



Canon is committed to pursuing innovation

to bring about a prosperous, safe, and fulfilling society

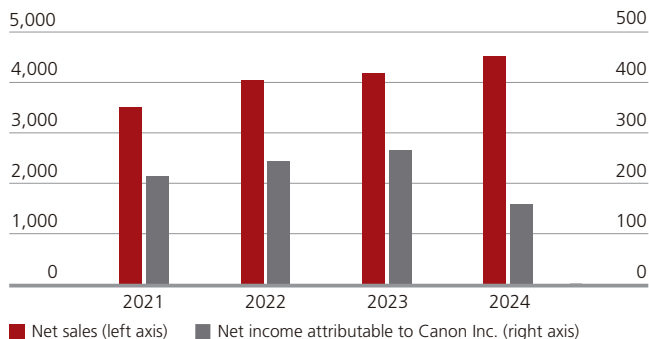
FUJIO MITARAI
Chairman & CEO
Canon Inc.

Achieved net sales target of the current five-year plan one year ahead of schedule

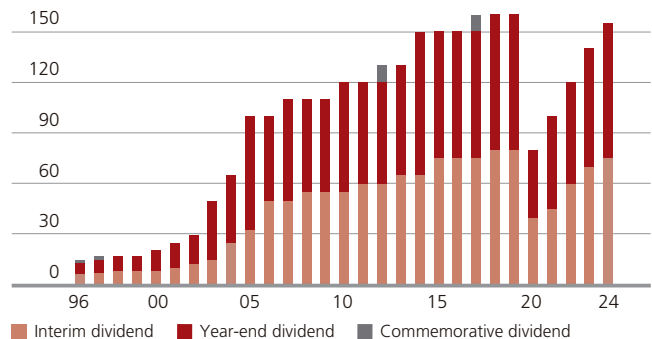
The global economy continued to be besieged by challenging conditions in 2024, including rising energy costs against a backdrop of heightened geopolitical risks, an economic slowdown in Europe owing to high interest rates, and a deceleration in the Chinese economy stemming from a sluggish real estate market. Despite this environment, consolidated net sales for the fiscal year ended December 31, 2024, rose

approximately 8%, driven by semiconductor lithography equipment and new businesses such as network cameras. This means we achieved our net sales target of 4.5 trillion yen that we set in Phase VI of the Excellent Global Corporation Plan, the five-year management plan that ends in 2025, one year ahead of schedule.

Net sales and net income attributable to Canon Inc.
(Billions of yen)



Canon Inc. dividend per share
(Yen)



With improved profitability and increased operating cash flow, we raised dividends by 15 yen

In addition to an increase in sales, we made every effort to rein in distribution costs, manufacturing costs, and selling expenses. This drove an increase in the range of 20% at all profit levels, including operating profit, thus improving our profitability. With regards to the medical business, business opportunities have shrunk mainly due to the present deterioration in the business operating conditions of medical institutions in Japan and the impact of geopolitical issues and other

factors. Impacted by changes in the external environment, we recorded an impairment loss of 165.1 billion yen in this business, and subsequently, a decrease in profit. The impairment had no impact on operating cash flow, which increased by approximately 150 billion yen from the previous year. As for dividends, to enhance shareholder returns, in 2024, the dividend per share was 155 yen, an increase of 15 yen from the previous year.

2025, a year in which efficiency will be thoroughly pursued

2025 is the final year of our 6th five-year management plan, in which we will thoroughly pursue efficiency to further raise the profitability of our businesses. It is also a year in which we will make great strides toward achieving greater growth over the next five years starting from 2026. To further develop global markets, we need to review our business portfolio which rap-

idly advanced over the past 10 years, identifying areas within our operations that require improvement due to the impact of the COVID-19 pandemic, and promote efficiency. Therefore, to further enhance operational efficiency, we will primarily focus on reforming our production and sales structures and furthering innovative development.

Reorganization of production sites for further efficiency

Reforming our production structure is an urgent issue. In response to the rapid appreciation of the yen in the 1980s, we shifted production to the Asian region. However, with the drastic changes in the global economic situation and the transformation of Canon's business portfolio itself, it is now time to reconsider the optimization of our production sites. We need

to consolidate the plants of businesses where demand has contracted due to changes in the market environment, boost capacity utilization rates of our production sites, and strengthen cost competitiveness. We will start consolidating our production sites, which currently total about 60 around the world, into countries and regions with political and social stability.

Transformation into a stronger, and more competitive organization

On the sales front, after reviewing the channels of each sales company last year, we restructured organizations to better align with the nature of each business, thus transforming sales groups into stronger and more competitive organizations. These reforms are mostly complete, but we will stay ahead of the curve by implementing further reviews, particularly in Europe, where a prolonged market downturn is expected.

In terms of product development, we will expand concurrent development on a company-wide basis in which product development teams, product engineering divisions, and manufacturing sites collaborate and work as one. In addition,

by utilizing digital transformation (DX) and simulation technology, we will aim to reduce the development time and cost of prototyping and further improve development productivity.

As the times change significantly, we will also focus on strengthening our headquarter functions. To raise the productivity of every individual, we will strengthen the system for achieving the high efficiency and high wages that we have been striving for, and will rapidly improve the performance evaluation system to better reflect the abilities of employees—in other words, to create a meritocracy.



“**A company needed by society is one that can continuously solve issues through its business**”

Continuing reforms that prioritize a thorough focus on profitability

I became President in 1995 and, as a manager over the past 30 years, I have been thoroughly committed to profitability and have continued to reform our business operations. When I joined the Company, most Japanese companies had a sales-first approach, and as a sales rep, I was also a part of that. What completely changed my mindset was a remark from a tax officer when I was transferred to our U.S. subsidiary. The officer said that “company profits should actually exceed interest rates on deposits.” Those words were both spot-on and

shocking.

Profit-oriented management was the norm at blue-chip companies in the U.S., and I was painfully aware of the difference in thinking compared to Canon at the time. With that bitter experience in mind, when I became President, I adopted a “focus on profitability” policy. Since then, as a manager, I have consistently focused on profit-oriented management while also being conscious of asset efficiency.

Profits are for all stakeholders

Why do we need profits? The answer is encapsulated in the word *kyosei*. On the occasion of Canon’s 51st anniversary in 1988, we established the corporate philosophy of *kyosei*. It conveys our dedication to seeing all people, regardless of culture, customs, language or race, harmoniously living and working together in happiness into the future. Through our corporate activities, we are working to address issues that hinder this harmony, such as economic, resource-related, and environmental problems.

A company that cannot generate profits cannot maintain or improve the lives of its employees and their families, nor can it adequately return value to its investors, let alone contribute to

society. A company needed by society is one that can continuously solve social issues through its business. And without stable management, it is impossible to generate the innovation that society demands.

People around the world simply wish to be happy and prosperous. Canon is aligned with this desire and plays a role in solving issues by implementing cutting-edge technology in society. Accordingly, we must become a stronger company. Around the world, there are many top-tier blue-chip firms that are miles ahead of Canon. To grow into a truly global corporation, we will look to further strengthen our earnings structure.

Over 30 years of sustainability measures

Nowadays, non-financial information, in addition to financial information such as sales and profit, has also come to be valued as part of a company's worth. Sustainability measures have certainly become a major challenge for global corporations. For Canon, sustainability is a concept that overlaps with our corporate philosophy of *kyosei*. That is why, for over 30 years, the entire Group has been working towards enabling affluent lifestyles while protecting the environment.

We became the first in the industry to start collecting used

toner cartridges in 1990 in order to realize resource-efficiency, and now operate five recycling centers worldwide: Japan, the U.S., Germany, France, and China. We are also working on phasing out the use of single-use plastics, a movement that is gaining traction on a global scale. We are also working to stop using polystyrene foam and switching to molded pulp instead for use in product packaging materials, and also working to reduce, reuse, and recycle plastic waste at our business sites.

Environmental measures are a key part of manufacturing

To prevent global warming as well, we aim to achieve net-zero CO₂ emissions by 2050. We are focusing on reducing CO₂ emissions across the entire lifecycle of our products, including the supply chain. As a target for 2030, we aim to lower our own CO₂ emissions by 42% and reduce emissions from purchased goods and services as well as the use of sold products by 25% compared to 2022 levels. This target has been certified by the Science Based Targets initiative (SBTi), which promotes setting greenhouse gas emission reduction targets

based on scientific evidence. We also consider environmental measures to be an integral part of the manufacturing process. Just as we improve the processes in product development, manufacturing, and sales to cut costs, recycling water to reduce environmental impact, for example, also contributes to cost reduction. While actively utilizing our own technologies in implementing our environmental measures one by one, at the same time, we have leveraged such activities to strengthen our earnings structure.

Nurturing internationally minded individuals who contribute to the global community

In addition to solving social issues through our business activities, Canon is engaged in social contribution activities worldwide. We provide educational and sociocultural support programs by leveraging our imaging and printing technologies, and also contribute to the provision of medical care in developing countries through the use of our medical technology.

As for human resources, which is crucial for sustainability, in order to nurture "strong individuals," Canon has thoroughly exercised fair and equitable placement, evaluation, and treatment based on "meritocracy," and fostered a corporate

culture that encourages the "enterprising spirit" of employees, based on a mindset of "respect for humanity" that values a sense of mission, responsibility, and ambition. We respect diversity and actively promote the appointment and utilization of human resources from an impartial point of view. Through these initiatives, we hope that Canon employees will become internationally minded individuals that can interact with, and understand, people from around the world with different cultures and values.

Change is progress, transformation is advancement

Companies are destined to evolve together with society. Just as lifestyles were transformed by the industrial revolution, society continues to change through innovation. If we view society as an ecosystem, a company is merely one living entity within it. If a company cannot adapt to change, it cannot survive. For this reason, I have always urged employees to embrace change positively with the words “change is progress, transformation is advancement.”

Canon is a company that has been constantly changing. Founded as a camera manufacturer in 1937, we saw the

camera market suddenly become saturated during the period of rapid economic growth in the 1960s. In response, the president at the time, Takeshi Mitarai, spearheaded Canon’s entry into the calculator market in 1964 and further promoted business diversification with the slogan “Cameras in the Right Hand, Business Machines in the Left,” which he coined in 1967. Subsequently, Canon introduced Japan’s first domestically produced plain-paper copier and the world’s first inkjet printer, both of which helped its steady growth as a company.

Entire company coming together to overcome the biggest crisis since founding

However, the IT revolution of the 2000s was an enormous test for Canon. The rapid uptake of smartphones and cloud services led to a significant decline in net sales in our core businesses, such as cameras and laser printers, and heavily impacted sales of consumables like paper and toner. Furthermore, the 2008 financial crisis led to a prolonged downturn in the global economy. The combined shock of rapid technological advancement and this crisis led to the biggest challenge Canon had ever faced since its founding.

With a radical shift in our portfolio urgently needed, I once again returned to the Company’s founding spirit. Canon is a corporation that has always valued “people” the most. I believed in the capabilities of our employees and bet on a strategy to leverage the strengths of our existing businesses by integrating them with IT. We harnessed our camera technology to develop network cameras that serve as the eyes for safety and security in the community, and utilized our multi-function device and printer technologies to enter the fields of commercial and industrial printing, thereby planting seeds in these growth areas.

As technology was evolving at an accelerated pace, we determined that there was not enough time to develop new technologies from scratch and turn them into businesses.

Therefore, we did not hesitate to pursue a strategy of conducting large-scale M&As. In addition to network cameras and commercial/industrial printing, we acquired Toshiba Medical Systems (now Canon Medical Systems Corporation) in order to strengthen our medical business, where technological innovation is inevitable. We also acquired the U.S. company Molecular Imprints, Inc. and gained nanoimprint lithography technology, an alternative to traditional lithography methods for chip fabrication. By integrating the technologies acquired through M&As with the technologies Canon has accumulated over many years, we were able to generate new value and establish the four pillars of Printing, Medical, Imaging, and Industrial.

It is my policy to leave the management of acquired companies to their respective management teams. This is because during the acquisition exploration phase, in addition to conducting thorough due diligence, we also assess whether the management team consists of individuals capable of continuing to lead the company. This is an important factor for our decision on the acquisition. Moreover, each company has its own history, culture, and values, and therefore, I believe that by respecting one another in this way, we can generate maximum synergies.

Becoming a company that can contribute to the world through AI

Changing something from the status quo is always coupled with some risk. Since I became President, we have been formulating five-year management plans with the title of Excellent Global Corporation Plan to reassess the trends of the times every five years and to help guide Canon in the right direction. Considering the advancements in technology and changes in the business environment, it is difficult to foresee 10 years ahead, but I believe we can anticipate the future over a five-year span.

The world is in the midst of an AI revolution. Canon's four

business pillars—Printing, Medical, Imaging, and Industrial—are all fields that have the potential to grow with the incorporation of AI. The medical business in particular has a mission to meet the well-being needs of extending the healthy lifespans of people worldwide. In the fields of examinations, diagnostics, and regenerative medicine, there is still room for innovation to create new markets. Canon will take the lead in technological development and contribute to the health and happiness of people worldwide.

Maintaining profit-oriented management by being deliberate in council and decisive in action

Reflecting on my 30-year career as a manager, I am reminded that the pace of change in the times is growing even faster. In a complex social landscape where various factors intertwine, we are constantly faced with difficult choices. While we can never handle everything perfectly, there is no time to look back either.

I have long relied on the idiomatic phrase “be deliberate in council, and decisive in action.” It means giving careful thought before taking action, and then once a decision is made, moving forward without hesitation. This phrase, which my father, a physician, conveyed to me when I started working, reflects the resolve of doctors to face people's lives in an era when, unlike today, they were unable to identify lesions in advance with X-rays and other imaging technology.

The same applies to what can be done as a manager. Gather as much information as possible, think through it by repeatedly using deductive and inductive reasoning, and once a decision is made, move forward resolutely without looking back.

The environment surrounding business management will most likely continue to change rapidly. Nevertheless, Canon will dauntlessly engage with cutting-edge technology, consistently focus on profits, and take on challenges in the business lines that can contribute to the international community. All Canon employees are committed to supporting society. Together, we will work towards achieving *kyosei*.



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