This is a translation of the original documents in Japanese language for convenience purposes only, and in the event of any discrepancy, the Japanese language shall prevail.

To Our Shareholders

Other Matters to Be Provided Electronically for the 56th Ordinary General Meeting of Shareholders (Matters Omitted in the Document to Be Delivered)

Canon Marketing Japan Inc.

BUSINESS REPORT

Current Conditions of Canon Marketing Japan and its consolidated subsidiaries (the "Group")

(1) Status of Assets and Earnings
Consolidated

	52nd Fiscal Year (Jan. 1, 2019 to Dec. 31, 2019)	53rd Fiscal Year (Jan. 1, 2020 to Dec. 31, 2020)	54th Fiscal Year (Jan. 1, 2021 to Dec. 31, 2021)	55th Fiscal Year (Jan. 1, 2022 to Dec. 31, 2022)	56th Fiscal Year (Jan. 1, 2023 to Dec. 31, 2023)
Net sales (Millions of yen)	621,134	545,060	552,085	588,132	609,473
Operating income (Millions of yen)	32,439	31,317	39,699	49,947	52,495
Ordinary income (Millions of yen)	33,937	35,236	41,096	50,991	53,585
Net income attributable to owners of parent (Millions of yen)	22,250	21,997	29,420	35,552	36,493
Net income attributable to owners of parent per share (Yen)	171.60	169.65	226.88	274.16	281.41
Total assets (Millions of yen)	503,698	506,604	526,418	543,740	557,366
Equity (Millions of yen)	325,092	346,114	374,676	400,372	435,509

Note: Net income attributable to owners of parent per share is calculated based on the weighted average number of outstanding shares during the fiscal year.

(2) Main Business

Segment	Business
Consumers	Sells products such as digital cameras and inkjet printers primarily to individual customers.
Enterprise	Provides Canon input and output devices and provides solutions that contribute to solving business problems in each industry, primarily for major corporations, quasi-major corporations, and upper-medium-sized businesses.
Area	Sells Canon input and output devices and provides solutions that help customers solve business problems, primarily for small and medium-sized businesses in Japan.
Professional	Provides solutions for customers in each area. (Production Printing) Provides high-speed continuous feed printers and high-speed cut sheet printers to the printing industry. (Industrial Equipment) Provides products such as semiconductor manufacturing systems and inspection and measurement devices mainly to semiconductor manufacturers and other electronics device manufacturers. (Healthcare) Provides IT solutions, system development, network construction, and hardware primarily for the medical and healthcare field.

(3) Main Location of Operations

The Company

Headquarters	Tokyo
Konan Office	
Makuhari Office	Chiba
Sapporo Branch	Hokkaido
Sendai Branch	Miyagi
Nagoya Branch	Aichi
Osaka Branch	Osaka
Hiroshima Branch	Hiroshima
Fukuoka Branch	Fukuoka

Principal Subsidiaries

Canon IT Solutions Inc.	Tokyo
Canon System & Support Inc.	
Canon Production Printing Systems Inc.	

Status of Shares of the Company

(1) Total Number of Shares Authorized 299,500,000 shares

(2) Total Number of Issued Shares, Common Stock, Number of Shareholders

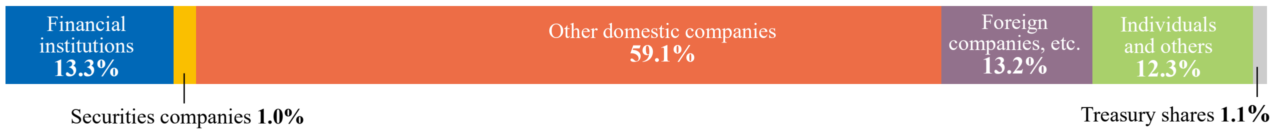
	As of the end of the Previous Fiscal Year	Change during This Fiscal Year	As of the end of This Fiscal Year
Total number of issued shares (shares)	131,079,972	-	131,079,972
Capital stock (yen)	73,303,082,757	-	73,303,082,757
Number of shareholders (persons)	11,166	Decrease of 268	10,898

(3) Major Shareholders

Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
Canon Inc.	75,708	58.4
The Master Trust Bank of Japan, Ltd. (Trust account)	8,517	6.6
Canon Marketing Japan Group Employee Stock Ownership Association	5,276	4.1
Custody Bank of Japan, Ltd. (Trust account)	4,069	3.1
STATE STREET BANK AND TRUST COMPANY 505001	1,525	1.2
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,250	1.0
The Bank of New York, Treaty JASDEC Account	1,135	0.9
Mizuho Bank, Ltd.	1,001	0.8
The Dai-ichi Life Insurance Company, Limited	879	0.7
BNYM SANV BNYMIL LF Morant Wright Japan Fund	600	0.5

Note: The shareholding ratio is calculated by deducting the number of treasury shares (1,401,615 shares) from the total number of issued shares.

(4) Shareholding Ratio by Category



Status of Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Remuneration and Other Amounts to Accounting Auditor for This Fiscal Year

	Amount
(i) Remuneration and other amounts payable by the Company for the services defined in Paragraph 1, Article 2 of the Certified Public Accountants Act	¥121 million
(ii) Total amount of cash and other financial benefits payable by the Group to the Accounting Auditor	¥185 million

Notes: 1. In the audit agreement between the Company and the Accounting Auditor, remuneration amounts are determined on a lump-sum without breakdown into a separate remuneration amount for auditing in accordance with the Companies Act and in accordance with the Financial Instruments and Exchange Act. Accordingly, the amounts shown in (i) above represent total amounts of remuneration and other amounts for both of these auditing services.

2. The Company pays consideration to accounting auditors for work concerning agreed upon procedures other than the work specified in Article 2, Paragraph 1 of the Certified Public Accountings Act.

3. Reason that the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor: The Audit & Supervisory Board has received necessary documents and reports from the Directors, related internal divisions, and the Accounting Auditor, in addition to confirming the audit plan, status of the performed audit for the previous fiscal year, and the estimated remuneration for this fiscal year. As a result, the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor, upon judging it to be a rational level for maintaining and improving audit quality.

(3) Policy Regarding Decision on Either Dismissal or Non-Reappointment of the Accounting Auditor

The Audit & Supervisory Board, by unanimous agreement, as needed, will dismiss the Accounting Auditor when confirmed that the Accounting Auditor falls under any Item of Paragraph 1, Article 340 of the Companies Act.

In addition to the above, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, making it unlikely that the Accounting Auditor will be able to properly perform an audit, the Audit & Supervisory Board will decide the contents of the item to be proposed at a General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor.

Systems for Ensuring Appropriateness of Business Operations and Outline of Implementation Activities

The content of the resolution of the Board of Directors regarding the systems necessary to ensure the appropriateness of the Company's operations (basic policy) as well as the outline of implementation activities for the aforementioned systems, are as follows:

<table>
<tr><td>Systems for Ensuring Appropriateness of Operations
(the "Internal Control System")</td><td><u>Content of Basic Policy Resolution</u>
To ensure the appropriateness of operations and to work for continuous improvement in corporate value, Canon Marketing Japan Inc. (the "Company") and the enterprises consisting of the Company and its consolidated subsidiaries (the "Group"), shall foster a sound corporate culture based on the Spirit of "Three Self" (Self-motivation, Self-management, and Self-awareness) – guiding principles of Canon Group (Canon Inc., parent company of the Company, and its subsidiaries). The Group shall also work to foster a law-abiding awareness through the "Canon Group Code of Conduct." Furthermore, the Group shall firmly strive to ensure management transparency through clearly defined approval processes of important matters of the Group.</td></tr>
<tr><td rowspan="2">1. System for Compliance (Item 6, Paragraph 4, Article 362 of the Companies Act of Japan (the "Companies Act"), and Item 4, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)</td><td><u>Content of Basic Policy Resolution</u>
(1) The Board of Directors, in accordance with regulations prescribed by the Board of Directors (the "Regulations of the Board of Directors"), shall make decisions on important the Group managerial matters after careful deliberation. Additionally, the Board of Directors shall have representative directors, executive directors and executive officers (collectively the "Officers") give reports regarding their execution of duties.
(2) The Company shall thoroughly instill compliance awareness through training and other programs geared towards new employees, managers, and newly-appointed board members and executive officers, utilizing the "Canon Group Code of Conduct," as a standard to be adhered to in the execution of duties.
(3) As a part of the Company's risk management system, the Company shall put in place business procedures/checking systems that prevent violation of laws and regulations and the Company's articles of incorporation in the course of daily business. It shall also maintain a compliance education system.
(4) The internal audit office of the Company, which has the authority to audit all executions of duties, shall also conduct audits regarding the status of compliance with laws and regulations and the Company's articles of incorporation.
(5) If an act that violates laws and regulations, or the Company's articles of incorporation is discovered in the Group, employees have the ability to report such fact by means of a whistleblowing system. Additionally, the Company shall prohibit any disadvantageous treatment of any whistleblower.</td></tr>
<tr><td><u>Outline of Implementation Activities</u>
(1) During this year, 13 Board of Directors meetings were held. At these meetings, in addition to deliberating and deciding on important matters, the Board of Directors received reports from Directors in charge of major divisions concerning the execution of business. Besides the above-mentioned number of held Board of Directors meetings, there were two written resolutions by which a board resolution is deemed to have been made under Article 370 of the Company Law and Article 22 of the Articles of Incorporation of the Company.
(2) Compliance training that follows the "Canon Group Code of Conduct" was implemented.
(3) The activity is described in 2 Outline of Implementation Activities, (1) below.
(4) The internal audit office conducts audits of each division and subsidiaries for various themes. The results of these audits have been then reported to the President and each Audit & Supervisory Board Member, and when necessary, proposals for improvement are given.
(5) The rules on use of the whistleblowing system, including the explicit prohibition of the disadvantageous treatment of whistleblowers, are disseminated via the intranets of the Company, along with information on the contact counter for reporting internal problems. In this year, there were no whistleblower reports relating to serious violations of laws and regulations, or the like.</td></tr>
</table>

2. System for Risk Management (Item 2, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)	<u>Content of Basic Policy Resolution</u> (1) The Company shall conduct various measures with regard to improving the risk management system in accordance with the regulations regarding risk management. These measures include the system for grasping any significant risks (violation of laws and regulations, misstatement of financial reporting, quality issues, work-related injuries, disasters, etc.) that the Group may face in the course of business. Additionally, the Company shall evaluate the status of design and implementation of the risk management system and report its findings to the Board of Directors. (2) The Company established the Management Committee, and the Committee shall carefully deliberate items in case it is considered important even if items are not submitted to the Board of the Directors.
	<u>Outline of Implementation Activities</u> (1) The Group categorized the risks which may cause significant impact on the Group into 4 risks of Laws and Regulations Violation risk, Disaster and Pandemic risk, Financial risk and Business risk, in accordance with the “Regulations of Risk and Crisis Management.” The Group conducted various measures with regard to the risk management system. Additionally, the Company evaluated the status of design and implementation of the risk management system based on the activity plan approved by the Board of Directors. (2) The Management Committee was held 12 times in this year, and important matters were deliberated. In addition to the Directors in charge of executing business operations, Audit & Supervisory Board Members also attended, as necessary, and provided their opinions.
3. System for Efficient Execution of Duties (Item 3, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)	<u>Content of Basic Policy Resolution</u> (1) Based on regulations regarding approval processes of important matters and the division of duties adopted by the Board of Directors, the Directors and other officers shall execute shared duties under the supervision and direction of the President. (2) The Company shall formulate Long-Term Management Objectives as 5-year management goals and 3-year priority measures, contained in Mid-Term Management Plan (Three-Year Management Plan) at its Management Committee. Based upon these plans, the Company shall manage operations from a unified group approach.
	<u>Outline of Implementation Activities</u> (1) The Officers have executed the duties allocated to them in accordance with the related rules. (2) The Company decides on a mid-term management plan and the necessary measures, which is decided based on discussions such as held at the Management Committee attended by the Officers of the Company and the executive officers of the major subsidiaries, and ensures the cohesion of the Group’s corporate management.

4. System for Group Management (Item 5, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)	<u>Content of Basic Policy Resolution</u> The Company strengthens the internal control system by requiring subsidiaries to follow the respective items: a) to obtain prior approval from the Company or report to the Company important decisions in accordance with the "Regulations of Important Matters Approval of Canon MJ Group Companies," prescribed by the Board of Directors, b) to grasp significant risks that the subsidiary may face in the course of business and to verify and evaluate the status of design and implementation of the risk management system and report their findings to the Company in accordance with the regulations regarding risk management, c) to design an appropriate organization under the governing law of incorporation and to clearly define approval processes and authorities of executive officers, d) in addition to thoroughly instilling compliance awareness through the "Canon Group Code of Conduct," to put in place business procedures/checking systems that prevent violation of laws and regulations and subsidiaries' articles of incorporation in the course of daily business and prepare a compliance education system as a part of subsidiaries' risk management system, and e) to establish a whistleblowing system and prohibit any disadvantageous treatment of any whistleblower.
	<u>Outline of Implementation Activities</u> a) The Company received reports from subsidiaries or provided prior approval in accordance with the "Regulations of Important Matters Approval of Canon MJ Group Companies." b) In order to conduct evaluation of the status of design and implementation of the risk management system described in 2 Content of Basic Policy Resolution, (1) above, the subsidiaries being evaluated implemented evaluation of the respective targeted risks. c) Each subsidiary performs, as appropriate, a review of the appropriateness of organizational design, and approval criteria and processes in accordance with the applicable laws and regulations and the nature of business and other factors. d) In addition to the activities of 2 Outline of Implementation Activities, (1) above, each subsidiary establishes places for training and discussion as necessary and ensures utmost compliance. e) Each subsidiary establishes an in-house hotline system and totally prohibits any disadvantageous treatment of any whistleblower.
5. System for Storing and Managing Information (Item 1, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)	<u>Content of Basic Policy Resolution</u> Information related to the execution of duties of Officers, including meeting minutes of the Board of Directors and approval documents, shall be maintained and managed by respective divisions in charge of such management in accordance with laws and regulations, the "Regulations of the Board of Directors," and other related rules. Directors and Audit & Supervisory Board Members have the ability to inspect this information at any time.
	<u>Outline of Implementation Activities</u> Whenever deemed necessary, Directors, Audit & Supervisory Board Members and members of the internal audit office inspect or obtain copies of minutes of the Board of Directors meeting, minutes of the Management Committee, and other records such as approvals by the President.

6. System for Auditing by Audit & Supervisory Board Members (Paragraph 3, Article 100 of the Enforcement Regulations of the Companies Act)	<u>Content of Basic Policy Resolution</u> (1) Although the Company does not assign a dedicated full-time employee or set an organization to assist the duties of Audit & Supervisory Board Members, the internal audit office, the legal division and other divisions will consult and assign an employee to assist the works of Audit & Supervisory Board Members (the “Assisting Employee”), on matters requested by Audit & Supervisory Board Members. The Assisting Employee shall give priority to execute the duties requested by Audit & Supervisory Board Members. Any change in the Assisting Employee shall require the prior consultation of the Audit & Supervisory Board. (2) Audit & Supervisory Board Members shall grasp the execution of duties by Director and other officers, by attending not only meetings of the Board of Directors, but also other important meetings such as meetings of the Management Committee. (3) The administrative divisions of the headquarters, such as human resources, finance & accounting, and legal affairs, shall hold meetings with Audit & Supervisory Board Members and report on the execution of duties in a timely manner. Additionally, if any material breach of laws and regulations occurs, the relevant division shall immediately report this to Audit & Supervisory Board Members. (4) Audit & Supervisory Board Members shall be reported from accounting auditors periodically and upon necessity. (5) Audit & Supervisory Board Members shall hold periodic meetings with counterparts of domestic subsidiaries and work to improve the auditing system from a unified group perspective by sharing information. Additionally, Audit & Supervisory Board Members shall grasp the execution of duties by Directors and other officers of subsidiaries, by auditing major subsidiaries in and outside Japan as necessary. (6) The Company prohibits any disadvantageous treatment of any person that reports to Audit & Supervisory Board Members. The Company also seeks its subsidiaries to prohibit any disadvantageous treatment. (7) For expenses that are required in the execution of the Audit & Supervisory Board Members duties, they shall be borne by the Company as requested by the Audit & Supervisory Board Members.
	<u>Outline of Implementation Activities</u> (1) The Company assigned the Assisting Employee from the legal division, and the Assisting Employee executed the duties as requested by Audit & Supervisory Board Members. Change to the Assisting Employee, were decided upon prior consultation with the Audit & Supervisory Board. (2) Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, attended Board of Directors meetings and important meetings such as the Management Committee meetings, and the executive officers meetings. (3) The administrative divisions of the headquarters held periodic meetings with the Audit & Supervisory Board Members, and reported the status of execution of business operations. In addition, the internal audit office reported the results of audits to not only the President but to Audit & Supervisory Board as well. (4) Audit & Supervisory Board Members, in addition to periodically receiving reports from the Accounting Auditor on the results of the audit of this year in accordance with laws and regulations, they also hold hearings with the Accounting Auditor to inquire on the status of audits as necessary. (5) Audit & Supervisory Board Members, as necessary, held meetings with audit & supervisory board members of domestic subsidiaries and exchanged information. In addition, Audit & Supervisory Board Members audited the major subsidiaries. (6) In addition to 1 Outline of Activities, (5) above, the Company did not treat any person that reported to Audit & Supervisory Board Members disadvantageously. (7) In this year, there were no situations of shortfalls in the budget allocated for the implementation of audits in accordance with the audit plan.

Stock Acquisition Rights etc. of the Company

- Stock Acquisition Rights Granted as Compensation for Execution of Duties That Are Held by the Directors (Excluding Outside Directors) of the Company as of the End of This fiscal year

Name	Fair value of stock acquisition rights (1 unit is 100 shares)	Exercise price (per share)	Exercise period	Holder, number of holders, number of units, and class and number of shares to be acquired
Stock Acquisition Rights granted in April of 2022	260,600 yen	1 yen	April 29, 2022 to April 28, 2052	Director 4 persons, 72 units, 7,200 shares of common stock
Stock Acquisition Rights granted in April of 2023	314,900 yen	1 yen	April 29, 2023 to April 28, 2053	Director 4 persons, 70 units, 7,000 shares of common stock

- Stock Acquisition Rights Granted during This Term to the Executive Officers Who Are in the Positions of Vice Presidents or Higher (Excluding Persons Serving Concurrently as Directors) of the Company as Compensation for Execution of Duties

Name	Fair value of stock acquisition rights (1 unit is 100 shares)	Exercise price (per share)	Exercise period	Grantee, number of grantees, number of units, and class and number of shares to be acquired
Stock Acquisition Rights granted in April of 2023	314,900 yen	1 yen	April 29, 2023 to April 28, 2053	Executive officers who are in the positions of vice presidents or higher 6 persons, 76 units, 7,600 shares of common stock

[Main Conditions for the Exercise of Stock Acquisition Rights]

In principle, in accordance with the provisions of the stock acquisition rights agreement between the Company and a holder of the stock acquisition rights, the number of granted stock acquisition rights that may be exercised by such holders is adjusted (range from 0% to 100% of granted) based on the level of consolidated net income before taxes for the fiscal year that stock acquisition rights was granted and the holder of the stock acquisition rights shall be entitled to exercise the number of exercisable stock acquisition rights only in a lump sum within a period of 10 days (or the next business day, if the tenth day is a holiday) from the day immediately following the day when they cease to hold any position as Executive Officers who are in the positions of Vice Presidents or higher (including persons serving concurrently as Directors; hereinafter referred to as “Eligible Officers”) of the Company.

(Note) About Stock Acquisition Rights adjusted in April of 2023
Holder, Number of Holders, number of units, and class and number of shares to be acquired after adjustment above.

Director	4 persons 46 units 4,600 shares of common stock
Executive officers who are in the positions of vice presidents or higher	6 persons 50 units 5,000 shares of common stock

The amount and the number of shares described in this report are rounded down to the nearest number of the units indicated. Net income attributable to owners of parent per share are rounded off to two decimal places.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Shareholders' Equity

From January 1, 2023 to December 31, 2023

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	¥73,303	¥82,827	¥233,354	¥(2,092)	¥387,392
Changes during the year					
Cash dividends	-	-	(12,967)	-	(12,967)
Net income attributable to owners of the parent	-	-	36,493	-	36,493
Purchase of treasury stock	-	-	-	(4)	(4)
Disposition of treasury stock	-	4	-	4	9
Additional purchase of shares of a consolidated subsidiary	-	(104)	-	-	(104)
Net income attributable to non-controlling interests	-	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	(100)	23,525	0	23,425
Balance at end of the year	¥73,303	¥82,727	¥256,880	¥(2,092)	¥410,817

	Accumulated other comprehensive income (loss)					Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain (loss) on available-forsale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)			
Balance at beginning of the year	¥5,202	¥(14)	¥293	¥6,667	¥12,149	¥29	¥801	¥400,372
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(12,967)
Net income attributable to owners of the parent	-	-	-	-	-	-	-	36,493
Purchase of treasury stock	-	-	-	-	-	-	-	(4)
Disposition of treasury stock	-	-	-	-	-	-	-	9
Additional purchase of shares of a consolidated subsidiary	-	-	-	-	-	-	-	(104)
Net income attributable to non-controlling interests	-	-	-	-	-	-	90	90
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	(22)	(22)
Net changes in items other than shareholders' equity	1,657	101	51	9,942	11,753	29	(139)	11,643
Total changes during the year	1,657	101	51	9,942	11,753	29	(71)	35,137
Balance at end of the year	¥6,860	¥87	¥345	¥16,610	¥23,903	¥58	¥729	¥435,509

Notes to Consolidated Financial Statements

(Notes on important items forming the basis of consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries・・・・・・・・・ 14

Major consolidated subsidiaries・・・・・・ Canon IT Solutions Inc., Canon System & Support Inc., Canon Production Printing Systems Inc.

TCS Inc. (former TOKYO NISSAN COMPUTER SYSTEM CO., LTD.) became a subsidiary as a result of a share acquisition and thus is included in the scope of consolidation from the fiscal year.

(2) Non-consolidated subsidiaries・・・・・・・ None

2. Application of equity method

(1) Affiliates subject to equity method・・・・・ None

(2) Affiliates not subject to equity method・・・・ None

3. Fiscal years for consolidated subsidiaries

Of the consolidated subsidiaries, a fiscal year-end of TCS Inc. is March 31.

In preparing the consolidated financial statements, the Company uses financial statements based on the provisional closing financial statements as of December 31. The year end of the other consolidated subsidiaries is December 31.

4. Accounting policies

(1) Valuation standards and methods for key assets

(i) Securities

Held-to-maturity securities・・・・・・・ Amortized cost (straight-line method)

Other securities

Securities other than shares, etc. that do not have a market price・・・・・ Fair value
(Valuation differences included in total net assets, cost of products sold calculated based on moving-average method)

Shares, etc. that do not have a market price・・・・・・・・・・ At cost based on moving-average method

(ii) Inventory assets

Merchandise・・・・・・・・・・・ At cost based on monthly moving-average method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Repair parts・・・・・・・・・・・ At cost based on monthly moving-average method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Work in process・・・・・・・・・・ At cost based on specific identification method

Supplies・・・・・・・・・・・・・ Last-purchase price method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

(2) Method of depreciation for key depreciable assets

(i) Property, plant and equipment

(Excluding Leased assets, net)・・・・・ Based on declining-balance method

Rental assets and selected consolidated subsidiaries are depreciated by the straight-line method.

Buildings acquired on or after April 1, 1998 (excluding furniture and fixtures), and related furniture, fixtures and structures acquired on or after April 1, 2016, are depreciated by the straight-line method.

Useful lives are as follows:

Buildings and structures, net	3 years to 75 years
Furniture and fixtures, net	2 years to 20 years
Rental assets, net	3 years

(ii) Intangible assets

(Excluding Leased assets, net)・・・・・・Based on straight-line method

Software for sale is amortized based on the larger of the amortization amount based on expected sales volume or expected sales revenue or the equally allocated amount over the expected effective period (up to 3 years). In-house software is depreciated the straight-line method based on the length of in-house durability (5 years).

Customer-related intangible assets are generally amortized by the straight-line method based on the period when they are estimated to be generated income from recorded date.

(iii) Leased assets, net・・・・・・・・・・ Lease assets, net are depreciated by the straight-line method based on their useful life, which is lease period, with zero residual value.

(3) Standards for recording key allowances

(i) Allowance for doubtful receivables・・・ To cover possible losses on collection, general accounts receivables are calculated based on the actual rate of uncollected receivables, and doubtful account receivables based on individually estimated uncollectible amounts for specific items.

(ii) Accrued bonuses・・・・・・・・・・・ The estimated payable for current year's portion of employees' bonus is recorded based on the next round payment.

(iii) Accrued directors' bonuses・・・・・・ The estimated payable for current year's portion of directors' bonus is recorded based on the next round payment.

(iv) Accrued product warranties・・・・・・ Costs arising from a one-year free warranty contract for consumer products are recorded based on the actual cost of free repairs.

To cover payment of free program maintenance and repairs for selected consolidated subsidiaries, the estimated amount of future costs is recorded based on actual figures for previous years.

(v) Accrued loss on order received・・・・ The estimated amount of losses from the following fiscal year onwards is recorded for order contracts as of the end of the current fiscal year, in cases that are expected to result in a loss in the future (as of the end of the current fiscal year) and in which it is possible to reasonably estimate the relevant losses, in order to cover future losses on order received.

(vi) Allowance for long-term continuous service rewards・・

The estimated amount payable is recorded in order to cover payment of rewards to employees in accordance with internal regulations on long-term continuous service.

(4) Accounting methods for retirement benefits

(i) Method of aligning estimated retirement benefits・・・・・・・・

Retirement benefit obligations are calculated based on standard benefit calculation formula, to align the estimated amount of retirement benefits with the relevant period as of the end of the current consolidated accounting year.

(ii) Method of recording actuarial differences and prior service costs・・

Prior service costs are generally expensed using the straight-line method based on a certain number of years within the average remaining years of service for the relevant employee at the time of incurring costs. Actuarial differences are generally expensed from the following consolidated accounting year, using the straight-line method based on a certain number of years within the average remaining years of service for the relevant employee at the time of incurring costs.

(iii) Using simplified methods for small companies, etc.・・・・・・・

For selected consolidated subsidiaries, simplified methods are applied in order to calculate retirement benefit liabilities and costs. This entails listing retirement benefit obligations as the amount payable in retirement benefits at the end of the year, based on the relevant company's circumstances.

(5) Standards for recording key revenue and expenses

The details of the main performance obligations in key businesses related to revenue from contracts with the Group's customers and the usual timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as described below.

In addition to sale of Canon products and provision of related services, the Group sells products and provides services in fields such as IT solutions, industrial equipment and healthcare. In the case of sale of a product that does not require inspection by the customer, usually at the time of delivery of the product, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Group is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Group judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of the delivery of product. Additionally, in the case of sale of a product that requires inspection by the customer, at the time of completion of inspection by the customer, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Group is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Group judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of completion of inspection by the customer. Provision of services consists mainly of business equipment maintenance contracts, which are routine or recurring, and therefore the Group judges that the performance obligations are satisfied over time as services are provided to customers in accordance with the contracts and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Group is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to product usage, the Group judges that the customer enjoys benefits according to the usage, and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to the usage. Furthermore, consideration for transactions is generally settled within a short period of time following the time when performance obligations are satisfied, and the amount of consideration promised does not include a significant financing component. For some of the sale of products and the provision of services, the Group receives consideration for transaction in the form of advance payments.

Conditions peculiar to each reporting segment are as described below. The Enterprise segment and the Area segment are combined due to the similarity of the products sold and services provided in these two segments.

(Consumers)

The transaction price received by the Group in exchange for products sold includes variable considerations such as rebates based on the achievement of a specified milestone or other targets. Variable considerations such as rebates are mainly related to products sold for which the main customer base is retailers. Variable considerations such as rebates are deducted from the transaction price, and rebates are estimated using the expected value method based on actual figures in previous years and other factors.

(Enterprise and Area)

For maintenance and operation services/outsourcing for IT solutions, services are provided to customers in a uniform manner over the contract duration, and therefore the Group judges that the performance obligations are satisfied over time and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Group is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to factors such as hours, workload, etc., the Group judges that customer enjoys benefits according to the hours and workload involved in the service and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to hours, workload, etc. involved in the service.

For SI services that provide custom development of software, if reasonable estimates of progress can be made, since deliverables are transferred to the customer as progress is made on development, the Group recognizes revenue over the development period in accordance with the progress of development. The Group judges that costs incurred are proportional to the progress of development and recognizes revenue using the input method based on costs incurred (cost-to-cost method) to estimate progress. Additionally, if reasonable estimates of progress cannot be made, in the case that expenses involved in the amount of progress made are recoverable, the Group recognizes revenue based on the cost recovery method.

(Professional)

For SI services that provide custom development of systems in the healthcare field, etc., please refer to the relevant performance obligations detailed in the Enterprise and Area segments.

(6) Key hedge accounting methods

(i) Hedge accounting method・・・・・・ Appropriation accounting is applied to foreign currency denominated payables subject to forward exchange contracts in line with accounting requirements.

(ii) Hedging instrument and subject

Hedging instrument・・・・・・・・・ Forward exchange contracts

Subject of hedging・・・・・・・・・ Foreign currency denominated payables

(iii) Hedging policy・・・・・・・・・・・ Measures are taken to hedge against the risk of cash flow fluctuations due to exchange rate fluctuations in the future, in relation to foreseeable foreign currency denominated payables up to a certain amount.

(iv) Method of evaluating effectiveness of hedging・・

For forward exchange contracts, the same amount is appropriated on the same date in the same currency, in accordance with the Company's hedging policy. The effectiveness is not evaluated on the date of settlement of accounts because it is guaranteed to correlate with subsequent exchange rate fluctuations.

(7) Goodwill

Goodwill is amortized over a maximum of 20 years using straight-line method.

(8) Other important items forming the basis of consolidated financial statements

Application of the group tax sharing system・・・・・・・・・・・・・・・・

The Company and certain domestic consolidated subsidiaries shifted from the consolidated taxation system to the group tax sharing system from the fiscal year. As a result, the processes of accounting and disclosure for corporate and local income taxes as well as tax effect accounting have complied with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter "PITF No. 42"). In accordance with PITF No. 42, paragraph 32, item (1), the change in accounting principles associated with the implementation of PITF No. 42 is deemed to have no impact. There is no impact on the consolidated financial statements.

(Notes on changes in accounting policies)

(Application of revised Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the revised Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") from the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. There is no impact on the consolidated financial statements.

(Notes on accounting estimates)

Recoverability of deferred tax assets

1. Account and amount recorded for the current fiscal year

Account	Amount (millions of yen)
Deferred tax assets	¥5,916

2. Other information for the understanding of the details of accounting estimates

The Group estimates the deferred tax assets amounts for future temporary differences for which the timing of realization is reasonably estimated. This is because stable taxable income has been achieved during the current fiscal year, and the Group forecasts as of the end of the current fiscal year that the subsequent business environment is unlikely to significantly change in the near future. The Company and selected domestic consolidated subsidiaries apply the group tax sharing system and carry out tax allocation for the application of the group tax sharing system.

The Group considers the estimated future taxable income and business environment to be appropriate as they are determined based on the best estimate and judgement by management. However, they may be affected by changes in future business plans and economic environment as well as revision and promulgation of related laws and regulations. If any need arises for reviews regarding estimated future taxable income and business environment, the amount to be recognized in the consolidated financial statements for the following fiscal year may be affected.

(Notes on consolidated balance sheets)

1. Accumulated depreciation on property, plant and equipment 76,270 million yen

2. Guarantee liabilities

Guarantees for employees' housing loans 2 million yen

3. The balances of receivables from contracts with customers and contract assets, respectively, are as follows.

Notes receivable-trade 10,776 million yen

Accounts receivable-trade 88,122 million yen

Contract assets 11,493 million yen

4. The balance of contract liabilities included in "Other current liabilities" under current liabilities

19,278 million yen

(Notes on consolidated statements of income)

Amount of revenue from contracts with customers included in net sales 600,333 million yen

(Notes on consolidated statements of shareholders' equity)

1. Class and total number of issued shares as of end of current fiscal year Common share 131,079,972 shares

2. Dividends paid from retained earnings during the current fiscal year

Resolution	Class of share	Total dividends (millions of yen)	Dividends per share (yen)	Base date	Date effective
March 29, 2023 General shareholders' meeting	Common share	¥6,483	¥50	December 31, 2022	March 30, 2023
July 26, 2023 Board of Directors' meeting	Common share	¥6,483	¥50	June 30, 2023	August 25, 2023

3. Dividends for which the base date falls within the current fiscal year, and the date effective in the following fiscal year

Discussion	Class of share	Funds used to pay dividends	Total dividends (millions of yen)	Dividends per share (yen)	Base date	Date effective
March 27, 2024 General shareholders' meeting	Common share	Retained earnings	¥9,077	¥70	December 31, 2023	March 28, 2024

4. Number of shares subject to stock acquisition rights issued by the Company as of the end of the current fiscal year

Common share 21,000 shares

(Notes on financial instruments)

1. Status of financial instruments

(1) Policies for financial instruments

As the Group, we limit asset management to financial instruments characterized as very safe, and believe that financing should mainly be conducted through the use of group funds whenever necessary. We enter into derivative transactions to hedge against foreign exchange fluctuation risks, but have a policy of not engaging in speculative transactions.

(2) Details of financial instruments, risks, and systems to control risks

Operating receivables, consisting of notes and accounts receivable, are exposed to customer credit risks. We aim to mitigate such risks through strict credit control, based on credit data provided by external credit agencies, and through credit insurance and other risk-hedging measures.

Short-term loans receivable are mainly loans to the parent company, provided in accordance with internal regulations on investment and management of funds.

Securities and investments in securities consist primarily of held-to-maturity debt securities and shares in companies with business ties to the Group, and are exposed to market price fluctuation risks. To counter such risks, we regularly monitor fair values and the financial condition of companies issuing shares (business counterparties). For securities other than held-to-maturity debt securities, we continuously review the status of our holdings, taking into consideration market conditions and relationships with business counterparties.

Trade payables, consisting of notes and accounts payable, are mainly those due within 6 months.

Derivative transactions consist of forward exchange contracts to hedge against the risk of fluctuations in foreign currency denominated trade payables. With regard to hedge accounting, notes on important items forming the basis for compiling the aforementioned consolidated accounting documents are outlined under “4. Accounting policies (6) Key hedge accounting methods.”

(3) Supplementary explanation of fair values of financial instruments

Values may vary depending on different assumptions, due to the fact that variables are factored into the calculation of fair values of financial instruments.

2. Fair values of financial instruments

Book values on consolidated balance sheets as of December 31, 2023, their corresponding fair values, and the difference between the two are as follows.

	Book value on consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investments in securities	¥13,706	¥13,706	—
Total assets	¥13,706	¥13,706	—
(2) Derivative transactions (*3)	¥126	¥126	—

*1. Cash and deposits, notes and accounts receivable-trade, securities, short-term loans receivable, and notes and accounts payable-trade are omitted, because they are comprised of cash and are to be settled in the short term, meaning that their fair values approximate their book values.

*2. As unlisted shares (book value on consolidated balance sheets: 1,240 million yen) do not have a market value, they are not included in "(1) Investments in securities" above. As funds from investment partnerships are not subject to fair value disclosure in accordance with paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021), funds from investment partnerships (book value on consolidated balance sheets: 1,367 million yen) are not included in "(1) Investments in securities" above.

*3. Assets and liabilities arising from derivative transactions are indicated in net amounts, whereas items that amount to a net liability are shown in parentheses.

3. Fair value input hierarchy

Input for financial instruments is classified into the following three levels according to the observability and materiality used to measure fair value.

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Inputs other than Level 1 inputs that are observable directly or indirectly

Level 3: Significant inputs are unobservable

If significant multiple inputs are used to fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	¥13,706	—	—	¥13,706
Derivative transactions				
Forward exchange contracts	—	¥126	—	126
Total assets	¥13,706	¥126	—	¥13,832

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investments in securities

Fair values of shares are based on prices at listed security exchanges. As shares are traded in active markets, their inputs is classified as Level 1.

Derivative transactions

The fair value of forward exchange contracts is calculated based on quotations obtained from counterparty financial institutions and is classified as Level 2.

(Notes on rented and other real estate)

Not disclosed due to immaterial.

(Notes on revenue recognition)

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segment					Other (Note)	Total
	Consumers	Enterprise	Area	Professional	Total		
IT solutions business							
SI services	¥0	¥71,311	¥12,207	¥15,062	¥98,581	—	¥98,581
Maintenance and operations services / outsourcing	15	34,231	10,752	533	45,533	4,163	49,696
Systems and IT products	29,373	37,681	47,113	9	114,178	1,137	115,315
Other businesses	105,303	56,975	151,026	23,426	336,731	7	336,739
Revenue from contracts with customers	134,692	200,200	221,100	39,032	595,025	5,308	600,333
Other revenue	0	7,790	1,348	—	9,140	—	9,140
Total	¥134,692	¥207,990	¥222,449	¥39,032	¥604,165	¥5,308	¥609,473

(Note) The "Other" segment is a business segment that is not included in the reportable segments and includes shared service businesses.

2. Useful information in understanding revenue

Useful information in understanding revenue is as presented in "(Notes on important items forming the basis of consolidated financial statements), 4. Accounting policies, (5) Standards for recording key revenue and expenses."

3. Information for understanding revenue for the current and subsequent fiscal years

(1) Contract asset and contract liability balances

	Amount (millions of yen)
Receivables from contracts with customers (beginning balance)	¥97,272
Receivables from contracts with customers (ending balance)	98,899
Contract assets (beginning balance)	11,940
Contract assets (ending balance)	11,493
Contract liabilities (beginning balance)	17,639
Contract liabilities (ending balance)	¥19,278

(Note) Contract assets primarily relate to the right of the Group to consideration for goods or services provided, mainly in the custom development of software, for which performance obligations have been satisfied in part or in full, but an invoice has not yet been issued as of the last day of the fiscal year.

Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers as payment for products or payment for unfulfilled services in the case of services that are continuously provided.

Contract liabilities are reversed upon recognition of revenue.

The amount of revenue recognized for this fiscal year that was included in contract liabilities at beginning of this fiscal year was 8,864 million yen.

The amount of revenue recognized from performance obligations satisfied(or partially satisfied) in previous fiscal years was immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less.

The revenue expected to be recognized in the future fiscal years related to performance obligations that are unsatisfied as of this fiscal end was as follows.

	Amount (millions of yen)
Within 1year	¥9,369
Between 1 year and 2 years	3,332
Between 2 year and 3 years	1,891
Between 3 and 4 years	1,171
Between 4 and 5 years	426
Over 5years	51
Total	¥16,242

(Note) Of the contracts which are mainly business equipment maintenance contracts, those for which revenue is recognized based on an amount multiplied by a unit price stipulated in the contract according to usage are not disclosed.

(Notes on information per share)

1. Net assets per share 3,352.30 yen
2. Net income attributable to owners of parent per share 281.41 yen

(Notes on significant subsequent events)

(Establishment of a subsidiary)

The Company decided to set up a corporate venture capital (hereinafter “CVC”) fund at a meeting of the Board of Directors held in January 29, 2024. The CVC fund is a consolidated subsidiary of the Company.

1. The purpose of establishing a subsidiary

On January 2024, the Company launched the R&B (Research & Business Development) Promotion Center, a professional organization with an R&B function that works to create new businesses in order to solve social issues in a future-oriented manner. The center will work on creating new value by promoting open innovation worldwide together with like-minded start-up companies, educational institutions, and administrative bodies.

As an R&B initiative, the Company set up the CVC fund “Canon Marketing Japan MIRAI Fund” to speed up open innovation with start-up companies with cutting-edge technology and business ideas.

The investment areas are based on social issues envisioned for the future without being limited to the existing businesses of the Canon Marketing Japan Group. There are two investment areas: Well-being and Business Transformation.

2. Profile of the CVC fund

(1) Name (Registered name)	Canon Marketing Japan MIRAI Fund (Canon Marketing Japan Future Investment Limited Liability Partnership)
(2) Grounds, etc. for establishment	Limited Partnership Act for Investment
(3) Purpose of establishment	Investment for start-up companies, etc.
(4) Establishment date	January 29, 2024
(5) Total value of funds	10,000 million yen (plan)
(6) Investment period	10 years (plan)
(7) Management company	Global Brain Corporation
(8) Investors	Canon Marketing Japan Inc. (limited liability partner) Global Brain Corporation (unlimited liability partner)
(9) Ownership	Canon Marketing Japan Inc. (99.5%) Global Brain Corporation (0.5%)

<Profile of Global Brain Corporation>

Date of establishment	January 14, 1998
Address	10-11 Sakuragaoka-cho, Shibuya-ku, Tokyo
Representative	Yasuhiko Yurimoto (President and CEO)
Business	Venture capital business

(Notes on business combination, etc.)

Business combination as a result of acquisition

(1) Outline of business combination

(i) Name of the acquired company and its business

Name of the acquired company: TCS Inc. (former TOKYO NISSAN COMPUTER SYSTEM CO., LTD.)

Business: Information system-related business

(ii) Main reason for business combination

The Company considers that making TCS Inc. a wholly owned subsidiary will contribute to “(1) Expand ITS business with profit,” a basic policy of the Medium-Term Management Plan (2022-2025), accelerate the implementation of IT solutions strategies for different customer groups, and allow the Company to expand stock business by the service-type business model where services are continuously provided for customers. In addition, the Company considers it possible to increase the corporate value of TCS Inc. by promoting coordination with a wide range of businesses of the Company's group, and by further strengthening the relationship with the existing customers of TCS Inc., and thereby has decided to make TCS Inc. a wholly owned subsidiary.

(iii) Date of business combination

October 2, 2023 (Deemed acquisition date: October 1, 2023)

(iv) Legal form of business combination

Acquisition of shares for cash

(v) Name of acquiree after business combination

TCS Inc.

(vi) Ratio of voting rights acquired

Ratio of voting rights acquired as of October 2, 2023 through a tender offer	93.10%
Ratio of voting rights acquired as of November 1, 2023 through a demand for the sale of shares	6.90%
Ratio of voting rights after acquisition	100.00%

(vii) Main reason for determining an acquirer

The Company acquired shares for cash and thus was determined to be the acquirer.

(2) Business performance period of the acquiree included in the consolidated financial statements

October 1, 2023 to December 31, 2023

(3) Acquisition cost of the acquiree and type of consideration

Consideration for acquisition	Cash	11,009 million yen
Acquisition cost		11,009 million yen

(4) Major cost related to acquisition and its amount

Remuneration, etc. for advisory services: 245 million yen

(5) The amount of goodwill recorded, the reason for generation, and the amortization method and period

(i) Amount of goodwill recorded

4,579 million yen

(ii) Reason for goodwill

It was generated by excess earnings power expected in the future due to future business expansion.

(iii) Amortization method and period

Straight-line method over 12 years

(6) The amounts of assets recorded and liabilities assumed on the date of business combination and their major components

Current assets	4,476 million yen
Non-current assets	4,547 million yen
Total assets	9,024 million yen
Current liabilities	1,155 million yen
Non-current liabilities	1,438 million yen
Total liabilities	2,594 million yen

(7) Amount allocated to intangible fixed assets other than goodwill, a breakdown by type, and the weighted average amortization period

Type	Amount	Weighted average amortization period
Customer-related intangible assets	3,712 million yen	14.9 years

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of Dec. 31, 2023	As of Dec. 31, 2022
Assets		
Current assets	**¥355,314**	**¥374,296**
Cash and deposits	62,847	66,095
Notes receivable-trade	773	887
Electronically recorded monetary claims - operating	9,204	9,540
Accounts receivable-trade	67,164	69,312
Contract assets	4,618	5,681
Securities	1,500	500
Merchandise and finished goods	32,093	33,240
Raw materials and supplies	299	341
Advance payment - trade	1,380	1,389
Prepaid expenses	1,019	881
Short-term loans receivable	171,300	181,202
Accounts receivable - other	2,719	4,954
Forward exchange contracts	126	-
Other current assets	305	309
Allowance for doubtful receivables	(38)	(40)
Non-current assets	**149,405**	**137,768**
Property, plant and equipment	**46,462**	**46,160**
Buildings, net	11,369	11,765
Structures, net	432	441
Machinery, net	60	68
Furniture and fixtures, net	1,120	1,104
Rental assets, net	5,581	4,879
Land	27,899	27,899
Lease assets, net	-	0
Intangible assets	**4,908**	**5,079**
Software	4,797	4,968
Facility utilization rights	110	110
Other intangible assets	1	0
Investments and other assets	**98,034**	**86,528**
Investments in securities	11,445	10,440
Shares of subsidiaries and associates	70,913	59,797
Claims provable in bankruptcy, claims provable in rehabilitation and other	118	125
Long-term prepaid expenses	2,532	1,954
Deferred tax assets	10,995	12,047
Lease deposits	1,061	1,154
Other investments and other assets	1,116	1,164
Allowance for doubtful receivables	(149)	(153)
Total assets	**¥504,720**	**¥512,064**

	As of Dec. 31, 2023	As of Dec. 31, 2022
Liabilities		
Current liabilities	**¥116,826**	**¥124,828**
Electronically recorded obligations - operating	213	1,293
Accounts payable-trade	38,835	42,309
Short-term loans payable	39,800	42,700
Lease obligations	-	0
Accounts payable - other	3,136	2,215
Accrued expenses	12,416	12,391
Accrued Income taxes	4,031	6,094
Consumption taxes payable	3,198	2,753
Contract liabilities	10,451	10,212
Advances received	1	1
Deposits received	3,118	3,178
Forward exchange contracts	-	21
Accrued bonuses	1,311	1,371
Accrued directors’ bonuses	48	46
Accrued product warranties	262	232
Accrued loss on contracts	-	5
Long-term liabilities	**18,179**	**37,975**
Provision for retirement benefits	15,128	34,930
Allowance for long-term continuous service rewards	366	374
Other long-term liabilities	2,684	2,670
Total liabilities	**135,005**	**162,803**
Equity		
Shareholders’ equity	**364,937**	**345,247**
Common stock	**73,303**	**73,303**
Capital surplus	**85,216**	**85,211**
Legal capital surplus	85,198	85,198
Other capital surplus	17	12
Retained earnings	**208,514**	**188,830**
Legal retained earnings	2,853	2,853
Other retained earnings	205,661	185,976
Reserve for specific purpose	31	-
General reserve	81,700	81,700
Retained earnings brought forward	123,930	104,276
Treasury stock	**(2,096)**	**(2,096)**
Valuation and translation adjustments	**4,718**	**3,984**
Net unrealized gains on available-for-sale securities	4,631	3,999
Deferred gains or losses on hedges	87	(14)
Stock acquisition rights	**58**	**29**
Total equity	**369,714**	**349,261**
Total liabilities and equity	**¥504,720**	**¥512,064**

Non-Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	From January 1, 2023 to December 31, 2023	From January 1, 2022 to December 31, 2022
Net sales	**¥428,556**	**¥435,150**
Cost of sales	**299,436**	**304,721**
Gross profit	**129,120**	**130,428**
Selling, general and administrative expenses	**99,662**	**99,504**
Operating income	**29,457**	**30,923**
Non-operating income	**13,119**	**12,532**
Interest income	364	293
Dividend income	12,185	11,656
Insurance income	456	447
Foreign exchange gains	-	10
Other, net	113	124
Non-operating expenses	**197**	**194**
Interest expenses	41	42
Share related expenses	56	56
Loss on investments in partnership	31	29
Foreign exchange losses	16	-
Other, net	51	65
Ordinary income	**42,379**	**43,262**
Extraordinary income	**115**	**299**
Gain on sales of fixed assets	1	0
Gain on sales of investments in securities	113	298
Other, net	-	0
Extraordinary losses	**472**	**102**
Loss on sales and disposal of fixed assets	466	82
Loss on sales of investments in securities	2	18
Other, net	3	1
Net income before income taxes	**42,022**	**43,459**
Income taxes-current	**8,648**	**8,395**
Income taxes-deferred	**721**	**1,295**
Net income	**¥32,652**	**¥33,769**

Non-Consolidated Statements of Shareholders' Equity

From January 1, 2023 to December 31, 2023

(Amounts less than one million yen are truncated)

	Shareholders' equity				
		Capital surplus			Retained earnings
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of the year	¥73,303	¥85,198	¥12	¥85,211	¥2,853
Changes during the year					
Cash dividends	-	-	-	-	-
Net income attributable to owners of the parent	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-
Disposition of treasury stock	-	-	4	4	-
Provision of reserve for specific purpose	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	4	4	-
Balance at end of the year	¥73,303	¥85,198	¥17	¥85,216	¥2,853

	Shareholders' equity					
	Retained earnings					
	Other retained earnings					
	Reserve for specific purpose	General reserve	Retained earnings brought forward	Total other retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	-	¥81,700	¥104,276	¥188,830	¥ (2,096)	¥345,247
Changes during the year						
Cash dividends	-	-	(12,967)	(12,967)	-	(12,967)
Net income attributable to owners of the parent	-	-	32,652	32,652	-	32,652
Purchase of treasury stock	-	-	-	-	(4)	(4)
Disposition of treasury stock	-	-	-	-	4	9
Provision of reserve for specific purpose	31	-	(31)	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-
Total changes during the year	31	-	19,653	19,684	0	19,689
Balance at end of the year	¥31	¥81,700	¥123,930	¥208,514	¥ (2,096)	¥364,937

	Valuation and translation adjustments			Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-forsale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustment		
Balance at beginning of the year	¥3,999	¥ (14)	¥3,984	¥29	¥349,261
Changes during the year					
Cash dividends	-	-	-	-	(12,967)
Net income	-	-	-	-	32,652
Purchase of treasury stock	-	-	-	-	(4)
Disposition of treasury stock	-	-	-	-	9
Provision of reserve for specific purpose	-	-	-	-	-
Net changes in items other than shareholders' equity	632	101	733	29	763
Total changes during the year	632	101	733	29	20,452
Balance at end of the year	¥4,631	¥87	¥4,718	¥58	¥369,714

Notes to Non-Consolidated Financial Statements

(Notes regarding key accounting policies)

1. Asset valuation standards and methods

(1) Valuation standards and methods for securities

Held-to-maturity securities・・・・・・・・ Amortized cost (straight-line method)

Shares in subsidiaries and affiliates・・・・・ At cost based on moving average method

Other securities

Securities other than shares, etc. that do not have a market price・・・・・・・ Fair value (valuation differences included in total net assets, cost of products sold calculated based on moving-average method)

Shares, etc. that do not have a market price・・・・・・・・・・・・ At cost based on moving-average method

(2) Valuation standards and methods for inventory assets

Merchandise・・・・・・・・・・・・・・ At cost based on monthly moving-average method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Repair parts・・・・・・・・・・・・・・・・ At cost based on monthly moving-average method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Supplies・・・・・・・・・・・・・・・・・ Last-purchase price method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

2. Method of depreciation for long-term assets

(1) Property, plant and equipment

(Excluding Lease assets, net)・・・・・・・ Based on declining-balance method

Rental assets are depreciated by the straight-line method.

Buildings acquired on or after April 1, 1998 (excluding furniture and fixtures), and related furniture, fixtures and structures acquired on or after April 1, 2016, are depreciated by the straight-line method.

Useful lives are as follows:

Buildings and structures, net	3 years to 50 years
Furniture and fixtures, net	2 years to 20 years
Rental assets, net	3 years

(2) Intangible assets

(Excluding Lease assets, net)・・・・・・・ Based on straight-line method

Software for sale is amortized based on the larger of the amortization amount based on expected sales volume or expected sales revenue or the equally allocated amount over the expected effective period (up to 3 years). In-house software is depreciated the straight-line method based on the length of in-house durability (5 years).

(3) Lease assets, net・・・・・・・・・・・・・ Lease assets are depreciated by the straight-line method based on their useful life, which is lease period, with zero residual value.

3. Standards for recording allowances

(1) Allowance for doubtful receivables・・・・・・ To cover possible losses on collection, general accounts receivable are calculated based on the actual rate of uncollected receivables, and doubtful account receivables based on individually estimated uncollectible amounts for specific items.

(2) Accrued bonuses・・・・・・・・・・・・・ The estimated payable for current year's portion of employees' bonus is recorded based on the next round payment.

(3) Accrued directors' bonuses・・・・・・・・・ The estimated payable for current year's portion of director's bonus is recorded based on the next round payment.

(4) Accrued product warranties・・・・・・・・・ Costs arising from a one-year free warranty contract for consumer products are recorded based on the actual cost of free repairs.

(5) Accrued loss on contracts・・・・・・・・ The estimated amount of losses from the following fiscal year onwards is recorded for orders contracts as of the end of the current fiscal year, in cases that are expected to result in a loss in the future (as of the end of the current fiscal year) and in which it is possible to reasonably estimate the relevant losses, in order to cover future losses on order contracts.

(6) Accrued pension and severance costs・・・・・ The estimated amount of benefit obligations and pension assets as of the end of the current fiscal year is recorded in order to cover retirement benefits payable to employees.

Retirement benefit obligations are calculated based on standard benefit calculation formula, to align the estimated amount of retirement benefits with the relevant period as of the end of the current fiscal year. Prior service costs are expensed using the straight-line method based on a certain number of years within the average remaining years of service for the relevant employee at the time of incurring costs.

Actuarial differences are expensed from the following fiscal year, using the straight-line method based on a certain number of years within the average remaining years of service for the relevant employee at the time of incurring costs.

(7) Allowance for long-term continuous service rewards・・・

The estimated amount payable is recorded in order to cover payment of rewards to employees in accordance with internal regulations on long-term continuous service.

4. Standards for recording revenue and expenses

The details of the main performance obligations in key businesses related to revenue from contracts with the Company's customers and the usual timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as described below.

In addition to sale of Canon products and provision of related services, the Company sells products and provides services in fields such as IT solutions and industrial equipment. In the case of sale of a product that does not require inspection by the customer, usually at the time of delivery of the product, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Company is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Company judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of the delivery of product. Additionally, in the case of sale of a product that requires inspection by the customer, at the time of completion of inspection by the customer, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Company is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Company judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of completion of inspection by the customer. Provision of services consists mainly of business equipment maintenance contracts, which are routine or recurring, and therefore the Company judges that the performance obligations are satisfied over time as services are provided to customers in accordance with the contracts and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Company is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to product usage, the Company judges that the customer enjoys benefits according to the usage, and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to the usage. Furthermore, consideration for transactions is generally settled within a short period of time following the time when performance obligations are satisfied, and the amount of consideration promised does not include a significant financing component. For some of the sale of products and the provision of services, the Company receives consideration for transaction in the form of advance payments.

Conditions peculiar to each reporting segment are as described below. The Enterprise segment and the Area segment are combined due to the similarity of the products sold and services provided in these two segments.

(Consumers)

The transaction price received by the Company in exchange for products sold includes variable considerations such as rebates based on the achievement of a specified milestone or other targets. Variable considerations such as rebates are mainly related to products sold for which the main customer base is retailers. Variable considerations such as rebates are deducted from the transaction price, and rebates are estimated using the expected value method based on actual figures in previous years and other factors.

(Enterprise and Area)

For maintenance and operation services/outsourcing for IT solutions, services are provided to customers in a uniform manner over the contract duration, and therefore the Company judges that the performance obligations are satisfied over time and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Company is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to factors such as hours, workload, etc., the Company judges that customer enjoys benefits according to the hours and workload involved in the service and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to hours, workload, etc. involved in the service.

For SI services that provide custom development of software, if reasonable estimates of progress can be made, since deliverables are transferred to the customer as progress is made on development, the Company recognizes revenue over the development period in accordance with the progress of development. The Company judges that costs incurred are proportional to the progress of development and recognizes revenue using the input method based on costs incurred (cost-to-cost method) to estimate progress. Additionally, if reasonable estimates of progress cannot be made, in the case that expenses involved in the amount of progress made are recoverable, the Company recognizes revenue based on the cost recovery method.

5. Key hedge accounting methods

(1) Hedge accounting method・・・・・・・・・・・	Appropriation accounting is applied to foreign currency denominated payables subject to forward exchange contracts in line with accounting requirements.
(2) Hedging instrument and subject	
Hedging instrument・・・・・・・・・・・・・	Forward exchange contracts
Subject of hedging・・・・・・・・・・・・・	Foreign currency denominated payables
(3) Hedging policy・・・・・・・・・・・・・・・	Measures are taken to hedge against the risk of cash flow fluctuations due to exchange rate fluctuations in the future, in relation to foreseeable foreign currency denominated payables up to a certain amount.
(4) Method of evaluating effectiveness of hedging・・	For forward exchange contracts, the same amount is appropriated on the same date in the same currency, in accordance with the Company’s hedging policy. The effectiveness is not evaluated on the date of settlement of accounts because it is guaranteed to correlate with subsequent exchange rate fluctuations.

6. Other important items forming the basis of financial statements

Retirement benefit accounting・・・・・・・・	Different methods of accounting are used for unrecognized actuarial differences and unrecognized prior service costs in relation to retirement benefits, as opposed to accounting methods used for consolidated financial statements.

(Notes on changes in accounting policies)

(Application of revised Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the revised Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Implementation Guidance on Fair Value Measurement Standard”) from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. There is no impact on the financial statements.

(Notes on accounting estimates)

Recoverability of deferred tax assets

1. Account and amount recorded for the current fiscal year

Account	Amount (millions of yen)
Deferred tax assets	¥10,995

2. Other information that contributes to the understanding of the details of accounting estimates

Information is omitted as the same information is provided in Notes to Consolidated Financial Statements.

(Notes on balance sheets)

1. Accumulated depreciation on property, plant and equipment	55,070 million yen
2. Guarantee liabilities	
Guarantees for employees’ housing loans	2 million yen
3. Receivables from and payable from affiliates	
Short-term monetary receivables	179,066 million yen
Short-term monetary payables	65,206 million yen
Long-term monetary receivables	22 million yen
Long-term monetary payables	399 million yen

(Notes on statements of income)

Transactions with affiliates

Net sales	47,138 million yen
Purchasing	200,563 million yen
Other business transactions	6,713 million yen
Non-business transactions	12,447 million yen

(Notes on statements of shareholders’ equity)

Class and total of treasury stock owned as of end of current fiscal year Common share 1,401,615 shares

(Notes on tax allocation)

1. Breakdown of main causes of deferred tax assets and liabilities

Deferred tax assets	
Accrued pension and severance costs	10,373 million yen
Additions to deemed dividends	1,192 million yen
Recording of estimated future variable consideration	748 million yen
Loss on impairment of investment in securities	480 million yen
Excess depreciation of long-lived assets	474 million yen
Accrued business tax and business office tax	458 million yen
Excess amortization of software	438 million yen
Accrued bonuses	433 million yen
Loss on disposal and devaluation of inventories	417 million yen
Asset retirement obligations	338 million yen
Allowance for long-term continuous service rewards	113 million yen
Accrued product warranties	81 million yen
Allowance for doubtful receivables	47 million yen
Other	591 million yen
Subtotal deferred tax assets	16,189 million yen
Valuation allowance	(1,780) million yen
Total deferred tax assets	14,409 million yen
Deferred tax liabilities	
Unrealized gain (loss) on available-for-sale securities	2,080 million yen
Reserve for tax purpose reduction entry of non-current assets	1,279 million yen
Deferred gain (loss) on derivatives under hedge accounting	39 million yen
Other	13 million yen
Total deferred tax liabilities	3,413 million yen
Net deferred tax assets	10,995 million yen

2. Accounting for corporate and local income taxes or tax effect accounting related to these taxes

The Company applies the group tax sharing system from the fiscal year under review. In addition, the Company conducts accounting and disclosure for corporate and local income taxes as well as tax effect accounting related to these taxes in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

(Notes on transactions with related parties)

1. Parent company and major corporate shareholders, etc.

Category	Name of company or individual	Location	Capital or investment (millions of yen)	Business activities or job title	Voting rights (or ownership) (%)	Relationship with concerned party	Nature of transactions		Value of transaction (millions of yen)	Heading	Year-end balance (millions of yen)
Parent company	Canon Inc.	Ohta-ku, Tokyo	174,761	Development and production for the office, imaging systems and industrial equipment sectors, etc.	(Ownership in the Company) Direct: 58.5 Indirect: 0.0	Production of the Company’s merchandise	Business	Purchase of merchandise (*1)	¥153,655	Accounts payable	¥14,503
								Sale of consumables for office equipment, etc. (*2)	¥6,136	Accounts receivable, other	¥1,800
							Non-business	Recovery of funds (*3)	¥10,000	Short-term loans receivable	¥170,000

Of the above figures, “value of transaction” does not include consumption tax, etc. But balance of receivables and payables include consumption tax, etc.

Terms of transactions and policy for determining terms, etc.

(*1) When purchasing merchandise, the Company sets out its preferred price, taking into account market prices, and then enters into price negotiations to determine a final price.

(*2) When selling consumables for office equipment, the Company takes into account market prices and its cost, etc., and then enters into price negotiations to determine a final price.

(*3) When lending funds, a reasonable loan rate is determined by taking into account market rates.
There is no provision for security.

2. Subsidiaries, etc.

Category	Name of company or individual	Location	Capital or investment (millions of yen)	Business activities or job title	Voting rights (or ownership) (%)	Relationship with concerned party	Nature of transactions		Value of transaction (millions of yen)	Heading	Year-end balance (millions of yen)
Subsidiary	Canon IT Solutions Inc.	Minato-ku, Tokyo	3,617	SI and consulting, IT service and development and sale of various software	(Ownership in the Company) Direct: 100.0	Software development contract and outsourcing of system operation Concurrent Officers: 2	Non-business	Repayment of funds (*3)	¥500	Short-term loans payable	¥7,900
Subsidiary	Canon System & Support Inc.	Minato-ku, Tokyo	4,561	Consultation of a solution, sale, support and maintenance service, mainly for Canon products	(Ownership in the Company) Direct: 100.0	Sale of the Company’s merchandise and service agreement Concurrent Officers: 2	Business	Payment of service charges for business equipment, etc. (*1)	¥27,781	Accounts payable	¥5,045
								Sale of consumables for office equipment, etc. (*2)	¥33,262	Accounts receivable - trade, and contract assets	¥3,074
							Non-business	Repayment of funds (*3)	¥2,000	Short-term loans payable	26,400

Of the above figures, “value of transaction” does not include consumption tax, etc. But balance of receivables and payables include consumption tax, etc.

Terms of transactions and policy for determining terms, etc.

(*1) When making payment of service charges for office equipment, prices are determined through negotiation, based on the price calculated by the Company.

(*2) When selling office equipment and its consumables, prices are determined through negotiation, based on the price calculated by the Company.

(*3) When lending funds, a reasonable loan rate is determined by taking into account market rates.
There is no provision for security.

(Notes on revenue recognition)

Useful information in understanding revenue

Useful information in understanding revenue is as presented in "(Notes regarding key accounting policies), 4. Standards for recording revenue and expenses."

(Notes on information per share)

1. Net assets per share	2,850.56 yen
2. Net income per share	251.80 yen

(Notes on significant subsequent events)

(Establishment of a subsidiary)

Descriptions are omitted because the same content is given in (Notes on significant subsequent events) in the Notes to Consolidated Financial Statements.

AUDIT REPORTS

AUDIT REPORT OF ACCOUNTING AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS (TRANSLATION)

Report of Independent Auditors

February 7, 2024

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Masahiro Ide	Certified Public Accountant Designated and Engagement Partner
Shinji Hatano	Certified Public Accountant Designated and Engagement Partner
Kumiko Shimizu	Certified Public Accountant Designated and Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity and the notes to the consolidated financial statements of Canon Marketing Japan Inc. (the "Company") for the fiscal year from January 1, 2023 through December 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Canon Marketing Japan Inc., which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information comprises the information included in the Business Report and the accompanying supplemental schedules. Management is responsible for preparing and disclosing the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the establishment and operation of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not intend to express any form of opinions thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

・Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

・In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.

・Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

・Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

・Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures to eliminate obstacles or any safeguards that are in place to reduce obstacles to the acceptable level.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

AUDIT REPORT OF ACCOUNTING AUDITOR
ON NON-CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

Report of Independent Auditors

February 7, 2024

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Masahiro Ide	Certified Public Accountant Designated and Engagement Partner
Shinji Hatano	Certified Public Accountant Designated and Engagement Partner
Kumiko Shimizu	Certified Public Accountant Designated and Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of shareholders' equity and the related notes, and the accompanying supplementary schedules of Canon Marketing Japan Inc. (the "Company") for the 56th fiscal year from January 1, 2023 through December 31, 2023.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information comprises the information included in the Business Report and the accompanying supplemental schedules. Management is responsible for preparing and disclosing the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the establishment and operation of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not intend to express any form of opinions thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

・ Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

・ In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

・ Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

・ Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・ Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures to eliminate obstacles or any safeguards that are in place to reduce obstacles to the acceptable level.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.