

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report
filed with the Japanese government pursuant to
the Financial Instruments and Exchange Act of Japan

For the year ended
December 31, 2024

CANON INC.
Tokyo, Japan

This document was prepared for printing by adding a table of contents and pages to the Annual Securities Report, which is in accordance with Article 24, paragraph (1) of the Financial Instruments and Exchange Act, submitted as data on March 28, 2025 using the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30, paragraph (2) of the aforementioned act.

CONTENTS

	Page number
Annual Securities Report for 2024	
Cover	1
Part 1 Information on the Company	2
I. Overview of the Company	2
1. Key Financial Data and Trends	2
2. History	4
3. Description of Business	6
4. Subsidiaries and Associates	9
5. Employees	17
II. Business Overview	21
1. Management Policy, Management Environment and Issues to Be Addressed	21
2. Approach to Sustainability and Related Initiatives	28
3. Risk Factors	50
4. Management Analysis of Financial Position, Operating Results and Cash Flows	70
5. Material Business Agreements, etc.	96
6. Research and Development Activities	97
III. Equipment and Facilities	101
1. Overview of Capital Expenditures	101
2. Major Facilities	102
3. Plans for Establishment, Disposals, etc. of Facilities	106
IV. Information on Reporting Company	107
1. Company's Shares, etc.	107
2. Status of Acquisition of Treasury Stocks, etc.	124
3. Dividend Policy	126
4. Corporate Governance	127
V. Financial Information	165
1. Consolidated Financial Statements, etc.	166
2. Non-Consolidated Financial Statements, etc.	234
VI. Outline of Share-Related Administration of Reporting Company	249
VII. Reference Information on Reporting Company	250
1. Information on Parent of Reporting Company	250
2. Other Reference Information	250
Part 2 Information on Reporting Company's Guarantor, etc.	251
Independent Auditor's Report	
Fiscal year ended December 31, 2024 (Consolidated)	
Fiscal year ended December 31, 2024 (Non-Consolidated)	

Cover

[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	March 28, 2025
[Accounting Period]	The 124th Fiscal Year (from January 1, 2024 to December 31, 2024)
[Company Name]	Canon Kabushiki-Kaisha
[Company Name in English]	CANON INC.
[Position and Name of Representative]	Fujio Mitarai, Chairman & CEO
[Location of Head Office]	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo
[Phone No.]	+81-3-3758-2111
[Contact for Communications]	Sachiho Tanino, General Manager, Consolidated Accounting Div.
[Nearest Contact]	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo
[Phone No.]	+81-3-3758-2111
[Contact for Communications]	Sachiho Tanino, General Manager, Consolidated Accounting Div.
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Sapporo Securities Exchange (14-1, Minamiichijonishi 5-chome, Chuo-ku, Sapporo)

Part 1 Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated Financial Summary

Fiscal year		120th	121st	122nd	123rd	124th
Year ended		Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales	(Millions of yen)	3,160,243	3,513,357	4,031,414	4,180,972	4,509,821
Income before income taxes	(Millions of yen)	130,280	302,706	352,440	390,767	301,161
Net income attributable to Canon Inc.	(Millions of yen)	83,318	214,718	243,961	264,513	160,025
Comprehensive income (loss)	(Millions of yen)	80,941	406,815	476,959	495,000	393,160
Canon Inc. shareholders' equity	(Millions of yen)	2,575,031	2,873,773	3,113,105	3,353,022	3,380,273
Total assets	(Millions of yen)	4,625,614	4,750,888	5,095,530	5,416,577	5,766,246
Canon Inc. shareholders' equity per share	(Yen)	2,462.65	2,748.36	3,065.97	3,394.92	3,581.36
Basic net income attributable to Canon Inc. shareholders per share	(Yen)	79.37	205.35	236.71	264.20	165.53
Diluted net income attributable to Canon Inc. shareholders per share	(Yen)	79.35	205.29	236.63	264.08	165.44
Canon Inc. shareholders' equity to total assets ratio	(%)	55.7	60.5	61.1	61.9	58.6
Return on Canon Inc. shareholders' equity	(%)	3.2	7.9	8.1	8.2	4.8
Price earnings ratio	(Times)	24.9	13.6	12.1	13.7	31.2
Net cash provided by operating activities	(Millions of yen)	333,805	451,028	262,603	451,190	606,831
Net cash used in investing activities	(Millions of yen)	(155,439)	(207,256)	(180,820)	(275,372)	(297,322)
Net cash used in financing activities	(Millions of yen)	(183,449)	(267,366)	(146,844)	(156,729)	(225,996)
Cash and cash equivalents at end of period	(Millions of yen)	407,684	401,395	362,101	401,323	501,565
Number of employees	(Persons)	181,897	184,034	180,775	169,151	170,340

Notes:

1. Canon's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S..
2. Consumption taxes are excluded from the stated net sales.

(2) Financial data, etc. of reporting company

Fiscal year		120th	121st	122nd	123rd	124th
Year ended		Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales	(Millions of yen)	1,255,499	1,508,752	1,739,820	1,668,007	1,886,031
Ordinary profit	(Millions of yen)	40,481	247,994	214,323	511,618	465,458
Net income	(Millions of yen)	42,845	227,999	193,624	476,755	469,083
Capital Stock	(Millions of yen)	174,762	174,762	174,762	174,762	174,762
Issued Shares	(Shares)	1,333,763,464	1,333,763,464	1,333,763,464	1,333,763,464	1,333,763,464
Total net assets	(Millions of yen)	1,225,758	1,367,549	1,341,103	1,591,876	1,716,389
Total assets	(Millions of yen)	2,855,139	2,819,215	2,914,232	2,938,538	3,026,990
Total net assets per share	(Yen)	1,171.59	1,307.10	1,319.84	1,610.54	1,816.90
Dividend per share	(Yen)	80.00	100.00	120.00	140.00	155.00
(Interim dividend per share)		[40.00]	[45.00]	[60.00]	[70.00]	[75.00]
Basic net income per share	(Yen)	40.81	218.02	187.84	476.12	485.14
Diluted net income per share	(Yen)	40.80	217.96	187.78	475.92	484.90
Equity ratio	(%)	42.9	48.5	46.0	54.1	56.7
Return on equity	(%)	3.3	17.6	14.3	32.5	28.4
Price earnings ratio	(Times)	48.5	12.8	15.2	7.6	10.6
Payout ratio	(%)	195.3	45.9	63.4	29.2	31.5
Number of employees	(Persons)	25,713	25,377	24,717	23,931	23,457
Total shareholder return	(%)	68.9	99.8	105.7	135.9	192.7
(Comparison index: TOPIX total return index)	(%)	[106.9]	[120.2]	[117.1]	[147.8]	[175.5]
Highest share price	(Yen)	3,099	2,938	3,516	3,912	5,274
Lowest share price	(Yen)	1,627	1,876	2,538	2,754	3,594

Notes:

1. Consumption taxes are excluded from the stated amount of net sales.
2. The highest share price and lowest share price have been those on the Tokyo Stock Exchange (First Section or Prime Market)

2. History

November	1933	Founded Precision Optical Instruments Laboratory to conduct research into high-end compact cameras, in Roppongi, Azabu, Tokyo.
August	1937	Founded Precision Optical Industry, Co., Ltd. with capital of ¥1 million and started manufacturing and selling cameras, in Meguro, Tokyo.
September	1947	Changed corporate name to Canon Camera Co., Inc.
May	1949	Listed on the Tokyo Stock Exchange.
November	1951	Concentrated head office and manufacturing plants in Shimomaruko, Ohta-ku, Tokyo.
December	1952	Established Meguro Seiki, Inc. (currently Canon Precision Inc.)
May	1954	Established Chichibu Eikosha Co., Ltd. (currently Canon Electronics Inc.)
October	1955	Opened New York branch office.
September	1957	Opened Canon Europa S.A. in Switzerland, as the sole distributor in Europe.
August	1961	Invested in Sanei Sangyo Co., Ltd. (currently Canon Chemicals Inc.)
October	1964	Released an electronic desktop calculator and made a full-scale entry into the office equipment market.
April	1966	Established Canon U.S.A., Inc., in the U.S.
February	1968	Established Canon Business Machines Sales, Inc.
April	1968	Developed NP System and entered into plain-paper copier (PPC) market.
March	1969	Changed corporate name to Canon Inc.
March	1970	Introduced semiconductor lithography equipment.
June	1970	Established Canon Inc., Taiwan.
November	1971	Merged Canon Camera Sales Co., Inc. and Canon Office Equipment Service Co., Ltd. into Canon Business Machines Sales Inc., and changed corporate name to Canon Sales Co., Inc. (currently Canon Marketing Japan Inc.)
July	1972	Invested in Physotec GmbH. (currently Canon Giessen GmbH)
August	1972	Invested in Dai-ichi Seiki Kogyo Co., Ltd. (currently Canon Finetech Niska Inc.)
May	1975	Succeeded in development of laser printer.
August	1978	Established Canon Australia Pty. Ltd. in Australia.
October	1979	Established Canon Singapore Pte. Ltd. in Singapore.
December	1979	Invested in Copyer Co., Ltd. (currently Canon Finetech Niska Inc.)
May	1980	Established Copyer Sales Co., Ltd. (currently Canon System and Support Inc.) through joint investment from Canon Sales Co., Inc. (currently Canon Marketing Japan Inc.) and Copyer Co., Ltd.
October	1981	Succeeded in development of bubble-jet recording technology.
January	1982	Established Canon Europa N.V. in the Netherlands.
February	1982	Established Oita Canon Inc.
August	1983	Established Canon Bretagne S.A. (currently Canon Bretagne S.A.S.) in France.
January	1984	Established Canon Components Inc.
July	1985	Canon Sales Co., Inc. (currently Canon Marketing Japan Inc.) invested in Nippon Typewriter Co., Ltd. (currently Canon Semiconductor Equipment Inc.)
November	1985	Established Canon Virginia, Inc. in the U.S.
September	1988	Established Nagahama Canon Inc.
December	1988	Established Canon Opto (Malaysia) Sdn. Bhd. in Malaysia.
September	1989	Established Canon Dalian Business Machines, Inc., in China.
August	1990	Established Canon Hi-Tech (Thailand) Ltd. in Thailand.
March	1997	Established Canon (China) Co., Ltd. in China.
January	1998	Established Oita Canon Materials Inc.
September	2000	Listed on the New York Stock Exchange. (delisted in March 2023)
November	2000	Turned Canon Chemicals Inc. to a wholly-owned subsidiary.
January	2001	Established Canon Europe Ltd. in the UK.
April	2001	Established Canon Vietnam Co., Ltd. in Vietnam.

September	2001	Established Canon Zhongshan Business Machines Co., Ltd. in China.
April	2002	Spun off Ueno Canon Materials Inc. from Canon Inc.
April	2003	Spun off Fukushima Canon Inc. from Canon Inc.
September	2005	Acquired shares of ANELVA Corporation. (currently Canon ANELVA Corporation)
October	2005	Acquired shares of NEC Machinery Corporation. (currently Canon Machinery Inc.)
July	2006	Conducted a stock split at a ratio of 1.5 shares for each common share.
June	2007	Canon Marketing Japan Inc. acquired shares of Argo 21 Corp. (currently Canon IT Solutions Inc.)
December	2007	Acquired shares of Tokki Corporation. (currently Canon Tokki Corporation)
July	2008	Established Nagasaki Canon Inc.
July	2009	Consolidated all headquarter functions of Europe to Canon Europe Ltd.
February	2010	Acquired shares of OPTOPOL Technology S. A. (currently Canon Ophthalmic Technologies Sp. z. o. o.)
March	2010	Acquired shares of Océ N. V. (currently Canon Production Printing Holding B.V.)
April	2014	Acquired shares of Molecular Imprints, Inc. (currently Canon Nanotechnologies, Inc.)
July	2014	Canon Europa N. V. acquired shares of Milestone Group A/S.
April	2015	Acquired shares of Axis AB.
December	2016	Acquired shares of Toshiba Medical Systems (currently Canon Medical Systems Corporation)
March	2017	Acquired shares of Toshiba Medical Finance Co., Ltd. (currently Canon Medical Finance Co., Ltd.)
June	2017	Acquired shares of Miyazaki Daishin Canon Inc. (currently Miyazaki Canon Inc.)
September	2021	Acquired shares of Redlen Technologies Inc.
July	2023	Canon Medical Systems Corporation acquired shares of Minaris Medical Co. Ltd.
March	2024	Canon Marketing Japan Inc. acquired shares of Primagest, Inc.

3. Description of Business

Canon prepares consolidated financial statements in accordance with generally accepted accounting principles in the U.S. (U.S. GAAP), and affiliated companies are also disclosed in accordance with the definition of this accounting standard. The same applies to II. "Business Overview" and III. "Equipment and Facilities." The segment information is prepared based on ASC 280("Segment Reporting") issued by the Financial Accounting Standards Board ("FASB").

Canon group (consisting of Canon Inc., its 334 consolidated subsidiaries and 10 affiliated companies accounted for by the equity method, as of December 31, 2024) engages in business activities ranging from development, production, sales, and services in the fields of Printing, Medical, Imaging, Industrial and Others and Corporate.

From 2024, the Company has changed the method of performance management for intercompany transactions in Others and Corporate to better manage the performance of each reportable segment. For details, please refer to "V. Financial information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements Notes to the consolidated financial statements, Note 23. Segment information."

Development is primarily conducted by Canon Inc., while production is carried out by Canon Inc., as well as domestic and international manufacturing subsidiaries organized by business content. Additionally, some production-related companies supply parts to each business segment.

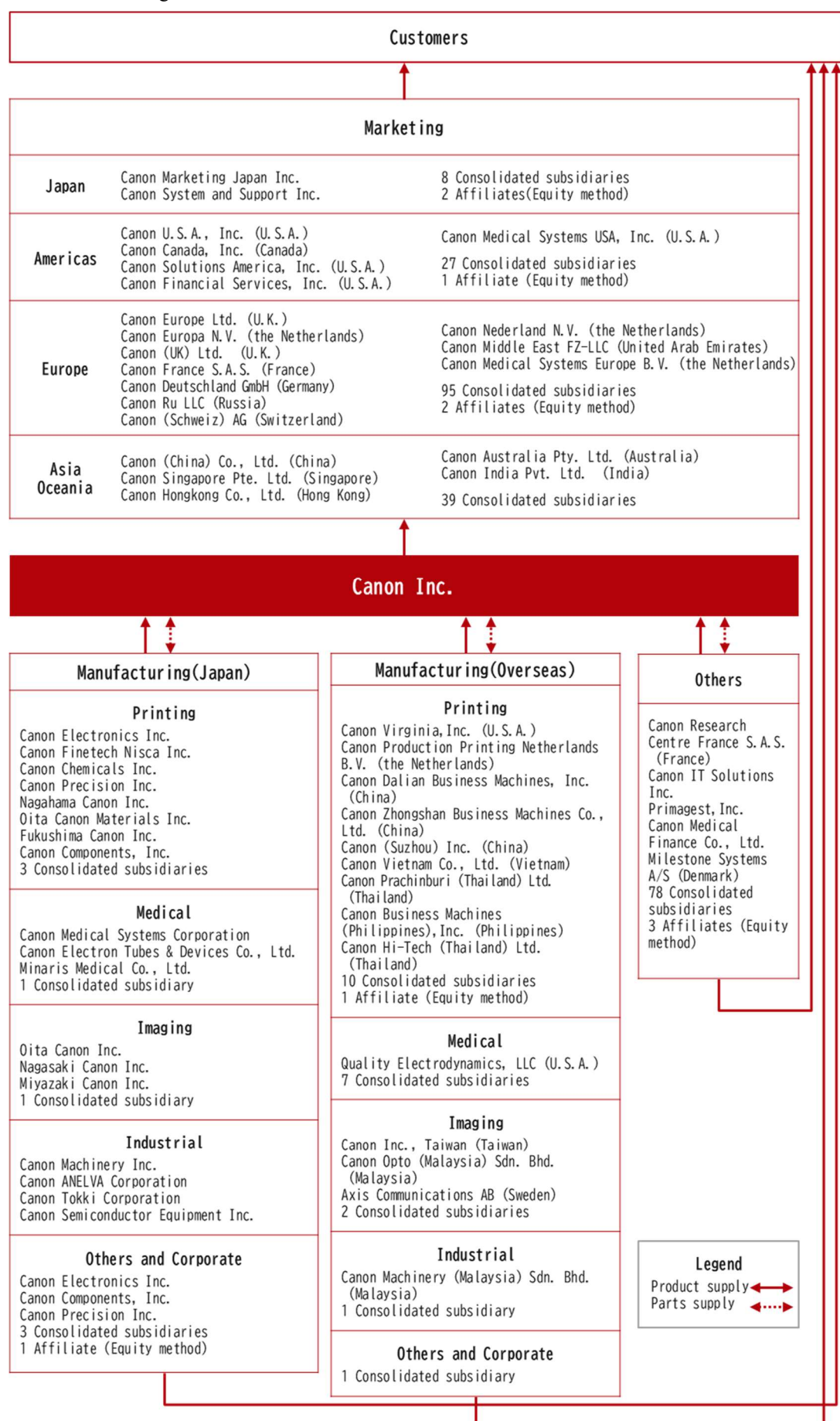
Sales and service activities are conducted mainly by Canon Marketing Japan Inc. in Japan and by sales subsidiaries and affiliates established in each region, including Canon U.S.A., Inc. (U.S.), Canon Europe Ltd. (U.K.), Canon Europa N. V. (Netherlands), Canon (UK) Ltd. (U.K.), Canon France S. A. S. (France), Canon Deutschland GmbH (Germany), Canon (China) Co., Ltd. (China), and Canon Singapore Pte. Ltd. (Singapore), overseas. For products of the Medical Business Unit, Canon Medical Systems Corporation conducts sales activities through direct sales or sales affiliates and distributors established in each region.

Manufacturing subsidiaries such as Canon Electronics Inc. and Canon Components, Inc. supply parts and products to Canon Inc. and also conduct their own sales activities in Japan and overseas.

The main companies responsible for products and production by segment are as follows.

Segment name	Primary products	Major manufacturing companies
Printing	Digital continuous feed presses / Digital sheet-fed presses / Large format printers / Office multifunction devices (MFDs) / Document solutions / Laser multifunction printers (MFPs) / Laser printers / Inkjet printers / Image scanners / Calculators	Canon Inc. Canon Electronics Inc. Canon Finetech Nisca Inc. Canon Chemicals Inc. Canon Precision Inc. Nagahama Canon Inc. Oita Canon Materials Inc. Fukushima Canon Inc. Canon Components, Inc. Canon Virginia, Inc. (U.S.) Canon Production Printing Netherlands B. V. (the Netherlands) Canon Dalian Business Machines, Inc. (China) Canon Zhongshan Business Machines Co., Ltd. (China) Canon (Suzhou) Inc. (China) Canon Vietnam Co., Ltd. (Vietnam) Canon Prachinburi (Thailand) Ltd. (Thailand) Canon Business Machines (Philippines), Inc. (Philippines) Canon Hi-Tech (Thailand) Ltd. (Thailand)
Medical	Computed tomography (CT) systems / Diagnostic ultrasound systems / Diagnostic X-ray systems / Magnetic resonance imaging (MRI) systems / Digital radiography systems / Ophthalmic equipment / In vitro diagnostic systems and reagents / Healthcare IT Solutions	Canon Medical Systems Corporation Canon Electron Tubes & Devices Co., Ltd. Minaris Medical Co. Ltd. Quality Electrodynamics, LLC (U.S.)
Imaging	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	Canon Inc. Oita Canon Inc. Nagasaki Canon Inc. Miyazaki Canon Inc. Canon Inc., Taiwan (Taiwan) Canon Opto (Malaysia) Sdn. Bhd. (Malaysia) Axis Communications AB (Sweden)
Industrial	Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / OLED Display Manufacturing Equipment / Vacuum thin-film deposition equipment / Die bonders	Canon Inc. Canon Machinery Inc. Canon ANELVA Corporation Canon Tokki Corporation Canon Semiconductor Equipment Inc. Canon Machinery (Malaysia) Sdn. Bhd. (Malaysia)
Others and Corporate	Handy terminals / Document scanners	Canon Inc. Canon Electronics Inc. Canon Precision Inc. Canon Components, Inc.

The schematic diagram for business is as follows:



4. Subsidiaries and Associates

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries in Japan)		Millions of yen			
Canon Precision Inc.	Hirosaki-shi, Aomori	300	Printing Business Unit, Imaging Business Unit, Others and Corporate	100%	The company manufactures parts and consumables for Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
Canon Tokki Corporation	Mitsuke-shi, Niigata	6,573	Industrial Business Unit	100%	The company develops, manufactures and sells Canon products. Canon leases buildings to the company.
Fukushima Canon Inc.	Fukushima-shi, Fukushima	80	Printing Business Unit	100%	The company manufactures parts and consumables for Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
※ Canon Medical Systems Corporation	Otawara-shi, Tochigi	20,700	Medical Business Unit	100%	The company develops, manufactures and sells Canon products.
Canon Electron Tubes & Devices Co., Ltd.	Otawara-shi, Tochigi	480	same as above	100%	The company develops, manufactures and sells Canon products.
Canon Components, Inc.	Kamisato-machi, Kodama-gun, Saitama	80	Printing Business Unit, Medical Business Unit, Others and Corporate	100%	The company manufactures parts and consumables for Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
Canon Semiconductor Equipment Inc.	Ami-machi, Inashiki-gun, Ibaraki	70	Industrial Business Unit, Others and Corporate	100%	The company develops, manufactures and sells Canon products.
Canon Chemicals Inc.	Tsukuba-shi, Ibaraki	5,735	Printing Business Unit	100%	The company manufactures parts and consumables for Canon products. Canon leases buildings, machinery and equipment, and other to the company.

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries in Japan)		Millions of yen			
* Canon Electronics Inc.	Chichibu-shi, Saitama	4,969	Printing Business Unit, Others and Corporate	55.2%	The company manufactures Canon products and parts.
Canon Finetech Nisca Inc.	Misato-shi, Saitama	3,451	Printing Business Unit	100%	The company manufactures Canon products and parts.
Minaris Medical Co. Ltd.	Chuo-ku, Tokyo	450	Medical Business Unit	100%	The company develops, manufactures and sells Canon products.
Canon ANELVA Corporation	Kawasaki-shi, Asao-ku, Kanagawa	1,800	Industrial Business Unit	100%	The company develops, manufactures and sells Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
Nagahama Canon Inc.	Nagahama-shi, Shiga	80	Printing Business Unit, Industrial Business Unit	100%	The company manufactures Canon products and consumables. Canon leases buildings, machinery and equipment, and other to the company.
Canon Machinery Inc.	Kusatsu-shi, Shiga	2,781	Industrial Business Unit	100%	The company develops, manufactures and sells Canon products.
Oita Canon Materials Inc.	Kitsuki-shi, Oita	80	Printing Business Unit	100%	The company manufactures parts and consumables for Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
※ Oita Canon Inc.	Kunisaki-shi, Oita	80	Imaging Business Unit	100%	The company manufactures Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
Nagasaki Canon Inc.	Hasami-cho, Higashisonogun, Nagasaki	80	same as above	100%	The company manufactures Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries in Japan)		Millions of yen			
Miyazaki Canon Inc.	Takanabe-cho, Koyu-gun, Miyazaki	80	Imaging Business Unit	100%	The company manufactures Canon products. Canon leases land, buildings, machinery and equipment, and other to the company.
※ * (Note) 5 Canon Marketing Japan Inc.	Minato-ku, Tokyo	73,303	Printing Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	51.2%	The company develops, manufactures and sells Canon products in Japan.
Canon System & Support Inc.	Minato-ku, Tokyo	4,561	Printing Business Unit	100% (100%)	The company sells Canon products in Japan.
Canon IT Solutions Inc.	Minato-ku, Tokyo	3,617	same as above	100% (100%)	The company provides IT services related to Canon products.
Primagest, Inc.	Kawasaki-shi, Kanagawa	100	same as above	100% (100%)	The company provides IT services related to Canon products.
Canon Medical Finance Co., Ltd.	Chuo-ku, Tokyo	120	Medical Business Unit	100% (35.0%)	The company is a lease-related sales company of Canon products.
(Consolidated subsidiaries outside Japan)		Thousands			
Canon Virginia, Inc.	Virginia, U. S. A.	US\$ 30,000	Printing business unit and Imaging business unit	100% (99.3%)	The company manufactures parts and consumables for Canon products.
* (Note) 5 Canon U.S.A., Inc.	New York, U. S. A.	US\$ 204,355	Printing Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	100%	The company is a sales company of Canon products in the U.S., and one Canon executive concurrently serves as an executive of the company.
Canon Canada Inc.	Ontario, Canada	C\$ 0.1	same as above	100% (100%)	The company is a Canadian sales company of Canon U.S.A., Inc.

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries outside Japan)		Thousands			
Canon Solutions America, Inc.	New York, U. S. A.	US\$ 21,750	Printing Business Unit	100% (100%)	The company is a sales company of Canon U.S.A., Inc.
Canon Financial Services, Inc.	New Jersey, U. S. A.	US\$ 7,310	same as above	100% (100%)	The company is a lease-related sales company of Canon U.S.A., Inc.
※ Canon Medical Systems USA, Inc.	California, U. S. A.	US\$ 262,250	Medical Business Unit	100% (100%)	The company is a sales company of Canon Medical Systems Corporation in the U.S.
Quality Electrodynamics, LLC	Ohio, U. S. A.	-	same as above	100% (100%)	The company develops and manufactures parts and consumables for Canon products.
Canon Bretagne S.A.S.	Liffre, France	EUR 28,179	Printing Business Unit, Others and Corporate	100%	The company manufactures parts and consumables for Canon products, and one Canon executive concurrently serves as an executive of the company.
Canon Production Printing Netherlands B.V.	Venlo, The Netherlands	EUR 21,465	same as above	100% (100%)	The company is a manufacturing and development company of Canon Production Printing Holding B. V.
Canon Production Printing Germany GmbH & Co.KG	Poing, Germany	EUR 20,452	same as above	100% (100%)	The company is a manufacturing company of Canon Production Printing Holding B. V.
Axis AB	Lund, Sweden	SEK 695	Imaging Business Unit	100%	The company is a holding company which owns Axis Communications AB and other companies, and one Canon executive concurrently serves as an executive of the company.
Axis Communications AB	Lund, Sweden	SEK 160	same as above	100% (100%)	The company is development, manufacturing and sales company of Axis AB

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries outside Japan) ※ (Note) 5 Canon Europa N.V.	Amstelveen, The Netherlands	Thousands EUR 360,021	Printing Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	100% (100%)	The company is a sales company of Canon products in Europa, and three Canon executives concurrently serve as executives of the company.
Canon Europe Ltd.	Uxbridge, U. K.	EUR 1,642	same as above	100% (100%)	The company is a sales company of Canon products in Europa
Canon Ru LLC	Moscow, Russia	RUB 315,519	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in Russia.
Canon (UK) Ltd.	Uxbridge, U. K.	Stg. £ 6,100	same as above	100% (100%)	The company is the regional sales company of Canon Europa N. V. in the UK and Ireland.
Canon Deutschland GmbH	Krefeld, F.R.Germany	EUR 8,349	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in Germany.
Canon (Schweiz) AG	Wallisellen, Switzerland	S.Fr. 20,920	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in Switzerland.
Canon Nederland N.V.	Den Bosch, The Netherlands	EUR 7,723	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in the Netherlands.
Canon France S.A.S.	Paris, France	EUR 141,940	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in France.
Canon Middle East FZ-LLC	Dubai, United Arab Emirates	US\$ 5,000	Printing Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	100% (100%)	The company is a sales company of Canon Europa N. V. in the Middle East.
Canon Italia S.p.A.	Milano, Italy	EUR 48,244	same as above	100% (100%)	The company is a sales company of Canon Europa N. V. in Italy.
Canon Medical Systems Europe B.V.	Zoetermeer, The Netherlands	EUR 7,718	Medical Business Unit	100% (100%)	The company is a sales company of Canon Medical Systems in Europe.

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries outside Japan) Milestone Systems A/S	Brondby, Denmark	Thousands DKK 2,480	Imaging Business Unit	100%	The company develops and sells Canon products.
Canon Research Centre France S.A.S.	Rennes, France	EUR 6,553	Printing Business Unit, Medical Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	100% (60.0%)	The company is a development company.
Canon Dalian Business Machines, Inc.	Liaoning, China	US\$ 133,219	Printing Business Unit	100% (14.4%)	The company manufactures Canon products and consumables.
Canon (Suzhou) Inc.	Jiangsu, China	US\$ 67,000	same as above	100% (33.5%)	The company manufactures Canon products, and one Canon executive concurrently serves as an executive of the company.
Canon Zhongshan Business Machines Co., Ltd.	Guangdong, China	US\$ 5,800	same as above	100%	The company manufactures Canon products.
Canon Inc., Taiwan	Taichung, Taiwan	TW\$ 800,000	Imaging Business Unit	100%	The company manufactures Canon products.
Canon Semiconductor Equipment Taiwan, Inc.	Hsinchu, Taiwan	TW\$ 74,000	Industrial Business Unit	100%	The company sells Canon products.
※ Canon Vietnam Co., Ltd.	Hanoi, Vietnam	US\$ 94,000	Printing Business Unit	100%	The company manufactures Canon products.
Canon Hi-Tech (Thailand) Ltd.	Phra Nakhon Sri Ayutthaya, Thailand	BAHT 1,800,000	same as above	100%	The company manufactures Canon products.
Canon Prachinburi (Thailand) Ltd.	Prachinburi, Thailand	BAHT 2,220,000	same as above	100%	The company manufactures Canon products, and one Canon executive concurrently serves as an executive of the company.

As of December 31, 2024

Company name	Location	Common stock or investments in capital	Description of major businesses	Ownership ratio of voting rights	Description of relationship
(Consolidated subsidiaries outside Japan) Canon Business Machines (Philippines), Inc.	Batangas, Philippines	Thousands US\$ 76,969	same as above	100%	The company manufactures Canon products.
Canon Opto (Malaysia) Sdn. Bhd.	Selangor, Malaysia	M\$ 113,400	Imaging Business Unit	100%	The company manufactures Canon products.
Canon Machinery (Malaysia) Sdn. Bhd.	Selangor, Malaysia	M\$ 11,000	Industrial Business Unit	100% (100%)	The company is manufacturing company of Canon Machinery Inc.
Canon (China) Co., Ltd.	Beijing, China	US\$ 56,050	Printing Business Unit, Imaging Business Unit, Others and Corporate	100%	The company is a Chinese sales company of Canon products.
※ Canon Singapore Pte. Ltd.	Singapore	S\$ 7,000	Printing Business Unit, Imaging Business Unit, Industrial Business Unit, Others and Corporate	100%	The company is a sales company of Canon products in South East Asia.
Canon Hongkong Co., Ltd.	Kowloon, Hong Kong	US\$ 720	same as above	100% (100%)	The company is a Hong Kong sales company of Canon Singapore Pte. Ltd.
Canon India Pvt. Ltd.	New Delhi, India	US\$ 58,049	same as above	100% (100%)	The company is an Indian sales company of Canon Singapore Pte. Ltd.
Canon Australia Pty. Ltd.	Macquarie Park, Australia	A\$ 40,000	same as above	100%	The company is a sales company of Canon products in Oceania.
Consolidated subsidiaries Other 270 companies	-	-	-	-	-
(Affiliated companies accounted for by the equity method) Canon Korea Inc.	Seoul, Korea	Thousands Won 8,925,000	Printing business unit and Imaging business unit	50.0%	The company manufactures and sells Canon products.
Affiliated companies accounted for by the equity method Other 9 companies	-	-	-	-	-

Note:

1. Segment names are listed in the “Description of major businesses” column.
2. The company name marked with a punctuation mark (※) is a specified subsidiary.
3. The figures in parentheses in the “Ownership ratio of voting rights” column indicate indirect ownership.
4. The company name column marked with an asterisk (*) is the company that submitted the securities registration statement or Annual Securities Report.
5. The ratio of consolidated net sales (excluding sales between consolidated companies) of Canon Marketing Japan Inc., Canon U.S.A., Inc. and Canon Europa N. V. exceeds 10%. The major profit and loss information is as follows. As Canon Marketing Japan Inc. is a company that submits securities reports, information on major profits and losses is omitted.

	The major profit and loss information (Millions of yen)				
	Net sales	Income before income taxes	Net income	Canon Inc. shareholders' equity	Total assets
Canon U.S.A., Inc.	826,196	18,606	13,615	469,953	892,379
Canon Europa N.V.	707,536	17,008	14,675	355,264	635,153

5. Employees

(1) Information about group

As of December 31, 2024

Business Segment	Number of employees
Printing Business Unit	111,733
Medical Business Unit	13,289
Imaging Business Unit	25,612
Industrial Business Unit	7,740
Others and Corporate	11,966
Total	170,340

Notes: "The number of employees" shows the number of workers, including part-timers and temporary employees.

(2) Information about reporting company

As of December 31, 2024

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
23,457	44.2	19.0	8,657,347

Business Segment	Number of employees
Printing Business Unit	9,271
Medical Business Unit	627
Imaging Business Unit	4,044
Industrial Business Unit	2,557
Others and Corporate	6,958
Total	23,457

Notes:

1. "The number of employees" shows the number of workers, including part-timers and temporary employees.
2. Average annual salary includes extra wages and bonuses.

(3) Information about labor union

Canon Group primarily organizes labor unions by company.

Canon Inc. and Canon Marketing Japan Co., Ltd., which is sales subsidiary, have a Canon Workers' Union and are members of UNION N.E.T. and Japan Optical Industry Association. The relationships between the companies and these labor unions are stable until today. In addition, the relationships between the other companies and these labor unions are stable.

- (4) Percentage of female employees in managerial positions, percentages of male employees who took childcare leave, and wage differences between male and female employees

(i) Reporting company

Fiscal year ended December 31, 2024				
Percentage of female employees in managerial positions (%) (Notes 1)	Percentage of male employees who took childcare leave (%) (Notes 2)	Wage differences between male and female employees (Notes 1・3)		
		All employees (%)	Regular employees (%)	Part-time / Fixed-term Employees (%)
4.2	64.6	75.3	75.6	74.5

Notes:

- These percentages are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
- These percentages are calculated based on the ratios of childcare leave, etc. and time off for childcare taken as specified in Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
- The higher ratio of men in managerial positions compared to women is a factor causing the wage differences between genders. Improving the ratio of female managers is recognized as an important issue for Canon. Canon has established a company-wide organization to promote diversity and are conducting activities such as female leadership training to develop female managerial candidates and support for balancing work and childcare. As a result, the wage differences for regular employees has improved by 0.6 points from the previous fiscal year. For more details, please refer to Part II. Business Overview, 2. Approach to Sustainability and Related Initiatives, (6) Human capital. Additionally, the wage differences between male and female at the same managerial level is 98.0% for department heads and 98.4% for section managers.

(ii) Major domestic consolidated subsidiaries

Fiscal year ended December 31, 2024					
Company name	Percentage of female employees in managerial positions (%) (Note 1)	Percentage of Male employees who took childcare leave(%) (Notes 2 and 3)	Wage differences between male and female employees (Notes 1 and 4)		
			All employees (%)	Regular employees (%)	Part-time / Fixed-term Employees (%)
Canon Marketing Japan Inc.	5.9	49.0	82.7	78.0	105.7
Canon IT Solutions Inc.	5.6	65.1	84.6	83.3	96.6
Canon System & Support Inc.	3.7	45.0	77.7	75.3	65.0
Canon Production Printing Systems Inc.	1.8	100.0	54.1	76.5	50.2
Canon Customer Support Inc.	19.1	100.0	78.2	91.2	93.1
Primagest, Inc.	7.5	60.0	21.7	65.4	49.0
Qualysite Technologies Inc.	15.8	100.0	85.6	86.6	66.8
TCS Inc.	12.7	0.0	76.8	75.7	-

Fiscal year ended December 31, 2024					
Company name	Percentage of female employees in managerial positions (%) (Note 1)	Percentage of Male employees who took childcare leave(%) (Notes 2 and 3)	Wage differences between male and female employees (Notes 1 and 4)		
			All employees (%)	Regular employees (%)	Part-time / Fixed-term Employees (%)
Canon ITS Medical inc.	5.3	0.0	70.4	69.8	57.7
Canon BizAttenda Inc.	18.9	50.0	75.8	81.9	82.4
Canon Business Support Inc.	2.0	-	91.1	85.1	-
QB5 Inc.	75.0	0.0	82.3	96.0	80.3
Canon Electronics Inc.	4.7	65.2	80.6	78.8	80.7
Canon Electronics Technology Inc.	3.6	37.5	73.9	73.7	43.3
Canon Medical Systems Corporation	4.6	64.3	65.7	70.6	88.7
Canon MEDTech Supply Corp.	3.7	100.0	74.9	74.4	85.9
Minaris Medical Co., Ltd.	9.7	60.0	68.6	79.0	64.0
Canon Electron Tubes & Devices Co., Ltd.	1.5	33.4	71.3	78.5	94.2
Canon Chemicals Inc.	4.2	64.7	75.6	74.4	78.3
Canon Precision Inc.	3.8	68.6	79.0	79.2	89.8
Canon Finetech Nisca Inc.	5.5	68.8	77.6	74.6	87.8
Canon Optron, Inc.	5.3	33.0	76.1	88.2	142.2
Canon Components, Inc.	5.0	64.3	83.2	81.6	96.5
Canon Semiconductor Equipment Inc.	0.0	100.0	68.6	69.7	80.1
Canon Imaging Systems Inc.	6.8	100.0	90.0	89.0	-
Canon ANELVA Corporation	2.0	50.0	77.5	75.3	59.5
Canon Machinery Inc.	1.3	33.3	74.6	76.7	72.5
Canon Tokki Corporation	1.2	78.6	75.4	74.3	72.8
Oita Canon Inc.	5.6	43.5	72.4	72.5	53.2
Nagahama Canon Inc.	1.9	57.1	75.9	74.2	90.8
Oita Canon Materials Inc.	6.2	68.2	79.1	80.4	81.6
Ueno Canon Materials Inc.	0.0	66.7	77.3	77.1	86.1
Fukushima Canon Inc.	3.3	76.9	72.6	76.2	89.8
Canon Ecology Industry Inc.	5.6	100.0	72.7	73.5	86.4
Canon Mold Co., Ltd.	1.4	50.0	77.0	74.5	93.5
Nagasaki Canon Inc.	7.4	17.2	68.1	68.1	-
Miyazaki Canon Inc.	5.9	65.0	74.5	74.6	83.3

Fiscal year ended December 31, 2024					
Company name	Percentage of female employees in managerial positions (%) (Note 1)	Percentage of Male employees who took childcare leave(%) (Notes 2 and 3)	Wage differences between male and female employees (Notes 1 and 4)		
			All employees (%)	Regular employees (%)	Part-time / Fixed-term Employees (%)
Fukui Canon Materials Inc.	20.0	100.0	91.1	91.8	89.5

Notes:

1. These percentages are calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. These percentages are calculated based on the ratios of childcare leave, etc. and time off for childcare taken as specified in Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
3. "-" indicates that there are no applicable employees (male employees whose spouses gave birth during the fiscal year).
4. "-" indicates that the Company does not have any employees required for the calculation.

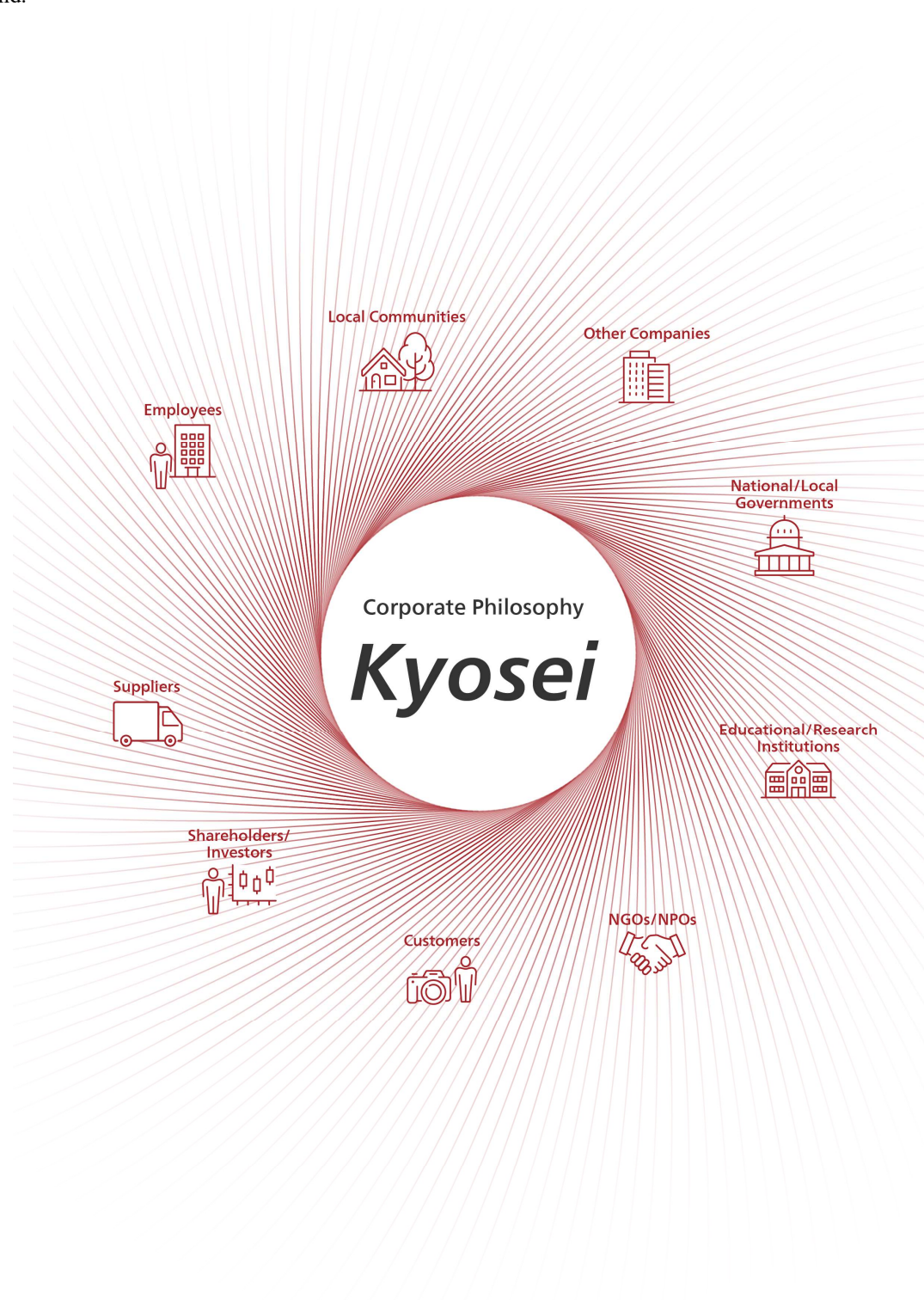
II. Business Overview

1. Management Policy, Management Environment and Issues to Be Addressed

Canon Group's management policies, management environment, issues to be addressed, etc. are as follows.
Following description contains forward-looking statements which the Company judged as of Dec 31, 2024.

(1) Corporate Philosophy

Canon Group has established *kyosei* with stakeholders around the world as its corporate philosophy. *Kyosei* conveys our dedication to seeing all people, regardless of culture, customs, language or race, harmoniously living and working together in happiness into the future. Based on this philosophy of *kyosei*, Canon Group is promoting its corporate activities with the aim of corporate growth and development for the prosperity of the world and the happiness of mankind.



(2) Medium- to long-term management program: Excellent Global Corporation Plan Phase VI

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 2021, “Excellent Global Corporation Plan Phase VI” (“Phase VI”) of the plan commenced under the policy of “accelerating Canon’s productivity improvement and corporate portfolio transformation through new business creation” and to this end Canon works to create new value that will improve the “security,” “safety,” “comfort,” and “enrichment” of society through the power of technology and innovation.

Excellent Global Corporation Plan Phase VI (2021–2025)

**Accelerate our productivity improvement and
corporate portfolio transformation through
new business creation**

Key Strategies

1. Thoroughly strengthen competitiveness of industry-oriented business groups
2. Improve group-wide productivity through extensive reinforcement of Canon’s global headquarter function

(i) Thoroughly strengthen competitiveness of industry-oriented business groups

In 2021, with the objective of fully maximizing Canon’s wide array of businesses and technologies, Canon reorganized its business divisions into the following four groups according to their affinity with each other: printing, medical, imaging, and industrial. Within the new industry-oriented business group structure, Canon will enhance business competitiveness and encourage innovation by deepening collaboration among the technologies and human resources of each business and group company. At “Canon EXPO” Canon’s comprehensive technology exhibition held in October 2023, Canon introduced the industry-specific technologies that support the transformation of Canon’s portfolio and the technological direction that Canon aimed to take. Going forward, Canon aims to create new value that meets the needs of the times and contribute to solving increasingly complex and diversifying social issues by utilizing M&As, in addition to the unique technologies it has cultivated to date.

In 2024, Canon embarked on structural reforms of sales and production and the Medical Business to further strengthen its competitiveness. Regarding the review of the sales structure, Canon will aim to optimize personnel and improve asset efficiency by promoting DX, reviewing sales channels, and restructuring the organization. Regarding the review of the production structure, Canon will improve the utilization rate and asset efficiency by consolidating its production bases from the perspective of geopolitical risks and productivity. With regard to the structural reform of the Medical Business, Canon has established “the Medical Business Innovation Committee,” which thoroughly scrutinizes all operations. Canon will aim to further strengthen its competitiveness by improving its profitability through these structural reforms.

The progress statuses of the main strategies and measures in Phase VI in each group are as follows.

Printing Group

In commercial printing field, such as catalog printing, where significant growth is expected to continue due to transfer from analog to digital, and in the industrial printing field, such as label printing and package printing, the Printing Group is making concerted efforts to strengthen its product lineup and expand its workflow software. In 2024, as in the previous year, “imagePRESS V Series” were strong mainly in the U.S., and orders received many orders at “drupa 2024,” the world’s largest printing equipment exhibition held for the first time in eight years, the Printing Group exhibited a wide range of future technologies and new products. Furthermore, Heidelberger Druckmaschinen AG of Germany, which has a long history and a broad customer base in the field of offset printing, and Canon Production Printing (CPP) have agreed to a business alliance to sell sheet-fed inkjet printing presses manufactured by CPP under the Heidelberg brand. By providing a solution that seamlessly integrates the workflow of Heidelberg’s offset-printing presses, which achieve high-speed, high-volume printing, with the workflow of Canon’s digital printing presses, which provide multi-product, small-lot printing, the Printing Group will help its customers become more profitable and productive.

The Printing Group has been contributing to the creation, storage, and transmission of new value for humanity by supporting human activities such as thinking, collaborating, and enjoying life through paper printing. While it is believed that paperless society will continue to progress due to changes in social conditions in recent years, printing will continue to play an important role in human activities because information processing with paper sometimes exceeds the functions of digital data and displays in terms of speed and convenience. As for the work environment, the spread of remote work during the COVID-19 pandemic has led to the dispersion of work locations, such as satellite offices and homes, and the diversification of work styles. Under these circumstances, in the office and home sectors, there is a growing need for safe, secure, easy, and comfortable printing environments and services that are not restricted by work location. The Printing Group provides on-demand printing environments that integrate Canon’s multifunction peripherals (MFPs), laser printers, and inkjet printers with the cloud. Canon aims to enhance that Canon provides highly productive, convenient, and secure printing environments that can be used in a variety of situations and in any environments. In 2024, demand for office MFPs remained firm as a core printing device in the office. Canon, the Printing Group launched a new brand, “imageFORCE Series,” which provides rich expressive power and high-productivity, and launched a new product, “imageFORCE C7165F.” This product is equipped with a new exposure technology that realizes high-resolution and rich expressive power, and a function that prevents paper misalignment using multiple sensors. It enables not only printing of ordinary office documents, but also in-house printing of flyers, posters, and business cards, which require high print quality. In laser printers and inkjet printers, the Printing Group expanded its lineup to meet a wide range of needs, from business to home, as users’ printing styles change.

The Printing Group will continue to expand its products and services to meet the needs of customers and aim to be the world’s No. 1 in the office and home sectors.

Medical Group

In recent years, while the environment surrounding medical care around the world has achieved remarkable technological development, it has also faced various challenges, including a shortage of doctors, an aging society, soaring medical costs, regional disparities in medical care, work style reforms for medical professionals, and the promotion of medical DX. The Medical Group focuses particularly on the fields of “diagnostic imaging business,” “healthcare IT business,” and “in-vitro diagnosis business,” and aims to contribute to solving medical issues and providing value by providing better solutions while responding to social changes and staying close to the medical field.

In the diagnostic imaging business, Canon has developed products equipped with image reconstruction technology designed using deep learning technology and automation technology that supports the increasingly complex diagnostic workflow of medical professionals. Through these and other efforts, Canon has provided products and services aimed at reducing the burden on medical professionals and patients and providing high-quality images. In 2024, Canon launched “Vantage Galan 3T / Supreme Edition,” a 3-Tesla MRI system with new key components and a variety of AI solutions. By adopting automation technology utilizing AI and a graphical user interface (GUI) that realizes intuitive operability, a comfortable image analysis workflow is realized. In the area of ultrasound diagnostic equipment, Canon has agreed to collaborate with Olympus Corporation and has launched “Aplio i800 EUS,” a product that enables high-quality diagnosis by combining Canon’s ultrasound diagnostic equipment with Olympus’ endoscopic ultrasound.

In the Healthcare IT business, Canon launched “Abierto Vision,” a program for medical image analysis workstations that supports medical professionals in improving operational efficiency and rapid diagnosis.

In the in-vitro diagnostics field, Minaris Medical Co., Ltd., which joined Canon Group in 2023, changed its name to Canon Medical Diagnostics Corporation in February 2025. In March 2024, Canon launched “HM-CODIAM” an automated analyzer that can perform fecal occult blood tests used in Colon Cancer Examination. Canon will continue to leverage the technological synergies of Canon Group to create technologies, products and services that support “prevention, diagnosis and treatment,” and create high added value through clinical testing, while at the same time providing total diagnostic service solutions that have not been seen before.

Medical Group is also actively engaged in research and development (R&D) of next-generation technologies. In September 2024, Canon announced its participation in the R&D project “Research and Development of a Continuous Production System for High-Quality Artificial Platelets and Its Practical Application” led by the Kyoto University iPS Cell Research Foundation (CiRA). As part of Canon’s efforts to grow its business in the biomedical field, including regenerative medicine, Canon is developing technology for cell production equipment that can cultivate large quantities of cells. In addition, in November 2024, Canon began a joint research with “Penn Medicine,” a medical group affiliated with the University of Pennsylvania, in addition to the joint research with three medical institutions in Japan and Europe that Canon has been promoting so far, with the aim of early commercialization of photon counting CT (PCCT), which is expected to be a next-generation X-ray CT. The main theme of this project is to explore the potential of PCCT in the specialized fields of diagnostic imaging, particularly in the fields of chest, heart, and musculoskeletal system. As such, Canon will actively participate in global joint research activities in a wide range of fields and focus on the development of technologies that can provide new value to healthcare.

Canon believes that the medical-related market is a market that can be expected to grow stably over the long term. However, the economic slump in China has been prolonged due to the restrictions on some businesses by the increase in geopolitical risks, and the business conditions of medical institutions in Japan have been deteriorating. Considering these changes in the business environment, in 2024 Canon recorded an impairment loss of ¥165,100 million on goodwill recognized in 2016 when Canon acquired the former Toshiba Medical Systems Corporation (currently Canon Medical Systems Corporation). Currently, the Medical Group is promoting structural reforms centered on “the Medical Business Innovation Committee,” which was established as a company-wide organization in February 2024. Canon is reconsidering all aspects of its operations, including development, production, management, and sales, by fully investing its human resources, technologies, and know-how. By enhancing Canon’s ability to generate profits through these structural reforms, Canon aims to expand its business in the medical-related market, where stable growth is expected.

Imaging Group

Although the overall market for digital cameras has shrunk significantly compared to its peak due to the spread of smartphones, it has remained stable over the past few years due to growing demand for video recording and demand from younger generations. Under these circumstances, in 2024, Canon launched the “EOS R1,” the first flagship model in the “EOS R Series,” and the “EOS R5 Mark II,” a mainstay model for professionals and high amateurs. Canon has further increased its presence in the mirrorless camera market by evolving its still image and video functions through the use of a newly developed engine system and deep learning technology, and by building a lineup that meets the high demands of professional and amateur customers. Canon, which possesses one of the world’s leading optical technologies, will continue to sequentially introduce cameras and interchangeable lenses that meet market needs and aim to achieve an overwhelming No. 1 global share in mirrorless cameras.

In addition, Canon has developed the “PowerShot V Series” of compact digital cameras, which allows users to easily enjoy full-scale video shooting. In 2023, Canon released the “PowerShot V10,” the first of the series, which is specialized for Vlog (video blog) shooting. Furthermore, Canon plans to launch the “PowerShot V1,” the flagship model of the PowerShot V series, in April 2025. In this way, Canon will continue to meet the expectations of a wide range of users by adding products with new concepts to its lineup.

In the field of video production, Canon is working to strengthen its lineup of high-definition remote camera systems in response to the continued increase in demand for IP streaming. Canon is developing a next-generation video production system called “Multi-Camera Orchestrate,” which uses AI technology to link multiple remote cameras to the movements of the main camera. This system is a solution that enables new video expression, such as shooting from angles that were difficult to achieve in the past, while at the same time meeting the need for greater efficiency at video production sites as shooting content increases.

In the Network Camera Business, the Group has group companies with excellent technologies, such as Axis, a world-leading manufacturer, and Milestone Systems, a video management software and video analysis software vendor. Going forward, Canon will continue to strengthen its presence in the security field while harnessing the Group's collective strengths to capture diversifying needs. At the same time, Canon will develop products and services that provide DX using video for various operations beyond the conventional security purpose, such as inspections in manufacturing and distribution and inspections of social infrastructure.

In recent years, the use of virtual reality video, three dimensional video, and 360-degree video has advanced in various fields, and the new video experience market is expected to expand. Canon will expand products and services using 3D imaging technology, such as the "EOS VR System," which allows users to easily capture high-quality 3D VR (Virtual Reality) images, and "MREAL," an MR (Mixed Reality) product that seamlessly combines real and CG images in real time, to revitalize the new visual experience market and expand its business domains.

Industrial Group

Semiconductors are indispensable devices in today's increasingly digital and smart society, and demand for them is expected to grow for a variety of applications, including AI, autonomous driving, 5G communications, and the IoT. India's emergence as a major new production base is becoming a reality, and there is a trend toward domestic production of semiconductors against the backdrop of geopolitical risks. As a result, the manufacturing equipment market is expected to grow, albeit with ups and downs. The Industrial Group will continue to contribute to the evolution of semiconductor manufacturing technology by providing manufacturing equipment that improves the performance of semiconductors and meets the productivity improvement needs of semiconductor manufacturers. In September 2024, Canon shipped the "FPA-1200NZ2C" nanoimprint semiconductor manufacturing equipment (NIL) to the Texas Institute for Electronics (TIE), a semiconductor consortium in Texas, USA. NIL is used by TIE for the R&D of cutting-edge semiconductors and the manufacture of prototypes. Going forward, Canon will continue to accelerate its efforts to apply NIL to mass production of semiconductor devices, and work with research institutions and semiconductor manufacturers in Japan and overseas to expand applications that can take advantage of NIL's strengths. In addition, Canon has started development of ArF dry semiconductor lithography equipment with the aim of expanding its product lineup. "Lithography Plus," a solution platform for semiconductor lithography equipment that contributes to improving the productivity of client companies, has been installed at a large number of semiconductor manufacturing sites and will continue to support the improvement of yield and utilization rates. To meet the strong demand for semiconductor lithography equipment, Canon is currently constructing a new plant on land adjacent to the Utsunomiya office, and various construction works are progressing smoothly toward the target of starting operations by the end of 2025. After the completion of the new plant, Canon will be able to provide a faster and more stable supply than ever before due to a significant increase in production capacity.

In the display manufacturing equipment market, which has begun to show a gradual recovery, Canon will actively introduce equipment to improve productivity and accelerate development to meet customer needs for higher functionality and higher definition.

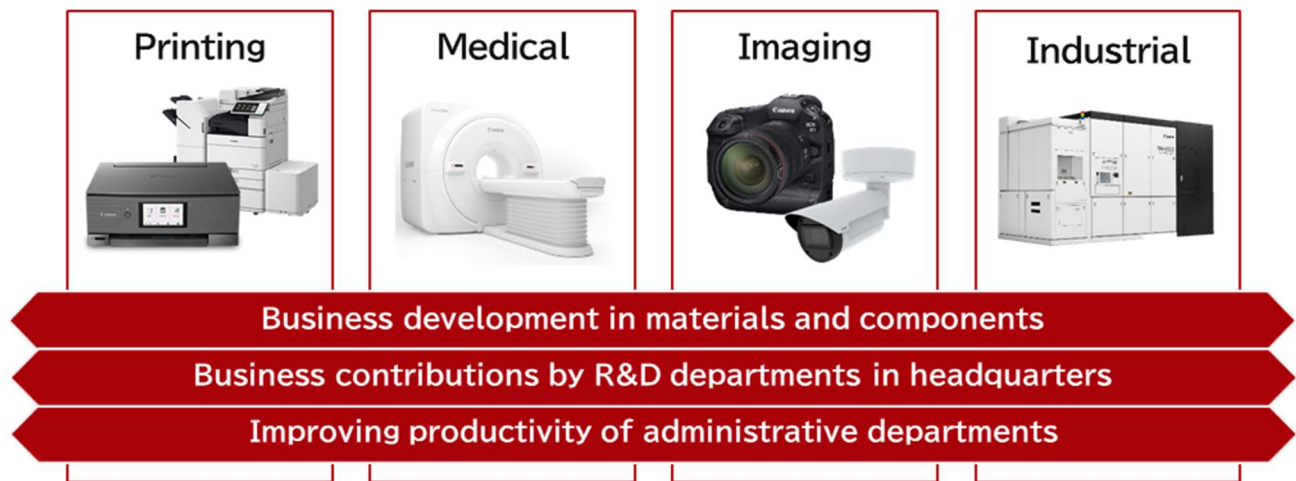
The Industrial Group is also focusing on areas other than semiconductor and display manufacturing equipment, and has entered the recycling equipment field. Canon has begun receiving orders for plastic sorting equipment that utilizes its proprietary tracking-type Raman spectroscopy technology, and will contribute to building a circular economy by maximizing material recycling.

Among Group companies, Canon ANELVA has developed a new series of semiconductor and electronic component manufacturing equipment, "Adastra." With a configuration that allows free selection of process modules, it flexibly responds to various needs, greatly improves footprint and energy consumption, and provides high productivity. Canon Machinery has announced "BESTM-D610," a die bonder with improved productivity, accuracy, usability, and energy efficiency. Canon Tokki will work on the development and manufacture of organic EL deposition equipment that is optimal for IT panel manufacturing, for which demand is growing, and contribute to improving the productivity of client companies.

The Industrial Group will develop new equipment by combining the core technologies of each company, such as ultra-precision alignment, vacuum systems, ultra-high-precision machining, and high-speed material handling, with the aim of expanding its business domain.

(ii) Improving Group productivity by thoroughly strengthening headquarters functions

Canon, in order to strengthen and expand the competitiveness of its businesses, Canon is working to strengthen the functions of its headquarters by revising its personnel systems, making administrative departments more productive by further applying competitive principles, and establishing a head office R & D structure that is conscious of contributing to its businesses. In 2023, Canon established the “Advanced Engineer Certification” system to appoint excellent engineers as “Top Scientists” and “Top Engineers” to promote the securing and training of human resources who drive innovation. Canon is also working to create new businesses from a Group-wide perspective by utilizing the full range of technologies Canon has cultivated to date to commercialize products in the materials, components, and other domains, with the aim of contributing to earnings growth. Furthermore, going forward, in addition to the development of in-house technologies, Canon will strive to further expand its business by actively incorporating cutting-edge technologies from outside Canon Group through M&A and other means.



(3) Medium-Term Management Plan Consolidated Performance Targets

Canon has been aiming to achieve consolidated financial results targets for fiscal 2025, the final year of the Phase VI period, of net sales of ¥4.5 trillion or more, exceeding the record high for Canon in 2007, operating income margin of 12% or more, and the current period net income margin of 8% or more. Among them, net sales were 4,509.8 billion yen in 2024, achieving the target one year ahead of schedule. Canon aims to achieve record-high net sales for the second consecutive year in 2025. On the other hand, in consideration of factors that are expected to reduce profits in the short term, such as the review of future plans in 2024 in the Medical segment against the backdrop of the current market deterioration and the occurrence of costs associated with the structural reforms currently underway, Canon forecasts net sales of ¥4.736 trillion, an operating income margin of 11.0%, and a the current period net income margin of 7.7% for 2025.

In Canon, the ratio of net sales from new businesses * 1 to consolidated net sales is used as an indicator to evaluate the transformation of the portfolio. In 2024, the fourth year of the current five year Plan, the global economy generally continued to recover moderately as inflation began to settle in various parts of the world and monetary tightening eased, while geopolitical risks increased uncertainty. Canon, sales remained strong not only in new businesses such as network cameras, but also in existing businesses such as semiconductor lithography equipment, mirrorless cameras, and laser beam printers. In addition to this, the depreciation of the yen was a tailwind, and net sales increased for the fourth consecutive fiscal year, at the same time setting a new record high since 2007. Net sales from new businesses continue to grow, and compared to 2017, their share of consolidated net sales has increased from 22% to 28%. Canon will continue to accelerate the growth of new businesses and steadily transform its business portfolio.

Canon is focusing on Return On Equity (ROE) to further accelerate the improvement of enterprise value. ROE, which had fallen to 3.2% in 2020 during the COVID-19 pandemic, has continued to improve due to the subsequent recovery in business performance. In 2024, it was 4.8%, a deterioration of 3.4 percentage points from the previous year. However, excluding the impact of goodwill impairment losses in the Medical Business Unit, it was 9.4%, an improvement of 1.2 percentage points from the previous year. Canon will continue to improve profitability by steadily reducing costs, reduce assets by reducing inventories and consolidating production bases, and pursue the optimal balance between liabilities and equity. Through these and other efforts, Canon aims to improve ROE to 10% or more by 2025.

* 1 New businesses include businesses of major operating companies acquired after Phase I, such as Canon Production Printing, Canon Tokki, Axis, and Canon Medical Systems, as well as new businesses that the Group aims to commercialize during Phase VI.

	2022 Actual	2023 Actual	2024 Actual	2024 Actual (After adjustment*2)	2025 Outlook	2025 Phase VI Targets
Net sales (trillion yen)	4.0314	4.181	4.5098	4.5098	4.736	4.5 or more
Operating profit ratio	8.8%	9.0%	6.2%	9.9%	11.0%	12.0% or more
Net income ratio	6.1%	6.3%	3.5%	7.2%	7.7%	8.0% or more

ROE	8.1%	8.2%	4.8%	9.4%	10.6%	10.0% or more
-----	------	------	------	------	-------	---------------

* 2 Operating income ratio, net income ratio and ROE are calculated excluding impairment losses on goodwill of ¥165,100 million recorded in the Medical Business Unit for the constant comparison of business performance.

2. Approach to Sustainability and Related Initiatives

Canon Group's views and initiatives on sustainability are as follows.

The forward-looking statements herein are based on the judgment of Canon Group as of December 31, 2024.

(1) Canon's Sustainability

Since 1988, Canon group has been striving to uphold its corporate philosophy of *kyosei* (living and working together for the common good) in order to contribute to worldwide prosperity and happiness. "A society in which all people live and work together, respecting one another and coexisting happily, regardless of culture, customs, language, ethnicity, or region. And a society in harmony with nature, able to preserve Earth's abundant resources for future generations." To realize such a society, Canon will create new value through the power of innovation and technology, providing world-first technologies and world-leading products and services while also contributing to solutions for the problems Canon's society faces. By providing greater value while using fewer resources throughout all product lifecycles, Canon aims to enable affluent lifestyles while protecting the environment. Through Canon's corporate activities, Canon group proactively works toward realizing a sustainable society.

(2) Materiality

Canon Group has built its business over the years based on the philosophy of *kyosei* and inherited corporate DNA comprising a respect for humanity, an emphasis on technology, and an enterprising spirit. Canon has continued to grow while grasping the changing trends of society with the times and effectively utilize Canon's various resources, which include Canon's own solid financial base, a talented workforce, advanced technical capabilities and good corporate governance.

Of the various activities of Canon Group in line with its initiatives thus far and the medium - to long-term management plan, Canon Group has identified "Creating New Value and Solving Social Issues", "Protecting and Conserving the Environment" which are of particular interest to stakeholders, and "Responding to People and Society as a Good Corporate Citizen" which is a theme to support the others, as Canon's materiality themes that Canon Group should address.

In 2024, Canon also began reviewing materiality themes in terms of compliance with global sustainability disclosure standards as set out by the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB).

(3) Sustainability promotion system

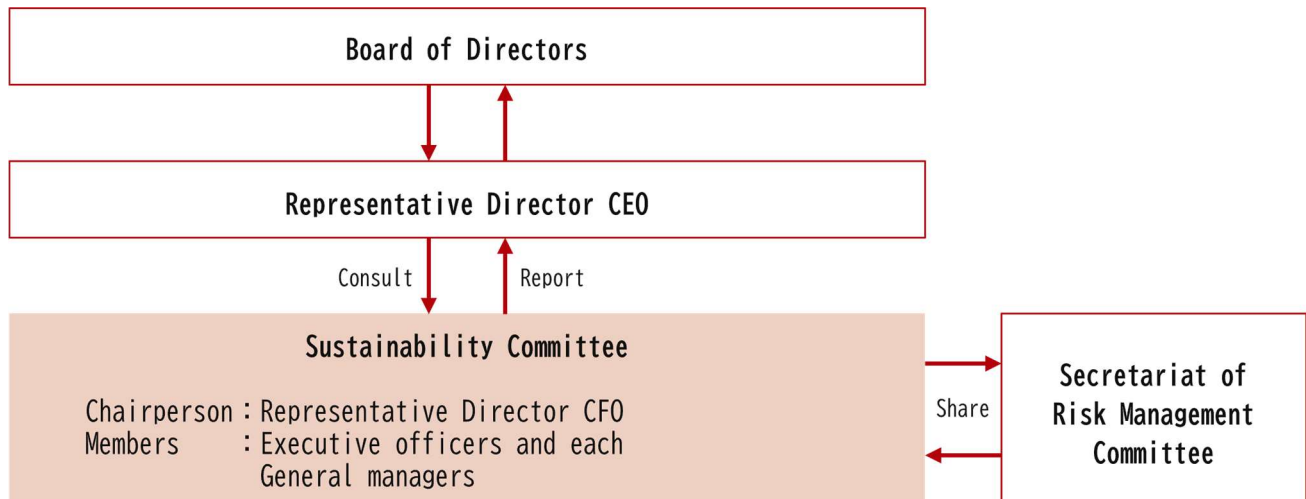
The Sustainability Headquarters was established to promote sustainability across Canon group, headed by the director with responsibility for sustainability. Besides promoting sustainability activities across Canon Group, for specialized issues, departments such as Legal Affairs, Human Resources, Quality Assurance and Procurement undertake initiatives leveraging their expertise.

In April 2024, Canon established the Sustainability Committee as an advisory body to boost information-sharing and deliberative capabilities to support the CEO and Board of Directors in appropriate and effective decision-making relating to the sustainability measures and initiatives being undertaken within Canon group at the parent and consolidated levels.

The committee meetings are held twice a year, in the first half and the second half of the fiscal year respectively, and extraordinary meetings are held when the chairperson of the committee deems it necessary. The members of the committee are appointed by the CEO from among the heads of the departments under the direct control of the president in Canon headquarters, operational headquarters, etc., and the CFO serves as the chairperson.

In FY2024, the committee shared information on the disclosure standards stipulated in the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) and other bodies, as well as sustainability issues of Canon Group and its responses. In addition to that, sustainability study sessions by outside experts were also organized.

Sustainability Promotion System



(4) Sustainability issues

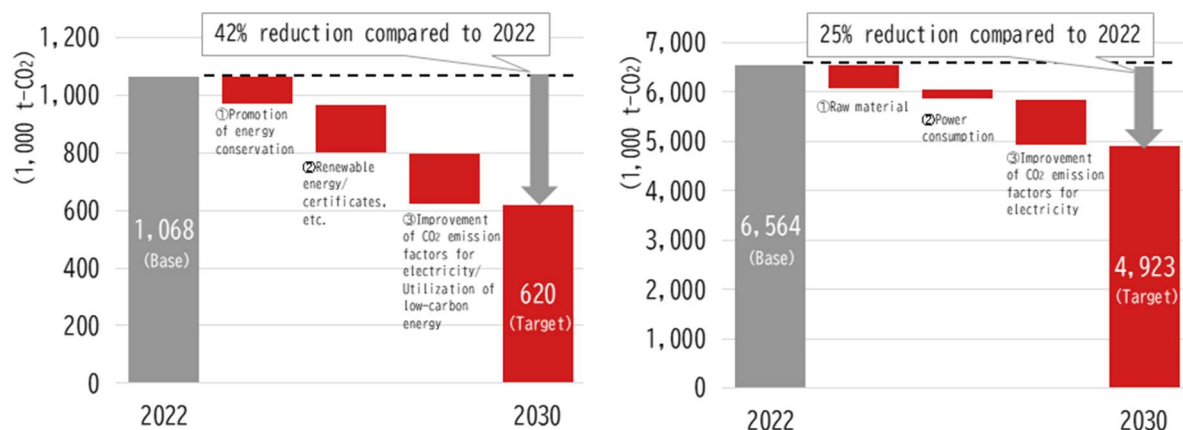
Canon Group faces a wide range of sustainability issues such as Climate change, Human capital, Human rights, and Cyber security. For more information about these issues, please refer to (5) Climate change, (6) Human capital, (7) Human rights, and (8) Cyber security below. For details, including other items, please refer to the sustainability report posted on Canon website.

(5) 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 gas 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) emissions by 25% compared to 2022 by 2030. The target was verified by SBTi, an international initiative that recommends setting scientifically based CO₂ 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.

Illustration of GHG Emission Reduction



Scope 1 + 2

Scope 3 (Category 1, 11)

Scope 1: Direct emissions (city gas, LPG, diesel oil, kerosene, non-energy greenhouse gases, etc.)

Scope 2: Indirect emissions (electricity, steam, etc.)

Scope 3: Emissions in the supply chain (Category 1: purchased goods and services, 11: use of products sold)

<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.

To achieve these targets, the Sustainability Headquarters plays a central role in promoting activities throughout the Group. The progress toward targets is reported to the management every month, and the annual review is reported to the CEO.

<Strategy>

Canon Group conducts scenario analysis based on the TCFD* 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.

* Task force on Climate-related Financial Disclosures

Published disclosure recommendations related to corporate climate risks and opportunities

■ Scenarios referenced for analysis

In the scenario analysis, the Group selected the “Current Scenario”, in which economic activities are conducted in line with current policies, and the “1.5 °C Scenario,” in which the world will control GHG emissions and policies and technological development related to climate change will progress faster than the current speed toward achieving net zero by 2050, on the premise that the targets of the Paris Agreement will be achieved. The scenarios referred to are as follows.

Current Scenario: (Transition risk) IEA APS, NGFS Current Policies (Physical risk) IPCC RCP8.5

1.5 °C Scenario: (Transition risk) IEA NZE, NGFS Net Zero 2050 (Physical risk) IPCC RCP2.6

Factors such as climate-related policies, laws and regulations, technological developments, changes in customer behavior, and market conditions in the major regions where Canon Group operates are also taken into account.

■ Definition of time frame and degree of impact

The time frame is examined in a manner consistent with Canon Group's medium - to long-term management plan.

Short term: to 2025 Medium term: to 2030 Long term: after 2030

The degree of impact is examined in three stages of extremely important, important and minor, and is set as the following standard.

Extremely important: May cause fluctuations in net sales by $\pm 10\%$ or more

Important: May cause fluctuations in net sales by $\pm 5\%$ to 10%

Minor: Impact of less than $\pm 5\%$ on net sales

* The impact criteria for each group are judged based on the net sales of the group.

■ Business environment assumptions under the Current / 1.5 °C Scenario

As climate-related risks and opportunities differ among the industry-oriented business groups (Printing, Medical, Imaging and Industrial), Canon Group reviewed the major climate-related risks and opportunities, their countermeasures and financial impact for Canon Group and each industry-oriented business groups.

Under the Current Scenario, the business environment is expected to include the continuation of existing climate-related regulations, the introduction of carbon pricing, the spread of recycled materials and bioplastics, the introduction of a modal shift, the expansion of customer demand for decarbonization and purchasing behavior conscious of climate change response, and the introduction of industrial policies for decarbonization in each country. Under the 1.5 °C Scenario, the aforementioned environment will become even more severe and developed, and the movement toward carbon neutrality throughout the supply chain will accelerate.

■ Risk and opportunity factors affecting Canon and estimated financial impact

Overview of Transition Risks and Opportunities (Risks and Opportunities related to the “Transition” to a low-carbon economy)

[Transition risks]		[Opportunities]	
Policies and laws and regulations <ul style="list-style-type: none"> • Increased cost for carbon pricing • Sales decrease when failing to meet regulations • Increase in capital investment to comply with regulations 	Technology <ul style="list-style-type: none"> • Increased R&D expenses to respond to climate change 	Resource efficiency <ul style="list-style-type: none"> • Cost reduction due to energy efficiency improvement • Lower distribution costs due to joint distribution and modal shift 	Energy source <ul style="list-style-type: none"> • Lower carbon pricing impact due to the use of low-carbon energy
Market <ul style="list-style-type: none"> • Increased costs due to the adoption of recycled materials • Sales decrease when other companies' products become dominant • Sales decrease when the price pass-through of costs for responding to climate change is not accepted 	Reputation <ul style="list-style-type: none"> • Sales decrease due to growing concerns of stakeholders when climate change measures are not sufficient 	Market <ul style="list-style-type: none"> • Sales increased due to the improvement of evaluation by stakeholders • Diversify fund procurement 	Products / Services <ul style="list-style-type: none"> • Sales of GX related products and recycling-oriented products increased • Increase sales of low-carbon products • Increase sales of adaptive products

Details of Transition Risks and Opportunities - Company-wide

The scenario analysis revealed that carbon pricing is a risk factor that could affect the entire company. Based on the emissions forecasts for Scope 1, 2 and 3 of Canon Group, the impact of the introduction of carbon pricing in 2030 and beyond is estimated at approximately 8.3 to 44.5 billion yen in 2030 and approximately 4.3 to 40.3 billion yen in 2050, using the Current Scenario and the 1.5 °C Scenario. As a risk management measure, Canon is working to decarbonize through the development of green technology. For example, at each of Canon’s sites, Canon has been working to reduce electricity consumption during production in three steps: visualizing electricity consumption, analyzing potential reduction, and implementing reduction measures. These efforts include breaking down electricity consumption into the operational units of production equipment, such as move and processing, to identify hidden inefficiency and highlight targets for improvement. The estimated reduction in electricity costs is estimated at approximately 4.5 to 5.7 billion yen in 2030 and approximately 9.7 to 12.1 billion yen in 2050, and it was confirmed that it will also have a positive impact. Canon is also addressing climate change in logistics in consideration of the characteristics of each business, and Canon sees the results of these efforts as an opportunity.

Furthermore, the Company is working on reducing CO2 emissions (Scope 3 Category 1) in raw material procurement on a company-wide basis, and is considering low-carbon materials in procurement and preparing for future procurement. Canon is introducing life-cycle assessment (LCA) methods in product development, such as incorporating actual data on the CO2 emissions of raw materials and parts collected from its business partners into LCA, and is aiming to reduce the environmental impact throughout the product life cycle.

If sufficient measures to address climate change are not be implemented, the Company recognizes the risk of a deterioration in reputation due to an increase in concerns of stakeholders who place importance on responding to climate change and a decrease in sales due to a loss of sales opportunities. As a countermeasure, the Company will continue to promote effective climate change initiatives and make timely and appropriate disclosures of such activities to stakeholders. Furthermore, the Company recognizes that appropriate disclosure of its response to climate change will improve the understanding and evaluation of stakeholders, including investors and customers, and that it will also provide opportunities to diversify its financing by meeting the investment and financing requirements of financial institutions.

Details of Transition Risks and Opportunities – the industry-oriented business groups

Analysis by the industry-oriented business groups revealed that the Printing business is expected to be affected by climate-related regulations in the electrical and electronics industries, changes in consumer preferences, competition with competitors, etc. However, risk reduction measures such as understanding regulatory trends, R&D and capital investment to respond to regulations, and acquisition of procurement requirements have already been incorporated into the plan, and as a result of trial calculations, it was confirmed that there will be no significant impact under either the Current Scenario or the 1.5 °C Scenario. Canon expects the positive impact of increased sales opportunities due to increased demand for low-carbon products and cost reductions due to energy efficiency improvements to be an opportunity.

In the Medical Business, there are cases where bidding requirements include power saving due to the increasing interest in sustainability mainly among customers in Europe. In the Imaging and Industrial businesses, although regulations and customer demands are relatively low at present, demands may increase in the future. Therefore, Canon has made trial calculations assuming the possibility that new R&D and capital investment will be required. The results showed that, although there was a risk of increased costs, the impact was relatively small as the Group has started to investigate trends in laws and regulations and take initiatives to improve energy efficiency in the regions where it operates. Canon believes that there are more opportunities in terms of reducing costs through energy efficiency improvements, and increasing sales opportunities for products that contribute to adaptation to climate change using existing technologies and products that match the industrial promotion measures of each country such as the GX related policies.

[Transition risks (Company-wide and the industry-oriented business groups)]

Transition risk classification	Risk factors	Company-wide / Group	Financial impact	Event occurs period	Impact degree	Measures
Policy laws and regulations	Carbon pricing	Company-wide	Increase in response costs	Mid-term to Long-term	Minor	• Company-wide initiatives to reduce GHG emissions
	Reinforcement of climate-related regulations for existing products	Printing	Decrease in sales when the Company fails to respond	Short-term to Long-term	Minor	• Continue R&D and capital investment in response to various regulations (response to the revision of the International Energy Star Program, an energy conservation standard for office equipment, development of recycled machines, etc.)
		Printing	Increase in R&D expenses for responding to regulations and capital investment	Short-term to Long-term	Minor	• Examination of R&D plans, capital investment plans and cost plans in response to regulatory trends
		Medical	Increase in costs due to responding to regulations	Long-term	Minor	• Continue efforts to improve energy saving performance
		Industrial	Decrease in sales when the Company fails to respond	Long-term	Minor	• Develop products and production technologies in response to regulatory measures (such as PFCs)
Technology	Increasing of customer's needs for climate change response	Medical	Decrease in sales when the Company fails to respond	Long-term	Minor	• Develop products that meet the energy saving related bidding requirements
		Industrial	Sales decrease due to restrictions and curtailment of transactions in the event that the Company fails to respond to the above	Long-term	Minor	• Develop low-carbon products and production technologies to meet changing customer needs
Market	Spread of recycled materials	Printing	Increase in raw material costs due to the use of recycled materials	Short-term to Long-term	Minor	• Consider and evaluate the use of various recycled materials • Price negotiations through the selections of material manufacturers, price guarantees through long-term contracts, and consideration of expanding new adoption • Collect information on alternative materials • Consider in-house production of substitute materials
	Comparison with competitors	Printing	Decrease in sales when products show higher lifecycle CO ₂ emissions than that of competitor's products	Short-term to Long-term	Minor	• Continue R&D utilizing product life-cycle assessment • Try to reduce GHG emissions throughout the product lifecycle
	Changes in customer preferences	Imaging	Decrease in sales when customers do not accept price pass-through for the cost of addressing climate change	Long-term	Minor	• Continue price acceptance surveys in response to climate change in each country and region

[Opportunities (Company-wide and the industry-oriented business groups)]

Opportunities classification	Opportunity factor	Company-wide / Group	Financial impact	Event occurs period	Impact degree	Measures
Resources efficiency	Improvement of energy efficiency	Company-wide	Cost reduction due to reduction of power costs	Short-term to Long-term	Minor	• Company-wide initiatives to improve energy efficiency
	Lower distribution costs	Company-wide	Lower distribution and selling, general and administrative expenses through joint distribution and modal shift	Short-term to Long-term	Minor	• Joint transportation within the Group and with other companies/round transportation • Expand to use of modal shift
Energy source	Switch to low-carbon energy	Company-wide	Cost reduction due to reduction of carbon pricing impact	Mid-term to Long-term	Minor	• Continue to consider various low-carbon measures, including the use of low-carbon energy
Products / Service	Increasing demand for low-carbon products	Printing	Sales increase due to increase in sales opportunities	Short-term to Long-term	Minor	• Development of low-carbon products (energy-saving products, longer product life, use of recycled materials, etc.) • Meet to newly developed procurement requirements (Environmental evaluation system “EPEAT” registration, environmental label “Blue Angel”, etc.)
	Increase in sales due to changes in customer preferences	Medical	Sales increase due to increase in sales opportunities	Short-term to Long-term	Minor	• Develop products that meet the energy saving related bidding requirements
	Increasing demand for products that help adapt to climate change	Imaging	Sales increase due to increase in sales opportunities	Mid-term to Long-term	Minor	• Development of products that help adapt to climate change (disaster prevention network cameras, image based infrastructure inspection services, etc.)
	Increasing demand for semiconductor manufacturing equipment due to increase of governmental promotional measures	Industrial	Sales increase due to increased demand for semiconductors as a result of the GX Project	Short-term to Long-term	Important	• Expand semiconductor manufacturing equipment for power semiconductors • Develop a system to increase production, including the construction of new plants
	Increase in sales due to changes in customer preferences	Industrial	Sales increase due to increase in sales opportunities	Short-term to Long-term	Minor	• Expand sales of low-power consumption products (nanoimprint lithography and model changes of current products, etc.) • Expand sales of products that can recycle plastics (plastic sorting equipment)

Physical risks (risks associated with climate change)

Canon Group's facilities and offices are located around the world, and natural disasters caused by climate changes could affect its businesses. As for physical risks associated with climate change, Canon has verified the risks of river flooding, storm surge, and storm wind at major bases in Japan and overseas using analysis tools such as the World Resources Institute's Aqueduct, local government hazard maps, and XDI's natural disaster risk analysis service. As a result, Canon has found that four of its production bases and offices in Japan and overseas have medium or high risks of river flooding and storm surge. However, Canon has already implemented necessary measures according to the situation of the bases, such as installing water stop boards, remodeling rainwater pipes, and raising the block height of the outer fence. The assets of these four bases account for approximately 3% of the total assets of Canon Group.

Going forward, the Company will continue to consider various measures to reduce the impact of damage and loss from natural disasters.

■ Results of scenario analysis

In the value chain, especially in R&D, procurement and sales, it was clarified through scenario analysis that there are impacts from R&D due to reinforcement of regulations, fluctuations in raw material prices, and customers' and business partners' views and demand trends for low-carbon products.

If no measures are taken, financial risks such as missed sales opportunities and cost increases may occur in either scenario. Although these are risks that should be considered, Canon has already incorporated measures to reduce risks into its plan, such as understanding regulatory trends, R&D and capital investment to respond to regulations, and acquisition of procurement requirements. Through multiple patterns of financial simulations conducted under each scenario, it was confirmed that there were no measures that would have a significant impact on the financial results, including measures currently being implemented and those that are being planned. Therefore, the impact was judged to be limited, and it was reconfirmed that there was no shortage in the measures that had been implemented and that the direction of the initiatives at products and production sites was correct.

In addition, in a world where the transition to decarbonization is progressing, Canon expects a positive impact from changes in consumer preferences, increased demand for adaptive products, and increased sales of low-carbon products and adaptive products of Canon Group due to the progress of industrial measures for the promotion of the GX, products contributing to the promotion of the GX, and cost reductions associated with energy efficiency improvements.

Through scenario analysis, Canon has confirmed that the impact of climate change on the financial performance, including sales and operating income, the financial position and cash flow of the entire Group and major businesses will be limited in the short, medium and long term, and that there is no need to revise the portfolio and business model.

However, Canon is aware that the introduction of carbon pricing and climate-related regulations could affect Canon Group's financial performance and the entire value chain, due to increased response costs, R&D expenses, and capital expenditures. Canon will continue to monitor the business environment while analyzing the impact on climate-related risks and opportunities.

<Risk management>

Canon's response to climate-related risks and opportunities is reflected in its company-wide environmental targets and priority measures. At Canon Group, environmental initiatives are part of its management evaluation. The status of achievement of environmental targets and the results of environmental activities of each division are evaluated twice a year in the Environmental and CSR performance evaluation, which is implemented as an indicator of the Consolidated Performance Evaluation System for evaluating the performance of the Group's overall management. The results of the evaluation are reported to the CEO and other management.

As a framework for continuous improvement of environmental assurance activities, Canon Group has established a common environmental management system in accordance with ISO14001 at all major business sites around the world, and manages identified climatic risks in accordance with the PDCA cycle of ISO14001.

Specifically, the environmental management system determines (PLAN) medium-term and annual "environmental targets" in order to promote (DO) environmental assurance activities in cooperation with the activities of each department, formulates priority measures and implementation plans for realizing them, and reflects them in business activities. Furthermore, the Company conducts environmental audits to confirm the status of initiatives and issues in each division, and Environmental and CSR performance evaluations that incorporate environmental aspects in

performance evaluations (CHECK), which lead to the continuous improvement and strengthening of environmental assurance activities (ACT).

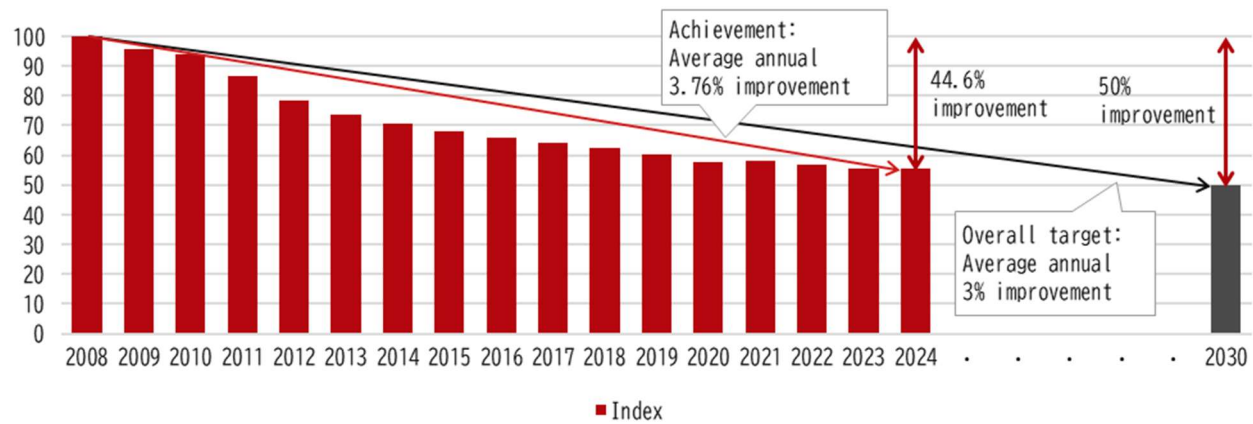
<Indicators and targets>

Canon Group aims to reduce its CO2 emission throughout the product lifecycle to net zero by 2050. To achieve this goal, Canon has set an overall target to reduce Scope 1 and 2 emissions by 42% in 2030 compared to 2022, and reduce Scope 3 (categories 1 and 11) emissions by 25% in 2030 compared to 2022. In November 2023 these targets have been validated by SBTi(Science Based Targets initiative).

Since 2008, Canon has set a target of “an average improvement in life cycle CO2 emissions per unit of product of 3% per year” (basic unit target) as a comprehensive target of the Group's environmental targets. By consistently achieving this target, Canon expects to achieve a 50% improvement in 2030 compared to 2008. In 2024, the annual average was 3.76%, exceeding the target, and an improvement of 44.6% compared to 2008.

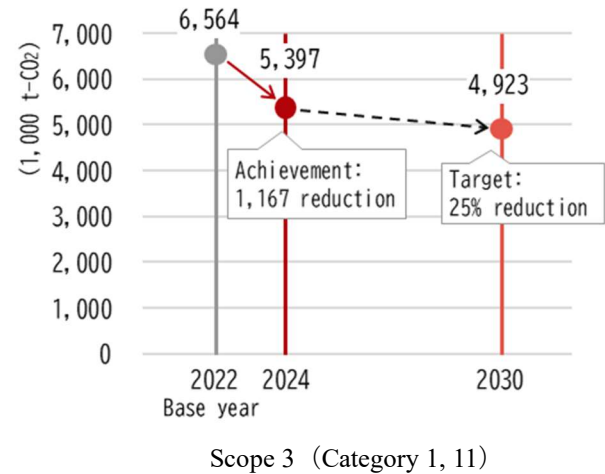
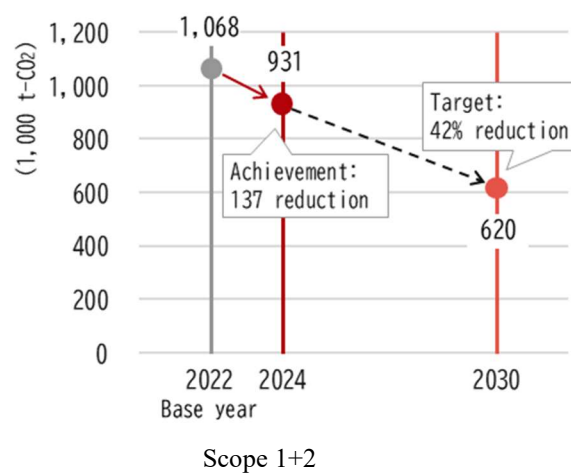
During the fiscal year ended December 31, 2024, the actual lifecycle CO2 emissions (the total of Scope 1, 2 and 3) were 8.104 million t-CO2, with Scope 1 emissions of 0.198 million t-CO2, Scope 2 emissions of 0.733 million t-CO2 and Scope 3 emissions of 7.173 million t-CO2. Canon will continue to achieve these targets in the next fiscal year and beyond.

Improvement in per-unit lifecycle CO2 emissions index



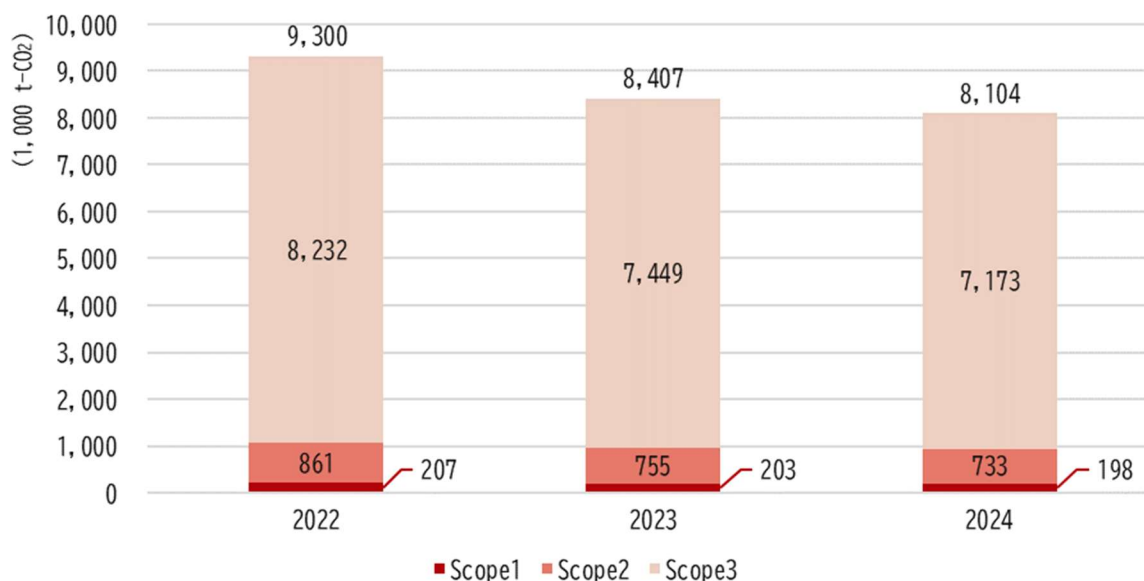
* When 2008(base year) is set at 100

Scope 1, 2, 3 (Category 1, 11) emissions



- Scope 1: Direct emissions (city gas, LPG, diesel oil, kerosene, non-energy greenhouse gases, etc.)
- Scope 2: Indirect emissions (electricity, steam, etc.)
- Scope 3: Emissions in the supply chain (Category 1: purchased goods and services, 11: use of products sold)

Lifecycle CO2 Emissions



Scope 1: Direct emissions (city gas, LPG, diesel oil, kerosene, non-energy greenhouse gases, etc.)

Scope 2: Indirect emissions (electricity, steam, etc.)

Scope 3: Emissions in the supply chain (purchased goods and services, transportation and distribution, use of sold products, etc.)

The data for 2024 has received third-party assurance. Some of the data for 2022 and 2023 have been recalculated to conform to the 2024 calculation method.

(6) 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. Currently, under Phase VI of the Excellent Global Corporate Plan, Canon is working to transform its portfolio by improving productivity and creating new businesses. 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 combination 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.

The following strategies are for Canon Inc. and will be rolled out for the group companies in the future, taking into account the situation of each company.

The Excellent
Global Corporation Plan
Phase VI

New business creation

Productivity
improvement



Workers as
source of
value creation



Strategies, indicators and targets for human resource development and internal environment improvement, including ensuring diversity

1. Acquisition and development of human resources for innovation

Canon is committed to recruiting and developing talented technical personnel to create innovative products and provide new value to society.

For regular recruitment, the Company promotes the appeal of Canon through internships, which raises student interest, and also enhances direct recruiting, which directly contacts excellent students. In addition, the Company is actively engaged in mid-career hire (hiring of experienced personnel) to recruit personnel with technologies not available in-house.

Additionally, under the Technology and Human Resource Development Committee, Canon has developed more than 250 specialized courses to develop the next generation of technology human resources from a long-term perspective. The effectiveness of technical training (degree of usefulness to practical work) in 2024 was a high level of 4.0 on average on a five step scale. In recent years, Canon has built a database of technical human resources that aggregates information on proprietary technologies and patents, etc., and this has led to effective human resource development.

In particular, with respect to the development of digital human resources, which are essential for innovation, the Company established the Canon Institute of Software Technology (CIST) in 2018 as an in-house educational institution dedicated to the development of software engineers, and has put in place a system that enables participants to acquire software skills according to their level. In addition, Canon conducted IT and digital transformation (DX) literacy training for all employees to improve productivity and promote DX (digital transformation), and a total of 28,000 people participated in it by 2024. Furthermore, the Company actively dispatches advanced personnel to external educational and research institutions to learn cutting-edge software technologies.

In 2023, the Company introduced the Advanced Engineer Certification System, under which engineers with advanced technical knowledge are recognized as “Top Scientists” or “Top Engineers” in an effort to improve motivation and train younger engineers.

In addition, the Company has developed a variety of training and trainee systems to develop human resources in business and manufacturing who will lead innovation in various fields, and systematically assigns and develops executive candidates in each field.

<Training results in 2024>

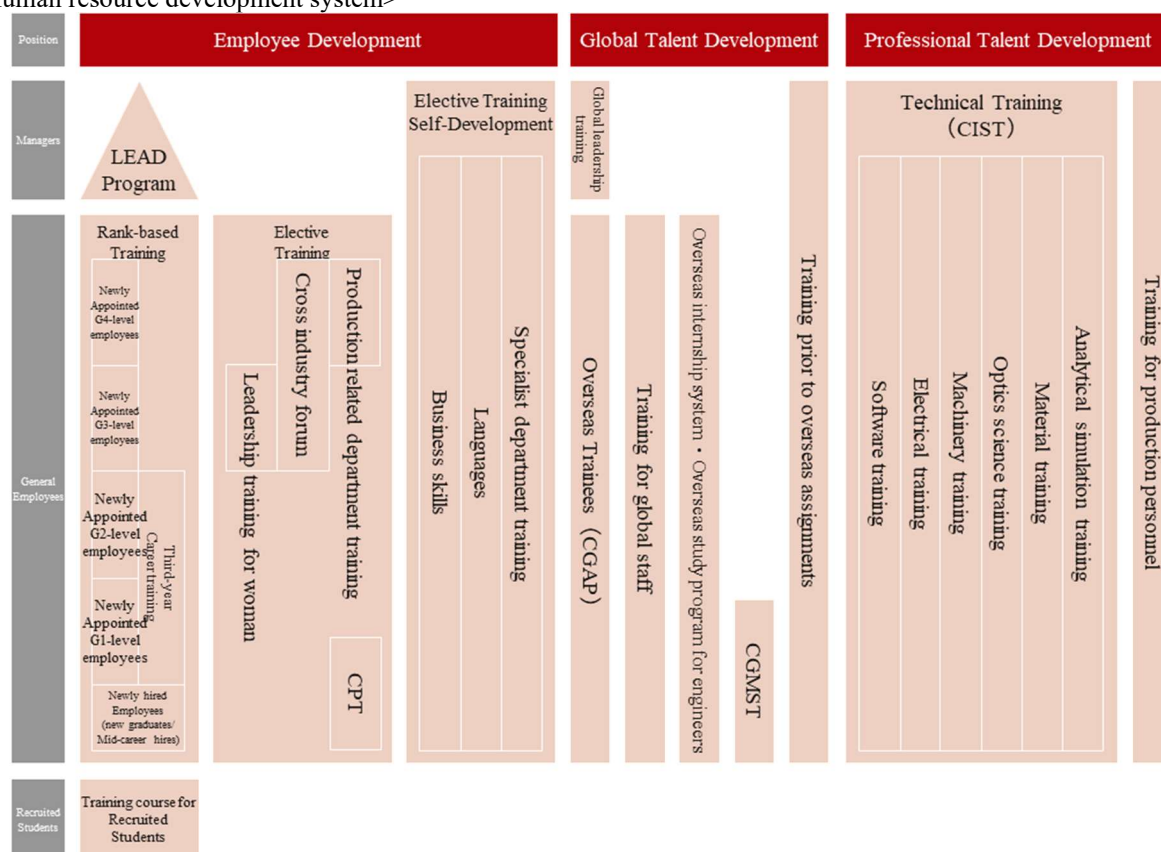
	Training hours	Training expenses
Total	625,000 hours	4.06 billion yen

Per employee	26.7 hours	173,000 yen
--------------	------------	-------------

<Basic approach to human resource development>



<Human resource development system>



CPT:Canon Production Trainee

CGAP:Canon Global Assignment Policy

CGMST:Canon Global Marketing & Sales Trainee

CIST:Canon Institute of Software Technology

2. Promoting the right person in the right position and a small number of elite

Canon is promoting the right person in the right place through strategic placement of human resources and career development support in order to realize an organization with a small number of highly productive elite.

For new employees, Canon is expanding the employment of the job matching type that promises the place of assignment before joining the company in order to assign personnel that match their specialty and orientation. After three years of service, the suitability of each employee's position is verified through career training and interviews, and efforts are made to eliminate any mismatch in assignment at an early stage.

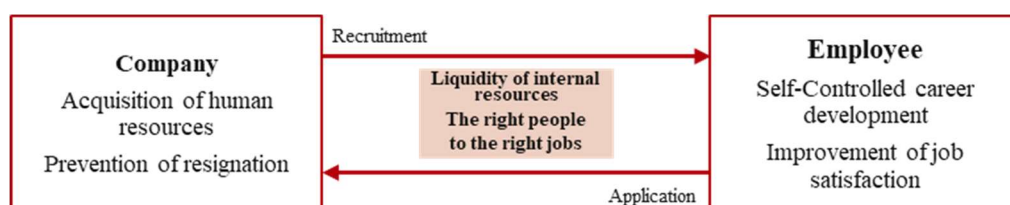
In addition, the Company has introduced a career matching system (internal job posting system) as a mechanism to shift personnel to growth fields and realize independent career development of employees. In 2015, the Company introduced a “Training-type Career Matching System” that combines job transfer training and an in-house job posting system to support employees who are taking on the challenge of new job types. As of 2024, a cumulative total of 2,445 employees have been transferred through in-house job postings. In addition, in 2021, the Company expanded the internal job posting system to domestic Group companies, enabling employees to be seconded or transferred between Group companies, thereby promoting the right person in the right place across the Group. Furthermore, the Company regularly introduces a variety of training programs to all employees to strengthen their reskilling.

For senior employees, the Company has established seminars to encourage independent career development and an in-house recruitment system for employees aged 60 and over. In addition, the Company has established a flexible working system that enables employees to demonstrate their abundant knowledge and skills, aiming to empower all employees regardless of age.

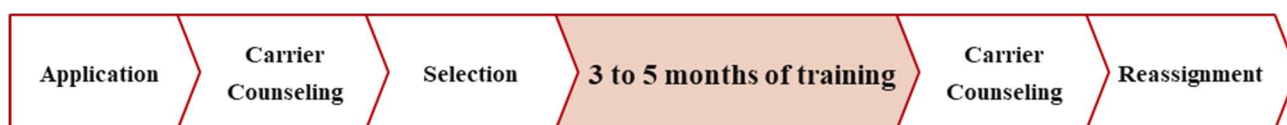
As a result of these initiatives, the turnover rate was 1.6% (excluding mandatory retirement), which is significantly lower than the national average (12.1%) *, and the Company maintains a high retention rate.

* Based on the 2023 Survey on Employment Trends industry, Turnover by employment type, Total of general labor industry, Ministry of Health, Labor and Welfare

<Internal career change by career matching>

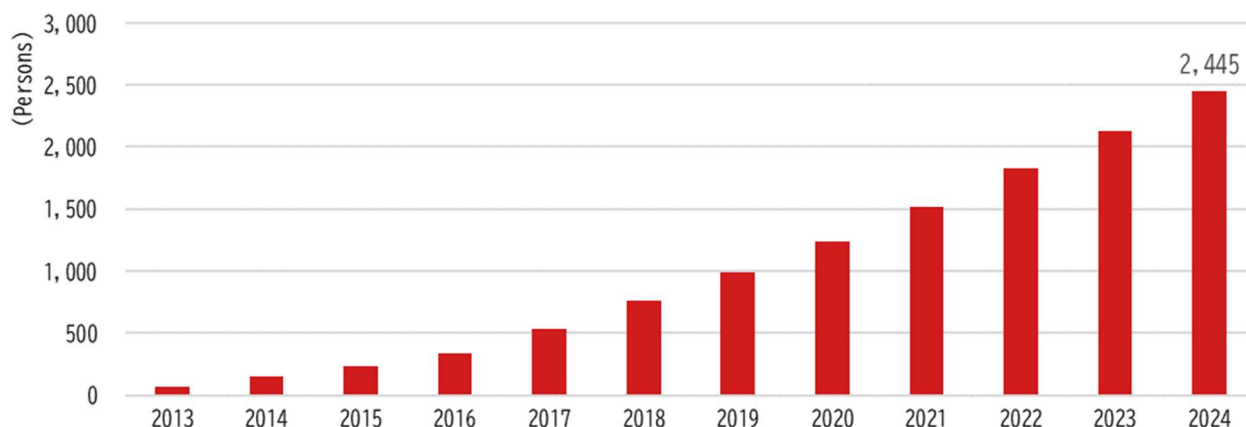


<Training type career matching system>



Open to applicants with no experience. Supporting employees who challenge themselves with new roles.

< Transferred personnel by internal job offering > Cumulative total

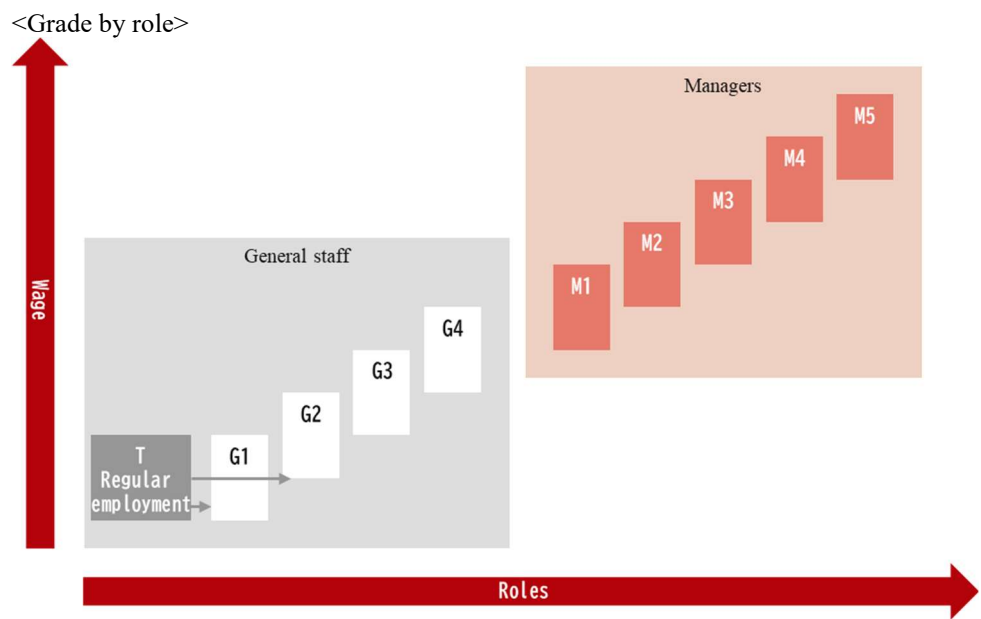


3. Advances in job oriented human resources management

In 2001, Canon introduced a job-based “position-based pay system” in order to select outstanding human resources and provide fair and just treatment regardless of age or gender. Under the system, Canon enables to support independent career development and achieving the right combination of talent and job position by drafting job descriptions for each position and clarifying the knowledge and skills required for the job. In recent years, Canon has increased recruitment according to job type based on role and career recruitment through an internal job offering, among other methods, and has been enhancing job oriented human resource management.

In terms of compensation, the Company has introduced an outstanding performance evaluation system, under which special compensation is paid to personnel who have made outstanding performance, and a system, under which a

higher bonus is paid to personnel who have generated high profits with fewer human resources. In addition, the Company has strengthened its investment in human resources through various improvements to its compensation system, including the continuous implementation of salary increases.



* T:Tentative/Training, G:Job Grade Band, M:Management Mission Band

4. Fostering a creative organizational culture

Canon is committed to organizational development to foster a free and open workplace culture that creates innovation.

Specifically, the Company implemented “Canon Knowledge-intensive staff Innovation (CKI)” activities, in which workplace members work to resolve issues such as communication and leadership through dialogue with the support of dedicated in-house consultants. As of 2024, a total of 16,600 people from 469 departments had participated in these activities.

Furthermore, Canon holds “Canon Inspire Summit” in November of each year as a comprehensive event for human resource development and organizational development, accelerating the initiatives for revitalizing the organization.

In addition, the Company actively supports employees’ voluntary activities for creating value. For example, the Developers Conference, which started in 2018, has become a widely established forum for employees to exchange opinions on product development and technology trends beyond the boundaries of their business unit.

Moreover, the Company is working to create a creative workplace environment, including the creation of an office environment for active communication among employees.

<Basic approach>



5. Promotion of Diversity, Equity and Inclusion

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

Key Initiatives and KPIs

- Ratio of female managers: More than triple the 2011 level by the end of 2025
- Increase the percentage of men taking child-care leave to 50% or more by the end of 2025

To promote the active participation of women, the Company conducts “female leader training” for the purpose of developing female candidates for management positions and engages in systematic development. In addition, the Company has established a support system that includes seminars on returning to work after childcare leave and mentoring by managers to help employees balance work and childcare, and is working to create an environment in which women can play an active role. As a result of these initiatives, the target for the ratio of female managers, which is a key performance indicator for the active participation of women, was achieved ahead of schedule by the end of 2025 as of the end of 2024. Furthermore, the number of female general managers and above has increased by approximately 50% over the past five years, steadily expanding the opportunities for success. In recognition of these achievements, the Company has been certified as an excellent company promoting the active participation of women with a “Eruboshi (three-star)” rating by the Ministry of Health, Labor and Welfare.

On the other hand, the low percentage of female employees is a challenge for Canon. This is because Canon is a company that emphasizes technological development and employs many engineers with a low percentage of female students in general. Therefore, the Company has set targets for the recruitment of women, and is working to further strengthen the recruitment of women. At the same time, the Company aims to make the ratio of women in management positions equivalent to the ratio of women in the total number of employees (17.0% as of the end of 2024) in the future. In addition, since 2024, Canon has been supporting the “Riko-challe” initiative of the Gender Equality Bureau, which supports female junior and senior high school students to advance to science and engineering, and have held various events.

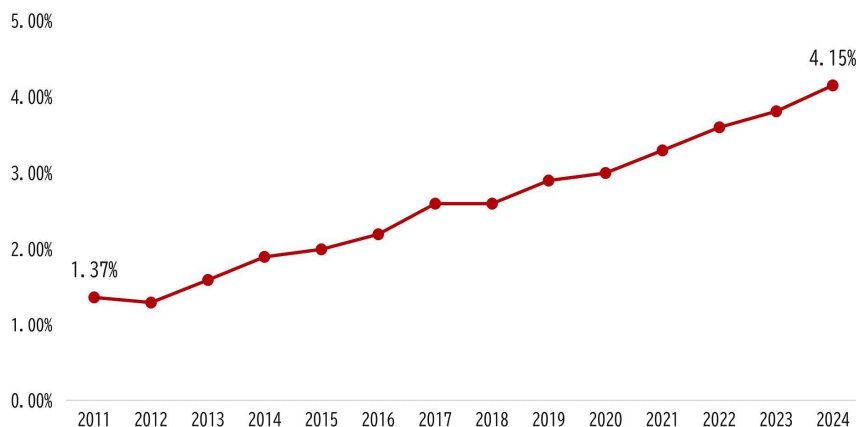
In 2024, the first woman was appointed as an External Director, and the first woman was appointed as an External Audit & Supervisory Board Member for 2025.

To support male participation in childcare, the Company holds round-table discussions and interviews with male employees using the childcare leave system, and conducts seminars related to childcare, etc., and strives to change the awareness of gender equality and foster a workplace culture. As a result of these efforts, the target for the rate of taking childcare leave, which is a key performance indicator for male participation in childcare, by the end of 2025 was achieved ahead of schedule as of the end of 2024. The average period of child care leave taken is higher than the average of the Federation of Economic Organizations. In recognition of these achievements, Canon has been certified as a “Platinum Kurumin” by the Ministry of Health, Labor and Welfare as an Child-Rearing Support company since 2019.

In addition, as an effort to improve DE&I, Canon holds company-wide training and events on minorities such as people with disabilities and LGBTQ+, and Canon is working to deepen employees' understanding.

For the percentage of female managers, the rate of men taking childcare leave, and the wage difference between men and women at each company including consolidated subsidiaries, please refer to 5. “Employee”, Part I. I “Overview of the Company”.

<Ratio of female managers>



<Rate of men taking childcare leave and average period of taking childcare leave>

KPI	Target	Actual	Average of Japan Business Federation
Rate of taking childcare leave	50%	64.6%	47.5%
Average leave period	-	86.5 days	43.7 days

* Average of Japan Business Federation is actual results for 2022.

6. Improvement of employee engagement

Canon is implementing a variety of measures to ensure that each and every employee understands the Company's philosophy and strategies and is willing to take on the challenges of his or her duties.

First, to grasp the current situation of the organization and employees, Canon conducts an employee awareness survey once every two years. After analyzing the survey results from various perspectives, the following year Canon held a training session for all line managers under the Canon Active Management Program. In the CAMP training, managers discuss issues of their own organization at each workplace, and connect them to specific measures. The effects of these measures are confirmed in the employee awareness survey in the following year. In the 2023 employee awareness survey, the percentage of positive responses increased from the previous survey in all categories, including "autonomy in the work they are in charge of" and "self-development." In particular, the Group has steadily improved the items related to engagement, such as motivation, personal growth and a comfortable working environment.

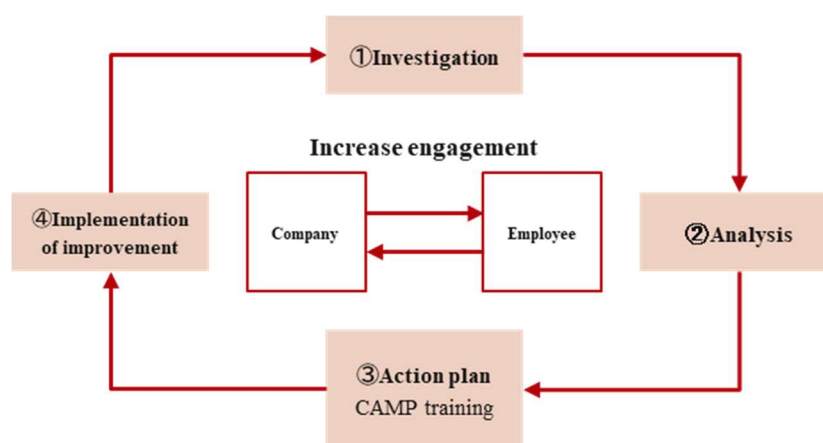
In the 2024 CAMP training, approximately 1,800 people from 140 departments discussed improving engagement under the theme of "Think Engagement." Going forward, Canon will continue to identify organizational issues from diverse perspectives and link them to various personnel measures, which will lead to the growth of both employees and the Company.

In addition, since 2024, the Company has been conducting a "motivation diagnosis" and a "pulse survey" for young employees, and is working to improve engagement through the unified efforts of superiors, seniors, and personnel. As a result of these initiatives, the Company has seen effects such as early separation from employment and the prevention of mental disorders after joining the Company.

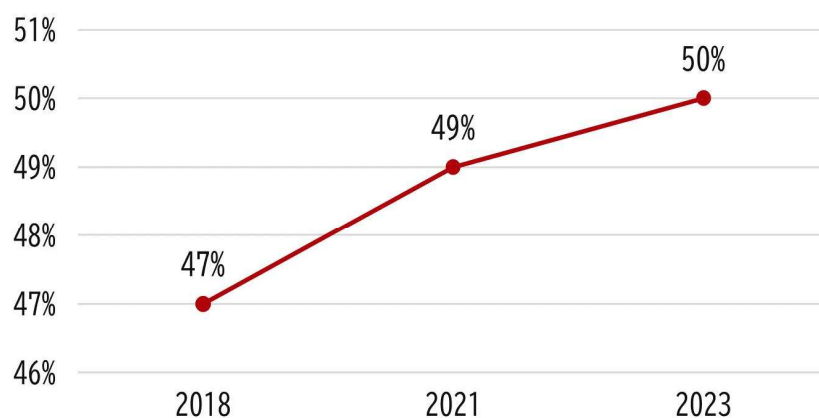
Moreover, in order to enhance the work-life balance, the Company is working to shorten working hours and create a working environment that allows employees to work flexibly according to their life stages. Specifically, the Company is enhancing systems such as shorter working hours for reasons of childcare and nursing care, promoting the scheduled acquisition of leave, and improving operational efficiency by utilizing IT. As a result of these efforts, the total annual working hours in 2024 were 1,730 hours, which is significantly less than the national average * (1,945 hours).

* Based on the Ministry of Health, Labour and Welfare's Monthly Labor Survey, General Labor Survey

<Management improvement cycle using employee awareness surveys>



<Employee engagement>



* Positive response rate for items related to engagement, such as motivation, personal growth, and a comfortable working environment

7. Promotion of health and productivity management

Since its founding, Canon has been promoting health management under the principle of “Putting Health First” as a code of conduct. Based on detailed analysis of data obtained through health examinations, including employees’ physical and mental conditions, lifestyle habits, and work conditions, the Company has set targets for eight health behaviors (mental health, cancer, exercise, diet, weight, sleep, alcohol consumption, and smoking cessation) in cooperation with the health insurance society, and provides effective health support.

For example, in light of the fact that lifestyle diseases are affected by sleep and smoking, Canon provides individual guidance using specialized equipment and implement smoking cessation programs and ensure good sleep. Moreover, as a result of promoting initiatives such as making all domestic business premises non-smoking from 2016, the smoking rate at the end of 2024 was 13.8%, a decrease of 18.6 percentage points from 2004. In addition, the Company distributes “Health Reports,” which analyze data on health examinations and health behaviors by organization, to support autonomous efforts at the workplace to improve the health of employees.

For mental health, Canon conducts stress checks every year, and Canon holds interviews with industrial physicians and health consultations by public health nurses for people with high stress. Canon also holds discussions with the workplace and strives to improve the workplace as a whole. As a result of these efforts, the percentage of people with high stress levels has been decreasing year by year, and the effects of these efforts are emerging.

In addition, as an effort to improve health literacy, the Company aims to maximize the abilities of its employees through various health support activities, including health seminars and events.

KPI	Target	actual
Health examination attendance rate	100%	100%
Stress check attendance rate	100%	96.2%
Cancer screening attendance rate	70%	51.6%

(7) Human rights

<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) conducting 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 Canon’s stakeholders in various countries and regions worldwide via Canon website.

Reference: Canon Group Human Rights Policy

<https://global.canon/en/sustainability/society/human-rights/pdf/hr-policy-e.pdf>

<Governance>

Representative Director CFO holds the responsibility as the executive of human rights, while the sustainability, legal and human resources divisions of Canon Inc. serve as the secretariat, pursuing human rights initiatives. The secretariat formulates an overall plan for human rights initiatives, establishes and operates grievance mechanisms, conducts stakeholder engagement, and reports important matters to the executive in charge. Potential human rights violation risks have been identified as a significant risk by the Risk Management Committee established by a resolution of the Board of Directors. Each Canon Inc. division and Group company is implementing initiatives to prevent and mitigate human rights risks. The results of the initiatives are evaluated annually by the Risk Management Committee and reported to the CEO and the Board of Directors.

<Implementation of human rights due diligence>

Based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, Canon Inc. undertakes human rights due diligence across the Group, as one of the activities under the Risk Management Committee. Each Canon Inc. division and Group company identifies and assesses the potential adverse human rights impacts in their respective business activities, including the supply chain, and identifies the salient human rights risks. The secretariat subsequently, aggregates, analyzes, and evaluates the risks for the various organizations and, through stakeholder engagement, identifies salient human rights risks for Canon Group.

Canon has identified 11 items as potential salient human rights risks that may arise in Canon Group's business activities, including the supply chain. As shown in the table below, various measures are taken to prevent and mitigate these risks.

Salient Human Rights Risks for Canon Group

	Rights-holders			
	Suppliers/ Contractors	Canon employees	Customers/ Consumers	Local communities
Discrimination based on such factors as race, gender, or religion		●		
Harassment		●		
Child labor	●			
Forced labor	●			
Unpaid wages/low wages	●			
Excessive overtime work	●	●		
Occupational health and safety	●	●		
Protection of privacy		●	●	
Procurement of conflict minerals				●
Noise, environment pollution at operational sites				●
Health damage or accident caused by product			●	

<Grievance mechanism>

Canon Inc. has set up an internal reporting system through which employees can report specific human rights concerns. Canon also works to raise awareness of the reporting system via the company intranet and training programs, among other measures, and are taking steps to ensure its appropriate use. Canon group has an internal reporting system and most Group companies worldwide through which employees can report specific human rights concerns in their own language. Canon Inc. also has a reporting system through which external stakeholders can report specific human rights concerns associated with Canon Group's corporate activities.

<Human rights awareness activities>

Since 2021, Canon Group has been carrying out an e-learning program for employees to instill basic knowledge about business and human rights and raise awareness of the human rights initiatives at Canon Group. Training programs held overseas reflect national and local characteristics, with each company optimizing the content and translating it into each language.

< Stakeholder engagement >

In identifying and assessing human rights risks and taking steps to prevent or mitigate such risks, in addition to Canon Workers' Union, Canon Group is engaged in dialogue with institutional investors, suppliers, and business partners.

<Response to human rights risks in the supply chain>

Canon Group joined the RBA (Responsible Business Alliance) in 2019, with the aim of further improving the CSR model of its supply chain. Canon formulated Canon Supplier Code of Conduct, based on the RBA Code of Conduct, to promote procurement activities that take proper account of labor, health and safety, environmental concerns, and management systems. Canon also collects letters of agreement concerning adherence to the Code of Conduct from major suppliers. In addition, by conducting annual questionnaire-based self-assessments, Canon is working to identify, assess, and prevent human rights risks among its suppliers, including the use of child or forced labor, unreasonable movement restrictions, or excessive working hours.

(8) Cyber security

< Governance / Risk Management >

In Canon, the Group Executive of Information & Communication Systems Headquarters, who is the Executive Officer in charge of information security, is positioned as the person responsible for making decisions on information security, and the Information & Communication Systems Headquarters in Canon is responsible for information security management of the entire Group as the operational organization. The Executive Officer in charge of information security, the Group Executive of Information & Communication Systems Headquarters, has been responsible for decision-making on information security for six years and has sufficient experience and knowledge on risk assessment and management. In addition, the Information & Communication Systems Headquarters, which is the operational organization, has appointed personnel who holds “Registered Information Security Specialist”, which is a national qualifications in Japan for professional personnel with practical knowledge and skills related to cybersecurity, to support risk management. The mid-term plan for information security is formulated by Information & Communication Systems Headquarters and approved by the CEO.

Canon has established a Risk Management Committee *1 based on the resolution of the Board of Directors, and has established a risk management system for promptly collecting and reporting information on incidents and accidents related to information security. In the event of an incident or accident relating to information security, the incident or accident is reported to the Information & Communication Systems Headquarters, and then to the CEO and the Board of Directors through the Risk Management Committee depending on the situation. The committee will draft measures for the development of Canon's risk management system, including the identification of serious risks that Canon may face in the course of conducting its businesses (violations of laws and corporate ethics, errors in financial reporting, environmental problems, quality issues, information leakage, etc.). Canon's various administrative divisions, such as the legal, logistics, quality management, human resource, and finance & accounting, are responsible for overseeing various risks associated with business activities. Each management division belongs to the relevant subcommittee, controls and supports the risk management activities of Canon's divisions and group companies in their respective areas of responsibility. Canon's divisions and group companies independently establish and operate its risk management systems, and report the results of its activities to the Risk Management Committee on a annual basis. The Risk Management Committee receives reports from each subcommittee, each division and each company, evaluates the status of establishment and operation of the risk management system, and reports the evaluation results to the Representative Director and CEO, and the Board of Directors.

* 1 For details, please refer to (1) Risk Management System in 3. Risk Factors.

<Strategy>

1. Information system security measures

Canon is implementing measures to maintain the three key elements of information security known as “confidentiality”, “integrity”, and “availability” *2. As a countermeasure against internal information leakage, the most critical information is stored in a dedicated system with enhanced security, with strict access restrictions and thorough logging of usage. In addition, Canon has established a secure environment for accessing to its information assets from outside the company, and manages the sending of e-mail attachments and carrying out of PCs and recording media. Furthermore, as a countermeasure against external cyberattacks, Canon monitors suspicious emails with malware *3 attachments and unauthorized communications from within the company to the internet, striving to prevent the spread of attack damage. On top of these, Canon has participated in cyberattack response training (NISC *4/NCA *5 cross-sectoral exercise) every year since 2017, aiming to strengthen its incident response capabilities. Canon also shares information on trends and countermeasures against cybersecurity risks with security tool vendors on a monthly basis.

* 2 Confidentiality: To ensure that only authorized individuals can access the information

Integrity: Information and processing methods are accurate and protected from tampering

Availability: Ensuring authorized individuals can access to the information when needed

* 3 Malicious software created with the intent to perform unauthorized and harmful actions, such as computer viruses and ransomware.

* 4 The abbreviation for the National center of Incident readiness and Strategy for Cybersecurity (NISC).

* 5 Abbreviation for Nippon CSIRT Association

2. Information security measures for production facilities

Canon is working on information security measures for production facilities to prevent production facilities at plants from having operational problems due to malware or cyberattacks, which could cause problems with production plans. In the past, the targets of cyberattacks were mainly information systems such as corporate business systems and web systems. However, the use of general-purpose operating systems(OS) and the adoption of the Internet of Things(IoT) are also progressing in production facilities, and information security risks equivalent to those of information systems are arising. The operating period of production facilities is longer than the support period of general-purpose OS, and security measures separate from those for information systems are required. Therefore, Canon and domestic and overseas group manufacturing companies monitor the production facilities network for unauthorized communications to prevent operations from being suspended due to virus infections and other factors. In addition, Canon conducts security audits of production facilities to maintain a safe production environment.

3. Information security education to raise employee awareness

Canon is also focused on raising awareness among employees, who are users of Canon's information systems, to maintain and improve information security. Canon ensures thorough implementation of Canon's information security measures and rules through group training for both regular and mid-career hires. Additionally, Canon conducts annual e-learning information security training for all employees. In 2024, approximately 23,000 of Canon's employees participated in this training. The training content aims to improve employees' information security literacy *6, covering topics such as vulnerability risks and their countermeasures, and precautions for web conferencing. Furthermore, Canon conducted practical training on handling targeted attack emails for approximately 60,000 employees of Canon Inc. and group companies to ensure proper response to suspicious emails and prevent the spread of damage. Special training is provided separately for new employees who are not yet accustomed to email-based work, with an emphasis on strengthening education.

*6 Knowledge and skills required when implementing security measures

4. Information Security Management System

In 2015, Canon established a dedicated team, CSIRT *7, within the Canon Information & Communication Systems Headquarters to handle information security incidents. At the same time, Canon is a member of the NCA and is working to strengthen cooperation with other CSIRT organizations. In addition, Canon has obtained external certification under ISO27001, the international standard for the establishment and operation of information security management systems, for its information security divisions.

When using third party cloud services, the Information & Communication Systems Headquarters assesses the security risks of the services in advance and operates a process to permit the use. After the start of use, the same process is carried out once a year to continuously reduce risks.

*7 Abbreviation for Computer Security Incident Response Team. Name of an organization responsible for handling computer security incidents and accidents.

3. Risk Factors

The major risks that management recognizes as potentially having a significant impact on the financial position, business performance, and cash flow status of the consolidated companies, among the matters related to business and financial conditions described in the annual securities report, are as follows.

The forward-looking statements herein are based on the judgment of the Canon Group as of December 31, 2024.

(1) Risk Management System

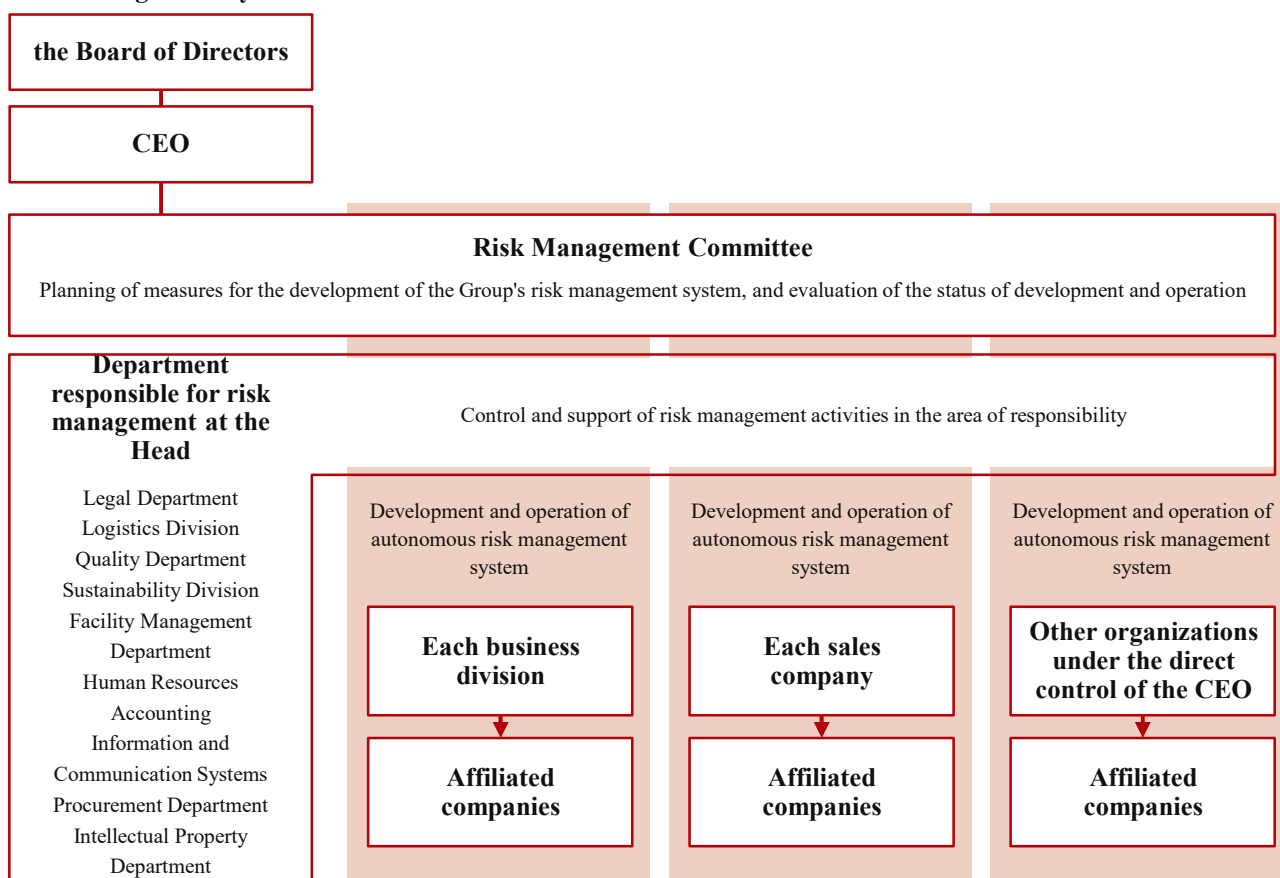
Based on a resolution by the Board of Directors, Canon has established the 'Risk Management Committee' to plan various measures for the development of the Canon Group's risk management system. This committee is composed of three subcommittees: the Financial Risk Subcommittee, responsible for establishing systems to ensure the reliability of financial reporting; the Compliance Subcommittee, responsible for establishing systems to ensure corporate ethics and compliance with major laws and regulations; and the Business Risk Subcommittee, responsible for establishing systems to manage overall business operation risks.

Canon's various administrative divisions, such as the legal, logistics, quality management, human resource, and finance & accounting, belong to the relevant subcommittee, controls and supports the risk management activities of Canon's divisions and group companies in their respective areas of responsibility.

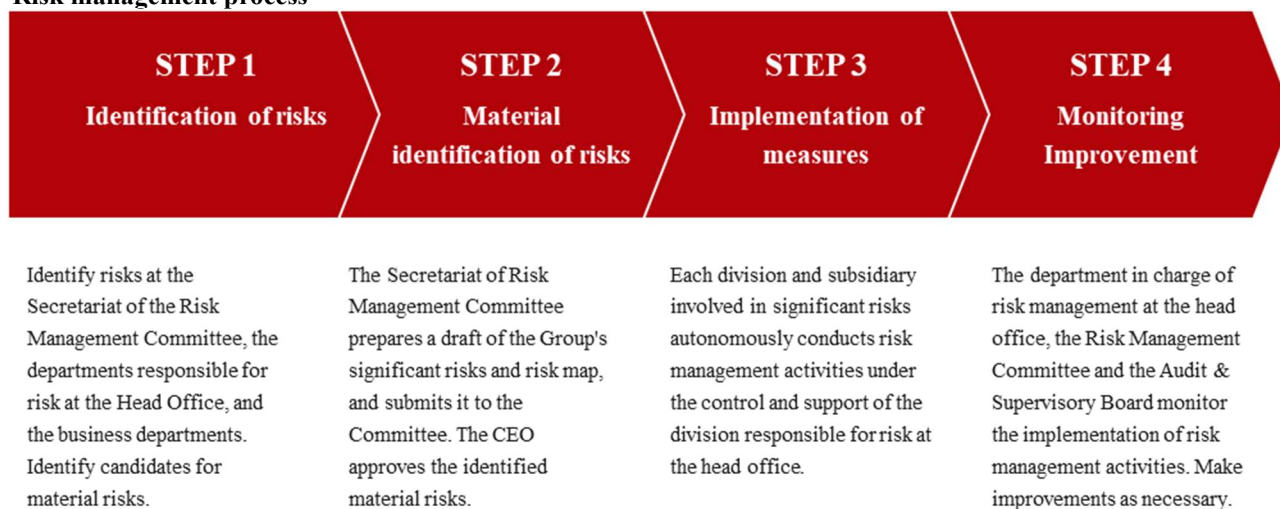
Under the above structure, Canon's divisions and group companies independently establish and operate its risk management systems, and report the results of its activities to the Risk Management Committee on an annual basis.

The Risk Management Committee receives reports from each subcommittee, each division and each subsidiary, and evaluates the status of establishment and operation of the risk management system. The committee reports the results of the evaluation to the CEO and the Board of Directors.

Risk Management System

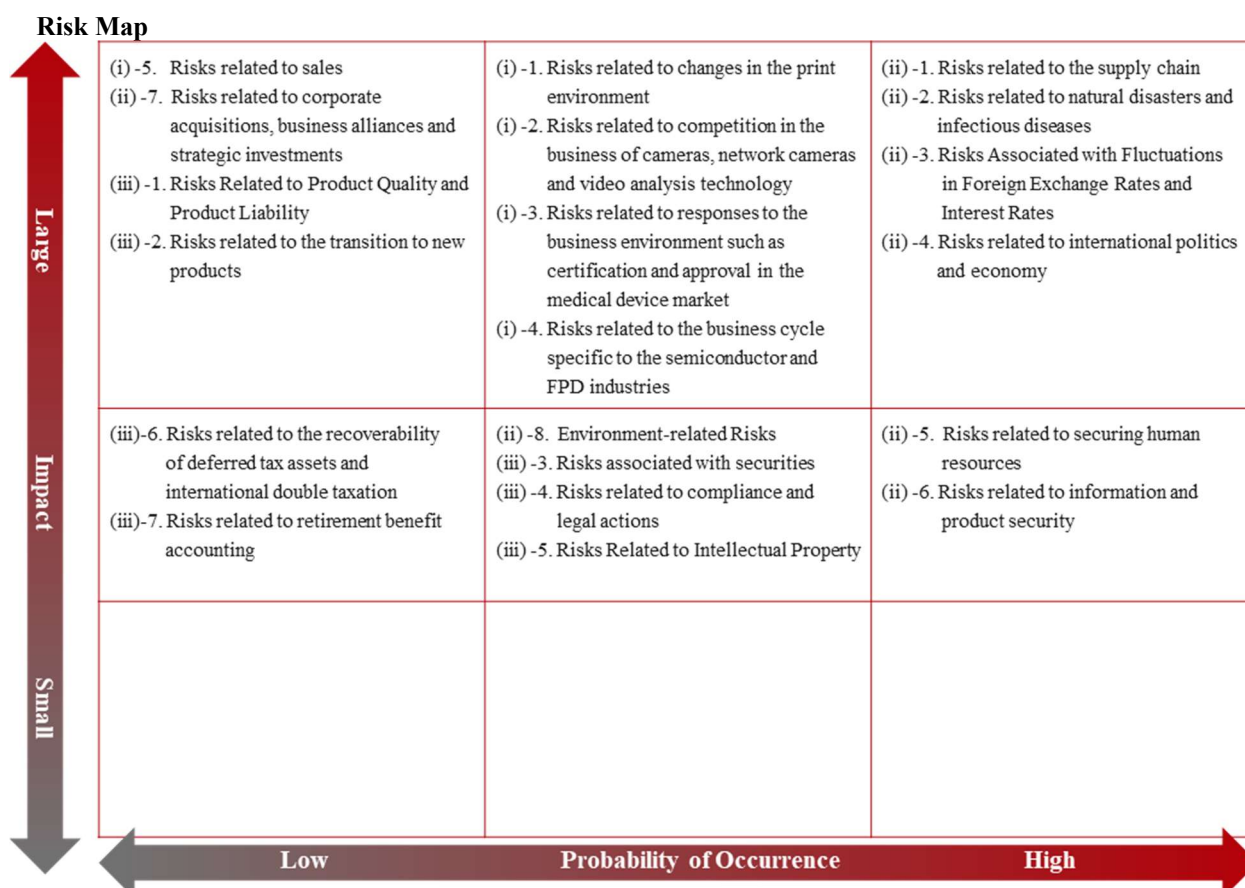


Risk management process



(2) Business risks

Canon Group (Canon and its consolidated subsidiaries. Hereinafter referred to as “Canon” in this section. The following are the major risks that may affect the operating results and financial position of the Company. In Canon, the Risk Management Committee, established based on the “Basic Risk Management Regulations”, identifies risks that may have a material impact on Canon operations each year. The following risks were also identified through deliberation by the Risk Management Committee. However, the following risks do not cover all risks associated with Canon, and the measures to deal with them do not completely eliminate these risks. The following items are based on judgments made as of the date of submission of Annual Securities Report (March 28,2025).



Note: Each risk number on the risk map is assigned in the order of Canon risk, “(i) Risks Specific to Canon’s Industries and Business Operations,” “(ii) Cross-business significant risks,” and “(iii) General risks.”

(i) Risks Specific to Canon's Industries and Business Operations
--

(i) -1. Risks related to changes in the print environment	
Impact: Large	Probability of occurrence: Medium
<p>● Risks</p> <p>Opportunities for printing in the printing market as a whole are expected to decrease in the future due to the widespread adoption of multifunctional and high-performance smart devices and applications, the penetration of paperless practices due to environmental considerations, and the changes in work styles brought about by the spread of remote work.</p> <p>If Canon is unable to sufficiently provide products, services and solutions that respond to changes in market conditions, its operating results may be adversely affected.</p>	
<p>☆ Response and Opportunities</p> <p>Canon leverages a wide range of products, from home inkjet printers to office multifunction devices, large-format printers, and high-speed commercial printing, as well as cloud services. This enables Canon to provide optimal choices for customers in various locations and opportunities where printing is needed, even under market environmental changes.</p> <p>The changes in printing opportunities in offices are due to the shift towards more flexible working styles, leading to printing needs moving to other locations such as homes. However, Canon is adapting to the new market environment by launching services that utilize inkjet printers and compact laser printers to provide secure business printing and management functions even outside the office.</p> <p>In response to the penetration of paperless practices, we are providing solutions by integrating office multifunction devices, which also function as high-speed scanners that promote digital transformation, with various document management services.</p> <p>Furthermore, due to the shift from analog to digital printing and the increasing demand for high-mix, small-lot printing, we anticipate medium- to long-term growth in the commercial and industrial printing areas. Canon is introducing new products and services in these high growth potential areas to capture demand.</p> <p>(Note) Canon business operations are described in (vii) "Trend Information," (2) "Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management," 4. "Management Analysis of Financial Position, Operating Results and Cash Flows," Part II. "Business Overview."</p>	

(i) -2. Risks related to competition in the business of cameras, network cameras and video analysis technology	
Impact: Large	Probability of occurrence: Medium
<p>● Risks</p> <p>In the camera market, as the photography capabilities of digital devices such as smartphones have significantly improved, consumer preferences for photography itself have also changed and diversified, leading to intensified competition in terms of price and performance. If Canon is unable to introduce new products that maintain competitive edge over rivals, or fails to match changing consumer preferences in providing products or new services that enhance the enjoyment of imaging, Canon's relative market position may decline, and as a result, its operating result may be adversely affected.</p> <p>On the other hand, the network camera market is expanding due to the increasing demand for security and video analysis solutions. However, if Canon is unable to provide products and services that maintain competitive edge over other companies amidst intensifying competition, Canon's relative market position may decline, and as a result, its operating results may be adversely affected.</p>	

☆ Response and Opportunities

Canon is further enhancing the performance of digital cameras to differentiate more from smartphones and meet the needs for high-quality and diverse imaging expressions. Canon is strengthening its wide lineup, catering to professionals, advanced amateurs, and entry-level users. Additionally, Canon is expanding VR (Virtual Reality) imaging systems to broaden photographic expressions further. Moreover, to attract new users seeking convenience and specific scene photography, Canon is developing new genres of cameras.

Network cameras are being increasingly utilized in various fields, not only for growth in security areas such as crime prevention and disaster management but also through the integration with technologies like AI and cloud computing. This includes analyzing customer behavior in stores and improving production processes in factories. To quickly respond to market changes and take appropriate measures, Canon is combining its established optical technologies, image processing and analysis technologies, and network technologies. This will further strengthen the competitiveness of Canon's existing businesses and expand operations in the video DX market using network cameras.

(Note) Canon business operations are described in (vii) "Trend Information," (2) "Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management," 4. "Management Analysis of Financial Position, Operating Results and Cash Flows," Part II. "Business Overview."

(i) -3. Risks related to responses to the business environment such as certification and approval in the medical device market

Impact: Large

Probability of occurrence: Medium

● Risks

The medical equipment market for healthcare institutions, primarily focused on diagnostic imaging devices, involves sales activities directed at medical professionals such as doctors and technicians. However, various regulations and codes of conduct are established for sales activities in each country and region, and it is necessary to strive to understand and comply with them. Additionally, verifying the clinical effectiveness of new technologies and products, and responding to medical device regulations in each country and region to obtain certifications and approvals, requires time from product conception and R&D to product sales. If Canon fails to accurately predict the clinical effectiveness of new technologies and products and cannot timely introduce products to the market to maintain competitiveness, or if unforeseen new regulations force significant adjustments to new business ventures, it may result in insufficient returns on investment and may adversely affect Canon's operating results.

Furthermore, in addition to the uncertainties in the business environment, including recent geopolitical risks, if Canon is unable to promptly respond to various changes in the business environment and market needs, such as the early detection of cancer and cardiovascular diseases, responses to pandemics and social security system reforms, shortages of medical professionals, and the deterioration of hospital management, it may adversely affect Canon's operating results.

☆ Response and Opportunities

Amid the tightening of various regulations specific to the medical industry in different countries and regions, Canon will work closely with its partners and collaborators to understand customer needs and changes in the business environment. By leveraging AI technology and Canon's core technologies, Canon will provide products and services with high clinical and economic value in a timely manner. Furthermore, Canon will promote the improvement of sales productivity and operational efficiency through the use of DX. In exploring new markets, including emerging countries, Canon will minimize the risks of technology leakage and preferential treatment of domestic products.

Additionally, as personalized medicine and regenerative medicine gain attention, Canon will quickly grasp the trends in the medical field and take swift measures.

As the volume of data increases with the advancement of medical care, the use of medical cloud platforms, which can reduce initial investment and maintenance costs, has become essential. In this context, Canon will support the enhancement of information security, particularly for medical institutions, and build trust with customers by providing both clinical value and safety and security.

(Note) Canon business operations are described in (vii) “Trend Information,” (2) “Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management,” 4. “Management Analysis of Financial Position, Operating Results and Cash Flows,” Part II. “Business Overview.”

(i) -4. Risks related to the business cycle specific to the semiconductor and FPD industries	
Impact: Large	Probability of occurrence: Medium
<p>● Risks</p> <p>The business cycle of the semiconductor and FPD are characterized by unpredictable fluctuations in amplitude, timing, and duration. During periods of oversupply of semiconductor devices and panels, investments in manufacturing equipment, including Canon's semiconductor lithography equipment, FPD lithography equipment, and OLED deposition equipment, will significantly decrease. In such an environment, Canon needs to continue investing heavily in R&D to maintain and enhance competitiveness. During market downturns, the impact of decreased sales and increased inventory can worsen cash flow, and Canon may not be able to recover all or part of the incurred costs, such as R&D expenses, which could negatively affect Canon's business, financial performance, and financial condition. If market changes differ from Canon's expectations and fail to meet customer needs, it could adversely affect customers' businesses and ultimately damage Canon's trust.</p>	
<p>☆ Response and Opportunities</p> <p>Canon is enhancing the performance of its equipment and strengthening ability to respond to customer needs, thereby capturing a wide range of demand and developing products aimed at diversifying customers, applications, and improving the balance of sales regions. Additionally, for equipment already operating in the market, Canon provides service support to meet customer needs, such as further performance improvements and specification additions, stabilizing its revenue base through both product development and after-sales service. Furthermore, Canon prioritize early detection of market changes and take measures by consistently conducting preemptive information gathering and analysis.</p> <p>In the semiconductor sector, Canon is constructing new production facilities to achieve medium- to long-term market growth and expand the share of its products. To enhance production capacity, Canon is implementing measures to minimize the impact of future market fluctuations, such as utilizing existing manufacturing equipment and establishing a flexible personnel allocation system within the Group.</p> <p>(Note) Canon business operations are described in (vii) "Trend Information," (2) "Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management," 4. "Management Analysis of Financial Position, Operating Results and Cash Flows," Part II. "Business Overview."</p>	

(i) -5. Risks related to sales	
Impact: Large	Probability of occurrence: Low
<p>● Risks</p> <p>Canon's business with HP Inc. is important, and as an OEM partner, Canon has built strong relationship over many years. However, if HP Inc. decides to limit or reduce its relationship with Canon due to changes in policy, business, or financial performance, it may adversely affect Canon's business and operating results. Additionally, Canon has established good relationships with other major business partners. However, if these partners decide to limit or reduce their relationship with Canon due to changes in policy, business, or financial performance, it may adversely affect Canon's business and operating results. Furthermore, if changes in the environment exceed Canon's expectations, it may adversely affect Canon's operating results.</p>	
<p>☆ Response and Opportunities</p> <p>Canon is deploying direct and indirect sales channels in a balanced manner across regions. In response to changes with specific partners, Canon is not only addressing them through existing channels but also actively pursuing new business partners.</p> <p>Additionally, in Canon's business with HP Inc., Canon continues to provide competitive products that respond to diverse work styles and changes in office environments, while maintaining and strengthening a good and strong partnership.</p>	

(ii) Cross-business significant risks

(ii) -1. Risks related to the supply chain	
Impact: Large	Probability of occurrence: High
<p>● Risks</p> <p>Canon strives to build an optimal supply chain for the entire process, from purchasing parts and materials to production and sales of products. However, Canon relies on specific external suppliers for critical parts and materials. If quality issues, supply shortages, or price increases occur with parts and materials used across Canon's products, it could lead to interruptions in production activities or increases in manufacturing costs. In addition, logistics services must function effectively for the procurement of parts and materials and the smooth supply of products to various countries and regions worldwide. However, if any issues arise with computerized logistics systems, or if geopolitical risks such as the US-China conflict, the Ukraine conflict, or Middle East tensions, as well as labor disputes like strikes by port workers, cause disruptions in logistics, it could negatively impact Canon's supply chain. This includes potential damage to high-value products during transportation that cannot be covered by insurance, and the inability to deliver substitute products to customers, leading to lost sales opportunities and negatively affecting Canon's business performance and customer trust. Furthermore, as a corporate social responsibility, there is an international requirement to respect and protect human rights and environmental conservation in the supply chain. Therefore, if a violation of human rights or environmental laws, regulations, or ethics occurs in the supply chain of Canon Group, Canon's social trust and brand value may be damaged.</p>	
<p>☆ Response and Opportunities</p> <p>Canon strives to build an optimal production system and improve quality while globally operating and managing logistics for the entire group. Canon aims to establish an efficient logistics system and reduce logistics costs, as well as set up a system that can respond quickly to issues when they arise. Regarding the optimal production system, Canon is advancing the construction of an efficient production system using automation and robotics technology, promoting the in-house production of key parts to manage external dependency and reduce manufacturing costs. Furthermore, Canon is promoting the diversification of supply sources by developing new suppliers, alternative parts and materials, thereby increasing resilience against rising raw material costs and supply shortages. For quality improvement, Canon has established a specialized quality management organization and is working with external suppliers to promote quality improvement activities, ensuring stable procurement of raw materials and parts.</p> <p>In addition, as part of Canon's efforts to respect and protect human rights within the supply chain, Canon has established a human rights policy and is working on human rights due diligence and the development of remediation mechanisms. Canon has formulated the "Canon Supplier Code of Conduct", which adopts the code of conduct of the Responsible Business Alliance (RBA), to promote procurement activities that consider labor, occupational health and safety, the environment, and management systems. Canon obtains consent forms from major suppliers regarding compliance with the code of conduct. Furthermore, to promote efforts by these suppliers to prevent child labor, forced labor, and excessive working hours, ensure occupational health and safety, reduce greenhouse gas emissions, reduce raw materials, and comply with environmental regulations, Canon conducts annual inspections using its proprietary survey approved by the RBA.</p>	

(ii) -2. Risks related to natural disasters and infectious diseases	
Impact: Large	Probability of occurrence: High
<p>● Risks</p> <p>The headquarters building and core facilities for information systems and R&D in Canon are concentrated in the suburbs of Tokyo. In general, earthquakes occur more frequently in Japan than in other regions of the world, and therefore, it can be said that the area is susceptible to damage associated with them. In addition, Canon's facilities and offices for R&D, procurement, production, distribution, sales and services are scattered around the world, and the infrastructure may be disrupted by natural disasters such as floods and forest fires caused by earthquakes and climate changes, as well as terrorist attacks. Such factors may adversely affect Canon's operating activities and incur expenses for material and personal damage, and they may adversely affect Canon's operating results.</p> <p>If the spread of infectious diseases lead the global economy and Canon's business activities to be stagnated, or the business partners' business activities and investments to be demotivated, or Canon business activities are restricted by the request of governments etc. in each country, it could adversely affect Canon business, operating results and financial condition. In particular, in the market related to Canon's businesses, if printing volume of office equipment does not recover as much as expected due to the increase in remote working, or if the installation of lithography equipment and industrial equipment are less than Canon's forecast due to travel restrictions, it could adversely affect Canon's operating results and financial position.</p> <p>Furthermore, the spread of infectious diseases could disrupt supply chains around the world and Canon's production activities, and production activities at some Canon's plants in South-East Asia and other regions could be stagnated. In addition, overseas sales activities may be adversely affected by restrictions on economic activities, closure of offices and sales stores, international travel restrictions, or tightening supply and demand for international freight transportation.</p>	
<p>☆ Response and Opportunities</p> <p>In Canon, the Company's head office departments continuously conduct risk management activities. Specifically, the Company has partially established a backup system to produce similar models at multiple locations in preparation for the worst case such as the suspension of factory operations. In addition, the Company has confirmed the initial response matters and the division of roles of the related departments, established an emergency contact system and guidelines, and conducted training, etc. in order to realize a prompt recovery in the event of a suspension of operations. Furthermore, Canon has established backup systems for the core systems used for R&D, procurement, production, quality, logistics, sales, and services in preparation for the possible failure of information systems.</p> <p>In addition, Canon, the Group has established a remote working system in emergencies such as when it is impossible to go to work due to disasters, and has assigned industrial physicians and public health nurses at each base to appropriately respond to any spread of infectious diseases.</p> <p>Assuming that natural disasters and the resurgence of infectious diseases will occur in the future, the Group is working to rebuild and strengthen its production and sales activities in Japan and overseas.</p>	

(ii) -3. Risks Associated with Fluctuations in Foreign Exchange Rates and Interest Rates	
Impact: Large	Probability of occurrence: High
<p>● Risks</p> <p>Canon earns an important percentage of revenue from international operations, and rapid fluctuations in exchange rates due to changes in the policies of domestic and Canon financial authorities may affect Canon's operating results and financial position, including fluctuations in foreign currency positions. Sales of Canon products denominated in foreign currencies will be adversely affected by the yen's appreciation against foreign currencies, while the yen's depreciation will provide a tailwind. In addition, the yen amounts of Canon assets and liabilities arising from transactions denominated in foreign currencies and foreign currency translation adjustments arising from foreign currency-denominated financial statements of foreign subsidiaries may also fluctuate. In addition, Canon is exposed to the risk of fluctuations in interest rates that affect the valuation of assets and liabilities.</p>	
<p>☆ Response and Opportunities</p> <p>In order to deal with sudden fluctuations in exchange rates, Canon, including Canon subsidiaries, regularly execute exchange rate hedging transactions for short-term exchange contracts. In addition, Canon maintains stable earnings by introducing highly competitive products and takes measures such as introducing products to the market at prices that reflect the recent exchange rate levels. To deal with the risk of interest rate fluctuations, the Company strives to maintain a strong financial structure that is not affected by interest rate trends by minimizing borrowings from external sources.</p>	

(ii) -4. Risks related to international politics and economy	
Impact: Large	Probability of occurrence: High
<p>● Risks</p> <p>Although many of Canon's production and sales activities are conducted outside of the country, there are risks associated with its operations outside of Japan, mainly due to the occurrence of political and diplomatic issues or adverse economic conditions, and unexpected changes in policies, legal systems, regulations, etc.</p> <p>In the event of political or diplomatic problems or unfavorable economic conditions, such as prolonged inflation or economic downturns due to monetary tightening in major markets, or further aggravation of the situation in Ukraine and the Mideast or trade friction, corporate customers' investment may be restrained or personal consumption may be sluggish, which may adversely affect Canon business results. In particular, if there is a change in the U.S. trade policy and this affects sales in the U.S., which account for a certain percentage of Canon sales, it may adversely affect Canon business results. Restrained investment by corporate customers could lead to lower demand for products for corporate customers, mainly in Canon office multifunction devices, laser printers, medical equipment, lithography systems and industrial equipment, while sluggish consumer spending could lead to lower demand for consumer-oriented products such as cameras and inkjet printers. In this case, the sale of Canon products may decrease, and Canon operating results and financial position may be adversely affected.</p> <p>In addition, there are various issues related to the development of political, administrative and legal systems in various countries and regions around the world, as well as issues related to the situation in Ukraine and the Middle-East, and there is a risk that Canon may face unexpected changes in policies, legal systems, regulations, etc.</p>	
<p>☆ Response and Opportunities</p> <p>In the event of political, diplomatic or adverse economic conditions, Canon regularly communicate with Canon subsidiaries and receive business overview interviews. The results of these interviews are reflected in the Company's business strategies and earnings forecasts. In addition, when demand in a particular market or the world as a whole is expected to decrease, Canon will adjust production according to the production and supply system of the products.</p> <p>As for unexpected changes in policies, legal systems, regulations, etc., Canon has strengthened measures particularly related to international environmental regulations and international and domestic tax system changes. In addition, the Company strictly complies with laws and regulations such as fair competition, anti-corruption, personal information protection, security trade control, and the environment under the control of each responsible department.</p>	

(ii) -5. Risks related to securing human resources	
Impact: Medium	Probability of occurrence: High
<p>● Risks</p> <p>The future performance of Canon depends in large part on the continuous contribution of talented people to the company. In addition, Canon believes that the ability to recruit and train talented people in Canon activities such as development, production, sales and management and to maintain the employment of talented employees will affect Canon's future operating results. On the other hand, competition for human resources in the labor market of the high-tech industry to which Canon belongs has become increasingly intense in recent years. Furthermore, as technological progress accelerates day by day, it is becoming increasingly important to train new employees to meet the capabilities required in terms of product R&D. One of the most important issues in Canon manufacturing technology is the transmission of skills. It is not possible to acquire special skills such as lens processing in a short period of time.</p> <p>If the Group is unable to recruit and train competent human resources, or if there is an outflow of competent personnel, this may cause delays in development and production, resulting in the outflow of research results and technologies, and the risk of skills not being properly passed down.</p>	

☆ Response and Opportunities

Canon is working to ensure that the right people are in the right jobs and to maintain the employment of talented people by strategically allocating human resources and actively supporting employees in their career development.

In the hiring activities, the Company has expanded the employment system of job matching, in which the assignment of a department is confirmed before joining the Company based on expertise and the individual's orientation, and the Company assigns the human resources required by each business to the most appropriate department. In addition, the Human Resources Department holds interviews with employees who have been employed for three years or more to confirm their adjustment status with their work and workplace, and Canon has created an environment where each employee can demonstrate his or her ability with peace of mind.

In addition, Canon has enhanced its career matching program (in-house recruitment program), and every year many employees take on the challenge of new work on their own volition. Under the "Training-type Career Matching System," the Company provides employees with training opportunities and enables them to take on the challenge of transforming themselves. By providing opportunities for employees to relearn to acquire specialized knowledge and establishing a structure that enables them to take on the challenge of work for which they have no experience, the Company supports autonomous career development in the era of 100-year life.

Furthermore, the Canon Institute of Software Technology (CIST), established in 2018, is engaged in systematic and continuous human resource development, from skill enhancement of engineers focusing on software development of products to basic education for new employees and education for employees aiming at job transition, and at the same time, it supports the transition to technical human resources.

In terms of human resource development, the Company has implemented a systematic training program and trainee system to develop professionals in areas such as R&D, manufacturing, sales, and management, including the "LEAD Program" to discover, train, and appoint next-generation leaders.

Special skills that are essential for Canon operations are passed on through the "Certification and Award of Excellent Craftsmanship" program.

In addition, the Company has established the "Advanced Engineer Certification Program" to identify, appoint and support outstanding engineers in order to respond to rapidly advancing technologies.

In addition to these initiatives, the Company strives to prevent the outflow of human resources by realizing a virtuous cycle of fairly and impartially evaluating work performance and assigning and treating competent personnel in more advanced roles.

(Note) The views and initiatives on human resource development and diversity are described in (6) "Human capital," 2. "Approach to Sustainability and Related Initiatives," Part II. "Business Overview."

(ii) -6. Risks related to information and product security	
Impact: Medium	Probability of occurrence: High
<p>● Risks</p> <p>Canon maintains confidential electronic information about its business processes, including manufacturing, research, development, procurement, production, sales and accounting, as well as confidential information about its customers and other stakeholders. Canon uses these electronic data through various systems and networks, including those managed by third parties.</p> <p>With respect to these electronic data, there is a possibility that personal information may be leaked or services may be suspended due to cyber-attacks by hackers or computer viruses, infrastructure failures, natural disasters, etc. In particular, cyber-attacks are becoming increasingly sophisticated and complex, and the targets of such attacks are spreading around the world. If Canon bases are attacked by vulnerabilities in information technologies, it is possible that Canon networks will be compromised and websites and online services will be suspended.</p> <p>In addition, Canon products and services are increasingly linked to the cloud and smartphones via networks, increasing convenience. As the use of electronic data and information service functions progresses, security risks such as leakage of personal information and confidential information are increasing even in products and services provided to customers, and incidents may occur.</p> <p>If such a situation occurs, important business operations may be suspended, confidential data such as personal information and business secrets related to customers and other related parties may be leaked, the information service functions of products may be adversely affected, and liability for damages may occur. As a result, the Group's reputation may be damaged, brand value may decline, and Canon operating results and financial position may be adversely affected.</p>	

☆ Response and Opportunities

Canon is working to strengthen information security and information infrastructure to ensure the safe and strict management of electronic data.

Canon positions the Executive Officer in charge of information security as the person responsible for making decisions on information security, and the Information and Communication Systems Division, as a practical organization, is responsible for information security management of the entire Group.

In addition, the Company has formulated the "Group Information Security Rules" and applied them to the Group companies worldwide with the aim of maintaining the same level and the same concept of information security throughout the Group.

As a countermeasure against information security incidents such as cyber-attacks, the Company has established a specialized team, the Computer Security Incident Response Team (CSIRT). As a countermeasure against cyber-attacks from outside, the Company has built an environment for blocking suspicious e-mail, monitoring unauthorized entry into the Company's internal network, and monitoring unauthorized communications on the Internet, etc., and strives to prevent the expansion of damage from cyber-attacks. In addition, the Company regularly conducts cyber-attack response training to strengthen the response system. In addition, the Company conducts investigations and countermeasures for vulnerabilities (security holes) in the websites that are disclosed to the outside on a daily basis to reduce the risk of online service suspension.

Canon also conducts company-wide employee training on the management of software used in business, the handling of information, and cyber-attacks, as well as targeted attack email training, and strive to improve awareness and literacy. In addition, the Company conducts information security audits of Canon and Group companies every year to ensure the application of information security measures and strives to maintain and improve the level of information security on a continuous basis.

In addition, Canon has established an internal PSIRT (Product Security Incident Response Team) to respond to product security issues in the market. PSIRT is constantly monitoring market trends for vulnerabilities and gathering the latest information in collaboration with the Ministry of Economy, Trade, and Industry's Early Warning Partnership framework and external organizations. In addition, Canon has established a system to receive reports on vulnerabilities in Canon products and services from researchers around the world. Canon also disclose information on its external website (<https://psirt.canon>) to enable prompt disclosure and posting of information from Canon to customers, and Canon is working to ensure product security at the global standard level.

(Note)The views and initiatives on human resource development and diversity are described in (8) "Cyber security," 2. "Approach to Sustainability and Related Initiatives," Part II. "Business Overview."

(ii) -7. Risks related to corporate acquisitions, business alliances and strategic investments	
Impact: Large	Probability of occurrence: Low
<p>● Risks</p> <p>Canon, the Group has been conducting corporate acquisitions for the purpose of expanding its businesses. In addition, the Group has established relationships with other companies in various forms, including business alliances, joint ventures, and strategic investments. These activities are important as measures for the growth of Canon. However, the Group may not be able to achieve the expected business expansion due to a deterioration in economic trends or poor performance of the Company or its partners. It is essential for Canon and its target companies or partners to define common objectives and cooperate to achieve those objectives. However, there is a possibility that it will be difficult to establish a cooperative system, even if a cooperative system is established, there is a possibility that synergy effects and business models in Canon's businesses and the businesses operated by the target companies or partners will not produce sufficient results, and there is a possibility that the business integration will take more time than expected.</p> <p>In addition, due to a decline in the projected future cash flows, goodwill and other intangible assets associated with corporate acquisitions recorded by Canon in the balance sheet may be subject to impairment. Furthermore, if an alliance with a major partner is dissolved, it may cause problems with business plans premised on joint development, and the possibility of a delay in the recovery of investment may arise, or the possibility of recovery may decrease, which may adversely affect Canon operating results and financial conditions.</p>	
<p>☆ Response and Opportunities</p> <p>Canon, the Group is shifting its portfolio of businesses to respond to the maturation of existing businesses through aggressive M & A strategies. Canon targets corporate acquisitions, business alliances and strategic investments in areas that have high affinity with its technologies and business in which Canon excels, and Canon focuses its investments on companies that are particularly excellent and have excellent management. Corporate acquisitions, business alliances and strategic investments require Canon board resolutions and CEO approval, but the Company has strengthened the preliminary screening process to ensure sound management decisions. Investment plans are verified from the perspectives of consistency with business strategies, economic rationality, profitability, growth potential, risks, etc., and the administrative departments of the head office conduct preliminary reviews from their respective specialized perspectives. The CEO and the administration department of the head office monitor the progress of resolved and approved investment projects, and investment is managed on an ongoing basis. After the acquisition, the Group has been working to achieve synergy effects such as improving production efficiencies and reducing costs by sharing Canon manufacturing know-how, sharing business partners, and supporting the supply chain.</p>	

(ii) -8. Environment-related Risks	
Impact: Medium	Probability of occurrence: Medium
<p>● Risks</p> <p>Canon recognizes the potential for various environmental risks, including rapid climate changes, depletion of resources, exposure to toxic chemicals, air pollution, and water contamination. In addition, the Group is subject to the environmental regulations of Japan and overseas. The actualization of these risks and the strengthening of regulations may result in the bearing of expenses related to the environment and liability for damages. In this case, there is a possibility that Canon's business and operating results will be adversely affected.</p> <p>Canon is responsible for investigating and cleaning up environmental contamination at the business premises that it currently owns or operates, or that it previously owned or operated. If Canon is required to be liable for damages due to future litigation or other proceedings, the costs may not be covered by insurance. In this case, the impact on Canon may be significant.</p> <p>In addition, if the Group needs to spend more than expected to deal with these risks, it may adversely affect its Canon business and operating results.</p>	
<p>☆ Response and Opportunities</p> <p>In Canon, the Group is working on reducing greenhouse gas emissions, energy saving activities, developing energy-saving products, etc. At the same time, aiming for advanced recycling of resources, Canon is promoting environmental protection measures such as downsizing and weight reduction of products, remanufacturing, recycling of consumables, efficient use of water resources and recycling of wastes. As the world aims to transition to a decarbonized society, it is expected that sales opportunities will expand for products that reduce CO2 emissions throughout the product life cycle. In addition to strict management of hazardous chemical substances through green procurement, Canon is also engaged in environmental activities such as reducing chemical substances used in production processes and controlling emissions. These activities are promoted by the departments under the jurisdiction of the head office through the method of operating a common environmental management system of the group in accordance with ISO14001. In order to comply with the environmental regulations of Japan and overseas, the departments under the jurisdiction of the head office control the response of the entire group.</p> <p>(Note) Information disclosed under the framework of the Task Force on Climate-related Financial Disclosures is described in (5) "Climate change," 2. "Approach to Sustainability and Related Initiatives," Part II. "Business Overview."</p>	

(iii) General risks

(iii) -1. Risks Related to Product Quality and Product Liability	
Impact: Large	Probability of occurrence: Low
<p>● Risks</p> <p>If problems arise with the products and services provided by Canon, it may cause a loss of trust from customers and society, damage brand value, and adversely affect sales.</p> <p>In particular, if a serious quality problem occurs with a product, it may require a large amount of expenses to address the problem. These factors may have an adverse effect on the Group's operating results.</p>	
<p>☆ Response and Opportunities</p> <p>Canon has established a quality management system that combines the requirements of the international quality management standard ISO9001 with Canon's own mechanisms.</p> <p>Each business division of Canon is working closely with the quality department at headquarters and Group companies around the world to establish a quality assurance system that is based on a quality management system and that is optimal for the characteristics of each business, while also responding to the laws and regulations of each country and region, and to conduct thorough quality control.</p> <p>In addition to the safety standards stipulated by law, Canon has established Canon's own safety standards for all Canon products, taking into consideration the safety of customers.</p> <p>In addition, Canon aims to minimize risks caused by product quality problems by ensuring that the quality of products is confirmed in all processes from development and design to production and shipment, and that only products that meet quality standards are shipped to the market.</p> <p>If any quality problem occurs, the quality assurance department of each business division receives a report from the sales companies in each country and region that serve as the contact point for customers. The department investigates the cause and considers countermeasures, and for serious quality problems, it discusses appropriate responses with the related departments within the business head office, the quality department at the head office, the legal department, the public relations department, etc., and reports to the CEO, and promptly takes actions upon approval.</p>	

(iii) -2. Risks related to the transition to new products	
Impact: Large	Probability of occurrence: Low
<p>● Risks</p> <p>Many of the business areas in which Canon competes are characterized by rapid technological advances in hardware performance and software functionality; frequent introduction of new products; short product life cycles; and continued qualitative improvements to current products at stable price levels.</p> <p>There are several risks in the introduction of new products and services such as delays in development or manufacturing, unsuitable product quality during the introductory period, variations in manufacturing costs, sales cannibalization, uncertainty in predicting customer demand and difficulty in effectively managing inventory levels. Moreover, if Canon is unable to respond quickly to technological innovations with respect to information systems and networks, Canon's revenue may be significantly affected as a result of delays associated with the incorporation into its products of such new information technologies.</p> <p>Canon's revenue also may suffer adverse effects because of the timing of product or service introductions by its competitors. It could be particularly affected when a competitor introduces a new product immediately prior to Canon's introduction of a similar product. If this risks materialize, future demand for Canon's products and services could be reduced, and its operating results could decline.</p>	

☆ Response and Opportunities

Canon is investing a lot of resources to launch innovative and cost-competitive new products that meet market needs.

To address the above risks, Canon is diversifying its businesses by implementing core competency management, which combines core competency technologies that produce industry-leading core products, fundamental elemental technologies that form the basis of accumulated technologies, and value creation platform technologies that form the basis of commercialization technologies, which are the technologies and know-how that support Canon's brand and have been accumulated through growth. At the same time, the Company is working to increase the competitiveness of its businesses and swiftly supply the market with products that meet market needs.

(Note) Canon business operations are described in (vii) "Trend Information," (2) "Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management," 4. "Management Analysis of Financial Position, Operating Results and Cash Flows," Part II. "Business Overview." Also, Canon R & D activities are described in 6. "Research and Development Activities," Part II. "Business Overview."

(iii) -3. Risks associated with securities

Impact: Medium

Probability of occurrence: Medium

● Risks

Canon assets include investments in stocks and other securities. In the event that the fair value of Canon's investments in the future deviates significantly from the fair value of Canon's investments at present, due to fluctuations in the stock and bond markets caused by volatility in financial markets and uncertainties about the overall economy, the Group's operating results and financial position may be adversely affected.

☆ Response and Opportunities

Canon does not hold shares for the purpose of receiving profits from fluctuations in the share price or receipt of dividends, but mainly holds shares as part of cooperation with companies outside Canon Group for the purpose of medium- to long-term growth.

(Note) The policy on cross-shareholdings and the verification of the rationality of shareholdings are described in (5) "Shareholdings," 4. "Corporate Governance," Part IV. "Information on Reporting Company."

(iii) -4. Risks related to compliance and legal actions

Impact: Medium

Probability of occurrence: Medium

● Risks

In conducting its businesses in many countries and regions, Canon need to comply with various laws and regulations. In addition, Canon may be subject to lawsuits and other legal actions by third parties. However, it is difficult to predict the outcome of lawsuits and legal proceedings to which Canon is a party or may become a party in the future. For example, in markets where Canon has a high market share, there is a possibility of antimonopoly litigation or investigation. If the outcome is unfavorable to Canon, or if significant costs are incurred in responding to litigation or investigations, it may adversely affect Canon's operating results. Furthermore, in the event of compliance problems, for example, employee scandals or organizational misconduct, the social trust and brand value of Canon may be damaged.

☆ Response and Opportunities

In Canon, the Company identifies the major risks of compliance violations that Canon may face, such as violations of the Antimonopoly Act, the Anti-Corruption Act, and security export regulations, by taking into consideration the possibility of the risks arising as actual problems and the degree of impact on management and businesses if they occur. To reduce these risks, the Company has established a legal compliance system, including the establishment of a business flow, the establishment of rules, legal education for relevant employees, and the implementation of audits and inspections.

In addition, the Compliance Subcommittee of the Canon Risk Management Committee ensures that the Group adheres to the corporate ethics code of conduct.

In addition, the Company has established an internal legal department to enable the Company to respond in cooperation with external lawyers, etc. in the event of litigation or other legal acts by third parties.

(iii) -5. Risks Related to Intellectual Property	
Impact: Medium	Probability of occurrence: Medium
<p>● Risks</p> <p>Because of the emphasis on product innovation in the markets for Canon's products, many of which are subject to frequent technological innovations, patents and other intellectual property are an important competitive factor. In relation to protection of its technologies, Canon faces risks that: competitors will be able to develop similar technology independently; Canon's pending patent applications may not be issued; the steps Canon takes to prevent misappropriation or infringement of its intellectual property may be unsuccessful; and intellectual property laws may not adequately protect Canon's intellectual property, particularly in certain emerging markets.</p> <p>On the other hand, in relation to third party intellectual property rights, if any third party is adjudicated to have a valid infringement claim against Canon, Canon could be required to: refrain from selling the relevant product in certain markets; pay monetary damages; pursue development of non-infringing technologies, or attempt to acquire licenses to the infringed technology and to make royalty payments.</p> <p>Canon may need to litigate in order to enforce its intellectual property rights or in order to defend against claims of infringement, which can be expensive and time-consuming.</p> <p>Canon also licenses its patents to third parties in exchange for payment or licensing. The terms and conditions of such licensing or changes in the renewal conditions of such licenses could affect Canon's business.</p> <p>With respect to employee inventions, Canon maintains company rules and an evaluation system and has been making adequate payments to employees for the invention rights based on these rules. However, there can be no assurance that disputes will not arise with respect to the amount of these payments to employees.</p> <p>If counterfeit products that infringe Canon's trademarks or other intellectual property rights circulate in the market, and the use thereof causes accidents, product failures, quality defects and other damage to customers, Canon's brand value may be tarnished and its business may be harmed.</p> <p>Canon's businesses, brand image and operating results could be adversely affected by any of these developments.</p> <p>All of the above factors may adversely affect Canon's business, brand image and operating results.</p>	
<p>☆ Response and Opportunities</p> <p>Canon has clearly positioned the purpose of its intellectual property activities as support for business development, and has formulated and implemented intellectual property strategies that envision the state of affairs in 10 or 20 years.</p> <p>Canon's IP activities are characterized by balancing securing competitive advantages and freedom of operation by building a strong portfolio of patents. Canon is focusing on acquiring patents for core technologies, as well as patents for AI, Internet of Things, and standardization technologies, for example, in preparation for lawsuits and negotiations with IT companies that do not compete with us in the businesses but compete with us in intellectual property. In this way, the Company is maintaining a strong patent portfolio by acquiring patents in anticipation of the external environment and future business, and by replacing its patents.</p> <p>As a basic principle of Canon's intellectual property strategies, Canon does not license patents related to core competence technologies as patents that protect businesses in competitive domains, but utilizes them to secure competitive advantages. In addition, patents in the collaborative domain relating to general-purpose technologies such as communications and graphical user interfaces (GUI) are used for cross-licensing, etc., which ensures freedom of R&D and business, and leads to the provision of attractive products and services.</p> <p>While respecting the intellectual properties of others, the Company takes a resolute stance against infringements of Canon intellectual properties. In addition, the Company ensures competitive advantage by concealing and protecting inventions that are difficult to verify and that cannot be easily reached by others as know-how.</p> <p>While implementing the basic approach to intellectual property-related activities described above, Canon has changed its tactics with the times and is responding to risks associated with intellectual property.</p> <p>(Note) Canon intellectual property strategies are described in (vi) "Intellectual property strategy," (2) "Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management," 4. "Management Analysis of Financial Position, Operating Results and Cash Flows," Part II. "Business Overview."</p>	

(iii) -6. Risks related to the recoverability of deferred tax assets and international double taxation	
Impact: Medium	Probability of occurrence: Low
<p>● Risks</p> <p>If Canon is required to revise its estimates of taxable income due to non-achievement of targets in its business plan due to deterioration in the business environment, or if there are changes in the tax system that result in changes in tax rates, Canon may need to revise deferred tax assets, which may adversely affect Canon operating results.</p> <p>In addition, if differences of opinion arise between Canon and the tax authorities of other countries or regions, international double taxation may occur, which may adversely affect Canon's operating results and financial position.</p>	
<p>☆ Response and Opportunities</p> <p>Canon regularly checks to promptly identify factors that may affect deferred tax assets, which may affect the taxable income of Canon and Canon subsidiaries, and changes in the tax system of each country and territory. In addition, the Base Erosion and Profit Shifting (BEPS) Project was launched by the Organization for Economic Cooperation and Development (OECD), which was commissioned by the G20, in response to the political issue of international tax avoidance due to excessive tax planning by some multinational companies. Following the release of the final report on BEPS in October 2015, tax laws and tax treaties have been revised in various countries and regions.</p> <p>Furthermore, in recent years, in order to deal with the taxation issues associated with the digitization of the economy, based on the agreement at the OECD/IF on the introduction of a system to allocate the right of taxation to market countries and a global minimum taxation system, institutionalization is being advanced in each country and region. The global minimum tax system has already been established in major EU countries, Korea, Australia, Vietnam, Thailand, etc., and in Japan, it was also legislated in the fiscal 2023 tax reform enacted on March 28, 2023.</p> <p>In light of these efforts to strengthen the international tax system, Canon has developed a tax governance system in order to reduce double taxation risk. Together with Canon subsidiaries, Canon has taken measures to respond to changes in tax systems and tax administration execution in each country and area. At the same time, Canon have revised its policies related to international tax as appropriate based on the progress of various OECD reports and the development of new international tax rules to address tax issues associated with the digitization of the economy.</p>	

(iii) -7. Risks related to retirement benefit accounting	
Impact: Medium	Probability of occurrence: Low
<p>● Risks</p> <p>Canon and certain subsidiaries have defined benefit pension plans and recognize accrued retirement and pension expenses by actuarial calculation. Actuarial calculations are based on assumptions such as the discount rate, expected rate of return, salary increase rate, and mortality rate. Actuarial losses arising from differences between these assumptions and actual results are amortized regularly over the average remaining service years of employees and included in pension expenses. Although Canon believes that these actuarial assumptions are appropriate, deviations from the assumptions arising from events that are difficult to predict, such as a decrease in discount rates due to a decline in interest rates and a decrease in pension assets due to a deterioration in investment income, may lead to an increase in actuarial losses and adversely affect future operating results.</p>	
<p>☆ Response and Opportunities</p> <p>Canon Group reviews and implements the pension plan as appropriate, taking into account the pension funding situation in each country and area, government regulations, and the personnel system.</p>	

4. Management Analysis of Financial Position, Operating Results and Cash Flows

(1) Summary of operating results

A summary of the financial position, operating results and cash flow (Hereinafter referred to as "Operating Results") of Canon group (Canon Inc., consolidated subsidiaries and affiliates accounted for by the equity method) for the consolidated fiscal year is as follows.

(i) Operating Results and Financial Conditions

(Economic Environment Surrounding Management)

Looking back at 2024, the global economy continued to recover moderately, as inflation in various regions began to settle down and monetary tightening eased. Looking by region, in the U.S., consumer spending remained solid, supported by a favorable personal income environment. In Europe, although the economic situation varied from one region to another, the economy was supported by consumer spending as the inflationary pressure eased towards the end of the year. In China, despite steady exports, the economy continued to be stagnant as the real estate market remained sluggish, and the pace of recovery in domestic demand slowed down. In other emerging countries, consumption remained firm as inflationary pressure eased. In Japan, although there were strong signs of stagnation at the beginning of the year, the economy recovered moderately as consumer spending and inbound demand picked up.

In the markets in which Canon operates, demand remained firm overall, despite the impact of economic stagnation in some regions. On a product basis, overall demand for MFDs and commercial printing remained solid, despite the continued sluggish market conditions in Europe and China. While demand for inkjet printers overall decreased, demand for refillable ink tank models increased. Despite a decrease in demand mainly in China for laser printers, sales were solid due in part to the completion of inventory adjustments at its OEM partner. For medical equipment, although the U.S. market remained strong, the Chinese market experienced stagnation, and the conditions for hospital management became increasingly challenging in Europe and Japan, resulting in a weak market overall. For cameras, demand remained solid, mainly for mirrorless cameras. As for semiconductor lithography equipment, demand remained at a record-high level, due in part to continued strong investment in generative AI. For FPD lithography equipment, investment by panel manufacturers improved.

The average value of the yen for the year was ¥151.63 against the U.S. dollar, a year-on-year depreciation of approximately ¥11, and ¥163.99 against the euro, a year-on-year depreciation of approximately ¥12.

(Operating results)

Management Indicators	Millions of yen		
	2024	2023	Change(%)
Net sales	4,509,821	4,180,972	7.9%
Gross profit	2,143,095	1,968,910	8.8%
Operating expenses	1,863,341	1,593,544	16.9%
Operating profit	279,754	375,366	(25.5%)
Other income (deductions):	21,407	15,401	39.0%
Income before income taxes	301,161	390,767	(22.9%)
Net income attributable to Canon Inc.	160,025	264,513	(39.5%)

Net income attributable to Canon Inc. shareholders per share

Basic	165.53	264.20	(37.3%)
Diluted	165.44	264.08	(37.4%)

In 2024, net sales for the year reached ¥4,509,821 million, exceeding the historical sales record set in 2007, and adjusted income before income taxes excluding the Medical business unit's impairment loss on goodwill increased by 19.3% year-on-year to ¥466,261 million. Gross profit as a percentage of net sales increased by 0.4 points to

47.5% due to cost reductions including improvements in logistics costs and positive effects from the depreciation of the yen. As a result, gross profit increased by 8.8% year-on-year to ¥2,143,095 million. Operating expenses increased by 16.9% year-on-year to ¥1,863,341 million mainly due to impairment loss booked on goodwill in the Medical business unit, and an increase in operating expenses in foreign currencies due to the depreciation of the yen. As a result, operating profit decreased by 25.5% year-on-year to ¥279,754 million. Other income (deductions) increased by ¥6,006 million to year-on-year ¥21,407 million due to the favorable impact in currency exchange from receivables of foreign currencies. As a result, income before income taxes decreased by 22.9% year-on-year to ¥301,161 million, and net income attributable to Canon Inc. decreased by 39.5% year-on-year to ¥160,025 million.

Basic net income attributable to Canon Inc. shareholders per share was ¥165.53 for the year, a year-on-year decrease of ¥98.67.

(Operating results by segment)

The following information is based on segment information. For details of segment information, please refer to "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements, Note 23. Segment information."

Printing Business Unit

Management Indicators	Millions of yen		
	2024	2023	Change(%)
Production	440,718	401,237	9.8%
Office	1,052,529	983,461	7.0%
Prosumer	1,022,296	955,020	7.0%
Total sales to external customers	2,515,543	2,339,718	7.5%
Inter segment	7,182	6,358	13.0%
Total Sales	2,522,725	2,346,076	7.5%
Cost of sales and operating expenses	2,232,841	2,117,767	5.4%
Operating profit	289,884	228,309	27.0%
Income before income taxes	304,146	235,061	29.4%

In the printing business unit, sales of equipment for the production market, such as the imagePRESS V series, were strong mainly in the U.S., and orders received at drupa, the world's largest printing equipment exhibition, led to sales. As a result, sales increased year on year. Sales of office MFDs increased year on year, mainly for the imageRUNNER ADVANCE DXC 3900 series of low and mid-speed color MFD, despite the impact of sluggish market conditions in China and Europe. In inkjet printers, the Group worked to expand sales of high-capacity ink models, for which demand was firm, amid the impact of sluggish market conditions in China and intensifying price competition, particularly for low-priced models. Sales of laser printers increased significantly year on year as sales increased after inventory adjustments at OEM customers ran their course.

As a result, sales of the Unit increased by 7.5% year-on-year to ¥2,522,725 million, and the current period income before income tax increased by 29.4% year-on-year to ¥304,146 million.

Medical Business Unit

Management Indicators	Millions of yen		
	2024	2023	Change(%)
Total sales to external customers	568,260	552,296	2.9%
Inter segment	548	1,484	(63.1%)
Total Sales	568,808	553,780	2.7%
Cost of sales and operating expenses	709,245	522,131	35.8%
Operating profit	(140,437)	31,649	-
Income before income taxes	(139,508)	32,139	-

In the Medical Business Unit, sales of CT equipment and MRI equipment expanded in the United States, but sales in China was affected by deteriorating market conditions, and the management situation of hospitals in Japan and Europe was severe.

As a result, sales of the unit increased 2.7% year on year to ¥568,808 million. In the current period, adjusted profit before income taxes decreased by 20.4% year-on-year to 25,592 million yen due to the impact of upfront investments such as the development of next-generation equipment and business structure reform. In addition, an impairment loss on goodwill was recorded, resulting in a loss of ¥139,508 million in the current period income before income tax.

Imaging Business Unit

Management Indicators	Millions of yen		
	2024	2023	Change(%)
Cameras	579,593	544,366	6.5%
Network cameras and Others	357,435	317,090	12.7%
Total sales to external customers	937,028	861,456	8.8%
Inter segment	363	169	114.8%
Total Sales	937,391	861,625	8.8%
Cost of sales and operating expenses	786,087	716,046	9.8%
Operating profit	151,304	145,579	3.9%
Income before income taxes	154,308	146,433	5.4%

In the Imaging Business Unit, although there was an adjustment phase in the market inventory of digital camera-interchangeable lens type at the beginning of the year, the new products "EOS R1" and "EOS R5 Mark II," which were introduced in the second half of the year, were well received, and the entry-level models "EOS R50" and "EOS R100" also performed well. Sales of network cameras also recovered from the second quarter, when inventory adjustments in the market progressed, resulting in an annual increase in sales.

As a result, sales of the Unit increased by 8.8% year-on-year to ¥937,391 million, and the current period income before income tax increased by 5.4% year-on-year to ¥154,308 million.

Industrial Business Unit

Management Indicators	Millions of yen		
	2024	2023	Change(%)
Optical equipment	253,216	212,505	19.2%
Industrial machinery	92,647	91,302	1.5%
Total sales to external customers	345,863	303,807	13.8%
Inter segment	10,599	10,912	(2.9%)
Total Sales	356,462	314,719	13.3%
Cost of sales and operating expenses	287,559	256,121	12.3%
Operating profit	68,903	58,598	17.6%
Income before income taxes	70,403	59,166	19.0%

In the Industrial Business Unit, sales volume significantly exceeded that of the previous fiscal year. This was due to strong demand for semiconductor lithography equipment for generative AI and the capture of high demand for back-end lithography equipment in the current period, which has become the industry standard for advanced packaging. Sales volume of FPD lithography systems increased year on year in a recovery trend in the market.

As a result, sales of the Unit increased by 13.3% year-on-year to ¥356,462 million, and the current period income before income tax increased by 19.0% year-on-year to ¥70,403 million.

(Financial Condition)

Millions of yen

	2024	2023	Change
Total assets	5,766,246	5,416,577	349,669
Total liabilities	2,121,195	1,810,870	310,325
Canon Inc. shareholders' equity	3,380,273	3,353,022	27,251
Noncontrolling interests	264,778	252,685	12,093
Total equity	3,645,051	3,605,707	39,344
Total liabilities and equity	5,766,246	5,416,577	349,669
Canon Inc. shareholders' equity as a percentage of total assets (%)	58.6%	61.9%	(3.3%)

Total assets increased by ¥349,669 million to ¥5,766,246 million at December 31, 2024 compared to the end of the previous year, mainly from an increase in assets of foreign currencies due to the depreciation of the yen, and an increase in accounts receivable accompanied by an increase in sales. Total liabilities increased by ¥310,325 million to ¥2,121,195 million at December 31, 2024 compared to the end of previous year, mainly due to the execution of long-term debt and an increase in accrued expenses. The balance of total equity increased by ¥39,344 million to ¥3,645,051 million at December 31, 2024 compared to the end of previous year, mainly 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 repurchases of treasury stock which were carried out two times.

As a result, Canon Inc. shareholders' equity as a percentage of total assets declined by 3.3 points to 58.6% compared to the end of the previous year.

(ii) Cash flows

Adding the effects of foreign exchange fluctuations to the cash and cash equivalents for the fiscal year ended Dec 31, 2024 increased by ¥100,242 million from the previous fiscal year to ¥501,565 million.

(Cash flows from operating activities)

Cash flows from operating activities increased by ¥155,641 million year-on-year to ¥606,831 million due to an enhancement in profitability excluding impairment loss on goodwill, and an improvement in working capital mainly from an increase of trade payable.

(Cash flows from investing activities)

Cash flow from investing activities increased by ¥21,950 million year-on-year and used ¥297,322 million, on par with the previous year when Canon made large-scale acquisitions, due to the acquisition of Primagest, Inc., recognized for its strength in BPO services, along with continued investment in production facilities.

(Cash flows from financing activities)

Cash flow from financing activities recorded a cash outflow of year-end dividend for the fiscal year ended Dec 31, 2023 and the interim dividend for the fiscal year ended Dec 31 2024, the payment of dividends increased by ¥10,660 million compared with the previous fiscal year.

In addition, as a result of repurchases of treasury stock which were carried out two times increased by ¥100,012 million, Cash flows from financing activities increased ¥69,267 million compared with the previous fiscal year to ¥225,996 million.

Free cash flow as cash flows from operating activities less cash flows from investing activities for 2024 increased by ¥133,691 million to ¥309,509 million.

For details, (2) Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management /(v) Liquidity and capital resources /b Cash and cash equivalents.

(iii) Results of production, orders, and sales

a. Production results

The actual production results by segment for the current consolidated fiscal year are as follows:

Segment name	Amount (Millions of yen)	(Prior fiscal year) (%)
Printing	2,143,813	119.3
Medical	597,257	106.7
Imaging	875,969	98.8
Industrial	368,230	111.1
Others and Corporate	63,830	108.0
Eliminations	(109,311)	-
Total	3,939,788	111.0

Notes 1. The amounts are calculated based on the selling price.

2. The amounts do not include consumption tax, etc.

b. Orders results

The production of Canon Group is mainly based on the estimated production taking into account the demand forecast between the Company and each sales company, so the ratio of production to order in sales is small. Therefore, actual orders received are not stated.

c. Sales results

Actual sales results by segment in the current consolidated fiscal year are as follows:

Segment name	Amount (Millions of yen)	(Prior fiscal year) (%)
Printing	2,522,725	107.5
Medical	568,808	102.7
Imaging	937,391	108.8
Industrial	356,462	113.3
Others and Corporate	233,746	111.9
Eliminations	(109,311)	-
Total	4,509,821	107.9

Notes 1. The amounts do not include consumption tax, etc.

2. Sales to major customers and the ratio of such sales to total sales for the past two fiscal years are as follows:

counterparty	2024		2023	
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)
HP Inc.	471,604	10.5	420,246	10.1

(2) Analysis and Examination of the Status of Operating Results, etc. from the Perspective of Management

The following is an overview of Canon Group's operating results and financial position from the management's perspective. Forward-looking statements contained in this document are judgments made as of the date of submission of the Annual Securities Report (March 28, 2025).

Introduction

Canon is a group of companies operating printing, medical, imaging, industrial and other products worldwide. In addition, its corporate philosophy is to contribute to the prosperity of the world and the well-being of humanity by achieving corporate growth and development.

(i) 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 to net sales ratio is another KPI for Canon. Under the basic policy of Phase VI, Canon has been consistently strengthening business competitiveness and striving to provide highly profitable products with price competitiveness. Furthermore, Canon promotes cost reduction initiatives across Canon Group through in-house production and automation of assembly processes which integrate the three functions of design, production technology and manufacturing. Canon will continue to actively take these measures to improve Canon's gross profit to net sales ratio.

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. Canon seeks to increase profitability by reviewing its business structure and optimization of expenses, as well as pursuing asset efficiency as a result of appropriate control over inventory levels and consolidation of production sites. In addition, Canon will improve return on Canon Inc. shareholders' equity in order to realize investment for growth while maintaining the financial soundness with an appropriate capital structure by effectively utilizing debt.

(ii) 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.

a. Impairment of long-lived assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment based on ASC 360 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 charge 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.

b. 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.

c. 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.

d. 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.

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.

e. 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".

f. 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. Canon has completed its impairment test in the fourth quarter of 2024 and recognized an impairment loss for the Medical Reporting Unit for the amount by which the carrying amount exceeded the reporting unit's fair value. For further information, please refer to Note 8 and 22 of the Notes to Consolidated Financial Statements. The fair values of remaining reporting units exceeded its respective carrying amount, and thus no other impairment loss was recognized as a result of 2024 impairment test. A significant amount of goodwill was allocated to the Medical Reporting Unit, which was ¥403,131 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 11 years to 19 years, respectively.

g. 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.

h. 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.

i. 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 2024, Canon estimated a weighted-average discount rate used to determine benefit obligations of 1.9% for Japanese plans and 3.9% for foreign plans and a weighted-average expected long-term rate of return on plan assets of 3.1% for Japanese plans and 6.0% 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 2024, a decrease of 50 basis points in the discount rate increases the projected benefit obligation by approximately ¥70,757 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 2024, a decrease of 50 basis points in the expected long-term rate of return on plan assets would increase approximately ¥5,900 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.

j. 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 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 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 and 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.

k. 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.

l. 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 noncurrent 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.

m. Recently Issued Accounting Guidance

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

(iii) Analysis and examination of the consolidated operating results for the fiscal year ended December 31, 2024.

a. Sales

In the current business term, the global economy continued to recover moderately, as inflation in various regions began to settle down and monetary tightening eased. Under these circumstances, mainly due to an increase of sales in growth businesses such as semiconductor lithography equipment, digital commercial printing presses, and network cameras, Canon’s consolidated net sales in 2024 totaled ¥4,509,821 million, an increase of 7.9% from the previous year, exceeding the historical sales record set in 2007. Net sales of products and equipment totaled ¥3,593,598 million, a year-on-year increase of 8.4%, while net sales of services totaled ¥916,223 million, a year-on-year increase of 5.8%.

Overseas operations are significant to Canon’s operating results and generated 78.8% of total net sales in 2024. 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 ¥151.63 against the U.S. dollar, a year-on-year depreciation of approximately ¥11, and ¥163.99 against the euro, a year-on-year depreciation of approximately ¥12. The effects of foreign exchange rate fluctuations positively affected net sales by ¥201,712 million in 2024. This favorable impact consisted of approximately ¥111,973 million of favorable impact for the U.S. dollar denominated sales and favorable impact of ¥70,753 million for the euro denominated sales, and favorable impact of ¥18,986 million for other foreign currency denominated sales.

b. 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 2024, cost of sales increased due to the depreciation of the yen, despite the progress made in the improvement of costs centering on distribution costs during the consolidated fiscal year. On the other hand, the ratio of cost of sales to net sales for 2024 and 2023 were 52.5% and 52.9%, respectively. Cost of sales as a percentage of net sales decreased by 0.4 points.

c. Gross profit

Canon's gross profit in 2024 increased by 8.8% to ¥2,143,095 million from 2023. The gross profit to net sales ratio increased by 0.4 points to 47.5%. The increase in the gross profit was mainly due to cost reductions including improvements in logistics costs and positive effects from the depreciation of the yen.

d. Operating expenses

The major components of operating expenses are payroll, R&D, advertising expenses and other marketing expenses. Operating expenses in 2024 increased by 16.9% year on year to ¥1,863,341 million mainly due to an impairment loss of ¥165,100 million booked on goodwill in the Medical business unit, and an increase in operating expenses of foreign currencies due to the depreciation of the yen and structural reforms of overseas sales subsidiaries. Operating expenses as a percentage of net sales increased by 3.2 points to 41.3%.

e. Operating profit

Operating profit in 2024 decreased by 25.5% to ¥279,754 million from 2023. The operating profit to net sales ratio decreased by 2.8 points to 6.2% from 2023.

f. Other income (deductions)

Other income (deductions) for 2024 was a gain of ¥21,407 million, an increase of ¥6,006 million from 2023 mainly due to the favorable impact in currency exchange from receivables of foreign currencies.

g. Income before income taxes

Income before income taxes in 2024 was ¥301,161 million, a decrease of 22.9% from 2023, and constituted 6.7% of net sales.

h. Income taxes

Income taxes in 2024 increased by ¥11,941 million from 2023. The effective tax rate for 2024 was 39.3%, which was higher than the statutory tax rate in Japan. This resulted from that goodwill impairment losses are not deductible expenses for tax purposes.

i. Net income attributable to Canon Inc.

As a result, net income attributable to Canon Inc. in 2024 decreased by 39.5% to ¥160,025 million, which represents 3.5% of net sales.

(iv) 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.

(v) Liquidity and capital resources

a. Basic Principles of Cash Flow Management

In accordance with the basic policy of its financial strategy, "maintaining a sound financial structure through thorough cash flow management," the Company has established the following two points as the basic principles of cash flow management.

1. Canon strives to improve a highly profitable structure by further improving the profitability of existing businesses and accelerating the growth of new businesses.
2. Canon strives to maintain financial soundness by keeping total capital investments for medium-term business expansion and growth within the range of depreciation and amortization expenses in principle. However, Canon plans to raise external funds as needed depending on the situation of capital investments and M&A for growth strategies.

Raising Funds (Cash-In)

Canon is basically funded by net cash provided by operating activities. In procuring funds, Canon considers terms, currencies and methods in light of financial market conditions, and selects the most appropriate instrument from a variety of options.

Use of funds (Cash-Out)

The principal use of cash is determined in accordance with the following priorities.

1. Investment for growth such as capital investment, R&D, M&A, etc.:

Canon values M&A as a complementary option for development of new businesses. The selection of investment targets is based on the growth potential and size of the market, and on the market being highly compatible with Canon's business domains and technologies.

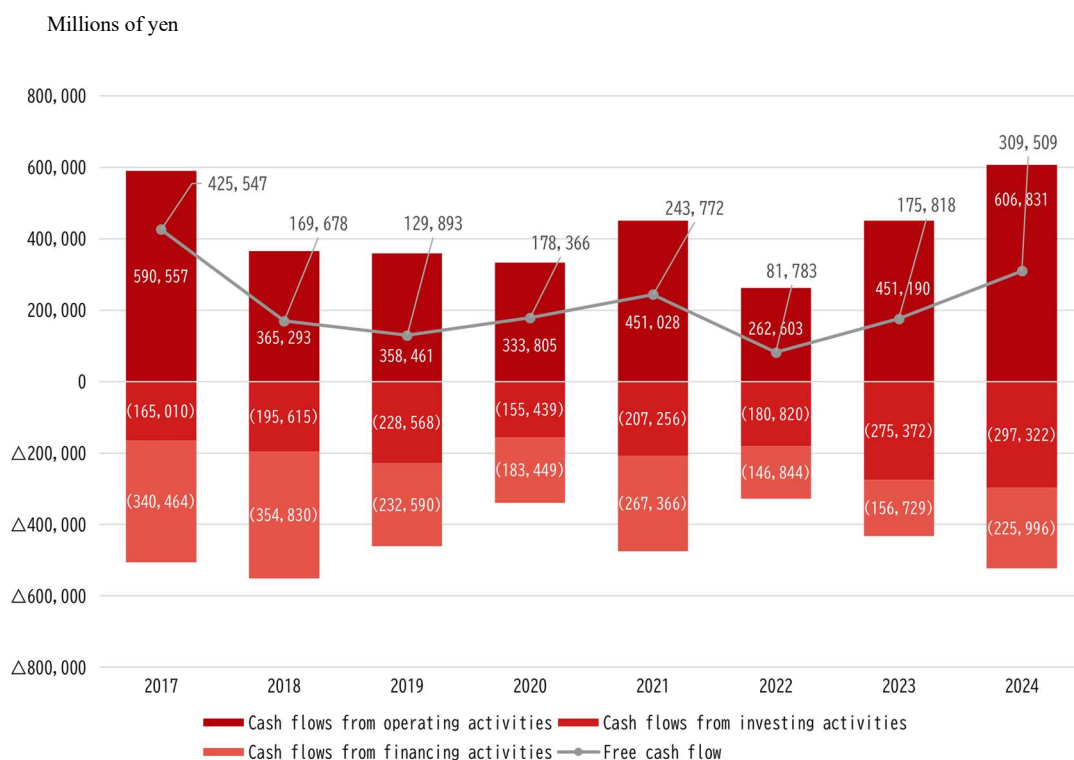
2. Return to shareholders:

Canon takes into consideration medium-to long-term business prospects, planned future investments, cash flow and other factors. Canon returns profits to shareholders stably and aggressively in the form of a dividend with around 50% of its target payout ratio and share buybacks.

3. Repayment of Borrowings:

Canon has been repaying borrowings steadily to have sufficient financial strength and secures available capacity to fund the investments for business expansion and growth.

b. Cash and cash equivalents
Changes in Cash Flows



Cash and cash equivalents increased by ¥100,242 million to ¥501,565 million in fiscal 2024 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

Net cash provided by operating activities for the fiscal year ended Dec 31, 2024 increased by ¥ 155,641 million from the previous fiscal year to ¥ 606,831 million due to increase after accounting for impairment losses on non-cash goodwill and the improvement in working capital accompanying the increase in accounts payable - trade. 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, 2024 was mainly due to an increase in cash collection from customers in line with the increase in net sales. There is no 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 an increase in sales-related expenses as sales activities normalized. 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

Purchases of fixed assets included in cash flows from investing activities for the current fiscal year increased by ¥6,693 million to ¥237,001 million in fiscal 2023. In addition, used ¥297,322 million when Canon made large-scale acquisitions on par with the previous year, the acquisition of Primagest, Inc that focused on BPO service, as well as continued capital investments to improve efficiency and productivity.

Free cash flow

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, 2024 increased by ¥133,691 million to ¥309,509 million as compared with ¥175,818 million for fiscal 2023.

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 and believes that such indicator is beneficial to investors. Canon analyzes "Free Cash Flow", a financial indicator other than US GAAP together with the consolidated statement of cash flows and consolidated balance sheet in accordance with US GAAP to clarify funding and capital resources. Adjustment sheet of "Free Cash Flow" and the most directly comparable measure calculated and presented in accordance with U.S. GAAP is set forth on the following table.

	(Millions of yen)		
	2024	2023	Change
Net cash provided by operating activities	606,831	451,190	+155,641
Net cash used in investing activities	(297,322)	(275,372)	(21,950)
Free cash flow	309,509	175,818	+133,691
Net cash used in financing activities	(225,996)	(156,729)	(69,267)
Effect of exchange rate changes on cash and cash equivalents	16,729	20,133	(3,404)
Net change in cash and cash equivalents	100,242	39,222	+61,020
Cash and cash equivalents at beginning of year	401,323	362,101	+39,222
Cash and cash equivalents at the end of the year	501,565	401,323	+100,242

Net cash used in financing activities

Cash flow from financing activities recorded a cash outflow of ¥225,996 million due to a ¥ 69,267 million increase in expenditures as a result of active returns to shareholders, including increased dividends in continuation of the previous year and repurchases of treasury stock which were carried out two times. The company paid dividends in fiscal 2024 of ¥145.00 per share.

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.

Rating

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, 2025, 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.

c. Optimization of inventory

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 65 days at the end of the fiscal year ended Dec 31, 2024 and 66 days at the end of the previous fiscal year. Although the inventory increased due to mainly the rise in goods in transit as a result of avoiding navigation through the Suez Canal, the inventory turnover days have decreased because sales also increased compared to the previous year.

d. Capital expenditures

Canon is committed to cash flow management to strengthen its financial base, including the stable generation of free cash flow by keeping the total amount within the range of depreciation expenses, while making investments that contribute to the aggressive expansion of business performance. Capital expenditures for the fiscal year ended Dec 31, 2024 increased by ¥18,062 million from ¥201,140 million for the previous fiscal year to ¥219,202 million. For the next fiscal year, the Company's capital investment is expected to be ¥210,000 million yen as it continues to invest in growth.

e. Employer contributions to retirement benefit obligations

The amount of contributions to defined benefit pension plans by the Company for the fiscal year ended Dec 31, 2024 was ¥28,850 million and that for the fiscal year ended Dec 31, 2023 was ¥51,647 million. The amount of contributions to defined contribution pension plans by the Company for the fiscal year ended Dec 31, 2024 was ¥29,302 million and that for the fiscal year ended Dec 31, 2023 was ¥27,667 million. Contributions to the multi-employer pension plan in which some subsidiaries participate were ¥6,353 million for the fiscal year ended Dec 31, 2024 and ¥5,447 million for the fiscal year ended Dec 31, 2023.

f. Working capital

Working capital (current assets less current liabilities) for the fiscal year ended Dec 31, 2024 increased by ¥118,867 million from ¥784,910 million for the previous fiscal year to ¥903,777 million. The increase in working capital was mainly due to a short-term loan payable (including current portion of long-term debt), 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 1.58 for the fiscal year ended Dec 31, 2024 and 1.55 for the fiscal year ended Dec 31, 2023.

g. Return on the current period profit attributable to shareholders

Return on assets (calculated by dividing profit attributable to owners of the current period by the average of total assets at the end of the previous fiscal year and the end of the current fiscal year) was 2.9% for the current fiscal year and 5.0% for the previous fiscal year.

h. Shareholders' equity the current period profit attributable to owners of parent

Return on equity (calculated by dividing profit attributable to owners of the current period by the average shareholders' equity at the end of the previous fiscal year and the end of the current fiscal year) was 4.8% for the current fiscal year and 8.2% for the previous fiscal year.

i. Interest-bearing debt dependency

Canon has positioned thorough cash flow management as one of the key priorities in Phase VI and are working to strengthen its financial base. During the fiscal year ended Dec 31, 2024, long-term loans payable increased in line with an increase in working capital. As a result, short-term loans payable, short-term operating lease liabilities, long-term loans payable and long-term operating lease liabilities increased by ¥146,183 million from ¥517,317 million at the end of the previous fiscal year to ¥663,500 million, and the interest-bearing debt dependency (the ratio of interest-bearing debt to total assets) increased by 1.9% from 9.6% in the previous fiscal year to 11.5%.

j. Shareholders' equity to total assets ratio

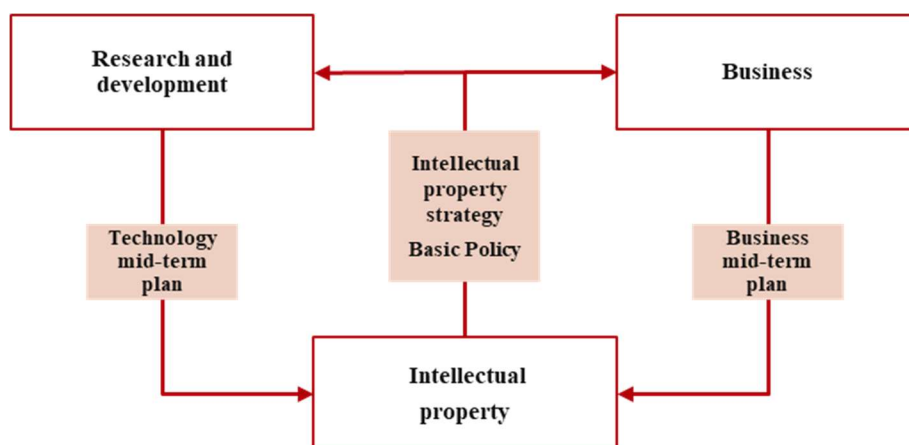
The shareholders' equity ratio (shareholders' equity divided by total assets) was 58.6% for the fiscal year ended Dec 31, 2024, a decrease of 3.3% from 61.9% for the previous fiscal year. Although shareholders' equity decreased due to the increase in dividends and the two purchases of treasury stock of ¥100,000 million, the shareholders' equity ratio remained at a high level due to the increase in foreign currency translation adjustments due to the depreciation of the yen, and the financial soundness has been maintained.

(vi) Intellectual Property Strategy

<Governance>

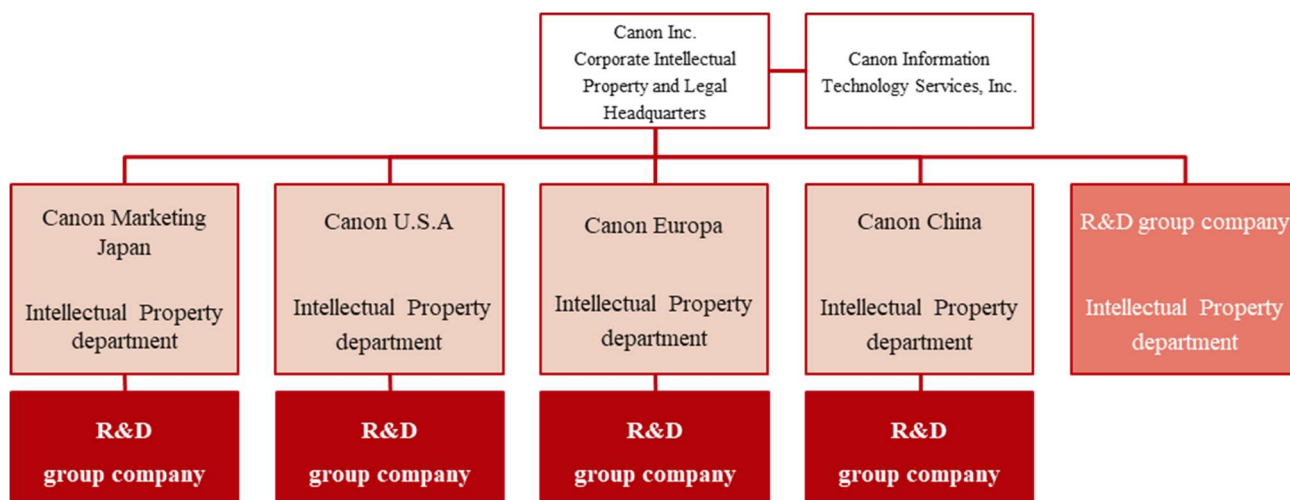
In Canon, the IP division is an organization directly under the CEO, and the Group Executive, Corporate Intellectual Property and Legal Headquarters serves as a dedicated executive. This allows the Group Executive, Intellectual Property Legal Affairs to directly report strategies and thoughts related to intellectual property, such as mid-term plans, to the CEO, and to convey and share important information regarding intellectual property with other executives during daily meetings. This structure enables swift management decision-making on intellectual property.

In addition, the Company regularly holds inter-divisional top meetings attended by executives who are also Company officers, including the heads of the Corporate Intellectual Property and Legal Headquarters, business divisions, and R&D divisions, to discuss intellectual property strategies and decide on actual intellectual property activities in the business and R&D divisions, thereby realizing timely intellectual property activities integrated with the business and R&D divisions. In this way, the cycle of formulating intellectual property strategies linked to the technology and business medium-term plans and incorporating the ideas of the IP division and investment in intellectual property into the technology and business medium-term plans is functioning.



In Canon, the Corporate Intellectual Property and Legal Headquarters and the intellectual property departments of each Group company have established global management rules that stipulate roles and responsibilities for handling intellectual property, as well as the process for formulating activity policies.

Through this system, the Corporate Intellectual Property and Legal Headquarters Division and each group company work together to maximize profits by conducting lawsuits and licensing activities as necessary, while controlling the intellectual property activities of the entire group and optimizing the intellectual property portfolio.



<Strategy>

1. Basic policy

Canon has developed as an R&D-oriented company that develops new markets and customers with attractive and high-quality products and services differentiated by its proprietary technologies. The intellectual property department places the highest priority on supporting business development, and with contributing to this as its mission, it prepares and executes intellectual property strategies by anticipating the future era.

Canon's four basic strategies for intellectual property strategies are as follows.

- (1) Patents on core competence technologies are not licensed as patents that protect business in the competitive domain, but are used to secure competitive advantages.
- (2) Canon secures freedom in R&D and business by using patents in collaborative fields related to common technologies (including standard technologies) such as communications, AI, and the Internet of Things for cross-licensing.
- (3) Canon respects the intellectual property rights of other companies. On the other hand, Canon take a resolute stance against infringements of Canon's intellectual property rights.
- (4) Inventions that are difficult to verify and that cannot be easily reached by other companies are kept secret as know-how, thereby ensuring competitive advantage without allowing other companies to follow.

2. Basic Approach to the Intellectual Property Portfolio

Canon is formulating and implementing intellectual property strategies by assessing the social and economic trends of the next generation from various environmental changes. The IP portfolio is positioned as a platform to be fully utilized to support changing management and businesses and enhance enterprise value. The composition of the portfolio is constantly changing in tandem with management and operational strategies, looking ahead to the next era from various environmental changes (supply chain, economic security, environmental requirements, technological innovations through AI/IoT, expansion of digital services, etc.). In recent years, the Company has been particularly increasing the number of applications for technologies that support new businesses with growth potential and for common technologies that are expected to be used in common across business fields and that will also play an important role in license negotiations with other companies, and is working to strengthen its patent portfolio that will support future business.

Canon invests significant resources in acquiring intellectual property rights that are ahead of the times (for example, intellectual property rights related to AI/IoT technologies, common technologies, environment-related technologies, and intellectual property rights for partner creation), as well as acquiring intellectual property rights related to its core business competencies, and Canon is also preparing for negotiations with companies in various industries to create new businesses. By utilizing the intellectual property portfolio thus established, the Company is able to secure both competitive advantages and freedom for future business.

Canon holds approximately 82,000 patents and utility models worldwide (as of December 2024). Canon places importance on obtaining patents not only in Japan but also overseas, and Canon promotes the acquisition of patent rights based on business strategies, technological trends, and product trends in each region. In particular, the U.S. market is large, with many companies possessing the world's most advanced technologies. Therefore, the Company focuses on patent applications from the perspectives of both business expansion and technology alliances. As a result, Canon has maintained a ranking of top 10 in the number of patent registrations for 41 consecutive years in the U.S.

In addition, the value of the intellectual property portfolio is realized by utilizing it, and the active utilization of the intellectual property portfolio will provide maximum support for business development and contribute to the improvement of corporate value. A specific example of the use of this system is cross-licensing with other companies. This enables us to access intellectual property held by other companies. Canon has access to approximately 1 million patents of other companies worldwide, which gives it a high degree of freedom in R&D and business. Additionally, Canon Group has a number of patents in the useful collaboration domain that it has obtained from other companies, which enables it to obtain advantageous cross-licensing rights without granting the use of core competence patents, and thus maintains its competitive advantage in the business. In addition, the Company is controlling license fee payments by implementing thorough patent clearance and active portfolio utilization.

3. Intellectual Property Portfolio to Support Business Development

Under the Excellent Global Corporation Plan Phase VI, Canon has set a goal of strengthening the competitiveness of the printing, medical, imaging and industrial groups, and is also focusing on creating future businesses such as commercial printing, industrial printing, next-generation healthcare, advanced surveillance, next-generation semi-conductor manufacturing and digital solution services. In order for these businesses to develop and grow, the Intellectual Property Department is focusing on the creation and acquisition of intellectual property rights related to core competence technologies such as optical technology, video processing, and analysis technology, technologies for cyber & physical systems incorporating AI/IoT, standard technologies, environmentally friendly technologies, and other areas.

I. Printing Group

In addition to the commercial printing and industrial printing fields, Canon is creating intellectual property that supports cyber & physical systems that work with various equipment, including office equipment. In addition to the basic technologies for the controllers and engines commonly installed in various printer models and the basic technologies for the cloud that provides added value to printers, Canon is building a patent portfolio related to technologies that respond to the coming era, such as environmentally friendly printer technologies and new printing solutions utilizing artificial intelligence.

II. Medical Group

Canon has built an intellectual property portfolio that protects technologies that create new value, such as AI solutions that support the realization of precision medicine (individualized medicine), photon counting CT that is expected to improve diagnostic accuracy and reduce exposure dose compared to conventional equipment, and other technologies that are continuously provided to medical sites. In addition, through collaboration among group companies, the Group is combining its accumulated technologies, such as optical technologies and image processing technologies, with diagnostic imaging technologies and solutions unique to the medical field, and strengthening its intellectual property portfolio that supports business expansion into new domains such as healthcare IT and bioscience with diagnostic imaging as its core.

III. Imaging Group

In the fields of mirrorless cameras, video cameras, surveillance cameras, and other products, Canon is creating intellectual property by combining network technologies in addition to advanced optical technologies. In addition, the Group is strengthening its patents portfolio in the areas of next-generation entertainment and social safety and security, such as 3D imaging technologies such as Volumetric Video and XR, and SPAD sensors that can capture subjects with clarity even in the dark over a few kilometers.

IV. Industrial Group

In addition to the production equipment such as lithography equipment, die bonders, organic electroluminescent display production equipment, and sputtering equipment, Canon is also focusing on the creation of intellectual property related to manufacturing solution services such as Lithography Plus.

In addition, the Company is strengthening its patent portfolio for tracking Raman spectroscopy technology, which enables the recycling of black plastic, and nano-imprint lithography technology, which realizes low power consumption, and supporting the expansion of new businesses.

V. Technologies that open the way to the future

Canon is focusing on forming a patent portfolio of world-first and cutting-edge core technologies in fields researched by the Research & Development Department of the head office, including new materials and device technologies for sustainability such as ceramics for 3D printers, lead-free piezoelectric materials, and materials for all-solid-state batteries, as well as immersion diffraction elements for large telescopes and space science technologies such as artificial satellites.

VI. Standardization initiatives

Contribute to the development of technology worldwide by actively participating in standardization organizations in collaboration with standardization experts from overseas research laboratories. Canon is

strengthening its intellectual property competitiveness by expanding its patent portfolio that comprises next-generation technology standards such as mobile communications (5G, etc.), wireless LAN (Wi-Fi, etc.), video compression (HEVC, VCC, etc.), wireless power transfer (Qi, etc.), and file formats (HEIF, OMAF, etc.).

4. Activities as an Opinion Leader

Canon is actively engaged in activities that lead the intellectual property industry, with the aim of contributing to the promotion of Japanese industry and, by extension, the promotion of industry around the world. In 2014, the Company established the License on Transfer (LOT) network together with other companies, and established a mechanism to protect member companies from unjust patent lawsuits by Patent Assertion Entities (PAEs) that do not conduct business and profit from threatening patent lawsuits. As of March 2025, more than 4,800 companies were members. In addition, since 2019, Canon has been participating as a partner in WIPO GREEN, a platform operated by the World Intellectual Property Organization (WIPO) to promote the use of environmental technologies, and Canon is working with WIPO to promote environmental technologies.

Canon is also focusing on building partnerships, and in 2023, it joined the AIST Innovation Ecosystem Program, which is implemented by the National Institute of Advanced Industrial Science and Technology (AIST) in cooperation with private companies, as a founding member. Canon supports the implementation of new technologies in society, and also gain access to the technologies created through the program, which leads to the promotion of further innovation.

Through these activities, the Company reduces the risk of patent infringement by other companies, creates opportunities to utilize its patents, expands accessible technologies and patents, and provides business support from the intellectual property perspective, while contributing to the establishment of the global intellectual property ecosystem.

<Risk Management>

For risks related to intellectual property and measures to deal with them, please refer to "3. Business Risks."

<Target>

In Canon, the Group conducts intellectual property activities with the aim of contributing to the development of its businesses by claiming intellectual property that will make them earn money. Canon is building an intellectual property portfolio that takes into account the utilization of intellectual property, and by utilizing the portfolio that has been built, Canon is improving the profitability of the business. The portfolio of over 80000 properties is undergoing a period of renewal, and the Company aims to strategically increase the ratio of applications in the technological fields that support new businesses, and to contribute to the expansion of new businesses and improvement of earnings. In the U.S., where there are many companies with the most advanced technologies and the market is large, the Group aims to remain within the top 10 in the number of patents granted in the U.S. from the perspectives of business expansion and license negotiations with other companies.

For other Canon intellectual property-related activities, please refer to Canon's website (<https://global.canon/en/intellectual-property/>).

(vii) Trend Information

Canon is engaged in activities that range from development and production to sales and services in the printing, medical, imaging and industrial fields.

I. Printing Business Unit

Canon manufactures, markets and services a full range of home, office and professional printers through variety of printing technologies such as inkjet and electrophotography. Canon also delivers added value to customers through software, services and solutions.

In the production printing area, where there is increasing demand for small-lot, multi-variety printing, short delivery times, on-demand printing, and variable printing, Canon maintain the No. 1 market share in the cut-sheet printing market worldwide(*1) with its main product “imagePRESS V series.” The flagship model “V1350”, which achieves high productivity and robustness for large-volume outputs with short delivery times, the “V1000”, which supports small-lot, multi-variety printing businesses with high-speed output on various paper types, and the compact “V900”, which reduces operator workload, cater to diverse commercial printing needs. In addition, combining remote print management software “PRISMAremote Manager,” helps reduce downtime through total print operation visibility at factory.

For large-format inkjet printers, under the “imagePROGRAF” brand, Canon offers a lineup that meets various large-format printing needs across a wide range of fields, and Canon has further strengthened this lineup this fiscal year. For the graphic arts market, which produces photos and art, Canon has revamped the “PRO series”, improving print quality on fine art paper used for artistic photos and enhancing lightfastness. This achieves the highest photo quality and long-term print preservation in the imagePROGRAF series. For printing service providers and in-house printing departments that handle graphic posters for advertisements, Canon has revamped the “GP series”, which produces vibrant posters quickly while minimizing scratches, making post-print processes such as cutting and displaying easier. Additionally, Canon has strengthened the “TZ/TX series” for design offices and companies/stores that require large-format outputs like CAD and posters, enhancing productivity and poster quality to efficiently output diverse printed materials. This supports the business expansion of service providers offering printing services and the in-house production of posters by companies. Canon strives to meet the diverse needs of its customers and acquire new ones.

For the high-end production inkjet market Canon offers industry-leading, continuous feed printers for massive print volumes at highest efficiency with highest-quality results in full color.

The “ColorStream” series inkjet presses provides a modular and customizable offering with highest productivity and flexibility for color and monochrome production of transactional, and TransPromo printing, direct mail, book and manual applications including security inks such as Magnetic ink character recognition (“MICR”) or invisible ink. The “ProStream” series is a unique breed portfolio of fast, high-productivity continuous feed inkjet presses combining the vibrant colors and productivity of offset with the variable-data versatility of digital printing. As for high speed production cutsheet inkjet printers, Canon provides the “varioPRINT iX” series that has revolutionized the commercial printing business experience. It combines stunning image quality and a wide media range with the high productivity and attractive cost-efficiency of inkjet. The “varioPRINT iX” series press offers high uptime, reliability, and productivity to produce more in less time. It is ideal for printing companies who need predictable and fast production with minimal calibration and setup so that they can handle and fulfill any job based on the agreed turnaround time and price, resulting in more profit and more business for Canon’s customers.

In the large format graphic arts market, Canon provides unique UV LED solutions under the “Colorado” and “Arizona” brands, targeting best-in-class productivity combined with lowest cost of ownership to enable professional print providers to deliver a wealth of graphics and industrial applications to their customers. Inside the “Colorado”, the Canon UVgel technology provides unrivalled productivity in a unique process that retains the advantages of prevailing printer technologies, while eliminating many of the compromises. The “Colorado” is modular in design, field upgradable with additional options and offers an impressive application range, thanks to two additional technologies: the more flexible and stretchable formulation of the UVgel 460 inks and the FLXfinish+ technology. The UVgel 460 inks provide image stability even when folded, bent and wrapped. And with the

FLXfinish+ technology, you can print your applications both with a flawless glossy and a luxurious matte finish combined in one print, independent of media finish, expanding the range of your artistic freedom.

With the diversification of work styles, there is a demand for environments where printing and scanning can be done comfortably and securely anytime, anywhere. In office multifunction devices, the “imageRUNNER ADVANCE DX series”, sold since 2020, has been enhanced with features that reduce environmental impact, such as low-temperature fusing toner and cardboard packaging materials, and security features like “recommended security settings” that strengthen security even for companies without specialized IT personnel to prepare for cyberattacks. Canon maintains the No. 1 worldwide market share (*2) with this lineup. Additionally, in 2024, Canon launched a new brand of multifunction devices, “imageFORCE,” and released the color multifunction device “imageFORCE C7165F”, which features new technology for high-resolution printing, further strengthening its lineup. The “imageRUNNER ADVANCE DX” series has earned acclaim as the “Most Reliable A3 Brand”. This prestigious recognition comes from Buyers Laboratory division in KeyPoint Intelligence, a trusted independent testing firm. The award acknowledges the series’ outstanding product reliability, solidifying its position as a leader in the market. Canon also offers the “uniFLOW Online” software, extending the capabilities of the “imageRUNNER ADVANCE DX” series by seamlessly connecting them to cloud services. Alongside robust cloud integration and heightened security features, Canon introduces the “Hybrid Work Print Standard” service. This service facilitates secure and controlled printing in work-from-home environments by seamlessly integrating office MFDs with home inkjet printers through the “uniFLOW Online” platform. Furthermore, Canon have started offering a new service, “Cloud Connector”, which facilitates the integration of multifunction devices and cloud storage. Canon will continue to strengthen its product lineup and solution capabilities to meet the increasingly sophisticated demands of its customers, striving to maintain and improve its competitiveness.

As for inkjet printers, Canon has strengthened the “GX series” with high-capacity ink tanks that achieve low running costs, and been supporting various work environments such as mass output tasks in distribution and retail, and counter operations in insurance and finance, small offices and remote work. For home printing, Canon has adopted a user interface that allows users to select according to their use scenes, improving usability to meet diverse printing needs in daily life, hobby photo printing, and document printing for work and study, amid the diversification of lifestyles and work styles.

As for laser printers, dealers and users are reducing their inventories due to concerns over the economic outlook and fluctuating interest rates. In addition, as a long-term trend, there are concerns over lagging growth of the entire market affected by decrease in demand for printing, which is caused by changes in users printing behavior due to the prevalence of smartphones, cloud computing, etc. In response, Canon has focused on expanding sales of high value-added products from mid to high-end class. In addition, Canon aims to increase sales volume and market share by enhancing competitiveness and customer value with even more focus on contractual business which engages with customers for a certain period, accompanied with leveraging technical innovation and so forth. Canon will strive to ensure a stable supply of products by diversifying the supply chain.

*1 Resource: As of February 2025. Based on Canon research

*2 Resource: As of February 2025. Based on Canon research

II. Medical Business Unit

Canon operates in the diagnostic imaging systems sector, offering a range of products such as CT systems, MRI systems, Diagnostic Ultrasound systems, and Diagnostic X-ray systems. Additionally, the company provides Healthcare IT solutions and In Vitro Diagnostic medicine, serving customers in more than 190 countries and regions around the world. Canon strives to support customers in delivering reliable and patient-centric healthcare while enhancing efficiency and reducing costs through its medical systems and services.

Canon is enhancing its competitive edge in the core business of image diagnostics systems and components by developing next generation technology in detectors, magnets, clinical applications, and artificial intelligence. In the field of CT, Canon has maintained a leading position in the domestic market. Canon is offering its flagship model “Aquilion ONE / INSIGHT Edition” to customers worldwide and the product is well received in the global market. It incorporates the “Precise IQ Engine (PIQE)”, a high-resolution image reconstruction technology that has evolved

from the “Advanced intelligent Clear-IQ Engine (AiCE)” which features deep learning. The integration of “INSTINX” facilitates intuitive operation, providing advanced automation for a quick, simple, and efficient workflow, which may help address the shortage of medical personnel. Moreover, Canon has additionally partnered with new medical research institutions for a joint clinical study to accelerate clinical evaluation and to expedite the practical implementation of the next generation Photon Counting CT (PCCT). Through this initiative, Canon seeks to position itself as the leading global CT vendor and establish Canon brand in the medical industry. In the MRI systems, Canon launched the “Vantage Galan 3T/ Supreme Edition”, an advanced system featuring all Canon-manufactured components, including magnets. The product leverages Canon’s suite of AI technologies such as AiCE and PIQE. Canon has also introduced the “Aplio i800 EUS” in Europe, Japan, and Oceania as part of the joint effort with an endoscope manufacturer in the field of Diagnostic Ultrasound systems. Additionally, in Japan, Canon began taking orders for “Aplio air”, a wireless mobile Diagnostic Ultrasound device, to address the diverse diagnostic requirements thereby expanding the scope of the business.

A newly developed software “Abierto Vision” has been launched for use in medical image analysis workstation that displays, reconstructs, and analyzes valuable diagnostic data obtained from enhanced images captured by MRI and CT systems. The software provides an efficient image analysis workflow with its AI-driven automation technology and user-friendly GUI for intuitive operation.

Canon acquired all shares of Minaris Medical Co., Ltd., a leading vendor in in vitro medicine and automatic analyzers in 2023. Minaris Medical changed its name to Canon Medical Diagnostics Inc. in February 2025. The synergy generated by combining Canon Medical Diagnostics’s expertise in in vitro diagnostic and Canon’s technology in automated analyzers will enable us to address more complex needs, thereby delivering added value.

III. Imaging Business Unit

Canon manufactures and markets digital cameras, as well as lenses and various related accessories.

In interchangeable lens digital cameras, market demand remained strong due to the introduction of new mirrorless cameras and interchangeable lenses and increased sales promotion activities by each company. Canon has maintained the No. 1 share*1 of the global market for 22 consecutive years from 2003 to 2024. In 2024, Canon launched the key model for professional and high-amateur users, the “EOS R5 Mark II”, along with the first flagship of the “EOS R System”, the “EOS R1”. By utilizing newly developed engine systems and deep learning technology, Canon has enhanced both still image and video functions, building a lineup that meets the high demands of professional and high-amateur customers. Moving forward, Canon will continue to expand the “EOS R System”, striving to acquire new customers. Canon aims to expand the imaging domains of interchangeable lens-digital cameras through development of new products based on state-of-the-art technology such as higher picture quality, small and lightweight body and versatile movie/network functions, thereby enhancing its competitiveness in the market.

In interchangeable lenses for digital cameras, Canon expanded its RF lens lineup by introducing new models, including hybrid lenses with enhanced video capabilities and VR lenses. Sales of RF lenses also increased thanks to synergies with “EOS R” series camera body.

As for compact digital cameras, the market has been recovering, especially among younger generations. Canon has enhanced the video shooting functions of its existing camera products and are developing the “PowerShot V Series,” which allows users to enjoy full-scale video shooting easily. As the first in the series, the “PowerShot V10,” which specializes in Vlog photography, was released in 2023. Additionally, the “PowerShot V1,” the flagship of the PowerShot V series, is scheduled to be released in April 2025. Canon will continue to increase production of current models, for which demand is growing, and at the same time expand the lineup of attractive new products that meet market needs.

In the compact photo printer market, the “SELPHY” series, which allows for easy printing of high-quality photos, celebrated its 20th anniversary in 2024. “SELPHY” has advantages, such as easy operation, portability, lab-quality photo print, and durability. With the newly launched “SELPHY QX20”, Canon aims to capture further demand.

Including the “SELPHY CP1500,” which has gained high presence in various regions, Canon will continue to lead the market.

In the professional video market, the demand continues for large amounts of high-quality contents due to the expansion of viewing through OTT*2 and video content due to the spread of streaming and internet video, and Canon is experiencing the demand for smaller and lighter production equipment, production efficiency, and manpower reduction. In the live streaming and broadcast market such as live sports and live music, the investment in equipment continued. Among them, Canon has released “EOS C400” and “EOS C80” with RF mount and 6K full-size sensor as CINEMA EOS SYSTEM, “CN7×17 KAS T/R1” with RF mount and communication function expansion as Cine-servo lens and “CJ27e×7.3B” with new digital drive unit as portable lens for 2/3-inch 4K ENG-style cameras.

In the advanced surveillance market, Canon launched the “Video Enhancement Software” that can enhance the video visibility in real-time. This software makes it possible to further improve the visibility of the video captured by the ultra-high-sensitivity camera series by noise reduction processing using AI technology. In addition, the world’s first*3 color camera equipped with a SPAD sensor, ultra-high-sensitivity camera “MS-500“, launched in 2023, has been highly evaluated for its high sensitivity performance and has begun to enter markets other than advanced surveillance.

The network camera market continues to grow, particularly in the security field, and is expanding into a wide range of fields, including manufacturing, logistics, and education. In addition to network cameras and on-premise video recording products, Canon provides a variety of video analytics products and cloud video recording services to help resolve customer issues.

Canon acquired Axis Communications, the industry leader in network video, in 2015. In 2024, Axis showed strong growth, which was illustrated by the launch of around 120 new products. Axis now has 37 AECs (Axis Experience Center) around the world, with the purpose of understanding and reflecting user needs in our products.

Canon offers three video solutions in order to promote Digital Transformation (“DX”) for the industry. Firstly, the “Vision Edition Series” supports automated inspection in manufacturing and distribution by improving the image processing capabilities and connectivity with external devices and AI supported features. Secondly, “Vision-based Navigation Software”, a video content analytics software that includes “Visual SLAM technology”, which simultaneously estimates the camera’s position and posture using three-dimensional information of the surrounding environment, which are provided mainly to the manufacturers of Automated Guided Vehicle (“AGV”). Thirdly, for the social infrastructure industry, Canon updated the features of the solution detecting cracks of concrete structures using imaged data, making it available for wider range of customers.

In the field of 3D imaging, as the market for viewing devices such as spatial computers that allow end-users to enjoy immersive experiences begins to expand, Canon is expanding into new visual expressions such as sports broadcasting and entertainment using “volumetric video,” as well as utilizing data in virtual 3D spaces. Additionally, Canon is developing real-time fusion of real images and CG in Mixed Reality (MR). Canon introduced the compact and lightweight “MREAL S1” model in 2021 and the wide-field-of-view “MREAL X1” model in 2022 as MR products, providing solutions that utilize 3D data across a wide range of industries, including manufacturing, and contributing to solving customer challenges.

*1 As of March 2025. Based on Canon research

*2 OTT stands for over the top. A media service that provides video content directly to viewers via the Internet, which has been provided by terrestrial broadcasting, satellites, cable television, etc.

*3 Among cameras equipped with SPAD sensors used for color video shooting. As of July 31, 2023. Based on Canon research.

IV. Industrial Business Unit

In the semiconductor lithography equipment market, although there have been concerns about the impact on trade tensions between the United States and China and the extension of investment in the memory market, capital investment remained strong due to the acceleration of domestic production of semiconductors triggered by geopolitical risks and the spread of lithography equipment demand for power devices. In the back-end lithography equipment market, Canon's equipment sales increased significantly due to strong capital investment in advanced packaging required for the widespread adoption of generative AI.

Responding to diversified semiconductor applications, Canon has established "design-in" business style, which enables customer needs to be reflected in the early stage of its product development process. As a result of its steady progress in developing value-added products, Canon offers a wide variety of products for Internet of Things ("IoT") devices and automotive semiconductors, which are rapidly becoming more widespread. Canon aims to further expand its market share with the KrF scanner "FPA-6300ES6a" which achieves the highest level of productivity and superposition accuracy in the industry, the i-line stepper for advanced packaging "FPA-5520iV" which has a full lineup of options and the semiconductor manufacturing equipment "FPA-1200NZ2C" which uses nanoimprint lithography technology to form circuit patterns with a simple structure. In addition, "Lithography Plus", a solution platform for enhancing the services of semiconductor lithography equipment operating in the market, will contribute to improving the productivity of users who have installed Canon's equipment through real-time analysis of the equipment, automatic recovery in the event of abnormalities, and optimal manufacturing conditions.

In the FPD lithography equipment market, although investment adjustments by customers continued due to a decline in panel prices as a result of the rebound from special demand for panels triggered by COVID-19, the market recovered moderately along with an improvement in the panel demand and supply balance. Demand for OLED panels for IT is expected to increase moderately in 2025 and beyond.

The flat panel display market, in which demand for thinner panels increases, is expected to grow in size, increase in 4K/8K resolution, and shift to high-quality displays such as OLED. Canon aims to further expand its market share with the "MPAsp-H1003T", lithography equipment for 8th generation glass substrates that achieves high productivity by exposing high-definition 65 inch panels in a batch, the "MPAsp-E903T", lithography equipment for 6th generation glass substrates that meets the need for further high definition in small and medium sized display manufacturing, and the "MPAsp-H1003H", lithography equipment for displays for IT devices that offers both high productivity and high definition.

In the market for OLED panel manufacturing equipment, Canon will continue to develop next-generation equipment in order to maintain our competitive edge in OLED deposition equipment for small and medium-sized panels, in which Canon have an overwhelming share.

5. Material Business Agreements, etc.

(1) Licenses Canon has granted

Counterparty	Country	Contract details	Period of contract
Kyocera Document Solutions Inc.	Japan	Licensing of patent rights related to electrophotography	Since April 1, 2002 until the expiration date of the patent
Brother Industries, Ltd.	Japan	Licensing of patent rights related to electrophotography and facsimile machines	Since June 27, 2009 until the expiration date of the patent

(2) Cross-licensing agreements Canon has entered

Counterparty	Country	Contract details	Period of contract
HP Inc.	U.S.A.	Licensing of patent rights related to bubble jet printers	Since February 19, 1993 until the expiration date of the patent
International Business Machines Corporation	U.S.A.	Licensing of patent rights related to information handling systems and manufacturing equipment	Since December 15, 2005 until the expiration date of the patent
Eastman Kodak Company	U.S.A.	Licensing of patent rights related to electrophotography and image processing technology	Since November 1, 2006 until the expiration date of the patent
Seiko Epson Corporation	Japan	Licensing of patent rights related to information-related instruments	Since August 22, 2008 until the expiration date of the patent

6. Research and Development Activities

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 for the entire Canon Group were ¥337,348 million in 2024. The major results of R&D by segment are as follows.

I. Printing Business Unit

For large multifunction printers aimed at commercial printing, Canon has been selling the “imagePRESS V series” equipped with the “Print on Demand-Surface Rapid Fusing (POD-SURF)” system, which enhances thermal efficiency to achieve high-speed printing, since 2022. The “V1350” achieves the highest speed in the series at 135 pages per minute, contributing to shorter delivery times for printed materials and strongly supporting businesses that need efficient mass output. The “V1000” reduces downtime by minimizing the frequency of switching fusing temperatures for mixed media printing, maintaining high productivity for continuous printing without separating thick and regular paper. The “V900” offers diverse printing capabilities with a compact design, expandable options, and wide paper compatibility. High-precision color adjustment is possible with the inline spectrophotometer option, previously only available in higher-end models, reducing operator workload. Additionally, the remote printing management app “PRISMAremote Manager” allows real-time monitoring of paper replenishment timing and operational status from a distance, preventing errors like paper shortages and reducing downtime to improve operational efficiency.

For large-format inkjet printers, Canon focused on enhancing basic performance and reducing printing labor. Canon developed the “LUCIA PRO II” pigment ink, which improves image quality while enhancing lightfastness and scratch resistance on glossy and semi-glossy paper. The “PRO-6600/PRO-4600/PRO-2600” models for the graphic arts market combine the highest photo quality in the imagePROGRAF series with long-term print preservation. The “GP-6600S/GP-4600S/GP-2600S” models for printing service providers and in-house printing departments produce vibrant posters quickly while minimizing scratches during post-printing processes like cutting and display. These models, along with the “TZ-32000/TX-4200/TX-3200/TX-2200” for the CAD and poster markets, feature the “Smart Roll Paper Set” function, which automates paper feeding, type detection, and remaining amount estimation, speeding up roll paper setup. The newly developed ink sensing system periodically monitors ink ejection status and automatically optimizes ink placement positions to maintain high image quality, contributing to work efficiency and productivity improvement.

For office multifunction printers, Canon has been strengthening the “imageRUNNER ADVANCE DX series” lineup. In addition to improving the core performance of multifunction devices, such as achieving industry-leading * 1 Typical Electricity Consumption (TEC2018 * 2), improving the output productivity of small-sized paper, and reducing operating noise through various noise reduction measures, Canon has also complied with the latest security standards, which provide robust encryption functions. The latest addition in 2024, the “imageFORCE C7165F”, features the next-generation exposure device “D² Exposure” with LED multi-chips, achieving high-quality prints at 4,800×2,400 dpi. The newly added “media sensor” automatically adapts optimal printing settings based on paper type, and the guidance function on the printer driver screen improves operability, simplifying the workflow for high-quality in-house production. In terms of security, AI-based network environment analysis recommends optimal security settings, supporting secure operations even for companies without IT administrators. The combination of high-performance, user-friendly multifunction printers and the cloud-based MFP function expansion platform “uniFLOW Online” strongly supports the digital transformation of office operations.

For business inkjet printers, Canon has strengthened the lineup of high-capacity ink tank products that achieve low running costs. The “GX2030/GX1030” models are optimized for remote work with full front operation, while the “GX5530” supports a wide range of paper types and sizes used in logistics, pharmacies, and retail, enabling versatile printing with a single device. The “GX6530” is designed for front operation with an ADF (Automatic Document Feeder), improving efficiency for reception and counter operations. With these products, Canon supports customer’s businesses from various angles.

For home inkjet printers, Canon has improved functionality and usability to meet various use scenes such as work, hobbies, and learning. The “PIXUS XK130/TS8830” models are suitable for photo and document printing, while the “G3390” with high-capacity ink tank is ideal for users who print large volumes of documents. The UI (user interface) that can be customized according to each use scene allows user quickly to access needed functions.

Canon has developed a high-performance material that is expected to improve the durability and mass-production stability of perovskite solar cells, which are attracting attention as next-generation solar cells. Because perovskite solar cells are lightweight and flexible, and can generate electricity even with room light, they offer greater flexibility in installation than the silicon type, which is currently the mainstream, and are expected to reduce capital investment costs. The newly developed high-performance material is characterized by its ability to cover a large thickness of the photoelectric conversion layer while maintaining high photoelectric conversion efficiency, which was difficult to achieve in the past, by applying material technology cultivated through the development of photoconductors, which are the core components of multifunction devices and laser printers. Canon will continue to develop the technology and start production in 2025.

R&D expenses for the Business Unit were ¥100,361 million in 2024.

*1 In the Office Color MFP category (A4 single-sided, 25-35ppm);

Office Monochrome MFP category (A4 single-sided, 25-45ppm)

as of December 3, 2024. Based on Canon research

*2 Values based on measurement methods defined by the International ENERGY STAR Program.

II. Medical Business Unit

Canon achieved qualification for the medical use X-ray CT system featuring a Photon Counting detector, the first Japan-made PCCT, in December 2022. Since then, Canon has partnered with National Cancer Center Exploratory Oncology Research & Clinical Trial Center (EPOC) and National Cancer Center Hospital East (NCCHE) to conduct targeted clinical trials with the aim to facilitate the practical implementation of PCCT. In 2024, Canon commenced clinical research on Photon Counting CT in collaboration with Radboud University Nijmegen in Netherlands, Hiroshima University, and University of Pennsylvania (Penn Medicine). The feedback, insights and evaluations garnered from these joint efforts are reinvested to accelerate the PCCT R&D. PCCT represents the culmination of numerous technology advancements Canon has made over the years. Canon’s goal is to become the leading global CT vendor by promptly launching a practical PCCT and contributing to the further advancement of diagnostic imaging technology.

In the field of Diagnostic Ultrasound systems, Canon is supporting research to validate a noninvasive method for assessing liver disorder using the “Liver Package”, an application included in the “Aplio i series”. In the “Innovative Liver Elasticity, Attenuation, and Dispersion (iLEAD)” project, a cross-institutional joint research, the “Attenuation Imaging (ATI)”, “Shear Wave Dispersion (SWD)”, and “Shear Wave Elastography (SWE)” data obtained by “Liver Package” demonstrated correlations with steatosis, liver inflammation, and fibrosis. A research paper on the findings has been accepted by the international academic journal “Radiology” and published as clinical evidence.

Canon is focused on enhancing its upstream marketing capabilities by using its technology to deliver new clinical value. Canon established “Canon Healthcare USA Inc.” near Cleveland, where Canon will engage in global development initiatives to address clinical requirements. Moreover, Canon has formed a strategic research partnership with Cleveland Clinic. This unique collaboration leverages Cleveland Clinic’s expertise in biomedical research and clinical care with Canon’s global leadership in imaging innovation.

Canon is also actively working to enhance the efficiency of its sales operations through digital transformation, which includes the implementation of centralized management for new products and sales data. Furthermore, Canon established new training centers in the Netherlands and the United States as part of “Canon Medical Academy” initiative. Canon’s goal is to deliver the right information and technology to its customers in a timely manner, thereby strengthening Canon’s presence in the market.

R&D expenses for the Business Unit were ¥52,639 million in 2024.

III. Imaging Business Unit

In the interchangeable-lens digital cameras (digital SLR and mirrorless cameras), Canon launched the key model for professional and high-amateur users, the “EOS R5 Mark II”, along with the first flagship of the “EOS R System”, the “EOS R1”. By utilizing the newly developed engine system and deep learning technology, Canon has enhanced both still image and video functions, building a lineup that meets the high demands of professional and high-amateur customers.

Additionally, in the “RF Lens” series, Canon has expanded its lineup with new models such as hybrid lenses with enhanced video functions and VR lenses.

Canon launched “Canon Multi-Camera control” as the wireless remote application for streamlining multi-camera workflow between “CINEMA EOS SYSTEM” and professional camcorder. Canon released “EOS C400” and “EOS C80” with RF mount that enables impressive video expression and 6K full-size sensor as CINEMA EOS SYSTEM, “CN7×17 KAS T/R1” with RF mount and communication function expansion as CINE-SERVO lens and “CJ27e×7.3B” with new digital drive unit as portable lens for 2/3-inch 4K ENG-style cameras.

Canon prepared a product lineup suitable for use from video production to lecture/conference and achieved the improvement of convenience by the launch of the top-of-the-line remote camera controller model “RC-IP1000” and “multi camera management applications” that can collectively manage connection of up to 200 cameras. Canon continuously support for efficiency and manpower-saving of video production with functional enhancement of “auto loop application” that repeatedly moves to registered angle of view and “auto tracking application” that automatically tracks a subject according to the person’s movements.

“Video Enhancement Software,” which was launched for advanced surveillance market, employs a deep learning image processing technology developed in-house based on the vast image database and image processing expertise accumulated as a camera manufacturer. This makes it possible to further reduce noise that occurs under environment with low-illumination conditions, which cannot be avoided by the camera alone. Canon is also continuing to develop SPAD sensors to take advantage of these characteristics. The SPAD sensor equipped ultra-high-sensitivity camera “MS-500” has been upgraded so that it can be used in environments where there is a large contrast between light and dark, and in environments where greater noise reduction is required. At the same time, it enables control and video distribution through network connections, making it a product that can meet more diverse user needs.

Canon released an upgraded version of the video analytics software, 'Vision Edition,' which supports the automation of inspections and examinations in manufacturing and distribution. To accommodate large-scale remote monitoring systems, the new version expands the multi-camera connection feature and enables image acquisition from the video management software 'Milestone XProtect.' In addition, it includes an email notification feature with image attachments and integration with AI image processing, contributing to the promotion of Digital Transformation (DX) for various customers, such as at manufacturing process and logistics centers.

In the field of 3D imaging, Canon has introduced the "Volumetric Video System," which allows for the presentation of sports broadcasts from free viewpoints, unrestricted by actual camera positions. The "Volumetric Video Studio - Kawasaki," which provides a one-stop solution from shooting to editing 3D content, has accumulated a track record in producing music videos and AR/VR 3D content. Additionally, in Mixed Reality (MR), Canon provide solutions utilizing 3D data in a wide range of fields, including manufacturing industry.

R&D expenses for the Business Unit were ¥101,200 million.

IV. Industrial Business Unit

In semiconductor lithography equipment, the nano imprint semiconductor manufacturing equipment "FPA-1200NZ2C" which enables the formation of fine circuit patterns with a simple mechanism of pressing like a stamp, contributes to the manufacture of advanced semiconductor devices. In contrast to conventional photolithography equipment, this equipment does not require miniaturization by the wavelength of the light source, and thus contributes to reducing power consumption and CO2 emissions. The i-line stepper FPA-3030i6 which uses a new projection lens featuring high transmittance and durability, will support the production of power devices and green devices, which are expected to grow in the future.

In FPD lithography equipment, the MPAsp-E1003 H for 6th generation glass substrates contributes to the expansion of applications for display panels. This equipment is installed with an optical system for 8th generation glass substrates that can expose 65 inch panels in a single operation. This increases the exposure width by approximately 1.2 times and achieves both high resolution and high productivity. In addition, large special displays for automotive applications can also be exposed in two shots without a connection, contributing to productivity improvement during mass production.

In the measurement equipment field, Canon has developed a plastic sorting system that uses "tracking Raman spectroscopy" to accurately sort black plastic pieces and other plastic pieces that are difficult to distinguish. By maximizing the amount of reusable plastic, Canon will contribute to the creation of a circular economy.

R&D expenses for the Business Unit were ¥30,559 million.

R&D expenses for other, such as basic research, and company-wide R&D expenses were ¥52,589 million.

Note: Product names are those used in Japan.

III. Equipment and Facilities

1. Overview of Capital Expenditures

Capital expenditures in the fiscal year were made in a wide range of areas, mainly for the purpose of establishing R&D bases, strengthening production technologies, and enhancing the production system for high-value-added products. As a result, total capital expenditures for the fiscal year were ¥ 219,202 million. There is no sale, removal or loss of important equipment.

Business Segment	Capital expenditures (Millions of yen)	Purpose and content of major capital investment
Printing Business Unit	64,646	Expansion of production facilities
Medical Business Unit	10,037	Expansion of production facilities
Imaging Business Unit	37,194	Expansion of production facilities
Industrial Business Unit	11,808	Expansion of production facilities
Others and Corporate	95,517	Rationalize and expand R&D facilities and facilities for management services
Total	219,202	

(Note) The above amounts do not include consumption tax, etc.

2. Major Facilities

The status of major facilities of Canon Group as of the end of the current consolidated fiscal year is as follows.

(1) Information about reporting company

As of December 31, 2024

Office name (Location)	Segment	Details of equipment	Carrying amount (Millions of yen)				Number of employees
			Land (Area in m ²)	Buildings and structure	Machinery and other assets	Total	
Headquarters (Ohta-ku, Tokyo)	Printing, Medical, Imaging, Industrial, Others and Corporate	R&D facilities and facilities for management services	36,986 (115,201)	44,298	3,768	85,052	6,129
Toride Office (Toride City, Ibaraki Prefecture)	Printing	Production facilities	1,156 (259,957)	17,718	8,743	27,617	4,574
Ami Office (Ami-machi, Inashiki-gun, Ibaraki Prefecture)	Industrial	Same as above	1,409 (126,586)	4,681	793	6,883	311
Utsunomiya Office (Utsunomiya City, Tochigi Prefecture)	Imaging, Industrial	R&D facilities and production facilities	11,845 (441,443)	17,749	37,846	67,440	3,985
Fuji Susono Research Park (Susono City, Shizuoka Prefecture)	Printing	R&D facilities	10,276 (275,780)	6,028	882	17,186	907
Ayase Office (Ayase City, Kanagawa Prefecture)	Others and Corporate	R&D facilities and production facilities	4,518 (50,549)	2,015	884	7,417	248
Yako Office (Saiwai-ku, Kawasaki City, Kanagawa Prefecture)	Printing	R&D facilities	12,732 (42,404)	12,322	1,614	26,668	2,064
Kawasaki Office (Saiwai-ku, Kawasaki City, Kanagawa Prefecture)	Printing, Imaging, Others and Corporate	R&D facilities and production facilities	24,350 (114,732)	34,144	5,381	63,875	3,944
Hiratsuka Office (Hiratsuka City, Kanagawa Prefecture)	Others and Corporate	Same as above	6,068 (67,241)	31,317	22,757	60,142	310
Tamagawa Office (Takatsu-ku, Kawasaki, Kanagawa Prefecture)	Same as above	Facilities for management services	298 (18,330)	5,462	208	5,968	221
Oita Works (Oita City, Oita Prefecture)	Same as above	R&D facilities and production facilities	1,211 (103,365)	8,878	5,969	16,058	230

(2) Status of Domestic Subsidiaries

As of December 31, 2024

Company (Location)	Office name (Location)	Segment	Details of equipment	Carrying amount (Millions of yen)				Number Of Employees
				Land (Area in m ²)	Buildings and structure	Machinery and other assets	Total	
Canon Precision Inc. (Hirosaki City, Aomori Prefecture)	Head Office, Kita-Watoku (Hirosaki City, Aomori Prefecture)	Printing, Others and Corporate	Production facilities	694 (60,024)	5,116	583	6,393	757
	Kita-Watoku Office 2 (Hirosaki City, Aomori Prefecture)	Same as above	Same as above	1,574 (87,782)	3,276	2,287	7,137	1,059
Fukushima Canon Inc. (Fukushima City, Fukushima Prefecture)	Same as on the left	Printing	Same as above	659 (126,796)	9,399	1,050	11,108	1,598
Canon Medical Systems Corporation (Otawara City, Tochigi Prefecture)	Headquarters (Otawara City, Tochigi Prefecture)	Medical	Same as above	2,175 (261,205)	7,155	3,837	13,167	2,450
Canon Components, Inc. (Kamiso- machi, Kodama- gun, Saitama Prefecture)	Same as on the left	Printing, Medical, Others and Corporate	Same as above	1,561 (49,131)	6,125	4,534	12,220	976
Canon Ecology Industry Inc. (Bando City, Ibaraki Prefecture)	Same as on the left	Printing	Same as above	1,898 (132,224)	5,494	635	8,027	555
Canon Chemicals Inc. (Tsukuba, Ibaraki City Prefecture)	Iwama Office (Kasama City, Ibaraki Prefecture)	Same as above	Same as above	3,441 (118,259)	5,103	2,221	10,765	914
Canon Electronics Inc. (Chichibu City, Saitama Prefecture)	Akagi Plant (Tone-gun, Showa-mura Gunma Prefecture)	Printing, Others and Corporate	Same as above	4,929 (264,028)	1,821	884	7,634	253
Canon Finetech Nisca Inc. (Misato City, Saitama Prefecture)	Headquarters (Misato City, Saitama Prefecture)	Printing	R&D facilities and facilities for management services	6,330 (21,659)	2,248	66	8,644	671
Canon Marketing Japan Co. Inc (Minato Ward, Tokyo)	Headquarters (Minato Ward, Tokyo)	Printing, Imaging, Industrial, Others and Corporate	Facilities for management services	17,319 (5,119)	9,479	7,169	33,967	2,845
Canon ANELVA Corporation (Asao Ward, Kawasaki City, Kanagawa Prefecture)	Headquarters (Asao Ward, Kawasaki City, Kanagawa Prefecture)	Industrial	Production facilities	4,413 (28,887)	3,509	2,598	10,520	686

Company (Location)	Office name (Location)	Segment	Details of equipment	Carrying amount (Millions of yen)				Number Of Employees
				Land (Area in m ²)	Buildings and structure	Machinery and other assets	Total	
Nagahama Canon Inc. (Nagahama City, Shiga Prefecture)	Same as on the left	Printing, Industrial	Same as above	6,574 (215,572)	2,557	1,561	10,692	1,067
Oita Canon Inc. (Kunisaki City, Oita Prefecture)	Head Office, Aki Office (Kunisaki City, Oita Prefecture)	Imaging	Same as above	851 (159,492)	5,449	1,271	7,571	1,321
	Oita Works (Oita City, Oita Prefecture)	Same as above	Same as above	4,364 (348,153)	11,789	4,022	20,175	1,269
	Hita Office (Hita City, Oita Prefecture)	Same as above	Same as above	5,182 (366,975)	3,355	654	9,191	201
Oita Canon Materials Inc. (Kitsuki City, Oita Prefecture)	Kitsuki Office (Kitsuki City, Oita Prefecture)	Printing	Same as above	2,283 (172,287)	5,074	14	7,371	122
	Oita Works (Oita City, Oita Prefecture)	Same as above	Same as above	3,235 (276,781)	14,767	6,401	24,403	1,263
Nagasaki Canon Inc. (Hasami-cho, Higashisonogi- gun, Nagasaki Prefecture)	Same as on the left	Imaging	Same as above	2,680 (204,403)	2,759	1,393	6,832	649
Miyazaki Canon Inc. (Takanabe-cho, Koyu-gun, Miyazaki Prefecture)	Same as on the left	Same as above	Same as above	1,687 (265,952)	10,099	1,287	13,073	888

(3) Status of overseas subsidiaries

As of December 31, 2024

Company (Location)	Segment	Details of equipment	Carrying amount (Millions of yen)				Number of employees
			Land (Area in m ²)	Buildings and Structures	Machinery and other assets	Total	
Canon Europa N.V. (Amstelveen, The Netherlands)	Printing, Imaging, Industrial, Other and Headquarters	Facilities for management services	1,534 (79,981)	2,561	1,228	5,323	564
Canon Production Printing Netherlands B.V. (Venlo, The Netherlands)	Printing	R&D facilities and production facilities	1,611 (627,548)	13,104	12,224	26,939	1,876
Canon Production Printing Germany GmbH & Co.KG (Poing, Germany)	Same as above	Production facilities	8,393 (243,367)	3,368	2,643	14,404	884
Canon U.S.A., Inc. (New York, U.S.A.)	Printing, Imaging, Industrial, Other and Headquarters	Facilities for management services	19,907 (591,812)	23,745	3,651	47,303	5,137
Canon Virginia, Inc. (Virginia, U.S.A.)	Printing, Imaging	Production facilities	3,136 (673,684)	3,451	7,884	14,471	802
Canon Dalian Business Machines, Inc. (Liaoning, China)	Printing	Same as above	(171,880)	3,552	3,652	7,204	934
Canon (Suzhou) Inc. (Suzhou, China)	Same as above	Same as above	(319,663)	1,779	4,215	5,994	2,456
Canon Inc., Taiwan (Taiwan)	Imaging	Same as above	1,793 (137,385)	10,902	3,091	15,786	3,852
Canon Vietnam Co., Ltd. (Hanoi, Vietnam)	Printing	Same as above	(547,494)	10,978	6,163	17,141	20,902
Canon Hi-Tech (Thailand) Ltd. (Phra Nakhon Sri Ayutthaya, Thailand)	Same as above	Same as above	3,258 (652,000)	11,857	2,330	17,445	6,856
Canon Prachinburi (Thailand) Ltd. (Prachinburi, Thailand)	Same as above	Same as above	1,636 (313,797)	5,886	5,702	13,224	5,071
Canon Business Machines (Philippines), Inc. (Batangas, Philippines)	Same as above	Same as above	(195,077)	6,874	938	7,812	4,254

Notes:

1. “Machinery and equipment and other assets” include machinery and equipment, vehicles, tools, furniture and fixtures, construction in progress and finance leases.
2. The above amounts include assets leased within the Group.
3. The above amounts do not include consumption tax, etc.
- 4 Land of Canon Dalian Business Machines, Inc., Canon (Suzhou) Inc., Canon Vietnam Co., Ltd., Canon Business Machines (Philippines), Inc. is leased from non-consolidated companies.

3. Plans for Establishment, Disposals, etc. of Facilities

Canon Group is engaged in a wide range of businesses both in Japan and overseas, and plans for new facilities and facility expansions have not been decided on an individual project basis as of the end of the fiscal year. Therefore, Canon discloses the figures for each segment. Canon Group's capital expenditure plan (new facilities and expansion) for the year ending December 31,2024 as follows.

Segment	Planned capital expenditures (Millions of yen)	Purpose and content of major capital expenditures
Printing Business Unit	63,600	Expansion of production facilities
Medical Business Unit	14,900	Expansion of production facilities
Imaging Business Unit	32,500	Expansion of production facilities
Industrial Business Unit	15,800	Expansion of production facilities
Others and Corporate	83,200	Rationalize and expand R&D facilities and facilities for management services
Total	210,000	

Notes:

1. The funds required for the above plan will be covered by the funds of Canon.
2. There are no plans for the disposal or sale of significant facilities, except for the disposal or sale for the purpose of routine renewal of facilities.

IV . Information on Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	3,000,000,000
Total	3,000,000,000

(ii) Issued shares

Class	Number of issued shares at the end of the fiscal year (December 31, 2024) (Shares)	Number of issued shares as of the filing date (March 28, 2025) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	1,333,763,464	1,333,763,464	Tokyo, Nagoya, Fukuoka, Sapporo	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
Total	1,333,763,464	1,333,763,464	—	—

(2) Stock acquisition rights, etc.

(i) Stock option plans

Date of resolution	March 29, 2018
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 5 Executive Officers 28 Total 33
Number of Stock Acquisition Rights (Units)*	522
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 52,200 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From May 2, 2018 To May 1, 2048
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 2,949 (Note 2) Amount incorporated into capital stock 1,475 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date is omitted.

Notes

- The class of shares to be acquired upon exercise of the stock acquisition rights shall be shares of common stock of Canon, and the number of shares to be acquired upon exercise of each stock acquisition right (the "Number of Shares Acquired") shall be 100 shares; provided. However, that in the case that Canon conducts a share split (including an allotment without consideration of shares of common stock of Canon; the same shall apply to all references to the share split herein) or share consolidation on and after the date on which the stock acquisition rights shall be allotted (the "Allotment Date"), the Number of Shares Acquired shall be adjusted in accordance with the following formula, rounding down any fraction of less than one share resulting from such adjustment.

Number of Shares Acquired after adjustment

= Number of Shares Acquired before adjustment × Ratio of share Split or share consolidation

In addition to the above, in any event that makes it necessary to adjust the Number of Shares Acquired, including a merger and company split, on and after the Allotment Date, Canon may make appropriate adjustment to the Number of Shares Acquired within a reasonable range.

2. The issue price shall be the sum of the paid-in amount at the time of exercise of the share acquisition rights (1 yen per share) and the fair value of the share acquisition rights on the allotment date.
3. The amount of capital stock to be increased when shares are issued upon exercise of share acquisition rights shall be one half of the maximum amount of increase in capital stock which is calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, and any fraction less than one yen resulting from the calculation shall be rounded up to the nearest whole yen.
4. Matters related to granting Stock Acquisition Rights in corporate reorganization
If Canon conducts a merger (limited to the case where Canon is dissolved due to the merger), or a share exchange or transfer (both, limited to the case where Canon becomes a wholly-owned subsidiary) (collectively, the “Structural Reorganization”), Canon shall, allot stock acquisition rights of any of the relevant companies listed in “a” through “e” of Article 236, Paragraph 1, Item 8 of the Company Act (the “Reorganized Company”) to the Holders holding the stock acquisition rights remaining at the time immediately preceding the effective date of the relevant Structural Reorganization (the “Remaining Stock Acquisition Rights”) (the effective date of the relevant Structural Reorganization shall mean, in the case of a merger, the date on which the merger becomes effective; in the case of a consolidation; the date of establishment of a newly-incorporated company through consolidation; in the case of an absorption-type company split, the date on which the absorption-type company split becomes effective; in the case of an incorporation-type company split, the date of establishment of a newly-incorporated company through the incorporation-type company split; in the case of a share exchange, the date on which the share exchange becomes effective; and in the case of a share transfer, the date of establishment of a wholly-owning parent company through the share transfer; hereinafter the same shall apply). Provided, however, that the foregoing shall be on the condition that allotment of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in a merger agreement, a company split agreement, a share exchange agreement or a share transfer plan.
 - a. Number of stock acquisition rights of the Reorganized Company to be allotted:
A number equal to the number of the Remaining Stock Acquisition Rights held by the Holder shall be transferred to such Holder.
 - b. Class of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:
Common stock of the Reorganized Company.
 - c. Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:
To be determined in accordance with Note 1. above, taking into consideration, among others, the conditions of Structural Reorganization.
 - d. Value of assets to be contributed upon exercise of each stock acquisition right:
The value of assets to be contributed upon the exercise of each share acquisition right to be delivered shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares of the Reorganized Company underlying the share acquisition rights determined in accordance with c, above. Exercise price after reorganization is 1 yen per share of Reorganized company which can be issued by exercise of stock acquisition right to shares issued.
 - e. Exercise period for the Stock Acquisition Rights
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition
 - f. Matters regarding stated common stock and capital reserves increased due to the issuance of shares upon exercise of stock acquisition rights
 - (i) The increased amount of stated capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights will be one half of the maximum amount of increase of stated capital, etc. to be calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fractional amount of less than one yen resulting from such calculation will be rounded up to one yen.

- (ii) The increased amount of capital reserves to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be the maximum amount of increases of stated capital, etc., mentioned in (i) above, after the subtraction of increased amount of stated capital mentioned in (i) above.
- g. Restrictions on acquisition of stock acquisition rights by transfer

The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors.
- h. Conditions for exercise of stock acquisition rights
 - (i) Those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon.
 - (ii) In the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
 - (iii) Besides the above, other conditions shall be stipulated in an agreement to be executed between Canon and the Holder, based on the resolution of the Board of Directors’ meeting.
- i. Matters regarding the acquisition of stock acquisition rights

If a proposal for approval of a merger agreement under which Canon becomes a disappearing company, a proposal for the approval of a company split agreement or a company split plan under which Canon becomes a split company, or a proposal for approval of a share exchange agreement or share transfer plan under which Canon becomes a wholly-owned subsidiary is approved at the Canon General Meeting of Shareholders (or resolved by Canon's Board of Directors if a resolution of the General Meeting of Shareholders is not required), Canon may acquire the share acquisition rights without consideration on a date separately determined by the Board of Directors.

Date of resolution	March 28, 2019
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 4 Executive Officers 31 Total 35
Number of Stock Acquisition Rights (Units)*	933
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 93,300 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From April 27, 2019 To April 26, 2049
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 2,282 (Note 2) Amount incorporated into capital stock 1,141 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2, 3 and 4 are the same as Notes 1, 2, 3 and 4 of the resolution of the Board of Directors meeting held on March 29, 2018.

Date of resolution	March 27, 2020
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 4 Executive Officers 30 Total 34
Number of Stock Acquisition Rights (Units)*	758
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 75,800 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From May 2, 2020 To May 1, 2050
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 1,460 (Note 2) Amount incorporated into capital stock 730 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2, 3 and 4 are the same as Notes 1, 2, 3 and 4 of the resolution of the Board of Directors meeting held on March 29, 2018.

Date of resolution	March 30, 2021
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 3 Executive Officers 32 Total 35
Number of Stock Acquisition Rights (Units)*	402
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 40,200 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From April 29, 2021 To April 28, 2051
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 2,228 (Note 2) Amount incorporated into capital stock 1,114 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company’s Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4. Matters related to granting Stock Acquisition Rights in corporate reorganization

If Canon conducts a merger (limited to the case where Canon is dissolved due to the merger), an absorption-type or incorporation-type company split (both, limited to the case where Canon becomes a split company), or a share exchange or transfer (both, limited to the case where Canon becomes a wholly-owned subsidiary) (collectively, the “Structural Reorganization”), Canon shall, in each of the above cases, allot stock acquisition rights of any of the relevant companies listed in “a” through “e” of Article 236, Paragraph 1, Item 8 of the Company Act (the “Reorganized Company”) to the Holders holding the stock acquisition rights remaining at the time immediately preceding the effective date of the relevant Structural Reorganization (the “Remaining Stock Acquisition Rights”) (the effective date of the relevant Structural Reorganization shall mean, in the case of a merger, the date on which the merger becomes effective; in the case of a consolidation; the date of establishment of a newly-incorporated company through consolidation; in the case of an absorption-type company split, the date on which the absorption-type company split becomes effective; in the case of an

incorporation-type company split, the date of establishment of a newly-incorporated company through the incorporation-type company split; in the case of a share exchange, the date on which the share exchange becomes effective; and in the case of a share transfer, the date of establishment of a wholly-owning parent company through the share transfer; hereinafter the same shall apply). Provided, however, that the foregoing shall be on the condition that allotment of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in a merger agreement, a consolidation agreement, a company split agreement, a company split plan, a share exchange agreement or a share transfer plan.

- a. Number of stock acquisition rights of the Reorganized Company to be allotted:
A number equal to the number of the Remaining Stock Acquisition Rights held by the Holder shall be transferred to such Holder.
- b. Class of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:
Common stock of the Reorganized Company.
- c. Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights:
To be determined in accordance with Note 1. above, taking into consideration, among others, the conditions of Structural Reorganization.
- d. Value of assets to be contributed upon exercise of each stock acquisition right:
The value of assets to be contributed upon the exercise of each share acquisition right to be delivered shall be the amount obtained by multiplying the post-reorganization exercise price specified below by the number of shares of the Reorganized Company underlying the share acquisition rights determined in accordance with c, above. Exercise price after reorganization is 1 yen per share of Reorganized company which can be issued by exercise of stock acquisition right to shares issued.
- e. Exercise period for the Stock Acquisition Rights
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition
- f. Matters regarding stated common stock and capital reserves increased due to the issuance of shares upon exercise of stock acquisition rights
 - (i) The increased amount of stated capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights will be one half of the maximum amount of increase of stated capital, etc. to be calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fractional amount of less than one yen resulting from such calculation will be rounded up to one yen.
 - (ii) The increased amount of capital reserves to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be the maximum amount of increases of stated capital, etc., mentioned in (i) above, after the subtraction of increased amount of stated capital mentioned in (i) above.
- g. Restrictions on acquisition of stock acquisition rights by transfer
The stock acquisition rights cannot be acquired through transfer, unless such acquisition is expressly approved by a resolution of the Board of Directors.
- h. Conditions for exercise of stock acquisition rights
 - (i) Those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon.
 - (ii) In the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
- i. Matters regarding the acquisition of stock acquisition rights
If a proposal for approval of a merger agreement under which Canon becomes a disappearing company, a proposal for the approval of a company split agreement or a company split plan under which Canon becomes a split company, or a proposal for approval of a share exchange agreement or share transfer plan under which Canon becomes a wholly-owned subsidiary is approved at the Canon General Meeting of Shareholders (or resolved by the Board of Directors of Canon if a resolution of the General Meeting of

Shareholders is not required), Canon may acquire the share acquisition rights without consideration on a date separately determined by the Board of Directors.

Date of resolution	March 30, 2022
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 3 Executive Officers 33 Total 36
Number of Stock Acquisition Rights (Units)*	634
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 63,400 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From April 29, 2022 To April 28, 2052
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 2,542 (Note 2) Amount incorporated into capital stock 1,271 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company’s Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

Date of resolution	March 30, 2023
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 3 Executive Officers 32 Total 35
Number of Stock Acquisition Rights (Units)*	815
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 81,500 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From April 29, 2023 To April 28, 2053
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 2,800 (Note 2) Amount incorporated into capital stock 1,400 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

Date of resolution	February 9, 2024
Category and number of individuals covered by the plan (Persons)	Executive Officers 2 Total 2
Number of Stock Acquisition Rights (Units)*	128
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 12,800 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From March 26, 2024 To March 25, 2054
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 3,946 (Note 2) Amount incorporated into capital stock 1,973 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company’s Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

Date of resolution	March 28, 2024
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 6 Executive Officers 31 Total 37
Number of Stock Acquisition Rights (Units)*	659
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 65,900 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From May 1, 2024 To April 30, 2054
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 3,763 (Note 2) Amount incorporated into capital stock 1,882 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is as of the end of the fiscal year (December 31, 2024). As of the end of the month before the submission date (February 28, 2025) since there are no changes in the content to be stated from the content as of the end of the fiscal year, the description as of the end of the previous month of the submission date omitted.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

Date of resolution	February 13, 2025
Category and number of individuals covered by the plan (Persons)	Executive Officers 2 Total 2
Number of Stock Acquisition Rights (Units)*	192
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 19,200 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From March 25, 2025 To March 24, 2025
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 4,354 (Note 2) Amount incorporated into capital stock 2,177 (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is of the resolution at the Board of Directors meeting held on February 13, 2025.

Notes

1, 2 and 3 are the same as Notes 1, 2 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

Date of resolution	March 28, 2025
Category and number of individuals covered by the plan (Persons)	Directors (excluding Independent Outside Director) 6 Executive Officers 33 Total 39
Number of Stock Acquisition Rights (Units)*	1,238
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 123,800 (Note 1)
Amount to be paid in to exercise Stock Acquisition Rights (Yen)*	The exercise price per share issuable upon exercise of each share acquisition right shall be ¥1, which shall be multiplied by the Number of Granted Shares.
Period for exercising Stock Acquisition Rights*	From May 1, 2025 To April 30, 2055
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price (Note 2) Amount incorporated into capital stock (Note 3)
Conditions for exercising the Stock Acquisition Rights*	As a general rule, the terms and conditions of the exercise of share acquisition rights shall be determined by a resolution of the Board, including (i) those to whom stock acquisition rights are allotted (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 the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of Canon, and (ii) in the event that Canon recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, Canon may limit, subject to a resolution by the Board of Directors of Canon, the number of offered stock acquisition rights that may be exercised by such Holder.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	(Note 4)

* The information presented is of the resolution at the Board of Directors meeting held on March 28, 2025.

Notes

1 and 3 are the same as Notes 1 and 3 of the resolution of the Board of Directors meeting held on March 29, 2018.

2. The issue price is the sum of the paid-in amount at the time of exercise of the stock acquisition rights (1 yen per share) and the fair value of the stock acquisition rights on the allotment date. The fair value is calculated using the Black-Scholes model based on the conditions to be applied at the allotment date.

4 is the same as Notes 4 of the resolution of the Board of Directors meeting held on March 30, 2021.

(ii) Rights plan
Not applicable.

(iii) Other stock acquisition rights, etc.
Not applicable.

(3) Exercises, etc., of moving strike convertible bonds, etc.
Not applicable.

(4) Changes in number of issued shares, common stock, etc.

Date	Changes in number of issued shares (Shares)	Balance of number of issued shares (Shares)	Changes in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Changes in legal reserve (Millions of yen)	Balance of legal reserve (Millions of yen)
From January 1, to December 31, 2008	127,254	1,333,763,464	64	174,762	63	306,288

Note: All due to the conversion of convertible bonds into shares.

(5) Shareholding by shareholder category

(As of December 31, 2024)

(As of December 31, 2024)

Category	Status of shares (Number of shares constituting 1 unit = 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments dealer	Other corporations	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of Shareholders (Persons)	1	171	46	2,081	986	414	316,921	320,620	—
Number of shares held (Units)	30	3,601,371	590,496	388,196	2,598,749	3,120	6,142,366	13,324,328	1,330,664
Shareholding ratio (%)	0.00	27.03	4.43	2.91	19.50	0.02	46.11	100.00	—

Note: Shares of treasury stock held by the Company are included in “Individuals and others” and “Share less than one unit” in the table. The number of units and shares are 3,897,715 units and 98 share, respectively.

(6) Major shareholders

(As of December 31, 2024)

Name	Address	Number of shares held (Shares)	Ratio of the number of shares held to the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	172,090,500	18.23
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	64,575,350	6.84
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	1-5-5 Otemachi, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	22,558,173	2.39
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	North Quincy, United States (2-15-1, Konan, Minato-ku, Tokyo)	21,857,978	2.32
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	20,241,504	2.14
OBUYASHI CORPORATION	2-15-2, Konan, Minato-ku, Tokyo	16,527,607	1.75
JPMorgan Securities Japan Co., Ltd.	7-3 Marunouchi 2-chome, Chiyoda-ku, Tokyo	13,980,953	1.48
Sompo Japan Insurance Inc. (Standing proxy: Custody Bank of Japan, Ltd.)	26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	13,080,087	1.39
Moxley and Co. LLC *1 (Standing proxy: MUFG Bank, Ltd.)	New York, United States (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	13,004,279	1.38
The Dai-ichi Life Insurance Company, Limited *2 (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	12,120,780	1.28
Total	—	370,037,211	39.20

Notes:

1. Moxley & Co., LLC is a stocks holder of a title deed of JP Morgan Chase Bank, a trustee of American Depositary Receipts (ADRs).
2. Apart from the above shares, The Dai-ichi Life Insurance Company, Limited held 6,180,000 shares contributed to a trust fund for its retirement and severance plans.
3. Apart from the above shares, Canon owns 389,771,598 shares (29.22% of total issued shares) of treasury stock.

(7) Voting rights

(i) Issued shares

(As of December 31, 2024)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common shares 389,771,500	—	This is the standard of the Company's shares, whose holders have unlimited rights.
Shares with full voting rights (others)	Common shares 942,661,300	9,426,613	Same as above
Shares less than one unit	Common shares 1,330,664	—	Same as above
Number of issued shares	1,333,763,464	—	—
Total number of voting rights	—	9,426,613	—

Note: "Shares less than one unit" includes treasury shares held by Canon as follows.

Treasury stock: 98 shares

(ii) Treasury stock, etc.

(As of December 31, 2024)

Name of shareholders	Address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
Canon Inc.	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo	389,771,500	—	389,771,500	29.22
Total	—	389,771,500	—	389,771,500	29.22

2. Status of Acquisition of Treasury Stocks, etc.

Classes of shares, etc.

Acquisition of common stock in accordance with Article 155, Item 3 of the Companies Act of Japan, and Article 155, Item 7 of the Companies Act of Japan.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors (January 30, 2024) (Acquisition period: February 1, 2024 to June 7, 2024)	33,000,000	100,000,000,000
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	22,696,300	99,999,606,300
Total number and total value of remaining shares to be acquired by the resolution	10,303,700	393,700
Unexercised ratio as of the end of the fiscal year (%)	31.2	0.0
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	31.2	0.0

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors (August 6, 2024) (Acquisition period: August 7, 2024 to September 18, 2024)	32,000,000	100,000,000,000
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	21,122,900	99,999,987,200
Total number and total value of remaining shares to be acquired by the resolution	10,877,100	12,800
Unexercised ratio as of the end of the fiscal year (%)	34.0	0.0
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	34.0	0.0

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors (January 30, 2025) (Acquisition period: February 3, 2025 to March 7, 2025)	26,000,000	100,000,000,000
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	—	—
Total number and total value of remaining shares to be acquired by the resolution	—	—
Unexercised ratio as of the end of the fiscal year (%)	—	—
Treasury stock acquired during the current period	19,685,200	99,999,605,100
Unexercised ratio as of the filing date (%)	24.3	0.0

Note: On March 13, 2025, the Board of Directors of Canon approved a plan to acquisition of treasury.

Please refer to Note 24 of the Notes to Consolidated Financial Statements.

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year	7,172	32,093,503
Treasury stock acquired during the current period	759	3,813,228

Note: Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from March 12, 2025 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

Category	During the fiscal year		During the current period	
	Number of Shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers for subscription	—	—	—	—
Acquired treasury stock that was canceled	—	—	—	—
Acquired treasury stock that was transferred due to merger, exchange of shares, issue of shares, or corporate split	—	—	—	—
Other (Exercise of share acquisition rights and sale of shares less than one unit based on the demand for sale of shares less than one unit)	19,526	76,664,159	50	199,888
Number of treasury stock held	389,771,598	—	409,457,507	—

Notes:

- 1 Disposals treasury shares during the current period does not include shares constituting less than one unit of shares sales during the period from March 12, 2025 to the filing date of this Annual Securities Report.
- 2 Treasury shares held during the current period does not include shares constituting less than one unit of shares purchased and sales during the period from March 12, 2025 to the filing date of this Annual Securities Report.

3. Dividend policy

The basic policy of the Company is to provide a stable return and actively return profits to shareholders, mainly in the form of a dividend, taking into consideration medium-term profit forecasts along with planned future investments, cash flow and other factors.

In 2024, the global economy continued to grow at a gradual pace. While the European economy remained sluggish due to increase in energy costs and high interest rates, and the Chinese economy continued to slow down, triggered by the real estate slump, the U.S. economy remained solid. As for Canon's semiconductor lithography equipment, digital commercial printing equipment, and network camera businesses, where medium- to long-term market expansion is expected, Canon posted strong sales growth. Additionally, for Interchangeable-lens cameras and laser printers, following the completion of market inventory adjustment, Canon has been posting increased sales since the second quarter. As a result, net sales grew for the fourth consecutive year and exceeded Canon's record high set in 2007. Along with this, Canon was able to achieve the sales target of its five-year management plan, Phase VI (2021 to 2025) of the "Excellent Global Corporation Plan," one year earlier than planned. In light of this situation, the annual dividend for the current fiscal year has been set at ¥155 per share, exceeding the previous year's dividend of ¥140 per share. This includes an interim dividend of ¥75, which has already been paid, and a year-end dividend of ¥80.

The basic policy of the Company is to pay dividends twice a year, interim and year-end dividends. Decisions on these dividends are made at the General Meeting of Shareholders for the year-end dividends and at the Board of Directors meeting for the interim dividends. Canon stipulates in its Articles of incorporation that it may pay interim dividends by resolution of the Board, with a record date of June 30 of each year.

Dividends of surplus for the current fiscal year are as follows.

Date of resolution	Total dividends (Millions of yen)	Dividend per share (Yen)
July 25, 2024 Resolution of Board of Directors	72,384	75.00
March 28, 2025 Resolution of Ordinary General Meeting of Shareholders	75,519	80.00

4. Corporate Governance

(1) Overview of Corporate Governance

(i) Basic Policies for Corporate Governance

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. At the same time, a sense of ethics and mission held by each executive and employee of a company is very important in order to achieve continuous corporate growth and development. For details, please refer to the "An Overview of Corporate Governance at Canon Inc." (<https://global.canon/en/ir/strategies/governance.html>) on Canon's website.

(ii) Summary of the Canon's corporate governance structure and the reason for adopting this 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 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 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, 6 internal members of which 3 are Representative Directors, and 4 Independent Outside Directors. The CEO serves as the chairman of the board. The names and other details of each Director are listed in this report under "(i) List of Directors" in "(2) Information about directors" in "4. Corporate Governance". As of April 1, 2025, there are 39 Executive Officers, including 2 females and 1 foreign national.

• Activities of the Board of Directors

The number of meetings of the Board of Directors held during the fiscal year was 10, and the attendance of each Directors was as follows.

Name	Attendance/ number of meetings held	Attendance ratio
Fujio Mitarai	10 / 10	100%
Toshizo Tanaka	10 / 10	100%
Toshio Homma	10 / 10	100%
Kazuto Ogawa	7 / 7	100%
Hiroaki Takeishi	7 / 7	100%
Minoru Asada	7 / 7	100%
Kunitaro Saida	3 / 3	100%
Yusuke Kawamura	10 / 10	100%
Masayuki Ikegami	7 / 7	100%
Masaki Suzuki	7 / 7	100%
Akiko Ito	7 / 7	100%

The Board of Directors in fiscal year 2024 received reports (quarterly) on the status of the execution of duties and business results in each division, sales and profit plans, and annual reports on the status of the development and operation of risk management system. Based on these reports, the Board of Directors appropriately discussed

the direction of business strategies and the approach to risk management. In addition to regular agenda items such as the evaluation of the Board's effectiveness, changes in officers and other important personnel, important organizational changes, convocation of the Ordinary General Meeting of Shareholders, and verification of cross-shareholdings, the Board deliberated and resolved individual important matters of business execution stipulated by laws, regulations, or the Board's Rules, such as the purchase of treasury shares and the tender offer for treasury shares by Canon Marketing Japan Inc..

(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 Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.'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 Canon Inc.'s Accounting Auditors and Internal Audit Division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings and other internal 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 its subsidiaries. As a result, Audit & Supervisory Board Members conduct strict audits of the execution of duties by Directors, including the status of development and operation of internal control systems. Currently, there are 5 auditors, 3 of whom are Outside Auditors serving as Independent Officers. The Board of Corporate Auditors is chaired by full-time Audit & Supervisory Board Members. The names and other details of each Audit & Supervisory Board Member are as described in "(i) List of Directors" in "(2) Information about directors" in "4. Corporate Governance" of this report.

(Nomination and Remuneration Advisory Committee)

Canon has established a voluntary "Nomination and Remuneration Advisory Committee" to ensure the fairness of the selection process for candidates for Directors, Audit & Supervisory Board Members and Executive Officers, as well as transparency and objectivity of the compensation determination process.

The Committee consisted of 4 members: Executive Vice President & CFO Toshizo Tanaka, Outside Directors Kunitaro Saida and Yusuke Kawamura, and Outside Audit & Supervisory Board Member Yutaka Tanaka. However, Kunitaro Saida resigned from the Committee on March 28, 2024, and on the same date, new Outside Directors, Masayuki Ikegami, Masaki Suzuki, and Akiko Ito, joined the Committee. As a result, the current Committee consists of 6 members: Executive Vice President & CFO; 4 Independent Outside Directors; and one Independent Outside Audit & Supervisory Board Member. A secretariat has been established in the Secretarial Office to prepare materials for deliberation, prepare minutes, and perform other duties related to supporting the operation of the Committee.

•Procedures for Appointment, etc. of Directors and Successor Plan for CEO

When nominating candidates for Directors and Audit & Supervisory Board Members, and appointing Executive Officers (including the appointment of the successor to the Chief Executive Officer), the Chairman & CEO recommends candidates from among those who are deemed to meet the prescribed requirements, and the Nomination and Remuneration Advisory Committee confirms the fairness and appropriateness of the recommendation, which is then submitted as a proposal to the Board of Directors for deliberation.

In particular, Canon regards the succession plan for the CEO as one of the important themes that lead to sustainable growth and the enhancement of corporate value over the mid- to long-term. Through the scheme to accumulate management experience through training system for senior management, selection training for Executive Officers, and personnel changes and involvement in company-wide projects after appointment as Executive Officer, the CEO assigns tasks under their own responsibility, confirms and evaluates the progress, and selects and develops candidates. The Nomination and Remuneration Advisory Committee confirms the process.

In addition, candidates for Audit & Supervisory Board Members are deliberated by the Audit & Supervisory Board and their consent is obtained prior to deliberation by the Board of Directors.

•Procedures for dismissal of the executive management

Directors and Audit & Supervisory Board Members may, at any time, request the Nomination and Remuneration Advisory Committee to discuss the necessity of dismissing Representative Directors including the CEO and Executive Directors ("executive management"), if they are found to have committed illegal, fraudulent, or disloyal acts, or found not to have fulfilled their role, or are otherwise deemed inappropriate for the duties of the executive management.

The results of the discussions at the Nomination and Remuneration Advisory Committee, regardless of their content, are reported to the Board of Directors, which then deliberates on the necessity of dismissal. The relevant executive management subject to deliberation will not be able to participate in the deliberation.

•Status of most recent activities of the Nomination and Remuneration Advisory Committee regarding the selection of candidates for Directors

Date:	Details of activities
Jan 18, 2024 (Note 1)	Confirmation and deliberation regarding appointment of Directors, Audit & Supervisory Board Members and Executive Officers
Aug 28, 2024 (Note 2)	Confirmation and deliberation regarding appointment of Audit & Supervisory Board Members
Jan 17, 2025 (Note 2)	Confirmation and deliberation regarding appointment of Directors, Audit & Supervisory Board Members and Executive Officers

Notes:

1. In addition to Toshizo Tanaka who served as chairman, Kunitaro Saida, Yusuke Kawamura, and Yutaka Tanaka, all members of the Committee attended.

2. In addition to Toshizo Tanaka who served as chairman, Yusuke Kawamura, Masayuki Ikegami, Masaki Suzuki, Akiko Ito, and Yutaka Tanaka, all members of the Committee attended.

(Corporate Strategy Committee, Risk Management Committee, Disclosure Committee)

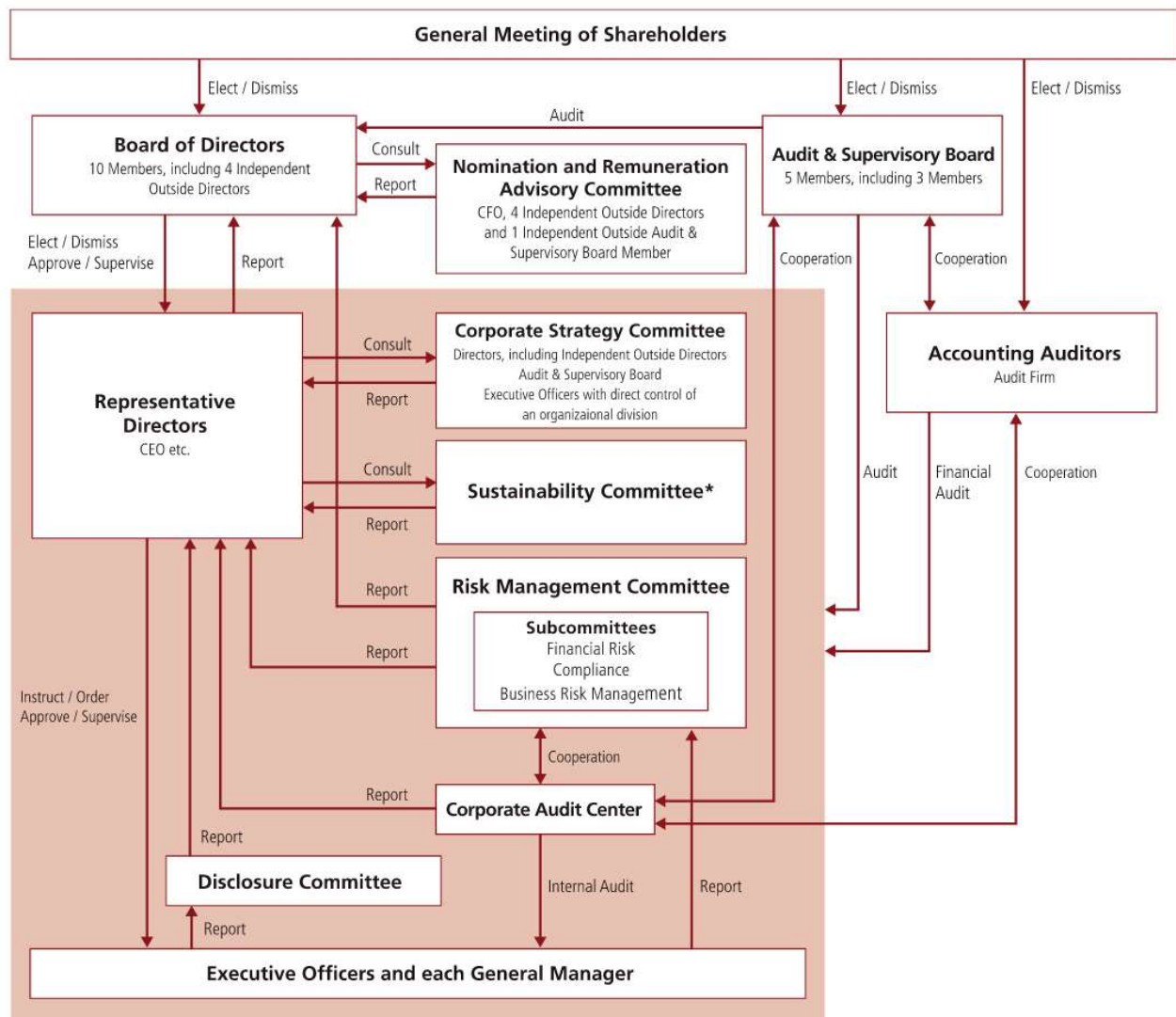
A Management Strategy Meeting, composed of Directors including Independent Outside Directors, Audit & Supervisory Board Members, and some Executive Officers, is established to conduct prior deliberations on important matters related to the Group's strategy among the CEO's decision.

In addition, Canon has established a Risk Management Committee based on the resolution of the Board, to formulate policies and measures for the development of the Group's risk management system.

The committee consists of 3 subcommittees: the Financial Risk Subcommittee, responsible for establishing systems to ensure the reliability of financial reporting; the Compliance Subcommittee, responsible for ensuring corporate ethics and establishing compliance systems; and the Business Risk Subcommittee, responsible for establishing systems to manage overall risks in business operations. The Risk Management Committee is responsible for verifying the status of the development and operation of the risk management system and reporting the results to the CEO and the Board of Directors.

Furthermore, to ensure timely and accurate disclosure of important company information, Canon has established a Disclosure Committee to deliberate on the content and timing of disclosure.

The schematic diagram of Canon's corporate governance structure is as follows.



*On April 1, 2024, Canon established a new “Sustainability Committee” for information sharing and prior deliberation, to ensure appropriate and effective decision-making by the CEO and the Board of Directors regarding sustainability-related matters that the Canon Group should address or undertake.

(iii) Other Matters Related to Corporate Governance
(Internal Control)

Basic Concept and Development Status of Internal Control System

The content (basic policy) of the systems resolved by the Board of Directors for the system to ensure the appropriateness of Canon's operations, and the outline of activities of the aforementioned systems, are as follows:

<p>Basic Policy Regarding Systems Necessary to Ensure the Properness of Operations (the "Internal Control System")</p>	<p>[Content of Basic Policy Resolution]</p> <p>To ensure the properness of operations and to work for continuous improvement in corporate value, Canon Inc. (the "Company") and the enterprises consisting of the Company and its subsidiaries (the "Canon Group"), shall foster a sound corporate culture based on the Spirit of "Three Selves" (Self-motivation, Self-management, and Self-awareness) – guiding principles dating back to the founding of the Company. Canon Group shall also work to foster a law-abiding awareness through the "Canon Group Code of Conduct." Furthermore, Canon Group shall firmly strive to ensure management transparency through clearly defined approval processes and authorities of the CEO and Chief/Group Executives of the Company as well as executive officers of each subsidiary of the Company.</p>
<p>1. System for Compliance (Item 6, Paragraph 4, Article 362 of the Corporation Law of Japan, and Item 4, Paragraph 1, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)</p>	<p>[Content of Basic Policy Resolution]</p> <p>(1). The Board of Directors, in accordance with regulations prescribed by the Board of Directors (the "Regulations of the Board of Directors"), shall make decisions on important Canon Group managerial matters after careful deliberation. Additionally, the Board of Directors shall have representative directors, executive directors and executive officers (collectively the "Officers") give reports regarding their execution of duties.</p> <p>(2). The Board of Directors shall thoroughly instill compliance awareness through training and other programs geared towards new employees, managers, and newly-appointed board members and executive officers, utilizing the "Canon Group Code of Conduct," prescribed by the Board of Directors as a standard to be adhered to in the execution of duties.</p> <p>(3). As a part of the Company's risk management system, the Company shall put in place business procedures/checking systems that prevent violation of laws and regulations and the Company's articles of incorporation in the course of daily business. It shall also maintain a compliance education system.</p> <p>(4). The internal audit division of the Company, which has the authority to audit the execution of duties by Officers and employees, shall also conduct audits regarding the status of compliance with laws and regulations and the Company's articles of incorporation.</p> <p>(5). If an act that violates laws and regulations, or the Company's articles of incorporation is discovered in Canon Group, employees have the ability to anonymously report such fact to any director or officer, including Outside Directors and Outside Audit & Supervisory Board Members by means of a whistleblowing system. Additionally, the Company shall prohibit any disadvantageous treatment of any whistleblower.</p>

	<p>〔Outline of Activities〕</p> <ol style="list-style-type: none"> (1). During the current business term, 10 Board of Directors meetings were held. At these meetings, in addition to deliberating and deciding on important matters, the Board of Directors received reports from Officers in charge of major divisions concerning the execution of business. (2). In addition to implementing compliance training that follows Canon Group Code of Conduct, the Company established “Compliance Week,” an event to provide an opportunity for discussion on familiar risks of law-and-regulation violations by each respective workplace. (3). The activity is described in item (1) of Outline of Activities in 2 below. (4). Supported by about 60 personnel, the internal audit division conducts audits of each division and subsidiary including in its scope of inquiry not only compliance but also the usefulness and efficiency of operations. When necessary, proposals for improvement are given, and then the results of these audits are reported to the CEO and CFO. In addition, a summary of audit results is also periodically reported to the Outside Directors, Audit & Supervisory Board Members and Audit & Supervisory Board. (5). The regulations of the whistleblowing system and the rules on its use, including the explicit prohibition of the disadvantageous treatment of whistleblowers, are disseminated via the intranets of the Company, along with information on the contact counter for reporting internal problems. In the current business term, there were no whistleblower reports relating to serious violations of laws and regulations, or the like.
--	---

<p>2. System for Risk Management (Item 2, Paragraph 1, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)</p>	<p>[Content of Basic Policy Resolution]</p> <p>(1). The Company established the Risk Management Committee as a deliberation body that is in direct control of the CEO, in accordance with the “Regulations of Risk Management” prescribed by the Board of Directors. This Committee shall develop various measures with regard to improving the risk management system. These measures include the system for grasping any significant risks (violation of laws and regulations, inappropriate financial reporting, quality issues, work-related injuries, disasters, etc.) that Canon Group may face in the course of business, and all measures shall be approved by the CEO and the Board of Directors. Additionally, this Committee shall evaluate the status of improvement and implementation of the risk management system that are autonomously carried out by each organization such as business divisions and subsidiaries, and report its findings to the CEO and the Board of Directors.</p> <p>(2). The Company established the Corporate Strategy Committee in accordance with the “Regulations of the Corporate Strategy Committee” prescribed by the Board of Directors. Even if the authority to decide certain items is delegated from the Board of the Directors to the CEO, the Committee shall carefully deliberate those items in cases that are considered particularly important.</p> <p>[Outline of Activities]</p> <p>(1). Established under the Risk Management Committee are the following three subcommittees: the Financial Risk Management Subcommittee, which is in charge of improving systems to ensure the reliability of financial reporting, the Compliance Subcommittee, which is in charge of improving systems to ensure compliance of corporate ethics and major laws and regulations, and the Business Risk Management Subcommittee, which is in charge of improving systems to manage risks in associated with business operations, such as changes in the market competitive environment. These subcommittees carried out evaluation based on their respective roles of the status of improvement and implementation of risk management system by each organization in 2024. The result of such evaluation did not discover any major flaws in the system and the Risk Management Committee reported this to the CEO and the Board of Directors.</p> <p>(2). The Corporate Strategy Committee was held 8 times in the current business term. In addition to the Officers in charge of executing business operations, the Outside Directors and full-time Audit & Supervisory Board Members also attended, as necessary, and provided opinions.</p>
<p>3. System for Efficient Execution of Duties (Item 3, Paragraph 1, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)</p>	<p>[Content of Basic Policy Resolution]</p> <p>(1). Based on regulations regarding the division of duties and administrative authorities prescribed by the Board of Directors, the CEO and other Officers shall execute shared duties under the supervision and direction of the CEO.</p> <p>(2). The CEO shall formulate 5-year management goals (the “Excellent Global Corporation Plan”) and 3-year priority measures, contained in mid-term management plans. Based upon these plans, the CEO shall manage operations from a unified group approach.</p> <p>[Outline of Activities]</p> <p>(1). The CEO and other Officers execute the duties allocated to them in accordance with the related regulations. The Company has established a framework for engaging in business activities whereby the Representative Directors and Executive Officers other than the CEO assume responsibility for the four industry-oriented business groups of “Printing,” “Medical,” “Imaging,” and “Industrial,” as well as sales subsidiaries that engage in oversight of sales in respective major regions worldwide. They are accordingly assigned such duties under the command and supervision of the CEO.</p> <p>(2). The CEO decides on a mid-term management plan, which is decided based on close discussions with Officers of the Company and the executive officers of the major subsidiaries in Japan and overseas, and ensures the cohesion of the Group’s corporate management.</p>

4. System for Group Management (Item 5, Paragraph 1, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)	<p>[Content of Basic Policy Resolution]</p> <p>The Company strengthens the internal control system of Canon Group by requiring subsidiaries to follow the respective items:</p> <ul style="list-style-type: none"> (a). to obtain prior approval from the Company or report to the Company on important decisions in accordance with the “Regulations of Group Companies Management,” prescribed by the Board of Directors of the Company, (b). to grasp significant risks that the subsidiary may face in the course of business and to verify and evaluate the status of improvement and implementation of the risk management system and report their findings to the Company in accordance with the “Regulations of Risk Management,” (c). to design an appropriate organization under the governing law of incorporation and to clearly define approval processes and authorities of executive officers, (d). in addition to thoroughly instilling compliance awareness through the Canon Group Code of Conduct, to put in place business procedures/checking systems that prevent violation of laws and regulations and subsidiaries’ articles of incorporation in the course of daily business and prepare a compliance education system as a part of the subsidiary’s risk management system, and (e). to establish a whistleblowing system and prohibit any disadvantageous treatment of any whistleblower.
	<p>[Outline of Activities]</p> <ul style="list-style-type: none"> (a). The Company received reports from subsidiaries and provided prior approval to subsidiaries in accordance with the “Regulations of Group Companies Management.” (b). In order to conduct evaluation of the status of improvement and implementation of the risk management system described in item (1) of Content of Basic Policy Resolution in 2 above, the subsidiaries being evaluated implemented evaluation of the respective targeted risks. (c). Each subsidiary performs, as appropriate, a review of the appropriateness of organizational design, and approval criteria and processes in accordance with the applicable laws and regulations and the nature of business and other factors. (d). Each subsidiary performed an inspection of the compliance system in the process of evaluating improvement and implementation of the risk management system (as described in item (1) of Outline of Activities in 2 above), and furthermore fosters a culture of compliance through training and other such means as necessary. (e). Each company has established a whistleblowing system and totally prohibits any disadvantageous treatment of any whistleblower.
5. System for Storing and Managing Information (Item 1, Paragraph 1, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)	<p>[Content of Basic Policy Resolution]</p> <p>Information related to the execution of duties of the CEO and other Officers, including meeting minutes of the Board of Directors and settlement documents, shall be maintained and managed by respective divisions in charge of such management in accordance with laws and regulations, the “Regulations of the Board of Directors,” and other related rules. Directors, Audit & Supervisory Board Members, and members of the internal audit division have the ability to inspect this information at any time.</p>
	<p>[Outline of Activities]</p> <p>Whenever deemed necessary, Directors, Audit & Supervisory Board Members and members of the internal audit division peruse or obtain copies of meeting minutes of the Board of Directors and the Corporate Strategy Committee, and other records such as settlement documents of the CEO.</p>

<p>6. System for Auditing by Audit & Supervisory Board Members (Paragraph 3, Article 100 of the Enforcement Regulations of the Corporation Law of Japan)</p>	<p>[Content of Basic Policy Resolution]</p> <ol style="list-style-type: none"> (1). The Company established and assigns dedicated full-time employees of an appropriate number to the Office of Audit & Supervisory Board Members. The Office of Audit & Supervisory Board Members is established as an independent entity that is outside the control of Officers. Any change in dedicated full-time employee personnel shall require the prior consent of the Audit & Supervisory Board. (2). Audit & Supervisory Board Members shall grasp the execution of duties by Officers, attending not only meetings of the Board of Directors, but also other important meetings such as meetings of the Corporate Strategy Committee and Risk Management Committee. (3). The administrative divisions of the headquarters, such as human resources, finance & accounting, and legal affairs, shall hold meetings with Audit & Supervisory Board Members and report on the execution of duties in a timely manner. Additionally, if any material breach of laws and regulations occurs, the relevant division shall immediately report this to Audit & Supervisory Board Members. (4). Audit & Supervisory Board Members shall have accounting auditors periodically give reports. (5). Audit & Supervisory Board Members shall hold periodic meetings with counterparts of domestic subsidiaries of the Company and work to improve the auditing system from a unified group perspective by sharing information. Additionally, Audit & Supervisory Board Members shall grasp the execution of duties by Officers of subsidiaries, sharing responsibility for the auditing of major subsidiaries in Japan and overseas. (6). The Company prohibits any disadvantageous treatment of any person that reports to Audit & Supervisory Board Members. The Company also seeks its subsidiaries to prohibit any disadvantageous treatment. (7). The Audit & Supervisory Board shall draw up an annual audit plan and an annual budget covering the audit of the Company and its subsidiaries. And the Company shall secure necessary funds for the annual budget. When an outlay outside the budget is incurred, due to a special audit, etc., the expense shall be reimbursed by the Company.
--	--

	<p>[Outline of Activities]</p> <ol style="list-style-type: none"> (1). The Company established the Office of Audit & Supervisory Board Members to be independent from the directives and commands of Officers and it assigns dedicated full-time employee(s) of an appropriate number to the Office of Audit & Supervisory Board Members. During the current business term, the Company changed the dedicated full-time employee personnel after receiving the prior consent of the Audit & Supervisory Board. (2). Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, attend all the Board of Directors meetings, and full-time Audit & Supervisory Board Members attend all meetings of the Corporate Strategy Committee and the Risk Management Committee, overseeing the execution of duties by Officers. (3). Audit & Supervisory Board Members and the Audit & Supervisory Board periodically receive reports from the internal audit division on the results of audits. In addition, full-time Audit & Supervisory Board Members periodically receive reports from the managers in charge of the administrative divisions of the headquarters on the execution of duties. (4). Audit & Supervisory Board Members receive reports from the Accounting Auditor on the status of audits at least once a month and receive reports from the Accounting Auditor on the results of the audit of the business term in accordance with laws and regulations. (5). Audit & Supervisory Board Members periodically hold meetings with Audit & Supervisory Board Members of domestic subsidiaries and share information. In addition, at the time of audits at subsidiaries, Audit & Supervisory Board Members receive reports from the Directors of subsidiaries and share information with Audit & Supervisory Board Members of the subsidiaries, overseeing the execution of duties by Officers of subsidiaries. (6). Information is disseminated in the Company and its subsidiaries concerning the prohibition of disadvantageous treatment of any person that reports to Audit & Supervisory Board Members. (7). In the current business term, there were no shortfalls in the budget allocated for the implementation of audits in accordance with the audit plan.
--	---

(Outline of Contracts for Limitation of Liability)

The Company stipulates in its Articles of Incorporation that Directors and Audit & Supervisory Board Members may be partially exempted from liability by a resolution of the Board to the extent permitted by law. In addition, pursuant to Article 427, Paragraph 1 of the Companies Act and the provisions of the Company's Articles of incorporation, the Company has entered into agreements with Outside Directors and Outside Audit & Supervisory Board Members to limit their liability for damages due to negligence of their duties. The maximum amount of liability under these contracts is the maximum amount stipulated by laws and regulations. The purpose of these rules is to enable Directors and Audit & Supervisory Board Members to adequately fulfill their expected roles without becoming overly intimidated in the performance of their duties.

(Outline of a Directors and Officers Liability Insurance Contract)

The Company has entered into a directors and officers liability insurance contract with an insurance company as specified in the provision of Paragraph 1, Article 430-3 of the Corporation Law of Japan. The scope of insured parties of the insurance covers Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, and the full cost of insurance premiums for all the insured parties is borne by the Company. The insurance covers damages that could arise under situations where an insured party bears liability in regard to performance of his or her duties or where the insured party becomes subject to a claim seeking to hold him or her liable in that regard. However, the Company has taken measures to ensure that the appropriateness of the execution of duties by Directors, Audit & Supervisory Board Members, and other officers is not impaired, such as by exempting coverage in cases of criminal acts or intentionally committed illegal acts.

(Prescribed number of directors)

The Company stipulates in its Articles of Incorporation that the number of Directors shall be 30 or less.

(Requirements for Appointment of Directors)

The Company stipulates in its Articles of Incorporation that a resolution for the appointment of Directors shall require shareholders holding one-third or more of the voting rights who can exercise their voting rights must be present, and the resolution must be passed by a majority of those voting rights. Additionally, the Articles of Incorporation stipulate that resolutions on the appointment of Directors shall not be conducted by cumulative voting.

(Matters for resolution at the Shareholders' Meetings that may be resolved by the Board of Directors)

A. Decision-making organization for interim dividends

In accordance with Article 454, Paragraph 5 of the Companies Act, the Company has stipulated in its Articles of Incorporation that interim dividends may be processed by a resolution of the Board. The purpose of this provision is to provide returns to the Company's shareholders in a prompt manner.

B. Decision-making organization for the repurchase of the treasury stock

In accordance with Article 165, Paragraph 2 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may repurchase treasury stock through market transactions, etc. by resolution of the Board. The purpose of this is to repurchase treasury stock in a flexible manner.

(Requirements for a special resolution at a Shareholders' Meeting)

The Company's Articles of Incorporation stipulate that the requirement for a special resolution at Shareholder's Meeting set forth in Article 309, Paragraph 2 of the Companies Act are that shareholders holding one-third or more of the voting rights who can exercise their voting rights must be present, and the resolution must be passed by two-thirds or more of those voting rights. The purpose of relaxing the quorum for special resolutions at the Shareholders' Meeting is to ensure that the meeting proceeds smoothly.

(Timely Disclosure)

In accordance with relevant laws and regulations and the disclosure rules of the stock exchange, the Company established the "Disclosure Information Committee" in April 2005 to strengthen the system for accurately and comprehensively disclosing information to shareholders and the capital market. This committee is responsible for examining and deciding on the necessity, content, and timing of timely disclosures of important company information. Additionally, it has established a system for promptly and comprehensively collecting important company information from each division. Furthermore, the Company continues to provide timely and accurate information on its management status to shareholders and investors through Corporate Strategy Conference, quarterly financial results briefings, and enhancing Canon website.

(2) Information about directors

(i) List of Directors

48 male and 4 female (Percentage of female directors: 7.7%)

(a) Directors and Audit & Supervisory Board Members

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (stock)
Chairman & CEO	Fujio Mitarai	Sep. 23, 1935	4/1961 Entered the Company 1/1979 President of Canon U.S.A., Inc. 3/1981 Director 3/1985 Managing Director 1/1989 In charge of HQ administration 3/1989 Senior Managing Director 3/1993 Executive Vice President 9/1995 President & CEO 3/2006 Chairman of the Board & President & CEO 5/2006 Chairman & CEO (daihyo torishimariyaku kaicho) 12/2010 Audit & Supervisory Board Member of The Yomiuri Shimbun Holdings(present) 3/2012 Chairman & CEO (daihyo torishimariyaku kaicho ken shacho) 3/2016 Chairman & CEO (daihyo torishimariyaku kaicho) 5/2020 Chairman & CEO (daihyo torishimariyaku kaicho ken shacho) (present)	Note 3	153,144
Executive Vice President & CFO (Group Executive of Public Affairs HQ, Senior General Manager of Corporate Governance)	Toshizo Tanaka	Oct. 8, 1940	4/1964 Entered the Company 1/1992 Deputy Group Executive of Finance & Accounting HQ 3/1995 Director 4/1995 Group Executive of Finance & Accounting HQ 3/1997 Managing Director 3/2001 Senior Managing Director 1/2007 Group Executive of Policy and Economy Research HQ 3/2007 Executive Vice President & Director 3/2008 Executive Vice President & CFO (present) 1/2010 Group Executive of General Affairs HQ 3/2010 Group Executive of External Relations HQ 4/2011 Group Executive of Finance & Accounting HQ 4/2012 Group Executive of Facilities Management HQ 3/2014 Group Executive of Human Resources Management & Organization HQ 4/2017 Group Executive of Facilities Management HQ 3/2018 Group Executive of Public Affairs HQ (present) 4/2018 Group Executive of Finance & Accounting HQ 7/2023 Senior General Manager of Corporate Governance (present)	Same as above	25,510

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (stock)
Executive Vice President & CTO (Head of Printing Group)	Toshio Homma	Mar. 10, 1949	4/1972 1/1995 4/2001 3/2003 4/2003 7/2003 1/2007 3/2008 3/2012 3/2016 4/2016 3/2017 4/2020 4/2021	Entered the Company Senior General Manager of Copying Machine Development Center Deputy Chief Executive of i Printer Products Operations Director Group Executive of Business Promotion HQ Group Executive of L Printer Business Promotion HQ Chief Executive of L Printer Products Operations Managing Director Senior Managing Director Group Executive of Procurement HQ Executive Vice President Chief Executive of Office Imaging Products Operations Executive Vice President & In charge of Office Business(present) Chief Executive of Digital Printing Business Operations (present) Head of Printing Group (present)	Note 3	78,852
Executive Vice President & Director (Global Marketing Strategy HQ)	Kazuto Ogawa	Apr. 5, 1958	4/1981 4/2005 3/2008 4/2011 2/2014 4/2016 4/2018 4/2021 1/2024 3/2024	Entered the Company President & CEO of Canon Singapore Pte.Ltd. President & CEO of Canon Canada Inc. Executive Officer of the Company Executive Vice President of Canon (China) Co., Ltd. Managing Executive Officer of the Company President & COO of Canon U.S.A., Inc. Senior Managing Executive Officer of the Company Group Executive of Global Marketing Strategy HQ (present) Executive Vice President & Director (present)	Same as above	6,800

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (stock)
Senior Managing Director (Head of Industrial Group, Chairman & CEO of Canon Tokki Corporation)	Hiroaki Takeishi	Mar. 20, 1964	7/1990 7/2008 7/2009 1/2012 4/2012 7/2016 1/2017 4/2017 4/2021 3/2024	Entered the Company Senior General Manager of Semiconductor Production Equipment Design Center 2 Senior General Manager of Semiconductor Production Equipment PLM Center 1 Group Executive of Semiconductor Production Equipment Group Optical Products Operations Executive Officer Deputy Chief Executive of Optical Products Operations Chief Executive of Optical Products Operations (present) Managing Executive Officer Senior Managing Executive Officer Head of Industrial Group (present) Chairman & CEO of Canon Tokki Corporation (present) Senior Managing Director (present)	Same as above	10,000
Senior Managing Director (Group Executive of Finance & Accounting HQ, Chief of PSI Optimization Project)	Minoru Asada	Jun. 18, 1962	4/1985 4/2016 4/2017 4/2018 9/2018 12/2018 4/2020 1/2023 4/2023 3/2024	Entered the Company Senior General Manager of Group Management Center of Finance & Accounting Headquarters Executive Officer Deputy Group Executive of Finance & Accounting Headquarters Executive Vice President & COO of Océ Technologies B.V. (Currently, Canon Production Printing Netherlands B.V.) President & CEO of Océ Holding B.V. (Currently, Canon Production Printing Holding B.V.) Managing Executive Officer of the Company Group Executive of Finance & Accounting Headquarters (present) Senior Managing Executive Officer Chief, PSI Optimization Project (present) Senior Managing Director (present)	Same as above	10,879

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (stock)
Director	Yusuke Kawamura	Dec. 5, 1953	<p>4/1977 Entered Daiwa Securities Co. Ltd.</p> <p>1/1997 General Manager of Syndicate Department of Daiwa Securities Co. Ltd.</p> <p>4/2000 Professor of Faculty of Economics and the Graduate School of Economics of Nagasaki University</p> <p>4/2010 Senior Managing Director of Daiwa Institute of Research Ltd.</p> <p>1/2011 Commissioner of Fiscal System Council of Ministry of Finance</p> <p>4/2012 Deputy Chairman of Daiwa Institute of Research Ltd.</p> <p>2/2013 Commissioner of Business Accounting Council of Financial Services Agency</p> <p>6/2017 Outside Director of Mitsui Sugar Co., Ltd. (currently Mitsui DM Sugar Holdings Co., Ltd.) (present)</p> <p>4/2019 Executive Counselor of the Japan Securities Dealers Association</p> <p>4/2020 Chairman & CEO of Institute of Glocal Policy Research (present)</p> <p>6/2020 Director (external) of Toyo Aluminium K.K. (present)</p> <p>3/2021 Director of the Company (present)</p> <p>6/2024 External Director of The Shoko Chukin Bank, Ltd. (present)</p>	Note 3	2,500
Director	Masayuki Ikegami	Aug. 29, 1951	<p>4/1977 Appointed as Public Prosecutor</p> <p>6/2006 Deputy Vice-Minister of Justice of Ministry of Justice</p> <p>10/2008 Public Prosecutor of Supreme Public Prosecutors Office</p> <p>8/2011 Deputy Prosecutor-General of Supreme Public Prosecutors Office</p> <p>7/2012 Superintending Prosecutor of Nagoya High Public Prosecutors Office</p> <p>1/2014 Superintending Prosecutor of Osaka High Public Prosecutors Office</p> <p>10/2014 Justice of the Supreme Court</p> <p>8/2021 Retired from Justice of the Supreme Court</p> <p>3/2023 Registered as an attorney (present)</p> <p>3/2024 Director of the Company (present)</p>	Same as above	0

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (stock)
Director	Masaki Suzuki	Apr. 18, 1955	<p>4/1978 Joined Ministry of Finance</p> <p>7/2007 Deputy Vice Minister for Policy Planning and Co-ordination of Minister's Secretariat of Ministry of Finance</p> <p>7/2008 Councilor of Minister's Secretariat of Ministry of the Environment</p> <p>9/2012 Deputy Vice Minister of Minister's Secretariat of Ministry of the Environment</p> <p>7/2014 Vice-Minister of the Environment of Ministry of the Environment</p> <p>7/2015 Retired from Ministry of the Environment</p> <p>10/2015 Chairman and Representative Director of AEON Bank, Ltd.</p> <p>6/2016 Chairman of AEON Financial Service Co., Ltd.</p> <p>3/2017 Executive Officer in charge of Comprehensive Financial Business of AEON Co., Ltd.</p> <p>6/2023 Outside Director of FP Partner Inc. (present)</p> <p>3/2024 Director of the Company (present)</p> <p>8/2024 Outside Director of OHBA CO., LTD. (present)</p>	Same as above	3,700
Director	Akiko Ito	Feb. 28, 1962	<p>4/1984 Joined Ministry of Construction</p> <p>9/2014 Councillor of Cabinet Secretariat Deputy Director General of Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan</p> <p>6/2016 Deputy Director-General of Ministry of Land, Infrastructure, Transport and Tourism</p> <p>7/2017 Director-General of Housing Bureau of Ministry of Land, Infrastructure, Transport and Tourism</p> <p>7/2018 Councillor of Cabinet Secretariat Director General of Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan</p> <p>7/2019 Commissioner of Consumer Affairs Agency</p> <p>7/2022 Retired from Consumer Affairs Agency</p> <p>6/2023 Outside Director of ITOCHU Corporation (present)</p> <p>3/2024 Director of the Company (present)</p>	Note 3 Note 8	500

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (stock)
Audit & Supervisory Board Member	Chikahiro Okayama	Mar. 24, 1960	4/1982 1/2008 7/2008 12/2010 1/2023 3/2024	Entered the Company General Manager in charge of Accounting Division General Manager in charge of Chief Executive Office of Image Communication Products Operations Executive of FA Strategy Group of Canon (China) Co., Ltd. Senior Vice President and Senior Director of Corporate Strategy Group of Canon (China) Co., Ltd. (present) Full-time Audit & Supervisory Board Member (present)	Note 6	800
Audit & Supervisory Board Member	Takeshi Morikawa	Nov. 20, 1966	4/1990 9/2010 4/2018 1/2022 3/2025	Entered the Company Director of Asia Human Resources Headquarters of Canon (China) Co., Ltd. Deputy Senior General Manager of Public Affairs Center of Public Affairs HQ Senior General Manager of Public Affairs Center of Public Affairs HQ Secretary General of Economic Security Office (present) Full-time Audit & Supervisory Board Member (present)	Note 7	300
Audit & Supervisory Board Member	Yutaka Tanaka	Mar. 11, 1949	4/1975 4/1986 4/1987 4/1992 4/1996 4/2004 1/2012 3/2019	Assistant Judge of the Tokyo District Court Judge of the Tokyo District Court Instructor of the Legal Training & Research Institute, the Supreme Court of Japan Judicial Research Official, the Supreme Court of Japan Registered as an attorney (present) Professor of Keio University Law School Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan (present) Audit & Supervisory Board Member (present)	Note 5	3,400

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (stock)
Audit & Supervisory Board Member	Koichi Kashimoto	Jul. 2, 1961	4/1984	Entered The Dai-ichi Mutual Life Insurance Company (currently, The Dai-ichi Life Insurance Company, Limited)	Note 4	5,300
			4/1997	Manager of Government Relations Dept. of The Dai-ichi Mutual Life Insurance Company		
			4/2005	General Manager of Corporate Administration Center of The Dai-ichi Life Insurance Company, Limited		
			4/2009	Managing Director of Dai-ichi Life International (Europe), Limited		
			4/2012	General Manager of Secretarial Dept. of The Dai-ichi Life Insurance Company, Limited		
			4/2016	Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.), and Senior General Manager of Group General Affairs Unit of The Dai-ichi Life Insurance Company, Limited		
			10/2016	Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.) of The Dai-ichi Life Insurance Company, Limited, and Senior General Manager and Chief of General Affairs Unit of Dai-ichi Life Holdings, Inc.		
			3/2018	Audit & Supervisory Board Member(present)		

Position	Name	Date of birth	Career summary	Term of office	Number of shares held (stock)
Audit & Supervisory Board Member	Yuka Shigetomi	Jun. 17, 1970	10/1993 Joined Showa Ota & Co. (currently, Ernst & Young ShinNihon LLC) 4/1997 Registered as a certified public accountant in Japan (present) 11/1998 Transferred to Ernst & Young, Hong Kong 8/2001 Registered as a certified public accountant in the United States (present) 1/2002 Registered as a certified public accountant in Hong Kong (present) 6/2006 Partner of Ernst & Young, Hong Kong Partner of ShinNihon & Co. (currently, Ernst & Young ShinNihon LLC) Hong Kong and China South Leader for Japan Business Services of Ernst & Young 2/2007 Registered as a certified public accountant in Hong Kong (practising) 6/2015 Senior Partner of ShinNihon LLC (currently, Ernst & Young ShinNihon LLC) 5/2018 Greater China Assurance Leader for Japan Business Service of Ernst & Young (Mainland China, Hong Kong & Taiwan) 6/2024 Outside director of Kyushu Electric Power Company, Incorporated (present) 7/2024 Senior advisor of Ernst & Young, Hong Kong (present) 3/2025 Audit & Supervisory Board Member(present)	Note 7	0
Total					301,685

(Note)

1. Directors Mr. Yusuke Kawamura, Mr. Masayuki Ikegami, Mr. Masaki Suzuki and Ms. Akiko Ito are Outside Directors.
2. Audit & Supervisory Board Members Mr. Yutaka Tanaka, Mr. Koichi Kashimoto and Ms. Yuka Shigetomi are Outside Audit & Supervisory Board Members.
3. The term of office of Directors is until the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending within one year after their election at the Ordinary General Meeting of Shareholders for 2024 held on March 28, 2025.
4. The term of office of Audit & Supervisory Board Member Koichi Kashimoto is until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after his appointment at the Ordinary General Meeting of Shareholders for 2021 held on March 30, 2022.
5. The term of office of Audit & Supervisory Board Member Yutaka Tanaka is until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after his appointment at the Ordinary General Meeting of Shareholders for 2022 held on March 30, 2023.
6. The term of office of Audit & Supervisory Board Member Chikahiro Okayama is until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within two years after his appointment at the Ordinary General Meeting of Shareholders for 2023 held on March 28, 2024.

7. The terms of office of Audit & Supervisory Board Members Takeshi Morikawa and Yuka Shigetomi is until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after their election at the Ordinary General Meeting of Shareholders for 2024 held on March 28, 2025.
8. Ms. Akiko Ito is registered as Akiko Noda in Japan's Family Register System.

(b) Executive Officers

The Company has adopted an Executive Officer System to further strengthen its business execution structure and realize more flexible and efficient management operations. Executive Officers of the Company whom are expected to take the assignment on April 1, 2025, are listed below.

Position	Name	Title
Executive Vice President	Hideki Ozawa	President & CEO of Canon (China) Co., Ltd.
Executive Vice President	Toshio Takiguchi	Head of Medical Group President & CEO of Canon Medical Systems Corporation
Executive Vice President	Go Tokura	Head of Imaging Group
Senior Managing Executive Officer	Seymour Liebman	Executive Vice President of Canon U.S.A., Inc.
Senior Managing Executive Officer	Takayuki Miyamoto	Deputy Chief Executive of Medical Systems and Components Operations
Senior Managing Executive Officer	Katsumi Iijima	Group Executive of Digital Business Platform Development HQ Chief of Medical Business Innovation Project
Senior Managing Executive Officer	Soichi Hiramatsu	Senior General Manager of Global Logistics Management Center Senior General Manager of Economic Security Office
Senior Managing Executive Officer	Takashi Takeya	Group Executive of Procurement HQ
Senior Managing Executive Officer	Hisahiro Minokawa	Group Executive of Human Resources Management & Organization HQ
Senior Managing Executive Officer	Ritsuo Mashiko	President of Oita Canon Inc.
Managing Executive Officer	Kazuhiko Nagashima	Deputy Chief Executive of Medical Systems and Components Operations
Managing Executive Officer	Yoichi Iwabuchi	Group Executive of Information & Communication Systems HQ
Managing Executive Officer	Tamaki Hashimoto	Unit Executive of Solution & Recurring Product Business Unit
Managing Executive Officer	Katsuhiko Shinjo	Deputy Group Executive of Core Technology Development HQ
Managing Executive Officer	Masaki Omori	President of Canon Machinery Inc.
Managing Executive Officer	Takeshi Ichikawa	Group Executive of Device Technology Development HQ
Managing Executive Officer	Akiko Tanaka	Deputy Chief Executive of Medical Systems and Components Operations
Managing Executive Officer	Hideki Sanatake	Group Executive of Corporate Intellectual Property and Legal HQ
Managing Executive Officer	Saijiro Endo	Senior General Manager of Digital Printing Development Technology Planning & Management Center
Managing Executive Officer	Isao Kobayashi	President & CEO of Canon U.S.A., Inc.

Position	Name	Title
Managing Executive Officer	Katsuyoshi Soma	President of Fukushima Canon Inc.
Managing Executive Officer	Yoshiyuki Koshimizu	Senior General Manager of Digital Printing Business Planning & Management Center
Managing Executive Officer	Toshiyuki Ishii	President & CEO of Canon Singapore Pte. Ltd.
Managing Executive Officer	Masahide Kinoshita	Chief Executive of Peripheral Products Operations
Executive Officer	Hideto Kotani	Unit Executive of IMG Business Unit 3
Executive Officer	Toshiyuki Matsuda	Deputy Chief Executive of Peripheral Products Operations
Executive Officer	Hiroto Okawara	Executive Manager of Medical Systems and Components Operations Senior General Manager of Smart Mobility Business Promotion Center
Executive Officer	Shunji Sawa	Plant Manager, Toride Plant
Executive Officer	Makoto Kambe	Group Executive of Facilities Management HQ
Executive Officer	Hiroto Fujimori	Senior General Manager of Public Relations and IR Center
Executive Officer	Katsuhito Sakurai	Unit Executive of Device Development Unit
Executive Officer	Takahito Miura	Senior General Manager of Global Legal Administration Center
Executive Officer	Seiya Miura	Unit Executive of Semiconductor Production Equipment Unit
Executive Officer	Shinichi Yoshida	Executive Vice President of Canon Europe Ltd.
Executive Officer	Hisashi Tachizaki	Director and Senior Vice President of Canon Medical Systems Corporation
Executive Officer	Kohei Iida	Senior Principal Analyst of Global Marketing Strategy HQ
Executive Officer	Yasufumi Inoue	Senior Principal Analyst of Global Logistics Management Center
Executive Officer	Manabu Kato	Unit Executive of IMG Business Unit 1
Executive Officer	Yuki Sudo	Senior General Manager of Human Resources Management & Organization Center

Note: The ratio of female among Directors and Audit & Supervisory Board Members is calculated by adding 37 Executive Officers who are in office as of the submission date.

(ii) Status of Outside Directors

a. Number of outside directors and outside corporate auditors

The Company has four Outside Directors and three Outside Audit & Supervisory Board Members.

b. The Company's view on Function, Role, Independency and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

The Company establishes the "Independence Standards for Independent Directors/Audit and Supervisory Board Members" resolved by the Board of Directors with the consent of all Audit and Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors/Audit and Supervisory Board Members of the Company, taking into consideration Japan's Corporate Governance Code (Principle 4.9) and the independence criteria set by securities exchanges in Japan. The standards are posted on the Company's website at (<https://global.canon/en/ir/strategies/governance.html>). All of the Company's Outside Directors and Outside Audit & Supervisory Board Members satisfy the standards for independence, and assume roles that contribute to the maintenance and improvement of Board of Directors' transparency and accountability. In addition, the Company has notified Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange that all Outside Directors and Outside Audit & Supervisory Board Members are Independent Directors / Audit & Supervisory Board Members as stipulated by the exchanges.

• Outside Director Yusuke Kawamura (Independent Director)

Mr. Yusuke Kawamura has a wealth of experience as an Outside Director along with capacity as an expert with respect to financial and securities systems as well as strategy for managing financial institutions, given that he worked at a securities company and subsequently served in various positions, including as a university professor, a commissioner of councils of Japan's Ministry of Finance and Financial Services Agency, and an Executive Counselor of the Japan Securities Dealers Association. Based on his extensive experience and advanced knowledge of finance and securities, he has appropriately performed his duties as an Outside Director.

- Outside Director Masayuki Ikegami (Independent Director)

After serving in key positions such as Chief Prosecutor of the Nagoya and Osaka High Public Prosecutors Offices and as a Justice of the Supreme Court, he has been involved in various cases, including corporate matters, for many years as a legal professional. Based on his extensive experience and advanced knowledge, he is expected to provide valuable opinions and supervision, particularly regarding the internal control systems and corporate governance, including ensuring corporate compliance. He has appropriately performed his duties as an Outside Director.

- Outside Director Masaki Suzuki (Independent Director)

After working at the Ministry of Finance for many years, he was transferred to the Ministry of the Environment and held key positions such as Administrative Vice-Minister. After retiring from the Ministry, he served as Representative Director of a private financial institution. As such, he is expected to provide useful opinions particularly regarding corporate finance and the environmental field, and to provide advice and supervision of business execution based on his management experience at a financial institution that requires a high degree of appropriateness and compliance. Accordingly, he appropriately executed his duties as an Outside Director.

- Outside Director Akiko Ito (Independent Director)

Ms. Akiko Ito joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) as a technical official, and served as the Ministry's first female Director-General of the Housing Bureau. After serving in charge of policies for regional revitalization, including human resource development, work and urban development, she served as Secretary General of the Consumer Affairs Agency. After retiring from the Ministry, she continued to engage in research in these fields and served as an Outside Director of companies. She is expected to provide valuable advice and supervision from the perspective of customers and consumers, as well as advice on promoting the utilization of diverse human resources. She is appropriately performing her duties as an outside director.

- Audit & Supervisory Board Member Yutaka Tanaka (Independent Director)

After serving as a judge in charge of civil cases for many years, he engaged in corporate legal affairs as a lawyer and has also served as a professor at a law school. As such, he possesses extensive experience and advanced expertise in legal affairs, which he utilizes to appropriately execute his duties as an Outside Audit & Supervisory Board Member.

- Audit & Supervisory Board Member Koichi Kashimoto (Independent Director)

Mr. Koichi Kashimoto has been engaged in the business management of The Dai-ichi Life Insurance Company, Limited for many years. He also served as the general manager of general affairs, including legal affairs. He also has a wealth of international experience. He appropriately performs his duties as an Outside Audit & Supervisory Board Member, leveraging his expertise and experience in audits that overlook the Canon Group, including overseas operations. Dai-ichi Life Insurance Co., Ltd. is a stockholder of Canon, and its shareholding ratio is approximately 1.3% (calculated by deducting the number of treasury shares from the total number of issued shares). In addition, although there are transactions between Dai-ichi Life Insurance Company, Limited and Canon based on insurance contracts, etc., the annual transaction amount is less than 1% of the consolidated net sales of both Canon and Dai-ichi Life Insurance Company, Limited.

- Audit & Supervisory Board Member Yuka Shigetomi (Independent Director)

Ms. Yuka Shigetomi has many years of practical experience in corporate accounting as a certified public accountant in Japan, the United States, and Hong Kong, as well as a wealth of international experience from working in overseas offices of the world's largest audit corporation. The Company expects that her expertise in corporate accounting as well as her extensive knowledge of risk management and ESGs from a global perspective will effectively contribute to further proper auditing of Canon, and the Company has judged that she will appropriately perform her duties as an Outside Audit & Supervisory Board Member.

(iii) Supervision and Audit by Outside Director or Outside Audit & Supervisory Board Member, Collaboration among internal audit, audit by Audit & Supervisory Board Members and Accounting Audit, Relationship with internal control division

Outside Directors receive reports on the results of audits by Audit & Supervisory Board Members and accounting audits, as well as the status of internal control operations at meetings of the Board of Directors. They also strive to deepen their understanding of management issues by attending Corporate Strategy Committee and Risk Management Committees, and by exchanging information with Audit & Supervisory Board Members, enabling to provide sufficient supervision and advice.

Outside Audit & Supervisory Board Members fully demonstrate their independence, neutrality and expertise, and monitor management while constantly sharing information with full-time Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board receives explanations from the internal audit division and the accounting auditors regarding their respective audit plans and audit items, etc., and confirms their validity from an objective perspective. After each audit is conducted, the Audit & Supervisory Board receives an explanation of the results. Furthermore, Outside Directors and Outside Audit & Supervisory Board Members exchange information with the internal control division as needed on matters such as the status of the construction and operation of internal control systems and risk assessments, and provide guidance and advice based on their experience and deep insight gained from outside of Canon.

(3) Status of audit

(i) Status of audit by Audit & Supervisory Board Members

a. Organization, personnel and procedures

For the organization, personnel and procedures of audit by Audit & Supervisory Board Members, please refer to "4. Corporate Governance (1) Overview of Corporate Governance (ii) Summary of the Canon's corporate governance structure and the reason for adopting this structure (Audit & Supervisory Board)."

b. Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) Frequency of meetings of the Audit & Supervisory Board and attendance of Individual Audit & Supervisory Board Members

• Number of meetings and intervals between meetings

Held 21 times a year (12 regular monthly meetings and 9 other meetings). The average necessary time is one hour.

In addition, Audit & Supervisory Board Members' liaison meetings are held as appropriate (9 times in the current period) for the purpose of sharing information, etc.

• Number of attendance and attendance rate of Audit & Supervisory Board Members

Katsuhito Yanagibashi (Full-time Audit & Supervisory Board Member): Attended all 6 meetings, attendance rate 100%

Chikahiro Okayama (Full-time Audit & Supervisory Board Member): Attended all 15 meetings, attendance rate 100%

Hideya Hatamochi (Full-time Audit & Supervisory Board Member): Attended all 21 meetings, attendance rate 100%

Yutaka Tanaka (Audit & Supervisory Board Member): Attended all 21 meetings, attendance rate 100%

Hiroshi Yoshida (Audit & Supervisory Board Member): Attended all 21 meetings, attendance rate 100%

Koichi Kashimoto (Audit & Supervisory Board Member): Attended all 21 meetings, attendance rate 100%

(2) Specific matters to be considered by the Audit & Supervisory Board

- Formulation of audit policies and audit plans, etc.
- Preparation of audit report
- Confirmation of the adequacy of Accounting Audits
- Confirmation of the status of development and operation of the internal control system
- Confirmation of agenda items for the General Meeting of Shareholders
- Decisions on appointment / dismissal reappointment / non-reappointment of accounting auditors
- Confirmation of resolutions and matters reported at important meetings
- Confirmation of the status of audits by Audit & Supervisory Board Members
- Pre-approval of audit and non-audit services by the accounting auditor (Ceased by termination of registration with the SEC)
- Prior approval of non-assurance services by the accounting auditor
- Other matters specified by laws and regulations

(3) Activities of Audit & Supervisory Board Members

In the Audit & Supervisory Board held at the beginning of the fiscal year, the allocation of duties among individual Audit & Supervisory Board Members was decided, and the following activities were carried out

- Attendance at important meetings (Board of Directors, Corporate Strategy Committee, Risk Management Committee, etc.)
- Implementation of audits and interviews (19 affiliated companies in Japan, 15 affiliated companies overseas, 22 internal divisions)
- Attendance at meetings of the Nomination and Remuneration Advisory Committee
- Evaluation of the effectiveness of the Board of Directors
- Sharing information and exchanging opinions with Outside Directors
- Interview of reports from administrative divisions (Human Resources, Finance & Accounting, Legal, Information Security, Quality Management, Public Affairs, Sustainability, etc.)
- Inspection of important documents (approval documents, minutes of the Board of Directors, minutes of the Corporate Strategy Committee, etc.)
- Audit of business reports, etc. and receiving reports of financial results, etc.
- Receiving semi-annual and annual financial reports of unlisted affiliated companies in Japan (27 companies)
- Receiving reports on internal control evaluation results
- Confirmation of the status of development and operation of the whistleblowing system

- Interview of audit reports from the internal audit division
- Interview on the status of audits from the accounting auditor and receiving reports on the results of audits
- Confirmation of the accounting auditor's audit structure, independence, and audit contract

(ii) Status of Internal Audits

The Corporate Audit Center, which is the internal audit division, is an independent, and dedicated organization that, in accordance with the Internal Audit Regulations, audits each division and subsidiary with respect to compliance with laws and the effectiveness and efficiency of the internal control system, and makes recommendations for improvement as necessary.

In addition, in accordance with the policies of top management, the Corporate Audit Center is planning to increase the number of personnel from the current structure of approximately 60 in order to evaluate all operations from an expert perspective, and is working to strengthen the audit function.

a. Cooperation between Audit & Supervisory Board Members and the Internal Audit Division

As an initiative to ensure the effectiveness of internal audits, Audit & Supervisory Board Members and the Audit & Supervisory Board receive an overview of the internal audit plan and audit items from the Internal Audit Division in advance, and directly receive reports on all audit results and evaluations after the internal audit has been conducted. In addition, opinions and information are exchanged as needed with close collaboration.

b. Cooperation between Audit & Supervisory Board Members and the Accounting Auditor

Audit & Supervisory Board Members and the Audit & Supervisory Board receive an overview of the audit plan and explanations of key audit items, etc., from the accounting auditor before the start of audits, and confirm the validity of the audit plan. In addition, the Audit & Supervisory Board receives reports on the implementation status of accounting audits, quarterly reviews, and audits of internal controls, etc., from the Accounting Auditors at least once a month, as well as reports on the results of audits before representation of audit opinion. With regard to "Key Audit Matters," Audit & Supervisory Board regularly receives reports on the implementation status of risk response procedures and exchanges opinions.

The Audit & Supervisory Board Members accompany the accounting auditor to the physical inventory count, hold meetings with the accounting auditor in charge of auditing major affiliated companies, and strive to understand the status of audit situation. The Audit & Supervisory Board receives detailed explanations on the audit quality control system of the accounting auditor and requests information as necessary to confirm its validity. For the purpose of monitoring the independence of the accounting auditor, the Company has introduced a system under which the Audit & Supervisory Board approves in advance the content of audit and non-audit service contracts, etc. and the amount of remuneration, including those of subsidiaries. (Ceased by termination of registration with the SEC)

c. Relationship between Internal Audits, audits by Audit & Supervisory Board Members, and Accounting Audits, and the Internal Control Division

With regard to risk management, which is one of the key aspects of internal control, the secretariat of the Risk Management Committee and the relevant divisions regularly exchange information with the Internal Audit division, the Audit & Supervisory Board Members, and the accounting auditor on matters such as risk assessment and the status of the management system. The results of this exchange are reflected in subsequent activities, and through this cycle, Canon strives to maintain and strengthen appropriate risk management. In addition, the relationship between Internal Audits, audits by Audit & Supervisory Board Members, Accounting Audits and the internal control division is as described in "4. Corporate Governance, etc. (1) Overview of Corporate Governance (iii) Other Matters Related to Corporate Governance (Internal Control)."

(iii) Status of Accounting Audits

a. Name of audit firm:

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

5 years

c. Certified Public Accountants who performed the audit;

Name, etc. of the certified public accountants		Name of the audit firm	Continuous Auditing Years
Designated Engagement Partner, Certified Public Accountant	Masayuki Yamada	Deloitte Touche Tohmatsu LLC	5 years
Designated Engagement Partner, Certified Public Accountant	Susumu Nakamura	Deloitte Touche Tohmatsu LLC	5 years
Designated Engagement Partner, Certified Public Accountant	Hideaki Takagi	Deloitte Touche Tohmatsu LLC	5 years
Designated Engagement Partner, Certified Public Accountant	Masayoshi Nakai	Deloitte Touche Tohmatsu LLC	1 years

d. Composition of support staff in auditing team

31 Certified Public Accountants and 98 Others

e. Policy for selection of audit firm, reason evaluation

The Company has established the following policies for the selection of accounting auditors.

In order to ensure that the independence of the accounting auditor and the Company is ensured and that effective audits are conducted based on a good relationship of trust, the Audit & Supervisory Board shall select the accounting auditor after receiving proposals from multiple audit firms at regular intervals from the perspectives of independence, expertise, quality control system, global audit system, etc.

If the accounting auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the accounting auditor as necessary with the consent of all Audit & Supervisory Board Members. In addition to the above cases, if it is deemed that it is difficult to conduct an appropriate audit due to the occurrence of reasons that harm the eligibility and independence of the accounting auditor, the Audit & Supervisory Board will determine the content of proposals regarding the dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders.

The Audit & Supervisory Board received reports from the accounting auditor on the status of execution of duties and the quality control system, and confirmed whether the accounting auditor met the requirements for an auditor as stipulated in the Companies Act, the results of inspections and reviews of the accounting auditor, and whether there were any significant disputed cases in which the accounting auditor was a defendant. In addition, the Audit & Supervisory Board evaluated the status of execution of duties by the accounting auditor from the perspective of responding to global audits in a disciplined and consistent manner, promptly addressing issues through good communication, and conducting efficient and effective audits utilizing advanced technologies, which were expected when the Accounting Auditor was appointed.

Based on the above, the Audit & Supervisory Board has decided to reappoint Deloitte Touche Tohmatsu LLC as accounting auditor for 2024.

(iv) Details of audit remuneration, etc.

a. Remuneration paid to audit certified public accountants, etc.

Categories	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	577	-	591	10
Consolidated subsidiary	505	3	569	11
Total	1,082	3	1,160	21

b. Remuneration for the same network as audit certified public accountants, etc. (excluding a.)

Categories	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Reporting company	-	3	-	0
Consolidated subsidiary	2,585	195	2,827	236
Total	2,585	198	2,827	236

The content of non-audit services related to the remuneration in the above a. and b. in the previous fiscal year and the current fiscal year are various advisory services.

c. Details of remuneration based on other significant audit and attestation services

No items to be reported.

d. Policy on determining audit remuneration

The Company verifies the adequacy of the audit plan (including the scope, method, and time of audits) and determines the audit remuneration for the audit certified public accountants.

e. Reason for the Audit & Supervisory Board's consent to the remuneration, etc. of the Accounting Auditor

The Audit Committee obtains necessary materials and reports from relevant internal divisions and the accounting auditor in the pre-approval process for audit and non-audit services based on Section 202 of the Sarbanes-Oxley Act. Additionally, the committee reviews the previous fiscal year's audit plan and its implementation status, as well as the current fiscal year's audit plan, and requests explanations as needed to confirm the appropriateness of the current fiscal year's remuneration estimates. As a result, the committee determined that the remuneration for the accounting auditor is at a reasonable level to maintain and improve audit quality and agreed to them based on Paragraph 1, Article 399 of the Companies Act of Japan.

(4) Compensation for Directors, etc.

- (i) Matters relating to policy to determine the amount of compensation, etc., for Directors or the calculation method thereof

(a) Details of policy regarding decisions on individual compensation, etc. for Directors

1. Basic Policy of Remuneration

The Company, for the healthy and sustainable growth of Canon Group, is working to design a Director remuneration system that effectively encourages Directors and Audit & Supervisory Board Members to fully demonstrate their abilities and fulfill their roles and responsibilities. Moreover, the total value of Director and Audit & Supervisory Board Member remuneration is based on an appropriate standard, taking into consideration the recruiting and holding on to top-class people that can effectively meet the Company's expectations.

2. Details of Each Element of the Remuneration System

a. Representative Directors and Executive Directors

The remuneration of Representative Directors and Executive Directors consists of a basic remuneration, a bonus, and a stock-type compensation stock option.

Basic Remuneration

Basic remuneration consists of a fixed amount of monetary remuneration paid monthly as consideration for the performance of duties of Directors. The amount is prescribed according to each Director's position and the degree to which the Director contributes in this role and the total remuneration amount is within the limit approved at the General Meeting of Shareholders. (Total remuneration amount here refers to the total basic remuneration of all Directors including Outside Directors.)

Bonus

As a reward for Director service over a one-year term, Directors receive a bonus once a year for which "consolidated income before income taxes" is used as a financial indicator to measure the results of annual group-wide corporate activities. The total amount of the Director's bonus is determined by multiplying such consolidated income with a given predetermined coefficient that corresponds with the Director's position. It is also determined through individual assessment based on the degree to which the Director contributes in this role.

As such, matters including whether a payment is allowed or the total amount of bonus as calculated above, are deliberated during the General Meeting of Shareholders every year.

Bonuses along with dividend and internal reserves are essentially subjects of corporate profit distribution.

Stock-Type Compensation Stock Options

Once a year, stock acquisition rights on Canon's shares are granted with the intent of providing an incentive for Directors to further contribute to the improvement of medium- and long-term performance and raising corporate value through sharing the benefits and risks of share price fluctuations with Canon's shareholders. The total amount of the stock acquisition rights is within the amount approved at the General Meeting of Shareholders and the number of those stock acquisition rights granted is calculated based on the amount determined by the Director's position, the consolidated income before income taxes in the previous year, as well as the degree to which the Director has contributed in this role (the amount of monetary compensation claims granted to Directors for the payment in exchange for the stock acquisition rights), and the stock price level at the time of grant. As remuneration is linked to the achievements throughout one's term in office, Canon has a system in place that allows the exercising of stock acquisition rights at the time of retirement. As for the grantee, if Canon recognizes any misconduct of duty, act conflicting with the duty of due care, etc., Canon may limit the exercise of all or a portion of the stock acquisition rights.

Determining the proportion of basic remuneration, bonus, and stock-type compensation stock options enlists a basic approach of emphasizing the level and stability of basic remuneration given that we believe it is important to engage with management from the medium- to long-term perspective. At the same time, taking into account the need for enhancing performance over the course of a single fiscal year and pursuing shareholder returns, the proportion of total remuneration for Directors is arranged such that basic remunerations, bonuses and stock-type compensation stock options may account for approximately 50%, 30%, and 20%, respectively. As for consolidated income before income tax, which is used as an indicator of bonuses, the outlook was ¥450,000 million (announced in January 2024) at the beginning of the fiscal year 2024, but the actual results were ¥301,161 million.

b. Outside Directors and Audit & Supervisory Board Members

The remuneration received by Outside Directors who maintain a position independent from the execution of business consists entirely of a basic remuneration, i.e., monetary remuneration of a fixed amount paid monthly as consideration for the performance of duties, and is determined within the range of the amount approved by the General Meeting of Shareholders as described in (i) Basic Policy of Remuneration above and within the range of the amount predetermined by Canon in consideration of the general level.

3. Remuneration Decision-Making Process

Canon, with the aim of ensuring the transparency and objectivity of the remuneration decision-making process as well as the validity of the remuneration system, 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. The Committee, after examining the rationale of the remuneration system, including calculation standards of the basic remuneration, the bonus and the granting standards of stock-type compensation stock option plan, reports to the Board of Directors to the effect that the system is reasonable.

Decisions regarding the amount and content of remuneration (the amount of basic remuneration and bonus as well as the number of stock-type compensation stock options) of each Director are delegated to the CEO. However, the CEO must compile the proposals based on the prescribed criteria in accordance with the policy described in (ii) above. And prior to submitting the proposal to the Board of Directors, the CEO must present it to the Nomination and Remuneration Advisory Committee for confirmation of adequacy of the proposal. As for bonuses, as described in (ii) a. above, Canon consults with the General Meeting of Shareholders regarding whether or not bonuses can be paid and the total amount to be paid.

(b) Method of Determining Policy on Decisions

Canon adopted the “Policy on Decisions on the Content of Remunerations for Individual Directors” by resolution at the Board of Directors meeting. Before making this resolution, the Board of Directors consulted the Nomination and Remuneration Advisory Committee, which is mainly comprised of Independent Outside Directors and Audit & Supervisory Board Members, about the content of the resolution and received its response. Moreover, if it is deemed necessary to make revisions to this policy in the future, the same process shall be followed. And the remuneration received by Outside Directors who maintain a position independent from the execution of business consists entirely of a basic remuneration, i.e., monetary remuneration of a fixed amount paid monthly as consideration for the performance of duties, and is determined within the range of the amount approved by the General Meeting of Shareholders.

(c) Reasons the Board of Directors Judged the Details of Individual Director Remuneration for This Term to be Corresponding with the Policy on Decisions

Decisions regarding the amount and content of remuneration (the amount of basic remuneration and bonus as well as the number of stock-type compensation stock options) of each Director are made in accordance with the policy on decisions described above, and such decisions are made after the “Nomination and Remuneration

Advisory Committee” has furnished its confirmation beforehand. Accordingly, the Board of Directors judges that the content is in line with the policy on decisions.

(Resolution at the General Meeting of Shareholders regarding Officers' Remuneration and Details of Most Recent Activities of Nomination and Remuneration Advisory Committee)

<General Meeting of Shareholders>

General Meeting of Shareholders	Details of the resolution / Number of Directors and Audit & Supervisory Board Members subject to the resolution (Number of members at the conclusion of the General Meeting of Shareholders)
The Ordinary General Meeting of Shareholders for 2003 (Held on March 30, 2004)	Total remuneration of “200 million yen or less annually” was approved and adopted for Audit & Supervisory Board Members / 4 persons (of which, 2 persons were Outside Audit & Supervisory Board Members)
The Ordinary General Meeting of Shareholders for 2012 (Held on March 28, 2013)	Total remuneration of “1,800 million yen or less annually” was approved and adopted for Directors / 21 persons
The Ordinary General Meeting of Shareholders for 2017 (Held on March 29, 2018)	Of the above total remuneration for Directors, “300 million yen or less annually” was approved and adopted as the total amount of stock acquisition rights as stock-type compensation stock options / 5 persons (excluding Outside Directors)
The Ordinary General Meeting of Shareholders for 2020 (Held on March 30, 2021)	Details of stock-type compensation stock options to be granted to Directors were approved and adopted / 3 persons (excluding Outside Directors)
The Ordinary General Meeting of Shareholders for 2023 (Held on March 28, 2024)	Paying bonuses to Directors was approved and adopted / 3 (excluding Outside Directors) Raising “300 million yen or less annually” to “400 million yen or less annually” as the total amount of stock acquisition rights as stock-type compensation stock options to be granted to Directors and other details were approved and adopted / 6 persons (excluding Outside Directors)
The Ordinary General Meeting of Shareholders for 2024 (Held on March 28, 2025)	Paying bonuses to Directors was approved and adopted / 6 (excluding Outside Directors)

< Board of Directors>

Date:	Details of activities
January 30, 2018	Establishment of stock options for stock-based compensation and changes in the remuneration limit for directors, and decisions on proposals for the general
January 18, 2021	Determines the policy for determining the content of individual remuneration for directors
January 28, 2021	Decided on the proposal for the General Meeting of Shareholders regarding the determination of the content of the stock options for stock-based compensation to be granted to directors
January 30, 2024	Decided on a proposal for the General Meeting of Shareholders to revise the limit of granting of stock options for stock-based compensation (total amount of stock acquisition rights granted to directors, etc.)
March 28, 2024	Decided the amount of basic remuneration and bonus paid to directors and the number of stock options granted to directors
March 28, 2025	Decided the amount of basic remuneration and bonus paid to directors and the number of stock options granted to directors

Note: The status of activities of the Board of Directors during the fiscal year is as described in (1) Overview of Corporate Governance (ii) Summary of the Canon's corporate governance structure and the reason for adopting this structure (Board of Directors).

< Nomination and Remuneration Advisory Committee >

Date:	Details of activities (Note 3)
January 18, 2024 (Note 1)	Confirmation and deliberation of the appropriateness of individual compensation amounts (bonuses) for directors and officers and the operation of the compensation system. Confirmation and deliberation of revision of the limit of granting of stock options for stock-based compensation (total amount of stock acquisition rights granted to directors, etc.)
March 21, 2024 (Note 1)	Confirmation and deliberation of the amount of individual compensation for directors (basic compensation and stock options) and the appropriateness of the management of the compensation system
September 26, 2024 (Note 2)	Confirmation and deliberation of the appropriateness of the executive compensation system
January 17, 2025 (Note 2)	Confirmation and deliberation of the appropriateness of individual compensation amounts (bonuses) for directors and officers and the operation of the compensation system
March 21, 2025 (Note 2)	Confirmation and deliberation of the amount of individual compensation for directors (basic compensation and stock options) and the appropriateness of the management of the compensation system

Notes: 1. In addition to Toshizo Tanaka, who chaired the meeting, Kunitaro Saida, Yusuke Kawamura, and Yutaka Tanaka were all present.

2. In addition to Toshizo Tanaka, who chaired the meeting, Yusuke Kawamura, Masayuki Ikegami, Masaki Suzuki, Akiko Ito, and Yutaka Tanaka were all present.

3. The activities of the Nomination and Remuneration Advisory Committee regarding the selection of candidates for

Directors are as described in (1) Overview of Corporate Governance (ii) Summary of the Canon's corporate governance structure and the reason for adopting this structure (Nomination and Remuneration Advisory Committee).

(ii) Content of Non-Monetary Remuneration, etc.

The content of non-monetary remuneration, etc. and the main conditions for exercise, etc. are as described in (4) (i)

(a) (ii) *Stock-Type Compensation Stock Options* above. During the term, 269 units of stock acquisition rights (26,900 shares of common stock of Canon) were delivered to six Directors, excluding Outside Directors.

(iii) Delegation of Decisions on the Content of Remuneration for Individual Directors

Delegated person	Chairman & CEO Fujio Mitarai
Content of delegated authority and measures taken to ensure that authority is appropriately executed	As described in (i) (c) above
Reason for delegation	Decisions on remuneration for Directors should be made based on assessment conducted by a person equipped with precise understanding regarding Canon's management and the status of duties executed by each Director, in alignment with the policy on decisions. Accordingly, authority has been delegated to the above delegated person upon having deemed that the individual is able to most appropriately perform such assessment.

(iv) Remuneration by executive category, remuneration by classification, and number of Directors and Audit & Supervisory Board Members

Category of Position	Number of Directors and Audit & Supervisory Board Members (Persons)	Remuneration and Other Amounts (Millions of yen)	Remuneration and Other Amounts by Classification (Millions of yen)		
			Monetary Remuneration, etc.		Non-Monetary Remuneration, etc.
			Basic Remuneration	Bonus (Performance-Linked Remuneration)	Stock-Type Compensation Stock Options
Directors (excluding Outside Directors)	6	1,496	852	543	101
Outside Directors	5	84	84	-	-
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	43	43	-	-
Outside Audit & Supervisory Board Members	3	60	60	-	-

Notes: 1. The above number of Outside Directors and Audit & Supervisory Board Members includes one Outside Director and one Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for 2023 held on March 28, 2024.

2. "Bonus" represents the accrued Directors' bonuses for this term.

3. In the column Stock-type Compensation Stock Options, expense for this term is presented.

(v) Total amount of consolidated compensation, etc. of persons whose total amount of consolidated compensation, etc. is 100 million yen or more

Name	Category of Position	Category of Company	Consolidated Remunerations, etc. amount (Millions of yen)	Consolidated Remuneration and Other Amounts by Classification (Millions of yen)		
				Monetary Remuneration, etc.		Non-Monetary Remuneration, etc.
				Basic Remuneration	Bonus (Performance-Linked Remuneration)	Stock-Type Compensation Stock Options
Fujio Mitarai	Director	Reporting company	625	389	200	36
Toshizo Tanaka	Director	Reporting company	269	149	101	20
Toshio Homma	Director	Reporting company	258	140	100	19
Kazuto Ogawa	Director	Reporting company	139	72	55	12
Hiroaki Takeishi	Director	Reporting company	103	51	45	7
Minoru Asada	Director	Reporting company	100	51	42	7

Notes: 1. “Bonus” represents the accrued directors' bonuses for this term.

2. In the column Stock-Type Compensation Stock Options, expenses for this term are presented.

3. Figures are rounded to the nearest million yen. Therefore, the sum of each column does not match the total amount column.

(5) Shareholdings

(i) Classification of investment securities

Canon classifies invested shares held solely for the purpose of receiving profits from fluctuations in stock prices or the receipt of dividends as purely invested shares, and classifies other shares as invested shares held for purposes other than purely invested purposes. Canon does not hold investment shares that are purely for investment purposes.

(ii) Investment securities held for purpose other than pure investment

1. Policy on shareholdings, methods for verifying the rationality of shareholdings, and verification by the Board of Directors, etc. of whether it is appropriate to hold individual stocks.

(a) Policy Regarding Strategic Holdings

For the medium- to long-term growth of Canon, ceaseless improvement of respective systems like development, production, and sales, is essential. It is, however, difficult to achieve all of them solely through the management resources of Canon Group. Canon decides in some cases to hold shares of companies outside Canon Group as part of cooperation with such companies, when it determines that such shareholding would be beneficial to strengthening of those systems.

(b) Details of Examining the Rationale of Strategic Share Holdings

Canon evaluates each of its strategic shareholdings from qualitative aspects, such as the purpose of the holding, and quantitative aspects, whether the return on investment from the holding exceeds Canon's cost of capital and reports the results annually to the Board of Directors to verify the rationale for the holdings from a medium- to long-term perspective. As for current share holdings, the rationale for the holdings were recognized at the Board of Directors meeting held in February 2025.

2. Number of stocks and balance sheet amounts

	Number of stocks	Balance sheet amounts (Millions of yen)
Unlisted stocks	21	1,734
Other than unlisted stocks	11	9,151

(Stocks for which the number of stocks increased in the fiscal year)

	Number of stocks	Total acquisition cost for the increase in number of stocks (Millions of yen)	Reason for increasing number of stocks
Unlisted stocks	-	-	-
Other than unlisted stocks	6	2	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.

(Stocks for which the number of stocks decreased in the fiscal year)

	Number of stocks	Total sale amount related to the decrease in the number of stocks (Millions of yen)
Unlisted stocks	-	-
Other than unlisted stocks	2	3

3. Information on the number of specific investment stocks and deemed shareholdings by stock, and the amount recorded on the balance sheet.

Specified Investments Stocks

Name of stocks	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2023	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note1) and reasons for the increase in the number of stocks	Ownership of the Company's shares
	Number of Stocks (Stocks)	Number of Stocks (Stocks)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
Renesas Electronics Corporation	4,166,600	4,166,600	To maintain and strengthen business relationships as a major customer of semiconductor lithography equipment and a semiconductor supplier	None
	8,527	10,621		
Median Technologies S.A.	961,826	961,826	To maintain and strengthen business relationships related to the sale and provision of diagnosis and medical treatment solutions in the Medical Business	None
	599	718		
Toyota Motor Corporation	6,995	6,995	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	22	18		
NEC Corporation	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	1	-		
Sony Group Corporation	100	100	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	1		
NIPPON STEEL CORPORATION	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	-		
Panasonic Holdings Corporation	155	1,155	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	2		
Japan Airlines Co., Ltd.	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	-		
Marubeni Corporation	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	-		
LIXIL Corporation	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	-		
Nissan Motor Co., Ltd.	100	-	To collect information for disclosure to shareholders and the operation of the General Meeting of Shareholders.	None
	0	-		

Notes 1. Although it is difficult to provide detailed information on the quantitative holding effects for each stock, the rationality of holding shares of each stock has been reported and verified at the Board of Directors meeting in February 2025, taking into account the quantitative aspects as described above.

2. "-" indicates that the Company does not hold the relevant stocks.

Deemed shareholdings

Name of stocks	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2023	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note1) and reasons for the increase in the number of stocks	Ownership of the Company's shares
	Number of Stocks (Stocks)	Number of Stocks (Stocks)		
	Balance Sheet Amounts (Millions of yen) (Note2)	Balance Sheet Amounts (Millions of yen) (Note 2)		
Dai-ichi Life Holdings, Inc.	6,300,000	6,300,000	Canon has the right to instruct the exercise of voting rights.	Yes
	26,681	18,850		
Sompo Holdings, Inc.	4,697,583	1,565,861	Canon has the right to instruct the exercise of voting rights.	Yes
	19,349	10,798		
Mizuho Financial Group, Inc.	4,925,023	4,925,023	Canon has the right to instruct the exercise of voting rights.	Yes
	19,075	11,882		
DAIKIN INDUSTRIES, LTD.	987,400	987,400	Canon has the right to instruct the exercise of voting rights.	Yes
	18,425	22,695		
NIDEC CORPORATION	2,489,648	1,244,824	Canon has the right to instruct the exercise of voting rights.	None
	7,108	7,089		
Tokio Marine Holdings, Inc.	1,156,500	1,156,500	Canon has the right to instruct the exercise of voting rights.	Yes
	6,624	4,081		
Mitsubishi UFJ Financial Group, Inc.	3,112,170	3,112,170	Canon has the right to instruct the exercise of voting rights.	Yes
	5,745	3,770		
Hulic Co., Ltd.	3,018,708	3,018,708	Canon has the right to instruct the exercise of voting rights.	Yes
	4,136	4,457		
Sumitomo Mitsui Financial Group, Inc.	908,481	302,827	Canon has the right to instruct the exercise of voting rights.	Yes
	3,420	2,083		
Ushio Inc.	560,557	560,557	Canon has the right to instruct the exercise of voting rights.	None
	1,194	1,135		
OBAYASHI CORPORATION	540,500	540,500	Canon has the right to instruct the exercise of voting rights.	Yes
	1,131	659		
TV TOKYO Holdings Corporation	206,500	206,500	Canon has the right to instruct the exercise of voting rights.	None
	667	618		
OTSUKA CORPORATION	120,000	60,000	Canon has the right to instruct the exercise of voting rights.	None
	433	349		
NIPPON EXPRESS HOLDINGS, INC	61,800	20,600	Canon has the right to instruct the exercise of voting rights.	Yes
	148	165		

Note1. Although it is difficult to provide detailed information on the quantitative holding effects for each stock, the rationality of holding shares of each stock has been reported and verified at the Board of Directors meeting in February 2025, taking into account the quantitative aspects as described above.

2. The balance sheet amount of "deemed shareholdings " is the number of shares subject to voting rights multiplied by the market value as of the end of the fiscal year.

C. Investment securities held for pure investment
Not applicable.

D. Investment securities for which the holding purpose has changed from pure investment to other than pure investment in the fiscal year ended December 31, 2024
Not applicable.

V. Financial Information

1. Preparation of Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America, pursuant to Paragraph 3, Supplementary Provisions of the “Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements”, the Ordinance of the Cabinet Office No. 11 of 2002.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereinafter “Ordinance on Financial Statements, etc.”).

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from January 1, 2024 to December 31, 2024 and the non-consolidated financial statements for the fiscal year from January 1, 2024 to December 31, 2024 were audited by Deloitte Touche Tohmatsu LLC.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

Canon carries out special measures for ensuring the appropriateness of the consolidated financial statements, etc.

Specifically, Canon collects information from Financial Accounting Standards Board and Financial Accounting Standards Foundation, etc., in order to properly grasp the contents of accounting standards, etc., or to appropriately respond to changes in accounting standards, etc., and strives to ensure appropriateness.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

	Millions of yen	
	2024	2023
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Notes 1 and 22)	501,565	401,323
Short-term investments (Notes 2 and 22)	4,775	3,822
Trade receivables (Note 3)	705,591	655,460
Inventories (Note 4)	841,836	796,881
Current lease receivables (Note 6)	167,612	150,324
Prepaid expenses and other current assets (Notes 15, 18 and 22)	245,665	231,605
Allowance for credit losses (Notes 3 and 6)	(16,961)	(15,329)
Total current assets	2,450,083	2,224,086
Noncurrent receivables (Note 20)	29,614	11,734
Investments (Notes 2 and 22)	113,241	78,505
Property, plant and equipment, net (Note 5)	1,147,380	1,095,879
Operating lease right-of-use assets (Note 19)	136,717	126,125
Intangible assets, net (Notes 7 and 8)	275,391	274,942
Goodwill (Notes 7 and 8)	915,258	1,045,400
Noncurrent lease receivables (Note 6)	363,749	321,065
Other assets (Notes 11 and 12)	339,569	242,659
Allowance for credit losses (Note 6)	(4,756)	(3,818)
Total assets	5,766,246	5,416,577

	Millions of yen	
	2024	2023
<u>Liabilities and equity</u>		
Current liabilities:		
Short-term loans and current portion of long-term debt (Notes 9 and 21)	318,330	386,200
Short-term loans related to financial services	40,400	38,900
Other short-term loans and current portion of long-term debt	277,930	347,300
Trade payables (Note 10)	350,128	309,930
Accrued income taxes (Note 12)	78,438	56,983
Accrued expenses (Notes 11 and 20)	433,329	373,544
Current operating lease liabilities (Note 19)	41,876	35,559
Other current liabilities (Notes 5, 15, 18 and 22)	324,205	276,960
Total current liabilities	1,546,306	1,439,176
Long-term debt, excluding current portion of long-term debt (Notes 9 and 21)	205,075	2,954
Accrued pension and severance cost (Note 11)	166,153	171,779
Noncurrent operating lease liabilities (Note 19)	98,219	92,604
Other noncurrent liabilities (Notes 12 and 15)	105,442	104,357
Total liabilities	2,121,195	1,810,870
Equity:		
Canon Inc. shareholders' equity:		
Common stock	174,762	174,762
[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)	412,287	404,935
Legal reserve	61,893	61,634
Other retained earnings	3,818,668	3,801,212
Total retained earnings (Note 13)	3,880,561	3,862,846
Accumulated other comprehensive income (loss) (Note 14)	470,897	268,758
Treasury stock, at cost	(1,558,234)	(1,358,279)
[Number of shares]	[389,771,598]	[345,964,752]
Total Canon Inc. shareholders' equity	3,380,273	3,353,022
Noncontrolling interests	264,778	252,685
Total equity	3,645,051	3,605,707
Total liabilities and equity	5,766,246	5,416,577

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

	Millions of yen	
	2024	2023
Net sales (Notes 6, 14, 15 and 18):		
Products and Equipment	3,593,598	3,314,627
Services	916,223	866,345
	4,509,821	4,180,972
Cost of sales (Notes 5, 8, 11 and 19):		
Products and Equipment	1,933,783	1,799,211
Services	432,943	412,851
	2,366,726	2,212,062
Gross profit	2,143,095	1,968,910
Operating expenses (Notes 1, 5, 8, 11, 14, 16, 19 and 20):		
Selling, general and administrative expenses	1,360,893	1,261,630
Research and development expenses	337,348	331,914
Impairment losses on goodwill	165,100	—
	1,863,341	1,593,544
Operating profit	279,754	375,366
Other income (deductions):		
Interest and dividend income	15,602	13,425
Interest expense	(3,745)	(2,267)
Other, net (Notes 1, 2, 11, 14 and 18)	9,550	4,243
	21,407	15,401
Income before income taxes	301,161	390,767
Income taxes (Notes 12 and 14)	118,287	106,346
Consolidated net income	182,874	284,421
Less: Net income attributable to noncontrolling interests	22,849	19,908
Net income attributable to Canon Inc.	160,025	264,513
	Yen	Yen
Net income attributable to Canon Inc. shareholders per share (Note 17):		
Basic	165.53	264.20
Diluted	165.44	264.08

Consolidated Statement of Comprehensive Income

Millions of yen

	2024	2023
Consolidated net income	182,874	284,421
Other comprehensive income (loss), net of tax (Note 14):		
Foreign currency translation adjustments	145,724	184,836
Net unrealized gains and losses on securities	5	60
Net gains and losses on derivative instruments	(2,433)	1,394
Pension liability adjustments	66,990	24,289
	210,286	210,579
Comprehensive income (loss)	393,160	495,000
Less: Comprehensive income attributable to noncontrolling interests	30,996	24,352
Comprehensive income (loss) attributable to Canon Inc.	362,164	470,648

(iii) Consolidated Statement of Equity

	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, 2022	174,762	404,838	64,509	3,664,735	3,729,244	62,623	(1,258,362)	3,113,105	235,925	3,349,030
Equity transactions with noncontrolling interests and other		158	(3,534)	3,534	—			158	(97)	61
Dividends to Canon Inc. shareholders (130.00 yen per share)				(130,870)	(130,870)			(130,870)		(130,870)
Dividends to noncontrolling interests									(7,495)	(7,495)
Transfers to legal reserve			659	(659)	—			—		—
Comprehensive income:										
Net income				264,513	264,513			264,513	19,908	284,421
Other comprehensive income (loss), net of tax (Note 14):										
Foreign currency translation adjustments						183,650		183,650	1,186	184,836
Net unrealized gains and losses on securities						60		60		60
Net gains and losses on derivative instruments						1,352		1,352	42	1,394
Pension liability adjustments						21,073		21,073	3,216	24,289
Total comprehensive income (loss)								470,648	24,352	495,000
Repurchases and reissuance of treasury stock		(61)		(41)	(41)		(99,917)	(100,019)		(100,019)
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
Transfers 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

(iv) Consolidated Statement of Cash Flows

	Millions of yen	
	2024	2023
Cash flows from operating activities:		
Consolidated net income	182,874	284,421
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	235,465	238,676
Impairment losses on goodwill	165,100	-
Loss on disposal of fixed assets	1,271	4,025
Deferred income taxes	(14,571)	(10,353)
(Increase) decrease in trade receivables	(29,437)	16,625
(Increase) decrease in inventories	(6,865)	65,595
Increase in lease receivables (Note 6)	(18,216)	(24,838)
Increase (decrease) in trade payables	29,348	(57,631)
Increase in accrued income taxes	20,464	6,880
Increase (decrease) in accrued expenses	27,284	(16,083)
Decrease in accrued pension and severance cost	(32,639)	(32,208)
Contribution of cash to retirement benefit trust	-	(18,000)
Other, net	46,753	(5,919)
Net cash provided by operating activities	606,831	451,190
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	(237,001)	(230,308)
Proceeds from sale of fixed assets (Note 5)	7,279	3,670
Purchases of securities	(13,812)	(11,755)
Proceeds from sale and maturity of securities	4,840	16,582
Acquisitions of businesses, net of cash acquired (Note 7)	(32,672)	(54,570)
Other, net	(25,956)	1,009
Net cash used in investing activities	(297,322)	(275,372)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt (Note 9)	200,000	-
Repayments of long-term debt (Note 9)	(2,297)	(55,893)
Increase (decrease) in short-term loans related to financial services, net (Note 9)	1,500	(2,300)
(Decrease) increase in other short-term loans, net (Note 9)	(70,960)	140,213
Dividends paid	(141,530)	(130,870)
Repurchases and reissuance of treasury stock, net	(200,031)	(100,019)
Other, net (Note 1)	(12,678)	(7,860)
Net cash used in financing activities	(225,996)	(156,729)
Effect of exchange rate changes on cash and cash equivalents	16,729	20,133
Net change in cash and cash equivalents	100,242	39,222
Cash and cash equivalents at beginning of period	401,323	362,101
Cash and cash equivalents at end of period	501,565	401,323
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	3,766	2,191
Income taxes	124,197	107,036

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, 2024 and December 31, 2023 are summarized as follows:

	December 31, 2024	December 31, 2023
Consolidated subsidiaries	334	336
Affiliated companies	10	10
Total	344	346

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 net income before 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 ¥ 3,202 million (decrease in profit) and ¥ 2,611 million (increase in profit) for the years ended December 31, 2024 and 2023, 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) Certain items in the consolidated statement of cash flows for the year ended December 31, 2023 have been reclassified to conform to the presentation of year ended 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 10.5% and 10.1% of consolidated net sales for the years ended December 31, 2024 and 2023, 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 intercompany 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 ¥12,196 million and ¥22,835 million for the years ended December 31, 2024 and 2023, 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 ¥1,500 million and ¥2,073 million at December 31, 2024 and 2023, 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 11 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 noncurrent 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) R&D Costs

R&D costs are expensed as incurred.

(t) Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were ¥44,384 million and ¥52,570 million for the years ended December 31, 2024 and 2023, 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 ¥69,956 million and ¥64,707 million for the years ended December 31, 2024 and 2023, 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 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 November 2023, ASU No. 2023-07, “Improvements to Reportable Segment Disclosures”-ASC 280 (“Segment Reporting”), was issued by the Financial Accounting Standards Board (“FASB”). The standard requires us to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM) and to provide a qualitative disclosure describing the composition of the other segment items. Also, all existing annual disclosures about segment profit or loss must be provided on an interim basis in addition to disclosures of significant segment expenses and other segment items as noted above. Canon adopted the standard from the end of the year beginning January 1, 2024 and retrospectively to all prior periods presented in the financial statements. The standard’s requirement on an interim basis is effective for interim reporting periods beginning after December 15, 2024. The adoption of this standard did not have a material impact on its disclosure. For further information, please refer to Note 23.

Recently issued accounting guidance not yet adopted

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). The standard is effective for annual reporting periods beginning after December 15, 2024. Canon is currently evaluating the effect that the adoption of the standard will have on its disclosure information. Canon does not expect the adoption of the standard will have an effect on its consolidated results of operation and financial condition.

In November 2024, ASU No. 2024-03, “Disaggregation of Income Statement Expenses”-ASC 220-40 (“Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures”), was issued by FASB. This standard requires us to disclose in a tabular format in the footnotes to the financial statements, disaggregated information about specific categories underlying certain income statement expense line items that contains any of the following five costs or expenses: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion. Specified expenses, gains, or losses that may require disclosure under existing U.S. GAAP, and that are recorded in relevant expense captions, would need to be presented in the same tabular disclosure. The standard also requires us to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. In addition, the standard requires us to disclose the total amount of selling expenses, in annual reporting periods, its definition of selling expenses. The standard is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Canon is currently evaluating the effect that the adoption of the standard will have on its disclosure information. Canon does not expect the adoption of the standard will have an effect on its consolidated results of operation and financial condition.

2. Investments

Held-to-maturity debt securities included in short-term investments in the accompanying consolidated balance sheet were ¥142 million at December 31, 2024. There were no held-to-maturity debt securities at December 31, 2023.

	Millions of yen		
	carrying amount	Estimated fair value	Difference
Due within one year	142	142	—

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 by major security type at December 31, 2024 and 2023 are as follows:

	Millions of yen			
	2024			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate bonds	—	—	—	—
Noncurrent:				
Corporate bonds	16,636	96	53	16,679
	<u>16,636</u>	<u>96</u>	<u>53</u>	<u>16,679</u>

	Millions of yen			
	2023			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate bonds	883	1	—	884
Noncurrent:				
Corporate bonds	8,242	56	19	8,279
	<u>9,125</u>	<u>57</u>	<u>19</u>	<u>9,163</u>

Maturities of available-for-sale debt securities included in short-term investments and investments in the accompanying consolidated balance sheet at December 31, 2024 are as follows:

	Millions of yen
	Fair value
Due within one year	—
Due after one year through five years	16,679
Total	<u>16,679</u>

The unrealized and realized gains and losses related to equity securities for the years ended December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Net gains (losses) recognized during the period on equity securities	(3,081)	8,323
Less: Net gains (losses) recognized during the period on equity securities sold during the period	(6)	126
Unrealized gains (losses) recognized during the period on equity securities still held at December 31	<u>(3,075)</u>	<u>8,197</u>

The carrying amount of non-marketable equity securities without readily determinable fair value totaled ¥11,067 million and ¥10,282 million at December 31, 2024 and 2023, respectively. The impairment or other adjustments resulting from observable price changes recorded during the years ended December 31, 2024 and 2023 were not significant.

Time deposits with original maturities of more than three months or less than one year are ¥4,633 million and ¥2,938 million at December 31, 2024 and 2023, respectively, and are included in short-term investments in the accompanying consolidated balance sheet. Time deposits with original maturities of more than one year are ¥26,665 million at December 31, 2024, and are included in investments in the accompanying consolidated balance sheets. There were no time deposits more than one year as of December 31, 2023.

Investments in affiliated companies accounted for by the equity method for the years ended December 31, 2024 and 2023 are as follows:

	Millions of yen, except percentage data		
	2024 Voting rights held by Canon Inc.	2024	2023
Canon Korea Inc.	50%	15,485	15,424
Others	-	13,496	13,166
	-	<u>28,981</u>	<u>28,590</u>

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 ¥729 million for the year ended December 31, 2024, and earnings of losses of ¥485 million for the years ended December 31, 2023.

3. Trade Receivables

Trade receivables at December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Notes	33,541	33,570
Accounts	672,050	621,890
Trade receivables	705,591	655,460
Allowance for credit losses	(14,856)	(13,276)
	<u>690,735</u>	<u>642,184</u>

4. Inventories

Inventories at December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Finished goods	521,961	468,394
Work in process	250,939	255,849
Raw materials	68,936	72,638
	<u>841,836</u>	<u>796,881</u>

5. Property, Plant and Equipment

Property, plant and equipment at December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Land	286,826	283,530
Buildings	1,905,387	1,851,645
Machinery and equipment	2,043,569	1,983,907
Construction in progress	105,917	56,840
Finance lease right-of-use assets	9,008	8,606
Cost	<u>4,350,707</u>	<u>4,184,528</u>
Less accumulated depreciation	<u>(3,203,327)</u>	<u>(3,088,649)</u>
Property, plant and equipment, net	<u>1,147,380</u>	<u>1,095,879</u>

Depreciation expenses for the years ended December 31, 2024 and 2023 were ¥175,636 million, and ¥177,624 million, respectively.

Amounts due for purchases of property, plant and equipment were ¥46,010 million and ¥26,322 million at December 31, 2024 and 2023, 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	
	2024	2023
Lease income – sales-type and direct financing leases		
Revenue at lease commencement	159,132	162,464
Interest income on lease receivables	32,680	26,789
Sales-type and direct financing leases income total	191,812	189,253
Lease income – operating leases	41,890	40,248
Variable lease income	7,438	5,822
Total lease income	241,140	235,323

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	
	2024	2023
Total minimum lease payments receivable	585,136	511,737
Unguaranteed residual values	14,337	13,613
Executory costs	–	–
Unearned income	(68,112)	(53,961)
	531,361	471,389
Less allowance for credit losses	(6,861)	(5,871)
	524,500	465,518
Less current portion	(165,245)	(148,271)
	359,255	317,247

Allowance for Credit Losses

The activities in the allowance for credit losses at December 31, 2024 and 2023 are as follows:

Years ended December 31	Millions of yen	
	2024	2023
Balance at beginning of year	5,871	5,596
Write-offs	(4,456)	(2,339)
Provision	4,096	2,075
Translation adjustments and other	1,350	539
Balance at end of year	6,861	5,871

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, macroeconomic 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, 2024 and 2023 are not significant.

Equipment leased to customers

The costs of equipment leased to customers under operating leases included in property, plant and equipment, net at December 31, 2024 and 2023 were ¥183,343 million and ¥181,022 million, respectively. Accumulated depreciation on equipment under operating leases at December 31, 2024 and 2023 were ¥102,887 million and ¥101,515 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-cancellable operating leases at December 31, 2024.

Year ending December 31:	Millions of yen	
	Financing leases	Operating leases
2025	199,099	13,888
2026	155,983	7,617
2027	114,747	5,336
2028	70,931	2,378
2029	30,656	1,044
Thereafter	13,720	646
	585,136	30,909

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, 2024 and 2023 were ¥34,007 million and ¥45,775 million. The amount that remained uncollected was ¥72,969 million and ¥50,453 million at December 31, 2024 and 2023, 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, 2024 and 2023. Canon also retains limited recourse obligations which cover credit defaults. The recourse obligations were not significant at December 31, 2024 and 2023.

7. Acquisitions

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

The acquisition will enable Canon to further expand BPO business by enhancing operational efficiency and service quality through the use of Primagest's knowledge and know-how, and to create new services by combining its technology and system development capabilities cultivated through video solutions and digital document services.

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

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

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

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

Goodwill is composed of future excess profitability expected from business development which is not tax deductible. For management reporting purposes, goodwill is not allocated to the business unit. The goodwill is allocated to the reporting unit belonging to the Printing Business Unit for impairment testing. Net sales and net income of Primagest generated from the acquisition date which is reflected in the consolidated statement of income for the year ended December 31, 2024 was not material. The operating results with the assumption of including the financial statements of Primagest in Canon's consolidated financial statements for the year ended December 31, 2023 and the year beginning on January 1, 2024 were not disclosed because the impact was not material.

On July 3, 2023, Canon Medical Systems Corporation, a subsidiary of the Company, acquired 100% of the issued shares of Minaris Medical Co., Ltd. and Minaris Medical America, Inc., (hereinafter referred to collectively as “Minaris Medical”) from Resonac Corporation for cash consideration of ¥33,418 million.

In the medical business, Canon is working to strengthen its core business of diagnostic imaging systems, while also working to expand into areas such as healthcare IT and in- vitro diagnostics. This acquisition will allow synergy between Minaris Medical’s diverse solutions in the in-vitro diagnostics business, and Canon’s technologies in the fields of automated biochemical analyzers, diagnostic imaging, and healthcare IT. By leveraging this synergy, Canon will be able to provide added value to meet the demands of the market.

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:

	<u>Millions of yen</u>
Current assets	9,249
Intangible assets	8,394
Goodwill	17,842
Others	<u>5,365</u>
Assets acquired	40,850
Liabilities assumed	<u>7,432</u>
Net assets acquired	<u><u>33,418</u></u>

The intangible assets acquired, which are subject to amortization, are composed of ¥6,416 million of customer relationships, ¥1,949 million of patents and developed technology and ¥26 million of software. The weighted average useful lives of the customer relationships, patents and developed technology, and software are approximately 21 years, approximately 10 years and 5 years, respectively. The weighted average useful life of the total intangible assets is approximately 17 years. The intangible assets acquired, which are not subject to amortization, composed by ¥3 million of other intangible assets.

Goodwill is composed of the synergy effects of merging Minaris Medical and Canon 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 Medical Business Unit for impairment testing. Net sales and net income of Minaris Medical generated from the acquisition date which is reflected in the consolidated statement of income for the year ended December 31, 2023 was not material.

The operating results with the assumption of including the financial statements of Minaris Medical in Canon’s consolidated financial statements for the year beginning on January 1, 2023 were not disclosed because the impact was not material.

On October 2, 2023, Canon Marketing Japan Inc., a subsidiary of the Company, acquired 93.10% of the issued shares of Tokyo Nissan Computer System Co., Ltd. (currently, TCS Co., Ltd., changed the company name on November 1, 2023, “TCS”) excluding treasury stock through a public tender offer for cash consideration of ¥10,249 million in order to expand its IT solution business. In addition, on November 1, 2023, it acquired 6.90% of the issued shares of the acquired company through a squeeze out so that the acquired company became its wholly-owned subsidiary company for a total cash consideration of ¥11,009 million.

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:

	<u>Millions of yen</u>
Current assets	4,476
Intangible assets	3,841
Goodwill	4,579
Others	<u>707</u>
Assets acquired	13,603
Liabilities assumed	<u>2,594</u>
Net assets acquired	<u><u>11,009</u></u>

The intangible assets acquired are composed of ¥3,712 million of customer relationships and ¥129 million of software, and are subject to amortization. The weighted average useful lives of the customer relationships and the software are 15 years and 5 years, respectively. The weighted average useful life of the total intangible assets is approximately 15 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 TCS generated from the acquisition date which is reflected in the consolidated statement of income for the year ended December 31, 2023 was not material. The operating results with the assumption of including the financial statements of TCS in Canon’s consolidated financial statements for the year beginning on January 1, 2023 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, 2024, including those recorded from businesses 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.

Intangible assets subject to amortization acquired during the year ended December 31, 2023, including those recorded from business acquired as stated in Note 7, totaled ¥42,820 million, which primarily consist of software of ¥30,064 million. The weighted average amortization periods for intangible assets in total acquired during the year ended December 31, 2023 are approximately 8 years. The weighted average amortization period for software acquired during the year ended December 31, 2023 is approximately 5 years.

The components of intangible assets subject to amortization at December 31, 2024 and 2023 were as follows:

	Millions of yen			
	2024		2023	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Software	490,350	376,658	463,275	357,657
Customer relationships	192,672	97,407	174,441	84,223
Patents and developed technology	129,278	88,792	129,418	79,273
Trademarks	53,409	34,326	51,540	30,655
License fees	6,124	4,713	12,474	10,407
Other	16,635	11,194	16,158	12,341
	<u>888,468</u>	<u>613,090</u>	<u>847,306</u>	<u>574,556</u>

Aggregate amortization expenses for the years ended December 31, 2024 and 2023 were ¥61,259 million, ¥61,052 million, respectively. Estimated amortization expense at December 31, 2024, for intangible assets currently held for the next five years are ¥58,030 million in 2025, ¥50,742 million in 2026, ¥36,529 million in 2027, and ¥30,830 million in 2028, and ¥25,206 million in 2029.

Intangible assets not subject to amortization other than goodwill at December 31, 2024 and 2023 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.

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2024 and 2023 were as follows:

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	<u>160,970</u>	<u>403,131</u>	<u>337,391</u>	<u>13,083</u>	<u>683</u>	<u>915,258</u>

Millions of yen						
2023						
	Printing	Medical	Imaging	Industrial	Others and Corporate	Total
Goodwill - gross	157,561	542,695	296,825	10,975	693	1,008,749
Accumulated impairment losses	(36,123)	—	—	—	—	(36,123)
Balance at beginning of year	121,438	542,695	296,825	10,975	693	972,626
Goodwill acquired during the year	4,579	17,842	—	—	—	22,421
Translation adjustments and other	9,931	5,150	34,509	755	8	50,353
Goodwill - gross	176,067	565,687	331,334	11,730	701	1,085,519
Accumulated impairment losses	(40,119)	—	—	—	—	(40,119)
Balance at end of year	<u>135,948</u>	<u>565,687</u>	<u>331,334</u>	<u>11,730</u>	<u>701</u>	<u>1,045,400</u>

* Canon considers the medical related market to be stable and growing in the long term. However, it is difficult to achieve the plan set at the time of acquisition in the short term due to stagnation of limited businesses led by rising geopolitical risks, prolonged economic downturn in China, and deterioration of the financial situation of medical institutions in Japan. Additionally, in February 2024, Canon established the Medical Business Advancement Committee, initiating fundamental structural reforms aimed at improving profitability, based on the synergy between CMSC and Canon. These factors resulted in lower operating margin than expected, which led to the decline in the estimated fair value of this business which was

determined based on the income approach. As the result of the annual goodwill impairment test as of October 1, 2024, it was determined that the estimated fair value of commercial printing business was less than its carrying value of the reporting unit. Based on the accounting policy described in Note 1, Canon recognized an impairment loss of ¥165,100 million representing the excess of the carrying amount over the reporting unit's fair value.

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, 2024 and 2023 were ¥40,400 million and ¥38,900 million, and other short-term loans consisting of bank loans were ¥276,106 million and ¥346,005 million respectively. The weighted average interest rate on short-term loans outstanding at December 31, 2024 and 2023 were 0.38% and 0.14%, respectively. Unused overdraft facilities at December 31, 2024 were ¥775,000 million. The overdraft facilities bear interest at a rate equal to a base rate plus a spread.

Long-term debt at December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Loan from banks; bearing interest rates of 0.80% at December 31, 2024 ^{*1}	201,909	—
Other debt ^{*2}	4,990	4,249
	206,899	4,249
Less current portion	(1,824)	(1,295)
	205,075	2,954

^{*1} Loans included ¥200,000 million in syndicated loans. Of this amount, ¥100,000 million was procured in the fiscal year ended December 2024 and will be matured in the fiscal year ended December 2026. 100,000 million was procured in the fiscal year ended December 2024 and will be matured in the fiscal year ended December 2027.

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

The aggregate annual maturities of long-term debt outstanding at December 31, 2024 were as follows:

	Millions of yen
Year ending December 31:	
2025	1,824
2026	101,524
2027	101,947
2028	786
2029	715
Thereafter	103
	206,899

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.

10. Trade Payables

Trade payables at December 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Notes payables	78,485	73,926
Accounts payables	271,643	236,004
	<u>350,128</u>	<u>309,930</u>

Canon has supplier finance programs with particular third-party financial institutions where Canon agrees to pay the financial institutions after 20 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, 2024 and 2023 were ¥91,407 million and ¥87,026 million, respectively.

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

	Millions of yen	
	2024	2023
Balance at beginning of period	87,026	95,389
Increase	293,949	293,179
Decrease	(289,575)	(301,546)
Others	7	4
Balance at end of period	<u>91,407</u>	<u>87,026</u>

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	
	2024	2023	2024	2023
Change in benefit obligations:				
Projected benefit obligations at beginning of year	765,725	794,749	410,599	343,703
Service cost	22,723	24,703	2,318	2,668
Interest cost	11,700	11,080	15,528	12,172
Plan participants' contributions	—	—	932	837
Actuarial (gain) loss	(30,495)	(18,765)	(18,773)	20,137
Benefits paid	(46,720)	(47,644)	(16,311)	(14,856)
Acquisition	330	2,232	—	—
Plan amendments	(3,695)	—	—	(263)
Foreign currency exchange rate changes	—	—	29,232	46,201
Projected benefit obligations at end of year	719,568	765,725	423,525	410,599
Change in plan assets:				
Fair value of plan assets at beginning of year	749,219	683,828	346,125	288,551
Actual return on plan assets	79,465	67,792	(649)	12,312
Employer contributions	13,212	31,889	15,638	19,758
Plan participants' contributions	—	—	932	837
Benefits paid	(34,789)	(36,674)	(16,265)	(14,776)
Acquisition	244	2,384	—	—
Foreign currency exchange rate changes	—	—	26,771	39,443
Fair value of plan assets at end of year	807,351	749,219	372,552	346,125
Funded status at end of year	87,783	(16,506)	(50,973)	(64,474)

Amounts recognized in the consolidated balance sheet at December 31, 2024 and 2023 are as follows:

	Millions of yen			
	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Other assets	176,556	78,211	32,568	17,943
Accrued expenses	(4,637)	(3,885)	(1,524)	(1,470)
Accrued pension and severance cost	(84,136)	(90,832)	(82,017)	(80,947)
	<u>87,783</u>	<u>(16,506)</u>	<u>(50,973)</u>	<u>(64,474)</u>

Amounts recognized in accumulated other comprehensive income (loss) at December 31, 2024 and 2023 before the effect of income taxes are as follows:

	Millions of yen			
	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Actuarial loss	(32,774)	53,787	105,437	111,234
Prior service credit	(8,253)	(7,671)	(6,562)	(7,921)
	<u>(41,027)</u>	<u>46,116</u>	<u>98,875</u>	<u>103,313</u>

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

	Millions of yen			
	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Accumulated benefit obligation	705,204	752,165	407,160	394,104

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	
	2024	2023	2024	2023
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	135,025	181,684	389,669	406,779
Fair value of plan assets	48,680	92,955	335,785	340,508
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	122,511	177,499	64,495	364,970
Fair value of plan assets	42,157	92,955	24,840	313,862

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, 2024 and 2023 consisted of the following components:

Years ended December 31

	Millions of yen			
	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Service cost	22,723	24,073	2,318	2,668
Interest cost	11,700	11,080	15,528	12,172
Expected return on plan assets	(23,261)	(21,708)	(21,138)	(15,098)
Amortization of prior service credit	(3,113)	(5,991)	(1,352)	(939)
Amortization of actuarial loss	7	4,956	8,828	4,309
(Gain) loss on curtailments and settlements	(145)	119	(17)	—
	<u>7,911</u>	<u>12,529</u>	<u>4,167</u>	<u>3,112</u>

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, 2024 and 2023 are summarized as follows:

Years ended December 31	Millions of yen			
	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Current year actuarial (gain) loss	(86,699)	(64,849)	3,014	22,923
Current year prior service credit	(3,695)	—	7	(263)
Amortization of actuarial loss	(7)	(4,956)	(8,828)	(4,309)
Amortization of prior service credit	3,113	5,991	1,352	939
Curtailments and settlements	145	(119)	17	—
	<u>(87,143)</u>	<u>(63,933)</u>	<u>(4,438)</u>	<u>19,290</u>

Assumptions

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

December 31	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Discount rate	1.9%	1.5%	3.9%	3.7%
Assumed rate of increase in future compensation levels	2.3%	2.3%	2.2%	2.1%
Interest crediting rate for cash balance plans	1.7%	1.7%	1.8%	1.7%

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

Years ended December 31	Japanese plans		Foreign plans	
	2024	2023	2024	2023
Discount rate	1.5%	1.2%	3.7%	4.1%
Assumed rate of increase in future compensation levels	2.3%	2.6%	2.1%	2.5%
Expected long-term rate of return on plan assets	3.1%	3.2%	6.0%	5.7%
Interest crediting rate for cash balance plans	1.7%	1.8%	1.7%	1.0%

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.

The target allocation percentages of plan assets set by Canon's investment policies approximate the actual allocation percentages of plan assets at December 31, 2024 and 2023.

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, 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, 2024 and 2023, by asset category, are as follows:

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(a)	134,756	—	—	134,756	—	—	—	—
Foreign companies	21,957	—	—	21,957	8,746	—	—	8,746
Pooled funds (b)	—	203,668	—	203,668	—	33,934	—	33,934
Debt securities:								
Government bonds (c)	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 (d)	—	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
	<u>263,847</u>	<u>526,949</u>	<u>466</u>	<u>807,351</u>	<u>8,746</u>	<u>309,014</u>	<u>35,967</u>	<u>372,552</u>

- (a) The plan's equity securities include common stock of the Company and certain of its subsidiaries in the amounts of ¥359 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 approximately 75% Japanese government bonds and 25% foreign government bonds for Japanese plans, and mainly foreign government bonds for foreign plans.
- (d) 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.

December 31

December 31		Millions of yen							
		2023							
		Japanese plans				Foreign plans			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities:									
	Japanese companies(e)	111,525	—	—	111,525	—	—	—	—
	Foreign companies	20,175	—	—	20,175	9,957	—	—	9,957
	Pooled funds (f)	—	184,673	—	184,673	—	30,684	—	30,684
Debt securities:									
	Government bonds (g)	115,204	—	—	115,204	—	—	—	—
	Municipal bonds	—	1,319	—	1,319	—	4,069	—	4,069
	Corporate bonds	—	15,740	—	15,740	—	7,183	—	7,183
	Pooled funds (h)	—	161,386	—	161,386	—	162,456	—	162,456
	Mortgage backed securities (and other asset backed securities)	—	14,309	—	14,309	—	10,855	—	10,855
	Insurance contracts	—	74,214	—	74,214	—	14,732	31,303	46,035
	Other assets	—	35,840	3,454	39,294	—	51,606	—	51,606
	Investment measured at net asset value	—	—	—	11,380	—	—	—	23,280
		246,904	487,481	3,454	749,219	9,957	281,585	31,303	346,125

(e) The plan's equity securities include common stock of the Company and certain of its subsidiaries in the amounts of ¥321 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 75% foreign government bonds and 25% 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 ¥36,433 million and ¥34,757 million at December 31, 2024 and 2023, respectively. Actual returns on, purchases and sales of these assets during the years ended December 31, 2024 and 2023 were not significant.

Contributions

Canon expects to contribute ¥11,623 million to its Japanese defined benefit pension plans and ¥7,058 million to its foreign defined benefit pension plans for the year ending December 31, 2025.

Estimated future benefit payments

The estimated future benefit payments as of December 31, 2024, are as follows:

	Millions of yen	
	Japanese plans	Foreign plans
Years ending December 31:		
2025	48,469	17,769
2026	45,843	18,478
2027	50,823	19,635
2028	49,838	21,065
2029	47,624	22,665
2030 – 2034	216,065	121,534

Multiemployer pension plans

The amounts of cost recognized for the multiemployer pension plans primarily in the Netherlands for the years ended December 31, 2024 and 2023 were ¥6,353 million and ¥5,447 million, respectively. The multiemployer pension plan in which the subsidiaries in the Netherlands participated was 109.4% funded as of December 31, 2023. 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, 2024 and 2023 were ¥29,302 million and ¥27,667 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:

Years ended December 31	Millions of yen		
	2024		
	Japanese	Foreign	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)
	86,764	31,523	118,287
	Millions of yen		
	2023		
	Japanese	Foreign	Total
Income before income taxes	243,123	147,644	390,767
Income taxes:			
Current	77,628	39,071	116,699
Deferred	(9,056)	(1,297)	(10,353)
	68,572	37,774	106,346

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, 2024 and 2023.

A reconciliation of the Japanese statutory income tax rate and the effective income tax rate as a percentage of income before income taxes is as follows:

Years ended December 31	2024	2023
Japanese statutory income tax rate	31.0%	31.0%
Increase (reduction) in income taxes resulting from:		
Expenses not deductible for tax purposes		
Impairment losses on Goodwill	17.0	-
Other	1.1	0.8
Income of foreign subsidiaries taxed at lower than Japanese statutory tax rate	(2.9)	(2.3)
Tax credit for research and development expenses	(5.8)	(3.4)
Change in valuation allowance	(2.2)	0.4
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	2.2	1.4
Tax credit at foreign subsidiaries	(0.4)	(0.2)
Effect of enacted changes in tax laws	0.1	(0.0)
Other	(0.8)	(0.5)
Effective income tax rate	39.3%	27.2%

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

	Millions of yen	
December 31	2024	2023
Other assets	101,705	119,086
Other noncurrent liabilities	(37,346)	(40,853)
	64,359	78,233

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 are presented below:

December 31	Millions of yen	
	2024	2023
Deferred tax assets:		
Inventories	14,082	14,141
Accrued business tax	4,114	3,658
Accrued pension and severance cost	2,635	32,667
Research and development – costs capitalized for tax purposes	9,491	8,474
Property, plant and equipment	48,392	42,731
Operating lease liabilities	25,375	23,523
Accrued expenses	28,687	27,457
Net operating losses carried forward	38,745	38,025
Other	60,158	53,393
	231,679	244,069
Less valuation allowance	(18,272)	(21,230)
Total deferred tax assets	213,407	222,839
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	(19,526)	(17,903)
Tax deductible reserve	(3,292)	(3,396)
Financing lease revenue	(19,670)	(18,384)
Operating lease right-of-use assets	(24,683)	(22,749)
Intangible assets	(37,892)	(43,168)
Other	(43,985)	(39,006)
Total deferred tax liabilities	(149,048)	(144,606)
Net deferred tax assets		
(After the deduction of deferred tax liabilities)	64,359	78,233

The net changes in the total valuation allowance were a decrease of ¥2,958 million and an increase of ¥3,498 million for the years ended December 31, 2024 and 2023, 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, 2024.

At December 31, 2024, 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
2025	1,484
2026 to 2029	19,148
2030 to 2034	28,225
2035 to 2044	9,920
Indefinite period	126,684
	<u>185,461</u>

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 ¥17,002 million for a portion of undistributed earnings of foreign subsidiaries of ¥706,458 million as of December 31, 2024 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, 2024 and 2023 are as follows:

Years ended December 31	Millions of yen	
	2024	2023
Balance at beginning of year	8,796	8,354
Additions for tax positions of the current year	575	-
Reductions for tax positions of the current year	(8,911)	-
Additions for tax positions of prior years	101	342
Reductions for tax positions of prior years	-	(445)
Settlements with tax authorities	-	(171)
Other	389	716
Balance at end of year*	<u>950</u>	<u>8,796</u>

* The unrecognized tax benefits were offset by deferred tax assets in the amount of ¥524 million and ¥1,960 million as of December 31, 2024 and 2023, 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 ¥950 million and ¥8,796 million at December 31, 2024 and 2023, 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, 2024, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Canon recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes. Both interest and penalties accrued at December 31, 2024 and 2023, and interest and penalties included in income taxes for the years ended December 31, 2024 and 2023 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 Retained Earnings

The Corporation Law of Japan provides that an amount equal to 10% of distributions from 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.

Cash dividends and appropriations to the legal reserve charged to retained earnings for the years ended December 31, 2024 and 2023 represent dividends paid out during those years and the related appropriations to the legal reserve. Retained earnings at December 31, 2024 did not reflect current year-end dividends in the amount of ¥75,519 million which were approved by the shareholders in March 2025.

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 ¥1,206,256 million at December 31, 2024.

Retained earnings at December 31, 2024 included Canon's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥22,528 million.

14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023 are as follows:

	Millions of yen				
	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Gains and losses on derivative instruments	Pension liability adjustments	Total
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 period	144,424	5	(2,443)	60,153	202,139
Balance at December 31, 2024	519,361	31	(1,519)	(46,976)	470,897

	Millions of yen				
	Foreign currency translation adjustments	Net unrealized gains and losses on securities	Gains and losses on derivative instruments	Pension liability adjustments	Total
Balance at December 31, 2022	191,287	(34)	(428)	(128,202)	62,623
Other comprehensive income (loss) before reclassifications	183,663	102	(756)	19,275	202,284
Amounts reclassified from accumulated other comprehensive income (loss)	(13)	(42)	2,108	1,798	3,851
Net change during the period	183,650	60	1,352	21,073	206,135
Balance at December 31, 2023	374,937	26	924	(107,129)	268,758

Reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023 are as follows:

	Millions of yen		
	Amount reclassified from accumulated other comprehensive income (loss) *		
Years ended December 31	2024	2023	Affected line items in consolidated statement of income
Foreign currency translation adjustments			
	223	(32)	Selling, general and administrative expenses
	(69)	10	Income taxes
	154	(22)	Consolidated net income
	-	9	Net income attributable to noncontrolling interests
	154	(13)	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities			
	(73)	(53)	Other, net
	15	11	Income taxes
	(58)	(42)	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	(58)	(42)	Net income attributable to Canon Inc.
Gains and losses on derivative instruments			
	2,604	2,790	Net sales
	(797)	(764)	Income taxes
	1,807	2,026	Consolidated net income
	110	82	Net income attributable to noncontrolling interests
	1,917	2,108	Net income attributable to Canon Inc.
Pension liability adjustments			
	4,208	2,454	Other, net
	(700)	(525)	Income taxes
	3,508	1,929	Consolidated net income
	310	(131)	Net income attributable to noncontrolling interests
	3,818	1,798	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	5,831	3,851	

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

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
2024:			
Foreign currency translation adjustments			
Amount arising during the year	146,399	(829)	145,570
Reclassification adjustments for gains and losses realized in net income	223	(69)	154
Net change during the year	146,622	(898)	145,724
Net unrealized gains and losses on securities:			
Amount arising during the year	79	(16)	63
Reclassification adjustments for gains and losses realized in net income	(73)	15	(58)
Net change during the year	6	(1)	5
Net gains and losses on derivative instruments:			
Amount arising during the year	(5,945)	1,705	(4,240)
Reclassification adjustments for gains and losses realized in net income	2,604	(797)	1,807
Net change during the year	(3,341)	908	(2,433)
Pension liability adjustments:			
Amount arising during the year	87,373	(23,891)	63,482
Reclassification adjustments for gains and losses realized in net income	4,208	(700)	3,508
Net change during the year	91,581	(24,591)	66,990
Other comprehensive income (loss)	234,868	(24,582)	210,286

	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2023:			
Foreign currency translation adjustments			
Amount arising during the year	186,559	(1,701)	184,858
Reclassification adjustments for gains and losses realized in net income	(32)	10	(22)
Net change during the year	186,527	(1,691)	184,836
Net unrealized gains and losses on securities:			
Amount arising during the year	129	(27)	102
Reclassification adjustments for gains and losses realized in net income	(53)	11	(42)
Net change during the year	76	(16)	60
Net gains and losses on derivative instruments:			
Amount arising during the year	(848)	216	(632)
Reclassification adjustments for gains and losses realized in net income	2,790	(764)	2,026
Net change during the year	1,942	(548)	1,394
Pension liability adjustments:			
Amount arising during the year	42,189	(19,829)	22,360
Reclassification adjustments for gains and losses realized in net income	2,454	(525)	1,929
Net change during the year	44,643	(20,354)	24,289
Other comprehensive income (loss)	233,188	(22,609)	210,579

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 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 printing 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 and 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.

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

Millions of yen							
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2024:							
Revenue recognized at a point in time	1,845,411	380,598	928,462	283,101	222,415	(109,311)	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	356,462	233,746	(109,311)	4,509,821

Millions of yen							
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2023:							
Revenue recognized at a point in time	1,703,204	377,979	852,580	251,042	197,402	(104,072)	3,278,135
Revenue recognized over time	642,872	175,801	9,045	63,677	11,442	—	902,837
Total	2,346,076	553,780	861,625	314,719	208,844	(104,072)	4,180,972

In order to manage the performance of each reportable segment more appropriately, Canon has changed its performance management method regarding intercompany transactions for Others and Corporate from the beginning of the first quarter of 2024. Operating results for the year ended December 31, 2023 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, 2024 and 2023 were ¥46,046 million and ¥45,354 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, 2024 and 2023 were ¥178,436 million and ¥141,578 million, respectively, ¥159,326 million and ¥128,414 million of which is included in other current liabilities, and ¥19,110 million and ¥13,164 million in other non-current liabilities in the accompanying consolidated balance sheets. Revenue recognized for the year ended December 31, 2024, which had been included in the deferred revenue balance at December 31, 2023, was ¥113,978 million.

Remaining performance obligations for products and equipment at December 31, 2024 primarily arise from the sales of certain industrial equipment, amounting to ¥136,373 million, 83% of which is expected to be recognized as revenue within one year and remaining 17% 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, 2024 amounting to ¥235,210 million, 36% 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, 2024, based on the approval of the board of directors held on March 28, 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, 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.

On April 28, 2023, based on the approval of the board of directors held on March 30, the Company granted stock options to its directors and executive officer to acquire 84,000 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 ¥2,799.

On March 27, 2023, based on the approval of the board of directors held on February 10, the Company granted stock options to its executive officers to acquire 9,300 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 ¥2,445.

The compensation cost recognized for these stock options for the years ended December 31, 2024 and 2023 were ¥328 million and ¥258 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

	2024		2023	
	*1	*2	*3	*4
Expected term of option (in years)	4.0	4.0	4.0	4.0
Expected volatility	27.43%	27.21%	28.25%	28.26%
Dividend yield	3.09%	3.22%	4.08%	3.64%
Risk-free interest rate	0.31%	0.40%	(0.00%)	0.06%

*1 Granted on March 25, 2024

*2 Granted on April 30, 2024

*3 Granted on March 27, 2023

*4 Granted on April 28, 2023

A summary of option activity under the stock option plans as of and for the years ended December 31, 2024 and 2023 is presented below:

		Weighted- Average exercise price	Weighted- average remaining contractual term	Aggregate intrinsic value
	Shares	Yen	Year	Millions of yen
Outstanding at January 1, 2023	350,600	1	27.2	1,001
Granted	93,300	1		
Exercised	(25,700)	1		
Outstanding at December 31, 2023	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
Exercisable at December 31, 2024	485,100	1	26.4	2,503

The total fair values of shares vested were ¥328 million and ¥258 million for the years ended December 31, 2024 and 2023, respectively. Cash received from the exercise of stock options for the years ended December 31, 2024 and 2023 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, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Basic net income attributable to Canon Inc.	160,025	264,513
Diluted net income attributable to Canon Inc.	160,018	264,508
	Number of shares	
	2024	2023
Weighted average common shares outstanding	966,762,583	1,001,199,905
Effect of dilutive securities:		
Stock options	471,590	404,097
Diluted common shares outstanding	967,234,173	1,001,604,002
	Yen	
	2024	2023
Net income attributable to Canon Inc. shareholders per share:		
Basic	165.53	264.20
Diluted	165.44	264.08

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, 2024 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, 2024 and 2023 are set forth below:

	Millions of yen	
	2024	2023
To sell foreign currencies	180,366	194,053
To buy foreign currencies	18,836	24,116

Fair value of derivative instruments in the consolidated balance sheet

The following tables present Canon's derivative instruments measured at gross fair value as reflected in the consolidated balance sheets at December 31, 2024 and 2023.

Derivatives designated as hedging instruments

		Millions of yen	
		Fair value	
	Account	2024	2023
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	184	2,205
Liabilities:			
Foreign exchange contracts	Other current liabilities	1,690	13

Derivatives not designated as hedging instruments

		Millions of yen	
		Fair value	
	Account	2024	2023
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	42	1,695
Liabilities:			
Foreign exchange contracts	Other current liabilities	1,690	915

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, 2024 and 2023.

Derivatives in cash flow hedging relationships

Millions of yen			
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Account	Amount
December 31, 2024:			
Foreign exchange contracts	(5,945)	Net sales	(2,604)
December 31, 2023:			
Foreign exchange contracts	(848)	Net sales	(2,790)

Derivatives not designated as hedging instruments

Millions of yen				
Gain (loss) recognized in income on derivative				
2024			2023	
Account	Amount		Account	Amount
Foreign exchange contracts	Other, net	(12,934)	Other, net	(13,996)

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:

	Millions of yen	
	2024	2023
Operating lease cost	55,461	48,207
Short-term lease cost	15,156	16,237
Other lease cost	296	280
Total	70,913	64,724

Operating lease cash flow

Cash flow information about lease is as follows.

	Millions of yen	
	2024	2023
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	50,232	44,068
Noncash activity - Rights of use assets obtained in exchange for lease liabilities		
Operating leases	53,692	45,510

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at December 31, 2024.

	Millions of yen
Year ending December 31:	
2025	44,701
2026	34,076
2027	22,857
2028	15,368
2029	10,998
Thereafter	22,707
Total future minimum lease payments	150,707
Less Imputed Interest	(10,612)
	140,095

Remaining lease term and discount rate

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

	2024	2023
Weighted-average remaining lease term	55 months	53 months
Weighted-average discount rate	3.0%	2.7%

20. Commitments and Contingent Liabilities

Commitments

At December 31, 2024, commitments outstanding for the purchase of property, plant and equipment approximated ¥112,760 million, and commitments outstanding for the purchase of parts and raw materials approximated ¥227,455 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 ¥12,328 million and ¥10,516 million at December 31, 2024 and 2023, 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 10 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 ¥2,014 million at December 31, 2024. The carrying amounts of the liabilities recognized for Canon's obligations as a guarantor under those guarantees at December 31, 2024 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 statements 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, 2024 and 2023 are summarized as follows:

	Millions of yen	
	2024	2023
Balance at beginning of the year	23,290	20,887
Additions	20,039	19,859
Utilization	(16,867)	(16,001)
Other	(2,777)	(1,455)
Balance at end of the year	23,685	23,290

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. Disclosures about 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 at December 31, 2024 and 2023 are set forth below. 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.

Liabilities are presented in ().

	Millions of yen			
	2024		2023	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt, including current portion of long-term debt	(202,031)	(201,944)	(161)	(161)

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, 2024 or 2023.

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.

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 at December 31, 2024 and 2023.

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

Millions of yen				
2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	–	2,073	–	2,073
Short-term investment:				
Available-for-sale:				
Corporate bonds	–	884	–	884
Investments:				
Available-for-sale:				
Corporate bonds	–	8,279	–	8,279
Fund trusts and others	351	457	–	808
Equity securities	27,283	–	–	27,283
Prepaid expenses				
and other current assets:				
Derivatives	–	3,900	–	3,900
Total assets	27,634	15,593	–	43,227
Liabilities:				
Other current liabilities:				
Derivatives	–	928	–	928
Total liabilities	–	928	–	928

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.

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, 2023.

	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 Others and Corporate from the beginning of the first quarter of 2024. Operating results for the year ended December 31, 2023 have also been reclassified.

Canon has modified the presentation of segment information in accordance with the requirements set forth in ASU 2023-07, Segment Reporting – Improvements to Reportable Segment Disclosures from the fourth quarter of 2024. Operating results for the year ended December 31, 2023 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

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, 2024 and 2023 is as follows:

	Millions of yen						Consolidated
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	
2024:							
Net sales:							
External customers	2,515,543	568,260	937,028	345,863	143,127	—	4,509,821
Intersegment	7,182	548	363	10,599	90,619	(109,311)	—
Total	2,522,725	568,808	937,391	356,462	233,746	(109,311)	4,509,821
Cost of sales	1,356,530	308,642	425,663	201,125	186,273	(111,507)	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

Millions of yen							
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2023:							
Net sales:							
External customers	2,339,718	552,296	861,456	303,807	123,695	—	4,180,972
Intersegment	6,358	1,484	169	10,912	85,149	(104,072)	—
Total	2,346,076	553,780	861,625	314,719	208,844	(104,072)	4,180,972
Cost of sales	1,288,172	307,881	384,453	177,652	153,947	(100,043)	2,212,062
Gross profit	1,057,904	245,899	477,172	137,067	54,897	(4,029)	1,968,910
Research and development expenses	97,925	47,182	93,834	27,872	65,101	—	331,914
Selling, general and administrative expenses	731,670	167,068	237,759	50,597	76,141	(1,605)	1,261,630
Operating profit	228,309	31,649	145,579	58,598	(86,345)	(2,424)	375,366
Other income (deductions)	6,752	490	854	568	6,932	(195)	15,401
Income before income taxes	235,061	32,139	146,433	59,166	(79,413)	(2,619)	390,767
Total assets	1,247,666	361,251	406,390	244,275	3,180,186	(23,191)	5,416,577
Depreciation and amortization	69,712	14,041	22,062	12,931	119,930	—	238,676
Capital expenditures	65,175	12,094	28,922	10,432	115,102	—	231,725

The CEO as chief operating decision maker (CODM) uses Net sales, Gross profit to net sales ratio, Operating expense to net sales ratio and 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, 2024 and 2023 is as follows:

	Millions of yen	
	2024	2023
Printing		
Production	440,718	401,237
Office multifunction devices	645,617	620,843
Office others	406,912	362,618
Office	1,052,529	983,461
Laser printers	676,582	606,639
Inkjet printers and Others	345,714	348,381
Prosumer	1,022,296	955,020
Total	2,515,543	2,339,718
Medical		
Diagnostic equipment	568,260	552,296
Imaging		
Cameras	579,593	544,366
Network cameras and Others	357,435	317,090
Total	937,028	861,456
Industrial		
Optical equipment	253,216	212,505
Industrial equipment	92,647	91,302
Total	345,863	303,807
Others and Corporate	143,127	123,695
Consolidated	4,509,821	4,180,972

Information by major geographic area as of and for the years ended December 31, 2024 and 2023 is as follows:

	Millions of yen	
	2024	2023
Net sales:		
Japan	955,456	901,589
Americas	1,429,201	1,312,438
Europe	1,184,389	1,111,211
Asia and Oceania	940,775	855,734
Total	4,509,821	4,180,972
Long-lived assets:		
Japan	998,506	966,960
Americas	191,000	174,877
Europe	223,922	217,244
Asia and Oceania	146,059	137,865
Total	1,559,487	1,496,946

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 ¥1,311,397 million and ¥1,232,452 million for the years ended December 31, 2024 and 2023, 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 28, 2025, the filing date of Annual Securities Report.

Borrowing Funds

Canon borrowed funds as follows under its existing overdraft facilities with Mizuho Bank, Ltd. and SMBC Bank, Ltd.

1. Use of funds:	Operating funds
2. Borrowing date and amount:	January 6, 2025 ¥200,000 million
	February 19, 2025 ¥50,000 million
	February 26, 2025 ¥20,000 million
	March 12, 2025 ¥30,000 million
	March 19, 2025 ¥70,000 million
3. Lender:	Mizuho Bank, Ltd. and SMBC Bank, Ltd.
4. Interest rate:	Base rate plus a spread

Repurchase of own share

1. Content of resolution for the repurchase of own share

On January 30, 2025, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows.

(1) Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

(2) Type of shares and Total number of shares to be repurchased: Up to 26 million shares of common stock

(3) Total cost of repurchase: Up to ¥100,000 million

(4) Period of repurchase: From February 3, 2025 to January 30, 2026

(5) 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

2. Completion of repurchase of own share

The acquisition of own shares has completed the acquisition in accordance with a Board of Directors' resolution passed by Canon Inc. on January 30, 2025.

(1) Type of shares and total number of shares acquired: Shares of common stock 19,685,200 shares

(2) Total cost of acquisition: ¥99,999,605,100

(3) Period of acquisition: From February 3, 2025 to March 7, 2025

3. Content of resolution for the repurchase of own share

On March 13, 2025, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows.

(1) Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

(2) Type of shares and Total number of shares to be repurchased: Up to 26 million shares of common stock

(3) Total cost of repurchase: Up to ¥100,000 million

(4) Period of repurchase: From March 14, 2025 to January 30, 2026

(5) 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

(v) Consolidated 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

Millions of yen					
	Balance at beginning of period	Addition- charged to income	Deduction bad debts written off	Translation adjustments and other	Balance at end of period
Year ended December 31, 2024:					
Allowance for credit losses					
Trade receivables	13,276	2,051	(1,457)	986	14,856
Lease receivables	5,871	4,096	(4,456)	1,350	6,861

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2024

Millions of yen				
	Three months ended March 31, 2024	Six months ended June 30, 2024	Nine months ended September 30, 2024	Year ended December 31, 2024
Net sales	988,519	2,156,305	3,236,111	4,509,821
Income before income taxes	89,222	221,447	310,769	301,161
Net income attributable to Canon Inc.	59,949	149,806	218,569	160,025
Basic net income attributable to Canon Inc. shareholders per share	60.70	152.53	224.49	165.53

Millions of yen				
	Three months ended March 31, 2024	Three months ended June 30, 2024	Three months ended September 30, 2024	Three months ended December 31, 2024
Basic net income attributable to Canon Inc. shareholders per share	60.70	91.88	71.88	(62.03)

Notes:

1. For the first quarter, the quarterly securities report was submitted in accordance with Article 24-4-7 (1) of the former Financial Instruments and Exchange Act.
2. For the third quarter, Canon prepared quarterly financial information in accordance with the rules stipulated by the financial instruments exchanges, and the quarterly financial information was reviewed during the period.

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheet

	Millions of yen	
	2024	2023
ASSETS		
Current assets		
Cash and deposits	44,670	43,845
Notes receivable	7,538	2,160
Accounts receivable	282,137	248,023
Finished goods	90,868	92,579
Work in process	112,909	105,592
Raw materials and supplies	10,050	7,791
Short-term loans receivable	80,567	93,367
Other current assets	108,168	77,994
Allowances for doubtful accounts	(130)	-
Total Current assets	736,777	671,351
Fixed assets		
Property, plant and equipment, net		
Buildings	290,643	305,256
Machinery	55,083	58,145
Vehicles	233	248
Tools and equipment	12,412	12,281
Land	150,227	150,227
Construction in progress	59,895	26,574
Total Property, plant and equipment, net	568,493	552,731
Intangible fixed assets		
Software	14,855	14,531
Goodwill	3,636	3,945
Other intangibles	1,492	1,770
Total Intangible fixed assets	19,983	20,246
Investments and other assets		
Investment securities	10,885	14,029
Shares in subsidiaries and associates	1,562,850	1,560,535
Capital contribution in subsidiaries and associates	37,453	37,453
Long-term pre-paid expenses	11,986	14,321
Prepaid pension expense	8,021	-
Deferred tax assets	65,038	61,444
Other noncurrent assets	5,591	6,515
Allowances for doubtful accounts	(87)	(87)
Total Investments and other assets	1,701,737	1,694,210
Total Fixed assets	2,290,213	2,267,187
Total assets	3,026,990	2,938,538

Millions of yen		
	2024	2023
LIABILITIES		
Current liabilities		
Notes payable	31	98
Electronically recorded obligations-operating	25,666	24,454
Accounts payable	333,252	270,974
Short-term loans payable	540,545	883,620
Other payables	52,572	30,169
Accrued expenses	40,799	39,524
Accrued income taxes	39,330	22,947
Advances received	10,082	9,733
Accrued warranty expenses	5,232	5,353
Accrued bonuses for employees	5,689	5,198
Accrued directors' bonuses	543	326
Other current liabilities	39,928	30,293
Total Current liabilities	1,093,669	1,322,689
Noncurrent liabilities		
Long-term loans payable	200,000	-
Accrued pension and severance cost	14,062	20,776
Reserve for environmental provision	681	720
Accrued long service rewards for employees	1,109	1,337
Other noncurrent liabilities	1,080	1,140
Total Noncurrent liabilities	216,932	23,973
Total liabilities	1,310,601	1,346,662

Millions of yen		
	2024	2023
NET ASSETS		
Shareholders' equity		
Common stock	174,762	174,762
Capital surplus		
Additional paid-in capital	306,288	306,288
Total Capital surplus	306,288	306,288
Retained earnings		
Legal reserve	22,114	22,114
Other retained earnings		
Reserve for deferral of capital gain on property	3,069	3,203
Special reserves	1,249,928	1,249,928
Retained earnings brought forward	1,511,478	1,183,808
Total Retained earnings	2,786,589	2,459,053
Treasury stock	(1,558,219)	(1,358,264)
Total Shareholders' equity	1,709,420	1,581,839
Net unrealized gains (losses) on securities	6,000	7,557
Net deferred gains (losses) on hedges	(285)	1,495
Total Valuation and translation adjustments	5,715	9,052
Subscription rights to shares	1,254	985
Total net assets	1,716,389	1,591,876
Total liabilities and net assets	3,026,990	2,938,538

(ii) Non-Consolidated Statement of Income

Millions of yen

	2024	2023
Net sales	1,886,031	1,668,007
Cost of sales	1,303,472	1,157,447
Gross profit	582,559	510,560
Selling, general and administrative expenses	362,338	376,399
Operating profit (loss)	220,221	134,161
Other income		
Interest income	1,501	2,128
Dividend income	262,626	394,531
Rental income	18,730	18,644
Miscellaneous income	8,841	17,692
Total Other income	291,698	432,995
Other expenses		
Interest expense	6,391	10,795
Depreciation of rental assets	15,079	15,348
Foreign exchange loss	19,517	24,203
Miscellaneous loss	5,474	5,192
Total Other expenses	46,461	55,538
Ordinary profit	465,458	511,618
Non-ordinary income		
Gain on sales of fixed assets	124	944
Gain on sales of investment securities	2	11
Gain on sales of shares of subsidiaries and associates	60,149	-
Total Non-ordinary income	60,275	955
Non-ordinary loss	1,678	1,005
Loss on sales and disposal of fixed assets	772	909
Loss on valuation of investment securities	906	-
Other	-	96
Total Non-ordinary loss	1,678	1,005
Income before income taxes	524,055	511,568
Income taxes - Current	57,102	38,228
- Deferred	(2,130)	(3,415)
Total Income taxes	54,972	34,813
Net income	469,083	476,755

(iii) Non-Consolidated Statement of Changes in Net Assets

Millions of yen

	Shareholders' equity								Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings				Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges		
		Additional paid-in capital	Legal reserve	Other retained earnings								
				Reserve for deferral of capital gain on property	Special reserves	Retained earnings brought forward						
Balance at December 31, 2022	174,762	306,288	22,114	3,339	1,249,928	837,828	(1,258,347)	1,335,912	4,325	79	787	1,341,103
Changes of items during the period												
Transfer to reserve for deferral of capital gain on property								-				-
Reversal of reserve for deferral of capital gain on property				(136)		136		-				-
Dividends paid						(130,870)		(130,870)				(130,870)
Net income						476,755		476,755				476,755
Purchase of treasury stock							(100,019)	(100,019)				(100,019)
Disposal of treasury stock						(41)	102	61				61
Net changes of items other than shareholders' equity								-	3,232	1,416	198	4,846
Total changes of items during the period	-	-	-	(136)	-	345,980	(99,917)	245,927	3,232	1,416	198	250,773
Balance at December 31, 2023	174,762	306,288	22,114	3,203	1,249,928	1,183,808	(1,358,264)	1,581,839	7,557	1,495	985	1,591,876
Changes of items during the period												
Transfer to reserve for deferral of capital gain on property								-				-
Reversal of reserve for deferral of capital gain on property				(134)		134		-				-
Dividends paid						(141,530)		(141,530)				(141,530)
Net income						469,083		469,083				469,083
Purchase of treasury stock							(200,032)	(200,032)				(200,032)
Disposal of treasury stock						(17)	77	60				60
Net changes of items other than shareholders' equity								-	(1,557)	(1,780)	269	(3,068)
Total changes of items during the period	-	-	-	(134)	-	327,670	(199,955)	127,581	(1,557)	(1,780)	269	124,513
Balance at December 31, 2024	174,762	306,288	22,114	3,069	1,249,928	1,511,478	(1,558,219)	1,709,420	6,000	(285)	1,254	1,716,389

Notes to Non-Consolidated Financial Statements

<Notes to Significant Accounting Policies>

1. Valuation Principle and Method for Securities

(1) Shares in subsidiaries and affiliates----stated at cost based on the moving average method.

(2) Other securities:

Other than non-marketable equity securities----stated at fair value (unrealized gains and losses are reported in valuation and translation adjustments, realized gains and losses are measured based on the moving average cost method).

Non-marketable equity securities----stated at cost based on the moving average method.

2. Valuation Principle and Method for Inventories

Inventories valued at cost using the periodic average method (amount shown in the balance sheet is reported at lower of cost or market).

3. Depreciation Method of Fixed Assets

(1) Property, plant and equipment (excluding lease assets)----calculated by the declining-balance method.

For buildings (excluding fixtures) acquired on or after April 1, 1998, depreciation is calculated by the straight-line method.

(2) Intangible fixed assets----calculated by the straight-line method. With regard to software for sale, calculated based on the estimated marketable period in consideration of projected future revenue of the relevant products (3 years), and with regard to internal-use software, calculated based on the estimated useful period in Canon Inc. ("Canon") (5 years). Goodwill is amortized using the straight-line method over 20 years based on the estimated period for each acquired business during which the excess profitability is maintained.

(3) Lease assets----calculated by the straight-line method. The contractual lease period is determined as the useful life of each lease asset.

4. Accounting Principle for Allowances and Provisions

(1) Allowances for doubtful accounts

The estimated uncollectible accounts are provided for potential losses from bad debts.

----General accounts

Provided based on historical bad debt ratio.

----Claims with a possibility of default and Claims in Bankruptcy

Provided based on credit risk assessment method.

(2) Accrued warranty expenses----provided as general provision for after-sales services and free-of-charge repair service costs on an estimated amount based on the historical costs.

(3) Accrued bonuses for employees----provided as general provision for bonuses to employees based on an amount expected to be paid.

(4) Accrued directors' bonuses----provided as general provision for bonuses to directors based on an amount expected to be paid.

(5) Accrued pension and severance cost----provided as general provision for accrued pension and severance cost based on projected benefit obligation and plan assets as of December 31, 2024. In calculating retirement benefit obligations, the method of attributing estimated retirement benefits to the period up to the current fiscal year is based on the benefit formula basis. Prior service cost is expensed using the straight-line method over the average remaining service period of employees at the time the cost is incurred. Actuarial gains and losses are expensed using the straight-line method over the average remaining service periods of employees from the following year when costs are incurred.

(6) Reserve for environmental provision----provided as general provision for the future environmental-related cost, such as construction costs to prevent the proliferation of soil pollution, and also clean-up costs of hazardous substances based on the related regulations.

(7) Accrued long service rewards for employees----provided as general provision for rewards to long-service employees in accordance with management policy based on an amount expected to be paid.

5. Standards of Accounting for Revenues and Expenses

Canon provides products, consumables and product-related services primarily in each segment: Printing Business Unit, Medical Business Unit, Imaging Business Unit and Industrial Business Unit.

For sales of products and consumables and rendering of services, the performance obligations are identified based on contracts with customers.

Revenue is recognized primarily at a point in time upon shipment or delivery for products that do not require installation at the time of delivery to customers, and at a point in time upon installation that require installation, as Canon determines that the customer has gained control over the products and that the performance obligations have been satisfied.

For the services, if the performance obligation is satisfied at a point in time upon, revenue is recognized at the point when the services are completed. If the performance obligation is satisfied over time, revenue is recognized over the period during which services are rendered.

The transaction price of products and services is allocated to each performance obligation based on a ratio of the reasonably calculated independent selling price. If independent selling prices are not directly observable, Canon will estimate them. The variable consideration included in the transaction price is included in the transaction price when the uncertainty is resolved and is periodically reviewed.

6. Hedge Accounting

(1) Hedge accounting----Deferral hedge accounting has been applied.

(2) Hedging instruments and hedged items

Hedging instruments----derivative transactions (foreign exchange contract)

Hedged items---- forecasted intercompany sales and intercompany trade receivables

(3) Hedge policy----Derivative financial instruments are comprised principally of foreign exchange contracts to hedge the currency risk in accordance with Canon's policy. Canon does not hold derivative financial instruments for trading purposes.

(4) Assessment of hedge effectiveness----

Hedging instruments that have the same material conditions as the hedged items are used and the market fluctuations of both instruments and items offset each other at the inception of the hedge and thereafter, and the hedge effectiveness is assessed by confirming that.

7. Notes to Others

(1) Consumption Taxes---- Excluding tax method

(2) Japanese Group Relief---- Applicable

<Notes to Accounting Estimates>

The following item is recorded based on the amount using accounting estimates which may have material impacts on the financial statements for the following fiscal year.

Valuation of investments in subsidiaries for which fair value is not readily determinable.

1. Amount recorded on the balance sheet as of December 31, 2024.

Shares in subsidiaries and associates 1,562,850 million yen

(Of the reported amount, 1,494,257 million yen pertains to investments in subsidiaries for which fair value is not readily determinable.)

2. Other information that contributes to the understanding of the users of the Financial Statements with regard to the estimate.

The net asset value of subsidiaries for which it is difficult to determine its fair values is calculated by taking into account excess profitability, which is based on the financial statements and business plans of the subsidiaries. Excess profitability is measured mainly based on estimated future cash flows of the subsidiaries and estimated discount rates. Estimates of future cash flows are based primarily on projections of future growth rates. Discount rate estimates are primarily based on relevant market and industry data and the weighted average cost of capital, taking into account specific risk factors. The net asset value of the subsidiary's shares is not significantly lower than the acquisition cost, and the Company has determined that an impairment loss on the subsidiary's shares is not necessary.

However, if future cash flows of the subsidiary decrease more than expected due to changes in the uncertain economic environment in the future, an impairment loss may be recognized, which may have a material impact on the financial statements for the following fiscal year.

Investment in a subsidiary, Canon Medical Systems Corporation ("CMSC"), represents a significant investment of the Company, and is recorded at 658,304 million yen in the current fiscal year financial statements. Canon estimated the future cash flows for CMSC based on a mid-term management plan developed by considering the expected market growth of medical equipment products and growth of relevant regions. The actual value of the subsidiary, including excess profitability, calculated during the fiscal year did not significantly decrease compared with the acquisition cost of the shares, and Canon has determined that impairment loss is not necessary.

(Unapplied Accounting Standards, etc.)

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 October 28, 2022)

Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 October 28, 2022)

Implementation Guidance on Accounting Standard for Tax Effect (ASBJ Guidance No. 28 October 28, 2022)

(1) Overview

This standard requires the Group to review the reporting of income taxes, business taxes and other taxes imposed on the relevant transactions and events in other comprehensive income and shareholders' equity.

(2) Planned date of application

This will be applied from the beginning of the fiscal year on January 1, 2025.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact on non-consolidated financial statements is not significant.

Accounting Standard for Leases (ASBJ Statement No. 34 September 13, 2024)

Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33 September 13, 2024)

(1) Overview

This standard requires that all leases, including operating leases, be accounted for as assets and liabilities.

(2) Planned date of application

This will be applied from the beginning of the fiscal year on January 1, 2028.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact on non-consolidated financial statements is currently under assessment.

<Notes to Changes in Method of Presentation>

Changes in presentation of guaranteed deposits

Canon has changed the presentation of guaranteed deposits (with a balance at the end of the current period 328 million yen) which was presented in aggregate in prior year and has included them in "other noncurrent assets" in the current year non-consolidated balance sheet due to decreased significances.

(Notes to Non-Consolidated Balance Sheet)

1. Items relating to subsidiaries and associates included in each entry, other than those listed separately, are as follows.

	Millions of yen	
	2024	2023
Receivables	422,514	362,414
Payables	588,877	795,035

2. The following is a joint and several guarantee for bank loans for employees' housing fund.

	Millions of yen	
	2024	2023
	118	230

3. The total amount of tax purpose reduction entry that is subtracted from non-current assets acquired using national subsidies, etc. and the breakdown thereof are as follows.

	Millions of yen	
	2024	2023
Buildings	6,167	5,792
Machinery and equipment	3,007	2,641
Vehicles	5	-
Tools, furniture and fixtures	77	47
Land	905	905
Total	10,161	9,385

(Notes to Non-Consolidated Statement of Income)

1. Trading with subsidiaries and affiliates are as follows.

	Millions of yen	
	2024	2023
Sales	1,683,967	1,516,767
Purchase	1,246,547	1,114,981
Other transactions	380,456	437,628

2. Major expenses and monetary amount of SG&A expenses are as follows.

The approximate proportion of selling expenses among selling, general and administrative expenses was 20% for the end of the current consolidated fiscal year and 20% for the end of the previous consolidated fiscal year.

	Millions of yen	
	2024	2023
Provision for product warranties	5,064	4,992
Research and development expenses	201,168	211,737
Salaries and allowance of employees	59,898	58,018
Depreciation	13,969	14,939

(Securities)

Investment securities in subsidiaries and affiliates

(Year ended December 31, 2023)

(Millions of yen)

Category	Carrying amount	Market Price	Difference
Investment securities in subsidiaries	89,035	369,722	280,687
Investment securities in affiliates	147	5,103	4,956
Total	89,182	374,825	285,643

(Year ended December 31, 2024)

(Millions of yen)

Category	Carrying amount	Market Price	Difference
Investment securities in subsidiaries	67,364	341,880	274,516
Investment securities in affiliates	147	5,399	5,252
Total	67,511	347,279	279,768

(Note) Number of shares, etc. that do not have a market price, not included in the above

(Millions of yen)

Category	2024	2023
Investment securities in subsidiaries	1,494,257	1,470,271
Investment securities in affiliates	1,082	1,082

(Tax Effect Accounting)

1. Major components of deferred tax assets and liabilities

	Millions of yen	
	2024	2023
(Deferred tax assets)		
Accrued pension and severance cost	15,457	16,660
Shares in subsidiaries	7,336	7,340
Loss on valuation of inventories	2,247	2,145
Accrued business tax	2,447	1,853
Depreciation of fixed assets in excess of limit	16,148	15,587
Excess in amortization of software	4,869	5,459
Amortization of deferred charges in excess of limit	21,657	18,077
Other	12,929	11,098
Subtotal deferred tax assets	83,090	78,219
Valuation allowance	(10,183)	(9,865)
Total deferred tax assets	72,907	68,354
(Deferred tax liabilities)		
Reserve for deferral of capital gain on property	(1,347)	(1,405)
Prepaid pension expense	(2,446)	-
Other	(4,076)	(5,505)
Total deferred tax liabilities	(7,869)	(6,910)
Net deferred tax assets	65,038	61,444

2. Major components of difference between the statutory effective tax rate and the effective tax rate after tax effect accounting is applied

	Millions of yen	
	2024	2023
Effective tax rate	31.0%	31.0%
Adjustments		
Income not taxable permanently such as dividend income	(18.5)	(22.4)
Tax credit for experimental research cost and others	(2.4)	(2.0)
Non-deductible foreign tax, etc.	0.9	0.7
Expenses that are not deductible for tax purposes	0.0	0.1
Tax credit for the Regional Future Investment Promotion	0.0	(0.1)
Other	(0.5)	(0.5)
Effective tax rate after tax effect accounting is applied	10.5	6.8

<Note to Revenue Recognition>

Please refer to “Note 15 Revenue” in Notes to Consolidated Financial Statements.

<Note to Subsequent Event>

Borrowing Funds

Canon borrowed funds as follows under its existing overdraft facilities with Mizuho Bank, Ltd. and SMBC Bank, Ltd.

1. Use of funds:	Operating funds
2. Borrowing date and amount:	January 6, 2025 ¥200,000 million
	February 19, 2025 ¥50,000 million
	February 26, 2025 ¥20,000 million
	March 12, 2025 ¥30,000 million
	March 19, 2025 ¥70,000 million
3. Lender:	Mizuho Bank, Ltd. and SMBC Bank, Ltd.
4. Interest rate:	Base rate plus a spread

Repurchase of own share

1. Content of resolution for the repurchase of own share

On January 30, 2025, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows.

(1) Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

(2) Type of shares and Total number of shares to be repurchased: Up to 26 million shares of common stock

(3) Total cost of repurchase: Up to ¥100,000 million

(4) Period of repurchase: From February 3, 2025 to January 30, 2026

(5) 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

2. Completion of repurchase of own share

The acquisition of own shares has completed the acquisition in accordance with a Board of Directors' resolution passed by Canon Inc. on January 30, 2025.

(1) Type of shares and total number of shares acquired: Shares of common stock 19,685,200 shares

(2) Total cost of acquisition: ¥99,999,605,100

(3) Period of acquisition: From February 3, 2025 to March 7, 2025

3. Content of resolution for the repurchase of own share

On March 13, 2025, the Board of Directors of Canon approved a plan to repurchase its own shares under the Article 156, as applied pursuant to Paragraph 3, Article 165, of the Companies Act of Japan, as follows.

(1) Reason for repurchase:

Canon decided to acquire its own shares with the aim of further improving its corporate value through active growth investment and enhancing shareholder returns by improving capital efficiency. As a part of this approach for shareholder returns, Canon passed a resolution to acquire its own shares.

(2) Type of shares and Total number of shares to be repurchased: Up to 26 million shares of common stock

(3) Total cost of repurchase: Up to ¥100,000 million

(4) Period of repurchase: From March 14, 2025 to January 30, 2026

(5) 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

(iv) Supplementary schedule

Property, Plant and Equipment schedule

(Millions of yen)

	Type of asset	Balance at beginning of the period	Increase	Decrease	Depreciation and amortization	Balance at the end of the period	Accumulated depreciation and amortization
Property, plant and equipment	Buildings and structures	1,095,391	12,298	6,681	26,626	1,101,008	810,365
	Machinery and equipment	735,313	35,504	22,544	38,324	748,273	693,190
	Vehicles	2,779	182	50	196	2,911	2,678
	Tools, furniture and fixtures	166,882	11,265	12,907	11,011	165,240	152,828
	Land	150,227	-	-	-	150,227	-
	Construction in progress	26,574	94,838	61,517	-	59,895	-
	Total	2,177,166	154,087	103,699	76,157	2,227,554	1,659,061
Intangible assets	Software	32,057	7,233	6,437	6,915	32,853	17,998
	Goodwill	5,260	-	-	309	5,260	1,624
	other	3,290	85	41	359	3,334	1,842
	Total	40,607	7,318	6,478	7,583	41,447	21,464
Investments and other assets	Long-term pre-paid expenses	35,942	2,166	10,561	4,332	27,547	15,561

Note

1. The balance at the beginning of the period and the balance at the end of the period are presented in acquisition costs.
2. The major increases in buildings and structures consist of 3,356 million yen in the Oita region and 2,521 million yen in the Kawasaki region.
3. The major decrease in buildings and structures consist of 2,611 million yen in the Oita region.
4. The major increase in machinery and equipment consist of 15,265 million yen increase in the headquarters area (Others and Corporate)
12,765 million yen in the Toride District (Printing Business Unit)
3,776 million yen in the Ami and Utsunomiya areas (Industrial Business Unit)
2,493 million yen was recorded in the Printing Business Unit at the head office.
5. The major decrease in machinery and equipment consist of 11,573 million yen in the Toride District (Printing Business Unit)
4,537 million yen in the Printing Business Unit at the head office.
3,132 million yen was recorded at the head office (Others and Corporate).
6. The major increase in tools, furniture and fixtures consist of 5,920 million yen in the headquarters area (Others and Corporate).
7. The major decrease in tools, furniture and fixtures consist of 4,193 million yen in the headquarters area (Others and Corporate)
3,143 million yen in the Toride District (Printing Business Unit)
2,488 million yen was recorded in the Printing Business Unit at the head office.

Schedule of allowance

(Millions of yen)

Subjects	Balance at beginning of year	Increase	Decrease	Balance at the end of year
Allowances for doubtful accounts	87	130	-	217
Accrued warranty expenses	5,353	5,064	5,185	5,232
Accrued bonuses for employees	5,198	5,689	5,198	5,689
Accrued directors' bonuses	326	543	326	543
Accrued pension and severance cost	20,776	1,245	7,959	14,062
Reserve for environmental provision	720	-	39	681
Accrued long service rewards for employees	1,337	443	671	1,109

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI . Outline of Share-Related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March
Record date	December 31
Record date of dividends	Interim dividends: June 30 Year-end dividends: December 31
Number of shares constituting one unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special account) Mizuho Trust & Banking Co., Ltd. Head Office Securities Agency Division 3-3, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer agent	(Special account) Mizuho Trust & Banking Co., Ltd. 3-3, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Forward office	-
Purchase and sales fee	Free of charge
Method of public notice	The method of public notice by the Company shall be electronic public notice, provided, however, that if, the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. URL for public notice is following https://global.canon
Special benefit for shareholders	Not applicable

Note:

Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one (1) unit (Tangen) of shares held by them, except for the following rights:

- (1) The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan;
- (2) The right to make a request to the Company for transfer of shares constituting less than one unit

VII. Reference Information on Reporting Company

1. Information on Parent of Reporting Company

Canon does not have a parent company, etc. specified in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended December 31, 2024 to the filing date of Annual Securities Report.

(1) Annual Securities Report and Documents Attached, and Confirmation Letter
Business Term(123rd) From January 1, 2023 To December 31, 2023
Filed with Director-General of the Kanto Local Finance Bureau on March 28, 2024

(2) Internal Control Report and Documents Attached
Filed with Director-General of the Kanto Local Finance Bureau on March 28, 2024

(3) Quarterly Report and Confirmation Letter
Business Term(124th First) From January 1, 2024 To March 31, 2024
Filed with Director-General of the Kanto Local Finance Bureau on May 10, 2024

(4) Semi-Annual Securities Report and Confirmation Letter
Business Term(124th First half) From January 1, 2024 To June 30, 2024
Filed with Director-General of the Kanto Local Finance Bureau on August 8, 2024

(5) Extraordinary Report
Filed with Director-General of the Kanto Local Finance Bureau on March 28, 2024
Pursuant to Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (Issuance of share acquisition rights as stock options).

Filed with Director-General of the Kanto Local Finance Bureau on March 29, 2024
Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (Results of voting at the general meeting of shareholders).

Filed with Director-General of the Kanto Local Finance Bureau on January 30, 2025
Pursuant to Article 19, Paragraph 2, Item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. (occurrence of an event that significantly affects the financial position, operating results, and cash flow status of the consolidated company).

(6) Amended Extraordinary Report
Filed with Director-General of the Kanto Local Finance Bureau on April 30, 2024
Amended Extraordinary Report for Extraordinary Report of Issuance of share acquisition rights as stock options filed on March 28, 2024

(7) Report on Share Buyback
From March 1, 2024 To March 31, 2024
Filed with Director-General of the Kanto Local Finance Bureau on April 12, 2024

From April 1, 2024 To April 30, 2024
Filed with Director-General of the Kanto Local Finance Bureau on May 13, 2024

From May 1, 2024 To May 31, 2024
Filed with Director-General of the Kanto Local Finance Bureau on June 13, 2024

From June 1, 2024 To June 30, 2024
Filed with Director-General of the Kanto Local Finance Bureau on July 12, 2024

From July 1, 2024 To July 31, 2024
Filed with Director-General of the Kanto Local Finance Bureau on August 9, 2024

From August 1, 2024 To August 31, 2024

Filed with Director-General of the Kanto Local Finance Bureau on September 12, 2024

From September 1, 2024 To September 30, 2024

Filed with Director-General of the Kanto Local Finance Bureau on October 11, 2024

From October 1, 2024 To October 31, 2024

Filed with Director-General of the Kanto Local Finance Bureau on November 14, 2024

From November 1, 2024 To November 30, 2024

Filed with Director-General of the Kanto Local Finance Bureau on December 13, 2024

From December 1, 2024 To December 31, 2024

Filed with Director-General of the Kanto Local Finance Bureau on January 14, 2025

From January 1, 2025 To January 31, 2025

Filed with Director-General of the Kanto Local Finance Bureau on February 13, 2025

From February 1, 2025 To February 28, 2025

Filed with Director-General of the Kanto Local Finance Bureau on March 13, 2025

Part 2. Information on Reporting Company's Guarantor, etc.

Not applicable.

NOTES TO READERS:

The following is an English translation of Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 28, 2025

To the Board of Directors of
Canon Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Yamada

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, 2024, 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, 2024 to December 31, 2024, 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, 2024, 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 for 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, 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.

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 ¥915,258 million (15.9% of Total assets) as of December 31, 2024, of which ¥403,131 million (44.0% 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 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 ("the long-term growth rate") 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 fell short of its carrying amount, and therefore the Group recognized ¥165,100 million of goodwill impairment loss in the current fiscal year.</p> <p>We determined the valuation of goodwill allocated to the Medical Reporting Unit as a key audit matter given it represents 44.0% of the total goodwill and there are significant judgements made by management on estimates and assumptions related to the projected future cash flows and the discount 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 long-term growth rate used by management to measure the fair value of the Medical Reporting Unit included the following, among others:</p> <p>(1) Evaluation of internal controls</p> <ul style="list-style-type: none"> We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over management's estimates and assumptions used in the projected future cash flows, the discount rate and the long-term growth rate. <p>(2) Evaluation of the reasonableness of management's projected future cash flows</p> <ul style="list-style-type: none"> We evaluated management's ability to accurately project future cash flows by comparing actual results to management's historical projections. We made inquiries of management to understand significant assumptions used in the projected future cash flows. We evaluated the reasonableness of management's projected future cash flows by comparing the projections to actual results, documents reported to management, and other related documents for respective revenue, cost of sales and other elements, which together comprise management's projected future cash flows. We evaluated the reasonableness of management's significant assumptions regarding the revenue growth rate used in the projected future cash flows, which could have a significant impact on the fair value of the Medical Reporting Unit, by comparing the revenue growth rate to the expected market growth rates for each type of medical equipment and each region in which the Group operates its medical business as included in independent third-party industry reports.

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

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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, 2024.

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, 2024, 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, 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.
- 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 performance 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.

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, 2024, 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.

NOTES TO READERS:

The following is an English translation of Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 28, 2025

To the Board of Directors of
Canon Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Yamada

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 Non-Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Canon Inc. (the "Company") included in the Financial Section, namely, the non-consolidated balance sheet as of December 31, 2024, and the non-consolidated statement of income and non-consolidated statement of changes in net assets for the 124th fiscal year from January 1, 2024 to December 31, 2024, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

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 Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, 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.

Key Audit Matter

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

Valuation of Investments in Subsidiaries—Canon Medical Systems Corporation—Refer to “Notes to Accounting Estimates” and “Securities” of the Non-Consolidated Financial Statements	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Company’s total investments in subsidiaries for which fair value is not readily determinable was ¥1,494,257 million (49.4% of Total assets) as of December 31, 2024, of which ¥658,304 million (44.1% of total investments in subsidiaries for which fair value is not readily determinable) was the carrying value for shares of Canon Medical Systems Corporation (“CMSC”).</p> <p>CMSC was acquired at a price higher than the net asset value per share computed from its financial statements, reflecting its excess earning power (corresponding to goodwill in the consolidated financial statements). In this case, even if the financial position of CMSC does not deteriorate, when the actual value declines due to a significant decrease in the excess earning power after the acquisition and it is expected to continue for a future period, a write-down for impairment is required as long as the actual value falls short of approximately 50% of the carrying value.</p> <p>As of the end of the current fiscal year, no impairment loss was recognized for CMSC’s shares as the actual value of CMSC’s shares calculated by a method reflecting the excess earning power did not significantly decline compared with the carrying value.</p> <p>As the actual value of CMSC’s shares is reflective of the excess earning power, it is determined primarily based on a discounted cash flow analysis, which involves estimates of projected future cash flows 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 (“the long-term growth rate”) that considered the future market growth of medical equipment and growth in geographies where CMSC 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>We determined the valuation of CMSC’s shares</p>	<p>Our audit procedures related to the projected future cash flows, the discount rate and the long-term growth rate used by management to calculate the actual value of CMSC’s shares included the following, among others:</p> <p>(1) Evaluation of internal controls</p> <ul style="list-style-type: none"> We tested the effectiveness of controls over management’s calculation of the actual value of CMSC’s shares, including those over management’s estimates and assumptions used in the projected future cash flows, the discount rate and the long-term growth rate. <p>(2) Evaluation of the reasonableness of management’s projected future cash flows</p> <ul style="list-style-type: none"> We evaluated management’s ability to accurately project future cash flows by comparing actual results to management’s historical projections. We made inquiries of management to understand significant assumptions used in the projected future cash flows. We evaluated the reasonableness of management’s projected future cash flows by comparing the projections to actual results, documents reported to management, and other related documents for respective revenue, cost of sales and other elements, which together comprise management’s projected future cash flows. We evaluated the reasonableness of management’s significant assumptions regarding the revenue growth rate used in the projected future cash flows, which could have a significant impact on the actual value of CMSC’s shares, by comparing the revenue growth rate to the expected market growth rates for each type of medical equipment and each region in which the CMSC operates its medical business as included in independent third-party industry reports. <p>(3) Evaluation of the reasonableness of the valuation methodology, the discount rate, and the long-term growth rate</p> <ul style="list-style-type: none"> With the assistance of our fair value specialists, we evaluated the reasonableness

<p>as a key audit matter given its carrying value represents 44.1% of the total investments in subsidiaries for which fair value is not readily determinable and there are significant judgements made by management on estimates and assumptions related to the projected future cash flows and the discount rate to calculate the actual value of CMSC's shares 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>of the valuation methodology to calculate the actual value of CMSC's shares, the discount rate and the long-term growth rate by:</p> <ul style="list-style-type: none"> - examining whether the valuation methodology used, including the determination of the discount rate and the long-term growth rate, was consistent with existing valuation practices that are both generally accepted in practice and acceptable in the circumstance. - testing the underlying data used in the determination of the discount rate and the long-term growth rate, and the mathematical accuracy of the calculation; and - developing a range of independent estimates and comparing those to the discount rate and the long-term growth rate selected by management.
--	--

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 non-consolidated financial statements and our auditor's report thereon.

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

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

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

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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 Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 Company'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 Company'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 non-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 Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 non-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.

<Fee-Related Information>

Fee-related information are disclosed in independent auditor's report on the consolidated financial statements as of and for the year ended December 31, 2024.

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 Company 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.

Cover

[Document Submitted]	Internal Control Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	March 28, 2024
[Company Name]	Canon Kabushiki-Kaisha
[Company Name in English]	CANON INC.
[Position and Name of Representative]	Fujio Mitarai, Chairman & CEO
[Position and Name of Chief Financial Officer]	Toshizo Tanaka, Senior Vice President and CFO
[Location of Head Office]	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Sapporo Securities Exchange (14-1, Minamiichijonishi 5-chome, Chuo-ku, Sapporo)

NOTES TO READERS:

The following is an English translation of management's report on internal control over financial reporting field under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters relating to the basic framework for internal control over financial reporting

Fujio Mitarai, Chairman & CEO, and Toshizo Tanaka, Executive Vice President & CFO are responsible for designing and operating effective internal control over financial reporting of Canon (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Setting 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.

The internal control is designed to achieve its objectives to the extent reasonable 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 relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was conducted as of the end of the fiscal year, December 31, 2024, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, the Company's management evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, management selected business processes to be tested. Management analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

Management 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 the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, management reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-method affiliated companies determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, management added up the net sales (after the elimination of transactions between consolidated companies) of each subsidiary in the previous year from the highest and selected the companies with net sales that account for approximately two-thirds of the total amount on a consolidated basis as "significant locations and/or business units." At selected significant locations and/or business units targeted for assessment, our scope of assessment included business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, management also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, management concluded that the Company's internal control over financial reporting was effective.

4. Additional notes

No material items to report

5. Special notes

No material items to report