

CANON

INTEGRATED REPORT 2023



About this Report

Editorial Policy

This report integrates information of both a financial and non-financial nature to help stakeholders better understand the initiatives taken by Canon to create value. The guidelines used to prepare this report are: International Integrated Framework (IFRS Foundation) and Guidance for Integrated Disclosure and Dialogue in Collaborative Value Creation (Ministry of Economy, Trade and Industry, Japan). Additional financial information is available in the CANON ANNUAL REPORT 2022.

(Ref.) CANON ANNUAL REPORT 2022
<https://global.canon/en/ir/library/annual.html>

Scope of the Report and Period Covered

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2022 (January 1 to December 31, 2022). The scope of environmental reporting is not limited to activities (development, production, and sales) at operational sites. Supplemental information on important targets, indicators, and initiatives prior to and beyond 2022 is referenced in this report. Information specific to a region or organization is indicated as such.

Target of the Report

This report presents data from 330 companies (57 companies in Japan and 273 overseas) that are consolidated companies of the Canon Group.

Date of Publication

May 2023
(previous: May 2022, next planned: May 2024)

Disclosed Data

Disclosed data has been revised to reflect changes in calculation methods and the expanded scope of sites covered. Accordingly, some data in this report differ from previously disclosed data.

Notation

"Canon" refers to all companies in the Canon Group including Canon Inc. and its consolidated subsidiaries, while "Canon Inc." indicates the non-consolidated parent company. "Employees" refers to full-time employees and also includes part-time workers. In addition, "Europe" refers to the region including Europe, the Middle East, and Africa.

Forward-looking Statements

This report contains not only past and present facts about Canon, but also forward-looking statements based on plans, prospects, and management policies and strategies as of the publication date. These forward-looking statements are assumptions or estimations based on information available at the time the report was prepared. Due to a range of variables, however, the results or circumstances of future business activities may vary from the forecasts contained herein.

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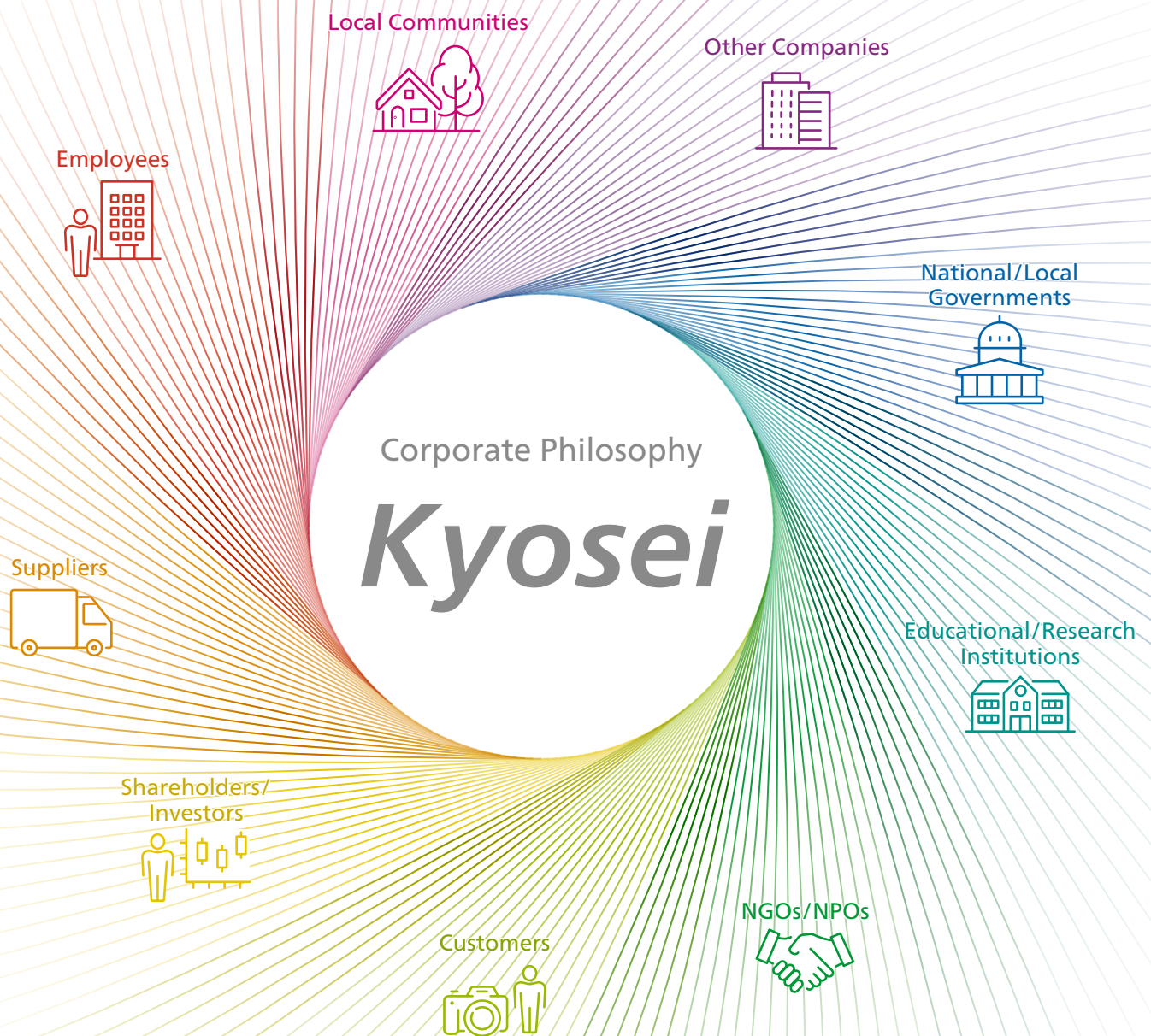
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About the Cover

Canon in 2021 launched Phase VI of the Excellent Global Corporation Plan. Having reorganized our business divisions into four industry-oriented groups according to their affinity with each other, we are working to deepen the exchange of technologies within each group, develop next-generation technologies that lead to business creation, and reinforce production technology. The four colors of lines on the cover represent each industry-oriented group and graphically express the global nature of the groups' activities.

Following the corporate philosophy of *kyosei*, Canon aspires to be a truly excellent company that is favored and respected worldwide.



Three Strands of Canon's Corporate DNA: Respect for Humanity, Emphasis on Technology, and Enterprising Spirit

The principles of "Respect for humanity," "Emphasis on technology," and "Enterprising spirit" have been integral strands of Canon's corporate DNA since our founding. Canon's enterprising spirit began with the creation of world-leading cameras based on the intellect of a few engineers, and the drive to differentiate through technology has become deeply embedded in our culture as we have developed new innovations for society. Underpinning this approach is a deep respect for humanity, as expressed in principles such as putting priority on ability (meritocracy) and health. We will ensure that our corporate DNA is passed on to the next generation as we continue to develop valuable products and services.

Canon's corporate philosophy is *kyosei*.

Kyosei expresses our aspiration to create a society in which all people,
regardless of race, religion or culture,

live and work together harmoniously for the common good.

Today, however, issues related to economics,
resources and the environment make realizing *kyosei* difficult.

Canon strives to solve these issues through
corporate activities rooted in *kyosei*.

Truly global companies must foster good relations
with customers and local communities, as well as with countries or
regions and the environment to fulfill their social responsibilities.

With this in mind, Canon is continuing its efforts to realize *kyosei*
with the aim of contributing to world prosperity
and the happiness of humankind.



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Message from the CEO



Performance in 2022

Backed by strong product competitiveness, and a turnaround in product supply volume, sales volumes were up, leading to the second consecutive year of significant growth in sales and profits

While the global economy showed modest signs of post-pandemic recovery in 2022, inflation rose sharply due to steep increases in the prices of energy, food and other resources following Russia's invasion of Ukraine. The pace of recovery was further muted by tighter monetary policies adopted by central banks worldwide to try to restrain inflation.

Under these conditions, we achieved positive year-on-year growth in sales volumes for many of our products, reflecting the fact that Canon ranks in the top three for global market share in most of our businesses. In the Printing Group, we catered to the diversifying landscape of work with a rich product lineup from multifunction devices (MFDs) for the office to inkjet printers optimized for home use. In the Imaging Group, we expanded our lineup of mirrorless cameras and interchangeable lenses to serve the needs of users seeking superior image quality. In the Medical Group, we introduced new models of CT and MRI scanners that integrate Canon's imaging technology with our expertise in the medical sector, as well as increasing sales of ultrasound equipment. We also accelerated a research program that aims to commercialize next-generation photon-counting CT scanners. In the Industrial Group, our focus was on supplying high-productivity

lithography equipment amid aggressive capital investment by semiconductor manufacturers in anticipation of growth in the market for electric vehicles, which will require many power chips and other parts based on technologies such as AI and IoT.

At the same time, we focused efforts across the Canon Group to restore our supplies of products amid persistently tight conditions across many component supply chains. Thanks to Canon's high level of product competitiveness, we managed to pass on higher costs partly through increases in sale prices. We also worked to restrict growth of consolidated expenses in order to bolster profitability.

In year-on-year terms, after a major recovery in 2021, we recorded further significant gains in sales and profits in 2022. Consolidated net sales rose 14.7% to ¥4,031.4 billion, while income before income taxes increased 16.4% to ¥352.4 billion. Net income attributable to Canon Inc. increased 13.6% to ¥244.0 billion.

We also continued to make steady progress in the transformation of our business portfolio, with the annual sales of new businesses such as medical and network cameras rising steadily to surpass ¥1,000 billion. The Canon Group sales figure of over ¥4,000 billion marked a five-year high.

Phase VI of the Excellent Global Corporation Plan

Even in a highly uncertain operating environment, steadily implementing three priority measures, with the aim of achieving 2025 performance targets

In Phase V of our Excellent Global Corporation Plan (2016–2020), we initiated a transformation of Canon's business portfolio with less emphasis on M&A activity, establishing a foundation for future growth in sectors such as commercial printing, network cameras, medical equipment, and industrial equipment.

In Phase VI, our subsequent five-year plan (2021–2025), we are building on the progress made in Phase V. Our basic policy approach has been to redouble efforts towards the transformation of the business portfolio by improving productivity and creating new businesses.

The previous year of 2022 was one marked by global turmoil, characterized by rising consumer prices, interest rate hikes, Russia's invasion of Ukraine, and ongoing tension between China and the U.S. Conditions are expected to remain highly uncertain in 2023. While keeping a close eye on the global situation and economic developments, we are focusing on three key policy measures.

1. Strengthen and expand industry-oriented business groups

We are starting to see significant benefits emerge from the move in 2021 to organize our product operations into four separate industry-oriented groups along technologically compatible lines. Expanding and upgrading product lineups has reinforced our business competitiveness, and we have further gained from eliminating redundant functions and related streamlining. Comparing 2022 with 2017, the last year we recorded over ¥4,000 billion in net sales, declining sales in existing businesses such as cameras and laser printers have been recovered through the rapid growth of sales from new businesses, such as medical equipment and network cameras, with the new businesses generating sales of over ¥1,000 billion in 2022. Since these new businesses are also contributing to our bottom line, we can say that Canon's business transformation is well underway. In 2023, aiming for new heights, as well as reinforcing existing initiatives, we will seek to strengthen and expand industry-oriented business groups by coordinating closer technical exchanges within the Group to help develop the business-generating technologies of the future and to strengthen our production technology.

2. Rebuild global production system

Canon has expanded its production bases across Asia since the 1970s, but we are now reviewing and reorganizing the network due to supply chain

disruptions and mounting geopolitical risks. One aspect of this is repatriating some production to Japan.

With greater use of automation alongside in-house manufacturing, we are proactively working to lower the cost of sales through integration of design and production technology at manufacturing sites. We are increasing production in Japan while seeking to remain cost-competitive with overseas rivals.

3. Reinforce product development focused on proprietary technologies

In recent years, we have focused on developing new businesses through M&A. Going forward, however, we plan to focus on reinforcing product development focused on proprietary technologies as a major source of new business development. Besides developing new products and solutions based on close technical cooperation between our industry-oriented business groups, the Frontier Business Promotion Headquarters is seeking to leverage proprietary technologies from across the Canon Group to create new businesses in the areas of Life Sciences, Materials and Solutions. Since developing technical leaders is essential in the realization of these goals, we have instituted a system to recognize staff worldwide who drive development of cutting-edge technology as "top scientists." We are also working to develop software engineers through re-skilling training programs for Canon employees.



Re-skilling training session for employees

By advancing the above measures, in 2025, the final year of Phase VI, our minimum targets are ¥5,000 billion for sales, 12% for the operating margin, 8% for the net margin, and shareholders' equity ratio of 65%.

Towards the Realization of *Kyosei*

Addressing various social issues by identifying material topics in line with philosophy of *kyosei*

Canon's corporate philosophy is summarized in the Japanese word *kyosei*, which describes the idea of harmonious coexistence. *Kyosei* expresses our shared aspiration to create a society in which all people live and work together harmoniously for the common good into the future, regardless of race, language or culture. Based on the concept of *kyosei*, we have designated "Creating New Value and Solving Social Issues," "Protecting and Conserving the Environment," and "Responding to People and Society as a Good Corporate Citizen" as material topics to guide Canon's various initiatives in the economic, social, and environmental domains.

Creating New Value and Solving Social Issues

The COVID-19 pandemic has significantly changed the values and lifestyle of people, in the process accelerating the adoption by society of digital and environmental technologies. In response to these trends, Canon must develop solutions that address increasingly complex and diverse social issues. Below I outline some of the ways that Canon's business groups are creating new value and solving social issues.

In the Printing Group, amid a rapid shift to working from home, we understand the need to provide the home office with an IT environment where data is secure. While providing a secure printing environment whether work is from home or at the office, we are also contributing to increases in operational efficiency by developing new cloud-based services lined to Canon MFDs. In addition, we are helping customers reduce their environmental impact by promoting the more widespread use of on-demand printers, which deliver fast turnaround at low cost, by combining our electro-photographic and inkjet technologies while also designing MFD components that are more energy-efficient and easily recyclable.

In the Imaging Group, our network cameras are contributing to realizing a safer and more secure society by utilizing the visual data they capture, most notably for crime prevention and natural disaster response. In addition, we are supplying total solutions that integrate camera hardware with visual data management/analysis software to satisfy diverse customer requirements in areas such as in-store marketing or production site monitoring, thus helping customers improve productivity, quality and customer satisfaction.

In the Medical Group, amid rising medical costs and practitioner shortages worldwide, Canon is seeking to address such issues by helping people live healthier and longer lives. Critical to this is the early detection of conditions through testing. We are working to shorten times needed to take diagnostic images while reducing the amount of radiation exposure, both of which help patients. In addition, we are trying to improve diagnostic accuracy by utilizing AI-based technologies to reduce noise during image processing.

Our efforts are focused on the development of the next generation of commercial CT scanners, which are based on photon-counting technology to deliver high-resolution images while utilizing less radiation. We see the practical application of this equipment enabling more accurate diagnoses while also significantly reducing the burden on patients. Canada's Redlen Technologies, a world leader in the imaging sensors needed for CT scanners, is now part of the Canon Group. To help develop commercial next-generation scanners as quickly as possible, we have also initiated joint research with the National Cancer Center of Japan in this field.

In the Industrial Group, as digitalization trends across the industrial and consumer sectors, we are helping to create value for society through our business activities, which involve products and services that are widely considered essential.

In semiconductor production equipment, where process migration continues to demand larger machines of increasing cost, Canon is focused on developing nanoimprint lithography to create new value through state-of-the-art chip designs at reduced cost and with less energy consumption.



Joint research into next-generation CT scanners with the National Cancer Center of Japan



Development of semiconductor production equipment based on nanoimprint lithography

Protecting and Conserving the Environment

Based on our corporate philosophy of *kyosei*, Canon has also been at the forefront of initiatives to protect the environment because we consider this to be our responsibility as a global enterprise. We have tried to build harmonious relationships with the Earth and the natural environment. We introduced a system for printer cartridge recycling in 1990. Since then, we have worked throughout our organization to reduce the lifecycle CO₂ emissions of Canon products at every stage from R&D, design, procurement and production to logistics, sale, servicing and post-use collection and recycling.

Since 2008, we have been working to achieve an annual average improvement of 3% in lifecycle CO₂ emissions per product. We have achieved a cumulative improvement of 43% in the lifecycle of products from development to recycling through energy and resource conservation and streamlining of distribution. By 2030, we aim to reduce emissions by 50% from the 2008 baseline, and, by 2050, we aim to cut our CO₂ emissions across product lifecycles to net zero by working together with society.

Moreover, from the perspective of conserving resources, we operate recycling plants across five sites globally, in Japan, the US, Germany, France, and China. We also strive to use less resources by eliminating waste via automated production and just-in-time logistics systems, while also standardizing components to reduce inventories. As we move ahead, we aim to achieve coexistence between affluent lifestyles and the global environment by providing more value with fewer resources by leveraging the power of technology and innovation throughout all product lifecycles.

Responding to People and Society as a Good Corporate Citizen

Besides our business activities, we are engaged in initiatives that focus on people and society so we can leverage the talents of those working with Canon to be an enterprise that thrives in partnership with local communities.

In 2021, we refined the Canon Group Human Rights Policy, in line with the deep respect for people that has always been core to Canon's approach and based on international standards relating to respect for human rights. We are continuing to strengthen our activities in line with this policy while conducting dialogues with stakeholders.

Our ideal is to grow and prosper with those in the community so Canon is an enterprise that is admired and respected around the world. Based on our corporate philosophy of *kyosei*, we are committed to helping realize a better society by engaging in dialogue with our stakeholders in every part of the world and to address the issues faced by people worldwide.

I humbly ask for your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

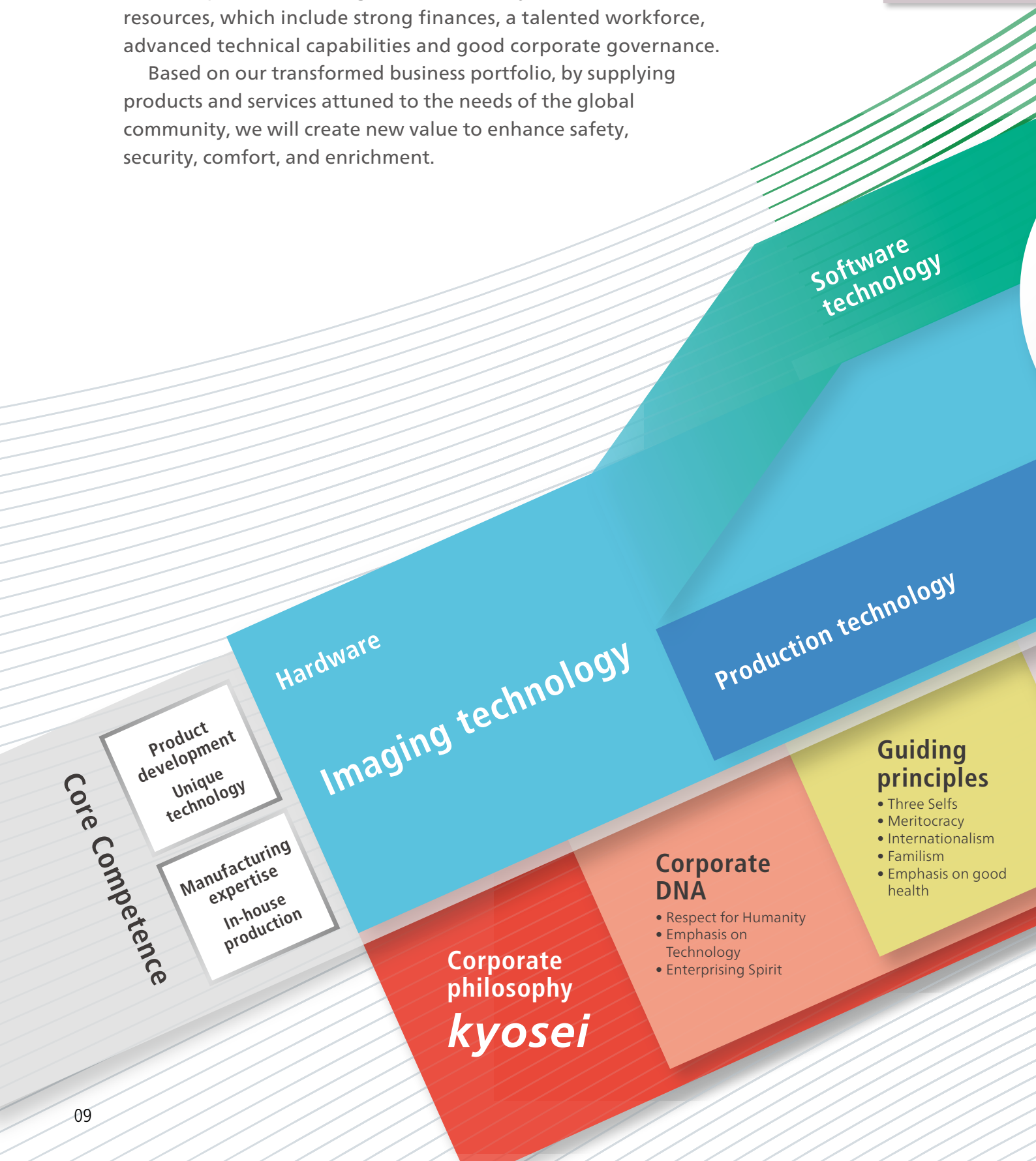
Value Creation Process

The Canon Group has built its business over the years based on the philosophy of *kyosei* and inherited corporate DNA comprising a respect for humanity, an emphasis on technology, and an enterprising spirit. We have continued to grow as we anticipate social changes and effectively utilize our various resources, which include strong finances, a talented workforce, advanced technical capabilities and good corporate governance.

Based on our transformed business portfolio, by supplying products and services attuned to the needs of the global community, we will create new value to enhance safety, security, comfort, and enrichment.

R&D Strategy

Financial Strategy



y (→P31)	Human Resources Strategy (→P33)
egy (→P35)	Intellectual Property (IP) Strategy (→P37)

Business Portfolio Transformation

- Printing (→P23)
- Imaging (→P25)
- Medical (→P27)
- Industrial (→P29)



Security

Safety

Comfort

Enrichment

Corporate governance

Society (→P47)

Environment (→P40)

History of Canon

Ever since Canon was founded, we have grown through innovation to meet the needs of the times based on our Enterprising Spirit. We have created generations of competitive products and services by pursuing a basic strategy of globalization and diversification.

Thinking on Value Creation

- Creating products and services that meet society's expectations through new technologies and staying ahead of the times
- Helping more people enjoy richer lives
- Constant pursuit of excellence in environmental, quality, cost and delivery performance

Consolidated Net Sales

Globalization

Early focus on expanding internationally through global brand development

Japan Americas Europe Asia and Oceania Overseas*

* Net sales figures outside Japan prior to 1971 consolidated in "Overseas" category.

1937 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990

Evolution of Business Plans

Premier Company Plan

First Global Co

1960s

1970s

1980s

Societal Issues and Global Trends

High economic growth

Advance of electronics technology

Product/Business Development and Activities

1961

Launch of Canonet

A low-priced model with internal automatic exposure mechanism rapidly became a hit product. Helped to popularize photography



1964

Launch of Canola 130, the world's first 10-key electronic calculator

This model condensed the previous format with 10 keys for each number column into a single 10-key format. The 10-key format goes on to become the de facto standard



Diversification

Creation of new businesses by integrating existing technologies with new state-of-the-art advances

1970

Launch of Japan's first domestically produced plain-paper copier (PPC)

Successfully commercialized a plain-paper copier that did not use the patent of US Xerox Corporation. Contributed to the advance of office automation



NP-1100

1970

Launch of Japan's first domestically produced semiconductor lithography equipment

Using its camera lens technology, succeeded in commercializing a stepper. Subsequent contributions to the development of semiconductor devices included the world's first sub-micron-level print line width



PPC-1

1984

Launch of world's smallest, lightest laser printer

Contributed to the realization of desktop publishing, followed by the rapid spread of laser printers



LBP-8

1985

Launch of the world's first inkjet printer using Bubble Jet technology

Subsequently developed superior miniaturization and color printing technologies, leading to the popularization of high-resolution, full-color printing at home

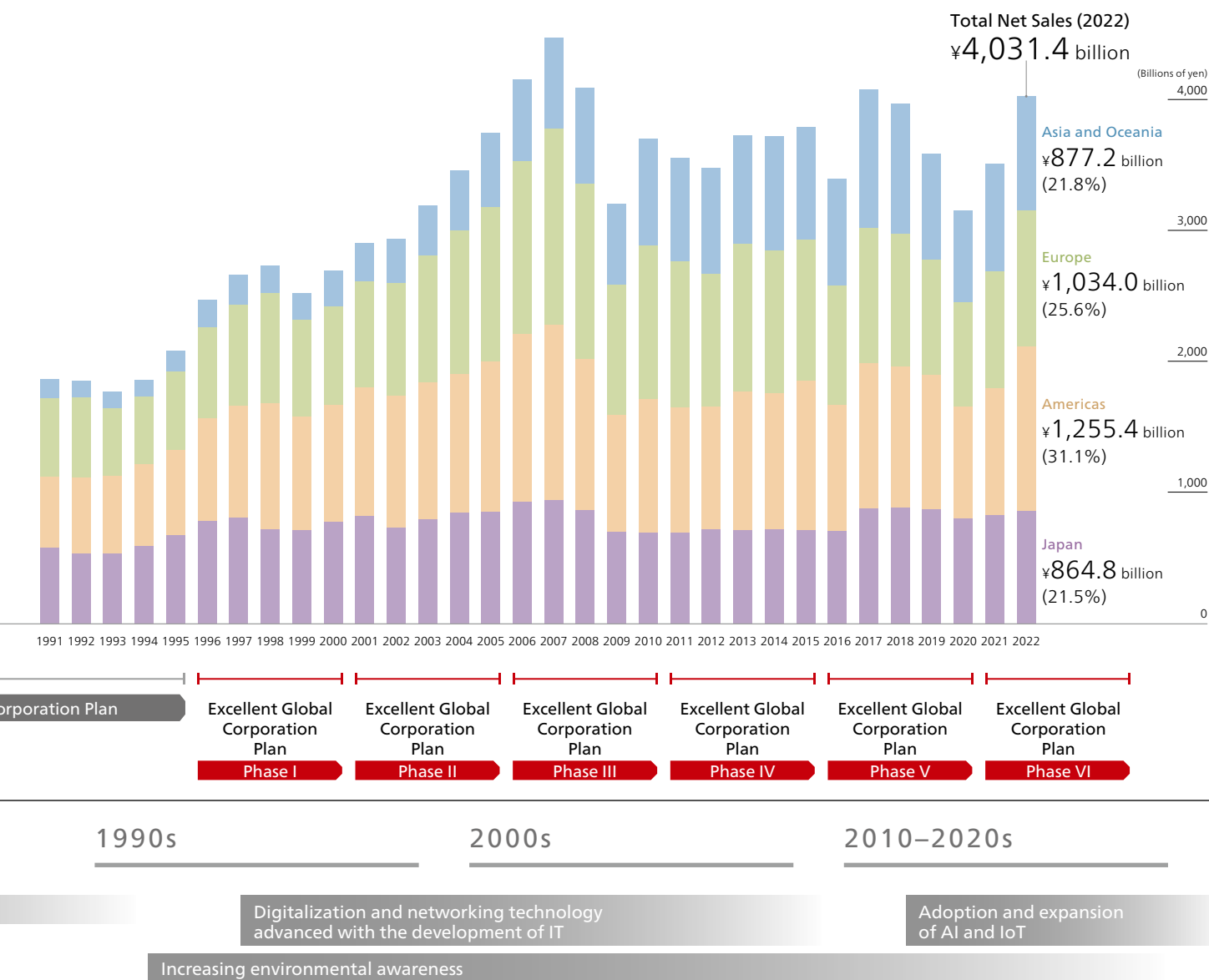


BJ-80

1987

Launch of CLC-1, the world's first digital full-color copying machine

In an era dominated by monochrome copying, realized high-resolution, full-color copying, marking the start of a new era



1990
Start of toner cartridge recycling program
Quickly recognizing the large volume of consumed cartridges as an issue for companies, started a recycling program

1996
Launch of ELPH (IXY or IXUS in other regions), the world's smallest film camera with Advanced Photo System (APS)
Global hit due to innovative, high-end design and easy portability for daily use

1998
Launch of digital X-ray radiography equipment for medical use
Elimination of film enabled instant imaging after exposure, and environmental breakthrough since developer fluid wasn't needed



2000
Launch of iR series new-generation network MFDs
Realized seamless linking of input and output of paper and digital documents and enabled digitization of paper documents and output from remote locations

2000
Launch of PowerShot S100 DIGITAL ELPH (DIGITAL IXUS in other regions), the world's smallest, lightest digital compact camera
A high-image-quality digital camera that was stylish and easy to carry became a hit product



PowerShot S100 DIGITAL ELPH / DIGITAL IXUS

2007
Expansion of industrial equipment business
Canon Tokki joined the Group. Contributed to spread of devices using OLED displays through successful realization of OLED panel manufacturing equipment in the 2010s

2010
Expansion of digital commercial printing business
Canon Production Printing joined the Group. Promoted advanced digital printing

2015
Strengthening of network camera field
Leading global company Axis Communications joined the Group. Expanded Canon's presence in areas offering security and safety

2016
Expansion of the medical business
Canon Medical Systems joined the Group. Expanded businesses that serve patients and medical institutions

2018
Opened the Canon Eco Technology Park, an automated recycling plant
Developed as a site for communicating environmental activities

2021
Accelerating the Development of Next-generation CT
Made Canada's Redlen Technologies Inc. a wholly owned subsidiary. Accelerated development of photon counting CT

Canon Today

Guided by a core policy of “accelerate our corporate portfolio transformation by improving productivity and creating new business,” Canon reorganized its business divisions into four industry-oriented groups, in areas offering the greatest compatibility, to make the best possible use of Canon’s broad range of businesses and technologies. We will revisit all of our technological capabilities and business areas from the perspective of each group to build a more robust organization while actively pursuing M&A and other avenues to bolster Canon’s development and production and create new businesses.

Printing

Net Sales **¥2,261.9 billion/56% Share of Net Sales**



Office multifunction devices

To improve productivity for customers, particularly by promoting the digital transformation (DX) of office work, we offer multifunction office devices with upgraded network functions and deliver IT-based solutions. Meanwhile, to meet new printing needs in satellite offices and in the home, which have expanded with teleworking, we are rolling out a range of products and services to match increasingly diverse work styles. These include inkjet printers and a wide range of other equipment to cover not only office functions but also day-to-day household requirements.



Sheet-fed presses

For commercial printing, to respond flexibly to customers with small-run, multi-item needs, we are promoting digital printing to capture growing demand.

Total Net Sales
¥4,030 billion

Enhance competitiveness
through reorganization
into industry-oriented groups

Imaging



Mirrorless cameras

Our cameras are designed for users with demanding standards in the visual arena. To meet their expectations, we work to achieve superior performance in image quality, light sensitivity and other areas, contributing to advances in photographic and image culture. For our network cameras, the global increase in security awareness is growing the market. However, these cameras are not only being used in crime prevention and surveillance, but are also being rapidly deployed in other settings such as marketing, factory automation, and are being offered as solutions to avoid contact and congestion through remote monitoring.

We will work to expand our business sphere, developing, among others, in-vehicle cameras, through the further advancement in imaging technology.



Network cameras

Net Sales **¥803.5 billion/20% Share of Net Sales**

Others & Corporate

Net Sales ¥223.0 billion/6% Share of Net Sales

Medical

Net Sales ¥513.3 billion/13% Share of Net Sales

Amid expanding needs in wide areas of the healthcare sector, from health management to disease prevention, Canon is contributing to advances in medical care through the development of technologies and products that support doctors and patients.

Canon has a wide-ranging track record in diagnostic imaging devices, from CT, MRI, and ultrasound systems to ophthalmological instruments. Going forward, we will deploy core technologies found in our camera and printer businesses, to the medical field, which will not only support high-quality diagnosis and treatment that utilize healthcare IT to aggregate, analyze and process medical data, but also facilitate a full-scale roll out of operations in the in vitro diagnostics sector, including the testing equipment peripherals market, thereby exploiting to the full the synergistic capabilities of the Canon Group.



CT diagnostic systems



Diagnostic ultrasound systems

Industrial

Net Sales ¥329.2 billion/8% Share of Net Sales

The digital technology revolution that is driving innovation in areas such as AI, IoT, and 5G has also added momentum to the widening application of semiconductor devices and high-resolution displays. We also expect continuing growth in demand for the relevant manufacturing equipment. By adapting its proprietary optical and image-processing technologies to industrial equipment, Canon delivers products that meet the wide-ranging needs of industry. Among the main items we are promoting in this area are semiconductor lithography equipment, which plays a key role in semiconductor chip production, FPD lithography equipment, which is essential to smartphone and television set production, and OLED panel manufacturing equipment, which has become the industry standard in the production of high-resolution displays.



Semiconductor lithography equipment



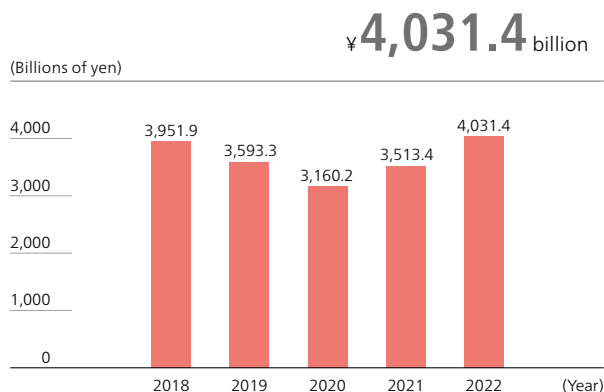
Flat panel display (FPD) lithography equipment

les for 2022
1.4 billion
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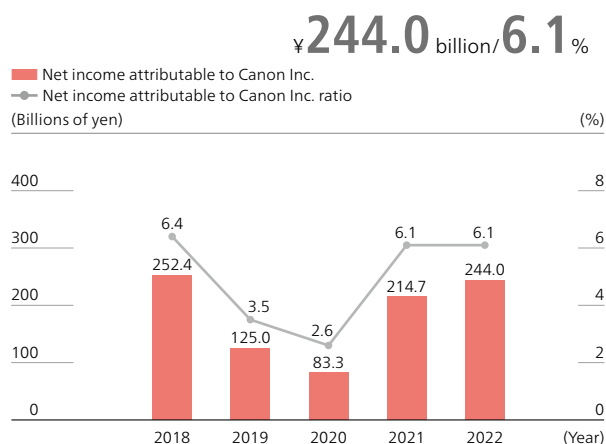
Financial and Non-financial Highlights

Financial Information

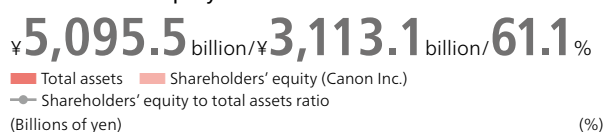
Net Sales



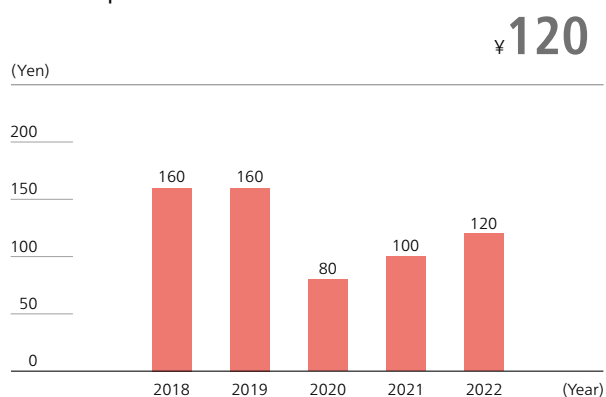
Net Income Attributable to Canon Inc./ Net Income Attributable to Canon Inc. Ratio



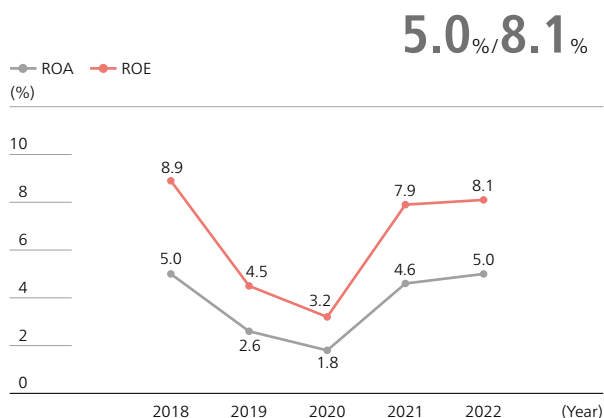
Total Assets/Shareholders' Equity/ Shareholders' Equity to Total Assets Ratio



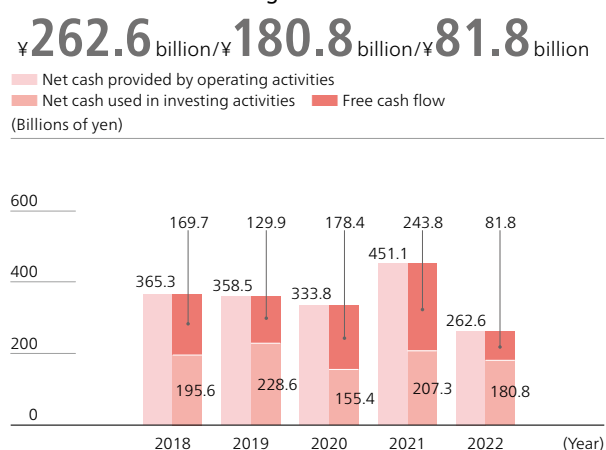
Dividend per Share



ROA/ROE

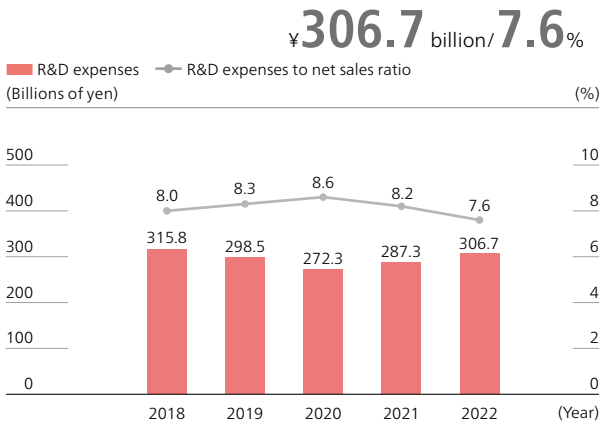


Net Cash Provided by Operating Activities/ Net Cash Used in Investing Activities/Free Cash Flow

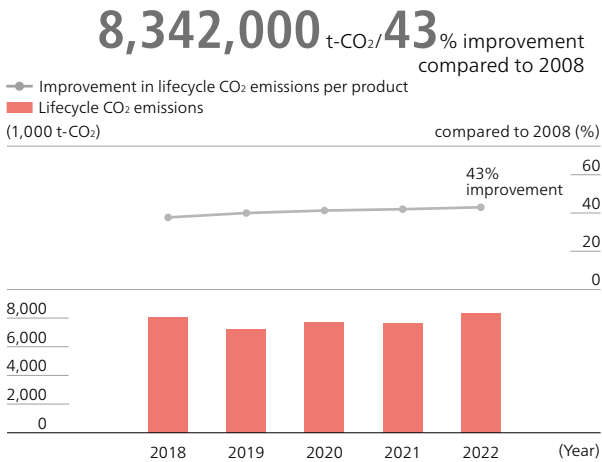


Non-financial Information

R&D Expenses/R&D Expenses to Net Sales Ratio

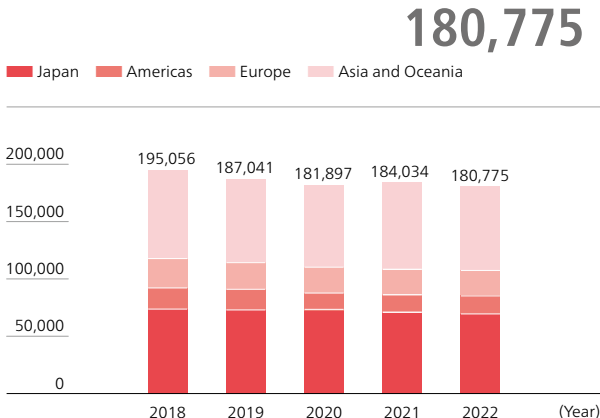


Lifecycle CO₂ Emissions/Improvement per product



* For more details, please refer to "Lifecycle GHG Emissions (CO₂ Equivalent)" on P42

Canon Group Employee Numbers by Region



Top Ten U.S. Patent Holders by Company

No. 5

	2018	2019	2020	2021	2022
1	IBM	IBM	IBM	IBM	Samsung Electronics
2	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics	IBM
3	Canon	Canon	Canon	Canon	TSMC
4	Intel	Microsoft Technology Licensing	Microsoft Technology Licensing	TSMC	Huawei Technologies
5	LG Electronics	Intel	Intel	Huawei Technologies	Canon
6	TSMC	LG Electronics	LG Electronics	Intel	LG Electronics
7	Microsoft Technology Licensing	Apple	TSMC	Apple	Qualcomm
8	Qualcomm	Ford Global Technologies	Apple	LG Electronics	Intel
9	Apple	Amazon Technologies	Huawei Technologies	Microsoft Technology Licensing	Apple
10	Ford Global Technologies	Huawei Technologies	Qualcomm	Qualcomm	Toyota Motor

* For details of our approach on patent portfolio, please see Intellectual Property (IP) Strategy (→P37–38).

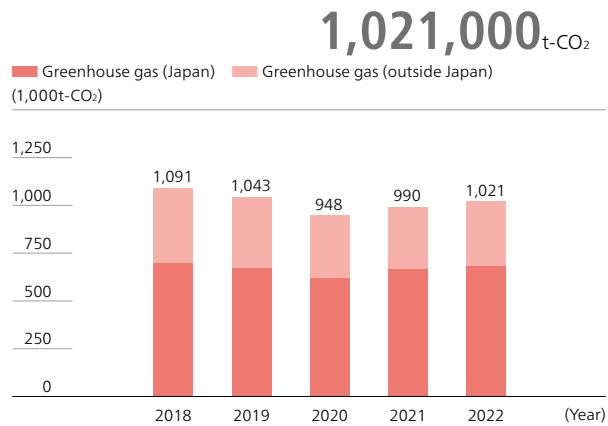
* Number of patents for 2021–2022 is based on figures released by IFI CLAIMS Patent Services on January 10, 2023.

* Number of patents for 2018 to 2020 are based on information released by the United States Patent and Trademark Office.

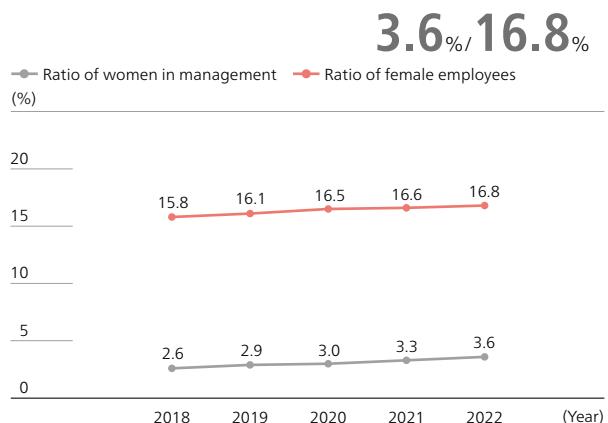
* IBM stands for "International Business Machines Corporation."

* TSMC stands for "Taiwan Semiconductor Manufacturing Company Limited."

Greenhouse Gas Emissions at Operational Sites



Ratio of Women in Management/ Ratio of Female Employees (Canon Inc.)



Materiality and SDGs

Materiality Theme Identification Process

At Canon, we selected materiality themes using a three-step process, as outlined below. Consequently, “Creating New Value and Solving Social Issues” and “Protecting and Conserving the Environment” were

identified as themes of particularly high stakeholder interest. In addition, we selected “Responding to People and Society as a Good Corporate Citizen” as a supporting materiality theme.



Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys to better understand the social issues stakeholders are interested in as well as the expectations they have of the company in response to trends within and outside the Group. We use the survey results along with the opinions of sustainability experts, investors, and other stakeholders to evaluate the validity of the materiality themes and review as appropriate. We also use the surveys to analyze Canon’s impact on society and further improve our activities. To assist the future expansion of our activities, Canon also asks stakeholders for their views on the Sustainable Development Goals (SDGs).

■ Stakeholder Questionnaire Survey Outline

Survey period: November to December 2020

Target: Stakeholders including consumers, suppliers, investors/analysts, non-profits, civic groups, persons affiliated with universities/research institutions, national/local governments in Japan, the Americas, Europe, Asia, and other regions (total: 100 stakeholders)

3 Materiality Themes and Results of Stakeholder Survey

Identified materiality issue		Questionnaire items (extract)
Creating New Value and Solving Social Issues		- Development of medical technology that contributes to human health and the prevention of disease - Advancing security technology to contribute to the safety and security of society - Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging
Protecting and Conserving the Environment		- Promotion of energy conservation / Utilization of renewable energy - Reuse and recycling of used products - Reduction of waste/Prevention of water and soil pollution
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor	- Respect for basic human rights/ Prevention of discrimination and harassment - Appropriate wage and working hour management
	Social Contribution	- Utilizing business activities to contribute to social welfare - Support for nurturing the students and children who will lead the next generation

Contributing to Achievement of SDGs via Materiality Issues

Canon is contributing to the achievement of the SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes

on P17. While gauging any shifts in societal expectations as accurately as possible, Canon contributes to the achievement of SDGs through the effective utilization of our proprietary technology and solutions.

Creating New Value and Solving Social Issues

- We are working to create new value and address social issues through the business activities of the Printing, Imaging, Medical, and Industrial groups (→P23–30).
- We are creating new businesses by combining Core Technologies, Fundamental Technologies, and Value Creation Technologies (→P31–32).



Protecting and Conserving the Environment

- We are working throughout product lifecycles to achieve net-zero CO₂ emissions by 2050 (→P40).
- We are reducing resource consumption and realizing advanced resource recycling (→P43).
- We are promoting management of the entire supply chain, including management of chemical substances in products (→P44).
- We are disclosing information to meet the needs of our stakeholders, including content in line with TCFD Recommendations (→P45).



Responding to People and Society as a Good Corporate Citizen

- We respect human rights, including by formulating "Canon human rights policy" and identifying human rights-related risks (→P34).
- We support the active participation of women, including providing training to elevate women to roles in senior management (→P47–50).



Goal 17 (Revitalize the global partnership for sustainable development) is omitted from the above matrix because it relates to all business activities.

Evolution of Business Plans

Based on the Excellent Global Corporation Plan launched in 1996, Canon has continued to aspire to be a company that people in various countries and regions worldwide admire and respect by contributing to society using technology. In 2021, we started Phase VI of the plan. Continuing the success achieved in Phase V, this next stage of Canon's development focuses on the core policy of "promoting portfolio transformation through improved productivity and new business creation."

–Before 1995

Business strategy combining comprehensive diversification and globalization

• Globalization

- 1955: With the opening of a branch office in New York, expansion of sales routes worldwide
- 1967: Overseas share of net sales passes the 50% mark
- 1970s: Production sites established in various countries and regions worldwide
- 1990s: Research and development sites established in various countries and regions worldwide

• Diversification

- Early 1960s: By supplementing optical and mechanical technologies with electronics technology, development of such products as electronic calculators help meet contemporary demand for office automation
- 1967: To mark the 30th anniversary, policy of full-scale diversification announced under the slogan "Cameras in the Right Hand, Business Machines in the Left"
- Advance to the cutting edge of contemporary industry with products that combined new and existing technologies, e.g., copying machines, printers and semiconductor lithography equipment

Business Plans

1962–1966

First Five-year Plan:

Launch of full-scale business activities in business machine market

1976–1987

Premier Company Plan:

Implementation of matrix management system based on divisional structure and Canon-style development, production and sales systems

1988–1995

First Global Corporation Plan:

Second inauguration of Canon announced under the corporate philosophy of *kyosei*. In line with this philosophy, promotion of global rollout of production and development and other policies to create a structure resilient to the negative impacts of exchange rate fluctuation and trade friction.

Excellent Global Corporation Plan

Phase I 1996–2000

Total optimization and profitability

Canon transformed the corporate mindset to refocus on total rather than partial optimization and on profitability rather than net sales growth, along with the introduction of cash flow management. Business innovation was initiated on many fronts, including the selection and concentration of business areas and reform in areas such as production and development.

Main strategies

- Establish consolidated management operation
- Introduce cash flow management
- Innovation in development such as introducing 3D-CAD
- Innovation in manufacturing through switch from conveyor belt to cell production

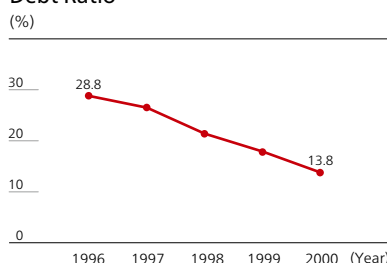
Economic value

- 1.1-fold growth in net sales 1.4-fold growth in net income
- Debt ratio 28.8%→13.8%
- Shareholders' equity ratio 38.1%→45.9%

Social and environmental value

- Digitalization of cameras, multifunction devices, etc., in line with the development of the IT environment; supply of digital cameras and copying machines in line with subsequent mass adoption of PCs and the Internet
- Progress with development and production of CMOS sensors for digital cameras to establish presence in the image sensor market

Debt Ratio



Development using 3D-CAD

Excellent Global Corporation Plan

Phase II 2001–2005

Increased competitiveness through digitalization

Aiming to become No. 1 in all major business areas, Canon focused on strengthening product competitiveness to match the changing times by stepping up efforts to digitalize its products. The company also conducted structural reforms across all Canon Group companies around the world.

Main strategies

- Strengthen product offer through independent development of CMOS sensors, image processors and other key components
- Speed up product commercialization through selection and concentration
- Maintain focus on cash flow management

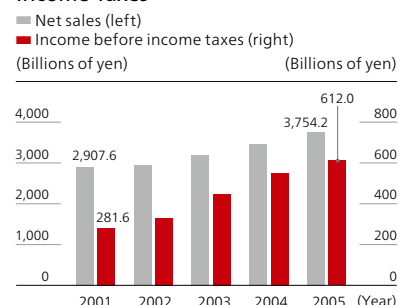
Economic value

- Record-high figures achieved for both net sales and income before income taxes in each of the five consecutive business periods (2001–2005)

Social and environmental value

- Market launch of digital cameras and printers in line with the increasingly widespread use of PCs and the Internet
- LCD lithography equipment contributes to the spread of large-screen LCD television sets

Net Sales and Income Before Income Taxes



LCD lithography equipment released for sale in 2002

Excellent Global Corporation Plan

Phase III 2006–2010**Reinforcing existing businesses and expanding into new areas**

While pursuing new growth through strategies such as enhancing existing businesses and expanding into new areas, Canon also focused on comprehensive supply chain management and introduced IT innovations.

Main strategies

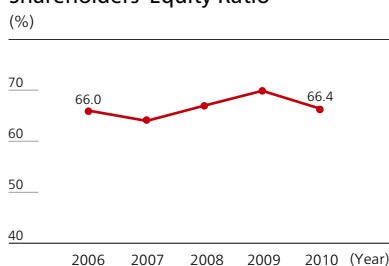
- Expand profitability of main businesses
- New production modes, such as man-machine cells where humans and machines work together
- Expand areas of business through diversification, establish management system based on three regional headquarters

Economic value

- Maintenance of high shareholders' equity Ratio
66.0%→66.4%
- Record-high figures for net sales and income before income taxes (2007)

Social and environmental value

- Network MFDs realized seamless linking of input and output of paper and digital documents
- Promotion of digital commercial printing business that identifies industry needs and facilitates variable data printing and other types of printing operation

Shareholders' Equity Ratio

Development in progress at Canon Production Printing

Excellent Global Corporation Plan

Phase IV 2011–2015**Enhancing growth and manufacturing capabilities**

Canon revised its management policy from a strategy targeting expansion of scale. While reinforcing its financial structure and actively conducting M&A, the company pursued acquisition of new growth engines for future expansion.

Main strategies

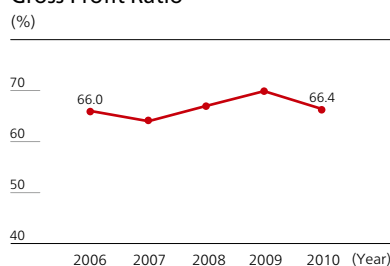
- Diversify through horizontal rollout of existing businesses such as digital cinema cameras
- Pursue aggressive M&A activities
- Upgrade production through automation and introduction of robots
- Innovation in procurement to reduce costs and ensure quality

Economic value

- Gross profit ratio reaches record high level 50.9% (2015)
- Maintenance of high shareholders' equity ratio 64.9% (2011)→67.0% (2015)

Social and environmental value

- Expansion of network camera business amidst increased awareness of security among society
- Cinema EOS System brings new range of visual expression to the film and television industry

Gross Profit Ratio

Sales launch of Cinema EOS System for film production (2012)

Excellent Global Corporation Plan

Phase V 2016–2020**New growth through a grand strategic transformation**

Canon reoriented its business portfolio from B-to-C businesses to B-to-B growth businesses, at the same time promoting automation and other initiatives to improve productivity.

Main strategies

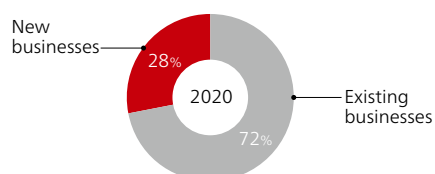
- Establish a new production system to reduce cost-of-sales ratio
- Reinforce and expand new businesses
- Restructure the global sales network

Economic value

- Net sales from new businesses: 12%→28% (target)

Social and environmental value

- Expansion of medical business with products that reduce the burden on both patients and medical professionals
- OLED panel manufacturing equipment facilitates adoption of OLED displays in smartphones, televisions, etc.

Share of Net Sales Provided by New Businesses

Diagnostic ultrasound system by Canon Medical Systems

Progress of Phase VI

Phase VI 2021-2025

Promoting portfolio transformation through improved productivity and new business creation

Main Strategies

1. Reinforce and Expand Industry-Oriented Business Groups

Printing Group (→P23)

- Reinforcing DX (digital transformation)-related product and service offerings, while strengthening product lineup and reducing costs
- Expanding sales by establishing solid position in new business areas, including commercial and industrial printing

Imaging Group (→P25)

- For cameras, enhancing lineup and establishing dominant position in mirrorless camera market
- For network cameras, realize growth by offering comprehensive product lineup ranging from hardware to software

Medical Group (→P27)

- Expand overseas sales by strengthening sales structure, starting in the U.S.
- Strengthen competitiveness of CT, MRI and Ultrasound systems, and secure No. 1 share of global CT market

Industrial Group (→P29)

- Further raise product competitiveness of semiconductor manufacturing equipment and boost production capacity
- Provide FPD lithography equipment for IT panels, where growth is expected, that contribute to improved productivity

Frontier Business

- Aim to create new businesses in the areas of life sciences, materials, and solutions by bringing together technologies from across the Group

2. Rebuild Global Production System

- Avoid supply chain disruptions and geopolitical risks
- Work to bring production back to Japan from viewpoint of strengthening cost competitiveness through automation and in-house production
- Promote comprehensive cost reduction activities that integrate design, production engineering, and manufacturing sites

3. Strengthen Product Development Centered on Proprietary Technology

- Going forward, reinforce product development centered on proprietary technology and cultivate new businesses
- Develop new products and solutions by combining technologies of groups reorganized by industry
- In the frontier business, create new businesses in the areas of life sciences, materials, and solutions
- Establish system that certifies world-class engineers that drive leading-edge technologies as "top scientists"
- Cultivate software engineers through employee reskilling

Key Performance Indicators

	2022 Results	2025 Targets
Net Sales	¥4,031.4 billion	¥4,500.0 billion or more
Operating Profit Ratio	8.8%	12% or more
Net Income Ratio	6.1%	8% or more
Shareholders' Equity Ratio	61.1%	65% or more

* Based on exchange rate of USD=¥105, EUR=¥120

Example of Product Development Centered on Proprietary Technology

1. SPAD Sensor

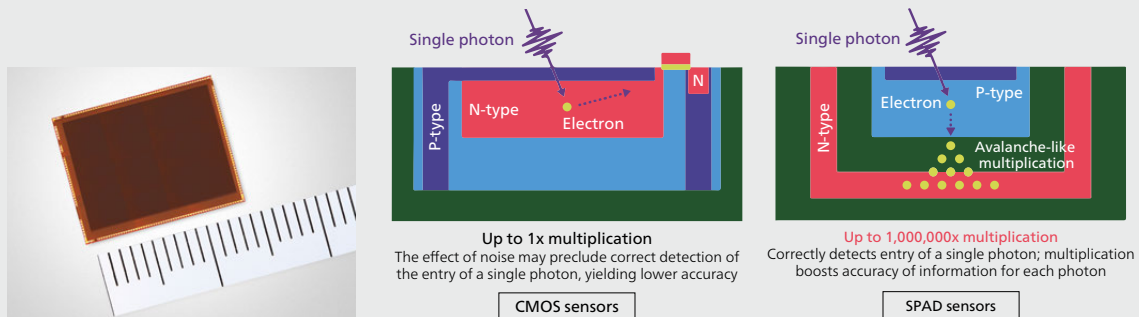
Sensors that convert light into electrical signals are devices that are expected to change society in the future. Canon succeeded in developing an ultra-small (13.2mm x 9.9mm) SPAD sensor capable of capturing the world's highest resolution* of 3.2-megapixel color images—surpassing the performance of full HD (approximately 2.07 megapixels)—even in low-light conditions.

SPAD sensors operate on a different principle than the CMOS sensors found in cameras and other devices. While CMOS sensors measure the volume of light that accumulates, SPAD sensors count individual photon particles. As soon as a photon enters the pixel, it is converted into an electric charge. The electron is then multiplied in a 'snowball' effect—like creating an 'avalanche'—and can be extracted as a large signal charge.

With CMOS sensors, noise gets mixed in when light is read as an electrical signal. Since they count individual photons digitally, however, SPAD sensors can detect very small amounts of light even under low-light conditions without electronic noise, making it possible to capture clear images even in dark environments.

The new SPAD sensor developed by Canon uses a unique charge-collecting structure that extends the sensing site across the entire pixel, enabling the efficient collection of near-infrared rays and other photons. This resulted in nearly a 100% photon utilization rate, allowing both the miniaturization of the pixels and high sensitivity.

* Among SPAD sensors. As of December 14, 2021. Based on Canon research.



3.2-Megapixel SPAD Sensor

Comparison of CMOS and SPAD sensors

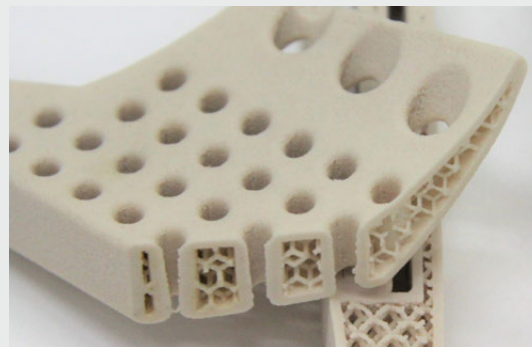
2. Ceramic Materials for 3D Printers

Ceramics offer superior heat resistance, insulation, and wear resistance. Despite the need to manufacture ceramic components with complex shapes, means of achieving this have been limited. Canon developed a material for

use with 3D printers that reduces shrinkage during firing. This is greatly expanding the possibilities for ceramic components, including in industrial equipment, aviation, and other leading-edge industries.



Ceramic powder developed by Canon



Ceramic materials make possible a hollow shape with a complex lattice structure embedded inside the component

Business Strategy

Printing Group

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Competitive Advantages

- Ownership of electrophotography and inkjet technologies for digital printing
- Broad product range spanning consumer products, office equipment and commercial printing and global sales channel and service and customer network
- Capacity to mass-produce high-performance printers that contain many parts, and potential to organically collaborate on the in-house production of manufacturing equipment, etc.

Basic Rationale on Value Creation

When we look back at human history, we can't talk about economic development, cultural succession, and scientific progress without printed paper. Through print, the Printing Group supports human activities such as thinking, collaborating, and enjoying life. In doing so, Canon has contributed to the creation of new value for humanity and the storage and transmission of value. Although recent societal changes have led to paper being used in fewer situations, the immediacy and convenience of printing continue to surpass digital data and displays functionally in many ways. Canon will continue to provide the printing products and services that cater to the evolving needs of society.

Canon has contributed to the worldwide adoption of copying and printing by developing from scratch electrophotography and inkjet technologies. With the shift to digital over the past 20 years, Canon has created new value by utilizing digital technologies to facilitate rapid duplication and dissemination. With the society of the future expected to be based on cloud computing, we are focused on improving print security and content-on-demand technologies to enable the next generation of on-demand printing services, in which user-designated content can be printed the instant it is required. In this way, our policy is to continue to create new value by providing digital printing services based on cyber-physical systems featuring fully integrated hardware and software.

Supplying products that help to solve social issues also contributes to the achievement of SDGs. For instance,

Canon's development of high-performance multifunction devices capable of automatic high-speed scanning of documents is part of our response to digital transformation (DX) within society. In addition, services that seamlessly integrate such devices with the cloud are helping customers make efficiency gains while also saving time and labor. Through these initiatives, the Printing Group is contributing to the achievement of goals such as SDG 9 (Industry, Innovation and Infrastructure), and SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).

Related SDGs



9.1 By providing digital printing services based on cyber-physical systems and contributing to DX in office environments, Canon is helping customers achieve more efficient, advanced operations while saving labor.

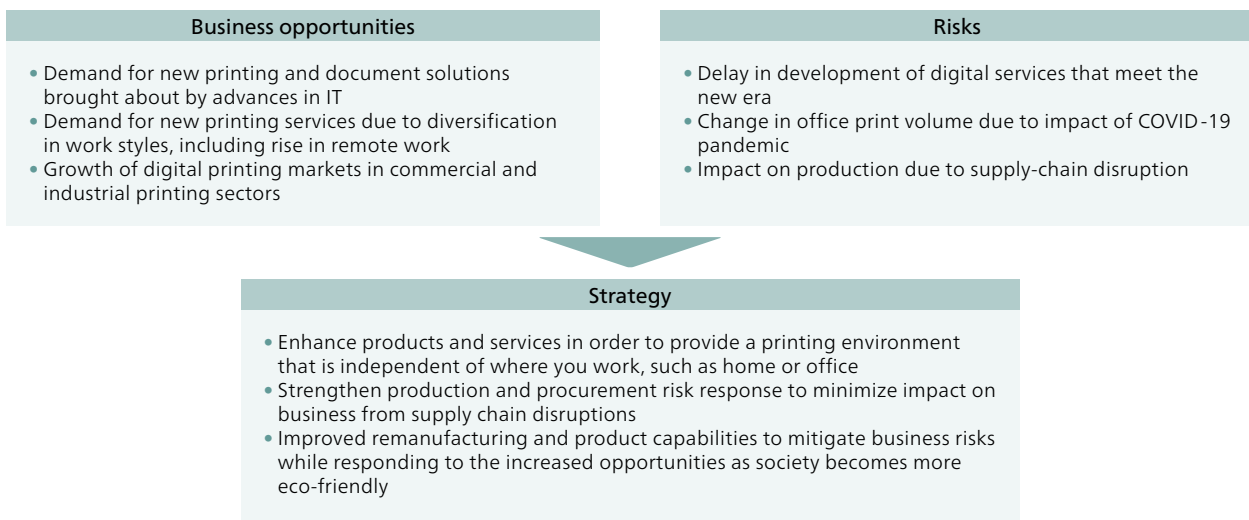


12.5 Canon has been undertaking the remanufacturing of used multifunction devices since 1992. The current range includes a special eco-conscious model, the imageRUNNER ADVANCE C3530F-RG, where an exceptionally high reused parts ratio of over 90% has been achieved.



13.2 Canon's multifunctional device, the imageRUNNER ADVANCE DX 4835F, achieves a reduction in CO₂ emissions compared with earlier models of around 33%, through its energy-efficient design, which includes such features as on-demand fixing technology and a high-performance main controller.

Business Strategy in Phase VI

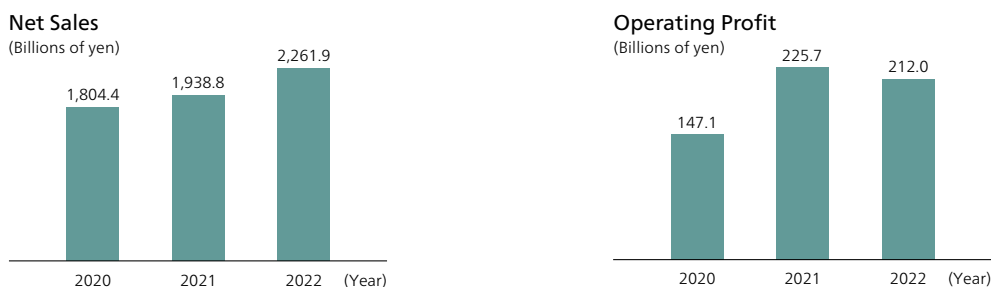


Second Year of Phase VI – Initiatives and Achievements (2022)

The return of workers to offices stimulated replacement demand for office MFDs, which had stagnated during the pandemic. Printing demand also began to recover gradually. Besides efforts to reduce the cost of sales via full-scale product development based on a common platform, we focused on responding to parts supply shortages to boost supply capacity. This led to significant gains in sales, notably for medium-to-high-speed models with high print volumes.

Sales increased substantially in volume and value terms for laser printers and inkjet printers due to the recovery in supply capacity. Production of these products had been affected by stoppages of production in 2021 related to the pandemic.

Amid an accelerated shift to digital printing due to its superior cost and labor-saving features, we upgraded the quality and productivity of Canon's professional printers for commercial or industrial applications to incorporate customer feedback. Amid a positive market response, we recorded higher sales volumes for digital continuous feed presses, digital high-speed sheet-fed presses, and large-format printers. Sales of consumables increased steadily with the growth of the installed machine base, supporting significantly higher revenues.



Strategic Focus for Phase VI Going Forward (through 2025)

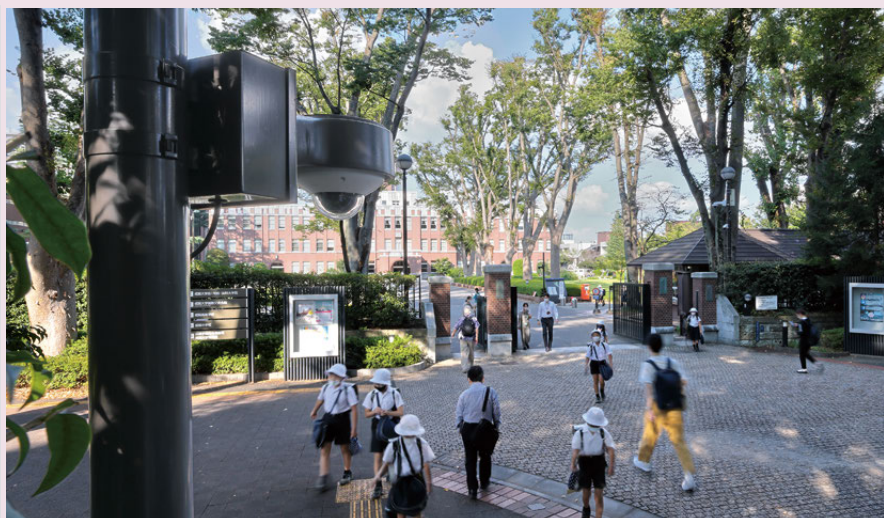
Although workplaces have diversified due to the pandemic and a paperless DX shift is underway, paper remains a useful medium for sharing ideas and information, and we expect this to underpin future demand for printers.

Demand for a print environment that is unaffected by locational constraints in order to support hybrid work modes that combines office work and telework is being required. Leveraging its strengths in the two digital print technologies of electrophotography and inkjet, Canon aims to gain market share by supplying DX-optimized cloud-based printing solutions for both the office and home. It aims to translate the growth in its base of installed machines due to gains in market share into stable sales of consumables, while at the same time using cost-containment strategies to achieve steady growth in sales revenue while also maintaining and raising profitability.

Amid a shift away from analog, the commercial digital printing of catalogues, posters and other materials is one area of projected growth. Here, we aim to leverage Canon's highly competitive products to generate additional gains in market share. We also plan to develop new products to make a full-scale entry into the field of industrial printing of labels and packaging after our 2022 acquisition of Edale, a U.K.-based technical leader with valued IP and strong customer relationships.

Imaging Group

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Competitive Advantages

- Unique brand power inherited as longstanding industry pioneer and supplier of cameras used by professionals
- Ability to deliver value as leading company in the field of imaging, based on established superiority in optical, camera and image-processing technologies
- Have network cameras, video management software, and video analytics applications, and ability to supply products and services on a global scale

Basic Rationale on Value Creation

Visual information is utilized in every aspect of our social life. The Imaging Group will offer a diverse range of products and services that enhance the value that is created by the images themselves and convert the information in the images into the value that customers need.

In the camera business, Canon will contribute to the cultural development of photography and video by supplying high-performance, high-quality products that leverage the optical technologies it has cultivated over many years. In addition to conveying memories and emotions more vividly, Canon pursues the value of visual experiences that make people "feel happy." We are also developing new concept products to enable novel approaches to video production, while also supporting production of highly creative content using technologies such as extended reality (XR) and volumetric video. Additionally, through high-quality remotely located cameras that can be operated from remote locations, our web cameras can facilitate labor-saving approaches to video production or be used in efficient ways to enable meetings in business or educational settings.

In the network camera business, Canon's aim is to help address social issues by using data obtained from images as information. In security applications, Canon provides network cameras, video management software and video analytic applications, and by integrating them into a video solution, we contribute to the realization of a safe and secure society in which we can not only record and watch videos, but also accurately understand the situation and respond appropriately.

Canon products also have uses in manufacturing and retail settings. Improvements in productivity, quality and customer satisfaction can be achieved by linking video solutions to operating systems. For example, video analytics technology can be employed in factories to help identify defective items or even automate such tasks, thus saving labor. In shops or distribution centers, this technology can also be used to reduce losses and boost efficiency by tracking movements or product inventories.

By supplying systems that help translate visual experiences into human happiness and providing video solutions to help address social issues, the Imaging Group aspires to support comfortable lifestyles, culture and education. These efforts contribute to the achievement of goals such as SDG 4 (Quality Education) and SDG 11 (Sustainable Cities and Communities).

Related SDGs



4.7 Support smooth communication through high-quality remote video distribution systems and contribute to the expansion of effective educational opportunities.



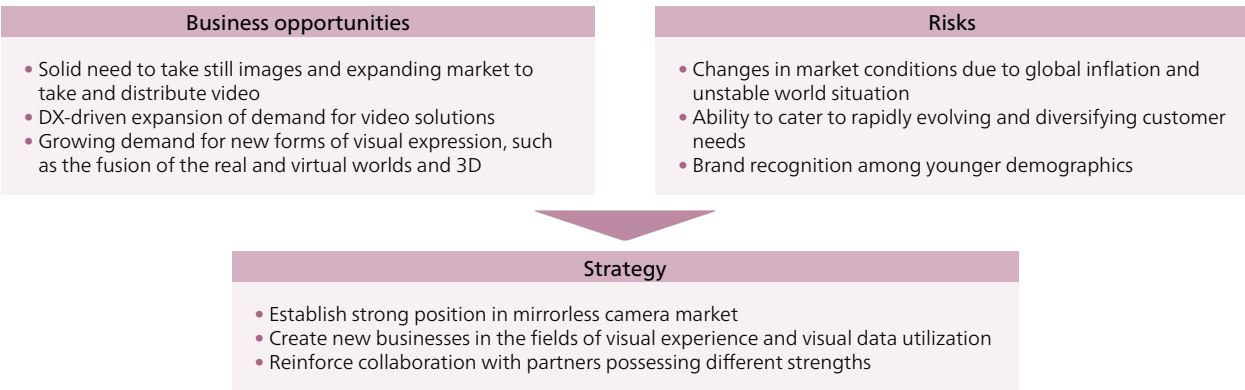
11.2 Will supply various video solutions that contribute to the development of smart society.



12.3, 13.2 Understanding our responsibilities as a corporate citizen, we will steadily implement energy and resource conservation through R&D and coming up with ingenious designs. And we will also provide solutions that contribute to productivity improvement.



Business Strategy in Phase VI

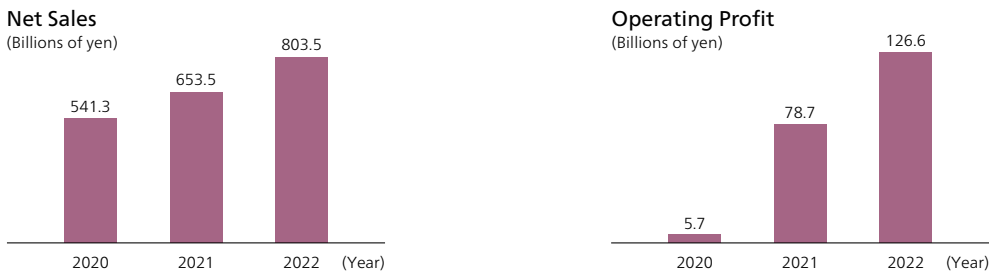


Second Year of Phase VI – Initiatives and Achievements (2022)

Sales of the “EOS R5” and “EOS R6,” full-frame mirrorless cameras that were launched in 2020, remained strong. Also added to our lineup were the “EOS R6 Mark II” as well as the “EOS R7” and “EOS R10,” the first EOS R-series cameras incorporating an APS-C size sensor. As a result, unit sales of interchangeable lens digital cameras exceeded those of the previous year. Additionally, with the introduction of six new lenses for EOS R system to address the needs of varied users, sales of interchangeable lenses also increased.

In the video production field, Canon lenses, cameras and volumetric video technology were adopted across a range of professional sports and events and delivered many memorable scenes to people. In IP remote cameras that enable labor-saving at production sites and high-quality online meetings, we are steadily increasing sales by adding the “CR-700” to our lineup.

The network camera market, which caters to people’s strong need for safety and security, is also growing steadily. In addition to sales of our highly competitive camera hardware, sales increased significantly as a result of the development of solution sales through the optimal integration of software that meet customer needs.



Strategic Focus for Phase VI Going Forward (through 2025)

As a top player in the imaging space, Canon is committed to revitalizing the market by continually developing and launching highly functional cameras and interchangeable lenses from entry-level to professional models to suit a wide range of user needs in both still images and video. Our key focus at present is on expanding and upgrading our lineup of mirrorless cameras to establish Canon’s leadership in this sector.

Demand for network cameras is being driven not only by security applications, but also by DX-related domains where information is taken from a video feed, including marketing support in commercial premises, monitoring of production or operational processes, or in supporting infrastructure inspection. As a value creation enterprise, Canon aims to expand its business faster than the market by supplying a comprehensive range of products from the cameras for video input to the software used in managing and analyzing video images.

We will also launch a camera equipped with the world’s first 3.2-megapixel SPAD sensor for high-quality color reproduction even in low-light situations. We are confident it will lead to the development of a wide range of applications, notably remote monitoring. In addition, we will seek to grow the overall Imaging Group business by developing optical technologies Canon has cultivated over many years for future use in fields such as healthcare and agriculture.

Medical Group

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Competitive Advantages

- Over a century of knowledge in the medical field and partnerships with healthcare professionals
- Canon's diverse range of imaging and manufacturing technologies
- Sales and service outlets in over 150 countries and regions around the world

Basic Rationale on Value Creation

Against a backdrop of rapidly aging populations worldwide, rising health care costs, and the threat posed by the COVID-19 pandemic, demand for healthcare has risen to unprecedented levels, and measures to promote better health and prevent disease are now common challenges across countries and regions around the world. Under such conditions, the Medical Group is engaged in business that respects a shared set of values with patients and healthcare professionals. In terms of value creation, the foremost priority for Canon is to work out what kinds of technology are required to fulfill the needs of those providing healthcare; to supply the technology for realizing this practically; and to find ways of ensuring ease-of-use and maximizing economic value. These ideas are summarized in the Canon Medical management slogan *Made for Life*, which plays a guiding role in the Medical Group.

The Medical Group is mainly focused on the three fields of diagnostic imaging, healthcare IT and in vitro diagnostics. Our products and services help to prevent disease, maintain people's health, and contribute to recovery from illness in varied ways. In the field of diagnostic imaging, we are utilizing AI technology to develop CT, MRI, and PET-CT image reconstruction technology that offers higher image quality while reducing radiation dose and noise, and to realize easy-to-operate diagnostic ultrasound systems that allow more efficient testing.

In healthcare IT, we are developing IT solutions to collect, integrate, analyze and process different types of diagnostic images and data. In the field of in vitro diagnostics (IVD), we supply products such as antigen test kits and IVD reagents.

These business activities are directly involved with solving social issues related to human health and welfare, thus contributing to achieving the SDGs, most notably SDG 3 (Good Health and Wellbeing), SDG 9 (Industry, Innovation and Infrastructure), and SDG 17 (Partnerships for the Goals).

Related SDGs



3.d By incorporating image reconstruction technology developed using AI, we have brought to market diagnostic imaging equipment that achieves high image quality while reducing radiation dose compared to conventional CT scanners.

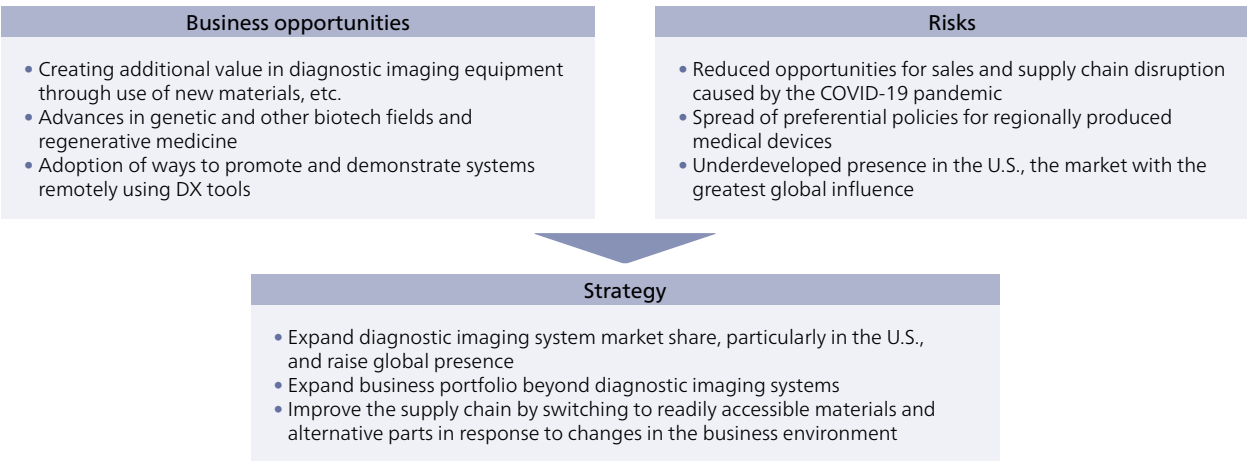


9.5 Canon's efforts to promote innovation include joint research projects with the National Cancer Center of Japan in the field of photon-counting CT systems, and with the CIRA Foundation to commercialize high-quality iPS cells for autologous use.



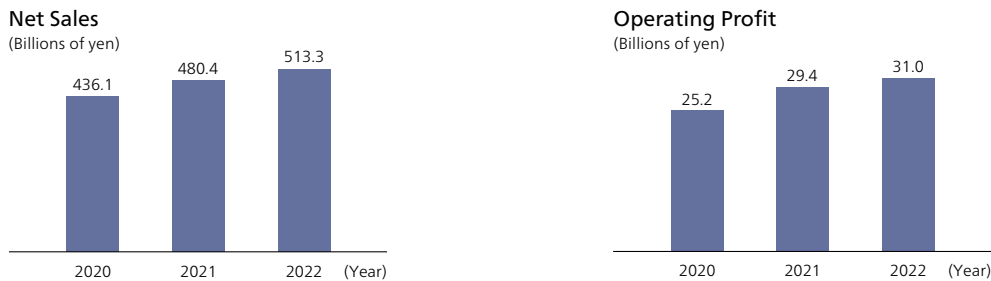
17.6 Through partnerships with universities and medical institutions in Japan and overseas, we are carrying out leading-edge research on AI-based precision care approaches, including the latest clinical research on CT, MRI, and diagnostic ultrasound systems.

Business Strategy in Phase VI



Second Year of Phase VI – Initiatives and Achievements (2022)

In the medical equipment market, particularly in Europe and the United States, investment in large-scale diagnostic imaging systems such as CT and MRI equipment, which was held back by the COVID-19 pandemic, recovered. The market reacted positively to the launch of Canon’s new products such as the “Aquilion Serve” CT scanner and “Vantage Fortian” MRI scanner, both of which utilize technology from the Imaging Group to reduce the burden caused by testing on medical practitioners and patients. Strong orders were received for these systems. With the order book expanding to an all-time high, we focused on addressing supply-chain issues with components to translate into sales. The group posted record sales and profits, with a strong sales result in the U.S. pushing up sales overseas. We also reinforced the base for future growth via acquisitions, including Denmark-based Nordisk Røntgen Teknik, a technical leader in the development and manufacture of X-ray diagnostic equipment, and the U.S.-based distributor and service provider NXC Imaging.



Strategic Focus for Phase VI Going Forward (through 2025)

Canon is the leading manufacturer in Japan of diagnostic imaging systems, and aims to establish a similar position overseas to secure future growth. To gain global leadership in CT systems, we aim first to commercialize as quickly as possible the next generation of CT scanners based on photon-counting detection technology. We are accelerating joint research with the National Cancer Center of Japan using an X-ray CT scanner fitted with photon-counting technology supplied by Redlen Technologies of Canada, which Canon acquired in 2021. With the aim of boosting our share of the globally influential U.S. market to at least 10%, we also created a new marketing subsidiary for the U.S. market in Cleveland, Ohio, in 2023. We are building Canon’s presence in the U.S. based on joint research with leading medical institutions and by cultivating our relationships with key opinion leaders. We expect success in the U.S. market to have a positive global effect.

In the field of healthcare IT, we are providing support services to help facilitate high-quality diagnosis and efficient care based on collation, processing and analysis of clinical data. In the field of IVD, besides supplying testing kits, we also aim to expand the business into peripheral areas such as testing equipment.

Industrial Group



Competitive Advantages

- Product development based on incorporating specific customer requirements from design stage, with manufacturing sites and facilities capable of development, design and production
- Nanoimprint lithography enables miniaturization at a low cost, and significant reduction in power consumed during production
- Products that contribute to customer productivity and cost of ownership; professional workforce with high levels of technical expertise and experience

Basic Rationale on Value Creation

In 1970, Canon became the first Japanese firm to launch semiconductor lithography equipment. And in 1986, it began developing flat-panel display (FPD) lithography equipment applying this technology. These areas have become pillars of our current business. In the past, to address the miniaturization of semiconductors, we took a product-out approach to expand our product lineup. Although the need for miniaturization continues to exist, in line with diversifying customer needs, from the 2010s, we shifted our strategy toward product development that incorporates specific customer requirements from the design stage. This led to a further increase in earnings and offering of a various value proposition to customers.

Today, Canon develops, manufactures and sells lithography equipment based on i-line (mercury lamp) or KrF (krypton fluoride) technology that enable customers to lower production costs and increase productivity. Due to high power consumption of lithography equipment, we are working to develop more energy-efficient models and otherwise add value to our existing range by proposing solutions tailored to specific customer usage conditions.

Canon's products in this field are one of the forces driving global establishment of social infrastructure, industrial innovation, and energy-saving initiatives.

Hence, our related business activities directly create value for society. Moreover, by stamping the circuits directly onto the wafer, our nanoimprint lithography equipment revolutionizes the semiconductor production process, enabling the creation of highly detailed nano-level circuitry at reduced cost and energy consumption. This will create added value for the entire semiconductor industry.

By helping to build the base for new industries and offering a various value proposition that aligns with customer needs, Canon's efforts in the field of industrial equipment contribute to the achievement of SDGs such as SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities).

Related SDGs

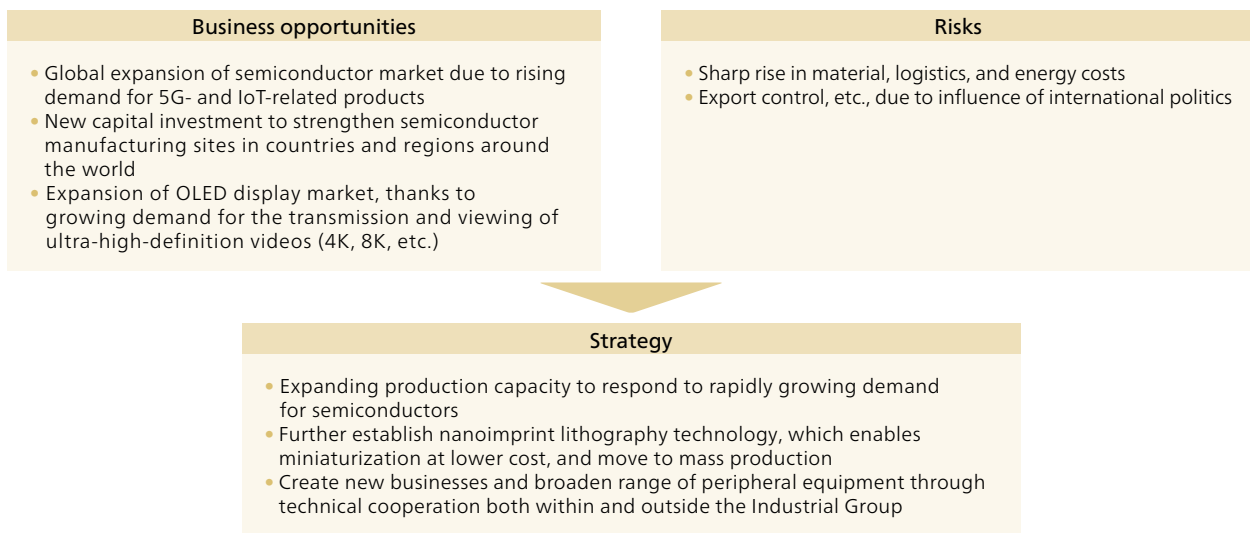


9.4 Nanoimprint lithography technology simplifies the semiconductor production process and enables reduced power consumption in the production of semiconductors, leading to higher productivity and lower environmental impact.



11.6 Working to lower environmental impact, reducing the volume of packaging material used.

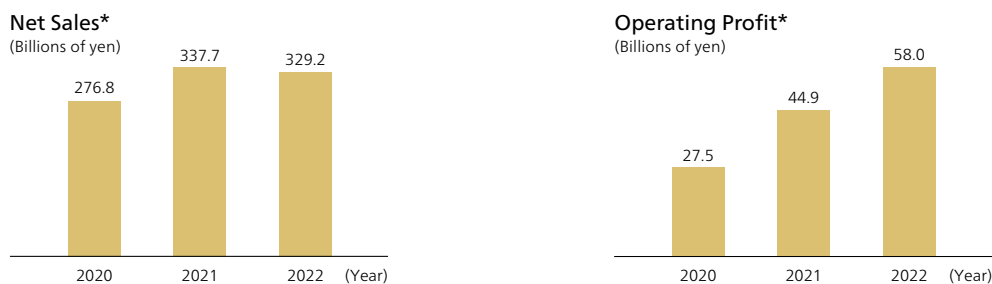
Business Strategy in Phase VI



Second Year of Phase VI – Initiatives and Achievements (2022)

With technological innovation in such areas as AI, IoT and 5G making society smarter, demand for semiconductors is rising in wide ranging areas. Against this backdrop, inquiries regarding Canon's semiconductor lithography equipment was also very strong and 2022 unit sales were substantially over 2021 levels. We also decided to expand our production capacity by constructing a new factory at our plant in Utsunomiya in response to the projected growth in SPE demand. In addition, we initiated the IoT-based "Lithography Plus" service that enables device failure prediction, auto-recovery, auto-installation and autonomous control to support higher customer productivity, while also helping us to improve profit margins from efficiency gains and labor savings.

In panel-related operations, while sales volumes of FPD lithography equipment declined in 2022 reflecting the post-pandemic recovery in 2021, we introduced new models to cater to increasing demand for large-screen high-definition panels, a sector where demand is expected to grow further. Sales of OLED Display Manufacturing Equipment declined in 2022, but we continued developing new products for the IT panel sector, where we expect a major recovery in customer capital spending in the short term.



* Based on realignment of Canon's internal management structure, from 2022, Canon has changed the name and structure of segments to Printing Business Group, Imaging Business Group, Medical Business Group, and Industrial Business Group, Others and Corporate, and Eliminations. Operating results for the years ended December 31, 2020 and December 31, 2021 have also been reclassified.

Strategic Focus for Phase VI Going Forward (through 2025)

Applications for semiconductors and displays as well as their market are expected to continue expanding due to technical innovation in such areas as AI, IoT and 5G, which in turn is expected to increase demand for related production equipment. To meet the growing demand for semiconductor manufacturing equipment, Canon aims to increase its market share by further increasing product competitiveness and increasing production capacity. Additionally, we are accelerating technological development for the mass production application of nanoimprint semiconductor manufacturing equipment, and working with semiconductor device manufacturers to expand applications.

In the panel market, growth is expected to be driven by IT panels fitted to PCs and tablets. In this area as well, Canon will expand its business by providing FPD lithography equipment and OLED Display Manufacturing Equipment, which contribute to the productivity improvement of its client panel manufacturers.

In addition, we aim to grow the business domain of the Industrial Group by developing new types of equipment to combine core technologies such as ultra-high-precision alignment, optical and vacuum technology.

R&D Strategy

Along with developing new business fields by applying core competency management, we aim to create new value and solve social issues by promoting technology development.

Current State of R&D

As society changes dramatically due to the DX, which is itself accelerating in terms of the shift to a new normal, Canon is also approaching a major turning point. Not only is the camera market contracting, but our other core markets in office multifunction devices and printers are also undergoing significant change. In response, Canon is likewise embracing the challenge of transformation, aiming for the next stage of growth.

R&D in the industrial age and the information age was invention-focused, creating seeds of technology that flowered into a wealth of new discoveries. Groundbreaking products were launched one after the other, enriching lives, improving convenience and changing the world. However, advancing globalization has brought with it a range of environmental and other social issues, which technology must now turn its attention to addressing. Indeed, we have now reached a reversed situation in which technology development is driven by social issues. It is no longer enough to gradually nurture the seeds of “invention-focused” R&D. What we increasingly require is “innovation-focused” R&D that can speedily address social issues.

Seizing the momentum brought about by these changes, Canon will proceed with invention-focused R&D through open innovation and industry-academia partnerships, while its innovation-focused R&D will seek to address social issues. In addition, we will step up the pace of R&D in a way that swiftly generates innovation that targets social needs while drawing on corporate alliances and acquisitions.

Support for Creating Businesses with Core Competency Management and Trend Research

Since its founding, Canon has pursued diversification of its business through core competency management, combining in various ways the core competency technologies (core technologies) that drive the creation of its industry-leading core products with fundamental technologies that form the base for its accumulated technologies and value creation technologies that form the base for its commercialized technologies. Our product lineup—cameras, office multifunction devices, inkjet printers, laser printers, and semiconductor lithography equipment—is no exception. Likewise, we are building competitiveness by incorporating fundamental technologies accumulated over the years into the core technologies of products in businesses that have recently become part of the Canon Group, such as medical systems, network cameras, commercial printing, and industrial equipment.

We have transformed several of these core technologies into fundamental technologies through repeated R&D efforts. Toner, drums, and other advanced materials, for example, were once core technologies used in copying machines. Now, they are fundamental organic synthesis technologies which are being used to develop competitive products in other areas and businesses. In the field of imaging, our lenses, image sensors, and image processing—our overwhelmingly superior core technologies—are making Canon cameras more competitive. These are now fundamental technologies—optical, electronic device and sensor, and video image processing technologies—that are used in other businesses. Specifically, the core technology behind Canon camera person detection has been further developed as a fundamental technology for AI and data statistical analysis, and is now being incorporated into healthcare IT systems helping to drive diversification in our medical business and strengthen this business.

The value creation technologies supporting quality, cost, and on-time delivery, which Canon has accumulated during its growth, underpin the launch of new products and businesses. Robust value creation technologies focusing on analytical simulation, intellectual property, quality, design, value engineering, field engineering, and environmental technologies, are one of Canon’s greatest strengths for quickly growing a business.

In the highly diversified company that Canon has now become, another feature of our technology is that, while each product division develops products based on its distinctive plans, the R&D Headquarters handles leading-edge trend research and the resulting advanced technology development. In this way, the divisions and headquarters carry out mixed R&D, working closely together to reinforce existing businesses and cultivate new businesses.

R&D Strategy for Phase VI

Canon embarked in 2021 on Phase VI of the Excellent Global Corporation Plan, which focuses on strengthening R&D along the following three trajectories.

First, we will further strengthen our fundamental technologies and value creation technologies. In this way we will drive forward the key strategies of Phase VI of the Excellent Global Corporation Plan, which call for the Group to thoroughly enhance competitiveness in the Printing, Imaging, Medical, and Industrial industry-oriented business groups.

Second, we will generate the seeds of our next ventures based on robust core technologies and fundamental technologies. In terms of physical research and development, for example, we will develop materials with new functionality leveraging material technology based on ink and toner materials, while also developing devices utilizing other specialized materials, then we will foster next-generation technologies as the

seeds of new business. At the same time, through technological diversification, we will pioneer new business fields.

Third, we will strengthen innovation-focused technology development that meets the needs of this era. While recognizing trends such as DX and carbon-neutral solutions, we will continue driving technology development that leads to higher corporate value. In particular, Canon is focusing on a cyber-physical system that effectively integrates cyberspace, which allows us to merge various services, and physical space where people connect with one another. In addition to drawing on world-class core technologies in the physical domain, we are working through various alliances and in other ways on the extended development of advanced cyber technologies, developing cyber and physical business models and products that are one step ahead and generating a range of innovation.

Development of next-generation CT—photon-counting CT

Photon-counting CT (PCCT) is hailed as the next-generation of CT scanner.

In a CT scanner, an X-ray tube that emits X-rays and a detector that receives information from X-rays that have passed through the human body are placed facing each other. By repeatedly emitting X-rays and receiving information at the detector while rotating around a patient, cross-sectional images of the patient's body are captured.

Unlike the indirect X-ray detection of conventional detectors, PCCTs are able to detect X-rays directly using a photon-counting detector, and this is expected to improve fundamental performance.

PCCTs are anticipated to offer greater accuracy for a wide variety of medical applications such as prevention and diagnosis, assessment of treatment efficacy, and evaluation of disease prognosis. Advantages of a PCCT scanner include lower exposure doses, better detection of lesions due to higher resolution images, improved identification of multiple types of structures in the body, and easier evaluation of symptoms and malignancy of tumors through superior quantitative imaging.

In 2021, we welcomed Redlen Technologies into the Canon Group. Redlen is a company that boasts world-class technology related to the development and manufacture of semiconductor detector modules. Also in 2021, we commenced joint research with National Cancer Center Japan on the first practical application of PCCT scanner in Japan.

By commercializing PCCTs that combine Redlen's technology with Canon's AI-driven image reconstruction and analysis technology, and by supplying Redlen's photon-counting detectors to medical equipment manufacturers worldwide, Canon will continue to contribute to the development of diagnostic imaging technology.



Aiming for practical application of PCCT scanner, commenced joint research with National Cancer Center Japan

Human Resources Strategy

Excellent Global Corporation Plan Phase VI: HR Strategy

Under the principle of Respect for Humanity that has formed part of Canon's corporate DNA since our establishment, we have cultivated a corporate culture to help individual employees feel proud and happy to work at Canon. We strive to ensure working conditions are appropriate, fair and based on meritocratic principles, and that they afford peace of mind to workers. In this way, we aim to generate new value through a diverse workforce infused with an Enterprising Spirit.

One of the main strategies of Phase VI of the Excellent Global Corporation Plan is to build a more dynamic and merit-based HR management system. Under this strategy, we are seeking to enhance employee engagement while increasing productivity by building HR systems based on a principle of high-salary-to-high-efficiency.

At Canon, we invest heavily in HR development because we believe the growth of our people is the source of our competitiveness as a business. To cultivate the people who will help drive the development of Canon going forward, we have established specialist in-house institutions and programs in areas that are critical for promoting business strategy, such as training the next generation of leaders and software engineers.

In addition, we are expanding and upgrading HR re-skilling programs to help promote the internal reallocation of human resources. This approach aims to maximize human capital utilization by supporting career development for individuals and creating chances for employees to ensure the right people are in the right jobs.

Moreover, based on our corporate philosophy of *kyosei*, Canon fully respects diversity in terms of such

attributes as culture, customs, language and ethnicity. Recognizing diversity and inclusion as a fundamental source of innovation, Canon is committed to creating systems and conditions to enable individuals with different personalities and perspectives to fulfill their potential.

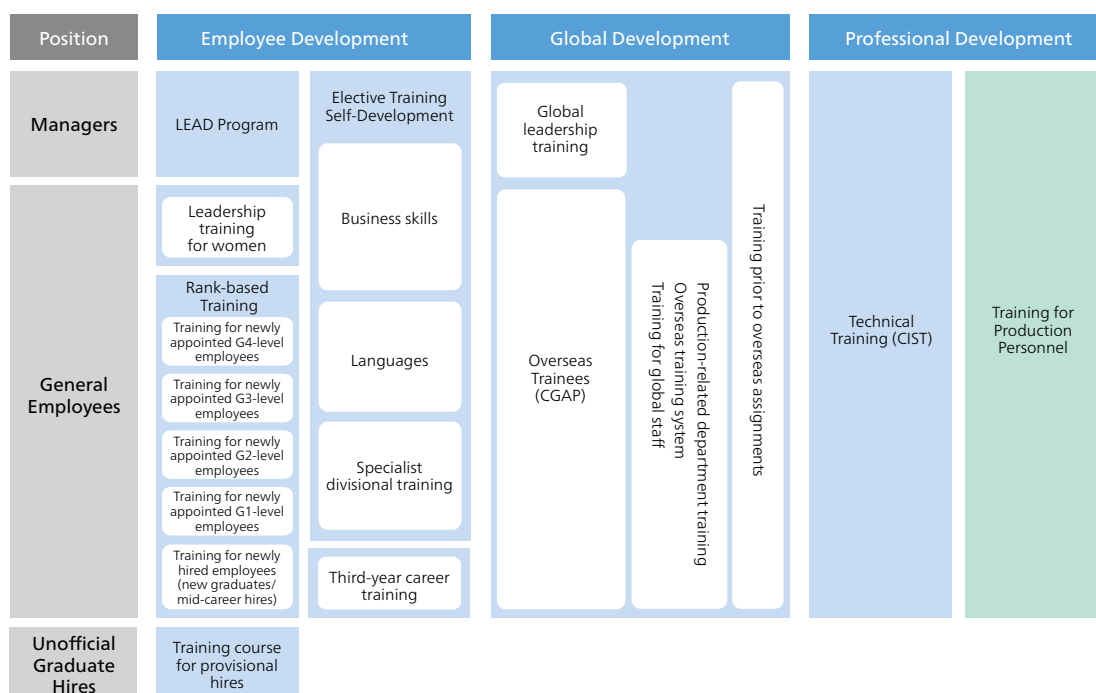
Development of Engineering Resources

To aid the development of next-generation engineering human resources, Canon Inc. has developed specialization-specific training set-ups for machinery, electronics, optics, materials, software, and other areas. We have established dedicated committees to oversee each of the five core fields of specializations in order to discuss HR development issues and related training systems in their respective technology areas.

To promote our business portfolio transformation and subsequent business enhancement, we set up the Canon Institute of Software Technology (CIST) as a specialist training facility in 2018. CIST provides a systematic framework to help trainees from initiates to masters to gain the level-specific digital knowledge needed to guide our future business strategy. As of 2022, a cumulative total of around 6,000 people had received software-related training at CIST.

Alongside internal training programs, we are also sending our engineers on specialist training courses at top institutions, including the "Top SE (system engineer) course" software engineer training program hosted by the National Institute of Informatics, and the "Smart SE course" business school program organized by Japan's Waseda University, which focuses on AI, IoT and Big Data

Canon Inc.'s Human Resource Development System



technologies. We aim to develop the expertise required to transform and strengthen our businesses by giving our engineers opportunities to learn the latest technologies and specialized knowledge based on internal and external educational programs.

Development of Global Human Resources in Manufacturing

The Monozukuri Advancement Center of Canon Inc. leads a systematic educational framework to develop Canon personnel involved in manufacturing ("monozukuri") activities. We have manufacturing training facilities established at three of our domestic production sites where early and mid-career engineers can receive specialist training in practical manufacturing skills. Overseas, with the aim of improving management skills, we offer programs called "Global Staff Workshops" to employees in supervisory and managerial positions.

We are also investing in onsite training programs to develop instructors based at Canon's overseas production sites. A total of 62 personnel took part in 16 online training workshops for instructors in 2022. Site-based instructors across the Canon Group provided training to around 3,300 personnel in 2022.

By instituting systems that cultivate instructors at each site and provide for a level of education on a par with training in Japan, we are upgrading our production capabilities on a worldwide basis.

Putting the Right People in the Right Jobs

By strategically deploying personnel and actively supporting individual career development, Canon aims to place the right people in the right jobs.

One way we seek to optimize the deployment of people based on the needs of each business is by broadening use of job-matching recruitment processes in Canon Inc., which determine, prior to employment, the job people will engage based on specialist knowledge and personal preference. We also offer employees who have worked at Canon for three years the opportunity to discuss career progression with a professional counselor to provide peace of mind and assistance in fulfilling their potential.

The trainee-style career matching system is designed to help employees develop skills to match evolving business requirements. Under the system, employees move internally to a new area after acquiring knowledge required for their new role under a three-to-six-month training program. By providing opportunities to undergo specialist re-skilling, this system will help people take on work challenges in areas where they have little prior experience, better equipping them to develop their career in an age where life expectancy is heading towards 100.

Diversity and Inclusion

Established in 2012, Vital workforce and Value Innovation through Diversity (VIVID) has been promoting diversity in Canon Inc. as a company-wide, horizontally integrated organizational initiative. Its activity has been overseen and supported by the CFO of Canon Inc.

VIVID Activities Policy

- Respecting diversity as an important issue, strive to change employees' thinking and awareness of diversity issues, not limiting the role of VIVID to promoting the introduction of new systems across the Canon Group or seeking to replace existing systems.
- Revise HR policies and workplace conditions to avoid any limitations or restrictions being placed on the career opportunities afforded to talented people with the ambition to succeed.
- Promote internal/external dissemination of information on diversity promotion activities to help identify/develop role models and encourage wider adoption of best workplace practices.

Under VIVID, as seen below, we have instituted various metrics as KPIs for female empowerment and encouraging men to participate in childcare. We are providing leadership training for women to develop more female candidates for managerial roles. In other initiatives, we are supplying information to encourage employees to take childcare leave.

Ratio of Female Managers

Target: Boost ratio of female managers to 3 x 2011* level by end-2025

* The year before VIVID was introduced.

Ratio of Female Employees by Position (Canon Inc.)

	2018	2019	2020	2021	2022
Employees	15.8	16.1	16.5	16.6	16.8
Managers	2.6	2.9	3.0	3.3	3.6
Executives	4.2	3.9	4.2	4.0	3.8

Proportion of male employees taking childcare leave

Target: Boost ratio of male employees taking childcare leave to at least 50% by end-2025

Proportion of male employees taking childcare leave (Canon Inc.)

	2018	2019	2020	2021	2022
Proportion	9.2	16.3	27.7	33.4	47.7

Financial Strategy

Basic Policy of Financial Strategy

The basic policy of Canon's financial strategy is to maintain a sound financial constitution by means of thorough cash flow management. This reflects our belief that maintaining financial soundness is crucial in terms of preparing against unforeseen contingencies and pursuing dynamic management from a long-term perspective while keeping open a variety of options. Canon's shareholders' equity ratio is positioned as a key indicator for ascertaining financial soundness. Having already achieved a ratio of 61.1% by the end of 2022 on the back of a turnaround in performance, Canon aims to further raise this ratio by five percentage points to 65% or more in 2025, the final year of the current five-year management plan.

Canon practices cash flow management to maintain financial soundness. For instance, in principle we keep capital expenditure to within the range of depreciation. Also, while actively investing in R&D to achieve new business growth, we carefully target such outlays across the Group, maintaining an investment level of about ¥300 billion a year, representing around 8% of net sales. Because we have policy of reinvesting into growth within the scope of the cash we generate, our management is debt-free in principle. In 2016, we borrowed from financial institutions to finance the acquisition of the medical business that is now a pillar of Canon's new businesses. We are paying back these borrowings while securing sufficient cash on hand, and target full repayment by the end of 2023.

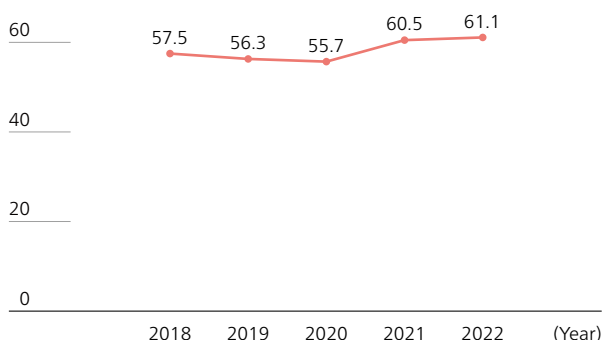
While each industry-oriented business group is making every effort to expand profits under a principle of putting profit first, we are pursuing rigorous balance sheet management, drawing down inventories and trade receivables. In terms of business operations, we have set three easy to understand key indicators as guidelines: net sales, profit, and cash flow. We have adopted a framework under which the Finance & Accounting Headquarters centrally manages indicators such as return on equity (ROE), seeking to improve capital productivity.

Cash Flow in 2022

In 2022, ¥244.0 billion in net income was generated. However, net cash provided by operating activities was ¥262.6 billion yen due to an increase in inventory, reflecting early procurement of parts, a quarterly increase in product supply, a higher sales balance in the fourth quarter than in previous years, and higher year-end accounts receivable. There were no large-scale acquisitions during the year, and after channeling the usual level of ¥188.5 billion into capital expenditure, we increased the dividend for shareholders by ¥20 to ¥120 and also carried out two repurchases of treasury stock, totaling ¥100 billion. As a result, cash on hand at the end of December was ¥362.1 billion, equivalent to 1.0 months of net sales.

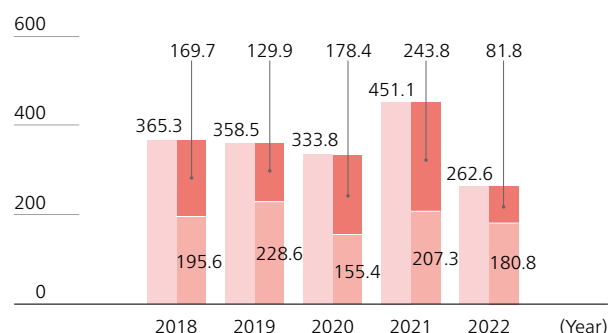
Shareholders' Equity Ratio

(%)



Cash Flow

Net cash provided by operating activities
Net cash used in investing activities
Free cash flow
(Billions of yen)



Financial Strategy in Phase VI

1. Growth Investment

To support the policy of the current five-year plan—transforming the portfolio by creating new businesses—from a financial perspective as well, the Company is generating stable cash by enhancing profitability in its existing businesses and putting priority on channeling these funds into areas where growth is expected, in the form of R&D, capital expenditure, and acquisitions.

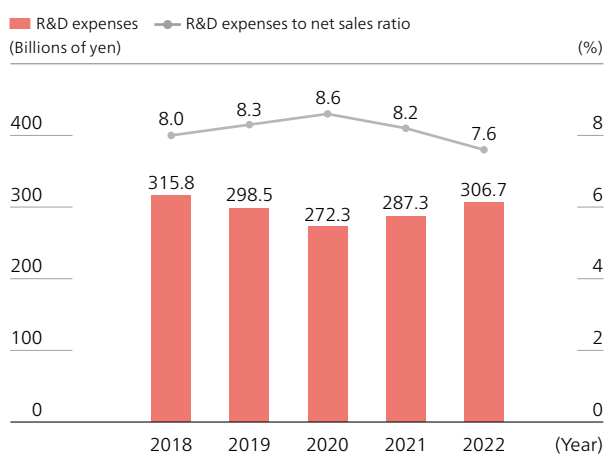
■ R&D

Canon has acquired new businesses, including medical and network cameras, by means of acquisitions in recent years. As a manufacturer, though, Canon believes its primary focus should be on creating new businesses grounded in our proprietary technology. We will continue to invest roughly ¥300 billion a year, which will go into making the development of new products and services in existing businesses more efficient, and into more focused outlays on development to create and grow new businesses.

■ Capital Expenditure

We plan to spend approximately ¥240 billion annually over the next three years, actively investing in areas where growth is expected, which is linked to a new semiconductor manufacturing equipment plant, a new company in the medical business in the U.S., and IT service facilities.

R&D Expenses



■ M&A

Canon already has four pillars to drive future growth: commercial printing, network cameras, medical, and industrial equipment. We continually explore acquisitions to complement these businesses in terms of technology and sales channels, pursuing deals that fit our conditions.

Major M&A Activity

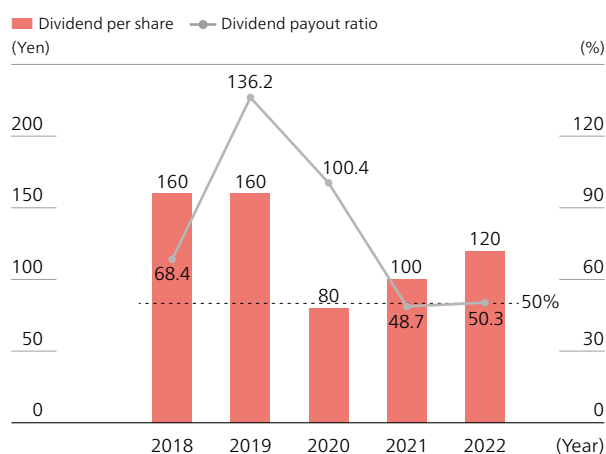
Year	Company (Country)	Business
2007	Tokki (Japan)	Industrial equipment
2010	Océ (Netherlands)	Commercial printing
2015	Axis (Sweden)	Network cameras
2016	Toshiba Medical (Japan)	Medical

2. Shareholder Returns

We consider dividends to be the primary vehicle for shareholder returns. In addition to the medium-term profit forecast, we comprehensively take into consideration planned future investments, cash flow, and other factors, seeking to stably and proactively return profits to shareholders.

The heavy impact of COVID-19 forced us to reduce the dividend in 2020, but we subsequently increased it by ¥20 per share in both 2021 and 2022, in line with the turnaround in business performance. We will continue to aim for a payout ratio of 50% and maintain financial soundness while paying dividends stably and proactively in line with expansion in business performance.

Dividend



Intellectual Property (IP) Strategy

IP Strategy: Basic Policy

Canon's growth as an R&D-led company is grounded in its development of new markets and customer segments by using original technology to create products and services that are differentiated and attractive. Canon's IP Division formulates and pursues IP strategies that look ahead to the next 10–20 years, with an emphasis on supporting development of new businesses and anticipating emerging trends.

While our basic approach to IP activities stays consistent over time, we modify our tactics as the times change.

Core Strategy

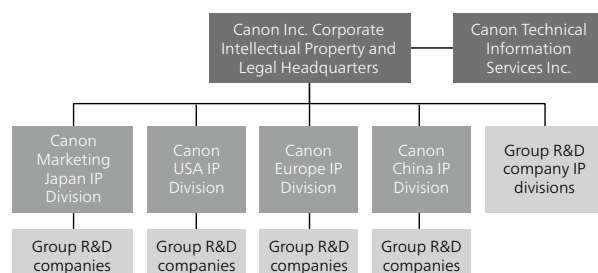
- Patents relating to core competence technologies are used to secure our competitive advantage, and are therefore not licensed, in order to protect our business in competitive fields.
- Collaborative field patents relating to general-purpose technologies such as communications and GUIs, are used for cross-licensing activities to realize greater R&D and operational freedom.
- While always respecting third-party IP rights, we are committed to responding resolutely to IP rights infringements against Canon.
- Inventions that others cannot easily come up with are retained and protected as know-how to secure a competitive advantage without being overtaken by other companies.

IP Rights Management System

At Canon, the Corporate Intellectual Property and Legal Headquarters at Canon Inc. works with the IP divisions of Group companies to formulate a set of global management rules, specifying matters such as roles and responsibilities in the handling of intellectual property and procedures for setting IP policy.

With this approach, which allows us to control our IP activities across the Group to optimize our group-wide patent portfolio, and to collaborate in litigation and licensing activities as needed, we aim to best serve Canon's interest.

Global IP Management System



IP Strategy Supporting New Value Creation

Formulation and implementation of Canon's IP strategy considers how the various changes in the environment will shape society and economies in the future. We invest significant resources to acquire not only IP assets relating to business competences, but also those we believe will be valuable in line with the business going forward.

Based on societal changes such as supply-chain issues with semiconductors and rare materials, demand for self-sufficiency in energy and food, calls to consider the environment, and customer needs for visualization of 3D space, we try to predict the products and services that will be in growing demand and the technologies that will gain in importance to determine the major fields and countries for patent-filing. We are also investing in the standard technologies that are essential to developing products and services to be prepared for negotiations with companies across a range of sectors.

Canon's ownership of a portfolio of IP assets created via this approach supports our superior business competitiveness while ensuring full independence in future business dealings.

IP Activities as an Opinion Leader

Aiming to contribute to industrial development in Japan and worldwide, Canon actively seeks to be a leader in the IP field. In 2014, Canon with other companies helped to establish the License on Transfer (LOT) Network as a mechanism to protect member firms from any unwarranted litigation brought by patent assertion entities, whose primary business is to attempt to generate profits using the threat of patent-related lawsuits. The number of LOT Network members is over 2,800 as of February 2023. Canon also launched the Open COVID-19 Declaration in 2020 to support action to control the COVID-19 pandemic as quickly as possible. Canon is also a partner of the WIPO GREEN platform to contribute to the promotion of environmental technologies. Furthermore, we actively contribute to efforts to improve IP systems based on discussions with the head of various patent offices about the IP environment and related regulatory policies.

Standardization Activities

Canon continues to contribute to the development of global technologies via active participation in standard-setting organizations, utilizing the expertise of overseas researchers in these fields. Canon's patents include technology fields of mobile communication (5G, 6G, etc.), wireless LAN (Wi-Fi, etc.), video encoding (HEVC, VVC, etc.), and wireless power transfer (Qi, etc.). Canon's IP competitiveness increases over time as our patents relating to next-generation technical standards are adopted in various products and services of many companies.

IP Activities in Phase VI of the Excellent Global Corporation Plan

Our aim for Phase VI of the Excellent Global Corporation plan is to improve the competitiveness of all Canon Group operations across each of its four business areas of printing, imaging, medical and industrial through IP activities. At the same time, we are directing our efforts at supporting future business creation in areas such as next-generation imaging, which includes volumetric

Printing

- Print engines and solutions**

We are strengthening our portfolio of patents for print engines, materials, key components, and other next-generation core technologies relating to printers. Meanwhile, by building up a patent portfolio of the various solution technologies we provide to a variety of customers, including home- and shared office-based users, we contribute to the differentiation of the entire printing business that surrounds our printer products. We are also reinforcing our IP collaboration framework with Group companies that support the printing business.

Medical

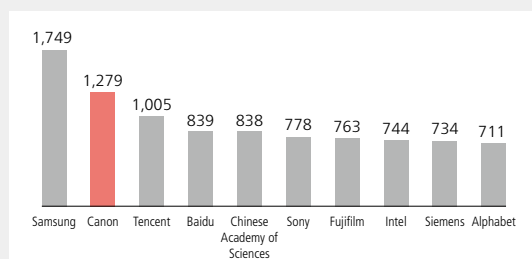
- New value provision to medical practice frontline / Competitiveness enhancement and business domain expansion**

Our IP strategy is fundamental to constructing the technical portfolio for creating new value in medicine, based on the development of novel innovations such as AI-based solutions for precision medicine or photon-counting CT scanners. Our IP activities are helping realize intra-Group technical synergies; support collaboration with research institutions in Japan and overseas; bolster Canon's competitiveness in the diagnostic imaging field; and contribute to business development in new fields such as healthcare IT and in-vitro diagnostics.

Example 1: AI-based video/image processing

Regarding video and image processing which is positioned as one of Canon's core technologies, we are discovering and developing new technologies based on our existing technology assets. For example, as of March 2023, we ranked second globally for numbers of patents owned in AI-based video/image processing (based on patent families). These kinds of elemental technologies are leveraged to create new technologies for image recognition in the Imaging Group or diagnostic imaging in the Medical Group, thereby contributing to the realization of better products and services.

Global ranking for imaging-related machine learning /AI patent registrations



* Compiled by Canon using PatentSight® by LexisNexis (Based on March 2, 2023 data from ip-search as provided by the Swiss Federal Institute of Intellectual Property using International Patent Classification tech fields H04N and G06T)

video and extended reality (XR, a term encompassing VR, AR and MR), next-generation healthcare, and smart mobility. To help underpin the development and growth of these businesses, Canon's IP Division is focusing efforts on creating and commercializing IP assets relating to core competence technologies (such as optics, image processing and analysis) and technologies that will be essential for cyber/physical systems that incorporate AI and IoT.

Imaging

- From camera business to optics industry**

Besides mirrorless cameras that leverage our core technologies in such areas as optics and sensors, we are developing imaging solutions that include camera ranges used in the production of video and security applications by further fusing network technologies to our core technologies. In addition, we are actively creating IP in fields to support next-generation entertainment and social infrastructure, including volumetric video, XR and other 3D image-processing technologies, as well as cameras for vehicles and other smart mobility applications.

Industrial

- Reforming the semiconductor industry**

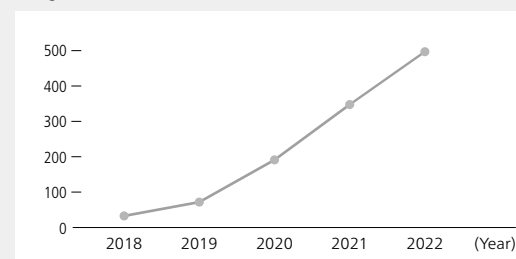
We apply an "open and close" strategy balancing our patents and know-how in areas such as semiconductor lithography equipment, die bonders, OLED manufacturing equipment, and sputtering equipment. We are also focused on IoT applications for industrial equipment. In nanoimprint lithography, we are seeking to assemble a robust patent portfolio of material technologies, elemental technologies and equipment technologies in addition to semiconductor manufacturing processes, based on collaborative efforts with industry, academia, the public sector and Canon Group companies.

Example 2: 3D spatial video processing

As part of Canon's focus on 3D spatial video processing, we are upgrading efforts to build an IP portfolio relating to volumetric video. For example, we own patents relating to creation of high quality volumetric video; patents that support real-time high-speed processing of large-scale video data as used in sports arenas and stadiums; and IP rights relating to video production and distribution. These technologies are being applied in areas such as broadcasts of professional basketball (US) or baseball (Japan), TV commercials, and music videos.

Growth of volumetric video technology patent registrations (global)

(# registrations)



* Please refer to the website for other information on our IP activities.
<https://global.canon/en/intellectual-property/>

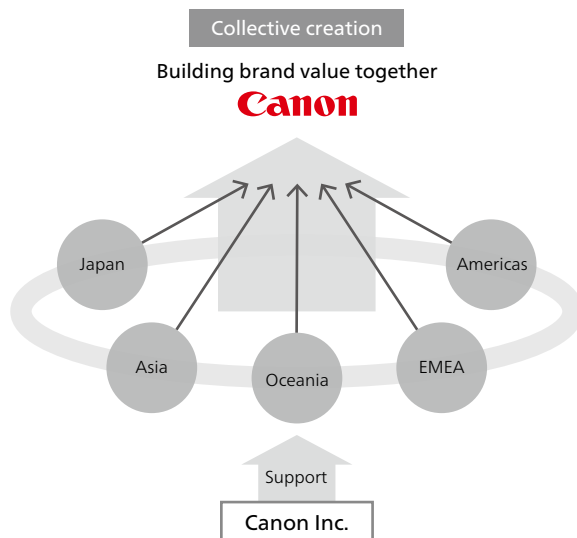
Brand Management

Approach to Brand Management

Canon carefully manages its brand to ensure that customers and society are not adversely affected by improper handling of the Canon logo within the Group or its misuse by third parties.

Brand management activities across the Group are based on the concept that building the brand is a collective pursuit in which every Group company is involved in adding value to the brand.

Concept Behind Brand Management Activities



Brand Management System and Rules

Canon has set up the Brand Management Committee as a deliberative body for enhancing the value of the Canon brand. The Brand Management Division was established by Canon Inc. to serve as the secretariat for the Committee and is comprised of persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

Information on brand-related issues across the Group is collected by divisions responsible for branding within each regional sales headquarter, which is responsible for overseeing local operations.

The Brand Management Committee provides advice and support regarding the appropriateness of trade names and product names from a brand perspective, as well as use of the trademark Canon. Canon has formulated a set of brand management rules to ensure that its employees use the Canon brand in compliance with regulations and enhance the value of the Canon brand through the trust of customers and society. Moreover, to disseminate this information across the entire Group, we send notifications and publicize changes on our company intranet, as well as brief the brand management divisions of each regional marketing headquarters.

Promoting Awareness of the Canon Brand

Canon leads brand education programs at all Group companies in the countries and regions in which it operates, with the aim of ensuring that employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises awareness that "Each and every employee embodies the Canon brand." For example, we conduct brand education as part of our rank-based training curriculum as well as through our intranet system.

We provide brand-related training to meet differing needs: whether for staff with work responsibilities directly connected to the Canon brand, staff who wish to deepen their brand knowledge (training in intellectual property laws), or staff on overseas assignment. In particular, when brand management rules are revised in response to changes in the business environment, or when new operational issues arise, we update the training content to keep staff informed.

Measures Against Counterfeiting

Counterfeit products absolutely cannot be overlooked, as they not only damage the brand but may also lead to economic losses arising from malfunctions or inferior quality. In the worst case, they could cause injury to customers who unknowingly purchased a product while trusting the Canon brand.

Our corporate brand "Canon" is registered as a trademark internationally and in roughly 190 countries and regions worldwide, providing us the legal basis to take strong measures against counterfeit Canon products wherever they arise. In practice, we work with police forces from jurisdictions worldwide, as well as other authorities, to crack down on those making and selling counterfeit goods on a global basis. We also work actively with local customs authorities to stop importation of counterfeit goods. In addition, we have strengthened cooperation with customs authorities on various initiatives worldwide, including dispatching employees to serve as lecturers for verification seminars for customs officers and for anti-counterfeit training programs hosted by customs authorities. Moreover, in response to the worldwide spread of online counterfeit sales, we are strengthening our efforts to monitor and remove counterfeit goods sold online. We are also focusing on creating an environment to prevent the circulation of counterfeit products on the Internet in collaboration with e-commerce sites.

Internal Branding

As part of Canon's internal branding efforts and to support greater vitality in business innovation, we organize training courses for employees engaged in the early stages of new business development to focus on its relationship with our corporate philosophy of *kyosei* as well as the expression of Canon's 'Enterprising Spirit.' The concepts generated through this business development approach often translate into patentable ideas.

Environmentally Conscious Management

Canon works to protect and conserve the environment throughout the product lifecycle.

Canon's Approach to Environmental Assurance

Acting on the foundation of its Approach to Sustainability, Canon works to protect and conserve the global environment in line with the Canon Group Environmental Charter and the Canon Environmental Vision.

Details:

Canon's Approach to Sustainability
<https://global.canon/en/csr/policy/index.html>
 Canon Group Environmental Charter
 Canon Environmental Vision
<https://global.canon/en/environment/index.html>

For 2050

We aim to achieve net-zero CO₂ emissions for entire product lifecycles* by 2050.

For 2030

By consistently achieving our target of an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit, including Scope 3 as well as Scope 1 and 2 emissions, we aim to realize a 50% emissions reduction in 2030 compared to 2008 levels.

In addition, we aim to reduce absolute scope 1 and 2 GHG emissions 42% and absolute scope 3 GHG emissions (category 1 and 11) 25% by 2030 from a 2022 base year in line with the SBTi's** criteria (Canon has submitted these targets to the SBTi for official validation.).

* Scope 1: Direct emissions (city gas, LPG, light oil, kerosene, non-energy-related greenhouse gases, etc.)

Scope 2: Indirect emissions (from use of electricity, steam, etc.)

Scope 3: Supply chain-related emissions (emissions from purchased goods and services, upstream transportation and distribution, and utilization of sold products).

** SBTi (Science Based Targets initiative): The Science Based Targets initiative is a global body enabling businesses and financial institutions to set ambitious emissions reductions targets in line with climate science.

Disclosure in Line with TCFD Recommendations

Canon accepts the recommendations of the final report of the Task Force on Climate-related Financial Disclosures (TCFD) and discloses climate-related information in accordance with the TCFD framework.

Initiatives in line with TCFD Recommendations

Governance	Environmental targets, including climate change responses, are approved by the CEO. Medium-term and long-term plans are formulated by the Sustainability Headquarters, and approved by the CEO after discussions among board directors and other executives. The Sustainability Headquarters plays a central role in the group-wide efforts to achieve these targets, and reports the progress of the targets to the management every month and the annual review to the CEO. Our company has also established a Risk Management Committee based on a resolution of the Board of Directors. Serious risks related to environmental laws and regulations and natural disasters are considered by the Risk Management Committee.
Strategy	Based on information from specialized institutions and government agencies, Canon conducts numerical simulations of lifecycle CO₂ reductions using the climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC), identifies business risks and opportunities, and formulates medium-term to long-term strategies. In order to reduce risks and expand opportunities, we recognize the importance of both mitigating CO₂ emissions and adapting to physical risks from the perspective of entire product lifecycles, and we have formulated and implemented action plans accordingly. We are also working to reduce CO₂ emissions through efforts to realize a circular economy. For example, remanufacturing of printers can reduce CO₂ emissions from the procurement of new raw materials and parts processing. In the closed-loop recycling of ink and toner cartridges, plastic is pelletized from collected cartridges and reused as raw material, thus reducing CO₂ emissions from procurement and transportation of new raw materials.
Risk management	The identified climate change risks and opportunities are managed in accordance with the ISO 14001 PDCA cycle. Our company has established a Group-wide environmental management system, based on ISO 14001, at all of its business sites around the world as a mechanism to continuously improve its environmental assurance activities. In order to promote (DO) environmental assurance activities in conjunction with the activities of each division (Product Group, business sites, and Group companies), the Environmental Management System determines (PLAN) medium-term and annual environmental targets, and formulates priority measures and implementation plans to achieve them, which are reflected in business activities. In addition, we conduct environmental audits to check the status of initiatives and issues in each division, and conduct environmental performance evaluations that incorporate environmental aspects into performance evaluations (CHECK), leading to continuous improvement and reinforcement of environmental assurance activities (ACT). These responses to risks and opportunities are reflected in company-wide environmental targets and priority measures. Our company considers the environment as part of its management evaluation. The achievement of environmental targets and the results of environmental activities by each division are evaluated and scored twice a year in the environmental performance evaluation conducted as an indicator of the consolidated performance evaluation system, which evaluates the performance of the entire Group. The evaluation results are reported to the CEO and other senior management.
Metrics and targets	In order to comprehensively identify and manage the results of all environmental activities, such as energy conservation, resource conservation, and recycling, through a single index that covers the entire product lifecycle, we have set the Canon Group Medium-term Environmental Targets to be "3%-per-year average in lifecycle CO₂ emissions improvement index per product." By continuing to meet this target, we expect an improvement of approximately 50% in 2030 compared to 2008 levels. As of 2022, this was a 43% improvement from 2008 levels, which exceeded the target. The total life cycle CO₂ was 8,342,000 t-CO₂ (Scope 1, 2 and 3). These GHG emissions data are covered by a third-party guarantee every year, and were covered in 2022. Our company is working with the public to achieve net-zero CO₂ emissions by 2050 through initiatives across product lifecycles.

Details: Disclosure Based on TCFD Recommendations
<https://global.canon/en/environment/tcfd.html>

Environmental Targets and Achievements

Medium-term Environmental Targets Overall target, product targets, operational site targets and achievements

2022–2024 Medium-term Environmental Targets		2022 Achievements*2
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product	Avg. improvement: 4.1 p.a. (2008–2022)
Products	3%-per-year average improvement in raw materials and use CO ₂ emissions improvement index per product	Avg. improvement: 2.5% p.a. (2008–2022)
2022 Environmental Targets*1		2022 Achievements*2
Operational Sites	Improve energy consumption per basic unit at operational sites by 1.2%	5.8% improvement
	Improve total waste generation per basic unit at operational sites by 1%	0.7% improvement
	Improve water usage per basic unit in production by 1%	1.6% improvement
	Improve emissions of controlled chemical substances per basic unit at operational sites by 1%	7.1% improvement

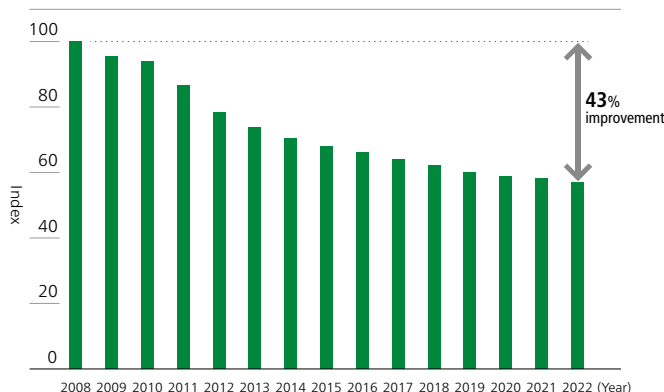
*1 Calculation based on average annual improvement rate of three most recent years. For energy consumption at Japanese operational sites, however, calculation as stipulated in Act on Rationalizing Energy Use. The basic unit denominator is decided according to the characteristics of each operational site (production volume, effective floor area, workforce, etc.)

*2 For scope of data collection: <https://global.canon/en/sustainability/report/pdf/data-2023-e.pdf>

Progress Relative to Overall Target

Against the target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit, we realized an average annual improvement of 4.1% between 2008 and 2022 for a cumulative total improvement of 43%. In 2022, we progressed with our ongoing initiatives to realize improvement based on the entire product lifecycle. These included strengthening energy-saving activities at operational sites, designing more compact, more lightweight products, and improving energy efficiency.

Index of lifecycle CO₂ emissions per product unit



Achievement of Product Targets

We continued with initiatives, including efforts to make products more compact, lightweight, and energy efficient, and achieved an average annual improvement of 2.5% (2008–2022) in raw materials and use CO₂ emissions per product, falling just short of our target of 3%.

Achievement of Operational Site Targets

■ Energy consumption per basic unit at operational sites

We are working to reduce energy consumption at operational sites by consistently meeting our target for reduction of consumption per basic unit.

In 2022, energy consumption per basic unit improved

by 5.8% over the previous year, exceeding the 1.2% improvement target.

■ Total waste generation per basic unit

We are working to reduce total waste emissions by consistently meeting our target for reduction of emissions per basic unit.

We made progress with waste reduction through initiatives at production sites such as reducing waste generation and internal recycling. However, due to an increase in packaging materials in line with greater distribution of components at production sites, waste emissions per basic unit improved by only 0.7% year on year, thus missing the target.

■ Water usage per basic unit in production

We are working to reduce water consumption by consistently meeting our target for reduction of consumption per basic unit.

Water usage per basic unit of production declined by 1.6% compared to 2021 on the strength of efforts to improve water management. This means that we successfully met our target of a 1.0% improvement.

■ Emissions of controlled chemical substances per basic unit

We are working to reduce emissions of controlled chemical substances by consistently meeting our target for reduction of emissions per basic unit.

We achieved a 7.1% improvement over 2021 in emissions of controlled chemical substances per basic unit, attaining our target of a 1.0% improvement, by reducing chemical substances used in manufacturing processes and reusing materials.

2023 Targets

To strengthen initiatives aimed at further decarbonization, we will raise the annual target for improvement in energy consumption per basic unit at operational sites from the previous 1.2% to 2.4%.

The 2023 environmental targets are unchanged from

2022 with the exception of the overall target, the product targets in the 2023-2025 Medium-term Environmental Targets, and the operational site energy targets.

Overview of Environmental Impacts

Total product lifecycle CO₂ emissions (Scope 1-3)*¹ in 2022 were approximately 8.34 million tons. We made improvements over 2021, such as progress in creating more compact and lightweight products, energy-efficient design, and switching from air to marine

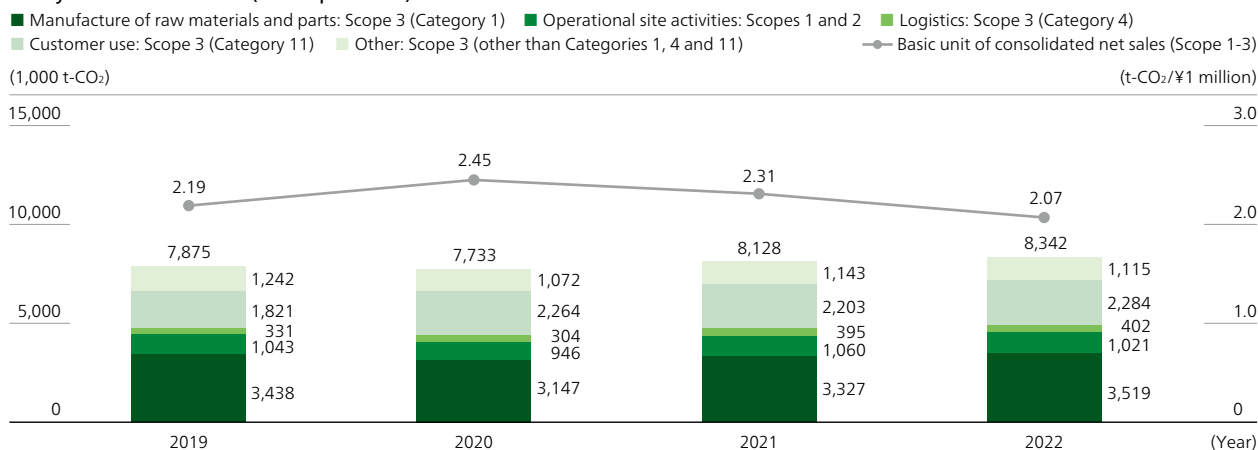
transportation. However, CO₂ deriving from raw materials and product use and transportation increased due to greater shipment volume in the wake of worldwide recovery from the pandemic. The result was an increase of approximately 210,000 t-CO₂ over the entire product life cycle. The resources (input) that Canon used in its business activities and emissions (output) to the global environment over the entire product life cycle are as shown in the following chart.

*1 Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)

Scope 2: Indirect GHG emissions (consumption of electricity, steam, etc.)

Scope 3: Supply chain-related GHG emissions (production of purchased goods and services [Category 1], upstream transportation and distribution [Category 4], use of sold products [Category 11])

Lifecycle GHG Emissions (CO₂ Equivalent)



* The CO₂ conversion coefficient used for raw materials and processing is that of the Eco-Leaf Environmental Label Program. Starting in 2021, data is aggregated for Canon Group consolidated companies, while data prior to that is aggregated mainly for companies that have acquired ISO 14001 consolidated certification.

Scope 3 GHG Emissions in 2022

Category	Scope	2022 (1,000 t-CO ₂ e)	Calculation Method
1	Purchased goods and services	3,519	Calculated by multiplying the weight of each material input (including any inputs emitted as waste) by the emission factor for each material/process.
2	Capital goods	487	Calculated by multiplying the total amount of each asset category of purchased capital goods by the emission factor for each asset category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	179	Calculated by finding the total for fuel and electricity usage at each operational site and then multiplying it by the emission factor from fuel extraction to burning and power generation.
4	Upstream transportation and distribution	402	Logistics from the supplier to Canon production sites is calculated by finding the average transport distance and transport volume and then multiplying it by the emission factor for transportation. Logistics from production site to customer's warehouse is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	3	The total weight of waste generated by material and disposal process at each operational site is derived and then multiplied by the end-of-life treatment emission factor.
6	Business travel	37	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor for fuel consumption.
7	Employee commuting	159	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For commutes by private vehicle, total fuel usage is derived from amounts paid and then multiplied by the emission factor for fuel consumption.
8	Upstream leased assets	0	CO ₂ emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	52	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor for transportation.
10	Processing of sold products	0	Emissions from production by outsourcing partners of intermediate products used in sale of Canon-branded products are included in Category 1.
11	Use of sold products	2,284	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	198	Sold products are categorized by material and then the emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	0	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	0	Not applicable
15	Investments	0	Not applicable
Scope 3		7,320	

Climate Change

Canon is working to reduce CO₂ emissions at all stages of the product lifecycle.

Initiatives for a Carbon-free Future

Canon seeks to consistently meet its environmental targets and, beyond that, is working toward net-zero CO₂ emissions from its business activities by 2050. To that end, we quantify emissions during the whole product lifecycle—from the upstream supply of raw materials and parts through operational site activities and logistics to customer use—and use technology to reduce emissions at each stage.

Environmentally Conscious Designs for Office Equipment

The imageRUNNER ADVANCE DX 4800F series of multifunction office devices achieves a reduction of approximately 25% in electricity consumption, placing it among the industry's top performers in typical energy consumption (TEC). Its weight reduction of approximately 15% per unit realizes improved efficiency during utilization and shipping, which contributes to lower CO₂ emissions. Additionally, the product is fitted with a staple-free finisher that uses pressure to bind up to ten sheets of paper together, reducing waste in the form of metal staples.

These and other improvements to their essential features work to both enhance product performance in multifunction devices and reduce environmental impact throughout the product lifecycle.

CO₂ Reduction Through Initiatives at Operational Sites

Canon created the Energy Cost Reduction Working Group in 2014 as a horizontally integrated organization to take Group-wide action on reducing energy consumption. The working group has promoted reduced energy consumption by undertaking a thorough-going analysis of the required operating environment for production equipment in the on-site manufacturing process and using its findings for instance to reduce equipment operating time, cut out excess use of pressurized air and cooling water, and adjust air conditioner settings. Measures that prove effective are adopted for horizontal rollout to Japan and overseas production sites. Moreover, staff members from our corporate headquarters in charge of this initiative perform a diagnosis of energy performance during visits to production sites all over the world. There, they check the operating status and settings of production equipment and then use their observations to make improvements to the operating efficiency of facilities and equipment and provide staff with relevant on-site training. Since the launch of this initiative, it has resulted in a Group-wide energy saving of 213,756 kL (crude oil equivalent).

Use of Renewable Energy

We are working to expand the use of renewable energy, especially in Europe and Asia, while taking regional renewable energy uptake status and economic efficiency into consideration.

We have installed solar generation panels at Canon Vietnam's Thang Long Factory and at Canon Production Printing and Nagasaki Canon to make proactive use of renewable energy. We are also using renewable energy at the new office building of Canon Europe and Canon UK, earning an evaluation of 'excellent' under the BREEAM* environmental assessment standard. Additionally, the marketing company Canon China has introduced I-REC certification and switched to 100% renewable energy sources for its office electric power supply.

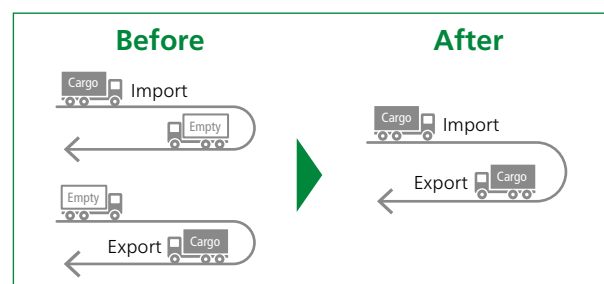
As a result of these initiatives adapted to local conditions, total worldwide renewable energy consumption by Canon Group companies was 99,096 MWh in 2022, an approximate 14% increase over 2021. Group companies in Europe sourced about 37% of total energy needs from electric power. Of this electric power, generation from renewable sources accounted for around 78%.

* An environmental sustainability assessment method developed by Britain's Building Research Institute that evaluates buildings under nine categories, including health and wellbeing, energy, and waste.

Logistics Initiatives

We are working to reduce logistics-related CO₂ emissions at all stages from production through to sales. As one way to lessen environmental impact in this area, we are seeking to achieve a modal shift by switching from road to rail transport. Another initiative targets improved loading efficiency by designing products and outer cartons to best fit the container size. We are also making an active effort in reducing environmental impact reduction by reviewing transport routes to shorten distances and by actively promoting "container round use," which means turning import containers around to reuse them for export. In addition to these measures, we were able to reduce transport-related CO₂ emissions through the progress of shifting from air to sea, as the disruption in international logistics caused by pandemic came to an end in the second half of 2022.

Overview of Container Round Use



Resource Recycling

Canon promotes both resource consumption restraint and product-to-product recycling.

Resource Recycling

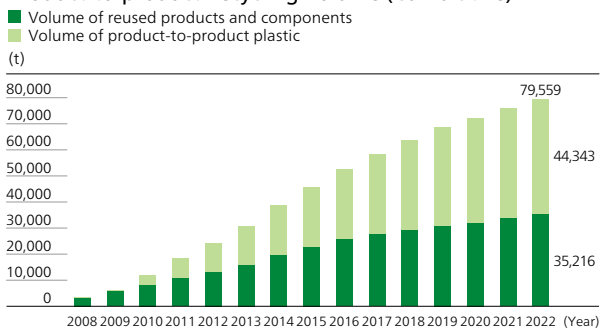
To maximize the value brought about by resource recycling, Canon pursues product-to-product recycling — in other words, recycling used products into new ones. In particular, we have emphasized such initiatives as closed-loop recycling of toner cartridges and the remanufacturing of office multifunction devices — collecting them post-use and making them into products with good-as-new quality. Currently, Canon has five sites conducting recycling, in Japan, Europe (two sites), the United States, and China. We are continuing initiatives aimed at circulating resources within the same regions where they are consumed.

Flowchart of Circular Economy



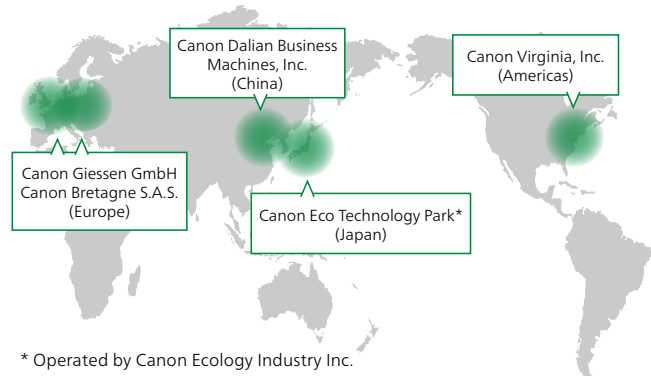
Since 2008, we have taken 44,343 tons of plastics from used products for recycling as raw materials, and another 35,216 tons of products and parts were reused directly. Going forward, we will continue to reinforce product-to-product activities at Canon recycling sites around the world, contributing to both a circular economy and the realization of a carbon-neutral society.

Product-to-product Recycling Volume (Cumulative)



* Product recycling initiatives have been ongoing since before 2007. Data are based on 2008 as the baseline year.

Canon Recycling Sites Worldwide

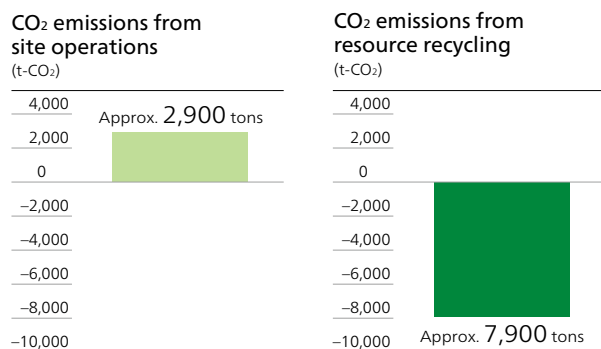


Value Created by Resource Recycling

We see initiatives at Canon's recycling sites as not only contributing to a circular economy but also contributing to a carbon-free future. The reuse of parts through remanufacturing and the recycling of plastics through closed-loop recycling allow us to reduce the amount of CO₂ emissions generated by raw material procurement and transportation compared with using new raw materials.

Canon Ecology Industry Inc. emitted 2,900 tons of Scope 1 and 2 CO₂ through site operations. We believe that these efforts have resulted in a reduction of approximately 7,900 tons of CO₂ emissions.

Example of Canon Ecology Industry Inc.



Action to Reduce Disposable Plastics

There is growing public concern over single-use plastics, which are regarded as a cause of marine pollution. With the aim of reducing plastics, Canon is working to cut the amount of single-use plastic.

Chemical Substances

Canon thoroughly manages chemical substances in products and those used in manufacturing processes.

Approach to Managing Chemical Substances

Canon strictly manages chemical substances in products as well as those used in manufacturing processes.

Our basic approach to management involves confirming products do not contain regulated chemical substances that exceed the prescribed standard and production sites do not discharge regulated chemical substances that exceed the prescribed standard.

Management of Chemical Substances in Products

Canon has built a Group-wide environmental assurance system for managing chemical substances in products. Taking the laws and major environmental-labeling requirements around the world into consideration, we established in-house standards in line with the most stringent regulations in the world.

Specifically, our management system classifies chemical substances into three categories: "prohibited substances," which cannot be used in products; "use-restricted substances," for which we are working to find alternatives by specific deadlines; and, "controlled substances," the amount of which should be monitored.

Activities to Assure Management of Chemicals Substances in Products

In the environmental area, Canon has established Canon Green Procurement Standards, which outline its environment-related requests to suppliers. Suppliers must comply with these standards to do business with Canon. Specifically, we view a supplier's environmental management as consisting of two interrelated elements: management of business activities, and management of parts and materials. We require that the supplier must operate effective environmental management in each of the four frameworks labeled A–D in the diagram below. If a supplier is found to have a negative impact on the environment, we immediately demand corrective action be taken and check the status of improvements made.

Requirements of the Canon Green Procurement Standards

	Environmental management system	Performance
Business activities	A: Environmental management system for business activities Construction and operation of an environmental management system for business activities	B: Performance of business activities - Compliance with environment-related laws and regulations - Compliance with other applicable legal requirements - Non-use of prohibited substances - Reduced use of substances targeted for reduced levels of use - Preventative measures against soil and groundwater pollution
Parts & materials	C: Management of chemical substances in products Construction and operation of system for management of chemical substances in products	D: Performance of parts and materials - No prohibited substances are contained - No use-restricted substances are contained after a specified period

■ Evaluation of supplier (A-C)
 ■ Evaluation of parts and materials (D)

Utilization and Development of the chemSHERPA System for Information Sharing on Chemical Substances

To manage chemical substances appropriately, it is important to share information on the chemical substances contained in materials, parts, and products accurately and efficiently along the supply chain from upstream to downstream, and to ensure compliance with all applicable regulations.

With the aim of facilitating communication between companies in regard to chemical substances, in 2017, Canon adopted chemSHERPA, a scheme pioneered by the Ministry of Economy, Trade and Industry, to facilitate the sharing of information. As chemSHERPA makes use of the data scheme of the international standard IEC62474*, it is possible to conduct more accurate surveys to manage the results of chemical compliance checks by material and component as well as timely reflect revisions to chemical regulations. Of the supplier surveys conducted since Canon put this into operation, more than 99% responded to the chemSHERPA survey, which improves internal operational efficiency and reduces the burden on suppliers through standardized survey formats.

* Material Declaration for Products of and for the Electrotechnical Industry. International standards issued by the IEC (International Electrotechnical Commission) in March 2012 aiming to streamline the material declarations on chemical substances and compositions contained in the products of the electrotechnical industry in the global supply chain.

Managing Chemical Substances Used in Manufacturing Processes

The chemical substances handled during manufacturing at Canon include "controlled chemical substances" regulated in terms of safety such as negative impact on human health, the environment, and flammable risk. Canon separates these substances into three categories: A) Prohibited substances; B) Emission reduction substances; and C) Regulated substances. In turn, effective measures are in place for each category.

Prohibited substances are defined as those specified by the Chemical Weapons Convention, the Stockholm Convention, the Montreal Protocol and the Convention concerning Safety in the Use of Asbestos, as well as specified greenhouse gases (PFC/HFC/SF₆), other soil and groundwater pollutants, and substances that significantly impact people's health.

Greenhouse gases other than PFC/HFC/SF₆, greenhouse gases identified by the IPCC as having global warming potential (GWP), volatile organic compounds (VOCs), and other substances specified by Canon are designated as emission reduction substances.

Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

Biodiversity

Under our Biodiversity Policy, we have formulated the slogan 'Nature Positive' and are pursuing activities rooted in local communities worldwide.

Biodiversity Policy

Canon recognizes biodiversity as essential for a sustainable society. We carry out various activities to conserve and protect biodiversity under our Biodiversity Policy, which applies to the entire Canon Group.

Reference: Biodiversity Policy
<https://global.canon/en/environment/biodiversity.html>

Initiatives to Support Continuous Use of Sustainable Forestry Resources within Value Chain

To help support biodiversity across the value chain, Canon promotes the use of sustainable forestry resources as the raw materials for the paper used in its products. We have set procurement policies favoring the purchase of paper products derived from sustainably sourced wood pulp. Moreover, the office paper we sell is made under forest certification schemes or using environmentally conscious raw materials.

Reference: Basic Policy on the Procurement of Timber Products
<https://global.canon/en/environment/biodiversity.html>
Reference: Canon Bird Branch Project
<https://global.canon/en/environment/bird-branch/>

Group Initiatives to Conserve Biodiversity

Biodiversity has come to be recognized in recent years as an issue facing global society as a whole, and the notion of 'nature positive' initiatives that seek not only to conserve but also restore biodiversity has gained attention. 'Nature positive' actions hold the potential to prevent the loss of economic activity as well as create new jobs and businesses. Canon adopted the Group-wide slogan 'Nature Positive' to guide our collaboration with stakeholders at marketing and production sites worldwide in rolling out activities in line with local needs.

Canon Bird Branch Project

Biodiversity refers to the way living things interact as they coexist on earth. Within this sphere, birds occupy the top position in a local ecosystem pyramid of plants, insects, and small animals, symbolizing the cycle of life. Canon promotes the Bird Branch Project, which encompasses a range of bird-centered activities at operational sites in Japan and overseas, as a symbol of the initiatives based on its Group-wide Biodiversity Policy.

At each site, we are working to diversify wildlife, including wild birds, by surveying the status of bird migration and biotopes and through other measures such as setting up and cleaning, bird baths and nest boxes, and preventing bird strikes.

Reference: Canon Bird Branch Project
<https://global.canon/en/environment/bird-branch/>

Protection of Marine Mammals and Sea Turtles and Support at Ocean Release Events (USA)

Canon USA works for conservation of sealife by providing support to the New York Marine Rescue Center (NYMRC), which rescues and rehabilitates injured marine mammals such as sea turtles, seals, and dolphins. Since 2019, Canon USA employees and their families and friends have participated in the ocean release of sea turtles nursed to recovery by NYMRC. In 2022, the sea turtle Flippy, who weighed only around 35 pounds when rescued but had recovered to 55.5 pounds, was watched by numerous well-wishers as it was returned safely to the Atlantic Ocean.



Flippy returns to the ocean

Forest Cleanup to Prevent Forest Fires and Conserve Habitats (Philippines)

In recent years, due to the impact of climate change, the increased severity of wildfires and the heightened risk of spontaneous fire outbreaks have emerged as urgent environmental problems.

Canon Business Machines (Philippines) is rolling out activities to prevent forest fires caused by fallen leaves, withered grass, and other forest debris, promote the healthy renewal of animal and plant habitats, and maintain and conserve a sound forest environment. Employee volunteers took part in action to clean up the botanical gardens on the grounds of the Mount Makiling Forest Reserve, a designated ASEAN Heritage Park*, and collected approximately 20 kg of fallen leaves.

* ASEAN Heritage Parks: conservation sites in the ASEAN region rigorously selected and recognized for their distinctive biodiversity, ecosystems, and wildlife and their outstanding value from the viewpoint of scenic beauty, culture, education, research, recreation, tourism, or other factors. As of October 2022, there were 51 designated sites.

Respecting Human Rights

Canon respects the human rights of all stakeholders involved in its business activities, including employees and business partners.

Basic Approach

Based on the UN Guiding Principles on Business and Human Rights, Canon respects the human rights of all stakeholders involved in its business activities, including employees and business partners. Since its foundation in 1937, Canon has been committed to respecting humanity, treating all employees in a fair and equal manner, without discrimination based on social status, gender, age or occupation. In 1988, following half a century of operations, we established *kyosei* as our new corporate philosophy, and reiterated our commitment to promoting respect for humanity as a global aspiration, working together with stakeholders around the world in that pursuit. In addition, we instituted the Canon Group Human Rights Policy in 2021 and continue to promote efforts to respect human rights.

Human Rights Policy

The Canon Group Human Rights Policy expresses Canon's commitment to respect human rights and to take measures to protect human rights under the corporate philosophy of *kyosei*, which we embed into our operational policies and procedures.

It stipulates that Canon will conduct human rights due diligence, establish and operate a grievance mechanism, conduct awareness training, and engage in dialogue with stakeholders in addition to respecting internationally recognized human rights, including the prohibition of child labor, forced labor, unreasonable restrictions on movement and excessive overtime work, and also the respect for freedom of association and the right to collective bargaining. The Human Rights Policy is published in Japanese and English and is communicated to employees and stakeholders in each country and region via our website.

Promotion System

At Canon, the CFO holds the responsibility as the executive of human rights, while the sustainability, legal, and human resources divisions of Canon Inc. serve as the promotion secretariat, pursuing human rights initiatives in cooperation with the procurement divisions. The promotion secretariat formulates an overall plan for human rights initiatives, establishes and

operates a grievance mechanism, conducts stakeholder engagement, and reports important matters to the executive in charge. From 2022, potential human rights violation risks have been identified as a significant risk by the Risk Management Committee established by resolution of the Board of Directors. Each Canon Inc. division and Group company is implementing initiatives to prevent and mitigate human rights risks. The results are evaluated annually by the Risk Management Committee and reported to the CEO and Board of Directors.

Human Rights Initiatives

Based on the advice of outside experts, Canon has taken the following actions to ensure respect for human rights: (1) formulation/review of the Human Rights Policy; (2) undertaking human rights due diligence; (3) institution/operation of grievance mechanism; (4) conducting human rights awareness training; (5) addressing human rights risks in the supply chain; and (6) stakeholder engagement.

Implementation of Human Rights Due Diligence

Based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, we undertake human rights due diligence across the Group, as one activity under the Risk Management Committee. Each Canon Inc. division and Group company identifies and evaluates the potential adverse human rights impacts in their respective business activities, including the supply chain, and identifies the salient human rights risks. Subsequently, the promotion secretariat aggregates, analyzes and evaluates those risks, and through stakeholder engagement, identifies salient human rights risks for Canon. In assessing human rights risk, we also refer to the human rights risk country/region index provided by the Responsible Business Alliance (RBA).

Additional measures have been initiated to prevent or mitigate salient human rights risks identified by Canon Inc. divisions or Group companies where it is believed current actions are deemed insufficient.

Salient Human Rights Risks for Canon

Within the human rights risks that may arise in Canon's business activities, 11 of those were identified as salient human rights risks, which include discrimination based on such factors as race, gender, or religion, harassment, child labor, forced labor, unpaid wages/low wages, excessive overtime work, occupational health and safety, and protection of privacy. As shown in the table below, various measures are taken to prevent and mitigate these risks. Canon also assesses human rights risks for new businesses. For example, when conducting M&As, we review the status of compliance with laws and regulations related to labor standards and health and safety as part of our due diligence, to ensure that there are no serious human rights risks in the company newly joining the Group.



Due diligence workshop

Salient Human Rights Risks for Canon

	Rights-holders				Measures taken by Canon
	Suppliers/ Contractors	Canon employees	Customers/ Consumers	Local communities	
Discrimination based on such factors as race, gender, or religion		●			Diversity and Inclusion
Harassment		●			Prevention of Harassment
Child labor	●				Respect for Human Rights in the Supply Chain
Forced labor	●				Respect for Human Rights in the Supply Chain
Unpaid wages/low wages	●				Respect for Human Rights in the Supply Chain
Excessive overtime work	●	●			Prevention of Excessive Overtime Work Respect for Human Rights in the Supply Chain
Occupational health and safety	●	●			Occupational Safety and Health Management
Protection of privacy		●	●		Protecting Personal Information
Procurement of conflict minerals				●	Addressing the Issue of Responsible Minerals Sourcing
Noise, environment pollution at operational sites				●	Protecting and Conserving the Environment
Health damage or accident caused by product			●		Product Responsibility

Grievance Mechanism

Canon has an internal reporting system at nearly all Group companies worldwide through which our employees can report specific human rights concerns in the local language. Canon also strives to make the reporting system known through the company intranet and training programs.

In addition, Canon has a point of contact in our website for external stakeholders to report specific human rights concerns about Canon's corporate activities.

In addition, we have established a point of contact in our website for external stakeholders to report specific human rights concerns about Canon's corporate activities. Both internal and external contact points maintain the privacy of informants and allow them to report anonymously to ensure that they do not suffer unfair treatment as a result. The facts in any whistle-blowing case are investigated, where it is received. If Canon judges that there is a problem, with appropriate steps and procedures, Canon works on remedy of such problem and prevention of any recurrence of such problem. In 2022, Canon received 110 cases concerning human rights-related issues (discrimination/harassment, wages, working hours, etc.). Out of these 110 cases, 21 cases for which Canon completed investigations as of end of 2022 required remedy.

The industry body of which Canon is a member also has a grievance mechanism through which Canon's stakeholders can report specific human rights concerns.

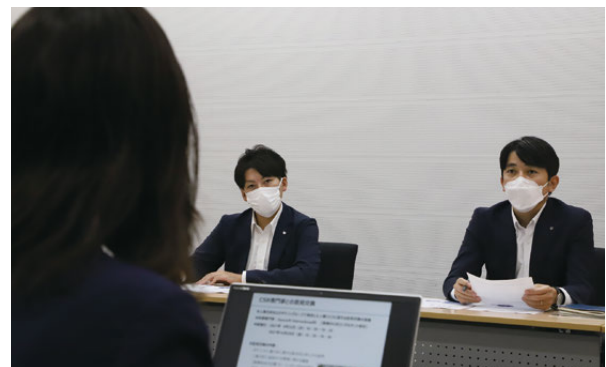
Human Rights Awareness Training

Since 2021, we have been carrying out an online learning program for employees to instill basic knowledge about business and human rights and raise awareness of Canon's human rights initiatives. We extended this program to Canon Group companies in Japan in 2022. A total of 33,100 people completed the course, for a participation rate of 98.2%.

Stakeholder Engagement

The OECD Due Diligence Guidance for Responsible Business Conduct states that it is important for companies to engage with stakeholders at the time they identify the actual or potential adverse impact caused by corporate activities. In 2022, to identify salient risks for Canon as part of human rights due diligence, we engaged in dialogue with the Canon Workers' Union representing our employees in Japan. In the dialogue, we confirmed the recognition of the workers' union on discrimination based on such factors as race, gender, or religion; harassment; excessive overtime work; occupational health and safety;

and the protection of privacy, which are considered to be human rights risks for employees in particular. A broad range of opinions were also exchanged on the topics of changes in work styles due to greater telecommuting and men taking childcare leave. The dialogue helped to identify salient human rights risks for Canon. The workers' union introduced the risks it was evaluating and pointed to examples of flexible work styles developed during the COVID-19 pandemic. The dialogue served to deepen mutual understanding, with both sides confirming their desire to maintain such dialogue.



Dialogue with Canon Workers' Union

Respect for Human Rights of Employees

Prevention of Excessive Overtime Work

We have instituted a system to accurately ascertain the working hours of employees at overseas production sites deemed to be subject to a notably high risk of excessive overtime work. Actual results on working time management, including overtime work, are reported annually to the HR division of Canon Inc. In addition, in 2015, we established labor guidelines in accordance with social conditions in local areas and the human resource management regulations of each Group manufacturing company to ensure thorough compliance.

Respect for Freedom of Association and the Right to Collective Bargaining

As stated in the Canon Group Human Rights Policy, Canon respects freedom of association and the right to collective bargaining in accordance with the local laws and regulations of each country and region. We also strive to address various labor issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

Prevention of Harassment

In line with the principle of respect for humanity that Canon has followed since its foundation, Canon not only prohibits discrimination on such factors as gender or occupation, but also maintains a zero-tolerance policy on harassment, which it communicates to all management executives and employees.

In addition to sexual harassment and abuse of authority (power harassment), Canon Inc.'s employment rules and Harassment Prevention Provisions prohibit other forms of harassment, including maternity harassment. These provisions have been disseminated throughout Group companies in Japan, and many have instituted similar rules based on them.

In a further effort to maintain a comfortable workplace environment, Canon Inc. and its many Group companies in Japan have established a Harassment Hotline. Confidentiality surrounding employee consultations is strictly maintained and a firm guarantee against unfair treatment is provided to victims and informants.

In terms of preventing harassment, regular liaison meetings are held for persons responsible at Canon Inc. operational sites and Group companies in Japan, enabling the operational status of hotlines to be monitored and shared. Meeting participants review procedure manuals and share knowledge on how to respond to reports of harassment.

Prevention of Child Labor

Canon conducts thorough age verification at the time of employment and has guidelines in place for when an employee is found to be under the minimum working age.

Prevention of Forced Labor and Unreasonable Restrictions of Movement

Canon conducts self-inspections using RBA's Self-Assessment Questionnaire at its domestic and overseas production sites to confirm that there is no risk of forced labor or unreasonable restrictions on movement.

Respect for Human Rights in the Supply Chain

We have formulated the Canon Supplier Code of Conduct, which is based on the RBA Code of Conduct, to promote sound procurement activities that take proper account of labor, health and safety and environmental concerns, and management systems. We have collected a letter of agreement concerning adherence to the RBA Code of Conduct from our major suppliers. In addition, we conduct annual checks of our major suppliers using the RBA's SAQ as part of efforts to prevent in our supply chain the use of any child/forced labor, unreasonable movement restrictions, or excessive working hours,

alongside good health and safety measures. We also perform our own checks on some major suppliers, which may include conducting a local audit.

Canon is also working with suppliers and industry bodies on responsible mineral sourcing initiatives.

Ongoing Monitoring

Canon continuously monitors compliance with the content set out in the Canon Group Human Rights Policy. We also pursue ongoing efforts to improve our identification and assessment methods for human rights due diligence, and periodically review them throughout the Group. We also review the Group's human rights initiatives in accordance with social demand, dialogue with stakeholders, and Canon's business operation.

Compliance with Modern Slavery Act

Canon discloses information to comply with requirements of the Modern Slavery Act, which mandates enterprises to publish annual statements verifying the risks of forced labor, human trafficking and child labor in their operations and supply chains.

Supply Chain Management

Basic Approach

Canon has partnerships with thousands of suppliers, from whom it purchases considerable numbers of components, such as electronic parts, mechanical parts, units and materials. As part of its responsibility as a manufacturer operating a global business, Canon ensures that its procurement activity is sensitive to environmental and social issues.

In 2019 Canon joined the Responsible Business Alliance (RBA), a coalition of companies that promotes socially responsible global supply chains. Canon works through the alliance to further ensure that its production and procurement activity considers the needs of the global environment, people, and society.

Procurement Policy, Supplier Code of Conduct

Guided by its philosophy of *kyosei*, Canon sets out its basic approach to procurement in its Procurement Policy, which promotes the fair and equitable conduct of business with due consideration for corporate ethics, environmental conservation, and other key concerns. We request all suppliers to ensure that they understand and cooperate with the policy.

We have also formulated the Canon Supplier Code of Conduct, based on the RBA Code of Conduct. We are working with suppliers to develop a socially responsible global supply chain on issues such as labor, occupational health and safety, the environment, corporate ethics and management systems. We also request from second-tier suppliers understanding and adherence to the Canon Supplier Code of Conduct through first-tier suppliers. We publish the code on our corporate website to make it widely known to stakeholders while making it known to suppliers globally through an annual survey.

Reference: Procurement Policy
<https://global.canon/en/procurement/policy.html>
 Reference: Canon Supplier Code of Conduct
<https://global.canon/en/procurement/pdf/coc-e.pdf>

Reinforcing Compliance in Procurement

Canon not only complies with laws and regulations on procurement globally, but also ensures complete fairness and transparency in dealings with its suppliers. Specifically, we established the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement, which stipulates appropriate actions that persons in charge of procurement as well as executives and employees responsible for placing orders should keep closely in mind in order to maintain high standards of legal compliance and corporate ethics. Also, Canon's business

processes are uniform across its global network based on a common set of detailed rules on procurement practices in place for Group companies worldwide.

To ensure company-wide consistency and uniformity, a department in charge of internal Group controls was set up in the procurement division at Canon Inc. to maintain the rules, monitor compliance, and provide training for employees.

Fulfillment of Social Responsibility in the Supply Chain

Canon's Supply Chain

Many manufacturers outsource assembly operations or other production processes to outside contractors; however, due to the strong focus and importance Canon places on manufacturing, we not only carry out product assembly but also manufacture certain components, parts and materials in house at Canon Inc. operational sites or at Group manufacturing companies (hereinafter "Canon production sites"). Group manufacturing companies located in Japan, China, Taiwan, Malaysia, Thailand, the Philippines, Vietnam, the United States, and Europe are responsible for supplying Canon products to Canon Inc. as well as Group marketing subsidiaries and affiliates. As the head of the Canon Group, Canon Inc. supervises Group manufacturing companies that directly employ large numbers of people.

Canon production sites also have partnerships with thousands of suppliers unaffiliated with the Canon Group, from whom they purchase considerable numbers of components, such as electronic parts, mechanical parts, units and materials.

Canon Group initiatives

As the headquarters of the Canon Group, the headquarters divisions, product operations and auditing divisions at Canon Inc. verify the situation at Group companies around the world from the standpoints of internal controls and risk management.

In addition, Canon production sites conduct self-assessments relating to labor, health and safety, environment, ethics, management systems, etc., using the RBA Self-Assessment Questionnaire (SAQ). Additionally, in 2022, we received external audits from the RBA at 16 locations around the world. The audits found deficiencies, mainly due to differences between the requirements of the RBA Code of Conduct and local laws and our own policies, but we revised our policies and procedures to correct them. We will continue to give consideration to cases that require careful attention.

Initiatives with Suppliers

Before starting business dealings with a new supplier, Canon conducts an assessment based on the Canon Supplier Code of Conduct and other reference standards of whether the company fulfills all requisite standards in terms of corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, health and safety, intellectual property rights protection, etc.), environmental conservation (chemical substance management, prevention of air pollution and water pollution, proper disposal of waste, initiatives aimed at conserving energy and resources, reduction of GHG, and biodiversity conservation), finance, and production structure (quality, cost, delivery, manufacturing capacity, and management).

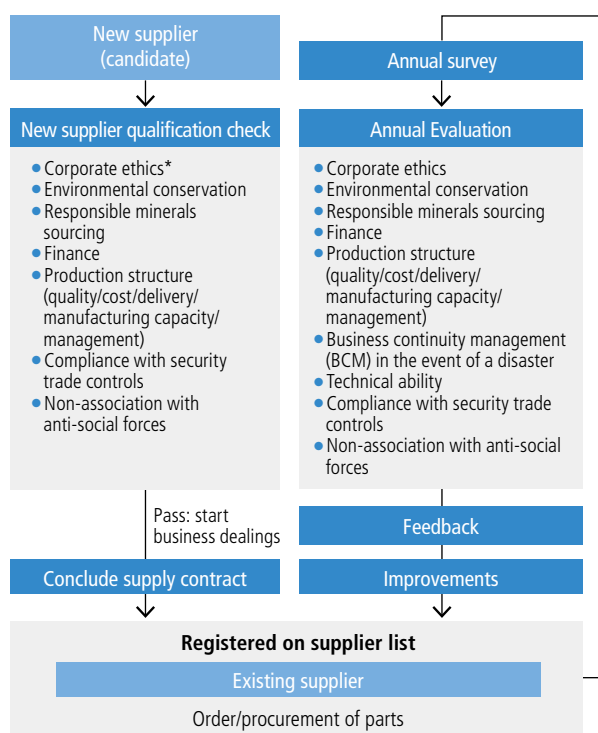
Only those suppliers who meet these criteria are accepted onto the Supplier List. Canon conducts an annual survey of suppliers registered on the list and makes a comprehensive evaluation based on the survey results, performance as a supplier, and other factors. The results are then reflected in the supplier list, enabling us to preferentially deal with suppliers with high evaluations. We conduct on-site audits of suppliers with low evaluations and provide guidance and instruction for improvement. In particular, Canon may choose to terminate business with suppliers if they are not complying with laws and social norms covering areas such as human rights, labor, and the environment.

For parts and materials suppliers of its main business products ("major suppliers"), Canon uses the RBA's SAQ to identify their labor, health and safety, environmental, and ethical risks. Our 2022 survey of 340 companies elicited responses from 331 companies (representing 491 sites). No businesses were identified as high risk among these suppliers, but we provided feedback on the results of labor, health and safety, the environment and ethics to our major suppliers and requested that they identify weaknesses and improve on them. In 2022, we also took steps to verify the SAQ responses received from a number of major suppliers in Japan and Asia, including on-site checks.

We also request major suppliers to sign an agreement concerning the RBA Code of Conduct. Out of 340 requests, consent was obtained from 328 (96.5%) major suppliers.

Starting from 2022, we additionally carried out risk assessments relating to labor, health and safety, the environment, and ethics, focusing specifically on labor agencies, the companies to which we subcontract operations such as security, cleaning, and cafeteria provision at our core business production sites, and the companies who manage our facilities and dormitories. The risk assessment did not identify any contractors as high risk, but we requested these business partners to carry out monitoring of regulatory compliance and risk and to submit corrective action plans.

Supplier Evaluation System



* Corporate ethics covers areas including legal compliance, product safety, management of confidential information, human rights, labor, health and safety, and intellectual property right protection.

Corporate Governance

Fundamental Policy and Structure

Fundamental Policy

In order to establish a sound corporate governance structure and continuously raise corporate value, Canon Inc. believes that it is essential to improve management transparency and strengthen management supervising functions. At the same time, a sense of ethics and mission held by each executive and employee of a company is very important in order to achieve continuous corporate growth and development.

Reference: An Overview of Corporate Governance at Canon Inc.
<https://global.canon/en/ir/strategies/governance.html>

Governance Structure

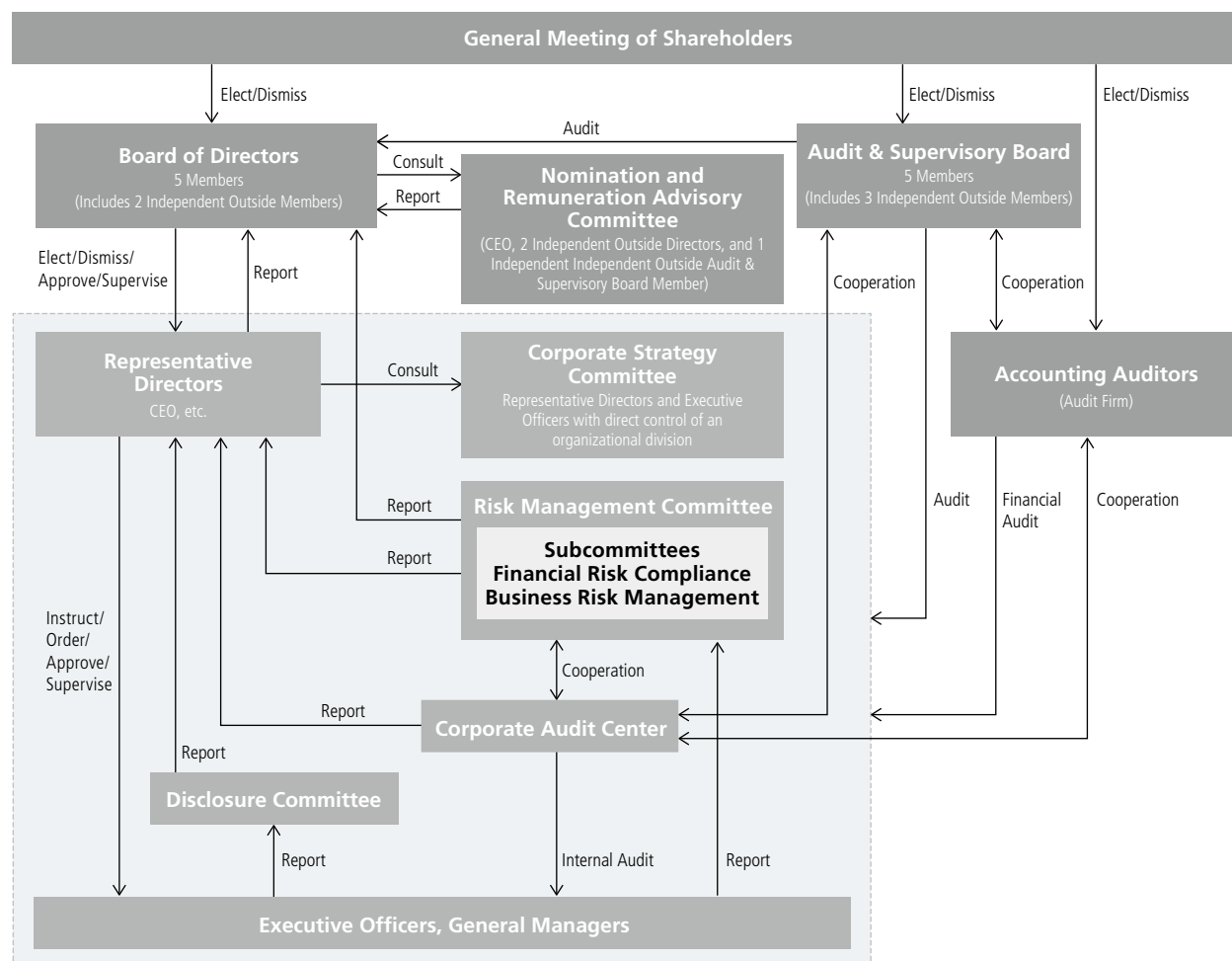
■ Basic Views

Canon Inc. is globally expanding its businesses in various business fields, including printing, imaging, medical, and industrial, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the entire Canon Group or matters that straddle several business fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, the Canon Inc. judges the corporate governance structure below to be effective.

Change in Corporate Governance Structure to Continually Improve Corporate Value

2005	2008	2009	2010	2014	2015	2016	2020
			Reduced the number of Directors (from 25 to 17)	Appointed Outside Directors (two)	Appointed female Executive Officer Measures to assess effectiveness of Board of Directors	Reduced the number of Directors (from 17 to 6) Established Nomination and Remuneration Advisory Committee Established the Independence Standards for Independent Directors/Audit and Supervisory Board Members	
	Introduced the Executive Officer system	Appointed non-Japanese Executive Officer					

Corporate Governance Structure



* The grey boxes represent the Organizations executing operations.

■ Board of Directors

While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive Directors that oversee multiple business fields or headquarters functions, at least two Independent Outside Directors are appointed while also assuring that they account for one third or more of the total number of Directors, in order to secure sound management. The Board of Directors, in accordance with laws and regulations, makes important decisions and supervises the execution of duties by officers. Except for the above, the CEO and other Representative Directors are active in decision making and execution, and under the command and supervision of the Representative Directors, Executive Officers that are elected through resolution of the Board of Directors make decisions and execute operations of each business field or function. The Board of Directors consists of five members, three Representative Directors from inside Canon Inc. and two Outside Directors that qualify as Independent Directors. Additionally, there are 40 Executive Officers, including two females and one non-Japanese.

■ Audit & Supervisory Board

As a body which is in charge of the audit of operations, under the principles of autonomy, which is independent from the Board of Directors, Canon Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.'s businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance and accounting, and internal control. The Audit & Supervisory Board, which is composed of these individuals, cooperates with Canon Inc.'s Accounting Auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management. There are five Audit & Supervisory Board Members of which three are Independent Outside Audit & Supervisory Board Members. In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings and other internal important gatherings such as Corporate Strategy Committee meetings. They are also able to listen to reports from Directors and employees, review documents related to important decisions, and conduct audits by investigating, etc., the situation of businesses and property of Canon Inc. and its subsidiaries. Additionally, the Office of Audit & Supervisory Board Members is independent from the control of the Directors, etc., and it has a dedicated staff. The Audit & Supervisory Board Members can order headquarters management and other operations to conduct investigations in cases of necessity. In this way, the Audit & Supervisory Board plays a role in monitoring management, conducting strict audits of Directors' execution of duty, including the status of development of the internal control system. Furthermore, the Audit & Supervisory Board Members cooperate closely

with the Accounting Auditors and Canon Inc.'s internal auditing arm, and such cooperation services to improve each monitoring function.

■ Nomination and Remuneration Committee

Canon Inc. established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CEO, two Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member. At the time, Director and Audit & Supervisory Board Member candidates are nominated and Executive Officers are appointed, including the selection of a successor for the chief executive officer position, the CEO recommends candidates thereof from among individuals that have been recognized as having met the prescribed requirements, and the Committee checks the fairness and validity of such recommendation prior to submission to and deliberation by the Board of Directors.

In particular, with regard to chief executive officer candidates, it is the CEO's responsibility to select and train candidates through an executive training system and a mechanism for accumulating management experience, including the transfer of persons who have been selected as Executive Officers and involvement in company-wide projects. And the process is confirmed by the Nomination and Remuneration Advisory Committee.

Additionally, as for Audit & Supervisory Board Member candidates, prior to deliberation of the Board of Directors, consent of the Audit & Supervisory Board shall be acquired.

■ Corporate Strategy Committee

Canon Inc. established the Corporate Strategy Committee, consisting of Representative Directors and some Executive Officers. Among items to be decided by the CEO, the Committee undertakes prior deliberations on important matters pertaining to Canon Group strategies. Outside Directors and Audit & Supervisory Board Members attend Corporate Strategy Committee meetings and are able to express their own opinions.

■ Risk Management Committee

Based on a resolution passed by the Board of Directors, Canon Inc. set up the Risk Management Committee, which formulates policy and action proposals regarding improvement of the Canon Group risk management system. The Risk Management Committee consists of three entities: the Financial Risk Management Subcommittee, which is tasked with improving systems to ensure reliability of financial reporting; the Compliance Subcommittee, which is tasked with promoting corporate ethics and improving legal compliance systems; and the Business Risk Management Subcommittee, which is charged with improving systems to manage overall business risks, including risks related to product quality and information leak. The Risk Management Committee verifies the risk management system's improvement and implementation and reports the status to the CEO and the Board of Directors.

Corporate Governance

■ Disclosure Committee

In addition, the Disclosure Committee was established to undertake deliberations pertaining to information disclosure, including content and timing, to ensure important corporate information will be disclosed in a timely and accurate manner.

■ Internal Audit Division

Canon Inc. has established the Corporate Audit Center as its internal auditing division, which audits, evaluates, and makes recommendations on compliance and internal control systems, etc. The Corporate Audit Center also conducts audits on topics such as quality, the environment, and information security. Audit results are reported not only to the CEO and CFO, but also to the Audit & Supervisory Board Members and the Audit & Supervisory

Board as described in “Cooperation between Audit & Supervisory Board Members and Internal Auditing” (→P58). In addition, Canon Inc. has established a system in which reports are also regularly given to Outside Directors and those Outside Directors can request submission of proposals to the Board of Directors, as necessary.

Board Policies and Procedures in the Appointment of Senior Management and the Nomination of Director and Audit & Supervisory Board Member Candidates

Director and Audit & Supervisory Board Member candidates and Executive Officers are people that have the ability to fairly and effectively execute duties and, in principle, are selected from people that have met the following requirements, regardless of personal attributes such as gender, nationality and age.

Requirements of Director and Audit & Supervisory Board Member Candidates and Executive Officers

Representative Directors and Executive Directors	Have a true understanding of the corporate philosophy and code of conduct of the company. At the same time, have broad familiarity with the company's businesses and operations, gained through, for example, Executive Officer experience. Have the ability to make effective decisions that overlook multiple businesses and functions. In addition to this, the CEO shall be a person with the ability to lead the Canon Group, having, in particular, a wealth of knowledge and skill related to management and a clear vision and a strong sense of responsibility.
Independent Outside Directors	In addition to meeting the independence standard that is separately determined by the Board of Directors, have an abundance of experience and superior insight into fields such as business management, risk management, law, and economics.
Audit & Supervisory Board Members	Be familiar with the company's businesses or its management structure, or have an abundance of experience and superior insight into professional fields such as law, finance, accounting, and internal control. As for Outside Audit & Supervisory Board Members, additionally meet the independence standards that are separately determined by the Board of Directors.
Executive Officers	Have been highly evaluated in terms of character and ability in managerial assessment and managerial talent training programs, and also have sufficient knowledge, experience and judgment, to shoulder the responsibility of execution in specific fields, and truly understand the corporate philosophy and code of conduct of the company.

Skills of Board of Directors

The skills that Canon Inc.'s Board of Directors should generally possess overall, and the skills possessed by each current Director are publicly disclosed on the website below. Canon Inc., taking into account the changing business environment, and as appropriate, will continue to explore the most suitable makeup of the Board of Directors, reviewing the skills that Canon Inc.'s Board of Directors should possess overall.

Reference: Corporate Governance
<https://global.canon/en/csr/management/governance.html>

Function, Role, Independence, and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Canon Inc. establishes the “Independence Standards for Independent Directors/Audit and Supervisory Board Members” resolved by the Board of Directors with the consent of all Audit and Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors / Audit and Supervisory Board Members of Canon Inc., taking into consideration Japan's Corporate Governance Code (Principle 4.9) and the independence criteria set by securities exchanges in Japan. The standards are posted on Canon Inc.'s website. All of Canon Inc.'s Outside Directors and Outside Audit & Supervisory Board Members satisfy the standards for independence, and assume roles that contribute to the maintenance and improvement of the Board of Directors' transparency and accountability. In addition, all of our Outside Directors and Outside Audit & Supervisory Board Members are registered as Independent Directors/Audit & Supervisory Board Members with the stock exchanges of Tokyo, Nagoya, Fukuoka and Sapporo in accordance with the requirements of the relevant stock exchange.

Reference: Independence Standards for Independent Directors/Audit and Supervisory Board Members

Canon Inc. deems that a person who satisfies the requirements for Outside Directors/Audit and Supervisory Board Members prescribed by the Corporation Law 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 and Supervisory Board Member" (a person who is independent from the management of Canon Inc. and unlikely to have conflicts of interest with general shareholders).

1. A person/organization for which Canon Group (Canon Inc. and its subsidiaries; hereinafter the same) is a major client, or a major client of Canon Group, or an executing person of such organization or client
2. A major lender to Canon Group, or an executing person of such lender
3. A large shareholder of Canon Inc., or an executing person of such shareholder
4. A person/organization receiving large amounts of contributions from Canon Group, or an executing person of such organization
5. A consultant, accounting professional or legal professional who has received a large amount of money or other properties from Canon Group, other than as compensation for being a director/Audit and Supervisory Board Member (if the recipient is a corporation, partnership or any other organization, this item applies to any person belonging to said organization.)
6. A certified public accountant belonging to the audit firm engaged to conduct the statutory audit of Canon Group (including any such accountant to whom this item has applied in the last 3 business years)
7. An executing person of another company in cases where an executing person of Canon Group is an outside director/Audit and Supervisory Board Member of such other company
8. 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 7; 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

Outside Directors and Outside Audit & Supervisory Board Members

Name		Reasons for Appointing
Outside Directors	Kunitaro Saida	Kunitaro Saida has been serving as an attorney in corporate legal affairs subsequent to his distinguished career as Superintending Prosecutor of High Public Prosecutors Offices (in Takamatsu, Hiroshima, and Osaka), and also has experience serving as an Outside Director and an Outside Audit & Supervisory Board Member for other companies. Canon Inc. elected him as an Outside Director in hopes that he will furnish particularly useful advice, drawing on his wealth of experience and high level of expertise regarding legal affairs when taking part in discussions on internal control mechanisms and corporate governance, including from the perspective of ensuring compliance.
	Yusuke Kawamura	Yusuke Kawamura has a wealth of experience as an Outside Director along with capacity as an expert with respect to financial and securities systems as well as strategy for managing financial institutions, given that he worked as a securities company and subsequently served in various positions, including as a university professor, a commissioner of councils of Japan's Ministry of Finance and Financial Services Agency, and an Executive Counselor of the Japan Securities Dealers Association. Canon Inc. elected him as an Outside Director in hopes that he will furnish particularly useful advice, drawing on his wealth of experience and high level of expertise regarding finance and securities, especially when taking part in discussions on M&A and ESG-related topics from a shareholder and investor perspective.
Outside Audit & Supervisory Board Members	Yutaka Tanaka	Yutaka Tanaka had for many years served as a judge in charge of civil cases, and subsequently has been engaging in corporate legal affairs as an attorney and as a law school professor. Canon Inc. elected him as an Outside Audit & Supervisory Board Member as it desires to leverage his considerable experience and high level of expert knowledge about legal affairs to further enhance Canon Inc.'s auditing system.
	Hiroshi Yoshida	Hiroshi Yoshida has engaged in the practice of corporate accounting as a certified public accountant for many years. Canon Inc. elected him as an Outside Audit & Supervisory Board Member so that Canon Inc.'s management may utilize his wealth of experience and advanced expert knowledge related to corporate accounting in improving the appropriateness of audits.
	Koichi Kashimoto	Koichi Kashimoto has, over many years, been involved in business management of The Dai-ichi Life Insurance Company, Limited, has served as a supervisor of general affairs including legal affairs, and furthermore has extensive international experience. Canon Inc. elected him as an Outside Audit & Supervisory Board Member given expectations that he will utilize such knowledge and experience in performing audits encompassing the entire Group, including its overseas operations.

Analyzing and Evaluating the Effectiveness of the Board of Directors

Once a year, a questionnaire survey of Directors and Audit & Supervisory Board Members on the items below is conducted. Based on the result of the questionnaire survey, analysis and evaluations regarding the effectiveness of the entire Board of Directors are carried out at the Board of Directors' meeting.

- As for the operation of Board of Directors (including the appropriateness of when documents are distributed, how often meetings are held, and the time spent deliberating)

- As for the decision making and supervisory function of the Board of Directors (including the appropriateness of agenda items and agenda criteria of the Board of Directors as well as appropriateness, etc., of content that is reported.)
- As for the roles of Outside Directors and Audit & Supervisory Board Members (including the necessity of training, etc., regarding the understanding of company affairs and corporate structure)

As for fiscal year 2022, at the Board of Directors meeting held in February 2023, it was determined that there was no problem with the effectiveness of Board of Directors meetings due to ongoing measures to enhance deliberation at these meetings. These measures include, providing Outside Directors and the Audit & Supervisory Board with prior explanations of the meeting agendas, sharing management information by having Outside Directors attend Corporate Strategy Committee meeting, etc., and the periodical exchanging of opinions between Outside Directors and the Audit & Supervisory Board based on the findings of Audit & Supervisory Board Members, and creating opportunities for Outside Directors and Audit & Supervisory Board Members to receive individual explanations from each business group about their business strategy, and for Outside Directors and the Audit & Supervisory Board Members to receive explanations from the department in charge of sustainability about concrete measures. In the future, yearly analysis and evaluations will be continued and an overview of the results will be disclosed. At the same time, when necessary, efforts will be made to improve the running, etc., of Board of Directors meetings.

Executive Compensation

The remuneration of Representative Directors and Executive Directors consists of a basic remuneration, a bonus and stock-type compensation stock options as described below.

<Basic Remuneration>

Basic remuneration consists of a fixed amount of monetary remuneration paid monthly as consideration for the performance of duties of Directors. The amount is prescribed according to each Director's position and the degree to which the Director contributes in this role and the total remuneration amount is within the limit approved at the General Meeting of Shareholders. (Total remuneration amount here refers to the total basic remuneration of all Directors including Outside Directors.)

<Bonus>

As a reward for Director service over a one-year term, Directors receive a bonus once a year for which "consolidated income before income taxes" is used as a financial indicator to measure the results of annual group-wide corporate activities. The total amount of the Director's bonus is determined by multiplying such consolidated income with a given predetermined coefficient that corresponds with the Director's position. It is also determined through individual assessment based on the degree to which the Director contributes in this role.

Matters including whether a payment is allowed or the total amount of bonus as calculated above, are deliberated during the General Meeting of Shareholders every year.

<Stock-type Compensation Stock Options>

Once a year, stock acquisition rights on Canon Inc.'s shares are granted with the intent of providing an incentive for

Directors to further contribute to the improvement of medium- and long-term performance and raising corporate value through sharing the benefits and risks of share price fluctuations with Canon Inc.'s shareholders. The total amount of the stock acquisition rights is within the amount approved at the General Meeting of Shareholders and the number of those stock acquisition rights granted is calculated based on the amount determined by the Director's position, the consolidated income before income taxes in the previous year, as well as the degree to which the Director has contributed in this role (the amount of monetary compensation claims granted to Directors for the payment in exchange for the stock acquisition rights), and the stock price level at the time of granting. As remuneration is linked to the achievements throughout one's term in office, Canon Inc. has a system in place that allows the exercising of acquisition rights at the time of retirement.

As for Outside Directors and Audit & Supervisory Board Members, remuneration is limited to the basic remuneration, which is a fixed amount, paid each month.

■ Process for Determining Remuneration

Canon Inc., with the aim of ensuring the transparency and objectivity of the remuneration decision-making process as well as the validity of the remuneration system, established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CEO, two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. The Committee, after examining the rationale of the remuneration system, including calculation standards of the basic remuneration, the bonus and the granting standards of stock-type compensation stock option plan, reports to the Board of Directors to the effect that the system is reasonable.

Decisions regarding the amount and content of remuneration (the amount of basic remuneration and bonus as well as the number of stock-type compensation stock options) of each Director is delegated to the CEO. However, the CEO must make decisions based on the prescribed criteria in accordance with the policy described above and, prior to making a decision, the CEO must present the proposal to the Nomination and Remuneration Advisory Committee for confirmation.

The total amount of Directors' basic remuneration and stock-type compensation stock options is within the total remuneration (upper limit) that is approved by the shareholders' meeting. As for the bonus for Directors, the payment is fixed provided that the proposal about such payment submitted at the ordinary general meeting of shareholders is approved.

Remuneration for individual Audit & Supervisory Board Members is determined through discussion among the Audit & Supervisory Board Members within the limit of the remuneration amount approved by the General Meeting of Shareholders.

2022 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Category of Position	Number of Directors and Audit & Supervisory Board Members	Remuneration Amounts by Classification (millions of yen)			Remuneration Amounts (millions of yen)
		Basic Remuneration	Bonus	Stock-type Compensation Stock Option	
Directors (excl. Outside Directors)	3	576	276	60	912
Outside Directors	2	49	–	–	49
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	3	44	–	–	44
Outside Audit & Supervisory Board Members	3	59	–	–	59

* The above number of Audit & Supervisory Board Members includes one Audit & Supervisory Board Member who has resigned at the end of the Ordinary General Meeting of Shareholders for the 121st Business Term held on March 30, 2022.

* "Bonus" represents the accrued Directors' bonuses for this term.

* In the column Stock-type Compensation Stock Options, expense for this term are presented.

Director and Audit & Supervisory Committee Member Training and Cooperation

■ Training Policy for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members, when assuming their positions, training is carried out with the aim of thoroughly understanding their roles and responsibilities and securing necessary or useful knowledge for them to properly fulfill their duties. Also incumbent Directors and Audit & Supervisory Board Members can, at Canon Inc.'s expense, attend training courses held inside and outside the company. Furthermore, Outside Directors and Outside Audit & Supervisory Board Members, to familiarize them with the company's business, are given opportunities, including attending important meetings such as meetings of the Corporate Strategy Committee, holding meetings with the person in charge of business divisions, and visiting operation sites as necessary.

■ Cooperation between Audit & Supervisory Board Members and Internal Auditing

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the internal auditing division outlines of their internal audit plan before conducting each audit as well as reports about important auditing items. After the internal audit is conducted, the Audit & Supervisory Board Members and the Audit & Supervisory Board hear reports on all audit results and evaluations. Furthermore, close cooperation is being worked for through, for example, the exchanging of opinions and information as necessary.

■ Cooperation between Audit & Supervisory Board Members and Accounting Auditors

Audit & Supervisory Board Members and the Audit and Supervisory Board, prior to the start of an audit, receive briefs from the Accounting Auditors which include an overview of the audit plan and an explanation of important audit matters, and confirms validity. Additionally, the Audit & Supervisory Board Members and the Audit & Supervisory Board, at least once a month, receive reports from the Accounting Auditors on such matters as the implementation of accounting audits, quarterly reviews, and internal control audits, as well as briefs on the results of audits prior to expressing their opinion. With regard to key audit matters, Audit & Supervisory Board Members and the Audit and Supervisory Board receive reports and exchange opinions on the implementation status of risk assessment procedures on a regular basis.

In addition to accompanying the Accounting Auditors to be present during actual inventory audits, Audit & Supervisory Board Members also hold meetings with the Accounting Auditors in charge of auditing major affiliated companies in an effort to keep track of the status of audits being conducted. As for the Accounting Auditors' system for managing the quality of the audit, detailed explanations are received and information is requested as necessary to confirm the appropriateness of such. For the purpose of monitoring the independence of the Accounting Auditors, the Company has introduced a system in which the Audit & Supervisory Board pre-approves the contents of audit and non-audit service contracts and the amount of remuneration, including those of subsidiaries.

Policy for Constructive Dialogue with Shareholders Policy

For sustainable growth and to help improve corporate value over a medium- to long-term perspective, Canon Inc. has constructive dialogue with shareholders through an Ordinary General Meeting of Shareholders, corporate strategy conferences, financial results conferences, and interviews with major institutional investors.

Structure to Promote Dialogue

Investor Relations (IR), sustainability, and legal divisions, are responsible for working together and promoting dialogue. The Executive Vice President & CFO oversees the entire structure to promote dialogue.

For analysts and institutional investors, the CEO hosts a corporate strategy conference at the beginning of the year. Other than this, the CFO hosts quarterly financial results conferences. For individual investors, on Canon Inc.'s website, specific pages containing information about corporate strategy, financial results, and financial data, etc., have been set up using descriptions that are easy to understand.

Additionally, Canon Inc. provides opportunities to meet with executive officers, Outside Directors, Audit & Supervisory Board Members, etc., as necessary, to engage in dialogue with analysts and institutional investors in Japan and overseas. For detail, see "An Overview of Corporate Governance at Canon Inc."

As for the opinions or demands that are obtained through dialogue with shareholders, accordingly, the department in charge reports to the CFO and the CFO reports important ones to the CEO or the Board of Directors.

Reference: Investor Relations
<https://global.canon/en/ir/>

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of May 1, 2023)

Directors *Outside



Chairman & CEO
Fujio Mitarai

Apr. 1961: Entered the Company
Mar. 1981: Director
Mar. 1985: Managing Director
Mar. 1989: Senior Managing Director
Mar. 1993: Executive Vice President
Sep. 1995: President
Mar. 2006: Chairman, President & CEO
May 2006: Chairman & CEO (*daihyō torishimariyaku kaichō*)
Mar. 2012: Chairman & CEO (*daihyō torishimariyaku kaichō ken shachō*)
Mar. 2016: Chairman & CEO (*daihyō torishimariyaku kaichō*)
May 2020: Chairman & CEO (*daihyō torishimariyaku kaichō ken shachō*) (present)

[Important concurrent posts]

- Audit & Supervisory Board Member of The Yomiuri Shimbun Holdings



Executive Vice President & CFO
Toshizo Tanaka
Group Executive,
Public Affairs Headquarters
Group Executive,
Facilities Management
Headquarters

Apr. 1964: Entered the Company
Mar. 1995: Director
Mar. 1997: Managing Director
Mar. 2001: Senior Managing Director
Mar. 2007: Executive Vice President & Director
Mar. 2008: Executive Vice President & CFO (present)
Apr. 2011: Group Executive of Finance & Accounting Headquarters
Mar. 2014: Group Executive of Human Resources Management & Organization Headquarters
Apr. 2017: Group Executive of Facilities Management Headquarters (present)
Mar. 2018: Group Executive of Public Affairs Headquarters (present)
Apr. 2018: Group Executive of Finance & Accounting Headquarters



Executive Vice President & CTO
Toshio Homma
Head of Printing Group

Apr. 1972: Entered the Company
Jan. 1995: Senior General Manager of Copying Machine Development Center
Mar. 2003: Director
Jan. 2007: Chief Executive of L Printer Products Operations
Mar. 2008: Managing Director
Mar. 2012: Senior Managing Director Group Executive of Procurement Headquarters
Mar. 2016: Executive Vice President
Apr. 2016: Chief Executive of Office Imaging Products Operations
Mar. 2017: Executive Vice President & In charge of Office Business
Apr. 2020: Executive Vice President & CTO & In charge of Printing Business Chief Executive of Digital Printing Business Operations (present)
Apr. 2021: Executive Vice President & CTO (present) Head of Printing Group (present)



Director*
Kunitaro Saida

Apr. 1969: Appointed as Public Prosecutor
Feb. 2003: Superintending Prosecutor of Takamatsu High Public Prosecutors Office
Jun. 2004: Superintending Prosecutor of Hiroshima High Public Prosecutors Office
Aug. 2005: Superintending Prosecutor of Osaka High Public Prosecutors Office
May 2006: Retired from Superintending Prosecutor of Osaka High Public Prosecutors Office
Registered as an attorney (present)
Jun. 2007: Audit & Supervisory Board Member of NICHIREI CORPORATION
Jun. 2008: Director of Sumitomo Osaka Cement Co., Ltd.
Jun. 2010: Director of HEIWA REAL ESTATE CO., LTD.
Mar. 2014: Director (present)

[Important concurrent posts]

- Attorney



Director*
Yusuke Kawamura

Apr. 1977: Entered Daiwa Securities Co. Ltd.
Jan. 1997: General Manager of Syndicate Department of Daiwa Securities Co. Ltd.
Apr. 2000: Professor of Faculty of Economics and the Graduate School of Economics of Nagasaki University
Apr. 2010: Senior Managing Director of Daiwa Institute of Research Ltd.
Jan. 2011: Commissioner of Fiscal System Council of Ministry of Finance
Apr. 2012: Deputy Chairman of Daiwa Institute of Research Ltd.
Feb. 2013: Commissioner of Business Accounting Council of Financial Services Agency (present)
Jun. 2017: Director of Mitsui Sugar Co., Ltd. (currently Mitsui DM Sugar Holdings Co., Ltd.) (present)
Apr. 2019: Executive Counselor of Japan Securities Dealers Association
Apr. 2020: Chairman & CEO of Institute of Glocal Policy Research (present)
Mar. 2021: Director (present)

[Important concurrent posts]

- Director of Mitsui Sugar Co., Ltd.
- Chairman & CEO of Institute of Glocal Policy Research

Audit & Supervisory Board Members *Outside

Audit & Supervisory Board Members



Katsuhito Yanagibashi

Apr. 1980: Entered the Company
Jan. 2010: Senior General Manager of Global Accounting Planning Administration Center of Finance & Accounting Headquarters
Jan. 2013: Senior General Manager of Accounting Standards & System Promotion Center of Finance & Accounting Headquarters
Jan. 2017: Senior Principal of Finance & Accounting Headquarters
Jun. 2017: Audit & Supervisory Board Member of Toshiba Medical Systems Corporation (currently Canon Medical Systems Corporation)
Aug. 2017: Left the Company
Mar. 2021: Advisor of Canon Medical Systems Corporation
Mar. 2022: Audit & Supervisory Board Member (present)



Hideya Hatamochi

Apr. 1983: Entered the Company
Apr. 2009: General Manager of Office Imaging Products Electrical Parts Engineering Division of Office Imaging Products Operations
May 2012: General Manager of Office Imaging Products Manufacturing Division of Office Imaging Products Operations
Jan. 2014: General Manager in charge of Corporate Audit Center
Feb. 2015: President of Canon (Suzhou) Inc. (present)
Mar. 2023: Audit & Supervisory Board Member (present)

Audit & Supervisory Board Members*



Yutaka Tanaka

Apr. 1975: Assistant Judge of the Tokyo District Court
Apr. 1986: Judge of the Tokyo District Court
Apr. 1987: Instructor of the Legal Training & Research Institute, the Supreme Court of Japan
Apr. 1992: Judicial Research Official, the Supreme Court of Japan
Apr. 1996: Resignation as a Judge Registered as an attorney (present)
Apr. 2004: Professor of Keio University Law School
Jan. 2012: Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan (present)
Mar. 2019: Audit & Supervisory Board Member (present)
[Important concurrent posts]
• Attorney
• Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan



Hiroshi Yoshida

Oct. 1980: Joined Tohatsu Awoki & Co.
Apr. 1984: Registered as Certified Public Accountant (present)
Jul. 1993: Partner of Tohatsu & Co.
Jun. 2000: Representative Partner of Tohatsu & Co.
May 2007: Managing Partner, Finance & Administration of Deloitte Touche Tohmatsu
The Board Member of Deloitte Touche Tohmatsu
Nov. 2011: CFO of Deloitte Touche Tohmatsu LLC
Mar. 2017: Audit & Supervisory Board Member (present)



Koichi Kashimoto

Apr. 1984: Entered The Dai-ichi Mutual Life Insurance Company
Apr. 1997: Manager of Government Relations Dept. of The Dai-ichi Mutual Life Insurance Company
Apr. 2005: General Manager of Corporate Administration Center of The Dai-ichi Mutual Life Insurance Company
Apr. 2009: Managing Director of Dai-ichi Life International (Europe) Limited
Apr. 2012: General Manager of Secretarial Dept. of The Dai-ichi Life Insurance Company, Limited
Apr. 2016: Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.), and Senior General Manager of Group General Affairs Unit of The Dai-ichi Life Insurance Company, Limited
Oct. 2016: Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.) of The Dai-ichi Life Insurance Company, Limited and Senior General Manager and Chief of General Affairs Unit of Dai-ichi Life Holdings, Inc.
Mar. 2018: Audit & Supervisory Board Member (present)

Executive Officers

Executive Vice President

Hideki Ozawa
President & CEO,
Canon (China) Co., Ltd.

Senior Managing Executive Officers

Seymour Liebman
Executive Vice President,
Canon U.S.A., Inc.

Kazuto Ogawa
President & CEO, Canon U.S.A., Inc.

Katsumi Iijima
Group Executive, Digital Business
Platform Development Headquarters

Minoru Asada
Group Executive, Finance & Accounting
Headquarters

Toshio Takiguchi
Head of Medical Group
President & CEO, Canon Medical
Systems Corporation

Takayuki Miyamoto
Group Executive, Frontier Business
Promotion Headquarters

Shunsuke Inoue
Group Executive, R&D Headquarters

Eiji Osanai
Group Executive, Production
Engineering Headquarters

Hiroaki Takeishi
Head of Industrial Group
Chairman & CEO, Canon Tokki
Corporation

Soichi Hiramatsu
Group Executive, Procurement
Headquarters

Yuichi Ishizuka
President & CEO, Canon Europa N.V.
President & CEO, Canon Europe Ltd.

Masanori Yamada
Head of Imaging Group

Go Tokura
Deputy Head of Imaging Group

Managing Executive Officers

Takashi Takeya
Senior General Manager, Global
Logistics Management Center
Senior General Manager, Economic
Security Office

Hisahiro Minokawa
Group Executive, Human Resources
Management & Organization
Headquarters

Ritsuo Mashiko
President, Oita Canon Inc.

Kazuhiko Nagashima
Executive Vice President and CFO,
Canon Europe Ltd.

Yoichi Iwabuchi
Group Executive, Information &
Communication Systems Headquarters

Takanobu Nakamasu
President & CEO, Canon Production
Printing Holding B.V.

Tamaki Hashimoto
Unit Executive, Solution & Recurring
Product Business Unit

Katsuhiko Shinjo
Deputy Group Executive,
R&D Headquarters

Masaki Omori
President, Canon Machinery Inc.

Takeshi Ichikawa
Group Executive, Device Technology
Development Headquarters

Executive Officers

Akiko Tanaka
Deputy Group Executive,
R&D Headquarters

Noriko Gunji
Group Executive,
Sustainability Headquarters

Hideki Sanatake
Group Executive, Corporate Intellectual
Property and Legal Headquarters

Hidetomo Kohtani
Unit Executive, Image Solutions
Business Unit 1

Katsuyoshi Soma
President, Fukushima Canon Inc.

Saijiro Endo
Senior General Manager, Digital
Printing Development Technology
Planning & Management Center

Toshiyuki Matsuda
Unit Executive,
Peripherals Marketing Unit

Hiroto Okawara
Senior General Manager, Smart
Mobility Business Promotion Center

Yoshiyuki Koshimizu
Senior General Manager, Digital
Printing Business Planning &
Management Center

Toshiyuki Ishii
Executive Vice President,
Canon (China) Co., Ltd.

Masahide Kinoshita
Chief Executive, Peripheral Products
Operations

Shunji Sawa
Plant Manager, Toride Plant

Makoto Kambe
Senior General Manager, Human
Resources Management &
Organization Center

Hiroto Fujimori
Senior General Manager,
Public Relations and IR Center

Isao Kobayashi
President & CEO, Canon Canada Inc.

Katsuhito Sakurai
Senior General Manager, Semiconductor
Device Development Center 1

Risk Management

Basic Approach

At Canon, we recognize that to ensure proper operations and to continually improve corporate value, implementation and maintenance of a risk management system to deal with significant risks that the Group may face in business operations is vital.

Risk Management System

Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the CFO, the committee has established three subcommittees: the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.

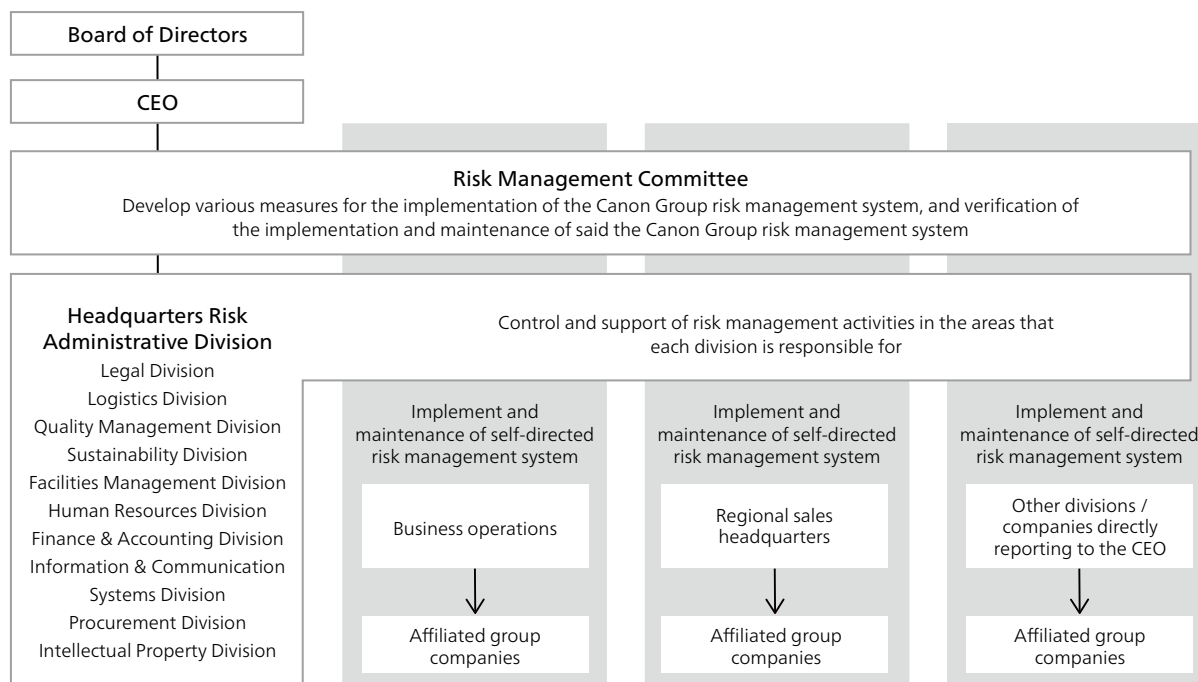
The Risk Management Committee develops various measures to implement Canon's risk management system, including identifying any significant risks (violations of laws and regulations or corporate ethics, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.) that the Group may face in the course of business.

The risk management activities of each Canon Inc. division and Group company are coordinated and supported by the relevant subcommittee, on which are represented the administrative divisions of Canon Inc. responsible for risks associated with business activities in the relevant field, from legal affairs and logistics to quality assurance, human resources, and accounting.

Processes for Implementation and Maintenance of Risk Management System

P	D	C	A
Risk Management Committee and Board of Directors - Develop various measures including the identification of significant risks Divisions and Group companies - Formulate annual risk management policies and plans	Divisions and Group companies - Establish appropriate rules and workflows - Carry out employee education - Conduct audits and checks	Divisions and Group companies - Evaluate improvement and implementation Risk Management Committee, CEO and Board of Directors - Confirm results of evaluation	Risk Management Committee and Board of Directors Discuss various measures of the risk management activity in the next fiscal year

Risk Management System



Under this system, each division of Canon Inc. and Group company autonomously implements and maintains a risk management system and makes a yearly report to the Risk Management Committee on the results of its activities.

Having received the report of each subcommittee, division, and Group company, the Risk Management Committee evaluates the state of implementation and maintenance of the risk management system and reports its findings to the CEO and Board of Directors. The evaluation conducted in 2022 found no material flaws in the system.

Group-wide Risk Management Communication

During training for newly appointed Group executives conducted by the Human Resources Division at Canon Inc., participants are educated on the importance of autonomously implementing and maintaining a risk management system at each company, and the role of executives in implementing and maintaining such a system.

Furthermore, at Canon Inc. and Group companies in Japan, we distribute the Canon Group Risk Management Handbook to directors and executives. The handbook explains the significance of risk management, the Group's risk management system, our approach to implementing risk management and the role of management. When the Human Resources Division conducts training for newly appointed general managers and managers, it uses the handbook to educate them on the importance of risk management and the role of management in constructing the risk management system.

In addition, an intranet website provides employees of Canon Inc. and Group companies with timely information, including our approach to risk management and updates on activities.

Financial Risk Management

Canon Inc.'s internal control over financial reporting is maintained and performed in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Financial Risk Management Subcommittee carries out activities to strengthen internal controls pertaining to financial risks for the entire Canon Group, including compliance with Japan's Companies Act and Financial Instruments and Exchange Act as well as the United States' Sarbanes-Oxley Act.

Promoting Business Risk Management

The Business Risk Management Subcommittee is responsible for identifying significant operational risks in terms of their potential impact and managing them.

Action policies and plans for each identified significant risk are decided in cooperation with the responsible divisions across the Group, and system implementation and risk mitigation activities are promoted through each business division and the responsible division at each Group company.

Ensuring Complete Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Group, in accordance with the fundamental principles of information security regulations. The steps that we take under this system include measures to prevent leaks of confidential information, handle external cyber-attacks, bolster information security at production facilities, and provide information security training to raise employee awareness.

Moreover, Canon's information security division has acquired ISO 27001 certification, the international standard for building and operating information security management systems.

Business Continuity Plan

Canon's Headquarters building and core facilities for information systems and research and development are concentrated in suburban areas of Tokyo. As the incidence of earthquakes in Japan is relatively high, it is also at greater risk of earthquake damage than other countries and regions. Canon also has a global network of facilities and offices engaged in research and development, procurement, production, logistics, marketing, and servicing. The occurrence of earthquakes, floods, other natural disasters, or terrorist attacks could cause disruption of the infrastructure for such facilities and offices. Canon believes that establishing a system to ensure that business operations can continue in the event of such a natural disaster or emergency represents one of the most important social responsibilities of any company. Based on this recognition, we have formulated a business continuity plan (BCP)* and Canon Group Disaster Preparedness Guidelines, and are taking other measures to ensure business continuity in the event of a disaster. Such measures include putting in place a backup system based on parallel production of similar models at a number of sites, upgrading buildings constructed according to old aseismic design standards, concluding disaster agreements with local communities, and developing systems for collecting information and reporting.

* An action plan that includes measures to provide for the continuation of a minimal level of business in the event of disaster, accident, or other such event, and to restore operations promptly.

Data Summary

Financial Data

Canon Inc. and Subsidiaries

	2013	2014	2015
(Millions of yen)			
Net sales:	3,731,380	3,727,252	3,800,271
Domestic	715,863	724,317	714,280
Overseas	3,015,517	3,002,935	3,085,991
Percentage of previous year (%)	107.2%	99.9%	102.0%
Cost of sales	1,932,959	1,865,780	1,865,887
Gross profit	1,798,421	1,861,472	1,934,384
Gross profit ratio (%)	48.2%	49.9%	50.9%
Operating profit	336,623	345,354	343,729
Operating profit ratio (%)	9.0%	9.3%	9.0%
Net income attributable to Canon Inc.	229,829	254,627	219,943
Net income attributable to Canon Inc. ratio (%)	6.2%	6.8%	5.8%
Depreciation of property, plant and equipment	275,173	263,480	273,327
Increase in property, plant and equipment	227,478	224,760	243,130
R&D expenses	307,500	311,896	332,678
Net cash provided by operating activities	507,642	583,927	474,724
Net cash used in investing activities	-250,212	-269,298	-453,619
Free cash flow	257,430	314,629	21,105
Net cash provided by (used in) financing activities	-222,181	-300,886	-210,202
Long-term debt, excluding current installments	1,448	1,148	881
Canon Inc. shareholders' equity	2,904,212	2,971,963	2,959,929
Inventories	553,773	528,167	501,895
Total assets	4,246,796	4,464,854	4,431,720
Per share data (Yen)			
Net income attributable to Canon Inc. shareholders per share			
Basic	200.21	228.88	201.41
Diluted	200.21	228.88	201.40
Dividend per share	130	150	150
Stock price			
High	4,115	4,045	4,539
Low	2,913	2,889	3,402
Key Performance Indicators			
Canon Inc. shareholders' equity to total assets ratio (%)	68.4%	66.6%	66.8%
Inventory turnover in days (Days)	52 days	50 days	47 days
ROA (%)	5.6%	5.8%	4.9%
ROE (%)	8.4%	8.7%	7.4%
Dividend payout ratio (%)	64.8%	64.7%	74.5%

* Fiscal year figures from 2013 to 2019 were restated to account for provision for paid leave.

* Capital expenditure is the total of tangible and intangible assets.

2016	2017	2018	2019	2020	2021	2022
3,401,487	4,080,015	3,951,937	3,593,299	3,160,243	3,513,357	4,031,414
706,979	884,828	869,577	872,534	806,305	830,378	864,808
2,694,508	3,195,187	3,082,360	2,720,765	2,353,938	2,682,979	3,166,606
89.5%	119.9%	96.9%	90.9%	87.9%	111.2%	114.7%
1,729,489	2,089,461	2,116,383	1,983,266	1,784,375	1,885,565	2,203,612
1,671,998	1,990,554	1,835,554	1,610,033	1,375,868	1,627,792	1,827,802
49.2%	48.8%	46.4%	44.8%	43.5%	46.3%	45.3%
216,338	322,211	342,452	174,420	110,547	281,918	353,399
6.4%	7.9%	8.7%	4.9%	3.5%	8.0%	8.8%
150,334	242,081	252,441	124,964	83,318	214,718	243,961
4.4%	5.9%	6.4%	3.5%	2.6%	6.1%	6.1%
250,096	261,881	251,554	237,327	227,825	221,246	226,492
208,379	181,389	200,504	211,228	161,727	179,000	183,291
306,537	333,371	315,842	298,503	272,312	287,338	306,730
500,283	590,557	365,293	358,461	333,805	451,028	262,603
-837,125	-165,010	-195,615	-228,568	-155,439	-207,256	-180,820
-336,842	425,547	169,678	129,893	178,366	243,772	81,783
355,692	-340,464	-354,830	-232,590	-183,449	-267,366	-146,844
611,289	493,238	361,962	357,340	4,834	179,750	2,417
2,776,327	2,863,986	2,820,644	2,685,496	2,575,031	2,873,773	3,113,105
560,736	570,033	611,281	584,756	562,807	650,568	808,312
5,142,279	5,201,626	4,902,955	4,771,918	4,625,614	4,750,888	5,095,530
137.66	223.03	233.80	116.79	79.37	205.35	236.71
137.66	223.03	233.78	116.77	79.35	205.29	236.63
150	160	160	160	80	100	120
3,656	4,472	4,395	3,338	3,099	2,938	3,516
2,780	3,218	2,877	2,688	1,627	1,876	2,539
54.0%	55.1%	57.5%	56.3%	55.7%	60.5%	61.1%
59 days	49 days	56 days	59 days	60 days	66 days	69 days
3.1%	4.7%	5.0%	2.6%	1.8%	4.6%	5.0%
5.2%	8.6%	8.9%	4.5%	3.2%	7.9%	8.1%
109.0%	71.4%	68.4%	136.2%	100.4%	48.7%	50.3%

Company Overview (As of December 31, 2022)

Company Information

Company name	Canon Inc.	Canon Inc. shareholders' equity: Common stock	¥174,762 million
Established	August 10, 1937	Group companies	330 consolidated subsidiaries
Headquarters	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan	Affiliated companies accounted for by the equity-method	10
Chairman & CEO	Fujio Mitarai		

Stock Information

Number of Shares Issuable 3,000,000,000

Number of Shares Issued, Capital, and Number of Shareholders

	As of the end of the previous fiscal year	Change during the period under review	As of the end of the period under review
Number of Shares Issued	1,333,763,464	0	1,333,763,464
Capital Stock (yen)	174,761,797,475	0	174,761,797,475
Number of Shareholders	428,883	Decrease of 9,531	419,352

Shareholding Ratio by Category



Major Shareholders (top ten)

Name of shareholder	Number of Shares Held (thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	174,622	17.2
Custody Bank of Japan, Ltd. (Trust Account)	70,247	6.9
Mizuho Bank, Ltd.	22,558	2.2
State Street Bank West Client – Treaty 505234	21,655	2.1
SMBC Nikko Securities Inc.	20,533	2.0
Moxley and Co. LLC	17,371	1.7
The Dai-ichi Life Insurance Company, Limited	16,695	1.6
Obayashi Corporation	16,527	1.6
Barclays Securities Japan Limited BNYM	14,796	1.5
Sompo Japan Insurance Inc.	13,080	1.3

* Shareholding ratio is calculated by deducting the number of treasury shares (318,250 thousand shares) from total shares issued.

* With respect to The Dai-ichi Life Insurance Company, Limited, in addition to the above, there are 6,180 thousand shares of the company's stock included in trust property relating to a retirement benefit trust.

Credit Ratings

	Long-term	Short-term
S&P	A	A-1
R&I	AA	—

Main Group Companies

Japan (Consolidated subsidiaries 57)

Canon Precision Inc.
 Canon Tokki Corporation
 Fukushima Canon Inc.
 Canon Medical Systems Corporation
 Canon Electron Tubes & Devices Co., Ltd.
 Canon Components, Inc.
 Canon Semiconductor Equipment Inc.
 Canon Chemicals Inc.
 Canon Electronics Inc.
 Canon Finetech Nisca Inc.
 Canon ANELVA Corporation
 Nagahama Canon Inc.
 Canon Machinery Inc.
 Oita Canon Materials Inc.
 Oita Canon Inc.
 Nagasaki Canon Inc.
 Miyazaki Canon Inc.
 Canon Marketing Japan Inc.
 Canon System and Support Inc.
 Canon IT Solutions Inc.
 Canon Medical Finance Co., Ltd.

Europe (Consolidated subsidiaries 151)

Canon Bretagne S.A.S.
 Canon Production Printing Netherlands B.V.
 Canon Production Printing Germany GmbH
 & Co. KG
 Axis Communications AB
 Canon Research Centre France S.A.S.
 Axis AB
 Canon Europa N.V.
 Canon Europe Ltd.
 Canon Ru LLC
 Canon (UK) Ltd.
 Canon Deutschland GmbH
 Canon (Schweiz) AG
 Canon Nederland N.V.
 Canon France S.A.S.
 Canon Middle East FZ-LLC
 Canon Italia S.p.A.
 Canon Medical Systems Europe B.V.
 Milestone Systems A/S

Americas (Consolidated subsidiaries 50)

Canon Virginia, Inc.
 Canon U.S.A., Inc.
 Canon Canada Inc.
 Canon Solutions America, Inc.
 Canon Financial Services, Inc.
 Canon Medical Systems USA, Inc.

Asia and Oceania (Consolidated subsidiaries 72)

Canon Dalian Business Machines, Inc.
 Canon (Suzhou) Inc.
 Canon Zhongshan Business Machines Co., Ltd.
 Canon Inc., Taiwan
 Canon Vietnam Co., Ltd.
 Canon Hi-Tech (Thailand) Ltd.
 Canon Prachinburi (Thailand) Ltd.
 Canon Business Machines (Philippines), Inc.
 Canon Opto (Malaysia) Sdn. Bhd.
 Canon Medical Systems Manufacturing Asia
 Sdn. Bhd.
 Canon Semiconductor Equipment Taiwan, Inc.
 Canon Machinery (Malaysia) Sdn. Bhd.
 Canon (China) Co., Ltd.
 Canon Hongkong Co., Ltd.
 Canon Singapore Pte. Ltd.
 Canon India Pvt. Ltd.
 Canon Australia Pty. Ltd.

Reference: Canon Group Directory
<https://global.canon/en/corporate/group/index.html>

External ESG-related Citations

A range of external institutions in Japan and overseas have selected Canon as a component of ESG equity indices.



FTSE4Good



**FTSE Blossom
Japan Index**



**FTSE Blossom
Japan Sector
Relative Index**



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