TO OUR SHAREHOLDERS

INTERNET DISCLOSURE
FOR NOTICE OF CONVOCATION OF
THE ORDINARY GENERAL MEETING OF SHAREHOLDERS
FOR THE 119TH BUSINESS TERM

Of the documents to be provided upon Notice of Convocation, the following documents have been posted on our website on the Internet (https://global.canon/en/ir/) to be provided to shareholders in accordance with laws and regulations and provisions of the Company's Articles of Incorporation: "Stock Acquisition Rights etc. of the Company" of the Business Report; "Consolidated Statement of Equity" and "Notes to Consolidated Financial Statements" of the Consolidated Financial Statements, and; "Statement of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" of the Financial Statements.

CANON INC.

BUSINESS REPORT

Stock Acquisition Rights etc. of the Company

Stock Acquisition Rights etc. Delivered as Compensation for Execution of Duties That Are Held by the Directors of the Company as of the End of This Term

1. Name
   Stock Acquisition Rights issued in May of 2018
2. Price to Be Paid In (per Stock Acquisition Right)
   294,800 yen
3. Exercise Price (per Share)
   1 yen
4. Exercise Period
   May 2, 2018 to May 1, 2048
5. Holder, Number of Holders, Number of Stock Acquisition Rights, and Class and Number of Shares to Be Acquired

Chairman & CEO	1 person	113	Common stock	11,300 shares
President & COO	1 person	48	Common stock	4,800 shares
Executive Vice President	2 persons	90	Common stock	9,000 shares

6. Main Conditions for the Exercise of Stock Acquisition Rights

In principle,

(i) those to whom stock acquisition rights are allotted (the “Holder(s)”) shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of the Company, and

(ii) in the event that the Company recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, the Company may limit, subject to a resolution by the Board of Directors of the Company, the number of offered stock acquisition rights that may be exercised by such Holder.

1. Name
   Stock Acquisition Rights issued in April of 2019
2. Price to Be Paid In (per Stock Acquisition Right)
   228,100 yen
3. Exercise Price (per Share)
   1 yen
4. Exercise Period
   April 27, 2019 to April 26, 2049
5. Holder, Number of Holders, Number of Stock Acquisition Rights, and Class and Number of Shares to Be Acquired

Chairman & CEO	1 person	292	Common stock	29,200 shares
President & COO	1 person	62	Common stock	6,200 shares
Executive Vice President	2 persons	151	Common stock	15,100 shares

6. Main Conditions for the Exercise of Stock Acquisition Rights

In principle,

(i) those to whom stock acquisition rights are allotted (the “Holder(s)”) shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of the Company, and

(ii) in the event that the Company recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, the Company may limit, subject to a resolution by the Board of Directors of the Company, the number of offered stock acquisition rights that may be exercised by such Holder.

Note: The Stock Acquisition Rights above are not allotted to Outside Directors and Audit & Supervisory Board Members.

Stock Acquisition Rights etc. Delivered During This Term to the Executive Officers of the Company as Compensation for Execution of Duties

1. Name

   Stock Acquisition Rights issued in April of 2019

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

   228,100 yen

3. Exercise Price (per Share)

   1 yen

4. Exercise Period

   April 27, 2019 to April 26, 2049

5. Grantee, Number of Grantees, Number of Stock Acquisition Rights, and Class and Number of Shares to Be Acquired

Senior Managing Executive Officer	2 persons	74	Common stock	7,400 shares
Managing Executive Officer	12 persons	300	Common stock	30,000 shares
Executive Officer	17 persons	284	Common stock	28,400 shares

6. Main Conditions for the Exercise of Stock Acquisition Rights

In principle,

(i) those to whom stock acquisition rights are allotted (the "Holder(s)") shall be entitled to exercise all the stock acquisition rights together within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the day when they cease to hold any position as a Director or an Executive Officer of the Company, and

(ii) in the event that the Company recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of the Holder, the Company may limit, subject to a resolution by the Board of Directors of the Company, the number of offered stock acquisition rights that may be exercised by such Holder.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Equity

(Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2018	174,762	404,389	67,116	3,508,908	(269,071)	(1,058,502)	2,827,602	190,311	3,017,913
Cumulative effects of accounting standard update—adoption of ASU No.2017-12				122	(122)		-	-	-
Equity transactions with noncontrolling interests and other		641			(424)		217	(1,813)	(1,596)
Dividends to Canon Inc. shareholders				(171,487)			(171,487)		(171,487)
Dividends to noncontrolling interests								(5,557)	(5,557)
Transfers to legal reserve			456	(456)			-		-
Comprehensive income:									
Net income				125,105			125,105	14,412	139,517
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustments					(32,043)		(32,043)	(114)	(32,157)
Net gains and losses on derivative instruments					(1,073)		(1,073)	5	(1,068)
Pension liability adjustments					(5,709)		(5,709)	2,079	(3,630)
Total comprehensive income (loss)							86,280	16,382	102,662
Repurchases of treasury stock						(50,015)	(50,015)		(50,015)
Reissuance of treasury stock		(13)		(10)		21	(2)		(2)
Balance at December 31, 2019	174,762	405,017	67,572	3,462,182	(308,442)	(1,108,496)	2,692,595	199,323	2,891,918

Notes to Consolidated Financial Statements

<Notes to Basic Significant Matters Regarding Preparation of Consolidated Financial Statements>

Significant Accounting Policies

1. Group Position

The number of consolidated subsidiaries was 361, and the number of affiliated companies accounted for by the equity method was 8 as of December 31, 2019.

2. Basis of Presentation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") pursuant to the provision of paragraph 1, Article 120-3 of the Company Accounting Regulations. However, certain disclosures required under US GAAP are omitted pursuant to the provision of the latter part of paragraph 1, Article 120, as applied mutatis mutandis pursuant to paragraph 3, Article 120-3.

3. Cash Equivalents

All highly liquid investments acquired with an original maturity of three months or less are considered to be cash equivalents.

4. Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Exchange differences are charged or credited to income. Assets and liabilities of subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date and income and expense items are translated at the average exchange rates prevailing during the year. The resulting translation adjustments are reported in other comprehensive income (loss).

5. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average method for domestic inventories and principally the first-in, first-out method for overseas inventories.

6. Investments

Canon accounts for its equity investments that do not result in consolidation and are not accounted for under the equity method are measured at fair value with changes in the fair value recognized in net income. Realized gains and losses are determined on the average cost method.

7. Property, Plant and Equipment

Property, plant and equipment are depreciated principally by the declining-balance method.

8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment at least annually, or more frequently if indicators of potential impairment exist. Intangible assets with finite useful lives are amortized over the respective estimated useful lives. Software, patents and developed technology, and customer relationships are amortized using the straight-line method over the estimated useful lives, which range primarily from 3 years to 8 years for software, 7 years to 17 years for patents and developed technology and 8 years to 15 years for customer relationships.

9. Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Basis of Recording Allowances

(Allowance for doubtful receivables)

An allowance for doubtful receivables is provided based on credit loss history and an evaluation of any specific doubtful receivables.

(Accrued pension and severance cost)

Pension and severance cost is accrued based on the projected benefit obligations and the fair value of plan assets at the balance sheet date. Unrecognized actuarial loss is recognized by amortizing a portion in excess of a corridor (i.e., 10% of the greater of the projected benefit obligations or the fair value of plan assets) using the straight-line method over the average remaining service period of employees. Unrecognized prior service cost or credit is amortized using the straight-line method over the average remaining service period of employees.

11. Taxes Collected from Customers

Taxes collected from customers and remitted to governmental authorities are excluded from revenues, cost and expenses in consolidated statements of income.

12. Stock-Based Compensation

Canon measures stock-based compensation cost at the grant date, based on the fair value of the award, and recognizes the cost on a straight-line basis over the requisite service period.

13. Net Income Attributable to Canon Inc. Shareholders Per Share

Basic net income attributable to Canon Inc. shareholders per share is computed by dividing net income by the weighted-average number of common shares outstanding during each year. Diluted net income attributable to Canon Inc. shareholders per share includes the effect from potential issuance of common stock based on the assumption that all stock options were exercised.

<Notes to Changes in Accounting Policies>

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842) Section A – Leases: Amendments to the FASB Accounting Standards Codification, which requires lessees to recognize most leases on their balance sheets but recognize expenses on their income statements in a manner similar to the previous guidance. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. The FASB also modified the definition of a lease. Canon adopted the guidance from the fiscal year. Canon applied the package of practical expedients that allows it not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether initial direct costs qualify for capitalization, in addition to the short term lease exception. Canon also adopted the transition method for which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that existed at or expired prior to the adoption date are required. The right of use assets for operating leases recognized at January 1, 2019 was ¥125,649 million. The corresponding lease liabilities were also recognized. The adoption of this guidance did not have a material impact on its consolidated results of operation.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which amends existing guidance to simplify the application of the hedge accounting in certain situations and enables an entity to better portray the economic results of an entity's risk management activities in its financial statements. This guidance eliminates the requirement to separately measure and report hedge ineffectiveness, and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. Canon adopted this guidance from the fiscal year with the modified retrospective method through a cumulative effect adjustment directly to retained earnings as of the beginning of the period. Gains and losses resulting from derivative financial instruments designated as cash flow hedges associated with forecasted intercompany sales, which were previously included in other income (deductions) in the consolidated statements of income, are included in net sales after the adoption of this guidance. The adoption of this guidance did not have a material impact on its consolidated results of operation and financial condition.

<Notes to Financial Instruments>

1. Status of Financial Instruments

Canon invests in highly safe and short-term financial instruments.

Canon has certain financial instruments such as trade receivables and securities. Canon reduces the customer credit risk related to trade receivables in accordance with its credit management policy. At December 31, 2019, a major customer accounted for approximately 10% of consolidated trade receivables. Securities consist primarily of equity securities of the companies with which Canon has a business relationship.

Derivative financial instruments are comprised principally of foreign exchange contracts to reduce the risk. Canon does not hold or issue derivative financial instruments for trading and speculative purposes.

2. Fair Value of Financial Instruments

The estimated fair values of Canon's financial instruments as of December 31, 2019 are set forth below. The following summary excludes cash and cash equivalents, trade receivables, finance receivables, noncurrent receivables, short-term loans, trade payables and accrued expenses, and the fair values of these instruments approximate their carrying amounts. The following summary excludes non-marketable equity securities without readily determinable fair value at cost (balance sheet amount ¥8,448 million)

(Millions of yen)

	Carrying amount	Estimated fair value	Difference
Securities	17,471	17,471	-
Long-term debt, including current portion	(354,444)	(354,444)	-
Foreign exchange contracts:			
Assets	351	351	-
Liabilities	(2,573)	(2,573)	-

The following methods and assumptions are used to estimate the fair value in the above table.

Securities

Securities are recorded at fair value.

Long-term debt

The fair values of Canon's long-term debt instruments are based on the present value of future cash flows associated with each instrument discounted using current market borrowing rates for similar debt instruments of comparable maturity.

Foreign exchange contracts

The fair values of foreign exchange contracts are measured using quotes obtained from counterparties or third parties, which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates, based on market approach.

<Note to Real Estate for Rent and Others>

There was no significant item.

<Note to Revenue Recognition>

Canon generates revenue principally through the sale of office, imaging system and medical system products, industrial equipment, supplies and related services under separate contractual arrangements. Revenue is recognized when, or as, control of promised goods or services transfers to customers in an amount that reflects the consideration to which Canon expects to be entitled in exchange for transferring these goods or services.

Revenue from sales of office products and imaging system products is recognized upon shipment or delivery, depending upon when the customer obtains controls of these products. Revenue from sales of equipment that are sold with customer acceptance provisions related to their functionality including optical equipment and certain medical equipment is recognized when the equipment is installed at the customer site and the agreed-upon specifications are objectively satisfied. In addition, service revenue primarily generated from maintenance service contract is recognized on overtime as it satisfies the underlying performance obligation.

<Note to Subsequent Event>

On January 17, 2020, Canon borrowed ¥100 billion under its existing overdraft facilities with Mizuho Bank and MUFG Bank for required operating funds. The overdraft facilities bear interest at a rate equal to a base rate plus a spread.

FINANCIAL STATEMENTS

Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity: Common stock	Capital surplus: Additional paid-in capital	Retained earnings: Legal reserve	Other retained earnings: Reserve for special depreciation	Other retained earnings: Reserve for deferral of capital gain on property	Other retained earnings: Special reserves	Other retained earnings: Retained earnings brought forward	Treasury stock	Total shareholders' equity	Valuation and translation adjustments: Net unrealized gains (losses) on securities	Valuation and translation adjustments: Net deferred gains (losses) on hedges	Subscription rights to shares	Total net assets
Balance at the beginning of current period	174,762	306,288	22,114	50	3,887	1,249,928	789,330	(1,058,502)	1,487,857	840	400	218	1,489,315
Changes of items during the period													
Transfer to reserve for special depreciation									-				-
Reversal of reserve for special depreciation				(43)			43		-				-
Transfer to reserve for deferral of capital gain on property									-				-
Reversal of reserve for deferral of capital gain on property					(139)		139		-				-
Dividends paid							(171,487)		(171,487)				(171,487)
Net income							90,169		90,169				90,169
Purchase of treasury stock								(50,015)	(50,015)				(50,015)
Disposal of treasury stock							(7)	21	14				14
Net changes of items other than shareholders' equity									-	1,078	(625)	252	705
Total changes of items during the period	-	-	-	(43)	(139)	-	(81,143)	(49,994)	(131,319)	1,078	(625)	252	(130,614)
Balance at the end of current period	174,762	306,288	22,114	7	3,748	1,249,928	708,187	(1,108,496)	1,356,538	1,918	(225)	470	1,358,701

<Notes to Statement of Changes in Net Assets>

1. Number of issued shares as of December 31, 2019 1,333,763,464 shares

2. Classes and shares of treasury stock (Shares)

Classes of stock	Balance at the beginning of current period	Increase	Decrease	Balance at the end of current period
Common stock	254,013,641	15,920,485	5,133	269,928,993

(Reason for change)

The increase of shares reflects the acquisition of 15,915,400 shares as approred by the resolution of the board of director's meeting, and 5,085 shares of the purchase of shares less-than-one-unit, requested by shareholders.

The decrease of shares reflects the transfer of exercise of 4,500 shares of stock options, and 633 shares of the sale of shares less-than-one-unit, requested by shareholders.

3. Payment for dividends

(1) Amount of dividends paid

Decision	Classes of stock	Cash dividend (Millions of yen)	Dividend per share (yen)	Record date	Effective date
March 28, 2019 Ordinary general meeting of shareholders	Common stock	86,380	80.00	December 31, 2018	March 29, 2019
July 24, 2019 Board of directors' meeting	Common stock	85,107	80.00	June 30, 2019	August 26, 2019

(2) Dividends whose record date is included in the current fiscal year and effective date is after the current fiscal year-end.

Scheduled	Classes of stock	Cash dividend (Millions of yen)	A source of dividend	Dividend per share (yen)	Record date	Effective date
March 27, 2020 Ordinary general meeting of shareholders	Common stock	85,107	Retained earnings	80.00	December 31, 2019	March 30, 2020

4. Number of treasury shares for exercisable stock options as of December 31, 2019

Common stock 185,800 shares

Notes to Non-Consolidated Financial Statements

<Notes to Significant Accounting Policies>

1. Valuation of Securities

(1) Securities of subsidiaries and affiliates----stated at cost based on the moving average method.

(2) Other securities:
Securities with quotation----stated at fair value (unrealized holdings gains and losses are reported in net assets, when sold, the cost is based on the moving average method).
Securities without quotation----stated at cost based on the moving average method.

2. Valuation of Inventories

(1) Finished goods and work in process----valued at cost based on the periodic average method (amount shown in the balance sheet is devaluated due to decline in profitability).

(2) Raw materials and supplies----valued at cost based on the moving average method (amount shown in the balance sheet is devaluated due to decline in profitability).

3. Depreciation Method of Fixed Assets

(1) Property, plant and equipment (excluding lease assets)----calculated by the declining-balance method. For buildings (excluding fixtures) acquired on or after April 1, 1998, depreciation is calculated by the straight-line method.

(2) Intangible fixed assets----calculated by the straight-line method. With regard to software for sale, calculated based on the estimated marketable period in consideration of marketing plan etc. of the relevant products (3 years), and with regard to internal-use software, calculated based on the estimated useful period in the Company (5 years).Goodwill is amortized on the straight-line method over 20 years based on the estimated period for each acquired business during which the excess earning power is maintained.

(3) Lease assets----calculated by the straight-line method. The engaged lease period is determined as the useful life of each lease asset.

4. Basis of Recording Allowances

(1) Allowance for doubtful receivables----provided as general provision for uncollectible receivables.
----General accounts
Allowances are provided using a rate determined by credit loss history.
----Allowance for accounts considered to be uncollectible and accounts in bankruptcy filing are provided for individual estimated uncollectible amount, primarily determined based on the respective customer's financial conditions.

(2) Accrued warranty expenses----provided as general provision for after-sales services and no charge repair cost on an estimated amount based on the historical performance.

(3) Accrued bonuses for employees----provided as general provision for bonuses to employees based on an amount expected to pay.

(4) Accrued directors' bonuses----provided as general provision for bonuses to directors based on an amount expected to pay.

(5) Accrued pension and severance cost----provided as general provision for employee retirement and severance benefits based on projected benefits obligation and expected plan asset. Prior service cost and actuarial variance are amortized on the straight-line method over the average remaining service periods of employees.

(6) Reserve for environmental provision----provided as general provision for the future environmental-related cost, such as construction costs to prevent the proliferation of soil pollution, and also clean-up costs of hazardous substances based on the related regulations.

(7) Accrued long-service rewards for employees----provided as general provision for reward to employees in accordance with management policy for long-service employees for this term based on an amount expected to pay.

5. Hedge Accounting

(1) Hedge accounting----Deferral hedge accounting has been applied.

(2) Hedging instrument and hedged items
Hedging instrument----derivative transaction (foreign exchange contract)
Hedged items----accounts receivable denominated in foreign currency for forecasted transaction.

(3) Hedge policy----Derivative financial instruments are comprised principally of foreign exchange contracts to manage currency risk. The Company does not hold derivative financial instruments for trading purpose.

(4) Assessment of hedge effectiveness----As the substantial terms of hedging instruments and of hedged items are the same, the fluctuations of foreign currency exchange rates are offset by each other at the hedge's inception and on an ongoing basis. Hedge effectiveness is assessed by verifying those relationships.

6. Notes to Others

(1) Consumption Taxes----excluded from the statements of income and are accumulated in other receivables or other payables.

(2) Consolidated Taxation System----applied

<Notes to Deferred Income Tax>

Major Items of Deferred Tax Assets and Liabilities

(Deferred tax assets)	
Accrued pension and severance cost	16,655 million yen
Investments in subsidiaries	6,907 million yen
Loss on valuation of inventories	1,911 million yen
Depreciation of fixed assets in excess of limit	10,900 million yen
Loss on impairment of fixed assets	1,961 million yen
Excess in amortization of software	6,396 million yen
Amortization of deferred charges in excess of limit	10,585 million yen
Other	10,686 million yen
Subtotal deferred tax assets	66,001 million yen
Valuation reserve	(8,847) million yen
Total deferred tax assets	57,154 million yen
(Deferred tax liabilities)	
Reserve for special depreciation	(3) million yen
Reserve for deferral of capital gain on property	(1,645) million yen
Prepaid pension cost	(2,514) million yen
Other	(3,034) million yen
Total deferred tax liabilities	(7,196) million yen
Net deferred tax assets	49,958 million yen

<Notes to Transaction with Related Parties>

(Millions of yen)

Nature	Company name	Ratio of voting rights held by the Company	Relationship with the Company	Transaction details	Transaction amount	Item	Balance as of December 31,2019
Subsidiary	Canon Marketing Japan Inc.	(Possession) Direct: 58.5% Indirect: 0.0%	Sales of the Company's products	Sales of the Company's products	178,540	Accounts receivable	17,891
			Borrowings of funds	Borrowings of funds	80,000	Short-term loans payable	170,000
Subsidiary	Oita Canon Inc.	(Possession) Direct: 100%	Production of the Company's products Interlocking directorate	Purchase of products, components and others	147,389	Accounts payable	33,075
Subsidiary	Canon Finetech Nisca Inc.	(Possession) Direct: 100%	Borrowings of funds	Borrowings of funds	1,231	Short-term loans payable	60,255
Subsidiary	Canon Medical Systems Corporation	(Possession) Direct: 100%	Lending of funds Interlocking directorate	Collecting of funds	10,744	Short-term loans receivable	32,480
Subsidiary	Canon Tokki Corporation	(Possession) Direct: 100%	Borrowings of funds	Repayment of funds	10,186	Short-term loans payable	55,370
Subsidiary	Canon Chemicals Inc.	(Possession) Direct: 100%	Borrowings of funds	Borrowings of funds	2,691	Short-term loans payable	34,042
Subsidiary	Canon U.S.A., Inc.	(Possession) Direct: 100%	Sales of the Company's products Borrowings of funds Interlocking directorate	Sales of the Company's products	420,608	Accounts receivable	92,688
				Repayment of funds	12,277	Short-term loans payable	37,673
Subsidiary	Canon Europa N.V.	(Possession) Indirect: 100%	Sales of the Company's products Borrowings of funds Interlocking directorate	Sales of the Company's products	365,782	Accounts receivable	80,601
				Borrowings of funds	57,844	Short-term loans payable	155,435
Subsidiary	Canon Singapore Pte. Ltd.	(Possession) Direct: 100%	Sales of the Company's products Borrowings of funds Interlocking directorate	Sales of the Company's products	197,236	Accounts receivable	28,527
				Repayment of funds	7,250	Short-term loans payable	87,100
Subsidiary	Canon (China) Co.,Ltd.	(Possession) Direct: 100%	Borrowings of funds Interlocking directorate	Borrowings of funds	30,521	Short-term loans payable	41,621
Subsidiary	Canon Vietnam Co., Ltd.	(Possession) Direct: 100%	Production of the Company's products Interlocking directorate	Purchase of products, components and others	181,811	Short-term loans payable	36,776

Conditions of transactions and policy regarding determination of conditions of transaction.

(Note 1) The transactions above are determined on a fair price basis.

(Note 2) Consumption taxes are excluded from the transaction amount, however, included in the balance at December 31, 2019.

(Note 3) The loans payable from Canon Marketing Japan Inc., Canon Finetech Nisca Inc., Canon Tokki Corporation, Canon Chemicals Inc., Canon U.S.A., Inc., Canon Europa N.V. , Canon Singapore Pte. Ltd. and Canon (China) Co., Ltd. is intended to make best use of the funding in the Canon Group.
Transaction amount shows net borrowings and repayment. The interests are determined reasonably based on market interest rates.

(Note 4) The loans receivable to Canon Medical Systems Corporation is intended to make best use of the funding in the Canon Group. Transaction amount shows net loans and collection. The interests are reasonably determined based on market interest rates.

(Note 5) Ratio of voting rights held by the Company for "Indirect" of Canon Marketing Japan Inc. shows as 0.0% as the ratio is less than the first decimal point.

<Note to Revenue Recognition>

The Company generates revenue principally through production and sales of office and imaging system products and industrial equipment under the separate contractual arrangements. Revenue is recognized when, or as, control of promised goods transfers to customers in an amount that reflects the consideration to which the Company expects to be entitled in the exchange for transferring these goods.

Revenue from sales of office products and imaging system products is recognized upon shipment or delivery, depending upon when the customer obtains control of those products. Revenue from sales of equipment such as semiconductor lithography equipment and FPD lithography equipment, that requires customer acceptance related to their functionality, is recognized when the equipment is installed at the customer site and agreed-upon specifications are objectively satisfied.

<Note to Subsequent Event>

On January 17, 2020, Canon borrowed ¥100 billion under its existing overdraft facilities with Mizuho Bank and MUFG Bank for required operating funds. The overdraft facilities bear interest at a rate equal to a base rate plus a spread.