

# CANON ANNUAL REPORT 2025

Fiscal Year Ended December 31, 2025



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**Cover Photo:**

Products representing Canon's four new businesses;  
Continuous feed presses: Printing  
Multi-position computed tomography (CT) system: Medical  
Network cameras: Imaging  
Nanoimprint semiconductor manufacturing equipment: Industrial

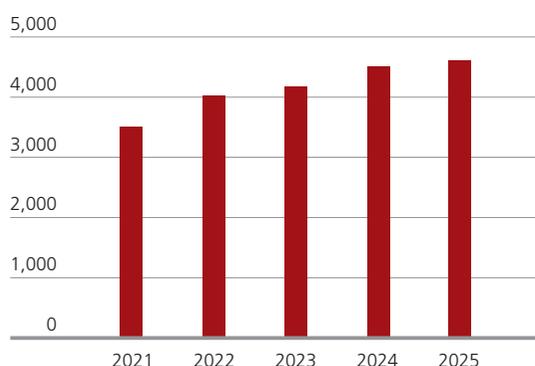
# FINANCIAL HIGHLIGHTS

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2025	2024	Change (%)	2025
Net sales	<b>¥ 4,624,727</b>	¥ 4,509,821	<b>+ 2.5</b>	<b>\$ 29,456,860</b>
Operating profit	<b>455,390</b>	279,754	<b>+ 62.8</b>	<b>2,900,573</b>
Income before income taxes	<b>482,059</b>	301,161	<b>+ 60.1</b>	<b>3,070,439</b>
Net income attributable to Canon Inc.	<b>332,053</b>	160,025	<b>+ 107.5</b>	<b>2,114,987</b>
Net income attributable to Canon Inc. shareholders per share:				
— Basic	<b>¥ 367.48</b>	¥ 165.53	<b>+ 122.0</b>	<b>\$ 2.34</b>
— Diluted	<b>367.25</b>	165.44	<b>+ 122.0</b>	<b>2.34</b>
Total assets	<b>¥ 6,135,044</b>	¥ 5,766,246	<b>+6.4</b>	<b>\$ 39,076,713</b>
Canon Inc. shareholders' equity	<b>¥ 3,491,808</b>	¥ 3,380,273	<b>+3.3</b>	<b>\$ 22,240,815</b>

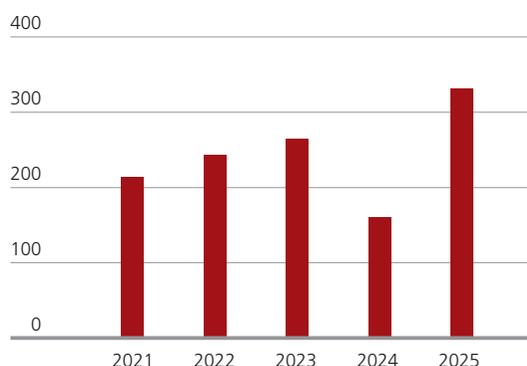
## Notes:

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. U.S. dollar amounts are translated from yen at the rate of JPY157 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2025, solely for the convenience of the reader.

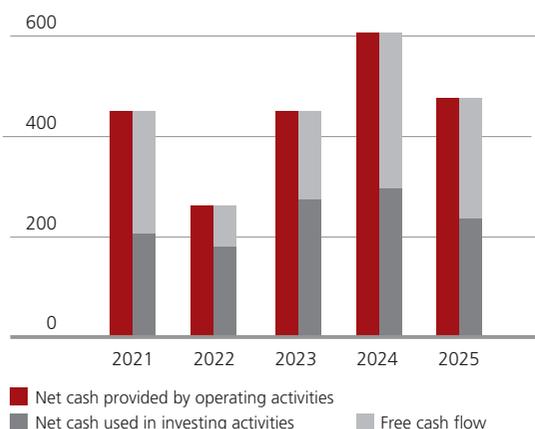
### Net Sales (Billions of yen)



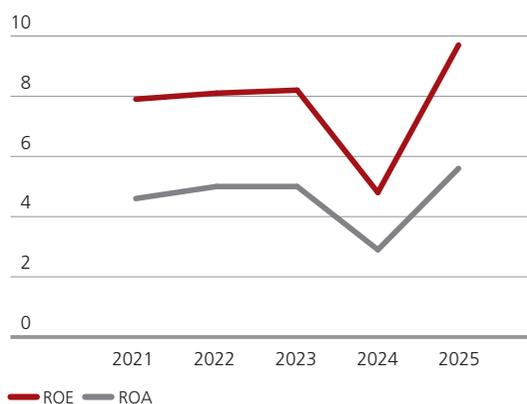
### Net Income Attributable to Canon Inc. (Billions of yen)



### Cash Flows (Billions of yen)



### ROE/ROA (%)



# TO OUR SHAREHOLDERS



**“Change is progress,  
transformation is  
advancement”**

**Achieved record-high net sales in 2025  
Aiming even higher to become a truly  
excellent global corporation**

**FUJIO MITARAI**  
Chairman & CEO  
Canon Inc.

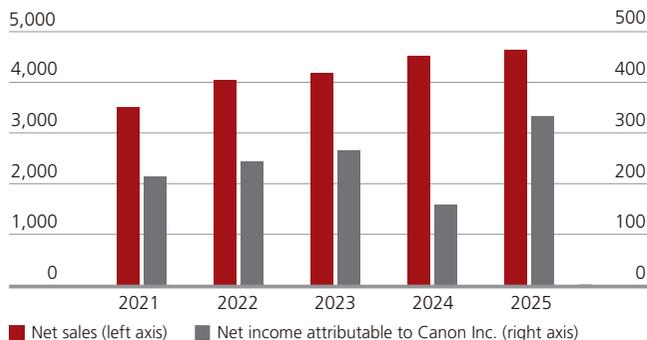
## Achieved record-high in net sales last year, driven mainly by cameras and network cameras

Looking back at economic conditions in 2025, despite the impact of U.S. tariff policies spreading worldwide, the U.S. economy remained firm, driven by AI-related demand and other factors. Though China’s economic slowdown persisted, and Europe’s economic recovery lacked strength, the global economy as a whole experienced modest growth throughout the year.

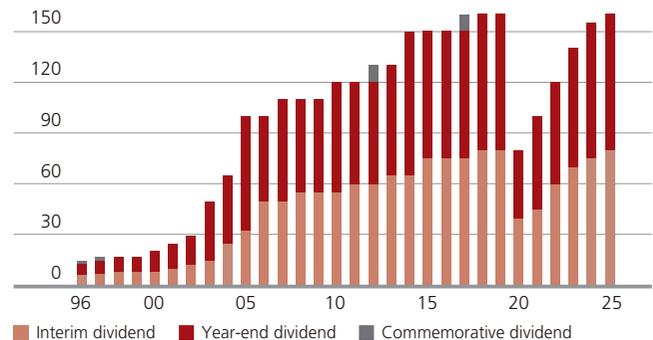
Under these conditions, we not only posted double-digit growth in our camera business, with the launch of new products, and our network camera business, amid strong demand, but also increased sales in our medical, office MFD, and inkjet printer businesses.

As a result, 2025 net sales increased by 2.5% to 4,624.7 billion yen, exceeding our previous record-high set in 2024.

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



**Canon Inc. dividend per share**  
(Yen)



## Over 250 billion yen in capital expenditure for future growth

Owing to improved profitability, operating cash flow was at a high level of 475.9 billion yen. We invested 262.2 billion yen in capital expenditure for future growth, including the construction of a new plant at our production site in Utsunomiya for semiconductor lithography equipment, an

area where further growth is expected. As for shareholder returns, we restored our annual dividend per share to the pre-COVID-19 pandemic level of 160 yen and acquired 300 billion yen worth of our own shares.

## Achieved target one year ahead of schedule despite unexpected events

The five-year period of Phase VI of the Excellent Global Corporation Plan, which commenced in 2021, was marked by a series of truly unexpected events. Among these were the COVID-19 pandemic and ongoing conflicts like Russia's invasion of Ukraine. Amid dwindling supplies of energy, grain, and other essential commodities, and with severe inflation, the second Trump administration, advocating an "America First" agenda, took office in 2025. As high tariffs and ultra-protectionist policies took hold, the global eco-

nomical order built around postwar globalization collapsed, leaving the international community facing an unprecedented level of uncertainty. Even in the face of such challenges, each and every Canon Group employee persevered and showed ingenuity, further strengthening the competitiveness of many products, which enabled us to achieve the net sales target we had for 2025, the final year of Phase VI, one year ahead of schedule.

## Overcame impact of COVID-19 through fruits of major portfolio transformation

Another reason we were able to exceed our target is that, guided by the belief that "change is progress, transformation is advancement," we have continually adapted to the rapidly changing industrial landscape through technological innovation. Looking back, the widespread adoption of smartphones and cloud computing in the 2010s, which triggered a sharp decline in demand for cameras and office equipment, was an enormous test for Canon. Even in

this environment, we identified growth industries where we could leverage our strongest assets, our people and our technology, and conducted large-scale M&As to buy time and established what are now the four pillars of our business: Printing, Medical, Imaging, and Industrial. Transformation was not an easy process, but because we faced it with determination, we overcame the pandemic and were able to steadily grow our profits.

## Aiming even higher in an era of dramatic change

The global economy is now undergoing dramatic changes that no longer follow past trajectories. Looking ahead over the next five years, I am keenly aware of three major trends.

The first trend is the progression of global fragmentation.

In this era of rising nationalism, both economic blocs and people's values are becoming fragmented and multipolar,

and competition among nations is intensifying.

In this environment, the time when decisions could be made solely on economic rationale has ended. We have now entered a time when management must navigate with far greater sophistication, incorporating geopolitical risks into every decision.

# TO OUR SHAREHOLDERS



The second trend is the rapid adoption of AI across society.

AI has already become a part of daily life and now serves as a “real-world infrastructure” that is fundamentally transforming the industrial landscape. The speed of its adoption surpasses that of the internet and smartphones in the past. Also, what sets AI apart from previous digital innovations is that it can directly substitute for roles long performed by people. In light of this reality, our task is not to fear AI, but to find ways to coexist with it. This means harnessing AI’s capabilities to the fullest, establishing a new division of roles between people and AI, and working together to build a better world.

The third trend is the worsening labor shortage.

In Japan and other developed countries, declining birth-rates and aging populations are making it increasingly difficult to secure talented personnel. Furthermore, even in emerging economies, labor shortages are becoming evident, and production systems that rely on low-cost labor are no longer viable. Now, the advancement of AI and

robotics is driving the substitution of simple labor. On the other hand, demand for highly skilled personnel that create new value is stronger than ever before, which is intensifying global competition among companies to attract talent, a decisive factor that determines corporate competitiveness.

Change does bring risks, but if we have the resolve to jump into the wave of change and transform ourselves, we can turn it into a great opportunity. We, anticipating the accelerated advancement of AI and other major shifts, made significant changes to our business portfolio, reorganized our structure, and built our operations around four industry-oriented business pillars. This enabled us to regain our growth potential. In addition, we strengthened the essential foundation of the company, including our globally expanding sales network, robotics-driven production engineering, and performance-based HR system, creating a solid and resilient platform for future growth. With Phase VII beginning this year, we will build on this strong foundation and evolve into a company of an even higher level.

## Learning the importance of profit from blue-chip companies

In 1996, the year after I became president, we launched the Excellent Global Corporation Plan. We set forth a long-term vision to become a truly excellent global corporation that contributes to solving social challenges, boasts an overwhelmingly strong earnings structure, creates value with a highly skilled and select workforce, and allows each and every employee to feel pride and fulfillment. By formulating and implementing strategies every five years based on this vision, we have shaped the Canon you see today. When I

was assigned to our U.S. subsidiary in 1966, there were already blue-chip companies in the U.S. practicing this. At that time, Canon and other Japanese companies could not even come close. Awakened by a local tax official's comment along the lines of "a company that can't earn profits above the deposit interest rate should be liquidated," I spent 23 years in the U.S. desperately striving to catch up with those truly outstanding blue-chip companies. That passion remains just as strong in me today.

## Driving production innovation through AI and robotics technology

We will make full use of AI as we strive to become a truly excellent global corporation. We will equip our factory robots with AI to push automation even further. We will also enhance our simulation technology not only for the production process, but also for development and prototype process, drastically reducing both time-to-market and costs. We will also promote centralized management of intellectual property, which is scattered across various sites, through a

company-wide shared platform, and use AI analysis to come up with new solutions. We are also considering offering services that use AI to analyze operating data from printing and medical equipment to further enhance the productivity of our customers. We will exhaustively implement AI education throughout the company in an effort to create value that is unique to Canon.

## Our commitment to high-wage for high-efficiency

In Phase VII, I will emphasize the key theme of "high-wages for high-efficiency." This stems from my belief that we must create high added value with a highly skilled and select workforce. More specifically, the talented employees at truly outstanding U.S. blue-chip companies, which I have long regarded as a model, continually grow and strive for excellence without changing jobs. Not only are wage levels high, but employees take great pride in being part of the company, to the extent that there are families where the grandfather, father, and child are all employees. This is why such companies are able to continuously generate innovative technologies and services. In contrast, in Japan, lifetime employment has become the norm as a system, wage levels do not match those of Western companies, and, in a sense, the system produces uniform and largely identical pay

levels. Since its founding, Canon has steadfastly protected people's jobs, promoted the autonomous growth of employees through our so-called San-ji (Three Selves) Spirit, and was quick to implement a merit-based evaluation system. That is why we are confident in our ability to secure talented human resources. However, it is also true that there remains a significant gap between Western companies. Going forward, we will offer high wages to a small number of highly skilled employees who achieve high efficiency. If we do not, talented personnel will leave Japan and Canon for opportunities abroad. It is an extremely difficult challenge for a Japanese company but having decided to pursue the vision of becoming a truly excellent global corporation, we are fully committed to seeing it through.

# TO OUR SHAREHOLDERS

## Building new growth engines that follow the four pillars

Within our four business pillars, we have put in place a solid framework to bring products to the market capable of driving further growth, such as photon-counting CT in the Medical field and nanoimprint lithography in the Industrial field. I am confident that each of these products will contribute to solving social challenges. That said, there is no room for complacency. Looking ahead, we must begin preparing now for the next wave of innovation. To this end, we are working on the space business as a new growth engine—specifically, satellites, and the data businesses that utilize them. The space industry was traditionally led by the government, but it is now shifting to the private sector, with markets growing across a wide range of applications such as communications, earth observation, and disaster prevention.

Within the Canon Group, Canon Electronics Inc. has worked on the development of ultra-compact satellites and other technologies that are competitive in both perfor-

mance and cost. Going forward, Canon Inc. will take the lead in the development of the space business and further enhance its competitiveness by bringing together the Group's expertise in optics, sensing, equipment control, and image processing. I certainly expect satellite technology to become a driving force that supports Canon's future growth.

In the medical field as well, there are many untapped markets where Canon's fundamental technologies can be utilized. For example, if we can develop testing technology that accurately analyzes the wide variety of information contained in blood, it will become possible to elucidate the mechanisms of diseases for which the cause has been previously unknown. Regenerative medicine is precisely the kind of technology that will become indispensable in the future. We are working in collaboration with Kyoto University's Center for iPS Cell Research and Application (CiRA) to develop production equipment for iPS cells and artificial platelets.

## Pushing through reforms to achieve a 15% operating profit ratio

In 2030, the final year of Phase VII, we are targeting 5.6 trillion yen in net sales and an operating profit ratio of 15%.

This is not an easy target, but it is the minimum requirement for what we define as "exceptionally high profitability." From a global perspective, Canon's ability to generate

profit is still not as strong as it needs to be, and across both our production and sales operations, there are still areas that have not fully adapted to changes in the market environment. We will drastically overhaul our business structure in order to achieve these goals without fail.

## Continuing to contribute to society through sustainable management

The greatest role of a company is to create jobs, generate profits, and continually contribute to solving social challenges. Canon expresses this commitment in its corporate philosophy of *kyosei*, which conveys its dedication to creating a society where all people, regardless of culture, customs, language, or race, can harmoniously live and work together in happiness. In addressing global warming and promoting the recycling of resources, we have implemented initiatives not only at our own sites, but also in collaboration with suppliers, customers, and even competitors, which has ultimately led to cost reductions and the development of new business relationships. We aim to achieve net-zero greenhouse gas (GHG) emissions by 2050 and we are committed to reducing GHG emissions across the entire lifecycle

of our products, including the supply chain.

In sustainability, human resources are also an important theme as it is people that enables these initiatives to grow and endure. Canon has long upheld the principles of respect for humanity, meritocracy, and enterprising spirit, and has developed human resources that can contribute to societies around the world as internationally minded individuals. As technology evolves and society undergoes rapid change, our employees need to learn more than ever and continue to grow. By further strengthening our personnel evaluation system that ensures fairness and equity, we will promote a sustainability-driven management approach that enables us to keep contributing to society.

## To our stakeholders

Guided by its corporate philosophy of *kyosei*, Canon will continue to use technology to fulfill the genuine desire of people around the world to have happier lives. To achieve this, we must engage with society's diverse values and deepen mutual understanding through dialogue. In 2023, we established the Corporate Governance Center to further deepen dialogue with stakeholders, including shareholders and investors, and to support sustainable growth as a company.

Looking back on over my more than thirty years as a business leader, I am reminded that a leader needs two essential qualities. One is imagination. That means, taking a broad view of society and envisioning the future we should strive toward. The other is creativity. This refers to formulating and implementing strategies to turn that envisioned future into reality. My sights are set on turning Canon into a truly excellent global corporation. By staying at the forefront of innovation and continuing to take on challenges, we have finally reached where we are today.

However, we are still far from becoming a truly excellent global corporation. Our ability to generate profit is still not where it needs to be. There are many challenges we must overcome before we can become a company that earns the respect of people around the world and one in which our employees can take genuine pride. With the advent of AI, the speed of technological innovation will accelerate more than ever before. Keeping pace with that speed and adapting to changes in industry and society will be no easy task. As a business leader, I know we are entering a tough and

demanding era — but it is one I must see through to the very end.

Leaders must learn from their failures and continue to challenge themselves. While there are many important qualities for effective management, if I were to highlight one, it would be humility. It is important to humbly acknowledge one's own shortcomings and swiftly pull oneself together after a failure.

My guiding principle is "be deliberate in council, and decisive in action," an idiomatic phrase given to me by my father, who was a doctor. It means before making a decision, gather as much information as possible, think through it repeatedly using deductive and inductive reasoning, and once you have resolved yourself, proceed without hesitation. This saying describes the mindset of surgeons in a time before X-rays, when it was impossible to confirm the condition of a lesion. This truly applies to corporate management as well. I have been helped by these words many times. If a mistake is made after careful deliberation, the cause of the error can usually be identified quickly.

I believe that the mindset of being deliberate in council, and decisive in action is something future leaders must uphold. Achieving my vision of becoming a truly excellent global corporation will require time, but we will accomplish it without fail. Life as a business leader is never easy. That is precisely why it is so rewarding. I recognize that my greatest responsibility in Phase VII is to demonstrate my experience and determination to the next generation of leaders.



**Fujio Mitarai**  
Chairman & CEO  
Canon Inc.

# TO OUR SHAREHOLDERS

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## Medium- to Long-term Management Program

### Excellent Global Corporation Plan Phase VII

Guided by the corporate philosophy of “*kyosei*,” Canon launched its five-year management plan, “Excellent Global Corporation Plan,” in 1996 with the goal of becoming a truly excellent company that is admired and respected around the world.

In the five-year plan, “Excellent Global Corporation Plan – Phase VI” (“Phase VI”), which ran through 2025, Canon Group set forth the basic policy of “promoting portfolio transformation through improved productivity and new business creation” and carried out initiatives to strengthen Canon’s four industry-oriented business groups: Printing, Medical, Imaging, and Industrial. Supported by steady gains in market share across these businesses, Canon Group achieved its Phase VI net sales target of ¥4,500 billion one year ahead of schedule. However, Canon Group’s earnings structure continues to rely heavily on the Printing business and the Imaging business centered on cameras — segments that largely operate in mature market environments. Therefore, Canon Group recognizes the need to further accelerate its portfolio transformation. In addition, external factors such as rising labor costs, inflation, and

tariffs adversely impacted profitability, and as a result, the Phase VI operating profit ratio fell short of the 12% target. Therefore, strengthening businesses in growth areas and improving profitability through structural reforms remain key management priorities for the Canon Group.

In light of these challenges, Canon’s new five-year plan beginning in 2026, the “Excellent Global Corporation Plan – Phase VII” (“Phase VII”), adopts the basic policy of “Achieve new growth through innovations in productivity,” and under this policy, Canon will steadily progress the three structural reforms launched in 2024 — sales reform, production reform, and medical business innovation. At the same time, Canon will enhance its focus on strengthening the Medical and Industrial businesses, which offer high market growth potential, while further shifting the emphasis of each industry-based business group toward growth domains. Furthermore, it will advance initiatives for full-scale entry into the space-related business as well as create new business solutions leveraging AI platforms. Through these efforts, Canon aims to realize a new stage of growth and further enhance corporate value.

### Phase I

1996–2000

To strengthen its financial structure, Canon transformed its mindset to a focus on total optimization and profitability. The company introduced various business innovations, including the selection and consolidation of business areas, and reform activities in such areas as production and development.

### Phase II

2001–2005

Aiming to become No.1 in all major business areas, Canon focused on strengthening product competitiveness and stepped up efforts to digitize products. The company also conducted structural reforms across all Canon Group companies around the world.

### Phase III

2006–2010

Canon moved ahead with such growth strategies as enhancing existing businesses and expanding into new areas while also thoroughly implementing supply chain management and IT reforms.

### Phase IV

2011–2015

Canon's management policy has shifted from a strategy targeting expansion of scale to one aimed at further strengthening the company's financial structure. Through M&A activities, the company's business was restructured at the foundational level to introduce new growth engines for future expansion.

### Phase V

2016–2020

Pursuing new growth, Canon initiated expansion of its four new businesses and completed the first stage of the grand strategic transformation, which involved transitioning the company's business portfolio.

### Phase VI

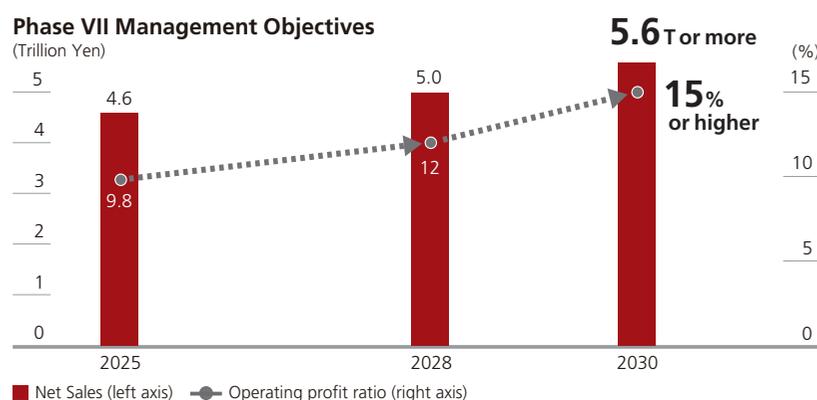
2021–2025

Strengthened competitiveness of businesses by reorganizing them into four industry-oriented groups, under basic policy of "promoting portfolio transformation through improved productivity and new business creation."

## Phase VII Basic Policy and Targets

In Phase VII that commenced in 2026, our basic policy is "Achieve new growth through innovations in productivity." For 2030, the final year of Phase VII, we are targeting 5.6 trillion yen or more in net sales, an operating profit ratio

of 15% or higher, and a return on equity (ROE) of 15% or higher. And we will accelerate our transformation through seven key strategies.





# BUSINESS STRATEGY

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- 24 PRODUCTION & QUALITY

# AT A GLANCE

Guided by a core policy of “accelerate our corporate portfolio transformation by improving productivity and creating new business,” Canon reorganized its business divisions into four industry-oriented business groups to make the best possible use of Canon’s broad range of businesses and technologies.

We will revisit all of our technological capabilities and business areas from the perspective of each group to build a more robust organization while actively pursuing M&A and other avenues to bolster Canon’s development and production and create new businesses.

## PRINTING

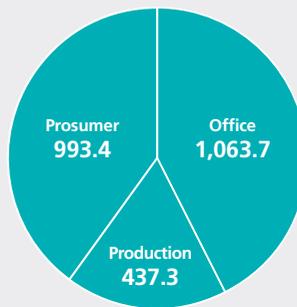
From Home Printing to Commercial and Industrial Printing

Net Sales **¥2,494.4 billion** / **54%** Share of Net Sales

Number of Employees **105,938**



Inkjet printers



Office multifunction devices (MFDs)

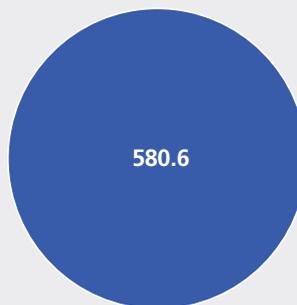


Digital sheet-fed presses

**Business**  
**Total Net Sales**  
**¥4,62**  
**Total Number**  
**165,**



Magnetic resonance imaging (MRI) systems



Computed tomography (CT) systems



Diagnostic X-ray systems

## MEDICAL

Co-creation with Healthcare Professionals

Net Sales **¥580.6 billion** / **13%** Share of Net Sales

Number of Employees **13,347**

Note: The totals do not amount to 100% because the net sales of each business unit include the net sales relating to intersegment transactions.

Others & Corporate

Net Sales **¥237.1 billion** / **5%** Share of Net Sales

Number of Employees **12,138**

**IMAGING**

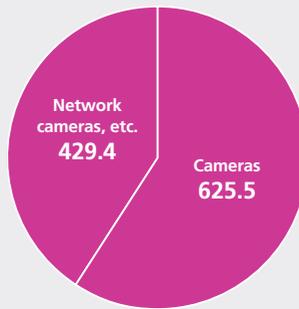
From People's Daily Lives to Professional Settings

Net Sales **¥1,054.9 billion** / **23%** Share of Net Sales

Number of Employees **26,367**



Network cameras



Digital compact cameras



Digital cinema cameras



RF lenses

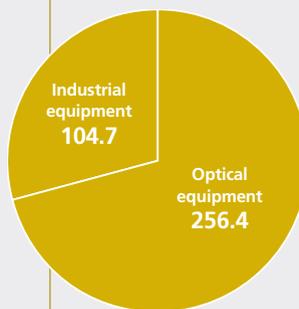


Mirrorless cameras

Segments for 2025  
**4.7 billion**  
of Employees  
**547**



Sputtering equipment



Semiconductor lithography equipment



FPD (Flat Panel Display) lithography equipment

**INDUSTRIAL**

Contributing to Leading-edge Electronics Industry

Net Sales **¥361.1 billion** / **8%** Share of Net Sales

Number of Employees **7,757**

# PRINTING GROUP



imageFORCE series delivers high productivity and strong expressive capability to meet the needs of today's workforce

## **Gaining market share with new series of office MFDs, while expanding product lineup for commercial and industrial printing**

Expanded product lineup for commercial printing to meet diverse needs and achieved sales growth even in challenging market conditions

## Performance in 2025

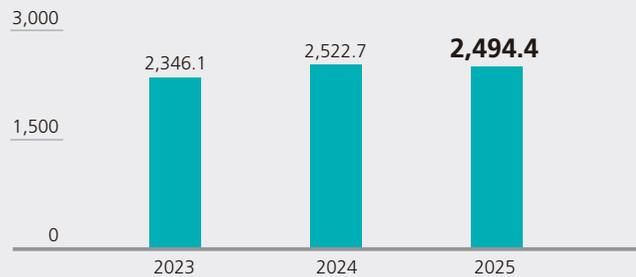
### Expanded sales channels for commercial and industrial printing and introduced new series of office MFDs to drive sales growth

As for commercial and industrial printers, we started to supply digital printing equipment to Heidelberger Druckmaschinen AG, a leading company of offset printing equipment, as well as expanded our sales channels, which led to increased sales of cut sheet equipment. We expect sales to increase further in 2026 by expanding our product lineup.

For office MFDs, we will work to expand our market share through the progressive introduction of core products of

the imageFORCE series, our first new series in 15 years, which incorporates new technologies that significantly enhance product functionality. While unit sales grew for inkjet printers, mainly refillable ink tank models, sales of laser printers declined substantially due to shipment adjustments resulting from a deterioration in market conditions. As a result, on a consolidated basis, sales for this Business Unit decreased by 1.1% to 2,494.4 billion yen in comparison to the previous term.

**Net Sales**  
(Billions of yen)



## Toward Further Growth

### Drive sales growth by introducing new products for commercial printing that meet rising demand for high-mix, small-lot printing and by making effective promotional investments

Starting with commercial printing, we plan to steadily introduce new products that expand our business area, including the varioPRINT iX1700 for small- and medium-size printing companies, the varioPRESS iV7, which enables printing on B2-size substrates, and the Colorado XL, a large format printer that can handle a wide variety of media. In Office MFDs, expanding sales of our new imageFORCE series will be a major driver of growth. As for laser printers,

we will work to make effective marketing investments to regain market share. As for inkjet printers, we will continue to expand sales of refillable ink tank models and expand sales through the new cartridge-based models that were launched in 2025. As a result, even under challenging market conditions, we expect to increase Business Unit net sales by 1.5%.

# MEDICAL GROUP



CT systems that deliver high-resolution images, but also reduces the strain on patients with less radiation exposure

## Expanding sales in the U.S. and emerging markets and accelerating growth through launch of next-generation CT system and business reforms

Enhanced global presence, introducing next-generation CT system, expanding sales channels in emerging markets, and enhancing recognition in the U.S.

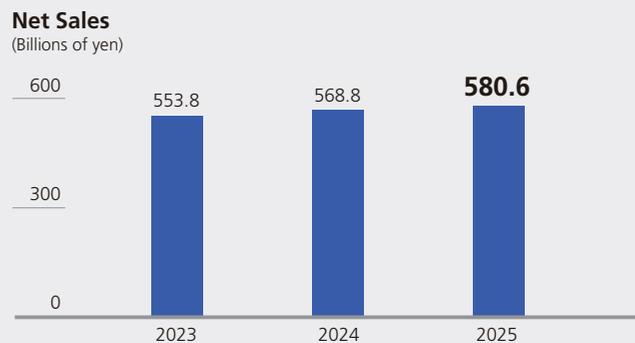
## Performance in 2025

### Secured orders for diagnostic imaging systems in the U.S. and achieved steady sales growth by also expanding sales in emerging markets

As for diagnostic imaging equipment, including CT, MRI, and diagnostic X-ray systems, we increased sales in the United States, a key market for our growth, by gaining orders from major hospitals, ranked among the top ten in the world. Sales also grew steadily in emerging markets, particularly in Latin America and Asia. In April, we launched the Aquilion Rise, a multi-position CT system that enables patient imaging not only in the conventional couch (supine) position, but also in standing and sitting positions. We are also preparing for the introduction of Photon Counting CT, our next-generation CT system.

Going forward, we aim to achieve further sales growth through groundbreaking new products. The Medical Business Innovation Committee, which was launched in 2024, is making steady progress in its efforts to improve profitability. In April 2026, Canon Medical Systems Corporation will be integrated into Canon Inc., and under this new structure, we plan to advance to the next stage and accelerate our efforts to innovate this business.

As a result, on a consolidated basis, sales for this Business Unit increased by 2.1% to 580.6 billion yen in comparison to the previous term.



## Toward Further Growth

### Preparing groundbreaking new products and expanding sales of CT and other large-size systems to drive sales growth

Through innovative new products, such as the Aquilion Rise, a multiple position CT system launched in April that can image a patient in a standing or sitting position, and Photon Counting CT, our next-generation CT technology, which we are preparing to launch, we aim to achieve further sales growth. In emerging markets, we will continue to grow, mainly through sales channel expansion. In the United

States, which is a key region, recognition of our products in the medical industry has been increasing through papers and presentations at academic conferences by influential and prominent physicians. As a result, we expect to achieve double digit growth, particularly in large systems such as CTs, and aim for a full-year sales increase of 6.1% on a global basis.

# IMAGING GROUP



Canon's mirrorless cameras support photographers with high-precision AF, high image quality, and high reliability

## **Achieved sales growth in interchangeable-lens digital cameras and digital compact cameras driven by new products, and maintained strong sales of network cameras**

Interchangeable-lens digital camera sales continued to grow, driven by strong demand for popular entry-level models. Network camera sales also grew in response to rising demand

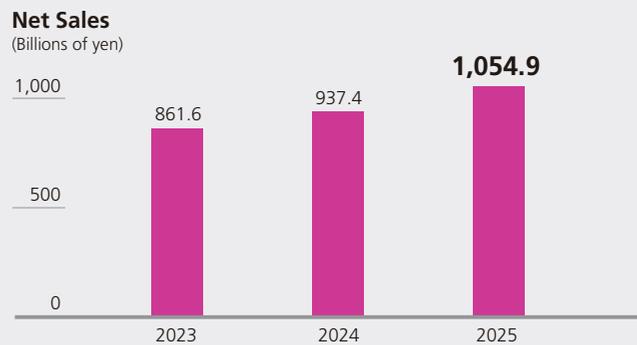
## Performance in 2025

### Interchangeable-lens digital camera sales grew, driven by strong demand for entry-level models and launch of two new products

As for interchangeable-lens digital cameras, we expanded sales, particularly of entry-level models, amid an increase in camera users, especially young people. We boosted sales through the launch of new mirrorless cameras, namely the EOS R50 V, in April, and the EOS R6 Mark III, a core model for advanced amateurs, in November, and also through an increase in production of compact digital cameras, for which demand is growing, particularly among young people. As for network cameras, the market continues to grow,

driven mainly by the security sector. Leveraging our strong sales channels in Europe and the United States, we firmly captured expanding demand. Through this, we significantly increased sales of both network camera hardware and software to achieve double-digit full-year sales growth again this year.

As a result, on a consolidated basis, sales for this Business Unit increased by 12.5% to 1,054.9 billion yen in comparison to the previous term, exceeding the 1 trillion-yen mark.



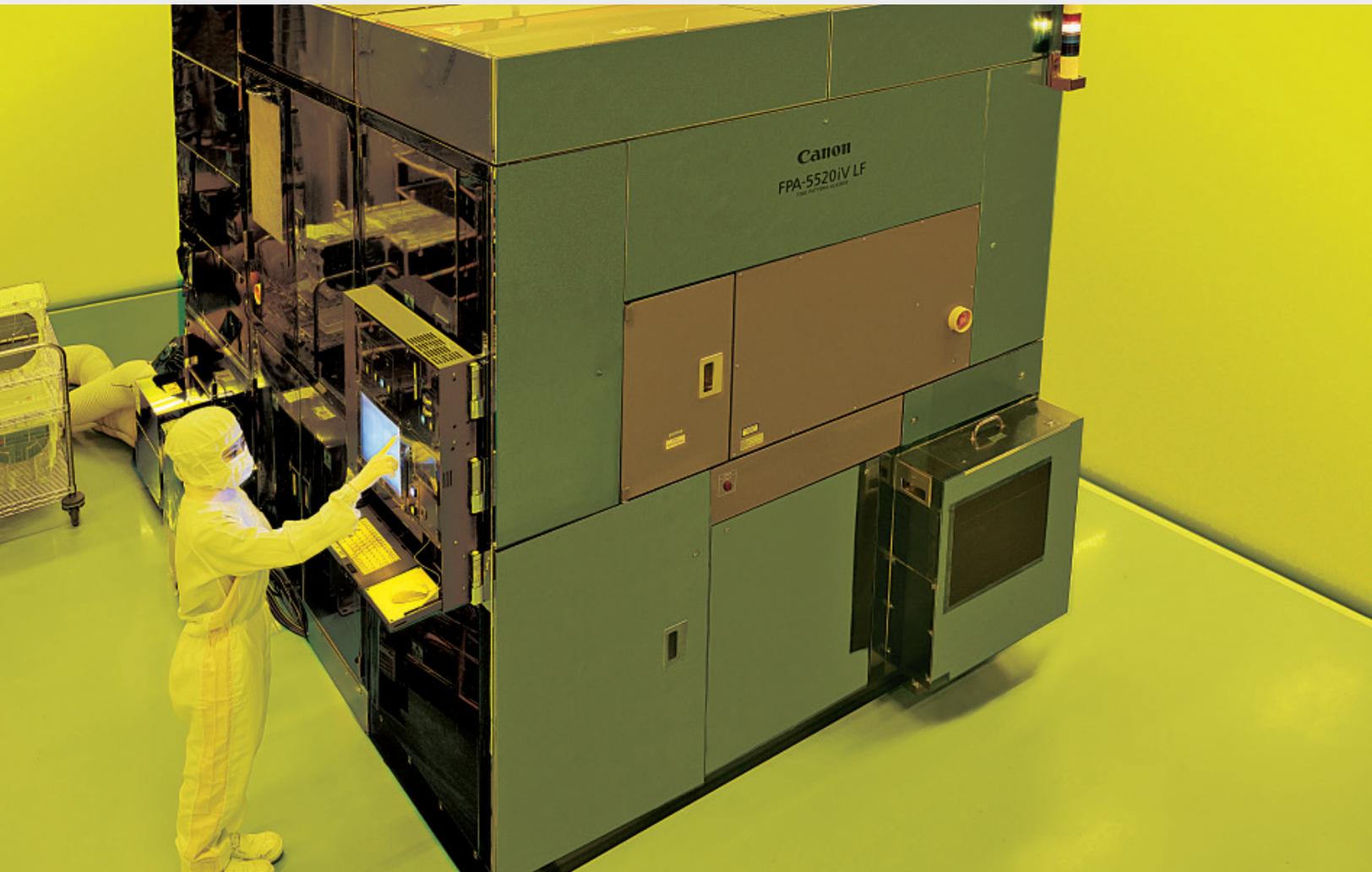
## Toward Further Growth

### Continued growth in camera sales driven by popularity of entry-level interchangeable-lens digital cameras among young people and new full-frame models

Starting with cameras, we will continue to increase sales of entry-level interchangeable-lens digital cameras like the EOS R50 V, the EOS R50 and the EOS R100, which are popular among new camera users, particularly young people. We also plan to increase sales of full-frame models, with focus on the new EOS R6 Mark III, which was launched in the second half of last year. As for digital compact cameras, sup-

ported by strong demand, we will expand sales by further increasing production and plan to increase camera business net sales overall by 8%. As for network cameras, supported by market growth, driven by expanding demand for security, and other applications, we expect to grow our full-year sales by 7.6% and aim to increase Business Unit net sales by 7.8%.

# INDUSTRIAL GROUP



Lithography equipment for advanced back-end process applications that contribute to high integration of semiconductor devices

## **Achieved strong sales growth of lithography equipment for advanced back-end process applications and making steady progress in evaluation of next-generation systems for mass production**

Strong demand from AI data centers driving equipment growth for memory devices. Aim for sales growth through KrF equipment, while accelerating the evaluation and verification of nanoimprint for mass-production

## Performance in 2025

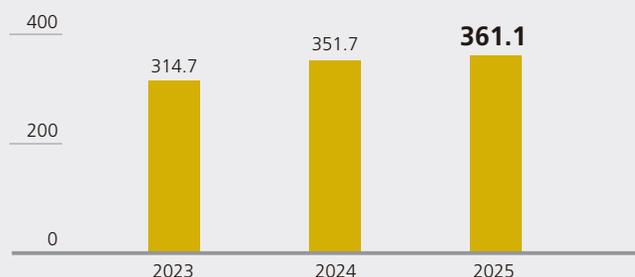
### AI demand drives sales expansion of semiconductor lithography and sputtering equipment for advanced back-end process applications

As for semiconductor lithography equipment, supported by strong AI-related demand, we posted a large increase in the sales of our equipment used in back-end process applications, which set the industry standard for leading-edge semiconductor packaging. We also increased sales of sputtering and other equipment for use in the production of HBM (High Bandwidth Memory) and other advanced semiconductor devices. As for Nanoimprint, our next-generation semiconductor manufacturing equipment, we are already shipping systems to customers, and the on-site evaluation

of this equipment for use in mass production is progressing smoothly.

For FPD (Flat Panel Display) lithography equipment, as the earnings of panel manufacturers improved, there was an increase in new investment for IT panels installed in notebook PCs and tablets, as well as additional investment for smartphones with increasingly high functional capabilities. This led to an increase in unit sales. As a result, on a consolidated basis, sales for this Business Unit increased by 2.7% to 361.1 billion yen in comparison to the previous term.

**Net Sales**  
(Billions of yen)



\* 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.

## Toward Further Growth

### Expand sales of KrF equipment while commercializing nanoimprint-based wafer planarization technology to broaden its application

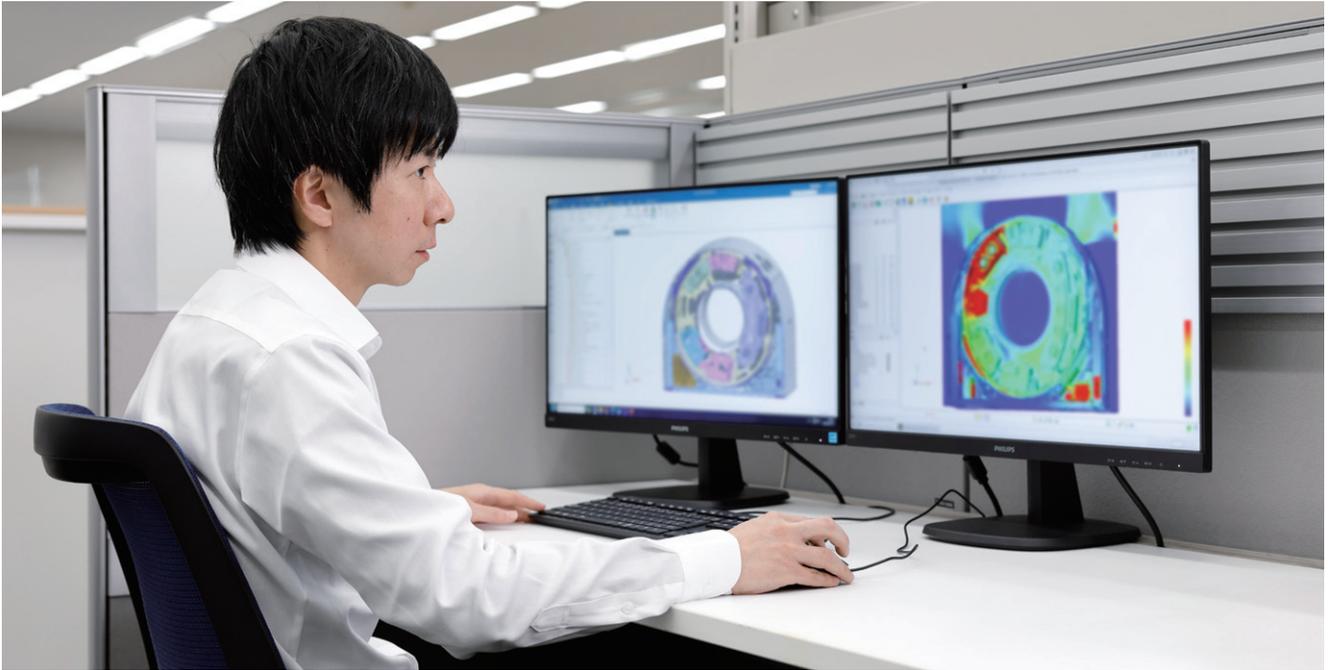
As for the semiconductor lithography equipment market, in 2025, demand for power semiconductor devices decreased due to a slowdown in EV demand. However, as demand for AI data centers continues to grow, we expect growth in 2026, particularly for equipment used in the manufacturing of memory devices.

In 2026, we expect the sales of i-line equipment for power semiconductor devices for automotive applications to decline, largely due to the slowdown in EV demand. However, supported by strong AI demand, there has been a significant increase in business negotiations for equipment used in the manufacturing of memory devices. Accordingly,

we aim to achieve sales growth by selling 71 KrF units, which is 25 units more than last year.

As for Nanoimprint, our next-generation semiconductor manufacturing equipment, the specifications of equipment that was shipped to major semiconductor manufacturers were confirmed. We are now working to further accelerate the evaluation and verification of this equipment for use in mass production. In addition, we announced a technology that leverages our expertise in nanoimprint lithography to flatten wafer surface topography with high precision and are working to expand its application.

# RESEARCH & DEVELOPMENT



Thermal airflow simulation of CT systems

**Canon seeks to solve issues in society through innovation. In addition, the company actively promotes research and development through its distinctive development framework and continues to diversify its business portfolio**

## Canon's R&D

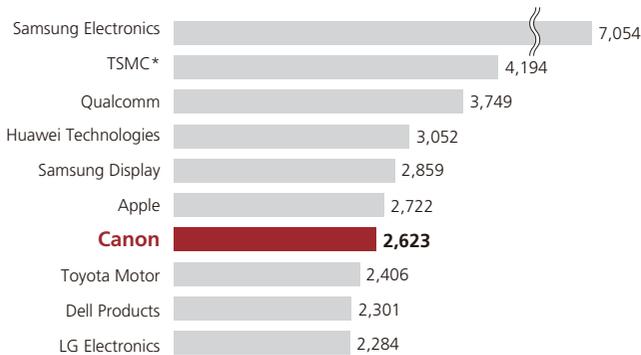
Canon, founded in 1937 as a camera manufacturer, started to expand its business domains from the 1960s to office equipment, optical devices, and medical equipment. Today, we operate in four industry-oriented groups: Printing,

Medical, Imaging, and Industrial.

Canon, which started out as a camera manufacturer, has promoted the diversification of its business in line with the needs of the times, centered on optical technology, and has expanded its business fields to include office equipment and optical products. Today, Canon operates in four industry-oriented groups: Printing, Medical, Imaging, and Industrial. During this period, management and R&D have been working together to develop technology management and build an optimal R&D system.

Although Canon is composed of various businesses, we continue to grow as one unified company thanks to a system that enables us to make use of our accumulated technologies across the entire Group. The Canon Group's technologies are classified into Technologies that go into products (Core Competency Technologies and Fundamental Technologies), Technologies that support

### Top 10 companies by number of US patents obtained in 2025



\* TSMC is an abbreviation for Taiwan Semiconductor Manufacturing Company Limited  
Source: Numbers of patents based on figures released by IFI CLAIMS Patent Services (as of January 16, 2026).

products (Value Creation Technologies), and Technologies that commercialize products.

This development environment, in which we are able to combine technologies to create synergies, is also effective in integrating newly acquired technologies and those of companies acquired through M&A, serving as a driving force for Canon's continuing evolution and creation of new value.

In 2025, R&D expenses amounted to 339.3 billion yen,

which equals 7.3% of net sales. Our focus on R&D has also helped us cement our leading position in the intellectual property field. Canon was granted 2,623 patents in the U.S. in 2025, ranking it seventh in the world.

Among the companies that have continually maintained a position within the global top 10, Canon currently holds the record for the longest duration—42 consecutive years.

## Efforts to Develop and Expand Latest Technologies

### Developed new material to solve perovskite solar cell issues

Canon has developed new material that addresses the challenges of perovskite solar cells, which are gaining attention as next-generation solar cells. Perovskite solar cells are lightweight, bendable, and can generate electricity even from indoor lighting, thereby offering a greater degree of freedom in installation than silicon solar cells. In addition, they are expected to reduce capital investment costs because they do not require large-scale manufacturing equipment. On the other hand, the crystal structure of the perovskite layer (photoelectric conversion layer) is susceptible to the effects of mainly moisture, heat, and oxygen in the atmosphere, resulting in low durability. Furthermore, stable volume production of perovskite solar cells with large surface areas has shown to be problematic. By applying the

materials technology it cultivated through the development of photosensitive members, a key component of multifunction office devices and laser printers, Canon has developed a high-performance material to protect the photoelectric conversion layer and improve durability.



R&D of new material to solve perovskite solar cell issues

### Developing fundamental technologies for iPS cell production

Canon is developing fundamental technologies to automate the iPS cell production process. Leveraging its expertise in manufacturing process technologies and quality control, Canon is working jointly with the CiRA Foundation to develop automated production processes. Based on its proprietary optical technologies and image processing and analysis technologies, it is also working to develop technologies that enable the continuous monitoring of the condition of iPS cells during the cultivation process and ensure the stable production of high-quality iPS cells. Through these initiatives, it will help bring about a society where high-quality iPS cells and the regenerative medicine prod-

ucts derived from them can be produced at a lower cost and made available to more patients.



R&D of iPS cells in regenerative medicine field

# PRODUCTION & QUALITY



Product evaluation testing of the EOS R1

**Canon is building a quality management system to provide customers with products and services of surpassing quality. While striving to further enhance our production-engineering technology, we are developing human resources with outstanding technical skills**

## Quality Control

In 1964, Canon determined that its basic quality concept is to ensure that customers have “no claims, no trouble,” and has since striven to earn the trust and heartfelt satisfaction of customers around the world by providing products and services of surpassing quality.

Based on this mindset, the Canon Group’s firm commitment is to adhere to the Canon Quality motto that incorporates the three keywords “Safety + Smartness + Satisfaction” —the elements we view as essential to product and service quality.

At Canon, we have developed an in-house quality management system that we follow assiduously. The system has three defining characteristics, as outlined below.

1. Fulfills all the requirements of the international quality assurance standard ISO 9001\*<sup>1</sup>
2. Incorporates the concept of “substantial safety”<sup>\*2</sup> as stan-

dard for quality management

3. Introduces a framework for checking quality in product commercialization processes to ensure reliable product safety standards\*<sup>3</sup>

Using our in-house quality management system as a base, the various Headquarters divisions at Canon implement rigorous quality control by building quality assurance (QA) systems that are optimized for the characteristics of each business, as well as in compliance with the legal and regulatory standards of each country and region.

Under Canon’s quality governance set-up, the quality assurance division within each business division works independently of the development and manufacturing divisions. The Global Quality Management Office, a separate entity reporting



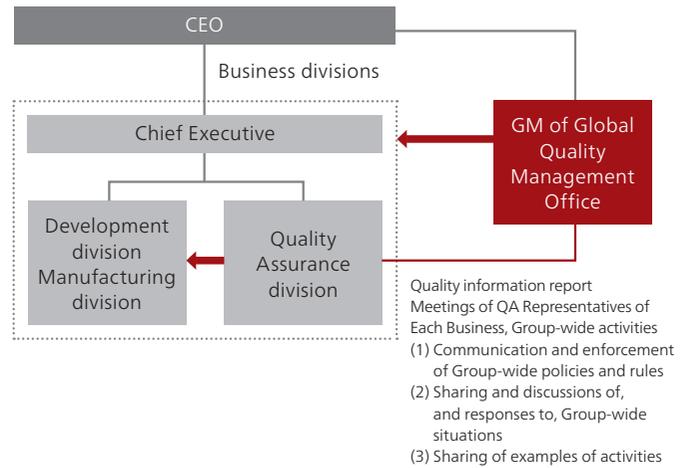
directly to the CEO, also oversees quality assurance activities by each business division.

In addition, Canon employs a range of measures to instill high employee awareness of the need to maintain outstanding quality and attain further quality improvements, and to help employees gain related knowledge.

We continually communicate our basic concept and motto on quality, while also conducting annual Group-wide surveys of employees to ascertain the degree of quality awareness.

\*1 The in-house regulations governing Canon's quality management system have been recognized by the International Register of Certificated Auditors (IRCA) as an alternative standard to ISO 9001 since 2017.  
 \*2 This means safety not only in terms of what is required by laws and statutes, but also any safety issue that can reasonably be expected to arise during customer use even if not regulated or mandated by law.  
 \*3 This involves setting QA standards that must be satisfied for each of the stages in the development of Canon products from development and design to production and shipping. At each checkpoint along the development path, the QA framework requires a decision on whether the QA standard is satisfied to ensure rigorous control of product quality.

**Quality Governance Framework**



**Systems for Responding to Quality Issues**

Should a quality issue arise, Canon has systems in place to promptly and appropriately investigate the cause, repair products free of charge, and disclose quality information.

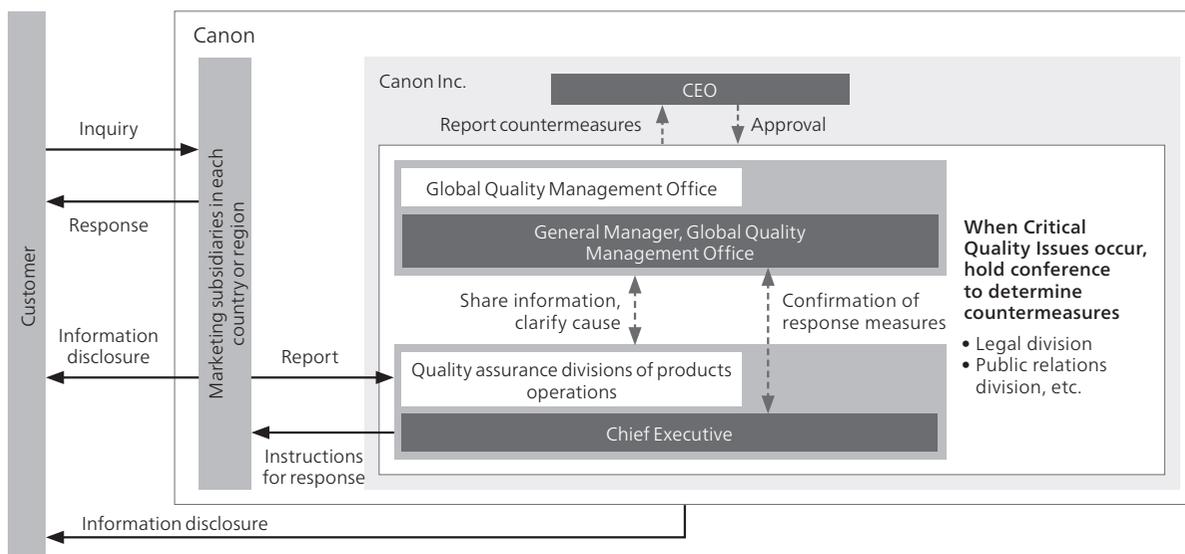
In the event of a quality problem, our marketing companies in each country or region, which serve as the contact point for customers, file a report with the quality assurance division of the respective Canon Inc. Headquarters division (products operations). The quality assurance division then in-

vestigates the cause of the issue as well as countermeasures.

Moreover, in the event of a major issue, related Headquarters divisions (products operations), the Global Quality Management Office, the Legal Division, and Public Relations Division are consulted concerning response measures, and after the matter is reported to the CEO, action is promptly taken.

**Process for Response to Quality Issues**

--► Critical Quality Issues



# PRODUCTION & QUALITY

## Productivity Improvements Through Automation and In-House Production

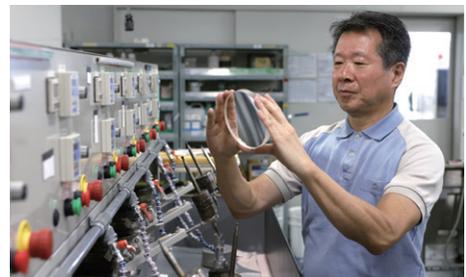
Canon aims to achieve further production efficiency by leveraging technologies cultivated in different businesses regardless of divisions and by collaboration among design, production engineering, and manufacturing sites, to refine its automation and in-house production technologies. In addition to key devices and components, we are also actively pursuing in-house production of production equipment and molding dies. Following toner cartridges, we have rolled out automated production lines for cameras and interchangeable lenses to further enhance productivity.



Automated production process for interchangeable lenses

## Development of Human Resources: Master Craftsmen and Meisters

To further enhance its manufacturing capabilities, Canon is actively engaged in the development of technicians to support production. We are also focused on nurturing our most skilled technicians in specific fields, known as Master Craftsmen, and those who contribute to the advancement of manufacturing with their wide-ranging skills and knowledge of mainly assembly and component processing, known as Meisters. These technicians contribute to the improvement of Canon's production-engineering technology and play an active role at the front line of production by passing on the skills they have honed over the years to the next generation.



Canon's Master Craftsmen with exceptional skills also nurture young talent

## Participation in the National Skills Competition

At Canon, we believe that the development of human resources is fundamental to manufacturing, which is why we have long been committed to training skilled workers and engineers. In addition, as part of our efforts to train young skilled workers, we have participated in the National Skills Competition, a competition for young skilled workers in Japan (generally under 23 years of age) since the 43rd competition in 2005. In 2025, eight participants from the Canon Group competed in four categories, winning a total of three awards: one bronze medal and two Fighting Spirit awards.



Young engineers entering competitions to further hone their technique

# ESG

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# ENVIRONMENT



Remanufacturing of office MFDs

## Providing products and services that further enrich people's lives while also reducing environmental impact

### Basic Approach

In 2008, Canon formulated an environmental vision called "Action for Green." In keeping with this vision, we aim to realize a society in which affluent lifestyles and the global environment coexist. With this goal in mind, we are providing products and services that further enrich people's lives and are working to reduce environmental impact by employing measures across the entire product lifecycle. Our focus is on four key areas: (1) climate change; (2) resource efficiency; (3) chemical substances; and (4) biodiversity. In particular, we endeavor to take heed of, and reduce, CO<sub>2</sub> emissions

and other environmental impacts not only in our own business activities such as development, production, and sales, but also at each stage of a product's lifecycle, including those of suppliers and customers. To further accelerate these activities, we have established the Group-wide slogan "Minimum Energy 360," which reflects our commitment to minimize energy use in every direction (360°). Through this initiative, we aim to foster a heightened level of environmental awareness among all employees.

## Contributing to a Circular Economy

Canon has established recycling sites in Japan, Germany, France, the U.S., and China, creating a system in which used products and parts collected from the market are transported to their respective recycling centers. Through this system, we are promoting not only the efficient use of limited resources, but also waste reduction. We are pursuing resource circulation by reusing materials, including the remanufacturing of office multifunction devices (MFDs) and the material recycling of toner cartridges through both closed loop and open recycling processes.

In our remanufacturing operations, data obtained from the used equipment that is collected—such as years in service, failure history, and total print volumes are analyzed to determine, with a high degree of accuracy, which components can be reused. Units are then disassembled and

cleaned in accordance with rigorous production standards, and degraded or worn parts are replaced. This process enables us to deliver product quality equivalent to newly manufactured machines, even while incorporating reused components. In Japan, these models are marketed as the “Refreshed” Series, while in Europe, they are sold as the “ES” Series.

Furthermore, at the Canon Eco Technology Park in Japan, which opened in 2018, we consolidate the recycling processes for multifunction printers and toner cartridges to realize more advanced resource circulation.

Canon will continue to contribute to the development of a circular economy by maintaining and expanding the production of remanufactured multifunction devices.

## Contributing to a Society in Harmony with Nature

Canon recognizes that biodiversity is critical to a sustainable society. Guided by its Group-wide Biodiversity Policy and under the slogan of “Nature Positive,” Canon is engaged in various initiatives aimed at protecting biodiversity. In doing so, Canon aims to contribute to a society that is in harmony with nature. As part of these activities, Canon is rolling out the Canon Bird Branch Project on a global scale. The site of Canon’s global headquarters in Tokyo is home to the thickly wooded Shimomaruko Forest of approximately 1,000 trees. Efforts are underway to enhance habitats for wild birds through the installation and maintenance of nest boxes and surveys of wild bird visitation. This initiative marked its 10th anniversary in 2025. The number of wild bird species confirmed in the area has increased from 23 in 2014 to 45 in 2025, demonstrating a diversification of species inhabiting the site. In recognition of this initiative, the Shimomaruko Forest has been certified by the Ministry of the Environment of Japan as a Natural Symbiosis site. As part of the project to certify such sites, the Japanese government recognizes areas where biodiversity is being protected with the aim of achieving the 30by30 target, a worldwide initiative to

effectively conserve at least 30% of the earth’s land and oceans as healthy ecosystems by 2030. These certified areas are then registered in an international database.

Canon will continue to promote biodiversity conservation under the Nature Positive concept as it works toward the realization of a society that coexists harmoniously with nature.



Bird Branch Project activity in the Shimomaruko Forest on the grounds of Canon’s global headquarters

# ENVIRONMENT

## Elimination of Hazardous Substances and Pollution Prevention

Canon thoroughly manages chemical substances in products and those used in manufacturing processes to prevent pollution of the global environment and adverse effects on people's health. Our basic approach to management involves prevention measures to ensure that products do not contain regulated chemical substances that exceed the prescribed standards and that production sites do not discharge regulated chemical substances that exceed such standards. We also take steps to confirm that we are in compliance with these standards. Particularly with regard

to chemical substances in products, we have built a Group-wide environmental assurance system, and we develop products in conformity with the in-house standards that have been established in line with the most stringent regulations in the world. To further ensure thorough management and more reliable legal compliance, the Canon Green Procurement Standards prohibit the procurement of parts and materials containing chemical substances subject to regulation beginning one year prior to the enforcement of applicable laws.

## Climate Change

Canon Group is working to reduce greenhouse gas emissions by assessing the impact of climate changes on the entire product lifecycle, from the manufacturing of materials and parts at suppliers, transportation to retailers, use by customers, and disposal and recycling.

The company aims to reduce its GHG emissions to net zero by 2050, and to reduce its Scope 1 and 2 emissions by 42% compared to 2022 and Scope 3 (category 1 and 11)

### ▪ Climate Change (Governance)

The impact of climate changes on Canon Group, response plans and targets were discussed at the Climate Change Working Group (WG) under the Sustainability Committee. The Climate Change WG is comprised of senior managers from each business and corporate division. The content of discussions is reported to the Sustainability Committee, and after approval, it is reported to the CEO.

emissions by 25% compared to 2022 by 2030. The target was verified by SBTi, an international initiative that recommends setting scientifically based CO<sub>2</sub> emissions reduction targets. To this end, Canon is promoting various initiatives, including the development of products using recycled materials, product downsizing and weight reduction, energy saving activities at production sites, energy saving during product use, product recycling, and efficient logistics.

### ▪ Climate Change (Strategy)

Canon Group conducts scenario analysis based on the TCFD\*<sup>1</sup> framework recommended for non-financial disclosure, and recognizes the importance of a dual approach that includes "mitigation" to reduce GHG emissions across the value chain as well as "adaptation" to physical risks. Canon group is committed to achieving its GHG emission reduction targets and building a resilient and sustainable business model that can withstand climate-related impacts. Canon uses Theme-based Sustainability Disclosure Standard No. 2 "Climate-related Disclosures" (Climate Standard) issued by SSBJ\*<sup>2</sup> as a reference for this section on climate change.

\*1 Task force on Climate-related Financial Disclosures

\*2 Sustainability Standards Board of Japan

## Climate Change (Indicators and Targets, Graphs)

### Targets and Achievements

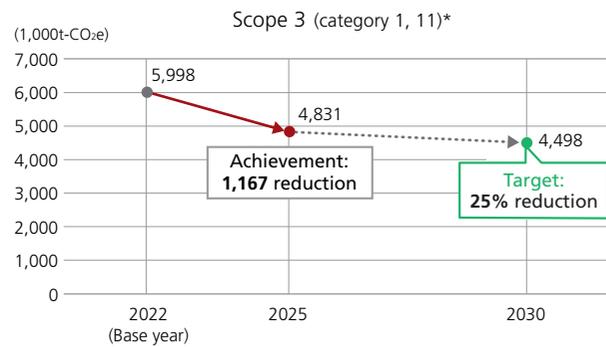
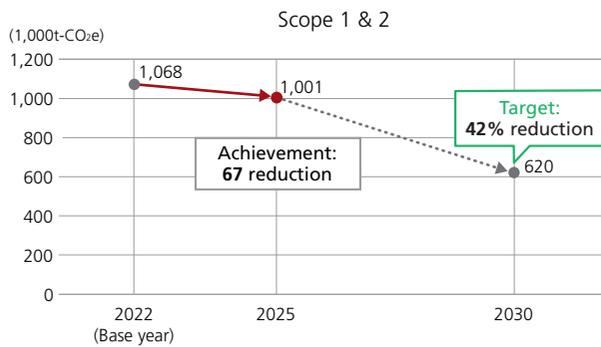
2030 Targets		2025 Achievements
GHG emissions (compared to 2022)	42% reduction for Scope 1 & 2, 25% reduction for Scope 3 (category 1 and 11)	Scope 1 & 2: 6.3% reduction; Scope 3: 19.4% reduction
Improvement in per-unit lifecycle CO <sub>2</sub> emissions index (compared to 2008)	50% improvement	45.5% improvement

2024-2026 Targets		2025 Achievements
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO <sub>2</sub> emissions improvement index per product	Average annual 3.59% improvement (2008–2025)

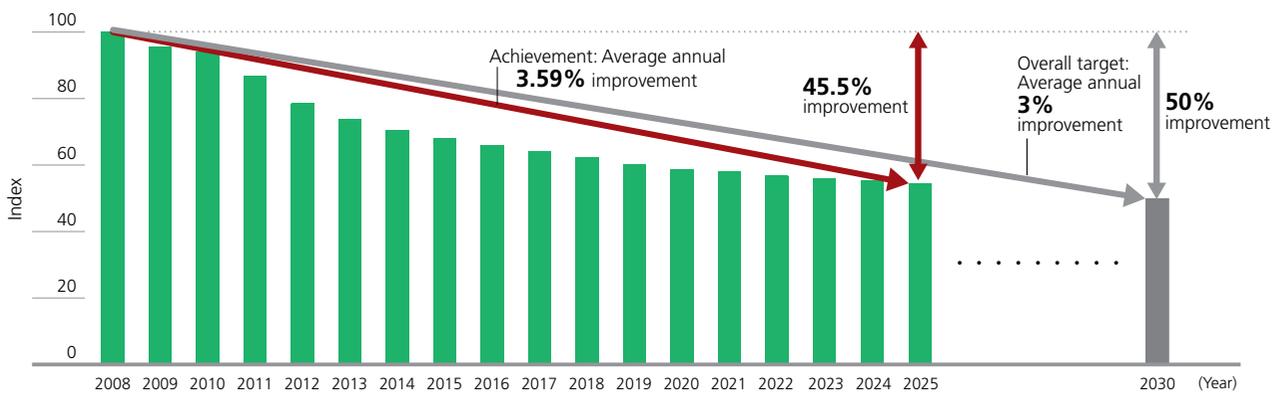
\* For scope of data collection: <https://global.canon/en/sustainability/report/pdf/data-2025-e.pdf>

### GHG Emissions



\* Some of the data for 2022 has been recalculated in line with the 2025 calculation method.

### Improvement in Per-Unit Lifecycle CO<sub>2</sub> Emissions Index



\* Assuming 2008 baseline of 100

# SOCIAL



High-resolution facsimiles of precious Japanese cultural assets, whose public viewing opportunities are limited, created as works of the Tsuzuri Project to share their beauty

## Guided by our corporate philosophy of *kyosei*, we aim to achieve a society where all people harmoniously living and working together in happiness into the future

### Basic Approach

Canon adopted *kyosei* as its corporate philosophy in 1988 with the aim of achieving a society where all people, regardless of culture, customs, language, or race, live and work harmoniously together in happiness into the future. Under this corporate philosophy, we are implementing various initiatives for the benefit of people and society such

as respecting human rights, promoting diversity, upholding occupational health and safety standards, developing human resources, and lending our support to sociocultural activities. Through these efforts, Canon contributes to the attainment of the SDGs and the achievement of Canon's own sustainable growth and development.

### Human Capital

Based on the corporate DNA of "Respect for Humanity" that has been handed down since its founding, Canon believes that the source of value creation lies in human resources, and it is actively investing in maximizing human resource value. In Phase VII of the Excellent Global

Corporation Plan, which commenced in 2026, we aim to achieve a new stage of growth by decisively advancing productivity innovation. To realize this, the Company aims to build a human resource portfolio to promote R&D of new technologies, as well as the company-wide automation and

in-house production of operations.

Specifically, the Company is working to recruit and develop human resources who can create innovation, and to foster a free and open organizational culture that makes the most of diverse human resources and ideas. In addition, Canon has introduced a job-based “position-based pay system” and has supported achieving the right combina-

tion of talent and job position regardless of age or gender. Furthermore, Canon supports the physical and mental health of its employees through various health support measures to enable each employee to fully demonstrate his or her abilities. Furthermore, the Company is realizing growth for both individuals and the Company by improving engagement through ease of work and job satisfaction.

## DE&I

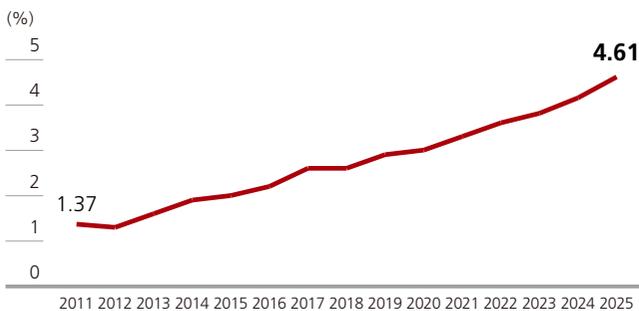
Canon promotes DE&I\* to generate innovation while incorporating diverse values and ideas. In 2012, the Company established VIVID (Vital workforce and Value Innovation through Diversity), a cross-sectional organization to promote DE&I. It conducts a variety of activities with the promotion of women’s success and support for men’s participation in childcare as key measures.

\* Diversity, Equity and Inclusion

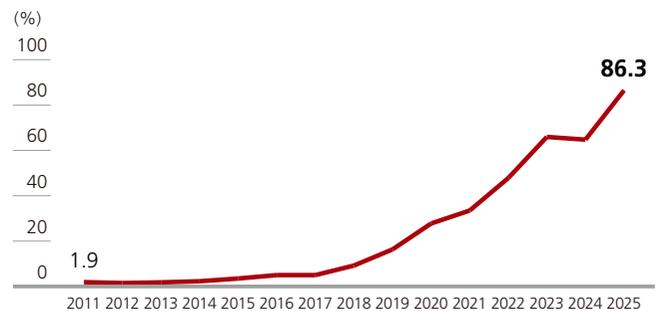


Leadership training course for women that aims to nurture female candidates for managerial positions

### Ratio of female managers



### Rate of men taking childcare leave



## Respect for Human Rights

Under the corporate philosophy of *kyosei*, Canon Group respects the human rights of employees, business partners and other stakeholders involved in its business activities. Canon group ensures human rights using the following measures: (1) formulating and reviewing the human rights policy; (2) undertaking human rights due diligence; (3) instituting and operating a grievance mechanism; (4) conduct-

ing human rights awareness training; (5) activities aimed at engaging with stakeholders on human rights issues; and (6) addressing human rights risks in the supply chain. In 2021, Canon Group Human Rights Policy was established as a part of promoting efforts to respect human rights. This policy is available to our stakeholders in various countries and regions worldwide via our website.

# SOCIAL

## Sociocultural Support Activities

To commemorate Canon's 70th anniversary, in 2008, we established the Canon Institute for Global Studies and the Canon Foundation. The Canon Institute for Global Studies is a think tank that researches and analyzes issues from a global perspective and makes policy proposals with an eye on the future of Japan and the world, mainly in the fields of macroeconomics, energy, environment, foreign policy, and national security. In addition, the Canon Foundation provides grants to assist a broad range of science and technological research with the goal of contributing to the advancement of science and technology.

Furthermore, since 2007, Canon and Kyoto Culture Association (NPO) have operated the Tsuzuri Project (officially named the Cultural Heritage Inheritance Project). By combining Canon's advanced imaging technologies—from input to image processing and output—with traditional Kyoto craftsmanship, we have produced high-resolution facsimiles of time-honored Japanese cultural assets for which viewing opportunities are rather limited, such as folding screens and sliding doors known as *fusuma*. By widely exhibiting these high-resolution facsimiles, we can provide opportunities for people to become more familiar with cultural assets.

### Canon Young People Programme

As one measure to help bring about a sustainable society, Canon Europe is running the Canon Young People Programme in 32 countries across Europe, the Middle East, and Africa. Based on the concepts of the SDGs, the program conducts workshops that aim to provide young people with opportunities to express themselves through photographs and videos incorporating creative visual storytelling and critical thinking. The program marked its 10th anniversary in 2025, and a total of 10,000 young people have participated to date.



Canon Young People Programme photo and video workshop for youth

### Miraisha Programme

Canon Central and North Africa is promoting its *Miraisha* Programme with the aim of improving the technical skills of young people in the region and expanding their opportunities for employment in the photography, video production, and printing industries. *Miraisha* is a portmanteau of the Japanese word for future, *mirai*, and the Swahili word for life, *maisha*. So far, workshops have been held in Kenya, Ghana, Nigeria, and other African countries in collaboration with local government agencies and other creative organizations, professional photographers selected as Canon ambassadors, and Canon-certified *Miraisha* trainers.



Participants of the *Miraisha* Programme in Nigeria

### 4E's Project

Canon India is implementing the 4E's Project to provide various forms of support to underprivileged villages in the four fields of eye care, education, environment, and empowerment.

In the field of eye care, vision centers have been established in villages where there is insufficient medical infrastructure to provide eye examinations using the Canon Group's fundus examination equipment. In 2025, 5,746 people visited the centers, 707 of whom were provided with eyeglasses free of charge, and 408 received further examinations at hospitals.



A patient undergoing an eye examination as part of the eye care project in India

# GOVERNANCE



Chairman & CEO Fujio Mitarai making a speech at an executive meeting

## Canon is working to enhance corporate governance with the aim of continuously raising corporate value

### Fundamental Approach

In order to establish a sound corporate governance structure and continuously raise corporate value, Canon believes

that it is essential to improve management transparency and strengthen management supervising functions.

### Governance Structure

#### ▪ Basic Policy

Canon is globally expanding its businesses in various business fields, including printing, medical, imaging, and industrial, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the

entire Canon Group or on matters that straddle several business fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, Canon judges the corporate governance structure below to be effective.

#### ▪ Board of Directors

While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive

Directors that oversee multiple business fields or headquarters functions, at least two Independent Outside Directors are appointed while also assuring that they account for one third or more of the total number of Directors, in order to

# GOVERNANCE

secure sound management. The Board of Directors, in accordance with laws and regulations, makes important decisions and supervises the execution of duties.

Except for the above, the CEO and other Representative Directors are active in decision making and execution, and under the command and supervision of the Representative Directors, Executive Officers that are elected through resolution of the Board of Directors make decisions and execute operations of each business field or function.

As of the date of submission of this report, the Board of Directors consists of 10 members: six Directors from inside Canon Inc., including three Representative Directors, and

## ▪ Audit & Supervisory Board

As a body which is in charge of the audit of operations, under the principles of autonomy, which is independent from the Board of Directors, Canon has full-time Audit & Supervisory Board Members that are familiar with Canon's businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance and accounting, and internal control. The Audit & Supervisory Board, which is composed of these individuals, cooperates with the Canon Accounting Auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

There are five Audit & Supervisory Board Members of which three are Outside Audit & Supervisory Board Members, designated as Independent Directors and Audit & Supervisory Board Members.

In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory

## ▪ Procedures in the Nomination of Directors etc.

Canon Inc. established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CFO, four Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. With regard to the nomination of candidates for Directors and Audit & Supervisory Board Members and the election of Executive Officers (including the selection of a successor to the Chief Executive Officer position), the CEO rec-

ommends candidates from among those who are recognized to meet predetermined requirements, and after confirming the fairness and appropriateness of the recommendation by the Nomination and Remuneration Advisory Committee, the proposal of candidates is submitted to the Board of Directors for deliberation.

ommends candidates from among those who are recognized to meet predetermined requirements, and after confirming the fairness and appropriateness of the recommendation by the Nomination and Remuneration Advisory Committee, the proposal of candidates is submitted to the Board of Directors for deliberation.

four Independent Outside Directors, one of which is female. The CEO serves as the chairman of the board. Additionally, there will be 40 Executive Officers as of April 1, 2026, including one female and one non-Japanese.

At the Ordinary General Meeting of Shareholders scheduled for March 27, 2026, Canon Inc. will submit a proposal for the "Election of Eleven Directors," as an agenda item (matter for resolution). If this resolution is approved as proposed, the Board of Directors will consist of 11 members: six Directors from inside Canon Inc., including four Representative Directors, and five Independent Outside Directors, two of which will be female.

Board Members attend Board of Directors' meetings and other important gatherings such as Corporate Strategy Committee meetings. They are also able to listen to reports from Directors and employees, review documents related to important decisions, and conduct audits by investigating etc. the situation of businesses and property of Canon Inc. and affiliated companies. Additionally, the Office of Audit & Supervisory Board Members is independent from the control of the Directors etc., and it has a dedicated staff. The Audit & Supervisory Board Members can order headquarter management and other operations to conduct investigations in cases of necessity. In this way, the Audit & Supervisory Board plays a role in monitoring management, conducting strict audits of Directors' execution of duty, including the status of development of the internal control system. Furthermore, the Audit & Supervisory Board Members cooperate closely with the Accounting Auditors and Canon Inc.'s internal auditing arm, and such cooperation services to improve each monitoring function.

ommends candidates from among those who are recognized to meet predetermined requirements, and after confirming the fairness and appropriateness of the recommendation by the Nomination and Remuneration Advisory Committee, the proposal of candidates is submitted to the Board of Directors for deliberation.

Additionally, as for Audit & Supervisory Board Member candidates, prior to deliberation of the Board of Directors,

consent of the Audit & Supervisory Board shall be acquired.

At the Ordinary General Meeting of Shareholders scheduled for March 27, 2026, Canon Inc. will submit a proposal for the “Election of Eleven Directors,” as an agenda item (matter

### ■ Requirements of Director Candidates

Director candidates are people that have the ability to fairly and effectively execute duties and, in principle, are selected from people that have met the following requirements,

<b>Representative Directors and Executive Directors</b>	Have a true understanding of the corporate philosophy and code of conduct of the Canon Group. At the same time, have broad familiarity with Canon Inc.'s businesses and operations, gained through, for example, Executive Officer experience. Have the ability to make effective decisions that overlook multiple businesses and functions. In addition to this, the CEO shall be a person with the ability to lead the Canon Group, having, in particular, a wealth of knowledge and skill related to management and a clear vision and a strong sense of responsibility.
<b>Independent Outside Directors</b>	In addition to meeting the independence standard that is separately determined by the Board of Directors, have an abundance of experience and superior insight into areas that cannot be adequately covered by internally appointed Directors into fields such as risk management, law, and economics.

### ■ Skills of Board of Directors

Canon Inc. operates businesses globally with very different market environments. As a whole, the Board of Directors, which oversees important decision-making and execution, needs to possess skills in the following seven areas.

At the Ordinary General Meeting of Shareholders scheduled for March 27, 2026, Canon Inc. will submit a proposal

for resolution). If this resolution is approved as proposed, this committee will consist of seven members, the CFO, five Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member.

regardless of personal attributes such as gender, nationality, age etc.

for the “Election of Eleven Directors,” as an agenda item (matter for resolution). If this resolution is approved as proposed, the skills of each Director will be as follows.

Note: The table below indicates up to five areas in which we expect each person to particularly demonstrate their skills. It does not represent the entirety of each person's experience, knowledge, or skills.

Skills Possessed by the Board of Directors Overall							
Directors	Corporate Management	Global Understanding	Business Experience	Technology and Development	Finance and Accounting	Risk Management	ESG
<b>* Outside Director</b>	Skills as a senior level executive of a listed company that does business globally, and the like	Global awareness /experience obtained through working overseas, global marketing, etc.	Business management skills in Canon Inc.'s business domain	Knowledge and R&D experience in Canon Inc.'s core competence technologies	Skills as a financial accounting expert, derived from being a financial accounting officer of a listed company, a certified public accountant, etc.	Skills as an expert in risk management, including compliance, and internal control systems	Knowledge and experience in ESG
Fujiio Mitarai	●	●			●	●	●
Toshizo Tanaka		●			●	●	●
Toshio Homma	●	●	●	●			
Kazuto Ogawa	●	●	●			●	
Hiroaki Takeishi	●	●	●	●			
Minoru Asada	●	●			●	●	
Yusuke Kawamura *					●	●	●
Masayuki Ikegami *						●	●
Masaki Suzuki *					●	●	●
Akiko Ito *						●	●
Atsumi Arima *						●	●

### ■ Corporate Strategy Committee, Sustainability Committee, Risk Management Committee, and Disclosure Committee

Canon Inc. established the Corporate Strategy Committee, consisting of Directors, including Independent Outside Directors, Audit & Supervisory Board Members, and some

Executive Officers. Among items to be decided by the CEO, the Committee undertakes prior deliberations on important matters pertaining to Canon Group strategies.

# GOVERNANCE

Canon established the Sustainability Committee to share information and conduct preliminary deliberations with the aim of ensuring appropriate and effective judgment by the CEO or Board of Directors regarding the sustainability-related matters that the Canon Group should respond to or address.

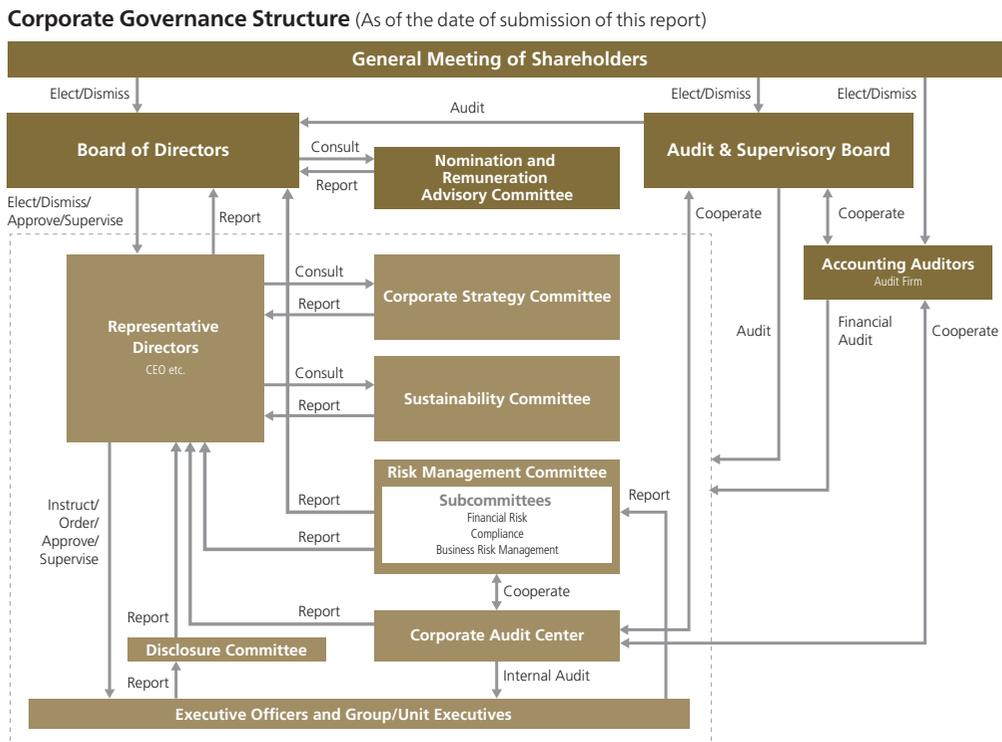
Based on a resolution passed by the Board of Directors, Canon Inc. set up the Risk Management Committee, which formulates policy and action proposals regarding improvement of the Canon Group risk management system. The Risk Management Committee consists of three entities: the Financial Risk Management Subcommittee, which is tasked with improving systems to ensure reliability of financial

reporting; the Compliance Subcommittee, which is tasked with promoting corporate ethics and improving legal compliance systems; and the Business Risk Management Subcommittee, which is charged with developing a management system for risks to business operations. The Risk Management Committee verifies the risk management system's improvement and implementation and reports the status to the CEO and the Board of Directors. In addition, the Disclosure Committee was established to undertake deliberations pertaining to information disclosure, including content and timing, to ensure important corporate information will be disclosed in a timely and accurate manner.

## ▪ Corporate Audit Center

Canon Inc. established the Corporate Audit Center as its internal auditing division, which audits each division and subsidiary of Canon Inc. on overall operations and management as well as on various topics such as finance, procurement, asset management, contracts, health and safety, quality, etc., and makes recommendations for improvements as necessary. Audit results are reported not only to the CEO, COO and CFO, but also to the Audit & Supervisory

Board Members and the Audit & Supervisory Board. In addition, Canon Inc. established a system in which reports are also regularly given to Outside Directors and those Outside Directors can request submission of proposals to the Board of Directors, as necessary.



Details of Canon Inc.'s corporate governance structure are available on Canon Inc.'s website under "An Overview of Corporate Governance at Canon Inc." <https://global.canon/en/ir/strategies/governance.html>

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## GENERAL

The following discussion and analysis provides information that management believes to be relevant to understanding Canon's consolidated financial condition and results of operations. References in this discussion to the "Company" are to Canon Inc. and, unless otherwise indicated, references to the financial condition or operating results of "Canon" refer to Canon Inc. and its consolidated subsidiaries.

## OVERVIEW

Canon is one of the world's leading manufacturers of office multifunction devices ("MFDs"), laser printers, ink-jet printers, medical equipment, cameras and lithography equipment. Canon earns revenues primarily from the manufacture and sale of these products domestically and internationally. Canon's basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporate group targeting continued growth and development.

Canon divides its businesses into four segments: the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit and the Industrial Business Unit.

## Economic environment

Looking back at 2025, the global economy continued to recover moderately overall, even as the impact of U.S. tariffs was observed. By region, in the U.S., although inflation advanced due to the impact of tariffs and other factors, personal consumption remained firm throughout the year. In Europe, although labor market conditions and income growth supported personal consumption, the economic recovery remained modest. In China, real estate investment continued to stagnate, and personal consumption slowed as the effects of consumer stimulus measures diminished. In other emerging markets, economic conditions remained firm overall, as domestic demand was steady thanks to fiscal policies implemented in each country and exports also remained at high levels. In Japan, personal consumption continued to recover moderately, supported by stable labor market conditions.

## Market environment

In the markets in which Canon operates, demand for office multifunction devices (MFDs) and commercial printing softened overall, particularly in the U.S., where sluggish market conditions continued due to the impact of tariffs, resulting in postponement of investments. The market for laser printers continued to shrink, mainly in Europe and China. For medical equipment, the market remained strong in the U.S. and emerging markets, while in Japan, the market continued to shrink due to deteriorating financial conditions at hospitals. For cameras, demand for mirrorless cameras continued to expand, and the market for network cameras remained firm in each region. As for the semiconductor

lithography equipment, while the recovery of demand for memory devices for smartphones and PCs was delayed and there was also a tendency for investments in power semiconductors to be postponed, AI-related demand continued to expand. For FPD (Flat Panel Display) lithography equipment, demand increased thanks to large investments in panels for computer monitors and digital device screens, as well as additional investments for smartphone panels driven by advancements in functionality.

The average value of the yen against the U.S. dollar for the year was ¥149.71, a year-on-year appreciation of approximately ¥2. The average value of the yen against the euro was ¥169.41, a year-on-year depreciation of approximately ¥5.

## Summary of operations

As for the performance in 2025, although sales of the Printing Business Unit decreased compared to the previous year due to the continuing trend of postponing investment in Europe and the U.S., the Medical Business Unit remained solid in the U.S. and emerging markets. Sales were strong for network cameras, a market that continues to grow, and for cameras that captured demand such as for video shooting. As a result, net sales for 2025, the final year of Phase VI of the Excellent Global Corporation Plan, increased by 2.5% year-on-year to ¥4,624.7 billion, achieving record-high sales for the second consecutive year. Although gross profit as a percentage of net sales decreased by 0.8 points year-on-year to 46.7%, gross profit increased by 0.9% year-on-year to ¥2,162.0 billion due to the sales increase. Operating expenses decreased by 8.4% year-on-year to ¥1,706.6 billion, reflecting the absence of the impairment loss on goodwill recorded in the Medical Business Unit in 2024, as well as the effects of structural reforms overseas and thorough expense management in 2025. As a result, operating profit increased by 62.8% year-on-year to ¥455.4 billion, income before income taxes increased by 60.1% year-on-year to ¥482.1 billion, and net income attributable to Canon Inc. increased by 107.5% year-on-year to ¥332.1 billion. Profit increased at each level compared with the previous year's adjusted profit excluding impairment loss on goodwill as well.

Total assets increased by ¥368.8 billion to ¥6,135.0 billion, compared to the end of the previous year, mainly from an increase in foreign-currency-denominated assets due to the depreciation of the yen, and an increase in cash and cash equivalents. Total liabilities increased by ¥239.7 billion to ¥2,360.9 billion from the end of the previous year mainly due to additional borrowing to meet working capital requirements. The balance of total equity increased by ¥129.1 billion to ¥3,774.1 billion compared to the end of the previous year, due to an increase in net income attributable to Canon Inc. shareholders, and an increase in foreign currency translation adjustments caused by the depreciation of the yen, partially offset by dividends to

Canon Inc. shareholders and three rounds of treasury stock repurchases.

As a result, Canon Inc.'s shareholders' equity as a percentage of total assets decreased by 1.7 points to 56.9% compared to the end of the previous year.

### Key performance indicators

The following are the key performance indicators ("KPIs") that Canon uses in managing its business.

#### Net sales and profit ratio

As Canon pursues the goal to become a truly excellent global corporation, one indicator upon which Canon's management places strong emphasis is revenue. The following are some of the KPIs related to revenue that management considers to be important.

Net sales is one such KPI. Canon derives net sales primarily from the sale of products and, to a lesser extent, provision of services associated with its products. Sales vary depending on such factors as product demand, the number and size of transactions within the reporting period, market acceptance for new products, and changes in sales prices. Other factors involved are market share and market environment. In addition, management considers the evaluation of net sales by product to be important for the purpose of assessing Canon's sales performance in various products, taking into account recent market trends.

Gross profit margin is also positioned as an important KPI that indicates the value creation capability of Canon's business activities as well as the soundness of earnings structure. Not only sales growth, but this metric also directly reflects the profitability of the business, including pricing strategy and cost structure, and can be effective in evaluating the quality of growth.

Operating profit to net sales ratio, income before income taxes to net sales ratio, and R&D expense to net sales ratio are also considered to be KPIs by Canon. From this aspect, Canon is focusing on two areas for improvement. Canon is striving to control and reduce its selling, general and administrative expenses as its first key point. Secondly, Canon's R&D policy is designed to maintain adequate spending in core technology to sustain Canon's leading position in its current business areas and to exploit opportunities in other markets. Canon believes such investments will create the basis for future success in its business and operations.

#### Cash flow management

Canon also places significant emphasis on cash flow management. The following are the KPIs relating to cash flow management that Canon's management believes to be important.

Inventory turnover measured in days is a KPI as it measures the efficiency of supply chain management. Inventories have inherent risks of becoming obsolete, physically damaged or otherwise decreasing significantly in

value, which may adversely affect Canon's operating results. To mitigate these risks, management believes that it is crucial to continue reducing inventories by shortening production lead times in order to promptly collect product related expenses, while maintaining finished goods at appropriate level in order to avoid losing potential sales opportunities.

The debt to total assets ratio is also one of the KPIs. For a manufacturing company like Canon, it generally takes considerable amount of time to bear fruit from the business due to lead times required for R&D, manufacturing and sales. Therefore, management believes that it is important to build sufficient financial strength. Canon will continue to maintain liquidity and manage capital investments within the cash flow generated from operation, however it is possible that Canon utilizes debt following a decision to invest on a large scale for future growth.

The equity ratio, which indicates the proportion of shareholders' equity to total assets, is another KPIs. Having ample shareholders' equity allows to continue making high-level investments from a long-term perspective, and enables stable business operations that are not shaken by short-term performance declines. Ensuring financial stability is particularly important for Canon which places a strong emphasis on R&D activities. On the other hand, Canon will also pay attention to optimizing its capital structure, such as effectively utilizing debt for growth investments.

#### Return on equity

Return on Canon Inc. shareholders' equity, calculated as the ratio of net income divided by shareholders' equity, is one of the KPIs for Canon. While working to improve profitability through a review of its business structure and enhanced cost efficiency, Canon will also seek to improve asset efficiency by optimizing inventory levels and consolidating production sites. In addition, while maintaining financial soundness, Canon will make growth investments and appropriately utilize debt to build an optimal capital structure, thereby enhancing the profitability of shareholders' equity.

# FINANCIAL OVERVIEW

## KEY PERFORMANCE INDICATORS

	2025	2024	2023	2022	2021
Net sales (Millions of yen)	<b>4,624,727</b>	4,509,821	4,180,972	4,031,414	3,513,357
Gross profit to net sales ratio	<b>46.7%</b>	47.5%	47.1%	45.3%	46.3%
R&D expense to net sales ratio	<b>7.3%</b>	7.5%	7.9%	7.6%	8.2%
Operating profit to net sales ratio	<b>9.8%</b>	6.2%	9.0%	8.8%	8.0%
Income before income taxes to net sales ratio	<b>10.4%</b>	6.7%	9.3%	8.7%	8.6%
Inventory turnover measured in days	<b>63 days</b>	65 days	66 days	69 days	66 days
Debt to total assets ratio	<b>15.4%</b>	11.5%	9.6%	8.2%	6.8%
Canon Inc. shareholders' equity to total assets ratio	<b>56.9%</b>	58.6%	61.9%	61.1%	60.5%
Return on Canon Inc. shareholders' equity	<b>9.7%</b>	4.8%	8.2%	8.1%	7.9%

Note: Inventory turnover measured in days is determined by: Inventory divided by net sales for the previous six months, multiplied by 182.5.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and based on the selection and application of significant accounting policies which require management to make significant estimates and assumptions. These estimates and assumptions include future market conditions, net sales growth rate, gross margin and discount rate. Though Canon believes that the estimates and assumptions are reasonable, actual future results may differ from these estimates and assumptions. In addition, actual results and outcomes may differ from management's estimates and assumptions due to pandemic, geopolitical risk and economic slowdown risk in response to inflation. Canon believes that the following are the more critical judgment areas in the application of its accounting policies that currently affect its financial condition and results of operations.

## 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.

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 control 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 Computed tomography (CT) systems and Magnetic resonance imaging (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 includes 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 delivered 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 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 to recognize 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 consideration is estimated based upon historical trends and other known factors at the time of sale, and is 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.

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

### **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.

### **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.

### **Impairment of long-lived assets**

In accordance with ASC 360 "Property, Plant, and Equipment," long-lived assets, such as property, plant and equipment, and acquired intangibles 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. 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. Determining the fair value of the asset involves the use of estimates and assumptions.

### **Property, plant and equipment**

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.

### **Lease**

As for lessor accounting, Canon provides leasing arrangement 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

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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 the customers will exercise these options. The majority of Canon's lease contracts do not contain bargain purchase options for their customers.

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 accounts 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 most of Canon's leases cannot be determined, Canon uses incremental borrowing rate 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.

## Business combinations

Acquisitions are accounted for using the acquisition method of accounting. The acquisition method of accounting requires the identification and measurement of all acquired tangible and intangible assets and assumed liabilities, excluding acquired contract assets and contract liabilities, at their respective fair values, as of the acquisition date. The determination of the fair value of net assets acquired involves significant judgment and estimates, such as future cash flow projections, appropriate discount and capitalization rates and other estimates based on available market information. Estimates of future cash flows are based on a number of factors including operating results, known and anticipated trends, as well as market and economic conditions. Acquired contract assets and contract liabilities are recognized and measured in accordance with ASC 606 "Revenue from Contracts with Customers."

## 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. Fair value of a reporting unit is determined primarily based on the discounted cash flow analysis which involves estimates of projected future cash flows and discount rates. Estimates of projected future cash flows are primarily based on Canon's forecast of future growth rates. Estimates of discount rates are determined based on the weighted average cost of capital, which considers primarily market and industry data as well as specific risk factors. Based on the impairment test performed in the fourth quarter of 2024, Canon recognized a goodwill impairment loss for the Medical Reporting unit, as its fair value was below its carrying amount. In contrast, the impairment test conducted in the fourth quarter of 2025 indicated that the fair value of each reporting unit exceeded its carrying amount, and therefore no impairment was recognized. For further information, please refer to Notes 8 and 22 of the Notes to Consolidated Financial Statements. A significant amount of goodwill was allocated to the Medical Reporting Unit, which was ¥405,882 million in the consolidated balance sheet for the current fiscal year. Future cash flows for the Medical Reporting Unit were based on a mid-term management plan that considered the future market growth of medical equipment and growth in geographies where Canon operates its medical business. 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 primarily 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, respectively.

## Income tax uncertainties

Canon considers many factors when evaluating and estimating income tax uncertainties. These factors include an evaluation of the technical merits of the tax positions as well as the amounts and probabilities of the outcomes that could be realized upon settlement. The actual resolutions of those uncertainties will inevitably differ from those estimates, and such differences may be material to the financial statements.

## Valuation of deferred tax assets

Canon assesses the recoverability of deferred tax assets periodically. Realization of Canon's deferred tax assets is principally dependent upon its achievement of projected future taxable income. Canon's judgments regarding

future profitability may change due to future market conditions, its ability to continue to successfully execute its operating activities and other factors. Any changes in these factors may require possible recognition of valuation allowances. When Canon determines that certain deferred tax assets may not be recoverable, the amounts, which may not be realized, are charged to income tax expense and will adversely affect net income.

### Employee retirement and severance benefit plans

Canon has significant employee retirement and severance benefit obligations that are recognized based on actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets. Management must consider current market conditions, including changes in interest rates, in selecting these assumptions. Other assumptions include assumed rate of increase in compensation levels, mortality rate. Changes in assumptions inherent in the valuation are reasonably likely to occur from period to period. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect future pension expenses. While management believes that the assumptions used are appropriate, the differences may affect employee retirement and severance benefit costs in the future.

In preparing its financial statements for 2025, Canon estimated a weighted-average discount rate used to determine benefit obligations of 2.9% for Japanese plans and 4.3% for foreign plans and a weighted-average expected long-term rate of return on plan assets of 3.2% for Japanese plans and 5.3% for foreign plans. In estimating the discount rate, Canon uses available information about rates of return on high-quality fixed-income government and corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. Canon establishes the expected long-term rate of return on plan assets based on management's expectations of the long-term return of the various plan asset categories in which it invests. Management develops expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

Decreases in discount rates lead to increases in actuarial pension benefit obligations which, in turn, could lead to an increase in service cost and amortization cost through amortization of actuarial gain or loss, a decrease in interest cost, and vice versa. For 2025, a decrease of 50 basis points in the discount rate increases the projected benefit obligation by approximately ¥66,183 million. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, is deferred until subsequent periods.

Decreases in expected returns on plan assets may increase net periodic benefit cost by decreasing the expected return amounts, while differences between expected value and actual fair value of those assets could affect pension

expense in the following years, and vice versa. For 2025, a decrease of 50 basis points in the expected long-term rate of return on plan assets would increase approximately ¥6,277 million in net periodic benefit cost. Canon multiplies management's expected long-term rate of return on plan assets by the value of its plan assets to arrive at the expected return on plan assets that is included in pension expense. Canon defers recognition of the difference between this expected return on plan assets and the actual return on plan assets. The net deferred amount affects future pension expense.

Canon recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in its consolidated balance sheet, with a corresponding adjustment to an accumulated other comprehensive income (loss), net of tax.

### 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.

### Recently Issued Accounting Guidance

Please refer to Note 1 of the Notes to Consolidated Financial Statements.

# FINANCIAL OVERVIEW

## CONSOLIDATED RESULTS OF OPERATIONS

### SUMMARY OF OPERATIONS

	Millions of yen		
	2025	change	2024
Net sales	<b>4,624,727</b>	<b>+2.5%</b>	4,509,821
Products and Equipment	<b>3,673,196</b>	<b>+2.2%</b>	3,593,598
Services	<b>951,531</b>	<b>+3.9%</b>	916,223
Operating profit	<b>455,390</b>	<b>+62.8%</b>	279,754
Income before income taxes	<b>482,059</b>	<b>+60.1%</b>	301,161
Net income attributable to Canon Inc.	<b>332,053</b>	<b>+107.5%</b>	160,025

Note: See note to KEY PERFORMANCE INDICATORS

### Sales

In the current business term, the global economy continued to recover moderately overall, even as the impact of U.S. tariffs was observed. Under these circumstances, although sales of the Printing Business Unit decreased compared to the previous year due to the continuing trend of postponing investment in Europe and the U.S., the Medical Business Unit remained solid in the U.S. and emerging markets. Sales were strong for network cameras, a market that continues to grow, and for cameras that captured demand such as for video shooting. As a result, net sales for 2025, the final year of Phase VI of the Excellent Global Corporation Plan, increased by 2.5% year-on-year to ¥4,624.7 billion, achieving record-high sales for the second consecutive year. Net sales of products and equipment totaled ¥3,673.2 billion, a year-on-year increase of 2.2%, while net sales of services totaled ¥951.5 billion, a year-on-year increase of 3.9%.

Overseas operations are significant to Canon's operating results and generated 79.2% of total net sales in 2025. Such sales are denominated in the applicable local currencies and are subject to fluctuations in the value of the yen relative to those currencies. Despite efforts to reduce the impact of currency fluctuations on operating results, including

localization of manufacturing in some regions along with procuring parts and materials from overseas suppliers, Canon believes such fluctuations have had and will continue to have a significant effect on its results of operations.

The average value of the yen during the year was ¥149.71 against the U.S. dollar, a year-on-year appreciation of approximately ¥2, and ¥169.41 against the euro, a year-on-year depreciation of approximately ¥5. The effects of foreign exchange rate fluctuations positively affected net sales by ¥6.9 billion in 2025. This impact consisted of approximately ¥35.8 billion favorable impact on EURO-denominated sales, and unfavorable impact of ¥23.1 billion on USDdenominated sales, as well as ¥5.8 billion on sales denominated in other currencies.

### Cost of sales

Cost of sales principally reflects the cost of raw materials, parts and labor used by Canon in the manufacture of its products. A portion of the raw materials used by Canon is imported or includes imported materials. Many of these raw materials are subject to fluctuations in world market prices accompanied by fluctuations in foreign exchange rates that may affect Canon's cost of sales. Other components of cost of sales include depreciation expenses, maintenance expenses, light and fuel expenses, and rent expenses. In 2025, although cost of sales increases were incurred due to the impact of U.S. tariffs, cost reduction efforts for components progressed steadily throughout the year. As a result, the ratio of cost of sales to net sales for 2025 was 53.3%, an increase of 0.8 points compared with 52.5% in 2024.

### Gross profit

Canon's gross profit in 2025 increased by 0.9% to ¥2,162.0 billion from 2024. The gross profit to net sales ratio decreased by 0.8 points to 46.7%. The increase in the gross profit was mainly due to the sales increase.

### Operating expenses

The major components of operating expenses are payroll, R&D, advertising expenses and other marketing expenses. Operating expenses in 2025 decreased by 8.4% year-on-year



to ¥1,706.6 billion, reflecting the absence of the impairment loss on goodwill recorded in the Medical Business Unit in 2024, as well as the effects of structural reforms overseas and thorough expense management in 2025.

### Operating profit

Operating profit in 2025 increased by 62.8% to ¥455.4 billion from 2024. The operating profit to net sales ratio increased by 3.6 points to 9.8% from 2024.

### Other income (deductions)

Other income (deductions) for 2025 was a gain of ¥26.7 billion, an increase of ¥5.3 billion from 2024 mainly due to the favorable impact from receivables of foreign currencies and valuation of securities.

### Income before income taxes

Income before income taxes in 2025 was ¥482.1 billion, a increase of 60.1% from 2024, and constituted 10.4% of net sales.

### Income taxes

Income taxes in 2025 increased by ¥5.6 billion from 2024. The effective tax rate for 2025 was 25.7%, which was lower than the statutory tax rate in Japan. This resulted from a combination of factors such as the increase in tax credits of R&D expenses and the lower effective tax rates at foreign subsidiaries compared to the statutory tax rate in Japan.

### Net income attributable to Canon Inc.

As a result, net income attributable to Canon Inc. in 2025 increased by 107.5% to ¥332.1 billion, which represents 7.2% of net sales.

### Segment information

Canon operates four segments: the Printing Business Unit, the Medical Business Unit, the Imaging Business Unit and the Industrial Business Unit.

- **The Printing Business Unit** mainly includes Digital continuous feed presses / Digital sheet-fed presses / Large format printers / Office MFDs / Document solutions / Laser MFPs / Laser printers / Inkjet printers / Image scanners / Calculators
- **The Medical Business Unit** mainly includes 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
- **The Imaging Business Unit** mainly includes 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

- **The Industrial Business Unit** mainly includes Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / OLED display manufacturing equipment / Vacuum thin-film deposition equipment / Die bonders
- **Others** mainly includes Handy terminals / Document scanners

### Operating results by segment

Please refer to the table of sales by segment in Note 23 of the Notes to Consolidated Financial Statements.

Within the Printing Business Unit, sales of equipment for the production printing market decreased year-on-year due to the impact of postponed investments in the U.S. As for office MFDs, although there was an increase in sales of imageFORCE, a new series launched in the second half of the year, unit sales decreased overall mainly in Europe and the U.S. As for inkjet printers, unit sales increased compared with the previous year due to solid sales of refillable ink tank models. Sales of laser printers decreased year-on-year mainly in Europe and China, where market shrinkage continued. As a result, total sales for the Printing Business Unit decreased by 1.1% year-on-year to ¥2,494.4 billion, while income before income taxes decreased by 10.0% year-on-year to ¥273.6 billion.

As for the Medical Business Unit, sales were firm overall. Sales in Japan and Europe were sluggish, but in the U.S., sales through newly contracted distributors began in earnest in the second half of the year, and sales also increased in emerging markets such as the Middle East and South America, which are priority regions for the business unit. As a result, total sales for the Medical Business Unit increased by 2.1% year-on-year to ¥580.6 billion, while adjusted income before income taxes excluding impairment loss on goodwill increased by 33.1% year-on-year to ¥34.1 billion, partly thanks to the ongoing efforts of the Medical Business Innovation Committee.

As for the Imaging Business Unit, sales increased due to the favorable performance of products for video creators such as the EOS R50 V and PowerShot V1, which captured demand from younger customers, as well as increased sales of the full-frame model EOS R6 Mark III launched at the end of the fiscal year. Sales of network cameras also grew steadily during the fiscal year, partly thanks to the introduction of new products equipped with newly developed chips that significantly improved functionality. As a result, total sales for the Imaging Business Unit increased by 12.5% year-on-year to ¥1,054.9 billion, while income before income taxes increased by 14.5% year-on-year to ¥176.8 billion.

# FINANCIAL OVERVIEW

As for the Industrial Business Unit, although demand for semiconductor lithography equipment for producing memory and power semiconductors was weak, AI-related demand remained strong, and unit sales of Canon's advanced back-end lithography systems, which have become the industry standard, exceeded those of the previous year. As for FPD lithography equipment, unit sales also

exceeded those of the previous year as the business unit captured additional investment demand resulting from higher functionality in smartphone panels. As a result, total sales for the Industrial Business Unit increased by 2.7% year-on-year to ¥361.1 billion, while income before income taxes decreased by 7.9% year-on-year to ¥64.8 billion partly due to a negative impact from the product mix.

## SALES BY SEGMENT

	Millions of yen		
	2025	change	2024
Printing	2,494,398	-1.1%	2,522,725
Medical	580,622	+2.1%	568,808
Imaging	1,054,900	+12.5%	937,391
Industrial	361,128	+2.7%	351,730
Others and Corporate	237,116	+1.4%	233,746
Eliminations	(103,437)	—	(104,579)
Total	4,624,727	+2.5%	4,509,821

Note: 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.

## SALES BY GEOGRAPHIC AREA

	Millions of yen		
	2025	change	2024
Japan	961,480	+0.6%	955,456
Americas	1,489,639	+4.2%	1,429,201
Europe	1,225,475	+3.5%	1,184,389
Asia and Oceania	948,133	+0.8%	940,775
Total	4,624,727	+2.5%	4,509,821

Note: This summary of net sales by geographic area is determined by the location where the product is shipped to the customers.

### Sales by geographic area

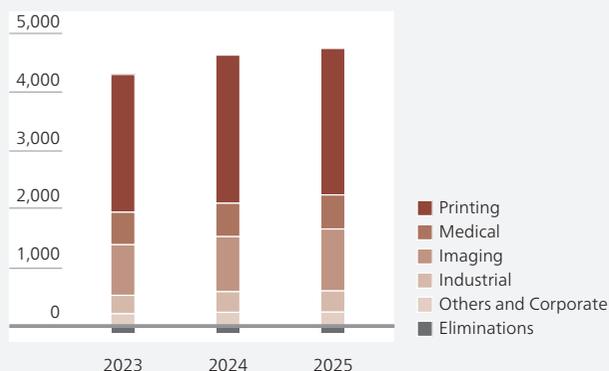
Please refer to the table of sales by geographic area in Note 23 of the Notes to Consolidated Financial Statements.

In Japan, net sales increased by 0.6% from the previous

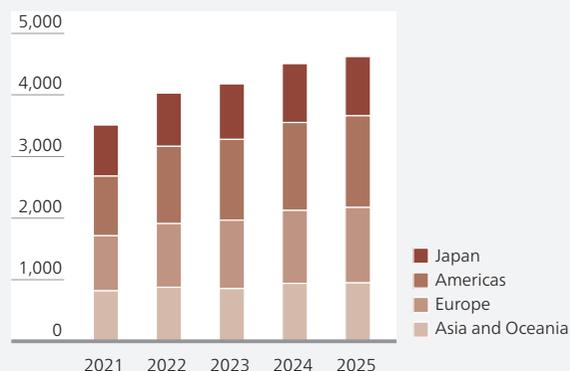
year mainly owing to an increase in sales of IT solutions for offices.

In the Americas, net sales increased by 4.2% from the previous year mainly owing to an increase in unit sales of

Sales by Segment (Billions of yen)



Sales by Geographic Area (Billions of yen)



laser printers and network cameras.

In Europe, net sales increased by 3.5% from the previous year mainly owing to an increase in sales of cameras and depreciation of the yen.

In Asia and Oceania, net sales increased by 0.8% from the previous year mainly owing to increase in sales of semiconductor lithography equipment.

### FOREIGN OPERATIONS AND FOREIGN CURRENCY TRANSACTIONS

Canon's marketing activities are performed by subsidiaries in various regions in local currencies, while the cost of sales is generally in yen. Given Canon's current operating structure, appreciation of the yen has a negative impact on net sales and the gross profit to net sales ratio. To reduce the financial risks from changes in foreign exchange rates, Canon utilizes derivative financial instruments, which consist principally of foreign currency exchange contracts.

The operating profit on foreign operation sales is usually lower than that from domestic operations because foreign operations consist mainly of marketing activities. Marketing activities are generally less profitable than production activities, which are mainly conducted by the Company and its domestic subsidiaries.

Please refer to the table of segment information in Note 23 of the Notes to Consolidated Financial Statements.

### LIQUIDITY AND CAPITAL RESOURCES

Canon's basic financial policy is to further enhance cash-generating capability and increase corporate value through proactive investments in growth areas.

The aim is to maximize cash flows by improving profitability through sales growth and by enhancing asset efficiency, thereby strengthening Canon's ability to generate cash that serves as the foundation for future growth. At the same time, while maintaining financial discipline, Canon will secure diversified funding options to support proactive investments in growth areas that form the core of each business's growth strategy.

#### Sources of Funds (Cash-In)

Canon's primary internal sources of funds are cash flows from operating activities and cash and cash equivalents. In addition, depending on funding requirements, Canon raise funds such as from borrowings from financial institutions and the issuance of bonds, and other financing options. When utilizing debt financing, Canon will select the most appropriate funding method from a range of options while taking into account financial discipline indicators such as the debt-to-equity (D/E) ratio and the debt-to-EBITDA ratio, with the aim of maintaining a sound financial position.

#### Use of Funds (Cash-Out)

The principal uses of funds are determined in accordance with the following priorities.

- Investment for growth areas:

Canon will proactively invest in growth areas through capital expenditures and R&D investments in existing businesses. In addition, Canon will utilize M&As to expand the business domains of existing businesses.

- Return to shareholders:

Taking into consideration medium-to long-term business performance prospects, planned future investments, cash flows and other factors, Canon will provide stable shareholder returns. Canon's basic dividend policy is progressive dividends, with a target payout ratio of approximately 40%, while maintaining the current dividend level.

Treasury stock repurchases will be carried out flexibly, taking into account the financial condition, cash flows, and Canon's stock price level.

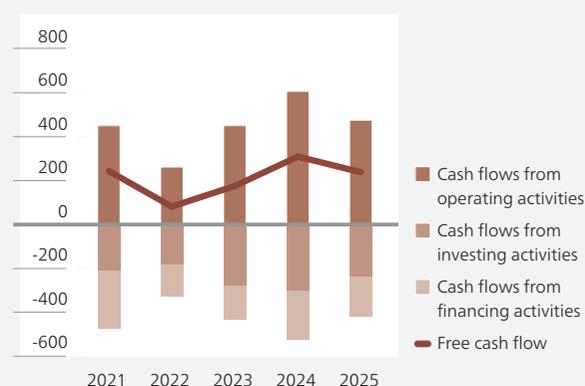
- Strategic Investments:

As a flexible cash allocation reserve, Canon will utilize funds, as appropriate, for M&As, additional investments in growth areas, and supplementary shareholder returns.

**Cash and cash equivalents** increased by ¥84.4 billion to ¥586.0 billion in fiscal 2025 compared to the previous year. Canon's cash and cash equivalents are primarily denominated in Japanese yen and in U.S. dollars, with the remainder denominated in other currencies.

Net cash provided by operating activities for the fiscal year ended Dec 31, 2025 decreased by ¥ 130.9 billion from the previous fiscal year to ¥ 475.9 billion, as decreases in inventories resulting from efforts to optimize work in process were more than offset by a decrease in trade payables due in part to revisions to payment terms with suppliers. Cash flows from operating activities consist mainly of cash inflows from cash receipts from customers and cash outflows from payments of parts and materials, selling, general and administrative expenses, R&D expenses, and income taxes. The increase in cash inflows for the fiscal year ended Dec 31, 2025 was mainly due to an increase in cash collection from customers in line with the increase in net sales. There is no

Cash flows (Billions of yen)



## FINANCIAL OVERVIEW

significant change in the Company's collection rate. The increase in cash outflows was mainly due to an increase in payments for parts and materials in line with the increase in sales and the revision of payment terms with suppliers. The increase in cash outflows due to the payment of corporate income taxes was due to an increase in taxable income.

Net cash used in investing activities for the fiscal year ended December 31, 2025 amounted to ¥237.4 billion. Purchases of fixed assets increased by ¥25.2 billion to ¥262.2 billion, mainly due to investments in a new plant for semiconductor lithography equipment at the Utsunomiya Office. In contrast, net cash used in investing activities decreased by ¥59.9 billion from the previous consolidated fiscal year, reflecting the completion of the acquisition of Primagest, Inc. in 2024 and proceeds from the sale of fixed assets.

Canon defines "free cash flow" as cash flows from operating activities less cash flows from investing activities. Free cash flow for the fiscal year ended Dec 31, 2025 decreased by ¥71.0 billion to ¥238.5 billion as compared with ¥309.5 billion for fiscal 2024.

Note: "Free cash flow" is a non-GAAP measure. Refer to the "Non-GAAP Financial Measures" section for the explanation and the reconciliation to the reported GAAP measure.

Canon's management places importance on cash flow management and frequently monitors this indicator. Furthermore, Canon's management believes that this indicator is significant in understanding Canon's current liquidity and the alternatives of use in financing activities because it takes into consideration its operating and investing activities and believes that such indicator is beneficial to investors. Canon refers to this indicator together with relevant U.S. GAAP financial measures shown in its consolidated statement of cash flows and consolidated balance sheet for cash availability analysis.

Cash flow from financing activities resulted in an outflow of ¥179.2 billion, a decrease of ¥46.8 billion compared with the previous year. This was mainly due to an increase in loans in response to higher working capital requirements, despite proactive shareholder return measures, such as dividend increases and three rounds of treasury stock repurchases. The company paid dividends in fiscal 2025 of ¥160.00 per share, representing an increase of ¥15 per share compared with the previous fiscal year.

To the extent Canon relies on external funding for its liquidity and capital requirements, it generally has access

to various funding sources, including the issuance of additional share capital, issuance of corporate bond or loans. While Canon has been able to obtain funding from its traditional financing sources and from the capital markets, and believes it will continue to be able to do so in the future, there can be no assurance that adverse economic or other conditions will not affect Canon's liquidity or long-term funding in the future.

Canon's long-term debt mainly consists of bank borrowings and finance lease obligations.

In order to facilitate access to global capital markets, Canon obtains a credit rating from S&P Global Ratings ("S&P"). In addition, Canon maintains a rating from Rating and Investment Information, Inc. ("R&I"), a rating agency in Japan, for access to the Japanese capital market.

As of February 28, 2026, Canon's debt ratings are: S&P: A (long-term), A-1 (short-term); and R&I: AA (long-term). Canon does not have any rating downgrade triggers that would accelerate the maturity of a material amount of its debt. A downgrade in Canon's credit ratings or outlook could, however, increase the cost of its borrowings.

As part of its ongoing business, Canon does not participate in transactions that create relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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 ensure that those companies operate with less financial risk.

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 at December 31, 2025 were not significant.

## CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes Canon's contractual obligations at December 31, 2025.

Millions of yen	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations:					
Long-term debt:					
Loan from the banks	401,699	100,210	101,020	200,469	—
Other debt	5,199	1,718	2,479	870	132
Operating lease obligations	137,949	45,031	52,631	23,406	16,881
Purchase commitments for:					
Property, plant and equipment	82,719	82,719	—	—	—
Parts and raw materials	194,432	194,432	—	—	—
Other long-term liabilities:					
Contribution to defined benefit pension plans	17,797	17,797	—	—	—
Total	839,795	441,907	156,130	224,745	17,013

Note: See Notes 9, 11, 19 and 20 in the Notes to Consolidated Financial Statements for further details. The table does not include provisions for uncertain tax positions and related accrued interest and penalties, as the specific timing of future payments related to these obligations cannot be projected with reasonable certainty. See Note 12, Income Taxes in the Notes to Consolidated Financial Statements for further details.

Canon provides warranties of generally less than one year against defects in materials and workmanship on most of its consumer products. Estimated product warranty related costs are recorded at the time revenue is recognized and are included in selling, general and administrative expenses. Estimates for accrued product warranty costs are primarily based on historical experience, and are affected by ongoing product failure rates, specific product class failures outside of the baseline experience, material usage and service delivery costs incurred in correcting a product failure. As of December 31, 2025 accrued product warranty costs are included in accrued expenses and amounted to ¥26.4 billion.

Canon's management believes that current financial resources, cash generated from operations and Canon's potential capacity for additional debt and/or equity financing will be sufficient to fund current and future capital requirements.

Canon's management policy in recent periods to optimize inventory levels is intended to maintain an appropriate balance among relevant imperatives, including minimizing working capital requirement, avoiding undue exposure to the risk of inventory obsolescence, and maintaining the ability to sustain sales despite the occurrence of unexpected disasters.

Canon's policy for optimizing its current inventory level is to maintain an appropriate balance between minimizing working capital and avoiding the risk of inventory obsolescence, while ensuring that sales activities can continue even in the event of an unexpected natural disaster. The inventory turnover days of the Company were 63 days at the end of the fiscal year ended Dec 31, 2025 and 65 days at the end of the previous fiscal year. Although foreign-currency-denominated

assets increased due to the depreciation of the yen, inventory levels declined as a result of thorough efforts to strengthen inventory management. In addition, net sales increased year on year, leading to a decrease in inventory turnover days.

**Increase in property, plant and equipment** on an accrual basis in 2025 amounted to ¥211.7 billion compared with ¥219.2 billion in 2024. For 2026, Canon projects its increase in property, plant and equipment will be approximately ¥230 billion.

**Employer contributions** to Canon's worldwide defined benefit pension plans were ¥17.9 billion in 2025 and ¥28.9 billion in 2024. Employer contributions to Canon's worldwide defined contribution pension plans were ¥32.7 billion in 2025 and ¥29.3 billion in 2024. In addition, employer contributions to the multiemployer pension plan of certain subsidiaries were ¥6.8 billion in 2025 and ¥6.4 billion in 2024.

**Working capital** (current assets less current liabilities) for the fiscal year ended Dec 31, 2025 increased by ¥ 9.2 billion from ¥ 903.8 billion for the previous fiscal year to ¥ 913.0 billion. The increase in working capital was mainly due to a decrease of trade payable, which is a current liability. The Company recognizes that its working capital is sufficient for its foreseeable future needs. The capital requirements of the Company are based on the company-wide business plan, such as the level and timing of expenditures related to capital investment. The current ratio (ratio of current assets to current liabilities) was 1.54 for the fiscal year ended Dec 31, 2025 and 1.58 for the fiscal year ended Dec 31, 2024.

# FINANCIAL OVERVIEW

**Return on assets** (net income attributed to Canon Inc. divided by the average of total assets) was 5.6% in 2025, compared to 2.9% in 2024.

**Return on Canon Inc. shareholders' equity** (net income attributable to Canon Inc. divided by the average of total Canon Inc. shareholders' equity) was 9.7% in 2025 compared with 4.8% in 2024. It improved from the previous fiscal year due to an increase in net income, although shareholders' equity increased due to an increase in retained earnings resulting from an increase in profit and an increase in foreign currency translation adjustments resulting from the depreciation of the yen.

In 2025, Long-term loans payable increased due to an increase in working capital. As a result, the debt to total assets ratios were 15.4% and 11.5% as of December 31, 2025 and 2024. Canon had short-term loans, current operating lease liabilities, long-term debt, and noncurrent operating lease liabilities of ¥946.2 billion and ¥663.5 billion, as of December 31, 2025 and 2024.

**Canon Inc. shareholders' equity to total assets ratios** (shareholders' equity divided by total assets) for the fiscal

year ended Dec 31, 2025, was 56.9%. While it decreased by 1.7 percentage points from 58.6% in the previous fiscal year due to a reduction in shareholders' equity resulting from dividend increases and treasury stock repurchases, the ratio remains at a solid level overall, and the financial soundness has been maintained.

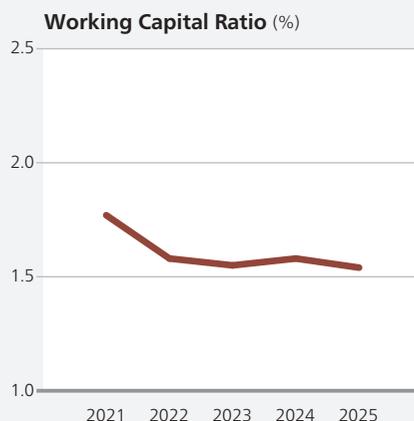
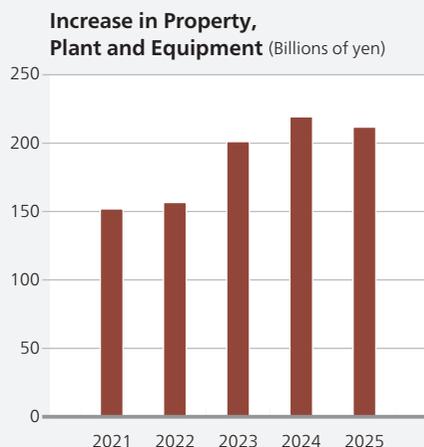
## Non-GAAP Financial Measures

Canon has reported its financial results in accordance with U.S. GAAP. In addition, Canon has discussed its results using the combination of two GAAP cash flow measures, Net cash provided by operating activities and Net cash used for investing activities, which Canon refers to as "Free Cash Flow" which is a non-GAAP measure. Canon believes this measure is beneficial to an investor's understanding of its current liquidity and the alternatives of uses of financing activities because it takes into consideration its operating and investing activities.

A reconciliation of this non-GAAP financial measure and the most directly comparable measure calculated and presented in accordance with GAAP is set forth on the following table.

## FREE CASH FLOW

	Millions of yen	
	2025	2024
Net cash provided by operating activities	475,903	606,831
Net cash used in investing activities	(237,450)	(297,322)
Free cash flow	238,453	309,509



## RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Since its founding, Canon has diversified its businesses by implementing core competence management, which combines core competence technologies (hereinafter, “core technologies”) that produce industry-leading core products, fundamental elemental technologies that form the basis of accumulated technologies, and value creation fundamental technologies that form the basis of commercialization technologies.

In core competence management, core technologies will accumulate as fundamental elemental technologies that can be reused in other businesses as they evolve. For example, the core technology of camera human recognition has been accumulated and evolved as the fundamental elemental technology of AI and data statistical analysis, and now it is incorporated into the medical IT system of the medical business, which is responsible for diversification, and contributes to strengthening the business.

This core competence management is carried out through the “matrix research and development system” in the R&D process. The research division of the head office and the development divisions of the business divisions responsible for each product have established a matrix-type structure, and have built a system that enables the utilization of company-wide technologies. The development department of the Business Division is the main body for core technologies that are the basis of product competitiveness, but the research department of the head office is responsible for the advance trend research and fundamental technology development, leading to the advance development of the core technologies of the business division.

The most distinctive feature of Canon’s R & D is the development of a holistic environment (enabling multiple collaboration of technologies) that enables the Company to utilize both core technologies and core elemental technologies, which are technologies that can be incorporated into products, and value creation platform technologies, which

are technologies that support products, in an integrated manner. As a result, the technologies that enter the product and the technologies that support the product are both strong technologies that are simultaneously introduced into product development, creating competitive products.

R&D expenses were ¥339,288 million in 2025 and ¥337,348 million in 2024. The R&D expenses to net sales ratios were 7.3% in 2025 and 7.5% in 2024.

Canon believes that new products protected by a robust patent portfolio will not easily allow competitors to surpass them, and will give the Company an advantage in establishing standards in the market and industry.

Canon obtained the seventh greatest number of patents in the United States in 2025, according to the annual ranking list, released by IFI CLAIMS® Patent Services.

## MARKET RISK EXPOSURES

Canon is exposed to market risks, including changes in foreign currency exchange rates, interest rates and prices of marketable securities and investments. In order to hedge the risk of changes in foreign currency exchange rates, Canon uses derivative financial instruments.

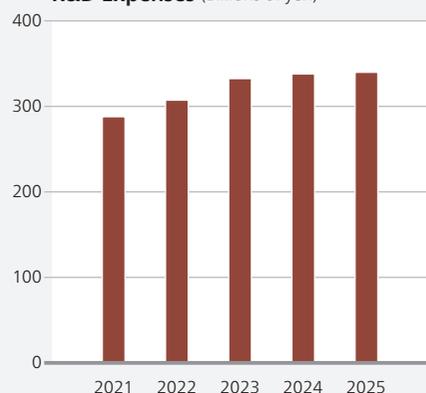
## Equity price risk

Canon holds marketable securities included in current assets, which consist generally of highly-liquid and low-risk instruments. Investments included in noncurrent assets are held as long-term investments. Canon does not hold marketable securities and investments for trading purposes.

Maturities and fair values of such marketable securities and investments with original maturities of more than three months were as follows at December 31, 2025.

	Millions of yen
	Fair value
Fund trusts and others	5,171
Equity securities	28,948
	34,119

R&D Expenses (Billions of yen)



# FINANCIAL OVERVIEW

## Foreign currency exchange rate and interest rate risk

Canon operates internationally, exposing it to the risk of changes in foreign currency exchange rates. Derivative financial instruments are comprised principally of foreign currency 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 trading 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.

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 Japanese yen. These contracts are primarily used to hedge the foreign currency exposure of forecasted intercompany sales and intercompany trade receivables which are denominated in foreign currencies. In accordance with Canon's policy, a specific portion of foreign currency exposure resulting from forecasted intercompany sales are hedged using foreign exchange contracts which principally mature within three months.

The following table provides information about Canon's major derivative financial instruments related to foreign currency exchange transactions existing as of December 31, 2025. All of the foreign exchange contracts described in the following table have a contractual maturity date in 2026.

Millions of yen	U.S.\$	Euro	Others	Total
Forwards to sell foreign currencies:				
Contract amounts	53,912	109,605	10,460	173,977
Estimated fair value	406	(2,329)	(145)	(2,068)
Forwards to buy foreign currencies:				
Contract amounts	5,501	905	883	7,289
Estimated fair value	149	(4)	(53)	92

Canon expects that fair value changes and cash flows resulting from reasonable near-term changes in interest rates will be immaterial. Accordingly, Canon believes interest rate risk is insignificant. See also Note 9 of the Notes to Consolidated Financial Statements.

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.

Canon has entered into certain foreign currency exchange contracts to manage its foreign currency exposures. These foreign currency exchange contracts have not been designated as hedges. Accordingly, the changes in fair values of these contracts are recorded in earnings immediately.

## LOOKING FORWARD

Under the corporate philosophy of *kyosei*—living and working together for the common good—Canon's basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporation targeting continued growth and development.

Based on this basic management policy, Canon launched the Excellent Global Corporation Plan in 1996 and, from Phase I to Phase VI, has worked to strengthen its management base and improve corporate value.

Canon has formulated a new five-year management initiative, Phase VII (2026–2030) of the "Excellent Global Corporation Plan," with the basic policy of "Achieve new growth through innovations in productivity."

In addition to continuing to strengthen and expand our four industry-oriented business groups to realize overall growth, we will also engage in creating and developing new businesses, including full entry into the space business and the expansion of business scope through M&A activities.

Although we expect the business environment to remain challenging amid ongoing political and economic uncertainty, all divisions—including development, procurement, production, and sales—will work in a concerted effort to execute the key initiatives outlined below, enabling us to evolve into a company of an even higher level.

### 1. Reform the business structure

We believe that improving productivity and raising asset efficiency are crucial foundations for accelerating growth, and we will complete the business structural reforms that we initiated in Phase VI.

Regarding sales, we will raise efficiency by restructuring our European operations and reviewing our sales channels. For production, we will reorganize and consolidate our domestic and overseas production sites to improve the capacity utilization rate at each site, while also promoting the reform of production methods. In the medical business, we will fully leverage Canon's expertise and resources to accelerate business innovation activities under the new structure.

### 2. Promote development innovations

Under circumstances where the world is rapidly changing and competition is becoming more severe, it is important to swiftly launch products that are superior in terms of quality and cost. We will utilize simulation technologies and AI to shorten development time and reduce costs for prototypes, etc., with the aim of further increasing development productivity. In addition, amid the progressive emergence of technological innovations with the potential to transform the world, it is vital that we constantly and actively adopt the latest technologies to further enhance the added value of our products. To achieve this, we will establish systems for extensive global research and engage in investment and M&A activities with companies involved in leading-edge technologies, to rapidly gain access to the technologies we need.

### 3. Enhance the productivity of human resources

To enhance our competitiveness, we must challenge ourselves to thoroughly enhance productivity and establish a structure that achieves maximum results with a highly skilled, more refined team of human resources. People are at the core of productivity innovation, and we will strategically acquire and develop experts in fields such as AI and data science, while also reviewing internal personnel allocation to accelerate the shift of talent into growth areas. Furthermore, regarding business processes, we will expand the use of AI from product design to all company operations, driving further transformation and

establishing a high-efficiency, high-wage system.

### 4. Address cybersecurity risks

As for information security risks that are an increasing global threat, while working on countermeasures against information leakage from within the Group and cyberattacks from outside, we are also taking other steps such as raising the awareness of employees at a group-wide level. In the event that an information security incident occurs, we have established a dedicated team, CSIRT\*, to deal with it promptly.

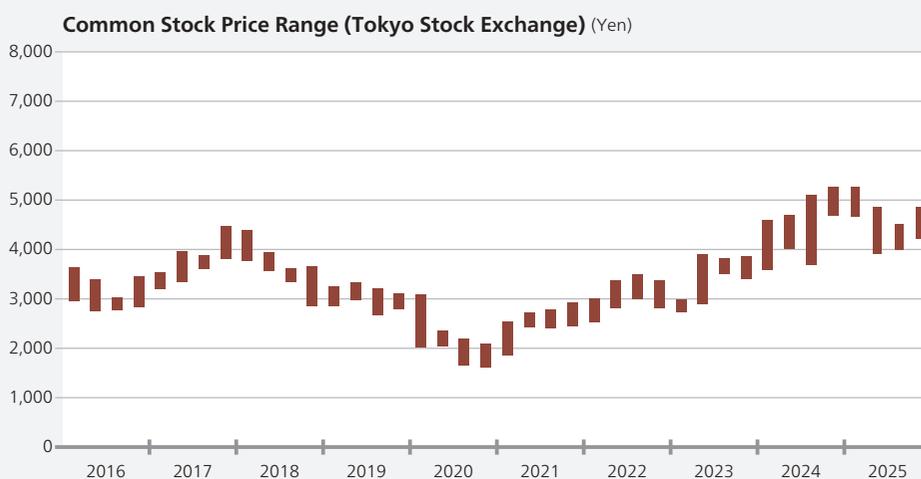
\* Computer Security Incident Response Team (a generic term that refers to an organization that deals with incidents and accidents related to computer security)

### Forward-looking statements

The foregoing discussion and other disclosures in this report contain forward-looking statements that reflect management's current views with respect to certain future events and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events that may not prove to be accurate. The following important factors could cause actual results to differ materially from those projected or implied in any forward-looking statements: foreign currency exchange rate fluctuations; the uncertainty of Canon's ability to implement its plans to localize production and other measures to reduce the impact of foreign currency exchange rate fluctuations; uncertainty as to economic conditions in Canon's major markets; uncertainty of continued demand for Canon's high-value-added products; Canon's ability to continue to develop products and to market products that incorporate new technology on a timely basis, are competitively priced, and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign currency exchange rates; inventory risk due to shifts in market demand; spread of infectious diseases; uncertainty in the global economic environment, including supply chain disruptions and rising inflation; and geopolitical events such as the unfolding situation in Ukraine and the Middle East, changes in the U.S. trade policy which could affect businesses in the U.S. market.

# TEN-YEAR FINANCIAL SUMMARY

	Millions of yen (except per share amounts)			
	2025	2024	2023	2022
Net sales:				
Domestic	961,480	955,456	901,589	864,808
Overseas	3,663,247	3,554,365	3,279,383	3,166,606
Total	4,624,727	4,509,821	4,180,972	4,031,414
Percentage of previous year	102.5%	107.9%	103.7%	114.7%
Net income attributable to Canon Inc.	332,053	160,025	264,513	243,961
Percentage of sales	7.2%	3.5%	6.3%	6.1%
Advertising	42,990	44,384	52,570	45,986
Research and development expenses	339,288	337,348	331,914	306,730
Depreciation and amortization	239,236	235,465	238,676	226,492
Capital expenditure	249,530	256,267	231,725	183,291
Long-term debt, excluding current installments	304,970	205,075	2,954	2,417
Canon Inc. shareholders' equity	3,491,808	3,380,273	3,353,022	3,113,105
Total assets	6,135,044	5,766,246	5,416,577	5,095,530
Per share data:				
Net income attributable to Canon Inc. shareholders per share:				
Basic	367.48	165.53	264.20	236.71
Diluted	367.25	165.44	264.08	236.63
Dividend per share	160.00	155.00	140.00	120.00
Stock price:				
High	5,233	5,274	3,912	3,516
Low	3,893	3,594	2,754	2,538
Average number of common shares in thousands	903,590	966,763	1,001,200	1,030,644
Number of employees	165,547	170,340	169,151	180,775



Thousands of U.S. dollars  
(except per share amounts)

2021	2020	2019	2018	2017	2016	2025
830,378	806,305	872,534	869,577	884,828	706,979	<b>\$ 6,124,076</b>
2,682,979	2,353,938	2,720,765	3,082,360	3,195,187	2,694,508	<b>23,332,784</b>
3,513,357	3,160,243	3,593,299	3,951,937	4,080,015	3,401,487	<b>29,456,860</b>
111.2%	87.9%	90.9%	96.9%	119.9%	89.5%	<b>102.5%</b>
214,718	83,318	124,964	252,441	242,081	150,334	<b>2,114,987</b>
6.1%	2.6%	3.5%	6.4%	5.9%	4.4%	<b>7.2%</b>
36,812	31,273	46,665	58,729	61,207	58,707	<b>273,822</b>
287,338	272,312	298,503	315,842	333,371	306,537	<b>2,161,070</b>
221,246	227,825	237,327	251,554	261,881	250,096	<b>1,523,796</b>
179,000	161,727	211,228	200,504	181,389	208,379	<b>1,589,363</b>
179,750	4,834	357,340	361,962	493,238	611,289	<b>\$ 1,942,484</b>
2,873,773	2,575,031	2,685,496	2,820,644	2,863,986	2,776,327	<b>22,240,815</b>
4,750,888	4,625,614	4,771,918	4,902,955	5,201,626	5,142,279	<b>39,076,713</b>
205.35	79.37	116.79	233.80	223.03	137.66	<b>\$ 2.34</b>
205.29	79.35	116.77	233.78	223.03	137.66	<b>2.34</b>
100.00	80.00	160.00	160.00	160.00	150.00	<b>1.02</b>
2,938	3,099	3,338	4,395	4,472	3,656	<b>33.33</b>
1,876	1,627	2,687	2,876	3,218	2,780	<b>24.80</b>
1,045,633	1,049,802	1,069,957	1,079,753	1,085,439	1,092,071	
184,034	181,897	187,041	195,056	197,776	197,673	

Notes: 1. U.S. dollar amounts are translated from yen at the rate of U.S.\$1 = JPY157, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2025.

2. Canon adopted Accounting Standards Update ("ASU") No. 2017-07 from the quarter beginning January 1, 2018. The adoption of the new presentation requirement of the service cost component and the other components of net benefit cost resulted in reclassification from cost of sales, and selling, general and administrative expenses, and research and development expenses into other income (deductions) for the years ended December 31 from 2017 to 2016 respectively.

3. Depreciation and amortization and Capital expenditure are the total of tangible and intangible assets.



# 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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61	Consolidated Statement of Income
61	Consolidated Statement of Comprehensive Income
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# CONSOLIDATED BALANCE SHEET

Canon Inc. and Subsidiaries  
December 31, 2025 and 2024

	Millions of yen	%	Millions of yen	%
	2025		2024	
<b>ASSETS</b>				
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
<b>LIABILITIES AND EQUITY</b>				
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	<b>358,153</b>	182,874
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	<b>239,236</b>	235,465
Impairment losses on goodwill	—	165,100
(Gain) loss on disposal of fixed assets	<b>(25,216)</b>	1,271
Deferred income taxes	<b>(9,156)</b>	(14,571)
Increase in trade receivables	<b>(26,767)</b>	(29,437)
Decrease (increase) in inventories	<b>35,183</b>	(6,865)
Increase in lease receivables (Note 6)	<b>(1,694)</b>	(18,216)
(Decrease) increase in trade payables	<b>(44,573)</b>	29,348
(Decrease) increase in accrued income taxes	<b>(14,064)</b>	20,464
Increase in accrued expenses	<b>20,654</b>	27,284
Decrease in accrued pension and severance cost	<b>(17,880)</b>	(32,639)
Other, net	<b>(37,973)</b>	46,753
Net cash provided by operating activities	<b>475,903</b>	606,831
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	<b>(262,165)</b>	(237,001)
Proceeds from sale of fixed assets (Note 5)	<b>33,575</b>	7,279
Purchases of securities	<b>(13,574)</b>	(13,812)
Proceeds from sale and maturity of securities	<b>8,514</b>	4,840
Acquisitions of businesses, net of cash acquired (Note 7)	<b>(878)</b>	(32,672)
Other, net	<b>(2,922)</b>	(25,956)
Net cash used in investing activities	<b>(237,450)</b>	(297,322)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt (Note 9)	<b>200,844</b>	200,000
Repayments of long-term debt (Note 9)	<b>(2,469)</b>	(2,297)
(Decrease) increase in short-term loans related to financial services, net (Note 9)	<b>(2,300)</b>	1,500
Increase (decrease) in other short-term loans, net (Note 9)	<b>95,000</b>	(70,960)
Dividends paid	<b>(147,644)</b>	(141,530)
Repurchases and reissuance of treasury stock, net	<b>(300,019)</b>	(200,031)
Other, net (Note 1)	<b>(22,633)</b>	(12,678)
Net cash used in financing activities	<b>(179,221)</b>	(225,996)
Effect of exchange rate changes on cash and cash equivalents	<b>25,184</b>	16,729
Net change in cash and cash equivalents	<b>84,416</b>	100,242
Cash and cash equivalents at beginning of period	<b>501,565</b>	401,323
Cash and cash equivalents at end of period	<b>585,981</b>	501,565
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	<b>6,800</b>	3,766
Income taxes	<b>151,050</b>	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	<b>5,624</b>	(3,081)
Less: Net gains (losses) recognized during the period on equity securities sold during the period	<b>1,615</b>	(6)
Unrealized gains (losses) recognized during the period on equity securities still held at December 31	<b>4,009</b>	(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.	<b>50%</b>	<b>16,261</b>	15,485
Affiliated companies, others	—	<b>14,449</b>	13,496
Total	—	<b>30,710</b>	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	<b>27,919</b>	33,541
Accounts receivable	<b>705,890</b>	672,050
Trade receivables	<b>733,809</b>	705,591
Allowance for credit losses	<b>(15,216)</b>	(14,856)
<b>Total</b>	<b>718,593</b>	690,735

## 4. INVENTORIES

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

December 31	Millions of yen	
	2025	2024
Finished goods	<b>543,256</b>	521,961
Work in process	<b>230,629</b>	250,939
Raw materials	<b>66,560</b>	68,936
<b>Total</b>	<b>840,445</b>	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	<b>287,167</b>	286,826
Buildings	<b>1,985,101</b>	1,905,387
Machinery and equipment	<b>2,121,606</b>	2,043,569
Construction in progress	<b>91,613</b>	105,917
Finance lease right-of-use assets	<b>9,197</b>	9,008
<b>Cost</b>	<b>4,494,684</b>	4,350,707
Less accumulated depreciation	<b>(3,304,002)</b>	(3,203,327)
<b>Total</b>	<b>1,190,682</b>	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
<b>Total</b>	<b>599,238</b>	<b>29,417</b>

## 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
<b>Assets acquired</b>	<b>49,325</b>
Liabilities assumed	12,307
Noncontrolling interests	(18)
<b>Net assets acquired</b>	<b>37,000</b>

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
<b>Total</b>	<b>938,171</b>	<b>680,750</b>	<b>888,468</b>	<b>613,090</b>

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* <sup>1</sup>	401,699	201,909
Other debt * <sup>2</sup>	5,199	4,990
	406,898	206,899
Less current portion	(101,928)	(1,824)
Total	304,970	205,075

\*<sup>1</sup> 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.

\*<sup>2</sup> 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	<b>44,757</b>	78,485
Accounts payables	<b>266,075</b>	271,643
Total	<b>310,832</b>	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	<b>91,407</b>	87,026
Increase	<b>279,855</b>	293,949
Decrease	<b>(316,724)</b>	(289,575)
Others	<b>7</b>	7
Balance at end of year	<b>54,545</b>	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	<b>(149,364)</b>	(32,774)	<b>87,137</b>	105,437
Prior service credit	<b>(6,171)</b>	(8,253)	<b>(4,999)</b>	(6,562)
Total	<b>(155,535)</b>	(41,027)	<b>82,138</b>	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	<b>626,581</b>	705,204	<b>422,432</b>	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	<b>119,440</b>	135,025	<b>403,837</b>	389,669
Fair value of plan assets	<b>48,775</b>	48,680	<b>362,948</b>	335,785
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	<b>80,960</b>	122,511	<b>63,207</b>	64,495
Fair value of plan assets	<b>12,641</b>	42,157	<b>26,974</b>	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	<b>20,423</b>	22,723	<b>3,339</b>	2,318
Interest cost	<b>13,902</b>	11,700	<b>15,832</b>	15,528
Expected return on plan assets	<b>(25,534)</b>	(23,261)	<b>(19,371)</b>	(21,138)
Amortization of prior service credit	<b>(1,664)</b>	(3,113)	<b>(1,383)</b>	(1,352)
Amortization of actuarial (gain) loss	<b>(161)</b>	7	<b>8,449</b>	8,828
(Gain) loss on curtailments and settlements	<b>(112)</b>	(145)	<b>—</b>	(17)
Total	<b>6,854</b>	7,911	<b>6,866</b>	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	<b>(116,863)</b>	(86,699)	<b>(9,851)</b>	3,014
Current year prior service credit	<b>418</b>	(3,695)	<b>180</b>	7
Amortization of actuarial (gain) loss	<b>161</b>	(7)	<b>(8,449)</b>	(8,828)
Amortization of prior service credit	<b>1,664</b>	3,113	<b>1,383</b>	1,352
Curtailments and settlements	<b>112</b>	145	<b>—</b>	17
Total	<b>(114,508)</b>	(87,143)	<b>(16,737)</b>	(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	<b>2.9%</b>	1.9%	<b>4.3%</b>	3.9%
Assumed rate of increase in future compensation levels	<b>2.3%</b>	2.3%	<b>2.1%</b>	2.2%
Interest crediting rate for cash balance plans	<b>1.7%</b>	1.7%	<b>1.5%</b>	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	<b>1.9%</b>	1.5%	<b>3.9%</b>	3.7%
Assumed rate of increase in future compensation levels	<b>2.3%</b>	2.3%	<b>2.2%</b>	2.1%
Expected long-term rate of return on plan assets	<b>3.2%</b>	3.1%	<b>5.3%</b>	6.0%
Interest crediting rate for cash balance plans	<b>1.7%</b>	1.7%	<b>1.8%</b>	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
<b>Total</b>	<b>208,520</b>	<b>629,213</b>	<b>516</b>	<b>854,838</b>	<b>7,978</b>	<b>337,061</b>	<b>34,912</b>	<b>400,570</b>

(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
<b>Total</b>	<b>263,847</b>	<b>526,949</b>	<b>466</b>	<b>807,351</b>	<b>8,746</b>	<b>309,014</b>	<b>35,967</b>	<b>372,552</b>

(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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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	<b>149,438</b>	<b>31.0%</b>	93,360	31.0%
Increase (reduction) in income taxes resulting from:				
<b>Overseas tax effects</b>				
United States				
Statutory tax rate difference between United States and Japan	<b>(5,280)</b>	<b>(1.1)</b>	(5,550)	(1.8)
Other	<b>4,172</b>	<b>0.9</b>	(483)	(0.2)
United Kingdom				
Changes in unrecognized tax benefit	—	—	(7,911)	(2.6)
Other	<b>(55)</b>	<b>(0.0)</b>	245	0.1
Other foreign jurisdictions	<b>(11,530)</b>	<b>(2.4)</b>	(1,895)	(0.6)
<b>Domestic tax effects</b>				
Nontaxable or nondeductible items				
Goodwill impairment	—	—	51,181	17.0
Other	<b>503</b>	<b>0.1</b>	474	0.2
Undistributed earnings and other related items of foreign subsidiaries	<b>8,221</b>	<b>1.7</b>	9,382	3.1
Tax credit for research and development expenses	<b>(15,496)</b>	<b>(3.2)</b>	(16,924)	(5.6)
Effect of enacted changes in tax laws	<b>(1,963)</b>	<b>(0.4)</b>	373	0.1
Other adjustments	<b>(4,104)</b>	<b>(0.9)</b>	(3,965)	(1.4)
<b>Effective income tax rate</b>	<b>123,906</b>	<b>25.7%</b>	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	<b>90,063</b>
Overseas	
United States	<b>23,364</b>
Other foreign jurisdictions	<b>37,623</b>
<b>Total</b>	<b>151,050</b>

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	<b>77,170</b>	101,705
Other noncurrent liabilities	<b>(44,881)</b>	(37,346)
<b>Total</b>	<b>32,289</b>	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	<b>145,409</b>	<b>100</b>	<b>(1,377)</b>	<b>79,858</b>	<b>223,990</b>
Amounts reclassified from accumulated other comprehensive income (loss)	<b>642</b>	<b>(54)</b>	<b>1,110</b>	<b>4,663</b>	<b>6,361</b>
Net change during the year	<b>146,051</b>	<b>46</b>	<b>(267)</b>	<b>84,521</b>	<b>230,351</b>
Balance at December 31, 2025	<b>665,412</b>	<b>77</b>	<b>(1,786)</b>	<b>37,545</b>	<b>701,248</b>

	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	<b>936</b>	223	Selling, general and administrative expenses
	<b>(294)</b>	(69)	Income taxes
	<b>642</b>	154	Consolidated net income
	<b>—</b>	—	Net income attributable to noncontrolling interests
	<b>642</b>	154	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities	<b>(68)</b>	(73)	Other, net
	<b>14</b>	15	Income taxes
	<b>(54)</b>	(58)	Consolidated net income
	<b>—</b>	—	Net income attributable to noncontrolling interests
	<b>(54)</b>	(58)	Net income attributable to Canon Inc.
Net gains and losses on derivative instruments	<b>1,655</b>	2,604	Net sales
	<b>(574)</b>	(797)	Income taxes
	<b>1,081</b>	1,807	Consolidated net income
	<b>29</b>	110	Net income attributable to noncontrolling interests
	<b>1,110</b>	1,917	Net income attributable to Canon Inc.
Pension liability adjustments	<b>5,129</b>	4,208	Other, net
	<b>(847)</b>	(700)	Income taxes
	<b>4,282</b>	3,508	Consolidated net income
	<b>381</b>	310	Net income attributable to noncontrolling interests
	<b>4,663</b>	3,818	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	<b>6,361</b>	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
<b>2025:</b>			
Foreign currency translation adjustments:			
Amount arising during the year	<b>146,813</b>	<b>(776)</b>	<b>146,037</b>
Reclassification adjustments for gains and losses realized in net income	<b>936</b>	<b>(294)</b>	<b>642</b>
Net change during the year	<b>147,749</b>	<b>(1,070)</b>	<b>146,679</b>
Net unrealized gains and losses on securities:			
Amount arising during the year	<b>124</b>	<b>(24)</b>	<b>100</b>
Reclassification adjustments for gains and losses realized in net income	<b>(68)</b>	<b>14</b>	<b>(54)</b>
Net change during the year	<b>56</b>	<b>(10)</b>	<b>46</b>
Net gains and losses on derivative instruments:			
Amount arising during the year	<b>(2,202)</b>	<b>893</b>	<b>(1,309)</b>
Reclassification adjustments for gains and losses realized in net income	<b>1,655</b>	<b>(574)</b>	<b>1,081</b>
Net change during the year	<b>(547)</b>	<b>319</b>	<b>(228)</b>
Pension liability adjustments:			
Amount arising during the year	<b>126,116</b>	<b>(37,629)</b>	<b>88,487</b>
Reclassification adjustments for gains and losses realized in net income	<b>5,129</b>	<b>(847)</b>	<b>4,282</b>
Net change during the year	<b>131,245</b>	<b>(38,476)</b>	<b>92,769</b>
Other comprehensive income (loss)	<b>278,503</b>	<b>(39,237)</b>	<b>239,266</b>
<b>2024:</b>			
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	
<b>2025:</b>							
Revenue recognized at a point in time	<b>1,799,636</b>	<b>381,907</b>	<b>1,045,292</b>	<b>291,207</b>	<b>220,786</b>	<b>(103,437)</b>	<b>3,635,391</b>
Revenue recognized over time	<b>694,762</b>	<b>198,715</b>	<b>9,608</b>	<b>69,921</b>	<b>16,330</b>	<b>—</b>	<b>989,336</b>
Total	<b>2,494,398</b>	<b>580,622</b>	<b>1,054,900</b>	<b>361,128</b>	<b>237,116</b>	<b>(103,437)</b>	<b>4,624,727</b>
<b>2024:</b>							
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	<b>143,000</b>	<b>1</b>		
Exercised	<b>(51,400)</b>	<b>1</b>		
Outstanding at December 31, 2025	<b>576,700</b>	<b>1</b>	<b>26.3</b>	<b>2,671</b>
Exercisable at December 31, 2025	<b>576,700</b>	<b>1</b>	<b>26.3</b>	<b>2,671</b>

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.	<b>332,053</b>	160,025
Diluted net income attributable to Canon Inc.	<b>332,045</b>	160,018
	Number of shares	
Weighted average common shares outstanding	<b>903,589,986</b>	966,762,583
Effect of dilutive securities:		
Stock options	<b>555,277</b>	471,590
Diluted common shares outstanding	<b>904,145,263</b>	967,234,173
	Yen	
Net income attributable to Canon Inc. shareholders per share:		
Basic	<b>367.48</b>	165.53
Diluted	<b>367.25</b>	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
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
<b>Total</b>	<b>72,868</b>	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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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
<b>Total assets</b>	<b>33,584</b>	<b>27,630</b>	<b>—</b>	<b>61,214</b>
Liabilities:				
Other current liabilities:				
Derivatives	—	2,759	—	2,759
<b>Total liabilities</b>	<b>—</b>	<b>2,759</b>	<b>—</b>	<b>2,759</b>
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
<b>Total assets</b>	<b>29,399</b>	<b>18,855</b>	<b>—</b>	<b>48,254</b>
Liabilities:				
Other current liabilities:				
Derivatives	—	3,380	—	3,380
<b>Total liabilities</b>	<b>—</b>	<b>3,380</b>	<b>—</b>	<b>3,380</b>

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	
<b>2025:</b>							
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
<b>2024:</b>							
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.

<b>1. Results of the Tender Offer</b>	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

<b>2. Funding for the Tender Offer</b>	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.

<b>2. Details of acquisition</b>	(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
<b>2025:</b>					
Allowance for credit losses					
Trade receivables	<b>14,856</b>	<b>3,153</b>	<b>(3,382)</b>	<b>589</b>	<b>15,216</b>
Lease receivables	<b>6,861</b>	<b>2,535</b>	<b>(2,927)</b>	<b>143</b>	<b>6,612</b>

# 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"> <li>• 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.</li> </ul> <p>(2)Evaluation of the reasonableness of management's projected future cash flows</p> <ul style="list-style-type: none"> <li>• We evaluated management's ability to accurately project future cash flows by comparing actual results to management's historical projections.</li> <li>• We made inquiries of management to understand significant assumptions used in the projected future cash flows.</li> <li>• 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.</li> <li>• 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.</li> </ul>

	<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"> <li>• 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"> <li>– 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.</li> <li>– 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</li> <li>– developing a range of independent estimates and comparing those to the discount rate and the perpetual growth rate selected by management.</li> </ul> </li> </ul>
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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.

# TRANSFER AND REGISTRAR'S OFFICE

## **Canon Inc.**

3-30-2 Shimomaruko, Ota-ku, Tokyo 146-8501, Japan

## **Manager of the Register of Shareholders**

Mizuho Trust & Banking Co., Ltd.  
1-3-3, Marunouchi, Chiyoda-ku, Tokyo 100-8241, Japan

## **Depository and Agent with Respect to American Depository Receipts for Common Shares**

JPMorgan Chase Bank, N.A.  
383 Madison Avenue, Floor 11, New York, NY 10179, USA

# SHAREHOLDER INFORMATION

## **Stock Exchange Listings:**

Tokyo, Nagoya, Fukuoka and Sapporo Stock exchanges

## **Ordinary General Meeting of Shareholders:**

March of each year

## **Further Information:**

For publications or information, please contact the Public Affairs Headquarters, Canon Inc., Tokyo, or access Canon's Website at [global.canon/en](http://global.canon/en)

## MAJOR CONSOLIDATED SUBSIDIARIES

(As of December 31, 2025)

### **Manufacturing**

Canon Precision Inc.  
Canon Tokki Corporation  
Fukushima Canon Inc.  
Canon Medical Systems Corporation  
Canon Electron Tubes & Devices Co., Ltd.  
Canon Components, Inc.  
Canon Semiconductor Equipment Inc.  
Canon Chemicals Inc.  
Canon Electronics Inc.  
Canon Finetech Nisca Inc.  
Canon Medical Diagnostics Corporation  
Canon ANELVA Corporation  
Nagahama Canon Inc.  
Canon Machinery Inc.  
Oita Canon Materials Inc.  
Oita Canon Inc.  
Nagasaki Canon Inc.  
Miyazaki Canon Inc.  
Canon Virginia, Inc.  
Quality Electrodynamics, LLC  
Canon Bretagne S.A.S.  
Canon Production Printing Netherlands B.V.  
Canon Production Printing Germany GmbH & Co.KG  
Axis Communications AB  
Canon Dalian Business Machines, Inc.  
Canon (Suzhou) Inc.  
Canon Inc., Taiwan  
Canon Vietnam Co., Ltd.  
Canon Hi-Tech (Thailand) Ltd.  
Canon Prachinburi (Thailand) Ltd.  
Canon Business Machines (Philippines), Inc.  
Canon Opto (Malaysia) Sdn. Bhd.  
Canon Machinery (Malaysia) Sdn. Bhd.

### **Research & Development**

Canon Research Centre France S.A.S.

### **Marketing & Other**

Canon Marketing Japan Inc.  
Canon System & Support Inc.  
Canon IT Solutions Inc.  
Primagest, Inc.  
Canon Medical Finance Co., Ltd.  
Canon U.S.A., Inc.  
Canon Canada Inc.  
Canon Financial Services, Inc.  
Canon Medical Systems USA, Inc.  
Axis AB  
Canon Europa N.V.  
Canon Europe Ltd.  
Canon Ru LLC  
Canon (UK) Ltd.  
Canon Deutschland GmbH  
Canon (Schweiz) AG  
Canon Nederland N.V.  
Canon France S.A.S.  
Canon Middle East FZ-LLC  
Canon Italia S.p.A.  
Canon Medical Systems Europe B.V.  
Milestone Systems A/S  
Canon (China) Co., Ltd.  
Canon Hongkong Co., Ltd.  
Canon Semiconductor Equipment Taiwan, Inc.  
Canon Singapore Pte. Ltd.  
Canon India Pvt. Ltd.  
Canon Australia Pty. Ltd.

**Canon**

CANON INC.

3-30-2 Shimomaruko, Ota-ku, Tokyo 146-8501, Japan

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