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# Canon Inc.

## Third Quarter 2023 Results

October 26, 2023

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# Agenda

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# Key Message (3Q 2023 Results)

- Below plan due to softening demand in China and other regions and intensifying competition
- Achieved 11th consecutive quarter of year-on-year sales growth and over 1 trillion yen in sales for first time since 2007 through new business growth and yen depreciation
- Achieved profit growth as cost reduction and yen depreciation covered lower sales volumes and higher expenses

(Billions of yen)	3Q			1Q-3Q		
	2023 Actual	2022 Actual	% Change	2023 Actual	2022 Actual	% Change
<b>Net Sales</b>	<b>1,025.2</b>	<b>996.1</b>	+2.9%	<b>3,017.3</b>	<b>2,874.2</b>	+5.0%
<b>Gross Profit</b> (% of Net Sales)	<b>482.1</b> 47.0%	<b>451.0</b> 45.3%	+6.9%	<b>1,420.8</b> 47.1%	<b>1,309.5</b> 45.6%	+8.5%
<b>Op. Expenses</b> (% of Net Sales)	<b>399.5</b> 38.9%	<b>369.6</b> 37.1%		<b>1,161.4</b> 38.5%	<b>1,053.4</b> 36.7%	
<b>Op. Profit</b> (% of Net Sales)	<b>82.6</b> 8.1%	<b>81.4</b> 8.2%	+1.5%	<b>259.4</b> 8.6%	<b>256.1</b> 8.9%	+1.3%
<b>IBT</b>	<b>87.3</b>	<b>79.1</b>	+10.4%	<b>276.0</b>	<b>232.0</b>	+19.0%
<b>Net Income</b> (% of Net Sales)	<b>62.1</b> 6.1%	<b>54.1</b> 5.4%	+14.8%	<b>183.9</b> 6.1%	<b>159.1</b> 5.5%	+15.6%
USD	144.76	138.40		138.27	128.26	
EUR	157.32	139.40		149.59	136.07	

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## Third-quarter results.

As for the global economy in the third quarter, in addition to the Chinese economy deteriorating more-than-expected due to the real estate downturn, the ongoing worldwide monetary tightening led to weak demand in each region compared to the first half of this year.

The markets for our products were also affected by deteriorating market conditions, resulting in weakening demand for printers and other products and intensifying competition. As a result, we did not reach our plan. However, thanks to growth in network cameras, medical, and other new businesses as well as a tailwind from favorable foreign exchange rates, we achieved our eleventh consecutive quarter of year-on-year sales growth.

As for operating profit, in addition to increased investments to promote printer and camera sales, we incurred an increase in depreciation expense due to the start of sensor production at a new factory. However, through cost reduction and the effects of yen depreciation, profit increased.

As a result, net sales increase by 2.9% to one trillion 25.2 billion yen, operating profit increased by 1.5% to 82.6 billion yen, and net income increased by 14.8% to 62.1 billion yen. The more than one trillion yen in third-quarter net sales represents the largest in 16 years, second only to 2007.

Additionally, for the first nine months of the year, we maintained sales and profit growth, posting total net sales of 3 trillion 17.3 billion yen, an increase of 5%, total operating profit of 259.4 billion yen, an increase of 1.3%, and total net income of 183.9 billion yen, and increase of 15.6%.

# FY 2023 Financial Projection (Full Year)



- Lowered sales projection due to softening demand and resumption of price competition, but plan to post 1.2 trillion yen in sales in the 4Q, year-end selling season
- Still targeting 400 billion yen level in operating profit, last achieved in 2008

(Billions of yen)	FY 2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
<b>Net Sales</b>	<b>4,220.0</b>	<b>4,031.4</b>	+4.7%	<b>4,363.0</b>	-143.0
<b>Gross Profit</b> (% of Net Sales)	<b>1,998.0</b> 47.3%	<b>1,827.8</b> 45.3%	+9.3%	<b>2,013.0</b> 46.1%	-15.0
<b>Op. Expenses</b> (% of Net Sales)	<b>1,598.0</b> 37.8%	<b>1,474.4</b> 36.5%		<b>1,613.0</b> 36.9%	+15.0
<b>Op. Profit</b> (% of Net Sales)	<b>400.0</b> 9.5%	<b>353.4</b> 8.8%	+13.2%	<b>400.0</b> 9.2%	0.0
<b>IBT</b>	<b>425.0</b>	<b>352.4</b>	+20.6%	<b>425.0</b>	0.0
<b>Net Income</b> (% of Net Sales)	<b>292.0</b> 6.9%	<b>244.0</b> 6.1%	+19.7%	<b>292.0</b> 6.7%	0.0
USD	140.11	131.66		135.05	
EUR	151.13	138.42		145.42	
					Impact of exchange rate movement (4Q impact given a one-yen change)
					Net Sales      Op. Profit
					USD    3.6 billion yen    1.1 billion yen
					EUR    1.9 billion yen    0.9 billion yen

Outlook for the full year.

As for our fourth-quarter exchange rate assumptions, we revised them to 145 yen to the U.S. dollar and 155 yen to the euro, which represents a ten-yen weakening of the yen against both currencies compared to our previous assumptions.

As for the global economy, we expect the recovery to remain sluggish, particularly in China, and the markets for our products to remain weak.

Under softening demand and a recovery in product supply volumes, we lowered our full-year sales projection to reflect the resumption of price competition for some products. However, for Industrial, Medical, and Office MFD, where we already landed many orders, we will ensure installation is completed as planned and link this to sales. Regarding cameras and inkjet printers, entering the year-end selling season with our expanded product lineup, we will secure sales and make use of sales promotions to facilitate our overall aim of posting over one trillion 200 billion yen in sales in the fourth quarter.

As for profit, we maintained our full-year projection, and expect our operating profit ratio to rise to 11.7% in the fourth quarter. This reflects an increase in gross profit, driven by sales growth, decline in the cost of parts and logistics, and a benefit from foreign exchange rates.

Based on the above, we expect net sales to increase by 4.7% to 4 trillion 220 billion yen, operating income to increase by 13.2% to 400 billion yen, and net income to increase by 19.7% to 292 billion yen.

And for the first time in 15 years or since 2008, we will raise our operating profit to the 400 billion yen level and aim to increase sales and profit for the third consecutive year.

# Printing - Office

- Solid sales in first half maintained in third quarter
- Increase market share by expanding unit sales also in fourth quarter

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	240.5	228.6	+5.2%	984.4	888.9	+10.8%	984.3	+0.1
Prosumer	231.3	233.2	-0.8%	961.4	1,021.3	-5.9%	1,029.8	-68.4
Production	98.6	93.0	+6.0%	397.0	362.4	+9.5%	384.9	+12.1
<b>Net Sales</b>	<b>570.4</b>	<b>554.8</b>	<b>+2.8%</b>	<b>2,342.8</b>	<b>2,272.6</b>	<b>+3.1%</b>	<b>2,399.0</b>	<b>-56.2</b>
<b>Op. Profit</b>	<b>46.0</b>	<b>41.0</b>	<b>+12.3%</b>	<b>241.4</b>	<b>212.4</b>	<b>+13.7%</b>	<b>241.8</b>	<b>-0.4</b>
(% of Net Sales)	8.1%	7.4%		10.3%	9.3%		10.1%	

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

	3Q 2023 Actual	FY 2023 Projection
	Office	+0.7%
Prosumer	-4.7%	-9.1%
Production	-1.3%	+2.5%
Total	-1.9%	-1.3%

### Unit Growth Rate Y/Y

	3Q 2023 Actual	FY 2023 Projection
	Office MFDs	-13%



**imageRUNNER ADVANCE DX C3900 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.

As for office MFDs, the need for core printing equipment in offices that offer excellent image quality, printing speed, and durability, has not changed. And excluding China where the economy is slowing, demand has remained stable.

As for the third quarter, although market conditions in China deteriorated and there was a delay in sales of a major business deal in Europe, overall sales increased, supported by document solutions sales in Japan and expanded service and consumable sales.

In the fourth quarter, we expect weak demand in China to continue. However, in addition to being able to land many large deals, particularly in Europe, we see strong sales of low-speed and A4 models through our indirect sales channel of dealers in the Americas and expect unit sales to exceed those of last year. And together with the growth of more than 20% in the first half of the year, we plan to continue to outperform the market for the year and increase unit sales by 7%. By increasing our market share and increasing MIF, we will steadily advance our goal of raising profitability through our strategy that will lead to an increase in service revenue.

- Lowered full-year projection to reflect weaker-than-expected market conditions
- Focus on hardware sales in fourth quarter, link to consumable sales from next year

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	240.5	228.6	+5.2%	984.4	888.9	+10.8%	984.3	+0.1
Prosumer	231.3	233.2	-0.8%	961.4	1,021.3	-5.9%	1,029.8	-68.4
Production	98.6	93.0	+6.0%	397.0	362.4	+9.5%	384.9	+12.1
<b>Net Sales</b>	<b>570.4</b>	<b>554.8</b>	<b>+2.8%</b>	<b>2,342.8</b>	<b>2,272.6</b>	<b>+3.1%</b>	<b>2,399.0</b>	<b>-56.2</b>
<b>Op. Profit</b>	<b>46.0</b>	<b>41.0</b>	<b>+12.3%</b>	<b>241.4</b>	<b>212.4</b>	<b>+13.7%</b>	<b>241.8</b>	<b>-0.4</b>
(% of Net Sales)	8.1%	7.4%		10.3%	9.3%		10.1%	

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

	3Q 2023 Actual	FY 2023 Projection
	Office	+0.7%
Prosumer	-4.7%	-9.1%
Production	-1.3%	+2.5%
Total	-1.9%	-1.3%

### Unit Growth Rate Y/Y

	3Q 2023 Actual	FY 2023 Projection
	LPs	-23%
IJPs	0%	-7%



Business inkjet printer  
Refillable ink tank model  
**GX5530**

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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Printer market conditions have been weaker than expected due to the economic downturn in China and the impact of monetary policies in Europe and the United States. As a result, some competitors are cutting prices to maintain sales.

As for laser printers, we saw soft demand in China and are not seeing much improvement in market conditions elsewhere. Additionally, amid the rise in interest rates, users and dealers are continuing to squeeze inventory and as a result our sales in the third quarter were limited to the same level as in the second quarter.

Assuming more time is needed for sales to recover, we lowered our projection for the full year. However, consumable sales are expected to increase in the fourth quarter.

For inkjet printers as well, our unit sales in the third quarter were below plan. We also lowered our outlook for the full year due to expected market contraction. However, consumable sales continued to be at a level above last year.

In the fourth quarter, the year-end selling season, we will increase sales of refillable ink tank models, for which we have significantly strengthened our lineup by adding seven models since the end of last year. At the same time, we will stimulate demand for cartridge models through sales promotions and link this to consumable sales from next year on.

# Printing - Production

- 3Q: 10th consecutive quarter of year-on-year sales growth, driven by service revenue growth and yen depreciation
- 4Q: Aim to post record high quarterly sales of over 110 billion yen

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Office	240.5	228.6	+5.2%	984.4	888.9	+10.8%	984.3	+0.1
Prosumer	231.3	233.2	-0.8%	961.4	1,021.3	-5.9%	1,029.8	-68.4
Production	98.6	93.0	+6.0%	397.0	362.4	+9.5%	384.9	+12.1
<b>Net Sales</b>	<b>570.4</b>	<b>554.8</b>	<b>+2.8%</b>	<b>2,342.8</b>	<b>2,272.6</b>	<b>+3.1%</b>	<b>2,399.0</b>	<b>-56.2</b>
<b>Op. Profit</b>	<b>46.0</b>	<b>41.0</b>	<b>+12.3%</b>	<b>241.4</b>	<b>212.4</b>	<b>+13.7%</b>	<b>241.8</b>	<b>-0.4</b>
(% of Net Sales)	8.1%	7.4%		10.3%	9.3%		10.1%	

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

	3Q 2023 Actual	FY 2023 Projection
	Office	+0.7%
Prosumer	-4.7%	-9.1%
Production	-1.3%	+2.5%
Total	-1.9%	-1.3%



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.

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In the digital commercial printing market, we are seeing movement of some printing companies that refrained from investing due to high inflation and interest rates, considering the resumption of investment.

In the third quarter, we did not achieve our sales plan as the installation of high-speed cut-sheet machines did not proceed as planned. Thanks to continued growth in service revenue due to an increase in the number of machines operating at customer sites, and a tailwind of yen depreciation, however, sales increased for the 10th consecutive quarter.

With an eye on achieving our sales plan for the fourth quarter, we are seeing orders for large printers building up and a steady increase in orders from dealers that handle the Colorado M large-format printer for graphic arts that launched in March, which has been well received. We aim to exceed the quarterly sales record we set last year and reach 400 billion yen in sales for the full year.

# Imaging - Cameras

- Expanded sales also in 3Q, driven by new mirrorless camera products
- Expand mirrorless camera market share through synergy between camera bodies and lenses

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	138.7	132.1	+4.9%	551.5	509.7	+8.2%	569.1	-17.6
Network Cameras & Others	82.0	70.8	+15.8%	349.5	293.8	+19.0%	345.9	+3.6
<b>Net Sales</b>	<b>220.7</b>	<b>202.9</b>	<b>+8.7%</b>	<b>901.0</b>	<b>803.5</b>	<b>+12.1%</b>	<b>915.0</b>	<b>-14.0</b>
<b>Op. Profit</b>	<b>40.2</b>	<b>36.6</b>	<b>+9.7%</b>	<b>156.2</b>	<b>126.6</b>	<b>+23.4%</b>	<b>151.8</b>	<b>+4.4</b>
(% of Net Sales)	18.2%	18.0%		17.3%	15.8%		16.6%	

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

	3Q 2023 Actual	FY 2023 Projection
	Cameras	-0.2%
NWCs & Others	+8.8%	+12.0%
Total	+2.9%	+6.1%

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

	3Q 2023 Actual		FY 2023 Projection	
	Units	% Change	Units	% Change
DILCs	0.74	+1%	2.90	+1%



First entry models in EOS R series

The interchangeable lens camera market remains solid, with new products from each company stimulating demand. As a result, we expect the market to be 5.85 million units this year, which is slightly larger than last year.

In the third quarter, our sales of new products such as the EOS R6 Mark II, which was launched late last year, and the EOS R50 and EOS R100, the first entry-level models of our EOS R series, which were released in the first half of the fiscal year, increased steadily, and overall unit sales were almost at the same level as last year.

To meet the diverse needs of camera users and to attract new users, we have expanded our mirrorless camera lineup from full-frame to entry-level models. As for interchangeable lenses, we have already added 5 lenses this year and have increased the number of lenses to 38 so far. As a result, we are steadily increasing our share of the mirrorless market through synergy between the camera bodies and lenses.

As the market has recovered to a state where there is enough supply to meet demand, all competitors are gradually increasing sales investments. As a result, in the fourth quarter, which is the year-end selling season, we will increase sales volume with appropriate promotions and aim for 2.9 million units this year.



# Imaging – Network Cameras & Others

- Expanded hardware sales by enhancing product lineup and strengthening sales structure
- Maintain growth by strengthening development and sales of systems for managing and analyzing capture footage

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Cameras	138.7	132.1	+4.9%	551.5	509.7	+8.2%	569.1	-17.6
Network Cameras & Others	82.0	70.8	+15.8%	349.5	293.8	+19.0%	345.9	+3.6
<b>Net Sales</b>	<b>220.7</b>	<b>202.9</b>	<b>+8.7%</b>	<b>901.0</b>	<b>803.5</b>	<b>+12.1%</b>	<b>915.0</b>	<b>-14.0</b>
<b>Op. Profit</b>	<b>40.2</b>	<b>36.6</b>	<b>+9.7%</b>	<b>156.2</b>	<b>126.6</b>	<b>+23.4%</b>	<b>151.8</b>	<b>+4.4</b>
(% of Net Sales)	18.2%	18.0%		17.3%	15.8%		16.6%	

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

	3Q 2023 Actual	FY 2023 Projection
	Cameras	-0.2%
NWCs & Others	+8.8%	+12.0%
Total	+2.9%	+6.1%

**milestone**  
Server-based video management



XProtect Image Server

**arcules**  
Cloud-based video management



Three group companies linked to video management and analysis

**BriefCam**  
Video summarization Video analysis



In the network camera market, demand remained solid, particularly in Europe and the United States. And as a result, we posted double-digit net sales growth also in the third quarter.

In addition to further growth in the unit sales of network cameras for surveillance, a core application, we are seeing expansion in applications such as for marketing purposes to understanding customer demographics and the flow of people within stores, as well as for staffing and process management at production sites.

Canon Inc. headquarters and AXIS, which plays a key role in the network camera business, has been strengthening cooperation with three group companies that provide systems for managing and analyzing captured footage. We are strengthening cooperation in product development and sales so that we can provide optimal systems. And we aim to achieve full-year sales growth of more than 20% for the entire network camera business while exerting synergies.

- 3Q: Achieved 6th consecutive quarter of year-on-year sales growth, expanding sales in Japan and Europe
- 4Q: Aim to renew record high full-year performance for third year in a row, ensuring the high level of orders is converted into sales within the year

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
<b>Net Sales</b>	<b>132.4</b>	<b>126.1</b>	+5.0%	<b>561.8</b>	<b>513.3</b>	+9.4%	<b>576.2</b>	-14.4
<b>Op. Profit</b>	<b>6.6</b>	<b>6.4</b>	+3.2%	<b>36.8</b>	<b>31.0</b>	+18.7%	<b>40.6</b>	-3.8
(% of Net Sales)	5.0%	5.1%		6.6%	6.0%		7.0%	

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

	3Q 2023	FY 2023
	Actual	Projection
Total	+1.3%	+5.9%



80-slice CT  
**Aquilion Serve**



Diagnostic ultrasound system  
**Aplio me**

Although some medical institutions have postponed the purchase of equipment due to rising interest rates and labor costs, the diagnostic imaging equipment market is expected to grow by about 2% this year, mainly due to a recovery in large equipment that was held back due to the COVID-19 pandemic.

Within Canon as well, there is a tendency for business negotiations to be drawn out in the United States and elsewhere. In China, we were affected by delays in obtaining regulatory approval. However, sales of equipment in Japan and Europe steadily increased, and as a result, net sales increased for the sixth consecutive quarter in the third quarter.

In the fourth quarter, we plan for sales to significantly exceed those of last year by further expanding unit sales. Including the carryover from the third quarter, we have received many orders for large equipment such as new CT systems, and we will ensure installation of such equipment at customer sites is completed as planned.

In addition, we are strengthening our lineup of ultrasonic diagnostic equipment by launching a new product in Japan in October that offers both high functionality and reduced weight. By accumulating sales of these products, we aim to renew our record high performance for the third consecutive year.

# Industrial – Optical & Industrial Equip.

- Semiconductor lithography equipment: Sales plan, 189 units for full year, ensure installation is completed within year
- Panel manufacturing equipment: Prepare for second-half 2024 and beyond

(Billions of yen)

	3Q			Full Year				
	2023 Actual	2022 Actual	% Change	2023 Current Projection	2022 Actual	% Change	2023 Previous Projection	Amount Change
Optical Equipment	53.1	64.9	-18.2%	215.0	240.4	-10.6%	229.4	-14.4
Industrial Equipment	25.7	22.1	+16.4%	100.2	88.8	+12.9%	123.5	-23.3
<b>Net Sales</b>	<b>78.8</b>	<b>87.0</b>	<b>-9.4%</b>	<b>315.2</b>	<b>329.2</b>	<b>-4.3%</b>	<b>352.9</b>	<b>-37.7</b>
<b>Op. Profit</b>	<b>15.8</b>	<b>16.9</b>	<b>-6.6%</b>	<b>59.4</b>	<b>58.0</b>	<b>+2.4%</b>	<b>60.8</b>	<b>-1.4</b>
(% of Net Sales)	20.0%	19.4%		18.8%	17.6%		17.2%	

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

	3Q 2023 Actual	FY 2023 Projection
	Opt. Equip.	-18.6%
Industrial Equip.	+15.6%	+12.1%
Total	-9.9%	-4.9%

**Lithography Equipment (Units)**

	3Q 2023		3Q 2022		FY 2023		FY 2022	
	Actual	Actual	Actual	Actual	Projection	Actual	Actual	
Opt. Equip.	50	50	50	50	189	176	176	
Industrial Equip.	1	15	1	15	28	51	51	
Total	51	65	51	65	217	227	227	



Semiconductor lithography equipment for back-end process  
**FPA-5520iV**

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As for the semiconductor device market, due to weakness in the memory device segment, we expect it to temporarily shrink this year. However, the semiconductor lithography equipment market continues to expand as manufacturers continue to invest in anticipation of growth from next year on and with the addition of moves to promote domestic production from the viewpoint of economic security.

In the third quarter, we sold 50 units, 8 more than in the second quarter, thanks to strong sales of equipment used in the production of power devices and sensors, and increased unit sales of back-end equipment for advanced packaging.

Although some sales were pushed out to next year due to delays in incidental work, in the fourth quarter, we expect sales to grow to 68 units. And for the full year, we plan for sales to be 189 units, which is more than last year. Most of the equipment has already been shipped, and we have dispatched personnel to ensure installation is completed as planned. As a result, we will now firmly focus on installation of the equipment at customer sites and linking this to sales.

As for the market for display manufacturing equipment, although we expect manufacturers to continue making investment adjustments for some time due to the weak panel market, we also expect demand to recover as the adoption of OLED technology in IT panels such as laptops and tablets increases in the latter half of 2024.

Regarding our FPD lithography equipment, as panel manufacturers have changed the start of production due to the weak market conditions, the acceptance of 5 units were been pushed out to next year and we now expect full year sales to be 28 units. In preparation for an increase in demand for large equipment for IT panels next year, we will further strengthen our product capabilities by mainly enhancing productivity to meet customer expectations.

For OLED vacuum deposition equipment as well, we lowered our full-year projection because some of our customers' investment plans were pushed out. However, demand is recovering from last year and as a result, we expect double-digit growth in sales. We are making progress in the development and production of new equipment for IT panels, and we are aiming to gain an overwhelming share of the market for the new system as well by taking advantage of the know-how and the customer trust we have accumulated through our equipment for smartphone panels.

# Inventory

- Inventory at end of September higher than end of June due to foreign exchange rate impact and build up of inventory for sales expansion in fourth quarter
- Significant decrease towards year end driven by sales expansion in fourth quarter

(Billions of yen)

		FY 2022				FY 2023		
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end
Printing	Amt.	324.7	353.6	408.1	366.8	372.5	387.5	377.6
	Days	58	60	67	56	57	62	60
Imaging	Amt.	117.1	126.6	143.6	137.6	163.6	173.3	184.6
	Days	63	64	65	56	69	77	77
Medical	Amt.	120.5	129.4	137.7	128.3	136.3	143.1	150.9
	Days	89	100	103	85	88	102	107
Industrial	Amt.	117.8	133.8	137.4	124.0	133.0	140.0	142.8
	Days	131	166	152	124	154	187	170
Others & Corporate	Amt.	53.1	54.7	57.1	51.6	53.4	54.2	58.0
<b>Total</b>	<b>Amt.</b>	<b>733.2</b>	<b>798.1</b>	<b>883.9</b>	<b>808.3</b>	<b>858.8</b>	<b>898.1</b>	<b>913.9</b>
	<b>Days</b>	<b>73</b>	<b>78</b>	<b>81</b>	<b>69</b>	<b>74</b>	<b>82</b>	<b>82</b>

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Inventory at the end of September was 16 billion yen higher than what it was at the end of June. This mainly reflects yen depreciation. Another reason for the increase is the build up of finished goods inventory linked to expanded sales of Medical, Industrial, and other products in the fourth quarter.

As for the level of finished goods inventory at the end of December, we expect a significant reduction compared to the end of September due to expanded sales and efforts to reduce production in the fourth quarter.

Additionally, for parts and raw materials as well, efforts to reduce orders have been underway since the first half of this year and we expect to feel the effects of reduced purchasing in the fourth quarter.

# Cash Flow

## (Full Year)

- Despite lowering projection, expect operating CF to be 500 billion yen, which is above last year
- 257 billion yen in growth investment, and stable and active shareholder return being carried out

(Billions of yen)	2023 Current Projection	2023 Previous Projection	FY 2022 Actual	FY 2021 Actual
Net cash provided by operating activities	500.0	633.0	262.6	451.0
Net cash used in investing activities	-257.0	-257.0	-180.8	-207.2
<b>Free cash flow</b>	<b>243.0</b>	<b>376.0</b>	<b>81.8</b>	<b>243.8</b>
Net cash provided by (used in) financing activities	-258.0	-384.0	-146.8	-267.4
Effect of exchange rate changes on cash and cash equivalents	17.9	3.9	25.7	17.3
Net change in cash and cash equivalents	2.9	-4.1	-39.3	-6.3
<b>Cash and cash equivalents at end of period</b>	<b>365.0</b>	<b>358.0</b>	<b>362.1</b>	<b>401.4</b>
<b>Cash-on-hand (In months of Net sales)</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>	<b>1.3</b>
Capital expenditure	225.0	240.0	183.3	179.0
Depreciation and amortization	240.0	240.0	226.5	221.2

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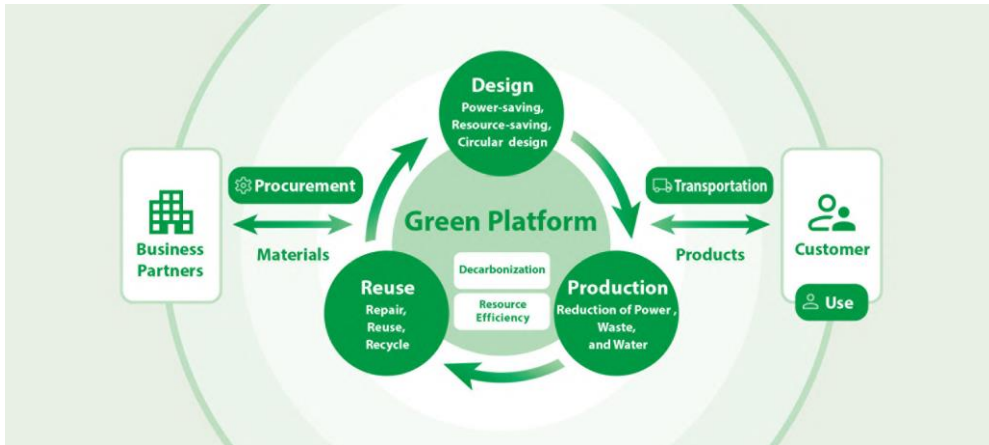
As for operating cash flow, although our plan calls for net income to be 292 billion yen, we expect to generate 500 billion yen, which is 130 billion less than our previous projection. This reflects the lowering of our sales projection for the full year, the shift of some sales from the third to the fourth quarter and subsequent rise in year-end inventory and accounts receivable.

As for investing cash flow, we are still planning to invest 257 billion yen, which is approximately 70 billion yen more than last year. This mainly reflects construction of a new plant for sensors and the acquisition of Minaris Medical to accelerate our growth in the medical field of in-vitro diagnostics. As a result, we expect free cash flow to be 243 billion yen.

As for financing cash flow, under our policy of providing a stable and active shareholder return, this year, we bought back 100 billion yen of our own shares and increased our dividend projection to 140 yen per share and now expect financing cash flow to be 258 billion yen and cash-on-hand at the end of December to be 365 billion yen.

Going forward as well, we will generate a healthy level of cash on hand and make appropriate efforts to return profits to shareholders.

- Aim to reduce burden on the environment throughout the entire product lifecycle through “Green Platform”



Aim to reduce CO2 emission in line with SBTi standards

Scope 1 and 2	42% reduction
Scope 3	25% reduction

As a monozukuri company, we want to contribute to the realization of a decarbonized, resource-recycling society through our technological capabilities. We have integrated our environmental technologies and expertise into a company-wide technology platform, the “Green Platform” and are utilizing them at each stage of the product life cycle such as design, production, and reuse, across business lines with the aim of reducing the burden on the environment.

For example, in product design, we are making full use of our proprietary simulation technology, realizing reduced power consumption during product use, resource savings through product downsizing as well as recycling and reuse.

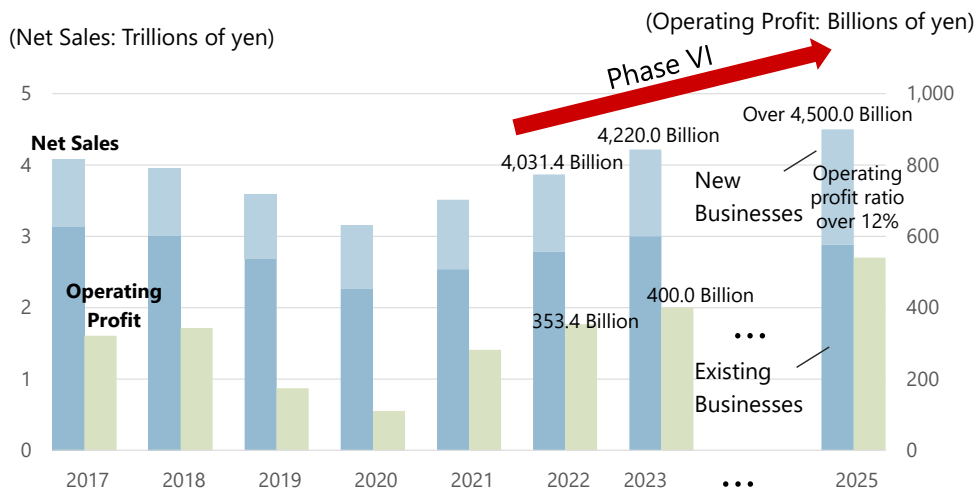
In production, we are developing a system to not only analyze the power consumption of areas within factories, but also production equipment, developing a system that will contribute to further reduction in power consumption.

We also aim to achieve a 42% reduction in Scope 1 and 2 emissions and a 25% reduction in Scope 3 emissions compared to 2022 by 2030, in line with standards set by the SBTi, an officially recognized body for evidence based GHG emission reduction targets.

Utilizing our Green Platform, we will promote the reduction of CO2 emissions throughout the product life cycle, including the procurement of materials from suppliers, the transportation of products to customers, and the use of products.

# Excellent Global Corporation Plan Phase VI

- Achieve 3rd consecutive year of sales and profit growth, and link this to achievement of 2025 targets



Over the first nine months of this year, thanks to sales growth of new businesses and the high profitability of existing one, we posted more than three trillion yen in net sales for the first time in 15 years as well as achieved profit growth.

We lowered our projection due to changes in market conditions, but still aim to achieve strong sales in the fourth quarter and a record level of full-year net sales that is second only to our record set in 2007. We also plan to raise operating profit to the 400 billion yen level. We will achieve sales and profit growth for the third consecutive year and gain momentum toward achieving our performance targets for 2025, the final year of Phase VI of the Excellent Global Corporate Group Plan.

## **Supplementary Information**



# FY 2023 Financial Results by Business Unit (3Q 2023 Actual versus 3Q 2022 Actual)



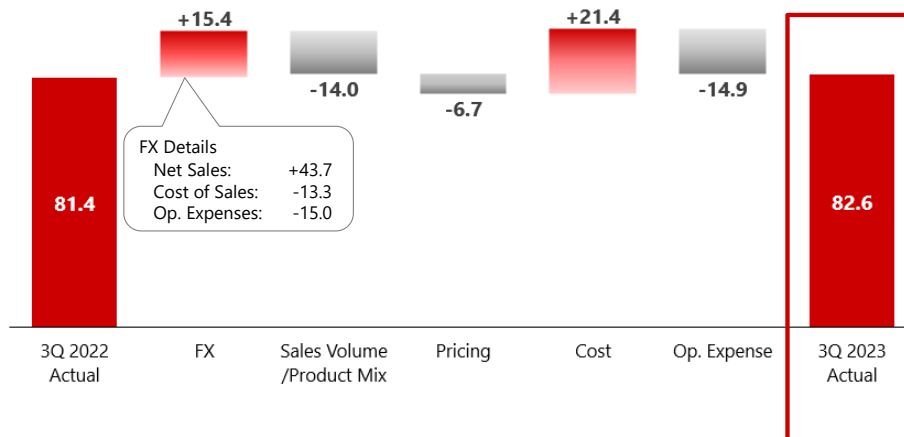
(Billions of yen)		3Q			1Q-3Q		
		2023 Actual	2022 Actual	% Change	2023 Actual	2022 Actual	% Change
Printing	Net Sales	570.4	554.8	+2.8%	1,703.4	1,632.4	+4.3%
	Op. Profit (%)	46.0 (8.1%)	41.0 (7.4%)	+12.3%	156.0 (9.2%)	160.5 (9.8%)	-2.9%
Imaging	Net Sales	220.7	202.9	+8.7%	632.3	561.0	+12.7%
	Op. Profit (%)	40.2 (18.2%)	36.6 (18.0%)	+9.7%	111.9 (17.7%)	82.3 (14.7%)	+35.9%
Medical	Net Sales	132.4	126.1	+5.0%	389.6	362.5	+7.5%
	Op. Profit (%)	6.6 (5.0%)	6.4 (5.1%)	+3.2%	17.9 (4.6%)	21.1 (5.8%)	-14.8%
Industrial	Net Sales	78.8	87.0	-9.4%	215.8	233.8	-7.7%
	Op. Profit (%)	15.8 (20.0%)	16.9 (19.4%)	-6.6%	35.3 (16.3%)	44.7 (19.1%)	-21.0%
Others & Corporate	Net Sales	44.7	53.8	-16.8%	141.4	157.1	-10.0%
	Op. Profit	-25.5	-19.8	-	-60.0	-52.9	-
Eliminations	Net Sales	-21.8	-28.5	-	-65.2	-72.6	-
	Op. Profit	-0.5	0.3	-	-1.7	0.4	-
Total	Net Sales	1,025.2	996.1	+2.9%	3,017.3	2,874.2	+5.0%
	Op. Profit (%)	82.6 (8.1%)	81.4 (8.2%)	+1.5%	259.4 (8.6%)	256.1 (8.9%)	+1.3%

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.

# FY 2023 Operating Profit Analysis

(3Q 2023 Actual versus 3Q 2022 Actual)

(Billions of yen)



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

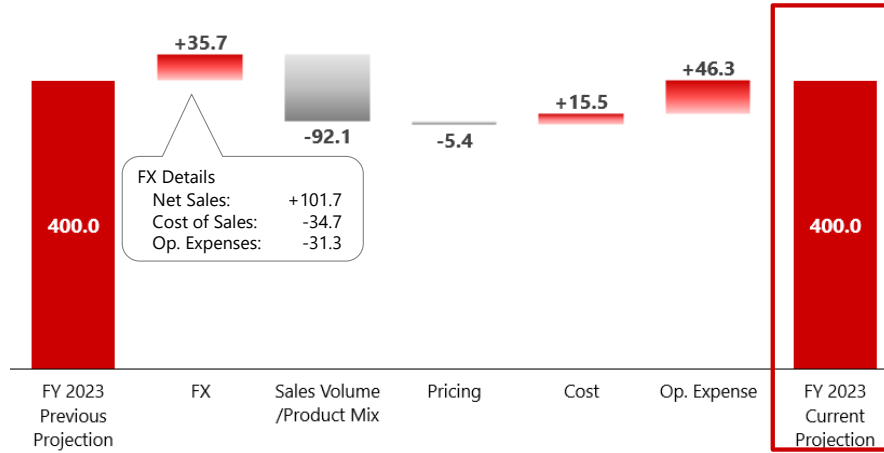
(Billions of yen)		FY 2023 Current Projection	FY 2022 Actual	% Change	FY 2023 Previous Projection	Amount Change
Printing	Net Sales	<b>2,342.8</b>	<b>2,272.6</b>	+3.1%	<b>2,399.0</b>	-56.2
	Op. Profit	<b>241.4</b>	<b>212.4</b>	+13.7%	<b>241.8</b>	-0.4
	(%)	<b>(10.3%)</b>	<b>(9.3%)</b>		<b>(10.1%)</b>	
Imaging	Net Sales	<b>901.0</b>	<b>803.5</b>	+12.1%	<b>915.0</b>	-14.0
	Op. Profit	<b>156.2</b>	<b>126.6</b>	+23.4%	<b>151.8</b>	+4.4
	(%)	<b>(17.3%)</b>	<b>(15.8%)</b>		<b>(16.6%)</b>	
Medical	Net Sales	<b>561.8</b>	<b>513.3</b>	+9.4%	<b>576.2</b>	-14.4
	Op. Profit	<b>36.8</b>	<b>31.0</b>	+18.7%	<b>40.6</b>	-3.8
	(%)	<b>(6.6%)</b>	<b>(6.0%)</b>		<b>(7.0%)</b>	
Industrial	Net Sales	<b>315.2</b>	<b>329.2</b>	-4.3%	<b>352.9</b>	-37.7
	Op. Profit	<b>59.4</b>	<b>58.0</b>	+2.4%	<b>60.8</b>	-1.4
	(%)	<b>(18.8%)</b>	<b>(17.6%)</b>		<b>(17.2%)</b>	
Others & Corporate	Net Sales	<b>194.3</b>	<b>212.3</b>	-8.5%	<b>224.8</b>	-30.5
	Op. Profit	<b>-92.5</b>	<b>-73.8</b>	-	<b>-94.3</b>	+1.8
Eliminations	Net Sales	<b>-95.1</b>	<b>-99.5</b>	-	<b>-104.9</b>	+9.8
	Op. Profit	<b>-1.3</b>	<b>-0.8</b>	-	<b>-0.7</b>	-0.6
Total	Net Sales	<b>4,220.0</b>	<b>4,031.4</b>	+4.7%	<b>4,363.0</b>	-143.0
	Op. Profit	<b>400.0</b>	<b>353.4</b>	+13.2%	<b>400.0</b>	0.0
	(%)	<b>(9.5%)</b>	<b>(8.8%)</b>		<b>(9.2%)</b>	

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.

# FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus Previous Projection)

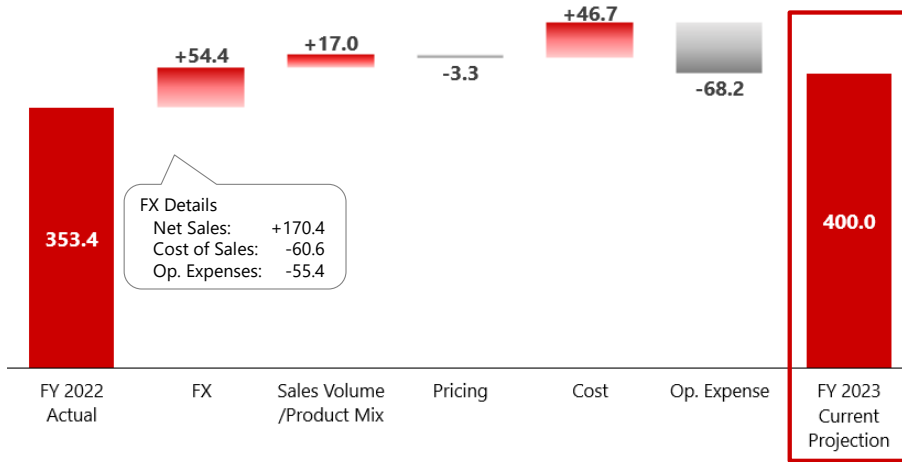
(Billions of yen)



# FY 2023 Operating Profit Analysis

(FY 2023 Current Projection versus FY 2022 Actual)

(Billions of yen)



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

			FY 2023		FY 2022	
			3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office MFDs</b>	JPY	Hardware	-4%	+12%	+75%	+30%
		Non-hardware	+7%	+7%	+14%	+10%
	LC	Hardware	-9%	+7%	+54%	+17%
		Non-hardware	+2%	+2%	+3%	+2%
<b>LPs</b>	JPY	Hardware	-12%	-12%	+53%	+34%
		Non-hardware	+2%	-5%	-8%	+6%
	LC	Hardware	-16%	-16%	+32%	+19%
		Non-hardware	0%	-6%	-18%	-2%
<b>IJPs</b>	JPY	Hardware	-1%	-10%	+33%	+34%
		Non-hardware	+10%	+4%	-18%	-7%
	LC	Hardware	-6%	-14%	+17%	+21%
		Non-hardware	+3%	-1%	-27%	-15%
<b>Production</b>	JPY	Hardware	+3%	+10%	+46%	+30%
		Non-hardware	+8%	+9%	+29%	+23%
	LC	Hardware	-4%	+4%	+25%	+15%
		Non-hardware	0%	+2%	+12%	+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	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
<b>Office</b>	Office MFDs	151.5	620.7	149.7	567.8
	Others	89.0	363.7	78.9	321.1
		240.5	984.4	228.6	888.9
<b>Prosumer</b>	LPs	145.8	600.0	151.5	651.2
	IJPs	85.5	361.4	81.7	370.1
		231.3	961.4	233.2	1,021.3

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

		FY 2023		FY 2022	
		3Q Actual	Full Year Projection	3Q Actual	Full Year Actual
	KrF	21	57	11	51
	i-Line	29	132	39	125
	<b>Total</b>	<b>50</b>	<b>189</b>	<b>50</b>	<b>176</b>

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.