
Canon Inc.

First Quarter 2023 Results

April 26, 2023

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Agenda

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Key Message

(1Q 2023 Results)

- Global economy and our markets in line with expectations
- Double-digit sales and profit growth with growth of new businesses and high profitability of existing ones

(Billions of yen)	1Q 2023 Actual	1Q 2022 Actual	% Change
Net Sales	971.1	879.4	+10.4%
Gross Profit (% of Net Sales)	454.0 46.8%	394.4 44.9%	+15.1%
Op. Expenses (% of Net Sales)	369.5 38.1%	318.3 36.2%	
Op. Profit (% of Net Sales)	84.5 8.7%	76.1 8.7%	+10.9%
IBT	87.5	67.7	+29.3%
Net Income (% of Net Sales)	56.4 5.8%	46.0 5.2%	+22.7%
USD	132.47	116.33	
EUR	142.10	130.40	

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We began 2023 - a year in which we aim to achieve our third consecutive year of sales and profit growth - facing various issues that could negatively impact the external environment, such as growing geopolitical risks and rapidly rising interest rates around the world.

Since then, however, the rate of inflation (that everyone was concerned about) has followed a downward trend, thanks to the implementation of appropriate policies, and consumer spending and employment conditions have also remained firm.

The markets for our products are also returning to a normal post-COVID state. New businesses are showing even greater growth potential with all four new businesses, including network cameras, growing at double-digit rates to drive companywide net sales growth. As for existing businesses, even amid modest market growth, we posted increased sales of cameras and office MFDs, thanks to the competitive strength of our products. We were also able to maintain profitability as the rise in parts and logistics costs peaked out. All in all, our results were basically in line with our plan on a companywide basis.

As a result, we achieved double-digit sales and profit growth with net sales increasing 10.4% to 971.1 billion yen, operating profit increasing 10.9% to 84.5 billion yen, and net income increasing 22.7% to 56.4 billion yen.

FY 2023 Financial Results by Business Unit

(1Q 2023 Actual versus 1Q 2022 Actual)

- Imaging: Major improvement in profitability thanks to significant growth in sales of new interchangeable-lens cameras and network cameras
- Medical: Sales and profit growth with progress made in installing large equipment

(Billions of yen)		1Q 2023 Actual	1Q 2022 Actual	% Change
Printing	Net Sales	558.2	507.2	+10.0%
	Op. Profit	50.6	52.6	-3.7%
	(%)	(9.1%)	(10.4%)	
Imaging	Net Sales	192.4	157.2	+22.4%
	Op. Profit	37.3	13.4	+178.8%
	(%)	(19.4%)	(8.5%)	
Medical	Net Sales	131.1	118.2	+10.9%
	Op. Profit	6.9	6.3	+8.8%
	(%)	(5.2%)	(5.3%)	
Industrial	Net Sales	62.1	68.5	-9.4%
	Op. Profit	7.4	12.2	-39.2%
	(%)	(12.0%)	(17.8%)	
Others &	Net Sales	50.4	48.8	+3.4%
Corporate	Op. Profit	-18.1	-8.9	-
Eliminations	Net Sales	-23.1	-20.5	-
	Op. Profit	0.4	0.5	-
Total	Net Sales	971.1	879.4	+10.4%
	Op. Profit	84.5	76.1	+10.9%
	(%)	(8.7%)	(8.7%)	

Note: From the fourth quarter ending December 31, 2022, lithography equipment and industrial equipment, businesses that were included in Industry & Others, were classified as Industrial and the other businesses were added to corporate expenses. Additionally, from 2023, a business, which was previously included in Others & Corporate, was added to Printing, and the results of 2022 were reclassified to conform to the current presentation.

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As for Printing, although significant growth in the unit sales of office MFDs led to higher revenue, profit was lower, as printer consumable sales was impacted by the economy.

As for Imaging, revenue increased more than 20% and profitability improved to 19.4%, thanks to new mirrorless cameras, which drove unit sales growth and product mix improvement, and network cameras, where we posted approximately 50% sales growth.

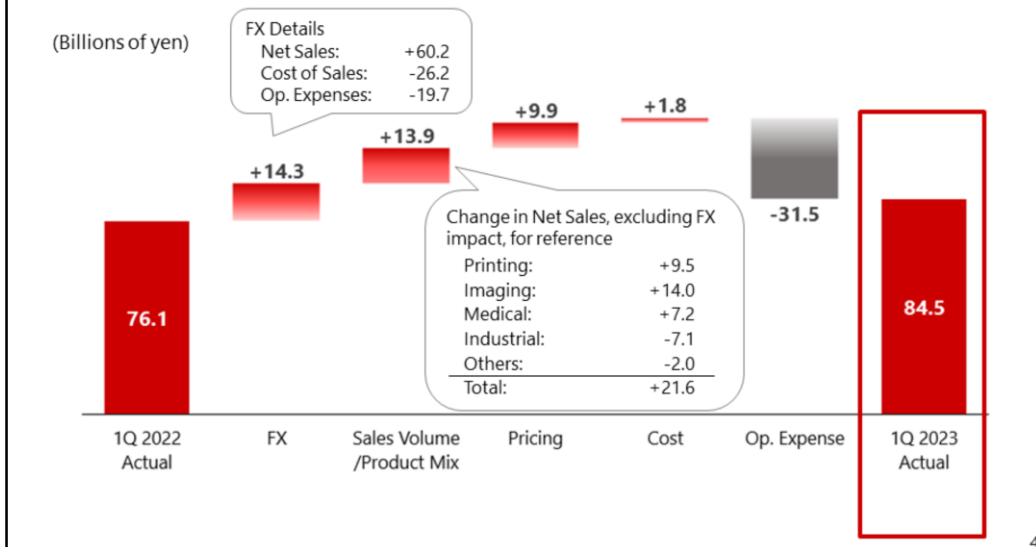
As for Medical, sales and profit were higher, as we made progress in installing large diagnostic imaging equipment for which demand is recovering.

As for Industrial, sales and profit decreased, mainly due to a decline in FPD lithography equipment unit sales, as customers remain in a phase of investment adjustment.

FY 2023 Operating Profit Analysis

(1Q 2023 Actual versus 1Q 2022 Actual)

- Office MFDs, medical equipment, and network cameras contribute to sales volume
- Sales & marketing related expenses, accompanying sales expansion, and R&D expenses increase



As for exchange rates, the weaker yen had a positive effect of 14.3 billion yen on operating profit.

As for changes in sales volume, increased sales of mainly office MFDs, medical equipment, and network cameras, contributed to profit growth.

As for pricing, through sustained efforts to adjust prices in response to the rise in costs, and further raising them for some products, the impact was a positive 9.9 billion yen.

As for expenses, in addition to the influence of a one-time gain from the sale of an office of our U.S. sales company last year, expenses showed an increase of 31.5 billion yen, reflecting a rise in sales related expenses associated with increased sales, and investments in research and development, particularly in new businesses.

FY 2023 Financial Projection (Full Year)



- Aiming for 3rd consecutive year of sales and profit growth through highly competitive products
- Raised sales and profit outlook to reflect strong performance of Imaging and restrained expenses

(Billions of yen)	FY 2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
Net Sales	4,313.0	4,031.4	+7.0%	4,287.0	+26.0
Gross Profit (% of Net Sales)	1,980.0 45.9%	1,827.8 45.3%	+8.3%	1,970.0 46.0%	+10.0
Op. Expenses (% of Net Sales)	1,600.0 37.1%	1,474.4 36.5%		1,610.0 37.6%	+10.0
Op. Profit (% of Net Sales)	380.0 8.8%	353.4 8.8%	+7.5%	360.0 8.4%	+20.0
IBT	410.0	352.4	+16.3%	390.0	+20.0
Net Income (% of Net Sales)	285.0 6.6%	244.0 6.1%	+16.8%	270.0 6.3%	+15.0
USD	130.00	131.66		130.00	
EUR	140.00	138.42		140.00	

Impact of exchange rate movement (2Q-4Q impact given a one yen change)		
	Net Sales	Op. Profit
USD	9.7 billion yen	2.7 billion yen
EUR	5.1 billion yen	2.4 billion yen

We did not change our exchange rate assumptions, which are 130 yen to the U.S. dollar and 140 yen to the euro.

Although the degree of uncertainty regarding the global economic outlook remains high, mainly due to policy and monetary easing effects, we expect growth to continue, albeit at a moderate rate, in the second half of the year, which was also our outlook when we announced our financial results in January.

Demand for our products is essentially solid and we expect the supply of products to increase due to the easing of part shortages. Against this backdrop, we will leverage the competitive strength of our products, and from the second half of the year, plan to further expand sales in all businesses. We even raised our projection for strong selling Imaging products. Furthermore, compared with our previous projection, we expect to be able to lower costs by 10 billion yen, as component and logistical costs, gradually decline from the second quarter, and by limiting the increase in utilities and logistics costs.

As for our full-year projection, we raised our outlook for net sales, operating profit, and net income by 26, 20, and 15 billion yen, respectively, and are now projecting to increase net sales by 7.0% to 4 trillion 313 billion yen, operating profit by 7.5% to 380 billion yen, and net income by 16.8% to 285 billion yen, to post our third consecutive year of sales and profit growth.

FY 2023 Financial Projection by Bus. Unit (Full Year)



- Achieve sales and profit growth in all 4 business units
- Imaging: Raised sales and profit projection by 26 and 10 billion yen, respectively
- Medical: Renew record high performance

(Billions of yen)		FY 2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
Printing	Net Sales	2,368.8	2,272.6	+4.2%	2,368.8	0.0
	Op. Profit	231.8	212.4	+9.1%	231.8	0.0
	(%)	(9.8%)	(9.3%)		(9.8%)	
Imaging	Net Sales	901.1	803.5	+12.1%	875.1	+26.0
	Op. Profit	138.7	126.6	+9.5%	128.7	+10.0
	(%)	(15.4%)	(15.8%)		(14.7%)	
Medical	Net Sales	570.7	513.3	+11.2%	570.7	0.0
	Op. Profit	43.4	31.0	+40.0%	43.4	0.0
	(%)	(7.6%)	(6.0%)		(7.6%)	
Industrial	Net Sales	352.0	329.2	+6.9%	352.0	0.0
	Op. Profit	61.8	58.0	+6.5%	61.8	0.0
	(%)	(17.6%)	(17.6%)		(17.6%)	
Others & Corporate	Net Sales	224.4	212.3	+5.7%	224.4	0.0
	Op. Profit	-95.0	-73.8	-	-105.0	+10.0
Eliminations	Net Sales	-104.0	-99.5	-	-104.0	0.0
	Op. Profit	-0.7	-0.8	-	-0.7	0.0
Total	Net Sales	4,313.0	4,031.4	+7.0%	4,287.0	+26.0
	Op. Profit	380.0	353.4	+7.5%	360.0	+20.0
	(%)	(8.8%)	(8.8%)		(8.4%)	

Note: From the fourth quarter ending December 31, 2022, lithography equipment and industrial equipment, businesses that were included in Industry & Others, were classified as Industrial, and the other businesses were added to corporate expenses. Additionally, from 2023, a business, which was previously included in Others & Corporate, was added to Printing, and the results of 2022 were reclassified to conform to the current presentation.

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Our plan calls for all four Business Units to achieve sales and profit growth.

As for Printing, in response to solid demand, we will work to expand sales of office MFDs and inkjet printers in the second half of the year, and at the same time strive to raise profitability.

In Imaging, thanks to strong sales of new mirrorless cameras, which is contributing to product mix improvement, and also continued high growth in network camera sales, we raised our projection for sales of this group by 26 billion yen and operating profit by 10 billion yen.

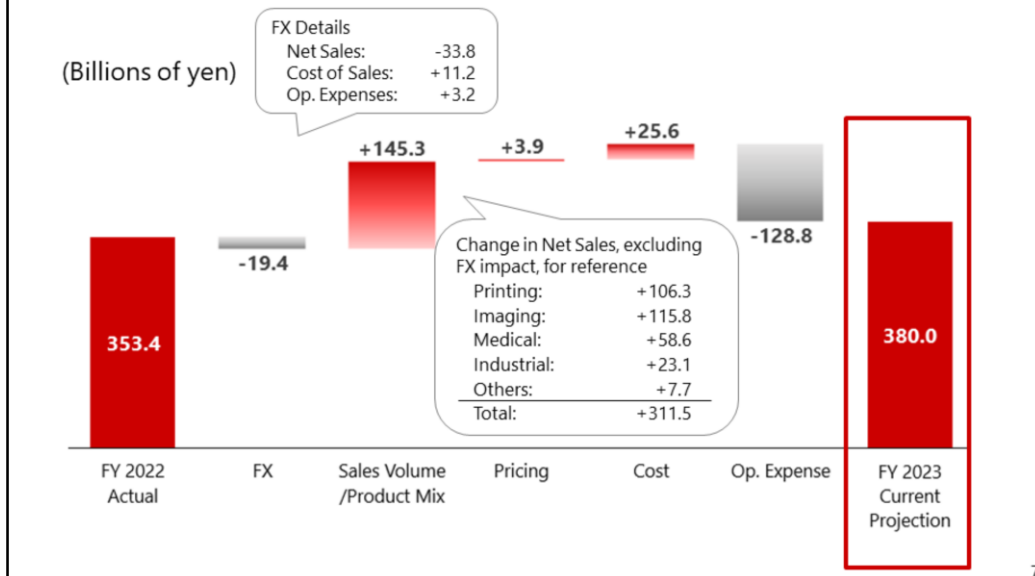
As for Medical, thanks to strengthening our sales capabilities in the United States, we aim to rewrite our record high performance of last year, achieving net sales growth and raising profitability.

As for Industrial, we expect sales and profit growth, as higher sales of semiconductor lithography equipment, for which production capacity has been strengthened, is projected to cover an expected decline in FPD lithography equipment sales, during a transitional period in capital investment.

FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus FY 2022 Actual)

- Sales Volume: Higher profit with sales growth in all four business units
- Op. Expense: Sales growth and R&D to expand performance



Changes in exchange rates are projected to have a negative impact of 19.4 billion yen on operating profit.

As for changes in sales volume, we expect positive contribution on the sales of all four business units.

As for pricing, supported by high product competitiveness, we will work to maintain prices.

As for costs, we project a positive contribution of 25.6 billion yen as the cost of parts and logistics are both on a downward trend.

As for expenses, we project an increase, as promotional and personnel expenses increase to meet sales targets, and we make appropriate investment in to development to further expand not only our four new businesses, but also the new business spheres of our industry-oriented business groups.

Printing - Office

- 1Q: Significant increase in unit sales thanks to recovery in product supply volume
- Aiming to expand market share, leveraging strength of broad printing equipment lineup

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	233.3	194.0	+20.2%	961.1	888.9	+8.1%	961.1	0.0
Prosumer	237.9	239.9	-0.8%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	87.0	73.3	+18.7%	377.9	362.4	+4.3%	377.9	0.0
Net Sales	558.2	507.2	+10.0%	2,368.8	2,272.6	+4.2%	2,368.8	0.0
Op. Profit	50.6	52.6	-3.7%	231.8	212.4	+9.1%	231.8	0.0
(% of Net Sales)	9.1%	10.4%		9.8%	9.3%		9.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
	Office	+12.8%
Prosumer	-6.3%	+2.5%
Production	+7.6%	+4.8%
Total	+3.0%	+5.2%

Unit Growth Rate Y/Y

	1Q 2023 Actual	FY 2023 Projection
	Office MFDs	+28%



imageRUNNER ADVANCE DX series
C5800

Note: From 2023, a business, which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.

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As for office MFDs, we expect demand to remain firm for printing equipment offering high image quality, high print speed, exceptional durability, and other features that contribute to operational efficiency in the office.

In the first quarter, we increased unit sales by 28%, thanks to a significant recovery in product supply. Our current product lineup, which was revamped when platforms were standardized, has been highly evaluated by the market for their serviceability, low energy consumption, and other features. Additionally, leveraging the strength of our broad range of printing equipment, which covers A3 and A4 MFDs to printers, we have been increasing our market share by offering total solutions that give us an advantage in business negotiations. And this year as well, we aim to exceed market grow, posting a 7% increase in units sales

As for service revenue, we expect full-year sales to exceed last year, during which we did not see recovery in the number of people returning to the office. And to expand sales further, we will work to augment our install base at customer sites.

Printing - Prosumer

- Laser: Work to expand sales of medium- to high-speed A4 color printers
- Inkjet: Expand share through enhanced lineup of refillable ink tank models

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	233.3	194.0	+20.2%	961.1	888.9	+8.1%	961.1	0.0
Prosumer	237.9	239.9	-0.8%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	87.0	73.3	+18.7%	377.9	362.4	+4.3%	377.9	0.0
Net Sales	558.2	507.2	+10.0%	2,368.8	2,272.6	+4.2%	2,368.8	0.0
Op. Profit	50.6	52.6	-3.7%	231.8	212.4	+9.1%	231.8	0.0
(% of Net Sales)	9.1%	10.4%		9.8%	9.3%		9.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
	Office	+12.8%
Prosumer	-6.3%	+2.5%
Production	+7.6%	+4.8%
Total	+3.0%	+5.2%

Unit Growth Rate Y/Y

	1Q 2023 Actual	FY 2023 Projection
	LPs	-24%
IJPs	-18%	+10%



Refillable ink tank model

G3370

Note: From 2023, a business, which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.

Printing needs are becoming more diverse due to decentralization of the workplace. As a result, demand for printing equipment suitable for each type of office is increasing.

For laser printers in the first quarter, impacted by the economy, unit sales, particularly of low-end models, declined. Sales of consumables also decreased, resulting in lower overall revenue. However, thanks to increased sales of higher priced medium- and high-speed color models, our product mix improved.

The other day, our OEM partner announced 2 medium- to high-speed A4 color printer series, one targeting small- and medium-size businesses, and the other allowing the customization of print speeds, paper feed, and other options to fit the size of various office types. Both series make use of new toner that helps to extend the life of cartridges and save energy. And by reducing the size of these printers compared to conventional models and increasing print speed, these products are contributing to improvement in customer productivity. From the second quarter on, we will increase unit sales, including medium- to high-speed color models where print volume is high, and link this to consumable sales.

For inkjet printers as well, we are rapidly expanding our lineup of refillable ink tank models so that we can address the demand of small- and medium-size businesses, the special needs of certain market verticals, and the demands of new users as work from home has taken hold. And in line with the launch of new products, we will also increase sales by expanding our market share through sales promotions targeting mass retailers.

Printing - Production

- 1Q: 8th consecutive quarter of sales growth with enhanced product lineup
- Stable growth through increased sales of consumables, driven by expanded sales of graphic arts-oriented equipment

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	233.3	194.0	+20.2%	961.1	888.9	+8.1%	961.1	0.0
Prosumer	237.9	239.9	-0.8%	1,029.8	1,021.3	+0.8%	1,029.8	0.0
Production	87.0	73.3	+18.7%	377.9	362.4	+4.3%	377.9	0.0
Net Sales	558.2	507.2	+10.0%	2,368.8	2,272.6	+4.2%	2,368.8	0.0
Op. Profit	50.6	52.6	-3.7%	231.8	212.4	+9.1%	231.8	0.0
(% of Net Sales)	9.1%	10.4%		9.8%	9.3%		9.8%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
	Office	+12.8%
Prosumer	-6.3%	+2.5%
Production	+7.6%	+4.8%
Total	+3.0%	+5.2%



Large format graphics printer
Colorado M-series

Note: From 2023, a business, which was previously included in Others & Corporate and Office, was added to Prosumer, and the results of 2022 were reclassified to conform to the current presentation.

Though some small- and medium-size printing companies have become more cautious in their investment decisions due to the rise in interest rates, supported by our product lineup that we constantly strengthen through customer feedback, we maintained unit sales growth and also increased service revenue in the first quarter to post our eighth consecutive quarter of year-on-year sales growth.

As a part of strengthening our product lineup, we are releasing from the second quarter the Colorado M series of graphic arts-oriented large-format printers. This printer's modular design enables the combination of various functions, such as print speed, duplex printing, and the addition of white ink, to address a wide range of customer needs, and together with the expansion of dealers that handle this product, we aim to further increase our market share in this field.

With a focus on graphic arts-oriented products, which use a lot of consumables, we will continue to grow sales at a double digit rate this year, which will lead to stable growth and increased profitability.

Imaging - Cameras

- 1Q: Improved product mix through new mirrorless cameras, raised full-year sales projection
- Expand user base through launch of first entry-class EOS R series camera

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	110.0	101.5	+8.5%	560.6	509.7	+10.0%	544.6	+16.0
Network Cameras & Others	82.4	55.7	+47.8%	340.5	293.8	+15.9%	330.5	+10.0
Net Sales	192.4	157.2	+22.4%	901.1	803.5	+12.1%	875.1	+26.0
Op. Profit	37.3	13.4	+178.8%	138.7	126.6	+9.5%	128.7	+10.0
(% of Net Sales)	19.4%	8.5%		15.4%	15.8%		14.7%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
	Cameras	-0.4%
NWCs & Others	+32.9%	+16.2%
Total	+11.4%	+13.5%

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

	1Q 2023 Actual		FY 2023 Projection	
	Units	% Change	Units	% Change
DILCs	0.56	-6%	2.90	+1%



EOS R System Cameras
Compact and lightweight EOS R50

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Amid a recovery in travel and other leisure activities, demand for cameras was firm, and new mirrorless cameras launched by each company stimulated buying interest.

In the first quarter, our sales of new mirrorless cameras, such as the EOS R7, EOS R10, and EOS R6 Mark II, which were launched last year, increased, and our product mix improved, resulting in higher revenue. Strengthening the appeal of our products has led to the curbing of sales promotion expenses, and with selection and concentration in development and raising the efficiency of our sales organization, has been the driving force behind significant improvement in profitability.

This year, we will continue to enhance our lineup of EOS R series mirrorless cameras, both bodies and lenses. In March, we launched the EOS R50, the smallest and lightest in our R-series, which makes it easy to carry. This camera also offers convenient video recording functions for Vlogs and has been well received by those who are starting to use cameras or want to enjoy them casually.

This year, we expect the market to grow to 5.85 million units. In addition to professional and advanced amateurs, by launching models that expand our user base, we plan to sell 2.9 million units this year, which is 1% higher than last year, our original projection. As for net sales, we raised our projection by 16 billion yen to reflect an improvement in product mix, and will strive to achieve double-digit growth.

Imaging – Network Cameras & Others

- 1Q: Achieved high network camera sales, second only to fourth quarter of last year
- Working to establish new businesses based on SPAD sensors, volumetric video etc.

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	110.0	101.5	+8.5%	560.6	509.7	+10.0%	544.6	+16.0
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Op. Profit	37.3	13.4	+178.8%	138.7	126.6	+9.5%	128.7	+10.0
(% of Net Sales)	19.4%	8.5%		15.4%	15.8%		14.7%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
	Cameras	-0.4%
NWCs & Others	+32.9%	+16.2%
Total	+11.4%	+13.5%



Ultrahigh-sensitivity camera (M-500) with SPAD sensor



Image captured via volumetric video system

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The network camera market continues to grow, thanks mainly to the security sector, due to the growing need for security and safety. Our first-quarter sales were ahead of plan and second only to last year's fourth quarter, resulting in a significant increase in revenue. We will continue to capture demand with our extensive lineup of hardware and solutions, raising our plan for the full year by 10 billion yen as we aim for sales growth of more than 15%.

We will continue to capture demand with our extensive product lineup and solutions, and aim for double-digit sales growth for the full year as well.

Additionally, with the aim of expanding our imaging business area, we are working to establish various businesses and are beginning to steadily see the fruits of our efforts.

We succeeded in developing a high-definition SPAD sensor with 3.2 million pixels, and in March, we announced the development of the world's first ultra-sensitive camera equipped with a SPAD sensor. By amplifying the captured photons, it is possible to capture clear color images even in the dark, and when combined with an abundant range of lenses, it is possible to capture images at great distances. Using this, we aim to expand in areas where growth is expected, like critical infrastructure, which include borders, ports, and power plants.

In addition, a volumetric video system that can instantaneously process images taken by multiple cameras and provide 360 degrees of free 3D viewing has been installed permanently at the Tokyo Dome since this season. It is already being used as part of baseball broadcasting, and we will continue to expand its use and establish it as a business.

- 1Q: Sales up double-digit rate as planned, thanks to steady progress made in production and installation
- Working to raise profitability, expanding sales, particularly in the United States, where sales capabilities have been strengthened

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Net Sales	131.1	118.2	+10.9%	570.7	513.3	+11.2%	570.7	0.0
Op. Profit (% of Net Sales)	6.9 5.2%	6.3 5.3%	+8.8%	43.4 7.6%	31.0 6.0%	+40.0%	43.4 7.6%	0.0

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

	1Q 2023	FY 2023
	Actual	Projection
Total	+6.1%	+11.4%

MRI



AiCE* & high-speed imaging technology
Vantage Galan 3T Focus Edition

*Image reconstruction technology that uses deep learning

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As for the diagnostic imaging equipment market in 2023, through a recovery in investment in large equipment such as MRI and X-Ray systems, which was postponed due to the impact of COVID-19, the market is expected to grow at a typical rate of around 2%.

In the first quarter, in response to orders that have grown significantly since last year, although being impacted by component shortages and delays in medical institution preparedness to receive equipment, by making steady progress in production and installation, we posted double-digit revenue growth as planned.

This year is the year in which we will secure orders, leveraging our strengthened sales capabilities in the United States, which we have promoted so far, and link this to sales expansion. Through our expanded sales force and the realignment of sales territories, we are broadening the range of medical institutions we cover, which is leading to a significant increase in deals in the pipeline. Leveraging the product lineup that we have been strengthening, we will accelerate growth from the second quarter, aiming for 11.2% full-year sales growth across the entire business.

As for profit, in addition to an increase in gross profit due to the expansion of sales of hardware products, maintenance and service revenue is expected, from expanded unit sales of large equipment, which increased sales in the second half of last year. Additionally, Minaris Medical, a company that provides automated analyzers for in vitro diagnostics and specimen tests, which we recently acquired, will contribute to our performance, and by realizing cost-reduction, we will increase our operating profit ratio to 7.6% on a full-year basis.

Industrial – Optical & Industrial Equip.

- Semiconductor lithography equipment: Planning to sell 195 units by increasing production capacity
- Panel manufacturing equipment: Preparing for period of expansion from 2024

(Billions of yen)

	1Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Optical Equipment	40.0	48.8	-17.9%	229.2	240.4	-4.7%	229.2	0.0
Industrial Equipment	22.1	19.7	+11.8%	122.8	88.8	+38.3%	122.8	0.0
Net Sales	62.1	68.5	-9.4%	352.0	329.2	+6.9%	352.0	0.0
Op. Profit	7.4	12.2	-39.2%	61.8	58.0	+6.5%	61.8	0.0
(% of Net Sales)	12.0%	17.8%		17.6%	17.6%		17.6%	

Net Sales Growth Rate Y/Y (Local Currency)

	1Q 2023 Actual	FY 2023 Projection
Opt. Equip.	-19.1%	-4.6%
Industrial Equip.	+11.4%	+38.5%
Total	-10.4%	+7.0%

Lithography Equipment (Units)

	1Q 2023 Actual	1Q 2022 Actual	FY 2023 Projection	FY 2022 Actual
Semiconductor	29	29	195	176
FPD	8	13	33	51



Semiconductor lithography equipment
FPA-5550iX

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As for the semiconductor device market, given that the market for memory chips remains in a phase of adjustment, we expect a transitory decline in 2023. Still, demand for power devices, analog devices, and sensors, remains solid, and we are starting to see signs of recovery in the memory market as prices have bottomed out.

As for semiconductor lithography equipment, in addition to expected medium- to long-term semiconductor growth, we expect the market to grow this year as well, as countries continue to invest from the standpoint of economic security.

In the first quarter, we sold 29 units. Under an enhanced production structure, manufacturing is under way, and we expect to see a significant increase in the number of tools that are ready for shipment and sales from the second quarter. Our equipment allows us to have a broad customer base, including manufacturers of power devices and sensors. It is also used in the back-end manufacturing process. Through this, we will make up for the deferral of memory investments and aim to sell 195 units this year, 19 more than last year.

The market for display manufacturing equipment is expected to shrink in 2023 as panel manufacturers delay investments due to weak market conditions surrounding televisions and PCs. However, the situation of market inventory has been improving and due to the increasing adoption of OLED in IT panels, such as laptops and tablets, we expect the market to pick up from 2024.

As for FPD lithography equipment, though we expect unit sales to decline this year, we also expect gradual investment growth from 2024. As such, we are pursuing business negotiations with customers, explaining the strength of our systems which include the exposure of large displays in a single shot, high-resolution, and high productivity

As for OLED vapor deposition equipment, demand for equipment used in the manufacturing of IT panels is expected to increase from next year. And like our equipment for small and medium-size panels, we will promote the development of equipment that will allow us to secure an overwhelming market share position in this market as well. At the same time, we will work to improve the efficiency of our production and installation systems.

Inventory

- Inventory of finished goods at the end of March raised to address sales expansion from April
- Revised policy for parts and raw materials, moving towards reduction from second quarter

(Billions of yen)

		FY 2022				FY 2023
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end
Printing	Amt.	324.7	353.6	408.1	366.8	372.5
	Days	58	60	67	56	57
Imaging	Amt.	117.1	126.6	143.6	137.6	163.6
	Days	63	64	65	56	69
Medical	Amt.	120.5	129.4	137.7	128.3	136.3
	Days	89	100	103	85	88
Industrial	Amt.	117.8	133.8	137.4	124.0	133.0
	Days	131	166	152	124	154
Others & Corporate	Amt.	53.1	54.7	57.1	51.6	53.4
Total	Amt.	733.2	798.1	883.9	808.3	858.8
	Days	73	78	81	69	74

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Finished goods inventory at the end of March was more than 30 billion yen higher than at the end of December 2022. This reflects increases in the amount of network cameras, medical equipment, semiconductor lithography equipment, and other products, to prepare for sales expansion from April.

As for parts and raw materials, since last year, to address the shortage of semiconductors and other parts as well as materials, we have moved to secure them as soon as possible. However, the situation has eased and except for some products, we are now able to supply enough products to meet demand.

From the second quarter, we plan to make a policy change in our parts procurement and inventory management policies and return to a system in which we have only the necessary inventory to meet our production plan. We plan to return to normal inventory levels, except for some parts and materials for which procurement prospects are uncertain. As a result, we expect overall inventory, including finished goods inventory, to be lower at the end of the year, as compared to the end of March.

Cash Flow

(Full Year)

- Over 600 billion yen in operating cash flow and approximately 250 billion yen in investment cash flow
- Repay debt and proactively return profits to shareholders, targeting payout ratio of 50%

(Billions of yen)	2023 Current Projection	2023 Previous Projection	FY 2022 Actual	FY 2021 Actual
Net cash provided by operating activities	626.0	611.0	262.6	451.0
Net cash used in investing activities	-250.0	-235.0	-180.8	-207.2
Free cash flow	376.0	376.0	81.8	243.8
Net cash provided by (used in) financing activities	-379.1	-379.1	-146.8	-267.4
Effect of exchange rate changes on cash and cash equivalents	-1.0	-1.0	25.7	17.3
Net change in cash and cash equivalents	-4.1	-4.1	-39.3	-6.3
Cash and cash equivalents at end of period	358.0	358.0	362.1	401.4
Cash-on-hand (In months of Net sales) (See note below)	1.0	1.0	1.0	1.3
Capital expenditure	240.0	240.0	183.3	179.0
Depreciation and amortization	240.0	240.0	226.5	221.2

Note: Figures for 2021 and 2022 calculated using second half net sales. 2023 figure based on net sales for full year.

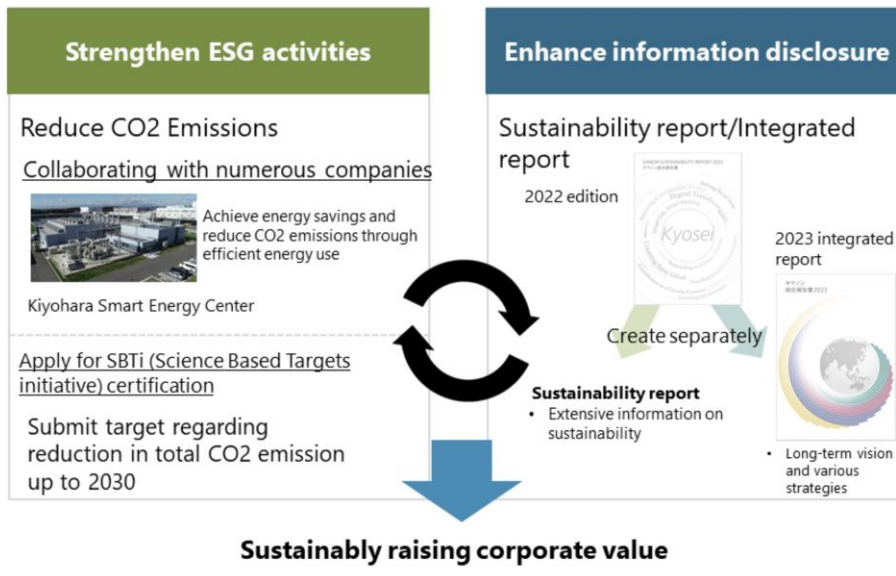
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This year, in addition to increasing net income, by reducing the level of inventory and accounts receivable, which increased last year, we plan to generate operating cash flow in excess of 600 billion yen. And in the first quarter, we generated profit in line with our plan.

As for investments, we have not changed our plan to use a total of 250 billion yen for future growth, which includes new plants for CMOS sensors and semiconductor lithography equipment, and M&As linked to our medical business. And we are still projecting free cash flow to be 376 billion yen, as we did at the beginning of the year.

And we will use these funds to not only fully repay debt, but also return profits to shareholders in a stable and proactive manner, targeting a dividend payout ratio of 50%.

- Aiming to sustainably raise corporate value by strengthening ESG activities and enhancing information disclosure



To sustainably increase corporate value, we believe it is important to enhance both ESG activities and information disclosure.

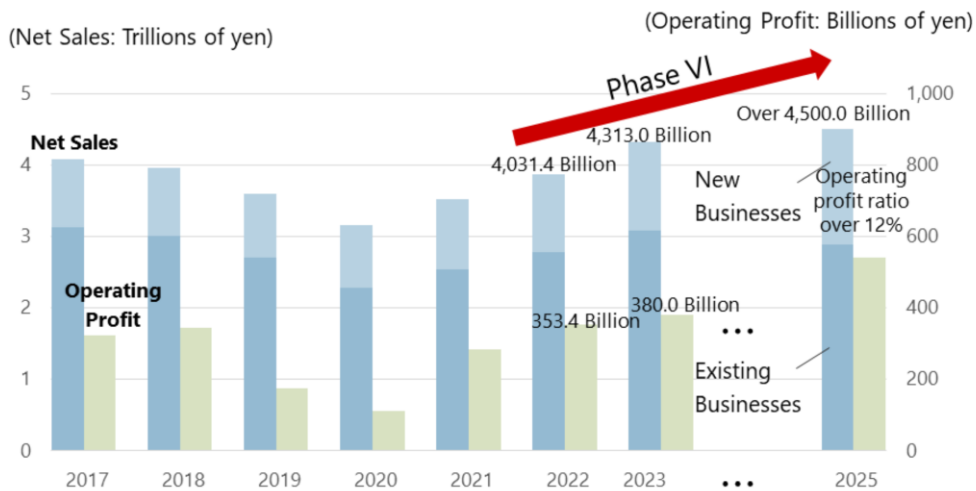
As part of our efforts to reduce CO2 emissions, in collaboration with multiple companies from different industries in the Kiyohara Industrial Park in Utsunomiya City, Tochigi Prefecture, where our lens and lithography equipment plants are located, efforts were made to improve energy efficiency throughout the region in accordance with electricity usage and the amount of waste heat that is produced. And in March of this year, we were awarded the Minister of Economy, Trade and Industry Award at the 31st annual Global Environment Awards in recognition of our efforts to save energy and reduce CO2 emissions.

Furthermore, in addition to improvement in the index of lifecycles CO2 emissions per product, we also set reduction targets for total CO2 emissions from our business activities by 2030, and have requested the SBTi, a scientifically based body that certifies targets, for certification.

In terms of improving disclosure information, this year we have separately prepared a Sustainability Report, which discloses a wide range of sustainability information, and a Consolidated Report, which summarizes the long-term vision and value creation, business strategy and R&D, finance, human resources and intellectual property strategies, which are of high interest to investors. The 2023 edition of the Integrated Report is available on our website from today, and we will continue to provide appropriate information to our stakeholders.

Excellent Global Corporation Plan Phase VI

- Third consecutive year of sales and profit growth, linked to achievement of 2025 performance targets



In the first quarter of this year, which marks the halfway point of Phase VI of our Global Excellent Corporation Plan, as expected, we got off to a good start, posting our fifth consecutive quarter of sales and profit growth, and maintaining a high level of profitability.

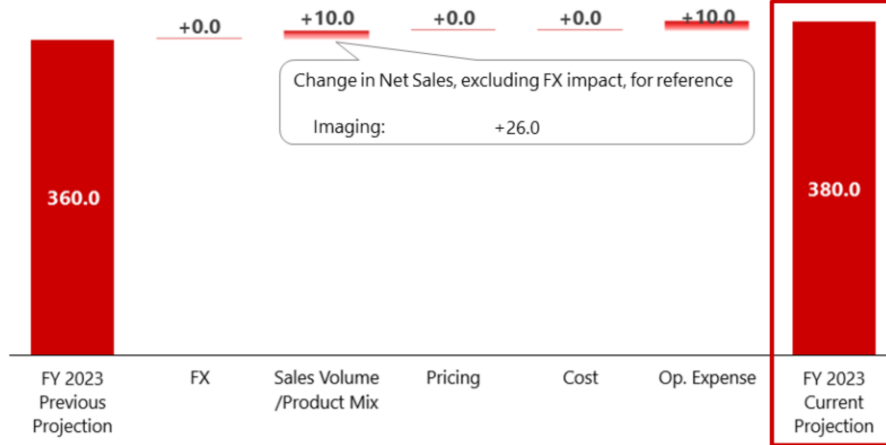
From the second quarter as well, we will maintain the growth of new businesses and the high profitability of existing ones, to generate sales second only to our record high of 2007. We will also increase profits to achieve our third consecutive year of sales and income growth, which will help us achieve the performance targets we have for 2025.

Supplementary Information

FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus Previous Projection)

(Billions of yen)



Printing – Net Sales Growth Rate Y/Y (Hardware & Non-hardware)

			FY 2023			FY 2022	
			1Q Actual	Full Year Current Projection	Full Year Previous Projection	1Q Actual	Full Year Actual
Office MFDs	JPY	Hardware	+39%	+11%	+11%	-4%	+30%
		Non-hardware	+12%	+5%	+5%	+6%	+10%
	LC	Hardware	+27%	+12%	+12%	-9%	+17%
		Non-hardware	+4%	+5%	+5%	+3%	+2%
LPs	JPY	Hardware	+15%	+2%	+2%	+7%	+34%
		Non-hardware	-7%	-5%	-5%	+11%	+6%
	LC	Hardware	+8%	+5%	+5%	+2%	+19%
		Non-hardware	-10%	-3%	-3%	+7%	-2%
IJPs	JPY	Hardware	-9%	+9%	+9%	+24%	+34%
		Non-hardware	+2%	+3%	+3%	-9%	-7%
	LC	Hardware	-16%	+10%	+10%	+17%	+21%
		Non-hardware	-7%	+3%	+3%	-13%	-15%
Production	JPY	Hardware	+19%	+11%	+11%	+17%	+30%
		Non-hardware	+18%	0%	0%	+15%	+23%
	LC	Hardware	+8%	+12%	+12%	+11%	+15%
		Non-hardware	+8%	+1%	+1%	+9%	+10%

Note: From 2023, a business, which was previously included in Others & Corporate and Office MFDs, was added to IJPs, and the results of 2022 were reclassified to conform to the current presentation.

Office/Prosumer - Net Sales by Product Category

(Billions of yen)

		FY 2023		FY 2022	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
Office	Office MFDs	143.7	614.4	116.3	567.8
	Others	89.6	346.7	77.7	321.1
		233.3	961.1	194.0	888.9
Prosumer	LPs	151.1	638.4	150.2	651.2
	IJPs	86.8	391.4	89.7	370.1
		237.9	1,029.8	239.9	1,021.3

Semiconductor Lithography Equipment – Unit Breakdown by Light Source (Units)

		FY 2023		FY 2022	
		1Q Actual	Full Year Projection	1Q Actual	Full Year Actual
	KrF	8	59	9	51
	i-Line	21	136	20	125
	Total	29	195	29	176

Note: From 2023, a business, which was previously included in Others & Corporate and Office MFDs, was added to IJPs, and the results of 2022 were reclassified to conform to the current presentation.