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# Canon Inc.

## Third Quarter 2024 Results

October 24, 2024

This presentation contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. Should one or more risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

# Agenda

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- In the markets which we compete, weak demand in China and Europe, but solid demand overall
- Sales of cameras, network cameras and laser printers, which recovered in second quarter, continued to grow steadily in third quarter
- Steady growth in commercial printing equipment sales where medium- to long-term market growth is expected
- Third-quarter sales up 5.3% from last year and at record high level, also achieved record high in YTD sales
- Operating profit up nearly 20%, operating profit ratio one point above last year

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As for the global economy, although the European economy remains weak and the Chinese economy continues to slow down due to the real estate crisis, overall growth was stable, driven by the solid U.S. economy. In our markets, we saw the same weak demand in Europe and China, but overall demand remained solid.

Our sales of cameras, network cameras, and laser printers, which recovered in the second quarter following the completion of inventory adjustments, increased in the third quarter, while sales of commercial printing equipment, where we see the market expanding over the medium- to long-term, continued to steadily grow.

As a result, sales were up 5.3% compared to last year, and for the third quarter and year-to-date, we achieved record high sales.

As for operating profit, thanks to sales growth, profit was up nearly 20% and profitability improved by 1 point to 9.1%.

# P&L (3Q/YTD 2024 Results)



(Billions of yen)	3Q			1Q-3Q		
	2024 Actual	2023 Actual	% Change	2024 Actual	2023 Actual	% Change
<b>Net Sales</b>	<b>1,079.8</b>	<b>1,025.2</b>	+5.3%	<b>3,236.1</b>	<b>3,017.3</b>	+7.3%
<b>Gross Profit</b> (% of Net Sales)	<b>516.4</b> 47.8%	<b>482.1</b> 47.0%	+7.1%	<b>1,546.4</b> 47.8%	<b>1,420.8</b> 47.1%	+8.8%
<b>Op. Expenses</b> (% of Net Sales)	<b>418.2</b> 38.7%	<b>399.5</b> 38.9%		<b>1,249.8</b> 38.6%	<b>1,161.4</b> 38.5%	
<b>Op. Profit</b> (% of Net Sales)	<b>98.2</b> 9.1%	<b>82.6</b> 8.1%	+18.8%	<b>296.6</b> 9.2%	<b>259.4</b> 8.6%	+14.4%
<b>Non-operating Income</b>	<b>-8.9</b>	<b>4.7</b>		<b>14.2</b>	<b>16.6</b>	
<b>IBT</b>	<b>89.3</b>	<b>87.3</b>	+2.3%	<b>310.8</b>	<b>276.0</b>	+12.6%
<b>Net Income</b> (% of Net Sales)	<b>68.8</b> 6.4%	<b>62.1</b> 6.1%	+10.7%	<b>218.6</b> 6.8%	<b>183.9</b> 6.1%	+18.8%
USD	149.00	144.76		151.34	138.27	
EUR	163.81	157.32		164.58	149.59	

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Third-quarter sales increased by 5.3% to 1 trillion 79.8 billion yen, mainly thanks to growth in laser printers and new businesses such as network cameras and commercial printing equipment.

As for gross profit, in addition to increased sales, the contribution of cost reduction in logistics costs and parts prices helped to absorb an increase in expenses due to higher labor costs and the promotion of structural reform.

As a result, operating profit increased by 18.8% to 98.2 billion yen.

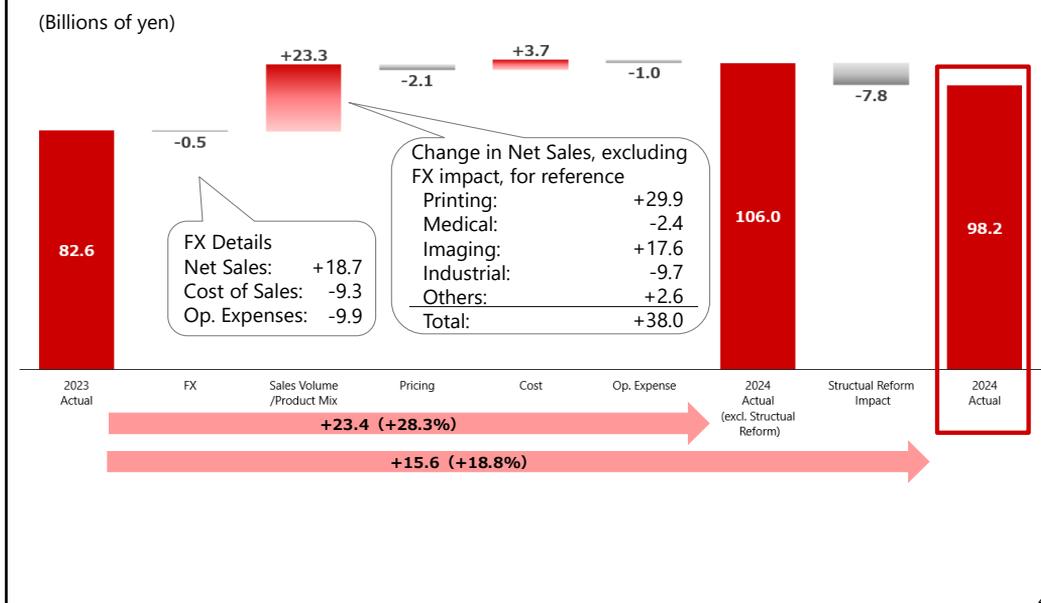
Income before income taxes increased by 2.3% to 89.3 billion yen due to a deterioration in non-operating gains and losses associated with the yen's appreciation since August. However, net income increased by 10.7% to 68.8 billion yen.

Sales over the first 9 months of the year increased by 7.3% to 3 trillion 236.1 billion yen, exceeding our record high sales set in 2007.

Similarly, operating profit increase by 14.4% to 296.6 billion yen, income before income taxes increased by 12.6% to 310.8 billion yen, and net income increased by 18.8% to 218.6 billion yen.

# 3Q 2024 Operating Profit Analysis

(3Q 2024 Actual versus 3Q 2023 Actual)



Changes in exchange rates had a negative impact of 0.5 billion yen.

Conversely, changes in sales volume & product mix, mainly due to Printing and Imaging, had a positive impact of 23.3 billion yen.

Costs decreased by 3.7 billion yen thanks to a reduction in parts, factory, and other costs.

Expenses increased by one billion yen due to wage hikes and R&D expenses linked to new products. Despite this, operating profit, excluding restructuring related charges, increased by 28.3% to 106 billion yen. Operating profit increased by 15.6 billion yen compared to last year to 98.2 billion yen, an increase rate of 18.8%, because of 7.8 billion yen in restructuring related charges incurred in the third quarter to optimize the workforce of sales companies.

# 2024 Financial Results by Business Unit



(3Q/YTD 2024 Actual versus 3Q/YTD 2023 Actual)

(Billions of yen)		3Q			1Q-3Q		
		2024 Actual	2023 Actual	% Change	2024 Actual	2023 Actual	% Change
Printing	Net Sales	610.9	570.4	+7.1%	1,845.7	1,703.4	+8.3%
	Op. Profit	60.7	46.0	+31.8%	205.4	156.0	+31.7%
	(%)	(9.9%)	(8.1%)		(11.1%)	(9.2%)	
Medical	Net Sales	132.3	132.4	-0.1%	407.5	389.6	+4.6%
	Op. Profit	4.7	6.6	-29.8%	15.7	17.9	-12.3%
	(%)	(3.5%)	(5.0%)		(3.9%)	(4.6%)	
Imaging	Net Sales	239.6	220.7	+8.6%	659.8	632.3	+4.3%
	Op. Profit	43.6	40.2	+8.5%	98.9	111.9	-11.6%
	(%)	(18.2%)	(18.2%)		(15.0%)	(17.7%)	
Industrial	Net Sales	71.3	78.8	-9.6%	234.2	215.8	+8.6%
	Op. Profit	14.0	15.8	-11.2%	44.0	35.3	+24.6%
	(%)	(19.6%)	(20.0%)		(18.8%)	(16.3%)	
Others & Corporate	Net Sales	53.9	49.8	+8.2%	168.9	156.3	+8.0%
	Op. Profit	-24.6	-25.5	-	-68.2	-60.0	-
Eliminations	Net Sales	-28.2	-26.9	-	-80.0	-80.1	-
	Op. Profit	-0.2	-0.5	-	0.8	-1.7	-
Total	Net Sales	1,079.8	1,025.2	+5.3%	3,236.1	3,017.3	+7.3%
	Op. Profit	98.2	82.6	+18.8%	296.6	259.4	+14.4%
	(%)	(9.1%)	(8.1%)		(9.2%)	(8.6%)	

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, in our commercial printing business, sales increased mainly for large printing machines as orders received at drupa, an international printing equipment exhibition, began to be shipped and installed. Unit sales of office MFDs also increased as we made progress in installing equipment for large-scale projects that we received. Sales of laser printers, for which shipment adjustments were completed in the first quarter, increased significantly, mainly for monochrome printers, while sales of refillable ink tank models of inkjet printers increased mainly in emerging countries. As a result, sales for the entire business unit increased 7.1% and profitability improved significantly to 9.9% compared to last year.

As for Medical, in the United States, where we saw recovery in demand due to a decline in interest rates, sales increased for large equipment such as VL (Cardiovascular X-ray Diagnostic Systems) and MRI systems. However, overall sales remained at the same level as last year due to continued market weakness in Japan and China. As sales fell short of our plan, we were unable to cover upfront investment costs such as strengthening sales capability, particularly in the United States, developing next-generation equipment, and reforming our business structure. As a result, profitability was limited to 3.5%.

As for Imaging, overall sales increased by 8.6%. This reflects sales of the EOS R5 Mark II, a core camera in our lineup for professionals and enthusiasts launched at the end of August that has been highly evaluated by the market, and a recovery to double-digit growth in network camera sales.

As for Industrial, although we sold 49 units of semiconductor lithography equipment, mainly for power devices and back-end processing, overall revenue decreased by 9.6% as some OLED vapor deposition equipment sales were pushed out to the fourth quarter.

- 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 in fourth quarter utilizing new products
- For B-to-B products (lithography equipment, commercial printing equipment, and medical systems), firmly turn orders into sales
- Achieve 1.3 trillion yen in fourth-quarter sales and aim for record high 4.54 trillion yen in full-year sales
- Realize operating profit ratio of 10% or higher while steadily promoting business structural reform
- Generate momentum for 2025 through 4th consecutive year of sales and profit growth

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The outlook for the global economy remains uncertain, due to factors such as heightened geopolitical tensions and concerns about the economic slowdown in China. However, even in this situation, we expect our markets to basically remain stable.

In the fourth quarter, we will maintain the momentum we generated over the first nine months of this year, and further stimulate demand for B-to-C products, such as cameras and inkjet printers, utilizing new products. And for B-to-B businesses, such as lithography equipment, commercial printing equipment, and medical systems, we will ensure that the orders we have already received lead to sales by the end of the year, to facilitate our aim for record high fourth-quarter sales of 1.3 trillion yen.

For the full year as well, we aim to achieve record high sales of 4.54 trillion yen, exceeding our record set in 2007. As for profit, we aim to achieve an operating profit ratio of 10% or higher while implementing structural reforms for our future. By achieving sales and profit growth for the fourth consecutive year, we build momentum towards achieving our targets in 2025, the final year of Phase VI of the Excellent Global Corporation Plan.

# Business Structure Review

## Sales Companies

- Organization restructuring
- DX promotion
- Sales channel review

→ **Optimize workforce, raise asset efficiency**

### Strengthen Competitiveness

#### Estimated effect of 2024 action plan

(Billions of yen)

	FY 2024	FY 2025
Cost	20.0	
Effect	8.0	21.0
<b>PL impact</b>	<b>-12.0</b>	<b>21.0</b>

## Medical Business

### Optimal R&D, Production, and management allocation



### Establish system to fully utilize resources

#### Estimated cost

(Billions of yen)

	FY 2024	FY 2025	Total
Capex	3.0	5.5	8.5
Expense	2.5	2.5	5.0
<b>Total cost</b>	<b>5.5</b>	<b>8.0</b>	<b>13.5</b>

We are currently promoting a review of two business structures.

One is a review of our sales companies. From the second quarter, we have been implementing measures to enhance our competitiveness, such as the promotion of DX, a review of our sales channels, and a restructure of our organization. We will spend about 20 billion yen this year, but expect cost savings of 8 billion yen this year and 21 billion yen next year.

The other initiative is reformation of our medical business. Here, we are fully investing human resources, including those of Canon Inc.'s management level, technology, and know-how, to identify issues and are now considering and partially implementing countermeasures. Specifically, we will reduce external expenses in development, production, management, and other functions, replace them with internal resources, and reform unprofitable businesses. Over the next two years, we will invest 13.5 billion yen in capital investment and expenses. In 2025, we will realize the benefits of this investment in improving profitability. From 2026, we will realize growth accompanied by profits under a new business structure that integrates Canon and CMSC (Canon Medical Systems).

# 2024 Financial Projection (Full Year)



(Billions of yen)	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
<b>Net Sales</b>	<b>4,540.0</b>	<b>4,181.0</b>	+8.6%	<b>4,600.0</b>	-60.0
<b>Gross Profit</b> (% of Net Sales)	<b>2,148.0</b> 47.3%	<b>1,968.9</b> 47.1%	+9.1%	<b>2,192.9</b> 47.7%	-44.9
<b>Op. Expenses</b> (% of Net Sales)	<b>1,692.5</b> 37.3%	<b>1,593.5</b> 38.1%		<b>1,727.9</b> 37.6%	+35.4
<b>Op. Profit</b> (% of Net Sales)	<b>455.5</b> 10.0%	<b>375.4</b> 9.0%	+21.3%	<b>465.0</b> 10.1%	-9.5
<b>IBT</b>	<b>475.5</b>	<b>390.8</b>	+21.7%	<b>490.0</b>	-14.5
<b>Net Income</b> (% of Net Sales)	<b>325.0</b> 7.2%	<b>264.5</b> 6.3%	+22.9%	<b>335.0</b> 7.3%	-10.0
USD	149.62	140.85		153.87	
EUR	163.19	152.20		164.99	

#### Exchange rates for 4Q

USD	145.00 JPY
EUR	160.00 JPY

#### Impact of exchange rate movement (4Q impact given a one yen change)

	Net Sales	Op. Profit
USD	3.5 billion yen	1.1 billion yen
EUR	1.9 billion yen	1.0 billion yen

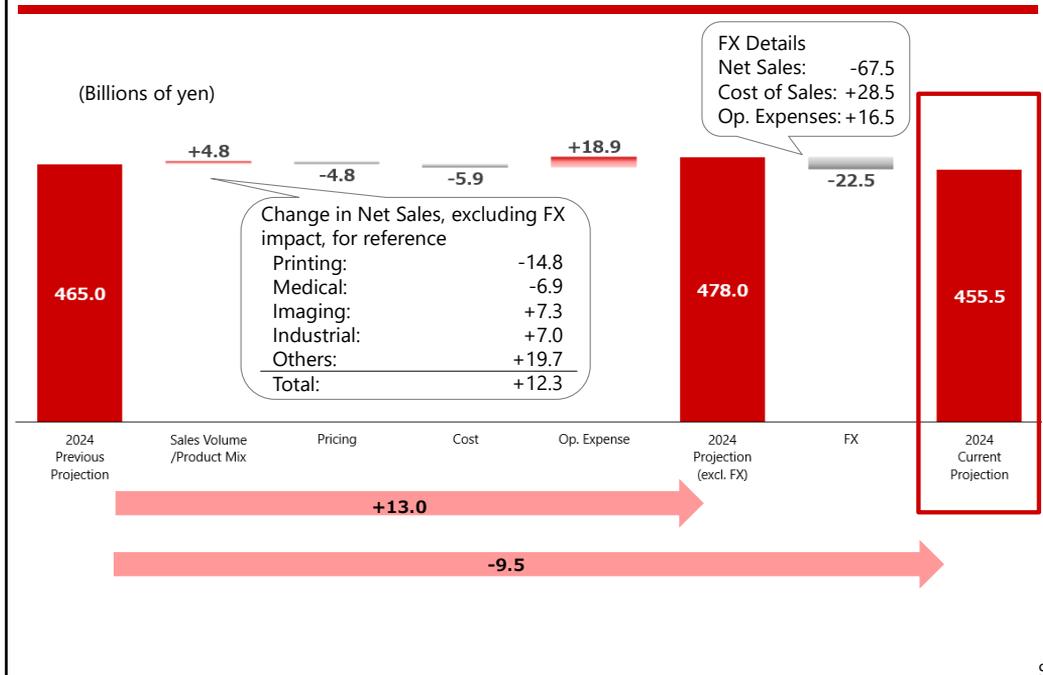
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Our exchange rate assumptions for the four quarter were revised from 155 yen to 145 yen against the U.S. dollar and from 165 yen to 160 yen against the euro, which represents a 10 and 5 yen appreciation, respectively, compared to our previous assumptions.

Taking into account the negative impact of revising exchange rate assumptions to reflect yen appreciation, we reduced net sales by 60 billion yen, operating profit by 9.5 billion yen, and net income by 10 billion yen and now expect sales to increase by 8.6% to 4.54 trillion yen, operating profit to increase by 21.3% to 455.5 billion yen, and net income to increase by 22.9% to 325 billion yen.

# 2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2024 Previous Projection)



As for changes in sales volume & product mix, through increased sales in businesses where demand is solid, such as network cameras and industrial, we expect a positive impact of 4.8 billion yen. However, for pricing, we expect a negative impact of 4.8 billion yen, reflecting the competitive environment surrounding cameras and inkjet printers.

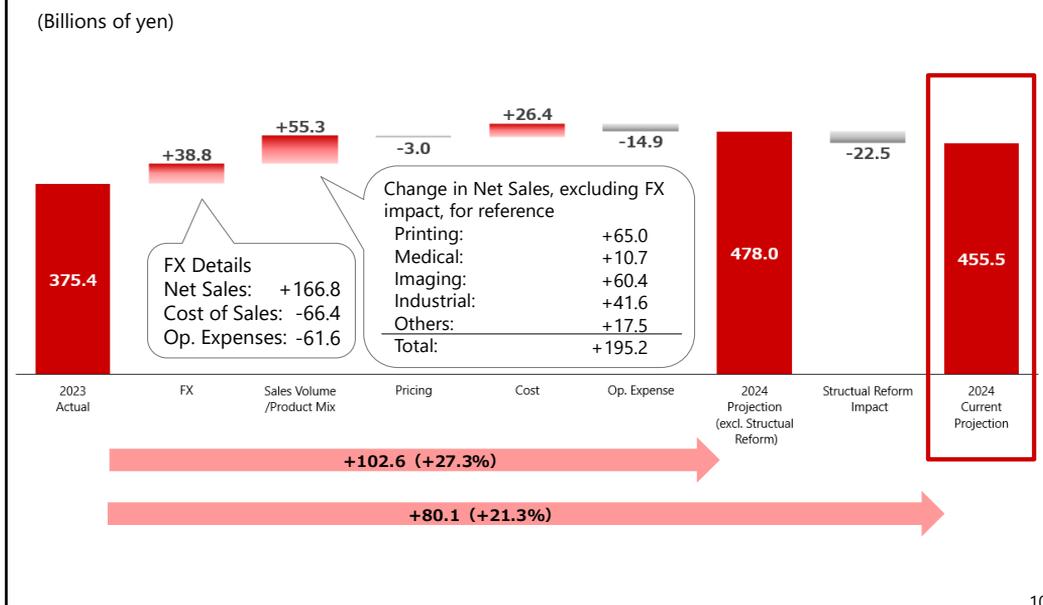
For costs, we expect a negative impact of 5.9 billion yen, due to higher logistics costs caused by tight logistics conditions and a decrease in cost reductions caused by a decline in sales volume of medical and inkjet printers.

As for expenses, considering the impact of yen's appreciation, we will reduce advertising and sales promotion expenses and review the timing of capital investment and personnel recruitment plans. As a result, we expect an 18.9 billion yen reduction in expenses.

As a result of these measures, operating profit, excluding the foreign exchange rate impact, is projected to increase by 13 billion yen. When including the negative exchange rate impact of 22.5 billion yen, operating profit is projected to be down 9.5 billion yen compared to our previous projection.

# 2024 Operating Profit Analysis

(FY 2024 Current Projection versus FY 2023 Actual)



As for changes in exchange rates, mainly due to the benefit of yen depreciation in the first half of the year, we project a positive impact of 38.8 billion yen.

As for changes in sales volume & product mix, as we expect sales to increase in all four business units, we project a positive impact of 55.3 billion yen.

As for costs, in addition to a decline in prices for parts and materials, which had soared, we expect reduction in logistics and factory costs. As a result, we project cost reduction to be 26.4 billion yen.

As for expenses, due to a rise in labor and other costs, we project an increase of 14.9 billion yen, excluding restructuring related changes.

As a result, excluding restructuring related changes, operating profit is expected to be 478 billion yen, an increase of 102.6 billion yen or growth of 27.3% compared to last year.

Including the forementioned restructuring expenses of 22.5 billion yen (Sales restructuring: 20 billion yen, Medical restructuring: 2.5 billion yen), operating profit is projected to be 455.5 billion yen, an increase of 80.1 billion yen or growth of 21.3% compared to last year.

# 2024 Financial Projection by Business Unit (4Q/Full Year)



(Billions of yen)		4Q			Full Year		
		2024 Current Projection	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change
Printing	Net Sales	<b>670.3</b>	<b>642.6</b>	+4.3%	<b>2,516.0</b>	<b>2,346.1</b>	+7.2%
	Op. Profit	<b>82.6</b>	<b>72.4</b>	+14.1%	<b>288.0</b>	<b>228.3</b>	+26.1%
	(%)	<b>(12.3%)</b>	<b>(11.3%)</b>		<b>(11.4%)</b>	<b>(9.7%)</b>	
Medical	Net Sales	<b>173.3</b>	<b>164.2</b>	+5.5%	<b>580.8</b>	<b>553.8</b>	+4.9%
	Op. Profit	<b>17.4</b>	<b>13.7</b>	+26.6%	<b>33.1</b>	<b>31.6</b>	+4.6%
	(%)	<b>(10.0%)</b>	<b>(8.4%)</b>		<b>(5.7%)</b>	<b>(5.7%)</b>	
Imaging	Net Sales	<b>296.0</b>	<b>229.3</b>	+29.1%	<b>955.8</b>	<b>861.6</b>	+10.9%
	Op. Profit	<b>53.7</b>	<b>33.7</b>	+59.5%	<b>152.6</b>	<b>145.6</b>	+4.8%
	(%)	<b>(18.2%)</b>	<b>(14.7%)</b>		<b>(16.0%)</b>	<b>(16.9%)</b>	
Industrial	Net Sales	<b>129.2</b>	<b>99.0</b>	+30.6%	<b>363.4</b>	<b>314.7</b>	+15.5%
	Op. Profit	<b>25.4</b>	<b>23.3</b>	+9.0%	<b>69.4</b>	<b>58.6</b>	+18.4%
	(%)	<b>(19.7%)</b>	<b>(23.6%)</b>		<b>(19.1%)</b>	<b>(18.6%)</b>	
Others & Corporate	Net Sales	<b>59.7</b>	<b>52.5</b>	+13.7%	<b>228.6</b>	<b>208.8</b>	+9.5%
	Op. Profit	<b>-20.7</b>	<b>-26.3</b>	-	<b>-88.9</b>	<b>-86.3</b>	-
Eliminations	Net Sales	<b>-24.6</b>	<b>-23.9</b>	-	<b>-104.6</b>	<b>-104.0</b>	-
	Op. Profit	<b>0.5</b>	<b>-0.8</b>	-	<b>1.3</b>	<b>-2.4</b>	-
Total	Net Sales	<b>1,303.9</b>	<b>1,163.7</b>	+12.0%	<b>4,540.0</b>	<b>4,181.0</b>	+8.6%
	Op. Profit	<b>158.9</b>	<b>116.0</b>	+37.0%	<b>455.5</b>	<b>375.4</b>	+21.3%
	(%)	<b>(12.2%)</b>	<b>(10.0%)</b>		<b>(10.0%)</b>	<b>(9.0%)</b>	

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, in addition to deals we secured at drupa driving commercial printing sales, we will expand sales of color office MFDs, particularly in the United States where we are seeing a shift from monochrome. As for Printers, adding the new inkjet printer launched in September to the lineup of refillable ink tank models that we have prepared, we aim to grow fourth quarter sales compared to last year and combined with lasers which continues to recover, we aim to achieve 6% sales growth for the full year.

For the business unit overall, by increasing full-year sales to 7.2% and by raising profitability about 2 points to reach 11.4%, we will work to convert this into a highly profitable business.

In Medical, we lowered our full-year projection considering the deteriorating market conditions in China and delays in the installation of large equipment. However, in the fourth quarter, by steadily promoting the installations of new CT and MRI systems that have already been ordered and by accelerating sales expansion in the United States, where the market is recovering, we will facilitate our goal to achieve 4.9% sales growth for the full year. At the same time, we will steadily push ahead with the structural reforms explained earlier and establish the foundation for a significant increase in profitability next year.

In Imaging, for cameras, following the launch of the EOS R5 Mark II in August, we plan to launch our flagship model, the EOS R1, in November. Thanks to its outstanding autofocus performance, it is a model that can be trusted as a professional camera. We plan to increase sales in the fourth quarter by expanding sales of a broad range of models, from the high-value-added cameras referenced above to entry-level models. For network cameras, we expect continued growth in each region. And for the Imaging Group as a whole, we plan to increase net sales by 10.9% for the full year.

As for Industrial, demand for semiconductor lithography equipment is strong, and the market for FPD lithography equipment is on a recovery trend. In the fourth quarter, we plan to sell 81 units and 14 units, respectively, significantly exceeding last year. We have already shipped most of the equipment and assigned engineers, so we will steadily proceed with installation. Regarding OLED vapor deposition equipment, as the production of large equipment for IT panels is progressing smoothly, through an accelerated pace of booking sales, we aim to achieve a 15.5% full-year increase in Industrial Group sales.

# Inventory

- Inventory at end of September below June thanks to Production, Sales, Inventory (PSI) activities, secured inventory for 4th quarter selling season
- Aiming for optimal 60 days or less inventory level at the end of 2024

(Billions of yen)

		FY 2023				FY 2024		
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end
Printing	Amt.	372.5	387.5	377.6	312.6	347.6	361.5	344.1
	Days	57	62	60	47	52	53	50
Medical	Amt.	136.3	143.1	150.9	125.9	141.1	146.0	142.1
	Days	88	102	107	77	86	97	95
Imaging	Amt.	163.6	173.3	184.6	168.4	191.4	182.4	168.5
	Days	69	77	77	68	86	79	63
Industrial	Amt.	133.0	140.0	142.8	132.9	146.4	150.2	158.7
	Days	154	187	170	136	160	168	175
Others & Corporate	Amt.	53.4	54.2	58.0	57.1	68.3	72.4	76.3
<b>Total</b>	<b>Amt.</b>	<b>858.8</b>	<b>898.1</b>	<b>913.9</b>	<b>796.9</b>	<b>894.9</b>	<b>912.5</b>	<b>889.7</b>
	<b>Days</b>	<b>74</b>	<b>82</b>	<b>82</b>	<b>66</b>	<b>76</b>	<b>77</b>	<b>72</b>

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As for inventory at the end of September, it was down compared to the end of June, thanks to progress in our Production, Sales, Inventory (PSI) Optimization project. In Printing and Cameras, we have secured sufficient inventory to expand sales in the fourth quarter. And in Industrial and Medical, we are in the process of transporting and installing equipment to convert the orders we have received into sales by the end of the year.

At the end of December, sales of these products and equipment will lead to significant decrease in inventories. At the same time, we will also reduce parts inventories which was procured early during the time of shortages. And by the end of the year, to optimize inventory, we will reduce the number of days of inventory turnover to approximately 60 days.

# Cash Flow

## (Full Year)



- Operating CF, 565 billion yen, significantly exceeding last year
- Additional 100 billion yen used for share repurchase, dividend 150 yen per share

(Billions of yen)	FY 2024 Current Projection	FY 2024 Previous Projection	FY 2023 Actual	FY 2022 Actual
Net income	325.0	335.0	264.5	244.0
Depreciation and amortization	230.0	240.0	238.7	226.5
Others	10.0	15.0	-52.0	-207.9
<b>Net cash provided by operating activities</b>	<b>565.0</b>	<b>590.0</b>	<b>451.2</b>	<b>262.6</b>
Capital expenditure	-230.0	-240.0	-231.7	-188.5
Others	-55.0	-55.0	-43.7	7.7
<b>Net cash used in investing activities</b>	<b>-285.0</b>	<b>-295.0</b>	<b>-275.4</b>	<b>-180.8</b>
<b>Free cash flow</b>	<b>280.0</b>	<b>295.0</b>	<b>175.8</b>	<b>81.8</b>
Net cash provided by (used in) financing activities	-280.0	-299.5	-156.7	-146.8
Effect of exchange rate changes on cash and cash equivalents	-1.3	8.2	20.1	25.7
<b>Net change in cash and cash equivalents</b>	<b>-1.3</b>	<b>3.7</b>	<b>39.2</b>	<b>-39.3</b>
<b>Cash and cash equivalents at end of period</b>	<b>400.0</b>	<b>405.0</b>	<b>401.3</b>	<b>362.1</b>
<b>Cash-on-hand (In months of Net sales)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>

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This year, we expect net income to be 325 billion yen, an increase of 60 billion yen over last year, and plan to generate 565 billion yen in operating cash flow, including depreciation and working capital.

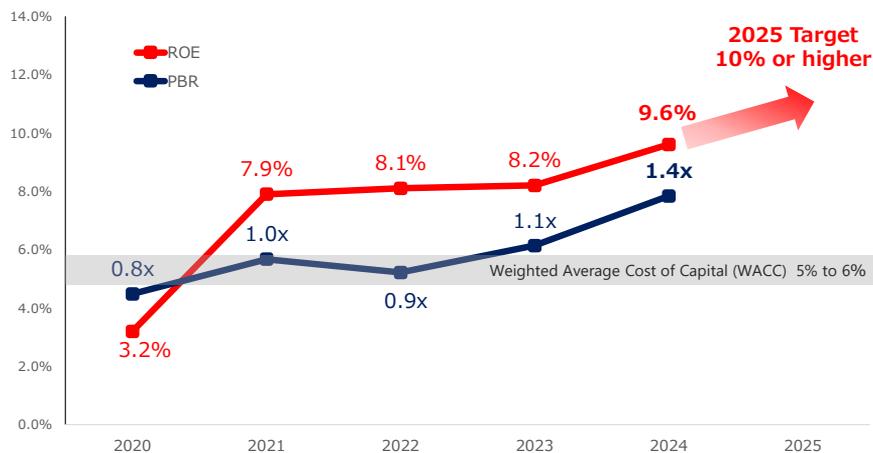
In terms of investment cash flow, we are making strategic investments towards future growth, including the construction of a new plant for semiconductor lithography equipment in Utsunomiya, Japan, and the acquisition of IT solutions businesses by Canon Marketing Japan.

This year, we plan to generate 280 billion yen in free cash flow, roughly 100 billion yen more than last year. And from this, in August, we decided to purchase an additional 100 billion yen of our own shares, which brings this year's total to 200 billion yen. As for the dividend, we plan to pay 150 yen per share, an increase of 10 yen over last year, and we will work to expand shareholder returns.

Going forward, while maintaining a level of cash on hand equivalent to one month of sales, with the excess funds, we will continue to invest in growth and be active towards shareholder returns.

# Return on Capital

- Significant improvement in ROE : 9.6% in 2024, 1.4 pts. above last year
- Further enhancement to achieve 2025 target of 10% or higher



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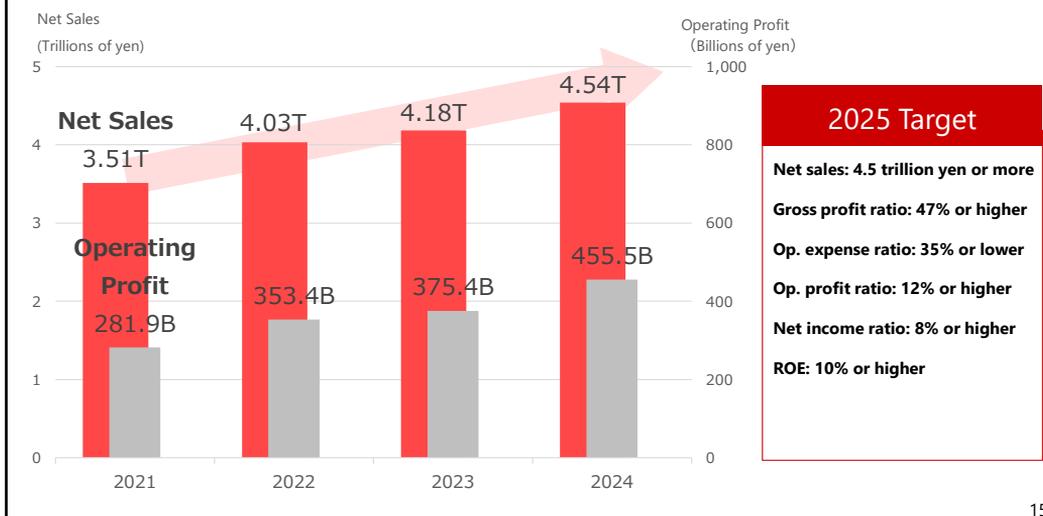
On top of an increase in net income, we purchased an additional 100 billion yen of our own shares. As a result, we expect ROE to rise to 9.6%, an improvement of 1.4 points over last year.

As a result of improved profitability, our ROE is well above our cost of capital, assumed to be between five and six percent. We also saw a rise in our PBR, which is currently around 1.4X.

To continue meeting the expectations of our shareholders, we will work to further expand profits and improve asset efficiency through structural reform, and accelerate our growth strategy to achieve our ROE target for 2025 of 10% or more.

# Summary

- Achieve record high sales and 4th 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 fourth quarter, in addition to maintaining the momentum of the second and third quarter, which were both record highs in terms of sales, we aim to achieve record-high full-year sales and our fourth consecutive year of sales and profit growth by leveraging the orders we have received for semiconductor lithography equipment, medical equipment, and commercial printing equipment, and by maximizing sales of cameras and inkjet printers through the introduction of new products.

As for sales, we expect to achieve our 2025 target of 4.5 trillion yen one year ahead of schedule. In terms of profitability, in addition to normal cost-saving activities, we are moving swiftly ahead with structural reforms in Sales, Medical, and other areas with a view to next year. This will ensure that we can achieve the 2025 performance targets set in our 5-year initiative, Phase VI of the Excellent Global Corporation Plan.

## Supplementary Information

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		3Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		105.5	98.6	+7.1%	442.5	401.6	+10.2%	443.2	-0.7
Office	Office MFDs	152.9	151.5	+0.9%	652.6	622.2	+4.9%	665.4	-12.8
	Others	98.0	89.0	+10.1%	407.3	364.1	+11.9%	410.9	-3.6
		250.9	240.5	+4.3%	1,059.9	986.3	+7.5%	1,076.3	-16.4
Prosumer	LPs	171.7	145.8	+17.8%	662.7	608.9	+8.8%	679.7	-17.0
	IJPs	82.8	85.5	-3.2%	350.9	349.3	+0.5%	371.0	-20.1
		254.5	231.3	+10.0%	1,013.6	958.2	+5.8%	1,050.7	-37.1
<b>Net Sales</b>		<b>610.9</b>	<b>570.4</b>	<b>+7.1%</b>	<b>2,516.0</b>	<b>2,346.1</b>	<b>+7.2%</b>	<b>2,570.2</b>	<b>-54.2</b>
<b>Op. Profit</b>		<b>60.7</b>	<b>46.0</b>	<b>+31.8%</b>	<b>288.0</b>	<b>228.3</b>	<b>+26.1%</b>	<b>299.8</b>	<b>-11.8</b>
<b>%</b>		<b>9.9%</b>	<b>8.1%</b>		<b>11.4%</b>	<b>9.7%</b>		<b>11.7%</b>	

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

## Unit Growth Rate Y/Y

	2024			2024	
	3Q	Full Year Projection		3Q	Full Year Projection
Production	+3.6%	+4.0%	Office MFDs	+2%	0%
Office	+2.0%	+3.5%	LPs	+29%	+13%
Prosumer	+9.8%	+2.1%	IJPs	-2%	-2%
<b>Total</b>	<b>+5.4%</b>	<b>+3.0%</b>			

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## Production

In commercial printing, we see the market for digital printing equipment continuing to grow at a rate of around 5%, thanks to the shift from analog to digital.

We view production printing as a growth business and are continuously developing products. And with our broad lineup of industry-leading equipment, we won more business deals than expected at drupa, the largest trade show in the printing industry, held in May this year.

From the third quarter, the products that were ordered are being shipped, installed, and leading to sales. Sales of large printing presses, such as the ColorStream, a continuous feed printing press, and the varioPRINT iX, a series of cut sheet printers, are growing. And through further growth in the fourth quarter, we expect double-digit growth for the full year. We are steadily improving the profitability of this business as our install base grows year after year, which will lead to future service revenue.

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		3Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		105.5	98.6	+7.1%	442.5	401.6	+10.2%	443.2	-0.7
Office	Office MFDs	152.9	151.5	+0.9%	652.6	622.2	+4.9%	665.4	-12.8
	Others	98.0	89.0	+10.1%	407.3	364.1	+11.9%	410.9	-3.6
		250.9	240.5	+4.3%	1,059.9	986.3	+7.5%	1,076.3	-16.4
Prosumer	LPs	171.7	145.8	+17.8%	662.7	608.9	+8.8%	679.7	-17.0
	IJPs	82.8	85.5	-3.2%	350.9	349.3	+0.5%	371.0	-20.1
		254.5	231.3	+10.0%	1,013.6	958.2	+5.8%	1,050.7	-37.1
<b>Net Sales</b>		<b>610.9</b>	<b>570.4</b>	<b>+7.1%</b>	<b>2,516.0</b>	<b>2,346.1</b>	<b>+7.2%</b>	<b>2,570.2</b>	<b>-54.2</b>
<b>Op. Profit</b>		<b>60.7</b>	<b>46.0</b>	<b>+31.8%</b>	<b>288.0</b>	<b>228.3</b>	<b>+26.1%</b>	<b>299.8</b>	<b>-11.8</b>
<b>%</b>		<b>9.9%</b>	<b>8.1%</b>		<b>11.4%</b>	<b>9.7%</b>		<b>11.7%</b>	

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

## Unit Growth Rate Y/Y

	2024			2024	
	3Q	Full Year Projection		3Q	Full Year Projection
Production	+3.6%	+4.0%	Office MFDs	+2%	0%
Office	+2.0%	+3.5%	LPs	+29%	+13%
Prosumer	+9.8%	+2.1%	IJPs	-2%	-2%
<b>Total</b>	<b>+5.4%</b>	<b>+3.0%</b>			

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### Office MFD

Although demand for MFDs, which are highly productive printing equipment, is firm, we expect the market to shrink by around 4% compared to last year due to economic weakness in China and Europe.

In the third quarter, large-scale projects, particularly in Europe, lead to an increase in monochrome MFD sales, and an overall MFD unit sales increase of 2%. In addition to being recognized by customers for their ease of maintenance and environmental performance, we are able to secure business deals, leveraging our ability to offer a combination of products that include laser printers, to meet customer needs.

In the fourth quarter, we plan to increase sales of color machines, particularly in the United States where the shift from monochrome is progressing, link this to service revenue, and despite the shrinking market, maintain full-year sales at the same level as last year.

### Office Others

Our IT solutions business, which is a growth area, continued to post strong results. And with the addition of companies acquired by Canon Marketing Japan through M&A, third-quarter sales increased significantly.

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

		3Q			Full Year				
		2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Production		105.5	98.6	+7.1%	442.5	401.6	+10.2%	443.2	-0.7
Office	Office MFDs	152.9	151.5	+0.9%	652.6	622.2	+4.9%	665.4	-12.8
	Others	98.0	89.0	+10.1%	407.3	364.1	+11.9%	410.9	-3.6
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	IJPs	82.8	85.5	-3.2%	350.9	349.3	+0.5%	371.0	-20.1
		254.5	231.3	+10.0%	1,013.6	958.2	+5.8%	1,050.7	-37.1
<b>Net Sales</b>		<b>610.9</b>	<b>570.4</b>	<b>+7.1%</b>	<b>2,516.0</b>	<b>2,346.1</b>	<b>+7.2%</b>	<b>2,570.2</b>	<b>-54.2</b>
<b>Op. Profit</b>		<b>60.7</b>	<b>46.0</b>	<b>+31.8%</b>	<b>288.0</b>	<b>228.3</b>	<b>+26.1%</b>	<b>299.8</b>	<b>-11.8</b>
%		9.9%	8.1%		11.4%	9.7%		11.7%	

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

## Unit Growth Rate Y/Y

	2024			2024	
	3Q	Full Year Projection		3Q	Full Year Projection
Production	+3.6%	+4.0%	Office MFDs	+2%	0%
Office	+2.0%	+3.5%	LPs	+29%	+13%
Prosumer	+9.8%	+2.1%	IJPs	-2%	-2%
Total	+5.4%	+3.0%			

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## Prosumer

As for the printer market, even in the second half of the year, we are not seeing signs of recovery in China or Europe. As a result, we expect the market to shrink by about 5% for the full year.

As for laser printers, since the completion of shipment adjustments in the first quarter, this business has been recovering. And in the third quarter as well, we posted significant sales growth compared to last year, mainly driven by monochrome equipment. While the market is maturing, by focusing on sales in countries and regions as well as to users where we can expect more print volume, we will maintain high profitability.

As for inkjet printers, by continuously enhancing our lineup of refillable ink tank models, we are increasing sales, particularly in emerging markets. And in the third quarter, overall unit sales have recovered to a level that is in line with last year.

We revised our full-year plan to reflect weaker-than-expected market conditions in China and Europe. However, thanks to the launch of a new home product with an automatic duplex printing function and the expansion of our lineup of refillable ink tank models, we will work to further expand sales in the year-end selling season fourth quarter.

# Printing Hardware & Non-hardware Sales



## Net Sales Growth Rate of Printing Hardware & Non-hardware

			FY 2024		FY 2023	
			3Q Actual	Full Year Current Projection	3Q Actual	Full Year Actual
<b>Production</b>	JPY	Hardware	+10%	+15%	+3%	+11%
		Non-hardware	+5%	+8%	+8%	+11%
	LC	Hardware	+7%	+8%	-4%	+3%
		Non-hardware	+2%	+2%	0%	+3%
<b>Office MFDs</b>	JPY	Hardware	+1%	+4%	-4%	+12%
		Non-hardware	+1%	+6%	+7%	+7%
	LC	Hardware	-2%	-1%	-9%	+5%
		Non-hardware	-2%	+2%	+2%	+2%
<b>LPs</b>	JPY	Hardware	+33%	+15%	-12%	-10%
		Non-hardware	+8%	+5%	+2%	-4%
	LC	Hardware	+32%	+10%	-16%	-15%
		Non-hardware	+11%	+3%	0%	-6%
<b>IJPs</b>	JPY	Hardware	-3%	0%	-1%	-14%
		Non-hardware	-4%	+1%	+10%	+2%
	LC	Hardware	-6%	-5%	-6%	-18%
		Non-hardware	-6%	-4%	+3%	-4%

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	3Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
<b>Net Sales</b>	<b>132.3</b>	<b>132.4</b>	-0.1%	<b>580.8</b>	<b>553.8</b>	+4.9%	<b>594.6</b>	-13.8
<b>Op. Profit</b>	<b>4.7</b>	<b>6.6</b>	-29.8%	<b>33.1</b>	<b>31.6</b>	+4.6%	<b>46.0</b>	-12.9
%	3.5%	5.0%		5.7%	5.7%		7.7%	

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

	2024	
	3Q	Full Year Projection
Total	-1.8%	+1.9%

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## Medical

As for the diagnostic imaging equipment market, the willingness to invest is recovering in the United States where interest rates are starting to come down. However, in China, the prolonged anti-corruption campaign and the announcement by the government to support major facility upgrades in the future have led to refrained purchasing. As a result, we lowered our outlook and now expect the size of this year's market to remain at the same level as last year.

As for the third quarter, in the United States, where the market is recovering, we increased sales of VL (Cardiovascular X-ray Diagnostic Systems), MRI and other systems. However, in China, where market conditions have worsened, and in Japan, due to the impact of advance purchases under the supplementary budget for COVID-19 and workstyle reforms from April, the willingness to invest has weakened. As a result, we were unable to expand sales of CT and X-ray systems, and overall sales were basically at the same level as last year. As a result, we were unable to cover increased upfront investment costs, such as those related to strengthening of our sales structure in the United States and emerging countries, development costs of next-generation Photon Counting CT and other products, and structural reforms, resulting in a profit ratio of 3.5%.

As for our full-year outlook, we lowered our projection to reflect, further worsening of market conditions in China and the delay of deals and installations of large equipment in other regions.

As for the fourth quarter, in addition to ensuring the installation of new CT and MRI systems that we already have orders for, we will work to accelerate sales in the United States, where market conditions are recovering. And through these measures, we plan to grow sales by 5.5% and link this to further growth next year.

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	3Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	146.0	138.7	+5.3%	593.9	544.6	+9.1%	606.1	-12.2
Network Cameras & Others	93.6	82.0	+14.1%	361.9	317.0	+14.1%	367.8	-5.9
<b>Net Sales</b>	<b>239.6</b>	<b>220.7</b>	<b>+8.6%</b>	<b>955.8</b>	<b>861.6</b>	<b>+10.9%</b>	<b>973.9</b>	<b>-18.1</b>
<b>Op. Profit</b>	<b>43.6</b>	<b>40.2</b>	<b>+8.5%</b>	<b>152.6</b>	<b>145.6</b>	<b>+4.8%</b>	<b>161.3</b>	<b>-8.7</b>
%	18.2%	18.2%		16.0%	16.9%		16.6%	

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

	2024	
	3Q	Full Year Projection
Cameras	+2.1%	+3.7%
NWCs & Others	+11.7%	+8.7%
Total	+5.7%	+5.5%

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

	2024	
	3Q	Full Year Projection
Units (Millions)	0.73	2.90
Growth Rate	-2%	+1%

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## Camera

This year, the interchangeable-lens camera market is expected to be 6.1 million units, slightly higher than last year, due to the active promotions by each company to stimulate demand and the growing demand among young people in China.

In the third quarter, we secured more orders than expected for the EOS R5 Mark II, a core model in our lineup for professionals and enthusiasts, launched in August, which was highly evaluated for its significantly improved still image and video performance. This led to an increase in our average selling price and sales growth of 5.3%.

Furthermore, in November, we plan to launch the EOS R1, which will be our flagship mirrorless camera model. Professional photographers have already tried it out in the field, and its outstanding autofocus performance has earned it a high reputation as a professional camera. Due to the launch of high-value-added models, we also expect sales of RF lenses to increase and are aiming to significantly expand sales by over 20% in the fourth quarter.

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	3Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Cameras	146.0	138.7	+5.3%	593.9	544.6	+9.1%	606.1	-12.2
Network Cameras & Others	93.6	82.0	+14.1%	361.9	317.0	+14.1%	367.8	-5.9
<b>Net Sales</b>	<b>239.6</b>	<b>220.7</b>	<b>+8.6%</b>	<b>955.8</b>	<b>861.6</b>	<b>+10.9%</b>	<b>973.9</b>	<b>-18.1</b>
<b>Op. Profit</b>	<b>43.6</b>	<b>40.2</b>	<b>+8.5%</b>	<b>152.6</b>	<b>145.6</b>	<b>+4.8%</b>	<b>161.3</b>	<b>-8.7</b>
%	18.2%	18.2%		16.0%	16.9%		16.6%	

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

	2024	
	3Q	Full Year Projection
Cameras	+2.1%	+3.7%
NWCs & Others	+11.7%	+8.7%
Total	+5.7%	+5.5%

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

	2024	
	3Q	Full Year Projection
Units (Millions)	0.73	2.90
Growth Rate	-2%	+1%

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## Network Camera

The market continues to grow this year, reflecting the fundamental human need for safety and security.

Our sales returned to growth from the second quarter after the completion of inventory adjustment. And in the third quarter, accelerated to double-digit growth of 14.1% compared to the same period last year.

Market inventory is being kept at an appropriate level, as we aim for over 100 billion yen in fourth quarter sales and a full-year increase in sales of 14.1%.

## Net Sales &amp; Net Sales Growth Rate Y/Y

(Billions of yen)

	3Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	51.4	53.1	-3.2%	255.0	212.6	+19.9%	250.8	+4.2
Industrial Equipment	19.9	25.7	-22.9%	108.4	102.1	+6.2%	104.8	+3.6
<b>Net Sales</b>	<b>71.3</b>	<b>78.8</b>	-9.6%	<b>363.4</b>	<b>314.7</b>	+15.5%	<b>355.6</b>	+7.8
<b>Op. Profit</b>	<b>14.0</b>	<b>15.8</b>	-11.2%	<b>69.4</b>	<b>58.6</b>	+18.4%	<b>65.2</b>	+4.2
%	19.6%	20.0%		19.1%	18.6%		18.3%	

Net Sales Growth Rate Y/Y  
(Local Currency)

	2024	
	3Q	Full Year Projection
Opt. Equip.	-3.6%	+18.9%
Industrial Equip.	-23.0%	+5.8%
Total	-10.0%	+14.7%

## Lithography Equipment (Units)

		2024	
		3Q	Full Year Projection
Semiconductor	KrF	10	54
	i-line	39	185
		49	239
FPD		4	26

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## Optical Equipment – Semiconductor Production Equipment

As for the semiconductor device market in 2024, we expect it to be at its highest in terms of size, thanks to significant growth in memory and logic devices for generative AI and data centers.

The semiconductor lithography equipment market is expected to reach the same market size as the previous year, due to the medium- to long-term growth of semiconductor devices and moves to promote domestic production in each country.

In the third quarter, we posted unit sales growth in systems used in the production of power devices and back-end processes where demand is strong. In the fourth quarter, we plan to sell 81 units, well above the 66 units we sold last year. Most of the units have already been shipped and we have already allocated engineers to smoothly install the systems at customer sites. And by making steady progress, we will work to post 239 units sales for the year, which significantly exceeds last year.

As for nanoimprint, which is the next generation semiconductor manufacturing equipment, we continue to conduct joint evaluation and verification with semiconductor manufacturers using various types of patterns for mass production applications. In September, we delivered our first system since its launch to the Texas Institute for Electronics (TIE), a semiconductor consortium supported by the University of Texas at Austin, for use in R&D and prototype manufacturing of leading-edge semiconductors.

## Net Sales & Net Sales Growth Rate Y/Y

(Billions of yen)

	3Q			Full Year				
	2024 Actual	2023 Actual	% Change	2024 Current Projection	2023 Actual	% Change	2024 Previous Projection	Amount Change
Optical Equipment	51.4	53.1	-3.2%	255.0	212.6	+19.9%	250.8	+4.2
Industrial Equipment	19.9	25.7	-22.9%	108.4	102.1	+6.2%	104.8	+3.6
<b>Net Sales</b>	<b>71.3</b>	<b>78.8</b>	<b>-9.6%</b>	<b>363.4</b>	<b>314.7</b>	<b>+15.5%</b>	<b>355.6</b>	<b>+7.8</b>
<b>Op. Profit</b>	<b>14.0</b>	<b>15.8</b>	<b>-11.2%</b>	<b>69.4</b>	<b>58.6</b>	<b>+18.4%</b>	<b>65.2</b>	<b>+4.2</b>
%	19.6%	20.0%		19.1%	18.6%		18.3%	

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

	2024	
	3Q	Full Year Projection
Opt. Equip.	-3.6%	+18.9%
Industrial Equip.	-23.0%	+5.8%
Total	-10.0%	+14.7%

## Lithography Equipment (Units)

		2024	
		3Q	Full Year Projection
Semiconductor	KrF	10	54
	i-line	39	185
		49	239
FPD		4	26

20

## Optical Equipment – FPD Lithography Equipment

As the profitability of panel manufacturers improves, new investment towards IT panels and additional investment in smartphones with an eye toward higher functionality are gradually increasing.

With the recovery in market conditions, we plan to increase sales of FPD lithography equipment to 14 units in the fourth quarter, compared to 4 units in the third quarter. All the equipment has already been shipped and through steady installation, sales will be completed by the end of the year.

## Industrial Equipment

As for OLED vapor deposition equipment, we are moving forward with production of the first large-size system for IT panels, and preparing for production of the second system. As a result, we aim to increase the sales of industrial equipment by 6.2% for the full year.