



CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2024

July 25, 2024

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

	Actual			
	Three months ended June 30, 2024	Three months ended June 30, 2023	Change(%)	Three months ended June 30, 2024
Net sales	¥ 1,167,786	¥ 1,020,882	+ 14.4	\$ 7,253,329
Operating profit	118,391	92,274	+ 28.3	735,348
Income before income taxes	132,225	101,128	+ 30.8	821,273
Net income attributable to Canon Inc.	<u>¥ 89,857</u>	<u>¥ 65,403</u>	<u>+ 37.4</u>	<u>\$ 558,118</u>
Net income attributable to Canon Inc. shareholders per share:				
- Basic	¥ 91.88	¥ 64.78	+ 41.8	\$ 0.57
- Diluted	<u>91.83</u>	<u>64.75</u>	<u>+ 41.8</u>	<u>0.57</u>

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

	Actual			Projection		
	Six months ended June 30, 2024	Six months ended June 30, 2023	Change(%)	Six months ended June 30, 2024	Year ending December 31, 2024	Change(%)
Net sales	¥ 2,156,305	¥ 1,992,007	+ 8.2	\$ 13,393,199	¥ 4,600,000	+ 10.0
Operating profit	198,474	176,749	+ 12.3	1,232,758	465,000	+ 23.9
Income before income taxes	221,447	188,662	+ 17.4	1,375,447	490,000	+ 25.4
Net income attributable to Canon Inc.	<u>¥ 149,806</u>	<u>¥ 121,813</u>	<u>+ 23.0</u>	<u>\$ 930,472</u>	<u>¥ 335,000</u>	<u>+ 26.6</u>
Net income attributable to Canon Inc. shareholders per share:						
- Basic	¥ 152.53	¥ 120.36	+ 26.7	\$ 0.95	¥ 343.86	+ 30.2
- Diluted	<u>152.45</u>	<u>120.31</u>	<u>+ 26.7</u>	<u>0.95</u>	<u>343.69</u>	<u>+ 30.1</u>

	Actual			
	As of June 30, 2024	As of December 31, 2023	Change(%)	As of June 30, 2024
Total assets	¥ 6,043,449	¥ 5,416,577	+ 11.6	\$ 37,536,950
Canon Inc. shareholders' equity	<u>¥ 3,546,706</u>	<u>¥ 3,353,022</u>	<u>+ 5.8</u>	<u>\$ 22,029,230</u>

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 JPY161=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 28, 2024, solely for the convenience of the reader.

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I. Operating Results and Financial Conditions

2024 Second Quarter in Review

Looking back at the second quarter of 2024, although the economic situation varied from one region to another, the global economy continued to recover moderately, as consumer spending remained firm, despite the prolonged tight monetary policies. By region, in the U.S., the economic growth was led by solid consumer spending supported by a strong employment situation. In Europe, although easing inflationary pressures contributed to an improvement in consumer spending and there were visible signs of economic recovery, the pace remained slow. In China, the real estate market continued to remain sluggish, as did consumer spending, due to the severe employment situation. In other emerging countries, exports and domestic demand supported the economic recovery. In Japan, the economy recovered moderately due to steady inbound as well as domestic demand.

In the markets in which Canon operates, despite the continued impact of tight monetary policies due to inflation and economic stagnation in some regions, businesses overall remained firm. On a product basis, overall demand for office multifunction devices (MFDs) and commercial printing remained solid, despite the continued sluggish market conditions in Europe and China. For inkjet printers, demand for home printing continued to decline. For laser printers, curbs to corporate investments continued, however Canon's business remained firm due in part to the completion of inventory adjustments at its OEM partner. For medical equipment, despite weak demand in China, overall demand remained firm particularly in the U.S.. For cameras, demand remained solid, mainly for mirrorless cameras. For semiconductor lithography equipment, demand for semiconductors related to generative artificial intelligence (AI) remained at high levels. For FPD (Flat Panel Display) lithography equipment, investment by panel manufacturers has shown gradual signs of uplift due to the optimization of the balance between supply and demand.

The average value of the yen against the U.S. dollar during the second quarter and the first half of the year was ¥155.93 and ¥152.60, respectively, a year-on-year depreciation of approximately ¥18 and a year-on-year depreciation of approximately ¥18. The average value of the yen against the euro was ¥167.98 and ¥164.97 respectively, a year-on-year depreciation of approximately ¥18 and a year-on-year depreciation of approximately ¥19.

As for the second quarter, net sales increased by 14.4% year-on-year to ¥1,167.8 billion, resulting in the highest recorded sales for the second quarter in Canon's history, thanks to the strong demand in areas such as semiconductor lithography equipment and network cameras, as well as favorable impact from depreciation of the yen, despite the tough market conditions in regions including Europe and China. Net sales for the first half of the year increased to ¥2,156.3 billion, exceeding ¥2,000 billion in the first half for the first time since the record high sales in 2007. Although gross profit as a percentage of net sales decreased by 0.3 points year-on-year to 47.2%, gross profit for the second quarter increased by 13.8% year-on-year to ¥551.6 billion as a result of the sales increase. As for operating expenses, despite an increase by 10.4% year-on-year to ¥433.2 billion due to the negative impact from depreciation of yen, the operating expenses to sales ratio decreased by 1.4 points to 37.1%, thanks to thorough management focusing on efficiency. As a result, operating profit increased by 28.3% year-on-year to ¥118.4 billion. Other income (deductions) increased by ¥5.0 billion year-on-year to ¥13.8 billion, mainly due to favorable impact in currency exchange in payables of foreign currency. As a result, income before income taxes increased by 30.8% year-on-year to ¥132.2 billion and net income attributable to Canon Inc. increased by 37.4% year-on-year to ¥89.9 billion. For the first half of the year, operating profit increased by 12.3% to ¥198.5 billion, income before income taxes increased by 17.4% to ¥221.4 billion and net income attributable to Canon Inc. increased by 23.0% to ¥149.8 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥91.88 for the second quarter, a year-on-year increase of ¥27.10, and ¥152.53 for the first half, a year-on-year increase of ¥32.17.

Results by Segment

Looking at Canon's second-quarter performance by business unit, in the Printing Business Unit, unit sales of equipment for the production printing market increased compared with the previous year thanks to strong sales of the imagePRESS V series. Despite sluggish market conditions in China, MFDs for offices continued to sell well, exceeding sales in the previous year, due to solid sales performance of products including low and mid-speed color MFD series such as the imageRUNNER ADVANCE DX C3900 series, and increased service revenue driven by an increase in the machines in the field. As for inkjet printers, though the market in China was sluggish and price competition intensified especially among low-end models, Canon promoted sales expansion mainly for refillable ink tank models with strong demand. As for laser printers, unit sales increased compared with the same period of the previous year due in part to the completion of inventory adjustments at its OEM partner, despite corporate investment constraints. As a result, sales for the second quarter of the Printing Business Unit increased by 13.8% compared with the same period of the previous year to ¥654.5 billion, while income before income taxes for the second quarter increased by 34.6% compared with the same period of the previous year to ¥82.9 billion. Sales for the first half of the year totaled ¥1,234.8 billion, a year-on-year increase of 9.0%, while income before income taxes totaled ¥152.5 billion, a year-on-year increase of 32.9%.

In the Medical Business Unit, the sales of computed tomography (CT) systems increased in the U.S. due to the recovering investment appetite by medical institutions brought on by the anticipation of interest rate cuts. In addition, the acquisition of Minaris Medical Co., Ltd. in the previous year had impact on sales uplift. As a result, sales for the second quarter of the Medical Business Unit increased by 11.8% compared with the same period of the previous year to ¥141.0 billion, while income before income taxes for the second quarter increased by 30.7% compared with the same period of the previous year to ¥5.7 billion. Sales for the first half of the year totaled ¥275.2 billion, a year-on-year increase of 7.0%, while income before income taxes totaled ¥11.4 billion, a year-on-year increase of 1.1%.

In the Imaging Business Unit, interchangeable-lens digital camera's performance was solid due to steady sales of the EOS R6 Mark II full-frame mirrorless camera and the new entry-level EOS R50, along with increased sales of digital compact cameras. Although sales for network cameras decreased temporarily in the previous quarter of this year due to the adjustments of inventory levels in the market, sales for the second quarter of network cameras increased thanks to need for diversified applications. As a result, sales for the second quarter of the Imaging Business Unit increased by 11.6% compared with the same period of the previous year to ¥244.7 billion, while income before income taxes for the second quarter increased by 19.3% compared with the same period of the previous year to ¥41.7 billion. Sales for the first half of the year totaled ¥420.3 billion, a year-on-year increase of 2.1%, while income before income taxes totaled ¥56.6 billion, a year-on-year decrease of 21.9%.

In the Industrial Business Unit, sales of semiconductor lithography equipment remained strong, particularly for those used for generative AI, surpassing the previous year's unit sales. For FPD lithography equipment, although the market is steadily recovering, unit sales decreased compared with the previous year. As a result, sales for the second quarter of the Industrial Business Unit increased by 26.2% compared with the same period of the previous year to ¥94.5 billion, while income before income taxes for the second quarter increased by 48.9% compared with the same period of the previous year to ¥18.2 billion. Sales for the first half of the year totaled ¥162.9 billion, a year-on-year increase of 19.0%, while income before income taxes totaled ¥30.7 billion, a year-on-year increase of 55.0%.

Cash Flow

In the first half of the year, cash flow from operating activities increased by ¥87.9 billion year-on-year to ¥242.0 billion mainly due to an increase in net income. Cash flow used in investing activities increased by ¥54.6 billion to ¥148.9 billion from the previous year due to the acquisition of Primagest, Inc., which has strength in BPO services, and an increase in investment in production equipment. Accordingly, free cash flow increased by ¥33.4 billion compared with the previous year to ¥93.0 billion.

Cash flow from financing activities decreased by ¥30.9 billion year-on-year due to an increase in previous year's year-end dividend and repurchases of treasury stock, however, by issuing short-term and long-term debt in response to an increase in necessary working capital, there was a cash inflow of ¥67.8 billion.

Owing to these factors, as well as the impact from foreign currency exchange adjustments, cash and cash equivalents increased by ¥192.2 billion to ¥593.5 billion from the end of the previous year.

Outlook

As for the outlook for the third quarter onward, there are still risks of economic slowdown due to increasing geopolitical risks, tightening monetary policies across the world in response to inflation, and China market stagnation. However, Canon expects the global economy to continue its recovery trend thanks to the strong employment situation and improved personal income situation, particularly in Japan and the U.S., with signs of economic recovery in Europe.

In the markets in which Canon operates, in the production printing market, where the shift from analog to digital continues, Canon expects stable growth with an extensive digital product lineup. For office MFDs, demand is expected to remain firm, thanks to solid demand for high-productivity printing devices despite concerns about market stagnation in some regions. For inkjet printers, while demand for home printing may decrease, demand for refillable ink tank products is expected to remain stable. For laser printers, although demand may be affected by the curbing of corporate investments, Canon's sales of laser printers are expected to grow due to the completion of inventory adjustments at its OEM partner. As for the medical equipment, Canon plans to ensure the installation of existing orders for which installation was postponed and expand sales by further strengthening the sales operation in the U.S., where investment appetite is recovering. For digital interchangeable-lens cameras, demand is expected to remain steady due to firm demand for high-quality visual expression. For network cameras, market is expected to maintain sound growth, driven by the expansion of demands from not just surveillance, but also from demands for increasing productivity and quality at manufacturing sites and sales sites, on top of surveillance. For semiconductor lithography equipment, the market growth is expected to remain at a high level due to strong investment needs for generative AI. For FPD lithography equipment, investments by panel manufacturers are expected to increase as for display panels demand is showing signs of recovery.

With regard to currency exchange rates on which Canon bases its performance outlook for the third quarter onwards, Canon anticipates exchange rates of ¥155.0 to the U.S. dollar and ¥165.0 to the euro. For the full year, both currency assumes depreciation of approximately ¥13 against the U.S. dollar and depreciation of approximately ¥13 against the euro compared with the previous year in view of the current situation. For the U.S. dollar and the euro, Canon expects the yen to depreciate by ¥12 and depreciate by ¥9 respectively compared with its previous forecast.

After taking the aforementioned currency exchange rates into consideration, Canon revised its forecast upward to full-year consolidated net sales of ¥4,600.0 billion, a year-on-year increase of 10.0%; operating profit of ¥465.0 billion, a year-on-year increase of 23.9%; income before income taxes of ¥490.0 billion, a year-on-year increase of 25.4%; and net income attributable to Canon Inc. of ¥335.0 billion, a year-on-year increase of 26.6%. This revision reflects the market growth expectation of new businesses, as well as contribution of strong market competitiveness of new products from main businesses.

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	4,600,000	250,000	4,180,972	+10.0%
Operating profit	435,000	465,000	30,000	375,366	+23.9%
Income before income taxes	450,000	490,000	40,000	390,767	+25.4%
Net income attributable to					
Canon Inc.	305,000	335,000	30,000	264,513	+26.6%

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 June 30, 2024	As of December 31, 2023	Change
ASSETS			
Current assets	2,611,299	2,224,086	387,213
Cash and cash equivalents	593,541	401,323	192,218
Short-term investments	4,141	3,822	319
Trade receivables	683,920	655,460	28,460
Inventories	912,477	796,881	115,596
Current lease receivables	173,326	150,324	23,002
Prepaid expenses and other current assets	260,706	231,605	29,101
Allowance for credit losses	(16,812)	(15,329)	(1,483)
Non-current assets	3,432,150	3,192,491	239,659
Noncurrent receivables	23,315	11,734	11,581
Investments	82,086	78,505	3,581
Property, plant and equipment, net	1,147,414	1,095,879	51,535
Operating lease right-of-use assets	142,531	126,125	16,406
Intangible assets, net	291,400	274,942	16,458
Goodwill	1,106,952	1,045,400	61,552
Noncurrent lease receivables	375,262	321,065	54,197
Other assets	267,624	242,659	24,965
Allowance for credit losses	(4,434)	(3,818)	(616)
Total assets	6,043,449	5,416,577	626,872
LIABILITIES AND EQUITY			
Current liabilities	1,740,296	1,439,176	301,120
Short-term loans and current portion of long-term debt	530,954	386,200	144,754
Short-term loans related to financial services	42,000	38,900	3,100
Other short-term loans and current portion of long-term debt	488,954	347,300	141,654
Trade payables	375,024	309,930	65,094
Accrued income taxes	69,798	56,983	12,815
Accrued expenses	400,932	373,544	27,388
Current operating lease liabilities	39,429	35,559	3,870
Other current liabilities	324,159	276,960	47,199
Non-Current liabilities	496,294	371,694	124,600
Long-term debt, excluding current portion of long-term debt	105,536	2,954	102,582
Accrued pension and severance cost	174,560	171,779	2,781
Noncurrent operating lease liabilities	107,573	92,604	14,969
Other noncurrent liabilities	108,625	104,357	4,268
Total liabilities	2,236,590	1,810,870	425,720
Canon Inc. shareholders' equity	3,546,706	3,353,022	193,684
Common stock	174,762	174,762	-
Additional paid-in capital	405,212	404,935	277
Retained earnings	3,942,726	3,862,846	79,880
Legal reserve	61,823	61,634	189
Other retained earnings	3,880,903	3,801,212	79,691
Accumulated other comprehensive income (loss)	482,225	268,758	213,467
Treasury stock, at cost	(1,458,219)	(1,358,279)	(99,940)
Noncontrolling interests	260,153	252,685	7,468
Total equity	3,806,859	3,605,707	201,152
Total liabilities and equity	6,043,449	5,416,577	626,872

Notes:

	Millions of yen	
	As of June 30, 2024	As of December 31, 2023
1. Accumulated depreciation	3,217,737	3,088,649
2. Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	588,976	374,937
Net unrealized gains and losses on securities	47	26
Net gains and losses on derivative instruments	(3,105)	924
Pension liability adjustments	(103,693)	(107,129)

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

Results for the second quarter

Consolidated statements of income

	Millions of yen		Change(%)
	Three months ended	Three months ended	
	June 30, 2024	June 30, 2023	
Net sales	1,167,786	1,020,882	+ 14.4
Cost of sales	<u>616,198</u>	<u>536,111</u>	
Gross profit	551,588	484,771	+ 13.8
Operating expenses:			
Selling, general and administrative expenses	348,137	306,492	
Research and development expenses	<u>85,060</u>	<u>86,005</u>	
	433,197	392,497	
Operating profit	118,391	92,274	+ 28.3
Other income (deductions):			
Interest and dividend income	3,794	3,158	
Interest expense	(846)	(485)	
Other, net	<u>10,886</u>	<u>6,181</u>	
	13,834	8,854	
Income before income taxes	132,225	101,128	+ 30.8
Income taxes	<u>36,753</u>	<u>30,768</u>	
Consolidated net income	95,472	70,360	
Less: Net income attributable to noncontrolling interests	<u>5,615</u>	<u>4,957</u>	
Net income attributable to Canon Inc.	<u><u>89,857</u></u>	<u><u>65,403</u></u>	+ 37.4

Consolidated statements of comprehensive income

	Millions of yen		Change(%)
	Three months ended	Three months ended	
	June 30, 2024	June 30, 2023	
Consolidated net income	95,472	70,360	+ 35.7
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	133,249	152,329	
Net unrealized gains and losses on securities	(1)	15	
Net gains and losses on derivative instruments	(2,393)	(758)	
Pension liability adjustments	<u>1,254</u>	<u>974</u>	
	132,109	152,560	
Comprehensive income (loss)	227,581	222,920	+ 2.1
Less: Comprehensive income (loss) attributable to noncontrolling interests	<u>6,457</u>	<u>6,285</u>	
Comprehensive income (loss) attributable to Canon Inc.	<u><u>221,124</u></u>	<u><u>216,635</u></u>	+ 2.1

Results for the first half**Consolidated statements of income**

	Millions of yen		Change(%)
	Six months ended June 30, 2024	Six months ended June 30, 2023	
Net sales	2,156,305	1,992,007	+ 8.2
Cost of sales	1,126,275	1,053,226	
Gross profit	1,030,030	938,781	+ 9.7
Operating expenses:			
Selling, general and administrative expenses	667,046	599,529	
Research and development expenses	164,510	162,503	
Operating profit	198,474	176,749	+ 12.3
Other income (deductions):			
Interest and dividend income	7,729	5,553	
Interest expense	(1,475)	(815)	
Other, net	16,719	7,175	
Income before income taxes	221,447	11,913	+ 17.4
Income taxes	61,770	56,572	
Consolidated net income	159,677	132,090	
Less: Net income attributable to noncontrolling interests	9,871	10,277	
Net income attributable to Canon Inc.	149,806	121,813	+ 23.0

Consolidated statements of comprehensive income

	Millions of yen		Change(%)
	Six months ended June 30, 2024	Six months ended June 30, 2023	
Consolidated net income	159,677	132,090	+ 20.9
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	215,648	183,924	
Net unrealized gains and losses on securities	21	39	
Net gains and losses on derivative instruments	(4,021)	(462)	
Pension liability adjustments	3,561	3,151	
Comprehensive income (loss)	374,886	318,742	+ 17.6
Less: Comprehensive income (loss) attributable to noncontrolling interests	11,613	11,723	
Comprehensive income (loss) attributable to Canon Inc.	363,273	307,019	+ 18.3

3. DETAILS OF SALES**Results for the second quarter**

Sales by business unit	Millions of yen		Change(%)
	Three months ended June 30, 2024	Three months ended June 30, 2023	
Printing	654,514	574,931	+ 13.8
Medical	140,995	126,115	+ 11.8
Imaging	244,724	219,238	+ 11.6
Industrial	94,457	74,855	+ 26.2
Others and Corporate	59,879	51,104	+ 17.2
Eliminations	(26,783)	(25,361)	-
Total	1,167,786	1,020,882	+ 14.4

Sales by region	Millions of yen		Change(%)
	Three months ended June 30, 2024	Three months ended June 30, 2023	
Japan	240,276	210,419	+ 14.2
Overseas:			
Americas	373,474	321,353	+ 16.2
Europe	304,918	265,764	+ 14.7
Asia and Oceania	249,118	223,346	+ 11.5
	927,510	810,463	+ 14.4
Total	1,167,786	1,020,882	+ 14.4

Results for the first half

Sales by business unit	Millions of yen		Change(%)
	Six months ended June 30, 2024	Six months ended June 30, 2023	
Printing	1,234,778	1,133,084	+ 9.0
Medical	275,207	257,170	+ 7.0
Imaging	420,265	411,661	+ 2.1
Industrial	162,942	136,916	+ 19.0
Others and Corporate	115,017	106,514	+ 8.0
Eliminations	(51,904)	(53,338)	-
Total	2,156,305	1,992,007	+ 8.2

Sales by region	Millions of yen		Change(%)
	Six months ended June 30, 2024	Six months ended June 30, 2023	
Japan	480,338	439,170	+ 9.4
Overseas:			
Americas	677,552	616,575	+ 9.9
Europe	555,906	519,762	+ 7.0
Asia and Oceania	442,509	416,500	+ 6.2
	1,675,967	1,552,837	+ 7.9
Total	2,156,305	1,992,007	+ 8.2

* 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 and six months ended June 30, 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>Six months ended June 30, 2024</u>	<u>Six months ended June 30, 2023</u>
Cash flows from operating activities:		
Consolidated net income	159,677	132,090
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	113,345	111,196
Loss on disposal of fixed assets	520	2,488
Deferred income taxes	(9,193)	(4,931)
Decrease in trade receivables	15,246	62,621
Increase in inventories	(57,966)	(38,614)
Increase in lease receivables	(22,685)	(30,563)
Increase (decrease) in trade payables	49,900	(6,116)
Increase (decrease) in accrued income taxes	11,297	(2,341)
Decrease in accrued expenses	(13,359)	(40,608)
Decrease in accrued pension and severance cost	(18,575)	(15,175)
Other, net	13,774	(15,990)
Net cash provided by operating activities	<u>241,981</u>	<u>154,057</u>
Cash flows from investing activities:		
Purchases of fixed assets	(114,768)	(90,685)
Proceeds from sale of fixed assets	1,985	2,208
Purchases of securities	(2,785)	(294)
Proceeds from sale and maturity of securities	3,595	8,735
Acquisitions of businesses, net of cash acquired	(32,672)	(14,525)
Other, net	(4,297)	192
Net cash used in investing activities	<u>(148,942)</u>	<u>(94,369)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	100,000	-
Repayments of long-term debt	(1,159)	(1,022)
Increase in short-term loans related to financial services, net	3,100	400
Increase in other short-term loans, net	140,000	234,219
Dividends paid	(69,146)	(60,931)
Repurchases and reissuance of treasury stock, net	(100,016)	(58,100)
Other, net	(4,974)	(15,891)
Net cash provided by financing activities	<u>67,805</u>	<u>98,675</u>
Effect of exchange rate changes on cash and cash equivalents	<u>31,374</u>	<u>21,745</u>
Net change in cash and cash equivalents	<u>192,218</u>	<u>180,108</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>593,541</u></u>	<u><u>542,209</u></u>

*Certain items in the consolidated statements of cash flows for the six months ended June 30, 2023, have been reclassified to conform to the current year's presentation.

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

SEGMENT INFORMATION BY BUSINESS UNIT

Results for the second quarter

	Millions of yen		Change(%)	
	Three months ended June 30, 2024	Three months ended June 30, 2023		
Printing				
Net sales:				
External customers	652,730	573,414	+	13.8
Intersegment	1,784	1,517	+	17.6
Total	654,514	574,931	+	13.8
Operating cost and expenses	575,294	515,637	+	11.6
Operating profit	79,220	59,294	+	33.6
Other income (deductions)	3,724	2,329	+	59.9
Income before income taxes	82,944	61,623	+	34.6
Medical				
Net sales:				
External customers	140,784	125,771	+	11.9
Intersegment	211	344	-	38.7
Total	140,995	126,115	+	11.8
Operating cost and expenses	135,503	121,699	+	11.3
Operating profit	5,492	4,416	+	24.4
Other income (deductions)	241	(30)	-	-
Income before income taxes	5,733	4,386	+	30.7
Imaging				
Net sales:				
External customers	244,680	219,200	+	11.6
Intersegment	44	38	+	15.8
Total	244,724	219,238	+	11.6
Operating cost and expenses	203,724	184,786	+	10.2
Operating profit	41,000	34,452	+	19.0
Other income (deductions)	739	529	+	39.7
Income before income taxes	41,739	34,981	+	19.3
Industrial				
Net sales:				
External customers	91,553	72,474	+	26.3
Intersegment	2,904	2,381	+	22.0
Total	94,457	74,855	+	26.2
Operating cost and expenses	76,545	62,771	+	21.9
Operating profit	17,912	12,084	+	48.2
Other income (deductions)	308	153	+	101.3
Income before income taxes	18,220	12,237	+	48.9
Others and Corporate				
Net sales:				
External customers	38,039	30,023	+	26.7
Intersegment	21,840	21,081	+	3.6
Total	59,879	51,104	+	17.2
Operating cost and expenses	84,653	67,558	+	25.3
Operating profit	(24,774)	(16,454)	-	-
Other income (deductions)	8,822	5,934	+	48.7
Income before income taxes	(15,952)	(10,520)	-	-
Eliminations				
Net sales:				
External customers	-	-	-	-
Intersegment	(26,783)	(25,361)	-	-
Total	(26,783)	(25,361)	-	-
Operating cost and expenses	(26,324)	(23,843)	-	-
Operating profit	(459)	(1,518)	-	-
Other income (deductions)	-	(61)	-	-
Income before income taxes	(459)	(1,579)	-	-
Consolidated				
Net sales:				
External customers	1,167,786	1,020,882	+	14.4
Intersegment	-	-	-	-
Total	1,167,786	1,020,882	+	14.4
Operating cost and expenses	1,049,395	928,608	+	13.0
Operating profit	118,391	92,274	+	28.3
Other income (deductions)	13,834	8,854	+	56.2
Income before income taxes	132,225	101,128	+	30.8

* 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 June 30, 2023 have also been reclassified.

*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 (Canon Medical Systems Corporation) are also included in corporate expenses.

SEGMENT INFORMATION BY BUSINESS UNIT

Results for the first half

	Millions of yen		Change(%)	
	Six months ended June 30, 2024	Six months ended June 30, 2023		
Printing				
Net sales:				
External customers	1,230,823	1,130,118	+	8.9
Intersegment	3,955	2,966	+	33.3
Total	1,234,778	1,133,084	+	9.0
Operating cost and expenses	1,090,064	1,023,172	+	6.5
Operating profit	144,714	109,912	+	31.7
Other income (deductions)	7,804	4,814	+	62.1
Income before income taxes	152,518	114,726	+	32.9
Medical				
Net sales:				
External customers	274,959	256,628	+	7.1
Intersegment	248	542	-	54.2
Total	275,207	257,170	+	7.0
Operating cost and expenses	264,136	245,874	+	7.4
Operating profit	11,071	11,296	-	2.0
Other income (deductions)	363	12	-	-
Income before income taxes	11,434	11,308	+	1.1
Imaging				
Net sales:				
External customers	420,126	411,559	+	2.1
Intersegment	139	102	+	36.3
Total	420,265	411,661	+	2.1
Operating cost and expenses	364,999	339,953	+	7.4
Operating profit	55,266	71,708	-	22.9
Other income (deductions)	1,349	765	+	76.3
Income before income taxes	56,615	72,473	-	21.9
Industrial				
Net sales:				
External customers	157,662	130,853	+	20.5
Intersegment	5,280	6,063	-	12.9
Total	162,942	136,916	+	19.0
Operating cost and expenses	132,978	117,414	+	13.3
Operating profit	29,964	19,502	+	53.6
Other income (deductions)	686	277	+	147.7
Income before income taxes	30,650	19,779	+	55.0
Others and Corporate				
Net sales:				
External customers	72,735	62,849	+	15.7
Intersegment	42,282	43,665	-	3.2
Total	115,017	106,514	+	8.0
Operating cost and expenses	158,644	141,019	+	12.5
Operating profit	(43,627)	(34,505)	-	-
Other income (deductions)	12,771	6,075	+	110.2
Income before income taxes	(30,856)	(28,430)	-	-
Eliminations				
Net sales:				
External customers	-	-	-	-
Intersegment	(51,904)	(53,338)	-	-
Total	(51,904)	(53,338)	-	-
Operating cost and expenses	(52,990)	(52,174)	-	-
Operating profit	1,086	(1,164)	-	-
Other income (deductions)	-	(30)	-	-
Income before income taxes	1,086	(1,194)	-	-
Consolidated				
Net sales:				
External customers	2,156,305	1,992,007	+	8.2
Intersegment	-	-	-	-
Total	2,156,305	1,992,007	+	8.2
Operating cost and expenses	1,957,831	1,815,258	+	7.9
Operating profit	198,474	176,749	+	12.3
Other income (deductions)	22,973	11,913	+	92.8
Income before income taxes	221,447	188,662	+	17.4

* 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 six months ended June 30, 2023 have also been reclassified.

*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 (Canon Medical Systems Corporation) are also included in corporate expenses.

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

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUBSEQUENT EVENT

Canon Marketing Japan Inc., a subsidiary of Canon Inc. (the "Company"), decided at its Board of Directors meeting held on July 24, 2024, to repurchase its own shares and on the specific repurchase method to be tender offer for its own shares.

Additionally, the Company has entered into a tender offer agreement with Canon Marketing Japan Inc. to apply for the tender offer as described below.

Canon Marketing Japan Inc. will remain qualified as a subsidiary of the Company even after the completion of the tender offer, and the impact on the consolidated financial results will be immaterial.

1. Offering number of shares: 20,000,000 shares
2. Offering price: 4,091 yen per share

Canon Marketing Japan Inc., a subsidiary of the Company, based on its Board of Directors meeting held on July 17, 2024, borrowed funds as follows.

1. Use of funds: Acquisition of treasury shares
2. Borrowing date: July 23, 2024
3. Planned repayment date: September 13, 2024
4. Lender: Mizuho Bank, Ltd.
5. Borrowing amount: ¥80 billion
6. Interest rate: Base rate plus a spread