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# Canon Inc.

## First Quarter 2020 Results

April 23, 2020  
Toshizo Tanaka  
Executive Vice President & CFO

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# Agenda

**Canon**

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## External environment

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

## Business performance

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

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When we announced our projection back in January, due to factors such as the easing of U.S.-China trade friction, the UK avoiding the possibility of leaving the EU without a withdrawal agreement, and economic recovery in emerging markets, we expected the global economic environment to improve while understanding the potential downside risks.

However, the global spread of COVID-19 is casting a long shadow over people's lives and as a result is having an enormous impact on economic activity and changing the face of the world economy. This is also the view of the IMF, who significantly downgraded its 2020 GDP growth projection from 3.3% back in January to -3.0%. This makes the global economy this year the worst since the Great Depression.

Looking back at the first quarter, the impact of COVID-19 first appeared with the suspension of operations at our production sites in China for both office equipment and cameras. Next, due to supply-chain disruptions, we could not avoid a decline in factory utilization rates in Asia, including Japan. As a result, we faced a situation of tight product supply. On the other hand, the impact on the market was initially limited to only some regions, like China, but expanded to other regions, including Europe and the U.S. This put a stop to global economic activity which had a significant impact on our product sales.

# FY 2020 Financial Results

## (1Q 2020 Actual versus 1Q 2019 Actual)

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

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

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At the beginning of the year, our performance was in line with our plan. From the middle of February, however, the situation completely changed and turned abruptly downward. As a result, net sales declined by 9.5% to 782.3 billion yen, operating profit declined by 18.7% to 32.9 billion yen, and net income declined by 30.0% to 21.9 billion yen.

Although sales and profit were down, we estimate that about 60% of the decline in net sales was due to COVID-19 and that had there been no impact, operating profit would have been up by 30%.

Even amid sales and profit decline, the four new businesses of commercial printing, network cameras, medical, and industrial equipment, combined achieved sales and profit growth. And going forward as well, we will steady promote our basic strategy of transforming our business portfolio through the expansion of new businesses.

# FY 2020 Financial Results by Business Unit

(1Q 2020 Actual versus 1Q 2019 Actual)



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

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

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

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As for Office, in addition to a decline in unit sales due to an insufficient supply of hardware and limited sales & marketing activity, service revenue also declined as demand for print decreased, stemming from stagnant business activity. Even under these conditions, we achieved an increase in profit by thoroughly controlling expenses.

As for Imaging System, despite a spike in demand for inkjet printers due to remote working and learning, sales and profit declined due to a significant drop in camera unit sales, reflecting not only the market's ongoing contraction, but also tight supply.

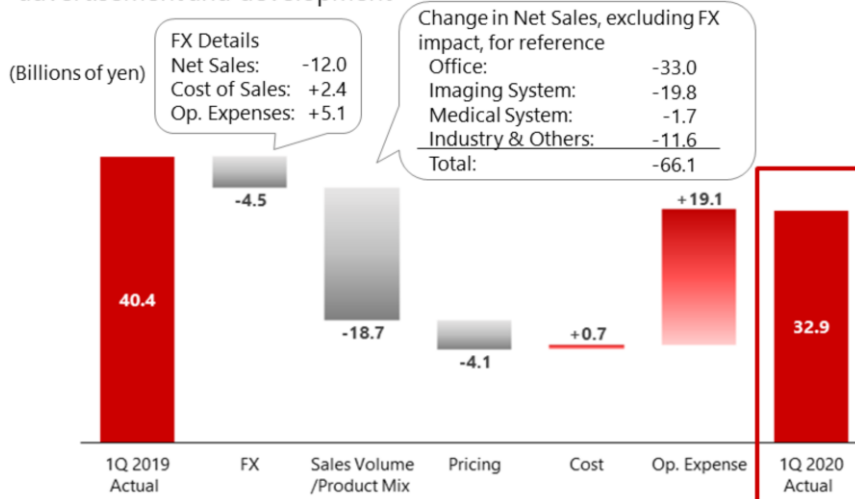
As for Medical System, although sales of equipment related to the testing of pneumonia and other infections increased, overall sales and profit declined as little progress was made in installing mainly large systems due to the significant impact of limited access to medical institutions.

In Industry & Others, although sales of lithography equipment mainly linked to 5G and the automobile sector were in line with our plan, unit sales of FPD lithography equipment dropped significantly as installation was delayed due to limited access to customer sites. As for OLED vacuum deposition equipment for which sales are booked using the percentage of completion method, sales grew significantly, as we made steady progress in production in response to demand that is recovering.

# FY 2020 Operating Profit Analysis

## (1Q 2020 Actual versus 1Q 2019 Actual)

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



As for changes in foreign exchange rates, the overall impact was negative on both sales and profit due to the yen's appreciation against the U.S. dollar and euro.

As for changes in sales volume, in addition to the impact of lower capacity utilization rates at our production sites and subsequent short product supply, sales of such products as office equipment and cameras declined due to worsening market conditions.

Our industrial equipment business was impacted by the postponement of installation work at customer sites.

As for price reduction, under our policy of prioritizing profitability, it was held to 4.1 billion yen as compared to 10.7 billion yen in the same period last year, by limiting this activity, particularly for cameras.

For expenses, we reduced expenses that were nonessential or non-urgent as well as strictly controlled expenses, in particular those related to advertising and development. As a result, we achieved a significant improvement.

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**External environment**

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

**Outlook**

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

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Currently, city lockdowns and other factors around the world are hindering economic activity and the situation of capital investment and consumption being held back continues. Based on this, we expect to fall into a serious recession in the second quarter. Even in the markets in which we participate, due to the global spread of deterioration in consumer sentiment and limited sales & marketing activity, there is concern that the impact will be even bigger than it was in the first quarter.

For the present, governments and central banks in each country around the world are swiftly implementing various measures to return the economy to a recovery path. Although we are seeing COVID-19 pandemic fade in some regions, it has now spread around the world, and no one is able to predict when things will settle down. Under this situation and at this point in time, it is extremely difficult to project what our performance will be over the remaining 9 months of this year. From this perspective, we have decided to promptly disclose our full-year projection, once a reasonable projection can be made.

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

(Billions of yen)

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

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

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

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

#### Unit Growth Rate Y/Y

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



imageRUNNER ADVANCE DX

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As for MFDs, demand is growing for advanced feature models due to the rising need for greater office efficiency. Although we expected the market to remain solid, we now expect it to decline this year due to the spread of COVID-19.

In the first quarter, although factories in China were shut down after the Lunar New Year, which led to production delay, after restarting, production volumes have slowly increased and we are now basically back to normal. However, from February in China and from March in other regions, the number of companies that have been closed started to increase. As a result, we posted a significant drop in hardware unit sales as sales & marketing activity could not be sufficiently carried out. Additionally, service revenue also declined as office print volumes were down due to remote working.

The current limits placed on office operations continues and in the second quarter, we expect a significant impact.

Even in this kind of severe business environment, by working to expand sales of strong selling production models, like the imagePRESS C165 as well as the imageRUNNER ADV DX, a new series of office models launched in February, we will aim for a quick recovery for when the pandemic fades.



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

(Billions of yen)

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

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

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

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

**Unit Growth Rate Y/Y**

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

At the beginning of the year, we expected the market this year to remain on a path of gradual contraction, which was the case last year. At this point in time, however, we expect demand to be down even further in each region around the world due to COVID-19.

As for the first quarter, due to a lower percentage of people reporting for work as well as supply-chain issues, production delay at our sites in Asia did occur. In addition to products being in short supply, we also started to see the market situation worsen. As a result, sales of hardware units were significantly below those of last year. Although we are seeing growth in demand for low-end models as more and more people around the world work from home, we expect office demand for medium- and high-speed models to decrease due to economic weakness from the second quarter on.

Even under these conditions, we are still seeing the steady benefits of new products that were launched last year, which make use of low-temperature fixing toner, through their contribution to the stabilization of consumable sales. We will closely monitor market trend in order to firmly capture demand when print volumes recover after the pandemic fades.

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

(Billions of yen)

	1Q			Full Year			
	2020 Actual	2019 Actual	% Change	2020 Current Projection	2019 Actual	2020 Previous Projection	% Change
MFDs	143.7	158.1	-9.1%	-	645.6	658.7	+2.0%
LPs	141.4	162.0	-12.8%	-	628.3	603.3	-4.0%
Others	112.5	118.9	-5.3%	-	478.2	475.0	-0.7%
<b>Net Sales</b>	<b>397.6</b>	<b>439.0</b>	<b>-9.4%</b>	<b>-</b>	<b>1,752.1</b>	<b>1,737.0</b>	<b>-0.9%</b>
<b>Op. Profit</b>	<b>45.9</b>	<b>44.6</b>	<b>+2.9%</b>	<b>-</b>	<b>165.0</b>	<b>189.2</b>	<b>+14.7%</b>
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#### Net Sales Growth Rate Y/Y (Local Currency)

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



Wide-format printer  
**Colorado 1650**



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

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In the first quarter, impact from the spread of COVID-19 was limited as a relatively large portion of our sales are made in Europe and the U.S. as compared to Asia. And thanks to strong sales of new products targeting graphic arts application, we were able to minimize the overall decline in sales.

Nevertheless, the impact of lockdown in Europe and the U.S. since March has become clear, causing not only the postponement of equipment installation at customer sites, but also delays in business negotiations. Additionally, due to the postponement or cancelation of large-scale industry events originally planned for this year, activities to generate sales leads and orders have been hindered due to limited contact with new customers. Especially for large equipment, time is needed from when negotiations start to when equipment is delivered. Also amid constrained economic activity, we expect printing volumes to be restrained. Based on this, we expect the challenging business environment to continue for some period of time until the pandemic fades even in the digital commercial printing market that continues to grow.

# Imaging System – Cameras

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

(Billions of yen)

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

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

	1Q 2020 Actual
Cameras	-24.8%
I/Js	+7.3%
Total	-11.6%

### Units (Millions) & Unit Growth Rate Y/Y

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



Full-frame mirrorless camera

**EOS R5**

10-1

In the first quarter, amid ongoing camera market contraction, we posted a significant drop in revenue. This was due to a shortage of products linked to supply-chain issues that arose in connection with COVID-19.

Going forward, we will make every effort to minimize the sales impact, carrying out flexible parts procurement that takes into consideration the operating status of suppliers and clarifying our priorities as it relates to the production of each model.

In addition to the impact on supply, sales of interchangeable-lens cameras were also greatly affected. One after another, life events were canceled or postponed and chances to use cameras decreased. In addition to this, we believe it will take time to see a recovery in the demand for cameras, which are considered luxury items, even after the global economic turmoil has subsided. As a result, we expect the rate of market contraction in 2020 to exceed that of 2019.

Despite the difficult business environment, we will steadily push forward our strategy that focuses on models for professionals and advanced-amateurs to maintain medium- to long-term profitability.

# Imaging System – Cameras

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

(Billions of yen)

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Others	11.6	12.7	-9.2%	-	52.5	60.1	+14.5%
<b>Net Sales</b>	<b>151.7</b>	<b>176.3</b>	<b>-13.9%</b>	-	<b>807.4</b>	<b>787.0</b>	<b>-2.5%</b>
<b>Op. Profit</b>	<b>0.9</b>	<b>4.7</b>	<b>-80.6%</b>	-	<b>48.2</b>	<b>53.7</b>	<b>+11.5%</b>
(% of Net Sales)	0.6%	2.7%		-	6.0%	6.8%	

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

	1Q 2020 Actual
Cameras	-24.8%
I/Js	+7.3%
Total	-11.6%

### Units (Millions) & Unit Growth Rate Y/Y

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



Full-frame mirrorless camera

**EOS R5**

10-2

In the first-quarter of this year, we announced development of a new full-frame mirrorless camera, the EOS R5. This camera has garnered high acclaim from the market for its advanced features since being announced. In addition to 8K video shooting with an interchangeable-lens camera, the EOS R5 also realizes a further improvement in image stabilization by taking the image stabilization mechanisms typically found in lenses, integrating them into the camera body, and fully coordinating the system from both sides. It is a powerful new product that provides a revolutionary shooting experience for all still image and video users.

On top of this, we will work to enhance our lineup of dedicated full-frame mirrorless camera lenses, bringing the total to 19 with the launch of nine new models this year. We will also launch popular price range products, an area where we were not able to sufficiently cover up-to-now. Through this and the significant expansion of our lens selection, we will expand sales of camera bodies and stimulate demand for full-frame mirrorless cameras.

For compact cameras as well, even amid accelerated market contraction in 2020 due to the impact of COVID-19, we will work to raise profitability, focusing on selling high margin G series models.

# Imaging System – Inkjet Printers

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

(Billions of yen)

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

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

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

### Unit Growth Rate Y/Y

	1Q 2020 Actual
IJPs	+3%



Refillable ink tank models

**G6030**

In the first quarter, our unit sales expanded as the increasing number of people working and studying from home stimulated demand for home printing. Additionally, we saw retailers, who were concerned about instability in product supply, accelerate purchasing. As a result, we also posted an increase in first quarter revenue.

In 2020, however, the overall market is expected to shrink. This reflects not only the trend of market contraction in developed countries, but also slowdown in emerging market economies that were originally expected to recover, but are now being impacted by COVID-19.

Even under this challenging business environment, we will work to raise profitability, expanding sales by enhancing our lineup of refillable ink tank models and through comprehensive selection and focus of development and by thoroughly raising the efficiency of sales & marketing expenses.

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

(Billions of yen)

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

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

	1Q 2020 Actual
Total	-1.5%



CT  
**Aquilion Start**



MRI  
**Vantage Oriana**

With the spread of COVID-19, demand for machines used in testing for pneumonia etc. has increased. Due to such things as limited access to medical institutions and the cancelation of academic conferences and tradeshow, however, much of the activities related to this business have been negatively impacted.

Although we are seeing increasing demand for X-ray systems and related key components, we are also seeing delays in the installation of large systems, which are a mainstay of our business, and stagnant business negotiations due to tougher restrictions on going out since the beginning of March, particularly in Europe and the U.S. Normally, this would be the time we would be working very hard to generate sales. Due to the impact of COVID-19, however, first quarter net sales slightly declined.

As we expect many of the activities of this business to continue to be hindered, we feel it will be difficult to completely offset the impact of stagnant orders by the end of the year. Based on expectations that the market will grow over the medium- to long-term, with our eye on the future, we will work to both enhance the competitiveness of our products and strengthen our sales organization both in Japan and abroad.

# Industry & Others – Lithography Equipment

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

(Billions of yen)

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

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

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

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

## Lithography Equipment (Units)

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

As for the lithography equipment market, although there are some risks, such as the possibility of shrinking demand for end products, due to the impact of COVID-19, we expect investment towards such things as sensors and communication related devices to remain solid.

Even for us, although traveling to customer sites continues to be restricted due to COVID-19, we were able to record 21 unit sales in the first quarter, exceeding those of last year in the same period, as local subsidiaries and other companies that receive our support from Japan were able to install our equipment. For the full year as well, we will prepare so that we can install as many units as possible as we respond to demand for equipment, which is expected to be on a recovery path in the latter half of the year.

As for FPD lithography equipment, as it took time to install equipment at customer sites due to limitations placed on the movement of people in the areas where panel manufacturers are concentrated, first quarter unit sales were below those of last year in the same period. Although we are planning for a recovery for when the pandemic fades, it will be difficult to fully install systems by year end. As a result, we expect our full-year unit sales to be below our previous projection.

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

(Billions of yen)

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

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

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

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



Network camera  
**VB-R13VE (H2)**



Network camera  
**VB-H761LVE (H2)**

Even for OLED vacuum deposition equipment, although revenue was up in the first quarter thanks to continued strong demand supported by the growing number of smartphones incorporated with OLED panels, we could not avoid the push out of installations because we remained unable to travel to customer sites. Going forward, we will work to minimize the full-year impact, as we prepare the necessary workforce to promptly restart the installation process as soon as the environment becomes conducive to traveling to customer sites.

Next, network cameras. Against the backdrop of growing awareness of crime and disaster prevention, we expected high market growth to continue. Due to the impact of COVID-19, however, growth has temporarily slowed.

Even for us, measures such as city lockdowns and restrictions toward going out is putting a drag on business negotiations with customers and causing the installation of cameras to be pushed out. In the first quarter, we won big business deals with government agencies etc. and as a result secured sales growth. As for the second quarter on, however, we expect business activity to be severely limited. Although it is impossible to measure the scale of these effects, because network cameras are one part of the social infrastructure that support people's safety and security, we will support the needs of customers, strengthening our lineup in line with our plan, for when the pandemic fades.



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

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

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

Inventory turnover at the end of March was 63 days, longer than it was at the end of last year.

In Imaging System, for cameras, it was difficult to procure some parts due to the supply chain issue. As a result, we could not conduct efficient manufacturing, which in turn lead to an increase in inventory held by manufacturing sites. Going forward, we will work for optimization, taking into consideration the delivery status of parts and more flexibly adjusting our production.

As for industrial equipment, in response to growing demand, we have been building up inventory. However, due to the impact of COVID-19, it is taking longer to install equipment at customer sites. As a result, inventory at the end of March increased. We are steadily preparing so that we can swiftly carry out the installment of equipment for after the pandemic fades.

From the second quarter on, based on concerns that restriction on business activities will become more severe and that consumer sentiment may deteriorate, we will comprehensively manage inventory, quickly reflecting in production plans sales conditions that change moment by moment.

# Cash Flow

(1Q 2020 Actual versus 1Q 2019 Actual)

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

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

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

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In the first quarter, even amid profit decline, by improving working capital and restraining capital expenditures, free cash flow exceeded the level in the same period of last year. As a result, there is no problem with current liquidity as we secured a cash-on-hand level of 1.5 months of net sales or 439.9 billion yen.

However, assuming that the external environment will worsen in the future, we will generate cash by thoroughly reducing expenses with nothing off limits, and by reducing or delaying investment in development and facilities to the extent possible. At the same time, based on our belief of prioritizing cash flow, we will prepare for any unexpected situation.

Due to the COVID-19 impact, the global economy has entered a recessionary phase not seen since the Great Depression. And from the second quarter on, we understand that a very challenging business environment awaits us.

2020 is a year in which we face unprecedented challenges that we will strive to overcome through the collective strength of all group employees.

# Environmental and CSR Activities Expanding Measures to Realize Kyosei

## ■ Three important issues and case examples

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

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



## Realizing Kyosei

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

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



### Creating new value and solving issues

Contribute to solving issues through innovation  
Medical, Security, Industrial Robots etc.

### Protecting and conserving the environment

Reduce environmental impact throughout the entire product life-cycle

### Responding to people and society

Human rights, labor, social contribution, product responsibility, supply chain, diversity

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

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

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

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



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This year as well, we are engaged in various activities that focus on three important issues for the realization of Canon's corporate philosophy of Kyosei.

Under "Creating New Value and Solving Social Issues," Canon donated CT systems to the city of Wuhan to hasten the return to normalcy amid COVID-19. On top of this, Canon has teamed up with Nagasaki University to develop a genetic testing system that is now available for practical application in government-conducted testing. The test provides results in as little as 40 minutes, which is far faster than current testing methods and we expect it to be in clinical practice and as a preventive measure at airports and other ports of entry.

Under "Responding to People and Society as a Good Corporate Citizen," due to the spread of COVID-19, Canon is implementing various measures aimed at preventing further spread and ensuring the health of employees, their families, neighbors, and trading partners, such as temporary suspended operations at Canon Inc. headquarters and certain offices as well as encouraging people to work from home.

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In the area of protecting and conserving the environment, we believe it is necessary to promote CO2 reduction throughout the entire product lifecycle. In addition to focusing on product energy savings, we are also taking steps to save even more energy at business sites in cases where it is difficult to do alone. For example, we are cooperating with other companies for the mutual use of energy at production sites.

Every year, Canon publishes a sustainability report that covers these activities. This year's report was recently posted to our website. In producing it, we met with outside experts and listened to the opinions of investors who are stakeholders. We would appreciate it if you would take a look at it when you have the chance.

# Supplementary Information

### Net Sales Growth Rate of Hardware & Non-hardware

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

**Color Ratio (MFDs & LPs)**

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

**Sales Growth by Monochrome & Color MFDs**

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

**Interchangeable Lens Digital Camera Ratio**

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

\* Value Base Includes Interchangeable Lenses

**IC Stepper Unit Breakdown by Light Source**

(unit)

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