
Canon Inc.

Second Quarter 2024 Results

July 25, 2024

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Agenda

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- In markets in which we compete, demand remained weak in certain regions due to slowdown in global economic growth
- Recovery in camera, network camera, and laser printer sales as inventory adjustments were completed as planned
- Steady growth in semiconductor lithography equipment, commercial printing equipment, and medical business sales where medium- to long-term market growth is expected
- Achieved 14% increase in sales compared to the same period last year and record high sales for second quarter
- Nearly 30% increase in operating profit, profitability raised to 10.1%

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As for the global economy, there was a slowdown in growth. This reflects economic downturn in Europe due to persistently high interest rates as well as economic slowdown in China caused by the real estate slump. However, supported by a favorable employment environment, mainly in the United States, as well as improvement in real income, personal consumption remained firm, resulting in stable growth overall. In the markets in which we participate, we also saw weak demand in Europe and China. However, overall demand was solid.

In this business environment, we posted significant recovery in second quarter sales of cameras, network cameras, and laser printers, as the adjustment of inventory, which took up to the first quarter, was completed as planned.

Additionally, for our semiconductor lithography equipment, commercial printing equipment, and medical businesses for which medium- to long-term market expansion is expected, sales steadily increased and growth continues.

As a result, sales increased 14% compared to the same period last year. And in terms of second quarter sales, were at a record high level.

For operating profit, up nearly 30% due to recovery in sales, profitability was 10.1%, two points higher than the 8.1% we achieved in the first quarter.

P&L (2Q/1H 2024 Results)



(Billions of yen)	2Q			1st Half		
	2024 Actual	2023 Actual	% Change	2024 Actual	2023 Actual	% Change
Net Sales	1,167.8	1,020.9	+14.4%	2,156.3	1,992.0	+8.2%
Gross Profit (% of Net Sales)	551.6 47.2%	484.8 47.5%	+13.8%	1,030.0 47.8%	938.8 47.1%	+9.7%
Op. Expenses (% of Net Sales)	433.2 37.1%	392.5 38.5%		831.5 38.6%	762.1 38.2%	
Op. Profit (% of Net Sales)	118.4 10.1%	92.3 9.0%	+28.3%	198.5 9.2%	176.7 8.9%	+12.3%
IBT	132.2	101.1	+30.8%	221.4	188.7	+17.4%
Net Income (% of Net Sales)	89.9 7.7%	65.4 6.4%	+37.4%	149.8 6.9%	121.8 6.1%	+23.0%
USD	155.93	137.57		152.60	135.09	
EUR	167.98	149.62		164.97	145.88	

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As for second quarter sales, in addition to expanding sales of mainly semiconductor lithography equipment and laser printers as well as new businesses such as network cameras and industrial equipment, the significant depreciation of the yen against the U.S. dollar and euro compared to last year led to a 14.4% increase in second quarter net sales, which amounted to 1 trillion 167.8 billion yen.

As for gross profit, in addition to sales growth, due to the improved COVID situation, logistics costs and the price of parts that were in tight supply returned to normal, leading to progress in cost reduction. Through this we were able to offset the rise in expenses due to an increase in personnel and other expenses.

As a result, operating profit was 118.4 billion yen, up 28.3% compared to the same period last year.

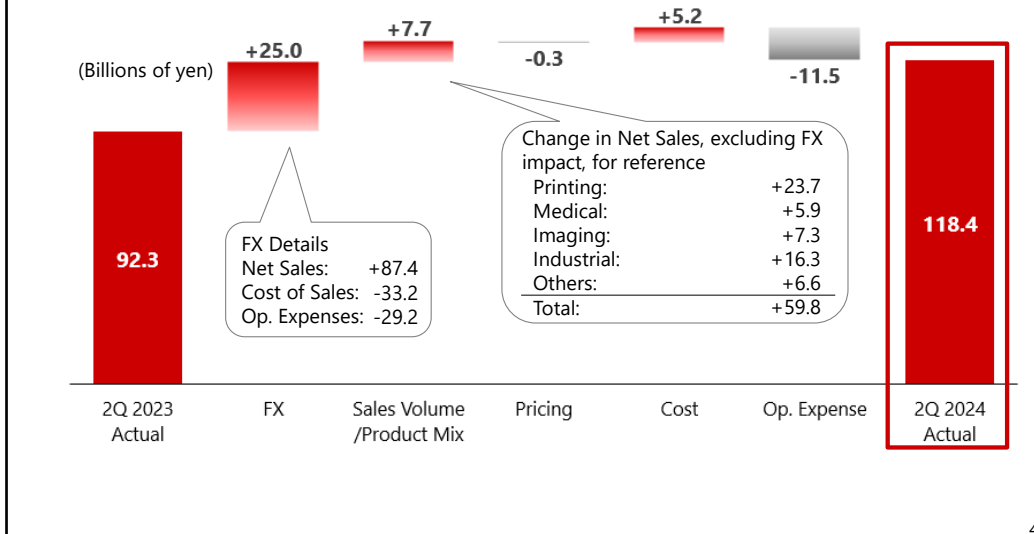
Compared to the same period last year, all profit items were up significantly, including income before income taxes, which was up 30.8% to 132.2 billion yen, and net income, which was up 37.4% to 89.9 billion yen.

For the first half of the year, sales were up 8.2%, surpassing the two trillion yen mark for the first time in 16 years and approaching our record high set in 2007.

Operating profit was up 12.3% to 198.5 billion yen, income before income taxes was up 17.4% to 221.4 billion yen, and net income was up 23.0% to 149.8 billion yen, showing that we made up for the delay we experienced in the first quarter.

2Q 2024 Operating Profit Analysis

(2Q 2024 Actual versus 2Q 2023 Actual)



In addition to a 25.0 billion yen boost from yen depreciation, changes in sales volume and product mix, mainly due to increased sales within Industrial and Printing, had a positive effect of 7.7 billion yen.

As for expenses, mainly due to an across the board pay increase and development expenses linked to new products, expenses increased by 11.5 billion yen. However, thanks to lower logistical costs and reduction in expenses linked to production sites, costs decreased by 5.2 billion yen.

As a result, operating profit was 118.4 billion yen, up 26.1 billion yen compared to the same period last year.

2024 Financial Results by Business Unit



(2Q/1H 2024 Actual versus 2Q/1H 2023 Actual)

(Billions of yen)		2Q			1st Half		
		2024 Actual	2023 Actual	% Change	2024 Actual	2023 Actual	% Change
Printing	Net Sales	654.5	574.9	+13.8%	1,234.8	1,133.1	+9.0%
	Op. Profit	79.2	59.3	+33.6%	144.7	109.9	+31.7%
	(%)	(12.1%)	(10.3%)		(11.7%)	(9.7%)	
Medical	Net Sales	141.0	126.1	+11.8%	275.2	257.2	+7.0%
	Op. Profit	5.5	4.4	+24.4%	11.1	11.3	-2.0%
	(%)	(3.9%)	(3.5%)		(4.0%)	(4.4%)	
Imaging	Net Sales	244.7	219.2	+11.6%	420.3	411.7	+2.1%
	Op. Profit	41.0	34.5	+19.0%	55.3	71.7	-22.9%
	(%)	(16.8%)	(15.7%)		(13.2%)	(17.4%)	
Industrial	Net Sales	94.5	74.9	+26.2%	162.9	136.9	+19.0%
	Op. Profit	17.9	12.1	+48.2%	30.0	19.5	+53.6%
	(%)	(19.0%)	(16.1%)		(18.4%)	(14.2%)	
Others & Corporate	Net Sales	59.9	51.1	+17.2%	115.0	106.5	+8.0%
	Op. Profit	-24.8	-16.5	-	-43.6	-34.5	-
Eliminations	Net Sales	-26.8	-25.3	-	-51.9	-53.4	-
	Op. Profit	-0.4	-1.5	-	1.0	-1.2	-
Total	Net Sales	1,167.8	1,020.9	+14.4%	2,156.3	1,992.0	+8.2%
	Op. Profit	118.4	92.3	+28.3%	198.5	176.7	+12.3%
	(%)	(10.1%)	(9.0%)		(9.2%)	(8.9%)	

Note: From 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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As for Printing, sales of commercial printing equipment continued to grow thanks to market expansion, resulting from the shift to digital, and our competitive product lineup. We also posted stable sales growth of office MFDs. Additionally, with the completion of shipment adjustments as planned, laser printer sales recovered. As inkjet printer sales also steadily increased, sales for the entire business unit increased 13.8% and profitability rose to 12.1%.

As for Medical, in the United States where the willingness to invest is recovering, sales increased for CT and other large equipment. And along with continued strong sales of MRI systems that helped us secure the No. 1 market share position in Japan last year, sales of this business unit increased 11.8%. Due to the enhancement of our overseas sales structure, R&D and other growth-oriented investments aimed at expanding sales in the future, profitability, which was 3.9%, remained at a low level.

Regarding Imaging, as the adjustment of both camera and network camera market inventory, which had a negative impact on the performance of this business unit in the first quarter was completed, second quarter sales exceeded the level of last year and profitability recovered to a level slightly below 17%.

As for Industrial in the second quarter, with a focus on semiconductor lithography equipment for power semiconductors and post-processing applications, we significantly increased unit sales from 42 last year to 60 units this year. As a result, sales increased 26.2% and profitability improved by 2.9 points to 19%.

As you can see, excluding Medical which is burdened with growth investment, we achieved double-digit profitability across all business units.

- Amid uncertainty about future of global economy, assumed growth will be in line with previous year
- For B-to-C products (Cameras and inkjet printers), stimulate demand by launching new products and strengthening marketing activities
- For B-to-B products (Lithography equipment, commercial printing equipment, and medical), firmly turn orders into sales.
- Aim for record high 4.6 trillion yen in sales with tailwind of yen depreciation
- On top of normal cost reduction activities, accelerate business structure review measures
- Aim for fourth consecutive year of sales and profit growth as well as double-digit (10%) operating profit ratio

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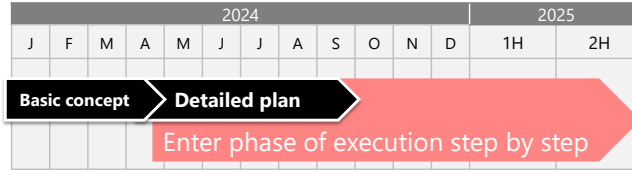
As for the global economy, due to geopolitical tension, the monetary policy of each country, and other factors, political and economic uncertainty persists. However, for the full year, we assumed growth will be in line with the previous year.

While maintaining the momentum of the second quarter, we will stimulate demand for B-to-C products, such as cameras and inkjet printers, by launching new models and enhancing marketing. For B-to-B products, such as lithography equipment, commercial printing equipment, and medical equipment, by firmly converting the orders we have into sales within this year, we will accelerate sales growth in the second half of the year.

In addition to this, due to the expected weaker yen level in the second half of the year, we are aiming for a record high in full year net sales of 4.6 trillion yen. As for profit, we will take advantage of favorable foreign exchange conditions and improvement in gross profit to achieve an operating profit ratio of 10% or higher and our fourth consecutive year of sales and profit growth even though we are accelerating business structural reforms.

Business Structure Review

Timeline



Sales Companies

- Org. restructuring
- Sales channel review
- DX promotion

→ Optimize workforce, raise asset efficiency

Strengthen Competitiveness

Medical Business

R&D, Production, Management Optimal distribution



System for full investment of resources

Estimated effects of 2024 action plan (Billions of yen)

	2024	2025
Cost	30.0	
Effect	7.0	21.0
PL impact	-23.0	21.0

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We are promoting a review of our existing business structure, and in some areas, we have already moved into the execution phase.

In sales companies, to further raise the competitiveness of our Printing and Camera businesses, we are promoting workforce optimization through organizational restructuring, a review of sales channels, and an improvement in business processes by way of DX and other measures. At the same time and with the same purpose, we are promoting asset efficient through office consolidation and other actions.

Additionally, in our medical business, to integrate Canon Medical Systems Corporation (CMSC) and Canon Inc., with the optimal allocation of development, production, and management in mind, we are promoting organizational restructuring. By establishing a system in which Canon's resources and know-how can be fully invested in all operations, including development, procurement, production, logistics, and management, we work to consolidate overlapping functions.

In our current projection, we added approximately 30.0 billion yen in structural reform related costs. Structural reform will have a positive impact on this year's profit of approximately 7.0 billion yen in 2024. And in 2025, we expect the full-year benefit to be 21.0 billion yen.

2024 Financial Projection (Full Year)



(Billions of yen)	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change									
Net Sales	4,600.0	4,181.0	+10.0%	4,350.0	+250.0									
Gross Profit (% of Net Sales)	2,192.9 47.7%	1,968.9 47.1%	+11.4%	2,065.5 47.5%	+127.4									
Op. Expenses (% of Net Sales)	1,727.9 37.6%	1,593.5 38.1%		1,630.5 37.5%	-97.4									
Op. Profit (% of Net Sales)	465.0 10.1%	375.4 9.0%	+23.9%	435.0 10.0%	+30.0									
IBT	490.0	390.8	+25.4%	450.0	+40.0									
Net Income (% of Net Sales)	335.0 7.3%	264.5 6.3%	+26.6%	305.0 7.0%	+30.0									
USD	153.87	140.85		141.87										
EUR	164.99	152.20		156.35										
Impact of exchange rate movement (3Q-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>7.0 billion yen</td> <td>2.2 billion yen</td> </tr> <tr> <td>EUR</td> <td>3.6 billion yen</td> <td>1.7 billion yen</td> </tr> </tbody> </table>							Net Sales	Op. Profit	USD	7.0 billion yen	2.2 billion yen	EUR	3.6 billion yen	1.7 billion yen
	Net Sales	Op. Profit												
USD	7.0 billion yen	2.2 billion yen												
EUR	3.6 billion yen	1.7 billion yen												

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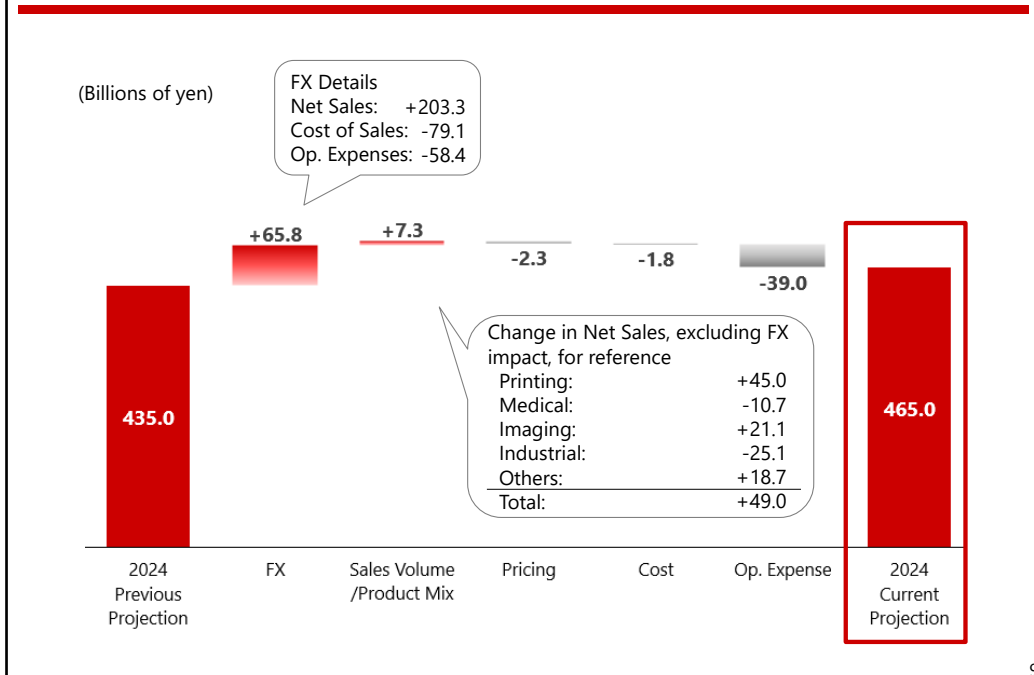
Taking into account factors such as recent changes in the business environment including foreign exchange rates, our own sales situation, and structural reform initiatives, we raised our projection for sales by 250.0 billion yen and operating profit and net income projections by 30.0 billion yen and now project net sales to increase by 10.0% to 4.6 trillion yen, operating profit to increase 23.9% to 465.0 billion yen and net income to increase 26.6% to 335.0 billion yen.

As for our exchange rate assumptions for the second half of the year, considering current market conditions and developments in monetary policy, we assumed 155 yen to the U.S. dollar and 165 yen to the euro.

The yen has appreciated to a level where it is now below 155 yen to the U.S. dollar. However, for fluctuations in the U.S. dollar/yen exchange rate over the foreseeable future, we are limiting the impact by entering into futures contracts. Even if the yen continues to appreciate against the dollar after this, we will, as much as possible, absorb the impact of changes in foreign exchange rates by further reducing costs and expenses.

2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2024 Previous Projection)



We expect changes in our exchange rate assumptions to have a positive impact of 65.8 billion yen for the full year.

As for changes in sales volume and product mix, we expect a positive impact of 7.3 billion yen mainly due to an increase in Printing and Imaging sales.

As for expenses, we expect an increase of 23.0 billion yen, which reflects expenses for structural reform and subsequent benefits. When we include the increase in expenses that have a high correlation with sales, the total increase is projected to be 39.0 billion yen.

As a result of the above, we aim to raise operating profit by 30.0 billion yen to 465.0 billion yen and achieve an operating profit ratio that exceeds 10%.

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	2,570.2	2,346.1	+9.6%	2,393.8	+176.4
	Op. Profit (%)	299.8 (11.7%)	228.3 (9.7%)	+31.3%	260.6 (10.9%)	+39.2
Medical	Net Sales	594.6	553.8	+7.4%	582.0	+12.6
	Op. Profit (%)	46.0 (7.7%)	31.6 (5.7%)	+45.3%	46.0 (7.9%)	0.0
Imaging	Net Sales	973.9	861.6	+13.0%	900.0	+73.9
	Op. Profit (%)	161.3 (16.6%)	145.6 (16.9%)	+10.8%	143.8 (16.0%)	+17.5
Industrial	Net Sales	355.6	314.7	+13.0%	379.0	-23.4
	Op. Profit (%)	65.2 (18.3%)	58.6 (18.6%)	+11.3%	71.0 (18.7%)	-5.8
Others & Corporate	Net Sales	203.4	208.8	-2.6%	196.0	+7.4
	Op. Profit	-108.4	-86.3	-	-86.4	-22.0
Eliminations	Net Sales	-97.7	-104.0	-	-100.8	+3.1
	Op. Profit	1.1	-2.4	-	0.0	+1.1
Total	Net Sales	4,600.0	4,181.0	+10.0%	4,350.0	+250.0
	Op. Profit (%)	465.0 (10.1%)	375.4 (9.0%)	+23.9%	435.0 (10.0%)	+30.0

Note: From 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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In Printing, our commercial printing business secured a level of orders above its target for drupa, an international printing equipment trade fair held in May. Additionally, for office MFDs, as we expect the installation and sales of large deals that were secured in Europe, our plan calls for the rate of sales growth in the second half of the year to be in line with what we achieved in the first half of the year. As for printers, for laser, thanks to the completion of shipment adjustments, and for inkjet, thanks to efforts to expand sales of our enhanced lineup of refillable ink tank models, we expect sales in the second half of the year to increase. As for profitability, our plan calls for this to rise to 11.7%, reflecting efforts to expand sales and lower costs and the benefit of yen depreciation, as we make steady progress in turning this segment into a high profit business.

As for Medical, we expect sales of new CT, MRI, and other large equipment that we started to roll out globally to pick up speed in the second half of the year. Additionally, we expect a recovery in this business, especially in the United States where we are enhancing our sales structure. From this, we planned for full-year sales to grow 7.4%. In the second half of the year, including the selling season fourth quarter, we will increase sales by 40.0 billion yen or more compared to the first half of the year. We aim to raise our full-year profit ratio to 7.7% by raising sales to a level that can absorb the expense increase of growth investment, including the enhancement of our sales structure, and realizing some of the benefits from our Medical Business Innovation Committee this year.

As for Imaging, starting with cameras, in the second half of the year, we will launch two new mirrorless models, the EOS R1, our flagship mirrorless model, and the EOS R5 Mark II, a new mainstream model for professionals and advanced amateurs, and aim to secure an overwhelming No. 1 market share position. As for network cameras for which inventory adjustment was also completed, we expect double-digit growth to continue and for the Imaging Group overall, we plan for a 13% increase in sales.

As for Industrial, starting with semiconductor lithography equipment, we expect sales to grow 30% to 244 units for the full year. For FPD lithography equipment, our plan calls for sales growth in the second half of the year coming from existing orders. For OLED vapor deposition equipment, by making progress in booking sales of large equipment for IT panels, we aim to secure high profitability and an increase in sales of 13% for the business unit overall.

Inventory

- Inventory at June-end down, excluding the impact of yen depreciation
- Aiming for optimal inventory level of 60 days or less at December-end

(Billions of yen)

		FY 2023				FY 2024	
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end
Printing	Amt.	372.5	387.5	377.6	312.6	347.6	361.5
	Days	57	62	60	47	52	53
Medical	Amt.	136.3	143.1	150.9	125.9	141.1	146.0
	Days	88	102	107	77	86	97
Imaging	Amt.	163.6	173.3	184.6	168.4	191.4	182.4
	Days	69	77	77	68	86	79
Industrial	Amt.	133.0	140.0	142.8	132.9	146.4	150.2
	Days	154	187	170	136	160	168
Others & Corporate	Amt.	53.4	54.2	58.0	57.1	68.3	72.4
Total	Amt.	858.8	898.1	913.9	796.9	894.9	912.5
	Days	74	82	82	66	76	77

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As for inventory at the end of June, compared to the end of March, it increased in value by 17.6 billion in yen. However, excluding the impact of reevaluation due to the yen's depreciation, inventory decreased by approximately 16.0 billion yen.

As for the second half of the year, which include peak selling seasons, we are planning for sales to exceed those of the first half of the year for each business unit. We will use the new mirrorless cameras that we are preparing as well as our inventory of semiconductor lithography equipment, commercial printing equipment, and medical equipment for which we already have orders, to generate sales. As for parts and raw materials, under our Production, Sales, Inventory (PSI) Optimization Project launched in March of this year, we are working to reduce inventory that we secured early when supply was tight and will reduce company-wide inventory turnover from 77 days at the end of June to 60 days or below at the end of the year.

Cash Flow

(Full Year)



- Operating CF rising to 590.0 billion yen due to increase in full-year profit projection
- Completed 100.0 billion yen share buyback, dividend 150 yen per share

(Billions of yen)	FY 2024 Current Projection	FY 2024 Previous Projection	FY 2023 Actual	FY 2022 Actual
Net income	335.0	305.0	264.5	244.0
Depreciation and amortization	240.0	240.0	238.7	226.5
Others	15.0	25.0	-52.0	-207.9
Net cash provided by operating activities	590.0	570.0	451.2	262.6
Capital expenditure	-240.0	-240.0	-231.7	-188.5
Others	-55.0	-55.0	-43.7	7.7
Net cash used in investing activities	-295.0	-295.0	-275.4	-180.8
Free cash flow	295.0	275.0	175.8	81.8
Net cash provided by (used in) financing activities	-299.5	-299.5	-156.7	-146.8
Effect of exchange rate changes on cash and cash equivalents	8.2	-1.8	20.1	25.7
Net change in cash and cash equivalents	3.7	-26.3	39.2	-39.3
Cash and cash equivalents at end of period	405.0	375.0	401.3	362.1
Cash-on-hand (In months of Net sales)	1.0	1.0	1.1	1.0

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We raised our net income projection by 30.0 billion yen and now expect to generate 590.0 billion yen in operating cash flow.

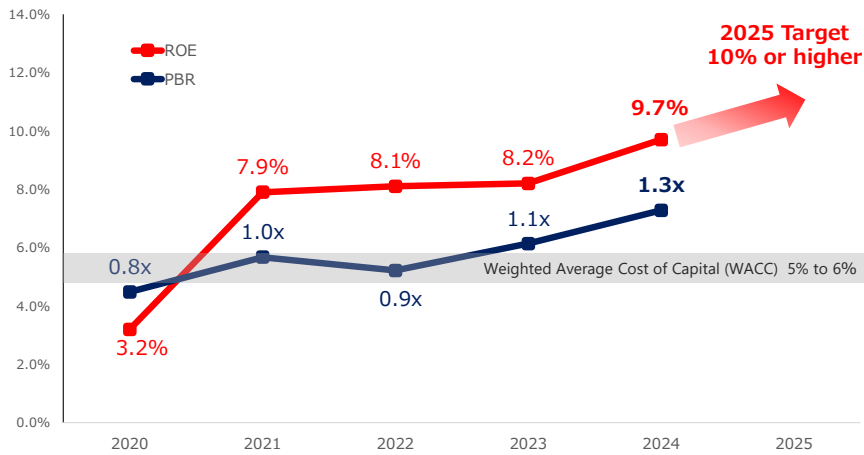
As for investing, we plan to aggressively invest in growth this year as well. In the first quarter, Canon Marketing Japan invested 37.0 billion yen in M&A, targeting the IT solutions business area. Additionally, we are constructing a new plant to address strong demand for semiconductor lithography equipment.

From the full-year free cash flow of 295.0 billion yen, approximately 140.0 billion yen will be allocated to pay a dividend of 150 yen per share and 100.0 billion yen for share buyback, resulting in a total of 240.0 billion yen in shareholder returns. The remaining 60 billion yen or so will be used to repay loans, resulting in cash on hand at the end of the year being 405.0 billion yen, which is around the same level as the end of last year.

As for cash-on-hand, our policy is to secure approximately one month's worth of net sales. If we generate cash that exceeds this, we plan to use the funds in the following order: growth investment, return to shareholders, and repayment of debt.

Return on Capital

- ROE 9.7% in 2024, significant increase of 1.5 points over last year
- Work for further improvement, achieve 2025 target of 10% or higher

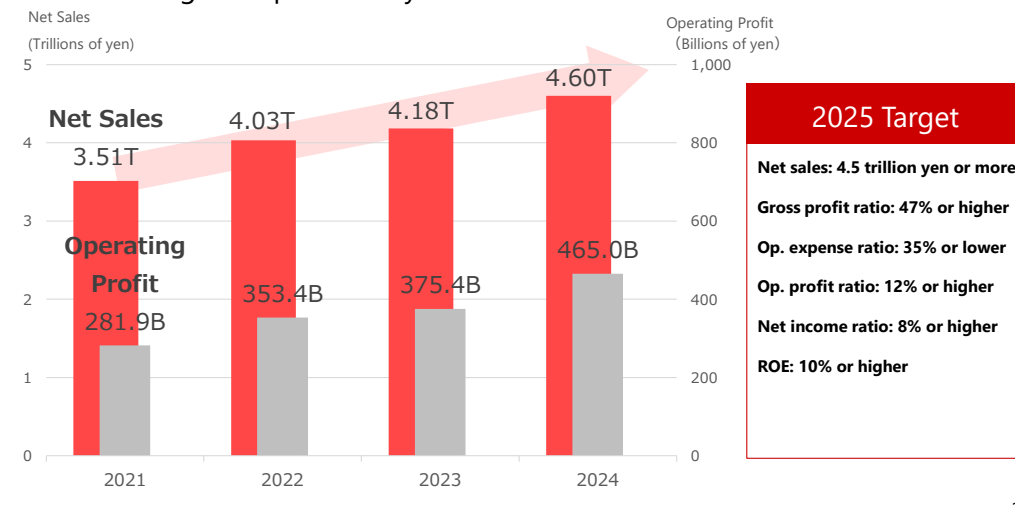


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As for ROE, due to an increase in net income and an increase in capital turnover ratio, we expect this to rise to 9.7%, 1.5 points above last year and the highest level since 2008. We will achieve our 2025 target of 10% or higher with certainty and will continue to push ahead with structural reforms to improve profitability and asset efficiency from a medium-term perspective.

Summary

- Achieve record high sales and fourth consecutive year of sales and profit growth
- Work towards achieving 2025 target for sales one year earlier as well as achieve target for profitability



As for the second half of this year, by maintaining the momentum of the second quarter, a period in which we posted record high sales, accelerating growth of businesses in growing markets for products such as semiconductor lithography equipment, medical, and commercial printing equipment, and launching new cameras and inkjet printers to expand sales during the peak selling season to the extent possible, we aim to post record high sales for the full year and our fourth consecutive year of sales and profit growth.

As for sales, we expect to achieve our target of 4.5 trillion yen in 2025, one year earlier than planned. As for profitability, by promoting structural reform in sales, medical and other business areas, we will strive to achieve the performance targets set in Phase VI of the Excellent Global Corporation Plan.

Supplementary Information

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		2Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		111.2	96.8	+14.9%	443.2	401.6	+10.4%	413.8	+29.4
Office	Office MFDs	170.2	156.5	+8.8%	665.4	622.2	+6.9%	627.5	+37.9
	Others	103.8	88.7	+17.0%	410.9	364.1	+12.9%	369.3	+41.6
		274.0	245.2	+11.8%	1,076.3	986.3	+9.1%	996.8	+79.5
Prosumer	LPs	179.9	149.7	+20.2%	679.7	608.9	+11.6%	631.7	+48.0
	IJPs	89.4	83.2	+7.5%	371.0	349.3	+6.2%	351.5	+19.5
		269.3	232.9	+15.6%	1,050.7	958.2	+9.7%	983.2	+67.5
Net Sales		654.5	574.9	+13.8%	2,570.2	2,346.1	+9.6%	2,393.8	+176.4
Op. Profit		79.2	59.3	+33.6%	299.8	228.3	+31.3%	260.6	+39.2
%		12.1%	10.3%		11.7%	9.7%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2024			2024	
	2Q	Full Year Projection		2Q	Full Year Projection
Production	+2.7%	+2.1%	Office MFDs	-1%	0%
Office	+3.7%	+3.8%	LPs	+8%	+18%
Prosumer	+6.5%	+3.8%	IJPs	-4%	0%
Total	+4.7%	+3.5%			

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Production

The market for digital commercial printing equipment, amid a steady transition from analog, is expected to continue growing at a yearly rate of around 5%.

In the second quarter, on top of continued sales growth of continuous feed printers, the ColorStream, and large-format printing equipment, the Colorado M, we posted strong sales of the three models that make up our imagePRESS V-series of cut sheet printers.

At drupa, an international printing equipment trade fair held once every four years in Germany, our rich and competitive lineup was highly evaluated by the market, and we were able to secure orders that exceeded our target. And from the second half of the year, we expect to turn these orders into sales and also maintain steady growth going forward.

Additionally, at drupa, we announced a global co-operation with Heidelberg, a leading company in offset printing equipment. This co-operation along with our first digital B2 printer, the varioPRESS iV7, which we also announced will allow us to cultivate new customers for cut-sheet inkjet printers, an area where demand expansion is expected.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		2Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		111.2	96.8	+14.9%	443.2	401.6	+10.4%	413.8	+29.4
Office	Office MFDs	170.2	156.5	+8.8%	665.4	622.2	+6.9%	627.5	+37.9
	Others	103.8	88.7	+17.0%	410.9	364.1	+12.9%	369.3	+41.6
		274.0	245.2	+11.8%	1,076.3	986.3	+9.1%	996.8	+79.5
Prosumer	LPs	179.9	149.7	+20.2%	679.7	608.9	+11.6%	631.7	+48.0
	IJPs	89.4	83.2	+7.5%	371.0	349.3	+6.2%	351.5	+19.5
		269.3	232.9	+15.6%	1,050.7	958.2	+9.7%	983.2	+67.5
Net Sales		654.5	574.9	+13.8%	2,570.2	2,346.1	+9.6%	2,393.8	+176.4
Op. Profit		79.2	59.3	+33.6%	299.8	228.3	+31.3%	260.6	+39.2
%		12.1%	10.3%		11.7%	9.7%	10.9%		

Net Sales Growth Rate Y/Y (Local Currency)

Unit Growth Rate Y/Y

	2024			2024	
	2Q	Full Year Projection		2Q	Full Year Projection
Production	+2.7%	+2.1%	Office MFDs	-1%	0%
Office	+3.7%	+3.8%	LPs	+8%	+18%
Prosumer	+6.5%	+3.8%	IJPs	-4%	0%
Total	+4.7%	+3.5%			

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Office MFDs

Demand for highly productive printing equipment in the workplace remains solid. However, due to the impact of economic slowdown in China and Europe, we expect the market to slightly shrink compared to last year.

In the second quarter, by making steady progress in installing equipment for deals we secured in Europe, hardware unit sales were in line with last year. As for service, even amid the long-term trend of gradually declining print volume per machine, by strategically increasing our install base of color machines, we were able to offset this and stabilize revenue.

With the aim of achieving our full-year plan, we are securing large deals for our equipment that has been highly evaluated by the market for ease-of-maintenance and energy saving features. And in the second half of this year as well, while expanding our market share, we expect to maintain stable sales.

Other

IT solutions business is strong and with the additional sales of two companies that were added to Canon Marketing Japan's Group in October of last year and March of this year, second quarter sales significantly exceeded those of last year.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		2Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		111.2	96.8	+14.9%	443.2	401.6	+10.4%	413.8	+29.4
Office	Office MFDs	170.2	156.5	+8.8%	665.4	622.2	+6.9%	627.5	+37.9
	Others	103.8	88.7	+17.0%	410.9	364.1	+12.9%	369.3	+41.6
		274.0	245.2	+11.8%	1,076.3	986.3	+9.1%	996.8	+79.5
Prosumer	LPs	179.9	149.7	+20.2%	679.7	608.9	+11.6%	631.7	+48.0
	IJPs	89.4	83.2	+7.5%	371.0	349.3	+6.2%	351.5	+19.5
		269.3	232.9	+15.6%	1,050.7	958.2	+9.7%	983.2	+67.5
Net Sales		654.5	574.9	+13.8%	2,570.2	2,346.1	+9.6%	2,393.8	+176.4
Op. Profit		79.2	59.3	+33.6%	299.8	228.3	+31.3%	260.6	+39.2
%		12.1%	10.3%		11.7%	9.7%		10.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	2Q	Full Year Projection
Production	+2.7%	+2.1%
Office	+3.7%	+3.8%
Prosumer	+6.5%	+3.8%
Total	+4.7%	+3.5%

Unit Growth Rate Y/Y

	2024	
	2Q	Full Year Projection
Office MFDs	-1%	0%
LPs	+8%	+18%
IJPs	-4%	0%

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Prosumer

As for the printer market this year, due to further deterioration in market conditions in China and Europe, we expect the market to shrink by about three to five percent compared to last year.

As for laser printers, now that shipment adjustments are finally completed, second quarter sales significantly exceeded last year, as expected.

In addition to the completion of shipment adjustments and sales recovering to a level in line with demand, by launching models that address customer needs and expanding our market share, we will raise sales this year.

As for inkjet printers, due to weak market conditions, particularly in China, second quarter sales remained slightly below the same period last year. However, compared to the first quarter, sales are steadily growing and for refillable ink tank models, unit sales increased 16% compared to last year. In the second half of the fiscal year, we will further expand our lineup of refillable ink tank models and accelerate sales expansion, particularly in key battleground emerging markets, and aim for overall sales growth.

Printing Hardware & Non-hardware Sales



Net Sales Growth Rate of Printing Hardware & Non-hardware

			FY 2024		FY 2023	
			2Q Actual	Full Year Current Projection	2Q Actual	Full Year Actual
Production	JPY	Hardware	+19%	+12%	+9%	+11%
		Non-hardware	+13%	+9%	+11%	+11%
	LC	Hardware	+6%	+3%	+3%	+3%
		Non-hardware	+1%	+2%	+4%	+3%
Office MFDs	JPY	Hardware	+7%	+6%	+21%	+12%
		Non-hardware	+11%	+8%	+8%	+7%
	LC	Hardware	-4%	0%	+15%	+5%
		Non-hardware	+2%	+2%	+3%	+2%
LPs	JPY	Hardware	+17%	+21%	-6%	-10%
		Non-hardware	+22%	+6%	-20%	-4%
	LC	Hardware	+7%	+14%	-10%	-15%
		Non-hardware	+14%	+2%	-20%	-6%
IJPs	JPY	Hardware	+7%	+7%	-19%	-14%
		Non-hardware	+8%	+6%	0%	+2%
	LC	Hardware	-3%	0%	-23%	-18%
		Non-hardware	-2%	-1%	-5%	-4%

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	2Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Net Sales	141.0	126.1	+11.8%	594.6	553.8	+7.4%	582.0	+12.6
Op. Profit	5.5	4.4	+24.4%	46.0	31.6	+45.3%	46.0	0.0
%	3.9%	3.5%		7.7%	5.7%		7.9%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	2Q	Full Year Projection
Total	+4.6%	+2.9%

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As for diagnostic imaging equipment, which makes up more than 70% of Canon's entire medical business, market conditions were weak not only in China, where anti-corruption efforts continued, but also in other emerging markets. On the other hand, in the United States, where interest rate cuts are expected, the market is on a recovery trend. Although market conditions vary by region, overall, we expect the market to continue growing at a rate of around 2% this year.

As for the second quarter, in the United States where we saw recovery in the willingness to invest, sales increased for large equipment such as CT and VL (cardiovascular X-ray diagnostic) systems, which saw impact from delays in business negotiations and product installation. And along with continued strong sales of MRI systems in Japan where we secured the No. 1 market share position last year, overall sales increased 11.8%.

From the second half of this year, we expect sales of the Aquilion Serve SP, a new volume-zone CT system that features an 80-row detector, and the Vantage Fortian, a 1.5 tesla MRI system that helped us gain the No. 1 market share in Japan, to gain momentum overseas. We also expect large equipment sales to expand, thanks to the Vantage Galan, a new 3 tesla MRI system, and the strong selling VL systems in the United States.

In addition to an increase in sales volume, by raising the ratio of new products and expanding sales of products that incorporate cost reduction measures, as well as the start of service revenue of large equipment sold in the fourth quarter of last year, our gross profit ratio has improved from the first half of the year. And by absorbing the increase in growth invest, limiting growth in personnel expenses and new product development and enhancing our sales network, we expect to raise our operating profit ratio to 7.7% for the full year.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	2Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	155.1	141.9	+9.3%	606.1	544.6	+11.3%	564.2	+41.9
Network Cameras & Others	89.6	77.3	+15.9%	367.8	317.0	+16.0%	335.8	+32.0
Net Sales	244.7	219.2	+11.6%	973.9	861.6	+13.0%	900.0	+73.9
Op. Profit	41.0	34.5	+19.0%	161.3	145.6	+10.8%	143.8	+17.5
%	16.8%	15.7%		16.6%	16.9%		16.0%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	2Q	Full Year Projection
Cameras	-1.5%	+3.7%
NWCs & Others	+5.4%	+7.7%
Total	+0.9%	+5.1%

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

	2024	
	2Q	Full Year Projection
Units (Millions)	0.76	2.90
Growth Rate	-3%	+1%

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Cameras

As for the market's size this year, we initially projected that it would be down 4% compared to last year's 5.75 million units. However, through active investment in promotions by each company that is stimulating demand, we now expect the market to be 5.95 million units, which is in line with last year.

In the second quarter, as the adjustment of market inventory was completed, and unit sales recovered to a level that is in line with actual demand, sales increased more than 50% compared to the first quarter and 9% compared to the same period last year.

In the second half of the year, to expand sales of full-frame models for overall sales growth, we will launch two new models.

For the EOS R5 Mark II, a core model for professionals and advanced amateurs that will launch in August, through use of a newly developed imaging engine system and deep learning technology, significant advancement in both photo and video performance has been achieved. And since being announced on the 17th of this month, the market's response has been huge.

Furthermore, by launching in November the EOS R1, our first flagship mirrorless model, we will work to solidify our position as a leader in this industry even in mirrorless cameras.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	2Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	155.1	141.9	+9.3%	606.1	544.6	+11.3%	564.2	+41.9
Network Cameras & Others	89.6	77.3	+15.9%	367.8	317.0	+16.0%	335.8	+32.0
Net Sales	244.7	219.2	+11.6%	973.9	861.6	+13.0%	900.0	+73.9
Op. Profit	41.0	34.5	+19.0%	161.3	145.6	+10.8%	143.8	+17.5
%	16.8%	15.7%		16.6%	16.9%		16.0%	

Net Sales Growth Rate Y/Y (Local Currency)

	2024	
	2Q	Full Year Projection
Cameras	-1.5%	+3.7%
NWCs & Others	+5.4%	+7.7%
Total	+0.9%	+5.1%

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

	2024	
	2Q	Full Year Projection
Units (Millions)	0.76	2.90
Growth Rate	-3%	+1%

18

Network Cameras

The market, against the fundamental human need for safety and security, continues to grow and the impact of global economic slowdown has been limited.

As for the adjustment of inventory held by sales partners that started in the fourth quarter of last year, it was not only completed in Europe and Asia, but also in the Americas. As a result, our sales in the second quarter returned to growth and a recovery to double-digit growth in the second half of the year is expected.

While focusing mainly on security purposes, we are also working to expand network camera usage to other areas such as marketing, medical, and nursing care. And with a long-term perspective, we will invest in areas such as software development and sales & marketing capability enhancement for future growth.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	2Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	61.3	50.6	+21.0%	250.8	212.6	+18.0%	248.8	+2.0
Industrial Equipment	33.2	24.3	+36.6%	104.8	102.1	+2.6%	130.2	-25.4
Net Sales	94.5	74.9	+26.2%	355.6	314.7	+13.0%	379.0	-23.4
Op. Profit	17.9	12.1	+48.2%	65.2	58.6	+11.3%	71.0	-5.8
%	19.0%	16.1%		18.3%	18.6%		18.7%	

Net Sales Growth Rate Y/Y
(Local Currency)

	2024	
	2Q	Full Year Projection
Opt. Equip.	+18.4%	+16.8%
Industrial Equip.	+36.6%	+1.6%
Total	+24.3%	+11.9%

Lithography Equipment (Units)

		2024	
		2Q	Full Year Projection
Semiconductor	KrF	10	54
	i-line	50	190
		60	244
FPD		7	26

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Optical Equipment
Semiconductor Lithography Equipment

As for the semiconductor device market, thanks to significant growth in memory and logic for generative AI and data centers, the market returned to growth from its dip last year, which was linked to weak personal consumption. As a result, we expect the market to be at a record high level in terms of scale.

As for the semiconductor lithography equipment market, given our medium- to long-term outlook for growth in semiconductor devices and moves by countries to promote domestic production, the market is on an upward trend. As a result, we expect the market to be around the same level of last year during which significant growth was achieved.

In the second quarter, with a focus on semiconductor lithography equipment for power semiconductors and post-processing applications, we sold 60 units, 18 units more than last year. And compared with the 109 units we sold in the first half of this year, we plan to sell 135 units in the second half of this year, and by firmly promoting the steady installation of equipment, we will facilitate our aim of posting sales of 244 units for the year, significantly exceeding last year.

As for nanoimprint, next-generation semiconductor manufacturing equipment, with the aim of practical application in numerous devices such as memory and logic, based on the specifications of semiconductor manufacturers, we are experimenting with various types of patterning and conducting evaluation and verification together.

Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	2Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	61.3	50.6	+21.0%	250.8	212.6	+18.0%	248.8	+2.0
Industrial Equipment	33.2	24.3	+36.6%	104.8	102.1	+2.6%	130.2	-25.4
Net Sales	94.5	74.9	+26.2%	355.6	314.7	+13.0%	379.0	-23.4
Op. Profit	17.9	12.1	+48.2%	65.2	58.6	+11.3%	71.0	-5.8
%	19.0%	16.1%		18.3%	18.6%		18.7%	

Net Sales Growth Rate Y/Y
(Local Currency)

	2024	
	2Q	Full Year Projection
Opt. Equip.	+18.4%	+16.8%
Industrial Equip.	+36.6%	+1.6%
Total	+24.3%	+11.9%

Lithography Equipment (Units)

		2024	
		2Q	Full Year Projection
Semiconductor	KrF	10	54
	i-line	50	190
		60	244
FPD		7	26

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Optical Equipment
FPD Lithography Equipment

As the balance between panel supply and demand improves, we expect an increase in panel manufacturer profit. And from this, we also expect a gradual recovery in investment towards display manufacturing equipment for next year.

As for our unit sales of FPD lithography equipment, which increased from one unit in the first quarter to seven units in the second quarter, we already have orders for the 18 units we plan to sell in the second half of this year.

In June, we announced the MPAsp-E1003H, a new product that mainly targets large-size pillar-to-pillar displays for vehicles. In line with customer needs, by providing equipment that achieves high productivity and overlay accuracy, we aim to acquire new orders.

Industrial equipment

Regarding OLED vapor deposition equipment, as with small- and medium-size panels for smartphones, we aim to establish our large equipment for IT panels as the industry standard, promoting the production of our first system and posting sales in line with the progress we made. As a result, industrial equipment sales in the second quarter increased 37%.

2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2023 Actual)

