

Canon Inc.

Third Quarter 2020 Results

October 26, 2020
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Agenda

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Key Message

(3Q 2020 Results)



External Environment

- Global economy recovering from 2Q's record drop

Business Performance

- Our markets also on a recovery trend
- Sales and profit down, but exceeding plan announced in July

(Billions of yen)	3Q 2020 Actual	3Q 2019 Actual	% Change
Net Sales	758.9	869.5	-12.7%
Gross Profit (% of Net Sales)	327.6 43.2%	389.9 44.8%	-16.0%
Op. Expenses	308.4	351.5	
Op. Profit (% of Net Sales)	19.2 2.5%	38.4 4.4%	-50.1%
IBT	22.8	47.0	-51.5%
Net Income (% of Net Sales)	16.7 2.2%	26.5 3.1%	-37.2%
USD	106.17	107.32	
EURO	124.13	119.27	

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As we entered the third quarter, many countries lifted lockdowns and other restrictions on people's movement, and large-scale economic stimulus measures were implemented to prop up markets. As a result, we saw, among others, a reduction in unemployment and a rise in consumer spending in the United States, and a start of revitalization of corporate activity in Japan and Europe. Globally, the economy showed a steady recovery from the second quarter, which suffered a record-breaking drop in economic output.

Each market in which we participate generally followed this same recovery trend and in terms of performance, our Office and industrial equipment businesses basically performed as planned while our Image System and network camera businesses exceeded our expectations.

As a result, net sales declined 12.7% to 758.9 billion yen, operating profit declined 50.1% to 19.2 billion yen, and net income declined 37.2% to 16.7 billion yen. However, compared with our guidance released at the end of July, we exceeded net sales and operating profit by almost 40.0 billion yen and 30.0 billion yen, respectively.

FY 2020 Financial Results by Business Unit

(3Q 2020 Actual versus 3Q 2019 Actual)

- Sales and profit decline for Office and Medical System, sales decline and profit increase for Imaging System and Industry & Others
- Imaging System profitability back to double-digit level

(Billions of yen)		3Q 2020 Actual	3Q 2019 Actual	% Change
Office	Net Sales	335.9	425.3	-21.0%
	Op. Profit	2.5	40.1	-93.7%
Imaging System	Net Sales	185.4	189.2	-2.0%
	Op. Profit	26.9	10.1	+167.0%
Medical System	Net Sales	105.4	113.9	-7.5%
	Op. Profit	5.0	9.0	-44.3%
Industry & Others	Net Sales	153.3	164.7	-6.9%
	Op. Profit	4.2	2.8	+49.8%
Corporate & Eliminations	Net Sales	-21.1	-23.6	-
	Op. Profit	-19.4	-23.6	-
Total	Net Sales	758.9	869.5	-12.7%
	Op. Profit	19.2	38.4	-50.1%

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

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As for Office, although sales and profit declined, we did return to profitability as we started to see a resumption of business negotiations and equipment installation, as well as a recovery in print volume from June thanks to the restart of business activity.

As for cameras, we saw a faster-than-expected market recovery partially due to an increasing need to capture images at home since more time is being spent there. Furthermore, we raised profitability partially through the launch of competitive new products. As for inkjet, we posted a significant increase in sales as home demand remained strong. Although total Imaging System sales declined, we did post a significant increase in profit, returning profitability to a double-digit level.

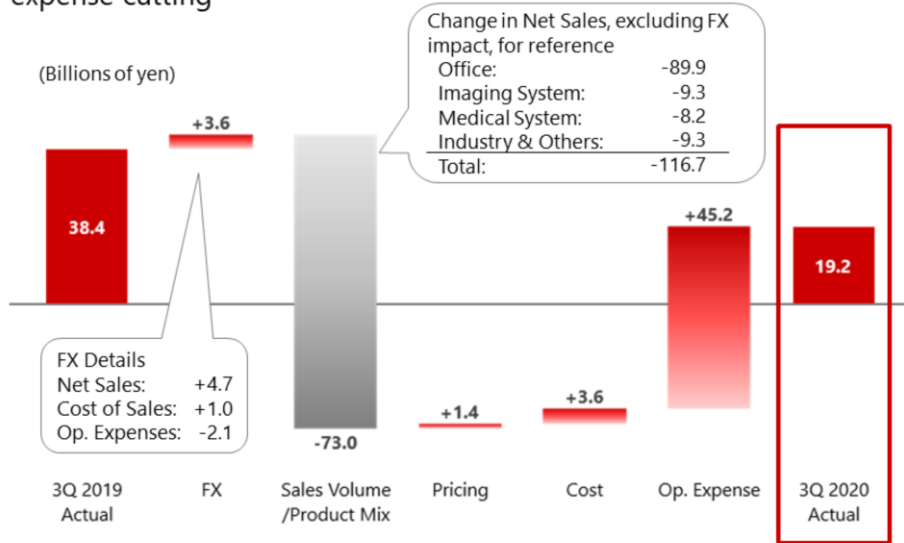
As for Medical System, due to the impact of COVID-19, we saw strong demand for equipment used in pneumonia testing, but also saw some investment in other diagnostic imaging equipment being postponed as many medical institutions struggled from a funding perspective. Furthermore, partially due to a rush in demand ahead of the consumption tax hike in the same period last year, we posted a decline in both sales and profit.

As of Industry & Others, the restart of work to install lithography equipment and vacuum deposition equipment from July proceeded as planned, but remains insufficient. As for network cameras, we returned to sales growth this quarter thanks to the faster-than-expected recovery in market conditions.

FY 2020 Operating Profit Analysis

(3Q 2020 Actual versus 3Q 2019 Actual)

- Sales Volume: Down significantly, but pace of decrease slower than 2Q
- Op. Expense: Significant improvement thanks to structural reform and expense cutting



As for changes in foreign exchange rates, although the yen appreciated against the U.S. dollar, the overall impact was positive thanks to the yen's depreciation against the euro.

As for sales volumes, changes resulted in lower sales in all business units, particularly in Office. However, except for Medical System, where the market is taking time to recover, the impact on each business unit has firmly decreased compared to the second quarter.

As for changes in pricing, the overall impact was positive this time on profit as we flexibly responded to the market environment.

As for expenses, in addition to structural reform costs, and subsequent reduction in labor costs, we thoroughly curtailed advertising and development costs. Accordingly, we achieved a significant reduction in expenses, as we did in the second quarter.

Key Message

(FY 2020 Projection)

FX Assumptions

	4Q 2020	FY 2020
USD/Yen	105.00 yen	106.86 yen
EUR/Yen	125.00 yen	122.16 yen

Impact of exchange rate movement
(4Q impact given a one yen change)

	Net Sales	Op. Profit
	2.9 billion yen	1.0 billion yen
	1.5 billion yen	0.7 billion yen

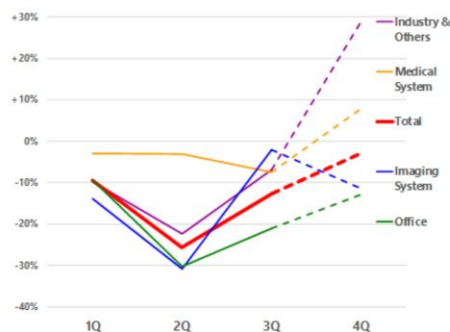
External Environment

- Expect recovery to continue in 4Q, despite uncertainty surrounding resolution of COVID-19, and thanks to measures to manage infection and balance economic activity

FY 2020 Outlook

- Further recovery in our 4Q performance

Trend in Y/Y Sales Growth



As for fourth-quarter foreign exchange rate assumptions, taking into account current conditions, we maintained our outlook of 105 yen to the U.S. dollar and revised our projection for the euro to 125 yen, a depreciation of 7 yen.

Although there are regions where we are seeing a resurgence of COVID-19 and we are still unable to predict when the situation surrounding COVID-19 will settle down, many countries are working to balance ongoing measures to manage the infection and economic activity. From this, we expect the economic recovery in the fourth quarter to broadly follow the third quarter.

For our sales as well, except for Imaging System, where we expect the spike in home demand for inkjet printers to soften, our performance, which bottomed out in the second quarter, is expected to recover even more in the fourth quarter.

FY 2020 Financial Projection (Full Year)

- Raised projection for net sales and operating profit by 60.0 billion yen and 19.0 billion yen, respectively
- Increased sales and profit of new businesses

(Billions of yen)	FY 2020 Current Projection	FY 2019 Actual	% Change	FY 2020 Previous Projection	Amount Change
Net Sales	3,140.0	3,593.3	-12.6%	3,080.0	+60.0
Gross Profit (% of Net Sales)	1,348.8 43.0%	1,610.0 44.8%	-16.2%	1,318.4 42.8%	+30.4
Op. Expenses	1,284.8	1,435.3		1,273.4	-11.4
Op. Profit (% of Net Sales)	64.0 2.0%	174.7 4.9%	-63.4%	45.0 1.5%	+19.0
IBT	86.0	195.7	-56.1%	70.0	+16.0
Net Income (% of Net Sales)	52.0 1.7%	125.1 3.5%	-58.4%	43.0 1.4%	+9.0
USD	106.86	109.03		106.60	
EURO	122.16	122.03		118.72	

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As our performance in the third quarter was better than our plan and taking into account the current trend of yen depreciation, we raised our full-year projection for net sales by 60.0 billion yen and operating profit by 19.0 billion yen.

As a result, we now expect full-year net sales to decrease 12.6% to 3 trillion 140.0 billion yen, operating profit to decrease 63.4% to 64.0 billion yen, and net income to decrease 58.4% to 52.0 billion yen.

Although we expect full-year sales and profit to decrease, we will work to improve our performance as the effects of COVID-19 has eased faster than expected since entering the second half of the year.

This year was one in which we were at the mercy of COVID-19. However, even in this situation, for new businesses, we expect to achieve sales and profit growth.

FY 2020 Financial Projection by Business Unit **Canon** (Full Year)

- Lowered projection for Office and Medical System, raised projection for Imaging System and Industry & Others
- Expect Imaging System profit to increase even for the full year

(Billions of yen)		FY 2020 Current Projection	FY 2019 Actual	% Change	FY 2020 Previous Projection	Amount Change
Office	Net Sales	1,431.0	1,752.1	-18.3%	1,423.4	+7.6
	Op. Profit	72.9	165.0	-55.8%	82.6	-9.7
Imaging System	Net Sales	689.1	807.4	-14.7%	643.9	+45.2
	Op. Profit	51.0	48.2	+5.9%	16.1	+34.9
Medical System	Net Sales	432.0	438.5	-1.5%	441.4	-9.4
	Op. Profit	22.3	26.7	-16.6%	26.8	-4.5
Industry & Others	Net Sales	673.3	688.4	-2.2%	654.3	+19.0
	Op. Profit	6.6	19.4	-66.0%	0.4	+6.2
Corporate & Eliminations	Net Sales	-85.4	-93.1	-	-83.0	-2.4
	Op. Profit	-88.8	-84.6	-	-80.9	-7.9
Total	Net Sales	3,140.0	3,593.3	-12.6%	3,080.0	+60.0
	Op. Profit	64.0	174.7	-63.4%	45.0	+19.0

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

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As for Office, although we expect sales to be basically in line with our previous projection, we lowered our projection for profit as the rebound in MFD service revenue is taking longer than expected.

For both cameras and inkjet printers, as our performance in the third quarter was better than planned, we raised our outlook for the Imaging System business unit and will work for full-year growth in profit.

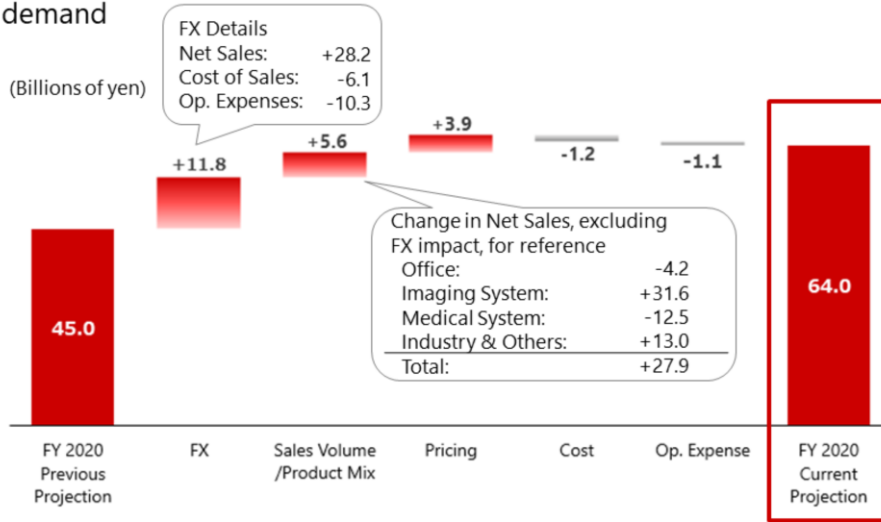
As for Medical System, we expect fourth-quarter sales to increase, thanks to the gradual resumption of medical equipment purchasing. However, we lowered our full-year projection and are now expecting sales and profit to decrease as it will be difficult to fully recover from the impact of delayed business negotiations and equipment installations.

As for Industry & Others, although we expect sales and profit to decrease, we raised our plan to reflect strong demand for OLED vacuum deposition equipment as well as a faster-than-expected recovery of the network camera market.

FY 2020 Operating Profit Analysis

(FY 2020 Current Projection versus Previous Projection)

- Sales Volume: Better-than-expected performance of Imaging System and Industry & Others
- Pricing: Restrained price reduction while closely monitoring supply and demand



As for changes in foreign exchange rates, we expect the impact to be positive as we assume appreciation of the euro.

For changes in sales volumes, we expect the impact to also be positive as a swift recovery in Imaging System and Industry & Others is expected to offset the slower-than-expected recovery of Office and Medical System.

As for price reduction, while considering the balance between supply and demand, we will work to limit this activity. As a result, we lower our projection by 3.9 billion yen.

For expenses, we expect a slight increase due to a rise in selling expenses related to business expansion.

- Recovery in 3Q and 4Q sales to 80% and 90% of last year, respectively, as offices reopen
- Expand sales of imageRUNNER ADVANCE DX series

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
MFDs	123.7	153.4	-19.3%	513.0	645.6	-20.5%	512.8	+0.2
LPs	110.3	155.1	-28.9%	496.8	628.3	-20.9%	495.9	+0.9
Others	101.9	116.8	-12.8%	421.2	478.2	-11.9%	414.7	+6.5
Net Sales	335.9	425.3	-21.0%	1,431.0	1,752.1	-18.3%	1,423.4	+7.6
Op. Profit	2.5	40.1	-93.7%	72.9	165.0	-55.8%	82.6	-9.7
(% of Net Sales)	0.8%	9.4%		5.1%	9.4%		5.8%	

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

Net Sales Growth Rate Y/Y (Local Currency)

	3Q Actual	Full year Projection
MFDs	-20.1%	-20.0%
LPs	-29.3%	-20.3%
Others	-13.6%	-11.3%
Total	-21.7%	-17.7%

Unit Growth Rate Y/Y

MFDs	3Q Actual	Full year Projection
Monochrome	-9%	-16%
Color	-8%	-14%
Total	-8%	-15%



imageRUNNER ADVANCE DX series

As for the office equipment market this year, little progress is being seen in business negotiations and equipment installations as offices are closed in many regions. This and an increase in remote working is expected to cause a significant drop in consumable demand. However, as people slowly return to the office, we are seeing a gradual recovery since the market bottomed out in the second quarter.

As for our MFDs, since entering the third quarter, except for a few countries like the United States and India, where a large number of people are infected with COVID-19, we have seen the number of people returning to the office increase. Thanks to this, and the progress we made in business negotiations and equipment installations as well as the increase in print volume with each passing month, sales recovered to around 80% of last year. Especially in China, where the economy recovered quickly, sales of color models increased, in particular.

Going forward, as the economic activity in each region picks up and market conditions gradually improve, we will work to expand sales of the imageRUNNER ADVANCE DX, a new series that has been highly evaluated by customers for its high speed and quiet operating scanning function. Furthermore, as the number of people returning to offices rebound, we project an increase in print volume that will help us achieve almost 90% of last year's sales in the fourth quarter.

- Hardware and consumable demand on recovery trend since the beginning of 3Q
- Continue to implement measures to steadily sell consumables

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
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Net Sales Growth Rate Y/Y (Local Currency)

	3Q Actual	Full year Projection
MFDs	-20.1%	-20.0%
LPs	-29.3%	-20.3%
Others	-13.6%	-11.3%
Total	-21.7%	-17.7%

Unit Growth Rate Y/Y

	3Q Actual	Full year Projection
LPs		
Monochrome	+5%	-18%
Color	-19%	-14%
Total	-1%	-17%

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As for hardware in the third quarter, since offices were closed and more people were working from home compared to last year, demand for office printing decreased. As a result, we posted a decrease in revenue due to a decrease in unit sales of mid- to high-speed models, particularly in Europe and the United States.

As for consumables, although sales decreased in the third quarter, actual demand is improving thanks to more offices reopening compared to the second quarter. From this, we expect sales to gradually move towards recovery.

Going forward, we expect a certain level of decrease in office print volume as remote working becomes more commonplace. In order to stabilize our consumable sales, we will support the new business model that is being deployed by our OEM partner, which sells hardware and consumables under a single contract. For the same reason, among others, we will continue to expand the number of products that make use of our low-temperature toner fixing technology.

- Rise in unit sales and pick up in print volume
- Recovery in 3Q sales to 90% of previous year

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
MFDs	123.7	153.4	-19.3%	513.0	645.6	-20.5%	512.8	+0.2
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High-speed cut-sheet inkjet printer
varioPRINTiX series



Large-format printer for graphics market
Arizona 2300 series

The market is gradually recovering similar to office equipment. This reflects, mainly large printing companies with an eye on post-COVID starting to purchase equipment.

In the third quarter, in addition to installing equipment for which we already had orders, we also resumed face-to-face business activities to acquire new orders. As a result, the number of unit sales has gradually risen.

For service as well, although demand for posters and other printed material has been weak due to fewer events, sales of the entire business recovered to about 90% of last year, due to a recovery in print volume, particularly for printed materials such as invoices and books.

As for the fourth quarter, since equipment delivery is usually concentrated at the end of the year and this is typically our strongest sales period, we aim to exceed the sales we achieved in the third quarter.

Imaging System – Cameras

- Faster-than-expected recovery in camera demand
- EOS R5 and EOS R6 resonating very well, contributing to sales recovery
- New concept camera, PowerShot Zoom, also attracting great attention

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
Cameras	91.2	108.6	-16.0%	330.1	466.8	-29.3%	305.3	+24.8
I/Js	82.8	68.5	+20.9%	315.0	288.1	+9.3%	297.3	+17.7
Others	11.4	12.1	-5.7%	44.0	52.5	-16.1%	41.3	+2.7
Net Sales	185.4	189.2	-2.0%	689.1	807.4	-14.7%	643.9	+45.2
Op. Profit	26.9	10.1	+167.0%	51.0	48.2	+5.9%	16.1	+34.9
(% of Net Sales)	14.5%	5.3%		7.4%	6.0%		2.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q Actual	Full year Projection
Cameras	-16.9%	-28.4%
I/Js	+19.7%	+10.4%
Total	-3.0%	-13.8%

Units (Millions) & Unit Growth Rate Y/Y

Cameras	3Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	0.64	-35%	2.70	-35%
DCs	0.36	-46%	1.50	-42%



Full-frame mirrorless camera
EOS R5

New concept camera
PowerShot Zoom

As for camera demand, amid ongoing market contraction, we expect a significant drop in demand due to COVID-19 this year. However, in the third quarter, the camera market was stronger than expected thanks to a gradual increase in image capturing opportunities as people became more active. Taking this into account, we raised our full-year projection for the interchangeable-lens camera market by 0.5 million units to 5.9 million units.

Although we expect our full-year sales to decline in line with the market to 2.7 million units, the EOS R5 and EOS R6, new cameras equipped with full-frame sensors that we launched in the third quarter, have recorded strong sales since their introduction thanks to the high marks they have received for their revolutionary video recording function, AF performance, and image stabilizing function. Furthermore, for our enhanced lineup of lenses, we are achieving sales growth and improving product mix through synergy with camera bodies.

Imaging System – Cameras

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(Billions of yen)

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Units (Millions) & Unit Growth Rate Y/Y

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	Units	% Change	Units	% Change
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DCs	0.36	-46%	1.50	-42%



Full-frame mirrorless camera
EOS R5

New concept camera
PowerShot Zoom

In addition to shifting to high value-added interchangeable-lens cameras like the EOS R5, we will expand sales of other cameras based on new design concepts that actively incorporate the various ideas of our young employees.

A recent example of this is the PowerShot Zoom, a hand held camera that combines the functions of a telescope and camera. We started crowdfunding this camera on a Japanese site in September. This gave us access to a new user base that was able to make advance purchase reservations for a limited number of cameras which was reached soon after we started taking orders.

We will deploy this kind of product strategy and focus on improving profitability by streamlining product development, production, and market in preparation for decreasing sales.

Imaging System – Inkjet Printers

- In addition to home demand in developed countries, printer demand recovering in emerging markets
- Expand models offering improved home printing convenience

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
Cameras	91.2	108.6	-16.0%	330.1	466.8	-29.3%	305.3	+24.8
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Net Sales Growth Rate Y/Y
(Local Currency)

	3Q Actual	Full year Projection
Cameras	-16.9%	-28.4%
IJPs	+19.7%	+10.4%
Total	-3.0%	-13.8%

Unit Growth Rate Y/Y

	3Q Actual	Full year Projection
IJPs	+14%	+5%



PIXUS TS8430
(Japan)

As for the inkjet printer market, we are seeing a recovery in printer demand thanks to robust demand in developed countries where remote working and online learning persist, and a gradual rebound in economic activity in emerging markets. Under this situation, we have been able to significantly grow sales of both hardware and consumables, posting an overall increase of more than 20% in the third quarter.

Furthermore, triggered by COVID-19, we are seeing an increase in daily home printing opportunities, particularly in developed countries. From this, we see future demand for inkjet printers to become more stable. Taking into account this kind of change in the business environment, we have commercialized products that allow users to easily print company documents from home as well as print online learning material directly from the printer without using a computer.

By expanding the number of products that raise the convenience of home printing and enhancing our lineup of refillable ink tank models for emerging markets, we will capture diverse printing demand.

- Lowered full-year projection due to weaker-than-expected market recovery
- Steadily converting orders into sales, aiming for 4Q sales growth

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
Net Sales	105.4	113.9	-7.5%	432.0	438.5	-1.5%	441.4	-9.4
Op. Profit (% of Net Sales)	5.0 4.8%	9.0 7.9%	-44.3%	22.3 5.2%	26.7 6.1%	-16.6%	26.8 6.1%	-4.5

**Net Sales Growth Rate Y/Y
(Local Currency)**

	3Q Actual	Full year Projection
Total	-7.2%	-0.1%



CT
Aquilion Start



MRI
Vantage Orian

Impacted by the spread of COVID-19, medical institutions have strived to balance prevention and medical treatment and are now starting to consider the purchase of medical equipment again. However, the virus has started to again spread in certain regions. In light of this, we feel it will take a little more time until the diagnostic imaging equipment market recovers as a whole.

As for the third quarter, although we saw continuing strong demand for X-ray and CT systems used in pneumonia testing, private medical institutions, in particular, were cautious, especially in purchasing high-priced equipment. As a result, we did not achieve our sales plan, mainly in Japan. Furthermore, partially due to a rush in demand ahead of the consumption tax hike in Japan last year, sales were down 7%.

Taking into account the weaker-than-expected recovery in market conditions, we lowered our full-year projection. However, since business negotiations with customers restarted, we have been able to steadily build up orders. Furthermore, we expect the support measures by governments to have a real impact on purchasing going forward, and that this will firmly lead to sales as we aim to expand revenue in the fourth quarter.

Industry & Others – Lithography Equipment

- Increased semiconductor lithography equipment unit sales thanks to recovery in memory-oriented investment
- Aiming to install 22 FPD lithography systems in 4Q in response to customer requests

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
Litho. Equip.	32.8	32.3	+1.6%	143.6	157.2	-8.6%	151.4	-7.8
Others	120.5	132.4	-9.0%	529.7	531.2	-0.3%	502.9	+26.8
Net Sales	153.3	164.7	-6.9%	673.3	688.4	-2.2%	654.3	+19.0
Op. Profit	4.2	2.8	+49.8%	6.6	19.4	-66.0%	0.4	+6.2
(% of Net Sales)	2.7%	1.7%		1.0%	2.8%		0.1%	

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

Net Sales Growth Rate Y/Y (Local Currency)

	3Q Actual	Full year Projection
Litho. Equip.	+0.9%	-8.9%
Others	-9.2%	+0.3%
Total	-7.2%	-1.8%

Lithography Equipment (Units)

Litho. Equip.	3Q 2020 Actual	3Q 2019 Actual	Full year Projection	FY 2019 Actual
IC	31	22	124	84
FPD	5	10	33	50



Semiconductor lithography equipment

FPA-6300ES6a

15

As for semiconductor lithography equipment, in light of growing demand for datacenters and computers, investment towards memory production is generally on a recovery trend.

As for the third quarter, in response to strong equipment demand, we achieved unit sales that exceeded the previous year. As for the fourth quarter, although we are seeing some postponement in the investment plans of memory manufacturers that are concerned about decreasing smartphone demand, we will work to expand unit sales even further and believe we can achieve 124 units for the full year, which significantly exceeds the previous year.

As for FPD lithography equipment, since installation work at customer sites was stalled due to COVID-19, third-quarter sales were limited to 5 units and we expect 33 units for the full year, which are both below those of last year. However, the willingness of panel manufacturers to invest remains strong and with the gradual resumption of installation work from July, we expect sales to be 22 units in the fourth quarter.

- Increasing full-year OLED vacuum deposition equipment sales through steady progress in installation work
- Network camera returned to sales growth in 3Q, expect full-year sales to increase even during pandemic

(Billions of yen)

	3Q			Full Year				
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change	2020 Previous Projection	Amount Change
Litho. Equip.	32.8	32.3	+1.6%	143.6	157.2	-8.6%	151.4	-7.8
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(% of Net Sales)	2.7%	1.7%		1.0%	2.8%		0.1%	

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

Net Sales Growth Rate Y/Y (Local Currency)

	3Q Actual	Full year Projection
Litho. Equip.	+0.9%	-8.9%
Others	-9.2%	+0.3%
Total	-7.2%	-1.8%



OLED vacuum deposition equipment



Video analytics solution
Crowded Office Alert Solution

As for OLED vacuum deposition equipment, despite current concerns over demand for smartphones, we expect demand for this equipment to increase even in the future, thanks to a steady increase in the number of smartphones using OLED screens.

In the third quarter, sales were broadly in line with last year as the suspended installation work at customer sites was restarted. As we steadily enhance our approach to product installation, we expect unit sales to almost double in the fourth quarter. And for the full year as well, we expect to post a significant increase in net sales.

As for network cameras, the market is heading towards recovery as government promoted infrastructure investment in public facilities and other areas such as city surveillance gradually resumed. Although we expect the rate of market growth to temporarily slow this year, we expect market expansion to continue going forward, stimulated by new demand coming from, among others, hospitals introducing network cameras for the purpose of preventing the spread of diseases within hospitals.

In the third quarter, we posted an increase in sales thanks to the resumption of business negotiations and equipment installation. We will work to increase sales for the full year by taking advantage of opportunities created by market recovery, and responding to the need for social safety and security amid COVID-19 through such things as software that can grasp and warn of crowded situations.

- Temporary build up in Industry & Others causing slight increase in overall inventory
- Steady decrease in other segments in value terms

(Billions of yen)		FY 2019				FY 2020		
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end
Office	Value	215.5	206.1	201.3	191.9	194.9	191.6	188.3
	Days	43	43	42	40	42	50	53
Imaging System	Value	156.2	151.6	156.9	127.9	130.1	113.3	107.9
	Days	62	73	73	55	61	70	60
Medical System	Value	93.8	93.0	92.3	97.5	97.5	100.1	97.2
	Days	75	79	77	79	84	91	89
Industry & Others	Value	185.4	180.4	183.8	167.5	178.1	198.7	224.2
	Days	105	112	114	102	112	141	156
Total	Value	650.9	631.1	634.3	584.8	600.6	603.7	617.6
	Days	62	65	65	59	63	76	79

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

At the end of September, total inventory turnover in days was longer, reflecting the low level of sales over the past six months. However, in value terms, we show a general decrease, particularly in Imaging System.

For cameras and inkjet printers, as the level of sales is exceeding our plan, we are augmenting production volumes while closely managing inventory to maintain appropriate levels.

As for Industry & Others, we temporarily built up inventory to respond to strong demand in the fourth quarter. However, by steadily installing equipment at customer sites, we expected inventory to decrease by year end.

Cash Flow

(Full Year)

- Improve free cash flow by increasing profit, limiting capital spending etc.
- Secure same level of cash-on-hand as last time (1.5 months of sales)

(Billions of yen)	FY 2020 Current Projection	FY 2020 Previous Projection	FY 2019 Actual
Net cash provided by operating activities	277.0	182.0	358.5
Net cash used in investing activities	-175.0	-235.0	-228.6
Free cash flow	102.0	-53.0	129.9
Net cash provided by (used in) financing activities	-105.8	49.9	-232.6
Effect of exchange rate changes on cash and cash equivalents	-9.0	-9.7	-5.1
Net change in cash and cash equivalents	-12.8	-12.8	-107.8
Cash and cash equivalents at end of period	400.0	400.0	412.8
Cash-on-hand (In months of Net sales)	1.5	1.5	1.4
Capital expenditures	150.0	160.0	178.1
Depreciation & Amortization	215.0	200.0	237.3

Compared with our previous projection, we expect an increase in net income. Thanks to this and measures such as reviewing our investment plan and improving working capital, we expect free cash flow to be a positive 102.0 billion yen.

As for cash-on-hand at the end of the year, we expect to maintain 400.0 billion yen, which is equivalent to our previous projection of 1.5 months of sales.

Although we expect the business environment to remain tough, given that our performance is steadily recovering at a pace that exceeds our plan and considering our current financial position, for our year-end dividend that was undetermined, we plan to pay 40 yen per share, which is the same as our interim dividend.

Sustainability Measures

Responding to COVID-19 through technology



Contribute to the realization of a safe, secure, and comfortable society

Medical equipment development

Rapid Genetic Testing System for the Novel Coronavirus



Canon Medical Systems
Early introduction of CT system



Support of new lifestyles

Release of a software for online communication
Countries / regions around the world

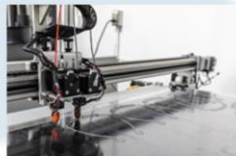


Support Medical settings

Production of ventilators
Canon Production Printing (Netherlands)



Production of face shields
Canon Virginia (U.S.A)



Body temperature sensing solutions

Canon Singapore



19-1

As more people continue to be infected by COVID-19, we are not only expeditiously providing medical equipment, but also using our technology in products that support medical institutions, and actively promoting new lifestyles.

For example, our genetic testing system for COVID-19, which is based on the LAMP method, makes testing easy and provides prompt results. In October, we launched a model that can test six times as many people at once, from a previous 16 to 96. Through its ability to test 4,500 people in a 24 hour period, we are optimistic that it will be used in testing facilities and at event sites where high volume testing is conducted.

And, in the Netherlands, in response to a request for cooperation from a local company that was aiming to produce an easy-to-use, low-cost ventilator, we provided a broad range of support, including the procurement of parts, production, product quality inspection, and the acquisition of required certification.

Other than this, we released software that allows EOS cameras to be used as webcams in response to new demand like remote conferencing. We are also providing body temperature detection solutions that realize smooth temperature measurement and are working in other areas to contribute to society through our technology.

We will continue to contribute to the realization of a safe, secure, and comfortable society by actively providing the support and services required in each region of the world.

Sustainability Measures

Responding to COVID-19 through technology



Contribute to the realization of a safe, secure, and comfortable society

■ Medical equipment development

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Canon Medical Systems

Early introduction of CT system



■ Support of new lifestyles

Release of a software for online communication Countries / regions around the world



■ Support Medical settings

Production of ventilators

Canon Production Printing (Netherlands)

Production of face shields

Canon Virginia (U.S.A)



Body temperature sensing solutions

Canon Singapore



19-2

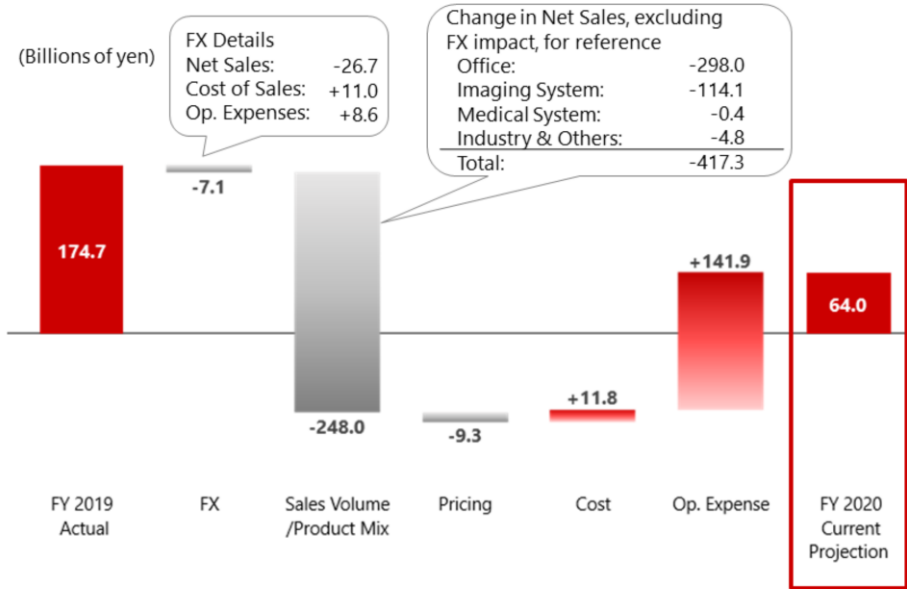
Due to COVID-19, we are seeing a significant change in people's life- and work-styles. Although it is difficult to accurately predict the future under such tough conditions, our performance is improving after bottoming out in the second quarter.

Next year will be the first year of our sixth five-year plan during which we will work to establish a new business portfolio and realize a return to high profitability by expanding sales of new business and strengthening the profitability of existing ones such as office equipment and cameras.

Supplementary Information

FY 2020 Operating Profit Analysis

(FY 2020 Current Projection versus FY 2019 Actual)



Net Sales Growth Rate of Hardware & Non-hardware

		FY 2020		FY 2019	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
MFDs					
JPY	Hardware	-18%	-21%	-4%	-7%
	Non-hardware	-21%	-20%	-6%	-5%
LC	Hardware	-18%	-20%	+1%	-4%
	Non-hardware	-21%	-20%	-2%	-2%
LPs					
JPY	Hardware	-16%	-22%	-2%	-5%
	Non-hardware	-38%	-21%	-13%	-15%
LC	Hardware	-17%	-21%	+2%	-3%
	Non-hardware	-38%	-20%	-9%	-13%
IJPs					
JPY	Hardware	+40%	+13%	-13%	-9%
	Non-hardware	+12%	+8%	-10%	-10%
LC	Hardware	+39%	+14%	-9%	-7%
	Non-hardware	+11%	+9%	-6%	-8%

Color Ratio

		FY 2020		FY 2019	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
MFDs	Net Sales	60%	60%	59%	59%
	QTY	60%	59%	60%	59%
LPs	Net Sales	47%	51%	52%	52%
	QTY	19%	21%	23%	20%

Sales Growth by Monochrome & Color MFDs

		FY 2020		FY 2019	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
JPY	Monochrome	-21%	-22%	-7%	-6%
	Color	-19%	-20%	-4%	-5%
LC	Monochrome	-21%	-22%	-3%	-4%
	Color	-19%	-19%	+1%	-2%

Interchangeable Lens Digital Camera Ratio

	FY 2020		FY 2019	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
Value Base	88%	86%	84%	85%
Unit Base	64%	64%	60%	62%

* Value Base Includes Interchangeable Lenses

IC Stepper Unit Breakdown by Light Source

(Units)

	FY 2020		FY 2019	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
KrF	8	24	1	22
i-Line	23	100	21	62
Total	31	124	22	84