
Canon Inc.

Second Quarter 2020 Results

July 28, 2020
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External Environment

- Impact from COVID-19 growing more serious as it has persisted longer and become more widespread compared with 1Q
- Record GDP decline in major countries and regions

Business Performance

- Sank into the red for the first time on a quarterly basis due to rapid decline in actual demand and restrained business activity

FY 2020 Financial Results

(2Q 2020 Actual versus 2Q 2019 Actual)

- Impact of COVID-19 directly hit performance

(Billions of yen)	2Q 2020 Actual	2Q 2019 Actual	% Change
Net Sales	673.3	905.9	-25.7%
Gross Profit (% of Net Sales)	275.3 40.9%	406.4 44.9%	-32.3%
Op. Expenses	293.1	363.3	
Op. Profit (% of Net Sales)	-17.8 -2.6%	43.1 4.8%	-
IBT	-7.2	51.1	-
Net Income (% of Net Sales)	-8.8 -1.3%	34.5 3.8%	-
USD	107.59	109.80	
EURO	118.66	123.39	

FY 2020 Financial Results by Business Unit

(2Q 2020 Actual versus 2Q 2019 Actual)

- Office and Industry & Others: In the red
- Imaging System: Secured profit despite significant sales decline, Medical System: Profit growth

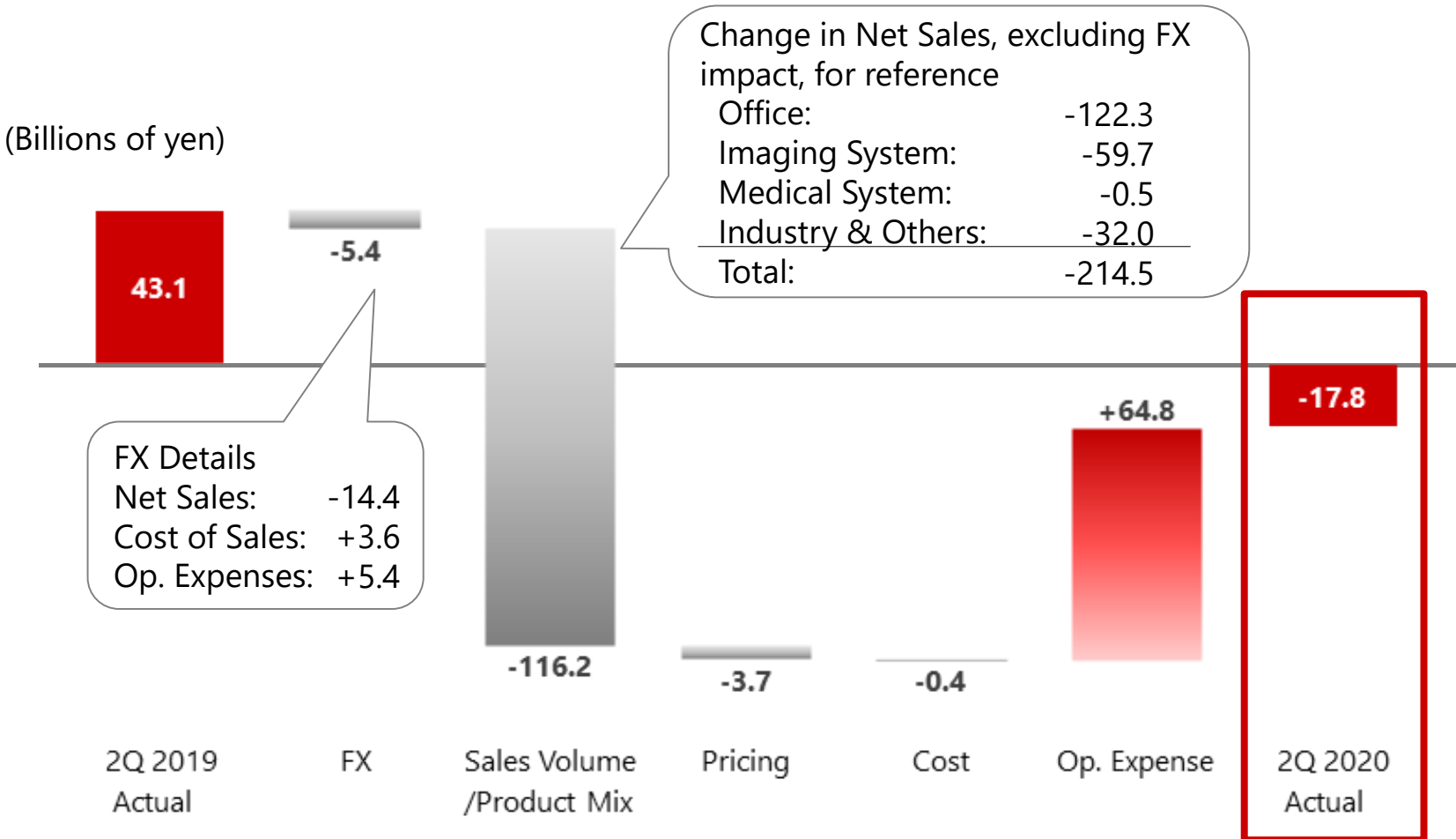
(Billions of yen)		2Q 2020 Actual	2Q 2019 Actual	% Change
Office	Net Sales	307.5	440.8	-30.2%
	Op. Profit	-0.9	40.4	-
Imaging System	Net Sales	141.7	204.7	-30.8%
	Op. Profit	0.8	12.7	-93.9%
Medical System	Net Sales	101.9	105.1	-3.1%
	Op. Profit	5.9	3.4	+75.5%
Industry & Others	Net Sales	139.3	179.5	-22.4%
	Op. Profit	-2.4	9.5	-
Corporate & Eliminations	Net Sales	-17.1	-24.2	-
	Op. Profit	-21.2	-22.9	-
Total	Net Sales	673.3	905.9	-25.7%
	Op. Profit	-17.8	43.1	-

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

(2Q 2020 Actual versus 2Q 2019 Actual)

- Sales volume: All business units record net sales decline
- Op. expenses: Decline in those related to sales & marketing due to reduced demand and restrained sales and equipment installation



Key Message

(FY 2020 Projection)

FX Assumptions

	2H 2020	FY 2020
USD/Yen	105.00 yen	106.60 yen
EUR/Yen	118.00 yen	118.72 yen

Impact of exchange rate movement
(2H impact given a one yen change)

Net Sales	Op. Profit
5.3 billion yen	1.7 billion yen
2.7 billion yen	1.1 billion yen

External Environment

- Expect uptick in economy thanks to fiscal-stimulus packages and monetary policies, but pace of recovery will be limited

FY 2020 Outlook

- Expect only gradual recovery in our performance also
- Implement further structural reforms due to unexpected deterioration in business environment

FY 2020 Financial Projection

(Full Year)

- Double-digit sales decline and significant decline in profit due to COVID-19

(Billions of yen)	FY 2020 Current Projection	FY 2019 Actual	% Change
Net Sales	3,080.0	3,593.3	-14.3%
Gross Profit (% of Net Sales)	1,318.4 42.8%	1,610.0 44.8%	-18.1%
Op. Expenses	1,273.4	1,435.3	
Op. Profit (% of Net Sales)	45.0 1.5%	174.7 4.9%	-74.2%
IBT	70.0	195.7	-64.2%
Net Income (% of Net Sales)	43.0 1.4%	125.1 3.5%	-65.6%
USD	106.60	109.03	
EURO	118.72	122.03	

FY 2020 Financial Projection by Business Unit

(Full Year)

- Office, Imaging System, and Industry & Others: Sales & profit decline
- Medical System: Sales & profit growth

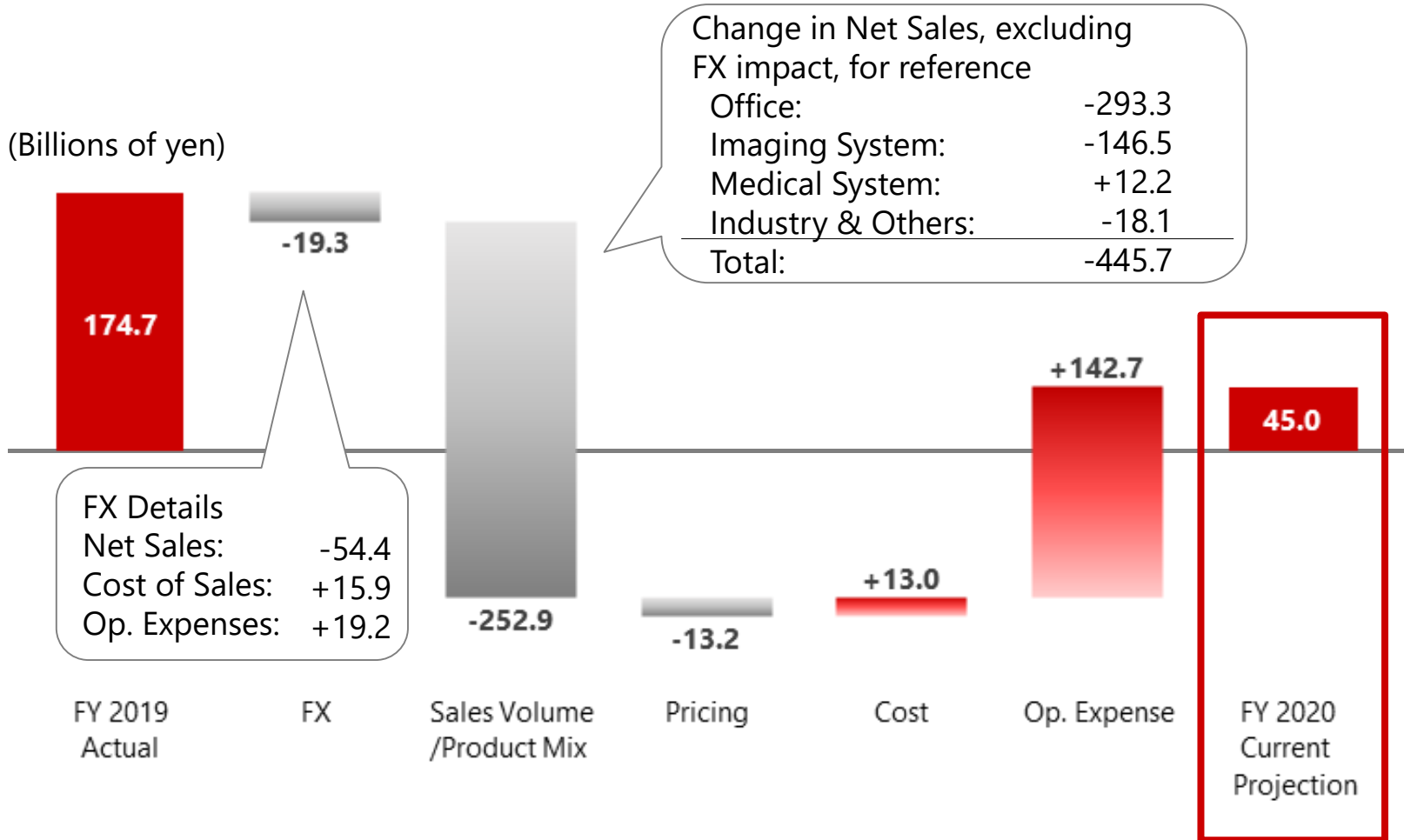
(Billions of yen)		FY 2020 Current Projection	FY 2019 Actual	% Change
Office	Net Sales	1,423.4	1,752.1	-18.8%
	Op. Profit	82.6	165.0	-49.9%
Imaging System	Net Sales	643.9	807.4	-20.3%
	Op. Profit	16.1	48.2	-66.6%
Medical System	Net Sales	441.4	438.5	+0.7%
	Op. Profit	26.8	26.7	+0.2%
Industry & Others	Net Sales	654.3	688.4	-5.0%
	Op. Profit	0.4	19.4	-97.9%
Corporate & Eliminations	Net Sales	-83.0	-93.1	-
	Op. Profit	-80.9	-84.6	-
Total	Net Sales	3,080.0	3,593.3	-14.3%
	Op. Profit	45.0	174.7	-74.2%

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

(FY 2020 Current Projection versus FY 2019 Actual)

- Sales volume: Significant decline due to lower Office and Imaging System sales
- Op expenses: Lower sales, expense efficiency, benefit from structural reform



Business Direction Post-COVID-19

Office / Inkjet

- Support remote work
- Respond to diverse needs with rich product lineup

Cameras

- Accelerate measures to streamline operations
- Expand business areas that utilize optical technology

Medical / Network cameras

- Cultivate into core businesses by concentrating resources on need for safety and security

Industrial equipment

- Increased importance due to acceleration of digitalization

Office – MFDs

- 2Q: Significant decline in both hardware sales and service revenue due to office closures
- Hit bottom in 2Q, expect gradual recovery from 3Q

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
MFDs	99.7	166.4	-40.1%	512.8	645.6	-20.6%
LPs	111.5	155.0	-28.1%	495.9	628.3	-21.1%
Others	96.3	119.4	-19.3%	414.7	478.2	-13.3%
Net Sales	307.5	440.8	-30.2%	1,423.4	1,752.1	-18.8%
Op. Profit	-0.9	40.4	-	82.6	165.0	-49.9%
(% of Net Sales)	-0.3%	9.2%		5.8%	9.4%	

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 confirm with the new presentation.

Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
MFDs	-38.8%	-19.0%
LPs	-26.6%	-20.0%
Others	-17.8%	-11.8%
Total	-28.8%	-17.4%

Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
MFDs		
Monochrome	-38%	-15%
Color	-37%	-17%
Total	-37%	-16%



imageRUNNER ADVANCE DX Series

Office – Laser Printers

- 2Q: Significant sales decline due to lower demand for medium- to high-speed office equipment and consumables
- 2H: Recovery signs already appearing, but lack strength (Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
MFDs	99.7	166.4	-40.1%	512.8	645.6	-20.6%
LPs	111.5	155.0	-28.1%	495.9	628.3	-21.1%
Others	96.3	119.4	-19.3%	414.7	478.2	-13.3%
Net Sales	307.5	440.8	-30.2%	1,423.4	1,752.1	-18.8%
Op. Profit	-0.9	40.4	-	82.6	165.0	-49.9%
(% of Net Sales)	-0.3%	9.2%		5.8%	9.4%	

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 confirm with the new presentation.

Net Sales Growth Rate Y/Y

(Local Currency)

Unit Growth Rate Y/Y

	2Q Actual	Full year Projection
MFDs	-38.8%	-19.0%
LPs	-26.6%	-20.0%
Others	-17.8%	-11.8%
Total	-28.8%	-17.4%

	2Q Actual	Full year Projection
LPs		
Monochrome	-33%	-17%
Color	-22%	-13%
Total	-31%	-16%

Office – Others

- 2Q: Sales decline due to restrained printing equipment installation and sales & marketing activity
- 2H: Recovery in sales of mainly new products while utilizing online demonstrations

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
MFDs	99.7	166.4	-40.1%	512.8	645.6	-20.6%
LPs	111.5	155.0	-28.1%	495.9	628.3	-21.1%
Others	96.3	119.4	-19.3%	414.7	478.2	-13.3%
Net Sales	307.5	440.8	-30.2%	1,423.4	1,752.1	-18.8%
Op. Profit	-0.9	40.4	-	82.6	165.0	-49.9%
(% of Net Sales)	-0.3%	9.2%		5.8%	9.4%	

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Others	-17.8%	-11.8%
Total	-28.8%	-17.4%



High-speed cut-sheet inkjet printer
varioPRINT iX-series

Imaging System – Cameras

- Significant decline in net sales this year as fewer image capturing opportunities leads to significant market decline
- Launch of "EOS R5" and "EOS R6." Accelerate shift to high added-value products
- Role of cameras expanding from image capturing and sharing device to communication tool

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
Cameras	55.7	122.6	-54.5%	305.3	466.8	-34.6%
IJPs	77.9	68.4	+13.9%	297.3	288.1	+3.2%
Others	8.1	13.7	-41.6%	41.3	52.5	-21.3%
Net Sales	141.7	204.7	-30.8%	643.9	807.4	-20.3%
Op. Profit	0.8	12.7	-93.9%	16.1	48.2	-66.6%
(% of Net Sales)	0.5%	6.2%		2.5%	6.0%	

Net Sales Growth Rate Y/Y

(Local Currency)

	2Q Actual	Full year Projection
Cameras	-53.0%	-32.8%
IJPs	+17.3%	+5.5%
Total	-28.7%	-18.3%

Units (Millions) & Unit Growth Rate Y/Y

	2Q Actual		Full year Projection	
	Units	% Change	Units	% Change
DILCs	0.50	-54%	2.50	-40%
DCs	0.26	-62%	1.40	-46%



Full-frame mirrorless cameras

EOS R5

EOS R6

Imaging System – Inkjet Printers

- 2Q: Sales growth mainly in developed countries due to expansion of remote working and learning
- Full-year sales growth as home print volume increase acts as tailwind

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
Cameras	55.7	122.6	-54.5%	305.3	466.8	-34.6%
IJPs	77.9	68.4	+13.9%	297.3	288.1	+3.2%
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Net Sales	141.7	204.7	-30.8%	643.9	807.4	-20.3%
Op. Profit	0.8	12.7	-93.9%	16.1	48.2	-66.6%
(% of Net Sales)	0.5%	6.2%		2.5%	6.0%	

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2Q Actual	Full year Projection		2Q Actual	Full year Projection
	Cameras	-53.0%		-32.8%	IJPs
IJPs	+17.3%	+5.5%			
Total	-28.7%	-18.3%			



Entry-class inkjet printer
PIXUS TS3330

Medical System

- 2Q: Secured increase in profit through comprehensive expense management
- 2H: Capture recovering demand and aim for full-year sales and profit growth

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
Net Sales	101.9	105.1	-3.1%	441.4	438.5	+0.7%
Op. Profit (% of Net Sales)	5.9 5.8%	3.4 3.2%	+75.5%	26.8 6.1%	26.7 6.1%	+0.2%

Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Total	-0.5%	+2.8%



CT
Aquilion Start



MRI
Vantage Oriana

Industry & Others – Lithography Equipment

- Increase in semiconductor lithography equipment unit sales by capturing demand for memory related devices
- Decrease in FPD lithography equipment unit sales due to overseas travel restrictions

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
Litho. Equip.	28.1	45.4	-38.1%	151.4	157.2	-3.7%
Others	111.2	134.1	-17.1%	502.9	531.2	-5.3%
Net Sales	139.3	179.5	-22.4%	654.3	688.4	-5.0%
Op. Profit	-2.4	9.5	-	0.4	19.4	-97.9%
(% of Net Sales)	-1.7%	5.3%		0.1%	2.8%	

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 confirm with the new presentation.

Net Sales Growth Rate Y/Y (Local Currency)

	2Q Actual	Full year Projection
Litho. Equip.	-38.4%	-3.6%
Others	-16.2%	-4.3%
Total	-21.8%	-4.1%

Lithography Equipment (Units)

	2Q 2020 Actual	2Q 2019 Actual	Full year Projection	FY 2019 Actual
IC	31	21	131	84
FPD	4	15	35	50



Semiconductor lithography equipment
FPA-8000iW

Industry & Others – Others

- Aiming to increase full-year sales by advancing installation work of OLED vacuum deposition equipment
- Extend network camera growth over the medium- to long-term through solutions enhancement

(Billions of yen)

	2Q			Full Year		
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	% Change
Litho. Equip.	28.1	45.4	-38.1%	151.4	157.2	-3.7%
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Op. Profit	-2.4	9.5	-	0.4	19.4	-97.9%
(% of Net Sales)	-1.7%	5.3%		0.1%	2.8%	

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	2Q Actual	Full year Projection
Litho. Equip.	-38.4%	-3.6%
Others	-16.2%	-4.3%
Total	-21.8%	-4.1%



OLED vacuum deposition equipment



Video analytics solution
Crowded Office Alert Solution

Inventory

- Imaging System: Reduced inventory in terms of value through camera production adjustment
- Industry & Others: Increase caused by delay in installation due to travel restrictions

(Billions of yen)		FY 2019				FY 2020	
		1Q	2Q	3Q	4Q	1Q	2Q
Office	Amt.	215.5	206.1	201.3	191.9	194.9	191.6
	Days	43	43	42	40	42	50
Imaging System	Amt.	156.2	151.6	156.9	127.9	130.1	113.3
	Days	62	73	73	55	61	70
Medical System	Amt.	93.8	93.0	92.3	97.5	97.5	100.1
	Days	75	79	77	79	84	91
Industry & Others	Amt.	185.4	180.4	183.8	167.5	178.1	198.7
	Days	105	112	114	102	112	141
Total	Amt.	650.9	631.1	634.3	584.8	600.6	603.7
	Days	62	65	65	59	63	76

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.

Cash Flow

(Full Year)

- Significant drop in free cash flow due to unprecedented economic downturn
- Interim dividend 40 yen per share in order to secure sufficient cash-on-hand to invest in growth


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


Note: 2020 current projection and 2019 actual are calculated using second half net sales


Sustainability Measures


Canon's COVID-19 Response

Canon is working to prevent the spread of COVID-19, and is also actively providing locally rooted support and services around the world, under the corporate philosophy of *kyosei*.

UK

X-ray CTs loaded on mobile containers

Netherlands

Production support of ventilators

Spain

Support for education

Italy

Donation of Canon products

India

Donations of food and necessities


Thailand


Food aid


Philippines

Donation of masks

Japan


Development of a Rapid Genetic Testing System for COVID-19


Development of a fan equipped visor


Support for telework

* A declaration for not exercising any intellectual property rights against activities whose sole purpose is to stop the spread of COVID-19, including development and manufacturing.

USA

Release of a software for cameras


Donation of masks

Mexico

Taking and printing ID photos of healthcare professionals

We aim to realize *kyosei*, contributing to the resolution of social issues facing each country

Supplementary Information

Net Sales Growth Rate of Hardware & Non-hardware

		FY 2020		FY 2019	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
MFDs					
JPY	Hardware	-40%	-22%	-8%	-7%
	Non-hardware	-40%	-20%	-6%	-5%
LC	Hardware	-39%	-20%	-6%	-4%
	Non-hardware	-39%	-18%	-4%	-2%
LPs					
JPY	Hardware	-31%	-21%	-3%	-5%
	Non-hardware	-26%	-21%	-23%	-15%
LC	Hardware	-29%	-20%	-3%	-3%
	Non-hardware	-25%	-20%	-21%	-13%
IJPs					
JPY	Hardware	+14%	+1%	-8%	-9%
	Non-hardware	+14%	+4%	-8%	-10%
LC	Hardware	+18%	+3%	-6%	-7%
	Non-hardware	+17%	+6%	-6%	-8%

Color Ratio (MFDs & LPs)

		FY 2020		FY 2019	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
MFDs	Net Sales	59%	60%	59%	59%
	QTY	60%	58%	59%	59%
LPs	Net Sales	52%	52%	52%	52%
	QTY	23%	21%	20%	20%

Sales Growth by Monochrome & Color MFDs

		FY 2020		FY 2019	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
JPY	Monochrome	-40%	-22%	-6%	-6%
	Color	-41%	-20%	-7%	-5%
LC	Monochrome	-38%	-21%	-5%	-4%
	Color	-39%	-18%	-5%	-2%

Interchangeable Lens Digital Camera Ratio

	FY 2020		FY 2019	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Value Base	86%	86%	85%	85%
Unit Base	66%	64%	61%	62%

* Value Base Includes Interchangeable Lenses

IC Stepper Unit Breakdown by Light Source

(Units)

	FY 2020		FY 2019	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF	4	27	8	22
i-Line	27	104	13	62
Total	31	131	21	84