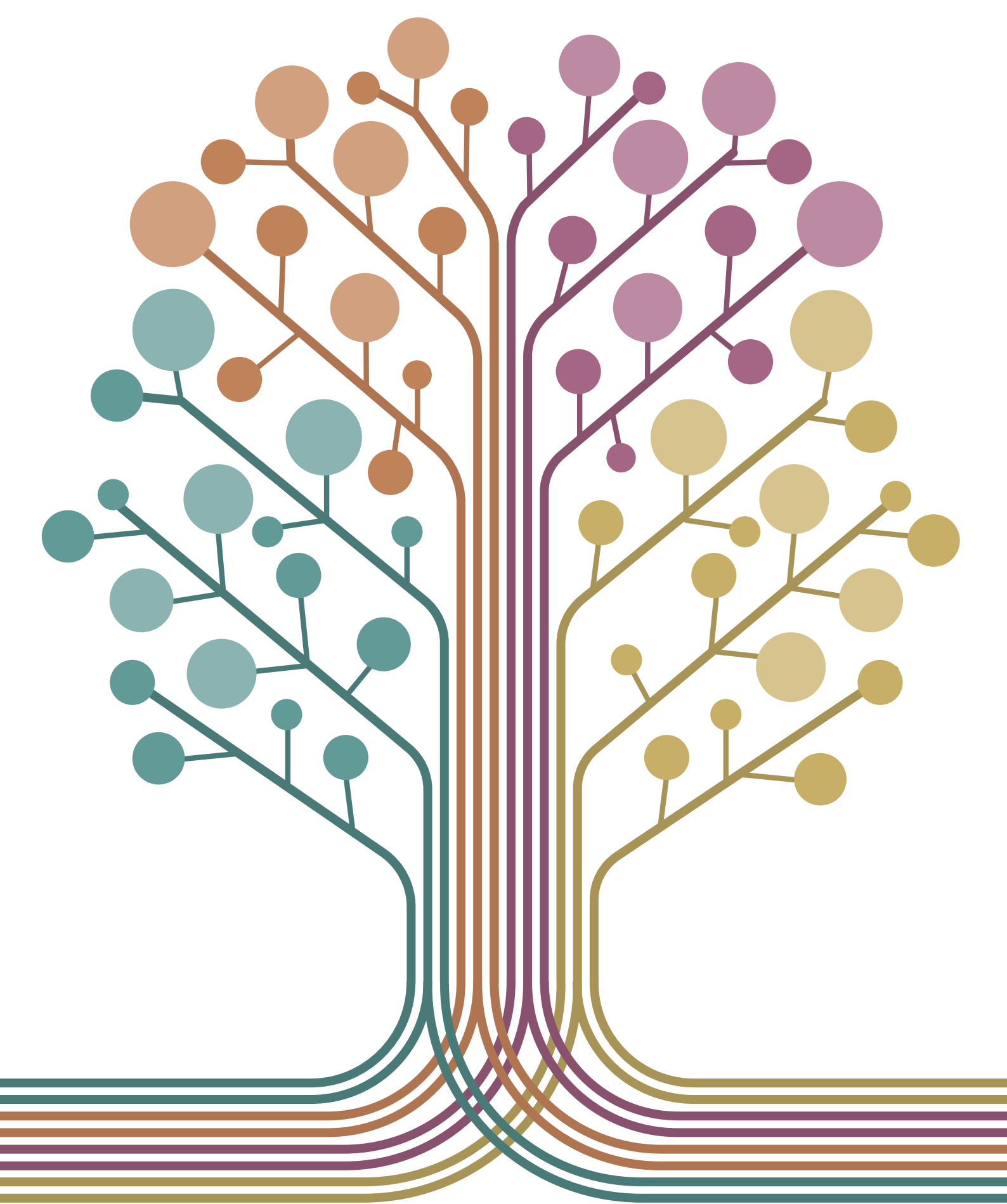


CANON
INTEGRATED REPORT 2024



Contents

2	About this Report	36	Initiatives for the Environment
3	Canon's Corporate Philosophy	36	Environmentally Conscious Management
5	History of Canon	37	Climate Change
7	Message from the CEO	40	Resource Efficiency
9	Strategies for Value Creation	41	Chemical Substances
9	Value Creation Process	42	Biodiversity
11	Materiality and SDGs	43	Initiatives for Society
13	Evolution of Business Plans	43	Respecting Human Rights
15	Progress of Phase VI	47	Supply Chain Management
17	At a Glance	49	Governance
19	Business Strategy	49	Corporate Governance
19	Printing Group	55	Directors, Audit & Supervisory Board Members, and Executive Officers
21	Medical Group	57	Risk Management
23	Imaging Group	59	Data Summary/Company Overview
25	Industrial Group	59	Data Summary
27	Financial Strategy	61	Company Overview
29	Human Resources Strategy		
31	R&D Strategy		
33	Intellectual Property (IP) Strategy		
35	Brand Management		

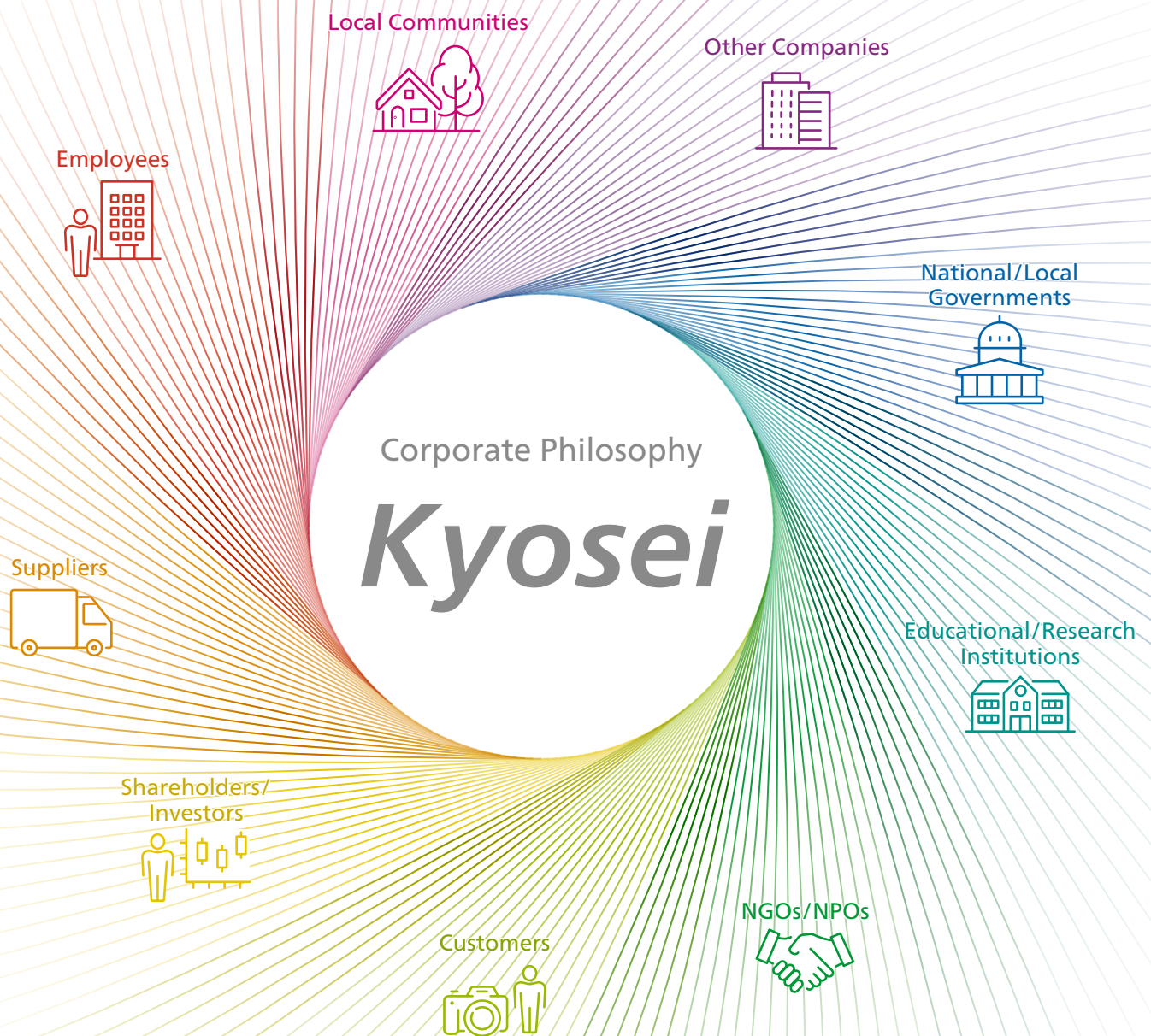
<About the Cover>

Canon launched a new five-year plan in 2021, reorganizing its product operations into four industry-oriented business groups along technologically compatible lines, thus putting in place a framework for reinforcing our business competitiveness and creating new growth drivers. The graphic on the cover uses a tree motif to express the image of the four industry-oriented business groups coming together and continuing to grow.

About this Report

Editorial Policy	This integrated report is intended to give Canon's stakeholders an understanding of our longer-term corporate value creation story. It summarizes Canon's ESG initiatives along with our business plan and various business, financial, and human resources strategies. Our objective is to create a report that is both comprehensive and easy to read.
Referenced Reporting Guidelines	International Integrated Framework (IFRS Foundation) Guidance for Integrated Disclosure and Dialogue in Collaborative Value Creation (Ministry of Economy, Trade and Industry, Japan) Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) For ESG information, please refer to the CANON SUSTAINABILITY REPORT 2024. (Ref.) CANON SUSTAINABILITY REPORT 2024 https://global.canon/en/csr/report/ Additional financial information is available in the CANON ANNUAL REPORT 2023. (Ref.) CANON ANNUAL REPORT 2023 https://global.canon/en/ir/library/annual.html
Target of the Report	This report presents data from 336 companies (58 companies in Japan and 278 overseas) that are consolidated companies of the Canon Group.
Date of Publication	April 2024 (previous: April 2023, next planned: April 2025)
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 part-time workers. "Europe" refers to the region including Europe, the Middle East, and Africa.
Disclosed Data/ Forward-looking Statements	In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting from January 1 to December 31, 2023. 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 2023 is referenced in this report. Information specific to a region or organization is indicated as such. 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. 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.
Contact us	CANON INC. 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan TEL: (81) 3-3758-2111

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*.

It conveys our dedication to seeing all people, regardless of culture, customs, language or race, harmoniously living and working together in happiness into the future.

Unfortunately, current factors related to economies, resources and the environment make realizing *kyosei* difficult.

Canon strives to eliminate these factors through corporate activities rooted in *kyosei*.

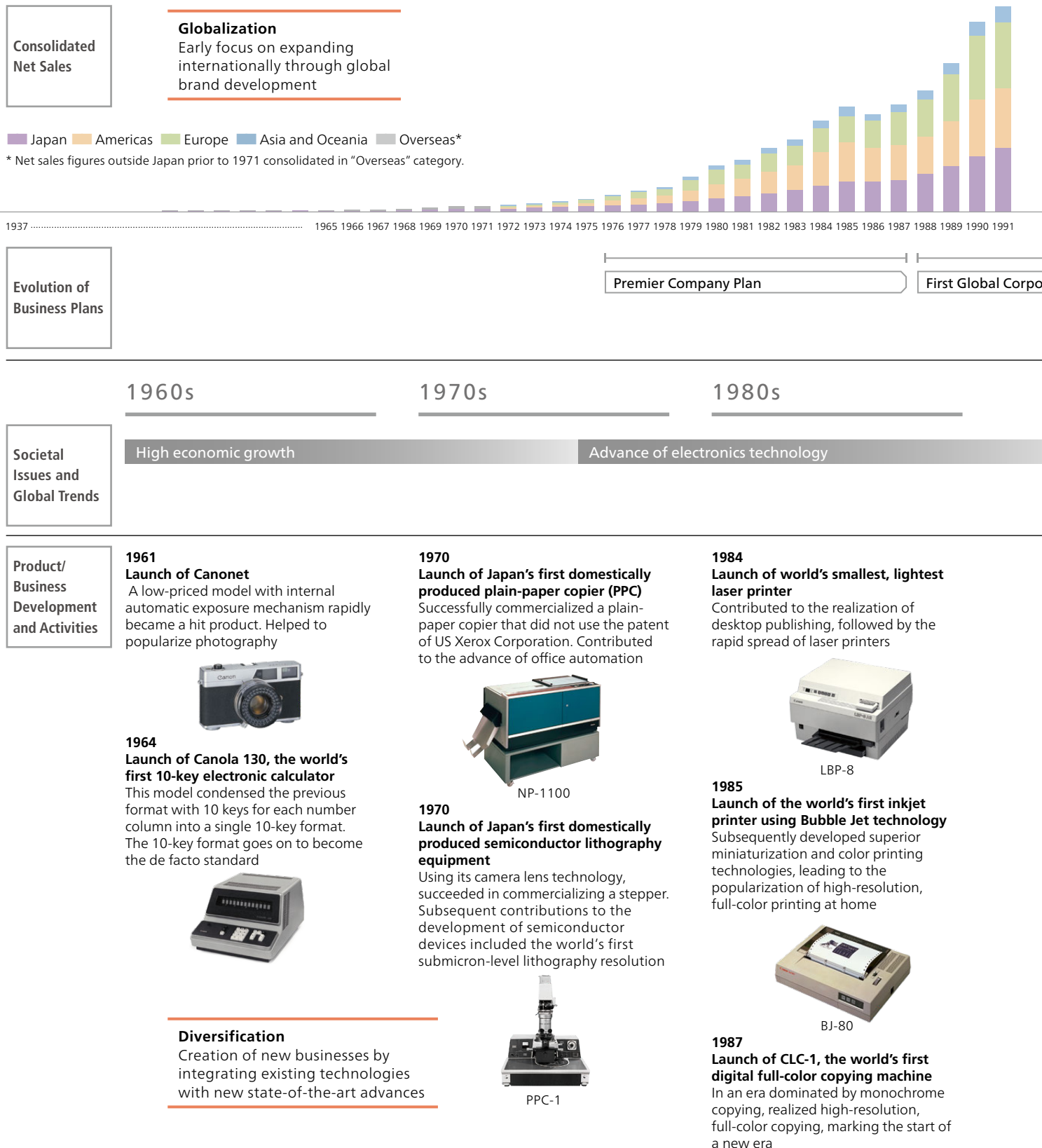
Truly global companies must foster good relations with customers and communities, as well as with governments, regions and the environment as part of their fulfillment of social responsibilities.

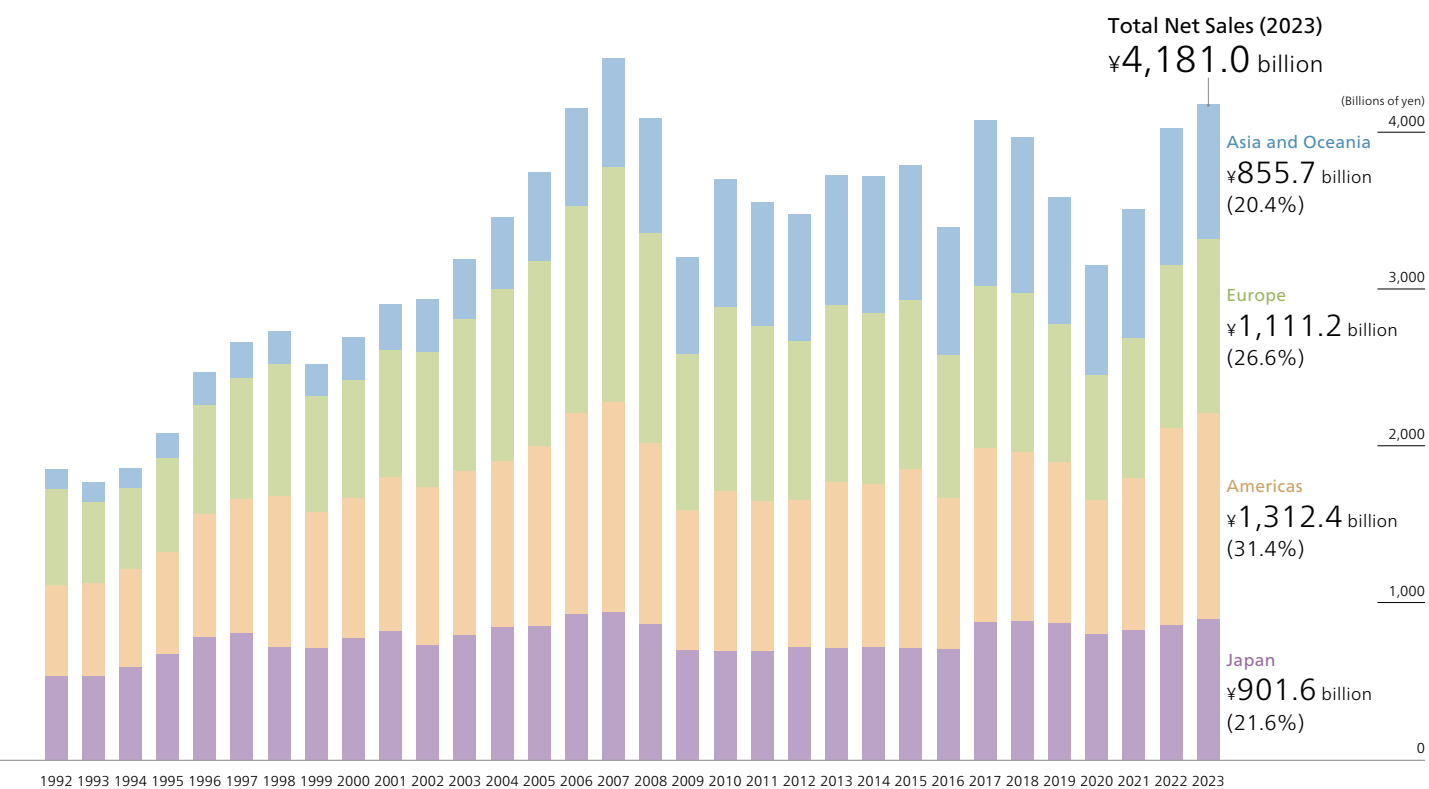
For this reason, Canon's goal is to contribute to global prosperity and the well-being of humankind as we continue our efforts to bring the world closer to achieving *kyosei*.



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.





1990s

2000–2010

2011–Present

Digitalization and networking technology advanced with the development of IT

Adoption and expansion of AI and IoT

Increasing environmental awareness

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 was not 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.

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

2023

Launched next-generation semiconductor manufacturing equipment

Nanoimprint lithography technology enabled miniaturization and energy-saving manufacturing of semiconductors at low cost

Message from the CEO



Achieved three consecutive years of increased sales and profits, driven by growth in new businesses, despite a difficult business environment

The global economy moved toward normalization due to the COVID-19 pandemic being brought under control and progress in the resolution of component shortages and logistical disruptions. Demand, on the other hand, remained weak due to factors such as a slowdown in the Chinese economy owing to the slump in the real estate market, and a sluggish European economy resulting from interest rate hikes implemented to control inflation and, in addition to Russia and Ukraine, heightened geopolitical risks in the Middle East.

Even under this environment, we grew sales of new businesses, such as commercial printing, medical, and network camera as well as semiconductor lithography equipment on the back of high growth potential. And for office multifunction devices (MFDs) and cameras where demand remained firm, we steadily generated profit. Prices of components and logistics which had been rising until then began to settle down from the beginning of spring, which led to progress in reducing costs from the second half.

As a result, consolidated net sales for this term were 4,181.0 billion yen (up 3.7% from the previous term). Consolidated operating profit was 375.4 billion yen (up 6.2% from the previous term). Consolidated net income attributable to Canon Inc. was 264.5 billion yen (up 8.4% from the previous term). This marked the third consecutive year of sales and profit growth.

As for our new businesses, which are the source of sales growth, we posted significant growth in this term as well, with consolidated net sales reaching nearly 1.2 trillion yen to account for 28% of the total. We are making steady progress in the transformation of our business portfolio as set out in Phase VI of the “Excellent Global Corporation Plan.”

Accelerate efforts on priority measures to achieve its performance targets for 2025

To achieve new growth, Canon made “accelerating corporate portfolio transformation through our productivity improvement and new businesses creation” its basic policy under “Phase VI of the Excellent Global Corporation Plan,” its five-year management plan from 2021 to 2025.

In 2021, Canon reorganized its product-oriented business divisions into four industry-oriented business groups that included commercial printing, medical, network cameras and industrial equipment as new businesses, thereby establishing a structure for enhancing business competitiveness and creating new drivers of growth.

In 2021 and 2022, the impact of the spread of COVID-19 remained, and Canon was preoccupied with responding to shortages of semiconductors and other components, and logistical disruptions. After entering 2023, however, as the situation settled down, Canon resumed and accelerated its planned measures. Each industry-oriented business group will

work to expand the entire Canon Group, by focusing investments on new business areas with high growth potential to strengthen and expand them.

Although it expects to continue operating its business in a climate of political and economic uncertainty going forward, Canon will vigorously push forward to achieve its performance targets for 2025 by ensuring all divisions, including development, procurement, production and sales, work in a concerted effort to implement the following priority measures.

1. Strengthen and expand industry-oriented business groups

In 2021, we will expand by thoroughly strengthening the competitiveness of our four industry-oriented groups with the aim of strengthening business competitiveness and creating new growth drivers. We are working to evolve and expand our business by deepening collaboration between technology and human resources, developing future technologies and strengthening production technology. Driven by sales growth in new businesses, sales in 2023 rose to a level second only to 2007, which was the highest ever, and we are steadily seeing positive results. We will expand by thoroughly strengthening the competitiveness of our four industry groups and aim for further expansion.

2. Reorganize global supply chain

In an uncertain and unstable global environment, the supply chain is the lifeline of a manufacturer, and from not only an economical, but also from a stability and sustainability perspective, we need to reorganize. In addition to consolidating production sites in countries and regions where we see political and social stability, in order to promote the return of production of high-value-added products to Japan, we will reinforce our automation technology and technology for in-house production through cooperation among design, production technology and production sites.

3. Strengthen technological research capabilities

Under four groups reorganized by industry, Canon is carrying out the development of new products and solutions based on proprietary technology through the integration of core technologies it has cultivated with the technologies of companies that it has acquired. On top of that, now that technological innovations that could dramatically change the world are consistently being created, there is a need to actively incorporate the latest technologies constantly to further enhance the added value of products. To this end, we will establish a system for conducting research on a global scale and acquire necessary technologies promptly through investments in companies engaged in advanced technology as well as through M&A.

Moreover, we will strengthen and develop a system to certify talented engineers as “top scientists” and “top engineers” to respond to the rapid advancement of technology from a human resource perspective as well.

Aiming to realize a sustainable society

Canon’s corporate philosophy is *kyosei*. It conveys our dedication to seeing all people, regardless of culture, customs, language or race, harmoniously living and working together in happiness into the future. Based on this philosophy, Canon has built good relationships with various stakeholders through its technology and business and has actively worked to address social issues.

In particular, since environmental response including elimination of carbon and resource efficiency is a major component of business competitiveness, we are positioning it as one of the main strategies of our medium- to long-term management plan and are working to further improve our activities.

Industry, society, and even the way we work and live are undergoing major changes as sustainability awareness is increasing around the world. Canon strives to contribute to the realization of a sustainable society by responding to the needs and expectations of our stakeholders through innovation and technology.

The business environment is becoming more uncertain and complex. We are required to respond quickly and appropriately to these changes in society. Starting from cameras, Canon has expanded its business scope into printing, medical, imaging, and industrial fields, exploring businesses with higher growth potential.

Based on the strong belief that “change is progress, transformation is advancement,” the Canon Group continues to work as one to improve its corporate value.



Fujio Mitarai
Chairman & CEO
Canon Inc.

Strategies for Value Creation

Value Creation Process

Canon 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. Building on this foundation and the guiding principles that flow from it, we have developed imaging technologies for capturing, outputting, value deriving from images, and are developing and operating our businesses using the fundamental technologies that give rise to them. While maintaining sound corporate governance, we promote the activities of the four industry-oriented business groups by means of strategies governing finance, human resources, R&D, and intellectual property. Having identified three material topics to be addressed through our business activities, we work to create new value that will improve the security, safety, comfort, and enrichment of society.

Financial Strategy
(→P27)

Human Resources
Strategy (→P29)

Corporate philosophy *kyosei*

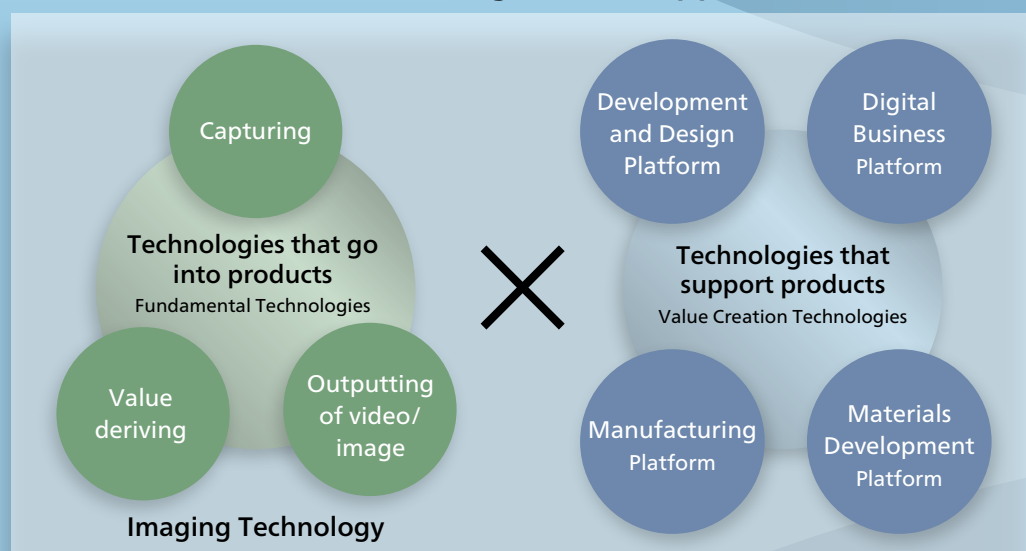
Corporate DNA

- Respect for Humanity
- Emphasis on Technology
- Enterprising Spirit

Guiding principles

- Three Selves Spirit
- Meritocracy
- Internationalism
- Familism
- Health First

Fundamental technologies that support advances



R&D Strategy
(→P31)

Intellectual Property
(IP) Strategy (→P33)

Corporate governan

Four industry-oriented business groups

Printing
(→P19)



Medical
(→P21)



Imaging
(→P23)



Industrial
(→P25)



Materiality
to be addressed
through business
activities (→P11)

**Creating New
Value and
Solving Social
Issues (→P19)**

**Protecting and
Conserving the
Environment
(→P36)**

**Responding to
People and
Society as a Good
Corporate Citizen
(→P43)**

Value Canon
Brings to
Society

Security

Safety

Comfort

Enrichment

ce (→P49)

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 gathers stakeholder 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)

Three 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 P11. 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, Medical, Imaging, and Industrial groups (→P19–26)



Protecting and Conserving the Environment

- We are disclosing information to meet the needs of our stakeholders, including content in line with TCFD Recommendations (→P37–38)
- We are working throughout product lifecycles to achieve net-zero CO₂ emissions by 2050 (→P39)
- We are reducing resource consumption and realizing advanced resource recycling (→P40)
- We are promoting management of the entire supply chain, including management of chemical substances in products (→P41)



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 (→P43–46)
- We promote activities across the supply chain that consider the needs of the global environment, people, and society (→P47–48)



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 inaugurated 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 globalization and diversification

• 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

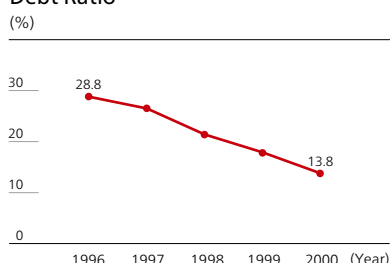
Economic value

- 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 offerings 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

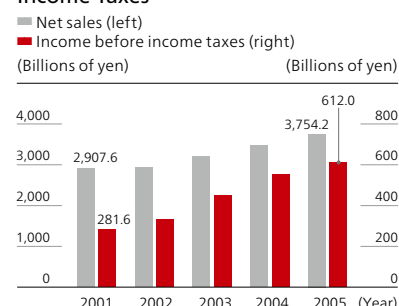
Economic value

- 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

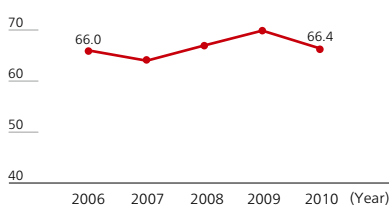
Economic value

- 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

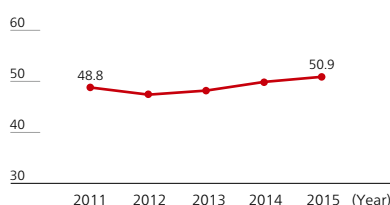
Economic value

- 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

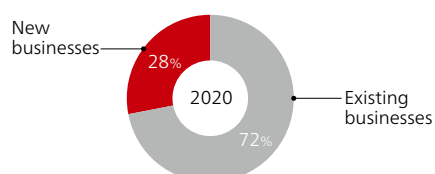
Economic value

- 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

Accelerate our productivity improvement and corporate portfolio transformation through new business creation

Main Strategies

1. Strengthen and Expand Respective Industry-oriented Business Groups

Printing Group (→P19–20)

- Satisfy diversified printing needs by offering a wide variety of printing equipment from printers for homes and offices to commercial printers, and, at the same time, offer new printing solutions needed in the era of digital transformation
- Establish solid positions in our new business fields such as commercial and industrial printing to increase sales

Medical Group (→P21–22)

- Bolster our sales capability and presence in overseas market, centering on the United States, a country with advanced healthcare
- Strengthen the competitiveness of diagnostic imaging systems and acquire the world's No. 1 share in CT to establish a solid position in the industry

Imaging Group (→P23–24)

- As for interchangeable-lens cameras, further reinforce our position as a leading camera manufacturer by expanding our product lineup of mirrorless cameras in response to the shift in market needs to mirrorless cameras
- Enhance product lineup of network cameras in terms both of hardware and software to address the market needs for shop operation and production control at manufacturing sites, in addition to surveillance applications

Industrial Group (→P25–26)

- Increase sales by restrengthening sales capabilities and increase production capacity to meet the growing market demand for semiconductor lithography equipment
- Accelerate sales of nanoimprint semiconductor manufacturing equipment launched last year that can significantly reduce manufacturing costs and power consumption, and examine its practicality for various applications, including memory

Frontier Business

- Leverage Canon's core competencies to create new businesses in the three fields of solutions such as devices and components, life sciences, and materials

2. Reorganize Global Supply Chain

- Avoid supply chain disruption and geopolitical risks
- Consolidate production sites in countries and regions with political and social stability
- Reinforce automation technology and technology for in-house production to promote the return of production of high-value-added products to Japan

3. Strengthen Technological Research Capabilities

- Carry out development of new products and solutions under the four-group industry-oriented Group structure, based on new technology created through the integration of proprietary core technologies with technologies acquired through M&A
- Quickly acquire the necessary technology by establishing a system to conduct research activities globally and investing in or acquiring companies that engage in advanced technology
- Strengthen and develop a system to certify talented engineers as "top scientists" or "top engineers" to respond to the rapid advancement of technology from a human resource perspective as well

Key Performance Indicators

	2023 Results	2025 Targets
Net Sales	¥4,181.0 billion	¥4,500.0 billion or more
Operating Profit Ratio	9.0%	12% or more
Net Income Ratio	6.3%	8% or more
Shareholders' Equity Ratio	61.9%	65% or more

An example of a new technology created through the integration of internally developed core technologies with the technologies acquired through M&A

Clinical research initiated, aimed at creating the first Next-Generation Photon Counting Computed Tomography (PCCT) in Japan

Using the first Japanese-produced X-ray CT system with photon-counting detector approved in 2022^{*1}, Canon Medical Systems, the National Cancer Center Japan (NCC) Exploratory Oncology Research & Clinical Trial Center (EPOC), and the NCC Hospital East have started joint research and a clinical trial that aims to develop new diagnostic methods and investigate their clinical value by evaluating image data obtained using the X-ray CT system with photon-counting detector installed at EPOC.

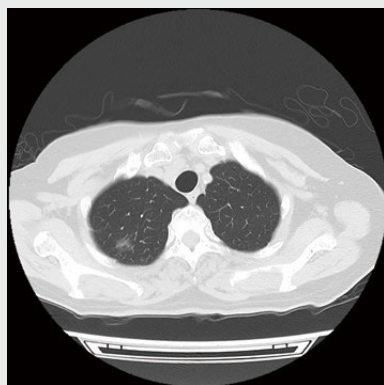
Unlike conventional CT, in which X-rays are detected indirectly by a scintillator^{*2}-type detector, PCCT detects X-rays directly using a photon-counting detector, resulting in substantially improved basic performance. The advantages of PCCT include reduced exposure dose compared to conventional CT, improved detectability of lesions thanks to higher resolution imaging, precise discrimination and identification of various materials in the body, and tissue characterization and malignancy assessment based on quantitative image analysis. These advances are expected to provide improved diagnostic accuracy throughout all phases of clinical care, from prevention to diagnosis, to evaluation of treatment effects, as well as long-term prognosis.

The Canon Group had welcomed Canadian company Redlen Technologies ("Redlen") as a group company in 2021. This acquisition provided the Group with advanced technologies for X-ray detection and imaging in Cadmium Zinc Telluride semiconductor detector modules. The next-generation X-ray CT system with photon-counting detector used in the clinical research is equipped with the latest high-quality modular photon counting detector utilizing Redlen's technology. Thanks to the detector's modular design, detector size can be expanded and manufacturing and service costs can be reduced.

Canon will contribute to the development of diagnostic imaging technology by commercializing its PCCT, which combines these technologies of Redlen with Canon's proprietary technologies such as AI image reconstruction and analysis.

^{*1} Based on Canon research as of April 10, 2023

^{*2} A substance that converts X-ray into light



Chest images obtained by an X-ray CT system with photon-counting detector



X-ray CT system with photon-counting detector currently under clinical research

At a Glance

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 business groups 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 ¥2,346.1 billion/56% Share of Net Sales



Office multifunction devices



Sheet-fed presses

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. 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 Sa
¥4,18

Enhance com
through reorg
industry-orie

Medical



CT diagnostic systems



Diagnostic ultrasound systems

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. We are also extending core technologies found in our camera and printer businesses to the medical field as well, not only supporting high-quality diagnosis and treatment that utilize healthcare IT to aggregate, analyze and process medical data, but also facilitating the 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.

Net Sales ¥553.8 billion/ 13% Share of Net Sales

* Sales ratios do not total 100% due to sales between segments.

Others & Corporate

Net Sales ¥189.8 billion/5% Share of Net Sales

Imaging

Net Sales ¥861.6 billion/21% Share of Net Sales

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 network cameras, the global increase in security awareness is growing the market. These cameras are not only being used in crime prevention and surveillance, but are also finding increasing use in other settings, including marketing, the automation of production sites, and as solutions to avoid contact and congestion through remote monitoring. We will work to expand our business areas through further advances in the imaging technology we have cultivated over the years, including solutions that capitalize on 3D imaging.



Mirrorless cameras



Network cameras

Industrial

Net Sales ¥314.7 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, Flat panel display (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



FPD lithography equipment

les for 2023
1.0 billion
petitiveness
anization into
nted groups

Deleted due to portrait rights.

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

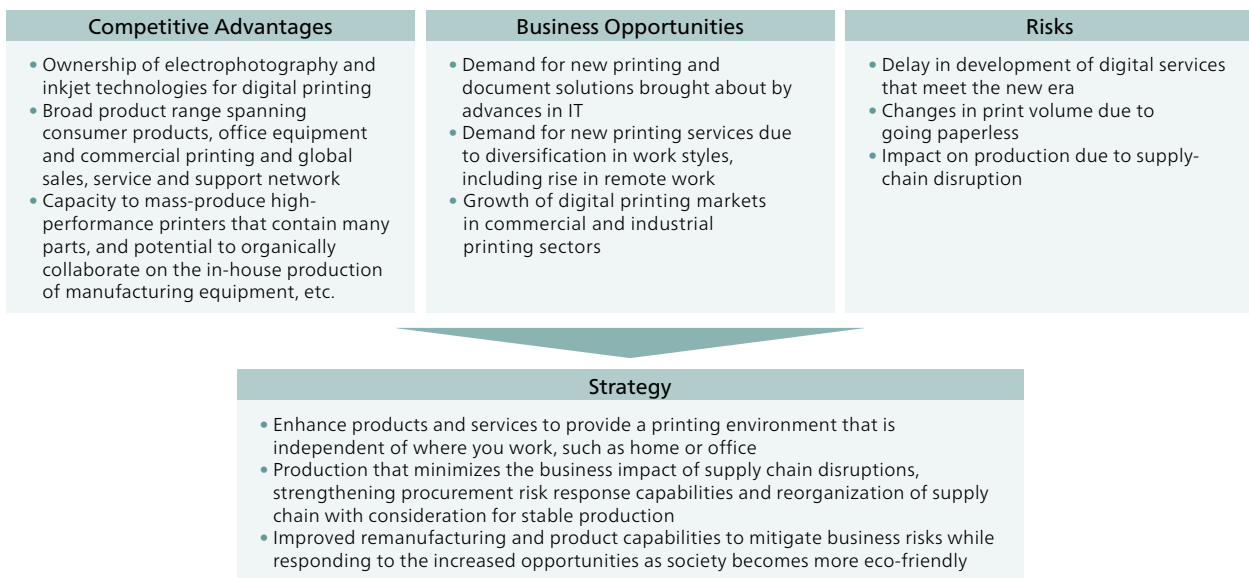


12.5 Canon has been undertaking the remanufacturing of used multifunction devices since 1992. The current range includes a special eco-conscious model, the imageRUNNER ADVANCE C3530F-RG, where an exceptionally high reused parts ratio of over 90% has been achieved



13.2 The office multifunction device "imageRUNNER ADVANCE DX C3900" series reduces power consumption by up to 15% compared to conventional models by using low-temperature fixing toner with significantly lower fixing temperature compared to conventional toners and achieves an industry-leading Typical Electricity Consumption (TEC) rating as well as reduces CO₂ emissions

Business Strategy in Phase VI

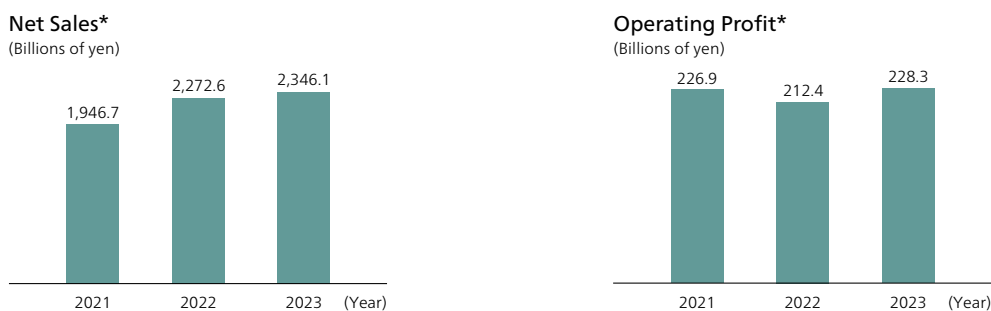


Initiatives and Achievements in 2023

As for commercial and industrial printing, amid an accelerating shift to digital, which addresses quick turnaround and wide-variety short-run printing as well as offers advantages in terms of operability, unit sales of continuous feed presses, high-speed cut-sheet machines, and large format printers grew, leading to a significant increase in net sales compared to the previous term. Particularly the "imagePRESS V1350" and other V series models were recognized for their enhanced automation features which contributed to operator labor savings, and the Colorado M-series satisfied needs of customers who undertook posters in graphic arts by broadening the range of printable media through the addition of white ink, resulting in strong sales of these products.

With the solid need for highly productive core printing equipment, unit sales of office MFDs, particularly color models, grew thanks to a rise in demand linked to recovery in the number of people returning to the office since the end of the COVID-19 pandemic, and the resolution of product supply shortages.

Laser printer and inkjet printer sales declined, reflecting the peak out in work-from-home demand and market contraction due to the impact of the economic downturn in China and Europe.



* From 2023, a business previously included in Others & Corporate was added to the Printing Group. The figures for 2021, 2022 were also reclassified

Strategic Focus for Phase VI Going Forward (through 2025)

The Company will meet diversified printing needs by taking advantage of the strength of offering a wide variety of printing equipment from printers for home use and for office use to commercial printers.

As for digital commercial printing, the Company's sales are growing. This reflects the enhanced imaging quality and productivity that have spread throughout the industry as we incorporate the opinions of our customers who are printing companies. To further accelerate growth in the future, we need to expand our business domain by making a full-scale entry into the industrial printing field, specifically targeting labels and packages. And in line with this, we will push ahead with the launch of new products including Canon's first water-based inkjet label printer, which was announced in 2023.

As for office and home printing, a reimagining of a print environment not restricted by working places is required to better suit the hybrid work styles combining office- and tele-work that were triggered by the spread of COVID-19. The Company will provide optimal printing equipment for the work place by leveraging its strength of having two digital printing technologies, namely electrophotography and inkjet, and offer new printing solutions in the DX era by connecting these devices utilizing the cloud.

Medical Group

Deleted due to portrait rights.

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 Systems 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 a variety of 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

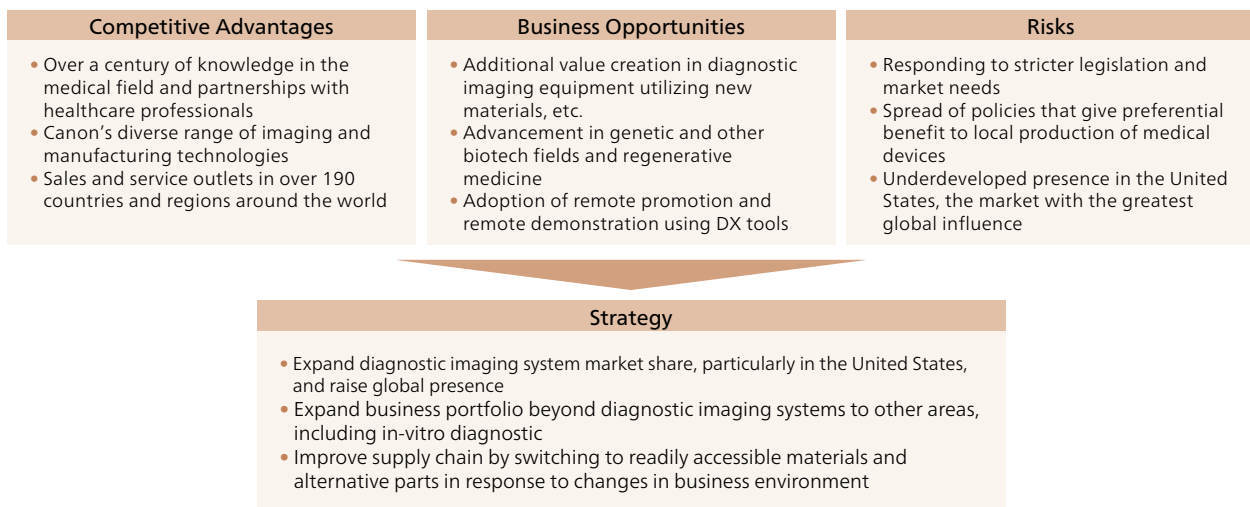


9.5 Canon's efforts to promote innovation include clinical research projects with the National Cancer Center Japan in the field of photon-counting CT systems, and with the CiRA Foundation to realize high-quality iPS cells for autologous purposes



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

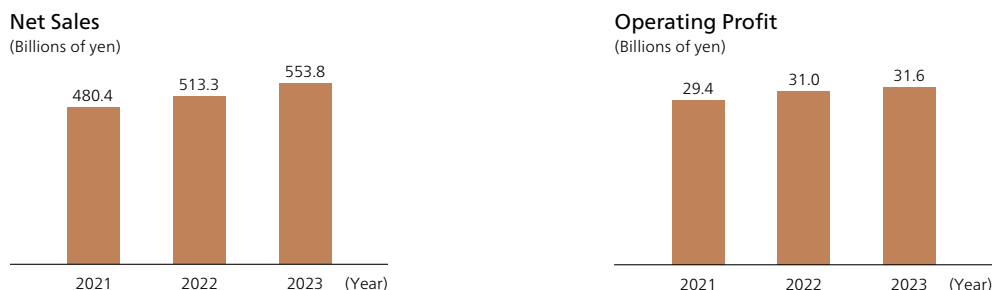
Business Strategy in Phase VI



Initiatives and Achievements in 2023

As for diagnostic imaging systems, investments in large equipment, such as computed tomography (CT) and magnetic resonance imaging (MRI), which had been postponed during the COVID-19 pandemic, also recovered. Additionally, growing demand for consumables resulting from a rise in the rate of equipment operation in medical institutions led to an increase in service revenue. MRI, in particular, grew at a high rate, with the Vantage Fortian and the Vantage Galan 3T, new products equipped with technology that uses deep learning to enhance image quality. As a result, we gained the top share in Japan. By region, sales in Europe grew largely due to effects of each country's policies to support the purchase of medical equipment, following on from the previous year's strong performance.

Furthermore, the acquisition of Minaris Medical Co., Ltd., which manufactures in-vitro diagnostics, was completed in July of 2023. Going forward, we will accelerate the expansion of our reagent business and develop the in-vitro diagnostic field into one of our major growth pillars.



Strategic Focus for Phase VI Going Forward (through 2025)

The Company aims to establish a solid presence in the field of diagnostic imaging systems, which serves as the core of the Medical Group, particularly in CT where it aims to achieve the No. 1 global market share position. While it already has a lineup that can hold its own against global competition, it is working to further expand it — strengthening sales power and presence overseas is an urgent issue.

In the United States, which is a medically advanced country that has a great influence in the global market, in addition to expanding sales channels through acquisitions and enhancing sales personnel, we set up a new marketing company last year. In November, we entered a partnership with Cleveland Clinic, an advanced medical institution. Through such measures, we will promote joint research with medical institutions and strengthen relationships with medical practitioners who serve as key opinion leaders.

In addition, photon-counting CT, the next generation CT, is receiving increasing attention as many papers based on Canon's equipment have been presented at academic conferences in the United States. With such increasing attention, we will work to improve Canon's presence by accelerating development for early commercialization of photon-counting CT.

In emerging markets, we established subsidiaries in India and Saudi Arabia and started sales activities last year. Going forward, we will strive to expand sales by quickly responding to trends and demands in each country and region.

Imaging Group



Basic Rationale on Value Creation

Visual information is utilized in every aspect of our social life. The Imaging Group will not only provide products and services that make photography fun and bring the joy and excitement of viewing them, but also provide solutions that convert the information captured as data 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 will propose new shooting styles, provide tools to realize 3D imaging, and provide highly creative content using technologies such as 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



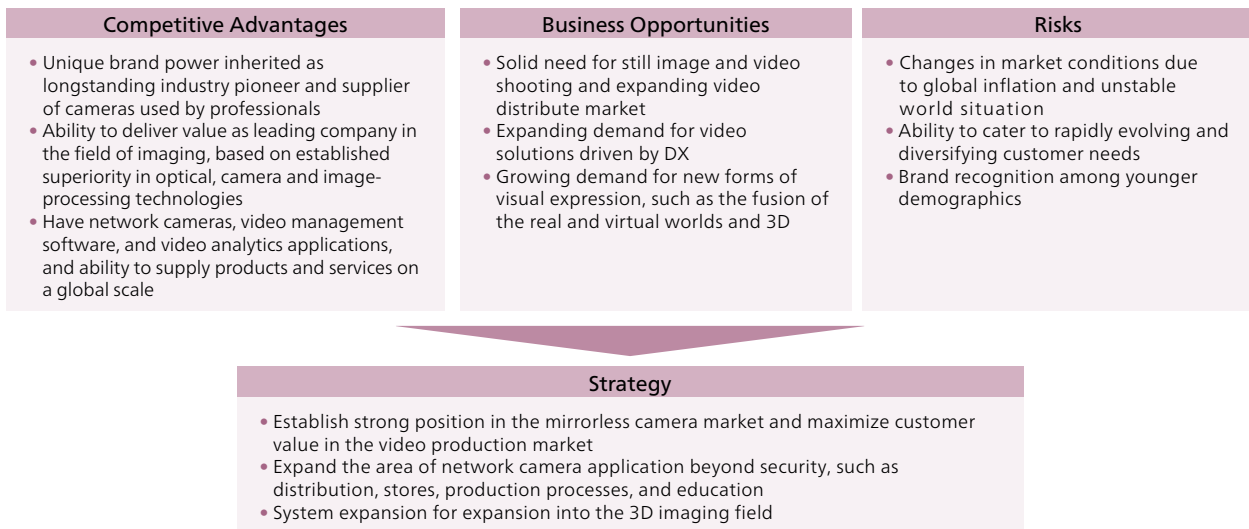
11.2 Will supply various video solutions that contribute to the development of a smart society



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



Business Strategy in Phase VI

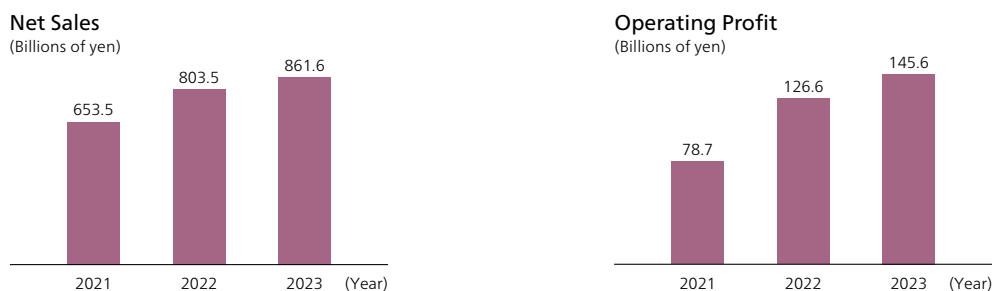


Initiatives and Achievements in 2023

As for interchangeable-lens cameras, the market remained stable as camera manufacturers introduced products that capture user needs. Our unit sales of interchangeable-lens cameras also exceeded those of the previous year, thanks to growth in the sales of mirrorless cameras, in particular the "EOS R6 Mark II," a model equipped with a full-frame sensor, which was released at the end of 2022, and the first entry model to the EOS R series, the "EOS R50," which was launched in March of 2023. As a result, we achieved the No.1 share of interchangeable lens cameras for 21 consecutive years. In addition, as for interchangeable lenses, the number of RF-series lenses for mirrorless cameras was expanded to 41 in total after launching nine new models in 2023. The enhanced lineups of camera bodies and lenses generated synergies, contributing to an overall rise in camera sales.

Canon has also strengthened its lineup of IP remote cameras to support remote video production and reduce labor. We launched the "CR-N100," a camera with high image quality and operability, and the "RC-IP1000," a controller that enables a single controller to control multiple cameras on a network.

The market of network cameras continues to grow particularly in the security field. Canon, which has a powerful worldwide sales channel, posted an increase in both camera unit sales and software sales by firmly securing growing demand, which led to a double-digit sales growth rate also in this term.



Strategic Focus for Phase VI Going Forward (through 2025)

To meet the diverse needs of users who enjoy shooting still and video images, Canon, in an effort to revitalize the market as a leading imaging company will continue to develop and sell cameras and interchangeable lenses with enhanced performance, from entry-level cameras to professional cameras. We will also establish our position as the dominant No. 1 market share holder in the mirrorless market, which is expected to grow in the future.

Demand for network cameras for security applications continues to increase. At the same time, it is important to respond to the imaging DX needs for in-store marketing and for production control at manufacturing sites. Last year, Canon released the "MS-500," a camera equipped with a SPAD sensor offering the world's highest 3.2 million pixels*, developed by Canon that is strong in low light conditions, for use in advanced surveillance of international borders, critical infrastructure etc., and going forward Canon will continue to enhance its lineup of both hardware and software.

In the field of 3D imaging, we will create the 3D imaging market that customers demand with an unprecedented sense of realism and immersion through products equipped with advanced technologies such as volumetric video, EOS VR SYSTEM, and MREAL.

* Among SPAD sensors used for video shooting. As of July 31, 2023 (Based on Canon research). See also P32's R&D Strategy for SPAD sensor and "MS-500."

Industrial Group



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 various value propositions to customers.

Today, in the field of lithography equipment, Canon develops, manufactures and sells products 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 various value propositions that align 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

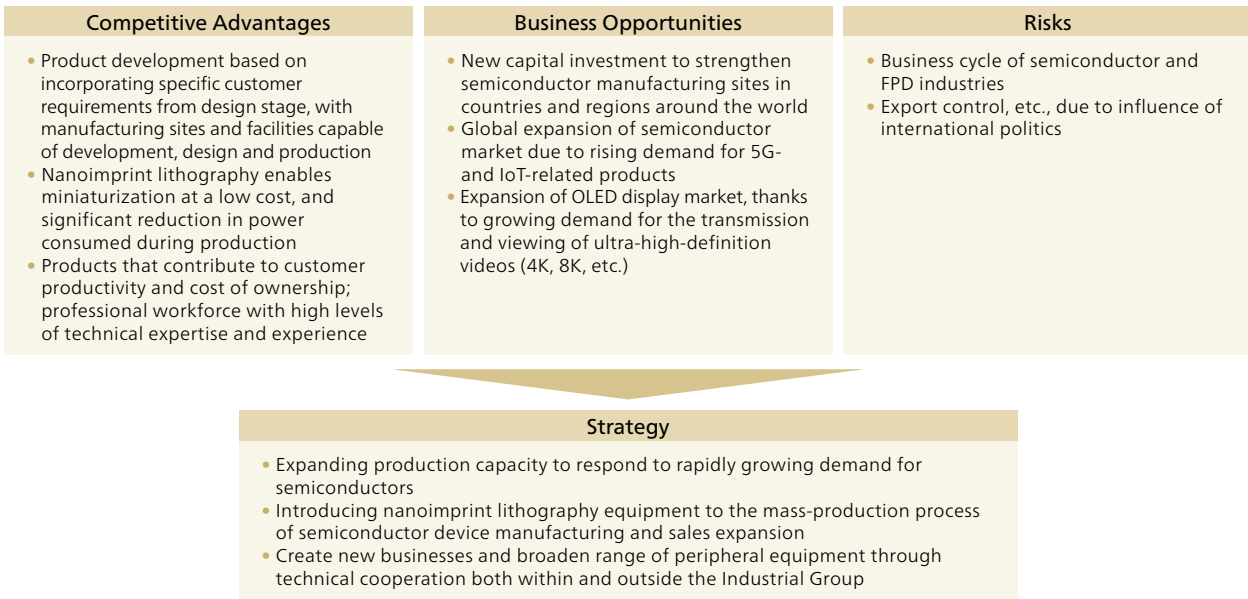


9.4 Nanoimprint lithography technology simplifies the semiconductor production process and enables reduced power consumption in the production of semiconductors, leading to higher productivity and lower environmental impact



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

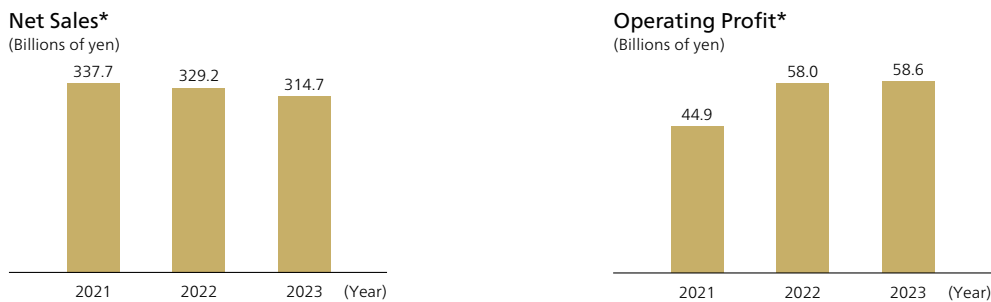
Business Strategy in Phase VI



Initiatives and Achievements in 2023

As for semiconductor lithography equipment, despite concerns about the shrinking memory market impacting investments, we posted steady sales growth thanks to the accelerating trend toward domestic production from an economic security perspective, and the increasing demand for power devices, etc. In addition, the new product for back-end processing, which was launched in early 2023, is expected to see a large increase in sales in the future due to a large number of inquiries for advanced packaging of GPUs (High-performance processor specialized for image processing) used in generative AI.

Conversely, for FPD lithography equipment, investments of customers entered an adjustment phase, affected by stagnating conditions of the panel market. With a shift of IT panels mounted on notebook PCs and tablets from liquid crystal to OLED, investments are anticipated to recover from the second half of 2024. The unit sales in 2023 decreased compared with the previous year.



* From 2022, the name and structure of segments, previously known as the Industrial & Others Business Unit and Corporate & Eliminations, were changed to the Industrial Group and Others & Corporate. The figures for 2021 were also reclassified.

Strategic Focus for Phase VI Going Forward (through 2025)

We anticipate continuing market growth for semiconductors driven by essential devices used in AI, IoT, electric vehicles (EVs), and other technological innovations. And due to this, demand for semiconductor lithography equipment is anticipated to also increase. Recognizing the need to significantly bolster production capacity to respond to strong demand, we began construction of a new plant at our production site in Utsunomiya City, Tochigi Prefecture, at the end of 2023 that will become operational from 2025.

Furthermore, we aim for the early sale of "nanoimprint lithography," a new system released in the fall of 2023 to expand sales. Unlike conventional lithography technology that uses light to expose circuit patterns, this device, which forms circuit patterns by pressing a patterned mold like a stamp, has attracted inquiries from many manufacturers because it can significantly reduce production costs and power consumption. We will proceed with assessment and confirmation jointly with customers to realize practical applications starting with memory and expanding to other areas such as logic and even non-semiconductor devices, including meta-lens.

Financial Strategy

Excellent Global Corporation Plan Phase VI: Financial Strategy

■ Basic Policy

The basic policy of Canon's financial strategy is to maintain a sound financial constitution through comprehensive cash flow management. This reflects our belief that maintaining financial soundness is crucial in terms of preparing against unforeseen circumstances and pursuing dynamic management from a long-term perspective while keeping open a variety of options.

■ Increase Return on Capital

Considering the cost of capital as the minimum rate of return to be achieved, we calculate the weighted average cost of capital (WACC) annually and have set ROE as a key performance indicator as we work to increase return on capital. Each industry-oriented business group is striving to enhance corporate value by focusing on expanding profit, as well as by working to pare down working capital and non-current assets, with an eye to asset efficiency.

Cash Allocation

To support the policy of the current five-year plan—portfolio transformation through new business creation—from a financial perspective as well, Canon 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. Under this approach, we will continue to maintain financial soundness and provide a stable and active return to shareholders in line with expansion in business performance.

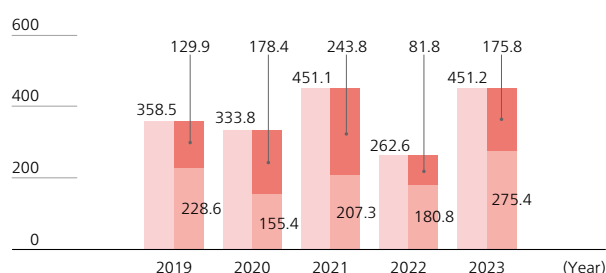
Growth Investment	Prioritize investments in areas where growth is expected - R&D: Make development in current businesses more efficient and actively invest to grow new businesses Continue to invest roughly ¥300 billion a year (roughly 8% of net sales) - Capital expenditure: In principle, control it so that it does not to exceed the amount of depreciation and amortization Over three years starting in 2023, actively invest more than ¥230 billion annually - M&A: Constantly explore and pursue cases that complement growth of new businesses
Shareholder Return	Stable and active return of profits, mainly through dividends - Dividend: Target payout ratio of 50% Increased dividend by ¥20 for three consecutive years from 2021, plan to increase dividends by ¥10 to ¥150 per share in 2024 - Share buyback: Consider buybacks after making sufficient growth investments and paying dividends, taking financial situation into consideration Set ¥100 billion as one year share buyback limit (February 2024–January 2025)
Debt Repayment	Prepare for situations requiring large-scale growth investments and promote repayment as plan

Cash Flow

In 2023, in addition to the generation of ¥264.5 billion in net income, inventory was down, resulting in net cash provided by operating activities of ¥451.2 billion. We invested ¥275.4 billion in future growth, around ¥100 billion more than in 2022, including the construction of a new plant for CMOS sensor production and the Medical Group's acquisition in the in-vitro diagnostics field. For return to shareholders, we boosted dividends by ¥20 to ¥140 per share while carrying out ¥100 billion in share buybacks. As a result, cash on hand at the end of December was ¥401.3 billion, equivalent to 1.1 months of net sales.

Cash Flow

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



Increase Return on Capital

Towards ROE of 10% or higher in 2025

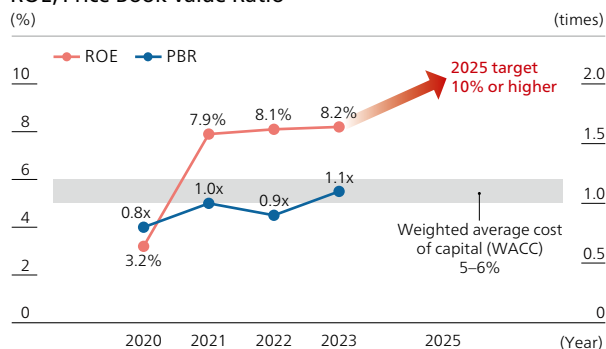
ROE, which had declined amid the pandemic, rose to 8.2% in 2023 on the back of recovery in business performance. We will step up efforts to further increase return on capital.

On the profit front, we will work to boost net income ratio from multiple viewpoints. We will beef up gross profit through sales growth, we will revise business structures seeking to optimize the expense ratio. In addition, we focus our profitability improvement efforts mainly on the Medical Group, which lags behind other groups.

To increase total asset turnover ratio, we will further pare down components, raw materials, and other inventories, and also consolidate production sites in countries and regions that afford political and social stability.

Regarding financial leverage, we will pursue the optimal balance between equity and debt to maximize corporate value, which will lead to improved ROE.

ROE, Price Book-value Ratio



2025 target: ROE of 10% or higher

=	Net income ratio	×	Total asset turnover ratio	×	Financial leverage
	Profitability improvement - Operating profit ratio: 12% or higher - Net income ratio: 8% or higher - Medical Group: Double-digit operating profit ratio		Asset efficiency improvement - Inventory reduction (components, raw materials, etc.) - Consolidate production sites		Optimizing the capital structure - Pursue optimal balance between debt and equity

Initiatives of Industry-oriented Business Groups

		Printing	Medical	Imaging	Industrial
Profitability	Sale expansion		◎		◎
	Lower expense ratio	◎	◎		
Total asset turnover ratio	Reduce assets	◎		○	

Printing — Recognizing the difficulty of significantly boosting sales in mature markets, boost profitability by reducing expenses, manufacturing costs, and paring down assets.

Medical — Significantly increase profitability through sales growth and efforts to curb expenses.

Imaging — Grow sales of network cameras and other new businesses, and pare down assets in the camera business.

Industrial — Pursue business scale with proactive investment including new factory construction to tap into brisk market demand.

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 that working conditions are appropriate, fair and based on meritocratic principles, and that our work environment affords peace of mind to workers. In this way, we aim to generate new value by allowing a diverse workforce to exercise their enterprising spirit. Under the main strategies of Phase VI of the Excellent Global Corporation Plan, we are transforming our portfolio by improving productivity and creating new businesses. To accomplish this goal, we are working on the following measures to maximize the value of our human resources.

Acquiring and Developing Employees Who Drive Innovation

In order to provide new value to society by creating innovative products, Canon is taking steps to acquire talented technical personnel. In terms of the regular annual recruitment process, we are enhancing the appeal of Canon through internships to generate greater interest among students while also reinforcing direct recruiting that allows us to make direct contact with outstanding students.

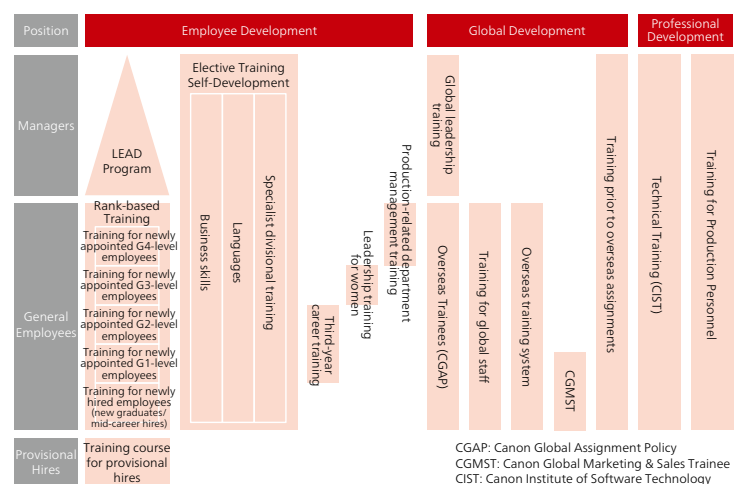
At the same time, led by the Engineering Resources Development Committee, we are cultivating the next generation of engineering personnel from a long-term perspective by offering them more than 250 specialized training courses. In addition, we have recently been trying to strategically allocate engineers by building a technical human resources database that relates technological expertise, acquired patents, and other information to each engineer.

In 2023, seeking to further boost motivation and secure outstanding talent, we launched an advanced engineer certification program to recognize engineers with advanced technical capabilities and knowledge as Top Scientists or Top Engineers.

Specifically, we established the Canon Institute of Software Technology (CIST) in 2018 as an in-house educational facility specializing in training for software engineers, to better cultivate IT experts essential to innovation. CIST has a framework in place that allows trainees to systematically acquire software skills ranging from basic competency to practical applications, according to their level. For all employees, we have provided IT and digital transformation literacy training to boost productivity and foster digital transformation. By 2023, a total of 24,000 employees had been involved in the program. For more proficient engineers, we actively provide them with advanced training in leading-edge software technology or sending them to academic or research institutions such as the National Institute of Informatics and Waseda University.

Another focus is on the development of personnel who can lead innovation. Efforts include training programs and trainee systems to cultivate personnel who can drive change in an array of fields, including management, global operations and manufacturing. In 2023, the average training time per employee was 22.6 hours and average training outlays were ¥165,000, up for the third year in a row.

Canon Inc.'s Human Resource Development System



"Right People in the Right Jobs," Seeking High Efficiency by Talented People

To create highly productive organizations driven by more capable people, Canon strategically allocates staff and supports their career development to make sure that the right people are in the right jobs. For new employees, we are expanding the use of job-matching recruitment, agreeing on job placements to ensure that their assignments are in line with their specialized knowledge and aspirations. After employees have been with the company for three years, we confirm job suitability through career training and interviews, and move quickly to resolve any inconsistent job assignments.

We have also introduced a trainee-style career matching system that combines an internal career matching system (in-house recruitment system) and to support employees taking on new job challenges, job change training as a mechanism for shifting human resources into growth areas and for realizing the self-motivated career development of employees. Over a span of 10 years up to 2023, a total of 2,128 people transferred internally through such recruitment. We are also stepping up efforts to promote employee re-skilling, such as regularly highlighting training for a variety of job positions.

In terms of employee working conditions, our aim is to realize smaller organizations with more capable people. For that purpose, we have introduced a scheme in which teams that generate higher profits with fewer human resources receive higher bonuses.

Diversity, Equity and Inclusion

Canon pursues diversity in the workforce to capitalize on an array of values and ideas and generate innovation. In 2012, we launched Vital workforce and Value Innovation through Diversity (VIVID), a Group-wide, horizontally integrated organizational initiative. VIVID has been undertaking a variety of activities centered around the twin measures of female empowerment and encouraging men to participate in childcare.

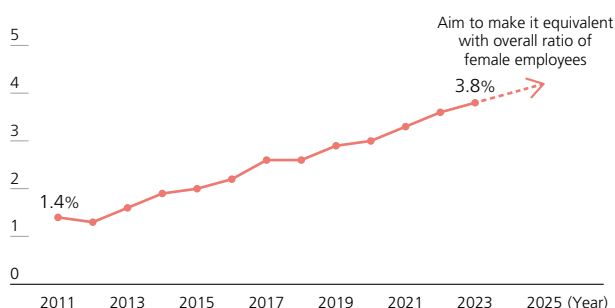
1. Female empowerment

Ratio of Female Managers: 3x from 2011 level* by end 2025
(* The year before VIVID was introduced)

The pursuit of female empowerment entails efforts to create environments conducive to the active participation of women. We have put a support framework in place to encourage a sound balance between work and childcare, including seminars on returning to work after childcare leave and mentoring by managers.

We are also providing leadership training for women to systematically develop more female candidates for managerial roles. The ratio of female managers, a performance indicator for female empowerment, rose to 3.8% by the end of 2023. We are striving to achieve the end-2025 target ahead of schedule. Going forward, we will look to step up the recruitment of female engineers and technicians and, in the future, aim to achieve parity between the ratio of female managers and the percentage of female overall in the company (16.9% at the end of 2023).

Ratio of Female Managers
(%)

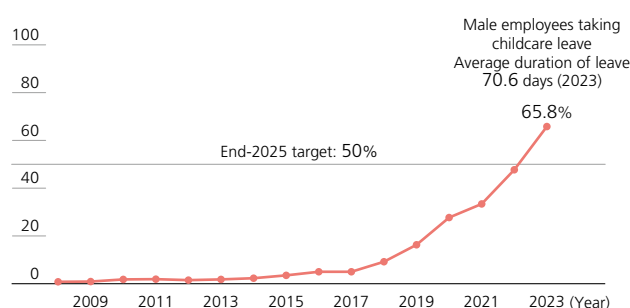


2. Encouraging men to participate in childcare

Ratio of male employees taking childcare leave:
At least 50% by end-2025

Efforts to encourage men to participate in childcare include roundtable discussions and interviews with male employees who have taken advantage of the childcare leave system as well as seminars on childcare issues, as we seek to shift awareness and foster a workplace culture that embraces gender equality. As a result of these efforts, the rate of men taking childcare leave rose to 65.8% at the end of 2023, reaching our end-2025 target of 50% ahead of schedule. The average length of childcare leave taken is 70.6 days, surpassing the 43.7 days (2022) among companies affiliated with the Japan Federation of Economic Organizations (Keidanren).

Proportion of male employees taking childcare leave and average duration of leave
(%)



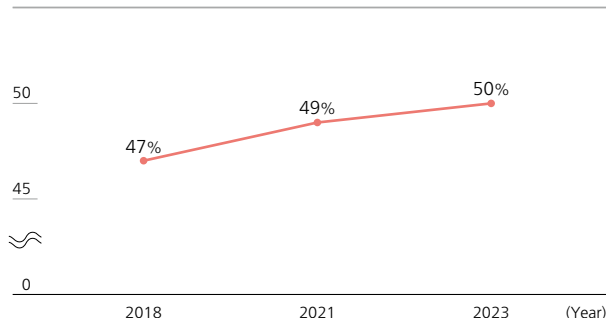
Enhancing Employee Engagement

Canon is engaged in a variety of measures to achieve the buy-in of all employees for the company's philosophy and strategies and encourage them to put themselves into their work. We regularly carry out employee opinion survey to clarify issues such as employees' awareness of their work and the workplace culture, and pursue improvements through feedback to management.

For younger employees in particular, we have introduced motivation diagnosis and pulse surveys designed to gauge employee satisfaction and mental health. Supervisors, senior employees, and HR staff join forces to promote initiatives to enhance engagement.

In the 2023 employee opinion survey, the proportion of positive responses increased across all categories compared to the previous survey, including the level of autonomy in work assignments and personal growth. In particular, we have seen steady improvement in categories related to engagement, such as a sense of fulfillment, personal growth, and a comfortable working environment.

Proportion of positive responses to engagement categories in employee opinion survey
(%)



Strategies for Value Creation

R&D Strategy

R&D Strategy

As society undergoes significant changes thanks to striking technological progress in the forms of DX and AI, Canon is also approaching a major turning point. As for our core businesses, the camera market is shrinking and the copier and printer markets are also changing, so Canon is taking on a major transformation for our next growth stage. Starting with cameras, Canon has diversified its business by integrating existing technologies with new ones to create copiers, printers, semiconductor lithography equipment, and other products.

For example, people recognition technology, one of the core competency technologies (core technologies) of cameras, has been accumulated and evolved in the form of fundamental element technologies such as AI and data statistical analysis, and is now integrated into the medical IT system of the Medical Group which plays a role of diversification within the Group, contributing to the strengthening of the business. Canon has a research and development system in which the research department of the head office and the development department of each division, which is responsible for the development of each product, form a matrix, thereby establishing a system that enables the entire Group to utilize all of its technologies.

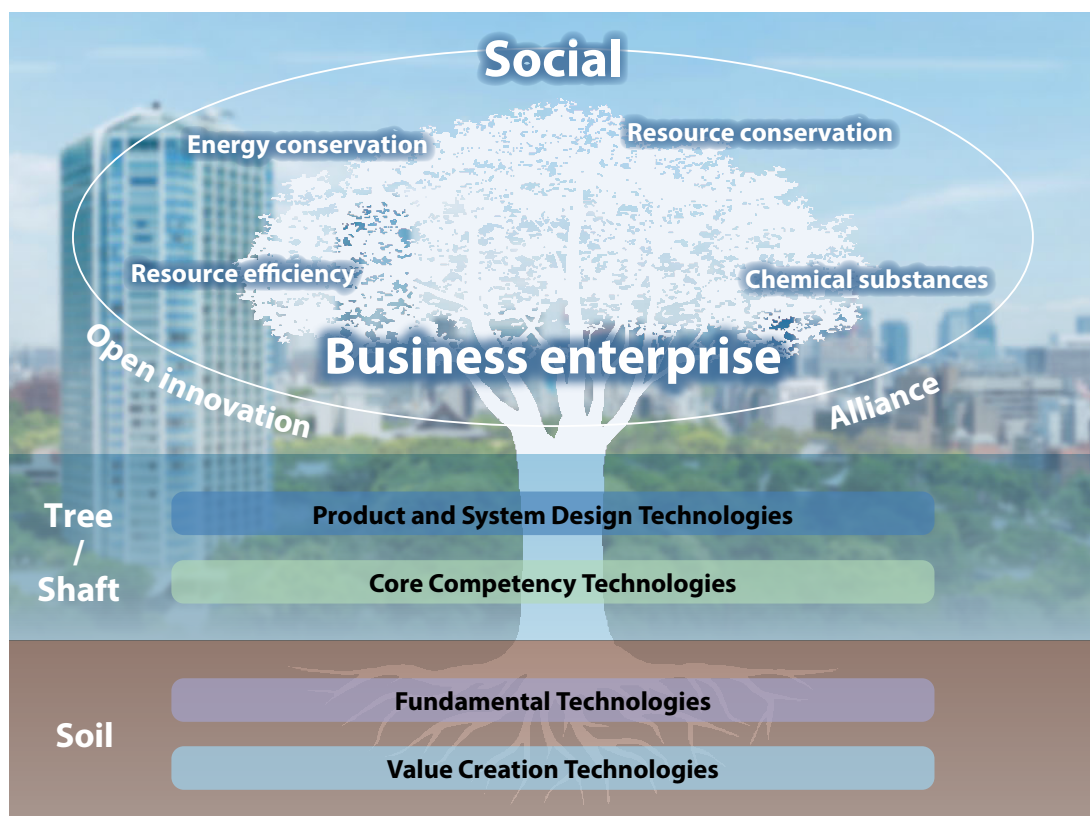
The development divisions of our business units are the main players when it comes to the core technologies that make our products competitive. Meanwhile, the head office's research departments handle research into forthcoming trends and the development of fundamental element technologies, and are thus responsible for the advance development of core technologies to be transferred to the product development departments.

Furthermore, the most distinctive feature of Canon's R&D is that a holistic environment (one where technologies can be joined in complex ways) has been developed where it is possible to use and deploy together throughout the company the "technologies that go into products" like core technologies/fundamental technologies and the "technologies that support products" such as value creation technologies. With this, by simultaneously leveraging the technologies included in products and those that support products in product development, we will create competitive products that are hard to mimic for other companies.

About the future

Going forward, Canon will use open innovation through industry-academia collaborations and collaborations with partner companies to further strengthen our businesses and expand their scope. For example, in the XR field, we are creating new value by collaborating with partner companies which have cyber (software, etc.) technologies as their core competencies, making use of the physical (product) technologies for capturing and depicting videos and images that are Canon's strengths.

In the fields of such materials technologies as inks and toner, we are working through collaborations with our partners in the fields in questions to expand their uses beyond printing. In addition, we will work on a wide range of alliances in the field of environmental technology to realize a sustainable society.



TOPICS 1 Imaging Group

Commercialization of the world's first* ultra-high-sensitivity interchangeable-lens camera equipped with SPAD sensor for color video shooting, the MS-500.

There is a growing need for high-precision monitoring systems for use in such environments as seaports, power plants and other key infrastructure facilities, in order to quickly identify targets even under adverse conditions including darkness in which human eyes cannot see, and from long distances. In response to these demands, Canon has commercialized the MS-500, an interchangeable-lens ultra-high sensitivity camera equipped with a low-noise performance SPAD sensor for color video shooting. When combined with Canon's extensive broadcast lenses with super-telephoto performance, the camera is capable of capturing vessels several kilometers away, even in the dark. The camera will not only be capable of discovering the vessels, but will also be able to confirm the type of vessels.

With CMOS sensors, commonly used in modern digital cameras, each pixel measures the amount of light that reaches the pixel within a given time. However, with this method, the accumulated electrical signals are contaminated by noise during readout. This noise degrades image quality, especially when shooting in low light. On the other hand, the SPAD sensor installed in the MS-500 uses a mechanism called "photon counting" that counts each light particle (photon), which is the smallest unit of light that enters a pixel. When a single photon enters a pixel, it is instantly amplified by means of a phenomenon called avalanche multiplication, and outputted as an electric charge. By recognizing the amplified electric charge, it can reliably count each photon. Therefore, it is possible to detect even minute amounts of light. Another major feature is that since each photon is counted digitally, no noise is mixed in during readout. These features enable clear color video shooting even in low-light environments.

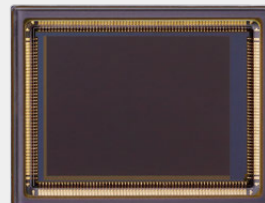
* As a color camera equipped with a SPAD sensor. As of July 31, 2023. Based on Canon research



MS-500 ultra-high sensitivity camera



Captured image of the night approx. 5km away



SPAD sensor equipped with a MS-500

TOPICS 2 Industrial Group

Nanoimprint lithography semiconductor manufacturing system that covers diverse applications with simple patterning mechanism

In October 2023, Canon launched semiconductor manufacturing equipment using nanoimprint lithography (NIL) technology, which forms circuit patterns of semiconductor chips in a manner different from conventional projection exposure technology.

In contrast to conventional projection lithography equipment, where light is applied to resin called "resist" and applied on a wafer to develop a circuit pattern, NIL creates a circuit pattern by pressing a mask imprinted with the circuit pattern onto the resist on the wafer like a stamp. Canon's NIL technology enables circuit patterning of 5 nanonodes (minimum linewidth 14 nm, nm: 1/1 billionth of a meter) of the existing advanced logic semiconductor manufacturing level, significant cost reduction can be expected by simplifying the manufacturing process. With further improvement of mask technology, NIL is expected to enable circuit patterning with a minimum linewidth of 10 nm, which corresponds to 2-nm-node. Additionally, power consumption during pattern formation can be reduced to about one-tenth compared to existing lithography technology for advanced logic.

Because its circuit pattern transfer process does not go through an optical mechanism, fine circuit patterns on the mask can be faithfully reproduced on the wafer. Thus, complex two- or three-dimensional circuit patterns can be formed in a single "imprint" (a NIL patterning process).



Nanoimprint semiconductor-manufacturing system



Semiconductor chip production using NIL

Intellectual Property (IP) Strategy

IP Strategy: Basic Policy

Canon has developed as an R&D-led company that explores new markets and customers by developing attractive, high-quality products and services differentiated by proprietary technologies. Canon's IP Division formulates and pursues IP strategies that look ahead to the next 10–20 years, with an emphasis on supporting the 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.

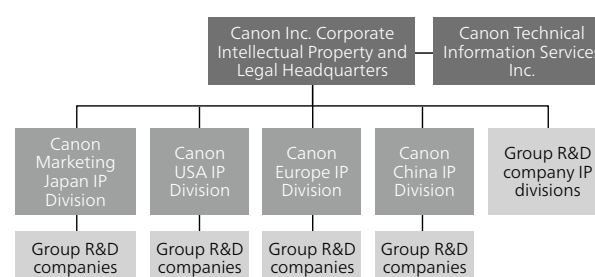
Basic Policy

- Patents related to core competence technologies are used to ensure our competitive advantage by not licensing them, as they protect our businesses in competition
- Patents in collaborative fields relating to general-purpose technologies, such as communications and GUIs, can be cross-licensed 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 arrive at are confidentially retained and protected as know-how to secure a competitive advantage without being overtaken by other companies

Organizational framework

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 policies for IP-related activities. This approach allows us to control our IP activities across the Group to optimize the Group-wide patent portfolio. At the same time, the Corporate Intellectual Property and Legal Headquarters collaborates with Group companies in litigation and licensing activities as needed to best serve Canon's interest.

Global IP Management System



Education and HR Development in the IP Field

With an emphasis on on-the-job training, Canon systematically carries out IP education tailored to specific objectives and promotes IP activities throughout the Group. Efforts include rank-based training for all employees and training targeting business and development divisions on inventions and clearance surveys. We also hold Group-wide events to cultivate interest in inventions. Human resource development efforts within the IP divisions go beyond mere claim writing and research and analysis. We are working on developing our expertise in the exercise of rights and strategy planning, to cultivate personnel with a sophisticated grasp of the IP field. Through this approach, we are forming world-class IP experts and pursuing IP activities that help enhance corporate value.

Approach to the IP Portfolio

We believe that we must maximize the IP portfolio in supporting our changing management and businesses to improve our corporate value. The makeup of the portfolio changes constantly as we look ahead to the emerging landscape, shaped by various changes unfolding in the environment—including in the supply chain, economic security, environmental considerations, technological innovation through AI and IoT, and the growth of digital services—and in conjunction with our management and business strategies.

We are committing significant resources to the acquisition not only of IP rights related to core competence technologies of current businesses but also of IP rights that will position Canon to take advantage of emerging trends—for example, IP rights related to AI and IoT technologies, standard technologies, technologies related to the environment, and IP rights that facilitate tie-ups with partners, to be ready for business negotiations with other companies in various sectors for new business creation. We maintain an IP portfolio of over 80,000 assets, updating it from the perspective of strengthening existing businesses and creating next-generation businesses. Effectively capitalizing on the portfolio we have thus built up both secures the competitive advantages of ongoing businesses of the Group and gives us the freedom in exploring our future businesses, helping to enhance corporate value.

IP Activities in Phase VI of the Excellent Global Corporation Plan

Canon's aim for Phase VI of the Excellent Global Corporation plan is to improve the competitiveness of all Canon Group operations across its industry-oriented business groups. Our focus is also on future business creation, including next-generation industrial printing; volumetric video, extended reality (XR), and other 3D imaging; next-generation healthcare; next-generation semiconductor manufacturing; and digital solution services. To underpin the development and growth of these businesses, Canon's IP divisions are channeling efforts into creations and patent acquisitions of IP assets relating to core competence technologies such as optics and image processing and analysis, as well as technologies that are essential for cyber/physical systems that incorporate AI and IoT, standard technologies, and environmentally friendly technologies.

IP Strategies to Support Business Development

Printing

- **Providing value through cyber/physical systems**
We are creating IP to support cyber/physical systems linking office equipment and various other devices and systems. We are building an IP portfolio around technologies to meet emerging future needs, including environmentally friendly printer technologies and new AI-based printing solutions, in addition to technologies of controller/engine implemented in and clouds connected to various printer models.

Imaging

- **From Cameras to Imaging**
In addition to mirrorless cameras, Canon is working to create IP combining advanced optical technologies as well as network technologies, targeting fields such as video production and surveillance cameras. We are also reinforcing our IP portfolio in areas that support next-generation entertainment and societal demands for safety and security, including volumetric video, XR and other 3D image-processing technologies, and SPAD sensors capable of capturing clear images of objects at distances of several kilometers, even under low-light conditions.

Ground-breaking Technology for the Future

We are channeling our efforts into building an IP portfolio made up of world-first and leading-edge core technologies across a variety of areas, capitalizing on technologies currently being researched at the R&D headquarters of our head office. Focus areas include ceramics for 3D printers, lead-free piezoelectric materials, new material and device technologies to realize sustainable materials for all-solid-state batteries and other applications, elemental digital technologies needed in 3D imaging, and astronomical technologies such as infrared immersion gratings for extremely large telescopes and satellite technology.

Medical

- **Providing new value to clinical settings, enhancing competitiveness and expanding business domains**
We are building an IP portfolio to protect the technologies needed to generate and provide an ongoing stream of new value to clinical settings, including emerging AI-based solutions used in precision (personalized) medicine and photon-counting CT scanning technology. Our IP activities are also helping to realize technical synergies across the Group and underpinning clinical research which is accelerating globally, further bolstering our competitiveness in the field of diagnostic imaging and supporting inroads into new fields such as healthcare IT and in-vitro diagnostics.

Industrial

- **Rolling out an array of manufacturing solutions for the electronics industry**
In addition to lithography equipment, die bonders, OLED manufacturing equipment, sputtering equipment, and other manufacturing equipment, we are focused on creating IP related to manufacturing solution services such as Lithography Plus. In the development of a nanoimprint lithography product we launched last year, we had been collaborating with industry, academic institutions, the public sector, and Canon group companies to build a robust IP portfolio, covering innovations ranging from elemental technologies in the optics and materials fields to equipment technologies and semiconductor manufacturing processes.

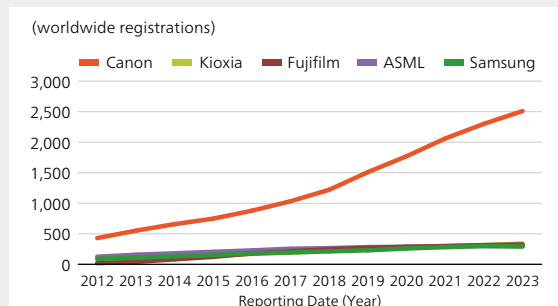
Efforts toward Standardization

We are working together with experts in standardization from overseas research institutes and contributing to global technological development through active participation in standard-setting organizations. Our focus is on expanding the IP portfolio that forms the core of next-generation technology standards and on boosting Canon's IP competitiveness in areas such as mobile communication (5G, 6G, etc.), wireless LAN (Wi-Fi, etc.), video encoding (HEVC, VCC, etc.), wireless power transfer (Qi, etc.), and file formatting (HEIF, OMAF, etc.).

Example 1: Nanoimprint lithography

For more than a decade, Canon has been pursuing R&D in the field of nanoimprint lithography, a new semiconductor manufacturing technology. Our objective from the outset has been commercialization, we have been building a robust patent portfolio for innovations ranging from elemental technologies in the optics and materials fields to equipment technologies and semiconductor manufacturing processes. As of December 2023, we led the world in the number of patents held in this field. The nanoimprint semiconductor manufacturing equipment we launched in 2023 is protected by this patent portfolio.

Patent registrations for nanoimprint lithography

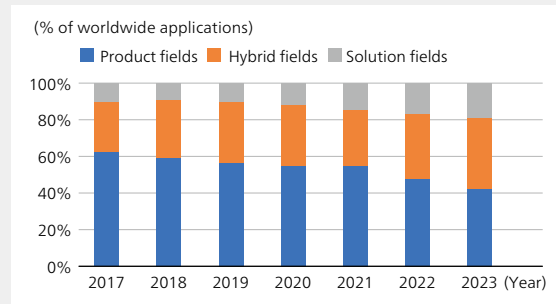


* Compiled by Canon using PatentSight® by LexisNexis
(Based on data as of January 11, 2024, using G03F 7/0002 as the Cooperative Patent Classification (CPC))

Example 2: Image solution business

Since its founding, Canon has honed its imaging technology for cameras, lenses, and other products, building up a robust patent portfolio in the process. In recent years, we have reinforced the imaging technology that underpins our business of providing total solutions, expanding the patent portfolio across areas ranging from cameras to video management and analysis software. The trend as of December 2023 shows a year-by-year shift—from products to solutions—in the percentage of Canon patent applications in the imaging technology field. On the IP front as well, we are embodying a spirit of ever-transformation.

Percentage of Canon patent applications in the imaging technology field



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.

We pursue brand management activities across the Group 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.

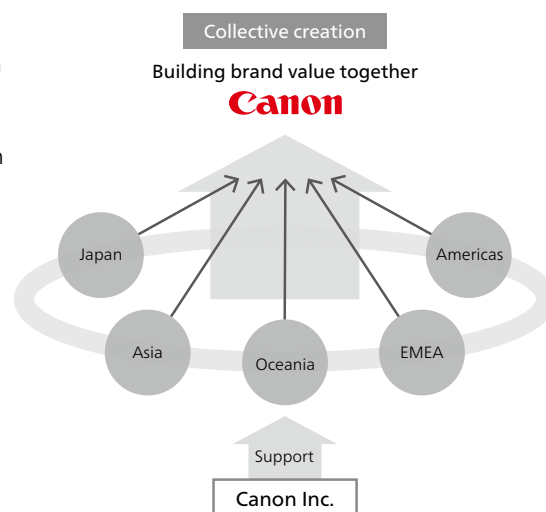
Brand Management System and Rules

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 composed 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 headquarters, 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.

Concept Behind Brand Management Activities



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 promote brand education as part of our rank-based training curriculum as well as conduct training through our intranet system.

In addition, we also provide brand-related training to meet differing needs: whether for staff with work responsibilities directly connected to managing 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. 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.

Initiatives for the Environment

Environmentally Conscious Management

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

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.

Considering the positive and negative, direct and indirect impacts of Group activities on the environment, Canon has identified four environmental material topics: climate change, resource efficiency, chemical substances, and biodiversity. We are moving ahead with a variety of initiatives to address these topics.

Canon Environmental Vision



Through technological innovation and improved management efficiency throughout all of its corporate activities, Canon aims to achieve sustainable corporate growth while also realizing a society that promotes both enriched lifestyles and the environment.

To this end, Canon offers greater value using fewer resources throughout the entire product lifecycle — Produce, Use, Recycle — to achieve highly functional products with minimal environmental burden. Canon continues to expand these activities with its customers and business partners.

Canon will contribute to a future that promotes both enrichment and the environment through technological innovation.

Material Topics

Identified material topics	Major initiatives	Significance
Climate change	- Designing energy-efficient products - Improving energy efficiency at operational sites - Expanding use of renewable energy - Reducing CO₂ emissions from logistics - Contributing to society by reducing CO₂ emissions	Very important
Resource efficiency	- Reuse, recycling in five locations in four regions around the world - Environmentally conscious design - Reuse, recycling of products, consumables - Reduce single-use plastics in packaging materials - Reducing waste at operational sites - Use of biomass and recycled plastics - Sustainable use of water resources	Very important
Chemical substances	- Management of chemical substances in products - Managing chemical substances in manufacturing processes - Reducing discharge into air, water, and soil	Very important
Biodiversity	- Sustainable use of forestry resources - Canon Bird Branch Project - Locally focused environmental protection activities in various countries, regions	Important

Environmental Targets

We have set environmental targets in line with SBT*¹ (Scope 1 & 2 and Scope 3 emissions*²) and with our three-year management plan. We review the targets yearly to determine whether changes are necessary. Canon has set an overall target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit, covering CO₂ emissions generated at all stages of the product life cycle, as part of the Canon Group Environmental Targets. Under this overall target, our product target is a 3% average annual improvement in the index of CO₂ emissions per product unit associated with raw materials and product utilization. The operational site target includes target figures for reductions per basic unit in energy consumption, total waste emissions, water consumption and controlled chemical substance emissions.

*1 SBT (Science Based Targets): Greenhouse gas emission reduction targets set by companies in line with standards required by the Paris Agreement.

*2 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])

Climate Change

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

For 2050

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

2030 Targets

- Reduce Scope 1 & 2 emissions by 42% compared to 2022, reduce Scope 3 (category 1 and 11) emissions by 25% compared to 2022.
- Work toward a 3% average annual improvement in the index of lifecycle CO₂ emissions (per product unit), realizing a cumulative improvement of 50% compared to 2008 by continually achieving this target.

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 groupwide 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 assessed by the Risk Management Committee, and the results are reported to the Board of Directors.
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 resource efficiency. 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	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 and CSR 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 and CSR 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	Canon is aiming to achieve net zero CO₂ emissions over entire product lifecycles by 2050. To achieve this goal, we have set an overall target to reduce Scope 1 and 2 emissions by 42% in 2030 compared to 2022, and reduce Scope 3 (categories 1 and 11) emissions by 25% compared to 2022. These targets have been validated by SBTi*. In addition, since 2008, we have been working toward an overall target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit. By continuing to meet this target, we will achieve a 50% improvement in 2030 compared to 2008 levels. As of 2023, the average rate of improvement since 2008 had exceeded the average target, at 3.95%, representing an improvement of 44.4% compared to 2008. Lifecycle CO₂ emissions were 7,468,000 t-CO₂ (aggregate value for Scope 1, 2 and 3). These GHG emissions data are certified by an independent third party every year, and the latest certification occurred in 2023.

* 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.

Targets and Achievements

2030 Targets		2023 Achievements* ²
Total CO ₂ emissions (compared to 2022)	42% reduction for Scope 1 & 2, 25% reduction for Scope 3 (category 1 and 11)	Scope 1 & 2: 10.2% reduction; Scope 3: 18.5% reduction
Improvement in per-unit lifecycle CO ₂ emissions index (compared to 2008)	50% improvement	44.4% improvement
2023–2025 Targets		2023 Achievements* ²
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product	Avg. improvement: 3.95 p.a. (2008–2023)
2023 Targets* ¹		2023 Achievements* ²
Operational Sites	Energy consumption per basic unit: 2.4%	4.5 % improvement

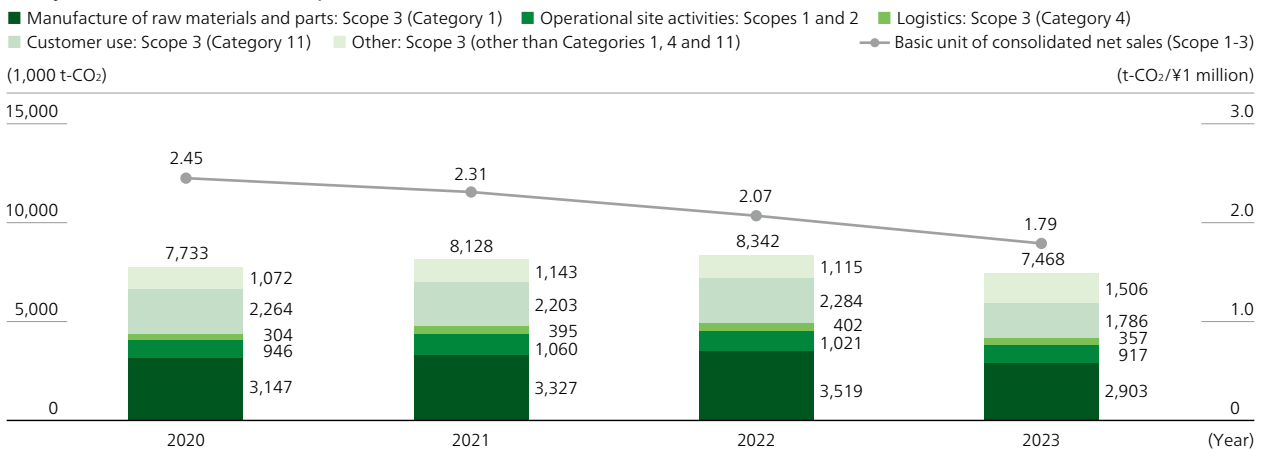
*1 Calculation based on average annual improvement rate of the three most recent years. For energy consumption at Japanese operational sites, however, calculation as stipulated in Act on Rationalizing Energy Use. The basic unit denominator is decided according to the characteristics of each operational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

*2 For scope of data collection: <https://global.canon/en/sustainability/report/pdf/data-2024-e.pdf>

Total Product Lifecycle CO₂ Emissions (Scope 1-3)

Total product lifecycle CO₂ emissions (Scope 1-3) in 2023 were approximately 7.47 million tons. Chiefly as a result of actions to conserve energy, increased use of renewable energy, and the switch to electricity with lower CO₂ emissions, we achieved a reduction of approximately 870,000 t-CO₂ over the entire product lifecycle.

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 2023

Category	Scope	2023 (1,000 t-CO ₂ e)	Calculation Method
1	Purchased goods and services	2,903	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	883	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	180	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	357	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	23	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	58	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	147	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	50	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	1,786	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	165	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	1	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		6,551	

Initiatives for the Environment

Climate Change Initiative

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 and use technology to reduce emissions at each stage.

CO₂ Reduction Activities Throughout the Lifecycle

Technological foundation driving lower environmental impact of various products, corporate activities

As a manufacturer, it is vital that Canon helps to realize decarbonization and resource recycling. We have put all the eco-friendly approaches and technologies accumulated by Canon across the stages of the product lifecycle of design, production and reuse into a single Group-wide technical base we call the “Green Platform.” By evolving this technical infrastructure, we will target reductions in environmental impact.



Environmental impact reduction via thorough use of simulation

Canon tests product designs by using simulation tools to recreate physical phenomena from the micro to macro level, such as the crumpling or the waviness of paper, or the way individual toner particles melt. For example, reducing the need for fabricating prototypes saves resources during development, while also enabling us to make lighter and more energy-efficient products by optimizing internal paper flows or visualizing heat losses. In turn, this translates to reduced environmental impact during transport and customer usage.

Targeting zero power wastage in factories using comprehensive analysis

We have established a methodology for tracking down wasted power in factories by analyzing and classifying each operation and function, from the motive power and heat used in production lines to lighting, air-conditioning and other infrastructure. Focusing the reduction measures on each function in turn also generates faster results. We are now developing a system based along these lines for the entire Canon Group to help reduce our power usage on a systematic basis.

Use of Renewable Energy

Canon is working to expand the use of renewable energy in a variety of ways, taking into account the regional prevalence of renewable energy and the initiatives of various countries. We have installed solar generation panels on the premises of Canon Vietnam's Thang Long Factory, Canon Zhongshan Business Machines, and other sites, using the renewable energy generated in production. In addition to this initiative, Canon newly obtained a renewable energy certificate (REC) which securitizes the environmental value of renewable energy. This allowed the company to convert 100% of the power used in 2023 at five locations among four manufacturing sites—Canon Suzhou, Canon Vietnam (Thang Long Factory and Tien Son Factory), Canon Hi-Tech Thailand (Ayutthaya Factory), and Canon Prachinburi Thailand—to renewable energy. Sales marketing companies such as Canon Deutschland and Canon (China) are also using renewable energy certificates to ensure that 100% of electricity consumption in their offices comes from renewable energy sources. Such use of renewable energy earned Canon Europe and Canon UK an “excellent” evaluation under the BREEAM^{*1} environmental assessment standard.

As a result of these initiatives to use renewable energy, total worldwide renewable energy consumption by Canon Group companies was 256,439MWh^{*2} in 2023, roughly a 2.6 times increase over 2022.



Solar panels installed at Canon Zhongshan Business Machines in China

^{*1} Abbreviation for Building Research Establishment Environmental Assessment Method. 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

^{*2} MWh=megawatt. 1MWh=1,000KWh

Resource Efficiency

Canon promotes recycling through the 3Rs: reduce, reuse, and recycle.

	2023 Targets* ¹	2023 Achievements* ²
Operational Sites	Total waste generation per basic unit: 1%	1.4% deterioration
	Water usage per basic unit: 1%	0.8% deterioration

*1 Calculation based on average annual improvement rate of the 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-2024-e.pdf>

Resource Efficiency

Canon seeks to recycle used products into new ones to maximize the value brought about by resource efficiency. 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, Germany, France, the United States, and China. We are continuing initiatives aimed at circulating resources within the same regions where they are consumed. Since 2008, we have reused 37,155 tons of products and parts directly and extracted 46,023 tons of plastic from used products for use as raw materials in other products. Going forward, we will continue to reinforce activities at Canon recycling sites around the world, contributing to both a resource efficiency and the realization of a carbon-neutral society.

Flowchart of Resource Efficiency



Value Created by Resource Efficiency

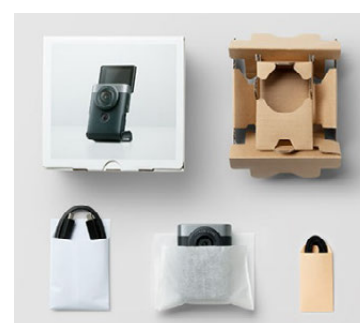
We see initiatives at Canon's recycling sites as not only contributing to a resource efficiency but also contributing to a carbon-free future. The reuse of parts through remanufacturing and the recycling of plastics through closed-loop recycling allow us to reduce the amount of CO₂ emissions generated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

Canon Ecology Industry Inc. emitted approximately 2,100 tons of Scope 1 and 2 CO₂ through site operations in 2023. We believe that these efforts have resulted in a reduction of approximately 11,700 tons of CO₂ emissions.

Eliminating Plastics Significantly from Packaging Materials

Rather than the plastic cushioning trays, bags and packaging that are often used to protect the camera and accessories such as cables, Canon's "PowerShot V10" vlogging camera only utilizes packaging materials made of cardboard, plant-based nonwoven fabrics and paper. This helps to eliminate single-use plastics as well as reducing environmental impact.

In recognition of the way it helps to rationalize and improve packaging in the sector, the "PowerShot V10" was given an award at the 2023 Japan Packaging Contest sponsored by the Japan Packaging Institute in the category for Electric Equipment Packaging Award.



Packaging without plastic materials*
* Excludes materials used as labels, coatings or adhesives

Chemical Substances

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

	2023 Targets* ¹	2023 Achievements* ²
Operational Sites	Emissions of controlled chemical substances per basic unit: 1%	0.2% deterioration

*¹ Calculation based on average annual improvement rate of the 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-2024-e.pdf>

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.

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 and have put in place effective measures for each.

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 (PFCs/HFCs/SF₆), other soil and groundwater pollutants, and substances that significantly impact people’s health. Greenhouse gases other than PFCs/HFCs/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.

Green Procurement and Guidance to Suppliers

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 right diagram. 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.

	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. After adopting the IEC62474* international standard data scheme, Canon in 2017 began utilizing the chemSHERPA data scheme for information sharing, standardized under the initiative of Japan’s Ministry of Economy, Trade and Industry. We also upgraded our existing chemical substance integrated management system to be compatible with chemSHERPA. As of 2023, more than 99% of survey replies from suppliers have been made through chemSHERPA. This has led to increased workplace efficiency while helping alleviate the administrative burden on suppliers.

* 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

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.

Canon believes that actions to conserve biodiversity will prevent the loss of economic activity, create jobs and business, and lead to the Group’s sustainable development. For this reason, we are making preparations to disclose relevant information in accordance with the framework of the Task Force on Nature-related Financial Disclosures (TNFD).

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. Having established procurement policies favoring the purchase of paper products derived from sustainably sourced wood pulp in 2015, we sell office paper made under forest certification schemes or using environmentally conscious raw materials.

‘Nature Positive’ Initiatives at Canon

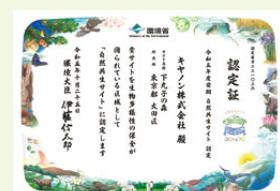
Biodiversity has come to be recognized in recent years as an issue facing global society as a whole, and the notion of ‘nature positive’ initiatives that seek not only to conserve but also restore biodiversity has gained attention. Canon has adopted the Group-wide slogan ‘Nature Positive’ to guide our collaboration with stakeholders at marketing and production sites worldwide in developing activities in line with local needs.



Contribution to the Global 30by30 Target

In 2023, a green zone located on the premises of Canon’s Shimomaruko Headquarters was certified as a “Nature Symbiosis Site” under a scheme by the Ministry of the Environment to certify areas that contribute to biodiversity conservation. This project certifies areas where biodiversity conservation is being promoted through private-sector initiatives. It forms part of the Japanese government’s plans to protect at least 30% of Japan’s land and sea by 2030, as part of the global “30by30” target. Certified areas, other than those that overlap with already designated protected areas, are registered as OECM* sites on an international database. The recently certified Shimomaruko Woodland is home to nearly 1,000 trees, including around 80 different species. Besides helping to preserve local biodiversity, the green space has also been recognized for its role in the Canon Bird Branch project. Going forward, Canon aims to create more sites outside its headquarters for potential certification as “Nature Symbiosis Sites” as part of promoting the Group’s overall biodiversity conservation efforts.

* Other effective area-based conservation measures



“Nature Symbiosis Site” certificate

Initiatives for Society

Canon has identified two social material topics by considering the positive and negative, direct and indirect impacts of Group activities in the social domain. We are moving ahead with a variety of initiatives to address these topics. This report focuses on respecting human rights, in the area of human rights and labor that we have positioned as a very important topic.

Identified material topics	Major Initiatives	Significance
Human rights and labor	• Respecting human rights • Hiring and treatment of human resources • Diversity, equity and inclusion • Occupational safety and health management • Human resource development and personal growth	Very important
Sociocultural support activities	• Canon Young People Programme to foster creativity and expressiveness in young people • Miraisha Programme aiming to increase employment opportunities and technical skills in Africa • 4E's Project providing multi-faceted assistance in India • Tsuzuri Project special exhibition preserving ancient Japanese cultural assets for the future	Important

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 employees, business partners and other stakeholders involved in its business activities. Based on the advice of outside experts, Canon works to ensure human rights using the following measures: (1) formulating and reviewing the Human Rights Policy; (2) undertaking human rights due diligence; (3) instituting and operating a grievance mechanism; (4) conducting human rights awareness training; (5) activities aimed at engaging with stakeholders on human rights issues; and (6) addressing human rights risks.

(1) Formulating and Reviewing the Human Rights Policy

Having instituted the Canon Group Human Rights Policy in the name of the Chairman and CEO in 2021, Canon is promoting efforts to respect human rights. This 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.

Reference: Canon Group Human Rights Policy
<https://global.canon/en/csr/people-and-society/pdf/hr-policy-e.pdf>

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 secretariat, pursuing human rights initiatives. The secretariat formulates an overall plan for human rights initiatives, establishes and operates grievance mechanisms, conducts stakeholder engagement, and reports important matters to the executive in charge. 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.

Reference: Risk Management Committee (→P50)

(2) 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 of the activities 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 secretariat aggregates, analyzes and evaluates those risks, and through stakeholder engagement, identifies salient human rights risks for Canon. In assessing human rights risks, we also refer to the human rights risk country/region index provided by the RBA (Responsible Business Alliance). 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.

As part of an International Labour Organization (ILO) initiative entitled “Building Responsible Value Chains in Asia” funded by the METI in Japan, Canon’s initiatives in this area were cited as an example of good corporate practices in Japan and introduced in a feature article on the JETRO website.

Feature: A New Era of Human Rights Due Diligence – As Told by Japanese Firms (Japanese website only)
<https://www.jetro.go.jp/biz/areareports/special/2023/0302/45d4ef866d20d8b4.html>

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, Equity 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				●	Environment
Health damage or accident caused by product			●		Product Responsibility

(3) Instituting and Operating a Grievance Mechanism

Canon has an internal reporting system for Canon Inc. and most Group companies worldwide through which employees can report specific human rights concerns in their own language. We also work to raise awareness of the reporting system via the company intranet and training programs. In addition, Canon Inc. has a point of contact on 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 to remedy such problem and prevent any recurrence.

In 2023, Canon received 94 cases concerning human rights-related issues (discrimination/harassment, wages, working hours, etc.). Out of these 94 cases, 17 cases for which Canon completed investigations as of the end of 2023 required remedying. For cases that required remedying, we issued warnings or guidance to the employees at fault or relevant departments, including disciplinary action or transfers.

A grievance mechanism is also available via a CSR promotion entity for supply chains. Since Canon is a member, Canon stakeholders can report specific human rights concerns through this platform as well.

Responsible Business Conduct Hotline
<https://global.canon/en/contact/csr/csr-form-e.html>

(4) 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. Starting with Canon Inc., this program has been expanded to Canon Group companies in Japan, and was extended to overseas Group companies in 2023 (completion rate 99.4%). The training programs delivered overseas reflect national and local characteristics, and each company has optimized the content and translated it into each language.

Handbook to Inform Employees

The employee handbook issued by Canon Vietnam aims to further improve the working environment and help deepen the mutual understanding between the company and employees. It includes items such as the Canon Group Code of Conduct, the RBA Code of Conduct, and internal rules of Canon Vietnam, including respect for human rights.



(5) 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 addition to the Canon Workers' Union, Canon is engaged in dialogue with institutional investors, suppliers, and business partners.

Stakeholder Engagement: Example

To identify salient risks as part of Canon's human rights due diligence, we organized dialogues with the union relating to issues that represent human rights risks for employees, including discrimination based on such factors as race, gender, or religion; harassment; excessive overtime work; occupational health and safety; and protection of privacy. Besides acknowledging union positions on such issues, dialogues provide an opportunity to exchange views on matters such as changes in work styles due to the adoption of telework and the use of childcare leave by male employees. For Canon, these dialogues help to identify the salient human rights risks.

(6) Addressing Human Rights Risks

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. Work guidelines were introduced to Canon Group production companies based in Asia in 2015 as part of human rights risk-related initiatives. In 2022, we overhauled these guidelines to make them consistent with RBA standards, extending them to all our domestic and overseas Group production companies.

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. 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 and Forced Labor and Unreasonable Restrictions on Movements

We use the RBA's SAQ (Self-Assessment Questionnaire) at Canon Group domestic and overseas production sites. Based on the survey responses, we confirm there is no evidence of child or forced labor or any unreasonable restrictions on workers' movements on the site or while at work. In addition, we have confirmed that the Group companies do not retain original documents of employees' personal ID documents through the SAQ.

In order to prevent child labor, we thoroughly check the age of employees when they enter the company, and we have developed a response flow in case an employee who is under the minimum working age is found. In addition, young workers under the age of 18 are prohibited from working any overtime or night time, or engaging in dangerous work, thereby giving consideration to their health.

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

Having formed partnerships with suppliers worldwide, from whom it purchases considerable numbers of components, such as electronic parts, mechanical parts, units and materials, Canon believes it has a responsibility as a global manufacturer to consider the social and environmental impact of its procurement activities. In 2019, in line with this approach, Canon joined the RBA, a coalition of companies that promotes socially responsible global supply chains.

Besides focusing on legal and regulatory compliance related to procurement from a global standpoint, Canon believes in the importance of dealing with suppliers in a fair and transparent manner. We promote an open procurement approach utilizing a broad base of suppliers worldwide.

Policies

Canon's Procurement Policy establishes our basic stance on procurement, with the emphasis placed on observing corporate ethics, environmental conservation, and fair and equitable business conduct. We have also formulated the Canon Supplier Code of Conduct, based on the RBA Code of Conduct. The latter has been translated into over 20 languages, including English, Chinese, Japanese, Thai, and Vietnamese. We are working to develop a socially responsible global supply chain on issues such as labor, occupational health and safety, the environment, corporate ethics and management systems. Our Procurement Policy and the Canon Supplier Code of Conduct are published on our website to inform all stakeholders.

To strengthen cooperation with suppliers, the annual conference of all our major global suppliers is utilized to explain procurement policies, request compliance with the Canon Supplier Code of Conduct, and report on related activities. In addition, we raise awareness of the code by conducting an annual survey of our suppliers worldwide, while also asking first-tier suppliers to ensure their supply chain (Canon's second-tier suppliers) understand and comply with the Canon Supplier Code of Conduct.

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>

Promotion System

The Procurement Headquarters at Canon Inc. oversees and promotes procurement activities across the Group. A central unit has been established to manage internal procurement-related controls, including setting rules, monitoring operational status, and training staff.

Policy items and significant matters regarding legal violations and risks relating to business operations are deliberated by the Risk Management Committee (→P50) in terms of ways of responding to business risks and opportunities and needed measures, with relevant reporting to the CEO and Board of Directors.

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

We utilize the RBA's SAQ to evaluate the risk of human rights violations at 59 Canon Group production sites worldwide. The SAQ can help to identify if a site makes use of child/forced labor, or disrespects workers' freedom of association and the right to collective bargaining. In addition to SAQ, we conduct voluntary internal audits and undergo external audits through the RBA. From 2022 to 2023, 21 production sites in Japan and overseas underwent external RBA audits. We completed corrections and improvements or continue to pursue improvements for the items that were indicated as follows:

- Management of working hours at some overseas production companies
- Maintenance of first aid kits and personal protective equipment
- Inadequate emergency exits, fire extinguishing equipment, or evacuation route maps in factories, cafeterias, and dormitories
- Risk assessment relating to pregnancy and childbirth

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 2023 survey of 385 companies elicited responses from 378 companies (representing 512 sites). Suppliers that did not reply to the survey were followed up individually. 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.

We also take appropriate steps to verify the SAQ responses received from a limited 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. In 2023, agreements were signed with 373 of 385 major suppliers, equating to a consent rate of 96.9%.

Since 2022, at our core business production sites, we have also been carrying out risk assessments relating to labor, health and safety, the environment, and ethics, focusing specifically on onsite service providers related to security, cleaning, and cafeteria, labor agencies, and facility or dormitory management companies. The assessments conducted in 2023 identified risks mainly in the following areas, and we worked toward improvement in collaboration with suppliers.

■ Charging for Work Uniforms

We confirmed a case in which workers required to wear work uniforms and other items purchased these items themselves and received a refund only when they left the company. Canon instructed the supplier not to make workers pay for uniforms and other items, revising the supplier agreement to include these conditions.

■ Frequency of Evacuation Drills

With some suppliers that were not conducting at least an annual evacuation drill, Canon requested that evacuation drills be conducted at least once a year, and confirmed the plans implementing these drills.

■ Document and Record Management

Some suppliers reported not having up-to-date documentation on legal permits and licenses relating to the environment. Canon requested these suppliers to identify applicable laws, regulations, and licenses and establish a mechanism for maintaining up-to-date records.

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.

■ Safety Signage and Communications

Canon requested suppliers with work involving hazards such as heights or high-voltage to conduct risk assessments and use personal protective equipment. Canon also requested suppliers to display hazard information in a language that workers can understand.

■ Management of Personal Information

Some suppliers reported that they did not manage personal information through encryption or other appropriate access controls. Canon requested these suppliers to manage information appropriately such as by setting passwords and locking storage rooms.

Governance

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

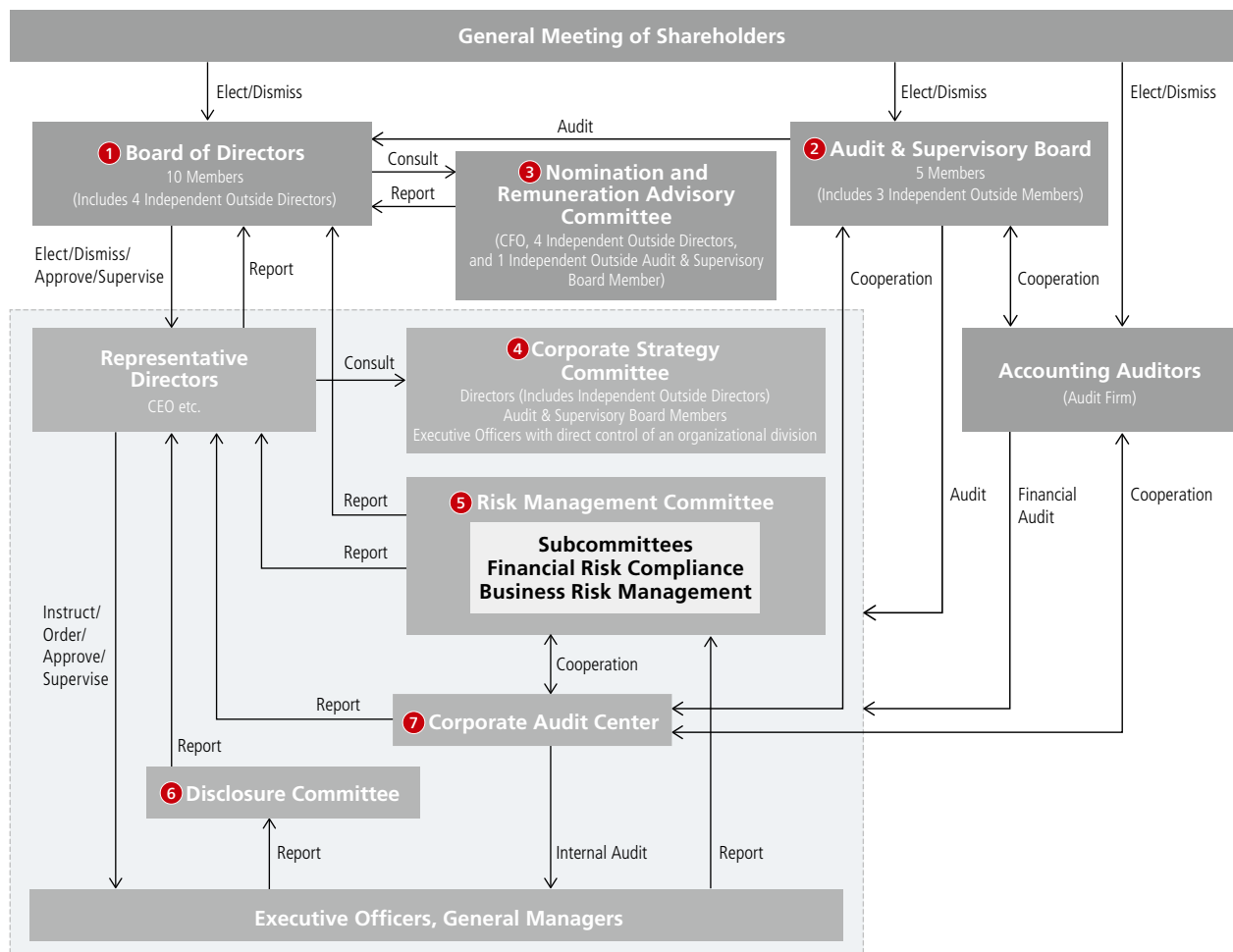
Basic Views

Canon Inc. is globally expanding its businesses in various business fields, including printing, medical, imaging, 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, Canon Inc. judges the corporate governance structure below to be effective.

Change in Corporate Governance Structure

Year	Item
2010	• Reduced the number of Directors (from 25 to 17)
2014	• Appointed Outside Directors (two)
2015	• Appointed female Executive Officer • Measures to assess effectiveness of Board of Directors
2016	• 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
2024	• Appointed a female Director • Increased the number of Directors (from 5 to 10)

Corporate Governance Structure



* The grey boxes represent the Organizations executing operations

1 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. 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 ten members, six internal Directors including three Representative Directors and four Independent Outside Directors.

2 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.

3 Nomination and Remuneration Advisory Committee

Canon Inc. established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CFO, four 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.

With the aim of ensuring the transparency and objectivity of the remuneration decision-making process as well as the validity of the remuneration system, 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.

4 Corporate Strategy Committee

Canon Inc. established the Corporate Strategy Committee, consisting of Directors, including Independent Outside Directors, Audit & Supervisory Board Members, 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.

5 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.

6 Disclosure Committee

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.

7 Corporate Audit Center (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, and safety & health. Audit results are reported not only to the CEO and CFO, but also to the Audit & Supervisory Board Members and the Audit & Supervisory Board. 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.

Governance

Corporate Governance

Board of Directors Structure

Board Policies in the Appointment of Senior Management and the Nomination of Director and 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, age, etc.

Requirements of Director Candidates

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

Skills of Board of Directors

Canon Inc. operates businesses globally with very different market environments. As a whole, the Board of Directors, which oversees important decision-making and execution, needs to possess skills in the following seven areas.

* The table below indicates up to five areas in which we expect each person to particularly demonstrate their skills. It does not represent the entirety of each person's experience, knowledge, or skills.

	Directors Skills to be Possessed by the Board of Directors Overall						
	Corporate Management	Global	Business Experience	Technology and Development	Finance and Accounting	Risk Management	ESG
Directors	As a senior level executive of a listed company that does business globally, and the like Global awareness	Global mindset and experience obtained through working overseas, global marketing, etc.	Business management skills in the Company's business domain	Knowledge and R&D experience in the Company's core competence technologies	Skills as a financial accounting expert, derived from being a financial accounting officer of a listed company, a certified public accountant, etc.	Skills as an expert in risk management, including compliance, and internal control systems	Knowledge and experience in ESG
Fujio Mitarai	●	●			●	●	●
Toshizo Tanaka		●			●	●	●
Toshio Homma	●	●	●	●			
Kazuto Ogawa	●	●	●			●	
Hiroaki Takeishi	●	●	●	●			
Minoru Asada	●	●			●	●	
Yusuke Kawamura*					●	●	●
Masayuki Ikegami*						●	●
Masaki Suzuki*					●	●	●
Akiko Ito*						●	●

* Outside

Background and Aims for the Increase of Candidates for Directors

At Canon Inc.'s Ordinary General Meeting of Shareholders held in March 2024, the number of Directors on its Board of Directors was increased from five to ten. The number of Directors, which was twenty-five at the time the Executive Officer system was introduced in 2008, has been gradually reduced since then to five Directors, consisting of three Directors from within the company and two Outside Directors, the aim of achieving prompt and flexible management. During this period, the company has gradually increased the number of Executive Officers that are in charge of business execution. Now, it has decided to strengthen the functions of the Board of Directors that oversees business execution by increasing the number of Directors, with the aim of strengthening the ability of the board to respond to issues such as the changing business portfolio of the Company, expansion of business scope, and diversification of growth areas, in addition to enhancing the skills and development of the next generation of management. For this purpose, the Company intends to promote new personnel who have made significant achievements in overseas business, advanced technology, and finance from within the Company to Directors and strengthen the execution supervision function of the Board of Directors. The Company's business spans a wide range from B2B to B2C. In addition, the scope of management issues for the Board of Directors to consider is expanding to include issues such as SDGs, geopolitical risks, economic security, and cyber terrorism. The growing issues for the Board of

Directors thus encompasses areas that cannot be examined adequately by personnel selected from within the Company alone, and there is an increasing need to utilize the expertise of outside experts. To address this situation, the Company also plans to increase the number of Outside Directors who provide advice and supervision from an independent standpoint based on a medium- to long-term perspective. As a result, the number of directors will be ten, of which will be four Outside Directors including one female, accounting for more than one third. Managing in a volatile business environment, the Company intends to continue to review the appropriate structure and function of the Board of Directors, including its effectiveness, and will take appropriate steps to make necessary adjustments in accordance with the business environment.

Reasons for Appointment of Outside Directors

In accordance with the Corporate Governance Code of the Financial Instruments Exchange (Principle 4-9) and our “Independence Standards for Independent Outside Officers,” Canon Inc. appoints Outside Directors for the following reasons: Corporate Governance Code (Principle 4.9) and the independence criteria set by securities exchanges in Japan.

* The “Independence Standards for Independent Directors/Audit and Supervisory Board Members” are available on the Company’s website <https://global.canon/en/csr/management/governance.html>

Name		Reasons for Appointing
Outside Directors	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 at 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. The Company 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.
	Masayuki Ikegami	Masayuki Ikegami has been involved in various matters, including corporate cases, in legal professions over many years, having served in important roles at the High Public Prosecutors Office in both Nagoya and Osaka and as a Justice of the Supreme Court for seven years. The Company has selected him as a candidate for Outside Director in hopes that he can provide insightful opinions and supervision, particularly regarding internal control systems and corporate governance, including from the perspective of ensuring corporate compliance, based on his abundant experience and advanced knowledge.
	Masaki Suzuki	Masaki Suzuki worked for many years at the Ministry of Finance, before transferring to the Ministry of the Environment, where he held important positions such as Vice-Minister. After retiring from the ministry, he also served as the representative director of a private financial institution. The Company has selected him as a candidate for Outside Director in hopes that he can provide insightful opinions particularly concerning the areas of corporate finance and environment, in addition to opinions and supervision based on his managerial experience at financial institutions which require a high degree of appropriateness and compliance.
	Akiko Ito	Akiko Ito joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) as a technical official, served as its first female Director (Director of Housing Bureau), and was responsible for policies for regional revitalization, including human resource development and job and town development, before becoming Commissioner of the Consumer Affairs Agency. Since retiring from the Consumer Affairs Agency, she has continued to participate in research in related fields, while serving as the Outside Director of a corporation. The Company has selected her as a candidate for Outside Director in hopes that she can provide insightful advice and supervision particularly from the perspective of clients and consumers, as well as advice related to the active promotion of diverse human resources.

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 2023, it was determined that there was no problem with the effectiveness of the Board of Directors due to ongoing measures to stimulate deliberation. These measures include, providing Outside Directors and the Audit & Supervisory Board with prior explanations of meeting agendas, sharing management information with Outside Directors through their attendance of Corporate Strategy Committee and other meetings, and the periodical exchanging of opinions between Outside Directors and the Audit & Supervisory Board. This also reflects the proactive and useful comments made not only by Directors in charge of business execution, but also Outside Directors and Audit & Supervisory Board Members. 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.

Governance

Corporate Governance

Executive Compensation

The remuneration of Representative Directors and Executive Directors consists of 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.

Regarding Listed Subsidiaries

Views and Policies on Group Management

The Company, from a group management perspective, conducted a review of listed subsidiaries, which resulted in a reduction of such companies from eight in 2007 to two currently, namely Canon Marketing Japan Inc. and Canon Electronics Inc. The Company believes that if each company in the Canon Group, including these listed subsidiaries, fulfills its social responsibility through corporate activities rooted in Canon's corporate philosophy of *kyosei*, and continues to strive to realize *kyosei*, this will lead to sustainable growth and medium- to long-term improvement in corporate value.

The Company has also formulated a medium- to long-term plan for the Canon Group, the Excellent Global Corporation Plan Phase VI (2021 to 2025), which is shared with each Group company. The Company shares management strategies with listed subsidiaries in order to achieve the goals of Phase VI efficiently and reliably from the perspective of optimizing the Group as a whole. The Company aims to enhance the corporate value of the Group as a whole by maximizing consolidated business results that aggregate stable revenues of Group companies generated based on shared strategies. From the perspective of risk management, the Company is further promoting the sharing of policies and information and the development of systems throughout the Group, including listed subsidiaries, in order to control risks related to compliance, internal control, and economic security, and to carry out activities related to sustainability, such as measures to address decarbonization and global warming, and efforts to respect human rights. On the other hand, from the viewpoint of respecting the interests of minority shareholders of the Company and listed subsidiaries, the Company considers it an important management policy of the Canon Group to continue a system that enables listed subsidiaries to conduct flexible management while maintaining a high degree of independence from the Company. Therefore, the Company does not intervene in the decisions of listed subsidiaries on specific matters.

Significance of Holding Listed Subsidiaries

Canon Marketing Japan Inc., in addition to selling Canon products, carries out its own business such as IT solutions. As for Canon Electronics Inc., in addition to contract manufacturing from the Company, sells its own products and engages in new space-related businesses. Both subsidiaries have Canon-related businesses and their own businesses, and while taking advantage of their strengths as members of the Canon Group, they maintain decision-making and financing methods independent of our Company in order to expand their non-Canon businesses. In addition, they maintain their listing based on the comprehensive judgment that the expansion of business partners through their creditworthiness as listed companies, the securing of excellent human resources, will contribute to the maximization of the Group's value.

Measures to Ensure the Effectiveness of the Governance System of Listed Subsidiaries

These two subsidiaries operate independently of the Company. In addition, the Company's officers do not concurrently serve as officers of the two subsidiaries. Both subsidiaries, to improve governance, have established a Nomination and Remuneration Advisory Committee, the majority of which is composed of independent Outside Officers. The Company fully respects the decisions of the committees in the selection and dismissal of Directors and the remuneration determination process.

In addition, in transactions between the Company and the two subsidiaries, the Company endeavors not to unduly harm the interests of respective minority shareholders of the Company and the two subsidiaries by, for example, applying arms-length rules from the viewpoint of ensuring the appropriateness of transactions. Canon Marketing Japan Inc. and Canon Electronics Inc. both have special committees that deliberate and review the risks of conflicts of interest between controlling shareholders and minority shareholders and strive to mitigate such risks.

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), Shareholders Relations (SR), 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 an annual corporate strategy conference, and the CFO hosts quarterly financial results conferences. In addition, we continue to provide prompt and accurate disclosure of business conditions by posting materials on Canon Inc.'s website. Furthermore, we established an English IR website for overseas investors, disclosing the same information at the same time as in Japan.

Additionally, the Company 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. 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.

Policy for Constructive Dialogue with Shareholders

Dialogue with Shareholders, the Company actively provides opportunities for dialogue and information provision with shareholders and investors by engaging in dialogue throughout the year. The IR Promotion Division, which is in charge of IR, the Corporate Governance Center, which was newly established in fiscal year 2023 as a division in charge of SR, and the Executive Officer in charge of these two divisions engages in dialogue with shareholders and investors according to themes. The dialogue covers a wide range of topics, including business performance and business policies, governance, and sustainability, depending on the time of year and the wishes of investors. In fiscal year 2023, the Company increased opportunities to meet with institutional investors, particularly in Japan, to strengthen shareholder relations, and made efforts to explain the Company's views on its governance and executive structure in a more thorough manner than before, as well as to listen closely to expectations and opinions of investors regarding the Company, as well as their views on the exercise of voting rights, and engaged in a frank exchange of views. Opinions received from shareholders and investors are communicated to the Directors of the Company and used in discussions within the management team.

The Company increased the number of directors and changed the composition of its Board of Directors according to a resolution of the Ordinary General Meeting of Shareholders held on March 28, 2024. Prior to this change, the Company announced its intention at an early stage (in September 2023), started dialogue with institutional investors, and based on the results of the dialogue, additionally announced the reasons for the increase in the number of directors (in February 2024), and included the projected skills matrix of the Board of Directors in the convocation notice for the General Meeting of Shareholders.

Likewise, the points raised through the dialogue will be shared with the management team, and the Company will continue to work to further enhance the corporate value of the Company.

Governance

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of April 1, 2024)

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*) (current)

[Important concurrent post]

- 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
Senior General Manager,
Corporate Governance Center

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 (current)
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 (current)
Mar. 2018: Group Executive of Public Affairs Headquarters (current)
Apr. 2018: Group Executive of Finance & Accounting Headquarters
Jul. 2023: Senior General Manager of Corporate Governance Center (current)



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 (current)
Apr. 2020: Executive Vice President & CTO & In charge of Printing Business Chief Executive of Digital Printing Business Operations (current)
Apr. 2021: Executive Vice President & CTO (current) Head of Printing Group (current)



Executive Vice President & Director
Kazuto Ogawa
Group Executive, Global Marketing
Strategy Headquarters

Apr. 1981: Entered the Company
Apr. 2005: President & CEO of Canon Singapore Pte. Ltd.
Mar. 2008: President & CEO of Canon Canada Inc.
Apr. 2011: Executive Officer of the Company
Feb. 2014: Executive Vice President of Canon (China) Co., Ltd.
Apr. 2016: Managing Executive Officer of the Company
Apr. 2018: President & COO of Canon U.S.A., Inc.
Apr. 2021: Senior Managing Executive Officer of the Company
Jan. 2024: Group Executive of Global Marketing Strategy Headquarters (current)
Mar. 2024: Executive Vice President & Director (current)



Senior Managing Director
Hiroaki Takeishi
Head of Industrial Group

Jul. 1990: Entered the Company
Jul. 2008: Senior General Manager of Semiconductor Production Equipment Design Center 2
Jul. 2009: Senior General Manager of Semiconductor Production Equipment PLM Center 1
Jan. 2012: Group Executive of Semiconductor Production Equipment Group Optical Products Operations
Apr. 2012: Executive Officer
Jul. 2016: Deputy Chief Executive of Optical Products Operations
Jan. 2017: Chief Executive of Optical Products Operations
Apr. 2017: Managing Executive Officer
Apr. 2021: Senior Managing Executive Officer Head of Industrial Group (current)
Chairman & CEO of Canon Tokki Corporation (current)
Mar. 2024: Senior Managing Director (current)



Senior Managing Director
Minoru Asada
Group Executive, Finance &
Accounting Headquarters

Apr. 1985: Entered the Company
Apr. 2016: Senior General Manager of Group Management Center of Finance & Accounting Headquarters
Apr. 2017: Executive Officer
Apr. 2018: Deputy Group Executive of Finance & Accounting Headquarters
Sep. 2018: Executive Vice President & COO of Océ Technologies B.V. (Currently, Canon Production Printing Netherlands B.V.)
Dec. 2018: President & CEO of Océ Holding B.V. (Currently, Canon Production Printing Holding B.V.)
Apr. 2020: Managing Executive Officer of the Company
Jan. 2023: Group Executive of Finance & Accounting Headquarters (current)
Apr. 2023: Senior Managing Executive Officer
Mar. 2024: Chief, PSI Optimization Project (current)
Senior Managing Director (current)

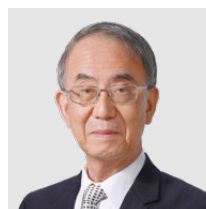


Director*
Yusuke Kawamura

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
Jun. 2017: Outside Director of Mitsui Sugar Co., Ltd. (currently Mitsui DM Sugar Holdings Co., Ltd.) (current)
Apr. 2019: Executive Counselor of Japan Securities Dealers Association
Apr. 2020: Chairman & CEO of Institute of Global Policy Research (current)
Mar. 2021: Director (current)

[Important concurrent posts]

- Outside Director of Mitsui DM Sugar Holdings Co., Ltd.
- Chairman & CEO of Institute of Global Policy Research



Director*
Masayuki Ikegami

Apr. 1977: Appointed as Public Prosecutor
Jun. 2006: Deputy Vice-Minister of Justice of Ministry of Justice
Oct. 2008: Public Prosecutor of Supreme Public Prosecutors Office
Aug. 2011: Deputy Prosecutor-General of Supreme Public Prosecutors Office
Jul. 2012: Superintending Prosecutor of Nagoya High Public Prosecutors Office
Jan. 2014: Superintending Prosecutor of Osaka High Public Prosecutors Office
Oct. 2014: Justice of the Supreme Court
Aug. 2021: Retired from Justice of the Supreme Court
Mar. 2023: Registered as an attorney (current)
Mar. 2024: Director (current)

[Important concurrent post]
• Attorney



Director*
Masaki Suzuki

Apr. 1978: Joined Ministry of Finance
Jul. 2007: Deputy Vice Minister for Policy Planning and Co-ordination of Minister's Secretariat of Ministry of Finance
Jul. 2008: Councillor of Minister's Secretariat of Ministry of the Environment
Sep. 2012: Deputy Vice Minister of Minister's Secretariat of Ministry of the Environment
Jul. 2014: Vice-Minister of the Environment of Ministry of the Environment
Jul. 2015: Retired from Ministry of the Environment
Oct. 2015: Chairman and Representative Director of AEON Bank, Ltd.
Jun. 2016: Chairman of AEON Financial Service Co., Ltd.
Mar. 2017: Executive Officer in charge of Comprehensive Financial Business of AEON Co., Ltd.
Jun. 2023: Outside Director of FP Partner Inc. (current)
Mar. 2024: Director (current)

[Important concurrent post]

- Outside Director of FP Partner Inc.



Director*
Akiko Ito

Apr. 1984: Joined Ministry of Construction
Sep. 2014: Councillor of Cabinet Secretariat
Deputy Director General of Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan
Jun. 2016: Deputy Director-General of Ministry of Land, Infrastructure, Transport and Tourism
Jul. 2017: Director-General of Housing Bureau of Ministry of Land, Infrastructure, Transport and Tourism
Jul. 2018: Councillor of Cabinet Secretariat Director General of Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan
Jul. 2019: Commissioner of Consumer Affairs Agency
Jul. 2022: Retired from Consumer Affairs Agency
Jun. 2023: Outside Director of ITOCHU Corporation (current)
Mar. 2024: Director (current)

[Important concurrent post]

- Outside Director of ITOCHU Corporation

Audit & Supervisory Board Members *Outside

Audit & Supervisory Board Members



Chikahiro Okayama

Apr. 1982: Entered the Company
Jan. 2008: General Manager in charge of Accounting Division
Jul. 2008: General Manager in charge of Chief Executive Office of Image Communication Products Operations
Dec. 2010: Vice President and Executive of FA Strategy Group of Canon (China) Co., Ltd.
Jan. 2023: Senior Vice President and Senior Director of Corporate Strategy Group of Canon (China) Co., Ltd.
Mar. 2024: Audit & Supervisory Board Member (current)



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.
Mar. 2023: Audit & Supervisory Board Member (current)

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 (current)
Apr. 2004: Professor of Keio University Law School
Jan. 2012: Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan (current)
Mar. 2019: Audit & Supervisory Board Member (current)

[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 (current)
Jul. 1993: Partner of Tohatsu & Co.
Jun. 2000: Senior Partner of Tohatsu & Co.
May 2007: Board Member & Managing Partner of Administration and Finance of Tohatsu & Co.
Nov. 2011: CFO of Deloitte Touche Tohmatsu LLC
Mar. 2017: Audit & Supervisory Board Member (current)

[Important concurrent post]

- Certified public accountant



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 (current)

Executive Officers

Executive Vice Presidents

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

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

Go Tokura
Deputy Head of Imaging Group

Senior Managing Executive Officers

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

Eiji Osanaï
Group Executive, Production
Engineering Headquarters

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

Takayuki Miyamoto
Group Executive, Frontier Business
Promotion Headquarters

Katsumi Iijima
Group Executive, Digital Business
Platform Development Headquarters
Chief, Medical Business Innovation
Project

Shunsuke Inoue
Group Executive, R&D Headquarters

Soichi Hiramatsu
Senior General Manager, Global
Logistics Management Center
Senior General Manager, Economic
Security Office

Takashi Takeya
Group Executive, Procurement
Headquarters

Hisahiro Minokawa
Group Executive, Human Resources
Management & Organization
Headquarters

Managing Executive Officers

Ritsuo Mashiko
President, Oita Canon Inc.

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

Yoichi Iwabuchi
Group Executive, Information &
Communication Systems Headquarters

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

Akiko Tanaka
Deputy Chief Executive, Medical
Systems and Components Operations

Noriko Gunji
Group Executive, Sustainability
Headquarters

Hideki Sanatake
Group Executive, Corporate Intellectual
Property and Legal Headquarters

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

Isao Kobayashi
President & CEO, Canon U.S.A., Inc.

Executive Officers

Hideto Kohtani
Unit Executive, IMG Business Unit 3

Katsuyoshi Soma
President, Fukushima Canon Inc.

Toshiyuki Matsuda
Deputy Chief Executive, Peripheral
Products Operations

Hiroto Okawara
Senior General Manager, Smart
Mobility Business Promotion Center

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

Toshiyuki Ishii
President & CEO, Canon Singapore Pte.
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

Katsuhito Sakurai
Unit Executive, Device Development
Unit

Takahito Miura
Senior General Manager, Global Legal
Administration Center

Seiya Miura
Deputy Unit Executive, Semiconductor
Production Equipment Unit

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.

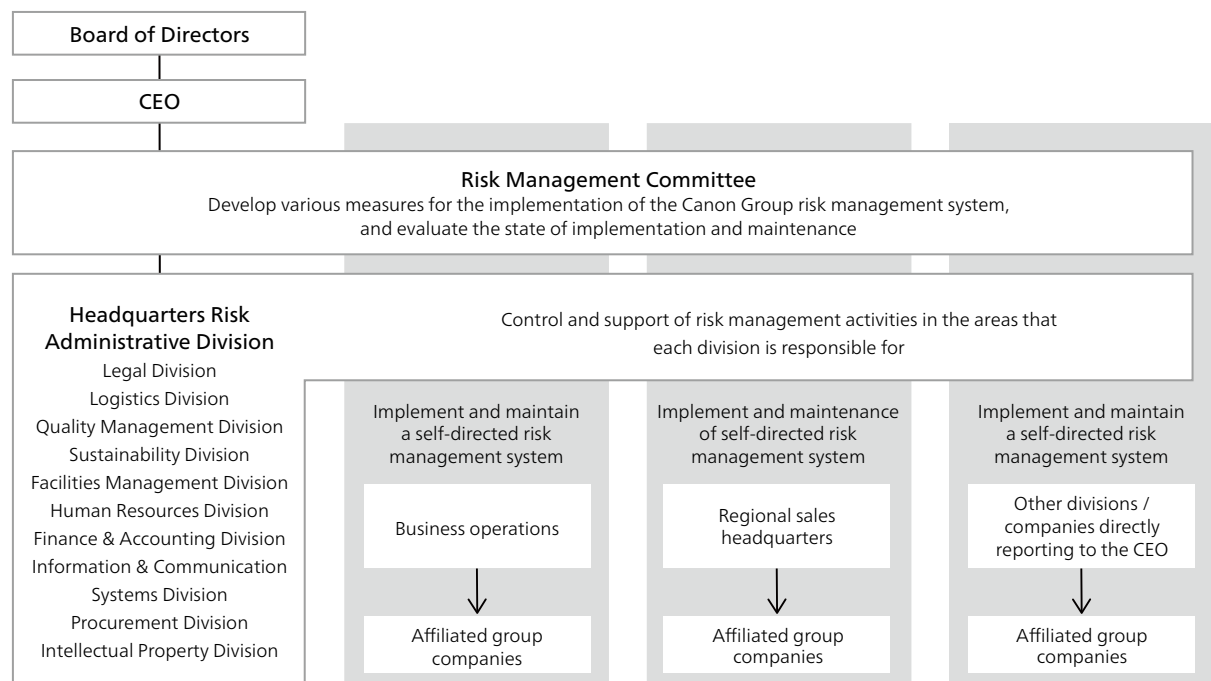
The Risk Management Committee develops various measures to implement Canon's risk management system, including identifying any significant risks (violations of laws and regulations or corporate ethics, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.)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

Canon Inc. administrative divisions responsible for various risks associated with business activities, including the Legal Division, Logistics Division, Quality Management Division, Human Resources Division, Finance & Accounting Division, belong to the relevant subcommittee and according to their areas of responsibility, control and support the risk management activities of each Canon Inc. division and Group company.

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 the state of implementation and maintenance 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 Canon Inc. division and Group company implements and maintains a self-directed 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 2023 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 Compliance

The Compliance Subcommittee works to promote corporate ethics across the Group in accordance with the Canon Group Code of Conduct, developing and regularly reviewing the Group's compliance system. As a result of these initiatives, Canon had another year free from material fines or other sanctions in 2023.

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.

Data Summary

Financial Data

Canon Inc. and Subsidiaries

	2014	2015	2016
(Millions of yen)			
Net sales:	3,727,252	3,800,271	3,401,487
Domestic	724,317	714,280	706,979
Overseas	3,002,935	3,085,991	2,694,508
Percentage of previous year (%)	99.9%	102.0%	89.5%
Cost of sales	1,865,780	1,865,887	1,729,489
Gross profit	1,861,472	1,934,384	1,671,998
Gross profit ratio (%)	49.9%	50.9%	49.2%
Operating profit	345,354	343,729	216,338
Operating profit ratio (%)	9.3%	9.0%	6.4%
Net income attributable to Canon Inc.	254,627	219,943	150,334
Net income attributable to Canon Inc. ratio (%)	6.8%	5.8%	4.4%
Depreciation of property, plant and equipment	263,480	273,327	250,096
Increase in property, plant and equipment	224,760	243,130	208,379
R&D expenses	311,896	332,678	306,537
Net cash provided by operating activities	583,927	474,724	500,283
Net cash used in investing activities	-269,298	-453,619	-837,125
Free cash flow	314,629	21,105	-336,842
Net cash provided by (used in) financing activities	-300,886	-210,202	355,692
Long-term debt, excluding current installments	1,148	881	611,289
Canon Inc. shareholders' equity	2,971,963	2,959,929	2,776,327
Inventories	528,167	501,895	560,736
Total assets	4,464,854	4,431,720	5,142,279
Per share data (Yen)			
Net income attributable to Canon Inc. shareholders per share			
Basic	228.88	201.41	137.66
Diluted	228.88	201.40	137.66
Dividend per share	150	150	150
Stock price			
High	4,045	4,539	3,656
Low	2,889	3,402	2,780
Key Performance Indicators			
Canon Inc. shareholders' equity to total assets ratio (%)	66.6%	66.8%	54.0%
Inventory turnover in days (Days)	50 days	47 days	59 days
ROA (%)	5.8%	4.9%	3.1%
ROE (%)	8.7%	7.4%	5.2%
Dividend payout ratio (%)	64.7%	74.5%	109.0%

* Fiscal year figures from 2014 to 2019 were restated to account for provision for paid leave.

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

2017	2018	2019	2020	2021	2022	2023
4,080,015	3,951,937	3,593,299	3,160,243	3,513,357	4,031,414	4,180,972
884,828	869,577	872,534	806,305	830,378	864,808	901,589
3,195,187	3,082,360	2,720,765	2,353,938	2,682,979	3,166,606	3,279,383
119.9%	96.9%	90.9%	87.9%	111.2%	114.7%	103.7%
2,089,461	2,116,383	1,983,266	1,784,375	1,885,565	2,203,612	2,212,062
1,990,554	1,835,554	1,610,033	1,375,868	1,627,792	1,827,802	1,968,910
48.8%	46.4%	44.8%	43.5%	46.3%	45.3%	47.1%
322,211	342,452	174,420	110,547	281,918	353,399	375,366
7.9%	8.7%	4.9%	3.5%	8.0%	8.8%	9.0%
242,081	252,441	124,964	83,318	214,718	243,961	264,513
5.9%	6.4%	3.5%	2.6%	6.1%	6.1%	6.3%
261,881	251,554	237,327	227,825	221,246	226,492	238,676
181,389	200,504	211,228	161,727	179,000	183,291	231,725
333,371	315,842	298,503	272,312	287,338	306,730	331,914
590,557	365,293	358,461	333,805	451,028	262,603	451,190
-165,010	-195,615	-228,568	-155,439	-207,256	-180,820	-275,372
425,547	169,678	129,893	178,366	243,772	81,783	175,818
-340,464	-354,830	-232,590	-183,449	-267,366	-146,844	-156,729
493,238	361,962	357,340	4,834	179,750	2,417	2,954
2,863,986	2,820,644	2,685,496	2,575,031	2,873,773	3,113,105	3,353,022
570,033	611,281	584,756	562,807	650,568	808,312	796,881
5,201,626	4,902,955	4,771,918	4,625,614	4,750,888	5,095,530	5,416,577
223.03	233.80	116.79	79.37	205.35	236.71	264.20
223.03	233.78	116.77	79.35	205.29	236.63	264.08
160	160	160	80	100	120	140
4,472	4,395	3,338	3,099	2,938	3,516	3,912
3,218	2,877	2,687	1,627	1,876	2,538	2,754
55.1%	57.5%	56.3%	55.7%	60.5%	61.1%	61.9%
49 days	56 days	59 days	60 days	66 days	69 days	66 days
4.7%	5.0%	2.6%	1.8%	4.6%	5.0%	5.0%
8.6%	8.9%	4.5%	3.2%	7.9%	8.1%	8.2%
71.4%	68.4%	136.2%	100.4%	48.7%	50.3%	52.6%

Company Overview (As of December 31, 2023)

Company Information

Company name	Canon Inc.	Canon Inc. shareholders' equity: Common stock	¥174,762 million
Established	August 10, 1937	Group companies	336 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	419,352	Decrease of 20,438	398,914

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)	166,738	16.9
Custody Bank of Japan, Ltd. (Trust Account)	63,367	6.4
Mizuho Bank, Ltd.	22,558	2.3
State Street Bank West Client – Treaty 505234	22,521	2.3
SMBC Nikko Securities Inc.	21,557	2.2
Obayashi Corporation	16,527	1.7
The Dai-ichi Life Insurance Company, Limited	14,408	1.5
JPMorgan Securities Japan Co., Ltd.	13,332	1.3
Moxley and Co. LLC	13,222	1.3
Sompo Japan Insurance Inc.	13,080	1.3

* Shareholding ratio is calculated by deducting the number of treasury shares (345,964 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 58)

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 153)

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 52)

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 73)

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**



CANON INC.

30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan
[global.canon](https://www.global.canon)

© Canon Inc. 2024 PUB.INT002E