
Canon Inc.

Second Quarter 2023 Results

July 27, 2023

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Key Message

(2Q/1H 2023 Results)



- Achieved 10th consecutive quarter of sales growth and sequential improvement in quarterly profit and profitability, as planned
- Realized sales and profit growth in the first half

(Billions of yen)	2Q			% Change
	2023 Actual	2022 Actual		
Net Sales (% of Net Sales)	1,020.9 47.5%	998.8 46.5%		+2.2%
Gross Profit (% of Net Sales)	484.8 47.5%	464.0 46.5%		+4.5%
Op. Expenses (% of Net Sales)	392.5 38.5%	365.5 36.6%		
Op. Profit (% of Net Sales)	92.3 9.0%	98.5 9.9%		-6.3%
IBT	101.1	85.2		+18.7%
Net Income (% of Net Sales)	65.4 6.4%	59.0 5.9%		+10.8%
USD	137.57	129.68		
EUR	149.62	138.11		

2023 Actual	1st Half		% Change
	2022 Actual		
1,992.0	1,878.1		+6.1%
938.8 47.1%	858.4 45.7%		+9.4%
762.1 38.2%	683.8 36.4%		
176.7 8.9%	174.6 9.3%		+1.2%
188.7	152.9		+23.4%
121.8 6.1%	105.0 5.6%		+16.0%
135.09	123.38		
145.88	134.39		

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As for the global economy in the second quarter, due to the continued hike in interest rates to curb inflation, a sense of uncertainty regarding the future direction of the economy remained. However, we have not seen a significant change from the previous quarter as consumer spending and employment environment have remained firm so far.

Our (product related) markets as well, generally trended as expected. And under this situation, our overall performance in the second quarter was basically in line with our plan. By business, sales of laser printers declined, impacted by the phase of shipment adjustment. However, sales of Imaging and Medical products remained strong, and combined with the exchange rate tailwind, we realized our tenth consecutive quarter of sales growth.

Operating profit was down compared to the second quarter of last year, a period when the supply of laser printers was recovering after COVID, which led to significant growth in consumable sales. However, thanks to sales expansion and the steady progress we made in cost reduction, our profitability is steadily improving as both profit and profitability were higher than in the first quarter.

As a result, net sales increased 2.2% to 1 trillion 20.9 billion yen, operating profit decreased 6.3% to 92.3 billion yen, and net income increased 10.8% to 65.4 billion yen. Net sales in the second quarter exceeded 1 trillion yen for the first time in 5 years, a level not seen in 15 years, since the Lehman shock in 2008.

In total, first-half net sales increased 6.1% to 1 trillion 992.0 billion yen, operating profit increased 1.2% to 176.7 billion yen, and net income increased 16.0% to 121.8 billion yen.

FY 2023 Financial Results by Business Unit

(2Q/1H 2023 Actual versus 2Q/1H 2022 Actual)

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- Imaging: Maintained high profitability through new mirrorless camera products and strong sales of network cameras
- Other segments: Lower profit due to market conditions, increased expenses etc.

(Billions of yen)	2Q			% Change
	2023 Actual	2022 Actual		
Printing	Net Sales 574.9	570.5	+0.8%	
	Op. Profit 59.3	66.9	-11.4%	
	(%)(10.3%)	(11.7%)		
Imaging	Net Sales 219.2	200.9	+9.1%	
	Op. Profit 34.5	32.4	+6.4%	
	(%)(15.7%)	(16.1%)		
Medical	Net Sales 126.1	118.2	+6.7%	
	Op. Profit 4.4	8.3	-46.8%	
	(%)(3.5%)	(7.0%)		
Industrial	Net Sales 74.9	78.3	-4.4%	
	Op. Profit 12.1	15.6	-22.4%	
	(%)(16.1%)	(19.9%)		
Others & Corporate	Net Sales 46.2	54.5	-15.3%	
	Op. Profit -16.5	-24.3	-	
Eliminations	Net Sales -20.4	-23.6	-	
	Op. Profit -1.5	-0.4	-	
Total	Net Sales 1,020.9	998.8	+2.2%	
	Op. Profit 92.3	98.5	-6.3%	
	(%)(9.0%)	(9.9%)		

1st Half		
2023 Actual	2022 Actual	% Change
1,133.1	1,077.7	+5.1%
109.9	119.5	-8.0%
(9.7%)	(11.1%)	
411.7	358.1	+15.0%
71.7	45.7	+56.8%
(17.4%)	(12.8%)	
257.2	236.4	+8.8%
11.3	14.6	-22.7%
(4.4%)	(6.2%)	
136.9	146.7	-6.7%
19.5	27.8	-29.8%
(14.2%)	(18.9%)	
96.6	103.3	-6.5%
-34.5	-33.2	-
-	-	
-43.5	-44.1	-
-	-	
-1.2	0.2	-
-	-	
1,992.0	1,878.1	+6.1%
176.7	174.6	+1.2%
(8.9%)	(9.3%)	

Note: From the fourth quarter ending December 31, 2022, lithography equipment and industrial equipment businesses that were included in Industry & Others were classified as Industrial and the other businesses were added to corporate expenses. Additionally, from 2023, a business, which was previously included in Others & Corporate, was added to Printing, and the results of 2022 were reclassified to conform to the current presentation.

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Our results in the second quarter and first half of this year by Business Unit.

First, Printing. Though office MFD revenue increased thanks to significant unit sales growth from last year, business unit profit was down due to lower sales of laser printers.

As for Imaging, by expanding sales of new mirrorless cameras and also maintaining growth of network cameras by capturing expanding demand, sales and profit have increased and profitability remains at a high level.

As for Medical, although revenue increased thanks to expanded sales of diagnostic imaging equipment, profit decline due to sales force expansion, an increase in expenses linked to M&A and business acquisitions, and other upfront growth investments.

As for Industrial, as customers were in the phase of adjusting their plans for FPD lithography equipment, sales and profit were below those of last year.

FY 2023 Financial Projection (Full Year)



- Maintained basic outlook, raised projection to reflect change in exchange rate assumptions
- Targeting operating profit of over 400.0 billion yen, first time since 2008

(Billions of yen)	FY 2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
Net Sales (% of Net Sales)	4,363.0 46.1%	4,031.4 45.3%	+8.2%	4,313.0 45.9%	+50.0
Gross Profit (% of Net Sales)	2,013.0 36.9%	1,827.8 36.5%	+10.1%	1,980.0 37.1%	+33.0
Op. Expenses (% of Net Sales)	1,613.0 9.2%	1,474.4 8.8%		1,600.0 8.8%	-13.0
Op. Profit (% of Net Sales)	400.0 6.7%	353.4 6.1%	+13.2%	380.0 6.6%	+20.0
IBT	425.0	352.4	+20.6%	410.0	+15.0
Net Income (% of Net Sales)	292.0 6.7%	244.0 6.1%	+19.7%	285.0 6.6%	+7.0
USD	135.05	131.66		130.00	
EUR	145.42	138.42		140.00	
Impact of exchange rate movement (2H impact given a one yen change)					
	Net Sales	Op. Profit			
USD	6.9 billion yen	2.2 billion yen			
EUR	3.5 billion yen	1.7 billion yen			

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Our full-year performance outlook.

We changed our exchange rate assumptions for the second half of the year to 135 and 145 yen against the U.S. dollar and euro, respectively. This represents a 5 yen weakening of the yen against both currencies compared to our previous assumptions.

Amid uncertainty, we expect the global economy to gradually recover in the latter half of the year, thanks to rise in consumer spending based on strong employment and wages.

Our outlook for the global economy and our markets have not changed significantly. In the second half of the year, we plan to continue to grow new businesses such as network cameras, medical, and commercial printing. We also plan to further increase sales of each business unit, assessing market conditions for printers and cameras as we approach the yen-end selling season, and actively promoting sales when appropriate.

For costs as well, we will work to raise profitability amid an expected further decline in parts and logistics cost in the second half of the year.

Based on this, we maintained our outlook, but revised up our full-year performance outlook for net sales by 50.0 billion yen, operating profit by 20.0 billion yen, and net income by 7.0 billion yen to reflect the revision of exchange rate assumptions. Net sales is now projected to increase by 8.2% to 4 trillion 363.0 billion yen, operating income by 13.2% to 400.0 billion yen, and net income by 19.7% to 292.0 billion yen.

For the first time in 15 years, since 2008, we will increase operating profit to the 400 billion yen level and aim to increase sales and profits for the third consecutive year.

FY 2023 Financial Projection by Bus. Unit (Full Year)

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- Plan for sales and profit growth in all four business units
- Medical: Aiming to renew record high sales and profit

(Billions of yen)		FY2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
Printing	Net Sales	2,399.0	2,272.6	+5.6%	2,368.8	+30.2
	Op. Profit	241.8	212.4	+13.8%	231.8	+10.0
	(%)	(10.1%)	(9.3%)		(9.8%)	
Imaging	Net Sales	915.0	803.5	+13.9%	901.1	+13.9
	Op. Profit	151.8	126.6	+19.9%	138.7	+13.1
	(%)	(16.6%)	(15.8%)		(15.4%)	
Medical	Net Sales	576.2	513.3	+12.2%	570.7	+5.5
	Op. Profit	40.6	31.0	+30.9%	43.4	-2.8
	(%)	(7.0%)	(6.0%)		(7.6%)	
Industrial	Net Sales	352.9	329.2	+7.2%	352.0	+0.9
	Op. Profit	60.8	58.0	+4.8%	61.8	-1.0
	(%)	(17.2%)	(17.6%)		(17.6%)	
Others & Corporate	Net Sales	224.8	212.3	+5.9%	224.4	+0.4
	Op. Profit	-94.3	-73.8	-	-95.0	+0.7
	Eliminations	-104.9	-99.5	-	-104.0	-0.9
Total	Op. Profit	-0.7	-0.8	-	-0.7	0.0
	Net Sales	4,363.0	4,031.4	+8.2%	4,313.0	+50.0
	Op. Profit	400.0	353.4	+13.2%	380.0	+20.0
		(9.2%)	(8.8%)		(8.8%)	

Note: From the fourth quarter ending December 31, 2022, lithography equipment and industrial equipment businesses that were included in Industry & Others, were classified as Industrial and the other businesses were added to corporate expenses. Additionally, from 2023, a business, which was previously included in Others & Corporate, was added to Printing, and the results of 2022 were reclassified to conform to the current presentation.

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Our full-year outlook by Business Unit.

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

Additionally, for Medical, we aim to renew our record high performance of last year in terms of both sales and profit.

From the next page, an explanation by Business Unit.

Printing - Office

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- Solid sales, even after backorders filled
- Share expansion thanks to broad product lineup and solutions proposals

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	245.2	214.7	+14.2%	984.3	888.9	+10.7%	961.1	+23.2
Prosumer	232.9	267.7	-13.0%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	96.8	88.1	+9.9%	384.9	362.4	+6.2%	377.9	+7.0
Net Sales	574.9	570.5	+0.8%	2,399.0	2,272.6	+5.6%	2,368.8	+30.2
Op. Profit	59.3	66.9	-11.4%	241.8	212.4	+13.8%	231.8	+10.0
(% of Net Sales)	10.3%	11.7%		10.1%	9.3%		9.8%	

**Net Sales Growth Rate Y/Y
(Local Currency)**

	2Q 2023 Actual	FY 2023 Projection
Office	+10.0%	+8.6%
Prosumer	-15.4%	+0.1%
Production	+3.3%	+3.0%
Total	-2.9%	+3.9%

Unit Growth Rate Y/Y

	2Q 2023 Actual	FY 2023 Projection
Office MFDs	+17%	+7%



**imageRUNNER ADVANCE DX series
C5800**

Note: From 2023, a business which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.

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As for office MFDs, due to their superior image quality, print speed, and durability, demand for them remains solid as the core printing device in offices. And this year, we expect the market to grow at a rate of around 5%.

In the second quarter, although product supply stabilized and backorders were filled, sales remained strong. And compared to last year, when the supply of product was short, we significantly increased sales.

In addition to our extensive lineup of office MFDs, we offer a wide range of printing equipment, including laser and inkjet printers. And by also providing the same print environment through the deployment of common software, we are expanding sales, responding to diversified work styles such as working from home and the decentralization of offices.

Furthermore, particularly in Europe, where environmental awareness is high, we are making the most of superior environmental measures, such as product recovery and the use of recycled products and aim to achieve a full-year unit sales increase of 7%, exceeding market growth this year as well.

- Laser: Aim to expand sales, particularly new medium- to high-speed color models
- Inkjet: Aggressively expand sales of enhanced lineup of refillable ink tank models

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	245.2	214.7	+14.2%	984.3	888.9	+10.7%	961.1	+23.2
Prosumer	232.9	267.7	-13.0%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	96.8	88.1	+9.9%	384.9	362.4	+6.2%	377.9	+7.0
Net Sales	574.9	570.5	+0.8%	2,399.0	2,272.6	+5.6%	2,368.8	+30.2
Op. Profit	59.3	66.9	-11.4%	241.8	212.4	+13.8%	231.8	+10.0
(% of Net Sales)	10.3%	11.7%		10.1%	9.3%		9.8%	

**Net Sales Growth Rate Y/Y
(Local Currency)**

	2Q 2023 Actual	FY 2023 Projection
Office	+10.0%	+8.6%
Prosumer	-15.4%	+0.1%
Production	+3.3%	+3.0%
Total	-2.9%	+3.9%

Unit Growth Rate Y/Y

	2Q 2023 Actual	FY 2023 Projection
LPs	-22%	-5%
IJPs	-11%	+1%



Inkjet printer
Refillable ink tank model

G3370

Note: From 2023, a business, which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.

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As for laser printers in the second quarter, sales of both hardware and consumables were down. This reflects continued shipment adjustments, linked to tough market conditions from the second half of last year, and the high level of sales in 2022, during which product supply was recovering.

From the second half of the year, in addition to an expected recovery in market conditions, we expect a recovery in sales, driven by two new color series that were launched in April that have been highly evaluated by the market.

The increase in the number of units sold of these high print volume new series will lead to consumable sales from next year. We will also work to improve business profitability, promoting cost reduction from the development stage by the commonization of parts and making designs modular.

In the second quarter, inkjet printer sales were below plan. This reflects a softening of demand for home printing, including a slowdown in demand linked to working and learning from home, due to changes in COVID related policies in China.

On the other hand, we have continued to expand our lineup of refillable ink tank models as planned in order to expand sales in the second half of this year, and we will continue to increase sales volume by actively promoting our products from the third quarter.

Printing - Production

Canon

- 2Q: 9th consecutive quarter of sales growth, driven by sales expansion centered on new products
- Further sales growth, driven by increased sales of Colorado M-series and expanded dealer network

(Billions of yen)

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	245.2	214.7	+14.2%	984.3	888.9	+10.7%	961.1	+23.2
Prosumer	232.9	267.7	-13.0%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	96.8	88.1	+9.9%	384.9	362.4	+6.2%	377.9	+7.0
Net Sales	574.9	570.5	+0.8%	2,399.0	2,272.6	+5.6%	2,368.8	+30.2
Op. Profit (% of Net Sales)	59.3 10.3%	66.9 11.7%	-11.4%	241.8 10.1%	212.4 9.3%	+13.8%	231.8 9.8%	+10.0

**Net Sales Growth Rate Y/Y
(Local Currency)**

	2Q 2023 Actual	FY 2023 Projection
Office	+10.0%	+8.6%
Prosumer	-15.4%	+0.1%
Production	+3.3%	+3.0%
Total	-2.9%	+3.9%

Note: From 2023, a business which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.



Large format graphics printer
Colorado M-series

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As for the production market, although some companies were cautious about investing due to continued high inflation, overall, printing companies are going ahead with their purchasing of printing equipment as planned, and print volumes have been firm.

In the second quarter, sales grew, driven by large-size continuous feed printers and new products for in-house printing. Service revenue also increased as the number of printers in operation over the past few years has grown. As a result, we posted our nine consecutive quarter of year-on-year sales growth.

From the second half of this year, we plan to start full-fledged sales of the Colorado M, a series of large-format printers for the graphic arts market that we launched in the second quarter of this year. And with the aim of expanding sales further, we will also work to increase the number of dealers that handle this product line.

Imaging - Cameras

Canon

- 2Q: Double-digit sales growth, driven by strong sales of new mirrorless cameras and RF lenses
- Broaden user base via EOS R50 and EOS R100, first entry-class models of EOS R-series

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	141.9	127.0	+11.8%	569.1	509.7	+11.6%	560.6	+8.5
Network Cameras & Others	77.3	73.9	+4.6%	345.9	293.8	+17.8%	340.5	+5.4
Net Sales	219.2	200.9	+9.1%	915.0	803.5	+13.9%	901.1	+13.9
Op. Profit	34.5	32.4	+6.4%	151.8	126.6	+19.9%	138.7	+13.1
(% of Net Sales)	15.7%	16.1%		16.6%	15.8%		15.4%	

Net Sales Growth Rate Y/Y (Local Currency)	
2Q 2023	FY 2023
Actual	Projection
Cameras	+6.8% +9.6%
NWCs & Others	-1.4% +14.7%
Total	+3.8% +11.5%

Digital Interchangeable Lens Cameras (DILCs)
Units (Millions) & Unit Growth Rate Y/Y

DILCs	2Q 2023 Actual		FY 2023 Projection	
	Units	% Change	Units	% Change
	0.78	+14%	2.90	+1%

Smallest and lightest EOS R series camera

EOS R100



Designed for Vlog shooting
PowerShot V10

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As for cameras, we expect the market to grow slightly to 5.85 million units in 2023, as user demand is stimulated by new mirrorless cameras launched by each company.

Since last year, we have launched 6 mirrorless cameras, from entry class to advanced amateur models, in an effort to strengthen our EOS R series lineup. In the second quarter, sales of these new products were strong, and sales of RF lenses along with camera units increased, resulting in double-digit sales growth.

For the full year as well, we will aim for double-digit sales growth and unit sales of 2.9 million units, which exceeds that of last year. In order to broaden the scope of camera users, following the EOS R50 in March, our first entry-class model of our EOS R series, we released the EOS R100 in June. This product is the smallest and lightest in the series, and it is a model that users can easily enjoy full-fledged image capturing, which will encourage people to step up from smartphones.

In June, we launched the PowerShot V10, a camera specifically designed for vlogging to capture growing demand. We will continue to offer new cameras while differentiating ourselves from smartphones, featuring 4K 30 frames per second long-duration video capturing and natural selfies at close range with a wide-angle lens.

- 2Q: Double-digit network camera sales growth
- Capture needs of growing market by enhancing product lineup

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	141.9	127.0	+11.8%	569.1	509.7	+11.6%	560.6	+8.5
Network Cameras & Others	77.3	73.9	+4.6%	345.9	293.8	+17.8%	340.5	+5.4
Net Sales	219.2	200.9	+9.1%	915.0	803.5	+13.9%	901.1	+13.9
Op. Profit	34.5	32.4	+6.4%	151.8	126.6	+19.9%	138.7	+13.1
(% of Net Sales)	15.7%	16.1%		16.6%	15.8%		15.4%	

Net Sales Growth Rate Y/Y (Local Currency)		
	2Q 2023 Actual	FY 2023 Projection
Cameras	+6.8%	+9.6%
NWCs & Others	-1.4%	+14.7%
Total	+3.8%	+11.5%



Network camera suitable for installation in hazardous areas

AXIS XFQ1636

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The network camera market continues to expand as their range of applications broadens from security to marketing, production process management etc. And, under this market environment, we achieved double-digit sales growth also in our second quarter.

To ensure that we are able to capture growing demand, we are expanding our product lineup in response to diversifying applications and locations. In addition, we expect full-year growth of 20% this year by further increasing our strong network of sales partners by increasing the number of personnel in our sales and marketing departments.

As for other products, revenue declined as sales were at a high level, reflecting the launch of a new cinema camera in March of last year. For the full year, however, we planned for revenue growth.

- 2Q: Approx. 7% sales growth, driven by increased sales in each product category
- Aiming for double-digit sales growth and more than 7% operating profit ratio for the full year through further sales expansion in 2H

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Net Sales (% of Net Sales)	126.1 3.5%	118.2 7.0%	+6.7%	576.2 7.0%	513.3 6.0%	+12.2%	570.7 7.6%	+5.5
Op. Profit (% of Net Sales)	4.4 3.5%	8.3 7.0%	-46.8%	40.6 7.0%	31.0 6.0%	+30.9%	43.4 7.6%	-2.8

Net Sales Growth Rate Y/Y
(Local Currency)

	2Q 2023	FY 2023
	Actual	Projection
Total	+3.5%	+11.0%



80-slice CT
Aquilion Serve



Ultrasound diagnostic equipment
Aplio go/Aplio flex

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As for the diagnostic imaging equipment market in 2023, we expect it to grow at a cruising rate of 2%, thanks to recovering investment in large-size equipment, which was held back due to COVID.

In the second quarter, although the installation of large-size equipment was partially delayed due to the convenience of some medical institutions we were to deliver to, equipment sales, especially ultrasound diagnostic equipment in Europe, increased from the previous year, resulting in an increase in sales of approximately 7%.

The expansion of our salesforce in the United States and the strengthening of the sales structure through the reorganization of territories have resulted in an increase in the number of deals and an increase in the amount of orders.

In the second half of this year, we will make steady progress with installation and work to obtain new orders.

The Aquilion Serve, a new CT system, was launched in Japan last year, and its high-definition images developed using AI and automatic alignment using Canon camera technology have been well received. This year, we are further enhancing its functions and carrying out full-scale global deployment. The 80 row detector, which is used as a practical machine in many medical institutions, is expected to increase sales.

From the end of last year, because sales of large-size equipment has been growing, we are also seeing growth in service revenue. For the full year, our aim is to grow sales at a double-digit rate and achieve an operating profit ratio of more than 7%.

Industrial – Optical & Industrial Equip.

Canon

- Semiconductor lithography equipment: Sell a solid 195 units for full year, partially thanks to developments in generative AI
- Panel manufacturing equipment: Work to improve product competitiveness for next year on

	2Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Optical Equipment	50.6	51.2	-1.0%	229.4	240.4	-4.6%	229.2	+0.2
Industrial Equipment	24.3	27.1	-10.6%	123.5	88.8	+39.1%	122.8	+0.7
Net Sales	74.9	78.3	-4.4%	352.9	329.2	+7.2%	352.0	+0.9
Op. Profit (% of Net Sales)	12.1 16.1%	15.6 19.9%	-22.4%	60.8 17.2%	58.0 17.6%	+4.8%	61.8 17.6%	-1.0

Net Sales Growth Rate Y/Y
(Local Currency)

Lithography Equipment (Units)

	2Q 2023 Actual	FY 2023 Projection		2Q 2023 Actual	2Q 2022 Actual		FY 2023 Projection	FY 2022 Actual
Opt. Equip.	-2.0%	-4.1%	Semiconductor	42	40		195	176
Industrial Equip.	-10.9%	+39.4%	FPD	9	8		33	51
Total	-5.1%	+7.6%						



Semiconductor lithography equipment for backend process FPA-5520IV

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The semiconductor device market is expected to temporarily decline this year due to the weak market for memory devices. However, from a long-term perspective, growth is expected. With the tailwind of domestic production efforts by various countries from the viewpoint of economic security and manufacturers systematically investing in their own equipment, we expect demand for lithography equipment to continue to grow this year as well.

In addition to solid demand for power devices and sensors, we have been receiving increasing orders for lithography equipment to be used in advanced backend packaging due to developments in generative AI.

As for production capacity, we have increased production space and our workforce since last year, which allowed us to increase our sales volume in the second quarter to 42 units. From the third quarter on, we will put even more focus on shipping and installing equipment and expect sales to reach 195 units for the full year.

As for display manufacturing equipment, due to weak market conditions surrounding television and PCs this year, panel manufacturers are holding back investment. However, from 2024, with laptop, tablet, and other IT panels shifting to OLED, we expect demand to gradually increase.

As for FPD lithography equipment, although there are areas where demand is firm, like automotive displays, we expect the overall market to shrink, and our unit sales to decline compared to last year. In order to meet customer expectations for next year, we will strengthen our product capabilities, leveraging the advantage of our single exposure method even for large equipment used to produce IT panels.

With regard to OLED vacuum deposition equipment as well, we will leverage the production know-how we have cultivated through smartphone panels as well as the proven performance of our equipment, promoting the development and production of new equipment that can stand as the industry standard also in IT panels.

In addition to OLED vacuum deposition equipment, industrial equipment sales are expected to increase significantly due to progress in installing sputtering equipment that was pushed out last year.

Inventory

- Inventory at end of June was same level as March, when exchange rate impact is excluded
- Inventory of parts and materials as well as product inventory approaching appropriate level towards end of year

		FY 2022				FY 2023	
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end
		Amt.					
Printing	Amt.	324.7	353.6	408.1	366.8	372.5	387.5
	Days	58	60	67	56	57	62
Imaging	Amt.	117.1	126.6	143.6	137.6	163.6	173.3
	Days	63	64	65	56	69	77
Medical	Amt.	120.5	129.4	137.7	128.3	136.3	143.1
	Days	89	100	103	85	88	102
Industrial	Amt.	117.8	133.8	137.4	124.0	133.0	140.0
	Days	131	166	152	124	154	187
Others & Corporate	Amt.	53.1	54.7	57.1	51.6	53.4	54.2
Total	Amt.	733.2	798.1	883.9	808.3	858.8	898.1
	Days	73	78	81	69	74	82

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Inventory at the end of June increased approximately 40.0 billion yen compared to the end of March. This reflects the impact of revaluation of foreign currency-denominated assets due to yen depreciation. If the impact of foreign exchange rates is excluded, inventory was basically around the same level.

As for parts and materials, we are already taking steps to bring inventory back to a normal level, changing our focus from rapidly securing parts under a parts shortage situation. And, we expect the effects of this to start showing up from the third quarter.

As for product inventory, in order to expand sales in the second half of the year, we are systematically building up the product inventory of mainly semiconductor lithography equipment, medical equipment, and network cameras. As we approach the end of the year, we expect this to return to a normalized level.

Cash Flow

(Full Year)

Canon

- Aggressive investment of 257.0 billion yen for growth, from 633.0 billion yen in operating CF
- Raised full-year dividend projection by 20 yen, remainder for share buybacks and debt repayment

(Billions of yen)	2023 Current Projection	2023 Previous Projection	FY 2022 Actual	FY 2021 Actual
Net cash provided by operating activities	633.0	626.0	262.6	451.0
Net cash used in investing activities	-257.0	-250.0	-180.8	-207.2
Free cash flow	376.0	376.0	81.8	243.8
Net cash provided by (used in) financing activities	-384.0	-379.1	-146.8	-267.4
Effect of exchange rate changes on cash and cash equivalents	3.9	-1.0	25.7	17.3
Net change in cash and cash equivalents	-4.1	-4.1	-39.3	-6.3
Cash and cash equivalents at end of period	358.0	358.0	362.1	401.4
Cash-on-hand (In months of Net sales)	0.9	1.0	1.0	1.3
Capital expenditure	240.0	240.0	183.3	179.0
Depreciation and amortization	240.0	240.0	226.5	221.2

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As for operating cash flow, in addition to net income, which is close to 300.0 billion yen, by reducing inventory in the second half of the year, we expect to generate 633.0 billion yen in cash, which is significantly more than last year.

As for investing cash flow, we plan to use 257.0 billion yen for future growth, including the construction of factories for CMOS sensors and semiconductor lithography equipment and the engagement in M&A deals linked to our Medical business. As a result, we expect free cash flow to be 376.0 billion yen.

As for shareholder returns, taking into consideration the progress we made against our plan in the first half of the year, and under a policy that targets a dividend payout ratio of 50%, we raised our full-year dividend projection by 20 yen to 140 yen per share.

While holding around 360.0 billion yen in cash on hand, we will make decisions, depending on the situation, on how to use the remaining funds, such as share buybacks, which we initiated twice since May, totaling 100.0 billion yen, and paying back debt.

Sustainability Measures

Canon

- Contribute to realization of sustainable society, developing technologies for environment

Problem

Plastic recycling process

Infrared: Absorbed by dye, does not allow proper sorting of black plastics

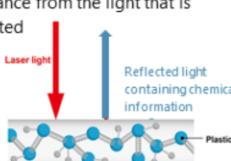
Laser light: Amount of light reflected from black plastics is small, takes time to measure

New Tech.

Introduce Canon's measurement & control devices into recycling process

Laser light

- Irradiate with laser light to acquire chemical information about the substance from the light that is reflected



Measurement and control devices

- Measures plastic characteristics, in advance
- Irradiate with laser light suitable for plastic characteristics



Irradiate with laser light
Galvano scanner motor GM-2020



Maximize amount of plastic that can be reused by manufacturers

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We have been making efforts to reduce the size and weight of our products as well as reuse and recycle them, with the aim of contributing to the development of a circular economy, which has been designated one of the most important issues we face.

In July, we announced a new technology that enables high accuracy sorting of plastics in the recycling process by combining laser light with measurement and control equipment.

Infrared is typically used when sorting plastics. However, in the case of black, infrared light is absorbed, and as a result black plastics cannot be properly separated. Laser light can be used to measure black, but less light is reflected compared to other colors, which is an issue as more time is required for measurement.

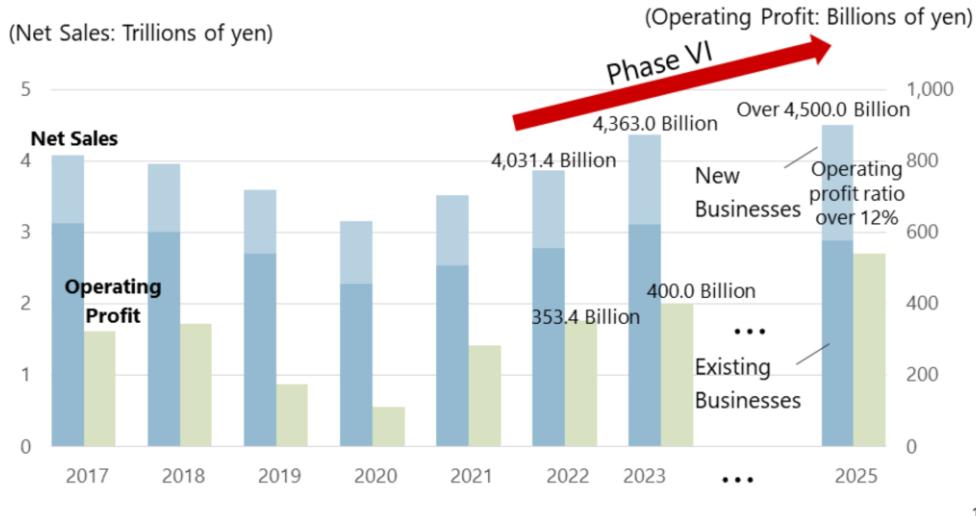
With our technology, the color, density, and size of plastics, as well as the speed of the conveyor belt is measured in advance, and based on this information, laser light that is suitable for each piece of plastic is used. By enabling the automatic recycling of even mixed black and white plastics, we will help manufacturers maximize the amount of reusable plastic.

Going forward as well, in addition to continuing efforts to promote development of a circular economy and reduce CO₂ in our production activities, we will further contribute to the realization of a sustainable society by developing technologies for the environment and providing them to society.

Excellent Global Corporation Plan Phase VI

Canon

- Achieve 3rd consecutive year of sales and profit growth, and link this to achievement of 2025 targets



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In the first half of this year, which marks the halfway point of "Phase VI of the Global Excellent Corporate Group Plan," we got off to a good start, with double-digit sales growth in our new businesses and high revenue contributions from our existing businesses, resulting in increased sales and profits.

In the second half of this year, we plan to further accelerate sales growth, and aim to achieve sales, second only to our record high of 2007. We also plan to reach the 400.0 billion yen mark in operating profit. Achieving sales and profit growth for the third consecutive year, we aim to not only achieve our 2025 performance targets, but will also aim to go beyond them.

Supplementary Information

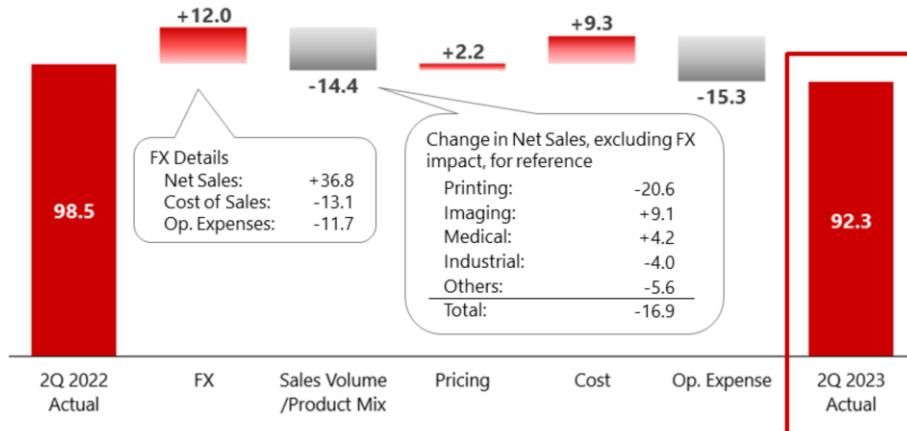
FY 2023 Operating Profit Analysis

(2Q 2023 Actual versus 2Q 2022 Actual)

Canon

- Changes in sales volume: Negative due to lower printer sales
- Expenses: Increased due to rise in selling-related expenses linked to sales growth, and R&D expenses

(Billions of yen)



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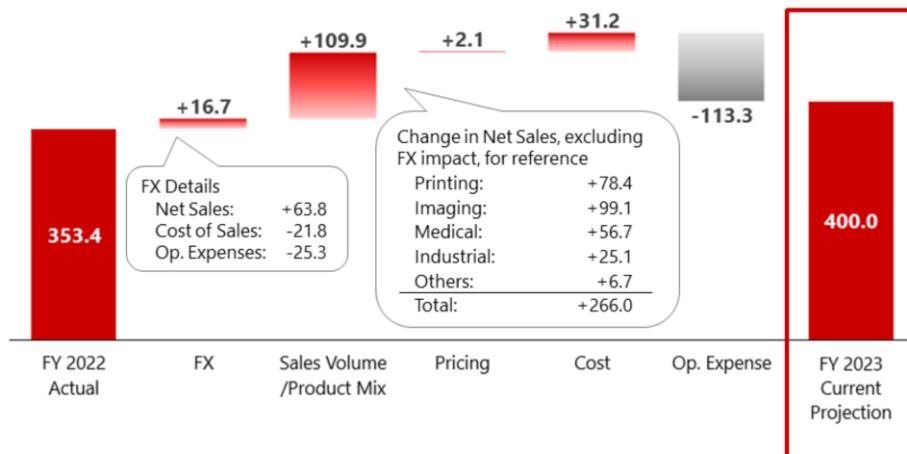
FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus FY 2022 Actual)

Canon

- Changes in sales volume: Increase in profit, as all four business units expected to post sales growth
- Expenses: Increase due to sales expansion and R&D investment to expand future performance

(Billions of yen)



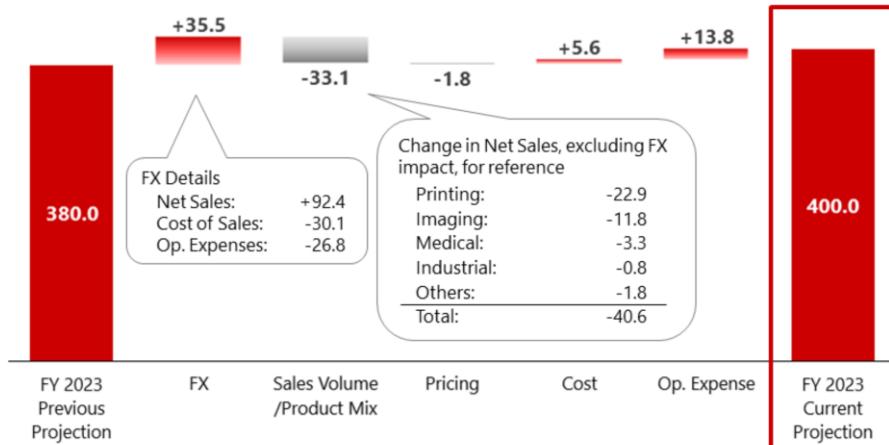
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FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus Previous Projection)

Canon

(Billions of yen)



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

			FY 2023		FY 2022	
			2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Office MFDs	JPY	Hardware	+21%	+13%	+10%	+30%
		Non-hardware	+8%	+6%	+7%	+10%
	LC	Hardware	+15%	+10%	-1%	+17%
		Non-hardware	+3%	+4%	0%	+2%
LPs	JPY	Hardware	-6%	+5%	+47%	+34%
		Non-hardware	-20%	-2%	+15%	+6%
	LC	Hardware	-10%	+4%	+31%	+19%
		Non-hardware	-20%	-2%	+4%	-2%
IJPs	JPY	Hardware	-19%	+1%	+35%	+34%
		Non-hardware	0%	+2%	-10%	-7%
	LC	Hardware	-23%	-1%	+22%	+21%
		Non-hardware	-5%	-1%	-18%	-15%
Production	JPY	Hardware	+9%	+14%	+27%	+30%
		Non-hardware	+11%	+2%	+21%	+23%
	LC	Hardware	+3%	+11%	+15%	+15%
		Non-hardware	+4%	-2%	+10%	+10%

Note: From 2023, a business, which was previously included in Others & Corporate and Office MFDs, was added to IJPs, and the results of 2022 were reclassified to conform to the current presentation.

Office/Prosumer - Net Sales by Product Category

(Billions of yen)

		FY 2023		FY 2022	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
Office	Office MFDs	156.5	620.8	137.3	567.8
	Others	88.7	363.5	77.4	321.1
		245.2	984.3	214.7	888.9
Prosumer	LPs	149.7	653.5	176.2	651.2
	IJPs	83.2	376.3	91.5	370.1
		232.9	1,029.8	267.7	1,021.3

Semiconductor Lithography Equipment – Unit Breakdown by Light Source (Units)

		FY 2023		FY 2022	
		2Q Actual	Full Year Projection	2Q Actual	Full Year Actual
KrF		10	59	12	51
i-Line		32	136	28	125
Total		42	195	40	176

Note: From 2023, a business, which was previously included in Others & Corporate and Office MFDs, was added to IJPs, and the results of 2022 were reclassified to conform to the current presentation.