

Canon Inc.

First Quarter 2021 Results

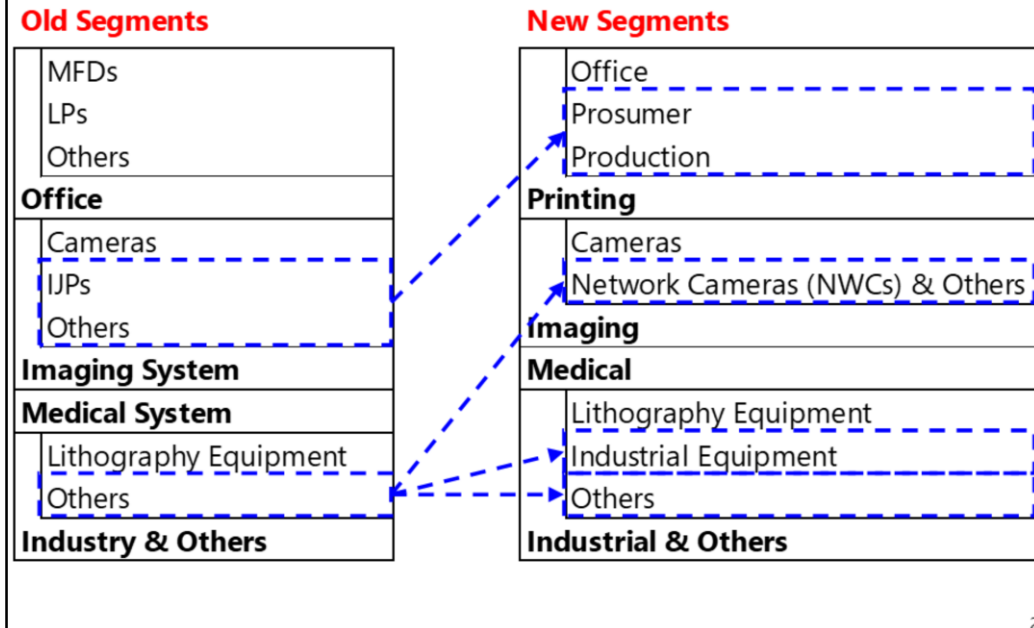
April 26, 2021
Toshizo Tanaka
Executive Vice President & CFO

This presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Agenda

| | |
|---|----------|
| ■ Changes to Segments | P2 |
| ■ 1Q 2021 Results | P3 – 5 |
| ■ FY 2021 Projection | P6 – 9 |
| ■ Details by Business (1Q 2021 Results & FY 2021 Projection) | P10 – 17 |
| ■ Financial Situation | P18 – 19 |
| ■ Sustainability Measures | P20 |
| ■ Supplementary Information | P21 – 26 |

Changes to Segments



This year, we reorganized and are now managing and operating our businesses by industrial segments of which there are four, namely Printing, Imaging, Medical, and Industrial & Others.

The first of major changes is inkjet printers. In order to operate our printing business as a whole, we established the Printing Business Unit, which encompasses office MFDs, laser printers and now inkjet printers.

As for network cameras, we will create new businesses by combining optical technologies under the Business Unit of Imaging, which includes cameras for consumers.

In line with these changes, our past results and previous projection have been restated.

Key Message (1Q 2021 Results)



External Environment

- Effects of COVID-19 remains strong

Business Performance

- New business growth and structural reform contributed to business performance
- Achieved sales growth for 1st time in 11 quarters, since 2Q 2018
- Profit continues to rise from last quarter, exceeds pre-COVID crisis of 2019

| (Billions of yen) | 1Q 2021 Actual | 1Q 2020 Actual | % Change | (For Reference) 1Q 2019 Actual |
|---|-----------------------|-----------------------|----------|--------------------------------------|
| Net Sales | 842.7 | 782.3 | +7.7% | 864.5 |
| Gross Profit (% of Net Sales) | 384.4 45.6% | 358.7 45.8% | +7.2% | 390.4 45.2% |
| Op. Expenses (% of Net Sales) | 313.8 37.2% | 325.8 41.6% | | 350.0 40.5% |
| Op. Profit (% of Net Sales) | 70.6 8.4% | 32.9 4.2% | +114.6% | 40.4 4.7% |
| IBT | 66.0 | 34.5 | +91.4% | 46.1 |
| Net Income (% of Net Sales) | 44.5 5.3% | 21.9 2.8% | +102.9% | 31.3 3.6% |
| USD | 106.11 | 108.96 | | 110.31 |
| EURO | 127.72 | 120.11 | | 125.17 |

3

In the first quarter, the effects of COVID-19 remained strong. However, even under such conditions, the markets for cameras and laser printers, which had been shrinking until recently, began to show signs of bottoming out. As we have also seen stabilization in our business performance, the growth of new businesses and the effects of the structural reforms that we have carried out so far are appearing in our improved company-wide performance.

As a result, net sales increased by 7.7% to 842.7 billion yen, which represents the first increase in 11 quarters since the second quarter of 2018.

As for profit, operating profit increased by 114.6% to 70.6 billion yen and net income increased by 102.9% to 44.5 billion yen, which not only represents a consecutive quarter of significant profit increase, but also profit that exceeds the pre-COVID-19 level in 2019.

Under our new medium- to long-term management plan, we got off to an auspicious start, closing the first quarter with good performance.

FY 2021 Financial Results by Business Unit

(1Q 2021 Actual versus 1Q 2020 Actual)

- Achieved sales and profit growth for Imaging, Medical and Industrial & Others
- Decrease in Printing sales, but stable profit

| (Billions of yen) | | 1Q 2021 Actual | 1Q 2020 Actual | % Change |
|--------------------------|------------|-------------------|-------------------|----------|
| Printing | Net Sales | 469.4 | 477.8 | -1.8% |
| | Op. Profit | 53.2 | 55.4 | -4.0% |
| | (%) | (11.3%) | (11.6%) | |
| Imaging | Net Sales | 148.6 | 119.8 | +24.0% |
| | Op. Profit | 18.1 | -9.8 | - |
| | (%) | (12.2%) | (-8.2%) | |
| Medical | Net Sales | 124.4 | 106.1 | +17.3% |
| | Op. Profit | 11.5 | 4.0 | +188.7% |
| | (%) | (9.3%) | (3.8%) | |
| Industry & Others | Net Sales | 124.6 | 98.8 | +26.0% |
| | Op. Profit | 9.2 | 6.7 | +36.4% |
| | (%) | (7.4%) | (6.8%) | |
| Corporate & Eliminations | Net Sales | -24.3 | -20.2 | - |
| | Op. Profit | -21.4 | -23.4 | - |
| Total | Net Sales | 842.7 | 782.3 | +7.7% |
| | Op. Profit | 70.6 | 32.9 | +114.6% |
| | (%) | (8.4%) | (4.2%) | |

4

As for Printing, even amid weak demand for office print, we posted stable profit, supported by not only home demand, mainly addressed through inkjet printers, but also the effect of structural reform taken so far.

As for Imaging, still benefiting from the effects of new camera bodies, unit sales of both cameras and lenses exceeded our plan. Profitability improved significantly from last year due to a rise in average selling price and an increase in sales efficiency.

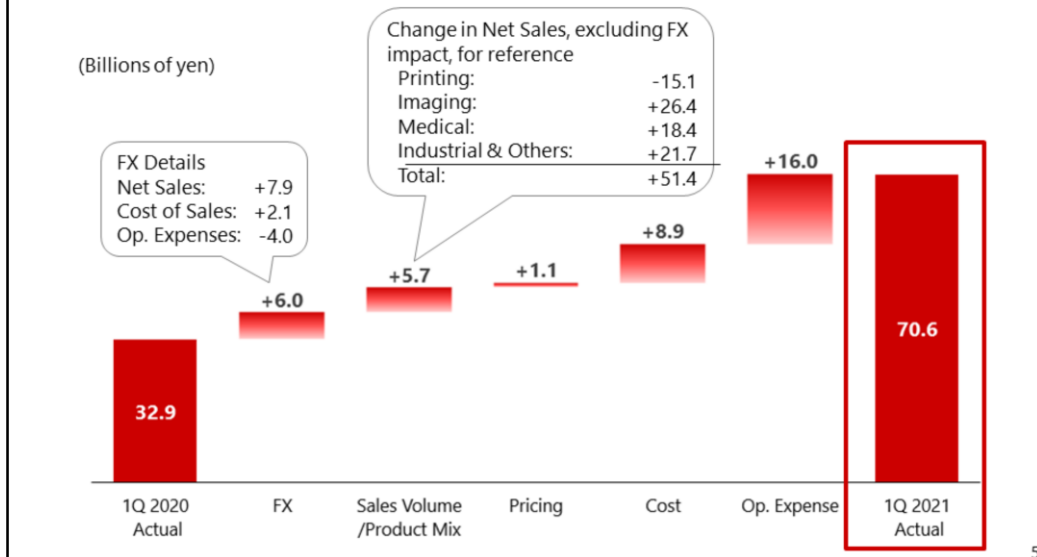
For Medical, both sales and profit increased as we firmly captured opportunities created by government support of medical institutions. As a result, we recorded our highest ever profitability of 9.3%

As for Industrial and Others, sales and profit both grew. The performance of our semiconductor lithography equipment business remained strong. As for FPD lithography equipment, we posted a significant increase in unit sales from last year by making steady progress in equipment installation.

FY 2021 Operating Profit Analysis

(1Q 2021 Actual versus 1Q 2020 Actual)

- Cost reduction and expense efficiency, major contributors to increased profit



Changes in exchange rates, particularly the yen's depreciation against the euro, had a positive impact on net sales and operating profit of 7.9 billion yen and 6.0 billion yen, respectively.

As for cost reduction, improvement was made mainly in fixed costs, reflecting, among others, last year's decline in factory utilization rates due to the effects of COVID-19.

As for expenses, while we aggressively invested in the development of new businesses, the effects of structural reforms and more efficient sales activities resulted in a 16.0 billion yen improvement. As a result, SG&A as a percentage of net sales declined significantly from 41.6% in the first quarter of last year to 37.2% this year.

Key Message

(FY 2021 Projection)

FX Assumptions

| | | | Impact of exchange rate movement (2Q-4Q impact given a one yen change) | |
|---------|------------|------------|---|-----------------|
| | 2Q-4Q 2021 | FY 2021 | Net Sales | Op. Profit |
| USD/Yen | 105.00 yen | 105.26 yen | 8.8 billion yen | 3.2 billion yen |
| EUR/Yen | 125.00 yen | 125.65 yen | 4.3 billion yen | 2.0 billion yen |

External Environment

- Currently seeing signs of another wave of COVID-19, but expect economic activity to normalize from the second half of the year
- Continue to monitor impact of semiconductor component shortage and logistical bottlenecks

FY 2021 Outlook

- Raised full-year projection due to stable business foundation and recovery in global economy

First, our exchange rate assumptions, which are 105 yen to the U.S. dollar and 125 yen to the euro.

Although we are currently seeing another wave of COVID-19 infections, countries around the world are rapidly ramping up vaccinations. Based on this, our view that the global economy will accelerate towards normalization from the second half of the year has not changed since the beginning of the year.

As for the semiconductor component shortages and logistical bottlenecks, based on our best estimate at this time, we budgeted for higher costs and delays in delivery. However, the situation is changing day by day. As such, we will continue to monitor the trends going forward.

We raised our projection to reflect not only the building of a stable business foundation through the promotion of business portfolio transformation, but also acceleration in the global economy recovery.

FY 2021 Financial Projection (Full Year)

- Raised outlook. Exceed full-year performance of 2019, a pre-COVID level

| (Billions of yen) | FY 2021 Current Projection | FY 2020 Actual | % Change | FY 2021 Previous Projection | Amount Change | (For Reference) FY 2019 Actual |
|---|----------------------------------|-------------------------|----------|-----------------------------------|------------------|--------------------------------------|
| Net Sales | 3,500.0 | 3,160.2 | +10.8% | 3,400.0 | +100.0 | 3,593.3 |
| Gross Profit (% of Net Sales) | 1,568.0 44.8% | 1,375.9 43.5% | +14.0% | 1,506.0 44.3% | +62.0 | 1,610.0 44.8% |
| Op. Expenses (% of Net Sales) | 1,370.0 39.1% | 1,265.4 40.0% | | 1,347.5 39.6% | -22.5 | 1,435.6 39.9% |
| Op. Profit (% of Net Sales) | 198.0 5.7% | 110.5 3.5% | +79.1% | 158.5 4.7% | +39.5 | 174.4 4.9% |
| IBT | 211.0 | 130.3 | +62.0% | 176.5 | +34.5 | 195.5 |
| Net Income (% of Net Sales) | 140.0 4.0% | 83.3 2.6% | +68.0% | 115.0 3.4% | +25.0 | 125.0 3.5% |
| USD | 105.26 | 106.68 | | 105.00 | | 109.03 |
| EURO | 125.65 | 122.07 | | 120.00 | | 122.03 |

Note: Prior year financial statements have been restated to account for provision for paid leave, but effect is immaterial.

7

Compared to our previous projection, we raised our outlook for net sales by 100.0 billion yen, operating profit by 39.5 billion yen and net income by 25.0 billion yen, and now expect net sales to increase 10.8% to 3.5 trillion yen, operating profit to increase 79.1% to 198.0 billion yen, and net income to increase 68% to 140.0 billion yen.

Even amid the lingering effects of the COVID-19, we will strive to achieve results that exceed our performance in 2019, thus gaining the momentum that returns us to becoming a highly profitable company.

FY 2021 Financial Projection by Business Unit

(Full Year)

■ Raised performance outlook for all Business Units

| (Billions of yen) | | FY 2021 Current Projection | FY 2020 Actual | % Change | FY 2021 Previous Projection | Amount Change |
|-----------------------------|------------|----------------------------------|-------------------|----------|-----------------------------------|------------------|
| Printing | Net Sales | 1,954.8 | 1,804.4 | +8.3% | 1,919.8 | +35.0 |
| | Op. Profit | 186.9 | 147.1 | +27.0% | 177.7 | +9.2 |
| | (%) | (9.6%) | (8.2%) | | (9.3%) | |
| Imaging | Net Sales | 617.3 | 541.3 | +14.0% | 579.3 | +38.0 |
| | Op. Profit | 31.1 | 5.7 | +442.8% | 12.1 | +19.0 |
| | (%) | (5.0%) | (1.1%) | | (2.1%) | |
| Medical | Net Sales | 461.6 | 436.1 | +5.9% | 460.0 | +1.6 |
| | Op. Profit | 30.3 | 25.2 | +20.0% | 29.6 | +0.7 |
| | (%) | (6.6%) | (5.8%) | | (6.4%) | |
| Industry & Others | Net Sales | 555.1 | 461.5 | +20.3% | 531.2 | +23.9 |
| | Op. Profit | 37.7 | 20.5 | +83.8% | 34.7 | +3.0 |
| | (%) | (6.8%) | (4.4%) | | (6.5%) | |
| Corporate & Eliminations | Net Sales | -88.8 | -83.1 | - | -90.3 | +1.5 |
| | Op. Profit | -88.0 | -88.0 | - | -95.6 | +7.6 |
| Total | Net Sales | 3,500.0 | 3,160.2 | +10.8% | 3,400.0 | +100.0 |
| | Op. Profit | 198.0 | 110.5 | +79.1% | 158.5 | +39.5 |
| | (%) | (5.7%) | (3.5%) | | (4.7%) | |

8

We raised our projection and expect all four of our Business Units to achieve sales and profit growth.

As for Printing, we raised our outlook to reflect continued strong home demand for inkjet and laser printers, which is lasting longer than expected. We are able to flexibly respond to changes in the printing environment caused by COVID-19, through our diverse product portfolio that includes both electrophotography and inkjet technologies, and covers a wide range of applications from business to home use.

For Imaging, because the size of the camera market is already approaching the number of users that are particular about visual expression, we expect the market to be limited to moderate contraction going forward. As current sales of mainly new products are exceeding our plan, we raised our full-year projection for both sales and profit.

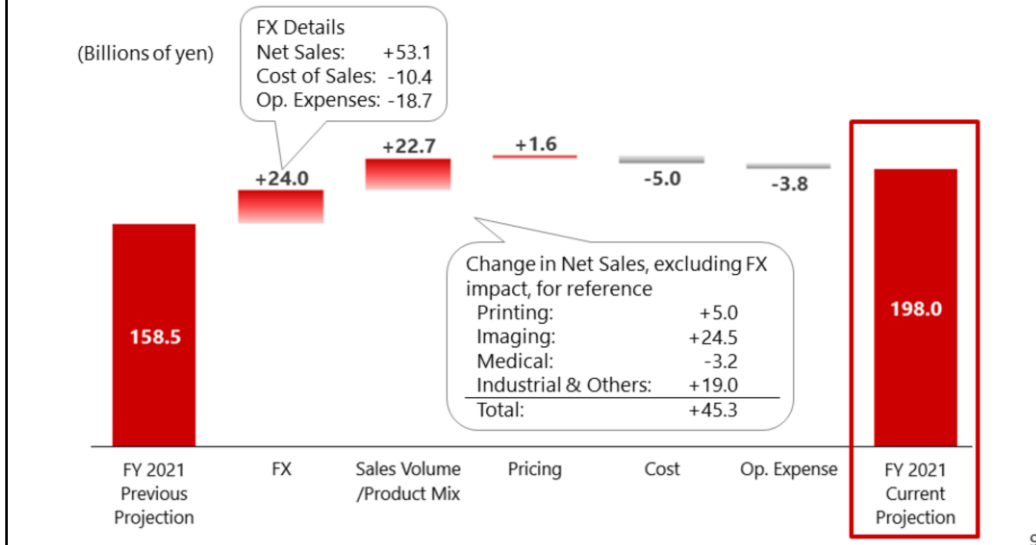
As for Medical, the market is expected to return to its original growth trajectory as medical institutions who prioritized responding to the COVID-19, return to normal activities such as diagnosis and examination. Under such conditions, we aim to increase sales and profit by steadily linking the effects of product competitiveness and sales force enhancement.

As for Industry and Others, as we see stronger demand for semiconductor lithography equipment, we raised our projection and now expect sales and profit growth.

FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus Previous Projection)

- Weaker yen and increased sales volume contributing to higher profit
- Expected impact from higher input costs (raw materials and semiconductor components)



As for the impact of changes in exchange rates, as the yen was actually weaker in the first quarter than we projected, and now that we expect the yen to be 5 yen weaker against the euro from April, operating profit increased 24.0 billion yen.

As for cost reduction, we expect a negative impact of 5 billion yen, reflecting higher prices for resin material and semiconductor components.

As for expenses, though we expect an increase in sales-linked expenses due to growth in sales volume, we do not plan to sacrifice future growth and will steadily implement the plans we had at the beginning of the year to invest in R&D.

- Lowered full-year projection – Decline in non-hardware sales due to another wave of COVID-19 infections
- Sales growth through expanded regional rollout of strong selling new products

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|-------------------|--------------|--------------|--------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Office | 185.0 | 200.9 | -7.9% | 786.6 | 723.0 | +8.8% | 793.6 | -7.0 |
| Prosumer | 221.0 | 211.6 | +4.4% | 889.2 | 830.9 | +7.0% | 857.3 | +31.9 |
| Production | 63.4 | 65.3 | -2.9% | 279.0 | 250.5 | +11.3% | 268.9 | +10.1 |
| Net Sales | 469.4 | 477.8 | -1.8% | 1,954.8 | 1,804.4 | +8.3% | 1,919.8 | +35.0 |
| Op. Profit | 53.2 | 55.4 | -4.0% | 186.9 | 147.1 | +27.0% | 177.7 | +9.2 |
| (% of Net Sales) | 11.3% | 11.6% | | 9.6% | 8.2% | | 9.3% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|------------|----------------|--------------------|
| Office | -9.2% | +7.9% |
| Prosumer | +3.6% | +6.5% |
| Production | -5.0% | +10.2% |
| Total | -2.9% | +7.6% |

Unit Growth Rate Y/Y

| | 1Q 2021 Actual | FY 2021 Projection |
|-------------|----------------|--------------------|
| Office MFDs | +8% | +18% |



imageRUNNER ADVANCE DX series C5800

As for the Office MFD market, although print volume was temporarily impacted by another wave of COVID-19, we expect it to gradually recover, similar to hardware sales as people return to the office thanks to more people being vaccinated.

As we originally expected the first quarter to be somewhat sluggish, our hardware sales were basically in line with our plan. However, non-hardware sales were below our expectations as the number of people returning to the offices decreased in such countries and regions as Japan and Europe, where restrictions on people's movement were tightened. Because of this, we did lower our full-year projection, but still expect an increasing number of people returning to the office in the second half of the year, including in the United States which has been slow to recover, thanks to vaccinations. And as a result, we expect overall print volume to return to about 90% of its pre-COVID-19 level by the end of the year.

To respond to the need for digital transformation in office processes, last year, we launched the imageRUNNER ADV DX series, which offers enhanced scanning features and connectivity with cloud services. And in the new models we launched in Europe and Asia in February, we realized reduction in development and production costs, through product platform consolidation. This product has been selling well not only because of its price competitiveness, but also because parts can be easily replaced and it is environment-friendly through reduced power consumption. Going forward, we will work to expand sales, by successively launching this product in other regions.

- Continued strong sales of inkjet printers thanks to home demand
- Expand sales by capturing broad range of print demand through product lineup enhancement

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|-------------------|--------------|--------------|--------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Office | 185.0 | 200.9 | -7.9% | 786.6 | 723.0 | +8.8% | 793.6 | -7.0 |
| Prosumer | 221.0 | 211.6 | +4.4% | 889.2 | 830.9 | +7.0% | 857.3 | +31.9 |
| Production | 63.4 | 65.3 | -2.9% | 279.0 | 250.5 | +11.3% | 268.9 | +10.1 |
| Net Sales | 469.4 | 477.8 | -1.8% | 1,954.8 | 1,804.4 | +8.3% | 1,919.8 | +35.0 |
| Op. Profit | 53.2 | 55.4 | -4.0% | 186.9 | 147.1 | +27.0% | 177.7 | +9.2 |
| (% of Net Sales) | 11.3% | 11.6% | | 9.6% | 8.2% | | 9.3% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|------------|----------------|--------------------|
| Office | -9.2% | +7.9% |
| Prosumer | +3.6% | +6.5% |
| Production | -5.0% | +10.2% |
| Total | -2.9% | +7.6% |

Unit Growth Rate Y/Y

| | 1Q 2021 Actual | FY 2021 Projection |
|------|----------------|--------------------|
| LPs | +4% | +13% |
| IJPs | +10% | +9% |



Refillable ink tank model

GX7030

11

As for laser and inkjet printers, in the Prosumer market, demand for office products was weak, as it will take a little more time before we see a recovery in people returning to the office, demand for home products remained strong, particularly in developed countries, thanks to remote working and learning.

In the first quarter, sales for inkjet printers were strong in each region to an extent that it was difficult to keep up with demand for mainly home-use models. Additionally, there were more opportunities to purchase low-end laser printer models for home use, which also led to sales increase.

Going forward, we will continue to launch new products that correspond to developments in the decentralization of offices and remote work. In inkjet printers, we launched a top-of-the-line refillable ink tank model that excels not only in productivity through high-speed printing and double-sided scanning, but also in running cost, energy consumption and footprint. As a result, the number of models in our refillable ink tank product lineup has increased to 18, including the low-end models released in the fourth quarter of last year which offer improved maintainability.

By enhancing our product lineup, we will work to expand sales, firmly capturing a wide range of demand from office to home.

- Recovery in sales through further strengthening of product lineup and sales network expansion

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|-------------------|--------------|--------------|--------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Office | 185.0 | 200.9 | -7.9% | 786.6 | 723.0 | +8.8% | 793.6 | -7.0 |
| Prosumer | 221.0 | 211.6 | +4.4% | 889.2 | 830.9 | +7.0% | 857.3 | +31.9 |
| Production | 63.4 | 65.3 | -2.9% | 279.0 | 250.5 | +11.3% | 268.9 | +10.1 |
| Net Sales | 469.4 | 477.8 | -1.8% | 1,954.8 | 1,804.4 | +8.3% | 1,919.8 | +35.0 |
| Op. Profit | 53.2 | 55.4 | -4.0% | 186.9 | 147.1 | +27.0% | 177.7 | +9.2 |
| (% of Net Sales) | 11.3% | 11.6% | | 9.6% | 8.2% | | 9.3% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|-------------------|----------------|--------------------|
| | Office | -9.2% |
| Prosumer | +3.6% | +6.5% |
| Production | -5.0% | +10.2% |
| Total | -2.9% | +7.6% |



High-speed cut-sheet inkjet printer
varioPRINT iX series



Large-format printer
Colorado 1650

As for Production in 2021, in the commercial printing market, unlike major printing companies, which are relatively stable financially, small- and medium-sized printing companies that prioritized cash conservation have begun to gradually resume investment as the economy recovers. Based on this, we expect the market to steadily recover moving forward.

In the first quarter, through expanded unit sales of continuous feed and high-speed cut sheet inkjet printers launched last year, we limited an overall decline in sales.

This year, during which we expect a recovery in market conditions, we will not only further strengthen our product lineup, but also focus on enhancing our sales network for graphic-oriented large-format printers. Since last year, promoting the print quality and productivity of our products to dealers that have an abundance of experience in graphic arts as well as a broad customer base, has led to an increase in dealers. We will expand this activity to other region in order to further increase sales.

- Camera demand firm, market size up slightly
- Significant increase in 1Q sales driven by EOS5, EOS6, and lenses. Raised full-year projection
- Announced development of EOS R3. Expand market share in full-frame segment

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|--------------------------|--------------|--------------|---------------|-------------------------|--------------|----------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Cameras | 95.9 | 71.4 | +34.3% | 393.0 | 347.7 | +13.0% | 364.2 | +28.8 |
| Network Cameras & Others | 52.7 | 48.4 | +8.9% | 224.3 | 193.6 | +15.8% | 215.1 | +9.2 |
| Net Sales | 148.6 | 119.8 | +24.0% | 617.3 | 541.3 | +14.0% | 579.3 | +38.0 |
| Op. Profit | 18.1 | -9.8 | - | 31.1 | 5.7 | +442.8% | 12.1 | +19.0 |
| (% of Net Sales) | 12.2% | -8.2% | | 5.0% | 1.1% | | 2.1% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|---------------|----------------|--------------------|
| | Cameras | +31.4% |
| NWCs & Others | +8.3% | +15.6% |
| Total | +22.1% | +12.7% |

Interchangeable Lens Digital Camera (DILC) Units (Millions) & Unit Growth Rate Y/Y

| | 1Q 2021 Actual | | FY 2021 Projection | |
|-------|----------------|----------|--------------------|----------|
| | Units | % Change | Units | % Change |
| DILCs | 0.65 | +7% | 2.90 | +5% |



Full-frame mirrorless camera

EOS R3

13

As for cameras, even amid continued restrictions on people's movement, demand for cameras remains solid, supported by the need for high-quality visual expression. Based on this, we still expect the 2021 camera market to be up slightly or 5.8 million units.

In the first quarter, revenue was significantly higher than last year, as sales remained strong, driven by the EOS R5 and EOS R6 which were launched in the second half of last year. Additionally, the synergy effect of having competitive camera bodies and expanding our lineup of RF lens, which command high margins, led to an increase in average selling prices. This, and the establishment of efficient online sales activities nurtured through COVID-19 is leading to an improvement in profitability.

For the full year, reflecting the situation surrounding sales in the first quarter, we not only raised our projection for camera unit sales by 100 thousand to 2.9 million, but also raised our projection for revenue.

To further strengthen mirrorless camera lineup, in April we announced the development of a new model, the EOS R3, which is equipped with a backside illumination stacked CMOS sensor that achieves high-speed signal processing, which allows for a number of functional improvements such as continuous shooting performance. At the same time, we announced 3 new RF lenses, bringing the total to 22 and we will continue to enhance this lineup going forward. By raising the appeal of the R series, we aim to further raising our market share in the full-frame category and increase sales.

Additionally, for new types of cameras, such as the PowerShot Zoom that was launch at the end of last year and has attracted quite a bit of attention for its ease of capturing long-range images with one hand, we are steady creating new markets.

Imaging – Network Cameras & Others

- Network camera market returns to double-digit growth. Plan to grow faster than the market
- Announced remote camera system for video production. Aiming to create new imaging businesses

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|--------------------------|--------------|--------------|---------------|-------------------------|--------------|----------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Cameras | 95.9 | 71.4 | +34.3% | 393.0 | 347.7 | +13.0% | 364.2 | +28.8 |
| Network Cameras & Others | 52.7 | 48.4 | +8.9% | 224.3 | 193.6 | +15.8% | 215.1 | +9.2 |
| Net Sales | 148.6 | 119.8 | +24.0% | 617.3 | 541.3 | +14.0% | 579.3 | +38.0 |
| Op. Profit | 18.1 | -9.8 | - | 31.1 | 5.7 | +442.8% | 12.1 | +19.0 |
| (% of Net Sales) | 12.2% | -8.2% | | 5.0% | 1.1% | | 2.1% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|---------------|----------------|--------------------|
| | Cameras | +31.4% |
| NWCs & Others | +8.3% | +15.6% |
| Total | +22.1% | +12.7% |



Remote camera system for video production

As for the network camera market, we expect it to grow at a double-digit rate in 2021, returning to its original growth path, as factors limiting economic activities in each country are eased.

The need for people's safety and security is strong, and as a consequence of COVID-19, non-face-to-face and non-contact solutions such as remote monitoring at hospitals are also spreading. As a result, the sales of this business are recovering faster than our other businesses.

Our first quarter sales increased by 9% compared to the same period last year when there was no impact of COVID-19, and with each passing quarter pace of sales growth is accelerating.

For the full year, by fully leveraging our strength, which comes from our superior product quality, high reliability from a security point of view, and channel partners around the world, we aim to post higher than market growth of 16%.

Over the medium term, we aim to create new imaging businesses following cameras and network cameras. For example, in March, we announced a new 4K-compatible remote camera system for video production that combines imaging and network technologies and can be used in a wide range of image capturing situations, including news, sports, and education. Through efforts such as this, we will work to further expand sales by focusing on optical technology.

- Achieved sales and profit growth in 1Q as medical institutions that received government subsidies actively purchased equipment
- Aiming for market exceeding growth, through expanded sales of systems that command higher prices and enhanced sales force

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|---------------------------------------|---------------------|--------------------|-------------|-------------------------------|---------------------|-------------|--------------------------------|------------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Net Sales | 124.4 | 106.1 | +17.3% | 461.6 | 436.1 | +5.9% | 460.0 | +1.6 |
| Op. Profit (% of Net Sales) | 11.5 9.3% | 4.0 3.8% | +188.7% | 30.3 6.6% | 25.2 5.8% | +20.0% | 29.6 6.4% | +0.7 |

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

| | 1Q 2021 | FY 2021 |
|-------|---------|------------|
| | Actual | Projection |
| Total | +17.3% | +5.5% |



MRI
Vantage Gracian

15

As for Medical, although we are still feeling the effects of COVID-19, on sales to medical institutions, and on equipment installation activity, as more people become vaccinated, we expect the operation of medical institutions to return to normal from the second half of the year. And with this, we expect the diagnostic imaging equipment market to gradually recover.

In the first quarter, in addition to a recovery in market conditions, we saw active purchasing of equipment by medical institutions that received government subsidies, particular in Japan. Utilizing this, we achieved a significant increase in both sales and profit, driven mainly by CT and ultrasonic systems.

From the second quarter on, in addition to sales of equipment used in pneumonia testing, which have been relatively stable, we expect an increase in sales of MRI and higher-end X-ray equipment, which have been slow under the influence of COVID-19. Additionally, we will work to secure orders by increasing the value of our entire diagnostic imaging system, utilizing AI technology to support high-definition image composition and radiologic interpretation.

Furthermore, in the U.S., the world's largest and most advanced medical market, we will promote our systems through online academic conferences, exhibitions, and webinars that have developed in the wake of COVID-19. We will also again work to strengthen our local sales capabilities, with the aim of achieving an overall increase in sales that exceeds market growth.

Industrial & Others – Lithography Equipment

- Raised outlook for semiconductor lithography equipment unit sales in response to booming market
- Sold 20 FPD lithography units in the first quarter, significantly exceeding last year, thanks to progress made in equipment installation

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|-----------------------|--------------|-------------|---------------|-------------------------|--------------|---------------|--------------------------|---------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Lithography Equipment | 44.3 | 20.9 | +111.4% | 208.0 | 142.5 | +45.9% | 192.9 | +15.1 |
| Industrial Equipment | 28.7 | 31.0 | -7.3% | 130.1 | 132.4 | -1.7% | 142.9 | -12.8 |
| Others | 51.6 | 46.9 | +9.9% | 217.0 | 186.6 | +16.3% | 195.4 | +21.6 |
| Net Sales | 124.6 | 98.8 | +26.0% | 555.1 | 461.5 | +20.3% | 531.2 | +23.9 |
| Op. Profit | 9.2 | 6.7 | +36.4% | 37.7 | 20.5 | +83.8% | 34.7 | +3.0 |
| (% of Net Sales) | 7.4% | 6.8% | | 6.8% | 4.4% | | 6.5% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 Actual | FY 2021 Projection |
|-------------------|----------------|--------------------|
| | Litho. Equip. | +111.2% |
| Industrial Equip. | -7.3% | -1.8% |
| Total | +26.0% | +20.2% |

Lithography Equipment (Units)

| | 1Q 2021 Actual | 1Q 2020 Actual | FY 2021 Projection | FY 2020 Actual |
|-----|----------------|----------------|--------------------|----------------|
| | Semiconductor | 20 | 21 | 146 |
| FPD | 20 | 2 | 68 | 32 |



Semiconductor lithography equipment
FPA-6300ES6a

16

As for semiconductor lithography equipment, we expect the market to be at a record high level in 2021. This reflects the continuation from last year of strong investment towards memory used in data centers, PCs, and other devices as well as growing demand for other integrated circuits such as power management ICs, logic ICs, and image sensors, thanks to expanding demand for end products such as smartphones, automobiles and 5G communication related equipment.

In response to the booming market, the number of semiconductor manufacturers continues to grow and drive demand for lithography equipment. By utilizing our ability to customize equipment to meet the respective needs of customers, such as wafer size and material, and by raising our production capacity, we aim to sell 146 units this year, which exceeds last year's level.

As for the flat panel display (FPD) lithography equipment, we expect the 2021 market to remain solid, thanks to increasing demand for both IT-related monitors, such as those used in notebook PCs and tablets, and large high-definition TVs, due to the increased amount of time spent at home due to the COVID-19 crisis.

As for the installation work that was delayed last year due to COVID-19, we established a system for traveling from Japan that allowed us to proceed as planned. As a result, we achieved sales of 20 units in the first quarter, which was significantly higher than the same period last year, and plan to sell 68 unit for the full year.

- Although shift to OLED steadily progresses, seeing impact from change in customer plans

(Billions of yen)

| | 1Q | | | Full Year | | | | |
|-----------------------|----------------|----------------|---------------|-------------------------------|----------------|---------------|--------------------------------|------------------|
| | 2021 Actual | 2020 Actual | % Change | 2020 Current Projection | 2020 Actual | % Change | 2021 Previous Projection | Amount Change |
| Lithography Equipment | 44.3 | 20.9 | +111.4% | 208.0 | 142.5 | +45.9% | 192.9 | +15.1 |
| Industrial Equipment | 28.7 | 31.0 | -7.3% | 130.1 | 132.4 | -1.7% | 142.9 | -12.8 |
| Others | 51.6 | 46.9 | +9.9% | 217.0 | 186.6 | +16.3% | 195.4 | +21.6 |
| Net Sales | 124.6 | 98.8 | +26.0% | 555.1 | 461.5 | +20.3% | 531.2 | +23.9 |
| Op. Profit | 9.2 | 6.7 | +36.4% | 37.7 | 20.5 | +83.8% | 34.7 | +3.0 |
| (% of Net Sales) | 7.4% | 6.8% | | 6.8% | 4.4% | | 6.5% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 1Q 2021 | FY 2021 |
|-------------------|---------|------------|
| | Actual | Projection |
| Litho. Equip. | +111.2% | +45.7% |
| Industrial Equip. | -7.3% | -1.8% |
| Total | +26.0% | +20.2% |



OLED vacuum deposition equipment

17

As for industrial equipment, we expect the OLED panel market to grow steadily, thanks to the growing number of smartphone models with OLED displays, and a shift towards using large- and medium-sized OLED panels in devices like TVs, laptops, and tablets.

As a result of increasing demand for panels due to the COVID-19 crisis, some customers are giving priority to the production of LCD panels using existing equipment for the time being, and have delayed the timing of new investment. Consequently, we expect our 2021 sales to be around the same as last year. Going forward, we will work to further accelerate the shift to OLED.

We will continue to develop equipment for large-sized panels. And in the market for medium- and small-sized OLED panels where we hold overwhelming market share, we will further refine our high-definition technology. At the same time, we will work to improve profitability by reducing the number of assembly steps and the installation time at customer sites.

Inventory

- Slight increase in March-end inventory due to efforts to resolve inventory shortage and build-up inventory for sales expansion
- Thorough inventory management while paying close attention to shortages in materials and the bottlenecks in shipping

| (Billions of yen) | | FY 2020 | | | | FY 2021 |
|---------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| | | Mar.-end | Jun.-end | Sep.-end | Dec.-end | Mar.-end |
| Printing | Amt. | 238.6 | 233.3 | 227.9 | 216.7 | 237.3 |
| | Days | 42 | 49 | 50 | 42 | 45 |
| Imaging | Amt. | 115.4 | 104.6 | 100.2 | 90.1 | 98.7 |
| | Days | 68 | 89 | 77 | 50 | 54 |
| Medical | Amt. | 97.5 | 100.1 | 97.2 | 92.3 | 99.8 |
| | Days | 84 | 91 | 89 | 77 | 75 |
| Industrial & Others | Amt. | 149.1 | 165.7 | 192.4 | 163.7 | 160.0 |
| | Days | 146 | 188 | 213 | 132 | 103 |
| Total | Amt. | 600.6 | 603.7 | 617.6 | 562.8 | 595.9 |
| | Days | 63 | 76 | 79 | 60 | 61 |

At the end of last year, we saw a stronger than expected recovery in sales of some products, particularly cameras. Consequently, we ended 2020 with inventory at a level where we had back orders. Inventory at the end of March, reflects progress in resolving these shortages by raising production capacity from the beginning of the year. This also reflects the building up of inventory, which consists of mainly office MFDs, for sales expansion from the second quarter. As a result, inventory increased 33.1 billion yen from the end of last year to 61 days.

Currently, our production plan is being partially impacted by material shortages, and delivery delays due to logistical bottlenecks. However, we will work to maintain an appropriate level of inventory by closely monitoring and thoroughly managing the situation.

Cash Flow

(Full Year)

- Generated free cash flow that exceeded last year through increased profit
- Full-year dividend projected to be 90 yen, 10 yen more than last year, while repaying debt

| (Billions of yen) | FY 2021 Current Projection | FY 2021 Previous Projection | FY 2020 Actual | FY 2019 Actual |
|--|----------------------------------|-----------------------------------|-------------------|-------------------|
| Net cash provided by operating activities | 400.0 | 380.0 | 333.8 | 358.5 |
| Net cash used in investing activities | -200.0 | -200.0 | -155.4 | -228.6 |
| Free cash flow | 200.0 | 180.0 | 178.4 | 129.9 |
| Net cash provided by (used in) financing activities | -206.7 | -184.4 | -183.4 | -232.6 |
| Effect of exchange rate changes on cash and cash equivalents | -1.0 | -3.3 | -0.1 | -5.1 |
| Net change in cash and cash equivalents | -7.7 | -7.7 | -5.1 | -107.8 |
| Cash and cash equivalents at end of period | 400.0 | 400.0 | 407.7 | 412.8 |
| Cash-on-hand (In months of Net sales) | 1.3 | 1.3 | 1.4 | 1.4 |
| Capital expenditure | 190.0 | 190.0 | 161.7 | 211.2 |
| Depreciation | 230.0 | 230.0 | 227.8 | 237.3 |

We now expect net income to be higher than our previous projection and operating cash flow to be 400 billion yen. From this, we expect to secure 200 billion yen in free cash flow, which is higher than last year, while allocating sufficient funds for capital expenditures and other investments that were suppressed due to COVID-19 last year.

As for financial cash flow, we will continue to promote a balance between the repayment of debt and dividend distribution while securing cash-on-hand of 400 billion yen. As for this year's dividend, due to the revised outlook, we passed a Board of Directors' resolution on April 26, 2021, regarding the projected dividend per share, raising the Company's interim and year-end dividend both by 5 yen for a total of 90 yen per share for the full year.

Sustainability Measures

Published 2021 Sustainability Report

- Aiming to raise long-term corporate value through stakeholder dialogue

Business strategy

- ◆ Growth strategy by industry group described from a sustainability point of view



- ✓ Basic policy towards creating value
- ✓ Review of Phase V
- ✓ Business strategies in Phase VI, including business opportunities, risks, and competitive advantages

COVID-19 response

- ◆ Introduction to activities aimed at living with and after COVID-19 that are unique to Canon



Mobile CT solution



Promotion of Office DX



2021 Sustainability Report

While tackling various social issues such as climate change and the COVID-19 pandemic, we feel it is important to have constructive communication with stakeholders to raise long-term corporate value. Our sustainability report, the latest Japanese version of which was posted to our website today is considered an important tool for this.

As 2021 marks the start of our new five-year plan, "Phase VI of the Excellent Global Corporation Plan," this year's report details the growth strategies of the four groups that were reorganized by industry. Additionally, the report outlines how each group will grow through its business activities from the perspective of sustainability, including business opportunities and risks, as well as the basic approach to value creation.

This report also highlights how our medical business is allowing us to provide solutions that are unique to Canon, during this unprecedented calamity caused by COVID-19, such as developing a qualitative antigen test kit and providing a mobile CT solution by setting up CT diagnosis systems inside shipping containers. Additionally, it describes in detail our focus on after-COVID-19 efforts by providing products and solutions that support corporate DX.

In the future, through dialogue with stakeholders, we will continue to address the issues faced by each country and region, and hope to realize a harmonious society that is both resilient and sustainable, and contribute to the achievement of SDGs.

Sustainability Measures

Published 2021 Sustainability Report

- Aiming to raise long-term corporate value through stakeholder dialogue

Business strategy

- ◆ Growth strategy by industry group described from a sustainability point of view



- ✓ Basic policy towards creating value
- ✓ Review of Phase V
- ✓ Business strategies in Phase VI, including business opportunities, risks, and competitive advantages

COVID-19 response

- ◆ Introduction to activities aimed at living with and after COVID-19 that are unique to Canon



Mobile CT solution



Promotion of Office DX



2021 Sustainability Report

In recent years, the shrinking market for cameras and laser printers, which have had a significant impact on our performance, has begun to show signs of bottoming out. And the results of steadily implemented business portfolio transformation and structural reform are beginning to show up in the way of improved performance.

In "Phase VI of the Excellent Global Corporation Plan," we got off to a good start with our first quarterly increase in sales in 11 quarters and the second consecutive significant increase in profit, despite the impact COVID-19. By sustaining this momentum over the course of the year, we will achieve full-year results that exceed those of 2019 and gain momentum to achieve our performance targets for 2025.

Supplementary Information

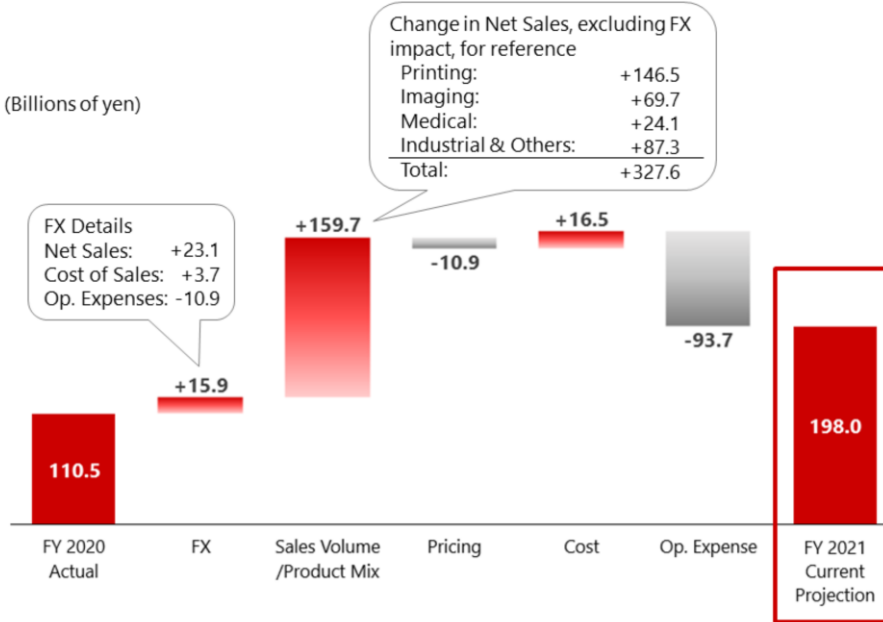
Major Products in Each Segment

| | |
|--------------------------------|--|
| Printing | |
| Office | Office multifunction devices (MFDs), Document solutions |
| Prosumer | Laser multifunction printers (MFPs), Laser printers, Inkjet printers, Image scanners, Calculators |
| Production | Digital continuous feed presses, Digital sheet-fed presses, Wide-format printers, Large format inkjet printers, Commercial photo printers |
| Imaging | |
| Cameras | Interchangeable lens digital cameras, Digital compact cameras, Interchangeable lenses, Compact photo printers |
| Network Cameras & Others | Network cameras, Digital camcorders, Digital cinema cameras, Multimedia projectors, Broadcast equipment |
| Medical | |
| | Digital radiography systems, Diagnostic X-ray systems, Computed tomography (CT) systems, Magnetic resonance imaging (MRI) systems, Diagnostic ultrasound systems, Clinical chemistry analyzers, Ophthalmic equipment |
| Industrial & Others | |
| Lithography Equipment | Semiconductor lithography equipment, FPD (Flat panel display) lithography equipment |
| Industrial Equipment | Organic LED (OLED) panel manufacturing equipment, Vacuum thin-film deposition equipment, Die bonders |
| Others | Micromotors, Handy terminals, Document scanners |

FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus FY 2020 Actual)

(Billions of yen)



Net Sales Growth Rate of Printing Hardware & Non-hardware

| | | | FY 2021 | | FY 2020 | |
|--------------------|-----|--------------|-----------|----------------------|-----------|------------------|
| | | | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| Office MFDs | JPY | Hardware | +9% | +21% | -19% | -21% |
| | | Non-hardware | -21% | +4% | -3% | -20% |
| | LC | Hardware | +7% | +19% | -17% | -20% |
| | | Non-hardware | -22% | +4% | -1% | -20% |
| LPs | JPY | Hardware | +3% | +15% | -21% | -21% |
| | | Non-hardware | -6% | +4% | -7% | -19% |
| | LC | Hardware | +3% | +15% | -21% | -20% |
| | | Non-hardware | -6% | +4% | -7% | -18% |
| IJPs | JPY | Hardware | +37% | +12% | +5% | +15% |
| | | Non-hardware | +11% | +2% | +4% | +7% |
| | LC | Hardware | +36% | +11% | +8% | +16% |
| | | Non-hardware | +9% | +1% | +6% | +8% |
| Production | JPY | Hardware | +7% | +18% | -18% | -22% |
| | | Non-hardware | -7% | +8% | -4% | -15% |
| | LC | Hardware | +5% | +16% | -16% | -21% |
| | | Non-hardware | -9% | +7% | -2% | -14% |

Color Ratio (Office MFDs & LPs)

| | | FY 2021 | | FY 2020 | |
|-------------|-----------|-----------|----------------------|-----------|------------------|
| | | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| Office MFDs | Net Sales | 60% | 61% | 59% | 59% |
| | Units | 59% | 61% | 58% | 59% |
| LPs | Net Sales | 51% | 52% | 53% | 51% |
| | Units | 19% | 21% | 21% | 21% |

Sales Growth by Monochrome & Color Office MFDs

| | | FY 2021 | | FY 2020 | |
|-----|------------|-----------|----------------------|-----------|------------------|
| | | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| JPY | Monochrome | -12% | +7% | -12% | -22% |
| | Color | -8% | +15% | -9% | -19% |
| LC | Monochrome | -13% | +6% | -10% | -22% |
| | Color | -9% | +14% | -7% | -19% |

Units Growth by Monochrome & Color Office MFDs/LPs

| | | FY 2021 | | FY 2020 | |
|-------------|------------|-----------|----------------------|-----------|------------------|
| | | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| Office MFDs | Monochrome | +4% | +13% | -14% | -18% |
| | Color | +10% | +22% | -11% | -14% |
| LPs | Monochrome | +6% | +13% | -29% | -17% |
| | Color | -4% | +15% | -14% | -15% |

DILC Ratio / Digital Compact Camera (DCC) Units

| | FY 2021 | | FY 2020 | |
|----------------------|-----------|----------------------|-----------|------------------|
| | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| DILC Ratio | | | | |
| Net Sales * | 89% | 88% | 83% | 87% |
| Units | 67% | 70% | 60% | 65% |
| DCC Units (Millions) | 0.33 | 1.25 | 0.40 | 1.48 |

* Net Sales Includes Interchangeable Lenses

Semiconductor Lithography Equipment Unit Breakdown by Light (Units)

| | FY 2021 | | FY 2020 | |
|--------|-----------|----------------------|-----------|------------------|
| | 1Q Actual | Full Year Projection | 1Q Actual | Full Year Actual |
| KrF | 4 | 37 | 3 | 25 |
| i-Line | 16 | 109 | 18 | 97 |
| Total | 20 | 146 | 21 | 122 |