



**CONSOLIDATED RESULTS FOR THE FOURTH QUARTER AND
THE FISCAL YEAR ENDED DECEMBER 31, 2023**

January 30, 2024

CONSOLIDATED RESULTS

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

| | Actual | | | Projected | | |
|--|---------------------------------|---------------------------------|-----------|---------------------------------|----------------------------------|-----------|
| | Year ended December 31, 2023 | Year ended December 31, 2022 | Change(%) | Year ended December 31, 2023 | Year ending December 31, 2024 | Change(%) |
| Net sales | ¥ 4,180,972 | ¥ 4,031,414 | + 3.7 | \$ 29,443,465 | ¥ 4,350,000 | + 4.0 |
| Operating profit | 375,366 | 353,399 | + 6.2 | 2,643,423 | 435,000 | + 15.9 |
| Income before income taxes | 390,767 | 352,440 | + 10.9 | 2,751,880 | 450,000 | + 15.2 |
| Net income attributable to Canon Inc. | ¥ 264,513 | ¥ 243,961 | + 8.4 | \$ 1,862,768 | ¥ 305,000 | + 15.3 |
| Net income attributable to Canon Inc. shareholders per share: | | | | | | |
| - Basic | ¥ 264.20 | ¥ 236.71 | + 11.6 | \$ 1.86 | ¥ 308.81 | + 16.9 |
| - Diluted | 264.08 | 236.63 | + 11.6 | 1.86 | 308.68 | + 16.9 |

| | Actual | | |
|---------------------------------|----------------------------|----------------------------|-----------|
| | As of December 31, 2023 | As of December 31, 2022 | Change(%) |
| Total assets | ¥ 5,416,577 | ¥ 5,095,530 | + 6.3 |
| Canon Inc. shareholders' equity | ¥ 3,353,022 | ¥ 3,113,105 | + 7.7 |

Notes: 1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. U.S. dollar amounts are translated from yen at the rate of JPY142=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 29, 2023, solely for the convenience of the reader.

Canon Inc.
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,
Tokyo 146-8501, Japan
Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions

2023 in Review

Looking back at 2023, despite the unstable situations such as the Ukraine crisis and armed conflicts in the Middle East, the global economy recovered modestly thanks to the termination of the COVID-19 pandemic which had restricted economic activity for a prolonged period. In the United States, consumer spending remained solid thanks to the strong employment situation and increases in real income. In Europe, however, the economy was lagging with strong uninterrupted downward pressure on the economy due to the inflation and the continuation of tight monetary policies. In China, the economy continued its deceleration trend due to a sluggish real estate market and the lack of recovery in the personal consumption. In other emerging countries, the economy remained solid, mostly centering around consumer spending and the service industry. In Japan, the economy recovered moderately, with consumer spending showing signs of picking up on the back of improvement in the employment and personal income environment.

In the markets in which Canon operates, despite the recovery of product supplies following the resolution of component shortages and logistical disruptions, demand was lagging due to tight monetary policies associated with inflation, the sluggish Chinese and European economy, and increasing uncertainty surrounding geopolitical risks. On a product basis, despite stagnant market conditions in China, demand for office multifunction devices (MFDs) remained firm thanks to solid demand for printing equipment offering high productivity in other countries. For inkjet printers, the demand from customers working from home slowed. For laser printers, demand slowed due to the curbing of corporate investments. For medical equipment, demand remained firm, particularly in Japan and Europe. For cameras, demand remained solid thanks to the need for high-quality visual expression from professionals and enthusiasts. The market of network cameras continued to grow. For semiconductor lithography equipment, although demand for memory devices remained weak, the market has grown, particularly for power devices, analog devices and sensors. For FPD (Flat Panel Display) lithography equipment, the market continued to shrink due to restrained investments by panel manufacturers.

The average value of the yen for the year was ¥140.85 against the U.S. dollar, a year-on-year depreciation of approximately ¥9, and ¥152.20 against the euro, a year-on-year depreciation of approximately ¥14.

In 2023, net sales for the year increased by 3.7% year-on-year to ¥4,181.0 billion thanks to the recovery of product supplies and solid demand for network cameras and other new businesses, as well as the favorable effects of the depreciation of the yen. The sales were the second highest since 2007. Gross profit as a percentage of net sales increased by 1.8 points year-on-year to 47.1% due to a reduction in costs of components and logistics, and the favorable effects of the depreciation of the yen. Gross profit increased by 7.7% year-on-year to ¥1,968.9 billion. Operating expenses increased by 8.1% year-on-year to ¥1,593.5 billion due to an increase in sales-related expenses with the normalization of sales activity. In addition, operating expenses denominated in foreign currencies increased thanks to the depreciation of the yen. As a result, operating profit increased by 6.2% year-on-year to ¥375.4 billion. Other income (deductions) increased by ¥16.4 billion year-on-year to ¥15.4 billion due to a decrease of currency exchange losses, which were substantially incurred last year. As a result, income before income taxes increased by 10.9% year-on-year to ¥390.8 billion and net income attributable to Canon Inc. increased by 8.4% year-on-year to ¥264.5 billion. Consequently, sales and income increased for the third consecutive year.

Basic net income attributable to Canon Inc. shareholders per share was ¥264.20 for the year, a year-on-year increase of ¥27.49.

Results by Segment

Looking at Canon's full year performance by business unit, in the Printing Business Unit, unit sales of equipment for the production printing market increased compared with the previous year, thanks to enhancing its product lineup by adding the imagePRESS V1350 and new Colorado series products that were well-received in the market. MFDs for offices continued to sell well, exceeding unit sales from the previous year, as the product supply shortage was abated, while demand for products including the imageRUNNER ADVANCE DX C3900, which is low and mid-speed color MFD series, was solid. As for inkjet printers, the number of unit sales decreased compared with the previous year as the surge in demand from users working from home subsided. As for laser printers, despite middle and high-speed color MFD products that were well-received, unit sales decreased compared with the previous year due to the curbing of corporate investments. These factors resulted in total sales for the business unit of ¥2,346.1 billion, a year-on-year increase of 3.2%, while income before income taxes increased by 3.9% year-on-year to ¥235.1 billion, mainly due to cost-cutting activities and the decrease in logistics costs.

In the Medical Business Unit, sales remained firm thanks to a recovery of investments in large-size equipment previously held back due to the COVID-19 pandemic and firm sales of magnetic resonance imaging (MRI) systems, diagnostic X-ray systems and diagnostic ultrasound systems mainly in Japan and Europe. These factors resulted in total sales for the business unit of ¥553.8 billion, a year-on-year increase of 7.9%, the highest recorded sales in the history of the business unit. Income before income taxes increased by 0.8% year-on-year to ¥32.1 billion due to active investments to augment its workforce in order to enhance its sales capacity.

In the Imaging Business Unit, sales of interchangeable-lens digital cameras, in particular mirrorless cameras like the EOS R6 Mark II, a full-frame mirrorless camera released the year before last, and the new entry-level EOS R50 and EOS R100 mirrorless cameras launched last year, remained solid. Sales of RF-series interchangeable-lenses remained solid as well. Sales of network cameras increased thanks to solid demand and enhanced sales activity against the background of diversifying applications. These factors resulted in total sales for the business unit of ¥861.6 billion, a year-on-year increase of 7.2%, while income before income taxes increased by 14.4% year-on-year to ¥146.4 billion due to an increase in the sales ratio of high-value-added mirrorless camera and solid profit of network cameras.

In the Industrial Business Unit, sales of semiconductor lithography equipment remained strong, particularly for those used in the production of power devices. As a result, unit sales exceeded the previous year. For FPD lithography equipment, however, unit sales decreased compared with the previous year due to reduced investments by panel manufacturers as the panel market worsened. These factors resulted in total sales for the business unit of ¥314.7 billion, a year-on-year decrease of 4.4%, while income before income taxes totaled ¥59.2 billion, a year-on-year decrease of 0.1%.

Cash Flow

During 2023, cash flow from operating activities increased by ¥188.6 billion year-on-year to ¥451.2 billion, mainly due to an improvement in working capital caused by an increase in profit and a reduction in inventory. Cash flow used in investing activities increased by ¥94.6 billion to ¥275.4 billion from the previous year due to an acquisition of Minaris Medical Co., Ltd., which has in vitro diagnostics and automated analyzer businesses, as well as continued capital investments to improve efficiency and productivity. Accordingly, free cash flow increased by ¥94.0 billion compared with the previous year to ¥175.8 billion.

Cash flow from financing activities decreased by ¥9.9 billion year-on-year to ¥156.7 billion due to dividends paid increased by ¥11.5 billion from the previous year resulted by an increase in the previous year's year-end dividend and this term's interim dividend, as well as repurchases of ¥100.0 billion of treasury stock.

Owing to these factors, as well as the impact from foreign currency exchange adjustments, cash and cash equivalents increased by ¥39.2 billion to ¥401.3 billion from the end of the previous year.

Outlook

As for the outlook for 2024, there are still some global economic uncertainties due to various geopolitical risks, tightening monetary policies across the world in response to inflation, and the risk of an economic slowdown caused by China's market stagnation and other factors. However, Canon expects the global economy to continue its recovery trend thanks to the strong employment situation and improved personal income environment, particularly in Japan and the United States.

In the market in which Canon operates, demand for office MFDs is expected to remain firm, thanks to strong demand for high-productivity printing. However, demand for laser printers is expected to be affected by the curbing of corporate investments. For inkjet printers, although there are concerns about the decrease in demand from customers working from home and fierce competition from competitors, Canon will focus on expanding sales by strengthening its refillable ink tank product lineup. As for the medical equipment market, demand is expected to remain solid thanks to the market growth of diagnostic imaging equipment despite such concerns as the curbing of medical institution investments due to uncertainty of the economic outlook. As for interchangeable-lens digital cameras, demand is expected to remain solid due to the shifting of demand to mirrorless cameras. For network cameras, the market is expected to maintain stable growth thanks to the growing demand for video analysis systems and high-value-added products. For semiconductor lithography equipment, robust market conditions are expected to continue thanks to the construction of new semiconductor factories in various countries and regions, and solid demand for equipment mainly for advanced semiconductor devices and power devices. For FPD lithography equipment, market conditions are expected to improve from the second half of the year, mainly due to demand for equipment for computer-related display panels such as tablet devices.

With regard to the currency exchange rates on which Canon bases its performance outlook, Canon anticipates exchange rates of ¥140 to the U.S. dollar and ¥155 to the euro, representing appreciation of approximately ¥1 against the U.S. dollar and depreciation of approximately ¥3 against the euro as the annual average rates of the previous year.

Having taken the aforementioned currency exchange rates into consideration, Canon projects full-year consolidated net sales of ¥4,350.0 billion, a year-on-year increase of 4.0%; operating profit of ¥435.0 billion, a year-on-year increase of 15.9%; income before income taxes of ¥450.0 billion, a year-on-year increase of 15.2%; and net income attributable to Canon Inc. of ¥305.0 billion, a year-on-year increase of 15.3%, due to the market growth of new business such as network cameras, the introduction of new products of office MFDs and interchangeable-lens digital cameras, both of which are Canon's main businesses, and improvements in profitability expected from ongoing cost-cutting activities.

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

II. Basic Concept Regarding the Selection of Accounting Standards

Canon has prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") over the long term since registering its American Depositary Receipts on the OTC (over-the-counter) market in 1969.

Canon has continued to adopt U.S. GAAP in order to maintain the continuity of financial statements from the past and to maintain international comparability.

Also, Canon is gathering information on trends in Japan and Overseas in relation to the International Financial Reporting Standards (IFRS).

III. Financial Statements**1. CONSOLIDATED BALANCE SHEETS**

| | Millions of yen | | |
|--|-----------------------------------|-----------------------------------|----------|
| | As of <u>December 31, 2023</u> | As of <u>December 31, 2022</u> | Change |
| ASSETS | | | |
| Current assets | 2,224,086 | 2,155,914 | 68,172 |
| Cash and cash equivalents | 401,323 | 362,101 | 39,222 |
| Short-term investments | 3,822 | 10,905 | (7,083) |
| Trade receivables | 655,460 | 636,803 | 18,657 |
| Inventories | 796,881 | 808,312 | (11,431) |
| Current lease receivables | 150,324 | 137,038 | 13,286 |
| Prepaid expenses and other current assets | 231,605 | 215,990 | 15,615 |
| Allowance for credit losses | (15,329) | (15,235) | (94) |
| Non-current assets | 3,192,491 | 2,939,616 | 252,875 |
| Noncurrent receivables | 11,734 | 12,996 | (1,262) |
| Investments | 78,505 | 65,128 | 13,377 |
| Property, plant and equipment, net | 1,095,879 | 1,035,065 | 60,814 |
| Operating lease right-of-use assets | 126,125 | 117,843 | 8,282 |
| Intangible assets, net | 274,942 | 280,995 | (6,053) |
| Goodwill | 1,045,400 | 972,626 | 72,774 |
| Noncurrent lease receivables | 321,065 | 279,332 | 41,733 |
| Other assets | 242,659 | 179,297 | 63,362 |
| Allowance for credit losses | (3,818) | (3,666) | (152) |
| Total assets | 5,416,577 | 5,095,530 | 321,047 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | 1,439,176 | 1,365,353 | 73,823 |
| Short-term loans and current portion of long-term debt | 386,200 | 296,384 | 89,816 |
| Short-term loans related to financial services | 38,900 | 41,200 | (2,300) |
| Other short-term loans and current portion of long-term debt | 347,300 | 255,184 | 92,116 |
| Trade payables | 309,930 | 355,930 | (46,000) |
| Accrued income taxes | 56,983 | 48,414 | 8,569 |
| Accrued expenses | 373,544 | 365,847 | 7,697 |
| Current operating lease liabilities | 35,559 | 33,281 | 2,278 |
| Other current liabilities | 276,960 | 265,497 | 11,463 |
| Non-Current liabilities | 371,694 | 381,147 | (9,453) |
| Long-term debt, excluding current portion of long-term debt | 2,954 | 2,417 | 537 |
| Accrued pension and severance cost | 171,779 | 189,215 | (17,436) |
| Noncurrent operating lease liabilities | 92,604 | 85,331 | 7,273 |
| Other noncurrent liabilities | 104,357 | 104,184 | 173 |
| Total liabilities | 1,810,870 | 1,746,500 | 64,370 |
| Canon Inc. shareholders' equity | 3,353,022 | 3,113,105 | 239,917 |
| Common stock | 174,762 | 174,762 | - |
| Additional paid-in capital | 404,935 | 404,838 | 97 |
| Retained earnings | 3,862,846 | 3,729,244 | 133,602 |
| Legal reserve | 61,634 | 64,509 | (2,875) |
| Other retained earnings | 3,801,212 | 3,664,735 | 136,477 |
| Accumulated other comprehensive income (loss) | 268,758 | 62,623 | 206,135 |
| Treasury stock, at cost | (1,358,279) | (1,258,362) | (99,917) |
| Noncontrolling interests | 252,685 | 235,925 | 16,760 |
| Total equity | 3,605,707 | 3,349,030 | 256,677 |
| Total liabilities and equity | 5,416,577 | 5,095,530 | 321,047 |

Notes:

| | Millions of yen | |
|---|-----------------------------------|-----------------------------------|
| | As of <u>December 31, 2023</u> | As of <u>December 31, 2022</u> |
| 1. Accumulated depreciation | 3,088,649 | 2,962,228 |
| 2. Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustments | 374,937 | 191,287 |
| Net unrealized gains and losses on securities | 26 | (34) |
| Net gains and losses on derivative instruments | 924 | (428) |
| Pension liability adjustments | (107,129) | (128,202) |

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

Consolidated statements of income**Results for the fourth quarter**

| | Millions of yen | | Change(%) |
|---|--------------------------|--------------------------|-----------|
| | Three months ended | Three months ended | |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | |
| Net sales | 1,163,718 | 1,157,175 | + 0.6 |
| Cost of sales | 615,639 | 638,836 | |
| Gross profit | 548,079 | 518,339 | + 5.7 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 347,002 | 335,338 | |
| Research and development expenses | 85,084 | 85,657 | |
| | 432,086 | 420,995 | |
| Operating profit | 115,993 | 97,344 | + 19.2 |
| Other income (deductions): | | | |
| Interest and dividend income | 4,322 | 2,010 | |
| Interest expense | (793) | (309) | |
| Other, net | (4,737) | 21,426 | |
| | (1,208) | 23,127 | |
| Income before income taxes | 114,785 | 120,471 | - 4.7 |
| Income taxes | 28,395 | 30,394 | |
| Consolidated net income | 86,390 | 90,077 | |
| Less: Net income attributable to noncontrolling interests | 5,824 | 5,234 | |
| Net income attributable to Canon Inc. | 80,566 | 84,843 | - 5.0 |

Results for the fiscal year

| | Millions of yen | | Change(%) |
|---|--------------------------|--------------------------|-----------|
| | Year ended | Year ended | |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | |
| Net sales | 4,180,972 | 4,031,414 | + 3.7 |
| Cost of sales | 2,212,062 | 2,203,612 | |
| Gross profit | 1,968,910 | 1,827,802 | + 7.7 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 1,261,630 | 1,167,673 | |
| Research and development expenses | 331,914 | 306,730 | |
| | 1,593,544 | 1,474,403 | |
| Operating profit | 375,366 | 353,399 | + 6.2 |
| Other income (deductions): | | | |
| Interest and dividend income | 13,425 | 5,177 | |
| Interest expense | (2,267) | (1,046) | |
| Other, net | 4,243 | (5,090) | |
| | 15,401 | (959) | |
| Income before income taxes | 390,767 | 352,440 | + 10.9 |
| Income taxes | 106,346 | 92,356 | |
| Consolidated net income | 284,421 | 260,084 | |
| Less: Net income attributable to noncontrolling interests | 19,908 | 16,123 | |
| Net income attributable to Canon Inc. | 264,513 | 243,961 | + 8.4 |

Consolidated statements of comprehensive income**Results for the fourth quarter**

| | Millions of yen | | Change(%) | |
|---|---|---|-----------|-----|
| | Three months ended <u>December 31, 2023</u> | Three months ended <u>December 31, 2022</u> | | |
| Consolidated net income | 86,390 | 90,077 | - | 4.1 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | (39,092) | (122,455) | | |
| Net unrealized gains and losses on securities | - | (13) | | |
| Net gains and losses on derivative instruments | 2,608 | 2,316 | | |
| Pension liability adjustments | 20,296 | 26,378 | | |
| | <u>(16,188)</u> | <u>(93,774)</u> | | |
| Comprehensive income (loss) | 70,202 | (3,697) | | - |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 8,381 | 5,824 | | |
| Comprehensive income (loss) attributable to Canon Inc. | <u>61,821</u> | <u>(9,521)</u> | | - |

Results for the fiscal year

| | Millions of yen | | Change(%) | |
|---|--|--|-----------|-----|
| | Year ended <u>December 31, 2023</u> | Year ended <u>December 31, 2022</u> | | |
| Consolidated net income | 284,421 | 260,084 | + | 9.4 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | 184,836 | 186,563 | | |
| Net unrealized gains and losses on securities | 60 | (34) | | |
| Net gains and losses on derivative instruments | 1,394 | 449 | | |
| Pension liability adjustments | 24,289 | 29,897 | | |
| | <u>210,579</u> | <u>216,875</u> | | |
| Comprehensive income (loss) | 495,000 | 476,959 | + | 3.8 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 24,352 | 18,581 | | |
| Comprehensive income (loss) attributable to Canon Inc. | <u>470,648</u> | <u>458,378</u> | + | 2.7 |

3. DETAILS OF SALESResults for the fourth quarter

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|---|---|-----------|
| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | |
| Printing | 642,632 | 640,167 | + 0.4 |
| Medical | 164,204 | 150,828 | + 8.9 |
| Imaging | 229,278 | 242,449 | - 5.4 |
| Industrial | 98,954 | 95,453 | + 3.7 |
| Others and Corporate | 48,432 | 55,247 | - 12.3 |
| Eliminations | (19,782) | (26,969) | - |
| Total | 1,163,718 | 1,157,175 | + 0.6 |

| Sales by region | Millions of yen | | Change(%) |
|------------------|---|---|-----------|
| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | |
| Japan | 248,991 | 237,232 | + 5.0 |
| Overseas: | | | |
| Americas | 367,855 | 361,412 | + 1.8 |
| Europe | 320,988 | 313,359 | + 2.4 |
| Asia and Oceania | 225,884 | 245,172 | - 7.9 |
| | 914,727 | 919,943 | - 0.6 |
| Total | 1,163,718 | 1,157,175 | + 0.6 |

Results for the fiscal year

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|---------------------------------|---------------------------------|-----------|
| | Year ended December 31, 2023 | Year ended December 31, 2022 | |
| Printing | 2,346,076 | 2,272,610 | + 3.2 |
| Medical | 553,780 | 513,331 | + 7.9 |
| Imaging | 861,625 | 803,480 | + 7.2 |
| Industrial | 314,719 | 329,232 | - 4.4 |
| Others and Corporate | 189,791 | 212,349 | - 10.6 |
| Eliminations | (85,019) | (99,588) | - |
| Total | 4,180,972 | 4,031,414 | + 3.7 |

| Sales by region | Millions of yen | | Change(%) |
|------------------|---------------------------------|---------------------------------|-----------|
| | Year ended December 31, 2023 | Year ended December 31, 2022 | |
| Japan | 901,589 | 864,808 | + 4.3 |
| Overseas: | | | |
| Americas | 1,312,438 | 1,255,405 | + 4.5 |
| Europe | 1,111,211 | 1,034,008 | + 7.5 |
| Asia and Oceania | 855,734 | 877,193 | - 2.4 |
| | 3,279,383 | 3,166,606 | + 3.6 |
| Total | 4,180,972 | 4,031,414 | + 3.7 |

*A certain business, which was previously included in Others, has been presented within the Printing Business Unit from the beginning of the first quarter of 2023. Operating results for the three months ended December 31, 2022 and the year ended December 31, 2022 also have been reclassified.

Notes: 1. The primary products included in each of the segments are as follows:

Printing Business Unit :

Digital continuous feed presses / Digital sheet-fed presses / Large format printers
Office multifunction devices (MFDs) / Document solutions / Laser multifunction printers (MFPs) /
Laser printers / Inkjet printers / Image scanners / Calculators

Medical Business Unit :

Computed tomography (CT) systems / Diagnostic ultrasound systems / Diagnostic X-ray systems /
Magnetic resonance imaging (MRI) systems / Clinical chemistry analyzers / Digital radiography systems / Ophthalmic equipment

Imaging Business Unit :

Interchangeable-lens digital cameras / Interchangeable lenses / Digital compact cameras / Compact photo printers /
MR Systems / Network cameras / Video management software / Video content analytics software /
Digital camcorders / Digital cinema cameras / Broadcast equipment / Projectors

Industrial Business Unit :

Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment /
OLED Display Manufacturing Equipment / Vacuum thin-film deposition equipment / Die bonders

Others :

Handy terminals / Document scanners

2. The principal countries and regions included in each regional category are as follows:

Americas: United States of America, Canada, Latin America

Europe: United Kingdom, Germany, France, Netherlands, European countries, Middle East and Africa

Asia and Oceania: China, Asian countries, Australia

4. CONSOLIDATED STATEMENTS OF EQUITY

Millions of yen

| | Common stock | Additional paid-in capital | Retained earnings | | | Accumulated other comprehensive income (loss) | Treasury stock | Total Canon Inc. shareholders' equity | Noncontrolling interests | Total equity |
|---|--------------|----------------------------|-------------------|-------------------------|-------------------------|---|----------------|---------------------------------------|--------------------------|--------------|
| | | | Legal reserve | Other retained earnings | Total retained earnings | | | | | |
| Balance at December 31, 2021 | 174,762 | 403,119 | 68,015 | 3,538,037 | 3,606,052 | (151,794) | (1,158,366) | 2,873,773 | 224,656 | 3,098,429 |
| Equity transactions with noncontrolling interests and other | | 298 | (4,538) | 4,536 | (2) | | | 296 | (1,151) | (855) |
| Dividends to Canon Inc. shareholders | | | | (119,326) | (119,326) | | | (119,326) | | (119,326) |
| Dividends to noncontrolling interests | | | | | | | | | (6,161) | (6,161) |
| Transfers to legal reserve | | 1,432 | 1,032 | (2,464) | (1,432) | | | - | | - |
| Comprehensive income: | | | | | | | | | | |
| Net income | | | | 243,961 | 243,961 | | | 243,961 | 16,123 | 260,084 |
| Other comprehensive income (loss), net of tax: | | | | | | 185,768 | | 185,768 | 795 | 186,563 |
| Foreign currency translation adjustments | | | | | | (34) | | (34) | | (34) |
| Net unrealized gains and losses on securities | | | | | | 466 | | 466 | (17) | 449 |
| Net gains and losses on derivative instruments | | | | | | 28,217 | | 28,217 | 1,680 | 29,897 |
| Pension liability adjustments | | | | | | | | | | |
| Total comprehensive income (loss) | | | | | | | | 458,378 | 18,581 | 476,959 |
| Repurchases and reissuance of treasury stock | | (11) | | (9) | (9) | | (99,996) | (100,016) | | (100,016) |
| Balance at December 31, 2022 | 174,762 | 404,838 | 64,509 | 3,664,735 | 3,729,244 | 62,623 | (1,258,362) | 3,113,105 | 235,925 | 3,349,030 |
| Equity transactions with noncontrolling interests and other | | 158 | (3,534) | 3,534 | - | | | 158 | (97) | 61 |
| Dividends to Canon Inc. shareholders | | | | (130,870) | (130,870) | | | (130,870) | | (130,870) |
| Dividends to noncontrolling interests | | | | | | | | | (7,495) | (7,495) |
| Transfers to legal reserve | | | 659 | (659) | - | | | - | | - |
| Comprehensive income: | | | | | | | | | | |
| Net income | | | | 264,513 | 264,513 | | | 264,513 | 19,908 | 284,421 |
| Other comprehensive income (loss), net of tax: | | | | | | 183,650 | | 183,650 | 1,186 | 184,836 |
| Foreign currency translation adjustments | | | | | | 60 | | 60 | | 60 |
| Net unrealized gains and losses on securities | | | | | | 1,352 | | 1,352 | 42 | 1,394 |
| Net gains and losses on derivative instruments | | | | | | 21,073 | | 21,073 | 3,216 | 24,289 |
| Pension liability adjustments | | | | | | | | | | |
| Total comprehensive income (loss) | | | | | | | | 470,648 | 24,352 | 495,000 |
| Repurchases and reissuance of treasury stock | | (61) | | (41) | (41) | | (99,917) | (100,019) | | (100,019) |
| Balance at December 31, 2023 | 174,762 | 404,935 | 61,634 | 3,801,212 | 3,862,846 | 268,758 | (1,358,279) | 3,353,022 | 252,685 | 3,605,707 |

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | |
|--|---|---|
| | <u>Year ended December 31, 2023</u> | <u>Year ended December 31, 2022</u> |
| Cash flows from operating activities: | | |
| Consolidated net income | 284,421 | 260,084 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 238,676 | 226,492 |
| Loss (gain) on disposal of fixed assets | 4,025 | (6,458) |
| Deferred income taxes | (10,353) | (7,800) |
| Decrease (increase) in trade receivables | 16,625 | (78,203) |
| Decrease (increase) in inventories | 65,595 | (108,510) |
| Increase in lease receivables | (24,838) | (30,379) |
| (Decrease) increase in trade payables | (57,631) | 3,293 |
| Increase in accrued income taxes | 6,880 | 3,472 |
| (Decrease) increase in accrued expenses | (16,083) | 23,407 |
| Decrease in accrued pension and severance cost | (32,208) | (42,580) |
| Contribution of cash to retirement benefit trust | (18,000) | - |
| Other, net | (5,919) | 19,785 |
| Net cash provided by operating activities | <u>451,190</u> | <u>262,603</u> |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (230,308) | (188,527) |
| Proceeds from sale of fixed assets | 3,670 | 14,733 |
| Proceeds from maturity of held to maturity securities | - | 2,151 |
| Purchases of securities | (11,755) | (21,558) |
| Proceeds from sale and maturity of securities | 16,582 | 7,680 |
| Acquisitions of businesses, net of cash acquired | (54,570) | (5,890) |
| Other, net | 1,009 | 10,591 |
| Net cash used in investing activities | <u>(275,372)</u> | <u>(180,820)</u> |
| Cash flows from financing activities: | | |
| Repayments of long-term debt | (55,893) | (122,067) |
| Decrease in short-term loans related to financial services, net | (2,300) | (1,100) |
| Increase in other short-term loans, net | 140,213 | 197,826 |
| Dividends paid | (130,870) | (119,326) |
| Repurchases and reissuance of treasury stock, net | (100,019) | (100,016) |
| Other, net | (7,860) | (2,161) |
| Net cash used in financing activities | <u>(156,729)</u> | <u>(146,844)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>20,133</u> | <u>25,767</u> |
| Net change in cash and cash equivalents | <u>39,222</u> | <u>(39,294)</u> |
| Cash and cash equivalents at beginning of period | <u>362,101</u> | <u>401,395</u> |
| Cash and cash equivalents at end of period | <u><u>401,323</u></u> | <u><u>362,101</u></u> |

*Certain items in the consolidated statements of cash flows for the year ended December 31, 2022, have been reclassified to conform to the current year's presentation.

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

SEGMENT INFORMATION BY BUSINESS UNIT

Results for the fiscal year

| | Millions of yen | | Change(%) |
|-------------------------------|-------------------|-------------------|-----------|
| | Year ended | Year ended | |
| | December 31, 2023 | December 31, 2022 | |
| Printing | | | |
| Net sales: | | | |
| External customers | 2,339,718 | 2,266,074 | + 3.2 |
| Intersegment | 6,358 | 6,536 | - 2.7 |
| Total | 2,346,076 | 2,272,610 | + 3.2 |
| Operating cost and expenses | 2,117,767 | 2,060,219 | + 2.8 |
| Operating profit | 228,309 | 212,391 | + 7.5 |
| Other income (deductions) | 6,752 | 13,806 | - 51.1 |
| Income before income taxes | 235,061 | 226,197 | + 3.9 |
| Total assets | 1,247,666 | 1,224,187 | + 1.9 |
| Depreciation and amortization | 69,712 | 72,946 | - 4.4 |
| Capital expenditures | 65,175 | 66,550 | - 2.1 |
| Medical | | | |
| Net sales: | | | |
| External customers | 552,296 | 513,028 | + 7.7 |
| Intersegment | 1,484 | 303 | + 389.8 |
| Total | 553,780 | 513,331 | + 7.9 |
| Operating cost and expenses | 522,131 | 482,326 | + 8.3 |
| Operating profit | 31,649 | 31,005 | + 2.1 |
| Other income (deductions) | 490 | 890 | - 44.9 |
| Income before income taxes | 32,139 | 31,895 | + 0.8 |
| Total assets | 361,251 | 356,799 | + 1.2 |
| Depreciation and amortization | 14,041 | 13,418 | + 4.6 |
| Capital expenditures | 12,094 | 11,956 | + 1.2 |
| Imaging | | | |
| Net sales: | | | |
| External customers | 861,456 | 803,057 | + 7.3 |
| Intersegment | 169 | 423 | - 60.0 |
| Total | 861,625 | 803,480 | + 7.2 |
| Operating cost and expenses | 716,046 | 676,850 | + 5.8 |
| Operating profit | 145,579 | 126,630 | + 15.0 |
| Other income (deductions) | 854 | 1,403 | - 39.1 |
| Income before income taxes | 146,433 | 128,033 | + 14.4 |
| Total assets | 406,390 | 349,338 | + 16.3 |
| Depreciation and amortization | 22,062 | 20,374 | + 8.3 |
| Capital expenditures | 28,922 | 17,841 | + 62.1 |
| Industrial | | | |
| Net sales: | | | |
| External customers | 303,807 | 320,817 | - 5.3 |
| Intersegment | 10,912 | 8,415 | + 29.7 |
| Total | 314,719 | 329,232 | - 4.4 |
| Operating cost and expenses | 256,121 | 271,213 | - 5.6 |
| Operating profit | 58,598 | 58,019 | + 1.0 |
| Other income (deductions) | 568 | 1,194 | - 52.4 |
| Income before income taxes | 59,166 | 59,213 | - 0.1 |
| Total assets | 244,275 | 233,969 | + 4.4 |
| Depreciation and amortization | 12,931 | 12,195 | + 6.0 |
| Capital expenditures | 10,432 | 15,271 | - 31.7 |
| Others and Corporate | | | |
| Net sales: | | | |
| External customers | 123,695 | 128,438 | - 3.7 |
| Intersegment | 66,096 | 83,911 | - 21.2 |
| Total | 189,791 | 212,349 | - 10.6 |
| Operating cost and expenses | 276,136 | 286,144 | - 3.5 |
| Operating profit | (86,345) | (73,795) | - |
| Other income (deductions) | 12,454 | (12,147) | - |
| Income before income taxes | (73,891) | (85,942) | - |
| Total assets | 3,180,186 | 2,952,891 | + 7.7 |
| Depreciation and amortization | 119,930 | 107,559 | + 11.5 |
| Capital expenditures | 115,102 | 71,673 | + 60.6 |
| Eliminations | | | |
| Net sales: | | | |
| External customers | - | - | - |
| Intersegment | (85,019) | (99,588) | - |
| Total | (85,019) | (99,588) | - |
| Operating cost and expenses | (82,595) | (98,737) | - |
| Operating profit | (2,424) | (851) | - |
| Other income (deductions) | (5,717) | (6,105) | - |
| Income before income taxes | (8,141) | (6,956) | - |
| Total assets | (23,191) | (21,654) | - |
| Depreciation and amortization | - | - | - |
| Capital expenditures | - | - | - |
| Consolidated | | | |
| Net sales: | | | |
| External customers | 4,180,972 | 4,031,414 | + 3.7 |
| Intersegment | - | - | - |
| Total | 4,180,972 | 4,031,414 | + 3.7 |
| Operating cost and expenses | 3,805,606 | 3,678,015 | + 3.5 |
| Operating profit | 375,366 | 353,399 | + 6.2 |
| Other income (deductions) | 15,401 | (959) | - |
| Income before income taxes | 390,767 | 352,440 | + 10.9 |
| Total assets | 5,416,577 | 5,095,530 | + 6.3 |
| Depreciation and amortization | 238,676 | 226,492 | + 5.4 |
| Capital expenditures | 231,725 | 183,291 | + 26.4 |

*A certain business, which was previously included in Others, has been presented within the Printing Business Unit from the beginning of the first quarter of 2023. Operating results for the year ended December 31, 2022 also have been reclassified.

*Corporate expenses include certain corporate research and development expenses. Amortization costs of identified intangible assets resulting from the purchase price allocation of Toshiba Medical Systems Corporation (Canon Medical Systems Corporation) are also included in corporate expenses.

8. NOTE ON SIGNIFICANT CHANGES IN SHAREHOLDERS' EQUITY

None.

9. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

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

10. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) NET INCOME ATTRIBUTABLE TO CANON INC. SHAREHOLDERS PER SHARE

| Results for the fiscal year | Millions of yen | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2023 | Year ended December 31, 2022 |
| Net income attributable to Canon Inc. | | |
| -Basic | 264,513 | 243,961 |
| -Diluted | 264,508 | 243,957 |
| | | |
| | Number of shares | |
| Weighted average common shares outstanding | | |
| -Basic | 1,001,199,905 | 1,030,644,385 |
| -Diluted | 1,001,604,002 | 1,030,979,260 |
| | | |
| | Yen | |
| Net income attributable to Canon Inc. shareholders per share: | | |
| -Basic | 264.20 | 236.71 |
| -Diluted | 264.08 | 236.63 |

(2) SUBSEQUENT EVENT

On January 4, 2024, Canon borrowed ¥140 billion under its existing overdraft facilities with Mizuho Bank, Ltd. and MUFG Bank, Ltd. for required operating funds. The overdraft facilities bear interest at a rate equal to a base rate plus a spread.

On January 29, 2024, the Board of Directors of Canon Marketing Japan Inc., a subsidiary of the Company, approved a plan to establish a corporate venture capital fund, Canon Marketing Japan MIRAI Fund, for the purpose of accelerating open innovation with startups that possess cutting-edge technologies and business ideas. The Canon Marketing Japan MIRAI Fund will be invested by Canon Marketing Japan Inc. and Global Brain Corporation for ¥10 billion over the planned 10 year investment period. The investment ratio is 99.5% and 0.5%, respectively.

On January 30, 2024, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows.

1. Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

2. Total number of shares to be repurchased: Up to 33 million shares (Equivalent to 3.3% of issued shares (Excluding treasury stock))
 3. Total cost of repurchase: Up to ¥100.0 billion
 4. Period of repurchase: From February 1, 2024 to January 31, 2025

(Current Titles are Shown in the Parentheses)

Effective Date: March 28, 2024

Directors

(1) Director to be retired

| | | |
|----------------|------------|--|
| Kunitaro Saida | (Director) | |
|----------------|------------|--|

(2) Candidates for new Director to be appointed

| | | |
|-----------------------------|------------------|--|
| Executive Vice President | Kazuto Ogawa | (Senior Managing Executive Officer, Group Executive of Global Marketing Strategy Headquarters) |
| Senior Managing Director | Hiroaki Takeishi | (Senior Managing Executive Officer, Head of Industrial Group) |
| Senior Managing Director | Minoru Asada | (Senior Managing Executive Officer, Group Executive of Finance & Accounting Headquarters) |
| Outside Director | Masayuki Ikegami | (Attorney), Justice of the Supreme Court, Japan (former) |
| Outside Director | Masaki Suzuki | Vice-Minister of the Environment of Ministry of the Environment Japan (former) |
| Outside Director | Akiko Ito | Commissioner of Consumer Affairs Agency, Japan (former) |

(Current Titles are Shown in the Parentheses)

Effective Date: March 28, 2024

Audit & Supervisory Board Members

(1) Audit & Supervisory Board Member to be retired

Katsuhito Yanagibashi (Audit & Supervisory Board Member)

(2) Candidate for new Audit & Supervisory Board Member to be appointed

Chikahiro Okayama (Senior Vice President of Canon (China) Co., Ltd.)

(Current Titles are Shown in the Parentheses)

Executive Officers (1/2)

(1) Executive Officers to be retired

Effective Date: March 28, 2024

Kazuto Ogawa (Senior Managing Executive Officer,
Group Executive of Global Marketing Strategy Headquarters)

Hiroaki Takeishi (Senior Managing Executive Officer,
Head of Industrial Group)

Minoru Asada (Senior Managing Executive Officer,
Group Executive of Finance & Accounting Headquarters)

Note: Kazuto Ogawa will be appointed Executive Vice President and Director of Canon Inc. as of March 28, 2024. Hiroaki Takeishi and Minoru Asada will be appointed Senior Managing Director of Canon Inc. as of March 28, 2024.

Effective Date: March 31, 2024

Masanori Yamada (Senior Managing Executive Officer,
Head of Imaging Group)

Takanobu Nakamasu (Managing Executive Officer,
President & CEO of Canon Production Printing Holding B.V.)

Note: Masanori Yamada will be appointed Adviser of Canon Inc. as of April 1, 2024.

(2) New Executive Officers to be appointed

Effective Date: April 1, 2024

Takahito Miura (Senior General Manager of Global Legal Administration Center)

Seiya Miura (Deputy Unit Executive of Semiconductor Production Equipment Unit)

(Current Titles are Shown in the Parentheses)

Executive Officers (2/2)

(3) Executive Officers to be promoted

Effective Date: April 1, 2024

| | | |
|-----------------------------------|-------------------|--|
| Executive Vice President | Toshio Takiguchi | (Senior Managing Executive Officer, Head of Medical Group, President & CEO of Canon Medical Systems Corporation) |
| Executive Vice President | Go Tokura | (Senior Managing Executive Officer, Deputy Head of Imaging Group) |
| Senior Managing Executive Officer | Hisahiro Minokawa | (Managing Executive Officer, Group Executive of Human Resources Management & Organization Headquarters) |
| Managing Executive Officer | Akiko Tanaka | (Executive Officer, Deputy Group Executive of R&D Headquarters) |
| Managing Executive Officer | Noriko Gunji | (Executive Officer, Group Executive of Sustainability Headquarters) |
| Managing Executive Officer | Hideki Sanatake | (Executive Officer, Group Executive of Corporate Intellectual Property and Legal Headquarters) |
| Managing Executive Officer | Saijiro Endo | (Executive Officer, Senior General Manager of Digital Printing Development Technology Planning & Management Center) |
| Managing Executive Officer | Isao Kobayashi | (Executive Officer, President & CEO of Canon U.S.A., Inc.) |