

CANON

SUSTAINABILITY REPORT 2021

– An Integrated Report for Realizing *Kyosei* –

Creating New Value

Responding to Climate Change

Good Corporate Citizen

Digital Transformation

Kyosei

Smart City, Smart Mobility

SDGs

Innovation

Solving Social Issue

Contribution to a Circular Economy

About this Report

Editorial Policy

This report is designed to help various stakeholders understand Canon's activities. In addition to information on our corporate performance, financial status, and initiatives in the field of ESG (Environmental, Social and corporate Governance), it contains a wide range of information required for integrated reporting.

The "Message from the CEO" in this year's report outlines our five-year business plan starting in 2021. The report also provides details on our business strategy, COVID-19 response, value creation process, and activities that address material issues.

This report is prepared in accordance with the GRI Standards Core option criteria and with reference to the disclosure items recommended by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

Additional financial information is available in the CANON ANNUAL REPORT 2020.

(Ref.) CANON ANNUAL REPORT 2020
<https://global.canon/en/ir/library/annual.html>

Scope of the Report and Period Covered

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2020 (January 1 to December 31, 2020). The scope of environmental reporting is not limited to activities (development, production, and sales) at operational sites. Rather, it covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product use by customers. Supplemental information on important targets, indicators, and initiatives prior to and beyond 2020 is referenced in this report. Information specific to a region or organization is indicated as such.

Target of the Report

This report presents data from 343 companies (57 companies in Japan and 286 overseas) that are consolidated companies of the Canon Group.


Date of Publication

June 2021 (previous: July 2020, next planned: May 2022)

Referenced Reporting Guidelines, etc.

- GRI Sustainability Reporting Standards
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Guidance for Collaborative Value Creation, 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)

Comparative tables for GRI Standards can be found online at the following URL. The relevant GRI Standards disclosure items for materiality-based approach (→P31-38) are listed and illustrated with the icons shown below.

GRI disclosure item icon example: GRI102-11 
(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.

Third-Party Opinion and Third-Party Assurance

Canon received a third-party opinion (→P124) from Justus von Geibler (D.Phil.) of the Wuppertal Institute and Judy Kuszewski of Sancroft International, which is helping to improve ongoing CSR initiatives as part of the company's stakeholder engagement activities. Furthermore, a third-party assurance (→P127) from Lloyd's Register Quality Assurance Limited (LRQA) has been obtained for GHG emissions, energy consumption and water consumption data for 2020.

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.

Contact us

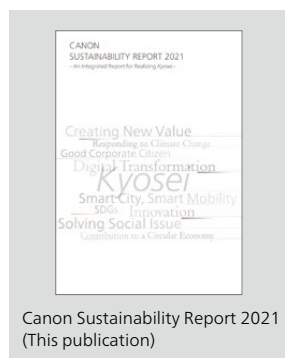
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Canon Group's System for Sharing CSR Information

Every year Canon publishes a Japanese- and English-language version of its Canon Sustainability Report covering the Canon Group's CSR activities. More detailed information is released in a timely manner on Canon's website and Instagram. Additionally, each Canon Group company around the world shares information tailored to the region through websites and various reports.



Website on CSR
<https://global.canon/en/csr/>

Website on the environment
<https://global.canon/en/environment/>

Canon Marketing Japan's website
on CSR and CSR report (Japanese
website only)
<https://cweb.canon.jp/csr/>

Canon U.S.A.'s website on CSR
<https://www.usa.canon.com/internet/portal/us/home/about/corporate-social-responsibility/>

Canon Europe's website on
sustainability
<https://www.canon-europe.com/sustainability/>

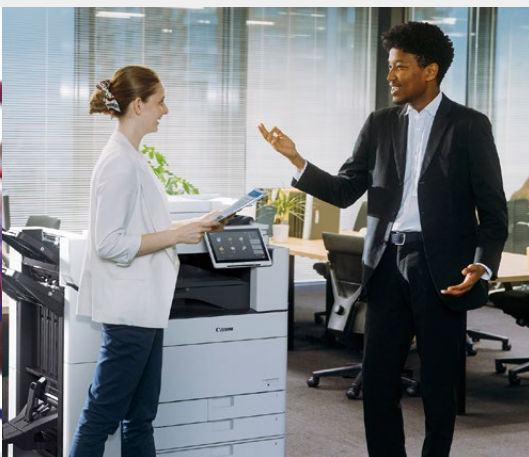
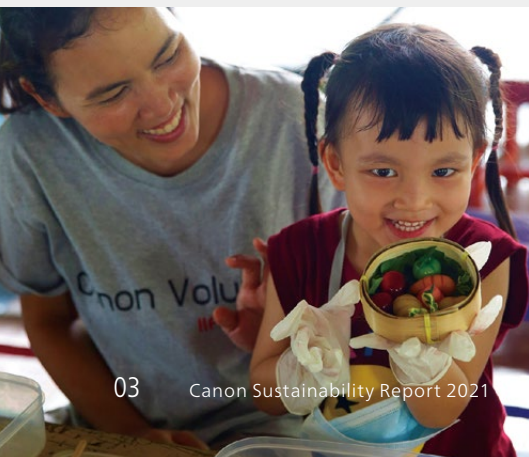
Canon China's website on
sustainability and the environment
<https://www.canon.com.cn/csr/>

Canon Australia and Canon New
Zealand's website for sustainability
and the environment and
sustainability report
<https://www.canon.com.au/about-canon/sustainability>

Canon's official CSR activities
Instagram account @canon_csr
https://www.instagram.com/canon_csr/



Canon's Corporate Philosophy





Under the corporate philosophy “*kyosei*,” we are stronger and deeper with stakeholders

Following half a century of operations, Canon adopted *kyosei* as its corporate philosophy in 1988, expressing clearly the company’s firm commitment to working together with stakeholders around the world.

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

Canon is pursuing the realization of a sustainable global society based on the philosophy of *kyosei*.

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

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



Message from the CEO



Based on Canon's philosophy of *kyosei* and targeting new growth via the transformation of our business portfolio, we are working with all our stakeholders worldwide to help create a better society.

Performance in 2020

The entire world's resilience and perseverance were called into question during 2020 with the emergence of a novel coronavirus (COVID-19) as a threat to humanity. We would like to offer our deepest condolences to all who have lost their lives and extend our sympathy to everybody affected by the pandemic. We wish to express our utmost respect and heartfelt gratitude to all those involved in fighting the virus around the world, especially frontline healthcare workers and government leaders.

The COVID-19 outbreak, which began at the end of 2019, spread rapidly worldwide, leading to national border closures, citywide lockdowns and curfews. These actions placed severe restrictions on the movement of people and goods, hurting trade and sparking a global recession. Governments tried to find ways of balancing measures to stop the spread of infection against economic and social activity, and economies started to recover gradually as the lifting of restrictions enabled corporate activity to restart. However, amid the additional outbreak of infections due to new COVID variants, the situation remains highly uncertain.

Canon's performance was significantly affected by these conditions. We reported our first ever quarterly loss for the three months to the end of June 2020, and our full-year sales and profits declined significantly year on year. With more people working from home, reduced use of company offices significantly lowered demand for office equipment such as multifunction devices and laser printers. While we saw strong growth in orders for industrial equipment used in the manufacture of semiconductors and OLED displays, strict travel restrictions led to delays and suspensions in machinery installations. In the medical equipment business, our sales activities were somewhat restricted by the strict access rules that many hospitals imposed in response to COVID-19.

On the other hand, sales of inkjet printers rose substantially on a volume basis in advanced and other countries due to the sudden shift to working and studying from home. In cameras, our new full-frame mirrorless models were a big hit as well, and our results in these parts of the business exceeded expectations.

Results of Phase V of the Excellent Global Corporation Plan

The year was also the final one in the five-year Phase V of the Excellent Global Corporation Plan, originally begun in 2016. During Phase V, under the policy slogan of “embracing the challenge of new growth through a grand strategic transformation” in response to the rapid maturation of sectors, such as cameras and office equipment, that have supported Canon’s growth to date, we pursued an aggressive M&A strategy and transformed the Group’s business portfolio. We sought to reinforce and expand operations in four selected areas of business: commercial printing, most notably low-volume, fast-turnaround printing jobs for promotional catalogs, direct mail, and other printed materials; network cameras, which help protect public safety using secure urban infrastructure; healthcare, to support human health by helping to develop advanced treatments that leverage the latest technology; and industrial equipment to support technical innovation in areas such as next-generation displays, IoT and AI.

In commercial printing, building on our entry into the sector through the acquisition in 2010 of Netherlands-based Océ, we formulated a business strategy to optimize our operations in printing across the Group and implemented a new system for developing technology and products. In 2020, to enhance the Group’s presence in the commercial printing sector, we integrated the Océ and Canon product ranges under the Canon brand and renamed these operations Canon Production Printing.

In network cameras, the Canon Group entered the sector through the acquisitions of Denmark-based Milestone Systems (2014), Sweden-based Axis Communications (2015), and Israel-based BriefCam (2018). We have created a set-up that enables the Group to deliver solutions integrating camera hardware with proprietary software for managing, processing and analyzing video. We have also accelerated the development of various applications of the technology. These include Volumetric Video, a technology to recreate a 3D space from captured video images, and vehicle-mounted cameras.

In healthcare, which we view as a core business for the future, we welcomed Toshiba Medical Systems (now Canon Medical Systems) into the Group in 2016. We have also sought to reinforce our competitiveness in the field using multiple acquisitions to obtain critical MRI technologies expected to contribute towards future growth in market share and to bring in-house the production of key components.

In industrial equipment, we entered the market for OLED display production equipment in 2007 by

welcoming Tokki into the Canon Group. In 2020, Canon Tokki saw a significant increase in demand as smartphone displays began to migrate to OLED technology. We have developed a fully integrated Group set-up for mass-producing these products.

By 2017, we had assembled Canon’s business portfolio in its current state. In that year, we recorded our best performance since the global financial crisis of 2008, with sales of ¥4,800 billion and net profit of ¥242.1 billion.

Entering Phase VI of the Excellent Global Corporation Plan

In 2021, we embark on the five-year Phase VI of the Excellent Global Corporation Plan. Looking at the global economic forecast, although the economy is improving, it cannot be said that it will be smooth sailing. Amid the continuing global COVID-19 outbreak, while mass vaccination programs are progressing across Europe, the US and Japan, the hit to consumer confidence caused by the pandemic could take a few years to reverse.

I am not pessimistic about the future, however, because I believe in the wisdom of humanity and the power of innovation. Time after time, it is innovation – the fruit of knowledge and intellect, combined with human creativity and technological progress – that is the wellspring of societal transformation. Innovation has continuously helped to create new industries, thereby developing the economy and generating culture. Innovation has not ceased even under the harsh conditions of the pandemic. Digitalization is transforming all areas of society, enhancing both lifestyles and convenience. There is also a renewed focus on a “green recovery,” a form of economic recovery policy that promotes decarbonization of our society. These are all positive signs that new markets will continue to emerge.

At Canon, we will respond to societal demands by reinforcing our innovation-based approach so that we can provide products and services with greater value. Since Canon was founded in 1937, we have always expanded into different business areas by generating innovation to meet the needs of the time. In the early years, Canon enriched people’s lives through cameras. In the period of Japan’s rapid economic growth, we helped boost office productivity with copiers, fax machines and other equipment. We have also contributed to the electronics industry with the development of semiconductor lithography equipment. Today, along with the spread of IT, we are supporting the information society by adapting all Canon products for the digital age.

Message from the CEO

Phase VI of the Excellent Global Corporation Plan, which we are starting in 2021, inherits the themes of Phase V. Under the basic policy to “accelerate our corporate portfolio transformation by improving productivity and creating new businesses,” we aim to support enriched lifestyles in the Consumer domain; to create more accommodating business environments in the Office and Industrial domains; and to help build a safer and more secure society in the Social domain.

We are pursuing two key strategies to realize these aims. The first is to “enhance competitiveness through company-wide realignment into a new industry-oriented business group structure.” Canon businesses have traditionally been organized along product lines, but M&A activity over the years has brought many new colleagues into the Canon Group, resulting in a varied and diverse range of technologies. Our aim is to generate synergy by deepening the intra-Group ties that support the sharing of technologies so that we can further strengthen existing operations while also creating new businesses. To this end, we are reorganizing business units and affiliates into four groups: Printing, Imaging, Medical, and Industrial.

The Printing Group will comprise office multifunction devices, inkjet printers, laser printers, commercial printing and industrial printing equipment. We plan to extend Canon’s product range further, based on our expertise in areas such as electro-photographic and inkjet technologies.

The Imaging Group will cover cameras, lenses, broadcasting equipment, commercial video cameras, network cameras and vehicle-mounted cameras. Based on the optical, sensor device and image-processing technologies that Canon has developed over many years, along with network technologies and cloud-based imaging AI technologies, we will significantly broaden our presence in the field to transform the traditional camera industry into an optics industry that supports today’s digital society.

The Medical Group will supply Canon’s range of CT diagnostic systems and MRI systems, diagnostic ultrasound systems and other diagnostic equipment. Besides these products, we will look to reinforce our

competitiveness by developing diagnostic solutions, AI-based video analysis applications and other products, while also expanding into peripheral areas such as diagnostic reagents to accelerate the growth of the business.

The Industrial Group will handle lithography equipment for manufacturing semiconductors and flat panel displays, along with OLED lithography equipment, vacuum deposition equipment, and die bonders. As well as focusing on the development of new products to satisfy diverse requirements, we aim to expand into new business areas through reinforcing materials development.

In other initiatives to strengthen the creation of new businesses, our recently created Frontier Business Promotion Headquarters is looking to leverage technologies and other expertise that Canon has developed to accelerate our business development in life sciences, materials and other areas, and to develop services-based solutions.

Our second key strategy is to “improve Group-wide productivity through extensive reinforcement of Canon’s global headquarter functions.” With the aim of strengthening and expanding operations in the four business groups, we will thoroughly reinforce central functions to oversee cross-group optimization.

There are four issues we must address to achieve these aims. The first is to implement thorough cash flow management to reinforce our financial position in preparation for the next economic crisis without missing major investment opportunities.

The second issue is to create a more dynamic and merit-based HR management system. The COVID-19 pandemic has unexpectedly led to greater diversity in hiring and employment practices. The next challenge is to update our HR system to incentivize higher individual employee productivity. At the same time, we will upgrade our internal education systems to help us develop the people we need for the new business portfolio, while promoting the use of internal transfers and career shifts so we can assign the right person to each position.

The third issue is to promote cost-reduction initiatives across the whole Group. Leveraging our in-house



Continuous feed presses deliver high-quality, high-speed printing



Network camera operating in a subway station

Excellent Global Corporation Plan Phase VI (2021-2025)

Key strategies

1. Enhance competitiveness through company-wide realignment into a new industry-oriented business group structure

Reorganization of product-based divisions into industry-oriented groups

— Printing Group

- Expand Commercial Printing business and establish Industrial Printing business
- Reinforce Canon's product lineup by leveraging our strengths in electrophotography and inkjet technologies, as well as our digital transformation capability

— Imaging Group

- Establish Smart Mobility business by leveraging our optical and network technologies
- Expand business scope of network cameras to encompass the social infrastructure market and maintain the top position in the digital camera industry

— Medical Group

- Expand the business by reducing costs of core products and boosting their sales in Europe, the Americas and emerging markets
- Make full-scale entry into diagnostic equipment-adjacent markets including test reagents

— Industrial Group

- Further improve OLED manufacturing systems
- Increase market share of semiconductor lithography systems and FPD manufacturing systems by introducing competitive products

— Frontier Business

New business creation using proprietary Canon technologies

- Accelerate development of new businesses including life science, materials and solutions services

2. Improve group-wide productivity through extensive reinforcement of Canon's global headquarter functions

Reinforcement of central functions to support growth strategies of industry-oriented groups

— Thorough cash flow management

— Establish a more dynamic and merit-based HR management system

— Promote cost reduction initiatives across the whole Group

— Focus on innovations that advance business

production technology and the cooperative links between development, design, procurement and manufacturing teams to revise product and machinery designs from scratch, we are targeting greater automation of assembly processes and in-house production of critical components to help lower the cost of sales. We are pursuing a globally optimized procurement network so purchasing decisions reflect foreign exchange movements, tariffs and other factors, while also optimizing the logistics around procurement, production and sales in a bid to reduce lead times, expenses and inventories.



World-leading production equipment for OLED displays

The fourth issue is to focus on innovations that advance business. We are strengthening R&D capabilities for the new technologies we need in each business group, based on a more well-defined role for our central R&D Division.

The annual sales target for 2025, the final year of the Phase VI plan, is ¥4,500 billion, which would exceed Canon's previous peak sales set in 2007. Our other targets are minimum profit margins of 12% at the operating level and 8% at the net level, and a shareholders' equity ratio of at least 60%.



Clinical laboratory system for analyzing blood samples

Message from the CEO

Towards the Realization of *Kyosei*

Throughout human history, we have faced and overcome many pandemics. Many argue that pandemics tend to accelerate any underlying societal changes while stimulating long-term structural reform. My view is the COVID-19 pandemic will be no different in that it is likely to speed up existing trends and hasten social transformation.

I think there are a few points to consider here. The first concerns existing divisions in society. Economic globalization has helped countries and regions to become rich and prosperous. On the other hand, economic inequalities have widened due to the concentration of wealth in certain industries and individuals, combined with the impact on the middle class of policies relating to immigration and intakes of refugees. While the pandemic has inflicted significant economic and social damage across the world, the disproportionate impact on the poor and the vulnerable has highlighted growing insecurities and social disparities. In some countries and regions, it has also caused serious racial, education-based and other forms of discrimination to surface. There are concerns about its destabilizing impact on local communities and the erosion of the bonds connecting the international community.

The second point is the digital transformation (DX) of society. Online services delivered via the Internet existed before, but their use tended to be limited and penetration rates were not rising. COVID-19 has forced a shift to non-face-to-face and contactless ways of operating, with mass adoption of practices such as remote working, online medical consultations, and distance learning. People's values and behavior have changed substantially. Along with these shifts, there is an active digital transformation underway using AI, IoT, 5G and other digital technologies that will bring sweeping changes to our society and the economy, and reform industrial structures. As this gathers pace, the digitalization of societies worldwide is likely to result in radical reforms, affecting our legal and regulatory systems and social norms.

The third point concerns sustainability. The COVID-19 pandemic has changed the daily experience of people everywhere, threatening the existence of companies and leaving people concerned about their health and safety and that of their family members. At a time when the issue of climate change has become more serious due to the growing global incidence of forest fires, droughts and other extreme weather events, urban lockdowns and travel restrictions have resulted in a short-term lull in CO₂ emissions and improvement of air pollution. Those changes have vividly illustrated

the environmental damage wrought by economic activity at the planetary level. The lens of the COVID-19 pandemic has given people a better understanding of sustainability, and many are taking global environmental and social issues more seriously.

Faced with this "new normal" amid an ongoing structural transformation, companies are now expected to become sustainable enterprises by working to supply the products and services that people want, maintain employment and grow, while also striking a productive balance between economic, social and environmental value.

Canon's corporate philosophy is *kyosei*. In Japanese, the word "*kyosei*" 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, religion or culture. We are constantly renewing the commitment of Canon to realizing the philosophy of *kyosei*, based on the material issues we have identified of "Creating New Value and Solving Social Issues," "Protecting and Conserving the Environment," and "Responding to People and Society as a Good Corporate Citizen."

This philosophy has its roots in Takeshi Mitarai, Canon's first president. In 1937, when Canon was founded, Japan was still a society divided along class lines. However, he insisted that all employees should be treated the same on a fair and equal basis, without any discrimination due to status, gender, age or whether they worked in factory or office-based positions. His stance was based on a complete respect for humanity.

Our corporate philosophy of *kyosei*, to set the goal of human happiness and prosperity above the profits earned by any single company or nation, was adopted in 1988 by Canon's third president, Ryuzaburo Kaku. It expresses our commitment to a respect for humanity as a global aspiration. At the time, the world faced serious issues, including trade imbalances, the North-South divide (the gap between advanced and



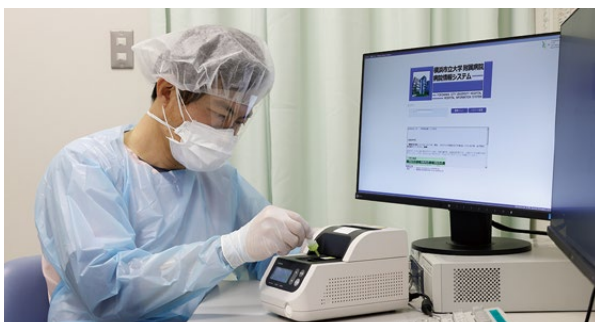
Printer cartridge recycling at Canon Bretagne plant

developing countries in each hemisphere) and environmental pollution. Working to address issues of global scale is something global enterprises can do to complement the efforts of governments and administrative authorities worldwide. Indeed, it is our responsibility to act.

Since 1988, based on this philosophy of *kyosei*, we have worked as a truly global enterprise to build good relationships with customers and local communities, with governments at all levels, and with the Earth and nature. Grounded in the concept of *kyosei*, we have actively tried to address societal issues through corporate activities. Our philosophy of *kyosei* is also consistent with the SDGs, and we see Canon's varied activities as contributing to their achievement, if only in a modest way.

We have consistently taken our environmental responsibilities as a global corporate citizen seriously. 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 distribution, sale, servicing and post-use collection and recycling. Working with customers, governments, industry bodies and business partners, we have also promoted the collection and recycling of products as part of efforts to realize a circular economy.

In 2020, supply chain disruptions caused by the COVID-19 pandemic led to some late deliveries of parts and materials to our factories. In the market, the closure of retail outlets and offices meant we could not fully undertake sales activities. Even so, Canon's development and production teams worked to get new products out into the global marketplace as planned, and our sales personnel diligently supported the businesses of our customers by ensuring the uninterrupted supply of products and services. In our medical business, we worked to maintain production at full capacity to give emergency support to medical institutions worldwide, despite the declaration of a



COVID-19 antigen testing kits

state of emergency in Japan. We also started developing genetic and antigen tests to enable quick and simple diagnoses of COVID-19 infections.

Alongside this, Canon Group companies have used camera and printer technologies to assist local communities. In Mexico, we took photos of medical professionals who cannot take off personal protective equipment while working so patients could be reassured by their smiles. In Spain, in collaboration with partner firms, we printed and distributed free-of-charge some 12,000 books for children to help households lacking any network connection with distance learning during lockdown. In addition, Canon Group factories across the world used parts and materials on hand to make face shields, cloth masks and other items for donation to medical institutions.

I cannot introduce all the support activities that we undertook here, but in every single case this was about Canon Group employees taking the initiative to help local communities as part of Canon's role as a responsible global corporate citizen. This attitude reflects Canon's *San-ji Spirit* ("Three Selves": self-motivation, self-management, and self-awareness) that we have inherited from our earliest years. It makes me proud to know Canon Group employees are working in partnership with local communities, business partners and customers around the world to realize our philosophy of *kyosei* in line with the *San-ji Spirit*.

While it remains unclear when the COVID-19 pandemic will end, I am confident that the power of innovation will help humanity overcome this crisis. Based on the philosophy of *kyosei*, Canon will continue to address the issues faced by countries and regions around the world while engaging in dialogue with all customers and stakeholders as part of our efforts to realize a better society. By focusing resources on the transformation of our business portfolio to create new growth, we will strive to make a continuous contribution to society through technological innovation, so that Canon may remain a company worthy of admiration and respect the world over.

In closing, I humbly ask for your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Evolution of Business Plans

Since 1996, based on continued business reforms under the Excellent Global Corporation Plan, Canon has aspired to be a company that people around the world like and respect by contributing to society using technology. In 2021, we started Phase VI of the plan. Continuing the success achieved in Phase V, this next stage of Canon's development focuses on the core policy of "promoting portfolio transformation through improved productivity and new business creation."

-1996

Business strategy combining comprehensive diversification and globalization

• Globalization

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

• Diversification

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

Business Plans

1962-1966

First Five-Year Plan:

Launch of full-scale business activities in business machine market

1976-1987

Premier Company Plan:

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

1988-1995

First Global Corporation Plan:

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

Excellent Global Corporation Plan

Phase I 1996-2000

Total optimization and profitability

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

Main strategies

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

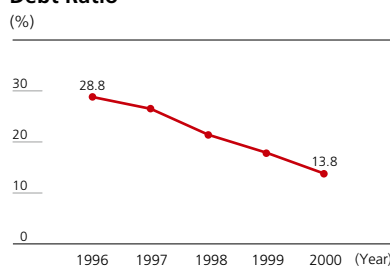
Economic value

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

Social and environmental value

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

Debt Ratio



Development using 3D-CAD

Excellent Global Corporation Plan

Phase II 2001-2005

Increased competitiveness through digitalization

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

Main strategies

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

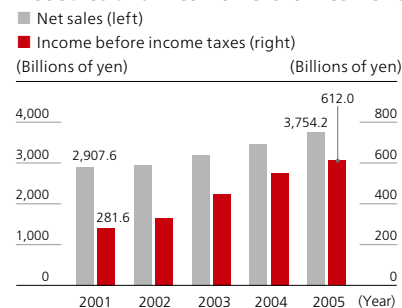
Economic value

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

Social and environmental value

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

Net Sales and Income Before Income Taxes



LCD lithography equipment released for sale in 2002

Phase III 2006–2010

Reinforcing existing businesses and expanding into new areas

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

Main strategies

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

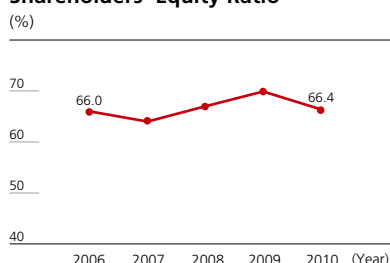
Economic value

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

Social and environmental value

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

Shareholders' Equity Ratio



Development in progress at Canon Production Printing (formerly Océ)

Phase IV 2011–2015

Enhancing growth and manufacturing capabilities

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

Main strategies

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

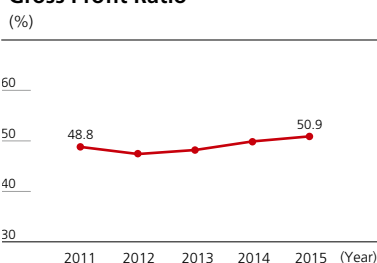
Economic value

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

Social and environmental value

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

Gross Profit Ratio



Sales launch of Cinema EOS System for film production (2011)

Phase V 2016–2020

New growth through a grand strategic transformation

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

Main strategies

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

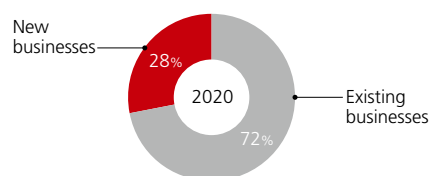
Economic value

- Net sales from new businesses: 10%→28% (target)
- Stable level of cash and cash equivalents ¥407.7 billion (2020)

Social and environmental value

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

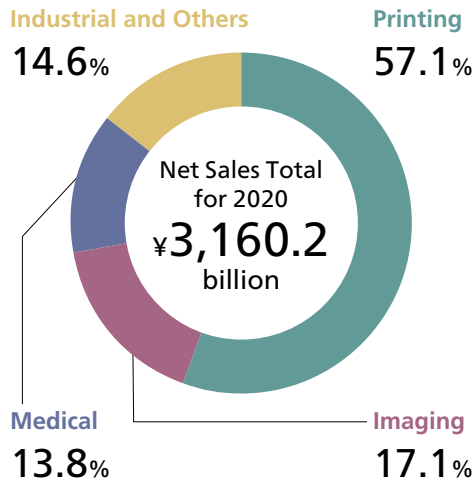
Share of Net Sales Provided by New Businesses



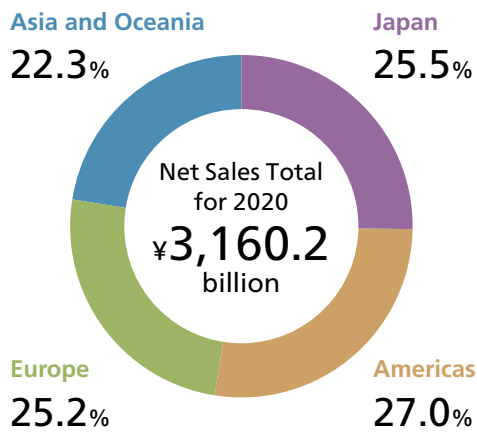
Diagnostic ultrasound system by Canon Medical Systems

At a Glance

Net Sales by Business Unit



Net Sales by Region

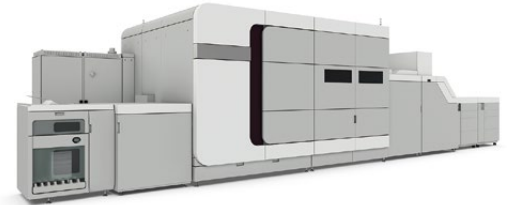


Business segment

Printing Business Unit



Office multifunction devices (MFDs)



Digital sheet-fed presses

Imaging Business Unit



Interchangeable-lens digital cameras



Network cameras

Medical Business Unit



Computed tomography (CT) systems



Diagnostic ultrasound systems

Industrial and Others Business Unit



Semiconductor lithography equipment



FPD lithography equipment

* Based on the realignment of Canon's internal reporting and management structure, from 2021, Canon has changed the name and structure of segments to Printing Business Unit, Imaging Business Unit, Medical Business Unit, and Industrial and Others Business Unit. Sales results for the full year ended December 31, 2020 also have been reclassified.

Main products

Outline

- Office multifunction devices (MFDs)
- Laser multifunction printers (MFPs)
- Laser printers
- Digital continuous feed presses
- Digital sheet-fed presses
- Wide-format printers
- Document solutions
- Inkjet printers
- Large format inkjet printers
- Commercial photo printers
- Image scanners
- Calculators

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

- Interchangeable-lens digital cameras
- Digital compact cameras
- Interchangeable lenses
- Compact photo printers
- Network cameras
- Digital camcorders
- Digital cinema cameras
- Multimedia projectors
- Broadcast equipment

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

- Digital radiography systems
- Diagnostic X-ray systems
- Computed tomography (CT) systems
- Magnetic resonance imaging (MRI) systems
- Diagnostic ultrasound systems
- Clinical chemistry analyzers
- Ophthalmic equipment

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

- Semiconductor lithography equipment
- FPD (Flat panel display) lithography equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment
- Die bonders
- Micromotors
- Handy terminals
- Document scanners

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

Business Strategy

Printing Group

By providing printing services based on a “cyber-physical” approach that integrates hardware and software components, Canon is helping customers to realize advanced, efficient operations and save labor in an age of digital transformation (DX).



Competitive advantages of the Printing Group

- Ownership of electrophotography and inkjet technologies for digital printing
- Breadth of product range, from consumer products to equipment for office and commercial printing; globally developed sales and customer support networks
- Mass production capabilities for standard and high-performance printers that constitute many parts, based on organized intra-Group collaboration and ability to make production machinery in-house

Basic Rationale on Value Creation

Printing has been an integral part of people’s lives and societal development. Printing is essential to cultured living beyond the basic needs such as clothing, food and shelter; today, it would be difficult to achieve economic development, cultural inheritance and scientific progress without print. Printers are necessities in use throughout the world.

Advances in IT are driving the shift to paperless offices, and the use of digital displays over printed paper is expected to continue going forward. Canon, however, sees social value in printing because it helps people collaborate more efficiently and be creative, supports deep thinking, and can simply be fun to have. We will continue to create products that deliver such value.

Canon’s history is closely tied to the evolution of copiers and printers. We developed electrophotography and inkjet printing technology from scratch, and have succeeded in helping to foster the global, widespread use of copying and printing. We have continued to create new value with the incorporation of new technologies to meet the changing needs of the time. For example, during the shift to digital over the past 20 years, we have brought new benefit by leveraging digital technology to enable instant reproduction and distribution of data.

The society of the future is likely to be based on cloud computing as ICT continues to evolve. Developing on-demand printing services that take advantage of such infrastructure, Canon’s aim is to provide on-demand printing of user-designated contents. The keys to realizing this will be print security and contents-on-demand technologies. Our products will become more “advanced and user-centric” and will have functional simplicity, stability and ease of use combined in one package, while also having the ability to access a range of services in a connected environment. Remote access to systems and software turns devices into cyber-physical systems in which the hardware and software are integrated. Canon hopes to serve our customers in the areas of efficiency and reduction of labor by providing digital printing services based on such systems.

Canon’s value creation and other activities in this field contribute mainly to the achievement of SDG 9 (Industry, Innovation and Infrastructure).

Related SDGs



Phase V Review

The three businesses targeting the consumer, office and commercial printing markets (which includes inkjet printers, multifunction printers and production printers) were integrated into a single digital printing business. This allowed us to rapidly assess any printing-related opportunities and risks based on centralized information, and to formulate a comprehensive strategy for the next-generation printing market. The revised set-up also supported new business development.

We expanded the product line-up with models for commercial printing, including continuous feed digital

presses for the graphic arts market. In terms of office equipment, we developed the imageRUNNER ADVANCE Gen3 series with color-shift and integrated cloud capabilities.

In 2020, lockdown in response to the pandemic forced many people to working from home, which significantly depressed the demand for office equipment. However, demand has since recovered as economies re-opened. Meanwhile the sales of home-office printers and consumables rose sharply. Integration of the three businesses enabled us to respond quickly to such developments.

Business Strategy in Phase VI

Business opportunities

- Demand for new printing/document solutions brought about by advances in IT
- Need for new printing services that cater to diverse work styles such as remote work
- Growth of digital printing markets in commercial and industrial printing sectors

Risks

- Delay in development of digital services that meet the latest needs
- Acceleration of declining office print volume trend due to impact of COVID-19 pandemic

In digital commercial printing, an area expected to grow, we will harness the collective resources of the Canon Group to create new products offering high image quality, productivity and reliability. We will also focus on accommodating an expanded range of print media, notably the printing of labels and packages.

Based on this approach, Canon aims to provide a range of hardware that can address all types of printing: those done at homes and offices, commercial and industrial printing and prints made in vertical markets. Canon will also offer print systems that can deliver cloud-based on-demand printing services to the home and office, commercial and industrial facilities, and commercial/industrial print providers.

The COVID-19 pandemic has clearly shown an impact on customer workflows; the capability to print was not necessarily available to all working in different environments prior to COVID. We are focused on providing new solutions for the Digital Transformation (DX) era based on the print management technology we have developed for office environments. We see this approach will lead to higher earnings as well.

In emerging markets, instead of going through a gradual development process, things can skip or jump to the next phase, bringing a whole new set of needs and demands. We aim to expand our business by first conducting detailed research on each national and regional market to determine the precise needs.

We are also looking for new business possibilities such as applying thermal inkjet technology to other industrial sectors. We are also committed to the environment, and based on various technological innovations related to sustainability we have developed to date, we intend to invest more for this cause.



Imaging Group

Combining optical technologies developed over many years with image processing, video analytics and network technologies, we aim to further reinforce the competitiveness of our existing operations while also establishing new businesses in areas such as smart cities and smart mobility and helping to build social infrastructure.



Competitive Advantages of the Imaging Group

- Unique brand power inherited as longstanding industry pioneer and supplier of cameras used by professionals
- Technical expertise borne of decades as a leading optical equipment manufacturer
- Ability to supply integrated products due to ownership of technologies relating to cameras, image-processing software and video analytics

Basic Rationale on Value Creation

Camera market contraction has continued due to rising smartphone penetration and the impact of the COVID-19 pandemic. However, there is sustained demand for high-performance models delivering professional-level richness of image and for mirrorless cameras. At Canon, we seek to capture this demand by leveraging technical expertise cultivated over many years to create products offering high performance and image quality. As part of contributing to the continued development of photographic and imaging culture, we also emphasize the social value inherent in the joy that Canon products give to people. Besides the development of new concept products to widen the appeal of photography, we are also focused on ways of fully capturing and recreating 3D spaces based on innovative technologies such as free-viewpoint video.

In contrast, the market for network cameras is growing with widespread increases in security-consciousness and the evolution of the “smart city” concept globally. Against this backdrop, our network cameras are contributing in areas such as crime prevention, traffic safety and urban infrastructure planning. Network cameras are also adding value in novel settings through its video analysis technology,

such as enabling defective parts recognition or enhancing process automation in factories and production facilities, or helping to increase sales in retail outlets based on detecting flows of people and merchandise. We are also developing software to anonymize people within video data feeds for privacy-protected monitoring applications. Our activities in the field of network cameras are based on the open strategy adopted by the Canon Group companies Axis Communications (“Axis”) and Milestone Systems (“Milestone”), which grants business partners flexibility in systems construction. Along with better security and safety, this approach translates to improvements in productivity, customer satisfaction and product quality.

The Canon Group’s provision of high-quality cameras, network cameras and related products contributes to the achievement of several SDGs, notably SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities).

Related SDGs



Phase V Review

In a significant achievement, we maintained our No. 1 share of the shrinking digital camera market. Amid a shift to mirrorless cameras, we reallocated resources to boost the development of new businesses and products, including new concept cameras. While the COVID-19 outbreak temporarily depressed demand in 2020, the market has since begun to recover. Moreover, the surge in online communications due to the pandemic is expected to stimulate demand for better and more precise imaging, an area of strength for Canon.

In the network camera business, following the addition of Axis and Milestone to the Group in Phase IV, we strengthened our position further through the acquisition of BriefCam in 2018. In 2017, the cloud business planning and development operations of Milestone were also spun off into the new Arcules venture as part of establishing an integrated value chain for our network visual solutions technology. This was one of the major achievements in Phase V.

Business Strategy in Phase VI

Business opportunities

- Adoption of network cameras in varied settings such as factories, shops, healthcare and schools
- Growth in demand with progressive adoption of smart cities, IoT and AI
- Emergence of new imaging technologies such as virtual reality (VR), augmented reality (AR), mixed reality (MR) and free-viewpoint video
- Growth of markets for network camera systems and video analytics software

Risks

- Contraction of camera market due to higher smartphone penetration rates
- Loss of sales opportunities and supply chain disruption caused by COVID-19 pandemic
- Brand recognition among younger demographics

Our policy goal is to enter the vehicle-mounted camera market by leveraging Canon's optical, image processing, video analytics and network technologies to establish the Smart Mobility business. We have started working with partner companies to develop and commercialize products in areas such as automotive LiDAR (light detection and ranging) sensors and next-generation AGVs (automated guided vehicles) or AMRs (autonomous mobile robots).

In network cameras, in collaboration with Axis, Milestone, BriefCam and Arcules, we are working with Canon Group sales companies to build a platform for incorporating advances in IoT, AI and other technologies to create novel solutions that address diverse customer needs. Elsewhere, we are responding to the demand created by new situations such as the increase in remote work amid the COVID-19 pandemic that demands higher-quality video links; more automation in factories; and new demand in a range of healthcare settings. In addition, we are developing solutions using AI-based video analytics technology for real-time people counting and facial recognition within crowds and related applications.

In the camera business, we are continuing to focus on development of new high-value-added products targeting segments with higher growth potential such as mirrorless cameras. Moving with the times to create new value, we are also putting more resources into the development of new concept cameras that emphasize the fun of capturing still images and video as a way of appealing to younger demographics. In addition, we are maintaining our global service and support network to give Canon customers greater peace of mind when using one of our products.



Medical Group

We are reinforcing Canon’s medical diagnostic imaging equipment/systems businesses by incorporating IoT, AI and other digital technologies and advances in biotechnology. We are also making comprehensive Group’s resources to enter the field of in vitro diagnostics, including testing equipment such as test reagents.



Competitive Advantages of the Medical Group

- Over a century of knowledge in the medical field and partnerships with healthcare professionals
- Canon’s diverse range of proprietary imaging and manufacturing technologies
- Global sales/service network over 150 countries/regions

Basic Rationale on Value Creation

Amid rapid aging of populations globally, rising healthcare costs and the growing threat posed by infections such as COVID-19, the demand for healthcare continues to increase rapidly and there is greater interest in promoting better health and in disease prevention. Canon supplies healthcare professionals with a diverse range of products and services of high utility value across the fields of diagnostic imaging, healthcare IT and in vitro diagnostics. Leveraging the distinguished history and related expertise of Canon Medical Systems, which joined the Canon Group in 2016, this business also draws on various collaborative partnerships with universities and medical institutions across each phase from R&D and manufacturing to sales and customer service. Research collaboration with such as Japan’s National Cancer Center aimed at creating innovative next-generation systems and a joint research program to apply deep learning technology to MRI imaging with Kumamoto University and the University of Bordeaux is ongoing.

The business activities are rooted in Canon’s corporate philosophy of *kyosei* and the Canon

Medical Systems management slogan *Made for Life* and this creates new value. In addition, we are looking to maximize synergy by creating original high-value-added products based on utilizing Canon’s imaging technology to enhance CT and MRI diagnostic imaging systems.

Canon’s efforts in this field contribute to the achievement of SDG 3 (Good Health and Well-being), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action), as well as to SDG 9 (Industry, Innovation and Infrastructure) through new advances in medical technology. Canon’s active promotion of joint development and open innovation programs with partners in the public and private sectors – including universities, medical institutions and business partners – also contributes to the achievement of SDG 17 (Partnerships for the Goals).

Related SDGs



Phase V Review

The most significant development in Phase V was when Canon Medical Systems joined the Canon Group in 2016. This move transformed the Group's business portfolio by expanding the medical business, which at the time was one of Canon's leading new businesses. Since the acquisition, a platform for creating synergies has been completed and efforts are focused on expanding the business through the integration of sales networks.

In 2020, the final year of Phase V, equipment sales and installation activities were restricted by the

COVID-19 pandemic. In collaboration with Nagasaki University, we developed a commercial rapid genetic testing kit employing the fluorescent LAMP method for use in testing for COVID-19. We also expanded our range of products to prevent the spread of infectious disease with the launch of a qualitative antigen test kit developed jointly with Yokohama City University. Demands for imaging and diagnostic equipment increased despite the interruptions to sales activities and disruption of supply chains, resulting in only a slight decline in sales from 2019 levels.

Business Strategy in Phase VI

Business opportunities

- Digital transformation as IoT, AI and other technologies applied to healthcare
- Advances in genetic and other biotech fields and regenerative medicine
- Development of products and services to help prevent the spread of COVID-19 and other infections

Risks

- Loss of sales opportunities and supply chain disruption caused by the COVID-19 pandemic
- Preferential policies for locally manufactured products for medical devices
- Delayed development of global market presence

Over the medium to long term, we expect to grow profits based on the sustained demand for medical equipment and diagnostic imaging support services.

Specific initiatives for mainstay products (CT/MRI/ultrasound diagnostic equipment) include efforts to lower costs further through production reforms, such as the development of platforms fully utilizing Canon's superior production technology, greater use of modular components and a shift toward more automation of assembly and in-house manufacturing of components.

We will focus on applying the performance of Canon products by applying photographic technologies to CT and MRI scanning. With IoT, AI and other aspects of the DX revolution starting to appear on the frontline of healthcare, our aim is to grow sales not only in Japan, but also in Europe, the US and emerging markets by making Canon products more competitive using diagnostic solutions and image analysis application. We are also looking to grow our healthcare IT systems business based on existing products to integrate medical information in ways specific to individual physicians or the diagnostic setting, and a solution to assist in the interpretation of radiographic images to support prompt and appropriate treatment of emergency patients.

In addition, we are focused on biotechnology, which is a field driving medical progress. We are harnessing Group resources to make a full-scale entry into in vitro diagnostics, including peripheral areas such as diagnostic reagents. In regenerative medicine, we are also pursuing a joint research with Kyoto University's Center for iPS Cell Research and Application, with the aim of developing high-quality iPS cell lines for autograft use by the year 2025.

Alongside these initiatives, we continue to conduct joint research with leading global universities to help develop Canon's global presence in the medical field.



Industrial Group

Amid further projected growth in semiconductor production, we are responding to the increasing demand for industrial equipment using a product development approach that customizes designs to customer needs, while also contributing to the construction of social infrastructure and technological innovation.



Competitive advantages of the Industrial Group

- Nanoimprint lithography technology that lowers costs and realizes miniaturization
- Products that raise customer productivity and lower cost of ownership
- Product development based on incorporating specific customer requirements from design stage
- Manufacturing sites/facilities capable of fully integrated R&D, design and production
- Professional workforce with high levels of technical expertise and experience

Basic Rationale on Value Creation

In 1970, Canon became the first Japanese firm to launch semiconductor lithography equipment. In 1986, we began applying the technology to the development of lithography equipment for manufacturing flat-panel displays (FPD). These areas still form the core of the Group's business today. In the past, in order to respond to the miniaturization of semiconductors, we expanded our product lineup with a product-out business strategy. Although this need for miniaturization continues to exist today, from the 2010s, we will shift our strategy from the design stage to product development that incorporates customer specific requirements, in line with the diversification of customer needs, leading to increased earnings and flexible provision of value to customers. We are working to boost the competitiveness of our i-line and KrF lithography equipment by improving wafer throughput and overlay accuracy.

Canon's products in this field can contribute to building a sustainable society, and are set to be one of the forces driving construction of social infrastructure, industrial innovation and energy-saving initiatives. We believe that providing customers with high-value-added products will

contribute to the achievement of SDGs. We continue to add original value with our latest models, including the introduction of new heat-exchange technology to mitigate the high power consumption of lithography equipment, or using temperature regulation to increase efficiency by adapting the equipment to ambient usage settings at customer sites. Using chips with lower power consumption in smartphones will promote the development of social infrastructure while helping to preserve the global environment. Our thinking during Phase VI of the Excellent Global Corporation Plan remains to focus on promoting "value creation through business."

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

Related SDGs



Phase V Review

One of the major outcomes from Phase V was our capture of a dominant share of the i-line lithography equipment market. This reflected our customized design concept of creating uniquely diverse sets of applications to meet specific customer needs. In addition, we expanded our product lineup beyond front-end processes to target rising demand for back-end processes such as high-value-added packaging. Canon's market share of KrF lithography has grown from a few percent in 2009 to around 30% in 2020. We have created a stable earnings base for the business as display technologies have evolved,

establishing a strong presence in FPD lithography and OLED manufacturing equipment for the Canon Group.

The COVID-19 pandemic in 2020 resulted in significant delays in equipment installation. However, amid firm demand for datacenters and PCs, investment is recovering in semiconductor devices. Growth has also remained healthy in the OLED manufacturing sector amid strong capital spending budgets. Amid major societal changes, we successfully increased sales volumes while securing higher market shares across all product lines.

Business Strategy in Phase VI

Business opportunities

- Growth in semiconductor market due to rising demand for 5G/IoT-related products
- Growth in OLED display market due to rising demand for high-resolution images/streaming video (4K/8K, etc.)

Risks

- Growth in machinery demand exceeds production capacity
- Improved performance of rival products and erosion of profitability due to price-based competition

We are upgrading the Group's OLED display manufacturing equipment in response to the growth in demand for high-resolution images and streaming video (including 4K and 8K). We are also seeking to expand within the area by applying new manufacturing methods and materials development.

In semiconductor lithography equipment, we expect business opportunities to expand going forward due to growth in demand for 5G-related products, network servers and other IT infrastructure. Our aim is to maintain our dominant market share in i-line lithography while working to secure a greater share of the KrF lithography market. In addition, aiming to enter the market for state-of-the-art lithography equipment, we will continue efforts to establish nanoimprint lithography. We see this technology, which can produce microchips with extremely precise circuitry patterns at relatively low cost, contributing to the future manufacture of new generations of advanced semiconductor chips.

In FPD lithography equipment, we expect demand for high-definition panels to continue. Our aim is to expand Canon's global market share by developing new and highly competitive products based on the continued development of our

proprietary optical technologies.

Moreover, we will focus on creating continuous post-sale streams of income by providing our customers with post-installation support and new proposals, expanding into after-market areas in ways that advantage our customers.

Separately, we will seek to establish the base for new businesses by taking a fresh look at our existing core technologies alongside nanoimprint and other technologies.

In addition, we will strive to reduce costs using various methods, including using standard parts to replace custom-ordered parts from the design stage and producing more parts in-house.



Canon's COVID-19 Response

Canon Group operations around the world have listened to local concerns, donated products and supplies, and supported the frontline medical community through early deliveries of medical equipment and various other initiatives using Canon technology and services. We are also actively trying to help people adapt to the "new normal" using products, technologies and solutions in our areas of strength.

Tackling COVID-19 Infections

Frontline medical support



Developing diagnostic imaging systems and reagents for COVID-19 diagnosis and supplying face shields manufactured using Canon production technology are among the contributions we have made to supporting the medical frontline and lowering the risk of infection in the community.



Donations/fundraising activities



Besides face masks, face shields and other hygiene products, Canon operations worldwide have provided food and other essential supplies as well as financial donations.



IP-related contributions



To help bring a swift end to the pandemic, Canon joined the "Open COVID-19 Declaration" as a founding member. Canon has declared commit not to assert certain intellectual property right against development, manufacturing and other any activities whose purpose is stopping the spread of COVID-19.



See here for information on other relevant activities:

<https://global.canon/en/info/covid-19/>



In-house initiatives to prevent infection

An in-house team established within Canon Inc. is coordinating various measures by Canon Group companies in Japan.

Besides wearing masks, practicing proper hand hygiene and cough etiquette, and ensuring people to get adequate nutrition and sleep to stay healthy, the measures to prevent the spread of infection include restrictions on overseas travel and large-scale internal/external events, the enforcement of social distancing at work, and the promotion of staggered commute and telework arrangements. We are also encouraging more diverse patterns of employment, including developing systems to allow employees to work from home.

Canon Group companies outside Japan have undertaken initiatives in line with government policies and local conditions.

Reference: Please see P109 for more details of the impact of COVID-19 on business performance.

Adapting to the New Normal

Supporting COVID-safe lifestyles



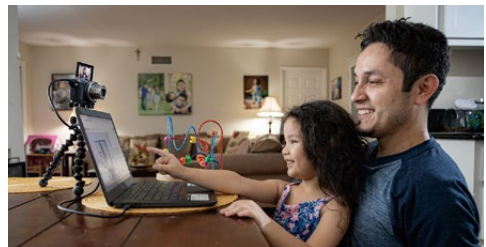
We provide solutions to the needs of society as it combats COVID-19 infection. As well as a qualitative antigen test kit capable of fast and simple COVID-19 antigen detection, we have developed a relocatable CT scanner product consisting of a complete X-ray CT scanner device packed into a freight container that makes diagnostic imaging possible wherever and whenever necessary.



Realizing richer, more convenient communications



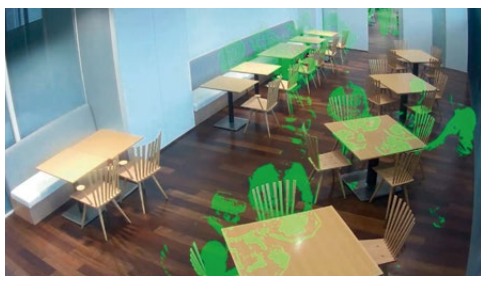
When used as webcams, EOS series cameras provide pristine images you can only get with DSLR and mirrorless technology to enhance online video-based communication, including work meetings, virtual conferences, online events and remote learning. Canon products enable new forms of communication so everyone can participate in society equally.



Creating a safer society for all



Silhouette-based people-counting software that protects individual privacy can play a role in maintaining social distancing by assessing current occupancy of a restaurant or venue relative to its COVID-safe capacity.



Digital transformation in the office



Canon supplies multifunction devices that enable rapid, high-quality conversion of vast quantities of office documentation into electronic form via the use of integrated cloud services. Through this digitalization of office procedures, we are supporting the diversification of work styles, as seen in the rapid rise of teleworking.



The COVID-19 pandemic is transforming the world in different ways, inducing change in our social and economic systems, and the behavior, perception and values of people worldwide. The need to avoid face-to-face meeting and physical contact in everyday life has seen the sudden expansion of solutions such as teleworking, online education, and online medical consultation. One result has been a further acceleration of the pace of the digital transformation (DX) that is bringing sweeping change to society, the economy, and the structure of industry.

Canon regards it as part of its duty as a corporate citizen to respond to the changes under this "new normal" by presenting solutions that are sensitive to the needs of people and society. Taking as one of its reference points the Sustainable Development Goals that are the focus of concerted efforts worldwide, Canon remains committed to helping realize a sustainable and more resilient society where people can live safe, secure and comfortable lives.

A History of Value Creation

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

Thinking on Value Creation

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

Consolidated Net Sales

Globalization
Early focus on expanding internationally through global brand development

■ Japan
 ■ Americas
 ■ Europe
 ■ Asia and Oceania
 ■ Overseas*

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



Evolution of Business Plans

Premier Company Plan

First

1960s

1970s

1980s

Societal Issues and Global Trends

High economic growth

Advance of electronics technology

Product/Business Development and Activities

1961
Launch of Canonet
A low-priced model with internal automatic exposure mechanism rapidly became a hit product. Helped to popularize photography



1964
Launch of Canola 130, the world's first 10-key electronic calculator
This model condensed the previous format with 10 keys for each number column into a single 10-key format. The 10-key format goes on to become the de facto standard



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

1970
Launch of Japan's first domestically produced plain-paper copier (PPC)
Successfully commercialized a plain-paper copier that did not use the patent of US Xerox Corporation. Contributed to the advance of office automation



NP-1100

1970
Launch of Japan's first domestically produced semiconductor lithography equipment
Using its camera lens technology, succeeded in commercializing a stepper. Subsequent contributions to the development of semiconductor devices included the world's first sub-micron level print line width



PPC-1

1984
Launch of world's smallest, lightest laser printer
Contributed to the realization of desktop publishing, followed by the rapid spread of laser printers



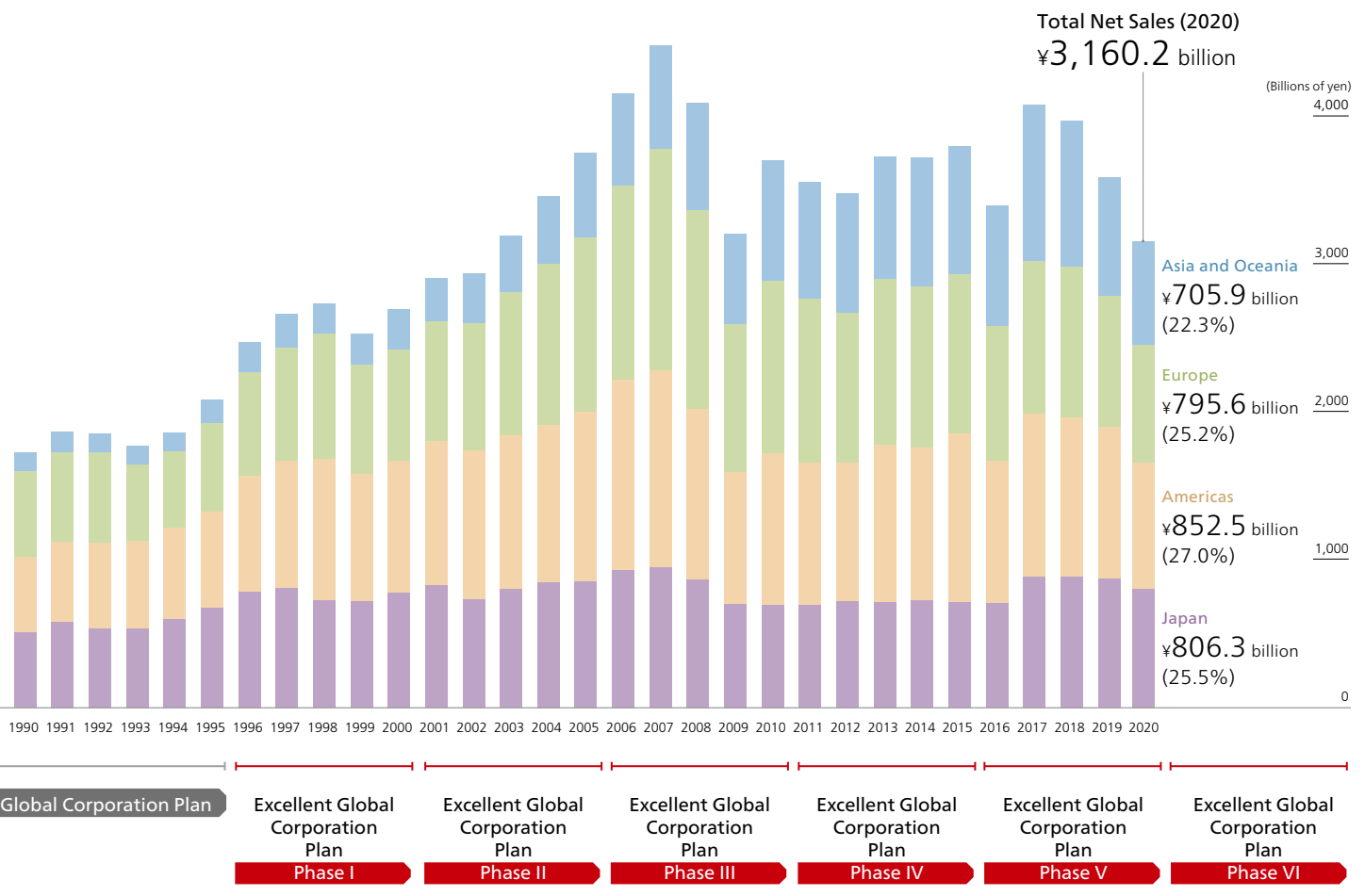
LBP-8

1985
Launch of the world's first inkjet printer using Bubble Jet technology
Subsequently developed superior miniaturization and color printing technologies, leading to the popularization of high-resolution, full-color printing at home



BJ-80

1987
Launch of CLC-1, the world's first digital full-color copying machine
In an era dominated by monochrome copying, realized high-resolution, full-color copying, marking the start of a new era



1990s

2000s

2010s

Digitalization and networking technology advanced with the development of IT

Adoption and expansion of AI and IoT

Increasing environmental awareness

1990
Start of toner cartridge recycling program

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

1996
Launch of ELPH (IXY or IXUS in other regions), the world's smallest film camera with Advanced Photo System (APS)

Global hit due to innovative, high-end design and easy portability for daily use

1998
Launch of digital X-ray radiography equipment for medical use

Elimination of film enabled instant imaging after exposure, and environmental breakthrough since developer fluid wasn't needed



2000
Launch of iR series new-generation network MFDs

Realized seamless linking of input and output of paper and digital documents and enabled digitization of paper documents and output from remote locations

2000
Launch of PowerShot S100 DIGITAL ELPH (DIGITAL IXUS in other regions), the world's smallest, lightest digital compact camera

A high-image-quality digital camera that was stylish and easy to carry became a hit product



PowerShot S100 DIGITAL ELPH / DIGITAL IXUS

2007
Expansion of industrial equipment business

Canon Tokki (formerly Tokki) joined the Group. Contributed to spread of devices using OLED displays through successful realization of OLED panel manufacturing equipment in the 2010s

2010
Expansion of digital commercial printing business

Canon Production Printing (formerly Océ) joined the Group. Promoted advanced digital printing that doesn't require plates

2015
Strengthening of network camera field

Leading global company Axis Communications joined the Group. Expanded Canon's presence in the field of public security

2016
Expansion of the medical business

Canon Medical Systems (formerly Toshiba Medical Systems) joined the Group. Expanded businesses that serve patients and medical institutions

2018
Opened the Canon Eco Technology Park, an automated recycling plant

Developed as a site for communicating environmental activities. The plant, designed for recycling MFDs and toner cartridges in a clean environment, includes an experiential showroom

Value Creation Process

The Canon Group has built its business over the years based on the philosophy of *kyosei* and inherited corporate DNA comprising deep Respect for Humanity, an Emphasis on Technology, and Enterprising Spirit. In our aim to realize *kyosei*, we have continued to grow as we anticipate social changes and effectively utilize our various resources, which include strong finances, a talented workforce, advanced technical capabilities and good corporate governance.

Looking ahead, under Phase VI of our Excellent Global Corporation Plan covering the period from 2021 to 2025, we are engaging in a variety of activities guided by materiality themes. To help build a resilient and sustainable society that provides secure, safe, comfortable and enriched lifestyles, we will contribute using technology, products and solution-based services to create value in ways that help to achieve the SDGs and realize an emissions-free future.

Societal trends

- Advancement of technology and efficiency improvements
- Population growth and aging
- Diversification of safety and security needs
- Increasing awareness of social and environmental issues
 - Sustainable Development Goals (SDGs)
 - Climate change
 - Resource constraints
 - Increasing importance of human rights violations/ labor issues
 - Sustainable supply chains
- Economic/supply chain impacts of infectious disease outbreaks and pandemics
- More diverse lifestyles and work preferences

Business Units

- Printing (→P15-16)
- Imaging (→P17-18)
- Medical (→P19-20)
- Industrial (→P21-22)

Corporate governance

- Corporate Governance Structure (→P99-103)
- Risk Management (→P104-109)

Resources

- Strong financial base
- Global business development
- Extensive work force
- Strong technological skills

Corporate DNA

- Respect for humanity
- Emphasis on technology
- Enterprising spirit

Corporate philosophy:
kyosei



Realizing *kyosei*

SDGs
(2030)

Security

Safety

Zero net
emissions
(2050)

Comfort

Enrichment

- Supporting diverse printing needs (→P15-16)
- Realizing a safe, comfortable society through imaging technology (→P17-18)
- Enabling healthy lives with peace of mind (→P19-20)
- Helping to build social infrastructure through the Industrial Equipment business (→P21-22)
- Realizing a low-carbon society (→P53-56)
- Realizing a circular economy (→P57-61)
- Creating workplaces that respect the rights of individual employees (→P67-80)
- Ensuring product safety and improving usability (→P81-86)
- Contributing to the sustainable development of local communities (→P87-90)

Materiality

- Creating new value and solving social issues (→P31-32)
- Protecting and conserving the environment (→P33-35, P45-66)
- Responding to people and society as a good corporate citizen (→P36-38, P67-90)

Excellent Global Corporation Plan Phase VI (2021-2025)

Engineer a cycle of value

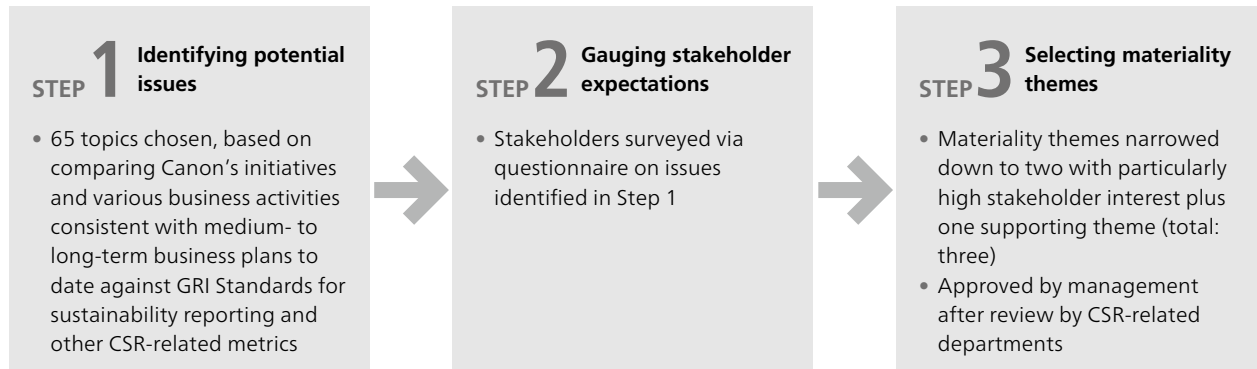
- Feedback toward society and Canon Group
- Reaffirming our role
- Further contribution through transforming ourselves

Materiality and SDGs

3 Materiality Themes

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

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



Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys to better understand the social issues stakeholders are interested in as well as the expectations they have of the company. We use the survey results to evaluate the validity of the materiality themes and review as appropriate. We also use the surveys to analyze Canon's impact on society and further improve CSR activities. To assist the future expansion of CSR activities, Canon also asks stakeholders for their views on the Sustainable Development Goals (SDGs).

■ Stakeholder Questionnaire Survey Outline
 Survey period: November to December 2020
 Target: Stakeholders including consumers, suppliers, investors/analysts, non-profits, civic groups, persons affiliated with universities/research institutions, national/local governments in Japan, the Americas, Europe, Asia, and other regions (total: 100 stakeholders)

3 Materiality Themes and Results of Stakeholder Survey

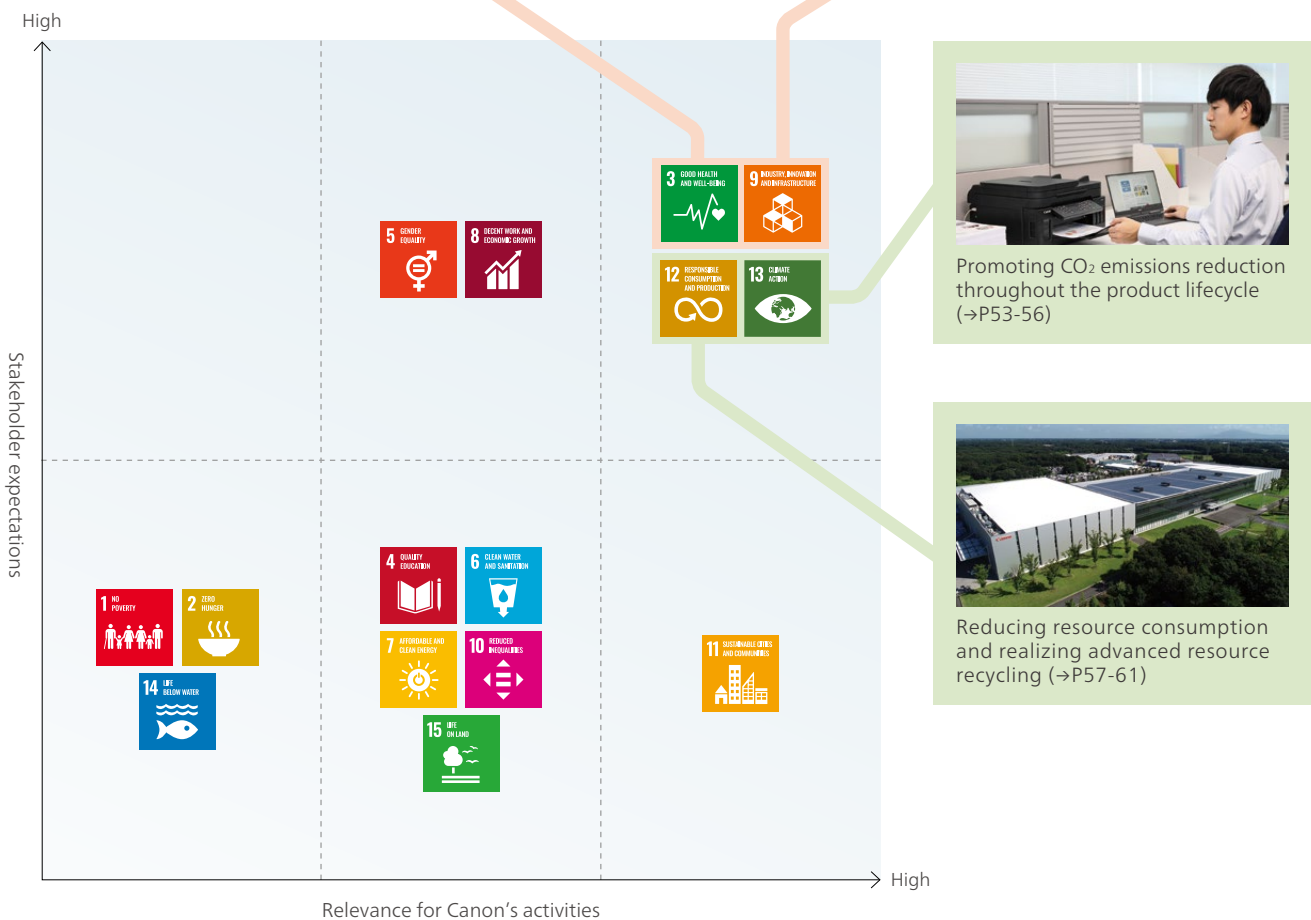
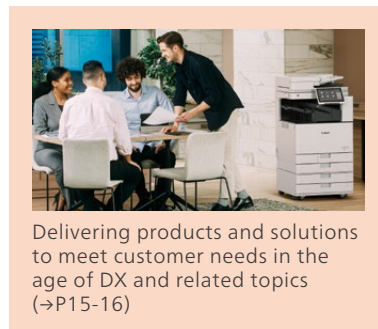
Identified materiality issue		Questionnaire items (extract)	Level of expectations*	Refer to page
Creating New Value and Solving Social Issues		<ul style="list-style-type: none"> Development of medical technology that contributes to human health and the prevention of disease Advancing security technology to contribute to the safety and security of society Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging 	★★★★★	P15-22
Protecting and Conserving the Environment		<ul style="list-style-type: none"> Promotion of energy conservation / Utilization of renewable energy Reuse and recycling of used products Reduction of waste/Prevention of water and soil pollution 	★★★★☆	P45-66
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor	<ul style="list-style-type: none"> Respect for basic human rights/ Prevention of discrimination and harassment Appropriate wage and working hour management 	★★★	P67-80
	Product Responsibility	<ul style="list-style-type: none"> Improving quality of repair/maintenance support, as well as the ability to effectively respond to customer inquiries Improving quality of products and services and strengthening quality control 	★★	P81-86
	Social Contribution	<ul style="list-style-type: none"> Utilizing business activities to contribute to social welfare Support for nurturing the students and children who will lead the next generation 	★	P87-90

* Level of expectation for each issue is decided based on total number of stakeholders selecting that issue as material in the stakeholder survey

Relationship with SDGs

Canon is contributing to the achievement of the SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes on P29. Compared with the results of the previous year, stakeholders' expectations are increasing for themes related to the protection and conservation of the global environment such as Goal 12 (Ensure sustainable consumption and production

patterns) and Goal 13 (Take urgent action to combat climate change and its impacts), as well as Goal 5 (Achieve gender equality and empower all women and girls) and Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). We will continue to contribute to the realization of SDGs by accurately identifying changes in society's expectations and advancing our efforts.



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

Materiality-based Approach

Creating New Value and Solving Social Issues

Material Issues

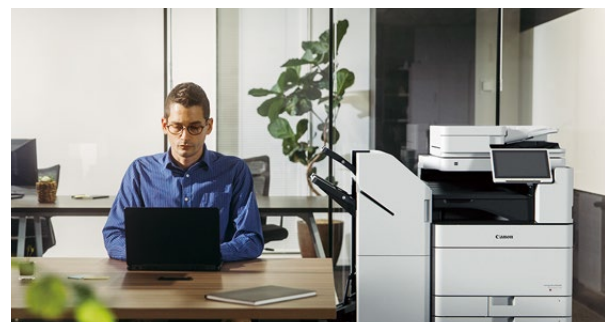
For Canon to realize its corporate philosophy of *kyosei* and to move forward with stakeholders, it is important to leverage the competitive advantage of its technologies in the development of products and services that meet the needs of the changing times.

Superior technology is part of the DNA of Canon. Since its foundation, Canon has always put a high value on utilizing unique technologies to create and deliver innovative products to the world. Starting with cameras, this history has involved applying a wealth of optical technologies to the development of multifunction devices and semiconductor lithography equipment. Canon's proprietary technologies have also been utilized to create laser printers, inkjet printers and varied other products to expand the business into new areas. Besides the development of new products, Canon's strengths include the application of superior production technologies and other manufacturing know-how to enable the in-house production of key components and manufacturing equipment using automated assembly processes. The resulting high reliability and performance of Canon products creates new added value while also helping to address various societal issues.

To respond to the increased pace of technological evolution in today's rapidly changing society, Canon is building on its strong in-house technical development capabilities by targeting mergers and acquisitions in fields that are compatible with existing businesses.

The addition of new areas of technical expertise to the Group has enabled the establishment of new businesses in the four areas of commercial printing, network cameras, medical and industrial equipment. Looking ahead, amid the digital transformation of society and other trends such as development of smart infrastructure, Canon will continue to seek to bring in new technologies from outside and to combine these with proprietary Group expertise, creating further innovations while also helping to realize a sustainable society.

The results of Canon's stakeholder questionnaire survey identify areas where stakeholders expect the most from Canon in terms of "Creating New Value and Solving Social Issues." In descending order, these are: development of medical technology that contributes to human health and disease prevention; advanced security technology to contribute to the safety and security of society; development of products/ technologies that lead to affluence and delight for people in the fields of photography and imaging; and development of products and services that anybody can use easily. Based on the specific concerns that stakeholders have highlighted, Canon is engaged in a range of business initiatives to support and promote the shift to a digital society that realizes safety, peace of mind, comfort and affluent lifestyles for all. At the same time, we are also working to contribute to advances in healthcare and the development of imaging technology for industrial applications.



Risks and Opportunities

Major societal change carries the risk of Canon's business strategy no longer being fully aligned with market needs, but also creates opportunities to create new value as times change. Canon aims to be a company that makes a continuous social contribution by leveraging the technologies that are its source of competitive advantage.

Canon will formulate strategies to address these material issues while working daily to implement various initiatives, taking into consideration the risks, opportunities, strengths and weaknesses in each of its four business segments (Printing, Imaging, Medical, Industrial). Please refer to the Business Strategy section (P15-22) for more details.

Approach

GRI102-11 GRI102-15 GRI103-1 GRI103-2 GRI103-3

Canon started a new five-year business plan (Phase VI of the Excellent Global Corporation Plan) in 2021. Under a policy of "accelerating our corporate portfolio transformation by improving productivity and creating new businesses," we will reorganize our businesses into broader, industry-specific categories, and combine each of their technologies to create what we call "chemical reactions" within the company to provide a variety of products and solutions. To this end, we will reorganize our entire operations into four

groups of "Printing," "Imaging," "Medical," and "Industrial," concentrating our diverse and dispersed resources to raise the productivity and quality of divisions related to new product development and manufacturing, and enable prompt decision-making by unifying responsibility and authority.

This will allow to higher synergies via the sharing of technologies and information without barriers which we will link to raising product competitiveness and creating entirely new growth drivers.

Relationship with SDGs

Working with customers and business partners through business activities that are focused on developing technology-led products and services, Canon is contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs).



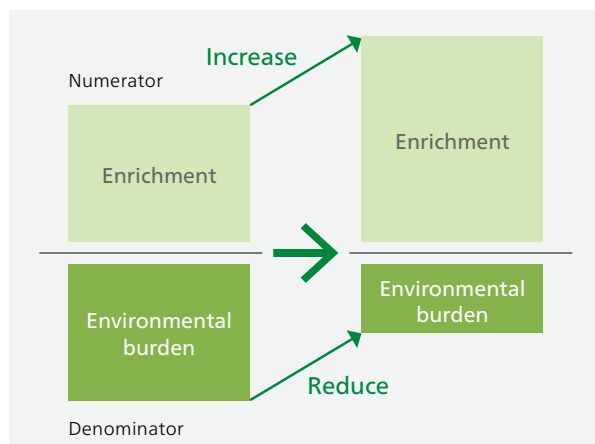
Protecting and Conserving the Environment

Material Issues

Environmental Value

In 2008, we formulated “Action for Green” as our environmental vision, positioning “environmental value” as the main concept in realizing a society that achieves a beneficial balance between lifestyle enrichment and the environment. To create this value, Canon seeks to supply products and services that enrich people’s lives while also reducing environmental impact, based on initiatives across the entire product lifecycle.

Canon’s vision of environmental value



Targeting the denominator, Canon is working to reduce environmental impact by focusing on four material areas: (1) contributing to a low-carbon society; (2) contributing to a circular economy; (3) eliminating hazardous substances and preventing

pollution; and (4) contributing to a society in harmony with nature.

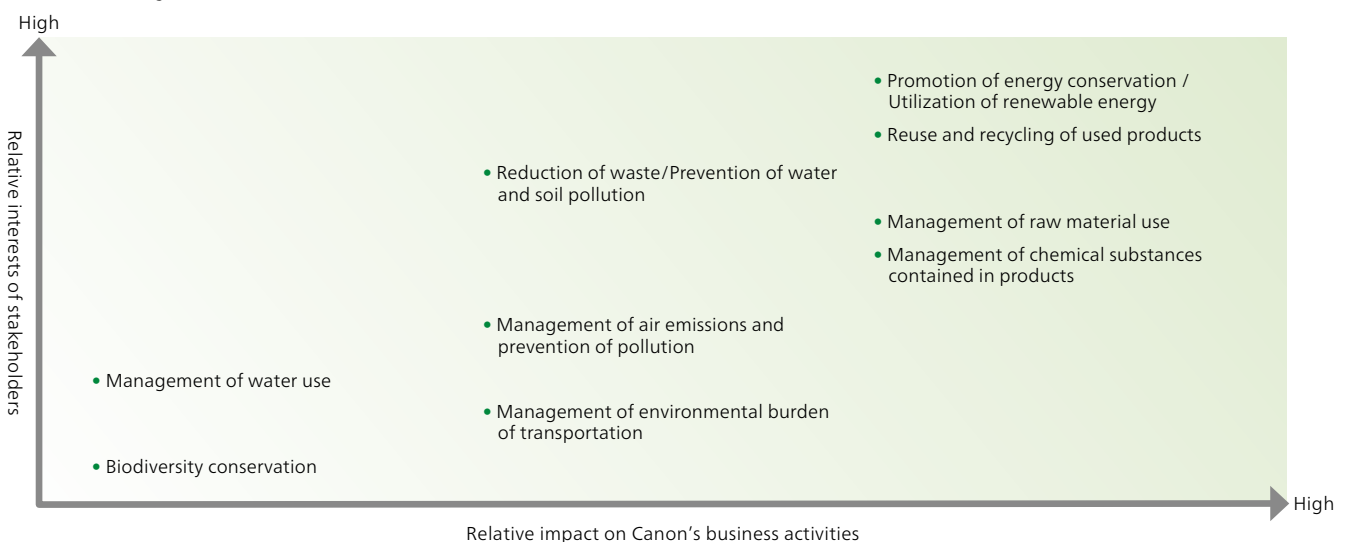
First, we analyze how our business activities relate to environmental issues and needs. We then assign them a level of priority based on the relative level of interest among stakeholders, ascertained with the help of surveys, and the relative impact on our business activities.

In the recent survey, the most important issue identified by Canon stakeholders was “promotion of energy conservation and utilization of renewable energy.” This response reflects recent upgrading of government policies aimed at realizing net-zero CO₂ emissions goals alongside corporate initiatives in response to greater social demand.

Another issue generating stakeholder interest was “reuse and recycling of used products,” reflecting increased awareness of the circular economy. These issues have a substantial impact on business activities at Canon sites and on the cost and competitiveness of our products, as shown by the increased level of stakeholder interest in “relative impact on Canon business activities.” All three issues are positioned in the high-priority domain of the materiality matrix.

In this way, by taking careful note of social issues and needs, the level of stakeholder interest, and a wide range of other changes in the world around us, Canon continues to drive forward and develop initiatives throughout the product lifecycle, thus progressing toward the realization of *kyosei*.

Materiality Matrix



Risks and Opportunities

Affluent consumer lifestyles contrast with the varied environmental problems that the planet now faces, 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 net-zero CO₂ emissions and how to realize a circular economy. Bearing such global developments in mind and recognizing the business impact of environmental issues, many companies recognize 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.

In tackling climate change, we believe the critical approach to reduce risk while expanding opportunities involves mitigation by cumulative reduction of CO₂ emissions across product lifecycles coupled with adaptation to physical risks.

Moreover, to contribute to the global goal of achieving net-zero CO₂ emissions, we believe it is important for the Canon Group to not only reduce its own CO₂ emissions, but to also contribute directly and indirectly to reducing CO₂ emissions at the societal level in line with the shift to a new way of living.

Major Risks and Opportunities in Four Areas of Materiality, Impact on Business Activities

	Risks	Opportunities
Climate change	<p>Transition risks:</p> <ul style="list-style-type: none"> Stricter energy-efficiency regulation and associated compliance costs (products/sites) Increased business costs from economic measures to reduce emissions (e.g., carbon tax) <p>Physical risks:</p> <ul style="list-style-type: none"> Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods <p>Reputational risks:</p> <ul style="list-style-type: none"> Negative external evaluation due to insufficient information disclosure 	<ul style="list-style-type: none"> Expanded opportunities for sale of energy-efficient products with low lifecycle CO₂ emissions Contribution to CO₂ emissions reduction at societal level through sale of various innovative products and solutions (hardware/software) Reduced energy costs through increased efficiency in production and transportation Expanded opportunities for use of renewable energy through lower associated costs Enhanced corporate image due to proactive climate-related disclosures
Circular economy	<p>Transition risks:</p> <ul style="list-style-type: none"> 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 <p>Physical risks:</p> <ul style="list-style-type: none"> Impairment of stable water supply and impacted business operations due to extreme weather events <p>Reputational risks:</p> <ul style="list-style-type: none"> Damage to corporate image from slow transition to circular economy 	<ul style="list-style-type: none"> Business cost reduction through improved resource efficiency Enhanced competitiveness through 3R design and development of advanced recycling technology Increased demand for remanufactured products Enhanced corporate image through publicity of our advanced approach to resource recycling
Hazardous substances	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Reduced supply and higher cost of printing paper due to dwindling 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

Approach

GRI102-11 GRI102-15 GRI103-1 GRI103-2

Four Material Areas of Canon's Action for Green Environmental Vision and Key Initiatives

<p>Contributing to a Low-Carbon Society (→P53-56)</p> <ul style="list-style-type: none"> CO₂ emissions reduction via improvements in energy efficiency over entire product lifecycle Utilization of economic renewable energy sources Contributing to CO₂ emissions reduction by customers and at societal level 	<p>Contributing to a Circular Economy (→P57-61)</p> <ul style="list-style-type: none"> Promotion of compact, lightweight products Reuse, remanufacturing, and recycling of products and consumables Promotion of efficient onsite water usage and waste recycling
<p>Eliminating Hazardous Substances and Preventing Pollution (→P62-64)</p> <ul style="list-style-type: none"> Rigorous management of chemical substances based on green procurement standards Proactive establishment of frameworks relating to communication of information in supply chain Reduction of chemical usage within production processes and restriction of related emissions 	<p>Contributing to a Society in Harmony with Nature (→P65-66)</p> <ul style="list-style-type: none"> Ecological conservation activities, such as the Canon Bird Branch Project, based on our Biodiversity Policy Procurement of sustainable timber products based on our Basic Policy on the Procurement of Timber Products

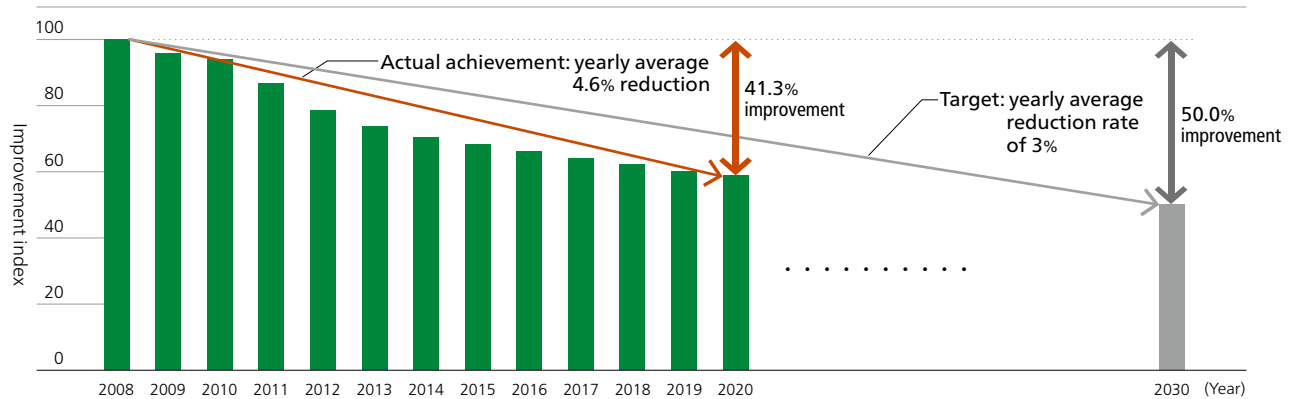
Materiality and SDGs

KPI

To gauge progress achieved across environmental activities to save energy, conserve resources, and promote recycling using an integrated indicator, Canon has set an overall target of average 3% per

year improvement in the index of lifecycle CO₂ emissions per product unit. We have consistently achieved this target every year since 2008. Looking to the future, we will continue contributing to society through steady improvement.

Lifecycle CO₂ Emissions Improvement Index per Product



Linking Business Management and the Environment

Canon believes it is vital that environmental activities such as measures for climate change are integrated into the management of its business. For instance, the time frames for achieving environmental targets are aligned with our business plans. In line with the Excellent Global Corporation Plan, which sets the company's management direction in five-year phases, Canon uses rolling three-year technology and product plans that are revised annually. This annual review includes consideration of the need to modify environmental targets.

Canon evaluates the results of environmental activities by each member of the Canon Group (including each business unit, manufacturing

subsidiary and sales company) using a consolidated performance evaluation system. The system uses financial results as well as indicators for non-financial aspects such as environmental and CSR activities, so the latter are managed as one aspect of the business.

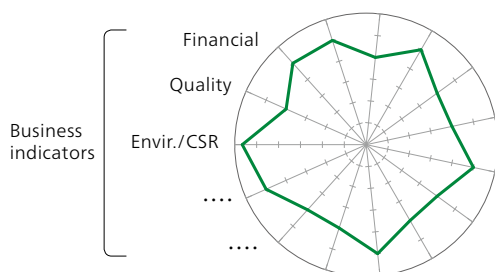
TCFD-Recommended Disclosures

In line with disclosure recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the following pages provide information on our activities related to climate change. This section also includes information from the 2020 CDP climate change questionnaire.

Governance	P35, P49-50	Strategy	P34-35, P45-47, P50
Risk Management	P34, P49-50, P104	Indices and Targets	P35, P46-47

A comprehensive management approach is important due to the inter-connectedness of environmental issues such as climate change, resource recycling and environmental pollution. Based on appropriate disclosure, we will continue to utilize various proprietary Canon technologies and undertake initiatives to enable us to contribute both directly and indirectly to achieving the global goal of net-zero CO₂ emissions by 2050.

Consolidated Performance Scoring (image)



Relationship with SDGs

Canon's environmental impact-reduction initiatives in the four material areas of "contributing to a low-carbon society," "contributing to a circular economy," "eliminating hazardous substances and preventing pollution" and

"contributing to a society in harmony with nature" contribute to achievement of the SDGs outlined below.



Responding to People and Society as a Good Corporate Citizen

Material Issues

Basic Approach

Continually passing on the spirit of “Respect for humanity” that has been a hallmark of Canon since our foundation in 1937, we adopted the corporate philosophy *kyosei* as the cornerstone of our business activities in 1988 in line with the global development of our business. *Kyosei* is the aspiration to create a society in which all people, regardless of race, religion or culture, live and work together for the common good.

The ongoing global COVID-19 pandemic has seriously affected everyone’s lives along with economic activity, strengthening the demands across society for safety and security both at work and at home. With the UN Sustainable Development Goals (SDGs), companies are expected to create the scientific and technological innovations to help realize a society in which everyone can play an active role.

Besides business activities, Canon’s response to this situation is to focus on implementing a range of multifaceted corporate citizenship initiatives to help people and society. A core aim in playing our role as a good corporate citizen is to ensure Canon’s continued growth and development as an enterprise. In addition, we hope to contribute to achieving the SDGs through this approach.

Materiality

Under “Responding to People and Society as a Good Corporate Citizen,” we have identified the three areas of “Human Rights and Labor,” “Product Responsibility” and “Social Contribution” as the material basis for Canon Group business activities. We believe it is important to contribute to the continued development of society in the way we respond through our business activities to the societal changes caused by the COVID-19 pandemic and various other factors, and in the way that we strive to meet the expectations and demands of stakeholders. Besides global guidelines such as the “Guiding Principles on Business and Human Rights” and “Universal Declaration of Human Rights” by the United Nations, we evaluate societal demands and expectations based on the views of CSR consultants and other independent experts, and on the results of our stakeholder surveys. We consider all these aspects in assessing the suitability of our activities and revising where appropriate. Our latest stakeholder survey pointed to high levels of interest in initiatives under each of the areas of “Human Rights and Labor,” “Product Responsibility” and “Social Contribution,” as outlined below.

Going forward, based on this information, Canon will continue to revise programs and consider fresh initiatives by gauging the extent to which the interests and expectations of stakeholders affect our corporate activities.

Results of Stakeholder Survey (Top 5 Items of Interest)

Human Rights and Labor	Product Responsibility	Social Contribution
<ul style="list-style-type: none"> Respect for basic human rights/ Prevention of discrimination and harassment (→P67-68) Appropriate wage and working hour management (→P69-72) Maintaining and improving employee occupational safety, physical health, and mental health (→P75-77) Promoting in-house diversity (→P73-74) Supporting employees to improve their skills and career development (→P78-80) 	<ul style="list-style-type: none"> Improving quality of repair/maintenance support, as well as the ability to effectively respond to customer inquiries (→P84) Improving quality of products and services and strengthening quality control (→P82-85) Improvements in products based on customer feedback (→P86) Better product/service-related information that is easier to source and understand (→P86) Regulatory compliance of products (→P82-83) 	<ul style="list-style-type: none"> Utilizing business activities to contribute to social welfare (→P87-90) Support for nurturing the students and children who will lead the next generation (→P87-90) Support for those affected by disasters and the socially disadvantaged (→P89) Support for culture, the arts and sports (→P89) Promotion of employees’ participation in social contribution activities outside of the company (→P88)
 <p>Inkjet printer production at Canon Hi-Tech Thailand</p>	 <p>Quality evaluation in environmental test lab</p>	 <p>Eye care project in India</p>

Risks and Opportunities

Outlined below for the three fields of Human Rights and Labor, Product Responsibility, and Social Contribution are the risks that could potentially compromise the

adequacy of our initiatives in each field and the opportunities created by undertaking them.

Major Risks and Opportunities in Each Field, Impact on Business Activities

	Risks	Opportunities
Human Rights and Labor	<ul style="list-style-type: none"> • Damage to public reputation • Litigation risk from workplace harassment • Difficulty in recruitment/retention of staff • Reduced productivity/motivation • Production and other impacts due to disasters/pandemics, etc. 	<ul style="list-style-type: none"> • Sustained business development • Improved diversity and employee productivity • Global business development • Creation of innovation • Transfer of expertise and skills, etc.
Product Responsibility	<ul style="list-style-type: none"> • Damage to brand value • Loss of customer trust, etc. 	<ul style="list-style-type: none"> • Increased trust from customers and public • Enhancement of brand power • Sustained competitiveness, etc.
Social Contribution	<ul style="list-style-type: none"> • Contraction of global market • Shortage of next-generation labor, etc. 	<ul style="list-style-type: none"> • Ongoing development of local communities • Acquisition of next-generation labor • Building trust with local community • Enhancement of brand image • Cultural support, sports sponsorship, etc.

Approach

GRI102-11 GRI102-15 GRI103-1 GRI103-2

Human Rights and Labor

At Canon, we believe that measures to enable employees with varied backgrounds and value perspectives to utilize their abilities while also boosting productivity are important aspects of ensuring Canon’s continued development and growth as an enterprise. Across the Canon Group, we are working to create workplaces based on mutual respect that exhibit diversity in terms of nationality, race and cultural background, and where everyone feels secure and is empowered to reach their full potential. We also have programs in place to support the health of employees.

The global community has high expectations of companies upholding human rights, as seen in international standards such as the UN’s “Guiding Principles on Business and Human Rights” and “International Labor Standards” as set by the International Labor Organization (ILO), and as evidenced in the SDGs. The fact that the top item of interest in this section of the stakeholder survey was “Respect for basic human rights, prevention of discrimination and harassment” shows that this aspect of our activities remains in the spotlight. As a major corporation engaged in business globally, Canon not only seeks to improve compliance with national/ regional laws and regulations, but is also working to reinforce initiatives that underpin respect for the rights of employees, based on the regulations of Group companies.

Moreover, under Phase VI of the Excellent Global Corporation Plan that began in 2021, we are focused on supporting the development of a workforce with diverse capabilities and perspectives that is aligned with our business portfolio. Besides upgrading Canon’s internal education and training systems, we aim to promote consistent growth by ensuring every individual employee is motivated to act as a positive force within the organization through internal transfers that put the right person in the right job.

Reference: For information about our activities on human rights within our supply chain, refer to Supply Chain Management (→P91-96).

Product Responsibility

For manufacturers, quality issues that affect customer safety can have a significant impact on business, including negative business performance due to brand erosion and loss of customer trust. Conversely, our recipe for strong enterprise growth is to supply products that meet customer needs, offer high quality and added value, and are easy to use, while also constantly working to develop innovative technologies for our time.

Canon’s basic quality concept is to ensure that customers have “no claim, no trouble,” and we work hard to ensure “Canon Quality” throughout the entire Group. In line with this creed, we created a quality management system that follows the requirements of international standards, and we strive to improve quality across the entire product lifecycle, from

planning and development to production and after-sales service. In the area of safety in particular, along with establishing in-house product safety technical standards that are stricter than regulatory requirements in each country and region, we created a system for gathering comments and requests from Canon users worldwide, which we share with relevant divisions, as a means to improve our products and ensure safety.

Additionally, we are working to promote the development of Canon products with an emphasis on usability by ensuring customers worldwide can use them easily and with confidence. These initiatives include designing product manuals to make them easier to understand and adopting Universal Design principles in product development.



Social Contribution

The spirit of contributing to society has been a part of Canon's corporate culture since our foundation. We believe in returning profits to local communities by investing in various activities such as support for those affected by disasters; funding for education and academic scholarships; and the sponsorship of cultural, artistic and sporting events. Contributing to solutions to local issues not only helps to enhance trust in Canon as a company, but is also essential to the sustainable development of society.

Based on this approach, and in line with the Canon Group CSR Activity Policy (→P42), Canon seeks to develop Group operational sites by engaging in activities tailored to the characteristics and issues of different regions worldwide. In doing so, we draw on Group resources in our areas of strength, such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources. Additionally, in terms of supporting development of the next generation, Canon supports the Children's Rights and Business Principles developed by the UN Global Compact, and engages in social contribution activities to help protect the rights of children.

Relevant Guidelines

- The United Nations Guiding Principles on Business and Human Rights
- The International Labour Organization (ILO) International Labour Standards
- Sustainable Development Goals (SDGs)
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- ISO 26000
- Keidanren (Japan Business Federation) Charter of Corporate Behavior

Relationship with SDGs

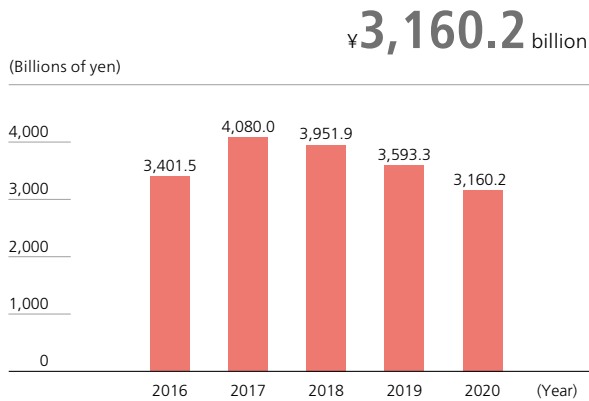
Our activities in the field of "Responding to People and Society as a Good Corporate Citizen" are closely related to achievement of the SDGs outlined below.

Human Rights and Labor	
Product Responsibility	
Social Contribution	

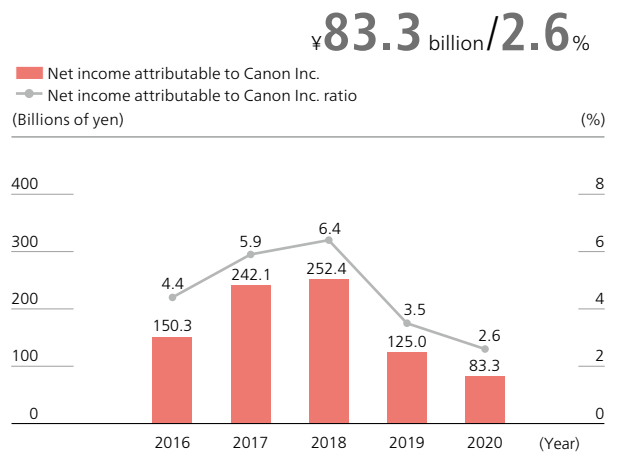
Financial and Non-financial Highlights

Financial Information

Net Sales

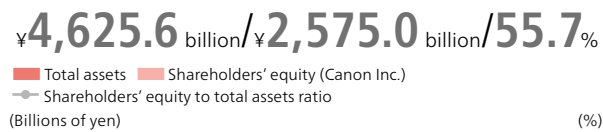


Net Income Attributable to Canon Inc./ Net Income Attributable to Canon Inc. Ratio



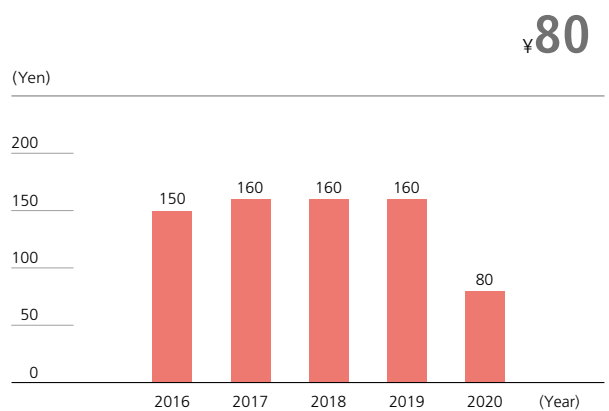
* The financial statements have been adjusted to account for provision for paid leave.

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

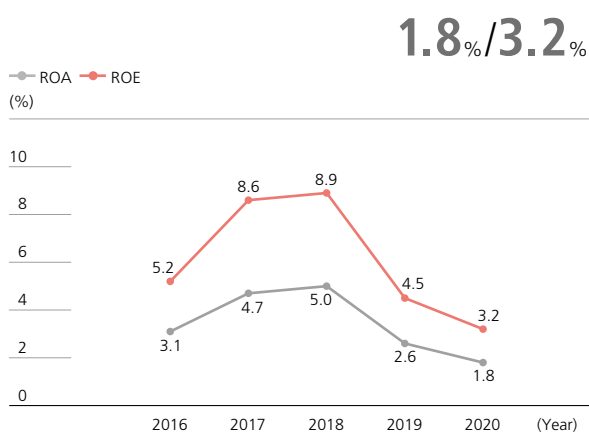


* The financial statements have been adjusted to account for provision for paid leave.

Dividend per Share

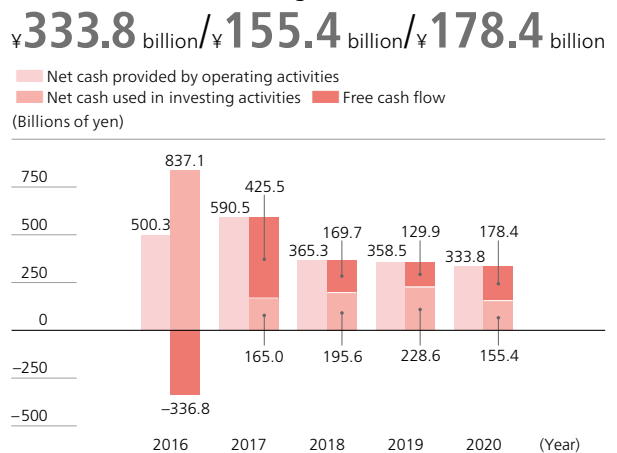


ROA/ROE



* The financial statements have been adjusted to account for provision for paid leave.

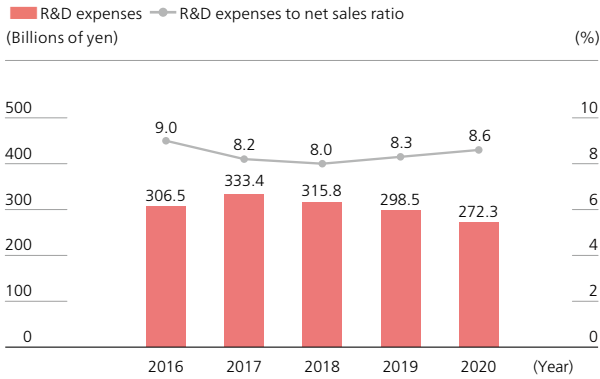
Net Cash Provided by Operating Activities/ Net Cash Used in Investing Activities/Free Cash Flow



Non-financial Information

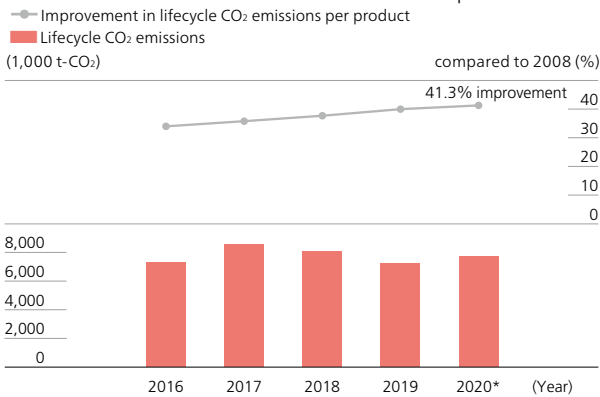
R&D Expenses*/R&D Expenses to Net Sales Ratio

¥272.3 billion / 8.6%



Lifecycle CO₂ Emissions/Improvement per product

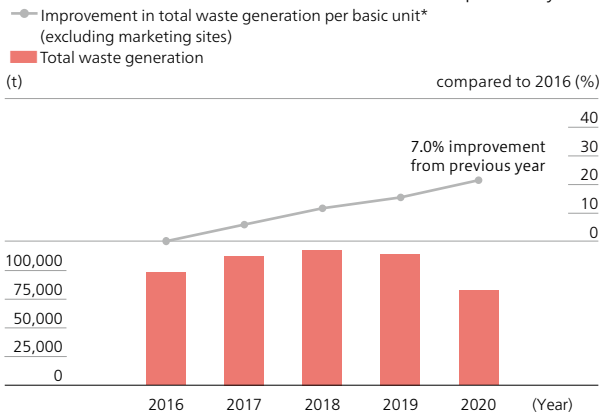
7,723,000 t-CO₂ / 41.3% improvement compared to 2008



* Change in CO₂ conversion coefficient from 2020 (For more details, please refer to *2 of "Lifecycle GHG Emissions (CO₂ Equivalent)" on P48).

Total Waste Generation/Improvement in Basic Unit

82,501 t / 7.0% improvement from previous year



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

* Excluding assets, waste of collected used products

Top Ten U.S. Patent Holders by Company

No. 3

	2016	2017	2018	2019	2020
1	IBM	IBM	IBM	IBM	IBM
2	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics
3	Canon	Canon	Canon	Canon	Canon
4	Qualcomm	Intel	Intel	Microsoft Technology Licensing	Microsoft Technology Licensing
5	Google	LG Electronics	LG Electronics	Intel	Intel
6	Intel	Qualcomm	TSMC	LG Electronics	TSMC
7	LG Electronics	Google	Microsoft Technology Licensing	Apple	LG Electronics
8	Microsoft Technology Licensing	Microsoft Technology Licensing	Qualcomm	Ford Global Technologies	Apple
9	TSMC	TSMC	Apple	Amazon Technologies	Huawei Technologies
10	Sony	Samsung Display	Ford Global Technologies	Huawei Technologies	Qualcomm

* For details of our approach on patent portfolio, please see Intellectual Property Management (→P110-111).

* Number of patents for 2020 are based on figures released by IFI CLAIMS Patent Services on January 14, 2021.

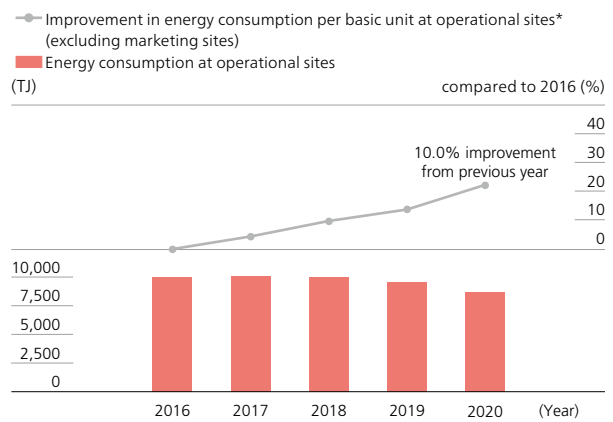
* Number of patents for 2016 to 2019 are based on information released by the United States Patent and Trademark Office.

* IBM is "International Business Machines Corporation."

* TSMC is "Taiwan Semiconductor Manufacturing Company Limited"

Site Energy Consumption/Improvement in Basic Unit

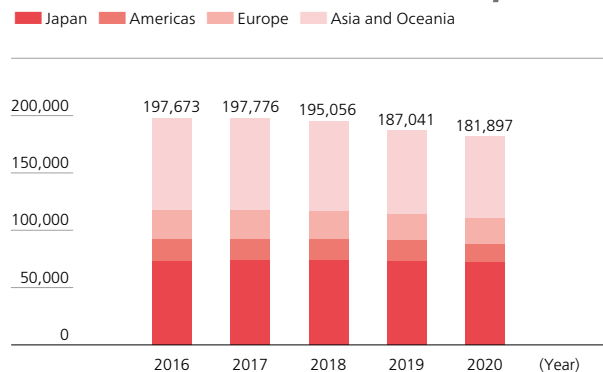
8,704 TJ / 10.0% improvement from previous year



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

Canon Group Employee Numbers by Region

181,897



CSR Management

Basic Approach

The responsibilities placed on companies by society are wide-ranging. In line with the times, they are expanding from product quality and safety, and measures to address environmental issues, to compliance, information security, employee rights and labor management, and even to supply chain management. In business operations as well, the demand from customers and business partners to deal with companies that meet certain criteria in terms of consideration paid to the environment and society is increasing.

Against this backdrop, to provide stakeholders with an easy-to-understand explanation of the Group's stance toward fundamental and universal elements of corporate social responsibility, the Chairman & CEO approved the drafting of the Canon Group CSR Basic Statement (below), which we disseminate widely both internally and externally. We have additionally formulated the Canon Group CSR Activity Policy to express the Group's commitment to social

contribution as a corporate citizen. We strive to utilize Canon's strengths effectively at each Group company to conduct CSR activities based on the needs of the countries and regions where we operate.

As part of management operations, Canon has also introduced a Consolidated Performance Evaluation System targeting individual product operations, manufacturing companies and sales companies to evaluate the business performance of each alongside its environmental and social contribution activities. The evaluation results are shared twice a year at company-wide executive meetings and on other occasions, leading to a rise in standards across the entire Group.

Details of our CSR activities are disclosed to stakeholders through this report, which is published annually.

Reference: Canon Group CSR Basic Statement
<https://global.canon/en/csr/policy/pdf/statement-e.pdf>

Canon Group CSR Basic Statement

In accordance with our corporate philosophy of *kyosei*—living and working together for the common good—Canon makes sincere efforts to engage with the social responsibilities that come with operating a business and to disclose any relevant information.

This basic statement reiterates our stance regarding the fundamental and universal corporate social responsibilities that the Company must fulfill in order to ensure Canon products and services can be used with peace of mind and maintain the reliability of the Canon Group.

1. Provide safe and secure products and services
2. Comply with the laws and regulations of each country and region, and conduct fair and honest business activities
3. Practice fair and free competition, and ensure transparency in business transactions
4. Contribute to realizing a society that promotes both enriched lifestyles and the global environment
5. Minimize environmental burden through initiatives aimed at conserving energy, conserving resources, eliminating hazardous substances, and preserving biodiversity
6. Ensure thoroughness in managing information, prevent information leaks, and protect personal information
7. Prevent infringements of the intellectual property rights of others
8. Ensure thoroughness in security trade control
9. Prevent corruption in all its forms including bribery
10. Avoid complicity in armed insurgencies and anti-social forces
11. Disclose relevant and accurate corporate information
12. Respect fundamental human rights and prohibit discrimination based on such factors as race, nationality, gender, religion and creed
13. Promote diversity
14. Prohibit child labor and forced labor (including human trafficking)
15. Promote sincere dialogue between employees and management in accordance with the laws and regulations of each region
16. Pay employees wages equal to or greater than legally mandated wages
17. Prevent excessive overtime work and grant appropriate holidays
18. Ensure occupational health and safety, and prevent occupational injuries
19. Request that business partners take steps to address basic social responsibility for such issues as the environment, human rights, labor and compliance within the supply chain, and confirm the implementation of said steps

Canon respects the following international initiatives and complies with them in line with the above basic statement:

- Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

End of document

Canon Group CSR Activity Policy

— Contributing to the Realization of a Better Society as a Good Corporate Citizen —

The Canon Group, recognizing that its corporate activities are supported by the development of society as a whole, aims to achieve growth through sound and fair business activities while contributing to the realization of a better society as a good corporate citizen.

Therefore, Canon will promote its CSR activities within the international and local communities, effectively leveraging the company's advanced technological strengths, global business deployment, and diverse, specialized human resources.

Key Activities

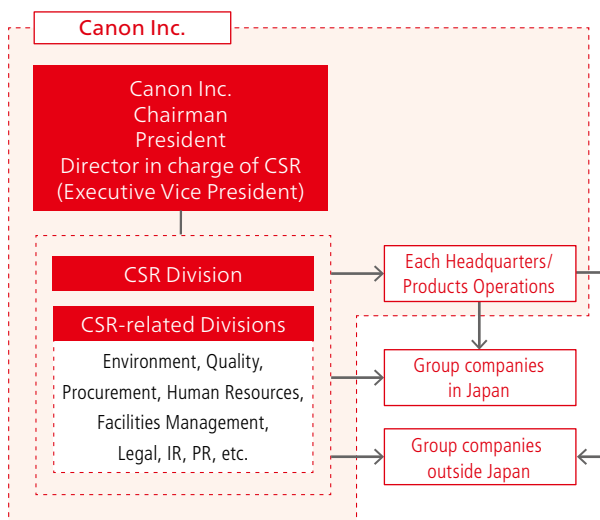
- Contribute to cultural improvement; support the arts, science, sports, etc.
- Provide humanitarian support to people and regions facing harsh conditions due to disasters, etc.
- Contribute to the promotion of both enriched lifestyles and the global environment
- Contribute to society through business activities
- Contribute to the realization of a sound and fair society

CSR Promotion System

At Canon, the CSR Division of Canon Inc. coordinates CSR-related activities across the Group, working together with other relevant divisions to address any CSR-related issues that require inter-departmental cooperation, such as environmental, quality, procurement, human resource, facilities management, legal, IR or PR issues. In fields with high societal expectations, such as environmental protection, compliance, or quality management, our response is led by the division in charge of the relevant area.

The CSR Division reports on CSR-related matters to the director in charge of CSR (Executive Vice President) as needed and receives relevant directions.

CSR Promotion System



Participation in Responsible Business Alliance

In December 2019, Canon joined the Responsible Business Alliance (RBA), an industry coalition dedicated to ensuring socially responsible global supply chains. In alignment with the RBA's vision and mission and compliance with the RBA Code of Conduct, we work to ensure that appropriate consideration is given to environmental, human and social factors throughout Canon's business activities. We have also adopted the RBA Code of Conduct as our CSR procurement policy, and require and closely monitor the compliance of our suppliers.

Educational and Awareness-Raising Activities

To instill CSR awareness across the entire Group, management executives from Canon's headquarters and product operations divisions and Group companies in Japan and overseas are given briefings annually on CSR-related matters, including the basic approach, specific CSR initiatives, the UN-adopted SDGs, and ESG investment. For specialized topics, such as quality assurance, environmental protection, information management, or compliance, the respective division provides employee training as required. In addition, the CSR managers from Group companies around the world meet regularly to share information, while the company intranet and in-house magazine are used to share with employees information on Group CSR activities, action on the SDGs, and other related topics as a way of promoting dynamic CSR initiatives across the Group.

Stakeholder Engagement

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.

Comments or requests received from external stakeholders via the Canon CSR website* are shared with relevant departments and answered promptly. We are working to develop Canon's CSR activities

further through appropriate opinion exchanges with corporate consultants, investors, and CSR experts, as well as a range of 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 (→P124-126). We also try to ensure report disclosures meet the expectations of all stakeholders by canvassing the views of investors, shareholders, and CSR experts.

Specific dialogue and engagement in 2020 with stakeholder groups that Canon regards as of high importance for its business activities are outlined below.

* Inquiries about CSR Activities

<https://global.canon/en/contact/csr/csr-form-e.html>

Examples of Joint Initiatives with Stakeholders

Involvement as a founder member in OPEN COVID-19 DECLARATION

Canon, together with two founders, immediately and actively encouraged other companies under the state of emergency, and announced the OPEN COVID-19 DECLARATION. Without seeking compensation, declarers commit not to assert certain intellectual property right against any activities whose purpose is stopping the spread of COVID-19, including diagnosis, prevention, containment and treatment. Canon prepared a customizable template for the declaration to allow many companies to join easily.

Japan is the world leader in this initiative, which received the backing of the Japan office of the World Intellectual Property Organization (WIPO), Keidanren (Japan Business Federation), and other influential organizations. As of December 2020, a total of 101 firms and research organizations had joined the declaration.



Disaster Recovery Support Activities

Since 2012, Canon has been involved in the "Fukushima Community Support" initiative to help build communities for those affected by the nuclear power disaster in Fukushima Prefecture. Canon employees take a role as instructors for activities such as photography classes and photo sessions, providing opportunities for participants to share and interact. To date, a total of 584 local residents have taken part in 34 sessions, including ones living in temporary accommodation or reconstruction public housing and those who have returned to their homes after evacuation orders were lifted.

In 2020, with COVID-19 restricting any onsite visits, photography classes and interaction sessions were held online by connecting Canon's Shimomaruko headquarters office in Tokyo with the town of Tomioka in Fukushima Prefecture with cooperation from the Tomioka Social Welfare Council.



Online photography class

Stakeholder	Topics of Interest	Main Communication Methods	Main Initiatives in 2020*
Educational/ Research Institutions	<ul style="list-style-type: none"> Optical technology Cutting-edge technology Joint research Environmental education related to recycling 	<ul style="list-style-type: none"> Joint research Presentations at international conferences and technical working group meetings Business introductions Outreach classes and instructor dispatch Internship programs to support the career development of students 	<ul style="list-style-type: none"> Classes held at Utsunomiya University (Japan), Center for Optical Research and Education (24 times) Environmental classes for elementary school children (8 times) Visits to Canon Foundation grant recipients, including universities and research institutions (12 times) Meetings to promote joint research initiatives between industry and academia (11 times) Onsite briefings held at universities to introduce Canon and its business operations (approx. 150 times) Regular communications with educational and research institutions such as collaborative R&D conducted with university hospitals in Japan Internships for special support school students (2 students from 1 school)
Employees	<ul style="list-style-type: none"> Improvement in workplace environments Understanding of management policies Maintenance of employee welfare system 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 meetings Information sharing from top management Training programs Human resource hotline Whistleblower system Safety and Health Committee Company events 	<ul style="list-style-type: none"> Central labor-management meetings (7 times) Labor-management committees on wages, welfare, workplace reforms, etc. (6 times) Career matching system (189 employees) Compliance meetings (2 times) Central Safety and Health Committee meetings (2 times) Regional Safety and Health Committee meetings (at least once monthly at each operational site)
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 projects, including volunteer activities Information sharing/opinion exchange 	<ul style="list-style-type: none"> Partnership-based biodiversity conservation initiative "Furusato Project" Canon Bird Branch Project in collaboration with the Wild Bird Society of Japan Humanitarian and disaster-relief activities in disaster-affected areas Collaborative biodiversity conservation initiatives in areas around the world Collaboration to achieve a green supply chain
Foreign Governments/ Embassies	<ul style="list-style-type: none"> Support for evaluating and addressing social issues at the bilateral and international levels Building, maintaining and promoting friendly relations with other countries 	<ul style="list-style-type: none"> Meeting/exchanging views with foreign dignitaries Participation in various types of events Responding to various types of inquiries Completing various surveys and studies 	<ul style="list-style-type: none"> Courtesy calls and participation in briefings or other meetings in response to requests from foreign governments and embassies Participation in international discussions and events designed to improve bilateral relations Completion of various surveys and studies
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 Local events and volunteer activities Environmental education and awareness activities Community cleanups 	<ul style="list-style-type: none"> Community-based social contribution activities including educational, sports and cultural programs Activities to protect and conserve local ecosystems, such as tree-planting programs Cleanup activities Employee volunteers sent to disaster-affected areas Employee donations for disaster relief
Shareholders/ Investors	<ul style="list-style-type: none"> Medium- to long-term management strategy aimed at achieving continued growth Status of business portfolio transformation Business activity trends and results Financial condition ESG activities 	<ul style="list-style-type: none"> General meeting of shareholders Corporate strategy conference Conferences for institutional investors Individual meetings with institutional investors Conferences for individual investors Website for investors Corporate reports/brochures for investors 	<ul style="list-style-type: none"> Financial results conferences (4 times) Release of corporate governance report Improved disclosure of financial results and related information Quick release of documents relating to general meeting of shareholders, enrichment of voluntary disclosure Publication of Canon Annual Report and Sustainability Report Inclusion of financial information in Sustainability Report Discussions aimed at improving content of Sustainability Report
Suppliers	<ul style="list-style-type: none"> Product/technology trends Improved efficiency of the chemical substance information transmission scheme 	<ul style="list-style-type: none"> Online supplier surveys Technology exhibitions by suppliers Promotion of green procurement 	<ul style="list-style-type: none"> Survey covering finance, corporate data, business ethics, responsible minerals sourcing, and environmental conservation (yearly) Product/technology exhibitions by suppliers (once) Collection and management of information for chemicals in products through chemSHERPA
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 government agencies Participation in economic organizations and industry groups Opinion exchange with municipalities Cooperation in surveys and questionnaires 	<ul style="list-style-type: none"> Policy recommendations via discussions with government agencies Policy recommendations via activities of economic organizations and industry groups Promoting/supporting personnel exchanges Holding discussions with municipalities, participation in and organization of various types of events Introduction/provision of new technologies and solutions, creation of PR videos for tourism Cooperation in surveys/questionnaires for government statistics, industry groups and economic organizations (66 items)
Other Companies	<ul style="list-style-type: none"> Industry trends Addressing social issues that affect multiple industry sectors Product/technology trends 	<ul style="list-style-type: none"> Collaborative projects Participation in environmental technology initiatives Announcement/promotion of Open COVID-19 Declaration 	<ul style="list-style-type: none"> Joint research with other companies and undertaking of development work Provision of environmental protection technologies to platform Encouraged other companies to join Open COVID-19 Declaration, prepared affidavit

* Numbers in parentheses represent frequency of activities in 2020

Message from the CEO

Strategies and Policies

Canon's Value Creation

CSR Reporting

Management Foundation

Data Summary

Corporate Information, etc.

Protecting and Conserving the Environment

Environmentally Conscious Management

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

Canon's Approach to Environmental Assurance

Based on our corporate philosophy of *kyosei*, Canon's approach to environmental assurance centers on maximizing resource efficiency to harmonize our environmental and economic activities. The EQCD concept, which stands for environment (E), quality (Q), cost (C), and delivery (D), forms part of our basic policy on environmental assurance, which we define as a qualification for product manufacturing.

In 2008, we established our environmental vision

"Action for Green" based on the Canon Group Environmental Charter. Our vision for the future is a society that achieves a beneficial balance between enriched lifestyles and the environment. With this vision in mind, we are working to create products that combine high functionality with minimal environmental impact across the entire product lifecycle, collaborating with the Canon Group and with customers and business partners to expand the scope of these initiatives.

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 (environmental assurance)	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	

1. Optimize the organizations for prompting the Canon Group's global environmental efforts, and promote environmental assurance activities for the Group as a whole.
2. Assess the environmental impact of entire product lifecycles and explore ways to minimize environmental burden.
3. Promote the research and development of technologies and materials essential for environmental assurance and share the achievements with society.
4. 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.
5. In procuring and purchasing necessary resources, give priority to materials, parts and products with lower environmental burden.
6. 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.
7. Actively disclose to all stakeholders information on environmental burden and keep them updated on the progress of environmental measures.
8. Raise the environmental awareness of employees and educate them to take the initiative in environmental protection.
9. 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

Environmental Targets and Achievements

Environmental Targets and Achievements

	2019–2021 Medium-Term Environmental Targets	2020 Achievements	2021–2023 Medium-Term Environmental Targets
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product	Avg. improvement: 4.6% p.a. (2008–2020)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product
Products	3%-per-year average improvement in raw materials and use CO ₂ emissions improvement index per product	Avg. improvement: 2.8% p.a. (2008–2020)	3%-per-year average improvement in raw materials and use CO ₂ emissions improvement index per product
	2020 Environmental Targets	2020 Achievements	2021 Environmental Targets
Operational Sites	Improve energy consumption per basic unit at operational sites* (excluding marketing sites) by 1.2% (compared to 2019)	10.0% improvement over 2019	Improve energy consumption per basic unit at operational sites* (excluding marketing sites) by 1.2% (compared to 2020)
	Improve total waste generation per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2019)	7.0% improvement over 2019	Improve total waste generation per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2020)
	Improve water usage per basic unit in production* by 1% (compared to 2019)	3.0% improvement over 2019	Improve water usage per basic unit in production* (excluding marketing sites) by 1% (compared to 2020)
	Improve emissions of controlled chemical substances per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2019)	1.7% improvement over 2019	Improve emissions of controlled chemical substances per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2019)

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

Overall (Lifecycle) Target, Product Targets and Operational Site Targets

Canon takes account of environmental impacts at each stage of the product lifecycle and works to reduce them. This applies not just to our own development, production and marketing activities but also includes the production of raw materials and components by suppliers, the transport of products to retail outlets, and even customer use, disposal and recycling.

To gauge our progress in reducing these impacts over the entire product lifecycle, we convert each type of environmental impact to CO₂ equivalents, and, using these as benchmarks, we set an overall goal for our Medium-Term Environmental Targets of achieving an average 3% per year improvement in the index of lifecycle CO₂ emissions per product unit. This enables us to use a single integrated index figure to monitor progress across the full range of environmental activities, from the development of lighter weight, more compact products and more efficient logistics operations to energy-saving initiatives at production sites, development of products that are energy-saving during use, and more effective product recycling.

We have broken down the overall (lifecycle) target into product targets and operational site targets. We have established a product target of an average 3% improvement per year in the raw materials and usage CO₂ emissions improvement index per product, and operational sites have unit improvement targets covering energy consumption, total waste generation, water usage, and emission of controlled chemical substances.

Review of the Overall Target from a Long-Term Perspective

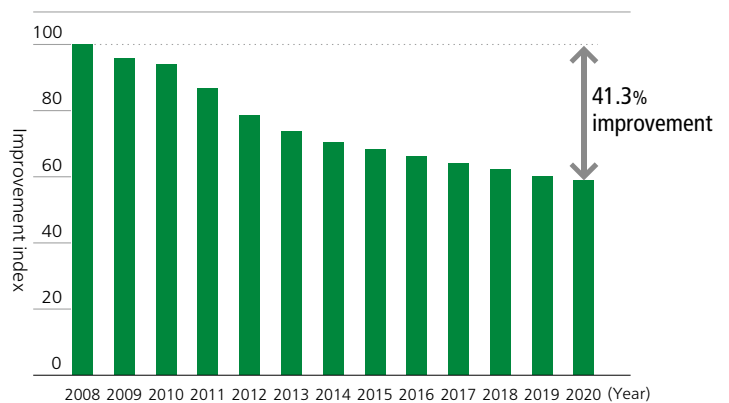
A 3% average yearly reduction in product lifecycle CO₂ emissions, which is the overall target set in 2008,

would, if sustained, mean a roughly 50% reduction from 2008 levels by the year 2030. We recognize this to be in line with the level of reduction called for by the Paris Agreement. We will continue to undertake target reviews from a long-term perspective as a way of checking our contribution to the realization of a low-carbon society.

Achievement Relative to the Overall Target

We achieved our target of improving lifecycle CO₂ emissions per product by an average 3% per year, recording an average improvement of 4.6% (2008–2020). The COVID-19 pandemic meant that the rate of improvement was less than in the previous year, but the target was nevertheless met thanks to ongoing initiatives affecting the whole product lifecycle, including energy-saving measures at operational sites and in product design. The cumulative reduction since 2008 amounts to 41.3%.

Lifecycle CO₂ Emissions Improvement Index per Product



* Indexed to 2008 = 100

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 2.8% (2008–2020) in raw materials and usage 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
The Facilities Management Headquarters is the primary driver of energy-reduction activities. In 2020, energy consumption per basic unit improved by 10.0% over the previous year, exceeding the 1.2% improvement target.

■ Total waste generation per basic unit
As a result of such initiatives as reducing waste at production sites and recycling waste generated internally at production sites, we met our target of a 1.0% improvement with a 7.0% reduction in total waste generation over 2019.

■ Water usage per basic unit in production
Water usage per basic unit of production declined by 3.0% compared to 2019 on the strength of efforts to improve water management including more efficient water use and greater reuse of wastewater. This means that we successfully met our target of a 1.0% improvement.

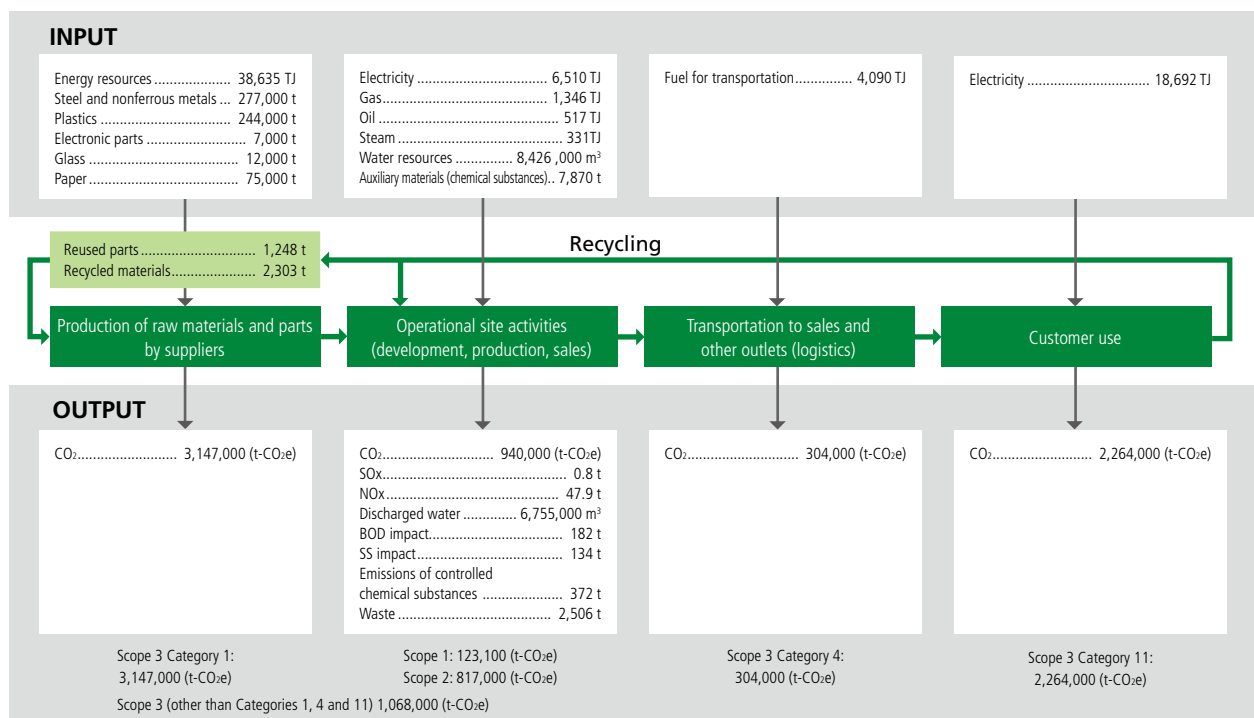
■ Emissions of controlled chemical substances per basic unit
We achieved a 1.7% improvement over 2019 in emissions of controlled chemical substances per basic unit, attaining our target of a 1.0% improvement, by reducing chemical substances used in manufacturing processes and reusing materials.

Overview of Environmental Impacts

The resources (input) that Canon used in its business activities over the entire product lifecycle (Scope 1-3)*¹ and emissions into the environment (output) are as shown in the following figures.

Total product lifecycle CO₂ emissions in 2020 were approximately 7.72 million tons. Figures for 2020 are calculated to take account of the change in the CO₂ conversion coefficient,*² which is detailed on the following page. For comparison, the figures for 2019 are calculated using both the previous and the revised coefficient. Although we achieved a continued overall reduction in product lifecycle emissions in 2020, increased demand for industrial equipment resulted in higher figures for Scope 3 (Category 11). As a result, the decrease compared to 2019 was held to approximately 150,000 t-CO₂. This was insufficient to absorb the reduction in sales due to COVID-19 and emissions per unit of consolidated sales therefore returned to a rising trend.

2020 Material Balance



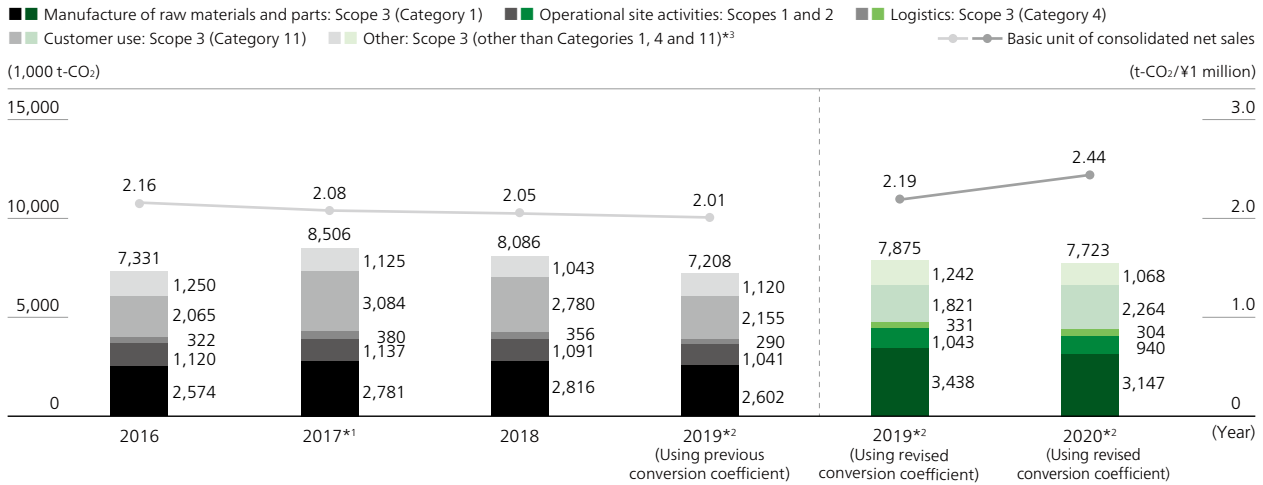
*1 Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)

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

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

*2 For a detailed explanation about change in CO₂ conversion coefficient see *2 of "Lifecycle GHG Emissions (CO₂ Equivalent)" on next page

Lifecycle GHG Emissions (CO₂ Equivalent)



*1 Figures for 2017 onwards include data for Canon Medical Systems

*2 Change in CO₂ conversion coefficient: Following the merging of the Carbon Footprint Communication Program and the Eco-Leaf Environmental Label into the Eco-Leaf Environmental Label Program, from 2020 the CO₂ conversion coefficient used for raw materials and processing is that of the latter program (figures up to 2019 are calculated using that of the former program). The CO₂ conversion coefficient used for logistics operations in the 2020 figures reflects the changes adopted by the Clean Cargo Working Group (CCWG)

*3 Scope 3 greenhouse gas emissions in categories other than 1, 4 and 11 are shown under Other

Scope 3 GHG Emissions in 2020

Category	Scope	2020 (1,000 t-CO ₂ e)	Calculation Method
1	Purchased goods and services	3,147	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	505	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	155	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	304	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	30	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 of fuel consumption.
7	Employee commuting	142	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 combustion.
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	44	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor of 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	2,264	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	190	Sold products are categorized by material and then the emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	0	Leased assets such as multifunction devices are included in Category 11 above together with sold products
14	Franchises	0	Not applicable
15	Investments	0	Not applicable
Scope 3		6,783	

Basic Approach to CO₂ Calculations

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) designated under the Kyoto Protocol (revised version).

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 Operational Sites Covered in the Environmental Section on page 119). 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)

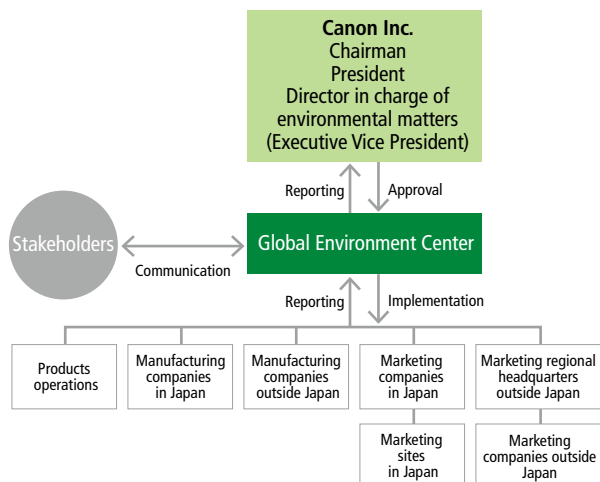
Third-party verification has been obtained for CO₂ emissions data and basic unit of consolidated net sales appearing in "2020 Material Balance" and "Lifecycle GHG Emissions (CO₂ Equivalent)" in 2019/2020 and for each figure in "Scope 3 GHG Emissions in 2020."

Governance and Risk Management

Global Environmental Promotion System

Canon Group is carrying out environmental assurance activities to achieve our environmental targets and realize the environmental vision. Led by the Global Environment Center (GEC) under the supervision of the Executive Vice President of Canon Inc., as the director in charge of the environment, we carry out environmental activities in a global system that unites product operations, production sites and marketing companies worldwide. The GEC reports each month to the Executive Vice President about 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 GEC reports it to the Chairman & CEO and Executive Vice President 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.

The Global Environment Center (GEC) 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 sales companies worldwide obtain ISO 14001 consolidated certification as an objective third-party evaluation of EMS effectiveness. As of 2020, ISO 14001 certification covers Canon Inc. as well as 124 Group companies (593 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, the GEC oversees the environmental assurance activities of the entire Group, and reports on the progress of relevant activities for the approval of the Chairman & CEO of Canon Inc. as well as the Director in charge of environmental matters (Executive Vice President).

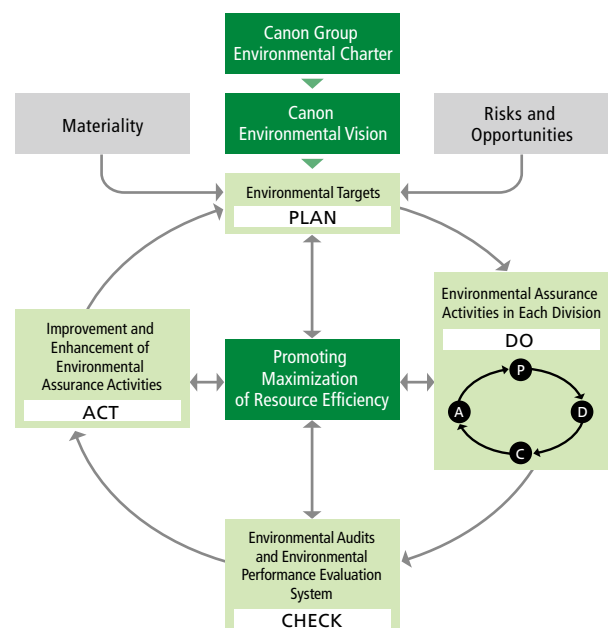
* Reference: ISO140001 consolidated certification

1. 99.9% of Canon Inc. and manufacturing companies (100 or more employees) are covered, based on CO₂ emission volume

2. Certifications Obtained

<https://global.canon/en/environment/data/pdf/canon-list-e.pdf>

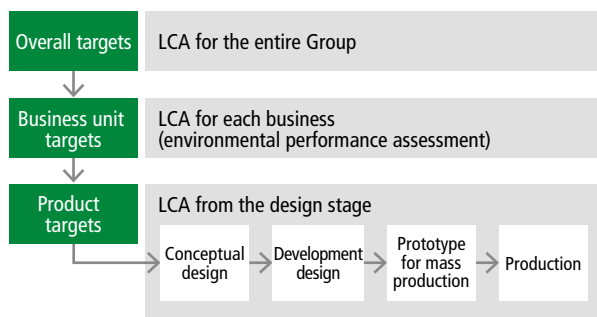
Canon's Environmental Management System



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. Canon has established an LCA development management system that can centrally manage all processes from product development to information disclosure. This system enables calculation of CO₂ emissions from the development and design stages, which we use in developing products to achieve environmental targets.

Flow Chart of Environmentally Conscious Design Using LCA Methodology



Reference: Canon's Life Cycle 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 the Global Environment Center (GEC), 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 the GEC, and reported to the Chairman & CEO, and Executive Vice

President in management reviews.

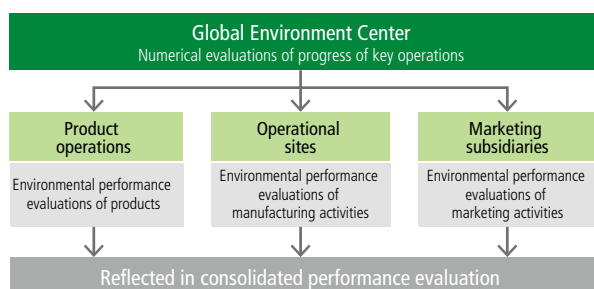
In 2020, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

Environmental Performance Evaluations Coordinated with Business Management

Through environmental performance evaluations, the outcomes of the environmental activities at individual product operations, operational sites and sales companies are evaluated and scored twice yearly. Since 2001, these scores have been incorporated alongside business performance in consolidated performance evaluations.

The Global Environment Center sets the environmental evaluation criteria and carries out the evaluations, which account for approximately 10% of the overall consolidated performance evaluation. Criteria for environmental evaluation mostly cover compliance with laws and company rules, achievement of environmental targets, improvement in the environmental performance of products, and environmental communication. The evaluation results are announced within the Group on a half-yearly basis. The results are used in the evaluation of the Chief Executive of product operations, and the president of the manufacturing or sales company. In this way, Canon incorporates the environment into its business performance evaluation.

Environmental Performance Evaluation Process



Actual Versus Forecast Comparison of Environmental Targets

Each operational site makes a monthly report to the Global Environment Center (GEC) 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 framework of the Canon Group's ISO 14001-based common environmental management system.

Environmental Awards and Environmental Exhibition

To promote improved staff awareness and activities in relation to the environment, Canon started holding an internal exhibition introducing good examples of environmental activities from Japan in 2003. 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, and have also served as a valuable opportunity to raise the environmental awareness of employees. Started in 2013, the simultaneously held virtual 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.

Moreover, the efforts of the design team and global environment team to together create and distribute posters to Group companies worldwide also help raise employee awareness about the environment globally.

In 2020, by utilizing the virtual exhibition and carrying out all activities online, including the judging of outstanding examples of good practice, we continued with the Environmental Awards and Environmental Exhibition initiatives even during the COVID-19 pandemic.



Original poster to raise environmental awareness (2020)

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 involves detailed programs to enable 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 2020 also, we carried out training for employees involved in risk-management related work (total of approximately 6,000 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, practical training in recycling is given, including instruction in how to disassemble multifunctional office equipment.

Environmental Communication Information Disclosure to Stakeholders, Education and Awareness

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. 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 has held a total of over 220 outreach classes on toner cartridge recycling since 2011 for more than about 11,000 participants. In 2017, this program was accredited by the Tokyo Organising Committee of the Olympic and Paralympic Games as a "Tokyo 2020 Official Programme (Sustainability)."

Reference: Environmental Outreach Classes
<https://cweb.canon.jp/ecology/delivery-class> (Japanese website only)



An environmental outreach class

Canon India's Green Environment Together Initiative

Since July 2019, Canon India has been encouraging the restoration and protection of India's natural environment through its Green Environment Together (GET) initiative, a tree-planting activity linked to sales of Canon multifunction devices (MFDs).

Recognizing the environmental issues associated with the printing business, including the felling of trees for paper raw material, Canon India puts emphasis on initiatives aimed at restoring and protecting the natural environment. As an example, with every purchase of a multifunction device, the company plants a sapling somewhere in India on behalf of the customer. It then presents the customer with a certificate of cooperation indicating the location and the number of trees planted.

Since the launch of this initiative, Canon India has received the cooperation of 2,322 customer companies to plant 16,853 trees across the country. More than simply a tree-planting campaign, Canon India sees the initiative as a means of nurturing customer relationships as carefully as a growing tree. With a declared target of 10,000 trees planted a year, Canon India is working through this initiative to restore and protect the natural environment and also to build long-term relationships with its customers.



Tree-planting in India

Canon USA Clean Earth Crew

The Clean Earth Crew initiative of Canon USA is a community contribution activity whereby employees and their families engage in activities such as collecting litter from riverbanks, painting benches, cleaning up roadsides, and tending greenery. In 2020, the 23rd year of the initiative, activities centered on Sunken Meadow State Park, close to the headquarters of Canon USA, and saw the participation of some 100 employees and family members. The activities were carried out with due attention to safety, with measures such as social distancing and mask-wearing. Going forward, Canon USA will continue contributing to the local community through this activity.



Clean Earth Crew activity

Informing and Educating 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 activities, such as the Canon Bird Branch Project, through information panels, videos, and hands-on content. It is not only a place where customers can come to observe our operations but also serves other purposes, including as an environmental education center for elementary school students and others. When participants in the educational programs experience the various hands-on activities, such as experimental sorting of materials by magnetism, weight, size and other properties, and tour the recycling plant where the techniques they have learned are put into action, they get a real sense of how scientific knowledge is being practically applied in recycling.

Looking ahead, we plan to expand and adapt our programs to fit life under the 'new normal,' such as by providing online environmental classes.

Reference: 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.)


Environmental Regulatory Compliance and Response to Complaints

As a result of implementing an environmental management system coordinated across the Group, Canon came through 2020 without a single legal violation or accident that seriously impacted the environment, including incidents relating to water quality or quantity permits. The Canon Group also did not incur any fines. Complaints received by operational sites regarding issues such as noise from ancillary facilities and foul odors from factories were all resolved satisfactorily via appropriate measures.

Contributing to a Low-Carbon Society

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

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

<p>Contributing to a Low-Carbon Society Climate Change, Energy</p> 	• Designing energy-efficient products	Target 13.2	Target 7.3
	• Expanding use of renewable energy	Target 13.2	Target 7.2
	• Improving energy efficiency at operational sites	Target 13.2	Target 7.3
	• Reducing CO ₂ emissions from logistics	Target 13.2	Target 7.3

* 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 Low-Carbon Society

Canon seeks to continuously fulfil its environmental targets, and beyond that to contribute to the global goal of achieving net-zero CO₂ emissions. Accordingly, we use technology to quantify CO₂ emissions for the entire product lifecycle (from raw materials procurement and parts manufacture by suppliers through operational site activities and logistics to customer use) and take steps to reduce it at each stage.

Environmentally Conscious Designs for Office Equipment

The multifunction office device imageRUNNER ADVANCE DX C5750i pursues energy-efficient design through features such as on-demand fixing technology, a high-performance main controller, and toner with optimal melt characteristics. These features enable it to achieve an approximately 47% reduction in CO₂ emissions during customer use compared to the previous model. It thus manages to combine improved functionality with reduced CO₂ emissions. Meanwhile, the A4 monochrome laser multifunction device imageCLASS MF448dw achieves compact dimensions, with a height approximately 15% lower than the previous model at 392 mm, and reduced power consumption during sleep mode to approximately 0.9W. As well as contributing to space saving in the office environment and other settings, it also realizes increased energy efficiency.



imageRUNNER ADVANCE DX C5700 Series (left)
 imageCLASS MF448dw (right)

Canon U.S.A. Named "Partner of the Year" at ENERGY STAR® Awards 2021

At the ENERGY STAR® Awards 2021, sponsored by the United States Environmental Protection Agency (EPA), Canon U.S.A. was selected as a "Partner of the Year—Product Brand Owner" for the sixth consecutive year. It additionally received, for the fourth consecutive year, the highest-level distinction of "Partner of the Year—Sustained Excellence Award."

Environmentally Conscious Designs for Medical Equipment

Vantage Elan/NX Edition is Canon Medical Systems' new 1.5-T (Tesla) MRI system, equipped with artificial intelligence (AI) functions and boasting the smallest installation space requirement for a model in its class. The design of the 1.5-T MRI system is the company's first to eliminate the need for a separate computer room. With a footprint approximately 29% smaller than the previous model, it reduces installation time and costs. The system is automatically switched to standby mode during intervals between examinations, reducing maximum power consumption by 50% compared to the previous model. These and other features not only reduce costs but also contribute to energy saving.



Vantage Elan/NX Edition

Helping Customers Reduce Their Environmental Impact

Using the Carbon Offset Program

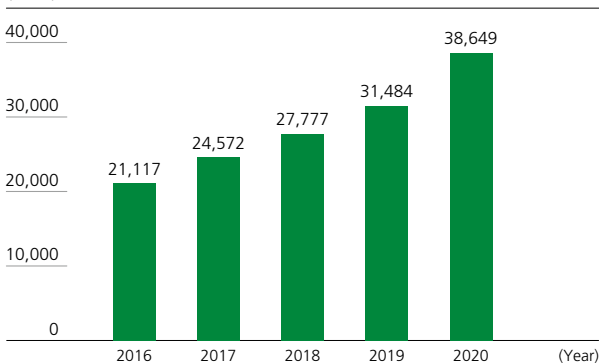
Canon promotes initiatives that help customers reduce their CO₂ emissions.

To enable customers to select products with lower CO₂ emissions, we strive to disclose relevant information. We have also obtained Carbon Footprint of Products (CFP) certification under the Sustainable Management Promotion Organization (SuMPO)'s CFP Communication Program.

Additionally, by utilizing the Carbon Offset Program making use of CFP* promoted by the Ministry of Economy, Trade and Industry, 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 2020 totaled 38,649 t-CO₂.

Carbon Offsets Linked to Customer Demand (Cumulative)
(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

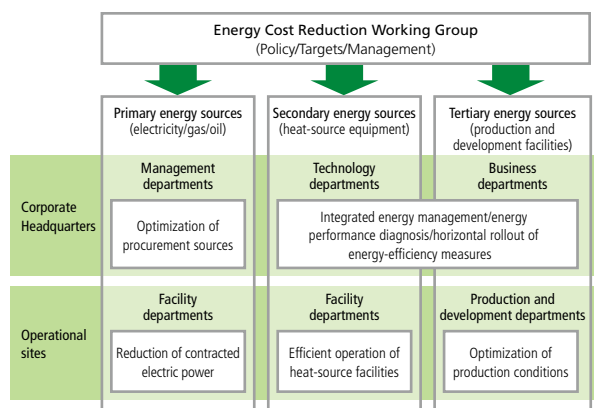
Reference: Products qualifying for Carbon Footprint of Products (CFP) declaration (Japanese website only)
<https://canon.jp/ecology/products/cfp/index.html>

CO₂ Reduction Through Initiatives at Operational Sites

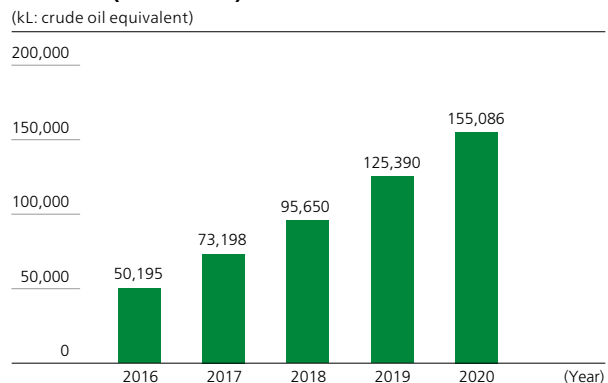
Canon created the Energy Cost Reduction Working Group in 2014 as a horizontally integrated organization to take Group-wide action on reducing energy consumption. The group has worked to reduce energy consumption by undertaking a thorough-going review of operating conditions at production sites, for instance by cutting out excess use of pressurized air and cooling water and adjusting 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 155,086 kL (crude oil equivalent).

Organizational Chart of Energy Cost Reduction Working Group

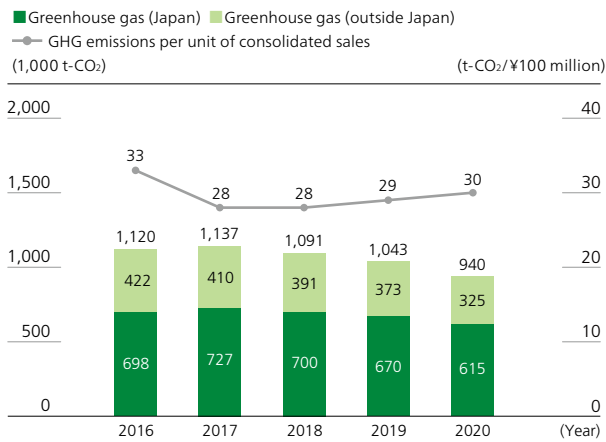


Cumulative Energy Savings Through Working Group Activities (Cumulative)
(kL: crude oil equivalent)



In 2020, thanks to a continuous program of energy conservation measures across operational sites, driven by the activities of the Energy Cost Reduction Working Group and other initiatives, we achieved a year-on-year reduction in greenhouse gas emissions of approximately 10% to 940 kt-CO₂. The special measures and facility closures associated with COVID-19 also contributed to the decrease. We also achieved a continuing reduction in the CO₂ generated in association with production activities (equipment and facilities, etc.). However, due to the fixed amounts of CO₂ generated independently of production, this was not enough to absorb fluctuations in sales and the amount generated per unit of consolidated sales increased slightly.

Greenhouse Gas Emissions at Operational Sites



* For information on our basic approach to calculating greenhouse gas emissions, please refer to P48.

* Figures for 2017 onwards include Canon Medical Systems.

Effective Energy Utilization Through Joint Project with Outside Operators

In a joint undertaking with Tokyo Gas Co., Ltd., and three other enterprises*, Canon has launched a smart energy project which realizes major energy savings. Centered on the Kiyohara Smart Energy Center and related facilities established within the Kiyohara Industrial Park in Utsunomiya City, Tochigi Prefecture, the Kiyohara Industrial Park Smart Energy Project is a multi-plant integrated energy-saving project. This means that, by introducing shared use of electric power and heat (steam and hot water) between a number of business sites with differing levels of demand, it realizes benefits not possible at a single business site operating in isolation. In 2020, the project posted reductions per base unit of 20% in energy consumption and 15% in CO₂ emissions volume. This initiative was recognized in the Cogeneration Awards 2020, sponsored by the Advanced Cogeneration and Energy Utilization Center JAPAN, with the award of the Chairman's Prize, the highest award in the Industrial Section.

* Calbee, Inc., Hisamitsu Pharmaceutical Co., Inc., and Tokyo Gas Engineering Solutions Corporation



Kiyohara Smart Energy Center

Use of Renewable Energy

We are working to expand the use of renewable energy, especially in Europe, while keeping regional

renewable energy uptake status and economic efficiency under consideration.

As a result of these initiatives adapted to local conditions, total worldwide renewable energy consumption by Canon Group companies, including Canon Production Printing and the headquarters of Axis Communications, was 82,070 MWh in 2020. Group companies in Europe sourced about 38% of total energy needs from electric power. Of this electric power, generation from renewable sources accounted for around 83%, a year-on-year increase of about 3%.

Construction of New Corporate Offices Utilizing Renewable Energy

New Headquarters Building for Canon Production Printing

Canon Production Printing's new headquarters building (Venlo, Netherlands) uses a heat pump system, efficient storage systems for hot and cold water, and LED lighting to reduce its energy consumption. Further measures contributing to an environment-friendly office facility include solar panels and charging points for electric vehicles.

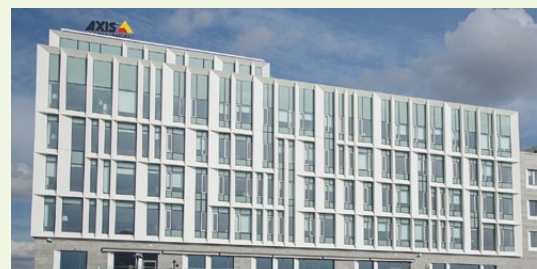


New office building of Canon Production Printing

New Headquarters Building for Axis Communications

The new headquarters building of the Canon Group company Axis Communications (Lund, Sweden) is equipped with solar panels and LED lighting and provides cycle parking for cycle commuters. These and other features earned the facility the rating 'Excellent'—the second highest of five possible rating levels—in the Swedish version (BREEAM-SE) of the British BREEAM* environmental assessment standard.

* 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

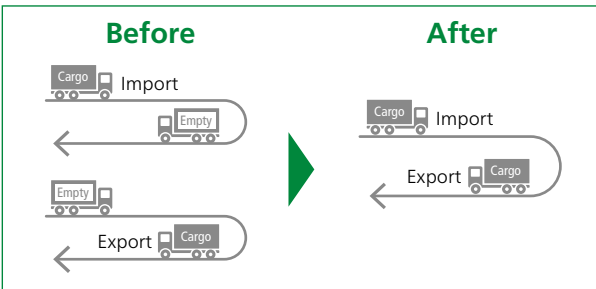


The new headquarters building of Axis Communications

CO₂ Reduction in Logistics

Canon works with manufacturing and sales companies in Japan and overseas to reduce logistics-related CO₂ emissions, seeking to realize low environmental burden in transportation operations at all stages from production to sales, and within each country and region as well as international shipments. For those international shipments, which account for approximately 60% of all transport, we are making improvements that include reducing distances and increasing load efficiency. We are also promoting 'container round use,' which aims to ensure that the containers used for import and export are occupied on both inbound and outbound domestic transport. To improve loading efficiency and then to reduce the number of containers, we are working to design products and outer carton to best fit the container size.

Overview of Container Round Use



Canon U.S.A. Receives SmartWay® Excellence Award for the Second Consecutive Year

As part of the activities of the SmartWay Transport Partnership, sponsored by the United States Environmental Protection Agency (EPA), Canon U.S.A. has significantly reduced the environmental impact associated with cargo shipment and helped to increase the number of shipment partners contributing to the initiative. For this and related activities, Canon U.S.A received a SmartWay® Excellence Award in the Shipper Category in 2020 for the second consecutive year.

Initiatives for Net Zero at Marketing Companies

Canon New Zealand has received carbon zero certification for reduction of CO₂ emissions and purchase of CO₂ offset credits, which are part of activities to meet its long-term CO₂ reduction targets. The company has reduced its CO₂ emissions volume as far as possible through a range of initiatives, from cutting business travel through the use of teleconferencing to switching its corporate vehicle fleet to electric and hybrid vehicles. To offset CO₂ emissions that could not be eliminated by any means, the company purchased credits from projects in New Zealand and overseas and thereby reached net-zero emissions. In recognition of this initiative, the company received the New Zealand government's *Toitū carbonzero*^{Cert™} certification.

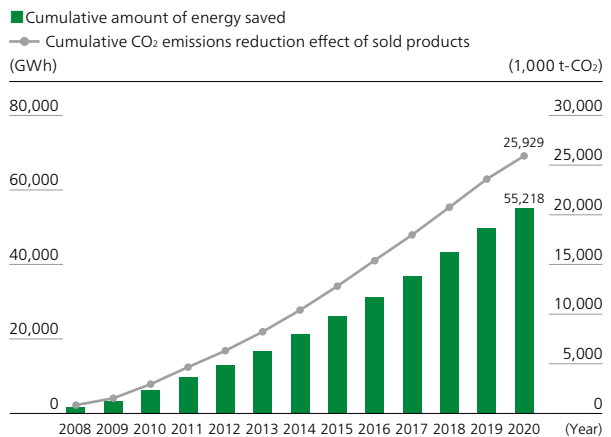


Awarding of carbonzero certificate

Contribution to the Global Goal of Net-Zero Emissions by 2050

Thanks to energy-saving technologies used in office equipment, Canon products achieved cumulative energy savings of 55,218 GWh between 2008 and 2020. This is expected to result in a CO₂ reduction of 25,929,000 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, 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.

Contributing to a Circular Economy

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

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

Contributing to a Circular Economy	SDG 12: Responsible Consumption and Production	
	Target 12.2	Target 12.5
• 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

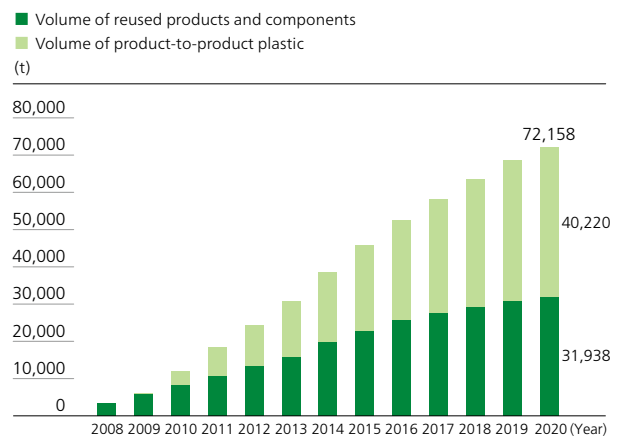
Canon pursues product-to-product recycling—in other words, recycling used products into new ones. In particular, we have emphasized such initiatives as closed-loop recycling of toner cartridges and the remanufacturing of office multifunction devices—collecting them post-use and making them into products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

Flowchart of Circular Economy



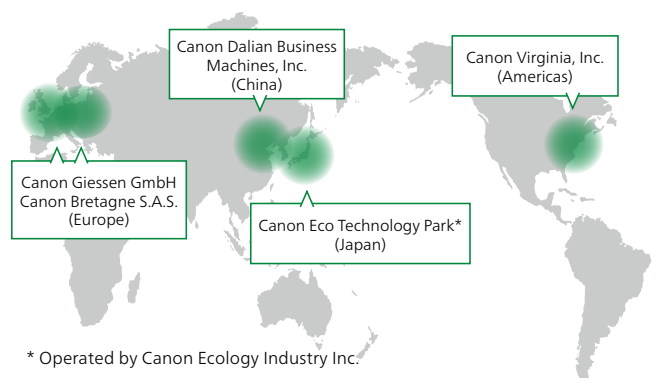
Since 2008, we have taken 40,220 tons of plastics from used products for recycling as raw materials, and another 31,938 tons of products and parts were reused directly.

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



Initiatives for Efficient Use of Resources

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.

Designing Smaller and Lighter Products

Our two new RF lens products, the RF600mm F11 IS STM and RF800mm F11 IS STM, are the world's lightest weight*¹ super-telephoto single-focal-length lens of their respective focal lengths. Equipped with DO lenses*², fixed f/11 apertures, and housing that comprises resin-based plastic enabling both products to achieve a significant weight reduction of approximately 70% compared to previous EF lenses, the lenses combine high maneuverability and portability with outstanding image capture.

The PRO-300 new inkjet printer model for professional and advanced amateur photographers likewise realizes substantial reductions in size and weight compared to the previous PRO-10/10S model, maintaining high image resolution and high productivity while reducing volume by approximately 15% and weight by approximately 28%.

*¹ The new camera models come with autofocus replacement lenses for interchangeable-lens cameras that boast the world's lightest lens weight, with focal length of 600 mm on the RF600 mm F11 IS STM and 800 mm on the RF800mm F11 IS STM. (Data as of July 8, 2020, based on Canon survey).
 *² Lens using a diffractive optical element (DO), first commercialized as a camera lens in 2001 by Canon.



Comparison of RF 800mm F11 IS STM with previous EF lens (above)
 Comparison of PRO-300 with previous model (below)

Reference: Canon's Environmentally Friendly Products
<https://global.canon/en/environment/products/index.html>

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 EQ80 series brand in Europe.

In 2019, Canon launched sales of a new product under the Refreshed series brand, the imageRUNNER ADVANCE C3330F-RG, a special environmentally conscious model with an increased reused parts ratio. Using meticulous washing and cleaning processes, with sandblast polishing* to remove the smallest imperfections and other special treatments, a reused parts ratio of over 90% has been achieved.

Given this achievement of one of the industry's highest reused parts ratios, and also in recognition of the highly developed reuse technology, the imageRUNNER ADVANCE C3330F-RG was rated highly as a product symbolizing the circular economy, and was awarded the distinction of Eco of the Year at the Ecomark Awards 2020 sponsored by the Japan Environment Association.

* A technique for polishing resin surfaces by blasting with microparticles



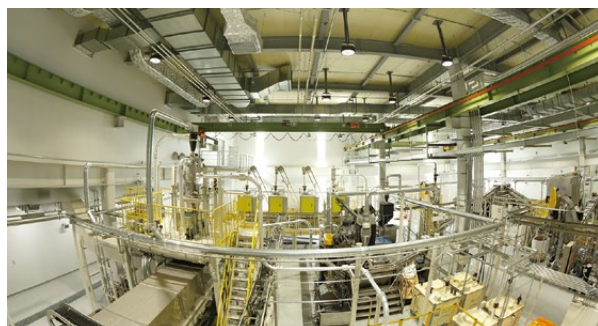
imageRUNNER
 ADVANCE C3330F-RG

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 features advanced systems to boost recycling efficiency further. 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, materials for pallets used in logistics, or in stationery products. 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)

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.

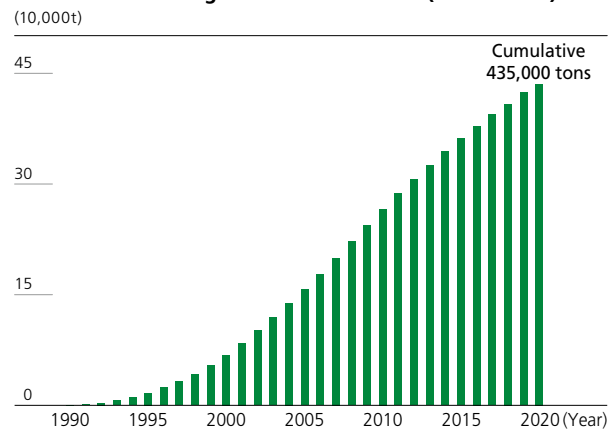
Returned used toner cartridges are brought to Canon recycling sites, where they are sorted by model and the reusable parts are picked out. Washing and maintenance are performed as needed, and the parts are then reused in new products. Parts that cannot be reused are crushed and separated by material 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 23 countries and regions (with a cumulative collection volume of about 435,000 tons as of the end of 2020) for recycling at four sites* in and outside Japan. As of 2020 we have achieved a cumulative reduction in the use of new resources of approximately 306,000 tons.

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

Used Toner Cartridge Collection Volume (Cumulative)

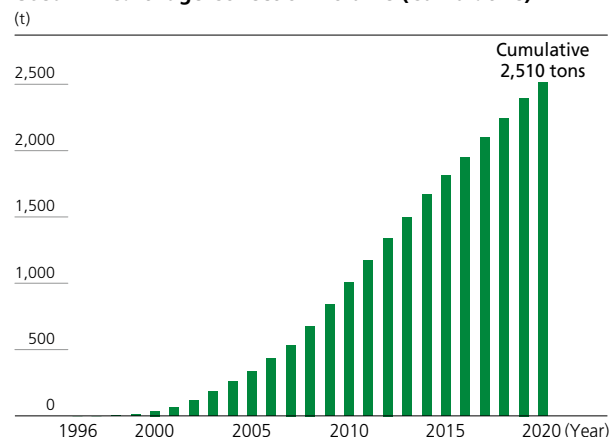


Collection and Recycling of Ink Cartridges

Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2020, Canon's collecting program was operational in 35 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2020 reached 2,510 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.

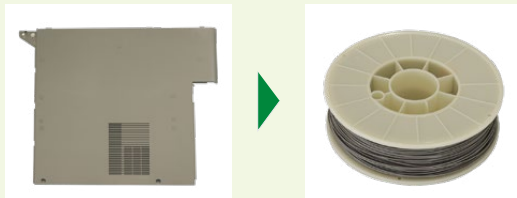
Used Ink Cartridge Collection Volume (Cumulative)



* Data scope is worldwide. Figures include cartridges for large-format inkjet printers and compact photo printers.

Development of Filament for 3D Printers Using Recycled Plastic

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 HI-PS, 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 stable wire diameter to be manufactured even with 100% recycled plastic.



Outer cover of multifunction device

Filament for 3D printer

Action to Deal with Marine Plastics

There is growing public concern over single-use plastics, which are regarded as a cause of marine pollution. 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 inter-industry boundaries. 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.

We are also pursuing initiatives to reduce plastic waste at operational sites in Japan and overseas. Canon Hi-Tech (Thailand) has hosted seminars to educate local residents and children on the problem of plastic waste, and organized workshops on how to make eco-bags from used clothing. The Canon Group's three Thai-based affiliates also engage in ongoing marine environment conservation activities, collecting marine waste washed up on the coastline and encouraging tourists to reduce their use of plastics.

In Japan, we are taking the initiative to address the issue of disposable plastics used in the straws, cups, and other utensils provided in staff canteens and other places at our operational sites by switching to substitute materials or reducing the amount of these items used.

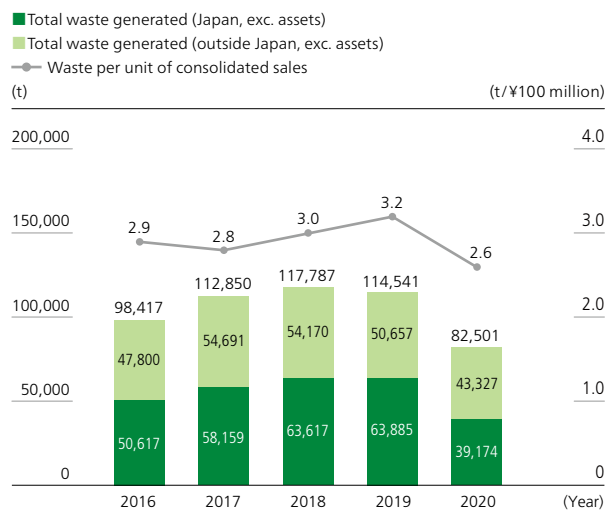
Initiatives to Reduce Waste at Operational Sites Reducing Waste

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 through forecast management, we have implemented a number of ongoing initiatives to reduce waste.

The total waste output in 2020 amounted to 82,501 tons, a large reduction from the previous year of approximately 28%. In addition to the special measures and facility closures associated with COVID-19, the reduction in office waste caused by teleworking also contributed to the overall fall. A major cut in waste emissions per unit of consolidated sales was likewise achieved.

Total Waste Generated



* Figures for 2017 onwards include data for Canon Medical

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 2020, contracted companies processed 79,995 tons of waste from Canon back into materials.

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

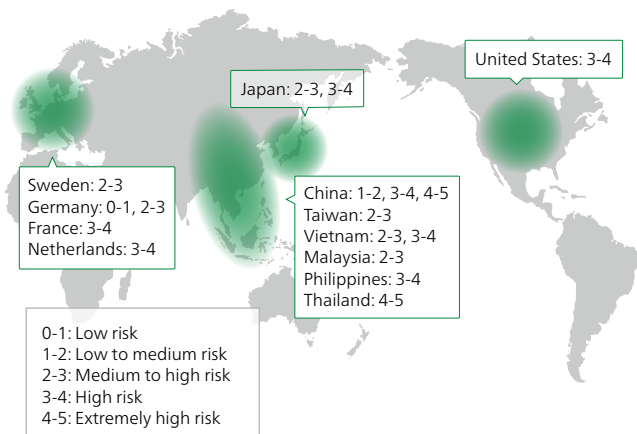
Initiatives for Sustainable Use of Water Resources

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 base, 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.

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, published August 2019)



Before relocation



After relocation

Miyazaki Canon site

Canon Hi-Tech (Thailand) Acquires Gold Level Certification in Water Conservation Awards for Second Consecutive Year.

Canon Hi-Tech (Thailand)'s Nakhonratchasima Plant, which is located in an area of high quantitative water risk, acquired Gold Level certification for the second consecutive year in 2020 in the Water Conservation Awards sponsored by the Thai Ministry of Natural Resources and Environment. The certification was in recognition of its initiatives in areas such as reduction of water consumption and preservation of water quality and activities including a cooperative project with the local community.

Reducing Water Usage

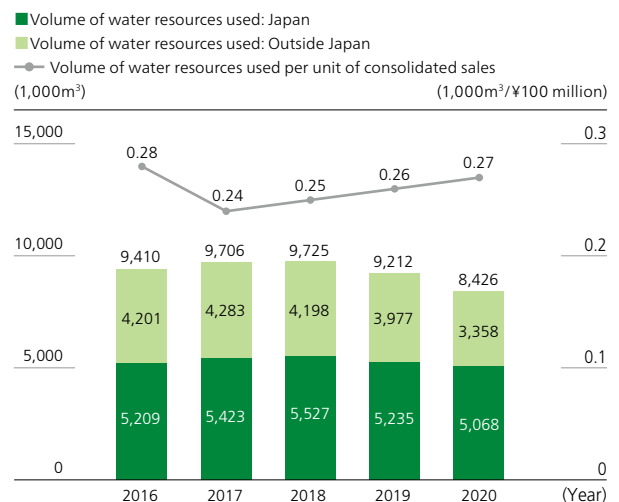
Canon collects water data by intake source (public water system, industrial water system, or groundwater) and manages water resources carefully so as not to exceed intake limits for the different regions in which it operates. We also set and manage targets for the volume of water used in production,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

Water Recycling at Production Sites

Canon promotes the recycling of water resources. The Kitsuki Plant of Oita Canon Materials Inc. is located on Beppu Bay, home to precious natural resources and habitats. Giving careful consideration to its impact on the surrounding ecosystem, the plant employs a closed wastewater system that discharges only rainwater.

Total water consumption in 2020, decreased by 8.5% year on year to 8,426 million m³. In addition to the facility closures associated with COVID-19, water-saving initiatives at our operational sites also contributed to the reduction. However, water consumption per unit of consolidated sales increased slightly, as the reduction in consumption was insufficient to absorb the reduction in sales.

Use of Water Resources





* Figures for 2017 onwards include data for Canon Medical.

Eliminating Hazardous Substances and Preventing Pollution

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

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

Initiative	SDG Target	
Eliminating Hazardous Substances and Preventing Pollution  	Managing chemicals contained in products, meeting international standards	Target 12.4
	Managing chemical substances in production processes	Target 12.4
	Reducing discharges into the 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 emit 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 with regard to the same parts or chemicals. This situation incurred 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 can enable 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 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.

* IEC62474: 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.

Steady Compliance with the EU Circular Economy Action Plan by Reporting Data on Chemical Substances in Products

Under the Waste Framework Directive* of the European Union (EU), revised in June 2018 as part of the EU's Circular Economy Action Plan, products marketed in the EU with a 0.1% or greater content of a substance of very high concern (SVHC) are subject from January 2021 to mandatory reporting of data to the SCIP database collated by the European Chemical Agency (ECHA).

Using the chemSHERPA system, Canon has completed data reporting to the SCIP database for all relevant products. Going forward, we will continue to ensure steady compliance for new products.

* EU Waste Framework Directive (WFD): An EU directive designed to protect the environment and human health by preventing harmful effects from waste generation and waste management.

Initiatives to Upgrade Supply Chain Information Sharing

The International Electrotechnical Commission (IEC) is a body that carries out international standardization in the field of electrical and electronic technology. As a member of the TC111 Technology Committee that formulates its environment-related standards, Canon contributes in particular to the formulation of standards for information sharing on chemical substances contained in products. In this way, we work along with specialists worldwide to upgrade the sharing of supply chain information.

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 prohibited under 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.

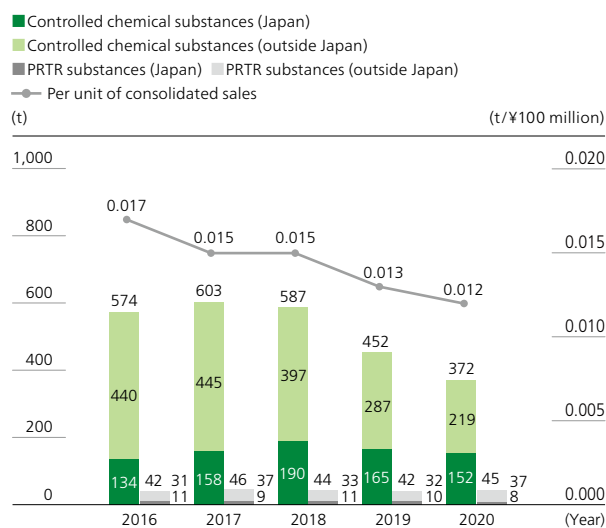
Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

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 the consumption and re-use of them through improvement of production processes.

Total emissions of controlled chemical substances in 2020 amounted to 372 tons, a year-on-year decrease of approximately 18%, which was achieved through ongoing measures to promote re-use. Facility closures associated with COVID-19 also contributed to the decrease. In total emissions per unit of consolidated sales, we likewise achieved a year-on-year reduction.

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



* 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.
 * Figures for 2017 onwards include data for Canon Medical.

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 discharges 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 2mm 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 Remediation 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 implement 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, in light of applicable national and regional standards, develop risk countermeasures according to the local situation.

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 2020, 10 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 1,511 fluorescent ballasts in storage. This PCB waste is processed sequentially by Japan Environmental Storage & Safety Corporation (JESCO).

Status of Soil and Groundwater Clean-up Activities*


Operational Site	Substances	Measures
Shimomaruko	1,2-dichloroethylene	Water quality measurement, injection of treatment agents
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
Bando	Trichloroethylene, 1,1-dichloroethylene	Pumping, water quality measurement
Nagahama Canon	Hexavalent chromium and its compounds	Covering, 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.

Contributing to a Society in Harmony with Nature

Canon promotes activities worldwide based on the Biodiversity Policy.

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

 <p>Contributing to a Society in Harmony with Nature</p>	• Biodiversity Policy, Basic Policy on the Procurement of Timber Products	Target 15.2	Target 15.5
	• Canon Bird Branch Project	Target 15.5	
	• Preservation of natural habitats and biodiversity	Target 15.5	
	• Forest preservation, tree-planting initiatives	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.

Biodiversity Policy

Basic Policy
 Canon fully recognizes biodiversity as an important basis for a sustainable society, and promotes activities that contribute to biodiversity conservation.

Action Guidelines

- Canon strives to conserve biodiversity with consideration for various regional characteristics from a global perspective.
- Canon actively works to reduce the impact on biodiversity associated with various business activities, and to conduct social-contribution activities that lead to biodiversity conservation.

Specific Actions

- "Utilization of Canon technologies and products for biodiversity conservation"
 Support for biodiversity conservation activities and projects
- "Consideration for biodiversity centered on operational sites"
 Ascertaining the impact of our business activities on biodiversity, and conservation of animal and plant habitats around operational sites
- "Contribution to the realization of a community rich in biodiversity"
 Promotion of biodiversity conservation activities and educational activities in collaboration with local communities

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

To help support biodiversity, Canon promotes the use of sustainable forestry resources as the raw materials for paper production within the value chain. 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.

Basic Policy on the Procurement of Timber Products

- 1. Use sustainable forest materials**
 In its procurement of timber products, the Canon Group uses materials supplied from forest resources managed exclusively for use as timber products.
- 2. Trace the origin of forest resources used**
 We seek the cooperation of business partners to ensure the traceability of products throughout the manufacturing process, from the harvest of raw materials onward.
- 3. Confirm evidence of traceability**
 Canon works with its business partners to ensure the traceability of materials used in Canon products (or OEM products) and their packaging that are subject to timber product regulations in each country.

Group Initiatives to Conserve Biodiversity

At marketing sites and production sites around the world, Canon joins with local stakeholders in activities tailored to local needs. One of the associated company-wide biodiversity conservation initiatives is the Canon Bird Branch Project.

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 occupies a site with extensive greenspace containing a wide variety of trees. Under the supervision of the Wild Bird Society of Japan, a monthly survey of the migratory origin of wild birds is carried out to keep track of the population and the changes by season and by year in the 35 species of wild birds so far recorded. The survey has now been extended to other sites, with bird baths and nest boxes installed, nests regularly cleaned, and measures taken to protect the chicks against falling as part of efforts to provide an environment conducive to breeding and rearing young for a wide variety of wild birds. Alerting employees to the presence of nest boxes gives them the opportunity to observe and learn how wild birds raise their young.

With the idea of attracting kingfishers to the ponds on its site in Ibaraki Prefecture, Canon Ecology Industry Inc. consulted with experts before taking a range of measures to enhance the pond environment, including releasing fish into them. For owls, which are at the top of the food chain, staff have installed large nest boxes and provided other encouragements. Measures to prevent bird strikes (incidents caused by birds or other creatures colliding with human-made structures) and ongoing observation of rare species also contribute to maintaining the welcoming environment for many different wild bird species.



Putting up a nest box at a company site

■ Communicating Through Digital Media

The project website includes regular posts from an expert who explains in simple terms the sometimes difficult subject of biodiversity from the perspective of birds, as well as a bird photo guide and a course on how to photograph birds. The accessible content is designed to stimulate interest across a wide age range. The project also uses Twitter to communicate on a day-to-day basis about the birds that can commonly be seen at the sites and to provide other related information.

■ Overseas activities

We also promote biodiversity conservation initiatives at overseas sites in the Americas, Europe, and Asia. Canon China has been active in the Bird Branch Project since 2019 in collaboration with a local birdwatching NGO. Beijing, where Canon China is located, has many parks rich in nature where birdwatching tours have been held for employees and their families. Through such birdwatching events, which feature informative talks by bird experts, employees learn about the importance of the natural world. Canon China also helps to raise awareness among the general public, using its website and social media to actively communicate about the importance of biodiversity.



A birdwatching tour at Beijing's Olympic Green

Responding to People and Society as a Good Corporate Citizen

Human Rights and Labor

Respecting Human Rights

We strive to create workplaces where the rights of every employee are respected.

Basic Policy

The Canon Group Code of Conduct prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds. The Code of Conduct has been translated into many languages and given out to Group executives and employees worldwide.

In addition, the Group observes the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international norms. The Canon Group CSR Basic Statement, which sets out basic corporate responsibilities that apply across the Group, also clearly indicates respect for employee rights. This statement has been published in English and is available to employees worldwide through the corporate website.

To further advance our CSR activities, in 2019 Canon joined the Responsible Business Alliance (RBA). Going forward, we will increase our efforts to create a respectful work environment for each and every employee.

Framework for Identifying Human Rights Risks

All Canon Group companies manage human resources in compliance with the laws and regulations of each country and region in which they operate, as well as Canon's own regulations.

Since 2013, we have been carrying out annual investigations at the Group's main overseas manufacturing companies,* primarily in Asia, to confirm their compliance with laws pertaining to minimum working age and health considerations. In 2015, we developed labor guidelines in accordance with local social contexts and each company's human resources management regulations. Results of investigations are shared with the Group Executive of Human Resources Management & Organization Headquarters and other related division heads. If an issue is identified, related divisions work together toward a swift resolution. To date, investigations have not identified any issues.

Canon Inc., Group companies in Japan, and major overseas sales companies also regularly conduct employee awareness surveys. Survey results are reported to management executives and shared with employees through the company intranet and other means. Furthermore, when an issue is identified, we take necessary action to change the corporate culture.

Since joining RBA, Canon has made use of the RBA's Self-Assessment Questionnaire. In terms of existing business operations, the Group's main manufacturing companies have sought to identify any risks related to rights, labor standards, or safety and health. We are also establishing response measures according to the seriousness of the risks that are identified.

* Investigations cover more than 87% of employees at all Group overseas manufacturing companies (as of 2020 end).

Respecting Basic Workers' Rights, Including Freedom of Association

Canon respects workers' basic rights, including freedom of association and collective bargaining. We also strive to address various labor issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

In addition, in the Canon Group CSR Basic Statement, we are promoting sincere dialogue between management and employees in compliance with the laws and regulations of countries and regions where we operate.

Preventing Harassment

Canon 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, and conduct information sharing at liaison meetings of the consultation staff. Confidentiality surrounding employee consultations is strictly maintained and a firm guarantee against detrimental treatment is provided to victims and informants. The number of harassment complaints has remained mostly unchanged in recent years.

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.

Educating Employees on Harassment Prevention

Canon conducts a variety of training programs and poster campaigns to raise awareness of harassment issues among employees.

Canon Inc. conducts harassment-prevention training for executives, managers, and managerial candidates. The aim is to develop measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks, and corporate legal responsibilities. Training includes case studies of harassment incidents and how to handle reports of harassment. In 2020, 260 executives, managers, and managerial candidates working in Japan underwent training, while 20 employees returning from overseas postings underwent training. Furthermore, following a revision to Japanese law in June 2020, we developed e-learning materials for the purpose of properly understanding abuses of authority, and provided education to employees in Japan.

The same training and education programs are being extended to other Group companies, which are each implementing their own employee training.

Establishing Consultation Hotlines

At Canon, each Group company has a point of contact where employees can freely consult about concerns in the workplace and work environment issues, including violations of the Canon Group Code of Conduct and human rights policies and regulations. Confidentiality is strictly protected, and care is taken to ensure that an employee does not receive unfair treatment for seeking consultation. Employees can arrange consultation sessions directly via the intranet without having to obtain the approval of a superior.

Hiring and Treatment of Human Resources

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

Basic Policy

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. At the same time, we are focused on developing our next generation of leaders.

Guiding Principle of the Three Selves Spirit

The *San-ji* (Three Selves) Spirit has been a central guiding principle for Canon since its founding. The three "selves" 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 Group 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 Selves	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

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 2020, Canon Inc. and Group companies in Japan embarked on a vigorous recruitment program, resulting in the hiring of 1,250 employees in total. Canon has established various programs and systems, such as a career matching system (→P79-80) and a work-life balance program for employees engaged in childcare or nursing care to support the continued employment of each and every employee so that they remain motivated and can maximize their skills and abilities over the long term (→P71). Moreover, we regularly conduct biennial in-house employee awareness surveys, and the results are used to improve employee satisfaction; for example, survey feedback is provided to each division, including management, so it can be used in policy formulation. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry in Japan. As part of maintaining high job satisfaction, regular employee awareness surveys are conducted by Group companies in Japan, Canon U.S.A., Canon Europe and Canon Group sales companies based in Asia.

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 (→P78).

Canon China actively promotes local employees to managerial positions as part of developing business operations. Local appointees occupied 52% of all managerial positions across the region in 2020, up from 38% in 2013.

Creating Local Employment Opportunities at Production Bases

In order to help stimulate local communities and economies through job creation, we focus on local employment when establishing or expanding production bases.

For example, Canon Prachinburi (Thailand) has hired approximately 5,900 people locally, and Canon Business Machines (Philippines) employs approximately 4,500 local residents (as of 2020 end).

Our production bases in Asia have continued to employ over 60,000 local employees since 2007.

Canon ensures that its employees are paid substantially more than the local minimum wage.

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 applied across the Group worldwide, and has already been adopted by the majority of 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 Canon Group sales companies based 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 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 and customs 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, starting in 2019, 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 2020 was 16.4 days. Total hours worked per employee were 1,720, a 79-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 are 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 a number of leave programs that enable employees to take time off flexibly to respond to their personal circumstances. These include a time-unit leave program in 30-minute increments that is available for reasons such as childcare, nursing care, injury, or illness, as well as vacations for mental and physical relaxation as a reward for certain lengths of employment. In 2020, we introduced a remote working system aimed at boosting productivity, and are promoting flexible work styles so that employees can use time and place effectively. We have implemented the sixth phase of the action plan spanning the three-year period to March 2021.

In addition, Canon Inc. conducts surveys on flexible workstyles 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.

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 40 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.

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

Action Plan Phase VI (from April 2018 to March 2021)

Action Plan	Measures	Results as of 2020 End
(1) Promote use of work-life balance programs with aim of raising participation rate.	<ul style="list-style-type: none"> Regularly check the performance of employees using work-life balance programs, and have VIVID*1 and the Workstyle Innovation Committee work together to consider and implement specific measures before March 2021. 	<ul style="list-style-type: none"> Confirmed that, in addition to female employees, who have made up the majority of those taking advantage of these programs, the trend for use of these programs by male employees is increasing significantly.
(2) Promote workstyle reform further by encouraging workstyles that do not rely on overtime work, continuing efforts to promote use of paid leave, and 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"> Prohibited overtime work, in principle, throughout the year. Implemented earlier work hours from July–September in a campaign to promote work-life balance, and continued efforts to promote workstyle reform. Provided employee benefits program for encouraging self-development during the earlier work hours. Total work hours company-wide decreased by 79 hours compared to 2010.*2
(3) Continuing from Phase V, 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 2018 to March 2021. 	<ul style="list-style-type: none"> Continuously conducted the following community contribution activities for children: <ol style="list-style-type: none"> Unique learning programs for children, including environmental education outreach program Photography classes (Junior Photographers) Tag rugby lessons and online rugby meet-and-greet events, etc.

*1 VIVID: Vital workforce and Value Innovation through Diversity, a company-wide horizontally integrated organization for promoting diversity (→P73-74).

*2 The year that activities to reduce total work hours commenced.

Supporting Employees' Volunteer Activities

In recognition of the growing interest in volunteer activities, Canon Inc. has in place a volunteer leave system. 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). One employee took leave through this system in 2020.

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.

Every month, 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 Chairman & CEO and senior management attend the monthly conferences.

Additionally, special committees have been established to consider wages, working hours, safety and health issues, and benefit programs. Based on these conferences, new systems are established and policies enacted. As of the end of 2020, combined employee membership in the Canon Workers' Union totaled 26,405, bringing the union membership rate to 80% for Canon Inc.'s workforce.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference (Canon Inc. representatives also attend). This conference brings together 19 Group workers' unions and executives from 23 Group companies in Japan. The 2020 conference was postponed due to the onset of COVID-19, but is due to be held in 2021 as conditions allow. As of the end of 2020, there were 54,772 employees in unions that belonged to the Canon Group Workers' Union Conference, bringing the union membership rate to 83% for the workforce of 23 Group companies in Japan.

In accordance with the labor laws of each country and region where we operate, Canon continuously maintains proper labor relations based on thorough dialogue between labor and management at Group companies outside Japan. The union membership rate*2 for employees of the Canon Group overall was 87%.

*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.

Employees receive official notice of personnel transfers at least two weeks in advance for temporary assignments and at least one week for other types of transfers. Employees who need to relocate due to the transfer are officially notified up to four weeks in advance.

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.

Policy on Respecting Diversity

Guided by our corporate philosophy of *kyosei*, Canon respects diversity of culture, customs, language, and ethnicity, and actively encourages the fair hiring and promotion of employees, regardless of gender, age or disability.

Canon Inc. uses a company-wide, horizontally integrated organization headed by the Executive Vice President, known as Vital workforce and Value Innovation through Diversity (VIVID), to promote diversity.

Furthermore, we hold the Presidents' Meeting for Diversity Promotion, attended by Canon Inc.'s Executive Vice President and presidents of Group companies in Japan, to confirm action plans and results, and share key initiatives.

In addition, at Canon Inc., we conducted the Barrier-free Mindsets e-learning program in 2019. The training aims to help individual employees understand the difficulties and pain caused by barriers in society. As of 2020, approximately 86% of employees, including senior management, had taken the training.

VIVID Activities Policy

- Respecting diversity as an important issue, promote the introduction of new systems across the Canon Group, seeking to replace existing systems, and strive to change employees' thinking and awareness of diversity issues.
- Revise HR policies and workplace conditions to avoid any limitations or restrictions being placed on the career opportunities afforded to talented people with the ambition to succeed.
- Promote internal/external dissemination of information on diversity promotion activities to help identify/develop role models and encourage wider adoption of best workplace practices.

Promoting the Active Participation of Women

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

Furthermore, we formulate action plans and disclose information as mandated by the Act on the Promotion of Female Participation and Career Advancement in the Workplace, while conducting initiatives that go beyond the minimum legal requirements.

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 195 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 126 in 2020, compared with 58 in 2011. In addition, based on the government's Act on the Promotion of Female Participation and Career Advancement in the Workplace, Canon Inc. has formulated an action plan with a goal of having more than three times the ratio of women in management, compared with 2011* levels, by the end of 2025.

Furthermore, we hold return-to-work seminars for employees returning from childcare leave and their supervisors, and provide mentoring by female managers. We also provide 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 also promoting a range of initiatives to support career development for women, including career advancement training, 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, and career training for women who have returned from childcare leave.

Outside Japan as well, to coincide with International Women's Day in 2020, Group companies in the Middle East and Africa launched 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. At Canon Bretagne, a corporate agreement on gender equality aimed at creating a company where women can participate actively was concluded with the labor union in 2019. The company is aiming to achieve a ratio of 33% for women in management by 2022 with measures such as adjustment of working hours for pregnant workers and improved conditions for women returning from maternity leave.

* The year before VIVID was introduced

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 hold seminars to introduce the childcare-related systems to male employees. These initiatives have proven effective: the childcare leave participation rate among men at Canon Inc. has risen from 1.9% in 2011 to 27.7% in 2020. In addition, based on the government's Act on the Promotion of Female Participation and Career Advancement in the Workplace, Canon Inc. has put in place an action plan with a goal of increasing the childcare leave participation rate of male employees to more than 50% by the end of 2025.

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.

With regard to provisions for employees who identify as a sexual minority, Canon provides such amenities as gender-neutral washrooms. We also have an internal hotline for employees wishing to speak 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 2020, there were 1,588 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.

For example, at Canon Inc., we have been proactive in employing persons with disabilities for many years. We are doing our utmost to make workplaces more comfortable and accessible for people with disabilities by improving

our facilities, including providing greater barrier-free access. Additionally, we are working to expand the range and nature of jobs for people with disabilities, while also ensuring that they are settling into and becoming active members of their assigned workplaces. Canon incorporates workplace experience and observation sessions into the selection process to ensure that new hires can contribute quickly after they are hired and assigned to a workplace. Canon Wind*² primarily hires people with intellectual disabilities. In addition to maintaining a high employee retention rate, this employment helps us realize our corporate philosophy of *kyosei*.

Canon Inc. and Group companies in Japan have set up onsite 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. In 2019, Canon Inc. established a dedicated unit and took other measures to bolster support for helping employees with disabilities to settle into their workplaces.

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 includes providing knowledge of hearing disorders and introducing sign language to help promote smoother workflow. A total of 766 employees participated in this training up to and including 2020.

*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 people 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. In 2020, we held an online nursing care seminar in cooperation with local government authorities, and distributed the video to all employees via the company intranet.

Occupational Safety and Health Support

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

Policy and Structure

At Canon, the safety and health of employees form the foundation of our business activities. Adhering to the principle of "management without safety is not management," labor and management work hand in hand to pursue initiatives aimed at improving occupational safety and health so employees can feel safe and secure in their work environment. In line with this principle, we have established detailed rules and regulations regarding occupational safety and health (OSH), which are also reflected in agreements with labor unions.

Canon has established the Central Safety and Health Committee as its highest body overseeing safety and health activities. Chaired by the Executive Vice President 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.

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, in an effort to build healthy and safe work environments for all workers, including those of contractors. We also hold health and safety conferences with contractors and cooperate together to maintain and improve health and safety on site.

Overseas, at production bases in Asia, we are implementing unified initiatives with Canon Inc., while giving consideration to specific circumstances in each region and at each company.

Occupational Safety

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 2020

1. Eliminate occupational accidents caused by machinery (0 cases)
2. Eliminate serious accidents caused by highly hazardous chemical substances (0 cases)

Initiatives

1. Further develop the Canon Group Occupational Safety and Health Management System
2. Implement risk assessments to eliminate occupational accidents and ensure their use by workers
3. Improve health and safety awareness by enhancing education and training

In 2020, in terms of serious occupational accidents requiring time off work, there were no accidents caused by getting pinched by or caught in machinery, but there was one accident involving chemical substances. We are taking steps to prevent similar accidents from recurring, in terms of both education and equipment, such as investigating the underlying cause of the accident on site, retraining workplace personnel, and improving the operability of machinery. We are also carrying out a comprehensive safety inspection and risk assessment to determine if similar risks exist at the site where the accident occurred. In addition, information about the accident was promptly shared with Group companies, particularly production bases, to prevent similar occurrences elsewhere.

Furthering Development of the 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 at each of our operational sites. 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.

Several operational sites acquired international

standard ISO 45001 certification in 2019, including Canon Inc.'s Toride Plant and Canon Prachinburi (Thailand) Ltd.

Implementing Risk Assessments to Eliminate Occupational Accidents and Ensuring Use by Workers

Canon conducts wide-ranging risk assessments to identify all operations that have a high risk of injury, illness, or accident. We take appropriate measures to mitigate risks and manage residual risks. Recognizing accidents caused by machinery as a serious risk, we regularly review existing equipment at least once a year and conduct risk assessments for new equipment at the time of installation.

In 2019, we formulated a new risk assessment and management standard for all companies in the Canon Group. To ensure that the new standard is implemented properly, we are conducting training programs for health and safety staff and developing e-learning content for workplace managers and people in charge of operations to deepen their understanding of risk assessment methodology. Moreover, when a specific risk is identified, all applicable workers are notified of the risk and given needed training, and a follow-up is carried out to confirm their understanding and mastery of 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 in an effort to prevent a similar accident from occurring elsewhere.

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 bases, on the same level as in Japan. For example, so that employees can process information in their native languages, 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. 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 Support

Health Support Based on the "Health First" Principle

Canon promotes proactive health management with the belief that initiatives based on the "health first" principle of its guiding principles are a driving force for generating positive results, helping employees reach their full potential.

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 (2019-2021)

Initiatives

- 1. Mental health-related measures
- 2. Measures to prevent lifestyle diseases
- 3. Ongoing awareness activities for all employees
- 4. COVID-19 response

Priority Targets

- Reduce the number of lost work days
- Reduce presenteeism
- Reduce the number of people in high risk situations
- Reduce the number of people with metabolic syndrome
- Establish the practice of taking cancer screening tests

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 participation rate for stress checks is 95.0%, and we have seen a proportionate decline in the number of highly stressed employees through the introduction of health consultations in addition to interviews with a physician for such individuals. Based on group analysis of these outcomes, we are carrying out organizational support

activities and training in collaboration with various divisions. Employees on overseas assignments are given the same stress checks and follow-up procedures as in Japan, and have their mental health cared for in coordination with local human resource managers.

Measures to Prevent Lifestyle Diseases

Based on analysis of employee data, we determine which health-related areas require attention and what measures should be a priority. For example, an analysis of 10 years of physical exam data revealed the effects of short sleep duration, smoking, and exercise habits on the onset of metabolic syndrome, leading us to make these priority areas. With sleep in particular, in addition to activities to raise awareness, we 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). All Group sites in Japan have been designated no smoking areas, and through ongoing measures such as seminars and online programs to encourage employees to quit smoking, the smoking rate has decreased by 17 points in the 16 years since the initiative began in 2004. For physical exams, Canon Inc. and Group companies in Japan have adopted unified follow-up standards to ensure that health issues do not worsen. We encourage employees at high risk for metabolic syndrome to undergo physical exams and give due consideration to job assignments, and, in cooperation with the health insurance union, offer specific health guidance by specialists to eligible employees. As a result, roughly 65% of employees who completed such guidance showed lifestyle improvements. As for cancer detection and prevention, we are focusing on using the cancer screening system of the Canon Health Insurance Union and on supporting the balance between treatment and work for employees living with cancer.

Ongoing Awareness Activities for All Employees

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. About 85% of employees avail themselves of this training.

In 2020, we focused on campaign activities connected with the response to COVID-19. In collaboration with the health insurance union, labor union, in-house stores,

staff cafeterias and other partners, we undertook projects related to nutrition planning under the theme of boosting the immune system. For the annual walking competition using ICT tools, we promoted in-home exercises. In addition, Canon Health Call, an initiative of the health insurance union, has a system in place that can handle a variety of consultations 24 hours a day for employees not only in Japan but worldwide.

Group companies outside Japan also conduct their own initiatives suited to the characteristics and needs of their region. Canon Vietnam provides its female staff with education on pregnancy and maternal health issues and offers health information through on-site bulletin boards. Canon Business Machines Philippines is working to raise awareness of dental health and the benefits of quitting smoking.

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. We have also been providing support for employees with underlying illnesses and those dealing with mental health issues, to enable them to continue to receive needed treatment and work safely. Furthermore, we are providing accurate information on a timely basis in Japan and overseas through various means, such as sending out regular bulletins and holding seminars featuring occupational physicians.

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, 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 prevent heat stroke to contract workers. We also take preventative measures in the workplace environment.

Human Resource Development and Personal Growth

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

Human Resource Development System

Canon has positioned building a more dynamic and merit-based HR management system as one of the key strategies in Phase VI of the Excellent Global Corporation Plan. Based on this strategy, we will strive to develop human resources in various fields such as management, research and development, and marketing.

Developing Globally Minded Personnel

With 353 operational sites worldwide as of the end of 2020, 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.

Enhancing Senior Leadership at Group Companies Outside Japan

Canon offers Global Leadership Training to senior management of Group companies outside Japan in order to share the company's management philosophy and develop leaders that can spur innovation in a global environment.

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 region are based on it. Combining these policies allows us to further 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 2020, a total of 928 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 local companies in Asia. Started in 1995, the program to date has deployed a total of 118 people. The program sends trainees to 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 127 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

Canon promotes the retention and development of engineering human resources in order to continually generate innovation as a manufacturer.

For example, Canon Inc. has training systems in place for each of its specializations, including machinery, electronics, optics, materials, and software, to support the development of next-generation human resources in

engineering. A committee for the development of engineering human resources has been set up for five core specializations. Each committee develops rank-based training programs, from new hires to junior engineers and all the way up to veteran leaders, as well as conducts courses and carries out other initiatives. We also offer training in specialized areas not represented by these committees, such as analytical technology. In 2020, a total of 197 programs were held in these specializations, with 5,337 engineers from Group companies in Japan taking part.

Furthermore, in 2018 Canon Inc. established the Canon Institute of Software Technology (CIST) to cultivate software engineers. The institute works to undertake systematic and continuous human resource development, from increasing the skills of the engineers in charge of developing software for our products to providing foundational training for new employees and those seeking to work in a new field. In other initiatives for developing software engineers, we sent five personnel to attend the National Institute of Informatics' top SE course for developing super architects, as well as sending four people to the Smart SE Course, a business education program in the AI, IoT, and big data technology field sponsored by Waseda University.

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 2020, 39 employees working at three overseas production bases took part in 11 training programs organized by the Monozukuri Advancement Center.

In order to promote training at overseas manufacturing sites, Canon also focuses on instructor-development training that seeks to develop instructors for technological and technical skills training as well as workplace management training. In 2020, five training sessions were held, with 15 employees participating.

A technical skills testing program, following the same standards as in Japan, has also been established at overseas sites. In 2020, testing was carried out for seven types of work skills, including injection molding, board mounting, and metal stamping, at a total of eight sites in Thailand, Vietnam, China, and Malaysia, with 494 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 enhances knowledge and skills required for carrying out the duties of each job grade, and fosters awareness of the actions and behaviors

defined by our 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.

For the development of management personnel, we operate the Canon Management School and the Canon Leadership Development Program (LEAD). The Canon Management School, aimed at division managers and general managers, is designed to develop top-class management leaders. Led by our Chairman & 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.

On average, Canon Inc. employees spent about 15 hours in training in 2020. Related training costs per employee amounted to ¥167,000 at Canon Inc., and about ¥83,500 at Canon Group companies in Japan and overseas sales companies.

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. In 2020, 189 employees were transferred through this system.

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 take up a position based on their skill level.

■ 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 by mobile devices, for instance on weekends or after work during the campaign period to promote work-life balance. In 2020, approximately 5,000 employees participated in these programs.

■ 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 2020, the division has provided support to 460 divisions and 16,000 employees, including Group companies worldwide.

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; the Environment Award for excellent environmental practices; and, the Procurement Innovation Award for activities that greatly contribute to enhancing procurement functions.

Canon Inc.'s Human Resource Development System

Position		Rank-based Training	Invitational Programs	Elective Training (incl. e-learning)	Self-Development Support
Group Executive			Canon Management School		
Senior General Manager/ Plant Manager	Principal Staff Engineer	LEAD III	Global Leadership Training Training for Group company presidents	Global skills training (language, preparation for overseas transfer, TOEIC, etc.)	
General Manager	Senior Staff Manager	LEAD II	Training for production managers	External training, lectures, etc.	
Manager	Staff Manager	LEAD I	Training for overseas managers	PC training (MS-Office, OS/HTML, security, etc.)	
Assistant Manager/ Foreman	Senior Engineer/ Associate Staff Manager	Training for newly appointed assistant managers and foremen Training for newly appointed G4-level employees	Production-related department training	Interpersonal skills and conceptual skills training	Interpersonal skills and conceptual skills training
General employee		Training for newly appointed G3-level employees	Training for global staff	Specialized technical training	PC training
		Training for newly appointed G2-level employees	Asia/Europe-US Trainee Program	Manufacturing training	Language training
		Training for newly appointed G1-level employees	Overseas Study Program for Technicians		Correspondence course
		Training for newly hired employees Training for mid-career hires			
Unofficial graduate hires		Training course for provisional hires			

Product Responsibility

Quality Management

We strive to improve quality across the entire product lifecycle in order to provide customers with satisfying products.

Approach to Quality

In 1964, Canon determined that its basic quality concept* is to ensure that customers have “no complaints, 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, we further set forth the Canon Quality motto, shared throughout the Group, which incorporates the keywords “Safety + Smartness + Satisfaction” — the elements we deem essential to the quality our products should offer. Guided by this framework, we are dedicated to providing products that our customers can take satisfaction in using safely, with peace of mind.

* “Based on our corporate philosophy and corporate purpose, we aim to ensure that customers have no complaints and no trouble, and to contribute to the development of the Company and the prosperity of society.” (Basic Quality Assurance Regulations, Article 2)

Quality Assurance System

To provide products of surpassing quality, Canon works to implement quality checks across the entire Group at every stage, from product planning to design and development, production, sales, and after-sales service. We are also developing a framework throughout the Group to continuously improve quality by sharing quality information and customer feedback obtained from the market with divisions in charge of product planning, design, and development. In addition, we have established a quality management system* that combines the requirements of ISO 9001, an international quality management standard, with Canon’s own work mechanisms.

Using our in-house quality management system as a base, the various Headquarters divisions at Canon Inc. work in cooperation with the Global Quality Management Center and Group companies worldwide to implement optimal QA systems for the characteristics of each business in compliance with the legal and regulatory standards of each country and region as well as to carry out rigorous quality control.

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 the product development and production stages, which are conducting activities

across the company. Sharing the best practices of each business division 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.

* 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.

Education and Raising Quality Awareness

In order to maintain outstanding quality and attain further quality improvements, each employee must always have a high level of awareness of and knowledge about quality.

To this end, we continually impress on employees the importance of quality, as well as pursuing a number of measures to enable employees to acquire the awareness and knowledge needed to maintain and improve quality.

To raise quality awareness, we continually communicate our basic concept and motto on quality and conduct annual Group-wide surveys to ascertain the degree of employees’ 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, and share such activities throughout the Group.

Canon actively provides education for employees through a Group-based tiered training curriculum in addition to customizing training programs for each division, taking into account specific situations and issues needing to be addressed, and conducting on-site training.

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 new staff product safety orientations. In 2020, nine training courses were held. In addition, we offer year-round e-learning courses, enabling Group employees to access three types of training on product safety regulations and chemical safety regulations at any time.

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

We have set strict standards for managing quality that go beyond legal and regulatory requirements to ensure customers can use our products with complete peace of mind.

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.

2020 Activities Scorecard for Canon Inc.

- Management review by the president based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Revised five in-house standards documents, including standards for product and chemical safety
- 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 updated e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product 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.

Based on these proprietary safety standards, we strictly ensure safety at each stage of the production process, from design to evaluation and manufacturing. We never release to market any products that do not meet these exacting standards; we ensure that all of our products are safe for use.

* This means safety not only in terms of what is required by laws and statutes, but 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 in regions around the world where Canon products are sold
- 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*¹/IEC*², 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*³, Canon is able to conduct in-house testing necessary for applying for Blue Angel*⁴ and other certifications.

- *1 International Organization for Standardization, a nongovernmental organization that formulates international industrial and commercial standards.
- *2 International Electrotechnical Commission, an international standardization group that formulates standards on electrical and digital technologies.
- *3 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.
- *4 Launched in Germany as the world's first environmental labeling (ecolabeling) system.

Safety Assessment 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.

We also measure volatile organic compounds (VOCs) for which exposure limits have been set both within Japan and internationally. We verify that emission levels meet our in-house standards, which match or even exceed those set worldwide.

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 and 28360 accreditation to conduct measurements in a fair and neutral manner.

Since 2017, large equipment that had been excluded from the UFP*¹-related standards for receiving the Blue Angel mark must meet those standards. Canon will continue to respond in a timely manner to other regulatory developments, such as the introduction of the stricter ECMA-328*² standard.

*1 Ultrafine particles, particles with a diameter of 0.1 micrometer or less.

*2 Ecma International is the organization that sets standards for the information and communications systems sector globally. 328 is a category that governs chemical emission rates from electronic equipment.

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 the latter, starting in August 2014, 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 Equipment 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 the chemicals used in its 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 the Three Rs* for animal testing. Furthermore, for certain components and materials used in medical equipment, 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.

Qualification System for Electric Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component, including semiconductors such as LSIs and various electric parts, to ensure products are safe and reliable. We have developed our own in-house quality certification system for electric parts. When selecting parts under this system, we evaluate reliability and structural soundness

in accordance with standards for each type of part, ultimately using only electric parts that meet these standards of quality. In the past few years there have been significant changes in the market environment, including mergers and dissolutions of electric component manufacturers and transfers of plant management. We maintain a reliable level of quality by thoroughly implementing quality certification systems with reinforced change management systems.

Moreover, to make structural evaluations at the selection stage and scan for defects, we utilize high-precision nondestructive evaluation technologies, such as X-ray CT scans and thermal analysis, as well as detailed processing, observation, and measurement.

Software Security and Response to Vulnerabilities

More and more Canon products, including multifunctional devices and cameras, are being connected to other products via networks, greatly increasing convenience. At the same time, however, cybersecurity risks, such as leaks of personal or confidential information from a network-connected device, have also increased.

In response to such risks, Canon installs security functions for network-compatible products during software development and conducts various types of vulnerability testing, as well as working to raise awareness about security, vulnerabilities, and risks and standardize company-wide approaches to testing methods.

Canon Inc. has implemented a secure development process (SDL) to facilitate accurate risk assessments about security risks in product development. We have also introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement prior to starting production, and are developing vulnerability verification processes.

In the unlikely event that a vulnerability is found after a product has been shipped, our first priority is always to minimize the impact on the customer. We will strive to grasp the situation and publish necessary information about any issues as quickly as possible. In addition, we are building a framework that allows us to constantly monitor market trends related to vulnerabilities, including the products of other companies, and to quickly share necessary information internally to prevent similar problems from occurring in our own products.

After-Sales Support

Online Support Services

In order to facilitate the resolution of issues, Canon provides customer-support services globally through its websites.

The websites contain support information, including FAQs, product specifications, and user manuals, and allow users to download the latest software and

drivers. Support information and software based on common content for worldwide use, as well as content relevant to the country or region provided by marketing subsidiaries, are made available on our company websites in their respective languages.

We continuously monitor customer usage and analyze access logs and survey information, channeling feedback to the divisions that created the relevant content. We regularly update the content based on frequently searched keywords, making it easier for customers to find what they are looking for.

In connection with the spread of mobile information devices in recent years, Canon is working to optimize content, making online services easier to use.

Enhancing After-Sales Service Worldwide

After-sales service is critical for customers to enjoy long-term use of Canon products. We are therefore expanding our after-sales service network on a global scale in order to offer the same level of prompt, reliable support in every market worldwide.

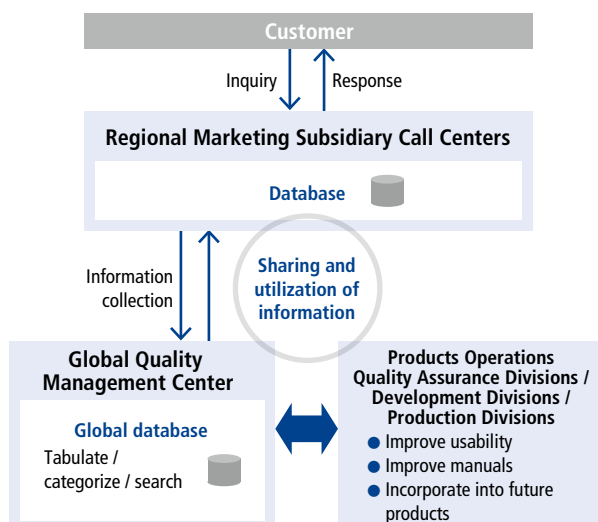
Utilizing Feedback from Market Data Analysis in Product Improvements

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 subsidiaries worldwide, and manage this vital data centrally.

Development divisions use this information to improve customer satisfaction and convenience by, for example, improving displays on product control

Call Information Collection and Analysis System



panels or simplifying methods for connecting to wireless LANs.

Moreover, information from customers is shared not only within development divisions but throughout the Group as well, such as with production divisions and marketing subsidiaries, and is used to improve operations at each site.

Responding to Product Quality Issues

Although Canon strives to prevent product quality issues, in the event that one does arise, it has in place a framework that ensures a prompt and appropriate response, including causal investigation, free repair, and information disclosure.

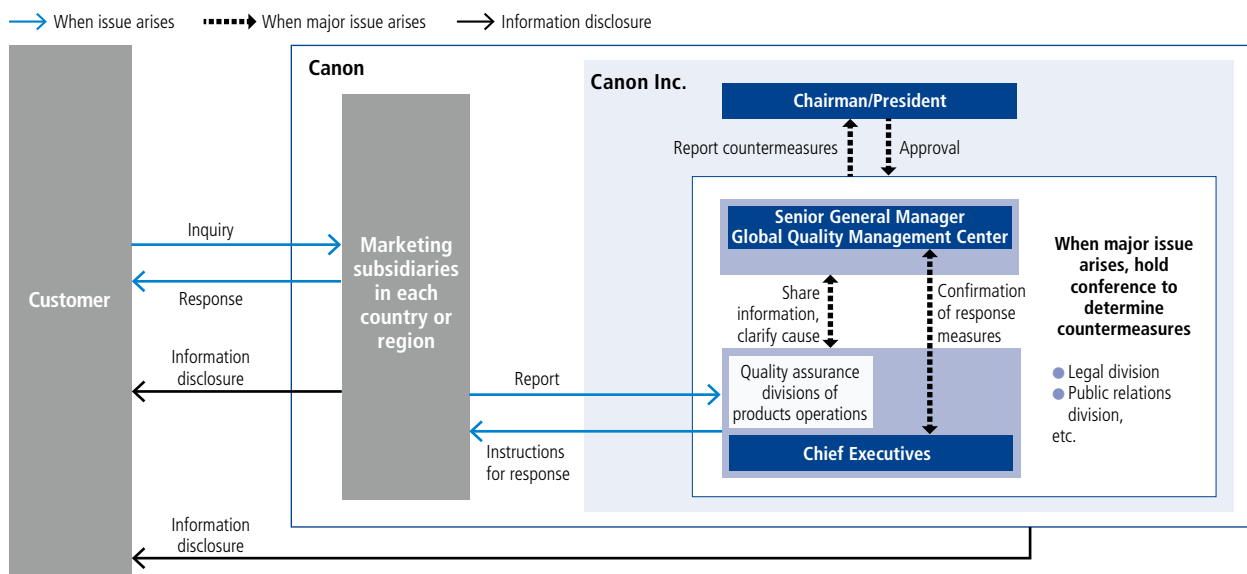
We keep our customers informed about product quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

In 2020, no product advisory statements were placed on our website.

Process for Responding to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as contact points for customers, file reports with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then investigates the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, the Global Quality Management Center, legal division, and public relations division are consulted concerning response measures, and the matter is reported to the chairman/president and acted upon promptly.

Flowchart of Countermeasures to Quality Issues



Improving Product Usability

We strive to develop products that different customers can use easily and with confidence.

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, in response to the “new normal” of the post-COVID-19 era, we are working to create safer testing environments, implementing measures to prevent infection such as a mechanism to broadcast testing scenarios to participants 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 distributed a booklet to all development divisions that addresses the physical characteristics of users and various other issues that arise during product use, and also carried out e-learning 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. Meanwhile, in Europe, the European Accessibility Act, an EU Directive, was promulgated in 2019. Moreover, European Standard EN 301 549, which is consistent with Section 508 standards, is beginning to be adopted for government procurement not only in Europe, but 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.

Social Contribution

Social Contribution Activities

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

Young People Programme Harnesses the Power of Positive Visual Storytelling

As part of helping to realize a sustainable society, Canon Europe is developing the Young People Programme (YPP), which aims to nurture the creative potential of youth, as a regional initiative across Europe, the Middle East and Africa. Based on the foundation of the UN SDGs, and working with local NPO partners, YPP aims to give disadvantaged young people education and opportunities for creative expression through photographic and visual media. YPP has supported more than 4,750 young people since its launch in 2015. In 2020, with many schools forced to close due to the COVID-19 pandemic, YPP ran workshops both online and in-person in many countries, including UK, Spain, Poland and South Africa.

As part of YPP, Canon South Africa provides equipment and training support to Wild Shots Outreach, a non-profit organization that aims to stimulate awareness about nature conservancy, educating young people about wild animals through photography. To date, more than 600 young people have participated in the project, in the process learning about the value of their natural heritage, enabling them to find work in conservation and drive positive change in disadvantaged rural communities.



Students participating in the Young People Programme

Supporting young people working on SDGs activities

Canon Europe is supporting the “Canon Young Champion of the Year Award” inspired by the YPP. This award was established as a category in the British Sustainability “Global Good Awards.” It recognizes and encourages young people from around the world who are working on social and environmental issues related to the SDGs. In the selection process, four judges, including Canon employees, evaluate documents, photographs and videos that summarize the main points of the activities and their relationship with the SDGs.



Participants in Eco action

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 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 and print industries. Workshops in photography, film-making and professional printing have been conducted in Kenya, Ghana, Nigeria, Ethiopia, Uganda, Cameroon, Ivory Coast, and other countries.

Through partnerships with local organizations, educational institutions and event organizers, and with the assistance of Canon Ambassadors, the *Miraisha* Programme has so far provided training to more than 5,850 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the *Miraisha* Programme. As of the end of 2020, a total of 26 people had been accredited as Canon Certified *Miraisha* trainers, with two of these recruited as Canon Group employees.



Miraisha workshop held in Embu County, Kenya

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 office.

One element of our business development strategy involves focusing on the field of eye care. Using the technology from our medical business as part of strengthening and expanding these operations, we are dedicated to improving eye care to assist people with vision impairment. 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 1,578 people visited these centers in 2020, with 270 receiving free eyeglasses, and 80 patients being referred for treatment in hospital.

In the field of education, amid the spread of the COVID-19 pandemic, we provided support for online learning to help prevent negative impacts on children's education, and supported individual classes on how to prevent the spread of infection.



Eye testing at a vision center in India

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. Every year, as part of its support program, Canon Dalian Business Machines holds events to help broaden the knowledge of students attending these schools, including environmental conservation classes and tours of cultural facilities in Dalian. In 2020, school necessities worth a total of around ¥1.11 million were donated to four schools.

The Canon Group in Vietnam is involved in building classrooms and donating items such as desks, chairs and books. The support program targets schools in regions with lagging infrastructure development. Employees regularly visit recipient schools to assist in the renovation of toilets, hand washing stations and other facilities, and to present donations of school supplies and other materials. Canon also cooperates with local universities in efforts to improve Vietnam's technology infrastructure, such as by organizing technology competitions in which students create mechanical devices based on a given theme.

Meanwhile, the Canon Group in Thailand has continued with its program of voluntary activities at elementary schools. The program aims to build the skills of students while also helping them to cultivate a mindset for future economic independence. In 2020, more than 50 employees visited elementary schools to organize a wide range of activities, including classes in farming, cooking, and how to make soap or hand sanitizer at home. Responding to the COVID-19 pandemic, the Group donated two wash stations to schools.

Elsewhere, Canon employees can make donations under a matching gift program. For example, since 1997 Canon Inc. has organized a 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 will be donated to organizations supporting education and medical services in Asian countries, including Thailand, Laos, and Cambodia.



Donation of school necessities to Canon Hope Elementary School

Supporting Disaster Recovery Efforts

Fukushima Canon has concluded an agreement with Fukushima Prefecture to participate in restoring the protective barrier of trees along the coast in the Kashima district of Minamisoma City (Fukushima Prefecture), which suffered damage in the Great East Japan Earthquake. In 2020, Fukushima Canon employees carried out weeding activities in the area where 2,000 black pine tree seedlings were planted in 2018 and 2019. It is hoped this activity will serve to remind future generations of the day the area was hit by a tsunami of unimaginable proportions, and at the same time encourage the community to value and maintain the protective tree barrier as a symbol of recovery.

Light & Color Laboratory Educational Program

Canon Inc. hosts a children's educational program, Light & Color Laboratory, in partnership with the Japan Science Foundation. The program aims to spark children's interest in science and technology by providing a place where they can enjoy learning. It explains the science behind the optics and color technologies in Canon products using an entertaining show format featuring various experiments. Although the program was only able to run from January to February in 2020, a total of 1,153 children participated.

Preserving Japanese Cultural Assets for the Future Through the Tsuzuri Project

Canon and Kyoto Culture Association (NPO) launched the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in 2007.

The initiative seeks to make facsimiles of highly valuable Japanese cultural assets such as folding screens

and *fusuma* (Japanese sliding doors) by first photographing them with a digital camera, then processing the image with precise color-correction technology using a proprietary system, and printing the image on a large-format inkjet printer. Finally, traditional craft techniques from Kyoto, such as applying gold leaf and mounting, are used to make the facsimile as close to the original cultural asset as possible. These facsimiles are donated to former owners or temples, museums, and local governments having some connection to the cultural assets. Through the combination of conserving important Japanese cultural assets and using high-resolution facsimiles, the project contributes to preserving and communicating Japanese culture.

In 2020, the project created five high-resolution facsimiles of famous works and donated them to the National Institutes for Cultural Heritage. The four works from the Tokyo National Museum were *Pine Trees* by Hasegawa Tohaku (National Treasure), *Cooling Off* by Kusumi Morikage (National Treasure), *Kabuki Theater* by Hishikawa Moronobu (Important Cultural Property), and *Autumn Grasses* by Tawaraya Sōsetsu (Important Cultural Property). The fifth facsimile, from the Kyushu National Museum, was *Namban Ships and Chinese Junks* by Kano Takanobu. In creating a high-resolution facsimile of *Pine Trees*, we upgraded the system using the latest Canon equipment to produce high-resolution images containing around 5.4 billion pixels of data while minimizing the burden on cultural assets. The result is a high-resolution facsimile even more faithful to the original.

Furthermore, a joint research project with the National Center for the Promotion of Cultural Properties (CPCP) was launched in 2018 to take advantage of high-resolution facsimiles to gain a wider audience for Japan's cultural assets. The project has yielded five works of art, including *Wind God and Thunder God/Flowering Plants of Summer and Autumn Grasses* by Ogata Korin/Sakai Hoitsu (Important Cultural Property). Along with the donated works by the Tsuzuri Project, these facsimiles are being made widely available to museums around Japan so



Exhibit at the Tokyo National Museum using a high-resolution facsimile of *Pine Trees* (National Treasure)

young and old alike can enjoy them. This included an exhibition at the Tokyo National Museum entitled "TNM and Art Tunes! Present: Becoming Japanese Art – Round Two!"

Reference: The Tsuzuri Project
<https://global.canon/en/tsuzuri/>
 Cultural Heritage Inheritance Project "The Tsuzuri Project" has been certified as a "Tokyo 2020 Official Programme (Cultural Olympiad)" by the Tokyo 2020 Organising Committee.

Sharing CSR Information Through Instagram

Canon Group companies around the world are using the massively popular photo-sharing social media platform Instagram to send out information on their CSR activities. The official Canon CSR account publishes photo-messages created by Group companies to convey the vibrant local atmosphere and show the expressions of participants. The goal is to help stakeholders get a better feel for and understanding of Canon's CSR activities. We also strive to show the connection between the various activities and the SDGs and express how they contribute to solving social issues in a way that is easy to understand.



Canon's official CSR activities Instagram account @canon_csr

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.

Over the past 12 years, the Canon Foundation has disbursed a total of 177 research grants totaling ¥3.2 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 ¥18 million—a relatively high amount mainly for fledgling research projects and young researchers just starting out.

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 since 2019 has supported two research programs, focusing on the themes of "Science and Technology that Achieve a Good Future" and "Science and Technology that Create New Industries".

Reference: Canon Foundation website
<https://www.canon-foundation.jp/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.

In this age of globalization, CIGS analyzes current conditions and positively proposes strategies from the perspective of Japan's position within the global economy as well as what roles and responsibilities Japan should take for global economic development. The institute brings together researchers with diverse backgrounds in business, academia, and government to exchange ideas and information and to expand its global activities. The institute disseminates information and policy proposals based on scientifically valuable research. CIGS research seminars and other events were conducted online in 2020 even amid the COVID-19 pandemic.

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

New Research Seminars Held in 2020

Seminar title
Adapting to a Super-Aged Society
COVID-Induced Balance Sheet Issues
Impact of COVID Pandemic on Management of Health Systems and Medical Institutions
Energy Case Studies
Renewable Energy and the Law
The Challenge of Global Warming
Next-Generation Nuclear Power
Digital Transformation and Public Utilities
The National-Provincial Relationship
Empathy Robot (ER) Workshop

Supply Chain Management

Supply Chain and the Fulfillment of its Social Responsibility

Canon's Supply Chain

In recent years, the environment, human rights and labor issues have been topics of increasing attention, giving rise to questions from various stakeholders about Canon's social responsibility initiatives throughout its supply chain. Manufacturers are expected to exercise social responsibility especially in the areas of raw material procurement and product manufacture.

Many manufacturers have outsourced assembly operations or other production processes to outside contractors; however, Canon places great importance on manufacturing, and besides product assembly, Canon manufactures certain components, parts and materials in house, at Canon Inc. production facilities or at Group manufacturing companies (collectively, "Canon production sites"). Manufacturing subsidiaries and affiliates within the Canon Group are spread across Japan, China, Taiwan, Malaysia, Thailand, the Philippines, Vietnam, the United States and Europe. They supply Canon products to Canon Inc. as well as Group marketing subsidiaries and affiliates. As the head of the Canon Group, Canon Inc. supervises Group manufacturing companies that directly employ large numbers of people.

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

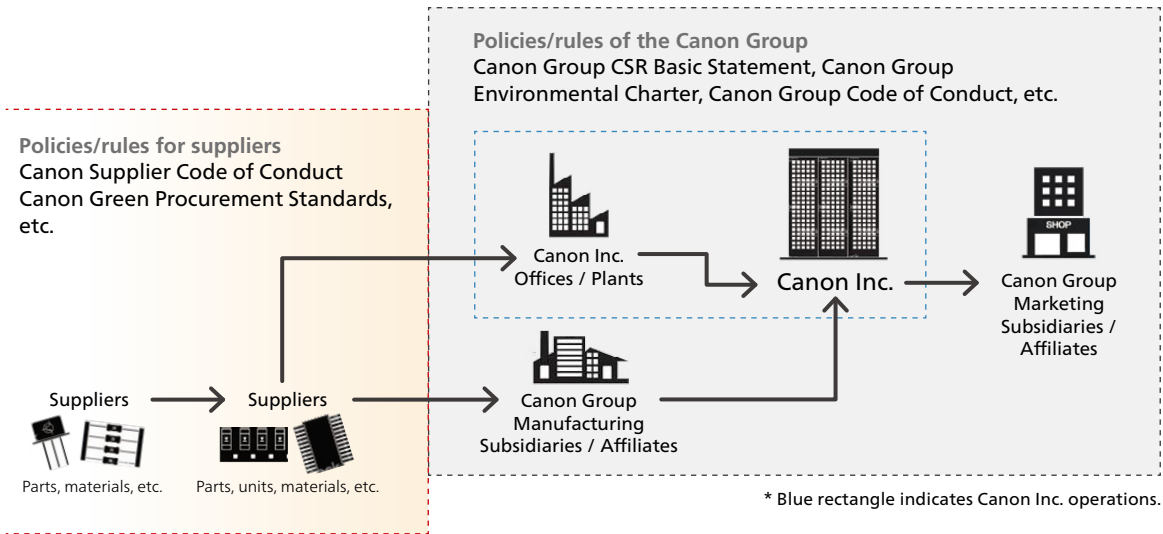
Supply Chain-related Policies

All Canon production sites are required to adhere to various Canon Group policies covering matters such as human rights, labor, the environment, legal compliance, procurement and security. These policies include the Canon Group Code of Conduct, the Canon Group CSR Basic Statement and the Canon Group Environmental Charter. In addition, in December 2019, Canon joined the Responsible Business Alliance (RBA), a coalition of companies that promotes socially responsible global supply chains and works to ensure compliance with the RBA Code of Conduct.

In alignment with the UN Guiding Principles on Business and Human Rights, the provisions in the RBA Code of Conduct are derived from and respect internationally recognized standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. The Code is currently available in 27 languages, including English, Chinese, Japanese, Thai, Vietnamese and Malay.

Canon established the Procurement Policy as its basic stance toward procurement, and seeks the understanding and cooperation of our suppliers. Moreover, we have formulated the Canon Supplier Code of Conduct, which is based on the RBA Code of Conduct, as the basis for ensuring socially responsible procurement activities. We are working with suppliers to develop a socially responsible global Canon supply chain on issues such as labor, occupational health and safety, the environment, business ethics and management systems. We also request our second-

Canon's Supply Chain



tier suppliers for the understanding and implementing 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.

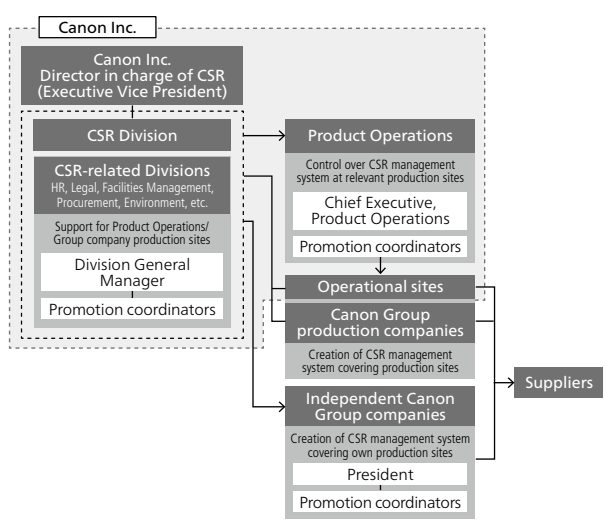
Reference: Canon Group CSR Basic Statement
<https://global.canon/en/csr/policy/pdf/statement-e.pdf>
 Reference: Procurement Policy
<https://global.canon/en/procurement/policy.html>
 Reference: Canon Supplier Code of Conduct
<https://global.canon/en/procurement/pdf/coc-e.pdf>

Supply Chain Initiatives

■ Canon Group initiatives

As the headquarters of the Canon Group, the headquarters divisions, product operations and auditing divisions at Canon Inc. verify the situation at Group companies around the world from the standpoints of internal controls and risk management. In addition, Canon production sites conduct self-assessments on CSR (labor, health and safety, environment, ethics, management systems, etc.) using the RBA Self-Assessment Questionnaire (SAQ). In 2020, we conducted SAQ at 37 production sites in our main business, and there were no major CSR risks. However, we recognized issues to be improved such as development of policies, which is required by the RBA, documentation of management procedures, requests to labor agencies and service providers for compliance with the RBA Code of Conduct and monitoring of their compliance. We also conducted independent third-party audits at two Group companies in Asia, and found no major issues.

Organizational Structure for Promoting CSR within Supply Chain



■ Initiatives with Suppliers

Before starting a business with a new supplier, Canon conducts an assessment based on the Canon Supplier Code of Conduct and other reference standards, 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).

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.

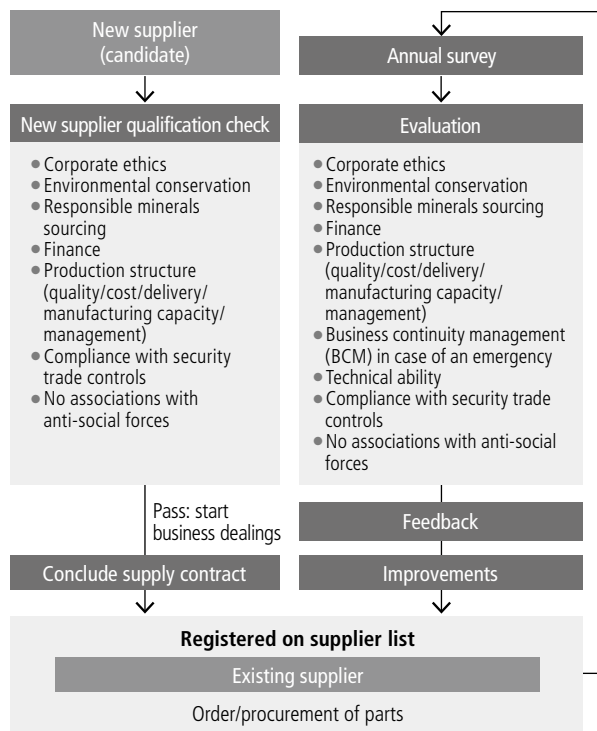
Requirements of the Canon Green Procurement Standards

	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 <ul style="list-style-type: none"> - Compliance with environment-related laws and regulations - Compliance with other applicable legal requirements - No use of prohibited substances - Reduction in the use of substances targeted for reduced levels of use - Preventative measures against soil and groundwater pollution
Parts & materials	C: Management of chemical substances in products Construction and operation of system for management of chemical substances in products	D: Performance of parts and materials <ul style="list-style-type: none"> - 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)

Only those suppliers who meet these criteria will be registered in the Supplier List. Canon conducts an annual survey on these suppliers to comprehensively evaluate them based on the results of the survey and the transaction performance. The results are then reflected in the supplier list, enabling us to preferentially

Supplier Evaluation System

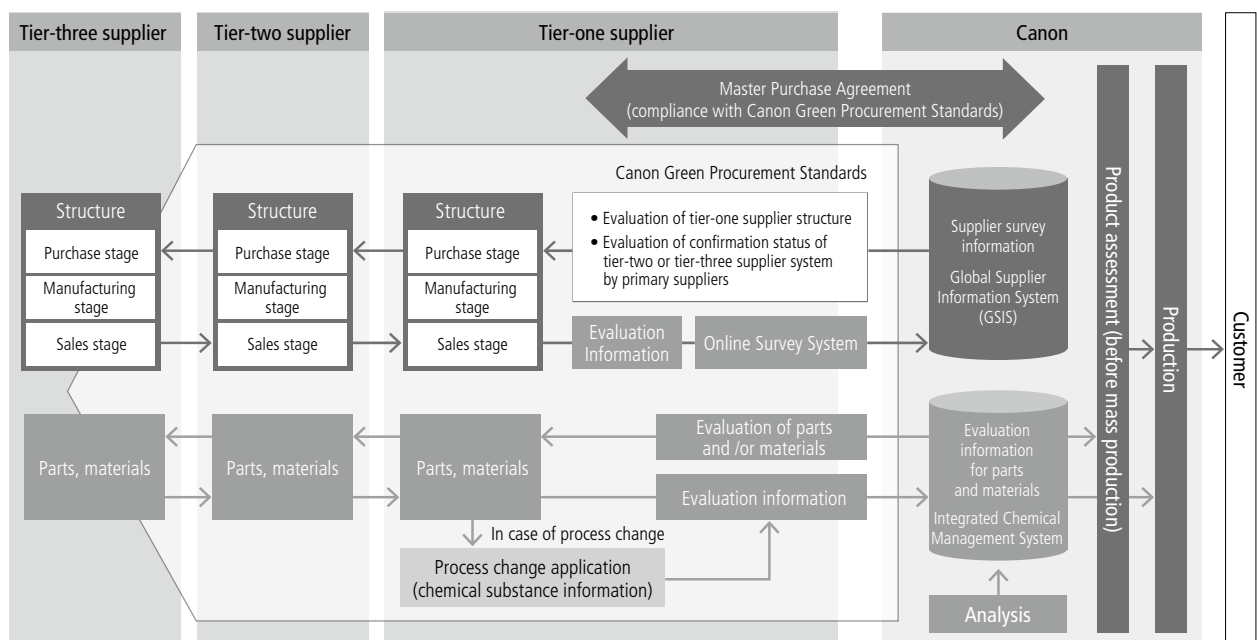


deal with suppliers with high evaluations. We also conduct on-site audits of suppliers with low evaluations, and provide guidance and education for improvement. In particular, Canon may choose to terminate business with suppliers if they are not complying with laws and social agreements covering areas such as human rights, labor, and the environment.

With the aim of improving CSR in the supply chain, Canon requests suppliers of our main business (“major suppliers”) to sign a letter of agreement of the RBA Code of Conduct. In 2020, we sent out requests to 271 major suppliers and received agreements from 257 firms (a 95% response rate). At the same time, we are working to identify CSR risks using the RBA Self-Assessment Questionnaire (SAQ). In 2020, we conducted a survey of 271 major suppliers using the SAQ and received responses from 249 suppliers (392 sites). No ‘High Risk’ businesses were identified among these suppliers, however, we are planning to provide relevant guidance to those suppliers who need improvement in future. In 2020, we provided feedback on the results of labor, health and safety, the environment and ethics to our major suppliers and requested them to recognize their weaknesses and use them for future improvement.

It was already Canon practice to check suppliers regarding the organization and environmental performance of their business activities and any corrective measures taken. Now, it has further strengthened its risk management to help prevent pollution in its supply chain. For example, in order to ensure compliance with strengthened regulation of operating sites, 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

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.



Meeting with IPE personnel

Canon Recognized as "Five-Star Green Supply Chain" Company in China

The Canon Group has been certified as a "Five-Star Green Supply Chain" company by the China Environmental United Certification Center* (CEC), an influential body that assesses companies' activities based on the Ministry of Environmental Protection of the People's Republic of China (currently the Ministry of Ecology and Environment of the People's Republic of China)'s policy of "promoting green supply chain management through green procurement and production." In addition to practicing green procurement, the CEC recognizes our efforts to build trust with suppliers as part of establishing a green supply chain satisfying the highest compliance standards.



Five-star Certificate of Green Supply Chain Assessment

* The China Environmental United Certification Center is the only organization approved by China's Ministry of Ecology and Environment as its representative to certify product ecolabels. The Center is also China's first third-party organization to perform green supply chain rating certifications.

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

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 that pollution is prevented in advance.

CSR-related Risks Hotline

Canon has set up a hotline to allow anyone inside or outside the company to freely contact Canon regarding CSR concerns. 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 described and publicized through the Canon Supplier Code of Conduct as part of our measures to further strengthen supply chain management.

Reference: Inquiries about CSR Activities
<https://global.canon/en/contact/csr/csr-form-e.html>

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.

Canon holds 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. Procurement Policy Explanation Seminars are also held to communicate directly to major suppliers while reporting on related activities, including a presentation by the Group Executive in charge of Procurement Headquarters at Canon Inc. on efforts to strengthen links with suppliers.

Through such communication, we aim to share information with suppliers, strengthen collaboration, and grow together.

* This is Canon's basic product development policy. "E" stands for environment: Companies are not qualified to manufacture goods if they are incapable of environmental assurance. "Q" stands for quality: Companies are not qualified to market goods if they are incapable of providing quality products. "C" and "D" stand for cost and delivery: Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

Fair and Transparent Dealings

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, the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement 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 when it comes to 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 companywide consistency and uniformity, sections charged with internal Group controls have been set up within procurement divisions 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 operates the Suppliers Proposal Site within its main company website with the purpose of collecting information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

We will continue to give careful consideration to all future proposals based on established rules.

Reference: Suppliers Proposal Site (in website section on materials procurement)
<https://global.canon/en/contact/suppliers/suppliers-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 cited to contain elements of armed group involvement, serious human rights violations or environmental

destruction. Corporations are therefore being called upon to exercise part of their social responsibility by ascertaining such 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 and reporting system, Canon identifies any products that could contain any of four minerals and surveys its suppliers to trace the origin of the minerals back to its upstream supply chain regarding the parts and materials of the identified products. Then, Canon exercises due diligence to identify any risk of funding armed groups relating to minerals and, human rights and environmental risks in conflict and high-risk areas around the world. The surveys utilize the Conflict Minerals Reporting Template (CMRT) Revision 6.01 published by the Responsible Minerals Initiative (RMI*), which has been updated to allow assessment of the abovementioned risk. 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)

The Democratic Republic of the Congo (DRC) and adjoining countries in Africa are some of the most notable conflict-affected and high-risk areas due to the production in this region of minerals such as tantalum, tin, gold, and tungsten. Trade in some of these minerals has been cited as funding armed groups in the DRC region that are alleged by the UN and other authorities as being responsible for serious human-rights violations, environmental destruction, and illegal mining. This is generally referred to as the "conflict minerals issue."

In response, the United States enacted legislation, which took effect from January 2013, requiring listed companies to confirm if minerals contained in the products could fund these armed groups in their supply chains, and to provide related public disclosures.

As a listed company in the United States, Canon is required to submit a Conflict Minerals Report annually 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 2020, Canon sent CMRT-based surveys to roughly 3,100 suppliers with a response rate of about 94% (as of April 9, 2021).

Within the scope of the responses, there was nothing to clearly suggest that the Group's purchasing of parts and materials contributed to funding of armed groups in the DRC region. However, recognizing the innate difficulties involved in identifying smelters being

utilized, or lack of clarity in many responses due to its complicated supply chain, Canon is working for further identification of risk and improvement. Smelters identified in the survey are disclosed through a Conflict Minerals Report submitted to the U.S. Securities and Exchange Commission (SEC) annually.

Reference: Conflict Minerals Report (SEC filing)
https://global.canon/en/ir/library/form_sd.html

Independent Assurance Report

Canon undergoes audits by independent private sector experts to gain independent assurance on whether the Group's initiatives on mineral survey 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 UK 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. Annual statements are published by Europe-based 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 Systems (CMSC) and Axis Communications in compliance with this legislation.

Reference: Canon Europe Ltd., Canon Europa N.V., and Canon (UK) Ltd. Modern Slavery Act Statement
<https://canon.a.bigcontent.io/v1/static/modern-slavery-statement-2019.pdf>
 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/files/manuals/gd_axis_modern_slavery_act_en_2103_lo.pdf

Directors, Audit & Supervisory Board Members, and Executive Officers

Board of Directors (As of May 1, 2021)

Directors *Outside



Chairman & CEO
Fujio Mitarai

Apr. 1961: Entered the Company
 Mar. 1981: Director
 Mar. 1985: Managing Director
 Mar. 1989: Senior Managing Director
 Mar. 1993: Executive Vice President
 Sep. 1995: President
 Mar. 2006: Chairman, President & CEO
 May 2006: Chairman & CEO (*daihyō torishimariyaku kaichō*)
 Mar. 2012: Chairman & CEO (*daihyō torishimariyaku kaichō ken shachō*)
 Mar. 2016: Chairman & CEO (*daihyō torishimariyaku kaichō*) (present)
 [Important concurrent posts]
 • Audit & Supervisory Board Member of The Yomiuri Shimbun Holdings



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

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



Executive Vice President & CTO
Toshio Homma
 Head of Printing Group

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



Director*
Kunitaro Saida

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



Director*
Yusuke Kawamura

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

Audit & Supervisory Board Members *Outside

Audit & Supervisory Board Members



Ryuichi Ebinuma

Apr. 1983: Entered the Company
 Jul. 2002: Senior General Manager of Research Laboratory of Printing Technologies, Core Technology Development Headquarters
 Jan. 2009: Group Executive of Core Technology Development Group, Corporate R&D
 Apr. 2011: Executive Officer
 Jan. 2013: Deputy Group Executive of Corporate R&D
 Apr. 2016: Managing Executive Officer
 Apr. 2018: Group Executive, Corporate Planning Headquarters
 Mar. 2020: Audit & Supervisory Board Member (present)



Hiroaki Sato

Apr. 1982: Entered the Company
 Feb. 2004: Senior General Manager of MR Systems Laboratory
 Jul. 2014: Deputy Group Executive of Advanced Information & Real-world Technology Development Group, Digital System Technology Development Headquarters
 Jul. 2015: Deputy Group Executive of Digital System Technology Development Headquarters
 Apr. 2018: Principal Staff Engineer of Digital Business Platform Development Headquarters
 Mar. 2019: Audit & Supervisory Board Member (present)

Audit & Supervisory Board Members*



Yutaka Tanaka

Apr. 1975: Assistant Judge of the Tokyo District Court
 Apr. 1986: Judge of the Tokyo District Court
 Apr. 1987: Instructor of the Legal Training & Research Institute, the Supreme Court of Japan
 Apr. 1992: Judicial Research Official, the Supreme Court of Japan
 Apr. 1996: Resignation as a Judge Registered as an attorney (present)
 Oct. 2014: Guest Professor of Keio University Law School
 Mar. 2019: Audit & Supervisory Board Member (present)
 [Important concurrent posts]
 • Attorney
 • Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan



Hiroshi Yoshida

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



Koichi Kashimoto

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

Executive Officers

Executive Vice Presidents

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

Senior Managing Executive Officers

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

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

Kenichi Nagasawa
 Group Executive, Corporate Intellectual
 Property and Legal Headquarters

Eiji Osanai
 Group Executive,
 Production Engineering Headquarters

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

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

Takayuki Miyamoto
 Group Executive, Frontier Business
 Promotion Headquarters
 Chief, Canon EXPO Project

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

Managing Executive Officers

Masanori Yamada
 Head of Imaging Group
 Chief, Olympic and Paralympic Project
 Chief, Imaging Holistic Strategy Project
 Chief, IR/MICE Business Project

Aitake Wakiya
 Executive Vice President & CFO,
 Canon Europe Ltd.

Shunsuke Inoue
 Group Executive,
 R&D Headquarters

Katsumi Iijima
 Group Executive, Digital Business
 Platform Development Headquarters

Soichi Hiramatsu
 Group Executive,
 Procurement Headquarters

Takashi Takeya
 Senior General Manager,
 Global Logistics Management Center

Go Tokura
 Deputy Head of Imaging Group

Hisahiro Minokawa
 Group Executive, Human Resources
 Management & Organization
 Headquarters

Ritsuo Mashiko
 President, Oita Canon Inc.
 President, Miyazaki Canon Inc.

Minoru Asada
 President & CEO,
 Canon Production Printing Holding B.V.

Kazuhiko Nagashima
 Deputy Group Executive,
 Finance & Accounting Headquarters

Yoichi Iwabuchi
 Group Executive,
 Information & Communication Systems
 Headquarters

Toshihiko Kusumoto
 Deputy Chief Executive,
 Digital Printing Business Operations
 Headquarters

Executive Officers

Nobuyuki Tainaka
 Senior General Manager,
 Global Legal Administration Center

Takanobu Nakamasu
 Executive Vice President,
 Canon Europe Ltd.

Akiko Tanaka
 Deputy Group Executive,
 R&D Headquarters

Noriko Gunji
 Group Executive,
 Sustainability Headquarters

Hideki Sanatake
 Deputy Group Executive,
 Corporate Intellectual Property and
 Legal Headquarters

Tamaki Hashimoto
 Unit Executive, Solution & Recurring
 Product Business Unit

Hidetoshi Kohtani
 Unit Executive, Image Solutions
 Business Unit 1

Katsuhiko Shinjo
 Deputy Group Executive, R&D
 Headquarters

Katsuyoshi Soma
 President,
 Fukushima Canon Inc.

Masaki Omori
 President, Canon Machinery Inc.

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

Toshiyuki Matsuda
 Unit Executive, Peripherals Marketing
 Unit

Takeshi Ichikawa
 Group Executive, Device Technology
 Development Headquarters

Hiroto Okawara
 Unit Executive, Image Solutions
 Business Unit 2
 Chief, Smart Mobility Business
 Promotion Project

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

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

Masahide Kinoshita
 Chief Executive, Peripheral Products
 Operations

Shunji Sawa
 Plant Manager, Toride Plant

Corporate Governance

Fundamental Policy

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

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

Governance Structure

Fundamental Policy

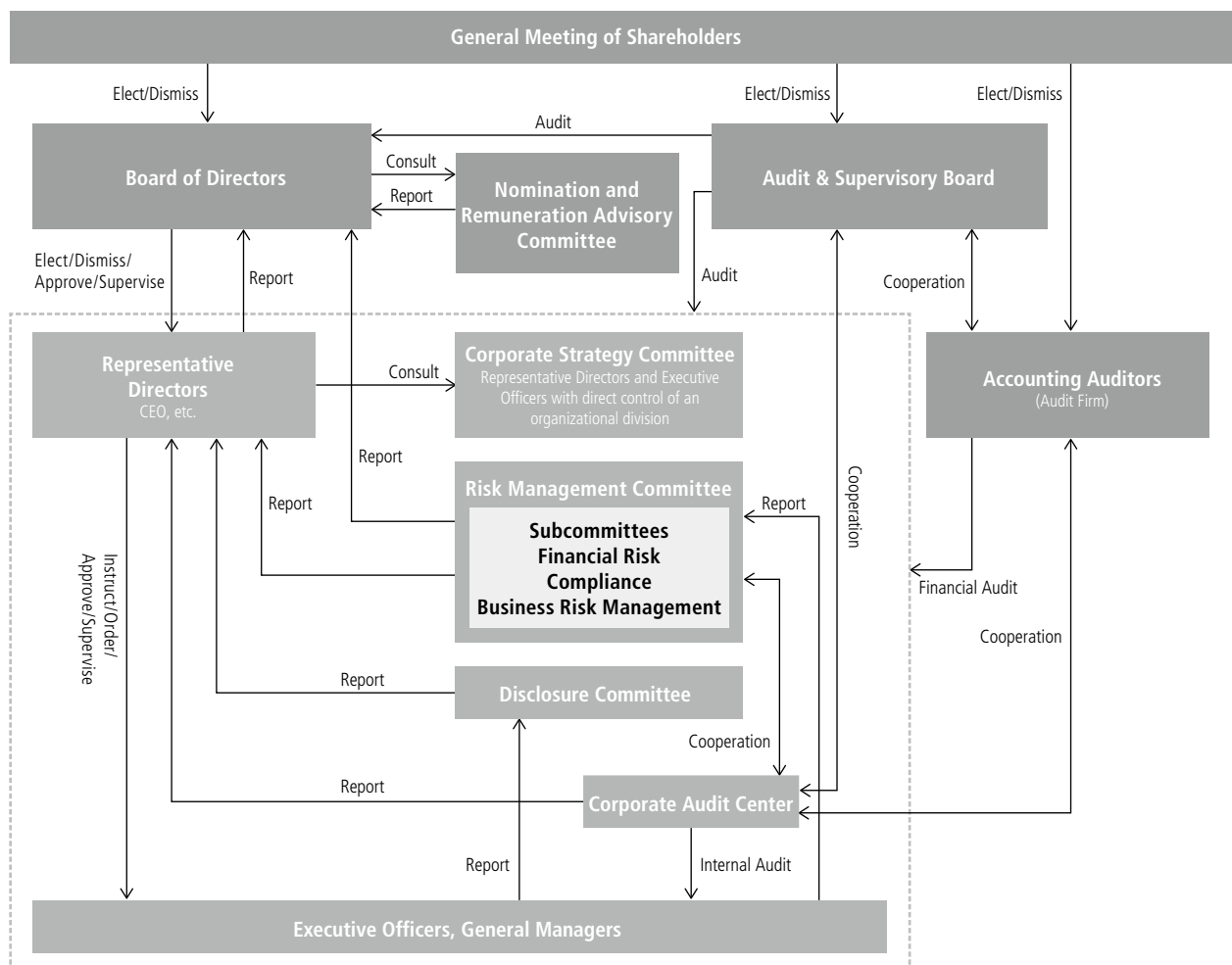
Canon is globally expanding its businesses in various business fields, including office equipment, consumer products, medical equipment, and industrial equipment, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the entire Canon Group or on 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 Company judges the corporate governance structure below to be effective.

History of the Governance Structure

2008	<ul style="list-style-type: none"> Introduced the Executive Officer system
2009	<ul style="list-style-type: none"> Appointed non-Japanese Executive Officer
2010	<ul style="list-style-type: none"> Reduced the number of Directors (from 25 to 17)
2014	<ul style="list-style-type: none"> Appointed Outside Directors (two)
2015	<ul style="list-style-type: none"> Appointed female Executive Officer Conducted an effectiveness evaluation of the Board of Directors
2016	<ul style="list-style-type: none"> 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



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, in order to secure sound management, an adequate number of at least two or more Independent Outside Directors are appointed. 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 the Company 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 Outside Audit & Supervisory Board Members, designated as Independent Directors and 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 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, and it has a dedicated staff. The Audit & Supervisory Board Members can order headquarter 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 the company's internal auditing arm, and such cooperation services to improve each monitoring function.

Corporate Strategy Committee, Risk Management Committee, and Disclosure 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.

Based on a resolution passed by the Board of Directors, Canon 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.

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

The Corporate Audit Center, the company's internal auditing arm, as an independent and specialized organization and in accordance with internal audit rules, conducts audits and evaluations and provides guidance on such matters as compliance with laws and the internal control system. Furthermore, audits of particular themes such as quality and the environment are conducted by the Corporate Audit Center in cooperation with each division in charge. Additionally, based on top management policy, for all work processes, audits must be conducted from specialized viewpoints and there are plans to increase the number of members from the current 60 to strengthen auditing functions.

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, age etc.

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.

The Company 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.

- 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 2020, at the Board of Directors meeting held in February 2021, 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 from last year, this also includes creating opportunities for Outside Directors and Audit & Supervisory Board members to receive individual explanations from each business group about their business strategy. 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.

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 spend 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.)

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 the Company'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.

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

Canon Inc. established 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’s website. All of Canon’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 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
<https://global.canon/en/ir/strategies/governance.html>

Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for Appointing
Outside Directors	Kunitaro Saida	Kunitaro Saida was elected as an Outside Director so that Canon Inc.’s management may utilize his high-level expertise and wealth of experience gained from his distinguished career as Superintending Prosecutor of High Public Prosecutors Offices (in Takamatsu, Hiroshima and Osaka) and later as an attorney in corporate legal affairs, as well as serving as an Outside Director and an Outside Audit & Supervisory Board Member for other companies.
	Yusuke Kawamura	Yusuke Kawamura was elected as an Outside Director so that Canon Inc.’s management may utilize his knowledge and experience gained from his wealth of experience as an Outside Director, and also due to his capacity as an expert with respect to financial and securities systems as well as strategy for managing financial institutions, given that he worked at a securities company and subsequently served in positions that include university professor, a commissioner of councils of Japan’s Ministry of Finance and Financial Services Agency, and as an Executive Counselor of the Japan Securities Dealers Association.
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 a major life insurance company, 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.

Cooperation between Audit & Supervisory Board Members and Internal Auditing

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the Corporate Audit Center 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

The Audit & Supervisory Board Members and the Audit & Supervisory Board, before the start of an audit, receive from the accounting auditors an outline of their audit plan and report about important auditing items on which the Audit & Supervisory Board Members and the Audit & Supervisory Board provide confirmation with respect to validity. The Audit & Supervisory Board Members and the Audit & Supervisory

Board receive reports on the results of the internal control system audit, the accounting audits, and the quarterly reviews from the Accounting Auditors and also conduct timely exchanges of opinion with the accounting auditors on such subjects as the results of audits and reviews, the accounting auditors’ understanding of the company’s internal control systems, including how they are being implemented and maintained, and risk evaluations. Furthermore, in addition to observing the Accounting Auditors’ fieldwork and its wrap-up meeting as necessary, the Audit & Supervisory Board Members and the Audit & Supervisory Board work to grasp the situation of audits, holding meetings with Accounting Auditors in charge of auditing group companies in and outside Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board also confirm the validity of the quality management systems of audits, receiving detailed explanations about this from Accounting Auditors. As for external audits, with the aim of monitoring the independence of accounting firms, Canon introduced an Audit & Supervisory Board pre-approval system, targeting details of the auditing contact and amount of remuneration.

Executive Compensation

The remuneration of Representative Directors and Executive Directors consists of a basic remuneration, which is a fixed amount, paid each month, as a compensation for execution of duties required in accordance with their position and the degree to which they contribute in their role, a bonus that is linked to the Company's business performance in each business year, and a stock-type compensation stock option plan to provide an incentive to improve medium- to long-term performance and raise corporate value.

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

The Company, 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, gives 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 determined by the Board of Directors. 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.

2020 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Category of Position	Number of Directors and Audit & Supervisory Board Members	Remuneration and Other Amounts by Classification (millions of yen)			Remuneration and Other Amounts (millions of yen)
		Basic Remuneration	Bonus	Stock-Type Compensation Stock Option	
Directors (excl. Outside Directors)	4	604	–	60	664
Outside Directors	2	48	–	–	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	3	44	–	–	44
Outside Audit & Supervisory Board Members	3	58	–	–	58

* The above number of Directors (excl. Outside Directors) includes one Director who retired on May 1, 2020.

* The above number of Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members) includes one Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 119th Business Term held on March 27, 2020.

* The figure for stock-type compensation stock option indicates expenses recorded in the relevant fiscal year.

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

Finance & accounting (Investor Relations (IR)), legal affairs, corporate communications 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'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. works for dialogue with domestic and overseas analysts and institutional investors, arranging interview opportunities appropriately. 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 will report important ones to the CEO or the Board of Directors.

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

Controlling Insider Information

Canon Inc. has set the "Rules on Prevention of Insider Trading," which makes thorough control of undisclosed material information and provides the procedure of information disclosure.

Risk Management

Basic Approach

Canon Inc. recognizes that to ensure the proper operation of the Canon Group and to continually improve corporate value, implementation and maintenance of a risk management system to deal with serious risks that the Group may face in business operations is vital.

Risk Management System

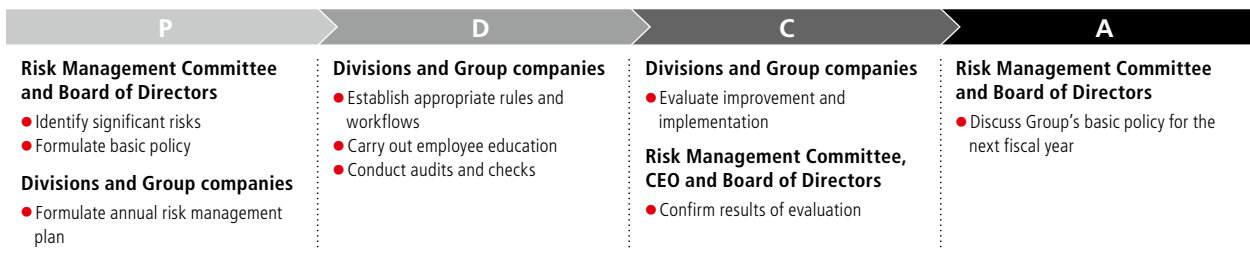
Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the Executive Vice President, the committee has established three subcommittees: the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.

The Risk Management Committee develops various

measures to promote the Group's risk management activities, including identifying any significant risks (violations of laws and regulations, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.) that the Group may face in the course of business.

The Committee also creates an annual basic policy for risk management activities and, after obtaining the approval of the Board of Directors, carries out risk management activities within Canon Inc. divisions and Group companies. The Committee evaluates the improvement and implementation of the risk management system for each division and Group company, and reports the results of such evaluations to the CEO and Board of Directors. Results of evaluations conducted in 2020 showed no material flaws in the system.

Processes for Implementation and Maintenance of Risk Management System



In line with the basic policy prepared by the Risk Management Committee and in their capacity as risk management promotion officers, the heads of Canon Inc. divisions and presidents of Group companies each formulate an annual risk management plan for their own division or Group company, and assume responsibility for promoting related risk management activities. Risk management promoters appointed within each division and Group company assist risk management promotion officers in coordinating risk management practices.

Additionally, Canon Inc. administrative divisions responsible for various risks associated with business activities, including the Legal Division, Human Resources Division, Security Trade Control Division, and Quality Assurance Division, control and support the risk management activities of each division and Group company.

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 the Group's approach regarding 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.

We endeavor to make qualitative improvements in ensuring the reliability of the Group’s financial reporting. We support independent initiatives and self-driven educational activities at Group companies as they implement the PDCA cycle to review business procedures for financial risk.

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 2020.

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 Group’s management stance and standards that Group 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 the 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 around 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 Selves) Spirit, which has been the guiding principle of the company since its 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 receive information related to compliance issues, including violations of laws or Canon Group Code of Conduct regulations. The confidentiality of informants is strictly maintained, and protection against workplace retaliation is guaranteed. We continually work to encourage appropriate use of the system by promoting awareness of it through such means as the intranet compliance website and compliance training. When a report is received of a possible compliance violation, an investigation is launched to establish the facts and a final decision is made as to whether infringement has taken place. If a compliance violation is determined to have occurred, the necessary corrective action is taken along with measures to prevent recurrence.

An internal reporting system 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, the results of investigation and response, and measures to prevent recurrences. Each Group company takes the necessary corrective measures and recurrence prevention measures based on the investigation results.

Canon has also set up hotlines for external stakeholders which they can use to report specific concerns in the Canon supply chain, for instance human rights issues such as child labor and forced labor or occupational health and safety issues. When a report is received, an investigation is launched to establish the facts and, where necessary, corrective action is taken along with measures to prevent recurrence.

The number of reports received in 2020 by the entire Group with its 181,897 employees was 302, mainly from Asia (including Japan) and the Americas. Of those with investigation completed as of the end of 2020, compliance violations were confirmed in 52 cases. The reports received in 2020 included no serious compliance violations.

Compliance System

We have identified the significant compliance violation risks that the Canon Group 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 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 Regulations

Canon Inc. 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, we strictly check before entering into business 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 controls are insufficient if undertaken by a single country or region. It is important to have international cooperation based on UN and international export control regime agreements. To provide a unified Group-wide policy and standard in the field of security trade controls, the Canon Group has established the Canon Security Trade Control Guidelines, which are implemented at Canon Inc. and Group companies worldwide.

Recent years have seen a movement toward the use of security trade control regulations to restrict the transactions of particular countries, regions, or corporations for reasons related mainly 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 controls.

■ 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 (→P41) 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 (→P105) 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 and insider dealing. 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 the Canon Group may face in the course of business, the Risk Management Committee has identified violation of anti-bribery laws as a significant risk. As a countermeasure, the risk of corruption is assessed based on the country/region and type of business using the Corruption Perceptions Index published by Transparency International, and 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 external to the Canon Group (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 annual survey (→P92) 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 improvement and implementation of the risk management system, which includes such anti-corruption system, and reports the results of such evaluations to the CEO and Board of Directors.

In 2020, Canon was not subject to any fines, penalties, or other sanctions in connection with violations of anti-corruption laws or regulations.

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

■ Protecting Personal Information

Canon strives to ensure proper handling of personal information (including personally identifiable information, or PII).

At Canon Inc., we have created rules to safeguard personal information, including a Personal Information Protection Policy and Personal Information Protection Rules, and conduct training and audits regularly as part of our system to prevent leaks of information.

Starting in 2015, we expanded the scope of these activities to include Group companies, creating a centralized management system covering the entire Group. As a result, in 2020 the Group had another year free of serious incidents involving the loss or leakage of personal information, and did not receive any privacy infringement complaints from customers.

In regard to the EU's General Data Protection Regulation (GDPR), implemented in May 2018, Canon Inc. entrenched the systems and compliance rules that it established in 2018. The year 2020 saw active moves worldwide to strengthen the regulatory protection of personal information, exemplified by the amendment of Japan's Act on the Protection of Personal Information, the enactment of the California Consumer Privacy Act in the United States, and the opening to public comment of China's draft Personal Information Protection Law. Canon is monitoring these legislative trends and will respond appropriately.

Promoting Business Risk Management

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

Action policies and plans for each identified serious 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 (→P104), 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 globally. 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 the companies' 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 2020, information security checks were again carried out at 23 Group companies in Japan and 26 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, cyber-attacks 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 cyber-attacks. 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 worldwide 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.

In 2020, roughly 25,000 employees—equivalent to Canon Inc.'s total workforce—received information security training. Participants studied examples of information security incidents, heightened their alertness to the risk of computer viruses, and learned precautions to take when using information infrastructure as part of a curriculum designed to improve information security literacy.* In addition, special training sessions based on a targeted email attack were conducted involving roughly 93,000 Canon Inc. and Group company employees to provide practical

instruction in responding appropriately to suspicious emails and thus averting widespread damage.

* 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 rebuilt all on-site buildings, 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, 43 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 the sales activity. Our response to these circumstances has included establishing a response team, cancelling large events in 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.

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 2020, 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 unflinchingly, 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

	2016	2017	2018	2019	2020
Taxes on income before income taxes (hundred million yen)	827	980	962	562	343
Effective tax rate on income before income taxes (%)	33.8	27.7	26.5	28.7	26.4

Intellectual Property Management

Approach to Intellectual Property

Canon has always been an R&D-led company. Our growth as an enterprise relies on proactive R&D to support the creation of new markets and customer segments based on the development of products using proprietary technologies. This history underpins our belief that products and intellectual property (IP) are the fruits of R&D. Defining the purpose of IP activities as supporting business development, Canon's IP Division formulates and pursues IP strategies that look 10–20 years ahead.

Basic Policy of IP Activities

- IP activities are vital to support business operations
- The fruits of R&D are products and IP
- Intellectual property rights of others should be respected and handled appropriately

IP Activities Support Business Development

At Canon, our IP Division works closely not only with R&D divisions but also with production and marketing divisions, generating and uncovering inventions together as a team to facilitate the acquisition of strong patents. For technologies that would take others a long time to catch up with us, we keep them in-house as trade secrets rather than seeking patents for them.

IP activities that effectively utilize the wealth of knowledge and technical expertise held by our experienced personnel help to support Canon's competitive advantage in business, both now and into the future.

Respecting Intellectual Property Rights

Canon takes a strict, consistent approach against counterfeit goods and intellectual property infringements. At the same time, we respect the intellectual property rights of others. We have established clear rules to ensure that our products do not infringe on rights held by others.

More specifically, we conduct thorough searches of third-party patents to prevent use of intellectual property held by others without permission. Such thorough searches of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the relevant IP department.

Moreover, by conducting thorough searches of third-party patents, Canon smoothly and appropriately creates partnerships with other companies and external research institutions for cross-licensing or joint research projects. This allows Canon to achieve better results than would be possible using only in-house patents or technologies.

IP Portfolio Aimed at Creating New Value

The ownership of multiple strong patents is incredibly vital to protect the technology behind Canon's core competences while maintaining competitiveness and also to enable future business development and smooth entry into new fields. We work to maintain the strength of IP portfolio based on efforts to file patent applications and acquire rights to enable the future businesses and development of technologies and evaluation of the value of patents, taking a flexible stance towards IP asset swaps.

Acquisition of IP rights

Canon places importance on applying for patents on a global basis, and as of January 2021, held approximately 86,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies, and product trends to assess countries/regions where patents are required. We have focused on filing patent applications in the United States due to its large market scale and preponderance of high-tech companies. Canon has ranked in the top five for U.S. patent registrations every year for the past 35 years. In 2020, we ranked third overall and were the patent leader among Japanese companies for the 16th consecutive year.

Top Five Companies Acquiring U.S. Patents in 2020

Rank	Company	Number of patents
1	IBM	9,130
2	Samsung Electronics	6,415
3	Canon	3,225
4	Microsoft	2,905
5	Intel	2,867

* Figures based on data released on January 14, 2021 by IFI CLAIMS Patent Services, a U.S. research company specializing in patent information.

Amid the growing importance of translating the needs of consumers into customer experience (CX) and the rapid digital transformation (DX) of society, we seek to turn the varied fruits of our R&D into IP assets as part of our efforts to create new value. Besides basic patents required for core next-generation technologies, we also target patents relating to technologies that address societal needs in areas such as AI, fintech, security, healthcare, and environmental conservation.

At the same time, standards defining compatible conditions are increasingly important in a more interconnected world, linking directly to a range of Canon businesses. Working with researchers outside Japan, Canon is involved in activities to promote the adoption of international standards in areas such as streaming video, video coding, wireless communications, and inductive charging. As well as contributing to standard formulation, we are also actively looking to acquire standard-essential patents.

Ownership of standard-essential patents affords developers greater freedom in creating future products for existing Canon businesses, while also expanding options to enter new markets as part of next generation business development. Since formulation of standards is a protracted process, Canon's promotion of standardization activities based on our business/IP strategies helps to support our future operations.

Relationship with Licensing Activities

To support new business creation, Canon aims to be ahead of the curve in IP licensing activities by gauging future trends. For example, the growing interconnectivity of the world implies a need for licensing negotiations with companies in other sectors. Anticipating the development of AI/IoT technologies, Canon has been in licensing negotiations with various firms from other sectors. When cross-licensing with companies having promising technologies in other sectors, Canon takes so called an open/close strategy where securing flexibility of business access to other companies patent, by licensing standard-essential patents and other general-purpose technology patents, while protecting sources of competitiveness, by not licensing its core competent technologies. This strategy affords Canon a high degree of freedom to develop future businesses and the source of competitiveness. It is a strong patent portfolio that makes this strategy possible.

Going forward, by securing cross licenses from companies with competitive technologies at an early stage using our strong patent portfolio, we aim to provide high-value-added products and services based on the integration of external and in-house technologies.

Canon Group IP Partnerships and HR Development

To help make the most effective use of Canon Group patents while optimizing the overall IP portfolio, IP rights management is centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc.

Liaising with IP divisions across the Canon Group, this central unit collects the latest information on

IP systems of each country/area as well as business intelligence on emerging markets with growth potential. The information is used to manage IP activities in line with market and technical trends.

Active sharing of IP-related human resources in both directions between Canon Inc. and Group companies helps to share knowledge and create an integrated culture. This contributes to stronger IP activities across the Canon Group while helping IP staffs to improve capacity in the IP field.

IP Activities as an Opinion Leader

Canon actively seeks to be a leader in the IP world. In 2014, Canon, Google and four other companies took the initiative to found the License on Transfer (LOT) Network that aims to restrict the threat of patent troll litigation. The number of member companies of the network has grown each year, and was over 1,000 as of December 2020. Since 2019, Canon has also been a partner in WIPO GREEN, an international framework operated by the World Intellectual Property Organization (WIPO) for the exchange of green technologies. Aiming to wider recognition and utilization of Canon's environmental conservation technologies, we newly registered fuel cell-related technologies in 2020, adding to the bioplastics-related technologies already on register. Further, Canon joined the Open COVID-19 Declaration (→P23, P43) in 2020 as a founding member to support moves to control the COVID-19 pandemic as quickly as possible.

As a company involved in the utilization of IP for global business development, Canon also plays a role in the formulation of IP-related policy. The Group Executive of the Corporate Intellectual Property and Legal Headquarters serves on the Patent System Subcommittee that reports to the Intellectual Property Committee of the Industrial Structure Council, a body established by Japan's Ministry of Economy, Trade and Industry. He also contributes to efforts to improve IP systems in other roles such as Vice Chairperson of the Japan Intellectual Property Association and the head of planning for the Committee on Intellectual Property established by Keidanren (Japan Business Federation).

Receipt of IPAJ Industrial Achievement Award

In 2020, Canon received the Industrial Achievement Award at the 17th Annual Intellectual Property Association of Japan Awards in recognition of its contribution to the development of Japanese industry. Going forward, Canon remains fully committed to supporting industrial development.

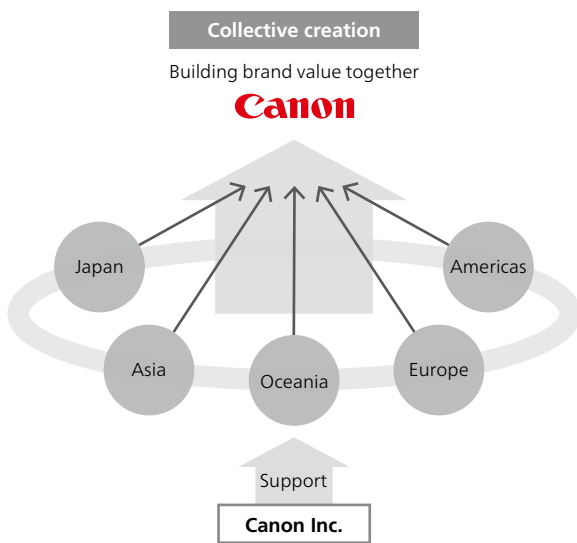
Brand Management

Approach to Brand Management

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

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

Concept Behind Brand Management Activities



Brand Management System and Rules

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

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

The Brand Management Committee provides advice and support regarding the appropriateness of trade names and product names from a brand perspective as well as use of trademark Canon. Canon has formulated a set of brand management rules to ensure that its employees use the Canon brand in compliance with regulations and enhance the value of the Canon brand through the trust of customers and

society. Moreover, to disseminate this information across the entire Group, we send notifications or publicize the changes on our company intranet, and brief the brand management divisions of each regional marketing headquarters.

Promoting Awareness of the Canon Brand

Canon carries out brand education programs at all Group companies in the countries and regions where it operates to ensure that employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand." For example, we conduct brand education as part of our rank-based training curriculum and also use our intranet system to raise awareness.

In 2020, we made a sweeping review of the guidelines on basic brand management to promote better understanding and implementation of the relevant rules among employees. Meanwhile, in addition to training for employees on overseas assignment, we provide brand-related training to employees who work in areas with relevance to the Canon brand and other interested employees as part of intellectual property law training open to staff.

Measures to Tackle Counterfeiting

Counterfeit products cannot be overlooked by any means as they not only damage the brand but may also lead to economic losses arising from malfunctions and inferior quality, and in the worst case, cause injury to customers who purchased a product trusting the Canon brand.

We are engaged in active anti-counterfeit measures on a global basis. We crack down on factories that manufacture counterfeit goods and retail locations that sell them, while working with local customs authorities to stop their importation. We have strengthened cooperation with customs authorities on various initiatives worldwide, including dispatching employees to serve as lecturers for verification seminars for customs officers and for anti-counterfeit training programs hosted by customs authorities. Moreover, in response to the worldwide spread of online counterfeit sales, we are strengthening our efforts to monitor and remove counterfeit goods sold online. We are also focusing on creating an environment to prevent the circulation of counterfeit products on the Internet in collaboration with e-commerce sites.

Data Summary

Financial Data

Canon Inc. and Subsidiaries

	2011	2012	2013
(Millions of yen)			
Net sales:	3,557,433	3,479,788	3,731,380
Domestic	694,450	720,286	715,863
Overseas	2,862,983	2,759,502	3,015,517
Percentage of previous year (%)	96.0%	97.8%	107.2%
Cost of sales	1,820,670	1,829,822	1,932,959
Gross profit	1,736,763	1,649,966	1,798,421
Gross profit ratio (%)	48.8%	47.4%	48.2%
Operating profit	377,396	324,421	336,623
Operating profit ratio (%)	10.6%	9.3%	9.0%
Net income attributable to Canon Inc.	248,214	224,854	229,829
Net income attributable to Canon Inc. ratio (%)	7.0%	6.5%	6.2%
Advertising	81,232	83,134	86,398
Depreciation of property, plant and equipment	261,343	258,133	275,173
Increase in property, plant and equipment	226,869	270,457	188,826
Net cash provided by operating activities	469,562	384,077	507,642
Net cash used in investing activities	-256,543	-212,740	-250,212
Free cash flow	213,019	171,337	257,430
Net cash provided by (used in) financing activities	-257,513	-319,739	-222,181
Long-term debt, excluding current installments	3,368	2,117	1,448
Canon Inc. shareholders' equity	2,545,447	2,592,630	2,904,212
Inventories	476,704	551,623	553,773
Total assets	3,934,992	3,959,542	4,246,796
Per share data (Yen)			
Net income attributable to Canon Inc. shareholders per share			
Basic	¥204.15	¥191.59	¥200.21
Diluted	¥204.14	¥191.58	¥200.21
Dividend per share	¥120	¥130	¥130
Stock price			
High	¥4,280	¥4,015	¥4,115
Low	¥3,220	¥2,308	¥2,913
Key Performance Indicators			
Canon Inc. shareholders' equity to total assets ratio (%)	64.7%	65.5%	68.4%
Inventory turnover in days (Days)	46 days	57 days	52 days
ROA (%)	6.3%	5.7%	5.6%
ROE (%)	9.6%	8.8%	8.4%
Dividend payout ratio (%)	58.4%	67.1%	64.8%

	2014	2015	2016	2017	2018	2019	2020
	3,727,252	3,800,271	3,401,487	4,080,015	3,951,937	3,593,299	3,160,243
	724,317	714,280	706,979	884,828	869,577	872,534	806,305
	3,002,935	3,085,991	2,694,508	3,195,187	3,082,360	2,720,765	2,353,938
	99.9%	102.0%	89.5%	119.9%	96.9%	90.9%	87.9%
	1,865,780	1,865,887	1,729,489	2,089,461	2,116,383	1,983,266	1,784,375
	1,861,472	1,934,384	1,671,998	1,990,554	1,835,554	1,610,033	1,375,868
	49.9%	50.9%	49.2%	48.8%	46.4%	44.8%	43.5%
	345,354	343,729	216,338	322,211	342,452	174,420	110,547
	9.3%	9.0%	6.4%	7.9%	8.7%	4.9%	3.5%
	254,627	219,943	150,334	242,081	252,441	124,964	83,318
	6.8%	5.8%	4.4%	5.9%	6.4%	3.5%	2.6%
	79,765	80,907	58,707	61,207	58,729	46,665	31,273
	263,480	273,327	250,096	261,881	251,554	237,327	227,825
	182,343	195,120	171,597	147,542	159,316	178,088	132,302
	583,927	474,724	500,283	590,557	365,293	358,461	333,805
	-269,298	-453,619	-837,125	-165,010	-195,615	-228,568	-155,439
	314,629	21,105	-336,842	425,547	169,678	129,893	178,366
	-300,886	-210,202	355,692	-340,464	-354,830	-232,590	-183,449
	1,148	881	611,289	493,238	361,962	357,340	4,834
	2,971,963	2,959,929	2,776,327	2,863,986	2,820,644	2,685,496	2,575,031
	528,167	501,895	560,736	570,033	611,281	584,756	562,807
	4,464,854	4,431,720	5,142,279	5,201,626	4,902,955	4,771,918	4,625,614
	¥228.88	¥201.41	¥137.66	¥223.03	¥233.80	¥116.79	¥79.37
	¥228.88	¥201.40	¥137.66	¥223.03	¥233.78	¥116.77	¥79.35
	¥150	¥150	¥150	¥160	¥160	¥160	¥80
	¥4,045	¥4,539	¥3,656	¥4,472	¥4,395	¥3,338	¥3,099
	¥2,889	¥3,402	¥2,780	¥3,218	¥2,877	¥2,688	¥1,627
	66.6%	66.8%	54.0%	55.1%	57.5%	56.3%	55.7%
	50 days	47 days	59 days	49 days	56 days	59 days	60 days
	5.8%	4.9%	3.1%	4.7%	5.0%	2.6%	1.8%
	8.7%	7.4%	5.2%	8.6%	8.9%	4.5%	3.2%
	64.7%	74.5%	109.0%	71.4%	68.4%	136.2%	100.4%

Message from
the CEO

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Protecting and Conserving the Environment

Data on CO₂

Total GHG Emissions by Scope

	2016	2017	2018	2019	2020
Scope 1	164,769	174,342	160,520	151,504	123,133
Scope 2	955,338	962,229	930,471	891,734	816,973

(t-CO₂)

* Figures for 2019/2020 obtained third party verification.

Data on Energy

Energy Consumption by Region in 2020

	Electricity	Gas	Oil	Other (steam, wide area heating and air conditioning)
Japan	4,266	1,017	216	210
Americas	329	123	4	0
Europe	304	152	275	65
Asia and Oceania (except Japan)	1,611	55	22	56
Total	6,510	1,346	517	331

(TJ)

* Electricity includes the amount generated by renewable energy sources.

* Figures obtained third party verification.

Use of Renewable Energy by Region in 2020

	Electric power (MWh)	Geothermal power (TJ)
Japan	669	0
Americas	5,988	0
Europe	70,246	17
Asia and Oceania (except Japan)	573	0
Total	77,476	17

Data on Waste

Recovery Volume by Type of Waste in 2020

Type of Waste	Type of Recovery Treatment	Recovery Amount (t)
Paper	Cardboard, paper used by office equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	15,721
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	15,814
Metals	Raw materials for metals, roadbed materials, etc.	19,911
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	9,149
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	6,284
Wood	Construction boards, bedding for plants, pulp materials, fuels, fertilizers, etc.	3,221
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	193
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	9,701
Total		79,995

Landfill Amount of General Waste Generated by Business Activities

	2016	2017	2018	2019	2020
General landfill waste generated by business activities	2,840	2,656	2,923	2,725	2,506

(t)

Atmospheric Emissions

SOx and NOx Emissions

(t)

	2016	2017	2018	2019	2020
SOx	0.6	1.2	1.1	1.0	0.8
NOx	62.1	61.7	56.1	52.9	47.9

Data on Water Resources

Total Wastewater Discharge

(1,000m³)

	2016	2017	2018	2019	2020
Japan	4,108	4,491	4,377	4,221	4,083
Outside Japan	3,433	3,306	3,086	3,116	2,671

Wastewater Amount by Discharge Route in 2020

(1,000m³)

	Rivers	Sewerage System	Total
Japan	837	3,246	4,083
Outside Japan	315	2,356	2,671
Total	1,152	5,602	6,755

2020 Water Quality Data

(t)

	2020
SS	134
BOD	182

Water Consumption in 2020 by Type

(1,000m³)

	Public Water	Industrial Water	Groundwater	Total
Japan	1,463	2,472	1,134	5,068
Outside Japan	2,490	637	231	3,358
Total	3,952	3,108	1,365	8,426

Use of Recycled Water and Recycling Rate in 2020

	Recycled Water (1,000m ³)	Recycling Rate (%)
Japan	1,315	26.0
Outside Japan	38	1.1
Total	1,353	16.1

* Figures obtained third party verification.

Data on Chemical Substances

Substances Canon No Longer Uses

	Substance Eliminated	Date Eliminated
Ozone-Depleting Substances	Chlorofluorocarbons (CFCs), 15 types	December 1992
	1,1,1-Trichloroethane	October 1993
	Hydrochlorofluorocarbons (HCFCs), 34 types	October 1995
Greenhouse Gases* ¹	Perfluorocarbons (PFCs)	December 1999
	Hydrofluorocarbons (HFCs)	December 1999
Soil Contaminants	Trichloroethylene	December 1996
	Tetrachloroethylene	December 1996
	Dichloro methane (for cleaning)	December 1997
	Dichloro methane (for thin film coating)* ²	October 2003

*1 Excludes use in semiconductor manufacturing.

*2 Discontinued use in Japan in December 2001.

Data Summary

Amount of Chemical Substances in 2020

	Amount (t)
Japan	7,024
Outside Japan	846
Total	7,870

VOC Emissions in 2020

	VOC Emissions (t)
Japan	108
Outside Japan	144
Total	252

2020 List of Chemical Substances Subjected to the PRTR Act

Statutory No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Waste Recyclables
7	N-butyl acrylate	3	0	0	0	18,269
20	2-aminoethanol	358	0	5	44	13,399
31	Antimony and its compounds	4	0	0	0	183
53	Ethylbenzene	416	1	0	0	17,842
71	Ferric chloride	0	0	0	0	116,080
80	Xylene	6,025	2	0	4,022	134,217
125	Monochlorobenzene	53	0	0	129	4,152
128	Methyl chloride	3	0	0	0	0
150	1,4-dioxane	217	0	0	0	332
202	Diphenylamine	0	0	0	0	36
232	N,N-dimethylformamide	165	0	0	0	193
240	Styrene	202	0	0	0	63,113
259	Tetraethylthiuram disulfide	0	0	0	0	0
296	1,2,4-trimethylbenzene	3,852	1	0	0	5,042
298	Tolylene diisocyanate	0	0	0	0	415
299	Toluidin	2	0	0	0	0
300	Toluene	5,770	163	0	15	29,720
306	Hexamethylene diacrylate	0	0	0	0	48
308	Nickel	11	0	0	320	1,074
309	Nickel compounds	0	0	0	8	1,029
343	Pyrocatechol	26	0	0	0	3,946
349	Phenol	71	0	0	3	274
374	Hydrogen fluoride and its water-soluble salts	3	4	2,052	0	225
395	Water-soluble salts of peroxodisulfuric acid	0	0	42	0	4,664
408	Poly (oxyethylene) octylphenyl ether	0	0	0	37	676
412	Manganese and its compounds	0	0	0	0	287
438	Methylnaphthalene	47	0	0	0	268
448	Methylenebis (4,1-phenylene) diisocyanate	0	0	0	1	8,947

Environmental Accounting

We quantitatively ascertain the costs of environmental conservation in our business activities, the outcomes of such activities, and the economic effect associated with environmental conservation measures.

Environmental Conservation Costs

(Billions of yen)

Category		Details of Key Activities	2020	
			Investment*1	Cost*2
(1) Business Area Cost			2.47	7.34
Details	1. Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	0.93	3.46
	2. Global Environmental Conservation Cost	Prevention of global warming, energy conservation, efficient logistics, etc.	1.25	1.72
	3. Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.28	2.16
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling*3, etc.	0.40	6.63
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.01	3.43
(4) R&D Cost*4		R&D for reducing environmental impact	0.01	0.13
(5) Social Activity Cost		Contributions to organizations, sponsorships, memberships, etc.	0.0	0.12
(6) Environmental Remediation Cost		Soil remediation	0.0	0.06
(7) Other		Other environmental protection-related costs	0.0	0.0
Total			2.89	17.72

*1 Of total investment in depreciable assets, the amount spent for the purpose of environmental conservation

*2 Of total costs, the amount incurred for the purpose of environmental conservation

*3 In connection with the recycling of used products, expenses for product collection, storage, sorting, shipment, etc.

*4 Expenses for basic research on environmental technologies.

Environmental Conservation Benefit

Details of Benefit		Environmental Protection Indices	
		Index	Index Value (2020)
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO ₂)	48,698
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	79,995
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (1,000 t-CO ₂)*5	2,337
		Recovery of used products (t)*6	53,437

*5 CO₂ reduction resulting from energy-conservation technologies in electrographic multifunction devices and laser printers.

*6 Amount of recovered copying machines, cartridges, etc. (including outsourced material recycling and thermal recovery).

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2020
Revenue	Sales revenue from waste recycling	1.82
Cost Reduction	Reduction in energy costs from energy conservation*7	2.00
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling*8	1.95
Total		5.77

*7 Reduction in power purchasing costs, etc., due to introduction of new equipment and energy conservation measures.

*8 Reduction in external waste handling consignment costs due to introduction of new equipment and measures contributing to resource conservation, as well as gains on sales due to conversion of waste into recyclable materials, etc.

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2020
Lower energy costs from reduced product energy consumption*9	643.1
Profit from used product recycling	52.5

*9 Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2020 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Data Summary

Operational Sites Covered in the Environmental Section

Name	Location
Canon Inc. (1 company, 14 operational sites)	
Headquarters (Shimomaruko)	Tokyo
Yako Office	Kanagawa
Kawasaki Office	Kanagawa
Tamagawa Office	Kanagawa
Kosugi Office	Kanagawa
Hiratsuka Plant	Kanagawa
Ayase Plant	Kanagawa
Fuji-Susono Research Park	Shizuoka
Utsunomiya Plant	Tochigi
Toride Plant	Ibaraki
Ami Plant	Ibaraki
Utsunomiya Optical Products Plant	Tochigi
Optics R&D Center	Tochigi
Oita Plant	Oita
Marketing Headquarters in Japan (1 company)	
Canon Marketing Japan Inc.	Tokyo
Manufacturing Subsidiaries in Japan (23 companies)	
Canon Electronics Inc.	Saitama
Canon Finetech Nisca Inc.	Saitama
Fukui Canon Materials Inc.	Fukui
Top Business Machines Co., Ltd.	Shiga
Canon Precision Inc.	Aomori
Canon Chemicals Inc.	Ibaraki
Oita Canon Inc.	Oita
Miyazaki Canon Inc.	Miyazaki
Canon Optron, Inc.	Ibaraki
Canon Components, Inc.	Saitama
Nagahama Canon Inc.	Shiga
Oita Canon Materials Inc.	Oita
Canon Semiconductor Equipment Inc.	Ibaraki
Canon Ecology Industry Inc.	Ibaraki
Ueno Canon Materials Inc.	Mie
Fukushima Canon Inc.	Fukushima
Canon Mold Co., Ltd.	Ibaraki
Canon ANELVA Corporation	Kanagawa
Canon Machinery Inc.	Shiga
Canon Tokki Corporation	Niigata
Nagasaki Canon Inc.	Nagasaki
Canon Medical Systems Corporation	Tochigi
Canon Electron Tubes & Devices Co., Ltd.	Tochigi

Name	Location
Manufacturing Subsidiaries Outside Japan (20 companies)	
Canon Virginia, Inc.	U.S.A.
Canon Giessen GmbH	Germany
Canon Bretagne S.A.S.	France
Canon Inc., Taiwan	Taiwan
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia
Canon Hi-Tech (Thailand) Ltd.	Thailand
Canon Dalian Business Machines, Inc.	PRC
Canon Zhuhai, Inc.	PRC
Canon Vietnam Co., Ltd.	Vietnam
Canon Zhongshan Business Machines Co., Ltd.	PRC
Canon (Suzhou) Inc.	PRC
Canon Finetech Nisca (Shenzhen) Inc.	PRC
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia
Canon Prachinburi (Thailand) Ltd.	Thailand
Canon Business Machines (Philippines), Inc.	Philippines
Canon Production Printing Netherlands B.V.	The Netherlands
Canon Production Printing Germany GmbH & Co. KG	Germany
Axis Communications AB	Sweden
Canon Electronics Vietnam Co., Ltd.	Vietnam
Marketing Headquarters Outside Japan (5 companies)	
Canon U.S.A., Inc.	U.S.A.
Canon Europe Ltd.	United Kingdom
Canon Europa N.V.	The Netherlands
Canon (China) Co., Ltd.	PRC
Canon Australia Pty. Ltd.	Australia
Other Companies Subject to Reporting (75 companies)	
In Japan (20)	
Outside Japan (55)	

* The scope of third-party verification of GHG includes the 124 companies covered in Canon's consolidated ISO certification and one other company not included in consolidated certification, all listed above.

* Figures for 2017 onwards include data for Canon Medical Systems.

* Some sites are excluded from data in the Environment Accounting section, such as sites having a low impact on total values.

Responding to People and Society as a Good Corporate Citizen

Number of Canon Group Employees

	2016	2017	2018	2019	2020
Japan	72,913	73,665	73,460	72,979	72,338
Europe	25,511	25,623	25,281	23,126	22,578
Americas	19,160	18,448	18,361	18,207	15,307
Asia and Oceania	80,089	80,040	77,954	72,729	71,674
Total	197,673	197,776	195,056	187,041	181,897

Breakdown of Employees (Canon Inc.)

		2016	2017	2018	2019	2020
Total number of employees		26,246	26,075	25,891	25,740	25,713
By gender	Male	22,261	22,027	21,794	21,631	21,534
	Female	3,985	4,048	4,097	4,109	4,179
By age group	Under 30	2,922	2,853	2,938	2,997	3,116
	30s	7,253	6,924	6,462	5,906	5,507
	40s	7,772	7,419	7,218	7,225	7,243
	50s	7,280	7,747	7,991	8,119	8,158
	60 and over	1,019	1,132	1,282	1,493	1,689

Number of New Hires and Employees Leaving the Company (Canon Inc.)

		2016	2017	2018	2019	2020
Newly hired employees	Male	316	472	520	540	548
	Female	70	106	142	142	169
	Total	386	578	662	682	717
Employees leaving the company/Turnover rate	Employees leaving the company	281	369	442	518	494
	Turnover rate (%)	1.1	1.5	1.8	2.1	2.0

Breakdown of Executives (Canon Inc.)

		2016	2017	2018	2019	2020
By gender	Male	46	48	46	49	46
	Female	2	2	2	2	2

Composition of Executives by Age (Canon Inc.)

		50s	60s	70s	80s
By gender	Male	18	21	5	2
	Female	2	0	0	0

Data Summary

Percentage of Employee Membership in the Canon Workers' Union*¹

	2016	2017	2018	2019	2020
Canon Inc.	81	80	81	80	80
Key Group companies in Japan* ²	91	87	85	84	83

*¹ Figures for Canon Inc. are as of the end of the year. Figures for the key Group companies in Japan are as of the end of August.

*² Member unions of the Canon Group Workers' Union Conference (19 companies).

Ratio of Internationalization in Canon Group Companies Outside Japan

	Americas	Europe	Asia (excluding Japan)
Presidents	28	90	23
Managers	90	94	89

* Share of non-Japanese appointed as presidents and managers.

Comparison of Canon's Minimum Wage to Local Minimum Wage

		Japan	U.S.	China
Local minimum monthly wage		151,950 yen	1,257 dollars	1,818 renminbi
Canon	Standard minimum monthly wage	161,300 yen	2,422 dollars	2,633 renminbi
	Ratio compared to local minimum wage	106%	193%	145%

* Figures represent wages for leading manufacturing companies in each region, not average wages.

Base Salary and Total Salary per Employee by Gender (Canon Inc.)

		Female : Male
Base pay	Management	100 : 106
	Non-management employees	100 : 116
Total pay	Management	100 : 106
	Non-management employees	100 : 117

* The compensation system is the same for men and women. Differences are due to such factors as age and grade level.

Annual Hours Worked per Employee (Canon Inc.)

	2016	2017	2018	2019	2020
Total hours worked	1,721	1,735	1,737	1,725	1,720

* Regular/post-retirement employee survey data (Canon Inc.)

* 2020 includes managers' overtime hours.

Number of Employees Taking Childcare and Nursing Care Leave (Canon Inc.)

	2016	2017	2018	2019	2020
Taking childcare leave	186 (43)	186 (43)	214 (76)	255 (119)	299 (178)
Using reduced work hours for childcare	132 (4)	122 (11)	130 (9)	138 (15)	120 (9)
Taking maternity leave	30	21	29	22	21
Working reduced hours due to pregnancy	5	2	4	4	6
Taking nursing care leave	15	11	14	19	19
Using reduced work hours for nursing care	4	4	5	5	11
Applications for Fertility Treatment Subsidy Program	248	255	208	211	199

* Number of employees in that year using the system for the first time.

* () Number of male employees.

Return/Retention Rates and Number of Employees Returning from Childcare/Nursing Care Leave (Canon Inc.)

		2016	2017	2018	2019	2020
Returning from Childcare Leave	Number of returning employees	185 (37)	164 (38)	210 (79)	216 (81)	282 (153)
	Return rate (%)	97	98	99	99	99
	Retention rate (%)	99	97	98	95	98
Returning from Nursing Care Leave	Number of returning employees	18	6	14	19	16
	Return rate (%)	100	100	88	83	94

* () Number of male employees.

* Retention rate: (The total number of employees who are registered as of 12 months after returning from childcare leave) ÷ (The total number of employees who returned to work from childcare leave during a previous report period) × 100.

Composition of Workforce by Employment Type (Canon Inc., Key Group Companies in Japan)

	Regular employees	Non-regular employees	Agency-dispatched workers	Percentage of non-regular employees and agency-dispatched workers
Composition of workforce by employment type	72,048	290	2,645	3.9

* Non-regular employees: Contract workers and part-time workers

Ratio of Female Employees by Position (Canon Inc.)

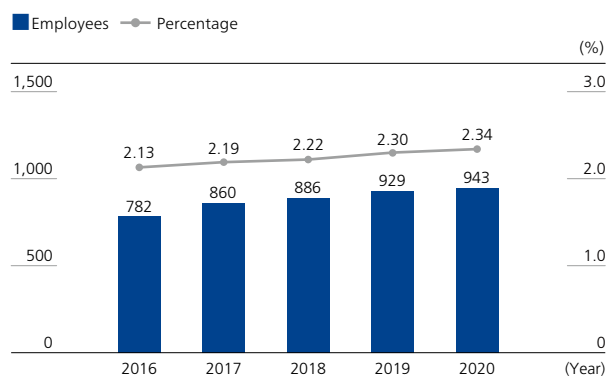
	2016	2017	2018	2019	2020
Employees	15.2	15.5	15.8	16.1	16.5
Managers	2.2	2.6	2.6	2.9	3.0
Executives	4.2	4.0	4.2	3.9	4.2

Ratio of Female Employees across Canon Group

	Japan	Europe	Americas	Asia and Oceania
Employees	18.3	36.1	34.0	67.4
Managers	2.8	24.1	23.6	29.0

* Global ratio for principal Group companies

Number and Percentage of Employees with Disabilities at Canon Inc. and Key Group Companies in Japan



*As of June 1 each year

Numbers and Frequency of Occupational Accidents (Canon Inc., Key Group Companies in Japan)*1

	2016	2017	2018	2019	2020
Accidents requiring time off work	18	23	33	26	31
Accidents not requiring time off work	112	101	130	114	112
Frequency rate*2 (%)	0.18	0.23	0.26	0.20	0.26
Severity rate*3 (%)	0.006	0.006	0.009	0.005	0.005
Frequency rate for the manufacturing industry (%)	1.15	1.02	1.20	1.20	—*4
Severity rate for the manufacturing industry (%)	0.07	0.08	0.10	0.10	—

*1 Calculated for three Group companies in 2018, and four Group companies in 2019.

*2 The prevalence of occupational fatalities and injuries per 1 million working hours.

*3 The degree of the disaster with the labor loss days per 1,000 total of working hours.

*4 The data for the year ended December 2020 not published as of April 2021.

R&D Expenses

	2016	2017	2018	2019	2020
R&D expenses	306.5	333.4	315.8	298.5	272.3

(Billions of yen)

Data Summary

Major Social Contribution Activities (not including those featured on P87-90)

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Disaster Relief Fundraising	Canon organizes fundraising activities to help those in regions affected by natural disasters worldwide. In 2020, we donated a total of ¥8 million along with 14,930 anti-dust masks following the devastation caused by torrential rains in Japan in July. Meanwhile, in response to flood damage in central Vietnam, Canon Vietnam collected financial and material donations from its employees and Group companies and from other Japanese companies with local operations, which were distributed directly by volunteers who traveled to the affected areas. This and other forms of support corresponded to a total value of around ¥8 million.	
	Cooperation with UN Support Programs	Canon is a sponsor and supporter of the UNHCR WILL2LIVE Movement, a program of cinema and music celebrating the resilience of refugees in the face of adversity, organized by Japan for UNHCR* ¹ with the cooperation of the UNHCR Representation in Japan. Canon also participates 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
Environmental Conservation	Environmental Outreach Classes	Accredited by the Organising Committee of the Tokyo 2020 Olympic and Paralympic Games as part of the "Tokyo 2020 Official Programme (Sustainability)," these classes teach the importance of recycling by using experiments to sort materials with different characteristics to help promote deeper understanding of environmental issues.	
Social Welfare	American Cancer Society	Since 1998, Canon U.S.A. has supported fundraising programs for the American Cancer Society (ACS). In 2020 the annual "Making Strides Against Breast Cancer" charity walk was not held due to COVID-19. In place of the walk they invited their supporters to decorate their cars in pink and to participate in a car parade bringing attention to the cause.	URL: https://www.usa.canon.com/internet/portal/us/home/about/corporate-social-responsibility/community-social-involvement/american-cancer-society
Local Communities	Disaster Recovery Support Programs	"Fukushima Community Support" and "Smile for the Future Project" are some of the programs aimed at reinvigorating local communities affected by the Great East Japan Earthquake.	
Education and Science	Junior Photographers	This project organizes photography classes for children on the theme of nature with the aims of raising environmental awareness and fostering richer artistic sensitivity. In 2020, Fukushima Canon organized photography workshops at five elementary schools in Fukushima Prefecture, which were attended by 207 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 1,600 internships to students on administrative, technical or specialist tracks in 2020.	
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.	URL: https://global.canon/en/newcosmos/

Expenditure on Social Contribution Activities

(Billions of yen)

	2020
Expenditure on social contribution activities	Approx. 2.2

* Canon Inc. and key consolidated Group companies

Third-Party Opinion



Co-Lead Research Unit Innovation Labs,
Sustainable Production and
Consumption Division,
Wuppertal Institute for Climate,
Environment and Energy
www.wupperinst.org

Dr. Justus von Geibler

In 2020, the COVID-19 pandemic has caused massive disruptions in society and demonstrated the value of human and social capital. In times of unexpected change and challenging business circumstances, companies depend more than ever on their ability to align the corporate strategy with internal and external resources to drive performance and impact. Against this background, I am grateful for the opportunity to be involved in the commentary process aiming for a high-quality and meaningful reporting of Canon. Based on my review of the draft report and discussions with the reporting team, I would like to focus on three key changes I observed, compared to last year's report.

The New Phase of the Excellent Global Corporation Plan

Phase VI of Canon's five-year planning is prominently presented and integrated in the report. I highly appreciate the clear and concise explanation of the new plan with its overall aims, key strategies, and underlying rationale (→P6-9) as well as its roots in a long history and culture of medium-term strategic planning (→P11-12). I welcome the results of the review of Phase V which are illustrated for example in the sections "Message from the CEO" and "Business strategy". The review provides various contextual insights with valuable information on societal trends, risks, and opportunities, both at company and business group level, supporting a better understanding of the context of Canon. Furthermore, the new plan highlights new management targets for 2025 and presents the new business structure, which reflects a strong future-oriented thinking. For upcoming reports, I suggest Canon should also refer to past management targets, e.g., original targets set at the beginning of the previous period, and to additional quantified non-financial management targets to support a better understanding of the progress against the Excellent Global Corporation Plan.

COVID's Influence on the Business

The COVID-19 pandemic is a significant topic in this year's report. Canon has managed to illustrate the interrelatedness and dependencies of the pandemic with other factors that affect the ability of Canon to create value over time. I welcome the extra feature on COVID responses (→P23-24) with illustrations of Canon's short-term reactions and expectations for mid-term trends for the new business groups, their products, and selected UN Sustainable Development Goals (SDGs). In this way, the effects of the pandemic which include the acceleration of trends towards digital transformation in some areas of Canon's competence are presented as both risk and opportunity for Canon. I appreciate that the report provides more detailed information on Canon's supply chain management initiatives (→P91-96), since this topic has become globally more relevant in the light of pandemic-related interruptions in supply chains and upcoming regulatory initiatives on supply chain transparency.

New Structure of the Report

With this integrated report, Canon has once again managed to further improve the structure and hereby increase the readability of the report. The sections "Value creation" and "CSR Reporting" gather key disclosures in a clearer manner and are easier to understand. The page "Businesses (At a Glance)" (→P13-14) illustrates Canon's business groups in a concise way. The report benefits from numerous links to supplementary materials. I am convinced that some elements in the report could be shifted to other existing disclosures to make the report even more concise without losing essential content.

Canon's continued efforts to enhance the quality and meaningfulness of the integrated report in harsh business circumstances is most worthy of recognition. I congratulate Canon and its reporting team for their great achievements in this report and their contributions to continuously drive the accountability of Canon.

Third-Party Opinion



Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair

Judy Kuszewski

Canon, like virtually all business organisations worldwide, faced an immediate and potentially catastrophic shock to the system when the COVID-19 pandemic struck, causing billions to abandon their offices, schools, shops and social spaces in an effort to contain the worst effects of the rampaging virus. Far too many people have already been lost to the disease, and although the global outlook is still far from certain, there has been a decisive – if perhaps unexpected – consequence of this tragic event, which we must recognise: it has shown business the path to a different future and provided real impetus to get there faster.

Canon – built on its corporate philosophy *kyosei*, which means ‘living and working together for the common good’, is perhaps, therefore, already well-attuned to a sustainable society as the natural partner for long-term business value. And so we have seen in this year’s Canon sustainability report a hopeful tone, brought to life with reference to the ‘green recovery’ in which the rebuilding of our economies goes hand in hand with more sustainable choices that support long-term resilience.

If the pandemic has taught us anything as a society, it is that we are all interdependent – and that the ties that bind us to one another, through our formal institutions, cultural and family ties, and our economic and business structures, are vulnerable. It has opened our eyes to the nature of systemic risk, and in many cases, strengthened our resolve to address the sources of this risk.

In many ways, the global climate crisis we face is the clearest example of systemic risk, well understood by science, but as yet unresolved by society. However, the most exciting aspect is the opportunity that the climate revolution can have in transforming our businesses and societies in favour of cleaner, cheaper, more equitable and more resilient solutions that will benefit the whole planet. This opportunity thinking is what a great sustainability report can do particularly well – it links together a company’s fundamental business strategy with both the risks and the

opportunities ahead linked to a changing planet and people. I commend Canon’s continued integrated reporting efforts for the progress achieved already, but also for showing readers what a future business that responds to society and the environment might look like.

Canon has strengthened the elements of its integrated report significantly this year with in-depth explanation of its business strategy across all of its major business lines, tied to the evolution in markets that reflects societal change, as well as the opportunities for Canon to support the Sustainable Development Goals through the products it makes. The next challenge is for the discussion of business strategy to reflect more explicitly the risks and opportunities contained within it. The recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) seek to encourage business and investors to illuminate these risks and opportunities so that they can be formally factored into business strategy, and thus contribute to a lowering of systemic risk faced due to climate change. Many thousands of businesses and investors have expressed their support for the TCFD recommendations and are beginning their efforts to implement them in their internal business assessment, planning and reporting. I look forward to seeing Canon’s future efforts in this regard, as a leadership contribution to their sector.

The concept of integrated reporting especially encourages a stronger connection between environmental, social and governance issues with the potential for value creation in the business. Nevertheless, it is essential to maintain focus on the impacts of the company’s activities on the environment and society, regardless of any link to value creation. I am happy to see that Canon continues to build on a strong base here, with solid management processes and performance data on core sustainability impacts, including supply chain responsibility, product environmental performance, and resource use and waste reduction.

In the years ahead, Canon, like other businesses, will likely need to do more with less while we rebuild. Even so, the expectations have in some respects never been greater for Canon to improve people’s lives, create fair and responsible jobs, radically reduce environmental impacts, and strengthen the ties that bind us. This integrated report gives us a window into what that future might hold.

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 Commentator's Opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the Integrated Reporting framework of the International Integrated Reporting Council 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.
- **Integration into business**—Demonstrating that Canon's sustainability priorities are fully embedded into the business operations.
- **Risk identification and management**—Canon's sustainability report should demonstrate its understanding of potential risk to the business from key sustainability trends, and the strategic steps taken to address these risks.
- **Value creation**—Canon's sustainability report should demonstrate the role that sustainability thinking and action play in opening up new pathways to add value to the business and its customers.

Judy Kuszewski and Dr. 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 role in sustainable change and societal transformation	The integrated report presents an opportunity to review the impact of and response to the COVID-19 pandemic and consider long-term changes in business, society, markets and environmental trends that present opportunities for Canon, in particular with reference to the notion of a 'green recovery' that Canon can serve and potentially help drive.	We report on the impact of the COVID-19 on Canon and our response. Based on its Corporate Philosophy of "kyosei," in consideration of the global environment, Canon creates value in various ways through its technologies, products, and solution services that respond to changing social trends, and contributes to the realization of a society where people can live in "peace of mind" "safety" "comfort" and "affluence."
Taking stock of progress toward sustainability and long-term value creation	The Canon Excellent Global Corporation Plan has provided the means to assess the company's progress over time, and is revised in five-year increments. 2020 saw the end of one such increment, which would be a very useful time for Canon to review in more detail what was achieved and could not be achieved in the foregoing five years. While certain goals have likely been heavily influenced by the pandemic, such a review is a valuable part of the learning process and very informative for readers as well. As the next management plan period begins in 2021, readers will be able to see the company's future path from that point.	In 2021, we launched a new medium- to long-term management plan called "Phase VI of the Excellent Global Corporation Plan". We deliver the results of Phase V and the key strategies and objectives of Phase VI in "CEO message" (→P6-9). In addition, this year we enhanced our coverage of how Canon contributes to solving social issues through business activities in "Business strategy" (→P15-22).
Validating and refining the material topics and relationship to the SDGs	Canon's approach to identifying and describing material topics continues to evolve. This could potentially be improved with a move to greater specificity, beyond the broad categories of 'materiality themes' Canon develops. Participants in the dialogue discussed the ongoing relevance of the SDGs to Canon's business and core activities. Canon's stakeholder survey reflected changes in stakeholder awareness related to the global coronavirus pandemic, which in turn influenced Canon's assessment of the SDGs in the report. There was particular emphasis on what is most appropriate in relation to SDG17 given its different nature compared to others. Commentators expressed a view to see this better reflected in the future. Canon should be mindful of the need to be transparent about impacts that may be negative, and which may affect their performance against the SDGs.	We will continue to look into more specific topics for each materiality theme. With the advent of the COVID-19, society is undergoing a major transformation, and we believe it is more important than ever to confirm the expectations of stakeholders. Canon believes Goal 17 of the SDGs is involved in all our activities. Referring to comments from commentators, we improved our explanation on the goal (→P30). Considering the comments on the negative impact of Canon's business activities on the SDGs, we will make further efforts to improve information disclosure.
Canon's response to the COVID-19 crisis	Canon's efforts to clarify and describe what the COVID-19 crisis has meant to the company and its employees – and how they have worked to use their skills as a business to respond effectively – are appreciated. Canon's focus not only on the short-term but also the long-term perspective can help readers understand Canon's stance in respect of this crisis. This theme links well to the overall understanding of the SDGs as a compass and guide for organisations, especially in unexpected times, and the progress toward a 'new normal' that could produce a better future for society.	From the beginning of production, we discussed how we present our approach to COVID-19 infections with commentators. As a result, in addition to the short-term measures we have taken so far, such as support for medical facilities and donations and fundraising activities, we have added concrete explanations of our efforts from a long-term perspective, such as what kind of value Canon will generate in the new normal era, and how we will contribute to the realization of a sustainable and resilient society advocated by the SDGs (→P23-24).

Third-Party Assurance

Canon has received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA) for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2021 for the years 2019 and 2020.



LR Independent Assurance Statement Relating to CANON Group's Environmental Data within CANON Sustainability Report 2021 for the calendar year 2019 and 2020

This Assurance Statement has been prepared for CANON INC in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

Lloyd's Register Quality Assurance (LR) was commissioned by CANON INC ("the Company") to provide independent assurance on its environmental data within CANON Sustainability Report 2021 ("the report") for the calendar year 2019 (from 1 January 2019 to 31 December 2019) and 2020 (from 1 January 2020 to 31 December 2020), against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 and ISO 14064-3 for GHG emissions data.

Our assurance engagement covered the Company's operations and activities in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected dataset;
- Verifying GHG emissions as presented in the report have been prepared in conformance with ISO14064-1:2006, "Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals", and taking into account Greenhouse Gas Protocol, "Corporate Value Chain (Scope 3) Accounting and Reporting Standard"; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:¹
 - Scope 1 GHG emissions (tonnes CO₂e)
 - Scope 2 GHG emissions, [market-based and location-based] (tonnes CO₂e)
 - Scope 3 GHG emissions associated with Categories 1 to 15² (tonnes CO₂e)
 - Energy Consumption² (TJ)
 - Water consumption² (m³)
 - GHG emissions intensity (tonnes CO₂e/100Myen-consolidated net sales)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable environmental data

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

¹ GHG quantification is subject to inherent uncertainty.

² Verification was only conducted for 2020 year's data.



LR's approach

LR's assurance engagements are carried out in accordance with ISAE3000 and ISO14064-3 for GHG emissions. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with key people responsible for compiling the data and drafting the report.
- Sampling datasets and tracing activity data back to aggregated levels;
- Verifying the historical GHG emissions, energy consumption, water consumption and GHG emissions intensity data and records for the calendar year 2019 and 2020; and
- Verification of the effectiveness of the data management system for Fukushima Canon Inc. and the Company's head office by implementing the Company's "restriction of visitors to the workplace" due to the global infection spread of COVID-19 is conducted remotely using email, phone, and WEB meeting system.

Observations

The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems in the data and information management of GHG emissions, energy consumption and water consumption. This is particular to ensure continuous effective internal verification processes at both the corporate and group company levels.

LR's standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

The verification and certification assessments are the only work undertaken by LR for the Company and as such do not compromise our independence or impartiality.

Signed

Dated: 15 March 2021

Takahiro Iio
LR Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LR reference: YKA4005113

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Company Overview

Company Information

Company name	Canon Inc.	Canon Inc. shareholders' equity: Common stock	¥174,762 million
Established	August 10, 1937	Group companies	343 consolidated subsidiaries
Headquarters	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan	Affiliated companies accounted for by the equity-method	9
Chairman & CEO	Fujio Mitarai		

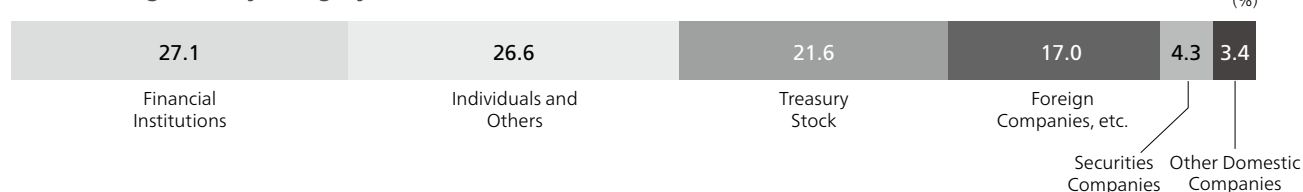
Stock Information

Number of Shares Issuable 3,000,000,000

Number of Shares Issued, Capital, and Number of Shareholders

	As of the end of the previous fiscal year	Change during the period under review	As of the end of the period under review
Number of Shares Issued	1,333,763,464	0	1,333,763,464
Capital Stock (yen)	174,761,797,475	0	174,761,797,475
Number of Shareholders	421,055	Increase of 45,812	466,867

Shareholding Ratio by Category



Major Shareholders (top ten)

Name of shareholder	Number of Shares Held (thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	98,335	9.4
Custody Bank of Japan, Ltd. (Trust Account)	36,790	3.5
SMBC Nikko Securities Inc.	25,245	2.4
The Dai-ichi Life Insurance Company, Limited	24,320	2.3
Mizuho Bank, Ltd.	22,558	2.2
State Street Bank West Client – Treaty 505234	19,483	1.9
Moxley and Co. LLC	16,536	1.6
Obayashi Corporation	16,527	1.6
Custody Bank of Japan, Ltd. (Trust Account 5)	15,770	1.5
Barclays Securities Japan Limited	15,278	1.5

* Shareholding ratio is calculated by deducting the number of treasury shares (287,989 thousand shares) from total shares issued.

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

* With respect to Mizuho Bank, Ltd., in addition to the above, there are 9,057 thousand shares of the company's stock included in trust property relating to a retirement benefit trust.

Credit Ratings (As of December 31, 2020)

	Long-term	Short-term
S&P	A	A-1
Moody's	A3	—
R&I	AA+	—

Main Group Companies

As of December 31, 2020

Japan (Consolidated subsidiaries 57)

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

Europe (Consolidated subsidiaries 155)

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

Americas (Consolidated subsidiaries 54)

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

Asia and Oceania (Consolidated subsidiaries 77)

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

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



Canon Medical Systems Corporation



Axis Communications AB



Canon Tokki Corporation



Canon Production Printing Netherlands B.V.



Canon U.S.A., Inc.



Canon Europe Ltd.

Major Awards, Citations, and Association Memberships

Major Awards and Citations

Award/Citation	Product or Award Detail	Presenter	Region
 <p>Platinum Kurumin</p>	Awarded to Canon Inc., Canon IT Solutions, and Oita Canon Materials, this designation is granted to those companies receiving the Ministry of Labour, Health and Welfare's 'Kurumin' certification for activities in support of childrearing that are recognized as having implemented initiatives of a particularly high standard.	Ministry of Health, Labour and Welfare	Japan
 <p>iF Design Awards 2020</p>	EOS R System, etc. (Total 8 products)	iF International Forum Design GmbH	Europe
 <p>The Health & Productivity Stock Selection 2020</p>	Canon was included in the selection in recognition of its long-standing and committed initiatives for advanced labor and health management, establishing as a guiding principle the 'Health First' approach which has been an integral part of the corporate culture since its foundation.	Ministry of Economy, Trade and Industry and Tokyo Stock Exchange	Japan
 <p>The Certified Health and Productivity Management Organization Recognition Program 2020</p>	Accredited as companies performing exceptional health and productivity management based on initiatives aligned with local health issues and initiatives to increase health promoted by Nippon Kenko Kaigi	Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi	Japan
 <p>ENERGY STAR® AWARD 2020</p>	Canon U.S.A. received the highest award— Partner of the Year - Product Brand Owner — for its contribution to improving awareness of energy-saving and promoting energy-saving initiatives among customers and business partners.	United States Environmental Protection Agency (EPA)	Americas
 <p>Good Design Awards 2020</p>	Awarded to 14 Canon products, among them the digital cinema cameras EOS C500 Mark II/EOS C300 Mark III, which were included in the Good Design Best 100 and received the 2020 Good Design Gold Award (Minister of Economy, Trade and Industry Award).	Japan Institute of Design Promotion	Japan
 <p>DFA Design for Asia Awards 2020</p>	The new-concept camera iNSPiC REC received the Bronze Award	Hong Kong Design Centre	Asia
 <p>Ecomark Award 2020</p>	The imageRUNNER ADVANCE C3330F-RG, a multifunctional office device in the Refreshed series, received the Eco of the Year award.	Japan Environment Association	Japan
 <p>CDP A List</p>	In the two areas of climate change and water security, Canon earned the highest rating— inclusion in the A List.	CDP	Europe

Main Association Memberships and Participating External Initiatives

- Keidanren (Japan Business Federation)
- Japan Electronics and Information Technology Industries Association (JEITA)
- Japan Business Machine and Information System Industries Association (JBMIA)
- Camera & Imaging Products Association (CIPA)
- Semiconductor Equipment Association of Japan (SEAJ)
- Japan Machinery Center for Trade and Investment (JMC)
- Japan Center for Economic Research (JCER)
- Nippon Computer Security Incident Response Team Association (NCA)
- Responsible Minerals Initiative (RMI)
- Responsible Business Alliance (RBA)
- Japan Intellectual Property Association (JIPA)
- License on Transfer Network
- chemSHERPA
- Ink Cartridge Satogaeri Project

Tokyo 2020 Official Programme

The following Canon initiatives are certified as Tokyo 2020 Official Programme activities promoted by the Tokyo Organising Committee of the Olympic and Paralympic Games. Canon is a Tokyo 2020 Gold Partner (Still Camera & Desktop Printer).

- Tsuzuri Project (Cultural Heritage Inheritance Project) (→P89)
- Environmental Outreach Classes (→P51)



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

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Environmental Website
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Canon Video Square
<https://global.canon/en/v-square/>

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