

# Canon Inc.

## Third Quarter 2021 Results

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# Agenda

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# Key Message (3Q 2021 Results)



## External Environment

- No significant change in demand, despite COVID-19 cases rising again
- Significant confusion in supply chain due to parts shortages, lockdowns etc.

## Business Performance

- Actual demand was solid. Missed sales target due to supply constraints
- Fourth consecutive quarter of sales and profit growth

(Billions of yen)	3Q 2021 Actual	3Q 2020 Actual	% Change
<b>Net Sales</b>	<b>833.3</b>	<b>758.9</b>	+9.8%
<b>Gross Profit</b> (% of Net Sales)	<b>388.0</b> 46.6%	<b>327.6</b> 43.2%	+18.4%
<b>Op. Expenses</b> (% of Net Sales)	<b>329.3</b> 39.6%	<b>308.4</b> 40.7%	
<b>Op. Profit</b> (% of Net Sales)	<b>58.7</b> 7.0%	<b>19.2</b> 2.5%	+206.0%
<b>IBT</b>	<b>79.3</b>	<b>22.8</b>	+247.8%
<b>Net Income</b> (% of Net Sales)	<b>49.3</b> 5.9%	<b>16.7</b> 2.2%	+196.1%
USD	110.10	106.17	
EURO	129.86	124.13	

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Looking at the state of global affairs in the third quarter, we see that the number of new COVID-19 cases was on the rise again due to global spread of the Delta variant. However, as more and more people become vaccinated and economic activity returned to normal in many countries, we did not see any major change in corporate capital investment or consumer spending. From a supply standpoint, our supply chain was seriously impacted by the shortage of semiconductors and other parts, and production activities were stalled due to strict lockdown measures in Southeast Asia.

For Canon as well, actual demand for products around the world was generally firm, but the supply side was inevitably affected by a shortage of parts and a decline in the utilization rate of manufacturing subsidiaries due to COVID-19. As a result, we did not reach our sales plan. However, profits were almost on target as we judged the situation and made adjustments to pricing as well as strived to improve product mix.

Compared with the previous year, sales increased by 9.8% to 833.3 billion yen, as all four business units posted positive growth. As a result of the improvement in our gross profit ratio, mainly due to the reasons highlighted earlier, operating profit improved significantly to 58.7 billion yen, more than 3 times higher than the previous year, and net income was 49.3 billion yen, close to 3 times higher than the previous year. In summary, significant improvement in our business performance enabled us to achieve our fourth consecutive quarter of year-on-year sales and profit growth.

# FY 2021 Financial Results by Business Unit

(3Q 2021 Actual versus 3Q 2020 Actual)

- Printing and Imaging - Sales and profit growth in 3Q, double-digit profitability every quarter this year
- Medical - 4th consecutive quarter of sales growth, Industrial & Others - Sales growth and profit decline

(Billions of yen)		3Q 2021 Actual	3Q 2020 Actual	% Change
Printing	Net Sales	459.2	430.1	+6.8%
	Op. Profit	60.3	18.2	+231.0%
	(%)	(13.1%)	(4.2%)	
Imaging	Net Sales	153.8	140.7	+9.3%
	Op. Profit	17.7	12.5	+42.2%
	(%)	(11.5%)	(8.9%)	
Medical	Net Sales	115.7	105.4	+9.8%
	Op. Profit	6.0	5.0	+18.7%
	(%)	(5.2%)	(4.8%)	
Industrial & Others	Net Sales	130.4	103.8	+25.6%
	Op. Profit	1.5	4.7	-68.7%
	(%)	(1.1%)	(4.5%)	
Corporate & Eliminations	Net Sales	-25.8	-21.1	-
	Op. Profit	-26.8	-21.2	-
Total	Net Sales	833.3	758.9	+9.8%
	Op. Profit	58.7	19.2	+206.0%
	(%)	(7.0%)	(2.5%)	

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As for Printing, due to suspended production in Southeast Asia, our hardware sales were generally lower than expected. As for the demand for hardware, it continues to steadily recover as an increasing number of people gradually return to the office. As for print volume, which is basically recovering, sales of consumables that were not impacted by supply shortages were in line with our plan. As a result, overall profitability remained at a high level that was in line with the first half.

As for Imaging, the EOS R5 and EOS R6, which are highly competitive products, have maintained strong sales and have become the driving force behind business results, even one year after their launch. Amid challenging conditions surrounding parts procurement, we focused on the production and supply of high-end products and lenses, which enabled us to secure a double-digit profit ratio.

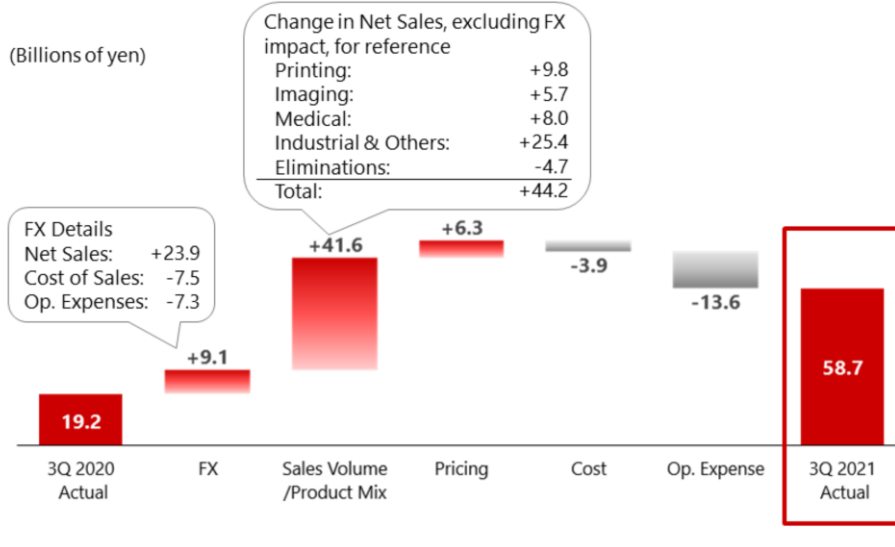
As for Medical, though sales were below our plan due to the significant impact of supply shortage, sales and profits increased compared with the previous year thanks to sales increase, particularly in Japan.

In Industrial & Others, demand for semiconductor lithography equipment continued to be strong, and the installation of FPD lithography equipment and OLED vacuum deposition equipment progressed steadily. As a result, we posted a significant increase in sales. However, profit decreased due to a concentrated level of upfront investment in the third quarter to create new businesses.

# FY 2021 Operating Profit Analysis

(3Q 2021 Actual versus 3Q 2020 Actual)

- Growth in Printing service revenue and consumable sales contribute to profit increase
- Increase in expenses linked to sales and development



As for exchange rates, the overall impact was positive as the yen depreciated against both the U.S. dollar and euro.

As for sales volume, although printing hardware revenue declined, service and consumable sales increased significantly, contributing to increased profit.

As for cost reduction, costs actually increased due to tight demand for parts such as semiconductors and resin materials.

As for expenses, due to a recovery in sales from last year, expenses that correlate closely with sales as well as those related to development, particularly those of new businesses, increased.

# Key Message

(FY 2021 Projection)



## FX Assumptions

	4Q 2021	FY 2021	Impact of exchange rate movement (4Q impact given a one yen change)	
			Net Sales	Op. Profit
USD/Yen	112.00 yen	109.49 yen	3.0 billion yen	1.0 billion yen
EUR/Yen	130.00 yen	129.92 yen	1.6 billion yen	0.8 billion yen

## External Environment

- Global economy – Continues to recover, remains at high level

## FY 2021 Outlook

- Maintain net sales projection, amid solid product demand
- Hold decline in operating profit to 11 billion yen

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Our exchange rate assumptions for the fourth quarter are 112 yen to the U.S. dollar and 130 yen to the euro.

Though the world economy continues to recover, the IMF, earlier this month, slightly lowered its economic outlook, which remained at a high level, to reflect prolonged confusion in the supply chain, caused by COVID-19 cases rising again, and also due to economic downturn in emerging markets, where vaccination has been delayed.

Regarding the fourth quarter, the deterioration in utilization rates of manufacturing sites in Southeast Asia is generally subsiding. As for parts shortages, we continue to consider new suppliers and alternative parts as well as parallel production at multiple manufacturing sites. Through measures such as these, we will work to make up for the delay in production. Amid solid demand, we expect to maintain our projection that net sales would be 3.6 trillion yen for the full-year, as we respond accordingly to pricing as well as work to improve product mix.

As for operating profit, we lowered our projection due to increases in parts procurement prices. As for income before income taxes and net income, we expect these to be in line with our previous projection due to valuation gains on investment securities and other factors.

# FY 2021 Financial Projection (Full Year)



- Significant improvement in both gross profit and operating expense ratios
- Maintained previous projection for net sales and net income

(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>3,600.0</b>	0.0
<b>Gross Profit</b> (% of Net Sales)	<b>1,637.0</b> 45.5%	<b>1,375.9</b> 43.5%	+19.0%	<b>1,648.0</b> 45.8%	-11.0
<b>Op. Expenses</b> (% of Net Sales)	<b>1,365.0</b> 37.9%	<b>1,265.4</b> 40.0%		<b>1,365.0</b> 37.9%	0.0
<b>Op. Profit</b> (% of Net Sales)	<b>272.0</b> 7.6%	<b>110.5</b> 3.5%	+146.0%	<b>283.0</b> 7.9%	-11.0
<b>IBT</b>	<b>298.0</b>	<b>130.3</b>	+128.7%	<b>298.0</b>	0.0
<b>Net Income</b> (% of Net Sales)	<b>201.0</b> 5.6%	<b>83.3</b> 2.6%	+141.2%	<b>201.0</b> 5.6%	0.0
USD	109.49	106.68		107.92	
EURO	129.92	122.07		129.95	

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We now project net sales to increase 13.9% to 3.6 trillion yen, operating profit to be 272 billion yen, 2.5 times higher than last year, thanks to significant improvements in both our gross profit ratio and expense ratio, and net income to be 201 billion yen, 2.4 times higher than last year.

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

- Expect to maintain double-digit profitability for both Printing and Imaging for full year
- Lowered projection for Medical due to COVID-19 impact

(Billions of yen)		FY 2021 Current Projection	FY 2020 Actual	% Change	FY 2021 Previous Projection	Amount Change
Printing	Net Sales	<b>2,006.4</b>	<b>1,804.4</b>	+11.2%	<b>2,004.5</b>	+1.9
	Op. Profit	<b>226.0</b>	<b>147.1</b>	+53.6%	<b>224.5</b>	+1.5
	(%)	<b>(11.3%)</b>	<b>(8.2%)</b>		<b>(11.2%)</b>	
Imaging	Net Sales	<b>671.6</b>	<b>541.3</b>	+24.1%	<b>663.4</b>	+8.2
	Op. Profit	<b>69.9</b>	<b>5.7</b>	+1,119.9%	<b>71.0</b>	-1.1
	(%)	<b>(10.4%)</b>	<b>(1.1%)</b>		<b>(10.7%)</b>	
Medical	Net Sales	<b>466.3</b>	<b>436.1</b>	+6.9%	<b>471.3</b>	-5.0
	Op. Profit	<b>27.7</b>	<b>25.2</b>	+9.7%	<b>34.6</b>	-6.9
	(%)	<b>(5.9%)</b>	<b>(5.8%)</b>		<b>(7.3%)</b>	
Industrial & Others	Net Sales	<b>562.2</b>	<b>461.5</b>	+21.8%	<b>561.9</b>	+0.3
	Op. Profit	<b>38.9</b>	<b>20.5</b>	+89.6%	<b>38.9</b>	0.0
	(%)	<b>(6.9%)</b>	<b>(4.4%)</b>		<b>(6.9%)</b>	
Corporate & Eliminations	Net Sales	<b>-106.5</b>	<b>-83.1</b>	-	<b>-101.1</b>	-5.4
	Op. Profit	<b>-90.5</b>	<b>-88.0</b>	-	<b>-86.0</b>	-4.5
Total	Net Sales	<b>3,600.0</b>	<b>3,160.2</b>	+13.9%	<b>3,600.0</b>	0.0
	Op. Profit	<b>272.0</b>	<b>110.5</b>	+146.0%	<b>283.0</b>	-11.0
	(%)	<b>(7.6%)</b>	<b>(3.5%)</b>		<b>(7.9%)</b>	

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As for Printing, though we slightly lowered our unit sales projection due to shortages in hardware supply, consumable and service revenue has generally trended in line with plan. Furthermore, by flexibly responding to pricing that reflect the supply and demand balance, we expect our performance to be on par with our previous plan.

As for Imaging, demand for cameras remains solid. Though we lowered our sales plan for camera bodies by 50 thousand units, this was due to impact from the shortage of parts. Despite this, we expect to achieve a double-digit profit ratio, as sales of our enhanced lineup of RF lenses have been stronger than expected.

As for Medical, although we lowered our projection to reflect both supply shortages and installation delays, as medical institutions move closer to normal operation, a high level of orders have been piling up that will be filled next year.

As for Industry & Others, we expect our performance to be basically in line with our previous projection as capital investment demand remains robust, particularly for lithography equipment.

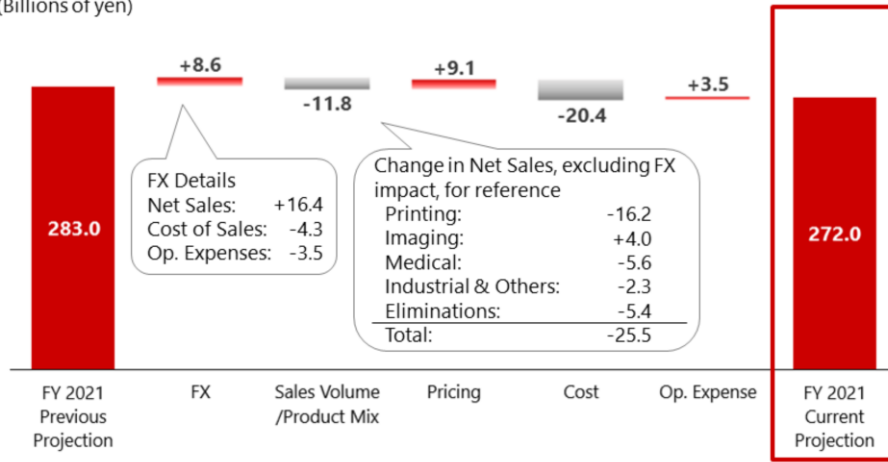


# FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus Previous Projection)

- Work to improve product mix and respond to pricing amid decline in unit sales
- Supplying products prioritized, leads to increases in parts, manufacturing, and logistical, costs

(Billions of yen)



As for changes in sales volume, the negative impact mainly reflects lower volumes of printing hardware and efforts to improve product mix under these conditions. We will also strive to limit price cutting based on the supply and demand balance.

As for cost reduction, we expect costs to actually increase as we prioritize the supply of products to customers and secure parts amid soaring prices. We also expect to see a significant increase in costs associated with recovering from the deterioration in utilization rates at our manufacturing sites caused by COVID-19, as well as an increase in logistics costs due to the use of air transportation.

As for expenses, amid insufficient product supply, we will work to hold down selling expenses as well as lower development expenses through the comprehensive selection and focus of themes.

- Entering second half of year, impact on manufacturing due to parts procurement issues becomes apparent
- Limit product supply issues as much as possible, taking steps from manufacturing and logistical perspectives

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	174.4	173.2	+0.6%	785.4	723.0	+8.6%	788.4	-3.0
Prosumer	215.6	194.7	+10.8%	934.9	830.9	+12.5%	936.2	-1.3
Production	69.2	62.2	+11.4%	286.1	250.5	+14.2%	279.9	+6.2
<b>Net Sales</b>	<b>459.2</b>	<b>430.1</b>	<b>+6.8%</b>	<b>2,006.4</b>	<b>1,804.4</b>	<b>+11.2%</b>	<b>2,004.5</b>	<b>+1.9</b>
<b>Op. Profit</b>	<b>60.3</b>	<b>18.2</b>	<b>+231.0%</b>	<b>226.0</b>	<b>147.1</b>	<b>+53.6%</b>	<b>224.5</b>	<b>+1.5</b>
(% of Net Sales)	13.1%	4.2%		11.3%	8.2%		11.2%	

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

	3Q 2021 Actual	FY 2021 Projection
Office	-2.0%	+5.7%
Prosumer	+7.4%	+9.3%
Production	+7.1%	+9.3%
Total	+3.6%	+7.9%

### Unit Growth Rate Y/Y

	3Q 2021 Actual	FY 2021 Projection
Office MFDs	-13%	+8%



**imageRUNNER ADVANCE DX series  
C5800**

As for office MFDs, although some companies have delayed their plans to have workers actively back in the office, the market continued to recover as the number of employees returning to the office is increasing.

In the third quarter, although there were regional differences, service revenue was basically in line with our projection, thanks to recovery in print volume. However, hardware sales, despite receiving a lot of inquiries from customers, fell short of expectations due to the semiconductor shortage and its impact on production.

In the fourth quarter, although we assume procurement issues to remain, we will strive to minimize the impact on sales by working to improve our product mix, focusing production on medium- to high-speed equipment where we can expect higher print volume, such as the imageRUNNER ADVANCE DX C5800. Additionally, as the situation surrounding logistics remains tight, we will consider every possible means and routes based on the time required for transportation from the manufacturing sites to each sales area, so that all divisions work together to ensure that the finished products lead to sales.

- 3Q: Significant decrease in capacity utilization of manufacturing sites in Southeast Asia due to COVID-19 cases rising again
- Work to stably supply products via parallel manufacturing, expansion of parts suppliers etc.

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	174.4	173.2	+0.6%	785.4	723.0	+8.6%	788.4	-3.0
Prosumer	215.6	194.7	+10.8%	934.9	830.9	+12.5%	936.2	-1.3
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<b>Net Sales</b>	<b>459.2</b>	<b>430.1</b>	<b>+6.8%</b>	<b>2,006.4</b>	<b>1,804.4</b>	<b>+11.2%</b>	<b>2,004.5</b>	<b>+1.9</b>
<b>Op. Profit</b>	<b>60.3</b>	<b>18.2</b>	<b>+231.0%</b>	<b>226.0</b>	<b>147.1</b>	<b>+53.6%</b>	<b>224.5</b>	<b>+1.5</b>
(% of Net Sales)	13.1%	4.2%		11.3%	8.2%		11.2%	

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

	3Q 2021		FY 2021	
	Actual	Projection	Actual	Projection
Office	-2.0%	+5.7%		
Prosumer	+7.4%	+9.3%		
Production	+7.1%	+9.3%		
Total	+3.6%	+7.9%		

### Unit Growth Rate Y/Y

	3Q 2021		FY 2021	
	Actual	Projection	Actual	Projection
LPs	-34%	+1%		
IJPs	-43%	-5%		



Refillable ink tank model

**GX7030**

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The market for prosumer products used in offices, like office MFDs, remained on a path of gradual recovery. For prosumer products used in the home, however, demand remained high, particularly in developed countries.

In the third quarter, our hardware sales of prosumer products decreased due to supply shortages caused by another decline in the capacity of manufacturing sites in Southeast Asia, due to stringent lockdowns since entering the second half of the year. On the other hand, sales of consumables remained strong as demand increased in anticipation of a recovery in laser printer print volume. Overall, Prosumer sales exceeded the sales of last year.

As for laser printers in the fourth quarter, we will work to stably supply products, by strengthening the system that enables parallel production of the same product at multiple sites, and expanding our pool of parts suppliers, in order to mitigate risks, including COVID-19 infections. Additionally, for inkjet printers as well, we aim to exceed the sales of last year by focusing on recovering from production delays caused by COVID-19 in the third quarter, limiting price discounts, and prioritizing the production and sales of printers that command higher prices such as refillable ink tank models.

- Sales of products launched last year remain solid
- Expand sales through lineup enhancement and new dealers

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Office	174.4	173.2	+0.6%	785.4	723.0	+8.6%	788.4	-3.0
Prosumer	215.6	194.7	+10.8%	934.9	830.9	+12.5%	936.2	-1.3
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<b>Op. Profit</b>	<b>60.3</b>	<b>18.2</b>	<b>+231.0%</b>	<b>226.0</b>	<b>147.1</b>	<b>+53.6%</b>	<b>224.5</b>	<b>+1.5</b>
(% of Net Sales)	13.1%	4.2%		11.3%	8.2%		11.2%	

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

	3Q 2021	FY 2021
	Actual	Projection
Office	-2.0%	+5.7%
Prosumer	+7.4%	+9.3%
<b>Production</b>	<b>+7.1%</b>	<b>+9.3%</b>
Total	+3.6%	+7.9%



High-speed cut-sheet inkjet printer

**varioPRINT iX series**

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The production market continues to gradually recover thanks in part to the restart of exhibitions and other events. The recovery, however, has been slightly weaker than we expected due to COVID-19 cases increasing again.

Last year, we introduced the varioPRINT iX series of high-speed cut-sheet printers. These printers, which combine high image quality with high productivity, have been highly evaluated not only by existing customers, but also by printing companies that we have had little to no contact with in the past, which is leading to significant sales growth. Similarly, we have expanded unit sales of graphic arts oriented large-format printers, like the Colorado 1650, by improving product capabilities, which has led to an increasing number of dealers handling this product. As a result, third quarter sales increased 11% compared with last year.

Orders are piling up high, and as we move forward with customer installations, we expect sales to grow even further in the fourth quarter and return close to the pre-COVID-19 level of 2019, ahead of office.

# Imaging – Cameras

- Lowered projection due to parts shortage. Now expect size of camera market to be 5.9 million units
- Strong sales of EOS R5 and EOS R6, even after being in the market for a year
- Unveiled first lens specifically designed to capture VR images

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Cameras	100.2	91.2	+9.9%	440.6	347.7	+26.7%	430.9	+9.7
Network Cameras & Others	53.6	49.5	+8.2%	231.0	193.6	+19.3%	232.5	-1.5
<b>Net Sales</b>	<b>153.8</b>	<b>140.7</b>	<b>+9.3%</b>	<b>671.6</b>	<b>541.3</b>	<b>+24.1%</b>	<b>663.4</b>	<b>+8.2</b>
<b>Op. Profit</b>	<b>17.7</b>	<b>12.5</b>	<b>+42.2%</b>	<b>69.9</b>	<b>5.7</b>	<b>+1,119.9%</b>	<b>71.0</b>	<b>-1.1</b>
(% of Net Sales)	11.5%	8.9%		10.4%	1.1%		10.7%	

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

	3Q 2021 Actual	FY 2021 Projection
	Cameras	+4.7%
NWCs & Others	+4.3%	+15.6%
Total	+4.6%	+19.1%

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

	3Q 2021 Actual		FY 2021 Projection	
	Units	% Change	Units	% Change
DILCs	0.64	0%	2.95	+7%



**RF5.2mm F2.8 L  
DUAL FISHEYE**

The camera market remained solid thanks to the strength of personal consumption, particularly in Europe and the United States, and the launch of new full-frame mirrorless cameras by each company that stimulated the need for high-quality image expression. However, due to the global shortage of parts, the size of this year's market is now projected to be 5.9 million units, 100 thousand units fewer than in our previous projection. Similarly, we expect our own unit sales to be 2.95 million units, 50 thousand units fewer than in our previous projection.

As for the third quarter, although one year has passed since the launch of the EOS R5 and EOS R6, they continue to be strong selling models. As for our enhanced lineup of lenses, we exceeded our unit sales plan thanks to their synergy with camera bodies.

We plan to increase our lens lineup to 26 within this year, including the RF 5.2 mm F2.8 L DUAL FISHEYE lens that we announced this month, our first lens designed specifically for capturing VR images. This lens, when mounted on an EOS R5, allows for the easy capture of 180 degree 3D VR images, and is attracting attention as a product that extends the user's image expression to the area of VR.

In November, the EOS R3 will be added to our lineup. Going forward as well, we will effectively introduce new camera bodies and lenses, strengthening the competitiveness of our products and maintain high profitability.

- Network camera market continues to recover along with normalization of economy
- Order situation good, aiming for 19% full-year sales growth

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Cameras	100.2	91.2	+9.9%	440.6	347.7	+26.7%	430.9	+9.7
Network Cameras & Others	53.6	49.5	+8.2%	231.0	193.6	+19.3%	232.5	-1.5
<b>Net Sales</b>	<b>153.8</b>	<b>140.7</b>	<b>+9.3%</b>	<b>671.6</b>	<b>541.3</b>	<b>+24.1%</b>	<b>663.4</b>	<b>+8.2</b>
<b>Op. Profit</b>	<b>17.7</b>	<b>12.5</b>	<b>+42.2%</b>	<b>69.9</b>	<b>5.7</b>	<b>+1,119.9%</b>	<b>71.0</b>	<b>-1.1</b>
(% of Net Sales)	11.5%	8.9%		10.4%	1.1%		10.7%	

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

	3Q 2021		FY 2021	
	Actual	Projection	Actual	Projection
Cameras	+4.7%	+21.0%	+4.7%	+21.0%
NWCs & Others	+4.3%	+15.6%	+4.3%	+15.6%
Total	+4.6%	+19.1%	+4.6%	+19.1%

As for the network camera market, with the normalization of the economy, we are seeing a resumption of infrastructure investment, which is leading to an increase in new installations.

Though we are seeing increasing orders from sales partners, due to supply shortages and longer than usual delivery times, third quarter sales growth was limited to 8%. Regarding the fourth quarter, as we already have a large number of orders and also see the supply shortage situation gradually improving, we expect to achieve a sales increase of 19% for the full year.

- 3Q: Sales and profit growth, partially thanks to Japan's economic stimulus package and despite global supply shortages
- 4Q: Secure sales, despite continuing impact of supply shortages, through optimization of product distribution
- From a medium- to long-term perspective, aim for early stage practical use of Photon Counting CT

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
<b>Net Sales</b>	<b>115.7</b>	<b>105.4</b>	+9.8%	<b>466.3</b>	<b>436.1</b>	+6.9%	<b>471.3</b>	-5.0
<b>Op. Profit</b> (% of Net Sales)	<b>6.0</b> 5.2%	<b>5.0</b> 4.8%	+18.7%	<b>27.7</b> 5.9%	<b>25.2</b> 5.8%	+9.7%	<b>34.6</b> 7.3%	-6.9

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

	3Q 2021 Actual	FY 2021 Projection
Total	+7.6%	+4.8%



MRI



Ultrasound Diagnostic Equipment

As more people become vaccinated, medical institutions are increasing treatments unrelated to COVID-19 and expanding preventive health services. As they move closer to normal operation, we are seeing a steady return in demand for diagnostic imaging equipment, which is also expected to continue.

As for Medical in the third quarter, in addition to product supply shortages, we had to deal with installation delays in Southeast Asia, Central and South America, and other regions due to COVID-19 cases rising again. In Japan, however, the purchasing of medical institutions using stimulus funds was stronger than expected. As a result, sales of equipment, particularly for pneumonia tests, increased, which allowed us to post sales and profit growth compared with last year.

In the fourth quarter, though we expect to make progress in installing the large equipment that was delayed due to COVID-19, we also expect the impact of the product supply shortage to remain. We will strive to secure sales for the current year by increasing production volume as much as possible, using substitute parts. At the same time, we will grasp production and distribution conditions in detail, and work to optimally distribute products in accordance with customers' desired delivery dates.

In addition to building up orders for the next year, we are also taking steps to achieve medium- to long-term growth. As for Photon Counting CT, which is attracting attention as a next-generation CT, we aim to put this into practical use at an early stage by utilizing the technology of Redlen Technologies, a Canadian company that became our wholly owned subsidiary in September, as well as conducting joint research with the National Cancer Center Japan.

# Industrial & Others – Lithography Equipment

- Semiconductor lithography equipment - Service revenue also increased thanks to robust equipment demand
- FPD lithography equipment - 68 units sold, thanks to progress made in installation even amid severe restrictions

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Lithography Equipment	52.4	32.8	+59.7%	216.5	142.5	+51.9%	215.3	+1.2
Industrial Equipment	29.0	25.4	+14.0%	128.7	132.4	-2.8%	129.7	-1.0
Others	49.0	45.6	+7.5%	217.0	186.6	+16.3%	216.9	+0.1
<b>Net Sales</b>	<b>130.4</b>	<b>103.8</b>	<b>+25.6%</b>	<b>562.2</b>	<b>461.5</b>	<b>+21.8%</b>	<b>561.9</b>	<b>+0.3</b>
<b>Op. Profit</b>	<b>1.5</b>	<b>4.7</b>	<b>-68.7%</b>	<b>38.9</b>	<b>20.5</b>	<b>+89.6%</b>	<b>38.9</b>	<b>0.0</b>
(% of Net Sales)	1.1%	4.5%		6.9%	4.4%		6.9%	

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

	3Q 2021 Actual	FY 2021 Projection
	Litho. Equip.	+57.8%
Industrial Equip.	+13.5%	-3.1%
Total	+24.5%	+20.9%

## Lithography Equipment (Units)

	3Q 2021 Actual	3Q 2020 Actual	FY 2021 Projection	FY 2020 Actual
	Semiconductor	39	31	142
FPD	15	5	68	32



Semiconductor lithography equipment  
**FPA-6300ES6a**

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In 2021, we expect the semiconductor market to be at an all-time high, surpassing 500 billion U.S. dollars for the first time, thanks to expected growth in all semiconductor devices, in particular logic and memory used in IoT related equipment, such as PCs and smartphones.

As for the third quarter, unit sales increased by 8 units to 39 units in response to strong equipment demand. As for the full year, we expect unit sales to be 142 units as some units have been pushed out to next year due to change in the timing of customer investment. Conversely, as semiconductor manufacturers increase production, service revenue grew stronger than expected, driven by the replacement of parts and upgrades to improve the performance of existing equipment.

The panel market in 2021 remains solid. Demand for LCDs continues to be strong thanks to notebook PCs, tablets, and large screen TVs. The market situation also reflects a steady increase in smartphones and other products that incorporate OLED panels.

As for FPD lithography equipment, where we also see strong demand, despite the tightening of restrictions due to COVID-19 cases increasing again, we have made steady progress in installing equipment. As a result, we sold 15 units in the third quarter and also expect to achieve our full-year plan of 68 units.

With the aim of developing a way to facilitate the stable installation of equipment in the future, we are currently working to raise the skill of local technicians by dispatching a large number of technicians from Japan that are very skilled in installation.



- Solid demand for equipment, thanks to increasing number of products using OLED panels

(Billions of yen)

	3Q			Full Year				
	2021 Actual	2020 Actual	% Change	2021 Current Projection	2020 Actual	% Change	2021 Previous Projection	Amount Change
Lithography Equipment	52.4	32.8	+59.7%	216.5	142.5	+51.9%	215.3	+1.2
Industrial Equipment	29.0	25.4	+14.0%	128.7	132.4	-2.8%	129.7	-1.0
Others	49.0	45.6	+7.5%	217.0	186.6	+16.3%	216.9	+0.1
<b>Net Sales</b>	<b>130.4</b>	<b>103.8</b>	<b>+25.6%</b>	<b>562.2</b>	<b>461.5</b>	<b>+21.8%</b>	<b>561.9</b>	<b>+0.3</b>
<b>Op. Profit</b>	<b>1.5</b>	<b>4.7</b>	<b>-68.7%</b>	<b>38.9</b>	<b>20.5</b>	<b>+89.6%</b>	<b>38.9</b>	<b>0.0</b>
(% of Net Sales)	1.1%	4.5%		6.9%	4.4%		6.9%	

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

	3Q 2021 Actual	FY 2021 Projection
	Litho. Equip.	+57.8%
Industrial Equip.	+13.5%	-3.1%
Total	+24.5%	+20.9%



OLED vacuum deposition equipment

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Amid the increasing number of products using OLED panels, demand for OLED vacuum deposition equipment used in the manufacturing of small- and medium-size panels, for which we hold an overwhelming share, remained solid. Currently, due to COVID-19 cases increasing again, the quarantine period after entering a country has been extended in some areas. Despite this, we expect sales to be basically in line with our previous projection as we complete the installation of equipment we plan this year by continuing efforts to increase the number of installation personnel and reduce man-hours via a review of work procedures.

# Inventory

- Inventory at Sept.-end temporary increased due to COVID-19 cases rising again
- Expect reduction in inventory towards year end through improvement in utilization ratio of manufacturing sites

(Billions of yen)		FY 2020				FY 2021		
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end
Printing	Amt.	238.6	233.3	227.9	216.7	237.3	232.0	269.2
	Days	42	49	50	42	45	44	52
Imaging	Amt.	115.4	104.6	100.2	90.1	98.7	94.0	98.4
	Days	68	89	77	50	54	54	55
Medical	Amt.	97.5	100.1	97.2	92.3	99.8	101.8	108.5
	Days	84	91	89	77	75	79	87
Industrial & Others	Amt.	149.1	165.7	192.4	163.7	160.0	161.3	160.2
	Days	146	188	213	132	103	112	109
<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>636.3</b>
	<b>Days</b>	<b>63</b>	<b>76</b>	<b>79</b>	<b>60</b>	<b>61</b>	<b>62</b>	<b>68</b>

As for inventory at the end of September, work-in-process increased as it took longer than usual to manufacture, due to difficulties surrounding parts procurement and COVID-19 infections. Additionally, as we entered the month of September, the utilization rates of factories based in Southeast Asia picked up and the shipments of products were concentrated towards the end of the month. As a result, the inventory of products that was in transit to sales companies also increased. Consequently, inventory was 636.3 billion yen, 47.2 billion yen higher than at the end of June.

Though we posted an increase in inventory at the end of September, we expect work-in-process inventory to gradually come down as we also started to see an improvement in the utilization rates of manufacturing sites. As for finished products, we expect the level of inventory at the end of the year to be within an acceptable range, as strong demand will lead to sales in the current year.

# Cash Flow

## (Full Year)

- Previous projection for FCF maintained at 230 billion yen
- Repaying debt in line with plan, strengthening financial constitution

(Billions of yen)	FY 2021 Current Projection	FY 2021 Previous Projection	FY 2020 Actual
Net cash provided by operating activities	440.0	430.0	333.8
Net cash used in investing activities	-210.0	-200.0	-155.4
<b>Free cash flow</b>	<b>230.0</b>	<b>230.0</b>	<b>178.4</b>
Net cash provided by (used in) financing activities	-245.0	-245.7	-183.4
Effect of exchange rate changes on cash and cash equivalents	7.3	8.0	-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 & amortization	230.0	230.0	227.8

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We expect to generate 440.0 billion yen in operating cash flow, 10.0 billion yen more than our previous projection. With regard to investment cash flow, we expect this to be 210.0 billion yen, reflecting not only normal capital expenditures, but also the use of funds to welcome Redlen Technology to the Canon Group. Accordingly, our projection for free cash flow remained unchanged at 230.0 billion yen

Through comprehensive cash flow management, we will work to balance the repayment of debt and shareholders return, while maintaining 400.0 billion yen in cash-on-hand.

- Promote various activities that contribute to region and society

## Expand support for COVID-19 testing



### Mobile medical solution

## Enhance learning of environment



### Canon Eco Technology Park

## Sustainable Society

## Expand global rollout of Biodiversity conservation



### Canon Bird Branch Project

Under Canon's corporate philosophy of *Kyosei*, we are promoting various activities that contribute to regions and cultures, with the aims of solving social issues and achieving Sustainable Development Goals (SDGs).

For example, in response to the urgent issue of COVID-19, our testing system for COVID-19 and CT equipment have been installed in specially designed mobile containers that are transported near to event venues and public facilities and are used as temporary COVID-19 testing stations.

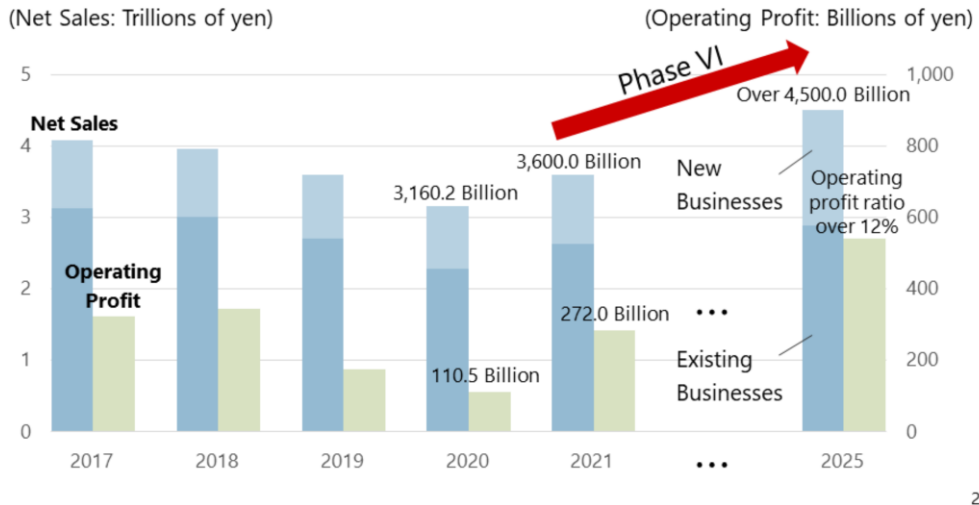
Additionally, at the Canon Eco Technology Park that was established in 2018, which serves as the site for Canon's recycling and environmental activities, Canon uses its proprietary toner and inkjet cartridge automated recycle system as an example to teach elementary and junior high school students about the importance of resource recycling through environmental classes. And this year, by introducing this online, the number of participants is significantly increasing.

In addition to this, the "Canon Bird Branch Project," a biodiversity conservation activity, has been implemented at 54 sites around the world, and bird ecology surveys and environmental conservation activities are being carried out in cooperation with external organizations. These activities are communicated via the website and SNS. This year, the website recorded more than 1.7 million views, and interest is growing every year.

We will fulfill our responsibilities as a global company through these activities in cooperation with local communities and society.

# Excellent Global Corporation Plan Phase VI

- Progress in existing business recovery and new business growth
- Making company-wide efforts to improve performance, achieve 2025 target



Due to COVID-19 and subsequent deterioration in the utilization rates of manufacturing sites as well as the impact of semiconductor and other parts shortages, this year's performance recovery will be slightly more moderate. However, we are beginning to see the camera markets contraction bottom out as well as office printing starting to steadily recover.

Additionally, new businesses such as medical, network cameras, commercial printing and industrial equipment, which experienced short-term stagnant growth due to COVID-19 last year, are accelerating again.

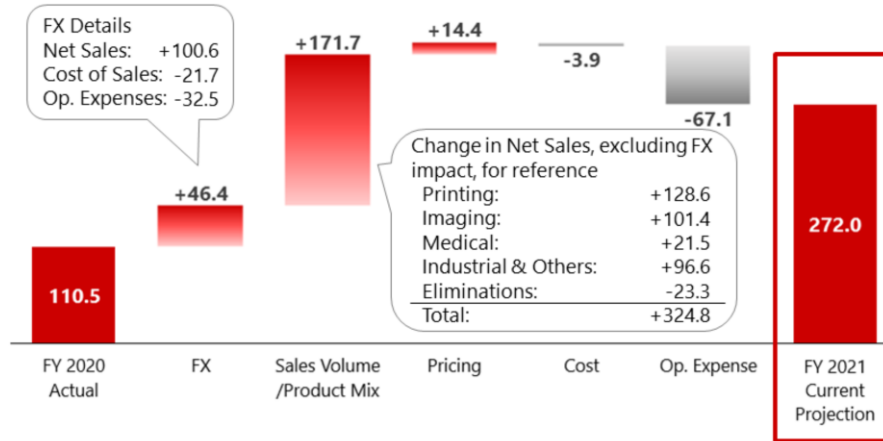
In 2025, the final year of our 5-year initiative, Phase VI of the Excellent Global Corporation Plan, we aim to post record high performance. With this goal in mind, over the final 2 months of this year, the entire company will work in a concerted effort to improve performance, ending the year in a positive way which we will link to next year.

## Supplementary Information

# FY 2021 Operating Profit Analysis

(FY 2021 Current Projection versus FY 2020 Actual)

(Billions of yen)



**Printing - Net Sales Growth Rate Y/Y (Hardware & Non-hardware)**

			FY 2021		FY 2020	
			3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office MFDs</b>	JPY	Hardware	-11%	+20%	-17%	-21%
		Non-hardware	+4%	+4%	-21%	-20%
	LC	Hardware	-14%	+16%	-17%	-20%
		Non-hardware	+1%	+1%	-21%	-20%
<b>LPs</b>	JPY	Hardware	-19%	+12%	-16%	-21%
		Non-hardware	+62%	+18%	-38%	-19%
	LC	Hardware	-21%	+9%	-17%	-20%
		Non-hardware	+58%	+15%	-38%	-18%
<b>IJPs</b>	JPY	Hardware	-19%	+13%	+36%	+15%
		Non-hardware	0%	+5%	+12%	+7%
	LC	Hardware	-23%	+9%	+35%	+16%
		Non-hardware	-3%	+2%	+11%	+8%
<b>Production</b>	JPY	Hardware	+8%	+18%	-14%	-22%
		Non-hardware	+13%	+12%	-12%	-15%
	LC	Hardware	+4%	+13%	-15%	-21%
		Non-hardware	+9%	+8%	-13%	-14%



**Office MFDs - Net Sales Growth Rate Y/Y (Monochrome & Color)**

		FY 2021		FY 2020	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
JPY	Monochrome	+1%	+8%	-21%	-22%
	Color	-5%	+13%	-18%	-19%
LC	Monochrome	-3%	+5%	-21%	-22%
	Color	-8%	+9%	-19%	-19%

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

(Billions of yen)

		FY 2021		FY 2020	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office</b>	Office MFDs	107.6	506.5	110.8	456.7
	Others	66.8	278.9	62.4	266.3
		174.4	785.4	173.2	723.0
<b>Prosumer</b>	LPs	137.1	582.8	110.3	504.4
	IJPs	78.5	352.1	84.4	326.5
		215.6	934.9	194.7	830.9

**Office MFDs/LPs - Color Ratio**

		FY 2021		FY 2020	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office MFDs</b>	Net Sales	58%	60%	59%	59%
	Units	53%	60%	60%	59%
<b>LPs</b>	Net Sales	51%	51%	47%	51%
	Units	14%	18%	19%	21%

**Office MFDs/LPs - Unit Sales Growth Rate Y/Y (Monochrome & Color)**

		FY 2021		FY 2020	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office MFDs</b>	Monochrome	+1%	+6%	-8%	-18%
	Color	-22%	+10%	-7%	+14%
<b>LPs</b>	Monochrome	-30%	+4%	+5%	-17%
	Color	-50%	-13%	-19%	-15%

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

	FY 2021		FY 2020	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
DILC Ratio				
Net Sales *	90%	90%	88%	87%
Units	70%	71%	64%	65%
DCC Units (Millions)	0.28	1.20	0.36	1.48

\* Net Sales includes interchangeable lenses

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

	FY 2021		FY 2020	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
KrF	10	38	8	25
i-Line	29	104	23	97
Total	39	142	31	122