
Canon Inc.

Second Quarter 2022 Results

July 26, 2022

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Agenda

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Key Message

(2Q 2022 Results)

- Despite growing uncertainty about global economy, demand for our products remained firm
- 2Q - Increased product supply led to 6th consecutive quarter of Y/Y sales growth
- Even amid cost increase, achieved double-digital growth in operating profit, by adjusting prices and controlling expenses

| (Billions of yen) | 2Q 2022 Actual | 2Q 2021 Actual | % Change |
|---|-----------------------|-----------------------|----------|
| Net Sales | 998.8 | 881.9 | +13.3% |
| Gross Profit (% of Net Sales) | 464.0 46.5% | 417.6 47.4% | +11.1% |
| Op. Expenses (% of Net Sales) | 365.5 36.6% | 340.3 38.6% | |
| Op. Profit (% of Net Sales) | 98.5 9.9% | 77.3 8.8% | +27.4% |
| IBT | 85.2 | 85.8 | -0.7% |
| Net Income (% of Net Sales) | 59.0 5.9% | 61.1 6.9% | -3.5% |
| USD | 129.68 | 109.48 | |
| EUR | 138.11 | 131.94 | |

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As for the second quarter, due to things such as the prolonged Russia-Ukraine conflict and Shanghai's COVID lockdown, and accelerating global inflation, there is growing uncertainty about the future direction of the global economy. Despite this, demand for our products remained firm. That said, the impact from Shanghai's COVID lockdown was larger than expected, and we were unable to produce products in the quantity we planned for in the second quarter. Though this will impact sales in the third quarter, we were able to expand sales in the second quarter by taking advantage of our inventory.

Net sales increased by 13.3% to 998.8 billion yen, or nearly 1 trillion yen. And we achieved our sixth consecutive quarter of net sales growth

As for profit, although the rise in material and logistical costs continue to affect us, in addition to adjusting prices, we raised the ratio of sales of high price range products, such as full-frame cameras and medium- to high-speed color MFDs. Additionally, by controlling the rise in expenses even while sales were increasing, we increased operating profit by 27.4%, significantly raising it to 98.5 billion yen.

As for income before income taxes and net income, due to rapid depreciation of the yen in June, and subsequent foreign exchange losses arising from foreign-currency-denominated borrowings of the parent company through the Group's internal financing system, we posted a decrease of 0.7% to 85.2 billion yen and a decrease of 3.5% to 59.0 billion yen, respectively.

FY 2022 Financial Results by Business Unit

(2Q 2022 Actual versus 2Q 2021 Actual)

- Posted sales and profit growth in all Business Units
- Medical - Highest second quarter profitability to date 7.0%

| | | 2Q 2022 Actual | 2Q 2021 Actual | % Change |
|-----------------------------|-------------------|-------------------------------|-------------------------------|----------|
| Printing | Net Sales | 567.5 | 489.6 | +15.9% |
| | Op. Profit (%) | 66.6 (11.7%) | 63.8 (13.0%) | +4.4% |
| Imaging | Net Sales | 200.9 | 169.8 | +18.3% |
| | Op. Profit (%) | 32.4 (16.1%) | 20.9 (12.3%) | +54.8% |
| Medical | Net Sales | 118.2 | 111.8 | +5.8% |
| | Op. Profit (%) | 8.3 (7.0%) | 3.7 (3.3%) | +125.0% |
| Industrial & Others | Net Sales | 143.7 | 138.1 | +4.1% |
| | Op. Profit (%) | 16.0 (11.2%) | 15.5 (11.2%) | +3.6% |
| Corporate & Eliminations | Net Sales | -31.5 | -27.4 | - |
| | Op. Profit | -24.8 | -26.6 | - |
| Total | Net Sales | 998.8 | 881.9 | +13.3% |
| | Op. Profit (%) | 98.5 (9.9%) | 77.3 (8.8%) | +27.4% |

All of our Business Units posted higher sales and profit.

As for Printing, even though the number of people returning to the office is still on the way to recovery and the supply of products is not sufficient, thanks to structural reforms centered on overseas sales companies and the consolidation of product platforms to strengthen our foundation to deliver earnings, this business has maintained double-digit profitability.

As for Imaging, unit sales of camera bodies, because of product shortages, remained below those of last year. However, supported by strong sales of interchangeable lenses, we posted double-digit growth in both sales and profit, and our operating profit ratio increased to 16.1%.

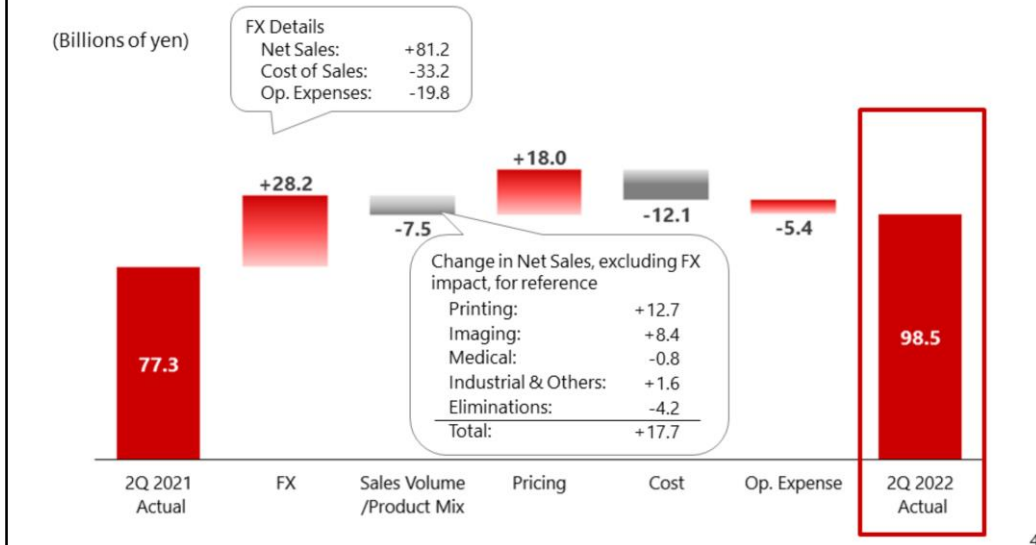
As for Medical, in addition to sales growth in the United States, we posted an increase in service revenue, resulting from the high volume of CT system sales last year. As a result, the operating profit ratio for this business was 7.0%, the highest to date.

As for Industrial & Others, sales and profits were up thanks to increased unit sales of semiconductor lithography equipment.

FY 2022 Operating Profit Analysis

(2Q 2022 Actual versus 2Q 2021 Actual)

- Positive impact from significant depreciation of the yen against the U.S. dollar and euro
- Covered impact of cost increase through price adjustment



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, which was approximately 20 yen and 6 yen, respectively, the impact on operating profit was a positive 28.2 billion yen.

As for changes in sales volume, though we grew hardware unit sales in Printing, sales of inkjet printer consumables declined. As a result, the overall impact was negative.

Though the price of parts and logistics costs increased significantly, by adjusting selling prices, we have been able to cover the impact.

FY 2022 Financial Projection (Full Year)



- Despite expectation that demand will remain firm, lowered unit sales projection to reflect new round of parts shortages
- Partially absorb impact of lower unit sales by adjusting prices and improving product mix. Thanks to this and yen depreciation, raised performance outlook

| (Billions of yen) | FY 2022 Current Projection | FY 2021 Actual | % Change | FY 2022 Previous Projection | Amount Change |
|---|----------------------------------|-------------------------|----------|-----------------------------------|--|
| Net Sales | 4,080.0 | 3,513.4 | +16.1% | 3,980.0 | +100.0 |
| Gross Profit (% of Net Sales) | 1,850.0 45.3% | 1,627.8 46.3% | +13.7% | 1,800.0 45.2% | +50.0 |
| Op. Expenses (% of Net Sales) | 1,474.0 36.1% | 1,345.9 38.3% | | 1,440.0 36.2% | -34.0 |
| Op. Profit (% of Net Sales) | 376.0 9.2% | 281.9 8.0% | +33.4% | 360.0 9.0% | +16.0 |
| IBT | 378.0 | 302.7 | +24.9% | 370.0 | +8.0 |
| Net Income (% of Net Sales) | 262.0 6.4% | 214.7 6.1% | +22.0% | 252.0 6.3% | +10.0 |
| USD | 128.37 | 109.93 | | 119.16 | |
| EUR | 136.28 | 129.94 | | 130.09 | |
| | | | | | Impact of exchange rate movement (2H impact given a one yen change) |
| | | | | | Net Sales Op. Profit |
| | | | | | USD 6.3 billion yen 1.9 billion yen |
| | | | | | EUR 3.2 billion yen 1.6 billion yen |

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As for foreign exchange rates in the second half of the year, we assumed 133 yen to the U.S. dollar and 138 yen to the euro.

As backorders at the end of June have not changed significantly since the end of March, we expect solid demand for our products to continue. By raising production volume as much as possible and supplying products, we plan to significantly grow the unit sales of each product over the second half of the year, as compared to the first.

As for parts shortages, we have been promoting measures, which include changing the design of our products in order to use alternative parts, and expanding our supplier base. However, due to Shanghai's COVID lockdown, we have seen a new round of parts shortages, which has led to some delay in production of mainly printing equipment and cameras. For laser printers and cameras, where a full recovery by year-end is difficult to expect, though we lowered our projection for unit sales, we will adjust prices and shift sales to higher priced products through a change in product mix, to absorb some of the impact. And coupled with the tailwind of yen depreciation we raised our full-year projection for the entire company.

We raised our projection for net sales by 100.0 billion yen to 4.08 trillion yen, which represents 16.1% growth compared to last year. As for operating profit we revised our outlook to 376.0 billion yen and our outlook for net income to 262.0 billion yen, which represents 33.4% and 22.0% growth, respectively, compared to last year.

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



- Post sales and profit growth in all Business Units
- Medical – Surpass record performance of last year, profitability at 7.9%

| (Billions of yen) | | FY 2022 Current Projection | FY 2021 Actual | % Change | FY 2022 Previous Projection | Amount Change |
|-----------------------------|-------------------|----------------------------------|--------------------------------|----------|-----------------------------------|------------------|
| Printing | Net Sales | 2,320.0 | 1,938.8 | +19.7% | 2,254.2 | +65.8 |
| | Op. Profit (%) | 251.9 (10.9%) | 225.7 (11.6%) | +11.6% | 243.8 (10.8%) | +8.1 |
| Imaging | Net Sales | 771.1 | 653.5 | +18.0% | 751.4 | +19.7 |
| | Op. Profit (%) | 98.1 (12.7%) | 78.7 (12.0%) | +24.6% | 93.6 (12.5%) | +4.5 |
| Medical | Net Sales | 509.2 | 480.4 | +6.0% | 497.1 | +12.1 |
| | Op. Profit (%) | 40.0 (7.9%) | 29.4 (6.1%) | +36.0% | 38.1 (7.7%) | +1.9 |
| Industrial & Others | Net Sales | 598.2 | 545.7 | +9.6% | 586.5 | +11.7 |
| | Op. Profit (%) | 56.8 (9.5%) | 44.3 (8.1%) | +28.2% | 60.4 (10.3%) | -3.6 |
| Corporate & Eliminations | Net Sales | -118.5 | -105.0 | - | -109.2 | -9.3 |
| | Op. Profit | -70.8 | -96.2 | - | -75.9 | +5.1 |
| Total | Net Sales | 4,080.0 | 3,513.4 | +16.1% | 3,980.0 | +100.0 |
| | Op. Profit (%) | 376.0 (9.2%) | 281.9 (8.0%) | +33.4% | 360.0 (9.0%) | +16.0 |

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Our plan calls for all four Business Units to post sales and profit growth and for Printing and Imaging to post double-digit profitability.

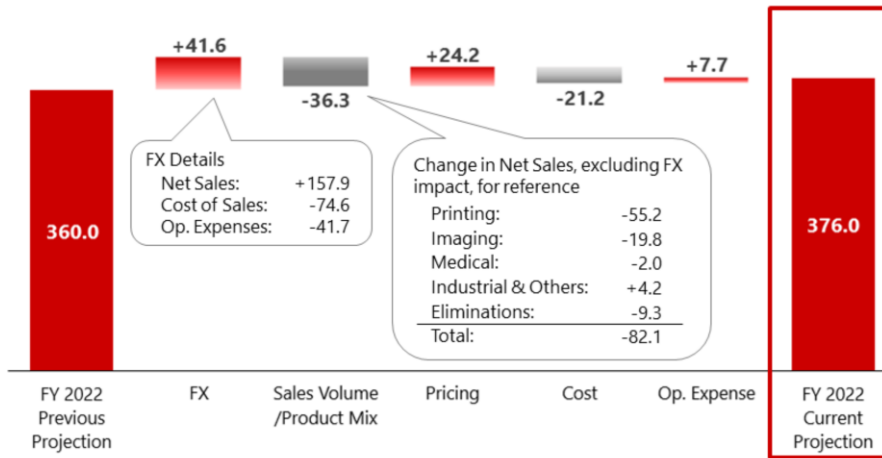
As for Medical, we aim to break our record performance of last year and raise profitability to 7.9%

FY 2022 Operating Profit Analysis

(FY 2022 Current Projection versus Previous Projection)

- FX – Revised assumptions for U.S. dollar and euro, following yen depreciation
- Increase in parts cost as securing volume is prioritized, but absorbing impact through price adjustment

(Billions of yen)



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

As for changes in foreign exchange rates, the yen's depreciation against the U.S. dollar and euro and our revised assumptions for the second half of the year had a positive impact of 41.6 billion yen.

As for changes in sales volume, assuming it will be difficult to fully recover from delayed camera and laser printer production by the end of this year, and also due to the lowering of our projection for non-hardware demand within Printing, the impact was negative.

Although logistics costs have not changed significantly from our previous projection, the cost of parts is expected to increase by more than 20.0 billion yen as we prioritize the securing of volume through the use of alternative parts and various procurement channels. However, we will absorb the increase by adjusting selling prices.

Printing - Office

- 2Q – Posted increase in net sales, offsetting impact of unit sales decline through increased sales of medium- and high-speed MFDs and price adjustment
- FY – Aiming for double-digit sales growth by increasing production volume and through recovery in print volume

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|-------------------|--------------|--------------|---------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Office | 215.5 | 193.8 | +11.2% | 904.1 | 757.1 | +19.4% | 881.0 | +23.1 |
| Prosumer | 263.9 | 224.2 | +17.7% | 1,069.9 | 892.5 | +19.9% | 1,050.8 | +19.1 |
| Production | 88.1 | 71.6 | +23.1% | 346.0 | 289.2 | +19.6% | 322.4 | +23.6 |
| Net Sales | 567.5 | 489.6 | +15.9% | 2,320.0 | 1,938.8 | +19.7% | 2,254.2 | +65.8 |
| Op. Profit | 66.6 | 63.8 | +4.4% | 251.9 | 225.7 | +11.6% | 243.8 | +8.1 |
| (% of Net Sales) | 11.7% | 13.0% | | 10.9% | 11.6% | | 10.8% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|------------|----------------|--------------------|
| | Office | +3.5% |
| Prosumer | +6.3% | +10.9% |
| Production | +11.4% | +9.1% |
| Total | +5.9% | +11.1% |

Unit Growth Rate Y/Y

| | 2Q 2022 Actual | FY 2022 Projection |
|--|----------------|--------------------|
| | Office MFDs | -15% |



imageRUNNER ADVANCE DX series
C5800

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Regarding the printing equipment market, while companies seek optimal work styles that combine going to the office and working from home, we are seeing the number of people going to the office gradually recover and progress in office-oriented investment. At the same time, we are seeing continued stable demand for equipment used in homes, but the supply of products remains insufficient due to parts shortages.

As for office MFDs in the second quarter, due to the shortage of product supply, hardware unit sales continue to be below those of last year. However, revenue was above last year as we increased the percentage of sales attributable to medium- and high-speed color MFDs, focusing on the imageRUNNER ADVANCE DX C5800 series which was built on a new platform, and by raising prices.

Regarding the second half of the year, as we have a better outlook on procuring semiconductor chips and other parts, we will work to recover production that was delayed due to Shanghai's COVID lockdowns, and link this increased production volume to sales. Although the pace of recovery in print volume is slightly slower than we expected, print volume is expected to steadily increase as the number of people going to the office recovers. And in the fourth quarter, we expect this to reach a pre-COVID level of around 80%.

- 2Q – Posted significant increase in hardware sales, but production volume below plan due to Shanghai’s COVID lockdown
- FY – Aiming to raise production volume as much as possible in 2H and significantly expand unit sales for the full year

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|-------------------|--------------|--------------|---------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Office | 215.5 | 193.8 | +11.2% | 904.1 | 757.1 | +19.4% | 881.0 | +23.1 |
| Prosumer | 263.9 | 224.2 | +17.7% | 1,069.9 | 892.5 | +19.9% | 1,050.8 | +19.1 |
| Production | 88.1 | 71.6 | +23.1% | 346.0 | 289.2 | +19.6% | 322.4 | +23.6 |
| Net Sales | 567.5 | 489.6 | +15.9% | 2,320.0 | 1,938.8 | +19.7% | 2,254.2 | +65.8 |
| Op. Profit | 66.6 | 63.8 | +4.4% | 251.9 | 225.7 | +11.6% | 243.8 | +8.1 |
| (% of Net Sales) | 11.7% | 13.0% | | 10.9% | 11.6% | | 10.8% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|------------|----------------|--------------------|
| Office | +3.5% | +12.2% |
| Prosumer | +6.3% | +10.9% |
| Production | +11.4% | +9.1% |
| Total | +5.9% | +11.1% |

Unit Growth Rate Y/Y

| | 2Q 2022 Actual | FY 2022 Projection |
|-----|----------------|--------------------|
| LPs | +31% | +22% |
| IJs | +17% | +34% |



Refillable ink tank model

GX5030

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In the second quarter, our hardware sales were significantly above last year. As for production, compared with our plan to significantly increase output in order to fulfill backorders this year, we were unable to produce the volume we planned due to the impact of Shanghai’s COVID lockdowns.

As a result, for laser printers, we lowered our full-year unit sales projection. However, in order to minimize the impact on sales, we will raise the price of all prosumer products. On top of this, we will raise the percentage of sales attributable to higher-priced products like refillable ink tank printers. As for production, we will increase output as much as possible, and increase sales of laser printers by approximately 20% and inkjet printers by approximately 30% in the second half compared to the first half, leading to increased sales of consumables from next year.

Printing - Production

- Solid orders for high-speed continuous feed and cut sheet printing equipment
- Continued steady growth in non-hardware sales thanks to growth in MIF

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|-------------------|--------------|--------------|---------------|-------------------------|----------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Office | 215.5 | 193.8 | +11.2% | 904.1 | 757.1 | +19.4% | 881.0 | +23.1 |
| Prosumer | 263.9 | 224.2 | +17.7% | 1,069.9 | 892.5 | +19.9% | 1,050.8 | +19.1 |
| Production | 88.1 | 71.6 | +23.1% | 346.0 | 289.2 | +19.6% | 322.4 | +23.6 |
| Net Sales | 567.5 | 489.6 | +15.9% | 2,320.0 | 1,938.8 | +19.7% | 2,254.2 | +65.8 |
| Op. Profit | 66.6 | 63.8 | +4.4% | 251.9 | 225.7 | +11.6% | 243.8 | +8.1 |
| (% of Net Sales) | 11.7% | 13.0% | | 10.9% | 11.6% | | 10.8% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|------------|----------------|--------------------|
| Office | +3.5% | +12.2% |
| Prosumer | +6.3% | +10.9% |
| Production | +11.4% | +9.1% |
| Total | +5.9% | +11.1% |



High-speed cut-sheet inkjet printer
varioPRINT iX series



Large-format printer
Colorado 1650

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The production market has been recovering quickly due to the resumption of economic activity. Under the situation of rising prices for energy, paper, and other products, and the labor shortage in printing companies, the shift to digital commercial printing machines, which are superior in terms of cost and labor saving, is accelerating.

Orders for our high-speed continuous feed and cut sheet printing equipment has been strong, leading to some constraint in installation. To alleviate this situation, we will work to efficiently deploy personnel in order to facilitate a double-digit increase in unit sales. As for our graphic arts-oriented large-format printers, thanks to their high marks for productivity and total cost of ownership, we have been able to further increase the number of dealers that handle our printers this year. As a result, in continuation with the second quarter, we plan to grow unit sales more than 20% for the full year.

As for non-hardware sales, thanks to an increase in our MIF of printers targeting graphic arts applications, we continue to stably grow at a double-digit rate. And as a driver of Printing Group growth, in addition to sales, we are seeing increasing contribution in terms of profit.

Imaging - Cameras

- 2Q – Despite decline in unit sales due to supply shortage, achieved double-digit increase in net sales thanks to growth in both full-frame camera and interchangeable lens sales
- FY - Expand user base through EOS R7 and EOS R10, first R system cameras that incorporate APS-C size sensors

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|--------------------------|--------------|--------------|---------------|-------------------------|--------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Cameras | 127.0 | 112.1 | +13.2% | 499.7 | 433.1 | +15.4% | 497.2 | +2.5 |
| Network Cameras & Others | 73.9 | 57.7 | +28.1% | 271.4 | 220.4 | +23.1% | 254.2 | +17.2 |
| Net Sales | 200.9 | 169.8 | +18.3% | 771.1 | 653.5 | +18.0% | 751.4 | +19.7 |
| Op. Profit | 32.4 | 20.9 | +54.8% | 98.1 | 78.7 | +24.6% | 93.6 | +4.5 |
| (% of Net Sales) | 16.1% | 12.3% | | 12.7% | 12.0% | | 12.5% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|---------------|----------------|--------------------|
| | Cameras | +1.8% |
| NWCs & Others | +13.7% | +12.9% |
| Total | +5.8% | +7.5% |

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

| | 2Q 2022 Actual | | FY 2022 Projection | |
|-------|----------------|----------|--------------------|----------|
| | Units | % Change | Units | % Change |
| DILCs | 0.68 | -7% | 2.80 | +2% |



As for the camera market, the launch of new mirrorless cameras and interchangeable lenses by each company is supporting continued strong demand. However, due to the global shortage of parts since last year and Shanghai’s COVID lockdown, the supply of products has been insufficient to meet demand. As a result, we expect the market to be 5.45 million units, which is around the same level as last year.

In the second quarter, while the shortage of product supply caused camera body unit sales to continue to be below those of last year, we expect to turn to increase as production recovers from the second half of the year. Even under a situation of declining unit sales, we raised the ratio of full-frame mirrorless cameras for which we prioritize production and sales, and significantly increased RF lens sales to post a double-digit increase in net sales overall.

As for full-year unit sales, mainly due to the impact of Shanghai’s COVID lockdown, we revised our projection to 2.8 million units.

To further enhance our EOS R System, we will launch the EOS R7 and EOS R10. While these two models incorporate APS-C sensors, they also inherit, among others, the autofocus subject detection technology of our high-end model, the EOS R3, and offer high performance in all aspects of still image and video capture. We expect professionals and advanced amateurs to, for example, use these as sub-cameras, and that it will also encourage people to replace their SLR cameras or step-up from entry-class cameras. With these cameras, the launch of two RF-S lenses, we will work to further increase the number of users who adopt our system.

- 2Q – Achieved strong double-digit growth in net sales as product supply volumes recovered
- FY – Work to enhance solutions, starting cloud service for large corporations in Japan

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|--------------------------|--------------|--------------|---------------|-------------------------|--------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Cameras | 127.0 | 112.1 | +13.2% | 499.7 | 433.1 | +15.4% | 497.2 | +2.5 |
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| Op. Profit | 32.4 | 20.9 | +54.8% | 98.1 | 78.7 | +24.6% | 93.6 | +4.5 |
| (% of Net Sales) | 16.1% | 12.3% | | 12.7% | 12.0% | | 12.5% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|---------------|----------------|--------------------|
| Cameras | +1.8% | +4.8% |
| NWCs & Others | +13.7% | +12.9% |
| Total | +5.8% | +7.5% |

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Network camera demand remained strong, as economic activity returns to normal. Entering the second quarter, the volume of product supply recovered. As a result, we posted a solid double-digit increase in net sales.

Network cameras use a management system to store and manage images captured by cameras and use analytics and other applications to provide solutions. The amount of video information is increasing day by day and having a management system that appropriately manages this information and shares the results of analysis in coordination with various systems is important.

In addition to our server-based management system, we are working to enhance our cloud-based management system, which allows users to easily link and share information. And from this month, we started a service for large scale businesses even in Japan. The system is compatible with more than 6,000 models of network cameras, including those made by other companies. For example, in the retail industry, video information captured at multiple stores can through the cloud be linked to POS information, and an analysis of in-store purchasing behavior by shoppers can be performed in a single operation at a management base.

Going forward as well, we will offer services that meet customer needs and improve overall solutions.

- 2Q – Achieved 8th consecutive quarter of Y/Y net sales growth and raised operating profit ratio to 7.0%
- FY – With record high orders, sales plan of 500.0 billion yen
- Acquired dealer in July. Strengthening sales capability to facilitate aim of 10% mkt. shr. in U.S. (Billions of yen)

| | 2Q | | | Full Year | | | | |
|---------------------------------------|--------------------|--------------------|----------|-------------------------|---------------------|----------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Net Sales | 118.2 | 111.8 | +5.8% | 509.2 | 480.4 | +6.0% | 497.1 | +12.1 |
| Op. Profit (% of Net Sales) | 8.3 7.0% | 3.7 3.3% | +125.0% | 40.0 7.9% | 29.4 6.1% | +36.0% | 38.1 7.7% | +1.9 |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|--|----------------|--------------------|
| | Total | -0.7% |



**80 row detector CT
Aquilion Serve**



**MRI
Vantage Fortian**

As for the diagnostic imaging equipment market, while the supply of equipment will be insufficient due to parts shortages, Japanese market demand is expected to settle down to a pre-COVID level and demand for large equipment in the United States and Europe is recovering. As a result, we expect the overall market to slightly increase compared to last year.

In the second quarter, despite the impact of China’s COVID lockdown and a decline in domestic sales due to the lack of purchases of equipment using financial support from the government that occurred last year, sales grew, driven by growth in the United States, where sales increased for the eighth consecutive quarter. We also raised our operating profit ratio to 7.0%, thanks to an increase in service revenue, mainly due to the increase in CT system sales last year.

With the aim of expanding sales in the second half of the year, orders have been built up to a record high level. We are making every effort to secure semiconductors and other material, making design changes, expanding our supplier base, and taking other steps, to increase the production volume of equipment. And through these measures, we plan to top 500 billion yen in sales this year.

Furthermore, as a measure to strengthen our sales capability in the U.S., which is considered an important region for future growth, we recently completed the acquisition of a sales agent covering the Upper Midwest Region. We will not only hire individual sales personnel, but also substantially expand our salesforce by bringing distributors into the Canon Group. We will also strengthen our sales capabilities by reviewing and expanding our sales territory. Through these measures, in the United States, which accounts for 30% of the global market, we will work to increase our market share to 10%.

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

- Semiconductor lithography equipment – Significantly grow full-year sales to 180 units, and promote production capacity expansion
- FPD lithography equipment – Post sales of 56 units even amid lockdown impact

(Billions of yen)

| | 2Q | | | Full Year | | | | |
|-----------------------|--------------|--------------|--------------|-------------------------|--------------|---------------|--------------------------|---------------|
| | 2022 Actual | 2021 Actual | % Change | 2022 Current Projection | 2021 Actual | % Change | 2022 Previous Projection | Amount Change |
| Lithography Equipment | 50.6 | 51.1 | -1.1% | 245.2 | 213.7 | +14.7% | 243.8 | +1.4 |
| Industrial Equipment | 27.1 | 34.7 | -21.8% | 98.8 | 121.8 | -18.9% | 101.1 | -2.3 |
| Others | 66.0 | 52.3 | +26.3% | 254.2 | 210.2 | +20.9% | 241.6 | +12.6 |
| Net Sales | 143.7 | 138.1 | +4.1% | 598.2 | 545.7 | +9.6% | 586.5 | +11.7 |
| Op. Profit | 16.0 | 15.5 | +3.6% | 56.8 | 44.3 | +28.2% | 60.4 | -3.6 |
| (% of Net Sales) | 11.2% | 11.2% | | 9.5% | 8.1% | | 10.3% | |

Net Sales Growth Rate Y/Y (Local Currency)

| | 2Q 2022 Actual | FY 2022 Projection |
|-------------------|----------------|--------------------|
| Litho. Equip. | -3.9% | +12.6% |
| Industrial Equip. | -23.7% | -20.1% |
| Total | +1.2% | +7.4% |

Lithography Equipment (Units)

| | 2Q 2022 Actual | 2Q 2021 Actual | FY 2022 Projection | FY 2021 Actual |
|---------------|----------------|----------------|--------------------|----------------|
| Semiconductor | 40 | 30 | 180 | 140 |
| FPD | 8 | 17 | 56 | 67 |



Semiconductor lithography equipment
FPA-6300E56a

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As for the 2022 semiconductor device market, thanks to continued expansion in the number of semiconductors used in IoT, vehicles, and in other systems, we expect double digit growth.

As for semiconductor lithography equipment, against the backdrop of very strong demand, our factories continue to operate at full capacity. In the second quarter, we sold 40 units, which was 10 units more than what we achieved in the same period last year, and for the full year, we plan to sell 180 units. Furthermore, in order to fully address demand from next year on, we are securing personnel and expanding space to increase our production capacity and also strengthening our ability to install equipment locally.

As for the panel market, panel prices are currently on a downward trend as demand for home-related products subsides. However, for the full year, growth in IT related displays is expected to lead to a slight increase.

As for FPD lithography equipment, even amid lockdowns in China, by furthering installation at customer sites, we sold 8 units in the second quarter as planned. Though we are being impacted by parts shortages, in the second half of the year, we will work to increase the number of units we manufacture and install, in order to achieve our sales plan of 56 units for the year.

As for OLED vacuum deposition equipment, we are still waiting for customers to resume capital investment, and as a result, expect sales to decline this year. However, in order to prepare for growing demand for such things as televisions, foldable smartphones, in-vehicle displays etc., we will continue to promote the development of new equipment.

Inventory

- Inventory of sales companies – Decreases as supply falls short of solid demand
- Increases in work-in-process due to production delay and lithography equipment being installed, optimized by year-end

(Billions of yen)

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

* Inventory turnover in days at the end of June 2022 have been revised for Imaging and Industrial & Others. (October 26, 2022)

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Inventory at the end of June increased by about 65.0 billion yen from the end of March. About half of this, which was around 33.0 billion yen, was due to an increase in overseas inventory caused by yen depreciation.

Excluding the foreign exchange impact, the inventory of sales companies decreased by about 10.0 billion yen, as the supply of product did not keep up with solid demand, resulting in conditions that lead to immediate sales.

At the same time, we have taken early steps to secure work-in-process and raw materials as a countermeasure against a shortage of parts. Due to unexpected parts shortages caused by Shanghai's COVID lockdown, production was delayed. As a result, inventories of parts that have already been arranged have increased.

Additionally, in the second half of the year, we expect sales of lithography equipment to increase by more than 50% compare to the first half of the year, resulting in an increase in inventory that is being installed.

In both cases, we will work to expand production, link this to sales, and expect inventory to decrease to an appropriate level by the end of December.

Cash Flow

(Full Year)

- Generate 255.0 billion yen in free cash flow, exceeding last year
- Raised full-year dividend projection to 120 yen while promoting repayment of debt

| (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 | -286.7 | -259.2 | -267.4 | -183.4 |
| Effect of exchange rate changes on cash and cash equivalents | 30.3 | 2.8 | 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 | 1.2 | 1.3 | 1.4 |
| Capital expenditure | 210.0 | 210.0 | 179.0 | 161.7 |
| Depreciation and amortization | 220.0 | 230.0 | 221.2 | 227.8 |

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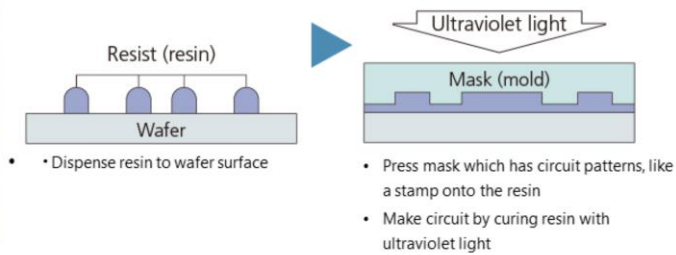
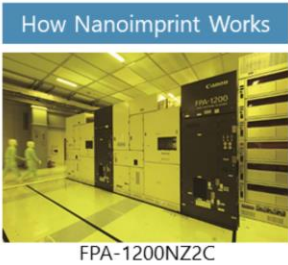
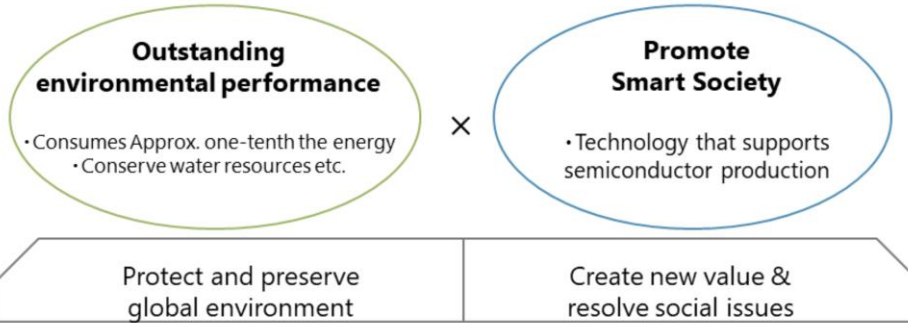
Our outlook for free cash flow has not significantly changed. We plan to generate 255.0 billion yen, which exceeds last year, while properly allocating to capital spending and M&As for growth.

As for financial cash flow, in May, we repurchased our own shares. As for dividends, as our level of confidence in being able to significantly exceed our performance of last year has risen, we decided to raise our full-year projection by 20 yen to 120 yen per share.

As for the remaining cash, we will continue to maintain cash-on-hand of 400 billion yen, while proceeding with the repayment of debt.

Sustainability Measures

■ Nanoimprint - Prize of Excellence at Environmental Awards



Through our business activities, we are working to not only create new value and resolve societal issues, but also contribute to the protection and conservation of the global environment.

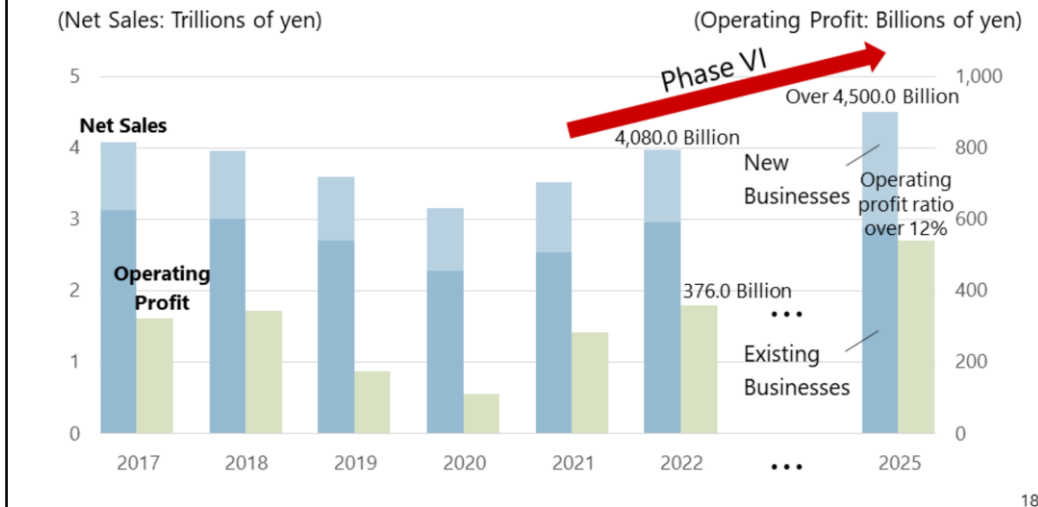
As for nanoimprint which we are developing, unlike conventional lithography systems that burn semiconductor circuits with light, nanoimprint is a simple manufacturing system that forms circuits by pressing a pattern engraved in a mold called a mask, similar to a seal. This eliminates the need for complex processes to draw fine circuit patterns, significantly reducing the effort and cost of semiconductor manufacturers.

Additionally, as this equipment does not require powerful lasers nor large-scale vacuum and cooling equipment, the amount of energy consumed can be limited to about one-tenth that of current leading-edge equipment. This contributes to reducing the global environmental burden by reducing greenhouse gas emissions and conserving water resources.

In recognition of its outstanding environmental performance in the manufacturing of essential semiconductors for the promotion of a smart society in the future, the company was awarded the Prize for Excellence at the Environmental Awards, sponsored by the National Institute for Environmental Studies and other organizations, for groundbreaking achievements in environmental technologies, products, and activities.

Excellent Global Corporation Plan Phase VI

- Raise performance, even in challenging business environment, supported by solid demand and strong foundation to generate profit
- Raising net sales to 4 trillion yen and profit to its highest in 10 years as we work towards achieving 2025 targets



The business environment that surrounds us is unclear going forward, due to several factors such as semiconductor shortages and logistical constraints, the Russia-Ukraine conflict, concern about another COVID outbreak etc. However, demand for our products remains strong, and based on our solid foundation to generate profit established through structural reform and organizing into industrial groups, and also with the benefit of exchange rates our business performance has been steadily growing.

Sales are expected to return to the 4 trillion yen level for the first time in 5 years since 2017, and operating income is expected to be the highest in 10 years since 2012.

We will make every effort to supply products in the second half of the year to achieve this plan. And in doing so, gain momentum toward achieving our 2025 performance targets.

Supplementary Information

FY 2022 Operating Profit Analysis

(FY 2022 Current Projection versus FY 2021 Actual)



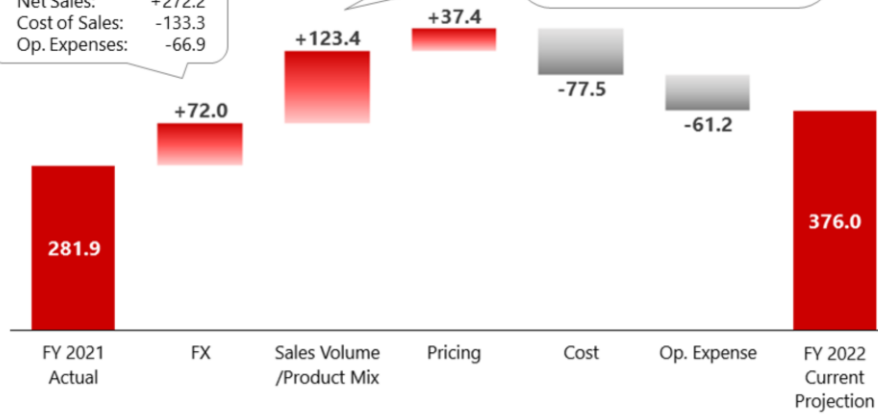
(Billions of yen)

FX Details

| | |
|----------------|--------|
| Net Sales: | +272.2 |
| Cost of Sales: | -133.3 |
| Op. Expenses: | -66.9 |

Change in Net Sales, excluding FX impact, for reference

| | |
|----------------------|---------------|
| Printing: | +185.3 |
| Imaging: | +42.3 |
| Medical: | +2.6 |
| Industrial & Others: | +40.3 |
| Eliminations: | -13.5 |
| Total: | +257.0 |



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

| | | | FY 2022 | | FY 2021 | |
|--------------------|-----|--------------|-----------|----------------------|-----------|------------------|
| | | | 2Q Actual | Full Year Projection | 2Q Actual | Full Year Actual |
| Office MFDs | JPY | Hardware | +10% | +40% | +47% | +7% |
| | | Non-hardware | +7% | +10% | +35% | +3% |
| | LC | Hardware | -1% | +29% | +40% | +3% |
| | | Non-hardware | +0% | +3% | +30% | 0% |
| LPs | JPY | Hardware | +47% | +44% | +4% | +2% |
| | | Non-hardware | +15% | +8% | +41% | +17% |
| | LC | Hardware | +31% | +33% | 0% | -1% |
| | | Non-hardware | +4% | +0% | +36% | +14% |
| IJPs | JPY | Hardware | +35% | +49% | +24% | +6% |
| | | Non-hardware | -10% | +3% | -4% | -2% |
| | LC | Hardware | +22% | +37% | +18% | +2% |
| | | Non-hardware | -18% | -5% | -9% | -6% |
| Production | JPY | Hardware | +27% | +29% | +52% | +18% |
| | | Non-hardware | +21% | +14% | +40% | +14% |
| | LC | Hardware | +15% | +17% | +42% | +13% |
| | | Non-hardware | +10% | +5% | +32% | +9% |

Office/Prosumer – Net Sales by Product Category

| (Billions of yen) | | FY 2022 | | FY 2021 | |
|-------------------|-------------|-----------|----------------------|-----------|------------------|
| | | 2Q Actual | Full Year Projection | 2Q Actual | Full Year Actual |
| Office | Office MFDs | 138.2 | 590.6 | 127.2 | 478.4 |
| | Others | 77.3 | 313.5 | 66.6 | 278.7 |
| | | 215.5 | 904.1 | 193.8 | 757.1 |
| Prosumer | LPs | 176.2 | 676.5 | 141.4 | 563.1 |
| | IJPs | 87.7 | 393.4 | 82.8 | 329.4 |
| | | 263.9 | 1,069.9 | 224.2 | 892.5 |

DILC Ratio & Digital Compact Camera (DCC) Units

| | | FY 2022 | | FY 2021 | |
|------------|----------------------|-----------|----------------------|-----------|------------------|
| | | 2Q Actual | Full Year Projection | 2Q Actual | Full Year Actual |
| DILC Ratio | | | | | |
| | Net Sales * | 93% | 93% | 89% | 90% |
| | Units | 86% | 85% | 70% | 70% |
| | DCC Units (Millions) | 0.11 | 0.50 | 0.31 | 1.15 |

* Net Sales includes interchangeable lenses

Semiconductor Lithography Equipment – Unit Breakdown by Light Source

| | FY 2022 | | FY 2021 | |
|--------|-----------|----------------------|-----------|------------------|
| | 2Q Actual | Full Year Projection | 2Q Actual | Full Year Actual |
| KrF | 12 | 48 | 9 | 38 |
| i-Line | 28 | 132 | 21 | 102 |
| Total | 40 | 180 | 30 | 140 |