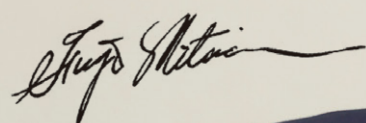


Message from the CEO

Change is progress,
transformation is advancement
Pressing ahead to
realize *kyosei*

Fujio Mitarai
Chairman & CEO
Canon Inc.



Change is progress, transformation is advancement.

As the time changes, Canon has quickly captured the changes in technologies demanded by society, revamped its business portfolio, and continued pursuing innovation.

What remains unchanged at the core of all of this is our corporate philosophy of *kyosei*.

We are contributing to the realization of *kyosei*, in which people worldwide understand, respect, and support each other.

As a member of the international community, what must Canon do?

As we bear in mind the idea of “being deliberate in council, and decisive in action,” we will continue to press forward and take on challenges together with our employees.

The belief behind “change is progress, transformation is advancement”

The courage to keep changing with the times

— **Despite instability in global affairs, Canon is on a steady growth track. Please remind us of the beliefs you value as a manager.**

In consolidated earnings for the fiscal year ended December 31, 2024, net sales came to more than 4.5 trillion yen, which meant we achieved, one year ahead of schedule, our net sales target for the 6th five-year management plan, which ends in 2025 and corresponds to Phase VI of the Excellent Global Corporation Plan. Net sales were driven mainly by semiconductor lithography equipment and network cameras, which are expected to grow in the medium-to-long term. We feel that this result reflects our efforts over a period of more than 10 years to boldly transform our business portfolio from the traditional two pillars of cameras and office equipment.

Just as people's lifestyles were transformed by the industrial revolution, society continues to change through innovation. What is important for a corporation is to keep changing with the times. I often say that “change is progress, transformation is advancement.” The only way to survive is to move forward with courage rather than fear changes. If we view society as an ecosystem, a company is merely one living entity within it. It will perish if left behind by social changes.

The overlap of two “shocks” led to Canon's biggest crisis

— **Canon is a company that has changed repeatedly to keep up with the times. How have you overcome difficulties so far?**

Founded as a camera manufacturer in 1937, we saw the camera market become saturated when Japan entered the period of rapid economic growth in the late 1960s. In response, the president at the time, Takeshi Mitarai, spearheaded Canon's entry into the calculator market in 1964 and successfully grasped the trends of the times to further develop the company's business portfolio with the slogan “Cameras in the Right Hand, Business Machines in the Left,” which he coined in 1967. Subsequently, Canon developed proprietary technologies and promoted diversification in its business lines, such as Japan's first domestically produced plain-paper copier and the world's first inkjet printer. However, the advent of the IT revolution in the 2000s was a major challenge for Canon. With the emergence of smartphones and the advancement of paperless, sales of cameras and laser printers dropped to one-third, and led to a roughly 30% decline in sales of office multifunction devices and the consumables business. We faced a situation in which survival would depend on restructuring the portfolio to grow with IT, not just extending existing technologies.

Amid the pressure to respond to rapid changes in the market, the 2008 financial crisis occurred, which had a devastating impact on the global economy. It was my first experience encountering two such significant “shocks” simultaneously. Without doubt, it was the greatest crisis in the history of the company.

M&A strategy leveraging existing businesses to maintain employment

— **When reviewing Canon's business portfolio, what did you focus on first?**

Our competitors were also rushing to implement their IT strategies, so there was simply no time. At that time, I once again returned to the company's founding spirit and desperately considered what the best choice for Canon would be. Canon is, above all, a company that values its employees. When launching new businesses, abandoning the people and technology of existing businesses is out of the question. So, we adopted an M&A strategy to acquire companies with technologies that could further unlock the potential of our existing businesses. The idea was to harness the accumulated expertise from printers for commercial and industrial printing and camera business for network cameras.

My principle is to move forward without hesitation once a decision is made. We concluded large-scale M&As one after another, acquiring companies such as Océ (now Canon Production Printing) in the Netherlands, Axis Communications in Sweden, and Toshiba Medical Systems (now Canon Medical Systems Corporation), integrating their employees and technologies with Canon. I leave the management of acquired companies to the management of that company. This is because during the acquisition consideration phase, in addition to conducting thorough due diligence (acquisition audits), we also assess whether the management team consists of individuals capable of continuing to lead the company. This is an important factor when deciding on an acquisition.

For instance, overseas companies operate under the culture and values of that country. We fully respect these aspects and let them focus on unleashing their maximum potential. On top of that, we helped them understand Canon's culture and created new values through collaboration. While it did take time, we ultimately established the four business pillars that underpin Canon's businesses today—Printing, Medical, Imaging, and Industrial. As a result, we now have a more stable management foundation compared to the previous two pillars of cameras and office equipment. The results of these efforts are reflected in our business performance, and we now see a path up ahead for further business expansion beyond 2025.

Message from the CEO

Review every five years to minimize risk

— How do you avoid the risks associated with change?

It is impossible to eliminate risk entirely. Managers must constantly gather the latest information, read the trends of the times, and make choices that minimize risk. By formulating a management plan every five years, I have determined the direction we ought to take going forward while assessing the current global situation and technological trends. In 1996, the year after I took office as President, we kicked off a new five-year management plan called the Excellent Global Corporation Plan. Phase VI of this plan is currently underway.

Considering the advancements in technology and changes in the environment, it is difficult to foresee 10 years ahead, but I believe we can anticipate the future over a five-year span. Ultimately, we have faced many tough choices, but we have consistently managed to generate profits even after 1996.



Continuing to change with the times is important for a company

Solving social issues is the very purpose of a company’s existence

We ambitiously pursue reforms to fulfill our corporate philosophy

— What is Canon’s corporate vision?

I believe that the purpose of a company’s existence is to contribute to solving social issues. On the occasion of Canon’s 51st anniversary in 1988, we established the corporate philosophy of *kyosei* to embody this purpose. It conveys our dedication to seeing all people, regardless of culture, customs, language or race, harmoniously living and working together in happiness into the future. Through our corporate activities, we are working to address economic, resource, environmental and other issues that hinder this harmony.

People around the world simply wish to be happy and prosperous. Canon is aligned with this desire and plays a role in solving issues by implementing cutting-edge technology in society. To remain a company capable of innovation, we must constantly engage in self-development, absorb what we lack through M&A and other means, and undergo a process of change and transformation. There is not enough time to adhere to a self-sufficiency approach. Our goal is to become one of the world’s leading companies, but there are many top-tier blue-chip firms that are miles ahead of Canon. I believe we must undertake further reforms in the medium-to-long term.

A year of exhaustively pursuing efficiency

— Will 2025 be another year of transformation?

We have positioned 2025 as a year in which we make great strides towards achieving greater growth in the next five years starting from 2026 by exhaustively pursuing efficiency to further enhance business profitability. After significantly reviewing our business portfolio, there are still areas in our operations that need improvement, due in part to the impact of the COVID-19 pandemic. To further develop the global markets, we need to promote efficiency by identifying areas within our operations that require improvement. Going forward, we will primarily focus on reforming our production and sales structures and driving development reforms.

Reforming our production structure is an urgent issue. In the 1980s, in response to the rapid appreciation of the yen, we shifted production to the Asian region. However, with the drastic changes in the global economic situation and the transformation of Canon’s business portfolio itself, it is now time to consider the optimization of our production sites. We need to consolidate the plants of businesses where demand has contracted due to changes in the market environment, boost capacity utilization rates of our production sites, and strengthen cost competitiveness. We will first review our approximately 60 production sites in Japan and overseas and consolidate them in countries and regions with stable political and social conditions.

On the sales front, we will expedite structural reforms in countries and regions where prolonged economic downturns are a concern. Last year, after reviewing the channels of each sales company, we rearranged their organizations to better align with the nature of each business, thus transforming them into more competitive sales organizations. These reforms are largely complete, but we will stay ahead of the curve by implementing further reviews, particularly in Europe, where a prolonged market downturn is expected.

In terms of product development, we will implement a system of concurrent development on a Company-wide basis, where development teams, production engineering divisions, and manufacturing sites collaborate and work as one. In addition, by utilizing digital transformation (DX) and simulation technology, we will aim to reduce the development time and cost of prototyping and further improve development productivity.

As the times change, our headquarters functions will also need to evolve. To raise the productivity of every individual, we will strengthen the system hitherto aimed at achieving a reward system of “high wages for high efficiency” and urgently improve the performance evaluation system to better reflect the abilities of employees—in other words, to create a meritocracy.

Continuing to prioritize profits

A bitter experience in the U.S. in my 30s

— Maintaining a profit-oriented management approach will also help realize *kyosei*, right?

It may be obvious, but the fundamental purpose of management is to generate profits. A company that cannot generate profits cannot maintain or improve the lives of its employees and their families, nor can it adequately return value to its investors. What’s more, without generating profits, we cannot advance investment in the development of next-generation technology, nor contribute to society.

When I joined Canon, it had a strong “sales-first” mentality, and as a sales representative, I was also a part of that. However, when I was dispatched to Canon USA at the age of 30, a local tax officer pointed out that “company profitability should be higher than deposit interest rates,” which completely changed my perspective on management. Those words were both spot-on and shocking. Profit-oriented management was the norm at blue-chip companies in the U.S., and I was painfully aware of the difference in thinking compared to Canon at the time. With that bitter experience in mind, as a manager, I have consistently focused on profit-oriented management while also being conscious of asset efficiency.



Mr. Mitarai shortly after assuming his new post in the U.S.

Message from the CEO

Sustainability management entrenched for more than 30 years

Sustainability as part of our corporate philosophy

— Canon’s sustainability initiatives, based on the corporate philosophy of *kyosei*, are also evolving.

Nowadays, non-financial information, in addition to financial information such as sales and profit, has also come to be valued as part of a company’s worth. Under the *kyosei* philosophy, Canon has long implemented measures to pass on an irreplaceable global community to the next generation. In that sense, I believe the entire Group has been engaged in sustainability for over 30 years.

We became the first in the world to start collecting used toner cartridges in 1990 in order to realize a resource-efficient society, and now operate five recycling centers worldwide: Japan, the U.S., Germany, France, and China. We are also working to reduce, reuse, and recycle plastic waste at our business sites, for instance, by ending the use of polystyrene foam and switching to molded pulp instead for use in product packaging materials in order to reduce, and ultimately phase out, single-use plastics, which is a movement that is gaining traction on a global scale.

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

In addition, we are mindful of maintaining natural ecosystems. When building factories, we take measures such as removing trees in advance and replanting them after completion, as well as implementing various remedies to avoid destroying the habitats of local species. Canon is not only engaged in solving social issues through its businesses but is also globally engaged in activities that serve society beyond a business perspective. We lend our support to educational and cultural programs by leveraging our imaging and printing technologies, and also contribute to the provision of medical care in developing countries through the use of our medical technology.



The Canon Eco Technology Park is equipped with a state-of-the-art automated recycling line.



Remanufacturing enables the reuse of used multifunction devices.

Environmental measures directly strengthen a company’s competitiveness

— What do you believe are the factors that have allowed you to continue these efforts unrelentingly?

We also consider environmental measures to be an integral part of the manufacturing process. Just as we improve the processes involved in product development, production, and sales to cut costs, for example, recycling water will reduce the environmental impact and also lead to cost reductions. While actively utilizing our own technologies in implementing our environmental measures one by one, we have been able to strengthen our profitability.

As for human resources, a key theme of sustainability, we have fostered a corporate culture where our enterprising spirit can thrive by upholding the spirit of respecting humanity, through which we value a sense of mission, responsibility, and ambition in order to nurture strong individuals, and by ensuring fair and equitable placement, evaluation, and treatment based on meritocracy. We respect diversity and actively promote the appointment and utilization of human resources from an impartial point of view. Through these initiatives, we hope that Canon employees will become internationally minded individuals who can interact with, and understand, people from around the world with different cultures and values.

There is no end goal in sustainability efforts. This is because changes in society bring about new challenges. At Canon, we will continue to adapt and evolve our sustainability efforts in line with the times.

How should companies prepare for the chaotic state of global affairs?

Endangered globalization

— The second Trump administration has emerged in the U.S., and the tides of change in world affairs are starting to be seen.

Unfortunately, the environment surrounding the global economy is likely to become even more chaotic. Building globalization in which all regions collaborate and continuously create value is extremely important. However, since the shock of Lehman Brothers collapsing, the rise of a “country-first” mindset has led to a persistent crisis of division. In recent years, geopolitical issues have begun to surface, and complete division, or so-called decoupling, has edged closer to becoming a reality. Canon has an overseas sales weighting of more than 80%, so the impact of this is really significant. I believe that Japan, which has deepened its ties with the global economy and achieved development, should do everything in its power to rebuild a new globalization.

Excessive shareholder capitalism and questioned ethics

— The future outlook certainly remains clouded.

In this day and age, the negative aspects of capitalism are starting to become more noticeable. The widening disparity caused by excessive shareholder capitalism and extreme profit-driven approaches, along with damage to the global environment and ecosystems, are serious issues. Another important theme is the realization of well-being. As we enter an era of more and more centenarians, advancing medical technology to extend the healthy life expectancy of people worldwide has become an urgent task. The development of technology, including AI, will contribute greatly to this effort. We are actively working on advancements in diagnostic technology and regenerative medicine in the medical business with the aim of contributing to the early detection of diseases and reducing the burden on patients.

Global corporations that do business internationally in countries with different languages, culture, and values must not shy away from the state of world affairs and should endeavor to find solutions. I get the feeling that, once again, companies are being called upon to uphold ethical standards. Canon will also return to its corporate philosophy of *kyosei* and align itself with the desire of people worldwide to be prosperous and happy.

To our stakeholders

Sticking to profit-oriented management by being deliberate in council, and decisive in action

— Finally, as the CEO, what are your resolutions for the future?

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

I have long relied on a certain idiomatic phrase that means “be deliberate in council, and decisive in action.” This phrase, which my father, a physician, conveyed to me when I entered the workforce, reflects the resolve of doctors to face people’s lives in an era when, unlike today, they were unable to identify lesions in advance with X-rays and other imaging technology. The same applies to what can be done as a manager in this chaotic world. Gather as much information as possible, think through it by repeatedly using deductive and inductive reasoning, and once a decision is made, move forward resolutely without looking back.

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

