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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, 2026

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.

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[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 6, 2026
[Accounting Period]	The First Half of the 126th Fiscal Year （from January 1, 2026 to June 30, 2026）
[Company Name]	Canon Kabushiki-Kaisha
[Company Name in English]	CANON INC.
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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 position 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 126th fiscal year	The first half of the 125th fiscal year	The 125th fiscal year
Accounting Period		Six months ended June 30, 2026	Six months ended June 30, 2025	Year ended December 31, 2025
Net sales	(Millions of yen)	2,274,542	2,198,567	4,624,727
Income before income taxes	(Millions of yen)	252,074	222,319	482,059
Net income attributable to Canon Inc.	(Millions of yen)	171,184	155,904	332,053
Comprehensive income (loss)	(Millions of yen)	214,913	116,628	597,419
Canon Inc. shareholders' equity	(Millions of yen)	3,483,846	3,210,363	3,491,808
Total equity	(Millions of yen)	3,687,079	3,481,054	3,774,128
Total assets	(Millions of yen)	6,378,155	5,970,001	6,135,044
Basic net income attributable to Canon Inc. shareholders per share	(Yen)	197.51	169.16	367.48
Diluted net income attributable to Canon Inc. shareholders per share	(Yen)	197.36	169.06	367.25
Canon Inc. shareholders' equity to total assets ratio	(%)	54.6	53.8	56.9
Net cash provided by operating activities	(Millions of yen)	205,421	158,892	475,903
Net cash used in investing activities	(Millions of yen)	(103,042)	(124,160)	(237,450)
Net cash provided by (used in) financing activities	(Millions of yen)	35,778	187,387	(179,221)
Cash and cash equivalents at end of period	(Millions of yen)	731,922	715,178	585,981

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, 320 consolidated subsidiaries, and 9 affiliates accounted for using the equity method, as of June 30, 2026, 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, 2026.

No additions or removals of significant group entities have occurred during the six months ended June 30, 2026.

II. Business Overview

1. Business Risks

No new material risks have been identified during the six months ended June 30, 2026. 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 Position, Operating Results and Cash Flows

(1) Summary of operating results and financial position

(i) Operating Results

Looking back at the first half of 2026, although geopolitical uncertainties persisted and economic conditions varied from one region to another, the global economy overall continued to grow at a moderate pace. By region, in the U.S., the economy remained resilient, supported by job market stability and AI-related investment. In Europe, growth remained moderate due in part to rising energy prices. In China, although economic activity was boosted by high-tech industries and exports, the real estate market continued to stagnate. In other regions, growth remained generally stable. In Japan, the economy experienced only a moderate recovery.

In the markets in which Canon operates, investments aimed at improving productivity in the field of commercial printing resumed, particularly in Europe and the U.S. For office multifunction devices (MFDs), market conditions remained weak amid restrained corporate investment in the U.S., while demand in Europe was also sluggish due in part to the impact of the conflict in the Middle East. Although the inkjet printer market continued to decline, demand for refillable ink tank models remained solid. The market for laser printers also continued to weaken, mainly due to restrained corporate investment. For medical equipment, demand remained firm, particularly in emerging markets. For cameras, although the market was affected by conditions in the Middle East, demand for mirrorless cameras and compact cameras remained solid. As for semiconductor lithography equipment, demand related to generative AI continued to expand, supported by increased AI-related investment. For FPD (Flat Panel Display) lithography equipment, demand weakened as panel manufacturers restrained investment due to the impact of U.S. tariffs.

The average exchange rate for the yen for the first half of the year was ¥158.27 against the U.S. dollar, a year-on-year depreciation of approximately ¥10, and ¥184.54 against the euro, a year-on-year depreciation of approximately ¥22.

[Six months ended June 30, 2026 and June 30, 2025]

Management Indicators Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change (%)
Net sales	2,274.5	2,198.6	3.5%
Gross profit	1,122.9	1,035.7	8.4%
Operating expenses	892.3	821.4	8.6%
Operating profit	230.6	214.3	7.6%
Other income (deductions):	21.5	8.0	-
Income before income taxes	252.1	222.3	13.4%
Net income attributable to Canon Inc.	171.2	155.9	9.8%

Net income attributable to Canon Inc. shareholders per share

Yen

Basic	197.51	169.16	16.8%
Diluted	197.36	169.06	16.7%

In the first half of the year, mirrorless cameras and network cameras drove overall sales growth. As a result, net sales increased by 3.5% year-on-year to ¥2,274.5 billion, reaching a record high for the first half of the year. Gross profit increased by 8.4% year-on-year to ¥1,122.9 billion mainly due to U.S. tariff refunds and favorable foreign exchange effects resulting from the depreciation of the yen, despite negative factors such as higher memory prices. Gross profit as a percentage of net sales improved by 2.3 points year-on-year to 49.4%. Operating expenses increased by 8.6% year-on-year to ¥892.3 billion, reflecting higher R&D expenses in the Imaging Business Unit as well as the impact of the depreciation of the yen on foreign currency-denominated operating expenses. As a percentage of net sales, operating expenses rose by 1.9 points year-on-year to 39.3%. Consequently, operating profit increased by 7.6% year-on-year to ¥230.6 billion. Non-operating income and expenses improved by ¥13.5 billion year-on-year, mainly due to foreign exchange gains on foreign currency-denominated receivables. As a result, income before income taxes increased by 13.4% year-on-year to ¥252.1 billion and net income attributable to Canon Inc. increased by 9.8% year-on-year to ¥171.2 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥197.51 for the first half, a year-on-year increase of ¥28.35.

Operating results by business unit for the six months ended June 30, 2026 and 2025 were as follows. Please refer to the segment information in Note 19 of the Notes to Consolidated Financial Statements.

Printing Business Unit — Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change (%)
Production	215.1	202.8	6.0%
Office	548.7	524.0	4.7%
Prosumer	474.1	491.5	(3.5%)
Total Sales to external customers	1,237.9	1,218.3	1.6%
Intersegment	2.0	3.3	(39.2%)
Total Sales	1,239.9	1,221.6	1.5%
Cost of sales and operating expenses	1,082.4	1,071.6	1.0%
Operating profit	157.5	150.0	5.0%
Income before income taxes	167.1	160.0	4.5%

Looking at Canon's performance by business unit in the first half of the year, in the Printing Business Unit, unit sales of inkjet printers declined mainly due to the impact of the conflict in the Middle East on emerging markets. Demand for laser printers also remained weak as restrained corporate investment continued. However, sales in the commercial printing market increased, driven primarily by strong sales of continuous-feed printers such as the ColorStream series and cut-sheet printers such as the imagePRESS V series, particularly in Europe and the United States. Although sales of office MFDs remained sluggish in Europe and the U.S., the newly launched imageFORCE series performed well, resulting in firm sales overall. As a result, Printing Business Unit sales totaled ¥1,239.9 billion, a year-on-year increase of 1.5%, while income before income taxes totaled ¥167.1 billion, a year-on-year increase of 4.5%.

Medical Business Unit — Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change (%)
Total sales to external customers	276.9	279.0	(0.8%)
Intersegment	0.5	0.3	92.2%
Total Sales	277.4	279.3	(0.7%)
Cost of sales and operating expenses	269.1	267.5	0.6%
Operating profit	8.3	11.8	(29.2%)
Income before income taxes	9.3	12.1	(23.2%)

In the Medical Business Unit, order intake remained firm in emerging markets. However, sales were significantly affected by delays in parts procurement caused by issues associated with the transition to a new production system and disruptions at certain suppliers. As a result, sales of the Medical Business Unit totaled ¥277.4 billion, a year-on-year decrease of 0.7%, while income before income taxes totaled ¥9.3 billion, a year-on-year decrease of 23.2%.

Imaging Business Unit Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change (%)
Cameras	309.2	273.4	13.1%
Network cameras and Others	243.3	199.2	22.1%
Total sales to external customers	552.5	472.6	16.9%
Intersegment	0.2	0.2	0.6%
Total Sales	552.7	472.8	16.9%
Cost of sales and operating expenses	455.1	402.5	13.1%
Operating profit	97.6	70.3	38.8%
Income before income taxes	99.9	72.4	38.1%

In the Imaging Business Unit, demand for cameras remained firm, particularly among younger consumers and video content creators. Mirrorless camera sales increased, supported by strong sales of the EOS R6 Mark III launched at the end of last year. Compact cameras, for which production capacity has been expanded since last year, also contributed to double-digit camera sales growth. The network camera market continued to grow steadily as the range of applications expanded, resulting in substantial sales growth. As a result, sales of the Imaging Business Unit totaled ¥552.7 billion, a year-on-year increase of 16.9%, while income before income taxes totaled ¥99.9 billion, a year-on-year increase of 38.1%.

Industrial Business Unit Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change (%)
Optical equipment	107.5	111.7	(3.8%)
Industrial machinery	36.1	46.3	(21.9%)
Total sales to external customers	143.6	158.0	(9.1%)
Intersegment	1.6	1.8	(15.4%)
Total Sales	145.2	159.8	(9.1%)
Cost of sales and operating expenses	127.8	133.7	(4.5%)
Operating profit	17.4	26.1	(33.1%)
Income before income taxes	18.8	27.4	(31.5%)

In the Industrial Business Unit, demand for semiconductor lithography equipment continued to increase, particularly for memory devices and applications related to generative AI. However, sales decreased due to the concentration of shipments in the second half of the year. Sales of FPD lithography equipment also declined as panel manufacturers delayed investment decisions last year while assessing the impact of the U.S. tariffs. As a result, sales of the Industrial Business Unit totaled ¥145.2 billion, a year-on-year decrease of 9.1%, while income before income taxes totaled ¥18.8 billion, a year-on-year decrease of 31.5%.

(ii) Financial Position

Billions of yen

	June 30, 2026	December 31, 2025	Change
Total assets	6,378.2	6,135.0	243.1
Total liabilities	2,691.1	2,360.9	330.2
Canon Inc. shareholders' equity	3,483.8	3,491.8	(8.0)
Noncontrolling interests	203.2	282.3	(79.1)
Total equity	3,687.1	3,774.1	(87.0)
Total liabilities and equity	6,378.2	6,135.0	243.1
Canon Inc. shareholders' equity as a percentage of total assets (%)	54.6%	56.9%	(2.3%)

As of June 30, 2026, total assets were ¥6,378.2 billion, an increase of ¥243.1 billion from the end of the previous fiscal year, mainly due to increases in cash and cash equivalents and inventories. Total liabilities were ¥2,691.1 billion, an increase of ¥330.2 billion from the end of the previous fiscal year, primarily due to borrowings to meet increased working capital requirements. The balance of total equity decreased by ¥87.0 billion to ¥3,687.1 billion from the end of the previous fiscal year. Although net income attributable to Canon Inc. shareholders increased, total equity declined primarily due to dividends paid to Canon Inc. shareholders, purchases of treasury stock, and a decrease in noncontrolling interests following the conversion of Canon Electronics Inc. into a wholly owned subsidiary. As a result, Canon Inc. shareholders' equity ratio declined by 2.3 points from the end of the previous year to 54.6%.

(2) Cash flows

Billions of yen

	Six months ended June 30, 2026	Six months ended June 30, 2025	Change
Net cash provided by operating activities	205.4	158.9	46.5
Net cash used in investing activities	(103.0)	(124.2)	21.1
Free cash flow	102.4	34.7	67.6
Net cash provided by financial activities	35.8	187.4	(151.6)
Effect of exchange rate changes on cash and cash equivalents	7.8	(8.5)	16.3
Net change in cash and cash equivalents	145.9	213.6	(67.7)
Cash and cash equivalents at beginning of period	586.0	501.6	84.4
Cash and cash equivalents at end of period	731.9	715.2	16.7

In the first half of the year, cash flows from operating activities resulted in a cash inflow of ¥205.4 billion, an increase of ¥46.5 billion year-on-year, due to an increase in net income and improvements in working capital. While investment in production facilities remained at approximately the same level as in the same period of the previous year, cash outflow from investing activities decreased by ¥21.1 billion year-on-year to ¥103.0 billion, reflecting the sale of securities and the redemption of time deposits. Canon defines "free cash flow" as cash flows from operating activities less cash flows from investing activities. Free cash flow increased by ¥67.6 billion year-on-year to a cash inflow of ¥102.4 billion. Cash flows from financing activities decreased by ¥151.6 billion year-on-year to a cash inflow of ¥35.8 billion, reflecting lower short-term borrowings to fund working capital requirements than in the same period of the previous year.

As a result of these factors, as well as the effects of foreign currency exchange fluctuations, cash and cash equivalents increased by ¥145.9 billion from the end of the previous fiscal year to ¥731.9 billion.

(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, 2026
Net cash provided by operating activities	205.4
Net cash used in investing activities	(103.0)
Free cash flow	102.4

(4) Accounting Estimates and Assumptions

Significant changes were made to accounting estimates and assumptions, during the six months ended June 30, 2026. For further details, please refer to “(d) Change in Accounting Estimate” under “(1) Basis of Presentation and Significant Accounting Policies” in “1. Consolidated Financial Statements” of “IV. Financial Information.”

(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, 2026.

(6) Research and Development Expenses

Canon’s research and development expenses for the six months ended June 30, 2026 totaled ¥177.2 billion.

(7) Property, Plant and Equipment

There were no significant changes during the six months ended June 30, 2026 to the plans for major facility installations or disposals that were under consideration at the end of the previous consolidated fiscal year.

3. Material Agreements, etc.

No material contracts were entered into during the six months ended June 30, 2026.

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, 2026) (Shares)	Number of issued shares as of the filing date (August 6, 2026) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	1,333,763,464	1,333,763,464	Tokyo, Nagoya, Fukuoka, Sapporo	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
Total	1,333,763,464	1,333,763,464	–	–

(2) Stock acquisition rights, etc.
(i) Stock option plans

Date of resolution	March 27, 2026
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)*	1,588
Class of shares and Number of shares subject to Stock Acquisition Rights (Shares)*	Common stock 158,800 (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, 2026 To April 30, 2056
Share issue price and capital stock per share in the event of issuance of shares upon exercise of Stock Acquisition Rights (Yen)*	Issue price 3,295 (Note 2) Amount incorporated into capital stock 1,648 (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, 2026.

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

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

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

2. The issue price shall be the sum of the paid-in amount at the time of exercise of the share acquisition rights (1 yen per share) and the fair value of the share acquisition rights on the allotment date.

3. The amount of capital stock to be increased when shares are issued upon exercise of share acquisition rights shall be one half of the maximum amount of increase in capital stock which is calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, and any fraction less than one yen resulting from the calculation shall be rounded up to the nearest whole yen.

4. Matters related to granting Stock Acquisition Rights in corporate reorganization
If Canon conducts a merger (limited to the case where Canon is dissolved due to the merger), 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-owned 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.

(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 capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From January 1, to June 30, 2026	-	1,333,763,464	-	174,762	-	306,288

(5) Major shareholders

(As of June 30, 2026)

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	151,516,500	17.84
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	49,103,100	5.78
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	2.66
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	14,151,309	1.67
Moxley and Co. LLC *1 (Standing proxy: MUFG Bank, Ltd.)	New York, United States (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	12,895,182	1.52
JPMorgan Chase Bank 385781 *2 (Standing proxy: Mizuho Bank, Ltd.)	London, United Kingdom (2-15-1, Konan, Minato-ku, Tokyo)	12,358,887	1.46
State Street Bank and Trust Company 505001 *2 (Standing proxy: Mizuho Bank, Ltd.)	Boston, United States (2-15-1, Konan, Minato-ku, Tokyo)	11,172,719	1.32
Canon Group Employee Shareholding Association	3-30-2, Shimomaruko, Ohta-ku, Tokyo	10,532,487	1.24
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	2-1-1, Marunouchi, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	10,431,740	1.23
JAPAN SECURITIES FINANCE CO., LTD.	1-2-10, Nihonbashikayabacho, Chuo-ku, Tokyo	8,743,500	1.03
Total	—	303,463,597	35.73

Notes:

1. Moxley & Co., LLC is a stocks holder of a title deed of JPMorgan Chase Bank, a trustee of American Depositary Receipts (ADRs).
2. JPMorgan Chase Bank and State Street Bank and Trust Company act as custodians for shares principally held by institutional investors in Europe and the United States, and serve as the registered holders of such shares on behalf of those investors.
3. Apart from the above shares, Canon owns 484,424,702 shares (36.32% of total issued shares) of treasury stock.

(6) Voting Rights

(i) Issued shares

(As of June 30, 2026)

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 484,424,700	—	This is the standard of the Company's shares, whose holders have unlimited rights.
Shares with full voting rights (Others)	Common shares 847,843,600	8,478,436	Same as above
Shares less than one unit	Common shares 1,495,164	—	Same as above
Number of issued shares	1,333,763,464	—	—
Total number of voting rights	—	8,478,436	—

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

Treasury stock: 2 shares

(ii) Treasury Stock, etc.

(As of June 30, 2026)

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.	3-30-2, Shimomaruko, Ohta-ku, Tokyo	484,424,700	—	484,424,700	36.32
Total	—	484,424,700	—	484,424,700	36.32

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, 2025 and the end of the first half of 2026.

Changes in functions are below:

New Title	New Position	Former Title	Former Position	Name	Date of Change
Vice Chairman & CFO	Senior General Manager of Corporate Governance	Vice Chairman & CFO	Group Executive of Public Affairs HQ & Group Executive of Sustainability HQ & Senior General Manager of Corporate Governance	Toshizo Tanaka	April 1, 2026

(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, 2025 and the end of the first half of 2026.

Changes in functions are below:

New Title	New Position	Former Title	Former Position	Name	Date of Change
Executive Vice President	Chairman & CEO of Canon (China) Co., Ltd.	Executive Vice President	President & CEO of Canon (China) Co., Ltd.	Hideki Ozawa	April 1, 2026
Executive Vice President	Head of Medical Group & Chairman of Canon Medical Systems Corporation	Executive Vice President	Head of Medical Group & President & CEO of Canon Medical Systems Corporation	Toshio Takiguchi	April 1, 2026
Executive Vice President	Head of Imaging Group & Chief of Space Business Planning Project	Executive Vice President	Head of Imaging Group	Go Tokura	April 1, 2026
Senior Managing Executive Officer	Group Executive of Digital Business Platform Development HQ & Chief of AX Strategy Project	Senior Managing Executive Officer	Group Executive of Digital Business Platform Development HQ & Chief of Medical Business Innovation Project	Katsumi Iijima	April 1, 2026

Managing Executive Officer	Group Executive of Production HQ	Managing Executive Officer	Group Executive of Production Engineering HQ	Masaki Omori	April 1, 2026
Managing Executive Officer	Unit Executive of IMG Business Unit 3 & Deputy Chief of Space Business Planning Project	Managing Executive Officer	Unit Executive of IMG Business Unit 3	Hideto Kotani	April 1, 2026
Managing Executive Officer	Group Executive of General Affairs HQ & Group Executive of Sustainability HQ & Director of Canon Eagles and Athlete Club Promotion Center	Managing Executive Officer	Group Executive of Facilities Management HQ	Makoto Kambe	April 1, 2026
Managing Executive Officer	Group Executive of Corporate Communications HQ	Managing Executive Officer	Senior General Manager of Public Relations and IR Center	Hirotomo Fujimori	April 1, 2026
Executive Officer	Senior General Manager of Global Logistics Management Center	Executive Officer	Senior Principal Analyst of Global Logistics Management Center	Yasufumi Inoue	April 1, 2026
Executive Officer	Group Executive of Public Affairs HQ	Executive Officer	Senior General Manager of Public Affairs Center	Eisuke Katsuyama	April 1, 2026

(3) The Number of Directors and Audit & Supervisory Board Members by Gender
Males: 11, Females: 5 (Percentage of Female Directors and Audit & Supervisory Board Members:31.3%)

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, 2026 to June 30, 2026 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	Millions of yen			
	June 30, 2026	%	December 31, 2025	%
Assets				
Current assets:				
Cash and cash equivalents (Notes 17 and 18)	731,922		585,981	
Short-term investments (Notes 2 and 17)	12,248		32,446	
Trade receivables (Note 3)	688,734		733,809	
Inventories (Note 4)	961,468		840,445	
Current lease receivables (Note 6)	181,070		175,798	
Prepaid expenses and other current assets (Notes 11, 13 and 17)	282,993		265,266	
Allowance for credit losses (Notes 3 and 6)	(18,690)		(16,724)	
Total current assets	2,839,745	44.5	2,617,021	42.7
Noncurrent receivables (Note 15)	47,504	0.7	45,743	0.7
Investments (Notes 2 and 17)	105,438	1.7	103,602	1.7
Property, plant and equipment, net (Note 5)	1,193,093	18.7	1,190,682	19.4
Operating lease right-of-use assets (Note 14)	129,450	2.0	126,997	2.1
Intangible assets, net	252,454	4.0	259,661	4.2
Goodwill	989,210	15.5	985,806	16.1
Noncurrent lease receivables (Note 6)	367,141	5.8	365,734	6.0
Prepaid pension and severance cost	349,299	5.5	336,986	5.5
Other assets	110,044	1.7	107,916	1.7
Allowance for credit losses (Notes 3 and 6)	(5,223)	(0.1)	(5,104)	(0.1)
Total assets	6,378,155	100.0	6,135,044	100.0

	Millions of yen			
	June 30, 2026	**%**	**December 31, 2025**	**%**
Liabilities and equity				
Current liabilities:				
Short-term loans and current portion of long-term debt (Notes 8 and 16)	734,789		511,139	
Short-term loans related to financial services	34,900		38,100	
Other short-term loans and current portion of long-term debt	699,889		473,039	
Trade payables (Note 7)	321,462		310,832	
Accrued income taxes	66,785		65,550	
Accrued expenses (Note 15)	450,913		474,052	
Current operating lease liabilities (Note 14)	42,886		43,096	
Other current liabilities (Notes 11, 13 and 17)	332,326		299,391	
Total current liabilities	1,949,161	30.6	1,704,060	27.8
Long-term debt, excluding current portion of long-term debt (Notes 8 and 16)	404,324	6.3	304,970	5.0
Accrued pension and severance cost	147,640	2.3	149,503	2.4
Noncurrent operating lease liabilities (Note 14)	88,058	1.4	86,954	1.4
Other noncurrent liabilities (Note 11)	101,893	1.6	115,429	1.9
Total liabilities	2,691,076	42.2	2,360,916	38.5
Equity:				
Canon Inc. shareholders' equity (Note 9):				
Common stock	174,762	2.7	174,762	2.8
[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	395,423	6.2	408,920	6.7
Legal reserve	62,679		62,382	
Other retained earnings	4,102,953		4,002,540	
Total retained earnings	4,165,632	65.3	4,064,922	66.3
Accumulated other comprehensive income (loss) (Note 10)	734,131	11.5	701,248	11.4
Treasury stock, at cost	(1,986,102)	(31.1)	(1,858,044)	(30.3)
[Number of shares]	[484,424,702]		[455,138,571]	
Total Canon Inc. shareholders' equity	3,483,846	54.6	3,491,808	56.9
Noncontrolling interests (Note 9)	203,233	3.2	282,320	4.6
Total equity (Note 9)	3,687,079	57.8	3,774,128	61.5
Total liabilities and equity	6,378,155	100.0	6,135,044	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, 2026	**%**	**Six months ended June 30, 2025**	**%**
Net sales (Notes 6, 10, 11 and 13):				
Products and Equipment	1,778,753		1,742,661	
Services	495,789		455,906	
Total net sales	2,274,542	100.0	2,198,567	100.0
Cost of sales (Notes 14 and 18):				
Products and Equipment	918,596		954,711	
Services	233,001		208,143	
Total cost of sales	1,151,597	50.6	1,162,854	52.9
Gross profit	1,122,945	49.4	1,035,713	47.1
Operating expenses (Notes 10, 14 and 18):				
Selling, general and administrative expenses	715,165	31.5	657,785	30.0
Research and development expenses	177,185	7.8	163,620	7.4
Total operating expenses	892,350	39.3	821,405	37.4
Operating profit	230,595	10.1	214,308	9.7
Other income (deductions):				
Interest and dividend income	7,604		7,543	
Interest expense	(5,606)		(2,990)	
Other, net (Notes 2, 10, 13 and 18)	19,481		3,458	
Total other income (deductions)	21,479	1.0	8,011	0.4
Income before income taxes	252,074	11.1	222,319	10.1
Income taxes	70,166	3.1	53,970	2.4
Consolidated net income	181,908	8.0	168,349	7.7
Less: Net income attributable to noncontrolling interests	10,724	0.5	12,445	0.6
Net income attributable to Canon Inc.	171,184	7.5	155,904	7.1

	Yen	Yen
Net income attributable to Canon Inc. shareholders per share (Note 12):		
Basic	197.51	169.16
Diluted	197.36	169.06

Consolidated Statement of Comprehensive Income

	Millions of yen	
	Six months ended June 30, 2026	**Six months ended June 30, 2025**
Consolidated net income	181,908	168,349
Other comprehensive income (loss), net of tax (Note 10):		
Foreign currency translation adjustments	28,551	(55,671)
Net unrealized gains and losses on securities	43	4
Net gains and losses on derivative instruments	903	1,413
Pension liability adjustments	3,508	2,533
Total other comprehensive income (loss), net of tax	33,005	(51,721)
Comprehensive income (loss) (Note 9):	214,913	116,628
Less: Comprehensive income attributable to noncontrolling interests	10,846	11,548
Comprehensive income (loss) attributable to Canon Inc.	204,067	105,080

(3) Consolidated Statement of Cash Flows

	Millions of yen	
	Six months ended June 30, 2026	**Six months ended June 30, 2025**
Cash flows from operating activities:		
Consolidated net income	181,908	168,349
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	114,038	108,743
(Gain) loss on disposal of fixed assets	(520)	44
Deferred income taxes	(15,350)	(17,053)
Decrease in trade receivables	55,352	44,745
Increase in inventories	(109,027)	(50,788)
Decrease (increase) in lease receivables (Note 6)	9,116	(4,905)
Increase in trade payables	7,881	4,142
Increase (decrease) in accrued income taxes	1,053	(17,775)
Decrease in accrued expenses	(27,818)	(33,845)
Decrease in accrued pension and severance cost	(12,916)	(9,491)
Other, net(Note 14)	1,704	(33,274)
Net cash provided by operating activities	205,421	158,892
Cash flows from investing activities:		
Purchases of fixed assets (Note 5)	(123,113)	(119,210)
Proceeds from sale of fixed assets (Note 5)	3,399	1,515
Purchases of securities	(18,371)	(6,658)
Proceeds from sale and maturity of securities	18,599	4,024
Acquisitions of businesses, net of cash acquired	(3,405)	(539)
Other, net	19,849	(3,292)
Net cash used in investing activities	(103,042)	(124,160)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	100,046	-
Repayments of long-term debt	(101,407)	(1,238)
Proceeds from short-term loans (maturities greater than three months) (Note 8)	49,400	-
Decrease in short-term loans related to financial services, net (Note 8)	(3,200)	(200)
Increase in other short-term loans, net (Note 8)	277,000	470,000
Transactions with noncontrolling interests	(86,292)	(5,668)
Dividends paid	(70,290)	(75,520)
Repurchases and reissuance of treasury stock, net	(128,199)	(200,011)
Other, net	(1,280)	24
Net cash provided by financing activities	35,778	187,387
Effect of exchange rate changes on cash and cash equivalents	7,784	(8,506)
Net change in cash and cash equivalents	145,941	213,613
Cash and cash equivalents at beginning of period	585,981	501,565
Cash and cash equivalents at end of period	731,922	715,178
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest	5,547	2,810
Income taxes	80,661	89,565

(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, 2026 and December 31, 2025 are summarized as follows:

	June 30, 2026	December 31, 2025
Consolidated subsidiaries	320	321
Affiliated companies	9	8
Total	329	329

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 Accounting Standards Codification (ASC) 715 “Compensation-Retirement Benefits” and are recorded the pension cost based on actuarial calculation. The effect of this change was ¥8,466 million (decrease in profit) and ¥7,070 million (decrease in profit) for the six months ended June 30, 2026 and 2025, 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.

(vii) Corresponding figures for the six months ended June 30, 2025 have been reclassified to conform to the consolidated statement of cash flows for the six months ended June 30, 2026.

(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 adopted accounting guidance

In July 2025, Accounting Standards Update (ASU) No. 2025-05, "Measurement of Credit Losses for Account Receivable and Contract Assets"-ASC 326 ("Financial Instruments – Credit Losses"), was issued by FASB. This standard allows us to elect the practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when developing an estimate of expected credit losses on current accounts receivable and current contract asset balances arising from transactions accounted for under ASC 606 on revenue from contracts with customers. Canon adopted the standard from reporting period beginning January 1, 2026. The adoption of this standard did not have a material impact on its consolidated results of operations and financial position.

(d) Change in Accounting Estimate

Change in depreciation method and useful life

Historically, Canon Inc. and its consolidated manufacturing subsidiaries primarily applied the declining-balance method for the depreciation of property, plant and equipment. Effective January 1, 2026, the Company changed the depreciation method to the straight-line method.

Under the Excellent Global Corporation Plan Phase VII initiatives, the Company has been reviewing its global manufacturing structure. As part of this process, the Company conducted an assessment of the actual usage of its property, plant and equipment. Based on this assessment, the Company expects that the economic benefits from such assets will be consumed in a more even and stable pattern going forward. Accordingly, the Company believes that the straight-line method more appropriately reflects the pattern of consumption of economic benefits of these assets.

In connection with this change, the estimated useful lives of certain machinery and equipment were also revised.

The impact of the change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the ASC 250 "Accounting Changes and Error Corrections." As a result of these changes, depreciation and amortization for the six months ended June 30, 2026 decreased by ¥12,644 million compared with the previous method, and net income attributable to Canon Inc. and basic net income attributable to Canon Inc. shareholders per share increased by ¥8,731 million and ¥10.07, respectively.

(2) Investments

The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale debt securities included in short-term investments and investments in the consolidated balance sheet by major security type as of June 30, 2026 and December 31, 2025 are as follows:

	Millions of yen			
	June 30, 2026			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Short-term investments:				
Corporate bonds	-	-	-	-
Investments:				
Corporate bonds	24,261	181	18	24,424
Total	24,261	181	18	24,424

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

Maturities of available-for-sale debt securities included in investments in the accompanying consolidated balance sheet as of June 30, 2026 are as follows:

	Millions of yen
	Fair value
Due after one year through five years	23,757
Due after five years through ten years	667
Total	24,424

The unrealized and realized gains and losses related to equity securities for the six months ended June 30, 2026 and 2025 are as follows:

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Net gains (losses) recognized during the period on equity securities	2,396	1,761
Less: Net gains (losses) recognized during the period on equity securities sold during the period	5,178	369
Unrealized gains (losses) recognized during the period on equity securities still held as of June 30	(2,782)	1,392

The carrying amount of non-marketable equity securities without readily determinable fair value totaled ¥22,458 million and ¥12,818 million as of June 30, 2026 and December 31, 2025, respectively. The impairment or other adjustments resulting from observable price changes recorded during the six months ended June 30, 2026 and 2025 were not significant.

Time deposits with an original maturity of more than three months from the acquisition date and remaining maturity of one year or less as of the balance sheet date amounted to ¥12,248 million and ¥32,276 million as of June 30, 2026 and December 31, 2025, respectively, and are included in short-term investments in the accompanying consolidated balance sheet. Time deposits with original maturities of more than one year from the balance sheet date amounted to ¥321 million and ¥313 million as of June 30, 2026, and December 31, 2025, are included in investments in the accompanying consolidated balance sheet.

(3) Trade Receivables

Trade receivables as of June 30, 2026 and December 31, 2025 are as follows:

	Millions of yen	
	June 30, 2026	December 31, 2025
Notes receivable	25,466	27,919
Accounts receivable	663,268	705,890
Trade receivables	688,734	733,809
Allowance for credit losses	(16,753)	(15,216)
Total	671,981	718,593

(4) Inventories

Inventories as of June 30, 2026 and December 31, 2025 are as follows:

	Millions of yen	
	June 30, 2026	December 31, 2025
Finished goods	604,813	543,256
Work in process	273,467	230,629
Raw materials	83,188	66,560
Total	961,468	840,445

(5) Property, Plant and Equipment, net

Property, plant and equipment as of June 30, 2026 and December 31, 2025 are as follows:

	Millions of yen	
	June 30, 2026	December 31, 2025
Land	286,325	287,167
Buildings	1,971,176	1,985,101
Machinery and equipment	2,133,951	2,121,606
Construction in progress	98,374	91,613
Finance lease right-of-use assets	8,518	9,197
Cost	4,498,344	4,494,684
Less: accumulated depreciation	(3,305,251)	(3,304,002)
Total	1,193,093	1,190,682

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

(6) Lessor Accounting

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

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Lease income - sales-type and direct financing leases		
Revenue at lease commencement	72,189	73,767
Interest income on lease receivables	19,355	16,897
Sales-type and direct financing leases income total	91,544	90,664
Lease income – operating leases	20,219	19,654
Variable lease income	3,752	3,417
Total lease income	115,515	113,735

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 ¥548,211 million and ¥541,532 million as of June 30, 2026 and December 31, 2025, respectively.

Allowance for Credit Losses

The activities in the allowance for credit losses for the six months ended June 30, 2026 and 2025 are as follows:

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Balance at beginning of period	6,612	6,861
Write-offs	(2,826)	(1,376)
Provision	2,840	900
Other	535	(308)
Balance at end of period	7,161	6,077

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 as of June 30, 2026 and December 31, 2025 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." The transfers of lease receivables for the six months ended June 30, 2026 and 2025 were ¥23,317 million and ¥22,224 million. The amount that remained uncollected was ¥102,288 million and ¥95,653 million as of June 30, 2026 and December 31, 2025, respectively. Cash proceeds from the transactions are included in increase in lease receivables under the cash flows from operating activities in the consolidated statement of cash flows. Canon continues to provide collection and administrative services for the financial institutions. The amount associated with the servicing liability measured at fair value was not significant as of June 30, 2026 and December 31, 2025. Canon also retains limited recourse obligations which cover credit defaults. The recourse obligations were not significant as of June 30, 2026 and December 31, 2025.

(7) Trade Payables

Trade payables as of June 30, 2026 and December 31, 2025 are as follows:

	Millions of yen	
	June 30, 2026	December 31, 2025
Notes payable	18,500	44,757
Accounts payable	302,962	266,075
Total	321,462	310,832

(8) Short-Term Loans and Long-Term Debt

Short-term loans related to financial services are bank borrowings 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 as of June 30, 2026 and December 31, 2025 were ¥34,900 million and ¥38,100 million, and other short-term loans consisting of bank loans were ¥697,510 million and ¥371,112 million, respectively.

Canon has unsecured long-term loans consisting of bank loans, which were ¥401,584 million at a average interest rate of 1.09% as of June 30, 2026. The repayment period are from 2027 to 2031.

(9) 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, 2026 and 2025 are as follows:

Six months ended June 30,2026

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 as of December 31, 2025	174,762	408,920	62,382	4,002,540	4,064,922	701,248	(1,858,044)	3,491,808	282,320	3,774,128
Equity transactions with noncontrolling interests and other		(13,387)		(139)	(139)			(13,526)	(83,214)	(96,740)
Dividends to Canon Inc. shareholders (80.00 yen per share)				(70,290)	(70,290)			(70,290)		(70,290)
Dividends to noncontrolling interests									(6,361)	(6,361)
Acquisition of subsidiaries		(14)						(14)	(358)	(372)
Transfer to legal reserve			297	(297)	-			-		-
Comprehensive income:										
I Net income				171,184	171,184			171,184	10,724	181,908
II Other comprehensive income (loss) - net of tax										
I Foreign currency translation adjustments						28,320		28,320	231	28,551
II Net unrealized gains and losses on securities						43		43		43
III Net gains and losses on derivative instruments						938		938	(35)	903
IV Pension liability adjustments						3,582		3,582	(74)	3,508
Total comprehensive income (loss)								204,067	10,846	214,913
Repurchases and reissuance of treasury stock		(96)		(45)	(45)		(128,058)	(128,199)		(128,199)
Balance as of June 30, 2026	174,762	395,423	62,679	4,102,953	4,165,632	734,131	(1,986,102)	3,483,846	203,233	3,687,079

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 as of 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 as of 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

(10) Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2026 and 2025 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 as of December 31, 2025	665,412	77	(1,786)	37,545	701,248
Other comprehensive income (loss) before reclassifications	37,905	80	(898)	2,560	39,647
Amounts reclassified from accumulated other comprehensive income (loss)	(9,585)	(37)	1,836	1,022	(6,764)
Net change during the period	28,320	43	938	3,582	32,883
Balance as of June 30, 2026	693,732	120	(848)	41,127	734,131

	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 as of 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 as of June 30, 2025	464,459	35	(40)	(44,382)	420,072

Reclassifications out of accumulated other comprehensive income (loss) for the six months ended June 30, 2026 and 2025 are as follows:

	Millions of yen		
	Amount reclassified from accumulated other comprehensive income (loss) *		
	Six months ended June 30, 2026	Six months ended June 30, 2025	Affected line items in consolidated statement of income
Foreign currency translation adjustments			
	(9,592)	793	Selling, general and administrative expenses
	7	(249)	Income taxes
	(9,585)	544	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	(9,585)	544	Net income attributable to Canon Inc.
Net unrealized gains and losses on securities			
	(47)	(64)	Other, net
	10	13	Income taxes
	(37)	(51)	Consolidated net income
	-	-	Net income attributable to noncontrolling interests
	(37)	(51)	Net income attributable to Canon Inc.
Gains and losses on derivative instruments	2,465	637	Net sales
	(794)	(73)	Income taxes
	1,671	564	Consolidated net income
	165	34	Net income attributable to noncontrolling interests
	1,836	598	Net income attributable to Canon Inc.
Pension liability adjustments	532	2,192	Other, net
	206	(365)	Income taxes
	738	1,827	Consolidated net income
	284	199	Net income attributable to noncontrolling interests
	1,022	2,026	Net income attributable to Canon Inc.
Total amount reclassified, net of tax and noncontrolling interests	(6,764)	3,117	

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

(11) 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 as of June 30, 2026 and December 31, 2025 were ¥53,889 million and ¥52,151 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 as of June 30, 2026 and December 31, 2025 were ¥177,787 million and ¥158,636 million, respectively, ¥158,266 million and ¥138,505 million of which is included in other current liabilities, and ¥19,521 million and ¥20,131 million in other non-current liabilities in the accompanying consolidated balance sheet. Revenue recognized for the six months ended June 30, 2026, which had been included in the deferred revenue balance as of December 31, 2025, was ¥86,262 million.

Remaining performance obligations for products and equipment as of June 30, 2026 primarily arise from the sales of certain industrial equipment, amounting to ¥83,989 million, 90% of which is expected to be recognized as revenue within one year and remaining 10% is within two years. Remaining performance obligations from the fixed maintenance service contracts with original expected duration of more than one year as of June 30, 2026 amounting to ¥270,968 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 19.

(12) 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, 2026 and 2025 are as follows:

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Basic net income attributable to Canon Inc.	171,184	155,904
Diluted net income attributable to Canon Inc.	171,180	155,900

	Number of shares	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Weighted average common shares outstanding	866,697,720	921,617,922
Effect of dilutive securities:		
Stock options	638,807	533,986
Diluted common shares outstanding	867,336,527	922,151,908

	Yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Net income attributable to Canon Inc. shareholders per share:		
Basic	197.51	169.16
Diluted	197.36	169.06

(13) 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 position, 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, 2026 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 as of June 30, 2026 and December 31, 2025 are set forth below:

	Millions of yen	
	June 30, 2026	December 31, 2025
To sell foreign currencies	225,809	173,977
To buy foreign currencies	6,304	7,289

Fair value of derivative instruments in the consolidated balance sheet

The following tables present Canon's derivative instruments measured at fair value as reflected in the consolidated balance sheet as of June 30, 2026 and December 31, 2025.

<u>Derivatives designated as hedging instruments</u>

		Millions of yen	
		Fair value	
	Account	June 30, 2026	December 31, 2025
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	138	760
Liabilities:			
Foreign exchange contracts	Other current liabilities	1,122	467

<u>Derivatives not designated as hedging instruments</u>

		Millions of yen	
		Fair value	
	Account	June 30, 2026	December 31, 2025
Assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	373	23
Liabilities:			
Foreign exchange contracts	Other current liabilities	517	2,292

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, 2026 and 2025.

Derivatives in cash flow hedging relationships

Six months ended June 30, 2026	Millions of yen		
	Gain (loss) recognized in OCI	Gain (loss) reclassified from accumulated OCI into income	
	Amount	Account	Amount
Foreign exchange contracts	(1,005)	Net sales	(2,465)

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)

Derivatives not designated as hedging instruments

Six months ended June 30, 2026	Millions of yen	
	Gain (loss) recognized in income on derivative	
	Account	Amount
Foreign exchange contracts	Other, net	(9,002)

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)

(14) 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 statement of income.

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Operating lease cost	29,585	26,990
Short-term lease cost	8,879	8,203
Other lease cost	165	176
Total	38,629	35,369

Operating lease cash flow
Supplemental cash flow information is as follows.

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	28,921	25,146
Noncash activity - Rights of use assets obtained in exchange for lease liabilities		
Operating leases	26,772	14,645

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases as of June 30, 2026.

	Millions of yen
Within one year	45,667
Two years	32,781
Three years	21,588
Four years	14,388
Five years	10,254
Thereafter	15,199
Total future minimum lease payments	139,877
Less Imputed Interest	(8,933)
Total	130,944

(15) Commitments and Contingent Liabilities

Commitments

As of June 30, 2026, commitments outstanding for the purchase of property, plant and equipment approximated ¥73,213 million, and commitments outstanding for the purchase of parts and raw materials approximated ¥249,391 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 ¥12,106 million and ¥12,555 million as of June 30, 2026 and December 31, 2025, 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 8 years in case of employees with housing loans, and 1 year to 5 years in case of affiliates and other companies with lease obligations and bank loans. The maximum amount of undiscounted payments Canon would have had to make in the event of default is ¥2,502 million as of June 30, 2026. The carrying amounts of the liabilities recognized for Canon's obligations as a guarantor under those guarantees as of June 30, 2026 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 statement of income. Estimates for accrued product warranty costs are based on historical experience. Accrued product warranty costs are included in accrued expenses in the accompanying consolidated balance sheet and changes for the six months ended June 30, 2026 and 2025 are summarized as follows:

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Balance at beginning of period	26,450	23,685
Additions	13,521	12,514
Utilization	(11,694)	(10,986)
Other	(2,433)	(1,196)
Balance at end of period	25,844	24,017

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.

(16) 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 as of June 30, 2026 and December 31, 2025 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 17, and Note 13, respectively.
Liabilities are presented in ( ).

	Millions of yen			
	June 30, 2026		December 31, 2025	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt, including current portion of long-term debt	(402,547)	(399,061)	(402,468)	(399,623)

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 17.

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, 2026 and December 31, 2025.

(17) 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 as of June 30, 2026 and December 31, 2025.

	Millions of yen			
	June 30, 2026			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	–	–	–	–
Short-term investment:				
Available-for-sale:				
Corporate bonds	–	–	–	–
Investments:				
Available-for-sale:				
Corporate bonds	–	24,424	–	24,424
Fund trusts and others	5,509	640	–	6,149
Equity securities	20,667	–	–	20,667
Prepaid expenses and other current assets:				
Derivatives	–	511	–	511
Total assets	26,176	25,575	–	51,751
Liabilities:				
Other current liabilities:				
Derivatives	–	1,639	–	1,639
Total liabilities	–	1,639	–	1,639

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

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. 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

During the six months ended June 30, 2026 and 2025, there were no circumstances that required any significant assets or liabilities to be measured at fair value on a nonrecurring basis.

(18) 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 gain of ¥2,638 million and a net loss of ¥11,318 million for the six months ended June 30, 2026 and 2025, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were ¥20,930 million and ¥19,285 million for the six months ended June 30, 2026 and 2025, 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 ¥37,160 million and ¥34,581 million for the six months ended June 30, 2026 and 2025, 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, 2026 and 2025 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, 2026	Six months ended June 30, 2025
Service cost	9,856	11,466
Interest cost	18,063	14,175
Expected return on plan assets	(23,778)	(21,984)
Amortization of prior service credit	(1,202)	(1,339)
Amortization of actuarial loss	1,147	3,531
Curtailments and settlements	(336)	–
Total	3,750	5,849

Cash Equivalents

There were no certain debt securities with original maturities of less than three months, classified as available-for-sale debt securities as of June 30, 2026. Certain debt securities with original maturities of less than three months, classified as available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheet were ¥500 million as of December 31, 2025, and their fair value approximated their cost.

(19) 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.

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, 2026 and 2025 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
2026:							
Net sales:							
External customers	1,237,891	276,857	552,518	143,636	63,640	-	2,274,542
Intersegment	1,988	590	176	1,591	49,230	(53,575)	-
Total	1,239,879	277,447	552,694	145,227	112,870	(53,575)	2,274,542
Cost of sales	645,885	149,200	237,904	84,779	87,027	(53,198)	1,151,597
Gross profit	593,994	128,247	314,790	60,448	25,843	(377)	1,122,945
Research and development expenses	46,165	23,499	70,177	14,814	22,530	-	177,185
Selling, general and administrative expenses	390,304	96,405	146,991	28,187	53,346	(68)	715,165
Operating profit	157,525	8,343	97,622	17,447	(50,033)	(309)	230,595
Other income (deductions)	9,599	915	2,305	1,322	7,366	(28)	21,479
Income before income taxes	167,124	9,258	99,927	18,769	(42,667)	(337)	252,074
Depreciation and amortization	29,639	8,067	9,967	5,771	60,594	-	114,038
Capital expenditures	30,530	7,605	17,705	9,499	53,850	-	119,189

	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

Total assets by business unit

	Millions of yen		
	June 30, 2026	December 31, 2025	Change
Printing	1,378,729	1,360,992	17,737
Medical	429,507	434,929	(5,422)
Imaging	557,847	504,267	53,580
Industrial	247,234	231,431	15,803
Others and Corporate	3,767,765	3,606,118	161,647
Eliminations	(2,927)	(2,693)	(234)
Consolidated	6,378,155	6,135,044	243,111

The CEO as chief operating decision maker (CODM) uses Net sales, Gross profit to net sales ratio, Operating expense to net sales ratio, Operating profit to net sales ratio 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, 2026 and 2025 is as follows:

	Millions of yen	
	Six months ended June 30, 2026	Six months ended June 30, 2025
Printing		
Production	215,056	202,815
Office multifunction devices	321,254	309,651
Office others	227,448	214,356
Office	548,702	524,007
Laser printers	309,695	327,339
Inkjet printers and Others	164,438	164,145
Prosumer	474,133	491,484
Total	1,237,891	1,218,306
Medical		
Diagnostic equipment	276,857	278,985
Imaging		
Cameras	309,244	273,426
Network cameras and Others	243,274	199,163
Total	552,518	472,589
Industrial		
Optical equipment	107,504	111,721
Industrial equipment	36,132	46,238
Total	143,636	157,959
Others and Corporate	63,640	70,728
Consolidated	2,274,542	2,198,567

Information by major geographic area for the six months ended June 30, 2026 and 2025 is as follows:

	Millions of yen				
	Japan	Americas	Europe	Asia and Oceania	Total
2026:					
Net sales:	475,575	725,752	605,133	468,082	2,274,542
2025:					
Net sales:	481,043	700,024	569,564	447,936	2,198,567

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

(20) Subsequent Events

Canon evaluated the subsequent events up to August 6, 2026, the filing date of Semi-annual Securities Report.

No material subsequent events requiring disclosure were identified.

2. Other Information

The Board of Directors approved an interim cash dividend at the meeting held on July 27, 2026 as below:

1. Total amount of interim cash dividends:
   67,947 million yen
2. Amount of an interim cash dividend per share:
   80 yen
3. Payment date:
   August 25, 2026

Note:
The interim dividend is paid to registered shareholders as of June 30, 2026.

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

Not applicable.

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 6, 2026

To the Board of Directors of
Canon Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Shuichi Morishige

Designated Engagement Partner,
Certified Public Accountant:

Yusuke Masuda

Designated Engagement Partner,
Certified Public Accountant:

Hideaki Takagi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Tsuruta

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, 2026, 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, 2026, 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.