
Canon Inc.

Third Quarter 2022 Results

October 26, 2022

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Key Message (3Q 2022 Results)

- Growth in product supply leads to increase in unit sales and 7th consecutive quarter of revenue growth
- Significant increase in operating profit, even amid rise in costs, thanks to sales volume increase, yen depreciation, and price adjustment

(Billions of yen)	3Q 2022 Actual	3Q 2021 Actual	% Change
Net Sales	996.1	833.3	+19.5%
Gross Profit (% of Net Sales)	451.0 45.3%	388.0 46.6%	+16.3%
Op. Expenses (% of Net Sales)	369.6 37.1%	329.3 39.6%	
Op. Profit (% of Net Sales)	81.4 8.2%	58.7 7.0%	+38.7%
IBT	79.1	79.3	-0.3%
Net Income (% of Net Sales)	54.1 5.4%	49.3 5.9%	+9.7%
USD	138.40	110.1	
EUR	139.40	129.86	

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In the first half of the year, we were unable to supply enough products to meet demand due to the shortage of semiconductors and other parts and components, which was made worse by Shanghai's lockdown. However, in the third quarter, by further promoting design changes and the procurement of alternative parts, we were largely able to produce products in the volume we planned for. The increase in product supply led to higher unit sales in each business and coupled with the yen's depreciation, revenue increased for the seventh consecutive quarter, to 996.1 billion yen or 19.5%.

As for operating profit, which measures the results of core business activities, in addition to the increase in sales volume and the yen's depreciation, by partially reflecting the rise in material and logistical costs in selling prices, sales significantly increased to 81.4 billion yen or 38.7%.

Due to rapid depreciation of the yen, we incurred foreign exchange losses on foreign-currency-denominated borrowings of the parent company made through the Group's internal financing system. Though this caused income before income taxes to be down slightly, net income rose 9.7% to 54.1 billion yen.

FY 2022 Financial Results by Business Unit

(3Q 2022 Actual versus 3Q 2021 Actual)

- All Business Units achieve revenue growth. Printing, due to decline in non-hardware sales, only Business Unit to post lower profit
- Imaging and Industrial & Others post double-digit profitability

		3Q 2022 Actual	3Q 2021 Actual	% Change
Printing	Net Sales	551.5	459.2	+20.1%
	Op. Profit	40.6	60.3	-32.7%
	(%)	(7.4%)	(13.1%)	
Imaging	Net Sales	202.9	153.8	+32.0%
	Op. Profit	36.6	17.7	+106.4%
	(%)	(18.0%)	(11.5%)	
Medical	Net Sales	126.1	115.7	+9.0%
	Op. Profit	6.4	6.0	+7.5%
	(%)	(5.1%)	(5.2%)	
Industrial & Others	Net Sales	154.5	130.4	+18.5%
	Op. Profit	16.0	1.5	+986.6%
	(%)	(10.4%)	(1.1%)	
Corporate & Eliminations	Net Sales	-38.9	-25.8	-
	Op. Profit	-18.2	-26.8	-
Total	Net Sales	996.1	833.3	+19.5%
	Op. Profit	81.4	58.7	+38.7%
	(%)	(8.2%)	(7.0%)	

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Next, a look at our Business Units, starting with Printing.

Through a recovery in product supply, thanks to the abatement of material shortages, we significantly exceeded the unit sales of last year in each printing category, which contributed to revenue growth. As for profit, lower non-hardware sales in both laser and inkjet printers led to a decline.

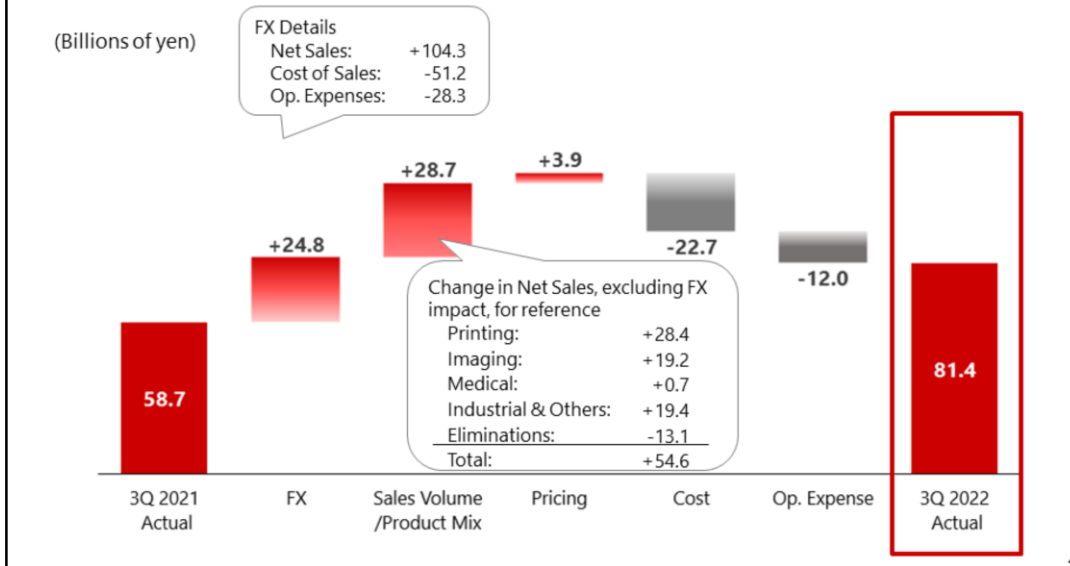
As for Imaging, the unit sales of interchangeable lens cameras, through a recovery in product supply, thanks to the same abatement of material shortages, returned to growth. This and continued strong sales of interchangeable lenses, contributed to a 32% increase in revenue. As for operating profit, an increase in the proportion of sales attributable to the highly profitable EOS R system of mirrorless cameras and lenses, increased profitability to 18.0%.

As for Medical, though sales were at a high level last year, reflecting the support of Japan's supplementary budget, growth in the unit sales of diagnostic ultrasound systems, in particular high image quality models with our premium series, led to an increase in both sales and profit.

As for Industry & Others, thanks to growth in such areas as power devices and logic, we expanded unit sales of semiconductor lithography equipment, which contributed to significant growth in both sales and profit. And profitability, which was 10.4%, remained at a double-digit level for a second quarter in a row.

FY 2022 Operating Profit Analysis (3Q 2022 Actual versus 3Q 2021 Actual)

- FX – Positive impact due to significant yen depreciation
- Increase in product supply leads to growth in sales volume, a factor behind significant profit growth



Next, factors impacting operating profit.

As for changes in foreign exchange rates, due to significant depreciation of the yen against the U.S. dollar and euro, the impact on operating profit was a positive 24.8 billion yen.

As for changes in sales volume, due to an increase in product supply volume, each business posted unit sales growth. The resulting impact on operating profit was a positive 28.7 billion yen.

As for costs, the continued high cost of material and logistics had a significant negative impact.

FY 2022 Financial Projection (Full Year)

Canon

- Softening demand for printing due to economic slowdown, but demand in other businesses remains solid
- Significantly expand fourth-quarter sales and achieve 4.09 trillion yen for the full year
- Raised projection for operating profit to 385 billion yen (Profitability 9.4%)

(Billions of yen)	FY 2022 Current Projection	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
Net Sales	4,090.0	3,513.4	+16.4%	4,080.0	+10.0
Gross Profit (% of Net Sales)	1,866.0 45.6%	1,627.8 46.3%	+14.6%	1,850.0 45.3%	+16.0
Op. Expenses (% of Net Sales)	1,481.0 36.2%	1,345.9 38.3%		1,474.0 36.1%	-7.0
Op. Profit (% of Net Sales)	385.0 9.4%	281.9 8.0%	+36.6%	376.0 9.2%	+9.0
IBT	367.0	302.7	+21.2%	378.0	-11.0
Net Income (% of Net Sales)	250.0 6.1%	214.7 6.1%	+16.4%	262.0 6.4%	-12.0
USD	133.29	109.93		128.37	
EUR	138.22	129.94		136.28	

Impact of exchange rate movement (4Q impact given a one yen change)		
	Net Sales	Op. Profit
USD	3.0 billion yen	0.9 billion yen
EUR	1.7 billion yen	0.8 billion yen

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As for our exchange rate assumptions for the fourth quarter, taking into account the current situation, we assumed 148 yen to the U.S. dollar and 144 yen to the euro.

As for the global economy, we have not been seeing any signs that historically high inflation, due to the shortage of goods and rise in energy costs, is abating. And for the foreseeable future, we expect monetary tightening and economic slowdown around the world to continue.

Under this kind of economic environment, within our related businesses, we decided to reduce our sales plan for printing due to lower demand for laser and inkjet printer hardware, and non-hardware, including those linked to MFDs.

In contrast, we are not seeing any significant change in demand for cameras and commercial printing. And for Medical, network cameras, and semiconductor lithography equipment, we still expect significant growth. We will steadily increase the supply of products and link this to sales, which is projected to grow by 27.2% to 1 trillion 215.8 billion yen in the fourth quarter, and facilitate our goal of 4.09 trillion yen in sales for the full-year.

As for profit, by strictly controlling expenses, especially selling expenses related to Printing where we expect lower volume, we will strive to exceed our previous projection by 9.0 billion yen to post 385.0 billion yen in full-year operating profit and raise profitability to 9.4%.

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



- Plan for sales and profit growth in all Business Units
- Lowered projection for Printing, but thanks to significant improvement in Imaging, raised operating profit projection for entire company

(Billions of yen)		FY 2022 Current Projection	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
Printing	Net Sales	2,294.7	1,938.8	+18.4%	2,320.0	-25.3
	Op. Profit	233.7	225.7	+3.5%	251.9	-18.2
	(%)	(10.2%)	(11.6%)		(10.9%)	
Imaging	Net Sales	809.5	653.5	+23.9%	771.1	+38.4
	Op. Profit	121.6	78.7	+54.5%	98.1	+23.5
	(%)	(15.0%)	(12.0%)		(12.7%)	
Medical	Net Sales	521.9	480.4	+8.6%	509.2	+12.7
	Op. Profit	38.2	29.4	+29.8%	40.0	-1.8
	(%)	(7.3%)	(6.1%)		(7.9%)	
Industrial & Others	Net Sales	592.4	545.7	+8.5%	598.2	-5.8
	Op. Profit	58.3	44.3	+31.6%	56.8	+1.5
	(%)	(9.8%)	(8.1%)		(9.5%)	
Corporate & Eliminations	Net Sales	-128.5	-105.0	-	-118.5	-10.0
	Op. Profit	-66.8	-96.2	-	-70.8	+4.0
Total	Net Sales	4,090.0	3,513.4	+16.4%	4,080.0	+10.0
	Op. Profit	385.0	281.9	+36.6%	376.0	+9.0
	(%)	(9.4%)	(8.0%)		(9.2%)	

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When you look at our businesses, you see that we plan to post sales and profit growth in all four Business Units.

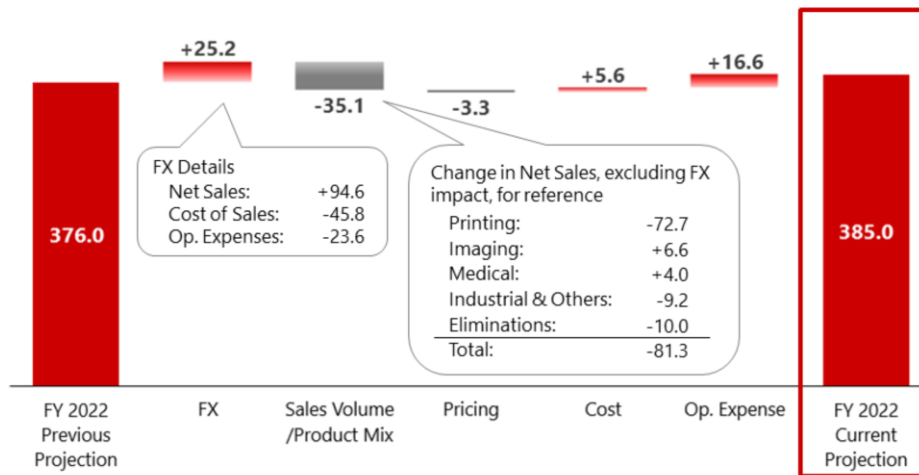
Compared with our previous projection, we lowered our outlook for Printing, due to a decline in demand. However, overall, we expect to exceed our previous projection, as we foresee significant improvement in Imaging.

FY 2022 Operating Profit Analysis

(FY 2022 Current Projection versus Previous Projection)

- FX – Revised assumptions for U.S. dollar and euro, following yen depreciation
- Sales Volume – Negative impact due to lower projection for non-hardware sales
- Op. Expense – Improvement, largely thanks to lower selling related expenses

(Billions of yen)



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Next, factors impacting operating profit compared to our previous projection.

As for changes in foreign exchange rates, reflecting third quarter results, and our revised assumption that the yen will be weaker than we previously expected, the impact was a positive 25.2 billion yen.

As for changes in sales volume, lowering our outlook for mainly laser printer and inkjet printer non-hardware sales, the impact is negative.

Regarding expenses, we will work to rein in mainly selling related expenses in line with lower printer sales volume.

Printing - Office

- Increased production volume in third quarter. Plan to significantly expand sales in the fourth quarter, with a focus on medium- to high-speed color models
- Print volume recovering to about 80% of pre-COVID level in fourth quarter

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	229.5	174.4	+31.6%	914.9	757.1	+20.8%	904.1	+10.8
Prosumer	229.0	215.6	+6.2%	1,023.4	892.5	+14.7%	1,069.9	-46.5
Production	93.0	69.2	+34.4%	356.4	289.2	+23.2%	346.0	+10.4
Net Sales	551.5	459.2	+20.1%	2,294.7	1,938.8	+18.4%	2,320.0	-25.3
Op. Profit	40.6	60.3	-32.7%	233.7	225.7	+3.5%	251.9	-18.2
(% of Net Sales)	7.4%	13.1%		10.2%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
	Office	+18.7%
Prosumer	-6.5%	+3.4%
Production	+16.6%	+9.3%
Total	+6.6%	+7.4%

Unit Growth Rate Y/Y

	3Q 2022 Actual	FY 2022 Projection
	Office MFDs	+35%



Medium- to High-speed Color MFD
imageRUNNER ADVANCE DX series C5800

In the printing equipment market, thanks to recovery in the number of people coming into the office, the replacement of office MFDs that was stagnant for a time during COVID-19, is progressing. For printers, however, demand decreased, reflecting decline in work from home.

In the third quarter, we were able to increase our production of MFDs by approximately 30% compared to the second quarter, despite a slight impact from new parts shortages. The increase in supply has led to an increase in sales, particularly of medium- to high-speed color models, and in the fourth quarter as well, we will promote steady production, delivery, and installation to facilitate our plan of achieving the highest sales volume in several years.

In terms of print volume, although the recovery was modest in July and August, it has been progressing well in Europe and the United States since the beginning of September, and we expect print volume to return to a pre-COVID level of about 80% in the fourth quarter of 2019.

Printing - Prosumer

- 3Q – Double-digit unit sales growth, but actual demand appears to be decreasing as work from home tops out
- Plan to expand printer sales in fourth quarter, and link this to consumable sales from next year

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	229.5	174.4	+31.6%	914.9	757.1	+20.8%	904.1	+10.8
Prosumer	229.0	215.6	+6.2%	1,023.4	892.5	+14.7%	1,069.9	-46.5
Production	93.0	69.2	+34.4%	356.4	289.2	+23.2%	346.0	+10.4
Net Sales	551.5	459.2	+20.1%	2,294.7	1,938.8	+18.4%	2,320.0	-25.3
Op. Profit	40.6	60.3	-32.7%	233.7	225.7	+3.5%	251.9	-18.2
(% of Net Sales)	7.4%	13.1%		10.2%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
	Office	+18.7%
Prosumer	-6.5%	+3.4%
Production	+16.6%	+9.3%
Total	+6.6%	+7.4%

Unit Growth Rate Y/Y

	3Q 2022 Actual	FY 2022 Projection
	LPs	+22%
I/Js	+34%	+25%



Refillable ink tank model

GX7030

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In the third quarter, as we were able to increase production in line with our plan, unit sales of laser printers and inkjet printers exceeded those of last year by 20% and 30%, respectively.

However, in Europe, the United States, and Asia, we are seeing a decline in print demand due to the topping out of work-from-home demand. Additionally, we saw dealers and users move to tighten inventory due to concerns about the future of the economy and rising interest rates.

For this reason, we lowered our full-year sales projection for both printer hardware and consumables. However, in the fourth quarter, we still expect the print volume of laser printers to increase in line with the start of the new school year in Europe and the United States, and as more people head to the office. We will seek to expand sales, particularly of high-end color models, which are selling well in Europe and the United States. With inkjet printers also entering the year-end selling season, we will implement promotions to significantly increase sales volume, which will lead to sales of consumables from next year.

Printing - Production

- Highly evaluated for productivity and from TCO perspective, orders increasing
- Effectively promote installation of large equipment in fourth quarter to advance sales

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Office	229.5	174.4	+31.6%	914.9	757.1	+20.8%	904.1	+10.8
Prosumer	229.0	215.6	+6.2%	1,023.4	892.5	+14.7%	1,069.9	-46.5
Production	93.0	69.2	+34.4%	356.4	289.2	+23.2%	346.0	+10.4
Net Sales	551.5	459.2	+20.1%	2,294.7	1,938.8	+18.4%	2,320.0	-25.3
Op. Profit	40.6	60.3	-32.7%	233.7	225.7	+3.5%	251.9	-18.2
(% of Net Sales)	7.4%	13.1%		10.2%	11.6%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
	Office	+18.7%
Prosumer	-6.5%	+3.4%
Production	+16.6%	+9.3%
Total	+6.6%	+7.4%



Continuous feed printer
ColorStream 8000



High-speed cut-sheet inkjet printer
varioPRINT iX series

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Even in the commercial printing area, a decline in printed material due to economic slowdown or restrained investment due to rising interest rates are cause for concern. At the same time, rising energy and paper costs, as well as labor shortages at the sites of printing companies, are accelerating the shift to digital commercial printing, which is more cost-effective and labor-saving.

Our products have been highly evaluated by the market for their productivity and from a total cost of ownership perspective. The amount of downtime due to maintenance or switching between print jobs is shorter and they also need fewer people to operate the equipment. Thanks to these and other features, we are seeing a steady increase in orders. In the fourth quarter, we plan to sell a significant number of large printers, both continuous feed and cut sheet machines and will promote installation by optimally deploying staff to efficiently further installation at customer sites.

Imaging - Cameras

- 3Q – Significant growth in revenue thanks to increase in product supply volume, and addition of new products that incorporate APS-C size sensors
- Maintain high profitability by stimulating demand through strengthening of EOS R series lineup

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Cameras	132.1	100.2	+31.8%	520.1	433.1	+20.1%	499.7	+20.4
Network Cameras & Others	70.8	53.6	+32.2%	289.4	220.4	+31.3%	271.4	+18.0
Net Sales	202.9	153.8	+32.0%	809.5	653.5	+23.9%	771.1	+38.4
Op. Profit	36.6	17.7	+106.4%	121.6	78.7	+54.5%	98.1	+23.5
(% of Net Sales)	18.0%	11.5%		15.0%	12.0%		12.7%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
	Cameras	+14.6%
NWCs & Others	+12.5%	+14.5%
Total	+13.8%	+8.9%

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

	3Q 2022 Actual		FY 2022 Projection	
	Units	% Change	Units	% Change
DILCs	0.73	+14%	2.80	+2%



Demand for cameras remains solid, even amid economic slowdown, thanks to the launch of new mirrorless models and interchangeable lenses by each company. As a result, we expect the market in 2022 to be 5.45 million units, a slight increase compared to last year.

In the third quarter, thanks to the higher volume of product supply and the addition of new models, namely the EOS R7 and EOS R10, mirrorless cameras that incorporate APS-C size sensors, we posted double-digit growth in unit sales, and coupled with an increase in lens sales, a significant increase in overall revenue.

Regarding our unit sales projection for the full year, we maintained our previous projection of 2.8 million units as we will not be able to supply enough products to meet demand. Going forward, we will continue to stimulate demand by steadily strengthening our lineup of EOS R series mirrorless cameras. Cameras that incorporate full-frame sensors, like the EOS R5 and EOS R6, continue to enjoy strong support from professionals and advanced amateurs. Additionally, the 2 new cameras that incorporate APS-C size sensors, with their light-weight and small form factor appeal, are encouraging users who want to enjoy serious photography to switch from SLR cameras or step up from entry models. We have also expanded our range of RF lenses to 32 models, providing users a variety of options.

Going forward, we will continue efforts to expand our market share and maintain high profitability by building a more robust EOS R system lineup.

Imaging – Network Cameras & Others

- Second consecutive quarter of double-digit revenue growth in third quarter, full year sales to exceed 200 billion yen
- Plan to expand business scale by broadening diversified product lineup

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Cameras	132.1	100.2	+31.8%	520.1	433.1	+20.1%	499.7	+20.4
Network Cameras & Others	70.8	53.6	+32.2%	289.4	220.4	+31.3%	271.4	+18.0
Net Sales	202.9	153.8	+32.0%	809.5	653.5	+23.9%	771.1	+38.4
Op. Profit	36.6	17.7	+106.4%	121.6	78.7	+54.5%	98.1	+23.5
(% of Net Sales)	18.0%	11.5%		15.0%	12.0%		12.7%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022		FY 2022 Projection
	Actual	Projection	
Cameras	+14.6%	+6.0%	
NWCs & Others	+12.5%	+14.5%	
Total	+13.8%	+8.9%	



AXIS M3057-PLVE Mk II



AXIS P4705-PLVE

As for network cameras, amid ongoing global instability resulting from such factors as the COVID-19 infection and Russia-Ukraine conflict, the need for safety and security remains strong. And with continued infrastructure investment, we posted double-digit sales growth in the third quarter, a continuation from the previous quarter. In the fourth quarter, we will further increase our sales and develop this into a business with well over 200 billion yen in full-year sales.

Network cameras are increasingly needed in a variety of places and settings. In September, we introduced products that can capture clear images even in challenging lighting conditions such as in low-light or backlit settings, and new models for public transportation, such as buses and trains, that are resistant to vibration and can capture images with a 360 degree field of view. Going forward as well, we will continue to develop a competitive and diverse product lineup and expand our business scale while capturing growing needs.

- Orders, which were mainly for large equipment, reached record high at end of September
- Aim to exceed 500 billion yen in full-year sales by advancing production, transportation, and installation

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Net Sales	126.1	115.7	+9.0%	521.9	480.4	+8.6%	509.2	+12.7
Op. Profit (% of Net Sales)	6.4 5.1%	6.0 5.2%	+7.5%	38.2 7.3%	29.4 6.1%	+29.8%	40.0 7.9%	-1.8

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
Total	+0.6%	+0.9%



80 row detector CT
Aquilion Serve



GOOD DESIGN
AWARD 2022



Diagnostic Ultrasound Systems
『Aplio go/Aplio flex』

In the diagnostic imaging equipment market, investment toward large equipment, such as CT and MRI systems, which was restrained by the pandemic, is recovering, especially in Europe and the United States.

In the third quarter, we achieved year-on-year revenue growth, particularly in Europe and Asia, by expanding sales of premium class equipment that have been highly evaluated by the market for their image quality. This was possible as we increased product supply by addressing the parts and component shortage that disproportionately impacted diagnostic ultrasound systems.

In preparation for significant sales growth in the fourth quarter, in overseas markets, including the United States where our sales capability is being strengthened, we have been steadily accumulating orders, including orders for large equipment such as CT and MRI systems. As a result, the amount of orders we had at the end of September exceeded the record high level we had at the end of June. And, in order to lead the orders to sales to the extent possible this year, we will effectively promote the production, transportation, and installation of equipment within medical institutions.

For the full-year, we expect to achieve over 500 billion yen in sales. And from next year on, in addition to the United States, we will expand this business by also strengthening our sales capability in Europe, Asia and other markets overseas.

Industrial & Others - Litho. Equip./Industrial Equip.

- Decided to build new plant for semiconductor lithography equipment to meet growing demand
- Prepare for expanding demand for OLED panels

(Billions of yen)

	3Q			Full Year				
	2022 Actual	2021 Actual	% Change	2022 Current Projection	2021 Actual	% Change	2022 Previous Projection	Amount Change
Lithography Equipment	64.5	52.4	+22.9%	240.6	213.7	+12.6%	245.2	-4.6
Industrial Equipment	22.1	29.0	-23.7%	92.1	121.8	-24.4%	98.8	-6.7
Others	67.9	49.0	+38.8%	259.7	210.2	+23.5%	254.2	+5.5
Net Sales	154.5	130.4	+18.5%	592.4	545.7	+8.5%	598.2	-5.8
Op. Profit	16.0	1.5	+986.6%	58.3	44.3	+31.6%	56.8	+1.5
(% of Net Sales)	10.4%	1.1%		9.8%	8.1%		9.5%	

Net Sales Growth Rate Y/Y (Local Currency)

	3Q 2022 Actual	FY 2022 Projection
Litho. Equip.	+19.2%	+9.7%
Industrial Equip.	-24.7%	-25.8%
Total	+15.0%	+5.8%

Lithography Equipment (Units)

	3Q 2022 Actual	2Q 2021 Actual	FY 2022 Projection	FY 2021 Actual
Semiconductor	50	39	180	140
FPD	15	15	52	67



Semiconductor lithography equipment FPA-6300ES6a

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In the 2022 semiconductor device market, though we are seeing a slowdown in demand for memory used in PCs and mobile devices, demand for such things as power devices and logic is growing strong. From this, we expect the market to further expand, exceeding that of last year, which was over 500 billion U.S. dollars for the first time.

In the third quarter, our sales of semiconductor lithography equipment was 50 units, and in the fourth quarter, we plan to raise this to 61 units. This year, we expect sales to be 180 units, which is 40 units more than last year. And, to the extent possible, to meet the growing demand for next year and beyond, in addition to the ongoing expansion of space in the existing building, we have decided to build a new plant at our Utsunomiya Office. We plan to double our production capacity and expand our market share in the future, while also using it to increase the production of our leading-edge nanoimprint lithography equipment.

As for the panel market, in addition to home related demand linked to COVID topping out, the impact of sales decline of products such as PCs, TVs, and smartphones, due to global inflation and economic slowdown, led us to expect the market to shrink compared to last year. However, from a medium-term perspective, we can expect growth, driven by significant demand for OLED panels that will be used in various products.

In the third quarter, our sales of FPD lithography equipment was 15 units, as we were able to install equipment in line with our plan. In the fourth quarter, though we expect a few units to be pushed out to next year due to some impact from component shortages and customer delays in site preparation, we expect to install 16 units for a total of 52 units for the full year.

As for OLED vacuum deposition equipment, though panel manufacturers have plans to invest, particularly in equipment for large-size panels, they are still trying to determine the method of production, such as the substrate size to be adopted. As the market is in a period of transition this year, we expect our sales to be below that of last year. However, with the addition of equipment for large size panels, business negotiations are gradually picking up, prompting us to ready production for a recovery in our performance from next year.

- Increase in inventory of finished goods at end of September connected to sales expansion in fourth quarter
- Parts shortage eased, inventory held by manufacturing plants optimized by year end as production stabilizes

(Billions of yen)

		FY 2021				FY 2022		
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end
Printing	Amt.	237.3	232.0	269.2	285.5	324.7	353.6	408.1
	Days	45	44	52	53	58	60	67
Imaging	Amt.	98.7	94.0	98.4	101.4	117.1	126.6	143.6
	Days	54	54	55	55	63	64	65
Medical	Amt.	99.8	101.8	108.5	109.1	120.5	129.4	137.7
	Days	75	79	87	82	89	100	103
Industrial & Others	Amt.	160.0	161.3	160.2	154.5	170.9	188.5	194.5
	Days	103	112	109	100	112	128	119
Total	Amt.	595.9	589.1	636.3	650.6	733.2	798.1	883.9
	Days	61	62	68	66	73	78	81

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In the third quarter, production went basically as planned, except for some products. As a result, inventory at the end of September was 883.9 billion yen, due to an increase in finished goods.

As for the fourth quarter, in addition to expanded sales of consumer products such as cameras and inkjet printers during the year-end selling season, we will work to efficiently install office MFDs, medical, and lithography equipment for which the volume of product supply has increased significantly. Through this, we will work to post fourth-quarter sales that exceed 1 trillion 200 billion yen.

Though we believe it will take a little more time to resolve the issue of parts shortage, the situation has improved and production has stabilized. From this, we expect inventory held by production sites to also gradually come down to normal levels.

Cash Flow

(Full Year)

- Continue to generate over 400 billion yen in operating cash flow
- Decided to build new plant in Utsunomiya. Will continue to make growth investment a top priority

(Billions of yen)	FY 2022 Current Projection	FY 2022 Previous Projection	FY 2021 Actual	FY 2020 Actual
Net cash provided by operating activities	430.0	495.0	451.1	333.8
Net cash used in investing activities	-240.0	-240.0	-207.3	-155.4
Free cash flow	190.0	255.0	243.8	178.4
Net cash provided by (used in) financing activities	-228.9	-286.7	-267.4	-183.4
Effect of exchange rate changes on cash and cash equivalents	37.5	30.3	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)	1.1	1.1	1.3	1.4
Capital expenditure	210.0	210.0	179.0	161.7
Depreciation and amortization	220.0	220.0	221.2	227.8

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In the fourth quarter of this year, due to significant growth in sales, we expect an increase in year-end receivables. Though this will slightly decrease operating cash flow we still plan to generate 430 billion yen for the full year.

We are increasing our capital investment for the future, which was held back until last year. At the same time, we are securing funds for M&A activity. As for return to shareholders, in addition to the expected dividend increase of 20 yen per share to 120 yen per share, we conducted 2 share buybacks totaling 100 billion yen.

Recently, we announced construction of a new semiconductor lithography equipment plant at our Utsunomiya Office. Going forward, we will continue to allocate funds that prioritize growth investment, while providing a stable and proactive return to shareholders.

Sustainability Measures

- Under slogan of Nature Positive, undertake ecological conservation activities



- **Aiming for richer ecosystem "Canon Bird Branch Project"**

- Develop environment where birds can easily live



Manage green spaces



Install nest boxes

- Provide opportunities to think about the "Cycle of Life"



Bird watching events



Disseminate information through HP

- **Participate in 30 by 30 Alliance sponsored by Ministry of the Environment to Preserve Natural Environment and Biodiversity**



In this year's Global Risks Report, published by the World Economic Forum, biodiversity loss was ranked high. For this and other reasons, the conservation of ecosystems as a common global issue has recently received more focused attention.

Under the slogan of Nature Positive, which aims to halt and reverse today's catastrophic loss of nature, Canon, with a focus on water, forests, and living organisms, is engaged in community-based biodiversity conservation activities in areas such as green space development and environmental education.

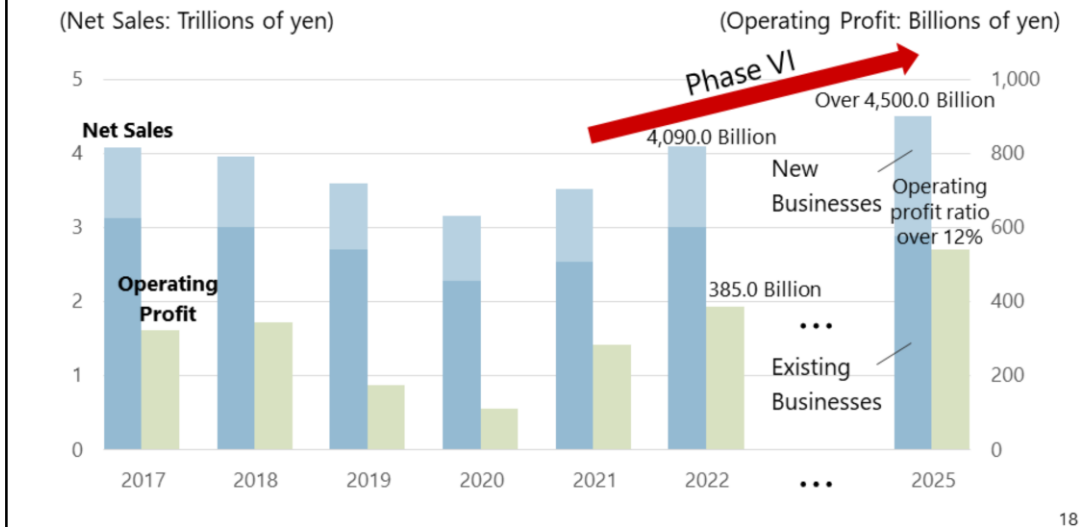
For example, we are expanding our Canon Bird Branch Project, which oversees our ecological conservation activities for which birds are a symbol. At each of our business sites, the employees themselves maintain bird-friendly environments and at our Tokyo headquarters we have about 1,000 trees growing. The number of bird species observed has increased from 11 when the project was launched in 2014 to 36 at present, more than a threefold increase. And by holding bird-watching and other events, and disseminating information about birds, we are providing opportunities to think about the cycle of life.

While continuing efforts to conserve the natural environment and biodiversity, particularly at our business sites, we will keep track of the species and population of birds as well as conduct other ecological surveys, and utilize the data from these surveys in academic research by collaborating with research institutions.

Canon is also participating in the Ministry of the Environment's 30 by 30 alliance, a Japanese government initiative that aims to conserve more than 30% of land and sea as natural environmental areas. Through these kinds of activities, we will contribute to the conservation of biodiversity.

Excellent Global Corporation Plan Phase VI

- Maintained growth even under unstable business conditions, thanks to diversified business portfolio and high percentage of overseas sales and domestic production. Moving close to achieving 2025 targets



Up to now, Canon has been expanding its diverse businesses by transforming its business portfolio. We have established a structure in which each business complements each other's ups and downs, during times of economic instability etc. Even amid the slight decline in demand for printing that we are experiencing now, cameras, semiconductor lithography equipment, medical equipment, and other products have performed well.

Additionally, due to our global strategy, overseas sales account for approximately 80% of our total revenue and by promoting the return of production to Japan, we are reducing risks and now being positively impacted by the trend of yen depreciation.

Even in a volatile economic environment, we will continue to grow to achieve our 2025 targets by leveraging our comprehensive strength in development, procurement, production, and sales.

Supplementary Information

FY 2022 Operating Profit Analysis

(FY 2022 Current Projection versus FY 2021 Actual)

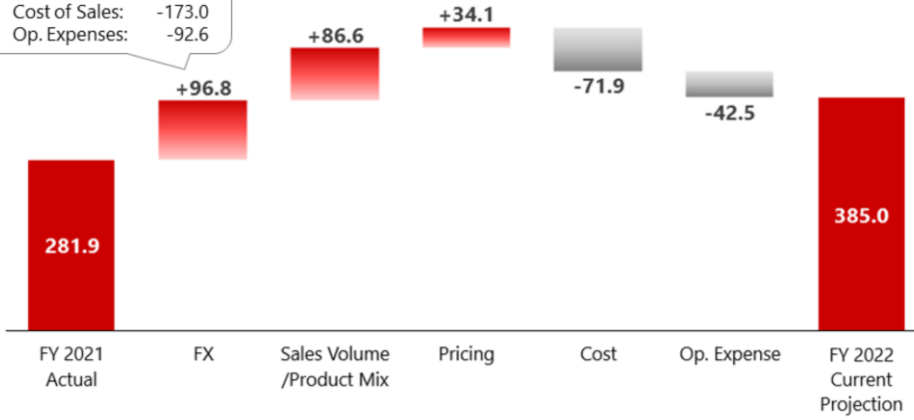
(Billions of yen)

FX Details

Net Sales:	+362.4
Cost of Sales:	-173.0
Op. Expenses:	-92.6

Change in Net Sales, excluding FX impact, for reference

Printing:	+117.0
Imaging:	+50.3
Medical:	+4.5
Industrial & Others:	+31.8
Eliminations:	-23.5
Total:	+180.1



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

			FY 2022		FY 2021	
			3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
Office MFDs	JPY	Hardware	+75%	+40%	-11%	+7%
		Non-hardware	+14%	+10%	+4%	+3%
	LC	Hardware	+54%	+26%	-14%	+3%
		Non-hardware	+3%	+1%	+1%	0%
LPs	JPY	Hardware	+53%	+36%	-19%	+2%
		Non-hardware	-8%	+6%	+62%	+17%
	LC	Hardware	+32%	+21%	-21%	-1%
		Non-hardware	-18%	-3%	+58%	+14%
IJPs	JPY	Hardware	+33%	+40%	-19%	+6%
		Non-hardware	-18%	-5%	0%	-2%
	LC	Hardware	+17%	+26%	-23%	+2%
		Non-hardware	-27%	-14%	-3%	-6%
Production	JPY	Hardware	+46%	+30%	+8%	+18%
		Non-hardware	+29%	+19%	+13%	+14%
	LC	Hardware	+25%	+14%	+4%	+13%
		Non-hardware	+12%	+7%	+9%	+9%

Office/Prosumer – Net Sales by Product Category

(Billions of yen)		FY 2022		FY 2021	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
Office	Office MFDs	150.6	592.2	107.6	478.4
	Others	78.9	322.7	66.8	278.7
		229.5	914.9	174.4	757.1
Prosumer	LPs	151.5	655.8	137.1	563.1
	IJPs	77.5	367.6	78.5	329.4
		229.0	1,023.4	215.6	892.5

DILC Ratio & Digital Compact Camera (DCC) Units

		FY 2022		FY 2021	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
DILC Ratio					
	Net Sales *	93%	93%	90%	90%
	Units	89%	85%	70%	70%
DCC Units (Millions)		0.09	0.50	0.28	1.15

* Net Sales includes interchangeable lenses

Semiconductor Lithography Equipment – Unit Breakdown by Light Source

	FY 2022		FY 2021	
	3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
KrF	11	51	10	38
i-Line	39	129	29	102
Total	50	180	39	140