

Investment Stewardship

Vote Bulletin: Canon Inc.

Company	Canon Inc. (TYO: 7751)
Market and Sector	Japan, Industrial Conglomerates
Meeting Date	30 March 2023
Key Resolutions ¹	<p>Item 2.1: Elect Fujio Mitarai as Director</p> <p>Item 2.2: Elect Toshizo Tanaka as Director</p> <p>Item 2.3: Elect Toshio Homma as Director</p> <p>Item 2.4: Elect Kunitaro Saida as Director</p> <p>Item 2.5: Elect Yusuke Kawamura as Director</p>
Key Topics	Board quality and effectiveness, succession planning
Board Recommendation	The board recommended shareholders vote FOR these proposals
BlackRock Vote ²	BlackRock voted FOR Items 2.2-2.5 and AGAINST Item 2.1

Overview

Canon Inc. (Canon) is a Japanese industrial conglomerate that is engaged in the production of printers, cameras, medical imaging systems, and semiconductor lithography equipment, among others.³

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that in our assessment can impact their ability to deliver durable financial performance for long-term investors like BlackRock's clients. BIS also engages to provide a long-term investor perspective on corporate governance practices.

¹ Canon Inc., "Notice of Resolutions of The Ordinary Meeting of Shareholders for the 122nd Business Term", March 30, 2023.

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock's [Voting Choice](#) program, eligible clients can also retain their voting rights or vote their shares in line with their preferences by selecting one of 14 third-party policies. 47% (\$1.8 trillion of \$3.8 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$1.8 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data from January 1, 2022 through September 30, 2022.

³ Canon Inc., "Our Business".

BIS has had multiyear engagements with Canon during which we have discussed a range of corporate governance topics that we believe are important for long-term financial value creation, including board diversity and long-term executive leadership planning.

Since 2021, BIS has looked to companies in the TOPIX 100 index to have at least one woman director. As of 2023, we now look for these larger Japanese companies to have at least two women directors to achieve more meaningful diversity of thought on the board.⁴ When companies have not appointed two women directors to their board, we look to them to provide a reasonable explanation to investors as to why their current board structure is optimal for delivering long-term financial performance.

On the agenda of Canon's March 2023 annual general meeting (AGM) was a proposal for the election of the company's five-member board of directors, all male, including the board's chair who concurrently serves as Canon's CEO. In our experience, boards comprised of directors who bring a diversity of perspectives minimize the risk of group think and contribute to more robust discussions, more innovative decisions, and better long-term economic outcomes for companies.⁵ Similarly, in the context of sound corporate governance practices, we believe it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking and in a manner that supports both continuity and long-term leadership.

Rationale for BlackRock's vote

Item 2.1: Elect Fujio Mitarai as Director (AGAINST)

Item 2.2: Elect Toshizo Tanaka as Director (FOR)

Item 2.3: Elect Toshio Homma as Director (FOR)

Item 2.4: Elect Kunitaro Saida as Director (FOR)

Item 2.5: Elect Yusuke Kawamura as Director (FOR)

BIS makes voting decisions – including on the election of directors – on a case-by-case basis in accordance with our market-specific proxy voting guidelines, and through the lens of long-term financial value creation for our clients. At Canon's March 2023 AGM, we did not support the election of Fujio Mitarai, who serves as Board Chair and CEO, as well as Chair of the nomination committee, due to our concerns about the composition of Canon's board, for which he is responsible as chair. Canon currently has no women directors, making it an outlier amongst large Japanese companies.⁶

As we explain in our Global Principles, in our view, diversity in the boardroom allows boards to have deeper discussions and make more resilient decisions. We believe boards should aspire to meaningful diversity of membership, at least consistent with local regulatory requirements⁷ and best practices, while recognizing that building a strong, diverse board can take time.

Last year, at Canon's March 2022 AGM, we signaled our concerns about Canon's lack of board diversity by voting withhold support for the election of Mr. Fujio Mitarai, who, as chair of the nomination committee, is responsible for the composition of the board. The proposed item received 75.28% support from shareholders, significantly below the results for the other board members' elections.⁸ At the March 2023 AGM, Mr. Mitarai's election received only 50.59% support from investors compared to an average of 83.77% for the other

⁴ BlackRock Investment Stewardship, "Proxy Voting Guidelines for Japan Securities", January 2023.

⁵ Blackrock Investment Stewardship, "Global Principles", January 2023.

⁶ Egon Zehnder, Spotlight on Japan 2022/23, notes that 92% of large Japanese companies have at least one woman director.

⁷ Tokyo Stock Exchange, "Japan's Corporate Governance Code", June 2021.

⁸ Canon Inc., "Extraordinary Report". April 1st 2022.

directors,⁹ which suggests widespread investor concern on this matter. BIS will continue to monitor Canon's progress towards enhancing the composition of the board in support of board effectiveness and durable long-term creation for our clients.

⁹ Canon Inc., "[Extraordinary Report](#)". April 3rd 2023.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹⁰

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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¹⁰ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.