

# 2Q 2022 Results

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**Canon**

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 second quarter of fiscal year 2022, despite your busy schedules.

We will be moving on to the results for the second quarter of 2022 and the projections.

**Net sales**                      **¥142.5 B**      **(Y/Y +7.7 B, +6%)**

- ✓ 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**            **¥13.0 B**      **( Y/Y +3.0 B, +30%)**

- ✓ Operating income increased due to an increase in the Enterprise, Area and Professional segments, offsetting a decrease in the Consumers segment.

**Net income attributable  
to owners of parent**            **¥9.3 B**      **( Y/Y +2.3 B, +32%)**

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On the second page, I will review the key points of the second quarter results.

Net sales increased 6% to ¥142.5 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 increased ¥3.0 billion to ¥13.0 billion. While it fell in the Consumers segment due to swelling IT expenses and other selling, general and administrative expenses, it rose in the Enterprise, Area and Professional segments.

Net income attributable to owners of parent rose ¥2.3 billion to ¥9.3 billion.

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

## Summary of Results

2Q 2022 Actual  
(from April 1 to June 30)

**Canon**

✓ **Operating Income, ordinary income and net income surpassed previous 2Q record highs.**

(Billions of yen)

	2Q 2021	2Q 2022	Changes	
			Amount	%
Net sales	134.8	142.5	+7.7	+6%
Gross profit	(35.5%) 47.8	(35.3%) 50.2	(-0.2%) +2.5	+5%
Operating income	(7.4%) 10.0	(9.2%) 13.0	(+1.7%) +3.0	+30%
Ordinary income	(7.9%) 10.6	(9.6%) 13.7	(+1.8%) +3.1	+29%
Net income attributable to owners of parent	(5.2%) 7.1	(6.6%) 9.3	(+1.3%) +2.3	+32%

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

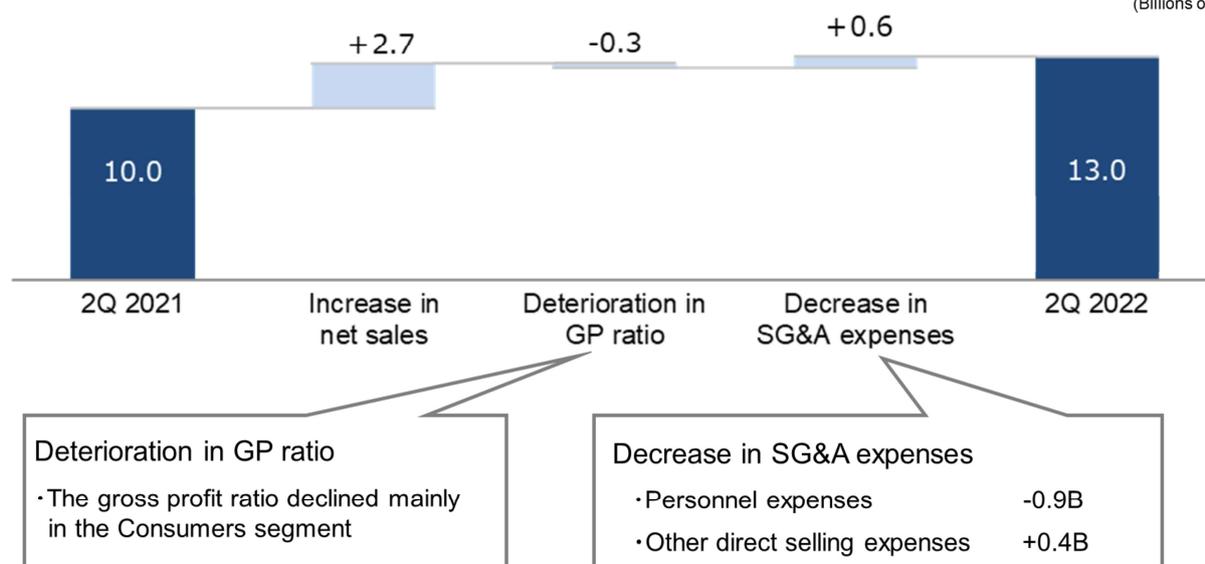
For the second quarter of 2022, operating income, ordinary income and net income attributable to owners of parent all surpassed previous record highs for the second quarter.

# Op. Income Variance Analysis

2Q 2022 Actual  
(from April 1 to June 30)



(Billions of yen)



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

Due to the rise in net sales, gross profit increased by ¥2.7 billion. Gross profit ratio declined slightly. This mainly reflected a reaction following the high share of sales that high-priced inkjet printer models represented in the same period of the previous year in the Consumers segment.

Selling, general and administrative expenses dropped ¥0.6 billion, following a decrease in retirement benefit expenses in the category of personnel expenses.

For details about selling, general and administrative expenses for the second quarter, please see the Breakdown of Selling, General and Administrative Expenses on page 23.

## Segment Outline

2Q 2022 Actual  
(from April 1 to June 30)

**Canon**

(Billions of yen)

	2Q 2021		2Q 2022		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	30.6	3.7	31.5	3.5	+0.9	-0.2
Enterprise	44.6	2.7	49.4	4.1	+4.7	+1.4
Area	56.8	3.4	55.6	4.0	-1.2	+0.7
Professional	8.0	0.9	11.1	1.9	+3.1	+1.0
Other	-5.2	-0.6	-5.1	-0.5	+0.1	+0.1
<b>Total</b>	<b>134.8</b>	<b>10.0</b>	<b>142.5</b>	<b>13.0</b>	<b>+7.7</b>	<b>+3.0</b>

※"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 second quarter by segment. The Enterprise and Professional segments saw a huge leap in sales and income.

## Summary of Results

1Q-2Q 2022 Actual  
(from January 1 to June 30)

**Canon**

- ✓ **Operating Income, ordinary income and net income surpassed previous 1H record highs.**

(Billions of yen)

	FY2021 1Q-2Q	FY2022 1Q-2Q	Changes	
			Amount	%
Net sales	275.1	289.9	+14.7	+5%
Gross profit	(34.6%) 95.1	(34.8%) 100.7	(+0.2%) +5.7	+6%
Operating income	(7.5%) 20.6	(9.6%) 27.8	(+2.1%) +7.2	+35%
Ordinary income	(7.8%) 21.5	(9.8%) 28.4	(+2.0%) +6.9	+32%
Net income attributable to owners of parent	(5.5%) 15.1	(6.7%) 19.4	(+1.2%) +4.3	+29%

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Page 6 onwards deals with year-to-date financial results.

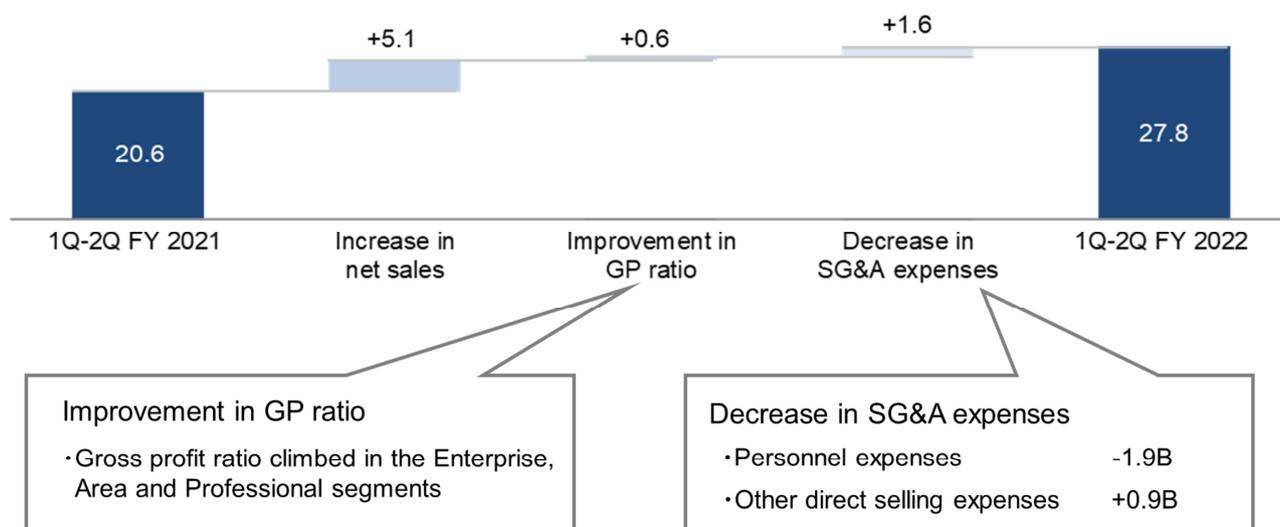
In the first half of 2022, product supply constraints continued amid rising purchase prices and logistics expenses. In this environment, we carried out proper cost control and increased our ability to propose solutions, mainly IT solutions, to increase the gross profit margin. As a result, we attained record operating income, ordinary income and net income attributable to owners of parent in the first half.

# Op. Income Variance Analysis

1Q-2Q 2022 Actual  
(from January 1 to June 30)



(Billions of yen)



Page 7 presents an analysis of operating income for the first half.

Operating income surged ¥0.6 billion. In addition to sales growth resulting in a ¥5.1 billion increase in gross profit, the gross profit margin began trending upward in the Enterprise, Area and Professional segments.

Selling, general and administrative expenses were reduced ¥1.6 billion, chiefly after a decline in retirement benefit expenses in the category of personnel expenses.

For details about selling, general and administrative expenses for the first half, please refer to the Breakdown of Selling, General and Administrative Expenses on page 24.

## Segment Outline

1Q-2Q 2022 Actual  
(from January 1 to June 30)

**Canon**

(Billions of yen)

	1Q-2Q 2021		1Q-2Q 2022		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	61.2	6.7	62.8	6.6	+1.5	-0.0
Enterprise	91.9	6.2	100.5	9.5	+8.6	+3.3
Area	116.2	7.3	112.8	8.5	-3.4	+1.2
Professional	16.1	1.5	23.9	4.1	+7.7	+2.5
Other	-10.3	-1.2	-10.1	-0.9	+0.2	+0.3
Total	275.1	20.6	289.9	27.8	+14.7	+7.2

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

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The eighth page shows the summary of the results for the first half by segment. The Enterprise and Professional segments saw a huge leap in sales and income.

- ✓ Net sales increased, mainly reflecting higher sales of digital interchangeable lens cameras and IT products.
- ✓ Operating income decreased chiefly due to the increase of SG&A expenses.

(Billions of yen)

	2Q		Changes
	FY2021	FY2022	
Net sales	30.6	31.5	+3%
Op. income	3.7	3.5	-4%
ratio	12.0%	11.1%	-0.9%

Consumer Products, Y/Y  
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	+3%	+3%	-	-	-
Inkjet Printer (IJP)	Unit	+6%	-0%	-	-	-
IJP Cartridge	Amount	+4%	-6%	-	-	-

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On the ninth and subsequent pages, I will explain results by segment. First, we are looking at the Consumers segment.

In the second quarter, this segment saw net sales up 3% year on year to ¥31.5 billion. This mainly reflects an increase in sales of digital interchangeable lens cameras and IT products although sales of inkjet printers and compact digital cameras shrank. Operating income was down ¥0.2 billion year on year to ¥3.5 billion. While high priced RF lenses continued to make brisk sales, IT expenses and other selling, general and administrative expenses increased.

(Digital interchangeable lens cameras)

Sales of digital interchangeable lens cameras surged 3% year on year. The EOS R7, a new model released in June, and other mirrorless cameras with the EOS R System achieved brisk sales. Regarding interchangeable lenses, an increase in the number of users of the EOS R series of mirrorless camera resulted in strong sales of RF lenses and other products.

(Inkjet printers)

Regarding inkjet printers, the sales volume was almost unchanged from the same period of the previous year. Although product supply was rallying, some models were still in short supply.

Ink cartridge sales decreased. This is explained chiefly by the reaction to the rush of demand before the price revision in April.

(IT products)

There was an increase in IT products sales. Amid the expansion of the e-sports market, sales of gaming computers grew. There was a turnaround in the supply of some computer peripherals.

- ✓ Net sales increased due to brisk sales of IT Solutions business.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales, and an improvement of gross profit ratio due to a growth of high value-added products and services.

(Billions of yen)

	2Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	15.3	15.3	-1%
IT Solutions	29.3	34.1	+16%
Net sales	44.6	49.4	+11%
Op. income	2.7	4.1	+54%
ratio	6.0%	8.4%	+2.3%

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

	2Q		Changes	
	2021	2022	Amount	%
Net sales	23.4	27.3	+3.9	+16%
Op. income	2.1	2.7	+0.6	+27%

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

		1Q					Full Year
		1Q	2Q	3Q	4Q		
Orders received	Amount	+14%	+19%	-	-	-	
Outstanding orders	Amount	+33%	+34%	-	-	-	

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

For the second quarter, net sales increased 11% year on year, to ¥49.4 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 was up ¥1.4 billion year on year to ¥4.1 billion. In addition to a rise in gross profit following the growth of sales centering on IT solutions, the gross profit margin rose following the increase of high value-added products and services.

(Main business equipment, Other)

Regarding main business equipment, sales of office MFPs and laser printers decreased due to the impact of the product supply shortage, while sales of laser printers grew considerably because of a large project acquired. Sales of maintenance services for office MFPs slid after printing volumes shrank in offices due to large companies continuing their teleworking initiatives. On the other hand, sales of LBP cartridges to the financial sector were relatively brisk, and they increased.

Consequently, net sales for the entire subsegment of main business equipment and other dropped 1% year on year.

(IT solutions)

IT solutions sales increased 16% year on year. This mainly reflects an increase in systems integration projects for manufacturers and financial institutions and buoyant sales in security and the Second Data Center.

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

Net sales for Canon IT Solutions Inc., a key affiliate, rose 16% year on year, to ¥27.3 billion.

Operating income for the affiliate grew ¥0.6 billion from the previous fiscal year, to ¥2.7 billion.

Orders received were up 19% year on year, reflecting brisk systems integration projects for manufacturers and financial institutions and growing projects for the Second Data Center and other projects.

Outstanding orders grew 34% 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.

- ✓ Despite strong performance of IT Solutions business, net sales decreased due to a decline in sales of main business equipment affected by product supply shortage.
- ✓ Operating income increased significantly, reflecting an improvement of gross profit ratio due to an increase of high value-added products and services, and efforts made to cut SG&A expenses.

(Billions of yen)

	2Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	41.5	39.5	-5%
IT Solutions	15.4	16.2	+5%
Net sales	56.8	55.6	-2%
Op. income	3.4	4.0	+20%
ratio	5.9%	7.2%	+1.3%

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

	2Q		Changes	
	2021	2022	Amount	%
Net sales	24.7	24.2	-0.5	-2%
Op. income	0.8	1.1	+0.4	+50%

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

Net sales for the second quarter were down 2% year on year to ¥55.6 billion, due chiefly to a decline in business equipment sales following the supply shortage despite strong sales of IT solutions.

In contrast, operating income grew ¥0.7 billion year on year to ¥4.0 billion. This was a result of efforts to increase the gross profit margin by promoting high-value added products and services, mainly in IT solutions, and to reduce selling, general and administrative 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. LBP cartridge sales tumbled in reaction to the rush of demand in the first quarter prior to the price revision in April.

Consequently, net sales for the entire subsegment of main business equipment and other dropped 5% 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 whole IT solutions subsegment increased 5% year on year.

(Results for Canon System & Support Inc.)

Net sales for Canon System & Support Inc., a key affiliate, declined 2% year on year, to ¥24.2 billion. Operating income rose ¥0.4 billion year on year to ¥1.1 billion, reflecting an increase in gross profit following an increase in the percentage of high value-added products.

\*The Area segment up to here  
<Network cameras>

The second-quarter results regarding network cameras for the entire Group are stated in the Supplementary Material for 2022 2Q. Although some models remained affected by the supply shortage, sales increased 18% year on year. There was still significant need for remote video applications to avoid physical human contact.

- ✓ Net sales increased thanks to the increase of all subsegments.
- ✓ Operating income increased significantly, reflecting a higher gross profit due to an increase of net sales, and a reduction of SG&A expenses.

(Billions of yen)

	2Q		
	FY2021	FY2022	Changes
Production Printing	2.2	2.2	+0%
Industrial Equipment	4.3	7.1	+66%
Healthcare Business	1.4	1.7	+20%
Net sales	8.0	11.1	+39%
Op. income	0.9	1.9	+121%
ratio	10.7%	17.1%	+6.3%

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

	2Q		Changes	
	2021	2022	Amount	%
Net sales	2.1	2.1	+0.0	+0%
Op. income	0.1	0.1	+0.0	+10%

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On the twelfth page, I will explain the Professional segment

Sales for the second quarter were up 39% year on year to ¥11.1 billion. All subsegments achieved higher sales figures. Operating income also went up ¥1.0 billion year on year to ¥1.9 billion, after growth in gross profit following the sales surge and the reduction of SG&A expenses.

(Production printing)

Sales of production printing stayed flat year on year. While a decline in printing volumes led to a fall in sales of consumables, active investments mainly by manufacturers resulted in bullish sales of wide-format printers for CAD applications.

Canon Production Printing Systems Inc., another key affiliate, achieved a slight year-on-year increase of net sales to ¥2.1 billion. Operating income increased ¥10 million year on year to ¥100 million due to reductions to SG&A expenses.

In the supplementary material for 2022 2Q, you can see Commercial Printing in the second row from the bottom in the Business Products table. It includes production printing and the production printer business, although the sales of the latter are recorded in other segments. In the second quarter, sales in Commercial Printing rose 1% year on year.

(Industrial equipment)

In the industrial equipment category, sales of semiconductor manufacturing-related equipment and maintenance services were buoyant amid the continuously strong investments being made by semiconductor manufacturers in Japan. In addition, some projects were moved up. Sales leaped hugely, 66% year on year.

(Healthcare)

Healthcare sales grew considerably by 20% 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 systems in clinics and pharmacies.

## Overall Sales of IT Solutions



(Billions of yen)

### ■ By Segment

	2Q 2021	2Q 2022	1Q-2Q 2021	1Q-2Q 2022	Changes		Changes	
					Amount	%	Amount	%
Enterprise segment	29.3	34.1	60.4	70.3	+4.8	+16%	+9.9	+16%
Area segment	15.4	16.2	32.6	33.7	+0.8	+5%	+1.1	+3%
Other	6.8	7.7	15.7	16.8	+0.9	+13%	+1.0	+6%
Total	51.4	57.9	108.8	120.8	+6.5	+13%	+12.0	+11%

### ■ By Product and Solution

	2Q 2021	2Q 2022	1Q-2Q 2021	1Q-2Q 2022	Changes		Changes	
					Amount	%	Amount	%
SI service	17.4	20.0	36.2	41.2	+2.6	+15%	+4.9	+14%
Maintenance and operation service /outsourcing	10.3	11.9	20.4	24.4	+1.6	+16%	+4.1	+20%
System sales/IT product	23.7	26.0	52.2	55.2	+2.3	+10%	+3.0	+6%
Total	51.4	57.9	108.8	120.8	+6.5	+13%	+12.0	+11%

※ 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 thirteenth 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 second quarter.

Conditions in the Enterprise and Area segments are as explained in the Segment Information section. As for the Other segment, overall sales increased enormously. In addition to growing sales of IT products in the Consumers segment, there were several projects for electronic medical records and the construction of medical IT platforms for hospitals and clinics in healthcare.

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

SI service sales increased significantly, mainly given the strong performance of SI projects for manufacturers and financial institutions and projects for electronic medical records in healthcare.

Brisk sales were achieved in maintenance and operation services and outsourcing. In the Enterprise, the Second Data Center's projects and systems maintenance and operations grew. In the Area segment, overall sales jumped massively, since sales in IT maintenance, which continued to be a focus, were strong.

System sales and IT product sales increased considerably. Although sales of some products were affected by the product supply shortage due to the semiconductor shortage, there were brisk sales of ESET and other security solutions in the Enterprise and Area segments.

## Summary of Projections



(Billions of yen)

	FY2022 Previous Projection	FY2022 Current Projection	Changes		FY2021 Actual	Changes	
			Amount	%		Amount	%
Net Sales	583.0	590.0	+7.0	+1%	552.1	+37.9	+7%
	(7.1%)	(7.8%)	(+0.7%)		(7.2%)	(+0.6%)	
Operating Income	41.5	46.0	+4.5	+11%	39.7	+6.3	+16%
	(7.4%)	(8.0%)	(+0.6%)		(7.4%)	(+0.5%)	
Ordinary Income	43.0	47.0	+4.0	+9%	41.1	+5.9	+14%
	(5.1%)	(5.4%)	(+0.4%)		(5.3%)	(+0.1%)	
Net income attributable to owners of parent	29.5	32.0	+2.5	+8%	29.4	+2.6	+9%

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The fourteenth page shows a summary of projections.

We have made intensive efforts to develop our ability to propose solutions and worked to increase the percentage of products and services that are high added-value products and services to increase gross profit. In addition, we have endeavored to reduce selling, general and administrative expenses to shift to a leaner structure.

In the first half, gross profit increased and selling, general and administrative expenses decreased as a result of these efforts. This resulted in the huge growth of income.

In the second half, we will continue these efforts to accelerate the profitable growth of IT solutions. We will also work hard to promote Canon products according to their supply, which is increasing.

At the same time, we should properly handle the increased prices of semiconductors and logistics which have continued from the preceding year and the soaring raw materials prices related to the affairs in Ukraine. We have already increased the selling prices of some products to address the rising costs. Depending on market and product peculiarities, it may take more time to increase selling prices. We will revise product prices according to costs as soon as possible. In addition, we will take measures to control COVID-19 infection, invest in IT with the goal of increasing productivity and implement other investments for the creation of original solutions and otherwise achieving continuous growth.

In consideration of the circumstances mentioned earlier, we have revised the net sales, operating income, ordinary income and net income attributable to owners of parent forecasts upward ¥7.0 billion, ¥4.5 billion, ¥4.0 billion and ¥2.5 billion respectively.

In line with this revision, the Supplementary Material for 2022 2Q have also been revised.

## Summary of Projections by Segment

### FY2022 Previous Projection vs. 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	131.3	12.8	135.8	12.8	+4.5	+3%	-
Enterprise	198.0	14.0	199.5	16.4	+1.5	+1%	+2.4
Area	232.5	13.6	232.5	14.5	-	-	+0.9
Professional	39.8	3.4	40.8	4.6	+1.0	+3%	+1.2
Other	-18.6	-2.3	-18.6	-2.3	-	-	-
<b>Total</b>	<b>583.0</b>	<b>41.5</b>	<b>590.0</b>	<b>46.0</b>	<b>+7.0</b>	<b>+1%</b>	<b>+4.5</b>

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

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

Sales of mirrorless cameras including the EOS R System and interchangeable lenses in the Consumers segment, high value-added IT solutions in the Enterprise and Area segments and industrial equipment in the Professional segment were brisk.

Thus, we have revised net sales projections upward ¥4.5 billion in the Consumers segment. We have also revised net sales and the operating income forecast upward ¥1.5 billion and ¥2.4 billion, respectively, in the Enterprise segment. Operating income projections were revised upward ¥0.9 billion in the Area segment. In the Professional segment, net sales and operating income forecast were revised upward ¥1 billion and ¥1.2 billion, respectively.

## Summary of Projections by Segment



### FY2021 Actual vs FY2022 Projection

(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	135.8	12.8	+6.3	+5%	-0.8
Enterprise	190.6	13.9	199.5	16.4	+8.9	+5%	+2.5
Area	220.8	12.0	232.5	14.5	+11.7	+5%	+2.5
Professional	31.5	2.5	40.8	4.6	+9.3	+29%	+2.1
Other	-20.3	-2.3	-18.6	-2.3	+1.7	-	-0.0
Total	552.1	39.7	590.0	46.0	+37.9	+7%	+6.3

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

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

In the Consumers segment, a surge in sales and a reduction of income are projected due to the increase of procurement prices and IT expenses. In the other segments, sales and income are forecast to grow.

## Summary of Projections : Segment Information



(Billions of yen)

	Actual 1Q-2Q 2021		Actual 3Q-4Q 2021		Actual 1Q-2Q 2022		Projection 3Q-4Q 2022		Changes 1Q-2Q		Changes 3Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	61.2	6.7	68.2	6.9	62.8	6.6	73.0	6.2	+1.5	-0.0	+4.8	-0.7
Enterprise	91.9	6.2	98.7	7.6	100.5	9.5	99.0	6.9	+8.6	+3.3	+0.3	-0.7
Area	116.2	7.3	104.6	4.7	112.8	8.5	119.7	6.0	-3.4	+1.2	+15.1	+1.2
Professional	16.1	1.5	15.4	1.0	23.9	4.1	16.9	0.5	+7.7	+2.5	+1.5	-0.4
Other	-10.3	-1.2	-10.0	-1.1	-10.1	-0.9	-8.5	-1.4	+0.2	+0.3	+1.5	-0.3
Total	275.1	20.6	276.9	19.1	289.9	27.8	300.1	18.2	+14.7	+7.2	+23.2	-0.9

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

17-1

Page 17 includes a year-on-year comparison of actual figures for the first half and projections for the second half. Let us take a look segment by segment.

First, let us focus on the second-half projections in the Consumers segment.

Annual sales volume of digital cameras is expected to increase. New models, the EOS R7 and the EOS R10, will sell briskly. Sales of interchangeable lenses will also rise, especially sales of RF lenses.

The sales volume of inkjet printers is projected to rise given that product supply will rally. Ink cartridge sales are projected to decrease, reflecting a market contraction due mainly to a decline in demand for color printing.

Regarding IT products, sales of gaming computers and computer peripherals are expected to grow amid the expansion of the e-sports market.

Operating income is forecast to slide due to increases in sales promotion expenses and IT expenses, given the anticipated increase in purchase prices and the easing of supply constraints in the market as a whole.

As a result of these factors, net sales will grow for the second half and for the full year. Operating income is projected to decrease both in the second half and the full year. However, we will accelerate our approach by customer group for cameras, including the new models in the EOS R Series announced in May and July in an effort to increase sales.

Next, the second-half projections in the Enterprise segment.

Regarding main business equipment, sales of office MFPs and LBPs will surge following a turnaround in product supply. On the other hand, the volume of printing in offices is expected shrink as teleworking continues, mainly in large companies.

As for IT solutions, systems integration projects for manufacturers and distributors and of the Second Data Center, sales will be brisk.

As a result of these factors, net sales will grow for the second half and for the full year. On the other hand, operating income is forecast to decline for the second half due to the surging cost of software development for new services, the increase of logistics and other selling, general and administrative expenses and the ending of several business process outsourcing (BPO) projects that existed in the previous fiscal year. Full-year operating income is projected to rise.

## Summary of Projections : Segment Information



(Billions of yen)

	Actual 1Q-2Q 2021		Actual 3Q-4Q 2021		Actual 1Q-2Q 2022		Projection 3Q-4Q 2022		Changes 1Q-2Q		Changes 3Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	61.2	6.7	68.2	6.9	62.8	6.6	73.0	6.2	+1.5	-0.0	+4.8	-0.7
Enterprise	91.9	6.2	98.7	7.6	100.5	9.5	99.0	6.9	+8.6	+3.3	+0.3	-0.7
Area	116.2	7.3	104.6	4.7	112.8	8.5	119.7	6.0	-3.4	+1.2	+15.1	+1.2
Professional	16.1	1.5	15.4	1.0	23.9	4.1	16.9	0.5	+7.7	+2.5	+1.5	-0.4
Other	-10.3	-1.2	-10.0	-1.1	-10.1	-0.9	-8.5	-1.4	+0.2	+0.3	+1.5	-0.3
Total	275.1	20.6	276.9	19.1	289.9	27.8	300.1	18.2	+14.7	+7.2	+23.2	-0.9

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

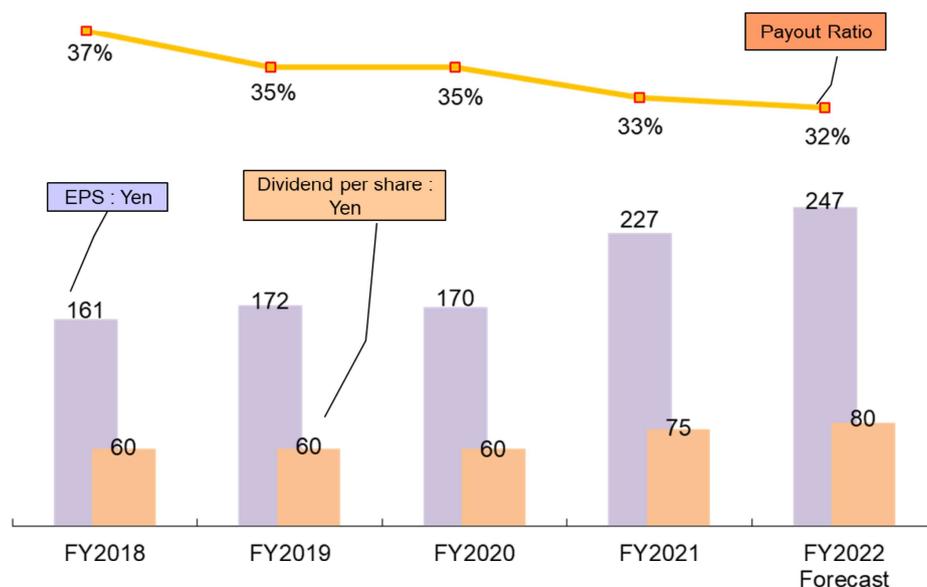
17-2

We will now be moving on to second-half projections in the Area segment. In main business equipment, sales of office MFPs and LBPs will be higher in the second half after a turnaround in product supply. In IT Solutions, sales of the HOME IT support cloud service and the ESET antivirus software and other security solutions are projected to continue to be solid. Operating income is forecast to increase with the help of a gross profit surge after sales growth despite hikes in purchase prices.

As a result of these factors, net sales will grow for the second half and for the full year. Operating income is projected to rise both in the second half and the full year, thanks to strong sales of IT solutions.

Next, we will discuss second-half projections in the Professional segment. Regarding production printing, sales of color continuous feed printers will climb for publication and other applications. Regarding the point-of-purchase production-related business, software projects for retailers will increase. Sales in connection with industrial equipment are expected to decrease because projects anticipated in the third quarter and later were moved up to the first half. In healthcare, projects concerning electronic medical records, the construction of medical IT platforms and the introduction of online insurance eligibility verification systems are expected to continuously increase.

As a result of these factors, overall net sales in the Professional segment are forecast to rise both in the second half and the full year. Operating income is forecast to decline in the second half due to the increase in sales of services and parts in industrial equipment in the second half of the previous fiscal year. However, full year operating income is forecast to increase.

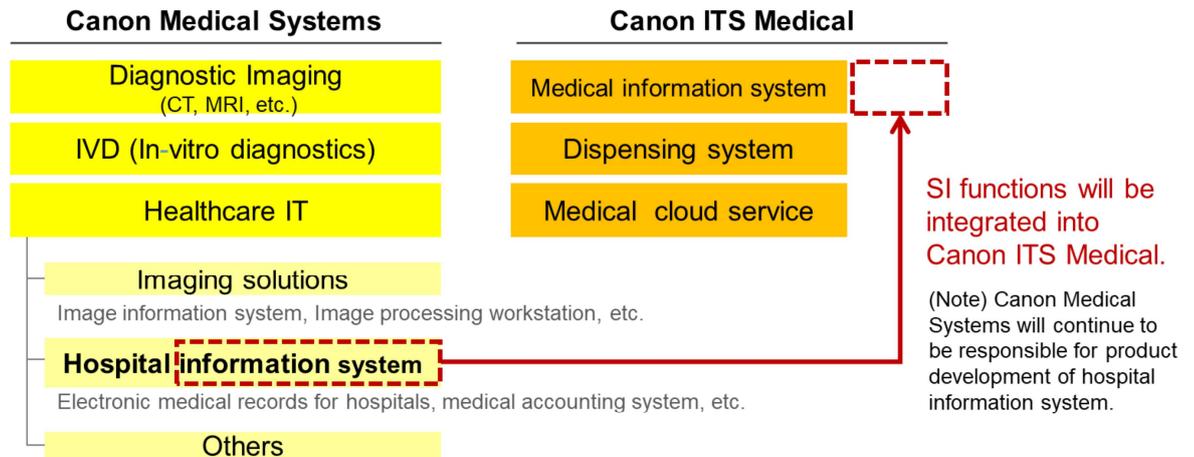


This slide shows our annual dividend forecast.

In view of the projections announced today and the actual payout ratios in the past, we have decided to pay interim dividends of ¥40 per share and year-end dividends of ¥40 per share. That means that the annual dividends per share will be increased from ¥75 to ¥80.

# Reorganization to Strengthen the Healthcare IT Business

- ✓ The Company, Canon ITS Medical inc. (a subsidiary of the Company) and Canon Medical Systems Corporation (a subsidiary of Canon) have entered into a basic agreement today on the integration of the SI business for Canon Medical Systems' hospital information system into Canon ITS Medical.



News release (<https://canon.jp/corporate>)

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Finally, I would like to explain the reorganization to strengthen the healthcare IT business. We published a news release on it earlier today.

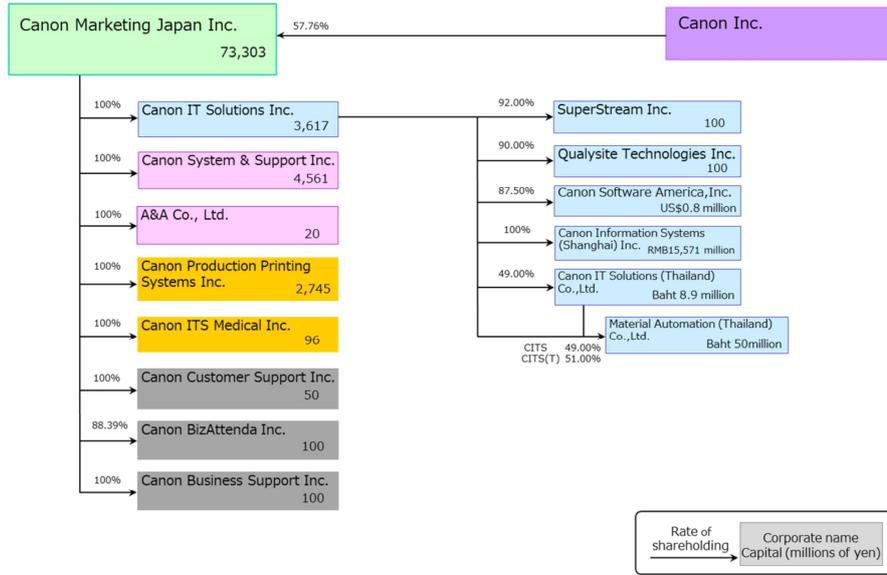
The news release was published to inform you that Canon Marketing Japan Inc., Canon ITS Medical Inc. and Canon Medical Systems Corporation have today entered into a basic agreement on the integration of the SI business in Canon Medical Systems' hospital information system business into Canon ITS Medical.

Canon ITS Medical is strong in systems integration for hospital information systems that require specialized and advanced systems integration skills. The goal of this integration is the streamlining of operations, the increase of productivity and the achievement of continued business growth.

The timing of the integration has yet to be determined. The three companies will discuss it in depth with a view towards achieving the integration in 2023.

Supplementary  
Information

# Capital Relationship Diagram



# Results of main consolidated companies

2Q 2022 Actual  
(from April 1 to June 30)



(Billions of yen)

		2Q 2021		2Q 2022		Changes	
						Amount	%
<b>Enterprise</b>							
Canon IT Solutions Inc.	Net sales	23.4		27.3		+3.9	+16%
	Op. income	2.1	(9.0%)	2.7	(9.8%)	+0.6	(+0.8%)
<b>Area</b>							
Canon System & Support Inc.	Net sales	24.7		24.2		-0.5	-2%
	Op. income	0.8	(3.1%)	1.1	(4.7%)	+0.4	(+1.6%)
<b>Professional</b>							
Canon Production Printing Systems Inc.	Net sales	2.1		2.1		+0.0	+0%
	Op. income	0.1	(4.5%)	0.1	(4.9%)	+0.0	(+0.4%)

# Results of main consolidated companies

1Q-2Q 2022 Actual  
(from January 1 to June 30)



(Billions of yen)

		1Q-2Q 2021	1Q-2Q 2022	Changes	
				Amount	%
<b>Enterprise</b>					
Canon IT Solutions Inc.	Net sales	47.9	55.0	+7.1	+15%
	Op. income	4.5 (9.5%)	6.4 (11.7%)	+1.9 (+2.3%)	
<b>Area</b>					
Canon System & Support Inc.	Net sales	50.9	49.0	-1.9	-4%
	Op. income	1.8 (3.5%)	2.6 (5.2%)	+0.8 (+1.7%)	
<b>Professional</b>					
Canon Production Printing Systems Inc.	Net sales	4.2	4.4	+0.2	+5%
	Op. income	0.1 (3.5%)	0.3 (6.7%)	+0.2 (+3.3%)	

## SG&A expenses

2Q 2022 Actual  
(from April 1 to June 30)

**Canon**

(Billions of yen)

	2Q 2021	2Q 2022	Changes
Advertising expenses	1.0	1.0	+0.0
Promotion expenses	0.7	0.7	-0.0
Warranty expenses	0.7	0.7	-0.0
Other direct selling expenses	4.4	4.3	-0.1
Personnel expenses	24.1	23.2	-0.9
Depreciation and amortization	0.3	0.2	-0.0
Other selling expenses	6.6	7.1	+0.4
<b>Total</b>	<b>37.8</b>	<b>37.2</b>	<b>-0.6</b>

## SG&A expenses

1Q-2Q 2022 Actual  
(from January 1 to June 30)

**Canon**

(Billions of yen)

	1Q-2Q 2021	1Q-2Q 2022	Changes
Advertising expenses	1.8	1.8	+0.0
Promotion expenses	1.4	1.3	-0.0
Warranty expenses	1.5	1.4	-0.1
Other direct selling expenses	8.7	8.3	-0.4
Personnel expenses	47.7	45.9	-1.9
Depreciation and amortization	0.5	0.5	-0.0
Other selling expenses	12.9	13.7	+0.9
<b>Total</b>	<b>74.5</b>	<b>72.9</b>	<b>-1.6</b>

## Non-operating income and expenses

Canon

(Billions of yen)

	FY2021		FY2022		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Interest income	0.1	0.1	0.1	0.1	+0.0	+0.0
Dividend income	0.1	0.1	0.1	0.1	+0.0	+0.0
Insurance income	0.5	0.5	0.4	0.4	-0.0	-0.0
Gain on investments in partnership	0.0	0.2	-	-	-0.0	-0.2
Other	0.0	0.1	0.1	0.1	+0.1	+0.0
<b>Total non-operating income</b>	<b>0.7</b>	<b>1.1</b>	<b>0.7</b>	<b>0.9</b>	<b>+0.1</b>	<b>-0.2</b>
Interest expense	0.0	0.0	0.0	0.0	-0.0	-0.0
Foreign exchange losses	0.0	0.0	-0.0	0.1	-0.0	+0.0
Loss on investments in partnership	-	-	0.0	0.2	+0.0	+0.2
Other	0.0	0.1	0.0	0.1	-0.0	-0.0
<b>Total non-operating expenses</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>-0.0</b>	<b>+0.2</b>

# Extraordinary income and losses



(Billions of yen)

	FY2021		FY2022		Changes	
	2Q	1Q-2Q	2Q	1Q-2Q	2Q	1Q-2Q
Gain on sales of fixed assets	0.0	0	0.0	0.0	+0.0	-0.0
Gain on sales of investments in securities	-	0	-	0.0	-	+0.0
Gain on sales of shares of subsidiaries and associates	-	0.9	-	-	-	-0.9
Other	0.0	0	0.0	0.0	-0.0	-0.0
<b>Total extraordinary income</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>+0.0</b>	<b>-0.9</b>
Loss on sales and disposal of fixed assets	0.0	0.1	0.0	0.0	-0.0	-0.0
Loss on disaster	0.2	0.2	-	-	-0.2	-0.2
Loss on valuation of investments in securities	-	-	0.0	0.0	+0.0	+0.0
Other	-	-	-	0.0	-	+0.0
<b>Total extraordinary losses</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.2</b>

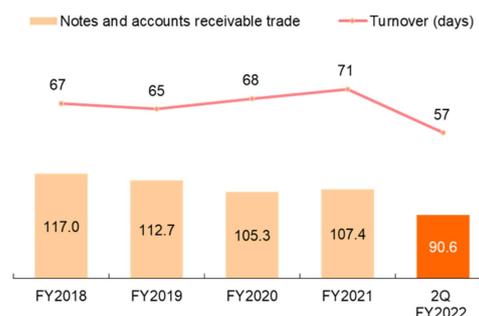
# Balance Sheets



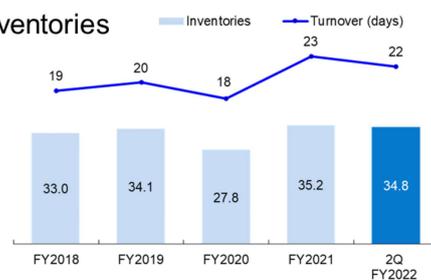
(Billions of yen)

	Dec. 31 2021	Jun. 30 2022	Changes
<b>Assets</b>	526.4	528.6	+2.2
<b>Current assets</b>	396.1	402.4	+6.3
Cash and deposits	68.0	88.7	+20.7
Notes and accounts receivable-trade	107.4	90.6	-16.7
Inventories	35.2	34.8	-0.4
Other (current assets)	185.4	188.2	+2.7
<b>Non-current assets</b>	130.3	126.2	-4.1
Property, plant and equipment	85.2	84.1	-1.0
Intangible assets	6.5	6.1	-0.4
Investments and other assets	38.7	36.0	-2.6
<b>Liabilities</b>	151.7	143.4	-8.3
<b>Current liabilities</b>	107.1	100.2	-6.9
Notes and accounts payable-trade	46.3	41.6	-4.7
Other (current liabilities)	60.8	58.6	-2.2
<b>Long-term liabilities</b>	44.6	43.2	-1.4
<b>Net assets</b>	374.7	385.2	+10.5
Stakeholders' equity	362.9	376.4	+13.5
(Treasury stock)	-2.1	-2.1	+0.0
Total accumulated other comprehensive income (loss)	11.1	8.0	-3.1
Stock Acquisition Rights	0.0	0.0	+0.0
Non-controlling interests	0.7	0.8	+0.0
<b>Equity ratio</b>	71%	73%	+2%

## Notes and accounts receivable trade (Billions of yen)



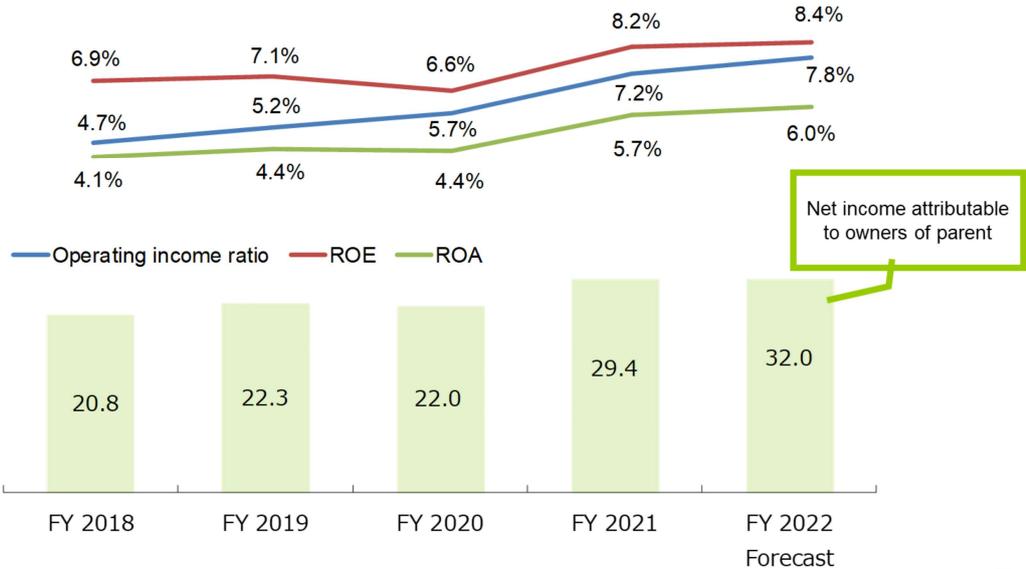
## Inventories

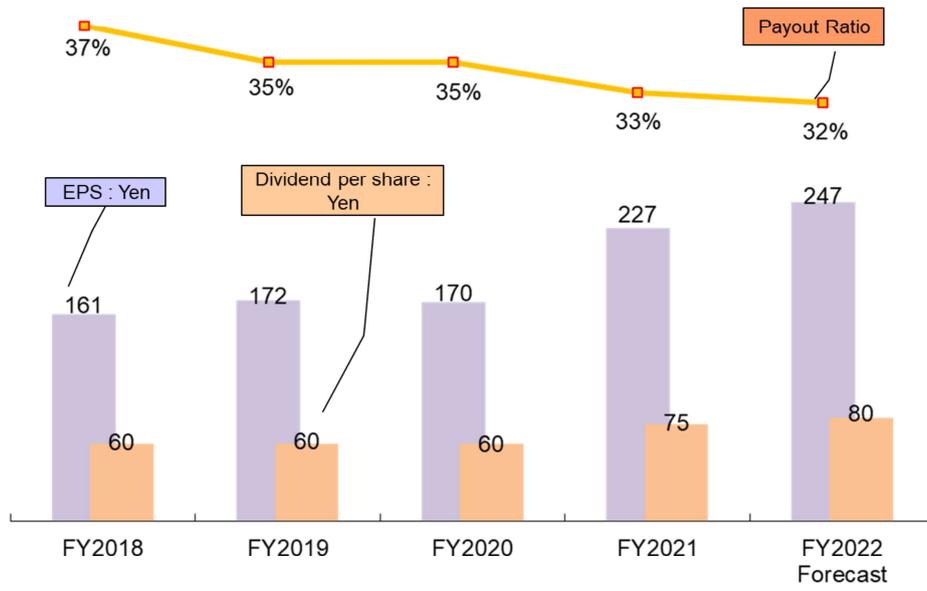


# Financial Indicator



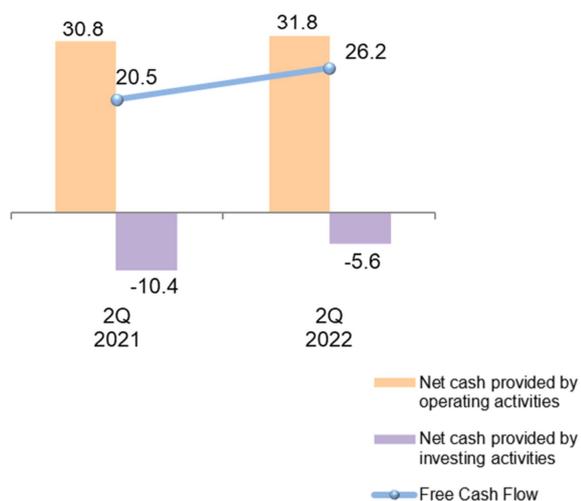
(Billions of yen)





(Billions of yen)

## ■ Cash Flow



## ■ Capital Investment

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2021	7.4	5.3	12.6
FY 2022	3.5	9.1	12.6

※ FY2022 1Q-2Q is actual value.

## ■ Depreciation and amortization

	1Q-2Q Actual	3Q-4Q Projection	FY Projection
FY 2021	5.2	5.0	10.2
FY 2022	4.9	4.9	9.7

※ FY2022 1Q-2Q is actual value.

**Canon**

Canon Marketing Japan Inc.