CANON
SUSTAINABILITY REPORT 2024

CONTENTS

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Canon's Sustainability Report provides detailed, comprehensive disclosure to help our various stakeholders gain a deeper understanding of Canon's approach to sustainability, as well as our sustainability framework and specific initiatives.

The 2024 Report includes initiatives to address social issues through products, technologies and solutions, technologies exhibited at Canon EXPO 2023 that are poised to change lifestyles and society in the future, and technologies that will lead to decarbonization and resource recycling. We also summarize progress made with regard to the six materiality themes we have identified in the areas of the environment and society.

Our Data Summary (available as a separate PDF) provides information related to society and the environment. Some of the data in the Data Summary and the Sustainability Report has been subject to third-party review for enhanced data integrity.

(Ref.) Data Summary
https://global.canon/en/sustainability/report/pdf/data-2024-e.pdf

This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards, which are standard global reporting guidelines.

A table comparing this report and GRI Standards is posted on the website below, and relevant GRI Standard disclosure items are clearly indicated with icons in the report.

GRI disclosure item icon example: `GRI2-2`

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

Scope of the Report and Period Covered
FY2023 (January 1 to December 31)
Some information relates to times either before or after this period.

Target of the Report
This report presents data from 336 companies (58 companies in Japan and 278 overseas) that are consolidated companies of the Canon Group. All environmental data (except CO_2 emissions from 2021 onwards) refer to 120 ISO 14001-certified companies plus one non-certified company.

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

Date of Publication
May 2024 (previous: May 2023, next planned: April 2025)

Referenced Reporting Guidelines
- GRI Sustainability Reporting Standards
- ISO 26000 Guidance on Social Responsibility
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Guidelines for Human Capital Visualization, Cabinet Office & Ministry of Economy, Trade and Industry (Japan)
- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment (Japan)
- Environmental Accounting Guidelines (2005 Edition), Ministry of the Environment (Japan)
- Charter of Corporate Behavior, Keidanren (Japan Business Federation)

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 and detailed figures may not add up to totals due to rounding.

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

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

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

Reports Containing Sustainability Information

Report	Description
Canon Sustainability Report	Discloses detailed and comprehensive information about Canon's sustainability approach and framework, as well as our initiatives to address environmental, social, and governance issues.
Canon Integrated Report	Compiles and discloses information pertaining to our longer-term corporate value creation story, including business plans, business, finance, and HR strategies, and ESG initiatives.
Canon Annual Report	Discloses financial information as an English-language consolidated financial statement report and introduces non-financial information such as business strategies and ESG initiatives.
Annual Securities Report (Japanese only)	Discloses detailed information particularly about our financial situation, pursuant to the requirements of Article 24, Paragraph 1 of the Financial Instruments and Exchange Act.
Corporate Governance Report	Discloses our corporate governance approach and structure in line with Japan's Corporate Governance Code and provides more detailed information about our institutional design, how our governance structure operates, and an evaluation of its effectiveness.

Message from the CEO

Canon's corporate philosophy is *kyosei*. It conveys our dedication to achieving a society where all people, regardless of culture, customs, language, or race, happily live and work together.

Based on this philosophy, we have worked to foster good relationships with customers and local communities, with governments at all levels, and with the Earth and the natural environment, and have actively made efforts to address societal issues through our technologies and business activities. Our philosophy of *kyosei* is also consistent with the SDGs, and we believe our various activities contribute to achieving each of them.

We have consistently taken our environmental responsibilities as a global corporate citizen seriously. We started to collect and recycle used toner cartridges in 1990, ahead of other companies. At a time when environmental measures, such as CO_2 reduction and resource efficiency, have become major components of business competitiveness, we have positioned environmental initiatives as one of the main strategies in our medium- to long-term management plan, and are working to accelerate our activities. Last year, we set "Minimum Energy 360" as a slogan for our environmental initiatives, and under this slogan, we strive to reduce CO_2 emissions throughout the product life cycle at all stages of our value chain, urging each employee to minimize the consumption of energy in every aspect of their lives to achieve net zero CO_2 emissions by 2050.

We are also strengthening our efforts to respect human rights, develop human resources, and contribute to society, all of which we believe are fundamental to the sustainable development of Canon and society. Regarding human rights, we are identifying and improving human rights risks in our business activities, including our supply chain, through Group-wide human rights due diligence.

The Canon EXPO 2023 exhibition, which was held last fall, showcased the way in which the latest products, services, solutions and technologies that support them are solving social problems and creating new value. Going forward, we will commercialize the products, technologies and solutions we have exhibited and continue to engage in a wide range of activities in cooperation with various partners, including research institutions, other companies, and national and local governments, to realize a safe and secure society and healthier, more comfortable lives.

As sustainability awareness grows around the world, and industries, society, work styles, and lifestyles continue to change drastically, we hope to respond to the needs and expectations of our stakeholders with innovation and technology, and to contribute to the sustainable development of society as we seek to become a truly excellent global corporation that is admired and respected around the world. We humbly ask for your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Corporate Philosophy
Kyosei

Canon's corporate philosophy is *kyosei*.

It conveys our dedication to seeing all people, regardless of culture,

customs, language or race, harmoniously living and

working together in happiness into the future.

Unfortunately, current factors related to economies,

resources and the environment make realizing *kyosei* difficult.

Canon strives to eliminate these factors

through corporate activities rooted in *kyosei*.

Truly global companies must foster good relations with customers and

communities, as well as with governments, regions and the environment

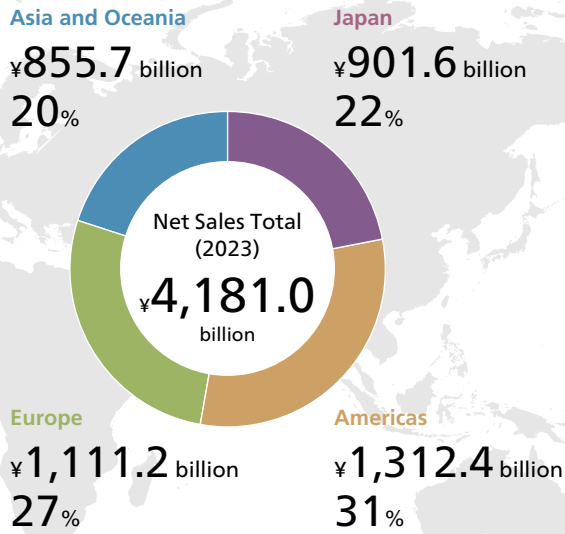as part of their fulfillment of social responsibilities.

For this reason, Canon's goal is to contribute to global prosperity and

the well-being of humankind as we continue our efforts to bring

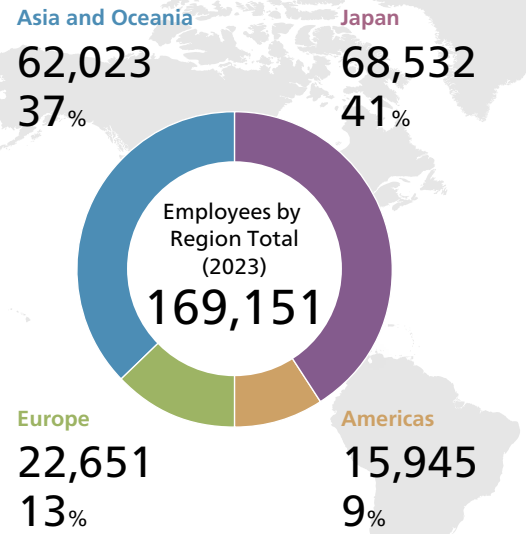the world closer to achieving *kyosei*.

Canon Group Overview `GRI2-1` `GRI2-2` `GRI2-6` `GRI2-7`

Net Sales by Region

Asia and Oceania
¥855.7 billion
20%

Japan
¥901.6 billion
22%

Net Sales Total
(2023)
¥4,181.0
billion

Europe
¥1,111.2 billion
27%

Americas
¥1,312.4 billion
31%

Number of Employees by Region

Asia and Oceania
62,023
37%

Japan
68,532
41%

Employees by
Region Total
(2023)
169,151

Europe
22,651
13%

Americas
15,945
9%

Net Sales by Business Unit

Industrial
¥314.7 billion
8%

Semiconductor lithography equipment

FPD (Flat panel display) lithography equipment

Others and Corporate
¥189.8 billion
5%

Printing
¥2,346.1 billion
56%

Office multifunction devices

Sheet-fed presses

Imaging
¥861.6 billion
21%

Network cameras

Mirrorless cameras

Net Sales Total
(2023)
¥4,181.0
billion

Medical
¥553.8 billion
13%

CT systems

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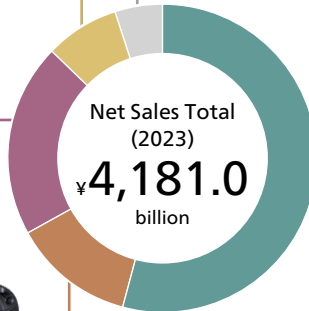
* Sales ratios do not total 100% due to sales between segments.

Company Information

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

Canon Inc. shareholders' equity: Common stock .... ¥174,762 million
Group companies .... 336 consolidated subsidiaries
Affiliated companies accounted for by the equity-method 10

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

Sustainability at Canon `GRI2-12` `GRI2-13` `GRI2-14` `GRI2-16` `GRI2-22` `GRI2-23` `GRI2-24` `GRI2-25` `GRI2-28`

Approach to Sustainability

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

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

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

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

Reference: Approach to Sustainability (formulated in October 2021)

Promotion System

Besides coordinating activities across the Canon Group to promote sustainability from social and environmental angles, Sustainability Headquarters of Canon Inc. draws on the expertise of divisions such as legal affairs, human resources, procurement, and quality assurance to inform the response to specialist issues.

The division overseeing activities reports as required on the direction and content of measures to the CEO and the CFO. Once approval is received, it then promotes activities in cooperation with the relevant divisions in Japan and overseas. We disclose information regarding our sustainability initiatives in this report, which is published annually with the approval of management.

Additionally, in April 2024, Canon established a Sustainability Committee to share information and conduct preliminary deliberations with the aim of ensuring appropriate and effective judgment by the CEO or Board of Directors regarding the sustainability-related matters that Canon should address.

Driving Awareness across the Group

To revitalize activities and help develop a sustainability mindset across the Group, we share the direction of sustainability activities and related details at meetings such as our global management conferences for the senior managers of major Group companies. Moreover, we assess the results achieved under the business policies of each operating division and manufacturing and marketing company under a consolidated performance evaluation system, as well as the results of their various environmental and social contribution activities, to raise awareness among executives.

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

Specific examples of initiatives
- Education programs for specialist areas such as environmental protection, respect for human rights, data management and compliance
- Sustainability awards system based on categories (e.g., environment, quality)
- Sharing of information on sustainability activities via the company intranet
- Information-sharing meetings involving personnel responsible for sustainability across Group companies
- We invite experts from both within the Group and outside to speak on various topics related to sustainability, such as human rights issues, diversity, and food waste, using the company intranet to disseminate information to employees (for details, see the following website).

Topics addressed to date on the Canon Sustainability Channel
https://global.canon/en/csr/policy/

Sustainability-Related policies
- Canon Group Environmental Charter
- Canon Environmental Vision
- Canon Group Human Rights Policy
- Canon Group CSR Activity Policy
- Principles of Universal Design
- Canon Group Code of Conduct (→P80)
- Canon Supplier Code of Conduct
- Canon Group Basic Policy on Responsible Minerals Sourcing

Addressing Social Issues Through Products, Technologies and Solutions

Leveraging our advanced technologies, Canon will be the source of innovation with our ever-evolving products and services that adapt to changing social needs and a changing business environment, as well as with a variety of IT/AI-based solutions.

Printing

The Printing Group is making Groupwide efforts to strengthen products and services in the office and home fields that offer highly productive, convenient and secure environments not limited by where people work, and strengthen the product lineup and expand workflow software to support labor-saving and added value for customers in commercial and industrial printing.

Since 1992, we have been promoting the remanufacturing of used multifunction devices, and our environment-specific model has achieved part reuse rates greater than 94%. In 2023, using low temperature fixing toner, we reduced power consumption by about 15% compared to conventional models. We also launched a new type of large format inkjet printer which uses corrugated cardboard for all cushioning material.

We aim to increase the global resource recycling rate to up to 50% in 2030, and increase the ratio of remanufactured products to total multifunction devices to 5% in 2025, while promoting green transformation throughout the product lifecycle.

Please refer to pages 23, 29, 30 and 31 for related information.

Medical

With health promotion and disease prevention measures attracting attention as common issues in countries and regions around the world, the Medical Group is developing and providing new technologies along with medical professionals. The Group focuses on generating value through the reduction of the burden on healthcare professionals and patients, and through cost savings for medical institutions.

We are supporting people's health through the provision of diagnostic imaging equipment such as CT systems that achieve high image quality while significantly reducing exposure to radiation, healthcare IT solutions that support diagnosis such as reading and diagnostic support, and in vitro diagnostics such as biochemical testing equipment and reagents.

We are also working to promote innovation, including clinical studies of photon-counting CT systems with the National Cancer Center and other medical facilities in Japan and overseas, and joint research with the Kyoto University iPS Cell Research Foundation to commercialize high-quality, low-cost autologous iPS cells.

Please refer to page 07 for related information.

Imaging

The Imaging Group is supporting the sustainable society called for by the SDGs by supplying systems that support imaging experiences as well as video solutions that tie into solutions to social issues. For example, the network camera business extends beyond simple recording and monitoring. The business also aims to help create communities that continue to foster people's lifestyles—using data obtained from video as information, we will be able to appropriately grasp and respond to situations even from a distance, contributing to the creation of sustainable cities and communities where people can continue to live in safety and security.

Canon is also helping to build resilient infrastructure, promote sustainable industrialization and foster innovation by means of imaging DX, including the AI-based crack detection of tunnels, bridges and other concrete structures using high-resolution images, and various automation solutions for production sites.

The Group is also making steady headway in reducing its environmental impact, such as by quantitatively measuring CO_2 emissions reductions and eliminating plastic from camera and lens packaging materials.

Please refer to pages 25, 31, 63 and 64 for related information.

Industrial

The Industrial Group provides leading-edge technology in the form of industrial equipment. The Group expects continued growth in its main business areas—semiconductor and display manufacturing equipment and measurement devices— as technological innovation in such areas as AI, IoT and 5G makes society smarter.

By enabling real-time equipment analysis, automatic recovery in the event of errors and suggestions for optimal manufacturing conditions, "Lithography Plus," our new solution platform for semiconductor lithography equipment increases equipment utilization rates, optimizes our customers' production processes and improves the rate of non-defective products.

Furthermore, because it involves a simpler manufacturing process than conventional lithography technology, nanoimprint lithography technology makes it possible to create more intricate patterns with less power. Under the Canon Environmental Vision "Action for Green," we set power reduction targets from the design stage to contribute to the realization of a sustainable society.

Please refer to the Integrated Report for more detailed information on how Canon creates new value and addresses societal issues through products, technologies and solutions.

https://global.canon/en/ir/library/integrated.html

Canon EXPO 2023
Future Focused. Always.

Canon EXPO 2023 showcased Canon's revamped image and conveyed how the Group will continue to evolve by adapting to changes in social needs and business conditions through products, solutions and technologies that help address social issues.

Canon Technologies Changing Society and How We Live and Work in the Future

Development of Autologous iPS Cell Manufacturing Automation
We are working with the CiRA Foundation to develop a device that can stably produce autologous iPS cells from a patient's own cells at low cost.

Robot Assembles Toy Building Blocks
We are applying automation technology to expand the possibilities of manufacturing and change the way people work.
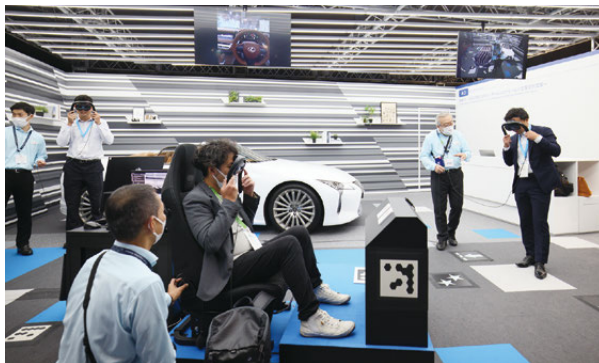
Visitors Experience What an MR System Can Do
By eliminating the limitations of time and space, Canon MR system provides a new, highly realistic visual experience for fostering creativity in manufacturing, culture, and art industries.

Micro-Satellite
Images captured by 50kg-class satellites hold promise for use in a diverse range of fields, including disaster prevention and agriculture.

Green Platform: A Technical Base Leading to Decarbonization and Resource Efficiency

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

Canon's Green Platform

<Example of Green Platform Technology>
Environmental Impact Reduction via Thorough Use of Simulation

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

Targeting Zero Power Wastage in Factories Using Comprehensive Analysis

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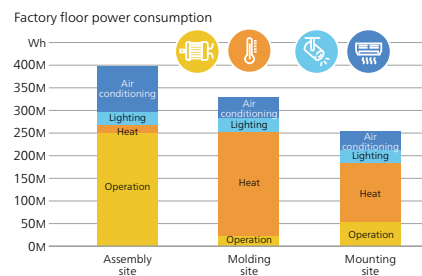

Power consumption by workplace location

Leak-resistant Toner Bottles for Greater Collection and Reuse

We have minimized toner wastage using toner control technologies and a redesigned toner bottle with a narrower outlet. Because they require almost no external cleaning, collected post-use bottles can be re-inserted into new bottle production lines for a more efficient production process with much lower environmental impact, without any loss of product quality.

New idea! Development Flame-Retardant, High-strength PET*

Widely used in daily-use items and industrial applications, PET boasts low CO_2 emissions but underperforms compared to industrially popular engineering plastics in areas such as flame retardation and strength. Leveraging our in-house materials technology, we are developing a new recycled PET plastic with enhanced qualities such as flame retardation and mechanical strength. Utilizing this new plastic in products will help to accelerate Canon's efforts to promote decarbonization and resource recycling.

* PET = polyethylene terephthalate (a type of plastic derived from oil)
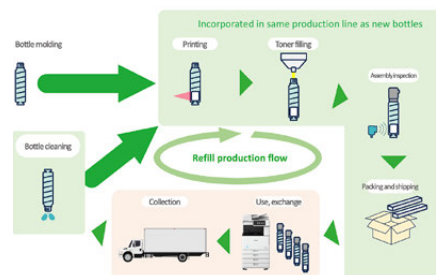
Toner bottle recycling preserves quality, enhances production efficiency and lowers environmental impact

Environmental Solutions Contributing to Resource Efficiency in Various Industry

In plastics recycling, the collected products are first crushed and sorted. However, black plastic pieces cannot be sorted via conventional technology and are generally only reused as fuel. This prompted Canon to develop a tracking-type Raman spectroscopy technology that combines a Raman spectroscopy method with a proprietary measurement/control devices. The technology uses a laser to track the plastic pieces as they move along a high-speed conveyor belt, so the technology can generate sufficient scattering of light to identify the type of the black plastic pieces. This technology helps to expand plastic resource recycling including even black one and Canon contributes to its promotion.

How tracking-type Raman spectroscopy system works

Sorting of plastic and non-plastic items

Plastic pieces sorted by position and color

Plastics sorting/classification via laser tracking
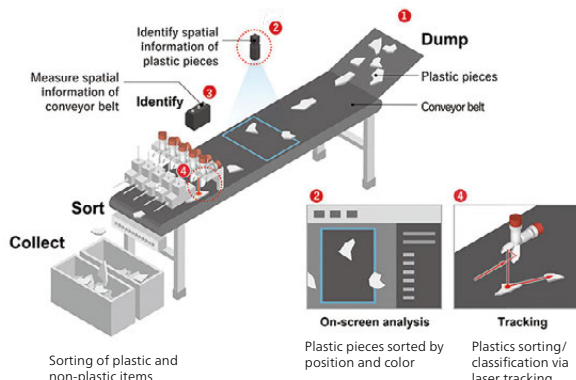
Stakeholder Engagement `GRI2-12` `GRI2-29`

Canon conducts ongoing dialogue with various stakeholders to deepen mutual understanding. In addition to addressing societal issues at the national or local level, we are working to upgrade Canon initiatives and disclosures in alignment with stakeholder interests. Through close communication with numerous visitors at the Canon EXPO 2023 venue (→P07), we were able to confirm the value Canon can provide to society and what stakeholders expect from us. We have had dialogues with multiple external experts on sustainability regarding the content of this report (see P91–93). The table below outlines the more important stakeholder communication methods employed within our business activities.

Any external inquiries may be directed to the Canon website*. All opinions or requests are promptly shared with, and answered by, the relevant division.

* Inquiries about Canon
https://global.canon/en/contact/inquiry/inquiry-form-e.html

Stakeholder Feedback

Below is a list of page references for this report containing comments made by employees and others outside Canon about the impact of Canon activities.
- Founding members of the hydroponic plant factories (→P27)
- Activities to attract kingfishers (→P37)
- Male employees taking childcare leave (→P49)
- Participants in leadership training for women (→P52)
- Trainee-style career matching system users (→P59)
- UN SDG Action Campaign (→P62)
- Smithsonian National Museum of Asian Art (→P64)
- China-based environmental NGO Institute of Public & Environmental Affairs (→P88)

Stakeholder	Topics of Interest	Main Communication Methods
Customers	• Provision of high-value-added products and services of high quality • Provision of appropriate information on products and services • Responding to inquiries • Improving customer support	• Customer advice centers • Service centers • Website/social media • Customer satisfaction surveys • Showrooms
Educational/ Research Institutions	• Optical technology • Cutting-edge technology • Joint research • Environmental education	• Joint R&D projects • Introductory and operational briefings • Visits to Canon Foundation grant recipients • Internship programs • Meetings with research institutions, including collaborative projects with industry and academia • Providing committee members to various academic societies • Outreach classes and instructor dispatch
Employees	• Improvement in workplace environments • Management policies • Maintenance of employee benefit programs • Support for career development • Maintenance of personnel evaluation system • Maintenance of workplace safety system • Cultivation of high company morale	• Labor-management conferences and committees • Information sharing from top management • Training programs • Career matching system • Whistleblower system • Employee awareness surveys • Safety and Health Committee • Compliance meetings • Human resource hotline
NGOs/NPOs	• Issues affecting global society such as refugee issues and poverty • Disaster relief support • Ecosystem protection/conservation • Supply chain risks	• Collaborative biodiversity conservation projects • Humanitarian and disaster-relief activities in disaster-affected areas • Collaboration to achieve a green supply chain
Local Communities	• Fulfilling responsibilities as corporate citizen to participate in local community activities • Contributions to local communities through business operations • Protection/conservation of local community ecosystems	• Emergency disaster-relief assistance • Disaster-preparedness and crime-prevention drills • Involvement in local groups/organizations • Ecosystem protection/conservation activities • Local events and volunteer activities • Environmental education and awareness activities
Shareholders/ Investors	• Medium- to long-term management strategy aimed at achieving continued growth • Status of business portfolio transformation • Financial condition • Business activity trends and results • ESG activities	• General meeting of shareholders • Corporate strategy conference • Financial results conferences • Conferences for institutional investors • Individual meetings with institutional investors • Integrated Report/Investor relations website
Suppliers	• Procurement policies • Requests to address social issues • Analysis of business trends and supplier performance • Product/technology trends • Improved efficiency of the chemical substance information transmission scheme	• Procurement annual meeting • Supplier surveys • Business briefings to suppliers • Onsite supplier briefings • Technology exhibitions by suppliers • Promotion of green procurement
Central/Local Governments	• Active support for initiatives addressing societal issues • Strengthening ties with companies • Promotion of community revitalization	• Opinion exchange with central government agencies • Opinion exchange with local government authorities • Dialogue with economic organizations and industry groups • Cooperation in surveys and questionnaires
Other Companies	• Industry trends • Product/technology trends • Addressing social issues that affect multiple industry sectors	• Participation in environmental technology initiatives • Participation in standardization for common base technologies of IoT systems

External Recognition

Canon has received awards and citations from various external bodies for the efforts it has made to satisfy stakeholder expectations. Please refer to the URL below for further details.

Reference: Recognition
https://global.canon/en/environment/external-evaluation.html

Environmental and Social Material Topics `GRI2-23` `GRI2-25` `GRI3-1` `GRI3-2` `GRI3-3`

Identifying Material Topics

In 2022, based on the GRI Standards as revised in 2021, Canon used the four-step process outlined below to identify six material topics by considering the positive and negative, direct and indirect impacts of Group activities to the environmental and social areas.

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

having a lesser impact on our business, while the sixth topic (Sociocultural Support Activities) was deemed important based on the recognition that the development of society as a whole supports our corporate activities. Results from this analysis were discussed with outside experts to maintain objectivity, before approval by management.

Every year we review the sustainability trends in countries and regions worldwide and analyze related legislative and regulatory developments to help review our sustainability activities. There has been no change to the environmental and social material themes we established in 2022, including climate change, the recycling of resources, and human rights.

Internally, we continue to establish specialized projects and specific activities for addressing these issues.

Identification Process

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

STEP 1

Identify social issues

- Define environmental/social impacts of Canon as reflected in business conditions, plus related societal demands, based on: social megatrends; GRI Standards and other international frameworks; ESG markers and findings of sustainability and stakeholder surveys; a comprehensive grasp of social demands and issues through direct dialogue

STEP 2

Compare against Group business activities

- Gauge the impact that Group business activities and actions taken in line with the medium-to long-term management plan have on the environment and society

STEP 3

Assess importance

- Evaluate the significance of the impacts for each of the issues identified in Step 2

STEP 4

Validation and approval

- Validate the selected activities and priorities via dialogue with outside sustainability experts on the results of the assessment
- Identify material topics in environmental and social areas with management approval

	Identified material topics	Significance	Goals	Targets
Environmental domain	**Climate change**	Very important	Achieve net zero CO$_2$ emissions over entire product lifecycles by 2050	In line with SBTi criteria, reduce Scope 1 & 2* GHG emissions by 42% and Scope 3* (category 1, 11) emissions by 25% by 2030 compared to 2022
				Lifecycle CO$_2$ emissions improvement index per product in 2023-2025: 3%-per-year average improvement, 50% improvement in 2030 compared to 2008
				Raw materials and use CO$_2$ emissions improvement index per product in 2023-2025: 3%-per-year average improvement
	Resource efficiency	Very important	• Contain new resource input and use recycled materials • Completely eliminate single-use plastics in packaging materials	Improvement in energy consumption per basic unit in 2023: 2.4%
				Improvement in total waste generation per basic unit in 2023: 1%
				Improvement in water usage per basic unit in 2023: 1%
				Reduce single-use plastics in packaging materials
				Resource recycling rate for printing products in 2025: 20%. In 2030: 50%
	Chemical substances	Very important	Careful management of chemical substances in products and in manufacturing	Emissions of controlled chemical substances per basic unit in 2023: 1% improvement
				Prohibit inclusion of designated chemical substances in products one year before ban
	Biodiversity	Important	• Conserve biodiversity from a global perspective while considering diverse local characteristics • Reduce impact on biodiversity of all business activities and promote social contribution activities that help conserve biodiversity	"Consideration for biodiversity centered on operational sites": Ascertain impact of business activities on biodiversity, conserve animal and plant habitats around operational sites
				"Contribution to the realization of a community rich in biodiversity": Promote biodiversity conservation activities and educational activities in collaboration with local communities
				Purchase paper products with a view to forest resource conservation
Social domain			Respect the human rights of all stakeholders involved in Canon's business activities	Mitigate risks by conducting human rights due diligence
			Highly motivational workplace environments for employees	Proper management and reduction of working hours in compliance with the laws of each country and region
				Encourage employees to take paid leave
	Human rights and labor	Very important	Environments that maximize the individuality and potential of employees, ensure mutual respect for diversity, and empower employees	Canon Inc.: Increase ratio of female managers by 3x by end-2025 from 2011 level
				Canon Inc.: Increase ratio of male employees taking childcare leave to at least 50% by end-2025
				Active recruitment of people with disabilities
			Safe, secure workplace environments for employees	Canon Inc. and Group companies in Japan: Eliminate all types of machinery-related accidents (0 cases)
				Canon Inc. and Group companies in Japan: Eliminate accidents caused by highly hazardous chemical substances (0 cases)
				Promotion of health management
			Environments where each employee can build a career and play an active role	Develop rank-based training programs for personnel, conduct courses and implement other initiatives
				Implement career development support measures
	Sociocultural support activities	Important	Contributing to the realization of a better society as a good corporate citizen	Promote sociocultural support activities in global and local communities by leveraging the Group's advanced technological capabilities, global business development expertise, and diverse, specialized human resources

* Scope 1: Direct emissions (city gas, LPG, light oil, kerosene, non-energy-related greenhouse gases, etc.)
  Scope 2: Indirect emissions (from use of electricity, steam, etc.)
  Scope 3: Supply chain-related emissions (emissions from purchased goods and services, upstream transportation and distribution, and utilization of sold products).

★: Target met, good
☆: Target partially met

Results, achievements in 2023 (KPIs)	Status
Reduced Scope 1 & 2 emissions by 10.2% and Scope 3 (category 1, 11) emissions by 18.5% compared to 2022 (→P18)	★
Lifecycle CO_2 improvement index per product: Annual average of 3.95% (2008-2023) (→P18)	★
Raw materials and use CO_2 emissions improvement index per product: Annual average of 2.37% (2008-2023) (→P18)	Although we are making steady improvements, the target has not been met due to slow progress
Improvement in energy consumption per basic unit: 4.5% improvement (→P18)	★
Improvement in total waste generation per basic unit: 1.4% deterioration (→P18)	Not met due to increased waste stemming from production adjustments, etc.
Improvement in water usage per basic unit: 0.8% deterioration (→P18)	Not met due to increased water usage stemming from equipment maintenance, etc.
"PowerShot V10" awarded for initiatives to eliminate plastic from packaging materials at 2023 Japan Packaging Contest in the category for packaging of electronic goods and appliances (→P31)	★
Resource recycling rate for printing products in 2023: approx. 17% (→P29)	★
Emissions of controlled chemical substances per basic unit: 0.2% deterioration (→P18)	Not met due to greater use of chemical substances stemming from increased parts cleaning, etc.
No prohibited substances in products (→P34)	★
• Fostered biological species at operational sites (→P37) • Expanded Bird Branch activities Created on-site environments conducive to wild bird life, such as developing biotopes and installing and cleaning bird baths and nesting boxes, took measures to protect against bird strikes; and took part in seasonal wildlife monitoring (→P37) • Shimomaruko Woodland certified as a "Nature Symbiosis Site" by the Japanese Ministry of the Environment, contributing to achievement of the Global 30by30 Target committed to at the G7 Summit (→P38) • Maintained factory green spaces (→P38)	★
• With expert help, created environments conducive to wild bird life (→P37) • Held on-site environmental classes and career education for elementary and junior high school students (→P38)	★
Adopted office paper made under forest certification schemes or using environmentally conscious raw materials (→P37)	★
• Identified salient human rights risks in business activities including the supply chain (→P43) • Self-audits by sites in Japan and overseas using RBA tools: 59 sites (→P46)	★
Total work hours at Canon Inc.: 1,734 hours (65 hours less than 1,799 hours in 2010) (→P48)	★
Annual average paid leave taken at Canon Inc.: 17.7 days (→P48)	★
• The ratio of female managers at Canon Inc.: Achieve 93% of the target by the end of 2025 (→P51) • Based on the Vital workforce and Value Innovation through Diversity (VIVID) activities policy, besides roundtable discussions between female employees and presidents and awareness surveys, actions included networking events with female leadership candidates inside and outside the company, training related to career advancement, female leadership, and returning from childcare leave (→P51)	☆
Ratio of males taking childcare leave at Canon Inc.: 65.8% (increase of 63.9ppt from 1.9% in 2011) (→P52)	★
Employment ratio for people with disabilities at Canon Inc.: 2.55% (statutory minimum 2.3%) (→P53)	★
Canon Inc. and Group companies in Japan: All types of machinery-related accidents (1 case) (→P55)	Not met due to occurrence of an accident
Canon Inc. and Group companies in Japan: Accidents caused by highly hazardous chemical substances (0 cases) (→P55)	★
Canon Inc.: Awarded Health & Productivity Stock Selection for fifth consecutive year from 2019 to 2023 (→P56)	★
• Technical trainees across Canon Inc. and Group companies in Japan: 6,638, based on 273 courses (→P58) • The Canon Institute of Software Technology, a training facility for software engineers, offers programs ranging from education to hone the skills of engineers in charge of product software development to training for new employees and employees aiming to change jobs (→P58)	★
Canon Inc.: 304 employees transferred jobs via internal career matching system (→P59)	★
• Showcased Canon Young People Programme to foster creativity and expressiveness in young people at two United Nations events (→P62) • Participants in *Miraisha* Programme aiming to increase employment opportunities and technical skills in Africa: About 300 (→P61) • Beneficiaries in 4E's Project providing multi-faceted assistance in India: 20,081 (→P63) • Visitors to Tsuzuri Project special exhibition preserving ancient Japanese cultural assets for the future: About 40,000 (→P64)	★

Approach (Environment) `GRI2-23` `GRI2-25` `GRI3-2` `GRI3-3`

Canon's Approach to Environmental Assurance

Acting on the foundation of its Approach to Sustainability (→P05), Canon works to protect and conserve the global environment in line with the Canon Group Environmental Charter and the Canon Environmental Vision.

Canon Group Environmental Charter

Corporate Philosophy: *Kyosei*

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

Environmental Assurance Philosophy

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

Fundamental Policies for Environmental Assurance

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

EQCD Concept

E: Environment (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 D: Delivery	Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

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

ACTION for GREEN

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

Approach

Canon addresses the four material topics identified in the environmental domain, including Climate Change, Resource Efficiency, Chemical Substances and Biodiversity, throughout the entire product life cycle. Especially in the field of Climate Change, to achieve net zero CO_2 emissions, we are working to improve the energy efficiency of Canon products over their lifecycle through a range of environmental activities, including designing smaller, lighter products; making distribution more efficient; saving energy at production sites; utilizing renewable energy sources; and improving the energy efficiency of products during usage and other stages of the lifecycle. We have moved ahead with the introduction of renewable energy mainly in Europe and Asia, and will continue to promote the strategic utilization of renewable energy in consideration of its availability and economic viability in each region. We will also seek to reduce our CO_2 emissions by using fewer virgin resources and more recycled materials. In addition to our own efforts, we will collaborate on initiatives with stakeholders throughout the value chain. Over the long term, we aim to incorporate the products of innovation to reduce CO_2 emissions using various approaches, including the achievement of our SBTi* targets. Through the power of technology and innovation, Canon will not only reduce CO_2 emissions in our own operations but also help lower CO_2 emissions across society.

* Science Based Targets initiative: A global body that promotes setting greenhouse gas emission reduction targets in line with climate science

Activity Report

Environmentally Conscious Management

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

Global Environmental Promotion System

Led by the Sustainability Headquarters under the supervision of the CFO of Canon Inc., Canon is conducting environmental activities with the aim of achieving the Group's environmental targets and realizing our environmental vision. We use a global framework comprising the Canon products operations and Canon Group companies in Japan and overseas. The Group Executive for Sustainability Headquarters, a position occupied by an executive officer of Canon Inc., reports each month to the CFO on all environmental activities to gain approval. When an environment-related global issue arises, such as climate change, whose impact on the Canon Group businesses needs to be assessed, the Sustainability Committee deliberates on response measures and the Group Executive for Sustainability Headquarters reports to the CEO and the CFO and seeks approval for the direction of the response to the associated risks and opportunities.

Environmental Management System

Canon has instituted a common environmental management system (EMS) in line with the ISO 14001 standard covering Group operational sites worldwide. 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 and CSR 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 Sustainability Headquarters ensures the smooth management of this system by gathering

information on environment-related laws and regulations, establishing environmental policies and rules for the entire Group, and planning and managing evaluation methods for environmental assurance activities. Reflecting the need for independent, third-party evaluation of EMS effectiveness, all Canon Group operating sites with manufacturing or marketing functions are ISO 14001-certified. In 2023, Canon Inc. as well as Group companies operating in 40 countries and regions (in total, 120 companies/553 operational sites) had gained ISO 14001 certification. The acquisition of consolidated Group certification has supported stronger corporate governance and more efficient environmental management. EMS certification status is one element of the management review used to monitor this area, which includes relevant reporting to and approval of both the CEO and CFO of Canon Inc.

Reference: 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 aims to reduce the environmental impact of products over their entire life cycle based on the use of life cycle assessment (LCA) methodology. We have incorporated the LCA approach from the product development stage, using real-world data collected from suppliers on the CO_2 emissions of the materials used to make parts.

Product Environmental Assessments

Canon conducts an environmental assessment during the commercialization process to check whether a product meets product environmental legal and other requirements applicable for products and has achieved the necessary environmental performances. We start the assessment by assigning an environmental performance target to the product at the product planning stage. Before the decision is made to commercialize the product and initiate mass production, Canon evaluates whether this target has been met, and ascertains whether the product also satisfies the applicable legal and other requirements.

Confirming the Effectiveness of Environmental Management

Canon uses an internal environmental audit to confirm the effectiveness of its environmental management system. The audits are composed of headquarters environmental audits performed by Sustainability Headquarters, and operational site environmental audits and product environmental audits conducted by the audit divisions of operational sites and products operations. Mutual cross-site audits are carried out in certain locations. The results from internal environmental audits are collated by Sustainability Headquarters and reported to the CEO and the CFO of Canon Inc. via management reviews. In 2022, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

Monitoring of Progress toward Environmental Targets

Operational sites report monthly to Sustainability Headquarters on energy consumption, volume of waste generation, chemical substance emission volumes, and water usage. Monthly aggregates are tracked against targets to monitor progress, and are also reported monthly to executives, the general managers of business divisions, and senior managers at major Canon Group companies. Additionally, the evaluation and the risks identified are subject to the PDCA cycle for environmental assurance activity within the shared framework of the Group's ISO 14001-based environmental management system.

Environmental Awards and Environmental Exhibition

Canon holds an internal environmental awards ceremony and related exhibition to increase staff awareness and promote successful initiatives in the environmental field. This approach enables management to identify outstanding examples of good environmental practice and promote their company-wide implementation, while also serving as a valuable opportunity to raise environmental awareness among employees. The best examples are exhibited online using the Group intranet, to which many Group employees have access. This has helped accelerate the implementation of good practices across the entire organization. In 2023, one project was selected for the Grand Prize, with three entrants getting a Merit Award and another three a selection committee commendation. In addition, staff events and other activities held in Environment Month in June to help raise in-house sustainability awareness included a photography contest on the theme of sustainability and a workshop to create accessories using discarded lenses. The staff canteen also undertook several steps, including an initiative to cut food waste and offering low-CO_2 emission menus featuring meat alternatives, while outside experts were featured on in-house channel programs.

Online exhibition website

Environmental Education

Canon's environmental education programs provide basic environmental training to all employees, and specialized training for employees engaged in specific types of work. The basic environmental training aims to equip employees with an awareness of the importance of environmental assurance activities and an understanding of related policies and targets, while the aim of the specialized training program is to enable employees involved in environmental assurance activities to acquire knowledge and expertise. The specialized training program consists of product environment, operational site environment and environmental audit sections. Of these, product environment training enables those responsible for product environmental assessments and product surveys to acquire knowledge and expertise. These educational programs are designed to enable employees to receive needed training at a time that suits their schedule, whether by e-learning, group discussion, group work, or other method. Among the specialized environmental training programs, we have made the courses on risk management

available globally, with the training materials translated into English and Chinese. In 2023 also, we carried out training for employees involved in risk management-related work (total of approximately 8,500 participants).

Environmental Communication

Alongside the publication of this report, we use a range of media and platforms to keep stakeholders informed about Canon's environmental activities. These include a dedicated environmental website, quarterly presentations and investor dialogues, and various events. We are striving to undertake more and better activities based on suggestions and opinions received from stakeholders. Canon also promotes environmental education and awareness activities for the benefit of people in regional communities, providing environmental outreach classes for elementary school students and environmental programs run in cooperation with regional organizations. Canon began holding environmental outreach classes on toner cartridges in 2011. Extended to Canon Bretagne in 2022, this program has provided more than 270 classes to over 13,000 participants.

Initiatives at Canon Eco Technology Park
The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant but also serves as a focal point of the environmental activities of the Canon Group. The facility offers tours of

Canon's automated toner and ink cartridge recycling systems as well as a showroom introducing Canon's wide variety of environmental activities, such as the Canon Bird Branch Project, through information panels, videos, and hands-on content. In 2022, the park reopened fully to the general public for tours and environmental classes. In 2023, we installed remotely controlled cameras inside the factory to make the tour easier to understand and help make the viewing experience more realistic. In addition, the online tour that we began offering during the COVID pandemic was also conducted for a Japanese school located overseas for the first time.

Canon Eco Technology Park

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

"Minimum Energy 360" Motto Adopted to Help Energize Environmental Initiatives

Environmental issues are all around us waiting to be addressed. To help employees develop a shared mindset of saving energy and resources, Canon has adopted the motto "Minimum Energy 360." Emphasizing the need to minimize energy usage in every direction (360˚), this motto encapsulates our commitment to the ongoing pursuit of various activities to use the minimum amount of energy at every step across the value chain, from the time that Canon carries out development and production, to the stage of transportation and logistics, to the point at which customers use our products and when they are finally reused.

    By adopting this motto throughout the Group, the idea is that staff start to view every kind of corporate activity as an opportunity to minimize energy usage, cultivating this outlook as a part of the general culture at Canon.

Minimizing energy usage at every step

Environmental Regulatory Compliance and Response to Complaints

As a result of implementing an environmental management system coordinated across the Group, Canon came through 2023 without a single legal violation or accident that seriously impacted the environment, including incidents relating to water quality or quantity permits. Although there were some complaints about noise at our operational sites, all issues were resolved satisfactorily via appropriate measures.

Risks and Opportunities

Even as consumer lifestyles grow more affluent, various environmental problems are emerging, including climate change, resource depletion, pollution, and loss of biodiversity. Recognizing the business impact of environmental issues, many companies see the importance of helping address these issues in partnership with national and local governments, experts and other stakeholders. Canon identifies business risks and opportunities by envisioning different ways in which society will change based on information received from specialized institutions and government agencies.

Major Climate-Related Risks and Opportunities

		Risks and opportunities	Financial impact	Action
Risks	Transition risks	Stricter energy-efficiency regulation and associated compliance costs (products/sites)	High	• Achievement of environmental targets based on the reduction of environmental impact throughout the product lifecycle • Collection, analysis and adaptation of information on environmental regulations
		Increased business costs from economic measures to reduce emissions (e.g., carbon tax)	Medium	• Achieve energy consumption targets at operational sites • Promotion of energy conservation activities at each operational site through cooperation among development, production, facility, and environmental departments
	Physical risks	Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods	Medium	• Formulation of BCPs and relocation of high-risk operational sites to higher ground
	Reputational risks	Negative external evaluation due to insufficient information disclosure	Low	• Disclosure of the approach and the status of efforts in response to climate change
Opportunities	Products and services	Expanded opportunities for sales of energy-efficient products with low lifecycle CO_2 emissions	High	• Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles • Development, manufacture, and sales of products that realize a beneficial balance between energy conservation and enrichment of people's lives
		Expansion of sales opportunities for products and solutions that contribute to reducing CO_2 emissions throughout society	High	• Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles
	Energy efficiency	Reduction of energy costs by improving production and transportation efficiency	Medium	• Achieve energy consumption targets at operational sites • Replacement and introduction of high-efficiency facilities and transportation methods
	Energy sources	Expanded opportunities for use of renewable energy through lower associated costs	Medium	• Switch to renewable energy sources
	Others	Enhanced corporate image due to proactive climate-related disclosures	Low	• Disclosure of the approach and the status of efforts in response to climate change

Major Risks and Opportunities in Other Issues

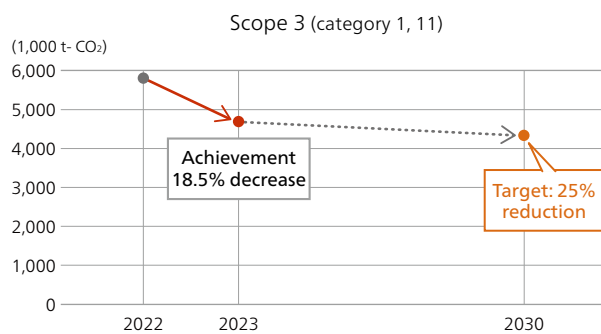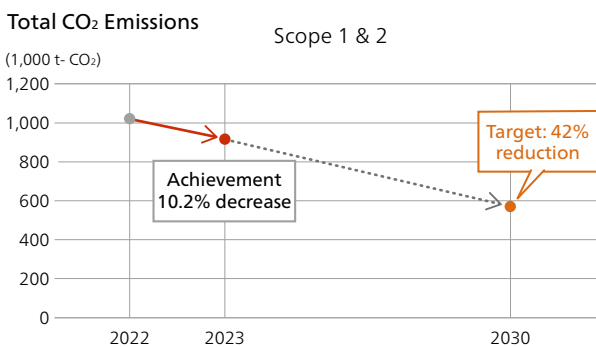|		Risks	Opportunities
Resource efficiency	Transition risks	• Increased procurement costs of raw materials due to resource constraints • Stricter resource-efficiency regulation and associated compliance costs (products/services) • Increased costs for collection and recycling of used products in each region	• Business cost reduction through improved resource efficiency • Enhanced competitiveness through 3R design and development of advanced technologies that promote a resource efficiency • Increased demand for products/consumables that contribute to a resource efficiency (e.g., remanufactured products) • Enhanced corporate image through publicity of our advanced approach to resource efficiency • Offering the value of CO_2 emissions reduction effect through efforts to recycle resources
	Physical risks	• Impairment of stable water supply and impacted business operations due to extreme weather events	
	Reputational risks	• Damage to corporate image from slow transition to resource efficiency	
Chemical Substances		• Increased chemical substance management costs due to strengthened and expanded regulations • Suspension of production or disruption to parts supply chain due to serious noncompliance by suppliers • Damage to corporate image due to poor regulatory compliance	• Supplying safe products and maintaining competitiveness through more advanced chemical substance management • Cost reduction through increased management efficiency, including within the supply chain • Enhanced corporate image through contribution to international standardization
Biodiversity		• Reduced supply and higher cost of printing paper due to declining forestry resources • Restraints on business activities due to disruption of local ecosystems	• Application of our products and technologies to ecosystem conservation • Enhanced corporate image through contribution to local communities

- Resource Efficiency   - Chemical Substances   - Biodiversity

Environmental Targets and Achievements

2030 Targets		2023 Achievements[2]
Total CO_2 emissions (compared to 2022)	42% reduction for Scope 1 & 2, 25% reduction for Scope 3 (category 1 and 11)	Scope 1 & 2: 10.2% reduction; Scope 3: 18.5% reduction
Improvement in per-unit lifecycle CO_2 emissions index (compared to 2008)	50% improvement	44.4% improvement
2023–2025 Targets		**2023 Achievements[2]**
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO_2 emissions improvement index per product	Avg. improvement: 3.95 p.a. (2008–2023)
Products	3%-per-year average improvement in raw materials and use CO_2 emissions improvement index per product	Avg. improvement: 2.37 p.a. (2008–2023)
2023 Targets[1]		**2023 Achievements[2]**
Operational Sites	Energy consumption per basic unit : 2.4%	4.5 % improvement
	Total waste generation per basic unit: 1%	1.4% deterioration
	Water usage per basic unit: 1%	0.8% deterioration
	Emissions of controlled chemical substances per basic unit: 1%	0.2% deterioration

[1] Calculation based on average annual improvement rate of the three most recent years. For energy consumption at Japanese operational sites, however, calculation as stipulated in Act on Rationalizing Energy Use. The basic unit denominator is decided according to the characteristics of each operational site (production volume, effective floor area, workforce, etc.)
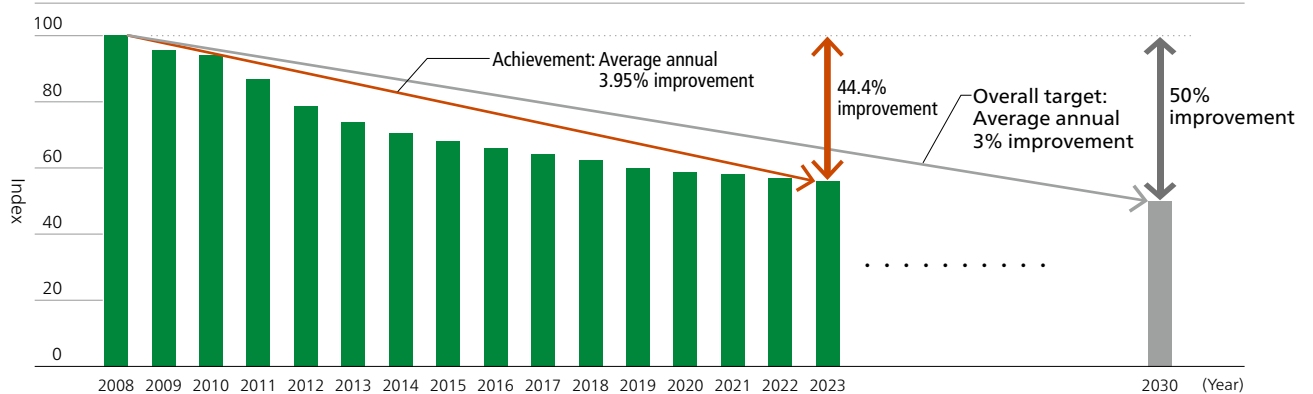[2] For scope of data collection: https://global.canon/en/sustainability/report/pdf/data-2024-e.pdf

We have set environmental targets in line with SBT* (Scope 1 & 2 and Scope 3 emissions) and with our three-year management plan. We review the targets yearly to determine whether changes are necessary. Canon has set an overall target of a 3% average annual improvement in the index of lifecycle CO_2 emissions per product unit, covering CO_2 emissions generated at all stages of the product life cycle, as part of the Canon Group Environmental Targets. Under this overall target, our product target is a 3% average annual improvement in the index of CO_2 emissions per product unit associated with raw materials and product utilization. The operational site target includes target figures for reductions per basic unit in energy consumption, total waste emissions, water consumption and controlled chemical substance emissions.

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

Total CO_2 Emissions

Scope 1 & 2

(1,000 t- CO_2)

Achievement 10.2% decrease

Target: 42% reduction

Scope 3 (category 1, 11)

(1,000 t- CO_2)

Achievement 18.5% decrease

Target: 25% reduction

Index of Lifecycle CO_2 Emissions Per Product Unit

* Assuming 2008 baseline of 100

Progress Relative to Overall Target

In 2023, we made progress with ongoing improvement in product lifecycle emissions via upgraded site-based energy-efficiency measures; greater adoption of renewable energy sources; development of better energy-efficient products; reduced use of air freight; and other measures. As a result, against the target of a 3% average annual improvement in the index of lifecycle CO_2 emissions per product unit,we realized an average annual improvement of 3.95% between 2008 to 2023 and total improvement of 44.4% from 2008.

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 2.37% (2008–2023) in raw materials and use CO_2 emissions per product, falling just short of our target of 3%.

Achievement of Operational Site Targets

■ Energy Consumption Per Basic Unit at Operational Sites

Due to more efficient production and other factors, overall energy consumption per basic unit improved by 4.5% in 2023, exceeding the 2.4% improvement target. We aim to meet this target again in 2024 by reducing energy consumption and further improving production efficiency.

■ Total Waste Generation Per Basic Unit

Due to factors including an increase in the amount of waste generated during production adjustments, waste emissions per basic unit in 2023 fell by 1.4%, missing the 1% improvement target. In 2024, we will move ahead with actions to meet the improvement target, including optimizing cleaning conditions.

■ Water Usage Per Basic Unit in Production

Due to factors including equipment maintenance and greater cooling water usage due to high temperatures, water usage per basic unit deteriorated by 0.8%, missing the 1% improvement target. In 2024, we will move ahead with actions to meet the improvement target, including raising the efficiency of the cleaning process for manufacturing equipment.

■ Emissions of Controlled Chemical Substances Per Basic Unit

Due to factors including an increase in parts cleaning, emissions of controlled chemical substances per basic unit fell by 0.2%, missing the 1% improvement target. In 2024, we will move ahead with actions to meet the improvement target, including raising the efficiency of the cleaning process.
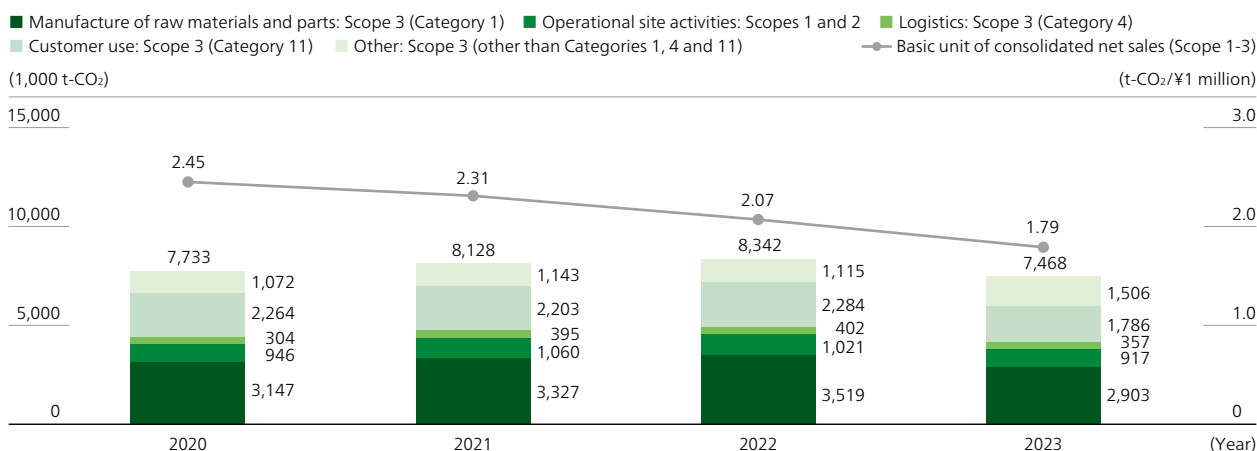
2024 Targets
Unchanged from 2023.

Overview of Environmental Impacts

Total product lifecycle CO_2 emissions (Scope 1-3)* in 2023 were approximately 7.47 million tons. Chiefly as a result of actions to conserve energy, increased use of renewable energy, and the switch to electricity with lower CO_2 emissions, we achieved a reduction of approximately 870,000 t-CO_2 over the entire product lifecycle. The resources (input) that Canon used in its business activities and emissions (output) to the global environment over the entire product lifecycle are as shown in the following chart.

* 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])
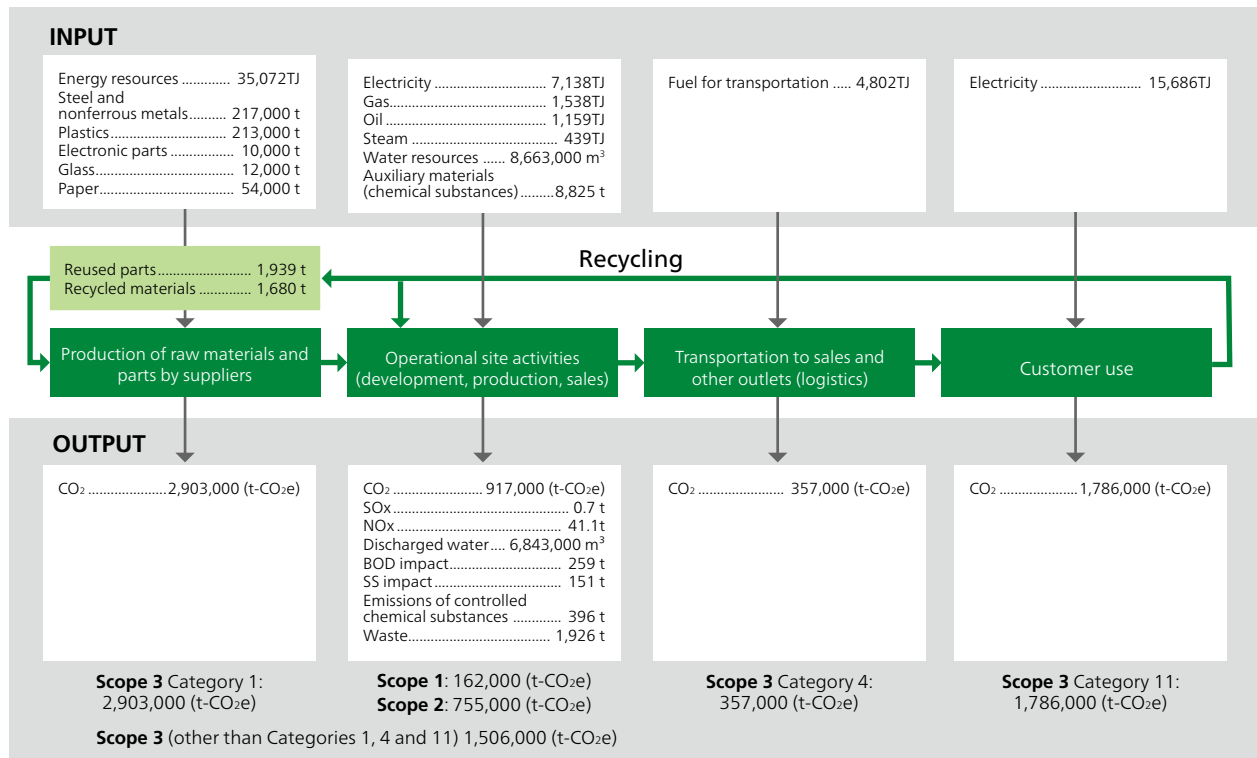
- Resource Efficiency   - Chemical Substances   - Biodiversity

Lifecycle GHG Emissions (CO_2 Equivalent)

■ Manufacture of raw materials and parts: Scope 3 (Category 1) ■ Operational site activities: Scopes 1 and 2 ■ Logistics: Scope 3 (Category 4)
■ Customer use: Scope 3 (Category 11) ■ Other: Scope 3 (other than Categories 1, 4 and 11) —— Basic unit of consolidated net sales (Scope 1-3)

(1,000 t-CO_2)   (t-CO_2/¥1 million)

	2020	2021	2022	2023
Total	7,733	8,128	8,342	7,468
Basic unit	2.45	2.31	2.07	1.79
Other	1,072	1,143	1,115	1,506
Customer use	2,264	2,203	2,284	1,786
Logistics	304	395	402	357
Operational site	946	1,060	1,021	917
Manufacture	3,147	3,327	3,519	2,903

(Year)

* The CO_2 conversion coefficient used for raw materials and processing is that of the Eco-Leaf Environmental Label Program. Starting in 2021, data is aggregated for Canon Group consolidated companies, while data prior to that is aggregated mainly for companies that have acquired ISO 14001 consolidated certification.

Scope 3 GHG Emissions in 2023

Category	Scope	2023 (1,000 t-CO_2e)	Calculation Method
1	Purchased goods and services	2,903	Calculated by multiplying the weight of each material input (including any inputs emitted as waste) by the emission factor for each material/process.
2	Capital goods	883	Calculated by multiplying the total amount of each asset category of purchased capital goods by the emission factor for each asset category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	180	Calculated by finding the total for fuel and electricity usage at each operational site and then multiplying it by the emission factor from fuel extraction to burning and power generation.
4	Upstream transportation and distribution	357	Logistics from the supplier to Canon production sites is calculated by finding the average transport distance and transport volume and then multiplying it by the emission factor for transportation. Logistics from production site to customer's warehouse is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	23	The total weight of waste generated by material and disposal process at each operational site is derived and then multiplied by the end-of-life treatment emission factor.
6	Business travel	58	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor for fuel consumption.
7	Employee commuting	147	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For commutes by private vehicle, total fuel usage is derived from amounts paid and then multiplied by the emission factor for fuel consumption.
8	Upstream leased assets	0	CO_2 emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	50	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor for transportation.
10	Processing of sold products	0	Emissions from production by outsourcing partners of intermediate products used in sale of Canon-branded products are included in Category 1.
11	Use of sold products	1,786	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	165	Sold products are categorized by material and then the emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	1	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	0	Not applicable
15	Investments	0	Not applicable
Scope 3		6,551	

2023 Material Balance

INPUT

Energy resources .... 35,072TJ Steel and nonferrous metals.......... 217,000 t Plastics............................... 213,000 t Electronic parts .... 10,000 t Glass..................................... 12,000 t Paper.................................... 54,000 t	Electricity .... 7,138TJ Gas... 1,538TJ Oil .... 1,159TJ Steam .... 439TJ Water resources ...... 8,663,000 m^3 Auxiliary materials (chemical substances) ....8,825 t	Fuel for transportation 4,802TJ	Electricity 15,686TJ

Recycling

Reused parts.......................... 1,939 t
Recycled materials .... 1,680 t

Production of raw materials and parts by suppliers	Operational site activities (development, production, sales)	Transportation to sales and other outlets (logistics)	Customer use

OUTPUT

CO_2 ....2,903,000 (t-CO_2e)	CO_2 .... 917,000 (t-CO_2e) SOx .... 0.7 t NOx .... 41.1t Discharged water.... 6,843,000 m^3 BOD impact.............................. 259 t SS impact.................................. 151 t Emissions of controlled chemical substances .... 396 t Waste...................................... 1,926 t	CO_2 .... 357,000 (t-CO_2e)	CO_2 ....1,786,000 (t-CO_2e)
Scope 3 Category 1: 2,903,000 (t-CO_2e)	**Scope 1**: 162,000 (t-CO_2e) **Scope 2**: 755,000 (t-CO_2e)	**Scope 3** Category 4: 357,000 (t-CO_2e)	**Scope 3** Category 11: 1,786,000 (t-CO_2e)

Scope 3 (other than Categories 1, 4 and 11) 1,506,000 (t-CO_2e)

Canon compiles data for greenhouse gas (GHG; energy-derived greenhouse gas CO_2, and non-energy derived greenhouse gases PFCs, HFCs, SF$_6$, N$_2$O, methane, and NF$_3$). For CO_2 emission factors for electricity, figures provided by individual electric supply companies are used, but publicly disclosed region-specific figures are used when figures are not provided by electric supply companies (Please refer to the website for the operational sites included in aggregation: https://global.canon/en/sustainability/report/pdf/data-2024-e.pdf. 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 CO_2 equivalent using CO_2 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 CO_2)
Third-party verification has been obtained for CO_2 emissions data appearing in "2023 Material Balance" and "Lifecycle GHG Emissions (CO_2 Equivalent)" in 2022/2023 and for each figure in "Scope 3 GHG Emissions in 2023."

Disclosure in Line with TCFD Recommendations

Canon accepts the recommendations of the final report of the Task Force on Climate-related Financial Disclosures (TCFD) and discloses climate-related information in accordance with the TCFD framework. This section also includes information from the CDP climate change questionnaire.

Initiatives in line with TCFD Recommendations	
Governance	Environmental targets, including climate change responses, are approved by the CEO. Medium-term and long-term plans are formulated by the Sustainability Headquarters, and approved by the CEO after discussions among board directors and other executives. The Sustainability Headquarters plays a central role in the groupwide efforts to achieve these targets, and reports the progress of the targets to the management every month and the annual review to the CEO. Our company has also established a Risk Management Committee based on a resolution of the Board of Directors. Serious risks related to environmental laws and regulations and natural disasters are assessed by the Risk Management Committee, and the results are reported to the Board of Directors.
Strategy	Based on information from specialized institutions and government agencies, Canon conducts numerical simulations of lifecycle CO_2 reductions using the climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC) and other inputs. When evaluating potential operational sites, Canon first assesses locations to confirm the local water availability using AQUEDUCT, a 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. We also try to conserve water based on local conditions. In response to higher flood risks due to the rise in abnormal weather patterns, we have relocated facilities to higher ground or selected land at higher elevation when constructing a second factory at a site. By responding appropriately to climate change in this way, we can identify business risks and opportunities while also formulating medium- to long-term strategies. See P.17 for further details of risks and opportunities. In order to reduce risks and expand opportunities, we recognize the importance of both mitigating CO_2 emissions and adapting to physical risks from the perspective of entire product lifecycles, and we have formulated and implemented action plans accordingly. We are also working to reduce CO_2 emissions through efforts to realize a resource efficiency. For example, remanufacturing of printers can reduce CO_2 emissions from the procurement of new raw materials and parts processing. In the closed-loop recycling of ink and toner cartridges, plastic is pelletized from collected cartridges and reused as raw material, thus reducing CO_2 emissions from procurement and transportation of new raw materials.
Risk management	Identified climate change risks and opportunities are managed in accordance with the ISO 14001 PDCA cycle. Our company has established a Group-wide environmental management system, based on ISO 14001, at all of its business sites around the world as a mechanism to continuously improve its environmental assurance activities. In order to promote (DO) environmental assurance activities in conjunction with the activities of each division (Product Group, business sites, and Group companies), the Environmental Management System determines (PLAN) medium-term and annual environmental targets, and formulates priority measures and implementation plans to achieve them, which are reflected in business activities. In addition, we conduct environmental audits to check the status of initiatives and issues in each division, and conduct environmental performance evaluations that incorporate environmental and CSR aspects into performance evaluations (CHECK), leading to continuous improvement and reinforcement of environmental assurance activities (ACT). These Responses to risks and opportunities are reflected in company-wide environmental targets and priority measures. Our company considers the environment as part of its management evaluation. The achievement of environmental targets and the results of environmental and CSR activities by each division are evaluated and scored twice a year in the environmental performance evaluation conducted as an indicator of the consolidated performance evaluation system, which evaluates the performance of the entire Group. The evaluation results are reported to the CEO and other senior management.
Metrics and targets	Canon is aiming to achieve net zero CO_2 emissions over entire product lifecycles by 2050. To achieve this goal, we have set an overall target to reduce Scope 1 and 2 emissions by 42% in 2030 compared to 2022, and reduce Scope 3 (categories 1 and 11) emissions by 25% compared to 2022. These targets have been validated by SBTi. In addition, since 2008, we have been working toward an overall target of a 3% average annual improvement in the index of lifecycle CO_2 emissions per product unit. By continuing to meet this target, we will achieve a 50% improvement in 2030 compared to 2008 levels. As of 2023, the average rate of improvement since 2008 had exceeded the average target, at 3.95%, representing an improvement of 44.4% compared to 2008. Lifecycle CO_2 emissions were 7,468,000 t-CO_2 (aggregate value for Scope 1, 2 and 3). These GHG emissions data are certified by an independent third party every year, and the latest certification occurred in 2023.

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

Climate Change

Canon is working to reduce CO_2 emissions at all stages of the product lifecycle.

For 2050
We aim to achieve net-zero CO_2 emissions for entire product lifecycle (Scope 1-3) by 2050.

2030 Targets
- Reduce Scope 1 & 2 emissions by 42% compared to 2022, reduce Scope 3 (category 1 and 11) emissions by 25% compared to 2022.
- Work toward a 3% average annual improvement in the index of lifecycle CO_2 emissions (per product unit), realizing a cumulative improvement of 50% compared to 2008 by continually achieving this target.

Climate Change Initiatives

Canon seeks to consistently meet its environmental targets and, beyond that, is working toward net-zero CO_2 emissions from its business activities by 2050. To that end, we quantify emissions during the whole product lifecycle and use technology to reduce emissions at each stage.

Energy-Saving Product Design

Environmentally Conscious Designs for Office Equipment

Canon's imageRUNNER ADVANCE DX C3900F series of MFDs use industry-leading low-temperature fixing toner that offers significantly improved fixing temperatures compared to conventional toners. As a result, they reduce power consumption by up to 15%[1] compared to previous models—an industry-leading typical energy consumption (TEC[2]) value. This toner boosts transfer efficiency by controlling the shape of toner particles, resulting in less post-printing residue, meaning the same toner bottle can print roughly twice as many pages before it is returned. This reduces the amount of toner waste, notably in high-volume printing conditions, leading to lower environmental impact. The eco-conscious design extends to the use of replaceable parts[3] with longer lifespans that need replacing less often.

imageRUNNER ADVANCE DX C3900F (model shown includes optional features)

[1] Figure applies only to A3 model. The previous models in this comparison are the imageRUNNER ADVANCE DX C3835F, C3830F and C3826F that launched sales in October 2021.
[2] Typical energy consumption (TEC) is based on in-house comparison with MFDs qualifying for the International Energy Star Program (digital color copiers with copy, fax and scan capabilities printing at 25–35 pages/min); data as of August 1, 2023.
[3] Intermediate transfer belt, secondary transfer outer roller

Calculation and Disclosure of Carbon Footprint of Products (CFP)

We utilize the LCA approach to help estimate the lifecycle CO_2 emissions of Canon products. The cycle is divided into five stages (procurement of materials; production; logistics; usage and maintenance; disposal and recycling), and we utilize LCA to calculate GHG emissions for each stage, which are converted into CO_2 equivalents. The CFP is a visualization tool, helping to identify emissions-intensive processes to help us design Canon products that are more energy-efficient.

Additionally, to enable customers to select products with lower CO_2 emissions, we work to disclose relevant information based on Carbon Footprint of Products (CFP) and EcoLeaf certification under the SuMPO environmental labeling program of the Sustainable Management Promotion Organization (SuMPO).

Additionally, by taking advantage of the Carbon Offset Program utilizing CFP promoted by Japan's Ministry of Economy, Trade and Industry, we have put in place a system for the carbon offset* of CO_2 emissions throughout the product lifecycle of our office multifunction devices and some production printer products to address customer demands. Offset CO_2 emissions in response to customer demands totaled 1,197 tons in 2023.

* Carbon offset involves initiatives in which a company strives to reduce its own greenhouse gas emissions, while offsetting amounts it cannot reduce by reducing or absorbing emissions elsewhere.

Reference: Products registered for SuMPO Environmental Labeling Program (Japanese website only)
https://corporate.canon.jp/sustainability/environment/customer/products/cfp

Reference: Products certified under Carbon Offset Program making use of CFP (Japanese website only)
https://corporate.canon.jp/sustainability/environment/customer/products/cfp-certified

Greater Energy Efficiency at Operational Sites

### Cutting Power Consumption in Production Using Production Green Cost Management (GCM)

At Canon, we use "GCM" to refer to the management framework we have developed that targets parallel reductions in costs and CO_2 emissions, alongside decarbonization efforts based on the development of green technologies. Within this framework, we focus on "production GCM" initiatives that aim to cut the power used at the production stage. This is made up of the three steps of power visualization, reduction potential analysis, and reduction measures. We look in detail at the power used by each piece of production equipment, such as conveyors and welders, to identify the potential energy savings and target improvements.

Energy Cost Reduction Working Group

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

Since its launch, this initiative has resulted in Group-wide energy savings of 238,712kL (crude oil equivalent).

Organizational Chart of Energy Cost Reduction Working Group
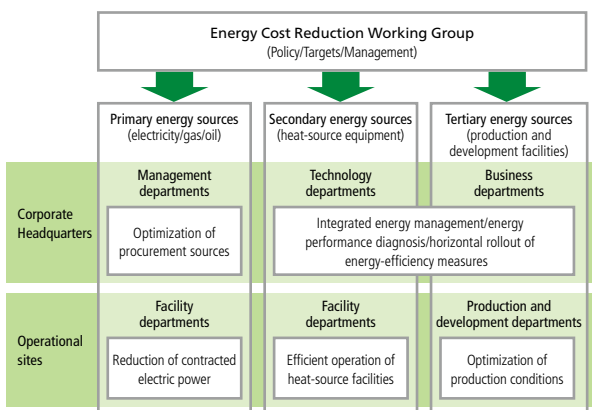
Cumulative Energy Savings Through Working Group Activities (Cumulative)
(kL: crude oil equivalent)

Year	Value
2019	125,390
2020	155,086
2021	185,897
2022	213,756
2023	238,712
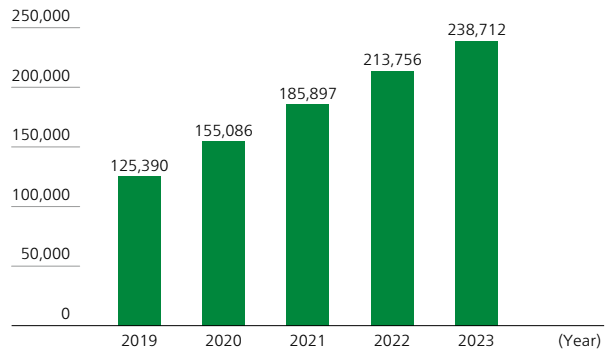
Use of Renewable Energy

Canon is working to expand the use of renewable energy in a variety of ways, taking into account the regional prevalence of renewable energy and the initiatives of various countries.

We have installed solar generation panels on the premises of Canon Vietnam's Thang Long Factory, Canon Zhongshan Business Machines, and other sites, using the renewable energy generated in production.

In addition to this initiative, Canon newly obtained a renewable energy certificate (REC) which securitizes the environmental value of renewable energy. This allowed the company to convert 100% of the power used in FY2023 at five locations among four manufacturing sites—Canon Suzhou, Canon Vietnam (Thang Long Factory and Tien Son Factory), Canon Hi-Tech Thailand (Ayutthaya Factory), and Canon Prachinburi Thailand—to renewable energy. Sales marketing companies such as Canon Deutschland and Canon (China) are also using renewable energy certificates to ensure that 100% of electricity consumption in their offices comes from renewable energy sources. Such use of renewable energy earned Canon Europe and Canon UK an "excellent" evaluation under the BREEAM* environmental assessment standard.

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

* Abbreviation for Building Research Establishment Environmental Assessment Method. An environmental sustainability assessment method developed by Britain's Building Research Institute that evaluates buildings under nine categories, including health and wellbeing, energy, and waste.
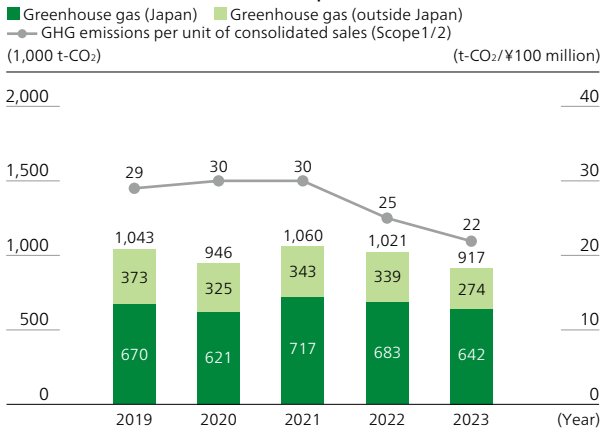
Solar panels installed at Canon Zhongshan Business Machines in China

Greenhouse Gas Emissions at Operational Sites

The efforts of the Energy Cost Reduction Working Group, coupled with the rigorous streamlining of production processes and other actions by our operational sites to reduce emissions and the broader adoption of renewable energy, resulted in an approximately 10% year-on-year reduction in emissions, to 917,000 t-CO_2. In 2024, we will continue to extend the roll-out of energy conservation and renewable energy initiatives at our business locations, pursuing further reductions in CO_2 emissions.

Greenhouse Gas Emissions at Operational Sites
■ Greenhouse gas (Japan)   ■ Greenhouse gas (outside Japan)
━━ GHG emissions per unit of consolidated sales (Scope1/2)
(1,000 t-CO_2)   (t-CO_2/¥100 million)

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

CO_2 Reductions in Logistics

We are working to reduce our logistics-related CO_2 emission at every stage from procurement to sales.
To reduce the environmental impact of transportation, we are promoting modal shifts by switching from air to sea and from road to rail or ferry transport.

We are also making an active effort in improving transport loading efficiency by promoting "container round use" which means turning import containers to reuse them for exports. In addition, we are in partnership with other companies to enhance co-loading as a way of reducing the total transportation distance.

Post-pandemic stabilization in international logistics has supported the reduction of international transport-related CO_2 emissions by 21% through the progress of shifting from air to sea.

Elsewhere, we are working to improve transport loading efficiency by realizing smaller packaging and promoting re-used packaging materials as well as using eco-friendly packaging materials. Installing solar panels on our warehouses contributed to reduce environmental impacts in logistics by utilizing renewable energy.

Overview of Container Round Use
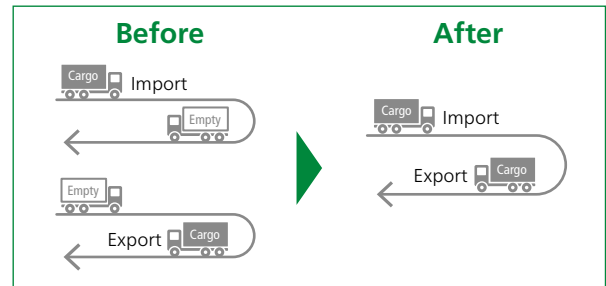
Using More Eco-Friendly Materials
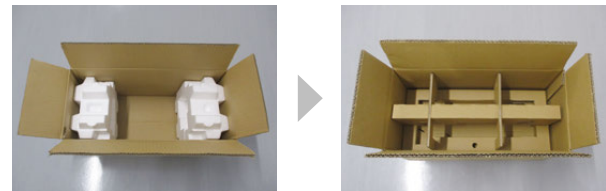
Using polystyrene foam   All-cardboard packaging

Canon Business Machine Philippines (CBMP) received the Energy Efficiency Excellence Award (EEE) sponsored by the Department Of Energy (DOE) for the first time and the PEZA Award sponsored by the Philippine Economic Zones Authority

CBMP was the first Japanese company to receive the "Energy Efficiency Excellence Award 2022 (EEE Award): Industries and Buildings Division" sponsored by the Department Of Energy (DOE). The EEE Award is one of the most prestigious environmental awards in the Philippines, established by the Department of Energy to promote sustainable use of energy and conservation of resources. As a result of its energy conservation activities over the past 3 years, CBMP was recognized for its success in reducing energy consumption by an average of 10.7 million kJ per year despite the impact of COVID-19, and for its contribution to reducing CO_2 emissions by 5.17TJ. CBMP also received the "PEZA Award: Outstanding Community Projects Award" sponsored by the Philippine Economic Zones Authority (PEZA). The Outstanding Community Projects Award is given to a company that has established a good relationship with the community through social contribution activities. The award was given in recognition of CBMP's promotion of projects that combine environmental activities such as environmental education, Tree Planting, Forest Clean Up, Coastal Clean Up, Biodiversity conservation, and Waste Reduction with community promotion activities.

CBMP staff receiving awards

Reducing Impact in Product Use

Thanks to energy-saving technologies used in office equipment, Canon products achieved cumulative energy savings of 7,047GWh between 2013 and 2023. This is expected to result in a CO_2 reduction of 3,184,000 tons.

Energy/CO_2-Saving Effects of Office Equipment (Cumulative)

■ Cumulative amount of energy saved
—●— Cumulative CO_2 emissions reduction effect of sold products
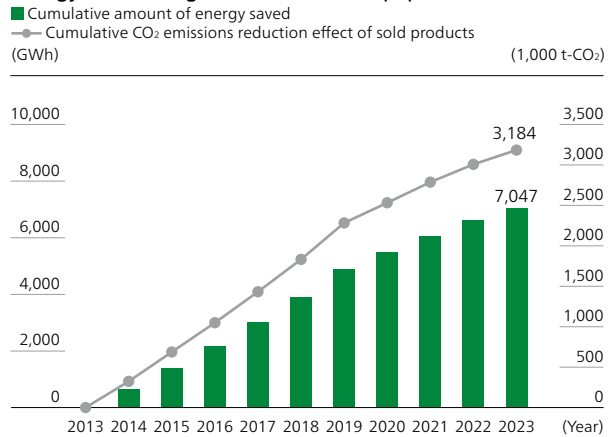
* Covered products: Electrophotographic multifunction devices and laser printers for offices (excluding production printers).
* Energy-saving effect using the average energy (electricity) consumed by products sold five years prior to each respective year, assuming that products sold each year are in use for five years.
* CO_2 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).

Contributing to Society by Reducing CO_2 Emissions

In addition to reducing lifecycle CO_2 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 CO_2 reduction in society as a whole. We are combining conventional visual inspection with high-resolution image capture, proprietary image processing, and AI technologies in the inspection of bridges and tunnels. By detecting cracks or other deformities using images of the structures, the system requires fewer workers and eliminates the need for physical movement of objects, enabling greater operational efficiency, realizing high performance, and reducing CO_2 emissions.

By delivering a range of solutions to society, Canon will continue contributing to reducing CO_2 emissions not only in its own operations but also in society as a whole.
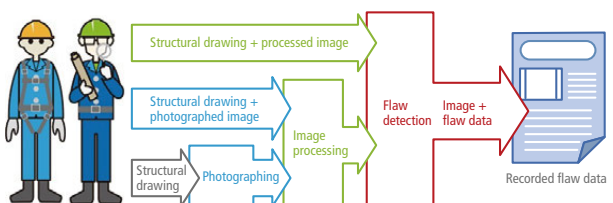
Examples of tunnel and bridge maintenance

Contributing to Climate Change Adaptation Based on Hydroponic Plant Factories

Food supply risks are increasing due to the higher climate change-related incidence of flooding and droughts. Hydroponic plant factories, which can provide a stable supply of crops even in urban areas under climate-independent conditions, are drawing attention as an example of adapting to climate change. Locating production in the cities that are the major areas of consumption also enables lower CO_2 emissions from food transportation. Indoor crop cultivation can also be advantageous due to a lack of pests, helping to significantly cut the use of fertilizers and other chemicals such as disinfectants. However, managing growing conditions and establishing a production framework requires know-how, and many processes must be done manually, making labor costs a major issue.

With strengths in automation technology, Canon Electronics is developing equipment to automate the various manual processes used in hydroponic-based plant cultivation with the aim of boosting production yields. The company is also developing software to control the temperature, humidity and other growing conditions, with the long-term aim being to create an unmanned plant factory.

Frilly lettuce under cultivation

Comment from Plant Factory Staff

I was responsible for mechanical design. The culture at Canon Electronics is to make everything in-house, but I was repeatedly surprised and excited at how we began with the cultivation panel concept and managed to create the mold design, in-house molding and automated equipment. (Toru Takahashi, Precision Equipment Design)

I worked on the conditions for cultivation. I can never forget my joy at finding the best conditions to enable reliable harvesting. We had to persevere to satisfy the strict demand of the person designing the harvester, who insisted that the crop's outer leaves stand up so the cutting point would be easy to see. (Yuuki Kanzou, Materials Research)

Staff involved in automatic machine development and lettuce growing

Resource Efficiency

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

Resource Efficiency

Canon seeks to recycle used products into new ones to maximize the value brought about by resource efficiency. In particular, we have emphasized such initiatives as closed-loop recycling of toner cartridges and the remanufacturing of office multifunction devices — collecting them post-use and making them into products with good-as-new quality. Currently, Canon has five sites conducting recycling, in Japan, Germany, France, the United States, and China. We are continuing initiatives aimed at circulating resources within the same regions where they are consumed. Since 2008, we have reused 37,155 tons of products and parts directly and extracted

46,023 tons of plastic from used products for use as raw materials in other products. Going forward, we will continue to reinforce activities at Canon recycling sites around the world, contributing to both a resource efficiency and the realization of a carbon-neutral society.

Flowchart of Resource Efficiency

Collection of used parts

Reused products

Recycling site

Products made from reused parts and recycled plastic parts

Reused parts

Plastic parts made from recycled material

Closed recycling

Open material recycling and energy recovery

Reference: Remanufacturing of Multifunction Devices (→P30)
Ink and Toner Cartridge Closed-Loop Recycling (→P30)

Product-to-Product Recycling Volume (Cumulative)

■ Volume of reused products and components
■ Volume of product-to-product plastic

(t)

83,178

46,023

37,155

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 (Year)
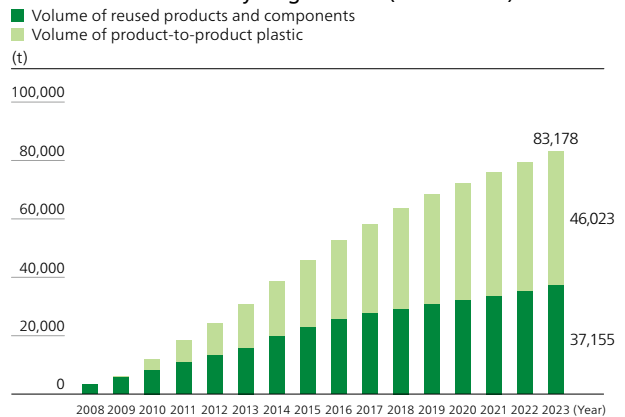
* Product recycling initiatives have been ongoing since before 2007. Data are based on 2008 as the baseline year.

Canon Recycling Sites Worldwide

Canon Bretagne S.A.S. (France)

Canon Dalian Business Machines, Inc. (China)

Canon Virginia, Inc. (US)

Canon Giessen GmbH (Germany)

Canon Eco Technology Park* (Japan)

* Operated by Canon Ecology Industry Inc.
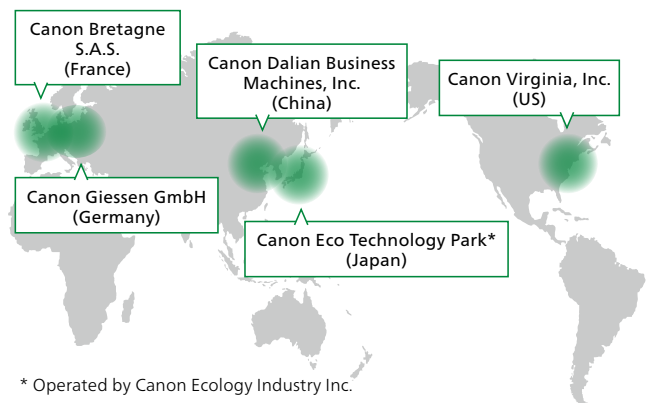
Digital Printing Business/Resource Recycling Targets Established

The resource recycling rate is a numerical figure indicating what proportion of the sales volume by weight of Canon's Printing Business utilizes recycled materials or components. We have set targets of 20% for 2025 and 50% for 2030, after recording a value of around 16% in fiscal 2022. The sales volume measures the aggregate weight of all Group inputs and outputs, including newly manufactured and remanufactured MFDs, toner and ink cartridges.

We are taking the following initiatives at recycling sites to boost the resource recycling rate.
- Improving the purity of separated recycled resources such as iron, nonferrous metals, and plastics
- Improving the recycled part ratio in recycled machines and parts
- Expanding the type and production volume of (closed loop) recycled materials

Pioneered by the Group's principal recycling technology company, Canon Ecology Industry, the programs are also being developed at Canon Giessen and Canon Virginia and other overseas production sites.
Actions in 2023 to improve reuse and recycling led to a resource recycling rate of approximately 17%.

Resources Flow
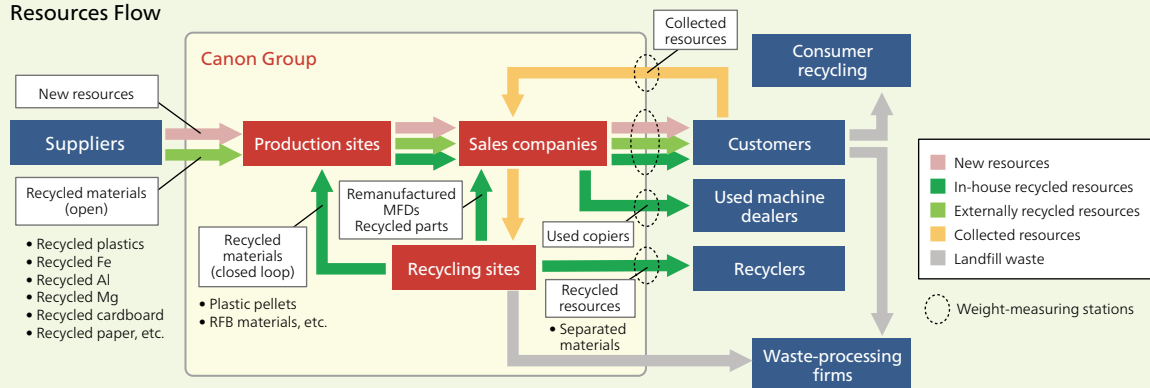
Value Created by Resource Efficiency

We see initiatives at Canon's recycling sites as not only contributing to a resource efficiency but also contributing to a carbon-free future. The reuse of parts through remanufacturing and the recycling of plastics through closed-loop recycling allow us to reduce the amount of CO_2 emissions generated by raw material procurement and transportation compared with using new raw materials. Canon Ecology Industry Inc. emitted approximately 2,100 tons of Scope 1 and 2 CO_2 through site operations. We believe that these efforts have resulted in a reduction of approximately 11,700 tons of CO_2 emissions.

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,

Example of Canon Ecology Industry Inc.

CO_2 emissions from site operations
(t-CO_2)

Approx. 2,100 tons
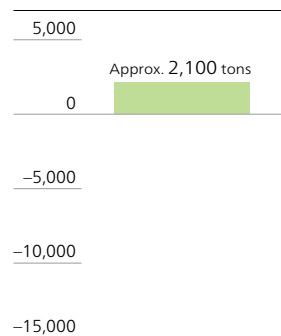
CO_2 Emissions from Resource Efficiency
(t-CO_2)

Approx. 11,700 tons
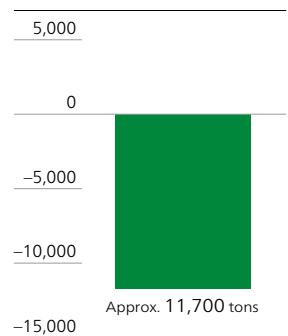
Green Public Procurement standards, and environmental labeling standards in the different countries and regions where we sell our products. It sets out concrete guidelines covering a range of areas, such as extending product life, making products easier to maintain, disassemble and sort into constituent materials after disassembly, and improving information disclosure.

Remanufacturing of Multifunction Devices

Since 1992, Canon has undertaken remanufacturing of used multifunction devices. This process involves a system that automatically determines which parts should be reused, based on operating data about the equipment, such as the number of years in use, its history of breakdowns, and the number of pages printed. Then, following strict reuse standards, we replace any parts that show wear or deterioration. The production line and inspection processes used are on a par with those for devices made only with new parts. When a remanufactured device is shipped, it is guaranteed to offer the same level of quality as a new product. We market remanufactured devices from the imageRUNNER ADVANCE series under the Refreshed series brand in Japan and under the ES series brand in Europe. Using meticulous washing and cleaning processes, along with sandblast polishing* to remove the smallest imperfections and other special treatments, the imageRUNNER ADVANCE C3530F-RG of the Refreshed series achieved a reused parts ratio of over 94%. To promote further recycling in our multifunction devices, Canon is creating product platforms to standardize parts and designing products that are easy to reuse and recycle through disassembly and cleaning.

* A technique for polishing resin surfaces by blasting with microparticles

Reuse of Parts

Canon collects post-use maintenance parts from used products. After being washed and cleaned, the parts are incorporated into recycled products put back on the market. This work is done by Canon Giessen in Germany and by Canon Ecology Industry in Japan, with Canon Virginia in the United States expected to begin production using this method from 2024. In fact, to meet maintenance demand after ceasing the production of machine casings, Canon Ecology Industry has new and recycled production lines operating in parallel. Extracting and re-using the materials from post-collection machines is reducing how much new resources are required in production.

Development and Use of Recycled Plastic with PCR* Rate of 100%

Canon Ecology Industry operates a closed-loop recycling system in which plastic parts extracted from collected machines are separated, washed and crushed to form pellets. The recycled plastic pellets are shipped to Canon production sites, creating a loop with a PCR rate of 100%. The cumulative volume of pellets shipped as of the end of 2023 was 26 tons.

* PCR= post-consumer recycling (proportion of materials from returned post-use products that is recycled)

Initiatives Regarding Consumables

Toner Cartridge Closed-loop Recycling

In 1990, Canon launched its Toner Cartridge Recycling Program, the first such program in the industry. The program continues to operate today. Returned used toner cartridges are brought to Canon recycling sites and sorted by model. The reusable parts are then picked out, washing and maintenance are performed, and the parts are reused in new products. Parts that cannot be reused are crushed and separated by material using physical characteristics such as electrostatic properties and specific gravity. The primary material of toner cartridges is the high-impact polystyrene (HIPS) used primarily for the housing. HIPS can be used repeatedly to make new toner cartridges, a unique feature of Canon's closed-loop recycling process. We conduct used toner cartridge collection in 24 countries and regions (with a cumulative collection volume of about 464,000 tons as of the end of 2023) for recycling at four sites* worldwide. As of 2023 we have achieved a cumulative reduction in the use of new resources of approximately 331,000 tons.

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

Collection and Recycling of Ink Cartridges

Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2023, the total volume of collected cartridges was 2,845 tons. In Japan, in conjunction with other printer manufacturers, Canon operates the Ink Cartridge Satogaeri (Homecoming) Project, a program that utilizes collection boxes for used ink cartridges in post offices, libraries, and other locations. Schools also collect cartridges through activities related to the Bellmark Campaign. Outside Japan, cartridge collection boxes are placed in large retail stores, companies, schools, and other locations.

Collection box for the Ink Cartridge Satogaeri (Homecoming) Project

Collection/Recycling of Used Toner Bottles

Since 2022, France-based Canon Bretagne has built a system for replenishing recovered toner bottles and supplying them to the regional market. This has not only further reduced the volume of plastic used, but also realizes energy savings at the point of toner bottle fabrication.

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

In February 2018, we opened the Canon Eco Technology Park. Based on a "clean and silent" design concept, which overturns the traditional image of recycling operations, the facility has implemented advanced systems to further boost recycling efficiency. The Canon Automated Recycling System for Toner Cartridges (CARS-T) is a process in which, after separation using a camera-based process, used toner cartridges are crushed and 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 recycling system for ink cartridges (Canon Automated Recycling System for Ink Cartridges: CARS-I), a camera-based automatic sorting process is applied to used ink cartridges. The automated process line covers disassembly, pulverization and washing. Separated materials are re-used for ink cartridge components and packaging. Resources that cannot be recycled in product-to-product recycling are diverted to material recycling or thermal recovery processes to help maximize resource efficiency.

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

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

Action to Reduce Disposable Plastics

We are working to find alternatives for single-use plastics in our product packaging materials. Among the Canon products launched in 2023, nine inkjet printers utilize pulp molds, resulting in 70% less plastic use than in previous models, while 97.2%*[1] of the packaging materials are made of paper. Within our range of office MFDs, the A3 model*[2] of the imageRUNNER ADVANCE DX series and the imagePROGRAF TM series of large-format inkjet printers both use corrugated board. The issue with corrugated board is their increased weight, as more material is usually needed to achieve the same functionality as expanded polystyrene. To reduce packaging volumes while maintaining functionality,

we are adopting packaging designs based on the use of prefabricated corrugated board, which reduces the weight and helps to lower CO_2 emissions in the transportation process.

*1 Average value of nine products
*2 Not applicable to Asia (excluding Taiwan)

Cardboard used in packaging

Eliminating Plastics Significantly from Packaging Materials

Rather than the plastic cushioning trays, bags and packaging that are often used to protect the camera and accessories such as cables, Canon's "PowerShot V10" vlogging camera only utilizes packaging materials made of cardboard, plant-based nonwoven fabrics and paper. This helps to eliminate single-use plastics as well as reducing environmental impact. In recognition of the way it helps to rationalize and improve packaging in the sector, the "PowerShot V10" was given an award at the 2023 Japan Packaging Contest sponsored by the Japan Packaging Institute in the category for Electric Equipment Packaging Award.
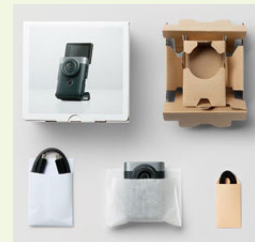
Packaging without plastic materials*

* Excludes materials used as labels, coatings or adhesives.

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

Use of Biomass and Recycled Plastics

The HS-1220TUB and TS-122TUB tabletop calculators and the LS-122TUB mini tabletop calculator use biomass plastic materials made from plant resources and recycled plastic made from plastic waste. These products have also obtained Japan's Eco Mark and Biomass Mark certifications, as well as complying with

the Green Purchasing Act* stipulated by the Ministry of the Environment. In these ways, Canon is reducing environmental impact during manufacturing.

* A Japanese law in effect since 2000 that promotes environmentally friendly product procurement, centered on the national government.

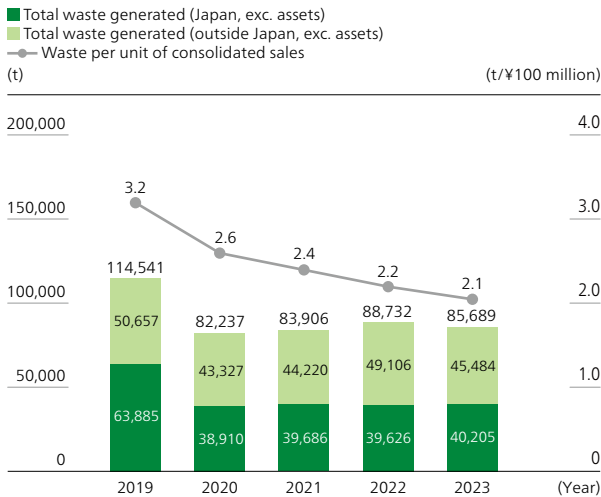12-digit tabletop calculator HS-1220TUB

Initiatives to Reduce Waste at Operational Sites

Canon is working hard to reduce the amount of waste it generates. Efforts include increasing recycling through sorting and collection and minimizing initial waste generation. In particular, we have sought to determine which factors most significantly affect waste generation at production sites for each division and each production process. Based on these findings, and thorough forecast management, we have implemented a number of ongoing initiatives to reduce waste. Total waste generated in 2023 was 85,689 tons, a decrease of 3.4% compared to 2022. This was mainly due to the re-use of wooden pallets, plastic pallets and packaging materials by Canon Medical, along with efforts at Canon Hi-Tech (Thailand) to reduce amounts of cushioning materials used in packaging and the promotion of returnable boxes.

Total Waste Generated

- ■ Total waste generated (Japan, exc. assets)
- ■ Total waste generated (outside Japan, exc. assets)
- ●— Waste per unit of consolidated sales

(t)   (t/¥100 million)

Year	Japan	Outside Japan	Total	Waste per unit
2019	63,885	50,657	114,541	3.2
2020	38,910	43,327	82,237	2.6
2021	39,686	44,220	83,906	2.4
2022	39,626	49,106	88,732	2.2
2023	40,205	45,484	85,689	2.1

* Excludes disposal of products collected after use.
* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

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

Canon actively works to reduce the amount of waste originating from its operations and to reuse or recycle waste where possible, appropriately disposing of any waste that can be neither reused nor recycled in accordance with the law. Our various operational sites employ a range of in-house recycling schemes, including reprocessing waste plastic from injection molding as artificial wooden benches or recycling it for other items. Even in the case of waste that must be sent outside the company, we outsource the recycling of each resource to ensure that it does not enter landfills*. Rather, we contract with companies that reprocess waste into materials. In 2023, contracted companies processed 83,763 tons of waste from Canon back into materials.

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

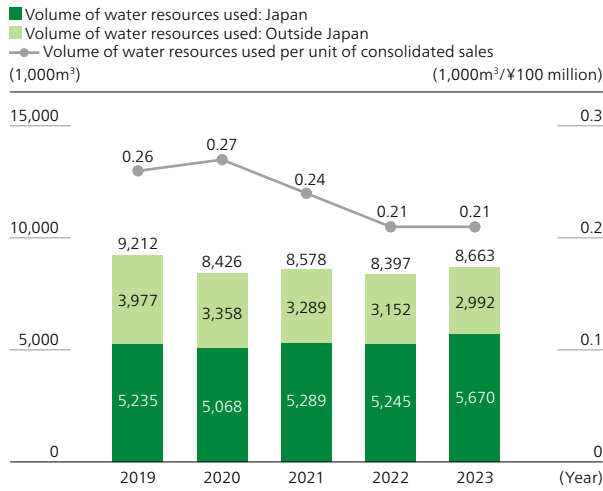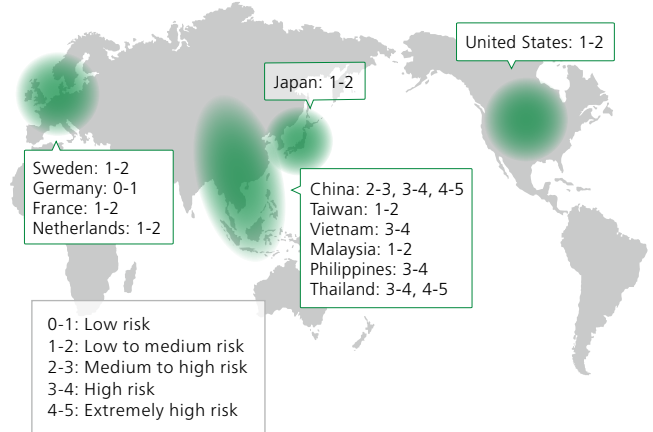## Initiatives for Sustainable Use of Water Resources

Reducing Water Usage

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

Water Recycling at Production Sites

Canon promotes the recycling of water resources. For example, taking into consideration its impact on the marine ecosystem of nearby Beppu Bay, which abounds with precious natural resources and habitats, the Kitsuki Plant of Oita Canon Materials Inc. employs a fully closed wastewater system that discharges only rainwater. At Canon Ecology Industry, wastewater from equipment used in air conditioning and other infrastructure is treated and recycled for reuse in the production process of toner and ink cartridges. Canon Inc., Taiwan's production site re-uses the wastewater from the cleaning equipment in the polishing process. We are also working to keep water consumption at our marketing sites to an appropriate level by measuring and monitoring the amount of water used at main sites. To reduce water consumption at its head office building through water recycling, Canon Marketing Japan is cooperating with the Shinagawa Grand Commons Community Development Council, an association of local business enterprises, in a reclaimed water utilization project under which recycled water supplied by the Tokyo Sewerage Bureau is used for flush toilets and other purposes. In 2023, water consumption increased by 3.2% from the previous year to 8,663,000 m³. This reflected larger water volumes used in cooling for facility maintenance purposes and due to the higher prevailing temperatures, which more than offset the ongoing efforts of Canon Group sites to reduce water usage.

Use of Water Resources

■ Volume of water resources used: Japan
■ Volume of water resources used: Outside Japan
— Volume of water resources used per unit of consolidated sales

(1,000m³)   (1,000m³/¥100 million)

Year	Outside Japan	Japan	Total	Per unit
2019	3,977	5,235	9,212	0.26
2020	3,358	5,068	8,426	0.27
2021	3,289	5,289	8,578	0.24
2022	3,152	5,245	8,397	0.21
2023	2,992	5,670	8,663	0.21

* Third-party verification obtained for water consumption figures from 2018.
* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

Water Risk in Regions Where Production Sites Are Located

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

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

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

United States: 1-2

Japan: 1-2

Sweden: 1-2
Germany: 0-1
France: 1-2
Netherlands: 1-2

China: 2-3, 3-4, 4-5
Taiwan: 1-2
Vietnam: 3-4
Malaysia: 1-2
Philippines: 3-4
Thailand: 3-4, 4-5

0-1: Low risk
1-2: Low to medium risk
2-3: Medium to high risk
3-4: High risk
4-5: Extremely high risk

* Result of "physical risk quantity" assessment of production sites (as of end of 2020) using AQUEDUCT water-risk mapping tool (Version 3) (as of February 2024)

Canon Hi-Tech (Thailand) (CHT) received Green Star Award for 6th consecutive Year and First Gold Star Award

CHT has received the Green Star Award sponsored by the Industrial Estate Authority of Thailand and supported by the Ministry of Industry for the 6th consecutive year and the Gold Star Award for the first time. The Green Star Award was established in 2011 to recognize companies in industrial estates in Thailand that are actively engaged in environmental protection and health and safety management. In addition to its own activities, CHT received the award in recognition of its efforts to improve the efficiency of plastic use and reduce environmental impact by reusing water and waste in order to promote a recycling-oriented economy, to educate local residents about the environment in order to prevent global warming and reduce waste and separate waste to recycle, and to manage safety and health, including measures against COVID-19.

CHT receives the Gold Star Award

Chemical Substances

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

Approach to Managing Chemical Substances

Canon strictly manages chemical substances in products as well as those used in manufacturing processes. Our basic approach to management involves confirming products do not contain regulated chemical substances that exceed the prescribed standard and production sites do not discharge regulated chemical substances that exceed the prescribed standard.

Management of Chemical Substances in Products

Canon has built a Group-wide environmental assurance system for managing chemical substances in products. Taking the laws and major environmental-labeling requirements around the world into consideration, we established in-house standards in line with the most stringent regulations in the world. Specifically, our management system classifies chemical substances into three categories: "prohibited substances," which cannot be used in products; "use-restricted substances," for which we are working to find alternatives by specific deadlines; and, "controlled substances," the amount of which should be monitored.

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

To manage chemical substances appropriately, it is important to share information on the chemical substances contained in materials, parts, and products accurately and efficiently along the supply chain from upstream to downstream, and to ensure compliance with all applicable regulations. After adopting the IEC62474* international standard data scheme, Canon in 2017 began utilizing the chemSHERPA data scheme for information sharing, standardized under the initiative of Japan's Ministry of Economy, Trade and Industry. We also upgraded our existing chemical substance integrated management system to be compatible with chemSHERPA. As of 2023, more than 99% of survey replies from suppliers have been made through chemSHERPA. This has led to increased workplace efficiency while helping alleviate the administrative burden on suppliers. Some suppliers have also adopted pre-filled survey replies that contain some of the required information. This shift to a more standardized approach contributes further to operational efficiency. Meanwhile, for suppliers who have difficulty with the reply process, guide manuals in Japanese, English, and Chinese have been prepared to promote the progressive global adoption of chemSHERPA.

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

UVgel460 Inks Certified as Meeting Rigorous GREENGUARD Gold International Standard

The UVgel460 inks used in Canon's Colorado series of printers have been certified to meet the GREENGUARD Gold international standard relating to indoor emissions of volatile chemical substances from products. With stricter criteria than GREENGUARD, the GREENGUARD Gold certification indicates that UVgel460 inks meet rigorous indoor environmental standards and can be safely used in schools, healthcare institutions, and other facilities.

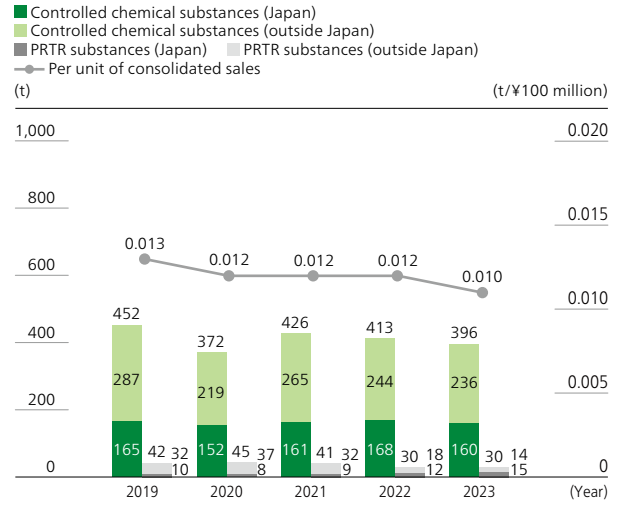Logo of the GREENGUARD Gold certification

Managing Chemical Substances Used in Manufacturing Processes

The chemical substances handled during manufacturing at Canon include "controlled chemical substances" regulated in terms of safety such as negative impact on human health, the environment, and flammable risk. Canon separates these substances into three categories: A) Prohibited substances; B) Emission reduction substances; and C) Regulated substances. In turn, effective measures are in place for each category. Prohibited substances are defined as those specified by the Chemical Weapons Convention, the Stockholm Convention, the Montreal Protocol and the Convention concerning Safety in the Use of Asbestos, as well as specified greenhouse gases ($PFCs/HFCs/SF_6$), other soil and groundwater pollutants, and substances that significantly impact people's health. Greenhouse gases other than $PFCs/HFCs/SF_6$, greenhouse gases identified by the IPCC as having global warming potential (GWP), volatile organic compounds (VOCs), and other substances specified by Canon are designated as emission reduction substances. Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

Reducing Use and Emissions of Controlled Chemical Substances

Canon engages in various initiatives at its operational sites to reduce emissions of controlled chemical substances, including reducing consumption and re-using them through improvement of production processes. In 2023, Canon Prachinburi (Thailand) introduced replacements for controlled chemical substances and revised the amounts of grease applied, while Canon Inc., Taiwan made further improvements to target polishing processes. Due to these ongoing reduction activities, controlled chemical substance emissions declined further year on year by 4.1%, to 396 tons.

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

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

* PRTR System: Pollutant Release and Transfer Register System, a notification system for the transfer and release of chemical substances.
* Controlled chemical substances exclude regulated substances.
* The scope of aggregation mainly includes companies that have acquired ISO 14001 consolidated certification.

Reducing Emissions into the Atmosphere and Waterways and Preventing Pollution

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

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.

*1 Nitrogen oxides (NOx) A major cause of air pollution, acid rain and photochemical smog, NOx is generated when the nitrogen in fuels is oxidized or when nitrogen in the atmosphere is oxidized during high-temperature combustion.
*2 Sulfur oxides (SOx) A major cause of air pollution and acid rain, SOx is generated when fossil fuels, such as oil and coal, are burned.
*3 Biochemical oxygen demand (BOD) BOD is the amount of oxygen consumed when microorganisms degrade organic matter in water. Larger figure indicates worse water quality.
*4 Suspended solids (SS) A collective term used for substances of less than 2 mm in diameter that float in the air and do not dissolve.

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

Canon has also adopted an internal standard for acquiring new land, conducting a preliminary soil examination and carrying out any other necessary procedures, such as soil remediation, before making the purchase. We also monitor the chemical substances used at each site and, considering applicable national and regional standards, develop risk countermeasures according to the local situation.

PCB Waste Management
In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which damages living organisms and the environment. As of December 2023, one operational site was storing highly concentrated PCB waste. The Japan Environmental Storage & Safety Corporation is gradually disposing of these materials in Japan.

Status of Soil and Groundwater Management Activities

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

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

Biodiversity

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

Biodiversity Policy

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

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

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

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

To help support biodiversity across the value chain, Canon promotes the use of sustainable forestry resources as the raw materials for the paper used in its products. Having established procurement policies favoring the purchase of paper products derived from sustainably sourced wood pulp in 2015, we sell office paper made under forest certification schemes or using environmentally conscious raw materials.

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

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. Since 2015, based on the Group's Biodiversity Policy, Canon has promoted the Bird Branch Project, encompassing a range of bird-centered activities at operational sites in Japan and overseas, to symbolize Canon's commitment to biodiversity initiatives.

For example, Canon's Shimomaruko headquarters complex in Tokyo includes a greenspace with a wide variety of trees that we call the Shimomaruko Woodland. Under the supervision of the Wild Bird Society of Japan, a monthly census of the migration of wild birds is carried out. The number of species observed has grown from 23 in 2014 to 41 in 2024, indicating the success of efforts to promote species diversity.

Bird Branch Project

At Canon Ecology Industry, with the support of experts from the Wild Bird Society of Japan, we have been actively trying to attract kingfishers to the retention pond at the site since 2020. This has included releasing small fish species such as gudgeon and ginbuna that are common prey for kingfishers. Success came in May 2023 when an adult kingfisher was confirmed at the site.

The common kingfisher that flew into the site

Comment from Bird Branch Project Manager in Canon Ecology Industry

The experts told us that it would take about three years from the small fish releases. We were not seeing any kingfishers. We were holding three or four bird-watching events each year, and I was worried if we would ever see any at all. When I finally captured a kingfisher that flew by on camera, everyone who had taken part in the bird-watching was moved. The project has also given us a lot of detail about the types of birds and plants that are seen at the site each season. In addition, our efforts to attract kingfishers have helped to raise awareness of biodiversity.

Futoshi Sugiyama
Canon Ecology Industry Inc.
Corporate Planning Division

In addition to maintaining green space on the grounds, Oita Canon Materials is pursuing greening activities that pay special attention to harmony with the surrounding environment and Japan's four seasons. The subsidiary also installed nesting boxes to create a bird habitat and conducted a seasonal plant and animal life census in collaboration with the National Institute for Environmental Studies, as well as visiting elementary schools to hold classes on the environment and

conducting factory tours.

The Fuji-Susono Research Park properly maintained and managed the green space that covers 88% of the site, as well as planting trees and installing nesting boxes to create an environment hospitable to incoming wild birds. In addition, we conducted local cleanup activities, including areas surrounding the park office, and held on-site environmental classes and career education for elementary and junior high school students. These activities were recognized at the 2023 Factory Greening Award sponsored by the Japan Greenery Research and Development Center: The Kitsuki and Oita plants of Oita Canon Materials both received the Economy, Trade and Industry Director's Award, while Canon Inc. Fuji-Susono Research Park received the Japan Greenery Research and Development Center Chairman's Award.

Canon China uses its website and social media to disseminate information about the Canon Group's efforts in China. Additionally, in 2023, the branch office organized bird-watching events at Shanghai in May and at Guangzhou in October under the guidance of NGO experts, at which employees and family members spotted dozens of species.

At other sites as well, we have created biotopes, with bird baths and nesting boxes installed and kept clean and measures taken to protect against bird strikes, creating on-site environments conducive to bird life. By sharing successful nesting inside nesting boxes and other activities, it gives employees an opportunity to study aspects of the lives of wild birds even in familiar surroundings. Meanwhile, 12 of our operational sites, including Oita Canon Materials, participate in the seasonal wildlife monitoring scheme proposed by the National Institute for Environmental Studies. Participants report the species of bird, plant, reptile, and insect observed at the site as well as the date on which the first birdsong of each species is heard, the date on which it is first seen, and the date on which each tree or plant begins to flower. These data also make a useful contribution to academic studies.

Contribution to the Global 30by30 Target

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

"Nature Symbiosis Site" certificate

* Other effective area-based conservation measures

'Nature Positive' Initiatives at Canon

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

Forest clean-up activities

Reforestation activities

Sand dam construction

Placing of bird nesting boxes

Tree-planting activities

River clean-up activities

Provision of greenspace

Worldwide rollout of locally focused activities

Beach cleanup

Environmental outreach classes

Wastewater recycling systems

Environmental protection activities

Elimination of invasive species

Restoration of coral reefs

Protection of marine mammals and sea turtles

Cleanup and Maintenance of Beaches, Coral Reefs and Sea Turtle Nurturing Ponds

Canon Hi-Tech (Thailand) participated in the cleanup and maintenance of beaches, coral reefs, and sea turtle nurturing ponds jointly conducted by the Rural Restoration Foundation of Thailand and the Royal Thai Navy Sea Turtle Conservation Center.

Cleaning of the coast

Planting Mangroves and Cleaning Rivers to Preserve the Global Environment and Biodiversity

Canon Opto Malaysia, the Department of the Environment of the State of Selangor and other organizations carried out tree planting and river cleaning activities to preserve the ecosystem and greenery. The activity was posted on the Department of the Environment's official Facebook page and in the newspaper "UTUSAN MALAYSIA," and widely shared.

Tree planting and river cleaning

Remove Invasive Species for Protecting Biodiversity in Mai Po Nature Reserve

Volunteers from Canon Hong Kong, Canon Electronic Business Machines Hong Kong and Canon Engineering Hong Kong joined hands to manually remove the invasive species mikania without using any herbicide in Mai Po Nature Reserve, which is managed by WWF-Hong Kong. The volunteers' work helped maintain biodiversity and saved local species by attracting more light for photosynthesis.

Removal of 40kg of invasive weeds

Forest Restoration Project "Bosque Canon" (Canon Forest)

Canon Spain, through its partner Bosquia, implemented the "Bosque Canon" reforestation project. A total of 2,080 trees, including pine trees and white birches, were planted to offset 1,000 tons of carbon dioxide emitted from business activities by their useful lives (30 years). In recognition of this conformity, we became the first Spanish printer manufacturer to obtain "COMPENSO," the official certificate of the Spanish Ministry of the Environment.

A lot of trees have been planted at Bosque Canon

Contributing to Coral Reef Conservation with Cameras and Lenses

Canon Europe has partnered with the London-based Coral Spawning Laboratory to support coral reef conservation efforts. Corals play an important role in the global environment, absorbing carbon dioxide and serving as homes for sea creatures. However, due to the effects of climate change, the number of corals is decreasing year by year, and it is said that they will become extinct by 2050. The cameras and lenses provided to the Coral Spawning Laboratory are expected to contribute to the conservation of coral reefs by being used to observe and study the life cycle of corals, such as how they lay eggs that are not visible to the naked eye.

The moment of spawning captured by a Canon camera

Desert Cleaning and Environmental Protection Activities

Canon Middle East and Canon Central and North Africa participated in the annual desert clean-up campaign organized by Emirates Environmental Group, one of the Middle East's most prestigious environmental NGOs.

Large amount of waste is collected

Joint Biodiversity Workshop with the Scouts of America

Canon Virginia partnered with the Scouts of America and organized a biodiversity sustainability workshop. During this event, many pollinator bushes and flowers were planted to preserve and sustain the habitat of pollinators such as bees and butterflies.

Development of green spaces

Green Space Maintenance in Urban Parks

Canon Europe developed sustainability activities with a focus on biodiversity, such as a volunteer day where the Corporate Communications Marketing and Sustainability team took part in park maintenance activities at Langley Park in Uxbridge, a community space local to Canon Europe Headquarters.

Participants clearing out weeds

Contributing to Biodiversity and Sustainability Through Continued Participation in Juvenile Fish Release Activities

Canon Suzhou participated in the release of juveniles in Taihu Lake organized by the Suzhou Gao New District and the Huagu District Environmental Protection Industry Association. Canon Suzhou has also participated in the release of juvenile fish for nine consecutive years, and was awarded a certificate of honor and a plaque by the Suzhou City Department of Ecology and Environment for improving the water quality of the lake and contributing to its biodiversity and sustainability.

Release of juvenile fish

SOCIETY

Approach (Society) `GRI2-23` `GRI2-25` `GRI3-2` `GRI3-3`

Why Is this Important?

Human Rights and Labor

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

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

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

Occupational Safety and Health Management
The health and safety of employees is a fundamental tenet of corporate activities.

Canon believes it is essential to create safe, secure work environments for employees. This is critical to ensuring the workplace helps to foster vitality and improve productivity.

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

Sociocultural Support Activities
Canon recognizes that business enterprises only thrive when society as a whole flourishes. While striving for the company's own growth through sound and fair business activities, we believe it is vital to help bring about a better society as a good corporate citizen.

Relevant Guidelines

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

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

Society   Management Foundation   Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion   - Occupational Safety and Health Management   - Human Resource Development and Personal Growth   - Sociocultural Support Activities

Activity Report

Respecting Human Rights

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

Basic Approach

Based on the UN Guiding Principles on Business and Human Rights, Canon respects the human rights of employees, business partners and other stakeholders involved in its business activities. Based on the advice of outside experts, Canon works to ensure human rights using the following measures: (1) formulating and reviewing the Human Rights Policy; (2) undertaking human rights due diligence; (3) instituting and operating a grievance mechanism; (4) conducting human rights awareness training; (5) activities aimed at engaging with stakeholders on human rights issues; and (6) addressing human rights risks in the supply chain. In 2021, the Canon Group Human Rights Policy was established with the approval of the Chairman and CEO of Canon Inc. as part of promoting efforts to respect human rights. Published in Japanese and English, this policy is available to all stakeholders worldwide via the Canon website.

Canon Group Human Rights Policy

Since Canon's founding in 1937, all employees have been treated the same on a fair and equal basis, without any discrimination due to status, gender, age or occupation. This stance was based on a complete respect for humanity.

Following half a century of operations, we adopted our corporate philosophy of *kyosei* in 1988. *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. It sets the goal of human happiness and prosperity above the profits earned by any single company or nation. *Kyosei* expresses our commitment to and global aspiration for a respect for humanity and makes clear the company's firm stance to working together with stakeholders around the world to achieve this.

This policy expresses Canon Group's commitment to respect human rights and to take measures to protect human rights under the corporate philosophy stated above, which we embed into our operational policies and procedures.

1. Respect for Human Rights
Canon commits to respect internationally recognized human rights across its business activities, as set out in the Universal Declaration of Human Rights, International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, UN Guiding Principles on Business and Human Rights, and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Specifically, Canon commits to respect fundamental human rights, prohibit discrimination, harassment or violence based on such factors as race, nationality, gender, religion and creed, promote diversity, prohibit child labor and forced labor (including human trafficking), prohibit unreasonable restriction on movement, respect freedom of association and the right to collective bargaining in accordance with the laws and regulations of each country and region, pay employees wages equal to or greater than legally mandated wages, prevent excessive overtime work and grant appropriate holidays, ensure occupational health and safety, prevent occupational injuries, protect privacy, and promote responsible minerals sourcing.

2. Human Rights Due Diligence
In accordance with the UN Guiding Principles on Business and Human Rights, Canon conducts human rights due diligence to identify adverse human rights impacts that are linked to its business activities, and to prevent or mitigate any adverse impacts. In consideration of the findings of human rights due diligence, Canon will review and update this policy, where necessary.

3. Grievance Mechanism
Canon establishes and operates an effective internal and external reporting system to understand adverse human rights impacts that are linked to its business activities. When Canon identifies that it has caused or contributed to adverse human rights impacts, Canon will take appropriate steps to remedy the situation.

4. Awareness Training
Canon conducts human rights awareness training on a continuous basis to enable its executives and employees to deepen their understanding of international initiatives relating to human rights and this policy, and to respond appropriately to human rights issues.

5. Dialogue with Stakeholders
Canon communicates its human rights approach, as stated in this policy, to stakeholders through our website and other communication channels. In a series of initiatives under this policy, Canon learns from the human rights expertise of external experts and has dialogue with stakeholders such as employees and suppliers who are or could potentially be affected by our business activities in relation to human rights.

Canon seeks to contribute to our stakeholders' understanding of the international circumstances surrounding human rights. By cooperating with surveys and audits conducted by Canon, as well as with our responses to the risks uncovered through our initiatives, we encourage our stakeholders to join Canon in addressing human rights issues.

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

Promotion System

At Canon, the CFO holds the responsibility as the executive of human rights, while the sustainability, legal, and human resources divisions of Canon Inc. serve as the secretariat, pursuing human rights initiatives. The secretariat formulates an overall plan for human rights initiatives, establishes and operates grievance mechanisms, conducts stakeholder engagement, and reports important matters to the executive in charge. Potential human rights violation risks have been identified as a significant risk by the Risk Management Committee established by resolution of the Board of

Directors. Each Canon Inc. division and Group company is implementing initiatives to prevent and mitigate human rights risks. The results are evaluated annually by the Risk Management Committee and reported to the CEO and Board of Directors.

Reference: Risk Management Committee (→P74)

Implementation of Human Rights Due Diligence

Based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, we undertake human rights due diligence across the Group, as one of the activities under the Risk Management Committee. Each Canon Inc. division and Group company identifies and evaluates the potential adverse human rights impacts in their respective business activities, including the supply chain, and identifies the salient human rights risks. Subsequently, the secretariat aggregates, analyzes and evaluates those risks, and through stakeholder engagement (→P44), identifies salient human rights risks for Canon. In assessing human rights risk, we also refer to the human rights risk country/region index provided by the RBA (Responsible Business Alliance). Additional measures have been initiated to prevent or mitigate salient human rights risks identified by Canon Inc. divisions or Group companies where it is believed current actions are deemed insufficient.

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

* Ministry of Economy, Trade and Industry

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

Dialogues with Outside Experts

We are actively organizing dialogues with outside experts to effectively implement human rights due diligence at Canon. In 2023, besides participating in human rights training sponsored by the United Nations Development Programme (UNDP), we sought individual guidance from the UNDP and experts worldwide to advise on future activities, based on an explanation of Canon's current initiatives and related issues, and current trends in the area. This advice will help to improve future activities.

Salient Human Rights Risks for Canon

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

Grievance Mechanism

Canon has an internal reporting system for Canon Inc. and most Group companies worldwide through which employees can report specific human rights concerns in their own language. We also work to raise awareness of the reporting system via the company intranet and training programs. In addition, Canon Inc. has a point of contact on our website for external stakeholders to report specific human rights concerns about Canon's corporate activities. Both internal and external contact points maintain the privacy of informants and allow them to report anonymously to ensure that they do not suffer unfair treatment as a result. The facts in any whistle-blowing case are investigated, where it is received. If Canon judges that there is a problem, with appropriate steps and procedures, Canon works to remedy such problem and prevent any recurrence. In 2023, Canon received 94 cases concerning human rights-related issues (discrimination/harassment, wages, working hours, etc.). Out of these 94 cases, 17 cases for which Canon completed investigations as of the end of 2023 required remedying.

For cases that required remedying, we issued warnings or guidance to the employees at fault or relevant departments, including disciplinary action or transfers.

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

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

Society   Management Foundation   Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion   - Occupational Safety and   - Human Resource Development   - Sociocultural Support Activities
                                         Health Management   and Personal Growth

Salient Human Rights Risks for Canon

	Rights-holders				Measures taken by Canon	
	Suppliers/ Contractors	Canon employees	Customers/ Consumers	Local communities		
Discrimination based on such factors as race, gender, or religion		●			P51	Diversity, Equity and Inclusion
Harassment		●			P45	Prevention of Harassment
Child labor	●				P46	Respect for Human Rights in the Supply Chain
Forced labor	●				P46	Respect for Human Rights in the Supply Chain
Unpaid wages/low wages	●				P46	Respect for Human Rights in the Supply Chain
Excessive overtime work	●	●			P45 / P46	Prevention of Excessive Overtime Work / Respect for Human Rights in the Supply Chain
Occupational health and safety	●	●			P54	Occupational Safety and Health Management
Protection of privacy		●	●		P83	Protecting Personal Information
Procurement of conflict minerals				●	P89	Addressing the Issue of Responsible Minerals Sourcing
Noise, environment pollution at operational sites				●	P13	Environment
Health damage or accident caused by product			●		P67	Product Responsibility

Human Rights Awareness Training

Since 2021, we have been carrying out an online learning program for employees to instill basic knowledge about business and human rights and raise awareness of Canon's human rights initiatives. Starting with Canon Inc., this program has been expanded to Canon Group companies in Japan, and was extended to overseas Group companies in 2023 (completion rate 99.4%). The training programs delivered overseas reflect national and local characteristics, and each company has optimized the content and translated it into each language.

Stakeholder Engagement

The OECD Due Diligence Guidance for Responsible Business Conduct states that it is important for companies to engage with stakeholders at the time they identify the actual or potential adverse impact caused by corporate activities. In addition to the Canon Workers' Union, Canon is engaged in dialogue with institutional investors, suppliers, and business partners.

Handbook to Inform Employees

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

**Stakeholder Engagement: Example 1
(Canon Workers' Union)**
To identify salient risks as part of Canon's human rights due diligence, we organized dialogues with the union relating to issues that represent human rights risks for employees, including discrimination based on such factors as race, gender, or religion; harassment; excessive overtime work; occupational health and safety; and protection of privacy. Besides acknowledging union positions on such issues, dialogues provide an opportunity to exchange views on matters such as changes in work styles due to the adoption of telework and the use of childcare leave by male employees.
For Canon, these dialogues help to identify the salient human rights risks.

**Stakeholder Engagement: Example 2
(Business Partner, Industrial Equipment)**
Canon develops, manufactures and sells semiconductor steppers and other industrial equipment on a global basis. One of the salient human rights risks in the industrial equipment sector is the risk of accident or worker injury to employees of Canon or subcontractors during the transport or the installation of equipment. The massive size and mass of these systems means that any lack of OHS care could result in a serious accident such as being caught in machinery or falling from a height. As well as taking steps to prevent injury to its employees, Canon Inc. regularly discusses safety issues with delivery/installation subcontractors, including examples of near-misses and rule violations, and related problems.

Machine installation

Respect for Human Rights of Employees

Prevention of Excessive Overtime Work
We have instituted a system to accurately ascertain the working hours of employees at overseas production sites deemed to be subject to a notably high risk of excessive overtime work. Actual results on working time management, including overtime work, are reported annually to the HR division of Canon Inc. Work guidelines were introduced to Canon Group production companies based in Asia in 2015 as part of human rights risk-related initiatives. In 2022, we overhauled these guidelines to make them consistent with RBA standards, extending them to all our domestic and overseas Group production companies.

Respect for Freedom of Association and the Right to Collective Bargaining
As stated in the Canon Group Human Rights Policy, Canon respects freedom of association and the right to collective bargaining. We also strive to address various labor issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

Prevention of Harassment
In line with the principle of respect for humanity that Canon has followed since its foundation, Canon not only prohibits discrimination on such factors as gender or occupation, but also maintains a zero-tolerance policy on harassment, which it communicates to all management executives and employees. In addition to sexual harassment and abuse of authority (power harassment), Canon Inc.'s employment rules and Harassment Prevention Provisions prohibit other forms of harassment, including maternity harassment. These provisions have been disseminated throughout Group companies in Japan, and many have instituted similar rules based on them. In a further effort to maintain a comfortable workplace environment, Canon Inc. and its many Group companies in Japan have established a Harassment Hotline. Confidentiality surrounding employee consultations is strictly maintained and a firm guarantee against unfair treatment is provided to victims and informants. In terms of preventing harassment, regular liaison meetings are held for persons responsible at Canon Inc. operational sites and Group companies in Japan, enabling the operational status of hotlines to be monitored and shared. Meeting participants review procedure manuals and share knowledge on how to respond to reports of harassment.

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- Diversity, Equity and Inclusion   - Occupational Safety and   - Human Resource Development   - Sociocultural Support Activities
                                       Health Management   and Personal Growth

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

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

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

Prevention of Child and Forced Labor and Unreasonable Restrictions on Movements

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

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

Respect for Human Rights in the Supply Chain

We have formulated the Canon Supplier Code of Conduct, which is based on the RBA Code of Conduct, to promote sound procurement activities that take proper account of labor, health and safety and environmental concerns, and management systems. We have collected a letter of agreement concerning adherence to the RBA Code of Conduct from our major suppliers. In addition, we conduct annual checks of our major suppliers using the RBA's SAQ as part of efforts to prevent in our supply chain the use of any child/forced labor, unreasonable movement restrictions, or excessive working hours, alongside good health and safety measures. We also perform our own checks on some major suppliers, which may include conducting a local audit. Consistent with Canon's support for the Keidanren-led "Declaration of Partnership Building" initiative, Canon is committed to cooperation and co-existence with business partners through fair trade. Canon strives to avoid unreasonable cost reduction requirements, short delivery orders without appropriate cost bearing, and requests for sudden changes in specifications. We also make efforts to set prices that take into account the impact on labor cost increases. Canon is also working with suppliers and industry bodies on responsible mineral sourcing initiatives.

Reference: Supply Chain Management (→P86)

Ongoing Monitoring

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

Compliance with Modern Slavery Act

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

Reference: Compliance with Modern Slavery Act (→P90)

Hiring and Treatment of Human Resources
We strive to create an attractive, motivational workplace environment for employees.

Basic Approach

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

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

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

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

Guiding Principles

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

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Promotion System

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

Hiring and Retaining Talent

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

In 2023, Canon Inc. and Group companies in Japan actively continued their recruitment programs, resulting in the hiring of 1,590 employees in total. Canon has established various programs and systems, such as a career matching system (→P59) and a work-life balance program for employees engaged in childcare or nursing care to support the continued employment of all employees so that they remain motivated and can maximize their skills and abilities over the long term (→P49). Canon also conducts biennial in-house employee awareness surveys, with the results providing feedback to management across each division as a way of helping inform policy formulation while increasing employee engagement. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry in Japan. And in its 2023 employee opinion survey, compared to the previous survey, the positive response rate had increased for all categories, including "autonomy in one's own tasks" and "personal growth." In particular, there has been a steady improvement in areas related to engagement, such as employee motivation, personal growth, and flexible working environment. As part of maintaining employee engagement, regular employee awareness surveys are conducted by Group companies in Japan, Canon U.S.A., Canon Europe, and Group marketing companies in Asia.

In terms of non-employee workers, a total of 7,283 people worked at the Canon Group as of the end of 2023. Canon generally outsources services such as security, cleaning and the operation of onsite worker canteens, based on corporate contracts.

Promoting Globalization of Executive Management

As part of promoting the development of globalized management, Canon appoints appropriate personnel, regardless of nationality, as presidents, executive officers, and managers of subsidiaries in each country and region where it operates (→P57).

For example, within the region overseen by Canon Europe, the HR globalization ratio* is 86% for Presidents and 94% for managerial positions.

* Ratio of non-Japanese in CEO/managerial positions

Creating Local Employment Opportunities at Production Sites

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

For example, our production sites in Asia employ over 50,000 local employees. In every region of the world,

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

Reference: Comparison of Canon's Minimum Wage to Local
            Minimum Wage
https://global.canon/en/sustainability/report/pdf/data-2024-e.pdf

Fair and Impartial Compensation System

Salary Linked to Duties and Performance

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

In this system, remuneration is based on duties and performance. Basic pay scales incorporate the level of position in the company based on responsibilities and other factors. An employee's achievements as well as work-related processes and performance during the year are evaluated to determine annual remuneration. Bonuses reflect individual achievements and company performance. In 2021, to enhance further the balance of Canon's remuneration system, the level of "OS" (for OutStanding) was added to the individual evaluation scale to recognize special contributions in the development of groundbreaking or innovative products, or for other types of superlative achievement at work. Employees awarded an evaluation of OS are paid a special annual bonus.

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

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

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.

Employee Benefit Programs

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

For example, as well as providing staff canteens and sporting facilities, Canon funds or subsidizes programs and clubs that bring together people with shared interests to foster better workplace communication. We host various events for employees and family members that incorporate the local culture of each region. In addition, benefit programs have been developed in line with employee needs.

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

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 have been reviewing and revising work practices. We have promoted an open vacation program where employees can take five consecutive days of vacation once per year. We have also encouraged 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 2023 was 17.7 days. Total hours worked per employee were 1,734, a 65-hour decrease from 2010 (1,799 hours), when activities to reduce total working hours began.

Flexible Work Styles

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

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

Promoting Flexible Work Styles

Canon Inc. has several leave programs that enable employees to take time off flexibly in line with personal circumstances, including a program that facilitates leave in 30-minute blocks for reasons such as childcare, nursing care, injury or illness. We also have a long-service leave system where those employed for certain numbers of years can then take a vacation to refresh. In 2020, we introduced a remote working system aimed at boosting productivity by promoting flexible work styles not limited by time or location. The current initiatives make up the eighth phase of the action plan spanning the three-year period from April 2024 to March 2027.

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

A System for Supporting Working Parents/ Care Givers

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs that go beyond the legally stipulated minimum requirements, including a childcare leave program that enables employees to take leave until their child reaches the age of three, and a system for reducing work hours to support childcare, making it possible for employees to reduce their workday by up to two hours until their child has finished the third grade of primary school. In 2023, 460 employees (361 men, 99 women) started to utilize our childcare leave system.

Furthermore, to support employees who are undertaking fertility treatment, we have put in place a fertility treatment subsidy program that subsidizes 50% of treatment costs (excluding costs covered by health insurance), up to a ceiling of ¥1 million, together with a fertility treatment leave program to enable employees to take leave for the period required for treatment. Furthermore, we have implemented a system that allows male employees whose spouses have given birth to take two days of paternity leave.

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

Comment from a Male Employee after Childcare Leave

I'd always really wanted to be fully involved in caring for my children, so when my son was born, I took about two months of childcare leave. During the leave, I took charge of housework and caring for my son—my attitude was that I would do everything except breastfeed—and my wife and I together were able to engage fully in caring for our son. Seeing his growth up close was a priceless time in my life.

I'm very grateful to my superiors and colleagues who were considerate of my wishes and covered for me. Coming back to work, I have an even better balance between work and private life and am more motivated than ever.

Ryuichi Shibutani
Canon Inc.
Production Engineering
Headquarters

Action Plan Phase VIII (from April 2024 to March 2027)

Action Plan	Measures	Results as of 2023 End
(1) Promote use of work-life balance programs with aim of raising participation rate.	• Continue leave programs, hold related discussions and information seminars, and provide individuals with materials and online training and hold interviews on leave-related systems and procedures for people wishing to take leave. • Hold seminars to assist both male and female employees seeking to balance work and childcare by increasing their understanding of related systems and providing related career support.	• While female employees typically make up the majority of those taking advantage of the programs, the number of male employees is also increasing significantly.
(2) Support diverse work styles while promoting further reform by encouraging work styles that do not rely on overtime; by continuing efforts to promote use of paid leave; and by maintaining an appropriate level of total work hours.	• Using total work hours as an indicator for work-life balance, bolster measures to encourage use of paid leave and maintain an appropriate level.	• Designating July–September as Work-Life Balance months, implemented earlier work hours and continued efforts to promote work style reforms. Provided employee benefit programs to encourage self-development during the period of earlier work hours. • Due to productivity gains and the promotion of work-life balance, total work hours decreased by 65 hours compared to 2010.
(3) Continuing from Phase VII, carry out community contribution activities open to participation by children — who are the future of our communities — through social contribution activities.	• Continue reaching out to local regions and communities and implement appropriate initiatives from April 2024 to March 2027.	• Continued to carry out the following initiatives (1) Unique learning programs for children, including environmental education outreach program and career education (2) Photography classes (3) Tag rugby lessons, rugby meet-and-greet events, etc.

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To help employees caring for aged relatives, we provide various support systems that go beyond the legally stipulated minimum requirements, including nursing care leave available for up to one year, sympathy money, and a system for reduced work hours to support nursing care, enabling employees to reduce their workday by up to two hours a day. A total of 29 employees began using our nursing care leave system in 2023.

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

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

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

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

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

In addition, special committees have been created to establish programs and enact new policies relating to wages, working hours, OHS issues, and benefit programs, based on discussions between labor and management. As of the end of 2023, combined employee membership in the Canon Workers' Union totaled 23,164, with a union membership rate of 79% for Canon Inc.'s workforce. The working conditions for non-unionized workers of Canon Inc. are stipulated via our employment regulations.

The annual Canon Group Workers' Union Conference is held for Group companies in Japan and representatives from Canon Inc. to enable discussions on working conditions, the status of the business, and other issues. The conference brings together 18 Group workers' unions and executives from 23 Group companies in Japan. As of the end of 2023, there were 49,452 employees in unions that belonged to the Canon Group Workers' Union Conference, for a union membership rate of 80% in the workforce of the 23 Group companies in Japan.

Dialogue-based proper labor-management relations are also maintained within Group companies outside Japan, in accordance with national and regional labor laws. The union membership rate[2] for employees of major overseas Canon Group companies is 73%.

*1 The Canon Workers' Union consists of employees from Canon Inc., Canon Marketing Japan, Fukushima Canon, and Ueno Canon Materials.
*2 Calculated for companies that have internal workers' unions.

Minimum Notification Period for Changes in Work Duties
Canon Inc. has established a minimum notification period clause within its labor agreement to ensure that personnel transfers do not negatively impact the lives of employees.

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

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

Diversity, Equity and Inclusion

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

Basic Approach

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

Promotion System

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

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

Reference: VIVID Activities Policy
https://global.canon/en/sustainability/society/pdf/vivid-activities-policy-e.pdf

Major Policies and KPIs

Two themes of our pro-diversity policies are "Promoting the Active Participation of Women" and "Encouraging Men to Participate in Childcare." We are taking a range of measures and have set specific targets and KPIs as defined below.
- Increase ratio of female managers by 3x by end-2025 from 2011 level
- Increase ratio of male employees taking childcare leave to at least 50% by end-2025

* The year before VIVID was introduced.

Promoting the Active Participation of Women

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

In Japan, in addition to formulating action plans and disclosing information as mandated by the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we are conducting our own original initiatives. For example, at Canon Inc., we organize leadership training for women as part of efforts to develop female candidates for managerial positions. Using the theme of developing a new business proposal, the training provides an opportunity to develop leadership qualities. Since its launch in 2012, a cumulative total of 267 women have completed the training program. One tangible result of this initiative is that the ratio of female managers, a KPI of women's participation in the company, has already reached 93% of the target we set for the end of 2025. We therefore aim to achieve this goal ahead of schedule. Going forward, we will look to step up the recruitment of female engineers and technicians and, in the future, aim to achieve parity between the ratio of female managers and the percentage of women overall in the company (16.9% at end-2023). We are also supportive of the Keidanren's challenge of achieving 30% of female executives by 2030.*

Furthermore, we hold return-to-work seminars for employees returning from childcare leave and their supervisors, and provide mentoring by female managers. By hosting lectures and interviews with female executives and organizing events to share the experiences of female managers, we are creating opportunities that help raise awareness around working with purpose and balancing work with life events.

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

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

* Raise the ratio of female executives to 30% or more by 2030

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Comment from a Participant in Leadership Training for Women

I attended this training for about half a year in 2022, the tenth year of the program. It was a great experience to be able to have in-depth conversations about leadership with trainees my own age, at a time when I was in mid-career and was anxious about a lot of things. I learned that, even though the work we do and our work circumstances are different, we shared similar concerns and aspirations, and I had the valuable opportunity to think about what the essence of being a leader is. I feel like I gained greater perspective through the training. I was also able to make connections with colleagues from other divisions whom I don't often get a chance to meet in the course of my normal work, giving me a supportive network that will help my work going forward.

Kumi Fujiwara
*Canon Inc.
Imaging Business
Operations*

External Recognition

Fukui Canon Materials and Fukushima Canon were granted Grade 3 Eruboshi certification for its outstanding efforts to empower women in the workplace, while Canon Marketing Japan and Canon IT Solutions were granted Grade 2 certification. The Eruboshi certification is granted by the Japanese Ministry of Health, Labour and Welfare based on satisfying certain evaluation criteria.

Encouraging Men to Participate in Childcare

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

At Canon Inc. and Group companies in Japan, we organize roundtable talks by, and publish interviews with men who have used childcare leave-related systems, and we hold seminars to introduce our childcare-related programs to male employees. These initiatives have proven effective: average childcare leave taken by male employees of Canon Inc. in 2023 was 71 days per year; moreover, the childcare leave participation rate for the same group was 65.8% in 2023, up from just 1.9% in 2011. As a result, Canon's KPI to increase the childcare leave participation rate for male employees to at least 50% by 2025 was achieved ahead of target.

LGBTQ+ Inclusion

The Canon Group Code of Conduct emphasizes respect for the individual and prohibits discrimination based on race, religion, nationality, gender, age, sexual orientation or gender identity. Our initiatives also cover sexual minorities, including lesbian, gay, bisexual, trans and queer (LGBTQ+) persons. With the goal of eliminating all forms of discrimination from the workplace, training for managers includes education on preventing discrimination. In addition, we make use of various opportunities to educate employees, such as departmental staff meetings and compliance meetings. The Barrier-free Mindsets training program, which we provide for employees of Canon Inc. and Canon Group companies in Japan, features content relating to sexual minorities and aims to deepen understanding of related issues. The Barrier-free Mindsets program is an online training module that aims to help employees understand the problems and hurt created by barriers within society, along with the many issues experienced by those with disabilities or members of sexual minorities, plus related points to consider. Around 84% of employees of Canon Inc. and Canon Group companies in Japan received this training between 2019 and 2023.

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

Utilizing the Abilities of Veteran Employees

Canon Inc. was among the pioneers of the post-retirement hiring system in Japan. In 1977, we became one of the first Japanese companies to adopt a mandatory retirement age of 60, to allow veteran employees to maximize the benefits of their extensive knowledge and experience. We further raised the retirement age to 65 in 2007. In addition, we have established a system that allows employees to work flexibly according to their stage in life, including shortened working hours. As of the end of 2023, 2,419 employees rehired after reaching retirement age were active in the Group, 82% of which were rehired under the post-retirement hiring system.

Proactive Support for the Participation of People with Disabilities in Society

Respecting the ideal of normalization[1], Canon proactively employs persons with disabilities at Canon Inc. and Canon Group companies in Japan.

The employment ratio at Canon Inc. for people with disabilities was 2.55% in 2023, exceeding the statutory minimum of 2.3%. Our recruitment processes also include workplace experience days and site tours to ensure all recruits can adapt quickly to life at work.

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

Canon Wind[2] primarily hires people with intellectual disabilities. It maintains a high employee retention rate, with a payroll of 25 persons at the end of December 2023. Employees perform specific roles tailored to those with disabilities, while receiving lifestyle support services as well. With the help of our engineering divisions, we have created special jigs to enable employees to be a part of EOS-series camera production. By utilizing a rational approach and the cooperation of related departments, we are creating a work environment that enables disabled people to contribute in an efficient and reliable manner, thereby deriving more satisfaction from work. Canon Wind has been recognized as a progressive leader in this field, which included receiving an MHLW award for excellence in the employment of disabled persons in 2020.

Work is tailored to suit the individual

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

Since 2004, Canon Inc. and Canon Group companies in Japan have organized training courses and created e-learning modules to ensure workplaces are attentive to the needs of the hearing impaired. The training provides an accurate understanding of hearing impairments and introduces sign language to help promote smoother workflow. A total of 1,035 employees participated in this training up to and including 2023.

[1] According to the World Programme of Action concerning Disabled Persons adopted by the United Nations in 1982, society is made up of many different types of people and it is normal for people with and without disabilities to coexist in all settings. Therefore, we should create an environment in which all people can live and work together.
[2] A subsidiary of Oita Canon formed in 2008 as a joint venture with the Social Welfare Corporation Gyoun Welfare Association with the aim of promoting employment for persons with intellectual disabilities.

Support for Balancing Work and Nursing Care

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

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

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Occupational Safety and Health Management

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

Basic Approach

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

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

Promotion System

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

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

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

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

Priority Targets and Initiatives

Occupational Safety and Health (OSH)

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 2023

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

Priority Initiatives

1. Canon Group Occupational Safety and Health Management System
2. Risk assessments
3. Enhanced employee OSH awareness

Health Management

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

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

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

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

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* Decrease in productivity when an employee comes to work with health issues

Occupational Safety and Health

Prevention of Workplace Accidents

In 2023, serious occupational accidents requiring time off work at Canon Inc. and Group companies in Japan comprised one case relating to use of machinery (getting pinched or caught). There were no accidents caused by hazardous chemical substances. We are taking steps to prevent accidents from reoccurring, in terms of both education and equipment, such as investigating the underlying cause of any accident, retraining workplace personnel, and improving the operability of machinery. We conduct a thorough safety inspection and risk assessment to determine if similar risks exist at the site where any accident occurs. In addition, information about accidents is promptly shared with Group companies, particularly production sites, to prevent similar occurrences elsewhere.

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

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

Canon sites are currently transitioning from the international OHS management system standard OHSAS 18001 to the new ISO 45001 standard. As of the end of December 2023, approximately 31% of Canon Inc. and Canon Group sites around the world had acquired ISO 45001 certification.

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

Entrenchment of Risk Assessments and Promotion of Effective Use

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

To ensure common standards are applied to risk assessment across the Canon Group, we provide online learning programs for workplace managers and employees with responsibility for equipment operations to deepen their understanding of assessment methods.

In addition, if a specific risk is identified, all relevant workers are notified of the risk and given the requisite training, including steps to confirm understanding and mastery of any new work processes.

Improving Health and Safety Awareness by Enhancing Education and Training

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

To help eliminate workplace accidents, we also provide training to managers involved in on-site workplace risk assessment, along with online learning programs to ensure all employees involved with risk assessments have a good understanding of assessment objectives and procedures. A total of 8,801 people received such training up to and including 2023.

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

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

Health Management

Mental Health-Related Measures

Canon conducts a variety of programs to promote comprehensive mental health at Group companies in Japan. These incorporate four types of care: self-care, care from workplace supervisors, care from occupational health staff, and care from external organizations. There are also programs to promote primary, secondary, and tertiary prevention. Specific measures include illness recovery and return-to-work support programs, and training programs to help HR and health management

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personnel build the relevant skills.

The stress check participation rate is high at Canon Inc., reaching 95.4% in 2023. In addition to check-ups with an occupational physician, any employees showing signs of high stress receive individualized health consultations. The results of grouped data analysis are distributed to management in the form of a "Health Report" detailing the health status of each division. We also organize related worksite meetings. The completion rate for online mental health training for managers, which is aimed at enhancing workplace support capabilities, was over 90% of all eligible participants in 2023.

Lifestyle Disease Prevention

We identify the priority health areas and steps based on an analysis of employee data. Lack of sleep, smoking, rapid eating and other factors have been identified as priority areas because analysis of physical exam data has linked them with the onset of metabolic syndrome. For sleep, besides activities to raise awareness, we have also introduced individual guidance using sleep monitors. This helped not only to improve sleep, but also physical exam results and presenteeism (working even while sick). Smoking is banned inside workplaces at Canon Inc. and all Group companies in Japan, and we provide seminars and online programs to help employees quit smoking. As part of our comprehensive program to prevent serious illness, all employees at Canon Inc. and Group companies in Japan receive an annual health check-up, together with personalized follow-up and educational measures based on a common quantitative standard and set of measures.

Based on cooperation with health insurance unions, the provision of health guidance from expert providers has resulted in a decline in the numbers of employees either at high risk of metabolic syndrome or subject to specific health guidance. To prevent and detect cancers, we utilize the cancer screening system of the Canon Health Insurance Union, while ensuring a balance between treatment and work for employees living with cancer.

Improving Health Literacy

We promote health self-management at Canon Inc. and Group companies in Japan in a range of ways, including conducting health campaigns on the themes of sleep, nutrition, and exercise; disseminating information regularly to raise awareness via the intranet; and using ICT tools to manage healthy activity goals and in-house events.

Canon's campaigns to encourage exercise include regular seminars, along with an annual walking competition involving the use of ICT tools. We provide online learning programs tailored to different ranks and ages, including specific age- and gender-related information, plus an opt-in, points-based self-health management system. In addition, the Canon Health Call

service provided by the health insurance union offers personal health support to Canon Group employees, including employees on overseas assignments and their families, on a 24/7 basis.

Canon Group companies outside Japan also conduct health support programs and initiatives tailored to the characteristics of each region. Canon USA, Inc. and Canon (China) Co., Ltd. are among the companies that organize mental health seminars by occupational physicians as part of efforts to raise awareness of various health issues.

Infectious Disease Prevention

The response of Canon Inc. to the COVID pandemic has focused on efforts to prevent infection, provide access to consultation, offer support to staff at higher risk, and share related information. Besides offering employees up to four COVID vaccination shots, we also provide annual access to vaccination against seasonal influenza. Canon Inc. provides training to staff traveling or being assigned overseas related to HIV, malaria, and other infectious diseases, based on information put out by the Quarantine Information Office of Japan's Ministry of Health, Labour, and Welfare. In addition, the company also recommends various vaccinations depending on the destination country or region, based on information from both the Quarantine Information Office and the Ministry of Foreign Affairs, and covers the cost of such vaccinations.

Health Training for Contract Workers

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

External Recognition

For five years in a row, from 2019 to 2023, Canon Inc. was selected as a "Health & Productivity Stock" under a scheme administered jointly by the Japanese Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). In addition, Canon has been certified for seven years in a row in the Large Organization category of the "White 500" Health & Productivity scheme jointly administered by METI and Nippon Kenko Kaigi. Our progressive health management approach, which is based on the "Health First" principle to which we have adhered since Canon's earliest days, has received external recognition in these ways.

Human Resource Development and Personal Growth

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

Basic Approach

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

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

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

Promotion System

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

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

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

Developing Globally Minded Personnel

With 347 operational sites* worldwide as of the end of 2023 the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop human resources with leadership abilities that can be utilized on the international stage.

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

Vitalizing Human Resources Through International Assignments

Canon established the Canon Global Assignment Policy (CGAP) as an international assignment system for its Group companies worldwide to stimulate international personnel exchanges, not only from Japan to other countries, but also from other countries to Japan and within the international Canon Group. The goal of this program is to promote global business cooperation and the development of human resources capable of functioning at the global level.

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

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

As of the end of 2023, a total of 1,073 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.

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 fields, 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 130 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.

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Fostering Experts in Various Fields

Development of Human Resources in Engineering

To aid development of next-generation engineering human resources, Canon Inc. has built specialization-specific training set-ups for machinery, electronics, optics, materials, software, and other areas. We have also set up committees to oversee development of human resources across these core specializations. Each committee develops rank-based training programs for personnel from new hires and junior engineers to experienced leaders, as well as conducting courses and implementing other initiatives. We also provide training in some non-core specializations such as analytical technology. In 2023, a total of 6,638 engineers from Group companies in Japan took part in 273 related programs. Since 2021, we have also held online training to build general IT literacy for Canon employees across all job types. In 2023, we augmented this further with DX literacy courses to help build literacy in DX-related areas; 4,000 staff took the course in its inaugural year.

In 2023, to help recognize advanced technical knowledge, we added the "Top Scientist" and "Top Engineer" designations to our HR system. Recipients are selected by a special committee once a year and are recognized as engineers who drive Canon's technology. This system promises to boost the motivation of engineers and enable them to further contribute to Canon's business success.

Development of Software Engineers

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

Elsewhere, we have sent 6 people to the "Top SE (system engineer) course" programs hosted by the National Institute of Informatics; and 3 people to the "Smart SE course" business school program organized by Japan's Waseda University that focuses on AI, IoT and Big Data technologies.

Based in Tokyo, the CIST develops software engineers

Software engineer training at CIST

Development of Global Human Resources in Manufacturing

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

In 2023, 308 employees working at nine overseas production sites took part in a total of 60 online training programs organized by the Monozukuri Advancement Center.

To promote training at overseas production sites, Canon is also focusing on on-site instructor-development training. A total of 66 personnel took part in 20 online training workshops for instructors in 2023. Site-based instructors across the Canon Group provided training to around 4,000 personnel in 2023.

A technical skill testing program, following the same standards as in Japan, has also been established at overseas sites. In 2023, testing was carried out for seven types of work skills, including injection molding, board mounting, and metal stamping, at a total of six sites in Thailand, Vietnam, Malaysia, etc., with approximately 420 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 that is in principle open to all employees.

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

On average, Canon Inc. employees spent about 23 hours on average in training in 2023. Related training costs per employee amounted to approximately ¥165,000 at Canon Inc., and about ¥93,000 at major Canon Group companies in Japan and overseas marketing companies.

Managerial Development

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

Canon Inc.'s Career Development Support Programs

■ Regular Performance and Career Reviews

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

When discussing the evaluation, supervisors offer advice and guidance on improving results and work performance. This enables employees to objectively understand their own strengths and weaknesses, which aids them in achieving further growth. Supervisors also use this information in future development plans for the employee.

■ Career Matching System

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

We also provide a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and then take up a position based on their skill level. In 2023, a total of 304 moved jobs via our internal recruitment system.

Comment from a Trainee-Style Career Matching System User

After joining the company on the administrative staff, I was responsible for promoting sales of photobook production services. Collaborating with the development department made me realize that I wanted to gain technical knowledge and get involved in development, so I requested to switch job types, even though I had no experience. In the training, participants focused on learning the basics of software development by doing mock development in teams. I'm currently in charge of developing applications related to imaging and photography. Going forward, I would love to draw on my previous experience to become a developer who can use technology to resolve sales issues. To me, this kind of environment, that allowed me to dive into a field I wanted to take on, felt like a really appealing part of this company.
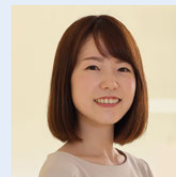
Moeka Yonaga
Canon Inc.
Imaging Business
Operations

■ Career Development Support for Young Employees

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

In 2022, we introduced a training program for young employees in their third year with the company that includes group work and discussions with a career counselor. The program aims to build awareness and motivation for career development. A total of 289 employees attended this training program in 2023.

Society   Management Foundation   Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion   - Occupational Safety and Health Management   - Human Resource Development and Personal Growth   - Sociocultural Support Activities

■ 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 2023, the division has provided support to 468 divisions and 16,500 employees, including Group companies worldwide.

■ Other Career Development Support

To offer a more diverse range of learning opportunities and support the career development of self-motivated employees, we are developing e-learning content. In 2023, around 8,000 employees participated in these programs.

Various Certification and Award Programs

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

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

Canon Inc.'s Human Resource Development System
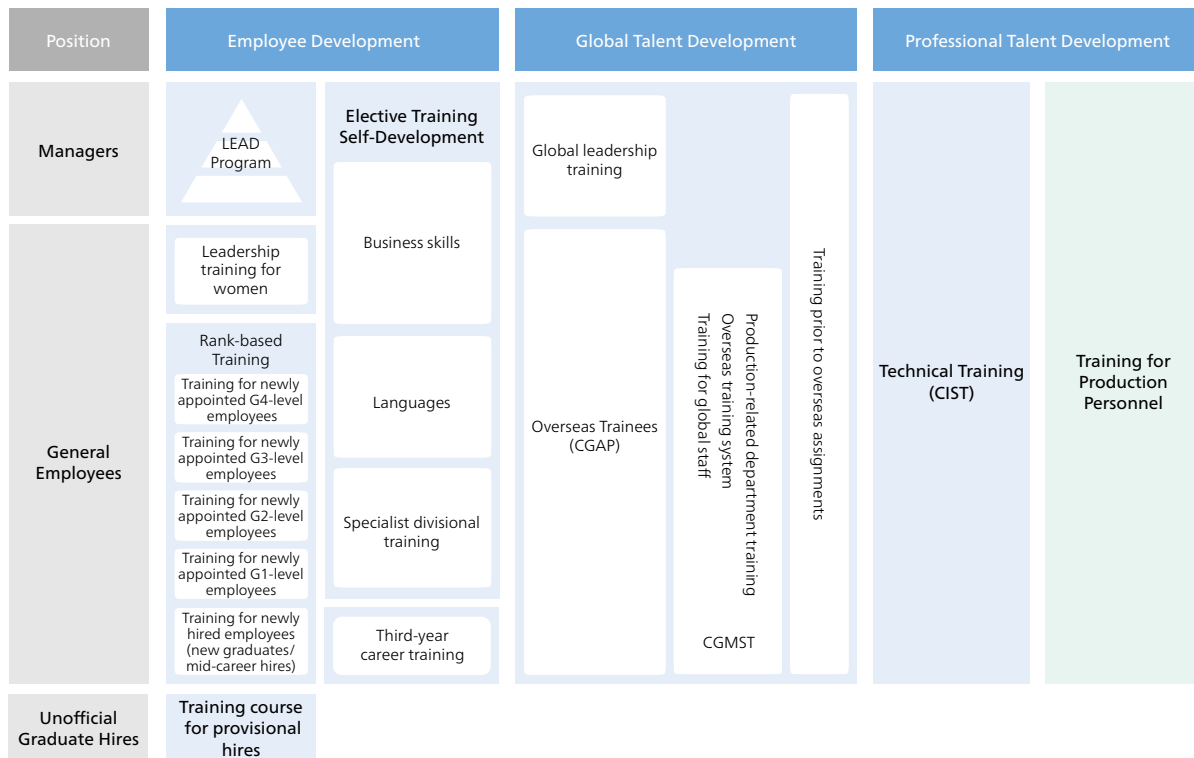
CGMST: Canon Global Marketing & Sales Trainee
CIST: Canon Institute of Software Technology

Sociocultural Support Activities

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

Basic Approach

Contributing to society through business activities has been the ethos underpinning our corporate culture ever since Canon was founded. Based on this thinking, in the important field of social contribution activities, we are engaged in educational and sociocultural support activities that use the technologies Canon has cultivated over many years in the Imaging Group and the Printing Group, and participate in projects that provide medical services to impoverished regions, drawing on the technologies of the Medical Group. These activities are instrumental to four industry-oriented groups we have positioned as means of boosting our competitiveness in the key strategies under our medium- to long-term management plan. Canon is leveraging the technology and knowledge cultivated through these businesses to help bring about the sustainable development of regional communities.

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

Policies

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

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

Promotion System

The Sustainability Headquarters at Canon Inc. oversees and promotes sociocultural activities across the entire Canon Group. The Group Executive for Sustainability Headquarters, who is an executive officer of Canon Inc., reports important matters periodically to the Chairman & CEO and Executive Vice President for approval.

Moreover, staff in charge of social contribution activities at Group companies around the world regularly share information on such matters, while we actively use our intranet and social media platforms to share with employees information on Group activities, action on the SDGs, and other related topics to promote sociocultural support activities across the Group.

Major Initiatives

***Miraisha* Programme Aims to Increase Employment Opportunities and Technical Skills in Africa**
High youth unemployment is a severe problem in Africa. Moreover, while demand is increasing for photography, video production, and printing, most of this business is done by foreign companies because local skill levels often do not reach international standards.

In response to this situation, Canon Europe has been promoting its *Miraisha* Programme, a social investment initiative in Africa. *Miraisha* is a portmanteau of the Japanese word *mirai*, meaning future, and the Swahili word *maisha*, meaning life. Through the program, Canon aims to improve the technical skills of and increase employment opportunities for local young people in Africa's growing photography, video production, and print industries. Workshops in photography, film-making, and professional printing have been conducted in Kenya, Ghana, Nigeria, DRC, Uganda, Cameroon, Ivory Coast, and other countries. Through partnerships with local organizations, educational institutions, event organizers, and with the assistance of Canon Ambassadors, and Trainers, the *Miraisha* Programme has so far provided training to more than 6,500 workshop participants.

In 2023, 300 people participated, bringing the total to 7,000 participants trained. Canon has also organized a training program to develop local photographers and videographers as Canon-accredited trainers for the *Miraisha* Programme. By 2023, a total of 25 Canon Certified *Miraisha* trainers were working throughout Africa, three of whom were recruited as Canon Group employees.

Miraisha students on a photography and film workshop in Mombasa, Kenya

Society | Management Foundation | Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion | - Occupational Safety and Health Management | - Human Resource Development and Personal Growth | - Sociocultural Support Activities

Canon Young People Programme Harnesses the Power of Positive Visual Storytelling

The Canon Young People Programme (YPP) runs across Europe, Middle East and Africa (EMEA) with the objective to give young people a voice to create a better and more sustainable future by introducing them to the power of creative visual storytelling and critical thinking, aligned to the United Nations SDGs. We achieve this by supporting young people from disadvantaged backgrounds across EMEA to develop the creative storytelling skills they need to succeed in the workplace of tomorrow. The program is run in partnership with local NGOs in each country and through this close collaboration helps us reach the local communities, run the workshops and amplify the voice of the participants. The program is diverse, creative and enabling, giving us the opportunity to work with young people with great ideas, willing to contribute, and to work hard to make the world a better place and really make a significant difference to their community.

In 2023 YPP workshops were held across EMEA in over 31 countries, supporting over 1,300 young people to have their voices heard, and their stories told. Canon YPP workshops also featured at global United Nations events including UN LDC5 in Qatar and the UN SDG Action Awards in Italy.

UN Young Delegates took part in Canon YPP workshops during LDC5 in Qatar

Inclusivity Initiatives Using Elevated Printing Technology

Canon Production Printing boasts a unique elevated printing technology involving the layering of UV-curable ink. Using this technology, the company reproduced Vermeer's masterpiece "Girl with a Pearl Earring," including the unevenness and luster of the oil painting. The reproduction is now available as a tactile painting at the Mauritshuis museum in The Hague.

In 2024, photographer Mariko Tagashira and White Hand Chorus NIPPON Artistic Director Erika Colon created "FUGA," the latest installment in the collaboration's Beethoven's Symphony No.9 series. It is a sign-language rendition of the fugue section of the symphony's fourth movement. Elevated printing to express the trajectory of the hand movements was used to create works that allow people both with and without visual impairments to appreciate the photographs in an inclusive manner.

Production of the "FUGA" photographs using elevated printing technology

Comment from the Global Director of the UN SDG Action Campaign

Inspirational storytelling is key to effectively communicating SDG impact to an engaged global audience. The YPP's collaborations with the UN SDG Action Campaign for the 2023 LDC5 Conference in Doha, Qatar, and for the 2023 SDG Action Awards in Rome, Italy, have provided invaluable guidance, support, and critical photographic equipment to empower our civil society and youth partners in expressing their commitment to the Sustainable Development Goals and give voice to their community experiences. We look forward to continuing this fruitful partnership because when it comes to communicating the SDG impact of our partners around the world, a picture is truly worth a thousand words.
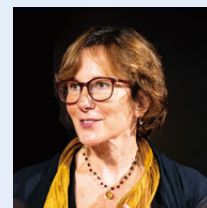
Marina Ponti
Global Director
UN SDG Action Campaign

The Research and Education Program "Eyes on Yellowstone" Made Possible by Canon U.S.A. Helps to Communicate the Importance of Environmental Conservation

Canon U.S.A. donates products and funds to Yellowstone Forever, the official nonprofit partner of the globally renowned Yellowstone National Park in the U.S.A. to support initiatives such as surveillance activities targeting endangered wildlife species.

Eyes on Yellowstone allows Yellowstone's scientists and managers to break new ground in conservation, endangered species protection, and the application of cutting-edge science and technology to park wildlife and ecosystem management. The data collected from these projects have educated and inspired millions of people around the world. Eyes on Yellowstone helps enrich the visitor experience—real and virtual—and encourages the public to become more involved in national parks and, more broadly, environmental protection.

In 2023, Canon U.S.A., Inc. donated the 4K Outdoor PTZ Camera, which is installed opposite Old Faithful, so you can see a live stream of world-famous geyser Old Faithful.

Live stream recording of Old Faithful using a Canon 4K remote camera

The 4E's Project in India

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

Especially in the field of eye-care, Canon strives to provide improved medical assistance to the people with vision impairment by utilizing its technology from the Medical Group that Canon plans to further strengthen and expand its operation as part of the priority business strategy. In India, despite the fact that 80% of cataracts, a major cause of visual impairment, are believed to be preventable or treatable, the issue is lack of access to

appropriate diagnostic or therapeutic care due to insufficiently developed healthcare infrastructure. Canon India opens vision centers in selected villages to provide eye examinations using equipment made by Canon.

A total of 4,089 people visited these centers in 2023, with 764 receiving free eyeglasses, and 156 patients being referred for treatment in hospital. There were 20,081 beneficiaries in the entire 4E's Project.

Support for Education in Asia

Canon supports the education of children across Asia who will become leaders of the next generation.

Respecting the right of every child to receive an education, we have set up 11 Canon Hope Elementary Schools in China to provide a better educational environment through improved access to education.

In Vietnam, since 2007 we have been pursuing the Canon Friendship School Chain Project, which involves constructing school buildings, providing desks and chairs, and donating school supplies to improve the learning environment for children. We opened our 51st school in 2023 in an impoverished area in the mountainous region of northeastern Vietnam.

In Thailand as well, Canon staff are engaged in ongoing volunteer activities to support children in impoverished areas in receiving a high-quality education in conducive environments. Employees visit schools to repair facilities, photograph and print student IDs, and donate books and toys collected from employees.

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

Society   Management Foundation   Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion   - Occupational Safety and   - Human Resource Development   - Sociocultural Support Activities
                                            Health Management   and Personal Growth

Donating school supplies to the newly opened school in Vietnam

Disaster Recovery Efforts (Tohoku Region)

Established in 2012, the year after the Great East Japan Earthquake, the Tohoku Reconstruction Promotion Office of Canon Marketing Japan, based in Sendai in the Tohoku region, is working to address various issues faced by the disaster-stricken region as it continues to recover, including related communications and trust-building.

In 2023, 242 people participated in photography workshops organized at various locations in the region.

Preserving Ancient Japanese Cultural Assets for the Future Through the Tsuzuri Project

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

Many of Japanese precious ancient cultural assets have limited viewing opportunities, often because they have been moved overseas or are preserved in storage as designated national treasures. The Tsuzuri Project combines Canon's imaging technology with traditional craftsmanship from Kyoto to create high-resolution facsimiles that are as close to the original as possible.

The facsimiles are utilized in a range of ways, including in public exhibitions held by the donating institution and for educational purposes.

Moreover, in 2023, we held special exhibits in various venues displaying high-resolution facsimiles of artwork created by the Tsuzuri Project, drawing around 40,000 visitors. The Fukushima City Museum of Photography exhibited the facsimiles of five national treasures and also conducted projection mapping to project the worldview of the artworks. At Canon Gallery S in Tokyo, we held a special exhibit using popular artworks to convey the diverse beauty of Japanese art. Also, at Kenninji Temple, the oldest Zen temple in Kyoto, we exhibited high-resolution facsimiles of 19 masterpieces from the collection of the Smithsonian's National Museum of Asian Art, offering a distinctive viewing experience within the temple space. By utilizing facsimiles, all the venues allowed visitors to leisurely appreciate the exhibits without glass cases, providing a valuable and close encounter with Japanese cultural assets.

Artworks on tour (from the exhibition at Fukushima City Museum of Photography)

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

A Special Appreciation Experience of Japanese Art Made Possible by the High-Resolution Facsimiles of the Tsuzuri Project

The special exhibition celebrating the 100th Anniversary of the Smithsonian's National Museum of Asian Art brought together 19 high-resolution facsimiles of the most important Japanese paintings in our collection which cannot be lent. It was unlike any other exhibition. The concept would not have worked without the high-resolution facsimiles which create extremely accurate reproductions of the original paintings. The abbot's quarters at Kyoto's oldest Zen temple, Kenninji, allowed us to display the works without glass and in natural light within a historic setting. This, too, was not possible using the original paintings. This opportunity created a unique experience for visitors and specialists alike, allowing them to travel back in time and admire the works in the original context for which they were made. We look forward to cooperating in future projects that create special experiences by bringing artworks from inside our collections to people around the world.

High-resolution facsimile of "Dragon and Clouds" by Tawaraya Sotatsu (from the exhibition at Kenninji)
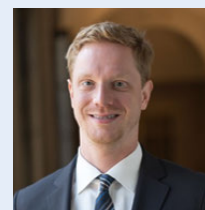
Frank Feltens
Curator of Japanese Art
Smithsonian's National
Museum of Asian Art

Contributing to Society Through Rugby

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

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

In 2023, the team held career education classes and tag rugby workshops at 25 elementary schools, with a total of 1,882 students participating. The team also hosted the "Eagles Cup 2023" mini-rugby tournament for rugby schools from the region at their training ground at Canon Sports Park in Tokyo.

"Eagles Cup 2023" mini-rugby tournament

Reference: Corporate sports
https://global.canon/en/sports/list/index.html

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

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

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

Over the past 15 years, the Canon Foundation has disbursed a total of 221 research grants totaling ¥4.0 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.

14th Research Grant Award Ceremony

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

Canon Institute for Global Studies Aims to Help Address Problems Faced by Humankind

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

CIGS brings together researchers with diverse backgrounds in business, academia, and government to exchange ideas and engage in global activities, seeking to analyze the current situation from the perspective of Japan's position in the global community and provide strategic recommendations across a wide array of areas, including the global economy, foreign affairs and national security, and energy and the environment. The institute is active in disseminating information and making policy proposals to governments through online events and research seminars.

Japanese and French experts lead a workshop on economic trends in the EU and Japan

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

Society   Management Foundation   Third-party Opinion/Third-party Assurance

- Diversity, Equity and Inclusion   - Occupational Safety and Health Management   - Human Resource Development and Personal Growth   - Sociocultural Support Activities

Other Major Sociocultural Support Activities

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Donations	In February 2023, we donated 100,000 euros (about ¥14 million) to organizations such as the Japanese Red Cross Society and the Turkish Red Crescent Society in response to the damage caused by the earthquake that struck southeastern Turkey, as well as donating medical equipment to support victims of the disaster. We also donated ¥30 million through the Japanese Red Cross Society to support areas affected by the Noto Peninsula earthquake in January 2024.	 Canon donated six tablet-type diagnostic ultrasound devices used for medical support in Turkey
	Cooperation with UN Support Programs	Canon helped sponsor the Refugee Film Festival, organized by Japan for UNHCR[1], with the cooperation of the UNHCR Representation in Japan. We also participate in activities to support the Japan Association for the World Food Programme[2].	[1] The national partner of UNHCR in Japan [2] The national partner of the World Food Programme (WFP) in Japan
Local Communities	American Cancer Society	2023 marks Canon U.S.A.'s 25th anniversary as a flagship sponsor of the Making Strides Against Breast Cancer Walk. The funds raised and donated by Canon go to the American Cancer Society to support breast cancer research, education, and patient services.	URL: https://www.usa.canon.com/about-us/community-and-social-involvement/walk-for-american-cancer-society
	Food Donations	We carry out food drives and food bank activities to donate food to organizations in need at our Shimomaruko headquarters, Utsunomiya Office, Canon U.S.A., Canon Canada, and other locations.	
Education and Science	Junior Photographers	This project organizes nature-themed photography classes for children with the aims of raising environmental awareness and fostering richer artistic sensitivity. In 2023, photography workshops were held at 19 locations, attended by 586 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 1,710 internships to students on administrative, technical or specialist tracks in 2023.	
Art, Culture, and Sports	New Cosmos of Photography	We supported this cultural project for three decades since its inception in 1991. Its aim was to discover, nurture, and support new photographers. Public solicitations were concluded in 2021, but in 2023, we published a 30th anniversary book highlighting the history of the project and held an exhibition on the project at Sendai Mediatheque.	URL: https://global.canon/en/newcosmos/

Product Responsibility

Quality Management

Approach to Quality

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

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

Quality Assurance System

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

(1) Fulfills all the requirements of the international quality assurance standard ISO 9001*[1]

(2) Incorporates the concept of "substantial safety*[2]" as standard for quality management

(3) Introduces a framework for checking quality in product commercialization processes to ensure reliable product safety standards*[3]

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

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

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

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

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

Education and Raising Quality Awareness

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

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

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

We focus particular attention on product safety training, conducting a wide range of specialized programs in areas such as product safety regulations and substantial safety technology, as well as product safety orientations for new staff. In 2023, besides holding 7 training courses, we provided a set of four online lectures on safety regulations for products and chemicals, designed for access through the year by Canon Group employees with responsibilities in related areas.

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

Ensuring Product Safety

Voluntary Action Plan Based on the Basic Policy on Product Safety

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

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

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

■ **2023 Activities Scorecard for Canon Inc.**
- Carried out review by senior management based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Continued efforts to raise awareness among customers about smoke emission from counterfeit batteries and the safe handling of electric cords and plugs, etc.
- Continued implementation of product safety training and emphasis on the importance of product safety during basic training on quality
- Continued implementation of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety
- Revised the internal standards relating to product/ chemical safety

Establishment of In-House Product Safety Technical Standards

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

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

We use our proprietary safety standards to apply rigorous quality controls to all products within a framework for checking quality across product commercialization processes. Ensuring that all our products are safe to use, we never release to market any product not meeting the standards.

■ **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
- Conduct safety-confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed at marketing sites in each country and region
- Hypothesize abnormalities, such as glitches or malfunctions, and conduct stricter safety-evaluation testing than is required by the laws of each country or region

Quality Assessment During Development

■ **Creation of Assessment Environment for the Delivery of Safe Products**

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

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

[1] International Electrotechnical Commission, an international standardization group that formulates standards on electrical and digital technologies.
[2] Electromagnetic Compatibility testing. Testing for electromagnetic interference caused by a product or its power source that may affect the operation of other equipment, and testing for electromagnetic susceptibility of the product itself that may result in malfunction.
[3] Launched in Germany as the world's first environmental labeling (ecolabeling) system.

Varied Safety-oriented Initiatives

■ **Safety Assessments of Chemical Emissions from Products**

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

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

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

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

Chemical emission evaluation testing laboratory

■ Safety Assessments of Ink, Toner, and Other Consumables

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

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

Canon's testing laboratories are highly reliable and have been certified by Japan's Ministry of Health, Labour and Welfare as in compliance with Good Laboratory Practice (GLP)[1] 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.

Canon is actively working on the use of alternatives to animal testing in chemical safety assessments.

Besides researching and utilizing information on Integrated Approaches to Testing and Assessment (IATA) including the use of alternative testing data[2], we are making progress in conducting in-house testing according to OECD Test Guidelines.

[1] 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.

[2] Canon does not conduct animal tests on ink, toner, or other consumables, unless required by laws or regulations, or requested by authorities, or where such testing is essential to safeguard customer safety. When conducting animal tests, we must comply with the "3Rs (Three Rs)," which are the basic principles of animal testing worldwide. This is stipulated in our internal rule regarding chemical safety.

■ Assessing the Safety of Medical Devices

Canon assesses the safety of medical devices based on ISO 14971 standards for the risk management of medical devices to ensure the health and safety of patients and users. For example, we do not simply identify hazards related to electrical, mechanical, or thermal energy in general. We also identify various related hazards such as biological safety, use error due to inappropriate usability, and cybersecurity, confirming throughout the lifecycle that anticipated risks have been reduced to an acceptable level.

Ensuring Quality and Reliability in Parts Procurement

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

To ensure product quality, we have devised technical checklists by type for important procured components; we also maintain a quality assurance framework to ascertain the technical capabilities of suppliers prior to any new parts procurement. To enhance quality, we work together with suppliers on optimizing quality control systems and manufacturing processes. In addition, to help detect and resolve any quality defects at an early stage, we use high-precision nondestructive analysis technologies, such as X-ray CT scans and thermal analysis, to evaluate electronic components and isolate defects. We are also working to utilize and strengthen technologies such as chemical analysis to elucidate the causes of material degradation/damage or contamination.

Product/Service Security Measures

Measures to Address Vulnerabilities in Canon Products/Services

Network connectivity via the cloud or smartphones is increasingly enhancing the benefits from Canon products and services. On the other hand, there is a growing need for measures against the increasing cybersecurity risks, including the risk of loss of personal information or confidential data. Canon focuses on the potential cybersecurity risks from the product development stage to prevent any problems. In case specific security issues are identified, a system is set up to prevent or mitigate any negative impact on customers.

■ Development Process

Canon incorporates the necessary security features into products and services from the development stage, in accordance with the trends in technology led by government entities, industry groups and software vendors on a global basis. Canon utilizes methods such as check by review and vulnerability tests to mitigate the risks, with a secure development process positioned as a vital part of development. To prevent recurrence of past vulnerabilities, Canon has made a vulnerability assessment report a requirement before the final quality sign-off, and the process is deployed company-wide.

■ Education and Training

Product/service vulnerabilities response is a highly specialized area in which it is necessary to acquire and track the latest technical progress as well as increasingly sophisticated attack methods. Canon defines career and skill levels for its new software engineers, customer service engineers and security specialists, and has designed a level-specific security training curriculum to develop human resources. Support to the onsite vulnerability testing is provided as a follow-up to also build practical skills alongside the theoretical knowledge base.

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

In January 2022, Canon PSIRT was established to address any security issues as they arise in the field.

Working in the framework of METI's Early Warning Partnership and collaborating with the external groups such as JPCERT[1] Coordination Center, Canon PSIRT pays close attention to vulnerability-related developments in the field, and gathers the latest information. Canon joined FIRST[2] in August 2023 to strengthen its incident response capabilities as part of expanding cooperation globally. Canon PSIRT website is published as a window to receive vulnerability information from researchers worldwide, and to release customer advisories on vulnerabilities of Canon products and services in a timely manner, thus ensuring cybersecurity response is on a world standard level.

[1] JPCERT: Japan Computer Emergency Response Team
[2] FIRST: Forum of Incident Response and Security Teams (a global community of cybersecurity incident response teams from government entities, educational institutions and companies worldwide)

Reference: Canon PSIRT
https://psirt.canon
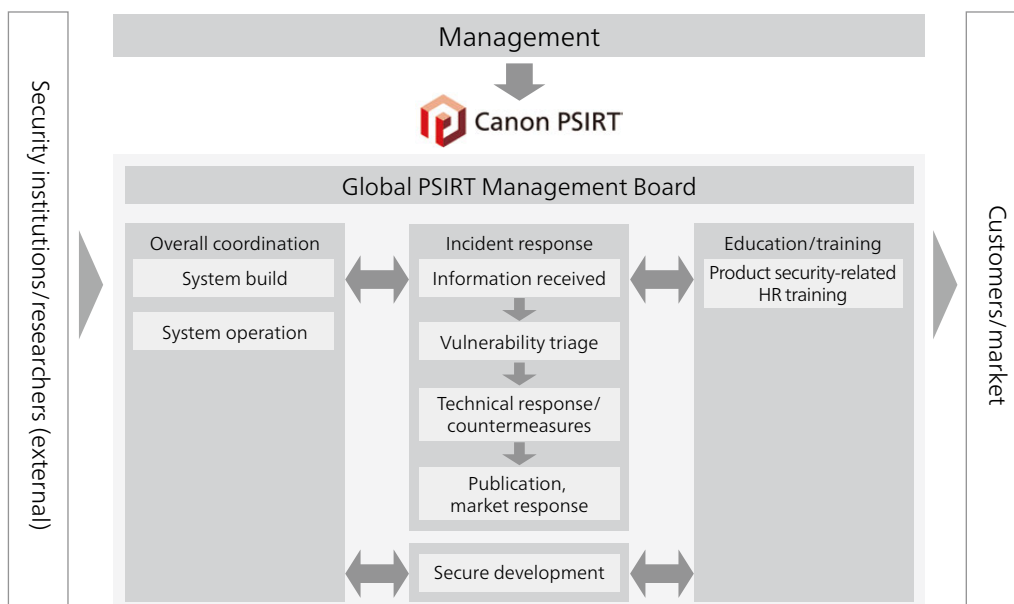
After-Sales Support

Enhancing After-Sales Services in Various Countries and Regions

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

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

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

Market Information Collection and Analysis, Feedback

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

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

Call Information Collection and Analysis System
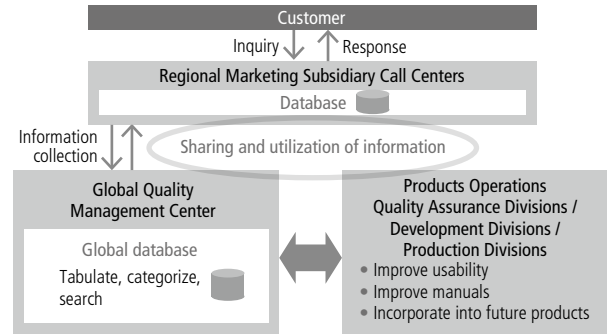

Process for Responding to Quality Issues

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

There were no such statements in 2023. Should a quality issue arise, our marketing companies in each country or region, which serve as the contact point for customers, file a report with the quality assurance division of the respective Canon Inc. Headquarters division (products operations). The quality assurance division then investigates the cause of the issue as well as countermeasures. Moreover, in the event of a major issue, related Headquarters divisions (products operations), the Global Quality Management Center, legal division, and public relations division are consulted concerning response measures, and after the matter is reported to the CEO, action is promptly taken.
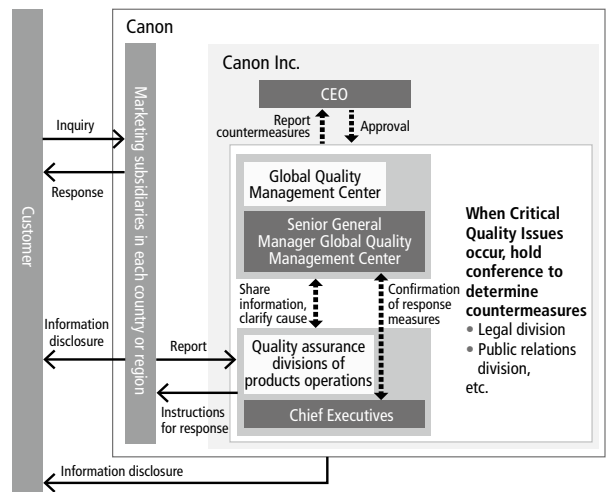
Improving Product Usability

Providing Information on the Appropriate Use of Products

■ Pursuing Usability for Canon Products

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

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

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

■ Promoting Universal Design

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

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

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

Principles of Universal Design

- Ensuring Inherent Usability
  After obtaining a thorough understanding of the customer's usage circumstances, we give every consideration to the inherent usability of the design in keeping with the product's purpose and usage environment.
- Creating Products and Services People Enjoy Using
  We continually pursue innovative idea creation that goes beyond simple problem-solving in order to create products and services that customers want to use.
- Applying Cutting-Edge Technologies
  We apply Canon's leading technologies to products to improve customer convenience and to help customers realize a richer, more comfortable life.

Reference: Canon's Universal Design
https://global.canon/en/design/ud/

■ Product Accessibility

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

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

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

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

Corporate Governance

Fundamental Policy and Structure

Fundamental Policy

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

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

Governance Structure

■ Basic Views

Canon Inc. is globally expanding its businesses in various business fields, including printing, medical, imaging, and industrial, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important

decisions for the entire Canon Group or matters that straddle several business fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, Canon Inc. judges the corporate governance structure below to be effective.

Change in Corporate Governance Structure

Year	Item
2010	• Reduced the number of Directors (from 25 to 17)
2014	• Appointed Outside Directors (two)
2015	• Appointed female Executive Officer • Measures to assess effectiveness of Board of Directors
2016	• Reduced the number of Directors (from 17 to 6) • Established Nomination and Remuneration Advisory Committee • Established the Independence Standards for Independent Directors/Audit and Supervisory Board Members
2024	• Appointed a female Director • Increased the number of Directors (from 5 to10)

Corporate Governance Structure
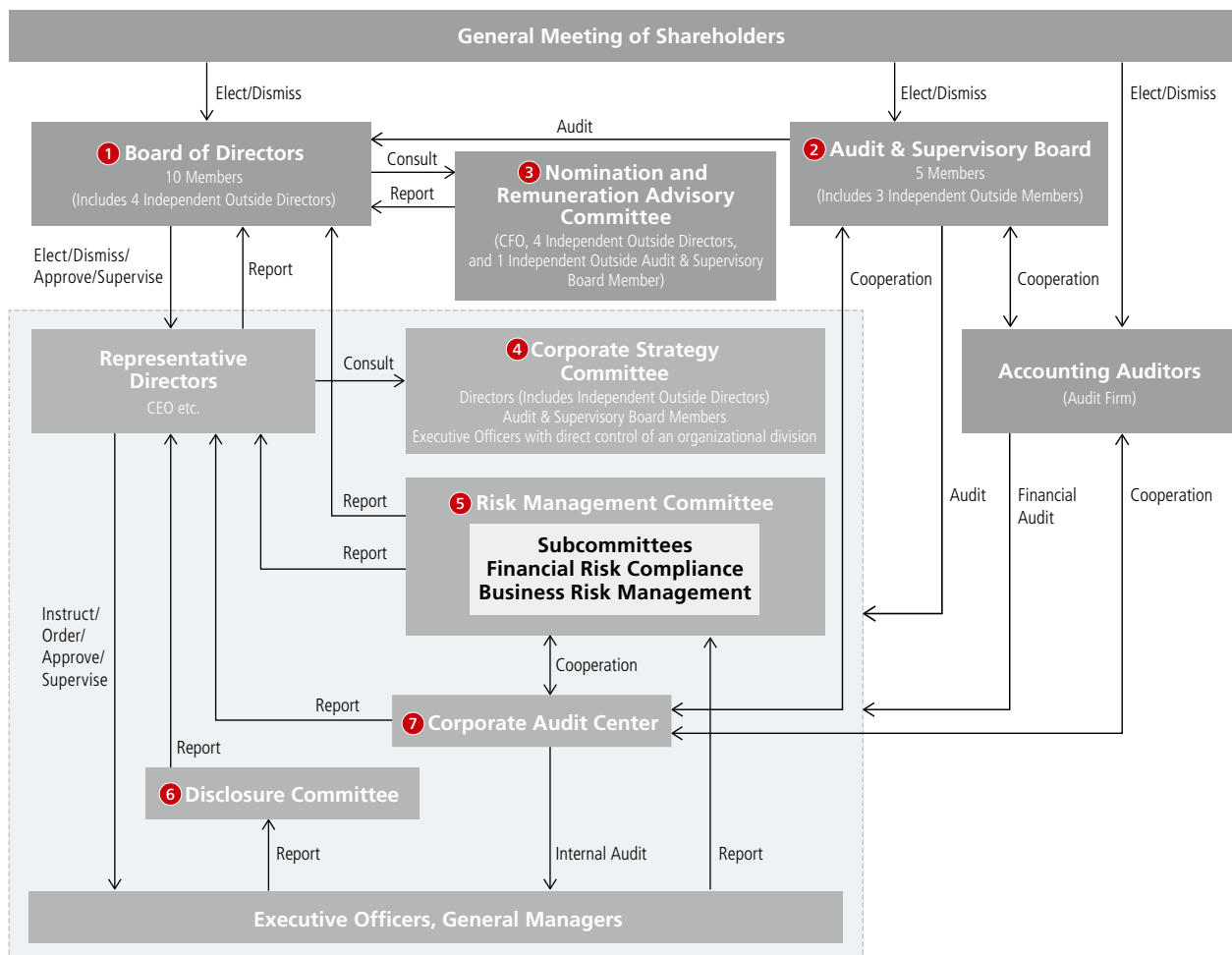
* ▨ The grey boxes represent the Organizations executing operations

❶ Board of Directors

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

❷ Audit & Supervisory Board

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

❸ Nomination and Remuneration Advisory Committee

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

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

With the aim of ensuring the transparency and objectivity of the remuneration decision-making process as well as the validity of the remuneration system, the Committee, after examining the rationale of the remuneration system, including calculation standards of the basic remuneration, the bonus and the granting standards of stock-type compensation stock option plan, reports to the Board of Directors to the effect that the system is reasonable.

❹ Corporate Strategy Committee

Canon Inc. established the Corporate Strategy Committee, consisting of Directors, including Independent Outside Directors, Audit & Supervisory Board Members, and some Executive Officers. Among items to be decided by the CEO, the Committee undertakes prior deliberations on important matters pertaining to Canon Group strategies.

❺ Risk Management Committee

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

❻ Disclosure Committee

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

❼ Corporate Audit Center (Internal Audit Division)

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

Board of Directors Structure

Board Policies in the Appointment of Senior Management and the Nomination of Director and Candidates

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

Requirements of Director Candidates

Representative Directors and Executive Directors	Have a true understanding of the corporate philosophy and code of conduct of the company. At the same time, have broad familiarity with the company's businesses and operations, gained through, for example, Executive Officer experience. Have the ability to make effective decisions that overlook multiple businesses and functions. In addition to this, the CEO shall be a person with the ability to lead the Canon Group, having, in particular, a wealth of knowledge and skill related to management and a clear vision and a strong sense of responsibility
Independent Outside Directors	In addition to meeting the independence standard that is separately determined by the Board of Directors, have an abundance of experience and superior insight into fields such as business management, risk management, law, and economics

Skills of Board of Directors

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

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

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

* Outside

Background and Aims for the Increase of Candidates for Directors

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

from B2B to B2C. In addition, the scope of management issues for the Board of Directors to consider is expanding to include issues such as SDGs, geopolitical risks, economic security, and cyber terrorism. The growing issues for the Board of Directors thus encompasses areas that cannot be examined adequately by personnel selected from within the Company alone, and there is an increasing need to utilize the expertise of outside experts. To address this situation, the Company also plans to increase the number of Outside Directors who provide advice and supervision from an independent standpoint based on a medium- to long-term perspective. As a result, the number of directors will be ten, of which will be four Outside Directors including one female, accounting for more than one third. Managing in a volatile business environment, the Company intends to continue to review the appropriate structure and function

of the Board of Directors, including its effectiveness, and will take appropriate steps to make necessary adjustments in accordance with the business environment.

Reasons for Appointment of Outside Directors

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

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

Name		Reasons for Appointing
Outside Directors	Yusuke Kawamura	Yusuke Kawamura has a wealth of experience as an Outside Director along with capacity as an expert with respect to financial and securities systems as well as strategy for managing financial institutions, given that he worked at a securities company and subsequently served in various positions, including as a university professor, a commissioner of councils of Japan's Ministry of Finance and Financial Services Agency, and an Executive Counselor of the Japan Securities Dealers Association. The Company elected him as an Outside Director in hopes that he will furnish particularly useful advice, drawing on his wealth of experience and high level of expertise regarding finance and securities, especially when taking part in discussions on M&A and ESG-related topics from a shareholder and investor perspective.
	Masayuki Ikegami	Masayuki Ikegami has been involved in various matters, including corporate cases, in legal professions over many years, having served in important roles at the High Public Prosecutors Office in both Nagoya and Osaka and as a Justice of the Supreme Court for seven years. The Company has selected him as a candidate for Outside Director in hopes that he can provide insightful opinions and supervision, particularly regarding internal control systems and corporate governance, including from the perspective of ensuring corporate compliance, based on his abundant experience and advanced knowledge.
	Masaki Suzuki	Masaki Suzuki worked for many years at the Ministry of Finance, before transferring to the Ministry of the Environment, where he held important positions such as Vice-Minister. After retiring from the ministry, he also served as the representative director of a private financial institution. The Company has selected him as a candidate for Outside Director in hopes that he can provide insightful opinions particularly concerning the areas of corporate finance and environment, in addition to opinions and supervision based on his managerial experience at financial institutions which require a high degree of appropriateness and compliance.
	Akiko Ito	Akiko Ito joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) as a technical official, served as its first female Director (Director of Housing Bureau), and was responsible for policies for regional revitalization, including human resource development and job and town development, before becoming Commissioner of the Consumer Affairs Agency. Since retiring from the Consumer Affairs Agency, she has continued to participate in research in related fields, while serving as the Outside Director of a corporation. The Company has selected her as a candidate for Outside Director in hopes that she can provide insightful advice and supervision particularly from the perspective of clients and consumers, as well as advice related to the active promotion of diverse human resources.

Analyzing and Evaluating the Effectiveness of the Board of Directors

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

- As for the operation of Board of Directors (including the appropriateness of when documents are distributed, how often meetings are held, and the time spent deliberating)
- As for the decision making and supervisory function of the Board of Directors (including the appropriateness of agenda items and agenda criteria of the Board of Directors as well as appropriateness, etc., of content that is reported)

- As for the roles of Outside Directors and Audit & Supervisory Board Members (including the necessity of training, etc., regarding the understanding of company affairs and corporate structure)

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

Outside Directors and Audit & Supervisory Board Members. In the future, yearly analysis and evaluations will be continued and an overview of the results will be disclosed. At the same time, when necessary, efforts will be made to improve the running, etc., of Board of Directors meetings.

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

Basic Remuneration	Basic remuneration consists of a fixed amount of monetary remuneration paid monthly as consideration for the performance of duties of Directors. The amount is prescribed according to each Director's position and the degree to which the Director contributes in this role and the total remuneration amount is within the limit approved at the General Meeting of Shareholders. (Total remuneration amount here refers to the total basic remuneration of all Directors including Outside Directors.)
Bonus	As a reward for Director service over a one-year term, Directors receive a bonus once a year for which "consolidated income before income taxes" is used as a financial indicator to measure the results of annual group-wide corporate activities. The total amount of the Director's bonus is determined by multiplying such consolidated income with a given predetermined coefficient that corresponds with the Director's position. It is also determined through individual assessment based on the degree to which the Director contributes in this role. Matters including whether a payment is allowed or the total amount of bonus as calculated above, are deliberated during the General Meeting of Shareholders every year.
Stock-type Compensation Stock Options	Once a year, stock acquisition rights on Canon Inc.'s shares are granted with the intent of providing an incentive for Directors to further contribute to the improvement of medium- and long-term performance and raising corporate value through sharing the benefits and risks of share price fluctuations with Canon Inc.'s shareholders. The total amount of the stock acquisition rights is within the amount approved at the General Meeting of Shareholders and the number of those stock acquisition rights granted is calculated based on the amount determined by the Director's position, the consolidated income before income taxes in the previous year, as well as the degree to which the Director has contributed in this role (the amount of monetary compensation claims granted to Directors for the payment in exchange for the stock acquisition rights), and the stock price level at the time of granting. As remuneration is linked to the achievements throughout one's term in office, Canon Inc. has a system in place that allows the exercising of acquisition rights at the time of retirement.

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

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

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

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

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

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

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

Policy for Constructive Dialogue with Shareholders

Policy

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

Structure to Promote Dialogue

Investor Relations (IR), Shareholders Relations (SR), sustainability, and legal divisions are responsible for working together and promoting dialogue. The Executive Vice President & CFO oversees the entire structure to promote dialogue. For analysts and institutional investors, the CEO hosts an annual corporate strategy conference, and the CFO hosts quarterly financial results conferences. In addition, we continue to provide prompt and accurate disclosure of business conditions by posting materials on Canon Inc.'s website. Furthermore, we established an English IR website for overseas investors, disclosing the same information at the same time as in Japan.

Additionally, the Company provides opportunities to meet with Executive Officers, Outside Directors, Audit & Supervisory Board members, etc., as necessary, to engage in dialogue with analysts and institutional investors in Japan and overseas. As for the opinions or demands that are obtained through dialogue with shareholders, accordingly, the department in charge reports to the CFO and the CFO reports important ones to the CEO or the Board of Directors.

Policy for Constructive Dialogue with Shareholders

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

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

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

Risk Management

Basic Approach

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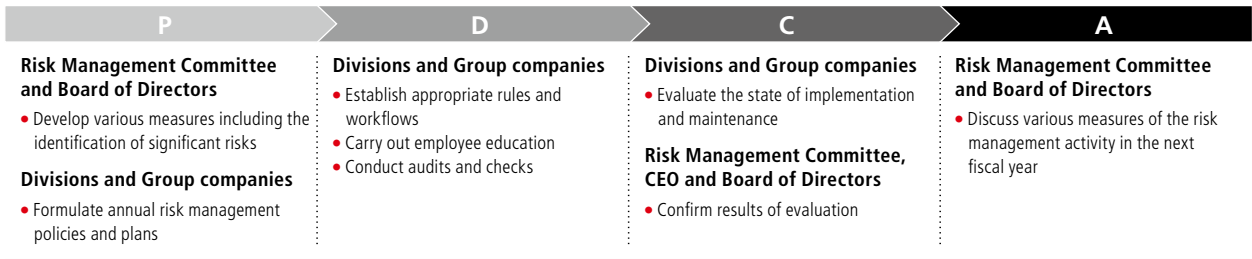
Risk Management System

Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the CFO, the committee has established three subcommittees: the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.
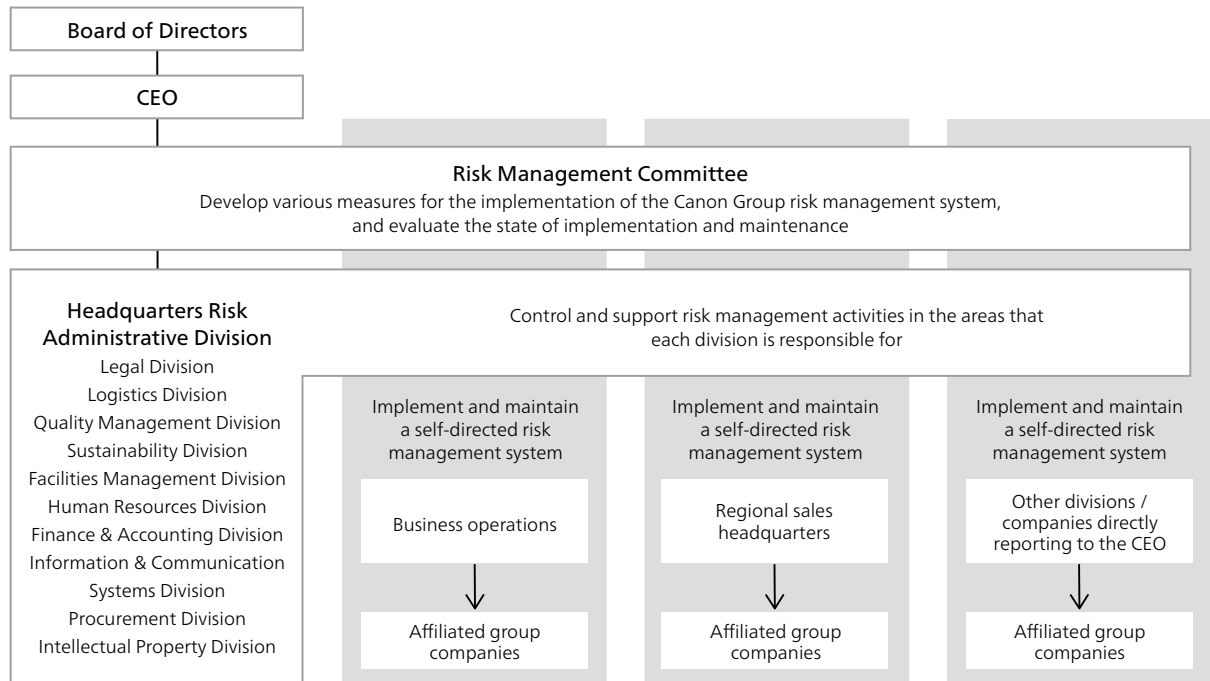
The Risk Management Committee develops various measures to implement Canon's risk management system, including identifying any significant risks (violations of laws and regulations or corporate ethics, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.) that the Group may face in the course of business.

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

Processes for Implementation and Maintenance of Risk Management System

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

Risk Management System


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Board of Directors
    |
   CEO
    |
Risk Management Committee
Develop various measures for the implementation of the Canon Group risk management system,
and evaluate the state of implementation and maintenance

Headquarters Risk Administrative Division          Control and support risk management activities in the areas that
  Legal Division                                    each division is responsible for
  Logistics Division
  Quality Management Division
  Sustainability Division          Implement and maintain   Implement and maintain   Implement and maintain
  Facilities Management Division   a self-directed risk     a self-directed risk     a self-directed risk
  Human Resources Division         management system        management system        management system
  Finance & Accounting Division
  Information & Communication      Business operations      Regional sales           Other divisions /
    Systems Division                                        headquarters             companies directly
  Procurement Division                                                               reporting to the CEO
  Intellectual Property Division
                                   Affiliated group         Affiliated group         Affiliated group
                                   companies                companies                companies
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Under this system, each Canon Inc. division and Group company implements and maintains a self-directed risk management system and makes a yearly report to the Risk Management Committee on the results of its activities.

Having received the report of each subcommittee, division, and Group company, the Risk Management Committee evaluates the state of implementation and maintenance of the risk management system and reports its findings to the CEO and Board of Directors. The evaluation conducted in 2023 found no material flaws in the system.

Group-Wide Risk Management Communication

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

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

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

Financial Risk Management

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

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

As a result of these initiatives, we determined that our internal controls over financial reporting as of December 31, 2023 were effective.

We filed an application for the termination of registration of its ADRs with the US Securities and Exchange Commission (SEC) in March 2024. Approval of this application would mean the reporting of internal control over financial reporting would be in accordance with the basic control framework as stipulated in the Financial Instruments and Exchange Act, rather than COSO standards. Our internal activities aimed at strengthening financial risk management remain unchanged.

Promoting Compliance

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

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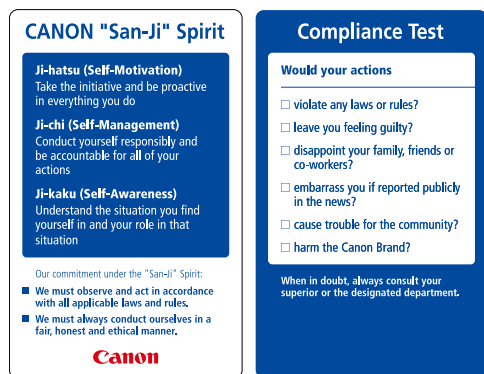   - Respect for the individual and prohibition against discrimination
   - Prohibition against sexual harassment
   - Prohibition against bringing weapons or drugs to the company workplace

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Promoting Corporate Ethics

■ **Canon Group Code of Conduct and Compliance Card**

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

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

CANON "San-Ji" Spirit

Ji-hatsu (Self-Motivation)
Take the initiative and be proactive in everything you do

Ji-chi (Self-Management)
Conduct yourself responsibly and be accountable for all of your actions

Ji-kaku (Self-Awareness)
Understand the situation you find yourself in and your role in that situation

Our commitment under the "San-Ji" Spirit:
■ We must observe and act in accordance with all applicable laws and rules.
■ We must always conduct ourselves in a fair, honest and ethical manner.

Canon

Compliance Test

Would your actions

☐ violate any laws or rules?
☐ leave you feeling guilty?
☐ disappoint your family, friends or co-workers?
☐ embarrass you if reported publicly in the news?
☐ cause trouble for the community?
☐ harm the Canon Brand?

When in doubt, always consult your superior or the designated department.

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, etc. Additionally, we have since 2004 designated a Compliance Week twice a year—once in the first half of the year and the other in the second half—in order to foster discussions in the workplace about compliance issues. Through these efforts, we strive to develop and improve operational processes to ensure that employees are aware of compliance and abide by the law.

■ **Compliance Hotline System for Internal and External Whistleblowers**

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

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

Canon Inc. has also set up a hotline for external stakeholders, which they can use to report specific human rights-related concerns and information in connection with Canon's corporate activity or other specific concerns relating to various risks in the supply chain. If the investigation conducted into any report received finds there is an issue, the appropriate procedures are implemented to correct any problem and to prevent its recurrence. Due care is taken to protect the privacy of informants and to ensure they do not suffer disadvantageous treatment as a result, including the option of anonymous reporting.

The number of reports received in 2023 by the entire Group with its 169,151 employees was 298, mainly from Asia (including Japan) and the Americas. Of those with an investigation completed as of the end of 2023, compliance violations were confirmed in 43 cases. The reports received in 2023 included no serious compliance violations.

Compliance System

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

■ **Strict Compliance with Security Trade Control**

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

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

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

■ **Compliance with Antitrust Laws**

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

Business divisions of Canon Inc. and Group companies worldwide with sales and service functions conduct regular training for employees of divisions exposed to the risk of antitrust violations to educate them about antitrust laws, give examples of legal violations, and provide everyday operational compliance guidance. Employees are encouraged to make use of Canon's antitrust law hotline (connected to the Legal Division) when unsure of how to interpret or apply antitrust laws.

■ **Prevention of Corruption**

The Canon Group CSR Basic Statement includes "9. Prevent corruption in all its forms including bribery," making clear to all stakeholders, both internal and external, the management stance adopted by Canon on bribery and other forms of corruption. In addition, the Canon Group Code of Conduct (→P80) clearly stipulates that Group executives and employees are prohibited from receiving benefits from business partners and corporate customers in the form of gifts or entertainment, etc., that exceed the social norm, and from providing similar benefits to government agencies, business partners and corporate customers. It also clearly prohibits actions that may cause conflicts of interest or constitute insider trading. In line with the above Basic Statement, we have formulated the Canon Supplier Code of Conduct, which requires our suppliers to refrain from engaging in any form of corruption, including bribery.

Based on the above policy, following identification and assessment of the risks that Canon may face in conducting business, the Risk Management Committee has identified violation of anti-corruption laws as a significant risk. As a countermeasure, corruption risk is assessed based on the country/region and type of business using such references as the Corruption Perceptions Index published by Transparency International, and then depending on such risk, anti-corruption systems are established in accordance with laws and guidelines related to anti-corruption in major countries, such as the Foreign Corrupt Practices Act (FCPA) of the United States and the Bribery Act of the United Kingdom. Specifically, for businesses and regions assessed as high risk, each Group company has established a responsible division and has clarified its management stance on anti-corruption and matters to be observed through the formulation of basic policies and company rules on anti-corruption. We are also putting in place systems to prevent corruption among suppliers, intermediaries, and other third parties outside Canon (performance of due diligence and inclusion of an anti-bribery clause in the contract) and conduct annual training for employees engaged in high-risk duties to deepen their understanding of the anti-corruption laws and regulations in major countries and regions. Moreover, we not only conduct audits depending on the risk of corruption but also conduct an annual survey (→P86) of suppliers as part of our supply chain management to check whether measures are in place to prevent the acceptance of bribes or inappropriate benefits. Finally, the Risk Management Committee undertakes an annual evaluation of the implementation and maintenance of the risk management system, which includes such anti-corruption systems, and reports the results of such evaluations to the CEO and Board of Directors.

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

■ **Protecting Personal Information**

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

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

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

Promoting Business Risk Management

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

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

Ensuring Complete Information Security

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

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

■ **Information Security Management System Operations**

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

If an information security incident occurs, the matter must be reported to the Information & Communication Systems Headquarters. It may also be reported to the Risk Management Committee (→P74), depending on circumstances.

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

In 2023, information security audits were again carried out at 23 Group companies in Japan and 27 Group companies overseas.

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

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

■ **Information System Security Measures**

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

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

As a measure against cyber-attacks, we use monitoring systems to identify any suspicious emails with possible malware[2] attachments. We also monitor unauthorized online communications from internal sources to try and prevent attacks from causing more widespread damage.

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

*1 Confidentiality: Enable only authorized personnel to access information.
   Integrity: Ensure data and processing methods are accurate and cannot be modified without authorization.
   Availability: Make data accessible to authorized personnel when needed.
*2 Malicious software (including computer viruses and ransomware) created with the deliberate intention of performing unauthorized or harmful operations.
*3 National center of Incident readiness and Strategy for Cybersecurity.

■ Security Measures for Production Facilities

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

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

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

■ Information Security Training to Raise Employee Awareness

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

Both regular and mid-career hires are thoroughly trained on Canon's information security measures and rules through group training. In addition, Canon executives and all employees undergo annual information security training using an online platform.

Every employee of Canon Inc. (roughly 24,000 people) received the information security training in 2023. Course content focused on improving information security literacy*, including recognizing the major threats recently posed by computer viruses and the points to watch when using the Internet or social media. In addition, special training sessions based on a targeted email attack were conducted involving roughly 60,000 Canon Inc. and Group company employees. This was intended to provide practical instruction in how to respond appropriately to suspicious emails and thus avert widespread damage. Specifically, newly hired employees unaccustomed to using email in the work environment received separate training to reinforce their awareness.

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

Business Continuity Plan

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

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

We have updated all Group company facilities in Japan, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training. We also have systems that use data from surveillance cameras installed at each Group site so that any damage caused by natural disasters or other emergencies can be evaluated swiftly. Furthermore, we have prepared a leader's manual in order to safeguard human life immediately following a natural disaster or fire, prevent secondary disasters, and protect company assets. Using this manual as a model, Group companies are also creating localized manuals based on the unique risks in the areas where they operate to facilitate the smooth restoration of services in the event of a disaster. Last year, 45 operational sites conducted emergency drills based on these manuals.

*1 An action plan that includes measures to provide for the continuation of a minimal level of business in the event of disaster, accident, or other such event, and to restore operations promptly.
*2 A facility prepared for data backup in the event of a system breakdown due to a disaster.

Economic Security Initiatives

In recent years, as a reaction to heightened geopolitical risks, there is now a perceived need to check for overdependence on certain countries or regions and other economic security risks. Many countries have placed increasing emphasis on economic security, taking steps for instance to safeguard their lead in cutting-edge technologies, enhance the independence of other important technologies, and mitigate threats to key material supply chains. This trend has also been reflected in legislation. In Japan, the Economic Security Promotion Act was enacted in May 2022.

Canon Inc. has established the Economic Security Office to coordinate the Group's response to this issue, including gathering, classifying, and analyzing information from within and outside Canon, as well as developing a framework for Group-wide sharing of information to bolster Canon's ability to mitigate such risks.

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 2023, nor was it subject to any major punitive measures, such as fines.

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

Corporate Income Taxes

	2019	2020	2021	2022	2023
Taxes on income before income taxes (hundred million yen)	561	343	719	924	1,063
Effective tax rate on income before income taxes (%)	28.7	26.4	23.7	26.2	27.2

Supply Chain Management

Basic Approach

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

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

Policies

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

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

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

Promotion System

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

Policy items and significant matters regarding legal violations and risks relating to business operations are deliberated by the Risk Management Committee (→P74)

in terms of ways of responding to business risks and opportunities and needed measures, with relevant reporting to the CEO and Board of Directors.
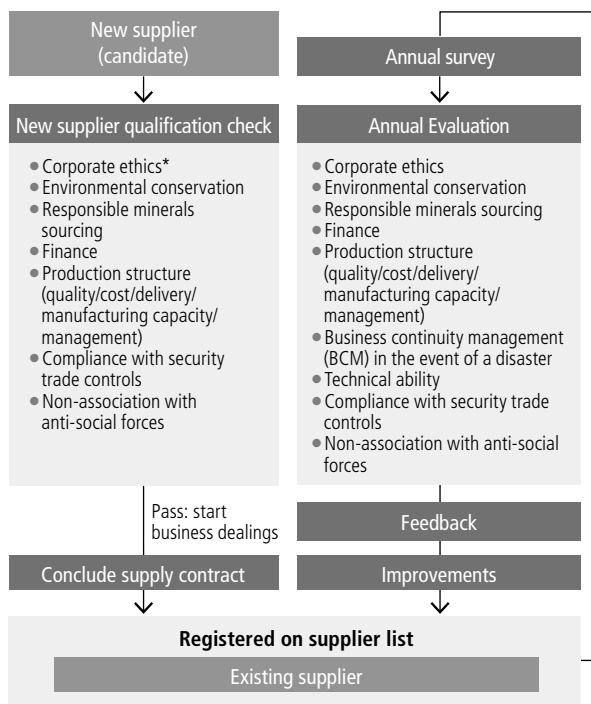
Initiatives with Suppliers

Supplier Evaluation

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

Only those suppliers who meet these criteria are accepted onto the Supplier List. Canon conducts an annual survey of suppliers registered on the list and makes a comprehensive evaluation based on the survey results, performance as a supplier, and other factors. The results are then reflected in the supplier list, enabling us to preferentially deal with suppliers with high evaluations. We conduct on-site audits of suppliers with low evaluations and provide guidance and instruction for improvement. In particular, Canon may

Supplier Evaluation System

New supplier (candidate)	Annual survey
↓	↓
New supplier qualification check	**Annual Evaluation**
• Corporate ethics* • Environmental conservation • Responsible minerals sourcing • Finance • Production structure (quality/cost/delivery/ manufacturing capacity/ management) • Compliance with security trade controls • Non-association with anti-social forces	• Corporate ethics • Environmental conservation • Responsible minerals sourcing • Finance • Production structure (quality/cost/delivery/ manufacturing capacity/ management) • Business continuity management (BCM) in the event of a disaster • Technical ability • Compliance with security trade controls • Non-association with anti-social forces
Pass: start business dealings ↓	**Feedback** ↓
Conclude supply contract ↓	**Improvements** ↓
Registered on supplier list	
Existing supplier	

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

choose to terminate business with suppliers if they are not complying with laws and social norms covering areas such as human rights, labor, and the environment.

For parts and materials suppliers of its main business products ("major suppliers"), Canon uses the RBA's SAQ to identify their labor, health and safety, environmental, and ethical risks. Our 2023 survey of 385 companies elicited responses from 378 companies (representing 512 sites). Suppliers that did not reply to the survey were followed up individually. No businesses were identified as high risk among these suppliers, but we provided feedback on the results of labor, health and safety, the environment and ethics to our major suppliers and requested that they identify weaknesses and improve on them.

We also take appropriate steps to verify the SAQ responses received from a limited number of major suppliers in Japan and Asia, including on-site checks.

We also request major suppliers to sign an agreement concerning the RBA Code of Conduct. In 2023, agreements were signed with 373 of 385 major suppliers, equating to a consent rate of 96.9%.

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

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

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

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

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

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

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

Requirements of the Canon Green Procurement Standards

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

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

To promote environmental conservation activities, we require Canon suppliers throughout the supply chain to work for environmental impact reduction in their business activities by putting in place and operating an environmental management system. Specifically regarding the chemical substance content of products, alongside the requirements of our Green Procurement Standards, we have put in place an in-house system for

Supply Chain Management

centralized management of information on the content of such substances in parts and materials so as to exclude the possibility of product contamination with prohibited substances.

It was already Canon's practice to check the organization and environmental performance of a supplier's business activities and any corrective measures taken. Now, we have further strengthened our risk management to help prevent pollution in our supply chain. For example, in order to ensure compliance with stricter regulations, we are taking measures to boost information gathering and analysis activities regarding laws and regulations on wastewater and emissions in emerging countries. We are also reinforcing risk management in plating processes, where there is a relatively high risk of environmental pollution associated with wastewater treatment as a certain volume of heavy metals is used. As some of our plating contractors, who constitute tier-two suppliers, lack an in-house wastewater treatment facility and subcontract services to a wastewater treatment provider, Canon now also verifies the compliance status of these subcontractors. Expanding the scope of risk management in this way helps ensure pollution prevention.

Reference: Green Procurement
https://global.canon/en/procurement/green.html

Hazardous Chemical Substances Management System
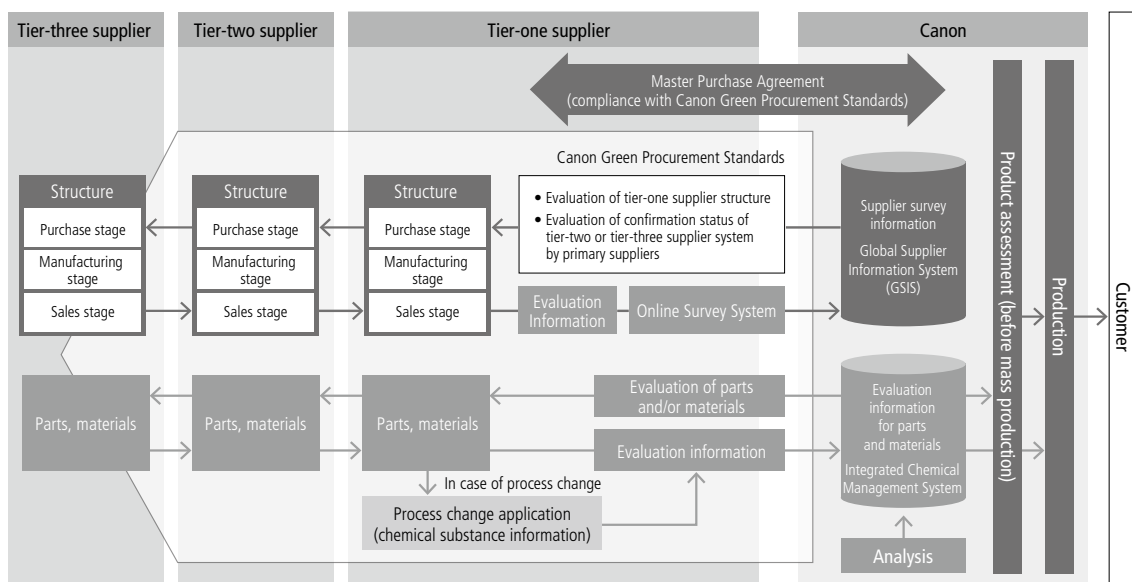
Reduction of Supply Chain Environmental Risk in Partnership with China's Institute of Public & Environmental Affairs (IPE)

Based on supply chain information published by the Institute of Public & Environmental Affairs (IPE), a Chinese environmental NGO, we help secondary and tertiary suppliers and other Chinese businesses located in the upstream of the supply chain to reduce environmental risk by making recommendations and carrying out improvements.
By sharing information regularly and communicating with the IPE on best practice, we contribute to reducing environmental risk throughout the supply chain.

Comment from the Director of the IPE

For many years now, Canon has engaged in supply chain management with the use of the IPE's Blue Map Database to promote the remediation of environmental violations by suppliers and to actively contribute to reducing the environmental impact of the entire supply chain. In the IPE's Green Supply Chain CITI (Corporate Information Transparency Index), Canon has been ranked in the industry's top 10 for 10 years in a row. It has also been ranked among the best in the industry in CATI—the Corporate Climate Action Transparency Index—which evaluates actions to address climate change in the company itself and across its supply chains. Going forward, IPE looks forward to working with Canon to further accelerate its efforts in reducing its environmental footprint.

Ma Jun
Director, the Institute of Public & Environmental Affairs (IPE)

Cooperation with Suppliers

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept (→P13).

Specifically, as part of our environmental initiatives, at the annual conference on procurement policies, we explain to suppliers the measures Canon is targeting to achieve net zero by 2050, including visualization of CO_2 emissions across the entire supply chain; promoting steps by suppliers to reduce CO_2 emissions; and adopting parts and materials with lower CO_2 emissions.

To help improve quality, we also work with suppliers to analyze defective items and related causal factors as part of improving processes.

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

Hotline for Risks in the Supply Chain

Canon has set up a hotline to allow anyone inside or outside the company to anonymously report any concerns about the supply chain. This enables whistleblowers to share any specific concerns or information relating to issues such as child labor, forced labor, or other problems in the areas of human rights and occupational health and safety. This process is detailed in the Canon Supplier Code of Conduct and publicized.

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

Addressing the Issue of Responsible Minerals Sourcing

Products manufactured and sold by the Canon Group and numerous other corporations contain materials that originate from a variety of minerals. These materials are sourced through diverse supply chains from their places of origin throughout the world. Mineral mining sites, smelters or other processing sites for some of those materials have been shown to have links to armed groups, serious human rights violations or environmental destruction. Corporations are therefore being called upon to exercise their social responsibility by identifying conflict/high-risk regions and avoiding the use of materials supplied from business operators disrespecting human rights or environmental conservation in those regions.

To reassure customers using Canon products, we are working with suppliers and industry bodies on responsible mineral sourcing initiatives.

Reference: Canon Group Basic Policy on Responsible Minerals Sourcing
https://global.canon/en/csr/conflict/policy.html

Due Diligence

Canon investigates the countries of origin of minerals and exercises due diligence, following the 5-step framework recommended by the Organization 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).

Based on a common Group-wide policy and survey reporting system, Canon identifies products that could contain certain metals or minerals and then conducts investigations of the parts and materials in question, tracing up the supply chain to determine places of origin. Canon exercises due diligence to identify human rights and environmental risks in conflict-affected and high-risk areas around the world.

Risk Identification and Evaluation

Tin, tantalum, tungsten and gold (3TG) produced in the Democratic Republic of the Congo (DRC) and neighboring countries are said to have been used in some cases to provide funding for armed groups allegedly responsible for serious human rights violations, environmental destruction, illegal mining, and other issues. This is generally referred to as the "conflict minerals." Canon has been conducting 3TG-related risk assessments in Africa for the DRC and neighboring countries since 2013.

The Conflict Minerals Regulation came into force in the EU in 2021. Although this regulation does not apply to Canon, we have broadened the scope of our 3TG risk assessments beyond the DRC and neighboring countries to include other conflict-affected and high-risk areas.

Moreover, there has been heightened worldwide attention in recent years to the procurement risk associated with non-3TG mineral substances. Specifically, cobalt — used in lithium-ion batteries and other applications — is the focus of concern over potential human rights violations, including child labor, at mining locations. Canon began assessing cobalt procurement risks in 2021.

In identifying the above risks, Canon's due diligence surveys utilize the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT) published by the Responsible Minerals Initiative (RMI*). In addition, we use internally developed formats to identify mineral sourcing risks where necessary.

* An international program that plays a leading role in the response to conflict minerals.

Initiatives to Reduce Risk

Supplier cooperation is essential in identifying places of origin for minerals and related smelters. We assist suppliers by compiling a guidance manual for the surveys. Where significant risk is found, we seek to mitigate it by requesting that suppliers switch to a supply chain with lower mineral procurement risk.

Canon established a page entitled "Procedure for the Submission of Concerns Regarding Mineral Risk" on its official website to recognize such risks in the early stage. Parties with specific concerns and/or information regarding circumstances of extraction, trade, handling and export of minerals 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

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.

2023 Surveys and Disclosure

In 2023, Canon sent CMRT/EMRT-based surveys to eligible suppliers. The response rates were approximately 94% for CMRT and 88% for EMRT (all figures as of March 31, 2024).

Based on the survey responses, there is no evidence pointing towards significant human rights or environmental risks in Canon's supply chain. However, the complex nature of the supply chain makes it difficult to identify specific smelters or in many cases to obtain clear responses. Given these and a range of other survey challenges, Canon is working for further risk identification and improvement.

In line with OECD Guidance, the results of Canon Group surveys, the assessment framework, risk analyses and information relating to specific smelters are published annually in the Conflict Mineral Report on Canon's website.

The Conflict Mineral Report is audited by independent private-sector experts to provide some assurance that the Group's initiatives on conflict minerals investigation conform to international standards in the form of the OECD Guidance.

A total of eight Canon Group production sites underwent VAP audits by the RBA in 2023. Canon was recognized as being compliant with standards for responsible sourcing of minerals as listed in the RBA Code of Conduct (Section D. Ethics (7) Responsible Sourcing of Minerals).

Reference: Conflict Minerals Report
https://global.canon/en/csr/conflict/

Compliance with Modern Slavery Act

The Modern Slavery Act 2015 enacted in the United Kingdom in 2015 mandates that enterprises of a certain scale operating in the UK publish annual statements detailing the risk of forced labor, human trafficking and child labor within their own operations and supply chain. In 2018, Australia enacted a Modern Slavery Act, under which companies above a certain size operating in Australia are required to evaluate the risk of forced labor and other issues in the supply chain and in their own business activities and to disclose measures taken to reduce the risk.

Annual statements are published by Canon Group companies that fall within the scope of the law, based on the information on human rights risk assessments conducted by Canon Group production sites and suppliers.

Annual statements are also published by Canon Medical and Axis in compliance with this legislation.

Reference: Canon Europa N.V., Canon Europe Ltd., and Canon (UK) Ltd.
Modern Slavery Act Statement
https://canon.a.bigcontent.io/v1/static/ms_statement-2022
Reference: Canon Australia Pty Ltd. Modern Slavery Statement
https://modernslaveryregister.gov.au/statements/9654/
Reference: CMSC Slavery and Human Trafficking Statement
https://global.medical.canon/about/corporate/Slavery_and_Human_
Trafficking_Statement
Reference: Axis Modern Slavery Act Transparency Statement
https://www.axis.com/dam/public/e8/aa/88/axis-modern-slavery-
act--transparency-statement-2022-en-US-388796.pdf

Third-party Opinion/Third-party Assurance

Co-Leader of the Research Unit
Innovation Labs,
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Dr. Justus von Geibler

Transparent sustainability reporting is no longer a nice-to-have but an imperative. This is driven by various factors, in particular increasingly stricter regulatory reporting requirements. For example, the European Corporate Sustainability Reporting Directive (CSRD), adopted in 2023, sets reporting requirements not only on the impacts of companies' own operations but also on the impacts connected with its value chains, including its products and services, and its supply chains. Thus, information on value chain impacts is a key requirement in sustainability reporting.

I have reviewed the draft material of Canon's sustainability report for 2024 from a value chain perspective, focussing on the social impact of Canon's products, and on the material topics.

Social Contributions of Canon's Products
A new overview of Canon's business units and the social contributions of their products is included in this year's report (→P06). I welcome this page, since it explains how Canon's core business activities contribute to social sustainability. This is complemented by a disclosure on the Canon EXPO (→P07–08), highlighting how Canon's technologies could improve lives and work in the future. These sections take a positive stance, but have little to say about potential technology-associated societal risks. I appreciate the reference to the integrated report for detailed information, but hope that future disclosures on social product impacts in the different reports are more aligned and cover risks and opportunities in a more balanced way. This could involve linking to Canon's long-standing work on product responsibility, including product safety, reliability, and usability (→P67–72) and allow a better understanding of social impacts of the product portfolio and related actions.

Material Topics from a Value Chain Perspective
This year's report provides a clearer overview on the material topics and related disclosures. The table (→P11–12) merges previously scattered information on the material topics and specific materiality-related targets and measures, including those related to the value chain. The value chain perspective is well reflected in the environmental material topics, most prominently through the scope 3 emissions which include Canon's indirect upstream and downstream emissions, encompassing both Category 1 (purchased goods and services) and Category 11 (use of sold products). Another example relates to recycling efforts to support resource efficiency. Outside the environmental domain, however, the value chain perspective for Canon's products is given much less attention. Only one target in the social domain ("Mitigate risks by conducting human rights due diligence") is related to upstream or downstream activities. I believe that more disclosures on the downstream performance of products would help the reader to better understand the full scope of the product portfolio's impacts, including stronger links to social benefits of Canon's products.

Material Topics with More Specific Targets and KPIs
The new overview on the material topics and related disclosures (→P11–12) includes a clearer specification of targets and key performance indicators (KPIs). Combined with an assessment of target achievements, Canon provides a much more transparent view of the focus and performance in key sustainability areas. However, with more 25 targets and 35 KPIs specified for the six material topics, the question arises how Canon addresses potential conflicts that may arise between these targets. While the report suggests a rough prioritization at material topic levels, I would recommend a stronger prioritization of targets and KPIs. This could be accompanied by a reduction in the number of specified indicators. A streamlined and prioritized approach could further enhance transparency and allow stakeholders to better understand Canon's strategic direction on the material topics.

My Conclusion
Canon's 2024 report represents a notable step towards greater transparency in sustainability reporting. While I see areas for improvement, such as incorporating stronger target prioritization and social product performance metrics, the report demonstrates Canon's continued commitment to transparency and provides a highly valuable foundation for further progress.

Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair (2017–2023)

Judy Kuszewski

Canon was founded over 80 years ago, yet remains a dynamic global organisation. This is particularly evident in its approach to sustainability impacts and reporting, which is fitting, in light of the increasing strategic relevance of sustainability matters for corporate success. This trend will only grow in the years to come, as society grapples to address the challenges that come with environmental and social change – which are already urgent – and to make the most of the role that corporations play in ensuring sustainable outcomes for society.

So it is also fitting that the dynamism Canon displays as a corporate entity is reflected in its reporting, which is increasingly extensive, increasingly specialised and designed to address specific stakeholder needs, currently comprising no fewer than five separate documents (→P01). I would encourage Canon to maintain its focus on ensuring these and other communications channels are coherent and connected, and that they facilitate the reader's deeper exploration of Canon's strategy and performance.

Further specific comments and recommendations follow.

Evolving Sustainability Promotion System Continues to Evolve
Canon launched a substantial reorganisation of its sustainability approach, which is designed to drive awareness of and a consistent approach to implementation of sustainability thinking throughout its operations and business units. This system is still unfolding, most recently with the establishment of the Sustainability Committee in April 2024. It is expected that this approach will strengthen over time, and understandable that in a time of transition but reporting cannot be fully robust. Or it remains, understandably, somewhat vague.

Material Topics, Targets, KPIs and Canon's Ambition
One of the notable improvements in this year's report, in my opinion, is the strengthened disclosure about the environmental and social topics deemed material (→P11–12). It includes, and improved provision of context to understand the nature of these topics and what Canon is doing about them, and what progress they have made, in a compact 2-page spread.
The information it addresses is wide and complex, but made simple by the clear structure and references to more detailed information. I recommend that Canon keep the related goals and targets under review and test them against their organisational ambitions: Which of these goals and targets stretch and challenge Canon the most? Are they as ambitious as Canon wants and needs them to be? Are they fit for purpose – that is, do Canon's corporate targets really address the scale of the important challenges they have identified in their material topics? And how will the goal-setting process influence the ongoing development of the sustainability promotion system?

Specific Environmental Targets and Reporting Approach
In several areas, for instance carbon emissions, it is clear that Canon has already made substantial progress against its existing set of targets, so much so that it raises the question as to the need to review and reset the objectives sooner than anticipated. Canon's 2030 targets in Scope 3 and lifecycle CO_2 emissions per product are both very close to achievement already. This tends to suggest Canon has the opportunity to review and reset their ambitions in these areas, in recognition of the enormous global challenges presented by climate change and urgent need to do much more, collectively, than we are currently doing. In a slightly different example, the topic of biodiversity has received a significant boost in recent months through the launch of both the updated GRI topic standard for Biodiversity and the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, which provide a structured and rigorous means to identify, assess and report on biodiversity-related impacts. As this topic remains one of Canon's long-standing material topics, I very much hope they will take an early lead in expanding reporting on these matters, in line with this growing global body of best practice.

Canon has been issuing environmental and sustainability reports for many years now, and has built up a wealth of experience in sustainability reporting can only be viewed as a veteran of the practice. This is a journey I have been proud to support as a critical friend and look forward to continuing to do so in the future.

About the Third-party Review Process

Introduction

To support Canon in its ongoing efforts to improve its sustainability reporting for stakeholders, the advice of external experts is an important element of Canon's annual reporting cycle. Canon asks these experts to review and comment on its sustainability report, to:

- Provide a means both to advance Canon's commitment to sustainable development and to check expectations and perceptions of progress against the experts' own views
- Support the achievement of accountability through the sustainability report
- Help foster dialogue between Canon and its stakeholders while supporting good accountability practice.

Judy Kuszewski and Dr. Justus von Geibler have supported Canon's reporting every year for over a decade, through dialogue with Canon leadership and detailed, challenging review of concepts and draft contents as they are developed, as well as written commentary which is published in this report.

Basis for the Commentators' Opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards and the UN Sustainable Development Goals (SDGs) as background, the commentators challenged Canon on:

- **Materiality** – The topics of greatest importance to Canon's business and to its stakeholders; where Canon's most significant impacts are produced, and where Canon can make the most difference to the issue.
- **Relationship between sustainability impact and strategy** – How to ensure readers do not lose valuable context related to Canon's core business strategy.
- **Clarity and complexity** – How to link together multiple reporting processes for various audiences, while maintaining a coherent overall sense of Canon's business and capability.
- **Advancing sustainability strategy** – Canon should take the ongoing opportunity to strengthen people's understanding of how its products deliver on wider sustainability demands of society.

Judy Kuszewski and Justus von Geibler are well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting. They are not auditors or assurance providers.

What Canon and the Commentators Discussed

Topics	Third-party comment	Canon views
Relationship, consistency and clear reporting with a growing collection of different reports	As sustainability reporting is becoming mandatory in some jurisdictions, with a range of relevant frameworks and a variety of intended audiences, Canon is responding by specializing some of its reporting for these various purposes. This makes sense as an approach, but there is a risk that the different reports are disconnected and hard to use for readers. Canon should continue its efforts to improve understanding by providing linkages not just between different reports, but connectedness of information, both in concept and potentially communications technology, to facilitate readers' access to information across an increasingly complex landscape.	Canon publishes several reports containing sustainability information to meet the growing legal and regulatory needs of its stakeholders. For the 2024 Report, we have included a list of each report so that readers can see at a glance which reports provide the information they need (→P01). We will work to improve the relevance of information between reports.
Canon EXPO as an opportunity to showcase the future.	The Canon EXPO, held every few years, is an exciting platform to explore Canon's unique expertise as a business and how it may improve lives and commerce in the future. How does Canon EXPO give us a window into what the future looks like? Canon's report showcased several interesting concepts, such as the Green Platform, which is quite conceptual; how might these concepts be applied very practically, in the largest possible number of contexts?	Canon EXPO 2023 introduced how the latest products, services, solutions, and supporting technologies are solving social issues and creating new value (→P07–08). We will give form to the products, technologies, and solutions which are exhibited at Canon EXPO 2023 and deliver them to the market. This report also discusses solutions to social issues through these measures.
Maturing the environmental and social material topics	The identified material topics continue to improve, becoming more specific and practical for evaluation and checking progress. However, social and environmental are not consistent in the way they are defined, with in most cases the environmental topics are much more clearly more specified in most cases than the social topics. This reflects the general development of many of these issues, and the lesser degree of standardization in the social domain. However, the social topics are of equal urgency to delivering on sustainability goals; therefore, Canon's approach should be developed to reflect the same level of rigour.	Every year, Canon conducts surveys of trends in sustainability around the world and regions, analyses relevant laws and regulations, and reviews priority issues (→P10). We are fully aware of the importance of the social fields you have pointed out, and will consider them in light of new trends in information disclosure standards such as the ISSB and CSRD, as well as stakeholder opinions.
Sustainability promotion system evolves	The promotion system that supports the embedding of sustainability throughout the organization continues to change, naturally, as these functions mature. It is currently difficult to evaluate, given the limited information available. As these systems are crucial for the embedding and dissemination of sustainability through a complex global company, we hope to see Canon elaborating this further in future reports.	Canon established the Sustainability Committee in April 2024 to ensure appropriate and effective decisions on sustainability-related matters (→P05). We are working to promote our sustainability activities under this committee and will share our progress.
Canon product responsibility as a lens to the wider business	In the description of Canon's material topics, the identified social topics (in contrast to the environmental topics) lack product performance indicators linked to those social impacts. There is substantial capability and a strong mindset on which Canon can build, given Canon's extensive history with environmental performance and product responsibility safety, and increasingly environmental performance. 'Sustainable by design' can be as powerful as 'universal design' already is.	Canon has been working to design products that not only have an impact on the environment, but also have an impact on society, such as product safety and universal design. We will review our efforts in terms of social impact through our products, and also consider indicators.

Dr. Justus von Geibler's and Judy Kuszewski's full statements can be seen at "Third-party Opinion." (→P91–92)

Canon has received third-party assurance from LRQA Limited for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2024 for the year 2023.

LRQA

LRQA Independent Assurance Statement

Relating to *CANON Group's Environmental Data within CANON Sustainability Report 2024* for the calendar year 2023

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

LRQA was commissioned by CANON INC. ("the Company") to provide independent assurance of its Environmental data within CANON Sustainability Report 2024 ("the Report") for the calendar year 2023, against the assurance criteria below to a limited level of assurance and materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064 -3:2019 for greenhouse gas emissions.

Our assurance engagement covered operations and activities of the Company and its subsidiaries in Japan and overseas and specifically the following requirements:
- Verifying conformance with the Company's reporting methodologies in accordance with the GHG Protocol for the selected dataset; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:[1]
    - Scope 1 GHG emissions (tonnes CO_2e)
    - Scope 2 GHG emissions, [market-based and location-based] (tonnes CO_2e)
    - Scope 3 GHG emissions associated with Categories 1 to 15 [2] (tonnes CO_2e)
    - Energy Consumption [2] (TJ)
    - Water consumption [2] (m^3)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Company. LRQA 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.

LRQA's Opinion

Based on LRQA'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 of the criteria listed above; and
- Disclosed accurate and reliable environmental data as summarized in Table 1.

The opinion expressed is formed on the basis of a limited level of assurance[3] and at the materiality of the professional judgement of the verifier.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with ISAE3000 (Revised) and ISO 14064-3:2019. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

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[1] GHG quantification is subject to inherent uncertainty.

[2] Verification was only conducted for 2022 year's data.

[3] 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 lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

- 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 records for the calendar year 2023; and
- Visiting the Company's head office (Shimomaruko) and Canon Marketing Japan Inc.'s head office to confirm the data collection processes, record management practices, and to physically check emission sources.

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. In particular, it is expected that data management at overseas sites will be more accurate.

LRQA's Standards, Competence and Independence

LRQA 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 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* 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.

LRQA 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.

This is the only work undertaken by LRQA for Company and as such does not compromise our independence or impartiality.

Signed   Dated: 10 March 2024

Kazuyori Yukinaka
LRQA Lead Verifier
On behalf of LRQA Limited
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https://www.lrqa.com/ja-jp/
LRQA reference: YKA4005113

LRQA

Table 1. Summary of *CANON Group's* Key Data for CY2023:

Scope		
Scope 1 GHG emissions	161,639	tCO_2e
Scope 2 GHG emissions [Market-based]	754,873	tCO_2e
Scope 2 GHG emissions [Location-based]	874,789	tCO_2e
Scope 3 GHG emissions	6,551,103	tCO_2e
Category 1	2,903,022	tCO_2e
Category 2	882,861	tCO_2e
Category 3	179,872	tCO_2e
Category 4	357,008	tCO_2e
Category 5	22,551	tCO_2e
Category 6	58,011	tCO_2e
Category 7	146,592	tCO_2e
Category 8	0	tCO_2e
Category 9	49,666	tCO_2e
Category 10	0	tCO_2e
Category 11	1,785,531	tCO_2e
Category 12	164,796	tCO_2e
Category 13	1,194	tCO_2e
Category 14	0	tCO_2e
Category 15	0	tCO_2e
Energy consumption	10,275	TJ
Water consumption	8,662,709	m^3

Canon