

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.

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

For the six months ended
June 30, 2025

CANON INC.
Tokyo, Japan

This document was prepared for printing by adding a table of contents and pages to the Semi-annual Securities Report using the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30, paragraph (2) of the Financial Instruments and Exchange Act.

CONTENTS

	Page number
Semi-annual Securities Report for 2025	
Cover	1
Part 1 Information on the Company	3
I. Overview of the Company	3
1. Key Financial Data and Trends	3
2. Description of Business	3
II. Business Overview	4
1. Business Risks	4
2. Management Analysis of Financial Conditions, Operating Results and Cash Flows	4
3. Material Business Agreements, etc.	10
III. Information on Reporting Company	11
1. Company's Shares, etc.	11
(1) Total number of shares, etc.	11
(2) Stock acquisition rights, etc.	12
(3) Exercises, etc., of moving strike convertible bonds, etc.	15
(4) Changes in number of issued shares, common stock, etc.	16
(5) Major shareholders	17
(6) Voting Rights	18
2. Information about directors	19
IV. Financial Information	20
1. Consolidated Financial Statements	21
(1) Consolidated Balance Sheet	21
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	23
(3) Consolidated Statement of Cash Flows	25
2. Other Information	54
Part 2 Information on Reporting Company's Guarantor, etc.	54
Independent Accountant's Review Report	55

Cover

[Document Submitted]	Semi-annual Securities Report (“Hanki Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	August 7, 2025
[Accounting Period]	The First Half of the 125th Fiscal Year (from January 1, 2025 to June 30, 2025)
[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)

Disclaimer Regarding Forward-Looking Statements

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. Please refer to Canon's most recent disclosure documents such as the Annual Securities Report, which are available on its website, for more information on the risks and uncertainties that may affect Canon's business, financial condition and results of operations. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Part 1 Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

Fiscal year		The first half of the 125 th fiscal year	The first half of the 124 th fiscal year	The 124 th fiscal year
Accounting Period		Six months ended June 30, 2025	Six months ended June 30, 2024	Year ended December 31, 2024
Net sales	(Millions of yen)	2,198,567	2,156,305	4,509,821
Income before income taxes	(Millions of yen)	222,319	221,447	301,161
Net income attributable to Canon Inc.	(Millions of yen)	155,904	149,806	160,025
Comprehensive income (loss)	(Millions of yen)	116,628	374,886	393,160
Canon Inc. shareholders' equity	(Millions of yen)	3,210,363	3,546,706	3,380,273
Total equity	(Millions of yen)	3,481,054	3,806,859	3,645,051
Total assets	(Millions of yen)	5,970,001	6,043,449	5,766,246
Basic net income attributable to Canon Inc. shareholders per share	(Yen)	169.16	152.53	165.53
Diluted net income attributable to Canon Inc. shareholders per share	(Yen)	169.06	152.45	165.44
Canon Inc. shareholders' equity to total assets ratio	(%)	53.8	58.7	58.6
Net cash provided by operating activities	(Millions of yen)	158,892	241,981	606,831
Net cash used in investing activities	(Millions of yen)	(124,160)	(148,942)	(297,322)
Net cash provided by (used in) financing activities	(Millions of yen)	187,387	67,805	(225,996)
Cash and cash equivalents at end of period	(Millions of yen)	715,178	593,541	501,565

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. Description of Business

Canon prepares consolidated financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Financial information presented in sections "II. Business Overview" is also in conformity with U.S. GAAP.

The Canon Group (consisting of the Company, 327 consolidated subsidiaries, and 10 affiliates accounted for using the equity method, as of June 30, 2025, collectively, the "Group") is engaged in development, manufacturing, sales, and servicing activities in areas such as printing, medical, imaging, industrial and others and corporate.

No material change in Canon's business has occurred during the six months ended June 30, 2025.

No additions or removals of significant group entities have occurred during the six months ended June 30, 2025.

II. Business Overview

1. Business Risks

No new material risks have been identified during the six months ended June 30, 2025. No material changes have been identified pursuant to the risk factors of Canon's business indicated in the Annual Securities Report (Yukashoken Houkokusho) of the previous fiscal year.

2. Management Analysis of Financial Conditions, Operating Results and Cash Flows

(1) Summary of operating results

(i) Operating Results

Looking back at the first half of 2025, the global economy continued to show steady growth, despite concerns about downward pressure on the economy due to the U.S. tariff policy. By region, in the U.S., although corporate capital investments slowed down due to concerns over the economic outlook, personal consumption remained firm. In Europe, consumer sentiment continued to improve and the economy showed signs of a gradual recovery. In China, despite the positive effect of economic stimulus measures on domestic demand, the economy weakened against the backdrop of a sluggish real estate market. In other emerging countries, economic conditions remained firm due to strong personal consumption and expansions in exports following the temporary suspension of reciprocal tariffs. In Japan, as improvements in the employment and income environment continued, signs of recovery were observed, and the economy gradually recovered.

In the markets in which Canon operates, demand remained firm overall. By product, although the market for office multifunction devices (MFDs) remained sluggish in Europe and China, the overall market remained solid. For commercial printing, postponement of installations was seen in some regions. While the market for inkjet printers continued to shrink, sales for refillable ink tank models remained strong. The market for laser printers continued to shrink, particularly in China as it was affected by the curbing of corporate investments. For medical equipment, the market remained strong in the U.S. and emerging countries. For cameras, demand remained high, particularly for mirrorless cameras. As for semiconductor lithography equipment, while there was weakness in demand for memory devices for smartphones and PCs, demand for generative artificial intelligence (AI) increased. For FPD (Flat Panel Display) lithography equipment, the market continued to recover moderately as the profitability of panel manufacturers increased thanks to improvements in the balance between supply and demand.

The average value of the yen for the first half of the year was ¥148.34 against the U.S. dollar, a year-on-year appreciation of approximately ¥4, and ¥162.23 against the euro, a year-on-year appreciation of approximately ¥3.

[Six months ended June 30, 2025 and June 30, 2024]

	Billions of yen		
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change (%)
Net sales	2,198.6	2,156.3	2.0%
Gross profit	1,035.7	1,030.0	0.6%
Operating expenses	821.4	831.5	(1.2%)
Operating profit	214.3	198.5	8.0%
Other income (deductions):	8.0	22.9	-
Income before income taxes	222.3	221.4	0.4%
Net income attributable to Canon Inc.	155.9	149.8	4.1%

Net income attributable to Canon Inc. shareholders per share

	Yen		
Basic	169.16	152.53	10.9%
Diluted	169.06	152.45	10.9%

As for the first half of the year, thanks to the strong sales of mirrorless cameras and network cameras, net sales increased by 2.0% year-on-year to ¥2,198.6 billion, the highest sales since 2007. Gross profit as a percentage of net sales decreased by 0.7 points year-on-year to 47.1% due to the impact of yen appreciation and changes in the product mix. On the other hand, gross profit increased by 0.6% year-on-year to ¥1,035.7 billion, thanks to increase in sales volume. Operating expenses decreased by 1.2% year-on-year to ¥821.4 billion thanks to thorough expense management and the effects of structural reform implemented at overseas businesses in the previous year. As a result, operating profit increased by 8.0% year-on-year to ¥214.3 billion. Other income (deductions) decreased by ¥14.9 billion year-on-year to ¥8.0 billion mainly due to a currency exchange loss from receivables in foreign currencies. As a result, income before income taxes increased by 0.4% year-on-year to ¥222.3 billion, and net income attributable to Canon Inc. increased by 4.1% year-on-year to ¥155.9 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥169.16 for the first half, a year-on-year increase of ¥16.63.

Operating results by business unit for the six months ended June 30, 2025 and June 30, 2024 are as follows. Please refer to the segment information in Note 20 of the Notes to Consolidated Financial Statements.

Printing Business Unit			Billions of yen
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change (%)
Production	202.8	210.0	(3.4%)
Office	524.0	527.1	(0.6%)
Prosumer	491.5	493.7	(0.5%)
Total sales to external customers	1,218.3	1,230.8	(1.0%)
Inter segment	3.3	4.0	(17.3%)
Total Sales	1,221.6	1,234.8	(1.1%)
Cost of sales and operating expenses	1,071.6	1,090.1	(1.7%)
Operating profit	150.0	144.7	3.6%
Income before income taxes	160.0	152.5	4.9%

Looking at Canon's first half of the year performance by business unit, in the Printing Business Unit, although Canon's sales remained stable, sales of equipment for the production printing market decreased due to lack of a large-scale deal as in the previous fiscal year. In the office MFD market, although unit sales decreased in Europe amid continuing market deterioration, overall business remained firm. For inkjet printers, sales of refillable ink tank models steadily progressed. Sales of laser printers decreased compared to the same period of the previous year, when shipments increased significantly as inventory adjustments by its OEM partner were settled. As a result, sales for the first half of the year totaled ¥1,221.6 billion, a year-on-year decrease of 1.1%, while income before income taxes totaled ¥160.0 billion, a year-on-year increase of 4.9%.

Medical Business Unit			Billions of yen
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change (%)
Total sales to external customers	279.0	275.0	1.5%
Inter segment	0.3	0.2	23.8%
Total Sales	279.3	275.2	1.5%
Cost of sales and operating expenses	267.5	264.1	1.3%
Operating profit	11.8	11.1	6.5%
Income before income taxes	12.1	11.4	5.5%

In the Medical Business Unit, sales increased primarily in the U.S. and emerging markets, and service revenue also remained firm due to an increase in the number of installed base medical equipment in the market. As a result, sales of the Medical Business Unit totaled ¥279.3 billion, a year-on-year increase of 1.5%, while income before income taxes totaled ¥12.1 billion, a year-on-year increase of 5.5% partly thanks to the ongoing efforts of the Medical Business Innovation Committee.

Imaging Business Unit			Billions of yen
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change (%)
Cameras	273.4	257.3	6.3%
Network cameras and Others	199.2	162.8	22.3%
Total sales to external customers	472.6	420.1	12.5%
Inter segment	0.2	0.2	25.9%
Total Sales	472.8	420.3	12.5%
Cost of sales and operating expenses	402.5	365.0	10.3%
Operating profit	70.3	55.3	27.2%
Income before income taxes	72.4	56.6	27.8%

In the Imaging Business Unit, sales for cameras increased significantly due to continued strong sales such as the EOS R5 Mark II launched in the second half of the previous year, and the favorable reception of the new EOS R50V and PowershotV1 introduced this year, which emphasizes on video shooting. For network cameras, sales grew significantly as the market showed steady growth, with the support of boosted demand before the full implementation of U.S. tariff policy. As a result, sales of the Imaging Business Unit totaled ¥472.8 billion, a year-on-year increase of 12.5%, while income before income taxes totaled ¥72.4 billion, a year-on-year increase of 27.8%.

Industrial Business Unit			Billions of yen
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change (%)
Optical equipment	111.7	108.3	3.1%
Industrial machinery	46.3	49.4	(6.3%)
Total sales to external customers	158.0	157.7	0.2%
Inter segment	1.8	2.9	(36.2%)
Total Sales	159.8	160.6	(0.5%)
Cost of sales and operating expenses	133.7	130.6	2.4%
Operating profit	26.1	30.0	(12.9%)
Income before income taxes	27.4	30.7	(10.6%)

In the Industrial Business Unit, with the support of high demand for the use of generative AI, sales trend of Canon's back-end lithography systems, which now is becoming the industry standard, is expanding. However, unit sales were at same level compared to the previous year, as the business is more concentrated in the second half of the year. As for the sales of FPD lithography equipment, unit sales exceeded the level of the same period of the previous year, as installations progressed amid a gradual recovery in market conditions. Due to the appreciation of the yen, sales of the Industrial Business Unit totaled ¥159.8 billion, a year-on-year decrease of 0.5%, while income before income taxes totaled ¥27.4 billion, a year-on-year decrease of 10.6% affected by the negative impact of product mix.

(ii) Financial Conditions

Billions of yen

	June 30, 2025	December 31, 2024	Change
Total assets	5,970.0	5,766.2	203.8
Total liabilities	2,488.9	2,121.2	367.8
Canon Inc. shareholders' equity	3,210.4	3,380.3	(169.9)
Noncontrolling interests	270.7	264.8	5.9
Total equity	3,481.1	3,645.1	(164.0)
Total liabilities and equity	5,970.0	5,766.2	203.8
Canon Inc. shareholders' equity as a percentage of total assets (%)	53.8%	58.6%	(4.8%)

As of June 30, 2025, total assets increased by ¥203.8 billion to ¥5,970.0 billion compared to the end of the previous year, mainly due to the increase of cash and cash equivalents and an accumulation of inventories, despite a decrease in accounts receivable. Total liabilities increased by ¥367.8 billion to ¥2,488.9 billion due to the issuance of loans in response to the increase in necessary working capital. The balance of total equity decreased by ¥164.0 billion to ¥3,481.1 billion mainly due to dividends to Canon Inc. shareholders, repurchases of treasury stock which were carried out two times, and decrease in foreign currency translation adjustments caused by the appreciation of the yen, despite an increase in net income attributable to Canon Inc. shareholders. As a result, Canon Inc. shareholders' equity as a percentage of total assets declined by 4.8 points to 53.8% compared to the end of the previous year.

(2) Cash flows

	Billions of yen		
	Six months ended June 30, 2025	Six months ended June 30, 2024	Change
Net cash provided by operating activities	158.9	242.0	(83.1)
Net cash used in investing activities	(124.2)	(148.9)	24.8
Free cash flow	34.7	93.0	(58.3)
Net cash provided by financial activities	187.4	67.8	119.6
Effect of exchange rate changes on cash and cash equivalents	(8.5)	31.4	(39.9)
Net change in cash and cash equivalents	213.6	192.2	21.4
Cash and cash equivalents at beginning of period	501.6	401.3	100.2
Cash and cash equivalents at end of period	715.2	593.5	121.6

In the first half of the year, cash flows from operating activities decreased by ¥83.1 billion year-on-year to ¥158.9 billion due to an increase in working capital, despite an increase in net income. While investment in production facilities remained at the same level as the same period of the previous year, cash flows from investing activities decreased by ¥24.8 billion year-on-year to ¥124.2 billion mainly due to the acquisition of Primagest, Inc. carried out in the same period of the previous year. Canon defines “free cash flow” as cash flows from operating activities less cash flows from investing activities. Free cash flow decreased by ¥58.3 billion compared with the previous year to ¥34.7 billion.

Cash flows from financing activities increased by ¥119.6 billion year-on-year as a result of the execution of short-term loans in response to an increase in necessary working capital, despite active returns to shareholders, including increased dividends and repurchases of treasury stock which were carried out two times, resulting in a cash inflow of ¥187.4 billion.

Owing to these factors, as well as the impact from foreign currency exchange adjustments, cash and cash equivalents increased by ¥213.6 billion to ¥715.2 billion from the end of the previous year.

(3) Non-GAAP Financial Measures

Canon has reported its financial results in accordance with U.S. GAAP. In addition, Canon has discussed its results using “free cash flow,” which is a non-GAAP measure.

Canon believes this measure, which takes into consideration its operating and investing activities, is beneficial to investor’s understanding of its current liquidity and the alternatives of uses in financing activities.

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

	Billions of yen
	Six months ended
	June 30, 2025
Net cash provided by operating activities	158.9
Net cash used in investing activities	(124.2)
Free cash flow	34.7

(4) Accounting Estimates and Assumptions

No material changes with respect to accounting estimates and assumptions have occurred during the six months ended June 30, 2025.

(5) Prioritized Management Issues to be Addressed

No material changes or issues with respect to prioritized business operations and finances have occurred during the six months ended June 30, 2025.

(6) Research and Development Expenses

Canon’s research and development expenses for the six months ended June 30, 2025 totaled ¥163.6 billion.

(7) Property, Plant and Equipment

(i) Major Property, Plant and Equipment

There were no significant changes to the status of existing major property, plant and equipment during the first half of 2025.

(ii) Prospect of Capital Investment in the first half of 2025

During the first half of 2025, there were no significant changes to the plans for major facility installations that were under consideration at the end of the previous consolidated fiscal year, nor were any major facility plans completed. In addition, there are no plans for the disposal of major facilities.

3. Material Business Agreements, etc.

No material contracts were entered into during the six months ended June 30, 2025.

III. 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 (June 30, 2025) (Shares)	Number of issued shares as of the filing date (August 7, 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	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, 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 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 as of the time of issuance of the stock acquisition rights certificates on March 24, 2025.

Notes

1. 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. 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), 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 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, 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 3,705 (Note 2) Amount incorporated into capital stock 1,853 (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 time of issuance of the stock acquisition rights certificates on April 30, 2025.

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 February 13, 2025.

- (ii) 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 June 30, 2025	-	1,333,763,464	-	174,762	-	306,288

(5) Major shareholders

(As of June 30, 2025)

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	167,634,500	18.59
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	61,717,800	6.85
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	2.50
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	North Quincy, United States (2-15-1, Konan, Minato-ku, Tokyo)	21,369,778	2.37
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	18,040,226	2.00
Moxley and Co. LLC *1 (Standing proxy: MUFG Bank, Ltd.)	New York, United States (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	13,214,116	1.47
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	1.45
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	1.34
JPMorgan Securities Japan Co., Ltd.	7-3 Marunouchi 2-chome, Chiyoda-ku, Tokyo	11,900,893	1.32
OBYASHI CORPORATION	2-15-2, Konan, Minato-ku, Tokyo	11,132,007	1.23
Total	—	352,768,360	39.13

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 432,211,159 shares (32.41% of total issued shares) of treasury stock.

(6) Voting Rights
(i) Issued shares

(As of June 30, 2025)

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 432,211,100	—	This is the standard of the Company's shares, whose holders have unlimited rights.
Shares with full voting rights (Others)	Common shares 900,173,400	9,001,734	Same as above
Shares less than one unit	Common shares 1,378,964	—	Same as above
Number of issued shares	1,333,763,464	—	—
Total number of voting rights	—	9,001,734	—

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

Treasury stock: 59 shares

(ii) Treasury Stock, etc.

(As of June 30, 2025)

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	432,211,100	—	432,211,100	32.41
Total	—	432,211,100	—	432,211,100	32.41

2. Information about directors

(1) Directors and Audit & Supervisory Board Members

There were no changes in Directors and Audit & Supervisory Board Members between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2024 and the end of the first half of 2025.

Changes in functions are below:

New Title	New Position	Former Title	Former Position	Name	Date of Change
Executive Vice President & CFO	Group Executive of Public Affairs HQ & Group Executive of Sustainability HQ & Senior General Manager of Corporate Governance	Executive Vice President & CFO	Group Executive of Public Affairs HQ & Senior General Manager of Corporate Governance	Toshizo Tanaka	April 1, 2025

(2) Executive Officers

There were no changes in members of executive officers between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2024 and the end of the first half of 2025.

Changes in functions are below:

New Title	New Position	Former Title	Former Position	Name	Date of Change
Managing Executive Officer	Group Executive of Core Technology Development HQ	Managing Executive Officer	Deputy Group Executive of Core Technology Development HQ	Katsuhiko Shinjo	April 1, 2025
Managing Executive Officer	Group Executive of Production Engineering HQ	Managing Executive Officer	President of Canon Machinery Inc.	Masaki Omori	April 1, 2025
Executive Officer	Executive Manager of Medical Systems and Components Operations	Executive Officer	Executive Manager of Medical Systems and Components Operations Senior General Manager of Smart Mobility Business Promotion Center	Hiroto Okawara	April 1, 2025

(3) The Number of Directors and Executive Officers by Gender

Males: 50, Females: 4 (Females account for 7.4% of the total.)

The total number consisted of 15 Directors or Corporate Auditors and 39 Executive Officers as of the submission date.

IV. Financial Information

1. Preparation of Consolidated Financial Statements

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 6, 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. In addition, the Company falls under the category of a company listed in the upper column of Item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, and has prepared its Type 1 consolidated financial statements in accordance with the provisions of Part 1 and Part 3 of the consolidated financial statement principles and regulations.

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 consolidated accounting period from January 1, 2025 to June 30, 2025 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen				
	June 30, 2025	%	December 31, 2024	%
Assets				
Current assets:				
Cash and cash equivalents (Notes 18 and 19)	715,178		501,565	
Short-term investments (Notes 2 and 18)	6,816		4,775	
Trade receivables (Note 3)	639,785		705,591	
Inventories (Note 4)	879,459		841,836	
Current lease receivables (Note 6)	159,090		167,612	
Prepaid expenses and other current assets (Notes 12, 14 and 18)	261,468		245,665	
Allowance for credit losses (Notes 3 and 6)	(16,569)		(16,961)	
Total current assets	2,645,227	44.3	2,450,083	42.5
Noncurrent receivables (Note 16)	29,819	0.5	29,614	0.5
Investments (Notes 2 and 18)	118,328	2.0	113,241	2.0
Property, plant and equipment, net (Note 5)	1,157,398	19.4	1,147,380	19.9
Operating lease right-of-use assets (Note 15)	122,335	2.0	136,717	2.4
Intangible assets, net (Note 7)	260,636	4.4	275,391	4.8
Goodwill (Note 7)	931,024	15.6	915,258	15.9
Noncurrent lease receivables (Note 6)	348,029	5.8	363,749	6.3
Other assets	361,415	6.1	339,569	5.8
Allowance for credit losses (Note 6)	(4,210)	(0.1)	(4,756)	(0.1)
Total assets	5,970,001	100.0	5,766,246	100.0

	Millions of yen			
	June 30, 2025	%	December 31, 2024	%
Liabilities and equity				
Current liabilities:				
Short-term loans and current portion of long-term debt (Notes 9 and 17)	688,004		318,330	
Short-term loans related to financial services	40,200		40,400	
Other short-term loans and current portion of long-term debt	647,804		277,930	
Trade payables (Note 8)	346,710		350,128	
Accrued income taxes	60,498		78,438	
Accrued expenses (Note 16)	393,482		433,329	
Current operating lease liabilities (Note 15)	40,009		41,876	
Other current liabilities (Notes 12, 14 and 18)	304,437		324,205	
Total current liabilities	1,833,140	30.7	1,546,306	26.8
Long-term debt, excluding current portion of long-term debt (Notes 9 and 17)	304,908	5.1	205,075	3.6
Accrued pension and severance cost	165,655	2.8	166,153	2.9
Noncurrent operating lease liabilities (Note 15)	85,409	1.4	98,219	1.7
Other noncurrent liabilities (Note 12)	99,835	1.7	105,442	1.8
Total liabilities	2,488,947	41.7	2,121,195	36.8
Equity:				
Canon Inc. shareholders' equity (Note 10):				
Common stock	174,762	2.9	174,762	3.0
[Number of authorized shares]	[3,000,000,000]		[3,000,000,000]	
[Number of issued shares]	[1,333,763,464]		[1,333,763,464]	
Additional paid-in capital	412,668	6.9	412,287	7.2
Legal reserve	62,183		61,893	
Other retained earnings	3,898,715		3,818,668	
Total retained earnings	3,960,898	66.4	3,880,561	67.2
Accumulated other comprehensive income (loss) (Note 11)	420,072	7.0	470,897	8.2
Treasury stock, at cost	(1,758,037)	(29.4)	(1,558,234)	(27.0)
[Number of shares]	[432,211,159]		[389,771,598]	
Total Canon Inc. shareholders' equity	3,210,363	53.8	3,380,273	58.6
Noncontrolling interests (Note 10)	270,691	4.5	264,778	4.6
Total equity (Note 10)	3,481,054	58.3	3,645,051	63.2
Total liabilities and equity	5,970,001	100.0	5,766,246	100.0

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

	Millions of yen			
	Six months ended June 30, 2025	%	Six months ended June 30, 2024	%
Net sales (Notes 6, 11, 12 and 14):				
Products and Equipment	1,742,661		1,701,944	
Services	455,906		454,361	
	2,198,567	100.0	2,156,305	100.0
Cost of sales (Notes 15 and 19):				
Products and Equipment	954,711		915,331	
Services	208,143		210,944	
	1,162,854	52.9	1,126,275	52.2
Gross profit	1,035,713	47.1	1,030,030	47.8
Operating expenses (Notes 11, 15 and 19):				
Selling, general and administrative expenses	657,785	30.0	667,046	31.0
Research and development expenses	163,620	7.4	164,510	7.6
	821,405	37.4	831,556	38.6
Operating profit	214,308	9.7	198,474	9.2
Other income (deductions):				
Interest and dividend income	7,543		7,729	
Interest expense	(2,990)		(1,475)	
Other, net (Notes 2, 11, 14 and 19)	3,458		16,719	
	8,011	0.4	22,973	1.1
Income before income taxes	222,319	10.1	221,447	10.3
Income taxes	53,970	2.4	61,770	2.9
Consolidated net income	168,349	7.7	159,677	7.4
Less: Net income attributable to noncontrolling interests	12,445	0.6	9,871	0.5
Net income attributable to Canon Inc.	155,904	7.1	149,806	6.9
	Yen		Yen	
Net income attributable to Canon Inc. shareholders per share (Note 13):				
Basic	169.16		152.53	
Diluted	169.06		152.45	

Consolidated Statement of Comprehensive Income

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Consolidated net income	168,349	159,677
Other comprehensive income (loss), net of tax (Note 11):		
Foreign currency translation adjustments	(55,671)	215,648
Net unrealized gains and losses on securities	4	21
Net gains and losses on derivative instruments	1,413	(4,021)
Pension liability adjustments	2,533	3,561
	(51,721)	215,209
Comprehensive income (loss) (Note 10):	116,628	374,886
Less: Comprehensive income attributable to noncontrolling interests	11,548	11,613
Comprehensive income (loss) attributable to Canon Inc.	105,080	363,273

(3) Consolidated Statement of Cash Flows

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Cash flows from operating activities:		
Consolidated net income	168,349	159,677
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	108,743	113,345
Loss on disposal of fixed assets	44	520
Deferred income taxes	(17,053)	(9,193)
Decrease in trade receivables	44,745	15,246
Increase in inventories	(50,788)	(57,966)
Increase in lease receivables (Note 6)	(4,905)	(22,685)
Increase in trade payables	4,142	49,900
Increase (decrease) in accrued income taxes	(17,775)	11,297
Decrease in accrued expenses	(33,845)	(13,359)
Decrease in accrued pension and severance cost	(9,491)	(18,575)
Other, net (Note 15)	(33,274)	13,774
Net cash provided by operating activities	158,892	241,981
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	(119,210)	(114,768)
Proceeds from sale of fixed assets (Note 5)	1,515	1,985
Purchases of securities	(6,658)	(2,785)
Proceeds from sale and maturity of securities	4,024	3,595
Acquisitions of businesses, net of cash acquired (Note 7)	(539)	(32,672)
Other, net	(3,292)	(4,297)
Net cash used in investing activities	(124,160)	(148,942)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt (Note 9)	-	100,000
Repayments of long-term debt	(1,238)	(1,159)
Decrease (increase) in short-term loans related to financial services, net (Note 9)	(200)	3,100
Increase in other short-term loans, net (Note 9)	470,000	140,000
Dividends paid	(75,520)	(69,146)
Repurchases and reissuance of treasury stock, net	(200,011)	(100,016)
Other, net	(5,644)	(4,974)
Net cash provided by financing activities	187,387	67,805
Effect of exchange rate changes on cash and cash equivalents	(8,506)	31,374
Net change in cash and cash equivalents	213,613	192,218
Cash and cash equivalents at beginning of period	501,565	401,323
Cash and cash equivalents at end of period	715,178	593,541
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	2,810	1,464
Income taxes	89,565	67,775

(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 the recognition and measurement criteria of U.S. GAAP. Certain footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The number of consolidated subsidiaries and affiliated companies that were accounted for by the equity method as of June 30, 2025 and December 31, 2024 are summarized as follows:

	June 30, 2025	December 31, 2024
Consolidated subsidiaries	327	334
Affiliated companies	10	10
Total	337	344

The main accounting principles, procedures, and presentation methods adopted by Canon (Canon Inc. and its subsidiaries) that differ from the Japanese consolidated financial statement principles and regulations are as follows. For items of significant monetary importance, Canon also disclose the impact on 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 ¥7,070 million (decrease in profit) and ¥1,318 million (decrease in profit) for the six months ended June 30, 2025 and 2024, respectively.
- (ii) Share issuance cost is deducted from additional paid-in capital after tax effects adjustment.
- (iii) Derivatives is in accordance with ASC 815 "Derivatives and Hedging Activities".
- (iv) Goodwill and other intangible assets with indefinite useful lives are in accordance with ASC 350 "Intangibles - Goodwill and Other", they are not amortized but are instead tested for impairment at least annually.
- (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 consolidated 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.

(b) 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.

(c) Recent Accounting Guidance

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 contain 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, and 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

There were no held-to-maturity debt securities at June 30, 2025. Held-to-maturity debt securities included in short-term investments in the accompanying consolidated balance sheet were ¥142 million as for December 31, 2024.

The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale debt securities included in investments by major security type at June 30, 2025 and December 31, 2024 are as follows:

Millions of yen			
June 30, 2025			
Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Noncurrent:			
Corporate bonds	20,179	104	20,228
	<u>20,179</u>	<u>104</u>	<u>20,228</u>

Millions of yen			
December 31, 2024			
Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Noncurrent:			
Corporate bonds	16,636	96	16,679
	<u>16,636</u>	<u>96</u>	<u>16,679</u>

Maturities of available-for-sale debt securities included in investments in the accompanying consolidated balance sheet at June 30, 2025 are as follows:

Millions of yen	
Fair value	
Due after one year through five years	20,228
Total	<u>20,228</u>

The unrealized and realized gains and losses related to equity securities for the six months ended June 30, 2025 and 2024 are as follows:

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Net gains (losses) recognized during the period on equity securities	1,761	1,216
Less: Net gains (losses) recognized during the period on equity securities sold during the period	369	(20)
Unrealized gains (losses) recognized during the period on equity securities still held at June 30	1,392	1,236

The carrying amount of non-marketable equity securities without readily determinable fair value totaled ¥11,615 million and ¥11,067 million at June 30, 2025 and December 31, 2024, respectively. The impairment or other adjustments resulting from observable price changes recorded during the six months ended June 30, 2025 and 2024 were not significant.

Time deposits with original maturities of more than three months or less than one year are ¥6,816 million and ¥4,633 million at June 30, 2025 and December 31, 2024, respectively, and are included in short-term investments in the accompanying consolidated balance sheet. Time deposits with original maturities of more than one year are ¥26,799 million and ¥26,665 million at June 30, 2025 and December 31, 2024 are included in investments in the accompanying consolidated balance sheet.

(3) Trade Receivables

Trade receivables at June 30, 2025 and December 31, 2024 are as follows:

	Millions of yen	
	June 30, 2025	December 31, 2024
Notes	29,907	33,541
Accounts	609,878	672,050
Trade receivables	639,785	705,591
Allowance for credit losses	(14,701)	(14,856)
	<u>625,084</u>	<u>690,735</u>

(4) Inventories

Inventories at June 30, 2025 and December 31, 2024 are as follows:

	Millions of yen	
	June 30, 2025	December 31, 2024
Finished goods	540,928	521,961
Work in process	268,925	250,939
Raw materials	69,606	68,936
	<u>879,459</u>	<u>841,836</u>

(5) Property, Plant and Equipment, net

Property, plant and equipment at June 30, 2025 and December 31, 2024 are as follows:

	Millions of yen	
	June 30, 2025	December 31, 2024
Land	285,068	286,826
Buildings	1,895,982	1,905,387
Machinery and equipment	2,033,353	2,043,569
Construction in progress	130,711	105,917
Finance lease right-of-use assets	8,918	9,008
Cost	<u>4,354,032</u>	<u>4,350,707</u>
Less: accumulated depreciation	<u>(3,196,634)</u>	<u>(3,203,327)</u>
Property, plant and equipment, net	<u>1,157,398</u>	<u>1,147,380</u>

Fixed assets presented in the consolidated statement of cash flows includes property, plant and equipment and intangible assets.

(6) Lessor Accounting

Supplemental income statement information is as follows:

Lease income is included in products and equipment sales in the accompanying consolidated statements of income.

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Lease income - sales-type and direct financing leases		
Revenue at lease commencement	73,767	76,319
Interest income on lease receivables	16,897	15,662
Sales-type and direct financing leases income total	90,664	91,981
Lease income – operating leases	19,654	21,075
Variable lease income	3,417	3,317
Total lease income	113,735	116,373

Information about Lease Receivables

Lease receivables represent financing leases, which consist of sales-type leases and direct financing leases primarily arising from the sale of our products and related equipment. These receivables typically have terms ranging from 1 year to 20 years. Lease receivables are ¥507,119 million and ¥531,361 million at June 30, 2025 and December 31, 2024, respectively.

The activities in the allowance for credit losses are as follows:

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Balance at beginning of period	6,861	5,871
Write-offs	(1,376)	(1,688)
Provision	900	1,344
Other	(308)	1,042
Balance at end of period	6,077	6,569

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 June 30, 2025 and December 31, 2024 are not significant.

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.” There were no transfers of lease receivables for the six months ended June 30, 2024 while the transfers of lease receivables were ¥22,224 million for the six months ended June 30, 2025. The amount that remained uncollected was ¥75,176 million and ¥72,969 million at June 30, 2025 and December 31, 2024, respectively. Cash proceeds from the transactions are included in increase in lease receivables under the cash flows from operating activities in the consolidated statements 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 June 30, 2025 and December 31, 2024. Canon also retains limited recourse obligations which cover credit defaults. The recourse obligations were not significant at June 30, 2025 and December 31, 2024.

(7) Acquisitions

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

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

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

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

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

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

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

(8) Trade Payables

Trade payables at June 30, 2025 and December 31, 2024 are as follows:

	Millions of yen	
	June 30, 2025	December 31, 2024
Notes payables	64,442	78,485
Accounts payables	282,268	271,643
	<u>346,710</u>	<u>350,128</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 mainly included in the above trade payables, as of June 30, 2025 and December 31, 2024 were ¥74,021 million and ¥91,407 million, respectively.

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

	Millions of yen	
	June 30, 2025	June 30, 2024
Balance at beginning of period	91,407	87,026
Increase	156,700	155,424
Decrease	(174,087)	(139,396)
Others	1	9
Balance at end of period	<u>74,021</u>	<u>103,063</u>

(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 June 30, 2025 and December 31, 2024 were ¥40,200 million and ¥40,400 million, and other short-term loans consisting of bank loans were ¥546,182 million and ¥276,106 million, respectively.

Canon has unsecured long-term loans consisting of bank loans, which were ¥401,801 million at a floating average interest of 1.04% as of June 30, 2025. The repayment period are from 2026 to 2030.

The above bank loans include a long-term loan of ¥200,000 million and a short-term loan of ¥200,000 million executed on July 23, 2025. These transactions are presented in the consolidated balance sheet as a reclassification from "other short-term loans and current portion of long-term debt" to "long-term debt, excluding current portion of long-term debt".

(10) Equity

The changes in the carrying amounts of total equity, equity attributable to Canon Inc. shareholders and equity attributable to noncontrolling interests in the consolidated balance sheet for the six months ended June 30, 2025 and 2024 are as follows:

Six months ended June 30, 2025

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings			Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Noncontrolling interests	Total equity
			Legal reserve	Other retained earnings	Total retained earnings					
Balance at December 31, 2024	174,762	412,287	61,893	3,818,668	3,880,561	470,897	(1,558,234)	3,380,273	264,778	3,645,051
Equity transactions with noncontrolling interests and other		542		-	-	(1)		541	33	574
Dividends to Canon Inc. shareholders (80.00 yen per share)				(75,520)	(75,520)			(75,520)		(75,520)
Dividends to noncontrolling interests									(5,673)	(5,673)
Acquisition of subsidiaries									5	5
Transfer to legal reserve			290	△290	-			-		-
Comprehensive income:										
I Net income				155,904	155,904			155,904	12,445	168,349
II Other comprehensive income (loss) - net of tax										
I Foreign currency translation adjustments						(54,901)		(54,901)	(770)	(55,671)
II Net unrealized gains and losses on securities						4		4		4
III Net gains and losses on derivative instruments						1,479		1,479	(66)	1,413
IV Pension liability adjustments						2,594		2,594	(61)	2,533
Total comprehensive income (loss)								105,080	11,548	116,628
Repurchases and reissuance of treasury stock		(161)		(47)	(47)		(199,803)	(200,011)		(200,011)
Balance at June 30, 2025	174,762	412,668	62,183	3,898,715	3,960,898	420,072	(1,758,037)	3,210,363	270,691	3,481,054

Six months ended June 30, 2024

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings			Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Noncontrolling interests	Total equity
			Legal reserve	Other retained earnings	Total retained earnings					
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		335		(762)	(762)			(427)	43	(384)
Dividends to Canon Inc. shareholders (70.00 yen per share)				(69,146)	(69,146)			(69,146)		(69,146)
Dividends to noncontrolling interests									(4,973)	(4,973)
Acquisition of subsidiaries									785	785
Transfer to legal reserve			189	(189)	-			-		-
Comprehensive income:										
I Net income				149,806	149,806			149,806	9,871	159,677
II Other comprehensive income (loss) - net of tax										
I Foreign currency translation adjustments						214,038		214,038	1,610	215,648
II Net unrealized gains and losses on securities						21		21		21
III Net gains and losses on derivative instruments						(4,029)		(4,029)	8	(4,021)
IV Pension liability adjustments						3,437		3,437	124	3,561
Total comprehensive income (loss)								363,273	11,613	374,886
Repurchases and reissuance of treasury stock		(58)		(18)	(18)		(99,940)	(100,016)		(100,016)
Balance at June 30, 2024	174,762	405,212	61,823	3,880,903	3,942,726	482,225	(1,458,219)	3,546,706	260,153	3,806,859

(11) Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2025 and 2024 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, 2024	519,361	31	(1,519)	(46,976)	470,897
Other comprehensive income (loss) before reclassifications	(55,446)	55	881	568	(53,942)
Amounts reclassified from accumulated other comprehensive income (loss)	544	(51)	598	2,026	3,117
Net change during the period	(54,902)	4	1,479	2,594	(50,825)
Balance at June 30, 2025	464,459	35	(40)	(44,382)	420,072

	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	214,038	55	(4,609)	1,278	210,762
Amounts reclassified from accumulated other comprehensive income (loss)	-	(34)	580	2,159	2,705
Net change during the period	214,038	21	(4,029)	3,437	213,467
Balance at June 30, 2024	588,975	47	(3,105)	(103,692)	482,225

Reclassifications out of accumulated other comprehensive income (loss) for the six months ended June 30, 2025 and 2024 are as follows:

Millions of yen			
Amount reclassified from accumulated other comprehensive income (loss) *			
	Six months ended June 30, 2025	Six months ended June 30, 2024	Affected line items in consolidated statements of income
Foreign currency translation adjustments			
	793	-	Selling, general and administrative expenses
	(249)	-	Income taxes
	544	-	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	544	-	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities			
	(64)	(43)	Other, net
	13	9	Income taxes
	(51)	(34)	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	(51)	(34)	Net income attributable to Canon Inc.
Gains and losses on derivative instruments			
	637	758	Net sales
	(73)	(246)	Income taxes
	564	512	Consolidated net income
	34	68	Net income attributable to noncontrolling interests
	598	580	Net income attributable to Canon Inc.
Pension liability adjustments			
	2,192	2,315	Other, net
	(365)	(358)	Income taxes
	1,827	1,957	Consolidated net income
	199	202	Net income attributable to noncontrolling interests
	2,026	2,159	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	3,117	2,705	

* Amounts in parentheses indicate gains in the consolidated statements of income.

(12) Revenue

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 June 30, 2025 and December 31, 2024 were ¥47,988 million and ¥46,046 million, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheet.

Canon typically bills to the customer when the performance obligation is satisfied and collects the payment in relatively short term except for certain maintenance service of the products of the Printing Business Unit and the Medical Business Unit and certain industrial equipment for which Canon occasionally receives the payment in advance from customers. The amount received in excess of revenue recognized is recorded as deferred revenue until the performance obligation for distinct goods or services are satisfied. Deferred revenue at June 30, 2025 and December 31, 2024 were ¥171,123 million and ¥178,436 million, respectively, ¥152,839 million and ¥159,326 million of which is included in other current liabilities, and ¥18,284 million and ¥19,110 million in other non-current liabilities in the accompanying consolidated balance sheet. Revenue recognized for the six months ended June 30, 2025, which had been included in the deferred revenue balance at December 31, 2024, was ¥94,037 million.

Remaining performance obligations for products and equipment at June 30, 2025 primarily arise from the sales of certain industrial equipment, amounting to ¥131,204 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 June 30, 2025 amounting to ¥218,670 million, 37% of which is expected to be recognized as revenue within one year and the average remaining period for these fixed contracts is about 3 years. Disclosure of remaining performance obligations is not required for the majority of services since the related revenue is recognized on an as billed basis applying the right to invoice practical expedient or is generated from the contracts with original expected duration of less than one year.

Disaggregated revenues by business unit, product and geographic area are described in Note 20.

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

Reconciliations of the numerators and denominators of basic and diluted net income attributable to Canon Inc. shareholders per share computations for the six months ended June 30, 2025 and 2024 are as follows:

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Basic net income attributable to Canon Inc.	155,904	149,806
Diluted net income attributable to Canon Inc.	155,900	149,803
	Number of shares	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Weighted average common shares outstanding	921,617,922	982,145,453
Effect of dilutive securities:		
Stock options	533,986	458,179
Diluted common shares outstanding	922,151,908	982,603,632
	Yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Net income attributable to Canon Inc. shareholders per share:		
Basic	169.16	152.53
Diluted	169.06	152.45

During the six months ended June 30, 2025 and 2024, there were dilutive effects from the stock options granted by the Company.

(14) 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 June 30, 2025 are expected to be recognized in net sales over the next twelve months. Changes in the fair value of a foreign exchange contract for the period between the date that the forecasted intercompany sales occur and its maturity date are recognized in earnings.

Derivatives not designated as hedges

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

Contract amounts of foreign exchange contracts at June 30, 2025 and December 31, 2024 are set forth below:

	Millions of yen	
	June 30, 2025	December 31, 2024
To sell foreign currencies	222,877	180,366
To buy foreign currencies	7,620	18,836

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 sheet at June 30, 2025 and December 31, 2024.

Derivatives designated as hedging instruments

		Millions of yen	
		Fair value	
		June 30, 2025	December 31, 2024
Assets:	Account		
Foreign exchange contracts	Prepaid expenses and other current assets	1,293	184
Liabilities:			
Foreign exchange contracts	Other current liabilities	1,217	1,690

Derivatives not designated as hedging instruments

		Millions of yen	
		Fair value	
		June 30, 2025	December 31, 2024
Assets:	Account		
Foreign exchange contracts	Prepaid expenses and other current assets	107	42
Liabilities:			
Foreign exchange contracts	Other current liabilities	3,253	1,690

Effect of derivative instruments in the consolidated statement of income

The following tables present the effect of Canon's derivative instruments in the consolidated statement of income for the six months ended June 30, 2025 and 2024.

Derivatives in cash flow hedging relationships

Six months ended June 30, 2025	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Account	Amount
Foreign exchange contracts	1,095	Net sales	(637)

Six months ended June 30, 2024	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Account	Amount
Foreign exchange contracts	(6,499)	Net sales	(758)

Derivatives not designated as hedging instruments

Six months ended June 30, 2025	Millions of yen	
	Gain (loss) recognized in income on derivative	
	Account	Amount
Foreign exchange contracts	Other, net	(1,771)

Six months ended June 30, 2024	Millions of yen	
	Gain (loss) recognized in income on derivative	
	Account	Amount
Foreign exchange contracts	Other, net	(15,818)

(15) Lessee Accounting

Supplemental income statement information is as follows:

Lease costs are included in cost of sales or selling general and administrative expense in the accompanying consolidated statements of income.

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Operating lease cost	26,990	27,533
Short-term lease cost	8,203	7,743
Other lease cost	176	185
Total	35,369	35,461

Operating lease cash flow

Supplemental cash flow information is as follows.

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	25,146	23,371
Noncash activity - Rights of use assets obtained in exchange for lease liabilities		
Operating leases	14,645	29,693

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at June 30, 2025.

	Millions of yen
Within one year	43,172
Two years	31,288
Three years	20,589
Four years	13,679
Five years	9,368
Thereafter	20,230
Total future minimum lease payments	138,326
Less Imputed Interest	(12,908)
Total	125,418

(16) Commitments and Contingent Liabilities

Commitments

As of June 30, 2025, commitments outstanding for the purchase of property, plant and equipment approximated ¥79,428 million, and commitments outstanding for the purchase of parts and raw materials approximated ¥190,368 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 to ¥11,973 million and ¥12,328 million at June 30, 2025 and December 31, 2024, respectively, and are included in noncurrent receivables in the accompanying consolidated balance sheet.

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

Canon would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are 1 year to 9 years in case of employees with housing loans, and 1 year to 5 years in case of affiliates and other companies with lease obligations and bank loans. The maximum amount of undiscounted payments Canon would have had to make in the event of default is ¥1,626 million at June 30, 2025. The carrying amounts of the liabilities recognized for Canon's obligations as a guarantor under those guarantees at June 30, 2025 were not significant.

Canon also offers assurance-type warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period. 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 changes for the six months ended June 30, 2025 and 2024 are summarized as follows:

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Balance at beginning of period	23,685	23,290
Additions	12,514	11,659
Utilization	(10,986)	(11,362)
Other	(1,196)	(353)
Balance at end of period	24,017	23,234

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.

(17) 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 June 30, 2025 and December 31, 2024 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 18, and Note 14, respectively.

Liabilities are presented in ().

	Millions of yen			
	June 30, 2025		December 31, 2024	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt, including current portion of long-term debt	(401,901)	(401,811)	(202,031)	(201,944)

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

Long-term debt

Canon's long-term debt instruments are classified as Level 2 instruments and valued based on the present value of future cash flows associated with each instrument discounted using current market borrowing rates for similar debt instruments of comparable maturity. The levels are more fully described in Note 18.

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 June 30, 2025 and December 31, 2024.

(18) 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 June 30, 2025 and December 31, 2024.

	Millions of yen			
	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	—	820	—	820
Investments:				
Available-for-sale:				
Corporate bonds	—	20,228	—	20,228
Fund trusts and others	3,731	488	—	4,219
Equity securities	26,441	—	—	26,441
Prepaid expenses				
and other current assets:				
Derivatives	—	1,400	—	1,400
Total assets	30,172	22,936	—	53,108
Liabilities:				
Other current liabilities:				
Derivatives	—	4,470	—	4,470
Total liabilities	—	4,470	—	4,470

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

Level 1 investments are comprised principally of Japanese equity securities, which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Level 2 assets and liabilities are comprised principally of cash and cash equivalents, corporate bonds included investments, and derivatives. Cash and cash equivalents, corporate bonds included in investments are valued using quoted prices for identical assets in markets that are not active or quotes obtained from counterparties or third parties.

Derivative financial instruments are comprised of foreign exchange contracts. Level 2 derivatives are valued using quotes obtained from counterparties or third parties, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates, based on market approach.

Assets and liabilities measured at fair value on a nonrecurring basis

There were no significant assets or liabilities to be measured at fair value on a nonrecurring basis during the year ended June 30, 2025. Assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2024 as follows.

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.

(19) Supplemental Information

Foreign Currency Exchange Gains and Losses

Gains and losses resulting from foreign currency transactions, including foreign exchange contracts, and translation of assets and liabilities denominated in foreign currencies are included in other, net of other income (deductions) in the consolidated statement of income. Foreign currency exchange gains and losses were a net loss of ¥11,318 million and a net gain of ¥2,126 million for the six months ended June 30, 2025 and 2024, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were ¥19,285 million and ¥20,673 million for the six months ended June 30, 2025 and 2024, respectively, and are included in selling, general and administrative expenses in the consolidated statement of income.

Shipping and Handling Costs

Shipping and handling costs totaled ¥34,581 million and ¥34,260 million for the six months ended June 30, 2025 and 2024, respectively, and are included in selling, general and administrative expenses in the consolidated statement of income.

Components of Net Periodic Benefit Cost

Net periodic benefit cost for Canon's employee retirement and severance defined benefit plans for the six months ended June 30, 2025 and 2024 consisted of the following components:

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.

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Service cost	11,466	12,674
Interest cost	14,175	13,576
Expected return on plan assets	(21,984)	(22,039)
Amortization of prior service credit	(1,339)	(2,434)
Amortization of actuarial loss	3,531	4,749
	<u>5,849</u>	<u>6,526</u>

Cash Equivalents

Certain debt securities with original maturities of less than three months, classified as available-for-sale debt securities of ¥820 million and ¥1,500 million at June 30, 2025 and December 31, 2024, respectively, are included in cash and cash equivalents in the consolidated balance sheet. Fair value for these securities approximates their cost.

(20) Segment Information

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

In order to manage the performance of each reportable segment more appropriately, Canon has changed its performance management method regarding intercompany transactions for Industrial Business Unit from the beginning of the first quarter of 2025. Operating results for the six months ended June 30, 2024 have also been reclassified.

The primary products included in each segment are as follows:

Printing Business Unit:	Digital continuous feed presses / Digital sheet-fed presses / Large format printers / Office multifunction devices (MFDs) / Document solutions/ Laser multifunction printers (MFPs) / Laser printers / Inkjet printers / Image scanners / Calculators
Medical Business Unit:	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
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 (Flat panel display) 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 the accounting policies used in Canon's consolidated financial statements. Canon evaluates performance of, and allocates resources to, each segment based on income before income taxes.

Information about operating results for each segment for the six months ended June 30, 2025 and 2024 is as follows:

Consolidated statement of income, depreciation and amortization, and capital expenditures by business unit

	Millions of yen						
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2025:							
Net sales:							
External customers	1,218,306	278,985	472,589	157,959	70,728	—	2,198,567
Intersegment	3,271	307	175	1,881	45,929	(51,563)	—
Total	1,221,577	279,292	472,764	159,840	116,657	(51,563)	2,198,567
Cost of sales	653,765	155,311	220,713	91,313	93,978	(52,226)	1,162,854
Gross profit	567,812	123,981	252,051	68,527	22,679	663	1,035,713
Research and development expenses	46,791	24,244	51,974	15,222	25,389	—	163,620
Selling, general and administrative expenses	371,036	87,945	129,757	27,218	41,528	301	657,785
Operating profit	149,985	11,792	70,320	26,087	(44,238)	362	214,308
Other income (deductions)	10,011	270	2,054	1,301	(5,626)	1	8,011
Income before income taxes	159,996	12,062	72,374	27,388	(49,864)	363	222,319
Depreciation and amortization	29,339	6,556	9,825	5,484	57,539	—	108,743
Capital expenditures	34,593	7,723	18,873	7,916	47,414	—	116,519

Millions of yen							
	Printing	Medical	Imaging	Industrial	Others and Corporate	Eliminations	Consolidated
2024:							
Net sales:							
External customers	1,230,823	274,959	420,126	157,662	72,735	—	2,156,305
Intersegment	3,955	248	139	2,949	42,282	(49,573)	—
Total	1,234,778	275,207	420,265	160,611	115,017	(49,573)	2,156,305
Cost of sales	657,665	149,174	190,757	91,799	88,163	(51,283)	1,126,275
Gross profit	577,113	126,033	229,508	68,812	26,854	1,710	1,030,030
Research and development expenses	50,104	24,962	48,894	14,555	25,995	—	164,510
Selling, general and administrative expenses	382,295	90,000	125,348	24,293	44,486	624	667,046
Operating profit	144,714	11,071	55,266	29,964	(43,627)	1,086	198,474
Other income (deductions)	7,804	363	1,349	686	12,771	—	22,973
Income before income taxes	152,518	11,434	56,615	30,650	(30,856)	1,086	221,447
Depreciation and amortization	30,362	6,580	9,370	5,267	61,766	—	113,345
Capital expenditures	35,447	8,733	19,772	4,231	58,829	—	127,012

Total assets by business unit

Millions of yen			
	June 30, 2025	December 31, 2024	Change
Printing	1,281,133	1,354,948	(73,815)
Medical	410,925	421,453	(10,528)
Imaging	439,033	425,515	13,518
Industrial	253,069	238,625	14,444
Others and Corporate	3,588,948	3,329,047	259,901
Eliminations	(3,107)	(3,342)	235
Consolidated	5,970,001	5,766,246	203,755

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 expenses include personnel expenses as a main component.

Information about sales by product and service to external customers by business unit for the six months ended June 30, 2025 and 2024 is as follows:

	Millions of yen	
	Six months ended June 30, 2025	Six months ended June 30, 2024
Printing		
Production	202,815	210,012
Office multifunction devices	309,651	325,861
Office others	214,356	201,204
Office	524,007	527,065
Laser printers	327,339	323,546
Inkjet printers and Others	164,145	170,200
Prosumer	491,484	493,746
Total	1,218,306	1,230,823
Medical		
Diagnostic equipment	278,985	274,959
Imaging		
Cameras	273,426	257,286
Network cameras and Others	199,163	162,840
Total	472,589	420,126
Industrial		
Optical equipment	111,721	108,333
Industrial equipment	46,238	49,329
Total	157,959	157,662
Others and Corporate	70,728	72,735
Consolidated	2,198,567	2,156,305

Information by major geographic area for the six months ended June 30, 2025 and 2024 is as follows:

		Millions of yen				
		Japan	Americas	Europe	Asia and Oceania	Total
2025:						
Net sales:		481,043	700,024	569,564	447,936	2,198,567
2024:						
Net sales:		480,338	677,552	555,906	442,509	2,156,305

Net sales are attributed to areas based on the customer destination.

(21) Subsequent Events

Canon evaluated the subsequent events up to August 7, 2025, the filing date of Semi-annual Securities Report.

Acquisition of treasury stock

Canon passed a Board of Directors' resolution on July 29, 2025, regarding the acquisition of its own shares under Article 156, as applied pursuant to paragraph 3, Article 165, of the Corporation Law, as follows:

1. Purpose of acquisition of own shares

Canon aims to further raise corporate value through active growth investment and works to enhance shareholder return by improving capital efficiency. As a part of this shareholder return policy, Canon decided to acquire its own shares.

2. Type and total number of shares to be acquired: Share of common stock, up to 32,000,000 shares

3. Total cost of acquisition: Up to ¥100,000 million

4. Period of acquisition: From July 30, 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

Borrowing Funds

Canon borrowed funds as follows under its existing overdraft facilities with Sumitomo Mitsui Banking Corporation.

- | | |
|----------------------|-------------------------------------|
| 1. Use of funds: | Operating funds |
| 2. Borrowing date: | August 6, 2025 |
| 3. Lender: | Sumitomo Mitsui Banking Corporation |
| 4. Borrowing amount: | ¥100,000 million |
| 5. Interest rate: | Base rate plus a spread |

2. Other Information

The Board of Directors approved an interim cash dividend at the meeting held on July 24, 2025 as below:

1. Total amount of interim cash dividends:

72,124 million yen

2. Amount of an interim cash dividend per share:

80 yen

3. Payment date:

August 25, 2025

Note:

The interim dividend is paid to registered shareholders as of June 30, 2025.

Part 2 Information on Reporting Company's Guarantor, etc.

Not applicable.

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 7, 2025

To the Board of Directors of
Canon Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Shuichi Morishige

Designated Engagement Partner,
Certified Public Accountant:

Susumu Nakamura

Designated Engagement Partner,
Certified Public Accountant:

Hideaki Takagi

Designated Engagement Partner,
Certified Public Accountant:

Masayoshi Nakai

Accountant's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the interim consolidated financial statements of Canon Inc. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the interim consolidated balance sheet as of June 30, 2025, and the interim consolidated statement of income, interim consolidated statement of comprehensive income and interim consolidated statement of cash flows for the six-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2025, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America (refer to Note 1 of the notes to interim consolidated financial statements) pursuant to the provisions of the sixth paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002).

Basis for Accountant's Conclusion

We conducted our review in accordance with interim review standards generally accepted in Japan. Our responsibility under those standards is further described in the Accountant's Responsibility for the Review of the Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the

ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as accountants. We believe that we have obtained the evidence to provide a basis for our review conclusion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (refer to Note 1 of the notes to interim consolidated financial statements), and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim 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 (refer to Note 1 of the notes to interim consolidated financial statements) and using the going concern basis of accounting.

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.

Accountant's Responsibility for the Review of the Interim Consolidated Financial Statements

Our objective is to issue an accountant's report that includes our conclusion.

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

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other interim review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude whether nothing has come to our attention, based on the evidence obtained, related to going concern that causes us to believe that the interim consolidated financial statements are not fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America (refer to Note 1 of the notes to interim consolidated financial statements), if we conclude that 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 accountant's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the overall presentation and disclosures of the interim consolidated financial statements are not in accordance with accounting principles generally accepted in the United States of America (refer to Note 1 of the notes to interim consolidated financial statements), as well as the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether nothing has come to our attention that causes us to believe that the interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business units within the Group as a basis for forming a conclusion on the interim consolidated financial statements. We are responsible for the direction, supervision and review of the review of the interim consolidated financial statements. We remain solely responsible for our conclusion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board

regarding the planned scope and timing of the review and significant findings that we identify during our review.

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.

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 Accountant's Review Report

This is an English translation of the independent accountant's review report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.