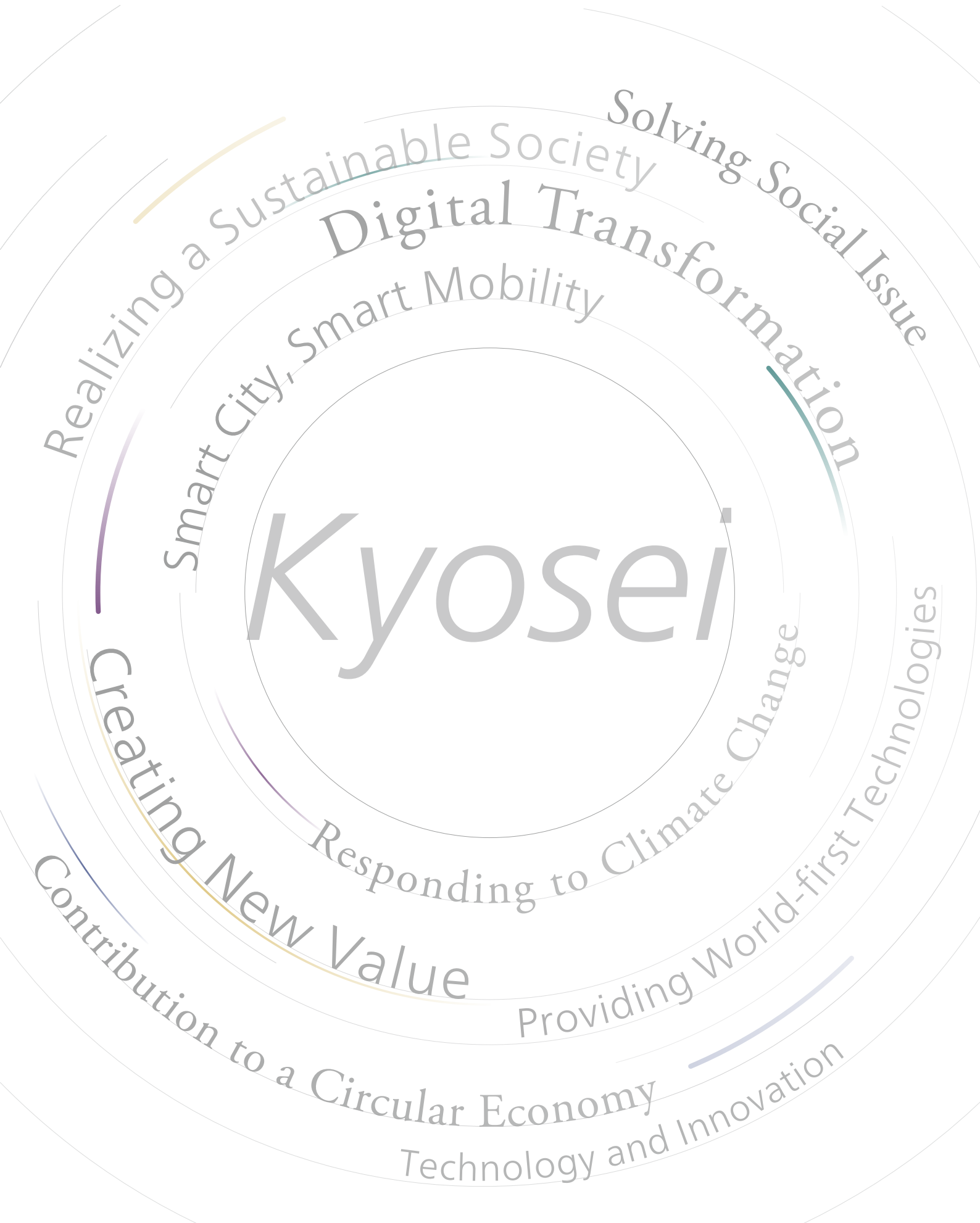


CANON

SUSTAINABILITY REPORT 2022



About this Report

Editorial Policy

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

In October 2021, Canon introduced its "Approach to Sustainability" and set forth the direction that Canon would like to take. In addition to providing additional information on efforts to respect human rights, this report explains our business strategies, intellectual property strategies, human resources strategies, financial strategies and activities that address materiality.

This report is prepared in accordance with the GRI standards core option criteria and disclosing information in accordance with Task Force on Climate-related Financial Disclosures (TCFD) framework.

Additional financial information is available in the CANON ANNUAL REPORT 2021.

(Ref.) CANON ANNUAL REPORT 2021
<https://global.canon/en/ir/library/annual.html>

Scope of the Report and Period Covered

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2021 (January 1 to December 31, 2021). The scope of environmental reporting is not limited to activities (development, production, and sales) at operational sites. Rather, it covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product use by customers. Supplemental information on important targets, indicators, and initiatives prior to and beyond 2021 is referenced in this report. Information specific to a region or organization is indicated as such.

Target of the Report

This report presents data from 329 companies (56 companies in Japan and 273 overseas) that are consolidated companies of the Canon Group.

Date of Publication

May 2022
(previous: June 2021, next planned: May 2023)

Referenced Reporting Guidelines, etc.

- GRI Sustainability Reporting Standards
- International Integrated Reporting Framework, Value Reporting Foundation (VRF)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry (Japan)

- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment (Japan)
- Environmental Accounting Guidelines (2005 Edition), Ministry of the Environment (Japan)

Comparative tables for GRI Standards can be found online at the following URL. The relevant GRI Standards disclosure items for materiality-based approach (→P27–34) are listed and illustrated with the icons shown below.

GRI disclosure item icon example: **GRI102-11**

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

Disclosed Data

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

Notation

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

Third-party Opinion and Third-party Assurance

Canon received a third-party opinion (→P138) from Justus von Geibler (D.Phil.) of the Wuppertal Institute and Judy Kuszewski of Sancroft International, which is helping to improve ongoing CSR initiatives as part of the company's stakeholder engagement activities. Furthermore, a third-party assurance (→P141) from LRQA Limited has been obtained for GHG emissions, energy consumption and water consumption data for 2021.

Forward-looking Statements

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

Contact us

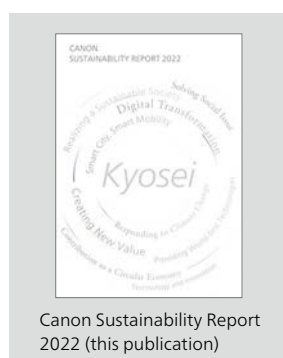
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E-mail: susrepo@mail.canon
Website: <https://global.canon/en/csr/>

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Canon Group's System for Sharing Information on Sustainability

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



Website on sustainability
<https://global.canon/en/sustainability/>

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

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

Canon U.S.A.'s website on sustainability
<https://www.usa.canon.com/internet/portal/us/home/about/environment-sustainability-initiatives>

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

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

Following the corporate philosophy of *kyosei*, Canon aspires to be a truly excellent company that is favored and respected worldwide.

Canon’s Corporate Philosophy



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

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



Canon's corporate philosophy is *kyosei*.

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

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

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

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

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



History of Canon

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

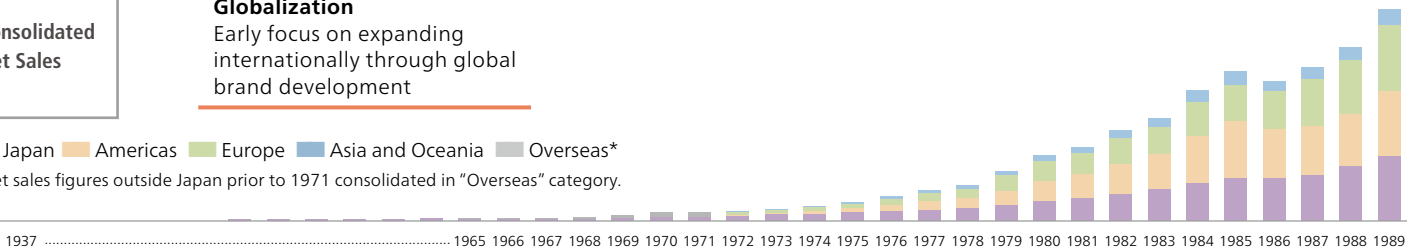
Thinking on Value Creation

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

Consolidated Net Sales

Globalization
Early focus on expanding internationally through global brand development

■ Japan
 ■ Americas
 ■ Europe
 ■ Asia and Oceania
 ■ Overseas*
 * Net sales figures outside Japan prior to 1971 consolidated in "Overseas" category.



Evolution of Business Plans



1960s

1970s

1980s

Societal Issues and Global Trends

High economic growth

Advance of electronics technology

Product/Business Development and Activities

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



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



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

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



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



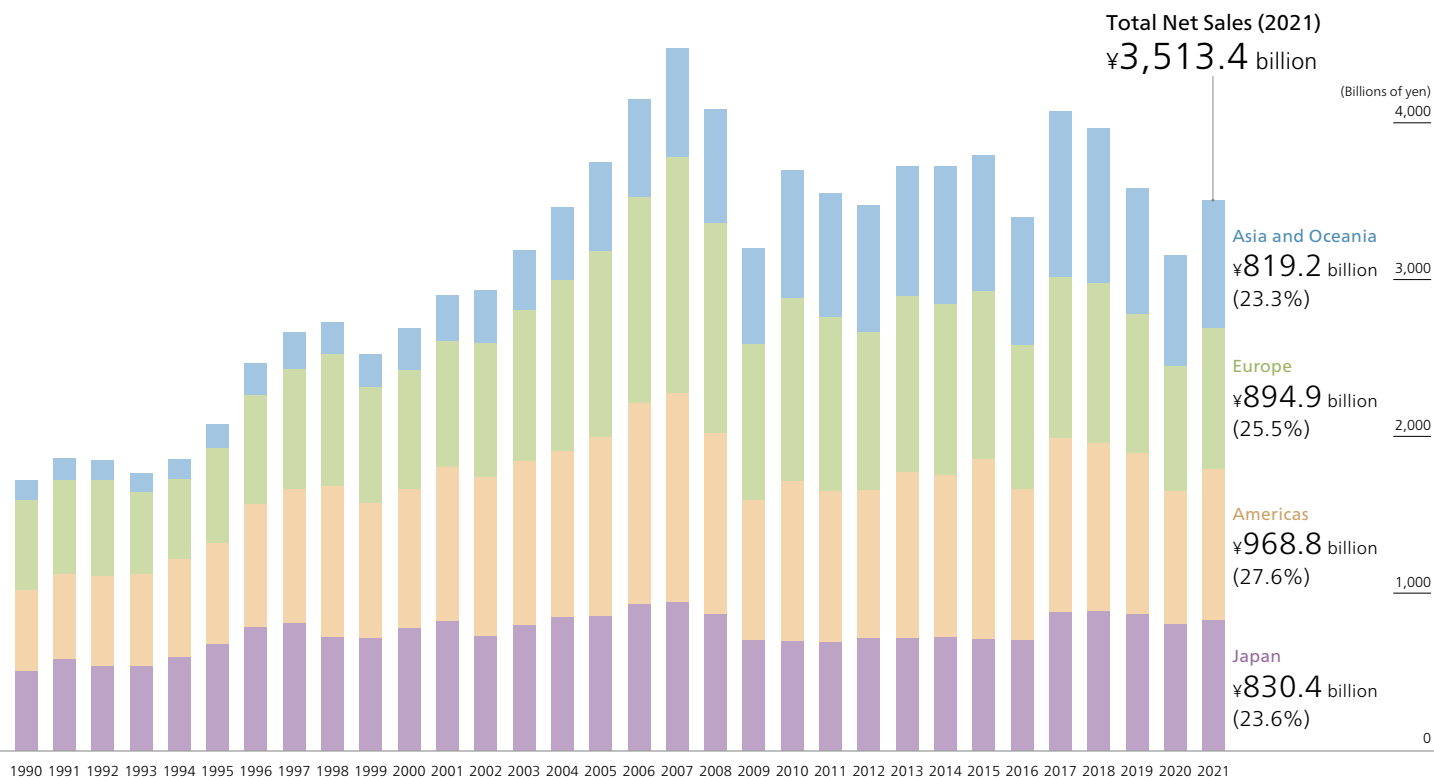
1984 Launch of world's smallest, lightest laser printer
Contributed to the realization of desktop publishing, followed by the rapid spread of laser printers



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



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



1990s

2000s

2010–2020s

Digitalization and networking technology advanced with the development of IT

Adoption and expansion of AI and IoT

Increasing environmental awareness

1990
Start of toner cartridge recycling program

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

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

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

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

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



2000
Launch of iR series new-generation network MFDs

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

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

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



PowerShot S100 DIGITAL ELPH / DIGITAL IXUS

2007
Expansion of industrial equipment business

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

2010
Expansion of digital commercial printing business

Canon Production Printing joined the Group. Promoted advanced digital printing

2015
Strengthening of network camera field

Leading global company Axis Communications joined the Group. Expanded Canon's presence in areas offering security and safety

2016
Expansion of the medical business

Canon Medical Systems joined the Group. Expanded businesses that serve patients and medical institutions

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

Developed as a site for communicating environmental activities

2021
Accelerating the Development of Next-Generation CT

Made Canada's Redlen Technologies Inc. a wholly owned subsidiary. Accelerated development of photon counting CT

Canon Today

Guided by a core policy of “accelerate our corporate portfolio transformation by improving productivity and creating new business,” Canon realigned its business units and affiliates into four business units, in areas offering the greatest compatibility, to make the best possible use of Canon’s broad range of businesses and technologies.

Printing Business Unit

Net Sales **¥1,938.8 billion**/ **55%** Share of Net Sales



Office multifunction devices



Sheet-fed presses

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

requirements. For commercial printing, to respond flexibly to customers with small-run, multi-item needs, we are promoting digital printing to capture growing demand.

Imaging Business Unit



Mirrorless cameras



Network cameras

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

Net Sales **¥653.5 billion**/ **19%** Share of Net Sales

Total Net Sa
¥3,51

Enhance com
through reali
industry-
business

We will revisit all of our technological capabilities and business areas from the perspective of each business units to build a more robust organization while actively pursuing M&A and other avenues to bolster Canon's development and production and create new businesses.

...les for 2021
3.4 billion
 ...petitiveness
 ...gnment into
 ...oriented
 ...units

Medical Business Unit

Net Sales **¥480.4 billion** / **14%** Share of Net Sales

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



CT diagnostic systems



Diagnostic ultrasound systems

Industrial and Others Business Unit

Net Sales **¥545.7 billion** / **16%** Share of Net Sales

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



Semiconductor lithography equipment

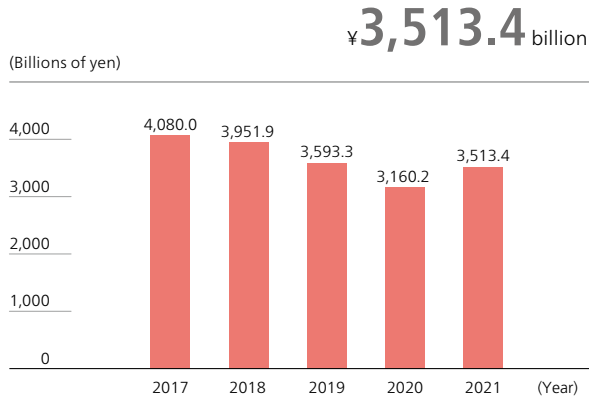


Flat panel display (FPD) lithography equipment

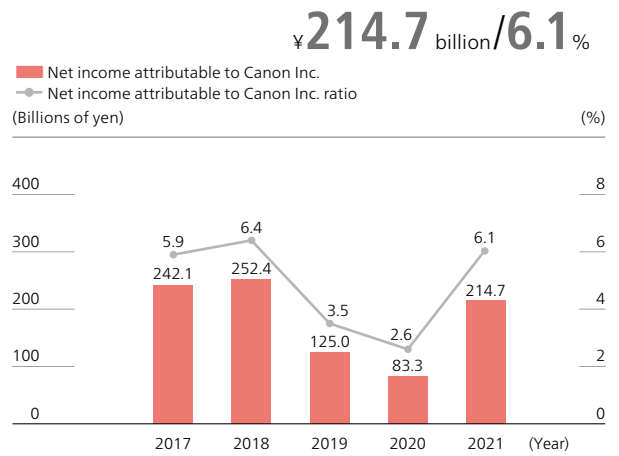
Financial and Non-financial Highlights

Financial Information

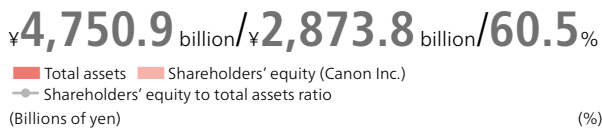
Net Sales



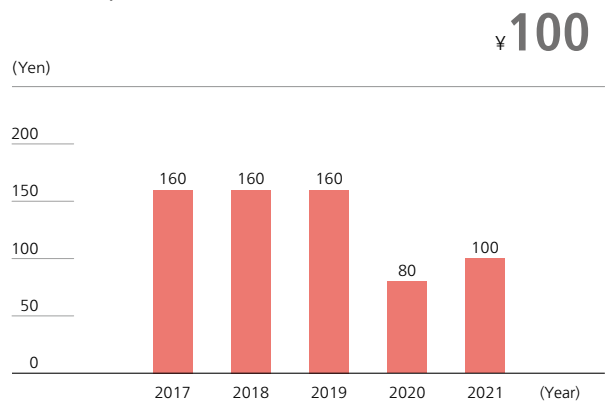
Net Income Attributable to Canon Inc./ Net Income Attributable to Canon Inc. Ratio



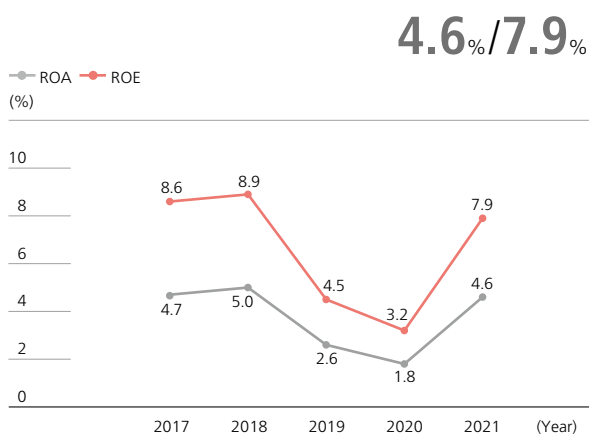
Total Assets/Shareholders' Equity/ Shareholders' Equity to Total Assets Ratio



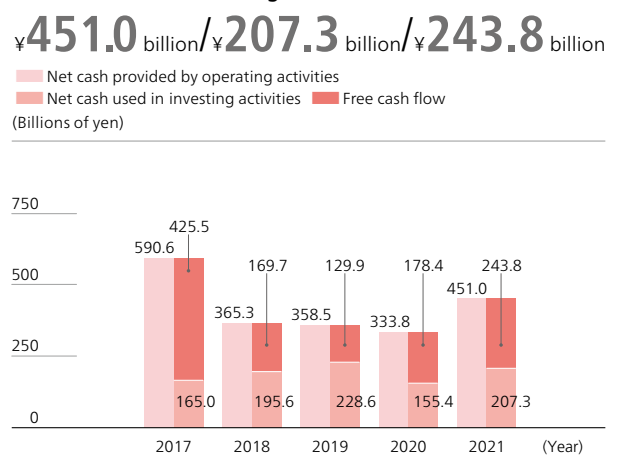
Dividend per Share



ROA/ROE



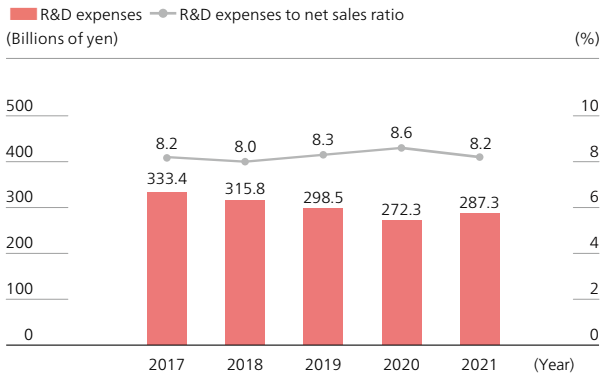
Net Cash Provided by Operating Activities/ Net Cash Used in Investing Activities/Free Cash Flow



Non-financial Information

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

¥287.3 billion / 8.2%



Top Ten U.S. Patent Holders by Company

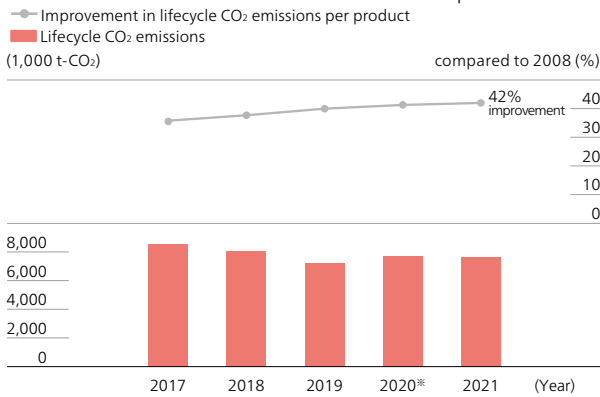
No. 3

	2017	2018	2019	2020	2021
1	IBM	IBM	IBM	IBM	IBM
2	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics
3	Canon	Canon	Canon	Canon	Canon
4	Intel	Intel	Microsoft Technology Licensing	Microsoft Technology Licensing	TSMC
5	LG Electronics	LG Electronics	Intel	Intel	Huawei Technologies
6	Qualcomm	TSMC	LG Electronics	LG Electronics	Intel
7	Google	Microsoft Technology Licensing	Apple	TSMC	Apple
8	Microsoft Technology Licensing	Qualcomm	Ford Global Technologies	Apple	LG Electronics
9	TSMC	Apple	Amazon Technologies	Huawei Technologies	Microsoft Technology Licensing
10	Samsung Display	Ford Global Technologies	Huawei Technologies	Qualcomm	Qualcomm

* For details of our approach on patent portfolio, please see Intellectual Property (IP) Strategy (→P43-44).
 * Number of patents for 2021 is based on figures released by IFI CLAIMS Patent Services on January 5, 2022.
 * Number of patents for 2017 to 2020 are based on information released by the United States Patent and Trademark Office.
 * IBM stands for "International Business Machines Corporation."
 * TSMC stands for "Taiwan Semiconductor Manufacturing Company Limited."

Lifecycle CO₂ Emissions/Improvement per product

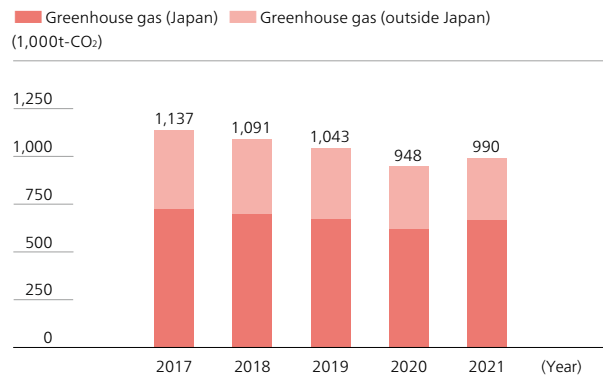
7,616,000 t-CO₂ / 42% improvement compared to 2008



* Change in CO₂ conversion coefficient from 2020 (For more details, please refer to * of "Lifecycle GHG Emissions (CO₂ Equivalent)" on P57).

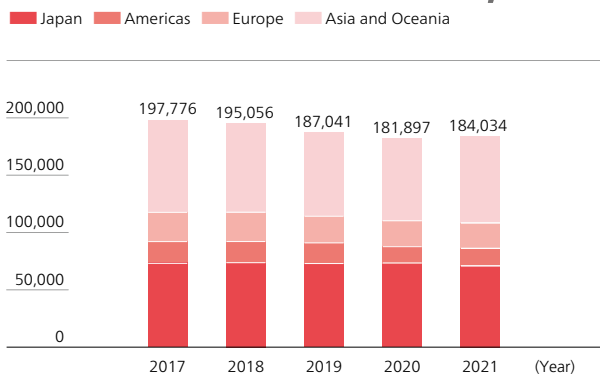
Greenhouse Gas Emissions at Operational Sites

990,000 t-CO₂



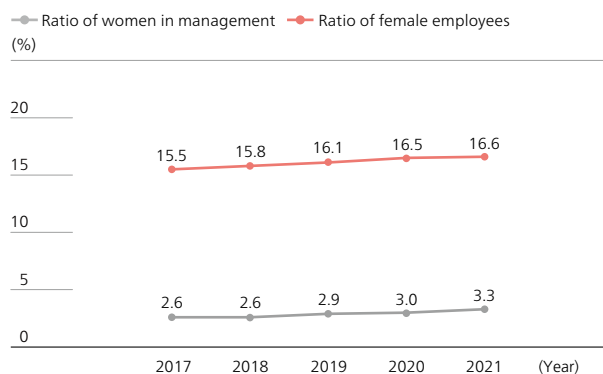
Canon Group Employee Numbers by Region

184,034



Ratio of Women in Management/ Ratio of Female Employees (Canon Inc.)

3.3% / 16.6%



Message from the CEO



Performance in 2021

Focusing on reform-driven growth amid the ongoing pandemic

The COVID-19 pandemic continued to have a devastating impact around the world for the second year in 2021, with societies worldwide being forced to confront the issue of how to live with the virus. Against this backdrop, as part of the first year of Phase VI of the Excellent Global Corporation Plan formulated in 2020, we harnessed the efforts of the Canon Group to push ahead with a new wave of reforms under the policy of “accelerating our productivity improvement and corporate portfolio transformation through new business creation.”

In April 2021, we reorganized the previously product-based business units and affiliates into four new industry-oriented groups: Printing, Imaging, Medical, and Industrial. Besides helping to streamline development and utilize sales channels, this move aims to support the creation of new products through the integration of different technologies.

In the second half of 2021, we were unable to supply products as expected, due to a combination of lockdowns in response to a resurgence of COVID-19 cases and the impact of parts shortages and distribution stoppages. Nonetheless, on the whole, demand in all business areas made a brisk year-on-year recovery after sluggishness in 2020, supporting significant growth in earnings. Consolidated net sales increased 11.2% to ¥3,513.4 billion, operating profit increased 155.0% to

¥281.9 billion, income before income taxes increased 132.4% to ¥302.7 billion, and net income attributable to Canon Inc. increased 157.7% to ¥214.7 billion.

In office equipment, the sales volume of multifunction devices exceeded the previous year despite the impact of the shortage of semiconductors, while revenue from services and sales of printer consumables increased as workers returned to offices. Our sales of laser printers and inkjet printers declined in terms of volume due to the impact of production stoppages, but there was a significant recovery in sales of consumables for laser printers. In interchangeable-lens cameras, a shortage of components notwithstanding, the EOS R5 and other full-frame mirrorless models continued to perform well, with sales volume staying in line with the previous year. We posted higher sales of network cameras as we strengthened sales efforts, leveraging their varied and expanding range of applications. In the medical equipment business, the pandemic drove growth in sales of CT and X-ray diagnostic scanners, notably in Japan, with both sales and profit reaching record highs. Performance of semiconductor lithography equipment remained solid against the backdrop of rising global demand for semiconductor components, with FPD lithography equipment also exceeding previous-year results.

Phase VI of the Excellent Global Corporation Plan

Targeting Excellent Global Corporation status amid major societal shifts

Prospects are still uncertain as we begin 2022. While COVID-19 vaccination programs are advancing worldwide and we are seeing the development and adoption of new treatments, there are fears that new variants will cause major infectious outbreaks. Amid disruptions in the supply chain and the global economy being hard hit by rising inflation, the Russian invasion of Ukraine has ushered in soaring energy and food prices stemming from sanctions against Russia and that country's retaliation. We are likely to see continued volatility in the global economy as inflation gains further momentum.

There could be major impacts on industrial structures and business if these trends were to extend over the longer term. Canon needs to take appropriate and rapid action in response.

Thus we fundamentally reviewed business strategies for each industry group in order to identify areas in which we can improve during Phase VI, which began in 2021, while retaining our basic policy and 2025 performance targets.

Our first key strategy is to focus on enhancing the business competitiveness of each industry group. We will seek to strengthen our development and production capabilities while creating new businesses by comprehensively reviewing the technical strengths and business domains of each of the four groups (Printing, Imaging, Medical, and Industrial) and actively pursuing specific M&A opportunities. Our aim is for Canon's four new businesses of commercial printing, network cameras, medical and industrial equipment to generate collectively at least 36% of total Group sales by 2025, the final year of Phase VI. The Frontier Business Promotion Headquarters, which oversees new business development, will also accelerate efforts to commercialize business operations in the three emerging domains of Life Sciences, Materials and Solutions.

Our second key strategy is to improve group-wide productivity through extensive reinforcement of Canon's global headquarter functions.

In implementing this strategy, we have identified four related objectives. The first is to implement thorough cash flow management. Our aim here is to further strengthen our financial position by focusing

on robust management of cash flows so that we are prepared for post-COVID-19 economic crises and new investment opportunities.

The second objective is to create a more dynamic and merit-based HR management system. Our HR system must move with the times if we are to recruit and retain the best people and help them realize their potential. At the same time, we will redouble efforts to strengthen personnel training and development and encourage internal employee transfers in line with our business portfolio transformation.

The third objective is to promote cost-reduction initiatives across the whole Group. For now, our challenge is to ensure the reliable supply of products to markets by maintaining production at critical levels while coping with shortages of semiconductors and other parts, and we will prioritize efforts to this end. Lockdowns last year in response to the COVID-19 pandemic affected our production sites in Asia, resulting in intermittent output. Going forward, we will partially reshore the manufacturing of major product lines while building more resilient production set-ups by efficiently managing the production infrastructure in each country, transcending industry group boundaries. We will also continue transitioning toward further automation of assembly processes and in-house production of critical components to reduce the cost of sales.

The fourth objective is to cultivate product development-oriented innovation while also responding to the rapid evolution of business conditions. We are deepening the cooperative links between our central R&D Division and each business to speed up development of the technologies and devices that will drive many future advances in fields such as materials, analysis, and simulation. In addition, we are working to respond rapidly to changing business conditions, based on a cross-Group approach that establishes units such as the Sustainability Headquarters and the Economic Security Office.

Through such measures, we aim to anticipate societal shifts so we can transform Canon into a company that embodies excellence in terms of both quality and quantity.

Towards the Realization of *Kyosei*

Defining materiality in line with philosophy of *kyosei* to enable to address social issues on a global scale

Canon's corporate philosophy is summarized in the Japanese word *kyosei*, which describes the idea of harmonious coexistence. *Kyosei* expresses our shared aspiration to create a society in which all people live and work together harmoniously for the common good into the future, regardless of race, language or culture. The concept of *kyosei* is consistent with the direction of the SDGs, and Canon is positioning "Creating New Value and Solving Social Issues," "Protecting and Conserving the Environment," and "Responding to People and Society as a Good Corporate Citizen" as categories for material issues based on this philosophy. With a view to economic, social, and environmental sustainability, we will engage in various initiatives to help achieve the SDGs.

Materiality and SDGs P25 

Creating New Value and Solving Social Issues

The COVID-19 pandemic has had a profound impact on the world, leading to major changes in people's values and lifestyles and helping to accelerate social changes such as the adoption of digital and environmental technologies. In light of these developments, Canon is also being called on to offer solutions to increasingly complex and diverse social issues.

In the printing field, for instance, the pandemic has led to the widespread adoption of remote working and is driving rapid growth in demand from remote workers to upgrade IT infrastructure at home. From the viewpoint of employers, however, there is increasing concern regarding the risk of information leaks in environments lacking adequate security measures. Thus more companies are seeking printing environments with rigorous information management capabilities. In response, we will continue to expand the lineup of Canon's products and services to offer environments that are secure for printing whether in the office or at home.

New styles of working require data to be uploaded to the cloud for sharing and viewing. To support this, we are enhancing the scanning functions of our

multifunction devices, and also putting more resources into hardware and software development to provide new services that link multifunction devices and cloud-based services and help further streamline tasks.

Newspapers, leaflets, catalogs, pamphlets and other printed matter are also a familiar part of life and work. Drawing on advanced electrophotographic and inkjet technologies, Canon has contributed to reducing the environmental impact of commercial and industrial printing by providing on-demand printing systems. We enable customers to print the volume they need when they need it, with quick turnaround and at low cost. We are also reducing the amount of energy and chemicals used and waste generated in each part of the printing process, while promoting automation to save labor.

In the imaging field, Canon since its founding has provided cameras, lenses, broadcasting equipment, professional video cameras, and other photographic equipment to support humanity's efforts to record and express reality. Photos and videos have the power to inspire people and change the world. They can turn moments into memories and lead us into unknown worlds.

We have recently seen a recovery in sales of digital cameras amid the pandemic, as more people use time freed up by changes in lifestyles for the hobby of photography, and also use cameras for online conferencing and video streaming. Although spectators were sadly not allowed at the Olympic and Paralympic Games Tokyo 2020, cameras and lenses supplied by Canon were able to convey to the rest of the world the passion of the athletes competing.

Network cameras are also finding application in a broad range of fields, including crime and disaster prevention, analysis of in-store customer behavior, and the monitoring of production facilities. Canon is reinforcing its lineup of total solutions that bring together cameras with video management and video analytics software. The pandemic put constraints on behavior and forced people to stay home, but also increased opportunities to use the Internet and gave rise to new needs for the production and distribution of online videos. To capitalize on these developments, we are strengthening the ways we support visual

expression, including extended reality (XR) that blends the real world with virtual reality, remote camera systems for video production, and volumetric video that allows the reconstruction of 3D spaces from captured images, which can be viewed from any position from any desired angle.

Image sensors are also drawing increased attention as the “eyes” for IoT applications. Canon has developed a miniaturized single photon avalanche diode (SPAD) sensor capable of capturing images in vivid color of things moving at high speeds, even under pitch-black conditions. The versatility of this device translates to a broad range of potential applications in areas such as autonomous vehicles and medical diagnostic imaging. We see these image sensors as key components for the optics industry, and our efforts will focus on building up this business as part of helping to support a digital society.

The response to the pandemic has been the most pressing issue in the medical field. Canon was among the first companies to develop and put into practical use testing methods for diagnostics support. In 2014, we commercialized an all-in-one medical container CT that can be used for diagnosis even outside the hospital. In response to the COVID-19 crisis, we constructed a new system incorporating infection control measures for technicians to provide a diagnostics framework.

Over the longer term, as populations age globally, the rising cost of medical care and the shortage of healthcare workers will become major issues. Enabling more healthy longevity holds promise as one solution to this problem, and so diagnostic testing to detect abnormalities at an early stage is critical. Canon is alleviating the burden on patients by enabling shorter testing times and lower exposure to radiation for our CT, MRI, diagnostic ultrasound, and other testing equipment. We will continue to draw on our image-processing technologies to pursue clearer imaging, contributing to more accurate diagnosis. In 2021, we made further progress toward the development and early commercialization of the next generation of CT scanners that utilize photon-counting technology. Besides initiating joint research in this field with the National Cancer Center of Japan, we welcomed into the Group Canada-based Redlen Technologies, a global leader in the technology used to create the semiconductor detectors that will be key components of photon-counting CT systems.

We also expect demand to grow for AI-based solutions to support accurate interpretation of radiographic images and related diagnosis. In 2021, we launched *Altivity*, a new brand based on the promise of adding value to medical care through improved diagnostic accuracy. As a manufacturer of frontline medical equipment, Canon will continue to support human health by contributing to medical advances utilizing the latest technology.

In the industrial field, production of a range of products ground to a halt as the pandemic gave rise to a global semiconductor shortage—highlighting the indispensability of the semiconductor sector for the modern world. With China-US tensions giving impetus to moves to relocate semiconductor production domestically, ongoing growth in investment in 5G, AI, electric vehicles, and the virtual reality metaverse is expected.

Demand is also rising for displays, which are indispensable components in many types of digital equipment. Projected areas of growth include foldable devices, automotive displays, large-screen TVs and healthcare applications. Going forward, Canon hopes to contribute to further development of humankind by fully leveraging our leading digital technologies in the latest digital technologies to support the manufacture of semiconductors and displays.

Canon is thus committed to creating new value through technology and innovation in our various business fields in different ways: in the consumer field, more abundant lifestyles; in the office and industrial fields, more productive business environments; in the society field, safer, more secure societies.



Development of a semiconductor detector module at Redlen Technologies

Message from the CEO

Our employees are on the front line of our quest to create new value. Since its founding, Canon has declared the value of Respect for Humanity, and we have striven to be an organization where the development of the company and the development of the lives of its employees go hand in hand. To this end, we have supported activities to enable employees to build their potential and grow. We are currently expanding our in-house training system in line with the evolving business portfolio, encouraging re-skilling to help a wide range of people find positions most suited to them.

A particular focus is on developing software professionals. Continuing to deliver new value in a wide range of fields calls for combining Canon's imaging technology with a range of services. We have to leverage AI, cloud-based systems, and other IT to connect with the surrounding social infrastructure and the systems of other companies. For this reason, we established the Canon Institute of Software Technology (CIST) in 2018 to augment our training curriculum. We have currently established 190 courses for 14 tracks, including AI, IoT, and cloud-based services. Already, nearly 140 people have switched to become software developers, and the pace will pick up going forward. With regard to *monozukuri* (manufacturing), we have established a system, centered on *monozukuri* training facilities in Toride, Oita, and Utsunomiya, for learning leading-edge knowledge and technical expertise in fields such as processing, assembly, mechanical and electrical design, and control. At the spacious 9,300m² training facility in Toride, in addition to normal training, we offer training on automation, in-house production technology, and plant maintenance, and practice for the Skills Olympics. Every year, 7,000 people from throughout the Canon Group take part in training.

Creating New Value and Solving Social Issues P27, P51 

Protecting and Conserving the Environment

Based on our corporate philosophy of *kyosei*, Canon has also been at the forefront of initiatives to protect the environment because we consider this to be our responsibility as a global enterprise. We have tried to build harmonious relationships with the Earth and the natural environment.

We introduced a system for printer cartridge recycling in 1990. Since then, we have worked throughout our organization to reduce the lifecycle CO₂ emissions of Canon products at every stage from R&D, design, procurement and production to logistics, sale, servicing and post-use collection and recycling. Since 2008, we have been working to achieve an annual average improvement of 3% in life cycle CO₂ emissions per product. We have achieved a cumulative improvement of 42% in the life cycle of products from development to recycling through energy and resource conservation and streamlining of distribution.

Maintaining this target, we aim to achieve a 50% improvement in CO₂ emissions by 2030 compared to 2008. We also aim to achieve net-zero CO₂ emissions throughout the product life cycle by 2050 in cooperation with society.

We are actively contributing to realizing a circular economy through the operations of five Canon Group recycling sites around the world, located in Japan, the US, Germany, France and China. As of the end of 2021, these facilities had collected a total of around 444,000 tons of toner cartridges and 2,600 tons of inkjet cartridges for post-use recycling. Furthermore, we have sought to conserve resources by automating assembly to reduce waste and by implementing just-in-time manufacturing and using common parts to lower inventories.

Canon will continue striving to enable abundant lifestyles while protecting the environment, by harnessing the power of technology and innovation to provide greater value while using fewer resources throughout all product life cycles.



Cartridge recycling at Canon Bretagne

Protecting and Conserving the Environment P29, P55 

Responding to People and Society as a Good Corporate Citizen


Alongside our business activities, Canon is engaged in a range of corporate citizenship initiatives. Our goal is to be a company that contributes to a world in which people are able to fulfill their potential, and a company which can flourish together with local communities over the long term. Historically, our commitment to be a good corporate citizen has nurtured mutually successful and long-lasting collaborations with global leading corporations. This has also been expressed in the establishment of overseas operations for marketing, production and research, during which we have proactively taken into account local circumstances and characteristics. Through localization of management, we respect regional cultures and customs, employ local talent, and transfer technologies from our headquarters to regional operations. In 2021, in accordance with international human rights standards and the principle of Respect for Humanity that we have upheld since the founding of Canon, we formulated the Canon Group Human Rights Policy. We are conducting related educational activities and dialogue with stakeholders.

We aspire to be a company that prospers along with local communities and that earns the admiration and respect of people worldwide. In line with the *San-ji Spirit* ("Three Selves": self-motivation, self-management, and self-awareness) that guides all our actions, Canon Group employees worldwide are committed to our corporate citizenship activities in different countries and regions. Working hand in hand with local firms and affiliates, and in close cooperation with our customers, we will focus on realizing the philosophy of *kyosei*.

Canon Europe has developed the Young People Program (YPP) to provide young people in Europe, the Middle East and Africa with opportunities for creative expression through photographs and videos. In March 2021, we also participated in the United Nations SDG Global Festival of Action 2021 and emphasized the usefulness of photos and videos for addressing social issues.

In Africa, where underemployment is a major issue, we also created the *Miraisha* Programme in 2014, through which Canon Central and North Africa works to help young people acquire skills in the fields of imaging and printing. The program creates a triple win scenario that provides a source of skilled workers for the local photographic and printing industries, allows the young to earn an income and thus potentially increasing numbers of avid Canon users. At the Canon Summit Awards in 2021, the program was recognized as an outstanding activity that embodies the philosophy of *kyosei*.

The Philippine Economic Zone Authority (PEZA) also recently honored Canon Business Machines (Philippines), Inc. (CBMP), with three out of its five awards for environmental and CSR activities, in recognition of CBMP's community contributions through environmental protection programs and educational support for local schools. Since it was the third time for CBMP to receive the Environmental Performance Award, the subsidiary was inducted into PEZA's Hall of Fame in this category.

Responding to People and Society as a Good Corporate Citizen 
P33, P77

A Globally Loved and Respected Company That Always Contributes to Society Through Technology

As we move ahead, based on our philosophy of *kyosei*, Canon is committed to helping realize a better society by engaging in dialogue with customers, business partners, partnering companies, local communities, shareholders, and all of our stakeholders to address the various issues faced by people worldwide. To that end, we will focus on generating growth by transforming our business portfolio, and on contributing through technology, with the aim of being a company that is loved and respected throughout the world.

In closing, I humbly ask for your continued support.



Fujio Mitarai
Chairman & CEO
Canon Inc.

Evolution of Business Plans

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

-1995

Business strategy combining comprehensive diversification and globalization

• Globalization

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

• Diversification

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

Business Plans

1962-1966

First Five-year Plan:

Launch of full-scale business activities in business machine market

1976-1987

Premier Company Plan:

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

1988-1995

First Global Corporation Plan:

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

Excellent Global Corporation Plan

Phase I 1996-2000

Total optimization and profitability

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

Main strategies

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

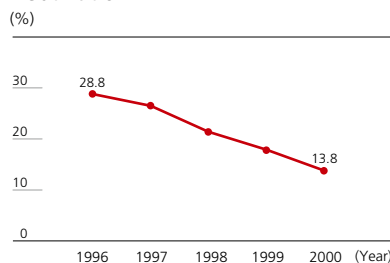
Economic value

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

Social and environmental value

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

Debt Ratio



Development using 3D-CAD

Excellent Global Corporation Plan

Phase II 2001-2005

Increased competitiveness through digitalization

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

Main strategies

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

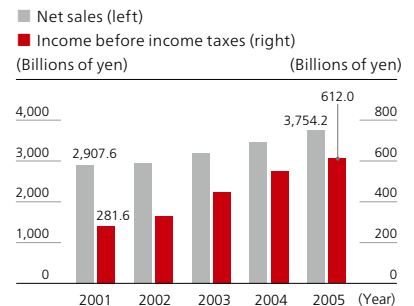
Economic value

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

Social and environmental value

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

Net Sales and Income Before Income Taxes



LCD lithography equipment released for sale in 2002

Excellent Global Corporation Plan

Phase III 2006–2010

Reinforcing existing businesses and expanding into new areas

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

Main strategies

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

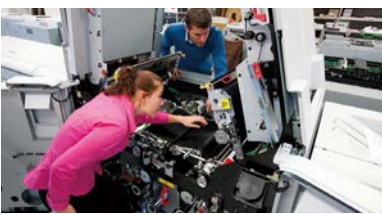
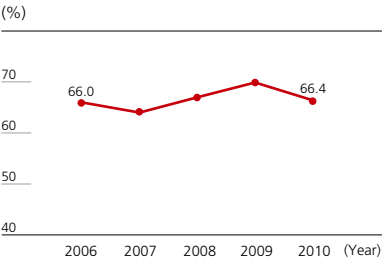
Economic value

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

Social and environmental value

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

Shareholders' Equity Ratio



Development in progress at Canon Production Printing

Excellent Global Corporation Plan

Phase IV 2011–2015

Enhancing growth and manufacturing capabilities

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

Main strategies

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

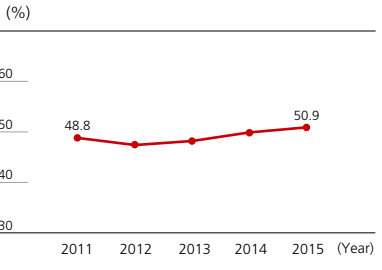
Economic value

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

Social and environmental value

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

Gross Profit Ratio



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

Excellent Global Corporation Plan

Phase V 2016–2020

New growth through a grand strategic transformation

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

Main strategies

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

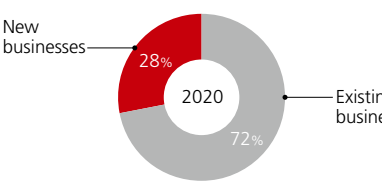
Economic value

- Net sales from new businesses: 12% → 28% (target)

Social and environmental value

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

Share of Net Sales Provided by New Businesses



Diagnostic ultrasound system by Canon Medical Systems

Phase VI 2021–2025

Accelerate our productivity improvement and corporate portfolio transformation through new business creation

Key strategies

1. Thoroughly strengthen competitiveness of industry-oriented business groups

Printing Group (→P35)

- Expand sales by establishing solid position in new business area including commercial/industrial printing
- Reinforce DX (digital transformation)-related products/services offering, and combine expansion of product line-up and cost reduction

Imaging Group (→P37)

- For the camera business, attain the top position in the global full-frame mirrorless camera market, and for network camera business, secure a solid position in the market
- Develop new business including XR and the Free Viewpoint Video System, and strengthen key component businesses

Medical Group (→P39)

- Strengthen competitiveness of CT, MRI and Ultrasound system; in particular, focus on attaining the world’s top position in the CT market
- Expand market share by reinforcing sales company operations, focusing on overseas markets and putting extra focus on the U.S. market

Industrial Group (→P41)

- Expand and strengthen semiconductor lithography system business, seizing the booming market demand, and re-expand businesses in Europe and the Americas
- Improve competitiveness of FPD manufacturing equipment; for OLED, accelerate development of new system and materials

Frontier Business

- Construct strong new businesses by clearly defining the target markets through targeted “selection and concentration”

2. Improve group-wide productivity through extensive reinforcement of Canon’s global headquarter function

- Thorough cash flow management (→P47)
- Establish a more dynamic and merit-based HR management system (→P45)
- Promote cost reduction initiatives across the whole Group
- Focus on innovations that lead to new product development, and take necessary measures to respond to drastically changing business environment (→P53)

Key Performance Indicators

	2021 Results	2025 Targets
Net Sales	¥3,513.4 billion	¥4,500.0 billion or more
Operating Profit Ratio	8.0%	12% or more
Net Income Ratio	6.1%	8% or more
Shareholders’ Equity Ratio	60.5%	60% or more

* Based on exchange rate of USD=¥105, EUR=¥120



Canon's COVID-19 Response

Canon's foremost priority is the health and safety of employees, their family members and neighbors, as well as our customers, business partners, and other stakeholders. Alongside taking measures in line with government policy to limit the spread of infection, we are utilizing in-house technology to help bring the pandemic to a swift close. We are also working to provide products and services to support new styles of work and living. Canon regards these efforts as part of its duty as a corporate citizen to provide solutions that are sensitive to the needs of people and society. Going forward, Canon is fully committed to helping realize a sustainable, resilient society.

Canon's Major Initiatives in 2021

The emergence of COVID-19 has led to huge changes in social and economic systems. Canon seeks to use technology to give people greater reassurance and support COVID-safe lifestyles under New Normal conditions.



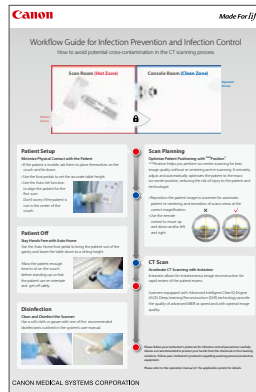
In Japan, we modified shipping containers to create mobile COVID-safe CT scanning labs, each fitted with a CT scanner, operating room and generator. This creates a fully mobile CT scanning facility to enable convenient diagnostic imaging in a COVID-safe environment. Parking a "CT container" outside a hospital can also enable scanning of patients at high-risk of infection while avoiding exposure to other hospital patients, staff or visitors.



We provided COVID-19 RNA testing systems for drive-through testing centers that use medical containers. These facilities have helped contain the regional spread of COVID infection.

Supporting the frontline medical community with timely, global communications

We have created cleaning and disinfection guidelines for Canon CT, MRI and ultrasound scanners, along with workflow support tools to assist in infection prevention and control. All of these guides are available online for people around the world.



Related information

Please see P118 for details about the impact of COVID-19 on business performance, and P90 for employee response measures. Information on other activities can be found here:



Canon listens to the needs of each region around the world and provides various support.

In Thailand, as part of our efforts to assist the country's COVID-19 vaccination program, we donated laser printers. The printers were used to print such documents as consent forms, reservation slips and instructions at hospitals and other COVID-19 vaccination sites.



In Canada, we are supporting a campaign to help local hospitals in the community better respond to the COVID-19 pandemic. The support is being used to procure essential healthcare equipment that is sorely needed for medical treatment.



In Singapore, Canon introduced a body temperature detection screening system integrated with the Singapore government's SafeEntry portal as a measure to prevent coronavirus infection. We are promoting infectious disease countermeasures together with the local community, such as system development staff providing on-site guidance on how to use the system.



Approach to Sustainability

Basic Approach

At Canon, we have proactively undertaken activities to promote sustainability based on our corporate philosophy of *kyosei*. In May 2021, we established the Sustainability Headquarters to lead efforts to further develop these initiatives.

In addition, we have expressed our “Approach to Sustainability”, formulated in October 2021, to secure the deeper involvement of Canon Group employees and other stakeholders in attaining this goal.

Canon’s Approach to Sustainability

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

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

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

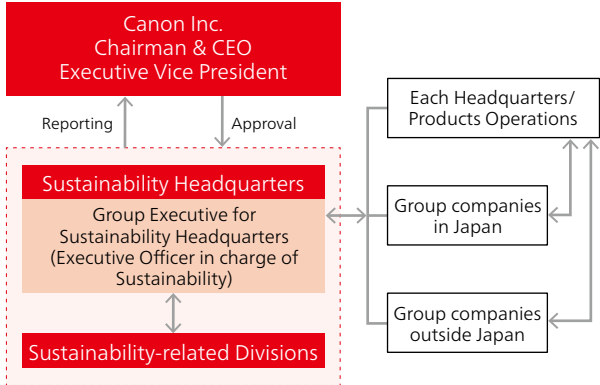
Through our corporate activities, Canon proactively works toward realizing a sustainable society.

Promotion System

The Sustainability Headquarters of Canon Inc. coordinates activities across the Group that are aimed at promoting sustainability from both social and environmental perspectives. It works together with other divisions to address any issues that demand inter-departmental cooperation.

The Group Executive for Sustainability Headquarters, who is an executive officer of Canon Inc., reports on crucial sustainability-related matters to the Chairman & CEO and Executive Vice President and receives approval for the direction and measures guiding our response to risks and opportunities.

Promotion System



Sustainability-related issues: Environment, human rights, human resources development, diversity, quality, social and cultural support, technology, corporate governance, risk management, intellectual property management, compliance, supply chain risks, etc.

Canon Group CSR Basic Statement

The social responsibilities placed on companies have broadened and grown over time. Customers and suppliers are also requesting that companies meet certain social and environmental standards as part of doing business.

In May 2017 Canon’s Chairman & CEO oversaw the formulation and approval of the Canon Group CSR Basic Statement to describe our stance as a company regarding fundamental and universal elements of our corporate social responsibility. The statement was revised in 2021 to reflect more recent changes in society and in Canon as a company, and has been disseminated widely both within and outside the company.

Canon Group Environmental Charter

We created the Canon Group Environmental Charter in 1993 in recognition of the impact of the Group’s activities on the environment as manifested in global warming, resource depletion and other environmental issues. Our aim is to protect the global environment by reducing the impact of our products over their lifecycles.

Under the charter, Canon’s approach focuses on maximizing resource efficiency to help harmonize

economic activities with the needs of the environment. We see providing environmental assurances as a qualification for product manufacturers, based on the EQCD* concepts.

* EQCD: environment (E), quality (Q), cost (C), and delivery (D).

Reference: Canon Group Environmental Charter
<https://global.canon/en/environment/charter.html>

Canon Group Human Rights Policy

Respect for human rights has been a tenet of Canon since our earliest years. Under our corporate philosophy of *kyosei*, respect for human rights lies at the heart of our culture.

Business globalization since the 1990s has been accompanied by widely reported human rights violations affecting workers in many factories operating in developing nations. Amid demands that companies as well as governments do more to protect these rights, we reiterated the Canon Group Human Rights Policy (formulated in October 2021) to guide our efforts to ensure human rights are respected and protected.

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

Canon Group CSR Basic Statement

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

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

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Provide safe and secure products and services 2. Comply with the laws and regulations of each country and region, and conduct fair and honest business activities 3. Practice fair and free competition, and ensure transparency in business transactions 4. Contribute to realizing a society that promotes both enriched lifestyles and the global environment 5. Minimize environmental burden through initiatives aimed at conserving energy, conserving resources, eliminating hazardous substances, and preserving biodiversity 6. Ensure thoroughness in managing information, prevent information leaks, and protect personal information 7. Prevent infringements of the intellectual property rights of others 8. Ensure thoroughness in security trade control 9. Prevent corruption in all its forms including bribery 10. Avoid complicity in armed insurgencies and anti-social forces 11. Disclose relevant and accurate corporate information 12. Respect fundamental human rights and prohibit discrimination, harassment and violence based on such factors as race, nationality, gender, religion and creed | <ol style="list-style-type: none"> 13. Promote diversity 14. Prohibit child labor 15. Prohibit forced labor (including human trafficking) and unreasonable restriction on movement 16. Respect freedom of association and the right to collective bargaining in accordance with the laws and regulations of each country and region 17. Pay employees wages equal to or greater than legally mandated wages 18. Prevent excessive overtime work and grant appropriate holidays 19. Ensure occupational health and safety, and prevent occupational injuries 20. Request that business partners take proactive measures to address basic social responsibility for such issues as the environment, human rights, labor, compliance and responsible minerals sourcing within the supply chain, and confirm the implementation of said measures. |
|--|---|

Canon commits to respect the following international initiatives:

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

Fujio Mitarai
 Chairman & CEO
 Canon Inc.



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

Contributing to a Sustainable Society (Value Creation)

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

Based on our approach to sustainability, through our Excellent Global Corporation Plan's Phase VI covering the period from 2021 to 2025, we are progressing with initiatives aimed at addressing materiality issues. By creating new value to improve the aspects of security, safety, comfort and enrichment via the power of technology and innovation, we aim to promote enriched lifestyles and help the global environment, based on the EQCD concept. In this way, by helping to realize SDGs and net-zero CO₂ emissions, we address societal issues while also helping to create a sustainable society.

Societal trends

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

Business Group

- Printing (→P35–36)
- Imaging (→P37–38)
- Medical (→P39–40)
- Industrial & Others (→P41–42)

Corporate governance

- Corporate Governance Structure (→P107–112)
- Risk Management (→P113–118)

Resources

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

Corporate DNA

- Respect for humanity
- Emphasis on technology
- Enterprising spirit

Corporate philosophy:
kyosei

Value created by Canon

Security

Safety

Comfort

Enrichment

A sustainable society

Addressing societal issues

- SDGs (2030)
- Net-zero CO₂ emissions (2050)

Technology

Materiality

- Creating new value and solving social issues (→P27–28, P51–54)
- Protecting and conserving the environment (→P29–32, P55–76)
- Responding to people and society as a good corporate citizen (→P33–34, P77–102)

Innovation

Excellent Global Corporation Plan
Phase VI (2021-2025)

Engineer a cycle of value

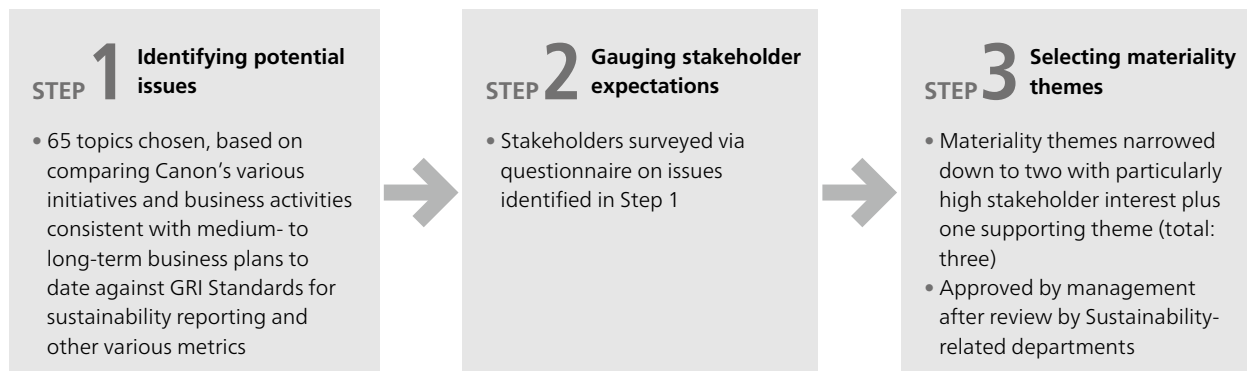
- Feedback toward society and Canon Group
- Reaffirming our role
- Further contribution through transforming ourselves

Materiality and SDGs

Materiality Theme Identification Process

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

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



Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys to better understand the social issues stakeholders are interested in as well as the expectations they have of the company in response to trends within and outside the Group. We use the survey results along with the opinions of sustainability experts, investors, and other stakeholders to evaluate the validity of the materiality themes and review as appropriate. We also use the surveys to analyze Canon’s impact on society and further improve our activities. To assist the future expansion of our activities, Canon also asks stakeholders for their views on the Sustainable Development Goals (SDGs).

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

3 Materiality Themes and Results of Stakeholder Survey

Identified materiality issue	Questionnaire items (extract)	Level of expectations*	Related page
Creating New Value and Solving Social Issues	<ul style="list-style-type: none"> Development of medical technology that contributes to human health and the prevention of disease Advancing security technology to contribute to the safety and security of society Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging 	★★★★★	P51–54
Protecting and Conserving the Environment	<ul style="list-style-type: none"> Promotion of energy conservation / Utilization of renewable energy Reuse and recycling of used products Reduction of waste/Prevention of water and soil pollution 	★★★★★	P55–76
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor <ul style="list-style-type: none"> Respect for basic human rights/ Prevention of discrimination and harassment Appropriate wage and working hour management 	★★★	P77–93
	Product Responsibility <ul style="list-style-type: none"> Improving quality of repair/maintenance support, as well as the ability to effectively respond to customer inquiries Improving quality of products and services and strengthening quality control 	★★	P94–99
	Social Contribution <ul style="list-style-type: none"> Utilizing business activities to contribute to social welfare Support for nurturing the students and children who will lead the next generation 	★	P100–102

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



Contributing to Achievement of SDGs via Materiality Issues

Canon is contributing to the achievement of the SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes

on P25. While gauging any shifts in societal expectations as accurately as possible, Canon contributes to the achievement of SDGs through the effective utilization of our proprietary technology and solutions.

Creating New Value and Solving Social Issues

- We are creating new businesses by combining Core Technologies, Fundamental Technologies, and Value Creation Technologies (→P51–54).
- We are working to create new value and address social issues through the business activities of the Printing, Imaging, Medical, and Industrial groups (→P35–42).

Protecting and Conserving the Environment



- We are working throughout product lifecycles to achieve net-zero CO2 emissions by 2050 (→P63–66).
- We are reducing resource consumption and realizing advanced resource recycling (→P67–71).
- We are promoting management of the entire supply chain, including management of chemical substances in products (→P72–74).
- We are disclosing information to meet the needs of our stakeholders, including content in line with TCFD Recommendations (→P32).






Responding to People and Society as a Good Corporate Citizen

- We respect human rights, including by formulating "Canon human rights policy" and identifying human rights-related risks (→P77–81).
- We support the active participation of women, including providing training to elevate women to roles in senior management (→P86–87).
- We work to improve quality by building QA systems that combine our own thinking with international quality management standards (→P94).
- In Africa, we provide support for youth to earn an income by acquiring technical skills related to imaging and printing (→P101).

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

Materiality-based Approach

Creating New Value and Solving Social Issues



Why is this important?

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

Superior technology is part of the DNA of Canon. Since its foundation, Canon has always put a high value on utilizing unique technologies to create and deliver innovative products to the world. Starting with cameras, this history has involved applying a wealth of optical technologies to the development of multifunction devices and semiconductor lithography equipment. Canon's proprietary technologies have also been utilized to create laser printers, inkjet printers and varied other products to expand the business into new areas.

In order to respond to changing times, Canon applies a two-pronged approach to R&D. The first is to target inventions to support development of groundbreaking products through the creation and cultivation of technological "seeds." The second prong is to pursue innovation-focused R&D to develop the technologies that can help solve issues of global importance, such as climate change and infectious disease (see P51 for details).

In addition, to make the most of Canon's technological capabilities, we are pursuing Core Competence

Management, bringing together Core Competence Technologies that support the diverse creation of industry-leading core products with Fundamental Technologies that form the basis of technical progress (please refer to P51 for more information).

Canon's strengths include the application of superior production technologies and other manufacturing know-how to enable the in-house production of key components and manufacturing equipment using automated assembly processes. The resulting high reliability and performance of Canon products creates new added value while also helping to address various societal issues.

To create new value amid the increased pace of technological evolution in today's rapidly changing society, Canon is building on its strong in-house technical development capabilities by targeting mergers and acquisitions in fields that are compatible with existing businesses. In this way, Canon has established new businesses in the four areas of commercial printing, network cameras, medical and industrial equipment. Looking ahead, amid the digital transformation of society and other trends such as development of smart infrastructure, Canon will continue to seek to bring in new technologies from outside and to combine these with proprietary Group

expertise, creating further innovations while also helping to realize a sustainable society.

The results of Canon’s stakeholder questionnaire survey identify areas where stakeholders expect the most from Canon in terms of “Creating New Value and Solving Social Issues.” In descending order, these are: development of medical technology that contributes to human health and disease prevention; advanced security technology to contribute to the safety and security of society; development of products/ technologies that lead to affluence and delight for

people in the fields of photography and imaging; and development of products and services that anybody can use easily. Based on the specific concerns that stakeholders have highlighted, Canon is engaged in a range of business initiatives to support and promote the shift to a digital society that realizes safety, peace of mind, comfort and affluent lifestyles for all. At the same time, we are also working to contribute to advances in healthcare and the development of imaging technology for industrial applications.

Risks and Opportunities

When facing profound societal change, there is a risk that companies may fail to grasp opportunities to envision the creation of new value, or else lose competitiveness—either by not considering societal needs when developing products and services, or by not changing their approach or systems. Recognizing that societal change leads to opportunities to create new value, Canon aims to be a company that makes a continuous social contribution by leveraging the

technologies that are its source of competitive advantage.

Canon will formulate strategies to address these material issues while working daily to implement various initiatives, taking into consideration the risks, opportunities, strengths and weaknesses in each of its four business segments (Printing, Imaging, Medical, Industrial). Please refer to the Business Strategy section (->P35-42) for more details.

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

Approach

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

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

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

Based on this approach, we reorganized our entire operations into four groups of “Printing,” “Imaging,”

Relationship with SDGs



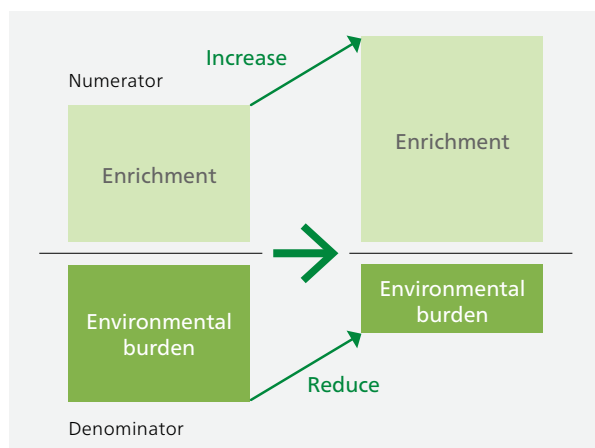
Protecting and Conserving the Environment

Why is this important?

Basic Approach

In 2008, we formulated “Action for Green” (→P55) as our environmental vision, positioning “environmental value” as the main concept in initiatives to realize a society that achieves a beneficial balance between lifestyle enrichment and the environment. To create this value, Canon seeks to supply products and services that enrich people’s lives while also reducing environmental impact, based on initiatives across the entire product lifecycle.

Canon’s Approach



Canon is working to reduce environmental impact by focusing on four material areas: (1) contributing to a carbon-free future; (2) contributing to a circular economy; (3) eliminating hazardous substances and preventing pollution; and (4) contributing to a society in harmony with nature.

Materiality

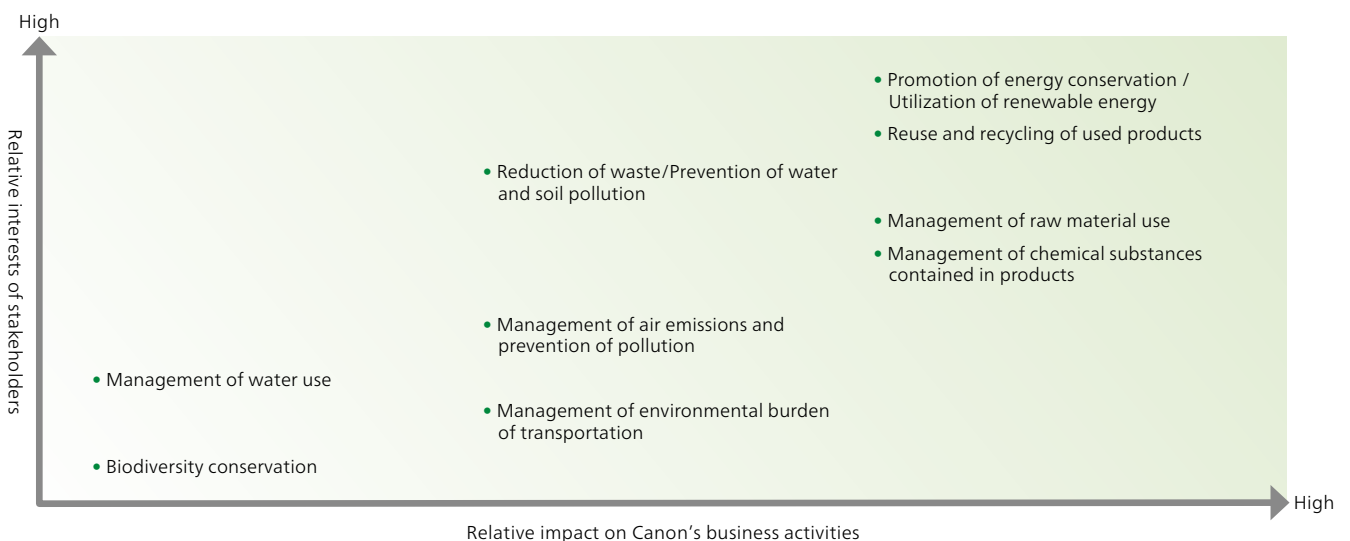
We analyze how our business activities relate to environmental issues and needs. We then assign them a level of priority based on the relative level of interest among stakeholders, ascertained with the help of surveys, and the relative impact on our business activities. (See Materiality Matrix diagram below.)

In a survey conducted in 2020, the most important issue identified by Canon stakeholders was “promotion of energy conservation and utilization of renewable energy.” This response reflects recent upgrading of government policies in each country and region aimed at realizing net-zero CO₂ emissions goals alongside corporate initiatives in response to greater social demand.

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

Toward the realization of a sustainable society, Canon believes that it is important to drive forward and develop initiatives of this kind throughout the product lifecycle, taking careful note of social issues and needs, the level of stakeholder concern, and the other wide-ranging changes in the world around us.

Materiality Matrix



Risks and Opportunities

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

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

Major Climate-related Risks and Opportunities

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

Major Risks and Opportunities in the Areas of Materiality

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

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

Approach

Based on our environmental vision of "Action for Green," Canon is working to reduce environmental impact by focusing on four material areas:
 (1) contributing to a carbon-free future (→P63–66);

(2) contributing to a circular economy (→P67–71);
 (3) eliminating hazardous substances and preventing pollution (→P72–74); and (4) contributing to a society in harmony with nature (→P75–76).

Materiality-based Approach

For 2050

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

For 2030

By consistently achieving our target of an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit, including Scope 3 as well as Scope 1 and 2 emissions, we aim to realize a 50% emissions reduction in 2030 compared to 2008 levels.

Approach

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

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

Medium-term Environmental Targets (Three-year Plan)

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

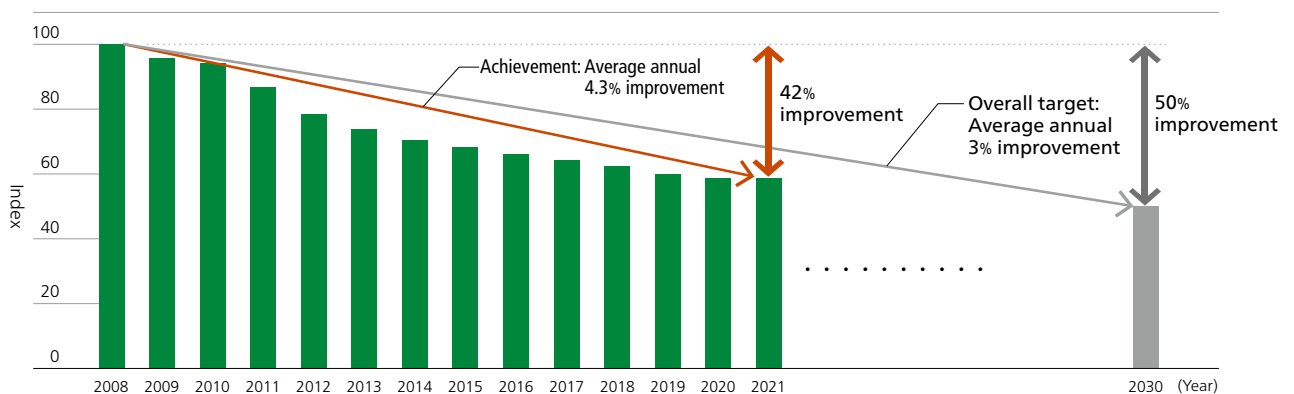
Canon sought a single integrated indicator to measure the progress achieved across all environment-related activities, from energy and resource conservation to recycling, and to also highlight the efficiency of these activities in terms of achieving a beneficial balance with business activities. We therefore established the index of lifecycle CO₂ emissions per product unit, and set an overall target of achieving a 3% average annual improvement in the index as part of the Canon Group Medium-term Environmental Targets.

This overall target is subdivided into a product target and an operational site target. The product target is set at a 3% average annual improvement in the index of CO₂ emissions per product unit associated with raw materials and product utilization. The operational site target includes target figures for reduction per basic unit in energy consumption, total waste emissions, water consumption and controlled chemical substance emissions. In this way, we will make continuous progress toward meeting our overall target.

Progress in 2021

Against the target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit, we realized an average annual improvement of 4.3% between 2008 and 2021 for a cumulative total improvement of 42%. In 2021, we progressed with related activities, including initiatives in both operations and product design to improve energy efficiency based on the whole product lifecycle. Unfortunately, disruption of logistics operations owing to COVID-19 and other factors limited the rate of achievable improvement. However, this disruption is temporary and we expect to return to a path of continuous improvement.

Index of lifecycle CO₂ emissions per product unit



* Assuming 2008 baseline of 100

Disclosure in Line with TCFD Recommendations

Canon accepts the recommendations of the final report of the Task Force on Climate-related Financial Disclosures (TCFD) and discloses climate-related information in accordance with the TCFD framework.

Initiatives in line with TCFD Recommendations	
Governance	<p>Environmental targets, including climate change responses, are approved by the Chairman & CEO. Medium-term and long-term plans are formulated by the Sustainability Headquarters, and approved by the CEO after discussions among board directors and other executives. The Sustainability Headquarters plays a central role in the group-wide efforts to achieve these targets, and reports the progress of the targets to the management every month and the annual review to the CEO.</p> <p>Our company has also established a Risk Management Committee based on a resolution of the Board of Directors. Serious risks related to environmental laws and regulations and natural disasters are considered by the Risk Management Committee.</p>
Strategy	<p>Based on information from specialized institutions and government agencies, Canon conducts numerical simulations of lifecycle CO₂ reductions using the climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC), identifies business risks and opportunities, and formulates medium-term to long-term strategies. * See page 30 for details of risks and opportunities identified</p> <p>In order to reduce risks and expand opportunities, we recognize the importance of both mitigating CO₂ emissions and adapting to physical risks from the perspective of entire product lifecycles, and we have formulated and implemented action plans accordingly.</p> <p>We are also working to reduce CO₂ emissions through efforts to realize a circular economy. For example, remanufacturing of printers can reduce CO₂ emissions from the procurement of new raw materials and parts processing. In the closed-loop recycling of ink and toner cartridges, plastic is pelletized from collected cartridges and reused as raw material, thus reducing CO₂ emissions from procurement and transportation of new raw materials.</p>
Risk management	<p>The identified climate change risks and opportunities are managed in accordance with the ISO 14001 PDCA cycle. Our company has established a Group-wide environmental management system, based on ISO 14001, at all of its business sites around the world as a mechanism to continuously improve its environmental assurance activities. In order to promote (DO) environmental assurance activities in conjunction with the activities of each division (Product Group, business sites, and Group companies), the Environmental Management System determines (PLAN) medium-term and annual environmental targets, and formulates priority measures and implementation plans to achieve them, which are reflected in business activities. In addition, we conduct environmental audits to check the status of initiatives and issues in each division, and conduct environmental performance evaluations that incorporate environmental aspects into performance evaluations (CHECK), leading to continuous improvement and reinforcement of environmental assurance activities (ACT).</p> <p>These Responses to risks and opportunities are reflected in company-wide environmental targets and priority measures. Our company considers the environment as part of its management evaluation. The achievement of environmental targets and the results of environmental activities by each division are evaluated and scored twice a year in the environmental performance evaluation conducted as an indicator of the consolidated performance evaluation system, which evaluates the performance of the entire Group. The evaluation results are reported to the CEO and other senior management.</p>
Metrics and targets	<p>In order to comprehensively identify and manage the results of all environmental activities, such as energy conservation, resource conservation, and recycling, through a single index that covers the entire product lifecycle, we have set the Canon Group Medium-term Environmental Targets to be "3%-per-year average in lifecycle CO₂ emissions improvement index per product."</p> <p>By continuing to meet this target, we expect an improvement of approximately 50% in 2030 compared to 2008 levels. As of 2021, this was a 42% improvement from 2008 levels, which exceeded the target. The total life cycle CO₂ was 7,616,000 t-CO₂ (Scope 1, 2 and 3). These GHG emissions data are covered by a third-party guarantee every year, and were covered in 2021.</p> <p>Our company is working with the public to achieve net-zero CO₂ emissions by 2050 through initiatives across product lifecycles.</p>

Relationship with SDGs



Responding to People and Society as a Good Corporate Citizen

Why is this important?

Basic Approach

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

The COVID-19 pandemic has greatly affected individual lives and global economic activity, increasing the demands across society for safety and security both at work and at home. In pursuit of the SDGs, companies are expected to contribute to efforts to eliminate discrimination and poverty on a global basis while recognizing diversity and seeking to create a society in which everyone can play an active role.

Besides business activities, Canon’s response to fulfil these societal expectations is to focus on implementing a range of multifaceted corporate citizenship initiatives to help people and society. A core aim in playing our role as a good corporate citizen is to ensure Canon’s continued growth and development as an enterprise, while contributing to achieving the SDGs.

Materiality

Under “Responding to People and Society as a Good Corporate Citizen,” we have identified the three areas of “Human Rights and Labor,” “Product Responsibility” and “Social Contribution” as the material basis for Canon Group business activities. In addition to our social responsibilities as a manufacturer, we believe it is vital to contribute to the continued development of society in the way we respond, through business activities, to societal changes and trends, as well as the way in which we strive to meet the expectations and demands of stakeholders. Besides such global guidelines as the “Guiding Principles on Business and Human Rights” and “Universal Declaration of Human Rights” authored by the United Nations, we evaluate societal demands and expectations based on the views of external experts and on the results of our stakeholder surveys. We consider all these aspects in assessing the suitability of our activities and making revisions where appropriate. Our latest stakeholder survey pointed to high levels of interest in Canon initiatives in the following areas: “Prevention of Discrimination and Harassment,” “Respect for Basic Human Rights,” “Inquiries and Repair/Maintenance support abilities,” “Improving quality and quality control,” and “Utilizing business activities to contribute to social welfare.”

Going forward, Canon will promote good corporate citizenship activities while taking into consideration the changing demands and expectations of society.

Risks and Opportunities

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

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

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

	Risks	Opportunities
Human Rights and Labor	<ul style="list-style-type: none"> • Damage to public reputation • Litigation risk from workplace harassment • Difficulty in recruitment/retention of staff • Reduced productivity/motivation • Production and other impacts due to disasters/pandemics, etc. 	<ul style="list-style-type: none"> • Sustained business development • Improved diversity and employee productivity • Global business development • Creation of innovation • Transfer of expertise and skills, etc.
Product Responsibility	<ul style="list-style-type: none"> • Damage to brand value • Loss of customer trust, etc. 	<ul style="list-style-type: none"> • Increased trust from customers and public • Enhancement of brand power • Sustained competitiveness, etc.
Social Contribution	<ul style="list-style-type: none"> • Shrinking of global market • Shortage of next-generation human resources • More severe impacts on regional communities due to natural disasters • More severe societal impacts due to COVID-19, etc. 	<ul style="list-style-type: none"> • Ongoing development of local communities • Acquisition of next-generation human resources • Building trust with local communities • Enhancement of brand image • Cultural support, sports sponsorship, etc.

Approach

Human Rights and Labor (→P77–93)

Under increasing global attention to how corporations are operating in relation to human rights, Canon, as a truly global business enterprise, has established the Canon Group Human Rights Policy, and seeks to maintain legal and regulatory compliance in all business activities across every country and region, while promoting initiatives to ensure respect for the human rights of all employees, suppliers and other stakeholders involved in our own business activities and those of our business partners.

Canon believes sustained enterprise growth is a function of improving productivity by maximizing the potential of individual employees through the development of a highly motivated and diverse workforce. To this end, we are promoting various initiatives throughout the Canon Group in areas such as diversity and inclusion, occupational health and safety, health management and HR development, in order to support the creation of workplace conditions that promote high employee motivation.

Product Responsibility (→P94–99)

Believing that customers should never encounter any safety-related quality issues, Canon in its production activities takes product safety as an issue of paramount importance. Furthermore, product safety problems can significantly impact business performance by eroding customer trust and the value of the Canon brand. Conversely, our recipe for strong enterprise growth is to supply products that meet customer needs, offer high quality and added value, and are easy to use, while also constantly working to develop innovative technologies suited to our ever-changing world.

Canon’s basic quality concept is to ensure that customers have “no claims, no trouble.” Our quality

management system builds on the requirements of international standards using unique concepts and mechanisms. Based on this approach, we strive to improve quality across the entire product lifecycle. With regard to safety, we have instituted in-house product safety technical standards that are stricter than the regulatory requirements in each country and region that we serve to ensure that our customers can use Canon products with peace of mind.

In addition, through the introduction of Universal Design principles and other initiatives, we are working to promote the development of Canon products that customers worldwide can use easily, regardless of age, gender, nationality or ability.

Social Contribution (→P100–102)

The spirit of contributing to society has been a part of Canon’s corporate culture since our foundation. We believe in returning profits to local communities by investing in various activities such as support for those affected by disasters; funding for education and academic scholarships; and the sponsorship of cultural, artistic and sporting events. We believe that contributing to solving local issues is an indispensable part of supporting the sustainable development of society, based on enhanced trust in Canon as an enterprise.

Based on this approach, Canon established the Canon Group CSR Activity Policy (→P100). Canon seeks to develop its operational sites by engaging in activities tailored to the characteristics and issues of different countries and regions worldwide. In doing so, we draw on various resources in our areas of strength, such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources.

Relevant Guidelines

- UN Universal Declaration of Human Rights
- The International Labour Organization (ILO) International Labour Standards
- The United Nations Guiding Principles on Business and Human Rights
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Children’s Rights and Business Principles developed by the UN Global Compact
- Sustainable Development Goals (SDGs)
- ISO 26000
- Keidanren (Japan Business Federation) Charter of Corporate Behavior

Relationship with SDGs



Business Strategy

Printing Group



Competitive Advantages

- Ownership of electrophotography and inkjet technologies for digital printing
- Broad product range spanning consumer products, office equipment and commercial printing; global sales channels and customer support networks
- Mass production capabilities for high-performance printers containing many parts, supported by intra-Group collaboration and ability to make production machinery in-house

Basic Rationale on Value Creation

The history of humanity is told in the narratives printed on paper about how societies have created economies, taught culture to the next generation, and made scientific progress. Through printing products and services, the Printing Group helps people share what they are thinking and doing, and enjoy life. Canon printing products have assisted people in the creation, capture and communication of new value. Although recent societal changes have led to paper being used in fewer situations, the immediacy and convenience of printing continue to surpass digital data and displays functionally in many ways. Canon will continue to provide the printing products and services that cater to the evolving needs of society.

Canon's from-scratch development of such printing technologies as electrophotography and inkjet printing has contributed to the worldwide adoption of copying and printing. With the shift to digital over the past 20 years, we have created new value by utilizing digital technologies to facilitate rapid duplication and dissemination. With the society of the future expected to be based on cloud computing, we are focused on improving print security and content-on-demand technologies to enable the next generation of on-demand printing services, in which user-designated content can be printed the instant it is required. In this way, our policy is to continue to create new value by providing digital printing services based on cyber-physical systems featuring fully integrated hardware and software.

Supplying products that help to solve social issues also contributes to the achievement of SDGs. For instance, the essence of the digital transformation (DX) can be seen in Canon's development of high-performance multifunction devices capable of quiet, high-speed scanning of auto-fed documents. In addition, services that seamlessly integrate such devices with the cloud are helping customers make efficiency gains while also saving time and labor. Through these initiatives, the Printing Group is contributing to the achievement of goals such as SDG 9 (Industry, Innovation and Infrastructure) and SDG 12 (Responsible Consumption and Production).

Related SDGs



9.1 By providing digital printing services based on cyber-physical systems and contributing to DX in office environments, Canon aims to help customers achieve more advanced, efficient operations while saving labor.

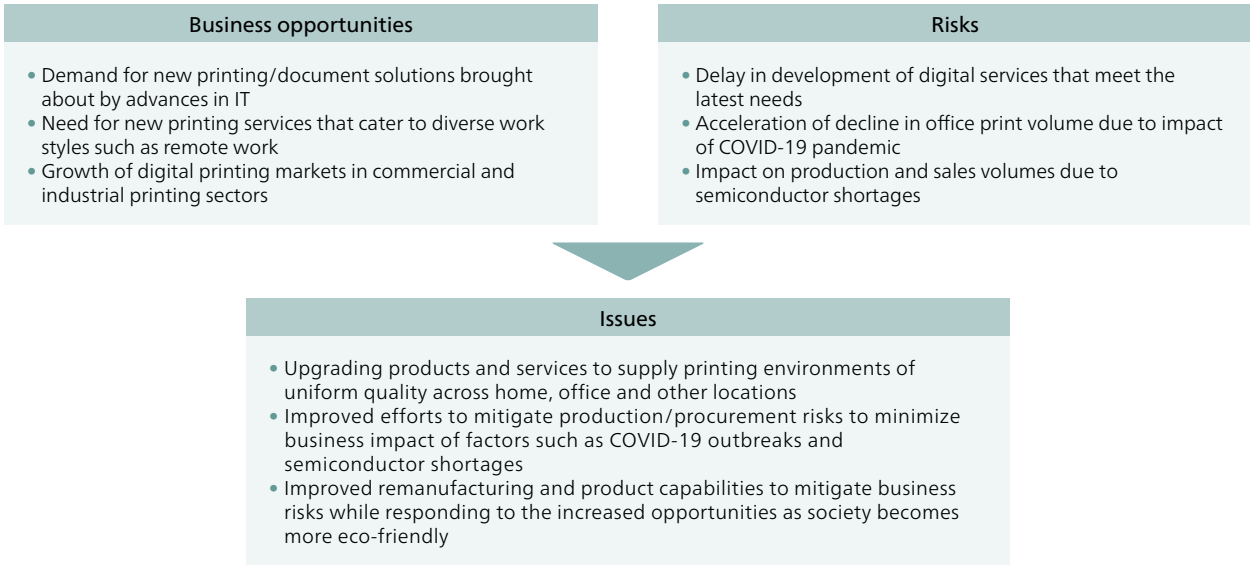


12.5 Canon has been undertaking the remanufacturing of used multifunction devices since 1992. The current range includes a special eco-conscious model, the imageRUNNER ADVANCE C3330F-RG, where an exceptionally high reused parts ratio of over 90% has been achieved.



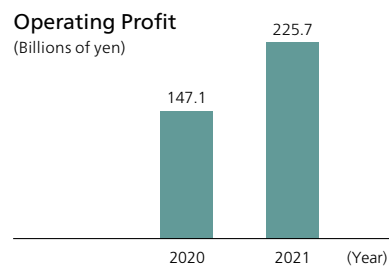
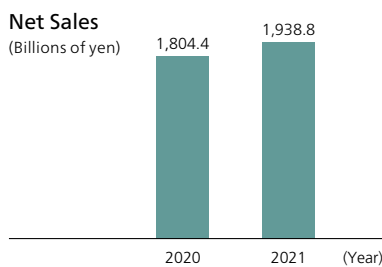
13.2 Canon's multifunction office device imageRUNNER ADVANCE DX C5750F features energy-efficient design points such as on-demand fixing technology and a high-performance main controller. It achieves a reduction in CO₂ emissions compared with earlier models of around 47%.

Business Strategy in Phase VI



Initiatives for Year I of Phase VI (2021)

- We derived gains in efficiency across development, production and sales through various collaborative efforts aimed at overcoming internal organizational barriers. Working on product development with Group companies helped to strengthen the competitive advantage of our products in commercial printing, a field considered to have new growth potential.
- We lost some sales opportunities due to emerging supply-side issues such as COVID-19 outbreaks and semiconductor shortages. We initiated efforts toward strengthening our development and production set-up to help mitigate future business continuity risks.
- As part of responding to evolving work styles, we upgraded our development capabilities for products that can deliver an office-level printing environment in the home or other locations, as well as for related operational support tools.



Strategic Focus for Phase VI Going Forward (through 2025)

- Expand commercial printing business; establish industrial printing business; gain leadership of the digital printing market
- Reinforce Canon’s product lineup by leveraging our strengths in electrophotography and inkjet technologies, along with DX-related capabilities

To achieve these goals, in 2022, we are focusing on upgrading the product lineup and our workflow solutions, and on providing printing environments that function independent of location.

Our medium-to-long-term strategy in digital commercial printing is to focus on accommodating an expanded range of print media, notably printing of labels and packages. In hardware, our aim is to supply product ranges to cover all types of usage from the home or office environment to professional print service providers, as well as commercial and industrial print settings. In addition, Canon will offer print systems to deliver cloud-based on-demand printing services.

We are focused on providing new solutions for the DX era based on Canon’s print management technology originally developed for office environments. We are also striving to create new business possibilities by applying inkjet technology to other industrial sectors. In addition, we remain committed to ensuring all our business activities are environmentally conscious.

Imaging Group



Competitive Advantages

- Unique brand power inherited as longstanding industry pioneer and supplier of cameras used by professionals
- Ability to create value as leading company in the field of imaging, based on established superiority in optical and camera technologies
- Ability to supply products and services on a global scale due to ownership of technologies relating to network cameras, image-processing software, and video analytics

Basic Rationale on Value Creation

Visual information is essential in people’s daily lives. The Imaging Group supplies a diverse range of products and services that enhance the value of the visual image and enable customers to convert embedded information as required.

In the camera business, Canon contributes to the cultural development of photography and video by supplying high-performance products that use the optical technologies we have cultivated over many years to create high-quality images. These visual images not only preserve memories and emotions in vivid color, but also create value by sharing the joy of visual experiences. We are also developing new concept products to enable novel approaches to image creation, and building tools to support production of highly creative content utilizing technologies such as virtual reality (VR) and volumetric video. Our web cameras are also used in offices, schools and other settings to help overcome limitations of time and location.

In the network camera business, Canon’s aim is to help address social issues by converting video-feed data into information. To help realize a more safe and secure society, in addition to supplying network cameras, video management software, and video analytics technology for security applications, we are integrating technologies to develop video solutions for use in recording and monitoring, as well as assessing and responding to emergency situations.

Canon products also have uses in manufacturing or

retail settings. Improvements in productivity, quality and customer satisfaction can be achieved by linking video solutions to operating systems. For example, video analytics technology can be employed in factories to help identify defective items or even automate such tasks, thus saving labor. In shops or distribution centers, this technology can also be used to reduce losses and increase profits by tracking movements or product inventories.

By supplying systems that help translate visual experiences into human happiness and providing video solutions to help address social issues, the Imaging Group aspires to support comfortable lifestyles, culture and education. These efforts contribute to the achievement of goals such as SDG 4 (Quality Education) and SDG 11 (Sustainable Cities and Communities).

Related SDGs



4.7 Canon is helping to realize broader educational opportunities through streaming video systems that enable expressively rich communications.



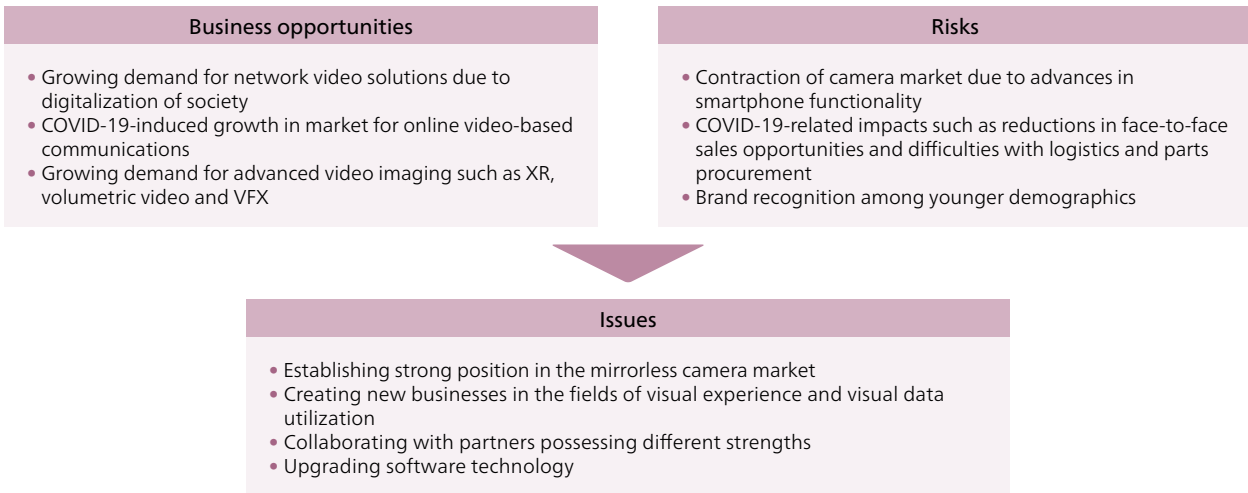
11.2 Canon supplies various video solutions that are contributing to the realization of smart cities and the development of smart mobility solutions.



12.3, 13.2 Understanding our responsibilities as a corporate citizen, we are targeting steady reductions in the use of energy and resources through development and design advances; we also supply solutions to contribute to productivity improvements.

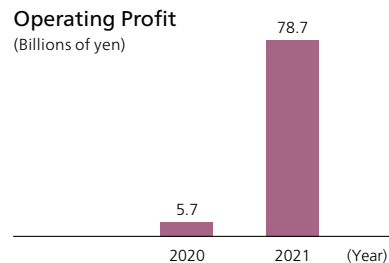
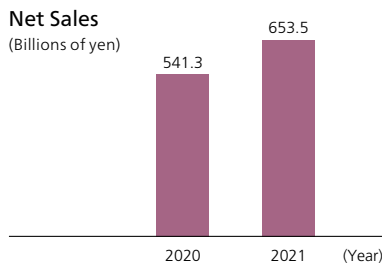


Business Strategy in Phase VI



Initiatives for Year I of Phase VI (2021)

- We further enhanced our EOS R system cameras and RF-series interchangeable lenses, and launched a new virtual reality (“VR”) imaging production system (EOS VR SYSTEM). We also proposed new ways to enjoy images, including the launch of a new camera that captures images automatically and remote web-cameras.
- We strengthened our technological cooperation with Group companies: with Axis in development and marketing, with Milestone in video management software, with Arcules in cloud-based services, and with BriefCam in video analytics software.
- We developed video analytics solutions based on combining image processing and AI technologies such as a solution to alert office users to possible congestion and a solution called “Inspection Eye for Infrastructure” to detect cracks in buildings.



Strategic Focus for Phase VI Going Forward (through 2025)

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

In the camera business, our aim is to generate sustained profits by retaining our leading brand position based on market share. We will also focus on leveraging our technical expertise to develop solutions that explore new possibilities in visual expression, such as XR systems (combining VR, MR and AR) and volumetric video.

We are also striving to utilize imaging technology to expand into business domains that help solve social issues. This includes the development of video analytics solutions for collaborative robots and automated guided vehicles, and efforts to upgrade our lineup of cameras fitted with advanced sensors for capturing images even in the dark. We are also pursuing efforts to grow the business through an open innovation approach by leveraging the strengths of Canon’s imaging technology. In the promising area of autonomous driving, in addition to optical technologies we are developing distance measuring and other perception technologies, working to build a smart mobility business.

Medical Group



Competitive Advantages

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

Basic Rationale on Value Creation

Amid global trends of rapidly aging populations, rising healthcare costs and the ongoing infectious threat posed by COVID-19, demand for healthcare has risen to unprecedented levels, and promoting better health while preventing disease is now a common challenge across countries and regions worldwide. Under such conditions, Canon’s Medical Group is engaged in business that respects a shared set of values with patients and healthcare professionals. In terms of value creation, the foremost priority for Canon is to work out what kinds of technology are required to fulfill the needs of those providing healthcare; to supply the technology for realizing this practically; and to find ways of ensuring ease-of-use and maximizing economic value. These ideas are summarized in the Canon Medical management slogan *Made for Life*, which plays a guiding role in the Medical Group.

The Medical Group is mainly focused on the three fields of diagnostic imaging, healthcare IT and in vitro diagnostics. Our products and services help to prevent disease, maintain people’s health, and contribute to recovery from illness in varied ways. In the field of diagnostic imaging, we are utilizing AI technology to develop CT, MRI, and PET-CT image reconstruction technology that offers higher image quality while reducing radiation dose and noise, and to realize easy-to-operate diagnostic ultrasound systems that

allow more efficient testing. In healthcare IT, we are developing IT solutions to collect, integrate, analyze and process different types of diagnostic images and data. In the field of in vitro diagnostics (IVD), we are supplying rapid genetic testing systems, antigen test kits and IVD reagents for COVID-19 testing.

These business activities are directly involved with solving social issues related to human health and welfare, thus contributing to achieving the SDGs, most notably SDG 3 (Good Health and Wellbeing), SDG 9 (Industry, Innovation and Infrastructure), and SDG 17 (Partnerships for the Goals).

Related SDGs



3.d By incorporating image reconstruction technology developed using AI, we have brought to market diagnostic imaging equipment that achieves high image quality while reducing radiation dose compared to conventional CT scanners.

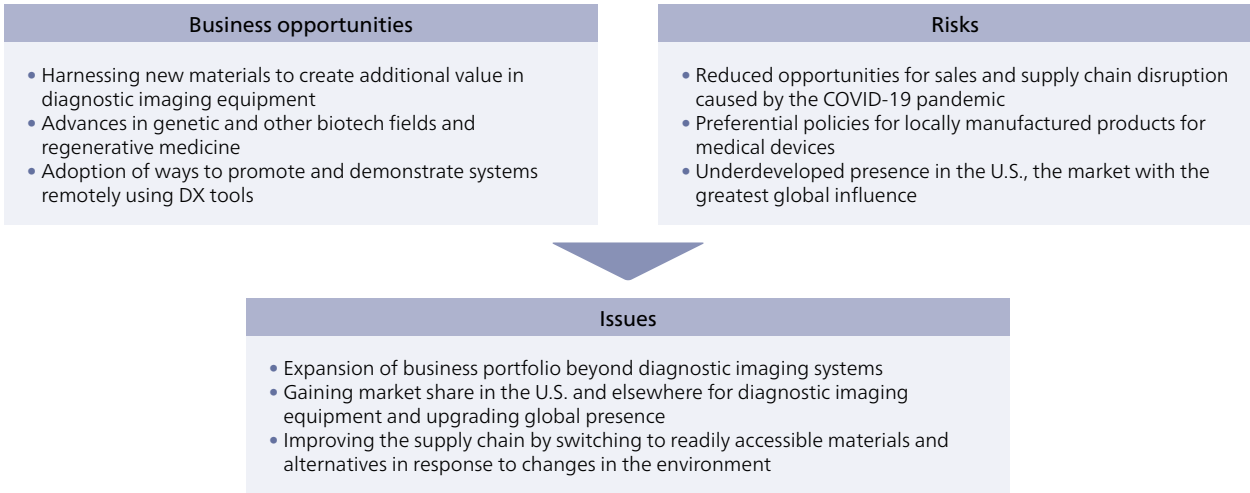


9.5 Canon’s efforts to promote innovation include joint research projects with the National Cancer Center of Japan in the field of photon-counting CT systems, and with Kyoto University’s Center for iPS Cell Research and Application to develop high-quality iPS cell lines for autograft use.



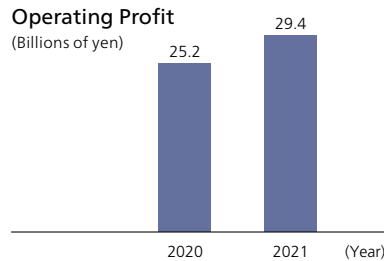
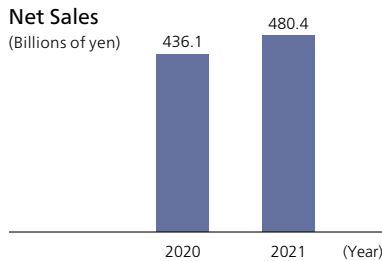
17.6 Through partnerships with universities and medical institutions in Japan and overseas, we are carrying out leading-edge research on AI-based precision care approaches, including the latest clinical research on CT, MRI, and diagnostic ultrasound systems.

Business Strategy in Phase VI



Initiatives for Year I of Phase VI (2021)

- Our efforts to commercialize photon-counting CT systems, which are expected to achieve high image resolution while reducing radiation dose compared with conventional CT scanners, included the acquisition of Redlen Technologies and the start of a related joint research project with the National Cancer Center of Japan.
- Product launches included a digital X-ray system for multipurpose scans; a digital PET-CT system using AI-based image reconstruction technology; a 320-row area detector CT scanner; a high-power 1.5-tesla MRI scanner; and new premium-class diagnostic ultrasound systems that support highly efficient testing.
- We established a global organizational structure to strengthen the healthcare IT business and sought to speed up joint research with medical institutions.



Strategic Focus for Phase VI Going Forward (through 2025)

- Further expansion of diagnostic imaging business through external partnerships or M&A
- Expand portfolio into fields beyond diagnostic imaging, such as IVD reagents and healthcare IT

In diagnostic imaging, we will develop technology to facilitate commercialization of photon-counting CT systems that have the potential to deliver ultra-high image quality while significantly reducing radiation dose required in scanning. In addition, we are developing next-generation high-performance MRI scanning systems by combining technologies from Group companies, notably the RF coil technology of QED, with image-processing technology based on AI. In ultrasound equipment, we are working on cutting the cost of sales via in-house production of a common platform using proprietary technology.

To develop businesses beyond diagnostic imaging, we are working to develop healthcare IT systems that gather, integrate, and analyze image and non-image data collected in clinical settings. In the IVD field, we are working to expand Canon’s business portfolio by broadening our presence into areas such as peripheral devices used in testing.

Industrial Group



Competitive Advantages

- Product development based on incorporating specific customer requirements from design stage, with manufacturing sites and facilities capable of development, design and production
- Nanoimprint lithography technology that lowers costs and achieves miniaturization
- Products that raise customer productivity and that enable lower cost of ownership; professional workforce with high levels of technical expertise and experience

Basic Rationale on Value Creation

In 1970, Canon became the first Japanese firm to launch semiconductor lithography equipment. In 1986, we began applying the technology to the development of lithography equipment for manufacturing flat-panel displays (FPD). These areas still form the core of the Group's business today. In the past, to address the miniaturization of semiconductors, we pursued a business strategy of expanding our lineup of products to offer to the market. Although the need for miniaturization continues to exist, from the 2010s, we shifted our strategy toward product development that incorporates specific customer requirements from the design stage, in line with diversifying customer needs, leading to increased earnings and the flexible provision of value to customers.

Today, Canon develops, manufactures and sells lithography equipment based on i-line (mercury lamp) or KrF (krypton fluoride) technology to help lower production costs and increase productivity for customers. Due to high power consumption of lithography equipment, we are working to develop more energy-efficient models and otherwise add value to our existing range by proposing solutions tailored to specific customer usage conditions.

Canon's products in this field are one of the forces driving global establishment of social infrastructure,

industrial innovation, and energy-saving initiatives. Hence, our related business activities directly create value for society. Moreover, by stamping the circuits directly onto the wafer, our nanoimprint lithography equipment revolutionizes the semiconductor production process, enabling the creation of highly detailed nano-level circuitry at reduced cost and energy consumption. This will create added value for the entire semiconductor industry.

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

Related SDGs

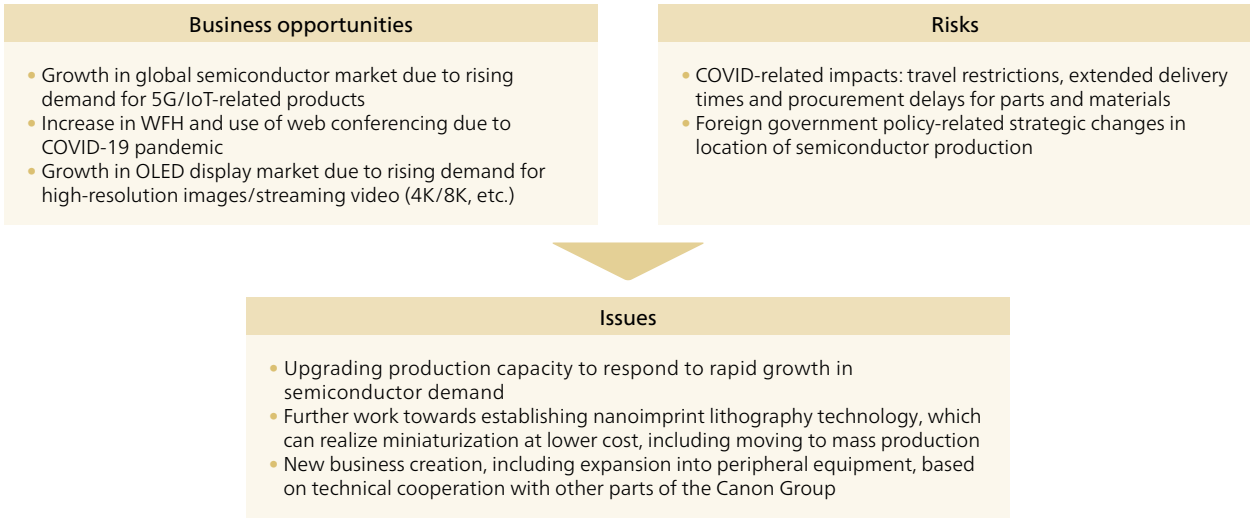


9.4 Nanoimprint lithography technology simplifies the production process for semiconductors without any loss of high-performance functionality, leading to energy savings, higher productivity and reduction in environmental impact.



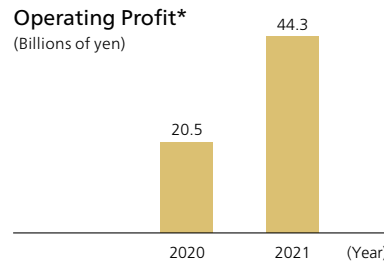
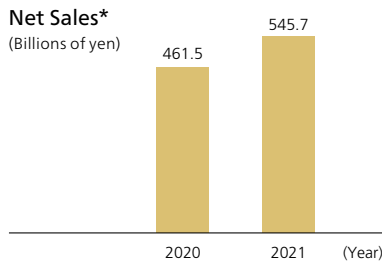
11.6 We are working to lower environmental impact by using fewer packaging materials.

Business Strategy in Phase VI



Initiatives for Year I of Phase VI (2021)

- We responded quickly to the growth in demand for semiconductor lithography equipment caused by rapidly expanding global semiconductor demand.
- In view of COVID-related concerns, we launched an IT support system to allow maintenance and support services without onsite visits. By collecting and analyzing operational data, engineers are able to detect and predict issues, contributing to process efficiency gains and higher added value.
- We made further progress with the development, manufacture and sale of nanoimprint lithography equipment and other products designed to reduce environmental impact.



* Figures are for the Industry and Others Business Unit

Strategic Focus for Phase VI Going Forward (through 2025)

- Focus on growing and strengthening business to meet strong demand for semiconductor lithography equipment, notably by further expanding in European and US markets
- Focus on enhancing product competitiveness in FPD manufacturing equipment and accelerating the development of new processes and materials for OLED applications

In semiconductor lithography equipment, our aim is to maintain our overwhelming market share in i-line lithography equipment while working to increase our share of the KrF lithography equipment market. In addition, we will work on establishing nanoimprint lithography technology, including stepping up technological development to enable mass production while also developing new applications through our participation in R&D into upgrading the basic telecommunications infrastructure for a post-5G world.

Responding to rising demand for high-resolution images and streaming video (including 4K and 8K), we are also focusing on the OLED display manufacturing equipment sector by developing new manufacturing processes and materials. In the FPD lithography sector, we are developing more competitive products based on advances in our proprietary optical technologies. Canon Anelva is also focused on developing film deposition equipment for next-generation non-volatile memory applications that realize energy savings.

Intellectual Property (IP) Strategy

IP Strategy: Basic Policy

Canon's growth as an R&D-led company is grounded in its development of new markets and customer segments by using original technology to create high-quality products and services that are differentiated and attractive. Canon's IP Division formulates and pursues IP strategies that look ahead to the next 10–20 years, with an emphasis on supporting development of new businesses and anticipating emerging trends.

While we do not change our basic approach to IP activities, we also modify our tactics in order to keep up with the changing times.

Core Strategy

- Patents relating to core competence technologies are used to secure competitive advantage, and are therefore not licensed to protect business in competitive fields.
- Collaborative field patents relating to general-purpose technologies such as communications and GUIs, are used for cross-licensing activities to realize greater R&D and operational freedom, leading to the provision of attractive products and services.
- While always respecting the IP rights of other companies, we are committed to responding resolutely to any IP rights infringements against Canon.
- Inventions that cannot be easily verified or derived by other companies are retained and protected as confidential expertise to secure a competitive advantage without being overtaken by other companies.

IP Portfolio Aimed at Creating New Value

By building a strong patent portfolio, Canon's IP activities aim to strike a good balance between securing competitive advantage and retaining business freedom.

One of Canon's top priorities is acquiring patents that relate to core technologies for Group businesses. We also seek to acquire IP in technical fields such as AI, IoT and standardized technologies in order to be prepared for litigation and negotiation with IT firms that are competitors in the IP arena, while not in the realm of commercial business. In addition, we are actively trying to acquire patents for technologies that could contribute to solving social issues or achieving SDGs. In these various ways, we are working to maintain the strength of our IP portfolio by acquiring patents that will support future business development in line with projected external conditions, while also keeping a flexible stance on IP asset swaps.

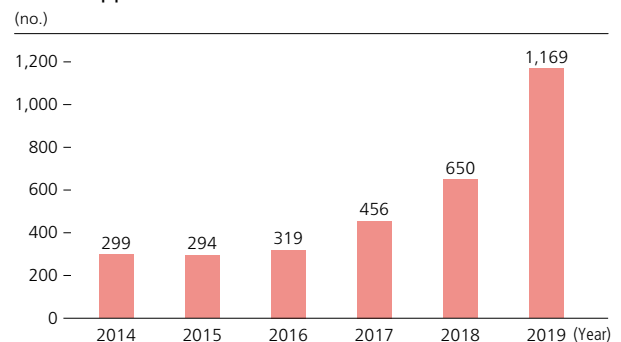
As of November 30, 2021, Canon holds approximately 87,000 patents and utility models worldwide. We have focused on filing patent applications in the United States for its large market scale and high prevalence of IP litigation. Canon has ranked in the top five for U.S. patent registrations for the past 36 years.

Top Five Companies Acquiring U.S. Patents in 2021

Rank	Company	Number of patents
1	International Business Machines	8,682
2	Samsung Electronics	6,366
3	Canon	3,021
4	TSMC	2,798
5	Huawei Technologies	2,770

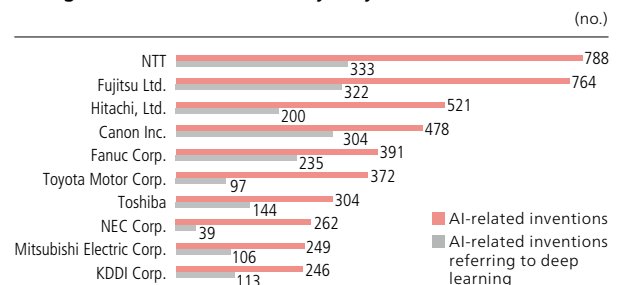
* Figures based on data released on January 5, 2022 by IFI CLAIMS Patent Services.

Worldwide Canon Machine Learning & AI-related Patent Applications



* Source: LexisNexis PatentSight (based on February 17, 2022 data) Since the above figures are based on publicly released data, in consideration of the period until patent applications are made public, only figures up to 2019 are included.

Japanese Patent Filings for AI-related Inventions (Filings Since 2014 Published by May 2021)



* Based on August 2021 report on patent filing status of AI-related inventions published by Japan Patent Office

IP Activities as an Opinion Leader

Aiming to contribute to industrial development in Japan and worldwide, Canon actively seeks to be a leader in the IP field. In 2014, Canon with other companies helped to establish the License on Transfer (LOT) Network as a mechanism to protect member firms from any unwarranted litigation brought by patent assertion entities, whose primary business is to attempt to generate profits using the threat of patent-related lawsuits. The number of LOT Network members is over 1,700 as of November 2021. Canon also launched the Open COVID-19 Declaration in 2020 to support action to control the COVID-19 pandemic as quickly as possible. Since 2019, Canon has been a partner of WIPO GREEN, an international platform operated by the

World Intellectual Property Organization (WIPO) that is promoting the utilization of green technologies. This forms part of our collaborative efforts with WIPO to propagate environmental technologies. Furthermore, we actively contribute to efforts to improve IP systems based on discussions with the senior management of national patent offices about the IP environment and related regulatory policies.

IP Activities in Phase VI of Excellent Global Corporation Plan

Our aim for Phase VI of the Excellent Global Corporation plan is to improve the competitiveness of all Canon Group operations across each of its four

business areas of printing, imaging, medical and industrial through IP activities. At the same time, we are directing our efforts at supporting future business creation in areas such as next-generation imaging, which includes volumetric video and extended reality (XR, a term encompassing VR, AR and MR), next-generation healthcare, and smart mobility. To help underpin the development and sustained growth of these businesses, Canon's IP Division is focusing efforts on creating and commercializing IP assets relating to core competence technologies (such as optics, image processing and analysis); technologies that will be essential for cyber/physical systems with embedded AI and IoT; and technologies needed to help solve social issues and achieve SDGs.

Industry Group-specific IP Strategies

Printing

- **Print engines and the Digital Transformation (DX)**
We are focusing on creating IP assets to support development of better printing systems and solutions for the digital-era workplace (by combining print engines, materials and key components with cloud and network technologies) so as to add new value to the user experience (UX).
- **Commercial/industrial printing**
Based on collaboration with Canon Production Printing (CPP) and other Group companies, we are focusing on creating IP assets to support development of stronger, more advanced printing technologies for commercial or industrial applications, including label and package printing.

Medical

- **Adding frontline medical value**
Under the management slogan "Made for Life", we aim to create a stream of new IP assets in areas such as AI-based image reconstruction technology, diagnostic support solutions, touch screen controls to revolutionize the user experience, and next generation detection devices. Our IP activities support Canon's operations to help realize high-quality healthcare with greater frontline efficiency and reduced costs, and to help provide personalized medicine.
- **Business portfolio expansion**
To satisfy medical new needs we are pursuing synergies with other technologies developed within Canon Group and promoting open innovation programs with research institutions in various countries and regions. We are focusing on creating IP assets to expand diagnostic imaging system business and to enter in new fields such as vitro diagnostic systems, reagents and regenerative medicine.

Imaging

- **From cameras to solutions**
IP activities support upgrading of a wide range of products and services, from hardware to solutions, by integrating core imaging technologies in areas such as optics, devices and image processing with network technologies. We generate IPs by extending existing technologies, such as mirrorless cameras, interchangeable lenses, image sensors and displays, and create new IPs in new technology areas such as concept cameras, XR applications, and volumetric video.
- **Network cameras and smart mobility**
We are developing more advanced capabilities in video management and analytics, and security solutions businesses as well as reinforcing our patent portfolio in collaboration with Canon Group member companies such as Axis, Milestone, BriefCam and Arcules. In addition we are focusing on creating IP assets to support expansion of network camera business into the social infrastructure domain as well as entry into the smart mobility field.

Industrial

- **Semiconductor/FPD manufacturing equipment**
We use an "open and close" strategy with patents and know-how in areas such as semiconductor lithography equipment, die bonders, OLED manufacturing equipment, and sputtering equipment. A core focus is on IoT applications for industrial equipment to enable network-based management of systems.
- **Reforming the semiconductor industry**
Nano-imprint lithography has the potential to revolutionize the semiconductor industry. Based on collaboration with industry, academia and the public sector and Canon Group companies, we are seeking to build a strong patent portfolio in technical fields in materials, elements, and equipment, as well as advanced semiconductor manufacturing processes.

Towards a Sustainable Society Using Advanced Technologies

- **Technologies at the cutting edge**
We are conducting research into areas such as materials and device technology, including ceramics for 3D printing applications, lead-free piezoelectric materials, and single photon avalanche detector (SPAD) sensors; digital element technologies, including mixed reality and visual simultaneous location and mapping (SLAM); and aerospace technologies, including satellites, the Thirty Meter Telescope (TMT) and diffractive elements for use in IR immersion spectrometry. The focus is to build an IP asset portfolio including patents for world-leading, state-of-the-art core technologies.
- **Standard technologies, data/content businesses**
We are working to upgrade our IP assets relating to digital platform technologies in such areas as video encoding (HEVC, VVC), wireless communications (Beyond 5G, Wi-Fi7), and wireless power transfer. At the same time, we are focusing on new businesses in video production and data/content where the use of video data could add new value, and on expanding the patent portfolio for these applications.
- **Addressing social issues**
Canon is contributing to the realization of a sustainable society by creating inventions and business that can solve social issues while using an open innovation approach to achieve SDGs from viewpoints of energy and resource conservation, decarbonization, and health and safety.

Further information on intellectual property activities can be found here:
<https://global.canon/en/intellectual-property/>

Human Resources Strategy

Establish a more dynamic and merit-based HR management system

Excellent Global Corporation Plan Phase VI: HR Strategy

Under the principle of Respect for Humanity that has formed part of Canon’s corporate DNA since our establishment, we have cultivated a corporate culture to support the motivation, pride and happiness of individual employees. We strive to ensure working conditions are appropriate, fair and based on meritocratic principles, and that they afford peace of mind to workers. In this way, Canon aims to generate new value continuously based on a diverse workforce infused with an Enterprising Spirit.

One of the main strategies of Phase VI of the Excellent Global Corporation Plan is to build a more dynamic and merit-based HR management system. Under this strategy, we are seeking to enhance employee engagement and promote work style reforms while also boosting productivity by developing new HR systems and reforming organizational culture.

Canon actively promotes HR development because we view personal growth as the driving force behind building a more robust business. To support the reorganization of our business portfolio and strengthen related business operations, we are focusing particularly on strategic recruitment and development of people with the skills to drive innovation, and pursuing HR training to support such activities.

In 2018, we established the Canon Institute of Software Technology (CIST) to help improve digital technology training across the Group and support redirection of human resources to business areas with high growth potential. As part of these efforts, CIST uses a trainee-style career matching system that combines training with internal recruitment to enable the re-skilling of a wide range of people and facilitate internal reallocation of human resources. The system aims to make the most effective use of human resources by helping individual employees to build careers and by creating chances for employees.

Moreover, based on our corporate philosophy of

kyosei, Canon fully respects diversity in terms of such attributes as culture, customs, language and ethnicity. With the promotion of diversity and inclusion established as an important management issue, we are working to ensure HR systems and workplace conditions enable individuals with diverse personalities and perspectives to play an active role and feel empowered to fulfill their potential.

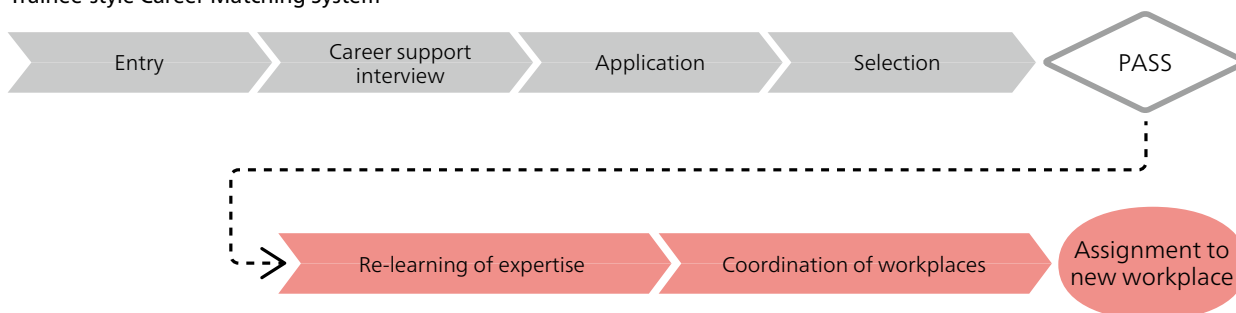
Putting the Right People in the Right Jobs

By strategically deploying personnel and actively supporting individual career development, Canon aims to place the right people in the right jobs and create an organizational framework in which each employee can play an active role.

In recruitment, we are broadening our use of job-matching to determine, before hiring, more precisely where a person will work best, based on specialist knowledge and personal preference. This helps to optimize HR deployment based on the needs of each business. Discussions are organized by the Human Resources Division for all employees after working at Canon for three years to review the suitability of their job and working environment and provide peace of mind and help them fulfill their potential. We are also promoting personnel transfers from existing businesses to new businesses within the Group, in line with the repositioning of the business portfolio.

The trainee-style career matching system is designed to help employees develop skills to match evolving business requirements. Under the system, employees move internally to a new area after acquiring essential knowledge for their new role under a 3–6-month training program. This provides employees with the opportunity to gain the specialist knowledge needed to take on the challenge of working in an area where they have no prior experience, better equipping them to develop their career in an age where life expectancy is advancing towards 100 years.

Trainee-style Career Matching System



HR Development for New Business Portfolio: Software Training

Our aim for Phase VI of the Excellent Global Corporation Plan is to reposition Canon's business portfolio and strengthen the Canon Group. To provide HR development support for this transition, we are focusing on DX-related education in areas such as AI and IoT. Through the establishment of the CIST, we have developed educational systems to enable trainees of all levels, from novice to master, to acquire knowledge in the digital fields needed to underpin Canon's future business strategy.

Alongside internal training programs, we are also sending software engineers on specialist training courses provided by top institutions. This includes

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

Our internal and external education/training initiatives focused on the latest technology and knowledge will enable us to develop the expertise required to reposition the business.

Software Training at CIST

About **4,200** people in 2021

DX Trainee Comments

I currently work on network camera development as part of Image Solutions Business Operations. With deep learning technology becoming an essential part of model development, I wanted to attend this course to learn from in-house instructors with knowledge and experience in this area. The basic training showed me how to create programs and helped me grasp the internal workings of the deep learning model. In the applied training, the instructor used actual case studies to guide me through model construction and related methodology so that I could get a practical feel for using models. The training was designed for deep learning novices and intermediates. It would have been hard to understand without some basic programming knowledge, but there is also an option to bridge any such gaps by taking a preparatory e-learning course. My aim is to be an engineer with more advanced model development skills by using the knowledge I have gained in this training.

Work Style Reforms

Reflecting a respect for work-life balance, Canon is making efforts to reduce work hours. We introduced a new teleworking system in 2020 to enable flexible work styles not restricted by time or location. In 2021, total annual work hours per employee averaged 1,745, well below the prescribed 1,800 regular working hours.

With the aim of supporting positive cycles that boost productivity while supporting good work-life balance, we also provide employees with opportunities to upskill in their own time through initiatives such as self-development programs for study at home and after-work seminars.

Financial Strategy

Financial strategy that supports productivity improvement and corporate portfolio transformation through new business creation.

Financial Strategy: Basic Policy

The basic policy of our financial strategy is to maintain sound finances via thorough cash flow management. Our principle for maintaining a sound financial constitution is to keep necessary capital expenditure for medium-term expansion and growth within the scope of depreciation.

Our main uses of cash are, first, growth investment in such areas as R&D and M&A, followed by return to shareholders, mainly in the form of dividends. In 2021, however, we prioritized the repayment of debt, based on operating cash flow, which increased against the backdrop of significant improvement in business performance following the COVID-19 pandemic.

Going forward, our principles of cash flow management and maintaining debt-free operation will not change. However, to achieve the sales target of ¥4,500 billion or more in 2025, we will actively make investments necessary for growth, including large-scale M&As, even if borrowing or other external financing is involved.

Review of 2021

The COVID-19 pandemic continued during 2021 despite the rollout of vaccines. Lockdowns across some parts of Southeast Asia interrupted operations, and production was also impacted in the second half of the year by multiple supply restraints, including shortages of semiconductor components and logistics challenges. Although Canon's sales ended substantially higher than the COVID-ravaged figures of 2020, they did not meet forecasts, and as a result, orders that could not be filled by the end of 2021 remain in the form of a backlog.

Despite the challenging conditions, we recorded significantly higher profits not only compared to 2020,

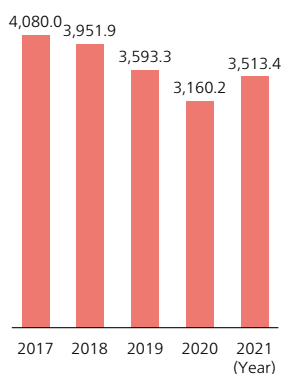
but also compared to pre-COVID 2019. This reflected the steady realization of gains from the business portfolio transformation that had mainly been undertaken in Phase V as well as our new businesses beginning to make contributions not only to consolidated sales but also earnings. There were also larger-than-expected gains, such as the reduction of fixed costs stemming from restructuring undertaken at roughly the same time at sites mainly in Europe and the United States in 2021, as well as the reorganization into four industry-oriented groups, which enabled the more effective use of resources and created synergies.

In addition to our rigorous efforts to boost profitability, performance grew more stable as the market for cameras and laser printers began to bottom out. Also, with selling prices more accurately reflecting supply and demand conditions, and as we made design changes to replace components in tight supply with alternatives, each industry-oriented group posted higher sales and profits, making a strong start toward the targets set for 2025, the final year of Phase VI. On the finance side as well, we recorded free cash flow of over ¥240 billion.

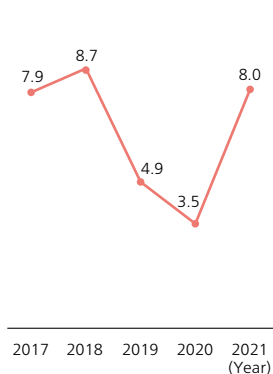
Investments in Growth

Our top priority in terms of using cash is for R&D, acquisitions, and other investments in growth. Since its founding, Canon has invested heavily in R&D to hone its technological capabilities, create superior products, and pioneer new markets. The passage of time and the evolution of technology have created a fiercely competitive market environment, however, rendering the timely development and acquisition of outstanding technologies and products difficult for a company operating alone. Since the early 2000s, therefore, we have made use of acquisitions as a means of

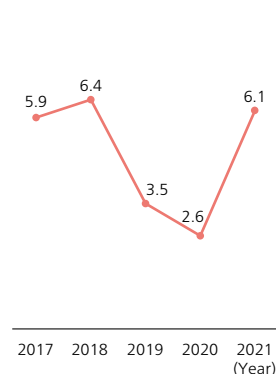
Net Sales
(Billions of yen)



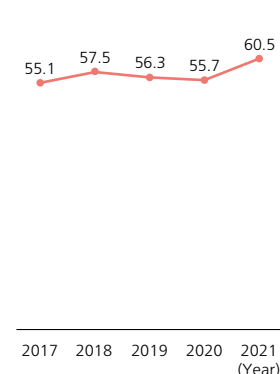
Operating Profit Ratio
(%)



Net Income Attributable to Canon Inc. Ratio
(%)



Shareholders' Equity to Total Assets Ratio
(%)



growing new businesses and getting new businesses off the ground quickly.

We are pursuing acquisitions focusing on new businesses, such as medical devices and network cameras, that address fundamental human needs for safety and security, and which promise growth over the long term. In 2021, we acquired Canada-based Redlen Technologies Inc. to develop a photon counting CT, hailed as the next generation in computed tomography. We are investing heavily in other areas as well. One focus in the Printing Group is on the area of commercial and industrial printing, which is expected to grow in line with advances in digitization. In the Imaging Group, in addition to free-viewpoint video systems, we are investing in new hardware and software that capitalize on optical and image processing technologies, such as virtual reality and mixed reality systems and in-vehicle cameras.

Portfolio Transformation by Industry-oriented Groups

- In 2021, Canon Group operations were reorganized into industry-oriented groups in order to further improve management efficiency by combining the technologies of existing and new businesses, and promoting organizational revitalization.
- We reorganized businesses into industry-oriented groups to more effectively advance our basic strategy of making full use of technological capabilities to alter industrial structures in line with evolving needs
- Expected to realize new cost-reduction and effects of new product development through sharing of resources such as parts, production equipment, product-related technology, production technology and human resources across development, production and sales processes, as well as related efficiency gains

Returns to Shareholders

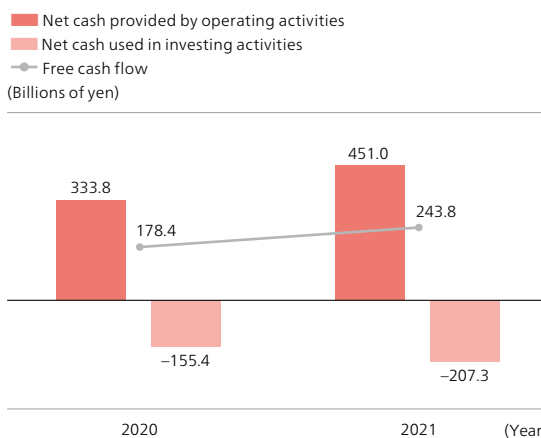
Another major use of cash is shareholder return which mainly focuses on dividends. In light of heightened volatility in our performance after the 2008 global financial crisis, our policy has been to provide returns in a stable and proactive manner mainly in the form of dividends, comprehensively taking into consideration not only short-term, but also medium- to long-term profit outlooks as well as future investment plans and cash flow.

In 2020, we cut the dividend for the first time in 33 years due to the severe impact of the COVID-19 pandemic on results and the high prevailing levels of economic uncertainty. Given improvements in both performance and outlook in 2021, we returned to our policy of increasing dividends. Going forward, we will aim for a payout ratio of 50%.

Debt Repayment

In addition to growth investments and shareholder returns, we have allocated cash to repay debt from financial institutions that was incurred to finance acquisitions in 2016. Although the repayment of debt was hindered in 2020 due to the COVID-19 pandemic, a turnaround in our performance in 2021 enabled steady progress in debt repayment. Going forward, we will continue to promote the repayment of debt with the aim of returning to debt-free management.

Cash Flow



	2020	2021
Net cash provided by operating activities	333.8	451.0
Net cash used in investing activities	-155.4	-207.3
Free cash flow	178.4	243.8

Activity Report

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Research and Development Aimed at Creating New Value and Solving Social Issues

Along with developing new business fields by applying core competence management, we aim to create new value and solve social issues by promoting technology development.

Canon's Approach to R&D

As society changes dramatically under digital transformation (DX), which has itself been accelerated by the COVID-19 pandemic and the shift to a new normal, Canon is also approaching a major turning point. Not only is the camera market contracting, but our other core markets in office multifunction devices and printers are also undergoing significant change. In response, Canon is likewise embracing the challenge of transformation, aiming for the next stage of growth.

R&D in the industrial age and the information age was invention-focused, creating seeds of technology that flowered into a wealth of new discoveries. Groundbreaking products were launched one after the other, enriching lives, improving convenience and changing the world. However, advancing globalization has brought with it a range of environmental and other social issues, which technology must now turn its attention to addressing. Indeed, we have now reached a reversed situation in which technology development is driven by social issues. It is no longer enough to gradually nurture the seeds of "invention-focused" R&D. What we increasingly require is "innovation-focused" R&D that can speedily address social issues.

Seizing the momentum brought about by these changes, Canon will proceed with invention-focused R&D through open innovation and industry-academia partnerships, while its innovation-focused R&D will seek to address social issues by refining proprietary technologies and creating new value through corporate mergers, acquisitions, and alliances.

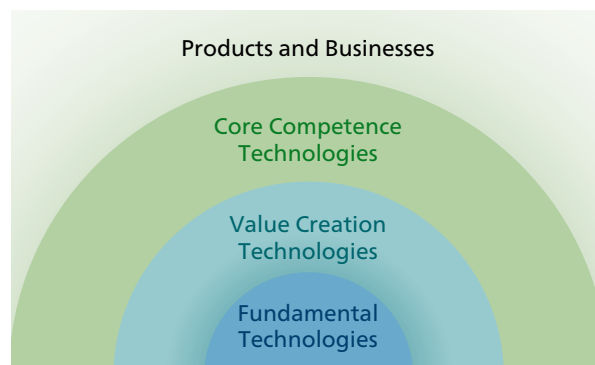


Lens development using CAE

Core Competence Management

Since its founding, Canon has pursued diversification of its business through core competence management, combining in various ways the core competence technologies (hereinafter "core technologies") that drive the creation of its industry-leading core products with fundamental technologies that form the base for its accumulated technologies and value creation technologies that form the base for its commercialized technologies. Our product lineup—cameras, office multifunction devices, inkjet printers, laser printers, and semiconductor lithography equipment—is no exception. Likewise, we are building competitiveness by incorporating fundamental technologies accumulated over the years into the core technologies of products in businesses that have recently become part of the Canon Group, such as medical systems, network cameras, commercial printing, and industrial equipment.

We have transformed several of these core technologies into fundamental technologies through repeated R&D efforts. Toner, drums, and other advanced materials, for example, were once core technologies used in copying machines. Now, they are fundamental organic synthesis technologies which are being used to develop competitive products in other areas and businesses. In the field of imaging, our lenses, image sensors, and image processing—our overwhelmingly superior core technologies—are making Canon cameras more competitive. These are now fundamental technologies—optical, electronic device and sensor, and video image processing technologies—that are used in other



Creating businesses through multiple combinations of our core technologies, value creation technologies, and fundamental technologies

businesses. Specifically, the core technology behind Canon camera person detection has been further developed as a fundamental technology for AI and data statistical analysis, and is now being incorporated into healthcare IT systems helping to drive diversification in our medical business and strengthen this business.

The value creation technologies supporting quality, cost, and on-time delivery, which Canon has accumulated during its growth, underpin the launch of new products and businesses. Robust value creation technologies focusing on analytical simulation, intellectual property, quality, design, value engineering, field engineering, and environmental technologies, are one of Canon's greatest strengths for swiftly growing a business.

R&D System

With Canon's current diversification, each product division is moving forward with product development based on plans unique to that division. At the same time, our R&D Headquarters carries out leading-edge trend research and the resulting advanced technology development. This system allows individual business groups and headquarters to engage in multiple R&D projects while strengthening existing businesses and fostering new businesses by means of close coordination.

R&D Strategy for Phase VI

Canon embarked in 2021 on phase VI of the Excellent Global Corporation Plan, which focuses on strengthening R&D along the following three trajectories.

First, we will further strengthen fundamental technologies and value creation technologies. In this way we will drive forward the key strategies of Phase VI of the Excellent Global Corporation Plan, which call for the Group to thoroughly enhance competitiveness in the Printing, Imaging, Medical, and Industrial industry-oriented business groups.

Second, we will generate the seeds of our next ventures based on robust core technologies and fundamental technologies. In terms of physical research and development, for example, we will develop materials with new functionality leveraging material technology based on ink and toner materials, while also developing devices utilizing other specialized materials, then we will foster next-generation technologies as the seeds of new business. At the same time, through technological diversification, we will pioneer new business fields.

Third, we will strengthen innovation-focused technology development that meets the needs of this era. While recognizing trends such as DX and carbon-neutral solutions, we will continue driving technology development that leads to higher corporate value. In particular, Canon is focusing on a cyber-physical system that effectively integrates cyberspace, which allows us to merge various services, and physical space where people connect with one another. We are drawing on world-class core technologies in the physical domain and advanced cyber technologies through our various alliances, while expanding and developing technologies to develop cyber and physical business models and products that are one step ahead and generating a range of innovation.

Human Resources to Support Future R&D

Human resources are the cornerstone of these new measures. Through its core competence management, Canon has created a database that includes technologies worked on and the divisions and number of people involved as well as engineer profiles. We have established a framework that enables personnel to take an active role from a company-wide perspective, working with world-class core technologies in commercial business development and cutting-edge fundamental technologies in the R&D Headquarters. For new technical areas needing to be reinforced, we offer training opportunities for personnel to acquire technologies, and develop human resources, positioning the Group to adapt its R&D framework to changing needs. Core competence management in the various product divisions and at the R&D Headquarters is providing young employees with opportunities to exercise their talents and cultivating professionals who are adept in both the business and technological fields that are indispensable to innovation. These human resources will lead the Group into challenging new fields and support the Group in the next generation.



Development of SPAD sensor with 3.2 megapixels for color photography

Examples of R&D to Create New Value and Address Social Issues

Through core competence management leading to multiple combinations of our core technologies, fundamental technologies, and value creation technologies, Canon is generating new businesses that will create new value and help solve social issues.

Successful Development of a Key Device of the Future

SPAD Sensor with World-first 3.2 Megapixel Count

Canon has developed a single photon avalanche diode (SPAD) sensor that enables color photography at 3.2 megapixels—higher than the 2.07 megapixels of full HD—even in dark environments. SPAD sensors multiply a single light particle (photon) when it reaches a pixel—as if creating an ‘avalanche’—, amplifying it in a ‘snowball’ effect to produce a single large electrical pulse. CMOS sensors measure the volume of light present in a pixel. As the accumulated light is picked up as an electrical signal, associated ‘noise’ can impair picture quality. SPAD sensors, by contrast, count individual photons digitally, making it possible to measure very small amounts of light even under low-light conditions without electronic noise, making it possible to capture clear images even in dark environments.

The new SPAD sensor developed by Canon uses an approach that includes a unique pixel structure to refract photons within the pixel, enabling photons to be efficiently detected across the entire range of the effective pixels. As a result, even if the pixels are made smaller and rendered at higher resolution (3.2 megapixels), it is possible to capture video even in conditions darker than a starless night sky.

Moreover, as the SPAD sensor is capable of extremely high information processing speeds on the level of 100 picoseconds (one trillionth of a second) it is able to capture very fast-moving objects such as light particles. In addition to its high-sensitivity performance, the sensor’s unique rapid response functionality brings great expectation for a wide range of applications including

automated vehicles, diagnostic imaging equipment and chemical measurement devices.

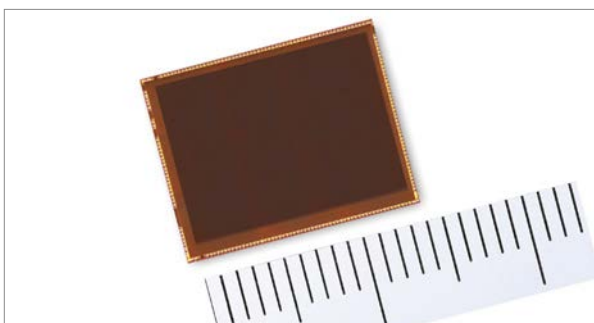
Social Infrastructure Inspection Services

Detecting Cracks with AI Technology

To address the issue of deteriorating and support the maintenance of aging social infrastructure, Canon has developed a service offering inspection of bridges, tunnels and other concrete structures. The condition of concrete depends on design criteria, materials and the environment. If the conditions are bad, concrete is generally considered to start deteriorating after 40 to 50 years, and the need for structural inspection has now reached high levels worldwide.

One of the most important points in assessing the soundness of concrete structures is whether cracks are present. Traditionally, the main inspection method for concrete structures has been based on a graphical sketch of the cracks in the structure made through visual inspection by an inspection engineer with specialized knowledge. In recent years, however, image-based inspections using a camera to take photographs to identify cracks and other locations needing attention at the inspection site are increasingly becoming the standard. Although this method has the advantage of enabling fine cracks to be confirmed by increasing the resolution of the image, it also requires a lot of time for inspection engineers to check the image at their desks.

Canon, which has been developing image-related AI for many years, has used AI to detect even thin cracks as wide as 0.2 mm and, depending on the quality of the image, even hair cracks as wide as 0.05 mm, from inspection images taken with high-resolution cameras. It has also significantly lightened the growing workload



SPAD sensor prototype



Using AI to detect cracks in concrete structures

of inspection engineers. As one example, it has been reported that the twelve hours it used to take an inspection engineer to assemble the inspection data has been taking just one hour and a half.

Offering a Realistic Viewing Experience Volumetric Video System

Canon's Volumetric Video System delivers a new visual experience in a wide range of spectator settings, from sports to entertainment, allowing the action to be viewed from any position or any angle in the stadium or auditorium. When watching sports for instance, free viewpoint selection enables viewing from the perspective of a player on the field or from any number of alternative angles, as well as showing reruns in slow motion while simultaneously changing the viewpoint. In this way, the new system offers complete freedom to choose the viewing angle and the speed of playback. It is also possible to generate three-dimensional camera work and images from places where a camera cannot be placed in real life. In TV program recording, it is possible to realize realistic images as if a person is in a forest or in the sea.

The system uses a network of high-resolution cameras installed at many points around the recording scene to capture visual data, which are then converted via a unique image processing technique into 3D data and stored on servers. When the user sets or moves the position of the virtual camera, the corresponding image is generated from the 3D data to show video footage from the selected camera angle.

The Volumetric Video System was made possible by a sophisticated combination of Canon's accumulated optical and imaging technologies with other technologies developed within the Canon Group in areas such as network transmission and user interface. Canon will continue to develop the Volumetric Video System as a technology that breaks down the barriers of location and time while also reducing the amount of materials needed for studio sets in line with the aims of the SDGs.



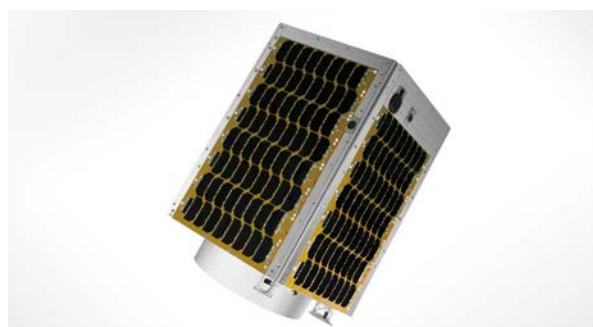
Canon's Volumetric Video System will dramatically change how people watch sports

Exploring the Final Frontier: Outer Space Satellite Development

The space business is seen as a highly promising future growth area offering business opportunities ranging from the development, production and launch of satellites to the provision of services such as telecommunications, image transmission and location-based services. Our Group member Canon Electronics already has the technological foundation essential to making a micro satellite—motor technology for attitude control of the satellite, macro to zoom lens technology, and miniaturization technology to eliminate waste. It will additionally be able to access Canon Group technologies in electronics, mechanics, optics, materials and other areas for the development and production of its satellite from parts.

Micro-satellite development involves a range of issues associated with the very different operating conditions of the space environment, such as system failure due to radiation, the risk of operational error, and the heat generated under vacuum conditions. Canon Electronics has overcome these issues by using radiation-resistant commercial parts and by developing a metal-based radiative cooling method. By devising solutions in this way, it has successfully launched two satellites so far. These satellites were fitted with Canon cameras and ultra-sensitive camera. The resulting imaging system can provide wide-angle shots within a 740 km x 560 km frame from a 500 km orbit, giving an image quality that enables individual vehicles to be identified and shooting nighttime images with only moonlight. The image data are transmitted to ground control daily.

Additionally, Canon Electronics and three other companies have established SPACE ONE Co., Ltd., to operate a rocket launch service. The company plans to construct Japan's first private-sector rocket launch station at Kushimoto in Wakayama Prefecture in order to develop a comprehensive space business with activities ranging from satellite development and production through to launch.



A micro satellite now in orbit around the earth

Protecting and Conserving the Environment

Environmentally Conscious Management

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

Canon's Approach to Environmental Assurance

Acting on the foundation of its Approach to Sustainability (→P21–22), Canon works to protect and conserve the global environment in line with the Canon Group Environmental Charter and the Canon Environmental Vision.

Canon Group Environmental Charter

Corporate Philosophy: *Kyosei*

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

Environmental Assurance Philosophy

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

Fundamental Policies for Environmental Assurance

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

EQCD Concept

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

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

23 March, 2007
Chairman & CEO
Canon Inc.



Canon Group Environmental Charter

Canon Environmental Vision



Through technological innovation and improved management efficiency throughout all of its corporate activities, Canon aims to achieve sustainable corporate growth while also realizing a society that promotes both enriched lifestyles and the environment.

To this end, Canon offers greater value using fewer resources throughout the entire product lifecycle — Produce, Use, Recycle— to achieve highly functional products with minimal environmental burden. Canon continues to expand these activities with its customers and business partners.

Canon will contribute to a future that promotes both enrichment and the environment through technological innovation.

Canon Environmental Vision

Environmental Targets and Achievements

For 2050

We aim to achieve net-zero CO₂ emissions for the whole product lifecycle* by 2050.

For 2030

By consistently achieving the target of an average annual 3% improvement in the index of lifecycle CO₂ emissions per product unit, including Scope 3 as well as Scope 1 and 2 emissions, we aim to realize a 50% emissions reduction in 2030 compared to 2008.

* Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)
Scope 2: Indirect GHG emissions (consumption of electricity, steam, etc.)
Scope 3: Supply chain-related GHG emissions (production of purchased goods and services [Category 1], upstream transportation and distribution [Category 4], use of sold products [Category 11])

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

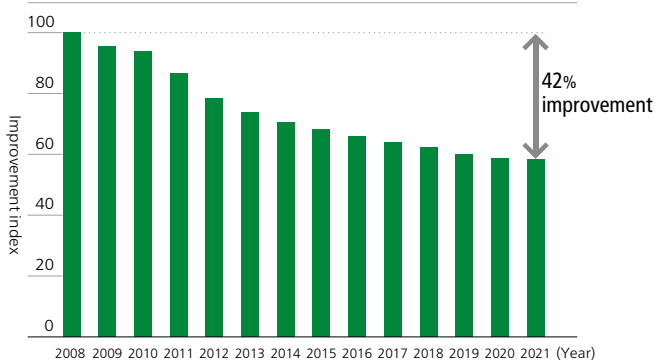
	2021–2023 Medium-term Environmental Targets	2021 Achievements	2022–2025 Medium-term Environmental Targets
Overall (Lifecycle)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product	Avg. improvement: 4.3% p.a. (2008–2021)	3%-per-year average improvement in lifecycle CO ₂ emissions improvement index per product
Products	3%-per-year average improvement in raw materials and use CO ₂ emissions improvement index per product	Avg. improvement: 2.6% p.a. (2008–2021)	3%-per-year average improvement in raw materials and use CO ₂ emissions improvement index per product
	2021 Environmental Targets	2021 Achievements	2022 Environmental Targets
Operational Sites	Improve energy consumption per basic unit at operational sites* (excluding marketing sites) by 1.2% (compared to 2020)	8.0% improvement over 2020	Improve energy consumption per basic unit at operational sites* (excluding marketing sites) by 1.2% (compared to 2021)
	Improve total waste generation per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2020)	4.9% improvement over 2020	Improve total waste generation per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2021)
	Improve water usage per basic unit in production* (excluding marketing sites) by 1% (compared to 2020)	5.4% improvement over 2020	Improve water usage per basic unit in production* (excluding marketing sites) by 1% (compared to 2021)
	Improve emissions of controlled chemical substances per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2020)	1.0% improvement over 2020	Improve emissions of controlled chemical substances per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2021)

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

Progress Relative to Overall Target

Against the target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit, we realized an average annual improvement of 4.3% between 2008 and 2021 for a cumulative total improvement of 42%. In 2021, we progressed with related activities, including initiatives in both operations and product design to improve energy efficiency based on the whole product lifecycle. Unfortunately, disruption of logistics operations owing to COVID-19 and other factors limited the rate of achievable improvement. However, the disruption is temporary and we expect to return to a path of continuous improvement.

Lifecycle CO₂ Emissions Improvement Index per Product



* Indexed to 2008 = 100

Achievement of Product Targets

We continued with initiatives, including efforts to make products more compact, lightweight, and energy efficient, and achieved an average annual improvement of 2.8% (2008–2021) in raw materials and use CO₂ emissions per product, falling just short of our target of 3%.

Achievement of Operational Site Targets

■ **Energy consumption per basic unit at operational sites**
We are working to reduce energy consumption at operational sites by consistently meeting our target for reduction of consumption per basic unit. In 2021, energy consumption per basic unit improved by 8.0% over the previous year, exceeding the 1.2% improvement target.

■ **Total waste generation per basic unit**
We are working to reduce total waste emissions by consistently meeting our target for reduction of emissions per basic unit. As a result of such initiatives as reducing waste at production sites and recycling waste generated internally at production sites, we met our target of a 1.0% improvement with a 4.9% reduction in total waste generation over 2020.

■ **Water usage per basic unit in production**
We are working to reduce water consumption by consistently meeting our target for reduction of consumption per basic unit. Water usage per basic unit of production declined by 5.4% compared to 2020 on the strength of efforts to improve water management. This means that we successfully met our target of a 1.0% improvement.

■ **Emissions of controlled chemical substances per basic unit**
We are working to reduce emissions of controlled chemical substances by consistently meeting our target for reduction of emissions per basic unit. We achieved a 1.0% improvement over 2020 in emissions of controlled chemical substances per basic unit, attaining our target of a 1.0% improvement, by reducing chemical substances used in manufacturing processes and reusing materials.

Protecting and Conserving the Environment

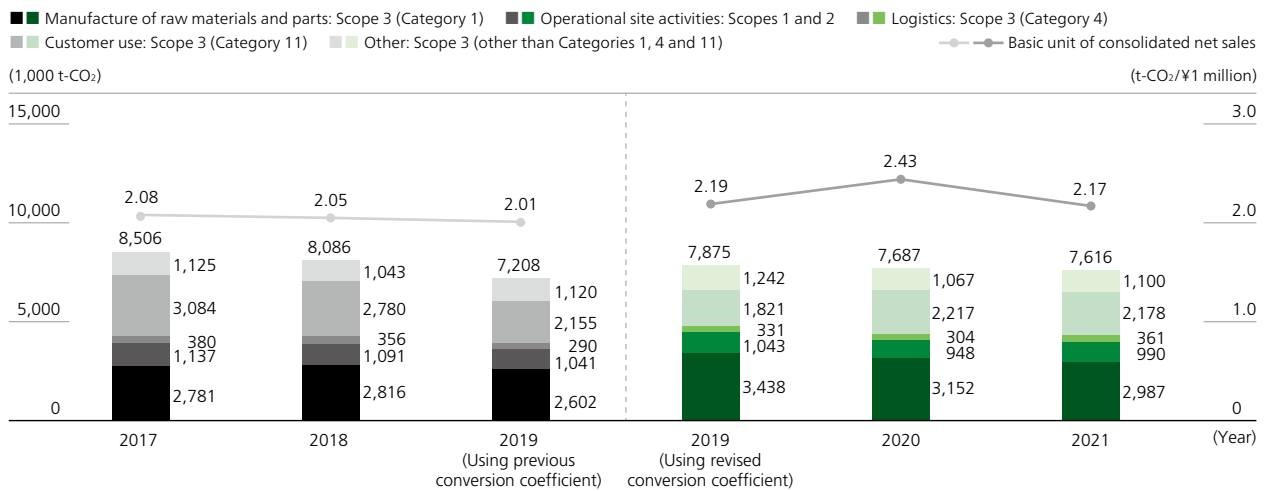
Overview of Environmental Impacts

Total product lifecycle CO₂ emissions (Scope 1-3)*¹ in 2021 were approximately 7.62 million tons. CO₂ emissions from raw materials decreased from 2020 due to delays in parts supply caused by COVID-19. On the other hand, operational site emissions increased due to a recovery in production, and logistics CO₂ also

increased due to the impact of logistics disruptions caused by COVID-19. As a result, energy and resource conservation efforts resulted in a reduction of approximately 70,000 t-CO₂ over the entire product life cycle. The resources (input) that Canon used in its business activities over the entire product lifecycle are as shown in the following figures.

*1 Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)
 Scope 2: Indirect GHG emissions (consumption of electricity, steam, etc.)
 Scope 3: Supply chain-related GHG emissions (production of purchased goods and services [Category 1], upstream transportation and distribution [Category 4], use of sold products [Category 11])

Lifecycle GHG Emissions (CO₂ Equivalent)



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

Scope 3 GHG Emissions in 2021

Category	Scope	2021 (1,000 t-CO ₂ e)	Calculation Method
1	Purchased goods and services	2,987	Calculated by multiplying the weight of each material input (including any inputs emitted as waste) by the emission factor for each material/process.
2	Capital goods	525	Calculated by multiplying the total amount of each asset category of purchased capital goods by the emission factor for each asset category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	158	Calculated by finding the total for fuel and electricity usage at each operational site and then multiplying it by the emission factor from fuel extraction to burning and power generation.
4	Upstream transportation and distribution	361	Logistics from the supplier to Canon production sites is calculated by finding the average transport distance and transport volume and then multiplying it by the emission factor for transportation. Logistics from production site to customer's warehouse is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	3	The total weight of waste generated by material and disposal process at each operational site is derived and then multiplied by the end-of-life treatment emission factor.
6	Business travel	38	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor for fuel consumption.
7	Employee commuting	144	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For commutes by private vehicle, total fuel usage is derived from amounts paid and then multiplied by the emission factor for fuel consumption.
8	Upstream leased assets	0	CO ₂ emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	44	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor for transportation.
10	Processing of sold products	0	Emissions from production by outsourcing partners of intermediate products used in sale of Canon-branded products are included in Category 1.
11	Use of sold products	2,178	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	187	Sold products are categorized by material and then the emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	0	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	0	Not applicable
15	Investments	0	Not applicable
Scope 3		6,626	

Basic Approach to CO₂ Calculations

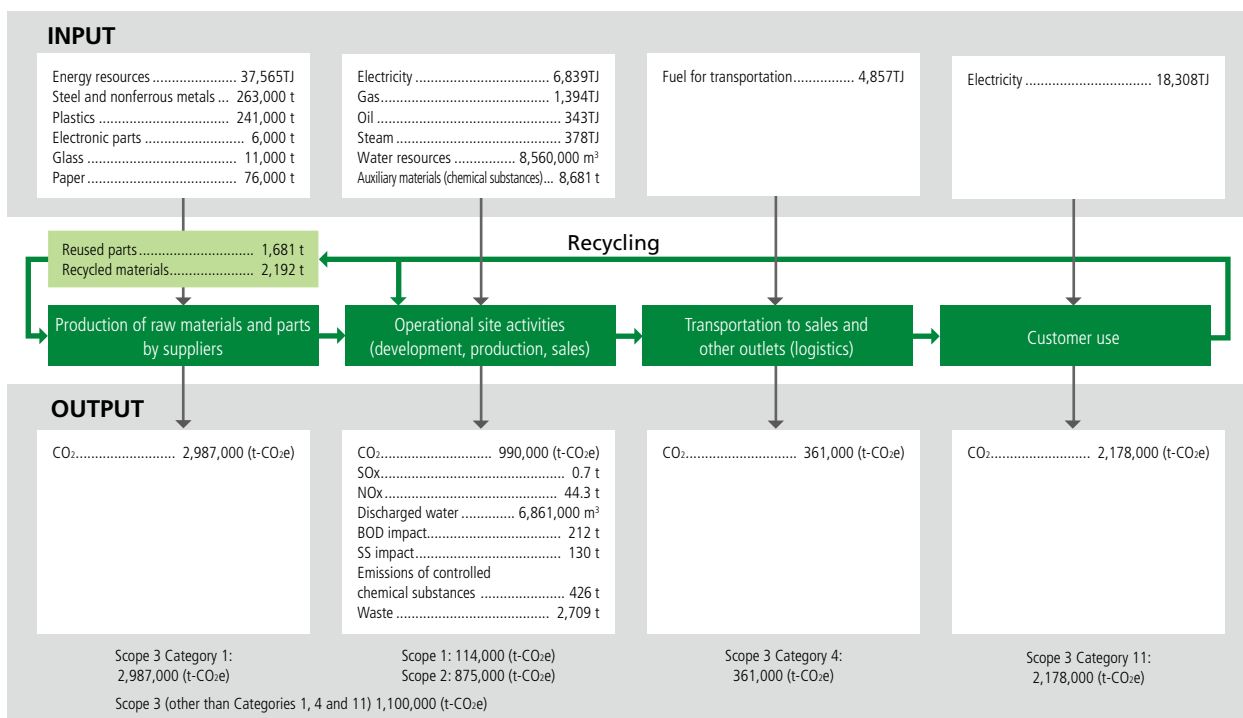
Canon compiles data for greenhouse gas (GHG; energy-derived greenhouse gas CO₂, and non-energy derived greenhouse gases PFCs, HFCs, SF₆, N₂O, methane, and NF₃) designated under the Kyoto Protocol (revised version).

For CO₂ emission factors for electricity, figures provided by individual electric supply companies are used, but publicly disclosed region-specific figures are used when figures are not provided by electric supply companies (Please refer to Operational Sites Covered in the Environmental Section on page 133). As the latest CO₂ conversion coefficients become public after compilation of CO₂ data for the report, the data are adjusted retroactively in subsequent reports. For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifetime and printing volume, and converted to the CO₂ equivalent using CO₂ emission factors for electricity, which are calculated in the same way as the above methods. Past data may be revised due to improvements in the precision of data collection.

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

Third-party verification has been obtained for CO₂ emissions data and basic unit of consolidated net sales appearing in "2021 Material Balance" and "Lifecycle GHG Emissions (CO₂ Equivalent)" in 2020/2021 and for each figure in "Scope 3 GHG Emissions in 2021."

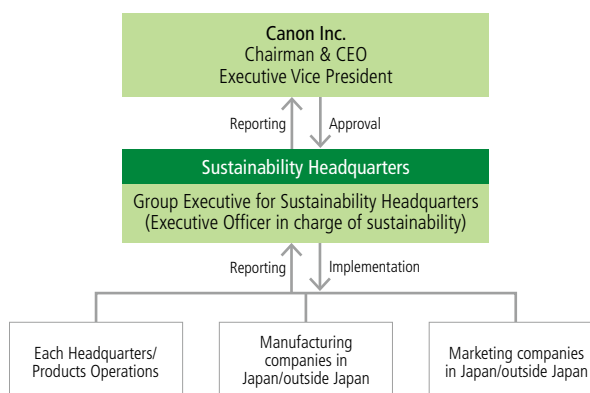
2021 Material Balance



Global Environmental Promotion System

The Canon Group is carrying out environmental assurance activities to achieve our environmental targets and realize the environmental vision. Led by Sustainability Headquarters under the supervision of the Executive Vice President of Canon Inc., we carry out environmental activities in a global system that unites product operations, production sites and marketing companies worldwide. The Group Executive for Sustainability Headquarters, a position occupied by an executive officer of Canon Inc., reports each month to the Executive Vice President on all environmental activities to gain approval. When an environment-related global issue arises, such as climate change, whose impact on the Canon Group businesses needs to be assessed, the Group Executive for Sustainability Headquarters reports it to the Chairman & CEO and Executive Vice President and seeks approval for the direction in response to the associated risks and opportunities as well as related measures to be taken.

Global Environmental Promotion System



Protecting and Conserving the Environment

Environmental Management System

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

The EMS promotes environmental assurance activities (Do), which are linked with activities of each division (products operations, operational sites, and Group companies). In turn, we set annual and medium-term environmental targets (Plan) and establish action plans and important measures to achieve those targets, which are reflected in our business activities. Moreover, we carry out Environmental audits to check the progress of initiatives as well as any issues to be addressed in each division, and Environmental performance evaluations, to assess our environmental performance (Check). We then work to continually improve and enhance our environmental assurance activities (Act). By implementing the PDCA cycle for environmental assurance activities of each division, we achieve continual improvement and reinforcement and advance the environmental assurance activities of the entire Canon Group.

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

Manufacturing and marketing companies worldwide obtain ISO 14001 consolidated certification as an objective third-party evaluation of EMS effectiveness. As of 2021, ISO 14001 certification covers Canon Inc. as well as 123 Group companies (587 operational sites) in 40 countries and regions.* We received the positive evaluation from the accreditation body that “within the context of a business environment undergoing great change, the Canon Group as a whole has identified new risks and opportunities associated with prospective expansion into new business domains, and has incorporated these in its EMS.”

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

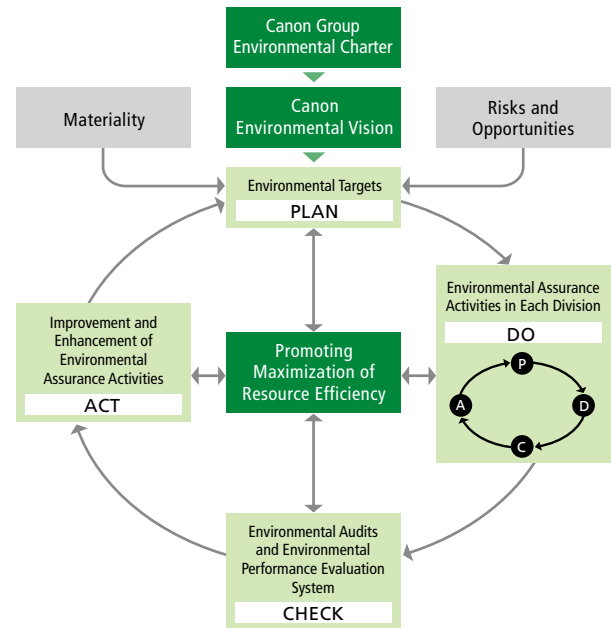
* Details

1. 99.9% of Canon Inc. and consolidated manufacturing companies worldwide (100 or more employees) obtained ISO 14001 certification, based on CO₂ emission volume

2. Certifications Obtained

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

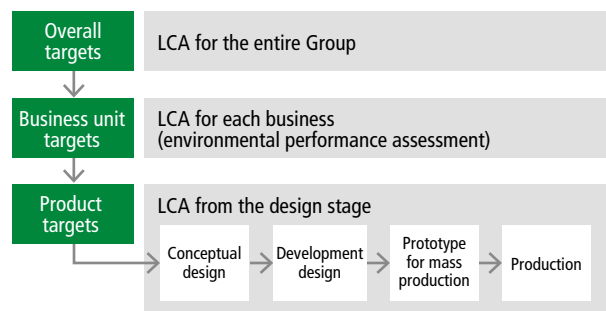
Canon’s Environmental Management System



Product Development System Using LCA Methodology

Canon’s environmental initiatives are undertaken over the entire product lifecycle. Lifecycle assessment (LCA) methodology has been introduced in the product development stage to reduce environmental impacts throughout the product lifecycle. Canon has established an LCA development management system that can centrally manage all processes from product development to information disclosure. This system is seeking to enable calculation of CO₂ emissions from the development and design stages, to be used in developing products to achieve environmental targets.

Flow Chart of Environmentally Conscious Design Using LCA Methodology



Details: Canon’s Lifecycle Assessment

<https://global.canon/en/environment/lca/index.html>

Product Environmental Assessments

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

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

Confirming the Effectiveness of Environmental Management

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

Results of internal environmental audits are compiled by the Group audit management section of Sustainability Headquarters and reported to the Chairman & CEO and the Executive Vice President in management reviews.

In 2021, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

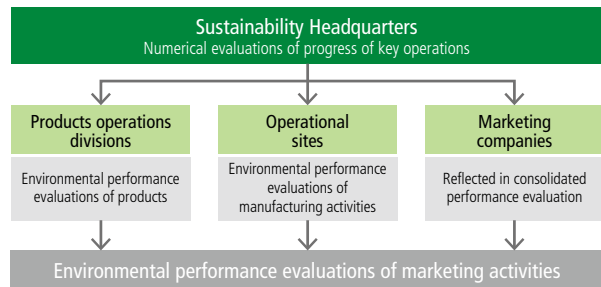
Environmental Performance Evaluations Coordinated with Business Management

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

Sustainability Headquarters sets the environmental evaluation criteria and carries out the evaluations, which account for approximately 10% of the overall consolidated performance evaluation. Criteria for environmental evaluation mostly cover compliance with laws and company rules, achievement of environmental targets, improvement in the environmental performance of products, and environmental communication.

The evaluation results are announced within the Group on a half-yearly basis. The results are used in the evaluation of the executive officer in charge of

Environmental Performance Evaluation Process



a Headquarters division and the president of a Group manufacturing or marketing company. In this way, Canon incorporates the environment into its business performance evaluation.

Monitoring of Progress toward Environmental Targets

Each operational site makes a monthly report to Sustainability Headquarters regarding its energy consumption (CO₂ emissions volume), waste generation volume, chemical substance emissions volume, and water utilization volume. The GEC aggregates the data to monitor progress toward environmental targets and reports monthly to the Board of Directors, business department general managers, and the executive management of Group companies. Additionally, the evaluation and the risks identified are subject to the PDCA cycle for environmental assurance activity within the shared framework of the Group's ISO 14001-based environmental management system.

Environmental Awards and Environmental Exhibition

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

Moreover, the efforts of the design team and Sustainability Headquarters to together create and

Protecting and Conserving the Environment

distribute posters to Group companies worldwide also help raise employee awareness about the environment globally.

Since 2020, we are making use of the online exhibition and carrying out all other activities online, including judging outstanding examples of good practice, continuing to carry out the Environmental Awards and Environmental Exhibition initiatives even during the COVID-19 pandemic.



Online exhibition website

Environmental Education

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

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

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

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

In particular, among the specialized environmental training programs, Canon is focusing attention on risk management education globally, and has been using training materials in English and Chinese since 2016. In 2021 also, we carried out training for employees involved in risk management-related work (total of approximately 8,000 participants).

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

Environmental Communication Information Disclosure to Stakeholders, Education and Awareness

Canon has been vigilant in disclosing environmental information to a diverse range of stakeholders. Besides the publication of this report, Canon actively uses a range of media and platforms to inform stakeholders about its environmental activities, including its official environment website, various exhibitions, and other events.

Canon also promotes environmental education and awareness activities for the benefit of people in regional communities, providing environmental outreach classes for elementary school students and environmental programs run in cooperation with regional organizations. Canon has held a total of over 220 outreach classes on toner cartridge recycling since 2011 for more than about 11,000 participants.

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

Initiatives at Canon Eco Technology Park

The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant but also serves as a focal point of the environmental activities of the Canon Group. The facility offers tours of Canon's automated toner and ink cartridge recycling systems as well as a showroom introducing Canon's wide variety of environmental activities, such as the Canon Bird Branch Project, through information panels, videos, and hands-on content. Unfortunately, COVID-19 concerns in 2020 and 2021 made opening the Park to the general public difficult, but we are working to enhance operations to deal with the pandemic, such as conducting online environmental education.

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

Online Environmental Education

We are using online media to enhance the environmental education curriculum offered by the Canon Eco Technology Park. Based on the environmental education we have previously offered in face-to-face settings, we are now presenting online demonstrations of the waste sorting methods practiced at the facility. This interactive communication-style program enables children to enjoy learning and thinking about the importance of resource recycling as well as the SDGs and other environmental issues. In 2021, the program was offered to ten elementary schools in the locality of the Park, giving approximately 300 children the opportunity to learn about Canon initiatives and the importance of resource recycling.



Online environmental education

Contributing to a Forestation Project in Ireland

Group company Axis is collaborating in a reforestation project by Cloudforests, a social enterprise that promotes initiatives to address climate change and other social issues. The project, which aims to create 100 forests in Ireland, operates using funds from sponsor companies. A unique feature of the project is the opportunity for sponsors to make a virtual visit whenever they wish to the forest they helped finance to watch it grow. The 4K cameras and Zipstream image data compression technology from Axis make it possible to transmit high-resolution images from remote locations without losing clarity, enabling the virtual visits. The project has already established three forests. We will further strengthen collaboration to expand the project going forward, contributing to the resolution of climate change issues and the protection of biodiversity.



Axis 4K camera

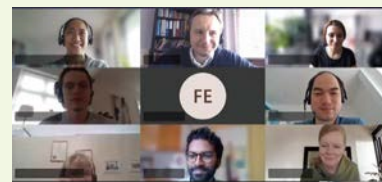
In-house Workshops on the Circular Economy

Group companies in the EMEA (Europe, Middle East, and Africa) region have launched an initiative known as Circular Economy Employee Engagement. The initiative takes a proactive approach, using videos and other information channels to raise employee awareness of the circular economy.

An online workshop titled "Circular Economy Hackathon" was organized as part of the initiative for employees. The 64 participants from the EMEA region broke into teams to discuss more efficient use of resources around themes such as logistics and packaging, generating a number of ideas.

A similar online workshop held in French-speaking countries attracted more than 200 participants, including employees from Canon France and Canon Switzerland, who engaged in lively discussion.

Going forward, Canon aims to put into practice the ideas generated by the workshops.



"Circular Economy Hackathon" online workshop

Environmental Regulatory Compliance and Response to Complaints


As a result of implementing an environmental management system coordinated across the Group, Canon came through 2021 without a single legal violation or accident that seriously impacted the environment, including incidents relating to water quality or quantity permits.

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

Contributing to a Carbon-free Future

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

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

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

* Target 7.2: Increase substantially the share of renewable energy in the global energy mix
 Target 7.3: Double the global rate of improvement in energy efficiency
 Target 13.2: Integrate climate change measures into national policies, strategies, and planning

Initiatives for a Carbon-free Future

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

Environmentally Conscious Designs for Office Equipment

The multifunction office device imageRUNNER ADVANCE DX C5860i pursues energy-efficient design through features such as a newly developed low-melting point toner and a motor that optimally controls the electric current, thus achieving an approximately 13% reduction in CO₂ emissions during customer use compared to the previous model. Additionally, optimization of the thickness of the outer frame and the use of a plastic frame on some units contribute to a weight reduction of more than 25% compared to the previous model. This reduces the amount of CO₂ generated by raw material procurement. Moreover, higher output productivity with small paper sizes and a range of adaptations for quieter operation enhance its core performance as a multifunction device. These and



imageRUNNER ADVANCE DX C5800 Series

other upgrades achieve the combined goal of reducing lifecycle environmental impact while also enhancing product performance.

Contributing to Energy Efficiency in the SACL A X-ray Free Electron Laser

SACL A is an X-ray free electron laser facility operated by the Japanese government research institute Riken. It enables real-time observation and analysis of molecular structure, making it highly useful in the development of pharmaceuticals and other materials. The power source for SACL A's electron beam accelerator is provided by klystrons manufactured by Canon Electron Tubes & Devices Ltd. Their product achieves energy savings of approximately 14% compared to the previous klystron product through improved microwave conversion efficiency, which has enabled a yearly saving of approximately 730 tons of CO₂ for the facility as a whole.



SACL A X-ray free electron laser facility

Identification of Carbon Footprint

Calculation of Carbon Footprint

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

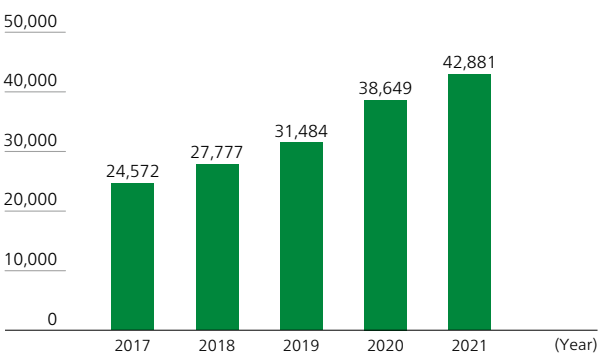
Additionally, by utilizing the Carbon Offset Program making use of CFP* promoted by the Ministry of Economy, Trade and Industry (Japan), we have been able to realize products with practically zero lifecycle CO₂ emissions. With some of these products, such as the imageRUNNER ADVANCE series and imagePRESS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

Carbon offsets linked to customer demand from when we began using this system in 2014 until 2021 totaled 42,881 t-CO₂.

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

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

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



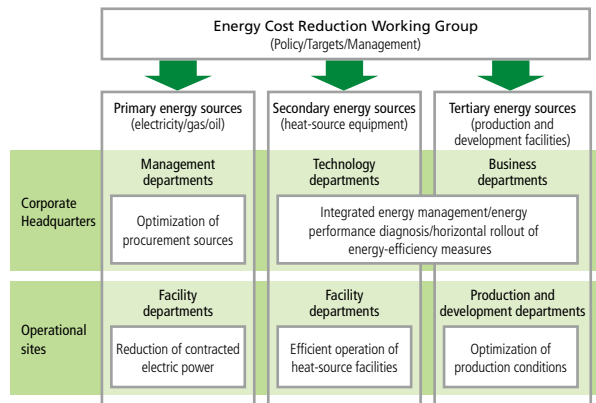
Reference: Products registered for EcoLeaf Environmental Labeling Program (Japanese website only)
<https://canon.jp/corporate/csr/environment/customer/products/cfp/>
 Reference: Products certified under Carbon Offset Program making use of CFP (Japanese website only)
<https://canon.jp/corporate/csr/environment/customer/products/cfp-certified/>

CO₂ Reduction Through Initiatives at Operational Sites

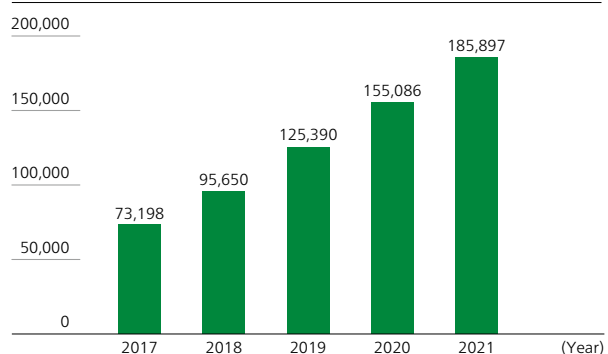
Canon created the Energy Cost Reduction Working Group in 2014 as a horizontally integrated organization to take Group-wide action on reducing energy consumption. The group has worked to reduce energy consumption by undertaking a thorough-going review of operating conditions at production sites, for instance

by cutting out excess use of pressurized air and cooling water and adjusting air conditioner settings. Measures that prove effective are adopted for horizontal rollout to Japan and overseas production sites. Moreover, staff members from our corporate headquarters in charge of this initiative perform a diagnosis of energy performance during visits to production sites all over the world. There, they check the operating status and settings of production equipment and then use their observations to make improvements to the operating efficiency of facilities and equipment and provide staff with relevant on-site training. Since the launch of this initiative, it has resulted in a Group-wide energy saving of 185,897 kL (crude oil equivalent).

Organizational Chart of Energy Cost Reduction Working Group



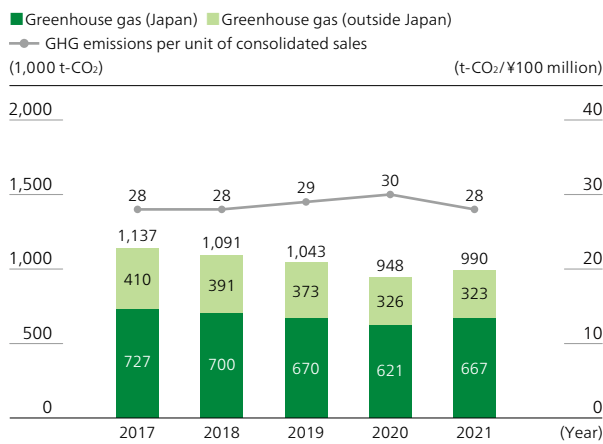
Cumulative Energy Savings Through Working Group Activities (Cumulative) (kL: crude oil equivalent)



We continued to pursue efforts to reduce greenhouse gas emissions at operational sites in 2021, driven by the activities of the Energy Cost Reduction Working Group and other initiatives. However, the rebound in production activities that were hard hit by COVID-19 in 2020 resulted in a year-on-year increase of approximately 4% to 990 kt-CO₂. Still, this represents a decrease of about 5% over 2019 levels.

Protecting and Conserving the Environment

Greenhouse Gas Emissions at Operational Sites



* For information on our basic approach to calculating greenhouse gas emissions, please refer to P58.

Effective Energy Utilization Through Joint Project with Outside Operators

In a joint undertaking in Utsunomiya City, Tochigi Prefecture, with the prefectural authorities and three other companies*¹, Canon launched the Kiyohara Industrial Park Smart Energy Project, realizing major energy savings. The project integrates the Kiyohara Smart Energy Center and other sites newly established within the Kiyohara Industrial Park. By sharing use of electric power and heat (steam and hot water) between multiple business sites with differing levels of demand, the project achieved reductions per base unit of approximately 20% in energy consumption and 20% in CO₂ emissions volume*²—which would not be possible for a single business site alone. In recognition of this initiative, Canon jointly received the Ministry of Economy, Trade and Industry Joint Implementation Award under the 2021 Energy Conservation Grand Prize sponsored by the Energy Conservation Center, Japan.

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

*² Reduction for electricity and heat sent from cogeneration facilities and other energy centers (compared to 2015, actual values measured in 2020)



Energy Conservation Grand Prize award ceremony

Use of Renewable Energy

We are working to expand the use of renewable energy, especially in Europe and Asia, while taking regional renewable energy uptake status and economic efficiency into consideration. The headquarters building of Axis Communications in Sweden is equipped with solar panels and LED lighting. These and other features earned the facility the rating 'Excellent'—the second highest of five possible rating levels—in the Swedish version (BREEAM-SE) of the British BREEAM* environmental assessment standard. Meanwhile, marketing company Canon China, now uses 100% renewable energy for the electric power used at its offices. Also a new office of Canon Europe and Canon UK have obtained BREEAM* 'Excellent' ratings for their use of renewable energy.

As a result of these initiatives adapted to local conditions, total worldwide renewable energy consumption by Canon Group companies was 86,878 MWh in 2021, an approximate 6% increase over 2020. Group companies in Europe sourced about 45% of total energy needs from electric power. Of this electric power, generation from renewable sources accounted for around 82%.

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



Solar panels at Canon Production Printing Netherlands

Logistics Initiatives

Efficient logistics operations were challenging in 2021, but Canon undertook activities to reduce emissions to the greatest extent possible. We are working to reduce logistics-related CO₂ emissions at all stages from production through to sales. As one way to lessen environmental impact in this area, we are seeking to achieve a modal shift by switching from road to rail transport. Another initiative targets improved loading efficiency by designing products and outer cartons to best fit the container size. We are also achieving environmental impact reduction by reviewing transport routes and taking other measures to shorten distances, and by promoting "container round use," which means ensuring where possible that export and import

containers are utilized on both their inbound and outbound journeys within Japan.

Reducing CO₂ Emissions Through Shared Logistics (Vietnam)

Our production site in Vietnam is making efforts to reduce logistics-related CO₂ emissions. Canon Vietnam uses trucks to carry imported parts from the port to its site and then to take the manufactured products to the port for overseas export. As the volume of exported products is greater than that of imported parts, there was an issue with containers traveling empty from the port to the site. By teaming up with businesses who had the opposite issue of a greater import than export volume and who were therefore sending containers back empty from their site to the port, Canon Vietnam was able to share import and export containers, thus cutting the total number of truck journeys.

In recognition of Canon Vietnam's initiatives, Vietnam's Ministry of Natural Resources and Environment presented the company with the Vietnam Environmental Award 2020.

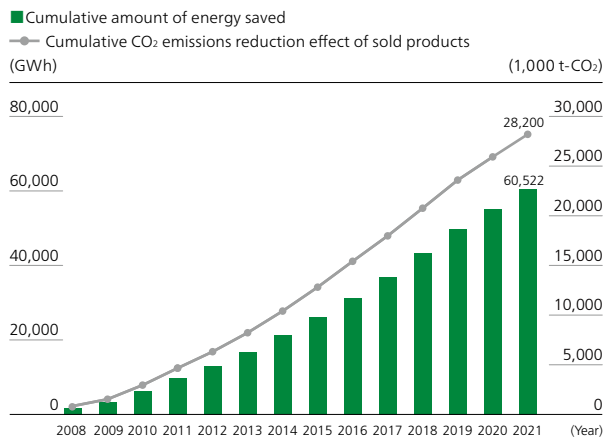


Award ceremony in Vietnam

Contributing to Society by Reducing CO₂ Emissions

Thanks to energy-saving technologies used in office equipment, Canon products achieved cumulative energy savings of 60,522 GWh between 2008 and 2021. This is expected to result in a CO₂ reduction of 28,200,000 tons.

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



- * Covered products: Electrophotographic multifunction devices and laser printers for offices (excluding production printers).
- * Energy-saving effect using the average energy (electricity) consumed by products sold in 2007 as a baseline.
- * Cumulative yearly effect assumes that products sold in each year are used for 5 years.
- * CO₂ emissions factors are calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies (in Japan) and the International Energy Agency (outside Japan).

In addition to reducing lifecycle CO₂ emissions through hardware measures, we are deploying IT solutions to improve the efficiency of work operations, reduce the movements of people and objects, and realize resource and energy savings. This also promotes CO₂ reduction in society as a whole. For example, operations previously performed by personnel can be taken over by image recognition, sensing, or artificial intelligence, allowing staff reductions and eliminating the need for physical movement of objects, which in turn increases operational efficiency, realizes high performance, and reduces CO₂ emissions. By delivering to society a range of IT solutions, Canon will continue contributing to reducing CO₂ emissions not only in its own operations but also in society as a whole.

Contributing to CO₂-reductions Through Infrastructural Inspection Service

Many bridges, tunnels and other components of Japan's present social infrastructure are facing rapid deterioration due to age in the coming years. Conventional regular inspections via close visual examination are demanding in terms of time and labor. From an environmental perspective, they also generate CO₂ from vehicle and inspector movements during examinations. In response, Canon offers an image-based infrastructural inspection service that integrates its wide range of cameras and lenses and its unique image processing technology with AI technology capable of detecting cracks or other defects from images. This service not only resolves issues of cost and safety but is also effective in reducing CO₂ emissions compared to the conventional method.





AI-based detection of structural cracks

Contributing to a Circular Economy

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

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

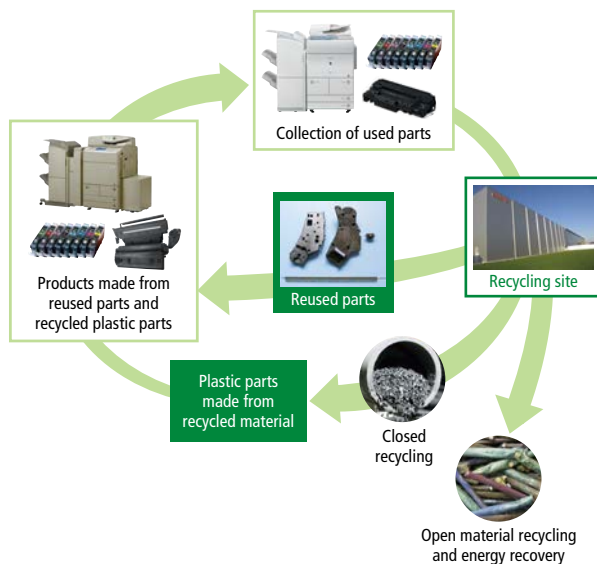
Contributing to a Circular Economy			
 	• Designing more compact, lighter weight products	Target 12.2*	Target 12.5*
	• Reducing waste through prevention, reuse and recycling	Target 12.4*	Target 12.5*
	• Remanufacturing products	Target 12.2*	Target 12.5*
	• Recycling consumables	Target 12.2*	Target 12.5*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

* Target 12.2: Achieve sustainable management and efficient use of natural resources
 Target 12.4: Achieve environmentally sound management of chemicals and all waste throughout the product lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil
 Target 12.5: Substantially reduce waste generation through prevention, reduction, recycling, and reuse
 Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and substantially increasing recycling and safe reuse globally
 Target 6.4: Substantially increase water-use efficiency

Resource Recycling

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

Flowchart of Circular Economy



Value Created by Resource Recycling

We see initiatives at Canon's recycling sites as not only contributing to a circular economy but also contributing to a carbon-free future. Through reuse of parts, remanufacturing enables us to reduce the CO₂ emissions generated in raw material procurement and in parts processing and other activities, compared with manufacturing new machines. Closed-loop recycling, in which used cartridges are collected and processed into plastic pellets for reuse as raw material, also results in reduced CO₂ emissions generated by raw material procurement, transportation, and other activities, compared with using new raw materials. Canon Ecology Industry Inc. emitted 2,600 tons of Scope 1 and 2 CO₂ through site operations. We believe that these efforts have resulted in a reduction of approximately 5,000 tons of CO₂ emissions.

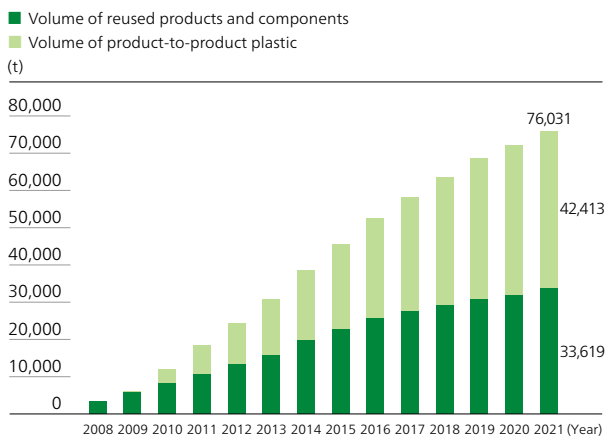
Example of Canon Ecology Industry Inc.

CO ₂ emissions from site operations (t-CO ₂)	CO ₂ emissions from resource recycling (t-CO ₂)
3,000	3,000
2,000	2,000
1,000	1,000
0	0
-1,000	-1,000
-2,000	-2,000
-3,000	-3,000
-4,000	-4,000
-5,000	-5,000
-6,000	-6,000
Approx. 2,600 tons	Approx. 5,000 tons

Reference: Remanufacturing of Multifunction Devices (→P68)
 Ink and Toner Cartridge Closed-Loop Recycling (→P69)

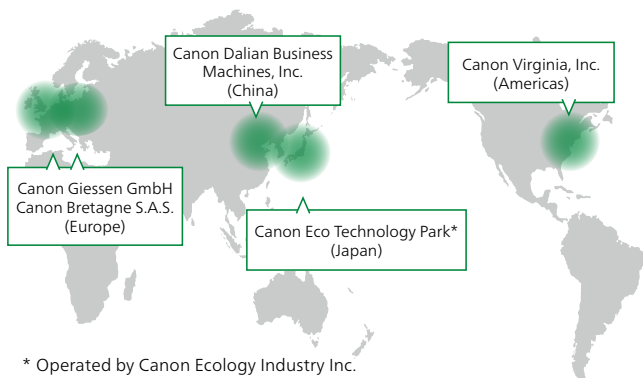
Going forward, we will continue to reinforce product-to-product activities at Canon recycling sites around the world, contributing to both a circular economy and the realization of a carbon-neutral society.

Product-to-product Recycling Volume (Cumulative)



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

Canon Recycling Sites Worldwide



* Operated by Canon Ecology Industry Inc.

Remanufacturing of Multifunction Devices

Since 1992, Canon has undertaken remanufacturing of used multifunction devices. We collect used devices and break them down into parts, which are washed and cleaned using optimal techniques. Following strict reuse standards, we replace any parts that show wear or deterioration. The production line and inspection processes used are on a par with those for devices made only with new parts. When a remanufactured device is shipped, it is guaranteed to offer the same level of quality as a new product. We market remanufactured devices from the imageRUNNER ADVANCE series under the Refreshed series brand in Japan and under the EQ80 series brand in Europe.

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

* A technique for polishing resin surfaces by blasting with microparticles



imageRUNNER ADVANCE C3330F-RG

Development of 3D Printer Filaments Using Plastic Recycled from Multifunction Devices

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



Outer cover of multifunction device



Filament for 3D printer

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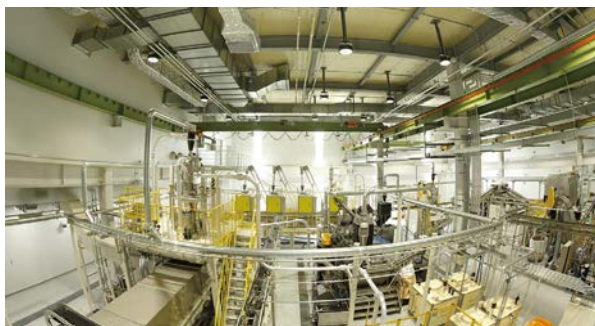
State-of-the-art Automated Recycling Plant at Canon Eco Technology Park

In February 2018, we opened the Canon Eco Technology Park. Based on a “clean and silent” design concept, which overturns the traditional image of recycling operations, the facility has implemented advanced systems to further boost recycling efficiency. The Canon Automated Recycling System for Toner Cartridges (CARS-T) is a process in which used toner cartridges are crushed and the materials automatically separated for recycling of the main component, high-impact polystyrene (HIPS). The sorting purity of the recycled plastic reaches 99% or greater* with the intensive use of various separation technologies at the different stages of the process. With the Canon Automated Recycling System for Ink Cartridges (CARS-I), a camera-based automatic sorting process is used on the used ink cartridges. The process line is automated, yielding an integrated process for the recycling of ink cartridges from disassembly and pulverization to washing. Separated materials are reused for ink cartridge components and packaging, as well as for pallets used in logistics. Any resources that cannot be recycled through product-to-product recycling are diverted to material recycling or thermal recovery processes to help maximize resource efficiency.

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



Canon Eco Technology Park



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

Toner Cartridge Closed-loop Recycling

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

Returned used toner cartridges are brought to Canon recycling sites, where they are sorted by model and the reusable parts are picked out. Washing and maintenance are performed as needed, and the parts are then reused in new products. Parts that cannot be reused are crushed and separated by material using physical characteristics such as electrostatic properties and specific gravity.

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

We conduct used toner cartridge collection in 23 countries and regions (with a cumulative collection volume of about 444,000 tons as of the end of 2021) for recycling at four sites* worldwide. As of 2021 we have achieved a cumulative reduction in the use of new resources of approximately 314,000 tons.

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

Collection and Recycling of Ink Cartridges

Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2021, Canon’s collection program was operational in 35 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2021 reached 2,616 tons.

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

Initiatives for Efficient Use of Resources Environmentally Conscious Design

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

Our Environmentally Conscious Design Guidance summarizes the considerations that need to be addressed at the product design stage, including

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

Action to Reduce Disposable Plastics

There is growing public concern over single-use plastics, which are regarded as a cause of marine pollution. With the aim of reducing plastics, Canon is working to cut the amount of single-use plastic used in product packaging materials and at operational sites.

For product packaging, we are seeking to replace single-use plastics, for instance by switching from polystyrene foam to pulp mold. We are also pursuing initiatives to reduce plastic waste at operational sites worldwide. Canon Hi-Tech (Thailand) has hosted seminars to educate local residents and children on the problem of plastic waste, and organized workshops on how to make eco-bags from used clothing. In Japan, we are taking the initiative to address the issue of disposable plastics used in the straws, cups, and other utensils provided in staff canteens and other places at our operational sites by switching to paper and biodegradable plastics.

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



Practical Initiatives to Reduce Product Packaging Materials (Inkjet Printer TR4650)

Initiatives to Reduce Waste at Operational Sites

Reducing Waste

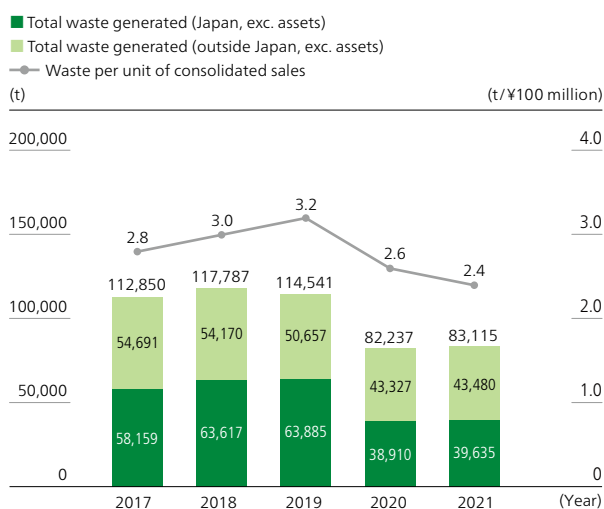
Canon is working hard to reduce the amount of waste it generates. Efforts include increasing recycling through sorting and collection and minimizing initial waste generation.

In particular, we have sought to determine which factors most significantly affect waste generation at production sites for each division and each production

process. Based on these findings, and thorough forecast management, we have implemented a number of ongoing initiatives to reduce waste.

Total waste output in 2021 amounted to 83,115 tons, about 1% year-on-year increase. Although we carried out ongoing activities to reduce waste at production sites, waste increased in line with recovery in production activities and greater in-person office attendance compared to 2020. Compared to 2019, however, waste output was down by about 27%.

Total Waste Generated



* Excludes disposal of products collected after use

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

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

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

Even in the case of waste that must be sent outside the company, we make sure it does not enter landfills*. Rather, we contract with companies that reprocess waste into materials. In 2021, contracted companies processed 80,406 tons of waste from Canon back into materials.

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

Initiatives for Sustainable Use of Water Resources

Water Risk in Regions Where Production Sites Are Located

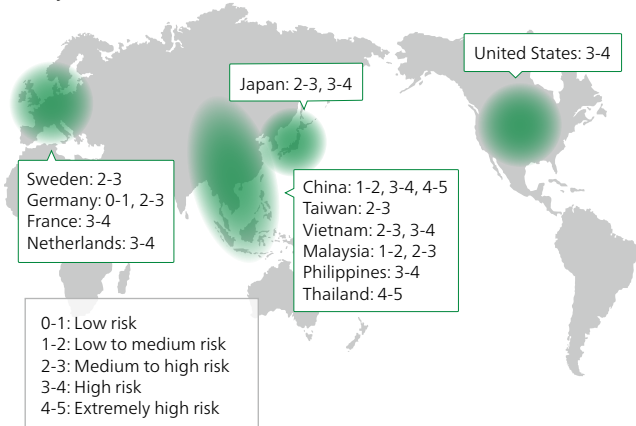
Canon assesses locations to confirm available water intake volume before establishing operational sites and

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

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

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



* Result of "physical risk quantity" assessment of production sites (as of end of 2020) using AQUEDUCT water-risk mapping tool (Version 3) (as of February 2022)

Reducing Water Usage

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

The Plant of Canon Hi-Tech (Thailand) is located in an area of high quantitative water risk. As well as taking action to reduce water consumption and preserve water quality, the plant is collaborating with the management of a regional nature park and the local community in a project to construct a small-scale dam. The nature park is

a key water resource for Nakhonratchasima province where the plant is located, and a dam was deemed necessary to prevent erosion by slowing the flow of water and promoting sedimentation, as a measure against floods in the rainy season and droughts in the dry season. Canon Hi-Tech (Thailand) is providing support, such as the supply of construction tools, to the dam project over a four-year period. By conserving water quality and storing water, the dam is improving the local community's access to water.

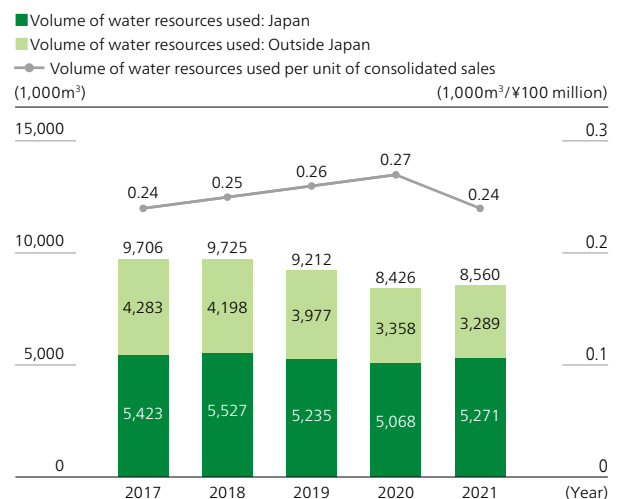
Water Recycling at Production Sites

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

We are also working to keep water consumption at our marketing sites to an appropriate level by measuring and monitoring the amount of water used at main sites. To reduce water consumption at its head office building through water recycling, Canon Marketing Japan is cooperating with the Shinagawa Grand Commons Community Development Council, an association of local business enterprises, in a reclaimed water utilization project under which recycled water supplied by the Tokyo Sewerage Bureau is used for flush toilets and other purposes.

In 2021, despite ongoing efforts to reduce water consumption at production sites, water consumption increased from 2020, when production activities were severely affected by COVID-19, to 8,560,000 m³, an increase of 1.6% from the previous year. On the other hand, this represents a decrease of approximately 7% from 2019.

Use of Water Resources




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

Eliminating Hazardous Substances and Preventing Pollution

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

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

Initiative	SDG Target	
	Target 12.4*	Target 6.3*
 <p>Eliminating Hazardous Substances and Preventing Pollution</p>	Managing chemicals contained in products, meeting international standards	Target 12.4*
	Managing chemical substances in production processes	Target 12.4*
	Reducing discharge into air, water, and soil	Target 12.4* Target 6.3*
	Green supply chain	Target 12.4*

* Target 12.4: Achieve the environmentally sound management of chemicals and all waste throughout the product lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil
 Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and substantially increasing recycling and safe reuse globally

Approach to Managing Chemical Substances

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

Management of Chemical Substances in Products

Canon has built a Group-wide environmental assurance system for managing chemical substances in products. Taking the laws and major environmental-labeling requirements around the world into consideration, we established in-house standards in line with the most stringent regulations in the world.

Specifically, our management system classifies chemical substances into three categories: "prohibited substances," which cannot be used in products;" use-restricted substances," for which we are working to find alternatives by specific deadlines; and, "controlled substances," the amount of which should be monitored.

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

To manage chemical substances appropriately, it is important to share information on the chemical substances contained in materials, parts, and products accurately and efficiently along the supply chain from upstream to downstream, and to ensure compliance with all applicable regulations.

In the past, companies each employed their own survey formats to request information about chemical substances in products from suppliers, which meant that suppliers were responding to their customers multiple times in different formats even regarding the same parts or chemicals. This situation incurred substantial burden on and costs to the entire supply chain. Furthermore, using such a variety of survey formats gave rise to concerns about the decreased reliability of data as it was communicated across the supply chain.

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

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

Protecting and Conserving the Environment

more standardized approach contributes further to operational efficiency.

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

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

Contribution to Creation of an Industry-wide System for Information Sharing on Chemical Substances Contained in Products

The International Electrotechnical Commission (IEC) is a body that carries out international standardization in the field of electrical and electronic technology. As a member of the TC111 Technology Committee that formulates its environment-related standards, Canon contributes in particular to the formulation of standards for information sharing on chemical substances contained in products. As the rollout of these standards to other industries is now under discussion at IEC, Canon will continue to be involved in initiatives to further standardize information sharing on chemical substances contained in products and to achieve increased efficiency.

Managing Chemical Substances Used in Manufacturing Processes

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

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

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

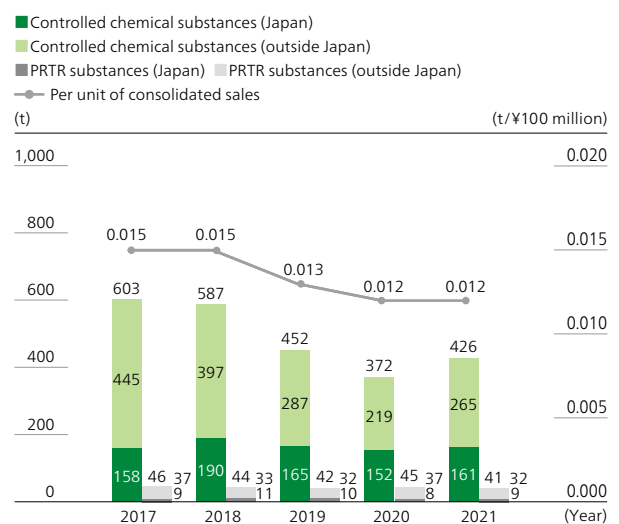
Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

Reducing Use and Emissions of Controlled Chemical Substances

Canon engages in various initiatives at its operational sites to reduce emissions of controlled chemical substances, including reducing the consumption and re-use of them through improvement of production processes.

Total emissions of controlled chemical substances in 2021 amounted to 426 tons, a year-on-year increase of approximately 15%, attributable to a recovery in production activities that were heavily constrained by the pandemic in 2020. Compared to 2019, however, emissions were down by approximately 6%.

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



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

* Controlled chemical substances exclude regulated substances.

Reducing Emissions into the Atmosphere and Waterways and Preventing Pollution

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

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

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

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

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

Soil and Groundwater Management Status

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

Status of Soil and Groundwater Management Activities

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

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

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

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


PCB Waste Management

In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which damages living organisms and the environment. As of December 2021, 6 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 493 fluorescent ballasts in storage. In Japan, this PCB waste is processed sequentially by Japan Environmental Storage & Safety Corporation (JESCO).

Contributing to a Society in Harmony with Nature

Canon promotes activities worldwide based on the Biodiversity Policy.

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

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

* Target 15.2: Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally
 Target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, to halt the loss of biodiversity and, by 2020, to protect and prevent the extinction of threatened species

Biodiversity Policy

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

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

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

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

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

Group Initiatives to Conserve Biodiversity

At marketing sites and production sites around the world, Canon joins with local stakeholders in activities tailored to local needs.

Canon Bird Branch Project

Biodiversity refers to the way living things interact as they coexist on earth. Within this sphere, birds occupy the top position in a local ecosystem pyramid of plants, insects, and small animals, symbolizing the cycle of life.

Canon promotes the Bird Branch Project, which encompasses a range of bird-centered activities at operational sites in Japan and overseas, as a symbol of the initiatives based on its Group-wide Biodiversity Policy.



CANON BIRD BRANCH PROJECT
 BIODIVERSITY INITIATIVES

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

■ Activities in Japan

Canon’s Shimomaruko headquarters complex in Tokyo is located on a site with greenspace that contains a wide variety of trees. Under the supervision of the Wild Bird Society of Japan, a monthly survey of the migration of wild birds identified 36 species of birds on site so far. At other sites as well, bird baths and nesting boxes have been installed and are cleaned, and measures are taken to protect against bird strikes, creating on-site environments conducive to bird life. We also announce the installment of nesting boxes and otherwise offer opportunities for employees to learn that even familiar spaces can foster the lives of wild birds.



Wild birds migrating to a nesting box installed on site

■ **Overseas activities (France)**

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



Greenspace cultivated onsite

Canon Canada Branch Out

Canon Canada’s Branch Out Program gives employees at all levels the opportunity to help create green spaces and sustainable environments in their local communities. Branch Out began as a tree-planting program in 2014 but has evolved to include a wide range of sustainability activities, including cleaning up parks, rivers and shorelines, removing invasive plant species, restoring habitats and constructing turtle shelters. All employees from Canon Canada’s 13 offices, from Toronto to Quebec City and Vancouver, are encouraged to participate, sparing a few hours from their work schedule to volunteer. Since the start of the program, employees have volunteered more than

9,700 hours in 68 locations across the country. Their achievements so far include planting more than 36,000 trees and shrubs, removing 7,000m³ of non-native vegetation, and restoring shoreline.

In 2021, the program’s activities were maintained during the COVID-19 pandemic and included online events to teach employees and their families about the importance of biodiversity as well as the collection of donations for environmental protection groups. In recognition of its initiatives, Canon has been named as one of “Canada’s Greenest Employers” under the Canada’s Top 100 Employers project sponsored by *The Globe and Mail*, one of Canada’s leading daily newspapers, for three consecutive years since 2019.



Clean up activities

Environmental Protection Activity in Partnership with Local Communities (Thailand)

Canon Hi-Tech (Thailand) actively engages in environmental protection activities throughout Thailand. In 2021, around 50 people, including employees and outside volunteers, participated in tree-planting activity in an area adjoining the Dong Phrayayen-Khao Yai forest region, which is designated as a UNESCO Natural World Heritage site. As this is an area where forest fires occur frequently in the dry season, our team also cleared leaf fall that can be a fire ignition source, installed firefighting equipment, and worked with the local government to prepare a feeding ground for wild animals.



Participants in environmental protection activities

Responding to People and Society as a Good Corporate Citizen

Human Rights and Labor

Respecting Human Rights

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

Basic Approach

Based on the UN Guiding Principles on Business and Human Rights, Canon respects the human rights of all stakeholders involved in its business activities, including employees and business partners.

Since its foundation in 1937, Canon has been committed to respecting humanity, treating all employees in a fair and equal manner, without discrimination based on social status, gender, age or occupation. In 1988, following half a century of operations, we established *kyosei* as our new corporate philosophy, and reiterated our commitment to promoting respect for humanity as a global aspiration, working together with stakeholders around the world in that pursuit.

Considering recent social demands for responding to human rights based on international standards, Canon established the Canon Group Human Rights Policy in the name of the Chairman & CEO in 2021. Canon will continue to promote efforts to respect human rights.

Human Rights Policy

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

It stipulates that Canon will conduct human rights due diligence, establish and operate a grievance mechanism, conduct awareness training, and engage in dialogue with stakeholders in addition to respecting internationally recognized human rights, including the prevention of child labor, forced labor, unreasonable restrictions on movement and excessive overtime work, and also the respect for freedom of association and the right to collective bargaining.

The Human Rights Policy is published in Japanese and English and is communicated to employees and stakeholders in each country and region via our website.

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

Canon Group Human Rights Policy

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

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

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

1. Respect for Human Rights

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

2. Human Rights Due Diligence

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

3. Grievance Mechanism

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

4. Awareness Training

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

5. Dialogue with Stakeholders

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

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



Fujio Mitarai
Chairman & CEO
Canon Inc.

Date of establishment 10/15/2021

Promotion System

At Canon, the Executive Vice President holds the responsibility as the executive of human rights, while the sustainability, legal, and human resources divisions of Canon Inc. serve as the promotion secretariat, pursuing human rights initiatives in cooperation with the procurement divisions. The promotion secretariat formulates an overall plan for human rights initiatives, establishes and operates grievance mechanism, conducts stakeholder engagement, and reports important matters to the executive in charge. From 2022, potential human rights violation risks have been identified as a significant risk by the Risk Management Committee established by resolution of the Board of Directors. Each Canon Inc. division and Group company is implementing initiatives to prevent and mitigate human rights risks. The results are evaluated annually by the Risk Management Committee and reported to the CEO and Board of Directors.

Reference: Risk Management Committee (→P113)

Human Rights Initiatives (2021)

In 2021, Canon (1) established the Human Rights Policy; (2) carried out human rights due diligence by identifying human rights risks for Canon; (3) established a grievance mechanism; (4) conducted human rights awareness training; and (5) addressed human rights risks in the supply chain. In preparation for these activities, we also engaged in dialogue with Sancroft International Ltd., a British sustainability consultancy, to gain insights from external experts.

Reference: Stakeholder Engagement (→P103-104)



Online meeting with Sancroft International

Implementation of Human Rights Due Diligence

In 2021, based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, Canon implemented human rights due diligence throughout the entire Group.

To implement human rights due diligence, each Canon Inc. division and Group company worked within the framework of the Risk Management Committee to first identify and evaluate the potential adverse human rights impacts in their respective business activities, including the supply chain, and identified the salient human rights risks. Subsequently, the promotion secretariat aggregated, analyzed and evaluated those risks, and through stakeholder engagement (→P80), identified salient human rights risks for Canon. In assessing human rights risk, we also referred to the human rights risk country/region index provided by the Responsible Business Alliance (RBA).



Due diligence workshop

Responding to People and Society as a Good Corporate Citizen

Salient Human Rights Risks for Canon

Within the human rights risks that may arise in Canon’s business activities, 11 of those were identified as salient human rights risks, which include discrimination based on such factors as race, gender, or religion, harassment, child labor, forced labor, unpaid wages/low wages, excessive overtime work, occupational health and safety, and protection of privacy. As shown in the table below, various measures are taken to prevent and mitigate these risks.

Canon also assesses human rights risks for new businesses. For example, when conducting M&As, we review the status of compliance with laws and regulations related to labor standards and health and safety as part of our due diligence, to ensure that there are no serious human rights risks in the company newly joining the Group.

Salient Human Rights Risks for Canon

		Rights-holders				Measures taken by Canon
		Suppliers/ Contractors	Canon employees	Customers/ Consumers	Local communities	
Salient human rights risks associated with Canon’s business activities	Discrimination based on such factors as race, gender, or religion		●			P86 Diversity and Inclusion
	Harassment		●			P81 Prevention of Harassment
	Child labor	●				P81 Respect for Human Rights in the Supply Chain
	Forced labor	●				P81 Respect for Human Rights in the Supply Chain
	Unpaid wages/ low wages	●				P81 Respect for Human Rights in the Supply Chain
	Excessive overtime work	●	●			P81 Prevention of Excessive Overtime Work P81 Respect for Human Rights in the Supply Chain
	Occupational health and safety	●	●			P88 Occupational Safety and Health Management
	Protection of privacy		●	●		P116 Protecting Personal Information
	Procurement of conflict minerals				●	P123 Addressing the Issue of Responsible Minerals Sourcing
	Noise, environment pollution at operational sites				●	P55 Protecting and Conserving the Environment
	Health damage or accident caused by product			●		P94 Product Responsibility

Grievance Mechanism

Canon has established an internal reporting system at nearly all Group companies worldwide through which employees can report specific human rights concerns in the local language. We also strive to make the reporting system known through the company intranet and training programs. In 2021, we received 103 reports related to human rights (discrimination/harassment, wages, working hours, etc.) through the internal reporting system. Of those with an investigation completed as of the end of 2021, 21 cases were identified that needed to be addressed or resolved. For these cases, the necessary corrective action is taken along with measures to prevent recurrence.

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

In both internal and external contact points maintain the privacy of informants and allow them to report anonymously to ensure that they do not suffer unfair treatment as a result. Canon takes appropriate steps to remedy the situation following an investigation of the facts in each case.

The RBA, of which Canon is a member, offers a grievance mechanism called the Worker Voice Platform through which Canon's stakeholders can report specific human rights concerns.

Human Rights Awareness Training

In conjunction with the establishment of the Canon Group Human Rights Policy, we carried out an e-learning program for employees with the aim of instilling basic knowledge about business and human rights and widely informing Canon's human rights initiatives. In 2021, a total of 23,313 Canon Inc. employees completed the program (92.5% participation rate), which was open to all staff. From 2022, the program will be rolled out successively to Group companies.

Stakeholder Engagement

The OECD Due Diligence Guidance for Responsible Business Conduct states that it is important for companies to engage with stakeholders at the time they identify the actual or potential adverse impact caused by their corporate activities. In 2021, to identify salient human rights risks for Canon as part of human rights due diligence, we held dialogues with the Canon Workers' Union that represents our employees in Japan. In the dialogue, we confirmed the recognition of the workers' union on discrimination based on such factors as race, gender, or religion, harassment, excessive overtime work, occupational health and safety, and protection of privacy, which are considered to be human rights risks for employees in particular. We also widely exchanged opinions on human rights risks, and the results were reflected in identifying salient human rights risks for Canon. The workers' union also presented specific examples of flexible work styles during the COVID-19 pandemic. As a result of the dialogue, we were able to deepen mutual understanding, and confirmed our commitment to continue the dialogue.



Dialogue with Canon Workers' Union

Respect for Human Rights of Employees Prevention of Child Labor

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

Prevention of Forced Labor and Unreasonable Restrictions of Movement

Canon conducts self-inspections using RBA's Self-Assessment Questionnaire at its domestic and overseas production sites to confirm that there is no risk of forced labor or unreasonable restrictions on movement.

Prevention of Excessive Overtime Work

Canon has established a system to accurately ascertain the working hours of employees at overseas production sites, where the risk of excessive overtime work is considered to be comparatively high. The operational status of this system is reported annually to the human resource division of Canon Inc. In addition, in 2015, we established labor guidelines in accordance with social conditions in local areas and the human resource management regulations of each Group manufacturing company to ensure thorough compliance.

Respect for Freedom of Association and the Right to Collective Bargaining

As stated in the Canon Group Human Rights Policy, Canon respects freedom of association and the right to collective bargaining in accordance with the local laws and regulations of each country and region. We also strive to address various labor issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

Prevention of Harassment

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

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

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

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

Respect for Human Rights in the Supply Chain

In 2021, Canon established the Canon Supplier Code of Conduct, which adopts the RBA Code of Conduct, and is promoting its procurement activities taking labor, health and safety, environment, and management systems into account. We have collected a letter of agreement confirming adherence to the RBA Code of Conduct from our major suppliers. In addition, to prevent child labor, forced labor, unreasonable restrictions on movement, and excessive overtime work and to ensure occupational health and safety at suppliers, we conduct yearly self-assessments using the RBA's Self-Assessment Questionnaire.

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

Reference: Supply Chain Management (→P119)

Ongoing Monitoring

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

Compliance with Modern Slavery Act

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

Reference: UK Modern Slavery Act (→P124)

Reference: Modern Slavery Act Australia (→P124)

Hiring and Treatment of Human Resources

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

Basic Policy

Canon believes that in order to become a truly excellent global corporation, each employee must be an “excellent person.” Based on this recognition, we are building a corporate culture that encourages an enterprising spirit by guaranteeing respect for the values of ambition, responsibility and mission, as well as fair and impartial assignments, evaluations, and treatment based on merit. At the same time, we are focused on developing our next generation of leaders.

Guiding Principle of the Three Selves Spirit

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

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

Guiding Principles

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

Hiring and Retaining Talent

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

In 2021, Canon Inc. and Group companies in Japan actively continued their recruitment programs, resulting in the hiring of about 1,350 employees in total. Canon has established various programs and systems, such as a career matching system (→P92) and a work-life balance program for employees engaged in childcare or nursing care to support the continued employment of all employees so that they remain motivated and can maximize their skills and abilities over the long term (→P84). Canon also conducts biennial in-house employee awareness surveys, with the results providing feedback to management across each division as a way of helping inform policy formulation while increasing employee engagement. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry in Japan. As part of maintaining employee engagement, regular employee awareness surveys are conducted by Group companies in Japan, Canon U.S.A., Canon Europe, and Group marketing companies in Asia.

Promoting Globalization of Executive Management

As part of promoting the development of globalized management, Canon appoints appropriate personnel, regardless of nationality, as presidents, executive officers, and managers of subsidiaries in each country and region where it operates (→P91).

For example, in Canon China, local appointees occupied 75% of all managerial positions across the region in 2021, up from 38% in 2013.

Creating Local Employment Opportunities at Production Sites

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

Responding to People and Society as a Good Corporate Citizen

For example, Canon Prachinburi (Thailand) has hired approximately 6,800 people locally, and Canon Business Machines (Philippines) employs approximately 5,900 local residents (as of 2021 end).

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

In every region of the world, Canon ensures its employees are paid substantially more than the local minimum wage.

Fair and Impartial Compensation System Salary Linked to Duties and Performance

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

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

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

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

Employee Benefit Programs

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

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

have been developed in line with employee needs.

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

Corporate Pension Plan

At Canon Inc., we offer employees the defined-benefit Canon Corporate Pension as a form of performance-based pay—a role- and grade-based retirement system—to supplement their public pension and contribute to a more comfortable retirement.

A company-run pension fund manages pension assets, so employees do not need to provide any additional funds. Canon Inc. also offers a defined-contribution pension plan with matching contributions, which, coupled with the defined-benefit pension plan, provides solid financial security.

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

Reducing Total Work Hours

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

For example, at Canon Inc., we encourage workplaces to ban overtime in principle and to review work practices. In addition to an open vacation program in which employees can take five consecutive days of vacation once per year, starting in 2019, we have been encouraging the taking of paid leave in various ways, such as having employees submit a plan for taking five or more days of annual vacation at their first meeting with their supervisor in the new year. Average paid leave taken in 2021 was 16.4 days. Total hours worked per employee were 1,745, a 54-hour decrease from 2010 (1,799 hours), when activities to reduce total working hours began.

Flexible Work Styles

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

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

Promoting Flexible Work Styles

Canon Inc. has several leave programs that enable employees to take time off flexibly to respond to their personal circumstances. These include a time-unit leave program in 30-minute increments that is available for reasons such as childcare, nursing care, injury, or illness, as well as vacations for mental and physical relaxation as a reward for certain lengths of employment. In 2020, we introduced a remote working system aimed at boosting productivity by promoting flexible work styles not limited by time or location. We are currently implementing the seventh phase of the action plan spanning the three-year period from April 2021 to March 2024.

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

A System for Supporting Working Parents/Care Givers

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

Furthermore, to support employees who are undertaking fertility treatment, we have put in place a fertility treatment subsidy program that subsidizes 50% of the treatment cost up to a maximum amount of ¥1 million, and a fertility treatment leave program that allows employees to take leave for the period required for treatment. Furthermore, we have implemented a system that allows male employees whose spouses have given birth to take two days of paternity leave.

In addition, to support the work-life balance of those in our local community, Canon Inc. established Poppins Nursery School Tamagawa. Located on our property adjacent to the Shimomaruko headquarters, the school is certified by the Tokyo Metropolitan Government and open to local residents. Approximately 40 children are enrolled at the school.

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

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

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

Action Plan	Measures	Results as of 2021 End
(1) Promote use of work-life balance programs with aim of raising participation rate.	<ul style="list-style-type: none"> Continue leave programs, hold related discussions and information seminars, and provide individual guidance on leave-related systems and procedures to those wishing to take leave. Hold seminars to assist employees seeking to balance work and childcare by increasing their understanding of related systems and providing related career support. 	<ul style="list-style-type: none"> While female employees typically make up the majority of those taking advantage of the programs, the number of male employees is also increasing significantly.
(2) Support diverse work styles while promoting further reform by encouraging work styles that do not rely on overtime; by continuing efforts to promote use of paid leave; and by maintaining an appropriate level of total work hours.	<ul style="list-style-type: none"> Using total work hours as an indicator for work-life balance, bolster measures to encourage use of paid leave and maintain an appropriate level. 	<ul style="list-style-type: none"> Designating July–September as Work-Life Balance months, implemented earlier work hours and continued efforts to promote work style reforms. Provided employee benefit programs to encourage self-development during the period of earlier work hours. Due to productivity gains and the promotion of work-life balance, total work hours company-wide decreased by 54 hours compared to 2010.
(3) Continuing from Phase VI, carry out community contribution activities open to participation by children — who are the future of our communities — through social contribution activities.	<ul style="list-style-type: none"> Continue reaching out to local regions and communities and implement appropriate initiatives from April 2021 to March 2024. 	<ul style="list-style-type: none"> Continued to carry out the following initiatives <ol style="list-style-type: none"> Unique learning programs for children, including environmental education outreach program Photography classes (Junior Photographers) Tag rugby lessons and online rugby meet-and-greet events, etc.

Supporting Employees' Volunteer Activities

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

Worker-management Relations

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

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

Additionally, special committees have been established to consider wages, working hours, safety and health issues, and benefit programs. Based on these conferences, new programs are established and policies enacted. As of the end of 2021, combined employee membership in the Canon Workers' Union totaled 25,447, bringing the union membership rate to 79% for Canon Inc.'s workforce.

Group companies in Japan hold a similar yearly conference, which they refer to as the Canon Group Workers' Union Conference (Canon Inc. representatives also attend). This conference brings together 19 Group workers' unions and executives from 23 Group companies in Japan. The 2021 conference was postponed due to the onset of COVID-19, but it is expected to be held in 2022 as conditions allow. As of the end of 2021, there were 53,150 employees in unions that belonged to the Canon Group Workers' Union Conference, bringing the union membership rate to 82% for the workforce of 23 Group companies in Japan.

In accordance with the labor laws of each country and region where we operate, Canon continuously maintains proper labor relations based on thorough dialogue between labor and management at Group companies outside Japan. The union membership rate*² for employees of the Canon Group overall was 83%.

Minimum Notification Period for Changes in Work Duties

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

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

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

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

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

Diversity and Inclusion

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

Policy on Respecting Diversity

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

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

Another initiative aimed at promoting better understanding of diversity and inclusion is the Barrier-free Mindsets e-learning program, which we are conducting at Canon Inc. and Canon Group companies in Japan. Based on conversations with people with disabilities and members of sexual minorities about real-life issues they encounter, the training aims to help each employee better understand the difficulties and pain caused by barriers in society as well as points for special consideration. In total, 59,228 employees of Canon Inc. and Group companies in Japan, including senior management, received this training from 2019 to 2021.

Reference: VIVID Activities Policy
<https://global.canon/en/csr/people-and-society/labor/diversity.html>

Promoting the Active Participation of Women

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

In Japan, in addition to formulating action plans and disclosing information as mandated by the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we are conducting our own original initiatives.

For example, at Canon Inc., we organize leadership training for women as part of efforts to develop female candidates for managerial positions. Using the theme of developing a new business proposal, the training provides an opportunity to develop leadership qualities. Since its launch in 2012, a total of 220 women have completed the training and are playing active roles in their workplaces, including at overseas locations. Partly as a result of these measures, the number of female managers rose to 138 in 2021, compared with 58 in 2011. In addition, based on the government's Act on the Promotion of Female Participation and Career Advancement in the Workplace, we have formulated an action plan with a

goal of having more than three times the ratio of women in management, compared with 2011* levels, by the end of 2025.

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

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

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

The commitments include activities to raise awareness of diversity and recruitment of diverse personnel.

* The year before VIVID was introduced.

Encouraging Men to Participate in Childcare

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

At Canon Inc. and Group companies in Japan, we organize roundtable talks by, and publish interviews with men who have used childcare leave-related systems, and we hold seminars to introduce our childcare-related programs to male employees. These initiatives have proven effective: the childcare leave participation rate among men at Canon Inc. has risen from 1.9% in 2011 to 33.4% in 2021. In addition, based on the Act on the Promotion of Female Participation and Career Advancement in the

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Workplace, Canon Inc. has put in place an action plan with a goal of increasing the childcare leave participation rate of male employees to more than 50% by the end of 2025.

LGBTQ+ Inclusion

The Canon Group Code of Conduct emphasizes respect for the individual and prohibits discrimination based on race, religion, nationality, gender, age, sexual orientation or gender identity. Our initiatives also cover sexual minorities, including lesbian, gay, bisexual, trans and queer (LGBTQ+) persons. With the goal of eliminating all forms of discrimination from the workplace, training for managers includes education on preventing discrimination. In addition, we make use of various opportunities to educate employees, such as departmental staff meetings and compliance meetings. The Barrier-free Mindsets training program, which we provide for employees of Canon Inc. and Canon Group companies in Japan, features content relating to sexual minorities and aims to deepen understanding of related issues.

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

Utilizing the Abilities of Veteran Employees

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

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment internally for re-employment posts. Further, we raised the age limit for re-employment to 65 in 2007. As of the end of December 2021, there were 1,817 rehired employees in total.

Proactive Support for the Participation of People with Disabilities in Society

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

For example, at Canon Inc., we are doing our utmost to make workplaces more comfortable and accessible for people with disabilities by improving our facilities, including providing greater barrier-free access. Additionally, we are working to expand the range and nature of jobs for people with disabilities, while also ensuring that they are settling into and becoming active members of their assigned workplaces.

Canon incorporates workplace experience and observation sessions into the selection process to ensure that new hires can contribute quickly after they are hired and assigned to a workplace. Canon Wind^{*2} primarily hires people with intellectual disabilities. In addition to maintaining a high employee retention rate, this employment helps us realize our corporate philosophy of *kyosei*.

Canon Inc. and Group companies in Japan have set up on-site hotlines after the 2016 amendment of the Promotion of Employment of Disabled Persons Law prohibiting discrimination and mandating reasonable consideration for people with disabilities. Canon's measures to prevent discrimination against people with disabilities and ensure reasonable consideration at each site include providing individual consultations and personalized assistance or instruction during evacuation training drills and disaster preparedness training. Starting in 2019, Canon Inc. has been working to boost support for retaining employees with disabilities, including initiating measures to expand the job positions in which they can thrive.

Since 2004, Canon Inc. and Canon Group companies in Japan have organized training courses and created e-learning modules to ensure workplaces are attentive to the needs of the hearing impaired. The training provides an accurate understanding of hearing impairments and introduces sign language to help promote smoother workflow. A total of 839 employees participated in this training up to and including 2021.

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

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

Support for Balancing Work and Nursing Care

Preventing the flow of people leaving their jobs to provide nursing care for family members has become an important social issue in Japan, which has a falling birthrate and an aging society. At Canon, we are taking steps to reduce the number of employees leaving work for nursing care by promoting activities to support them in balancing both priorities. Canon Inc. and Group companies in Japan hold nursing care seminars, conduct interviews with employees engaged in nursing care, and offer information on steps to take when a relative begins to need care and on nursing care-related systems, both public and internal. Since 2020, we have been holding online nursing care seminars in cooperation with local authorities.

Occupational Safety and Health Management

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

Policy and Structure

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

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

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

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

Occupational Safety and Health

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

In 2021, there were no serious occupational accidents relating to the use of machinery (getting pinched or caught) or contact with hazardous chemical substances that required time off work. We are taking steps to prevent accidents from reoccurring, in terms of both education and equipment, such as investigating the underlying cause of any accident, retraining workplace personnel, and improving

the operability of machinery. We conduct a thorough safety inspection and risk assessment to determine if similar risks exist at the site where any accident occurs. In addition, information about accidents is promptly shared with Group companies, particularly production sites, to prevent similar occurrences elsewhere.

Priority Targets for 2021

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

Initiatives

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

Furthering Development of the Canon Group Occupational Safety and Health Management System

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

Canon sites are currently transitioning from the international OHS management system standard OHSAS 18001 to the new ISO 45001 standard. As of the end of December 2021, approximately 16% of Canon Inc. and Canon Group sites around the world had acquired ISO 45001 certification.

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

Canon conducts wide-ranging assessments of occupational accident and safety risks to identify all operations that have a high risk of injury, illness, or accident. We take appropriate measures to mitigate risks and manage residual risks. Recognizing in particular the serious risks posed by machinery-related accidents, we review existing equipment at least once a year. In addition, for new businesses, we identify and evaluate risks from the R&D stage and implement OHS measures based on risk assessment outcomes.

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In 2019, we formulated a common risk assessment and management standard for the Canon Group. To ensure the new standard is implemented properly, we are conducting training programs for health and safety staff to deepen their understanding of risk assessment methodology as well as providing e-learning courses for workplace managers and people in charge of operations. Moreover, when a specific risk is identified, all applicable workers are notified of the risk and given needed training, and a follow-up is carried out to confirm their understanding and mastery of new work processes.

Improving Health and Safety Awareness by Enhancing Education and Training

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

As part of efforts to eliminate workplace accidents, we provide specialized training to all managers involved in on-site workplace risk assessment. We also carry out an e-learning course to help employees engaged in risk assessments gain a better understanding of assessment objectives and procedures. In 2021, 3,323 people took this course.

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

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

Health Management

Health Support Based on the "Health First" Principle

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

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

The Central Safety and Health Committee Medium-Term Plan (2019-2021)

Priority Targets

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

Initiatives

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

Mental Health-related Measures

Canon conducts a variety of programs to promote comprehensive mental health at Group companies in Japan. These incorporate four types of care: self-care, care from workplace supervisors, care from occupational health staff, and care from external organizations. There are also programs to promote primary, secondary, and tertiary prevention. We are focusing in particular on creating a standard response across Group companies, such as developing support programs for employees with mental health issues, and carrying out training to improve the ability of human resources and health support staff to handle such cases. Showing steady increase since being introduced in 2016, the participation rate for stress checks reached 96.6% in 2021. We have also seen a proportionate decline in the number of highly stressed employees through the introduction of health consultations in addition to regular checkups with an occupational physician for such individuals. Based on group analysis of these outcomes and cooperation with each division, we distribute a "Health Report" detailing the health status of each division and organize related worksite meetings. We also provide managers with mental health training to bolster workplace support capabilities. Employees on overseas assignments are given the same stress checks and follow-up procedures as in Japan, and have their mental health cared for in coordination with local human resource managers.

Measures to Prevent Lifestyle Diseases

As part of efforts to combat lifestyle diseases, we identify health-related areas requiring attention and rank their priority based on an analysis of employee data. For example, an analysis of 10 years of physical exam data revealed the effects of short sleep duration, smoking, and exercise habits on the onset of metabolic syndrome, leading us to make these priority areas. With sleep in particular, in addition to activities to raise awareness, we introduced individual guidance using sleep monitors. The result was not only an improvement in sleep but also in physical exam outcomes and presenteeism (working even while sick). Canon Inc. and all Group companies in Japan have been designated no smoking areas, and through ongoing measures such as seminars and online programs to encourage employees to quit smoking, the smoking rate has decreased by 17.4 points in the 17 years since the initiative began in 2004, falling to 15.0% in 2021.

For physical exams, Canon Inc. and Group companies in Japan have adopted unified follow-up standards to ensure that health issues do not worsen. We encourage employees at high risk for metabolic syndrome to undergo physical exams and give due consideration to job assignments, and, in cooperation with the health insurance union, offer specific health guidance by specialists to eligible employees. As a result, there has been a downtrend in both employees at high risk and those subject to specific health guidance. As for cancer detection and prevention, we are focusing on using the cancer screening system of the Canon Health Insurance Union and on supporting the balance between treatment and work for employees living with cancer.

Ongoing Awareness Activities for All Employees

Canon Inc. is promoting health self-management in various ways: ongoing training tailored to different job levels; campaigns on the themes of sleep, nutrition, and exercise; regular dissemination of information to raise awareness via the intranet; and, management of healthy activity goals and in-house events using ICT tools. Moreover, Canon Inc. and Group companies in Japan conduct an e-learning program every year for employees just turning 30, 40, 50, or 60 years old, in which they can learn about the health issues and self-management points specific to each age bracket, including women's health issues. In 2021, a total of 5,328 employees completed this program.

In collaboration with the health insurance union, labor union, in-house stores, staff cafeterias and other partners, we conduct health-related activities to promote health through nutrition and exercise. The campaign in 2021 focused on eating breakfast daily and responsible consumption of alcohol. The number of

participants in our annual walking competition, which features the use of ICT tools, hit a five-year high of 9,372 people. In addition, Canon Health Call is an initiative of the health insurance union that offers personal health consultations over the phone 24 hours a day for employees not only in Japan but also worldwide.

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

Measures in Response to COVID-19

The response of Canon Inc. to the novel coronavirus (COVID-19) pandemic has centered on infection prevention, consultation access, support for high-risk staff, and information sharing. We have drawn up guidelines and manuals, acquired equipment and materials to prevent infection, and offered health consultations with occupational physicians and nurses as well as via a 24-hour telephone hotline. We have also been providing support for employees with underlying illnesses and those dealing with mental health issues, to enable them to continue to receive needed treatment and work safely. Furthermore, we are providing accurate information on a timely basis in Japan and overseas through various means, such as sending out regular bulletins and holding seminars featuring occupational physicians. Our workplace COVID vaccination program for Canon Inc. and Group employees, including family members and contractors, inoculated around 60,000 people in 2021.

Infectious Disease Prevention

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

Health Training for Contract Workers

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

Human Resource Development and Personal Growth

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

Human Resource Development System

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

Developing Globally Minded Personnel

With 340 operational sites worldwide as of the end of 2021, the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop human resources with leadership abilities that can be utilized on the international stage.

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

Vitalizing Human Resources Through International Assignments

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

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

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

As of the end of 2021, a total of 1,020 employees were deployed on international assignments under these programs.

Global Training for Young Employees

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

For example, the Asia Trainee Program enables employees who are 30 years old or younger to engage in practical study at Group companies in Asia. Started in 1995, the program to date has deployed a total of 118 people. The program sends trainees to Group companies in countries and regions where languages other than English are used on a regular basis in professional settings. After roughly six months of language training at a local university, trainees spend about one year gaining practical experience at Asian affiliates. Meanwhile, the Europe-US Trainee Program dispatches young employees to Europe and the United States. Started in 2012, the program has thus far provided training to a total of 68 employees. In 2020, we launched the Canon Global Marketing & Sales Trainee Program for new employees. With the aim of fostering human resources who will play an active role in Canon's future global marketing efforts, participants spend a year and a half both in Japan and overseas acquiring sales experience and language proficiency.

The Overseas Study Program for Technicians is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire skills that they can use to contribute to Canon's core businesses in the future. This program began in 1984, and to date, a total of 128 employees have participated in the program, studying at universities abroad. In line with our strategy to improve our R&D system in the United States and Europe, we plan to select several employees each year for overseas study.

Fostering Experts in Various Fields

Development of Human Resources in Engineering

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

For example, Canon Inc. has training systems in place for each of its specializations, including machinery, electronics, optics, materials, and software, to support the development of next-generation human resources in engineering. A committee for the development of engineering human resources has been set up for five core specializations. Each

committee develops rank-based training programs, from new hires to junior engineers and all the way up to veteran leaders, as well as conducts courses and carries out other initiatives. We also offer training in specialized areas not represented by these committees, such as analytical technology. In 2021, a total of 473 programs were held in these specializations, with 5,973 engineers from Group companies in Japan taking part. We also carried out e-learning training aimed at building general IT literacy for employees in all job positions, with 12,047 people taking part.

Furthermore, through the Canon Institute of Software Technology (CIST), a research facility to cultivate software engineers, Canon Inc. is reinforcing its educational efforts in AI, IoT, and other aspects of digital transformation (→P45–46).

Development of Global Human Resources in Manufacturing

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

In 2021, 140 employees working at five overseas production sites took part in a total of 28 online training programs organized by the Monozukuri Advancement Center.

To promote training at overseas production sites, Canon is also focusing on on-site instructor-development training. A total of 40 personnel took part in 10 online training workshops for instructors in 2021. Site-based instructors across the Canon Group provided training to around 2,700 personnel in 2021.

A technical skill testing program, following the same standards as in Japan, has also been established at overseas sites. In 2021, testing was carried out for seven types of work skills, including injection molding, board mounting, and metal stamping, at a total of seven sites in Thailand, Vietnam, China, Malaysia, etc. with approximately 500 employees participating.

Human Resource Development System

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

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

For the development of management personnel,

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

On average, Canon Inc. employees spent about 19 hours on average in training in 2021. Related training costs per employee amounted to approximately ¥161,000 at Canon Inc., and about ¥83,000 at Canon Group companies in Japan and overseas marketing companies.

Canon Inc.'s Career Development Support Programs

■ Regular Performance and Career Reviews

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

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

■ Career Matching System

Canon Inc. has also established an internal career matching system to support its employees in pursuing satisfying careers. The system matches the right people to the right jobs, promotes internal mobility of human resources, and brings greater vitality to the company. In 2021, 252 employees were transferred through this system.

We also provide a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on

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new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and then take up a position based on their skill level.

■ Other Career Development Support

To offer a more diverse range of learning opportunities and support the career development of self-motivated employees, we are developing e-learning content that can be accessed by mobile devices, for instance on weekends or after work during the campaign period to promote work-life balance. In 2021, approximately 3,000 employees participated in these programs.

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

■ Post-retirement Career and Life-plan Training

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

■ Supporting Organizational Invigoration

Canon aims to realize individual and organizational growth at the same time as achieving success in business. To this end, we have established a dedicated

division for organizational development, which supports organizational invigoration through consulting on increasingly diverse organizational challenges, post-activity support, and rank-specific training. As of 2021, the division has provided support to 462 divisions and 16,000 employees, including Group companies worldwide.

Various Certification and Award Programs

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

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

Canon Inc.'s Human Resource Development System

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

Product Responsibility

Quality Management

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

Approach to Quality

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



* “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 “essential safety” as standard for quality management
- (3) Introduces a framework for checking quality in product commercialization processes to ensure reliable product safety standards*²

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

Supplementing the vertically integrated activities of each business division to solve division-specific quality issues, we have formed two committees to focus on improving quality at each of the product development and production stages as part of efforts to coordinate QA activities across the Canon Group. Sharing best QA

practices across the company has not only enabled us to increase quality at each stage of development and production but has also led to significant reductions in waste and costs.

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

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

Education and Raising Quality Awareness

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

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

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

We focus particular attention on product safety training, conducting a wide range of specialized programs in areas such as product safety regulations, product liability laws, and substantial safety technology, as well as new staff product safety orientations. In 2021, eight training courses were held. In addition, we offer year-round e-learning courses, enabling Group employees to access three types of training on product safety regulations and chemical safety regulations at any time.

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

Ensuring Product Safety

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

Voluntary Action Plan Based on the Basic Policy on Product Safety

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

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

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

2021 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

Establishment of In-house Product Safety Technical Standards

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

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

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

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

Main Approaches to Safety Technology

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

Quality Assessment During Development Creation of Assessment Environment for the Delivery of Safe Products

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

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

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

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

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

Safety Assessment Initiatives

Safety Assessments of Chemical Substances Released from Products

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

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

The in-house laboratory conducting these assessments has received accreditation from Germany's Federal Institute for Materials Research and Testing (BAM) and is therefore capable of conducting the assessments required for applications for Blue Angel certification. It has also received ISO/IEC 17025 and 28360 accreditation to conduct measurements in a fair and neutral manner.

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

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

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



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 has since August 2014 been conducting in-house tests to assess the water-insoluble materials used in many Canon products.

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

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

Assessing the Safety of Chemicals and Medical Equipment Through Animal Testing

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

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

Responding to People and Society as a Good Corporate Citizen

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

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

Ensuring Quality and Reliability in Parts Procurement

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

To ensure product quality, we have established a technical checklist for each type of procured core parts, and make use of a quality-assurance mechanism to ascertain the technical capabilities of suppliers when deciding whether to adopt new parts. We also collaborate with suppliers, aiming to enhance quality by optimizing their quality control systems and manufacturing processes. In addition, we use high-precision nondestructive analysis technologies, such as X-ray CT scans and thermal analysis, for parts evaluation and defect investigation. We are also working to strengthen our microfabrication, observation, analysis, measurement, and other technologies, and making efforts toward the early detection and resolution of quality defects.

Software Security and Response to Vulnerabilities

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

In response to such security and vulnerability risks, Canon conducts security testing and an array of vulnerability testing during software development for network-compatible products, as well as standardizing awareness activities, risk approaches, and testing methods across the company.

To facilitate the accurate assessment of security risks in product development, Canon Inc. carries out reviews based on security requirements starting from upstream development processes. We then implement a secure development lifecycle (SDL) process to ascertain the validity of the security functions to be installed.

We have also introduced the Vulnerability Assessment Check Sheet as a quality confirmation requirement prior to starting production, and are developing vulnerability verification processes.

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

After-sales Support

To ensure that customers can use our products with confidence, we are focusing on customer support in the markets we serve and on gathering and analyzing information to bring about improvements

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.

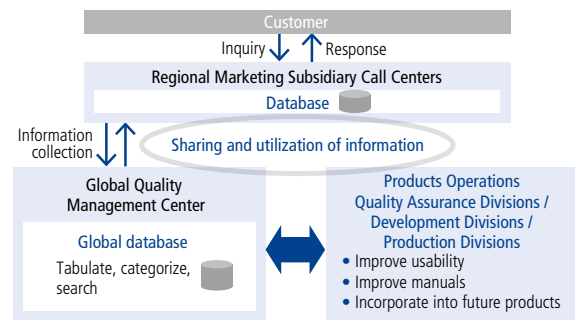
We continually monitor how customers use content and analyze survey responses and other data, feeding back the results to divisions producing content to constantly make updates and improve customer usability. We are also working to offer more user-friendly services by optimizing content to support the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

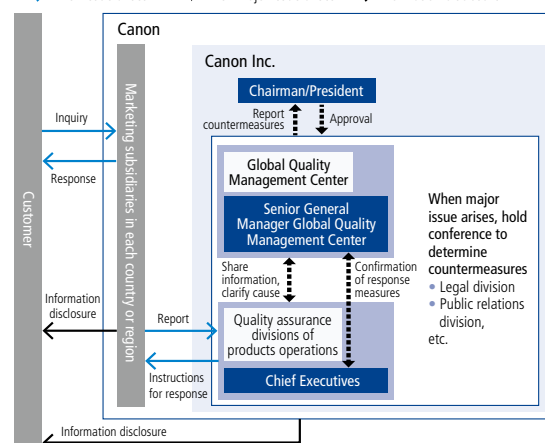


Process for Responding to Quality Issues

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 2021. 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 top management (Chairman/President), action is promptly taken.

→ When issue arises → When major issue arises → Information disclosure



Improving Product Usability

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

Providing Information on the Appropriate Use of Products

Pursuing Usability for Canon Products

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

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

Moreover, 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.

Social Contribution

Sociocultural Support Activities

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

Basic Approach

Based on the Canon Group CSR Activity Policy, Canon Group operational sites around the world engage in activities tailored to the characteristics and issues of each region, by leveraging the Group's advanced technological capabilities, global business development expertise, and diverse, specialized human resources.

Canon proactively gets involved in humanitarian aid activities such as providing medical supplies to regions with high poverty rates, by embracing its technologies from the medical business which Canon puts as a key strategy in Phase VI of the Corporation Plan and works to enhance competitiveness. Also, in the fields of imaging and printing, we conduct educational and cultural support activities in various countries and regions based on photography and printing by supplying products that utilize the optical and digital printing technologies we have cultivated over many years.

In terms of fostering development of the next generation, Canon supports the Children's Rights and Business Principles formulated by UNICEF jointly with the United Nations Global Compact and Save the Children, and engages in social contribution activities to help protect the rights of children.

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

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

The 4E's Project in India

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

Especially in the field of eye-care, Canon strives to provide improved medical assistance to the people with vision impairment by utilizing its technology from the Medical Group that Canon plans to further strengthen

and expand its operation as part of the priority business strategy. In India, despite the fact that 80% of cataracts, a major cause of visual impairment, are believed to be preventable or treatable, the issue is lack of access to appropriate diagnostic or therapeutic care due to insufficiently developed healthcare infrastructure.

Canon India opens vision centers in selected villages to provide eye examinations using equipment made by Canon. A total of 4,650 people visited these centers in 2021, with 648 receiving free eyeglasses, and 190 patients being referred for treatment in hospital.



Eye testing at a vision center in India

Canon Young People Programme Harnesses the Power of Positive Visual Storytelling

As part of our contribution to the realization of a sustainable society, Canon Europe is developing the Canon Young People Programme (YPP), which aims to nurture the creativity and expression of the youth, as a regional initiative across Europe, the Middle East and Africa. Based on the foundation of the SDGs, and working with local NPO partners, YPP aims to provide disadvantaged young people education and opportunities for creative expression through photographic and visual media. YPP has supported more than 5,000 young people since its launch in 2015. In 2021, YPP ran workshops both online and in-person in many countries, including UK, Russia, South Africa, DRC, Libya and also United Arab Emirates where the YPP workshops were held for the first time. YPP was also introduced at the United Nations' SDG Global Festival of Action 2021 which Canon Europe participated in March, and showed that photographs and videos are very effective means of self-expression for young people against the global social issues that affect them.



Students participating in the Canon Young People Programme

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

High youth unemployment is a severe problem in Africa. Moreover, while demand is increasing for photography, video production, and printing, most of this business is done by foreign companies because local skill levels often do not reach international standards. In response to this situation, Canon Europe has been promoting its *Miraisha* Programme, a social investment initiative in Africa.

Miraisha is a portmanteau of the Japanese word *mirai*, meaning future, and the Swahili word *maisha*, meaning life. Through the program, Canon aims to improve the technical skills of and increase employment opportunities for local young people in Africa's growing photography, video production, and print industries. Workshops in photography, film-making, and professional printing have been conducted in Kenya, Ghana, Nigeria, DRC, Uganda, Cameroon, Ivory Coast, and other countries. Through partnerships with local organizations, educational institutions, event organizers, and with the assistance of Canon Ambassadors, the *Miraisha* Programme has so far provided training to more than 5,950 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the *Miraisha* Programme. As of the end of 2021, a total of 26 people had been



Miraisha participants in Nairobi

accredited as Canon Certified *Miraisha* trainers, with three of these recruited as Canon Group employees.

Support for Education in Asia

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

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

The Canon Group in Vietnam is involved in building classrooms and donating items such as desks, chairs, and books. The support program targets schools in regions with lagging infrastructure development. Employees constantly visit recipient schools to assist in the renovation of toilets, hand washing stations, and other facilities, and to present donations of school supplies and other materials.

Meanwhile, the Canon Group in Thailand has continued with its program of voluntary activities at elementary schools. The program aims to build the skills of students while also helping them to cultivate a mindset for future economic independence. In 2021, more than 48 employees visited elementary schools to organize a wide range of activities, including classes in farming and cooking.

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

Preserving Japanese Cultural Assets for the Future Through the Tsuzuri Project

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

In this project, high-resolution facsimiles are created, which are as faithful as possible to the original cultural assets, and then are donated and made public to museums, shrines, or temples associated with the original ones. For making a facsimile, the original artwork, which is valuable as a cultural property, such as folding screens and sliding doors, is first photographed with a digital camera, then high-precision color matching is performed with a proprietary system, and it is printed out by a large-format inkjet printer. Finally, the techniques of traditional Kyoto crafts such as gold leaf and mounting are added to complete the facsimile. This project contributes to the preservation and spread of Japanese culture by balancing the preservation of

important Japanese cultural assets and the utilization of those facsimiles.

In 2021, the project donated high-resolution facsimiles of two works designated as National Treasures. A facsimile of *Kujaku Myo'o* (Mahamayuri; Tokyo National Museum collection) was donated to the National Institutes for Cultural Heritage, and a facsimile of *The Wind and Thunder Gods* by Tawaraya Sotatsu was donated to its owner, Kenninji Temple.

Moreover, in a joint research project with the National Center for the Promotion of Cultural Properties (CPCP) aimed at utilizing Japanese cultural properties by using high-resolution facsimiles, facsimiles of three



Exhibit at the Tokyo National Museum using a high-resolution facsimile of the National Treasure hanging scroll *Kujaku Myo'o* (Mahamayuri)

works, including *Maple Viewers* by Kano Hideyori (National Treasure), were made. Along with other facsimiles donated by the Tsuzuri Project, these pieces played a prominent role in events such as "The Door to Japanese Art," an interactive exhibition space hosted by the Tokyo National Museum.

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

Contributing to Society Through Rugby

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

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

In 2021, the team held career education classes and tag rugby workshops at 21 elementary schools, with a total of 1,650 students participating. Also, to support recovery efforts in the disaster-stricken Tohoku region, the team held a rugby clinic (classes and coaching) for junior high school students in Miyagi prefecture.

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

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

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

Over the past 13 years, the Canon Foundation has disbursed a total of 192 research grants totaling ¥3.4 billion. The foundation enjoys recognition from universities and public research institutions across Japan as a distinctive research grant foundation which provides an average project grant of around ¥20 million—a relatively high amount mainly for fledgling research projects and young researchers just starting out.

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

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

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

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

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

Stakeholder Engagement

Basic Approach

Canon thinks it is important to have ongoing dialogue with its diverse stakeholders to communicate the company's thinking to them and to listen carefully to their feedback with the aim of deepening mutual understanding. We consequently strive to maintain close communication with stakeholders using departments in charge at Group companies worldwide as points of contact. Responding to the issues identified based on the opinions we receive from stakeholders, we deal appropriately with the needs of each region, and at the same time, we share important issues related to global management throughout the Group and work to resolve them.

Comments or requests received from external stakeholders via the Canon website* are shared with relevant departments and answered promptly. We are

working to enhance Canon's activities further through appropriate opinion exchanges with corporate consultants, investors, and experts, as well as a range of NGOs and NPOs.

Moreover, the preparation of this report involves several rounds of direct discussion with third parties regarding its content, starting from the planning stage (→P138–140). We also try to ensure report disclosures meet the expectations of all stakeholders by canvassing the views of investors, shareholders, and sustainability experts.

Specific dialogue and engagement in 2021 with stakeholder groups that Canon regards as of high importance for its business activities are outlined below.

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

Examples of Joint Initiatives with Stakeholders

Human Rights Initiatives

We undertook dialogue with stakeholders as part of human rights-related initiatives in 2021. We received expert advice from the UK-based sustainability consulting firm Sancroft on the formulation of human rights policy and human rights due diligence (identifying human rights risks). We also engaged in dialogue with the Canon Workers' Union, which represents our employees in Japan, as a major stakeholder affected by human rights-related risks. Focusing on several themes relating to such risks, the discussions resulted in a wide exchange of views and provided an opportunity to confirm the labor union's awareness of the major issues.

Reference: Respecting Human Rights (→P77)



Teleconference with Sancroft on human rights-related issues

Learning about Social Issues Amid the COVID-19 Pandemic

We are developing plans for a range of lectures and other events on the theme of *kyosei*, which means living and working together for the common good. From 2021, amid COVID-19 restrictions on gatherings, we launched an online event series that employees can participate in from their desk at work or at home. Held several times a month, these events help individual employees gain a deeper understanding of social issues with the aim of promoting in-house innovation. With the help of guest speakers from Japan for UNHCR and the Japan Association for the World Food Programme, these events provided opportunities to learn about global issues such as refugees and food waste, as well as various CSR-related topics such as the SDGs, accessibility, and diversity. A total of 1,826 personnel took part in 16 events during 2021.



Delivering an online event

Stakeholder	Topics of Interest	Main Communication Methods	Main Initiatives in 2021*
Educational/ Research Institutions	<ul style="list-style-type: none"> Optical technology Cutting-edge technology Joint research Environmental education related to recycling 	<ul style="list-style-type: none"> Joint research Presentations at international conferences and technical working group meetings Business introductions Outreach classes and instructor dispatch Internship programs to support the career development of students 	<ul style="list-style-type: none"> Classes held at Utsunomiya University (Japan), Center for Optical Research and Education (5 times) Environmental classes for elementary school children (12 times) Visits to Canon Foundation grant recipients, including universities and research institutions (19 times) Meetings to promote joint research initiatives between industry and academia (23 times) Onsite briefings held at universities to introduce Canon and its business operations (approx. 150 times) Regular communications with educational and research institutions such as collaborative R&D conducted with university hospitals in Japan Internships for special support school students (2 students from 2 schools)
Employees	<ul style="list-style-type: none"> Improvement in workplace environments Understanding of management policies Maintenance of employee benefit programs Support for career development Maintenance of personnel evaluation system Maintenance of workplace safety system Cultivation of high company morale 	<ul style="list-style-type: none"> Labor-management meetings Information sharing from top management Training programs Human resource hotline Whistleblower system Safety and Health Committee Company events 	<ul style="list-style-type: none"> Central labor-management meetings (8 times) Labor-management committees on wages, welfare, workplace reforms, etc. (13 times) Career matching system (252 employees) Compliance meetings (2 times) Central Safety and Health Committee meetings (2 times) Regional Safety and Health Committee meetings (at least once monthly at each operational site)
NGOs/NPOs	<ul style="list-style-type: none"> Issues affecting global society such as refugee issues and poverty Disaster relief support Ecosystem protection/conservation Supply chain risks 	<ul style="list-style-type: none"> Collaborative projects, including volunteer activities Information sharing/opinion exchange 	<ul style="list-style-type: none"> Partnership-based biodiversity conservation initiative "Furusato Project" Canon Bird Branch Project in collaboration with the Wild Bird Society of Japan Humanitarian and disaster-relief activities in disaster-affected areas Collaborative biodiversity conservation initiatives in areas around the world Collaboration to achieve a green supply chain
Foreign Governments/ Embassies	<ul style="list-style-type: none"> Support for evaluating and addressing social issues at the bilateral and international levels Building, maintaining, and promoting friendly relations with other countries 	<ul style="list-style-type: none"> Meeting/exchanging views with foreign dignitaries Participation in various types of events Responding to various types of inquiries Cooperation in surveys and questionnaires 	<ul style="list-style-type: none"> Participation in briefings or other meetings with foreign governments and embassies Participation in international discussions and events designed to improve bilateral relations Cooperation in surveys and questionnaires
Local Communities	<ul style="list-style-type: none"> Fulfilling responsibilities as corporate citizen to participate in local community activities Contributions to local communities through business operations Protection/conservation of local community ecosystems 	<ul style="list-style-type: none"> Emergency disaster-relief assistance Disaster-preparedness and crime-prevention drills Involvement in local groups/organizations Local events and volunteer activities Environmental education and awareness activities Community cleanups 	<ul style="list-style-type: none"> Community-based social contribution activities including educational, sports and cultural programs Activities to protect and conserve local ecosystems, such as tree-planting programs Cleanup activities Employee volunteers sent to disaster-affected areas Employee donations for disaster relief
Shareholders/ Investors	<ul style="list-style-type: none"> Medium- to long-term management strategy aimed at achieving continued growth Status of business portfolio transformation Business activity trends and results Financial condition ESG activities 	<ul style="list-style-type: none"> General meeting of shareholders Corporate strategy conference Conferences for institutional investors Individual meetings with institutional investors Website for investors Corporate reports/brochures for investors 	<ul style="list-style-type: none"> Financial results conferences (4 times) Release of corporate governance report Improved disclosure of financial results and related information Quick release of documents relating to general meeting of shareholders, enrichment of voluntary disclosure IR meetings (approx. 240 times) Publication of Canon Annual Report and Sustainability Report Inclusion of financial information in Sustainability Report Disclosures consistent with TCFD (Task Force on Climate-related Financial Disclosures) guidelines (→P32) Discussions aimed at improving content of Sustainability Report
Suppliers	<ul style="list-style-type: none"> Requests to address social issues Procurement policies Improved efficiency of the chemical substance information transmission scheme 	<ul style="list-style-type: none"> Online supplier surveys Procurement annual meeting Promotion of green procurement 	<ul style="list-style-type: none"> Survey covering finance, corporate profile, corporate ethics, responsible minerals sourcing, and environmental conservation (once) Procurement annual meeting (once) Collection and management of information for chemicals in products through chemSHERPA
Central/Local Governments	<ul style="list-style-type: none"> Active support for initiatives addressing societal issues Strengthening ties with companies Promotion of community revitalization 	<ul style="list-style-type: none"> Opinion exchange with central government agencies Opinion exchange with local government authorities Dialogue with economic organizations and industry groups Cooperation in surveys and questionnaires 	<ul style="list-style-type: none"> Policy recommendations via discussions with central government agencies Policy recommendations via activities of economic organizations and industry groups Adoption of central government priority policies Collaboration with central and local government authorities to address social issues Promotion of and support for personnel exchanges between public/private sectors Opinion exchange with local government authorities, participation in and organization of various types of events Introduction/provision of new technologies and solutions, creation of PR videos for tourism Cooperation in surveys/questionnaires for government statistics, industry groups, and economic organizations (75 items)
Other Companies	<ul style="list-style-type: none"> Industry trends Addressing social issues that affect multiple industry sectors Product/technology trends 	<ul style="list-style-type: none"> Collaborative projects Participation in environmental technology initiatives Announcement/promotion of Open COVID-19 Declaration 	<ul style="list-style-type: none"> Joint research with other companies and undertaking of development work Contributions to environmental protection technologies platform Encouraged other companies to join Open COVID-19 Declaration, prepared declaration template Participation in industry initiatives (see P146, Main Association Memberships and External Initiatives)

* Numbers in parentheses represent frequency of activities in 2021

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of May 1, 2022)

Directors *Outside



Chairman & CEO
Fujio Mitarai

Apr. 1961: Entered the Company
Mar. 1981: Director
Mar. 1985: Managing Director
Mar. 1989: Senior Managing Director
Mar. 1993: Executive Vice President
Sep. 1995: President
Mar. 2006: Chairman, President & CEO
May 2006: Chairman & CEO (*daihyo torishimariyaku kaichō*)
Mar. 2012: Chairman & CEO (*daihyo torishimariyaku kaichō ken shachō*)
Mar. 2016: Chairman & CEO (*daihyo torishimariyaku kaichō*)
May 2020: Chairman & CEO (*daihyo torishimariyaku kaichō ken shachō*) (present)

[Important concurrent posts]

- Audit & Supervisory Board Member of The Yomiuri Shimbun Holdings



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

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



Executive Vice President & CTO
Toshio Homma
Head of Printing Group

Apr. 1972: Entered the Company
Jan. 1995: Senior General Manager of Copying Machine Development Center
Mar. 2003: Director
Jan. 2007: Chief Executive of L Printer Products Operations
Mar. 2008: Managing Director
Mar. 2012: Senior Managing Director Group Executive of Procurement Headquarters
Mar. 2016: Executive Vice President
Apr. 2016: Chief Executive of Office Imaging Products Operations
Mar. 2017: Executive Vice President & In charge of Office Business
Apr. 2020: Executive Vice President & CTO & In charge of Printing Business Chief Executive of Digital Printing Business Operations (present)
Apr. 2021: Executive Vice President & CTO (present) Head of Printing Group (present)



Director*
Kunitaro Saida

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

[Important concurrent posts]

- Attorney



Director*
Yusuke Kawamura

Apr. 1977: Entered Daiwa Securities Co. Ltd.
Jan. 1997: General Manager of Syndicate Department of Daiwa Securities Co. Ltd.
Apr. 2000: Professor of Faculty of Economics and the Graduate School of Economics of Nagasaki University
Apr. 2010: Senior Managing Director of Daiwa Institute of Research Ltd.
Jan. 2011: Commissioner of Fiscal System Council of Ministry of Finance
Apr. 2012: Deputy Chairman of Daiwa Institute of Research Ltd.
Feb. 2013: Commissioner of Business Accounting Council of Financial Services Agency (present)
Jun. 2017: Director of Mitsui Sugar Co., Ltd. (currently Mitsui DM Sugar Holdings Co., Ltd.) (present)
Apr. 2019: Executive Counselor of Japan Securities Dealers Association
Apr. 2020: Chairman & CEO of Institute of Glocal Policy Research (present)
Mar. 2021: Director (present)

[Important concurrent posts]

- Director of Mitsui Sugar Co., Ltd.
- Chairman & CEO of Institute of Glocal Policy Research

Audit & Supervisory Board Members *Outside

Audit & Supervisory Board Members



Katsuhito Yanagibashi

Apr. 1980: Entered the Company
 Jan. 2007: General Manager of Consolidated Accounting Division of Finance & Accounting Headquarters
 Jan. 2010: Senior General Manager of Global Accounting Planning Administration Center of Finance & Accounting Headquarters
 Jan. 2013: Senior General Manager of Accounting Standards & System Promotion Center of Finance & Accounting Headquarters
 Jan. 2017: Senior Principal of Finance & Accounting Headquarters
 Jun. 2017: Audit & Supervisory Board Member of Toshiba Medical Systems Corporation (currently Canon Medical Systems Corporation)
 Aug.2017: Left the Company
 Mar.2021: Advisor of Canon Medical Systems Corporation
 Mar.2022: Audit & Supervisory Board Member (present)



Hiroaki Sato

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

Audit & Supervisory Board Members*



Yutaka Tanaka

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



Hiroshi Yoshida

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



Koichi Kashimoto

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

Executive Officers

Executive Vice President

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

Senior Managing Executive Officers

Seymour Liebman
 Executive Vice President,
 Canon U.S.A., Inc.
 Chairman & CEO, BriefCam Ltd.

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

Kenichi Nagasawa
 Group Executive, Corporate Intellectual
 Property and Legal Headquarters
 Senior General Manager, Economic
 Security Office

Eiji Osanai
 Group Executive, Production
 Engineering Headquarters

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

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

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

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

Masanori Yamada
 Head of Imaging Group

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

Katsumi Iijima
 Group Executive, Digital Business
 Platform Development Headquarters

Managing Executive Officers

Shunsuke Inoue
 Group Executive, R&D Headquarters

Soichi Hiramatsu
 Group Executive, Procurement
 Headquarters

Takashi Takeya
 Senior General Manager, Global
 Logistics Management Center

Go Tokura
 Deputy Head of Imaging Group

Hisahiro Minokawa
 Group Executive, Human Resources
 Management & Organization
 Headquarters

Ritsuo Mashiko
 President, Oita Canon Inc.
 President & CEO, Nagasaki Canon Inc.

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

Kazuhiko Nagashima
 Deputy Group Executive,
 Finance & Accounting Headquarters

Yoichi Iwabuchi
 Group Executive, Information &
 Communication Systems Headquarters

Takanobu Nakamasu
 Executive Vice President,
 Canon Europe Ltd.

Tamaki Hashimoto
 Unit Executive, Solution & Recurring
 Product Business Unit

Executive Officers

Nobuyuki Tainaka
 Senior General Manager,
 Global Legal Administration Center

Akiko Tanaka
 Deputy Group Executive,
 R&D Headquarters

Noriko Gunji
 Group Executive,
 Sustainability Headquarters

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

Hidetoshi Kohtani
 Unit Executive, Image Solutions
 Business Unit 1

Katsuhiko Shinjo
 Deputy Group Executive,
 R&D Headquarters

Katsuyoshi Soma
 President, Fukushima Canon Inc.

Masaki Omori
 President, Canon Machinery Inc.

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

Toshiyuki Matsuda
 Unit Executive,
 Peripherals Marketing Unit

Takeshi Ichikawa
 Group Executive, Device Technology
 Development Headquarters

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

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

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

Masahide Kinoshita
 Chief Executive,
 Peripheral Products Operations

Shunji Sawa
 Plant Manager, Toride Plant

Makoto Kambe
 Senior General Manager, Human
 Resources Management &
 Organization Center

Hiroto Fujimori
 Senior General Manager,
 Public Relations Center

Isao Kobayashi
 Senior Vice President, Canon
 U.S.A., Inc.

Corporate Governance

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

Fundamental Policy

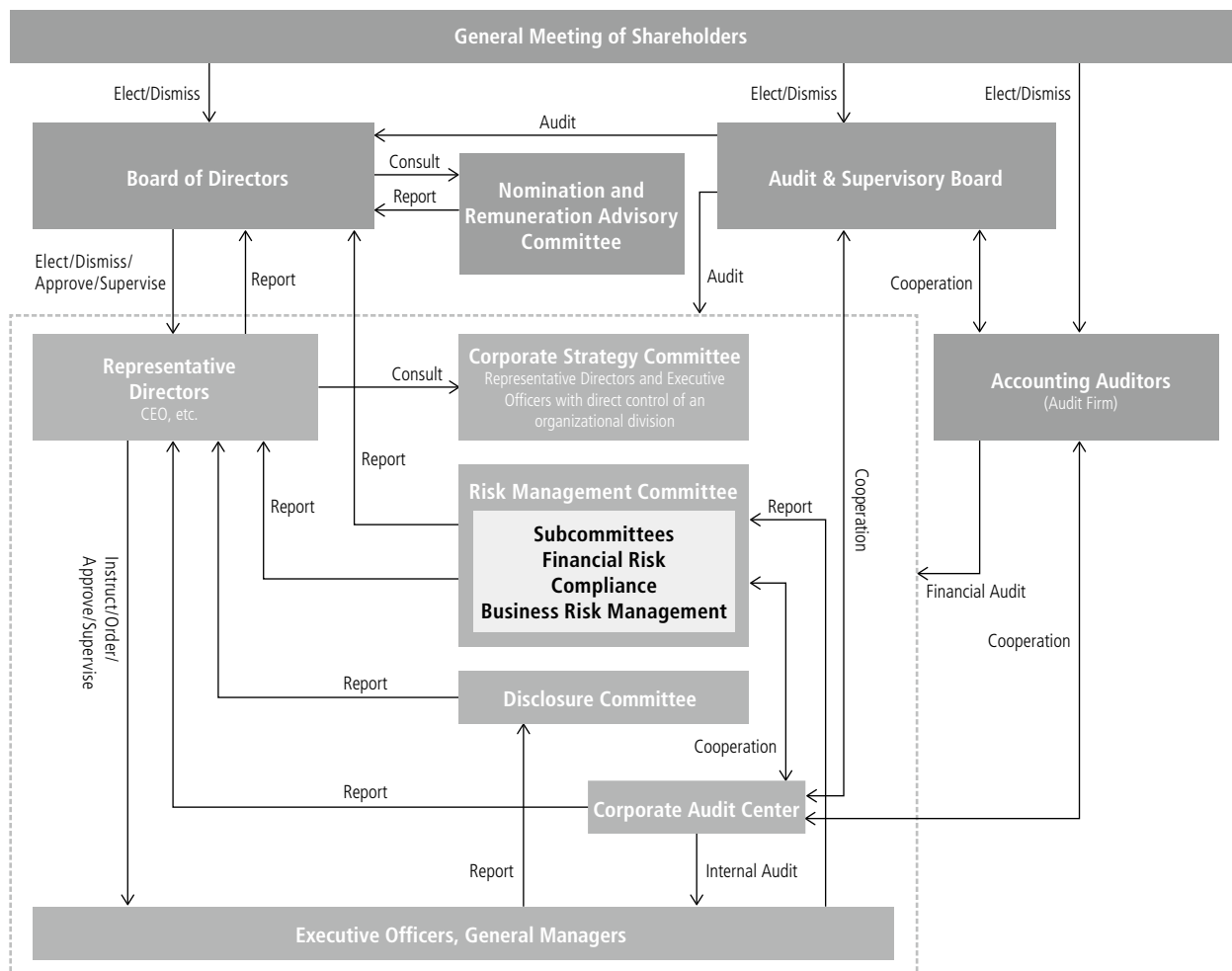
Canon Inc. is globally expanding its businesses in various business fields, including office equipment, consumer products, medical equipment, and industrial equipment, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the entire Canon Group or on matters that straddle several business

fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, Canon Inc. judges the corporate governance structure below to be effective.

History of the Governance Structure

2008	<ul style="list-style-type: none"> Introduced the Executive Officer system
2009	<ul style="list-style-type: none"> Appointed non-Japanese Executive Officer
2010	<ul style="list-style-type: none"> Reduced the number of Directors (from 25 to 17)
2014	<ul style="list-style-type: none"> Appointed Outside Directors (two)
2015	<ul style="list-style-type: none"> Appointed female Executive Officer Started an effectiveness evaluation of the Board of Directors
2016	<ul style="list-style-type: none"> Reduced the number of Directors (from 17 to 6) Established Nomination and Remuneration Advisory Committee Established the Independence Standards for Independent Directors/Audit and Supervisory Board Members

Corporate Governance Structure



Board of Directors

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

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

The Board of Directors consists of five members, three Representative Directors from inside Canon Inc. and two Outside Directors that qualify as Independent Directors. Additionally, there are 42 Executive Officers, including two females and one non-Japanese.

Audit & Supervisory Board

As a body which is in charge of the audit of operations, under the principles of autonomy, which is independent from the Board of Directors, Canon Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.'s businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance and accounting, and internal control. The Audit & Supervisory Board, which is composed of these individuals, cooperates with Canon Inc.'s Accounting Auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

There are five Audit & Supervisory Board Members of which three are Independent Outside Audit & Supervisory Board Members. In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings and other important gatherings such as Corporate Strategy Committee meetings. They are also able to listen to reports from Directors and employees, review documents related to important decisions, and conduct audits by investigating etc. the situation of businesses and property of Canon Inc. and its subsidiaries. Additionally, the Office of Audit & Supervisory Board Members is independent, and it has a dedicated staff. The Audit & Supervisory Board Members can order headquarter management and other operations to conduct investigations in cases of necessity. In this way, the Audit &

Supervisory Board plays a role in monitoring management, conducting strict audits of Directors' execution of duty, including the status of development of the internal control system. Furthermore, the Audit & Supervisory Board Members cooperate closely with the Accounting Auditors and Canon Inc.'s internal auditing arm, and such cooperation services to improve each monitoring function.

Corporate Strategy Committee, Risk Management Committee, and Disclosure Committee

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

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

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

Internal Audit Division

Canon Inc. has established the Corporate Audit Center as its internal auditing division, which audits, evaluates, and makes recommendations on compliance and internal control systems etc. The Corporate Audit Center also conducts audits on topics such as quality, the environment, and information security. Audit results are reported not only to the CEO and CFO, but also to the Audit & Supervisory Board Members and the Audit & Supervisory Board as described in "Cooperation between Audit & Supervisory Board Members and Internal Auditing" (→P111). In addition, Canon Inc. has established a system in which reports are also regularly given to Outside Directors and those Outside Directors can request submission of proposals to the Board of Directors, as necessary.

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

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

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

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

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

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

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

Board of Directors’ Skill Matrix

The skills that Canon Inc.’s Board of Directors should generally possess overall, and the skills possessed by each current Director are publically disclosed on the website below. Canon Inc., taking into account the changing

business environment, and as appropriate, will continue to explore the most suitable makeup of the Board of Directors, reviewing the skills that Canon Inc.’s Board of Directors should possess overall.

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

Analyzing and Evaluating the Effectiveness of the Board of Directors

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

- As for the operation of Board of Directors (including the appropriateness of when documents are distributed, how often meetings are held, and the time spend deliberating)
- As for the decision making and supervisory function of the Board of Directors (including the appropriateness of agenda items and agenda criteria of the Board of Directors as well as appropriateness etc. of content that is reported.)
- 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 2021, at the Board of Directors meeting held in February 2022, it was determined that there was no problem with the effectiveness of Board of Directors meetings due to ongoing measures to enhance deliberation at these meetings. These measures include, providing Outside Directors and the Audit & Supervisory Board with prior explanations of the meeting agendas, sharing management information by having Outside Directors attend Corporate Strategy Committee meeting, etc., and the periodical exchanging of opinions between Outside Directors and the Audit & Supervisory Board based on the findings of Audit & Supervisory Board Members, and creating opportunities for Outside Directors and Audit & Supervisory Board Members to receive individual explanations from each business group about their business strategy. 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.

Training Policy for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members, when assuming their positions, training is carried out with the aim of thoroughly understanding their roles and responsibilities and securing necessary or useful knowledge for them to properly fulfill their duties. Also incumbent Directors and Audit & Supervisory Board Members can, at Canon Inc.'s expense, attend training courses held inside and outside the company. Furthermore, Outside Directors and Outside Audit & Supervisory Board Members, to familiarize them with the company's business, are given

opportunities, including attending important meetings such as meetings of the Corporate Strategy Committee, holding meetings with the person in charge of business divisions, and visiting operation sites as necessary.

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

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

In addition, all of our Outside Directors and Outside Audit & Supervisory Board Members are registered as Independent Directors/Audit & Supervisory Board Members with the stock exchanges of Tokyo, Nagoya, Fukuoka and Sapporo in accordance with the requirements of the relevant stock exchange.

Reference: Independence Standards for Independent Directors/Audit and Supervisory Board Members
<https://global.canon/en/ir/strategies/governance.html>

Outside Directors and Outside Audit & Supervisory Board Members

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

Cooperation between Audit & Supervisory Board Members and Internal Auditing

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

Cooperation between Audit & Supervisory Board Members and Accounting Auditors

Audit & Supervisory Board Members and the Audit and Supervisory Board, prior to the start of an audit, receive briefs from the Accounting Auditors which include an overview of the audit plan and an explanation of important audit matters, and confirms validity. Additionally, information is shared when necessary, by receiving reports regarding the results of internal audits, and through audits and quarterly reviews given by Accounting Auditors. Furthermore, on top of being present for audits, meetings are held with the Accounting Auditors that are in charge of auditing major related companies, during which efforts are made to grasp the audit situation.

As for the Accounting Auditors' system for managing the quality of the audit, detailed explanations are received during which validity is confirmed. For the purpose of monitoring the independence of the Accounting Auditors, an Audit & Supervisory Board pre-approval system, targeting details of the auditing contract and amount of remuneration was introduced.

Executive Compensation

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

<Basic Remuneration>

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

<Bonus>

As a reward for Director 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 grant. 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.

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

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

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

2021 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Category of Position	Number of Directors and Audit & Supervisory Board Members	Remuneration Amounts by Classification (millions of yen)			Remuneration Amounts (millions of yen)
		Basic Remuneration	Bonus	Stock-type Compensation Stock Option	
Directors (excl. Outside Directors)	3	565	232	36	833
Outside Directors	3	48	–	–	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	2	43	–	–	43
Outside Audit & Supervisory Board Members	3	58	–	–	58

* The above number of Outside Directors includes one Outside Director who has resigned at the end of the Ordinary General Meeting of Shareholders for the 120th Business Term held on March 30, 2021.

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

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

Policy for Constructive Dialogue with Shareholders

Policy

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

Structure to Promote Dialogue

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

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

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

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

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

Controlling Insider Information

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

Risk Management

Basic Approach

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

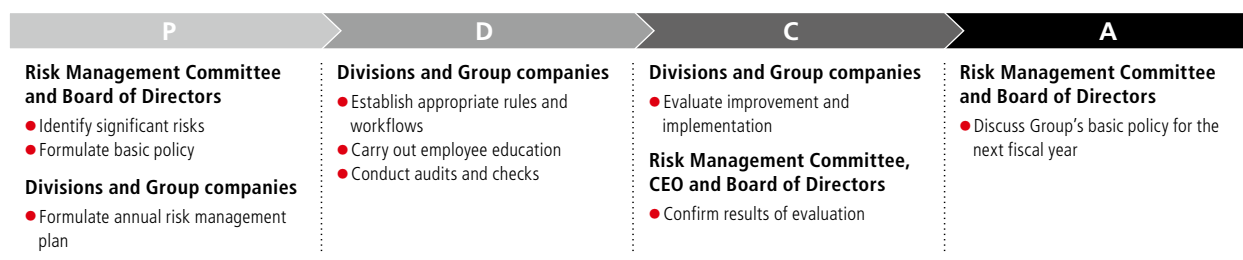
Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the Executive Vice President, the committee has established three subcommittees: the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.

The Risk Management Committee develops various measures to promote our risk management activities,

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.

The Committee also creates an annual basic policy for risk management activities and, after obtaining the approval of the Board of Directors, carries out risk management activities within Canon Inc. divisions and Group companies. The Committee evaluates the improvement and implementation of the risk management system for each division and Group company and reports the results of such evaluations to the CEO and Board of Directors. Results of evaluations conducted in 2021 showed no material flaws in the system.

Processes for Implementation and Maintenance of Risk Management System



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

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

Group-wide Risk Management Communication

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

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

In addition, an intranet website provides employees of Canon Inc. and Group companies with timely information, including 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 based on an agreed Group-wide policy outlining the necessity and purpose of financial risk management. Each company implements its own PDCA cycle to review business procedures for financial risk. In this way, we 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 2021 were effective.

Promoting Compliance

The Compliance Subcommittee works to promote corporate ethics across the Group in accordance with the Canon Group Code of Conduct, developing and regularly reviewing the Group's compliance system. As a result of these initiatives, Canon had another year free from material fines or other sanctions in 2021.

Sections of the Canon Group Code of Conduct (Extract)

Management Stance

1. Contribution to Society

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

2. Fair Business Activities

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

Code of Conduct for Executives and Employees

1. Compliance with Corporate Ethics and Laws

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

2. Management of Corporate Assets and Property

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

3. Management of Information

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

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

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

5. Maintenance and Improvement of Working Environment

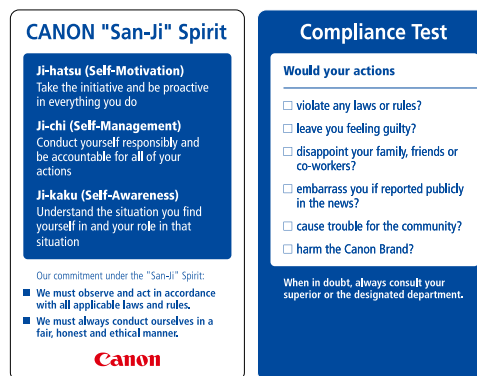
- Respect for the individual and prohibition against discrimination
- Prohibition against sexual harassment
- Prohibition against bringing weapons or drugs to the company workplace

Promoting Corporate Ethics

■ Canon Group Code of Conduct and Compliance Card

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

In addition, a Compliance Card that employees can carry with them has been created in Japanese and more than 20 other languages, including English, French, and Chinese, and given out to Group executives and employees worldwide. Written on one side of the card is the *San-ji* (Three 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. 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.

Risk Management

■ 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 is received of a possible compliance violation, an investigation is launched to establish the facts and a final decision is made as to whether infringement has taken place. If a compliance violation is determined to have occurred, the necessary corrective action is taken along with measures to prevent recurrence.

An internal reporting system has also been established at nearly all Group companies worldwide. Canon Inc. receives biannual reports from Group companies on the operational status of their respective compliance hotline systems. These biannual reports from each company include not only the number of cases filed but also a summary of each case, investigation results and response, 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 determined to have occurred. The analysis results are reported on a yearly basis to the Risk Management Committee and fed back to each Group company.

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

The number of reports received in 2021 by the entire Group with its 184,034 employees was 248, mainly from Asia (including Japan) and the Americas. Of those with an investigation completed as of the end of 2021, compliance violations were confirmed in 47 cases. The reports received in 2021 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, many countries have begun to place increased 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. Accompanying this 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 (→P22) 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 (→P114) 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 (→P120) of suppliers as part of our supply chain management to check whether measures are in place to prevent the acceptance of bribes or inappropriate benefits. Finally, the Risk Management Committee undertakes an annual evaluation of the improvement and implementation of the risk management system, which includes such anti-corruption systems, and reports the results of such evaluations to the CEO and Board of Directors.

In 2021, Canon was not subject to any fines, penalties, or other sanctions in connection with violations of anti-corruption laws or regulations.

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

■ Protecting Personal Information

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

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

Starting in 2015, we expanded the scope of these activities to include Group companies, creating a centralized management system covering the entire Group. As a result, in 2021 the Group had another year free of serious incidents involving the loss or leakage of personal information, and did not receive any privacy infringement complaints from customers.

In regard to the EU's General Data Protection Regulation (GDPR), implemented in May 2018, Canon Inc. entrenched the systems and compliance rules that it established in 2018.

Since then, 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 is monitoring these legislative trends and will respond 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.

Risk Management

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 (→P113), 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 2021, information security checks were again carried out at 23 Group companies in Japan and 27 Group companies overseas.

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

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

■ Information System Security Measures

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

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

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

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

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

Availability: Make data accessible to authorized personnel when needed.

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

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

■ Security Measures for Production Facilities

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

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

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

■ Information Security Training to Raise Employee Awareness

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

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

In 2021, roughly 25,000 employees, equivalent to Canon Inc.'s entire workforce, underwent information security training, the content of which was designed to improve information security literacy*. Participants studied changes in the kind of attack, associated levels of risk, and precautions to take when working from home, with reference made to salient examples of cybersecurity incidents. In addition, special training sessions based on a targeted email attack were conducted involving all 82,000 Canon Inc. and Group company employees. This was intended to provide practical instruction in how to respond appropriately to suspicious emails and thus avert

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

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

Business Continuity Plan

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

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

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

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

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

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

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 2021, 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

	2017	2018	2019	2020	2021
Taxes on income before income taxes (hundred million yen)	980	962	561	343	719
Effective tax rate on income before income taxes (%)	27.7	26.5	28.7	26.4	23.7

Supply Chain Management

Basic Approach

Guided by its philosophy of *kyosei*, Canon sets out its basic approach to procurement in its Procurement Policy, which promotes the fair and equitable conduct of business with due consideration for corporate ethics, environmental conservation, and other key concerns.

Additionally, in 2019 Canon joined the Responsible Business Alliance (RBA), a coalition of companies that promotes socially responsible global supply chains. Canon works through the alliance to further ensure that its procurement activity considers the needs of the global environment, people, and society.

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

Reinforcing Compliance in Procurement

Canon not only complies with laws and regulations on procurement globally, but also ensures complete fairness and transparency in dealings with its suppliers. Specifically, we established the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement, which stipulates appropriate actions that persons in charge of procurement as well as executives and employees responsible for placing orders should keep closely in mind in order to maintain high standards of legal compliance and corporate ethics. Also, Canon's business processes are uniform across its global network based on a common set of detailed rules on procurement practices in place for Group companies worldwide.

To ensure company-wide consistency and uniformity, a department in charge of internal Group controls was set up in the procurement division at Canon Inc. to maintain the rules, monitor compliance, and provide training for employees.

Promoting Open Procurement to Companies Worldwide

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

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

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

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

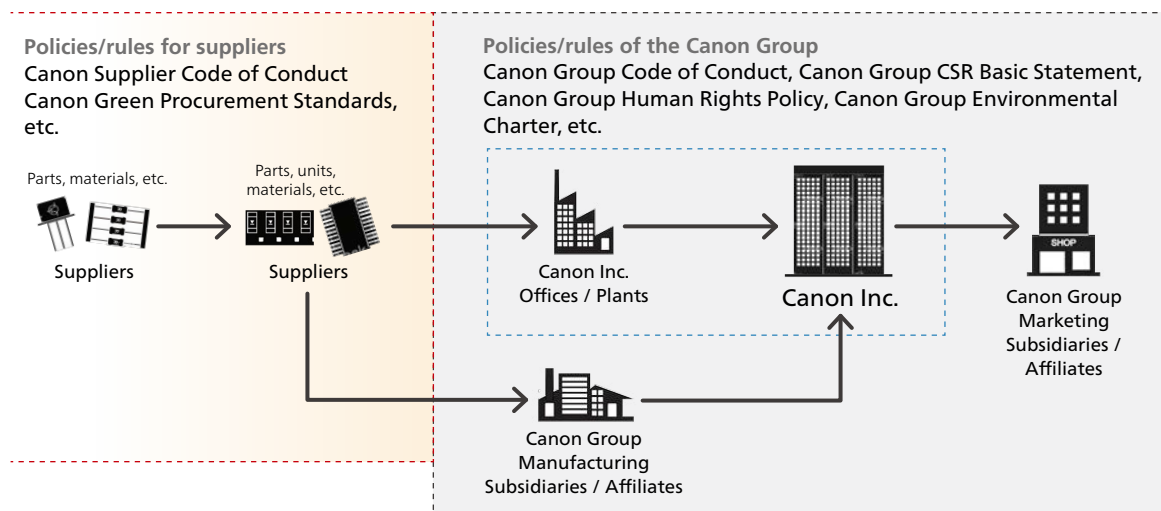
Fulfillment of Social Responsibility in the Supply Chain

Canon's Supply Chain

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

Many manufacturers outsource assembly operations or other production processes to outside contractors; however, due to the strong focus and importance Canon places on manufacturing, we not only carry out product assembly but also manufacture certain

Canon's Supply Chain



* Blue rectangle indicates Canon Inc. operations.

components, parts and materials in house at Canon Inc. operational sites or at Group manufacturing companies (hereinafter “Canon production sites”). Group manufacturing companies located in Japan, China, Taiwan, Malaysia, Thailand, the Philippines, Vietnam, the United States, and Europe are responsible for supplying Canon products to Canon Inc. as well as Group marketing subsidiaries and affiliates. As the head of the Canon Group, Canon Inc. supervises Group manufacturing companies that directly employ large numbers of people.

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

Supply Chain-related Policies

Canon has established the Canon Group Code of Conduct as the set of standards which executives and employees of the Canon Group are required to observe in the conduct of their duties. Based on the Code of Conduct, the Group has formulated a range of policies, covering matters such as human rights, labor, the environment, legal compliance, procurement, and security, to govern its business activities. These policies include the Canon Group CSR Basic Statement, the Canon Group Environmental Charter, and the Canon Group Human Rights Policy.

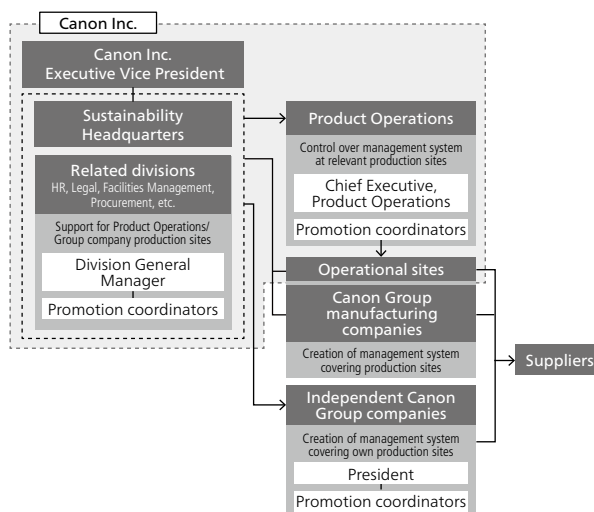
Meanwhile, our Procurement Policy sets out the Canon Group’s basic approach to procurement. We request all suppliers to ensure that they understand and cooperate with the policy. We have also formulated the Canon Supplier Code of Conduct, based on the RBA Code of Conduct, as the basis for fulfilling social responsibilities in the supply chain. We are working with suppliers to develop a socially responsible global supply chain on issues such as labor, occupational health and safety, the environment, corporate ethics and management systems. We also request from second-tier suppliers understanding and adherence to the Canon Supplier Code of Conduct through first-tier suppliers. We publish the code on our corporate website to make it widely known to stakeholders while making it known to suppliers globally through an annual survey.

Reference: Canon Group CSR Basic Statement
<https://global.canon/en/csr/policy/pdf/statement-e.pdf>
 Reference: Canon Group Human Rights Policy
<https://global.canon/en/csr/people-and-society/pdf/hr-policy-e.pdf>
 Reference: Canon Supplier Code of Conduct
<https://global.canon/en/procurement/pdf/coc-e.pdf>

Canon Group initiatives

As the headquarters of the Canon Group, the headquarters divisions, product operations and auditing divisions at Canon Inc. verify the situation at Group companies around the world from the standpoints of internal controls and risk management. In addition, Canon production sites conduct self-assessments relating to labor, health and safety, environment, ethics, management systems, etc., using the RBA Self-Assessment Questionnaire (SAQ). In 2021, we conducted SAQ at 54 production sites of our core businesses. No major risks were identified; however, we recognized some issues for improvement, including policy development, which is required by the RBA, documentation of management procedures, and requests to labor agencies and service providers for compliance with the RBA Code of Conduct and monitoring of their compliance.

Organizational Structure



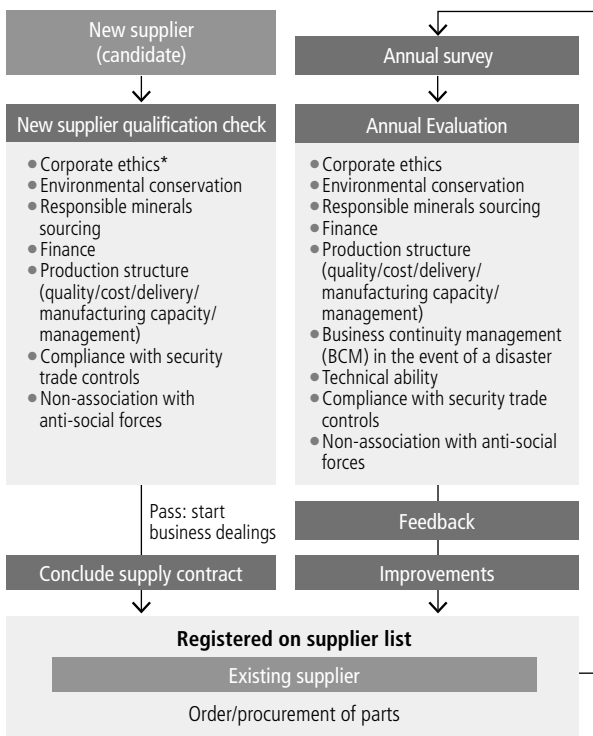
Initiatives with Suppliers

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). (See “Supplier Evaluation System” on P121.)

Supply Chain 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 (see figure below, Supplier Evaluation System) and makes a comprehensive evaluation based on the survey results, performance as a supplier, and other factors. The results are then reflected in the supplier list, enabling us to preferentially deal with suppliers with high evaluations. We conduct on-site audits of suppliers with low evaluations and provide guidance and instruction for improvement. In particular, Canon may choose to terminate business with suppliers if they are not complying with laws and social norms covering areas such as human rights, labor, and the environment.

Supplier Evaluation System



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

Canon is also working to identify risks using the RBA SAQ. In 2021, we sent out the questionnaire to 346 suppliers related to major business operations (“major suppliers”) and received responses from 330 companies (representing 491 sites). No High Risk businesses were identified 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 request major suppliers to sign an agreement concerning the RBA Code of Conduct. Out of 346 requests, consent was obtained from 326 (94.2%) major suppliers.

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

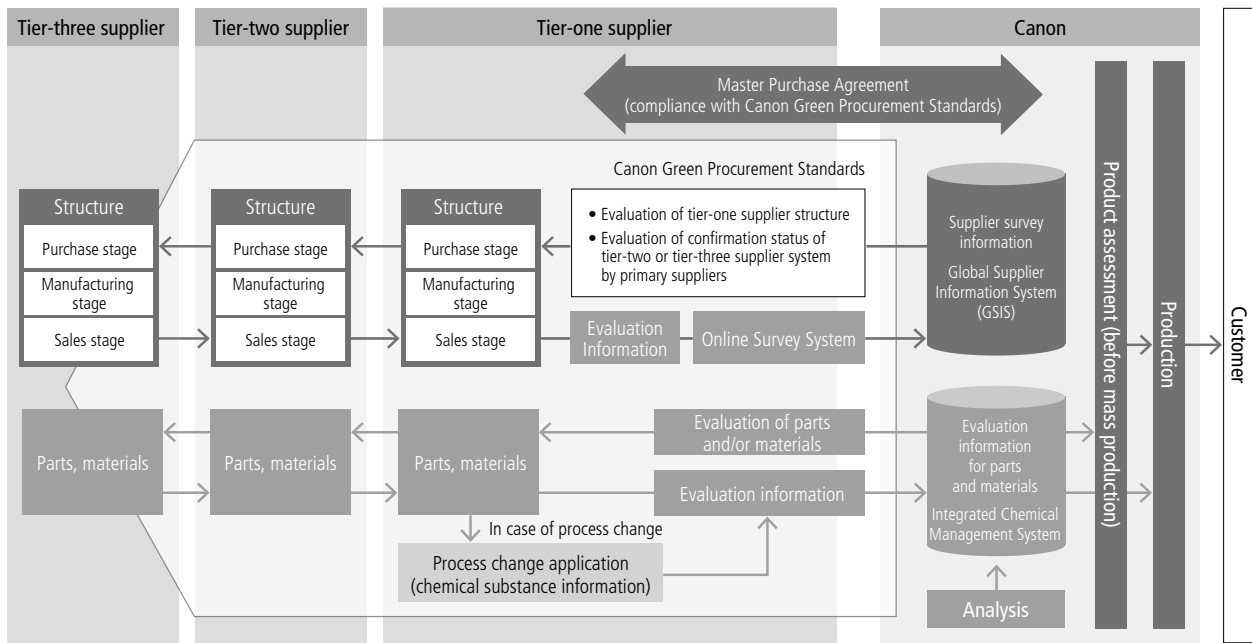
Requirements of the Canon Green Procurement Standards

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

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

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.

Hazardous Chemical Substances Management System



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

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



Meeting with IPE personnel

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

Supply Chain Management

Cooperation with Suppliers

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept*, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide, while taking the environment into consideration.

We hold business briefings for suppliers at each Canon Inc. operational site and each Group production site, seeking their understanding of procurement policies and their cooperation with business plans. The Group Executive in charge of Procurement Headquarters at Canon Inc. also requests major suppliers worldwide to comply with the Canon Supplier Code of Conduct, which includes items related to the environment and human rights. Procurement annual meeting, which explains procurement policies and reports on activities, are also held to strengthen links with suppliers.

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

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

Hotline for Risks in the Supply Chain

Canon has set up a hotline to allow anyone inside or outside the company to freely 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: Inquiries about CSR Activities
<https://global.canon/en/contact/csr/csr-form-e.html>

Addressing the Issue of Responsible Minerals Sourcing

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

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

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

Due Diligence

Canon investigates the countries of origin of minerals and exercises due diligence, following the 5-step framework recommended by the Organisation for Economic Co-operation and Development (OECD) in its Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) (Third Edition).

Based on a common Group-wide policy and survey reporting system, Canon identifies products that could contain certain metals or minerals and then conducts investigations of the parts and materials in question, tracing up the supply chain to determine places of origin. Canon exercises due diligence to identify any risk of funding armed groups along with human rights and environmental risks in conflict and high-risk areas around the world. The surveys utilize the Conflict Minerals Reporting Template (CMRT) Revision 6.1 published by the Responsible Minerals Initiative (RMI*), which has been updated to allow assessment of the abovementioned risks. In addition, we use internally developed formats to identify mineral sourcing risks. If investigations uncover significant risks, we work with suppliers to switch to low-risk supply chains, enabling us to carry out socially responsible minerals sourcing.

* An international program that plays a leading role in the response to conflict minerals.

Cooperation with Industry Groups

Since April 2015, Canon has supported the activities of the RMI, an international program focused on addressing the issue of conflict minerals.

In Japan, Canon is active as a leading member of the Responsible Minerals Trade Working Group (RMTWG) of the Japan Electronics and Information Technology Industries Association (JEITA). Canon is also a member of the Conflict Free Sourcing Working Group (CFSWG), which cooperates with JEITA and leading Japanese automakers.

Initiatives to Reduce Risk

Supplier cooperation is essential in identifying places of origin for minerals and related smelters. Canon takes steps to gain the understanding of suppliers and seek their cooperation with mineral sourcing investigations. This includes compiling a guidance manual on related procedures.

Furthermore, Canon established a page entitled "Procedure for the Submission of Concerns Regarding

Mineral Risk” on its official website in 2015. Parties with specific concerns and/or information regarding circumstances of extraction, trade, handling and export of minerals (tantalum, tin, gold and tungsten) in conflict-affected and high-risk areas as they pertain to Canon product supply chains (such as facts indicating that those minerals are the source of funds for armed groups in conflict-affected areas and human rights violations) can contact Canon through this page.

Reference: Procedure for the Submission of Concerns Regarding Mineral Risk
<https://global.canon/en/contact/conflict/conflict-form-e.html>

Compliance with US Dodd-Frank Act (Conflict Minerals)

Tin, tantalum, tungsten and gold (3TG) produced in conflict-affected and high-risk areas are said by the United Nations and other authorities to have been used in some cases to provide funding for armed groups allegedly responsible for serious human rights violations, environmental destruction, illegal mining, and other issues. This is generally referred to as the “conflict minerals issue.”

In response, the United States introduced the Dodd-Frank Act in January 2013, which requires listed companies to investigate and disclose whether minerals and metals from the Democratic Republic of the Congo (DRC) and neighboring countries contained in their products could have been used to fund armed groups.

As a listed company in the United States, Canon is required to submit a Conflict Minerals Report each year by the end of May to the U.S. Securities and Exchange Commission (SEC) detailing the status of Canon Group activities to address the conflict minerals issue. In 2021, Canon sent CMRT-based surveys to roughly 3,200 suppliers with a response rate of about 93%.

Recognizing the innate difficulties involved in identifying smelters being utilized, or lack of clarity in many responses due to its complicated supply chain, Canon was unable to determine whether the Group's purchasing of parts and materials financed or benefitted armed group in the DRC region. Canon is working for further identification of risk and improvement. Smelters investigated in the survey are disclosed through a Conflict Minerals Report submitted to the U.S. Securities and Exchange Commission (SEC) annually.

In Europe, meanwhile, April 2021 saw the enactment of the EU's Conflict Minerals Regulation, whose scope is not limited to the DRC and neighboring countries. Canon is not affected by this regulation, but it has carried out a risk assessment of the other countries involved.

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

Response to Expanding Risk

Recent years have seen heightened worldwide attention given to the procurement risk associated also with non-3TG mineral substances. Specifically, cobalt — in growing demand for its use in lithium-ion batteries and other applications — is the focus of concern over potential human rights violations, including child labor, at mining locations. From 2021, Canon began providing all suppliers subject to survey with a copy of the industry standard cobalt regulations (Cobalt Reporting Template of the Responsible Minerals Initiative) in order to investigate the status of cobalt use in Canon products and conduct related risk analysis. We will continue responding to this risk in collaboration with suppliers and industry associations.

Independent Assurance Report

Canon undergoes audits by independent private sector experts to gain independent assurance on whether the Group's initiatives on conflict minerals investigation conform to international standards in the form of the OECD Guidance. An independent assurance report is attached to the Conflict Minerals Report filed with the SEC.

Compliance with UK Modern Slavery Act

The Modern Slavery Act 2015 enacted in the United Kingdom in 2015 mandates that enterprises of a certain scale operating in the UK publish annual statements detailing the risk of forced labor, human trafficking and child labor within their own operations and supply chain. 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/2020_modern_slavery_statement
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/94/b1/05/axis-modern-slavery-act--transparency-statement-2021-en-US-360048.pdf>

Intellectual Property Management

Approach to Intellectual Property

Canon has always been an R&D-led company. Our growth as an enterprise relies on proactive R&D to support the creation of new markets and customer segments based on the development of products using proprietary technologies. This history underpins our belief that it is products and intellectual property (IP) that are the fruits of R&D. Canon's IP Division emphasizes the role of intellectual property activities in supporting business development.

Basic Policy of IP Activities

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

Integrating IP Activities Company-wide

Canon has a tradition of appointing executives with a background in IP, which means that intellectual property activities are firmly integrated and their significance is well understood throughout the company. As a result, our IP Division is able to work closely not only with R&D but also with all divisions, from production to marketing, in promoting related activities.

With all divisions acting as a team to create and protect intellectual property, Canon is able to carry out world-class IP activities.

Respecting Intellectual Property Rights

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

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

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

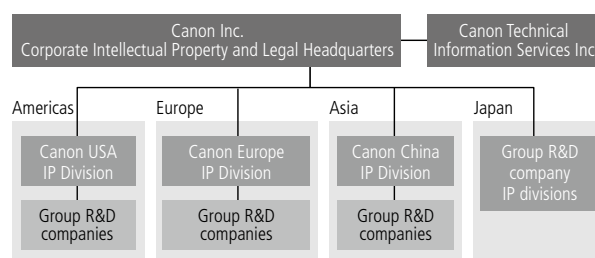
IP Rights Management System

At Canon, the Corporate Intellectual Property and Legal Headquarters at Canon Inc. works with the IP divisions

of Group companies to formulate a set of global management rules, specifying matters such as roles and responsibilities in the handling of intellectual property and procedures for setting IP policy.

This approach enables us to coordinate IP activities across the group and make effective use of Canon Group's patents as a whole. Meanwhile, we are striving to maximize profits by optimizing the patent portfolio while collaborating as needed in legal proceedings and licensing activities.

IP Rights Management System



Development of Human Resources for IP

In addition to personnel transfers within the Corporate Intellectual Property and Legal Headquarters, Canon encourages active sharing of IP-related human resources in both directions between Canon Inc. and Group companies worldwide. Such exchanges promote the sharing of knowledge and the creation of an integrated culture, which makes for stronger IP activities across Canon while also supporting the professional development of employees in the field.

Our IP Division also loans a few employees to central government agencies and other outside organizations every year. Along with contributing in such areas as policy-making, this arrangement helps Canon cultivate IP-related human resources with a broad-based outlook and a medium- to long-term perspective based on experience gained outside the Canon Group.

Participation in Formulation of Intellectual Strategy Policy

As a company involved in the utilization of IP for global business development, Canon also plays a role in the formulation of IP-related policy. The head of our Corporate Intellectual Property and Legal Headquarters serves as a member of the Study Group on Licensing Environment of Standard Essential Patents established by Japan's Ministry of Economy, Trade and Industry. He also contributes to public debate as a representative of various business associations, including roles as Vice Chairperson of the Japan Intellectual Property Association, Chairman, Sub-Committee on Policy Planning, Committee on Intellectual Property of Keidanren (Japan Business Federation), and President of the Licensing Executives Society Japan.

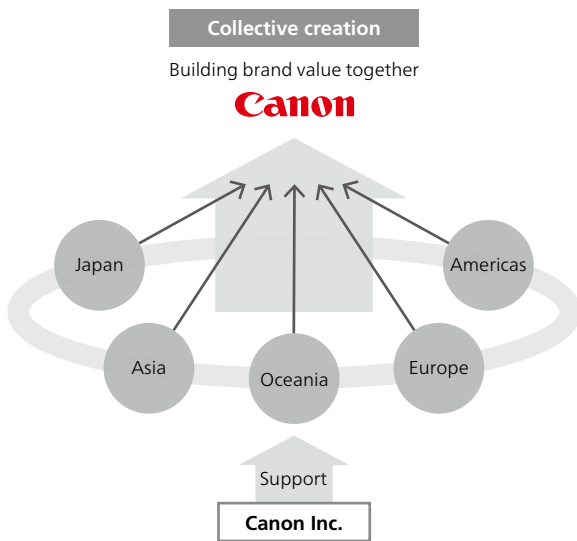
Brand Management

Approach to Brand Management

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

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

Concept Behind Brand Management Activities



Brand Management System and Rules

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

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

The Brand Management Committee provides advice and support regarding the appropriateness of trade names and product names from a brand perspective, as well as use of trademark Canon on proposed new business. Canon has formulated a set of brand management rules to ensure that its employees use the Canon brand in compliance with regulations and enhance the value of the Canon brand through the trust of customers and society. Moreover, to disseminate this information across the entire Group, we send notifications or publicize changes on our company intranet and brief the brand management divisions of each regional marketing headquarters.

Promoting Awareness of the Canon Brand

Canon carries out brand education programs at all Group companies in the countries and regions where it operates to ensure that employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand." For example, we conduct brand education as part of our rank-based training curriculum and also use our intranet system to raise awareness.

We provide brand-related training to meet differing needs, whether for staff with work responsibilities directly connected to the Canon brand, staff who wish to deepen their brand knowledge (intellectual property law training), or staff on overseas assignment. In particular, when brand management rules are revised in response to changes in the business environment or when new operational issues arise, we update the training content to keep staff informed.

Measures to Tackle Counterfeiting

Counterfeit products cannot be overlooked by any means as they not only damage the brand but may also lead to economic losses arising from malfunctions or inferior quality, and in the worst case, cause injury to customers who purchased a product trusting the Canon brand.

We are engaged in active anti-counterfeit measures on a global basis. We crack down on factories that manufacture counterfeit goods and retail locations that sell them, while working with local customs authorities to stop their importation. We have strengthened cooperation with customs authorities on various initiatives worldwide, including dispatching employees to serve as lecturers for verification seminars for customs officers and for anti-counterfeit training programs hosted by customs authorities. Moreover, in response to the worldwide spread of online counterfeit sales, we are strengthening our efforts to monitor and remove counterfeit goods sold online. We are also focusing on creating an environment to prevent the circulation of counterfeit products on the Internet in collaboration with e-commerce sites.

Data Summary

Financial Data

Canon Inc. and Subsidiaries

	2012	2013	2014
(Millions of yen)			
Net sales:	3,479,788	3,731,380	3,727,252
Domestic	720,286	715,863	724,317
Overseas	2,759,502	3,015,517	3,002,935
Percentage of previous year (%)	97.8%	107.2%	99.9%
Cost of sales	1,829,822	1,932,959	1,865,780
Gross profit	1,649,966	1,798,421	1,861,472
Gross profit ratio (%)	47.4%	48.2%	49.9%
Operating profit	324,421	336,623	345,354
Operating profit ratio (%)	9.3%	9.0%	9.3%
Net income attributable to Canon Inc.	224,854	229,829	254,627
Net income attributable to Canon Inc. ratio (%)	6.5%	6.2%	6.8%
Advertising	83,134	86,398	79,765
Depreciation of property, plant and equipment	258,133	275,173	263,480
Increase in property, plant and equipment	306,661	227,478	224,760
Net cash provided by operating activities	384,077	507,642	583,927
Net cash used in investing activities	-212,740	-250,212	-269,298
Free cash flow	171,337	257,430	314,629
Net cash provided by (used in) financing activities	-319,739	-222,181	-300,886
Long-term debt, excluding current installments	2,117	1,448	1,148
Canon Inc. shareholders' equity	2,592,630	2,904,212	2,971,963
Inventories	551,623	553,773	528,167
Total assets	3,959,542	4,246,796	4,464,854
Per share data (Yen)			
Net income attributable to Canon Inc. shareholders per share			
Basic	191.59	200.21	228.88
Diluted	191.58	200.21	228.88
Dividend per share	130	130	150
Stock price			
High	4,015	4,115	4,045
Low	2,308	2,913	2,889
Key Performance Indicators			
Canon Inc. shareholders' equity to total assets ratio (%)	65.5%	68.4%	66.6%
Inventory turnover in days (Days)	57 days	52 days	50 days
ROA (%)	5.7%	5.6%	5.8%
ROE (%)	8.8%	8.4%	8.7%
Dividend payout ratio (%)	67.1%	64.8%	64.7%

* Fiscal year figures from 2012 to 2019 were restated to account for provision for paid leave.

* Capital expenditure is the total of tangible and intangible assets.

	2015	2016	2017	2018	2019	2020	2021
	3,800,271	3,401,487	4,080,015	3,951,937	3,593,299	3,160,243	3,513,357
	714,280	706,979	884,828	869,577	872,534	806,305	830,378
	3,085,991	2,694,508	3,195,187	3,082,360	2,720,765	2,353,938	2,682,979
	102.0%	89.5%	119.9%	96.9%	90.9%	87.9%	111.2%
	1,865,887	1,729,489	2,089,461	2,116,383	1,983,266	1,784,375	1,885,565
	1,934,384	1,671,998	1,990,554	1,835,554	1,610,033	1,375,868	1,627,792
	50.9%	49.2%	48.8%	46.4%	44.8%	43.5%	46.3%
	343,729	216,338	322,211	342,452	174,420	110,547	281,918
	9.0%	6.4%	7.9%	8.7%	4.9%	3.5%	8.0%
	219,943	150,334	242,081	252,441	124,964	83,318	214,718
	5.8%	4.4%	5.9%	6.4%	3.5%	2.6%	6.1%
	80,907	58,707	61,207	58,729	46,665	31,273	36,812
	273,327	250,096	261,881	251,554	237,327	227,825	221,246
	243,130	208,379	181,389	200,504	211,228	161,727	179,000
	474,724	500,283	590,557	365,293	358,461	333,805	451,028
	-453,619	-837,125	-165,010	-195,615	-228,568	-155,439	-207,256
	21,105	-336,842	425,547	169,678	129,893	178,366	243,772
	-210,202	355,692	-340,464	-354,830	-232,590	-183,449	-267,366
	881	611,289	493,238	361,962	357,340	4,834	179,750
	2,959,929	2,776,327	2,863,986	2,820,644	2,685,496	2,575,031	2,873,773
	501,895	560,736	570,033	611,281	584,756	562,807	650,568
	4,431,720	5,142,279	5,201,626	4,902,955	4,771,918	4,625,614	4,750,888
	201.41	137.66	223.03	233.80	116.79	79.37	205.35
	201.40	137.66	223.03	233.78	116.77	79.35	205.29
	150	150	160	160	160	80	100
	4,539	3,656	4,472	4,395	3,338	3,099	2,938
	3,402	2,780	3,218	2,877	2,688	1,627	1,876
	66.8%	54.0%	55.1%	57.5%	56.3%	55.7%	60.5%
	47 days	59 days	49 days	56 days	59 days	60 days	66 days
	4.9%	3.1%	4.7%	5.0%	2.6%	1.8%	4.6%
	7.4%	5.2%	8.6%	8.9%	4.5%	3.2%	7.9%
	74.5%	109.0%	71.4%	68.4%	136.2%	100.4%	48.7%

Message from the CEO

Policies and Strategies

Activity Report

Management Foundation

Data Summary/
Corporate Information

Protecting and Conserving the Environment

Data on CO₂

Total GHG Emissions by Scope

(t-CO₂)

	2017	2018	2019	2020	2021
Scope 1	174,342	160,520	151,504	124,639	114,456
Scope 2	962,229	930,471	891,734	822,940	875,482

* Figures for 2020/2021 obtained third party verification.

Data on Energy

Energy Consumption by Region in 2021

(TJ)

	Electricity	Gas	Oil	Other (steam, wide area heating and air conditioning)
Japan	4,581	1,039	190	256
Americas	337	122	3	0
Europe	305	173	124	70
Asia and Oceania (except Japan)	1,616	60	26	52
Total	6,839	1,394	343	378

* Electricity includes the amount generated by renewable energy sources.

* Figures obtained third party verification.

Use of Renewable Energy by Region in 2021

(MWh)

(TJ)

	Electric power	Geothermal power
Japan	719	0
Americas	10,854	0
Europe	69,262	15
Asia and Oceania (except Japan)	1,792	0
Total	82,627	15

Data on Waste

Recovery Volume by Type of Waste in 2021

(t)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by office equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	19,476
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	15,203
Metals	Raw materials for metals, roadbed materials, etc.	18,163
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	12,075
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	3,889
Wood	Construction boards, bedding for plants, pulp materials, fuels, fertilizers, etc.	3,970
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	190
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	7,439
Total		80,406

Landfill Amount of General Waste Generated by Business Activities

(t)

	2017	2018	2019	2020	2021
General landfill waste generated by business activities	2,656	2,923	2,725	2,506	2,709

Atmospheric Emissions

SOx and NOx Emissions

(t)

	2017	2018	2019	2020	2021
SOx	1.2	1.1	1.0	0.8	0.7
NOx	61.7	56.1	52.9	47.9	44.3

Data on Water Resources

Total Wastewater Discharge

(1,000m³)

	2017	2018	2019	2020	2021
Japan	4,491	4,377	4,221	4,083	4,192
Outside Japan	3,306	3,086	3,116	2,671	2,669

Wastewater Amount by Discharge Route in 2021

(1,000m³)

	Rivers	Sewerage System	Total
Japan	877	3,315	4,192
Outside Japan	429	2,240	2,669
Total	1,306	5,555	6,861

2021 Water Quality Data

(t)

	2021
SS	130
BOD	212

Water Consumption in 2021 by Type

(1,000m³)

	Public Water	Industrial Water	Groundwater	Total
Japan	1,482	2,588	1,201	5,271
Outside Japan	1,795	1,247	247	3,289
Total	3,277	3,835	1,448	8,560

Use of Recycled Water and Recycling Rate in 2021

	Recycled Water (1,000m ³)	Recycling Rate (%)
Japan	1,410	26.7
Outside Japan	29	0.9
Total	1,438	16.8

* Figures obtained third party verification.

Data Summary

Amount of Chemical Substances in 2021

(t)

	Amount
Japan	7,865
Outside Japan	816
Total	8,681

VOC Emissions in 2021

(t)

	VOC Emissions
Japan	116
Outside Japan	149
Total	265

2021 List of Chemical Substances Subjected to the PRTR Act

(kg)

Statutory No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Waste Recyclables
7	N-butyl acrylate	3	0	0	0	24,332
20	2-aminoethanol	667	0	1	89	27,461
31	Antimony and its compounds	7	0	0	0	89
53	Ethylbenzene	945	0	0	18	23,481
71	Ferric chloride	0	0	0	0	128,887
80	Xylene	6,368	0	0	4,025	162,544
125	Monochlorobenzene	137	0	0	159	11,271
128	Methyl chloride	4	0	0	0	0
150	1,4-dioxane	214	0	0	0	313
202	Diphenylamine	0	0	0	0	68
232	N,N-dimethylformamide	183	0	0	0	216
240	Styrene	192	0	0	0	78,947
259	Tetraethylthiuram disulfide	0	0	0	0	6
296	1,2,4-trimethylbenzene	185	0	0	1	39
298	Tolylene diisocyanate	0	0	0	0	276
299	Toluidin	3	0	0	0	0
300	Toluene	6,188	0	0	501	38,330
306	Hexamethylene diacrylate	0	0	0	0	56
308	Nickel	460	0	0	65	831
309	Nickel compounds	0	2	0	6	1,184
343	Pyrocatechol	23	0	0	0	3,643
349	Phenol	76	0	0	5	90
374	Hydrogen fluoride and its water-soluble salts	2	103	5,345	0	16,316
395	Water-soluble salts of peroxodisulfuric acid	0	0	42	0	5,438
408	Poly (oxyethylene) octylphenyl ether	0	0	0	37	521
412	Manganese and its compounds	75	0	0	1	244
438	Methylnaphthalene	33	0	0	0	185
448	Methylenebis (4,1-phenylene) diisocyanate	1	0	0	1	7,159

Environmental Accounting

We quantitatively ascertain the costs of environmental conservation in our business activities, the outcomes of such activities, and the economic effect associated with environmental conservation measures.

Environmental Conservation Costs

(Billions of yen)

Category		Details of Key Activities	2021	
			Investment*1	Cost*2
(1) Business Area Cost			1.61	8.17
Details	1. Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	0.54	3.50
	2. Global Environmental Conservation Cost	Prevention of global warming, energy conservation, efficient logistics, etc.	0.88	2.10
	3. Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.19	2.57
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling*3, etc.	0.10	15.27
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.05	3.60
(4) R&D Cost*4		R&D for reducing environmental impact	0.01	0.09
(5) Social Activity Cost		Contributions to organizations, sponsorships, memberships, etc.	0.01	0.17
(6) Environmental Remediation Cost		Soil remediation	0.0	0.08
(7) Other		Other environmental protection-related costs	0.0	0.01
Total			1.78	27.38

*1 Of total investment in depreciable assets, the amount spent for the purpose of environmental conservation

*2 Of total costs, the amount incurred for the purpose of environmental conservation

*3 In connection with the recycling of used products, expenses for product collection, storage, sorting, shipment, etc.

*4 Expenses for basic research on environmental technologies.

Environmental Conservation Benefit

Details of Benefit		Environmental Protection Indices	
		Index	Index Value (2021)
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO ₂)	50,550
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	80,406
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (1,000 t-CO ₂)*5	2,270
		Recovery of used products (t)*6	55,746

*5 CO₂ reduction resulting from energy-conservation technologies in electrographic multifunction devices and laser printers.

*6 Amount of recovered copying machines, cartridges, etc. (including outsourced material recycling and thermal recovery).

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2021
Revenue	Sales revenue from waste recycling	2.08
Cost Reduction	Reduction in energy costs from energy conservation*7	1.80
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling*8	2.03
Total		5.92

*7 Reduction in power purchasing costs, etc., due to introduction of new equipment and energy conservation measures.

*8 Reduction in external waste handling consignment costs due to introduction of new equipment and measures contributing to resource conservation, as well as gains on sales due to conversion of waste into recyclable materials, etc.

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2021
Lower energy costs from reduced product energy consumption*9	63.66
Profit from used product recycling	9.35

*9 Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2020 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Operational Sites Covered in the Environmental Section

Name	Location
Canon Inc. (1 company, 14 operational sites)	
Headquarters (Shimomaruko)	Tokyo
Yako Office	Kanagawa
Kawasaki Office	Kanagawa
Tamagawa Office	Kanagawa
Kosugi Office	Kanagawa
Hiratsuka Plant	Kanagawa
Ayase Plant	Kanagawa
Fuji-Susono Research Park	Shizuoka
Utsunomiya Plant	Tochigi
Toride Plant	Ibaraki
Ami Plant	Ibaraki
Utsunomiya Optical Products Plant	Tochigi
Optics R&D Center	Tochigi
Oita Plant	Oita
Marketing Headquarters in Japan (1 company)	
Canon Marketing Japan Inc.	Tokyo
Manufacturing Subsidiaries in Japan (23 companies)	
Canon Electronics Inc.	Saitama
Canon Finetech Nisca Inc.	Saitama
Fukui Canon Materials Inc.	Fukui
Top Business Machines Co., Ltd.	Shiga
Canon Precision Inc.	Aomori
Canon Chemicals Inc.	Ibaraki
Oita Canon Inc.	Oita
Miyazaki Canon Inc.	Miyazaki
Canon Optron, Inc.	Ibaraki
Canon Components, Inc.	Saitama
Nagahama Canon Inc.	Shiga
Oita Canon Materials Inc.	Oita
Canon Semiconductor Equipment Inc.	Ibaraki
Canon Ecology Industry Inc.	Ibaraki
Ueno Canon Materials Inc.	Mie
Fukushima Canon Inc.	Fukushima
Canon Mold Co., Ltd.	Ibaraki
Canon ANELVA Corporation	Kanagawa
Canon Machinery Inc.	Shiga
Canon Tokki Corporation	Niigata
Nagasaki Canon Inc.	Nagasaki
Canon Medical Systems Corporation	Tochigi
Canon Electron Tubes & Devices Co., Ltd.	Tochigi

Name	Location
Manufacturing Subsidiaries Outside Japan (20 companies)	
Canon Virginia, Inc.	U.S.A.
Canon Giessen GmbH	Germany
Canon Bretagne S.A.S.	France
Canon Inc., Taiwan	Taiwan
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia
Canon Hi-Tech (Thailand) Ltd.	Thailand
Canon Dalian Business Machines, Inc.	PRC
Canon Zhuhai, Inc.	PRC
Canon Vietnam Co., Ltd.	Vietnam
Canon Zhongshan Business Machines Co., Ltd.	PRC
Canon (Suzhou) Inc.	PRC
Canon Finetech Nisca (Shenzhen) Inc.	PRC
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia
Canon Prachinburi (Thailand) Ltd.	Thailand
Canon Business Machines (Philippines), Inc.	Philippines
Canon Production Printing Netherlands B.V.	The Netherlands
Canon Production Printing Germany GmbH & Co. KG	Germany
Axis Communications AB	Sweden
Canon Electronics Vietnam Co., Ltd.	Vietnam
Marketing Headquarters Outside Japan (5 companies)	
Canon U.S.A., Inc.	U.S.A.
Canon Europe Ltd.	United Kingdom
Canon Europa N.V.	The Netherlands
Canon (China) Co., Ltd.	PRC
Canon Australia Pty. Ltd.	Australia
Other Companies Subject to Reporting (74 companies)	
In Japan (18)	
Outside Japan (56)	

* The scope of third-party verification of GHG includes the 123 companies covered in Canon's consolidated ISO certification and one other company not included in consolidated certification, all listed above.

* Some sites are excluded from data in the Environment Accounting section, such as sites having a low impact on total values.

Responding to People and Society as a Good Corporate Citizen

Number of Canon Group Employees

	2017	2018	2019	2020	2021
Japan	73,665	73,460	72,979	72,338	70,924
Europe	25,623	25,281	23,126	22,578	22,363
Americas	18,448	18,361	18,207	15,307	15,066
Asia and Oceania	80,040	77,954	72,729	71,674	75,681
Total	197,776	195,056	187,041	181,897	184,034

Breakdown of Employees (Canon Inc.)

		2017	2018	2019	2020	2021
Total number of employees		26,075	25,891	25,740	25,713	25,377
By gender	Male	22,027	21,794	21,631	21,534	21,215
	Female	4,048	4,097	4,109	4,179	4,162
By age group	Under 30	2,853	2,938	2,997	3,116	3,072
	30s	6,924	6,462	5,906	5,507	5,021
	40s	7,419	7,218	7,225	7,243	7,196
	50s	7,747	7,991	8,119	8,158	8,153
	60 and over	1,132	1,282	1,493	1,689	1,935

Number of New Hires and Employees Leaving the Company (Canon Inc.)

		2017	2018	2019	2020	2021
Newly hired employees	Male	472	520	540	548	305
	Female	106	142	142	169	62
	Total	578	662	682	717	367
Employees voluntarily leaving the company/ Voluntary turnover rate	Employees voluntarily leaving the company/ Voluntary turnover rate	333	409	491	462	448
	Voluntary turnover rate (%)	1.3	1.6	2.0	1.9	1.9

Breakdown of Executives (Canon Inc.)

		2017	2018	2019	2020	2021
By gender	Male	48	46	49	46	48
	Female	2	2	2	2	2

Composition of Executives by Age (Canon Inc.)

		50s	60s	70s	80s
By gender	Male	15	20	5	2
	Female	2	0	0	0

Data Summary

Percentage of Employee Membership in the Canon Workers' Union

	2017	2018	2019	2020	2021
Canon Inc.	80	81	80	80	79
Key Group companies in Japan*	87	85	84	83	82

* 19 member unions of the Canon Group Workers' Union Conference

Ratio of Internationalization in Canon Group Companies Outside Japan

	Americas	Europe	Asia (excluding Japan)
Presidents	33	90	27
Managers	89	94	92

* Share of non-Japanese appointed as presidents and managers.

* Survey targeting major marketing companies in each region

Comparison of Canon's Minimum Wage to Local Minimum Wage

	Japan	U.S.	China
Local minimum monthly wage	156,150 yen	1,647 dollars	2,030 renminbi
Canon	Standard minimum monthly wage	2,340 dollars	2,684 renminbi
	Ratio compared to local minimum wage	107%	142%

* Figures represent wages for leading manufacturing companies in each region, not average wages.

Base Salary and Total Salary per Employee by Gender (Canon Inc.)

	Female : Male	
Base pay	Management	100 : 105
	Non-management employees	100 : 115
Total pay	Management	100 : 105
	Non-management employees	100 : 118

* Figures represent wages for leading manufacturing companies in each region, not average wages.

Annual Hours Worked per Employee (Canon Inc.)

	2017	2018	2019	2020	2021
Total hours worked	1,735	1,737	1,725	1,720	1,745

* Regular/post-retirement employee survey data (Canon Inc.)

* 2020 includes managers' overtime hours.

Number of Employees Taking Childcare and Nursing Care Leave (Canon Inc.)

	2017	2018	2019	2020	2021
Taking childcare leave	186 (43)	214 (76)	255 (119)	299 (178)	357 (242)
Using reduced work hours for childcare	122 (11)	130 (9)	138 (15)	120 (9)	119 (18)
Taking maternity leave	21	29	22	21	16
Working reduced hours due to pregnancy	2	4	4	6	0
Taking nursing care leave	11	14	19	19	15
Using reduced work hours for nursing care	4	5	5	11	4
Applications for Fertility Treatment Subsidy Program	255	208	211	199	182

* Number of employees in that year using the system for the first time.

* () Number of male employees.

Return/Retention Rates and Number of Employees Returning from Childcare/Nursing Care Leave (Canon Inc.)

		2017	2018	2019	2020	2021
Returning from Childcare Leave	Number of returning employees	164 (38)	210 (79)	216 (81)	282 (153)	368 (242)
	Return rate (%)	98	99	99	99	99
	Retention rate (%)	97	98	95	98	98
Returning from Nursing Care Leave	Number of returning employees	6	14	19	16	11
	Return rate (%)	100	88	83	94	100

* () Number of male employees.

* Retention rate: (The total number of employees who are registered as of 12 months after returning from childcare leave) ÷ (The total number of employees who returned to work from childcare leave during a previous report period) × 100.

Composition of Canon Group Workforce by Employment Type

	Regular employees	Non-regular employees	Percentage of non-regular employees
Composition of workforce by employment type	167,873 (164,743)	16,161 (15,815)	8.8

* Figures in parentheses indicate full-time employees.

* Percentage of non-regular employees is calculated against full-time employees only.

Ratio of Female Employees by Position (Canon Inc.)

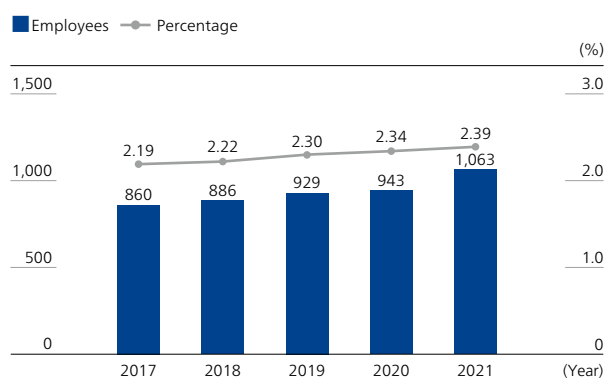
	2017	2018	2019	2020	2021
Employees	15.5	15.8	16.1	16.5	16.6
Managers	2.6	2.6	2.9	3.0	3.3
Executives	4.0	4.2	3.9	4.2	4.0

Ratio of Female Employees across Canon Group

	Japan	Americas	Europe	Asia and Oceania
Employees	19.6	38.1	34.0	61.0
Managers	3.2	23.7	22.7	29.6

* Global ratio for principal Group companies

Number and Percentage of Employees with Disabilities at Canon Inc. and Key Group Companies in Japan



*As of June 1 each year

Numbers and Frequency of Occupational Accidents (Canon Inc., Key Group Companies in Japan)*1

	2017	2018	2019	2020	2021
Accidents requiring time off work	23	33	26	31	16
Accidents not requiring time off work	101	130	114	112	96
Frequency rate*2 (%)	0.23	0.26	0.20	0.26	0.13
Severity rate*3 (%)	0.006	0.009	0.005	0.005	0.002
Frequency rate for the manufacturing industry (%)	1.02	1.20	1.20	1.21	—*4
Severity rate for the manufacturing industry (%)	0.08	0.10	0.10	0.07	

*1 Calculated for three Group companies in 2018, and four Group companies in 2019.

*2 The prevalence of occupational fatalities and injuries per 1 million working hours.

*3 The degree of the disaster with the labor loss days per 1,000 total of working hours.

*4 The data for the year ended December 2021 not published as of April 2022.

R&D Expenses

	2017	2018	2019	2020	2021
R&D expenses	333.4	315.8	298.5	272.3	287.3

(Billions of yen)

Data Summary

Expenditure on Social Contribution Activities

(Billions of yen)

Expenditure on social contribution activities	Approx. 1.7
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* Canon Inc. and key consolidated Group companies

Major Social Contribution Activities (not including those featured on P100–102)

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Disaster Relief Fundraising	In 2021, in Europe, Canon donated to support countries affected by the dreadful flooding in July of that year. In addition, Canon has also supported an initiative in Belgium to restore pictures that were damaged by the flooding to keep precious memories alive.	
	Cooperation with UN Support Programs	Canon is a sponsor and supporter of the UNHCR WILL2LIVE Movement, a program of cinema and music celebrating the resilience of refugees in the face of adversity, organized by Japan for UNHCR* ¹ with the cooperation of the UNHCR Representation in Japan. Canon also participates in activities to support the Japan Association for the World Food Programme.* ²	*1 The national partner of UNHCR in Japan *2 The national partner of the World Food Programme (WFP) in Japan
Environmental Conservation	Environmental Outreach Classes	These classes teach the importance of recycling by using experiments to sort materials with different characteristics to help promote deeper understanding of environmental issues.	
Social Welfare	American Cancer Society	Since 1998, Canon U.S.A. has been a supporter of the American Cancer Society initiative “Making Strides Against Breast Cancer” to raise funds for cancer research. Canon employees participate in walks and other fundraising activities.	URL: https://www.usa.canon.com/internet/portal/us/home/about/corporate-social-responsibility/community-social-involvement/american-cancer-society
Local Communities	Disaster Recovery Support Programs	Programs aimed at reinvigorating local communities affected by the Great East Japan Earthquake.	
Education and Science	Junior Photographers	This project organizes photography classes for children on the theme of nature with the aims of raising environmental awareness and fostering richer artistic sensitivity. In 2021, photography workshops, some of them online events, took place at five schools and were attended by 182 participants.	
	Internship Program for Students	Group companies conducted various internships, including programs aimed at supporting the career development of students. Canon Inc. offered a total of approximately 2,400 internships to students on administrative, technical or specialist tracks in 2021.	
Art, Culture, and Sports	New Cosmos of Photography	This photography competition project aims to discover, nurture, and support new photographers pursuing new possibilities in creative photographic expression.	URL: https://global.canon/en/newcosmos/

Third-party Opinion



Co-Lead Research Unit Innovation Labs,
Sustainable Production and
Consumption Division,
Wuppertal Institute for Climate,
Environment and Energy
<https://wupperinst.org/>

Dr. Justus von Geibler

Impact Matters

The consequences of global challenges such as climate change, the Covid-19 pandemic, supply chain interruptions and related growing inequalities are increasingly obvious and critical. Urgent action is needed, as the latest report of the Intergovernmental Panel on Climate Change (IPCC), released in February 2022, highlights: With further delays of collaborative global action we will miss the short and rapidly closing window of opportunity to secure a liveable future. Since governments cannot solve these challenges alone, global companies like Canon are expected more urgently than ever to proactively contribute to the achievement of global sustainability goals.

Against this background, I have reviewed the draft material of Canon's integrated report for 2021 with special attention to concrete action and changes of real-world impacts. I would like to focus my comment on two main changes that I observed compared to last year's report.

Newly Established Human Rights Policy and Sustainability Headquarters

This year's report provides evidence that Canon has, in response to increasing societal demands, created new policies and a new organizational structure for sustainability in 2021. They include the "Human Rights Policy" (→P77) and the "Sustainability Headquarters" (→P21). I highly welcome these important achievements rooted in Canon's continuous efforts to integrate sustainability thinking into the company. The section on "Human rights" (→P77–81) provides a new analysis of human rights risks for the Canon Group including a specification of Canon's responses. With regard to supplier-related risks, the international standard of the Responsible Business Alliance has been adopted in Canon's Supplier Code of Conduct (→P81). I expect these policies and new structure to improve the sustainability impacts over time.

To help stakeholders to understand Canon's performance in the reporting period and over time, performance data time series are of particular importance. With regard to economic performance and a number of environmental topics, such as greenhouse gas emissions, the report already provides such time series. For other topics, such a data basis could be meaningful in future reports. Particularly, I would like to see similar time series on the circularity of overall material use in the company, and also for more social metrics, for example on cases of reports that are related to human rights. In the current report, the interested reader has the opportunity to review the valuable "Data Summary" section in the report (→P134–137), and specifically look at the available time series related to employment figures.

More Detailed Information on Strategies

This Canon report offers deeper insights into the corporate strategy. I highly appreciate more detailed disclosures on four specific strategies, addressing business, intellectual property rights, human resources and finance, jointly presented in the last part of the section on "Policies and Strategies" (→P35–48). They provide more granular information on the implementation strategy of the New Phase of the Excellent Global Corporation Plan in its first year. Especially in the section "Business Strategy" (→P35–42), I like the more detailed specification of the contributions to the UN Sustainable Development Goals (SDGs) for each corporate group, which refer to the more specific target level of the SDGs. At the same time, I see options to further improve this strategy section. A specification and overview of short- and mid-term management targets of the strategies and a similar structure of the individual strategy descriptions could support the reader's understanding. Also, I would welcome to see stronger consideration of sustainability trends as business opportunities or risks. This could accelerate the integration of sustainability thinking in the company.

With this year's report, Canon has once again succeeded in significantly improving the quality and credibility of the integrated report. It shows Canon's role as a proactive contributor to the achievement of global sustainability goals. I congratulate Canon and its reporting team for their continued effort and great accomplishments.

Third-party Opinion



Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair

Judy Kuszewski

Canon has understood for many years that the purpose of a corporation goes beyond the making and selling of products and services, beyond the provision of jobs for workers and income for investors. Fundamentally, Canon improves people's lives – through technical excellence, convenience, creativity, innovation, accessibility and partnership, among many other qualities. The *kyosei* philosophy encapsulates this attitude to service of society's needs.

This Integrated Report represents the most recent expression of Canon's evolution and journey toward integration of sustainability ambition and business strategy. I congratulate Canon for the seriousness with which it takes this activity, as well as the significant progress this report demonstrates, including:

- A coherent new corporate structure, comprising four core business groups, augmented by several global headquarters units, bringing a consistent level of excellence to its operations
- An expanded focus on the respect for human rights in Canon's operations and supply chain, building on previously established activities, but with a fresh vitality and attention to international best practices
- The confidence to address core elements of business and financial strategy alongside its economic, social and environmental ambitions – recognising and respecting the symbiosis that exists between all these elements as well as its readers' and stakeholders' concerns for them all.

A consequence of Canon's recent organisational restructuring into the four major business groups is the clarity this brings to the breadth of activities, products and services the group provides and the ways in which it seeks to add value in the future. From a sustainability perspective, this lays bare the reality of Canon as a technology provider, above and beyond its historical emphasis on certain types of products. Technology is characterised by ingenuity and flexibility, by finding new ways to use resources and not being bound by past practices or preconceived ideas.

The very flexibility of technology, however, brings risk as well as opportunity, including in sustainability terms.

For example, imaging technology can enhance security and efficiency in the community, but it can alternatively be used to strengthen the surveillance capabilities of state actors in ways that may not be benign. Resource-efficient materials and solutions can lower the in-use environmental footprint of products, but this may also serve to drive product obsolescence that in turn leads to unnecessary waste. The fact is that the impacts of technology depend largely on how they are put to use. Their potential impacts may be positive or negative – but it is of fundamental importance that we understand these impacts clearly; we cannot otherwise know which ones are most compelling or consequential, and which ones most powerfully drive business value.

When we consider risk and opportunity, therefore, it is important to focus on the impacts, both positive and negative, associated with a business's activities, in addition to its strategy, capability and intent. In this respect, I believe Canon's reporting may be clearer in the future. I would encourage Canon to explain more concretely how the risks and opportunities identified are associated with specific impacts to people and planet, and to expand the scope of risk and opportunity beyond Canon itself. This is in line with global best practice, including the forthcoming European regulations on sustainable investment, which stipulate that 'sustainable' business activities must not only contribute to particular sustainability objectives, but must also avoid doing significant harm to other sustainability objectives. This can only be achieved through a careful and transparent analysis of impacts.

Canon has been especially effective in its use of the UN Sustainable Development Goals (SDGs), particularly in linking Canon's specific strengths and capabilities with the most important societal needs. I believe this can only help deliver clarity of purpose while strengthening the management of Canon's impacts. A more challenging next step would be to go beyond the high-level goals to link Canon's business strategy to the more specific targets contained within the goals – for example, considering Goal 11 (Sustainable cities and communities) not only in its broadest sense, but also through the most relevant sub-targets, such as sustainable urban transport, civic participation and disaster resilience.

Canon's sustainability and integrated reporting efforts have been ongoing for years, but remain an emerging field – exactly as it is for other major global businesses – and in this sense will never be 'finished'. I thank Canon once again for its constant efforts to improve not only its transparency but its performance toward sustainable business and good corporate citizenship.

Third-party Review Process

Introduction

As part of Canon’s ongoing efforts to improve its sustainability reporting for stakeholders, Canon seeks the advice of external experts to review and comment on its sustainability report.

This process aims to:

- Provide a means both to advance Canon’s commitment to sustainable development and to check expectations and perceptions of progress with respected external experts
- Support the achievement of accountability through the sustainability report
- Help foster dialogue between Canon and its stakeholders while supporting good accountability practice.

Judy Kuszewski* and Dr. Justus von Geibler have supported Canon’s reporting every year for over a decade, through dialogue with Canon leadership and detailed, challenging review of concepts and draft contents as they are developed, as well as written commentary which is published in this report.

* Judy Kuszewski and colleagues at Sancroft International provided professional advice and assistance to Canon in relation to human rights-related risks and Canon’s response. This work is unrelated to her third-party comment and facilitation role regarding the Canon Report.

Basis for the Commentators’ Opinions

- **Materiality** – The topics of greatest importance to Canon’s business and to its stakeholders.
- **Integration into business** – Demonstrating that Canon’s sustainability priorities are fully embedded into the business operations.
- **Clarity and complexity** – How to implement integrated business and sustainability strategy with simplicity in a large multinational organization.
- **Risk and responsibility** – Canon should embrace its role as a technology provider and the responsibility it has to encourage ethical, sustainable use of its products and solutions.

Judy Kuszewski and Justus von Geibler are well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting. They are not auditors or assurance providers.

What Canon and the Commentators Discussed

Through the video conference process and written submissions, the commentators and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included the following, with Canon participants’ responses and views shown alongside:

Topics	Third-party comment	Canon views
Increasing integration of sustainability in business strategy	Canon’s new streamlined and coherent corporate structure provides a platform to drive collaboration and consistency in its sustainability integration, which is evident throughout the report. The development of the Global Headquarters functions, including the Sustainability Headquarters, should be a high priority for achieving this.	Canon established the Sustainability Headquarters in May 2021 and is strengthening its efforts toward the realization of a sustainable society (→P21). This year’s report shows the relationship between business activities and sustainability in more concrete terms, such as by introducing each business group’s contribution to the SDGs at the target level (→P35–42).
Looking forward as well as looking to history	The Canon Report covers the company’s extensive history and development, but this risks being excessively backward-looking. Future reports should balance this with looking ahead, including medium- and long-term targets. There is a challenge in talking about the future when the technology, policy, market and business environments remain uncertain. However, this uncertainty can itself be a compelling sustainability theme, particularly its relation to such topics as climate change, which demand both long-term commitment and medium-term progress.	Canon has enhanced its history and strategy pages to help readers better understand our past initiatives, but from now on we will consider the overall balance, including the future. In the area of climate change, which is of high public interest, we have shown our goals for 2030 and 2050, and included as much information about our planned approach to achieving these as currently possible. We have also strengthened disclosure in accordance with TCFD (→P32). We will continue to disclose information on sustainability that meets the needs of society and our stakeholders.
Validating and refining the material topics and relationship to the SDGs	Canon should consider investors’ views when assessing material topics for inclusion in the report as well as in Canon’s strategy and goals. This may provide important insight into integration of sustainability with business strategy.	Canon conducts surveys to identify changes in stakeholders’ interests when formulating new management plans or when there are major changes in society. We also review our current initiatives through dialogue with stakeholders such as investors and ESG experts, and will continue to make further improvements in the future.
Conveying clear and rational strategy	Each of the four business lines presents its own business strategy, with additional strategies pertaining to intellectual property, human resources and other cross-business issues. These sit alongside the material issues analysis, with little connection between them. There is good opportunity to simplify and connect this content to improve the clarity and effectiveness of Canon’s integrated strategy.	The intellectual property, human resources, and financial strategy pages have been newly created for this year’s report to provide more integrated understanding of Canon’s business activities (→P43–48). Based on discussions with commentators, we will strive to convey Canon’s integrated strategy in detail in the future.
Strengthening the approach to human rights risk and responsibility	Canon has significantly increased the depth and detail provided on its commitment to human rights in the supply chain and related activities. This is an important achievement, which will help Canon remain on track to meet ever-increasing global best practice obligations in relation to one of its core material impact issues.	In October 2021, Canon established the Canon Group Human Rights Policy as part of its human rights initiative based on international standards. In addition to that, Canon also conducted human rights due diligence and implemented a grievance mechanism (→P77–81). We will continue to take these activities further and strengthen our efforts in respect for human rights.

Judy Kuszewski’s and Dr. von Geibler’s full statements can be seen at “Third-party Opinions.” (→P138–139)

Third-party Assurance

Canon has received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA) for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2022 for the years 2020 and 2021.



LRQA Independent Assurance Statement

Relating to CANON Group's Environmental Data within CANON Sustainability Report 2022 for the calendar year 2020 and 2021

This Assurance Statement has been prepared for CANON INC. in accordance with our contract but is intended for the readers of this report.

Terms of Engagement

LRQA was commissioned by CANON INC. ("the Company") to provide independent assurance of its Environmental data within CANON Sustainability Report 2022 ("the report") for the calendar year 2020 (from 1 January 2020 to 31 December 2020) and 2021 (from 1 January 2021 to 31 December 2021), against the assurance criteria below to a limited level of assurance and materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064-3:2019 for greenhouse gas emissions.

Our assurance engagement covered operations and activities of the Company and its subsidiaries in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected dataset; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:¹
 - Scope 1 GHG emissions (tonnes CO₂e)
 - Scope 2 GHG emissions, [market-based and location-based] (tonnes CO₂e)
 - Scope 3 GHG emissions associated with Categories 1 to 15² (tonnes CO₂e)
 - Energy Consumption² (TJ)
 - Water consumption² (m³)
 - GHG emissions intensity (tonnes CO₂e/100Myen-consolidated net sales)

Our assurance engagement excluded the other data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable environmental data

The opinion expressed is formed on the basis of a limited level of assurance³ and at the materiality of the professional judgement of the verifier.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with ISAE3000 (Revised) and ISO 14064-3. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

¹ GHG quantification is subject to inherent uncertainty.

² Verification was only conducted for 2021 year's data.

³ The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification;
- Interviewing with key people responsible for compiling the data and drafting the report;
- Sampling datasets and tracing activity data back to aggregated levels;
- Verifying the historical GHG emissions, energy consumption, water consumption and GHG emissions intensity data and records for the calendar year 2020 and 2021.
- Verification of the effectiveness of the data management system for the Company's head office and Utsunomiya plant by implementing the Company's "restriction of visitors to the workplace" due to the global infection spread of COVID-19 is conducted remotely using email, telephone, and WEB meeting system.

Observations

The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems in the data and information management of GHG emissions, energy consumption and water consumption. In particular, it is expected that data management at overseas sites will be more accurate.

LRQA's Standards, Competence and Independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LR for Company and as such does not compromise our independence or impartiality.

Signed

Dated: 15 July 2022

Norihiko Kinoshita
LRQA Lead Verifier
On behalf of LRQA Limited
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LRQA reference: YKA4005113

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Company Overview (As of December 31, 2021)

Company Information

Company name	Canon Inc.	Canon Inc. shareholders' equity: Common stock	¥174,762 million
Established	August 10, 1937	Group companies	329 consolidated subsidiaries
Headquarters	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan	Affiliated companies accounted for by the equity-method	10
Chairman & CEO	Fujio Mitarai		

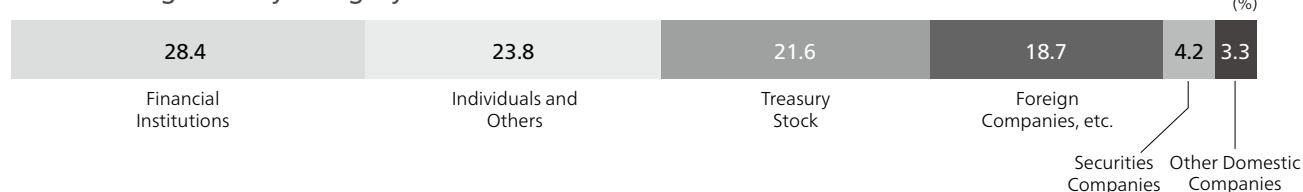
Stock Information

Number of Shares Issuable 3,000,000,000

Number of Shares Issued, Capital, and Number of Shareholders

	As of the end of the previous fiscal year	Change during the period under review	As of the end of the period under review
Number of Shares Issued	1,333,763,464	0	1,333,763,464
Capital Stock (yen)	174,761,797,475	0	174,761,797,475
Number of Shareholders	466,867	Decrease of 37,984	428,883

Shareholding Ratio by Category



Major Shareholders (top ten)

Name of shareholder	Number of Shares Held (thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	166,121	15.9
Custody Bank of Japan, Ltd. (Trust Account)	62,350	6.0
The Dai-ichi Life Insurance Company, Limited	24,320	2.3
Mizuho Bank, Ltd.	22,558	2.2
State Street Bank West Client – Treaty 505234	20,903	2.0
Moxley and Co. LLC	19,101	1.8
Obayashi Corporation	16,527	1.6
SMBC Nikko Securities Inc.	15,210	1.5
Barclays Securities Japan Limited	14,157	1.4
Sompo Japan Insurance Inc.	13,080	1.3

* Shareholding ratio is calculated by deducting the number of treasury shares (287,991 thousand shares) from total shares issued.

* With respect to The Dai-ichi Life Insurance Company, Limited, in addition to the above, there are 6,180 thousand shares of the company's stock included in trust property relating to a retirement benefit trust.

Credit Ratings

	Long-term	Short-term
S&P	A	A-1
R&I	AA	—

Main Group Companies

Japan (Consolidated subsidiaries 56)

Canon Precision Inc.
 Canon Tokki Corporation
 Fukushima Canon Inc.
 Canon Medical Systems Corporation
 Canon Electron Tubes & Devices Co., Ltd.
 Canon Components, Inc.
 Canon Semiconductor Equipment Inc.
 Canon Chemicals Inc.
 Canon Electronics Inc.
 Canon Finetech Nisca Inc.
 Canon ANELVA Corporation
 Nagahama Canon Inc.
 Canon Machinery Inc.
 Oita Canon Materials Inc.
 Oita Canon Inc.
 Nagasaki Canon Inc.
 Miyazaki Canon Inc.
 Canon Marketing Japan Inc.
 Canon System and Support Inc.
 Canon IT Solutions Inc.
 Canon Medical Finance Co., Ltd.

Europe (Consolidated subsidiaries 148)

Canon Bretagne S.A.S.
 Canon Production Printing Netherlands B.V.
 Canon Production Printing Germany GmbH & Co. KG
 Axis Communications AB
 Canon Research Centre France S.A.S.
 Axis AB
 Canon Europa N.V.
 Canon Europe Ltd.
 Canon Ru LLC
 Canon (UK) Ltd.
 Canon Deutschland GmbH
 Canon (Schweiz) AG
 Canon Nederland N.V.
 Canon France S.A.S.
 Canon Middle East FZ-LLC
 Canon Italia S.p.A.
 Canon Medical Systems Europe B.V.
 Milestone Systems A/S

Americas (Consolidated subsidiaries 52)

Canon Virginia, Inc.
 Canon U.S.A., Inc.
 Canon Canada Inc.
 Canon Solutions America, Inc.
 Canon Financial Services, Inc.
 Canon Medical Systems USA, Inc.

Asia and Oceania (Consolidated subsidiaries 73)

Canon Dalian Business Machines, Inc.
 Canon (Suzhou) Inc.
 Canon Zhongshan Business Machines Co., Ltd.
 Canon Inc., Taiwan
 Canon Vietnam Co., Ltd.
 Canon Hi-Tech (Thailand) Ltd.
 Canon Prachinburi (Thailand) Ltd.
 Canon Business Machines (Philippines), Inc.
 Canon Opto (Malaysia) Sdn. Bhd.
 Canon Medical Systems Manufacturing Asia Sdn. Bhd.
 Canon Semiconductor Equipment Taiwan, Inc.
 Canon Machinery (Malaysia) Sdn. Bhd.
 Canon (China) Co., Ltd.
 Canon Hongkong Co., Ltd.
 Canon Singapore Pte. Ltd.
 Canon India Pvt. Ltd.
 Canon Australia Pty. Ltd.

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



Canon Medical Systems Corporation



Axis Communications AB



Canon Tokki Corporation



Canon Production Printing Netherlands B.V.



Canon U.S.A., Inc.





Canon Europe Ltd.

Major Awards, Citations, and Association Memberships

Major Awards and Citations

Award/Citation	Product or Award Detail	Presenter	Region
Imperial Invention Prize	Canon Medical received this coveted award for its development of a data-reading method for wide-area CT detectors (Patent No. 5135425). The award recognizes the ability to scan entire organs in a single rotation and thus take images with much lower radiation doses.	Japan Institute of Invention and Innovation	Japan
 Platinum Kurumin	Awarded to Canon Inc., Canon IT Solutions, Oita Canon Materials, and Canon Marketing Japan. Among companies granted Kurumin certification by the Ministry of Labour, Health and Welfare for activities in support of childrearing, Platinum certification recognizes those that have implemented initiatives of a particularly high standard.	Ministry of Health, Labour and Welfare	Japan
 Eruboshi	Oita Canon Materials was awarded the Eruboshi designation for carrying out high-level initiatives to support women's advancement.	Ministry of Health, Labour and Welfare	Japan
 Top Employer 2021	Certifies companies with a strong evaluation in terms of work environment, employer branding, learning, well-being, and ethics and integrity	Top Employers Institute	Europe
 The Health & Productivity Stock Selection 2021	Canon was included in the selection in recognition of its long-standing and committed initiatives for advanced labor and health management, establishing as a guiding principle the 'Health First' approach which has been an integral part of the corporate culture since its foundation.	Ministry of Economy, Trade and Industry and Tokyo Stock Exchange	Japan
 The Certified Health and Productivity Management Organization Recognition Program 2021	Accredited as companies performing exceptional health and productivity management based on initiatives aligned with local health issues and initiatives to increase health promoted by Nippon Kenko Kaigi	Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi	Japan
 Good Design Best 100 Awards 2021	EOS R3 mirrorless camera was included in the Good Design Best 100	Japan Institute of Design Promotion	Japan
 DFA Design for Asia Awards 2021	PowerShot ZOOM compact telephoto monocular received the Silver Award	Hong Kong Design Centre	Asia
 Digital Transformation Certification	Certifies that a company satisfies the criteria of Japan's Digital Governance Code, indicating the management practices needed to improve corporate value, and is making appropriate disclosure to stakeholders	Ministry of Economy, Trade and Industry	Japan
 Environmentally sustainable company	Continuously disseminating information on sustainability initiatives in sustainability report and on the website	Ministry of Environment	Japan

Award/Citation	Product or Award Detail	Presenter	Region
 Red Dot Award reddot winner 2021	AXIS's W100 Body Worn Camera wins Red Dot Award: Product Design 2021.	Nordrhein-Westfalen Design Center	Europe
 iF DESIGN AWARD 2021	Nine products including EOS R5 received awards. PowerShot ZOOM Wins Gold Award for Best Product.	iF International Forum Design	Europe
PEZA Award	Canon Business Machines Philippines wins three PEZA Awards in recognition of its proactive SDGs activities and contributions to local communities.	PEZA	Asia
Pinnacle Awards	Canon wins Pinnacle Awards for four products, including Colorado 1630, and two technologies.	PRINTING United Alliance	Americas
Regional Environmental Award	Canon Bretagne wins the grand prize in the Bretagne Trophy for sustainable development for its long-running efforts to recycle cartridges, educate employees about the environment, and protect local biodiversity.	ADEME Bretagne	Europe
2021 Excellent Performance Award	Canon Inc. was selected by TSMC (Taiwan) as an "Excellent Production Support" in the Excellent Performance Award presented to a company that has made a significant contribution to the development of its business and the semiconductor industry.	TSMC	Asia

Main Association Memberships and Participating External Initiatives

- Keidanren (Japan Business Federation)
- Japan Electronics and Information Technology Industries Association (JEITA)
- Japan Business Machine and Information System Industries Association (JBMIA)
- Camera & Imaging Products Association (CIPA)
- Semiconductor Equipment Association of Japan (SEAJ)
- Japan Machinery Center for Trade and Investment (JMC)
- Japan Center for Economic Research (JCER)
- Nippon Computer Security Incident Response Team Association (NCA)
- Responsible Minerals Initiative (RMI)
- Responsible Business Alliance (RBA)
- Japan Intellectual Property Association (JIPA)
- License on Transfer Network
- chemSHERPA
- Ink Cartridge Satogaeri Project



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<https://global.canon/en/>
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Sustainability Website
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IR Website
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