

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 6, 2023

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 55TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 55th Ordinary General Meeting of Shareholders of Canon Marketing Japan Inc. (the “Company”) will be held as described below.

In the convocation of this General Meeting of Shareholders, information contained in the Reference Documents for the General Meeting of Shareholders, etc. (the “matters to be provided electronically”) will be provided electronically and posted as the “Notice of Convocation of the 55th Ordinary General Meeting of Shareholders” on the Company’s website on the Internet. Please visit the following website for the Company to access this information.

The Company’s website
<https://cweb.canon.jp/eng/ir/stock/generalmeeting.html>

In addition to the above website, the matters to be provided electronically will also be posted on the website of the Tokyo Stock Exchange (TSE). Please access the following website for the TSE (Listed Company Search) and input or search with the relevant issue name (company name) or securities code, and select “Basic information” followed by “Documents for public inspection/PR information” to peruse the information that has been posted.

The Tokyo Stock Exchange’s website (Listed Company Search)
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Although the Company will ensure that appropriate measures are taken to prevent the spread of COVID-19 at the General Meeting of Shareholders, we request that you monitor your personal health and the situation surrounding the spread of infections and consider refraining from coming to the meeting in person based on the present state of affairs.

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 (Tuesday), 2023 (Japan time).

- 1. DATE AND TIME** March 29 (Wednesday), 2023 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 55th Fiscal Year (from January 1, 2022 to December 31, 2022), 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 55th Fiscal Year (from January 1, 2022 to December 31, 2022).
- Matters to be Resolved upon:**
- | | |
|-------------------|---------------------------------|
| Item No. 1 | Dividends from Surplus |
| Item No. 2 | Election of Seven Directors |
| Item No. 3 | Payment of Bonuses to Directors |
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- 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.
- Among the matters to be provided electronically, in accordance with the related laws and regulations and Article 14 of the Company's Articles of Incorporation, the following matters are not included in the paper copy to be sent to shareholders who have requested it. Accordingly, the paper copy to be sent to shareholders who have requested it represent only part of the applicable documents which the Audit & Supervisory Board Members and Accounting Auditor audited to prepare their audit reports.
 - (1) **Stock Acquisition Rights etc. of the Company and Systems for Ensuring Appropriateness of Business Operations and Outline of Implementation Activities to be described in the Business Report**
 - (2) **Consolidated Statements of Shareholders' Equity and Notes to Consolidated Financial Statements**
 - (3) **Non-Consolidated Statements of Shareholders' Equity and Notes to Non-Consolidated Financial Statements**
- Any revisions to the matters to be provided electronically will be posted as detailed before and after revision on the Company's website and the TSE's website on the Internet as listed above.

<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 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.
- ◎ From the perspective of preventing the spread of infection, the time for the proceedings of this General Meeting of Shareholders will be shortened. We appreciate your understanding.
- ◎ If a shareholder is determined to be in poor health before the reception on the day of the meeting, 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 Reference Documents for the General Meeting of Shareholders included in the matters to be provided electronically, 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 (Wednesday), 2023 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 (Tuesday), 2023 (Japan time)

Please indicate your for/against for each of the propositions on the enclosed Voting Form and return it by postal mail. If neither for nor against are indicated for each of the propositions on the Voting Form, we will treat this as indicating an intention to vote in favor of the proposal.

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 (Tuesday), 2023 (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 the 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: 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 90.00 yen per share, which includes interim dividends of 40.00 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:

50.00 yen per common share of the Company

Total amount of dividend 6,483,820,000 yen

(3) Effective date of the dividend from surplus:

March 30, 2023

<REFERENCE> Changes in dividends (yen)



Item No. 2: Election of Seven Directors

The term of offices of all of the seven 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:

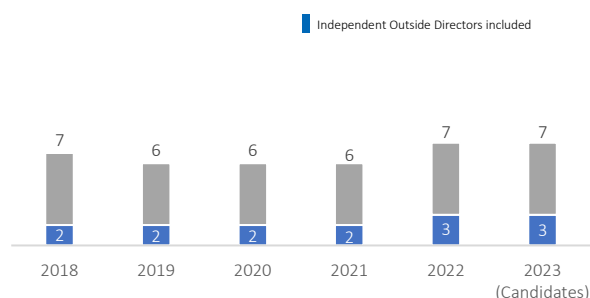
No.		Name	Gender	Present Position and Areas of Responsibility at the Company	Attendance at Board of Directors' Meetings	Member of Nomination and Remuneration Advisory Committee
1	[Reappointment]	Masachika Adachi	Male	President & Representative Director Executive President	100% (13/13)	◎
2	[Reappointment]	Minoru Mizoguchi	Male	Director & Senior Vice President Director in charge of Group General Administration & Human Resources Management, Group Legal & Intellectual Property and Group Logistics	100% (13/13)	○
3	[Reappointment]	Hatsumi Hirukawa	Male	Director & Vice President Director in charge of Group Planning, Group Service & Support and Group Communication	100% (13/13)	
4	[Reappointment]	Tsuyoshi Osato	Male	Director & Vice President Director in charge of Group Finance & Accounting, Group Auditing and Group Procurement	100% (10/10)	
5	[Reappointment] [Outside] [Independent]	Yoshio Osawa	Male	Outside Director	100% (13/13)	○
6	[Reappointment] [Outside] [Independent]	Toshiharu Hasebe	Male	Outside Director	100% (10/10)	
7	[New Appointment] [Outside] [Independent]	Hiroko Kawamoto	Female	-	-	

Notes: 1. Attendance at Board of Directors' meetings for Mr. Tsuyoshi Osato and Mr. Toshiharu Hasebe refers to the Board of Directors' meetings that were held after their election at the 54th Ordinary General Meeting of Shareholders held on March 29, 2022.

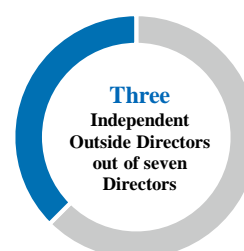
2. In the above list for the candidates for Directors who currently serve as members of the Nomination and Remuneration Committee, the "◎" symbol denotes the chairperson and the "○" symbol indicates a member.

<REFERENCE>

Changes in the number of members of the Board of Directors








Independence of the Board of Directors after the election





Skills Matrix of the Candidates for Director

Name	 Masachika Adachi	 Minoru Mizoguchi	 Hatsumi Hirukawa	 Tsuyoshi Osato	 Yoshio Osawa	 Toshiharu Hasebe	 Hiroko Kawamoto
Current Position at the Company	President & Representative Director and Executive President	Director & Senior Vice President	Director & Vice President	Director & Vice President	Director <small>Outside Independent</small>	Director <small>Outside Independent</small>	Director <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)	25,873 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 Apr. 2019: Director in charge of Group General Administration & Human Resources Management (present) Jan. 2020: Director in charge of Group Procurement Director in charge of Group Logistics (present) Mar. 2021: Director (present) Mar. 2022: Senior Vice President (present) Director in charge of Group Legal & Intellectual Property (present)	9,762 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. 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 (present) Director in charge of 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 Jan. 2022: Director of Marketing Headquarters (present)	7,830 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>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>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 (present) Director in charge of Group Auditing (present)</p> <p>Mar. 2022: Director (present) Director in charge of Group Procurement (present)</p>	6,133 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 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.</p>			
5	<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 held important posts at a general trading company and IT services company as a top executive 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 five 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>Toshiharu Hasebe (February 27, 1956)</p> <p>[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> <p>Mar. 2022: Outside Director of the Company (present)</p>	0 shares
<p>[Reason for Nomination as Outside Director and Expected Roles to Perform]</p> <p>Mr. Toshiharu Hasebe has held important posts at a telecommunications company and advertisement company as a top executive 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 one year 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
7	<p>Hiroko Kawamoto (February 13, 1957)</p> <p>[New Appointment] [Outside] [Independent]</p> 	<p>As of</p> <p>Jul. 1979: Joined All Nippon Airways Co., Ltd.</p> <p>Apr. 2013: Director and Executive Officer, Deputy General Manager of Operation Division, and Chief of Inflight Service Center of All Nippon Airways Co., Ltd.</p> <p>Apr. 2014: Managing Director and Executive Officer, Director for Promotion of Diversity, Deputy General Manager of Operation Division, and Chief of Inflight Services Center of All Nippon Airways Co., Ltd.</p> <p>Apr. 2016: Director and Senior Managing Executive Officer, Director for Group Promotion of Diversity, Promotion Officer for the Tokyo Olympic and Paralympic Games of All Nippon Airways Co., Ltd.</p> <p>Jun. 2016: Outside Director of Sumitomo Mitsui Trust Bank, Limited</p> <p>Apr. 2017: Executive Vice President and COO of ANA Strategic Research Institute Co., Ltd.</p> <p>Jun. 2017: Outside Director of Renaissance Incorporated (present)</p> <p>Jun. 2017: Outside Director of Sumitomo Mitsui Trust Holdings, Inc. (present)</p> <p>Apr. 2020: Chairperson of the Board of ANA Strategic Research Institute Co., Ltd.</p> <p>Jun. 2020: Outside Director of East Japan Railway Company (present)</p> <p>Apr. 2021: Adviser of ANA Strategic Research Institute Co., Ltd. (present)</p> <p>[Important concurrent post] Outside Director of Renaissance Incorporated Outside Director of Sumitomo Mitsui Trust Holdings, Inc. Outside Director of East Japan Railway Company Adviser of ANA Strategic Research Institute Co., Ltd.</p>	0 shares
<p>[Reason for Nomination as Outside Director and Expected Roles to Perform]</p> <p>Ms. Hiroko Kawamoto has held important posts at an airline carrier as the representative in charge of improving service quality and promoting diversity for many years. We therefore expect her to leverage her considerable experience and excellent expertise in company management, the service industry, and furthermore, from the perspective of diversity, to provide supervision and recommendations to the Company, and we assessed that she could accomplish the duties as an Outside Director appropriately. Thus, she 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. Yoshio Osawa and Mr. Toshiharu Hasebe as independent directors with the Tokyo Stock Exchange, Inc. under the regulations of the Exchange. Should Mr. Yoshio Osawa and Mr. Toshiharu Hasebe be elected, the Company will continue to make both of them independent directors. In addition, should Ms. Hiroko Kawamoto be elected, the Company will register her as an independent director with the Tokyo Stock Exchange, Inc. under the regulations of the Exchange.
3. 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.
4. 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.
5. Ms. Hiroko Kawamoto has worked for All Nippon Airways Co., Ltd., of which does business with the Company. Although there are business transactions between All Nippon Airways Co., Ltd. and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of All Nippon Airways Co., Ltd. and the Company respectively. In addition, she serves as an Adviser of ANA Strategic Research Institute Co., Ltd. Although there are business transactions between ANA Strategic Research Institute Co., Ltd. and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of ANA Strategic Research Institute Co., Ltd. and the Company respectively. Ms. Hiroko Kawamoto, therefore, meets the standards for Independence Standards for Independent Directors determined by the Company.
6. The Company has entered into a contract with Mr. Yoshio Osawa and Mr. Toshiharu Hasebe, 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 Ms. Hiroko Kawamoto be elected, the Company will enter into the same limited liability contract with her.
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.

(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), the President recommends candidates from among persons who are recognized to satisfy the prescribed requirements and the fairness/ appropriateness of recommendation is checked by the nomination committee. Then the proposal therefor is submitted to and deliberated by the Board of Directors.

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

“Independence Standards for Independent Directors/Audit & Supervisory Board Members” of Canon Marketing Japan Inc.

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

Independence Standards for Independent Directors/Audit & Supervisory Board Members

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

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

(Notes)

- * In item 1, “major” means in cases where the total amount (for any fiscal year during the last 3 fiscal years) of transactions between Canon Marketing Japan Group and such client exceeds 1% of the consolidated sales of Canon Marketing Japan Group or such client.
- * In item 2, “a large shareholder” means a shareholder who directly or indirectly holds 5% or more of the total voting rights of Canon Marketing Japan Inc.
- * In item 3, “a large amount” means in cases where the total amount of contributions exceeds ¥12 million (in cases where the recipient is an individual) or 1% of the annual gross income of such recipient (in cases where the recipient is an organization), for any fiscal year during the last 3 fiscal years of Canon Marketing Japan Inc.
- * In item 1 to 3, and 6, an “executing person” means an executive director, executive officer and employee including manager (in items 1 to 3, including a person to whom this item has applied in any fiscal year during the last 3 fiscal years).
- * In item 4, “a large amount” means in cases where the total amount of money or other properties received by said consultant, etc., exceeds ¥12 million (in cases where the recipient is a person) or 1% of the annual gross sales of such consultant, etc. (in cases where the recipient is an organization).

Item No. 3: Payment of Bonuses to Directors

It is proposed that bonuses will be paid to the four Directors excluding the Outside Directors as of the end of this fiscal year, in appreciation of their services during this fiscal year, which totals ¥46,800,000 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 March 29, 2022, the summary of which is found on the Business Report. The Company considers this proposal appropriate, as it is in line with this policy.

BUSINESS REPORT

(January 1, 2022 to December 31, 2022)

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

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

(1) Business Progress and Achievement

General Business Conditions

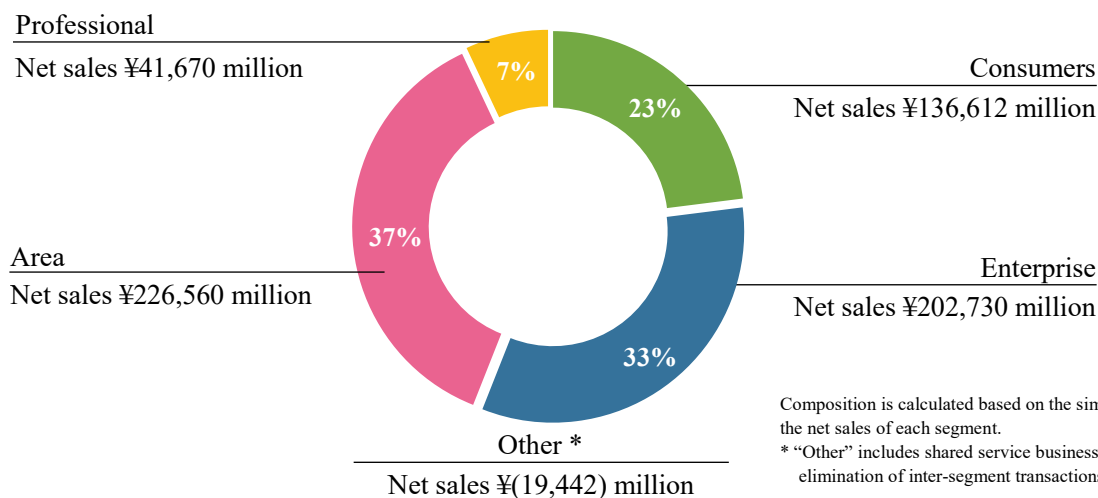
The Japanese economy is demonstrating a continuing trend toward gradual recovery as the nation progresses into a new stage of life under the COVID-19 pandemic. Consumer spending is seeing signs of a gentle pickup with recovery in the consumption of services in sectors such as travel and restaurants. As for capital expenditures by businesses, factors such as the gradual recovery in overseas economies and progress on the normalization of economic and social activities within Japan contributed to some recovery. In particular, IT investment trended favorably, stimulated by high investment appetite in the manufacturing and financial industries. On the other hand, weakness persists in a part of the corporate sphere caused mainly by supply constraints due to semiconductor shortage and disruptions in the supply chain, rise in raw material prices due to the situation in Ukraine, etc., and exchange rate fluctuations.

Against this economic backdrop, the Group expanded sales by resolving supply constraints on Canon products, as well as sales of SI services and security-related products and services backed by active corporate investments in IT, and sales of products such as semiconductor manufacturing systems backed by active investments from domestic semiconductor manufacturers. As a result, net sales increased to ¥588,132 million (up 6.5% from the previous fiscal year).

In terms of income, gross profit rose as a result of increased sales. Operating income was ¥49,947 million (up 25.8% from the previous fiscal year), ordinary income was ¥50,991 million (up 24.1% from the previous fiscal year), and net income attributable to owners of parent was ¥35,552 million (up 20.8% 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.

Composition of Net Sales by Segment



Business Conditions by Segment

Consumers	Net sales	¥136,612 million
	Operating income	¥13,940 million

In terms of the digital interchangeable lens camera, sale of RF interchangeable lenses were expanded and sales increased significantly, as sales increased for products such as mirrorless cameras equipped with EOS R systems, including the EOS R3 launched at the end of 2021, the EOS R7 launched in June, the EOS R10 launched in July and the EOS R6 Mark II launched in December, and the population of EOS R users continued to increase.

In inkjet printers, sales increased as a result of high-priced products having performed well in addition to other factors. Sales of ink cartridges decreased due to a shrinking market caused by factors such as a decline in the volume of color printing.

As for IT products, although impacted by supply shortages of PC peripherals and other products, sales increased slightly as products such as gaming PCs performed well.

As a result, net sales in this segment totaled ¥136,612 million (up 5.5% from the previous fiscal year). Operating income was ¥13,940 million (up 2.7% from the previous fiscal year) due to a rise in gross profit from increased sales.



Mirrorless camera EOS R7



Inkjet printer TS8630

Enterprise

Net sales	<u>¥202,730 million</u>
Operating income	<u>¥17,072 million</u>

In mainstay business equipment, despite being significantly impacted by supply shortages of products until the second quarter, sales of office MFPs and laser printers increased significantly due to a recovery in supply from the third quarter. Sales of maintenance services for office MFPs and laser printer cartridges decreased due to a decline in print volume in offices due to continued teleworking initiatives primarily in major corporations.

In IT solutions, sales increased significantly due to increased sales of SI projects for the manufacturing and financial sectors, as well as the solid performance of sales of security projects and the second data center building.

As a result, net sales in this segment totaled ¥202,730 million (up 6.4% from the previous fiscal year). Operating income was ¥17,072 million (up 23.2% from the previous fiscal year) due to efforts to reduce SG&A expenses, in addition to a rise in gross profit from increased sales.



Color Laser Beam Printer LBP853Ci that can handle A3 paper



Nishi-Tokyo Data Center

Area	<u>Net sales</u>	<u>¥226,560 million</u>
	<u>Operating income</u>	<u>¥15,563 million</u>

In mainstay business equipment, despite being significantly impacted by supply shortages of products until the second quarter, sales of office MFPs and laser printers increased due to a recovery in supply from the third quarter. As for office MFP maintenance services, sales decreased due to a decline in print volume in offices as teleworking initiatives continued mainly in large city areas. On the other hand, laser printer cartridges saw an increase due to factors such as front-loaded demand in anticipation of price revisions.

As for IT solutions, sales of security products such as the cloud-based IT support service HOME and anti-virus software ESET increased, backed by increasing threats to information security such as targeted attacks and phishing. The Company also continued to focus on acquiring maintenance services and operation services for customers' IT devices, and the number of orders received increased, resulting in increased sales. Thus, sales of overall IT solutions increased.

As a result, net sales in this segment totaled ¥226,560 million (up 2.6% from the previous fiscal year). Operating income was ¥15,563 million (up 29.2% from the previous fiscal year) due to efforts to reduce SG&A expenses, in addition to a rise in gross profit from increased sales.



Office MFP imageRUNNER ADVANCE DX



ESET Internet Security

Professional

Net sales	¥41,670 million
Operating income	¥5,240 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, sales increased slightly due to factors such as the strong performance of continuous feed printers for customers in the printing industry.

(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 increased significantly as semiconductor manufacturing systems and maintenance services trended favorably backed by investments from domestic semiconductor manufacturers remaining active.

(Healthcare)

In the healthcare business, the Company provides medical information systems such as electronic medical records for hospitals, clinics, dispensing pharmacies and medical centers. During the fiscal year under review, sales increased significantly mainly due to projects to introduce online insurance eligibility verification systems for clinics and dispensing pharmacies in addition to several large-scale projects for the construction of electronic medical records and medical IT platforms for hospitals.

As a result, net sales in this segment totaled ¥41,670 million (up 32.1% from the previous fiscal year). Operating income increased to ¥5,240 million (up 110.6% from the previous fiscal year) due to efforts to reduce SG&A expenses, in addition to a rise in gross profit from increased sales.



varioPRINT iX3200 / 2100



Ashing device Suprema made by Mattson

(2) Capital Expenditures

The capital expenditures by the Group during this fiscal year totaled ¥8,163 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 and energy prices impacted by the situation in Ukraine, 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

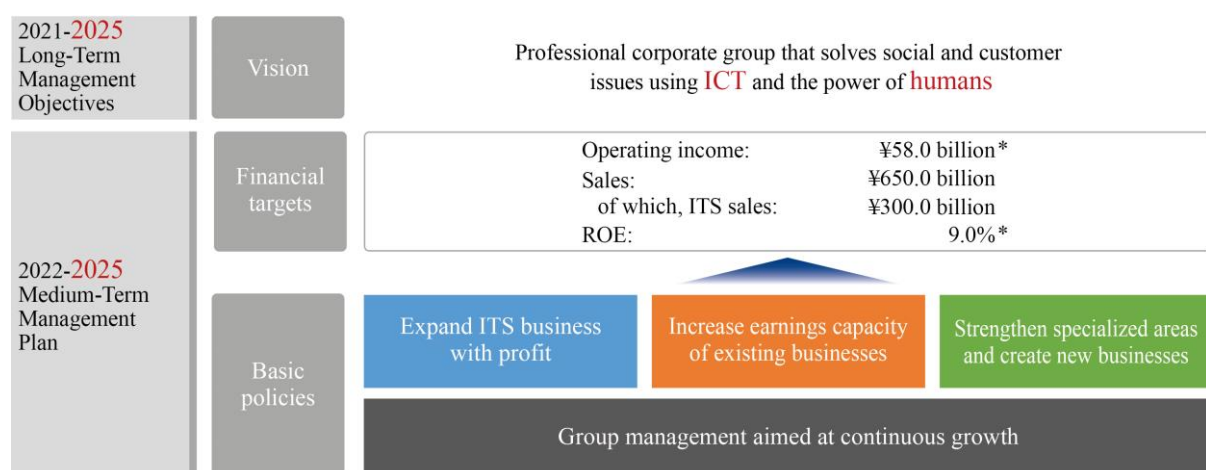
We will further increase the profitability of the business of Canon products while conducting sales strategies tailored to customer groups.

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 actively invest in improving human resources and seek to establish an engagement improvement cycle that will connect this effort to increasing value offered to customers. In line with this effort, we will speed up our business investments toward continuous growth of the Group.



* Figures for operating income and ROE have been revised upward in “Medium-Term Management Plan (2022-2025) Progress Report” announced on January 27, 2023.

(4) Status of Assets and Earnings Consolidated

	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)	55th Fiscal Year (Jan. 1, 2022 to Dec. 31, 2022)
Net sales (Millions of yen)	621,591	621,134	545,060	552,085	588,132
Operating income (Millions of yen)	28,941	32,439	31,317	39,699	49,947
Ordinary income (Millions of yen)	30,519	33,937	35,236	41,096	50,991
Net income attributable to owners of parent (Millions of yen)	20,826	22,250	21,997	29,420	35,552
Net income attributable to owners of parent per share (Yen)	160.61	171.60	169.65	226.88	274.16
Total assets (Millions of yen)	498,790	503,698	506,604	526,418	543,740
Equity (Millions of yen)	303,570	325,092	346,114	374,676	400,372

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
15,973 persons	Decrease of 247 persons from the previous fiscal year

Segment	Number of Employees	Change from the end of the previous fiscal year
Consumers	570 persons	Increase of 26 persons from the previous fiscal year
Enterprise	5,218 persons	Increase of 3 persons from the previous fiscal year
Area	5,643 persons	Decrease of 168 persons from the previous fiscal year
Professional	736 persons	Decrease of 45 persons from the previous fiscal year
Other	3,806 persons	Decrease of 63 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 for canon products and related solutions, system devices from other companies, etc., and office network construction, services, and support
Canon Production Printing Systems Inc.	2,744	100.0	Sales and provision of maintenance services for production printing devices and consumables, development and provision of workflow systems, etc., and provision of printing services, etc.

Consolidated Status

The number of consolidated subsidiaries was 15.

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)	11,747	Decrease of 581	11,166

(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)	8,809	6.8
Canon Marketing Japan Group Employee Stock Ownership Association	5,577	4.3
Custody Bank of Japan, Ltd. (Trust account)	3,688	2.8
STATE STREET BANK AND TRUST COMPANY 505001	1,478	1.1
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,265	1.0
The Bank of New York, Treaty JASDEC Account	1,239	1.0
SMBC Nikko Securities Inc.	1,082	0.8
Mizuho Bank, Ltd.	1,001	0.8
The Dai-ichi Life Insurance Company, Limited	879	0.7

Note: The shareholding ratio is calculated by deducting the number of treasury shares (1,403,572 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 This Fiscal Year

	Class and number of shares	Number of recipients
Directors (excluding Outside Directors)	2,610 shares of common stock	1

Note: The above shares are those issued based on the Performance-based Stock Compensation Plan which was in place until the 54th fiscal year.

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 & Senior Vice President	Minoru Mizoguchi	Director in charge of Group General Administration & Human Resources Management, Group Legal & Intellectual Property and Group Logistics
Director Vice President	Hatsumi Hirukawa	Director in charge of Group Planning, Group Communication and Group Service & Support
Director Vice President	Tsuyoshi Osato	Director in charge of Group Auditing, Group Finance & Accounting and Group Procurement
Director	Akio Dobashi	
Director	Yoshio Osawa	Outside Director of Citizen Watch Co., Ltd.
Director	Toshiharu Hasebe	
Audit & Supervisory Board Member	Shiro Hamada	
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. Directors Mr. Tsuyoshi Osato and Mr. Toshiharu Hasebe and Audit & Supervisory Board Member Mr. Shiro Hamada were appointed at the 54th Ordinary General Meeting of Shareholders held on March 29, 2022 and each of them assumed office.
2. Directors Mr. Akio Dobashi, Mr. Yoshio Osawa and Mr. Toshiharu Hasebe are Outside Directors.
3. Director Mr. Akio Dobashi retired from the position of Outside Director of Maeda Corporation on June 23, 2022.
4. Audit & Supervisory Board Members Mr. Iwao Hashimoto, Mr. Nobutoshi Matsumoto and Mr. Shigeo Hasegawa are Outside Audit & Supervisory Board Members.
5. The Company has notified Directors Mr. Akio Dobashi, Mr. Yoshio Osawa and Mr. Toshiharu Hasebe 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.
6. Mr. Shiro Hamada is an Audit & Supervisory Board Member and has accounting experience in the Company for many years and has a wealth of expertise in finance and accounting.
7. 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.
8. 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.
9. 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 This Fiscal Year

■ 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 stock compensation-type stock options, and reports to the Board of the Directors to the effect that the systems were valid. At the Board of Directors meeting held on March 29, 2022, 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 “stock compensation-type stock options.”

<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 net 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.

<Stock Compensation-type Stock Options>

The purpose of the stock compensation-type stock options is to further motivate 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, and in doing so, grant stock acquisition rights for the Company’s stock to these officers once per year. The total amount of the stock acquisition rights must not be more than the amount approved by the General Meeting of Shareholders. The number of stock acquisition rights to be granted is calculated based on each

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.

The number of granted stock acquisition rights that may be exercised by such holders is adjusted (range from 0% to 100% of granted) based on the level of consolidated net income before taxes for the fiscal year that stock acquisition rights was granted. When granted stock acquisition rights as stock options, the amount determined based on fair value of stock acquisition rights is recorded as remuneration for eligible officers.

As remuneration is linked to achievements made throughout one's term in office, eligible officers shall be allowed to exercise stock acquisition rights at the time of their retirement. In the event that the Company recognizes any misconduct, acts conflicting with the duty of due diligence, or any other act equivalent thereto perpetrated by the grantees, the Company may limit the exercise of all or part of the stock acquisition rights.

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 stock compensation-type stock options to basic remuneration will be a maximum of 30% and 20%, respectively.

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

Mr. Masachika Adachi, the President & Representative Director and Executive President, 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 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	Stock compensation-type stock options (non-monetary compensation, etc.)	
Directors [of which, Outside Directors]	246 [28]	184 [28]	46 [-]	14 [-]	8 [3]
Audit & Supervisory Board Members [of which, Outside Audit & Supervisory Board Members]	99 [54]	99 [54]	- [-]	- [-]	6 [3]

Notes: 1. The above number of persons includes one Director and one Audit & Supervisory Board Member who retired from office at the close of the 54th Ordinary General Meeting of Shareholders held on March 29, 2022.

2. When calculating performance-based remuneration, “consolidated net income before income taxes” is used as the indicator for the Company’s business performance. That amount is considered to be an appropriate representation of the results of the Group’s operating activities for the fiscal year. The calculation method of the amount of performance-based remuneration is as described in “Matters Concerning the Policy to Determine the Details of Remuneration of Directors and Audit & Supervisory Board Members, 2) Details of Each Compensation System, a. Representative Directors and Executive Directors” above. Actual figures for this performance indicator are stated in the Consolidated Statements of Income.
3. Figures for Bonuses indicate the amount of accrued directors’ bonuses as of the end of the fiscal year.
4. In stock compensation-type stock options, expenses for this fiscal year are presented in an amount equivalent to the amount of stock acquisition rights granted as stock options. During this fiscal year, 95 units of stock acquisition rights (9,500 shares of common stock) were delivered to four Directors, excluding the Outside Directors. The main conditions for exercise, etc. of the stock acquisition rights are as described in “Matters Concerning the Policy to Determine the Details of Remuneration of Directors and Audit & Supervisory Board Members, 2) Details of Each Compensation System, a. Representative Directors and Executive Directors” above. As a result of the actual figures for the performance indicator “consolidated net income before income taxes” being as stated in the Consolidated Statements of Income, 72 units (7,200 shares of common stock) of the stock acquisition rights are exercisable.
5. 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 54th Ordinary General Meeting of Shareholders held on March 29, 2022, a resolution was passed to introduce a stock compensation-type stock options plan, under which the Company grants stock acquisition rights of the Company’s stock to eligible Directors (excluding Outside Directors) as officer compensation within the annual remuneration limit. The number of Directors as of the close of the said Ordinary General Meeting of Shareholders was seven, including three Outside Directors.
6. 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
Yoshio Osawa (Outside Director)	Outside Director	Citizen Watch Co., Ltd.	No special relation

Note: Director Mr. Akio Dobashi retired from the position of Outside Director of Maeda Corporation on June 23, 2022. There is no special relation between the Company and Maeda Corporation.

Principal Activities

Name	Principal Activities
Akio Dobashi (Outside Director)	Attended all 13 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 13 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.
Toshiharu Hasebe (Outside Director)	Attended all 10 Board of Directors meetings held after assuming office out of 13 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 13 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 13 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 13 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	¥105 million
(ii) Total amount of cash and other financial benefits payable by the Group to the Accounting Auditor	¥170 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 year-end dividends of 50 yen per share, totaling 90 yen per share (consolidated payout ratio of 32.8%) as a full-year dividends together with the interim dividends (40 yen per share).

6. Stock Acquisition Rights etc. of the Company

- Stock Acquisition Rights etc. Granted as Compensation for Execution of Duties That Are Held by the Directors of the Company as of the End of This fiscal year

1) Name

Stock Acquisition Rights granted in April of 2022

2) Fair value of stock acquisition rights (1 unit is 100 shares)

260,600 yen

3) Exercise Price (per Share)

1 yen

4) Exercise Period

April 29, 2022 to April 28, 2052

5) Holder, Number of Holders, Number of Units, and Class and Number of Shares to Be Acquired

President & Representative Director and Executive President	1 person	43 units	4,300 shares of common stock
Director & Senior Vice President	1 person	22 units	2,200 shares of common stock
Director & Vice President	2 persons	30 units	3,000 shares of common stock

6) Main Conditions for the Exercise of Stock Acquisition Rights

In principle,

- (i) In accordance with the provisions of the stock acquisition rights agreement between the Company and a holder of the stock acquisition rights, the number of granted stock acquisition rights that may be exercised by such holders is adjusted (range from 0% to 100% of granted) based on the level of consolidated net income before taxes for the fiscal year that stock acquisition rights was granted and the holder of the stock acquisition rights shall be entitled to exercise the number of exercisable stock acquisition rights only in a lump sum within a period of 10 days (or the next business day, if the tenth day is a holiday) from the day immediately following the day when they cease to hold any position as Executive Officers who are in the positions of Vice Presidents or higher (including persons serving concurrently as Directors; hereinafter referred to as "Eligible Officers") of the Company, 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 rights, 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, and
- (iii) in addition to the above, the conditions specified in the agreement to be executed between the Company and the holder of the stock acquisition rights shall apply, based on a resolution of the Board of Directors of the Company.

(Note) Holder, Number of Holders, number of units, and class and number of shares to be acquired after adjustment above.

President & Representative Director and Executive President	1 person	33 units	3,300 shares of common stock
Director & Senior Vice President	1 person	17 units	1,700 shares of common stock
Director & Vice President	2 persons	22 units	2,200 shares of common stock

- Stock Acquisition Rights etc. Granted during This Term to the Executive Officers Who Are in the Positions of Vice Presidents or Higher (Excluding Persons Serving Concurrently as Directors) of the Company as Compensation for Execution of Duties

1) Name

Stock Acquisition Rights issued in April of 2022

2) Price to Be Paid In (per Stock Acquisition Right)

260,600 yen

3) Exercise Price (per Share)

1 yen

4) Exercise Period

April 29, 2022 to April 28, 2052

5) Grantee, Number of Grantees, Number of Units, and Class and Number of Shares to Be Acquired

Vice President	7 persons	105 units	10,500 shares of common stock
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6) Main Conditions for the Exercise of Stock Acquisition Rights

In principle,

- (i) In accordance with the provisions of the stock acquisition rights agreement between the Company and a holder of the stock acquisition rights, the number of granted stock acquisition rights that may be exercised by such holders is adjusted (range from 0% to 100% of granted) based on the level of consolidated net income before taxes for the fiscal year that stock acquisition rights was granted and the holder of the stock acquisition rights shall be entitled to exercise the number of exercisable stock acquisition rights only in a lump sum within a period of 10 days (or the next business day, if the tenth day is a holiday) from the day immediately following the day when they cease to hold any position as Executive Officers who are in the positions of Vice Presidents or higher (including persons serving concurrently as Directors; hereinafter referred to as "Eligible Officers") of the Company, 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 rights, 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, and
- (iii) in addition to the above, the conditions specified in the agreement to be executed between the Company and the holder of the stock acquisition rights shall apply, based on a resolution of the Board of Directors of the Company.

(Note) Holder, Number of Holders, number of units, and class and number of shares to be acquired after adjustment above.

Vice President	7 persons	77 units	7,700 shares of common stock
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7. Systems for Ensuring Appropriateness of Business Operations and Outline of Implementation Activities

The content of the resolution of the Board of Directors regarding the systems necessary to ensure the appropriateness of the Company's operations (basic policy) as well as the outline of implementation activities for the aforementioned systems, are as follows:

Systems for Ensuring Appropriateness of Operations (the "Internal Control System")	<p><u>Content of Basic Policy Resolution</u></p> <p>To ensure the appropriateness of operations and to work for continuous improvement in corporate value, Canon Marketing Japan Inc. (the "Company") and the enterprises consisting of the Company and its consolidated subsidiaries (the "Group"), shall foster a sound corporate culture based on the Spirit of "Three Self" (Self-motivation, Self-management, and Self-awareness) – guiding principles of Canon Group (Canon Inc., parent company of the Company, and its subsidiaries). The Group shall also work to foster a law-abiding awareness through the "Canon Group Code of Conduct." Furthermore, the Group shall firmly strive to ensure management transparency through clearly defined approval processes of important matters of the Group.</p>
1. System for Compliance (Item 6, Paragraph 4, Article 362 of the Companies Act of Japan (the "Companies Act"), and Item 4, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)	<p><u>Content of Basic Policy Resolution</u></p> <ol style="list-style-type: none"> (1) The Board of Directors, in accordance with regulations prescribed by the Board of Directors (the "Regulations of the Board of Directors"), shall make decisions on important the Group managerial matters after careful deliberation. Additionally, the Board of Directors shall have representative directors, executive directors and executive officers (collectively the "Officers") give reports regarding their execution of duties. (2) The Company shall thoroughly instill compliance awareness through training and other programs geared towards new employees, managers, and newly-appointed board members and executive officers, utilizing the "Canon Group Code of Conduct," as a standard to be adhered to in the execution of duties. (3) As a part of the Company's risk management system, the Company shall put in place business procedures/checking systems that prevent violation of laws and regulations and the Company's articles of incorporation in the course of daily business. It shall also maintain a compliance education system. (4) The internal audit office of the Company, which has the authority to audit all executions of duties, shall also conduct audits regarding the status of compliance with laws and regulations and the Company's articles of incorporation. (5) If an act that violates laws and regulations, or the Company's articles of incorporation is discovered in the Group, employees have the ability to report such fact by means of a whistleblowing system. Additionally, the Company shall prohibit any disadvantageous treatment of any whistleblower. <p><u>Outline of Implementation Activities</u></p> <ol style="list-style-type: none"> (1) During this year, 13 Board of Directors meetings were held. At these meetings, in addition to deliberating and deciding on important matters, the Board of Directors received reports from Directors in charge of major divisions concerning the execution of business. (2) Compliance training that follows the "Canon Group Code of Conduct" was implemented. (3) The activity is described in 2 Outline of Implementation Activities, (1) below. (4) The internal audit office conducts audits of each division and subsidiaries for various themes. The results of these audits have been then reported to the President and each Audit & Supervisory Board Member, and when necessary, proposals for improvement are given. (5) The rules on use of the whistleblowing system, including the explicit prohibition of the disadvantageous treatment of whistleblowers, are disseminated via the intranets of the Company, along with information on the contact counter for reporting internal problems. In this year, there were no whistleblower reports relating to serious violations of laws and regulations, or the like.

<p>2. System for Risk Management (Item 2, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)</p>	<p><u>Content of Basic Policy Resolution</u></p> <p>(1) The Company shall conduct various measures with regard to improving the risk management system in accordance with the regulations regarding risk management. These measures include the system for grasping any significant risks (violation of laws and regulations, misstatement of financial reporting, quality issues, work-related injuries, disasters, etc.) that the Group may face in the course of business. Additionally, the Company shall evaluate the status of design and implementation of the risk management system and report its findings to the Board of Directors.</p> <p>(2) The Company established the Management Committee, and the Committee shall carefully deliberate items in case it is considered important even if items are not submitted to the Board of the Directors.</p> <p><u>Outline of Implementation Activities</u></p> <p>(1) The Group categorized the risks which may cause significant impact on the Group into 4 risks of Laws and Regulations Violation risk, Disaster and Pandemic risk, Financial risk and Business risk, in accordance with the “Regulations of Risk and Crisis Management.” The Group conducted various measures with regard to the risk management system. Additionally, the Company evaluated the status of design and implementation of the risk management system based on the activity plan approved by the Board of Directors.</p> <p>(2) The Management Committee was held 14 times in this year, and important matters were deliberated. In addition to the Directors in charge of executing business operations, Audit & Supervisory Board Members also attended, as necessary, and provided their opinions.</p>
<p>3. System for Efficient Execution of Duties (Item 3, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)</p>	<p><u>Content of Basic Policy Resolution</u></p> <p>(1) Based on regulations regarding approval processes of important matters and the division of duties adopted by the Board of Directors, the Directors and other officers shall execute shared duties under the supervision and direction of the President.</p> <p>(2) The Company shall formulate Long-Term Management Objectives as 5-year management goals and 3-year priority measures, contained in Mid-Term Management Plan (Three-Year Management Plan) at its Management Committee. Based upon these plans, the Company shall manage operations from a unified group approach.</p> <p><u>Outline of Implementation Activities</u></p> <p>(1) The Officers have executed the duties allocated to them in accordance with the related rules.</p> <p>(2) The Company decides on a mid-term management plan and the necessary measures, which is decided based on discussions such as held at the Management Committee attended by the Officers of the Company and the executive officers of the major subsidiaries, and ensures the cohesion of the Group’s corporate management.</p>

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

<p>6. System for Auditing by Audit & Supervisory Board Members (Paragraph 3, Article 100 of the Enforcement Regulations of the Companies Act)</p>	<p><u>Content of Basic Policy Resolution</u></p> <ol style="list-style-type: none"> (1) Although the Company does not assign a dedicated full-time employee or set an organization to assist the duties of Audit & Supervisory Board Members, the internal audit office, the legal division and other divisions will consult and assign an employee to assist the works of Audit & Supervisory Board Members (the “Assisting Employee”), on matters requested by Audit & Supervisory Board Members. The Assisting Employee shall give priority to execute the duties requested by Audit & Supervisory Board Members. Any change in the Assisting Employee shall require the prior consultation of the Audit & Supervisory Board. (2) Audit & Supervisory Board Members shall grasp the execution of duties by Director and other officers, by attending not only meetings of the Board of Directors, but also other important meetings such as meetings of the Management Committee. (3) The administrative divisions of the headquarters, such as human resources, finance & accounting, and legal affairs, shall hold meetings with Audit & Supervisory Board Members and report on the execution of duties in a timely manner. Additionally, if any material breach of laws and regulations occurs, the relevant division shall immediately report this to Audit & Supervisory Board Members. (4) Audit & Supervisory Board Members shall be reported from accounting auditors periodically and upon necessity. (5) Audit & Supervisory Board Members shall hold periodic meetings with counterparts of domestic subsidiaries and work to improve the auditing system from a unified group perspective by sharing information. Additionally, Audit & Supervisory Board Members shall grasp the execution of duties by Directors and other officers of subsidiaries, by auditing major subsidiaries in and outside Japan as necessary. (6) The Company prohibits any disadvantageous treatment of any person that reports to Audit & Supervisory Board Members. The Company also seeks its subsidiaries to prohibit any disadvantageous treatment. (7) For expenses that are required in the execution of the Audit & Supervisory Board Members duties, they shall be borne by the Company as requested by the Audit & Supervisory Board Members.
	<p><u>Outline of Implementation Activities</u></p> <ol style="list-style-type: none"> (1) The Company assigned the Assisting Employee from the legal division, and the Assisting Employee executed the duties as requested by Audit & Supervisory Board Members. Change to the Assisting Employee, were decided upon prior consultation with the Audit & Supervisory Board. (2) Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, attended Board of Directors meetings and important meetings such as the Management Committee meetings, and the executive officers meetings. (3) The administrative divisions of the headquarters held periodic meetings with the Audit & Supervisory Board Members, and reported the status of execution of business operations. In addition, the internal audit office reported the results of audits to not only the President but to Audit & Supervisory Board as well. (4) Audit & Supervisory Board Members, in addition to periodically receiving reports from the Accounting Auditor on the results of the audit of this year in accordance with laws and regulations, they also hold hearings with the Accounting Auditor to inquire on the status of audits as necessary. (5) Audit & Supervisory Board Members, as necessary, held meetings with audit & supervisory board members of domestic subsidiaries and exchanged information. In addition, Audit & Supervisory Board Members audited the major subsidiaries. (6) In addition to 1 Outline of Activities, (5) above, the Company did not treat any person that reported to Audit & Supervisory Board Members disadvantageously. (7) In this year, there were no situations of shortfalls in the budget allocated for the implementation of audits in accordance with the audit plan.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of Dec. 31, 2022	As of Dec. 31, 2021		As of Dec. 31, 2022	As of Dec. 31, 2021
Assets			Liabilities		
Current assets	¥419,708	¥396,082	Current liabilities	¥108,062	¥107,109
Cash and deposits	84,132	67,528	Notes and accounts payable-trade	47,376	46,323
Notes and accounts receivable-trade	-	107,367	Lease obligations	45	52
Notes, accounts receivable-trade and contract assets	110,431	-	Accrued expenses	16,627	16,127
Securities	500	500	Accrued income taxes	7,453	6,954
Merchandise and finished goods	37,897	34,578	Consumption taxes payable	5,426	6,089
Work in process	99	145	Accrued bonuses	3,439	4,148
Raw materials and supplies	523	511	Accrued directors' bonuses	118	98
Short-term loans receivable	180,012	180,004	Accrued product warranties	243	291
Other current assets	6,153	5,469	Accrued loss on order received	114	308
Allowance for doubtful receivables	(43)	(24)	Other current liabilities	27,216	26,715
Non-current assets	124,032	130,336	Long-term liabilities	35,305	44,632
Property, plant and equipment	85,276	85,154	Lease obligations	73	81
Buildings and structures, net	48,384	45,916	Allowance for long-term continuous service rewards	749	899
Machinery, equipment and vehicles, net	68	77	Accrued pension and severance costs	32,141	40,913
Tools, furniture and fixtures, net	2,670	2,760	Other long-term liabilities	2,340	2,738
Rental assets, net	4,890	5,639	Total liabilities	143,368	151,741
Land	28,359	28,359	Equity		
Leased assets, net	5	7	Shareholders' equity	387,392	362,859
Construction in progress	897	2,392	Common stock	73,303	73,303
Intangible assets	5,995	6,530	Capital surplus	82,827	82,824
Software	5,364	6,226	Retained earnings	233,354	208,824
Goodwill	327	-	Treasury stock	(2,092)	(2,092)
Utilization rights	302	303	Accumulated other comprehensive income	12,149	11,089
Other intangible assets	0	0	Net unrealized gains on available-for-sale securities	5,202	7,873
Investments and other assets	32,760	38,651	Deferred gains or losses on hedges	(14)	22
Investments in securities	13,312	17,353	Foreign currency translation adjustments	293	125
Long-term loans receivable	15	35	Defined retirement benefit plans	6,667	3,067
Prepaid pension and severance costs	392	421	Stock acquisition rights	29	-
Deferred tax assets	12,904	14,974	Non-controlling interests	801	727
Lease deposits	2,767	2,961	Total equity	400,372	374,676
Other investments and other assets	3,555	2,999	Total liabilities and equity	¥543,740	¥526,418
Allowance for doubtful receivables	(187)	(95)			
Total assets	¥543,740	¥526,418			

Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	From January 1, 2022 to December 31, 2022	From January 1, 2021 to December 31, 2021
Net sales	¥588,132	¥552,085
Cost of sales	388,842	361,809
Gross profit	199,289	190,276
Selling, general and administrative expenses	149,341	150,576
Operating income	49,947	39,699
Non-operating income	1,225	1,562
Interest income	299	274
Dividend income	209	283
Insurance income	459	506
Foreign exchange gains	29	-
Gain on investments in partnership	-	278
Other, net	227	220
Non-operating expenses	180	165
Interest expense	12	12
Loss on investments in partnership	29	-
Foreign exchange losses	-	6
Other, net	139	146
Ordinary income	50,991	41,096
Extraordinary income	733	2,376
Gain on sales of fixed assets	3	6
Gain on sales of investments in securities	729	1,255
Gain on sales of shares of subsidiaries and associates	-	895
Gain on casualty insurance	-	202
Other, net	0	16
Extraordinary losses	202	377
Loss on sales and disposal of fixed assets	124	124
Loss on valuation of investments in securities	57	18
Loss on sales of investments in securities	18	-
Loss on disaster	-	168
Loss on sales of shares of subsidiaries and associates	-	40
Other, net	1	26
Net income before income taxes	51,523	43,094
Income taxes-current	14,244	12,971
Income taxes-deferred	1,652	627
Net income	35,626	29,495
Net income attributable to non-controlling interests	74	75
Net income attributable to owners of parent	¥35,552	¥29,420

Consolidated Statements of Shareholders' Equity

From January 1, 2022 to December 31, 2022

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	73,303	82,824	208,824	(2,092)	362,859
Changes during period					
Dividends of surplus	-	-	(11,022)	-	(11,022)
Net income attributable to owners of parent	-	-	35,552	-	35,552
Purchase of treasury stock	-	-	-	(4)	(4)
Disposal of treasury stock	-	2	-	3	6
Net income attributable to non-controlling interests	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	2	24,529	(0)	24,532
Balance at end of period	73,303	82,827	233,354	(2,092)	387,392

	Accumulated other comprehensive income (loss)					Stock acquisition rights	Non-controlling interests	Total equity
	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)			
Balance at beginning of period	7,873	22	125	3,067	11,089	-	727	374,676
Changes during period								
Dividends of surplus	-	-	-	-	-	-	-	(11,022)
Net income attributable to owners of parent	-	-	-	-	-	-	-	35,552
Purchase of treasury stock	-	-	-	-	-	-	-	(4)
Disposal of treasury stock	-	-	-	-	-	-	-	6
Net income attributable to non-controlling interests	-	-	-	-	-	-	74	74
Dividends paid to non-controlling interests	-	-	-	-	-	-	(23)	(23)
Net changes in items other than shareholders' equity	(2,670)	(37)	167	3,600	1,060	29	23	1,112
Total changes during period	(2,670)	(37)	167	3,600	1,060	29	73	25,695
Balance at end of period	5,202	(14)	293	6,667	12,149	29	801	400,372

Notes to Consolidated Financial Statements

(Notes on important items forming the basis of consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries 15

Major consolidated subsidiaries Canon IT Solutions Inc., Canon System & Support Inc., Canon Production Printing Systems Inc.

(2) Non-consolidated subsidiaries None

2. Application of equity method

(1) Affiliates subject to equity method None

(2) Affiliates not subject to equity method None

3. Fiscal years for consolidated subsidiaries

The closing date for consolidated subsidiaries is the same as all other consolidated closing dates.

4. Accounting policies

(1) Valuation standards and methods for key assets

(i) Securities

Held-to-maturity securities Amortized cost(straight-line method)

Other securities

Securities other than shares, etc. that

do not have a market price Fair value

(Valuation differences included in total net assets, cost of products sold calculated based on moving-average method)

Shares, etc. that do not have a

market price At cost based on moving-average method

(ii) Inventory assets

Merchandise At cost based on monthly moving-average method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Repair parts At cost based on monthly moving-average method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

Work in process At cost based on specific identification method

Supplies Last-purchase price method
(Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

(2) Method of depreciation for key depreciable assets

(i) Property, plant and equipment

(Excluding Leased assets, net) • • • • •

Based on declining-balance method

Rental assets and selected consolidated subsidiaries are depreciated by the straight-line method.

Buildings acquired on or after April 1, 1998 (excluding furniture and fixtures), and related furniture, fixtures and structures acquired on or after April 1, 2016, are depreciated by the straight-line method.

Useful lives are as follows:

Buildings and structures, net 3 years to 75 years

Tools, furniture and fixtures, net 2 years to 20 years

Rental assets, net 3 years

(ii) Intangible assets

(Excluding Leased assets, net) • • • • •

Based on straight-line method

Software for sale is amortized based on the larger of the amortization amount based on expected sales volume or expected sales revenue or the equally allocated amount over the expected effective period (up to 3 years). In-house software is depreciated the straight-line method based on the length of in-house durability (5 years).

(iii) Leased assets, net • • • • •

Lease assets, net are depreciated by the straight-line method based on their useful life, which is lease period, with zero residual value.

(3) Standards for recording key allowances

(i) Allowance for doubtful receivables • • • • •

To cover possible losses on collection, general accounts receivables are calculated based on the actual rate of uncollected receivables, and doubtful account receivables based on individually estimated uncollectible amounts for specific items.

(ii) Accrued bonuses • • • • •

The estimated payable for current year's portion of employees' bonus is recorded based on the next round payment.

(iii) Accrued directors' bonuses • • • • •

The estimated payable for current year's portion of directors' bonus is recorded based on the next round payment.

(iv) Accrued product warranties • • • • •

Costs arising from a one-year free warranty contract for consumer products are recorded based on the actual cost of free repairs.

To cover payment of free program maintenance and repairs for selected consolidated subsidiaries, the estimated amount of future costs is recorded based on actual figures for previous years.

(v) Accrued loss on order received • • • • •

The estimated amount of losses from the following fiscal year onwards is recorded for order contracts as of the end of the current fiscal year, in cases that are expected to result in a loss in the future (as of the end of the current fiscal year) and in which it is possible to reasonably estimate the relevant losses, in order to cover future losses on order received.

(vi) Allowance for long-term continuous service rewards • •

The estimated amount payable is recorded in order to cover payment of rewards to employees in accordance with internal regulations on long-term continuous service.

(4) Accounting methods for retirement benefits

(i) Method of aligning estimated retirement benefits • • • • •

Retirement benefit obligations are calculated based on standard benefit calculation formula, to align the estimated amount of retirement benefits with the relevant period as of the end of the current consolidated accounting year.

(ii) Method of recording actuarial differences and prior service costs • •

Prior service costs are generally expensed using the straight-line method based on the average remaining years of service for the relevant employee at the time of incurring costs. Actuarial differences are generally expensed from the following consolidated accounting year, using the straight-line method based on the average remaining years of service for the relevant employee at the time of incurring costs.

(iii) Using simplified methods for small companies, etc. • • • • •

For selected consolidated subsidiaries, simplified methods are applied in order to calculate retirement benefit liabilities and costs. This entails listing retirement benefit obligations as the amount payable in retirement benefits at the end of the year, based on the relevant company's circumstances.

(5) Standards for recording key revenue and expenses

The details of the main performance obligations in key businesses related to revenue from contracts with the Group's customers and the usual timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as described below.

In addition to sale of Canon products and provision of related services, the Group sells products and provides services in fields such as IT solutions, industrial equipment and healthcare. In the case of sale of a product that does not require inspection by the customer, usually at the time of delivery of the product, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Group is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Group judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of the delivery of product. Additionally, in the case of sale of a product that requires inspection by the customer, at the time of completion of inspection by the customer, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Group is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Group judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of completion of inspection by the customer. Provision of services consists mainly of business equipment maintenance contracts, which are routine or recurring, and therefore the Group judges that the performance obligations are satisfied over time as services are provided to customers in accordance with the contracts and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Group is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to product usage, the Group judges that the customer enjoys benefits according to the usage, and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to the usage. Furthermore, consideration for transactions is generally settled within a short period of time following the time when performance obligations are satisfied, and the amount of consideration promised does not include a significant financing component. For some of the sale of products and the provision of services, the Group receives consideration for transaction in the form of advance payments.

Conditions peculiar to each reporting segment are as described below. The Enterprise segment and the Area segment are combined due to the similarity of the products sold and services provided in these two segments.

(Consumers)

The transaction price received by the Group in exchange for products sold includes variable considerations such as rebates based on the achievement of a specified milestone or other targets. Variable considerations such as rebates are mainly related to products sold for which the main customer base is retailers. Variable considerations such as rebates are deducted from the transaction price, and rebates are estimated using the expected value method based on actual figures in previous years and other factors.

(Enterprise and Area)

For maintenance and operation services/outsourcing for IT solutions, services are provided to customers in a uniform manner over the contract duration, and therefore the Group judges that the performance obligations are satisfied over time and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Group is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to factors such as hours, workload, etc., the Group judges that customer enjoys benefits according to the hours and workload involved in the service and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to hours, workload, etc. involved in the service.

For SI services that provide custom development of software, if reasonable estimates of progress can be made, since deliverables are transferred to the customer as progress is made on development, the Group recognizes revenue over the development period in accordance with the progress of development. The Group judges that costs incurred are proportional to the progress of development and recognizes revenue using the input method based on costs incurred (cost-to-cost method) to estimate progress. Additionally, if reasonable estimates of progress cannot be made, in the case that expenses involved in the amount of progress made are recoverable, the Group recognizes revenue based on the cost recovery method.

(Professional)

For SI services that provide custom development of systems in the healthcare field, etc., please refer to the relevant performance obligations detailed in the Enterprise and Area segments.

(6) Key hedge accounting methods

- (i) Hedge accounting method Appropriation accounting is applied to foreign currency denominated payables subject to forward exchange contracts in line with accounting requirements.
- (ii) Hedging instrument and subject
 - Hedging instrument Forward exchange contracts
 - Subject of hedging Foreign currency denominated payables
- (iii) Hedging policy Measures are taken to hedge against the risk of cash flow fluctuations due to exchange rate fluctuations in the future, in relation to foreseeable foreign currency denominated payables up to a certain amount.
- (iv) Method of evaluating effectiveness of hedging . . .
For forward exchange contracts, the same amount is appropriated on the same date in the same currency, in accordance with the Company's hedging policy. The effectiveness is not evaluated on the date of settlement of accounts because it is guaranteed to correlate with subsequent exchange rate fluctuations.

(7) Goodwill

Goodwill is amortized over 5 years using straight-line method.

(8) Other important items forming the basis of consolidated financial statements

- (i) Application of the consolidated tax system
For itself and selected consolidated subsidiaries, the Company applies the consolidated tax system, with itself as the consolidated tax parent company.
- (ii) Application of tax effect accounting for the transition from the consolidated tax system to the group tax sharing system
With regard to the transition to the group tax sharing system created under the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system was reviewed in line with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries have not applied the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and have recorded the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the tax law before the revision, as allowed in the provisions of paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).
Effective from the beginning of the following fiscal year, the Group plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) which stipulates the processes of accounting and disclosure for corporate and local income taxes as well as tax effect accounting under the group tax sharing system.

(Notes on changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement, Implementation Guidance on Accounting Standard for Fair Value Measurement and other related standards)

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

In addition, the Group will include notes on fair value information by level within the fair value hierarchy in the “Notes on financial instruments.”

(Notes on changes in presentation method)

(Application of Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) from the beginning of the current fiscal year. Due to the application of the Revenue Recognition Standard, etc., “Notes and accounts receivable-trade,” which was presented under “Current assets” in the consolidated balance sheet of the previous fiscal year, has been included under “Notes, accounts receivable-trade and contract assets” from the current fiscal year.

(Notes on accounting estimates)

Recoverability of deferred tax assets

1. Account and amount recorded for the current fiscal year

Account	Amount (millions of yen)
Deferred tax assets	12,904

2. Other information for the understanding of the details of accounting estimates

The Group estimates the deferred tax assets amounts for future temporary differences for which the timing of realization is reasonably estimated. This is because stable taxable income has been achieved during the current fiscal year, and the Group forecasts as of the end of the current fiscal year that the subsequent business environment is unlikely to significantly change in the near future. The Company and selected domestic consolidated subsidiaries apply the consolidated tax system and carry out tax allocation for the application of the consolidated tax system.

The Group considers the estimated future taxable income and business environment to be appropriate as they are determined based on the best estimate and judgement by management. However, they may be affected by changes in future business plans and economic environment as well as revision and promulgation of related laws and regulations. If any need arises for reviews regarding estimated future taxable income and business environment, the amount to be recognized in the consolidated financial statements for the following fiscal year may be affected.

(Notes on consolidated balance sheets)

1. Accumulated depreciation on property, plant and equipment 75,514 million yen

2. Guarantee liabilities

Guarantees for employees' housing loans 3 million yen

3. The balances of receivables from contracts with customers and contract assets, respectively, are as follows.

Notes receivable-trade	11,053 million yen
Accounts receivable-trade	86,219 million yen
Contract assets	11,940 million yen

4. The balance of contract liabilities included in "Other current liabilities" under current liabilities

17,639 million yen

(Notes on consolidated statements of income)

Amount of revenue from contracts with customers included in net sales 580,964 million yen

(Notes on consolidated statements of shareholders' equity)

1. Class and total number of issued shares as of end of current fiscal year Common share 131,079,972 shares

2. Dividends paid from retained earnings during the current fiscal year

Resolution	Class of share	Total dividends (millions of yen)	Dividends per share (yen)	Base date	Date effective
March 29, 2022 General shareholders' meeting	Common share	5,835	45	December 31, 2021	March 30, 2022
July 25, 2022 Board of Directors' meeting	Common share	5,187	40	June 30, 2022	August 26, 2022

3. Dividends for which the base date falls within the current fiscal year, and the date effective in the following fiscal year

Discussion	Class of share	Funds used to pay dividends	Total dividends (millions of yen)	Dividends per share (yen)	Base date	Date effective
March 29, 2023 General shareholders' meeting	Common share	Retained earnings	6,483	50	December 31, 2022	March 30, 2023

4. Number of shares subject to stock acquisition rights issued by the Company as of the end of the current fiscal year

Common share

11,175 shares

(Notes on financial instruments)

1. Status of financial instruments

(1) Policies for financial instruments

As the Group, we limit asset management to financial instruments characterized as very safe, and believe that financing should mainly be conducted through the use of group funds whenever necessary. We enter into derivative transactions to hedge against foreign exchange fluctuation risks, but have a policy of not engaging in speculative transactions.

(2) Details of financial instruments, risks, and systems to control risks

Operating receivables, consisting of notes and accounts receivable, are exposed to customer credit risks. We aim to mitigate such risks through strict credit control, based on credit data provided by external credit agencies, and through credit insurance and other risk-hedging measures.

Short-term loans receivable are mainly loans to the parent company, provided in accordance with internal regulations on investment and management of funds.

Securities and investments in securities consist primarily of held-to-maturity debt securities and shares in companies with business ties to the Group, and are exposed to market price fluctuation risks. To counter such risks, we regularly monitor fair values and the financial condition of companies issuing shares (business counterparties). For securities other than held-to-maturity debt securities, we continuously review the status of our holdings, taking into consideration market conditions and relationships with business counterparties.

Trade payables, consisting of notes and accounts payable, are mainly those due within 6 months.

Derivative transactions consist of forward exchange contracts to hedge against the risk of fluctuations in foreign currency denominated trade payables. With regard to hedge accounting, notes on important items forming the basis for compiling the aforementioned consolidated accounting documents are outlined under “4. Accounting policies (6) Key hedge accounting methods.”

(3) Supplementary explanation of fair values of financial instruments

Fair values of financial instruments include not only values based on market quotations, but also values calculated on a theoretical basis in cases where market quotations are not available. Values may vary depending on different assumptions, due to the fact that variables are factored into the calculation of such values.

2. Fair values of financial instruments

Book values on consolidated balance sheets as of December 31, 2022, their corresponding fair values, and the difference between the two are as follows.

	Book value on consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investments in securities	10,886	10,886	—
Total assets	10,886	10,886	—
(2) Derivative transactions (*3)	(21)	(21)	—

- *1. Cash and deposits, notes and accounts receivable-trade, securities, short-term loans receivable, and notes and accounts payable-trade are omitted, because they are comprised of cash and are to be settled in the short term, meaning that their fair values approximate their book values.
- *2. As unlisted shares do not have a market value and funds from investment partnerships are not subject to fair value disclosure in accordance with paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019), unlisted shares and funds from investment partnerships (book value on consolidated balance sheets: 2,425 million yen) are not included in “(1) Investments in securities” above.
- *3. Represent net of receivable and payable and negative means net payable.

3. Fair value input hierarchy

Input for financial instruments is classified into the following three levels according to the observability and materiality used to measure fair value.

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2: Inputs other than Level 1 inputs that are observable directly or indirectly
- Level 3: Significant inputs are unobservable

If significant multiple inputs are used to fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	10,886	—	—	10,886
Total assets	10,886	—	—	10,886
Derivative transactions				
Forward exchange contracts	—	21	—	21
Total liabilities	—	21	—	21

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investments in securities

Fair values of shares are based on prices at listed security exchanges. As shares are traded in active markets, their inputs is classified as Level 1.

Derivative transactions

The fair value of forward exchange contracts is calculated based on quotations obtained from counterparty financial institutions and is classified as Level 2.

(Notes on rented and other real estate)

Not disclosed due to immaterial.

(Notes on revenue recognition)

1. Disaggregation of revenue from contracts with customers

	Reportable segment					(Millions of yen)	
	Consumers	Enterprise	Area	Professional	Total	Other (Note)	Total
IT solutions business							
SI services	0	62,492	9,945	9,600	82,038	—	82,038
Maintenance and operations services / outsourcing	1	32,909	10,070	407	43,389	3,531	46,920
Sale of systems and IT products	29,256	33,341	45,099	8	107,706	1,107	108,813
Other businesses	107,316	56,827	148,673	30,360	343,178	12	343,191
Revenue from contracts with customers	136,574	185,571	213,788	40,377	576,312	4,652	580,964
Revenue from other sources	0	5,935	1,231	—	7,167	—	7,167
Net sales to external customers	136,574	191,507	215,019	40,377	583,479	4,652	588,132

(Note) The “Other” segment is a business segment that is not included in the reportable segments and includes shared service businesses.

2. Useful information in understanding revenue

Useful information in understanding revenue is as presented in “(Notes on important items forming the basis of consolidated financial statements), 4. Accounting policies, (5) Standards for recording key revenue and expenses.”

3. Information for understanding revenue for the current and subsequent fiscal years

(1) Contract asset and contract liability balances

		(Millions of yen)
		Current fiscal year
Receivables from contracts with customers (beginning balance)		95,368
Receivables from contracts with customers (ending balance)		97,272
Contract assets (beginning balance)		11,037
Contract assets (ending balance)		11,940
Contract liabilities (beginning balance)		17,054
Contract liabilities (ending balance)		17,639

(Note) Contract assets primarily relate to the right of the Group to consideration for goods or services provided, mainly in the custom development of software, for which performance obligations have been satisfied in part or in full, but an invoice has not yet been issued as of the last day of the fiscal year.

Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers as payment for products or payment for unfulfilled services in the case of services that are continuously provided.

Contract liabilities are reversed upon recognition of revenue.

The amount of revenue recognized for this fiscal year that was included in contract liabilities at beginning of this fiscal year was 10,469million yen.

The amount of revenue recognized from performance obligations satisfied(or partially satisfied) in previous fiscal years was immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less.

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of this fiscal end was as follows.

	(Millions of yen)
	Current fiscal year
Within one year	7,761
Over one year and within two years	3,231
Over two years and within three years	1,735
Over three years and within four years	1,075
Over four years and within five years	425
Over five years	62
Total	14,290

(Note) Of the contracts which are mainly business equipment maintenance contracts, those for which revenue is recognized based on an amount multiplied by a unit price stipulated in the contract according to usage are not disclosed.

(Notes on information per share)

1. Net assets per share	3,081.07 yen
2. Net income attributable to owners of parent per share	274.16 yen

(Notes on significant subsequent events)

Not applicable.

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of Dec. 31, 2022	As of Dec. 31, 2021		As of Dec. 31, 2022	As of Dec. 31, 2021
Assets			Liabilities		
Current assets	¥374,296	¥360,775	Current liabilities	¥124,828	¥134,002
Cash and deposits	66,095	51,798	Electronically recorded obligations - operating	1,293	1,634
Notes receivable-trade	887	884	Accounts payable-trade	42,309	42,534
Electronically recorded monetary claims - operating	9,540	8,481	Short-term loans payable	42,700	50,100
Accounts receivable-trade	69,312	82,139	Lease obligations	0	2
Contract assets	5,681	-	Accounts payable - other	2,215	2,041
Securities	500	500	Accrued expenses	12,391	12,587
Merchandise and finished goods	33,240	29,864	Accrued Income taxes	6,094	5,725
Raw materials and supplies	341	357	Consumption taxes payable	2,753	2,064
Advance payment - trade	1,389	1,336	Contract liabilities	10,212	-
Prepaid expenses	881	797	Advances received	1	11,028
Short-term loans receivable	181,202	180,004	Deposits received	3,178	3,618
Accounts receivable - other	4,954	4,272	Forward exchange contracts	21	-
Forward exchange contracts	-	32	Accrued bonuses	1,371	2,221
Other current assets	309	327	Accrued directors' bonuses	46	37
Allowance for doubtful receivables	(40)	(20)	Accrued product warranties	232	288
Non-current assets	137,768	142,706	Accrued loss on order contracts	5	118
Property, plant and equipment	46,160	47,383	Long-term liabilities	37,975	40,479
Buildings, net	11,765	12,148	Lease obligations	-	0
Structures, net	441	454	Provision for retirement benefits	34,930	36,918
Machinery, net	68	77	Allowance for long-term continuous service rewards	374	494
Tools, furniture and fixtures, net	1,104	1,169	Other long-term liabilities	2,670	3,065
Rental assets, net	4,879	5,632	Total liabilities	162,803	174,481
Land	27,899	27,899	Equity		
Leased assets, net	0	2	Shareholders' equity	345,247	322,498
Intangible assets	5,079	5,602	Common stock	73,303	73,303
Software	4,968	5,492	Capital surplus	85,211	85,208
Utilization rights	110	110	Legal capital surplus	85,198	85,198
Other intangible assets	0	0	Other capital surplus	12	9
Investments and other assets	86,528	89,720	Retained earnings	188,830	166,082
Investments in securities	10,440	14,369	Legal retained earnings	2,853	2,853
Shares of subsidiaries and associates	59,797	59,287	Other retained earnings	185,976	163,229
Claims provable in bankruptcy, claims provable in rehabilitation and other	125	29	General reserve	81,700	81,700
Long-term prepaid expenses	1,954	1,414	Retained earnings brought forward	104,276	81,529
Deferred tax assets	12,047	12,211	Treasury stock	(2,096)	(2,096)
Lease deposits	1,154	1,244	Valuation and translation adjustments	3,984	6,502
Other investments and other assets	1,164	1,224	Net unrealized gains on available-for-sale securities	3,999	6,479
Allowance for doubtful receivables	(153)	(60)	Deferred gains or losses on hedges	(14)	22
Total assets	¥512,064	¥503,481	Stock acquisition rights	29	-
			Total equity	349,261	329,000
			Total liabilities and equity	¥512,064	¥503,481

Non-Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	From January 1, 2022 to December 31, 2022	From January 1, 2021 to December 31, 2021
Net sales	¥435,150	¥415,654
Cost of sales	304,721	289,492
Gross profit	130,428	126,162
Selling, general and administrative expenses	99,504	102,498
Operating income	30,923	23,664
Non-operating income	12,532	8,917
Interest income	293	272
Dividend income	11,656	7,773
Insurance income	447	462
Foreign exchange gains	10	-
Gain on investments in partnership	-	278
Other, net	124	131
Non-operating expenses	194	196
Interest expenses	42	49
Share related expenses	56	54
Loss on investments in partnership	29	-
Foreign exchange losses	-	18
Other, net	65	74
Ordinary income	43,262	32,385
Extraordinary income	299	2,163
Gain on sales of fixed assets	0	1
Gain on sales of investments in securities	298	1,255
Gain on sales of shares of subsidiaries and associates	-	897
Other, net	0	8
Extraordinary losses	102	111
Loss on sales and disposal of fixed assets	82	102
Loss on sales of investments in securities	18	-
Other, net	1	9
Net income before income taxes	43,459	34,436
Income taxes-current	8,395	8,020
Income taxes-deferred	1,295	348
Net income	¥33,769	¥26,068

Non-Consolidated Statements of Shareholders' Equity

From January 1, 2022 to December 31, 2022

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Common stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of period	73,303	85,198	9	85,208	2,853
Changes during period					
Dividends of surplus	-	-	-	-	-
Net income	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-
Disposal of treasury stock	-	-	2	2	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	-	2	2	-
Balance at end of period	73,303	85,198	12	85,211	2,853

	Shareholders' equity				
	Retained earnings			Treasury stock	Total shareholders' equity
	Other retained earnings		Total other retained earnings		
	General reserve	Retained earnings brought forward			
Balance at beginning of period	81,700	81,529	166,082	(2,096)	322,498
Changes during period					
Dividends of surplus	-	(11,022)	(11,022)	-	(11,022)
Net income	-	33,769	33,769	-	33,769
Purchase of treasury stock	-	-	-	(4)	(4)
Disposal of treasury stock	-	-	-	3	6
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	22,747	22,747	(0)	22,749
Balance at end of period	81,700	104,276	188,830	(2,096)	345,247

	Valuation and translation adjustments			Stock acquisition rights	Total equity
	Net unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	6,479	22	6,502	-	329,000
Changes during period					
Dividends of surplus	-	-	-	-	(11,022)
Net income	-	-	-	-	33,769
Purchase of treasury stock	-	-	-	-	(4)
Disposal of treasury stock	-	-	-	-	6
Net changes in items other than shareholders' equity	(2,480)	(37)	(2,517)	29	(2,488)
Total changes during period	(2,480)	(37)	(2,517)	29	20,261
Balance at end of period	3,999	(14)	3,984	29	349,261

Notes to Non-Consolidated Financial Statements

(Notes regarding key accounting policies)

1. Asset valuation standards and methods

(1) Valuation standards and methods for securities

Held-to-maturity securities	• • • • •	Amortized cost (straight-line method)
Shares in subsidiaries and affiliates	• • • • •	At cost based on moving average method
Other securities		
Securities other than shares, etc. that do not have a market price	• • • • •	Fair value (valuation differences included in total net assets, cost of products sold calculated based on moving-average method)
Shares, etc. that do not have a market price	• • • • •	At cost based on moving-average method

(2) Valuation standards and methods for inventory assets

Merchandise	• • • • •	At cost based on monthly moving-average method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)
Repair parts	• • • • •	At cost based on monthly moving-average method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)
Supplies	• • • • •	Last-purchase price method (Carrying amounts on balance sheet calculated to include write-downs due to decreased profitability)

2. Method of depreciation for long-term assets

(1) Property, plant and equipment

(Excluding Leased assets, net)	• • • • •	Based on declining-balance method Rental assets are depreciated by the straight-line method. Buildings acquired on or after April 1, 1998 (excluding furniture and fixtures), and related furniture, fixtures and structures acquired on or after April 1, 2016, are depreciated by the straight-line method. Useful lives are as follows: Buildings and structures, net 3 years to 50 years Tools, furniture and fixtures, net 2 years to 20 years Rental assets, net 3 years
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(2) Intangible fixed assets

(Excluding Leased assets, net)	• • • • •	Based on straight-line method Software for sale is amortized based on the larger of the amortization amount based on expected sales volume or expected sales revenue or the equally allocated amount over the expected effective period (up to 3 years). In-house software is depreciated the straight-line method based on the length of in-house durability (5 years).
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(3) Leased assets, net • • • • •

Lease assets are depreciated by the straight-line method based on their useful life, which is lease period, with zero residual value.

3. Standards for recording allowances

- (1) Allowance for doubtful receivables • • • • • To cover possible losses on collection, general accounts receivable are calculated based on the actual rate of uncollected receivables, and doubtful account receivables based on individually estimated uncollectible amounts for specific items.
- (2) Accrued bonuses • • • • • The estimated payable for current year's portion of employees' bonus is recorded based on the next round payment.
- (3) Accrued directors' bonuses • • • • • The estimated payable for current year's portion of director's bonus is recorded based on the next round payment.
- (4) Accrued product warranties • • • • • Costs arising from a one-year free warranty contract for consumer products are recorded based on the actual cost of free repairs.
- (5) Accrued loss on order contracts • • • • • The estimated amount of losses from the following fiscal year onwards is recorded for orders contracts as of the end of the current fiscal year, in cases that are expected to result in a loss in the future (as of the end of the current fiscal year) and in which it is possible to reasonably estimate the relevant losses, in order to cover future losses on order contracts.
- (6) Accrued pension and severance costs • • • • • The estimated amount of benefit obligations and pension assets as of the end of the current fiscal year is recorded in order to cover retirement benefits payable to employees.
Retirement benefit obligations are calculated based on standard benefit calculation formula, to align the estimated amount of retirement benefits with the relevant period as of the end of the current fiscal year. Prior service costs are expensed using the straight-line method based on the average remaining years of service for the relevant employee at the time of incurring costs.
Actuarial differences are expensed from the following fiscal year, using the straight-line method based on the average remaining years of service for the relevant employee at the time of incurring costs.
- (7) Allowance for long-term continuous service rewards • • •
The estimated amount payable is recorded in order to cover payment of rewards to employees in accordance with internal regulations on long-term continuous service.

4. Standards for recording revenue and expenses

The details of the main performance obligations in key businesses related to revenue from contracts with the Company's customers and the usual timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as described below.

In addition to sale of Canon products and provision of related services, the Company sells products and provides services in fields such as IT solutions and industrial equipment. In the case of sale of a product that does not require inspection by the customer, usually at the time of delivery of the product, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Company is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Company judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of the delivery of product. Additionally, in the case of sale of a product that requires inspection by the customer, at the time of completion of inspection by the customer, the legal title and physical possession of the product and significant risks and economic value associated with the ownership of the product transfer to the customer, and the Company is entitled to receive payment of consideration for the transaction from the customer. Therefore, the Company judges that performance obligations are satisfied by transferring control of the product to the customer at this point of time, and recognizes revenue at the time of completion of inspection by the customer. Provision of services consists mainly of business equipment maintenance contracts, which are routine or recurring, and therefore the Company judges that the performance obligations are satisfied over time as services are provided to customers in accordance with the contracts and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Company is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to product

usage, the Company judges that the customer enjoys benefits according to the usage, and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to the usage. Furthermore, consideration for transactions is generally settled within a short period of time following the time when performance obligations are satisfied, and the amount of consideration promised does not include a significant financing component. For some of the sale of products and the provision of services, the Company receives consideration for transaction in the form of advance payments.

Conditions peculiar to each reporting segment are as described below. The Enterprise segment and the Area segment are combined due to the similarity of the products sold and services provided in these two segments.

(Consumers)

The transaction price received by the Company in exchange for products sold includes variable considerations such as rebates based on the achievement of a specified milestone or other targets. Variable considerations such as rebates are mainly related to products sold for which the main customer base is retailers. Variable considerations such as rebates are deducted from the transaction price, and rebates are estimated using the expected value method based on actual figures in previous years and other factors.

(Enterprise and Area)

For maintenance and operation services/outsourcing for IT solutions, services are provided to customers in a uniform manner over the contract duration, and therefore the Company judges that the performance obligations are satisfied over time and recognizes revenue equally over a given period based on the terms and conditions of the contract with the customers. In the case of contracts where the Company is entitled to receive consideration from the customer for the portion of the performance obligation satisfied according to factors such as hours, workload, etc., the Company judges that customer enjoys benefits according to the hours and workload involved in the service and recognizes revenue based on an amount multiplied by a unit price stipulated in the contract according to hours, workload, etc. involved in the service.

For SI services that provide custom development of software, if reasonable estimates of progress can be made, since deliverables are transferred to the customer as progress is made on development, the Company recognizes revenue over the development period in accordance with the progress of development. The Company judges that costs incurred are proportional to the progress of development and recognizes revenue using the input method based on costs incurred (cost-to-cost method) to estimate progress. Additionally, if reasonable estimates of progress cannot be made, in the case that expenses involved in the amount of progress made are recoverable, the Company recognizes revenue based on the cost recovery method.

5. Key hedge accounting methods

- (1) Hedge accounting method • • • • • Appropriation accounting is applied to foreign currency denominated payables subject to forward exchange contracts in line with accounting requirements.
- (2) Hedging instrument and subject
 - Hedging instrument • • • • • Forward exchange contracts
 - Subject of hedging • • • • • Foreign currency denominated payables
- (3) Hedging policy • • • • • Measures are taken to hedge against the risk of cash flow fluctuations due to exchange rate fluctuations in the future, in relation to foreseeable foreign currency denominated payables up to a certain amount.
- (4) Method of evaluating effectiveness of hedging • • • • • For forward exchange contracts, the same amount is appropriated on the same date in the same currency, in accordance with the Company's hedging policy. The effectiveness is not evaluated on the date of settlement of accounts because it is guaranteed to correlate with subsequent exchange rate fluctuations.

6. Other important items forming the basis of financial statements

- (1) Application of the consolidated tax system • • • The Company applies the consolidated tax system.
- (2) Retirement benefit accounting • • • • • Different methods of accounting are used for unrecognized actuarial differences and unrecognized prior service costs in relation to retirement benefits, as opposed to accounting methods used for consolidated financial statements.

(3) Application of tax effect accounting for the transition from the consolidated tax system to the group tax sharing system

With regard to the transition to the group tax sharing system created under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which the non-consolidated taxation system was reviewed in line with the transition to the group tax sharing system, the Company has not applied the provisions of paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) and has recorded the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the tax law before the revision, as allowed in the provisions of paragraph 3 of the “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020).

Effective from the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021) which stipulates the processes of accounting and disclosure for corporate and local income taxes as well as tax effect accounting under the group tax sharing system.

(Notes on changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement, Implementation Guidance on Accounting Standard for Fair Value Measurement and other related standards)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the financial statements.

(Notes on changes in presentation method)

(Application of Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) from the beginning of the current fiscal year. Due to the application of the Revenue Recognition Standard, etc., “Notes receivable-trade,” “Electronically recorded monetary claims - operating,” and “Accounts receivable-trade,” which were presented under “Current assets” in the balance sheet of the previous fiscal year, have been included under “Notes receivable-trade,” “Electronically recorded monetary claims - operating,” “Accounts receivable-trade,” and “Contract assets” from the current fiscal year, and “Advances received,” which was presented under “Current liabilities,” has been included under “Contract liabilities” from the current fiscal year.

(Notes on accounting estimates)

Recoverability of deferred tax assets

1. Account and amount recorded for the current fiscal year

Account	Amount (millions of yen)
Deferred tax assets	12,047

2. Other information that contributes to the understanding of the details of accounting estimates

Information is omitted as the same information is provided in Notes to Consolidated Financial Statements.

(Notes on balance sheets)

1. Accumulated depreciation on property, plant and equipment 56,963 million yen

2. Guarantee liabilities

Guarantees for employees' housing loans 3 million yen

3. Receivables from and payable from affiliates

Short-term monetary receivables 191,688 million yen

Short-term monetary payables 70,096 million yen

Long-term monetary receivables 30 million yen

Long-term monetary payables 401 million yen

(Notes on statements of income)

Transactions with affiliates

Net sales 42,103 million yen

Purchasing 204,769 million yen

Other business transactions 6,981 million yen

Non-business transactions 11,846 million yen

(Notes on statements of shareholders' equity)

Class and total of treasury stock owned as of end of current fiscal year Common share 1,403,572 shares

(Notes on tax allocation)

Breakdown of main causes of deferred tax assets and liabilities

Deferred tax assets

Accrued pension and severance costs	10,918 million yen
Additions to deemed dividends	1,192 million yen
Over-depreciation of property, plant and equipment	618 million yen
Recording of estimated future variable consideration	558 million yen
Loss on disposal or sale of inventory assets	497 million yen
Loss on valuation of investment securities	480 million yen
Accrued bonuses	465 million yen
Over-depreciation of software	460 million yen
Accrued enterprise tax and business office tax	444 million yen
Allowance for asset retirement obligations	329 million yen
Allowance for long-term continuous service rewards	116 million yen
Provision for product warranties	71 million yen
Allowance for doubtful receivables	49 million yen
Other	700 million yen
Subtotal deferred tax assets	16,904 million yen
Valuation allowance	(1,780) million yen
Total deferred tax assets	15,123 million yen

Deferred tax liabilities

Net unrealized gain on securities	1,796 million yen
Reserve for tax purpose reduction entry of non-current assets	1,279 million yen
Total deferred tax liabilities	3,076 million yen
Net deferred tax assets	12,047 million yen

(Notes on transactions with related parties)

1. Parent company and major corporate shareholders, etc.

Category	Name of company or individual	Location	Capital or investment (millions of yen)	Business activities or job title	Voting rights (or ownership) (%)	Relationship with concerned party	Nature of transactions		Value of transaction (millions of yen)	Heading	Year-end balance (millions of yen)
Parent company	Canon Inc.	Ohta-ku, Tokyo	174,761	Development and production for the office, imaging systems and industrial equipment sectors, etc.	(Ownership in the Company) Direct: 58.5 Indirect: 0.0	Production of the Company’s merchandise	Business	Purchase of merchandise (*1)	158,803	Accounts payable	17,384
								Sale of consumables for office equipment, etc. (*2)	4,754	Accounts receivable, other	1,308
							Non-business	Provision of funds (*3)	-	Short-term loans receivable	180,000

Of the above figures, "value of transaction" does not include consumption tax, etc. But balance of receivables and payables include consumption tax, etc.

Terms of transactions and policy for determining terms, etc.

- (*1) When purchasing merchandise, the Company sets out its preferred price, taking into account market prices, and then enters into price negotiations to determine a final price.
- (*2) When selling consumables for office equipment, the Company takes into account market prices and its cost, etc., and then enters into price negotiations to determine a final price.
- (*3) When lending funds, a reasonable loan rate is determined by taking into account market rates.
There is no provision for security.

2. Subsidiaries, etc.

Category	Name of company or individual	Location	Capital or investment (millions of yen)	Business activities or job title	Voting rights (or ownership) (%)	Relationship with concerned party	Nature of transactions		Value of transaction (millions of yen)	Heading	Year-end balance (millions of yen)
Subsidiary	Canon IT Solutions Inc.	Minato-ku, Tokyo	3,617	SI and consulting, IT service and development and sale of various software	(Ownership in the Company) Direct: 100.0	Software development contract and outsourcing of system operation Concurrent Officers: 2	Non-business	Repayment of funds (*3)	2,500	Short-term loans payable	6,400
Subsidiary	Canon System & Support Inc.	Minato-ku, Tokyo	4,561	Consultation of a solution, sale, support and maintenance service, mainly for Canon products	(Ownership in the Company) Direct: 100.0	Sale of the Company's merchandise and service agreement Concurrent Officers: 2	Business	Payment of service charges for business equipment, etc. (*1)	27,742	Accounts payable	5,013
								Sale of consumables for office equipment, etc. (*2)	29,954	Accounts receivable	3,084
							Non-business	Repayment of funds (*3)	5,000	Short-term loans payable	28,400

Of the above figures, "value of transaction" does not include consumption tax, etc. But balance of receivables and payables include consumption tax, etc.

Terms of transactions and policy for determining terms, etc.

- (*1) When making payment of service charges for office equipment, prices are determined through negotiation, based on the price calculated by the Company.
- (*2) When selling office equipment and its consumables, prices are determined through negotiation, based on the price calculated by the Company.
- (*3) When lending funds, a reasonable loan rate is determined by taking into account market rates.
There is no provision for security.

(Notes on revenue recognition)

Useful information in understanding revenue

Useful information in understanding revenue is as presented in "(Notes regarding key accounting policies), 4. Standards for recording revenue and expenses."

(Notes on information per share)

- 1. Net assets per share 2,693.11 yen
- 2. Net income per share 260.41 yen

(Notes on significant subsequent events)

Not applicable.

AUDIT REPORTS

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

Report of Independent Auditors

February 8, 2023

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, 2022 through December 31, 2022.

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.

Other Information

Other information comprises the information included in the Business Report and the accompanying supplemental schedules. Management is responsible for preparing and disclosing the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the establishment and operation of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not intend to express any form of opinions thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and 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, 2023

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 55th fiscal year from January 1, 2022 through December 31, 2022.

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.

Other Information

Other information comprises the information included in the Business Report and the accompanying supplemental schedules. Management is responsible for preparing and disclosing the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the establishment and operation of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not intend to express any form of opinions thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and 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 55th fiscal year from January 1, 2022 to December 31, 2022, 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, 2023

**Audit & Supervisory Board,
Canon Marketing Japan Inc.**

Audit & Supervisory Board Member (full time)	Shiro Hamada
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