

FY2023 Results

January 29, 2024
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Director, Vice President



* The figures are rounded off to the nearest 100 million yen in this material.
* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties.
As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

Hello, everyone. I am Hatsumi Hirukawa.

Thank you very much for joining us today, despite your busy schedules.

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Now we will be moving on to the results for the FY2023 and the projections for FY2024.

We will proceed with the briefing based on this agenda.

- 1** Operating income, ordinary income and net income attributable to owners of the parent all surpassed previous record highs for Q4 results and for the third consecutive year on a yearly basis
- 2** IT Solutions business remained favorable and achieved double-digit growth
- 3** Annual dividend was increased to 120 yen (payout ratio of 43%)

On the third page, I will review the key points of the fourth quarter results.

In the fourth quarter both sales and profits increased year on year, with operating income, ordinary income and net income attributable to owners of the parent all setting record highs. For the full year in 2023, we also managed to post record highs for the third consecutive period.

IT solutions continued its strong performance, achieving double-digit growth of 10% year on year.

Against the backdrop of these strong operating results, we decided to increase the annual dividend to ¥120.

Summary of Results

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

✓ **Operating income, ordinary income and net income attributable to owners of the parent all surpassed previous record highs for Q4 results.**

(Billions of yen)

	4Q 2022	4Q 2023	Changes	
			Amount	%
Net sales	160.1	164.9	+4.9	+3%
Gross profit	(32.4%) 51.9	(33.1%) 54.5	(+0.6%) +2.6	+5%
Operating income	(7.6%) 12.1	(9.0%) 14.8	(+1.4%) +2.7	+22%
Ordinary income	(7.7%) 12.4	(9.1%) 15.0	(+1.4%) +2.7	+22%
Net income attributable to owners of the parent	(5.5%) 8.9	(6.5%) 10.6	(+0.9%) +1.8	+20%

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The fourth page shows a summary of the results for the fourth quarter.

As noted a moment ago, in the fourth quarter both sales and profits increased year on year, with operating income, ordinary income and net income attributable to owners of the parent each setting record highs.

Sales rose 3% year on year to ¥164.9 billion mainly due to the continued strength of the IT solutions business.

Operating income rose ¥2.7 billion year on year to ¥14.8 billion following a rise in gross profit mainly in IT solutions.

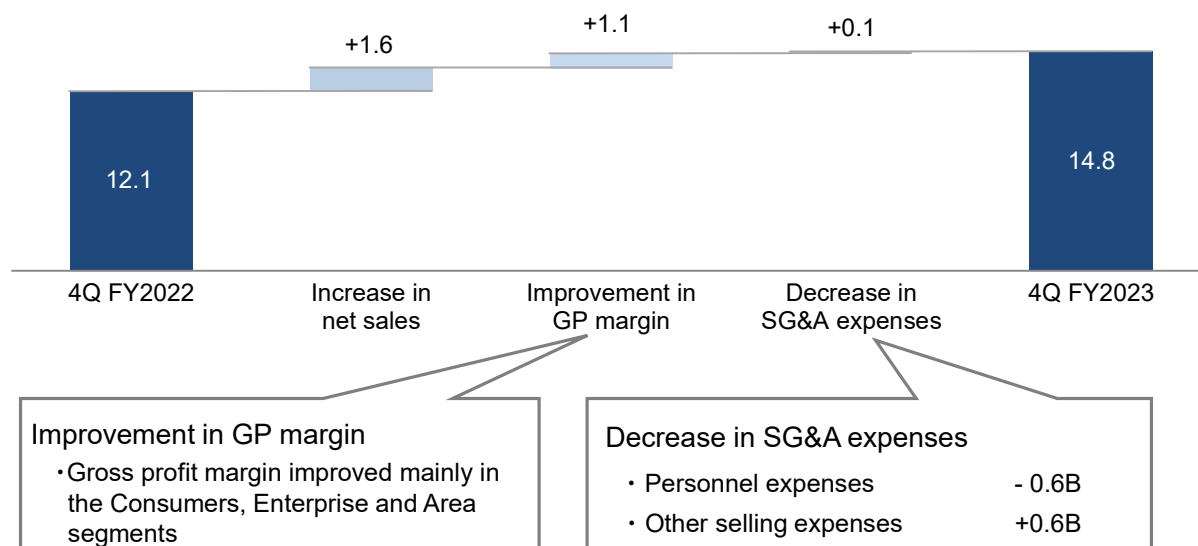
Net income attributable to owners of the parent increased by ¥1.8 billion to ¥10.6 billion.

Op. Income Variance Analysis

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)



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The fifth page shows an analysis of operating income for the fourth quarter.

Due to the rise in net sales, gross profit increased by ¥1.6 billion.

The gross profit margin improved and drove a ¥ 1.1 billion increase in operating income, reflecting efforts to improve the quality of proposals and provide products and services with high added value, in addition to the effects of price revisions in response to higher purchase prices mainly in the Consumers, Enterprise and Area segments.

SG&A expenses decreased by ¥100 million, in part reflecting lower personnel expenses from transferring a portion of labor costs to the cost of sales, despite a rise in other selling expenses due to the amortization of goodwill in connection with M&A activities and higher IT expenses.

For details about SG&A expenses for the fourth quarter, please see SG&A expenses on page 26.

Segment Outline

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	4Q FY2022		4Q FY2023		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	42.7	4.4	40.9	5.0	-1.8	+0.6
Enterprise	53.7	4.1	60.1	5.3	+6.3	+1.2
Area	59.3	3.8	58.9	4.8	-0.4	+1.0
Professional	8.4	0.1	9.7	0.2	+1.3	+0.1
Other	-4.1	-0.3	-4.7	-0.5	-0.6	-0.2
Total	160.1	12.1	164.9	14.8	+4.9	+2.7

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment.

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The sixth page shows the summary of the results for the fourth quarter by segment.

Sales decreased in the Consumers and Area segments while sales rose in the Enterprise and Professional segments.

All segments achieved growth in operating income.

Later, I will explain the details of the financial results by segment.

Summary of Results

FY2023 Actual
(from January 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	FY2022	FY2023	Changes	
			Amount	%
Net sales	588.1	609.5	+21.3	+4%
Gross profit	(33.9%) 199.3	(33.6%) 204.5	(-0.3%) +5.2	+3%
Operating income	(8.5%) 49.9	(8.6%) 52.5	(+0.1%) +2.5	+5%
Ordinary income	(8.7%) 51.0	(8.8%) 53.6	(+0.1%) +2.6	+5%
Net income attributable to owners of the parent	(6.0%) 35.6	(6.0%) 36.5	(-0.1%) +0.9	+3%

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On the seventh and subsequent pages show year-to-date financial results in 2023.

Sales rose due to a recovery in the supply of Canon products in addition to continued strength of the IT solutions business.

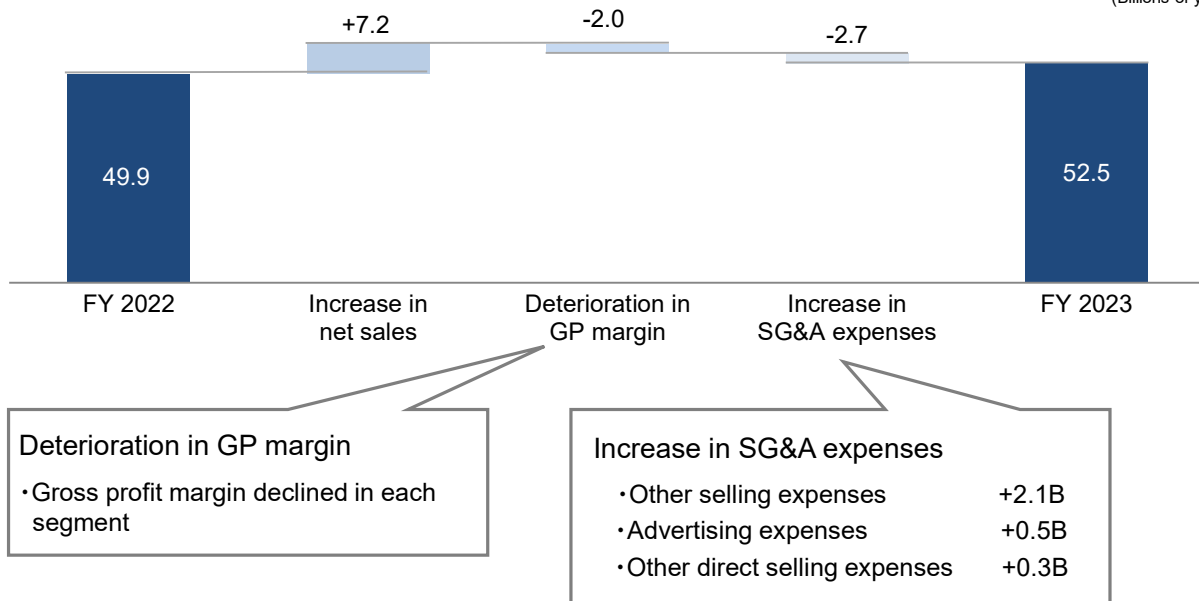
On the profit front, while SG&A expenses increased due to the proactive implementation of effective sales promotional activities in connection with COVID-19 being reclassified as a Class V infectious disease in Japan, gross profit surpassed that increase, resulting in a year-to-year increase.

Op. Income Variance Analysis

FY2023 Actual
(from January 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)



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Page 8 demonstrates an analysis of full-year operating income.

Due to the rise in net sales, gross profit increased by ¥7.2 billion.

Despite being impacted by higher purchase prices, we managed to limit the drop in gross profit margins to a slight decline.

SG&A expenses increased ¥2.7 billion because of increases in other selling expenses such as IT expenses and travel and transportation expenses, advertising expenses, and other direct expenses such as business support costs associated with the recovery of the supply of Canon products.

For details of full-year SG&A expenses, please refer to SG&A expenses on page 27.

Segment Outline

FY2023 Actual
(from January 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	FY 2022		FY 2023		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	136.6	13.9	134.7	13.4	-1.9	-0.6
Enterprise	202.7	17.1	220.3	19.7	+17.6	+2.6
Area	226.6	15.6	233.9	18.2	+7.4	+2.7
Professional	41.7	5.2	40.2	3.6	-1.5	-1.6
Other	-19.4	-1.9	-19.7	-2.4	-0.2	-0.5
Total	588.1	49.9	609.5	52.5	+21.3	+2.5

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment.

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Page 9 shows a summary of full-year results by segment.

Net sales declined in the Consumers and Professional segments, but rose in the Enterprise and Area segments.

Operating income also decreased in the Consumers and Professional segments, while it rose in the Enterprise and Area segments.

- ✓ Net sales decreased, given a decrease in sales of digital interchangeable lens cameras and inkjet printers.
- ✓ Operating income increased, attributable to a decrease in advertising expenses and other SG&A expenses.

(Billions of yen)

	4Q		
	FY2022	FY2023	Changes
Net sales	42.7	40.9	-4%
Op. income	4.4	5.0	+13%
margin	10.4%	12.2%	+1.9%

Consumer Products, Y/Y
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	+29%	+29%	-15%	-2%	+8%
Inkjet Printer (IJP)	Unit	-35%	-12%	-13%	-13%	-19%
IJP Cartridge	Amount	-6%	-3%	-2%	-7%	-5%

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On the tenth and subsequent pages, I will explain results by segment.

First, we are looking at the Consumers segment.

Fourth-quarter sales decreased 4% year on year to ¥40.9 billion, mainly reflecting a decrease in sales of digital interchangeable lens cameras and inkjet printers.

Operating income rose ¥600 million year on year to ¥ 5 billion due to reduced SG&A expenses such as advertising expenses, despite a slight decline in gross profit in connection with lower net sales.

(Digital interchangeable lens cameras)

Sales of digital interchangeable lens cameras fell 2% year on year due to a temporary cooling of the market. Sales of interchangeable lenses decreased due to lower sales of camera bodies.

(Inkjet printers)

Sales volume of inkjet printers was down 13% from the previous year, reflecting a contraction of the market, etc.

Sales of ink cartridges decreased, mainly reflecting a decline in printing volume.

(IT products)

Sales of IT products increased slightly, reflecting continued growth in sales of high-performance PCs and PC peripherals.

- ✓ Net sales increased, thanks to the favorable performance of office equipment, etc. in addition to robust sales of IT solutions.
- ✓ Operating income increased, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	4Q		
	FY2022	FY2023	Changes
Main Business Equipment, Other	15.4	16.6	+8%
IT Solutions	38.3	43.4	+13%
Net sales	53.7	60.1	+12%
Op. income	4.1	5.3	+28%
margin	7.7%	8.8%	+1.1%

[Reference] Results of main consolidated companies

Canon IT Solutions Inc.

	4Q		Changes	
	2022	2023	Amount	%
Net sales	29.2	33.9	+4.7	+16%
Op. income	2.8	3.8	+1.0	+34%

Orders received and outstanding orders, Y/Y

Canon IT Solutions, Non-consolidated

		1Q 2Q 3Q 4Q Full Year				
		Amount				
Orders received	Amount	+22%	+6%	+5%	+6%	+9%
Outstanding orders	Amount	+12%	+9%	+2%	-4%	-

Cumulative annual orders received and outstanding orders achieved double-digit growth, excluding the Data Center business.

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On the eleventh page, I will explain the Enterprise segment.

For the fourth quarter, net sales increased 12% year on year to ¥60.1 billion, thanks to the favorable performance of office equipment, etc. in addition to robust sales of IT solutions. Operating income recorded a ¥1.2 billion year-on-year jump to ¥5.3 billion, benefitting from higher gross profit due to increased sales.

(Main business equipment, Other)

Regarding major business equipment, the volume of office MFPs sold declined in the absence of the increase in shipments in the previous year associated with the recovery in supply. As for laser printers, the number of units rose significantly with major projects in the financial and manufacturing industries. Sales of maintenance services for office MFPs fell slightly due to reduced printing volume in offices. Net sales of LBP cartridges rose significantly, due to the effects of price revisions implemented in February 2023 in response to rising purchase prices, combined with strong performance with the financial sector. As a result, net sales for the entire subsegment of main business equipment increased.

(IT solutions)

IT solutions sales increased significantly, reflecting the securing of major IT infrastructure projects in addition to higher sales from system integration projects for the financial and distribution sectors at Canon IT solutions. As a result, net sales for the whole IT solutions subsegment increased 13% year on year.

[Canon IT Solutions results: Orders received and outstanding orders]

Sales at Canon IT Solutions Inc., a key affiliate, increased 16% year on year to ¥33.9 billion. Operating income recorded a ¥1.0 billion year-on-year jump to ¥3.8 billion, benefitting from higher gross profit due to increased sales. Orders received were up 6% from the previous year on brisk orders for system integration projects for the distribution and financial sectors, offsetting the absence of the large IT infrastructure project that was recorded in the same period of the previous year. Outstanding orders decreased 4% year on year, reflecting sales switching over to major data center projects and the absence of the major IT infrastructure project from the same period the previous year, despite strong performance with system integration projects for the financial and distribution sectors. Orders received and outstanding orders for all IT solutions business except the data center business both remained strong, recording double-digit growth for the full year.

- ✓ Net sales decreased due to a decrease in sales of office equipment, etc., albeit robust sales of IT solutions.
- ✓ Operating income increased, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	4Q		
	FY2022	FY2023	Changes
Main Business Equipment, Other	43.1	41.8	-3%
IT Solutions	16.3	17.1	+5%
Net sales	59.3	58.9	-1%
Op. income	3.8	4.8	+26%
margin	6.4%	8.2%	+1.7%

[Reference] Results of main consolidated companies

Canon System & Support Inc.

	4Q		Changes	
	2022	2023	Amount	%
Net sales	24.9	26.0	+1.1	+5%
Op. income	1.3	1.7	+0.4	+33%

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On the twelfth page, I will explain the Area segment.

Net sales for the fourth quarter were down 1% year on year to ¥58.9 billion, due to a decline in business equipment sales despite strong sales of IT solutions.

Operating income rose ¥1.0 billion year on year to ¥4.8 billion due to a rise in gross profit on the back of sales growth in IT solutions and reduction in personnel expenses and other SG&A expenses.

(Main business equipment, Other)

As for major business equipment, the volume of office MFPs and laser printers declined due to the continued impact of the shift toward a paperless office and the absence of the previous year's increase in shipments following the recovery of supply.

Sales of maintenance services for office MFPs fell slightly due to reduced printing volume in offices. LBP cartridge sales fell in part as a correction from rush demand ahead of price revisions made at the same period in the previous year.

Consequently, net sales for the entire subsegment of main business equipment and other decreased.

(IT solutions)

In IT solutions, sales and installation support for mission-critical business software remain strong in a repeat of third quarter performance, driven by steady business PC sales, and Canon System & Support made improved digitalization proposals aimed at improved productivity and proposals encouraging the use of IT adoption subsidies at small and medium enterprises to take advantage of changes in laws and taxation systems. Orders also increased for the Makasete IT series, which provide total support for the IT environments of small and medium enterprises.

As a result, net sales for the whole IT solutions subsegment increased 5% year on year.

[Results for Canon System & Support Inc.]

Net sales for Canon System & Support Inc., a key affiliate, rose 5% year on year to ¥26.0 billion. Operating income increased ¥0.4 billion year on year to ¥1.7 billion, reflecting a higher gross profit associated with increased sales owing to steady performance in IT solutions.

- ✓ Net sales increased, attributable to increases in sales in each sub-segment.
- ✓ Operating income increased, reflecting a rise in gross profit associated with higher sales in Industrial equipment.

(Billions of yen)

	4Q		
	FY2022	FY2023	Changes
Production Printing	2.6	2.8	+8%
Industrial Equipment	3.0	3.2	+5%
Healthcare Business	2.7	3.7	+34%
Net sales	8.4	9.7	+16%
Op. income	0.1	0.2	+229%
margin	0.8%	2.1%	+1.4%

[Reference] Results of main consolidated companies

Canon Production Printing Systems Inc.

	4Q		Changes	
	2022	2023	Amount	%
Net sales	2.4	2.6	+0.2	+8%
Op. income	-0.1	-0.0	+0.1	-

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On the thirteenth page, I will explain the Professional segment.

Sales for the fourth quarter were up 16% year on year to ¥9.7 billion. All subsegments achieved higher sales figures.

Operating income recorded a ¥100 million year-on-year jump to ¥200 million, benefitting mainly from higher gross profit due to increased sales of Industrial equipment.

(Production printing)

Sales in production printing increased 8% year over year, in part reflecting an increase in high-speed continuous feed printer projects.

[Results at Canon Production Printing Systems Inc.]

Canon Production Printing Systems Inc., a key affiliate, achieved an 8% year-on-year increase of net sales to ¥2.6 billion.

Operating income improved by ¥100 million year on year.

(Industrial equipment)

In industrial equipment, increased sales of semiconductor fabrication equipment and other equipment drove a 5% year-on-year increase in net sales.

(Healthcare)

For healthcare, sales increased significantly, jumping 34% year on year, benefiting from the transfer of business from Canon Medical Systems despite the absence of major projects for hospitals that were underway in the same period the previous year.

Overall Sales of IT Solutions

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	Consumers		Enterprise		Area		Professional		Other		Total		Composition Ratio
	4Q 2022	4Q 2023	4Q 2022	4Q 2023	4Q 2022	4Q 2023	4Q 2022	4Q 2023	4Q 2022	4Q 2023	4Q 2022	4Q 2023	4Q 2023
SI services	-	-	17.2	19.3	2.4	3.2	2.7	3.7	-0.6	-0.3	21.7	26.0	36%
Changes		-		+12%		+33%		+34%		-		+20%	
Maintenance and operation service / outsourcing	-	-	10.9	12.8	2.6	2.8	0.4	0.4	-0.1	-0.0	13.9	16.0	22%
Changes		-		+17%		+6%		-		-		+15%	
IT products and system sales	8.0	8.1	10.3	11.4	11.2	11.1	-	-	-0.1	-1.1	29.4	29.4	41%
Changes		+1%		+11%		-1%		-		-		-0%	
Total	8.0	8.1	38.3	43.4	16.3	17.1	3.1	4.1	-0.8	-1.4	65.0	71.3	
Changes		+1%		+13%		+5%		+31%		-		+10%	

※ "Other" is a business segment that is excluded from the reportable segments and includes shared service business and the elimination of intersegment transactions.

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The fourteenth page shows overall sales of IT solutions.

I will explain the results for the fourth quarter. Groupwide IT solutions sales improved 10% year on year, reflecting a 20% year-on-year sales increase in SI services as well as favorable year-on-year increase of 15% for maintenance and operation service / outsourcing.

Next, let us take a look at key points, segment by segment.

In the **Consumers segment**, sales of high-performance PC products and PC peripherals increased, driving a 1% year-on-year increase in IT products and system sales.

Next, I will describe the **Enterprise segment**. In SI services, sales jumped 12% year on year after strong performance with projects for the financial and distribution sectors at Canon IT solutions. In maintenance and operation service / outsourcing, sales increased 17% year on year, reflecting increased sales for the Second Data Center achieved by Canon IT solutions and TCS becoming a member of the Group, despite the absence of large BPO projects that were underway at the same period in the previous year. In IT products and system sales, net sales rose 11% year on year mainly due to the strong performance with the addition of major new IT infrastructure projects by Canon IT Solutions.

Next I will go over the **Area segment**. In SI services, sales and installation support for mission-critical business software remained strong and drove sales up 33% year on year. Canon System & Support made improved digitalization proposals aimed at improved productivity as well as proposals encouraging the use of IT adoption subsidies at small and medium enterprises to take advancing of changes in laws and taxation systems. In maintenance and operation service / outsourcing, net sales rose 6% year on year thanks to an increase in the number of order received for the Makasete IT DX series at Canon System & Support. IT products and system sales declined 1% year on year, due to gateway security installations provided by Canon System & Support having come full circle for the meantime, despite strong performance with business PCs on the part of both Canon Marketing Japan and Canon System & Support.

Next, let's look at the **Professional segment**. In healthcare, SI services increased sales by 34% year on year, benefiting from the transfer of business from Canon Medical Systems despite the absence of major projects for hospitals that were underway in the same period the previous year.

Overall Sales of IT Solutions

FY2023 Actual
(from January 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	Consumers		Enterprise		Area		Professional		Other		Total		Composition Ratio
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2023
SI services	-	-	64.7	73.4	10.0	12.2	9.6	15.1	-2.3	-2.1	82.0	98.6	37%
Changes		-		+13%		+23%		+57%		-		+20%	
Maintenance and operation service / outsourcing	-	-	40.5	44.7	10.1	10.8	1.4	1.4	-1.5	-1.9	50.5	55.0	20%
Changes		-		+10%		+7%		△0%		-		+9%	
IT products and system sales	29.3	29.4	37.4	41.9	45.1	47.2	-	-	-2.9	-3.1	108.8	115.3	43%
Changes		+0%		+12%		+4%		-		-		+6%	
Total	29.3	29.4	142.6	160.0	65.2	70.2	11.1	16.5	-6.7	-7.1	241.4	268.9	
Changes		+0%		+12%		+8%		+49%		-		+11%	

※ "Other" is a business segment that is excluded from the reportable segments and includes shared service business and the elimination of intersegment transactions.

The fifteenth page shows Groupwide sales of IT solutions for the full year.

Groupwide IT solutions sales improved 11% year on year, mainly driven by strong performance in SI services.

Summary of Projections

(Billions of yen)

	FY2023 Actual	FY2024 Projection	Changes	
			Amount	%
Net Sales	609.5	630.0	+20.5	+3%
	(8.6%)	(8.6%)	(-0.0%)	
Operating Income	52.5	54.0	+1.5	+3%
	(8.8%)	(8.7%)	(-0.1%)	
Ordinary Income	53.6	55.0	+1.4	+3%
	(6.0%)	(6.0%)	(-0.0%)	
Net income attributable to owners of the parent	36.5	37.5	+1.0	+3%

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The sixteenth page shows a summary of projections.

Looking back at the situation in 2023, amid various rising costs including purchase prices and logistics, we enhanced our ability to develop proposals, and made efforts to provide high value-added products and services.

As a result, we managed to achieve increases in both sales and profit, primarily attributable to expanded sales from SI services and IT infrastructure services against the backdrop of active corporate IT investment, recovery in the supply of multifunction printers (MFPs) for offices, and brisk sales of new digital interchangeable lens camera products.

In 2024, with increasing consumer spending mainly due to domestic and overseas travel on the rise amid an improving employment and income environment, rising capital investment primarily driven by corporate IT investment on the back of favorable operating results, and other factors, we project that the domestic economy will continue a gradual recovery.

However, we need to closely monitor risks that could place downward pressure on the Japanese economy, such as the effects of global monetary tightening, a downturn in overseas economies driven by concerns over the Chinese economic outlook, and rising domestic prices.

The Group will work to enhance the profitability of Canon's product business and to improve sales together with profitability in the IT solution business, which is positioned as a growth business.

In view of the circumstances described above, we project net sales to rise 3%, to ¥630.0 billion. We anticipate sales growth in all segments.

For operating income, although we project a decline in the Consumers segment due to the shrinking inkjet printer market and other factors, we expect increases in the Enterprise, Area and Professional segments, leading to an overall increase of ¥1.5 billion to ¥54.0 billion.

2023 Reclassified Results

(Billions of yen)

	FY2023		FY2023		Changes		
	Before reclassification		After reclassification				
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	134.7	13.4	138.9	14.1	+4.2	+3%	+0.7
Enterprise	220.3	19.7	220.3	19.7	-	-	-
Area	233.9	18.2	229.7	17.5	-4.2	-2%	-0.7
Professional	40.2	3.6	40.2	3.6	-	-	-
Other	-19.7	-2.4	-19.7	-2.4	-	-	-
Total	609.5	52.5	609.5	52.5	-	-	-

※One of the organizations of sales channels in the Area segment was transferred to the Consumers segment from FY2024.
As a result, the FY 2023 financial results have been reclassified between the two segments.

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On the seventeenth page, we describe the reclassification of segments in the 2023 results before going over full-year projections for each segment.

Starting January 2024, some Area segment sales channels have been shifted to the Consumers segment.

Previously, we had split responsibilities with the Consumers segment handling B-to-C and the Area segment handling B-to-B, but now some wholesale channels have been consolidated with the aim of building a more efficient sales structure.

Due to this change, there will be a reclassification of some sales and profit from the Area segment to the Consumers segment.

The results for 2023 will be replaced with figures showing results before and after the reclassification.

Summary of Projections by Segment

(Billions of yen)

	FY2023 Actual		FY2024 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	138.9	14.1	139.3	13.7	+0.4	+0%	-0.4
Enterprise	220.3	19.7	231.2	20.5	+10.9	+5%	+0.8
Area	229.7	17.5	235.0	18.3	+5.3	+2%	+0.8
Professional	40.2	3.6	44.0	4.1	+3.8	+9%	+0.5
Other	-19.7	-2.4	-19.5	-2.6	+0.2	-	-0.2
Total	609.5	52.5	630.0	54.0	+20.5	+3%	+1.5

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment.

※One of the organizations of sales channels in the Area segment was transferred to the Consumers segment from FY2024. As a result, the FY 2023 financial results have been reclassified between the two segments.

18-1

Let me explain our projections for 2024 by segment in Slide 18.

First, let us focus on the projections in the **Consumers segment**.

We project ¥139.3 billion in net sales, on par with the previous year.

Operating income is expected to decrease ¥400 million year on year to ¥13.7 billion due to rising SG&A expenses including advertising and IT expenses.

For digital interchangeable lens cameras, we expect to see progress in sales of the EOS R series and RF lenses as we promote the shift to mirrorless cameras, with net sales climbing slightly. Inkjet printer and inkjet cartridge sales are expected to decline from lower volume due to the contracting market. However, for inkjet printer devices we will develop proposals that increase the percentage of high value-added products through strategies that prioritize profit as part of efforts to improve ASP. Net sales of IT products are expected to increase, due mainly to increased sales of high-performance PCs and PC peripherals.

Next is the projections in the **Enterprise segment**.

We expect net sales to improve 5% year over year to ¥231.2 billion.

Operating income is projected to grow ¥800 million year on year to ¥20.5 billion, reflecting a rise in gross profit due to higher sales.

For major business equipment, the number of office MFPs is expected to decrease, partly as a result of equipment consolidation due to the reorganization of sites, especially at large companies. The number of LBPs sold is expected to decline due to the absence of sales from large projects that occurred in the previous year. Sales of maintenance services for office MFPs and LBP cartridges are projected to fall, reflecting a trend of declining print volume in offices, particularly at large companies. We forecast a significant increase in sales in IT solutions chiefly thanks to strong performance with system integration projects for the manufacturing and financial sectors, despite the absence of large IT infrastructure projects that were undertaken in the previous year.

Summary of Projections by Segment

(Billions of yen)

	FY2023 Actual		FY2024 Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	138.9	14.1	139.3	13.7	+0.4	+0%	-0.4
Enterprise	220.3	19.7	231.2	20.5	+10.9	+5%	+0.8
Area	229.7	17.5	235.0	18.3	+5.3	+2%	+0.8
Professional	40.2	3.6	44.0	4.1	+3.8	+9%	+0.5
Other	-19.7	-2.4	-19.5	-2.6	+0.2	-	-0.2
Total	609.5	52.5	630.0	54.0	+20.5	+3%	+1.5

※"Other" includes elimination of intersegment transactions, shared service businesses and corporate expenses that are not allocated to each segment.

※One of the organizations of sales channels in the Area segment was transferred to the Consumers segment from FY2024. As a result, the FY 2023 financial results have been reclassified between the two segments.

18-2

We will now be moving on to the projections in **the Area segment**.

We expect net sales to improve 2% year over year to ¥235.0 billion.

Operating income is projected to grow ¥800 million year on year to ¥18.3 billion, reflecting a rise in gross profit due to higher sales.

Looking at major business equipment, the number of office MFPs is expected to increase as customers who have prolonged the usage period of their existing equipment are encouraged to make replacements, and through aggressive proposal activities targeting customers installing IT solutions. The number of LBPs sold is also projected to increase, in part from efforts to expand sales to specific business sectors. We forecast decreased sales of maintenance services for office MFPs due to decline in office printing volume. LBP cartridge sales will increase slightly due to an increase in the number of units in operation. IT solutions sales are expected to rise, reflecting steady progress in business PC sales due to the end of Windows 10 support, strong performance in security solutions such as the ESET antivirus software and the HOME IT support cloud service, and increased orders for the Makasete IT series, which provides total support for the IT environments of small and medium enterprises.

Next, we will discuss the projections in the **Professional segment**.

We expect net sales to improve 9% year over year to ¥44.0 billion. Operating income is projected to increase ¥500 million year on year to ¥4.1 billion, reflecting a rise in gross profit due to higher sales in each subsegment.

We forecast an increase in production printing sales, driven by increased recurring sales after the progress made expanding sales of high-speed printer units, along with steady performance in the POP business.

Industrial equipment sales are expected to increase due to strong sales of semiconductor fabrication equipment as well as inspection and measurement equipment, despite the recovery of computer memory and other markets taking longer than expected.

Healthcare sales are expected to rise significantly, with multiple large projects for hospitals expected to enter the service phase.

Supplementary Material for 2023 4Q

Canon Marketing Japan Inc.

Customer Product
Non-consolidated
¥Y

		FY2022 vs FY2021				FY2023 vs FY2022				Revenue Increase YoY	FY2023 vs FY2022
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
ImagePRO	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%

Business Product
Non-consolidated
¥Y

		FY2022 vs FY2021				FY2023 vs FY2022				Revenue Increase YoY	FY2023 vs FY2022
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
ImagePRO	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%

Consolidated

		FY2022 vs FY2021				FY2023 vs FY2022				Revenue Increase YoY	FY2023 vs FY2022
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
ImagePRO	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%

IT Solution
Consolidated
¥Y

		FY2022 vs FY2021				FY2023 vs FY2022				Revenue Increase YoY	FY2023 vs FY2022
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
ImagePRO	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%

Professional Segment
Consolidated
¥Y

		FY2022 vs FY2021				FY2023 vs FY2022				Revenue Increase YoY	FY2023 vs FY2022
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
ImagePRO	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%
ImagePRO (CP)	Revenue	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%	+17%

Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore involve inherent risks and uncertainties.
As a consequence, the actual results may materially differ from the forecasts.

Please see the **Supplementary Material for 2023 4Q** on our website.

•URL

<https://cweb.canon.jp/eng/ir/library/presentation.html>

19-1

On the nineteenth page, I would like to brief you on sales in monetary and unit terms for the main products shown in the supplementary material. This is available on our website and I hope you will access it there.

The fourth quarter results are as I explained in the segment information. Here I will brief you on results for commercial printing and network cameras, which were not covered under the segment information.

First, I will talk about **commercial printing**.

Under Commercial Printing, part of the Professional segment appearing in the second-to-last row of the Business Products table, the change in groupwide commercial printing is listed. It is the total of Production Printing, a subsegment of the Professional segment, and sales of production printing in other segments. In the fourth quarter, the Group's overall commercial printing sales increased 5% year on year. In addition to higher sales at Canon Production Printing Systems, sales of production cut paper printers at Canon Marketing Japan increased due to a sales expansion strategy focused on imagePRESS C265, which is ideal for shifting to in-house office printing.

Next, let's look at **network cameras**.

The change in groupwide net sales for network cameras is listed under the row for commercial printing.

In the fourth quarter, the Group's overall network camera sales increased 3% year on year, reflecting an increase in sales of the XProtect video management software for large corporations and other products on the back of growing demand for integrated video management and cloud utilization.

Supplementary Material for 2023 4Q

Canon Marketing Japan Inc.

Consumer Products
Non-consolidated
¥Y

	FY2023	FY2023 vs FY2022				FY2024	FY2024 vs FY2023	FY2025	FY2025 vs FY2024
		Q4	Q3	Q2	Q1				
Image* (1)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Image* (2)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Image* (3)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Image* (4)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%

Business Products
Non-consolidated
¥Y

	FY2023	FY2023 vs FY2022				FY2024	FY2024 vs FY2023	FY2025	FY2025 vs FY2024
		Q4	Q3	Q2	Q1				
MFP including Small Machine	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Business Support	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Business Support (1)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Business Support (2)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%

Consolidated

	FY2023	FY2023 vs FY2022				FY2024	FY2024 vs FY2023	FY2025	FY2025 vs FY2024
		Q4	Q3	Q2	Q1				
Consolidated Printing**	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Network Camera	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%

IT Solutions
Consolidated
¥Y

	FY2023	FY2023 vs FY2022				FY2024	FY2024 vs FY2023	FY2025	FY2025 vs FY2024
		Q4	Q3	Q2	Q1				
IT Solutions	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
IT Solutions (1)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
IT Solutions (2)	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%

Production Equipment
Consolidated
¥Y

	FY2023	FY2023 vs FY2022				FY2024	FY2024 vs FY2023	FY2025	FY2025 vs FY2024
		Q4	Q3	Q2	Q1				
Production Printing	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Industrial Equipment	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%
Healthcare	100	+1%	+1%	+1%	+1%	+1%	+1%	+1%	+1%

Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore involve inherent risks and uncertainties. As a consequence, the actual results may materially differ from the forecasts.

Please see the **Supplementary Material for 2023 4Q** on our website.

•URL

<https://cweb.canon.jp/eng/ir/library/presentation.html>

19-2

Next, we will explain the **outlook for 2024**.

Our forecasts for **digital interchangeable lens cameras, inkjet printers and ink jet printer cartridges** are as I explained in the segment information. Our respective annual forecasts for these products are an increase of 1%, a decrease of 1% and a decrease of 4%.

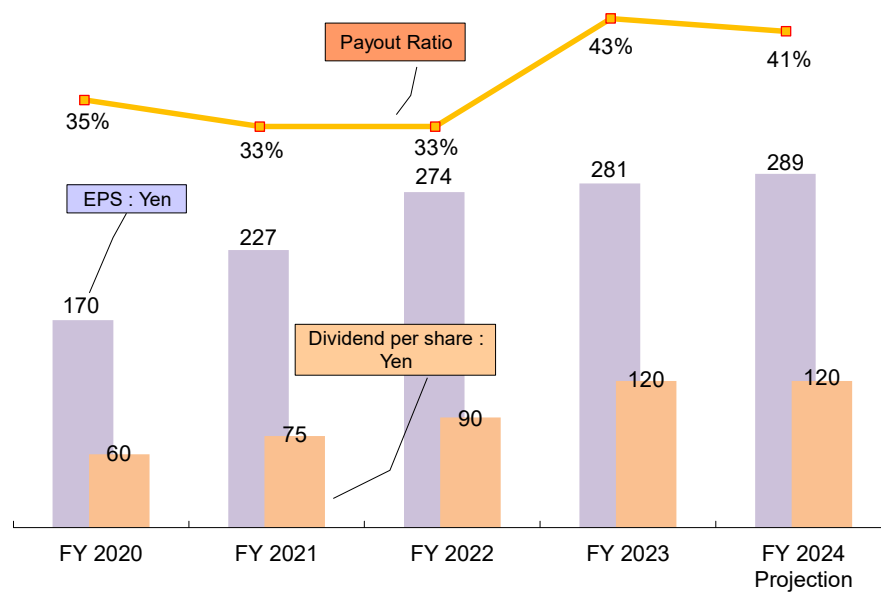
We expect to increase sales of office **MFPs** 8% year on year, by encouraging mainly semi-large, medium and small companies that have prolonged the usage period of their existing equipment to make replacements, and by pursuing aggressive proposal activities targeting customers installing IT solutions.

For **LBP**s, we will pursue expanded sales to small and medium companies and specific business sectors, and expect sales to increase 2% year on year. We expect to limit the year-on-year decline in maintenance services sales to 1% by increasing the number of units in operation in specific business sectors with high print demand, despite the impact of the paperless shift in the market. For **LBP cartridges**, the paperless shift in the market will have an adverse impact. We will limit the sales decrease to 2% by working to increase the number of units newly put into operation in specific business sectors.

Masachika Adachi will brief you on the status of IT solutions in the report on the progress of our Medium-Term Management Plan (2022-2025) Progress Report in the latter half of today's presentation.

Looking at **network cameras**, we forecast a market expansion due to the continued utilization of video footage and rising demands for safety and peace of mind, and expect sales to rise 34% year on year as a result of strongly promoting the XProtect video management software for large corporations and the VisualStage series of cloud-based recording services for small and medium enterprises.

Our forecasts for **production printing, industrial equipment, and healthcare** are as explained in the segment information.



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Page 20 shows our annual dividend forecast.

In light of the results achieved in 2023, we decided to pay an interim dividend of ¥50 per share and a year-end dividend of ¥70 per share, representing an increase in the annual dividend from ¥100 to ¥120.

We are also planning to pay a dividend of ¥120 per share for 2024.

Masachika Adachi will brief you on our shareholder return policy later.

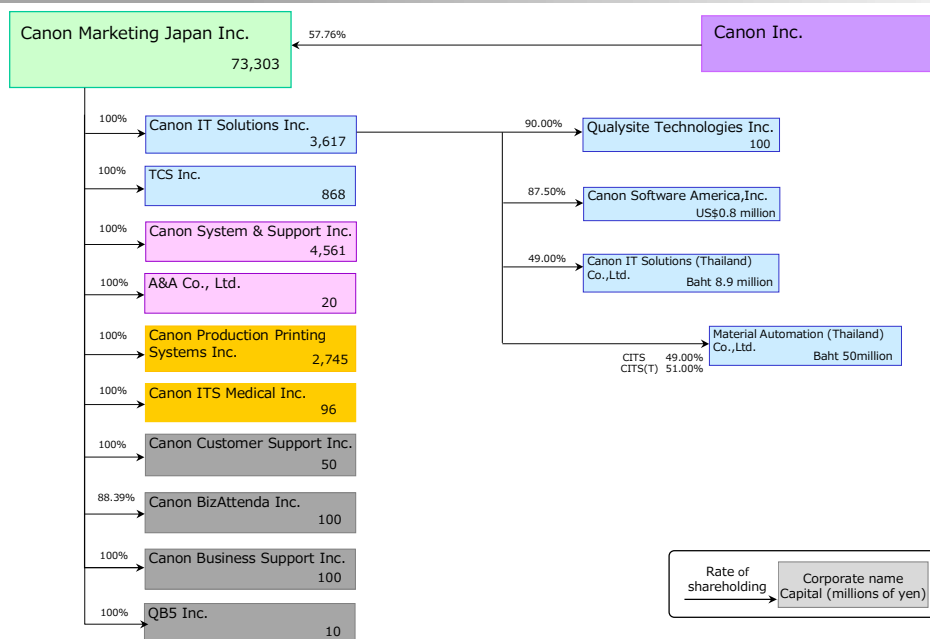


This concludes our briefing on the results for the FY2023 and the projections for FY2024.

Thank you very much.

Supplementary Information

Capital Relationship Diagram



As of December 31, 2023

Results of main consolidated companies

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

		4Q FY2022		4Q FY2023		Changes	
						Amount	%
Enterprise							
Canon IT Solutions Inc.	Net sales	29.2		33.9		+4.7	+16%
	Op. income	2.8	(9.6%)	3.8	(11.1%)	+1.0	(+1.5%)
Area							
Canon System & Support Inc.	Net sales	24.9		26.0		+1.1	+5%
	Op. income	1.3	(5.0%)	1.7	(6.4%)	+0.4	(+1.4%)
Professional							
Canon Production Printing Systems Inc.	Net sales	2.4		2.6		+0.2	+8%
	Op. income	-0.1	(-)	-0.0	(-)	+0.1	(-)

Results of main consolidated companies

FY2023 Actual
(from January 1 to December 31)



Canon Marketing Japan Group

(Billions of yen)

		FY 2022	FY 2023	Changes	
				Amount	%
Enterprise					
Canon IT Solutions Inc.	Net sales	110.1	127.0	+16.9	+15%
	Op. income	11.6 (10.5%)	14.0 (11.0%)	+2.5 (+0.5%)	
Area					
Canon System & Support Inc.	Net sales	98.3	104.4	+6.0	+6%
	Op. income	5.1 (5.2%)	6.3 (6.1%)	+1.2 (+0.8%)	
Professional					
Canon Production Printing Systems Inc.	Net sales	9.3	9.1	-0.3	-3%
	Op. income	0.4 (4.2%)	0.4 (3.9%)	-0.0 (-0.3%)	

SG&A expenses

4Q 2023 Actual
(from October 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	4Q FY2022	4Q FY2023	Changes
Advertising expenses	2.0	2.0	-0.1
Promotion expenses	1.0	0.9	-0.1
Warranty expenses	0.8	0.8	+0.0
Other direct selling expenses	4.6	4.5	-0.0
Personnel expenses	23.1	22.5	-0.6
Depreciation and amortization	0.3	0.3	+0.0
Other selling expenses	8.1	8.7	+0.6
Total	39.8	39.7	-0.1

SG&A expenses

FY2023 Actual
(from January 1 to December 31)

Canon
Canon Marketing Japan Group

(Billions of yen)

	FY 2022	FY 2023	Changes
Advertising expenses	4.8	5.3	+0.5
Promotion expenses	2.9	3.0	+0.1
Warranty expenses	2.9	3.0	+0.1
Other direct selling expenses	17.1	17.4	+0.3
Personnel expenses	91.5	90.9	-0.5
Depreciation and amortization	1.0	1.0	+0.0
Other selling expenses	29.2	31.3	+2.1
Total	149.3	152.0	+2.7

Non-operating income and expenses

(Billions of yen)

	FY2022		FY2023		Changes	
	4Q	FY	4Q	FY	4Q	FY
Interest income	0.1	0.3	0.1	0.4	+0.0	+0.1
Dividend income	0.1	0.2	0.1	0.2	+0.0	+0.0
Insurance income	0.0	0.5	0.0	0.5	-0.0	-0.0
Foreign exchange gains	0.0	0.0	-	-	-0.0	-0.0
Other, net	0.0	0.2	0.0	0.2	+0.0	-0.0
Total non-operating income	0.2	1.2	0.2	1.3	+0.0	+0.1
Interest expense	0.0	0.0	0.0	0.0	-0.0	-0.0
Loss on investments in partnership	-0.1	0.0	-0.0	0.0	+0.1	+0.0
Foreign exchange losses	-0.0	-	-0.0	0.0	-0.0	+0.0
Other, net	0.0	0.1	0.0	0.2	+0.0	+0.0
Total non-operating expenses	-0.1	0.2	0.0	0.2	+0.1	+0.0

Extraordinary income and losses

(Billions of yen)

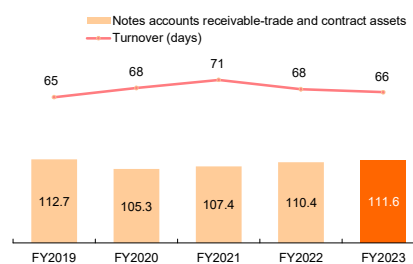
	FY2022		FY2023		Changes	
	4Q	FY	4Q	FY	4Q	FY
Gain on sales of long-lived assets	-	0.0	0.0	0.0	+0.0	+0.0
Gain on sales of investments in securities	0.3	0.7	0.0	0.1	-0.3	-0.6
Other, net	-	0.0	-	-	-	-0.0
Total extraordinary income	0.3	0.7	0.0	0.1	-0.3	-0.6
Loss on sales and disposal of long-lived assets	0.0	0.1	0.0	0.5	-0.0	+0.4
Loss on sales of shares of subsidiaries and associates	-	-	-	0.2	-	+0.2
Loss on sales of investments in securities	0.0	0.0	0.0	0.0	+0.0	-0.0
Loss on impairment of investments in securities	0.1	0.1	-	-	-0.1	-0.1
Other, net	0.0	0.0	-	0.0	-0.0	+0.0
Total extraordinary losses	0.1	0.2	0.0	0.6	-0.1	+0.4

Balance Sheets

	(Billions of yen)		
	Dec. 31 2022	Dec. 31 2023	Changes
Assets	543.7	557.4	+13.6
Current assets	419.7	418.6	-1.1
Cash and deposits	84.6	89.7	+5.1
Notes accounts receivable-trade and contract assets	110.4	111.6	+1.2
Inventories	38.5	39.8	+1.3
Other current assets	186.1	177.4	-8.7
Non-current assets	124.0	138.8	+14.7
Property, plant and equipment	85.3	85.0	-0.3
Intangible assets	6.0	14.2	+8.2
Investments and other assets	32.8	39.5	+6.8
Liabilities	143.4	121.9	-21.5
Current liabilities	108.1	110.6	+2.5
Notes and accounts payable-trade	47.4	45.6	-1.8
Other current liabilities	60.7	65.0	+4.4
Long-term liabilities	35.3	11.3	-24.0
Equity	400.4	435.5	+35.1
Shareholders' equity	387.4	410.8	+23.4
(Treasury stock)	-2.1	-2.1	+0.0
Total accumulated other comprehensive income (loss)	12.1	23.9	+11.8
Stock acquisition rights	0.0	0.1	+0.0
Non-controlling interests	0.8	0.7	-0.1
Equity ratio	73%	78%	+5%

Notes accounts receivable-trade and contract assets

(Billions of yen)

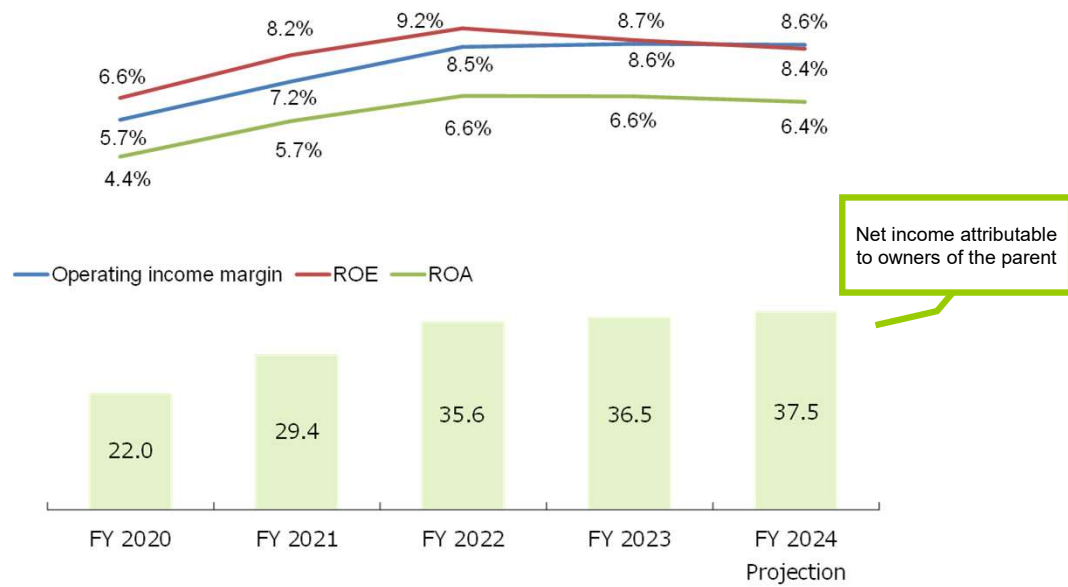


Inventories



Financial Indicator

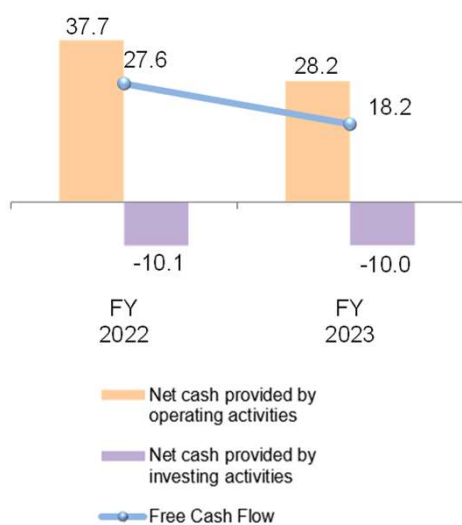
(Billions of yen)



Financial Indicator

(Billions of yen)

■ Cash Flow



■ Capital Investment

FY

FY 2022 Actual	9.1
FY 2023 Actual	9.4
FY 2024 Projection	15.1

■ Depreciation and amortization

FY

FY 2022 Actual	9.6
FY 2023 Actual	9.7
FY 2024 Projection	10.2

Canon

Canon Marketing Japan Group