
Canon Inc.

First Quarter 2024 Results

April 24, 2024

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Agenda

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- More challenging than expected business environment due to global economic slowdown, which caused continued delay in purchasing decisions and moves to reduce inventory
- Challenging inkjet and laser printer competitive environment, no real recovery in printer business performance
- Steps to optimize camera and network camera market inventory
- Semiconductor lithography equipment and commercial printing equipment growth and stable performance of office MFDs, even amid economic slowdown
- Decline in Imaging sales leads to lower operating profit, but significant improvement in Printing and Industrial operating profit ratio

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A summary of first quarter results.

As for the global economy, due to economic weakness in Europe, resulting from persistently high interest rates, and economic slowdown in China linked to the real estate crisis, growth slowed. In our related markets as well, we also saw customers delaying purchases and dealers reducing inventory.

In the first quarter, the challenging competitive environment surrounding inkjet and laser printers continued and there was no real recovery in our performance. For interchangeable-lens cameras and network cameras, steps were taken to optimize market inventory that was heavy at the end of the year after at the year-end selling season.

On the other hand, for semiconductor lithography equipment and commercial printing equipment where medium- to long-term market growth is expected, sales steadily increased. For office MFDs as well, due to the increase in hardware unit sales over the past few years, in particular color models, service revenue increased. Through this and the tailwind of yen depreciation, we achieved sales growth overall.

As for operating profit, the Imaging Group, which has high profitability, saw a significant decline in profit due to the effects of market inventory optimization. However, the Printing Group, where service revenue was solid, and the Industrial Group, capturing growing demand for semiconductors, significant increased operating profit.

Key Message

(1Q 2024 Results)

(Billions of yen)	1Q 2024 Actual	1Q 2023 Actual	% Change
Net Sales	988.5	971.1	+1.8%
Gross Profit (% of Net Sales)	478.4 48.4%	454.0 46.8%	+5.4%
Op. Expenses (% of Net Sales)	398.3 40.3%	369.5 38.1%	
Op. Profit (% of Net Sales)	80.1 8.1%	84.5 8.7%	-5.2%
IBT	89.2	87.5	+1.9%
Net Income (% of Net Sales)	59.9 6.1%	56.4 5.8%	+6.3%
USD	148.69	132.47	
EUR	161.35	142.10	

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The P&L.

In the first quarter, net sales increased by 1.8% to 988.5 billion yen. Due to significant depreciation of the yen against the U.S. dollar and euro, changes in exchange rates had a positive effect. However, the overall increase in sales was slight, as the sell-in of cameras and network cameras was negatively impacted by the build-up of market inventory.

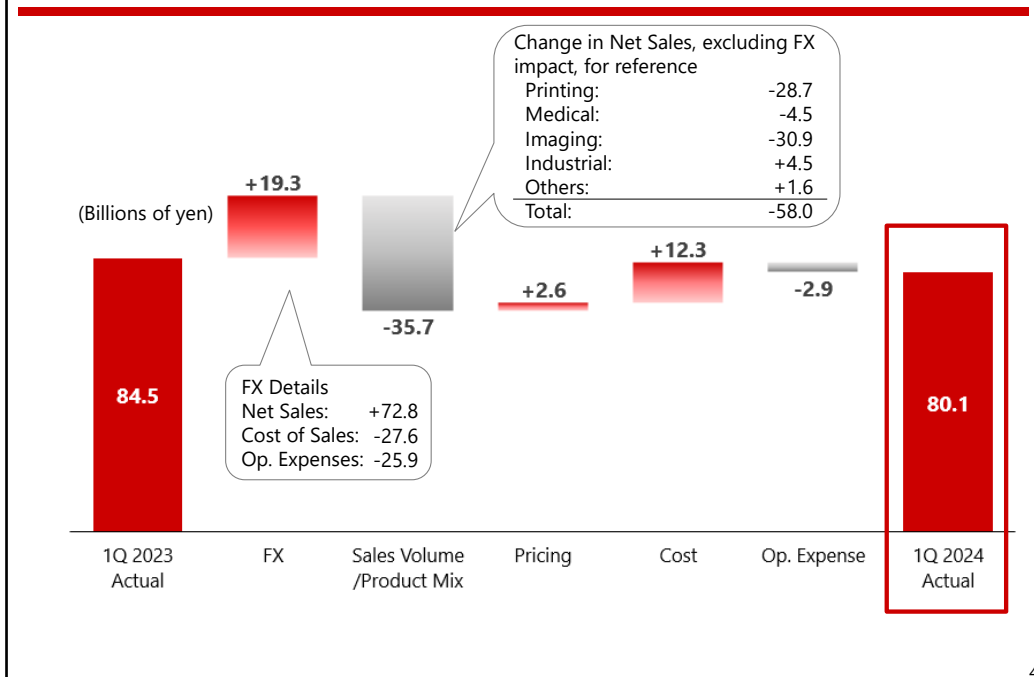
As for gross profit, the end of the COVID-19 pandemic allows us to carry out normal cost-cutting activities, which contributed to an improvement. However, expenses increased significantly compared to last year due to an increase in labor costs and an increase in yen conversion amounts due to the depreciation of the yen.

As a result, operating profit decreased by 5.2% to 80.1 billion yen.

Income before income taxes, due to a decrease of currency exchange loss, increased by 1.9% to 89.2 billion yen, and net income increased by 6.3% to 59.9 billion yen.

1Q 2024 Operating Profit Analysis

(1Q 2024 Actual versus 1Q 2023 Actual)



An analysis of operating profit.

Depreciation of the yen had a positive impact of 19.3 billion yen. However, lower sales of cameras and network cameras led to a negative impact of 35.7 billion yen on changes in sales volume and product mix.

Expenses, due to increases in base wages and the development of new product, increased by 2.9 billion yen. However, costs decreased by 12.3 billion yen mainly thanks to lower plant costs.

As a result, operating profit decreased by 4.4 billion and amounted to 80.1 billion yen.

1Q 2024 Financial Results by Business Unit



(Billions of yen)		1Q 2024 Actual	1Q 2023 Actual	% Change
Printing	Net Sales	580.3	558.2	+4.0%
	Op. Profit	65.5	50.6	+29.4%
	(%)	(11.3%)	(9.1%)	
Medical	Net Sales	134.2	131.1	+2.4%
	Op. Profit	5.6	6.9	-18.9%
	(%)	(4.2%)	(5.2%)	
Imaging	Net Sales	175.5	192.4	-8.8%
	Op. Profit	14.3	37.3	-61.7%
	(%)	(8.1%)	(19.4%)	
Industrial	Net Sales	68.5	62.1	+10.4%
	Op. Profit	12.1	7.4	+62.5%
	(%)	(17.6%)	(12.0%)	
Others & Corporate	Net Sales	55.1	55.4	-0.5%
	Op. Profit	-18.9	-18.1	-
Eliminations	Net Sales	-25.1	-28.1	-
	Op. Profit	1.5	0.4	-
Total	Net Sales	988.5	971.1	+1.8%
	Op. Profit	80.1	84.5	-5.2%
	(%)	(8.1%)	(8.7%)	

Note: From the first quarter of 2024, some reclassification between Others & Corporate and Eliminations was made to manage the performance of reportable segments more appropriately. The figures for 2023 were also reclassified.

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The P&L by Business Unit.

As for Printing, sales growth was posted mainly in commercial printing equipment where the market is growing and non-hardware sales of office equipment. Conversely, sales of laser printers and inkjet printers declined due to weak market conditions in China and Europe. However, an overall increase in Printing sales was secured, and profitability improved by more than 2 points to 11.3%.

As for Medical, in addition to weak market conditions in China, resulting from an anti-corruption campaign, sales in Europe and the United States were pushed out to the second quarter due to the extension of business negotiations and equipment installation. As a result, sales growth was insufficient and we were unable to absorb increased growth investment in development and sales, which lead to profit being lower than last year.

As for Imaging, starting with cameras, at the end of the fourth quarter selling season, the amount of market inventory for some products was heavy. To optimize market inventory, we reduced unit shipments and invested in sales promotions to stimulate sell-out through mass retailers, which led to lower revenue. For network cameras as well, inventory adjustment of our sales partners which started in the fourth quarter of last year continued in the first quarter, resulting in an overall decrease in Imaging sales of 8.8%.

As for Industrial, sales of semiconductor lithography equipment for power semiconductors, which can also be used for compound wafers that address compound wafers as well as strong demand for post-process equipment for advanced packaging, which has become an industry standard, increased sharply to 49 units from 29 units in the previous year. As a result, sales increased 10% and profitability was up significantly.

- Outlook for global economy remains unclear, growth in line with last year
- Normalizing Imaging business market inventory
- Increasing sales, capturing expanding demand in growing markets of semiconductor lithography equipment, medical, network cameras, and commercial printing
- Consecutive launch of new product as planned
- In addition to normal cost reduction activities, accelerate business structure review
- Fourth consecutive year of sales and profit growth as well as double-digit operating profit ratio (10%)

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Our outlook for this year.

As for the global economy, due to heightened geopolitical tensions and continued uncertainty towards political and economic prospects, including the monetary policy of each country, we assumed growth would be in line with last year.

In the first quarter, particularly in our Imaging Business, market inventory was heavy, resulting in lower sales. However, as we are finally seeing the situation normalize, we will work to accelerate growth from the second quarter. Additionally, for semiconductor lithography equipment, medical, network cameras, and commercial printing, we expect demand to expand this year as well, and as we go forward consecutively launching new products in line with our plan, we will expand sales by steadily linking them to sales.

In terms of profit, in addition to an increase in gross profit, as COVID-19 and semiconductor shortages are under control, we can expect normal cost reduction. On top of this, we expect improvement due to the effects of cost reduction measures on plant costs and product design.

We are making steady progress on projects to totally overhaul our cost structure and on activities to innovate our medical business, which we discussed during our earnings announcement at the beginning of the year. We will accelerate our efforts so that they will be effective this year. And through this, we aim to achieve our fourth consecutive year of sales and profit growth as well as a double-digit operating profit ratio.

FY 2024 Financial Projection (Full Year)



(Billions of yen)	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change									
Net Sales	4,350.0	4,181.0	+4.0%	4,350.0	0.0									
Gross Profit (% of Net Sales)	2,065.5 47.5%	1,968.9 47.1%	+4.9%	2,065.5 47.5%	0.0									
Op. Expenses (% of Net Sales)	1,630.5 37.5%	1,593.5 38.1%		1,630.5 37.5%	0.0									
Op. Profit (% of Net Sales)	435.0 10.0%	375.4 9.0%	+15.9%	435.0 10.0%	0.0									
IBT	450.0	390.8	+15.2%	450.0	0.0									
Net Income (% of Net Sales)	305.0 7.0%	264.5 6.3%	+15.3%	305.0 7.0%	0.0									
USD	141.87	140.85		140.00										
EUR	156.35	152.20		155.00										
Impact of exchange rate movement (2Q-4Q impact given a one yen change)														
<table border="1"> <thead> <tr> <th></th> <th>Net Sales</th> <th>Op. Profit</th> </tr> </thead> <tbody> <tr> <td>USD</td> <td>10.1 billion yen</td> <td>3.1 billion yen</td> </tr> <tr> <td>EUR</td> <td>5.2 billion yen</td> <td>2.5 billion yen</td> </tr> </tbody> </table>							Net Sales	Op. Profit	USD	10.1 billion yen	3.1 billion yen	EUR	5.2 billion yen	2.5 billion yen
	Net Sales	Op. Profit												
USD	10.1 billion yen	3.1 billion yen												
EUR	5.2 billion yen	2.5 billion yen												

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Net sales is projected to increase by 4.0% to 4 trillion 350.0 billion yen, operating profit by 15.9% to 435.0 billion yen, and net income by 15.3% to 305.0 billion yen as we maintain our previous projection.

As for exchange rates from the second quarter, taking into account current market prices and monetary policy developments, we assumed 140 yen against the U.S. dollar and 155 yen against the euro.

FY 2024 Financial Projection by Business Unit

(Full Year)

(Billions of yen)		2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Printing	Net Sales	2,393.8	2,346.1	+2.0%	2,389.0	+4.8
	Op. Profit	260.6	228.3	+14.1%	255.9	+4.7
	(%)	(10.9%)	(9.7%)		(10.7%)	
Medical	Net Sales	582.0	553.8	+5.1%	582.0	0.0
	Op. Profit	46.0	31.6	+45.3%	46.0	0.0
	(%)	(7.9%)	(5.7%)		(7.9%)	
Imaging	Net Sales	900.0	861.6	+4.5%	900.8	-0.8
	Op. Profit	143.8	145.6	-1.2%	147.2	-3.4
	(%)	(16.0%)	(16.9%)		(16.3%)	
Industrial	Net Sales	379.0	314.7	+20.4%	383.0	-4.0
	Op. Profit	71.0	58.6	+21.2%	72.3	-1.3
	(%)	(18.7%)	(18.6%)		(18.9%)	
Others & Corporate	Net Sales	196.0	208.8	-6.2%	184.0	+12.0
	Op. Profit	-86.4	-86.3	-	-86.4	0.0
Eliminations	Net Sales	-100.8	-104.0	-	-88.8	-12.0
	Op. Profit	0.0	-2.4	-	0.0	0.0
Total	Net Sales	4,350.0	4,181.0	+4.0%	4,350.0	0.0
	Op. Profit	435.0	375.4	+15.9%	435.0	0.0
	(%)	(10.0%)	(9.0%)		(10.0%)	

Note: From the first quarter of 2024, some reclassification between Others & Corporate and Eliminations was made to manage the performance of reportable segments more appropriately. The figures for 2023 were also reclassified.

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The P&L by Business Unit.

As for the commercial printing equipment of Printing, which started strong in the first quarter, we will work to expand sales by further stimulating business negotiations at the international exhibition to be held in Germany in May. As for office MFDs, in addition to current products that are selling well, through an enhancement of our product lineup, we aim to expand our market share, particularly in color machines. Furthermore, for laser printers, which saw continued shipment adjustments, we expect sales to turn positive from the second quarter, driven mainly by monochrome printers. And for inkjet printers we will steadily grow by expanding sales of refillable ink tank models.

As for Medical, growth was low due to delayed installation and other factors in the first quarter. However, with the aim of growing our sales by 5% for the full year, we will accelerate growth by globally rolling out the Aquilion Serve SP, a new 80-row CT scanner covering the high-volume category and the Vantage Fortian an MRI system that contributed to us securing the No.1 market share position in Japan last year.

Additionally, in terms of strengthening our sales capability, thanks to establishment of a new marketing company in the United States and a local subsidiary in Saudi Arabia, business negotiations have increased, which we are working to turn into sales as soon as possible.

As for profitability, we are raising this by improving our product mix through the launch of new products, rolling out products that incorporate cost reduction, and beginning maintenance services for large equipment sold in the latter half of last year. Additionally, by quickly realizing the fruits of the business structure innovation being considered by the Medical Business Innovation Committee, which was launched in February, we will raise profitability to 7.9% for the full year.

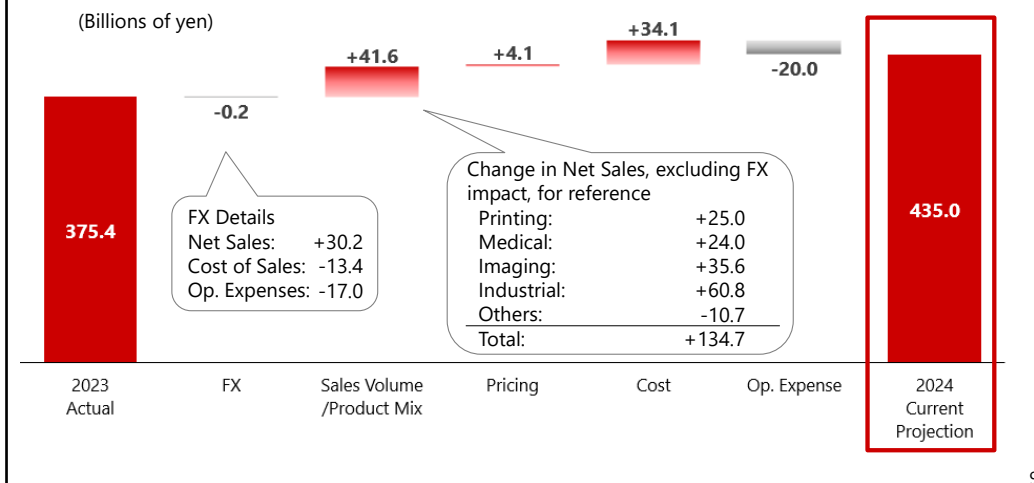
As for Imaging, starting with cameras, from the second quarter, in addition to the optimization of market inventory, through the enhancement of our EOS R system lineup, we will increase our mirrorless camera ratio, thereby facilitating sales growth.

Additionally, as sales of network cameras return to a growth trend from the second quarter after the end of the partner inventory adjustment in Europe and Asia, we plan to achieve 4.5% sales growth for the overall Imaging Group.

As for Industrial, we plan to increase sales of semiconductor lithography equipment to 244 units, a 30% increase from the previous year, and increase sales of FPD lithography equipment from the second half of the year. As for organic EL vapor deposition equipment, we will promote the production of large equipment for IT panels and aim to increase sales by more than 20% for the entire Group.

FY 2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2023 Actual)



An analysis of operating profit compared to last year.

First, exchange rates on a full year basis will have very little impact.

As for changes in sales volume and product mix, we are planning to increase sales in all 4 business units, which will lead to a positive impact of 41.6 billion yen.

As for costs, although we made an allowance for possible rise in logistical costs, we expect cost reduction to be 34.1 billion yen, mainly coming from lower material and production related costs.

Expenses, due to increases in labor costs and expenses linked to sales growth, are expected to increase by 20.0 billion yen.

As a result, operating profit is projected to increase by 59.6 billion yen to 435.0 billion yen, as we aim to achieve a double-digit operating profit ratio of 10%.

Inventory

- Inventory at end of March temporarily increases due to yen depreciation and increase in inventory in transit
- Reduction in work-in-process inventory at the end of 2024 leading to optimal inventory level of 60 days of less (Billions of yen)

		FY 2023				FY 2024
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end
Printing	Amt.	372.5	387.5	377.6	312.6	347.6
	Days	57	62	60	47	52
Medical	Amt.	136.3	143.1	150.9	125.9	141.1
	Days	88	102	107	77	86
Imaging	Amt.	163.6	173.3	184.6	168.4	191.4
	Days	69	77	77	68	86
Industrial	Amt.	133.0	140.0	142.8	132.9	146.4
	Days	154	187	170	136	160
Others & Corporate	Amt.	53.4	54.2	58.0	57.1	68.3
Total	Amt.	858.8	898.1	913.9	796.9	894.9
	Days	74	82	82	66	76

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As for inventory at the end of March, compared to the end of December of last year, it increased in value by 98.0 billion in yen and in turnover by 10 days. There was an exchange rate impact of about 23.0 billion yen due to the depreciation of the yen, and inventory in transit as well increased by about 15.0 billion yen due to a route change to avoid the Red Sea and Suez Canal.

In addition, to expand sales from the second quarter, we have been building up inventories of products such as semiconductor lithography equipment, medical, and cameras. However, proceeding with production and sales as planned, we expect to reduce inventory to an appropriate level of below 60 days by the end of the year.

Cash Flow

(Full Year)

- From 570.0 billion yen in operating cash flow, active growth investment and return to shareholders

(Billions of yen)	FY 2024 Current Projection	FY 2024 Previous Projection	FY 2023 Actual	FY 2022 Actual
Net income	305.0	305.0	264.5	244.0
Depreciation and amortization	240.0	240.0	238.7	226.5
Others	25.0	17.5	-52.0	-207.9
Net cash provided by operating activities	570.0	562.5	451.2	262.6
Capital expenditure	-240.0	-240.0	-231.7	-188.5
Others	-55.0	0.0	-43.7	7.7
Net cash used in investing activities	-295.0	-240.0	-275.4	-180.8
Free cash flow	275.0	322.5	175.8	81.8
Net cash provided by (used in) financing activities	-299.5	-345.0	-156.7	-146.8
Effect of exchange rate changes on cash and cash equivalents	-1.8	-3.8	20.1	25.7
Net change in cash and cash equivalents	-26.3	-26.3	39.2	-39.3
Cash and cash equivalents at end of period	375.0	375.0	401.3	362.1
Cash-on-hand (In months of Net sales) (See note below)	1.0	1.0	1.1	1.0

Note: Figures for 2022 and 2023 calculated using second half net sales. 2024 figures based on net sales for full year.

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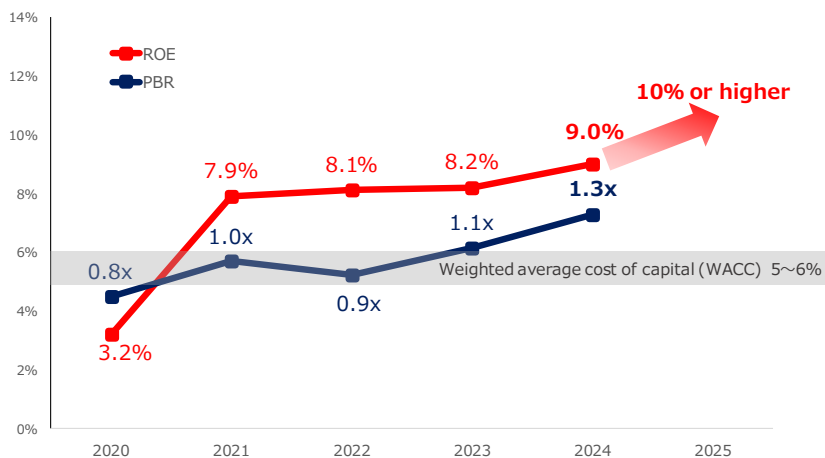
For net income this year, we are targeting more than 300.0 billion yen, a level we last achieved 16 years ago in 2008, and plan to generate 570.0 billion yen in operating cash flow by reducing working capital, through further reduction in inventory.

As for investing cash flow, in addition to a new semiconductor lithography equipment factory, which is currently under construction, we plan to spend a total of 295.0 billion yen, including strategic investments.

As for the 275.0 billion yen in free cash flow that we generate, for return to shareholders, we will pay a dividend of 150 yen per share for the full year and buyback shares in the amount of 100 billion yen up to and including January of 2025, and with the cash that exceeds one month of sales, we will direct this to the repayment of debt.

Return on Capital

- Through profitability improvement and structural reform - ROE 9.0% in 2024, 10% or higher in 2025



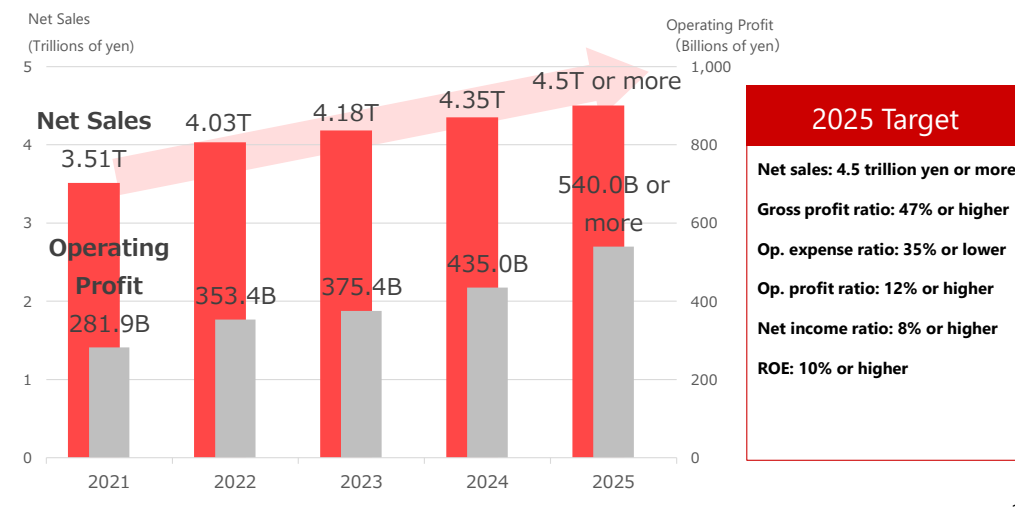
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ROE, which indicates return on capital, is expected to increase from 8.2% last year to 9.0% this year, exceeding our cost of capital of 5 to 6%, and our PBR is currently 1.3 times.

To achieve a ROE of more than 10% in 2025 and to further increase ROE in the future, we will strongly promote structural reforms from a short- and medium-term perspective.

Summary

- Achieve fourth consecutive year of sales and profit growth through accelerated business expansion
- Firmly secure 2025 performance targets through sales structure reform and medical business innovation activities



From the second quarter, in addition to recovery in businesses such as cameras, network cameras and laser printers where adjustments are finishing, we will accelerate the growth of business in growing markets such as semiconductor lithography equipment, medical, and commercial printing. And through these measures, we will work to realized sales growth of 4% for the full year.

In addition to efforts to improve profits, the basic concept of sales restructuring and medical business innovation activities has been finalized and detailed implementation plans have begun. In order to achieve results by the end of this year, we will implement some of these measures, starting with those that are possible, and aim to increase sales and profits for fourth consecutive year, while ensuring that we achieve the performance targets set out in Phase VI of our Global Excellent Corporate Plan.

Supplementary Information

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		1Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		99.0	87.0	+13.8%	413.8	401.6	+3.0%	413.8	0.0
Office	Office MFDs	156.3	143.7	+8.8%	627.5	622.2	+0.8%	627.5	0.0
	Others	98.3	89.6	+9.7%	369.3	364.1	+1.4%	369.3	0.0
		254.6	233.3	+9.1%	996.8	986.3	+1.1%	996.8	0.0
Prosumer	LPs	145.4	151.1	-3.7%	631.7	608.9	+3.7%	626.9	4.8
	IJPs	81.3	86.8	-6.3%	351.5	349.3	+0.6%	351.5	0.0
		226.7	237.9	-4.7%	983.2	958.2	+2.6%	978.4	4.8
Net Sales		580.3	558.2	+4.0%	2,393.8	2,346.1	+2.0%	2,389.0	4.8
Op. Profit		65.5	50.6	+29.4%	260.6	228.3	+14.1%	255.9	4.7
%		11.3%	9.1%		10.9%	9.7%		10.7%	

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2024			2024	
	1Q	Full Year Projection		1Q	Full Year Projection
Production	+1.9%	+1.5%	Office MFDs	-6%	+1%
Office	+1.7%	0.0%	LPs	-16%	+14%
Prosumer	-12.7%	+2.4%	IJPs	-17%	+2%
Total	-4.4%	+1.2%			

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Production

Digital commercial printing equipment is steadily replacing analog equipment due to their advantage in handling high-mix low-volume printing and reducing labor. And from this, we expect the market to continue growing at a rate of around 5%.

In the first quarter, continued strong demand for the imagePRESS V series and Colorado M series from last year, and progress in installing continuous feed and other large equipment for which we had orders, led to increased sales.

Service revenue as well is steadily increasing, thanks to the stable increase in hardware sales over the past few years.

In the second quarter, as an industry leading company, we will showcase the advantages of our printing equipment at the world's largest printing technology exhibition held in Germany once every four years to stimulate business negotiations and links this to sales expansion going forward.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

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%	11.3%	9.1%		10.9%	9.7%		10.7%		

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2024			2024	
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Prosumer	-12.7%	+2.4%	IJPs	-17%	+2%
Total	-4.4%	+1.2%			

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Office

As for the office MFD market, although current market conditions remain weak in China and Europe, solid demand for highly productive MFDs as the main printing equipment in offices is expected to continue.

In the first quarter, compared to last year when the supply of A4 models recovered and sales increased, hardware sales in terms of units decreased. However, growth in our install base of color units over the past few years lead to increased service revenue and overall net sales growth.

Our office MFDs have been recognized by customers for their ease-of-maintenance and energy-saving performance. Customers have also highly evaluated our ability to stably supply products. As we increase our market share, we will work to expand sales also for the full year.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

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Production	99.0	87.0	+13.8%	413.8	401.6	+3.0%	413.8	0.0	
Office	Office MFDs	156.3	143.7	+8.8%	627.5	622.2	+0.8%	627.5	0.0
	Others	98.3	89.6	+9.7%	369.3	364.1	+1.4%	369.3	0.0
		254.6	233.3	+9.1%	996.8	986.3	+1.1%	996.8	0.0
Prosumer	LPs	145.4	151.1	-3.7%	631.7	608.9	+3.7%	626.9	4.8
	IJPs	81.3	86.8	-6.3%	351.5	349.3	+0.6%	351.5	0.0
		226.7	237.9	-4.7%	983.2	958.2	+2.6%	978.4	4.8
Net Sales	580.3	558.2	+4.0%	2,393.8	2,346.1	+2.0%	2,389.0	4.8	
Op. Profit	65.5	50.6	+29.4%	260.6	228.3	+14.1%	255.9	4.7	
%	11.3%	9.1%		10.9%	9.7%		10.7%		

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2024			2024	
	1Q	Full Year Projection		1Q	Full Year Projection
Production	+1.9%	+1.5%	Office MFDs	-6%	+1%
Office	+1.7%	0.0%	LPs	-16%	+14%
Prosumer	-12.7%	+2.4%	IJPs	-17%	+2%
Total	-4.4%	+1.2%			

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Prosumer

As for the printer market, although current market conditions remain weak in China and Europe, we expect the market to contract by three to four percent this year as well.

As for laser printers, although sales in the first quarter were below those of last year, they are progressing as planned. After the completion of shipment adjustments, from the second quarter, and with a focus on monochrome models, we plan to return to positive growth.

Competing with competitors, by expanding our range of models that match customer needs, we will expand our market share and accelerate sales recovery.

As for inkjet printers, impacted by the economic downturn and aggressive sales promotion by competitors, sales decreased also in the first quarter.

In order to expand sales of refillable ink tank models, we launched an entry-level model for business in September of last year. And this year, through further expansion, we will prepare a full lineup.

We are expanding sales in areas like the United States and Latin America, and going forward, we will work to expand sales with high print volume users in Asia.

Printing Hardware & Non-hardware Sales



Net Sales Growth Rate of Printing Hardware & Non-hardware

			FY 2024		FY 2023	
			1Q Actual	Full Year Current Projection	1Q Actual	Full Year Actual
Production	JPY	Hardware	+13%	+7%	+19%	+11%
		Non-hardware	+14%	+1%	+18%	+11%
	LC	Hardware	+1%	+6%	+8%	+3%
		Non-hardware	+3%	-1%	+8%	+3%
Office MFDs	JPY	Hardware	+4%	+1%	+39%	+12%
		Non-hardware	+14%	0%	+12%	+7%
	LC	Hardware	-6%	0%	+27%	+5%
		Non-hardware	+5%	-1%	+4%	+2%
LPs	JPY	Hardware	-15%	+8%	+15%	-10%
		Non-hardware	+4%	+1%	-7%	-4%
	LC	Hardware	-23%	+8%	+8%	-15%
		Non-hardware	-4%	+2%	-10%	-6%
IJPs	JPY	Hardware	-14%	+1%	-9%	-14%
		Non-hardware	-1%	+1%	+2%	+2%
	LC	Hardware	-22%	0%	-16%	-18%
		Non-hardware	-10%	-1%	-7%	-4%

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	1Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Net Sales	134.2	131.1	+2.4%	582.0	553.8	+5.1%	582.0	0.0
Op. Profit	5.6	6.9	-18.9%	46.0	31.6	+45.3%	46.0	0.0
%	4.2%	5.2%		7.9%	5.7%		7.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	1Q	Full Year Projection
Total	-3.4%	+4.3%

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Medical

The diagnostic imaging equipment market is expected to grow at a rate of around 2% even though some medical institutions are postponing the purchase of such equipment due to the rise in interest rates and labor costs.

In the first quarter, in addition to weak market conditions in China, resulting from an anti-corruption campaign, sales in Europe and the United States were pushed out to the second quarter due to business negotiations and the extension of installations. As a result, we were unable to absorb increased growth investment in development and sales, which lead to profit being lower than last year.

From the second quarter, in CT systems, will begin full-scale orders and sales of the Aquilion Serve SP, a new 80-row CT scanner, which is the volume zone announced at the RSNA in December last year. In MRI systems, to the Vantage Fortian 1.5T, which contributed to us securing the No.1 market share in Japan last year, we added a new product, a 3-tesla scanner that we will use to expand sales globally.

In addition, the establishment of a new marketing company in the United States last year and the establishment of a local subsidiary in Saudi Arabia have resulted in an increase in the number of business negotiations via our enhanced sales capability and improved market presence, which we are working to turn into sales as soon as possible.

In addition to sales growth, by improving our product mix through the launch of new products, rolling out products that incorporate cost reduction, and beginning maintenance services for large equipment sold in the latter half of last year. we will work to raise our operating profit ratio to 7.9% for the full year.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	1Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	102.3	110.0	-7.1%	564.2	544.6	+3.6%	565.0	-0.8
Network Cameras & Others	73.2	82.4	-11.2%	335.8	317.0	+5.9%	335.8	0.0
Net Sales	175.5	192.4	-8.8%	900.0	861.6	+4.5%	900.8	-0.8
Op. Profit	14.3	37.3	-61.7%	143.8	145.6	-1.2%	147.2	-3.4
%	8.1%	19.4%		16.0%	16.9%		16.3%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	1Q	Full Year Projection
Cameras	-15.3%	+3.3%
NWCs & Others	-19.7%	+4.8%
Total	-17.2%	+3.9%

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

	2024	
	1Q	Full Year Projection
Units (Millions)	0.50	2.80
Growth Rate	-10%	-3%

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Cameras

As for the camera market, last year, the aggressive promotions of each company during the selling season fourth quarter expanded unit sales. As a result, we expect the market this year to be down 4% to 5.75 million units.

In the first quarter, unit sales grew, mainly driven by mirrorless cameras like the EOS R50. However, as some of the cameras that we sold in the fourth quarter of last year were still in stock in the market, net sales declined due to reduction in the number of units shipped to optimize market inventory, and sales promotion expenses to promote sell-out of mass retailers.

From the second quarter, in addition to the optimization of market inventory, through the enhancement of our lineup of cameras and lenses, we will further strengthen our EOS R system, stimulating demand for both still and moving images. And by improving our product mix through an increase in our mirrorless camera ratio, we aim to achieve sales growth of 3.7% for the full year.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	1Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	102.3	110.0	-7.1%	564.2	544.6	+3.6%	565.0	-0.8
Network Cameras & Others	73.2	82.4	-11.2%	335.8	317.0	+5.9%	335.8	0.0
Net Sales	175.5	192.4	-8.8%	900.0	861.6	+4.5%	900.8	-0.8
Op. Profit	14.3	37.3	-61.7%	143.8	145.6	-1.2%	147.2	-3.4
%	8.1%	19.4%		16.0%	16.9%		16.3%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	1Q	Full Year Projection
Cameras	-15.3%	+3.3%
NWCs & Others	-19.7%	+4.8%
Total	-17.2%	+3.9%

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

	2024	
	1Q	Full Year Projection
Units (Millions)	0.50	2.80
Growth Rate	-10%	-3%

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Network Cameras & Others

The market, despite the impact of the global economic slowdown, and on the back of fundamental needs of people seeking safety and security, continues to grow.

In the first quarter, although sales were down due to the continuing inventory adjustment of sales partners that started in the fourth quarter of last year, we expect inventory adjustment will come to completion, first in Europe and Asia, and as a result our sales to return to a growth trend from the second quarter.

We will increase sales, leveraging our ability to propose to our customers the most appropriate systems that integrate network cameras that captured images with software that manages and analyzes the captured footage.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	1Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	47.0	40.0	+17.5%	248.8	212.6	+17.0%	252.8	-4.0
Industrial Equipment	21.5	22.1	-2.7%	130.2	102.1	+27.5%	130.2	0.0
Net Sales	68.5	62.1	+10.4%	379.0	314.7	+20.4%	383.0	-4.0
Op. Profit	12.1	7.4	+62.5%	71.0	58.6	+21.2%	72.3	-1.3
%	17.6%	12.0%		18.7%	18.6%		18.9%	

Net Sales Growth Rate Y/Y
(Local Currency)

	2024	
	1Q	Full Year Projection
Opt. Equip.	+15.0%	+16.8%
Industrial Equip.	-3.6%	+27.4%
Total	+8.4%	+20.3%

Lithography Equipment (Units)

		2024	
		1Q	Full Year Projection
Semiconductor	KrF	14	54
	i-line	35	190
		49	244
FPD		1	26

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Optical Equipment

As for the semiconductor device market in 2024, growth is slightly slower than what was expected mainly due to the Chinese economy and slowdown in EV investment. However logic and DRAM used in generative AI is expected to increase significantly, and is expected to recover from the contraction in 2023 due to adjustments in supply and demand, resulting in a return to 2022 levels.

The semiconductor lithography equipment market is expected to remain at the same level as the previous year, when it experienced significant growth, due to the medium- to long-term growth prospects of semiconductor devices and the move to promote domestic production from the viewpoint of economic security.

In the first quarter, we sold 49 units, a significant increase from the 29 units sold last year. This reflects strong demand for equipment for power semiconductors that address compound wafers as well as strong demand for post-process equipment for advanced packaging, which has become an industry standard.

For the year, we plan to increase the number of units to 244, an increase of 57 from the previous year. Most of the orders have already been secured, and from the second quarter, we will increase the pace of production and installation.

Nanoimprint semiconductor manufacturing equipment that we launched in October of last year, is being jointly evaluated and verified based on specifications of semiconductor manufacturers with the aim of practical application in various devices such as memory and logic.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	1Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	47.0	40.0	+17.5%	248.8	212.6	+17.0%	252.8	-4.0
Industrial Equipment	21.5	22.1	-2.7%	130.2	102.1	+27.5%	130.2	0.0
Net Sales	68.5	62.1	+10.4%	379.0	314.7	+20.4%	383.0	-4.0
Op. Profit	12.1	7.4	+62.5%	71.0	58.6	+21.2%	72.3	-1.3
%	17.6%	12.0%		18.7%	18.6%		18.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	1Q	Full Year Projection
Opt. Equip.	+15.0%	+16.8%
Industrial Equip.	-3.6%	+27.4%
Total	+8.4%	+20.3%

Lithography Equipment (Units)

		2024	
		1Q	Full Year Projection
Semiconductor	KrF	14	54
	i-line	35	190
		49	244
FPD		1	26

18

Optical Equipment/Industrial Equipment

Since entering this year, we have seen the balance of panel supply and demand improve. As a result, we expect panel manufacturer profits to increase as well as a gradual recovery in investment towards display manufacturing equipment.

In the first quarter, although our sales of FPD lithography equipment was limited to one unit, we were able to secure almost all orders for the 26 units we plan to sell this year and will increase unit sales from the second quarter.

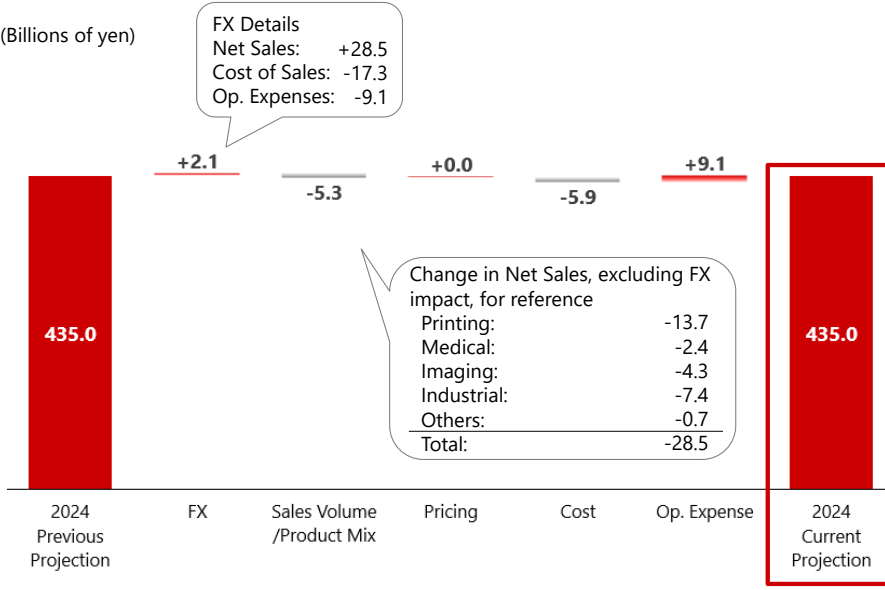
As for industrial equipment, we plan to significantly expand sales of OLED vapor deposition equipment from the second quarter by promoting production of our first system for IT panels. And we will aim to establish our equipment as the industry-standard system, as we did for small- and medium-size equipment for smartphones.

FY 2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2024 Previous Projection)



(Billions of yen)



FX Details
 Net Sales: +28.5
 Cost of Sales: -17.3
 Op. Expenses: -9.1

Change in Net Sales, excluding FX impact, for reference

Printing:	-13.7
Medical:	-2.4
Imaging:	-4.3
Industrial:	-7.4
Others:	-0.7
Total:	-28.5