

AT A GLANCE

PRINTING GROUP



Office multifunction devices (MFDs)



Laser multifunction printers (MFPs)

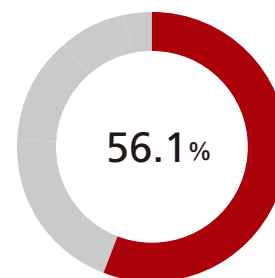


Digital continuous feed presses



Large format printers (Inkjet)

Composition of Sales (%)



Main Products

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

IMAGING GROUP



Interchangeable-lens digital cameras
—Mirrorless cameras



Interchangeable-lens digital cameras
—Digital SLR cameras

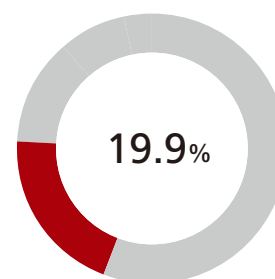


Interchangeable lenses



Network cameras

Composition of Sales (%)

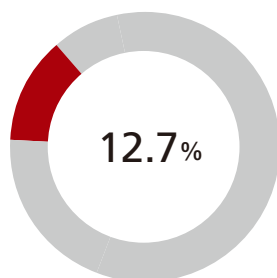


Main Products

- Interchangeable-lens digital cameras
- Interchangeable lenses
- Digital compact cameras
- Compact photo printers
- MR Systems
- Network cameras
- Video management software
- Video content analytics software
- Digital camcorders
- Digital cinema cameras
- Broadcast equipment
- Projectors

Note: The percentage figures for the four groups presented in the pie charts above do not add up to 100% because "Others and Corporate" and "Eliminations" recorded in consolidation accounting, were not included in calculation considerations.

Composition of Sales (%)



Main Products

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



Computed tomography (CT) systems



Diagnostic X-ray systems



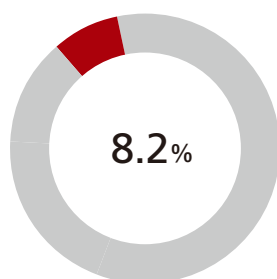
Diagnostic ultrasound systems



Digital radiography systems

MEDICAL GROUP

Composition of Sales (%)



Main Products

- Semiconductor lithography equipment
- FPD (Flat panel display) lithography equipment
- OLED Display Manufacturing Equipment
- Vacuum thin-film deposition equipment
- Die bonders



Semiconductor lithography equipment



FPD (Flat panel display) lithography equipment



Organic LED (OLED) panel manufacturing equipment



Die bonders

INDUSTRIAL GROUP

RESEARCH & DEVELOPMENT



In partnership with the NCC, Canon is furthering the development of a next-generation X-ray CT system that offers less exposure to radiation during scans.

Canon is stepping up R&D efforts to create innovation and accurately meet the needs of society.

R&D Expenses and Patents

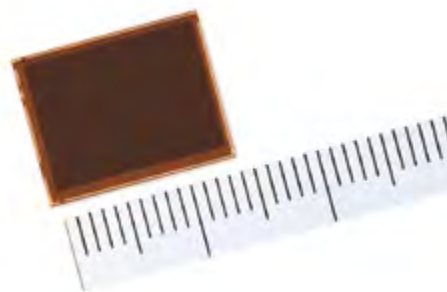
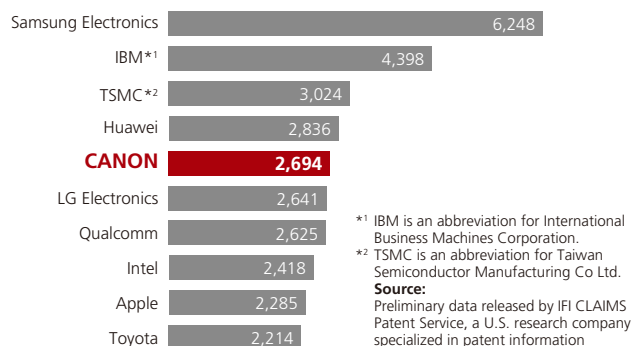
Globally, technology is in the midst of a transformation. Changes are occurring in R&D whereby companies are adding innovation-focused R&D for solving social issues to their existing invention-focused R&D portfolios.

Canon's invention-focused R&D hinges on industry-academia collaboration and open innovation, while in the innovation-focused R&D space, in addition to the modification of proprietary technologies, we make use of alliances with other companies and M&A.

We are diversifying our businesses with core competency management that combines fundamental and core competency technologies in various ways. Moreover, intellectual property, environmental technology, and other fundamental value-creation technologies that we have accumulated are underpinning the launch of new businesses and the expansion of existing ones.

In 2022, R&D expenses amounted to ¥306.7 billion, and the ratio of R&D expenses to net sales was 7.6%. Our focus on R&D has also helped us establish a leading position in intellectual

2022 Top Ten U.S. Patent Holders by Company



Successfully developed an ultra-small SPAD sensor capable of capturing color images in 3.2-megapixel resolution.

property. Canon was granted 2,694 patents in the US in 2022, ranking it fifth. We also maintained our No.1 ranking among Japanese companies for the 18th consecutive year.

Initiatives to Establish New Businesses

Taking a long-term view, Canon focuses on discovering new technologies for the future.

Japan's first low-radiation X-ray CT system installed at NCC's Exploratory Oncology Research & Clinical Trial Center

Canon has developed an X-ray CT system equipped with a photon-counting detector that harnesses the technology of Redlen Technologies, a Group company boasting world-leading technology in semiconductor detector module development and manufacturing. The system has been installed at the Exploratory Oncology Research & Clinical Trial Center of the National Cancer Center (NCC) in Japan. It greatly reduces radiation exposure during scanning because it directly detects X-rays, unlike conventional indirect X-ray detection. Owing to improved detectability of lesions due to higher resolution, the system is expected to provide greater diagnostic accuracy in all phases of clinical care, from prevention and diagnosis to evaluation of treatment and long-term prognosis. We will work closely with the NCC to advance development with the aim of early commercialization.

Developer of SPAD image sensor featured in *Nature Index*

Utilizing Canon's own pixel architecture that efficiently captures and greatly multiplies faint particles of light, we are developing an ultra-small SPAD sensor capable of capturing 3.2-megapixel

color images—a higher resolution than full HD (approx. 2.07 megapixels), even in low-light environments. In 2022, lead researcher Kazuhiro Morimoto was selected as one of four nanoscience researchers to be featured in the UK science journal *Nature* for his significant contribution to the development of SPAD sensors.

Development of oxide-based solid electrolyte which accelerates the practical use of all-solid-state batteries

Given the safety concerns surrounding widely-used lithium-ion batteries, such as the leak of liquid electrolytes, all-solid-state batteries that utilize a solid electrolyte instead of liquid are attracting a great deal of attention. Canon Optron, in collaboration with the National Institute of Advanced Industrial Science and Technology, has developed an oxide-based solid electrolyte that can be sintered at lower temperatures than conventional solid electrolytes, thus suppressing the formation of resistive material that reduces battery performance. A production line will be set up in Canon Optron's plant in Yuki City, Ibaraki, with mass production and sales to start in June 2023.

Contribute to improving the fan experience using volumetric video (free viewpoint video) technology

Canon introduces Volumetric Video System to US Professional Basketball League. It was a response to the needs of fans, such as being able to enjoy the immersive feeling of actually being in the field.

In order to meet the demands of the league, we are improving image quality and developing new services, aiming for early commercialization.

PRODUCTION



Production line for automated assembly of interchangeable lens (Utsunomiya Office).

Canon has constantly pursued ultimate perfection in manufacturing. While striving to further improve production-engineering technology, including the automation of assembly, we also focus on developing human resources with outstanding technical skills.

Globally Optimized Production

Canon employs a globally optimized production system through which we comprehensively determine the most rational locations to produce its products. This decision hinges on changes in social and economic circumstances and takes into account country and region-specific factors such as costs, tax systems, logistics, ease of procuring parts, and labor. In Japan,

we are endeavoring to reduce costs by establishing mother factories that integrate development, procurement, and production processes. Additionally, we have plans to build a new CMOS image sensor factory at our Hiratsuka plant and new semiconductor manufacturing facilities at our Utsunomiya plant in an effort to bolster our production capacity to meet growing demand. Meanwhile, in emerging countries and regions, we



Young engineers aiming to improve their skills through competition etc.



Product evaluation testing at a production site (Oita Canon).

are boosting productivity by further honing the skills of employees and we manufacture products by utilizing agile and flexible systems that leverage the characteristics of each region.

Production Automation and In-house Production

Canon endeavors to create original products by actively pursuing the in-house production of not only CMOS sensors and other key devices and components, but also production equipment like automated assembly machines and high-precision processing equipment, as well as molding dies. To produce high-quality products at low cost, we aim to establish highly reliable automated production lines. We have rolled out fully automated production lines with zero human intervention for toner cartridges and we seek to do the same for the manufacturing of cameras in the future.

Development of Human Resources

To further strengthen manufacturing, Canon also focused on nurturing its most skilled technicians in specialist fields, known as Master Craftsmen, and those who contribute to the advancement of manufacturing with their wide-ranging skills and knowledge of mainly assembly and component processing, known as Meisters. These technicians contribute to the improvement of Canon's production-engineering technology and play an active role at the front line of production by passing on the skills they have honed over the years to the next generation.

Initiatives for Environmentally Conscious Manufacturing and Enhanced Product Quality

Canon created the Energy Cost Reduction Working Group as a horizontally integrated organization to take group-wide action on reducing energy consumption. Since 2019, in a joint undertaking in Utsunomiya City, Tochigi Prefecture, with three other companies, Canon launched the Kiyohara Industrial Park Smart Energy Project, realizing major energy savings. By sharing use of electric power and heat (steam and hot water) between multiple business sites with differing levels of demand, the project achieved significant energy savings which would not be possible for a single business site alone. In addition, Canon is working to expand the use of renewable energy, especially in Europe and Asia, while taking regional renewable energy uptake status and economic efficiency into consideration.

In addition, guided by our mission to guarantee the high quality of our products, "no claims, no trouble," basic policy on product quality, we have drawn up our own rules in the form of a quality management system that we adhere to exhaustively. This guarantees that our products are safe, can be enjoyed with peace of mind, and provide satisfaction to our customers. Our unique quality standards not only comply with international quality management standards and relevant laws and regulations in each country or region, but they also take into account the usage conditions and safety of our customers. Moreover, we endeavor to bring to market only the products that have satisfied our quality standards after putting them through rigorous evaluations with well-developed testing equipment and thorough checks in each manufacturing process.



Canon exhibited an MR system that fuses real-time images and CG at China International Import Expo.

Canon reinforces its sales and marketing capabilities by providing innovative products and advanced solutions tailored to meet the characteristics of each region.

Japan

Sales in Japan amounted to ¥864.8 billion, or 21.5% of consolidated net sales.

Sales increased for mid-range and high-end mirrorless cameras and RF mount interchangeable lenses. Sales of high-value inkjet printers were also brisk. As for core business equipment, such as office MFPs and laser printers, sales increased, buoyed by a recovery in product supply. As for our IT solutions business,

system integration (SI) service and data center sales to major corporations increased, boosted by active IT investments by corporations. As for SMBs, sales of security services, as well as in our core focus area of maintenance and operations services for mainly IT equipment, also increased. Going forward, we will work to further improve profitability in Canon product businesses and expand sales in the IT solutions business work to increase sales and profitability.



Photographing of the world premiere show “CP+2022” for cameras and photographic images as an online event.

The Americas

Sales in the Americas amounted to ¥1,255.4 billion, or 31.1% of consolidated net sales.

Canon U.S.A. handles marketing operations for North, Central, and South America. Since the year before last it has continued to maintain the top position in unit sales for both color and monochrome office MFDs, whilst sales of interchangeable-lens digital cameras, particularly full-frame mirrorless cameras, have remained firm. In this product category too, Canon U.S.A. has come to secure a dominant leading market share in terms of sales volume. Also, Canon's latest technologies centering on video solutions for virtual spaces and hybrid working environments garnered considerable attention when they were presented at CES 2022, the world's largest technology showcase event. In addition, a new group company, Canon Healthcare USA, INC., was established in 2023 as part of Canon's medical business with the aim of expanding its share of the US healthcare market—the world's largest—and further strengthening its global competitiveness.

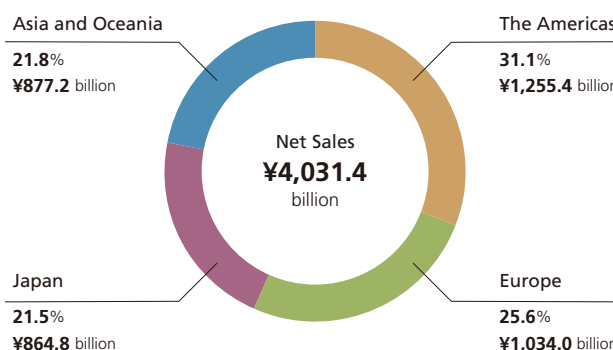
Europe (Europe, Middle East, Africa)

Sales in Europe region amounted to ¥1,034.0 billion, or 25.6% of consolidated net sales.

Canon Europe oversees business in the EMEA region—Europe, the Middle East and Africa and operating in approximately 120 countries and regions.

Our ‘Make It Future-proof’ live event welcomed production

Composition of Sales by Region



print partners and customers. Discussions focused on their future business transformation and we offered solutions to challenges and opportunities facing the European print market. In addition, we showcased the innovation and unity of our wide range of products.

We were the Official Imaging Supporter for the Birmingham 2022 Commonwealth Games, and we will be the Official Imaging Supporter for the Rugby World Cup France 2023. Through both opportunities, we demonstrated our full breadth of imaging and printing technologies, products, and solutions.

Asia and Oceania

Sales in Asia and Oceania region amounted to ¥877.2 billion, or 21.8% of consolidated net sales.

With the aim of furthering our “in China, for China” strategy for the rapidly expanding Chinese market, we showcased Canon's imaging technology with a focus on solutions at the 5th China International Import Expo (CIIE2022), one of the largest trade fairs in the world. We also plan to support the upcoming 19th Asian Games as the only main sponsor in a bid to widely and deeply promote our products and services to the broader Asian market. Through such activities, we hope to express our appreciation to our customers and continue to undertake sales activities whilst shortening the distance to market based on the slogan “closer to customer.”

Environment

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.

**A****B****C**

A. Birdwatching in Shimomaruko Forest within the premises of Canon's headquarters.
B. Canon promotes the closed-loop recycling of used toner cartridges.
C. Remanufacturing of office MFDs at Canon Giessen (Germany).

Basic Approach

In 2008, Canon formulated “Action for Green” as our environmental vision, positioning “environmental value” as the main concept in initiatives to realize 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. We are focusing on four material areas: (1) Climate change; (2) Resource efficiency; (3) Chemical substances; and (4) Biodiversity.

In addition to its own business activities, such as development, production, and sales, Canon monitors the CO₂ emission and other environmental impact at each stage of the product lifecycle, including those of suppliers and customers, and works to reduce them. We support the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) and we constantly disclose climate-related information in our sustainability reports and on our website.

Climate Change

We are furthering environmental activities on a group-wide basis with the goal of achieving an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit as a yardstick for reducing our environmental footprint across the entire lifecycle of our products. As of 2022 we have achieved a 43% improvement compared to 2008 (average annual improvement of 4.1%) by carrying out a whole host of

environmental activities. For example, we are making products smaller and lighter, streamlining logistics operations, conserving energy use at our production sites, ensuring energy conservation when products are in use, and recycling used products. In addition, we have reduced our global CO₂ emissions from business activities by 23% compared to 2013—Japan’s base year for climate action targets—predominantly by pursuing energy savings in not only lighting and air-conditioning, but even production equipment, as well as the adoption of renewable energy sources. Our CO₂ emissions data is disclosed every year and verified by third-party assurance.

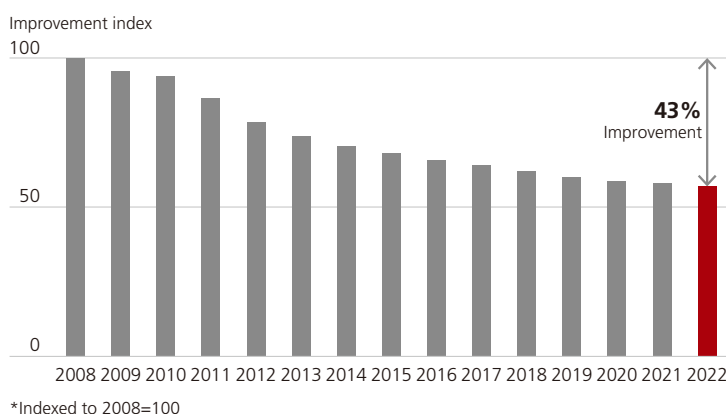
By working closely with society and implementing a number of initiatives across the entire lifecycle of our products, we aim to achieve net-zero CO₂ emissions by 2050.

Resources Efficiency

Canon operates five recycling centers in four regions around the world. To ensure more efficient use of limited resources and reduce waste, we are continuing initiatives aimed at circulating resources within the same regions where they are consumed and making products smaller and lighter, and reusing and recycling used products as much as possible. In particular, we are pursuing product-to-product recycling—in other words, recycling used products into new ones, including the remanufacturing of office multifunction devices and the closed-loop recycling of toner cartridges.

Moreover, the Canon Eco Technology Park, which opened in 2018, strives to realize state-of-the-art resource recycling. We

Lifecycle CO₂ Emissions Improvement Index per Product



are also working to reduce, reuse, and recycle plastic waste at our business sites worldwide, for instance, by switching from polystyrene foam to pulp mold for use in product packaging materials in order to reduce, and ultimately phase out, single-use plastics, a movement that is gaining traction globally.

Canon is also promoting the recycling of water resources. The Kitsuki Plant of Oita Canon Materials Inc., which faces Beppu Bay, an area rich in precious natural resources and living organisms, has introduced a closed drainage system that does not discharge any wastewater other than rainwater in consideration of the impact on the ecosystem. Furthermore, in recognition of its coastal and riverside cleanup activities and educational programs, including factory tours and environmental outreach classes to raise awareness about the importance of water resources, Oita Canon Materials Inc. was awarded the METI Minister's Prize in the 2022 Japan Water Awards.

Chemical Substances

Canon comprehensively manages chemical substances in products and those used in manufacturing processes to prevent pollution of the global environment and adverse effects on people's health. Our basic approach to management involves confirming products do not contain regulated chemical substances that exceed the prescribed standard and production sites do not discharge regulated chemical substances that exceed the prescribed standard. Particularly for chemical substances in products, we have built a group-wide environmental assurance system, and we develop products in conformity with standards established in-house that are in line with the most stringent regulations in the world.

Biodiversity

Guided by the "Nature Positive" slogan raised to halt nature loss, Canon is partnering with stakeholders around the world to undertake activities that meet the needs of local

communities. As part of these activities, we globally run the Canon Bird Branch Project in an effort to engage in the protection of biodiversity across the Canon Group. The site of Canon's global headquarters in Tokyo is home to the thickly wooded Shimomaruko Forest of approximately 1,000 trees. An environment conducive to wild bird life is maintained owing mainly to the installation and cleaning of nesting boxes for birds, as well as the surveys on the migration of wild birds to the site.

Furthermore, a biotope (which is similar to a habitat) has been created within the premises of Canon Optron with the aim of promoting a symbiotic relationship with nature and the local community. Bird-attracting trees have been planted in the middle of the biotope, and to create an environment suitable for not just birds, but various other creatures too, other innovative plans were developed, such as the building of a pond with shallow and deep sections. In this way, the biotope is contributing to diversity, highlighted by the fact that the different species of birds observed there have increased from 5 to 16.

Meanwhile, Canon USA supports the New York Marine Rescue Center (NYMRC), which rescues and protects injured sea turtles and other marine mammals, and strives to conserve marine life. Since 2019, it has been an annual summer tradition for employees, their families and friends to watch the moment when the sea turtle rescued by the NYMRC is released back into the Atlantic Ocean.

Social

Since our founding, we have inherited the spirit of “Respect for humanity” and aim to realize a society where all human beings can live together, work together, and live happily for many years to come.



A



B



C

- A. The Tsuzuri Project aims to preserve original cultural assets and utilize high-resolution facsimiles.
B. A photography and videography workshop in Finland as part of the Canon Young People Programme.
C. *Miraisha* Programme, a photography and videography workshop, in Kenya.

Basic Approach

We adopted *kyosei* as our corporate philosophy in 1988.

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

In keeping with this corporate philosophy, we continue to carry out a multitude of initiatives for the benefit of people and society and to contribute to the achievement of the SDGs, all the while fulfilling our role as a member of society to ensure Canon's sustained growth and development. Such measures include respecting human rights, promoting diversity, upholding occupational safety and health management, developing human resources, and sociocultural support activities.

Respecting Human Rights

In 2021, we expressed the Canon Group Human Rights Policy in accordance with the United Nations' Guiding Principles on Business and Human Rights. Guided by this policy, we engage in a human rights due diligence process to identify significant human rights risks in the Canon Group. We also put in place a grievance mechanism, engage in dialogue with stakeholders, conduct human rights awareness training, and address human rights risks in supply chains.

Promoting Diversity

Under our corporate philosophy of *kyosei*, Canon respects global diversity and actively encourages the fair hiring and promotion of employees, regardless of gender, age, or disability. We make every effort to promote the advancement of female employees, and we support the intentions of male employees to participate in child rearing, help employees balance work and nursing care duties, and encourage the active participation of sexual minorities, including those in the LGBT community, as well as employees with disabilities.

As part of this initiative, we have established VIVID, a company-wide horizontally integrated organization spearheaded by the Executive Vice President. VIVID stands for Vital workforce and Value Innovation through Diversity. The ratio of women in management reached 3.6% in 2022 compared to 1.4% in 2011, before VIVID was established. We are also steadily advancing other measures, such as encouraging male employees to participate in child-rearing and supporting a balance between nursing care and work. We celebrated the 10th

Ratio of Female Employees by Position (Canon Inc.)

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

(%)

Percentage of Male Employees Taking Childcare Leave (Canon Inc.)

2018	2019	2020	2021	2022
9.2	16.3	27.7	33.4	47.7

(%)

anniversary of VIVID in 2022, and we intend to further step up our efforts to promote diversity going forward.

Responsible Procurement in Supply Chain

Canon is committed to fulfilling socially responsible procurement in cooperation with its business partners. In 2019, we joined the Responsible Business Alliance (RBA). In 2022, we conducted self-assessments at 57 manufacturing sites and 331 major suppliers using the RBA Self-Assessment Questionnaire (SAQ), and found no major risks. We also submit an annual conflict minerals report with third-party assurance to the U.S. Securities and Exchange Commission.

Sociocultural Support Activities

To commemorate Canon's 70th anniversary, in 2008, we established the Canon Institute for Global Studies and the Canon Foundation.

The Canon Institute for Global Studies is a think tank that investigates and analyzes issues with an eye on the future of Japan and the world from a global perspective, with a focus on global macroeconomics, resources and energy, the environment, and diplomacy and security, and makes policy proposals. In addition, the Canon Foundation provides grants to assist in a broad range of science and technological research. The Canon Foundation's activities are now based on the concept of assisting research studies in cutting-edge science and technology fields with the aim of creating new value for society.

Furthermore, as a company that contributes to the development of visual culture, since 2007, Canon and Kyoto Culture

Association (NPO) have been working on the Tsuzuri Project (officially named the Cultural Heritage Inheritance Project) with the aim of preserving original cultural assets and utilizing high-resolution facsimiles. By combining Canon's advanced digital technologies, ranging from input to image processing and output, with traditional Kyoto craftsmanship, we have produced high-resolution facsimiles of important Japanese cultural assets, including folding screens, sliding doors known as *fusuma*, and handscrolls. These facsimiles have been donated to temples and shrines, local municipalities, or museums with a special connection to them so they can be widely viewed by the public.

Meanwhile, as part of its efforts to realize a sustainable society, Canon Europe is developing the Canon Young People Programme (YPP) in Europe, the Middle East and Africa, with the objective to give young people a voice to create a better and more sustainable future by introducing them to the power of creative visual storytelling, aligned to the United Nations SDGs.

Also, in Africa, where the unemployment rate of young people is a serious problem, Canon Europe is promoting its *Miraisha* Programme with the aim of improving the technical skills of young people in the region and expanding their opportunities for employment in the photography, video production, and printing industries. *Miraisha* is a portmanteau of the Japanese word for future, *mirai*, and the Swahili word for life, *maisha*.

Governance



Fujio Mitarai, Chairman & CEO sharing important matters such as management policies with executives.

Fundamental Approach

In order to establish a sound corporate governance structure and continuously raise corporate value, Canon Inc. believes that it is essential to improve management transparency and strengthen management supervising functions.

Governance Structure

Basic Policy

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

Board of Directors

While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive Directors that oversee multiple business fields or headquarters functions, at least two Independent Outside Directors are appointed while also assuring that they account for one third or more of the total number of Directors, in order to secure sound management. The Board of Directors, in accordance with laws and regulations, makes important decisions and supervises the execution of duties by officers.

Except for the above, the CEO and other Representative Directors are active in decision making and execution, and under the command and supervision of the Representative Directors, Executive Officers that are elected through resolution of the Board of Directors make decisions and execute operations of each business field or function.

The Board of Directors consists of five members, three Representative Directors from inside Canon Inc. and two

Outside Directors that qualify as Independent Directors.

Additionally, there will be 40 Executive Officers, including two females and one non-Japanese as of April 1, 2023.

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 the Canon Inc.'s Accounting Auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

There are five Audit & Supervisory Board Members of which three are Independent Outside Audit & Supervisory Board Members.

In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings and other 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 the situation of businesses and property of Canon Inc. and its subsidiaries. Additionally, the Office of Audit & Supervisory Board Members is independent from the control of the Directors, 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 Canon Inc.'s internal auditing arm, and such cooperation serves to improve each monitoring function.

Procedures in the Nomination of Directors etc.

Canon Inc. established the "Nomination and Remuneration

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

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

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.

Representative Directors and Executive Directors	Have a true understanding of the corporate philosophy and code of conduct of Canon Inc. At the same time, have broad familiarity with Canon Inc.'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 Canon Inc.'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 ability, to shoulder the responsibility of execution in specific fields, and truly understand the corporate philosophy and code of conduct of Canon Inc.

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 Inc. set up the Risk Management Committee, which formulates policy and action proposals regarding improvement of the Canon Group risk management system. The Risk Management Committee consists of three entities: the Financial Risk Management Subcommittee, which is tasked with improving systems to ensure reliability of financial reporting; the Compliance Subcommittee, which is tasked with promoting corporate ethics and improving legal compliance systems; and the Business Risk Management Subcommittee, which is charged with improving systems to manage overall

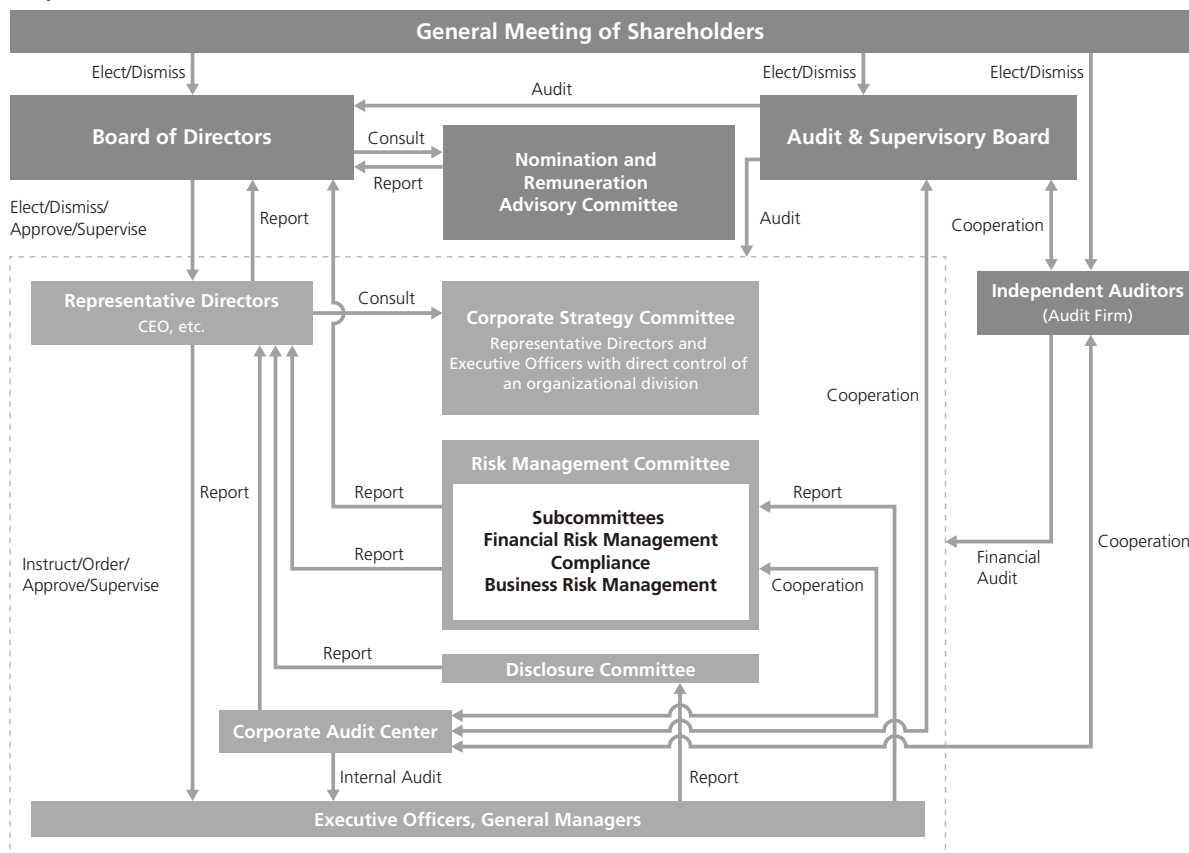
business risks, including risks related to product quality and information leak. The Risk Management Committee verifies the risk management system's improvement and implementation and reports the status to the CEO and the Board of Directors.

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

Internal Audit Division

Canon Inc. has established the Corporate Audit Center as its internal auditing division, which audits, evaluates, and makes recommendations on compliance and internal control systems etc. The Corporate Audit Center also conducts audits on topics such as quality, the environment, safety and health. Audit results are reported not only to the CEO and CFO, but also to the Audit & Supervisory Board Members and the Audit & Supervisory Board. In addition, Canon Inc. has established a system in which reports are also regularly given to outside directors and those outside directors can request submission of proposals to the Board of Directors, as necessary.

Corporate Governance Structure



Details of Canon Inc.'s corporate governance structure are available on Canon Inc.'s website under "an overview of Corporate Governance at Canon Inc." <https://global.canon/en/ir/strategies/governance.html>