

FINANCIAL SECTION

Financial Section, consisting of consolidated financial statements, management's report on internal control over financial reporting, and independent auditor's report, is the English translation of the annual securities report filed under the Financial Instruments and Exchange Act of Japan.

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CONSOLIDATED BALANCE SHEET

Canon Inc. and Subsidiaries
December 31, 2025 and 2024

	Millions of yen	%	Millions of yen	%
	2025		2024	
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 1 and 22)	585,981		501,565	
Short-term investments (Notes 2 and 22)	32,446		4,775	
Trade receivables (Note 3)	733,809		705,591	
Inventories (Note 4)	840,445		841,836	
Current lease receivables (Note 6)	175,798		167,612	
Prepaid expenses and other current assets (Notes 15, 18 and 22)	265,266		245,665	
Allowance for credit losses (Notes 3 and 6)	(16,724)		(16,961)	
Total current assets	2,617,021	42.7	2,450,083	42.5
Noncurrent receivables (Note 20)	45,743	0.7	29,614	0.5
Investments (Notes 2 and 22)	103,602	1.7	113,241	2.0
Property, plant and equipment, net (Note 5)	1,190,682	19.4	1,147,380	19.9
Operating lease right-of-use assets (Note 19)	126,997	2.1	136,717	2.4
Intangible assets, net (Notes 7 and 8)	259,661	4.2	275,391	4.8
Goodwill (Notes 7 and 8)	985,806	16.1	915,258	15.9
Noncurrent lease receivables (Note 6)	365,734	6.0	363,749	6.3
Prepaid pension and severance cost (Note 11)	336,986	5.5	209,123	3.6
Other assets (Note 12)	107,916	1.7	130,446	2.2
Allowance for credit losses (Notes 3 and 6)	(5,104)	(0.1)	(4,756)	(0.1)
Total assets	6,135,044	100.0	5,766,246	100.0
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt (Notes 9 and 21)	511,139		318,330	
Short-term loans related to financial services	38,100		40,400	
Other short-term loans and current portion of long-term debt	473,039		277,930	
Trade payables (Note 10)	310,832		350,128	
Accrued income taxes (Note 12)	65,550		78,438	
Accrued expenses (Notes 11 and 20)	474,052		433,329	
Current operating lease liabilities (Note 19)	43,096		41,876	
Other current liabilities (Notes 5, 15, 18 and 22)	299,391		324,205	
Total current liabilities	1,704,060	27.8	1,546,306	26.8
Long-term debt, excluding current portion of long-term debt (Notes 9 and 21)	304,970	5.0	205,075	3.6
Accrued pension and severance cost (Note 11)	149,503	2.4	166,153	2.9
Noncurrent operating lease liabilities (Note 19)	86,954	1.4	98,219	1.7
Other noncurrent liabilities (Notes 12 and 15)	115,429	1.9	105,442	1.8
Total liabilities	2,360,916	38.5	2,121,195	36.8
Equity:				
Canon Inc. shareholders' equity:				
Common stock	174,762	2.8	174,762	3.0
[Number of authorized shares]	(3,000,000,000)		(3,000,000,000)	
[Number of issued shares]	(1,333,763,464)		(1,333,763,464)	
Additional paid-in capital (Note 13)	408,920	6.7	412,287	7.2
Legal reserve	62,382		61,893	
Other retained earnings	4,002,540		3,818,668	
Total retained earnings (Note 13)	4,064,922	66.3	3,880,561	67.2
Accumulated other comprehensive income (loss) (Note 14)	701,248	11.4	470,897	8.2
Treasury stock, at cost	(1,858,044)	(30.3)	(1,558,234)	(27.0)
[Number of shares]	(455,138,571)		(389,771,598)	
Total Canon Inc. shareholders' equity	3,491,808	56.9	3,380,273	58.6
Noncontrolling interests	282,320	4.6	264,778	4.6
Total equity	3,774,128	61.5	3,645,051	63.2
Total liabilities and equity	6,135,044	100.0	5,766,246	100.0

CONSOLIDATED STATEMENT OF INCOME

Canon Inc. and Subsidiaries

Years ended December 31, 2025 and 2024

	Millions of yen	%	Millions of yen	%
	2025		2024	
Net sales (Notes 6, 14, 15 and 18):				
Products and Equipment	3,673,196		3,593,598	
Services	951,531		916,223	
Total net sales	4,624,727	100.0	4,509,821	100.0
Cost of sales (Notes 5, 8, 11 and 19):				
Products and Equipment	2,022,954		1,933,783	
Services	439,818		432,943	
Total cost of sales	2,462,772	53.3	2,366,726	52.5
Gross profit	2,161,955	46.7	2,143,095	47.5
Operating expenses (Notes 1, 5, 8, 11, 14, 16, 19 and 20):				
Selling, general and administrative expenses	1,367,277	29.6	1,360,893	30.1
Research and development expenses	339,288	7.3	337,348	7.5
Impairment losses on goodwill	—	—	165,100	3.7
Total operating expenses	1,706,565	36.9	1,863,341	41.3
Operating profit	455,390	9.8	279,754	6.2
Other income (deductions):				
Interest and dividend income	14,907		15,602	
Interest expense	(7,305)		(3,745)	
Other, net (Notes 1, 2, 11, 14 and 18)	19,067		9,550	
Total other income (deductions)	26,669	0.6	21,407	0.5
Income before income taxes	482,059	10.4	301,161	6.7
Income taxes (Notes 12 and 14)	123,906	2.7	118,287	2.6
Consolidated net income	358,153	7.7	182,874	4.1
Less: Net income attributable to noncontrolling interests	26,100	0.5	22,849	0.6
Net income attributable to Canon Inc.	332,053	7.2	160,025	3.5
	Yen		Yen	
Net income attributable to Canon Inc. shareholders per share (Note 17):				
Basic	367.48		165.53	
Diluted	367.25		165.44	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Canon Inc. and Subsidiaries

Years ended December 31, 2025 and 2024

	Millions of yen	
	2025	2024
Consolidated net income	358,153	182,874
Other comprehensive income (loss), net of tax (Note 14):		
Foreign currency translation adjustments	146,679	145,724
Net unrealized gains and losses on securities	46	5
Net gains and losses on derivative instruments	(228)	(2,433)
Pension liability adjustments	92,769	66,990
Total other comprehensive income (loss), net of tax	239,266	210,286
Comprehensive income (loss)	597,419	393,160
Less: Comprehensive income attributable to noncontrolling interests	35,015	30,996
Comprehensive income (loss) attributable to Canon Inc.	562,404	362,164

CONSOLIDATED STATEMENT OF EQUITY

Canon Inc. and Subsidiaries

Years ended December 31, 2025 and 2024

	Millions of yen									
	Common stock	Additional paid-in capital	Legal reserve	Other retained earnings	Total retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2023	174,762	404,935	61,634	3,801,212	3,862,846	268,758	(1,358,279)	3,353,022	252,685	3,605,707
Equity transactions with noncontrolling interests and other		7,410		(762)	(762)			6,648	(10,839)	(4,191)
Dividends to Canon Inc. shareholders (145.00 yen per share)				(141,530)	(141,530)			(141,530)		(141,530)
Dividends to noncontrolling interests									(8,854)	(8,854)
Acquisition of subsidiaries									790	790
Transfer to legal reserve			259	(259)	—			—		—
Comprehensive income:										
Net income				160,025	160,025			160,025	22,849	182,874
Other comprehensive income (loss), net of tax (Note 14)										
Foreign currency translation adjustments						144,424		144,424	1,300	145,724
Net unrealized gains and losses on securities						5		5		5
Net gains and losses on derivative instruments						(2,443)		(2,443)	10	(2,433)
Pension liability adjustments						60,153		60,153	6,837	66,990
Total comprehensive income (loss)								362,164	30,996	393,160
Repurchases and reissuance of treasury stock		(58)		(18)	(18)		(199,955)	(200,031)		(200,031)
Balance at December 31, 2024	174,762	412,287	61,893	3,818,668	3,880,561	470,897	(1,558,234)	3,380,273	264,778	3,645,051
Equity transactions with noncontrolling interests and other		(3,206)	(5)	5	—			(3,206)	(7,280)	(10,486)
Dividends to Canon Inc. shareholders (160.00 yen per share)				(147,644)	(147,644)			(147,644)		(147,644)
Dividends to noncontrolling interests									(10,203)	(10,203)
Acquisition of subsidiaries									10	10
Transfer to legal reserve			494	(494)	—			—		—
Comprehensive income:										
Net income				332,053	332,053			332,053	26,100	358,153
Other comprehensive income (loss), net of tax (Note 14)										
Foreign currency translation adjustments						146,051		146,051	628	146,679
Net unrealized gains and losses on securities						46		46		46
Net gains and losses on derivative instruments						(267)		(267)	39	(228)
Pension liability adjustments						84,521		84,521	8,248	92,769
Total comprehensive income (loss)								562,404	35,015	597,419
Repurchases and reissuance of treasury stock		(161)		(48)	(48)		(299,810)	(300,019)		(300,019)
Balance at December 31, 2025	174,762	408,920	62,382	4,002,540	4,064,922	701,248	(1,858,044)	3,491,808	282,320	3,774,128

CONSOLIDATED STATEMENT OF CASH FLOWS

Canon Inc. and Subsidiaries

Years ended December 31, 2025 and 2024

	Millions of yen	
	2025	2024
Cash flows from operating activities:		
Consolidated net income	358,153	182,874
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	239,236	235,465
Impairment losses on goodwill	—	165,100
(Gain) loss on disposal of fixed assets	(25,216)	1,271
Deferred income taxes	(9,156)	(14,571)
Increase in trade receivables	(26,767)	(29,437)
Decrease (increase) in inventories	35,183	(6,865)
Increase in lease receivables (Note 6)	(1,694)	(18,216)
(Decrease) increase in trade payables	(44,573)	29,348
(Decrease) increase in accrued income taxes	(14,064)	20,464
Increase in accrued expenses	20,654	27,284
Decrease in accrued pension and severance cost	(17,880)	(32,639)
Other, net	(37,973)	46,753
Net cash provided by operating activities	475,903	606,831
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	(262,165)	(237,001)
Proceeds from sale of fixed assets (Note 5)	33,575	7,279
Purchases of securities	(13,574)	(13,812)
Proceeds from sale and maturity of securities	8,514	4,840
Acquisitions of businesses, net of cash acquired (Note 7)	(878)	(32,672)
Other, net	(2,922)	(25,956)
Net cash used in investing activities	(237,450)	(297,322)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt (Note 9)	200,844	200,000
Repayments of long-term debt (Note 9)	(2,469)	(2,297)
(Decrease) increase in short-term loans related to financial services, net (Note 9)	(2,300)	1,500
Increase (decrease) in other short-term loans, net (Note 9)	95,000	(70,960)
Dividends paid	(147,644)	(141,530)
Repurchases and reissuance of treasury stock, net	(300,019)	(200,031)
Other, net (Note 1)	(22,633)	(12,678)
Net cash used in financing activities	(179,221)	(225,996)
Effect of exchange rate changes on cash and cash equivalents	25,184	16,729
Net change in cash and cash equivalents	84,416	100,242
Cash and cash equivalents at beginning of period	501,565	401,323
Cash and cash equivalents at end of period	585,981	501,565
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	6,800	3,766
Income taxes	151,050	124,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canon Inc. and Subsidiaries

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Company issued convertible debentures in the United States in May 1969 and established a program in which its American Depositary Receipts (ADRs) are traded in the U.S. over-the-counter market. Since then, under the U.S. Securities Act of 1933 and the U.S. Securities Exchange Act of 1934, as amended, the Company has prepared its annual consolidated financial statements in accordance with U.S. GAAP and filed them with the U.S. Securities and Exchange Commission on Form 20-F. The Company's ADRs were listed on the NYSE in September 2000 after being quoted on NASDAQ from February 1972 to September 2000. In March 2023, the Company was delisted from the NYSE. The Company filed a Form 15F for the termination of registration of its ADRs and underlying common shares with the SEC and termination of ongoing reporting obligations under the U.S. Securities Exchange Act (the "Exchange Act") on March 7, 2024. The company's ongoing reporting obligations under the Exchange Act was immediately suspended upon filing the Form 15F with the SEC and were terminated on June 5, 2024, 90 days after the Form 15F was filed.

Canon's consolidated financial statements are prepared in accordance with U.S. GAAP.

The number of consolidated subsidiaries and affiliated companies that were accounted for by the equity method as of December 31, 2025 and 2024 are summarized as follows:

	December 31, 2025	December 31, 2024
Consolidated subsidiaries	321	334
Affiliated companies	8	10
Total	329	344

The main accounting principles, procedures, and presentation methods adopted by Canon (Canon Inc. and its subsidiaries) that differ from the Japanese consolidated financial statement principles and regulations are as follows. For items of significant monetary importance, Canon also disclose the impact on income before income tax based on Japanese standards.

- (i) The retirement benefits and pension plan are in accordance with ASC 715 "Compensation-Retirement Benefits" and are recorded the pension cost based on actuarial calculation. The effect of this change was ¥14,280 million (decrease in profit) and ¥3,202 million (decrease in profit) for the years ended December 31, 2025 and 2024, respectively.
- (ii) Share issuance cost is deducted from additional paid-in capital after tax effects adjustment.
- (iii) Derivatives is in accordance with ASC 815 "Derivatives and Hedging Activities."
- (iv) Goodwill and other intangible assets with indefinite useful lives are in accordance with ASC 350 "Intangibles - Goodwill and Other," they are not amortized but are instead tested for impairment at least annually. For the year ended December 31, 2024, Canon recognized a goodwill impairment loss of ¥165,100 million in the Medical Business Unit.
- (v) Equity securities, in accordance with ASC 321 "Investments - Equity securities" are measured at fair value in principle, and the changes are recorded in income before income taxes.

(vi) Leases, in accordance with ASC 842 "Leases," operating lease right-of-use assets and liabilities are recognized in the balance sheet based on the present value of lease payments over the term of the lease. Lease costs are recognized on a straight-line basis over the term of the lease.

(vii) Canon has changed the presentation of "Prepaid pension and severance cost" separated from "Other assets" in the consolidated balance sheet as of December 31, 2025. To conform with this change, the same reclassification has been made on the balances as of December 31, 2024.

(b) Description of Business

Canon reports in four reportable segments: the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit and the Industrial Business Unit, with Others and Corporate. Products of the Printing Business Unit consist mainly of digital continuous feed presses, digital sheet-fed presses, large format printers, MFDs, document solutions, MFPs, laser printers, inkjet printers, image scanners and calculators. Products of the Medical Business Unit consist mainly of CT Systems, diagnostic ultrasound systems, diagnostic X-ray systems, MRI systems, digital radiography systems, ophthalmic equipment, in vitro diagnostic systems and reagents and healthcare IT solutions. Products of the Imaging Business Unit consist mainly of interchangeable-lens digital cameras, interchangeable lenses, digital compact cameras, compact photo printers, MR systems, network cameras, video management software, video content analytics software, digital camcorders, digital cinema cameras and broadcast equipment. Products of the Industrial Business Unit consist mainly of semiconductor lithography equipment, FPD lithography equipment, OLED display manufacturing equipment, vacuum thin-film deposition equipment and die bonders. Others consist mainly of handy terminals and document scanners.

Sales are made principally under the Canon brand name, almost entirely through sales subsidiaries. These subsidiaries are responsible for marketing and distribution, and primarily sell to retail dealers in their geographic areas. Further segment information is described in Note 23.

Canon sells laser printers on an OEM basis to HP Inc.; such sales constituted 9.6% and 10.5% of consolidated net sales for the years ended December 31, 2025 and 2024, respectively.

Canon's manufacturing operations are conducted mainly in Asia including Japan, and also in Europe and Americas.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its majority owned subsidiaries and those variable interest entities where the Company or its consolidated subsidiaries are the primary beneficiaries. All inter-company balances and transactions have been eliminated.

(d) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to

make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions are reflected in valuation and disclosure of accounts including: revenue recognition, allowance for credit losses, inventories, securities, long-lived assets, leases, goodwill and other intangible assets with indefinite useful lives, environmental liabilities, deferred tax assets, uncertain tax positions, employee retirement and severance benefit obligations, accrued product warranty costs and business combinations. Actual results could differ materially from those estimates. In addition, actual results and outcomes of the Company may differ from management's estimates and assumptions due to pandemic, geopolitical risk and economic slowdown including impacts of rising inflation.

(e) Translation of Foreign Currencies

Assets and liabilities of the Company's subsidiaries located outside Japan with functional currencies other than Japanese yen are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are excluded from earnings and are reported in other comprehensive income (loss).

Gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in other income (deductions) in the consolidated statement of income. Foreign currency exchange gains and losses were net losses of ¥9,113 million and ¥12,196 million for the years ended December 31, 2025 and 2024, respectively.

(f) Cash Equivalents

All highly liquid investments acquired with original maturities of three months or less are considered to be cash equivalents. Certain debt securities with original maturities of less than three months, classified as available-for-sale debt securities of ¥500 million and ¥1,500 million at December 31, 2025 and 2024, respectively, are included in cash and cash equivalents in the consolidated balance sheet.

(g) Investments

Investments consist primarily of time deposits with original maturities of more than three months, debt and equity securities and investments in affiliated companies.

Canon classifies investments in debt securities as held-to-maturity debt securities and available-for-sale securities. Canon does not hold any trading securities which are bought and held primarily for the purpose of sale in the near term. Canon reports investments with maturities of less than one year as short-term investments.

Available-for-sale debt securities and equity securities

with readily determinable fair value that are not accounted for under the equity method are recorded at fair value which is determined based on quoted market prices, projected discounted cash flows or other valuation techniques as appropriate. The changes in fair value for equity securities are included in other, net in the consolidated statement of income. The changes in fair value for available-for-sale debt securities are included in net unrealized gains and losses on securities in the consolidated statement of comprehensive income.

Held-to-maturity debt securities are recorded at amortized cost. The fair values of held-to-maturity debt securities are mainly measured at the quoted market price.

Available-for-sale debt securities are regularly reviewed for other-than-temporary declines in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and Canon's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. For available-for-sale debt securities for which the declines are deemed to be other-than-temporary and there is no intent to sell, the impairment is separated into the amount related to credit loss, which is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income (loss). For available-for-sale debt securities for which the declines are deemed to be other-than-temporary and there is an intent to sell, the impairment in its entirety is recognized in earnings. Canon recognizes an impairment loss to the extent the cost basis of the investment exceeds the fair value of the investment.

Canon measures non-marketable equity securities without readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or a similar investment of the same issuer.

Realized gains and losses are determined by the average cost method and reflected in earnings.

Investments in affiliated companies over which Canon has the ability to exercise significant influence, but does not hold a controlling financial interest, are accounted for using the equity method.

(h) Allowance for Credit Losses

Allowance for Credit Losses for trade and lease receivables is maintained for all customers based on ASC 326 "Financial Instruments – Credit Losses," based on historical experiences of credit losses and reasonable and supportable forecasts. An additional reserve for individual accounts is recorded when Canon becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. When all collection options are exhausted

including legal recourse, the accounts or portions thereof are deemed to be uncollectable and charged against the allowance.

(i) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average method for domestic inventories and principally by the first-in, first-out method for overseas inventories.

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, and acquired intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset and the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated sum of undiscounted future cash flows, an impairment loss is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(k) Property, Plant and Equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated principally by the declining-balance method, except for certain assets which are depreciated by the straight-line method over the estimated useful lives of the assets.

The depreciation period ranges from 3 years to 60 years for buildings and 1 year to 20 years for machinery and equipment.

Gains and losses from the sale of property, plant and equipment are included in selling, general and administrative expenses in the consolidated statement of income.

(l) Leases

As for lessor accounting, Canon provides leasing arrangements to its customers primarily for the sale of office products. Revenue from the sale of these products under sales-type leases is recognized at the inception of the lease. Interest income on sales-type leases and direct-financing leases is recognized over the life of each respective lease using the interest method. Leases not qualifying as sales-type leases or direct-financing leases are accounted for as operating leases and related revenue is recognized ratably over the lease term. When product leases are bundled with maintenance contracts, revenue is allocated based upon the estimated standalone selling prices of the lease and non-lease components. Lease components generally include product and financing while non-lease components

generally consist of maintenance contracts and supplies. Some of the contracts include options to extend or to terminate the lease. Canon takes such options into account to determine the lease term when it is reasonably certain that customers will exercise these options. The majority of Canon's lease contracts do not contain bargain purchase options for their customers. Assets leased to others under operating leases are stated at cost and depreciated to the estimated residual value of the assets by the straight-line method over a period of generally 2 years to 50 years.

As for lessee accounting, Canon has operating and finance leases for various assets including office buildings, warehouses, employees' accommodations, and vehicles. Canon determines if an arrangement is a lease at the inception of each contract. Some of the contracts include options to extend or to terminate the lease. Canon takes such options into account to determine the lease term when it is reasonably certain that it will exercise these options. Canon's lease arrangements do not contain material residual value guarantees or material restrictive covenants. As a rate implicit in the most of Canon's leases cannot be determined, Canon uses incremental borrowing rates based on the information available at commencement to determine the present values of lease payments. Canon has lease contracts with lease and non-lease components, which are accounted for separately. Canon allocates the consideration in the lease contract to the lease and non-lease components based upon the estimated standalone prices. Costs associated with operating lease assets are recognized on a straight-line basis over the term of the lease.

(m) Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment annually in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. All goodwill is assigned to the reporting unit or units that benefit from the synergies arising from each business combination. If the carrying amount assigned to the reporting unit exceeds the fair value of the reporting unit, Canon recognizes an impairment loss in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Intangible assets with finite useful lives consist primarily of software, trademarks, patents and developed technology, license fees and customer relationships, which are amortized using the straight-line method. The estimated useful lives of software are from 3 years to 9 years, trademarks are 15 years, patents and developed technology are from 5 years to 21 years, license fees are 7 years, and customer relationships are from 10 years to 19 years. Certain costs incurred in connection with developing or obtaining internal-use software are capitalized. These costs consist primarily of payments made to third parties and the salaries of employees working on such software development. Costs

incurred in connection with developing internal-use software are capitalized at the application development stage. In addition, Canon capitalizes the cost which was incurred subsequent to the stage of assuring the technological feasibility of the software, either developed or acquired, for marketing purposes.

(n) Environmental Liabilities

Liabilities for environmental remediation and other environmental costs are accrued when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated, and are included in other non-current liabilities in the consolidated balance sheet. Such liabilities are adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

(o) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Canon records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not realizable.

Canon recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statement of income.

(p) Stock-Based Compensation

Canon measures stock-based compensation cost at the grant date, based on the fair value of the award, and recognizes the cost on a straight-line basis over the requisite service period, which is the vesting period.

(q) Net Income Attributable to Canon Inc. Shareholders per Share

Basic net income attributable to Canon Inc. shareholders per share is computed by dividing net income attributable to Canon Inc. shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income attributable to Canon Inc. shareholders

per share includes the effect from potential issuances of common stock based on the assumptions that all stock options were exercised.

(r) Revenue Recognition

Canon generates revenue mainly through the sale of products of the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit and the Industrial Business Unit, supplies and related services under separate contractual arrangements. Revenue is recognized when, or as, control of promised goods or services transfers to customers in an amount that reflects the consideration to which Canon expects to be entitled in exchange for transferring these goods or services. For further information, please refer to Note 15.

(s) Research and Development Costs

Research and development costs are expensed as incurred.

(t) Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were ¥42,990 million and ¥44,384 million for the years ended December 31, 2025 and 2024, respectively, and are included in selling, general and administrative expenses in the consolidated statement of income.

(u) Shipping and Handling Costs

Shipping and handling costs totaled ¥71,088 million and ¥69,956 million for the years ended December 31, 2025 and 2024, respectively, and are included in selling, general and administrative expenses in the consolidated statement of income.

(v) Derivative Financial Instruments

All derivatives are recognized at fair value and are included in prepaid expenses and other current assets, or other current liabilities in the consolidated balance sheet.

Canon uses and designates certain derivatives as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). Canon formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. Canon also formally assesses, both at the hedge's inception and on an ongoing basis whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, Canon discontinues hedge accounting prospectively. Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the hedged item, and reclassified in the same

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

income statement line item in which the earnings effect of the hedged item is reported.

Canon also uses certain derivative financial instruments which are not designated as hedges. The changes in fair values of these derivative financial instruments are immediately recorded in earnings.

Canon classifies cash flows from derivatives as cash flows from operating activities in the consolidated statement of cash flows.

(w) Guarantees

Canon recognizes, at the inception of a guarantee, a liability for the fair value of the obligation it has undertaken in issuing guarantees.

(x) Recent Accounting Guidance

Recently adopted accounting guidance

In December 2023, ASU No. 2023-09, "Improvements to Income Tax Disclosures"-ASC 740 ("Income Taxes"), was issued by FASB. The standard requires us to disclose certain categories in the tax rate reconciliation table, the amount of corporate income tax paid (domestic and foreign), income from continuing operations before income tax (domestic and foreign), and income tax expense from continuing operations (domestic and foreign). Canon adopted the standard from the end of the year beginning January 1, 2025 and retrospectively to all prior periods presented in the financial statements. The adoption of this standard did not have an effect on the consolidated results of operation

and financial condition.

Recently issued accounting guidance not yet adopted

In July 2025, ASU No. 2025-05, "Measurement of Credit Losses for Account Receivable and Contract Assets"-ASC 326 ("Financial Instruments – Credit Losses"), was issued by FASB. This standard allows us to elect the practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when developing an estimate of expected credit losses on current accounts receivable and current contract asset balances arising from transactions accounted for under ASC 606 on revenue from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Canon is currently evaluating the effect that the adoption of the standard will have on its consolidated results of operation and financial condition.

Canon intends to replace the currently applied U.S.GAAP and voluntarily adopt IFRS for its consolidated financial statements in order to maintain the quality of Canon's financial and management reporting systems over the medium- to long-term and improve the international comparability of financial information in the capital markets. Canon plans to start disclosing information in accordance with IFRS from the first quarter of fiscal year 2027. Accordingly, recently issued accounting guidance under U.S.GAAP that is scheduled to be adopted from 2027 onward has been excluded from this disclosure.

2. INVESTMENTS

There were no held-to-maturity debt securities at December 31, 2025. Held-to-maturity debt securities included in short-term investments in the accompanying consolidated

balance sheet were ¥142 million at December 31, 2024, and their fair value approximated their carrying amount.

The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale debt securities included in short-term investments and investments in the consolidated balance sheet by major security type at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen			
	2025			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Short-term investments:				
Corporate bonds	169	1	—	170
Investments:				
Corporate bonds	25,533	143	34	25,642
Total	25,702	144	34	25,812

December 31	Millions of yen			
	2024			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Short-term investments:				
Corporate bonds	—	—	—	—
Investments:				
Corporate bonds	16,636	96	53	16,679
Total	16,636	96	53	16,679

Maturities of available-for-sale debt securities included in short-term investments and investments in the accompanying consolidated balance sheet at December 31, 2025 are as follows:

	Millions of yen
	Fair value
Due within one year	170
Due after one year through five years	25,642
Total	25,812

The unrealized and realized gains and losses related to equity securities for the years ended December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Net gains (losses) recognized during the period on equity securities	5,624	(3,081)
Less: Net gains (losses) recognized during the period on equity securities sold during the period	1,615	(6)
Unrealized gains (losses) recognized during the period on equity securities still held at December 31	4,009	(3,075)

The carrying amount of non-marketable equity securities without readily determinable fair value totaled ¥12,818 million and ¥11,067 million at December 31, 2025 and 2024, respectively. The impairment or other adjustments resulting from observable price changes recorded during the years ended December 31, 2025 and 2024 were not significant.

Time deposits with original maturities of more than three months from the date of investment and with original maturities of one year or less from the balance sheet

date amounted to ¥32,276 million and ¥4,633 million at December 31, 2025 and 2024, respectively, and are included in short-term investments in the accompanying consolidated balance sheet. Time deposits with original maturities of more than one year from the balance sheet date amounted to ¥313 million and ¥26,665 million at December 31, 2025, and 2024, are included in investments in the accompanying consolidated balance sheet.

Investments in affiliated companies accounted for by the equity method for the years ended December 31, 2025 and 2024 are as follows:

December 31	Millions of yen, except percentage data		
	2025 Voting rights held by Canon Inc.	2025	2024
Canon Korea Inc.	50%	16,261	15,485
Affiliated companies, others	—	14,449	13,496
Total	—	30,710	28,981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The difference between the carrying amount of investment in each affiliate and Canon's share of its net assets is immaterial.

Share of profit of investments accounted for equity

method included in other income (deductions) of consolidated statement of income, were gains of ¥106 million for the year ended December 31, 2025, and gains of ¥729 million for the years ended December 31, 2024.

3. TRADE RECEIVABLES

Trade receivables at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Notes receivable	27,919	33,541
Accounts receivable	705,890	672,050
Trade receivables	733,809	705,591
Allowance for credit losses	(15,216)	(14,856)
Total	718,593	690,735

4. INVENTORIES

Inventories at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Finished goods	543,256	521,961
Work in process	230,629	250,939
Raw materials	66,560	68,936
Total	840,445	841,836

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Land	287,167	286,826
Buildings	1,985,101	1,905,387
Machinery and equipment	2,121,606	2,043,569
Construction in progress	91,613	105,917
Finance lease right-of-use assets	9,197	9,008
Cost	4,494,684	4,350,707
Less accumulated depreciation	(3,304,002)	(3,203,327)
Total	1,190,682	1,147,380

Depreciation expenses for the years ended December 31, 2025 and 2024 were ¥176,715 million, and ¥175,636 million, respectively.

Amounts due for purchases of property, plant and equipment were ¥33,558 million and ¥46,010 million at

December 31, 2025 and 2024, respectively, and are included in other current liabilities in the accompanying consolidated balance sheet. Fixed assets presented in the consolidated statements of cash flows include property, plant and equipment and intangible assets.

6. LESSOR ACCOUNTING

Lease income is included in products and equipment sales in the accompanying consolidated statement of income. Income statement information about lease income is as follows:

Years ended December 31	Millions of yen	
	2025	2024
Lease income – sales-type and direct financing leases		
Revenue at lease commencement	149,916	159,132
Interest income on lease receivables	34,982	32,680
Sales-type and direct financing leases income total	184,898	191,812
Lease income – operating leases	39,646	41,890
Variable lease income	7,651	7,438
Total lease income	232,195	241,140

Lease Receivables

Lease receivables represent financing leases, which consist of sales-type leases and direct financing leases. These receivables typically have terms ranging from 1 year to 20 years. Lease receivables within one year and more than one year

are presented in current lease receivables and noncurrent lease receivables in the accompanying consolidated balance sheet, respectively. The components of the lease receivables are as follows:

December 31	Millions of yen	
	2025	2024
Total minimum lease payments receivable	599,238	585,136
Unguaranteed residual values	13,429	14,337
Executory costs	—	—
Unearned income	(71,135)	(68,112)
Subtotal	541,532	531,361
Less allowance for credit losses	(6,612)	(6,861)
Subtotal	534,920	524,500
Less current portion	(173,602)	(165,245)
Total	361,318	359,255

Allowance for Credit Losses

The activities in the allowance for credit losses for the years ended December 31, 2025 and 2024 are as follows:

Years ended December 31	Millions of yen	
	2025	2024
Balance at beginning of year	6,861	5,871
Write-offs	(2,927)	(4,456)
Provision	2,535	4,096
Translation adjustments and other	143	1,350
Balance at end of year	6,612	6,861

Canon has policies in place to ensure that its products are sold to customers with an appropriate credit history and continuously monitors its customers' credit quality based on information including length of period in arrears, macro-economic conditions, initiation of legal proceedings against customers and bankruptcy filings. The allowance for credit losses of lease receivables is evaluated collectively based on

historical experiences of credit losses and reasonable and supportable forecasts. An additional reserve for individual accounts is recorded when Canon becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings. Lease receivables which are past due or individually evaluated for impairment at December 31, 2025 and 2024 are not significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Equipment leased to customers

The costs of equipment leased to customers under operating leases included in property, plant and equipment, net at December 31, 2025 and 2024 were ¥199,455 million

and ¥183,343 million, respectively. Accumulated depreciation on equipment under operating leases at December 31, 2025 and 2024 were ¥118,980 million and ¥102,887 million, respectively.

Maturity Analysis

The following is a schedule by year of the future minimum lease payments to be received under finance leases and non-cancelable operating leases at December 31, 2025.

Year ending December 31:	Millions of yen	
	Financing leases	Operating leases
2026	203,223	13,204
2027	162,105	7,901
2028	116,951	4,502
2029	70,379	2,175
2030	31,715	965
Thereafter	14,865	670
Total	599,238	29,417

Information about transferring lease receivables

Canon has syndication arrangements to sell its entire interests in lease receivables to the third-party financial institutions. The transactions under the arrangements are accounted for as sales in accordance with ASC 860 "Transfers and Servicing." The transfers of lease receivables for the year ended December 31, 2025 and 2024 were ¥51,467 million and ¥34,007 million. The amount that remained uncollected was ¥95,653 million and ¥72,969 million at December 31, 2025 and 2024, respectively. Cash

proceeds from the transactions are included in increase in lease receivables under the cash flow from operating activities in the consolidated statement of cash flows. Canon continues to provide collection and administrative services for the financial institutions. The amount associated with the servicing liability measured at fair value was not significant at December 31, 2025 and 2024. Canon also retains limited recourse obligations which cover credit defaults. The recourse obligations were not significant at December 31, 2025 and 2024.

7. ACQUISITIONS

On March 29, 2024, Canon Marketing Japan Inc., a subsidiary of the Company, acquired 100% of the issued shares of Primagest, Inc. for cash consideration of ¥37,000 million so that Primagest, Inc. and its three subsidiaries (hereinafter referred to collectively as "Primagest") became its owned subsidiaries.

The acquisition will enable Canon to further expand BPO business by enhancing operational efficiency and service

quality through the use of Primagest's knowledge and know-how, and to create new services by combining its technology and system development capabilities cultivated through video solutions and digital document services.

The acquisition was accounted for using the acquisition method of accounting. Acquisition-related costs were expensed as incurred and were not material.

The final allocation of the purchase price to the assets acquired and the liabilities assumed on the acquisition date was as follows:

	Millions of yen
Current assets	8,617
Intangible assets	17,259
Goodwill	19,715
Others	3,734
Assets acquired	49,325
Liabilities assumed	12,307
Noncontrolling interests	(18)
Net assets acquired	37,000

The intangible assets acquired, which are subject to amortization, are composed of ¥16,219 million of customer relationships and ¥1,040 million of software. The weighted average useful lives of the customer relationships and software are approximately 19 years and approximately 5 years, respectively. The weighted average useful life of the total intangible assets is approximately 18 years.

Goodwill is composed of future excess profitability expected from business development which is not tax deductible. For management reporting purposes, goodwill is

not allocated to the business unit. The goodwill is allocated to the reporting unit belonging to the Printing Business Unit for impairment testing. Net sales and net income of Primagest generated from the acquisition date which is reflected in the consolidated statement of income for the year ended December 31, 2024 was not material. The operating results with the assumption of including the financial statements of Primagest in Canon's consolidated financial statements for the year beginning on January 1, 2024 were not disclosed because the impact was not material.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets subject to amortization acquired during the year ended December 31, 2025 totaled ¥37,857 million, which primarily consist of software of ¥34,379 million. The weighted average amortization periods for intangible assets in total acquired during the year ended December 31, 2025 are approximately 5 years. The weighted average amortization period for software acquired during the year ended December 31, 2025 is approximately 5 years.

Intangible assets subject to amortization acquired

during the year ended December 31, 2024, including those recorded from business acquired as stated in Note 7, totaled ¥49,961 million, which primarily consist of software of ¥33,501 million. The weighted average amortization periods for intangible assets in total acquired during the year ended December 31, 2024 are approximately 9 years. The weighted average amortization period for software acquired during the year ended December 31, 2024 is approximately 5 years.

The components of intangible assets subject to amortization at December 31, 2025 and 2024 were as follows:

December 31	Millions of yen			
	2025		2024	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Software	530,728	409,817	490,350	376,658
Customer relationships	193,882	110,542	192,672	97,407
Patents and developed technology	134,290	102,257	129,278	88,792
Trademarks	60,637	43,692	53,409	34,326
License fees	5,204	4,441	6,124	4,713
Other	13,430	10,001	16,635	11,194
Total	938,171	680,750	888,468	613,090

Aggregate amortization expenses for the years ended December 31, 2025 and 2024 were ¥62,834 million, and ¥61,259 million, respectively. Estimated amortization expense of intangible assets for the next five years from December 31, 2025, are ¥60,019 million in 2026, ¥45,817 million in 2027, ¥39,417 million in 2028, and ¥31,895 million in 2029, and ¥24,242 million in 2030.

Intangible assets not subject to amortization other than goodwill at December 31, 2025 and 2024 were not significant.

For management reporting purposes, goodwill is not allocated to the reporting unit. Goodwill has been allocated to its respective reporting unit for impairment testing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2025 and 2024 were as follows:

Year ended December 31	Millions of yen					
	2025					
	Printing	Medical	Imaging	Industrial	Others and Corporate	Total
Goodwill - gross	203,081	568,231	337,391	13,083	683	1,122,469
Accumulated impairment losses	(42,111)	(165,100)	—	—	—	(207,211)
Balance at beginning of year	160,970	403,131	337,391	13,083	683	915,258
Goodwill acquired during the year	—	—	—	—	—	—
Translation adjustments and other	11,250	2,751	56,650	(134)	31	70,548
Goodwill - gross	219,287	570,982	394,041	12,949	714	1,197,973
Accumulated impairment losses	(47,067)	(165,100)	—	—	—	(212,167)
Balance at end of year	172,220	405,882	394,041	12,949	714	985,806

Year ended December 31	Millions of yen					
	2024					
	Printing	Medical	Imaging	Industrial	Others and Corporate	Total
Goodwill - gross	176,067	565,687	331,334	11,730	701	1,085,519
Accumulated impairment losses	(40,119)	—	—	—	—	(40,119)
Balance at beginning of year	135,948	565,687	331,334	11,730	701	1,045,400
Goodwill acquired during the year	19,715	—	—	—	—	19,715
Impairment loss *	—	(165,100)	—	—	—	(165,100)
Translation adjustments and other	5,307	2,544	6,057	1,353	(18)	15,243
Goodwill - gross	203,081	568,231	337,391	13,083	683	1,122,469
Accumulated impairment losses	(42,111)	(165,100)	—	—	—	(207,211)
Balance at end of year	160,970	403,131	337,391	13,083	683	915,258

* Canon considers the medical-related market to be stable and growing in the long term. However, in the short term, achieving the plan established at the time of acquisition has become difficult due to restrictions on certain businesses resulting from rising geopolitical risks, the prolonged economic downturn in China, and the deterioration of the financial condition of medical institutions in Japan. In response to these circumstances, Canon established the Medical Business Advancement Committee in February 2024 and has been promoting fundamental structural reforms aimed at improving profitability, based on the realization of synergies between CMSC and Canon. Reflecting these changes in the business environment, in the annual goodwill impairment test conducted with October 1, 2024 as the measurement date, Canon revised its sales forecasts, particularly with respect to the growth rates of major markets, and incorporated these revisions into its future plans. As a result, the profitability of this business declined compared to initial expectations. Consequently, as the fair value of the medical reporting unit, calculated based on a discounted cash flow analysis, was determined to be lower than its carrying amount, Canon recognized a goodwill impairment loss of ¥165,100 million, representing the excess of the carrying amount over fair value, in accordance with the accounting policy for goodwill impairment described in Note 1.

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans related to financial services are external loans held by Canon's lease subsidiaries for the purpose of financing its customers through loans. Short-term loans related to financial services consisting of bank loans at December 31, 2025 and 2024 were ¥38,100 million and ¥40,400 million, and other short-term loans consisting of bank loans were ¥371,112 million and ¥276,106 million,

respectively. The weighted average interest rate on short-term loans outstanding at December 31, 2025 and 2024 were 0.78% and 0.38%, respectively. Unused overdraft facilities at December 31, 2025 were ¥680,000 million. The overdraft facilities bear interest at a rate equal to a base rate plus a spread.

Long-term debt at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Loan from banks; bearing interest rates of 1.04% at December 31, 2025 ^{*1}	401,699	201,909
Other debt ^{*2}	5,199	4,990
	406,898	206,899
Less current portion	(101,928)	(1,824)
Total	304,970	205,075

^{*1} Loans included ¥400,000 million in syndicated loans. This amount consisted of ¥100,000 million procured in the fiscal year ended December 31, 2024, and will be matured in the fiscal year ended December 2026; ¥100,000 million procured in the fiscal year ended December 31, 2024, and will be matured in the fiscal year ended December 2027; and ¥200,000 million procured in the fiscal year ended December 31, 2025, will be matured in the fiscal year ended December 2030.

^{*2} Other debt consisted of long-term loans and finance lease obligations.

The aggregate annual maturities of long-term debt outstanding at December 31, 2025 were as follows:

Year ending December 31:	Millions of yen
2026	101,928
2027	102,354
2028	1,145
2029	1,077
2030	200,262
Thereafter	132
Total	406,898

Both short-term and long-term bank loans are primarily made under general agreements which provide that security and guarantees for present and future indebtedness shall be given upon request of the bank, and that the bank

shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE PAYABLES

Trade payables at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
Notes payables	44,757	78,485
Accounts payables	266,075	271,643
Total	310,832	350,128

Canon has supplier finance programs with particular third-party financial institutions where Canon agrees to pay the financial institutions after 60 to 180 days based on the contracts agreed to with the suppliers. The financial institutions offer earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. Canon does not provide assets pledged as security or any other

forms of guarantees under the arrangements. Canon is not a party to any arrangement between its suppliers and the financial institutions. The amount of liabilities under these programs, which is included in the above trade payables, as of December 31, 2025 and 2024 were ¥54,545 million and ¥91,407 million, respectively.

The activities in the liabilities under supplier finance programs are as follows:

December 31	Millions of yen	
	2025	2024
Balance at beginning of year	91,407	87,026
Increase	279,855	293,949
Decrease	(316,724)	(289,575)
Others	7	7
Balance at end of year	54,545	91,407

11. ACCRUED PENSION AND SEVERANCE COST

The Company and certain of its subsidiaries have contributory and noncontributory defined benefit pension plans covering substantially all of their employees. Benefits payable under the plans are based on employee earnings and

years of service. The Company and certain of its subsidiaries also have defined contribution pension plans covering substantially all of their employees.

Obligations and funded status

Reconciliations of beginning and ending balances of the projected benefit obligations and the fair value of the plan assets are as follows:

December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Change in benefit obligations:				
Projected benefit obligations at beginning of year	719,568	765,725	423,525	410,599
Service cost	20,423	22,723	3,339	2,318
Interest cost	13,902	11,700	15,832	15,528
Plan participants' contributions	—	—	978	932
Actuarial (gain) loss	(69,135)	(30,495)	(20,310)	(18,773)
Benefits paid	(49,564)	(46,720)	(16,576)	(16,311)
Acquisition	—	330	—	—
Plan amendments	418	(3,695)	180	—
Curtailments and settlements	—	—	(4,117)	—
Foreign currency exchange rate changes	—	—	35,246	29,232
Projected benefit obligations at end of year	635,612	719,568	438,097	423,525
Change in plan assets:				
Fair value of plan assets at beginning of year	807,351	749,219	372,552	346,125
Actual return on plan assets	73,262	79,465	8,912	(649)
Employer contributions	11,604	13,212	6,252	15,638
Plan participants' contributions	—	—	978	932
Benefits paid	(37,379)	(34,789)	(15,913)	(16,265)
Acquisition	—	244	—	—
Settlements	—	—	(1,773)	—
Foreign currency exchange rate changes	—	—	29,562	26,771
Fair value of plan assets at end of year	854,838	807,351	400,570	372,552
Funded status at end of year	219,226	87,783	(37,527)	(50,973)

Amounts recognized in the consolidated balance sheet at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Prepaid pension and severance cost	294,239	176,556	42,747	32,568
Accrued expenses	(4,034)	(4,637)	(1,750)	(1,524)
Accrued pension and severance cost	(70,979)	(84,136)	(78,524)	(82,017)
Total	219,226	87,783	(37,527)	(50,973)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in accumulated other comprehensive income (loss) at December 31, 2025 and 2024 before the effect of income taxes are as follows:

December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Actuarial (gain) loss	(149,364)	(32,774)	87,137	105,437
Prior service credit	(6,171)	(8,253)	(4,999)	(6,562)
Total	(155,535)	(41,027)	82,138	98,875

The accumulated benefit obligation for all defined benefit plans was as follows:

December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Accumulated benefit obligation	626,581	705,204	422,432	407,160

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	119,440	135,025	403,837	389,669
Fair value of plan assets	48,775	48,680	362,948	335,785
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	80,960	122,511	63,207	64,495
Fair value of plan assets	12,641	42,157	26,974	24,840

Components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss)

Net periodic benefit cost for Canon's employee retirement and severance defined benefit plans for the years ended December 31, 2025 and 2024 consisted of the following components:

Years ended December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Service cost	20,423	22,723	3,339	2,318
Interest cost	13,902	11,700	15,832	15,528
Expected return on plan assets	(25,534)	(23,261)	(19,371)	(21,138)
Amortization of prior service credit	(1,664)	(3,113)	(1,383)	(1,352)
Amortization of actuarial (gain) loss	(161)	7	8,449	8,828
(Gain) loss on curtailments and settlements	(112)	(145)	—	(17)
Total	6,854	7,911	6,866	4,167

Service cost component of net periodic benefit cost for Canon's employee retirement and severance defined

benefit plans is included in cost of sales and operating expenses in the consolidated statement of income. The

components other than the service cost component are included in other, net of other income (deductions) in the

consolidated statement of income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended December 31, 2025 and 2024 are summarized as follows:

Years ended December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Current year actuarial (gain) loss	(116,863)	(86,699)	(9,851)	3,014
Current year prior service credit	418	(3,695)	180	7
Amortization of actuarial (gain) loss	161	(7)	(8,449)	(8,828)
Amortization of prior service credit	1,664	3,113	1,383	1,352
Curtailments and settlements	112	145	—	17
Total	(114,508)	(87,143)	(16,737)	(4,438)

Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

December 31	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Discount rate	2.9%	1.9%	4.3%	3.9%
Assumed rate of increase in future compensation levels	2.3%	2.3%	2.1%	2.2%
Interest crediting rate for cash balance plans	1.7%	1.7%	1.5%	1.8%

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

Years ended December 31	Japanese plans		Foreign plans	
	2025	2024	2025	2024
Discount rate	1.9%	1.5%	3.9%	3.7%
Assumed rate of increase in future compensation levels	2.3%	2.3%	2.2%	2.1%
Expected long-term rate of return on plan assets	3.2%	3.1%	5.3%	6.0%
Interest crediting rate for cash balance plans	1.7%	1.7%	1.8%	1.7%

Canon determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. Canon considers the current

expectations for future returns and the actual historical returns of each plan asset category.

Plan assets

Canon's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, Canon formulates a model portfolio which comprises of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the model portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. Canon evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the model portfolio. Canon revises the model

portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Canon's model portfolio for Japanese plans consists of three major components: approximately 30% is invested in equity securities, approximately 50% is invested in debt securities, and approximately 20% is invested in other products, such as investments in insurance contracts including life insurance company general accounts.

Outside Japan, investment policies vary by country, but Canon's model portfolio for foreign plans consists of three major components: approximately 10% is invested in equity securities, approximately 50% is invested in debt securities, and approximately 40% is invested in other products, such as investments in real estate assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The target allocation percentages of plan assets set by Canon's investment policies approximate the actual allocation percentages of plan assets at December 31, 2025 and 2024.

The equity securities are selected primarily from stocks that are listed on securities exchanges. Prior to investing, Canon investigates the business condition of the investee companies, and appropriately diversifies investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, public debt instruments, and corporate bonds. Prior to investing, Canon investigates the quality of the issue, including rating, interest rate, and repayment dates, and appropriately diversifies the investments. Pooled funds are selected

using strategies consistent with the equity and debt securities described above. As for insurance contracts, there are several types of insurance contracts between Canon and the life insurance companies including life insurance company general accounts which guarantee the payments of interest based on expected interest rates and return of capital, and insured pension plans which cover future designated contractual benefit payments to covered participants. With respect to investments in foreign financial products, Canon investigates the stability of the underlying governments and economies, and the market characteristics such as settlement systems and the taxation systems. For each such investment, Canon selects the appropriate investment country and currency.

The three levels of input used to measure fair value are more fully described in Note 22. The fair values of Canon's pension plan assets at December 31, 2025 and 2024, by asset category, are as follows:

December 31	Millions of yen							
	2025							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
Japanese companies (a)	162,665	—	—	162,665	—	—	—	—
Foreign companies	25,529	—	—	25,529	7,978	—	—	7,978
Pooled funds (b)	—	196,069	—	196,069	—	40,395	—	40,395
Debt securities:								
Government bonds (c)	20,326	—	—	20,326	—	—	—	—
Municipal bonds	—	—	—	—	—	5,127	—	5,127
Corporate bonds	—	15,437	—	15,437	—	10,461	—	10,461
Pooled funds (d)	—	198,145	—	198,145	—	187,057	—	187,057
Mortgage backed securities (and other asset backed securities)	—	14,619	—	14,619	—	21,913	—	21,913
Insurance contracts	—	77,392	—	77,392	—	9,754	34,912	44,666
Other assets	—	127,551	516	128,067	—	62,354	—	62,354
Investment measured at net asset value	—	—	—	16,589	—	—	—	20,619
Total	208,520	629,213	516	854,838	7,978	337,061	34,912	400,570

(a) The plan's equity securities include common stock of the Company and certain of its subsidiaries in the amounts of ¥259 million.

(b) These funds invest in listed equity securities consisting of approximately 20% Japanese companies and 80% foreign companies for Japanese plans, and mainly foreign companies for foreign plans.

(c) This class includes mainly Japanese government bonds for Japanese plans.

(d) These funds invest in approximately 20% Japanese government bonds, 65% foreign government bonds, 5% Japanese municipal bonds, and 10% corporate bonds for Japanese plans. These funds invest in approximately 55% foreign government bonds and 45% corporate bonds for foreign plans.

December 31	Millions of yen							
	2024							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:								
Japanese companies (e)	134,756	—	—	134,756	—	—	—	—
Foreign companies	21,957	—	—	21,957	8,746	—	—	8,746
Pooled funds (f)	—	203,668	—	203,668	—	33,934	—	33,934
Debt securities:								
Government bonds (g)	107,134	—	—	107,134	—	—	—	—
Municipal bonds	—	1,123	—	1,123	—	5,752	—	5,752
Corporate bonds	—	21,035	—	21,035	—	8,049	—	8,049
Pooled funds (h)	—	180,553	—	180,553	—	170,566	—	170,566
Mortgage backed securities (and other asset backed securities)	—	18,141	—	18,141	—	23,186	—	23,186
Insurance contracts	—	69,425	—	69,425	—	16,036	35,967	52,003
Other assets	—	33,004	466	33,470	—	51,491	—	51,491
Investment measured at net asset value	—	—	—	16,089	—	—	—	18,825
Total	263,847	526,949	466	807,351	8,746	309,014	35,967	372,552

(e) The plan's equity securities include common stock of the Company and certain of its subsidiaries in the amounts of ¥359 million.

(f) These funds invest in listed equity securities consisting of approximately 20% Japanese companies and 80% foreign companies for Japanese plans, and mainly foreign companies for foreign plans.

(g) This class includes approximately 75% Japanese government bonds and 25% foreign government bonds for Japanese plans.

(h) These funds invest in approximately 30% Japanese government bonds, 55% foreign government bonds, 5% Japanese municipal bonds, and 10% corporate bonds for Japanese plans. These funds invest in approximately 50% foreign government bonds and 50% corporate bonds for foreign plans.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not necessarily indicate the risks or ratings of the assets.

Level 1 assets are comprised principally of equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of pooled funds that invest in equity and debt securities, corporate bonds, investments in life insurance company general accounts and other assets. Pooled funds are valued at their net asset values that are calculated by the sponsor of the fund and have daily liquidity. Corporate bonds are valued using quoted prices for identical assets in markets that are not active. Investments in life insurance company general accounts are valued at conversion value. Other assets are comprised principally of interest bearing cash and hedge funds.

The fair values of Level 3 assets, consisting of investments in insured pension plans and hedge funds, were ¥35,428 million and ¥36,433 million at December 31, 2025 and 2024, respectively. Actual returns on, purchases and sales of these assets during the years ended December 31, 2025 and 2024 were not significant.

Contributions

Canon expects to contribute ¥11,255 million to its Japanese defined benefit pension plans and ¥6,542 million to its foreign defined benefit pension plans for the year ending December 31, 2026.

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Estimated future benefit payments

The estimated future benefit payments as of December 31, 2025, are as follows:

Year ending December 31:	Millions of yen	
	Japanese plans	Foreign plans
2026	47,991	18,951
2027	50,988	19,538
2028	50,075	21,065
2029	48,072	22,646
2030	45,984	23,224
2031 – 2035	213,177	125,832

Multiemployer pension plans

The amounts of cost recognized for the multiemployer pension plans primarily in the Netherlands for the years ended December 31, 2025 and 2024 were ¥6,837 million and ¥6,353 million, respectively. The multiemployer pension plan in which the subsidiaries in the Netherlands participated was 113.0% funded as of December 31, 2024. The terms of the collective bargaining agreements are negotiated on a regular basis between the local labor unions

and participating employers. Canon is not liable for other participating employers' obligations under the terms and conditions of the agreements.

Defined contribution plans

The amounts of cost recognized for the defined contribution pension plans of the Company and certain of its subsidiaries for the years ended December 31, 2025 and 2024 were ¥32,656 million and ¥29,302 million, respectively.

12. INCOME TAXES

Domestic and foreign components of income before income taxes and the current and deferred income tax expense attributable to such income are summarized as follows:

Year ended December 31	Millions of yen		
	2025		
	Domestic	Overseas	Total
Income before income taxes	291,676	190,383	482,059
Income taxes:			
Current	87,542	45,520	133,062
Deferred	(2,860)	(6,296)	(9,156)
Total	84,682	39,224	123,906

Year ended December 31	Millions of yen		
	2024		
	Domestic	Overseas	Total
Income before income taxes	120,709	180,452	301,161
Income taxes:			
Current	91,361	41,497	132,858
Deferred	(4,597)	(9,974)	(14,571)
Total	86,764	31,523	118,287

The Company and its domestic subsidiaries are subject to a number of income taxes, which, in the aggregate, represent a statutory income tax rate of approximately 31% for the years ended December 31, 2025 and 2024.

A reconciliation of the Japanese statutory income tax rate, which is the statutory rate in the country where the parent company is domiciled, and the effective income tax rates as a percentage of income before income taxes for the years ended December 31, 2025 and 2024 is as follows:

Year ended December 31	Millions of yen, %			
	2025		2024	
	Amount	Percent	Amount	Percent
Japanese statutory tax rate	149,438	31.0%	93,360	31.0%
Increase (reduction) in income taxes resulting from:				
Overseas tax effects				
United States				
Statutory tax rate difference between United States and Japan	(5,280)	(1.1)	(5,550)	(1.8)
Other	4,172	0.9	(483)	(0.2)
United Kingdom				
Changes in unrecognized tax benefit	—	—	(7,911)	(2.6)
Other	(55)	(0.0)	245	0.1
Other foreign jurisdictions	(11,530)	(2.4)	(1,895)	(0.6)
Domestic tax effects				
Nontaxable or nondeductible items				
Goodwill impairment	—	—	51,181	17.0
Other	503	0.1	474	0.2
Undistributed earnings and other related items of foreign subsidiaries	8,221	1.7	9,382	3.1
Tax credit for research and development expenses	(15,496)	(3.2)	(16,924)	(5.6)
Effect of enacted changes in tax laws	(1,963)	(0.4)	373	0.1
Other adjustments	(4,104)	(0.9)	(3,965)	(1.4)
Effective income tax rate	123,906	25.7%	118,287	39.3%

The amount of income taxes paid for the years ended December 31, 2025 is as follows:

December 31	Millions of yen
	2025
Domestic	90,063
Overseas	
United States	23,364
Other foreign jurisdictions	37,623
Total	151,050

Net deferred income tax assets and liabilities are included in the accompanying consolidated balance sheet under the following captions:

December 31	Millions of yen	
	2025	2024
Other assets	77,170	101,705
Other noncurrent liabilities	(44,881)	(37,346)
Total	32,289	64,359

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 are presented below:

December 31	Millions of yen	
	2025	2024
Deferred tax assets:		
Inventories	15,115	14,082
Accrued business tax	4,001	4,114
Accrued pension and severance cost	48,048	2,635
Research and development – costs capitalized for tax purposes	12,504	9,491
Property, plant and equipment	50,219	48,392
Operating lease liabilities	23,337	25,375
Accrued expenses	30,699	28,687
Net operating losses carried forward	36,829	38,745
Other	67,321	60,158
Subtotal	288,073	231,679
Less valuation allowance	(17,943)	(18,272)
Total deferred tax assets	270,130	213,407
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	(22,103)	(19,526)
Tax deductible reserve	(3,556)	(3,292)
Prepaid pension and severance cost	(90,273)	–
Financing lease revenue	(19,857)	(19,670)
Operating lease right-of-use assets	(22,898)	(24,683)
Intangible assets	(31,936)	(37,892)
Other	(47,218)	(43,985)
Total deferred tax liabilities	(237,841)	(149,048)
Net deferred tax assets (After the deduction of deferred tax liabilities)	32,289	64,359

The net changes in the total valuation allowance were a decrease of ¥329 million and a decrease of ¥2,958 million for the years ended December 31, 2025 and 2024, respectively.

Based on the level of historical taxable income and

projections for future taxable income over the periods, management believes it is more likely than not that Canon will realize the benefits of these deferred tax assets, net of the valuation allowance, at December 31, 2025.

At December 31, 2025, Canon had net operating losses which can be carried forward for income tax purposes to reduce future taxable income. Periods available to reduce future taxable income vary in each tax jurisdiction and generally range from one year to an indefinite period as follows:

	Millions of yen
2026	863
2027 to 2030	28,301
2031 to 2035	18,329
2036 to 2045	8,818
Indefinite period	118,238
Total	174,549

Income taxes have not been accrued on undistributed earnings of domestic subsidiaries as the tax law provides a means by which the dividends from a domestic subsidiary can be received tax free.

Canon has not recognized deferred tax liabilities of ¥16,451 million for a portion of undistributed earnings of

foreign subsidiaries of ¥699,337 million as of December 31, 2025 because Canon intends to permanently reinvest such undistributed earnings of foreign subsidiaries. Deferred tax liabilities will be recognized when such undistributed earnings are no longer permanently reinvested.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at December 31, 2025 and 2024 are as follows:

Years ended December 31	Millions of yen	
	2025	2024
Balance at beginning of year	950	8,796
Additions for tax positions of the current year	161	575
Reductions for tax positions of the current year	(161)	(8,911)
Additions for tax positions of prior years	—	101
Other	112	389
Balance at end of year*	1,062	950

* The unrecognized tax benefits were offset by deferred tax assets in the amount of ¥586 million and ¥524 million as of December 31, 2025 and 2024, respectively, and reported under "other noncurrent liabilities" on the consolidated balance sheet.

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, were ¥1,062 million and ¥950 million at December 31, 2025 and 2024, respectively.

Although Canon believes its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax examination settlements and any related litigation could affect the effective tax rate in a future period. Based on each of the items of which Canon is aware at December 31, 2025, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Canon recognizes interest and penalties related to unrecognized tax benefits in income taxes. Both interest

and penalties accrued are included in the consolidated balance sheet at December 31, 2025 and 2024, and interest and penalties included in income taxes in the consolidated statement of income for the years ended December 31, 2025 and 2024 were not significant.

Canon files income tax returns in Japan and various foreign tax jurisdictions. In Japan, Canon is no longer subject to regular income tax examinations by the tax authority for years before 2021. Canon is also no longer subject to a transfer pricing examination by the tax authority for years before 2021. In other major foreign tax jurisdictions, including the United States and the Netherlands, Canon is no longer subject to income tax examinations by tax authorities for years before 2014 with a few exceptions.

13. LEGAL RESERVE AND OTHER RETAINED EARNINGS

The Corporation Law of Japan provides that an amount equal to 10% of distributions from other retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law of Japan also provides that additional paid-in capital and legal reserve are available for appropriations by resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of their respective countries.

The amounts of dividends and the appropriations of retained earnings to the legal reserve are recorded based on the amounts determined during the consolidated

fiscal year.

Retained earnings as of December 31, 2025 do not reflect the year-end dividend of ¥70,290 million for the fiscal year ended December 31, 2025, which will be paid on or after March 2026 pursuant to a resolution of the shareholders' meeting.

The amount available for dividends under the Corporation Law of Japan is based on the amount recorded in the Company's non-consolidated financial statements in accordance with financial accounting standards of Japan. Such amount was ¥1,020,811 million at December 31, 2025.

Retained earnings at December 31, 2025 included Canon's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥25,278 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2025 and 2024 are as follows:

	Millions of yen				Total
	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Net gains and losses on derivative instruments	Pension liability adjustments	
Balance at December 31, 2024	519,361	31	(1,519)	(46,976)	470,897
Other comprehensive income (loss) before reclassifications	145,409	100	(1,377)	79,858	223,990
Amounts reclassified from accumulated other comprehensive income (loss)	642	(54)	1,110	4,663	6,361
Net change during the year	146,051	46	(267)	84,521	230,351
Balance at December 31, 2025	665,412	77	(1,786)	37,545	701,248

	Millions of yen				Total
	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Net gains and losses on derivative instruments	Pension liability adjustments	
Balance at December 31, 2023	374,937	26	924	(107,129)	268,758
Other comprehensive income (loss) before reclassifications	144,270	63	(4,360)	56,335	196,308
Amounts reclassified from accumulated other comprehensive income (loss)	154	(58)	1,917	3,818	5,831
Net change during the year	144,424	5	(2,443)	60,153	202,139
Balance at December 31, 2024	519,361	31	(1,519)	(46,976)	470,897

Reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2025 and 2024 are as follows:

Years ended December 31	Amount reclassified from accumulated other comprehensive income (loss) *		Affected line items in consolidated statement of income
	Millions of yen		
	2025	2024	
Foreign currency translation adjustments	936	223	Selling, general and administrative expenses
	(294)	(69)	Income taxes
	642	154	Consolidated net income
	—	—	Net income attributable to noncontrolling interests
	642	154	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities	(68)	(73)	Other, net
	14	15	Income taxes
	(54)	(58)	Consolidated net income
	—	—	Net income attributable to noncontrolling interests
	(54)	(58)	Net income attributable to Canon Inc.
Net gains and losses on derivative instruments	1,655	2,604	Net sales
	(574)	(797)	Income taxes
	1,081	1,807	Consolidated net income
	29	110	Net income attributable to noncontrolling interests
	1,110	1,917	Net income attributable to Canon Inc.
Pension liability adjustments	5,129	4,208	Other, net
	(847)	(700)	Income taxes
	4,282	3,508	Consolidated net income
	381	310	Net income attributable to noncontrolling interests
	4,663	3,818	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	6,361	5,831	

* The increase (decrease) in amounts indicates a decrease (increase) in profit as presented in the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments, including amounts attributable to noncontrolling interests, are as follows:

Years ended December 31	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2025:			
Foreign currency translation adjustments:			
Amount arising during the year	146,813	(776)	146,037
Reclassification adjustments for gains and losses realized in net income	936	(294)	642
Net change during the year	147,749	(1,070)	146,679
Net unrealized gains and losses on securities:			
Amount arising during the year	124	(24)	100
Reclassification adjustments for gains and losses realized in net income	(68)	14	(54)
Net change during the year	56	(10)	46
Net gains and losses on derivative instruments:			
Amount arising during the year	(2,202)	893	(1,309)
Reclassification adjustments for gains and losses realized in net income	1,655	(574)	1,081
Net change during the year	(547)	319	(228)
Pension liability adjustments:			
Amount arising during the year	126,116	(37,629)	88,487
Reclassification adjustments for gains and losses realized in net income	5,129	(847)	4,282
Net change during the year	131,245	(38,476)	92,769
Other comprehensive income (loss)	278,503	(39,237)	239,266
2024:			
Foreign currency translation adjustments:			
Amount arising during the year	146,399	(829)	145,570
Reclassification adjustments for gains and losses realized in net income	223	(69)	154
Net change during the year	146,622	(898)	145,724
Net unrealized gains and losses on securities:			
Amount arising during the year	79	(16)	63
Reclassification adjustments for gains and losses realized in net income	(73)	15	(58)
Net change during the year	6	(1)	5
Net gains and losses on derivative instruments:			
Amount arising during the year	(5,945)	1,705	(4,240)
Reclassification adjustments for gains and losses realized in net income	2,604	(797)	1,807
Net change during the year	(3,341)	908	(2,433)
Pension liability adjustments:			
Amount arising during the year	87,373	(23,891)	63,482
Reclassification adjustments for gains and losses realized in net income	4,208	(700)	3,508
Net change during the year	91,581	(24,591)	66,990
Other comprehensive income (loss)	234,868	(24,582)	210,286

15. REVENUE

Revenue from sales of products of the Printing Business Unit, such as office MFDs, laser printers and inkjet printers, and the Imaging Business Unit, such as digital cameras, is primarily recognized at a point in time upon shipment or delivery, depending upon when the customer obtains controls of these products.

Revenue from sales of equipment of the Medical Business Unit and the Industrial Business Unit that are sold with customer acceptance provisions related to their functionality, including certain medical equipment such as CT systems and MRI systems, and lithography equipment such as semiconductor and FPD lithography equipment, is recognized at a point in time when the equipment is installed at the customer site and the agreed-upon specifications are objectively satisfied and confirmed.

Most of Canon's service revenue is generated from maintenance service in the products of the Printing Business Unit and the Medical Business Unit which is recognized over time. For the service contracts of the Printing Business Unit, the customer typically pays a variable amount based on usage, a stated fixed fee or a stated base fee plus a variable amount which frequently include the provision of consumables as well as break fix activities. The majority portion of service revenue from the products of the Printing Business Unit is recognized as billed since the invoiced amount directly correlates with the value to the customer of the underlying performance obligation to date. For the service contracts of the Medical Business Unit, the customer typically pays a stated fixed fee for the stand ready maintenance service and revenue is recognized ratably over the contract period.

The majority of service arrangements for the products of the Printing Business Unit are executed in combination with related products. Transaction prices for products and services need to be allocated to each performance obligation on a relative standalone selling price basis where judgements are required. Canon estimates the standalone selling price using a range of prices that would meet the allocation objective based on all the information that is reasonably available including market conditions and other observable inputs. If transaction prices of the product or service contracts are not within the acceptable range then the revenue is subject to allocation based on the estimated standalone selling prices. Canon recognizes

the incremental costs of obtaining a contract as an expense when related products of the Printing Business Unit are sold.

Revenue from sales of certain industrial equipment which do not have alternative use and for which Canon has enforceable right to payment to the customers for the performance completed to date is recognized over time with progress towards completion measured using the cost based input method as the basis for recognizing revenue including an estimated margin. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses become evident. Changes in job performance, job conditions, estimated margin and final contract settlements may result in revisions to projected costs and revenue and are recognized in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated. Factors that may affect future project costs and margins include, production efficiencies, availability and costs of labor and materials. These factors can impact the accuracy of Canon's estimates and materially impact future reported revenue and cost of sales.

The transaction prices that Canon is entitled to receive in exchange for transferring goods or services to the customer include certain forms of variable consideration, including product discounts, customer promotions and volume-based rebates mainly for the products of the Imaging Business Unit, which are sold predominantly through distributors and retailers. Canon includes estimated amounts in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Variable considerations are estimated based upon historical trends and other known factors at the time of sale, and are subsequently adjusted in each period based on current information. In addition, Canon may provide a right of return on its products for a short time period after a sale. These rights are accounted for as variable consideration when determining the transaction price, and accordingly Canon recognizes revenue based on the estimated amount to which Canon expects to be entitled after considering expected returns.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Disaggregated revenue by timing is as follows. Disaggregated revenue by business unit, product and geographic area are described in Note 23.

	Millions of yen						Consolidated
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	
2025:							
Revenue recognized at a point in time	1,799,636	381,907	1,045,292	291,207	220,786	(103,437)	3,635,391
Revenue recognized over time	694,762	198,715	9,608	69,921	16,330	—	989,336
Total	2,494,398	580,622	1,054,900	361,128	237,116	(103,437)	4,624,727
2024:							
Revenue recognized at a point in time	1,845,411	380,598	928,462	278,369	222,415	(104,579)	3,550,676
Revenue recognized over time	677,314	188,210	8,929	73,361	11,331	—	959,145
Total	2,522,725	568,808	937,391	351,730	233,746	(104,579)	4,509,821

In order to manage the performance of each reportable segment more appropriately, Canon has changed its performance management method regarding intercompany transactions for Industrial Business Unit from the beginning of the first quarter of 2025. Operating results for the year ended December 31, 2024 have also been reclassified.

Revenue recognized over time includes primarily revenue from maintenance service in the products of the Printing Business Unit and the Medical Business Unit and sales of certain equipment of the Industrial Business Unit which do not have an alternative use and for which Canon has enforceable right to payment to the customers for the performance completed to date.

Canon recognizes contract assets primarily for unbilled receivables mainly arising from services contracts for the products of the Printing Business Unit. Contract assets are reclassified to trade receivables when they are billed under the terms of the contract. The difference between the opening and closing balances of contract assets primarily results from the timing difference of Canon's performance and billing to customers. Contract assets at December 31, 2025 and 2024 were ¥52,151 million and ¥46,046 million, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheet.

Canon typically bills to the customer when the performance obligation is satisfied and collects the payment in relatively short term except for certain maintenance service of the products of the Printing Business Unit and the Medical Business Unit and certain industrial equipment for which Canon occasionally receives the payment in advance from customers. The amount received in excess of revenue

recognized is recorded as deferred revenue until the performance obligation for distinct goods or services are satisfied. Deferred revenue at December 31, 2025 and 2024 were ¥158,636 million and ¥178,436 million, respectively, ¥138,505 million and ¥159,326 million of which is included in other current liabilities, and ¥20,131 million and ¥19,110 million in other non-current liabilities in the accompanying consolidated balance sheet. Revenue recognized for the year ended December 31, 2025, which had been included in the deferred revenue balance at December 31, 2024, was ¥135,210 million.

Remaining performance obligations for products and equipment at December 31, 2025 primarily arise from the sales of certain industrial equipment, amounting to ¥79,832 million, 87% of which is expected to be recognized as revenue within one year and the remaining 13% is within two years. Remaining performance obligations from the fixed maintenance service contracts with original expected duration of more than one year at December 31, 2025 amounting to ¥266,469 million, 37% of which is expected to be recognized as revenue within one year and the average remaining period for these fixed contracts is about 3 years. Disclosure of remaining performance obligations is not required for the majority of services since the related revenue is recognized on an as billed basis applying the right to invoice practical expedient or is generated from the contracts with original expected duration of less than one year.

Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statement of income.

16. STOCK-BASED COMPENSATION

On April 30, 2025, based on the approval of the board of directors held on March 28, 2025, the Company granted stock options to its directors and executive officers to acquire 123,800 shares of common stock. Those to whom stock acquisition rights are granted (the "Holder(s)") shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from after the date when they cease to hold any position as a director or an executive officer of the Company. These option awards have a 30 year exercisable period. The grant-date fair value per share of the stock options was ¥3,704.

On March 24, 2025, based on the approval of the board of directors held on February 13, 2025, the Company granted stock options to its executive officers to acquire 19,200 shares of common stock. Those to whom stock acquisition rights are granted (the "Holder(s)") shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from after the date when they cease to hold any position as a director or an executive officer of the Company. These option awards have a 30 year exercisable period. The grant-date fair value per share of the stock options was ¥4,353.

On April 30, 2024, based on the approval of the board of directors held on March 28, 2024, the Company granted stock options to its directors and executive officers to

acquire 65,900 shares of common stock. Those to whom stock acquisition rights are granted (the "Holder(s)") shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from after the date when they cease to hold any position as a director or an executive officer of the Company. These option awards have a 30 year exercisable period. The grant-date fair value per share of the stock options was ¥3,762.

On March 25, 2024, based on the approval of the board of directors held on February 9, 2024, the Company granted stock options to its executive officers to acquire 20,400 shares of common stock. Those to whom stock acquisition rights are granted (the "Holder(s)") shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from after the date when they cease to hold any position as a director or an executive officer of the Company. These option awards have a 30 year exercisable period. The grant-date fair value per share of the stock options was ¥3,945.

The compensation cost recognized for these stock options for the years ended December 31, 2025 and 2024 were ¥542 million and ¥328 million, respectively and is included in selling, general and administrative expenses in the consolidated statement of income.

The fair value of the option award was estimated on the date of grant using the Black-Scholes option pricing model that incorporates the assumptions presented below:

Years ended December 31	2025		2024	
	*1	*2	*3	*4
Expected term of option (in years)	3.0	5.0	4.0	4.0
Expected volatility	23.73%	28.22%	27.43%	27.21%
Dividend yield	3.18%	3.46%	3.09%	3.22%
Risk-free interest rate	0.92%	0.89%	0.31%	0.40%

*1 Granted on March 24, 2025

*2 Granted on April 30, 2025

*3 Granted on March 25, 2024

*4 Granted on April 30, 2024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of option activity under the stock option plans as of and for the years ended December 31, 2025 and 2024 is presented below:

	Shares	Weighted-Average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
		Yen	Year	Millions of yen
Outstanding at January 1, 2024	418,200	1	26.9	1,513
Granted	86,300	1		
Exercised	(19,400)	1		
Outstanding at December 31, 2024	485,100	1	26.4	2,503
Granted	143,000	1		
Exercised	(51,400)	1		
Outstanding at December 31, 2025	576,700	1	26.3	2,671
Exercisable at December 31, 2025	576,700	1	26.3	2,671

The total fair values of shares vested were ¥542 million and ¥328 million for the years ended December 31, 2025 and 2024, respectively. Cash received from the exercise of

stock options for the years ended December 31, 2025 and 2024 were not significant.

17. NET INCOME ATTRIBUTABLE TO CANON INC. SHAREHOLDERS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted net income attributable to Canon Inc. shareholders per share computations at December 31, 2025 and 2024 are as follows:

Years ended December 31	Millions of yen	
	2025	2024
Basic net income attributable to Canon Inc.	332,053	160,025
Diluted net income attributable to Canon Inc.	332,045	160,018
	Number of shares	
Weighted average common shares outstanding	903,589,986	966,762,583
Effect of dilutive securities:		
Stock options	555,277	471,590
Diluted common shares outstanding	904,145,263	967,234,173
	Yen	
Net income attributable to Canon Inc. shareholders per share:		
Basic	367.48	165.53
Diluted	367.25	165.44

18. DERIVATIVES AND HEDGING ACTIVITIES

Risk management policy

Canon operates internationally, exposing it to the risk of changes in foreign currency exchange rates. Derivative financial instruments are comprised principally of foreign exchange contracts utilized by the Company and certain of its subsidiaries to reduce the risk. Canon assesses foreign currency exchange rate risk by continually monitoring changes in the exposures and by evaluating hedging opportunities. Canon does not hold or issue derivative financial instruments for speculative purposes. Canon is also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations. Most of the counterparties are internationally recognized financial institutions and selected by Canon taking into account their financial condition, and contracts are diversified across a number of major financial institutions.

Foreign currency exchange rate risk management

Canon's international operations expose Canon to the risk of changes in foreign currency exchange rates. Canon uses foreign exchange contracts to manage certain foreign currency exchange exposures principally from the exchange of U.S. dollars and euros into yen. These contracts are primarily used to hedge the foreign currency exposure of forecasted intercompany sales and intercompany trade receivables that are denominated in foreign currencies. In accordance with Canon's policy, a specific portion of foreign currency exposure resulting from forecasted intercompany sales is hedged

using foreign exchange contracts which principally mature within three months.

Cash flow hedge

Changes in the fair value of derivative financial instruments designated as cash flow hedges, including foreign exchange contracts associated with forecasted intercompany sales, are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings in the same period as the hedged items affect earnings. All amounts recorded in accumulated other comprehensive income (loss) as of December 31, 2025 are expected to be recognized in net sales over the next twelve months. Changes in the fair value of a foreign exchange contract for the period between the date that the forecasted intercompany sales occur and its maturity date are recognized in earnings.

Derivatives not designated as hedges

Canon has entered into certain foreign exchange contracts to primarily offset the earnings impact related to fluctuations in foreign currency exchange rates associated with certain assets denominated in foreign currencies. Although these foreign exchange contracts have not been designated as hedges as required in order to apply hedge accounting, the contracts are effective from an economic perspective. The changes in the fair value of these contracts are recorded in earnings immediately.

Contract amounts of foreign exchange contracts at December 31, 2025 and 2024 are as follows:

December 31	Millions of yen	
	2025	2024
To sell foreign currencies	173,977	180,366
To buy foreign currencies	7,289	18,836

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair value of derivative instruments in the consolidated balance sheet

The fair value of derivative instruments at December 31, 2025 and 2024 are as follows:

Derivatives designated as hedging instruments

December 31		Millions of yen	
		Fair value	
Account		2025	2024
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	760	184
Liabilities:			
Foreign exchange contracts	Other current liabilities	467	1,690

Derivatives not designated as hedging instruments

December 31		Millions of yen	
		Fair value	
Account		2025	2024
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	23	42
Liabilities:			
Foreign exchange contracts	Other current liabilities	2,292	1,690

Effect of derivative instruments in the consolidated statement of income

The following tables present the effect of Canon's derivative instruments in the consolidated statement of income for the years ended December 31, 2025 and 2024.

Derivatives in cash flow hedging relationships

December 31	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Account	Amount
2025: Foreign exchange contracts	(2,202)	Net sales	(1,655)
2024: Foreign exchange contracts	(5,945)	Net sales	(2,604)

Derivatives not designated as hedging instruments

December 31	Millions of yen			
	Gain (loss) recognized in income on derivative			
	2025		2024	
	Account	Amount	Account	Amount
Foreign exchange contracts	Other, net	(2,947)	Other, net	(12,934)

19. LESSEE ACCOUNTING

Lease costs are included in cost of sales or selling general and administrative expense in accompanying consolidated statement of income. Income statement information about lease costs is as follows:

Years ended December 31	Millions of yen	
	2025	2024
Operating lease cost	56,014	55,461
Short-term lease cost	16,509	15,156
Other lease cost	345	296
Total	72,868	70,913

Operating lease cash flow

Cash flow information about lease is as follows.

Years ended December 31	Millions of yen	
	2025	2024
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	52,542	50,232
Noncash activity - Rights of use assets obtained in exchange for lease liabilities		
Operating leases	37,760	53,692

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at December 31, 2025.

Years ending December 31:	Millions of yen
2026	45,031
2027	31,614
2028	21,017
2029	14,100
2030	9,306
Thereafter	16,881
Total future minimum lease payments	137,949
Less Imputed Interest	(7,899)
Total of lease liabilities	130,050

Remaining lease term and discount rate

The following is remaining lease term and discount rate under operating leases.

December 31	2025	2024
Weighted-average remaining lease term	50 months	55 months
Weighted-average discount rate	3.0%	3.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of December 31, 2025, commitments outstanding for the purchase of property, plant and equipment approximated ¥82,719 million, and commitments outstanding for the purchase of parts and raw materials approximated ¥194,432 million.

Guarantees

Canon occupies sales offices and other facilities under lease arrangements accounted for as operating leases. Deposits mainly for restoration made under such arrangements aggregated ¥12,555 million and ¥12,328 million as of December 31, 2025 and 2024, respectively, and are included in noncurrent receivables in the accompanying consolidated balance sheet.

Canon provides guarantees for its employees, affiliates

and other companies. The guarantees for the employees are principally made for their housing loans. The guarantees for affiliates and other companies are made for their lease obligations and bank loans to facilitate financing.

Canon would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are 1 year to 9 years in case of employees with housing loans, and 1 year to 5 years in case of affiliates and other companies with lease obligations and bank loans. The maximum amount of undiscounted payments Canon would have had to make in the event of default is ¥2,349 million at December 31, 2025. The carrying amounts of the liabilities recognized for Canon's obligations as a guarantor under those guarantees as of December 31, 2025 were not significant.

Canon also offers assurance-type warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Estimated product warranty costs are recorded at the time revenue is recognized and are included in selling, general and administrative expenses in the accompanying consolidated statement of income. Estimates for accrued product warranty costs are based on historical experience. Accrued product warranty costs are included in accrued expenses in the accompanying consolidated balance sheet and the changes for the years ended December 31, 2025 and 2024 are summarized as follows:

December 31	Millions of yen	
	2025	2024
Balance at beginning of the year	23,685	23,290
Additions	19,864	20,039
Utilization	(16,253)	(16,867)
Other	(846)	(2,777)
Balance at end of the year	26,450	23,685

Legal proceedings

Canon is involved in various claims and legal actions arising in the ordinary course of business. Canon has recorded provisions for liabilities when it is probable that liabilities have been incurred and the amount of loss can be reasonably estimated. Canon reviews these provisions at least quarterly and adjusts these provisions to reflect the impact of the negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to

a particular case. Based on its experience, although litigation is inherently unpredictable, Canon believes that any damage amounts claimed in outstanding matters are not a meaningful indicator of Canon's potential liability. In the opinion of management, any reasonably possible range of losses from outstanding matters would not have a material adverse effect on Canon's consolidated financial position, results of operations, and cash flows.

21. THE FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Fair value of financial instruments

The estimated fair values of Canon's financial instruments as of December 31, 2025 and 2024 are set forth below. Liabilities are presented in ().

The following summary excludes cash and cash equivalents, time deposits, trade receivables, noncurrent receivables, short-term loans, trade payables and accrued expenses, and the fair values of these instruments approximate their carrying amounts. The summary also excludes investments and derivative instruments which are disclosed in Note 2 and Note 22, and Note 18, respectively.

December 31	Millions of yen			
	2025		2024	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt, including current portion of long-term debt	(402,468)	(399,623)	(202,031)	(201,944)

The following methods and assumptions are used to estimate the fair value in the above table.

Long-term debt

Canon's long-term debt instruments are classified as Level 2 instruments and valued based on the present value of future cash flows associated with each instrument discounted using current market borrowing rates for similar debt instruments of comparable maturity. The levels are more fully described in Note 22.

Limitations of fair value estimates

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Concentrations of credit risk

No single customer accounted for more than 10 percent of consolidated trade receivables as of December 31, 2025 or 2024.

22. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

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Assets and liabilities measured at fair value on a recurring basis

The following tables present Canon's assets and liabilities that are measured at fair value on a recurring basis consistent with the fair value hierarchy as of December 31, 2025 and 2024.

December 31	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	—	500	—	500
Short-term investment:				
Available-for-sale:				
Corporate bonds	—	170	—	170
Investments:				
Available-for-sale:				
Corporate bonds	—	25,642	—	25,642
Fund trusts and others	4,636	535	—	5,171
Equity securities	28,948	—	—	28,948
Prepaid expenses and other current assets:				
Derivatives	—	783	—	783
Total assets	33,584	27,630	—	61,214
Liabilities:				
Other current liabilities:				
Derivatives	—	2,759	—	2,759
Total liabilities	—	2,759	—	2,759

December 31	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	—	1,500	—	1,500
Short-term investment:				
Available-for-sale:				
Corporate bonds	—	—	—	—
Investments:				
Available-for-sale:				
Corporate bonds	—	16,679	—	16,679
Fund trusts and others	3,944	450	—	4,394
Equity securities	25,455	—	—	25,455
Prepaid expenses and other current assets:				
Derivatives	—	226	—	226
Total assets	29,399	18,855	—	48,254
Liabilities:				
Other current liabilities:				
Derivatives	—	3,380	—	3,380
Total liabilities	—	3,380	—	3,380

Level 1 investments are comprised principally of Japanese equity securities, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets and liabilities are comprised principally of cash and cash equivalents, corporate bonds included in investments or short-term investments, and derivatives. Cash and cash equivalents, corporate bonds included in investments or short-term investments are valued using quoted

prices for identical assets in markets that are not active or quotes obtained from counterparties or third parties. Derivative financial instruments are comprised of foreign exchange contracts. Level 2 derivatives are valued using quotes obtained from counterparties or third parties, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates, based on market approach.

Assets and liabilities measured at fair value on a nonrecurring basis

Assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2024 as follows. There were no significant assets or liabilities to be measured at fair value on a nonrecurring basis during the year ended December 31, 2025.

December 31	Millions of yen				
	2024				
	Impairment Loss	Level 1	Level 2	Level 3	Total
Assets:					
goodwill	(165,100)	—	—	403,131	403,131

Goodwill is classified as Level 3 and is valued based on an income approach using unobservable inputs. Our company conducted an annual goodwill impairment test as of October 1, 2024, which resulted in the fair value of the reporting unit containing the above assets being less than its carrying amount. Our company recognizes the difference between fair value and carrying amount as an impairment

loss on goodwill. The fair value of the reporting unit is measured using the discounted cash flow method using a weighted average cost of capital of 6.0% and future cash flows. Future cash flows are calculated based on management's estimates of sales, gross profit, operating expenses and growth in perpetuity, taking into account industry trends and market conditions.

23. SEGMENT INFORMATION

Canon reports in four reportable segments: the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit and the Industrial Business Unit with Others and Corporate, which are based on the organizational structure and information reviewed by Canon's management to evaluate results and allocate resources.

In order to manage the performance of each reportable segment more appropriately, Canon has changed its performance management method regarding intercompany transactions for Industrial Business Unit from the beginning of the first quarter of 2025. Operating results for the year ended December 31, 2024 have also been reclassified.

The primary products included in each segment are as follows:

Printing Business Unit:

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

Medical Business Unit:

CT systems / Diagnostic ultrasound systems / Diagnostic X-ray systems / MRI systems / Digital radiography systems / Ophthalmic equipment / In vitro diagnostic systems and reagents / Healthcare IT Solutions

Imaging Business Unit:

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

Industrial Business Unit:

Semiconductor lithography equipment / FPD lithography equipment / OLED Display Manufacturing Equipment / Vacuum thin-film deposition equipment / Die bonders

Others:

Handy terminals / Document scanners

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. Canon evaluates results and allocates

resources for each segment based on income before income taxes.

Information about operating results and assets for each segment as of and for the years ended December 31, 2025 and 2024 is as follows:

	Millions of yen						Consolidated
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	
2025:							
Net sales:							
External customers	2,487,885	579,723	1,054,513	357,924	144,682	—	4,624,727
Intersegment	6,513	899	387	3,204	92,434	(103,437)	—
Total	2,494,398	580,622	1,054,900	361,128	237,116	(103,437)	4,624,727
Cost of sales	1,362,457	316,368	491,391	205,926	191,298	(104,668)	2,462,772
Gross profit	1,131,941	264,254	563,509	155,202	45,818	1,231	2,161,955
Research and development expenses	94,762	46,971	112,298	32,286	52,971	—	339,288
Selling, general and administrative expenses	781,420	184,508	278,340	60,391	62,298	320	1,367,277
Operating profit	255,759	32,775	172,871	62,525	(69,451)	911	455,390
Other income (deductions)	17,844	1,287	3,888	2,300	1,350	—	26,669
Income before income taxes	273,603	34,062	176,759	64,825	(68,101)	911	482,059
Total assets	1,360,992	434,929	504,267	231,431	3,606,118	(2,693)	6,135,044
Depreciation and amortization	65,486	13,928	21,615	13,938	124,269	—	239,236
Capital expenditures	71,372	16,434	41,274	15,759	104,691	—	249,530
2024:							
Net sales:							
External customers	2,515,543	568,260	937,028	345,863	143,127	—	4,509,821
Intersegment	7,182	548	363	5,867	90,619	(104,579)	—
Total	2,522,725	568,808	937,391	351,730	233,746	(104,579)	4,509,821
Cost of sales	1,356,530	308,642	425,663	196,393	186,273	(106,775)	2,366,726
Gross profit	1,166,195	260,166	511,728	155,337	47,473	2,196	2,143,095
Research and development expenses	100,361	52,639	101,200	30,559	52,589	—	337,348
Selling, general and administrative expenses	775,950	347,964	259,224	55,875	86,058	922	1,525,993
Operating profit	289,884	(140,437)	151,304	68,903	(91,174)	1,274	279,754
Other income (deductions)	14,262	929	3,004	1,500	1,712	—	21,407
Income before income taxes	304,146	(139,508)	154,308	70,403	(89,462)	1,274	301,161
Total assets	1,354,948	421,453	425,515	238,625	3,329,047	(3,342)	5,766,246
Depreciation and amortization	63,356	13,132	19,984	11,590	127,403	—	235,465
Capital expenditures	70,075	16,663	38,922	13,109	117,498	—	256,267

The CEO as chief operating decision maker (CODM) uses Net sales, Gross profit to net sales ratio, Operating expense to net sales ratio, Operating profit to net sales and Income before income taxes to net sales ratio to assess segment performance and make decisions about resource allocation.

Intersegment sales are recorded at the same prices used in transactions with third parties. Expenses not directly associated with specific segments are allocated based on the most reasonable measures applicable. Corporate expenses include certain corporate R&D expenses. Amortization costs of identified intangible assets resulting from the purchase price

allocation of Toshiba Medical Systems Corporation (currently, Canon Medical Systems Corporation) are also included in corporate expenses. Segment assets are based on those directly associated with each segment. Corporate assets primarily consist of cash and cash equivalents, investments, deferred tax assets, goodwill, identified intangible assets from acquisitions and corporate properties. Capital expenditures represent the additions to property, plant and equipment and intangible assets measured on an accrual basis.

Other operating expense includes personnel expenses.

Information about sales by product and service to external customers for each segment for the years ended December 31, 2025 and 2024 is as follows:

Years ended December 31	Millions of yen	
	2025	2024
Printing		
Production	436,294	440,718
Office multifunction devices	630,025	645,617
Office others	431,274	406,912
Office	1,061,299	1,052,529
Laser printers	645,629	676,582
Inkjet printers and Others	344,663	345,714
Prosumer	990,292	1,022,296
Total	2,487,885	2,515,543
Medical		
Diagnostic equipment	579,723	568,260
Imaging		
Cameras	625,395	579,593
Network cameras and Others	429,118	357,435
Total	1,054,513	937,028
Industrial		
Optical equipment	256,309	253,216
Industrial equipment	101,615	92,647
Total	357,924	345,863
Others and Corporate	144,682	143,127
Consolidated	4,624,727	4,509,821

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information by major geographic area as of and for the years ended December 31, 2025 and 2024 is as follows:

	Millions of yen	
	2025	2024
Net sales:		
Japan	961,480	955,456
Americas	1,489,639	1,429,201
Europe	1,225,475	1,184,389
Asia and Oceania	948,133	940,775
Total	4,624,727	4,509,821
Long-lived assets:		
Japan	1,027,857	998,506
Americas	172,634	191,000
Europe	236,704	223,922
Asia and Oceania	140,144	146,059
Total	1,577,339	1,559,487

Net sales are attributed to areas based on the location where the products are shipped and the services are performed to the customers. Other than in Japan and the United States, Canon does not conduct business in any individual country in which its sales in that country exceed 10% of consolidated net sales. Net sales in the United States

were ¥1,381,621 million and ¥1,311,397 million for the years ended December 31, 2025 and 2024, respectively.

Long-lived assets represent property, plant and equipment, intangible assets, and operating lease right-of-use assets for each geographic area.

24. SUBSEQUENT EVENT

Canon evaluated the subsequent events up to March 25, 2026, the filing date of Annual Securities Report.

Tender Offer for Shares of Canon Electronics Inc.

Canon Inc. (the "Company") resolved at the meeting of its Board of Directors held on November 28, 2025, to acquire the common stock of its consolidated subsidiary, Canon Electronics Inc. ("Canon Electronics"), for the purpose of making Canon Electronics a wholly-owned subsidiary of the Company, through a tender offer (the "Tender Offer") conducted pursuant to the Financial Instruments and Exchange Act. The Tender Offer was implemented during the period from December 1, 2025 to January 19, 2026.

As a result of the Tender Offer, the total number of shares tendered exceeded the minimum number of shares to be purchased, and accordingly, the Tender Offer was successfully completed. As a result, the Company's shareholding ratio in Canon Electronics increased to 87.94%.

Furthermore, based on the results of the Tender Offer, the Company plans to implement a series of procedures to acquire all of the shares of Canon Electronics to make Canon Electronics a wholly-owned subsidiary of the Company. The common shares of Canon Electronics are currently listed on the Prime Market of Tokyo Stock Exchange. However, upon completion of the procedures for making it a wholly-owned subsidiary, the shares will meet the delisting criteria of the Tokyo Stock Exchange and are expected to be delisted following the prescribed procedures.

1. Results of the Tender Offer	Tender Offer Period:	December 1, 2025 – January 19, 2026
	Tender Offer Price:	¥3,650 per share of common stock
	Number of Shares Purchased:	13,470,819 shares
	Total Purchase Amount:	¥49,168 million
	Settlement Commencement Date:	January 26, 2026

2. Funding for the Tender Offer	Fund Purpose:	Funds required for the Tender Offer
	Lender:	Mizuho Bank, Ltd.
	Loan Amount:	¥49,400 million
	Loan Interest:	Base rate plus a spread
	Loan Execution Date:	January 23, 2026
	Loan Period:	Within one year
	Collateral Situation:	No collateral

Acquisition of treasury stock by Canon Marketing Japan Inc.

Canon Marketing Japan Inc. ("CMJ"), a subsidiary of Canon Inc., passed a Board of Directors resolution on January 28, 2026, to acquire treasury stock in accordance with Article 459, Paragraph 1 of the Companies Act and its Articles of Incorporation.

1. Purpose of acquisition of own shares

CMJ will acquire treasury stock to increase shareholder returns and enhance capital efficiency.

2. Details of acquisition	(i) Type of shares to be acquired	Share of common stock
	(ii) Total number of shares to be acquired	Up to 5,000,000 shares* (Equivalent to 4.66% of issued shares (excluding treasury stock))
	(iii) Total cost of acquisition	Up to ¥30,000 million
	(iv) Period of acquisition	From February 2, 2026 to October 30, 2026
	(v) Method of acquisition	Market purchases on the Tokyo Stock Exchange

* As described in the "Significant Subsequent Events: Share Split by Canon Marketing Japan Inc.," CMJ also approved at the same meeting to conduct a share split. The total number of shares for the acquisition shown in (ii) above after the effective date of the share split (April 1, 2026) will be 10,000,000 shares (maximum).

Share Split of Canon Marketing Japan Inc.

CMJ, a subsidiary of Canon Inc., passed a Board of Directors resolution on January 28, 2026, to conduct share split.

1. Purpose of share split

The purpose of the share split is to reduce the investment unit of CMJ common stock, thereby creating an environment that encourages investors to invest in shares of CMJ, increasing the liquidity of the shares, and expanding the investor base.

2. Overview of share split

(i) Method of share split

CMJ will split the shares of its common stock owned by the shareholders recorded on the final register of shareholders as of March 31, 2026, the record date, in the proportion of two shares for one share.

(ii) Number of shares to be increased by share split

Total number of issued shares before the share split	111,079,972 shares
Number of shares to be increased by this share split	111,079,972 shares
Total number of issued shares after the share split	222,159,944 shares
Total number of shares authorized to be issued after the share split	299,500,000 shares

(iii) Timetable

Date of public notice of the record date	March 16, 2026
Record date	March 31, 2026
Effective date	April 1, 2026

(iv) Other

The above share split will not result in a change to the amount of CMJ share capital or to the Articles of its Incorporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of treasury stock

The Company at a meeting of the Board of Directors held on January 29, 2026, passed a Board of Directors resolution regarding the acquisition of its own shares under Article 156, as applied pursuant to paragraph 3, Article 165, of the Companies Act, as follows.

1. Purpose of acquisition of own shares

The Company aims to further raise corporate value through active growth investment. At the same time, to enhance shareholder returns by improving capital efficiency, the Company has established a framework to acquire its own shares. The purpose of this framework is to allow the Company to flexibly acquire its own share, based on a comprehensive assessment of factors, including the Company's share price level.

Please note that, depending on the Company's investment priorities and market conditions, some of the planned share acquisition may not be carried out.

2. Details of acquisition	(i) Type of shares to be acquired	Share of common stock
	(ii) Total number of shares to be acquired	Up to 54,000,000 shares (Equivalent to 6.1% of issued shares (excluding treasury stock))
	(iii) Total cost of acquisition	Up to ¥200,000 million
	(iv) Period of acquisition	From January 30, 2026 to January 29, 2027
	(v) Method of acquisition	Market purchases on the Tokyo Stock Exchange 1) Purchases through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) 2) Market purchases based on a discretionary trading contract regarding acquisition of own shares

CONSOLIDATED SUPPLEMENTARY SCHEDULE

SUPPLEMENTARY SCHEDULE

Schedule of Bonds

Not applicable.

Schedule of Borrowings

This information is presented in the note 9 to the consolidated financial statements.

Schedule of Asset Retirement Obligations

As the amount of asset retirement obligations as of the end of the previous consolidated fiscal year and the end of the current consolidated fiscal year are a hundredth or less of the sum of liabilities and net assets each of the said period, it has been omitted.

Schedule of valuation allowance

Years ended December 31	Millions of yen				
	Balance at beginning of year	Addition-charged to income	Deduction bad debts written off	Translation adjustments and other	Balance at end of year
2025:					
Allowance for credit losses					
Trade receivables	14,856	3,153	(3,382)	589	15,216
Lease receivables	6,861	2,535	(2,927)	143	6,612

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

1. Matters Related to the Basic Framework of Internal Control over Financial Reporting

Fujio Mitarai, Chairman & CEO, and Toshizo Tanaka, Executive Vice President & CFO of Canon Inc. (the "Company") are responsible for designing and operating internal control over financial reporting of the Company and its consolidated subsidiaries (the "Canon Group"), in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)," released by the Business Accounting Council.

Internal control is designed to achieve its objectives within reasonable limits through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Related to Scope of Assessment, the Basis Date of Assessment and Assessment Procedure

The assessment of internal control over financial reporting was conducted as of the end of the fiscal year, December 31, 2025, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of how significantly it affects the reliability of financial reporting. How significantly it affects the reliability of financial reporting was determined by taking into account both quantitative and qualitative effects as well as the likelihood of those effects occurring. Based on the results of the company-level control assessment, which covered the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes.

Consolidated subsidiaries and equity-method affiliated companies that were determined to have only minor quantitative and qualitative effects as well as the low likelihood of those effects occurring, were excluded from the scope of company-level control assessment. As one major objective of the Canon Group is to expand the production and sales of products, sales is considered an appropriate measure of business scale and performance.

With respect to the scope of assessment of internal control over business processes, based on the satisfactory results of the company-level control assessment, "significant locations and/or business units" were identified by ranking them based on their external net sales (excluding intercompany transactions) for the previous fiscal year and cumulatively selecting them until the total reached approximately two-thirds of the total amount of sales on a consolidated basis. For production sites, as significance could not be assessed using the selection criteria described above, cost of goods sold for the previous fiscal year was used as the criterion. At locations and/or business units that were identified as significant, the scope of assessment of internal control over business processes covered key accounts such as sales, accounts receivable, inventories, cost of sales, and accounts payable, which represent major transaction amounts in the Canon Group's production and sales activities.

Furthermore, the scope of assessment was not limited to the selected significant locations and/or business units. Others were also considered. We identified business processes with a high risk of material misstatement, including processes related to significant accounts that involve estimates or forecasts (such as goodwill valuation), as well as processes related to businesses or operations that engage in high-risk transactions. Based on their potential impact on financial reporting, these processes were included in the evaluation scope as significant business processes.

3. Matters Related to Results of Assessment

Based on the results of the above assessment, we concluded that the Company's internal control over financial reporting was effective as of the end of the fiscal year under review.

4. Supplementary Matters

None.

5. Special Notes

None.

(TRANSLATION) INDEPENDENT AUDITOR'S REPORT

March 25, 2026

To the Board of Directors of
Canon Inc.

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Shuichi Morishige

Designated Engagement Partner,
Certified Public Accountant:

Susumu Nakamura

Designated Engagement Partner,
Certified Public Accountant:

Hideaki Takagi

Designated Engagement Partner,
Certified Public Accountant:

Masayoshi Nakai

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Canon Inc. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of December 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the fiscal year from January 1, 2025 to December 31, 2025, and the related notes, and consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America pursuant to the provisions of the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(TRANSLATION) INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Goodwill—Medical Reporting Unit—Refer to Notes 1 and 8 to the Consolidated Financial Statements	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group's total goodwill was ¥985,806 million (16.1% of Total assets) as of December 31, 2025, of which ¥405,882 million (41.2% of Goodwill) was allocated to the Medical Reporting Unit.</p> <p>The Group tests goodwill for impairment annually in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The fair value of the Medical Reporting Unit is determined primarily based on a discounted cash flow analysis, which involves estimates of projected future cash flows, perpetual growth rates and discount rates. The estimates of projected future cash flows are based on a mid-term management plan and a long-term growth rate for the subsequent periods (perpetual growth rates) that considered the future market growth of medical equipment and growth in geographies where the Group operates its medical business. The estimate of the discount rate is determined based on the weighted average cost of capital, which considers primarily market and industry data as well as specific risk factors.</p> <p>As of the measurement date, the fair value of the Medical Reporting Unit exceeded its carrying amount, however, the fair value in excess of the carrying amount as a percentage of the carrying amount is lower compared to other reporting units and an impairment could be recognized if future cash flows of the Medical Reporting Unit is generated lower than forecasted.</p> <p>We determined the valuation of goodwill allocated to the Medical Reporting Unit as a key audit matter given it represents 41.2% of the total goodwill and there are significant judgements made by management on estimates and assumptions related to the projected future cash flows, the discount rate and the perpetual growth rate to measure the fair value of the Medical Reporting Unit on which performing audit procedures required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.</p>	<p>Our audit procedures related to the projected future cash flows, the discount rate and the perpetual growth rate used by management to measure the fair value of the Medical Reporting Unit included the following, among others:</p> <p>(1)Evaluation of internal controls</p> <ul style="list-style-type: none"> • We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over management's estimates and assumptions used in the projected future cash flows, the discount rate and the perpetual growth rate. <p>(2)Evaluation of the reasonableness of management's projected future cash flows</p> <ul style="list-style-type: none"> • We evaluated management's ability to accurately project future cash flows by comparing actual results to management's historical projections. • We made inquiries of management to understand significant assumptions used in the projected future cash flows. • We evaluated the reasonableness of management's projected future cash flows by comparing the projections to actual results, documents reported to management, and other related documents for respective revenue, cost of sales and other elements, which together comprise management's projected future cash flows. • We evaluated the reasonableness of management's significant assumptions regarding the revenue growth rate used in the projected future cash flows, which could have a significant impact on the fair value of the Medical Reporting Unit, by comparing the revenue growth rate to the expected market growth rates for each type of medical equipment and each region in which the Group operates its medical business as included in independent third-party industry reports.

	<p>(3) Evaluation of the reasonableness of the valuation methodology, the discount rate, and the perpetual growth rate</p> <ul style="list-style-type: none"> • With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology, the discount rate and the perpetual growth rate by: <ul style="list-style-type: none"> – examining whether the valuation methodology used, including the determination of the discount rate and the perpetual growth rate, was consistent with existing valuation practices that are both generally accepted in practice and acceptable in the circumstance. – testing the underlying data used in the determination of the discount rate and the perpetual growth rate, and the mathematical accuracy of the calculation; and – developing a range of independent estimates and comparing those to the discount rate and the perpetual growth rate selected by management.
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Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion 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 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 the United States of America, and for such internal control as management determines is necessary to enable the preparation of 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 the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

(TRANSLATION) INDEPENDENT AUDITOR'S REPORT

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

Our objectives are 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 issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Canon Inc. as of December 31, 2025.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Canon Inc. as of December 31, 2025, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Plan and perform the internal control audit to obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and review of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

(TRANSLATION) INDEPENDENT AUDITOR'S REPORT

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2025, which were charged by us and our network firms to Canon Inc. and its subsidiaries are disclosed in (3) Status of audit in Corporate Governance, included in Information on Reporting Company of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The other information in the Annual Securities Report referred to in the "Other Information" section of this English translation is not translated.