
Canon Inc.

First Quarter 2020 Results

April 23, 2020
Toshizo Tanaka
Executive Vice President & CFO

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(1Q 2020 Results)

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External environment

- Spread of COVID-19 completely changes global economic landscape
- Global economy faces worst recession since the Great Depression

Business performance

- Factory shutdowns and decline in capacity utilization rates
- Some products in short supply
- Stagnant economic activity impacting sales of Canon products as well

FY 2020 Financial Results

(1Q 2020 Actual versus 1Q 2019 Actual)

- In line with plan at beginning of year, but COVID-19 pulled down sales and profit
- New businesses as a whole post sales and profit growth

(Billions of yen)	1Q 2020 Actual	1Q 2019 Actual	% Change
Net Sales	782.3	864.5	-9.5%
Gross Profit (% of Net Sales)	358.7 45.8%	390.4 45.2%	-8.1%
Op. Expenses	325.8	350.0	
Op. Profit (% of Net Sales)	32.9 4.2%	40.4 4.7%	-18.7%
IBT	34.5	46.1	-25.2%
Net Income (% of Net Sales)	21.9 2.8%	31.3 3.6%	-30.0%
USD	108.96	110.31	
EURO	120.11	125.17	

FY 2020 Financial Results by Business Unit

(1Q 2020 Actual versus 1Q 2019 Actual)

- Office closed with profit increase thank to comprehensive expense management
- Other Business Units recorded sales and profit decline

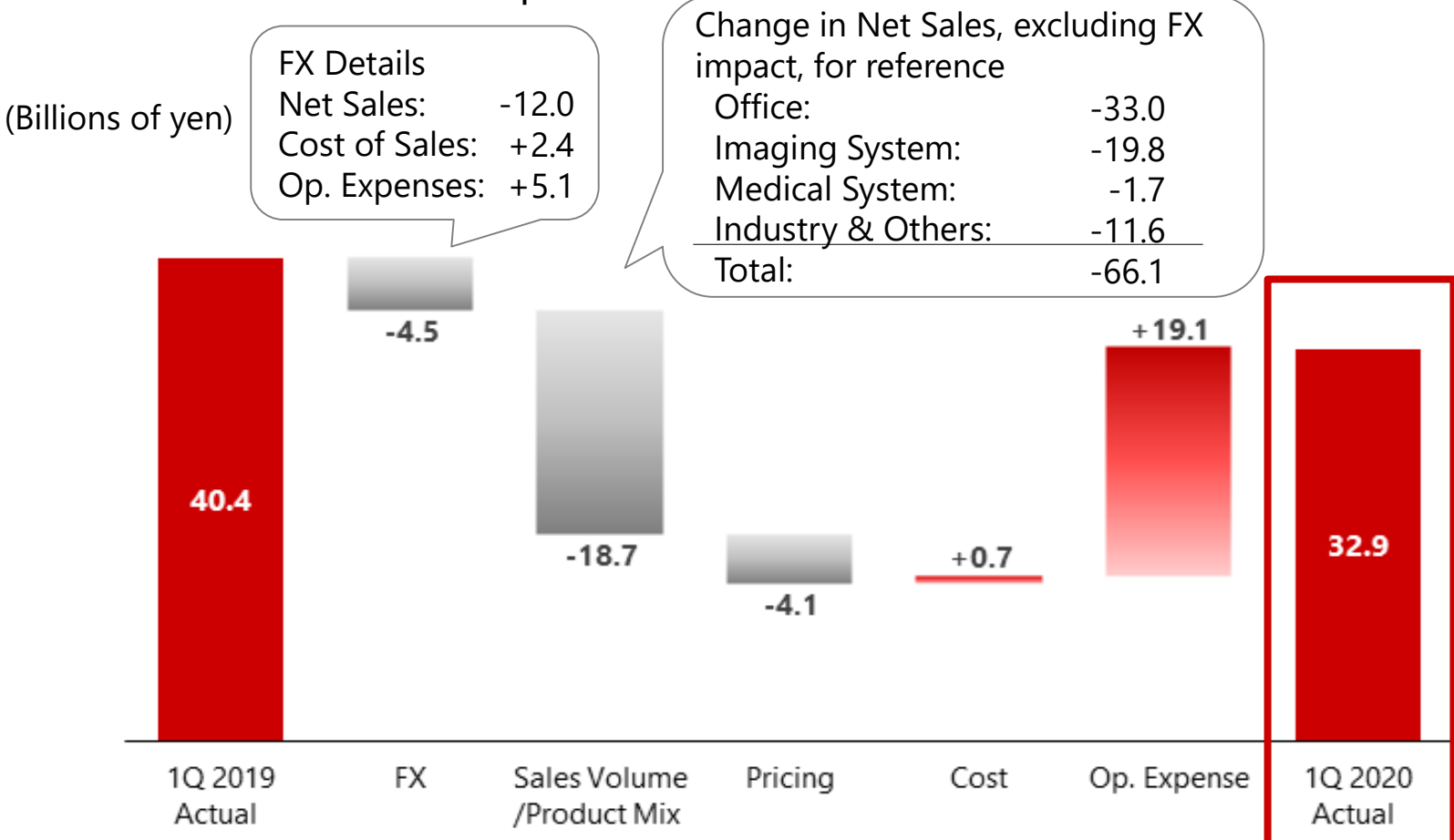
(Billions of yen)		1Q 2020 Actual	1Q 2019 Actual	% Change
Office	Net Sales	397.6	439.0	-9.4%
	Op. Profit	45.9	44.6	+2.9%
Imaging System	Net Sales	151.7	176.3	-13.9%
	Op. Profit	0.9	4.7	-80.6%
Medical System	Net Sales	106.1	109.4	-3.0%
	Op. Profit	4.0	6.7	-40.5%
Industry & Others	Net Sales	147.1	163.1	-9.8%
	Op. Profit	3.8	5.8	-34.8%
Corporate & Eliminations	Net Sales	-20.2	-23.3	-
	Op. Profit	-21.7	-21.4	-
Total	Net Sales	782.3	864.5	-9.5%
	Op. Profit	32.9	40.4	-18.7%

Note: Certain businesses that were included in Industry & Others are now included in Office. Results for the previous year have been restated to confirm with the new presentation.

FY 2020 Operating Profit Analysis

(1Q 2020 Actual versus 1Q 2019 Actual)

- Negative impact from changes in sales volume: Office and Imaging System - short product supply and worsening market conditions, Industry & Others - Postponed installation work
- Offset impact of lower volumes through expense management with focus on advertisement and development



2Q 2020~ Outlook

External environment

- Despite governments and financial authorities swift response, serious recession is inevitable due to stagnant economic activity
- Unable to predict when COVID-19 pandemic fades

Outlook

- Second quarter will be worse than first quarter
- Unable to predict when COVID-19 pandemic fades, providing a performance outlook is very difficult
→When it becomes possible to come up with a reasonable estimate, will restart disclosure

Office – MFDs

- Many companies closed in first quarter, lower unit sales and service revenue
- Office work continues to be constrained, expect further decline in second quarter

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
MFDs	143.7	158.1	-9.1%	-	645.6	658.7	+2.0%
LPs	141.4	162.0	-12.8%	-	628.3	603.3	-4.0%
Others	112.5	118.9	-5.3%	-	478.2	475.0	-0.7%
Net Sales	397.6	439.0	-9.4%	-	1,752.1	1,737.0	-0.9%
Op. Profit	45.9	44.6	+2.9%	-	165.0	189.2	+14.7%
(% of Net Sales)	11.6%	10.2%		-	9.4%	10.9%	

Note: Certain businesses that were included in Industry & Others are now included in "Others" within Office. Results for the previous year as well as previous projection have been restated to confirm with the new presentation.

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
MFDs	-7.3%
LPs	-12.6%
Others	-3.7%
Total	-8.3%

Unit Growth Rate Y/Y

MFDs	1Q 2020 Actual
Monochrome	-14%
Color	-13%
Total	-14%



imageRUNNER ADVANCE DX

Office – Laser Printers

- 1Q: Significant decline in unit sales mainly due to short product supply
- 2Q~: Expect demand for medium- to high-speed models to decrease due to economic downturn

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
MFDs	143.7	158.1	-9.1%	-	645.6	658.7	+2.0%
LPs	141.4	162.0	-12.8%	-	628.3	603.3	-4.0%
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Net Sales Growth Rate Y/Y

(Local Currency)

	1Q 2020 Actual
MFDs	-7.3%
LPs	-12.6%
Others	-3.7%
Total	-8.3%

Unit Growth Rate Y/Y

	1Q 2020 Actual
LPs	
Monochrome	-29%
Color	-14%
Total	-27%

Office – Others

- 1Q: Impact from COVID-19 was limited
- 2Q~: Expect performance to be challenged due to postponement of trade shows and stagnant sales activity

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
MFDs	143.7	158.1	-9.1%	-	645.6	658.7	+2.0%
LPs	141.4	162.0	-12.8%	-	628.3	603.3	-4.0%
Others	112.5	118.9	-5.3%	-	478.2	475.0	-0.7%
Net Sales	397.6	439.0	-9.4%	-	1,752.1	1,737.0	-0.9%
Op. Profit	45.9	44.6	+2.9%	-	165.0	189.2	+14.7%
(% of Net Sales)	11.6%	10.2%		-	9.4%	10.9%	

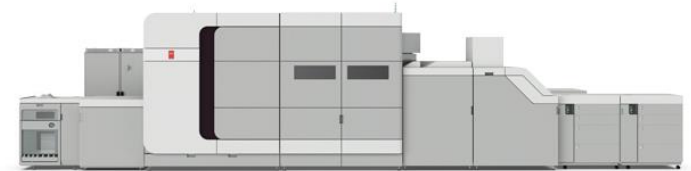
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Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
MFDs	-7.3%
LPs	-12.6%
Others	-3.7%
Total	-8.3%



Wide-format printer
Colorado 1650



High-speed cut sheet inkjet printer
VarioPrint i-series+

Imaging System – Cameras

- 1Q: Lower revenue due to market contraction and COVID-19 impact
- Announced development of full-frame mirrorless camera, EOS R5. Stimulate demand with even sharper focus on professionals and advanced amateurs

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
Cameras	71.4	97.9	-27.0%	-	466.8	434.5	-6.9%
IJPs	68.7	65.7	+4.6%	-	288.1	292.4	+1.5%
Others	11.6	12.7	-9.2%	-	52.5	60.1	+14.5%
Net Sales	151.7	176.3	-13.9%	-	807.4	787.0	-2.5%
Op. Profit	0.9	4.7	-80.6%	-	48.2	53.7	+11.5%
(% of Net Sales)	0.6%	2.7%		-	6.0%	6.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
Cameras	-24.8%
IJPs	+7.3%
Total	-11.6%

Units (Millions) & Unit Growth Rate Y/Y

	1Q Actual	
	Units	% Change
DILCs	0.61	-28%
DCs	0.40	-21%



Full-frame mirrorless camera

EOS R5

Imaging System – Inkjet Printers

- 1Q: Revenue increase thanks to increased demand for home printing due to remote working etc.
- 2020: Enhance lineup of refillable ink tank models and focus on raising expense efficiency

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
Cameras	71.4	97.9	-27.0%	-	466.8	434.5	-6.9%
IJPs	68.7	65.7	+4.6%	-	288.1	292.4	+1.5%
Others	11.6	12.7	-9.2%	-	52.5	60.1	+14.5%
Net Sales	151.7	176.3	-13.9%	-	807.4	787.0	-2.5%
Op. Profit	0.9	4.7	-80.6%	-	48.2	53.7	+11.5%
(% of Net Sales)	0.6%	2.7%		-	6.0%	6.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
Cameras	-24.8%
IJPs	+7.3%
Total	-11.6%

Unit Growth Rate Y/Y

	1Q 2020 Actual
IJPs	+3%



Refillable ink tank models

G6030

Medical System

- A lot of business activity restrained by COVID-19
- Despite being impacted, will enhance product competitiveness and sales structure to prepare for the future

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
Net Sales	106.1	109.4	-3.0%	-	438.5	487.0	+11.1%
Op. Profit	4.0	6.7	-40.5%	-	26.7	39.0	+45.8%
(% of Net Sales)	3.8%	6.1%		-	6.1%	8.0%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
Total	-1.5%



**CT
Aquilion Start**



**MRI
Vantage Orian**

Industry & Others – Lithography Equipment

- Even amid travel restrictions, local subsidiaries and other companies were able to install semiconductor lithography equipment
- Full-year FPD lithography equipment unit sales expected to decline due to longer amount of time needed for installation

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
Litho. Equip.	20.9	39.0	-46.3%	-	157.2	180.1	+14.6%
Others	126.2	124.1	+1.7%	-	531.2	605.9	+14.1%
Net Sales	147.1	163.1	-9.8%	-	688.4	786.0	+14.2%
Op. Profit	3.8	5.8	-34.8%	-	19.4	43.9	+126.4%
(% of Net Sales)	2.6%	3.5%		-	2.8%	5.6%	

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Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
Litho. Equip.	-46.3%
Others	+2.7%
Total	-9.0%

Lithography Equipment (Units)

	1Q 2020 Actual	1Q 2019 Actual
IC	21	14
FPD	2	15

Industry & Others – Others

- OLED vacuum deposition equipment also saw unavoidable push out of installations. Working to minimize impact, prepare for when installation work re-starts
- Network cameras: Promote as planned strengthening of lineup with eye towards when pandemic fades

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
Litho. Equip.	20.9	39.0	-46.3%	-	157.2	180.1	+14.6%
Others	126.2	124.1	+1.7%	-	531.2	605.9	+14.1%
Net Sales	147.1	163.1	-9.8%	-	688.4	786.0	+14.2%
Op. Profit	3.8	5.8	-34.8%	-	19.4	43.9	+126.4%
(% of Net Sales)	2.6%	3.5%		-	2.8%	5.6%	

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Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2020 Actual
Litho. Equip.	-46.3%
Others	+2.7%
Total	-9.0%



Network camera
VB-R13VE (H2)



Network camera
VB-H761LVE (H2)

Inventory

- Imaging System: Produce taking into account parts delivery situation
- Industry & Others: Increased inventory due to limited ability to install equipment at customer sites

(Billions of yen)		FY 2019				FY 2020
		1Q	2Q	3Q	4Q	1Q
Office	Amt.	215.5	206.1	201.3	191.9	194.9
	Days	43	43	42	40	42
Imaging System	Amt.	156.2	151.6	156.9	127.9	130.1
	Days	62	73	73	55	61
Medical System	Amt.	93.8	93.0	92.3	97.5	97.5
	Days	75	79	77	79	84
Industry & Others	Amt.	185.4	180.4	183.8	167.5	178.1
	Days	105	112	114	102	112
Total	Amt.	650.9	631.1	634.3	584.8	600.6
	Days	62	65	65	59	63

Note: Certain businesses that were included in Industry & Others are now included Office. Results for the previous year have been restated to confirm with the new presentation.

Cash Flow

(1Q 2020 Actual versus 1Q 2019 Actual)

- While 1Q profit declined, generated cash by improving working capital and restraining capital expenditures
- Preparing for unexpected, based on the mindset of prioritizing cash flow

(Billions of yen)	1Q 2020 Actual	1Q 2019 Actual	Amount Change
Net cash provided by operating activities	63.3	60.9	+2.4
Net cash used in investing activities	-43.6	-51.7	+8.1
Free cash flow	19.7	9.2	+10.5
Net cash provided by (used in) financing activities	13.6	-87.0	+100.6
Effect of exchange rate changes on cash and cash equivalents	-6.2	-1.7	-4.5
Net change in cash and cash equivalents	27.1	-79.5	+106.6
Cash and cash equivalents at end of period	439.9	441.1	
Cash-on-hand (In months of Net sales) (Note)	1.5	1.4	
Capital expenditures	30.0	46.1	
Depreciation & Amortization	53.8	58.8	

Note: 1Q 2019 and 1Q 2020 both use net sales over the most recent six months.

Environmental and CSR Activities

Expanding Measures to Realize Kyosei

Three important issues and case examples

Realizing Kyosei

Swiftly stop the spread of COVID-19 through products (Medical business)

- ✓ Provide X-ray & CT diagnostic systems
- ✓ Develop genetic testing system



Creating new value and solving issues
 Contribute to solving issues through innovation
 Medical, Security, Industrial Robots etc.

Protecting and conserving the environment
 Reduce environmental impact throughout the entire product life-cycle

Responding to people and society
 Human rights, labor, social contribution, product responsibility, supply chain, diversity

Strive to achieve new CO2 reduction target that exceeds the Paris Agreement in line with building global consensus

- ✓ Develop energy-saving products (2020 ENERGY STAR® Partner of the Year award)
- ✓ In Kiyohara Industrial Park, Utsunomiya, promoting next-generation energy conservation through collaboration between different industries



Under "Responding to People and Society as a Good Corporate Citizen," implementing various measures to prevent further spread and ensure health

- ✓ Temporary suspended operations at Canon Inc. headquarters and certain offices (Stopped nonessential and non-urgent business)
- ✓ Promotion of remote work
- ✓ Postponement of internal and external events

Published Sustainability Report 2020 (Integrated report for the realization of Kyosei)

- ✓ Through integrated disclosure of financial and non-financial (ESG) information, Canon summarizes its thoughts and results regarding value creation
- ✓ Dialog with global experts



Supplementary Information

Net Sales Growth Rate of Hardware & Non-hardware

		FY 2020		FY 2019	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
MFDs					
JPY	Hardware	-18%	-	-3%	-7%
	Non-hardware	-2%	-	-4%	-5%
LC	Hardware	-17%	-	-2%	-4%
	Non-hardware	0%	-	-2%	-2%
LPs					
JPY	Hardware	-21%	-	-2%	-5%
	Non-hardware	-7%	-	-12%	-15%
LC	Hardware	-21%	-	-2%	-3%
	Non-hardware	-7%	-	-12%	-13%
IJPs					
JPY	Hardware	+7%	-	-6%	-9%
	Non-hardware	+4%	-	-10%	-10%
LC	Hardware	+10%	-	-4%	-7%
	Non-hardware	+6%	-	-8%	-8%

Color Ratio (MFDs & LPs)

		FY 2020		FY 2019	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
MFDs	Net Sales	60%	-	59%	59%
	QTY	58%	-	58%	59%
LPs	Net Sales	53%	-	52%	52%
	QTY	21%	-	18%	20%

Sales Growth by Monochrome & Color MFDs

		FY 2020		FY 2019	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
JPY	Monochrome	-10%	-	-5%	-6%
	Color	-8%	-	-2%	-5%
LC	Monochrome	-9%	-	-4%	-4%
	Color	-7%	-	-1%	-2%

Interchangeable Lens Digital Camera Ratio

	FY 2020		FY 2019	
	1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
Value Base	83%	-	84%	85%
Unit Base	60%	-	63%	62%

* Value Base Includes Interchangeable Lenses

IC Stepper Unit Breakdown by Light Source

(unit)

	FY 2020		FY 2019	
	1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
KrF	3	-	5	22
i-Line	18	-	9	62
Total	21	-	14	84