| Cash flows from operating activities | | |
| Net income before income taxes | 22,628 | 29,879 |
| Depreciation and amortization | 8,415 | 7,758 |
| Increase (decrease) in allowance for doubtful receivables | (4) | (153) |
| Increase (decrease) in accrued pension and severance costs | 1,519 | (414) |
| Decrease (increase) in prepaid pension and severance costs | (13) | (34) |
| Increase (decrease) in accrued bonuses | 9,956 | 7,796 |
| Interest and dividend income | (290) | (329) |
| Interest expense | 9 | 9 |
| Loss (gain) on sales and disposal of property, plant and equipment, net | (213) | 81 |
| Loss (gain) on sales of investments in securities | (230) | (1,255) |
| Loss (gain) on sales of shares of subsidiaries and associates | 737 | (895) |
| Loss (gain) on investments in partnership | (161) | (282) |
| Decrease (increase) in notes and accounts receivable-trade | 25,144 | 24,750 |
| Decrease (increase) in inventories | 3,356 | (5,470) |
| Increase (decrease) in notes and accounts payable-trade | (11,001) | (4,408) |
| Other, net | (11,571) | (7,617) |
| Subtotal | 48,281 | 49,412 |
| Interest and dividends received | 287 | 327 |
| Interest paid | (9) | (9) |
| Income taxes paid | (13,503) | (13,071) |
| Net cash provided by operating activities | 35,055 | 36,659 |
| Cash flows from investing activities | | |
| Payments for purchases of property, plant and equipment | (12,843) | (11,697) |
| Proceeds from sales of property, plant and equipment | 1,006 | 16 |
| Payments for purchases of intangible assets | (3,115) | (1,787) |
| Payments for purchases of investments in securities | (279) | (987) |
| Proceeds from sales of investments in securities | 538 | 1,889 |
| 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 | (288) | (593) |
| Net cash provided by (used in) investing activities | (14,152) | (12,094) |
| Cash flows from financing activities | | |
| Repayments of finance lease obligations | (56) | (45) |
| Payments for purchases of treasury stock | (1) | (2) |
| Dividends paid | (6,482) | (9,070) |
| Dividends paid to non-controlling interests | (26) | (21) |
| Other, net | 0 | — |
| Net cash used in financing activities | (6,567) | (9,140) |
| Effect of exchange rate changes on cash and cash equivalents | (78) | 162 |
| Net increase (decrease) in cash and cash equivalents | 14,256 | 15,588 |
| Cash and cash equivalents at beginning of period | 54,493 | 60,131 |
| Cash and cash equivalents at end of period | 68,750 | 75,719 |

Consolidated Quaterly Segment Information

I. Nine months of FY2020 (from January 1, 2020 to September 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 | 81,325 | 128,714 | 158,106 | 22,514 | 2,268 | 392,929 | - | 392,929 |
| Sales - intersegment | 33 | 7,682 | 7,232 | 1,108 | 4,736 | 20,793 | (20,793) | - |
| Total | 81,359 | 136,396 | 165,339 | 23,623 | 7,004 | 413,723 | (20,793) | 392,929 |
| Operating income (loss) | 5,831 | 7,123 | 6,645 | 1,781 | (945) | 20,436 | (46) | 20,389 |

[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. Nine months of FY2021 (from January 1, 2021 to September 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 | 87,917 | 129,287 | 156,885 | 21,758 | 2,346 | 398,195 | - | 398,195 |
| Sales - intersegment | 30 | 7,641 | 8,542 | 1,071 | 5,825 | 23,111 | (23,111) | - |
| Total | 87,947 | 136,929 | 165,428 | 22,830 | 8,171 | 421,307 | (23,111) | 398,195 |
| Operating income (loss) | 8,427 | 9,166 | 8,861 | 1,955 | (1,782) | 26,628 | 33 | 26,661 |

[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.