

3Q 2022 Results

October 25, 2022
Hatsumi Hirukawa
Director, Vice President



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

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

Net sales	¥138.2 B	(Y/Y +15.2 B, +12%)
------------------	-----------------	----------------------------

✓ Net sales increased significantly due to an increase in all segments.

Operating Income	¥10.0 B	(Y/Y +3.9 B, +65%)
-------------------------	----------------	----------------------------

✓ Operating income increased significantly due to an increase in all segments.

Net income attributable to owners of parent	¥7.3 B	(Y/Y +2.1 B, +40%)
--	---------------	----------------------------

2

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

Sales for the third quarter rose 12% year on year to ¥138.2 billion, with all segments achieving higher sales figures.

Operating income was up ¥3.9 billion to ¥10.0 billion. This figure also surged in all segments.

Net income attributable to owners of parent rose ¥2.1 billion to 7.3 billion.

Summary of Results

3Q 2022 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q 2021	3Q 2022	Changes	
			Amount	%
Net sales	123.0	138.2	+15.2	+12%
Gross profit	(35.1%) 43.2	(33.8%) 46.7	(-1.3%) +3.5	+8%
Operating income	(4.9%) 6.1	(7.3%) 10.0	(+2.3%) +3.9	+65%
Ordinary income	(5.1%) 6.3	(7.4%) 10.2	(+2.3%) +3.9	+62%
Net income attributable to owners of parent	(4.2%) 5.2	(5.3%) 7.3	(+1.0%) +2.1	+40%

3

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

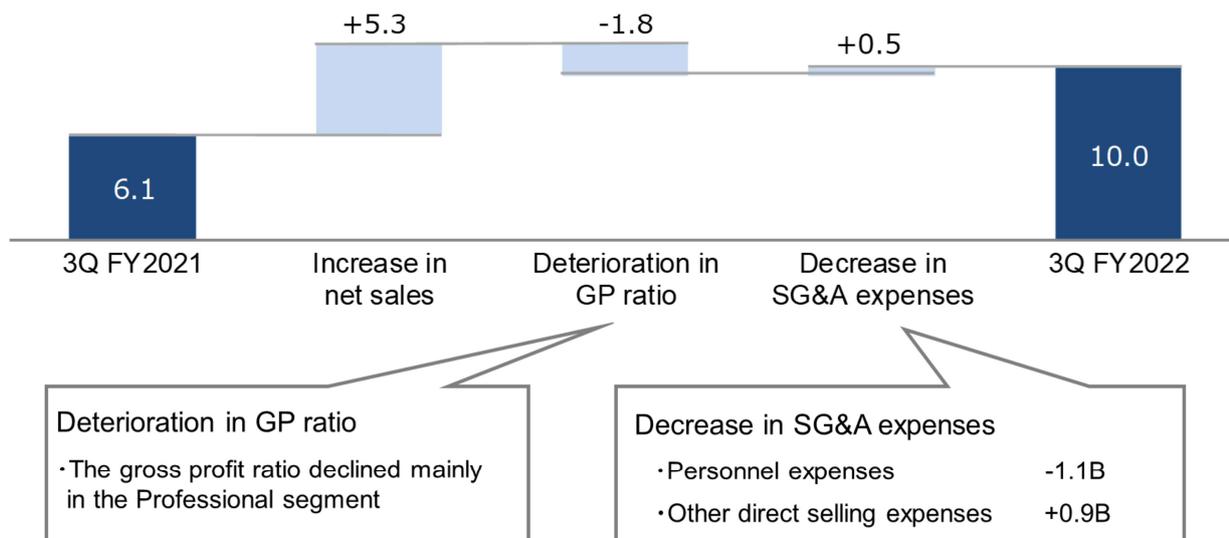
The third quarter produced increases in both sales and income, in part due to a recovery in the supply of products and the continued strength of the IT Solutions business.

Op. Income Variance Analysis

3Q 2022 Actual
(from July 1 to September 30)



(Billions of yen)



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

Due to the rise in net sales, gross profit increased by ¥5.3 billion.

Looking at the gross profit ratio, while the sales prices of major Canon products have been maintained or increased, as a result of ongoing sales of a wide range of products, the gross profit ratio in the Consumers, Enterprise and Area segments worsened slightly. The gross profit ratio also deteriorated year on year in the Professional segment, in part a reactionary decline from the higher ratio achieved in the previous year due to increased sales of maintenance parts for industrial equipment.

SG&A expenses declined by ¥500 million, chiefly due to a decline in personnel expenses mainly comprising retirement benefits, despite an increase in other direct selling expenses due to higher IT expenses and other factors.

For details about SG&A expenses for the third quarter, please see SG&A expenses on page 24.

Segment Outline

3Q 2022 Actual
(from July 1 to September 30)

Canon

(Billions of yen)

	3Q FY2021		3Q FY2022		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	26.7	1.7	31.2	2.9	+4.5	+1.1
Enterprise	45.0	2.9	48.5	3.4	+3.4	+0.5
Area	49.2	1.5	54.4	3.2	+5.2	+1.7
Professional	6.7	0.4	9.4	1.1	+2.7	+0.7
Other	-4.6	-0.6	-5.2	-0.6	-0.6	-0.0
Total	123.0	6.1	138.2	10.0	+15.2	+3.9

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

5

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

Both sales and income increased in all segments.

Summary of Results

1Q-3Q 2022 Actual
(from January 1 to September 30)

Canon

✓ **Operating income, ordinary income, and net income surpassed previous 1Q-3Q record highs.**

(Billions of yen)

	1Q-3Q 2021	1Q-3Q 2022	Changes	
			Amount	%
Net sales	398.2	428.1	+29.9	+8%
Gross profit	(34.7%) 138.2	(34.4%) 147.4	(-0.3%) +9.2	+7%
Operating income	(6.7%) 26.7	(8.8%) 37.9	(+2.1%) +11.2	+42%
Ordinary income	(7.0%) 27.8	(9.0%) 38.6	(+2.0%) +10.8	+39%
Net income attributable to owners of parent	(5.1%) 20.3	(6.2%) 26.7	(+1.1%) +6.4	+32%

6

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

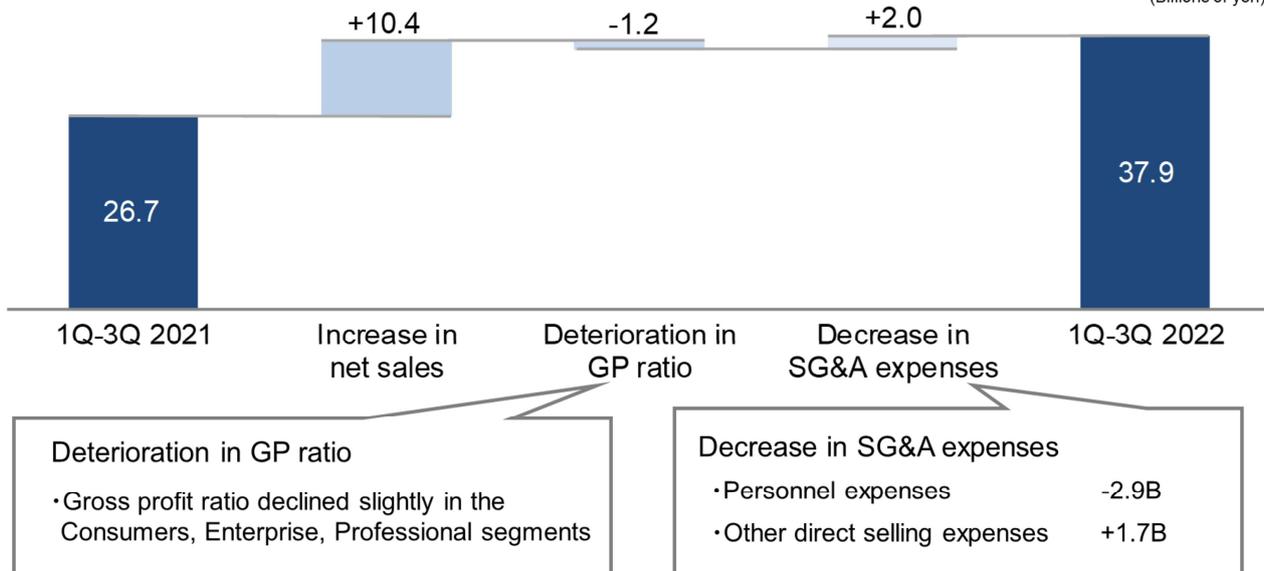
For the first nine months of 2022, we managed to surpass previous record highs for operating income, ordinary income and net income.

Op. Income Variance Analysis

1Q-3Q 2022 Actual
(from January 1 to September 30)



(Billions of yen)



Page 7 represents an analysis of operating income for the first nine months of the year.

Due to the rise in net sales, gross profit increased by ¥10.4 billion.

In the Consumers, Enterprise and Professional segments, gross profit ratio deteriorated slightly due to sales of a wide range of products.

SG&A expenses declined by ¥2.0 billion, chiefly due to a decline in personnel expenses mainly comprising retirement benefits despite an increase in other direct selling expenses due to higher IT expenses and other factors.

IT expenses include investments to boost internal productivity and strengthen relationships with customers.

For details about SG&A expenses for the first nine months, please refer to SG&A expenses on page 25.

Segment Outline

1Q-3Q 2022 Actual
(from January 1 to September 30)

Canon

(Billions of yen)

	1Q-3Q 2021		1Q-3Q 2022		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	87.9	8.4	93.9	9.5	+6.0	+1.1
Enterprise	136.9	9.2	149.0	12.9	+12.1	+3.8
Area	165.4	8.9	167.2	11.7	+1.8	+2.9
Professional	22.8	2.0	33.3	5.2	+10.4	+3.2
Other	-14.9	-1.7	-15.3	-1.5	-0.4	+0.2
Total	398.2	26.7	428.1	37.9	+29.9	+11.2

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

8

Page 8 shows a summary of results for the first nine months by segment.

Sales increased in all segments, and all segments recorded double-digit growth in operating income.

- ✓ Net sales increased significantly, mainly reflecting higher sales of digital interchangeable lens cameras and IT products.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	3Q		
	FY2021	FY2022	Changes
Net sales	26.7	31.2	+17%
Op. income	1.7	2.9	+65%
ratio	6.5%	9.3%	+2.7%

Consumer Products, Y/Y Non-consolidated		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	+3%	+3%	+35%	-	-
Inkjet Printer (IJP)	Unit	+6%	-0%	+5%	-	-
IJP Cartridge	Amount	+4%	-6%	-3%	-	-

9

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

In the third quarter, sales rose 17% year on year to ¥31.2 billion in this segment. This mainly reflects an increase in sales of digital interchangeable lens cameras and IT products, despite a decline in sales of inkjet printer cartridges. Operating income rose ¥1.1 billion year on year to ¥2.9 billion following growth in gross profit due to increased sales.

(Digital interchangeable lens cameras)

The number of digital interchangeable lens cameras sold rose 35% year on year, reflecting increased sales of mirrorless cameras equipped with the EOS R system, including the EOS R7 released in June, and the EOS R10 released in July. 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)

The number of inkjet printers sold increased 5% year on year, reflecting strong performance of high-priced models and a turnaround in the supply of products.

Sales of ink cartridges decreased slightly due to a market contraction, mainly reflecting a decline in color printing volume.

(IT products)

There was an increase in IT product sales, mainly due to higher sales of gaming PCs and a turnaround in the supply of some PC peripherals.

- ✓ Net sales increased, mainly reflecting higher sales of IT Solutions business.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	3Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	14.8	14.5	-2%
IT Solutions	30.3	34.0	+12%
Net sales	45.0	48.5	+8%
Op. income	2.9	3.4	+18%
ratio	6.5%	7.1%	+0.6%

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

	3Q		Changes	
	2021	2022	Amount	%
Net sales	23.8	25.9	+2.1	+9%
Op. income	2.3	2.3	-0.0	-2%

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

	Amount	1Q	2Q	3Q	4Q	Full Year
Orders received	Amount	+14%	+19%	+30%	-	-
Outstanding orders	Amount	+33%	+34%	+46%	-	-

10

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

For the third quarter, sales increased 8% year on year to ¥48.5 billion, reflecting strong performance in the IT Solutions business. Operating income rose ¥500 million year on year to ¥3.4 billion following a rise in gross profit due to increased IT Solutions sales.

(Main business equipment, Other)

In main business equipment, sales of office MFPs and LBPs increased thanks to a turnaround in product supply. Sales of maintenance services for office MFPs and LBP cartridges fell, mainly due to the decrease in printing volumes in offices as mainly large companies continued their telework initiatives. Consequently, net sales for the entire subsegment of main business equipment and other dropped 2% year on year.

(IT solutions)

For IT Solutions, system integration projects for manufacturers and projects catering to the digitalization needs of the education sector increased. Meanwhile, sales associated with security and the Second Data Center were also steady. In addition, we had several BPO projects and business PC projects. Thus, sales increased 12% year on year.

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

Sales at Canon IT Solutions Inc., a key affiliate, increased 9% year on year to ¥25.9 billion. Operating income declined by ¥40 million to ¥2.3 billion, in part due to expanded investment for the development of software related to new services, and for the hiring and training of SE personnel. Total orders rose 30% year on year, reflecting large orders for the Second Data Center in addition to steady orders for system integration projects for manufacturers and projects catering to needs for digitalization in the education sector. Outstanding orders grew 46% 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 increased significantly, due to a recovery of main business products supply and sales increase of IT Solutions business.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	3Q		
	FY2021	FY2022	Changes
Main Business Equipment, Other	34.4	39.2	+14%
IT Solutions	14.8	15.2	+3%
Net sales	49.2	54.4	+11%
Op. income	1.5	3.2	+107%
ratio	3.1%	5.9%	+2.7%

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

	3Q		Changes	
	2021	2022	Amount	%
Net sales	22.8	24.4	+1.6	+7%
Op. income	1.0	1.3	+0.4	+38%

11

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

For the third quarter, sales rose 11% year on year to ¥54.4 billion in this segment, reflecting solid performance in IT Solutions in addition to a turnaround in the supply of main business equipment.

Operating income increased by ¥1.7 billion to ¥3.2 billion on the back of higher gross profit associated with increased sales, main business equipment in particular.

(Main business equipment, Other)

On the situation surrounding main business equipment, thanks to a turnaround in the supply of products sales of office MFPs and LBPs increased considerably. Sales of office MFP maintenance services and LBP cartridges rose slightly due to the steady operation in office, especially for color printing.

Consequently net sales for main business equipment and other increased 14% year on year.

(IT solutions)

Looking at IT Solutions, there was strong performance in security solutions, including ESET antivirus software and the HOME IT support cloud service, despite the impact of supply shortfalls due to semiconductor shortages for some products. Orders also increased for the Makasete IT series, which provide total support for the IT environments of small and medium enterprises, from optimal IT equipment, system selection and installation to maintenance and operation. As a result, net sales for the IT solutions of Area segment increased 3% year on year.

(Results for Canon System & Support Inc.)

Net sales for Canon System & Support Inc., a key affiliate, rose 7% year on year to ¥24.4 billion. Operating income recorded a ¥400 million year-on-year jump to ¥1.3 billion, benefitting from higher gross profit due to increased sales.

*The Area segment up to here

<Network cameras>

Looking at the third quarter consolidated results for network cameras which are stated in the Supplementary Material, sales declined 13% year on year. This was in part due to continued supply shortages of some products and the impact of supply shortages for externally purchased products such as business PCs, servers and network equipment, despite consistent demand for the use of video at remote locations to avoid in-person contact.

- ✓ Net sales increased significantly, due to an increase in all subsegments.
- ✓ Operating income increased significantly, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	3Q		
	FY2021	FY2022	Changes
Production Printing	2.2	2.6	+20%
Industrial Equipment	2.8	5.0	+79%
Healthcare Business	1.7	1.7	+2%
Net sales	6.7	9.4	+40%
Op. income	0.4	1.1	+159%
ratio	6.3%	11.7%	+5.3%

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

	3Q		Changes	
	2021	2022	Amount	%
Net sales	2.1	2.5	+0.4	+21%
Op. income	0.0	0.2	+0.1	+294%

12

On the twelfth page, I will explain the Professional segment.

Sales for the third quarter were up 40% year on year to ¥9.4 billion. All subsegments achieved higher sales figures. Operating income also went up ¥700 million year on year to ¥1.1 billion, after growth in gross profit following the sales surge.

(Production Printing)

In Production Printing, sales were up 20% year on year, thanks mainly to strong performance of high-speed cutsheet printers and high-speed continuous feed printers.

Canon Production Printing Systems Inc., a key affiliate, achieved a 21% year-on-year increase of net sales to ¥2.5 billion. Operating income jumped ¥100 million year on year to ¥200 million, after growth in gross profit from higher sales and reductions in SG&A expenses.

In the Supplementary Material, 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 and its sales are recorded as a whole group including Production Printing subsegment.

In the third quarter, sales in Commercial Printing of the group rose 13% year on year.

(Industrial Equipment)

Net sales of Industrial Equipment grew significantly by 79% year on year, with strong performance from equipment related to semiconductor manufacturing against a backdrop of continued active investment by Japanese semiconductor manufacturers.

(Healthcare)

In Healthcare, sales rose only 2% year on year despite IT investment remaining active and strong orders, mainly due to the timing of when sales were recognized.

Overall Sales of IT Solutions



(Billions of yen)

■ By Segment

	3Q 2021	3Q 2022	1Q-3Q 2021	1Q-3Q 2022	Changes		Changes	
					Amount	%	Amount	%
Enterprise segment	30.3	34.0	90.7	104.3	+3.7	+12%	+13.6	+15%
Area segment	14.8	15.2	47.4	48.9	+0.4	+3%	+1.5	+3%
Other	6.4	6.5	22.2	23.2	+0.0	+0%	+1.0	+5%
Total	51.5	55.6	160.2	176.4	+4.1	+8%	+16.1	+10%

■ By Product and Solution

	3Q 2021	3Q 2022	1Q-3Q 2021	1Q-3Q 2022	Changes		Changes	
					Amount	%	Amount	%
SI service	17.9	19.2	54.1	60.3	+1.3	+7%	+6.3	+12%
Maintenance and operation service /outsourcing	11.1	12.3	31.4	36.7	+1.2	+11%	+5.2	+17%
System sales/IT product	22.5	24.2	74.7	79.4	+1.7	+7%	+4.7	+6%
Total	51.5	55.6	160.2	176.4	+4.1	+8%	+16.1	+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.

13

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 third quarter.

Conditions in the Enterprise and Area segments are as explained in the Segment Information section. In other segments there were slight increases.

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

In system integration services, a 7% year-on-year increase was achieved, reflecting steady performance in system integration projects for manufacturers and embedded system development projects at Canon IT Solutions in the Enterprise segment.

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, the number of BPO projects increased. In the Area segment, overall sales rose 11% year on year, benefitting from healthy sales in IT maintenance, which continued to be a focus.

System sales and IT product sales rose 7% year on year, reflecting strong performance for ESET and other security solutions in the Enterprise and Area segments and multiple business PC projects in the Enterprise segment, despite the impact of supply shortfalls due to semiconductor shortages for some products.

Summary of Projections

Canon

(Billions of yen)

	FY2022	FY2022	Changes		FY2021	Changes	
	Previous Projection	Current Projection	Amount	%	Actual	Amount	%
Net Sales	590.0	592.0	+2.0	+0%	552.1	+39.9	+7%
	(7.8%)	(8.1%)	(+0.3%)		(7.2%)	(+0.9%)	
Operating Income	46.0	48.0	+2.0	+4%	39.7	+8.3	+21%
	(8.0%)	(8.3%)	(+0.3%)		(7.4%)	(+0.8%)	
Ordinary Income	47.0	49.0	+2.0	+4%	41.1	+7.9	+19%
	(8.0%)	(8.3%)	(+0.3%)		(7.4%)	(+0.8%)	
Net income attributable to owners of parent	32.0	34.0	+2.0	+6%	29.4	+4.6	+16%
	(5.4%)	(5.7%)	(+0.3%)		(5.3%)	(+0.4%)	

14

The fourteenth page shows a summary of projections.

Looking back at the situation up to the third quarter, amid various rising costs including purchase prices and logistics, we enhanced our ability to develop proposals, increased the percentage of high value-added products and services offered, and made every effort to maintain the gross profit ratio. We also worked to reduce SG&A expenses, and as a result of activities aimed at shifting to a leaner structure, we managed to achieve increased sales and a considerable rise in income.

We have steadily improved our earnings capabilities as a consequence of focusing on the sale of high value-added products in our lineups of cameras and inkjet printers.

Sales of main business equipment such as office MFPs and LBPs began to increase again, owing to a turnaround in supply from the third quarter, despite the significant impact of product supply shortages up to the first half of the year.

IT Solutions continued to perform strongly, chiefly in the areas of system integration projects for manufacturers and security solutions. Among these activities, performance in maintenance/operation services and outsourcing, our major focus, has developed at a pace that beat our forecasts.

However, there continue to be constraints on the supply of some products due to semiconductor shortages and supply chain disruptions. Additionally, with the high price of resources due to the situation in Ukraine and rising purchase prices for products due to the weak yen, we have been rushing to pass on prices, but these price revisions can take time to apply depending on the type of product or service.

In consideration of these circumstances and as a reflection of the upswing that occurred in the third quarter, we will revise our full-year forecasts for net sales, operating income, ordinary income and net income attributable to owners of parent upward by ¥2.0 billion each.

In line with this revision, the Supplementary Material 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	135.8	12.8	136.8	13.6	+1.0	+1%	+0.8
Enterprise	199.5	16.4	199.5	16.6	-	-	+0.2
Area	232.5	14.5	232.5	14.8	-	-	+0.3
Professional	40.8	4.6	41.8	5.1	+1.0	+2%	+0.5
Other	-18.6	-2.3	-18.6	-2.1	-	-	+0.2
Total	590.0	46.0	592.0	48.0	+2.0	+0%	+2.0

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

15

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

Following the first half of the year, we saw strong performance with mirrorless cameras equipped with 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.

In addition, although some products fell short of previously planned volume due to ongoing supply constraints, we have maintained the healthy unit sales prices achieved in the first half of the year by raising the percentage of high value-added products and services offered.

In light of these factors, we have made upward revisions to our projections, increasing net sales and operating income by ¥1 billion and ¥800 million respectively in the Consumers segment, and by ¥1 billion and ¥500 million respectively in the Professional segment.

We have also upwardly revised projected operating income by ¥200 million in the Enterprise segment, by ¥300 million in the Area Segment, and by ¥200 million in the Other segment.

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	136.8	13.6	+7.3	+6%	+0.0
Enterprise	190.6	13.9	199.5	16.6	+8.9	+5%	+2.7
Area	220.8	12.0	232.5	14.8	+11.7	+5%	+2.8
Professional	31.5	2.5	41.8	5.1	+10.3	+33%	+2.6
Other	-20.3	-2.3	-18.6	-2.1	+1.7	-	+0.2
Total	552.1	39.7	592.0	48.0	+39.9	+7%	+8.3

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

16

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

Due to these latest revisions, we project increased sales and income in all segments.

Summary of Projections : Segment Information



(Billions of yen)

	Actual 1Q-3Q 2021		Actual 4Q 2021		Actual 1Q-3Q 2022		Projection 4Q 2022		Changes 1Q-3Q		Changes 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	87.9	8.4	41.5	5.1	93.9	9.5	42.9	4.1	+6.0	+1.1	+1.3	-1.1
Enterprise	136.9	9.2	53.7	4.7	149.0	12.9	50.5	3.7	+12.1	+3.8	-3.2	-1.0
Area	165.4	8.9	55.4	3.2	167.2	11.7	65.3	3.1	+1.8	+2.9	+9.9	-0.1
Professional	22.8	2.0	8.7	0.5	33.3	5.2	8.5	-0.1	+10.4	+3.2	-0.2	-0.6
Other	-14.9	-1.7	-5.4	-0.5	-15.3	-1.5	-3.3	-0.6	-0.4	+0.2	+2.1	-0.0
Total	398.2	26.7	153.9	13.0	428.1	37.9	163.9	10.1	+29.9	+11.2	+10.0	-2.9

※"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 nine months of the year and projections for the fourth quarter.

Let us take a look segment by segment.

First, let us focus on the fourth quarter projections in the Consumers segment.

Strong digital camera sales are expected as sales of the new EOS R7 and EOS R10 products as well as RF lenses continue.

Sales volume of inkjet printers is projected to rise thanks to a turnaround in product supply.

Ink cartridge sales are projected to decrease, reflecting a market contraction due mainly to a decline in color printing volume.

Sales of IT products are expected to grow slightly amid the expansion of the gaming market.

As a result, fourth quarter sales are projected to increase in this segment.

Operating income is expected to fall, in part due to deteriorating gross profit ratio due to rising purchase prices and expanded IT investments made to strengthen relationships with customers.

Next is the fourth quarter projections in the Enterprise segment.

For main business equipment, sales of office MFPs and LBPs are forecast to rise thanks to recovering product supply. However, due to the continuation of telework initiatives particularly among major companies, print volume at offices is expected to decline, and a fall in sales for office MFP maintenance services and LBP cartridges is projected.

For IT solutions, sales are expected to fall due to multiple BPO projects under way in the previous year dropping off, despite strong performance with system integration projects for manufacturers and sales related to the Second Data Center.

As a result, fourth quarter sales are expected to decline.

Although operating income is expected to fall due to declining sales, we aim to expand sales and operating income as much as possible by further expanding IT solutions, which is an area of focus.

Summary of Projections : Segment Information



(Billions of yen)

	Actual 1Q-3Q 2021		Actual 4Q 2021		Actual 1Q-3Q 2022		Projection 4Q 2022		Changes 1Q-3Q		Changes 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	87.9	8.4	41.5	5.1	93.9	9.5	42.9	4.1	+6.0	+1.1	+1.3	-1.1
Enterprise	136.9	9.2	53.7	4.7	149.0	12.9	50.5	3.7	+12.1	+3.8	-3.2	-1.0
Area	165.4	8.9	55.4	3.2	167.2	11.7	65.3	3.1	+1.8	+2.9	+9.9	-0.1
Professional	22.8	2.0	8.7	0.5	33.3	5.2	8.5	-0.1	+10.4	+3.2	-0.2	-0.6
Other	-14.9	-1.7	-5.4	-0.5	-15.3	-1.5	-3.3	-0.6	-0.4	+0.2	+2.1	-0.0
Total	398.2	26.7	153.9	13.0	428.1	37.9	163.9	10.1	+29.9	+11.2	+10.0	-2.9

※"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 the fourth quarter projections in the Area segment.

For main business equipment, sales of office MFPs and LBPs are forecast to rise thanks to recovering product supply. Office MFP maintenance services and LBP cartridges are also expected to see solid operation, especially for color printing in offices.

In IT solutions, the ESET antivirus software and security solutions such as the HOME IT support cloud services are expected to show continued strong performance. Additionally, the lineup for maintenance and operation will be revamped under the strongly-performing Makasete IT series, and sales are projected to increase with the launch from October.

As a result, fourth quarter sales are projected to increase in this segment. Operating income is projected to decrease due to rising purchase prices and other factors, but we will proceed to pass on prices for business equipment in the future, keeping in mind the value proposition to customers.

Next, we will discuss the fourth quarter projections in the Professional segment.

Sales in production printing are expected to increase due to expanded sales of high-speed cutsheet printers and the POP business.

For industrial equipment, since a majority of the business for the year is concentrated in the period from Q1 to Q3, sales are forecast to decline year on year.

In healthcare, net sales are expected to increase due to planned projects, including projects involving the development of medical IT infrastructure including electronic medical records for hospitals and clinics, as well as that for the introduction of online insurance eligibility verification systems.

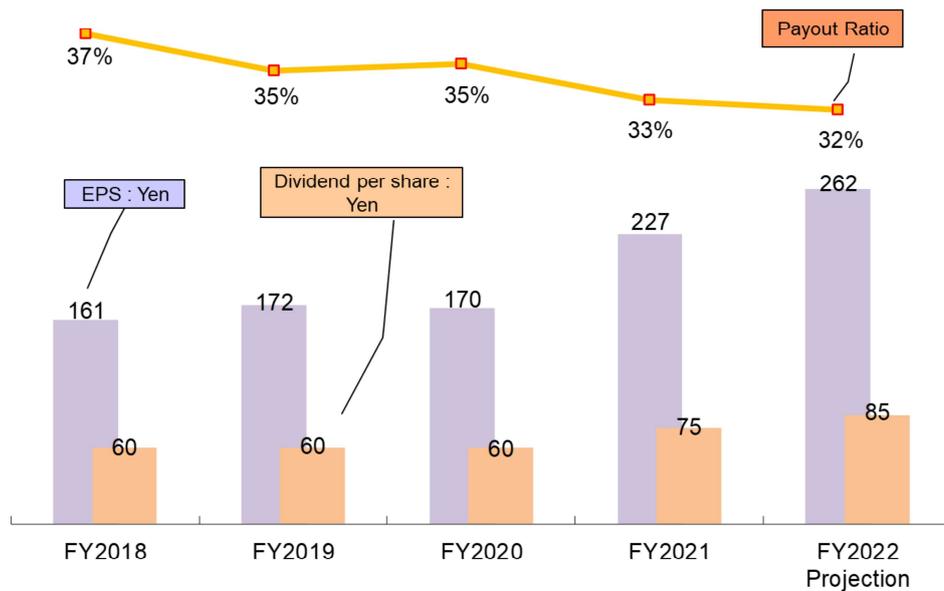
As a result, net sales for the overall Professional segment are expected to decrease in the fourth quarter. Operating income is also forecast to decline due to the fall in sales.

At the results presentation meeting for the second quarter held in July, we reported on an organizational restructuring to strengthen the Healthcare IT Business.

Specifically, we will consider integrating system integration services under the hospital information system business of Canon Medical Systems with Canon ITS Medical. We are pleased to report that progress has been made on this matter.

As a result of extensive discussions between the three companies, Canon Marketing Japan, Canon ITS Medical and Canon Medical Systems following the conclusion of the basic agreement, a consensus was reached to proceed with the integration on January 1, 2023.

We plan to share information about the post-integration expansion strategy and other specifics in January next year.



Page 18 shows our annual dividend forecast.

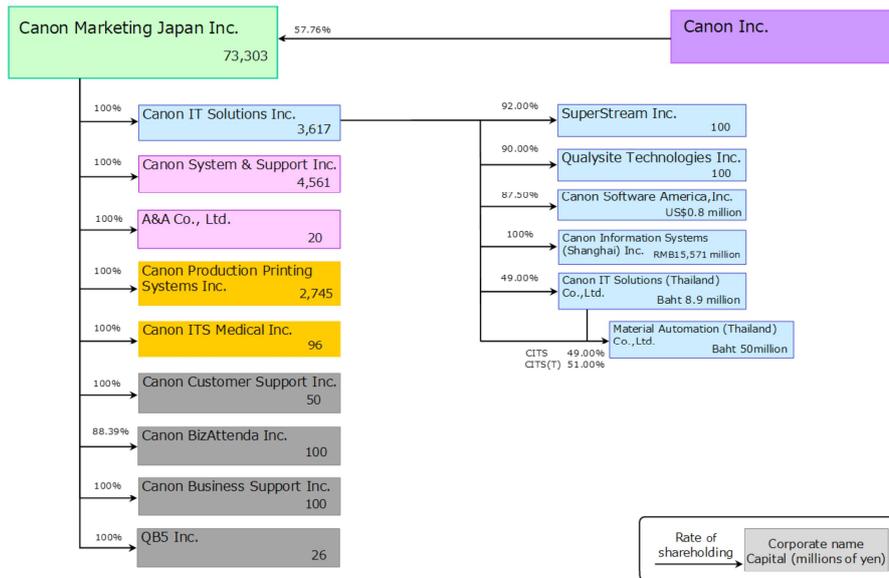
In view of our projections for this year, we have decided to increase the forecast annual dividend by ¥5 from the previous ¥80 to ¥85

Canon

Canon Marketing Japan Inc.

Supplementary
Information

Capital Relationship Diagram



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

As of September 30, 2022

Results of main consolidated companies

3Q 2022 Actual
(from July 1 to September 30)



(Billions of yen)

		3Q FY2021		3Q FY2022		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.		Net sales		23.8	25.9	+2.1	+9%
		Op. income		2.3 (9.9%)	2.3 (8.9%)	-0.0 (-1.0%)	
Area							
Canon System & Support Inc.		Net sales		22.8	24.4	+1.6	+7%
		Op. income		1.0 (4.2%)	1.3 (5.4%)	+0.4 (+1.2%)	
Professional							
Canon Production Printing Systems Inc.		Net sales		2.1	2.5	+0.4	+21%
		Op. income		0.0 (2.3%)	0.2 (7.6%)	+0.1 (+5.3%)	

Results of main consolidated companies

1Q-3Q 2022 Actual
(from January 1 to September 30)



(Billions of yen)

		1Q-3Q 2021	1Q-3Q 2022	Changes	
				Amount	%
Enterprise					
Canon IT Solutions Inc.	Net sales	71.7	80.9	+9.2	+13%
	Op. income	6.9 (9.6%)	8.7 (10.8%)	+1.9 (+1.2%)	
Area					
Canon System & Support Inc.	Net sales	73.7	73.4	-0.3	-0%
	Op. income	2.8 (3.7%)	3.9 (5.3%)	+1.1 (+1.5%)	
Professional					
Canon Production Printing Systems Inc.	Net sales	6.3	6.9	+0.6	+10%
	Op. income	0.2 (3.1%)	0.5 (7.1%)	+0.3 (+3.9%)	

SG&A expenses

3Q 2022 Actual
(from July 1 to September 30)



(Billions of yen)

	3Q FY2021	3Q FY2022	Changes
Advertising expenses	1.6	0.9	-0.7
Promotion expenses	0.7	0.6	-0.0
Warranty expenses	0.7	0.7	+0.0
Other direct selling expenses	3.8	4.3	+0.4
Personnel expenses	23.5	22.5	-1.1
Depreciation and amortization	0.3	0.3	-0.0
Other selling expenses	6.5	7.4	+0.9
Total	37.1	36.6	-0.5

SG&A expenses

1Q-3Q 2022 Actual
(from January 1 to September 30)

Canon

(Billions of yen)

	1Q-3Q 2021	1Q-3Q 2022	Changes
Advertising expenses	3.4	2.8	-0.7
Promotion expenses	2.0	1.9	-0.1
Warranty expenses	2.2	2.1	-0.1
Other direct selling expenses	12.5	12.6	+0.0
Personnel expenses	71.3	68.4	-2.9
Depreciation and amortization	0.8	0.7	-0.0
Other selling expenses	19.4	21.1	+1.7
Total	111.6	109.5	-2.0

Non-operating income and expenses

Canon

(Billions of yen)

	FY2021		FY2022		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Interest income	0.1	0.2	0.1	0.2	+0.0	+0.0
Dividend income	0.0	0.1	0.0	0.1	+0.0	+0.0
Insurance income	0.0	0.5	0.0	0.4	-0.0	-0.1
Gain on investments in partnership	0.1	0.3	-	-	-0.1	-0.3
Other	0.0	0.2	0.0	0.2	-0.0	+0.0
Total non-operating income	0.2	1.3	0.1	1.0	-0.1	-0.3
Interest expense	0.0	0.0	0.0	0.0	+0.0	-0.0
Foreign exchange losses	-0.0	0.0	-0.0	0.0	-0.0	+0.0
Loss on investments in partnership	-	-	-0.1	0.1	-0.1	+0.1
Other	0.0	0.1	0.0	0.1	+0.0	+0.0
Total non-operating expenses	-0.0	0.1	-0.1	0.2	-0.1	+0.1

Extraordinary income and losses

Canon

(Billions of yen)

	FY2020		FY2022		Changes	
	3Q	1Q-3Q	3Q	1Q-3Q	3Q	1Q-3Q
Gain on sales of fixed assets	0.0	0.0	0.0	0.0	+0.0	-0.0
Gain on sales of investments in securities	1.3	1.3	0.4	0.4	-0.9	-0.9
Gain on sales of shares of subsidiaries and associates	-	0.9	-	-	-	-0.9
Gain on casualty insurance	0.2	0.2	-	-	-0.2	-0.2
Other	-	0.0	-	0.0	-	-0.0
Total extraordinary income	1.5	2.4	0.4	0.4	-1.1	-2.0
Loss on sales and disposal of fixed assets	0.0	0.1	0.0	0.1	-0.0	-0.0
Loss on disaster	-	0.2	-	-	-	-0.2
Loss on sales of investments in securities	-	-	0.0	0.0	+0.0	+0.0
Loss on valuation of investments in securities	-	-	-0.0	0.0	-0.0	+0.0
Other	0.0	0.0	-	-	-0.0	-0.0
Total extraordinary losses	0.1	0.3	0.0	0.1	-0.0	-0.2

Balance Sheets

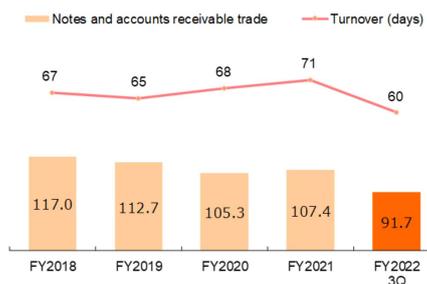


(Billions of yen)

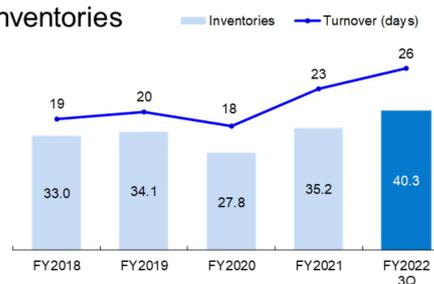
	Dec. 31 2021	Sep. 30 2022	Changes
Assets	526.4	532.3	+5.9
Current assets	396.1	406.1	+10.0
Cash and deposits	68.0	86.8	+18.8
Notes and accounts receivable-trade	107.4	91.7	-15.7
Inventories	35.2	40.3	+5.1
Other (current assets)	185.4	187.3	+1.9
Non-current assets	130.3	126.2	-4.1
Property, plant and equipment	85.2	84.6	-0.5
Intangible assets	6.5	6.2	-0.3
Investments and other assets	38.7	35.4	-3.2
Liabilities	151.7	145.6	-6.2
Current liabilities	107.1	103.2	-3.9
Notes and accounts payable-trade	46.3	44.5	-1.8
Other (current liabilities)	60.8	58.7	-2.1
Long-term liabilities	44.6	42.3	-2.3
Net assets	374.7	386.7	+12.0
Stakeholders' equity	362.9	378.5	+15.7
(Treasury stock)	-2.1	-2.1	+0.0
Total accumulated other comprehensive income (loss)	11.1	7.4	-3.7
Stock Acquisition Rights	-	0.0	+0.0
Non-controlling interests	0.7	0.8	+0.1
Equity ratio	71%	72%	+1%

Notes and accounts receivable trade

(Billions of yen)



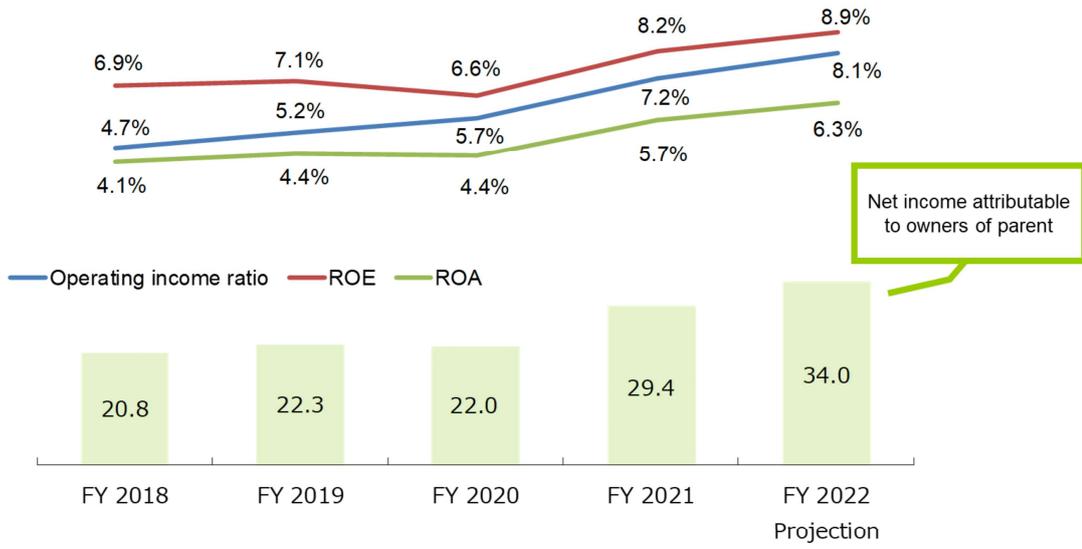
Inventories



Financial Indicator



(Billions of yen)

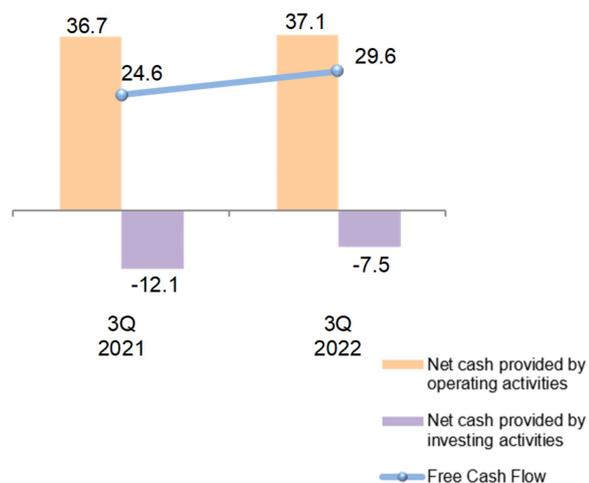


Financial Indicator



(Billions of yen)

■ Cash Flow



■ Capital Investment

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2021 Actual	10.2	2.5	12.6
FY 2022 Projection	6.1	5.1	11.2

※ FY2022 1Q-3Q is actual value.

■ Depreciation and amortization

	1Q-3Q Actual	4Q Projection	FY Projection
FY 2021 Actual	7.8	2.5	10.2
FY 2022 Projection	7.2	2.4	9.6

※ FY2022 1Q-3Q is actual value.

Canon

Canon Marketing Japan Inc.