

# 1Q 2024 Results

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**Canon**  
Canon Marketing Japan Group

\* 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 first quarter of FY2024 and the projections.

We will proceed with the briefing based on this agenda.

## Summary of 1Q of FY2024 Financial Results

- Net sales rose and income declined year on year.
- IT Solutions business continued to grow at a high rate. Sales rose 9% year on year.
- Both sales and profits grew exceeded the plan.

## 2024 Financial Projections

- The net sales forecast was revised upward by ¥15 billion, reflecting the incorporation of Primagest, Inc. into the Group.
- Operating income remained unchanged from the plan. The negative impact of the amortization of goodwill related to the acquisition of Primagest, Inc. was offset by a performance that exceeded expectations.

## Topics

- Primagest, Inc., a company excelling in industry-specific BPO service, has joined the Group.

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

In the first quarter sales increased and profits declined year on year.

IT Solutions continued its strong performance, managing to maintain its high growth rate with an increase of 9% year on year.

As a result, both sales and profits grew exceeded the plan.

For the full-year projection, we have revised our sales forecast upward by ¥15 billion, reflecting the impact from Primagest, Inc. joining the Group.

Regarding operating income, we expect an impact from goodwill amortization due to the acquisition of Primagest, but in light of the greater than expected progress seen mainly from IT Solutions in the first quarter, we will stay with our previous projection and aim to post record operating income for the fourth straight fiscal year.

We will go into more detail about the purpose for the Primagest acquisition and an overview of its business activities later.

## Summary of Results

1Q 2024 Actual  
(from January 1 to March 31)

**Canon**  
Canon Marketing Japan Group

(Billions of yen)

	1Q 2023	1Q 2024	Changes	
			Amount	%
Net sales	154.8	157.2	+2.4	+2%
Gross profit	(33.7%) 52.2	(32.6%) 51.3	(-1.1%) -0.9	-2%
Operating income	(9.9%) 15.3	(8.8%) 13.8	(-1.1%) -1.5	-10%
Ordinary income	(10.0%) 15.4	(8.9%) 14.0	(-1.1%) -1.5	-9%
Net income attributable to owners of the parent	(6.7%) 10.5	(6.1%) 9.5	(-0.7%) -0.9	-9%

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The fourth page shows a summary of the results for the first quarter. As I noted a moment ago, in the first quarter we saw an increase in sales and decline in profits.

Sales mainly declined in the Consumers segment, but with continued steady perform from IT Solutions and the addition of sales from TCS, which joined the Group in October last year, sales rose 2% year on year to ¥157.2 billion.

Operating income declined ¥1.5 billion year on year to ¥13.8 billion, mainly reflecting a decrease in gross profit caused by lower sales of consumer products, along with rising SG&A expenses.

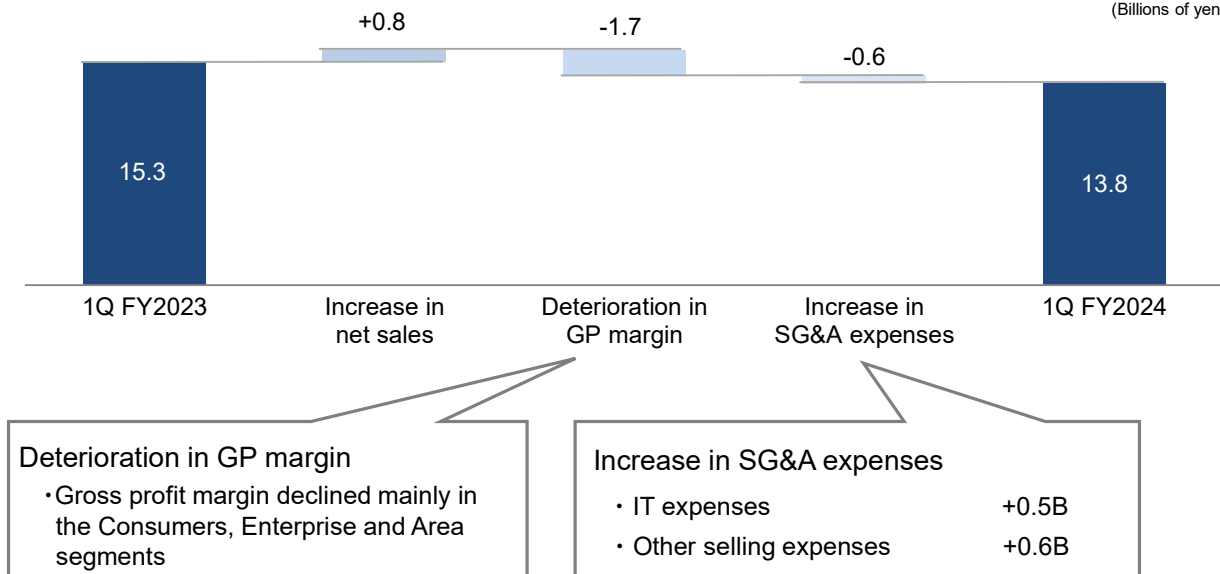
Net income attributable to owners of the parent decreased ¥0.9 billion to ¥9.5 billion.

# Op. Income Variance Analysis

1Q 2024 Actual  
(from January 1 to March 31)

**Canon**  
Canon Marketing Japan Group

(Billions of yen)



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

Due to the rise in net sales, gross profit increased by ¥0.8 billion.

Looking at gross profit margin, due to a decline in sales of Industrial Equipment, which carry high gross profit margin in the Professional segment, combined with the absence of major BPO projects in the Enterprise segment, margin worsened, leading to a ¥1.7 billion decline in operating income.

SG&A expenses increased by ¥600 million, in part due to higher IT expenses from the updating of mission-critical systems and other activities, along with an increase in other selling expenses due to costs associated with making Primagest a member of the Group.

For details about SG&A expenses for the first quarter, please see SG&A expenses on page 23.

Starting with this briefing we have made partial changes to items in the breakdown of SG&A expenses to make them easier to understand.

## Segment Outline

1Q 2024 Actual  
(from January 1 to March 31)

**Canon**  
Canon Marketing Japan Group

(Billions of yen)

	1Q FY2023		1Q FY2024		Changes	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	32.6	3.1	30.1	2.1	-2.5	-1.0
Enterprise	54.7	5.9	59.0	5.5	+4.4	-0.4
Area	59.8	4.7	59.8	5.2	-0.1	+0.5
Professional	11.7	1.9	14.0	1.7	+2.2	-0.2
Other	-4.0	-0.4	-5.7	-0.8	-1.7	-0.4
Total	154.8	15.3	157.2	13.8	+2.4	-1.5

\* "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 first quarter by segment.

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

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

- ✓ Net sales decreased mainly reflecting a decrease in sales of digital interchangeable lens cameras and inkjet printers.
- ✓ Operating income declined due to a decrease in gross profit caused by lower sales.

(Billions of yen)

	1Q		
	FY2023	FY2024	Changes
Net sales	32.6	30.1	-8%
Op. income	3.1	2.1	-33%
margin	9.6%	7.0%	-2.6%

Consumer Products, Y/Y  
Non-consolidated

		1Q	2Q	3Q	4Q	Full Year
Digital Interchangeable Lens Camera	Unit	-31%	-	-	-	-
Inkjet Printer (IJP)	Unit	-8%	-	-	-	-
IJP Cartridge	Amount	-9%	-	-	-	-

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

First, we are looking at the Consumers segment.

First quarter sales decreased 8% year on year to ¥30.1 billion, mainly reflecting a decrease in sales of digital interchangeable lens cameras and inkjet printers. Operating income declined ¥1.0 billion year on year to ¥2.1 billion, reflecting a decrease in gross profit caused by lower sales.

### (Digital interchangeable lens cameras)

Unit sales of digital interchangeable lens cameras were down 31% from the previous year due to the absence of the sales increase produced by the launch of new products in the same period of the previous year.

Sales of interchangeable lenses decreased due to lower sales of camera bodies.

### (Inkjet printers)

Sales volume of inkjet printers was down 8% 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 significantly, reflecting continued growth in sales of high-performance PCs and PC accessories.

- ✓ Net sales increased, thanks to the solid sales of Canon products, other in addition to steady sales of IT Solutions.
- ✓ Despite an increase in profit margin due to a rise in sales, operating income declined, reflecting the negative impact of the absence of large BPO projects to gross profit margin and an increase in SG&A expenses due to the amortization of goodwill related to the incorporation of TCS into the Group.

	1Q		
	FY2023	FY2024	Changes
Canon Products, Other	14.7	15.1	+2%
IT Solutions	39.9	43.9	+10%
Net sales	54.7	59.0	+8%
Op. income	5.9	5.5	-6%
margin	10.8%	9.4%	-1.4%

(Billions of yen)

**[Reference] Results of main consolidated companies**

Canon IT Solutions Inc.

	1Q		Changes	
	2023	2024	Amount	%
Net sales	31.5	33.2	+1.7	+5%
Op. income	3.9	4.1	+0.1	+3%

Orders received and outstanding orders, Y/Y

Canon IT Solutions, Non-consolidated

	1Q	
	Amount	%
Orders received		+1%
Outstanding orders		-7%

1Q orders received excluding the Data Center business surpassed previous record highs.

1Q outstanding orders excluding the Data Center business achieved more than 10% growth.

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

For the first quarter, net sales increased 8% year on year to ¥59 billion, thanks to the solid performance in IT Solutions, in addition to robust sales of Canon products and others. Operating income declined ¥400 million to ¥5.5 billion, reflecting a deterioration in gross profit margin due to the absence of major BPO projects, and higher SG&A expenses stemming from goodwill amortization connected with TCS joining the Group.

**(Canon products and others)**

For Canon products and others, the number of office MFPs and LBPs sold increased significantly thanks to multiple large-scale projects. Sales of maintenance services for office MFPs fell slightly due to reduced printing volume in offices. LBP cartridge sales fell due to a drop off from rush demand in anticipation of price revisions made at the same period in the previous year. As a result, net sales for Canon products and others increased.

**(IT Solutions)**

IT Solutions sales increased, chiefly reflecting strong performance with system integration projects for the financial and distribution sectors and the introduction of TCS to the Group. As a result, net sales for the whole IT Solutions increased 10% year on year.

**[Results at Canon IT Solutions: Orders received and outstanding orders]**

Sales at Canon IT Solutions Inc., a key affiliate, increased 5% year on year to ¥33.2 billion. Operating income recorded a ¥0.1 billion year-on-year jump to ¥4.1 billion, benefitting from higher gross profit due to increased sales.

Orders received increased 1% year on year thanks to strong system integration projects for the finance sector and major business PC projects, despite system integration projects for the distribution and manufacturing sectors having dropped off. Orders received except the Data Center business remained strong, setting new quarterly records.

Outstanding orders declined 7% year on year, in part due to a switch of sales to large Data Center projects, despite strong performance with system integration projects for the finance sector and major business PC projects. Outstanding orders except the Data Center business were strong, recording more than 10% growth.



- ✓ Net sales remained flat from a year earlier due to a decrease in sales of Canon products, other, albeit robust sales of IT Solutions.
- ✓ Operating income increased, mainly reflecting a rise in gross profit due to a higher percentage of sales of high value-added IT Solutions in total sales.

	1Q			(Billions of yen)
	FY2023	FY2024	Changes	
Canon Products, Other	40.9	39.9	-2%	
IT Solutions	19.0	19.9	+5%	
Net sales	59.8	59.8	-0%	
Op. income	4.7	5.2	+10%	
margin	7.9%	8.7%	+0.8%	

**[Reference] Results of main consolidated companies**

Canon System & Support Inc.	1Q		Changes	
	2023	2024	Amount	%
Net sales	26.8	28.3	+1.5	+6%
Op. income	1.8	2.2	+0.5	+26%

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

Net sales for the first quarter were ¥59.8 billion, on par with the same period in the previous year. This was due to a decline in sales of Canon products and others despite strong performance from IT Solutions. Operating income rose ¥500 million year on year to ¥5.2 billion, in part reflecting improved gross profit due to high value-added IT Solutions sales accounting for a greater percentage of total sales.

### (Canon products and others)

For Canon products and others, we saw a lower volume of office MFPs and LBPs due to a drop off from the significant increase in sales volume seen from a recovery of product supply at the same time in the previous year. Sales of maintenance services for office MFPs fell due to reduced printing volume in offices. LBP cartridge sales fell due to a drop off from rush demand in anticipation of price revisions made at the same period in the previous year. Consequently, net sales for Canon products and others decreased.

### (IT Solutions)

In IT Solutions, in addition to progress with business PC replacements due to the end of Windows 10 extended support, Canon System & Support enhanced its proposals which encourage the shift to digital technologies to boost productivity, the adaptation to changes in the law and taxation systems and the use of IT adoption subsidies. As a result, sales of mission-critical business software and the Makasete IT DX series performed strongly. As a result, net sales for the whole IT Solutions increased 5% year on year.

### [Results at Canon System & Support]

Net sales for Canon System & Support Inc., a key affiliate, rose 6% year on year to ¥28.3 billion. As noted earlier, operating income increased ¥500 million to ¥2.2 billion, reflecting a higher gross profit associated with increased sales owing to steady performance in IT Solutions.

- ✓ Net sales increased, attributable to rising sales in the Production Printing and Healthcare business.
- ✓ Operating income declined due to a decrease in gross profit caused by lower sales in Industrial equipment.

	1Q			(Billions of yen)
	FY2023	FY2024	Changes	
Production Printing	2.1	2.3	+8%	
Industrial Equipment	5.8	5.5	-6%	
Healthcare Business	3.8	6.2	+64%	
Net sales	11.7	14.0	+19%	
Op. income	1.9	1.7	-9%	
margin	16.4%	12.5%	-3.9%	

**[Reference] Results of main consolidated companies**

Canon Production Printing Systems Inc.	1Q		Changes	
	2023	2024	Amount	%
Net sales	2.0	2.1	+0.2	+8%
Op. income	0.1	0.1	-0.0	-35%

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

In the first quarter, net sales increased 19% year on year to ¥14 billion, reflecting increases in Production Printing and Healthcare Business.

Meanwhile, operating income declined ¥200 million to ¥1.7 billion, reflecting a decrease in gross profit caused by lower 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]

Canon Production Printing Systems Inc., a key affiliate, achieved an 8% year-on-year increase of net sales to ¥2.1 billion. Operating income was largely flat at ¥100 million.

### (Industrial Equipment)

Industrial Equipment sales fell 6% year on year, reflecting a drop off from lucrative service projects and multiple inspection and measurement equipment projects undertaken in the same period the previous year.

### (Healthcare Business)

In Healthcare Business, net sales increased 64% year on year, reflecting the securing of major projects for hospitals despite a drop off in projects for online insurance eligibility verification systems for clinics and electronic prescription projects for dispensing pharmacies that were underway in the same period of the previous year.

## Sales of Products and Services by Segment

1Q 2024 Actual  
(from January 1 to March 31)

**Canon**  
Canon Marketing Japan Group

		Consumers		Enterprise		Area		Professional		Other		Total		Composition Ratio	
		1Q 2023	1Q 2024	1Q 2023	1Q 2024	1Q 2023	1Q 2024	1Q 2023	1Q 2024	1Q 2023	1Q 2024	1Q 2023	1Q 2024	1Q	2024
	SI services	-	-	17.4	18.8	3.2	3.6	3.8	6.2	-0.6	-0.8	23.7	27.9	37%	
	Changes		-		+8%		+14%		+66%		-		+18%		
	Maintenance and operation service / outsourcing	-	-	11.7	14.5	2.6	2.8	0.3	0.3	-0.6	-0.6	14.0	17.1	22%	
	Changes		-		+24%		+9%		-1%		-		+22%		
	IT products and system sales	7.4	8.3	10.8	10.6	13.2	13.5	-	-	0.3	-1.3	31.7	31.0	41%	
	Changes		+11%		-2%		+2%		-		-		-2%		
IT Solutions Total		7.4	8.3	39.9	43.9	19.0	19.9	4.1	6.6	-1.0	-2.7	69.5	76.0	100%	
	Changes		+11%		+10%		+5%		+60%		-		+9%		
Canon products, Other		25.2	21.9	14.7	15.1	40.9	39.9	7.6	7.4	-3.0	-3.0	85.4	81.2		
	Changes		-13%		+2%		-2%		-3%		-		-5%		
Total		32.6	30.1	54.7	59.0	59.8	59.8	11.7	14.0	-4.0	-5.7	154.8	157.2		
	Changes		-8%		+8%		-0%		+19%		-		+2%		

\* "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 eleventh page shows net sales for products and services by segment. Here I will explain the first quarter results for IT Solutions.

In SI services, sales improved 18% year on year after strong performance with system integration projects for the finance and distribution sectors in the Enterprise segment, and strong results in mission-critical business software sales and installation support to accommodate changes in the law and taxation systems in the Area segment.

In Maintenance and Operation Service / Outsourcing, net sales rose 22% year on year thanks to strong performance for cloud services in the Enterprise segment and increased business for maintenance as part of the Makasete IT DX series in the Area segment, in addition the effects of TCS joining the Group.

In IT Products and System Sales, net sales declined 2% year on year, reflecting a decline in sales of business PCs in the Enterprise segment despite rising sales of high-performance PCs and PC accessories in the Consumer segment.

As a result, net sales for the whole Group IT Solutions increased 9% year on year.

## Summary of Projections

(Billions of yen)

	FY2024 Previous Projection	FY2024 Current Projection	Changes		FY2023 Actual	Changes	
			Amount	%		Amount	%
Net Sales	630.0	645.0	+15.0	+2%	609.5	+35.5	+6%
	(8.6%)	(8.4%)	(-0.2%)		(8.6%)	(-0.2%)	
Operating Income	54.0	54.0	-	-	52.5	+1.5	+3%
	(8.7%)	(8.5%)	(-0.2%)		(8.8%)	(-0.3%)	
Ordinary Income	55.0	55.0	-	-	53.6	+1.4	+3%
	(8.7%)	(8.5%)	(-0.2%)		(8.8%)	(-0.3%)	
Net income attributable to owners of the parent	37.5	37.5	-	-	36.5	+1.0	+3%
	(6.0%)	(5.8%)	(-0.1%)		(6.0%)	(-0.2%)	

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The twelfth page shows a summary of projections.

In the first quarter of FY2023, sales rose due to the release of new digital interchangeable lens camera products, considerable growth in the number of office MFPs and LBPs sold thanks to a recovery in supply and a jump in sales of LBP cartridges from rush demand in anticipation of price revisions. As a reaction to these performances, profits declined year on year in this first quarter, but both sales and profits were higher than planned.

From the second quarter onward, we project a gradual recovery of the domestic economy, including increased capital investments with a focus on proactive corporate investments in IT. However, in terms of consumer spending, while we expect to see a recovery in domestic travel, we will need to pay close attention to the apparent pause in recovery due to the rising cost of goods driven by soaring energy and raw material prices. The Group will continue to enhance the profitability of Canon products business and to improve sales together with profitability in the IT Solutions business, which is positioned as a growth business.

Additionally, on March 29 we welcomed Primagest to the Group. Primagest excels in industry-specific BPO services, an area of focus for our BPO business.

In light of these circumstances, we revised our projection of net sales for this fiscal year upward by ¥15 billion.

Regarding operating income, we expect a negative impact from goodwill amortization due to the acquisition of Primagest, but in light of the greater than planned progress seen from IT Solutions in the first quarter, we will stay with our previous projection and aim to post record operating income for the fourth straight fiscal year.

A detailed examination is currently underway regarding the impact that Primagest joining the Group and the transfer of all shares in A&A Co., Ltd. announced on March 18 will have on Group reorganization.

## Summary of Projections by Segment

Previous Projection vs  
Current Projection

**Canon**  
Canon Marketing Japan Group

(Billions of yen)

	FY2024 Previous Projection		FY2024 Current Projection		Changes		
	Net Sales	Op. Income	Net Sales	Op. Income	Net Sales Amount	%	Op. Income
Consumers	139.3	13.7	139.3	13.7	-	-	-
Enterprise	231.2	20.5	231.2	20.5	-	-	-
Area	235.0	18.3	235.0	18.3	-	-	-
Professional	44.0	4.1	44.0	4.1	-	-	-
Other	-19.5	-2.6	-4.5	-2.6	+15.0	-	-
Total	630.0	54.0	645.0	54.0	+15.0	+2%	-

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The thirteenth page shows comparisons with the previous projection by segment.

Primagest operates BPO services and comes under the "Other" segment.

"Other" is a business segment that is not included among reportable segments, and includes sales such as BPO services not included in each segment, the shared services business, companywide expenses not allocated to each segment, and the elimination of inter-segment transactions.

# Summary of Projections by Segment

FY2023 Actual vs  
FY2024 Projection

**Canon**  
Canon Marketing Japan Group

(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	-4.5	-2.6	+15.2	-	-0.2
Total	609.5	52.5	645.0	54.0	+35.5	+6%	+1.5

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The fourteenth page compares the projections by segment and results by segment for the previous fiscal year.

# Summary of Projections by Segment

(Billions of yen)

	Actual 1Q 2023		Actual 2Q-4Q 2023		Actual 1Q 2024		Projection 2Q-4Q 2024		Changes 1Q		Changes 2Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	32.6	3.1	106.3	11.0	30.1	2.1	109.2	11.6	-2.5	-1.0	+2.8	+0.6
Enterprise	54.7	5.9	165.7	13.7	59.0	5.5	172.2	15.0	+4.4	-0.4	+6.5	+1.2
Area	59.8	4.7	169.9	12.8	59.8	5.2	175.2	13.1	-0.1	+0.5	+5.3	+0.3
Professional	11.7	1.9	28.5	1.7	14.0	1.7	30.0	2.4	+2.2	-0.2	+1.6	+0.7
Other	-4.0	-0.4	-15.7	-2.0	-5.7	-0.8	1.2	-1.8	-1.7	-0.4	+16.8	+0.1
Total	154.8	15.3	454.6	37.2	157.2	13.8	487.8	40.2	+2.4	-1.5	+33.1	+3.0

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

The fifteenth page shows a year-on-year comparison of the first quarter results and projections for the second quarter onward by segment.

Later, I will explain the details of the projections by segment.

## Projections by Segment

### ■ Consumers Segment

- ✓ Net sales are forecast to increase due to steady sales of digital interchangeable lens cameras and IT products.
- ✓ Operating income is expected to increase, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	Actual 1Q 2023		Actual 2Q-4Q 2023		Actual 1Q 2024		Projection 2Q-4Q 2024		Changes 1Q		Changes 2Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Consumers	32.6	3.1	106.3	11.0	30.1	2.1	109.2	11.6	-2.5	-1.0	+2.8	+0.6

### ■ Enterprise Segment

- ✓ Net sales are forecast to rise, reflecting strong sales of IT Solutions, although sales of Canon products, other are likely to decline.
- ✓ Operating income is expected to increase, reflecting a rise in gross profit due to higher sales.

(Billions of yen)

	Actual 1Q 2023		Actual 2Q-4Q 2023		Actual 1Q 2024		Projection 2Q-4Q 2024		Changes 1Q		Changes 2Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
Enterprise	54.7	5.9	165.7	13.7	59.0	5.5	172.2	15.0	+4.4	-0.4	+6.5	+1.2

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On the sixteenth page, I will explain our projections for each segment.

First let us look at the **Consumers segment**.

From the second quarter and beyond we project increased sales and profits.

We expect sales to improve 3% to ¥109.2 billion. Operating income is projected to grow ¥0.6 billion year on year to ¥11.6 billion, reflecting a rise in gross profit due to higher sales.

Digital interchangeable lens cameras declined in the first quarter in part due to the impact of new product releases that took place the same period of the previous year. However, underpinned by steady demand, from the second quarter onward we will actively promote the shift to the EOS R series in coordination with manufacturers, working to achieve a 1% annual increase in camera body sales and expand sales of RF lenses.

Inkjet printer and inkjet cartridge sales are expected to decline from lower volume due to the contracting market. We will continue to focus on expanding sales of high value-added inkjet printers to improve profitability. In addition, we will strive to meet our targets by expanding sales of Canon printers across a wide range of business applications including LBPs, large-format inkjet printer and card printers. We project an increase in sales of IT products with steady performance of high-performance PCs and PC peripherals continuing.

Next let's look at the **Enterprise segment**.

From the second quarter and beyond we project increased sales and profits.

We expect net sales to improve 4% year over year to ¥172.2 billion. Operating income is projected to grow ¥1.2 billion year on year to ¥15.0 billion, reflecting a rise in gross profit due to higher sales.

For Canon products and others, we project a consolidation of equipment and decline in print volume at offices due to the reorganization of sites, especially at large companies. However, we will work to improve profitability by further broadening the scope of proposals to encompass business process reforms and increasing system installation projects that include I/O equipment at quasi-major and upper-medium-sized enterprises and SMEs. As for IT Solutions, we expect to see a significant jump in net sales from TCS joining the Group in addition to system integration projects for the manufacturing sector, and strong performance in video solutions and digital document services under Edge Solutions.



## Projections by Segment

### ■ Area Segment

- ✓ Net sales are forecast to rise, reflecting strong sales of IT Solutions.
- ✓ Operating income is expected to increase, reflecting a rise in gross profit due to higher sales.

Area	Actual 1Q 2023		Actual 2Q-4Q 2023		Actual 1Q 2024		Projection 2Q-4Q 2024		Changes 1Q		(Billions of yen) Changes 2Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
	59.8	4.7	169.9	12.8	59.8	5.2	175.2	13.1	-0.1	+0.5	+5.3	+0.3

### ■ Professional Segment

- ✓ Net sales are expected to rise mainly in Industrial Equipment, and net sales in the segment are forecast to increase.
- ✓ Operating income is expected to increase, reflecting a rise in gross profit associated with higher sales mainly in Industrial Equipment.

Professional	Actual 1Q 2023		Actual 2Q-4Q 2023		Actual 1Q 2024		Projection 2Q-4Q 2024		Changes 1Q		(Billions of yen) Changes 2Q-4Q	
	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income	Net sales	Op. Income
	11.7	1.9	28.5	1.7	14.0	1.7	30.0	2.4	+2.2	-0.2	+1.6	+0.7

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

We project increased sales and profits from the second quarter onward.

We expect net sales to improve 3% year over year to ¥175.2 billion. Operating income is projected to grow ¥0.3 billion year on year to ¥13.1 billion, reflecting a rise in gross profit due to higher sales.

Regarding Canon products and others, we expect to increase net sales by actively pursuing proposal activities designed to respond to changes to laws and taxation systems at SMEs, in particular targeting customers who have extended the service life of their existing equipment or are adopting IT solutions.

For IT Solutions, we project growth in net sales because of steady sales of business PCs due to the end of Windows 10 support and continued solid performance at Canon Systems and Support with the Makasete IT DX series which provides total support for the IT environments of SMEs, in addition to strong performance at Canon Marketing Japan with ESET, antivirus software, and HOME, IT support cloud service.

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

From the second quarter and beyond we project increased sales and profits.

We expect net sales to improve 5% year over year to ¥30.0 billion. Operating income is projected to increase ¥0.7 billion year on year to ¥2.4 billion, reflecting a rise in gross profit associated with higher sales mainly in Industrial Equipment.

We forecast an increase in Production Printing sales, in part driven by strong sales of high-speed printer units and steady performance in the POP business.

We also project an increase in Industrial Equipment sales, reflecting continued solid demand in the area of power semiconductors and strong sales of semiconductor fabrication equipment despite signs of a pause in semiconductors for automotive use.

In Healthcare Business, projects were clustered in the first quarter, resulting in a significant jump in sales. From the second quarter onward we will realize the effects of integration with an organization of Canon Medical Systems whose operations were transferred last year at an early stage and expect to see a double-digit rise in sales for the full year.

Supplementary Material for 2024 1Q  
Canon Marketing Japan Inc.

Case Product: Other  
Non-consolidated  
Y/Y

	Y24	FY2023 vs FY2022				FY2024 vs FY2023		Revenue Change Y/Y
		Q1	Q2	Q3	Q4	Q1	YTD	
ML*	10%	-20%	-22%	-15%	-21	+8%	-21%	+1%
Inkjet Printer (IP)	10%	-23%	-23%	-13%	-13%	-18%	-8%	-1%
IP Cartridge	Account	-2%	-3%	-2%	-7%	-5%	-8%	-4%

\*Digital ImagingRuler Sales Cases

	Y24	FY2023 vs FY2022				FY2024 vs FY2023		Revenue Change Y/Y
		Q1	Q2	Q3	Q4	Q1	YTD	
MFP including Rental Machine	Unit	+31%	+8%	-12%	-12%	+2%	-3%	+8%
Server & Support	Account	+11%	-1%	-2%	-1%	-1%	-2%	-1%
Case Base Printer (CBP)	Unit	+2%	+2%	+6%	-2%	+2%	-1%	+2%
IP Cartridge	Account	+1%	-1%	+9%	+4%	+4%	-3%	-2%

Consolidated

	Y24	FY2023 vs FY2022				FY2024 vs FY2023		Revenue Change Y/Y
		Q1	Q2	Q3	Q4	Q1	YTD	
Commercial Printing**	Account	+2%	+1%	+1%	+1%	+2%	+8%	+8%

\*\*Revenue "Production Printing" which includes 100% for production printing of books, magazines and other printed items, and 100% for other.

IT Solutions  
Consolidated  
(Account) Y/Y

	Y24	FY2023 vs FY2022				FY2024 vs FY2023		Revenue Change Y/Y
		Q1	Q2	Q3	Q4	Q1	YTD	
IT Services	Account	+12%	+12%	+20%	+20%	+20%	+18%	+16%
Maintenance and operation services/outsourcing	Account	+12%	+8%	+4%	+15%	+9%	+22%	+44%
IT product and system sales	Account	+9%	+10%	+5%	+9%	+5%	-2%	+2%

Network Camera  
Account

\*During 2023, revenue comprised of video cameras for surveillance and transportation, 20% for general and 20% for other for the total amount of consolidated segment.

Professional Segment  
Consolidated  
(Account) Y/Y

	Y24	FY2023 vs FY2022				FY2024 vs FY2023		Revenue Change Y/Y
		Q1	Q2	Q3	Q4	Q1	YTD	
Production Printing	Account	-12%	+10%	-12%	+8%	-2%	+8%	+7%
Industrial Equipment	Account	-1%	-4%	-4%	-1%	-1%	-4%	-10%
MultiImage	Account	+11%	+10%	+10%	+4%	+5%	+4%	+10%

Item and building statements and results forecasts presented in this material are based on the management's assumption 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.

Please see the **Supplementary Material for 2024 1Q** on our website.

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

On the eighteenth 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 first 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, appearing in the last row of the Business Products table, the change in groupwide commercial printing sales amount is listed. It is the total of production printing sales of the Professional segment and production printing sales in other segments. Commercial Printing sales rose 8% year on year, reflecting increases in high speed continuous feed printer projects in addition to higher sales of production cut sheet printers such as the imagePRESS C265.

Next, let's look at **Network Camera**. The change in groupwide net sales for network camera is listed under "IT Products and System Sales" in the IT Solutions section. There is a growing need for network cameras for security applications and to accommodate reduced personnel. Net sales improved 6% year on year, in part due a major project for a cram school secured in the Enterprise segment, along with video infrastructure projects such as VisualStage, cloud-based video recording service, for SMEs and strong sales of AXIS and other products in the Area segment.

Then I will describe where changes have been made to previously announced figures in our 2024 projections.

Regarding **Inkjet Printer**, we will change our previously announced 1% decrease to a 5% decrease due to a greater than expected contraction in the market. We also expect further decreases in print volume, and have revised the projected 4% decline in ink cartridges to a 7% decline.

For **Maintenance and Operations Services/Outsourcing**, we have revised our projections from +16% to +44%, reflecting increased sales associated with Primagest joining the group. There are no changes to other products and services.

## The Incorporation of Primagest, Inc.

- ✓ Primagest, Inc. joined Canon MJ Group on March 29.
- ✓ We will merge Primagest's deep knowledge and customer base in the financial sector with Canon MJ Group's customer base and technology across a range of industries to offer business process reform solutions tailored to our customers' thoughts and further expand our BPO business.

Company name	Primagest, Inc.
Representative	Hideaki Inagaki, President
Established	July 1968
Net sales (Non-consolidated)	¥17.6 billion (Year ended December 31,2023)
Number of employees (Non-consolidated)	2,428 (including 572 permanent employees) (Year ended December 31,2023)
Description of business	Utilizing faster document scanners, advanced IT technologies, and BPO services to achieve full automation, process optimization, and digital transformation for customers
Major Subsidiaries	dcWORKS, Inc. Leap, Inc.

Now I would like to explain about Primagest, Inc.

Primagest, Inc. joined the CMJ Group on March 29, 2024.

The company was established in 1968. Last year it generated net sales of ¥17.6 billion and the number of employees was around 2,400.

Primagest, Inc. has long been helping customers, including major financial institutions, optimize their business operations. As a result, Primagest possesses the knowledge to decipher industry-specific business processes and support highly feasible business reforms, and maintains strong relationships of trust with its customers.

Going forward, we will develop business transformation proposals grounded in customers' business operations and further expand the BPO business by combining Primagest's deep insight into the finance industry and customer base with the Group's customer base and technological capabilities that span a wide range of industries.

**Canon**  
Canon Marketing Japan Group

Thanks to the incorporation of Primagest, Inc., we hope we can achieve ¥300 billion of IT Solutions sales, which is the target amount for the year 2025, before the end of 2024, one year earlier than planned.

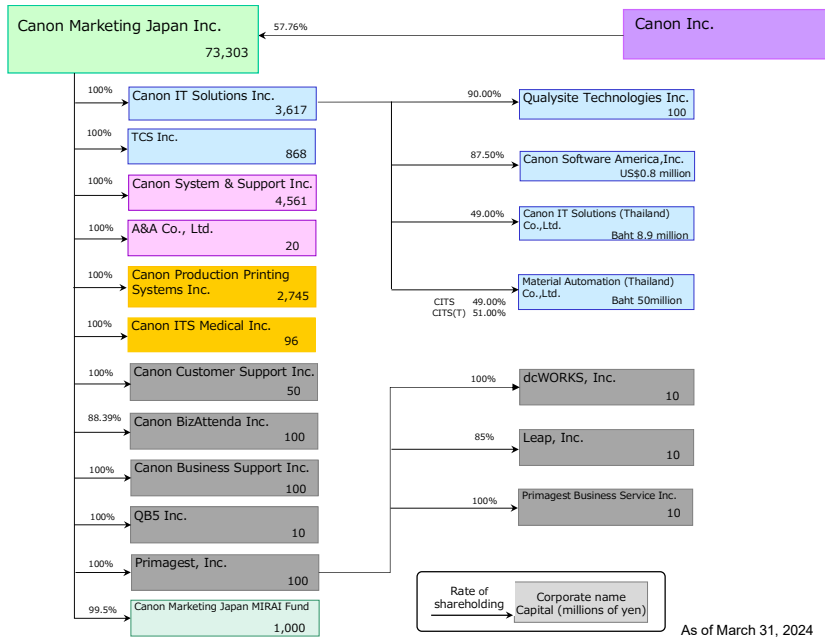
We have revised the sales projection for FY2024 to ¥645 billion this time, but we aim to achieve ¥650 billion, one year ahead of time, by accelerating the growth of IT Solutions business.

This concludes our briefing on the first quarter financial results for the FY2024 and the explanation of our projections.

Thank you very much.

# Supplementary Information

# Capital Relationship Diagram



As of March 31, 2024

## SG&A expenses

1Q 2024 Actual  
(from January 1 to March 31)

**Canon**  
Canon Marketing Japan Group

(Billions of yen)

	1Q FY2023	1Q FY2024	Changes
Advertising expenses	1.0	1.0	-0.0
Promotion expenses	0.8	0.6	-0.2
Warranty expenses	0.7	0.7	-0.0
Other direct selling expenses	4.4	4.3	-0.0
Personnel expenses	22.7	22.4	-0.4
Office expenses	2.0	1.9	-0.1
IT expenses	2.2	2.7	+0.5
Amortization of goodwill, etc.	0.0	0.2	+0.1
Other selling expenses	3.1	3.7	+0.6
<b>Total</b>	<b>36.9</b>	<b>37.5</b>	<b>+0.6</b>

## Non-operating income and expenses

(Billions of yen)

	FY2023	FY2024	Changes
	1Q	1Q	1Q
Interest income	0.1	0.1	+0.0
Dividend income	0.0	0.0	+0.0
Foreign exchange gains	0.0	0.0	+0.0
Other, net	0.1	0.1	+0.0
<b>Total non-operating income</b>	<b>0.2</b>	<b>0.3</b>	<b>+0.0</b>
Interest expense	0.0	0.0	-0.0
Loss on investments in partnership	0.0	0.0	-0.0
Other, net	0.0	0.1	+0.0
<b>Total non-operating expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>+0.0</b>



## Extraordinary income and losses

(Billions of yen)

	FY2023	FY2024	Changes
	1Q	1Q	1Q
Gain on sales of long-lived assets	0.0	0.0	+0.0
Total extraordinary income	0.0	0.0	+0.0
Loss on sales and disposal of long-lived assets	0.0	0.0	+0.0
Loss on sales of shares of subsidiaries and associates	0.2	-	-0.2
Other, net	-	0.0	+0.0
Total extraordinary losses	0.2	0.0	-0.2

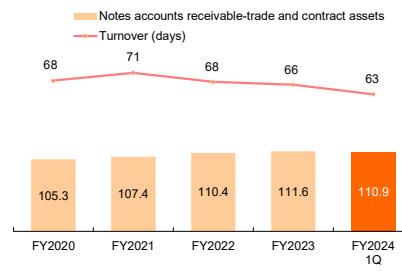
# Balance Sheets

(Billions of yen)

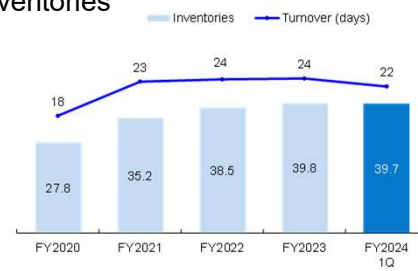
	Dec. 31 2023	Mar. 31 2024	Changes
<b>Assets</b>	557.4	563.9	+6.6
<b>Current assets</b>	418.6	388.4	-30.2
Cash and deposits	89.7	99.4	+9.7
Notes accounts receivable-trade and contract assets	111.6	110.9	-0.8
Inventories	39.8	39.7	-0.2
Other current assets	177.4	138.5	-38.9
<b>Non-current assets</b>	138.8	175.5	+36.7
Property, plant and equipment	85.0	88.0	+3.0
Intangible assets	14.2	45.9	+31.7
Investments and other assets	39.5	41.6	+2.0
<b>Liabilities</b>	121.9	127.6	+5.8
<b>Current liabilities</b>	110.6	114.8	+4.2
Notes and accounts payable-trade	45.6	47.7	+2.1
Other current liabilities	65.0	67.1	+2.1
<b>Long-term liabilities</b>	11.3	12.9	+1.6
<b>Equity</b>	435.5	436.3	+0.8
Shareholders' equity	410.8	411.3	+0.4
(Treasury stock)	-2.1	-2.1	-0.0
Total accumulated other comprehensive income (loss)	23.9	24.2	+0.3
Stock acquisition rights	0.1	0.1	+0.0
Non-controlling interests	0.7	0.8	+0.0
<b>Equity ratio</b>	78%	77%	-1%

## Notes accounts receivable-trade and contract assets

(Billions of yen)

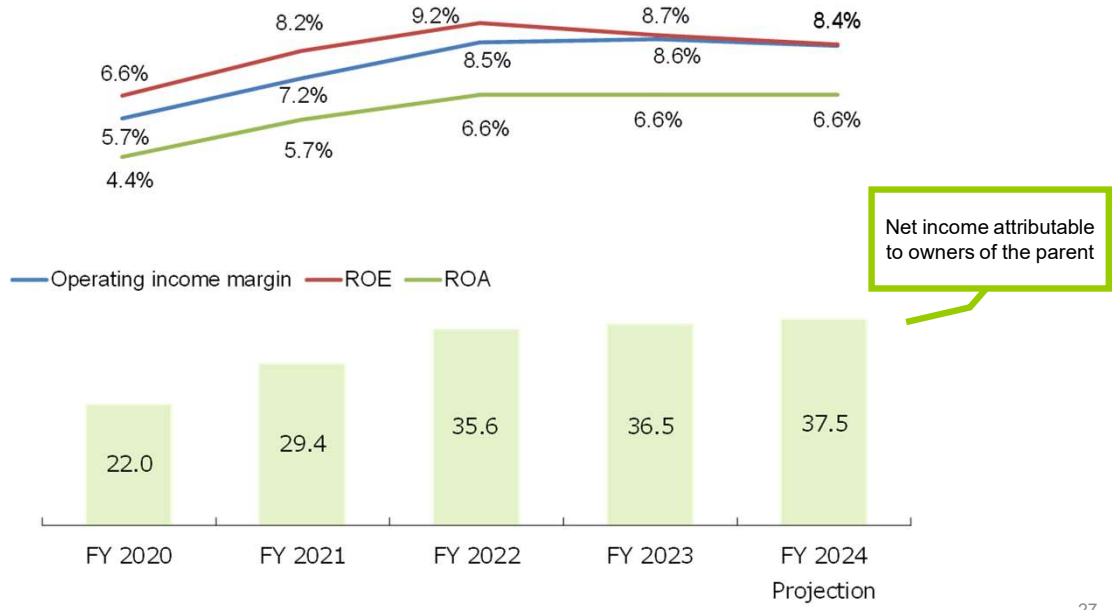


## Inventories



# Financial Indicator

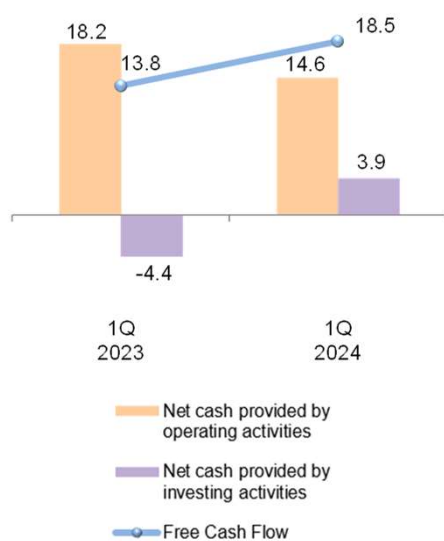
(Billions of yen)



# Financial Indicator

(Billions of yen)

## ■ Cash Flow



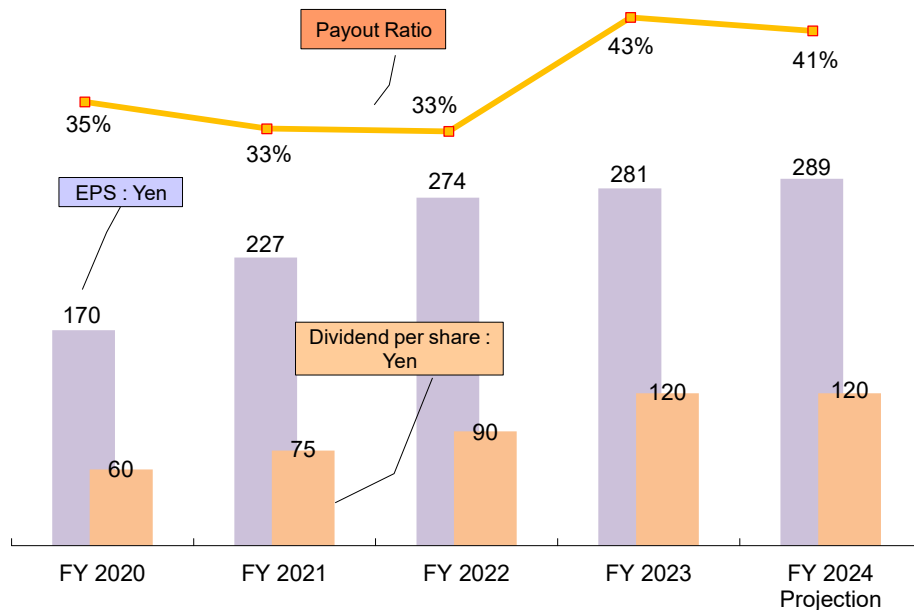
## ■ Capital Investment

	1Q Actual	2Q-4Q Projection	FY
FY 2023 Actual	2.4	7.0	9.4
FY 2024 Projection	3.6	12.2	15.8


## ■ Depreciation and amortization

	1Q Actual	2Q-4Q Projection	FY
FY 2023 Actual	2.4	7.4	9.7
FY 2024 Projection	2.5	7.8	10.3

# Financial Indicator




# Sales Breakdown by Segment (FY2023)

4	Professional 
Net sales	40.2
Operating income	3.6 (9.0%)

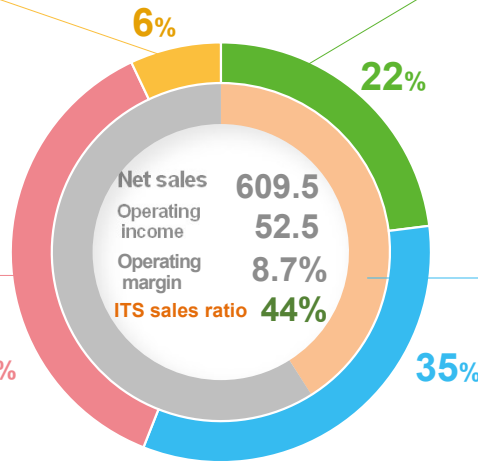
Customers in specialized areas

- Production printing
- Industrial equipment
- Healthcare

3	Area 
Net sales	229.7
Operating income	17.5 (7.6%)


SMEs nationwide

SME: Small and Medium Enterprise



1	Consumers 
Net sales	138.9
Operating income	14.1 (10.1%)

Individual customers

2	Enterprise 
Net sales	220.3
Operating income	19.7 (8.9%)

Large, quasi-major and upper medium-sized enterprises

\* Starting from FY2024, the Company transferred a part of the sales channel organization in the "Area" segment, to the "Consumer" segments. As a result, the FY2023 financial results have been reclassified between the two segments.  
 \* The sales shares of individual segments are calculated on their respective simple total sales.  
 \* In addition to what is mentioned above, net sales of -19.7 billion yen and operating income of -2.4 billion yen are posted for the other segment, which are elimination of inter-segment transactions, shared service business and corporate expenses that do not belong to any segment.

# Business Summary by Segment

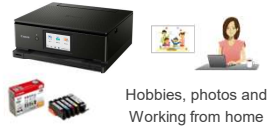
## 1 Consumers

This segment sells imaging products, including cameras which are the business Canon has been operating since its foundation, inkjet printers and other Canon products as well as non-Canon-branded products to corporate and individual customers through retail stores and online shops, etc.

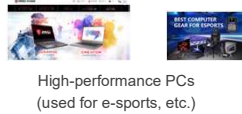
### Camera business



### Inkjet printer business

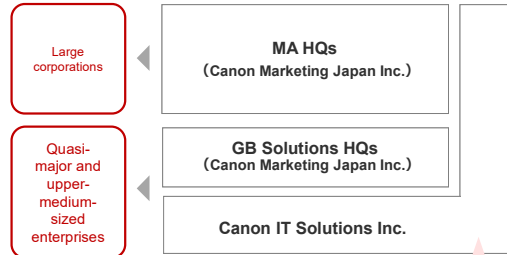


### IT products business



## 2 Enterprise

For large, quasi-large and medium companies, this segment directly provides Canon products and IT Solutions to resolve management issues that vary depending on the industry and business type. MA HQs is in charge of large companies and GB Solutions HQs is in charge of quasi-large and medium companies. Canon IT Solutions Inc. is in charge of both.



- 2003 Sumitomo Metal System Solutions Co., Ltd. is reorganized into a subsidiary.
- 2007 ARGO 21 Corp. is reorganized into a subsidiary.
- 2008 Both Integrated into Canon IT Solutions Inc.

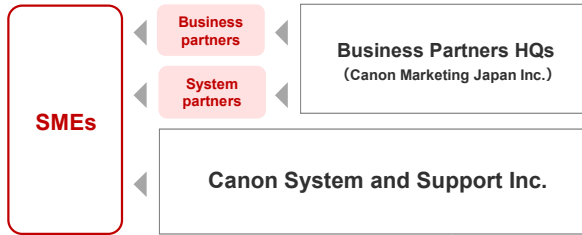
Strong in financial and manufacturing sectors

Data Center Business

# Business Summary by Segment

## 3 Area

Harnessing diverse channels consisting of **indirect sales** by business partners and system partners, and **direct sales** by Canon System and Support Inc., this segment offers Canon products and IT solutions to **SMEs** all over Japan.







- 1980 Copier Sales Co., Inc. is established.
  - 2000 The company name is changed to Canon System and Support Inc.
  - 2002 The company becomes a wholly owned subsidiary of Canon Marketing Japan Inc., former name of which was Canon Sales Co., Inc.
- Build relationships with customers through the direct sales channels

Concentrate mainly on the introduction, operations and maintenance of IT infrastructure

## 4 Professional



This segment offers solutions to **customers in the specialized areas** like Production printing, Industrial equipment and Healthcare.

### Industrial equipment

Related to semiconductor manufacturing	Not related to semiconductors
 Plasma ashing equipment	 X-ray analyzer
 Cluster sputter deposition equipment	 Industrial 3D printer


\* We import industrial equipment from abroad and sell localized equipment in the Japanese market. We are also in charge of installation and maintenance support.

### Production printing

Production printer	
 ProStream Color IJ Printer	 MJP20JXR Monochrome IJ Printer
Software services	
Workflow solutions	Connect Works Manager
POP system	Drawings management system

### Healthcare

Medical imaging service	Electronic health records
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# Enterprise and Area Segments

Both Enterprise and Area segments are providing Canon products and IT Solutions, but their customers are different.

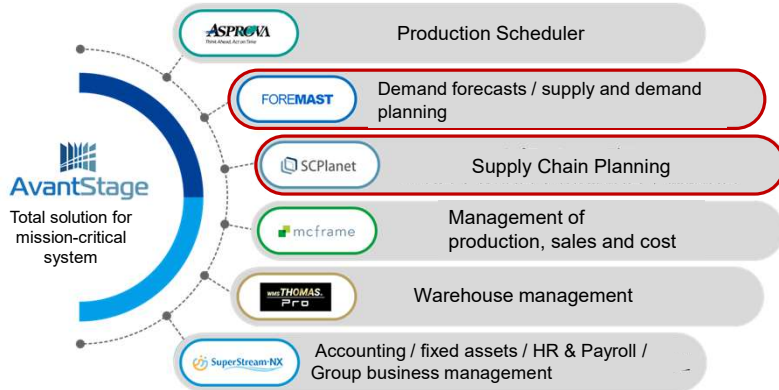


Issue

Optimize and strengthen SCM  
in VUCA era



Provide SCM/ERP total solution  
utilizing mathematical technologies



## Customers

- Ajinomoto Co., Inc.
- ALBION Co., Ltd
- ELECOM CO.,LTD.
- Sapporo Holdings Limited
- Maruha Nichiro Corporation
- Mitsubishi Chemical Corporation

※ We propose the most suitable solution for individual customer from the total solutions.

For details ▶ <https://www.canon-its.co.jp/solution/erp/>  
<https://www.canon-its.co.jp/solution/scm/>



**NEW** ■ Management support services

- IT coordination services
- Response to changes in laws and systems

**NEW** ■ Educational support services

- Sales strategy development support services / SFA support services
- Skill improvement support services / Training support services

■ Security pack

- Security measures
- Data protection
- Protection against information leaks
- PCs

まかせてIT/DXシリーズ

■ Maintenance and operation

- PC** operational support service
- Network** operational support service
- Server** operational support service
- Application** operational support service

■ Services by industry

**NEW** Nursing care solution

Industry A    Industry B    ...

concluded a capital and business alliance agreement with CARE CONNECT JAPAN, Inc. in 2023

**Canon**

Canon Marketing Japan Group