

NOTICE OF CONVOCAION OF THE 53RD ORDINARY GENERAL MEETING OF SHAREHOLDERS



DATE AND TIME: March 26 (Friday), 2021 at 10:00 a.m. (Japan time)

PLACE: Headquarters of Canon Marketing Japan Inc.
CANON HALL S, 3rd floor of CANON S TOWER
16-6, Konan 2-chome, Minato-ku, Tokyo

Request for Shareholders

In order to prevent the spread of COVID-19 at the General Meeting of Shareholders, you are urged to exercise your voting rights in writing or via the Internet in advance if possible and to refrain from coming to the meeting in person, regardless of your health status.

**<Deadline of Exercise of Voting Rights in Writing or Via the Internet>
5:30 p.m. on March 25 (Thursday), 2021(Japan time)**

Securities Code: 8060

To Our Shareholders

We would like to extend our sincerest gratitude to all of our shareholders for their continued support.

Canon Marketing Japan Inc. is pleased to present this notice to convene the 53rd Ordinary General Meeting of Shareholders.

First of all, I would like to offer my condolences to the people who have lost their lives due to the new coronavirus (COVID-19), as well as my sympathy to those who have been affected and their families and other concerned parties.

During the fiscal year under review (January 1, 2020 to December 31, 2020), the Group responded to new demand by proactively providing inkjet printers and related IT products and services in line with the expansion of home learning and telework as a result of the impact of the COVID-19 pandemic. Despite our efforts to respond to new demand in this manner, sales declined due to a significant contraction in the markets for mainstay business equipment and digital interchangeable lens cameras. We were able to control the decline in operating income thanks to steady progress in reducing SG&A expenses through the transformation to a more robust structure, which we have been working on for some time. As a result, we will be proposing at the 53rd Ordinary General Meeting of Shareholders that the year-end dividend be 40 yen per share, instead of the 20 yen per share previously forecast at the time of release of the half-year financial results. Together with the interim dividends (20 yen per share), this will bring the full-year dividends to 60 yen per share (unchanged from the previous fiscal year).

This year, while we expect the market environment to remain challenging for Canon's major products such as cameras and printers, we will strive to maximize both sales and unit sales with a priority on earning profit. In the IT solutions business, which we have positioned as a growth business, we will expand the provision of solutions using security products and network cameras in order to meet various growing demands such as teleworking and remote monitoring due to the spread of COVID-19. In addition, we completed the construction of a second data center building in October 2020 to meet the growing demand for cloud services. We will aim to improve customer satisfaction and expand our business by utilizing the data center to provide total services, including maintenance and operation of systems developed by the Group.

We sincerely appreciate the continued support of our valued shareholders.

March 2021

Masahiro Sakata

President & Representative Director

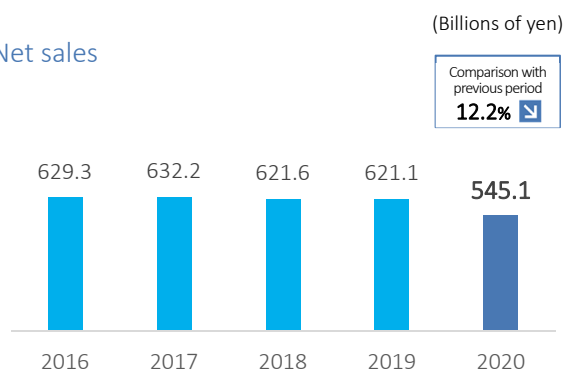


Cover Photo: The Old City of Bern in Switzerland from the 2021 Canon Marketing Japan Calendar "World Heritage Journey *Sekaiisan wo Tazunete*" by Kazuyoshi Nomachi

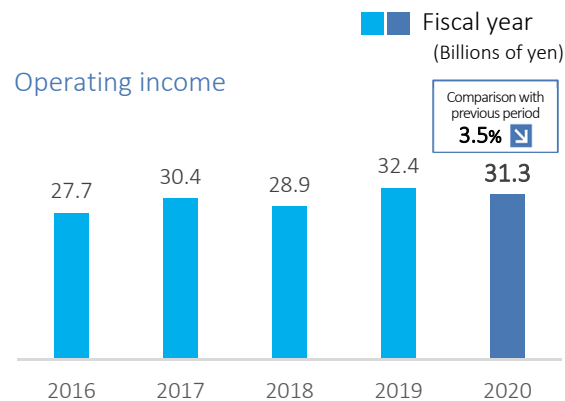
Results Highlights

(Figures are rounded to the nearest unit)

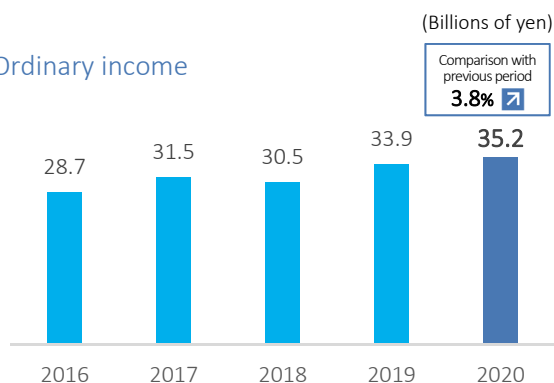
Net sales



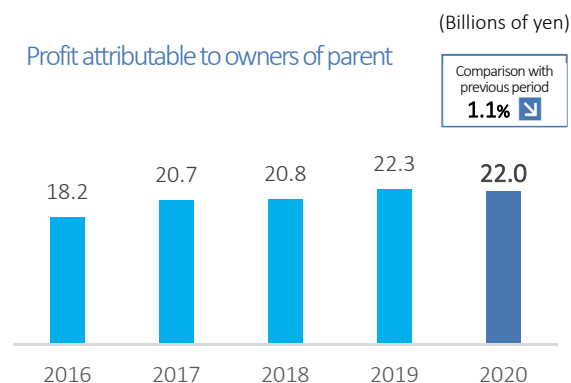
Operating income



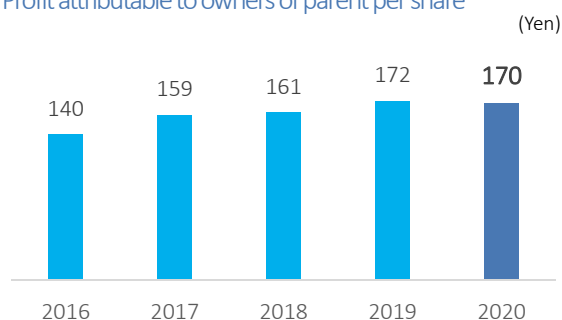
Ordinary income



Profit attributable to owners of parent



Profit attributable to owners of parent per share



Please see our website for more detailed business results.

canon.jp/8060e-ir

TO OUR SHAREHOLDER

Canon Marketing Japan Inc.
16-6, Konan 2-chome, Minato-ku, Tokyo

Masahiro Sakata
President & Representative Director

NOTICE OF CONVOCATION OF THE 53RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 53rd Ordinary General Meeting of Shareholders of Canon Marketing Japan Inc. (the "Company") will be held as described below.

In order to prevent the spread of COVID-19 at the General Meeting of Shareholders, you are urged to exercise your voting rights in writing or via the Internet in advance if possible and to refrain from coming to the meeting in person, regardless of your health status.

After reviewing the following Reference Documents for General Meeting of Shareholders, please exercise your voting rights by no later than 5:30 p.m. on March 25 (Thursday), 2021(Japan time).

1. DATE AND TIME:	March 26 (Friday), 2021 at 10:00 a.m. (Japan time)								
2. PLACE:	Headquarters of the Company CANON HALL S, 3rd floor of CANON S TOWER 16-6, Konan 2-chome, Minato-ku, Tokyo								
3. MATTERS CONSTITUTING THE PURPOSE OF THE MEETING									
Matters to be Reported:	<ol style="list-style-type: none">1. Reports on the contents of the Business Report and Consolidated Financial Statements for the 53rd Fiscal Year (from January 1, 2020 to December 31, 2020), and reports on the Auditing Results of Accounting Auditor and Audit & Supervisory Board regarding the Consolidated Financial Statements.2. Reports on the content of the Non-Consolidated Financial Statements for the 53rd Fiscal Year (from January 1, 2020 to December 31, 2020).								
Matters to be Resolved upon:	<table><tr><td>Item No. 1</td><td>Dividends from Surplus</td></tr><tr><td>Item No. 2</td><td>Election of Six Directors</td></tr><tr><td>Item No. 3</td><td>Payment of Bonuses to Directors</td></tr><tr><td>Item No. 4</td><td>Revision of Performance-based Stock Compensation Plan</td></tr></table>	Item No. 1	Dividends from Surplus	Item No. 2	Election of Six Directors	Item No. 3	Payment of Bonuses to Directors	Item No. 4	Revision of Performance-based Stock Compensation Plan
Item No. 1	Dividends from Surplus								
Item No. 2	Election of Six Directors								
Item No. 3	Payment of Bonuses to Directors								
Item No. 4	Revision of Performance-based Stock Compensation Plan								

- ◎ Upon attending the Meeting, please present the enclosed Voting Form to the receptionist at the place of the Meeting.
- ◎ About the procedures for the exercise of voting rights in writing or by the Internet, etc., please see the following pages.
- ◎ The following items are posted on the Company's website (canon.jp/8060-ir) in accordance with the related laws and regulations and Article 14 of the Company's Articles of Incorporation and are therefore not included in the documents attached to this Notice:
 - (1) **Systems for Ensuring Appropriateness of Business Operations and Outline of Implementation Activities to be described in the Business Report**
 - (2) **Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements**
 - (3) **Non-Consolidated Statement of Changes in Net Assets and Notes to Non-Consolidated Financial Statements**

Items (1) through (3) above are part of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, which Audit & Supervisory Board Members audited to prepare their audit reports, and item (2) above are part of Consolidated Financial Statements and item (3) above are part of Non-Consolidated Financial Statements, which Accounting Auditor audited to prepare its audit reports.
- ◎ Any revisions to the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements will be posted on the company's website on the Internet (canon.jp/8060-ir).

<Notice on Measures in Response to COVID-19>

In order to prevent the spread of COVID-19, we would like to ask for your understanding and cooperation in giving top priority to the health and safety of all shareholders, and refraining from coming to the meeting in person as well as implementing the following measures at the meeting.

- ⦿ Due to the wide space that will be provided between seats for shareholders, the number of seats available will be significantly decreased compared to previous years. For this reason, there is a possibility that you may be unable to take a seat even if you come to the venue on the day of the meeting.
- ⦿ On the day of this General Meeting of Shareholders, the time for the proceedings will be shortened, and the explanation on the matters to be reported and the agenda items will be shortened accordingly. We appreciate your understanding.
- ⦿ All Directors of the Company and the administrative staff at the meeting will wear masks.
- ⦿ We ask for your cooperation in wearing a mask and using alcohol disinfectant on the day of the meeting to prevent the spread of infection. We will measure the temperature of shareholders before the reception on the day of the meeting, and if a shareholder is determined to be in poor health including instances when a shareholder is feverish, we may take necessary measures to prevent the spread of infection, such as restricting admission to the meeting room.

The above measures are subject to change depending on the situation of the spread of the COVID-19 up to the day of this General Meeting of Shareholders and the announcements made by the government and other organizations. Please visit our website for any changes to be made to the General Meeting of Shareholders.

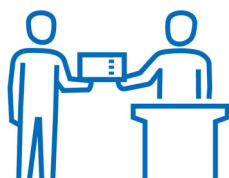
NOTICE OF CONVOCATION

Guidance Notes on the Exercise of Voting Rights

Your voting rights to be exercised at the General Meetings of Shareholders are important rights. After reviewing the following Reference Documents for the General Meeting of Shareholders (pages 8-20), please exercise your voting rights.

The Voting rights can be exercised in one of the following three ways.

Exercise of Voting Rights by Attending the Meeting

**DATE AND TIME:**

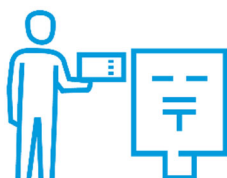
March 26 (Friday), 2021 at 10:00 a.m. (Japan time)

PLACE:

**Headquarters of the Company
CANON HALL S, 3rd floor of CANON S TOWER
16-6, Konan 2-chome, Minato-ku, Tokyo**

Please bring and present the enclosed Voting Form to the receptionist at the place of the Meeting.

Exercise of Voting Rights in Writing (Via Postal Mail)

**Deadline for exercising voting rights:**

**The Voting Form must reach us no later than
5:30 p.m. on March 25 (Thursday), 2021 (Japan time)**

Please indicate your for/against for each of the propositions on the enclosed Voting Form and return it by postal mail.

Exercise of Voting Rights by Electromagnetic Means (Via the Internet)

**Deadline for exercising voting rights:**

**The exercise of voting rights must be made no later than
5:30 p.m. on March 25 (Thursday), 2021 (Japan time)**

Please enter your for/against for each of the propositions on the website for the exercise of voting rights (<https://soukai.mizuho-tb.co.jp/>) and send it.

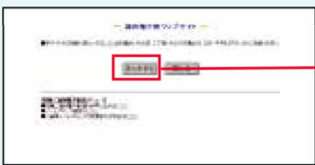




- * If voting rights are exercised in duplicate via the Internet and via postal mail, votes made via the Internet will be deemed to be valid.
- * If you exercise your voting rights more than once via the Internet, we will treat the last exercise of your voting rights as effective.
- * Please note that you may not be able to access the website for the exercise of voting rights depending on your Internet operating environment, your Internet service or the model of the device you use.
- * Any internet connection charges, communication charges or other fees incurred when you access the website for the exercise of voting rights shall be borne by you.

Guidance Notes on the Exercise of Voting Rights via the Internet, etc.

How to enter the voting code and password

Website for the exercise of voting rights


<https://soukai.mizuho-tb.co.jp/>

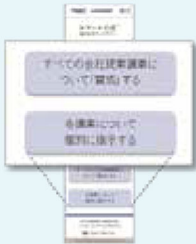
- 1 Access the website for the exercise of voting rights.
 Click on the "Next" button.
- 2 Enter your voting code shown on your voting form.
 Enter voting code.
 Click on the "Next" button.
- 3 Enter your password shown on your voting form.
 Enter password.
 Click on the "Log-in" button.
- 4 Indicate your approval or disapproval of the resolutions by following the directions on the screen.

If you have any questions about use of the voting website or "smart voting," please contact:

How to scan the QR code using your smartphone "Smart voting"

You can log-in to the voting website without having to enter your voting code or password.

- 1 Scan the QR code printed on the bottom-right of the voting form.


*"QRcode" is a registered trademark of DENSO WAVE INCORPORATED.
- 2 Indicate your approval or disapproval of the resolutions by following the directions on the screen.


You can exercise your voting rights ONLY ONCE by "smart voting." If you wish to change your vote after exercising your voting rights by "smart voting," please access the PC version of website for the exercise of voting rights, login by entering your voting code and password shown on the voting form and vote again.

* Scanning the QR code again can take you to the PC version website for the exercise of voting rights.

Internet Help Dial: Stock Transfer Agency Department Mizuho Trust & Banking Co., Ltd.
Telephone: 0120-768-524 (toll-free)
 Operating Hours: 9:00 a.m. to 9:00 p.m. (excluding Saturdays, Sundays and national holiday)

Platform for Electronic Exercise of Voting Rights

The electronic voting platform for institutional investors operated by Investor Communications Japan Inc. is available for nominee shareholders such as trust & custody services banks, etc. (including standing proxies) that have applied to use such platform in advance.

REFERENCE DOCUMENTS FOR GENERAL MEETING OF SHAREHOLDERS

Item No. 1: Dividends from Surplus

We have comprehensively considered the business results, etc. for this Fiscal Year, and propose a year-end dividends as described below.

Thus, the full-year dividends will be 60.00 yen per share, which includes interim dividends of 20.00 yen per share. Although it is provided in the Articles of Incorporation that the dividends from surplus, etc. may be decided by a resolution of the board of directors, we have made it a matter to be resolved at this Meeting to have an opportunity to hear the shareholders' views directly.

1	Type of dividend:	Cash
2	Matters concerning distribution of dividend and its total amount:	40.00 yen per common share of the Company Total amount of dividend 5,186,686,000 yen
3	Effective date of the dividend from surplus:	March 29, 2021

<REFERENCE> Changes in dividends (yen)



Item No. 2: Election of Six Directors

The term of offices of all of the six Directors will expire at the end of this Meeting. Accordingly, we would like to elect six Directors.

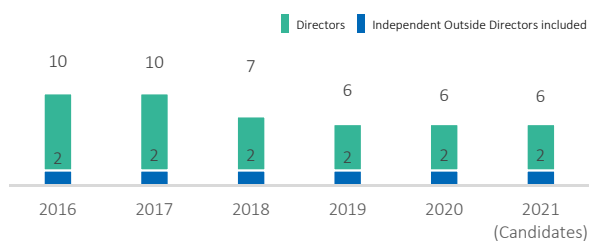
The candidates for the position of the Directors are as follows:

Candidate No.		Name	Present Position and Areas of Responsibility at the Company	Attendance at Board of Directors' Meetings	Member of Nomination and Remuneration Advisory Committee
1	Reappointment	Masachika Adachi	Director & Senior Vice President Director of Enterprise Business Unit	100% (18/18)	○
2	Reappointment	Shiro Hamada	Director & Vice President Director in charge of Group Finance & Accounting and Group Auditing	100% (18/18)	
3	Reappointment	Hatsumi Hirukawa	Director & Vice President Director in charge of Group Planning, Group Service & Support and Group Communication	100% (13/13)	
4	New Appointment	2Minoru Mizoguchi	Vice President Director in charge of Group General Administration & Human Resources Management, Group Procurement and Group Logistics	-	
5	Reappointment	Outside Independent Akio Dobashi	Outside Director	100% (18/18)	○
6	Reappointment	Outside Independent Yoshio Osawa	Outside Director	100% (18/18)	○

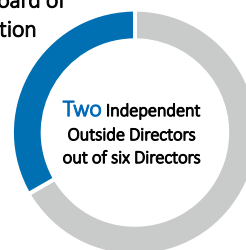
* In the above list for the candidates for Directors who currently serve as members of the Nomination and Remuneration Committee, the "○" symbol indicates a member. The organization of the Nomination and Remuneration Committee is presented on page 14.

<REFERENCE>

Changes in the number of members of the Board of Directors



Independence of the Board of Directors after the election



Candidate
No.

1



Masachika Adachi

(March 30, 1960)

16,422 shares

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1982: Entered the Company

Jul. 2009: Group Executive of MA Business Sales Headquarters, Business Solutions Company

Mar. 2013: Vice President

Mar. 2015: Director & Senior Vice President

Apr. 2015: Company President of Business Solutions Company

Jan. 2018: Director of Enterprise Business Unit (present)

Apr. 2019: Director & Senior Vice President (present)

Reason for Nomination as Director

Mr. Adachi led various business fields for many years. He has held the posts of Director and Executive Officer, and has considerable experience and knowledge of management for the Company. Thus, he has again been selected as a candidate for a Director.

Candidate
No.

2



Shiro Hamada

(August 31, 1961)

14,539 shares

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1984: Entered the Company

Apr. 2011: Deputy Chief Executive of Administrative Headquarters of Canon IT Solutions Inc.

Jul. 2013: Group Executive of Finance & Accounting Headquarters (present)

Apr. 2015: Executive Officer

Mar. 2016: Director & Vice President (present)

Jan. 2018: Director in charge of Group Finance & Accounting and Group Auditing (present)

Reason for Nomination as Director

Mr. Hamada led the Finance and Accounting field for many years. He has held the posts of Director and Executive Officer, and has considerable experience and knowledge of management for the Company. Thus, he has again been selected as a candidate for a Director.

Candidate
No.

3



Hatsumi Hirukawa
(January 8, 1965)

5,317 shares

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1987: Entered the Company

Jan. 2015: Business Solution Company Area Sales Headquarters Area Business Promotion
Group Senior General Manager

Jul. 2016: Planning Headquarters Group Executive

Apr. 2017: Executive Officer

Apr. 2019: Vice President (present)

Jan. 2020: Director in charge of Group Planning and Group Service & Support (present)
Director of Service & Support Headquarters (present)

Mar. 2020: Director (present)

Apr. 2020: Director in charge of Group Communication (present)

Reason for Nomination as Director

Mr. Hirukawa has led Business and Planning fields for many years. He has held the posts of Director and Executive Officer, and has considerable experience and knowledge of management for the Company. Thus, he has again been selected as a candidate for a Director.

Candidate
No.

4



Minoru Mizoguchi
(May 21, 1960)

8,302 shares

New
Appointment

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1984: Entered the Company

Apr. 2015: Group Executive of General Administration & Human Resources Management
Headquarters (present)

Apr. 2016: Executive Officer

Mar. 2018: Vice President (present)

Apr. 2019: Director in charge of Group General Administration & Human Resources
Management (present)

Jan. 2020: Director in charge of Group Procurement and Group Logistics (present)

Reason for Nomination as Director

Mr. Minoru Mizoguchi has led the fields of General Affairs and Human Resources many years. He has held the post of Executive Officer, and has considerable experience and knowledge of management for the Company and deserves to be involved in the Company's management. Thus, he has been newly selected as a candidate for Director.

Candidate
No.

5



Akio Dobashi
(January 2, 1949)

0 shares

Outside

Independent

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1972: Entered Nichimen Company, Limited (presently Sojitz Corporation)

Apr. 2004: Representative Director, President & CEO of Sojitz Corporation

Jun. 2005: Representative Director, President & CEO of Sojitz Holdings Corporation

Oct. 2005: The corporate name was changed to Sojitz Corporation due to the merger of Sojitz Holdings Corporation and Sojitz Corporation

Representative Director, President & CEO of Sojitz Corporation

Apr. 2007: Representative Director and Chairman of Sojitz Corporation

Jun. 2015: Outside Director of OSJB Holdings Corporation

Mar. 2016: Outside Director of the Company (present)

Jun. 2017: Outside Director of Maeda Corporation (present)

Important concurrent post

Outside Director of Maeda Corporation

Reason for Nomination as Outside Director

Mr. Dobashi has actively performed as a top executive at a general trading company for many years. He has considerable experience and excellent expertise in company management. We assessed that he could accomplish the duties as the Outside Director appropriately from such experience and excellent expertise. Thus, he has again been selected as a candidate for an Outside Director.

His term as an Outside Director will be five years as of the close of this Meeting.

Candidate No.

6



Yoshio Osawa
(January 22, 1952)

0 shares

Outside Independent

Brief personal record, position, business in charge and important concurrent posts

As of

Apr. 1975: Entered Sumitomo Corporation
 Jun. 2003: Concurrent post as director of Sumitomo Computer Service Corporation (presently SCSK Corporation)
 Apr. 2005: Executive Officer of Sumitomo Corporation
 Apr. 2008: Managing Executive Officer of Sumitomo Corporation
 Jun. 2008: Representative Director and Managing Executive Officer of Sumitomo Corporation
 Apr. 2011: Representative Director and Senior Managing Executive Officer of Sumitomo Corporation
 Apr. 2013: Representative Director, Assistant to President and CEO of Sumitomo Corporation Adviser of SCSK Corporation
 Jun. 2013: Representative Director, President & COO of SCSK Corporation
 Apr. 2016: Chairman of the Board of the Directors, SCSK Corporation
 Mar. 2018: Outside Director of the Company (present)
 Jun. 2019: Outside Director of Citizen Watch Co., Ltd. (present))

Important concurrent post

Outside Director of Citizen Watch Co., Ltd.

Reason for Nomination as Outside Director

Mr. Yoshi Osawa has actively performed as a top executive at a general trading company and IT services company for many years. He has considerable experience and excellent expertise in company management. On this basis, we assessed that he could accomplish the duties of outside director appropriately. Thus, he has been newly selected as a candidate for an Outside Director. His term as an Outside Director will be three years as of the close of this Meeting.

- Notes: 1. None of the candidates for the Directors have any special interest in the Company.
 2. Should Mr. Akio Dobashi and Mr. Yoshio Osawa be elected, the Company will make both of them independent directors under the regulation of the Tokyo Stock Exchange, Inc.
 3. Mr. Akio Dobashi has worked for Sojitz Corporation, which does business with the Company. Although there are transactions in areas such as business equipment maintenance between Sojitz Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of Sojitz Corporation and the Company respectively. Mr. Akio Dobashi, therefore, meets the Company's Independence Standards for Independent Directors/Audit & Supervisory Board Members (please see page 15).
 4. Mr. Yoshio Osawa has worked for Sumitomo Corporation and SCSK Corporation, both of which do business with the Company. Although there are transactions in areas such as software sales between Sumitomo Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of Sumitomo Corporation and the Company respectively. Similarly, although there are transactions in areas such as IT equipment and business equipment sales between SCSK Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of SCSK Corporation and the Company respectively. Mr. Yoshio Osawa, therefore, meets the standards for Independence Standards for Independent Directors determined by the Company (please see page 15).
 5. The Company has entered into a contract with Mr. Akio Dobashi and Mr. Yoshio Osawa limiting the amount of their damages compensation liability defined in Paragraph1, Article 423 of the Companies Act of Japan to the limit prescribed by laws and regulations. Should they be elected, the Company will continue the aforementioned contract with them.
 6. The Company has entered into a liability insurance policy for officers under which all the Directors are insured persons. The policy covers damage or losses that may arise from their assuming liabilities in connection with their execution of duties or claims filed against them for such liabilities. If the candidates assume the office of Director, they will become insured persons under the insurance policy, which will be renewed during their term of office.

(Reference) Structure and Other Details of the Board of Directors and the Audit & Supervisory Board

■ Structure of Board of Directors

We have established a structure that mainly consists of Representative Directors who oversee company-wide business strategies and their execution, and Executive Directors who oversee each business domain or each headquarters function. In addition, two or more Independent Outside Directors are included as members of the Board of Directors to ensure the soundness of management. The Board of Directors handles important decision-making and oversees the performance status of business operations in accordance with laws and regulations.

■ Structure of Audit & Supervisory Board

As an auditing organization independent from the Board of Directors, the Audit & Supervisory Board consists of persons who have considerable knowledge of the Company's business and corporate management, and persons who are well-versed in accounting and other professional fields. At least one of the Outside Audit & Supervisory Board Members is a person who satisfies the independence standards and qualifications separately prescribed by the Board of Directors. The Audit & Supervisory Board made up of these Members works together with the accounting auditors and the internal audit division of the Company to audit the execution of duties by Directors and the status of assets of the Company to ensure the soundness of management.

■ Policies and procedures in the Nomination of Director and Audit & Supervisory Board Member Candidates

1. Policies

In principle, we select candidates for Directors and Audit & Supervisory Board Members appointed as higher positions from among the persons who are recognized as being able to perform the corresponding duties fairly and accurately, who have deep insight, and who satisfy the following requirements, regardless of their gender, nationality, age, or other personal attributes.

<Directors>

The candidates must have a true understanding of the Company's corporate philosophy and Code of Conduct, a broad and deep understanding of the Company's business and operations through experience gained as Executive Officers, etc., and must be able to make effective judgment from a comprehensive perspective of multiple businesses and headquarters functions.

<Independent Outside Directors>

The candidates must satisfy the independence standards and qualifications separately prescribed by the Board of Directors and must have a high degree of professionalism and abundant experience in corporate management, risk management, law, economics, and other fields.

<Audit & Supervisory Board Members>

The candidates must have a high degree of professionalism and a wealth of experience in corporate management, financial and accounting matters, internal controls, and other fields. One or more candidates for Outside Audit & Supervisory Board Members of the Audit & Supervisory Board must satisfy the independence standards and qualifications separately prescribed by the Board of Directors.

2. Procedures

The Company established the voluntary "Nomination and Remuneration Advisory Committee" consisting of the President & Representative Director, one Director and two Independent Outside Directors.

In nomination of candidates for Directors/Audit & Supervisory Board Members (including successor to President and candidates therefor), President recommend candidates from among persons who are recognized to satisfy the prescribed requirements and the fairness/appropriateness of recommendation is checked by the nomination committee. Then the proposal therefor is submitted to and deliberated by the Board of Directors.

In addition, in regards to candidates for Audit & Supervisory Board Members, deliberation at the Audit & Supervisory Board meeting is conducted and the consent of the board is obtained prior to deliberation at the Board of Directors meeting.

■ “Independence Standards for Independent Directors/Audit & Supervisory Board Members” of Canon Marketing Japan Inc. Canon Marketing Japan Inc. hereby establishes the “Independence Standards for Independent Directors/Audit & Supervisory Board Members” resolved by the board of directors with the consent of all Audit & Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors/Audit & Supervisory Board Members of Canon Marketing Japan Inc., taking into consideration Japan’s Corporate Governance Code (Principle 4.9) and the independence criteria set by securities exchanges in Japan.

Independence Standards for Independent Directors/Audit & Supervisory Board Members

Canon Marketing Japan Inc. deems that a person who satisfies the requirements for Outside Directors/Audit & Supervisory Board Members prescribed by the Companies Act of Japan, and meets the independence criteria set by securities exchanges in Japan, and does not fall into any of the items below, is an “Independent Director/Audit & Supervisory Board Member” (a person who is independent from the management of Canon Marketing Japan Inc. and unlikely to have conflicts of interest with general shareholders).

1. A person/organization for which Canon Marketing Japan Group (Canon Marketing Japan Inc. and its subsidiaries; hereinafter the same) is a major client, or a major client of Canon Marketing Japan Group, or an executing person of such organization or client
2. A large shareholder of Canon Marketing Japan Inc., or an executing person of such shareholder
3. A person/organization receiving large amounts of contributions from Canon Marketing Japan Group, or an executing person of such organization
4. A consultant, accounting professional or legal professional who has received a large amount of money or other properties from Canon Marketing Japan Group, other than as compensation for being a Director/Audit & Supervisory Board Member (if the recipient is a corporation, partnership or any other organization, this item applies to any person belonging to said organization.)
5. A certified public accountant belonging to the audit firm engaged to conduct the statutory audit of Canon Marketing Japan Group (including any such accountant to whom this item has applied in the last 3 fiscal years)
6. An executing person of another company in cases where an executing person of Canon Marketing Japan Inc. is an outside director/Audit and Supervisory Board Member of such other company
7. An immediate family member (spouse and a relative within the second degree of kinship) of any of the persons listed in each of items 1 to 6; provided, however that the persons to whom this is applicable shall be limited to key executing persons such as directors, executive officers of companies and partners of advisory firms

(Notes)

* In item 1, “major” means in cases where the total amount (for any fiscal year during the last 3 fiscal years) of transactions between Canon Marketing Japan Group and such client exceeds 1% of the consolidated sales of Canon Marketing Japan Group or such client.

* In item 2, “a large shareholder” means a shareholder who directly or indirectly holds 5% or more of the total voting rights of Canon Marketing Japan Inc.

* In item 3, “a large amount” means in cases where the total amount of contributions exceeds ¥12 million (in cases where the recipient is an individual) or 1% of the annual gross income of such recipient (in cases where the recipient is an organization), for any fiscal year during the last 3 fiscal years of Canon Marketing Japan Inc.

* In item 1 to 3, and 6, an “executing person” means an executive director, executive officer and employee including manager (in items 1 to 3, including a person to whom this item has applied in any fiscal year during the last 3 fiscal years).

* In item 4, “a large amount” means in cases where the total amount of money or other properties received by said consultant, etc., exceeds ¥12 million (in cases where the recipient is a person) or 1% of the annual gross sales of such consultant, etc. (in cases where the recipient is an organization).

Item No. 3: Payment of Bonuses to Directors

It is proposed that bonuses will be paid to the four Directors excluding the Outside Director as of the end of this fiscal year, in appreciation of their services during this fiscal year, which totals ¥29,150,000 considering the results for this fiscal year, etc. The Company established the policy for the determination of the details of Directors' remuneration etc. on an individual basis (hereinafter referred to as the "Policy to Determine the Details of the Remuneration of Individual Directors") at its Board of Directors meeting held on February 16, 2021, the summary of which is found on pages 19-20. The Company considers this proposal appropriate, as it is in line with this policy.

Item No. 4: Revision of Performance-based Stock Compensation Plan

The Company introduced a "Performance-based Stock Compensation Plan" (hereinafter the "Plan") upon approval by the 51st Ordinary General Meeting of Shareholders held on March 27, 2019 of Item No. 4: "Determination of Compensation of Directors under Performance-based Stock Compensation Plan" (hereinafter, the resolution of this proposal at the said Ordinary General Meeting of Shareholders is referred to as the "Initial Resolution"), to provide an incentive to Executive Officers who are Vice Presidents or higher (including persons serving concurrently as Directors; excluding Outside Directors) (hereinafter, referred to collectively as "Eligible Officers") to achieve the full-year consolidated income plan.

In conjunction with the revision of the Companies Act and the Ordinance for Enforcement of the Companies Act, we would like shareholders to grant approval for matters including the limit on the number of shares of common stock of the Company to be delivered to the Eligible Officers (16,000 shares per year). The proposed revisions are as underlined below.

This proposal is in line with the "Policy to Determine the Details of the Remuneration of Individual Directors," which has been established by the Company and the summary of which is stated on pages 19-20. Additionally, as the ratio of the shares of the common stock of the Company to be delivered based on the Plan to the total number of shares issued is expected to be within 0.01% per year, the dilution ratio will be immaterial, and accordingly, the Company has determined that this proposal is appropriate.

Furthermore, if approval of Item No. 2 is obtained, we will have six Directors (6) (including two Outside Directors).

1. Outline of the Plan, etc.

<Outline of the Plan>

Under the Plan, the Company will deliver shares of its common stock as officer compensation to Eligible Officers of the Company according to the degree of achievement of the full-year consolidated income plan (hereinafter the "Corporate Performance Indicator") during the time that the Eligible Officers are in office (hereinafter the "Eligible Period").

Eligible Officers will only receive delivery of shares of common stock of the Company after they have retired from office. The current limit on compensation of Directors of the Company was set and approved in the 39th Ordinary General

Meeting of Shareholders held on March 28, 2007 at “not more than 800 million yen per year” and the Plan will grant performance-based stock compensation to Directors who are Eligible Officers within this limit.

<Structure of the Plan>

- (1) The Company’s Board of Directors will establish stock compensation rules setting out details of the Plan such as the method used to calculate shares of common stock of the Company to be delivered to Eligible Officers.
- (2) For every fiscal year that comes to an end within the Eligible Period, the Company will, at a prescribed time, determine the amount of compensation to be awarded to each Eligible Officer according to the degree of achievement of the Corporate Performance Indicator and calculate the cumulative total of such amounts.
- (3) When Eligible Officers retire from office, the Company will deliver to them a number of shares of its common stock calculated according to the cumulative total of the compensation amounts.
- (4) The Company will make delivery of shares of its common stock to Eligible Officers either through the issuance of new shares or the disposal of treasury shares. The Company will grant monetary compensation receivables to Eligible Officers and, the Eligible Officers will make in-kind contributions of the monetary compensation receivables in return for the Company’s common stock at the time of such issuance of new shares or disposal of treasury shares.

2. Details of the Plan, including Calculation Method

Under the Plan, the monetary compensation receivables (hereinafter the “Individual Monetary Compensation Receivable Amount”) granted for the delivery of shares of the Company’s common stock to each Eligible Officer will be determined as follows.

<Monetary compensation receivables granted for the delivery of shares of the Company’s common stock to each Eligible Officer>

Sum total of standard stock compensation amounts specified for each position adjusted for each Eligible Officer according to the degree of achievement of the Corporate Performance Indicator in each fiscal year that ended within the Eligible Period = Individual Monetary Compensation Receivable Amount

<Method used to calculate the number of shares of the Company’s common stock to be delivered to each Eligible Officer>

The method used to calculate the number of shares of the Company’s common stock to be delivered to each Eligible Officer (hereinafter the “Individual Number of Shares to Be Delivered”) will be as follows. The maximum number of shares of common stock of the Company to be delivered to Directors who are Eligible Officers will be 16,000 shares per year (However, if the Company performs a stock split (including allotment of common stock of the Company without contribution) or consolidation of its common stock to become effective on or after the day on which this proposal is approved, the Company will make adjustments to such total number of the shares as necessary in accordance with the ratio of the stock split or the consolidation of its stock in a reasonable manner on or after the effective date of the stock split or the consolidation of its stock.

[Method used to calculate Individual Number of Shares to Be Delivered]

For every fiscal year that comes to an end within the Eligible Period, the Company will, at a prescribed time, determine the amount of compensation to be awarded to each Eligible Officer according to the degree of achievement of the Corporate Performance Indicator and calculate the cumulative total of such amounts. When Eligible Officers retire from

office, the Company will deliver to them a number of shares of its common stock calculated according to the cumulative total of the compensation amounts. (Please refer to “Equation” below. Any fraction of less than one share will be discarded.)

In the case of changes in rank due to promotion, etc. partway through a fiscal year, the compensation amount for the fiscal year in question will be adjusted in accordance with the stock compensation rules. Furthermore, if the total amount of compensation, etc. of Directors exceeds the limit on compensation for Directors approved at the General Meeting of Shareholders by granting the monetary receivables for compensation amounts calculated in accordance with the foregoing, the Individual Number of Shares to Be Delivered to each Eligible Officer will be reduced by a reasonable method determined by the Company’s Board of Directors (unless the Company has received approval for a revision of the compensation limit at another General Meeting of Shareholders).

[Equation]

Individual Monetary Compensation Receivable Amount / Amount to be paid in per share on the issuance of new shares or the disposal of treasury shares* = Individual Number of Shares to Be Delivered

* Amount to be paid in per share will be determined by the Board of Directors, provided, however, that such amount must not be particularly advantageous to the Eligible Officers.

3. Conditions for Delivery of Shares of the Company’s Common Stock under the Plan

Upon retiring from office, Eligible Officers will be able to receive delivery of shares of the Company’s common stock after completing the procedures prescribed in the stock compensation rules provided that they satisfy the following conditions for delivery of shares of the Company’s common stock:

- (1) Recipient has served as an Eligible Officer of the Company during an Eligible Period since the start date of the Plan (includes an individual who newly became an Eligible Officer on or after the start date of the Plan).
- (2) Recipient has retired from office as an Eligible Officer of the Company.
- (3) The Individual Number of Shares to Be Delivered has been determined.
- (4) Recipient is not an individual deemed by the Company’s Board of Directors as having committed (i) a material breach of the Eligible Officer’s contract with the Company or (ii) illegal activity, or an individual who retired from office at his or her own convenience against the Company’s wishes.
- (5) Recipient has satisfied any other conditions deemed necessary by the Company to achieve the aim of the Plan.

4. Clawback Policy, etc.

An Eligible Officer will lose (in whole or in part) the right to receive delivery of the Company’s common stock based on the Plan, or the Company may demand the return of money equivalent to the delivered shares, in the event of certain incidents including a material breach of the Eligible Officer’s contract with the Company, or illegal activity.

(Reference) Policy to Determine the Details of the Remuneration of Individual Directors

1) Basic Policy on Compensation

The Company endeavors to design officer compensation systems that will function as a framework for effectively encouraging officers to fully demonstrate their abilities and fulfill their roles and responsibilities for the Group's sound and sustainable growth. The Company's basic policy is that the proprietary value of officer compensation should be set at an appropriate level, taking into consideration the attraction and retention of talented human resources who can fully meet the Company's expectations.

2) Details of each compensation system

a. Representative Directors and Executive Directors

The compensation of Representative Directors and Executive Directors is made up of the following "basic remuneration," "bonus" and "performance-based stock compensation."

<Basic Remuneration>

Basic remuneration is a fixed amount paid monthly to Representative Directors and Executive Directors, as compensation for the execution of their duties. It is a prescribed amount set in accordance with the position, role, and degree of contribution of Representative Directors and Executive Directors. The total amount must not be more than the amount approved by the General Meeting of Shareholders (However, the amount is the total amount of basic remuneration for all Directors including Outside Directors).

<Bonus>

The bonus is cash remuneration paid annually to Representative Directors and Executive Directors to reward their achievements over the course of one year in office, and it uses consolidated profit before income taxes as an indicator, which is the result of the Group's operating activities over the course of a year. A standard bonus amount set in accordance with the position of Representative Directors and Executive Directors is adjusted according to the degree of achievement of the indicator.

Since the Company's view is that bonuses are essentially a distribution of company profits along with dividends and retained earnings, the Company consults the Annual General Meeting of Shareholders for approval of the payment of bonuses and the total amount to be paid calculated in accordance with the foregoing.

<Performance-based stock compensation>

The performance-based stock compensation is a system under which the Company delivers shares of its common stock as officer compensation to Eligible Officers of the Company according to the degree of achievement of "consolidated operating income" during the time that the Eligible Officers are in office. Eligible Officers will only receive delivery of shares of common stock of the Company after they have retired from office. The total amount of compensation for Directors must not be more than the amount approved by the General Meeting of Shareholders, and the performance-based stock compensation is to be granted to Directors who are Eligible Officers within such limit.

Monetary compensation receivables granted for the delivery of shares of the Company's common stock to each Eligible Officer are calculated as shown below.

Sum total of compensation amounts specified for each position adjusted for each Eligible Officer according to the degree of achievement of “consolidated operating income” in each fiscal year that ended within the period that the Eligible Officer was in office = Individual Monetary Compensation Receivable Amount

In the event that an Eligible Officer was deemed by the Company’s Board of Directors as having committed an illegal activity in their duties, the delivery of shares of the Company’s common stock may be withheld.

Given the importance of addressing management from a medium- to long-term perspective, emphasis will be placed on maintaining the levels and stability of basic remuneration while aiming to enhance the financial results for each year. Accordingly, the percentage of the bonus to basic remuneration and the percentage of performance-based stock compensation to basic remuneration will be a maximum of 30% and 20%, respectively.

<Return of the Compensation>

With regard to the performance-based stock compensation, the Company may demand the return of the compensation through a prescribed method even after the shares of common stock of the Company have been delivered to an Eligible Officer, in the event that the Eligible Officer was deemed by the Company’s Board of Directors as having committed an illegal activity.

b. Outside Directors

The compensation of Outside Directors, who perform duties from a position of independence from business execution, is limited to the basic remuneration, which is a fixed amount of monetary compensation paid each month as consideration for the execution of duties.

The compensation of Outside Directors is determined within the limit of the annual amount determined by resolution of the General Meeting of Shareholders stated in a. <Basic Remuneration> above, and within the limit of the amount determined in advance by the Company, taking general levels of compensation into consideration.

3) Remuneration Determination Process

The Company established the voluntary “Nomination and Remuneration Advisory Committee” consisting of the President & Representative Director, one Director and two Independent Outside Directors, for the purpose of ensuring the transparency and objectivity of the remuneration determination process and the validity of the remuneration systems. The Committee reviews the validity of the remuneration systems for Directors and Executive Officers in the positions of Vice Presidents or higher, including the standards for the calculation of basic remuneration and bonuses and the standards for granting performance-based stock compensation, and reports to the Board of the Directors to the effect that the systems were valid.

The individual compensation amounts of Directors are determined by the President & Representative Director, who has been delegated the authority to determine the details, based on the remuneration systems that have been reviewed by the Nomination and Remuneration Advisory Committee.

With regard to bonuses, the Company consults the General Meeting of Shareholders for approval of the payment of bonuses and the total amount to be paid on each occasion, as stated in 2) a. <Bonus> above.

BUSINESS REPORT (January 1, 2020 to December 31, 2020)

1. Current Conditions of Canon Marketing Japan and its consolidated subsidiaries (the "Group")

(1) Business Progress and Achievement

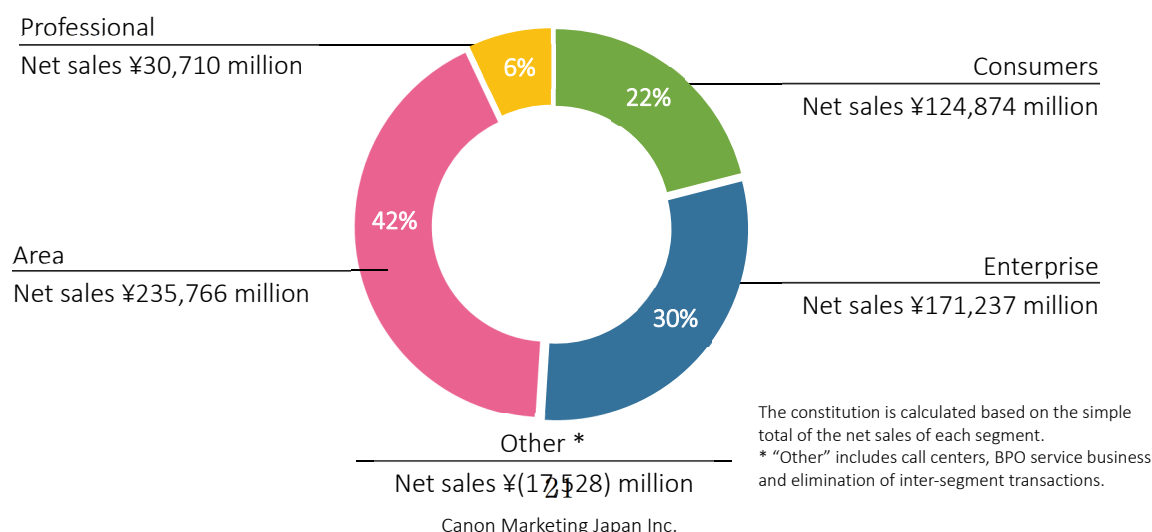
■ General Business Conditions

The Japanese economy continued to face difficult conditions this fiscal year due to the impact of the spread of COVID-19. Although there were signs of a pickup in consumer spending due to the provision of benefits by the government and consumption stimulus measures, it fell sharply as people refrained from going out and there were requests for business closures. As for capital investment by businesses, although IT investment was strong, a trend of restraint continued due to the outlook of prolonged effects of the COVID-19 pandemic. Although economic indicators are showing signs of improvement, COVID-19 is spreading again, and there are no prospects on when it will end, leading to concerns that the negative impact on the global and Japanese economy will be prolonged.

Against this economic backdrop, although the Company saw increases in sales of related products and services in line with the growing demand for telework, the market for mainstay business equipment and digital interchangeable lens cameras declined significantly, and sales activities were severely limited due to the company-wide rotating holidays from April to May. As a result, net sales decreased to ¥545,060 million (down 12.2% from the previous fiscal year).

In terms of income, although the Company continued to thoroughly reduce SG&A expenses and worked to expand sales of consumer products, especially high-value-added products, operating income was ¥31,317 million (down 3.5% from the previous fiscal year) due to the significant decrease in gross profit caused by the decline in sales. Ordinary income increased to ¥35,236 million (up 3.8% from the previous fiscal year) due to the receipt of subsidies for employment adjustment, and profit attributable to owners of parent decreased to ¥21,997 million (down 1.1% from the previous fiscal year) due to extraordinary losses.

■ Constitution of Net Sales by Segment



Consumers

Netsales ¥124,874 million

Operating income ¥12,218 million

Although demand for digital cameras temporarily increased due to factors including the Go To Travel campaign, demand for digital cameras remained weak as the purchasing sentiment of individual customers was still low due to voluntary restraint in going out. In addition, camera dealers and mass retailers had to temporarily close or shorten their business hours, limiting sales opportunities. While the Company received favorable reviews for the EOS R5, EOS R6, and EOS Kiss M2 mirrorless cameras launched in the fiscal year under review, sales of digital interchangeable lens cameras and compact digital cameras declined significantly.

Demand for home-use inkjet printers grew significantly due to an increase in teleworking and online learning, and sales were strong especially for high-value-added products such as the new products launched during the fiscal year under review. In addition, products equipped with the GIGA TANK, an extra-large capacity tank, continued to perform well, resulting in a significant increase in inkjet printer sales. Sales of ink cartridges decreased due to a shrinking market caused by a decline in color printing and New Year's cards.

Sales of IT products increased significantly due to an increase in PC peripherals as a result of growing demand for teleworking and continued growth in sales of gaming PCs.

As a result, net sales in this segment totaled ¥124,874 million (down 6.0% from the previous fiscal year). Operating income was ¥12,218 million (up 78.0% from the previous fiscal year) due to efforts to secure profits by increasing the composition ratio of high-value-added products, assessing market conditions, and controlling SG&A expenses, mainly advertising.



Mirrorless camera EOSR5



Printer with the extra-large capacity tank GIGA TANK

■ Business Conditions by Segment

Enterprise

Netsales ¥171,237 millionOperating income ¥8,920 million

In mainstay business equipment, sales of office MFPs decreased due to a weak market since the beginning of the year and a decrease in the number of projects due to restrictions on sales activities as a result of the implementation of rotating holidays. As for laser printers, in the same manner as with office MFPs, sales were down due to the impact of restrictions on sales activities and the absence of several large projects recorded in the previous fiscal year. Sales of maintenance services for office MFPs and laser printer cartridges decreased due to a decline in print volume in offices as customers continued to telework.

In IT solutions for large companies, although orders improved toward the fourth quarter, sales decreased due to the absence of the replacement demand for business PCs following the end of support for Windows 7 and large-scale projects in SI services and infrastructure systems recorded during the previous fiscal year, as well as a decrease in projects and delays caused by factors including reduced sales activities.

As a result, net sales in this segment totaled ¥171,237 million (down 12.6% from the previous fiscal year). Operating income was ¥8,920 million (down 11.4% from the previous fiscal year).



Nishi-Tokyo Data Center

Area

Net sales ¥235,766 million

Operating income ¥9,898 million

Despite the progress in the fourth quarter in starting up office MFP projects that had been postponed, sales of mainstay business equipment, such as office MFPs and laser printers declined due to the sluggish market since the beginning of the year and restrictions on sales activities caused by the implementation of rotating holidays. Sales of maintenance services and laser printer cartridges decreased due to a decline in print volume caused by the continued impact of telework, although sales have gradually recovered.

As for IT solutions for SMEs, needs for establishing a telework environment remained high, and the cloud-based IT support service HOME performed well, while performance for security products such as the anti-virus software ESET and firewall equipment improved. The Company also focused on acquiring maintenance and operation services for customers' IT equipment, and the number of orders received increased. Meanwhile, despite demand for telework, sales of business PCs decreased due to factors such as the reactionary decline from the large growth in replacement demand in the previous fiscal year following the end of Windows 7 support. As a result, sales of IT solutions decreased.

As a result, net sales in this segment totaled ¥235,766 million (down 12.1% from the previous fiscal year). Operating income came to ¥9,898 million (down 31.3% from the previous fiscal year).



IT support cloud service for SMEs, HOME



Antivirus software ESET

Professional

Net sales ¥30,710 million

Operating income ¥1,879 million

(Production Printing)

In the production printing business, the Company provides high-speed continuous feed printers and high-speed cut sheet printers mainly for the printing industry. The Company also provides services related to POP production for the retail industry. During the fiscal year under review, despite growth in sales of products such as monochrome continuous feed printers, sales declined due to a decrease in sales of consumables resulting from a decline in print volume, as well as a decrease in POP production-related business.

(Industrial Equipment)

In the industrial equipment business, the Company provides manufacturing-related equipment, inspection and measurement devices, and other products mainly to semiconductor manufacturers. During the fiscal year under review, although sales of semiconductor manufacturing systems increased, sales declined due to a decrease in sales of inspection and measurement devices.

(Healthcare)

In the healthcare business, the Company provides system development and platform construction, mainly electronic medical records for hospitals and clinics, and also provides products such as receipt computers for dispensing pharmacies. During the fiscal year under review, sales increased due to several large-scale projects for the construction of electronic medical records and medical IT platforms for hospitals, despite the absence of the large-scale projects for dispensing pharmacies in the previous fiscal year. The Company transferred all shares of its consolidated subsidiary Canon Lifecare Solutions Inc. to Canon Medical Systems Corporation in January 2020. In the previous fiscal year, Canon Lifecare Solutions Inc. posted net sales of ¥11.0 billion and operating income of ¥0.1 billion.

As a result, net sales in this segment totaled ¥30,710 million (down 29.7% from the previous fiscal year). Operating income increased to ¥1,879 million (up 16.3% from the previous fiscal year) due to factors including a decrease in SG&A expenses.



Electronic Medical Records for hospitals and clinics

(2) Capital Expenditures

The capital expenditures by the Group during this fiscal year totaled ¥12,746 million, which are mainly for rented assets, tools, fixtures and fittings, and ancillary facilities at our Nishi-Tokyo Data Center.

(3) Issues to be Addressed

While the Japanese economy is likely to enter a recovery trend, we expect that the outlook will remain unclear due to the COVID-19 pandemic and fluctuations in financial and capital markets, and other factors.

Against this economic backdrop, the Group aims to become a “highly profitable business group” in the medium to long term management plan. We believe our challenges will be reforming our business portfolio with the aim of achieving that goal, and building the new mechanisms and systems that will support that reform.

With regard to reforming our business portfolio, the Company will work to expand high-value-added business in IT solutions, where growth of the market is expected and which we have positioned as a growth business. Although Canon’s major product business is not expected to grow significantly in the Japanese market, we consider it as a challenge for us to further improve productivity, and maximize both sales and unit sales with a priority on earning profit.

As for building mechanisms and systems for the Company, we see our challenges as integrating into our management strategy the hiring of diverse human resources for the development of leaders that will promote reform and the next-generation management team, work style reforms utilizing IT, and promoting sustainability and strengthening risk management.

We have set five important management challenges derived from the above, and will undertake the following initiatives.

[Five important management issues and initiatives in fiscal 2021]

1) Creation of high-value-added business

We will establish a sales system for each customer base, and will work to enhance and expand differentiated solutions by narrowing down our industry and business domains.

2) Enhancing profitability of Canon’s major product businesses

In Canon’s major product businesses, we will accelerate our profit-oriented sales strategy. Accordingly, we will work to increase the productivity of customer engineers by making logistics operations efficient, through means such as leveling out the quantity of goods for the promotion of worker-friendly logistics, enhancing the response capability of our contact center which is the front line for contact with customers, and further promoting the use of IoT technology.

3) Development and promotion of diverse human resources

We will improve the expertise of our employees through training and support in getting certifications, and will accelerate the recruitment of professional personnel from outside the Company who are adept in specific fields. We also support the “Action Plan on Women’s Active Participation in the Workforce” issued by KEIDANREN (Japan Business Federation). We have also formulated our own action plan, based on which we will work to improve diversity such as by promoting active participation of women in the workplace.

4) Promotion of work style reforms

In addition to our past activities such as thorough implementation of workdays without overtime and reduction of overtime work hours, we will utilize location-free work styles and IT technologies to increase the productivity of individual employees. We will examine and execute reform through newly launched projects, in order to allow employees to effectively utilize the extra time created.

5) Strengthening risk management and promoting sustainability

We will rebuild our management system to combat new risks that have a major impact on corporate management, such as the COVID-19 pandemic as well as increasingly frequent and severe natural disasters. In addition, we will solve various social issues through our business, and have the committee established newly this year conduct discussions and examinations, in order to become a sustainable corporate group that can contribute to society.

By addressing these challenges, the Group will strive to restore operating income to the level before the COVID-19 outbreak, expand our business operations, and improve our performance.

(4) Status of Assets and Earnings**Consolidated**

	49th Fiscal Year (Jan. 1, 2016 to Dec. 31, 2016)	50th Fiscal Year (Jan. 1, 2017 to Dec. 31, 2017)	51st Fiscal Year (Jan. 1, 2018 to Dec. 31, 2018)	52nd Fiscal Year (Jan. 1, 2019 to Dec. 31, 2019)	53rd Fiscal Year (Jan. 1, 2020 to Dec. 31, 2020)
Net sales (Millions of yen)	629,313	632,189	621,591	621,134	545,060
Operating income (Millions of yen)	27,676	30,406	28,941	32,439	31,317
Ordinary income (Millions of yen)	28,717	31,491	30,519	33,937	35,236
Profit attributable to owners of parent (Millions of yen)	18,161	20,679	20,826	22,250	21,997
Profit attributable to owners of parent per share (Yen)	140.06	159.48	160.61	171.60	169.65
Total assets (Millions of yen)	497,727	510,832	498,790	503,698	506,604
Net assets (Millions of yen)	280,919	297,522	303,570	325,092	346,114

Note: Profit attributable to owners of parent per share is calculated based on the weighted average number of outstanding shares during the year.

(5) Main Business

Segment	Business
Consumers	Provides products such as digital cameras and inkjet printers primarily to individual customers.
Enterprise	Sells Canon input and output devices and provides solutions that contribute to solving business problems in each industry for large companies.
Area	Sells Canon input and output devices and provides solutions that help customers solve business problems for small and medium-sized businesses in Japan.
Professional	Provides solutions for customers in each area. (Production Printing) Provides high-speed continuous feed printers and high-speed cut sheet printers to the printing industry. (Industrial Equipment) Provides products such as semiconductor manufacturing systems and inspection and measurement devices mainly to semiconductor manufacturers and other electronics device manufacturers. (Healthcare) Provides IT solutions, system development, network construction, and hardware for the medical and healthcare field.

(6) Main Location of Operations**The Company**

Headquarters	Tokyo
Konan Office	
Makuhari Office	Chiba
Sapporo Branch	Hokkaido
Sendai Branch	Miyagi
Nagoya Branch	Aichi
Osaka Branch	Osaka
Hiroshima Branch	Hiroshima
Fukuoka Branch	Fukuoka

Principal Subsidiaries

Canon IT Solutions Inc.	Tokyo
Canon System & Support Inc.	
Canon Production Printing Systems Inc.	

(7) Employees**Consolidated**

Number of Employees	Change from the end of the previous fiscal year
16,544 persons	Decrease of 457 persons from the previous fiscal year

Segment	Number of Employees	Change from the end of the previous fiscal year
Consumers	587 persons	Increase of 40 persons from the previous fiscal year
Enterprise	5,083 persons	Increase of 3 persons from the previous fiscal year
Area	6,213 persons	Decrease of 96 persons from the previous fiscal year
Professional	805 persons	Decrease of 334 persons from the previous fiscal year
Other	3,856 persons	Decrease of 70 persons from the previous fiscal year

(8) Parent Company and Principal Subsidiaries

■ Parent Company

Parent Company Name	Location	Activities	Number of Voting Rights (Ratio of Voting Rights)	Relation with the Company
Canon Inc.	Ohta-ku Tokyo	Development and production in the field of the office, imaging systems and industrial equipment	757,086 (58.5%)	The Company is comprehensively conducting to sales, services and marketing of the products manufactured by the Parent Company in the Japan market.

■ Matters about the Transactions with Parent Company, etc.

The Company holds the exclusive right to sell within Japan all products, excluding semiconductor exposure devices, liquid crystal substrate exposure devices, and medical devices, manufactured by Parent Company under the Canon brand. In purchasing such products, the terms are negotiated and determined by presenting the preferred prices from the Company taking into account market prices.

The Company sells consumables for office equipment to the Parent Company. The terms are negotiated and determined after taking into account the Company's cost and market prices. The Company lends funds to the Parent Company by the interest rates determined reasonably taking into account market rates. Thus, the board of directors assesses that the Company is conducting business activities and making management decisions based on the Company's own management judgments, certain independence from the Parent Company is secured, and the Company's profit is not harmed in the transactions with the Parent company.

■ Principal Subsidiaries

Company Name	Capital Stock (millions of yen)	Ratio of Voting Rights of the Company (%)	Business
Canon IT Solutions Inc.	3,617	100.0	SI and consulting, IT service and development and sale of various software
Canon System & Support Inc.	4,561	100.0	Consulting, sales, support and maintenance services for Canon products and the IT solutions of other companies
Canon Production Printing Systems Inc.	2,744	100.0	Sales of high-speed continuous feed printers and high-speed cut sheet printers as well as consumables, provision of maintenance services, and provision of printing services, etc. etc.

■ Consolidated Status

1. The number of consolidated subsidiaries was 17.
2. The Company transferred all shares of its subsidiary Canon Lifecare Solutions Inc. to Canon Medical Systems Corporation on January 1, 2020.
3. Effective July 1, 2020, the Company's subsidiary Canon IT Solutions Inc. took over the business belonging to Educational Industry Sales Group through an absorption-type company split.
4. Effective July 1, 2020, the Company's subsidiary Canon ITS Medical Inc. took over the business belonging to Medical Solution Development Division through an absorption-type company split.

2. Status of Shares of the Company

(1) Total Number of Shares Authorized 299,500,000 shares

(2) Total Number of Issued Shares, Capital Stock, Number of Shareholders

	As of the end of the Previous fiscal Year	Change during This fiscal Year	As of the end of This fiscal Year
Total number of issued shares (shares)	151,079,972	Decrease of 20,000,000	131,079,972
Capital stock (yen)	73,303,082,757	-	73,303,082,757
Number of shareholders (persons)	11,442	Decrease of 188	11,254

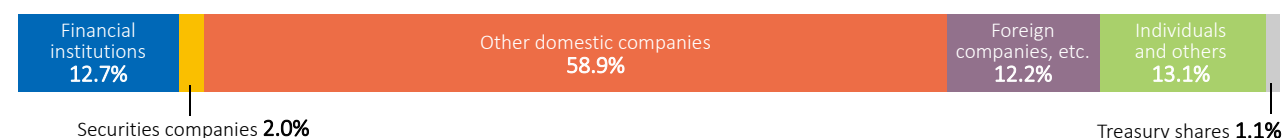
Note: At the Board of Directors meeting held on February 26, 2020, the Company passed a resolution to retire treasury stock in accordance with the provisions of Article 178 of the Companies Act, and the Company retired 20,000,000 shares of treasury stock on March 11, 2020.

(3) Major Shareholders

Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
Canon Inc.	75,708	58.4
Canon Marketing Japan Group Employee Stock Ownership Association	5,860	4.5
The Master Trust Bank of Japan, Ltd. (Trust account)	4,754	3.7
Custody Bank of Japan, Ltd. (Trust account)	2,669	2.1
STATE STREET BANK AND TRUST COMPANY 505001	1,517	1.2
SMBC Nikko Securities Inc.	1,347	1.0
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,219	0.9
The Bank of New York, Treaty JASDEC Account	1,192	0.9
Mizuho Bank, Ltd.	1,001	0.8
Custody Bank of Japan, Ltd. (Trust account 9)	997	0.8

Note: The shareholding ratio is calculated by deducting the number of treasury shares (1,412,822 shares) from the total number of issued shares.

(4) Shareholding Ratio by Category



3. Status of Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

Position	Name	Business in Charge or Important Concurrent Posts
President & Representative Director Executive President	Masahiro Sakata	
Director Senior Vice President	Masachika Adachi	Director of Enterprise Business Unit
Director Vice President	Shiro Hamada	Director in charge of Group Finance & Accounting and Group Audits
Director Vice President	Hatsumi Hirukawa	Director in charge of Group Planning, Group Service & Support and Group Communication
Director	Akio Dobashi	Outside Director of Maeda Corporation
Director	Yoshio Osawa	Outside Director of Citizen Watch Co., Ltd.
Audit & Supervisory Board Member	Shinichi Inoue	
Audit & Supervisory Board Member	Masatoshi Tanise	
Audit & Supervisory Board Member	Iwao Hashimoto	
Audit & Supervisory Board Member	Nobutoshi Matsumoto	
Audit & Supervisory Board Member	Shigeo Hasegawa	

Notes: 1. Director Mr. Hatsumi Hirukawa and Audit & Supervisory Board Members Mr. Masatoshi Tanise, Mr. Iwao Hashimoto, and Mr. Nobutoshi Matsumoto were appointed at the 52nd Ordinary General Meeting of Shareholders held on March 26, 2020 and each of them assumed office.

2. Mr. Akio Dobashi and Mr. Yoshio Osawa all of whom are Directors are Outside Directors.

3. Mr. Iwao Hashimoto, Mr. Nobutoshi Matsumoto and Mr. Shigeo Hasegawa all of whom are Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

4. The Company has notified Directors Mr. Akio Dobashi and Mr. Yoshio Osawa as independent directors and Audit & Supervisory Board Members Mr. Iwao Hashimoto and Mr. Shigeo Hasegawa as independent Audit & Supervisory Board Members to Tokyo Stock Exchange, Inc. on which the Company is listed as provided under the regulations of Tokyo Stock Exchange, Inc.

5. Mr. Nobutoshi Matsumoto is an Audit & Supervisory Board Member and has accounting experience in Canon Inc., our parent company, for many years and has a wealth of expertise in finance and accounting.

6. Mr. Shigeo Hasegawa is an Audit & Supervisory Board Member and qualified as a Certified Public Accountant and has a wealth of expertise in finance and accounting.

7. The Company has entered into contracts, in accordance with the Articles of Incorporation, with the Outside Director and the Audit & Supervisory Board Members to limit their liabilities to compensate damages under Paragraph 1, Article 423 of the Companies Act of Japan, to the limit of amount set forth in the Paragraph 1, Article 425 of the Companies Act of Japan.

(2) Remuneration to Directors and Audit & Supervisory Board Members

- ▶ Directors 7 persons ¥246 million
- ▶ Audit & Supervisory Board Members 8 persons ¥100 million

Notes: 1. The total amount of remuneration paid to 2 Outside Directors and 5 Outside Audit & Supervisory Board Members is ¥73 million.
 2. The above number of persons includes one Director and three Audit & Supervisory Board Members who retired from office at the close of the 52nd Ordinary General Meeting of Shareholders held on March 26, 2020.
 3. Directors' remuneration include provision for directors' bonuses for this fiscal year in the amount of ¥29 million.

(3) Status of Outside Director and Outside Audit & Supervisory Board Members**Relation Between Important Organization of Concurrent Post and the Company**

Name	Concurrent Post	Organization of Concurrent Post	Relation with the Company
Akio Dobashi (Outside Director)	Outside Director	Maeda Corporation	No special relation
Yoshio Osawa (Outside Director)	Outside Director	Citizen Watch Co., Ltd.	No special relation

Principal Activities

Name	Principal Activities
Akio Dobashi (Outside Director)	Attended all 18 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Yoshio Osawa (Outside Director)	Attended all 18 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Iwao Hashimoto (Outside Audit & Supervisory Board Member)	Attended all 13 Board of Directors meetings and all 10 Audit & Supervisory Board meetings held after assuming office out of 18 Board of Directors meetings and 17 Audit & Supervisory Board meetings held during this fiscal year, respectively, and provided input based on his experience and knowledge in the field of corporate management.
Nobutoshi Matsumoto (Outside Audit & Supervisory Board Member)	Attended all 13 Board of Directors meetings and all 10 Audit & Supervisory Board meetings held after assuming office out of 18 Board of Directors meetings and 17 Audit & Supervisory Board meetings held during this fiscal year, respectively, and provided input based on his experience and knowledge in the field of accounting.
Shigeo Hasegawa (Outside Audit & Supervisory Board Member)	Attended all 18 Board of Directors meetings and all 17 Audit & Supervisory Board meetings held during this fiscal year, and provided input based on his knowledge as a Certified Public Accountant.

4. Status of Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

Note: EY Ernst & Young ShinNihon LLC, which was the Accounting Auditor of the Company, retired due to expiration of its term of office at the conclusion of the 52nd Ordinary General Meeting of Shareholders held on March 26, 2020.

(2) Remuneration and Other Amounts to Accounting Auditor for This Fiscal Year

	Amount
(i) Remuneration and other amounts payable by the Company for the services defined in Paragraph 1, Article 2 of the Certified Public Accountants Act	¥108 million
(ii) Total amount of cash and other financial benefits payable by the Group to the Accounting Auditor	¥172 million

Notes: 1. In the audit agreement between the Company and the Accounting Auditor, remuneration amounts are determined on a lump-sum without breakdown into a separate remuneration amount for auditing in accordance with the Companies Act and in accordance with the Financial Instruments and Exchange Act. Accordingly, the amounts shown in (i) above represent total amounts of remuneration and other amounts for both of these auditing services.

2. The Company pays consideration to accounting auditors for work concerning agreed upon procedures other than the work specified in Article 2, Paragraph 1 of the Certified Public Accountings Act.

3. Reason that the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor: The Audit & Supervisory Board has received necessary documents and reports from the Directors, related internal divisions, and the Accounting Auditor, in addition to confirming the audit plan, status of the performed audit for the previous fiscal year, and the estimated remuneration for this fiscal year. As a result, the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor, upon judging it to be a rational level for maintaining and improving audit quality.

(3) Policy Regarding Decision on Either Dismissal or Non-Reappointment of the Accounting Auditor

The Audit & Supervisory Board, by unanimous agreement, as needed, will dismiss the Accounting Auditor when confirmed that the Accounting Auditor falls under any Item of Paragraph 1, Article 340 of the Companies Act.

In addition to the above, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, making it unlikely that the Accounting Auditor will be able to properly perform an audit, the Audit & Supervisory Board will decide the contents of the item to be proposed at a General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor.

5. Policy Regarding Decision of Dividends from Surplus, etc.

The Company made its basis policy, with respect to profit distribution, to pay the dividends based on a consolidated payout ratio of 30% taking into consideration comprehensively the medium-term profit plan, investment plan, and cash flows to be generated.

As to the dividends for this fiscal year, the Company plans to pay a year-end dividends of 40 yen per share, totaling 60 yen per share (consolidated payout ratio of 35.4%) as a full-year dividends together with the interim dividends (20 yen per share).

Note: The amount and the number of shares described in this report are rounded down to the nearest number of the units indicated. Profit attributable to owners of parent per share are rounded off to two decimal places.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(Millions of yen, amounts less than one million yen are rounded down)

	As of Dec. 31, 2020	As of Dec. 31, 2019
Assets		
Current assets	¥380,349	¥377,403
Cash and deposits	59,631	53,993
Notes and accounts receivable	105,328	112,666
Securities	500	500
Merchandise and finished goods	27,091	33,281
Work in process	103	206
Raw materials and supplies	631	622
Short-term loans receivable	180,006	170,012
Other	7,122	6,197
Allowance for doubtful receivables	(66)	(75)
Non-current assets	126,255	126,295
Property, plant and equipment	83,729	82,813
Buildings and structures, net	43,402	26,948
Machinery, equipment and vehicles, net	87	99
Furniture and fixtures, net	3,004	3,315
Rental assets, net	7,281	9,403
Land	28,359	28,918
Lease assets, net	16	31
Construction in progress	1,577	14,095
Intangible assets	5,669	4,469
Software	5,373	4,148
Lease assets	1	2
Right of using facilities	294	315
Other	0	2
Investments and other assets	36,855	39,011
Investments in securities	11,302	11,037
Long-term loans receivable	35	35
Net defined benefit asset	415	393
Deferred tax assets	19,219	20,792
Lease deposits	3,427	4,358
Other	2,659	2,775
Allowance for doubtful receivables	(205)	(382)
Total assets	¥506,604	¥503,698

	As of Dec. 31, 2020	As of Dec. 31, 2019
Liabilities		
Current liabilities	¥108,440	¥120,023
Notes and accounts payable	44,107	51,542
Lease obligations	54	72
Accrued expenses	16,166	17,855
Accrued income taxes	7,004	8,235
Consumption taxes payable	5,547	5,901
Provision for bonuses	5,664	3,373
Provision for directors' bonuses	75	99
Provision for product warranties	453	651
Provision for loss on order received	8	189
Other	29,356	32,101
Non-current liabilities	52,049	58,582
Lease obligations	74	103
Deferred tax liabilities	1	-
Allowance for long-term continuous service rewards	951	1,042
Net defined benefit liabilities	47,883	53,956
Other	3,139	3,480
Total liabilities	160,490	178,606
Net assets		
Shareholders' equity	342,495	326,979
Capital stock	73,303	73,303
Capital surplus	82,814	82,820
Retained earnings	188,481	202,783
Treasury stock	(2,103)	(31,926)
Accumulated other comprehensive income	2,962	(2,504)
Valuation difference on available-for-sale securities	4,230	3,929
Deferred gains or losses hedges	(29)	11
Foreign currency translation adjustments	5	51
Remeasurements of defined benefit plans	(1,243)	(6,497)
Non-controlling interests	655	616
Total net assets	346,114	325,092
Total liabilities and net assets	¥506,604	¥503,698

Consolidated Statements of Income

(Millions of yen, amounts less than one million yen are rounded down)

	From January 1, 2020 to December 31, 2020	From January 1, 2019 to December 31, 2019
Net sales	¥545,060	¥621,134
Cost of sales	361,077	420,107
Gross profit	183,982	201,026
Selling, general and administrative expenses	152,665	168,586
Operating income	31,317	32,439
Non-operating income	4,106	1,667
Interest income	243	196
Dividend income	155	154
Insurance income	452	767
Gain on investments in investment partnerships	231	247
Subsidies for employment adjustment	2,744	-
Other	279	302
Non-operating expenses	187	169
Interest expenses	12	12
Foreign exchange losses	5	-
Other	169	157
Ordinary income	35,236	33,937
Extraordinary income	581	15
Gain on sales of non-current assets	283	13
Gain on sales of investments in securities	278	2
Other	20	-
Extraordinary losses	2,355	649
Loss on sales and disposal of non-current assets	1,021	206
Impairment loss	-	82
Loss on sales of shares of subsidiaries and associates	737	-
Loss on valuation of investment securities	316	329
Loss on COVID-19	274	-
Other	4	31
Income before income taxes	33,463	33,302
Income taxes-current	12,525	12,626
Income taxes-deferred	(1,133)	(1,663)
Profit	22,071	22,339
Profit attributable to non-controlling interests	73	89
Profit attributable to owners of parent	¥21,997	¥22,250

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

(Millions of yen, amounts less than one million yen are rounded down)

	As of Dec. 31, 2020	As of Dec. 31, 2019
Assets		
Current assets	¥348,145	¥344,084
Cash and deposits	44,703	37,246
Notes receivable	1,543	1,993
Electronically recorded monetary claims - operating	8,296	8,214
Accounts receivable	83,256	90,034
Securities	500	500
Merchandise and finished goods	22,524	27,318
Raw materials and supplies	491	512
Advance payment - trade	1,585	1,692
Prepaid expenses	814	832
Short-term loans receivable	180,006	170,206
Accounts receivable - other	4,131	5,193
Forward exchange contracts	-	16
Other	350	384
Allowance for doubtful receivables	(59)	(61)
Non-current assets	140,567	145,287
Property, plant and equipment	49,737	52,784
Buildings	12,588	13,178
Structures	467	481
Machinery	87	99
Furniture and fixtures	1,418	1,660
Rental assets	7,270	9,402
Land	27,899	27,952
Lease assets	4	10
Intangible assets	4,599	3,377
Software	4,488	3,266
Right of using facilities	110	110
Other	0	0
Investments and other assets	86,231	89,124
Investments in securities	8,935	8,729
Shares of subsidiaries and associates	59,686	63,366
Claims provable in bankruptcy, claims provable in rehabilitation and other	128	293
Long-term prepaid expenses	1,019	826
Deferred tax assets	14,070	13,058
Lease deposits	1,381	1,905
Other	1,167	1,272
Allowance for doubtful receivables	(158)	(328)
Total assets	¥488,713	¥489,371

	As of Dec. 31, 2020	As of Dec. 31, 2019
Liabilities		
Current liabilities	¥139,648	¥153,708
Electronically recorded obligations - operating	1,046	1,678
Accounts payable	42,444	47,818
Short-term loans payable	55,300	61,500
Lease obligations	2	7
Accounts payable - other	1,898	2,753
Accrued expenses	12,256	14,324
Accrued Income taxes	5,828	6,554
Consumption taxes payable	3,451	2,933
Advances received	10,356	10,504
Deposits received	2,948	3,343
Forward exchange contracts	42	-
Provision for bonuses	3,598	1,718
Provision for directors' bonuses	29	35
Provision for product warranties	446	534
Non-current liabilities	40,439	38,237
Lease obligations	2	4
Provision for retirement benefits	36,416	33,868
Allowance for long-term continuous service rewards	573	673
Other	3,447	3,691
Total liabilities	180,087	191,945
Net assets		
Shareholders' equity	305,486	294,482
Capital stock	73,303	73,303
Capital surplus	85,198	85,204
Legal capital surplus	85,198	85,198
Other capital surplus	-	5
Retained earnings	149,091	167,905
Legal retained earnings	2,853	2,853
Other retained earnings	146,238	165,051
General reserve	81,700	81,700
Retained earnings brought forward	64,538	83,351
Treasury stock	(2,107)	(31,930)
Valuation and translation adjustments	3,139	2,943
Valuation difference on available- for-sale securities	3,168	2,932
Deferred gains or losses hedges	(29)	11
Total net assets	308,625	297,426
Total liabilities and net assets	¥488,713	¥489,371

Non-Consolidated Statements of Income

(Millions of yen, amounts less than one million yen are rounded down)

	From January 1, 2020 to December 31, 2020	From January 1, 2019 to December 31, 2019
Net sales	¥412,800	¥473,229
Cost of sales	290,863	341,303
Gross profit	121,936	131,926
Selling, general and administrative expenses	103,854	116,257
Operating income	18,082	15,669
Non-operating income	7,821	3,513
Interest income	240	193
Dividend income	5,721	2,204
Insurance income	451	758
Gain on investments in investment partnerships	231	246
Subsidies for employment adjustment	1,028	-
Other	147	111
Non-operating expenses	180	195
Interest expenses	54	57
Share related expenses	52	53
Other	74	84
Ordinary income	25,723	18,987
Extraordinary income	60	1
Gain on sales of non-current assets	11	1
Gain on sales of investments in securities	48	-
Other	0	-
Extraordinary losses	1,561	581
Loss on sales and disposal of non-current assets	1,020	193
Impairment loss	-	50
Loss on valuation of shares of subsidiaries and associates	-	329
Loss on COVID-19	220	-
Loss on valuation of investment securities	316	8
Other	4	-
Income before income taxes	24,222	18,407
Income taxes-current	7,680	7,088
Income taxes-deferred	(1,099)	(1,969)
Profit	¥17,641	¥13,287

AUDIT REPORT OF ACCOUNTING AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

Report of Independent Auditors

February 9, 2021

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Teruhisa Tamai

Masahiro Ide

Shinji Hatano

Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Canon Marketing Japan Inc. (the "Company") for the fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Canon Marketing Japan Inc., which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion. The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
- The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

AUDIT REPORTS

AUDIT REPORT OF ACCOUNTING AUDITOR ON NON-CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

Report of Independent Auditors

February 9, 2021

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC

Tokyo Office
Teruhisa Tamai

Masahiro Ide

Shinji Hatano

Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Canon Marketing Japan Inc. (the "Company") for the 53rd fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

AUDIT & SUPERVISORY BOARD'S REPORT

(TRANSLATION)

Audit Report

We, Audit & Supervisory Board has discussed and prepared this Audit Report based on the audit reports prepared by each of the Audit & Supervisory Board Members pertaining to the conduct of duties by the Directors of Canon Marketing Japan Inc. during the 53rd fiscal year from January 1, 2020 to December 31, 2020, and reports as follows.

1. Methods and Substance of Audit by Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) We decided on the auditing policies and the allocation of work duties, etc., received a report on the auditing work performed and the results from each Audit & Supervisory Board Member, and received a report on the status of the work executed from the Directors and the Independent Auditor and requested their explanations as necessary.
- (2) While confirming to the auditing standards as decided by us, the auditing policies and the allocation of duties, etc., each Audit & Supervisory Board Member endeavored to facilitate mutual understanding with the Directors, the internal audit office and other employees, etc. to collect information and improve the auditing environment. Our audit procedures were as follows.
 - i) We attended the meetings of the Board of Directors and other important meetings, received reports on the status of the work executed from the Directors and the employees and requested their explanations as necessary, inspected material internal decision-making documents, etc., and investigated the status of the operations and assets of the headquarters and major business sites. In addition, with respect to the subsidiaries, we communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the subsidiaries, and received reports on business from the subsidiaries as necessary.
 - ii) The following systems (Internal Control System) were determined by a Board of Directors' resolution and designed based on this resolution. We periodically received reports from the Directors, employees and others, requested explanations as necessary regarding the design and implementation of the Internal Control Systems, and expressed opinions on the substance of the decisions made by the Board of Directors with regard to the Internal Control Systems.
 - (a) A system for ensuring that the performance of duties by the Directors complies with the applicable laws and regulations and Articles of Incorporation.
 - (b) A system for ensuring the Directors' performance of the adequate operations of Canon Marketing Japan Group, which consists of the Company and its subsidiaries as stipulated under Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act.
 - iii) We examined the contents of the matters considered and the assessment and reasons detailed in this Business Report for the transactions with the Parent Company under Article 118 of the Ordinance for Enforcement of the Companies Act, taking into account the status of the deliberations of the Board of Directors, etc.
 - iv) We monitored and verified whether the independence of the Accounting Auditor was maintained and whether an appropriate audit was being undertaken, received reports from the Accounting Auditor on the status of operations, and requested explanations as necessary. We also received reports from the Accounting Auditor stating that the necessary systems for ensuring the appropriate execution of operations (pursuant to Article 131 of the Rules of Corporate Accounting) were duly developed in line with the Quality Control Standards for Auditing (issued by the Business Accounting Council on October 28, 2005), and other relevant standards, and requested explanations as necessary.

Based on the above procedures, we examined the Business Report and its supplementary schedules, the non-consolidated financial statements for the relevant fiscal year (the balance sheets, the statements of income, the statement of changes in equity and the notes to the non-consolidated financial statements) and their supplementary schedules as well as the consolidated financial statements for the relevant fiscal year (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements).

2. Results of Audit

- (1) Results of examination of the Business Report, etc.
 - a) In our opinion, the business report and its supplementary schedules conformity with the applicable laws and regulations of Japan and the Articles of Incorporation of the Company and fairly present the state of the Company's affairs;
 - b) We have found no misconduct or material fact constituting a violation of any applicable laws and regulations of Japan or the Articles of Incorporations in connection with the Directors' performance of their duties; and
 - c) In our opinion, the substance of the decisions made by the Board of Directors with regard to the Internal Control Systems is appropriate. Furthermore, we found no matters that require noting with regard to the description in the Business Report and the Directors' performance of their duties in connection with the relevant internal control systems; and
 - d) With respect to the transactions with the Parent Company, etc. that are described in this Business Report, we have found no matters that require noting with regard to the matters considered by Board of Directors and the Board of Directors' assessment and factors that might be adverse to the Company's interests.
- (2) Results of examination of the financial statements and their supplementary schedules
In our opinion, the auditing methods used and the conclusions reached by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.
- (3) Results of examination of the consolidated financial statements
In our opinion, the auditing methods used and the conclusions reached by the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

February 10, 2021

Audit & Supervisory Board, Canon Marketing Japan Inc.

Audit & Supervisory Board Member (full time)	Shinichi Inoue
Audit & Supervisory Board Member (full time)	Masatoshi Tanise
Audit & Supervisory Board Member (full time) (Outside Audit & Supervisory Board Member)	Iwao Hashimoto
Audit & Supervisory Board Member (full time) (Outside Audit & Supervisory Board Member)	Nobutoshi Matsumoto
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Shigeo Hasegawa