

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.

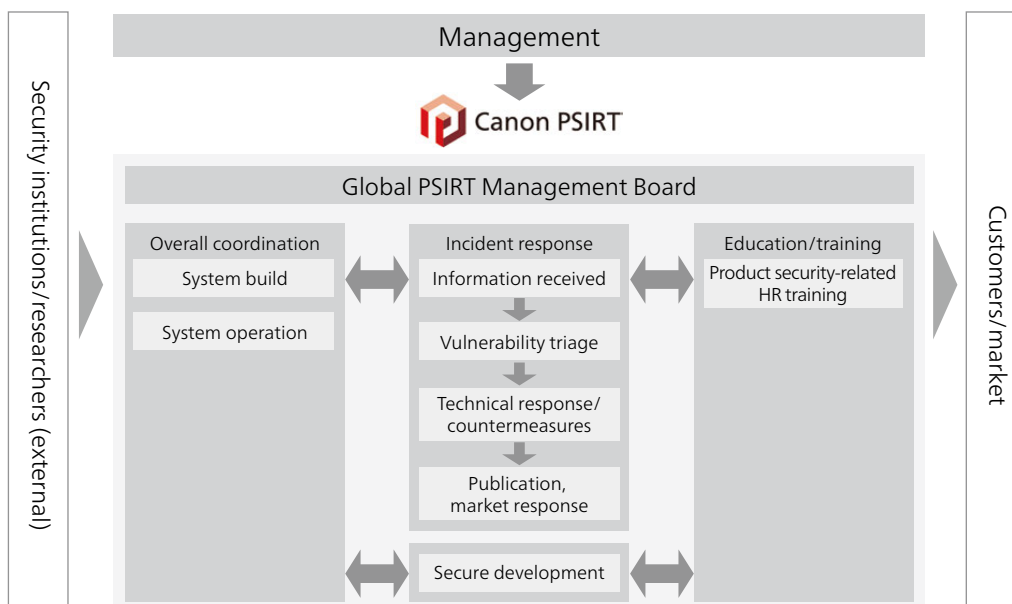


Canon PSIRT

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.

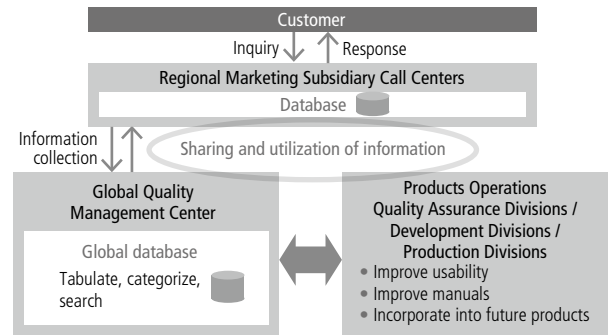
We continually monitor how customers use content and analyze survey responses and other data, feeding back the results to divisions producing content to constantly make updates and improve customer usability. We are also working to offer more user-friendly services by optimizing content to support the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

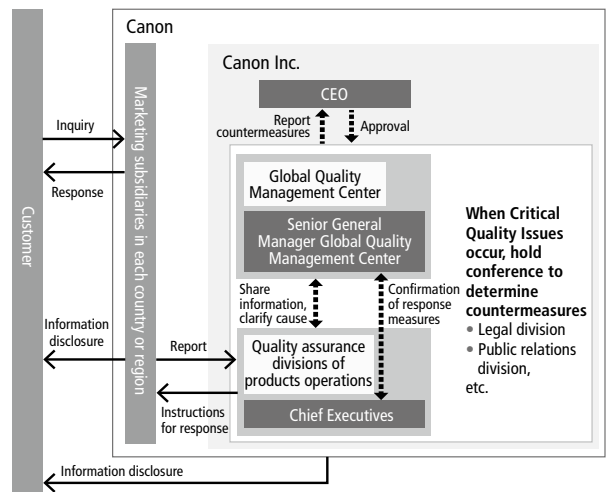


Process for Responding to Quality Issues

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.

Critical Quality Issues



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

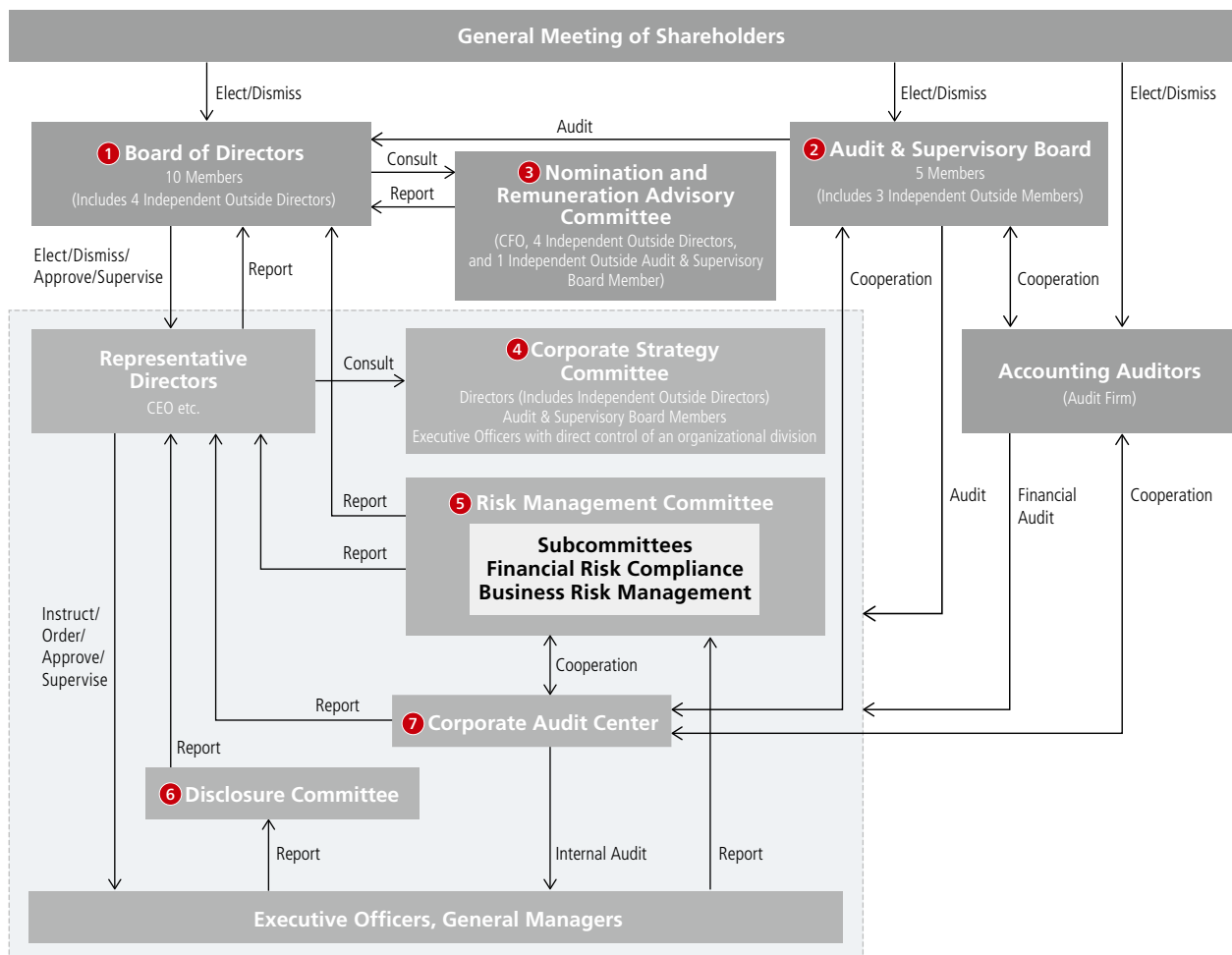
Canon Inc. is globally expanding its businesses in various business fields, including printing, medical, imaging, and industrial, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important

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 to 10)

Corporate Governance Structure



* The grey boxes represent the Organizations executing operations

1 Board of Directors

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

2 Audit & Supervisory Board

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

3 Nomination and Remuneration Advisory Committee

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

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

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

4 Corporate Strategy Committee

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

5 Risk Management Committee

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

6 Disclosure Committee

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

7 Corporate Audit Center (Internal Audit Division)

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

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
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

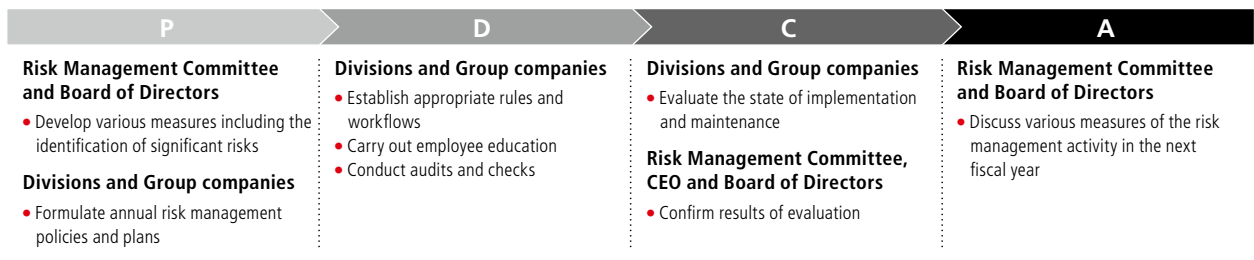
Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the CFO, the committee has established three subcommittees: the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.

The Risk Management Committee develops various

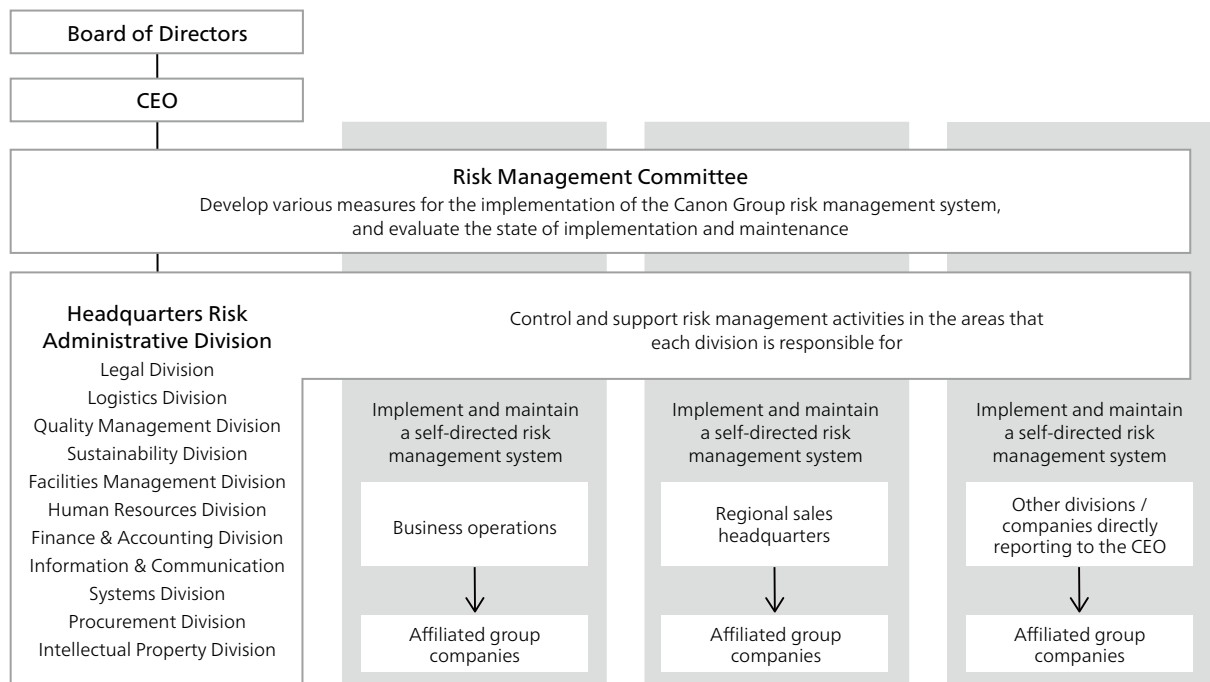
measures to implement Canon's risk management system, including identifying any significant risks (violations of laws and regulations or corporate ethics, inappropriate financial reporting, environmental issues, quality issues or information leaks, etc.) that the Group may face in the course of business.

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



Risk Management System



Under this system, each Canon Inc. division and Group company implements and maintains a self-directed risk management system and makes a yearly report to the Risk Management Committee on the results of its activities.

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

Group-Wide Risk Management Communication

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

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

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

Financial Risk Management

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

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

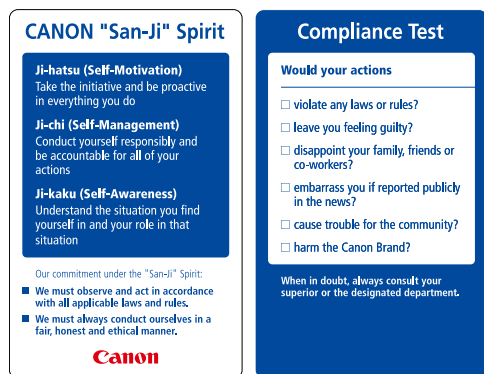
- Respect for the individual and prohibition against discrimination
- Prohibition against sexual harassment
- Prohibition against bringing weapons or drugs to the company workplace

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 Selves) Spirit, which has been a guiding principle since our founding, and on the other side is a compliance test that enables employees to conduct a daily self-evaluation.



Compliance Card

■ **Corporate Ethics and Compliance Training**

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

For example, Canon Inc. and Group companies in Japan conduct relevant training for executives and employees as part of new recruit training, 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 Shimomaru 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 unflinchingly, according to law.
3. Develop tax-related governance systems and work to raise awareness about tax compliance.
4. Adhere to common international rules on international taxation (guidelines set by the Organization for Economic Co-operation and Development and the United Nations) and ensure that actions are in compliance with the tax laws of each country.

Corporate Income Taxes

	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.

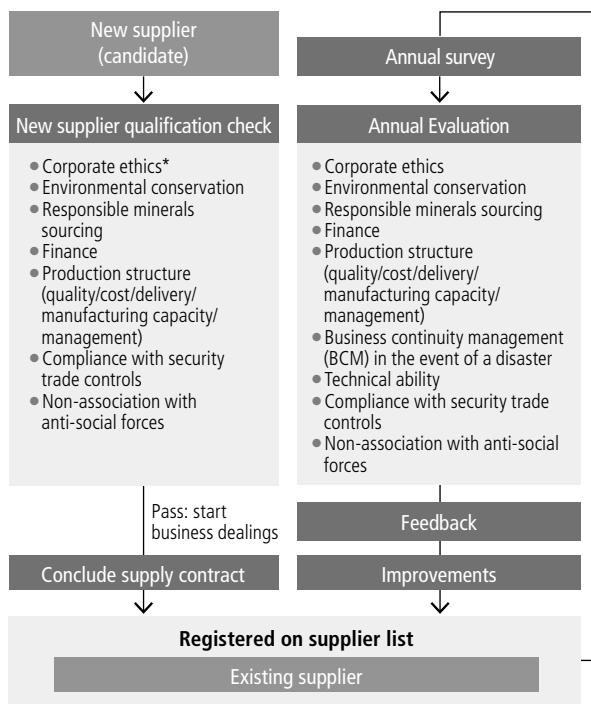
Initiatives with Suppliers

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



* 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	<p>A: Environmental management system for business activities Construction and operation of an environmental management system for business activities</p>	<p>B: Performance of business activities</p> <ul style="list-style-type: none"> - 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	<p>C: Management of chemical substances in products Construction and operation of system for management of chemical substances in products</p>	<p>D: Performance of parts and materials</p> <ul style="list-style-type: none"> - No prohibited substances are contained - No use-restricted substances are contained after a specified period

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

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

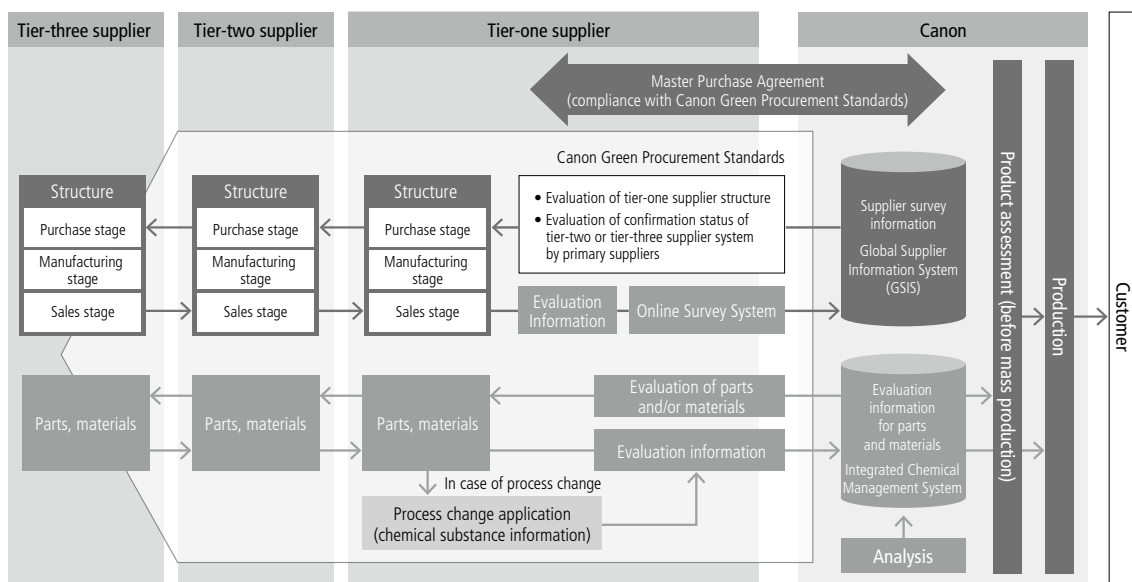
centralized management of information on the content of such substances in parts and materials so as to exclude the possibility of product contamination with prohibited substances.

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 CO₂ emissions across the entire supply chain; promoting steps by suppliers to reduce CO₂ emissions; and adopting parts and materials with lower CO₂ 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>