Canon

Canon Marketing Japan Inc.

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.

NOTICE OF CONVOCATION OF THE 52ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

DATE AND TIME: March 26 (Thursday), 2020 at 10:00 a.m. (Japan time)

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

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Securities Code: 8060

To Our Shareholders

We would like to extend our sincerest gratitude to all of our shareholders for their continued support.
Canon Marketing Japan Inc. is pleased to present this notice to convene the 52nd Ordinary General Meeting of Shareholders.

Looking back at our Group performance over the fiscal year in review (from January 1, 2019 to December 31, 2019), despite expansion in IT solutions, which is positioned as a growth business, we recorded a slight decline in sales, reflecting sluggish conditions on markets for digital SLR cameras and home-use inkjet printers. However, IT solutions generated higher gross profit on the back of increased sales, and operating income also rose, reflecting the continued reduction of SG&A expenses. At the 52nd Ordinary General Meeting of Shareholders, we will be proposing a year-end dividends of 30 yen per share. Together with the interim dividends (30 yen per share), this will bring the full-year dividends to 60 yen per share (unchanged from the previous fiscal year).

Under our Three-Year Management Plan 2020 to 2022, we expect that market conditions for Canon main products such as cameras and printers will remain challenging. However, we will maintain profitability by increasing productivity through efficient business operations. We will also further strengthen IT solutions, which remains a pillar of growth, and improve their profitability. Through this, we aim to achieve growth in both sales and profits.

We sincerely appreciate the continued support of our valued shareholders.

Masahiro Sakata
President & Representative Director

March 2020

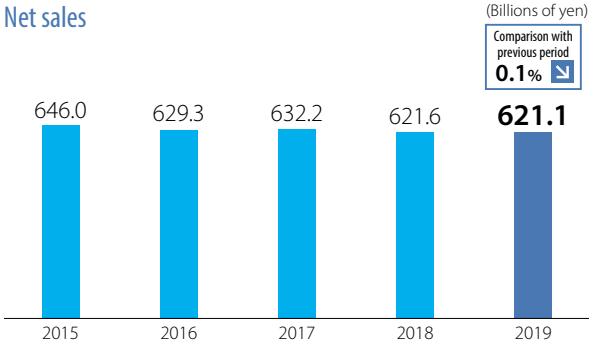
Cover Photo: The Val d'Orcia in Italy from the 2020 Canon Marketing Japan Calendar "World Heritage Journey *Sekaiisan wo Tazunete*" by Kazuyoshi Nomachi

Results Highlights

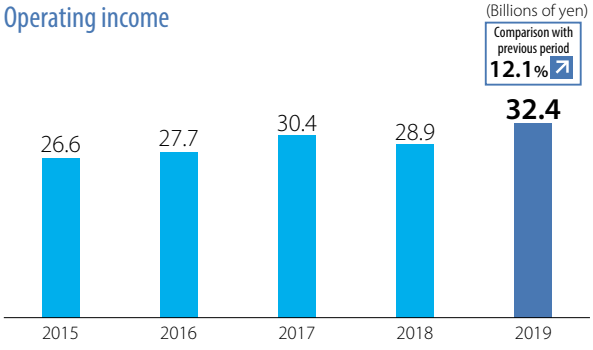
(Figures are rounded to the nearest unit)

Fiscal year

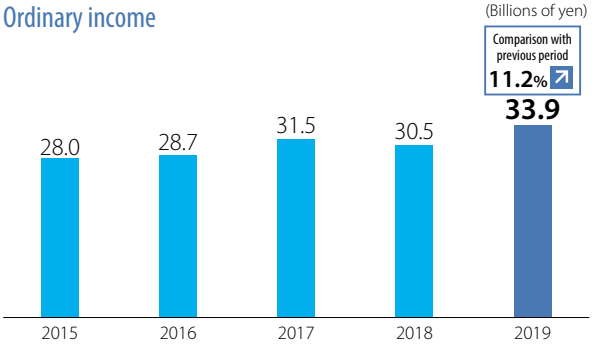
Net sales



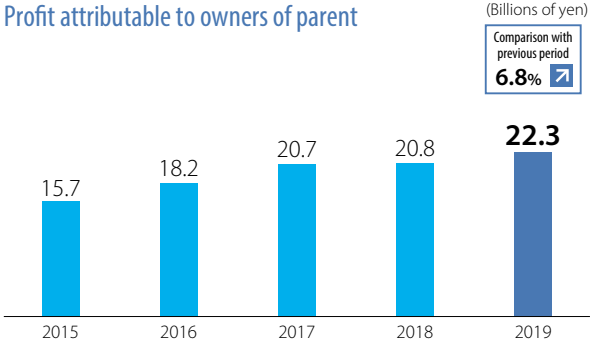
Operating income



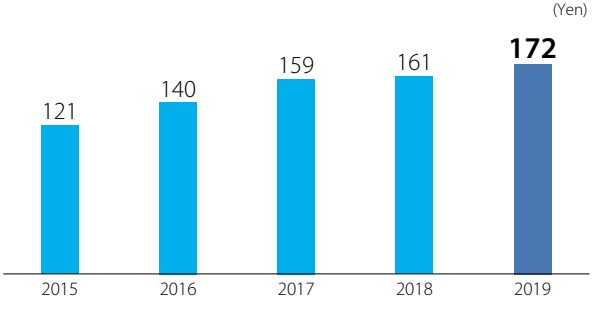
Ordinary income



Profit attributable to owners of parent



Profit attributable to owners of parent per share



Please see our website for more detailed business results.

canon.jp/8060e-ir

NOTICE OF CONVOCATION

TO OUR SHAREHOLDER

Securities Code: 8060
March 3, 2020

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

NOTICE OF CONVOCATION OF THE 52ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 52nd Ordinary General Meeting of Shareholders of Canon Marketing Japan Inc. (the "Company") will be held as described below and that you are invited to attend the Meeting.
If you do not expect to attend the Meeting, you may exercise your voting rights in writing or by the Internet, etc. After reviewing the following Reference Documents for General Meeting of Shareholders, please exercise your voting rights by no later than 5:30 p.m. on March 25 (Wednesday), 2020 (Japan time).

1. DATE AND TIME: March 26 (Thursday), 2020 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 52nd Fiscal Year (from January 1, 2019 to December 31, 2019), 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 52nd Fiscal Year (from January 1, 2019 to December 31, 2019).

Matters to be Resolved upon:
Item No. 1 Dividends from Surplus
Item No. 2 Election of Six Directors
Item No. 3 Election of Three Audit & Supervisory Board Members
Item No. 4 Election of Accounting Auditor
Item No. 5 Payment of Bonuses to Directors

- Upon attending the Meeting, please present the enclosed Voting Form to the receptionist at the place of the Meeting.
- About the procedures for the exercise of voting rights in writing or by the Internet, etc, please see the following pages.
- The following items are posted on the Company's website (canon.jp/8060-ir) in accordance with the related laws and regulations and Article 1 4 of the Company's Articles of Incorporation and are therefore not included in the documents attached to this Notice:
  (1) Systems for Ensuring Appropriateness of Business Operations and Outline of Implementation Activities to be described in the Business Report
  (2) Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements
  (3) Non-Consolidated Statement of Changes in Net Assets and Notes to Non-Consolidated Financial Statements
  Items (1) through (3) above are part of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, which Audit & Supervisory Board Members audited to prepare their audit reports, and item (2) above are part of Consolidated Financial Statements and item (3) above are part of Non-Consolidated Financial Statements, which Accounting Auditor audited to prepare its audit reports.
- Any revisions to the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements will be posted on the company's website on the Internet (canon.jp/8060-ir).

Guidance Notes on the Exercise of Voting Rights

Your voting rights to be exercised at the General Meetings of Shareholders are important rights. After reviewing the following Reference Documents for the General Meeting of Shareholders (pages 7-18), please exercise your voting rights.

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

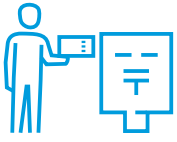
Exercise of Voting Rights by Attending the Meeting

DATE AND TIME: **March 26 (Thursday), 2020 at 10:00 a.m. (Japan time)**

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

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

Exercise of Voting Rights in Writing (Via Postal Mail)



Deadline for exercising voting rights: **The Voting Form must reach us no later than 5:30 p.m. on March 25 (Wednesday), 2020 (Japan time)**

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

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

Deadline for exercising voting rights: **The exercise of voting rights must be made no later than 5:30 p.m. on March 25 (Wednesday), 2020 (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.

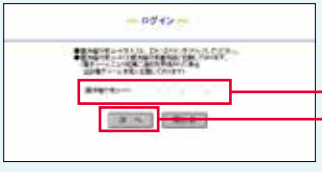
How to the enter the voting code and password

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.

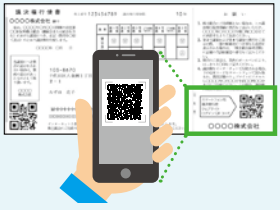
Click on the "Log-in" button.

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 Saturdays, Sundays and national holidays)

Platform for Electronic Exercise of Voting Rights

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

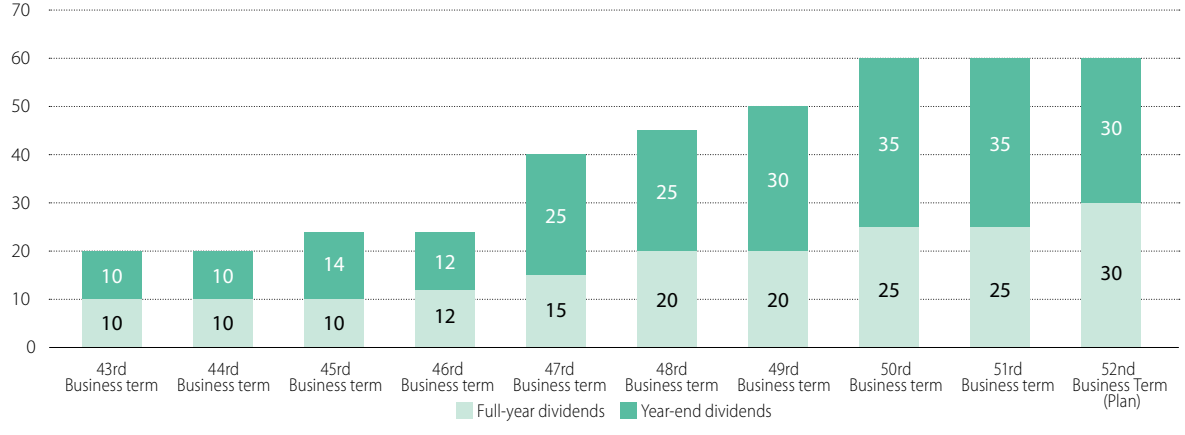
REFERENCE DOCUMENTS FOR GENERAL MEETING OF SHAREHOLDERS

Item No. 1: Dividends from Surplus

We have comprehensively considered the business results, etc. for this Fiscal Year, and propose a year-end dividends as described below.
Thus, the full-year dividends will be 60.00 yen per share, which includes interim dividends of 30.00 yen per share. Although it is provided in the Articles of Incorporation that the dividends from surplus, etc. may be decided by a resolution of the board of directors, we have made it a matter to be resolved at this Meeting to have an opportunity to hear the shareholders' views directly.

1	Type of dividend:	Cash
2	Matters concerning distribution of dividend and its total amount:	30.00 yen per common share of the Company Total amount of dividend 3,889,986,870 yen
3	Effective date of the dividend from surplus:	March 27, 2020

<REFERENCE> Changes in dividends (yen)



Item No. 2: Election of Six Directors

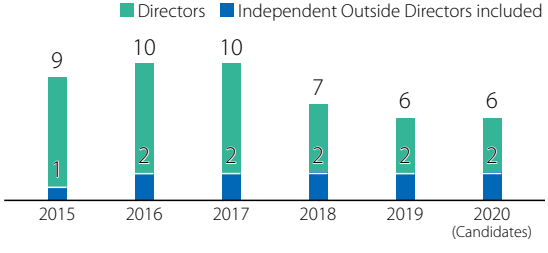
The term of offices of all of the six Directors will expire at the end of this Meeting. Accordingly, we would like to elect six Directors.
The candidates for the position of the Directors are as follows:

Candidate No.			Name	Present Position and Areas of Responsibility at the Company	Attendance at Board of Directors' Meetings	Member of Nomination and Remuneration Advisory Committee
1	Reappointment		Masahiro Sakata	President & Representative Director and Executive President	94% (15/16)	◎
2	Reappointment		Masachika Adachi	Director & Senior Vice President Director of Enterprise Business Unit	94% (15/16)	
3	Reappointment		Shiro Hamada	Director & Vice President Director in charge of Group Accounting and Group Auditing	100% (16/16)	
4	New Appointment		Hatsumi Hirukawa	Director & Vice President Director in charge of Group Planning and Group Service & Support	—	
5	Reappointment	Outside Independent	Akio Dobashi	Outside Director	88% (14/16)	○
6	Reappointment	Outside Independent	Yoshio Osawa	Outside Director	100% (16/16)	○

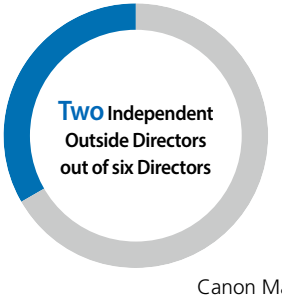
* In the above list for the candidates for Directors who currently serve as members of the Nomination and Remuneration Committee, the "◎" symbol denotes the chairperson and the "○" symbol indicates a member. The organization of the Nomination and Remuneration Committee is presented on page 15.

<REFERENCE>

Changes in the number of members of the Board of Directors



Independence of the Board of Directors after the election



Candidate No.

1

Masahiro Sakata

(April 11, 1953)

33,403 shares

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

As of
Apr. 1977: Entered the Company
Mar. 2006: Director
Mar. 2009: Managing Director
Mar. 2011: Director & Senior Vice President
Mar. 2013: Director & Senior Vice President
Apr. 2013: Company President of Business Solution Company
Mar. 2015: President & Representative Director and Executive President (present)

Reason for Nomination as Director

Mr. Sakata led various business fields for many years. He has managed the Company as the President & Representative Director, and has considerable experience, knowledge of management for the Company and excellent expertise. Thus, he has again been selected as a candidate for a Director.

Candidate No.

2

Masachika Adachi

(March 30, 1960)

13,012 shares

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

As of
Apr. 1982: Entered the Company
Jul. 2009: Group Executive of MA Business Sales Headquarters, Business Solutions Company
Mar. 2013: Vice President
Mar. 2015: Director & Senior Vice President
Apr. 2015: Company President of Business Solutions Company
Jan. 2018: Director of Enterprise Business Unit (present)
Apr. 2019: Director & Senior Vice President (present)

Reason for Nomination as Director

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

Candidate No.

3

Shiro Hamada

(August 31, 1961)

11,634 shares

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

As of
Apr. 1984: Entered the Company
Apr. 2011: Deputy Chief Executive of Administrative Headquarters of Canon IT Solutions Inc.
Jul. 2013: Group Executive of Accounting Headquarters (present)
Apr. 2015: Executive Officer
Mar. 2016: Director & Vice President (present)
Jan. 2018: Director in charge of Group Accounting and Group Auditing (present)

Reason for Nomination as Director

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

Candidate No.

4

Hatsumi Hirukawa

(January 8, 1965)

3,851 shares

New Appointment

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

As of
Apr. 1987: Entered the Company
Jan. 2015: Business Solution Company Area Sales Headquarters Area Business Promotion Group Senior General Manager
Jul. 2016: Planning Headquarters Group Executive
Apr. 2017: Executive Officer
Apr. 2019: Vice President (present)
Jan. 2020: Director in charge of Group Planning and Group Service & Support (present)
Director of Service & Support Headquarters (present)

Reason for Nomination as Director

Mr. Hatsumi Hirukawa has led Business and Planning fields for many years. He has held the post of Executive Officer, has considerable experience and knowledge of management for the Company and deserves to be involved in the Company's management. Thus, he has been newly selected as a candidate for Director.

Candidate No.

5

Akio Dobashi

(January 2, 1949)

0 shares

Outside Independent

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

As of
Apr. 1972: Entered Nichimen Company, Limited (presently Sojitz Corporation)
Apr. 2004: Representative Director, President & CEO of Sojitz Corporation
Jun. 2005: Representative Director, President & CEO of Sojitz Holdings Corporation
Oct. 2005: The corporate name was changed to Sojitz Corporation due to the merger of Sojitz Holdings Corporation and Sojitz Corporation
Representative Director, President & CEO of Sojitz Corporation
Apr. 2007: Representative Director and Chairman of Sojitz Corporation
Jun. 2015: Outside Director of OSJB Holdings Corporation
Mar. 2016: Outside Director of the Company (present)
Jun. 2017: Outside Director of Maeda Corporation (present)

Important concurrent post

Outside Director of Maeda Corporation

Reason for Nomination as Outside Director

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

Candidate No.

6

Yoshio Osawa

(January 22, 1952)

0 shares

Outside Independent

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

As of

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

Important concurrent post

Outside Director of Citizen Watch Co., Ltd.

Reason for Nomination as Outside Director

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

Notes:
1. None of the candidates for the Directors have any special interest in the Company.
2. Should Mr. Akio Dobashi and Mr. Yoshio Osawa be elected, the Company will make both of them independent directors under the regulation of the Tokyo Stock Exchange, Inc.
3. Mr. Akio Dobashi has worked for Sojitz Corporation, which does business with the Company. Although there are transactions in areas such has business equipment maintenance between Sojitz Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of Sojitz Corporation and the Company respectively. Mr. Akio Dobashi, therefore, meets the Company's Independence Standards for Independent Directors/Audit & Supervisory Board Members (please see page 16).
4. Mr. Yoshio Osawa has worked for Sumitomo Corporation and SCSK Corporation, both of which do business with the Company. Although there are transactions in areas such has business equipment sales between Sumitomo Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of Sumitomo Corporation and the Company respectively. Similarly, although there are transactions in areas such has IT equipment and business equipment sales between SCSK Corporation and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of SCSK Corporation and the Company respectively. Mr. Yoshio Osawa, therefore, meets the standards for Independence Standards for Independent Directors determined by the Company (please see page 16).
5. The Company has entered into a contract with Mr. Akio Dobashi and Mr. Yoshio Osawa limiting the amount of their damages compensation liability defined in Paragraph1, Article 423 of the Companies Act of Japan to the limit prescribed by laws and regulations. Should they be reelected, the Company will continue the aforementioned contract with them.

Item No. 3: Election of Three Audit & Supervisory Board Members

The term of offices of Audit & Supervisory Board Members Mr. Masahiro Shimizu, Mr. Kunihiko Tedo and Mr. Nobuyasu Kusumi will expire at the end of this Meeting.
We would like you to elect three Audit & Supervisory Board Members. Further note that prior consent has been obtained from the Audit & Supervisory Board concerning the submission of this item.
The candidates for the Audit & Supervisory Board Members are as follows:

Candidate No.

1

Masatoshi Tanise

(March 1, 1962)

1,625 shares

New Appointment

Brief personal record and position

As of
Apr. 1984: Entered the Company
Jul. 2012: Senior General Manager of Consumer Business Promotion Group, Consumer Sales Headquarters, Imaging System Company
Jul. 2020: Principal Staff Manager of Consumer East Japan Sales Group, Consumer Business Unit (present)

Reason for Nomination as Audit & Supervisory Board Members

Mr. Masatoshi Tanise led various business fields for many years. He has extensive operational experience and expertise in a wide range of fields and, on this basis, we assessed that he could accomplish the duties as an Audit & Supervisory Board Member appropriately. Thus, he has been newly selected as a candidate for Audit & Supervisory Board Member.

Candidate No.

2

Iwao Hashimoto

(June 12, 1961)

500 shares

New Appointment | Outside | Independent

Brief personal record and position

As of
Apr. 1984: Entered The Yasuda Fire & Marine Insurance Co., Ltd
Apr. 2010: General Manager, Eastern Hokkaido Branch, Sompo Japan Insurance Inc.
Jun. 2012: General Manager, Osaka Corporate Sales Dept. 2 and General Manager in charge of Sales Promotion Office
Apr. 2016: Executive Officer and Director, Hokkaido Headquarters, Sompo Japan Nipponkoa Insurance Inc.
Apr. 2019: Managing Executive Officer and Director, Kanto Headquarters (present) Business Unit (present)

Reason for Nomination as Outside Audit & Supervisory Board Members

Mr. Iwao Hashimoto was involved in insurance company management for many years. He has extensive experience and expertise in a wide range of fields and, on this basis, we assessed that he could accomplish the duties as an Outside Audit & Supervisory Board Member appropriately. Thus, he has been newly selected as a candidate for Outside Audit & Supervisory Board Member.

Candidate No.

3

Nobutoshi Matsumoto

(Match 22, 1962)

0 shares

New Appointment | Outside

Brief personal record and position

As of

Apr. 1985: Entered Canon Inc.

Aug.2013: General Manager of Finance Div. of Finance Div., Finance Accounting Center, Finance & Accounting Headquarters

Apr. 2014: General Manager of Finance Div., Finance Accounting Center, Finance & Accounting Headquarters (present)

Reason for Nomination as Outside Audit & Supervisory Board Members

Mr. Nobutoshi Matsumoto has been in charge of accounting operations at Canon Inc. for many years. He has extensive experience and outstanding expertise in this field, and, on this basis, we assessed that he could accomplish the duties as an Outside Audit & Supervisory Board Member appropriately. Thus, he has been newly selected as a candidate for Outside Audit & Supervisory Board Member.

Notes:
1. None of the candidates for the Audit & Supervisory Board Members have any special interest in the Company.
2. Should Mr. Iwao Hashimoto be elected, the Company will make him independent director under the regulation of the Tokyo Stock Exchange, Inc. He meets the Company's Independence Standards for Independent Directors/Audit & Supervisory Board Members (please see page 16).
3. Mr. Iwao Hashimoto has worked for Sompo Japan Nipponkoa Insurance Inc., which does business with the Company. Although there are transactions in areas such has business equipment sales between Sompo Japan Nipponkoa Insurance Inc. and the Company, the annual amount of the transactions is less than 1% of the consolidated revenue of Sompo Japan Nipponkoa Insurance Inc. and the Company respectively. Mr. Iwao Hashimoto, therefore, meets the Company's Independence Standards for Independent Directors/Audit & Supervisory Board Members.
4. For the past five years (to the present), Mr. Nobutoshi Matsumoto has served as an executive at Canon Inc., which is a specified related party (parent company) of the Company. His position at Canon Inc. is as shown in in his brief personal record. Mr. Nobutoshi Matsumoto plans to resign from Canon Inc. before the Ordinary General Meeting of Shareholders of the Company.
5. For the past five years (to the present), Mr. Nobutoshi Matsumoto has served as an Audit & Supervisory Board Member at Canon Precision Inc. and Canon Components, Inc., which are specified related parties (subsidiaries of the parent company) of the Company. He plans to resign as Audit & Supervisory Board Member of both companies before the Ordinary General Meeting of Shareholders of the Company.
6. For the past two years, Mr. Nobutoshi Matsumoto has received compensation from Canon Inc. as one of its Executives.
7. Should Mr. Masatoshi Tanise, Mr. Iwao Hashimoto, and Mr. Nobutoshi Matsumoto be elected, the Company will enter into a contract with them limiting the amount of their damages compensation liability defined in Paragraph1, Article 423 of the Companies Act of Japan to the limit prescribed by laws and regulations.

(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. Procudures

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

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

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

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

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

Independence Standards for Independent Directors/Audit & Supervisory Board Members

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

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

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

Item No. 4: Election of Accounting Auditor

Ernst & Young ShinNihon LLC will retire as the Company's Accounting Auditor due to expiry of its term of office at the conclusion of the Ordinary General Meeting of Shareholders.
Based on the decision of the Audit & Supervisory Board, we would like you to elect Deloitte Touche Tohmatsu LLC for the position of Accounting Auditor.
Although Ernst & Young ShinNihon LLC has good systems for ensuring that accounting audits are conducted properly and appropriately, given that it has been auditing the Company's accounts for a long period of time and also prompted by consideration of a change of accounting auditor by Canon Inc., the parent company, the Audit & Supervisory Board judged that it is time for a change of accounting auditor.
Accordingly, the Audit & Supervisory Board concluded that Deloitte Touche Tohmatsu LLC is an appropriate candidate for the new accounting auditor given that, in light of its independence, expertise, quality control system and other factors, Deloitte Touche Tohmatsu LLC will conduct audits properly and that a change in accounting auditor can be expected to result in audits from a fresh perspective.
Details of the candidate for accounting auditor including its name, main place of business and history, are as follows.

(As of December 31, 2019)

Name	Deloitte Touche Tohmatsu LLC
Main place of business	Marunouchi Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo
History	May 1968: Tohmatsu Awoki & Co. established May 1975: Joined Touche Ross International ("TRI") alliance February 1990: Change the company name to Tohmatsu & Co. July 2009: Converted to a limited liability company and changed company name to Deloitte Touche Tohmatsu LLC
Overview	Contributed capital 1,041 million yen Partners (Certified Public Accountants) 528 Specified Partners 52 Professional staff (Certified Public Accountants) 2,759 Successful applicants of the CPA examination, including junior Certified Public Accountants (includes part-qualified accountants) 1,078 Other professional staff 2,188 Administrative staff 175 Total 6,780 Number of audit engagements 3,306 (as of the end of May 2019)

Item No. 5: Payment of Bonuses to Directors

It is proposed that bonuses will be paid to the four Directors excluding the Outside Director as of the end of this fiscal year, in appreciation of their services during this fiscal year, which totals ¥35,750,000 considering the results for this fiscal year, etc.

BUSINESS REPORT (January 1, 2019 to December 31, 2019)

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

(1) Business Progress and Achievement

General Business Conditions

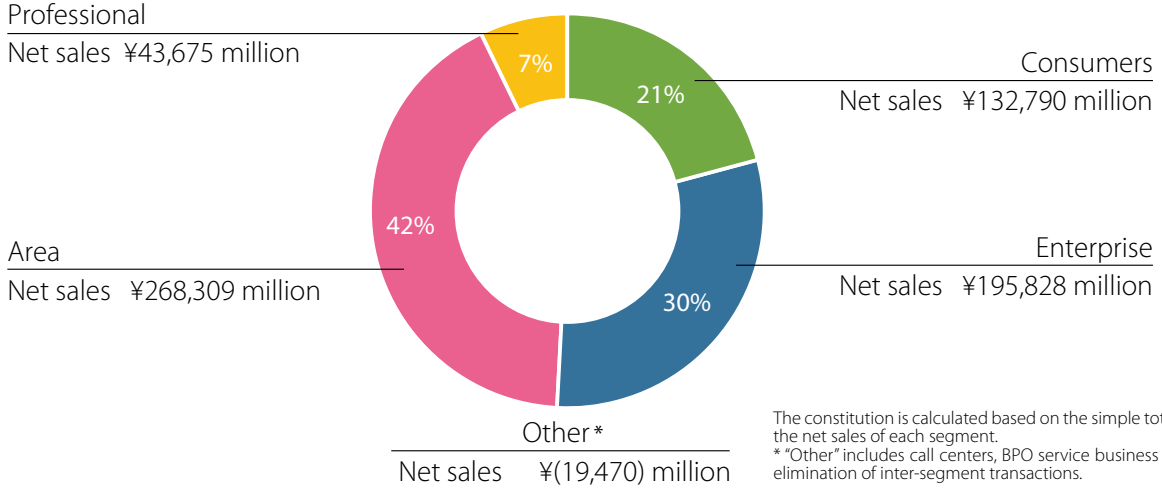
Looking back at the Japanese economy over this year, business confidence continued to deteriorate, especially in the manufacturing industry, amid rising trade tensions. However, businesses tended to increase their IT investment and other capital investment. Meanwhile, the outlook for consumer spending remains unclear, despite measures such as the introduction of reduced tax rates for everyday essentials to limit the impact of the consumption tax hike, and consumer sentiment continued to appear weak.

Against this economic backdrop, although sales of IT solutions to large enterprises and SMEs grew, sales of digital SLR cameras, industrial equipment and other products fell, and we recorded net sales of ¥621,134 million (down 0.1% from the previous year).

In terms of income, mainly due to higher gross profit on the back of increased sales of IT solutions and lower expenses, we achieved operating income of ¥32,439 million (up 12.1%) and ordinary income of ¥33,937 million (up 11.2%). Profit attributable to owners of parent came to ¥22,250 million (up 6.8%).

Starting with this Year, the segment classification has been changed. In the year-on-year comparisons contained in this report, the prior-year figures have been adjusted to reflect the new classification.

Constitution of Net Sales by Segment



The constitution is calculated based on the simple total of the net sales of each segment.
* "Other" includes call centers, BPO service business and elimination of inter-segment transactions.

Business Conditions by Segment

Consumers

Net sales	¥132,790 million
Operating income	¥6,865 million

Sales of mirrorless cameras decreased in the absence of the sharp growth in the sales volume of models such as EOS KissM seen the previous fiscal year, despite efforts to expand sales of products such as EOS RP, a full-frame mirrorless camera. Sales of digital SLR cameras declined as a result of market contraction, and overall sales of digital interchangeable lens cameras also fell. Meanwhile, sales of compact digital cameras also decreased due to the shrinking market. We continued to maintain top shares in the markets for digital SLR cameras, mirrorless cameras and compact digital cameras respectively.
Sales of inkjet printers grew mainly due to strong sales of printers with the extra-large capacity tank GIGA TANK, which offset decline in home-use inkjet printers amid sluggish market conditions. Sales of ink cartridges decreased owing primarily to a reduction in printing volume. We maintained the largest share of the inkjet printer market for the sixth year running.
Sales of IT products declined, reflecting decreased sales of consumables such as SD cards and peripherals despite a steady performance in products such as gaming PCs.

As a result, net sales in this segment totaled ¥132,790 million (down 11.6% from the previous year). Operating income came to ¥6,865 (down 6.5% from the previous year).

EOS RP

Printers with the extra-large capacity tank GIGA TANK

Business Conditions by Segment

Enterprise

Net sales ¥195,828 million

Operating income ¥10,070 million

Sales to the financial sector increased, reflecting strong revenue from large projects such as SI projects for securities firms and investment product sales support systems for shinkin banks.
Sales to the manufacturing sector grew on the back of steady revenue from a demand forecasting system project for a drinks manufacturer and a large commercial data gathering terminal project for a food manufacturer.
Sales to the distribution sector rose, bolstered by steady revenue from a POP production system project for the retail industry, a large office MFP project for the telecommunications industry, and large network camera projects for security firms and trading companies.
At Canon IT Solutions Inc., sales of SI services rose slightly due to the acquisition of numerous projects mainly for the manufacturing industry, offsetting the absence of large projects for the financial industry recorded the previous year. Canon IT Solutions also performed well in data center services and won a number of large infrastructure system projects as well as projects in other areas such as embedded system projects. As a result, it reported an increase in sales.
Meanwhile, sales of office MFP printers in the Enterprise segment decreased, reflecting the absence of large projects recorded the previous year and tighter control of unprofitable projects. Sales of laser printers grew, largely due to an order received for a large project for a life insurance company.

Laser printers

As a result, net sales in this segment totaled ¥195,828 million (up 4.1% from the previous year). Operating income was ¥10,070 million (up 15.4%) largely due to higher gross profit as a result of increased sales and strong performances in highly profitable businesses at Canon IT Solutions.

Nishi-Tokyo Data Center

Business Conditions by Segment

Area

Net sales ¥268,309 million

Operating income ¥14,398 million

Sales of business equipment declined, reflecting weak shipment volumes to SMEs despite expansion in sales of office MFPs mainly among core customers. Meanwhile, sales of laser printers grew, despite their continued integration in office MFPs, thanks to progress expanding sales to specific industries and active proposal of introduction to coincide with the replacement of business PCs.
In the Area segment, IT solutions are provided mainly by Canon System & Support Inc. This Year, shipment volumes increased sharply due to the progressive replacement of business PCs among SMEs as a result of the end of extended support for Windows7. Sales also grew, reflecting bundled proposals of the cloud-based IT support service for Office 365 HOME, the antivirus software ESET and various types of software for increasing business efficiency upon the replacement of business PCs.

As a result, net sales in this segment totaled ¥268,309 million (up 4.2% from the previous year). Operating income amounted to ¥14,398 million (up 19.2%) due to higher gross profit associated with increased sales of highly profitable IT solutions.

HOME

IT support cloud service, HOME

"ESET" security software

Business Conditions by Segment

Professional

Net sales	¥43,675 million
Operating income	¥1,617 million

(Production Printing)

Sales decreased due to weak business related to continuous feed printers and wide-format printers.

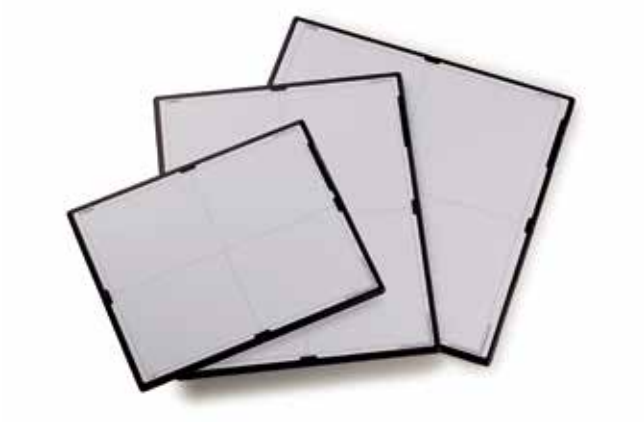
(Industrial Equipment)

Sales declined due to the termination of a distribution agreement with an overseas manufacturer who was a major customer in the semiconductor sector, despite a strong performance in maintenance services associated with increased plant utilization rates.

(Healthcare)

Sales rose due to good performances in IT systems for hospitals and digital radiography.

As a result, net sales in this segment totaled ¥43,675 million (down 5.9% from the previous year). However, operating income reached ¥1,617 million (up 89.9%), mainly due to cost cutting.



Digital radiography

(2) Capital Expenditures

The capital expenditures by the Group during this fiscal year totaled ¥19,921 million, which are mainly as rented assets, tools, fixtures and fittings, and ancillary facilities at our Nishi-Tokyo Data Center.

(3) Issues to be Addressed

We expect that the outlook for the Japanese economy will remain unclear due to decline in demand caused by the consumption tax hike as well as uncertainty surrounding the outcome of trade disputes and overseas economies, the impact of fluctuations in in financial and capital markets, and other factors.

Against this economic backdrop, the domestic market for Canon's major products, in other words, the digital cameras, inkjet printers, office MFPs and laser printers that we sell, is expected to contract and we believe we must urgently formulate and implement strategies to maintain profitability by increasing productivity even in a contracting market. On the other hand, we expect that the market for IT solutions, which we position as a growth business, will remain continue to show an expansionary trend. Our challenge in the IT solutions business is to leverage the strong customer base we built up through document solutions and the IT technological capability and various other strengths we acquired through M&A and other means to further strengthen our business domain where we can demonstrate our characteristics.

We will work to expand our business operations and improve our performance by implementing the initiatives described below.

1. Maintain the profitability of Canon's major products

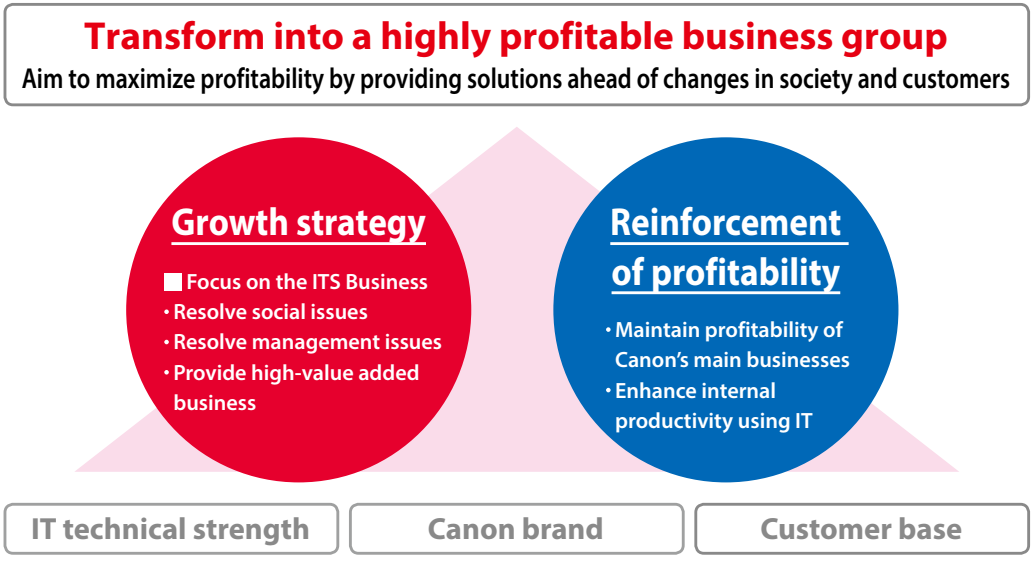
- **Interchangeable lens digital cameras**
  We will seek to expand sales by strengthening our lineup of mirrorless cameras focusing on full-frame models. We will also seek to reenergize the market as the leading digital camera manufacturer.
- **Inkjet printers**
  We will work to expand high added value models for home use and business printers and large capacity tank printers.
- **Office MFPs**
  We will seek to increase our market share through competitive products and well-aimed solution proposals as well as further improve efficiency of our maintenance services.
- **Laser printers**
  We will continue to expand sales to specific industries with large printing volumes to increase our market share and we will translate this into increase sales of cartridges.

2. Strengthen IT solutions business

- **Achieve high productivity in SI services business and expansion in business scale**
  We will make effective use of our customer base to expand business specific solutions and we will also seek to shift from existing contract-based system development to proposal-based development and service provision-based SI utilizing packaged software.

- **Increase added value of IT services business**
  The Nishi-Tokyo Data Center, including Phase II which will go into operation this year, will play a central role in expanding added value business such as system monitoring and security operation and cloud-based services in a bid to strengthen profitability.
- **Expand IT solutions business for SMEs**
  As an "IT concierge" that meets the IT needs of SMEs, our largest customer base, we will increase profitability by proposing solutions based on backbone packaged software and security products and by seeking to expand IT-related maintenance services.
- **Expand BPO business**
  We will establish businessspecific BPO models based on a thorough knowledge of each type of business and provide services with high levels of expertise and productivity.
- **Secure SEs and professional human resources**
  We will seek to increase SEs and human resources with expertise in each business area to accelerate the realization of a growth scenario in the IT solutions business.

Basic Strategy under the Three-Year Management Plan for 2020-2022



(4) Status of Assets and Earnings

Consolidated

	48th Fiscal Year (Jan.1, 2015 to Dec.31, 2015)	49th Fiscal Year (Jan. 1, 2016 to Dec. 31, 2016)	50th Fiscal Year (Jan. 1, 2017 to Dec. 31, 2017)	51th Fiscal Year (Jan. 1, 2018 to Dec. 31, 2018)	52th Fiscal Year (Jan. 1, 2019 to Dec. 31, 2019)
Net sales (Millions of yen)	646,002	629,313	632,189	621,591	621,134
Operating income (Millions of yen)	26,647	27,676	30,406	28,941	32,439
Ordinary income (Millions of yen)	28,040	28,717	31,491	30,519	33,937
Profit attributable to owners of parent (Millions of yen)	15,670	18,161	20,679	20,826	22,250
Profit attributable to owners of parent per share (Yen)	120.84	140.06	159.48	160.61	171.60
Total assets (Millions of yen)	486,502	497,727	510,832	498,790	503,698
Net assets (Millions of yen)	277,438	280,919	297,522	303,570	325,092

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

(5) Main Business

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

(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.	
Canon Lifecare Solutions Inc.	

(7) Employees

Consolidated

Number of Employees	Change from the end of the previous year
17,001 persons	Decrease of 281 persons from the previous year

Segment	Number of Employees	Change from the end of the previous year
Consumers	547 persons	Decrease of 19 persons from the previous year
Enterprise	5,080 persons	Decrease of 81 persons from the previous year
Area	6,309 persons	Decrease of 36 persons from the previous year
Professional	1,139 persons	Decrease of 277 persons from the previous year
Other	3,926 persons	Increase of 132 persons from the previous year

(8) Parent Company and Principal Subsidiaries

Parent Company

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

Matters about the Transactions with Parent Company, etc.

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

The Company sells consumables for office equipment to the Parent Company based on the same terms as regular transactions.

The Company lends funds to the Parent Company by the interest rates determined reasonably taking into account market rates.

Thus, the board of directors assesses that the Company is conducting business activities and making management decisions based on the Company's own management judgments, certain independence from the Parent Company is secured, and the Company's profit is not harmed in the transactions with the Parent company.

Principal Subsidiaries

Company Name	Capital Stock (millions of yen)	Ratio of Voting Rights of the Company (%)	Business
Canon IT Solutions Inc.	3,617	100.0	SI and consulting, IT service and development and sale of various softwares
Canon System & Support Inc.	4,561	100.0	Consulting, sales, support and maintenance services for Canon products and the IT solutions of other companies
Canon Production Printing Systems Inc.	2,744	100.0	Sales of high-speed continuous feed printers and high-speed cut sheet printers as well as consumables, provision of maintenance services, and provision of printing services, etc. etc.
Canon Lifecare Solutions Inc.	2,533	100.0	Sales of medical equipment, healthcare related equipment and consumables and medical image systems

Consolidated Status

1. The number of consolidated subsidiaries was 19.
2. The Company transferred all shares of its subsidiary Canon Lifecare Solutions Inc. to Canon Medical Systems Corporation on January 1, 2020.

2. Status of Shares of the Company

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

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

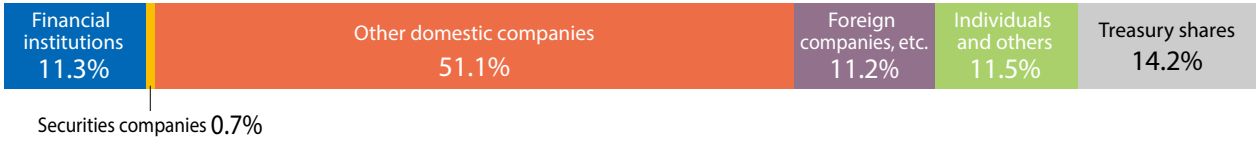
	As of the end of the Previous Year	Change during This Year	As of the end of This Year
Total number of issued shares (shares)	151,079,972	–	151,079,972
Capital stock (yen)	73,303,082,757	–	73,303,082,757
Number of shareholders (persons)	12,406	Decrease of 964	11,442

(3) Major Shareholders

Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
Canon Inc.	75,708	58.4
Canon Marketing Japan Group Employee Stock Ownership Association	5,753	4.4
The Master Trust Bank of Japan, Ltd. (Trust account)	3,752	2.9
Japan Trustee Services Bank, Ltd. (Trust account)	2,611	2.0
STATE STREET BANK AND TRUST COMPANY 505001	1,623	1.3
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,405	1.1
The Bank of New York, Treaty JASDEC Account	1,250	1.0
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,215	0.9
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,139	0.9
Mizuho Bank, Ltd.	1,001	0.8

Note: The shareholding ratio is calculated by deducting the number of treasury shares (21,413,743 shares) from the total number of issued shares.

(4) Shareholding Ratio by Category



3. Status of Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

Position	Name	Business in Charge or Important Concurrent Posts
President & Representative Director Executive President	Masahiro Sakata	
Director Senior Vice President	Yoshiyuki Matsusaka	Director in charge of Group Planning and Group Communications Director in charge of Digital Marketing and EC Planning Center Director of Consumer Business Unit Director in charge of Video Solutions Co-creation Center
Director Senior Vice President	Masachika Adachi	Director of Enterprise Business Unit
Director Vice President	Shiro Hamada	Director in charge of Group Accounting and Group Audits
Director	Akio Dobashi	Outside Director of Maeda Corporation
Director	Yoshio Osawa	Outside Director of Citizen Watch Co., Ltd.
Audit & Supervisory Board Member	Masahiro Shimizu	
Audit & Supervisory Board Member	Shinichi Inoue	
Audit & Supervisory Board Member	Kunihiko Tedo	
Audit & Supervisory Board Member	Nobuyasu Kusumi	
Audit & Supervisory Board Member	Shigeo Hasegawa	

Notes:
1. Mr. Akio Dobashi and Mr. Yoshio Osawa all of whom are Directors are Outside Directors.
2. Mr. Kunihiko Tedo, Mr. Nobuyasu Kusumi and Mr. Shigeo Hasegawa all of whom are Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.
3. The Company has notified Directors Mr. Akio Dobashi and Mr. Yoshio Osawa as independent directors and Audit & Supervisory Board Members Mr. Nobuyasu Kusumi 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.
4. Mr. Masahiro Shimizu is an Audit & Supervisory Board Members and has accounting experience in the Company for many years and has a wealth of expertise in finance and accounting.
5. Mr. Kunihiko Tedo is Audit & Supervisory Board Members and has accounting experience in Canon Inc., our parent company, for many years and has a wealth of expertise in finance and accounting.
6. Mr. Shigeo Hasegawa is Audit & Supervisory Board Member and qualified as a Certified Public Accountant and has a wealth of expertise in finance and accounting.
7. The Company has entered into contracts, in accordance with the Articles of Incorporation, with the Outside Director and the Audit & Supervisory Board Members to limit their liabilities to compensate damages under Paragraph 1, Article 423 of the Companies Act of Japan, to the limit of amount set forth in the Paragraph 1, Article 425 of the Companies Act of Japan.

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

▶ Directors 7 persons ¥296 million

▶ Audit & Supervisory Board Members 5 persons ¥104 million

Notes: 1. The total amount of remuneration paid to 2 Outside Directors and 3 Outside Audit & Supervisory Board Members is ¥77 million.
2. The above number includes one Director who retired at the close of the 51st Ordinary General Meeting of Shareholders held on March 27, 2019.
3. Directors' remuneration include provision for directors' bonuses for this fiscal year in the amount of ¥35 million.

(3) Status of Outside Director and Outside Audit & Supervisory Board Members

Relation Between Important Organization of Concurrent Post and the Company

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

Principal Activities

Name	Principal Activities
Akio Dobashi (Outside Director)	Attended 14 out of the 16 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Yoshio Osawa (Outside Director)	Attended all 16 Board of Directors meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Kunihiko Tedo (Outside Audit & Supervisory Board Member)	Attended all of 16 Board of Directors meetings and 18 out of 20 Audit & Supervisory Board meetings held during this fiscal year and provided input based on his experience and knowledge in the field of accounting.
Nobuyasu Kusumi (Outside Audit & Supervisory Board Member)	Attended all of 16 Board of Directors meetings and all of 20 Audit & Supervisory Board meetings held during this fiscal year, and provided input based on his experience and knowledge in the field of corporate management.
Shigeo Hasegawa (Outside Audit & Supervisory Board Member)	Attended 15 out of 16 Board of Directors meetings and all of 20 Audit & Supervisory Board meetings held during this fiscal year and provided input based on his insight as a Certified Public Accountant when necessary.

4. Status of Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon 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	¥108 million
(ii) Total amount of cash and other financial benefits payable by the Group to the Accounting Auditor	¥183 million

Notes:
1. In the audit agreement between the Company and the Accounting Auditor, remuneration amounts are determined on a lump-sum without breakdown into a separate remuneration amount for auditing in accordance with the Companies Act and in accordance with the Financial Instruments and Exchange Act. Accordingly, the amounts shown in (i) above represent total amounts of remuneration and other amounts for both of these auditing services.
2. The Company pays consideration to accounting auditors for work concerning agreed upon procedures other than the work specified in Article 2, Paragraph 1 of the Certified Public Accountings Act.
3. Reason that the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor: The Audit & Supervisory Board has received necessary documents and reports from the Directors, related internal divisions, and the Accounting Auditor, in addition to confirming the audit plan, status of the performed audit for the previous year, and the estimated remuneration for this fiscal year. As a result, the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor, upon judging it to be a rational level for maintaining and improving audit quality.

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

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

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

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

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

As to the dividends for this fiscal year, the Company plans to pay a year-end dividends of 30 yen per share, totaling 60 yen per share (consolidated payout ratio of 35.0%) as a full-year dividends together with the interim dividends (30 yen per share).

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

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

	As of Dec. 31, 2019	As of Dec. 31, 2018
■ Assets		
Current assets	**¥377,403**	**¥383,349**
Cash and deposits	53,993	65,071
Notes and accounts receivable	112,666	117,041
Securities	500	70,500
Merchandise and finished goods	33,281	31,182
Work in process	206	1,191
Raw materials and supplies	622	647
Short-term loans receivable	170,012	90,014
Other	6,197	7,792
Allowance for doubtful receivables	(75)	(91)
Non-current assets	**126,295**	**115,441**
Property, plant and equipment	**82,813**	**71,987**
Buildings and structures, net	26,948	28,657
Machinery, equipment and vehicles, net	99	112
Furniture and fixtures, net	3,315	3,059
Rental assets, net	9,403	10,842
Land	28,918	28,918
Lease assets, net	31	63
Construction in progress	14,095	333
Intangible assets	**4,469**	**5,265**
Software	4,148	4,940
Lease assets	2	5
Right of using facilities	315	316
Other	2	2
Investments and other assets	**39,011**	**38,188**
Investments in securities	11,037	7,985
Long-term loans receivable	35	36
Net defined benefit asset	393	304
Deferred tax assets	20,792	23,039
Lease deposits	4,358	4,423
Other	2,775	2,832
Allowance for doubtful receivables	(382)	(432)
Total assets	¥503,698	¥498,790

	As of Dec. 31, 2019	As of Dec. 31, 2018
■ Liabilities		
Current liabilities	**¥120,023**	**¥129,903**
Notes and accounts payable	51,542	75,831
Lease obligations	72	100
Accrued expenses	17,855	16,676
Accrued Income taxes	8,235	6,967
Consumption taxes payable	5,901	4,063
Provision for bonuses	3,373	3,437
Provision for directors' bonuses	99	79
Provision for product warranties	651	447
Provision for loss on order received	189	147
Other	32,101	22,151
Non-current liabilities	**58,582**	**65,317**
Lease obligations	103	116
Deferred tax liabilities	–	29
Allowance for long-term continuous service rewards	1,042	1,019
Net defined benefit liabilities	53,956	59,887
Other	3,480	4,264
Total liabilities	178,606	195,220
■ Net assets		
Shareholders' equity	**326,979**	**314,156**
Capital stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	202,783	189,957
Treasury stock	(31,926)	(31,924)
Accumulated other comprehensive Income	**(2,504)**	**(11,129)**
Valuation difference on available-for-sale securities	3,929	2,518
Deferred gains or losses hedges	11	1
Foreign currency translation adjustments	51	75
Remeasurements of defined benefit plants	(6,497)	(13,725)
Non-controlling interests	**616**	**542**
Total net assets	325,092	303,570
Total liabilities and net assets	¥503,698	¥498,790

Consolidated Statements of Income

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

	From January 1, 2019 to December 31, 2019	From January 1, 2018 to December 31, 2018
Net sales	¥621,134	¥621,591
Cost of sales	420,107	403,417
Gross profit	201,026	218,173
Selling, general and administrative expenses	168,586	189,231
Operating income	32,439	28,941
Non-operating income	1,667	1,807
Interest income	196	197
Dividend income	154	153
Insurance income	767	547
Gain on investments in investment partnerships	247	494
Other	302	413
Non-operating expenses	169	229
Interest expenses	12	12
Other	157	216
Ordinary income	33,937	30,519
Extraordinary income	15	830
Gain on sales of non-current assets	13	126
Gain on sales of investments in securities	2	489
Gain on sales of shares of subsidiaries and associates	–	214
Extraordinary losses	649	641
Loss on sales and disposal of non-current assets	206	311
Impairment loss	82	15
Loss on disaster	–	64
Loss on valuation of investment securities	329	158
Reorganization expenses	–	57
Other	31	34
Income before income taxes	33,302	30,708
Income taxes-current	12,626	9,893
Income taxes-deferred	(1,663)	(77)
Profit	22,339	20,893
Profit attributable to non-controlling interests	89	66
Profit attributable to owners of parent	¥ 22,250	¥ 20,826

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

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

	As of Dec. 31, 2019	As of Dec. 31, 2018
■ Assets		
Current assets	¥344,084	¥351,466
Cash and deposits	37,246	55,072
Notes receivable	1,993	2,409
Electronically recorded monetary claims - operating	8,214	8,811
Accounts receivable	90,034	89,772
Securities	500	70,500
Merchandise and finished goods	27,318	25,999
Work in process	–	74
Raw materials and supplies	512	529
Advance payment - trade	1,692	1,799
Prepaid expenses	832	589
Short-term loans receivable	170,206	90,400
Accounts receivable - other	5,193	4,848
Forward exchange contracts	16	2
Other	384	729
Allowance for doubtful receivables	(61)	(72)
Non-current assets	145,287	144,118
Property, plant and equipment	52,784	54,879
Buildings	13,178	13,764
Structures	481	494
Machinery	99	112
Furniture and fixtures	1,660	1,740
Rental assets	9,402	10,840
Land	27,952	27,901
Lease assets	10	24
Intangible assets	3,377	4,204
Software	3,266	4,091
Lease assets	–	1
Right of using facilities	110	110
Other	0	0
Investments and other assets	89,124	85,034
Investments in securities	8,729	5,928
Shares of subsidiaries and associates	63,366	63,696
Claims provable in bankruptcy, claims provable in rehabilitation and other	293	299
Long-term prepaid expenses	826	661
Deferred tax assets	13,058	11,545
Lease deposits	1,905	1,927
Other	1,272	1,307
Allowance for doubtful receivables	(328)	(331)
Total assets	¥489,371	¥495,585

	As of Dec. 31, 2019	As of Dec. 31, 2018
■ Liabilities		
Current liabilities	¥153,708	¥168,781
Electronically recorded obligations - operating	1,678	1,800
Accounts payable	47,818	71,529
Short-term loans payable	61,500	56,100
Lease obligations	7	27
Accounts payable - other	2,753	2,317
Accrued expenses	14,324	13,897
Accrued Income taxes	6,554	5,617
Consumption taxes payable	2,933	1,754
Advances received	10,504	10,452
Deposits received	3,343	3,228
Provision for bonuses	1,718	1,571
Provision for directors' bonuses	35	40
Provision for product warranties	534	444
Non-current liabilities	38,237	34,282
Lease obligations	4	5
Provision for retirement benefits	33,868	29,250
Allowance for long-term continuous service rewards	673	638
Other	3,691	4,387
Total liabilities	191,945	203,064
■ Net assets		
Shareholders' equity	294,482	290,593
Capital stock	73,303	73,303
Capital surplus	85,204	85,204
Legal capital surplus	85,198	85,198
Other capital surplus	5	5
Retained earnings	167,905	164,013
Legal retained earnings	2,853	2,853
Other retained earnings	165,051	161,160
General reserve	81,700	81,700
Retained earnings brought forward	83,351	79,460
Treasury stock	(31,930)	(31,928)
Valuation and translation adjustments	2,943	1,927
Valuation difference on available-for-sale securities	2,932	1,926
Deferred gains or losses hedges	11	1
Total net assets	297,426	292,521
Total liabilities and net assets	¥489,371	¥495,585

Non-Consolidated Statements of Income

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

	From January 1, 2019 to December 31, 2019	From January 1, 2018 to December 31, 2018
Net sales	¥473,229	¥475,741
Cost of sales	341,303	343,063
Gross profit	131,926	132,677
Selling, general and administrative expenses	116,257	116,528
Operating income	15,669	16,148
Non-operating income	3,513	3,672
Interest income	193	166
Dividend income	2,204	2,078
Insurance income	758	541
Gain on investments in investment partnerships	246	494
Other	111	391
Non-operating expenses	195	205
Interest expenses	57	49
Share related expenses	53	55
Other	84	101
Ordinary income	18,987	19,615
Extraordinary income	1	3,334
Gain on sales of non-current assets	1	4
Gain on sales of investments in securities	–	489
Gain on extinguishment of tie-in shares	–	2,659
Gain on sales of shares of subsidiaries and associates	–	180
Extraordinary losses	581	620
Loss on sales and disposal of non-current assets	193	147
Impairment loss	50	14
Loss on disaster	–	51
Loss on valuation of shares of subsidiaries and associates	329	–
Loss on valuation of investment securities	8	158
Bad debt expenses for subsidiaries and associates	–	247
Other	–	2
Income before income taxes	18,407	22,328
Income taxes-current	7,088	5,621
Income taxes-deferred	(1,969)	(252)
Profit	¥ 13,287	¥ 16,959

AUDIT REPORTS

AUDIT REPORT OF ACCOUNTING AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

Report of Independent Auditors

February 10, 2020

The Board of Directors
Canon Marketing Japan Inc.

Ernst & Young ShinNihon LLC
Shigeru Sekiguchi Certified Public Accountant
Designated and Engagement Partner
Keiichi Wakimoto Certified Public Accountant
Designated and Engagement Partner
Mamoru Wakino Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Canon Marketing Japan Inc. (the "Company") applicable to the fiscal year from January 1, 2019 through December 31, 2019.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditors' Responsibility
Our responsibility is to express an opinion from an independent perspective on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.
The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Canon Marketing Japan Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2019 in conformity with the accounting principles generally accepted in Japan.

Conflicts of Interest
We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

AUDIT REPORT OF ACCOUNTING AUDITOR ON NON-CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

Report of Independent Auditors

February 10, 2020

The Board of Directors
Canon Marketing Japan Inc.

Ernst & Young ShinNihon LLC
Shigeru Sekiguchi Certified Public Accountant Designated and Engagement Partner
Keiichi Wakimoto Certified Public Accountant Designated and Engagement Partner
Mamoru Wakino Certified Public Accountant Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements, and the related supplementary schedules of Canon Marketing Japan Inc. (the "Company") applicable to the 52nd fiscal year from January 1, 2019 through December 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules
Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the related 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 related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion from an independent perspective on these non-consolidated financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The proceduresselected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Canon Marketing Japan Inc. applicable to the 52nd fiscal year ended December 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest
We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

AUDIT & SUPERVISORY BOARD'S REPORT

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 52nd fiscal year from January l, 2019 to December 31, 2019, 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 l and 3 of the Ordinance for Enforcement of the Companies Act.

iii) We examined the contents of the matters considered and the assessment and reasons detailed in this Business Report for the transactions with the Parent Company under Article 118 of the Ordinance for Enforcement of the Companies Act, taking into account the status of the deliberations of the Board of Directors, etc.

iv) We monitored and verified whether the independence of the Accounting Auditor was maintained and whether an appropriate audit was being undertaken, received reports from the Accounting Auditor on the status of operations, and requested explanations as necessary. We also received reports from the Accounting Auditor stating that the necessary systems for ensuring the appropriate execution of operations (pursuant to Article 131 of the Rules of Corporate Accounting) were duly developed in line with the Quality Control Standards for Auditing (issued by the Business Accounting Council on October 28, 2005), and other relevant standards, and requested explanations as necessary.

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

2. Results of Audit

(1) Results of examination of the Business Report, etc.

a) In our opinion, the business report and its supplementary schedules conformity with the applicable laws and regulations of Japan and the Articles of Incorporation of the Company and fairly present the state of the Company's affairs;

b) We have found no misconduct or material fact constituting a violation of any applicable laws and regulations of Japan or the Articles of Incorporations in connection with the Directors' performance of their duties; and

c) In our opinion, the substance of the decisions made by the Board of Directors with regard to the Internal Control Systems is appropriate. Furthermore, we found no matters that require noting with regard to the description in the Business Report and the Directors' performance of their duties in connection with the relevant internal control systems; and

d) With respect to the transactions with the Parent Company, etc. that are described in this Business Report, we have found no matters that require noting with regard to the matters considered by Board of Directors and the Board of Directors' assessment and factors that might be adverse to the Company's interests.

(2) Results of examination of the financial statements and their supplementary schedules

In our opinion, the auditing methods used and the conclusions reached by the Accounting Auditor, Ernst Young ShinNihon 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, Ernst Young ShinNihon LLC, are appropriate..

February 12, 2020

Audit & Supervisory Board, Canon Marketing Japan Inc.

Audit & Supervisory Board Member (full time)	Masahiro Shimizu
Audit & Supervisory Board Member (full time)	Shinichi Inoue
Audit & Supervisory Board Member (full time) (Outside Audit & Supervisory Board Member)	Kunihiko Tedo
Audit & Supervisory Board Member (full time) (Outside Audit & Supervisory Board Member)	Nobuyasu Kusumi
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Shigeo Hasegawa