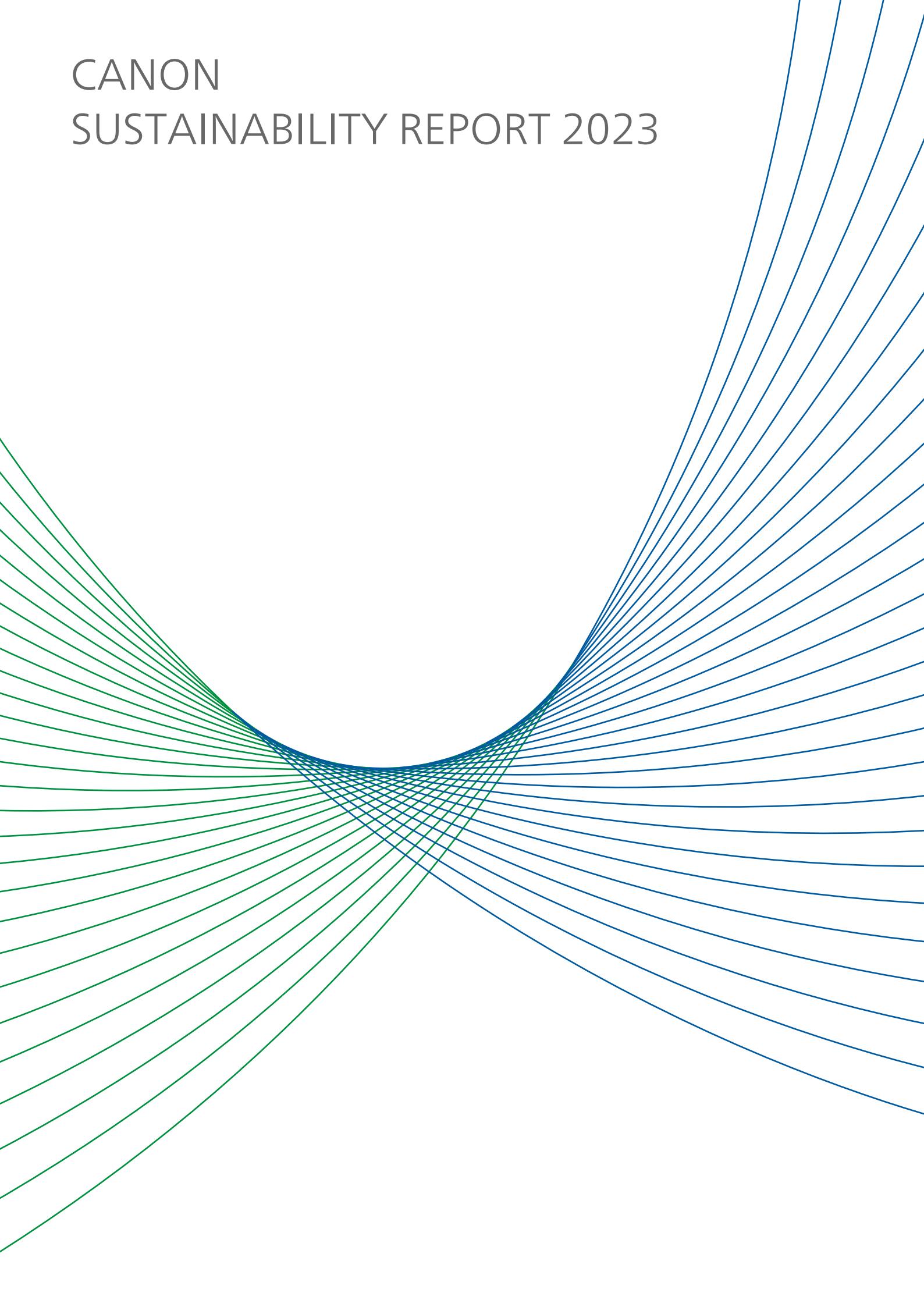


CANON SUSTAINABILITY REPORT 2023



Our annual sustainability reports have tried to help various stakeholders better understand Canon's activities. In addition to information on corporate performance, financial status and ESG (Environmental, Social and corporate Governance) initiatives, they have also contained a wide range of information required for integrated or sustainability reporting.

Sustainability reporting standards have evolved, and the concerns of readers are becoming more specific and more diverse. Given this context, Canon decided to create separate integrated and sustainability reports from 2023 to reflect their different functions, aiming to further enhance our disclosure to align with reader's concerns.

Based on the uniform approach described in the revised GRI (Global Reporting Initiative) standards, the Sustainability Report provides detailed, comprehensive information on sustainability from the standpoint of Canon's environmental and social impact, focusing on materiality.

The Data Summary (available as separate PDF) provides information on Canon in numerical form. This has been subject in part to third-party review for enhanced data integrity.

(Ref.) CANON INTEGRATED REPORT 2023
<https://global.canon/en/ir/library/integrated.html>
(Ref.) Data Summary
<https://global.canon/en/sustainability/report/pdf/data-2023-e.pdf>
(Ref.) Third-party Assurance
<https://global.canon/en/sustainability/report/pdf/assurance-2023-e.pdf>

Scope of the Report and Period Covered

FY2022 (January 1 to December 31)

Some information relates to times either before or after this period.

Target of the Report

This report presents data from 330 companies (57 companies in Japan and 273 overseas) that are consolidated companies of the Canon Group. All environmental data (except CO₂ emissions from 2021 onwards) refer to 120 ISO14001-certified companies plus one non-certified company.

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

Date of Publication

May 2023

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

Referenced Reporting Guidelines

- GRI Sustainability Reporting Standards
- ISO 26000 Guidance on Social Responsibility
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Guidelines for Human Capital Visualization, Cabinet Office & Ministry of Economy, Trade and Industry (Japan)

- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment (Japan)
- Environmental Accounting Guidelines (2005 Edition), Ministry of the Environment (Japan)
- Charter of Corporate Behavior, Keidanren (Japan Business Federation)

This report is prepared in accordance with the GRI standards. Comparative tables for GRI Standards can be found online at the following URL. This report also lists and illustrates the relevant GRI Standards disclosure items with the icons shown below.

GRI disclosure item icon example: **GRI2-2**

(Ref.) Comparative table for GRI Standards:
<https://global.canon/en/csr/search/gri.html>

Disclosed Data

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

Notation

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

Forward-looking Statements

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

Significant Changes

In line with the revised GRI Standards, we have identified topics in environmental and social areas that are material to Canon's impact. Please refer to P09–10 for details.

Contact us

TEL: (81) 3-3758-2111
URL: <https://global.canon/en/contact/sustainability-r/sustainability-r-form-e.html>

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Corporate Philosophy

Kyosei

Canon's corporate philosophy is *kyosei*.

Kyosei expresses our aspiration to create a society in which all people, regardless of race, religion or culture, live and work together harmoniously for the common good.

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

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

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

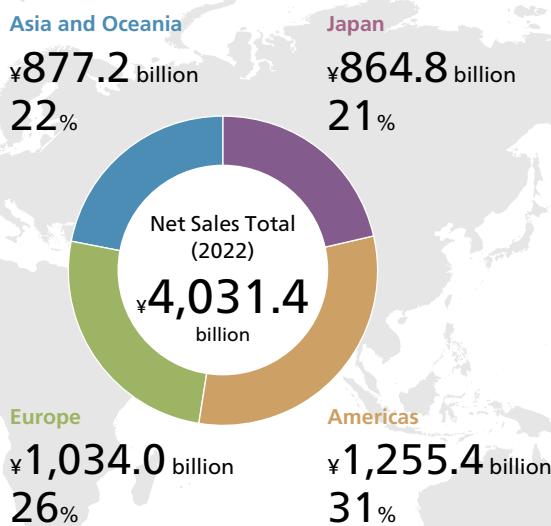
With this in mind, Canon is continuing its efforts to realize *kyosei* with the aim of contributing to world prosperity and the happiness of humankind.



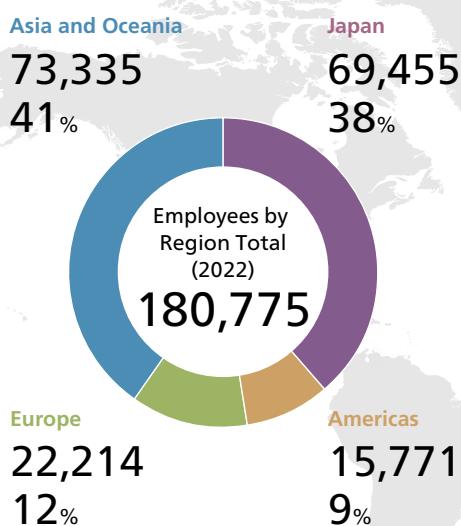
Canon Group Overview

[GRI2-1](#) [GRI2-2](#) [GRI2-6](#) [GRI2-7](#)

Net Sales by Region



Number of Employees by Region

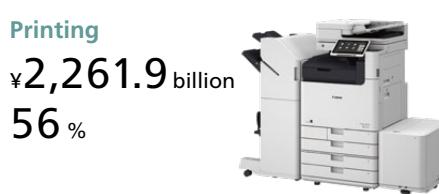
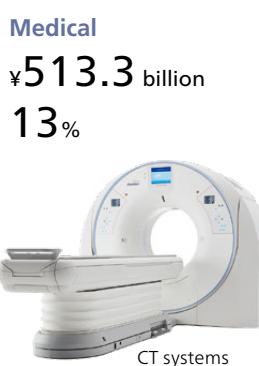


Net Sales by Business Unit



Others and Corporate
¥223.0 billion
6%

Net Sales Total (2022)
¥4,031.4 billion



Imaging
¥803.5 billion
20%



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

Company Information

Company name Canon Inc.
Established August 10, 1937
Headquarters 30-2, Shimomaruko 3-chome,
Ohta-ku, Tokyo, Japan
Chairman & CEO Fujio Mitarai

Please refer to Group company websites for further information.
<https://global.canon/en/corporate/group/index.html>

Canon Inc. shareholders' equity: Common stock ¥174,762 million
Group companies 330 consolidated subsidiaries
Affiliated companies accounted for by the equity-method 10

Message from the CEO



Canon's corporate philosophy is summarized in the Japanese word *kyosei*, which describes the idea of harmonious coexistence. *Kyosei* expresses our shared aspiration to create a society in which all people live and work together harmoniously for the common good into the future, regardless of race, language or culture.

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

Since 2008, we have been working to achieve an annual average improvement of 3% in lifecycle CO₂ emissions per product. We have achieved a cumulative improvement of 43% in the life cycle of products from development to recycling

through energy and resource conservation and streamlining of distribution. By 2030, we aim to reduce emissions by 50% from the 2008 baseline, and, by 2050, we aim to cut our CO₂ emissions across product lifecycles to net zero by working together with society.

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

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

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

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

I humbly ask for your continued support.



Fujio Mitarai
Chairman & CEO
Canon Inc.

Sustainability at Canon

[GRI2-12](#) [GRI2-13](#) [GRI2-14](#) [GRI2-16](#) [GRI2-22](#) [GRI2-23](#) [GRI2-24](#) [GRI2-25](#) [GRI2-28](#)

Approach to Sustainability

Since 1988, Canon has been striving to uphold our corporate philosophy of *kyosei* (living and working together for the common good) in order to contribute to worldwide prosperity and happiness.

A society in which all people live and work together, respecting one another and coexisting happily, regardless of culture, customs, language, ethnicity, or region. And a society in harmony with nature, able to preserve Earth's abundant resources for future generations.

To realize such a society, Canon will create new value through the power of technology and innovation, providing world-first technologies and world-leading products and services while also contributing to solutions for the problems our society faces. By providing greater value while using fewer resources throughout all product lifecycles, we aim to enable affluent lifestyles while protecting the environment.

Through our corporate activities, Canon proactively works toward realizing a sustainable society.

Reference: Approach to Sustainability (formulated in October 2021)

Sustainability-related policies

- General policies: [Canon Group CSR Basic Statement](#)
- Environment: [Canon Group Environmental Charter](#), [Canon Environmental Vision](#)
- Human rights: [Canon Group Human Rights Policy](#)
- Supply chain: [Canon Supplier Code of Conduct](#)
- Design: [Principles of Universal Design](#)
- Social contribution: [Canon Group CSR Activity Policy](#)
- Compliance: Canon Group Code of Conduct (→P76)

Engagement in Initiatives

- Responsible Business Alliance (RBA)
- Responsible Minerals Initiative (RMI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- CDP
- Japan Climate Initiative (JCI)
- WIPO GREEN
- 30by30 Alliance for Biodiversity
- Joint Article Management Promotion-consortium (JAMP)

Promotion System

Besides coordinating activities across the Canon Group to promote sustainability from social and environmental angles, Sustainability Headquarters of Canon Inc. draws on the expertise of divisions to address specialist issues in specific areas such as the environment, legal affairs, human resources, procurement, and quality. With any issues that require a cross-divisional approach, it assembles a project team to coordinate the planning and implementation of specific activities.

The division overseeing activities reports as required on the direction and content of measures to the CEO and the CFO. Once approval is received, it then promotes activities in cooperation with the relevant divisions in Japan and overseas.

Based on management approval, this report provides annual disclosures of our sustainability-related initiatives.

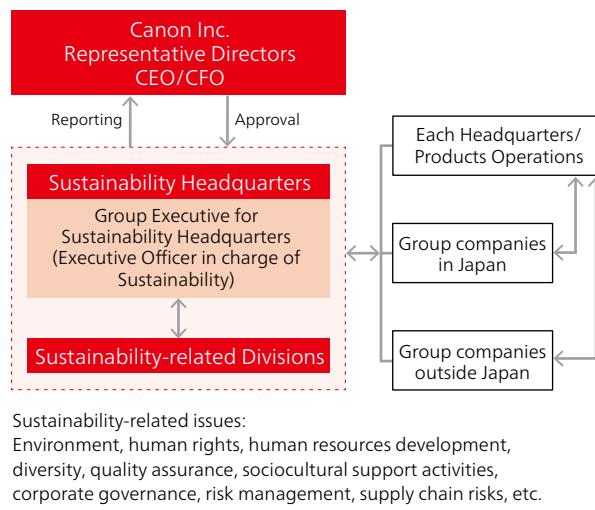
Driving Awareness across the Group

To revitalize activities and help develop a sustainability mindset across the Group, we share the direction of sustainability activities and related details at meetings such as our global management conferences for the senior managers of major Group companies.

Moreover, we have introduced the consolidated performance evaluation system that considers the social and environmental contribution activities of each operating division and manufacturing/marketing company, alongside the results achieved under business policies. Results from these evaluations are shared twice a year at Group executive meetings to support Group-wide improvements.

In addition to that, we are conducting a range of sustainability-related training for managers and general employees to drive awareness of sustainability issues.

Promotion System



Specific examples of initiatives

- Education programs for specialist areas such as environmental protection, respect for human rights, data management and compliance
- Sustainability awards system based on categories (e.g., environment, quality)
- Sharing of information on sustainability activities via the company intranet
- Information-sharing meetings involving personnel responsible for sustainability across Group companies
- Online events providing sustainability information based on themes such as refugee issues, food waste, SDGs, etc. (see the column below)



Presentation on sustainability activities at global management conferences



Environmental Award for excellent environmental practices

Canon Sustainability Channel

With the aim of spurring innovation, Canon holds monthly interactive online events in which anyone can participate to enhance the understanding of individual employees about sustainability issues in a social context.

Guest speakers at events have included people working with the UNHCR or on LGBTQ-related initiatives. These events also introduce Canon's in-house sustainability activities to help provide information on a range of topics. In 2022, a total of 2,686 employees participated in 11 online events.

Reference: Topics addressed to date
<https://global.canon/en/sustainability/society/pdf/csc-e.pdf>



Online event in action

Environmental and Social Material Topics

Based on the GRI Standards as revised in 2021, Canon used the three-step process outlined below to identify six material topics by considering the positive and negative, direct and indirect impacts of Group activities to the environmental and social areas.

Of the six topics identified, four were regarded as of greater importance: three themes (Climate Change; Resource Efficiency, Chemical Substances) due to being issues our society faces, while also affecting Canon's operating sites and product competitiveness due to the trend towards stricter regulation worldwide; and the fourth topic (Human Rights and Labor) as being vital to underpin the mutual respect between individuals that helps create workplaces with innovative potential, thereby sustaining our business development.

Although important, the fifth theme (Biodiversity) was regarded as having a lesser impact on our business,

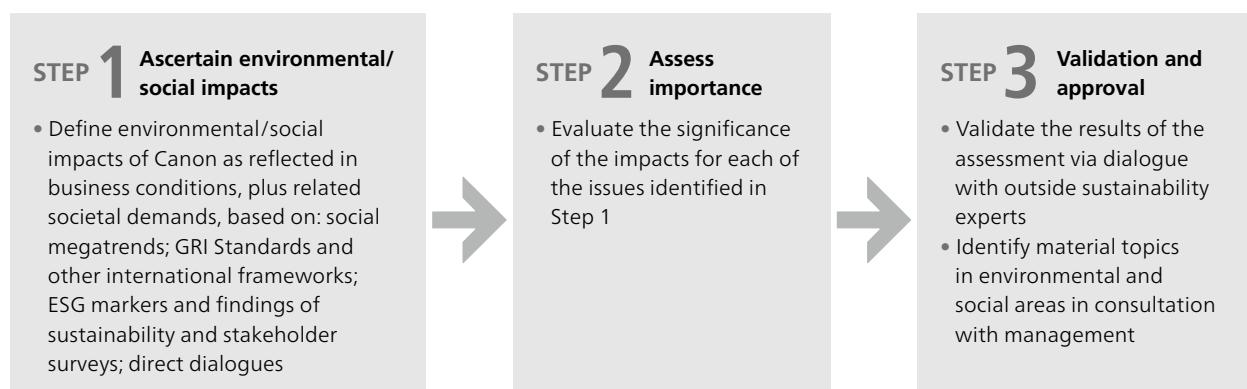
while the sixth topic (Sociocultural Support Activities) was deemed important since Canon has always implemented such activities and will continue to do so in the future. Results from this analysis were discussed with outside experts to maintain objectivity, before approval by management.

Going forward, we will review Canon's material topics for the next report, based on an assessment of societal changes and issues as gleaned from stakeholder dialogue and an analysis of how such factors relate to the management of the business.

Regarding the activities that are critical to our sustained growth such as product responsibility, corporate governance, risk management and supply chain management, are positioned and reported as part of the management foundation.

Identification Process

The environmental and social material topics were identified via the following three-step process.



Canon is contributing to achievement of various SDGs



Net zero CO₂ emissions by 2050
We are working to reduce CO₂ emissions over entire product lifecycles by making more compact, lightweight, and energy-efficient products; by boosting efficiency in logistics; by introducing renewables at Canon production sites to raise energy efficiency; and by recycling products.



Product-to-product resource recycling
Besides restricting resource consumption, we are developing systems to enable the global recycling of resources so these can be used repeatedly.



Strict management of chemical substances
Canon has a Group-wide environmental assurance system for chemical substances contained in products, and we address this issue during product development.

Environmental and Social Material Topics

	Identified material topics	Main initiatives covered in Sustainability Report 2023	Significance
Environmental domain	Climate change	<ul style="list-style-type: none"> • Designing energy-efficient products (→P22) • Improving energy efficiency at operational sites (→P23) • Reducing CO₂ emissions from logistics (→P24) • Expanding use of renewable energy (→P24) 	Very important
	Resource efficiency	<ul style="list-style-type: none"> • Designing more compact, lighter weight products (→P27) • Reducing waste through prevention, reuse and recycling (→P26) • Remanufacturing products (→P27) • Recycling consumables (→P27) • Using sustainable water resources (→P29) 	Very important
	Chemical substances	<ul style="list-style-type: none"> • Managing chemicals contained in products (→P31) • Meeting international standards (→P31) • Managing chemical substances in production processes (→P32) • Reducing discharge into air, water, and soil (→P32) • Green supply chain (→P31) 	Very important
	Biodiversity	<ul style="list-style-type: none"> • Biodiversity Policy (→P34) • Basic Policy on the Procurement of Timber Products (→P34) • Canon Bird Branch Project (→P35) • Preservation of natural habitats and biodiversity, forest conservation (→P35) • Tree-planting initiatives (→P36) 	Important
Social domain	Human rights and labor	<ul style="list-style-type: none"> • Respecting human rights (→P39) • Hiring and treatment of human resources (→P44) • Diversity and inclusion (→P48) • Occupational safety and health management (→P50) • Human resource development and personal growth (→P54) 	Very important
	Sociocultural support activities	<ul style="list-style-type: none"> • 4E's Project (→P58) • Canon Young People Programme (→P59) • Miraisha Programme (→P59) • Tsuzuri Project (→P60) 	Important



Canon Bird Branch Project

Canon promotes various activities at its sites in Japan and overseas on the theme of birds, which occupy an apex position in local ecosystems above plants, insects and small animals.



Due diligence on human rights

This involves assessing human rights risk in workplaces while using outside expert advice. We use the RBA's SAQ to assess risk within our supply chain. Sustainable procurement activities are our aim.



Miraisha Programme

This social investment initiative in Africa aims to promote and expand employment by enhancing the skills of young workers in fields such as photography, video and printing through workshops and a related guidance program.

Approach (Environment)

GRI2-23 GRI2-25 GRI3-2 GRI3-3

Canon's Approach to Environmental Assurance

Acting on the foundation of its Approach to Sustainability (→P07), Canon works to protect and conserve the global environment in line with the Canon Group Environmental Charter and the Canon Environmental Vision.

Canon Group Environmental Charter

Corporate Philosophy: *Kyosei*

Achieve corporate growth and development while contributing to the prosperity of the world and the happiness of humankind.

Environmental Assurance Philosophy

In the interest of world prosperity and the happiness of humankind, pursue maximization of resource efficiency, and contribute to the creation of a society that practices sustainable development.

Fundamental Policies for Environmental Assurance

Seek to harmonize environmental and economic interests in all business activities, products and services (the EQCD concept); offer products with lower environmental burden through innovative improvements in resource efficiency, and eliminate anti-social activities that threaten the health and safety of mankind and the environment.

EQCD Concept

E: Environment	Companies are not qualified to manufacture goods if they are incapable of environmental assurance.
Q: Quality	Companies are not qualified to market goods if they are incapable of producing quality goods.
C: Cost	Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.
D: Delivery	Companies are not qualified to meet cost and delivery requirements.

- Optimize the organizations for prompting the Canon Group's global environmental efforts, and promote environmental assurance activities for the Group as a whole.
- Assess the environmental impact of entire product lifecycles and explore ways to minimize environmental burden.
- Promote the research and development of technologies and materials essential for environmental assurance and share the achievements with society.
- Comply with all applicable laws in each country/region and other requirements the Canon Group agrees upon with stakeholders, and promote energy and resource conservation and elimination of hazardous substances in all corporate activities.
- In procuring and purchasing necessary resources, give priority to materials, parts and products with lower environmental burden.
- Establish an Environmental Management System (EMS) and establish and periodically review environmental objectives and targets to prevent environmental pollution and damage, and steadily reduce environmental burden.
- Actively disclose to all stakeholders information on environmental burden and keep them updated on the progress of environmental measures.
- Raise the environmental awareness of employees and educate them to take the initiative in environmental protection.
- Maintain close relationships with governments, communities, and other interested parties, and actively support and participate in environmental protection activities.

23 March, 2007

Chairman & CEO
Canon Inc.


Canon Group Environmental Charter

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

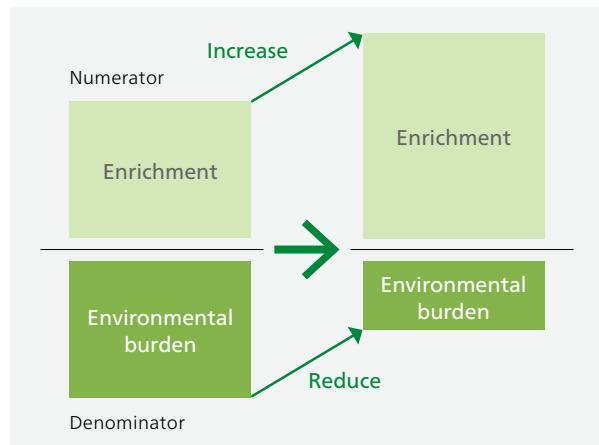
—Produce, Use, Recycle—
to achieve highly functional products with minimal environmental burden.

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.

Canon Environmental Vision

Canon's Approach



For 2050

We aim to achieve net-zero CO₂ emissions for entire product lifecycles^{*1} by 2050.

For 2030

Canon aims to consistently achieving the environmental targets of an average annual 3% improvement in the index of lifecycle CO₂ emissions per product unit set in 2008, and realize a cumulative total 50% improvement by 2030. In addition, we aim to reduce absolute scope 1 and 2 GHG emissions 42% and absolute scope 3 GHG emissions (category 1 and 11) 25% by 2030 from a 2022 base year in line with the SBTi's^{*2} criteria (Canon has submitted these targets to the SBTi for official validation.).

Approach

To reach net zero CO₂ emissions, we will rigorously improve efficiency throughout product lifecycles, further promoting energy efficiency in design, production, and distribution. Since 2008, Canon has consistently met its target of an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit. We will continue to build on this record of achievement going forward. We have moved ahead with the introduction of renewable energy mainly in Europe and Asia, and will continue to promote the strategic utilization of renewable energy in consideration of its availability and economic viability in each region. We will also seek to reduce CO₂ emissions through advances in the recycling of resources. In addition to our own efforts, we will collaborate on initiatives with stakeholders throughout the value chain. Over the long term, we aim to incorporate the products of innovation to reduce CO₂ emissions using various approaches, including the achievement of our SBT milestones. At the same time, by making a wide range of technologies and IT solutions available, Canon will not only reduce CO₂ emissions in our own operations but also help lower CO₂ emissions across society.

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

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

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

*2 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.

Medium-term Environmental Targets (Three-year Plan)

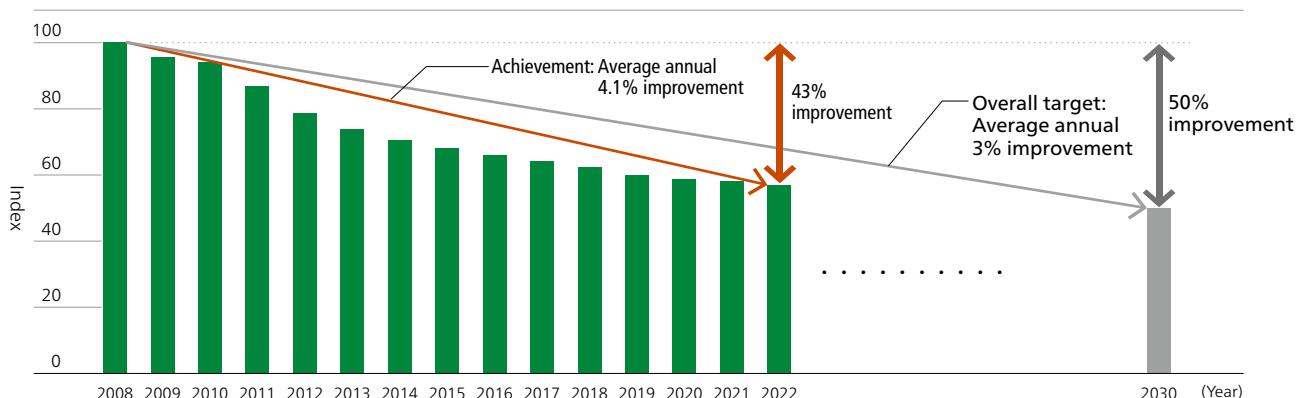
With a view to what we aim for in 2050 and 2030, we set Medium-term Environmental Targets in line with our three-year management plan, and we review the targets each year.

Canon sought a single integrated indicator to measure the progress achieved across all environment-related activities, from energy and resource conservation to recycling, and to also highlight the efficiency of these activities in terms of achieving a beneficial balance with business activities. We therefore established the index of lifecycle CO₂ emissions per product unit, and set an

overall target of achieving a 3% average annual improvement in the index as part of the Canon Group Medium-term Environmental Targets.

This overall target is subdivided into a product target and an operational site target. The product target is set at 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 reduction per basic unit in energy consumption, total waste emissions, water consumption and controlled chemical substance emissions. In this way, we will make continuous progress toward meeting our overall target.

Index of lifecycle CO₂ emissions per product unit



* Assuming 2008 baseline of 100

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. This section also includes information from the CDP climate change questionnaire.

Initiatives in line with TCFD Recommendations

	Initiatives in line with TCFD Recommendations
Governance	<p>Environmental targets, including climate change responses, are approved by the CEO. Medium-term and long-term plans are formulated by the Sustainability Headquarters, and approved by the CEO after discussions among board directors and other executives. The Sustainability Headquarters plays a central role in the group-wide efforts to achieve these targets, and reports the progress of the targets to the management every month and the annual review to the CEO.</p> <p>Our company has also established a Risk Management Committee based on a resolution of the Board of Directors. Serious risks related to environmental laws and regulations and natural disasters are considered by the Risk Management Committee.</p>
Strategy	<p>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.* See page 18 for details of risks and opportunities identified</p> <p>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.</p> <p>We are also working to reduce CO₂ emissions through efforts to realize a circular economy. For example, remanufacturing of printers can reduce CO₂ emissions from the procurement of new raw materials and parts processing. In the closed-loop recycling of ink and toner cartridges, plastic is pelletized from collected cartridges and reused as raw material, thus reducing CO₂ emissions from procurement and transportation of new raw materials.</p>
Risk management	<p>The identified climate change risks and opportunities are managed in accordance with the ISO 14001 PDCA cycle. Our company has established a Group-wide environmental management system, based on ISO 14001, at all of its business sites around the world as a mechanism to continuously improve its environmental assurance activities. In order to promote (DO) environmental assurance activities in conjunction with the activities of each division (Product Group, business sites, and Group companies), the Environmental Management System determines (PLAN) medium-term and annual environmental targets, and formulates priority measures and implementation plans to achieve them, which are reflected in business activities. In addition, we conduct environmental audits to check the status of initiatives and issues in each division, and conduct environmental performance evaluations that incorporate environmental aspects into performance evaluations (CHECK), leading to continuous improvement and reinforcement of environmental assurance activities (ACT).</p> <p>These Responses to risks and opportunities are reflected in company-wide environmental targets and priority measures. Our company considers the environment as part of its management evaluation. The achievement of environmental targets and the results of environmental activities by each division are evaluated and scored twice a year in the environmental performance evaluation conducted as an indicator of the consolidated performance evaluation system, which evaluates the performance of the entire Group. The evaluation results are reported to the CEO and other senior management.</p>
Metrics and targets	<p>In order to comprehensively identify and manage the results of all environmental activities, such as energy conservation, resource conservation, and recycling, through a single index that covers the entire product lifecycle, we have set the Canon Group Medium-term Environmental Targets to be "3%-per-year average in lifecycle CO₂ emissions improvement index per product."</p> <p>By continuing to meet this target, we expect an improvement of approximately 50% in 2030 compared to 2008 levels. As of 2022, this was a 43% improvement from 2008 levels, which exceeded the target. The total life cycle CO₂ was 8,342,000 t-CO₂ (Scope 1, 2 and 3). These GHG emissions data are covered by a third-party guarantee every year, and were covered in 2022.</p> <p>In addition, Canon aims to reduce absolute scope 1 and 2 GHG emissions 42% and absolute scope 3 GHG emissions (category 1 and 11) 25% by 2030 from a 2022 base year in line with the SBTi's criteria (Canon has submitted these targets to the SBTi for official validation.).</p> <p>Moreover, our company is working with the public to achieve net-zero CO₂ emissions by 2050 through initiatives across product lifecycles.</p>

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

Activity Report

Environmentally Conscious Management

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

Global Environmental Promotion System

The Canon Group is carrying out environmental assurance activities to achieve our environmental targets and realize the environmental vision. Led by Sustainability Headquarters under the supervision of the CFO of Canon Inc., we carry out environmental activities within a global framework comprising business divisions and Group companies in Japan and overseas. The Group Executive for Sustainability Headquarters, a position occupied by an executive officer of Canon Inc., reports each month to the CFO on all environmental activities to gain approval. When an environment-related global issue arises, such as climate change, whose impact on the Canon Group businesses needs to be assessed, the Group Executive for Sustainability Headquarters reports it to the CEO and the CFO and seeks approval for the direction in response to the associated risks and opportunities as well as related measures to be taken.

Global Environmental Promotion System



Environmental Management System

The Canon Group has established an environmental management system (EMS) covering its operational sites worldwide as a mechanism for continually improving the environmental assurance activities according to ISO 14001.

The EMS promotes environmental assurance activities (Do), which are linked with activities of each division (products operations, operational sites, and Group companies). In turn, we set annual and medium-term environmental targets (Plan) and establish action plans and important measures to achieve those targets, which are reflected in our business activities. Moreover, we carry out

Environmental audits to check the progress of initiatives as well as any issues to be addressed in each division, and Environmental performance evaluations, to assess our environmental performance (Check). We then work to continually improve and enhance our environmental assurance activities (Act). By implementing the PDCA cycle for environmental assurance activities of each division, we achieve continual improvement and reinforcement and advance the environmental assurance activities of the entire Canon Group.

Sustainability Headquarters ensures the smooth management of this system by gathering information on environment-related laws and regulations, establishing environmental policies and rules for the entire Group, and planning and managing evaluation methods for environmental assurance activities.

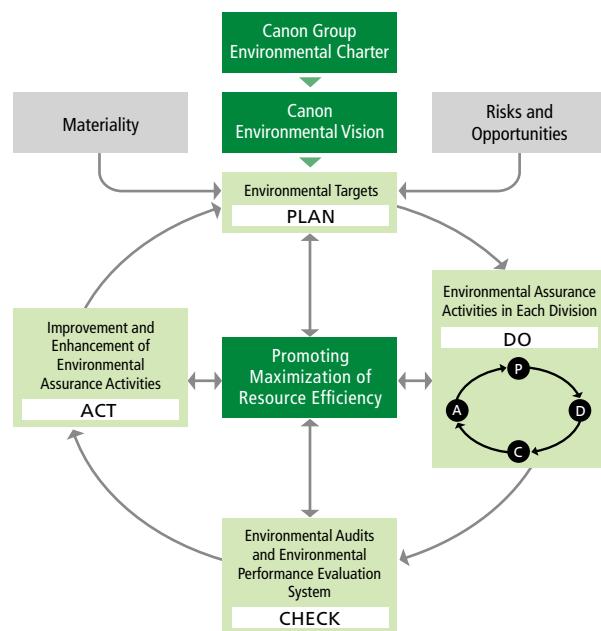
Manufacturing and marketing companies worldwide obtain ISO 14001 consolidated certification as an objective third-party evaluation of EMS effectiveness. As of 2022, ISO 14001 certification covers Canon Inc. as well as 120 Group companies (564 operational sites) in 40 countries and regions.* We received the positive evaluation from the accreditation body that "within the context of a business environment undergoing great change, the Canon Group as a whole has identified new risks and opportunities associated with prospective expansion into new business domains, and has incorporated these in its EMS."

The acquisition of consolidated Group certification has supported strengthening of corporate governance and efficient environmental management. Sustainability Headquarters oversees Canon's environmental assurance activities and reports on the progress of relevant activities for the approval of the CEO of Canon Inc. as well as the CFO.

* Details

1. 99.9% of Canon Inc. and consolidated manufacturing companies worldwide (100 or more employees) obtained ISO 14001 certification, based on CO₂ emission volume
2. Certifications Obtained
<https://global.canon/en/environment/data/pdf/canon-list-e.pdf>

Canon's Environmental Management System



Product Development System Using LCA Methodology

Canon's environmental initiatives are undertaken over the entire product lifecycle. Lifecycle assessment (LCA) methodology has been introduced in the product development stage to reduce environmental impacts throughout the product lifecycle. In 2022, we began collecting accurate data from suppliers on CO₂ emissions generated by the raw materials used to manufacture parts. These data were incorporated in the LCA process, providing useful feedback for product development to reflect the real situation.

Measuring CO₂ Emissions in Partnership with Industry Groups

Canon is a member of the Green x Digital Consortium spearheaded by the Japan Electronics and Information Technology Industries Association (JEITA), and is taking part in a trial program that aims to visualize supply chain CO₂ emissions. With the goal of achieving decarbonization and net zero throughout the supply chain, we are contributing to accurate measurement of CO₂ emissions not only in each company's own operations, but throughout its supply chain.



Details: Canon's Lifecycle Assessment
<https://global.canon/en/environment/lca/index.html>

Product Environmental Assessments

Canon conducts an environmental assessment during the commercialization process to check whether a product meets product environmental legal requirements and other requirements applicable for products and has achieved the necessary environmental performances.

We start the assessment by assigning an environmental performance target to the product at the product planning stage. Before the decision is made to commercialize the product and initiate mass production, Canon evaluates whether this target has been met, and ascertains whether the product also satisfies the applicable legal and other requirements.

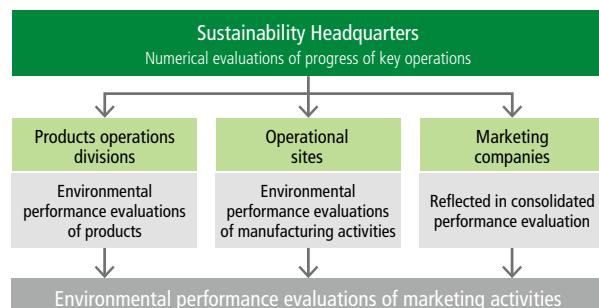
Confirming the Effectiveness of Environmental Management

Canon uses an internal environmental audit to confirm the effectiveness of its environmental management system. The audits are composed of headquarters environmental audits performed by Sustainability Headquarters, and operational site environmental audits and product environmental audits conducted by the audit divisions of operational sites and products operations. Mutual cross-site audits are carried out in certain locations.

Results of internal environmental audits are compiled by the Group audit management section of Sustainability Headquarters and reported to the CEO and the CFO of Canon Inc. in management reviews.

In 2022, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

Environmental Performance Evaluation Process



Monitoring of Progress toward Environmental Targets

Each operational site makes a monthly report to Sustainability Headquarters regarding its energy consumption (CO₂ emissions volume), waste generation volume, chemical substance emissions volume, and water utilization volume. The GEC aggregates the data

to monitor progress toward environmental targets and reports monthly to the Board of Directors, business department general managers, and the executive management of Group companies. Additionally, the evaluation and the risks identified are subject to the PDCA cycle for environmental assurance activity within the shared framework of the Group's ISO 14001-based environmental management system.

Environmental Awards and Environmental Exhibition

To promote improved staff awareness and activities in relation to the environment, in 2003 Canon started holding an internal exhibition introducing good examples of environmental activities in Japan. The exhibition went global in 2008, when examples of overseas activities were also included. And in 2009, the exhibition developed into the environmental award system, in which top management awarded outstanding environmental activities. The exhibition and the award system have enabled management to identify outstanding examples of good environmental practice and promote their company-wide implementation while also serving as a valuable opportunity to raise the environmental awareness of employees. Started in 2013, the simultaneously held online exhibition on the Group intranet has allowed many Group employees to access the exhibition all year round, helping to hasten the horizontal implementation of good practices across the entire organization. In March 2022, we held the award ceremony face-to-face for the first time in three years, presenting a Grand Prize to four entrants.

During Environment Month in June, we expanded activities beyond the normal scope of the environment to include other social issues and worked to raise in-house awareness of sustainability. Our initiatives included publishing a weekly internal newsletter and broadcasting sustainability-related programs on our intranet channel with contributions from experts.



Online exhibition website

Environmental Education

Canon's environmental education programs provide basic environmental training to all employees, and specialized training for employees engaged in specific types of work.

The basic environmental training aims to equip employees with an awareness of the importance of environmental assurance activities and an understanding of related policies and targets, while the aim of the specialized training program is to enable employees involved in environmental assurance activities to acquire knowledge and expertise.

The specialized training program consists of product environment, operational site environment and environmental audit sections. Of these, product environment training enables those responsible for product environmental assessments and product surveys to acquire knowledge and expertise.

These educational programs are designed to enable employees to receive needed training at a time that suits their schedule and in the format that best suits the purpose, whether e-learning, group discussion, group work, or other method.

In particular, among the specialized environmental training programs, Canon is focusing attention on risk management education globally, and has been using training materials in English and Chinese since 2016. In 2022 also, we carried out training for employees involved in risk management-related work (total of approximately 8,000 participants).

Since 2017, we have also provided recycling training as part of the hands-on factory training for newly hired technicians and engineers. At Canon Ecology Industry, a recycling site, practical training in recycling is given, including instruction in how to disassemble multifunctional office equipment.

Environmental Communication

Canon has been vigilant in disclosing environmental information to a diverse range of stakeholders. Besides the publication of this report, Canon actively uses a range of media and platforms to inform stakeholders about its environmental activities, including its official environment website, various exhibitions, and other events. We are striving to undertake more and better activities based on suggestions and opinions received from stakeholders.

Canon also promotes environmental education and awareness activities for the benefit of people in regional communities, providing environmental outreach classes for elementary school students and environmental programs run in cooperation with regional organizations. Canon began holding environmental outreach classes on toner cartridges in 2011. Extended to Canon Bretagne in 2022, this program has provided more than 240 classes to over 12,000 participants.

Initiatives at Canon Eco Technology Park

The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant but also serves as a focal point of the environmental activities of the Canon Group. The facility offers tours of Canon's automated toner and ink cartridge recycling systems as well as a showroom introducing Canon's wide variety of environmental activities, such as the Canon Bird Branch Project, through information panels, videos, and hands-on content. In 2022, the park reopened fully to the general public for tours and environmental classes. At the same time, it has adapted to Covid-related concerns by continuing with online classes and additionally revising the tour route and changing the layout of the exhibition area.



Canon Eco Technology Park

Details: Canon Eco Technology Park
<https://global.canon/ja/environment/ecotechnopark/>
 (Japanese website only)
 (For inquiries on educational visits and related matters, please contact us through the website shown above.)

Introducing Canon Resource Recycling on National Radio

Canon España appeared on a national Spanish radio program to explain Canon's commitment and policy in the circular economy sector. Specifically, the Sustainability Manager explained the concept of remanufacturing and how the EQ80 imageRUNNER ADVANCE series of remanufacturing machines contributes to the SDGs by saving raw materials and reducing CO₂ emissions compared to new products.

The radio program covered economic and environmental news and was broadcast in primetime, so the audience was extremely large.



Awareness-raising in Partnership with Local Communities

Working jointly with the cafeteria that serves the office building where its Beijing headquarters is located, Canon (China) organized an event designed to promote interest in global warming prevention by offering dishes made with meat substitutes, whose production generates lower levels of CO₂ emissions than meat from livestock. A panel display in the cafeteria compared the CO₂ emissions of 18 dishes made using meat substitutes with those of the livestock meat production process, encouraging diners to learn about global warming prevention while enjoying tasty meals. The participants, many of whom did not know that the meat production process generates large amounts of CO₂, were heard to comment that the event had been a valuable learning experience. The cafeteria is used by employees and customers from outside Canon too, who were also able to benefit from the opportunity to think about global warming prevention.



Posters displayed in the cafeteria

Environmental Regulatory Compliance and Response to Complaints

As a result of implementing an environmental management system coordinated across the Group, Canon came through 2022 without a single legal violation or accident that seriously impacted the environment, including incidents relating to water quality or quantity permits.

Although there were some complaints about noise at our operational sites, all issues were resolved satisfactorily via appropriate measures.

Risks and Opportunities

Even as consumer lifestyles grow more affluent, various environmental problems are emerging, including climate change, resource depletion, pollution, and loss of biodiversity. In response to the issue, debate within the global community is increasing on how to achieve carbon neutrality and how to realize a circular economy. Recognizing the business impact of environmental

issues, many companies see the importance of helping address these issues in partnership with national and local governments, experts and other stakeholders. Canon identifies business risks and opportunities by envisioning different ways in which society will change based on information received from specialized institutions and government agencies.

Major Climate-related Risks and Opportunities

	Risks and opportunities	Financial impact	Action
Risks	Transition risks Stricter energy-efficiency regulation and associated compliance costs (products/sites)	High	<ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout the product lifecycle Collection, analysis and adaptation of information on environmental regulations
	Increased business costs from economic measures to reduce emissions (e.g., carbon tax)	Medium	<ul style="list-style-type: none"> Achieve energy consumption targets at operational sites Promotion of energy conservation activities at each operational site through cooperation among development, production, facility, and environmental departments
	Physical risks Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods	Medium	<ul style="list-style-type: none"> Formulation of BCPs and relocation of high-risk operational sites to higher ground
Opportunities	Reputational risks Negative external evaluation due to insufficient information disclosure	Low	<ul style="list-style-type: none"> Disclosure of the approach and the status of efforts in response to climate change
	Products and services Expanded opportunities for sales of energy-efficient products with low lifecycle CO ₂ emissions	High	<ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles Development, manufacture, and sales of products that realize a beneficial balance between energy conservation and enrichment of people's lives
	Contribution to CO ₂ emissions reduction at societal level through sales of various innovative products and solutions (hardware/software)	High	<ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles
	Energy efficiency Reduction of energy costs by improving production and transportation efficiency	Medium	<ul style="list-style-type: none"> Achieve energy consumption targets at operational sites Replacement and introduction of high-efficiency facilities and transportation methods
	Energy sources Expanded opportunities for use of renewable energy through lower associated costs	Medium	<ul style="list-style-type: none"> Switch to renewable energy sources
	Others Enhanced corporate image due to proactive climate-related disclosures	Low	<ul style="list-style-type: none"> Disclosure of the approach and the status of efforts in response to climate change

Major Risks and Opportunities in the Areas of Materiality

	Risks	Opportunities
Resource efficiency	Transition risks • Increased procurement costs of raw materials due to resource constraints • Stricter resource-efficiency regulation and associated compliance costs (products/services) • Increased costs for collection and recycling of used products in each region	<ul style="list-style-type: none"> Business cost reduction through improved resource efficiency Enhanced competitiveness through 3R design and development of advanced technologies that promote a circular economy Increased demand for products/consumables that contribute to a circular economy (e.g., remanufactured products) Enhanced corporate image through publicity of our advanced approach to resource recycling Offering the value of CO₂ emissions reduction effect through efforts to recycle resources
	Physical risks • Impairment of stable water supply and impacted business operations due to extreme weather events	
	Reputational risks • Damage to corporate image from slow transition to circular economy	
Chemical Substances	• Increased chemical substance management costs due to strengthened and expanded regulations • Suspension of production or disruption to parts supply chain due to serious noncompliance by suppliers • Damage to corporate image due to poor regulatory compliance	<ul style="list-style-type: none"> Supplying safe products and maintaining competitiveness through more advanced chemical substance management Cost reduction through increased management efficiency, including within the supply chain Enhanced corporate image through contribution to international standardization
Biodiversity	• Reduced supply and higher cost of printing paper due to declining forestry resources • Restraints on business activities due to disruption of local ecosystems	<ul style="list-style-type: none"> Application of our products and technologies to ecosystem conservation Enhanced corporate image through contribution to local communities

Environmental Targets and Achievements

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

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

*1 Calculation based on average annual improvement rate of three most recent years. For energy consumption at Japanese operational sites, however, calculation as stipulated in Act on Rationalizing Energy Use.

The basic unit denominator is decided according to the characteristics of each operational site (production volume, effective floor area, workforce, etc.)

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

Progress Relative to Overall Target

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

Achievement of Product Targets

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

Achievement of Operational Site Targets

■ Energy consumption per basic unit at operational sites

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

In 2022, energy consumption per basic unit improved by 5.8% over the previous year, exceeding the 1.2% improvement target.

■ Total waste generation per basic unit

We are working to reduce total waste emissions by consistently meeting our target for reduction of emissions per basic unit. We made progress with waste reduction through initiatives at production sites such as reducing waste generation and internal recycling. However, due to

an increase in packaging materials in line with greater distribution of components at production sites, waste emissions per basic unit improved by only 0.7% year on year, thus missing the target.

■ Water usage per basic unit in production

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

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

■ Emissions of controlled chemical substances per basic unit

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

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

2023 Targets

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

The 2023 environmental targets are unchanged from 2022 with the exception of the overall target, the product targets in the 2023–2025 Medium-term Environmental Targets, and the operational site energy targets.

Overview of Environmental Impacts

Total product lifecycle CO₂ emissions (Scope 1-3)* in 2022 were approximately 8.34 million tons. We made improvements over 2021, such as progress in creating more compact and lightweight products, energy-efficient design, and switching from air to marine transportation. However, CO₂ deriving from raw materials and product use and transportation increased due to greater shipment volume in the wake of

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

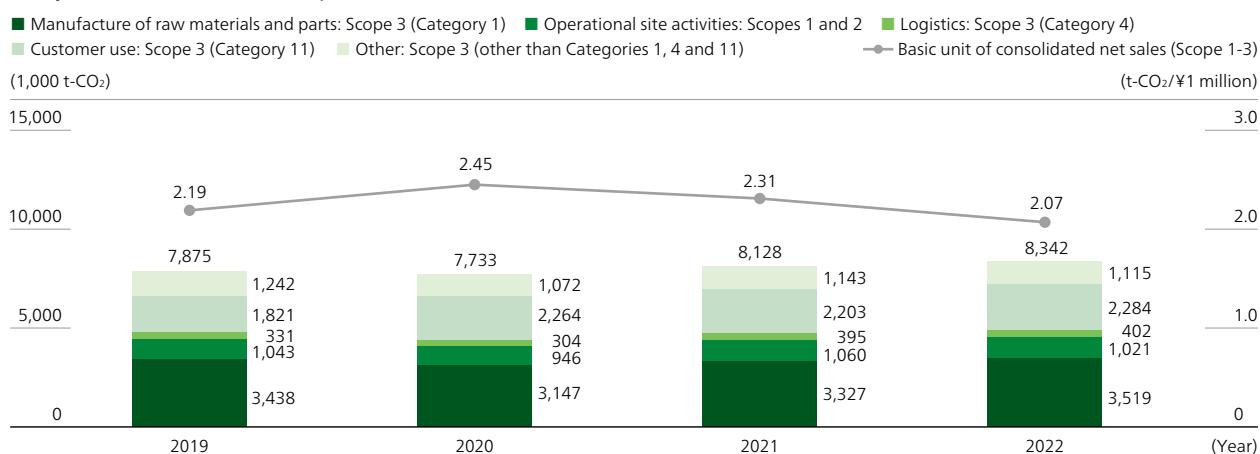
Scope 2: Indirect GHG emissions (consumption of electricity, steam, etc.)

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])

worldwide recovery from the pandemic. The result was an increase of approximately 210,000 t-CO₂ over the entire product lifecycle. The resources (input) that Canon used in its business activities and emissions (output) to the global environment over the entire product lifecycle are as shown in the following chart.

Also, volume totals in 2021 are greater compared to 2020 due to expansion of the scope of aggregation.

Lifecycle GHG Emissions (CO₂ Equivalent)



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

Scope 3 GHG Emissions in 2022

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

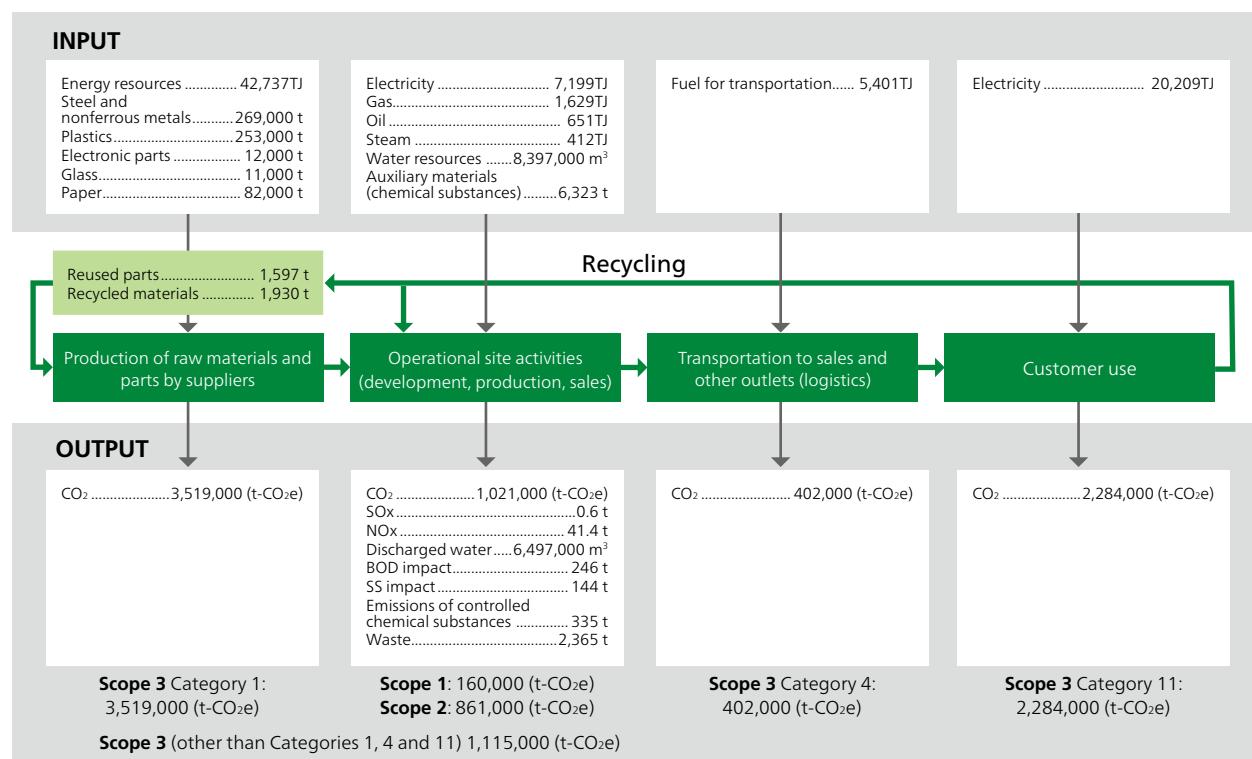
Canon compiles data for greenhouse gas (GHG; energy-derived greenhouse gas CO₂, and non-energy derived greenhouse gases PFCs, HFCs, SF₆, N₂O, methane, and NF₃).

For CO₂ emission factors for electricity, figures provided by individual electric supply companies are used, but publicly disclosed region-specific figures are used when figures are not provided by electric supply companies (Please refer to the website for the operational sites included in aggregation: <https://global.canon/en/sustainability/report/pdf/data-2023-e.pdf>). As the latest CO₂ conversion coefficients become public after compilation of CO₂ data for the report, the data are adjusted retroactively in subsequent reports. For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifetime and printing volume, and converted to the CO₂ equivalent using CO₂ emission factors for electricity, which are calculated in the same way as the above methods. Past data may be revised due to improvements in the precision of data collection.

Third-party Verification of GHG Emissions (Converted to CO₂)

Third-party verification has been obtained for CO₂ emissions data and basic unit of consolidated net sales appearing in "2022 Material Balance" and "Lifecycle GHG Emissions (CO₂ Equivalent)" in 2021/2022 and for each figure in "Scope 3 GHG Emissions in 2022."

2022 Material Balance



Climate Change

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

Canon's Initiatives and Their Relation to Sustainable Development Goals (SDGs) Targets



• Designing energy-efficient products	Target 13.2*	Target 7.3*
• Improving energy efficiency at operational sites	Target 13.2*	Target 7.3*
• Reducing CO ₂ emissions from logistics	Target 13.2*	Target 7.3*
• Expanding use of renewable energy	Target 13.2*	Target 7.2*

* Target 7.2: Increase substantially the share of renewable energy in the global energy mix

Target 7.3: Double the global rate of improvement in energy efficiency

Target 13.2: Integrate climate change measures into national policies, strategies, and planning

Initiatives for a Carbon-free Future

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

Environmentally Conscious Designs for Office Equipment

The imageRUNNER ADVANCE DX 4800F series of multifunction office devices achieves a reduction of approximately 25% in electricity consumption, placing it among the industry's top performers in typical energy

consumption (TEC). Its weight reduction of approximately 15% per unit realizes improved efficiency during utilization and shipping, which contributes to lower CO₂ emissions. Additionally, the product is fitted with a staple-free finisher that uses pressure to bind up to ten sheets of paper together, reducing waste in the form of metal staples.

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



imageRUNNER ADVANCE
DX 4800F series

Energy-Saving Technology Based on Nanoimprint Lithography Wins Prize for Excellence at 49th Environmental Awards

In a joint project with Dai Nippon Printing Co., Ltd. and Kioxia Corporation, Canon used nanoimprint lithography (NIL) to successfully realize pattern imprinting at the nanoscale level of current semiconductor manufacture (minimum line width 15nm*1). Whereas existing optical lithography technology uses light curing to transfer the circuit, NIL technology employs a simpler process whereby a mask etched with the pattern is pressed onto the resin-coated wafer to transfer the circuit. The use of NIL technology in the FPA-1200NZ2C system renders large-scale exposure light sources and costly and complicated vacuum and cooling equipment unnecessary, reducing electric power consumption during pattern fabrication to approximately one-tenth that of the existing cutting-edge light exposure technology for logic devices.

The energy-saving NIL technology for ultrafine semiconductor processing developed by the three partner companies was awarded a Prize for Excellence at the 49th Environmental Awards*2 in recognition of its contribution to reducing electric power consumption in semiconductor manufacture and supporting rapid development toward the future IoT society.



Prize for Excellence award ceremony

*1 One nanometer (nm) = one billionth of a meter

*2 For details of the Environmental Awards:

<https://biz.nikkan.co.jp/sanken/kankyo/index.html> (Japanese website only)

Identification of Carbon Footprint

Calculation of Carbon Footprint

Canon has introduced lifecycle assessment (LCA) methodology to calculate CO₂ emissions for the whole product lifecycle. Additionally, to enable customers to select products with lower CO₂ emissions, we work to disclose relevant information based on our Carbon Footprint of Products (CFP) certification under the CFP Communication Program of the Sustainable Management Promotion Organization (SuMPO).

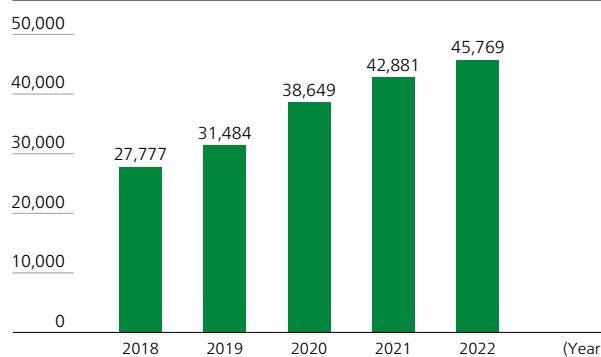
Additionally, by utilizing the Carbon Offset Program making use of CFP* promoted by the Ministry of Economy, Trade and Industry (Japan), we have been able to realize products with practically zero lifecycle CO₂ emissions. With some of these products, such as the imageRUNNER ADVANCE series and imagePRESS production printers, customers can report to the authorities, based on the Act on Promotion of Global Warming Countermeasures (Japan), that they do not produce the CO₂ emissions that would ordinarily be expected from use of the products.

Carbon offsets linked to customer demand from when we began using this system in 2014 until 2022 totaled 45,769 t-CO₂.

* Carbon offset program enables one's GHG emissions that are difficult to reduce to be offset wholly or partially by cuts in emissions or amounts absorbed by other parties

* This offset does not represent an offset by Canon of lifecycle CO₂

Carbon Offsets Linked to Customer Demand (Cumulative) (t-CO₂)



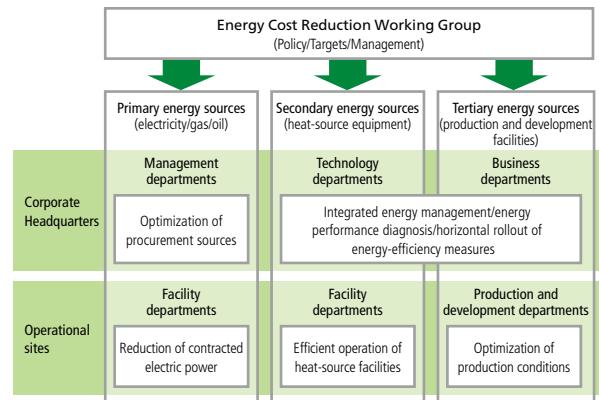
Reference: Products registered for EcoLeaf Environmental Labeling Program (Japanese website only)
<https://canon.jp/corporate/csr/environment/customer/products/cfp/>
Reference: Products certified under Carbon Offset Program making use of CFP (Japanese website only)
<https://canon.jp/corporate/csr/environment/customer/products/cfp-certified/>

CO₂ Reduction Through Initiatives at Operational Sites

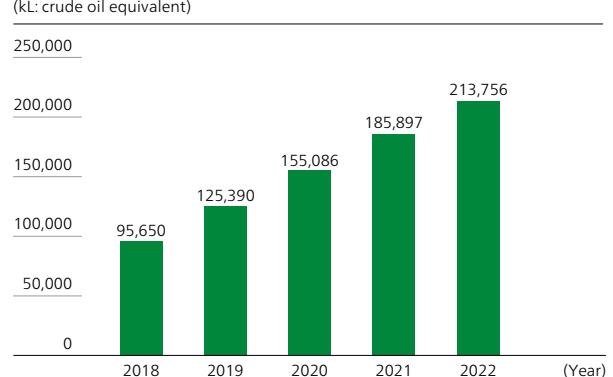
Canon created the Energy Cost Reduction Working Group in 2014 as a horizontally integrated organization to take Group-wide action on reducing energy consumption. The working group has promoted reduced energy consumption by undertaking a thorough-going analysis of the required operating environment for

production equipment in the on-site manufacturing process and using its findings for instance to reduce equipment operating time, cut out excess use of pressurized air and cooling water, and adjust air conditioner settings. Measures that prove effective are adopted for horizontal rollout to Japan and overseas production sites. Moreover, staff members from our corporate headquarters in charge of this initiative perform a diagnosis of energy performance during visits to production sites all over the world. There, they check the operating status and settings of production equipment and then use their observations to make improvements to the operating efficiency of facilities and equipment and provide staff with relevant on-site training. Since the launch of this initiative, it has resulted in a Group-wide energy saving of 213,756 kL (crude oil equivalent).

Organizational Chart of Energy Cost Reduction Working Group

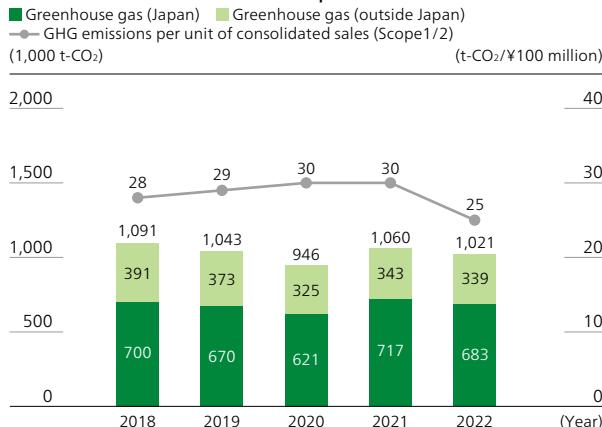


Cumulative Energy Savings Through Working Group Activities (Cumulative) (kL: crude oil equivalent)



In 2022, greenhouse gas emissions at operational sites were reduced by approximately 4% year on year to 1,021,000 t-CO₂. This result was achieved through on-site reduction initiatives including the setting up of the Energy Cost Reduction Working Group and comprehensive measures to boost efficiency in the production process.

Greenhouse Gas Emissions at Operational Sites



* For information on our basic approach to calculating greenhouse gas emissions, please refer to P21.

Effective Energy Utilization Through Joint Project with Outside Operators

In a joint undertaking launched in 2019 in Utsunomiya City, Tochigi Prefecture, with the prefectural authorities and three other companies^{*1}, Canon developed the Kiyohara Industrial Park Smart Energy Project, realizing major energy savings. The project integrates the Kiyohara Smart Energy Center and other sites newly established within the Kiyohara Industrial Park. By sharing use of electric power and heat (steam and hot water) between multiple business sites with differing levels of demand, the project achieved reductions per basic unit of approximately 20% in energy consumption and 20% in CO₂ emissions volume^{*2}—which would not be possible for a single business site alone.

In 2023, a system to predict and visualize the excess steam power generated from waste heat made it possible to use excess heat more effectively by introducing steam power facilities and making other operational improvements. These are expected to bring further benefit with an increase of two percentage points or more in energy-saving and CO₂ reduction.

^{*1} Calbee, Inc., Hisamitsu Pharmaceutical Co., Inc., and Tokyo Gas Engineering Solutions Corporation

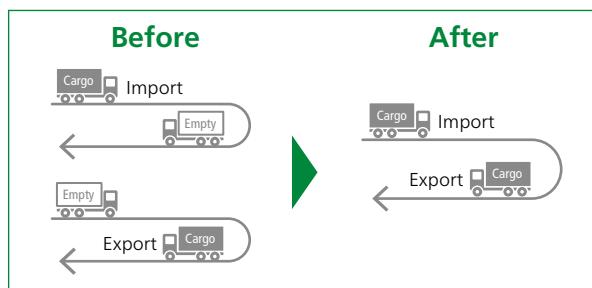
^{*2} Reduction realized by electricity and heat sent from cogeneration facilities compared to fiscal year 2015 before project launch
Fiscal year 2021 performance: approx. 10,400kL/year reduction in crude oil equivalent; approx. 21,000t/year reduction in CO₂ emissions

Logistics Initiatives

We are working to reduce logistics-related CO₂ emissions at all stages from production through to sales. As one way to lessen environmental impact in this area, we are seeking to achieve a modal shift by switching from road to rail transport. Another initiative targets improved loading efficiency by designing products and outer cartons to best fit the container size. We are also making an active effort in reducing environmental impact reduction by reviewing transport routes to shorten distances and by actively promoting “container round

use,” which means turning import containers around to reuse them for export. In addition to these measures, we were able to reduce transport-related CO₂ emissions through the progress of shifting from air to sea, as the disruption in international logistics caused by the pandemic came to an end in the second half of 2022.

Overview of Container Round Use



Use of Renewable Energy

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

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

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

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

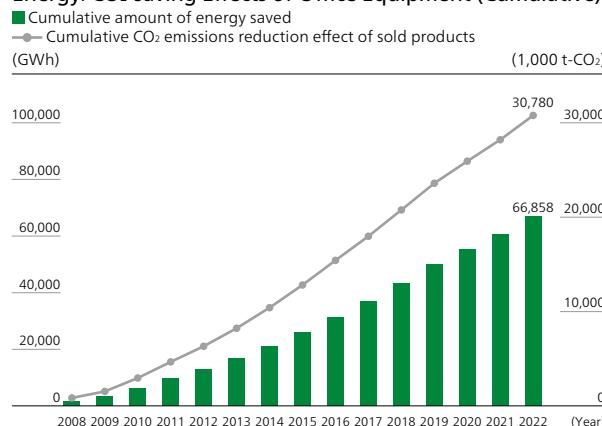


Solar panels at Canon Production Printing Netherlands

Contributing to Society by Reducing CO₂ Emissions

Thanks to energy-saving technologies used in office equipment, Canon products achieved cumulative energy savings of 66,858 GWh between 2008 and 2022. This is expected to result in a CO₂ reduction of 30,780,000 tons.

Energy/CO₂-saving Effects of Office Equipment (Cumulative)



* Covered products: Electrophotographic multifunction devices and laser printers for offices (excluding production printers).

* Energy-saving effect using the average energy (electricity) consumed by products sold in 2007 as a baseline.

* Cumulative yearly effect assumes that products sold in each year are used for 5 years.

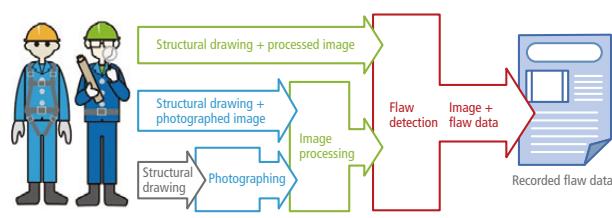
* CO₂ emissions factors are calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies (in Japan) and the International Energy Agency (outside Japan).

In addition to reducing lifecycle CO₂ emissions through hardware measures, we are deploying IT solutions to improve the efficiency of work operations, reduce the movements of people and objects, and realize resource and energy savings. This also promotes CO₂ reduction in society as a whole. For example, operations previously performed by personnel can be taken over by image recognition, sensing, or artificial intelligence, allowing staff reductions and eliminating

the need for physical movement of objects, which in turn increases operational efficiency, realizes high performance, and reduces CO₂ emissions. By delivering to society a range of IT solutions, Canon will continue contributing to reducing CO₂ emissions not only in its own operations but also in society as a whole.

Canon Receives Encouragement Award at 19th Life Cycle Assessment Society of Japan Forum Awards for Visualization of CO₂ Reduction Effect

Inspection of bridges, tunnels, and other structures using conventional visual inspection methods is time-consuming and labor-intensive as well as problematic in terms of the environment, as vehicle and personnel movements generate CO₂. Canon developed an infrastructural inspection service (Inspection EYE for Infrastructure) that combines high-definition imaging with our unique image processing technology and an AI technology that can detect cracks and other flaws from infrastructure images. We then calculated the CO₂ reduction effect achieved by switching from conventional visual inspection to image-based inspection. This initiative received the Encouragement Award at the 19th Life Cycle Assessment Society of Japan Forum Awards in recognition of its benefit as an advanced measure to facilitate the calculation of CO₂ emissions reduction and its potential to realize benefits extending to many other fields going forward.

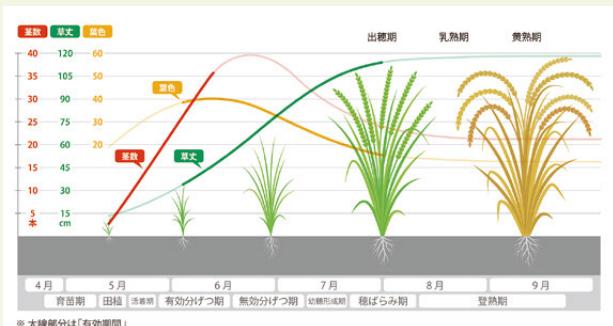


Inspection EYE for Infrastructure Service

Trial of Smart Agriculture that Aids Adaptation to Climate Change

As a way of helping agriculture to adapt to the environmental changes caused by climate change and other factors, Canon has used its many years of experience in imaging technology to develop the GM-1 crop growth monitoring system, a non-destructive, non-contact tool that uses images of crops to provide automatic access to growth metrics. We are now engaged in a trial of the system in paddy rice cultivation.

GM-1 combines Canon's unique image analysis technology, adapted to crop characteristics, with AI diagnostic technology based on deep learning. Through its capacity for data accumulation and comparison with past data, the system is expected to find applications in areas such as crop adaptation to climate change, optimal cultivation management, and development of new crop varieties.



Creation of crop cultivation metric database

Resource Efficiency

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

Canon's Initiatives and Their Relation to Sustainable Development Goals (SDGs) Targets

		• Designing more compact, lighter weight products	Target 12.2*	Target 12.5*
		• Reducing waste through prevention, reuse and recycling	Target 12.4*	Target 12.5*
		• Remanufacturing products	Target 12.2*	Target 12.5*
		• Recycling consumables	Target 12.2*	Target 12.5*
		• Using sustainable water resources	Target 6.3*	Target 6.4*

* Target 12.2: Achieve sustainable management and efficient use of natural resources

Target 12.4: Achieve environmentally sound management of chemicals and all waste throughout the product lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil

Target 12.5: Substantially reduce waste generation through prevention, reduction, recycling, and reuse

Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and substantially increasing recycling and safe reuse globally

Target 6.4: Substantially increase water-use efficiency

Resource Recycling

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

Flowchart of Circular Economy

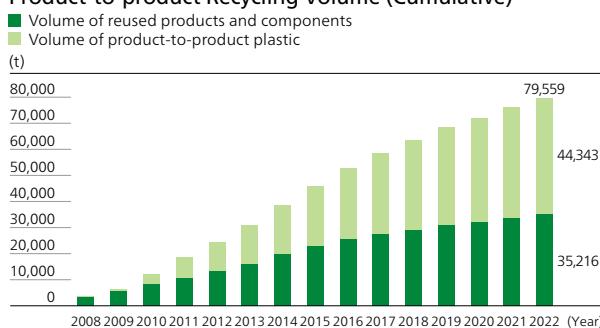


Reference: Remanufacturing of Multifunction Devices (→P27)
Ink and Toner Cartridge Closed-Loop Recycling (→P27)

Since 2008, we have taken 44,343 tons of plastics from used products for recycling as raw materials, and another 35,216 tons of products and parts were reused directly.

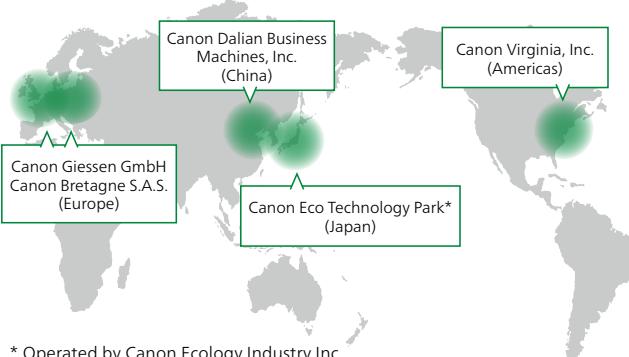
Going forward, we will continue to reinforce product-to-product activities at Canon recycling sites around the world, contributing to both a circular economy and the realization of a carbon-neutral society.

Product-to-product Recycling Volume (Cumulative)



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

Canon Recycling Sites Worldwide



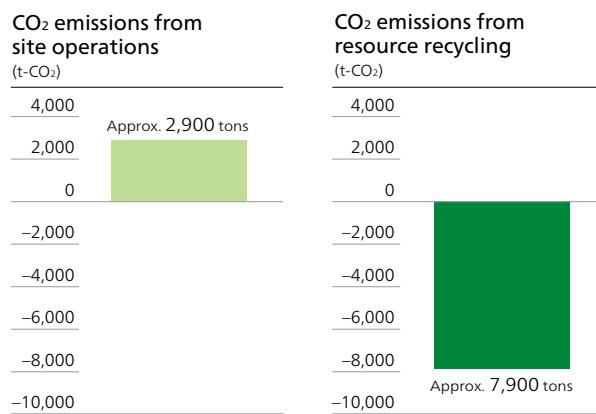
* Operated by Canon Ecology Industry Inc.

Value Created by Resource Recycling

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

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

Example of Canon Ecology Industry Inc.



Environmentally Conscious Design

To achieve effective use of our limited resources, environmentally conscious design is a necessary tool. Starting from the design and development stage, Canon gives careful consideration to the whole process through to collection and recycling of end-of-life products.

Our Environmentally Conscious Design Guidance summarizes the considerations that need to be addressed at the product design stage, including product-related environmental laws and regulations, Green Public Procurement standards, and environmental labeling standards in the different countries and regions where we sell our products. It sets out concrete guidelines covering a range of areas, such as extending product life, making products easier to maintain, disassemble and sort into constituent materials after disassembly, and improving information disclosure.

Remanufacturing of Multifunction Devices

Since 1992, Canon has undertaken remanufacturing of used multifunction devices. We collect used devices and break them down into parts, which are washed and cleaned using optimal techniques. Following strict reuse standards, we replace any parts that show wear or deterioration. The production line and inspection processes used are on a par with those for devices made only with new parts. When a remanufactured device is

shipped, it is guaranteed to offer the same level of quality as a new product. We market remanufactured devices from the imageRUNNER ADVANCE series under the Refreshed series brand in Japan and under the ES series brand in Europe.

In 2022, Canon launched sales of a new product under the Refreshed series brand, the imageRUNNER ADVANCE C3530F-RG, a special environmentally conscious model with an increased reused parts ratio. Using meticulous washing and cleaning processes, along with sandblast polishing* to remove the smallest imperfections and other special treatments, a reused parts ratio of over 90% has been achieved.

* A technique for polishing resin surfaces by blasting with microparticles

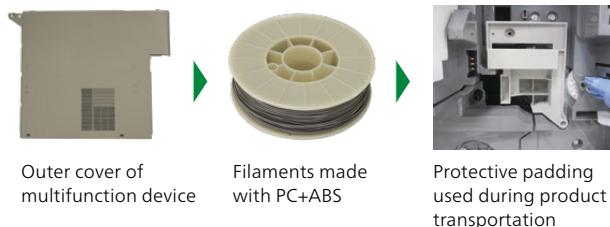


imageRUNNER
ADVANCE C3530F-RG

Development and Use of 3D Printer Filaments Made with Plastic Recycled from Multifunction Devices

As a new initiative to drive plastic material recycling, Canon Ecology Industry Inc. has developed a filament for 3D printers made with 100% recycled plastic. The recycled plastic raw materials used are PC+ABS and HIPS, which have a record of reliable performance as plastic materials and have been widely used in the outer covers and cassettes of multifunction devices and other applications. Adapting technologies accumulated through recycling of other Canon products, and utilizing optimal technologies to crush and wash the outer covers and cassettes of multifunction devices recovered from the market and then process them through extrusion-molding, enabled filaments with a stable wire diameter to be manufactured even with 100% recycled plastic.

Canon uses parts molded from these filaments as protective padding during product transportation.



Outer cover of multifunction device

Filaments made with PC+ABS

Protective padding used during product transportation

Initiatives regarding consumables

Toner Cartridge Closed-loop Recycling

In 1990, Canon launched its Toner Cartridge Recycling Program, the first such program in the industry. The program continues to operate today.

Returned used toner cartridges are brought to Canon recycling sites, where camera equipment is used to sort

them by model. The reusable parts are then picked out, washing and maintenance are performed as needed, and the parts are reused in new products. Parts that cannot be reused are crushed and separated by material using physical characteristics such as electrostatic properties and specific gravity.

The primary material of toner cartridges is the high-impact polystyrene (HIPS) used primarily for the housing. HIPS can be used repeatedly to make new toner cartridges, a unique feature of Canon's closed-loop recycling process.

We conduct used toner cartridge collection in 24 countries and regions (with a cumulative collection volume of about 454,000 tons as of the end of 2022) for recycling at four sites* worldwide. As of 2022 we have achieved a cumulative reduction in the use of new resources of approximately 322,000 tons.

* Japan: Canon Ecology Industry, United States: Canon Virginia, France: Canon Bretagne, China: Canon Dalian Business Machines

Collection and Recycling of Ink Cartridges

Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2022, Canon's collection program was operational in 30 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2022 reached 2,731 tons.

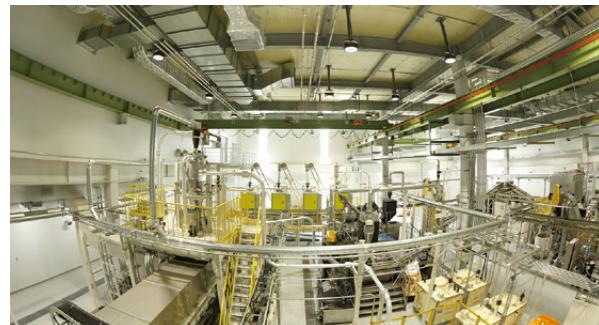
In Japan, Canon is part of the Ink Cartridge Satogaeri (Homecoming) Project, a joint program by printer manufacturers to collect cartridges via boxes placed in post offices, libraries, and other local government facilities. Schools also collect cartridges through activities related to the Bellmark Campaign. Outside Japan, we place cartridge collection boxes in large retail stores, affiliate sales outlets, shopping malls, companies, schools, libraries, train stations, Canon service stores, Canon showrooms, and other locations, depending on the circumstances in each country or region.

State-of-the-art Automated Recycling Plant at Canon Eco Technology Park

In February 2018, we opened the Canon Eco Technology Park. Based on a "clean and silent" design concept, which overturns the traditional image of recycling operations, the facility has implemented advanced systems to further boost recycling efficiency. The Canon Automated Recycling System for Toner Cartridges (CARS-T) is a process in which used toner cartridges are crushed and the materials automatically separated for recycling of the main component, high-impact polystyrene (HIPS). The sorting purity of the recycled plastic reaches 99% or greater* with the intensive use of various separation technologies at the different stages of the process. With the Canon Automated Recycling System for Ink Cartridges (CARS-I), a camera-based automatic sorting process is used on the used ink

cartridges. The process line is automated, yielding an integrated process for the recycling of ink cartridges from disassembly and pulverization to washing. Separated materials are reused for ink cartridge components and packaging, as well as for pallets used in logistics. Any resources that cannot be recycled through product-to-product recycling are diverted to material recycling or thermal recovery processes to help maximize resource efficiency.

* 99% or greater based on Canon's in-house sorting method

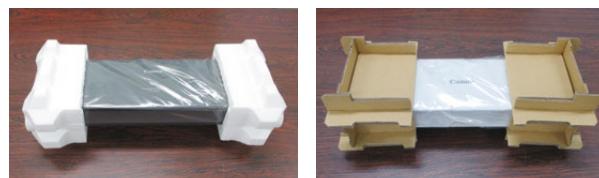


The Canon Automated Recycling System for Toner Cartridges (CARS-T)

Action to Reduce Disposable Plastics

There is growing public concern over single-use plastics, which are regarded as a cause of marine pollution. With the aim of reducing plastics, Canon is working to cut the amount of single-use plastic. For product packaging, we are seeking to replace single-use plastics, for instance by switching from polystyrene foam to pulp mold. Canon Electronics has switched from polystyrene foam to compostable and recyclable paper for the packaging material used with the imageFORMULA R10 and P-215 II document scanners. Canon intends to continue expanding the use of plastic-free packaging, focusing mainly on B-to-C products.

Additionally, Canon is a member of the Clean Ocean Material Alliance (CLOMA), a public-private sector alliance that seeks a solution to the problem of marine plastic pollution through accelerated innovation and collaboration among a wide range of interested parties across industry borders. In coordination with CLOMA, we are working on a range of initiatives, including reducing the use of plastics and developing recycle-friendly products, technologies, and systems.



Example of imageFORMULA R10 Personal Document Scanner in use

Initiatives to Reduce Waste at Operational Sites

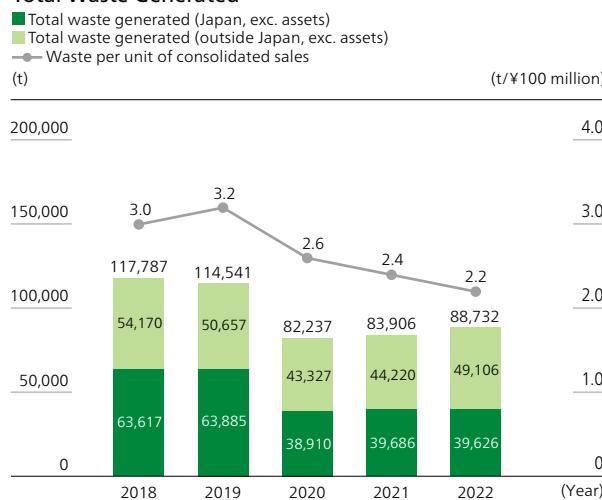
Reducing Waste

Canon is working hard to reduce the amount of waste it generates. Efforts include increasing recycling through sorting and collection and minimizing initial waste generation.

In particular, we have sought to determine which factors most significantly affect waste generation at production sites for each division and each production process. Based on these findings, and thorough forecast management, we have implemented a number of ongoing initiatives to reduce waste.

Total waste output in 2022 amounted to 88,732 tons. We implemented ongoing activities to reduce waste, such as switching to returnable shipping cartons at the Toride Plant and Canon Vietnam and reducing waste from the metal stamping process at Canon Hi-Tech (Thailand). However, due to factors such as an increase in packaging materials due to greater distribution of components at production sites, CO₂ emissions were up 6% from 2021, and did not meet our target for reduction of waste emissions intensity.

Total Waste Generated



* Excludes disposal of products collected after use.

* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

Initiatives Related to In-house Waste Recycling and Outside Resource Recovery

Canon actively works to reduce the amount of waste originating from its operations and to reuse or recycle waste where possible, appropriately disposing of any waste that can be neither reused nor recycled in accordance with the law.

Our various operational sites employ a range of in-house recycling schemes, including reprocessing waste plastic from injection molding or recycling it for other items.

Even in the case of waste that must be sent outside the company, we make sure it does not enter landfills*. Rather, we contract with companies that reprocess waste into materials. In 2022, contracted companies processed 86,367 tons of waste from Canon back into materials.

* Except for some general waste generated by business activities that is disposed of under government oversight.

Initiatives for Sustainable Use of Water Resources

Water Risk in Regions Where Production Sites Are Located

Canon assesses locations to confirm available water intake volume before establishing operational sites and facilities. We use the AQUEDUCT water-risk mapping tool provided by the World Resources Institute* for quantitative evaluation and reconfirmation of water risk in regions where production sites are located, and work to reduce water consumption in response to local conditions. Meanwhile, in some regions, an increase in abnormal weather patterns has increased the risk of flood damage. We have already begun implementing appropriate responses to climate change. In Japan, for instance, we have relocated the Miyazaki Canon site, replacing the former riverside structures with new buildings on higher ground. Similarly, at our Thai production site, we used an elevated site to build Plant No. 2. Going forward, we will continue our progress with the formulation and updating of risk response plans to increase resilience.

* World Resources Institute: WRI is an independent institute based in the United States that conducts policy research and provides technical assistance concerning environmental and development issues around the world.

Initiatives for Efficient Use of Resources: Use of Recycled Toner Pellets

In a joint project with an asphalt services firm Basic Construction Company, Canon Virginia Inc. has developed a new asphalt material containing an admixture of recycled toner pellets made from the waste toner in used cartridges. The polymer that is the main constituent of the recycled toner pellets improves the strength of the new material, which can reduce the use of asphalt binders, whose price has soared. The new asphalt material has been used on public roads in the US state of Virginia, realizing both effective use of resources and cost economies.

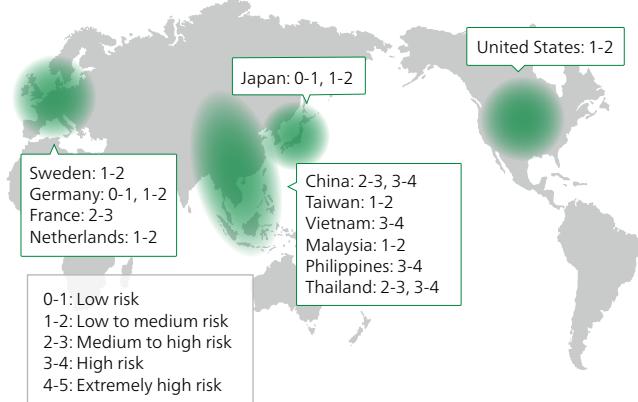


Recycled toner pellets used as asphalt additive

- Chemical Substances

- Biodiversity

Water Risk (Quantitative) in Countries and Regions with Major Production Sites



* Result of "physical risk quantity" assessment of production sites (as of end of 2020) using AQUEDUCT water-risk mapping tool (Version 3) (as of March 2023)

Reducing Water Usage

Canon collects water data by intake source (public water system, industrial water system, or groundwater) and manages water resources carefully so as not to exceed intake limits for the different regions in which it operates. We also set and manage targets for the volume of water used in production, and constantly strive to further reduce water usage by improving production processes, raising water-usage efficiency and enhancing the quality of our water management.

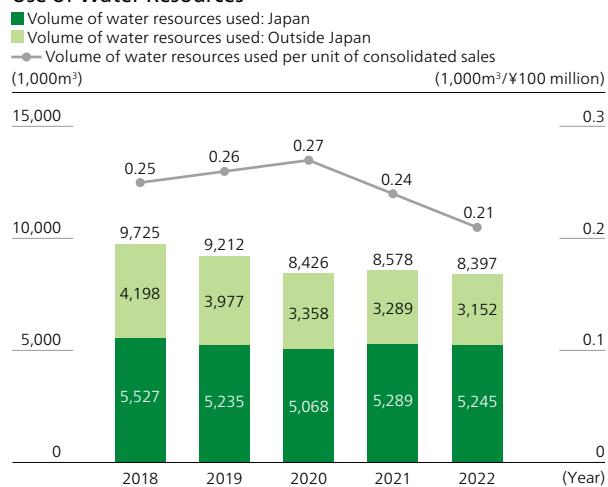
Water Recycling at Production Sites

Canon promotes the recycling of water resources. For example, taking into consideration its impact on the marine ecosystem of nearby Beppu Bay, which abounds with precious natural resources and habitats, the Kitsuki Plant of Oita Canon Materials Inc. employs a fully closed wastewater system that discharges only rainwater.

We are also working to keep water consumption at

our marketing sites to an appropriate level by measuring and monitoring the amount of water used at main sites. To reduce water consumption at its head office building through water recycling, Canon Marketing Japan is cooperating with the Shinagawa Grand Commons Community Development Council, an association of local business enterprises, in a reclaimed water utilization project under which recycled water supplied by the Tokyo Sewerage Bureau is used for flush toilets and other purposes. In 2022, water consumption decreased by 2.1% from the previous year to 8,397,000 m³. This was achieved through ongoing reduction measures at production sites, consisting of the replacement of aging facilities at Canon (Suzhou) Inc. and integrated operation of cleaning equipment at Oita Canon Materials Inc. These improvements also enabled us to reach our target for water consumption intensity, which decreased by 1.6% from 2021.

Use of Water Resources



* Third-party verification obtained for water consumption figures from 2018.

* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

High Marks for Various Efforts to Reduce Water Consumption

The Plant of Canon Hi-Tech (Thailand), which is located in an area of high quantitative water risk, promotes water conservation by adjusting water flow during the cleaning process, recycling water by purifying, and reducing used water in cafeterias and facilities. Last year, in recognition of these efforts, Canon Hi-Tech (Thailand) received the Water Saving Award sponsored by the Ministry of Industry in August and Gold level of Water Conservation Awards from Ministry of Natural Resource and Environment of Thailand in October.



Water Conservation Award ceremony

Interaction with the Local Community on the Theme of Water

In addition to recycling water, Oita Canon Materials carries out plant tours, outreach classes on the environment, and other educational activities that emphasize the precious nature of water resources, as well as participating in cleanup events at coastal and river sites. In recognition of these activities, the company received the Japan Water Prize (the Minister of Economy, Trade and Industry Award) from the Japan Water Prize Committee in the Japan River Association.



Japan Water Prize ceremony

Chemical Substances

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

Canon's Initiatives and Their Relation to Sustainable Development Goals (SDGs) Targets

 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 6 CLEAN WATER AND SANITATION	
		• Managing chemicals contained in products, meeting international standards
		Target 12.4*
		• Managing chemical substances in production processes
		Target 12.4*
		• Reducing discharge into air, water, and soil
		Target 12.4*
		Target 6.3*
		• Green supply chain
		Target 12.4*

* Target 12.4: Achieve the environmentally sound management of chemicals and all waste throughout the product lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil

Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and substantially increasing recycling and safe reuse globally

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.

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.

In the past, companies each employed their own survey formats to request information about chemical substances in products from suppliers, which meant that

suppliers were responding to their customers multiple times in different formats even regarding the same parts or chemicals. This situation incurred a substantial burden on and costs to the entire supply chain. Furthermore, using such a variety of survey formats gave rise to concerns about the decreased reliability of data as it was communicated across the supply chain.

Amid such circumstances, the Ministry of Economy, Trade and Industry (Japan) decided to sponsor chemSHERPA (chemical information SHaring and Exchange under Reporting PArtnership in supply chain) as a common platform for sharing information, facilitating the seamless transmission of information between companies to confirm compliance with regulations on chemical substances in products. Applying the IEC62474* international standard, the chemSHERPA data scheme enables the management of compliance verifications for chemical substance regulations for each material and part. It enables more effective verifications as well, since revisions to regulations are updated in a timely manner.

Having previously collected and managed information on chemical substances contained in products in line with IEC62474, Canon completed the introduction of chemSHERPA in 2017. Since its introduction by Canon, more than 99% of survey replies from suppliers have been made through chemSHERPA. This has led to increased workplace efficiency. Some suppliers have also adopted pre-filled survey replies that contain some of the required information. This shift to a more standardized approach contributes further to operational efficiency.

Meanwhile, for suppliers who have difficulty with the reply process, guide manuals in Japanese, English, and Chinese have been prepared to promote the progressive global adoption of chemSHERPA.

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

Managing Chemical Substances Used in Manufacturing Processes

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

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

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

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

Reducing Use and Emissions of Controlled Chemical Substances

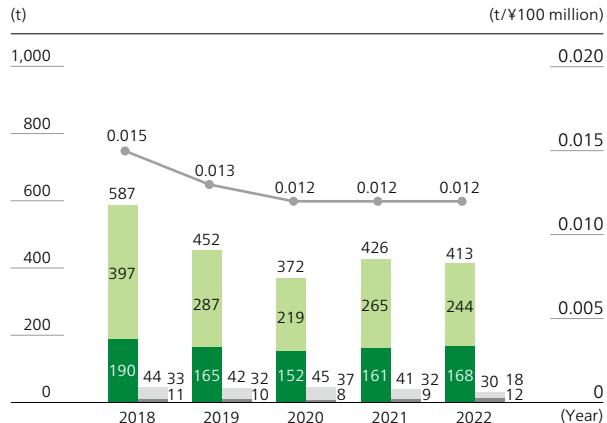
Canon engages in various initiatives at its operational sites to reduce emissions of controlled chemical substances, including reducing consumption and re-using them through improvement of production processes. In 2022, Canon Prachinburi (Thailand) and Canon Hi-Tech (Thailand) introduced replacements for controlled chemical substances while Canon Inc., Taiwan carried out process improvements and installed chemical substance removal equipment. These continuous reduction activities resulted in a year-on-year decrease of approximately 3% in controlled chemical substance emissions to 413 tons.

Chemical Substance Reduction in the Semiconductor Device Pretreatment Process

Some 30% of the semiconductor treatment process consists of cleaning the wafer (semiconductor element material) with various chemical substances. These substances are replaced at regular intervals regardless of how long the equipment has been in operation for. The semiconductor device manufacturing facility at Canon's Ayase Plant has developed a predictive tool that tracks the constantly changing situation on the production line together with data on production plans, maintenance, and the facility's capacity, allowing phased operation of equipment. By setting facilities to shut off for planned periods, the plant has reduced the frequency of replacement of the chemical fluids and thereby cut down on the total amount used. A yearly saving of around 23,000 liters of chemical substances is expected.

Emissions of Controlled Chemical Substances and Amount of Chemical Substances Designated by the PRTR System*

■ Controlled chemical substances (Japan)
■ Controlled chemical substances (outside Japan)
■ PRTR substances (Japan) ■ PRTR substances (outside Japan)
● Per unit of consolidated sales



* PRTR System: Pollutant Release and Transfer Register System, a notification system for the transfer and release of chemical substances.

* Controlled chemical substances exclude regulated substances.

* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

Reducing Emissions into the Atmosphere and Waterways and Preventing Pollution

Canon alleviates the environmental impact of its operational sites by reducing emissions of NOx*¹ and SOx*², which are major causes of air pollution and acid rain; reducing discharge of phosphates and nitrogen compounds, which cause the eutrophication of water environments; and, reducing BOD*³ and SS*⁴, which indicate an environmental impact in water areas. One example of this is Canon Components, the first member of the Group to introduce a new treatment process to reuse the active carbon contained in waste sludge. By removing the small residue of ink in treated wastewater, this process realizes reduced environmental impact.

*1 Nitrogen oxides (NOx) A major cause of air pollution, acid rain and photochemical smog, NOx is generated when the nitrogen in fuels is oxidized or when nitrogen in the atmosphere is oxidized during high-temperature combustion.

*2 Sulfur oxides (SOx) A major cause of air pollution and acid rain, SOx is generated when fossil fuels, such as oil and coal, are burned.

*3 Biochemical oxygen demand (BOD) BOD is the amount of oxygen consumed when microorganisms degrade organic matter in water. Larger figure indicates worse water quality.

*4 Suspended solids (SS) A collective term used for substances of less than 2 mm in diameter that float in the air and do not dissolve.

To prevent air pollution, when installing or updating equipment that uses fuel, we opt for fuels that minimize generation of air pollutants (such as sulfur oxide, nitrogen oxide and soot), and have banned the use of heavy oil in principle.

Furthermore, we have designated ozone-depleting substances and persistent organic pollutants cited in the Stockholm Convention on Persistent Organic Pollutants as banned substances.

With regard to wastewater, each operational site sets standard values based on local laws and regulations. Also, control values are set at 80% of the standard values as management standards at each site. We regularly check the status of compliance with management standards.

Soil and Groundwater Management Status

Canon places high priority on soil and groundwater protection. In line with this, we established the Canon Group's Basic Policy on Soil and Groundwater Pollution and implemented comprehensive measures based on it. In the unlikely event that soil or groundwater pollution is found at one of our operational sites, cleanup and remedial actions are carried out in close accordance with all relevant laws.

Also, our standard when acquiring new land is to conduct a preliminary soil examination and carry out any other necessary procedures, such as soil remediation, before making the purchase. We also monitor the chemical substances used at each site and, considering applicable national and regional standards, develop risk countermeasures according to the local situation.

Status of Soil and Groundwater Management Activities

Operational Site	Substances	Measures
Shimomaruko	1,2-dichloroethylene	Injection of treatment agents, water quality measurement
Utsunomiya parking lot 1	Fluorine and its compounds, etc.	Pumping, water quality measurement
Toride	Trichloroethylene, etc. Hexavalent chromium and its compounds	Pumping, water quality measurement
Canon Ecology Industry	Trichloroethylene, 1,1-dichloroethylene	Covering, Pumping, water quality measurement
Canon Components	Mercury and its compounds	Covering, water quality measurement

* Reports are made to the authorities concerning sites where remediation is in progress.

Going forward, we will continue with the above initiatives and carry out monitoring and reporting of operational sites with completed remediation in a timely manner.

PCB Waste Management

In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which damages living organisms and the environment. As of December 2022, 3 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 492 fluorescent ballasts in storage. In Japan, this PCB waste is processed sequentially by Japan Environmental Storage & Safety Corporation (JESCO).

Biodiversity

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

Canon's Initiatives and Their Relation to Sustainable Development Goals (SDGs) Targets

	<ul style="list-style-type: none"> Biodiversity Policy, Basic Policy on the Procurement of Timber Products Canon Bird Branch Project Preservation of natural habitats and biodiversity Forest conservation, tree-planting initiatives 	Target 15.2*	Target 15.5*
		Target 15.5*	
		Target 15.5*	
		Target 15.2*	

* Target 15.2: Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally

Target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, to halt the loss of biodiversity and, by 2020, to protect and prevent the extinction of threatened species

Biodiversity Policy

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

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

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

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

Reference: Basic Policy on the Procurement of Timber Products
<https://global.canon/en/environment/biodiversity.html>

'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. 'Nature positive' actions hold the potential to prevent the loss of economic activity as well as create new jobs and businesses. Canon adopted the Group-wide slogan 'Nature Positive' to guide our collaboration with stakeholders at marketing and production sites worldwide in rolling out activities in line with local needs.



Canon Bird Branch Project

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



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

■ Activities in Japan

Canon's Shimomaruko headquarters complex in Tokyo includes a greenspace with a wide variety of trees that we call the Shimomaruko Woodland. Under the supervision of the Wild Bird Society of Japan, a monthly survey of the migration of wild birds is carried out. The number of species observed has grown from eleven in 2014 to 38 in 2022, a more than three-fold increase, indicating the success of efforts to promote species diversity. At other sites as well, we have created biotopes, with bird baths and nesting boxes installed and kept clean and measures taken to protect against bird strikes, creating on-site environments conducive to bird life. We also announce the installment of nesting boxes and otherwise offer opportunities for employees to learn that even familiar spaces can foster the lives of wild birds. Meanwhile, 12 of our operational sites participate in the seasonal wildlife monitoring scheme proposed by the National Institute for Environmental Studies. Participants report the species of bird, plant, reptile, and insect observed at the site as well as the date on which the first birdsong of each species is heard, the date on which it is first seen, and the date on which each tree or plant begins to flower. These data also make

a useful contribution to academic studies.

Canon Optron, Inc. sought to promote harmony between nature and the local community by creating an on-site biotope with bird-friendly trees planted at its center. To create a conducive environment for a wide range of other living things as well as birds, care was taken to ensure that the biotope pond has both shallow and deep parts. The biotope provides a habitat not only for the rice fish and goldfish released into the pond, but also for frogs, shellfish and other species and has become a spot where employees go to relax. The number of bird species observed has increased from five to 16, underlining the biotope's contribution to biodiversity.



Biotope created by employees

■ Overseas activities (France)

We also promote biodiversity conservation initiatives at overseas sites in the Americas, Europe, and Asia. Canon Research Centre France is situated on a 45,000m² site, of which 82% is greenery. Since 2011, it has worked under the guidance of the French League for the Protection of Birds to protect and enhance biodiversity in its grounds and increase the number of bird species using the site as a habitat. To this end, it has adopted a site improvement policy that includes discontinuing the use of herbicides and pesticides. This initiative has successfully increased the number of wild bird species on the site, which according to the most recent survey has reached 34.

Contribution to the Global 30by30 Target

The Shimomaruko Woodland at Canon's headquarters complex provides a thriving environment for approximately 1,000 trees and shrubs and has become an important wild bird habitat in central Tokyo. As a Japan-based initiative in response to the adoption of the global '30by30'^{*1} target by COP15 (15th Conference of the Parties to the United Nations Convention on Biological Diversity) in Montreal, Canada, in 2022, the Ministry of the Environment is implementing a trial program to certify sites where action is taken to conserve biodiversity as 'natural coexistence sites.'^{*2} The Shimomaruko Woodland has been certified as 'equivalent' to a natural coexistence site. Canon is also engaged in biodiversity conservation as a participant in the 30by30 Alliance for Biodiversity^{*3} launched by the Ministry of the Environment in partnership with interested business enterprises and local governments.

*1 A global target for countries to place 30% or more of both their land area and territorial waters under protection by 2030 in order to promote biodiversity.

*2 A Ministry of the Environment program to certify sites where business enterprises, citizens' groups, local governments, or other bodies take action to promote biodiversity conservation.

*3 A voluntary alliance to promote effective measures toward achieving the 30by30 target.



Greenspace cultivated onsite

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

Canon USA supports the conservation of sea life through the New York Marine Rescue Center (NYMRC), which carries out rescue and rehabilitation activities for marine mammals and sea turtles. Since 2019, Canon USA employees and their families and friends have participated in the release of sea turtles that were nursed back to good health by the NYMRC. One turtle was named "Flippy" through a popular vote taken on Canon USA's official social media site. Weighing only around 35 pounds (16 kg) when rescued in 2022, Flippy was safely returned to the Atlantic Ocean the following summer after regaining a body weight of around 55.5 pounds (25 kg).



Flippy returns to the Atlantic Ocean

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

In recent years, the intensification of forest fires due to the effects of climate change and the increasing possibility of spontaneous combustion have attracted attention as pressing environmental issues.

Canon Business Machines (Philippines), Inc will prevent forest fires caused by fallen leaves and dead grass, promote circulation of animal and plant ecosystems, and maintain and preserve forests in good condition. Employees volunteered to clean up Botanic Gardens in a forest reserve designated as an ASEAN Heritage Park*, collecting about 20 kg of leaves.

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



Activities in the Mount Makiling Forest Reserve

Nature conservation activities in partnership with local communities (Thailand)

Canon Hi-Tech (Thailand), Canon Marketing (Thailand) and Materials Automation (Thailand) collaborated with naval authorities to implement marine and coastal environmental conservation and cleaning with the aim of restoring and preserving marine ecosystems affected by plastic pollution. At the event held at Nang Ram Beach, 124 employee volunteers participated in a 2 km beach clean-up, collecting approximately 100 kg of marine debris, encouraging tourists to beautify the beach, and planting 70 coral reefs.



Activities at Nang Ram beach

Approach (Society)

GRI2-23 GRI2-25 GRI3-2 GRI3-3

Why is this important?

Human Rights and Labor

Respecting Human Rights

Canon recognizes that its business activities, including supply chains, can impact human rights in various negative ways. We believe in the importance of identifying notable human rights risks and taking countermeasures to prevent or mitigate such risks.

Hiring and Treatment of Human Resources/

Diversity and Inclusion

Enterprises that operate globally have employees with varied personalities and values. Mutual respect for such diversity is critical in maximizing the potential of every individual, leading to the creation of original innovations. It also demands attractive working environments that can enable everyone to play an active part.

In line with this thinking, Canon respects the diversity of each employee, including culture, customs, language, and ethnicity. We also believe in the importance of the fair recruitment and utilization of human resources, irrespective of gender, age or disability.

Occupational Safety and Health Management

The health and safety of employees is a fundamental tenet of corporate activities.

Canon believes it is essential to create working environments where employees feel safe and healthy, both physically and mentally. This is critical to ensuring the workplace helps to foster vitality and improve productivity.

Human Resource Development and Personal Growth

Employee growth is the source of being competitive in business. Canon believes it is critical to develop HR systems based around on-the-job training (OJT) in the workplace, while also providing career development support to help individual employees realize their goals.

Sociocultural Support Activities

Recognizing that business enterprises only thrive due to social development, Canon believes in contributing through business activities to addressing societal issues as part of building the community foundations that support the company.

Relevant Guidelines

- UN Universal Declaration of Human Rights
- The International Labour Organization (ILO) International Labour Standards
- The United Nations Guiding Principles on Business and Human Rights

- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Children's Rights and Business Principles developed by the UN Global Compact
- Sustainable Development Goals (SDGs)

Major Initiatives/Targets/KPIs, Results

	Major initiatives/targets/KPIs	FY2022 result
Respecting Human Rights (→P39)	<p>Conduct third-party audits at production sites</p> <p>Human rights awareness training</p>	<ul style="list-style-type: none"> Sites audited in Japan and overseas: 16 Human rights e-learning courses taken at 98.2% of Japan-based Group companies
Hiring and Treatment of Human Resources (→P44)	<p>Appropriate management and reduction of working hours based on laws in each country/region</p> <p>Encouragement to take paid leave</p> <p>Enhancement of support systems to assist workers in balancing work with childcare and nursing care</p>	<ul style="list-style-type: none"> Average annual hours worked at Canon Inc.: 1,740 (reduction of 59 hours from 1,799 in 2010) Average days' paid leave taken at Canon Inc.: 18.1 (annual) Workers on childcare leave at Canon Inc.: 388 Workers on nursing care leave at Canon Inc.: 25
Diversity and Inclusion (→P48)	<p>Boost ratio of female managers at Canon Inc. by 3x by end-2025 from 2011 level</p> <p>Boost ratio of male employees taking childcare leave at Canon Inc. by at least 50% by end-2025</p> <p>Active recruitment of people with disabilities</p> <p>Barrier-free Mindsets training</p>	<ul style="list-style-type: none"> Female managers at Canon Inc.: 147 (increase of 89 from 58 in 2011) Female leadership training conducted Besides roundtable discussions between female employees and presidents and awareness surveys, actions included networking events with female leaders inside and outside the company, training related to career development and childcare leave Ratio of males taking childcare leave at Canon Inc.: 47.7% (increase of 45.8ppt from 1.9% in 2011) Roundtable discussions and interviews, introductory seminars and other initiatives on use of childcare-related programs to male employees Employment ratio for people with disabilities at Canon Inc.: 2.48% (statutory minimum 2.3%) Training conducted at Canon Inc. or Group companies in Japan: about 83%
Occupational Safety and Health Management (→P50)	<p>Eliminate fully accidents where workers get caught in machinery at Canon Inc. or Group companies in Japan</p> <p>Eliminate fully accidents involving hazardous chemical substances at Canon Inc. or Group companies in Japan</p> <p>Promote health management</p>	<ul style="list-style-type: none"> One accident where worker was caught in machinery at Canon Inc. or Group companies in Japan Worksite education programs conducted to promote safety at work, including OHS training and distribution of original posters and leaflets No accidents involving hazardous chemical substances at Canon Inc. or Group companies in Japan The Health & Productivity Stock Selection received by Canon Inc. for fourth consecutive year Stress checks offered at Canon Inc. (96.5% take-up) Program developed to rehabilitate employees suffering mental health problems; training conducted to improve health management skills of HR and other support personnel
Human Resource Development and Personal Growth (→P54)	<p>Devise and operate procedures to enable more international personnel assignments between countries and regions</p> <p>Build level-specific set-up to develop and implement training measures</p> <p>Conduct career support measures</p>	<ul style="list-style-type: none"> Employees on international assignment: 1,040 Technical trainees across Canon Inc. and Group companies in Japan: 8,017, based on 231 courses Canon Inc.: 312 employees transferred jobs via internal career matching system for better career alignment Canon Inc.: 588 employees completed third year of career support training
Sociocultural Support Activities (→P58)	<p>Contribute to local communities through various activities, including humanitarian and disaster support aid, educational and science grants, and sponsorship of the arts, culture and sports</p> <p>Expenditure on Sociocultural support activities</p>	<ul style="list-style-type: none"> Beneficiaries in 4E's Project: 86,494 Participants in Canon Young People Programme: 1,247 Participants in Junior Photographers: 336 Approx. ¥1.8 billion

Activity Report

Respecting Human Rights

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

Basic Approach

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

Human Rights Policy

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

It stipulates that Canon will conduct human rights due diligence, establish and operate a grievance mechanism, conduct awareness training, and engage in dialogue with stakeholders in addition to respecting internationally recognized human rights, including the prohibition of child labor, forced labor, unreasonable restrictions on movement and excessive overtime work, and also the respect for freedom of association and the right to collective bargaining. The Human Rights Policy is published in Japanese and English and is communicated to 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 promotion secretariat, pursuing human rights initiatives in cooperation with the procurement divisions. The promotion secretariat formulates an overall plan for human rights initiatives, establishes and operates grievance mechanisms, conducts stakeholder engagement, and reports important matters to the executive in charge. From 2022, potential human rights violation risks have been identified as a significant risk by the Risk Management Committee established by resolution of the Board of Directors. Each Canon Inc. division and Group company is implementing initiatives to prevent and mitigate human rights risks. The results are evaluated annually by the Risk Management Committee and reported to the CEO and Board of Directors.

Reference: Risk Management Committee (→P75)

Human Rights Initiatives

Based on the advice of outside experts, Canon has taken the following actions to ensure respect for human rights:

- (1) formulation/review of the Human Rights Policy;
- (2) undertaking human rights due diligence;
- (3) institution/operation of grievance mechanism;
- (4) conducting human rights awareness training;
- (5) addressing human rights risks in the supply chain; and
- (6) stakeholder engagement.

Implementation of Human Rights Due Diligence

Based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, we undertake human rights due diligence across the Group, as one activity under the Risk Management Committee. Each Canon Inc. division and Group company identifies and evaluates

the potential adverse human rights impacts in their respective business activities, including the supply chain, and identifies the salient human rights risks. Subsequently, the promotion secretariat aggregates, analyzes and evaluates those risks, and through stakeholder engagement (→P42), identifies salient human rights risks for Canon. In assessing human rights risk, we also refer to the human rights risk country/region index provided by the Responsible Business Alliance (RBA).

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



Due diligence workshop

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.

Grievance Mechanism

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

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

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 2022, Canon received 110 cases concerning human rights-related issues (discrimination/harassment, wages, working hours, etc.). Out of these 110 cases, 21 cases for which Canon completed investigations as of the end of 2022 required remedying.

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

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		●			P48 Diversity and Inclusion
Harassment		●			P42 Prevention of Harassment
Child labor	●				P43 Respect for Human Rights in the Supply Chain
Forced labor	●				P43 Respect for Human Rights in the Supply Chain
Unpaid wages/low wages	●				P43 Respect for Human Rights in the Supply Chain
Excessive overtime work	●	●			P42 Prevention of Excessive Overtime Work P43 Respect for Human Rights in the Supply Chain
Occupational health and safety	●	●			P50 Occupational Safety and Health Management
Protection of privacy		●	●		P79 Protecting Personal Information
Procurement of conflict minerals				●	P85 Addressing the Issue of Responsible Minerals Sourcing
Noise, environment pollution at operational sites				●	P11 Environment
Health damage or accident caused by product			●		P63 Product Responsibility

Human Rights Awareness Training

Since 2021, we have been carrying out an online learning program for employees to instill basic knowledge about business and human rights and raise awareness of Canon's human rights initiatives.

We extended this program to Canon Group companies in Japan in 2022. A total of 33,100 people completed the course, for a participation rate of 98.2%.

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.



Stakeholder Engagement

The OECD Due Diligence Guidance for Responsible Business Conduct states that it is important for companies to engage with stakeholders at the time they identify the actual or potential adverse impact caused by corporate activities. In 2022, to identify salient risks for Canon as part of human rights due diligence, we engaged in dialogue with the Canon Workers' Union representing our employees in Japan. In the dialogue, we confirmed the recognition of the workers' union on discrimination based on such factors as race, gender, or religion; harassment; excessive overtime work; occupational health and safety; and the protection of privacy, which are considered to be human rights risks for employees in particular. A broad range of opinions were also exchanged on the topics of changes in work styles due to greater telecommuting and men taking childcare leave. The dialogue helped to identify salient human rights risks for Canon. The workers' union introduced the risks it was evaluating and pointed to examples of flexible work styles developed during the COVID-19 pandemic. The dialogue served to deepen mutual understanding, with both sides confirming their desire to maintain such dialogue.



Dialogue with Canon Workers' Union

Respect for Human Rights of Employees

Prevention of Excessive Overtime Work

We have instituted a system to accurately ascertain the working hours of employees at overseas production sites deemed to be subject to a notably high risk of excessive overtime work. Actual results on working time management, including overtime work, are reported annually to the HR division of Canon Inc. 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 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 in accordance with the local laws and regulations of each country and region. We also strive to address various labor issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

Prevention of Harassment

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

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

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

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

Evaluation & Improvement of Human Rights Risk-related Activities at Canon Group Production Sites

We utilize the RBA's Self-Assessment Questionnaire (SAQ) to evaluate the risk of human rights violations at 57 Canon Group production sites worldwide. While the SAQ did not confirm any significant violations, it 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 2022, we held a dialogue with representatives of foreign workers, since such workers' working conditions didn't meet the RBA standards. An external RBA audit was also conducted at 16 production sites in Japan and overseas. The audit did not reveal serious violations regarding labor or health and safety, including human rights at these sites, but we revised internal rules and procedures to address any deficiencies indicated due to differences between the requirements under the RBA Code of Conduct and rules and procedures based on local laws and regulations. The results were shared with Group companies to promote related improvements. We also organized internal and external (RBA) audits of the companies that provide catering, security and other services as contractors, with the results being applied to guide related improvements. Canon Group employees follow a variety of religions. Related measures we take to respect religious practice include putting places of worship inside the workplace, and enabling consultations on religious customs in the workplace about prayers, worship, attire or meals, as well as setting rules on how to approach such issues.

Prevention of Child Labor

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

Prevention of Forced Labor and Unreasonable Restrictions of Movement

We use the RBA's SAQ at Canon Group domestic and overseas production sites to confirm there is no risk of forced labor or any unreasonable restrictions on workers' movements on the site or while at work.

Respect for Human Rights in the Supply Chain

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

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

Reference: Supply Chain Management (→P82)

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.

Reference: Compliance with Modern Slavery Act (→P86)

Hiring and Treatment of Human Resources

We strive to create an attractive, motivational workplace environment for employees.

Basic Approach

Canon believes that in order to become a truly excellent global corporation, each employee must be an "excellent person."

Based on this recognition, we are building a corporate culture that encourages an enterprising spirit by guaranteeing respect for the values of ambition, responsibility and mission, as well as fair and impartial assignments, evaluations, and treatment based on merit.

The *San-ji* (Three Selfs) Spirit has been a central guiding principle for Canon since its founding. The three "selfs" refer to 1) self-motivation: proactively taking the initiative; 2) self-management: conducting oneself responsibly and with accountability; and 3) self-awareness: knowing one's position, roles and circumstances.

Canon encourages all employees to embrace the *San-ji* Spirit as they pursue their work with a positive and forward-looking attitude, and promotes this approach at Group companies worldwide.

Guiding Principles

- Three Selfs Adhere to the principles of self-motivation, self-management and self-awareness in day-to-day activities
- Meritocracy Make vitality (V), specialty (S), originality (O), and personality (P), daily pursuits
- Internationalism ... Strive to become a culturally sensitive, internationally minded, sincere and active person
- Familism Strengthen trust and understanding of others and work together in a spirit of harmony
- Health First Live by the motto "healthy and happy" and work to cultivate character

Promotion System

Canon Group companies inside and outside Japan implement HR policies in line with national and regional laws and regulations, while also collaborating on various related Group-wide initiatives.

Hiring and Retaining Talent

Canon seeks to hire and retain talent that can drive globalization and innovation in its businesses with the ultimate goal of sustainable growth. With this in mind, we follow a uniform policy for hiring, job placement and human resource development.

In 2022, Canon Inc. and Group companies in Japan actively continued their recruitment programs, resulting in the hiring of 1,410 employees in total. Canon has established various programs and systems, such as a career matching system (→P56) and a work-life balance program for employees engaged in childcare or nursing care to support the continued employment of all employees so that they remain motivated and can maximize their skills and abilities over the long term (→P46). Canon also conducts biennial in-house employee awareness surveys, with the results providing feedback to management across each division as a way of helping inform policy formulation while increasing employee engagement. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry in Japan. As part of maintaining employee engagement, regular employee awareness surveys are conducted by Group companies in Japan, Canon U.S.A., Canon Europe, and Group marketing companies in Asia.

In terms of non-employee workers, a total of 7,254 people worked at the Canon Group as of the end of 2022. Canon generally outsources services such as security, cleaning and the operation of onsite worker canteens, based on corporate contracts.

Promoting Globalization of Executive Management

As part of promoting the development of globalized management, Canon appoints appropriate personnel, regardless of nationality, as presidents, executive officers, and managers of subsidiaries in each country and region where it operates (→P54).

For example, within the region overseen by Canon Europe, the HR globalization ratio* is 86% for Presidents and 93% for managerial positions.

* Ratio of non-Japanese in CEO/managerial positions

Creating Local Employment Opportunities at Production Sites

In order to help stimulate local communities and economies through job creation, we focus on local employment at production sites.

For example, our production sites in Asia employ over 60,000 local employees. In every region of the world, Canon ensures its employees are paid substantially more than the local minimum wage.

Reference: Comparison of Canon's Minimum Wage to Local Minimum Wage
<https://global.canon/en/sustainability/report/pdf/data-2023-e.pdf>

Fair and Impartial Compensation System

Salary Linked to Duties and Performance

Canon Inc. has introduced a position-based pay system to evaluate and compensate individuals fairly and impartially, regardless of gender or age.

In this system, remuneration is based on duties and performance. Basic pay scales incorporate the level of position in the company based on responsibilities and other factors. An employee's achievements as well as work-related processes and performance during the year are evaluated to determine annual remuneration. Bonuses reflect individual achievements and company performance.

This system is being promoted across the Group worldwide, and has already been adopted by most Group companies in Japan and manufacturing subsidiaries in Asia. Systems for determining compensation based on duties and performance have already been established at Canon U.S.A. and Canon Europe, along with other Group companies in those regions, as well as Group marketing companies in Asia.

Regarding basic salary amounts and increases as well as calculation and payment of bonuses, a wage committee meets with the Canon Workers' Union (Japan) three or four times a year to check whether remuneration is being paid in accordance with the rules of the labor agreement. The minutes of these meetings are made available to all employees. The committee also facilitates discussions between labor and management on the implementation and improvement of the compensation system.

Employee Benefit Programs

Canon offers various employee benefit programs, covering each stage of life from hiring to retirement, enabling employees to lead comfortable and enjoyable lives.

For example, as well as providing staff canteens and sporting facilities, Canon funds or subsidizes programs and clubs that bring together people with shared interests to foster better workplace communication.

We host various events for employees and family members that incorporate the local culture of each region. In addition, benefit programs have been developed in line with employee needs.

With a view to securing their futures, in addition to national social insurance programs, employees of Canon Inc. and Canon Group companies in Japan are eligible for added benefits that include a corporate pension plan as well as membership in our welfare association and health insurance society. Canon Inc. also offers a voluntary employee stock ownership plan, a savings plan and group life insurance policies, among other benefits.

Corporate Pension Plan

At Canon Inc., we offer employees the defined-benefit Canon Corporate Pension as a form of performance-based pay—a role- and grade-based retirement system—to supplement their public pension and contribute to a more comfortable retirement. A company-run pension fund manages pension assets, so employees do not need to provide any additional funds. Canon Inc. also offers a defined-contribution pension plan with matching contributions, which, coupled with the defined-benefit pension plan, provides solid financial security.

Other Group companies in Japan have also set up their own corporate pension plans.

Reducing Total Work Hours

Canon works diligently to ensure that employee work hours comply with the laws of each country and region where it operates, targeting reductions in hours where appropriate.

For example, at Canon Inc., we encourage workplaces to ban overtime in principle and to review work practices. In addition to an open vacation program in which employees can take five consecutive days of vacation once per year, we have been encouraging the taking of paid leave in various ways, such as having employees submit a plan for taking five or more days of annual vacation at their first meeting with their supervisor in the new year. Average paid leave taken in 2022 was 18.1 days. Total hours worked per employee were 1,740, a 59-hour decrease from 2010 (1,799 hours), when activities to reduce total working hours began.

Flexible Work Styles

We promote flexible work styles in line with national and regional employment customs.

For instance, in 2005, Canon Inc. formulated an action plan following the guidelines of Japan's Ministry of Health, Labour and Welfare, and is encouraging the adoption of flexible work styles while helping employees achieve work-life balance and taking steps to aid the development of the next generation.

Promoting Flexible Work Styles

Canon Inc. has several leave programs that enable employees to take time off flexibly in line with personal circumstances, including a program that facilitates leave in 30-minute blocks for reasons such as childcare, nursing care, injury or illness. We also have a long-service leave system where those employed for certain numbers of years can then take a vacation to refresh. In 2020, we introduced a remote working system aimed at boosting productivity by promoting flexible work styles not limited by time or location. We are currently implementing the seventh phase of the action plan spanning the three-year period from April 2021 to March 2024.

In addition, Canon Inc. conducts surveys on flexible work styles to assess the circumstances and needs of employees, aiming to create a flexible workplace environment.

A System for Supporting Working Parents/ Care Givers

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs that go beyond the legally stipulated minimum requirements, including a childcare leave program that enables employees to take leave until their child reaches the age of three, and a system for reducing work hours to support childcare, making it possible for employees to reduce their workday by up to two hours until their child has finished the third grade of primary school. In 2022, 388 employees started to utilize our childcare leave system.

Furthermore, to support employees who are undertaking fertility treatment, we have put in place a fertility treatment subsidy program that subsidizes 50%

of the treatment cost up to a maximum amount of ¥1 million, and a fertility treatment leave program that allows employees to take leave for the period required for treatment. Furthermore, we have implemented a system that allows male employees whose spouses have given birth to take two days of paternity leave.

In addition, to support the work-life balance of those in our local community, Canon Inc. established Poppins Nursery School Tamagawa. Located on our property adjacent to the Shimomaruko headquarters, the school is certified by the Tokyo Metropolitan Government and open to local residents. Approximately 50 children are enrolled at the school.

To help employees caring for aged relatives, we provide various support systems that go beyond the legally stipulated minimum requirements, including nursing care leave available for up to one year, sympathy money, and a system for reduced work hours to support nursing care, enabling employees to reduce their workday by up to two hours a day. A total of 25 employees began using our nursing care leave system in 2022.

Hotlines have been set up at each of our operational sites to handle employee inquiries about these systems.

External Recognition

Canon Inc., Canon Marketing Japan, Oita Canon Materials, Fukushima Canon, and Canon IT Solutions have all been granted "Platinum Kurumin" accreditation by the Japanese Ministry of Labour, Health and Welfare to recognize that their family-friendly HR policies and initiatives are of a particularly high standard. The Kurumin Mark recognizes activities by companies to support childrearing activities.



Action Plan Phase VII (from April 2021 to March 2024)

Action Plan	Measures	Results as of 2022 End
(1) Promote use of work-life balance programs with aim of raising participation rate.	<ul style="list-style-type: none"> Continue leave programs, hold related discussions and information seminars, and provide individual guidance on leave-related systems and procedures to those wishing to take leave. Hold seminars to assist employees seeking to balance work and childcare by increasing their understanding of related systems and providing related career support. 	<ul style="list-style-type: none"> While female employees typically make up the majority of those taking advantage of the programs, the number of male employees is also increasing significantly.
(2) Support diverse work styles while promoting further reform by encouraging work styles that do not rely on overtime; by continuing efforts to promote use of paid leave; and by maintaining an appropriate level of total work hours.	<ul style="list-style-type: none"> Using total work hours as an indicator for work-life balance, bolster measures to encourage use of paid leave and maintain an appropriate level. 	<ul style="list-style-type: none"> Designating July–September as Work-Life Balance months, implemented earlier work hours and continued efforts to promote work style reforms. Provided employee benefit programs to encourage self-development during the period of earlier work hours. Due to productivity gains and the promotion of work-life balance, total work hours company-wide decreased by 59 hours compared to 2010.
(3) Continuing from Phase VI, carry out community contribution activities open to participation by children – who are the future of our communities – through social contribution activities.	<ul style="list-style-type: none"> Continue reaching out to local regions and communities and implement appropriate initiatives from April 2021 to March 2024. 	<ul style="list-style-type: none"> Continued to carry out the following initiatives <ul style="list-style-type: none"> (1) Unique learning programs for children, including environmental education outreach program (2) Photography classes (Junior Photographers) (3) Tag rugby lessons and online rugby meet-and-greet events, etc.

Supporting Employees' Volunteer Activities

Canon Inc. has in place a volunteer leave system for interested employees. Under this system, employees wishing to participate in volunteer activities certified by the company may take up to one year of leave (two years and four months in the case of JICA Japan Overseas Cooperation Volunteers).

Worker-management Relations

At Canon Inc. and Canon Group companies in Japan, worker-management relations are founded on the principle of prior consultation, that is, finding solutions through thorough discussion. Candid discussions between management and the labor union are held whenever policies that affect wages, working hours, safety and health, and benefit programs are to be implemented.

Canon Inc. convenes a Central Worker/Management Conference with the Canon Workers' Union^{*1} to exchange opinions and information spanning a range of subjects. The CEO and other senior management attend the conferences.

In addition, special committees have been created to establish programs and enact new policies relating to wages, working hours, OHS issues, and benefit programs, based on discussions between labor and management. As of the end of 2022, combined employee membership in the Canon Workers' Union totaled 23,848, with a union membership rate of 80% for Canon Inc.'s workforce. The working conditions for non-unionized workers of Canon Inc. are stipulated via our employment regulations.

The annual Canon Group Workers' Union Conference is held for Group companies in Japan and representatives from Canon Inc. to enable discussions on working conditions, the status of the business, and other issues. The conference brings together 18 Group workers' unions and executives from 23 Group companies in Japan. As of the end of 2022, there were 51,333 employees in unions that belonged to the Canon Group Workers' Union Conference, for a union membership rate of 82% in the workforce of the 23 Group companies in Japan.

Dialogue-based proper labor-management relations are also maintained within Group companies outside Japan, in accordance with national and regional labor laws. The union membership rate^{*2} for employees of major overseas Canon Group companies is 79%.

*1 The Canon Workers' Union consists of employees from Canon Inc., Canon Marketing Japan, Fukushima Canon, and Ueno Canon Materials.

*2 Calculated for companies that have internal workers' unions.

Minimum Notification Period for Changes in Work Duties

Canon Inc. has established a minimum notification period clause within its labor agreement to ensure that personnel transfers do not negatively impact the lives of employees.

The minimum official notification period is four weeks for personnel transfers requiring relocation, two weeks for assignments not requiring relocation, and one week for other types of transfers.

Additionally, Group companies worldwide have established minimum notification periods in accordance with the laws and regulations of the countries and regions where they operate.

Diversity and Inclusion

We aspire to be a company that grows by openly accepting and working with people having different characteristics and values.

Basic Approach

Guided by the corporate philosophy of *kyosei*, Canon believes in the importance of allowing individual employees with varied personalities and values to fulfil their potential by playing an active role, without restricting opportunities. In line with this thinking, we respect diversity of culture, customs, language, and ethnicity, and actively encourage fair recruitment and deployment of employees, regardless of gender, age or disability.

Promotion System

Canon Inc. established Vital workforce and Value Innovation through Diversity (VIVID) in 2012 as a horizontally integrated organization to help promote diversity across the company. Headed by the CFO of Canon Inc. and governed by its own policies, VIVID is engaged in a range of initiatives.

These policies are published on Canon's home page and the Intranet.

Reference: VIVID Activities Policy

<https://global.canon/en/sustainability/society/pdf/vivid-activities-policy-e.pdf>

Major Policies and KPIs

Two themes of our pro-diversity policies are "Promoting the Active Participation of Women" and "Encouraging Men to Participate in Childcare." We are taking a range of measures and have set specific targets and KPIs as defined below.

- Boost ratio of female managers by 3x by end-2025 from 2011 level
- Boost ratio of male employees taking childcare leave by at least 50% by end-2025

* The year before VIVID was introduced.

Promoting the Active Participation of Women

Canon is committed to providing equal opportunities according to ability and fair treatment for all, irrespective of gender.

In Japan, in addition to formulating action plans and disclosing information as mandated by the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we are conducting our own original initiatives. For example, at Canon Inc., we organize leadership training for women as part of efforts to develop female candidates for managerial positions. Using the theme of developing a new business proposal, the training provides an opportunity to

develop leadership qualities. Since its launch in 2012, a total of 244 women have completed the training and are playing active roles in their workplaces, including at overseas locations. Partly as a result of these measures, the number of female managers rose to 147 in 2022, compared with 58 in 2011.

Furthermore, we hold return-to-work seminars for employees returning from childcare leave and their supervisors, and provide mentoring by female managers. We also host lectures and interviews with female executives, and share the experiences of female managers to create opportunities for raising awareness around working with purpose and balancing work with life events.

Group companies in Japan are promoting a range of initiatives to support career development for women, including roundtable discussions between presidents and female employees and surveys to gauge awareness, as well as networking events with female leadership candidates inside and outside the company, career advancement training, and career training for women who have returned from childcare leave.

Outside Japan as well, to coincide with International Women's Day, since 2020 Group companies in the Middle East and Africa have begun the SHE RISE Program, an in-house campaign to encourage the active participation of women. Canon U.S.A. is also running a project called Women in Leadership Levels (WiLL) to support the participation of women through a variety of opportunities, including networking events, lectures, and mentoring. In addition, Canon Europe formulated a set of diversity and inclusion commitments, and is monitoring and reviewing these in the regions it oversees. The commitments include activities to raise awareness of diversity and recruitment of diverse personnel.

External Recognition

Reflecting excellence in empowering women within the workplace, Eruboshi certification has been granted to Fukui Canon Materials (Grade 3), and to Canon Marketing Japan and Canon IT Solutions (Grade 2). The Eruboshi certification is granted by the Japanese Ministry of Health, Labour and Welfare based on satisfying certain evaluation criteria.

Encouraging Men to Participate in Childcare

Canon is promoting initiatives to encourage men to participate in childcare, with the goal of realizing a society where men and women participate equally as parents.

At Canon Inc. and Group companies in Japan,

we organize roundtable talks by, and publish interviews with men who have used childcare leave-related systems, and we hold seminars to introduce our childcare-related programs to male employees. These initiatives have proven effective: the childcare leave participation rate among men at Canon Inc. rose from 1.9% in 2011 to 47.7% in 2022.

LGBTQ+Inclusion

The Canon Group Code of Conduct emphasizes respect for the individual and prohibits discrimination based on race, religion, nationality, gender, age, sexual orientation or gender identity. Our initiatives also cover sexual minorities, including lesbian, gay, bisexual, trans and queer (LGBTQ+) persons. With the goal of eliminating all forms of discrimination from the workplace, training for managers includes education on preventing discrimination. In addition, we make use of various opportunities to educate employees, such as departmental staff meetings and compliance meetings. The Barrier-free Mindsets training program, which we provide for employees of Canon Inc. and Canon Group companies in Japan, features content relating to sexual minorities and aims to deepen understanding of related issues. The Barrier-free Mindsets program is an online training module that aims to help employees understand the problems and hurt created by barriers within society, along with the many issues experienced by those with disabilities or members of sexual minorities, plus related points to consider. Around 83% of employees of Canon Inc. and Canon Group companies in Japan received this training between 2019 and 2022.

Another provision to promote a barrier-free environment is gender-neutral washrooms. We also provide counseling and consultation services with a specialist counselor.

Utilizing the Abilities of Veteran Employees

Canon Inc. makes full use of the wealth of knowledge and skills of its veteran staff. In 1977, Canon Inc. was one of the first companies in Japan to set its retirement age at 60. In 1982, we introduced a system for reemploying retired employees until the age of 63.

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment internally for re-employment posts. Further, we raised the age limit for re-employment to 65 in 2007. As of the end of December 2022, there were 2,137 rehired employees in total.

Proactive Support for the Participation of People with Disabilities in Society

Respecting the ideal of normalization^{*1} advocated by the United Nations, Canon proactively employs persons with disabilities at Canon Inc. and Canon Group companies in Japan.

The employment ratio at Canon Inc. for people with disabilities was 2.48% in 2022, exceeding the statutory minimum of 2.3%. Our recruitment processes also include workplace experience days and site tours to ensure all recruits can adapt quickly to life at work.

Moreover, we are doing our utmost to make workplaces more comfortable and accessible for people with disabilities by improving facilities, including providing greater barrier-free access. We are also working to expand the range and nature of jobs for people with disabilities.

Canon Wind^{*2} primarily hires people with intellectual disabilities and maintains a high employee retention rate.

Canon Inc. and Group companies in Japan have set up on-site hotlines after the 2016 amendment of the Promotion of Employment of Disabled Persons Law prohibiting discrimination and mandating reasonable consideration for people with disabilities. Canon's measures to prevent discrimination against people with disabilities and ensure reasonable consideration at each site include providing individual consultations and personalized assistance or instruction during evacuation training drills and disaster preparedness training.

Since 2004, Canon Inc. and Canon Group companies in Japan have organized training courses and created e-learning modules to ensure workplaces are attentive to the needs of the hearing impaired. The training provides an accurate understanding of hearing impairments and introduces sign language to help promote smoother workflow. A total of 949 employees participated in this training up to and including 2022.

^{*1} According to the World Programme of Action concerning Disabled Persons adopted by the United Nations in 1982, society is made up of many different types of people and it is normal for people with and without disabilities to coexist in all settings. Therefore, we should create an environment in which all people can live and work together.

^{*2} A subsidiary of Oita Canon formed in 2008 as a joint venture with the Social Welfare Corporation Gyoun Welfare Association with the aim of promoting employment for persons with intellectual disabilities.

Support for Balancing Work and Nursing Care

Preventing the flow of people leaving their jobs to provide nursing care for family members has become an important social issue in Japan, which has a falling birthrate and an aging society. At Canon, we are taking steps to reduce the number of employees leaving work for nursing care by promoting activities to support them in balancing both priorities. Canon Inc. and Group companies in Japan hold nursing care seminars, conduct interviews with employees engaged in nursing care, and offer information on steps to take when a relative begins to need care and on nursing care-related systems, both public and internal.

Since 2020, we have been holding online nursing care seminars in cooperation with local authorities.

Occupational Safety and Health Management

We pursue initiatives aimed at improving occupational safety and health so employees can feel safe and secure in their work environment.

Basic Approach

Based on the principle that "management without safety is not management," the safety and health of employees forms the foundation of business activities at Canon.

Moreover, in line with the "Health First" principle, we take a proactive stance on the promotion of health management to ensure employees stay healthy in body and mind.

Promotion System

Canon has established the Central Safety and Health Committee as its highest body overseeing safety and health activities. Chaired by the CFO of Canon Inc., the committee establishes its central activity policies and plans for safety and health, while labor and management also work together to promote the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire and disaster prevention, and the creation of pleasant workplaces.

In line with labor agreements, management also works with unions to ensure working conditions are safe for employees.

Canon Inc. and Group companies in Japan have established safety and health teams at each operational site, and set targets based on the situation at each site in line with the policies of the Central Safety and Health Committee, to build healthy and safe work environments for all workers, including those of contractors. We also hold health and safety conferences with contractors to maintain and improve health and safety on site.

We are applying an integrated approach across the Group's overseas production sites, while taking into consideration the specific circumstances of each region and Group company.

Priority Targets and Initiatives

Occupational Safety and Health

Canon strives to create workplaces that are safe and secure. Canon Inc. and Group companies in Japan have worked on the following priority targets and initiatives.

Priority Targets for 2022

1. Eliminate all types of machinery-related accidents (0 cases)
2. Eliminate accidents caused by highly hazardous chemical substances (0 cases)

Initiatives

1. Promote effective operation of Canon Group Occupational Safety and Health Management System
2. Entrench and promote effective use of risk assessments
3. Improve health and safety awareness by enhancing education and training

Health Management

Canon Inc. and Group companies in Japan have declared their commitment to addressing the following priority targets and initiatives through the Central Safety and Health Committee. Health care initiatives carried out in collaboration with the health insurance union include long-term health targets and measures formulated in line with health care plans based on an analysis of medical cost and diagnostic data.

The Central Safety and Health Committee Medium-Term Plan (2022-2024)

Priority Targets

1. Reduce number of lost work days
2. Reduce presenteeism
3. Reduce number of people at high risk
4. Reduce number of people with metabolic syndrome
5. Establish practice of taking cancer screening tests

Initiatives

1. Mental health-related measures
2. Lifestyle disease prevention
3. Improving health literacy
4. COVID-19 response

Occupational Safety and Health

Prevention of Workplace Accidents

In 2022, in terms of serious occupational accidents requiring time off work, there were no accidents caused by hazardous chemical substances, but there was one accident relating to the use of machinery (getting pinched or caught). We are taking steps to prevent accidents from reoccurring, in terms of both education and equipment, such as investigating the underlying cause of any accident, retraining workplace personnel, and improving the operability of machinery. We conduct a thorough safety inspection and risk assessment to determine if similar risks exist at the site where any accident occurs. In addition, information about accidents is promptly shared with Group companies, particularly production sites, to prevent similar occurrences elsewhere.

Promoting Effective Operation of Canon Group Occupational Safety and Health Management System

We are expanding the Canon Group Occupational Safety and Health Management System in an effort to promote autonomous safety and health activities across countries and regions. System requirements are based on the Occupational Safety and Health Management System of the Japan Industrial Safety and Health Association and reflect Canon Inc.'s standards and rules. We are also working to cultivate best practices across all sites based on reciprocal supervision as well as develop measures to tackle a variety of issues.

Canon sites are currently transitioning from the international OHS management system standard OHSAS 18001 to the new ISO 45001 standard. As of the end of December 2022, approximately 17% of Canon Inc. and Canon Group sites around the world had acquired ISO 45001 certification.

Reference: ISO 45001 Certifications
<https://global.canon/en/sustainability/society/pdf/iso45001-e.pdf>

Entrenchment of Risk Assessments and Promotion of Effective Use

Canon conducts risk assessments for all installed machinery and related operations based on common Group-wide standards. For all operations with high risk of injury, illness, or accident, we take appropriate risk mitigation measures and manage any residual risk. Recognizing the especially serious risks posed by machinery-related accidents, we review existing equipment at least once a year. For new businesses, we also identify and evaluate risks from the R&D stage and implement OHS measures based on risk assessment outcomes.

To ensure common standards are applied to risk assessment across the Canon Group, we provide online learning programs for workplace managers and

employees with responsibility for equipment operations to deepen their understanding of assessment methods. In addition, if a specific risk is identified, all relevant workers are notified of the risk and given the requisite training, including steps to confirm understanding and mastery of any new work processes.

Improving Health and Safety Awareness by Enhancing Education and Training

Whenever an occupational accident occurs at Canon, we immediately brief all operational sites in Japan and overseas production sites, as well as publish the causes and countermeasures on our intranet to prevent a similar accident from occurring elsewhere.

To help eliminate workplace accidents, we also provide training to managers involved in on-site workplace risk assessment, along with online learning programs to ensure all employees involved with risk assessments have a good understanding of assessment objectives and procedures. A total of 4,724 people received such training up to and including 2022.

In addition, we are also taking steps to foster a workplace culture that is constantly aware of health and safety. For example, at Canon Inc. and Group companies in Japan, we provide health and safety training and use original awareness-raising posters and leaflets to educate employees about checking and enforcing basic safety behaviors in their work.

Canon is working to implement an occupational safety and health management system overseas, mainly at its production sites, on the same level as in Japan. For example, to help employees understand health and safety matters in their native language, we make effective use of work manuals, health and safety training materials, posters, leaflets, and other materials prepared by Canon Inc. in Japanese, English, Chinese, and Vietnamese to suit the situation of each site. For example, at Canon Vietnam, we are making a focused effort to promote activities for early prevention of hazards by raising employees' health and safety awareness. These include an experiential training facility called the Safety Experience Ring that enables trainees to experience the importance of safety through simulated hazard experiences, as well as risk assessment activities and a program for sharing improvement proposals based on on-site experience.

Health Management

Mental Health-related Measures

Canon conducts a variety of programs to promote comprehensive mental health at Group companies in Japan. These incorporate four types of care: self-care, care from workplace supervisors, care from occupational health staff, and care from external organizations. There are also programs to promote primary, secondary, and tertiary prevention. We are focusing in particular on

creating a standard response across Group companies, such as developing support programs for employees with mental health issues, and carrying out training to improve the ability of human resources and health support staff to handle such cases.

The stress check participation rate is high at Canon Inc., reaching 96.5% in 2022. In addition to check-ups with an occupational physician, any employees showing signs of high stress receive individualized health consultations. We distribute a "Health Report" detailing the health status of each division, based on grouped data analysis and organize related worksite meetings. We also provide managers with mental health training to help enhance workplace support capabilities. Employees on overseas assignments are given the same stress checks and follow-up procedures as in Japan, with any mental health measures coordinated with local HR managers.

Lifestyle Disease Prevention

As part of measures to combat lifestyle diseases, we identify health-related areas requiring attention and rank their priority based on analysis of employee data. For example, a longitudinal study analysis of physical exam data from 2009 showed the effects of shortened sleep, smoking, rapid eating and other factors on the onset of metabolic syndrome, leading us to select these as priority areas. For sleep, besides activities to raise awareness, we also introduced individual guidance using sleep monitors. The result was not only an improvement in sleep, but also in physical exam outcomes and presenteeism (working even while sick). Furthermore, smoking is prohibited inside workplaces at Canon Inc. and all Group companies in Japan, and we provide seminars and online programs to help employees to quit smoking. Since we initiated such measures in 2004, the ratio of active smokers at Canon Inc. has fallen by 17.9 percentage points over 18 years, reaching 14.5% in 2022.

To prevent serious disease, Canon Inc. and Group companies in Japan have adopted unified follow-up standards for employees with abnormal findings from a workplace physical check-up. Based on cooperation with health insurance unions, the provision of health guidance from expert providers has resulted in a decline in the numbers of employees either at high risk of metabolic syndrome or subject to specific health guidance. To prevent and detect cancers, we utilize the cancer screening system of the Canon Health Insurance Union, while ensuring a balance between treatment and work for employees living with cancer.

Improving Health Literacy

Canon Inc. is promoting health self-management in various ways: ongoing training tailored to different job levels; campaigns on the themes of sleep, nutrition, and

exercise; regular dissemination of information to raise awareness via the intranet; and, management of healthy activity goals and in-house events using ICT tools. Moreover, Canon Inc. and Group companies in Japan conduct an e-learning program every year for employees just turning 30, 40, 50, or 60 years old, in which they can learn about the health issues and self-management points specific to each age bracket, including women's health issues. In 2022, a total of 5,328 employees completed this program.

In collaboration with the health insurance union, labor union, in-house retail stores, staff cafeterias and other partners, we put the principal focus on Canon's nutritional campaign for 2022 on exercise. Our annual walking competition, which features the use of ICT tools, had 12,076 participants, a six-year high. In other health initiatives, the Canon Health Call service provided by the health insurance union offered personal health support to Canon Group employees both in Japan and overseas on a 24/7 basis.

Group companies outside Japan also conduct their own initiatives. Canon Prachinburi (Thailand) created video materials to help educate female employees on pregnancy and maternal health issues, as well as COVID-19, while Canon Business Machines Philippines organized mental health seminars by occupational physicians as part of efforts to raise awareness of various health issues.

Measures in Response to COVID-19

The response of Canon Inc. to the novel coronavirus (COVID-19) pandemic has centered on infection prevention, consultation access, support for high-risk staff, and information sharing. We have drawn up guidelines and manuals, acquired equipment and materials to prevent infection, and offered health consultations with occupational physicians and nurses as well as via a 24-hour telephone hotline.

Our workplace vaccination program for employees of Canon Inc. and Canon Group companies in Japan, which covers family members and contractors as well, inoculated around 60,000 people in 2022.

Infectious Disease Prevention

As part of its efforts to prevent infectious diseases, Canon Inc. provides training to staff traveling or being assigned overseas related to HIV, malaria, and other infectious diseases, based on information put out by the Quarantine Information Office of Japan's Ministry of Health, Labour, and Welfare. In addition, the company also recommends various vaccinations depending on the destination country or region, based on information from both the Quarantine Information Office and the Ministry of Foreign Affairs, and covers the cost of such vaccinations.

Health Training for Contract Workers

With increasing rates of heat stroke occurring in both indoor and outdoor worksites throughout Japan, we provide ongoing training to contract workers on heat stroke prevention. We also take preventative measures in the workplace environment.

External Recognition

Canon Inc. has been selected for four years in a row as a "Health & Productivity Stock" under a scheme administered jointly by the Japanese Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). In addition, Canon has been certified for six years in a row in the Large Organization category of the "White 500" Health & Productivity scheme jointly administered by METI and Nippon Kenko Kaigi. Canon Inc. was also joined in the "White 500" list in 2022 by 11 Canon Group companies in Japan.

"Health & Productivity Stocks" are selected on the basis they are a TSE-listed company that has taken the strategic initiative to manage employee health from a business perspective. The "White 500" certification is based on commitment to managing the health of employees at the local level, and the adoption of initiatives as recommended by Nippon Kenko Kaigi to improve health.

Canon has adhered to the "Health First" principle since its earliest days. External recognition points to our commitment over many years to ongoing actions that ensure progressive health management.



Human Resource Development and Personal Growth

We provide all employees the opportunity to build and advance their career.

Basic Approach

Based on the principle of "respect for human rights," a constant element of our corporate DNA since the company's foundation, we actively invest in human resources since we regard the growth of employees as a source of business competitiveness.

We support employee growth through a system of training/study programs and traineeships, based on the desire of every individual to grow in line with the *San-ji* (Three Selfs) spirit, along with on-the-job (OJT) training that relies on support provided by superiors and workplace colleagues.

We have also created specialist in-house bodies and programs to support business strategy in certain domains. Developing next-generation leaders, software engineers and other human resources will help to drive Canon's future growth.

Promotion System

Led by the Human Resources Management & Organization Headquarters, Canon has put in place a wide range of HR development systems, based on the idea of "developing our people in-house." As a rule, this means training the course trainers in-house as well.

Technical HR development committees have been established for each specialist area. Composed of in-house experts from each field, the groups discuss related HR development issues and training set-ups to support the systematic development of specialist engineering human resources.

In addition, we have created systems to allow Canon engineers to gain the latest external knowledge and technical skills through assignments to universities and research institutions in Japan and abroad.

Developing Globally Minded Personnel

With 341 operational sites* worldwide as of the end of 2022, the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop human resources with leadership abilities that can be utilized on the international stage.

* Number of operational sites includes Canon Inc., consolidated subsidiaries and equity-method affiliates.

Vitalizing Human Resources Through International Assignments

Canon established the Canon Global Assignment Policy (CGAP) as an international assignment system for its Group companies worldwide to stimulate international personnel exchanges, not only from Japan to other

countries but also from other countries to Japan, and internationally from Europe to the United States, for example. The goal of this program is to promote global business cooperation and the development of human resources capable of functioning at the global level.

CGAP is an international personnel dispatch policy shared by our Group companies, and personnel assignment policies in each respective country or region are based on it. Combining these policies allows us to promote personnel exchanges and to share basic philosophies and systems, while providing for flexibility in dealing with the special characteristics of each region, such as laws and culture.

For example, in Europe and the United States we have the US/Europe Exchange Program, which enables employees with at least three years of service to participate in a personnel exchange for a period of one year; and, in Asia we have the ASIA CGAP, which is a one-year training program in Europe and the United States for developing executive management candidates from Asia.

As of the end of 2022, a total of 1,040 employees were deployed on international assignments under these programs.

Global Training for Young Employees

In order to help employees acquire language and international business skills, Canon Inc. has established a system to allow employees to gain overseas work experience early in their careers.

For example, the Asia Trainee Program enables employees who are 30 years old or younger to engage in practical study at Group companies in Asia. Started in 1995, the program to date has deployed a total of 118 people. The program sends trainees to Group companies in countries and regions where languages other than English are used on a regular basis in professional settings. After roughly six months of language training at a local university, trainees spend about one year gaining practical experience at Asian affiliates.

Meanwhile, the Europe-US Trainee Program dispatches young employees to Europe and the United States. Started in 2012, the program has thus far provided training to a total of 68 employees. In 2020, we launched the Canon Global Marketing & Sales Trainee Program for new employees. With the aim of fostering human resources who will play an active role in Canon's future global marketing efforts, participants spend a year and a half both in Japan and overseas acquiring sales experience and language proficiency.

The Overseas Study Program for Technicians is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire skills that they can use to contribute to Canon's core businesses in the future. This program began in 1984, and to date, a total of 129 employees have participated in the program, studying at universities abroad. In line with our strategy to improve our R&D system in the United States and Europe, we plan to select several employees each year for overseas study.

Fostering Experts in Various Fields

Development of Human Resources in Engineering

To aid development of next-generation engineering human resources, Canon Inc. has built specialization-specific training set-ups for machinery, electronics, optics, materials, software, and other areas. We have also set up committees to oversee development of human resources across five core specializations. Each committee develops rank-based training programs for personnel from new hires and junior engineers to experienced leaders, as well as conducting courses and implementing other initiatives. We also provide training in some non-core specializations such as analytical technology. In 2022, a total of 8,017 engineers from Group companies in Japan took part in 231 related programs. Since 2021, we have also held online training to build general IT literacy for Canon employees across all job types.

In 2023, we instituted a new system to designate technology leaders within Canon as "top scientists" as part of our efforts to retain and develop the people needed to create new businesses based on our technical innovations.

Development of Software Engineers

Canon Inc. set up the Canon Institute of Software Technology (CIST) in 2018 to cultivate software engineers. Programs at CIST provide systematic support for the development of human resources in this area, from upskilling for engineers within product development teams to providing basic training for new recruits and people joining from other occupational fields.

Elsewhere, we have sent 4 people to the "Top SE (system engineer) course" programs hosted by the National Institute of Informatics; and 5 people to the "Smart SE course" business school program organized by Japan's Waseda University that focuses on AI, IoT and Big Data technologies.



Based in Tokyo, the CIST develops software engineers



Software engineer training at CIST

Development of Global Human Resources in Manufacturing

At Canon, we are focusing on developing human resources who support production activities, mainly through the Monozukuri Advancement Center of Canon Inc.

In 2022, 216 employees working at eight overseas production sites took part in a total of 39 online training programs organized by the Monozukuri Advancement Center.

To promote training at overseas production sites, Canon is also focusing on on-site instructor-development training. A total of 62 personnel took part in 16 online training workshops for instructors in 2022. Site-based instructors across the Canon Group provided training to around 3,400 personnel in 2022.

A technical skill testing program, following the same standards as in Japan, has also been established at overseas sites. In 2022, testing was carried out for seven types of work skills, including injection molding, board mounting, and metal stamping, at a total of five sites in Thailand, Vietnam, China, Malaysia, etc. with approximately 460 employees participating.

Human Resource Development System

To motivate employees and enhance skill specialization, Canon Inc. maintains an educational system for rank-based, elective, and self-development training.

Rank-based training is carried out to help employees more readily understand and fulfill their respective roles and to foster awareness of the actions and behaviors defined by Canon's guiding principles. We also supplement this with elective training that includes e-learning programs and other programs to support self-development. These training programs cover such issues as harassment prevention and compliance.

On average, Canon Inc. employees spent about 22 hours on average in training in 2022. Related training costs per employee amounted to approximately ¥162,000 at Canon Inc., and about ¥89,000 at major Canon Group companies in Japan and overseas marketing companies.

Managerial Development

For the development of management personnel, we operate the Canon Management School and the Canon Leadership Development (LEAD) Program. The Canon Management School, aimed at division managers and general managers, is designed to develop top-class management leaders. Led by our CEO, the school invites as instructors experts from such fields as politics, foreign diplomacy, economics, and science and technology. The program has produced many of our Group executives. The LEAD Program is designed to help candidates switch to a management-oriented mindset and develop their leadership abilities while also reinforcing strategy planning and execution capabilities. It provides training prior to and after appointments to management positions, as well as assessments prior to appointments. Our goal is to further reinforce efforts to systematically cultivate the next generation at Canon, concentrating on the development of management personnel as well as personnel for global, technological, and manufacturing roles.

Canon Inc.'s Career Development Support Programs

■ Regular Performance and Career Reviews

Since we evaluate the conduct and performance of employees under our position-based pay system, supervisors have meetings with their team members individually three times a year—at the start, midpoint, and end—to confirm duties and targets, monitor progress, and discuss future career development based on a "career sheet" filled out by the employee.

When discussing the evaluation, supervisors offer advice and guidance on improving results and work performance. This enables employees to objectively

understand their own strengths and weaknesses, which aids them in achieving further growth. Supervisors also use this information in future development plans for the employee.

■ Career Matching System

Canon Inc. has also established an internal career matching system to support its employees in pursuing satisfying careers. The system matches the right people to the right jobs, promotes internal mobility of human resources, and brings greater vitality to the company.

We also provide a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and then take up a position based on their skill level. In 2022, a total of 312 moved jobs via our internal recruitment system.

■ Career Development Support for Young Employees

At Canon Inc., discussions are organized by the Human Resources Division for all employees after working for three years to review the suitability of their job and working environment and provide peace of mind and help them fulfill their potential.

Since 2022, we have also introduced a training program for young employees in their third year with the company that includes a talk on career development and the opportunity to talk to a career counselor. The program aims to build awareness and motivation for career development. A total of 588 employees attended this training program in 2022.

■ Post-retirement Career and Life-plan Training

Canon holds Creative Life Seminars for employees when they reach the ages of 50 and 54 in order to help them plan for their retirement years. By providing employees with an opportunity to think about their life plan and career plan at an early stage, we help them to systematically plan and prepare for life after the age of 60.

■ Supporting Organizational Invigoration

Canon aims to realize individual and organizational growth at the same time as achieving success in business. To this end, we have established a dedicated division for organizational development, which supports organizational invigoration through consulting on increasingly diverse organizational challenges, post-activity support, and rank-specific training. As of 2022, the division has provided support to 464 divisions and 16,000 employees, including Group companies worldwide.

■ Other Career Development Support

To offer a more diverse range of learning opportunities and support the career development of self-motivated employees, we are developing e-learning content that can be accessed on weekends or after work during the campaign period to promote work-life balance.* In 2022, around 6,000 employees participated in these programs.

* As part of a drive to reform work styles, from July to September, we set our work hours forward to enable workers to finish earlier.

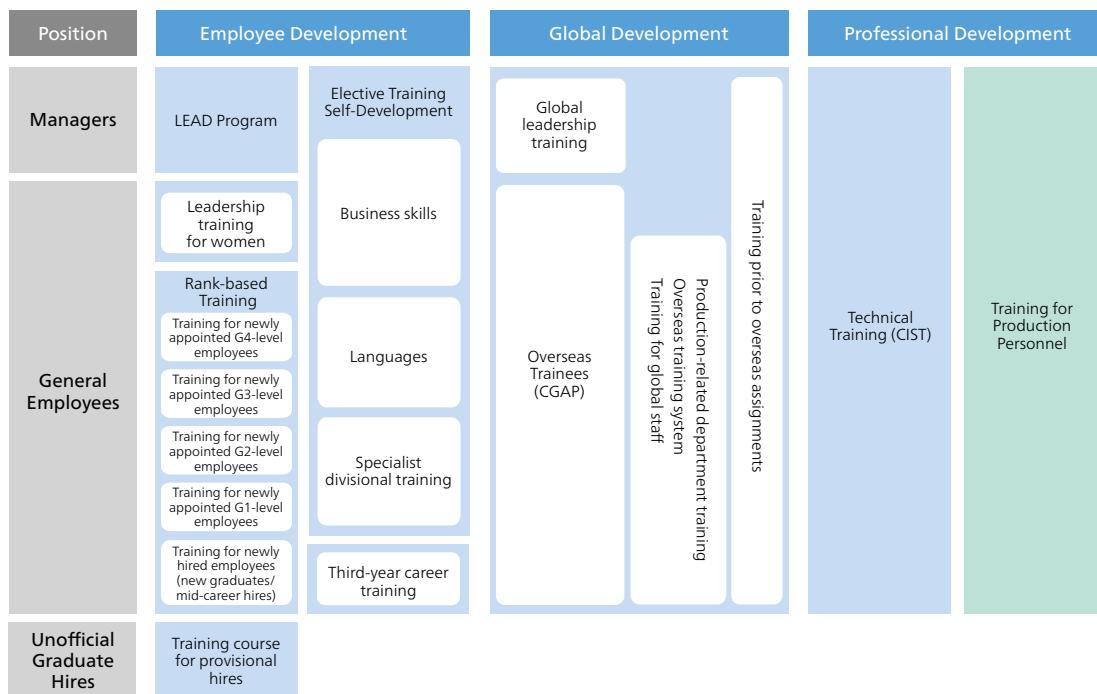
Various Certification and Award Programs

Canon has established certification and award programs to honor Group employees for their outstanding achievements.

At the Canon Summit Awards, Canon honors Group

companies, divisions, teams, and individual employees who have made a major contribution to the development of the company in terms of activities or products. Canon recognizes employees with numerous other accolades: the Invention Award for employees who make inventions and contribute to intellectual property activities; the Quality Award and the Production Innovation Award for excellence that contributes to improvements in quality and productivity; the Canon Meister Certification/Commendation for contributions to advancements in manufacturing using a wide range of skills; the Canon Master Craftsman certification for outstanding skills that Canon should pass down; and, the Environment Award for excellent environmental practice.

Canon Inc.'s Human Resource Development System



Sociocultural Support Activities

We are contributing to the sustainable development of local communities using technology and knowledge gained in business.

Basic Approach

Contributing to society through business activities has been the ethos underpinning our corporate culture ever since Canon was founded. Based on this thinking, in the important field of social contribution activities, we are involved in projects that provide medical services to impoverished regions by utilizing the technology from our medical operations; we also focus on educational and sociocultural support activities to use the imaging and printing technologies Canon has developed over many years. This area is one of the key strategic elements of strengthening our competitiveness, as identified in Phase VI of the Excellent Global Corporation Plan. Developing these business activities also helps us to address societal issues.

We also support the Children's Rights and Business Principles formulated by UNICEF jointly with the United Nations Global Compact and Save the Children. In support of the next generation, Canon is engaged in activities to help protect the rights of children.

In 2022, Canon spent approximately ¥1.8 billion on social contribution activities.

Policies

Based on the Canon Group CSR Activity Policy, we are engaged in activities that support the arts, culture and sports; in providing humanitarian aid and disaster relief; and in activities that enrich local communities while also taking care of the global environment. Under this policy, we are developing sociocultural support activities across the Canon Group by leveraging the Group's strengths in terms of advanced technological capabilities, global business development expertise, and diverse, specialized human resources.

Reference: Canon Group CSR Activity Policy
<https://global.canon/en/sustainability/society/pdf/csr-activity-e.pdf>

Promotion System

The Sustainability Headquarters at Canon Inc. oversees and promotes sociocultural activities across the entire Canon Group. The Group Executive for Sustainability Headquarters, who is an executive officer of Canon Inc., reports important matters periodically to the Chairman & CEO and Executive Vice President, and receives approval for the direction and content of any measures taken in response to related risks and opportunities.

Moreover, social contribution managers at Group companies around the world regularly share information on such matters, while we actively use our intranet and social media platforms to share with employees information on Group activities, action on the SDGs, and other related topics as a way of promoting dynamic sociocultural support activities across the Group.

Major Initiatives

The 4E's Project in India

Canon India carries out the 4E's Project in cooperation with the NGO Humana People to People India. The project provides various forms of assistance in the four fields of eye care, education, environment, and empowerment to impoverished villages near to the Canon India offices.

Especially in the field of eye-care, Canon strives to provide improved medical assistance to the people with vision impairment by utilizing its technology from the Medical Group that Canon plans to further strengthen and expand its operation as part of the priority business strategy. In India, despite the fact that 80% of cataracts, a major cause of visual impairment, are believed to be preventable or treatable, the issue is lack of access to appropriate diagnostic or therapeutic care due to insufficiently developed healthcare infrastructure. Canon India opens vision centers in selected villages to provide eye examinations using equipment made by Canon. A total of 6,105 people visited these centers in 2022, with 644 receiving free eyeglasses, and 188 patients being referred for treatment in hospital.



Eye testing at a vision center in India

In addition, in the field of empowerment, we are engaged in initiatives to stimulate young people's interest in photography. For example, we organize photography workshops for children living in juvenile homes in New Delhi in partnership with the Department of Women and Child Development, Government of National Capital Territory of Delhi. Targeting children in care who are aged 16–18, the workshops explore the world of photos and aim to foster related employment opportunities. In 2022, these workshops were attended by a total of 74 children.

In 2022, there were 86,494 beneficiaries in the entire 4E's Project.

Canon Young People Programme Harnesses the Power of Positive Visual Storytelling

The Canon Young People Programme (YPP) runs across Europe, Middle East and Africa (EMEA) with the objective to give young people a voice to create a better and more sustainable future by introducing them to the power of creative visual storytelling, aligned to the United Nations SDGs. We achieve this by supporting young people from disadvantaged backgrounds across EMEA to develop the creative storytelling skills they need to succeed in the workplace of tomorrow.

The program is run in partnership with local NGOs in each country and through this close collaboration helps us reach the local communities, run the workshops and amplify the voice of the participants. The program is diverse, creative and enabling, giving us the opportunity to work with young people with great ideas, willing to contribute, and to work hard to make the world a better place and really make a significant difference to their community. In 2022 YPP workshops were held across EMEA in 24 countries, including 10 new countries such as Jordan and Turkey, and supported over 1,200 young people to have their voices heard, and their stories told.



Canon YPP students in Za'atari Refugee Camp, Jordan

Miraisha Programme Aims to Increase Employment Opportunities and Technical Skills in Africa

High youth unemployment is a severe problem in Africa. Moreover, while demand is increasing for photography, video production, and printing, most of this business is done by foreign companies because local skill levels often do not reach international standards. In response to this situation, Canon Europe has been promoting its *Miraisha* Programme, a social investment initiative in Africa. *Miraisha* is a portmanteau of the Japanese word mirai, meaning future, and the Swahili word maisha, meaning life. Through the program, Canon aims to improve the technical skills of and increase employment opportunities for local young people in Africa's growing photography, video production, and print industries. Workshops in photography, film-making, and professional printing have been conducted in Kenya, Ghana, Nigeria, DRC, Uganda, Cameroon, Ivory Coast, and other countries. Through partnerships with local organizations, educational institutions, event organizers, and with the assistance of Canon Ambassadors, the *Miraisha* Programme has so far provided training to more than 6,500 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the *Miraisha* Programme. By 2022, a total of 26 people had been accredited as Canon Certified *Miraisha* trainers, with three of these recruited as Canon Group employees.



Miraisha Programme participants in Kenya

Research and Education Program "Eyes on Yellowstone" Helping to Communicate Importance of Environmental Conservation

Canon U.S.A. contributes funds to the globally renowned Yellowstone National Park to support surveillance activities targeting endangered wildlife species.

Specifically, through the research and education program Eyes on Yellowstone, Canon imaging devices are being used for ecological observation with the aim of building a digital image library that can be accessed through the website. These images will serve as educational resources for millions of children worldwide,

helping to foster their knowledge of the environment and awareness of the importance of conservation.

Support for Education in Asia

Canon is helping to support the education of the next generation across Asia.

Respecting the right of every child to receive an education, we have set up ten Canon Hope Elementary Schools in China to provide a better educational environment through improved access to education.

In Vietnam, we have been involved in the Friendship School Chain Project since 2007, building schools, providing desks and chairs, and donating other supplies to help improve educational conditions for local children. We opened the project's 50th school in 2022 in an impoverished mountainous area of Northeast Vietnam.

In Thailand, Canon Group employees visit schools in remote areas or lacking in local infrastructure to help repair school facilities and plant vegetable gardens for greater self-sufficiency. We also donate equipment and school supplies.

Elsewhere, Canon employees can make donations under a matching gift program. For example, since 1997 Canon Inc. has organized an annual Charity Book Fair to allow employees of the Canon Group in Japan to donate unwanted books, CDs and DVDs for sale at an in-house bazaar. The company matches the proceeds generated by the sale, and these funds are donated to organizations supporting education and medical services in Asian countries, including Thailand, Laos, and Cambodia.

Preserving Japanese Cultural Assets for the Future Through the Tsuzuri Project

Canon and Kyoto Culture Association (NPO) have been running the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, since 2007.

Many of Japan's precious ancient cultural assets have limited viewing opportunities, often because they have been moved overseas or are preserved in storage as designated national treasures. The Tsuzuri Project combines Canon's proprietary digital imaging technology with traditional crafts from Kyoto to create high-resolution facsimiles that are as close to the original as possible. These facsimiles are utilized in varied ways, including public exhibitions at the donating institution or in school education.

The Yonezawa City Uesugi Museum hosted a special exhibition called "Let's Enjoy Japanese Paintings – Approaching Japan's Masterpieces through High-resolution Facsimiles" in 2022 of 24 high-resolution facsimiles that had been created with technologies from Canon's Tsuzuri Project. Such an event would never have been possible for the original cultural properties.



Special exhibition at Yonezawa City Uesugi Museum

In addition, Canon Inc. sponsored the exhibition in the Second Gallery of "Through the Four Seasons: High-Resolution Facsimiles of Folding Screens" as part of the Tokyo National Museum 150th Anniversary Special Thematic Exhibition "Museum of the Future." Using projection mapping onto high-resolution facsimiles of national treasures, visitors could appreciate the beauty of the four seasons in Japan. This provided a new way of appreciating the original assets.



The exhibition of "Through the Four Seasons: High-Resolution Facsimiles of Folding Screens"

Elsewhere, in a joint research project with the National Center for the Promotion of Cultural Properties (CPCP) aimed at utilizing Japanese cultural properties by using high-resolution facsimiles, facsimiles of six works, including *Cypress Trees* by Kano Eitoku (National Treasure), *Autumn and Winter Landscapes* by Sesshu (National Treasure), and *Chinese Landscape* by Ike no Taiga (National Treasure) were made. Along with other facsimiles donated by the Tsuzuri Project, these pieces were widely used in venues such as "The Door to Japanese Art," an interactive exhibition space in the Tokyo National Museum.

Reference: The Tsuzuri Project
<https://global.canon/en/tsuzuri/>

Contributing to Society Through Rugby

Canon Inc. manages the Yokohama Canon Eagles, part of Japan's Rugby League One, with the aim of creating and sharing thrilling experiences with sports fans and local residents through the sport of rugby.

As a social contribution activity targeting elementary, junior high, and high school students nationwide, the team holds career education classes and tag rugby workshops run by current Eagles players and staff. The goal is to contribute to the healthy development of children through rugby by letting them experience the importance of team play and the joy of physical activity.

In 2022, the team held career education classes and tag rugby workshops at 25 elementary schools, with a total of 2,269 students participating. Also, to support recovery efforts in the disaster-stricken Tohoku region, the team held a rugby clinic (classes and coaching) for junior high school students in Miyagi Prefecture.



Tag rugby class at an elementary school

Supporting Research Activities that Contribute to the Sustainable Development of Humankind Through the Canon Foundation

The Canon Foundation was established in 2008 with the aim of contributing to the development of science and technology. Operating completely independently of Canon's business activities, it provides assistance in a wide range of science and technology research fields.

The foundation's aim has been to create new value for society by adopting an approach of supporting research that addresses cutting-edge fields of science and technology. Based on this concept, the foundation supports two research programs, focusing on the themes of "Science and Technology that Achieve a Good Future" and "Science and Technology that Create New Industries."

Over the past 14 years, the Canon Foundation has disbursed a total of 207 research grants totaling ¥3.7 billion. The foundation enjoys recognition from universities and public research institutions across Japan as a distinctive research grant foundation which provides an average project grant of around ¥20 million—a relatively high amount mainly for fledgling research projects and young researchers just starting out.

Reference: Canon Foundation website
<https://jp.foundation.canon/eng/index.html>

Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Humankind

The Canon Institute for Global Studies (CIGS) is a non-profit private-sector think tank established in 2008 as a general incorporated foundation in commemoration of Canon Inc.'s 70th anniversary.

CIGS brings together researchers with diverse backgrounds in business, academia, and government to exchange ideas and engage in global activities, seeking to analyze the current situation from the perspective of Japan's position in the global community and provide strategic recommendations across a wide array of areas, including the global economy, foreign affairs and national security, and energy and the environment. Even during the COVID-19 pandemic, the institute actively disseminated information and made policy proposals through online events and research seminars.



Kunihiko Miyake (Research Director, CIGS)

Reference: The Canon Institute for Global Studies
<https://cigs.canon/en/>

Other Major Sociocultural Support Activities

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Donations	Canon has donated 1 million euros (about ¥130 million) to UNHCR, the UN Refugee Agency and other international disaster relief organizations to fund humanitarian aid for Ukraine. In addition, we donated 100,000 euros (about ¥14 million) to organizations such as the Japanese Red Cross Society and the Turkish Red Crescent Society in response to the damage caused by the earthquake that struck southeastern Turkey, as well as donating medical equipment to support victims of the disaster.	 Canon donated six tablet-type diagnostic ultrasound devices for medical support in Turkey
	Cooperation with UN Support Programs	In partnership with Japan for UNHCR ^{*1} , Canon sponsored an exhibition featuring refugees who had become elite athletes. Canon has also sponsored the Refugee Film Festival organized by Japan for UNHCR with the cooperation of the UNHCR Representation in Japan. In addition, we participate in activities to support the Japan Association for the World Food Programme. ^{*2}	*1 The national partner of UNHCR in Japan *2 The national partner of the World Food Programme (WFP) in Japan Exhibition on refugees who became elite athletes
Environmental Conservation	Environmental Outreach Classes	These classes teach the importance of recycling by using experiments to sort materials with different characteristics to help promote deeper understanding of environmental issues. Canon extended the program in 2022 to overseas, with the first implementation in elementary schools in France.	
Social Welfare	American Cancer Society	Since 1998, Canon U.S.A. has been a supporter of the American Cancer Society (ACS) initiative "Making Strides Against Breast Cancer" to raise funds for cancer research. Canon employees participate in walks and other fundraising activities.	URL: https://www.usa.canon.com/about-us/community-and-social-involvement/walk-for-american-cancer-society
Local Communities	Disaster Recovery Support Programs	In Thailand, we provided assistance to areas damaged by floods. In Belgium, we were involved in efforts to restore photographs damaged in a flood event. We have also continued to support areas affected by the Great East Japan Earthquake.	
Education and Science	Junior Photographers	This project organizes nature-themed photography classes for children with the aims of raising environmental awareness and fostering richer artistic sensitivity. In 2022, photography workshops were held at 8 schools, attended by 336 participants.	
	Internship Program for Students	Group companies conducted various internships, including programs aimed at supporting the career development of students. Canon Inc. offered a total of approximately 1,700 internships to students on administrative, technical or specialist tracks in 2022.	
Art, Culture, and Sports	New Cosmos of Photography	This photography competition project aims to discover, nurture, and support new photographers pursuing new possibilities in creative photographic expression. In 2021, we celebrated its 30-year anniversary with a final photo competition, and in 2022 we held a retrospective exhibition at two venues to look back on our 30 years of history.	URL: https://global.canon/en/newcosmos/

Product Responsibility

Quality Management

Approach to Quality

In 1964, Canon determined that its basic quality concept* is to ensure that customers have "no claims, no trouble," and has since striven to earn the trust and heartfelt satisfaction of customers around the world by providing products of surpassing quality. Based on this mindset, the Canon Group's firm commitment is to adhere to the Canon Quality motto that incorporates the three keywords "Safety + Smartness + Satisfaction"—the elements we view as essential to product quality. We are dedicated to improving the quality of products over their lifecycles.



* "To contribute to the growth of the company and prosperity of the world, with the realization of 'no claims, no trouble' as our goal, based upon the company's corporate philosophy and aims." (Canon Quality Assurance Basic Regulations, Article 2)

Quality Assurance System

At Canon, we have developed an in-house quality management system that we follow assiduously. The system has three defining characteristics, as outlined below.

- (1) Fulfils all the requirements of the international quality assurance standard ISO 9001*¹
- (2) Incorporates the concept of "essential safety" as standard for quality management
- (3) Introduces a framework for checking quality in product commercialization processes to ensure reliable product safety standards*²

Using our in-house quality management system as a base, the various Headquarters divisions at Canon Inc. implement rigorous quality control by building quality assurance (QA) systems that are optimized for the characteristics of each business, as well as in compliance with the legal and regulatory standards of each country and region.

Supplementing the vertically integrated activities of each business division to solve division-specific quality issues, we have formed two committees to focus on improving quality at each of the product development and production stages as part of efforts to coordinate QA activities across the Canon Group. Sharing best QA practices across the company has not only enabled us to increase quality at each stage of development and production but has also led to significant reductions in waste and costs.

*1 The in-house regulations governing Canon's quality management system are recognized by the International Register of Certificated Auditors (IRCA) as an alternative standard to ISO 9001.

*2 This involves setting QA standards that must be satisfied for each of the stages in the development of Canon products from development and design to production and shipping. At each checkpoint along the development path, the QA framework requires a decision on whether the QA standard is satisfied to ensure rigorous control of product quality.

Education and Raising Quality Awareness

Canon employs a range of measures to instill high employee awareness of the need to maintain outstanding quality and attain further quality improvements, and to help employees gain related knowledge.

We continually communicate our basic concept and motto on quality, while also conducting annual Group-wide surveys of employees to ascertain the degree of quality awareness. Canon Inc. has designated November as Quality Month, and each year in November holds the Quality Fair and Quality Awards to raise quality awareness and recognize exceptional activities that have improved quality.

In addition, we provide online educational courses on quality for all employees and have developed a tiered training curriculum for Group companies in Japan and abroad. Alongside this, we have training programs customized to the specific circumstances and issues of each division, and we also conduct on-site training at production sites.

We focus particular attention on product safety training, conducting a wide range of specialized programs in areas such as product safety regulations, product liability laws, and substantial safety technology, as well as product safety orientations for new staff. In 2022, besides holding 10 training courses, we provided a set of four online lectures on safety regulations for products and chemicals, designed for access through the year by Canon Group employees with responsibilities in related areas.

Canon Inc. conducts e-learning activities to promote thorough understanding of the Voluntary Action Plan for Product Safety on an ongoing basis. In addition, we continually provide safety information, such as safety cautions when making repairs or exchanging parts, to Group companies involved with product sales, repair, and service.

Ensuring Product Safety

Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon Inc. believes one of its most fundamental and important missions as a manufacturer is to provide safe products to customers. With this in mind, we formulated a Basic Policy on Product Safety that Group companies in Japan strictly adhere to.

Based on this policy, Canon Inc. and Group companies in Japan formulate and follow individual Voluntary Action Plans for Product Safety suited to their business format, working to ensure product safety while remaining customer-focused.

Moreover, we comply fully with government laws and notices, and have developed a system for immediate reporting, for example, in the unlikely event of an accident involving one of our products.

- 2022 Activities Scorecard for Canon Inc.
- Carried out review by senior management based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Continued efforts to raise awareness among customers about smoke emission from counterfeit batteries and the safe handling of electric cords and plugs, etc.
- Continued implementation of product safety training and emphasis on the importance of product safety during basic training on quality
- Continued implementation of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety
- Revised six internal standards relating to product/chemical safety

Establishment of In-house Product Safety

Technical Standards

Canon has established its own safety standards (for substantial safety*) for all Canon products, which take into account customer safety as well as legally stipulated product safety standards.

For example, Canon's safety-conscious standards call for the use of plastics that are more flame resistant than the law requires, and we implement double-protection schemes for important safety-related components. We regularly revise these standards in light of technological advances as well as changes in how customers use our products, and changes in customer demands regarding safety.

We use our proprietary safety standards to apply rigorous quality controls to all products within a framework for checking quality across product

commercialization processes. Ensuring that all our products are safe to use, we never release to market any product not meeting the standards.

* This means safety not only in terms of what is required by laws and statutes, but also any safety issue that can reasonably be expected to arise during customer use even if not regulated or mandated by law.

■ Main Approaches to Safety Technology

- Conduct safety assessments that address human factors (physical function, abilities, thinking and behavior), taking into account the variety of possible operations a user may perform
- Engage in joint development with manufacturers of essential safety-related components, such as noncombustible parts and non-fail protective components
- Conduct safety-confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed at marketing sites in each country and region
- Hypothesize abnormalities, such as glitches or malfunctions, and conduct stricter safety-evaluation testing than is required by the laws of each country or region

Quality Assessment During Development

■ Creation of Assessment Environment for the Delivery of Safe Products

Canon Inc. has set up testing facilities compliant with public standards and relevant laws to accurately and thoroughly assess the safety of products in terms of electromagnetic interference (EMI), noise, flame resistance ratings, volatile organic compounds (VOCs), genotoxicity, and electrical safety.

Canon Inc. has also obtained certification in public standards such as ISO/IEC*¹, enabling certified testing to be carried out in-house according to highly precise measurements. Specifically, Canon is equipped with the industry's leading testing technology, including semi-anechoic chambers for EMI testing that are among the largest and best in Japan, shielded rooms, and semi-anechoic chambers for acoustic noise testing. In addition to EMC testing*², Canon is able to conduct in-house testing necessary for applying for Blue Angel*³ and other certifications.

*1 International Electrotechnical Commission, an international standardization group that formulates standards on electrical and digital technologies.

*2 Electromagnetic Compatibility testing. Testing for electromagnetic interference caused by a product or its power source that may affect the operation of other equipment, and testing for electromagnetic susceptibility of the product itself that may result in malfunction.

*3 Launched in Germany as the world's first environmental labeling (ecolabeling) system.

Varied Safety-oriented Initiatives

■ Safety Assessments of Chemical Substances Released from Products

Canon assesses the chemical emissions from its printers, multifunctional devices (MFDs), projectors, and other products. Our assessments include measurements of data necessary for acquisition of Germany's Blue Angel environmental label.

To ensure the safety of customers using Canon products, we have also defined our own internal safety standards for volatile organic compounds (VOCs), based on the guidelines for internal exposure limits and indicators as set by major bodies in Japan, the US and Europe, along with the related international standards. We also check that our products conform to these standards.

The in-house laboratory conducting these assessments has received accreditation from Germany's Federal Institute for Materials Research and Testing (BAM) and is therefore capable of conducting the assessments required for applications for Blue Angel certification. It has also received ISO/IEC 17025 accreditation to conduct measurements in a fair and neutral manner.

The international standard relating to VOC emissions (ISO/IEC 28360-1) was revised in November 2021, applying new emission models and calculation formulae to printers and copiers equipped with energy-saving modes. We reflected this change at once in our internal measurement standards and all related product evaluations.



Chemical emission evaluation testing laboratory

■ Safety Assessments of Ink, Toner, and Other Consumables

Canon assesses the safety of its ink, toner, and other consumables, enabling customers to use its printers and MFDs with confidence.

For example, with regard to the materials for ink and toner, we carry out assessments related to genotoxicity, thought to be closely linked to carcinogenicity, using bacterial reverse mutation tests and in vitro mammalian cell micronucleus tests. Regarding micronucleus tests, Canon is conducting in-house tests to assess the water-insoluble materials used in many Canon products.

Canon's testing laboratories are highly reliable and

have been certified by Japan's Ministry of Health, Labour and Welfare as in compliance with Good Laboratory Practice (GLP)* standards in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law). Canon's laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD). Furthermore, Canon became the first in Japan to have its in vitro mammalian cell micronucleus test certified as in compliance with the GLP standards in the Chemical Substances Control Law.

* The standard for the management, testing and reporting of facilities and organizations that operate as testing agencies conducting chemical substance safety assessments. Testing according to GLP standards ensures reproducibility and data reliability. GLP standards set by the OECD were enacted in 1981, and since then, member countries have developed domestic laws and regulations based on these standards. Facilities certified as compliant under Japan's GLP standards in the Chemical Substances Control Law must have their certification renewed every three years, which involves receiving a new conformity screening prior to the expiration of the certification's validity period.

■ Assessing the Safety of Chemicals and Medical Devices Through Animal Testing

In some cases, animal testing is an effective means of verifying the impact a chemical may have on human health or the environment. Certain laws and regulations in Japan and other countries require the submission of animal test data as part of statutory safety assessments of chemicals and medical devices.

In light of this, Canon conducts animal testing through a third-party specialist institution, but only in cases where it cannot obtain existing data externally with regard to chemicals such as toners and inks, and no alternative is available. This approach is stipulated in our in-house rules on the safety of chemical products and in our adherence to the Three Rs* for animal testing. Furthermore, for certain components and materials used in medical devices, we commission external specialist organizations to conduct animal testing if necessary to comply with standards.

Canon will continue to gather information and conduct analysis on novel approaches and evaluation methods that do not require animal testing so that alternative forms of evaluation can be conducted.

* An internationally accepted set of guiding principles for the use of animals in testing proposed in 1959. Reduction: Reduce the number of animals used in testing. Refinement: Minimize the suffering of animals. Replacement: Use alternative methods to animal testing.

Ensuring Quality and Reliability in Parts Procurement

Canon actively pursues activities to ensure the quality and reliability of procured parts and materials used in products, so that they can be used for years with confidence.

To ensure product quality, we have devised technical checklists by type for important procured components; we also maintain a quality assurance framework to ascertain the technical capabilities of suppliers prior to

any new parts procurement. To enhance quality, we work together with suppliers on optimizing quality control systems and manufacturing processes. In addition, to help detect and resolve any quality defects at an early stage, we use high-precision nondestructive analysis technologies, such as X-ray CT scans and thermal analysis, to evaluate electronic components and isolate defects. We are also working to utilize and strengthen technologies such as chemical analysis to elucidate the causes of material degradation/damage or contamination.

Product/Service Security Measures

Measures to Address Vulnerabilities in Canon Products/Services

Network connectivity via the cloud or using smartphones is increasingly enhancing benefits from Canon products and services. On the other hand, there is a growing need for measures against rising cybersecurity risks such as leaks of personal information or confidential data. Canon emphasizes potential cybersecurity risks from the product development stage. If any specific security issues are identified, information is shared at once with relevant divisions so efforts can be made to prevent any impact on customers and mitigate related risk.

■ Development Process

Canon incorporates the necessary security features into products and services from the development stage, based on the trends in technology led by government entities, industry groups and software vendors on a global basis. We utilize methods such as review-based checks and vulnerability tests to mitigate related risks, with a secure development process positioned as a vital part of development. To stop recurrence of past vulnerabilities, we have made vulnerability assessment

a requirement before final quality sign-off, and processes to confirm anti-recurrence measures have been implemented are under Group-wide development.

■ Education and Training

Product/service vulnerabilities constitute a specialized area where technical progress and complexity make acquiring the latest knowledge and tracking developments a necessity. We define career and skill levels for our new software engineers, customer service engineers and security specialists, and have designed a level-specific security training curriculum to help develop critical human resources. Post-training follow-up processes also support onsite vulnerability testing to build practical skills alongside the theoretical knowledge base.

■ Activities of Product Security Incident Response Team (Canon PSIRT)

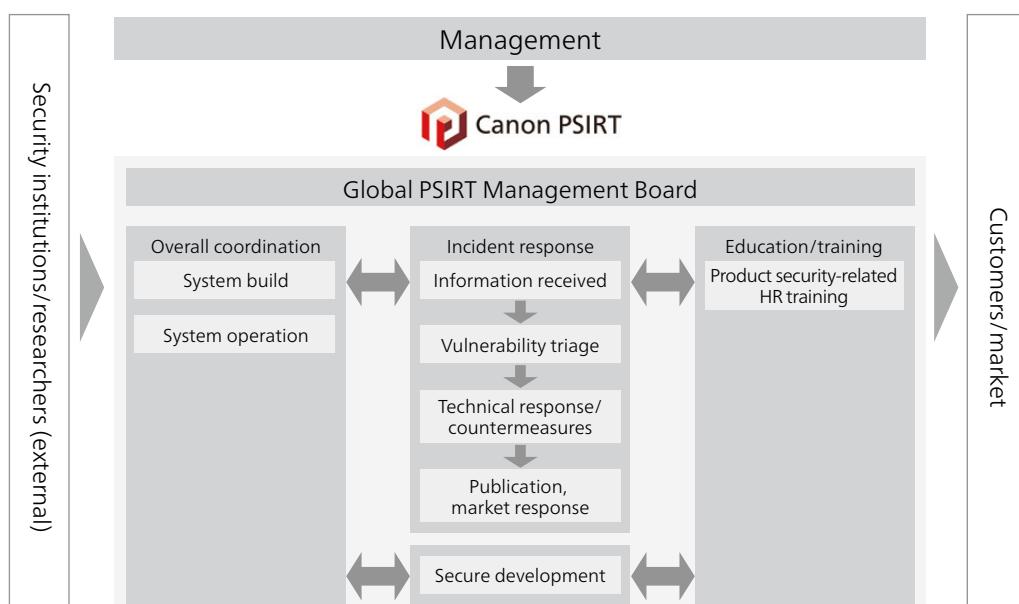
In January 2022, we created and initiated the Canon PSIRT program as an internal response to addressing any security issues as they arise in the marketplace.



Canon PSIRT

Working in partnership with the METI's early warning framework and external groups such as the JPCERT Coordination Center, Canon PSIRT focuses on managing vulnerability-related market developments, including gathering the latest information. Fully integrated into our risk management approach, the PSIRT website releases the relevant information to customers on vulnerabilities in Canon products and services in a timely manner whenever they are received from researchers worldwide, thus ensuring our response to cybersecurity risks is on a par with the industry.

Reference: Canon PSIRT
<https://psirt.canon>



After-sales Support

Enhancing After-sales Services in Various Countries and Regions

After-sales service is crucial to enabling customers to use our products with confidence. Canon is putting efforts into expanding the after-sales service network to be able to provide the same level of prompt, reliable support anywhere in the world.

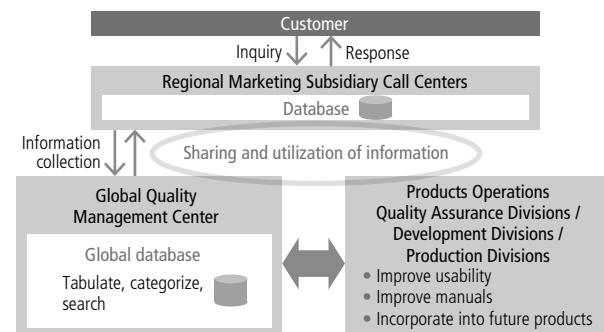
For example, to enhance customer usability and more easily resolve issues, we are expanding customer support services globally through our website. In addition to posting FAQs, product specifications, user manuals, and other support information, the latest driver software is also available for download. Support information and software are both based on content shared worldwide, while including needed local content for each country or region. Group marketing companies then localize the content in various languages.

We continually monitor how customers use content and analyze survey responses and other data, feeding back the results to divisions producing content to constantly make updates and improve customer usability. We are also working to offer more user-friendly services by optimizing content to support the greater use of a wider range of information devices.

Market Information Collection and Analysis, Feedback

In order to achieve even greater customer satisfaction, Canon conducts product evaluations from the customer's perspective at the development stage, and incorporates customer feedback and requests in its development and design processes.

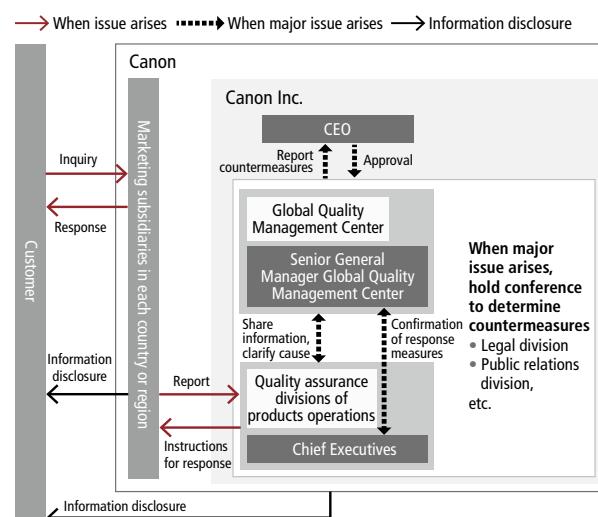
For example, using a framework called the Call Information Collection and Analysis System, we built a database of customer feedback and requests received by call centers at our marketing companies worldwide, and manage this data centrally. Development divisions take advantage of this data to enhance customer usability, such as improving display methods on product control panels or simplifying the steps needed to connect to wireless LAN. Information gleaned from customers is shared internally throughout the Group, including development divisions, production divisions and marketing companies, and used to improve each local site.



Process for Responding to Quality Issues

Should a quality issue arise, Canon has systems in place to promptly and appropriately investigate the cause, repair products free of charge, and disclose quality information. We also keep our customers informed about product quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

There were no such statements in 2022. Should a quality issue arise, our marketing companies in each country or region, which serve as the contact point for customers, file a report with the quality assurance division of the respective Canon Inc. Headquarters division (products operations). The quality assurance division then investigates the cause of the issue as well as countermeasures. Moreover, in the event of a major issue, related Headquarters divisions (products operations), the Global Quality Management Center, legal division, and public relations division are consulted concerning response measures, and after the matter is reported to the CEO, action is promptly taken.



Improving Product Usability

Providing Information on the Appropriate Use of Products

■ Pursuing Usability for Canon Products

From consumer products to industrial equipment, to ensure the greatest possible ease of understanding and use for customers with a wide range of needs, Canon carries out usability tests using both internal and external monitors, web-based surveys, and expert staff evaluations at the product development stage.

We objectively test human factors, including physical characteristics, perception, judgment, and operating burden, to develop products that customers can use comfortably and with ease. We built a dedicated monitoring test room equipped to allow detailed observation and recording of the behavior and actions of testers as they operate devices, including even hand movements.

Moreover, we are working to create safer testing environments by implementing measures to prevent infection such as a mechanism to broadcast testing scenarios for remote observation and the installation of clear plastic panels to block air-borne droplets.

■ Promoting Universal Design

Canon strives to develop people-friendly products by pursuing functionality, operability, and convenience from the customer's perspective in actual usage situations. As part of this effort, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability. At Canon, we approach product design and development from the perspective of making the customer "look like a natural."

For example, we evaluate and test usability, accessibility, and comfort from various perspectives, regarding aspects such as text sizes that are easy to read and color designs that are easy to recognize for people with various visual sensitivities. Information obtained from these activities is valuable in the development of more user-friendly products.

Moreover, aiming to encourage efforts in universal design, we distribute a guidance booklet to all development divisions that addresses the physical characteristics of users and various other issues that arise during product use, and also conduct e-learning courses to enhance knowledge in this area. We also create customer-oriented pamphlets and post website content among other steps to share information both inside and outside the company about the universal design initiatives underway at Canon.

Principles of Universal Design

• Ensuring Inherent Usability

After obtaining a thorough understanding of the customer's usage circumstances, we give every consideration to the inherent usability of the design in keeping with the product's purpose and usage environment.

• Creating Products and Services People Enjoy Using

We continually pursue innovative idea creation that goes beyond simple problem-solving in order to create products and services that customers want to use.

• Applying Cutting-Edge Technologies

We apply Canon's leading technologies to products to improve customer convenience and to help customers realize a richer, more comfortable life.

Reference: Canon's Universal Design

<https://global.canon/en/design/ud/>

■ Product Accessibility

Canon is working to increase the accessibility of its products in order to make them easy to use for the elderly and persons with disabilities.

Section 508 of the United States Rehabilitation Act requires that agencies of the federal government only purchase products that meet stipulated accessibility standards. The results of Section 508 accessibility evaluations of Canon products have been collected into a VPAT* and made available on the Canon U.S.A. website. To facilitate ready access for our developers, content on Section 508 stipulations is also made available internally in the form of Accessibility Evaluation Guidelines. Over in Europe, the European Accessibility Act, an EU Directive, was promulgated in 2019. European Standard EN 301 549, which is consistent with Section 508 standards, is now beginning to be adopted for government procurement, not only in Europe but also globally.

Canon is committed to continuously gathering the latest information, and to developing products that are compliant with the accessibility requirements of each country and region.

* Voluntary Product Accessibility Template, a document that evaluates how accessible a particular product is according to Section 508 standards.

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 стратегии/governance.html>

Governance Structure

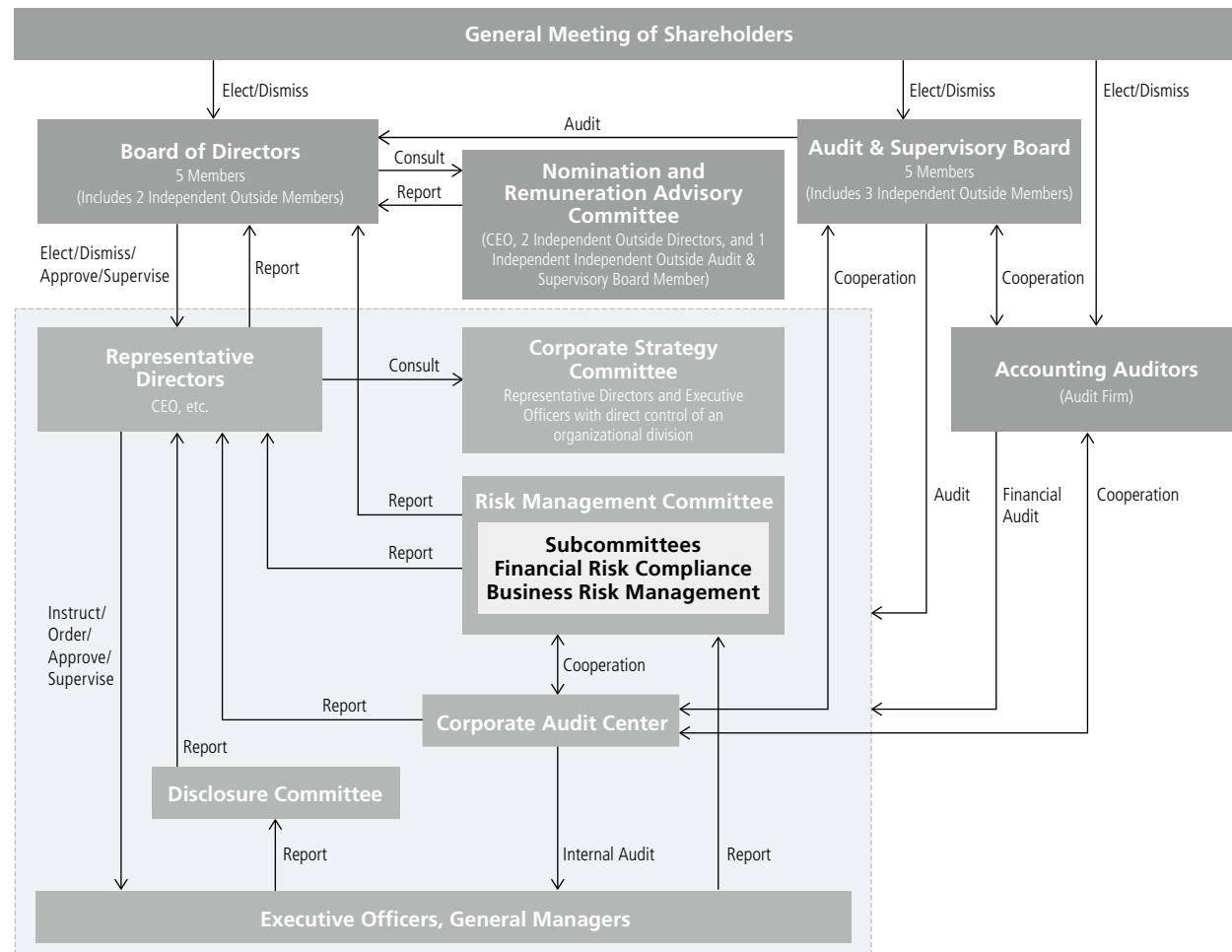
■ Basic Views

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

Change in Corporate Governance Structure to Continually Improve Corporate Value

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

Corporate Governance Structure



* The grey boxes represent the organizations executing operations.

■ Board of Directors

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

■ Audit & Supervisory Board

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

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

■ Nomination and Remuneration Committee

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

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

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

■ Corporate Strategy Committee

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

■ Risk Management Committee

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

■ Disclosure Committee

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

■ Internal Audit Division

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

Board as described in "Cooperation between Audit & Supervisory Board Members and Internal Auditing" (→P74). In addition, Canon Inc. has established a system in which reports are also regularly given to Outside Directors and those Outside Directors can request submission of proposals to the Board of Directors, as necessary.

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

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

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

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

Skills of Board of Directors

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

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

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

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

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

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

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

Outside Directors and Outside Audit & Supervisory Board Members

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

Analyzing and Evaluating the Effectiveness of the Board of Directors

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

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

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

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

Executive Compensation

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

<Basic Remuneration>

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

<Bonus>

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

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

<Stock-type Compensation Stock Options>

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

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

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

■ Process for Determining Remuneration

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

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

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

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

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

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

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

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

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

Director and Audit & Supervisory Committee Member Training and Cooperation

■ Training Policy for Directors and Audit & Supervisory Board Members

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

■ Cooperation between Audit & Supervisory Board Members and Internal Auditing

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

■ Cooperation between Audit & Supervisory Board Members and Accounting Auditors

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

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

Policy for Constructive Dialogue with Shareholders Policy

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

Structure to Promote Dialogue

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

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

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

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

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.

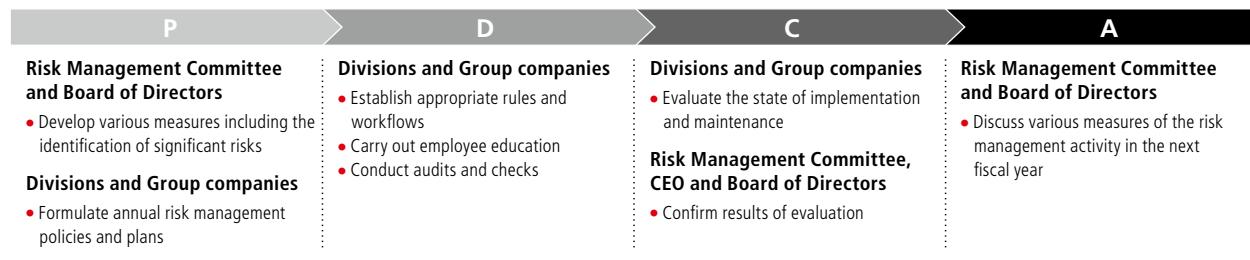
Risk Management System

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.

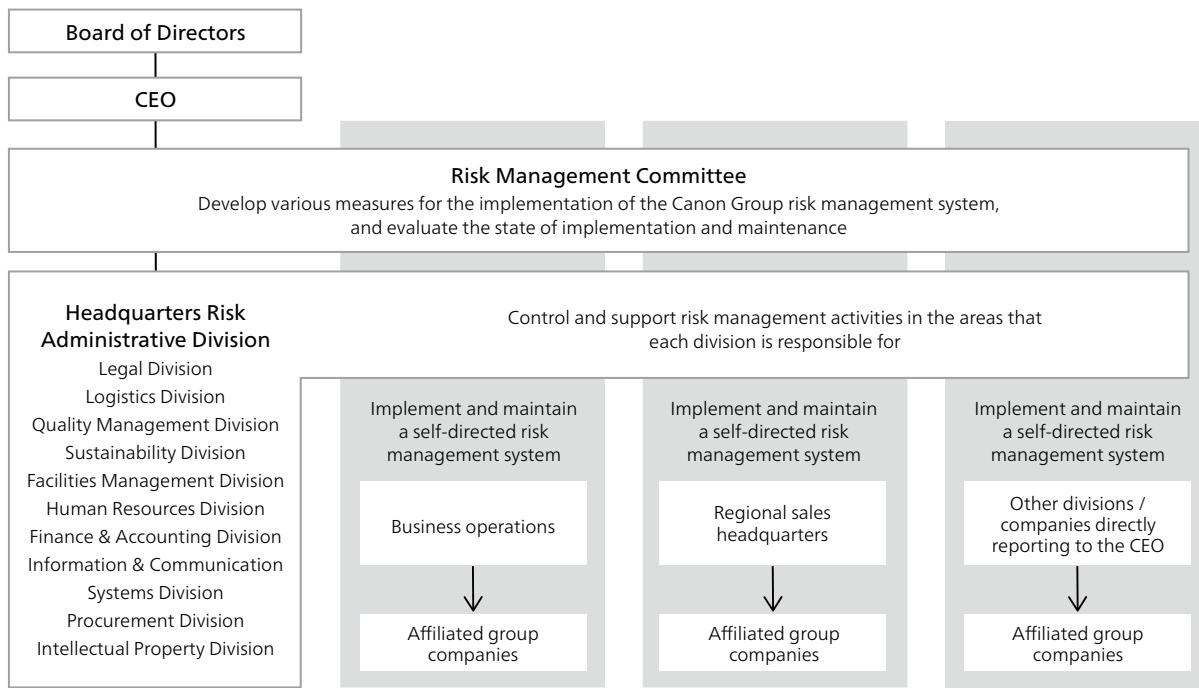
The Risk Management Committee develops various measures to implement Canon's risk management system, including identifying any significant risks (violations of laws and regulations or corporate ethics, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.)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



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 2022 found no material flaws in the system.

Group-wide Risk Management Communication

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

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

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

Financial Risk Management

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

Specifically, we support each Group company to implement independent initiatives and self-driven educational activities, with each company implementing its own PDCA cycle on financial risk-related business procedures to target qualitative improvement in the reliability of the Group's financial reporting.

As a result of these initiatives, we determined that our internal controls over financial reporting as of December 31, 2022 were effective.

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 2022.

Sections of the Canon Group Code of Conduct (Extract)

Management Stance

1. Contribution to Society

- Provision of excellent products • Protection of consumers
- Preservation of the environment
- Social and cultural contributions • Communication

2. Fair Business Activities

- Practice of fair competition
- Observance of corporate ethics
- Appropriate disclosure of information

Code of Conduct for Executives and Employees

1. Compliance with Corporate Ethics and Laws

- Fairness and sincerity • Legal compliance in performance of duties
- Appropriate interpretation of applicable laws, regulations and company rules

2. Management of Corporate Assets and Property

- Strict management of assets and property
- Prohibition against improper use of company assets and property
- Protection of the company's intellectual property rights

3. Management of Information

- Management in compliance with rules
- Prohibition against personal use of confidential and proprietary information
- Prohibition against insider trading
- Prohibition against the unlawful acquisition of confidential or proprietary information pertaining to other companies
- Appropriate use of confidential and proprietary information pertaining to other companies

4. Conflicts of Interests / Separation of Personal and Company Matters

- Avoidance of conflicts of interests
- Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits
- Prohibition against acquisition of pre-IPO shares

5. Maintenance and Improvement of Working Environment

- Respect for the individual and prohibition against discrimination
- Prohibition against sexual harassment
- Prohibition against bringing weapons or drugs to the company workplace

Promoting Corporate Ethics

■ Canon Group Code of Conduct and Compliance Card
Canon established the Canon Code of Conduct in 1992, and later updated it as the Canon Group Code of Conduct in 2001. It clarifies the management stance of the entire Group and the standards that executives and employees must comply with in their duties. To ensure that its content is understood by executives and employees in countries and regions worldwide, in addition to Japanese, the Code of Conduct has been translated into more than 20 languages, including English, French, and Chinese, and adopted by a resolution of the Board of Directors of each Group company. A copy of the Code is issued to all executives and employees and its text is posted on our intranet system as part of further efforts to ensure that it is known and practiced by all.

In addition, a Compliance Card that employees can carry with them has been created in Japanese and more than 20 other languages, including English, French, and Chinese, and given out to Group executives and employees worldwide. Written on one side of the card is the *San-ji* (Three Selfs) Spirit, which has been a guiding principle since our founding, and on the other side is a compliance test that enables employees to conduct a daily self-evaluation.



Compliance Card

■ Corporate Ethics and Compliance Training

Canon carries out corporate ethics and compliance training for employees suited to the circumstances and conditions of the region where they operate.

For example, Canon Inc. and Group companies in Japan conduct relevant training for executives and employees as part of new recruit training. Additionally, we have since 2004 designated a Compliance Week twice a year—once in the first half of the year and the other in the second half—in order to foster discussions in the workplace about compliance issues. Through these efforts, we strive to develop and improve operational processes to ensure that employees are aware of compliance and abide by the law.

■ Compliance Hotline System for Internal and External Whistleblowers

Canon Inc. has established a compliance hotline system to handle reports of compliance issues, including violations of laws, bribery and other forms of corruption, and other breaches of the Canon Group Code of Conduct. The confidentiality of informants is strictly maintained and protection against workplace retaliation is guaranteed. We also encourage appropriate use of the system by promoting awareness of it through such means as the intranet compliance website and compliance training. Reports can also be made anonymously. When a report containing a possible compliance violation is received, an investigation is launched to establish the facts and a final decision is made as to whether there is a compliance violation. If a compliance violation is found, the necessary corrective action is taken along with measures to prevent recurrence.

A compliance hotline has also been established at nearly all Group companies worldwide. Canon Inc. receives biannual reports from Group companies on the operational status of their respective compliance hotline systems. These biannual reports from each company include not only the number of cases filed but also a summary of each case, investigation results and responses, and measures to prevent recurrences. Reports made to Canon Inc. and Group companies are analyzed statistically to record the number of completed investigations by type of case, including those where a compliance violation is found. The analysis results are reported on a yearly basis to the Risk Management Committee and fed back to each Group company.

Canon has also set up hotlines for external stakeholders, which they can use to report specific human rights-related concerns and information in connection with Canon's corporate activity or other specific concerns relating to various risks in the supply chain. When a report is received, an investigation is launched to establish the facts and, based on the results, appropriate corrective procedures are introduced. Due care is taken to protect the privacy of informants and to ensure that they do not suffer disadvantageous treatment as a result, including the option of anonymous reporting.

The number of reports received in 2022 by the entire Group with its 180,775 employees was 284, mainly from Asia (including Japan) and the Americas. Of those with an investigation completed as of the end of 2022, compliance violations were confirmed in 52 cases. The reports received in 2022 included no serious compliance violations.

Compliance System

We have identified the significant compliance violation risks that Canon may face in the course of business (for example, violations of antitrust laws, anti-bribery laws and export control regulations) based on an assessment of the likelihood of the risk materializing and the scale of its potential impact on our business. To reduce these risks, we are working to improve the system to ensure legal compliance by improving operational workflows and rules, providing compliance training to applicable employees, and conducting audits and checks.

■ Strict Compliance with Security Trade Control

Canon implements a security trade control framework headed by the President. The framework ensures that we comply with regulations on the export of goods and technologies that could be diverted for use in weapons of mass destruction or conventional weaponry. Specifically, prior to entering into business we strictly check such issues as whether export goods and technologies are controlled by regulations, or whether counterparties are engaged in the development of weapons of mass destruction.

Security Trade Control is insufficient if undertaken by a single country or region. It is important to have international cooperation based on international treaties and export control regime agreements. To provide a unified policy and standard in the field of Security Trade Control, we established the Canon Security Trade Control Guidelines, which is implemented at Group companies worldwide.

In recent years there has been a move to use regulatory frameworks for security trade control in order to restrict the transactions of certain countries, regions, or corporations, mainly for reasons related to competition in the development of advanced technologies, information security, and protection of human rights. As it expands its range of business fields, Canon has also seen an increase in business transactions that require careful attention. We will pay close attention to the international situation and to the latest regulatory trends in our activities to ensure full compliance with Security Trade Control.

■ Compliance with Antitrust Laws

Canon recognizes that compliance with antitrust laws, which apply to all of its business activities, from product development to production, sales and after-sales service, is absolutely vital.

Business divisions of Canon Inc. and Group companies worldwide with sales and service functions conduct regular training for employees of divisions exposed to the risk of antitrust violations to educate them about antitrust laws, give examples of legal violations, and provide everyday operational compliance guidance. Employees are encouraged to make use of Canon's

antitrust law hotline (connected to the Legal Division) when unsure of how to interpret or apply antitrust laws.

■ Prevention of Corruption

The Canon Group CSR Basic Statement includes "9. Prevent corruption in all its forms including bribery," making clear to all stakeholders, both internal and external, the management stance adopted by Canon on bribery and other forms of corruption. In addition, the Canon Group Code of Conduct (→P76) clearly stipulates that Group executives and employees are prohibited from receiving benefits from business partners and corporate customers in the form of gifts or entertainment, etc., that exceed the social norm, and from providing similar benefits to government agencies, business partners and corporate customers. It also clearly prohibits actions that may cause conflicts of interest or constitute insider trading. In line with the above Basic Statement, we have formulated the Canon Supplier Code of Conduct, which requires our suppliers to refrain from engaging in any form of corruption, including bribery.

Based on the above policy, following identification and assessment of the risks that Canon may face in conducting business, the Risk Management Committee has identified violation of anti-corruption laws as a significant risk. As a countermeasure, corruption risk is assessed based on the country/region and type of business using such references as the Corruption Perceptions Index published by Transparency International, and then depending on such risk, anti-corruption systems are established in accordance with laws and guidelines related to anti-corruption in major countries, such as the Foreign Corrupt Practices Act (FCPA) of the United States and the Bribery Act of the United Kingdom. Specifically, for businesses and regions assessed as high risk, each Group company has established a responsible division and has clarified its management stance on anti-corruption and matters to be observed through the formulation of basic policies and company rules on anti-corruption. We are also putting in place systems to prevent corruption among suppliers, intermediaries, and other third parties outside Canon (performance of due diligence and inclusion of an anti-bribery clause in the contract) and conduct annual training for employees engaged in high-risk duties to deepen their understanding of the anti-corruption laws and regulations in major countries and regions. Moreover, we not only conduct audits depending on the risk of corruption but also conduct an annual survey (→P82) of suppliers as part of our supply chain management to check whether measures are in place to prevent the acceptance of bribes or inappropriate benefits. Finally, the Risk Management Committee undertakes an annual evaluation of the implementation and maintenance of the risk management system, which includes such

anti-corruption systems, and reports the results of such evaluations to the CEO and Board of Directors.

Reference: Canon Suppliers Code of Conduct
<https://global.canon/en/procurement/pdf/coc-e.pdf>

■ Protecting Personal Information

Based on its Personal Information Protection Policy established in April 2002 as a result of discussion by its Management Committee, Canon Inc. has drawn up and is improving its internal rules for processing of personal information, including its Personal Information Protection Regulation.

Furthermore, the Risk Management Committee has identified risk relating to infringement of personal information protection laws as a significant risk. Accordingly, Group companies worldwide have also introduced regular self-audits and education programs to support the establishment of systems to ensure that personal information is properly acquired and utilized.

Since the enactment of the EU's General Data Protection Regulation (GDPR) in May 2018, there have been active moves worldwide to strengthen the regulatory protection of personal information. The year 2020 for instance saw the amendment of Japan's Act on the Protection of Personal Information and the enactment of the California Consumer Privacy Act in the United States, while in 2021 China enacted its Personal Information Protection Law. Canon will continue to monitor these legislative trends and will address them appropriately.

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.

■ Information Security Management System Operations

The Group Executive in charge of the Information & Communication Systems Headquarters is the senior executive in charge of information security at Canon Inc. and has decision-making responsibility for information security measures. The executive oversees the Information & Communication Systems Headquarters, which is the organization responsible for managing information security across the Canon Group.

If an information security incident occurs, the matter must be reported to the Information & Communication Systems Headquarters. It may also be reported to the Risk Management Committee (→P75), depending on circumstances.

The Information & Communication Systems Headquarters formulated the Canon Group Information Security Rules to ensure that uniform measures and a consistent approach to information security are applied across the Group, both in Japan and overseas. Each Group company creates regulations and guidelines based on these rules in line with its needs and conducts related training and awareness activities. The status of each Group company's information security measures is confirmed by means of internal inspections based on a common set of rules as well as through periodic audits by the Information and Communications Systems Headquarters, and improvements or revisions are made as needed.

In 2022, information security audits were again carried out at 23 Group companies in Japan and 27 Group companies overseas.

CSIRT*, a dedicated team for dealing with information security incidents, was created within Canon Inc.'s Information & Communication Systems Headquarters in 2015. At that time, Canon joined the Nippon CSIRT Association (NCA) to strengthen collaboration with CSIRTS in other companies.

* Computer Security Incident Response Team. This is a dedicated, organized group that deals with incidents involving computer security.

■ Information System Security Measures

Canon implements measures to safeguard the three elements of information security: confidentiality, integrity, and availability*¹.

As part of measures to prevent the leakage of confidential data, we ensure that critical information is stored using a dedicated, access-controlled system with reinforced security and auto-recorded user activity. In addition, we have established an environment in which employees can safely access the company's information assets from outside the office, and we also carefully manage email attachments as well as the taking of company computers and storage media offsite.

As a measure against cyber-attacks, we use monitoring systems to identify any suspicious emails with possible malware*² attachments. We also monitor

unauthorized online communications from internal sources to try and prevent attacks from causing more widespread damage.

In addition, we have participated each year since 2017 in cyber-attack response training (NISC^{*3}/NCA affiliated cross-field company-wide training), in order to strengthen our system for countering obstructions.

*1 Confidentiality: Enable only authorized personnel to access information.
Integrity: Ensure data and processing methods are accurate and cannot be modified without authorization.

Availability: Make data accessible to authorized personnel when needed.

*2 Malicious software (including computer viruses and ransomware) created with the deliberate intention of performing unauthorized or harmful operations.

*3 National center of Incident readiness and Strategy for Cybersecurity.

■ Security Measures for Production Facilities

Canon implements security measures for its production facilities to ensure malware, cyberattacks or other information security issues do not reduce productive capacity or otherwise disrupt production plans.

In the past, corporate mainframes or online information systems were the major targets for cyberattacks. Today, the growing use of off-the-shelf OS software and IoT means that production facilities attract the same level of information security risk. A separate approach is needed for production systems because production lead-times are longer than the customer support periods for off-the-shelf OS software. To ensure that Canon Inc. and Group manufacturing companies in Japan and overseas do not have to suspend operations due to a virus infection or similar attack, we also monitor the networks linked to important facilities and production lines for any unauthorized activity.

We also conduct security audits of production facilities to maintain a safe production environment.

■ Information Security Training to Raise Employee Awareness

In order to maintain and improve information security, Canon is focusing on raising awareness among employees who use information systems.

Both regular and mid-career hires are thoroughly trained on Canon's information security measures and rules through group training. In addition, all employees undergo annual information security training using our e-learning system.

About 25,000 people, the equivalent of all Canon employees, received information security training in 2022. Content to improve information security literacy*, including precautions when working from home, by studying methods for preventing virus infections and managing security vulnerabilities. In addition, special training sessions based on a targeted email attack were conducted involving all 62,000 Canon Inc. and Group company employees. This was intended to provide practical instruction in how to respond appropriately to

suspicious emails and thus avert widespread damage. Specifically, newly hired employees unaccustomed to using email in the work environment received separate training to reinforce their awareness.

* Knowledge and skills needed to implement proper information security measures.

Business Continuity Plan

Canon's Headquarters building and core facilities for information systems and research and development are concentrated in suburban areas of Tokyo. As the incidence of earthquakes in Japan is relatively high, it is also at greater risk of earthquake damage than other countries and regions. Canon also has a global network of facilities and offices engaged in research and development, procurement, production, logistics, marketing, and servicing. The occurrence of earthquakes, floods, other natural disasters, or terrorist attacks could cause disruption of the infrastructure for such facilities and offices. Canon believes that establishing a system to ensure that business operations can continue in the event of such a natural disaster or emergency represents one of the most important social responsibilities of any company. Based on this recognition, we have formulated a business continuity plan (BCP)^{*1} and Canon Group Disaster Preparedness Guidelines, and are taking other measures to ensure business continuity in the event of a disaster. Such measures include putting in place a backup system based on parallel production of similar models at a number of sites, upgrading buildings constructed according to old aseismic design standards, concluding disaster agreements with local communities, and developing systems for collecting information and reporting.

Due to the critical importance of our Shimomaruko headquarters in Tokyo, Japan, as the home base for all Group operations, we have established a crisis control center, installed backup generators, stockpiled fuel, equipment, and supplies, and established a multiplex communication system. Moreover, we set up a Disaster Recovery Center^{*2} to back up information systems to ensure that the core IT system will operate securely in the event of a large-scale disaster such as an inland earthquake in the Tokyo capital region.

We have updated all Group company facilities in Japan, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training. We also have systems that use data from surveillance cameras installed at each Group site so that any damage caused by natural disasters or other emergencies can be evaluated swiftly. Furthermore, we have prepared a leader's manual in order to safeguard human life immediately following a natural disaster or fire, prevent secondary disasters, and

protect company assets. Using this manual as a model, Group companies are also creating localized manuals based on the unique risks in the areas where they operate to facilitate the smooth restoration of services in the event of a disaster. Last year, 45 operational sites conducted emergency drills based on these manuals.

The global COVID-19 pandemic had an initial disruptive effect on our supply chains and production sites around the world, to which we responded with measures including temporary suspension of operations or reduction of output at certain plants. Since then, the state of emergency declared by the Japanese government, together with lockdowns in countries around the world, curfews, and other restrictions have had a limiting effect on economic activity, and the associated closure of offices and retail stores, limiting of international travel, and restricted availability of international cargo shipment have contributed to a corresponding negative effect on sales activities. Our response to these circumstances has included establishing a response team, cancelling large events inside and outside the company, staggering working hours, and implementing remote working in an effort to prevent the spread of infection. At the same time, by adapting to the changed external environment, we are working to restore production and sales activities globally.

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

*2 A facility prepared for data backup in the event of a system breakdown due to a disaster.

Economic Security Initiatives

In recent years, many countries have placed increasing emphasis on economic security, taking steps for instance to safeguard their lead in cutting-edge technologies, enhance the independence of other important technologies, and mitigate threats to key material supply chains. This trend has also been reflected in legislation.

As a reaction to heightened geopolitical risks such as the struggle for dominance between the United States and China and the risk of conflict over Taiwan, there is now a perceived need to check for overdependence on certain countries or regions and other economic security risks.

To respond to these issues through Group-wide action, Canon Inc. established the Economic Security Office in January 2022. The aim of this new unit is to provide management support in the area of economic security through activities including gathering, classifying, and analyzing information from within and outside Canon and putting in place a framework for Group-wide sharing.

Proper Payment of Taxes

Canon believes that, as a multinational corporation with operations spanning the globe, the proper payment of taxes in the countries and regions where it operates is one of its most fundamental and important social responsibilities. Accordingly, Canon Inc.'s Finance & Accounting Headquarters operates an integrated tax management system in accordance with the principles set out below. As a result, Canon did not receive any negative tax-related judgments or assessments in 2022, nor was it subject to any major punitive measures, such as fines.

1. Pay taxes properly in accordance with the letter and the spirit of tax-related laws and ordinances without employing tax planning for tax avoidance purposes.
2. Ensure that tax accounting and other related processes are carried out unfailingly, according to law.
3. Develop tax-related governance systems and work to raise awareness about tax compliance.
4. Adhere to common international rules on international taxation (guidelines set by the Organization for Economic Co-operation and Development and the United Nations) and ensure that actions are in compliance with the tax laws of each country.

Corporate Income Taxes

	2018	2019	2020	2021	2022
Taxes on income before income taxes (hundred million yen)	962	561	343	719	924
Effective tax rate on income before income taxes (%)	26.5	28.7	26.4	23.7	26.2

Supply Chain Management

Basic Approach

Canon has partnerships with thousands of suppliers, from whom it purchases considerable numbers of components, such as electronic parts, mechanical parts, units and materials. As part of its responsibility as a manufacturer operating a global business, Canon ensures that its procurement activity considers the needs of the global environment and society.

In 2019 Canon joined the Responsible Business Alliance (RBA), a coalition of companies that promotes socially responsible global supply chains.

Procurement Policy, Supplier Code of Conduct

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

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

Reference: Procurement Policy

<https://global.canon/en/procurement/policy.html>

Reference: Canon Supplier Code of Conduct

<https://global.canon/en/procurement/pdf/coc-e.pdf>

Fair and Transparent Conduct of Business

Reinforcing Compliance in Procurement

Canon not only complies with laws and regulations on procurement globally, but also ensures complete fairness and transparency in dealings with its suppliers.

Specifically, we established the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement, which stipulates appropriate actions that persons in charge of procurement as well as executives and employees responsible for placing orders should keep closely in mind in order to maintain high standards of legal compliance and corporate ethics. Also, Canon's business processes are uniform across its global network based on a common set of detailed rules on procurement practices in place for Group companies worldwide.

To ensure company-wide consistency and uniformity, a department in charge of internal Group controls was

set up in the procurement division at Canon Inc. to maintain the rules, monitor compliance, and provide training for employees.

Promoting Open Procurement to Companies Worldwide

In line with our Procurement Policy, which outlines our intent to open our doors equally to suppliers worldwide and conduct business in a fair and impartial manner, we promote open procurement and invite proposals from suppliers not already in our network.

Canon set up the Suppliers Proposal Site within its corporate website with the purpose of collecting information, including product proposals and information related to production outsourcing (excluding intellectual property such as designs, ideas and inventions), from companies worldwide. Products proposed on this site are now being used in Canon products.

We will continue to duly consider all future proposals based on established rules.

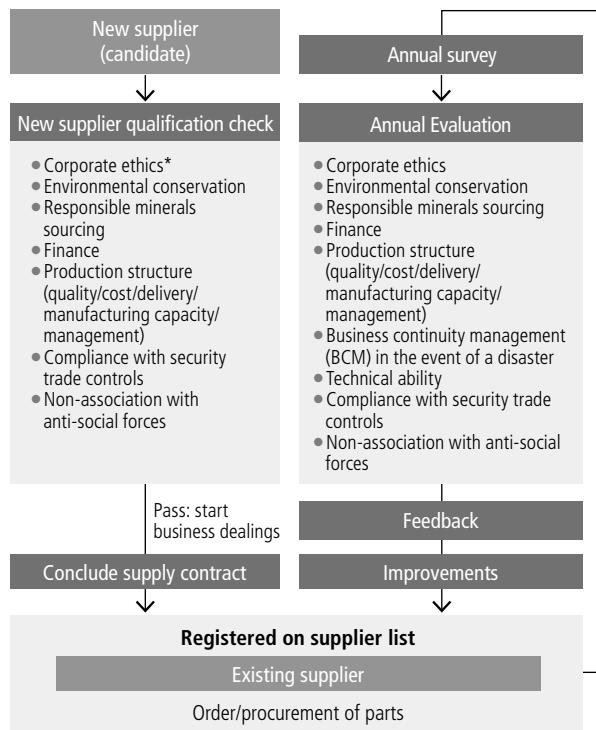
Reference: Suppliers Proposal Site (on Procurement Information page under About Canon tab)
<https://global.canon/en/contact/suppliers/suppliers-form-e.html>

Initiatives with Suppliers

Supplier Evaluation

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.

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.

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



On-site check at a supplier business in Japan

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

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

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 diagram below. If a supplier is found to have a negative impact on the environment, we immediately demand corrective action be taken and check the status of improvements made.

Requirements of the Canon Green Procurement Standards

	Environmental management system	Performance
Business activities	A: Environmental management system for business activities Construction and operation of an environmental management system for business activities	B: Performance of business activities - Compliance with environment-related laws and regulations - Compliance with other applicable legal requirements - Non-use of prohibited substances - Reduced use of substances targeted for reduced levels of use - Preventative measures against soil and groundwater pollution
Parts & materials	C: Management of chemical substances in products Construction and operation of a 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)

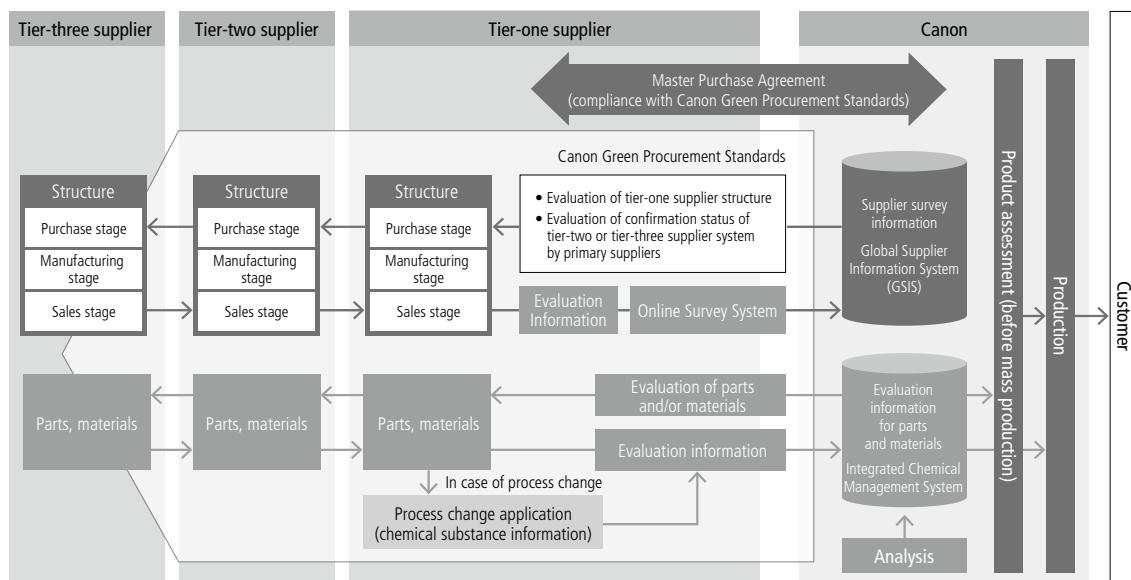
To promote environmental conservation activities, we require all partners throughout the supply chain to work for environmental impact reduction in their business activities by putting in place and operating an environmental management system. Specifically regarding the chemical substance content of products, alongside the requirements of our Green Procurement Standards, we have put in place an in-house system for centralized management of information on the content of such substances in parts and materials so as to exclude the possibility of product contamination with prohibited substances.

It was already Canon's practice to check the organization and environmental performance of a supplier's business activities and any corrective measures taken. Now, we have further strengthened our risk management to help prevent pollution in our supply chain. For example, in order to ensure compliance with

stricter regulations, we are taking measures to boost information gathering and analysis activities regarding laws and regulations on wastewater and emissions in emerging countries. We are also reinforcing risk management in plating processes, where there is a relatively high risk of environmental pollution associated with wastewater treatment as a certain volume of heavy metals is used. As some of our plating contractors, who constitute tier-two suppliers, lack an in-house wastewater treatment facility and subcontract services to a wastewater treatment provider, Canon now also verifies the compliance status of these subcontractors. Expanding the scope of risk management in this way helps ensure pollution prevention.

Reference: How to become a supplier
<https://global.canon/en/procurement/procedure.html>
 Reference: Green Procurement
<https://global.canon/en/procurement/green.html>

Hazardous Chemical Substances Management System



Reduction of Supply Chain Environmental Risk in Partnership with China's Institute of Public & Environmental Affairs (IPE)

Based on supply chain information published by the Institute of Public & Environmental Affairs (IPE), a Chinese environmental NGO, we help secondary and tertiary suppliers and other Chinese businesses located in the upstream of the supply chain to reduce environmental risk by making recommendations and carrying out improvements. By sharing information regularly and communicating with the IPE on best practice, we contribute to reducing environmental risk throughout the supply chain.

Cooperation with Suppliers

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide, while taking the environment into consideration.

We hold business briefings for suppliers at each Canon Inc. operational site and each Group production site, seeking their understanding of procurement policies and their cooperation with business plans. The Group Executive in charge of Procurement Headquarters at Canon Inc. also holds procurement annual meeting for major suppliers worldwide to request their cooperation in complying with the Canon Supplier Code of Conduct, which includes items related to the environment and human rights, as well as explains procurement policies and reports on activities, in an effort to strengthen cooperation with suppliers.

Through such communication, we aim to share information with suppliers, strengthen collaboration, and grow together.

Hotline for Risks in the Supply Chain

Canon has set up a hotline to allow anyone inside or outside the company to anonymously report any concerns about the supply chain. This enables whistleblowers to share any specific concerns or information relating to issues such as child labor, forced labor, or other problems in the areas of human rights and occupational health and safety. This process is detailed in the Canon Supplier Code of Conduct and publicized.

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

Addressing the Issue of Responsible Minerals Sourcing

Products manufactured and sold by the Canon Group and numerous other corporations contain materials that originate from a variety of minerals. These materials are sourced through diverse supply chains from their places of origin throughout the world. Mineral mining sites, smelters or other processing sites for some of those materials have been shown to have links to armed groups, serious human rights violations or environmental destruction. Corporations are therefore being called upon to exercise their social responsibility by identifying conflict/high-risk regions and avoiding the use of materials supplied from business operators disrespecting human rights or environmental conservation in those regions.

To reassure customers using Canon products, we are working with suppliers and industry bodies on responsible mineral sourcing initiatives.

Reference: Canon Group Basic Policy on Responsible Minerals Sourcing
<https://global.canon/en/csr/conflict/policy.html>

Due Diligence

Canon investigates the countries of origin of minerals and exercises due diligence, following the 5-step framework recommended by the Organisation for Economic Co-operation and Development (OECD) in its Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) (Third Edition).

Based on a common Group-wide policy and survey reporting system, Canon identifies products that could contain certain metals or minerals and then conducts investigations of the parts and materials in question, tracing up the supply chain to determine places of origin. Canon exercises due diligence to identify any risk of funding armed groups along with human rights and environmental risks in conflict and high-risk areas around the world. The surveys utilize the Conflict Minerals Reporting Template (CMRT) Revision 6.22 published by the Responsible Minerals Initiative (RMI*), which has been updated to allow assessment of the abovementioned risks. In addition, we use internally developed formats to identify mineral sourcing risks. If investigations uncover significant risks, we work with suppliers to switch to low-risk supply chains, enabling us to carry out socially responsible minerals sourcing.

* An international program that plays a leading role in the response to conflict minerals.

Cooperation with Industry Groups

Since April 2015, Canon has supported the activities of the RMI, an international program focused on addressing the issue of conflict minerals.

In Japan, Canon is active as a leading member of the Responsible Minerals Trade Working Group (RMTWG) of the Japan Electronics and Information Technology Industries Association (JEITA). Canon is also a member of the Conflict Free Sourcing Working Group (CFSWG), which cooperates with JEITA and leading Japanese automakers.

Initiatives to Reduce Risk

Supplier cooperation is essential in identifying places of origin for minerals and related smelters. Canon takes steps to gain the understanding of suppliers and seek their cooperation with mineral sourcing investigations. This includes compiling a guidance manual on related procedures.

Furthermore, Canon established a page entitled "Procedure for the Submission of Concerns Regarding Mineral Risk" on its official website in 2015. Parties with specific concerns and/or information regarding circumstances of extraction, trade, handling and export of minerals (tantalum, tin, gold and tungsten) in conflict-affected and high-risk areas as they pertain to Canon product supply chains (such as facts indicating that those minerals are the source of funds for armed groups in conflict-affected areas and human rights violations) can contact Canon through this page.

Reference: Procedure for the Submission of Concerns Regarding Mineral Risk
<https://global.canon/en/contact/conflict/conflict-form-e.html>

Compliance with US Dodd-Frank Act (Conflict Minerals)

Tin, tantalum, tungsten and gold (3TG) produced in conflict-affected and high-risk areas are said by the United Nations and other authorities to have been used in some cases to provide funding for armed groups allegedly responsible for serious human rights violations, environmental destruction, illegal mining, and other issues. This is generally referred to as the "conflict minerals issue."

In response, the United States introduced the Dodd-Frank Act in January 2013, which requires listed companies to investigate and disclose whether minerals and metals from the Democratic Republic of the Congo (DRC) and neighboring countries contained in their products could have been used to fund armed groups.

Canon submits a Conflict Minerals Report each year by the end of May to the U.S. Securities and Exchange Commission (SEC) detailing the status of Canon Group activities to address the conflict minerals issue.

In 2022, Canon sent CMRT-based surveys to roughly 3,200 suppliers with a response rate of about 94% (as of March 31, 2023).

As far as can be judged from the responses received, there was no evidence that Canon's purchasing of parts and materials had financially benefited armed groups in the DRC region. However, the complex nature of the supply chain makes it difficult to identify specific smelters or in many cases to obtain clear responses. Given these and a range of other survey challenges, Canon is working for further risk identification and improvement. Smelters investigated in the survey are disclosed through a Conflict Minerals Report submitted to the U.S. Securities and Exchange Commission (SEC) annually.

In Europe, meanwhile, April 2021 saw the enactment of the EU's Conflict Minerals Regulation, whose scope is not limited to the DRC and neighboring countries. Canon is not affected by this regulation, but it has carried out a risk assessment of the other countries involved.

Reference: Conflict Minerals Report (SEC filing)
https://global.canon/en/ir/library/form_sd.html

Response to Expanding Risk

Recent years have seen heightened worldwide attention given to the procurement risk associated also with non-3TG mineral substances. Specifically, cobalt — in growing demand for its use in lithium-ion batteries and other applications — is the focus of concern over potential human rights violations, including child labor, at mining locations. From 2021, Canon began providing all suppliers subject to survey with the industry standard survey format for Cobalt (Extended Minerals Reporting Template published by the Responsible Minerals Initiative) in order to investigate the status of cobalt use in Canon products and conduct related risk analysis. We will continue responding to this risk in collaboration with suppliers and industry associations.

Independent Assurance Report

Canon undergoes audits by independent private sector experts to gain independent assurance on whether the Group's initiatives on conflict minerals investigation conform to international standards in the form of the OECD Guidance. An independent assurance report is attached to the Conflict Minerals Report filed with the SEC.

Compliance with Modern Slavery Act

The Modern Slavery Act 2015 enacted in the United Kingdom in 2015 mandates that enterprises of a certain scale operating in the UK publish annual statements detailing the risk of forced labor, human trafficking and child labor within their own operations and supply chain. In 2018, Australia enacted a Modern Slavery Act, under which companies above a certain size operating in Australia are required to evaluate the risk of forced labor and other issues in the supply chain and in their own business activities and to disclose measures taken to reduce the risk.

Annual statements are published by Canon Group companies that fall within the scope of the law, based on the information on human rights risk assessments conducted by Canon Group production sites and suppliers.

Annual statements are also published by Canon Medical and Axis in compliance with this legislation.

Reference: Canon Europa N.V., Canon Europe Ltd., and Canon (UK) Ltd. Modern Slavery Act Statement
https://canon.a.bigcontent.io/v1/static/2021_ms_statement-signed
 Reference: Canon Australia Pty Ltd. Modern Slavery Statement
<https://modernslaveryregister.gov.au/statements/9654/>
 Reference: CMSC Slavery and Human Trafficking Statement
https://global.medical.canon/about/corporate/Slavery_and_Human_Trafficking_Statement
 Reference: Axis Modern Slavery Act Transparency Statement
<https://www.axis.com/dam/public/e8/aa/88/axis-modern-slavery-act-transparency-statement-2022-en-US-388796.pdf>

Stakeholder Engagement

GRI2-12
GRI2-29

Basic Approach

Canon thinks it is important to have ongoing dialogue with its diverse stakeholders to communicate the company's thinking to them and to listen carefully to their feedback with the aim of deepening mutual understanding. We consequently strive to maintain close communication with stakeholders using departments in charge at Group companies worldwide as points of contact. Responding to the issues identified based on the opinions we receive from stakeholders, we deal appropriately with the needs of each region, and at the same time, we share important issues related to global management throughout the Group and work to resolve them.

The opinions or comments received from external stakeholders through the Canon website* are shared

with the relevant departments and answered promptly. We also strive to enhance Canon's activities through appropriate exchanges of views with consultancies, investors, experts, NGOs and NPOs.

Moreover, the preparation of this report involves several rounds of direct discussion with third parties regarding its content, starting from the planning stage (→P88–90). We also try to ensure report disclosures meet the expectations of all stakeholders by canvassing the views of investors, shareholders, and sustainability experts.

Below we outline the communication methods with stakeholder groups that Canon regards as of high importance for its business activities.

* Inquiries about Canon
<https://global.canon/en/contact/inquiry/inquiry-form-e.html>

Stakeholder	Topics of Interest	Main Communication Methods
Customers	<ul style="list-style-type: none"> • Provision of high-value-added products and services of high quality • Provision of appropriate information on products and services • Responding to inquiries • Improving customer support 	<ul style="list-style-type: none"> • Customer advice centers • Service centers • Website/social media • Customer satisfaction surveys • Showrooms
Educational/Research Institutions	<ul style="list-style-type: none"> • Optical technology • Cutting-edge technology • Joint research • Environmental education 	<ul style="list-style-type: none"> • Joint R&D projects • Introductory and operational briefings • Visits to Canon Foundation grant recipients • Internship programs • Meetings to promote joint research initiatives between industry and academia • Outreach classes and instructor dispatch
Employees	<ul style="list-style-type: none"> • Improvement in workplace environments • Management policies • Maintenance of employee benefit programs • Support for career development • Maintenance of personnel evaluation system • Maintenance of workplace safety system • Cultivation of high company morale 	<ul style="list-style-type: none"> • Labor-management conferences and committees • Information sharing from top management • Training programs • Career matching system • Whistleblower system • Employee awareness surveys • Safety and Health Committee • Compliance meetings • Human resource hotline
NGOs/NPOs	<ul style="list-style-type: none"> • Issues affecting global society such as refugee issues and poverty • Disaster relief support • Ecosystem protection/conservation • Supply chain risks 	<ul style="list-style-type: none"> • Collaborative biodiversity conservation projects • Humanitarian and disaster-relief activities in disaster-affected areas • Collaboration to achieve a green supply chain
Local Communities	<ul style="list-style-type: none"> • Fulfilling responsibilities as corporate citizen to participate in local community activities • Contributions to local communities through business operations • Protection/conservation of local community ecosystems 	<ul style="list-style-type: none"> • Emergency disaster-relief assistance • Disaster-preparedness and crime-prevention drills • Involvement in local groups/organizations • Ecosystem protection/conservation activities • Local events and volunteer activities • Environmental education and awareness activities
Shareholders/Investors	<ul style="list-style-type: none"> • Medium- to long-term management strategy aimed at achieving continued growth • Status of business portfolio transformation • Financial condition • Business activity trends and results • ESG activities 	<ul style="list-style-type: none"> • General meeting of shareholders • Corporate strategy conference • Financial results conferences • Conferences for institutional investors • Individual meetings with institutional investors • Investor relations website/materials
Suppliers	<ul style="list-style-type: none"> • Procurement policies • Requests to address social issues • Analysis of business trends and supplier performance • Product/technology trends • Improved efficiency of the chemical substance information transmission scheme 	<ul style="list-style-type: none"> • Procurement annual meeting • Supplier surveys • Business briefings to suppliers • Onsite supplier briefings • Technology exhibitions by suppliers • Promotion of green procurement
Central/Local Governments	<ul style="list-style-type: none"> • Active support for initiatives addressing societal issues • Strengthening ties with companies • Promotion of community revitalization 	<ul style="list-style-type: none"> • Opinion exchange with central government agencies • Opinion exchange with local government authorities • Dialogue with economic organizations and industry groups • Cooperation in surveys and questionnaires
Other Companies	<ul style="list-style-type: none"> • Industry trends • Product/technology trends • Addressing social issues that affect multiple industry sectors 	<ul style="list-style-type: none"> • Participation in environmental technology initiatives • Announcement/promotion of Open COVID-19 Declaration • Participation in standardization for common base technologies of IoT systems

External Recognition

Canon has received awards and citations from various external bodies for the efforts it has made to satisfy stakeholder expectations. Please refer to the URL below for further details.

Reference: Recognition
<https://global.canon/en/environment/external-evaluation.html>

Third-party Opinion



Co-Lead Research Unit Innovation Labs,
Sustainable Production and
Consumption Division,
Wuppertal Institute for Climate,
Environment and Energy
<https://wupperinst.org/>

Dr. Justus von Geibler

Turbulent Times

The last two years have been turbulent with regard to geopolitical developments and their economic consequences. The return to a "new normal" after the COVID-19 pandemic was quickly disrupted by Russia's unjustified war against Ukraine, leading to human tragedies and severe economic challenges in many countries. In such unstable times with increased risks of low growth, large companies operating globally face challenging decisions and trade-offs that could potentially undermine the sustainability efforts of the past. For such difficult decisions, information made available through holistic sustainability reporting can provide valuable support and guidance.

Against this background, I highly appreciate Canon's continued commitment to sustainability reporting and the opportunity for my commentary. My statement is based on a review of the draft report and intensive discussions with the reporting team. I focus my comment on two main changes compared to last year's report: 1. The reduced length of the report. 2. Revised material topics covered.

A Shorter Report Separated from the Integrated Report

This year's sustainability report is about 30 percent shorter than the report from last year. I am pleased to see this considerable reduction of length. This has been mainly realised through Canon's decision to separate the content of the Sustainability Report from the content of a separately published Integrated Report (see About This Report) (→P01). I acknowledge that two individual reports allow for more target group specific communication. However, some sections from last year's report were completely moved to the Integrated Report, including disclosures on Canon's value creation, business plans or product-related impacts. I believe these disclosures would have been important elements in the sustainability report to better understand the interlinkages between the core business activities and sustainability impacts of Canon. They could also show potential conflicts between different sustainability impacts. I therefore suggest the reader to also take a complementary look at those sections in the Integrated Report.

Revised Material Topics

Canon has revised the material topics for this year's report and provides a clearer specification of material topics along with detailed disclosures. Six "Environmental and Social Materiality Topics" are now specified (→P09–10), while only three broader "Materiality Themes" were identified in the report of the previous reporting period. I think that the four topics that have been specified in this year's report in the environmental domain are very relevant and closely linked to the sustainability impacts of Canon. Specifically, I like the take-up of the new topic "Biodiversity" which has gained more attention at a global level in recent years, for example through the Kunming-Montreal Global Biodiversity Framework adopted at the United Nations Biodiversity Conference in December 2022.

In the social domain, I see some opportunities for improvement in Canon's sustainability reporting. While two relevant topics "Human rights and labour" and "Sociocultural support activities" are still in the report, last year's theme "Creating New Value and Solving Social Issues" is not addressed as a materiality topic in this year's report. In future sustainability reports, I would like to see continued emphasis on this topic, including disclosures on human impact of Canon's products and technologies and links to related Sustainable Development Goals (SDGs). Examples could be contributions to healthy lives and well-being (SDG 3) based on Canon's advances in medical technologies, or the support of safer cities (SDG 11) based on Canon's developments in security and network cameras. This could help stakeholders to better understand how Canon is contributing to social sustainability through its products and technological innovations.

My Conclusion

Overall, I'm pleased to see Canon's responsiveness to stakeholder demands on sustainability and the valuable insights in the report on the company's sustainability impacts and progress. At the same time, I see still work to be done for Canon to pursue with continuity its transparent and holistic sustainability reporting, in order to remain a leader in corporate sustainability.



Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair (2017–2023)

Judy Kuszewski

It has been at least 25 years since sustainability reporting first became established as a common practice among leading global businesses, and over 20 years since Canon first issued such reports to the public in this spirit. But sustainability reporting has seen a period of upheaval in recent years, reflecting its growing importance to a range of users and stakeholders, including regulators.

Canon's evolving reporting works in parallel with its evolving corporate organisation and management structure, the better to anticipate, respond to and manage sustainability impacts. We saw last year the introduction of an enhanced organisational structure, comprising four core business groups and several global headquarters units, bringing a consistent level of excellence to its operations. This structure allows Canon to bring sustainability expertise as needed – dynamically, flexibly and consistently – into its operations around the world.

In the same way, Canon is seeking to ensure its reporting is fit for purpose, responding to the expressed preferences of stakeholders and ensuring adherence to growing regulations and voluntary reporting standards. This Sustainability Report is, therefore, reimagined as separate but complementary to Canon's Integrated Report.

This presents challenges for reporting organisations such as Canon, as different reports are intended for different audiences. In reality, however, readers of sustainability-related information tend to have broad and varied interests and views, regardless of the reporting organisation's intentions.

Integrated Reporting is usually seen as being primarily intended for providers of financial capital, economic actors making economic decisions on the basis of non-financial information. Yet those who are concerned about sustainability impacts also need to understand how well the company is set up to deliver on its sustainability aims and whether the forward business strategy supports a long-term sustainable company. Too much differentiation risks no audience being sufficiently well informed, no decisions being fully enabled.

The challenge on the one hand is that undifferentiated reports become excessively long and complex, which discourages engagement; and on the other hand that overly-targeted reports are perceived to convey different ideas to different audiences, which can be seen to be confusing and lacking in transparency. I believe the key to success for Canon will be to ensure a high degree of interconnectedness between the various elements that make up its suite of corporate disclosures – enabling readers, whatever their position or background, to understand how Canon takes responsibility for its impacts and how it incorporates this view into its business strategy. Canon's sustainability strategy must be seen as an intrinsic component of its business strategy – yet the boundaries of this sustainability report stop short of its business strategy in important ways. I believe it will be vital in the years to come that Canon's quite sensible efforts to streamline reporting and target it to specific stakeholder needs nevertheless enables this broad and connected understanding of the whole business and its role in sustainable outcomes.

However, I have been privileged to have followed Canon in its sustainability journey for many years, and the progress demonstrated in this report is very encouraging. I would like to highlight two areas in which I believe Canon has made particularly important advances in recent years:

- Canon's human rights and responsible sourcing activities have progressed rapidly in recent years. This report demonstrates real progress in implementation against the company's policies, in line with international good practices.
- Canon's KPIs and targets show ambition where it is most important and target efforts in a way that can drive real improvement in outcomes. For example, the target to increase male employees' uptake of parental leave is, in my opinion, far more impactful than any such policies aimed at female employees, encouraging a more equal lived experience and corporate culture. Similarly, Canon's targets to eliminate specific types of workplace accidents altogether, together with efforts to instil a culture of health and safety, can help enable real-world improvements to the lives of workers.

Canon's attention to the GRI Standards has driven its focus on materiality themes. As a result, Canon's identified material topics are aimed at where Canon has a direct hand in environmental and social impacts, and importantly, where Canon's improvement efforts can make a real difference. Such clear thinking, well-integrated into Canon's business strategy, can only be seen as positive.

Third-party Review Process

Introduction

As part of Canon's ongoing efforts to improve its sustainability reporting for stakeholders, Canon seeks the advice of external experts to review and comment on its sustainability report. This process aims to:

- Provide a means both to advance Canon's commitment to sustainable development and to check expectations and perceptions of progress with respected external experts
- Support the achievement of accountability through the sustainability report
- Help foster dialogue between Canon and its stakeholders while supporting good accountability practice

Judy Kuszewski and Dr. Justus von Geibler have supported Canon's reporting every year for over a decade, through dialogue with Canon leadership and detailed, challenging review of concepts and draft contents as they are developed, as well as written commentary which is published in this report.

Basis for the commentators' opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards and the UN Sustainable Development Goals (SDGs) as background, the commentators challenged Canon on:

- **Materiality** – The topics of greatest importance to Canon's business and to its stakeholders; where Canon's most significant impacts are produced, and where Canon can make the most difference to the issue.
- **Relationship between sustainability impact and strategy** – How to ensure readers do not lose valuable context related to Canon's core business strategy.
- **Clarity and complexity** – How to link together multiple reporting processes for various audiences, while maintaining a coherent overall sense of Canon's business and capability.
- **Audience needs** – Canon should take care not to assume too much about the limits of specific audience's expectations and needs for information.

Judy Kuszewski and Justus von Geibler are well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting. They are not auditors or assurance providers.

What Canon and the commentators discussed

Through the video conference process and written submissions, the commentators and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included the following, with Canon participants' responses and views shown alongside:

Topics	Third-party comment	Canon views
Canon's social and environmental materiality themes	Canon has revised its approach to materiality following the GRI Universal Standards, resulting in a more specific and focused set of identified topics linked to the impacts on people and the environment associated with its business activities. This strengthens focus on the most significant impacts in a positive way. However, there are some trade-offs, such as a potential mismatch between the issues considered of greatest significance to society broadly versus those where Canon has more capability to make a difference. Additionally, the increased focus may be seen by some readers as a loss of emphasis on topics they are interested in. Canon should explain its thinking clearly and ensure readers are guided to sources of information that may not be included in the Sustainability Report. Canon should consider presenting a unified materiality analysis in the future, which covers both the Sustainability and Integrated Reports. It could then be shown where the deeper analysis of the issues is presented between the various reports, while continuing to show a coherent, well-connected picture across all reports.	Canon reviewed material topics in the environmental and social fields based on the revised GRI Standard 2021, taking into account the positive and negative impacts of our activities on the environment and society, as well as the potential and tangible impacts, and identified six material topics, of which four topics were identified as the most important topics last year. We disclose the material topics along with the concept of selecting the most important topics and the positioning of items listed other than materiality as well as the identification process of materiality (→P09–10). In addition, based on discussions with commentators, in order to ensure that readers can access information of interest smoothly, we have devised ways to direct readers to the integrated report for information on business activities such as technologies, products, and services that are not included in this year's report.
The role of business strategy in sustainability reporting	Canon's decision to separate the Sustainability Report from the company's annual Integrated Report means that some contents previously reported alongside its sustainability information are no longer reported in this way. Notably, this includes value creation, business development plans and product-related impacts, which has been decoupled from sustainability disclosures altogether. Sophisticated readers will understand that sustainability cannot be separated from core business activities in this way. Canon will need to ensure the linkages between documents are clear, and the messages are aligned, so that readers can see how Canon's evolution as a business supports and is reflected in its ongoing sustainability performance.	In the past, Canon provided a wide range of information required for the integrated reports and the sustainability reports in one volume, but this year, the company decided to separate the two volumes in order to further enhance the information tailored to the interests of readers. The Sustainability Report provides detailed and comprehensive information on sustainability, focusing on the materiality of the environmental and social fields. On the other hand, our business strategies and other value creation initiatives are disclosed in the Integrated Report. As we continue to publish content that aligns with the objectives of both reports, we will strive to convey to readers without misunderstanding Canon's initiatives to contributing to a sustainable society.
Various specific comments related to clarity, structure and sign-posting	The commentators discussed with Canon numerous questions and observations on individual disclosures or presentation matters that may offer improvements	This year, it was necessary to significantly revise the content of the report, including separating of the contents of reports and responses to the revised GRI Standards. In consultation with commentators, we made various improvements, including how to communicate the relevance of the Integrated Report, how to structure and express the pages so that they are easily accessible to readers, and the disclosure of information in line with global sustainability trends.

Dr. von Geibler's and Judy Kuszewski's full statements can be seen at "Third-Party Opinions." (→P88–89)



Canon Global Website
<https://global.canon/en/>

Visit this page for the latest corporate news, corporate information, and related data.

Sustainability Website
<https://global.canon/en/sustainability/>

Visit this page for information on sustainability.

IR Website
<https://global.canon/en/ir/>
Visit this page for information on IR.

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