

[English summary with full translation of consolidated financial information]

**Quarterly Report filed with the Japanese government
pursuant to
the Financial Instruments and Exchange Law of Japan**

**For the first quarter ended
March 31, 2024**

**CANON INC.
Tokyo, Japan**

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Disclaimer Regarding Forward-Looking Statements

This document 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 document. Please refer to Canon's most recent disclosure documents such as the Annual Report, which are available on its website, for more information on the risks and uncertainties that may affect Canon's business, financial condition and results of operations. Should one or more of these 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.

I. Corporate Information

(1) Consolidated Financial Summary

	Millions of yen (except per share amounts)		
	Three months ended	Three months ended	Year ended
	March 31, 2024	March 31, 2023	December 31, 2023
Net sales	988,519	971,125	4,180,972
Income before income taxes	89,222	87,534	390,767
Net income attributable to Canon Inc.	59,949	56,410	264,513
Comprehensive income (loss)	147,305	95,822	495,000
Canon Inc. shareholders' equity	3,426,096	3,142,579	3,353,022
Total equity	3,679,133	3,380,681	3,605,707
Total assets	5,741,156	5,258,740	5,416,577
Net income attributable to Canon Inc. shareholders per share:			
Basic (yen)	60.70	55.56	264.20
Diluted (yen)	60.67	55.53	264.08
Canon Inc. shareholders' equity to total assets (%)	59.7	59.8	61.9
Net cash provided by operating activities	77,219	73,609	451,190
Net cash used in investing activities	(87,469)	(38,124)	(275,372)
Net cash provided by (used in) financing activities	105,982	75,733	(156,729)
Cash and cash equivalents at end of period	509,511	477,700	401,323

Notes:

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated amount of net sales.

(2) Description of Business

Canon prepares quarterly consolidated financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Financial information presented in sections "II. The Business" is also in conformity with U.S. GAAP.

The Canon Group (consisting of the Company, 341 consolidated subsidiaries, and 10 affiliates accounted for using the equity method, as of March 31, 2024, collectively, the "Group") is engaged in development, manufacturing, sales, and servicing activities in areas such as printing, medical, imaging, industrial and others and corporate. No material change in Canon's business has occurred during the three months ended March 31, 2024.

No additions or removals of significant group entities have occurred during the three months ended March 31, 2024.

II. The Business

(1) Risk Factors

No new material risks have been identified during the three months ended March 31, 2024. No material changes have been identified pursuant to the risk factors of Canon's business indicated in the Annual Securities Report (Yukashoken Houkokusho) of the previous fiscal year.

(2) Operating Results and Financial Conditions

Operating Results

Looking back at the first quarter of 2024, the global economy as a whole recovered only moderately due to continued economic challenges in Europe and China. In the U.S., consumer spending remained solid thanks to the strong employment situation and increases in real income. In Europe, however, the economy was lagging with strong downward pressure on the economy due to the inflation and the continuation of tight monetary policies. In China, despite a temporary recovery in personal consumption, the economy remained stagnant due to a sluggish real estate market. Other emerging markets, particularly India and Southeast Asia, continued to show signs of economic recovery. In Japan, the economy recovered moderately, supported by improvements in employment and income environment, as well as an increase in capital investments.

Within the markets in which Canon operates, demand weakened due to tight monetary policies associated with inflation, the economic slowdown in Europe and China, and increasing geopolitical risks. On a product basis, demand for office multifunction devices (MFDs) remained robust overall, despite the impact of worsening market conditions in Europe and China. For inkjet printers, demand from customers working from home decreased. For laser printers, demand slowed due to the curbing of corporate investments. For medical equipment, the domestic demand for Computed tomography (CT) devices continued to suffer from the backlash against the COVID-19 demand, and growth remained modest in Europe and China. For cameras, demand remained firm, centered around mirrorless cameras. For semiconductor lithography equipment, although demand for memory devices remained weak, demand for power devices and for generative artificial intelligence (AI) remained solid. For FPD (Flat Panel Display) lithography equipment, the market continued to shrink due to restrained investments by panel manufacturers.

The average value of the yen in the first quarter was ¥148.69 against the U.S. dollar, a year-on-year depreciation of approximately ¥16, and ¥161.35 against the euro, a year-on-year depreciation of approximately ¥19.

Summarized results of the consolidated statements of income for the three months ended March 31, 2024 and March 31, 2023 are as follows:

	Millions of yen (except per share amounts and percentage data)		
	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net sales	988,519	+1.8 %	971,125
Gross profit	478,442	+5.4	454,010
Operating expenses	398,359	+7.8	369,535
Operating profit	80,083	-5.2	84,475
Other income (deductions)	9,139	-	3,059
Income before income taxes	89,222	+1.9	87,534
Net income attributable to Canon Inc.	59,949	+6.3	56,410
Net income attributable to Canon Inc. shareholders per share:			
Basic	60.70	+9.3	55.56
Diluted	60.67	+9.3	55.53

As for the first quarter, net sales increased by 1.8% year-on-year to ¥988.5 billion due to favorable market conditions for semiconductor lithography equipment and impact from the depreciation of the yen, while the market conditions in Europe and China faced a downturn trend. Gross profit as a percentage of net sales increased by 1.6 points year-on-year to 48.4% mainly due to a reduction in logistics costs and favorable effects of the depreciation of the yen. Gross profit increased by 5.4% year-on-year to ¥478.4 billion. Operating expenses increased by 7.8% year-on-year to ¥398.3 billion due to an increase in operating expenses denominated in foreign currencies despite an efficiency-focused control of expenses. As a result, operating profit decreased by 5.2% year-on-year to ¥80.1 billion. Other income (deductions) increased by ¥6.1 billion year-on-year to ¥9.1 billion due to a decrease of currency exchange loss. As a result, income before income taxes increased by 1.9% year-on-year to ¥89.2 billion and net income attributable to Canon Inc. increased by 6.3% year-on-year to ¥59.9 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥60.70 for the first quarter, a year-on-year increase of ¥5.14.

Operating results by business unit for the three months ended March 31, 2024 and March 31, 2023 are as follows. Please refer to the segment information in Note 20 of the Notes to Consolidated Financial Statements.

Printing Business Unit	Millions of yen (except percentage data)		
	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net sales:			
Production	98,927	+13.8 %	86,929
Office	253,750	+9.0	232,808
Prosumer	225,416	-4.9	236,967
External customers total	578,093	+3.8	556,704
Intersegment	2,171	+49.8	1,449
Total	580,264	+4.0	558,153
Operating cost and expenses	514,770	+1.4	507,535
Operating Profit	65,494	+29.4	50,618
Income before income taxes	69,574	+31.0	53,103

As for the Printing Business Unit, unit sales of equipment for the production printing market remained at levels similar to the previous year, with strong sales of the imagePRESS V series. Unit sales of MFDs for offices decreased compared with the same period of the previous year, when supplies of products recovered, although the imageRUNNER ADVANCE DX C3900 series and the imageRUNNER ADVANCE DX C5800 series were also well-received in the market. On the other hand, sales of services increased due to an increase in the number of units in operation in office. As for inkjet printers, the number of unit sales decreased compared with the same period of the previous year due to the decrease in demand from customers working from home. As for laser printers, unit sales decreased compared with the same period of the previous year due to the curbing of corporate investments. As a result, sales of the Printing Business Unit increased by 4.0% compared with the same period of the previous year to ¥580.3 billion. Income before income taxes for the first quarter increased by 31.0% compared with the same period of the previous year to ¥69.6 billion mainly due to the positive effects of currency exchange rates and the product mix.

Medical Business Unit	Millions of yen (except percentage data)		
	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net sales:			
External customers total	134,175	+2.5 %	130,857
Intersegment	37	-81.3	198
Total	134,212	+2.4	131,055
Operating cost and expenses	128,633	+3.6	124,175
Operating Profit	5,579	-18.9	6,880
Income before income taxes	5,701	-17.6	6,922

As for the Medical Business Unit, although demand remained sluggish in Japan due to the continued decline in demand from COVID-19, mainly for CT systems and the sales in Europe and China stagnated due to the postponements of installations, sales increased because the sales of CT systems and diagnostic ultrasound systems remained firm in the U.S. market. In addition, there was an increase in sales due to the acquisition of Minaris Medical Co., Ltd. in the previous year. These factors resulted in total sales for the business unit of ¥134.2 billion, a year-on-year increase of 2.4%. However, income before income taxes decreased by 17.6% year-on-year to ¥5.7 billion due to increased investments in acquired businesses and next-generation products.

Imaging Business Unit	Millions of yen (except percentage data)		
	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net sales:			
Cameras	102,214	-7.0 %	109,965
Network cameras and Others	73,232	-11.1	82,394
External customers total	175,446	-8.8	192,359
Intersegment	95	+48.4	64
Total	175,541	-8.8	192,423
Operating cost and expenses	161,275	+3.9	155,167
Operating Profit	14,266	-61.7	37,256
Income before income taxes	14,876	-60.3	37,492

As for the Imaging Business Unit, although sales of mirrorless cameras remained solid centered around new products including entry-level EOS R50, sales of interchangeable-lens digital cameras as a whole decreased compared with the same period of the previous year due to increase in sales promotion expenses and decrease in shipment volume aimed at adjusting the inventory that accumulated in the market at the end of the previous year. Although demand for network cameras remained solid, supported by the diversification of applications, sales of network cameras decreased due to the adjustments of inventory levels. As a result, sales of the Imaging Business Unit decreased by 8.8% compared with the same period of the previous year to ¥175.5 billion. Net income before tax for the first quarter decreased by 60.3% compared with the same period of the previous year to ¥14.9 billion.

Industrial Business Unit

Millions of yen (except percentage data)

	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net sales:			
Optical equipment	47,027	+17.5 %	40,020
Industrial equipment	19,082	+3.9	18,359
External customers total	66,109	+13.2	58,379
Intersegment	2,376	-35.5	3,682
Total	68,485	+10.4	62,061
Operating cost and expenses	56,433	+3.3	54,643
Operating Profit	12,052	+62.5	7,418
Income before income taxes	12,430	+64.8	7,542

As for the Industrial Business Unit, unit sales of FPD lithography equipment decreased compared with the previous year due to reduced investments by panel manufacturers. Sales of semiconductor lithography equipment, particularly those used in the production of power devices, remained strong. As a result, unit sales exceeded the previous year. These factors resulted in total sales for the business unit of ¥68.5 billion, a year-on-year increase of 10.4%, while income before income taxes totaled ¥12.4 billion, a year-on-year increase of 64.8%.

Financial Conditions

Millions of yen (except percentage data)

	March 31, 2024	Change	December 31, 2023
Total assets	5,741,156	+324,579	5,416,577
Total liabilities	2,062,023	+251,153	1,810,870
Canon Inc. shareholders' equity	3,426,096	+73,074	3,353,022
Noncontrolling interests	253,037	+352	252,685
Total equity	3,679,133	+73,426	3,605,707
Total liabilities and equity	5,741,156	+324,579	5,416,577
Canon Inc. shareholders' equity as a percentage of total assets	59.7%	-2.2	61.9%

Total assets increased by ¥324.6 billion to ¥5,741.2 billion at March 31, 2024 compared to the end of the previous year, mainly due to the increase of cash and cash equivalents and inventories. Inventories increased for the preparation of sales expected for the next quarter. Total liabilities increased by ¥251.2 billion to ¥2,062.0 billion at March 31, 2024 compared to the end of previous year, mainly due to the increase of long-term debt in response to an increase in necessary working capital. The balance of total equity increased by ¥73.4 billion to ¥3,679.1 billion at March 31, 2024 compared to the end of previous year, mainly due to the accumulation of net income attributable to Canon Inc. and the increase of accumulated other comprehensive income resulting from the depreciation of the yen although the payment of dividends to Canon Inc. shareholders decreased total equity. As a result, Canon Inc. shareholders' equity as a percentage of total assets declined by 2.2 points to 59.7% compared to the end of the previous year.

(2) Operating Results and Financial Conditions (continued)

Cash Flows

	Millions of yen		
	Three months ended March 31, 2024	Change	Three months ended March 31, 2023
Net cash provided by operating activities	77,219	+3,610	73,609
Net cash used in investing activities	(87,469)	-49,345	(38,124)
Free cash flow	(10,250)	-45,735	35,485
Net cash provided by financial activities	105,982	+30,249	75,733
Effect of exchange rate changes on cash and cash equivalents	12,456	+8,075	4,381
Net change in cash and cash equivalents	108,188	-7,411	115,599
Cash and cash equivalents at beginning of period	401,323	+39,222	362,101
Cash and cash equivalents at end of period	509,511	+31,811	477,700

In the first quarter, cash flow from operating activities increased by ¥3.6 billion year-on-year to ¥77.2 billion mainly due to an improvement in working capital and an increase in profit. Cash flow used in investing activities increased by ¥49.3 billion to ¥87.5 billion from the same period of the previous fiscal year due to an acquisition of Primagest, Inc., which has strength in BPO services. Canon defines “free cash flows” as cash flows from operating activities less cash flows from investing activities. Free cash flow totaled negative ¥10.3 billion, a decrease of ¥45.7 billion compared with that of the previous year.

Cash flow from financing activities increased by ¥30.2 billion year-on-year to ¥106.0 billion due to the increase in proceeds from issuance of long-term debt in response to an increase in necessary working capital despite increased dividend payouts.

Owing to these factors, as well as the impact from foreign currency exchange adjustments, cash and cash equivalents increased by ¥108.2 billion to ¥509.5 billion from the end of the previous year.

Non-GAAP Financial Measures

Canon has reported its financial results in accordance with U.S. GAAP. In addition, Canon has discussed its results using “free cash flow,” which is a non-GAAP measure.

Canon believes this measure, which takes into consideration its operating and investing activities, is beneficial to an investor’s understanding of its current liquidity and the alternatives uses in financing activities.

A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with U.S. GAAP is set forth on the following table.

	Billions of yen
	Three months ended March 31, 2024
Net cash provided by operating activities	77.2
Net cash used in investing activities	(87.5)
Free cash flow	(10.3)

(2) Operating Results and Financial Conditions (continued)

Accounting Estimates and Assumptions

No material changes with respect to accounting estimates and assumptions have occurred during the three months ended March 31, 2024.

Prioritized Management Issues to be Addressed

No material changes or issues with respect to prioritized business operations and finances have occurred during the three months ended March 31, 2024.

Research and Development Expenses

Canon's research and development expenses for the three months ended March 31, 2024 totalled ¥79.5 billion.

Property, Plant and Equipment

(1) Major Property, Plant and Equipment

There were no significant changes to the status of existing major property, plant and equipment during the three months ended March 31, 2024.

(2) Prospect of Capital Investment in the first three months of Fiscal 2024

There were no completions of new construction or disposal of asset plans, which had been in progress as of December 31, 2023, during the first three months of 2024.

(3) Significant Business Contracts Entered into in the First Quarter of Fiscal 2024

No material contracts were entered into during the three months ended March 31, 2024.

III . Company Information

(1) Shares

Total number of authorized shares is 3,000,000,000 shares. The common stock of Canon is listed on the Tokyo, Nagoya, Fukuoka and Sapporo. Total issued shares are as follows:

	As of March 31, 2024
	<hr/>
Total number of issued shares	1,333,763,464

Stock Acquisition Rights

(1) Stock options

The descriptions of the stock option plans as of March 31, 2024 are below.

The Stock Option Plan Approved on February 9, 2024

1. Grantees of share options

The Company's 2 executive officers.

2. Number of share options

The number of share options that the Board of Directors are authorized to issue is 204.

3. Number of shares acquired upon exercise of a share option

The number of shares acquired upon exercise of one share option (the "Allotted Number of Shares") is 100 common shares, and the total number of shares to be delivered due to the exercise of share options is 20,400 common shares. However, in the case that the Company conducts a share split (including an allotment without consideration (*musho-wariate*) of shares of common stock of the Company; the same shall apply to all references to the share split herein) or share consolidation on and after the date of shareholders' resolution adopting the proposal at the above-mentioned General Meeting of Shareholders (the "Allotment Date"), the number of shares acquired shall be adjusted in accordance with the following formula, rounding down any fraction of less than one share resulting from such adjustment.

Number of shares acquired after adjustment	=	Number of shares acquired before adjustment	×	Ratio of share split or share consolidation
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In addition to the above, in any event that makes it necessary to adjust the number of shares acquired, including a merger and company split, on and after the Allotment Date, the Company may make appropriate adjustment to the Number of Shares Acquired within a reasonable range.

4. Cash payment for share options (yen)

The cash payment required for each stock acquisition right shall be ¥1 per share to be acquired upon exercise of each stock acquisition right, multiplied by the number of shares acquired.

5. Period during which share options are exercisable

From March 26, 2024 to March 25, 2054

6. Issue price and amount of increased stated capital (yen)

The issue price and amount of increased stated capital per share is ¥3,946 and ¥1,973, respectively. The issue price is total amount of the exercise price of each stock acquisition (¥1 per share) and the fair value of the stock acquisition rights at the allotment date. In addition, the amount of capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with the Article 17, Paragraph 1 of the Company Accounting Regulations (*Kaisha Keisan Kisoku*), and any fraction less than ¥1 arising therefrom shall be rounded up to the nearest ¥1.

7. Other conditions for exercise of share options

(i) Those to whom stock acquisition rights are allotted (the “Holder(s)”) shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the day when they cease to hold any position as a director or an executive officer of the Company.

(ii) In the event that the Company recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, the Company may limit, subject to a resolution by the Board of Directors of the Company, the number of offered stock acquisition rights that may be exercised by such Holder.

8. Restriction on acquisition of share options by transfer

An acquisition of share options by way of transfer requires the approval of the Board of Directors.

9. Treatment of the stock acquisition rights upon restructuring transaction

If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split (both, limited to the case where the Company becomes a corporate spin off), or a share exchange or transfer (both, limited to the case where the Company becomes a wholly-owned subsidiary) (collectively, the “Structural Reorganization”), the Company shall, in each of the above cases, allot stock acquisition rights of any of the relevant companies listed in “a” through “e” of Article 236, Paragraph 1, Item 8 of the Companies Act of Japan (the “Reorganized Company”) to the Holders holding the stock acquisition rights remaining at the time immediately preceding the effective date of the relevant Structural Reorganization (the “Remaining Stock Acquisition Rights”) (the effective date of the relevant Structural Reorganization shall mean, in the case of a merger, the date on which the merger becomes effective; in the case of a consolidation; the date of establishment of a newly-incorporated company through consolidation; in the case of an absorption-type company split, the date on which the absorption-type company split becomes effective; in the case of an incorporation-type company split, the date of establishment of a newly-incorporated company through the incorporation-type company split; in the case of a share exchange, the date on which the share exchange becomes effective; and in the case of a share transfer, the date of establishment of a wholly-owning parent company through the share transfer; hereinafter the same shall apply). Provided, however, that the foregoing shall be on the condition that transfer of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in a merger agreement, a consolidation agreement, a company split agreement, a company split plan, a share exchange agreement or a share transfer plan.

(i) Number of stock acquisition rights of the Reorganized Company to be allotted:

A number equal to the number of the Remaining Stock Acquisition Rights held by the Holder shall be transferred to such Holder.

(ii) Class of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:

Common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:

To be determined in accordance with 3 above, taking into consideration, among others, the conditions of

Structural Reorganization.

(iv) Value of assets to be contributed upon exercise of each stock acquisition right:

The value of assets to be contributed upon exercise of each stock acquisition right to be allotted shall be the amount obtained by multiplying (x) the exercise price after reorganization set forth below by (y) the number of shares of the Reorganized Company to be acquired upon exercise of the relevant stock acquisition rights as determined in accordance with (iii) above. The “exercise price after reorganization” shall be one 1 yen per share of the Reorganized Company to be acquired upon exercise of each of its stock acquisition rights.

(v) Exercise period of stock acquisition rights:

From and including whichever is the later of (x) the commencement date of the period during which the stock acquisition rights may be exercised or (y) the effective date of the Structural Reorganization, to and including the expiration date of the period during which the stock acquisition rights may be exercised as provided.

(vi) Matters regarding stated capital and capital reserves increased due to the issuance of shares upon exercise of stock acquisition rights:

(a) The increased amount of stated capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights will be one half (1/2) of the maximum amount of increase of stated capital, etc. to be calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Regulations (*Kaisha Keisan Kisoku*). Any fractional amount of less than one 1 yen resulting from such calculation will be rounded up to one 1 yen.

(b) The increased amount of capital reserves to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be the maximum amount of increases of stated capital, etc., mentioned in (a) above, after the subtraction of increased amount of stated capital mentioned in (a) above.

(vii) Restrictions on acquisition of stock acquisition rights by transfer:

The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors of the Reorganized Company.

(viii) Conditions for exercise of stock acquisition rights:

(a) Those to whom stock acquisition rights are allotted (the “Holder(s)”) shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of the Company.

(b) In the event that the Company recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, the Company may limit, subject to a resolution by the Board of Directors of the Company, the number of offered stock acquisition rights that may be exercised by such Holder.

(ix) Events regarding the Company’s acquisition of stock acquisition rights:

If a proposal for the approval of a merger agreement under which the Company will become a disappearing company, a proposal for the approval of a company split agreement or a company split plan under which the Company will become a split company or a proposal for the approval of a share exchange agreement or a share transfer plan under which the Company will become a wholly owned subsidiary is approved by the Company’s shareholders at a Meeting of Shareholders (or by the Board of Directors if no resolution of a Meeting of Shareholders is required for such approval), the Company will be entitled to acquire the stock acquisition rights, without compensation, on a date separately designated by the Board of Directors.

(2) Other stock acquisition rights

Not applicable.

Exercise status of bonds with share subscription rights containing an adjustable exercise price clause

Not applicable.

Change in Issued Shares, Common Stock and Additional Paid in Capital

	<u>Change during this term</u>	<u>As of March 31, 2024</u>
Issued Shares (Number of shares)	-	1,333,763,464
Common Stock (Millions of yen)	-	174,762
Additional Paid-in Capital (Millions of yen)	-	306,288

Major Shareholders

Not applicable.

(1) Shares (continued)

Voting Rights

The information provided below is based on the latest register of shareholders as of December 31, 2023.

Classification	As of December 31, 2023	
	Number of shares (shares)	Number of voting rights (units)
Shares without voting rights	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-
Shares with restricted voting rights (Others)	-	-
Shares with full voting rights (Treasury stock, etc.)	(treasury stock) 345,964,700	-
Shares with full voting rights (Others)	986,445,500	9,864,455
Fractional unit shares (Note)	1,353,264	-
Total number of issued shares	1,333,763,464	-
Total voting rights held by all shareholders	-	9,864,455

Note:

In “Fractional unit shares” under “Number of shares,” 52 shares of treasury stock are included.

Treasury Stock, etc.

	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
Canon Inc.	345,964,700	25.94%
Total	345,964,700	25.94%

(2) Directors and Executive Officers

There were no changes in Directors and Audit & Supervisory Board Members, and their functions between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2023 and the end of this quarter.

There were no changes in members of executive officers and their functions between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2023 and the end of this quarter.

IV . Financial Statements (Unaudited)

(1) Consolidated Financial Statements

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CANON INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	March 31, 2024	December 31, 2023
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Notes 1, 18 and 19)	509,511	401,323
Short-term investments (Notes 2 and 18)	3,930	3,822
Trade receivables (Note 3)	634,790	655,460
Inventories (Note 4)	894,874	796,881
Current lease receivables (Notes 1 and 6)	162,047	150,324
Prepaid expenses and other current assets (Notes 12, 14 and 18)	245,261	231,605
Allowance for credit losses (Notes 3 and 6)	(16,289)	(15,329)
Total current assets	2,434,124	2,224,086
Noncurrent receivables (Note 16)	13,719	11,734
Investments (Notes 2 and 18)	78,909	78,505
Property, plant and equipment, net (Note 5)	1,119,611	1,095,879
Operating lease right-of-use assets (Note 15)	136,927	126,125
Intangible assets, net	275,893	274,942
Goodwill (Note 7)	1,084,561	1,045,400
Noncurrent lease receivables (Notes 1 and 6)	347,751	321,065
Other assets	253,872	242,659
Allowance for credit losses (Note 6)	(4,211)	(3,818)
Total assets	5,741,156	5,416,577

CANON INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited) (continued)

	Millions of yen	
	March 31, 2024	December 31, 2023
<u>Liabilities and equity</u>		
Current liabilities:		
Short-term loans and current portion of long-term debt (Notes 9 and 17)	467,892	386,200
Short-term loans related to financial services	39,000	38,900
Other short-term loans and current portion of long-term debt	428,892	347,300
Trade payables (Note 8)	364,196	309,930
Accrued income taxes	43,471	56,983
Accrued expenses (Note 16)	387,594	373,544
Current operating lease liabilities (Note 15)	37,839	35,559
Other current liabilities (Notes 12, 14 and 18)	282,735	276,960
Total current liabilities	1,583,727	1,439,176
Long-term debt, excluding current portion of long-term debt (Note 17)	105,604	2,954
Accrued pension and severance cost	170,367	171,779
Noncurrent operating lease liabilities (Note 15)	101,223	92,604
Other noncurrent liabilities (Note 12)	101,102	104,357
Total liabilities	2,062,023	1,810,870
Equity:		
Canon Inc. shareholders' equity (Note 10):		
Common stock	174,762	174,762
(Number of authorized shares)	(3,000,000,000)	(3,000,000,000)
(Number of issued shares)	(1,333,763,464)	(1,333,763,464)
Additional paid-in capital	405,015	404,935
Legal reserve	61,722	61,634
Retained earnings	3,791,927	3,801,212
Accumulated other comprehensive income (loss) (Note 11)	350,958	268,758
Treasury stock, at cost	(1,358,288)	(1,358,279)
(Number of shares)	(345,966,776)	(345,964,752)
Total Canon Inc. shareholders' equity	3,426,096	3,353,022
Noncontrolling interests (Note 10)	253,037	252,685
Total equity (Note 10)	3,679,133	3,605,707
Total liabilities and equity	5,741,156	5,416,577

CANON INC. AND SUBSIDIARIES
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Unaudited)

Consolidated Statements of Income

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Net sales (Notes 6, 11 12 and 14):		
Products and Equipment	765,738	764,180
Services	222,781	206,945
	988,519	971,125
Cost of sales (Notes 15 and 19):		
Products and Equipment	424,142	417,844
Services	85,935	99,271
	510,077	517,115
Gross profit	478,442	454,010
Operating expenses:		
Selling, general and administrative expenses (Notes 11, 15 and 19)	318,909	293,037
Research and development expenses	79,450	76,498
	398,359	369,535
Operating profit	80,083	84,475
Other income (deductions):		
Interest and dividend income	3,935	2,395
Interest expense	(629)	(330)
Other, net (Notes 2, 11, 14 and 19)	5,833	994
	9,139	3,059
Income before income taxes	89,222	87,534
Income taxes	25,017	25,804
Consolidated net income	64,205	61,730
Less: Net income attributable to noncontrolling interests	4,256	5,320
Net income attributable to Canon Inc.	59,949	56,410
	Yen	Yen
Net income attributable to Canon Inc. shareholders per share (Note 13):		
Basic	60.70	55.56
Diluted	60.67	55.53

CANON INC. AND SUBSIDIARIES
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Unaudited) (continued)

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended	Three months ended
	March 31, 2024	March 31, 2023
Consolidated net income	64,205	61,730
Other comprehensive income (loss), net of tax (Note 11):		
Foreign currency translation adjustments	82,399	31,595
Net unrealized gains and losses on securities	22	24
Net gains and losses on derivative instruments	(1,628)	296
Pension liability adjustments	2,307	2,177
	<u>83,100</u>	<u>34,092</u>
Comprehensive income (loss) (Note 10)	147,305	95,822
Less: Comprehensive income attributable to noncontrolling interests	5,156	5,438
Comprehensive income (loss) attributable to Canon Inc.	<u>142,149</u>	<u>90,384</u>

CANON INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen	
	Three months ended	Three months ended
	March 31, 2024	March 31, 2023
Cash flows from operating activities:		
Consolidated net income	64,205	61,730
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	54,451	52,472
Loss on disposal of fixed assets	87	1,223
Deferred income taxes	(2,331)	(3,719)
Decrease in trade receivables	39,097	49,581
Increase in inventories	(74,284)	(41,049)
Increase in lease receivables (Note 6)	(13,454)	(13,175)
Increase in trade payables	48,241	6,885
Decrease in accrued income taxes	(14,487)	(21,727)
Decrease in accrued expenses	(10,789)	(13,380)
Decrease in accrued pension and severance cost	(9,973)	(6,933)
Other, net (Note 15)	(3,544)	1,701
Net cash provided by operating activities	<u>77,219</u>	<u>73,609</u>
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	(52,668)	(43,314)
Proceeds from sale of fixed assets (Note 5)	137	1,812
Purchases of securities	(1,548)	(154)
Proceeds from sale and maturity of securities	1,665	4,653
Acquisitions of businesses, net of cash acquired (Note 7)	(32,672)	-
Other, net	(2,383)	(1,121)
Net cash used in investing activities	<u>(87,469)</u>	<u>(38,124)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	100,000	-
Repayments of long-term debt	(557)	(565)
Increase in short-term loans related to financial services, net (Note 9)	100	200
Increase in other short-term loans, net (Note 9)	80,000	140,302
Dividends paid	(69,146)	(60,931)
Repurchases and reissuance of treasury stock, net	(9)	(2)
Other, net	(4,406)	(3,271)
Net cash provided by financing activities	<u>105,982</u>	<u>75,733</u>
Effect of exchange rate changes on cash and cash equivalents	<u>12,456</u>	<u>4,381</u>
Net change in cash and cash equivalents	108,188	115,599
Cash and cash equivalents at beginning of period	401,323	362,101
Cash and cash equivalents at end of period	<u>509,511</u>	<u>477,700</u>
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	651	268
Income taxes	46,384	46,560

CANON INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

(1) Basis of Presentation and Significant Accounting Policies

(a) Basis of Presentation

The Company issued convertible debentures in the United States in May 1969 and established a program in which its American Depositary Receipts (ADRs) are traded in the U.S. over-the-counter market. Since then, under the U.S. Securities Act of 1933 and the U.S. Securities Exchange Act of 1934, as amended, the Company has prepared its annual consolidated financial statements in accordance with U.S. GAAP and filed them with the U.S. Securities and Exchange Commission on Form 20-F. The Company's ADRs were listed on the NYSE in September 2000 after being quoted on NASDAQ from February 1972 to September 2000. On February 24, 2023, the Company filed Form 25 with the SEC in connection with the delisting from the NYSE. The delisting became effective on March 6, 2023. The Company filed a Form 15F for the termination of registration of its ADRs and underlying common shares with the SEC and termination of ongoing reporting obligations under the U.S. Securities Exchange Act (the "Exchange Act") on March 7, 2024. The company's ongoing reporting obligations under the Exchange Act will be immediately suspended upon filing the Form 15F with the SEC and are expected to be terminated on June 5, 2024, 90 days after the Form 15F is filed. This schedule is subject to change if the SEC notifies the Company of an extended review period or object to the Company's application, or for other reasons.

Canon's quarterly consolidated financial statements are prepared in accordance with the recognition and measurement criteria of U.S. GAAP. Certain footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

Canon has reclassified certain items in the consolidated statements of cash flows for the quarter ended March 31, 2023 to conform to the current year's presentation.

The number of consolidated subsidiaries and affiliated companies that were accounted for by the equity method as of March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024	December 31, 2023
Consolidated subsidiaries	341	336
Affiliated companies	10	10
Total	351	346

(b) Principles of Consolidation

The quarterly consolidated financial statements include the accounts of the Company, its majority owned subsidiaries and those variable interest entities where the Company or its consolidated subsidiaries are the primary beneficiaries. All intercompany balances and transactions have been eliminated.

(c) Recent Accounting Guidance

Recently issued accounting guidance not yet adopted

In November 2023, ASU No. 2023-07, "Improvements to Reportable Segment Disclosures"-ASC 280 ("Segment Reporting"), was issued by the Financial Accounting Standards Board ("FASB"). The standard requires us to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM) and to provide a qualitative disclosure describing the composition of the other segment items. Also, all existing annual disclosures about segment profit or loss must be provided on an interim basis in addition to disclosures of significant segment expenses and other segment items as noted above. The standard is effective for annual reporting periods

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

beginning after December 15, 2023 and for interim reporting periods beginning after December 15, 2024. The amendments in the standard apply retrospectively to all prior periods presented in the financial statements. Canon is currently evaluating the effect that the adoption of the standard will have on its disclosure information. Canon does not expect the adoption of the standard will have an effect on its consolidated results of operation and financial condition.

In December 2023, ASU No. 2023-09, “Improvements to Income Tax Disclosures”-ASC 740 (“Income Taxes”), was issued by FASB. The standard requires us to disclose certain categories in the tax rate reconciliation table, the amount of corporate income tax paid (domestic and foreign), income from continuing operations before income tax (domestic and foreign), and income tax expense from continuing operations (domestic and foreign). The standard is effective for annual reporting periods beginning after December 15, 2024. Canon is currently evaluating the effect that the adoption of the standard will have on its disclosure information. Canon does not expect the adoption of the standard will have an effect on its consolidated results of operation and financial condition.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(2) Investments

Held-to-maturity debt securities included in short-term investments and investments in the accompanying consolidated balance sheet were ¥233 million as for March 31, 2024. There were no held-to-maturity debt securities at December 31, 2023.

	Millions of yen		
	Carrying amount	Estimated fair value	Difference
Due within one year	175	175	-
Due after one year through five years	58	58	-
Total	233	233	-

The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale debt securities included in short-term investments and investments by major security type at March 31, 2024 and December 31, 2023 are as follows:

	Millions of yen			
	March 31, 2024			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate bonds	1,092	5	1	1,096
Noncurrent:				
Corporate bonds	7,624	80	19	7,685
	8,716	85	20	8,781

	Millions of yen			
	December 31, 2023			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate bonds	883	1	-	884
Noncurrent:				
Corporate bonds	8,242	56	19	8,279
	9,125	57	19	9,163

Maturities of available-for-sale debt securities included in short-term investments and investments in the accompanying consolidated balance sheets at March 31, 2024 are as follows:

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

	Millions of yen
	Fair value
Due within one year	1,096
Due after one year through five years	7,685
Total	8,781

The unrealized and realized gains and losses related to equity securities for the three months ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Net gains (losses) recognized during the period on equity securities	(2)	3,541
Less: Net gains (losses) recognized during the period on equity securities sold during the period	(22)	6
Unrealized gains (losses) recognized during the period on equity securities still held at March 31	20	3,535

The carrying amount of non-marketable equity securities without readily determinable fair value totaled ¥10,673 million and ¥10,282 million at March 31, 2024 and December 31, 2023, respectively. The impairment or other adjustments resulting from observable price changes recorded during the three months ended March 31, 2024 and 2023 were not significant.

Time deposits with original maturities of more than three months are ¥2,659 million and ¥2,938 million at March 31, 2024 and December 31, 2023, respectively, and are included in short-term investments in the accompanying consolidated balance sheets.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(3) Trade Receivables

Trade receivables are summarized as follows:

	Millions of yen	
	March 31, 2024	December 31, 2023
Notes	29,924	33,570
Accounts	604,866	621,890
Trade receivables	634,790	655,460
Allowance for credit losses	(14,103)	(13,276)
	<u>620,687</u>	<u>642,184</u>

(4) Inventories

Inventories are summarized as follows:

	Millions of yen	
	March 31, 2024	December 31, 2023
Finished goods	530,716	468,394
Work in process	290,194	255,849
Raw materials	73,964	72,638
	<u>894,874</u>	<u>796,881</u>

(5) Property, Plant and Equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and are summarized as follows:

	Millions of yen	
	March 31, 2024	December 31, 2023
Land	285,663	283,530
Buildings	1,878,122	1,851,645
Machinery and equipment	2,035,085	1,983,907
Construction in progress	67,368	56,840
Finance lease right-of-use assets	9,030	8,606
Cost	<u>4,275,268</u>	<u>4,184,528</u>
Less: Accumulated depreciation	<u>(3,155,657)</u>	<u>(3,088,649)</u>
Property, plant and equipment, net	<u>1,119,611</u>	<u>1,095,879</u>

Fixed assets presented in the consolidated statements of cash flows includes property, plant and equipment and intangible assets.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(6) Lessor Accounting

Lease income is included in products and equipment sales in the accompanying consolidated statements of income. Supplemental income statement information is as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Lease income – sales-type and direct financing leases		
Revenue at lease commencement	36,281	36,545
Interest income on lease receivables	7,473	5,742
Sales-type and direct financing leases income total	<u>43,754</u>	<u>42,287</u>
Lease income – operating leases	10,347	9,317
Variable lease income	1,737	1,392
Total lease income	<u><u>55,838</u></u>	<u><u>52,996</u></u>

Allowance for Credit Losses

Lease receivables represent financing leases, which consist of sales-type leases and direct financing leases. These receivables typically have terms ranging from 1 year to 20 years. Lease receivables are ¥509,798 million and ¥471,389 million at March 31, 2024 and December 31, 2023, respectively.

The activities in the allowance for credit losses are as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Balance at beginning of period	5,871	5,596
Write-offs	(808)	(467)
Provision	754	236
Translation adjustments and other	580	170
Balance at end of period	<u><u>6,397</u></u>	<u><u>5,535</u></u>

Canon has policies in place to ensure that its products are sold to customers with an appropriate credit history, and continuously monitors its customers' credit quality based on information including length of period in arrears, macroeconomic conditions, initiation of legal proceedings against customers and bankruptcy filings. The allowance for credit losses of lease receivables is evaluated collectively based on historical experiences of credit losses and reasonable and supportable forecasts. An additional reserve for individual accounts is recorded when Canon becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings. Lease receivables which are past due or individually evaluated for impairment at March 31, 2024 and December 31, 2023 are not significant.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

Information about transferring lease receivables

Canon has syndication arrangements to sell its entire interests in lease receivables to the third-party financial institutions. The transactions under the arrangements are accounted for as sales in accordance with ASC 860 “Transfers and Servicing.” There were no significant transfers of lease receivables for the three months ended March 31, 2024 and 2023. The amount that remained uncollected was ¥48,433 million and ¥50,453 million at March 31, 2024 and December 31, 2023, respectively. Cash proceeds from the transactions are included in increase in lease receivables under the cash flow from operating activities in the consolidated statements of cash flows. Canon continues to provide collection and administrative services for the financial institutions. The amount associated with the servicing liability measured at fair value was not significant at March 31, 2024 and December 31, 2023. Canon also retains limited recourse obligations which cover credit defaults. The recourse obligations were not significant at March 31, 2024 and December 31, 2023.

(7) Acquisitions

On March 29, 2024, Canon Marketing Japan Inc., a subsidiary of the Company, acquired 100% of the issued shares of Primagest, Inc. for cash consideration of ¥37,000 million so that Primagest, Inc. and its three subsidiaries (hereinafter referred to collectively as “Primagest”) became its owned subsidiaries.

The acquisition was accounted for using the acquisition method of accounting. Acquisition-related costs were expensed as incurred and were not material.

The acquisition will enable Canon to further expand BPO business by enhancing operational efficiency and service quality through the use of Primagest's knowledge and know-how, and to create new services by combining its technology and system development capabilities cultivated through video solutions and digital document services.

Canon has not completed the process of allocating the amount paid for the acquisition to the assets acquired and liabilities assumed, and the provisional allocation is based on the information available as of the issuance date of the consolidated financial statements. The provisional amount of goodwill was ¥31,223 million which may be revised during the measurement period. The estimated fair values of the assets acquired and liabilities assumed at the acquisition date in the consolidated balance sheets were not material excluding those pertaining to goodwill.

The operating results with the assumption the financial statements of Primagest had been included in Canon’s consolidated financial statements for the year ended December 31, 2023 and the year beginning on January 1, 2024 were not disclosed because the impact was not material.

(8) Trade Payables

Trade payables are summarized as follows:

	Millions of yen	
	March 31, 2024	December 31, 2023
Notes	81,474	73,926
Accounts	282,722	236,004
	364,196	309,930

Canon has supplier finance programs with particular third-party financial institutions where Canon agrees to pay the financial institutions after 20 to 180 days based on the contracts agreed to with the suppliers. The financial institutions offer earlier payment of the invoices at the sole discretion of the

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

supplier for a discounted amount. Canon does not provide assets pledged as security or any other forms of guarantees under the arrangements. Canon is not a party to any arrangement between its suppliers and the financial institutions. The amount of liabilities under these programs, which is included in the above trade payables, as of March 31, 2024 and December 31, 2023 were ¥93,717 million and ¥87,026 million, respectively.

The activities in the liabilities under supplier finance programs are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Balance at beginning of period	87,026	95,389
Increase	74,924	75,984
Decrease	(68,236)	(75,141)
Others	3	—
Balance at end of period	93,717	96,232

(9) Short-Term Loans and Long-Term Debt

Short-term loans related to financial services are external loans held by Canon's lease subsidiaries for the purpose of financing its customers through loans. Short-term loans related to financial services consisting of bank borrowings at March 31, 2024 and December 31, 2023 were ¥39,000 million and ¥38,900 million, and other short-term loans consisting of bank borrowings were ¥427,108 million and ¥346,005 million, respectively.

Canon has unsecured long-term loans consisting of bank borrowings, which were ¥102,067 million at a floating average interest of 0.28% as of March 31, 2024. The repayment period are from 2024 to 2029.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(10) Equity

The change in the carrying amount of total equity, equity attributable to Canon Inc. shareholders and equity attributable to noncontrolling interests in the consolidated balance sheets for the three months ended March 31, 2024 and 2023 are as follows:

Millions of yen

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2023	174,762	404,935	61,634	3,801,212	268,758	(1,358,279)	3,353,022	252,685	3,605,707
Equity transactions with noncontrolling interests and other		80					80	4	84
Dividends to Canon Inc. shareholders (70.00 yen per share)				(69,146)			(69,146)		(69,146)
Dividends to noncontrolling interests								(4,831)	(4,831)
Acquisition of subsidiaries								23	23
Transfer to legal reserve			88	(88)			—		—
Comprehensive income:									
Net income				59,949			59,949	4,256	64,205
Other comprehensive income (loss), net of tax									
Foreign currency translation adjustments					81,647		81,647	752	82,399
Net unrealized gains and losses on securities					22		22		22
Net gains and losses on derivative instruments					(1,623)		(1,623)	(5)	(1,628)
Pension liability adjustments					2,154		2,154	153	2,307
Total comprehensive income (loss)							142,149	5,156	147,305
Repurchases and reissuance of treasury stock						(9)	(9)		(9)
Balance at March 31, 2024	174,762	405,015	61,722	3,791,927	350,958	(1,358,288)	3,426,096	253,037	3,679,133

Millions of yen

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2022	174,762	404,838	64,509	3,664,735	62,623	(1,258,362)	3,113,105	235,925	3,349,030
Equity transactions with noncontrolling interests and other		23					23	10	33
Dividends to Canon Inc. shareholders (60.00 yen per share)				(60,931)			(60,931)		(60,931)
Dividends to noncontrolling interests								(3,271)	(3,271)
Transfer to legal reserve			119	(119)			—		—
Comprehensive income:									
Net income				56,410			56,410	5,320	61,730
Other comprehensive income (loss), net of tax									
Foreign currency translation adjustments					31,339		31,339	256	31,595
Net unrealized gains and losses on securities					24		24		24
Net gains and losses on derivative instruments					302		302	(6)	296
Pension liability adjustments					2,309		2,309	(132)	2,177
Total comprehensive income (loss)							90,384	5,438	95,822
Repurchases and reissuance of treasury stock						(2)	(2)		(2)
Balance at March 31, 2023	174,762	404,861	64,628	3,660,095	96,597	(1,258,364)	3,142,579	238,102	3,380,681

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(11) Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2024 and 2023 are as follows:

Millions of yen

	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Gains and losses on derivative instruments	Pension liability adjustments	Total
Balance at December 31, 2023	374,937	26	924	(107,129)	268,758
Other comprehensive income (loss) before reclassifications	81,647	35	(1,643)	1,113	81,152
Amounts reclassified from accumulated other comprehensive income (loss)	-	(13)	20	1,041	1,048
Net change during the period	81,647	22	(1,623)	2,154	82,200
Balance at March 31, 2024	456,584	48	(699)	(104,975)	350,958

Millions of yen

	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Gains and losses on derivative instruments	Pension liability adjustments	Total
Balance at December 31, 2022	191,287	(34)	(428)	(128,202)	62,623
Other comprehensive income (loss) before reclassifications	31,352	45	(345)	2,244	33,296
Amounts reclassified from accumulated other comprehensive income (loss)	(13)	(21)	647	65	678
Net change during the period	31,339	24	302	2,309	33,974
Balance at March 31, 2023	222,626	(10)	(126)	(125,893)	96,597

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(11) Other Comprehensive Income (Loss) (continued)

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *		
	Three months ended March 31, 2024	Three months ended March 31, 2023	
Foreign currency translation adjustments			
	-	(32)	Selling, general and administrative expenses
	-	10	Income taxes
	-	(22)	Consolidated net income
	-	9	Net income attributable to noncontrolling interests
	-	(13)	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities			
	(16)	(26)	Other, net
	3	5	Income taxes
	(13)	(21)	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	(13)	(21)	Net income attributable to Canon Inc.
Gains and losses on derivative instruments			
	14	908	Net sales
	(30)	(255)	Income taxes
	(16)	653	Consolidated net income
	36	(6)	Net income attributable to noncontrolling interests
	20	647	Net income attributable to Canon Inc.
Pension liability adjustments			
	1,134	236	Other, net
	(193)	4	Income taxes
	941	240	Consolidated net income
	100	(175)	Net income attributable to noncontrolling interests
	1,041	65	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	1,048	678	

* Amounts in parentheses indicate gains in the consolidated statements of income.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(12) Revenue

Canon recognizes contract assets primarily for unbilled receivables mainly arising from services contracts for the products of the Printing Business Unit. Contract assets are reclassified to trade receivables when they are billed under the terms of the contract. The difference between the opening and closing balances of contract assets primarily results from the timing difference of Canon's performance and billing to customers. Contract assets at March 31, 2024 and December 31, 2023 were ¥51,720 million and ¥45,354 million respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheets.

Canon typically bills to the customer when the performance obligation is satisfied and collects the payment in relatively short term except for certain maintenance service of the products of the Printing Business Unit and the Medical Business Unit and certain industrial equipment for which Canon occasionally receives the payment in advance from customers. The amount received in excess of revenue recognized is recorded as deferred revenue until the performance obligation for distinct goods or services are satisfied. Deferred revenue at March 31, 2024 and December 31, 2023 were ¥164,974 million and ¥141,578 million, respectively, and are included in other current liabilities and other non-current liabilities in the accompanying consolidated balance sheets. Revenue recognized for the three months ended March 31, 2024, which had been included in the deferred revenue balance at December 31, 2023, was ¥53,991 million.

Remaining performance obligations for products and equipment at March 31, 2024 primarily arise from the sales of certain industrial equipment, amounting to ¥196,903 million, 76% of which is expected to be recognized as revenue within one year, 22% is within two years and remaining 2% is within three years. Disclosure of remaining performance obligations is not required for the majority of service since the related revenue is recognized on an as billed basis applying the right to invoice practical expedient or is generated from the contracts with original expected duration of less than one year. Service revenue recognized from the fixed maintenance service contracts for the products of the Printing Business Unit and the Medical Business Unit with original expected duration of more than one year is ¥20,503 million for the three months ended March 31, 2024 and the average remaining period for these fixed contracts at March 31, 2024 is about two years.

Disaggregated revenues by business unit, product and geographic area are described in Note 20.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(13) Net Income Attributable to Canon Inc. Shareholders per Share

Reconciliations of the numerators and denominators of basic and diluted net income attributable to Canon Inc. shareholders per share computations for the three months ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income attributable to Canon Inc.	59,949	56,410
Diluted net income attributable to Canon Inc.	59,948	56,408
	Number of shares	
	Three months ended March 31, 2024	Three months ended March 31, 2023
The weighted-average number of common shares outstanding	987,656,893	1,015,372,148
Effect of dilutive securities:		
Stock options	424,897	353,577
Diluted common shares outstanding	<u>988,081,790</u>	<u>1,015,725,725</u>
	Yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income attributable to Canon Inc. shareholders per share:		
Basic	60.70	55.56
Diluted	60.67	55.53

During the three months ended March 31, 2024 and 2023, there were dilutive effects from the stock options granted by the Company.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(14) Derivatives and Hedging Activities

Risk management policy

Canon operates internationally, exposing it to the risk of changes in foreign currency exchange rates. Derivative financial instruments are comprised principally of foreign exchange contracts utilized by the Company and certain of its subsidiaries to reduce the risk. Canon assesses foreign currency exchange rate risk by continually monitoring changes in the exposures and by evaluating hedging opportunities. Canon does not hold or issue derivative financial instruments for speculative purposes. Canon is also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations. Most of the counterparties are internationally recognized financial institutions and selected by Canon taking into account their financial condition, and contracts are diversified across a number of major financial institutions.

Foreign currency exchange rate risk management

Canon's international operations expose Canon to the risk of changes in foreign currency exchange rates. Canon uses foreign exchange contracts to manage certain foreign currency exchange exposures principally from the exchange of U.S. dollars and euros into yen. These contracts are primarily used to hedge the foreign currency exposure of forecasted intercompany sales and intercompany trade receivables that are denominated in foreign currencies. In accordance with Canon's policy, a specific portion of foreign currency exposure resulting from forecasted intercompany sales is hedged using foreign exchange contracts which principally mature within three months.

Cash flow hedge

Changes in the fair value of derivative financial instruments designated as cash flow hedges, including foreign exchange contracts associated with forecasted intercompany sales, are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings in the same period as the hedged items affect earnings. All amounts recorded in accumulated other comprehensive income (loss) as of March 31, 2024 are expected to be recognized in net sales over the next twelve months. Changes in the fair value of a foreign exchange contract for the period between the date that the forecasted intercompany sales occur and its maturity date are recognized in earnings.

Derivatives not designated as hedges

Canon has entered into certain foreign exchange contracts to primarily offset the earnings impact related to fluctuations in foreign currency exchange rates associated with certain assets denominated in foreign currencies. Although these foreign exchange contracts have not been designated as hedges as required in order to apply hedge accounting, the contracts are effective from an economic perspective. The changes in the fair value of these contracts are recorded in earnings immediately.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(14) Derivatives and Hedging Activities (continued)

Contract amounts of foreign exchange contracts at March 31, 2024 and December 31, 2023 are set forth below:

	Millions of yen	
	March 31, 2024	December 31, 2023
To sell foreign currencies	173,928	194,053
To buy foreign currencies	29,482	24,116

Fair value of derivative instruments in the consolidated balance sheets

The following tables present Canon's derivative instruments measured at gross fair value as reflected in the consolidated balance sheets at March 31, 2024 and December 31, 2023.

Derivatives designated as hedging instruments

	Balance sheet location	Millions of yen	
		Fair value	
		March 31, 2024	December 31, 2023
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	116	2,205
Liabilities:			
Foreign exchange contracts	Other current liabilities	541	13

Derivatives not designated as hedging instruments

	Balance sheet location	Millions of yen	
		Fair value	
		March 31, 2024	December 31, 2023
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	193	1,695
Liabilities:			
Foreign exchange contracts	Other current liabilities	1,595	915

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(14) Derivatives and Hedging Activities (continued)

Effect of derivative instruments in the consolidated statements of income

The following tables present the effect of Canon's derivative instruments in the consolidated statements of income for the three months ended March 31, 2024 and 2023.

Derivatives in cash flow hedging relationships

Three months ended March 31, 2024	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Location	Amount
Foreign exchange contracts	(2,314)	Net sales	(14)

Three months ended March 31, 2023	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Location	Amount
Foreign exchange contracts	(507)	Net sales	(908)

Derivatives not designated as hedging instruments

Three months ended March 31, 2024	Millions of yen	
	Gain (loss) recognized in income on derivative	
	Location	Amount
Foreign exchange contracts	Other, net	(7,174)

Three months ended March 31, 2023	Millions of yen	
	Gain (loss) recognized in income on derivative	
	Location	Amount
Foreign exchange contracts	Other, net	(2,254)

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(15) Lessee Accounting

Lease costs are included in cost of sales or selling, general and administrative expenses in the accompanying consolidated statements of income. Supplemental income statement information is as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating lease cost	13,460	11,573
Short-term lease cost	2,760	3,972
Other lease cost	92	66
Total	<u>16,312</u>	<u>15,611</u>

Operating lease cash flow

Supplemental cash flow information is as follows.

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	<u>12,450</u>	<u>10,922</u>
Noncash activity - Rights of use assets obtained in exchange for lease liabilities		
Operating leases	<u>18,246</u>	<u>7,821</u>

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2024.

	Millions of yen
Within one year	40,996
Two years	32,949
Three years	24,910
Four years	16,535
Five years	11,204
Thereafter	<u>25,546</u>
Total future minimum lease payments	152,140
Less Imputed Interest	<u>(13,078)</u>
Total	<u>139,062</u>

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(16) Commitments and Contingent Liabilities

Commitments

As of March 31, 2024, commitments outstanding for the purchase of property, plant and equipment approximated ¥97,606 million, and commitments outstanding for the purchase of parts and raw materials approximated ¥231,087 million.

Guarantees

Canon occupies sales offices and other facilities under lease arrangements accounted for as operating leases. Deposits mainly for restoration made under such arrangements aggregated to ¥11,491 million and ¥10,516 million at March 31, 2024 and December 31, 2023, respectively, and are included in noncurrent receivables in the accompanying consolidated balance sheets.

Canon provides guarantees for its employees, affiliates and other companies. The guarantees for the employees are principally made for their housing loans. The guarantees for affiliates and other companies are made for their lease obligations and bank loans to facilitate financing.

Canon would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are 1 year to 11 years in case of employees with housing loans, and 1 year to 5 years in case of affiliates and other companies with lease obligations and bank loans. The maximum amount of undiscounted payments Canon would have had to make in the event of default is ¥1,848 million at March 31, 2024. The carrying amounts of the liabilities recognized for Canon's obligations as a guarantor under those guarantees at March 31, 2024 were not significant.

Canon also offers assurance-type warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Estimated product warranty costs are recorded at the time revenue is recognized and are included in selling, general and administrative expenses in the accompanying consolidated statements of income. Estimates for accrued product warranty costs are based on historical experience. Accrued product warranty costs are included in accrued expenses in the accompanying consolidated balance sheets and changes in accrued product warranty cost for the three months ended March 31, 2024 and 2023 are summarized as follows:

Three months ended March 31, 2024

	<u>Millions of yen</u>
Balance at December 31, 2023	23,290
Addition	8,557
Utilization	(8,624)
Other	(380)
Balance at March 31, 2024	<u><u>22,843</u></u>

Three months ended March 31, 2023

	<u>Millions of yen</u>
Balance at December 31, 2022	20,887
Addition	9,137
Utilization	(8,777)
Other	(158)
Balance at March 31, 2023	<u><u>21,089</u></u>

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(16) Commitments and Contingent Liabilities (continued)

Legal proceedings

Canon is involved in various claims and legal actions arising in the ordinary course of business. Canon has recorded provisions for liabilities when it is probable that liabilities have been incurred and the amount of loss can be reasonably estimated. Canon reviews these provisions at least quarterly and adjusts these provisions to reflect the impact of the negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Based on its experience, although litigation is inherently unpredictable, Canon believes that any damage amounts claimed in outstanding matters are not a meaningful indicator of Canon's potential liability. In the opinion of management, any reasonably possible range of losses from outstanding matters would not have a material adverse effect on Canon's consolidated financial position, results of operations, or cash flows.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(17) Disclosures about the Fair Value of Financial Instruments and Concentrations of Credit Risk

Fair value of financial instruments

The estimated fair values of Canon's financial instruments at March 31, 2024 and December 31, 2023 are set forth below. The following summary excludes cash and cash equivalents, trade receivables, noncurrent receivables, short-term loans, trade payables and accrued expenses, and the fair values of these instruments approximate their carrying amounts. The summary also excludes investments and derivative instruments which are disclosed in Note 2 and Note 18, and Note 14, respectively.

	Millions of yen			
	March 31, 2024		December 31, 2023	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt, including current portion of long-term debt	(102,226)	(102,209)	(161)	(161)

The following methods and assumptions are used to estimate the fair value in the above table.

Long-term debt

Canon's long-term debt instruments are classified as Level 2 instruments and valued based on the present value of future cash flows associated with each instrument discounted using current market borrowing rates for similar debt instruments of comparable maturity. The levels are more fully described in Note 18.

Limitations of fair value estimates

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Concentrations of credit risk

No single customer accounted for more than 10 percent of consolidated trade receivables as of March 31, 2024 and December 31, 2023.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(18) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

Assets and liabilities measured at fair value on a recurring basis

The following tables present Canon's assets and liabilities that are measured at fair value on a recurring basis consistent with the fair value hierarchy at March 31, 2024 and December 31, 2023.

	Millions of yen			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	–	1,500	–	1,500
Short-term investments:				
Available-for-sale:				
Corporate bonds	–	1,096	–	1,096
Investments:				
Available-for-sale:				
Corporate bonds	–	7,685	–	7,685
Fund trusts and others	3,468	439	–	3,907
Equity securities	27,345	–	–	27,345
Prepaid expenses and other current assets:				
Derivatives	–	309	–	309
Total assets	<u>30,813</u>	<u>11,029</u>	<u>–</u>	<u>41,842</u>
Liabilities:				
Other current liabilities:				
Derivatives	–	2,136	–	2,136
Total liabilities	<u>–</u>	<u>2,136</u>	<u>–</u>	<u>2,136</u>

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(18) Fair Value Measurements (continued)

	Millions of yen			
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	–	2,073	–	2,073
Short-term investments:				
Available-for-sale:				
Corporate bonds	–	884	–	884
Investments:				
Available-for-sale:				
Corporate bonds	–	8,279	–	8,279
Fund trusts and others	351	457	–	808
Equity securities	27,283	–	–	27,283
Prepaid expenses and other current assets:				
Derivatives	–	3,900	–	3,900
Total assets	<u>27,634</u>	<u>15,593</u>	<u>–</u>	<u>43,227</u>
Liabilities:				
Other current liabilities:				
Derivatives	–	928	–	928
Total liabilities	<u>–</u>	<u>928</u>	<u>–</u>	<u>928</u>

Level 1 investments are comprised principally of Japanese equity securities, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Level 2 assets and liabilities are comprised principally of corporate bonds included in cash and cash equivalents, investments or short-term investments, and derivatives. Corporate bonds included in cash and cash equivalents, and investments or short-term investments are valued using quoted prices for identical assets in markets that are not active or quotes obtained from counterparties or third parties.

Derivative financial instruments are comprised of foreign exchange contracts. Level 2 derivatives are valued using quotes obtained from counterparties or third parties, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates, based on market approach.

Assets and liabilities measured at fair value on a nonrecurring basis

During the three months ended March 31, 2024 and 2023, there were no circumstances that required any significant assets or liabilities to be measured at fair value on a nonrecurring basis.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(19) Supplemental Information

Foreign Currency Exchange Gains and Losses

Gains and losses resulting from foreign currency transactions, including foreign exchange contracts, and translation of assets and liabilities denominated in foreign currencies are included in other, net of other income (deductions) in the consolidated statements of income. Foreign currency exchange gains and losses were a net gain of ¥194 million and a net loss of ¥7,750 million for the three months ended March 31, 2024 and 2023, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were ¥8,075 million and ¥9,045 million for the three months ended March 31, 2024 and 2023, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

Shipping and Handling Costs

Shipping and handling costs totaled ¥16,761 million and ¥16,129 million for the three months ended March 31, 2024 and 2023, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

Components of Net Periodic Benefit Cost

Net periodic benefit cost for Canon's employee retirement and severance defined benefit plans for the three months ended March 31, 2024 and 2023 consisted of the following components:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Service cost	6,354	6,570
Interest cost	6,695	5,589
Expected return on plan assets	(10,903)	(8,791)
Amortization of prior service credit	(1,207)	(1,939)
Amortization of actuarial loss	2,341	2,175
	3,280	3,604

Service cost component of net periodic benefit cost for Canon's employee retirement and severance defined benefit plans is included in cost of sales and operating expenses in the consolidated statements of income. The components other than the service cost component are included in other, net of other income (deductions) in the consolidated statements of income.

Cash Equivalents

Certain debt securities with original maturities of less than three months, classified as available-for-sale debt securities of ¥1,500 million and ¥2,073 million at March 31, 2024 and December 31, 2023, respectively, are included in cash and cash equivalents in the consolidated balance sheets. Fair value for these securities approximates their cost.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(20) Segment Information

Canon reports in four reportable segments: the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit, and the Industrial Business Unit with Others and Corporate, which are based on the organizational structure and information reviewed by Canon's management to evaluate results and allocate resources.

In order to manage the performance of each reportable segment more appropriately, Canon has changed its performance management method regarding intercompany transactions for Others and Corporate from the beginning of the first quarter of 2024. Operating results for the three months ended March 31, 2023 have also been reclassified.

The primary products included in each segment are as follows:

Printing Business Unit:	Digital continuous feed presses / Digital sheet-fed presses / Large format printers / Office multifunction devices (MFDs) / Document solutions/ Laser multifunction printers (MFPs) / Laser printers / Inkjet printers / Image scanners / Calculators
Medical Business Unit:	Computed tomography (CT) systems / Diagnostic ultrasound systems / Diagnostic X-ray systems / Magnetic resonance imaging (MRI) systems / Digital radiography systems / Ophthalmic equipment / In vitro diagnostic systems and reagents / Healthcare IT Solutions
Imaging Business Unit:	Interchangeable-lens digital cameras / Interchangeable lenses / Digital compact cameras / Compact photo printers / MR Systems / Network cameras / Video management software / Video content analytics software / Digital camcorders / Digital cinema cameras / Broadcast equipment
Industrial Business Unit:	Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / OLED Display Manufacturing Equipment / Vacuum thin-film deposition equipment / Die bonders
Others:	Handy terminals / Document scanners

The accounting policies of the segments are substantially the same as the accounting policies used in Canon's quarterly consolidated financial statements. Canon evaluates performance of, and allocates resources to, each segment based on income before income taxes.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(20) Segment Information (continued)

Information about operating results for each segment for the three months ended March 31, 2024 and 2023 is as follows:

	Millions of yen						
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2024:							
Net sales:							
External customers	578,093	134,175	175,446	66,109	34,696	–	988,519
Intersegment	2,171	37	95	2,376	20,442	(25,121)	–
Total	580,264	134,212	175,541	68,485	55,138	(25,121)	988,519
Operating cost and expenses	514,770	128,633	161,275	56,433	73,991	(26,666)	908,436
Operating profit	65,494	5,579	14,266	12,052	(18,853)	1,545	80,083
Other income (deductions)	4,080	122	610	378	3,949	–	9,139
Income before income taxes	69,574	5,701	14,876	12,430	(14,904)	1,545	89,222

	Millions of yen						
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2023:							
Net sales:							
External customers	556,704	130,857	192,359	58,379	32,826	–	971,125
Intersegment	1,449	198	64	3,682	22,584	(27,977)	–
Total	558,153	131,055	192,423	62,061	55,410	(27,977)	971,125
Operating cost and expenses	507,535	124,175	155,167	54,643	73,461	(28,331)	886,650
Operating profit	50,618	6,880	37,256	7,418	(18,051)	354	84,475
Other income (deductions)	2,485	42	236	124	141	31	3,059
Income before income taxes	53,103	6,922	37,492	7,542	(17,910)	385	87,534

Intersegment sales are recorded at the same prices used in transactions with third parties. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable. Corporate expenses include certain corporate research and development expenses. Amortization costs of identified intangible assets resulting from the purchase price allocation of Toshiba Medical Systems Corporation (currently, Canon Medical Systems Corporation) are also included in corporate expenses.

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(20) Segment Information (continued)

Information about sales by product and service to external customers by business unit for the three months ended March 31, 2024 and 2023 is as follows:

	Millions of yen	
	Three months ended March 31, 2024	Three months ended March 31, 2023
Printing		
Production	98,927	86,929
Office multifunction devices	155,997	143,430
Office others	97,753	89,378
Office	253,750	232,808
Laser printers	144,373	150,293
Inkjet printers and Others	81,043	86,674
Prosumer	225,416	236,967
Total	578,093	556,704
Medical		
Diagnostic equipment	134,175	130,857
Imaging		
Cameras	102,214	109,965
Network cameras and Others	73,232	82,394
Total	175,446	192,359
Industrial		
Optical equipment	47,027	40,020
Industrial equipment	19,082	18,359
Total	66,109	58,379
Others and Corporate	34,696	32,826
Consolidated	988,519	971,125

CANON INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited) (continued)

(20) Segment Information (continued)

Information by major geographic area for the three months ended March 31, 2024 and 2023 is as follows:

	Millions of yen				
	Japan	Americas	Europe	Asia and Oceania	Total
2024:					
Net sales:	240,062	304,078	250,988	193,391	988,519
2023:					
Net sales:	228,751	295,222	253,998	193,154	971,125

Net sales are attributed to areas based on the location where the product is shipped to the customers.

(21) Subsequent Events

On January 30, 2024, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows:

1. Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

2. Total number of shares to be repurchased: Up to 33 million shares

3. Total cost of repurchase: Up to ¥100 billion

4. Period of repurchase: From February 1, 2024 to January 31, 2025

Common stock repurchased between February 1, 2024 and April 30, 2024 under the aforementioned plan was 4,003,000 shares at a cost of ¥16,849 million.

(2) Other Information

None.