

1Q 2022 Results

April 25, 2022
Hatsumi Hirukawa
Director, Vice President

The Canon logo is displayed in its characteristic red, bold, sans-serif font.

Canon Marketing Japan Inc.

* The figures are rounded off to the nearest 100 million yen in this material.
* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties.
As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

Hello, everyone. I am Hatsumi Hirukawa.

Thank you very much for joining the results presentation meeting for the first quarter of fiscal year 2022, despite your busy schedules.

Let me start by reporting that our stock was transferred to the Prime Market of the Tokyo Stock Exchange on April 4, 2022 due to the TSE restructuring its market divisions. Thank you for your continued support.

Now we will be moving on to the results for the first quarter of 2022 and the projections.

Net sales	¥147.4 B	(Y/Y +7.1 B, +5%)
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- ✓ Net sales increased due to an increase in sales in the Consumers, Enterprise and Professional segments, offsetting a decrease in the Area segment

Operating Income	¥14.8 B	(Y/Y +4.2 B, +40%)
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- ✓ Operating income increased due to an increase in all segments

Net income attributable to owners of parent	¥10.0 B	(Y/Y +2.0 B, +26%)
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On the second page, I will review the key points of the first quarter results.

Net sales increased 5% to ¥147.4 billion. A short supply of products meant a sales decline in the Area segment while sales rose in the Consumers, Enterprise and Professional segments.

Operating income was up ¥4.2 billion to ¥14.8 billion. This figure surged in all segments.

Net income attributable to owners of parent rose ¥2 billion to ¥10 billion.

Later, I will explain the details of the financial results by segment.

Summary of Results

1Q 2022 Actual
(from January 1 to March 31)

Canon

✓ **Operating Income and ordinary income surpassed previous record highs.**

(Billions of yen)

	1Q 2021	1Q 2022	Changes	
			Amount	%
Net sales	140.4	147.4	+7.1	+5%
Gross profit	(33.7%) 47.3	(34.3%) 50.5	(+0.6%) +3.2	+7%
Operating income	(7.5%) 10.6	(10.0%) 14.8	(+2.5%) +4.2	+40%
Ordinary income	(7.8%) 10.9	(10.0%) 14.7	(+2.2%) +3.8	+35%
Profit attributable to owners of parent	(5.7%) 8.0	(6.8%) 10.0	(+1.1%) +2.0	+26%

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The third page shows a summary of the results for the first quarter.

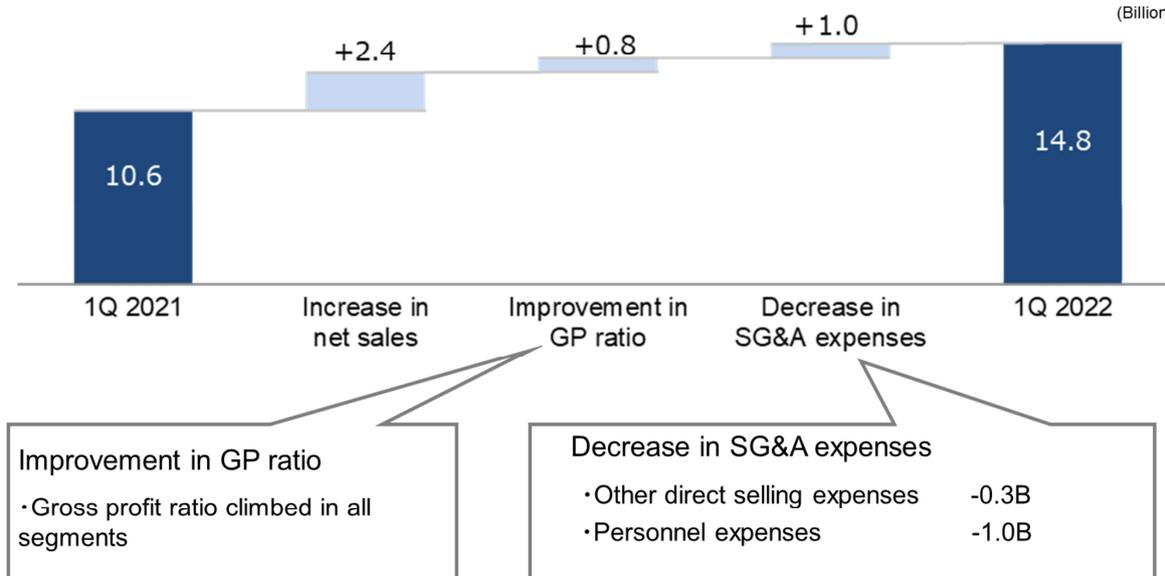
For the first quarter of 2022, operating income and ordinary income hit new record highs on a quarterly basis.

Op. Income Variance Analysis

1Q 2022 Actual
(from January 1 to March 31)



(Billions of yen)



The fourth page shows an analysis of operating income for the first quarter.

Due to the rise in net sales, gross profit increased by ¥2.4 billion. Gross profit climbed in all segments after an increase in sales shares of high value-added products and services.

SG&A expenses decreased ¥1.0 billion due to a decline in personnel expenses, which partly reflects a decrease in pension and severance costs, and a decline in expenses associated with a decrease in shipments of business equipment.

For details of SG&A expenses, please refer to the breakdown of SG&A expenses on the 17th page.

Segment Outline

1Q 2022 Actual
(from January 1 to March 31)

Canon

(Billions of yen)

	1Q 2021		1Q 2022		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	30.6	3.0	31.2	3.1	+0.6	+0.1
Enterprise	47.3	3.6	51.2	5.4	+3.9	+1.8
Area	59.4	4.0	57.2	4.5	-2.2	+0.6
Professional	8.2	0.7	12.8	2.2	+4.6	+1.5
Other	-5.1	-0.6	-5.0	-0.4	+0.1	+0.2
Total	140.4	10.6	147.4	14.8	+7.1	+4.2

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment.

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The fifth page shows the summary of the results for the first quarter by segment.

- ✓ Net sales increased, mainly reflecting higher sales of digital interchangeable lens cameras and inkjet printers.
- ✓ Operating income increased mainly due to the sales increase of products with high unit price.

(Billions of yen)

	1Q		
	FY2021	FY2022	Changes
Net sales	30.6	31.2	+2%
Op. income	3.0	3.1	+4%
ratio	9.8%	10.0%	+0.2%

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	+3%	-	-	-	-
Inkjet Printer (IJP)	Unit	+6%	-	-	-	-
IJP Cartridge	Amount	+4%	-	-	-	-

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On the sixth and subsequent pages, I will explain results by segment.

For the first quarter, the Consumers segment saw net sales up 2% year on year to ¥31.2 billion. This mainly reflects an increase in sales of digital interchangeable lens cameras and inkjet printers. Operating income was also up ¥0.1 billion year on year to ¥3.1 billion, chiefly reflecting an increase in sales of high priced models.

(Digital interchangeable lens cameras)

Sales of digital interchangeable lens cameras surged 3% year on year. Mirrorless cameras with the EOS R System and other models achieved brisk sales. As for interchangeable lenses, the increase of users of EOS R series mirrorless cameras resulted in strong sales of RF lenses and other products.

(Inkjet printers)

The number of inkjet printers sold increased 6% year on year. That resulted mainly from the healthy performance of high-priced models and the release of new models. Ink cartridge sales increased due chiefly to rush demand before the price revision in April.

(IT products)

IT products sales declined. This was due to the short supply of computer peripherals and other products procured from outside the Group.

- ✓ Net sales rose due to the strong performance of the IT Solutions business, offsetting a decline in sales of main business equipment attributable to the impact of the short supply of products.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales and efforts made for SG&A reductions.

(Billions of yen)

	1Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	16.1	15.0	-7%
IT Solutions	31.1	36.2	+16%
Net sales	47.3	51.2	+8%
Op. income	3.6	5.4	+51%
ratio	7.5%	10.5%	+3.0%

[Reference] Results of main consolidated companies
Canon IT Solutions Inc.

	1Q		Changes	
	2021	2022	Amount	%
Net sales	24.5	27.7	+3.2	+13%
Op. income	2.4	3.8	+1.3	+55%

Orders received and outstanding orders, Y/Y
Canon IT Solutions, Non-consolidated

	1Q				
	1Q	2Q	3Q	4Q	Full Year
Orders recd. Amount	+14%	-	-	-	-
Outstanding Amount	+33%	-	-	-	-

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On the seventh page, I will explain the Enterprise segment.

For the first quarter, net sales increased 8% year on year, to ¥51.2 billion, given an increase in sales of IT solutions, offsetting a decline in business equipment attributed in part to a product supply shortage. Operating income increased ¥1.8 billion year on year to ¥5.4 billion, reflecting an increase in gross profit following the growth of sales chiefly in IT solutions and efforts made to reduce SG&A expenses.

(Main business equipment, Other)

On the situation surrounding main business equipment, sales of office MFPs and laser printers decreased due to the impact of product supply shortage. Sales of maintenance services for office MFPs and laser printer cartridges slid after printing volumes shrank in offices due to large companies continuing their teleworking initiatives. As a result, net sales for the main business equipment and other dropped 7% year on year.

(IT solutions)

Regarding IT solutions, systems integration projects for manufacturers and embedded systems development projects increased. Brisk sales were attained in systems integration projects for financial institutions and the Second Data Center. In addition, we had several BPO projects and business PC projects. Thus, sales increased 16% year on year.

(Canon IT Solutions results: Orders received and outstanding orders)

Net sales for Canon IT Solutions Inc., a key affiliate, rose 13% year on year, to ¥27.7 billion. Operating income for the affiliate grew ¥1.3 billion from the previous fiscal year, to ¥3.8 billion.

Orders received were up 14% year on year, reflecting briskness in systems integration projects for manufacturers, distributors and financial institutions.

Outstanding orders grew 33% year on year. In addition to a trend similar to orders received, projects related to the Second Data Center obtained in the previous year had an impact on it.

- ✓ Net sales decreased chiefly due to a decrease in sales of main business equipment affected by product supply shortage.
- ✓ Operating income increased significantly, reflecting an increase in the weighting of high value-added products and services, and efforts made to cut SG&A expenses.

(Billions of yen)

	1Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	42.1	39.6	-6%
IT Solutions	17.2	17.5	+2%
Net sales	59.4	57.2	-4%
Op. income	4.0	4.5	+15%
ratio	6.7%	7.9%	+1.3%

[Reference] Results of main consolidated companies
Canon System & Support Inc.

	1Q		Changes	
	2021	2022	Amount	%
Net sales	26.2	24.8	-1.4	-5%
Op. income	1.0	1.4	+0.4	+36%

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On the eighth page, I will explain the Area segment.

For the first quarter, net sales decreased 4% year on year to ¥57.2 billion, due mainly to a slide in sales of business equipment that chiefly reflected the product supply shortage. In contrast, operating income rose ¥0.6 billion year on year to ¥4.5 billion as a result of an increase in the percentage of sales from high value-added products and services as well as efforts to reduce SG&A expenses.

(Main business equipment, Other)

On the situation surrounding main business equipment, sales of office MFPs and laser printers decreased due to the impact of product supply shortage. Sales from maintenance services for office MFPs decreased, reflecting a decline in the volume of printing in offices as teleworking continued mainly in large city areas. Meanwhile, LBP cartridge sales leaped hugely, chiefly because of rush demand prior to the price revision in April. Consequently, net sales for the main business equipment and other dropped 6% year on year.

(IT solutions)

In IT solutions, the HOME IT support cloud and security solutions, including the ESET antivirus software, attained strong sales amid mounting information security threats such as targeted attacks and phishing. The number of orders received increased after we focused our efforts on receiving orders for maintenance and operation services for customers' IT equipment and other equipment. As a result, net sales for the IT solutions increased 2% year on year.

(Results for Canon System & Support Inc.)

Net sales for Canon System & Support Inc., a key affiliate, declined 5% year on year, to ¥24.8 billion. Operating income rose ¥0.4 billion year on year to ¥1.4 billion, reflecting an increase in gross profit following an increase in the percentage of high value-added products and services and efforts to reduce SG&A expenses.

*The Area segment up to here

<Network cameras>

The first-quarter results regarding network cameras for the entire Group are stated in the Supplementary Material. Although some models remained affected by the supply shortage, sales increased 2% year on year. There was still significant need for remote video applications to avoid physical human contact.

- ✓ Net sales increased significantly due to higher sales in all subsegments.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales and decline in SG&A expenses.

(Billions of yen)

	1Q		
	FY2021	FY2022	Changes
Production Printing	2.3	2.5	+7%
Industrial Equipment	3.7	7.0	+90%
Healthcare Business	2.2	3.4	+52%
Net sales	8.2	12.8	+56%
Op. income	0.7	2.2	+223%
ratio	8.3%	17.1%	+8.8%

[Reference] Results of main consolidated companies
Canon Production Printing Systems Inc.

	1Q		Changes	
	2021	2022	Amount	%
Net sales	2.1	2.3	+0.2	+9%
Op. income	0.1	0.2	+0.1	+260%

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On the ninth page, I will explain the Professional segment

Sales for the first quarter were up 56% year on year to ¥12.8 billion. All subsegments achieved higher sales figures. Operating income also went up ¥1.5 billion year on year to ¥2.2 billion, after growth in gross profit following the sales surge and the reduction of SG&A expenses.

(Production printing)

Production printing sales were up 7% year on year. Sales of continuous feed printers to customers in the printing industry were good. Canon Production Printing Systems Inc., a key affiliate, achieved a 9% year-on-year increase of net sales to ¥2.3 billion. Operating income also went up ¥0.1 billion year on year to ¥0.2 billion, after growth in gross profit and reduction of SG&A expenses.

Year-on-year changes in net sales are stated for consolidated commercial printing, a category for production printing, adding the production printer business whose net sales are posted in another segment, in the second line from the bottom in the Business Products section of the Supplementary Material we distributed to you. For the first quarter, net sales for consolidated commercial printing grew 5% year on year.

(Industrial equipment)

Net sales of industrial equipment grew significantly by 90% year on year. Amid continuously buoyant investments by Japanese semiconductor manufacturers, equipment related to semiconductor manufacturing and maintenance services sold briskly. In addition, there were large projects for inspection and measurement equipment and others.

(Healthcare)

Healthcare sales grew considerably by 52% year on year. This was due chiefly to multiple projects related to electronic medical records and medical IT infrastructure for hospitals and a project introducing online insurance eligibility verification system at clinics and pharmacies.

Overall Sales of IT Solutions

Canon

(Billions of yen)

	1Q 2021	1Q 2022	Changes	
			Amount	%
Enterprise segment	31.1	36.2	+5.1	+16%
Area segment	17.2	17.5	+0.3	+2%
Other	9.0	9.1	+0.1	+1%
Total	57.3	62.8	+5.5	+10%

	1Q 2021	1Q 2022	Changes	
			Amount	%
SI service	18.8	21.2	+2.3	+12%
Maintenance and operation service /outsourcing	10.0	12.5	+2.4	+24%
System sales/IT product	28.5	29.1	+0.7	+2%
Total	57.3	62.8	+5.5	+10%

※ The FY2021 financial results have been reclassified due to the transfer of the business of certain products in FY2022.

※ "Other" includes Consumers segment, Professional segment, corporate expenses and the elimination of intersegment transactions.

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The tenth page shows overall sales of IT solutions.

In 2022, segment changes took place for some products. The 2021 results reflect this reclassification.

I will explain the results for the first quarter.

Conditions in the Enterprise and Area segments are as explained in the Segment Information section. As for the Other segment, overall sales increased, despite a decline in IT products in the Consumers segment, mainly due to an increase in sales reflecting the presence of multiple projects involving electronic medical records and development of medical IT infrastructure for hospitals and clinics in Healthcare.

Next, let me explain conditions by product and by solution.

An increase in sales of systems integration services was achieved. Canon IT Solutions enjoyed an increase in systems integration projects for manufacturers and in projects for the development of embedded systems.

Brisk sales were achieved in maintenance and operation services and outsourcing. In the Enterprise segment, the Second Data Center's projects and systems maintenance and operations grew. Additionally, there were a number of BPO projects. In addition, the Area segment saw overall sales increase year on year. It attained solid sales in IT maintenance, which continues to be its focus.

Sales grew in system sales and IT products, due chiefly to several business PC projects in the Enterprise segment, although there was some impact from short supply of products due to the semiconductor shortage.

Summary of Projections



(Billions of yen)

	FY2022 Previous Projection	FY2022 Current Projection	Changes		FY2021 Actual	Changes	
			Amount	%		Amount	%
Net Sales	580.0	583.0	+3.0	+1%	552.1	+30.9	+6%
Operating Income	(7.0%) 40.5	(7.1%) 41.5	(+0.1%) +1.0	+2%	(7.2%) 39.7	(-0.1%) +1.8	+5%
Ordinary Income	(7.3%) 42.4	(7.4%) 43.0	(+0.1%) +0.6	+1%	(7.4%) 41.1	(-0.1%) +1.9	+5%
Net income attributable to owners of parent	(5.1%) 29.5	(5.1%) 29.5	(-0.0%) +0.0	+0%	(5.3%) 29.4	(-0.3%) +0.1	+0%

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The eleventh page shows a summary of projections.

In consideration of the first quarter results, we have revised net sales, operating income and ordinary income projections upward by ¥3.0 billion, ¥1.0 billion and ¥0.6 billion, respectively.

Summary of Projections by Segment



FY2022 Previous Projection v. Current Projection

(Billions of yen)

	FY2022 Previous Projection		FY2022 Current Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	130.3	12.0	131.3	12.8	+1.0	+1%	+0.8
Enterprise	196.0	13.9	198.0	14.0	+2.0	+1%	+0.1
Area	232.5	13.5	232.5	13.6	-	-	+0.1
Professional	39.8	3.4	39.8	3.4	-	-	-
Other	-18.6	-2.3	-18.6	-2.3	-	-	-
Total	580.0	40.5	583.0	41.5	+3.0	+1%	+1.0

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment. 12

The twelfth page compares our new projections and the previous ones. Both are on a segment-by-segment basis.

In the Consumers segment, RF mount and other interchangeable lenses and high-priced inkjet printer models sold buoyantly.

There were strong sales in the Enterprise segment in systems integration projects for manufacturers.

In the Enterprise and Area segments, the sales share of high value-added products and services increased mainly in IT solutions.

In view of the factors above,

in the Consumers segment, the net sales projection was revised upward ¥1.0 billion and the operating income projection was revised upward ¥0.8 billion.

In the Enterprise segment, the net sales projection was revised upward ¥2.0 billion and the operating income projection was revised upward ¥0.1 billion.

In the Area segment, the operating income projection was revised upward ¥0.1 billion.

In line with this revision, the Supplementary Material that has been distributed to you have also been revised.

Summary of Projections by Segment



FY2022 Projection vs FY2021 Actual

(Billions of yen)

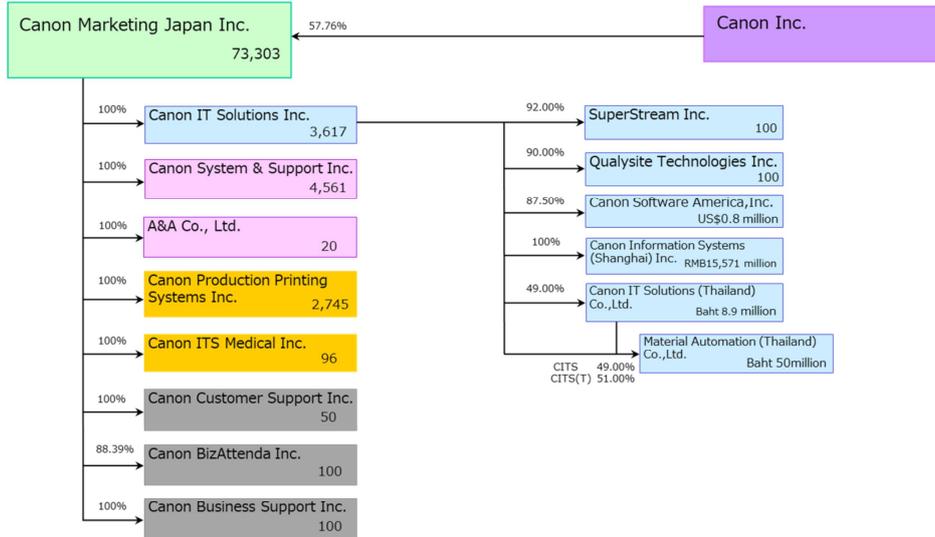
	FY2021 Actual		FY2022 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	129.5	13.6	131.3	12.8	+1.8	+1%	-0.8
Enterprise	190.6	13.9	198.0	14.0	+7.4	+4%	+0.1
Area	220.8	12.0	232.5	13.6	+11.7	+5%	+1.6
Professional	31.5	2.5	39.8	3.4	+8.3	+26%	+0.9
Other	-20.3	-2.3	-18.6	-2.3	+1.7	-	-0.0
Total	552.1	39.7	583.0	41.5	+30.9	+6%	+1.8

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment. 13

The thirteenth page compares the projections by segment and results by segment for the previous fiscal year.

Supplementary Information

Capital Relationship Diagram



Rate of shareholding → Corporate name
Capital (millions of yen)

As of March 31, 2022

Results of main consolidated companies

1Q 2022 Actual
(from January 1 to March 31)



(Billions of yen)

		1Q 2021	1Q 2022	Changes	
				Amount	%
Enterprise					
Canon IT Solutions Inc.	Net sales	24.5	27.7	+3.2	+13%
	Op. income	2.4 (9.9%)	3.8 (13.6%)	+1.3 (+3.7%)	
Area					
Canon System & Support Inc.	Net sales	26.2	24.8	-1.4	-5%
	Op. income	1.0 (4.0%)	1.4 (5.7%)	+0.4 (+1.7%)	
Professional					
Canon Production Printing Systems Inc.	Net sales	2.1	2.3	+0.2	+9%
	Op. income	0.1 (2.6%)	0.2 (8.4%)	+0.1 (+5.9%)	

SG&A expenses

1Q 2022 Actual
(from January 1 to March 31)

Canon

(Billions of yen)

	1Q 2021	1Q 2022	Changes
Advertising expenses	0.8	0.8	-0.0
Promotion expenses	0.6	0.6	-0.0
Warranty expenses	0.8	0.7	-0.1
Other direct selling expenses	4.3	4.0	-0.3
Personnel expenses	23.7	22.7	-1.0
Depreciation and amortization	0.3	0.2	-0.0
Other selling expenses	6.2	6.6	+0.4
Total	36.7	35.7	-1.0

Non-operating income and expenses

Canon

(Billions of yen)

	FY2021	FY2022	Changes
	1Q	1Q	1Q
Interest income	0.1	0.1	+0.0
Dividend income	0.0	0.0	+0.0
Gain on investments in partnership	0.2	-	-0.2
Other	0.2	0.1	-0.1
Total non-operating income	0.4	0.2	-0.2
Interest expense	0.0	0.0	-0.0
Foreign exchange losses	0.0	0.1	+0.1
Loss on investments in partnership	-	0.1	+0.1
Other	0.1	0.1	-0.0
Total non-operating expenses	0.1	0.3	+0.2

Extraordinary income and losses



(Billions of yen)

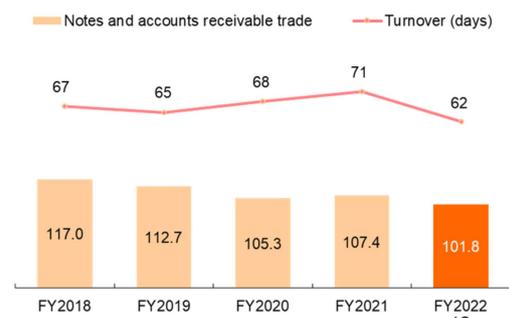
	FY2020	FY2022	Changes
	1Q	1Q	1Q
Gain on sales of fixed assets	0.0	0.0	-0.0
Gain on sales of investments in securities	0.0	0.0	+0.0
Gain on sales of shares of subsidiaries and associates	0.9	-	-0.9
Total extraordinary income	0.9	0.0	-0.9
Loss on sales and disposal of fixed assets	0.0	0.0	-0.0
Total extraordinary losses	0.0	0.0	-0.0

Balance Sheets

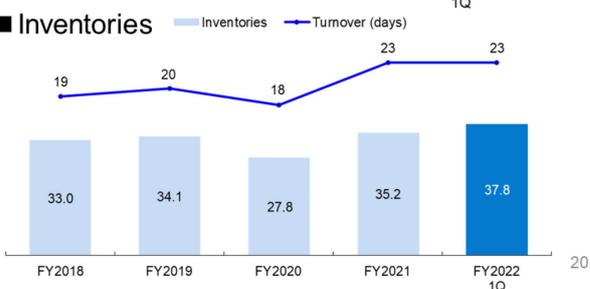


	Dec. 31 2021	Mar. 31 2022	Changes
Assets	526.4	529.1	+2.7
Current assets	396.1	401.1	+5.0
Cash and deposits	68.0	75.3	+7.3
Notes and accounts receivable-trade	107.4	101.8	-5.6
Inventories	35.2	37.8	+2.5
Other (current assets)	185.4	186.3	+0.8
Non-current assets	130.3	128.0	-2.4
Property, plant and equipment	85.2	84.6	-0.5
Intangible assets	6.5	6.3	-0.3
Investments and other assets	38.7	37.1	-1.6
Liabilities	151.7	152.0	+0.3
Current liabilities	107.1	108.0	+0.8
Notes and accounts payable-trade	46.3	50.0	+3.7
Other (current liabilities)	60.8	58.0	-2.8
Long-term liabilities	44.6	44.1	-0.6
Net assets	374.7	377.1	+2.4
Stakeholders' equity	362.9	367.1	+4.2
(Treasury stock)	-2.1	-2.1	-0.0
Total accumulated other comprehensive income (loss)	11.1	9.3	-1.8
Non-controlling interests	0.7	0.7	+0.0
Equity ratio	71%	71%	+0%

Notes and accounts receivable trade (Billions of yen)



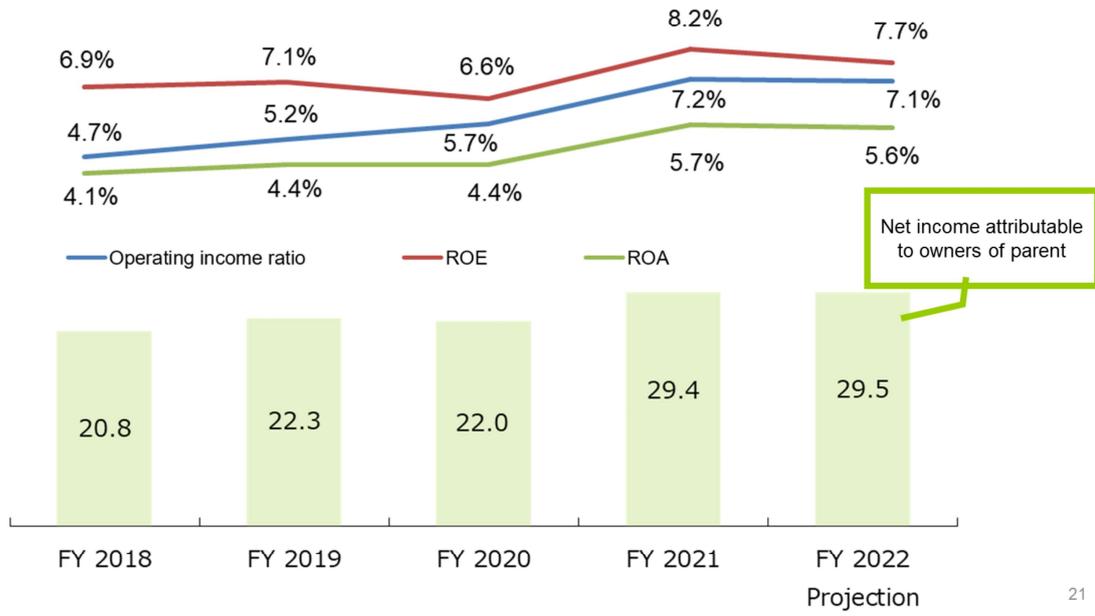
Inventories



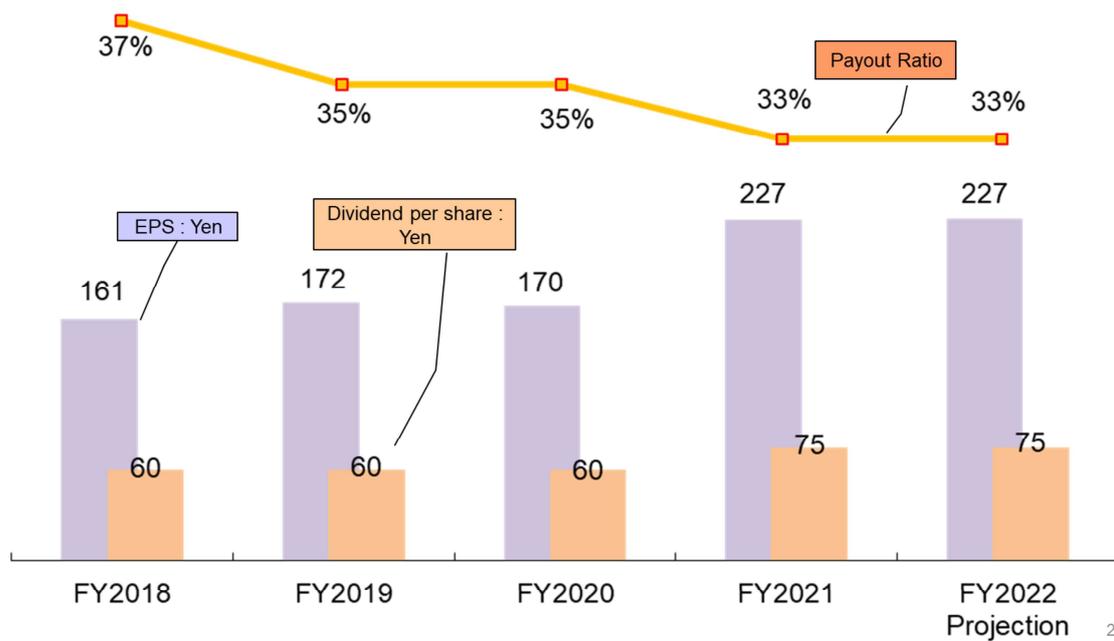
Financial Indicator



(Billions of yen)



Financial Indicator

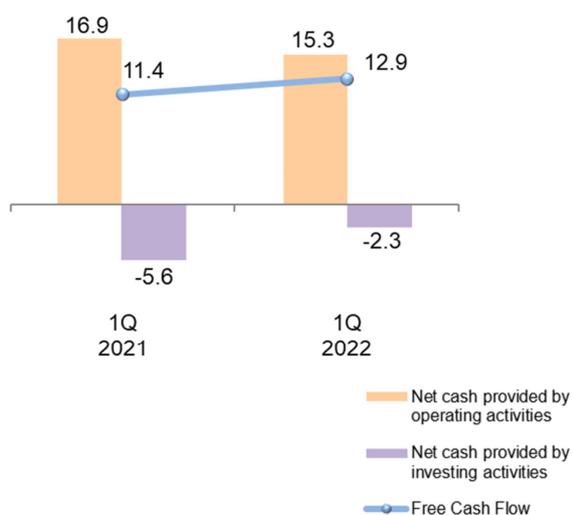


Financial Indicator



(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q Actual	2Q-4Q Projection	Full Year
FY 2021 Actual	3.2	9.4	12.6
FY 2022 Projection	1.8	10.8	12.6

※ FY2022 1Q is actual value.

■ Depreciation and amortization

	1Q Actual	2Q-4Q Projection	Full Year
FY 2021 Actual	2.6	7.6	10.2
FY 2022 Projection	2.5	7.2	9.7

※ FY2022 1Q is actual value.

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