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# Canon Inc.

## Second Quarter 2021 Results

July 28, 2021  
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# Agenda

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# Key Message (2Q 2021 Results)



## External Environment

- Rebound in infections in certain regions
- Global economy recovering with accelerated pace of vaccination

## Business Performance

- Exceeded plan. Operating profit above 70.0 billion yen for three consecutive quarters
- Generated stable profit, even with COVID-19, through business structure transformation

(Billions of yen)	2Q 2021 Actual	2Q 2020 Actual	% Change
<b>Net Sales</b>	<b>881.9</b>	<b>673.3</b>	+ 31.0%
<b>Gross Profit</b> (% of Net Sales)	<b>417.6</b> 47.4%	<b>275.3</b> 40.9%	+ 51.7%
<b>Op. Expenses</b> (% of Net Sales)	<b>340.3</b> 38.6%	<b>293.1</b> 43.5%	
<b>Op. Profit</b> (% of Net Sales)	<b>77.3</b> 8.8%	<b>-17.8</b> -2.6%	-
<b>IBT</b>	<b>85.8</b>	<b>-7.2</b>	-
<b>Net Income</b> (% of Net Sales)	<b>61.1</b> 6.9%	<b>-8.8</b> -1.3%	-
USD	109.48	107.59	
EURO	131.94	118.66	

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In the second quarter, despite seeing additional outbreaks of COVID-19 in certain countries and regions like Japan and Southeast Asia, the global economy as a whole followed a path of recovery. This is to some large extent thanks to accelerated efforts to get people vaccinated, especially in developed countries.

During the quarter, we enjoyed continued strong sales of products such as cameras and inkjet printers as we strived to minimize the impact of semiconductor shortages on our production. As a result, net sales increased 31% to 881.9 billion yen. As for operating profit and net income, which were 77.3 billion yen and 61.1 billion yen, respectively, we not only significantly exceeded our previous projection, but also improved profitability compared with the first quarter.

Operating profit has been above 70.0 billion yen for three consecutive quarters, and net income in the first half of this year was over 100.0 billion yen. Both indicating a swift recovery in our performance compared with the same period of last year when our performance was at its lowest due to COVID-19.

This result, which emerged in a new society where we live with COVID-19, is directly linked to the business portfolio transformation and structural reforms that we have carried out so far.

# FY 2021 Financial Results by Business Unit

(2Q 2021 Actual versus 2Q 2020 Actual)

- Achieved sales growth in all Business Units
- Posted double-digit profit ratio in Printing, Imaging, and Industrial & Others

(Billions of yen)		2Q 2021 Actual	2Q 2020 Actual	% Change
Printing	Net Sales	<b>489.6</b>	<b>393.4</b>	+24.5%
	Op. Profit	<b>63.8</b>	<b>18.1</b>	+252.3%
	(%)	<b>(13.0%)</b>	<b>(4.6%)</b>	
Imaging	Net Sales	<b>169.8</b>	<b>95.5</b>	+77.8%
	Op. Profit	<b>20.9</b>	<b>-20.8</b>	-
	(%)	<b>(12.3%)</b>	<b>(-21.8%)</b>	
Medical	Net Sales	<b>111.8</b>	<b>101.9</b>	+9.7%
	Op. Profit	<b>3.7</b>	<b>5.9</b>	-37.7%
	(%)	<b>(3.3%)</b>	<b>(5.8%)</b>	
Industrial & Others	Net Sales	<b>138.1</b>	<b>99.5</b>	+38.7%
	Op. Profit	<b>15.5</b>	<b>1.8</b>	+744.4%
	(%)	<b>(11.2%)</b>	<b>(1.8%)</b>	
Corporate & Eliminations	Net Sales	<b>-27.4</b>	<b>-17.0</b>	-
	Op. Profit	<b>-26.6</b>	<b>-22.8</b>	-
Total	Net Sales	<b>881.9</b>	<b>673.3</b>	+31.0%
	Op. Profit	<b>77.3</b>	<b>-17.8</b>	-
	(%)	<b>(8.8%)</b>	<b>(-2.6%)</b>	

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In Printing, although our office business saw a slight delay in print volume recovery, sales of office hardware was basically in line with expectations. As for our consumer-oriented business, home demand remained solid. As a result, our Printing Business Unit posted sales and profit growth and a profit ratio of 13%, which reflects a continuation of double-digit profitability.

As for Imaging, our competitive lineup of full-frame mirrorless cameras and our enhanced lineup of lenses contributed to continued strong sales of cameras that actually exceeded expectations. Additionally, through an improvement in product mix and efficient sales promotion, our Imaging business was able to post a 12.3% profit ratio, stabilizing earnings.

As for Medical, although the upward pressure on demand, linked to Japan's support funds, subsided, the overall market gradually recovered. As a result, sales were above last year. From a profit perspective, exhibiting at trade shows that we skipped last year as well as carrying out development and other activities in line with our plan, were factors for lower profit.

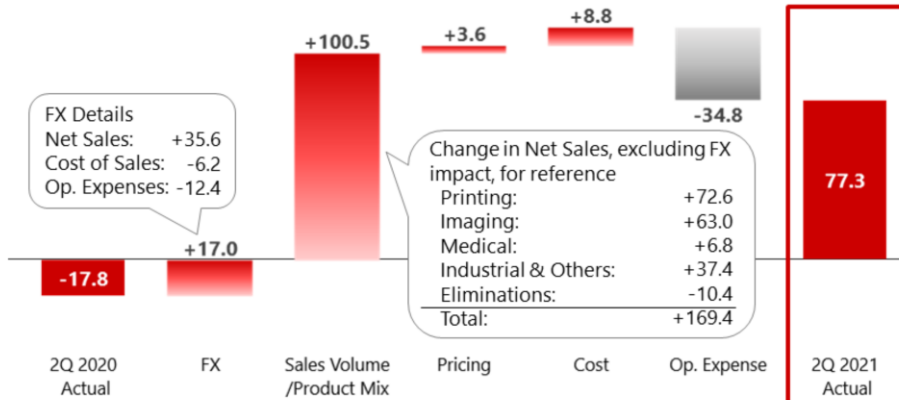
As for Industrial & Others, we posted strong sales and profit growth as our semiconductor lithography equipment business responded to continued strong demand for capital investment and our FPD lithography equipment business was able to install equipment in line with its plan.

# FY 2021 Operating Profit Analysis

(2Q 2021 Actual versus 2Q 2020 Actual)

- Sales volume expansion in all Business Units contributed to increase in profit
- Expenses increased due to resumption of sales and development activities

(Billions of yen)



As for exchange rates, the yen's depreciation had a positive impact of 17.0 billion yen on operating profit.

As for changes in sales volume, the impact was positive on all business units, particularly Printing and Imaging, which were significantly impacted by COVID-19 last year.

As for cost reduction, although we started to see the impact of higher pricing of parts, we achieved 8.8 billion yen, thanks to an increase in plant utilization rates compared to the previous year, particularly for cameras.

As for expenses, which were extremely low last year due to restrictions on activities linked to COVID-19, this year, as development and sales activities from the beginning of the second quarter returned to normal, expenses increased significantly.

# Key Message

(FY 2021 Projection)

## FX Assumptions

			Impact of exchange rate movement (2H impact given a one yen change)	
	2H 2021	FY 2021	Net Sales	Op. Profit
USD/Yen	108.00 yen	107.92 yen	6.1 billion yen	2.1 billion yen
EUR/Yen	130.00 yen	129.95 yen	2.9 billion yen	1.4 billion yen

## External Environment

- Strong global economic growth backed by consumer spending and demand for capital goods
- Situation surrounding semiconductor parts and logistics to remain difficult

## FY 2021 Outlook

- Expect 2H performance to be in line with 1H. Will focus on stably supplying products to respond to solid demand
- Raised outlook for net sales by 100.0 billion yen and net income by 61.0 billion yen

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The global economy, despite the recent spread of coronavirus variants, is expected to experience growth towards a full recovery, thanks to an accelerated pace of vaccination that will bring about increases in consumer spending and demand for capital goods, which were both down significantly last year due to COVID-19.

As for market conditions surrounding the products that we handle, in addition to continued solid demand in the first half of the year, we expect a further recovery in delayed office printing, as the ratio of employees returning to their original place of work increases. In terms of production, the situation is expected to remain severe due to concerns over semiconductor and other part shortages. However, through a concerted effort, from development to procurement, production, and sales, we aim to ensure a stable supply of products.

In addition to changing our exchange rates assumptions from 105 to 108 yen to the U.S. dollar and 125 to 130 yen to the euro to reflect current levels, we expect our performance in the second half of this year to be around the same level as in the first half. As a result, we raised our outlook for the full-year for net sales, operating profit, and net income by 100.0 billion yen, 85.0 billion yen and 61.0 billion yen, respectively.

# FY 2021 Financial Projection (Full Year)

- Significant improvement in gross profit ratio and expense ratio
- Net income to exceed 200.0 billion yen

(Billions of yen)	FY 2021 Current Projection	FY 2020 Actual	% Change	FY 2021 Previous Projection	Amount Change
<b>Net Sales</b>	<b>3,600.0</b>	<b>3,160.2</b>	+13.9%	<b>3,500.0</b>	+100.0
<b>Gross Profit</b> (% of Net Sales)	<b>1,648.0</b> 45.8%	<b>1,375.9</b> 43.5%	+19.8%	<b>1,568.0</b> 44.8%	+80.0
<b>Op. Expenses</b> (% of Net Sales)	<b>1,365.0</b> 37.9%	<b>1,265.4</b> 40.0%		<b>1,370.0</b> 39.1%	+5.0
<b>Op. Profit</b> (% of Net Sales)	<b>283.0</b> 7.9%	<b>110.5</b> 3.5%	+156.0%	<b>198.0</b> 5.7%	+85.0
<b>IBT</b>	<b>298.0</b>	<b>130.3</b>	+128.7%	<b>211.0</b>	+87.0
<b>Net Income</b> (% of Net Sales)	<b>201.0</b> 5.6%	<b>83.3</b> 2.6%	+141.2%	<b>140.0</b> 4.0%	+61.0
USD	107.92	106.68		105.26	
EURO	129.95	122.07		125.65	

We now expect net sales to increase 13.9% to 3.6 trillion yen, operating profit to be 283.0 billion yen, 2.6 times higher, with significant improvement in our gross profit ratio and expense ratio, and net income to be 201.0 billion yen, 2.4 times higher.

## FY 2021 Financial Projection by Business Unit (Full Year)

- Raised outlook for all Business Units
- Post double-digit profit ratio in Printing and Imaging, even for the full year

(Billions of yen)		FY 2021 Current Projection	FY 2020 Actual	% Change	FY 2021 Previous Projection	Amount Change
Printing	Net Sales	<b>2,004.5</b>	<b>1,804.4</b>	+11.1%	<b>1,954.8</b>	+49.7
	Op. Profit	<b>224.5</b>	<b>147.1</b>	+52.6%	<b>186.9</b>	+37.6
	(%)	<b>(11.2%)</b>	<b>(8.2%)</b>		<b>(9.6%)</b>	
Imaging	Net Sales	<b>663.4</b>	<b>541.3</b>	+22.6%	<b>617.3</b>	+46.1
	Op. Profit	<b>71.0</b>	<b>5.7</b>	+1,139.1%	<b>31.1</b>	+39.9
	(%)	<b>(10.7%)</b>	<b>(1.1%)</b>		<b>(5.0%)</b>	
Medical	Net Sales	<b>471.3</b>	<b>436.1</b>	+8.1%	<b>461.6</b>	+9.7
	Op. Profit	<b>34.6</b>	<b>25.2</b>	+37.1%	<b>30.3</b>	+4.3
	(%)	<b>(7.3%)</b>	<b>(5.8%)</b>		<b>(6.6%)</b>	
Industrial & Others	Net Sales	<b>561.9</b>	<b>461.5</b>	+21.7%	<b>555.1</b>	+6.8
	Op. Profit	<b>38.9</b>	<b>20.5</b>	+89.6%	<b>37.7</b>	+1.2
	(%)	<b>(6.9%)</b>	<b>(4.4%)</b>		<b>(6.8%)</b>	
Corporate & Eliminations	Net Sales	<b>-101.1</b>	<b>-83.1</b>	-	<b>-88.8</b>	-12.3
	Op. Profit	<b>-86.0</b>	<b>-88.0</b>	-	<b>-88.0</b>	+2.0
Total	Net Sales	<b>3,600.0</b>	<b>3,160.2</b>	+13.9%	<b>3,500.0</b>	+100.0
	Op. Profit	<b>283.0</b>	<b>110.5</b>	+156.0%	<b>198.0</b>	+85.0
	(%)	<b>(7.9%)</b>	<b>(3.5%)</b>		<b>(5.7%)</b>	

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Next, the situation of each Business Unit. Following the outlook we released in April, we again raised our forecast for all four business units, particularly Printing and Imaging.

As for Printing, given robust home demand for inkjet printers, and for Imaging, based on highly competitive full-frame mirrorless cameras, we expect sales to remain solid. And by ensuring a stable supply of products and efficient use of expenses, we expect to achieve double-digit profitability for the full year.

As for Medical, based on the strong demand we are seeing, particularly in Japan, we aim to raise profitability above 7%, exceeding our past record high.

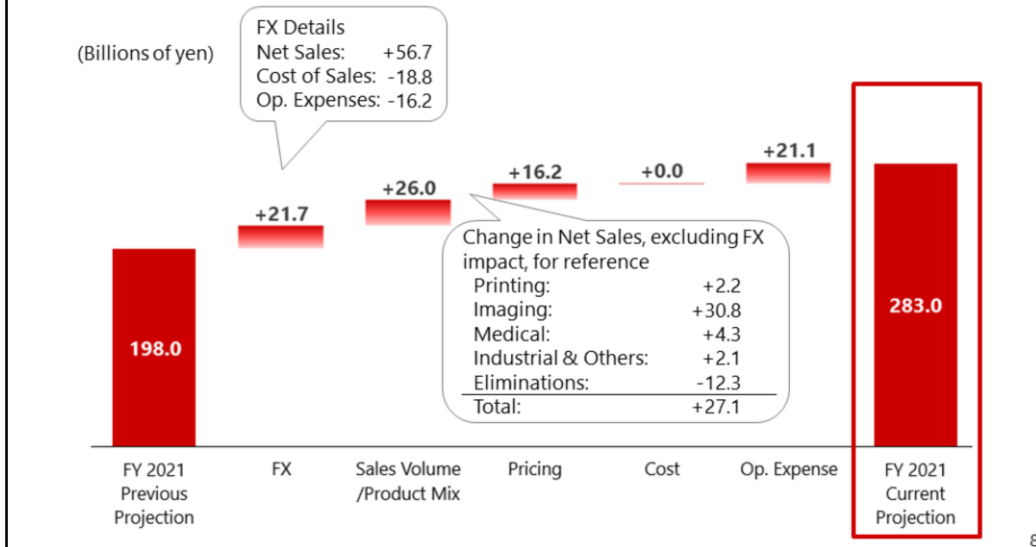
As for Industrial & Others, we expect to post sales and profit growth, responding to the strong demand of customers for capital investment, and by steadily installing equipment.



# FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus Previous Projection)

- Increase profit via FX, Sales Volume, Pricing, and Expenses
- Cost reduction - Limit impact of unavoidable increase in parts cost by reducing fixed costs and improving productivity



The impact of foreign exchange reflects yen's depreciation. As for changes in sales volume, this reflects favorable sales conditions.

As for price reduction, by making pricing decision based on the supply and demand balance, we expect an improvement of 16.2 billion yen.

As for cost reduction, although an increase in parts cost is inevitable, we will reduce the impact by thoroughly reviewing fixed costs and improving productivity.

As for expenses, we expect to achieve 21.1 billion yen in savings by curbing growth in expenses associated with increases in volume through comprehensive selection and concentration.

- Strive to expand sales of new series of medium- to high-speed MFDs amid expectations that offices will re-open from 2H, and service revenue will recover to 90% of pre-COVID-19 level by year end

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	193.8	153.4	+26.3%	788.4	723.0	+9.0%	786.6	+1.8
Prosumer	224.2	190.4	+17.7%	936.2	830.9	+12.7%	889.2	+47.0
Production	71.6	49.6	+44.4%	279.9	250.5	+11.7%	279.0	+0.9
<b>Net Sales</b>	<b>489.6</b>	<b>393.4</b>	<b>+24.5%</b>	<b>2,004.5</b>	<b>1,804.4</b>	<b>+11.1%</b>	<b>1,954.8</b>	<b>+49.7</b>
<b>Op. Profit</b>	<b>63.8</b>	<b>18.1</b>	<b>+252.3%</b>	<b>224.5</b>	<b>147.1</b>	<b>+52.6%</b>	<b>186.9</b>	<b>+37.6</b>
(% of Net Sales)	13.0%	4.6%		11.2%	8.2%		9.6%	

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

	2Q 2021 Actual	FY 2021 Projection
	Office	+21.3%
Prosumer	+12.9%	+10.1%
Production	+35.3%	+8.5%
Total	+19.0%	+8.4%

### Unit Growth Rate Y/Y

	2Q 2021 Actual	FY 2021 Projection
	Office MFDs	+53%



**imageRUNNER ADVANCE DX series C5800**

As for the office MFD market, although market conditions weakened in Asia due to a rebound in COVID cases in the second quarter, the market for hardware and services in other regions tended to recover gradually. As a result, we expect the market to continue recovering in the second half of the year.

In the second quarter, we posted service sales that were slightly lower than expected due to a decrease in print volume in Asia, and the slow pace of recovery elsewhere. As for hardware, sales are recovering as planned, returning to a 90% pre-COVID-19 level.

In the second half of the year, in Europe and the United States, where recovery had been slow, many large companies are planning to have their employees return to the office in line with the end of policies that encourage working from home, thanks to more people being vaccinated. Due to an increase in people returning to their original place of work, printing volume is expected to recover to approximately 90% of the pre-COVID-19 level by the end of the year.

Under these conditions, we completed the global rollout of the imageRUNNER ADVANCE DX C5800, a new series of medium- and high-speed MFDs, by launching it in Japan this month. The redesigned platform, which offers enhanced basic features, including quiet operation, low power consumption, and reduced maintenance workloads, has been well received by the market. Going forward, we will strive to expand sales by seizing the opportunities of recovering print demand in large corporations.

# Printing – Prosumer

- 2Q: Strong sales of products for home, which consists mainly of inkjet printers
- 2H: Capture not only home demand, but also recovering office demand

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	193.8	153.4	+26.3%	788.4	723.0	+9.0%	786.6	+1.8
Prosumer	224.2	190.4	+17.7%	936.2	830.9	+12.7%	889.2	+47.0
Production	71.6	49.6	+44.4%	279.9	250.5	+11.7%	279.0	+0.9
<b>Net Sales</b>	<b>489.6</b>	<b>393.4</b>	<b>+24.5%</b>	<b>2,004.5</b>	<b>1,804.4</b>	<b>+11.1%</b>	<b>1,954.8</b>	<b>+49.7</b>
<b>Op. Profit</b>	<b>63.8</b>	<b>18.1</b>	<b>+252.3%</b>	<b>224.5</b>	<b>147.1</b>	<b>+52.6%</b>	<b>186.9</b>	<b>+37.6</b>
(% of Net Sales)	13.0%	4.6%		11.2%	8.2%		9.6%	

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

	2Q 2021 Actual	FY 2021 Projection
	Office	+21.3%
Prosumer	+12.9%	+10.1%
Production	+35.3%	+8.5%
Total	+19.0%	+8.4%

### Unit Growth Rate Y/Y

	2Q 2021 Actual	FY 2021 Projection
	LPs	-12%
IJPs	-12%	+1%



Refillable ink tank model

**GX7030**

As for the market for prosumer products, namely laser printers and inkjet printers, demand for home products remained strong, particularly in developed countries, thanks to working and learning from home. As for demand for office products, we expect a further recovery going forward as more people become vaccinated.

In the second quarter, we again posted strong sales of inkjet printers, which are mainly used in the home, as home demand remained robust. As for laser printers, although hardware sales were impacted by an unavoidable shutdown of a production site in Southeast Asia due to lockdowns, sales of consumables increased in preparation for an expected recovery in print volume.

In the second half of the year, in addition to expecting home demand to remain robust, we expect office demand to recover. To capture this demand, we will work to steadily supply products, and promote sales with our enhanced lineup of refillable ink tank models and laser printers that despite their compact size, incorporate double-sided printing and other features. And through this, we aim to post full-year sales that exceed our previous projection.

- Strong unit sales growth of new products launched last year
- Make progress in sales recovery through further enhancement of lineup and leveraging of new dealers

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	193.8	153.4	+26.3%	788.4	723.0	+9.0%	786.6	+1.8
Prosumer	224.2	190.4	+17.7%	936.2	830.9	+12.7%	889.2	+47.0
<b>Production</b>	<b>71.6</b>	<b>49.6</b>	<b>+44.4%</b>	<b>279.9</b>	<b>250.5</b>	<b>+11.7%</b>	<b>279.0</b>	<b>+0.9</b>
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(% of Net Sales)	13.0%	4.6%		11.2%	8.2%		9.6%	

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

	2Q 2021 Actual	FY 2021 Projection
	Office	+21.3%
Prosumer	+12.9%	+10.1%
<b>Production</b>	<b>+35.3%</b>	<b>+8.5%</b>
Total	+19.0%	+8.4%



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



Large-format printer  
**Colorado 1650**

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As for the production market, in 2021, demand for printing posters and flyers increased in Europe and the United States due to the reopening of stores and various events. And in the second half of the year, we expect a further pick-up in economic activity and print volume. From this, we expect the market to steadily recover.

In line with the recovery in market conditions from the impact of COVID-19, we posted a second quarter increase in net sales. This reflects, among others, continued strong sales of printers like the ProStream 1800, a continuous feed press that was launched in the second half of last year, the varioPRINT iX, a high-speed cut-sheet inkjet printers, and the large-format printer, the Colorado 1650, which have all earned high marks from customers for offering both high productivity and print quality.

In addition to further enhancing our lineup with the successive launch of new products since the beginning of this year, sales are expected to recover further in the second half of the year, as we increase the number of dealers handling large-format printers for graphic arts which allow us to reach new customers, mainly small and medium-sized printing companies.

# Imaging – Cameras

- Raised outlook for camera market to reflect solid demand. Now expect size to be 6 million units
- Sales of EOS R5 and R6 also strong in 2Q. Better than expected improvement in product mix
- Raised full-year outlook with strengthened lineup of RF lenses as driver

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Cameras	112.1	55.7	+101.2%	430.9	347.7	+23.9%	393.0	+37.9
Network Cameras & Others	57.7	39.8	+45.0%	232.5	193.6	+20.1%	224.3	+8.2
<b>Net Sales</b>	<b>169.8</b>	<b>95.5</b>	<b>+77.8%</b>	<b>663.4</b>	<b>541.3</b>	<b>+22.6%</b>	<b>617.3</b>	<b>+46.1</b>
<b>Op. Profit</b>	<b>20.9</b>	<b>-20.8</b>	<b>-</b>	<b>71.0</b>	<b>5.7</b>	<b>+1,139.1%</b>	<b>31.1</b>	<b>+39.9</b>
(% of Net Sales)	12.3%	-21.8%		10.7%	1.1%		5.0%	

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

	2Q 2021 Actual	FY 2021 Projection
	Cameras	+88.2%
NWCs & Others	+38.4%	+18.0%
Total	+67.4%	+18.5%

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

	2Q 2021 Actual		FY 2021 Projection	
	Units	% Change	Units	% Change
DILCs	0.73	+47%	3.00	+9%



RF Lenses

Demand for cameras is growing steadily thanks to the strength of consumer spending in the United States and elsewhere, and the increasing number of people picking up cameras as a hobby and image expression as a new way of using time amid the COVID-19 pandemic. As a result, we raised our outlook for the size of the global camera market by 200 thousand units and now expect the overall size to be 6 million units for the full year.

In the second quarter, the share of total sales attributable to the EOS R5 and EOS R6, for which sales remain strong, has increased more than expected.

In addition to this, the number of full-frame mirrorless camera users who purchase RF lenses has been accelerating since the launch of the R5 and R6, creating a situation where we cannot supply some products in a timely manner.

From a longer perspective, in order to meet the strong demand for RF lenses as well as expand the range of image capture, a 400mm and a 600mm super-telephoto lens that combine high image quality and light weight, as well as a macro lens that delivers improved maximum shooting magnification of up to 1.4x were added in July. By continuing to enhance our lineup of RF lenses, which currently consists of 22 lenses, we will further strengthen our full-frame mirrorless camera system and increase our market share in this category.

As for our outlook, in response to strong demand for camera bodies, we raised our unit sales projection by 100 thousand units, and now project full year unit sales to be 3 million units. We also raise our sales projection to reflect strong sales of lenses. In unison with this, we will also strive to maintain stable profitability by continuing efforts to optimize expenses.

# Imaging – Network Cameras & Others

- Network camera market clearly returning to double-digit growth
- 2H: Accelerate growth by actively investing in development

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Cameras	112.1	55.7	+101.2%	430.9	347.7	+23.9%	393.0	+37.9
Network Cameras & Others	57.7	39.8	+45.0%	232.5	193.6	+20.1%	224.3	+8.2
<b>Net Sales</b>	<b>169.8</b>	<b>95.5</b>	<b>+77.8%</b>	<b>663.4</b>	<b>541.3</b>	<b>+22.6%</b>	<b>617.3</b>	<b>+46.1</b>
<b>Op. Profit</b>	<b>20.9</b>	<b>-20.8</b>	-	<b>71.0</b>	<b>5.7</b>	<b>+1,139.1%</b>	<b>31.1</b>	<b>+39.9</b>
(% of Net Sales)	12.3%	-21.8%		10.7%	1.1%		5.0%	

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

	2Q 2021		FY 2021	
	Actual	Projection	Actual	Projection
Cameras	+88.2%	+18.8%		
NWCs & Others	+38.4%	+18.0%		
Total	+67.4%	+18.5%		

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As we entered the second quarter, it became increasingly clear that the network camera market had returned to its original double-digit growth rate as orders and installations have been increasing along with the normalization of the economy.

Under these market conditions, we steadily captured growth opportunities of market recovery, which allowed us to post second quarter sales that significantly exceeded that which we achieve in the first quarter.

In the second half of the year, on top of traditional surveillance, we will work to accelerate growth by actively investing in development in order to capture expanding demand for non-face-to-face and non-contact solutions that were triggered by COVID-19. And for the full year, we aim to grow faster than the market, posting a 20% increase in sales, which exceeds our previous projection.

- 2Q: Results basically in line with plan, thanks to ongoing market recovery, mainly in the U.S.
- Aiming for market exceeding growth, focusing on expanding sales of mainly high-end equipment

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
<b>Net Sales</b>	<b>111.8</b>	<b>101.9</b>	+9.7%	<b>471.3</b>	<b>436.1</b>	+8.1%	<b>461.6</b>	+9.7
<b>Op. Profit</b> (% of Net Sales)	<b>3.7</b> 3.3%	<b>5.9</b> 5.8%	-37.7%	<b>34.6</b> 7.3%	<b>25.2</b> 5.8%	+37.1%	<b>30.3</b> 6.6%	+4.3

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

	2Q 2021 Actual	FY 2021 Projection
Total	+6.6%	+6.2%



MRI



Ultrasound Diagnostic Equipment

As for Medical in the second quarter, although the purchase of equipment utilizing government support funds eased, demand in Japan remained strong. In other regions, we continued to post solid sales of equipment for pneumonia testing. Additionally, in the United States and other countries where vaccination rates are high and the operation of medical institutions is returning to normal, we made steady progress in installing large equipment, allowing us to post an increase in sales that was in line with our plan.

In the second half of this year, the number of patients and medical appointments as well as surgeries is expected to increase as more people become vaccinated and hospitals move closer to normal operation. In line with this, we will work to increase sales of CT, MRI, and high-performance ultrasound diagnostic equipment. In May, we launched a high-end ultrasonic diagnostic system that achieves higher image quality in a wider range of areas from just under the surface of the skin to the deeper parts of the body. In addition, in terms of sales, we will strengthen sales activities towards large-scale medical institutions that are major users of high-end equipment, particularly in the United States, which we designate as our most important market. Through this, we aim to increase sales of the entire business over the course of the year at a rate that exceeds market growth.

# Industrial & Others – Lithography Equipment

- Again raised semiconductor lithography equipment unit sales projection
- Sold 17 FPD lithography tools as planned despite travel limitations

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Lithography Equipment	51.1	28.1	+81.9%	215.3	142.5	+51.1%	208.0	+7.3
Industrial Equipment	34.7	29.8	+16.1%	129.7	132.4	-2.0%	130.1	-0.4
Others	52.3	41.6	+25.7%	216.9	186.6	+16.2%	217.0	-0.1
<b>Net Sales</b>	<b>138.1</b>	<b>99.5</b>	<b>+38.7%</b>	<b>561.9</b>	<b>461.5</b>	<b>+21.7%</b>	<b>555.1</b>	<b>+6.8</b>
<b>Op. Profit</b>	<b>15.5</b>	<b>1.8</b>	<b>+744.4%</b>	<b>38.9</b>	<b>20.5</b>	<b>+89.6%</b>	<b>37.7</b>	<b>+1.2</b>
(% of Net Sales)	11.2%	1.8%		6.9%	4.4%		6.8%	

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

	2Q 2021 Actual	FY 2021 Projection
Litho. Equip.	+79.7%	+50.3%
Industrial Equip.	+15.9%	-2.1%
Total	+37.6%	+20.6%

## Lithography Equipment (Units)

	2Q 2021 Actual	2Q 2020 Actual	FY 2021 Projection	FY 2020 Actual
Semiconductor	30	31	149	122
FPD	17	4	68	32



Semiconductor lithography equipment  
**FPA-6300E56a**

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In 2021, the semiconductor market is projected to be at an all-time high level in terms of value, thanks to growing demand for memory and logic chips used in datacenters, smartphones, and PCs, reflecting the spread of 5G and IoT. And also due to the expansion of demand for various devices, including power devices and sensors used in automobiles.

We are increasing our unit sales through such meticulous measures as customizing equipment to suit the size and materials of substrates demanded by customers. And as a result, we now expect full-year sales to be 149 units, exceeding our previous projection of 146 units. From a medium-term perspective as well, we expect semiconductor manufacturers to continue to aggressively invest. As such, we will focus on future-oriented activities such as increasing production capacity to ensure that we can firmly secure this demand.

In 2021, we expect the panel market to remain solid as we are seeing strong demand for LCDs used in various IT devices such as laptops and tablets as well as other devices like large screen televisions. This outlook also reflects steady growth in the number of smartphone models that use OLED panels.

We also expect stable demand for our FPD lithography equipment. In the second quarter, we secured the personnel needed for equipment installation from within the Canon Group and proceeded as planned in areas where travel limitations due to COVID-19 are in place. As a result, we achieved sales of 17 units. Going forward, we will accelerate localization by educating workers, creating conditions for stable installation.



- Expect sales to be lower than last year due to a review of the timing of investments by customers

(Billions of yen)

	2Q			Full Year				
	2021 Actual	2020 Actual	% Change	2020 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Lithography Equipment	51.1	28.1	+81.9%	215.3	142.5	+51.1%	208.0	+7.3
Industrial Equipment	34.7	29.8	+16.1%	129.7	132.4	-2.0%	130.1	-0.4
Others	52.3	41.6	+25.7%	216.9	186.6	+16.2%	217.0	-0.1
<b>Net Sales</b>	<b>138.1</b>	<b>99.5</b>	<b>+38.7%</b>	<b>561.9</b>	<b>461.5</b>	<b>+21.7%</b>	<b>555.1</b>	<b>+6.8</b>
<b>Op. Profit</b>	<b>15.5</b>	<b>1.8</b>	<b>+744.4%</b>	<b>38.9</b>	<b>20.5</b>	<b>+89.6%</b>	<b>37.7</b>	<b>+1.2</b>
(% of Net Sales)	11.2%	1.8%		6.9%	4.4%		6.8%	

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

	2Q 2021 Actual	FY 2021 Projection
	Litho. Equip.	+79.7%
Industrial Equip.	+15.9%	-2.1%
Total	+37.6%	+20.6%



OLED vacuum deposition equipment

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As for the OLED panel market, the proportion of products that incorporate OLED panels, such as smartphones and televisions, where demand is firm, is increasing. Due to this and their expanding use in other devices like laptops and handheld game consoles, we expect the market to continue to grow.

Although our sales are expected to be slightly lower than the previous year due to a review of the timing of new investments by customers, in order to capture new demand for televisions and other products, we will be accelerating the development of equipment for large panels.

# Inventory

- Low level of finished goods inventory at end of June due to strong sales etc.
- 2H: Focus on stably supplying products amid concerns about parts shortage

(Billions of yen)		FY 2020				FY 2021	
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end
Printing	Amt.	238.6	233.3	227.9	216.7	237.3	232.0
	Days	42	49	50	42	45	44
Imaging	Amt.	115.4	104.6	100.2	90.1	98.7	94.0
	Days	68	89	77	50	54	54
Medical	Amt.	97.5	100.1	97.2	92.3	99.8	101.8
	Days	84	91	89	77	75	79
Industrial & Others	Amt.	149.1	165.7	192.4	163.7	160.0	161.3
	Days	146	188	213	132	103	112
<b>Total</b>	<b>Amt.</b>	<b>600.6</b>	<b>603.7</b>	<b>617.6</b>	<b>562.8</b>	<b>595.9</b>	<b>589.1</b>
	<b>Days</b>	<b>63</b>	<b>76</b>	<b>79</b>	<b>60</b>	<b>61</b>	<b>62</b>

Inventory at the end of June was 589.1 billion yen, 6.8 billion yen lower than at the end of March. Finished goods inventory on a whole is considered to be at a low level, reflecting stronger than expected sales and other factors such as the halting of some production in Southeast Asia due to a rebound in COVID-19 cases as well as the limited supply of parts.

In the second half of the year, although we expect the environment surrounding procurement to remain challenging, due to our outlook for shortages of semiconductors and other parts, which continue to enjoy robust demand all over the world, we will work to steadily capture sales opportunities while placing top priority on the stable supply of products.

# Cash Flow

## (Full Year)

- FCF recovering to 230.0 billion yen thanks to strong performance
- Repay debt to strengthen financial position utilizing cash that is generated

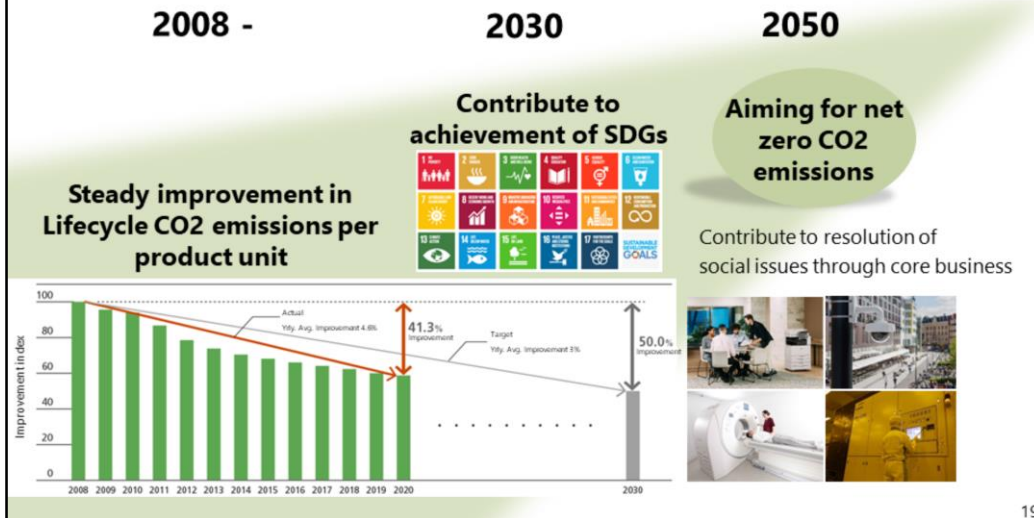
(Billions of yen)	FY 2021 Current Projection	FY 2021 Previous Projection	FY 2020 Actual
Net cash provided by operating activities	430.0	400.0	333.8
Net cash used in investing activities	-200.0	-200.0	-155.4
<b>Free cash flow</b>	<b>230.0</b>	<b>200.0</b>	<b>178.4</b>
Net cash provided by (used in) financing activities	-245.7	-206.7	-183.4
Effect of exchange rate changes on cash and cash equivalents	8.0	-1.0	-0.1
Net change in cash and cash equivalents	-7.7	-7.7	-5.1
<b>Cash and cash equivalents at end of period</b>	<b>400.0</b>	<b>400.0</b>	<b>407.7</b>
<b>Cash-on-hand (In months of Net sales)</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>
Capital expenditure	190.0	190.0	161.7
Depreciation	230.0	230.0	227.8

We raised our outlook for net income by 61.0 billion yen, and now expect operating cash flow to be around 430.0 billion yen, which shows that our ability to generate cash is steadily recovering. Assuming we make capital investment in line with our plan, we expect to secure 230.0 billion yen in free cash flow, which is 51.6 billion yen higher than last year.

While securing 400.0 billion yen in cash on hand, we will use the cash generated from improved earnings to facilitate the early repayment of debt and strengthen our financial position. As for our dividend, while decisions are made by comprehensively taking into account the profit and loss of a single year, and also other factors such as medium- to long-term business performance, cash flow and investment plans, for this year, in line with our previous announcement, we plan to increase dividends by 10 yen from the previous year to 90 yen for the year.

- Established Sustainability Headquarters with aim of contributing to achieving SDGs

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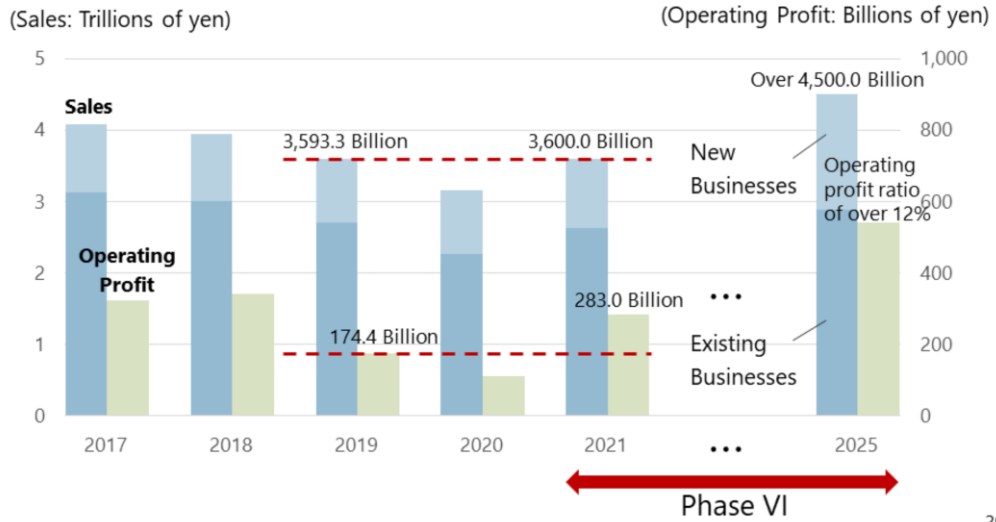
Since last year, countries around the world have been announcing their intention to reduce CO2 emissions to net zero by 2050. Similarly, expectations for companies to resolve various environment and social issues, including the SDGs, have been increasing.

Based on our corporate philosophy of kyosei, we have proactively engaged in environmental and CSR activities throughout the Canon Group. In particular, in the environmental field, we have been working since 2008 to reduce CO2 emissions per product by 3% per year throughout its life cycle. By 2020, we had achieved a cumulative improvement of 41.3%.

In order to strengthen these efforts and further fulfill our responsibilities as a global company, on May 1, we established the Sustainability Headquarters. Initially, we will accelerate efforts to address environmental issues such as climate change and resource recycling, which have been addressed mainly by the Global Environment Center, in cooperation with our product operations. In the future, we will expand our jurisdiction to cover all aspects of sustainability and contribute to the achievement of the SDGs.

# Excellent Global Corporation Plan Phase VI

- Progress in stabilizing profit of current businesses and growing new businesses
- A good start towards achieving targets set out in 5-year plan (2021-2025)



In the business environment that surrounds us, despite concerns about the spread of COVID-19 variants, shortages of semiconductors, and other issues, our existing camera and laser printer businesses have begun to show signs of bottoming out from the shrinking market, and earnings are starting to stabilize. And for new businesses like medical, network cameras, commercial printing, and industrial equipment, their growth is starting to contribute meaningfully to the Canon Group.

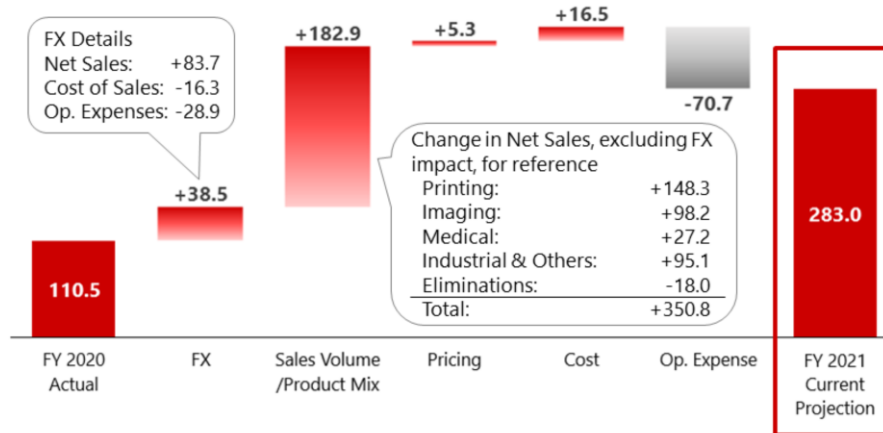
This year is the first year in our 5-year initiative, Phase VI of the Excellent Global Corporation Plan. We consider this year to be an important year during which we aim to position ourselves for record-high performance in 2025, and I believe we have made a good start.

# Supplementary Information

# FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus FY 2020 Actual)

(Billions of yen)



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

			FY 2021		FY 2020	
			2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>Office MFDs</b>	JPY	Hardware	+47%	+20%	-38%	-21%
		Non-hardware	+35%	+5%	-40%	-20%
	LC	Hardware	+40%	+16%	-37%	-20%
		Non-hardware	+30%	+2%	-38%	-20%
<b>LPs</b>	JPY	Hardware	+4%	+17%	-31%	-21%
		Non-hardware	+41%	+14%	-26%	-19%
	LC	Hardware	0%	+14%	-29%	-20%
		Non-hardware	+36%	+13%	-25%	-18%
<b>IJPs</b>	JPY	Hardware	+24%	+16%	+5%	+15%
		Non-hardware	-4%	+5%	+14%	+7%
	LC	Hardware	+18%	+13%	+8%	+16%
		Non-hardware	-9%	+1%	+17%	+8%
<b>Production</b>	JPY	Hardware	+52%	+17%	-41%	-22%
		Non-hardware	+40%	+9%	-33%	-15%
	LC	Hardware	+42%	+13%	-40%	-21%
		Non-hardware	+32%	+6%	-31%	-14%



### Office MFDs - Net Sales Growth by Monochrome & Color

		FY 2021		FY 2020	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
JPY	Monochrome	+35%	+8%	-39%	-22%
	Color	+45%	+14%	-39%	-19%
LC	Monochrome	+29%	+5%	-38%	-22%
	Color	+38%	+10%	-37%	-19%

### Office/Prosumer - Net Sales by Product Category

(Billions of yen)

		FY 2021			FY 2020		
		1Q Actual	2Q Actual	Full Year Projection	1Q Actual	2Q Actual	Full Year Actual
<b>Office</b>	Office MFDs	115.8	127.2	508.2	127.9	90.5	456.7
	Others	69.2	66.6	280.2	73.0	62.9	266.3
		185.0	193.8	788.4	200.9	153.4	723.0
<b>Prosumer</b>	LPs	136.9	141.4	581.9	141.2	111.3	504.4
	IJPs	84.1	82.8	354.3	70.4	79.1	326.5
		221.0	224.2	936.2	211.6	190.4	830.9

### Office MFDs/LPs - Color Ratio

		FY 2021		FY 2020	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
<b>Office MFDs</b>	Net Sales	60%	61%	58%	59%
	Units	61%	60%	59%	59%
<b>LPs</b>	Net Sales	53%	52%	52%	51%
	Units	17%	20%	23%	21%

### Office MFDs/LPs - Unit Sales Growth by Monochrome & Color

		FY 2021		FY 2020	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Office MFDs	Monochrome	+48%	+9%	-38%	-18%
	Color	+57%	+13%	-37%	+14%
LPs	Monochrome	-5%	+8%	-33%	-17%
	Color	-32%	+5%	-22%	-15%

### DILC Ratio & Digital Compact Camera (DCC) Units

	FY 2021		FY 2020	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
DILC Ratio				
Net Sales *	89%	90%	86%	87%
Units	70%	71%	66%	65%
DCC Units (Millions)	0.31	1.25	0.26	1.48

\* Net Sales Includes Interchangeable Lenses

### Semiconductor Lithography Equipment - Unit Breakdown by Light Source (Units)

	FY 2021		FY 2020	
	2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF	9	39	4	25
i-Line	21	110	27	97
Total	30	149	31	122