

This is a translation of the original convocation in Japanese language for convenience purposes only, and in the event of any discrepancy, the Japanese language shall prevail.

Securities Code: 8060
March 4, 2022

TO OUR SHAREHOLDER

Canon Marketing Japan Inc.
16-6, Konan 2-chome, Minato-ku,
Tokyo
Masachika Adachi
President & Representative Director

NOTICE OF CONVOCAION OF THE 54TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 54th 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 and to refrain from coming to the meeting in person as much as possible, regardless of your health status.

With regard to exercising your voting rights in writing or via the Internet, after reviewing the following Reference Documents for General Meeting of Shareholders, please exercise your rights by no later than 5:30 p.m. on March 28 (Monday), 2022(Japan time).

- 1. DATE AND TIME** March 29 (Tuesday), 2022 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:**
1. Reports on the contents of the Business Report and Consolidated Financial Statements for the 54th Fiscal Year (from January 1, 2021 to December 31, 2021), 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 54th Fiscal Year (from January 1, 2021 to December 31, 2021).

Matters to be Resolved upon:

- | | |
|-------------------|---|
| Item No. 1 | Partial Amendments to the Articles of Incorporation |
| Item No. 2 | Dividends from Surplus |
| Item No. 3 | Election of Seven Directors |
| Item No. 4 | Election of Two Audit & Supervisory Board Members |
| Item No. 5 | Payment of Bonuses to Directors |
| Item No. 6 | Revision of the 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 Shareholders' Equity and Notes to Consolidated Financial Statements**
 - (3) **Non-Consolidated Statement of Shareholders' Equity 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 as per last year. 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.

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 6-21), 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 29 (Tuesday), 2022 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 The Voting Form must reach us no later than
voting rights: 5:30 p.m. on March 28 (Monday), 2022 (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 The exercise of voting rights must be made no later than
voting rights: 5:30 p.m. on March 28 (Monday), 2022 (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.

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.
* “QR code” 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.

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

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 New Year’s holiday period)

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: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for General Meetings of Shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 14, Paragraph 1 provides that information contained in the Reference Documents for the General Meeting of Shareholders, etc. shall be provided electronically.
- (2) The purpose of the proposed Article 14, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the Reference Documents for the General Meeting of Shareholders, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>Article 14. The Company may, when convening a General Meeting of Shareholders, deem that it has provided to shareholders the information described or indicated in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements, when it has taken measures that enable shareholders to obtain such information by electromagnetic means, in accordance with the stipulations of laws and regulations.</u></p>	<p><Deleted></p>

Current Articles of Incorporation	Proposed Amendments
<Newly established>	<p data-bbox="810 224 1299 255"><u>(Measures for Electronic Provision, Etc.)</u></p> <p data-bbox="810 271 1342 465"><u>Article 14. The Company shall, when convening a General Meeting of Shareholders, provide information contained in the Reference Documents for the General Meeting of Shareholders, etc. electronically.</u></p> <p data-bbox="810 472 1353 734"><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>
<Newly established>	<p data-bbox="810 772 1142 804"><u>(Supplementary Provisions)</u></p> <p data-bbox="810 819 1342 913"><u>1. The deletion and new establishment of Article 14 shall come into effect on September 1, 2022.</u></p> <p data-bbox="810 920 1342 1151"><u>2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held by the date on or before February 28, 2023.</u></p> <p data-bbox="810 1158 1353 1352"><u>3. These supplementary provisions shall be deleted on March 1, 2023 or after the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Item No. 2: Dividends from Surplus

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

Thus, the full-year dividends will be 75.00 yen per share, which includes interim dividends of 30.00 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:

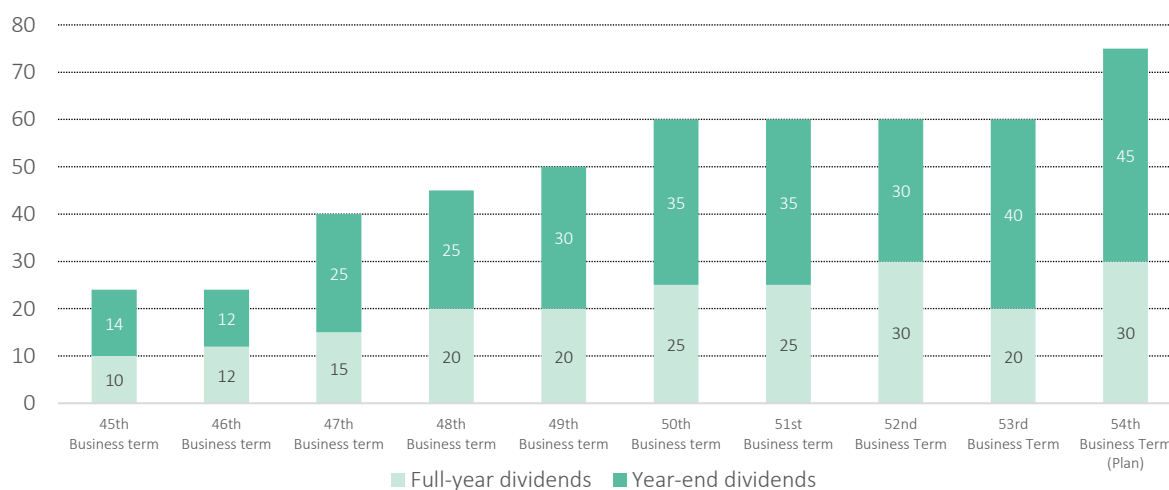
45.00 yen per common share of the Company

Total amount of dividend 5,835,383,190 yen

3. Effective date of the dividend from surplus:

March 30, 2022

<REFERENCE> Changes in dividends (yen)



Item No. 3: Election of Seven 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 seven Directors.

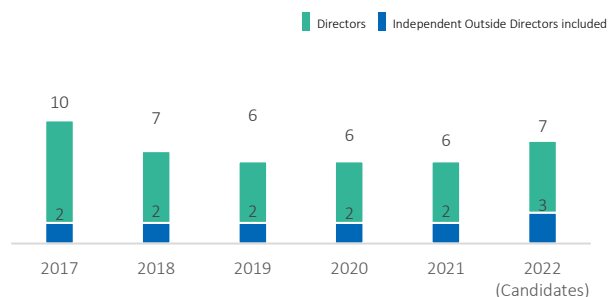
The candidates for the position of the Directors are as follows:

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	President & Representative Director Executive President	100% (16/16)	◎
2	[Reappointment]	Minoru Mizoguchi	Director & Vice President Director in charge of Group General Administration & Human Resources Management, Group Procurement and Group Logistics	92% (11/12)	○
3	[Reappointment]	Hatsumi Hirukawa	Director & Vice President Director in charge of Group Planning, Group Service & Support and Group Communication	100% (16/16)	
4	[New Appointment]	Tsuyoshi Osato	Vice President Director in charge of Group Finance & Accounting and Group Auditing	-	
5	[Reappointment] [Outside] [Independent]	Akio Dobashi	Outside Director	94% (15/16)	○
6	[Reappointment] [Outside] [Independent]	Yoshio Osawa	Outside Director	100% (16/16)	○
7	[New Appointment] [Outside] [Independent]	Toshiharu Hasebe	-	-	

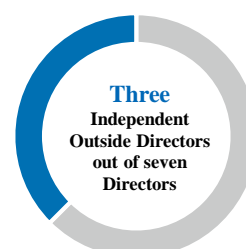
- Notes: 1. Attendance at Board of Directors' meetings for Mr. Minoru Mizoguchi refers to the Board of Directors' meetings that were held after his election at the 53rd Ordinary General Meeting of Shareholders held on March 26, 2021.
2. In the above list for the candidates for Directors who currently serve as members of the Nomination and Remuneration Committee, the "◎" symbol denotes the chairperson and the "○" symbol indicates a member.

<REFERENCE>

Changes in the number of members of the Board of Directors








Independence of the Board of Directors after the election



Skill Matrix of the Candidates for Director

Name	 Masachika Adachi	 Minoru Mizoguchi	 Hatsumi Hirukawa	 Tsuyoshi Osato	 Akio Dobashi	 Yoshio Osawa	 Toshiharu Hasebe
Current Position at the Company	President & Representative Director and Executive President	Director & Vice President	Director & Vice President	Vice President	Outside Director <small>Outside Independent</small>	Outside Director <small>Outside Independent</small>	- <small>Outside Independent</small>
Corporate Management	●	●	●	●	●	●	●
Sales & Marketing	●		●		●	●	●
Finance & Accounting				●			
Human Resources		●					
Legal Affairs & Risk Management	●	●	●	●			
IT Solutions & DX	●					●	●

No.	Name (Date of birth)	Brief personal record, position, business in charge and important concurrent posts	Number of shares of the Company held
1	Masachika Adachi (March 30, 1960) 	As of Apr. 1982: Entered the 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 Apr. 2019: Director & Senior Vice President Mar. 2021: President & Representative Director and Executive President (present)	21,443 shares
[Reason for Nomination as Director] Mr. Adachi led various business fields for many years. He has directed management as President & Representative Director, and has considerable experience and knowledge of management for the Company and possesses excellent expertise. Thus, he has again been selected as a candidate for a Director.			
2	Minoru Mizoguchi (May 21, 1960) 	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) Mar. 2021: Director (present)	8,670 shares
[Reason for Nomination as Director] Mr. Minoru Mizoguchi has led the fields of General Affairs and Human Resources many years. He has held the posts of Director and 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 again been selected as a candidate for Director.			
3	Hatsumi Hirukawa (January 8, 1965) 	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 Mar. 2020: Director (present) Apr. 2020: Director in charge of Group Communication (present) Mar. 2021: Director of Marketing Headquarters Business Products Marketing Section(present) Jan. 2022: Director of Marketing Headquarters (present)	6,641 shares
[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.			

No.	Name (Date of birth)	Brief personal record, position, business in charge and important concurrent posts	Number of shares of the Company held
4	<p>Tsuyoshi Osato (August 24, 1964)</p> <p>[New Appointment]</p> 	<p>As of</p> <p>Apr. 1988: Entered the Company</p> <p>Apr. 2014: Group Executive of Administrative Headquarters of Canon IT Solutions Inc.</p> <p>Mar. 2018: Director & Vice President of Canon IT Solutions Inc.</p> <p>Jul. 2018: Group Executive of Procurement Headquarters of the Company</p> <p>Mar. 2021: Vice President (present) Chief Executive of Finance & Accounting Headquarters (present) Director in charge of Group Finance & Accounting and Group Auditing (present)</p>	5,548 shares
	<p>[Reason for Nomination as Director]</p> <p>Mr. Osato has led the Finance and Accounting field for many years. He has held the post of Executive Officer, and has considerable experience and knowledge of management for the Company. Thus, he has been newly selected as a candidate for a Director.</p>		
5	<p>Akio Dobashi (January 2, 1949)</p> <p>[Outside] [Independent]</p> 	<p>As of</p> <p>Apr. 1972: Entered Nichimen Company, Limited (presently Sojitz Corporation)</p> <p>Apr. 2004: Representative Director, President & CEO of Sojitz Corporation</p> <p>Jun. 2005: Representative Director, President & CEO of Sojitz Holdings Corporation</p> <p>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</p> <p>Apr. 2007: Representative Director and Chairman of Sojitz Corporation</p> <p>Jun. 2015: Outside Director of OSJB Holdings Corporation</p> <p>Mar. 2016: Outside Director of the Company (present)</p> <p>Jun. 2017: Outside Director of Maeda Corporation (present)</p> <p>[Important concurrent post] Outside Director of Maeda Corporation</p>	0 shares
	<p>[Reason for Nomination as Outside Director and Expected Roles to Perform]</p> <p>Mr. Dobashi has a track record of actively performing as a top executive at a general trading company for many years. We therefore expect him to leverage his considerable experience and excellent expertise in company management to provide supervision and recommendations to the Company, and we assessed that he could accomplish the duties as an Outside Director appropriately. Thus, he has again been selected as a candidate for an Outside Director. His term as an Outside Director will be six years as of the close of this Meeting.</p>		

No.	Name (Date of birth)	Brief personal record, position, business in charge and important concurrent posts	Number of shares of the Company held
6	<p>Yoshio Osawa (January 22, 1952)</p> <p>[Outside] [Independent]</p> 	<p>As of</p> <p>Apr. 1975: Entered Sumitomo Corporation</p> <p>Jun. 2003: Concurrent post as director of Sumitomo Computer Service Corporation (presently SCSK Corporation)</p> <p>Apr. 2005: Executive Officer of Sumitomo Corporation</p> <p>Apr. 2008: Managing Executive Officer of Sumitomo Corporation</p> <p>Jun. 2008: Representative Director and Managing Executive Officer of Sumitomo Corporation</p> <p>Apr. 2011: Representative Director and Senior Managing Executive Officer of Sumitomo Corporation</p> <p>Apr. 2013: Representative Director, Assistant to President and CEO of Sumitomo Corporation Adviser of SCSK Corporation</p> <p>Jun. 2013: Representative Director, President & COO of SCSK Corporation</p> <p>Apr. 2016: Chairman of the Board of the Directors, SCSK Corporation</p> <p>Mar. 2018: Outside Director of the Company (present)</p> <p>Jun. 2019: Outside Director of Citizen Watch Co., Ltd. (present)</p> <p>[Important concurrent post] Outside Director of Citizen Watch Co., Ltd.</p>	0 shares
<p>[Reason for Nomination as Outside Director and Expected Roles to Perform]</p> <p>Mr. Yoshio Osawa has a track record of actively performing as a top executive at a general trading company and IT services company for many years. We therefore expect him to leverage his considerable experience and excellent expertise in company management to provide supervision and recommendations to the Company, and we assessed that he could accomplish the duties as an Outside Director appropriately. Thus, he has again been selected as a candidate for an Outside Director. His term as an Outside Director will be four years as of the close of this Meeting.</p>			
7	<p>Toshiharu Hasebe (February 27, 1956)</p> <p>[New Appointment] [Outside] [Independent]</p> 	<p>As of</p> <p>Apr. 1979: Entered Nippon Telegraph and Telephone Public Corporation</p> <p>Jun. 2009: Member of the Board of NTT Communications Corporation</p> <p>Jun. 2012: Executive Vice President of NTT Communications Corporation</p> <p>Jun. 2014: President and Chief Executive Officer and Member of the Board of NTT Advertising, Inc. President and Chief Executive Officer and Member of the Board of NTT Publishing Co., Ltd.</p> <p>Jun. 2015: President and Chief Executive Officer and Member of the Board of Nippon Computer Arts, Inc.</p> <p>Apr. 2020: President and Chief Executive Officer and Member of the Board of DX Catalyst Inc.</p>	0 shares
<p>[Reason for Nomination as Outside Director and Expected Roles to Perform]</p> <p>Mr. Toshiharu Hasebe has a track record of actively performing as a top executive at a telecommunications company and advertisement company for many years. We therefore expect him to leverage his considerable experience and excellent expertise in company management to provide supervision and recommendations to the Company, and we assessed that he could accomplish the duties as an Outside Director appropriately. Thus, he has been newly selected as a candidate for an Outside Director.</p>			



- Notes: 1. None of the candidates for the Directors have any special interest in the Company.
2. The Company has registered Mr. Akio Dobashi and Mr. Yoshio Osawa as independent directors with the Tokyo Stock Exchange, Inc. under the regulations of the Exchange. Should Mr. Akio Dobashi and Mr. Yoshio Osawa be elected, the Company will continue to make both of them independent directors. In addition, should Mr. Toshiharu Hasebe be elected, the Company will register him as an independent director with the Tokyo Stock Exchange, Inc. under the regulations of the Exchange.
 3. Mr. Akio Dobashi has worked for Sojitz Corporation, which does business with the Company. Although there are business transactions 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 18).
 4. Mr. Yoshio Osawa has worked for Sumitomo Corporation and SCSK Corporation, both of which do business with the Company. Although there are business transactions 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 business transactions 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 18).
 5. Mr. Toshiharu Hasebe has worked for NTT Communications Corporation and NTT Advertising, Inc. (including their subsidiaries; the same applies hereinafter), both of which do business with the Company. Although there are business transactions between NTT Communications Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of NTT Communications Corporation and the Company respectively. Similarly, although there are business transactions between NTT Advertising, Inc. and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of NTT Advertising, Inc. and the Company respectively. Mr. Toshiharu Hasebe, therefore, meets the standards for Independence Standards for Independent Directors determined by the Company (please see page 18).
 6. 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 Paragraph 1, 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. In addition, should Mr. Toshiharu Hasebe be elected, the Company will enter into the same limited liability contract with him.
 7. 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.

Item No. 4: Election of Two Audit & Supervisory Board Members

The term of offices of Audit & Supervisory Board Members Mr. Shinichi Inoue and Mr. Shigeo Hasegawa will expire at the end of this Meeting. Accordingly, we would like to elect two Audit & Supervisory Board Members.

Further note that prior consent has been obtained from the Audit & Supervisory Board concerning the submission of this item.

The candidates for the position of Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Brief personal record, position, business in charge and important concurrent posts	Number of shares of the Company held
1	<p>Shiro Hamada (August 31, 1961)</p> <p>[New Appointment]</p> 	<p>As of</p> <p>Apr. 1984: Entered the Company</p> <p>Apr. 2011: Deputy Chief Executive of Administrative Headquarters of Canon IT Solutions Inc.</p> <p>Jul. 2013: Group Executive of Finance & Accounting Headquarters</p> <p>Apr. 2015: Executive Officer</p> <p>Mar. 2016: Director & Vice President (present)</p> <p>Jan. 2018: Director in charge of Group Finance & Accounting and Group Auditing</p> <p>Mar. 2021: Executive Vice President & Director of Canon System & Support Inc. (present)</p> <p>Apr. 2021: Director in charge of Audit Office, Planning Headquarters and Administrative Headquarters of Canon System & Support Inc. (present)</p>	16,930 shares
<p>[Reason for Nomination as Audit & Supervisory Board Member]</p> <p>Mr. Hamada has 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. On this basis, we assessed that he could accomplish the duties as an Audit & Supervisory Board Member appropriately. Thus, he has been newly selected as a candidate for Audit & Supervisory Board Member.</p>			
2	<p>Shigeo Hasegawa (January 1, 1952)</p> <p>[Outside] [Independent]</p> 	<p>As of</p> <p>Jul. 1980: Registered as a Certified Public Accountant</p> <p>Jan. 2006: Head of Global Service Group of Tohmatsu & Co. (presently Deloitte Touche Tohmatsu LLC)</p> <p>Jun. 2010: Leader of IFRS Center of Excellence of Deloitte Touche Tohmatsu LLC</p> <p>Apr. 2012: Specially-appointed Professor of Chuo Graduate School of Accounting, Professional Graduate School, Chuo University</p> <p>Mar. 2014: Outside Audit & Supervisory Board Member of the Company (present)</p>	3,119 shares
<p>[Reason for Nomination as Audit & Supervisory Board Member]</p> <p>Although Mr. Shigeo Hasegawa does not have direct company management experience, he possesses considerable knowledge and experience related to corporate accounting through his many years of expertise as a Certified Public Accountant. On this basis, we assessed that he could accomplish the duties as an Outside Audit & Supervisory Board Member appropriately. Thus, he has again been selected as a candidate for Outside Audit & Supervisory Board Member. His term as an Outside Audit & Supervisory Board Member will be eight years as of the close of this Meeting.</p>			

- Notes: 1. None of the candidates for the Audit & Supervisory Board Members have any special interest in the Company.
2. The Company has registered Mr. Shigeo Hasegawa as an independent director with the Tokyo Stock Exchange, Inc. under the regulations of the Exchange. Should Mr. Shigeo Hasegawa be elected, the Company will continue to make him an independent director.
3. Mr. Shigeo Hasegawa has worked for Deloitte Touche Tohmatsu LLC, the Company's Accounting Auditor. However, he has resigned from his position before being appointed as an Audit & Supervisory Board Member of the Company (his resignation was more than three fiscal years earlier). Mr. Shigeo Hasegawa, therefore, meets the Company's Independence Standards for Independent Directors/Audit & Supervisory Board Members (please see page 18).
4. The Company has entered into a contract with Mr. Shigeo Hasegawa, limiting the amount of his damages compensation liability defined in Paragraph 1, Article 423 of the Companies Act of Japan to the limit prescribed by laws and regulations. Should he be reelected, the Company will continue the aforementioned contract with him. In addition, should Mr. Shiro Hamada be elected, the Company will enter into the same limited liability contract with him.
5. The Company has entered into a liability insurance policy for officers under which all the Audit & Supervisory Board Members 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 Audit & Supervisory Board Member, 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. 5: Payment of Bonuses to Directors

It is proposed that bonuses will be paid to the four Directors excluding the Outside Directors as of the end of this fiscal year, in appreciation of their services during this fiscal year, which totals ¥37,200,000 considering the results for this fiscal year, etc. The Company established 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 32-34. The Company considers this proposal appropriate, as it is in line with this policy.

Item No. 6: Revision of the Stock Compensation Plan

The current Performance-based Stock Compensation Plan was approved at the 51st Ordinary General Meeting of Shareholders held on March 27, 2019 and the 53rd Ordinary General Meeting of Shareholders held on March 26, 2021 (hereinafter referred to as the “Original Plan”). The Company proposes to discontinue the Original Plan, and to introduce a new Stock Compensation-type Stock Options Plan (hereinafter referred to as the “Plan”) for Executive Officers who are in the positions of Vice Presidents or higher (including persons serving concurrently as Directors; excluding Outside Directors) (hereinafter referred to collectively as “Eligible Officers”) as follows, with the aim of further enhancing the medium- to long-term incentive aspects of the stock compensation by strengthening its link with the Company’s stock prices.

The purpose of the Plan is to further motivate the Eligible Officers to improve business performance and enhance corporate value in the medium to long term by sharing both the benefits and risks of fluctuating stock prices with the shareholders. The number of stock acquisition rights to be granted will be calculated based on the Officer’s position and stock price levels at the time of the grant. Under the Plan, the exercise price per share for a stock acquisition right shall be one yen. When allotting stock acquisition rights as stock options, amount determined based on fair value of stock acquisition rights is recorded as remuneration for Eligible Officers.

At the 39th Ordinary General Meeting of Shareholders held on March 28, 2007, the maximum limit on compensation for Directors of the Company was approved at 800 million yen per year, and has since remained the same. The Plan has been deemed reasonable as it has been designed to grant stock options to the Directors who are Eligible Officers within this limit, and it has been deliberated in advance by the Company’s Nomination and Remuneration Advisory Committee.

In addition, if Item No. 3 is approved, the number of Directors will be seven (including three Outside Directors).

Specific Details of Stock Acquisition Rights as Stock Compensation-type Stock Options**(1) Class and Number of Shares Subject to Stock Acquisition Rights**

The class and number of shares subject to each stock acquisition right (hereinafter referred to as the “Number of Shares Granted”) shall be 100 shares of common stock of the Company. However, in the case where the Company carries out a share split (including gratis allotment of common stock of the Company; the same applies hereinafter with regard to references to the share split) or share consolidation of its common stock after the date of the resolution of this item (hereinafter referred to as the “Resolution Date”), the Number of Shares Granted shall be adjusted according to the following formula. The resulting fractions of less than one share occurring upon such adjustment shall be rounded down.

$$\begin{array}{ccccc} \text{Number of Shares Granted} & & & & \\ \text{after adjustment} & = & \text{Number of Shares Granted} & \times & \text{Ratio of share split} \\ & & \text{before adjustment} & & \text{or share consolidation} \end{array}$$

Furthermore, in addition to the preceding, the Company may make appropriate adjustments to the Number of Shares Granted within a reasonable range in the case where the Company carries out a corporate merger, corporate division, or other similar action that makes it necessary to adjust the Number of Shares Granted. In the case where the Company revises the number of shares constituting one trading unit of its common stock (excluding cases in which the Company carries out a share split or share consolidation; the same applies hereinafter with regard to references to the revision of the number of shares constituting one trading unit) after the Resolution Date, with regard to the stock acquisition rights whose issue is resolved by the Board of Directors after the effective date of the revision of the number of shares constituting one trading unit, the Company may make reasonable adjustments to the Number of Shares Granted according to the ratio of the revision of the number of shares constituting one trading unit, while also reasonably adjusting the total number of stock acquisition rights according to such an adjustment ratio.

(2) Total Number of Stock Acquisition Rights

The maximum limit on the total number of stock acquisition rights to be allotted to Directors within one year from the date of the General Meeting of Shareholders with respect to each fiscal year shall be 1,000.

(3) Amount for Stock Acquisition Rights

Amount for each stock acquisition right shall be the amount determined by the Board of Directors based on the fair value of the stock acquisition right calculated by means of fair calculation formulas, such as the Black-Scholes Model, at the time of allotment of stock acquisition rights.

(4) Amount of Property to be Contributed upon Exercise of Stock Acquisition Rights

The payment amount per share that may be delivered by exercising each stock acquisition right shall be one yen, and the amount of property to be contributed upon the exercise of each stock acquisition right shall be the amount calculated by multiplying this amount by the Number of Shares Granted.

(5) Period during which Stock Acquisition Rights May be Exercised

The period during which stock acquisition rights may be exercised shall be a period within 30 years from the day following the allotment day of the stock acquisition rights.

(6) Restrictions on the Acquisition of Stock Acquisition Rights by Means of Transfer

Acquisitions of stock acquisition rights by means of transfer shall require the approval of the Board of Directors.

(7) Conditions for the Exercise of Stock Acquisition Rights

Persons in receipt of stock acquisition rights:

- (a) may exercise their stock acquisition rights within the range of 0% to 100% according to the degree of achievement of “Management indicators set by the Company including consolidated profit before income taxes” in the business year that includes the allotment day; and
- (b) in principle, (i) may exercise all the stock acquisition rights in their entirety within a period of 10 days from the day immediately following the day when they cease to be Eligible Officers (the next business day, if the tenth day is a holiday), and (ii) in the event that the Company recognizes any acts by the Eligible Officers that are in violation of laws and regulations or misconduct in the course of their duties, acts conflicting with the duty of due diligence or duty of loyalty, or any other act equivalent thereto, or if they are deemed to have resigned without good cause, the Company may limit the number of stock acquisition rights that may be exercised by the said holder of the stock acquisition right, subject to a resolution of the Board of Directors of the Company. In this case, the said holder of the stock acquisition rights may not exercise stock acquisition rights in a quantity exceeding such limit.

(8) Matters Regarding the Acquisition of Stock Acquisition Rights

In the event that a proposal for a merger agreement whereby the Company becomes a disappearing company, a proposal for a corporate division agreement or a corporate division plan whereby the Company becomes a split company, or a proposal for a share exchange agreement or a share transfer plan whereby the Company becomes a wholly-owned subsidiary, is approved by a General Meeting of Shareholders of the Company (or by resolution of the Board of Directors of the Company, if resolution by a General Meeting of Shareholders is not required), the Company may acquire the stock acquisition rights without consideration, on a date separately determined by the Board of Directors.

(9) Other Matters

Other matters regarding stock acquisition rights shall be determined by resolution of the Board of Directors.

BUSINESS REPORT

(January 1, 2021 to December 31, 2021)

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

(1) Business Progress and Achievement

General Business Conditions

The Japanese economy is seeing the adverse conditions caused by the COVID-19 pandemic gradually ease. However, trends in economic recovery remain weak due to factors such as concerns of resurgence of the pandemic owing to the emergence of mutant strains. Although there were signs of a pickup in consumer spending, it remained sluggish mainly in the travel and restaurant sectors. As for capital expenditures by businesses, factors such as improved overseas economies contributed to some recovery. In particular, IT investment trended favorably, stimulated by high investment appetite in the financial and manufacturing industries. Meanwhile, weakness persists in a part of the manufacturing sector caused by supply constraints due to semiconductor shortage and disruptions in the supply chain as well as trends in raw material prices.

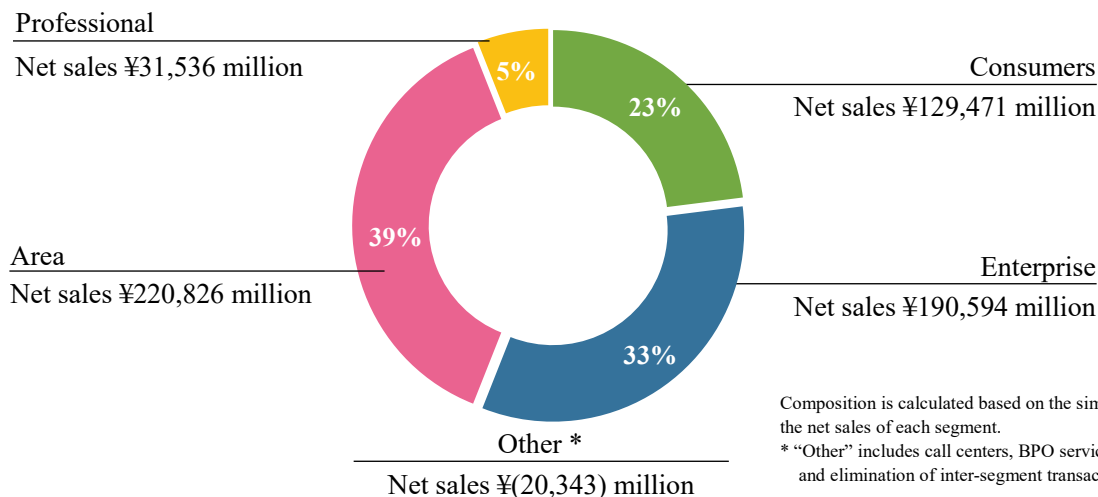
Against this economic backdrop, the Group expanded marketing of priority products such as middle- and high-end mirrorless cameras and RF interchangeable lenses, as well as sales of SI services and data centers backed by active corporate investments in IT. As a result, net sales increased to ¥552,085 million (up 1.3% from the previous fiscal year).

In terms of income, gross profit rose as a result of increased sales. Operating income was ¥39,699 million (up 26.8% from the previous fiscal year), ordinary income was ¥41,096 million (up 16.6% from the previous fiscal year), and profit attributable to owners of parent was ¥29,420 million (up 33.7% from the previous fiscal year).

Business results by individual reporting segments are indicated below. Increases and decreases are in relation to the previous fiscal year.

The reporting segments have been changed starting from the fiscal year under review. Comparisons and analyses for the fiscal year under review are based on the new reporting segments.

Composition of Net Sales by Segment



Business Conditions by Segment

Consumers	Net sales	¥129,471 million
	Operating income	¥13,572 million

Although the digital interchangeable lens camera market plunged due to the spread of COVID-19, high-priced mirrorless cameras such as EOS R cameras and RF interchangeable lenses performed well, and sales increased significantly.

In home-use inkjet printers, shipment volume decreased due to the absence of a major increase in volume in the previous fiscal year driven by the rise in demand for teleworking and online learning. On the other hand, the composition of high-value-added products increased, and products equipped with the GIGA TANK, an extra-large capacity tank, performed well, resulting in an overall increase in inkjet printer sales. Meanwhile, sales of ink cartridges decreased due to a shrinking market caused by factors such as a decline in color printing.

Sales of IT products increased due to a rise in sales of PC peripherals and gaming PCs.

As a result, net sales in this segment totaled ¥129,471 million (up 3.8% from the previous fiscal year). Operating income was ¥13,572 million (up 10.5% from the previous fiscal year).



Mirrorless camera EOS R3



Printer with the extra-large capacity tank GIGA TANK

Enterprise

Net sales	¥190,594 million
Operating income	¥13,856 million

Businesses for quasi major and upper medium sized companies were transferred from the Area segment in January 2021. Consequently, the Enterprise segment engages in sales activities with quasi major and upper medium sized companies, as well as large companies it has already been in charge of.

In mainstay business equipment, sales of office MFPs and laser printers declined due to the impact of product supply shortages, in addition to the continued trend of major corporations curbing capital expenditures in office equipment. Sales of maintenance services for office MFPs also decreased due to a decline in print volume in offices as major corporations continued their teleworking initiatives. Sales for laser printer cartridges increased primarily due to sales growth in the financial sector.

In IT solutions, sales increased as a result of factors including SI projects for the financial sector and projects meeting the digitalization needs of the educational industry, the solid performance of the second data center building and security projects, as well as the presence of a large BPO project.

As a result, net sales in this segment totaled ¥190,594 million (up 3.3% from the previous fiscal year). Operating income was ¥13,856 million (up 46.9% from the previous fiscal year).



Nishi-Tokyo Data Center



Color Laser Beam Printer LBP851C that can handle A3

Area	Net sales	¥220,826 million
	Operating income	¥12,045 million

In mainstay business equipment, sales of office MFPs and laser printers decreased due to product supply shortages. On the other hand, despite the increase in teleworking primarily in large city areas, sales of office MFP maintenance services and laser printer cartridges saw an increase due to the absence of a major decline in the previous fiscal year.

As for IT solutions, the ongoing demand to establish teleworking environments drove an increase in sales of security products such as the cloud-based IT support service HOME and anti-virus software ESET. The Company also continued to focus on acquiring maintenance and operation services for customers' IT devices, and the number of orders received increased. However, due to the impact of supply shortages of IT products such as business PCs, sales of overall IT solutions remained flat year-on-year.

As a result, net sales in this segment totaled ¥220,826 million (down 1.3% from the previous fiscal year). Operating income was ¥12,045 million (up 34.1% from the previous fiscal year) due to a rise in gross profit from increased sales of high-value-added products and services, as well as efforts to reduce SG&A expenses.



Office MFP imageRUNNER ADVANCE



ESET Internet Security

Professional

Net sales	¥31,536 million
Operating income	¥2,488 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, although sales of continuous feed printers increased, sales declined due to factors such as a decrease in sales of consumables resulting from a decline in print volume.

(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, sales rose due to increases in sales of maintenance services for inspection and measurement devices and for semiconductor manufacturing systems.

(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, while the number of projects for clinics increased, sales decreased due to the completion of several large-scale projects from the previous fiscal year for the construction of electronic medical records and medical IT platforms for hospitals, and a decline in the number of projects for dispensing pharmacies.

As a result, net sales in this segment totaled ¥31,536 million (up 2.7% from the previous fiscal year). Operating income increased to ¥2,488 million (up 30.8% from the previous fiscal year).



Sputtering equipment CLUSTERLINE made by Evatec



Ashing device Suprema made by Mattson

(2) Capital Expenditures

The capital expenditures by the Group during this fiscal year totaled ¥10,403 million, which are mainly for rental 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 impact of COVID-19 with its mutant strains on domestic and overseas economies; supply constraints due to semiconductor shortage and disruptions in the supply chain; trends in raw material prices, and other factors.

Against this economic backdrop, the Group recognizes that it needs to further increase its earnings capacity in the Canon product business. On the other hand, the IT solution business, which has market growth potential, is faced by the task of expanding sales in a manner that also increases earnings capacity.

The Long-Term Management Objectives (2021-2025) announced in April 2021 defined our vision as a “professional corporate group that solves social and customer issues using ICT and the power of humans.” The Medium-Term Management Plan (2022-2025) was formulated to achieve this vision. We will work to expand our operations and improve our performance by implementing the four basic policies in the Medium-Term Management Plan (2022-2025).

[Basic policies of the Medium-Term Management Plan (2022-2025)]

1) Expand ITS business with profit

We will accelerate the implementation of our IT solutions strategies for different customer groups, and implement the service-type business model to expand the stock business through which we continuously provide services to customers.

2) Increase earnings capacity of existing businesses

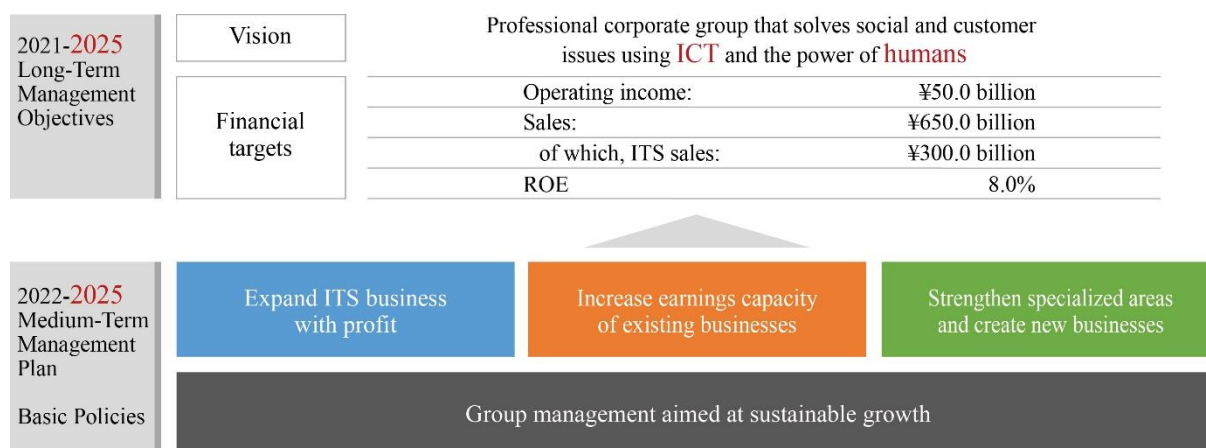
We will further increase the profitability of the business of Canon products while conducting sales strategies tailored to customer groups.

3) Strengthen specialized areas and create new businesses

We will achieve further growth in our industrial equipment business and strive to create new businesses.

4) Group management aimed at continuous growth

We will improve human resources to increase value offered to customers. That will lead to a sense of fulfillment in serving customers as well as motivation for growth, and in turn to establishing an engagement improvement cycle. In line with this effort, we will speed up our business investments toward continuous growth of the Group.



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

	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)	54th Fiscal Year (Jan. 1, 2021 to Dec. 31, 2021)
Net sales (Millions of yen)	632,189	621,591	621,134	545,060	552,085
Operating income (Millions of yen)	30,406	28,941	32,439	31,317	39,699
Ordinary income (Millions of yen)	31,491	30,519	33,937	35,236	41,096
Net income attributable to owners of parent (Millions of yen)	20,679	20,826	22,250	21,997	29,420
Net income attributable to owners of parent per share (Yen)	159.48	160.61	171.60	169.65	226.88
Total assets (Millions of yen)	510,832	498,790	503,698	506,604	526,418
Equity (Millions of yen)	297,522	303,570	325,092	346,114	374,676

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

(5) Main Business

Segment	Business
Consumers	Sells products such as digital cameras and inkjet printers primarily to individual customers.
Enterprise	Provides Canon input and output devices and provides solutions that contribute to solving business problems in each industry, primarily for major corporations, quasi-major corporations, and upper-medium-sized businesses.
Area	Sells Canon input and output devices and provides solutions that help customers solve business problems, primarily 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 primarily 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
16,220 persons	Decrease of 324 persons from the previous fiscal year

Segment	Number of Employees	Change from the end of the previous fiscal year
Consumers	544 persons	Decrease of 43 persons from the previous fiscal year
Enterprise	5,215 persons	Increase of 132 persons from the previous fiscal year
Area	5,811 persons	Decrease of 402 persons from the previous fiscal year
Professional	781 persons	Decrease of 24 persons from the previous fiscal year
Other	3,869 persons	Increase of 13 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.

Overview of Contract, etc., with Parent Company about Important Financial and Business Policies

The Company has concluded a contract with the Parent Company as the exclusive seller within Japan of all products (excluding semiconductor exposure devices, liquid crystal substrate exposure devices, and medical devices; hereinafter referred to as the “Products”) manufactured by the Parent Company (including its subsidiaries and associates) and sold under the Canon brand.

Given that the involvement of the Parent Company in the management of the Company is limited to the exercise of voting rights as a shareholder and that none of Canon Inc.’s officers currently serve as officers of the Company, the involvement of the Parent Company in the management of the Company is extremely limited.

The Nomination and Remuneration Advisory Committee deliberates to nominate executives and determine their remuneration, and a half of this committee’s members are Independent Outside Directors whom the Company appoints on its own, objectively ensuring transparency and fairness.

Matters about the Transactions with Parent Company, etc.

The Company purchases the Products from the Parent Company. The Company presents preferred prices taking into account market prices, upon which the terms are negotiated and determined.

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	Common 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 14.
2. The Company transferred all shares of its subsidiary Edifist Learning Inc. to COMTURE CORPORATION on March 1, 2021.

2. Status of Shares of the Company

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

(2) **Total Number of Issued Shares, Common 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)	131,079,972	-	131,079,972
Capital stock (yen)	73,303,082,757	-	73,303,082,757
Number of shareholders (persons)	11,254	Increase of 493	11,747

(3) Major Shareholders

Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
Canon Inc.	75,708	58.4
The Master Trust Bank of Japan, Ltd. (Trust account)	7,760	6.0
Canon Marketing Japan Group Employee Stock Ownership Association	5,843	4.5
Custody Bank of Japan, Ltd. (Trust account)	2,742	2.1
STATE STREET BANK AND TRUST COMPANY 505001	1,563	1.2
The Bank of New York, Treaty JASDEC Account	1,417	1.1
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,247	1.0
SMBC Nikko Securities Inc.	1,008	0.8
Mizuho Bank, Ltd.	1,001	0.8
Custody Bank of Japan, Ltd. (Trust account 9)	975	0.8

Note: The shareholding ratio is calculated by deducting the number of treasury shares (1,404,790 shares) from the total number of issued shares.

(4) Shareholding Ratio by Category



(5) Shares Issued to Directors and Audit & Supervisory Board Members as Consideration for the Execution of Their Duties during the Fiscal Year under Review

	Class and number of shares	Number of recipients
Directors (excluding Outside Directors)	4,584 shares of common stock	1

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	Masachika Adachi	
Director Vice President	Shiro Hamada	Executive Vice President & Director of Canon System & Support Inc
Director Vice President	Hatsumi Hirukawa	Director in charge of Group Planning, Group Communication and Group Service & Support
Director Vice President	Minoru Mizoguchi	Director in charge of Group General Administration & Human Resources Management, Group Procurement and Group Logistics
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. Mr. Minoru Mizoguchi was appointed at the 53rd Ordinary General Meeting of Shareholders held on March 26, 2021 and assumed office.
2. Mr. Akio Dobashi and Mr. Yoshio Osawa Directors are Outside Directors.
3. Mr. Iwao Hashimoto, Mr. Nobutoshi Matsumoto and Mr. Shigeo Hasegawa 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 for Directors and Audit & Supervisory Board Members for the Fiscal Year under Review

■ Method for Determining the Policy to Determine the Details of the Remuneration of Individual Directors

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. At the Board of Directors meeting held on February 16, 2021, the Board of Directors passed a resolution to adopt the Policy to Determine the Details of the Remuneration of Individual Directors.

■ Matters Concerning the Policy to Determine the Details of Remuneration of Directors and Audit & Supervisory Board Members

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 income 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.

Actual figures for consolidated income before income taxes used in the calculation of bonuses are stated in the Consolidated Statements of Income on Page 40.

<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," which is the result of the annual sales activities of the Group, 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 (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, 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). Actual figures for consolidated operating income used in the calculation of performance-based stock compensation are stated in "(4) Status of Assets and Earnings" on Page 28.

- Individual Monetary Compensation Receivable Amount

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

- Individual Number of Shares to Be Delivered

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.

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 and Audit & Supervisory Board Members

The remuneration of Outside Directors and Audit & Supervisory Board Members, 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. The remuneration of Audit & Supervisory Board Members is determined through deliberations between Audit & Supervisory Board Members within the annual limit amount determined by resolution of the General Meeting of Shareholders.

3) Matters Concerning the Delegation of Decisions on the Details of the Remuneration of Individual Directors

The President & Representative Director and Executive President (Mr. Masahiro Sakata for the period from January 1, 2021 of the fiscal year under review up to the 53rd Ordinary General Meeting of Shareholders held on March 26, 2021, and subsequently, Mr. Masachika Adachi) is responsible for determining the individual remuneration amounts of Directors under delegation of authority, based on the remuneration systems that have been reviewed by the Nomination and Remuneration Advisory Committee. The Company delegates this mission to the President & Representative Director and Executive President because he is best positioned to assess the areas each Director is in charge of while maintaining a bird's eye view of the Group's overall results. As the details of the remuneration of individual Directors (excluding Outside Directors) is determined upon the aforementioned procedure, the Board of Directors considers the details are in line with the determination policy.

■ Remuneration to Directors and Audit & Supervisory Board Members

Category of Officer	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)			Number of Eligible Officers
		Basic remuneration	Performance-based remuneration		
			Bonuses	Performance-based stock compensation (non-monetary compensation, etc.)	
Directors [of which, Outside Directors]	233 [20]	180 [20]	37 [-]	15 [-]	7 [2]
Audit & Supervisory Board Members [of which, Outside Audit & Supervisory Board Members]	100 [53]	100 [53]	- [-]	- [-]	5 [3]

- Notes: 1. The above number of persons includes one Director who retired from office at the close of the 53rd Ordinary General Meeting of Shareholders held on March 26, 2021.
2. Figures for Bonuses indicate the amount of provision for directors' bonuses as of the end of the fiscal year.
3. At the 39th Ordinary General Meeting of Shareholders held on March 28, 2007, a resolution was passed to set the amount of remuneration for Directors at ¥800 million (hereinafter referred to as the "Annual Remuneration Limit") or less per year. The number of Directors as of the close of the said Ordinary General Meeting of Shareholders was 17. In addition, at the 51st Ordinary General Meeting of Shareholders held on March 27, 2019, a resolution was passed to introduce a performance-based stock compensation plan, under which the Company delivers shares of its common stock to eligible Directors (excluding Outside Directors) as officer compensation within the Annual Remuneration Limit, according to the degree of achievement of the full-year consolidated income plan. The number of Directors as of the close of the said Ordinary General Meeting of Shareholders was six, including two Outside Directors.
4. At the 30th Ordinary General Meeting of Shareholders held on March 26, 1998, a resolution was passed to set the amount of remuneration for Audit & Supervisory Board Members at ¥120 million or less per year. The number of Audit & Supervisory Board Members as of the close of the said Ordinary General Meeting of Shareholders was four.

(3) Overview of the Directors and Officers (D&O) Liability Insurance Policy

The Company has entered into a liability insurance policy for officers defined in Article 430-3, Paragraph 1 of the Companies Act of Japan. The policy covers damages that may arise from the insured assuming liability in connection with their execution of duties or claims filed against them for such liabilities. However, the said insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, or acts committed with the knowledge that they violate laws and regulations.

The policy insures the Company's Directors and Audit & Supervisory Board Members. The Company pays the premiums for all the insured parties, without any contribution from them.

(4) 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 15 out of 16 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management. Also provided input based on his experience and insight outside the Board of Directors meetings as necessary. He is therefore satisfying the roles expected of him as an Outside Director.
Yoshio Osawa (Outside Director)	Attended all 16 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management. Also provided input based on his experience and insight outside the Board of Directors meetings as necessary. He is therefore satisfying the roles expected of him as an Outside Director.
Iwao Hashimoto (Outside Audit & Supervisory Board Member)	Attended all 16 Board of Directors meetings and all 17 Audit & Supervisory Board meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Nobutoshi Matsumoto (Outside Audit & Supervisory Board Member)	Attended all 16 Board of Directors meetings and all 17 Audit & Supervisory Board meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of accounting.
Shigeo Hasegawa (Outside Audit & Supervisory Board Member)	Attended all 16 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

(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	¥106 million
(ii) Total amount of cash and other financial benefits payable by the Group to the Accounting Auditor	¥168 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 Accountants 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 45 yen per share, totaling 75 yen per share (consolidated payout ratio of 33.1%) as a full-year dividends together with the interim dividends (30 yen per share).

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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

(Amounts less than one million yen are truncated)

	As of Dec. 31, 2021	As of Dec. 31, 2020		As of Dec. 31, 2021	As of Dec. 31, 2020
■ Assets			■ Liabilities		
Current assets	¥396,082	¥380,349	Current liabilities	¥107,109	¥108,440
Cash and deposits	67,528	59,631	Notes and accounts payable-trade	46,323	44,107
Notes and accounts receivable-trade	107,367	105,328	Lease obligations	52	54
Securities	500	500	Accrued expenses	16,127	16,166
Merchandise and finished goods	34,578	27,091	Accrued income taxes	6,954	7,004
Work in process	145	103	Consumption taxes payable	6,089	5,547
Raw materials and supplies	511	631	Accrued bonuses	4,148	5,664
Short-term loans receivable	180,004	180,006	Accrued directors' bonuses	98	75
Other current assets	5,469	7,122	Accrued product warranties	291	453
Allowance for doubtful receivables	(24)	(66)	Accrued loss on order contracts	308	8
Non-current assets	130,336	126,255	Other current liabilities	26,715	29,356
Property, plant and equipment	85,154	83,729	Long-term liabilities	44,632	52,049
Buildings and structures, net	45,916	43,402	Lease obligations	81	74
Machinery, equipment and vehicles, net	77	87	Deferred tax liabilities	-	1
Tools, furniture and fixtures, net	2,760	3,004	Allowance for long-term continuous service rewards	899	951
Rental assets, net	5,639	7,281	Accrued pension and severance costs	40,913	47,883
Land	28,359	28,359	Other long-term liabilities	2,738	3,139
Leased assets, net	7	16	Total liabilities	151,741	160,490
Construction in progress	2,392	1,577	■ Equity		
Intangible assets	6,530	5,669	Shareholders' equity	362,859	342,495
Software	6,226	5,373	Common stock	73,303	73,303
Lease assets	-	1	Capital surplus	82,824	82,814
Utilization rights	303	294	Retained earnings	208,824	188,481
Other intangible assets	0	0	Treasury stock	(2,092)	(2,103)
Investments and other assets	38,651	36,855	Accumulated other comprehensive Income	11,089	2,962
Investments in securities	17,353	11,302	Net unrealized gains on available-for-sale securities	7,873	4,230
Long-term loans receivable	35	35	Deferred gains or losses hedges	22	(29)
Prepaid pension and severance costs	421	415	Foreign currency translation adjustments	125	5
Deferred tax assets	14,974	19,219	Defined retirement benefit plans	3,067	(1,243)
Lease deposits	2,961	3,427	Non-controlling interests	727	655
Other investments and other assets	2,999	2,659	Total equity	374,676	346,114
Allowance for doubtful receivables	(95)	(205)	Total liabilities and equity	¥526,418	¥506,604
Total assets	¥526,418	¥506,604			

Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	From January 1, 2021 to December 31, 2021	From January 1, 2020 to December 31, 2020
Net sales	¥552,085	¥545,060
Cost of sales	361,809	361,077
Gross profit	190,276	183,982
Selling, general and administrative expenses	150,576	152,665
Operating income	39,699	31,317
Non-operating income	1,562	4,106
Interest income	274	243
Dividend income	283	155
Insurance income	506	452
Gain on investments in partnerships	278	231
Subsidies for employment adjustment under COVID-19	-	2,744
Other, net	220	279
Non-operating expenses	165	187
Interest expenses	12	12
Foreign exchange losses	6	5
Other, net	146	169
Ordinary income	41,096	35,236
Extraordinary income	2,376	581
Gain on sales of fixed assets	6	283
Gain on sales of investments in securities	1,255	278
Gain on sales of shares of subsidiaries and associates	895	-
Gain on casualty insurance	202	-
Other, net	16	20
Extraordinary losses	377	2,355
Loss on sales and disposal of fixed assets	124	1,021
Loss on disaster	168	-
Loss on sales of shares of subsidiaries and associates	40	737
Loss on valuation of investment securities	18	316
Loss on COVID-19	-	274
Other, net	26	4
Net income before income taxes	43,094	33,463
Income taxes-current	12,971	12,525
Income taxes-deferred	627	(1,133)
Net income	29,495	22,071
Net income attributable to non-controlling interests	75	73
Net income attributable to owners of parent	¥29,420	¥21,997

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of Dec. 31, 2021	As of Dec. 31, 2020
■ Assets		
Current assets	¥360,775	¥348,145
Cash and deposits	51,798	44,703
Notes receivable-trade	884	1,543
Electronically recorded monetary claims - operating	8,481	8,296
Accounts receivable-trade	82,139	83,256
Securities	500	500
Merchandise and finished goods	29,864	22,524
Raw materials and supplies	357	491
Advance payment - trade	1,336	1,585
Prepaid expenses	797	814
Short-term loans receivable	180,004	180,006
Accounts receivable - other	4,272	4,131
Forward exchange contracts	32	-
Other current assets	327	350
Allowance for doubtful receivables	(20)	(59)
Non-current assets	142,706	140,567
Property, plant and equipment	47,383	49,737
Buildings, net	12,148	12,588
Structures, net	454	467
Machinery, net	77	87
Tools, furniture and fixtures, net	1,169	1,418
Rental assets, net	5,632	7,270
Land	27,899	27,899
Leased assets, net	2	4
Intangible assets	5,602	4,599
Software	5,492	4,488
Utilization rights	110	110
Other intangible assets	0	0
Investments and other assets	89,720	86,231
Investments in securities	14,369	8,935
Shares of subsidiaries and associates	59,287	59,686
Claims provable in bankruptcy, claims provable in rehabilitation and other	29	128
Long-term prepaid expenses	1,414	1,019
Deferred tax assets	12,211	14,070
Lease deposits	1,244	1,381
Other investments and other assets	1,224	1,167
Allowance for doubtful receivables	(60)	(158)
Total assets	¥503,481	¥488,713

	As of Dec. 31, 2021	As of Dec. 31, 2020
■ Liabilities		
Current liabilities	¥134,002	¥139,648
Electronically recorded obligations - operating	1,634	1,046
Accounts payable-trade	42,534	42,444
Short-term loans payable	50,100	55,300
Lease obligations	2	2
Accounts payable - other	2,041	1,898
Accrued expenses	12,587	12,256
Accrued Income taxes	5,725	5,828
Consumption taxes payable	2,064	3,451
Advances received	11,028	10,356
Deposits received	3,618	2,948
Forward exchange contracts	-	42
Accrued bonuses	2,221	3,598
Accrued directors' bonuses	37	29
Accrued product warranties	288	446
Accrued loss on order contracts	118	-
Long-term liabilities	40,479	40,439
Lease obligations	0	2
Provision for retirement benefits	36,918	36,416
Allowance for long-term continuous service rewards	494	573
Other long-term liabilities	3,065	3,447
Total liabilities	174,481	180,087
■ Equity		
Shareholders' equity	322,498	305,486
Common stock	73,303	73,303
Capital surplus	85,208	85,198
Legal capital surplus	85,198	85,198
Other capital surplus	9	-
Retained earnings	166,082	149,091
Legal retained earnings	2,853	2,853
Other retained earnings	163,229	146,238
General reserve	81,700	81,700
Retained earnings brought forward	81,529	64,538
Treasury stock	(2,096)	(2,107)
Valuation and translation adjustments	6,502	3,139
Net unrealized gains on available-for-sale securities	6,479	3,168
Deferred gains or losses hedges	22	(29)
Total equity	329,000	308,625
Total liabilities and equity	¥503,481	¥488,713

Non-Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	From January 1, 2021 to December 31, 2021	From January 1, 2020 to December 31, 2020
Net sales	¥415,654	¥412,800
Cost of sales	289,492	290,863
Gross profit	126,162	121,936
Selling, general and administrative expenses	102,498	103,854
Operating income	23,664	18,082
Non-operating income	8,917	7,821
Interest income	272	240
Dividend income	7,773	5,721
Insurance income	462	451
Gain on investments in partnerships	278	231
Subsidies for employment adjustment under COVID-19	-	1,028
Other, net	131	147
Non-operating expenses	196	180
Interest expenses	49	54
Share related expenses	54	52
Foreign exchange losses	18	-
Other, net	74	74
Ordinary income	32,385	25,723
Extraordinary income	2,163	60
Gain on sales of fixed assets	1	11
Gain on sales of investments in securities	1,255	48
Gain on sales of shares of subsidiaries and associates	897	-
Other, net	8	0
Extraordinary losses	111	1,561
Loss on sales and disposal of fixed assets	102	1,020
Loss on COVID-19	-	220
Loss on valuation of investment in securities	-	316
Other, net	9	4
Net income before income taxes	34,436	24,222
Income taxes-current	8,020	7,680
Income taxes-deferred	348	(1,099)
Net income	¥26,068	¥17,641

AUDIT REPORTS

AUDIT REPORT OF ACCOUNTING AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS (TRANSLATION)

Report of Independent Auditors

February 8, 2022

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office
Masahiro Ide Certified Public Accountant
Designated and Engagement Partner
Shinji Hatano Certified Public Accountant
Designated and Engagement Partner
Kumiko Shimizu 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 shareholders' equity and the notes to the consolidated financial statements of Canon Marketing Japan Inc. (the "Company") for the fiscal year from January 1, 2021 through December 31, 2021.

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 REPORT OF ACCOUNTING AUDITOR
ON NON-CONSOLIDATED FINANCIAL STATEMENTS
(TRANSLATION)

Report of Independent Auditors

February 8, 2022

The Board of Directors
Canon Marketing Japan Inc.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Masahiro Ide	Certified Public Accountant Designated and Engagement Partner
Shinji Hatano	Certified Public Accountant Designated and Engagement Partner
Kumiko Shimizu	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 shareholders' equity and the related notes, and the accompanying supplementary schedules of Canon Marketing Japan Inc. (the "Company") for the 54th fiscal year from January 1, 2021 through December 31, 2021.

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, 2021, 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 54th fiscal year from January 1, 2021 to December 31, 2021, 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 statements of shareholders' 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 shareholders' 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 8, 2022

**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)	Iwao Hashimoto
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member (full time)	Nobutoshi Matsumoto
(Outside Audit & Supervisory Board Member)	
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Shigeo Hasegawa