

Canon Inc.

First Quarter 2022 Results

April 26, 2022

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Agenda

■ 1Q 2022 Results	P2 - 4
■ FY 2022 Projection	P5 - 7
■ Details by Business (1Q 2022 Results & FY 2022 Projection)	P8 - 14
■ Financial Situation	P15 - 16
■ Sustainability Measures	P17
■ Excellent Global Corporation Plan Phase VI	P18
■ Supplementary Information	P19 - 21

Key Message

(1Q 2022 Results)

- Accelerated inflation, Ukraine crisis - Global economy uncertainty
- 5th consecutive quarter of sales growth as products supplied as planned
- Achieved increase in profit, even amid raising costs, thanks to solid revenue base

(Billions of yen)	1Q 2022 Actual	1Q 2021 Actual	% Change
Net Sales	879.4	842.7	+4.4%
Gross Profit (% of Net Sales)	394.4 44.9%	384.4 45.6%	+2.6%
Op. Expenses (% of Net Sales)	318.3 36.2%	313.8 37.2%	
Op. Profit (% of Net Sales)	76.1 8.7%	70.6 8.4%	+7.9%
IBT	67.7	66.0	+2.5%
Net Income (% of Net Sales)	46.0 5.2%	44.5 5.3%	+3.4%
USD	116.33	106.11	
EUR	130.40	127.72	

2

During the quarter, countries prioritized economic activity even as the Omicron variant spread. Despite this, the global economy outlook became increasingly unclear due to accelerated inflation caused by supply shortages as well as the Ukraine issues.

In response to continuing parts shortages and logistical constraints, we have worked to maximize production by switching to alternative parts, cultivating new suppliers, negotiating with suppliers and by adopting a flexible production system. As a result, we were able to supply products largely in line with our plan, increasing net sales by 4.4% to 879.4 billion yen, and maintaining momentum, posting our fifth consecutive quarter of sales growth.

While being impacted by increases in material, logistical, and other costs, we promoted further efficiency based on a solid earnings foundation that was established through structural reform and re-organizing into industry-oriented groups. As a result, we were able to raise our performance even amid the unstable business environment, achieving an increase in profit of 76.1 billion yen in operating profit and 46.0 billion yen in net income.

FY 2022 Financial Results by Business Unit

(1Q 2022 Actual versus 1Q 2021 Actual)

- Printing - Increased sales and maintained double-digit profitability
- Imaging - Increased sales, but decrease in profit due to one-off expenses

(Billions of yen)		1Q 2022 Actual	1Q 2021 Actual	% Change
Printing	Net Sales	504.8	469.4	+7.5%
	Op. Profit	52.2	53.2	-1.8%
	(%)	(10.3%)	(11.3%)	
Imaging	Net Sales	157.2	148.6	+5.8%
	Op. Profit	13.4	18.1	-26.3%
	(%)	(8.5%)	(12.2%)	
Medical	Net Sales	118.2	124.4	-5.0%
	Op. Profit	6.3	11.5	-45.1%
	(%)	(5.3%)	(9.3%)	
Industry & Others	Net Sales	125.8	124.6	+1.0%
	Op. Profit	11.3	9.2	+23.1%
	(%)	(9.0%)	(7.4%)	
Corporate & Eliminations	Net Sales	-26.6	-24.3	-
	Op. Profit	-7.1	-21.4	-
	(%)			
Total	Net Sales	879.4	842.7	+4.4%
	Op. Profit	76.1	70.6	+7.9%
	(%)	(8.7%)	(8.4%)	

Next, a look at the situation of Business Units.

As for Printing, we posted an increase in net sales and maintained double-digit profitability. However, profit decreased due to a lower percentage of inkjet sales attributable to consumables.

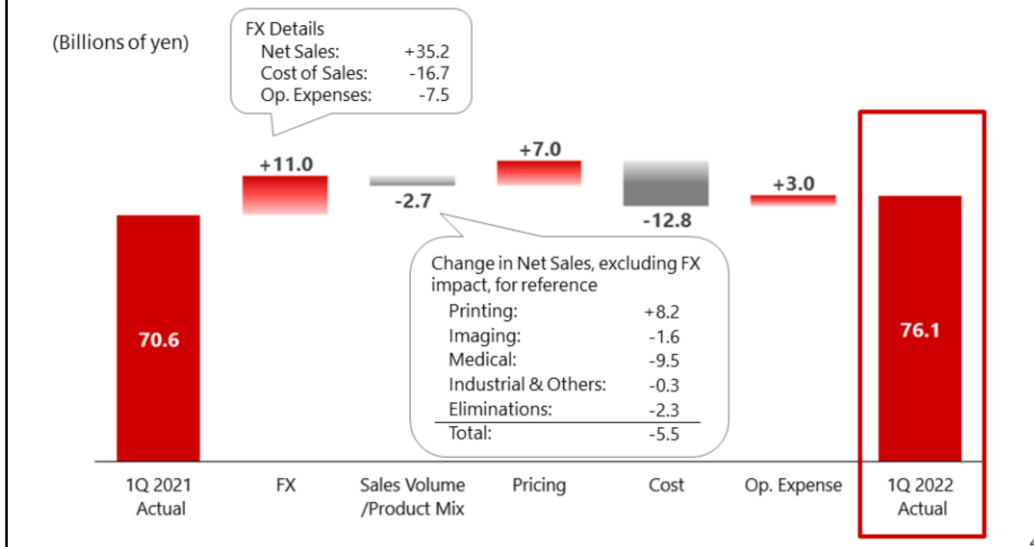
As for Imaging, although we posted an increase in net sales thanks to growth in interchangeable lens unit sales, profit decreased due to the booking of one-off expenses linked to the closing of a factory.

As for Medical, compared to last year during which sales were pushed up due to Japan's supplementary budget, sales and profits were lower as expected. In this quarter as well, we received a large number of orders and as a result ended the quarter with a high level of backorders, which give us confidence that sales will grow in the future as well.

FY 2022 Operating Profit Analysis

(1Q 2022 Actual versus 1Q 2021 Actual)

- Positive impact as yen depreciates against U.S. dollar
- Negative impact of cost increase partially offset with pricing



Next, factors impacting operating profit.

Changes in exchange rates, in particular the yen's depreciation against the U.S. dollar, had a positive impact on operating profit of 11.0 billion yen.

As for costs, although the impact was negative due to the rise in parts pricing and logistical costs, we were able to partially offset this impact by raising the price of our products.

As for expenses, while we continued to invest in the development and sales of new businesses, overall expenses decreased due to special factors, including the sale of an office that was determined unnecessary after a review of branch functions by our U.S. sales company and the closing of a production site.

FY 2022 Financial Projection (Full Year)



- Demand remains strong. Availability of parts gradually improving from second half of year
- Raised sales projection by 110.0 billion yen to reflect expectation for yen weakness
- Expect double-digit profit growth as negative impact of cost increase is absorbed through various measures

(Billions of yen)	FY 2022 Current Projection	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
Net Sales	3,980.0	3,513.4	+13.3%	3,870.0	+110.0
Gross Profit (% of Net Sales)	1,800.0 45.2%	1,627.8 46.3%	+10.6%	1,767.8 45.7%	+32.2
Op. Expenses (% of Net Sales)	1,440.0 36.2%	1,345.9 38.3%		1,435.8 37.1%	-4.2
Op. Profit (% of Net Sales)	360.0 9.0%	281.9 8.0%	+27.7%	332.0 8.6%	+28.0
IBT	370.0	302.7	+22.2%	360.0	+10.0
Net Income (% of Net Sales)	252.0 6.3%	214.7 6.1%	+17.4%	245.0 6.3%	+7.0
USD	119.16	109.93		112.00	
EUR	130.09	129.94		130.00	

Impact of exchange rate movement (2Q-4Q impact given a one yen change)		
	Net Sales	Op. Profit
USD	9.4 billion yen	3.2 billion yen
EUR	4.7 billion yen	2.3 billion yen

5

We expect inflation to continue in the form of higher prices for resources, energy, and food, resulting from the conflict in Ukraine and the prolonged impact of COVID-19. For these reasons the IMF lowered its world economic outlook for growth this year to 3.6%. However, the movement of countries toward economic normalization is expected to continue.

Under these circumstances, we cannot accurately predict when the parts shortage situation, which is the major reason for the product supply shortage, will settle down, but expect the situation to gradually improve as we enter the second half of the year. However, one year has passed since we started implementing measures such as switching to alternative parts through design change, finding new suppliers, and setting up production structures at multiple sights. And company-wide efforts are showing steady results.

As for our products, expectations for strong demand remains unchanged and by steadily supplying products, we will link backorders as well as regular orders to sales. Based on this, we raised our projection for sales by 110.0 billion yen, bringing the total close to 4 trillion, as we aim to grow 13.3% to 3 trillion 980.0 billion yen.

As for profit, we expect to increase net income by 17.4% to 252 billion yen and raise operating profit by 27.7% to 360.0 billion yen. We will achieve this by offsetting the effects of various cost increases through price increases, cost reductions, and expense savings, based on the solid profit structure we have built up through reforms we have implemented so far.

FY 2022 Financial Projection by Bus. Unit (Full Year)

- All Business Units - Sales and profit growth
- Printing, Imaging, and Industrial & Others - Double-digit profitability

(Billions of yen)		FY 2022 Current Projection	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
Printing	Net Sales	2,254.2	1,938.8	+16.3%	2,181.3	+72.9
	Op. Profit (%)	243.8 (10.8%)	225.7 (11.6%)	+8.0%	237.3 (10.9%)	+6.5
Imaging	Net Sales	751.4	653.5	+15.0%	732.6	+18.8
	Op. Profit (%)	93.6 (12.5%)	78.7 (12.0%)	+18.9%	84.4 (11.5%)	+9.2
Medical	Net Sales	497.1	480.4	+3.5%	486.6	+10.5
	Op. Profit (%)	38.1 (7.7%)	29.4 (6.1%)	+29.5%	35.2 (7.2%)	+2.9
Industry & Others	Net Sales	586.5	545.7	+7.5%	581.7	+4.8
	Op. Profit (%)	60.4 (10.3%)	44.3 (8.1%)	+36.3%	61.6 (10.6%)	-1.2
Corporate & Eliminations	Net Sales	-109.2	-105.0	-	-112.2	+3.0
	Op. Profit	-75.9	-96.2	-	-86.5	+10.6
Total	Net Sales	3,980.0	3,513.4	+13.3%	3,870.0	+110.0
	Op. Profit (%)	360.0 (9.0%)	281.9 (8.0%)	+27.7%	332.0 (8.6%)	+28.0

6

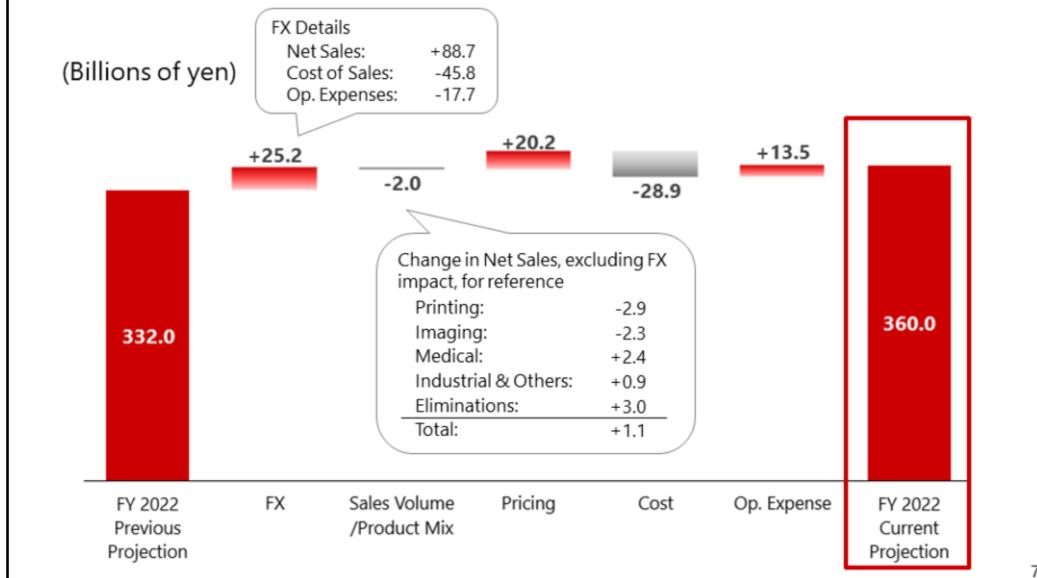
For all four Business Units, we project sales and profit growth and within this, we expect double-digit profitability for Printing, Imaging and Industrial & Others.

As for Medical, we aim to raise profitability to 7.7%, renewing the all-time high performance we set last year.

FY 2022 Operating Profit Analysis

(FY 2022 Current Projection versus Previous Projection)

- FX - Positive impact from yen's depreciation
- Absorb rise in international shipping and other costs through pricing



Next, the changes in operating profit from our previous projection.

Changes in exchange rate assumptions, in particular expectations that the yen will remain weak against the U.S. dollar, is forecasted to have a positive 25.2 billion yen impact on operating profit,

As for costs, we will absorb the significant impact, which mainly consists of international shipping costs, by appropriately reflecting this in our pricing.

As for expenses, although we still intend to invest in growth as we planned at the beginning of the year, overall expenses are projected to be lower due to the asset sale in the first quarter.

- Continuing situation of product supply not catching up with demand
- Expand hardware sales by focusing on product supply and turning backorders into sales

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	195.0	185.0	+5.4%	881.0	757.1	+16.4%	868.5	+12.5
Prosumer	236.5	221.0	+7.0%	1,050.8	892.5	+17.7%	1,001.9	+48.9
Production	73.3	63.4	+15.7%	322.4	289.2	+11.5%	310.9	+11.5
Net Sales	504.8	469.4	+7.5%	2,254.2	1,938.8	+16.3%	2,181.3	+72.9
Op. Profit	52.2	53.2	-1.8%	243.8	225.7	+8.0%	237.3	+6.5
(% of Net Sales)	10.3%	11.3%		10.8%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
	Office	+1.8%
Prosumer	+2.1%	+13.8%
Production	+10.0%	+7.5%
Total	+3.1%	+12.8%

Unit Growth Rate Y/Y

	1Q 2022 Actual	FY 2022 Projection
	Office MFDs	-16%



imageRUNNER ADVANCE DX C5800 series

8-1

As for the printing equipment market, the situation of product supply not catching up with demand due to parts shortages continues, This reflects the trend of people working from home taking hold, and recovery in the number of people returning to offices.

For the full year, we will work to significantly expand hardware unit sales, turning backorders into sales by focusing on the stable supply of products through such actions as expanding purchasing routes, procuring substitute parts, and through concurrent production at multiple sites. At the same time, we will work to maintain double-digit profitability even amid rising parts and logistical costs by revising prices and through activities aimed at reducing costs.

- Continuing situation of product supply not catching up with demand
- Expand hardware sales by focusing on product supply and turning backorders into sales

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	195.0	185.0	+5.4%	881.0	757.1	+16.4%	868.5	+12.5
Prosumer	236.5	221.0	+7.0%	1,050.8	892.5	+17.7%	1,001.9	+48.9
Production	73.3	63.4	+15.7%	322.4	289.2	+11.5%	310.9	+11.5
Net Sales	504.8	469.4	+7.5%	2,254.2	1,938.8	+16.3%	2,181.3	+72.9
Op. Profit	52.2	53.2	-1.8%	243.8	225.7	+8.0%	237.3	+6.5
(% of Net Sales)	10.3%	11.3%		10.8%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
	Office	+1.8%
Prosumer	+2.1%	+13.8%
Production	+10.0%	+7.5%
Total	+3.1%	+12.8%

Unit Growth Rate Y/Y

	1Q 2022 Actual	FY 2022 Projection
	Office MFDs	-16%



imageRUNNER ADVANCE DX C5800 series

8-2

As for office MFDs, first quarter hardware revenue declined due to parts shortages that lead to lower unit sales. On the other hand, service revenue continued to recover steadily, despite being impacted by the Omicron variant. As a result, we were able to secure an increase in total sales, which includes hardware and services.

Backorders at the end of March remained at a high level, including for the popular imageRUNNER ADVANCE DX C5800 series. This will support our aim to grow sales by 16.4% for the full year. Going forward, we will work to increase production volume as we have significantly narrowed down the number of parts that are at risk of shortage. As for profitability, we plan to absorb some of the effects of rising logistics and material costs through price revisions and by reducing costs through platform consolidation. We are also planning for profitability to improve from the second quarter as print volumes have recovered to more than 80% of pre-COVID levels as more people returning to the office.

- 1Q: Increase in Prosumer sales as production and sales were both in line with plan
- FY: Double-digit sales growth by launching new products that capture user needs

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	195.0	185.0	+5.4%	881.0	757.1	+16.4%	868.5	+12.5
Prosumer	236.5	221.0	+7.0%	1,050.8	892.5	+17.7%	1,001.9	+48.9
Production	73.3	63.4	+15.7%	322.4	289.2	+11.5%	310.9	+11.5
Net Sales	504.8	469.4	+7.5%	2,254.2	1,938.8	+16.3%	2,181.3	+72.9
Op. Profit	52.2	53.2	-1.8%	243.8	225.7	+8.0%	237.3	+6.5
(% of Net Sales)	10.3%	11.3%		10.8%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
Office	+1.8%	+13.6%
Prosumer	+2.1%	+13.8%
Production	+10.0%	+7.5%
Total	+3.1%	+12.8%

Unit Growth Rate Y/Y

	1Q 2022 Actual	FY 2022 Projection
LPs	+1%	+36%
IJPs	+6%	+34%



Refillable ink tank model
GX5030

In the first quarter, prosumer sales were up as we were able to produce and sell both laser printers and inkjet printers in line with our plan.

For the full year, we aim to increase unit sales by more than 30% to make up for the decline in unit sales last year due to shortages in product supply. Utilizing the prepared system of concurrent production at multiple sites, we will strive to secure parts and personnel and significantly increase production volume over the second half of the year. In March of this year, we launched a business-use refillable ink tank printer, suitable for small office and home office environments and we will continue to introduce new products that capture user needs to increase our market share and achieve double-digit sales growth going forward.

Printing - Production

- Recovery in sales through further strengthening of product lineup and enhancement of sales network
- Acquired U.K. based Edale to facilitate full-scale entry into industrial printing market

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	195.0	185.0	+5.4%	881.0	757.1	+16.4%	868.5	+12.5
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Op. Profit	52.2	53.2	-1.8%	243.8	225.7	+8.0%	237.3	+6.5
(% of Net Sales)	10.3%	11.3%		10.8%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
Office	+1.8%	+13.6%
Prosumer	+2.1%	+13.8%
Production	+10.0%	+7.5%
Total	+3.1%	+12.8%



High-speed cut-sheet inkjet printer
varioPRINT iX series



Large-format printer
Colorado 1650

10

Digital commercial printing is an area where continuous growth is expected due to the shift away from analog printing, and this year, we expect the market size to recover to the pre-COVID level of 2019.

In the first quarter, production sales grew 15.7%, thanks to growth in the sales of high-speed inkjet printing equipment, both continuous feed and cut-fed type and continued stable growth in service revenue due to growth in our install base.

From the second quarter as well, through the launch of new products, the upgrade of existing products as well as expansion in the number of dealers that handle our large format printers, we will accelerate growth as we strive to exceed the sales of pre-COVID 2019.

Additionally, we are steadily making investments for future growth.

In light of the steady growth of the commercial printing press business, we expanded our plant ahead of schedule to increase ink production capacity. In April, we acquired Edale, a UK company with advanced technology in label and package printing machines, which are expected to grow rapidly in the future, as a foothold for our full-scale entry into the industrial printing market.

Imaging - Cameras

- FY: Expect 5% market growth to 5.65 million units
- Announced new RF lenses in February. Will continue to promote lineup enhancement going forward
- FY: Sales and profit growth by securing parts to increase production volume

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Cameras	101.5	95.9	+5.8%	497.2	433.1	+14.8%	479.2	+18.0
Network: Cameras & Others	55.7	52.7	+5.7%	254.2	220.4	+15.3%	253.4	+0.8
Net Sales	157.2	148.6	+5.8%	751.4	653.5	+15.0%	732.6	+18.8
Op. Profit	13.4	18.1	-26.3%	93.6	78.7	+18.9%	84.4	+9.2
(% of Net Sales)	8.5%	12.2%		12.5%	12.0%		11.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
Cameras	-0.6%	+9.7%
NWCs & Others	-0.3%	+12.5%
Total	-0.5%	+10.7%

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

	1Q 2022 Actual		FY 2022 Projection	
	Units	% Change	Units	% Change
DILCs	0.59	-9%	3.00	+10%



RF 800mm F5.6 L IS USM
RF 1200mm F8 L IS USM

11

Demand, mainly coming from professionals and advanced amateurs, continues to be strong as full-frame mirrorless cameras released by each company stimulates the market. As a result, we expect the 2022 market to grow by 5% compared to last year to 5.65 million units, which also includes some carry over from last year due to supply shortages.

In the first quarter, unit sales of interchangeable-lens cameras were below those of last year due to product supply shortages. However, sales increased due to a rise in average selling prices, as we prioritized the supply of high-end models such as the EOS R5 and EOS R6, and also due to a significant increase in sales of RF lenses.

For the full year, even as the shortage of parts continues, we will continue to increase our product supply by using parts secured through purchases from new suppliers or by switching to alternative parts. At the same time, we will work to achieve our aim of sales and profit growth, fulfilling backorders to sell 3 million units, 10% more than last year.

This year as well, we will promote the enhancement of our lineup of camera bodies and interchangeable lenses, which include two new Super-telephoto fixed focal length RF lenses announced in February. As long telephoto lenses with focal lengths of 1200 mm and 800 mm, these lenses are extremely compact and lightweight, features that are expected to contribute to more people purchasing them.

Going forward, we will continue to enhance the overall value of the R system, including bodies and lenses to solidify our position as a top manufacturer of mirrorless cameras.

Imaging – Network Cameras & Others



- Expect double-digital network camera market growth to continue
- Aiming for market exceeding growth of over 15% by responding to robust demand

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Cameras	101.5	95.9	+5.8%	497.2	433.1	+14.8%	479.2	+18.0
Network Cameras & Others	55.7	52.7	+5.7%	254.2	220.4	+15.3%	253.4	+0.8
Net Sales	157.2	148.6	+5.8%	751.4	653.5	+15.0%	732.6	+18.8
Op. Profit	13.4	18.1	-26.3%	93.6	78.7	+18.9%	84.4	+9.2
(% of Net Sales)	8.5%	12.2%		12.5%	12.0%		11.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
	Cameras	-0.6%
NWCs & Others	-0.3%	+12.5%
Total	-0.5%	+10.7%

12

Our sales in the first quarter were in line with the same period last year due to the impact of product supply shortages. However, through design changes and other measures we are promoting, we aim to grow more than 15% for the full year.

Going forward, we expect the network camera market to continue growing at a double-digit rate, mainly driven by security as people's aspiration for safety and security remain unchanged, but also supported by their use in other applications such as to analyze customer behavior in stores, assess production status in factories and avoiding face-to-face contact in medical settings.

We will work to expand our business scale while continuing to systematically invest in development in order to further strengthen our total solution, which combines camera bodies with video management and analytic software.

- Achieved 7th consecutive quarter of sales growth. Expect to beat last year's record performance this year
- Launch of first product that strategically integrates Canon's Imaging and Medical technologies

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Net Sales	118.2	124.4	-5.0%	497.1	480.4	+3.5%	486.6	+10.5
Op. Profit (% of Net Sales)	6.3 5.3%	11.5 9.3%	-45.1%	38.1 7.7%	29.4 6.1%	+29.5%	35.2 7.2%	+2.9

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
Total	-7.6%	+1.1%



**80 row detector CT
Aquilion Serve**



**MRI
Vantage Fortian**

13

As for the diagnostic imaging equipment market in 2022, although we expect sales in Japan to be lower, due to the impact of last year's purchasing, which was supported by the government's supplementary budget, we expect growth in the United States, Europe, and other areas, even with the impact of material shortages.

Our performance in the first quarter was in line with our plan. Sales in Japan were lower than the same period last year, during which revenue was pushed up by a supplementary budget. However, in the United States, which is considered important for our future growth, we achieved our seventh consecutive quarter of sales growth

In order to achieve full-year increases in both sales and profit, we are steadily accumulating orders and will work to turn this into unit sales growth by increasing our supply of products in the second half of the fiscal year, when measures such as design changes and expansion in the number of suppliers are expected to show results.

As a key strategy for growth, we plan to strengthen our sales capabilities in the United States by expanding our sales force and reviewing our sales territory. As for products, for mainstay imaging devices used in medical institutions, like MRI and CT systems, we will commence full-scale sales of our "Vantage Fortian" and "Aquilion Serve" systems, respectively. These two models are equipped with image reconstruction technology designed using deep learning to reduce noise. They are equipped with a camera to detect the patient's position and automatically calculate the shooting position and are also the first products designed from the development stage to combine our Imaging and Medical technology.

- Semiconductor Lithography Equipment - Significant increase in first quarter and full year unit sales
- FPD lithography equipment - Solid demand. Raised unit sales projection by one

(Billions of yen)

	1Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Lithography Equipment	48.2	44.3	+8.9%	243.8	213.7	+14.1%	242.6	+1.2
Industrial Equipment	19.7	28.7	-31.4%	101.1	121.8	-17.0%	106.1	-5.0
Others	57.9	51.6	+12.3%	241.6	210.2	+14.9%	233.0	+8.6
Net Sales	125.8	124.6	+1.0%	586.5	545.7	+7.5%	581.7	+4.8
Op. Profit	11.3	9.2	+23.1%	60.4	44.3	+36.3%	61.6	-1.2
(% of Net Sales)	9.0%	7.4%		10.3%	8.1%		10.6%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2022 Actual	FY 2022 Projection
Litho. Equip.	+7.4%	+13.5%
Industrial Equip.	-32.0%	-17.7%
Total	-0.2%	+6.6%

Lithography Equipment (Units)

	1Q 2022 Actual	1Q 2021 Actual	FY 2022 Projection	FY 2021 Actual
Semiconductor	29	20	182	140
FPD	13	20	59	67



Semiconductor lithography equipment
FPA-6300E56a

14

The market for products that are related to our industrial group is expected to grow at a double-digit rate in 2022, as we expect the use of semiconductor devices to continue expanding thanks to their use in IoT and in-vehicle systems. As for panels, we expect demand to continue growing driven by growth in IT related displays as working from home has taken hold.

Though we sold 29 semiconductor lithography systems in the first quarter, 9 more than last year in the same period, we aim to speed up the pace of sales from the second quarter on, raising our production capacity, in order to achieve our sales plan for the full year of 182 units. In anticipation of demand growth from next year on, we are preparing to further increase production in a methodical manner, securing not only personnel from inside and outside of the company, but also space for clean rooms etc.

As for FPD lithography equipment, although first quarter unit sales were lower than the same period last year, during which we made up for the delay in installation, we expect demand for the full year to remain strong solid and to therefore increase our full-year sales by 1 unit to 59 units.

With regard to OLED vacuum deposition equipment, while panel manufacturers are assessing the substrate size and timing of investment, the number of devices equipped with OLED panels is steadily increasing. As we prepare for the time when customer investment starts to expand again, we will promote the development of products for large panels.

Inventory

- Increase in inventory due to securing materials and raising production volume
- Expect inventory to gradually come down due to stabilization of product supply

(Billions of yen)

		FY 2021				FY 2022
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end
Printing	Amt.	237.3	232.0	269.2	285.5	324.7
	Days	45	44	52	53	58
Imaging	Amt.	98.7	94.0	98.4	101.4	117.1
	Days	54	54	55	55	63
Medical	Amt.	99.8	101.8	108.5	109.1	120.5
	Days	75	79	87	82	89
Industrial & Others	Amt.	160.0	161.3	160.2	154.5	170.9
	Days	103	112	109	100	112
Total	Amt.	595.9	589.1	636.3	650.6	733.2
	Days	61	62	68	66	73

15

As for inventory at the end of March, work-in-process inventory increased due to swift actions we took to secure parts for our production sites amid little prospect of resolving the parts shortage. Also, due to the increase in the production volume of inkjet and laser printers from the middle of March, the inventory of products in transit to sales companies increased as of the end of the month. Due to the disruption in logistics, which has made transportation take longer than usual, inventory increased by 82.6 billion yen from the end of last year to 73 days.

As we build up our production system and increase shipments due to strong demand and high backorders, we expect inventory in value terms to gradually decrease and recover to appropriate levels by the end of the year.

Cash Flow

(Full Year)

- Generate 495.0 billion yen in operating cash flow, over 40 billion yen more than last year
- Repay debt while allocating sufficient funds to growth investment

(Billions of yen)	FY 2022 Current Projection	FY 2022 Previous Projection	FY 2021 Actual	FY 2020 Actual
Net cash provided by operating activities	495.0	495.0	451.1	333.8
Net cash used in investing activities	-240.0	-240.0	-207.3	-155.4
Free cash flow	255.0	255.0	243.8	178.4
Net cash provided by (used in) financing activities	-259.2	-253.5	-267.4	-183.4
Effect of exchange rate changes on cash and cash equivalents	2.8	-2.9	17.3	-0.1
Net change in cash and cash equivalents	-1.4	-1.4	-6.3	-5.1
Cash and cash equivalents at end of period	400.0	400.0	401.4	407.7
Cash-on-hand (In months of Net sales)	1.2	1.2	1.3	1.4
Capital expenditure	210.0	210.0	179.0	161.7
Depreciation	230.0	230.0	221.2	227.8

16

Operating cash flow is expected to recover to 495.0 billion yen, an increase of more than 40.0 billion yen from last year. We plan to generate free cash flow of 255.0 billion yen while allocating sufficient funds to capital investment and M&A for growth.

While securing 400.0 billion yen as cash on hand, we will work to strengthen our financial position by repaying our debt in full.

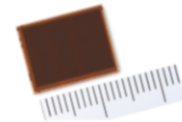
- Issued report that includes enhanced information about value creation



**SUSTAINABILITY
REPORT 2022**

◆ Create Value Through Technology

- ✓ Detect cracks in infrastructure through image processing and AI
- ✓ Significant improves work efficiency compared to conventional visual method
- ✓ Development of world's first 3.2 million pixel SPAD sensor
- ✓ Able to capture clear color images even in the dark. Expected to be used in various applications



◆ Interlocked with Business Strategy



17

We seek to contribute to solving social issues by creating new value through our business activities. And as a tool to help stakeholders understand these measures, we posted on our website today the Canon Sustainability Report 2022.

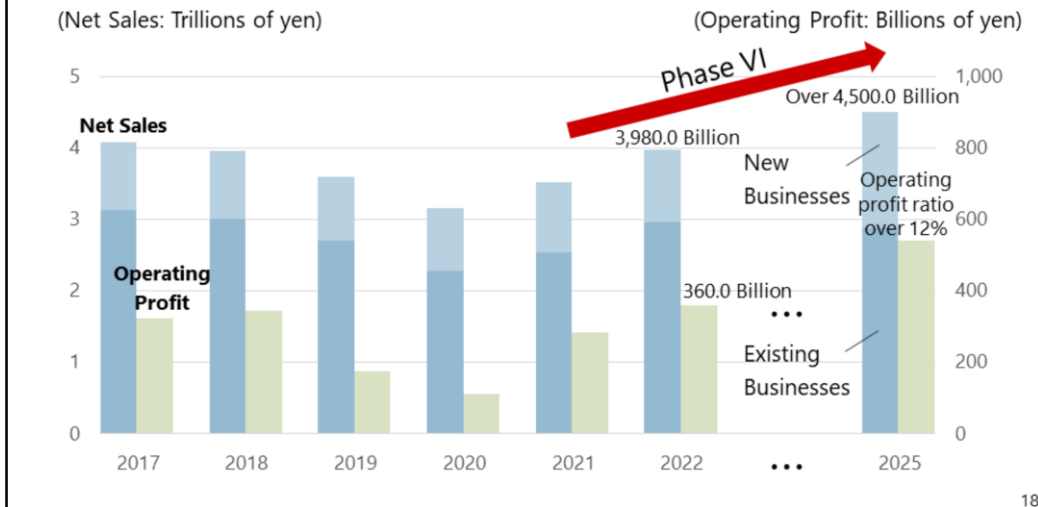
This year's report has been expanded to include specific examples through which readers can learn about the new value created by our technology. For example, in the Imaging Group, the offering of "Detecting Cracks with AI Technology" for inspecting concrete structures leads to a significant improvement in work efficiency compared to the conventional inspection conducted by a specialist engineer visually. In addition, the world's first 3.2 million pixel SPAD sensor can take clear color images even in the dark by counting each particle of light entering the pixel, and is expected to be used in various applications such as autonomous driving.

Furthermore, in order to increase corporate value in a sustainable manner, it is essential to link our business strategies with our intellectual property, human resources, and financial strategies. This report describes in detail such things as our basic stance toward our management plan that promotes business portfolio transformation, as well as the system to promote such initiatives, as well as other initiatives to support the business.

Going forward, we will continue to enhance the value of this report by increasing the amount of information available so that people can better understand our value creation process.

Excellent Global Corporation Plan Phase VI

- Good start in second year of our plan with sales and profit growth in the first quarter
- Maintain momentum through the year and move closer to achieving performance targets



In the first quarter, despite the still severe situation of part shortages and logistical constraints, we achieved an increase in sales and profit by leveraging our comprehensive capabilities as a company from production to sales, and started the second year of Phase VI by maintaining the positive trend from last year.

Although it is extremely difficult to forecast the future economic environment, we will continue to maintain this momentum throughout the year while responding quickly to changes. By achieving net sales of 3.98 trillion yen, operating income of 360 billion yen, and a profit margin of 9% or more, which is the first time since 2015, we will gain momentum toward achieving our performance targets for 2025.

Supplementary Information

FY 2022 Operating Profit Analysis

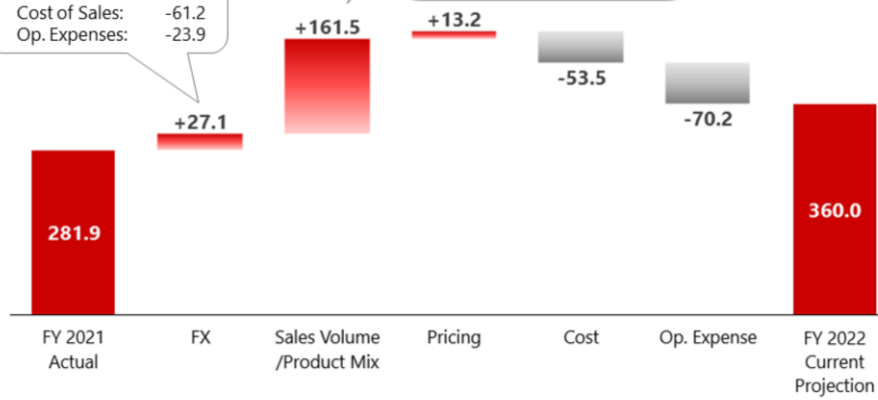
(FY 2022 Current Projection versus FY 2021 Actual)

(Billions of yen)

FX Details	
Net Sales:	+112.2
Cost of Sales:	-61.2
Op. Expenses:	-23.9

Change in Net Sales, excluding FX impact, for reference

Printing:	+240.3
Imaging:	+63.7
Medical:	+5.5
Industrial & Others:	+35.9
Eliminations:	-4.2
Total:	+341.2



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

			FY 2022		FY 2021	
			1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
Office MFDs	JPY	Hardware	-4%	+31%	+9%	+7%
		Non-hardware	+6%	+12%	-21%	+3%
	LC	Hardware	-9%	+27%	+7%	+3%
		Non-hardware	+3%	+10%	-22%	0%
LPs	JPY	Hardware	+7%	+44%	+3%	+2%
		Non-hardware	+11%	+8%	-6%	+17%
	LC	Hardware	+2%	+38%	+3%	-1%
		Non-hardware	+7%	+5%	-6%	+14%
IJPs	JPY	Hardware	+24%	+30%	+37%	+6%
		Non-hardware	-9%	+4%	+11%	-2%
	LC	Hardware	+17%	+25%	+36%	+2%
		Non-hardware	-13%	+1%	+9%	-6%
Production	JPY	Hardware	+17%	+16%	+7%	+18%
		Non-hardware	+15%	+9%	-7%	+14%
	LC	Hardware	+11%	+12%	+5%	+13%
		Non-hardware	+9%	+5%	-9%	+9%

Office/Prosumer – Net Sales by Product Category

(Billions of yen)		FY 2022		FY 2021	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
Office	Office MFDs	117.2	577.4	115.8	478.4
	Others	77.8	303.6	69.2	278.7
		195.0	881.0	185.0	757.1
Prosumer	LPs	150.2	676.5	136.9	563.1
	IJPs	86.3	374.3	84.1	329.4
		236.5	1,050.8	221.0	892.5

DILC Ratio & Digital Compact Camera (DCC) Units

		FY 2022		FY 2021	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
DILC Ratio					
	Net Sales *	91%	92%	89%	90%
	Units	79%	83%	67%	70%
	DCC Units (Millions)	0.16	0.60	0.33	1.15

* Net Sales includes interchangeable lenses

Semiconductor Lithography Equipment – Unit Breakdown by Light Source

	FY 2022		FY 2021	
	1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
KrF	9	45	4	38
i-Line	20	137	16	102
Total	29	182	20	140