



CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2024

April 24, 2024

CONSOLIDATED RESULTS

(Millions of yen, thousands of U.S. dollars, except per share amounts)

	Actual			Projection		
	Three months ended March 31, 2024	Three months ended March 31, 2023	Change(%)	Three months ended March 31, 2024	Year ending December 31, 2024	Change(%)
Net sales	¥ 988,519	¥ 971,125	+ 1.8	\$ 6,546,483	¥ 4,350,000	+ 4.0
Operating profit	80,083	84,475	- 5.2	530,351	435,000	+ 15.9
Income before income taxes	89,222	87,534	+ 1.9	590,874	450,000	+ 15.2
Net income attributable to Canon Inc.	¥ 59,949	¥ 56,410	+ 6.3	\$ 397,013	¥ 305,000	+ 15.3
Net income attributable to Canon Inc. shareholders per share:						
- Basic	¥ 60.70	¥ 55.56	+ 9.3	\$ 0.40	¥ 308.81	+ 16.9
- Diluted	60.67	55.53	+ 9.3	0.40	308.66	+ 16.9

	Actual				As of	
	As of March 31, 2024	As of December 31, 2023	Change(%)		March 31, 2024	March 31, 2024
Total assets	¥ 5,741,156	¥ 5,416,577	+ 6.0	\$ 38,020,901		
Canon Inc. shareholders' equity	¥ 3,426,096	¥ 3,353,022	+ 2.2	\$ 22,689,377		

- Notes: 1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. U.S. dollar amounts are translated from yen at the rate of JPY 151=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 29, 2024, solely for the convenience of the reader.

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I. Operating Results and Financial Conditions

2024 First Quarter in Review

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.

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.

Results by Segment

Looking at Canon's first-quarter performance by business unit, in 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.

In 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.

In 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.

In 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%.

Cash Flow

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 previous year due to the acquisition of Primagest, Inc., which has strength in BPO services. Accordingly, 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.

Outlook

As for the outlook for the second quarter onward, there are still some global economic uncertainties due to various geopolitical risks, tightening monetary policies across the world in response to inflation, and the risk of an economic slowdown caused by China's and Europe's market stagnation. However, Canon expects the global economy to continue its recovery trend thanks to the strong employment situation and improved personal income environment, particularly in Japan and the U.S..

In the market in which Canon operates, although there are concerns about the impact of market stagnation in some regions, demand for office MFDs as key office devices is expected to remain firm, thanks to solid demand for high-productivity printing. Although demand for laser printers may be affected by the curbing of corporate investments, Canon's sales of laser printers are expected to grow following the completion of inventory adjustments at its OEM partner. For inkjet printers, although there are concerns about the decrease in demand from customers working from home and fierce competition with competitors, Canon will focus on expanding sales by strengthening its lineup of refillable ink tank products. As for the medical equipment market, demand is expected to remain solid thanks to the progress of equipment installation, which had been postponed. As for interchangeable-lens digital cameras, demand is expected to remain solid driven by a shift to mirrorless cameras and a return to appropriate inventory levels in the market. For network cameras, the market is expected to recover to stable growth supported by the completion of inventory adjustments. For semiconductor lithography equipment, market conditions are expected to become more active thanks to solid demand for equipment mainly for generative AI and power devices. For FPD lithography equipment, market conditions are expected to improve from the second half of the year, mainly due to the optimization of supply-demand balance by the adjustment of market inventory and the expected increase in demand from the 2024 Paris Olympics Games.

With regard to the currency exchange rates on which Canon bases its performance outlook for the second quarter onwards, Canon anticipates exchange rates of ¥140 to the U.S. dollar and ¥155 to the euro, representing depreciation of approximately ¥1 against the U.S. dollar and depreciation of approximately ¥4 against the euro from the previous year. For the U.S. dollar and the euro, Canon expects the yen to depreciate by ¥2 and depreciate by ¥1 from its previous forecast, respectively.

Having taken the aforementioned currency exchange rates into consideration, Canon projects full-year consolidated net sales of ¥4,350.0 billion, a year-on-year increase of 4.0%; operating profit of ¥435.0 billion, a year-on-year increase of 15.9%; income before income taxes of ¥450.0 billion, a year-on-year increase of 15.2%; and net income attributable to Canon Inc. of ¥305.0 billion, a year-on-year increase of 15.3%, which were maintained from its previous outlook due to favorable market conditions of semiconductor lithography equipment, the introduction of competitive new products exhibited at last year's Canon Expo and improvements in profitability expected from ongoing cost reduction activities.

Consolidated Outlook

Fiscal year

	Millions of yen				
	Year ending December 31, 2024		Change (B - A)	Year ended December 31, 2023 Results (C)	Change (%) (B - C) / C
	Previous Outlook (A)	Revised Outlook (B)			
Net sales	4,350,000	4,350,000	-	4,180,972	+4.0%
Operating profit	435,000	435,000	-	375,366	+15.9%
Income before income taxes	450,000	450,000	-	390,767	+15.2%
Net income attributable to Canon Inc.	305,000	305,000	-	264,513	+15.3%

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.

II. Financial Statements**1. CONSOLIDATED BALANCE SHEETS**

	Millions of yen		
	As of March 31, 2024	As of December 31, 2023	Change
ASSETS			
Current assets	2,434,124	2,224,086	210,038
Cash and cash equivalents	509,511	401,323	108,188
Short-term investments	3,930	3,822	108
Trade receivables	634,790	655,460	(20,670)
Inventories	894,874	796,881	97,993
Current lease receivables	162,047	150,324	11,723
Prepaid expenses and other current assets	245,261	231,605	13,656
Allowance for credit losses	(16,289)	(15,329)	(960)
Non-current assets	3,307,032	3,192,491	114,541
Noncurrent receivables	13,719	11,734	1,985
Investments	78,909	78,505	404
Property, plant and equipment, net	1,119,611	1,095,879	23,732
Operating lease right-of-use assets	136,927	126,125	10,802
Intangible assets, net	275,893	274,942	951
Goodwill	1,084,561	1,045,400	39,161
Noncurrent lease receivables	347,751	321,065	26,686
Other assets	253,872	242,659	11,213
Allowance for credit losses	(4,211)	(3,818)	(393)
Total assets	5,741,156	5,416,577	324,579
LIABILITIES AND EQUITY			
Current liabilities	1,583,727	1,439,176	144,551
Short-term loans and current portion of long-term debt	467,892	386,200	81,692
Short-term loans related to financial services	39,000	38,900	100
Other short-term loans and current portion of long-term debt	428,892	347,300	81,592
Trade payables	364,196	309,930	54,266
Accrued income taxes	43,471	56,983	(13,512)
Accrued expenses	387,594	373,544	14,050
Current operating lease liabilities	37,839	35,559	2,280
Other current liabilities	282,735	276,960	5,775
Non-Current liabilities	478,296	371,694	106,602
Long-term debt, excluding current portion of long-term debt	105,604	2,954	102,650
Accrued pension and severance cost	170,367	171,779	(1,412)
Noncurrent operating lease liabilities	101,223	92,604	8,619
Other noncurrent liabilities	101,102	104,357	(3,255)
Total liabilities	2,062,023	1,810,870	251,153
Canon Inc. shareholders' equity	3,426,096	3,353,022	73,074
Common stock	174,762	174,762	-
Additional paid-in capital	405,015	404,935	80
Retained earnings	3,853,649	3,862,846	(9,197)
Legal reserve	61,722	61,634	88
Other retained earnings	3,791,927	3,801,212	(9,285)
Accumulated other comprehensive income (loss)	350,958	268,758	82,200
Treasury stock, at cost	(1,358,288)	(1,358,279)	(9)
Noncontrolling interests	253,037	252,685	352
Total equity	3,679,133	3,605,707	73,426
Total liabilities and equity	5,741,156	5,416,577	324,579

Notes:

	Millions of yen	
	As of March 31, 2024	As of December 31, 2023
1. Accumulated depreciation	3,155,657	3,088,649
2. Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	456,584	374,937
Net unrealized gains and losses on securities	48	26
Net gains and losses on derivative instruments	(699)	924
Pension liability adjustments	(104,975)	(107,129)

2. CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of income

	Millions of yen		Change(%)
	Three months ended	Three months ended	
	March 31, 2024	March 31, 2023	
Net sales	988,519	971,125	+ 1.8
Cost of sales	510,077	517,115	
Gross profit	478,442	454,010	+ 5.4
Operating expenses:			
Selling, general and administrative expenses	318,909	293,037	
Research and development expenses	79,450	76,498	
Operating profit	398,359	369,535	
Operating profit	80,083	84,475	- 5.2
Other income (deductions):			
Interest and dividend income	3,935	2,395	
Interest expense	(629)	(330)	
Other, net	5,833	994	
	9,139	3,059	
Income before income taxes	89,222	87,534	+ 1.9
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	+ 6.3

Consolidated statements of comprehensive income

	Millions of yen		Change(%)
	Three months ended	Three months ended	
	March 31, 2024	March 31, 2023	
Consolidated net income	64,205	61,730	+ 4.0
Other comprehensive income (loss), net of tax			
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	
	83,100	34,092	
Comprehensive income (loss)	147,305	95,822	+ 53.7
Less: Comprehensive income (loss) attributable to noncontrolling interests	5,156	5,438	
Comprehensive income (loss) attributable to Canon Inc.	142,149	90,384	+ 57.3

3. DETAILS OF SALES

Sales by business unit	Millions of yen		Change(%)
	Three months ended	Three months ended	
	March 31, 2024	March 31, 2023	
Printing	580,264	558,153	+ 4.0
Medical	134,212	131,055	+ 2.4
Imaging	175,541	192,423	- 8.8
Industrial	68,485	62,061	+ 10.4
Others and Corporate	55,138	55,410	- 0.5
Eliminations	(25,121)	(27,977)	-
Total	988,519	971,125	+ 1.8

Sales by region	Millions of yen		Change(%)
	Three months ended	Three months ended	
	March 31, 2024	March 31, 2023	
Japan	240,062	228,751	+ 4.9
Overseas:			
<i>Americas</i>	304,078	295,222	+ 3.0
<i>Europe</i>	250,988	253,998	- 1.2
<i>Asia and Oceania</i>	193,391	193,154	+ 0.1
	748,457	742,374	+ 0.8
Total	988,519	971,125	+ 1.8

* 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.

Notes 1. The primary products included in each of the segments 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

2. The principal countries and regions included in each regional category are as follows:

Americas: United States of America, Canada, Latin America

Europe: United Kingdom, Germany, France, Netherlands, European countries, Middle East and Africa

Asia and Oceania: China, Asian countries, Australia

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	<u>Three months ended March 31, 2024</u>	<u>Three months ended March 31, 2023</u>
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	(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	(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	(52,668)	(43,314)
Proceeds from sale of fixed assets	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	(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	100	200
Increase in other short-term loans, net	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	<u>108,188</u>	<u>115,599</u>
Cash and cash equivalents at beginning of period	<u>401,323</u>	<u>362,101</u>
Cash and cash equivalents at end of period	<u><u>509,511</u></u>	<u><u>477,700</u></u>

*Certain items in the consolidated statements of cash flows for the three months ended March 31, 2023, have been reclassified to conform to the current year's presentation.

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. NOTE ON SIGNIFICANT CHANGES IN CANON INC. SHAREHOLDERS' EQUITY

None.

7. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.